FEDERAL HOME LOAN BANKS

Combined Financial Report
for the Year Ended December 31, 2013

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 bonds and consolidated 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, nor 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 this 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.

This Combined Financial Report is 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 Report to the Federal Home Loan Banks Office of Finance at (703) 467-3600.

This Combined Financial Report was issued on March 28, 2014.

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

EXPLANATORY STATEMENT ABOUT
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 consolidated obligations (consolidated bonds and consolidated discount notes) of the FHLBanks as these are the joint and several obligations of all 12 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.

Each FHLBank is a separately chartered cooperative with its own board 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). Although the FHLBanks work together in an effort to achieve consistency on significant accounting policies, 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 the 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 an annual financial report, filed on SEC Form 10-K, and quarterly financial reports, filed on SEC Form 10-Q. Those reports contain additional information that is not contained in this Combined Financial 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. 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.

BUSINESS

General Information

The FHLBanks are government-sponsored enterprises (GSEs), organized under the authority of the Federal Home Loan Bank Act of 1932, as amended (FHLBank Act). The Office of Finance is a joint office of the FHLBanks established to facilitate the issuance and servicing of debt for the FHLBanks, known as consolidated obligations, and to prepare the combined quarterly and annual financial reports of the 12 FHLBanks. The FHLBanks and the Office of Finance are regulated by the Federal Housing Finance Agency (FHFA). (See *Audits and Examinations* - *FHLBanks' Regulator* for more information regarding the FHFA.)

The mission of the FHLBanks is to provide financial products and services to their members and eligible non-members, including, but not limited to, advances, that assist and enhance their financing of: (1) housing, including single-family and multi-family housing serving consumers at all income levels; and (2) community lending. FHFA regulations require each FHLBank's board of directors to have in effect, at all times, a strategic business plan that describes how the business activities of that FHLBank will achieve the mission of FHLBanks.

The FHLBanks serve the public by providing a readily available, low-cost source of funds to FHLBank members through secured loans (advances). These funds may be used for residential mortgages, community investments, and other services for housing and community development. In addition, some of the FHLBanks provide members with a means of enhancing liquidity by purchasing or funding home mortgages through mortgage programs developed for their members. Under these programs, the FHLBanks purchase mortgage loans from, and fund mortgage loans through, members and eligible housing associates called participating financial institutions. Members can also borrow from an FHLBank to fund low-income housing, helping the members satisfy their regulatory requirements under the Community Reinvestment Act (CRA). Finally, some of the FHLBanks offer their members a variety of services, including:

- correspondent banking, which includes security safekeeping, wire transfers, and settlements;
- cash management;
- letters of credit; and
- derivative intermediation.

Table 1 - FHLBanks' Asset Composition

Percentage of Combined Total Assets	December 31, 2013	December 31, 2012
Advances	59.8%	55.8%
Investments(1)	29.1%	34.9%
Mortgage loans held for portfolio, net	5.3%	6.5%
Other assets	5.8%	2.8%
Combined total assets	100.0%	100.0%

(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.

The FHLBanks fund their assets and operations principally through the sale of consolidated obligations, which are debt instruments issued through the Office of Finance. Each FHLBank is jointly and severally liable with the other FHLBanks for all consolidated obligations issued. Consolidated obligations are not obligations of the United States and are not guaranteed by either the United States or any government agency. Additional funds are provided by member deposits and the issuance of capital stock.

Table 2 - FHLBanks' Liability and Capital Composition

Percentage of Combined Total Liabilities and Capital	December 31, 2013	December 31, 2012
Consolidated obligations		
Discount notes	35.2%	28.4%
Bonds	56.8%	62.4%
Total consolidated obligations	92.0%	90.8%
Deposits	1.3%	1.8%
Mandatorily redeemable capital stock	0.6%	0.9%
Other liabilities	0.7%	0.9%
Total liabilities	94.6%	94.4%
Total GAAP capital(1)	5.4%	5.6%
Combined total liabilities and capital	100.0%	100.0%

(1) The FHLBanks' combined regulatory capital-to-assets ratio was 6.06% at December 31, 2013 and 6.69% at December 31, 2012. (See *Note 17 - Capital* to the accompanying combined financial statements for details on regulatory capital requirements.)

The FHLBanks are cooperatives that are privately and wholly owned by their members and former members. Each FHLBank operates as a separate entity within a defined geographic region of the country, known as its district, with its own board of directors, management, and employees. As a condition of membership, each member must purchase and maintain capital stock. To the extent declared by an FHLBank's board of directors, a member may receive dividends on its investment in capital stock from the earnings of its FHLBank.

Membership in an FHLBank is voluntary and is limited to regulated depositories, insurance companies, and community development financial institutions (CDFIs). A CDFI is eligible to become a member if it has been certified by the CDFI Fund of the U.S. Department of the Treasury (U.S. Treasury). CDFIs include community development loan funds, community development venture capital funds, and state-chartered credit unions without federal insurance. (See *Market for Capital Stock and Related Stockholder Matters* - *Table 6 - Membership by Type of Member,* which presents FHLBank membership.) Eligible institutions may generally only become a member of the FHLBank whose district includes the location of the institution's principal place of business. Some financial institution holding companies may have one or more subsidiaries, each of which may be a member of the same or a different FHLBank.

As cooperative institutions, each FHLBank conducts its credit and mortgage program businesses almost exclusively with its stockholders. An FHLBank may also have investments in interest-bearing deposits, securities purchased under agreements to resell, federal funds sold, commercial paper, and certificates of deposit, and may also execute mortgage-backed securities and derivative transactions, with members or their affiliates. All investments are transacted at then-current market prices without preference to the status of the counterparty or the issuer of the investment as a member, non-member, or affiliate. The FHLBanks manage their primary objective of fulfilling their public purpose by enhancing the value of membership for member institutions. The value of membership may be derived from access to readily available credit and other services from the FHLBanks and the value of the cost differential between an FHLBank's advances and other potential sources of funds, as well as the potential for dividends received on a member's investment in an FHLBank's capital stock.

In keeping with their cooperative philosophy, the FHLBanks price their advances at a narrow spread over their cost of funds and historically have returned a portion of their net income to their members in the form of dividends. Accordingly, the FHLBanks' net income and balance of retained earnings are relatively small as compared to total assets and total liabilities. (See *Financial Discussion and Analysis - Capital Adequacy* - *Dividend and Excess Stock Limitations* for a discussion of dividend payment limitations for certain FHLBanks.)

The primary source of revenue for the FHLBanks is interest income earned on advances, mortgage loans held for portfolio, and investments. The primary items of expense for the FHLBanks are interest paid on consolidated obligations; operating expenses, including employee compensation and benefits; and assessments. The FHLBanks may also recognize non-interest gains and losses, such as net other-than-temporary impairment losses, net gains (losses) on trading securities, net gains (losses) on derivatives and hedging activities, and net gains (losses) on debt extinguishments. A key driver of net interest income and net income is the return the FHLBanks receive on invested member capital because there is no related interest expense.

Historical Perspective

The fundamental business of the FHLBanks is to provide a readily available, low-cost source of funds in a wide range of maturities to meet the demands of members and eligible non-member housing associates. Congress created the FHLBanks in 1932 to improve the availability of funds to support home ownership.

Congress originally granted access to advances only to those institutions with the potential to make and hold long-term, amortizing home mortgage loans. Those institutions were primarily federally- and state-chartered savings and loan associations, cooperative banks, and state-chartered savings banks (thrift institutions). As a result, FHLBanks and their member thrift institutions became an integral part of the home mortgage financing system in the United States. However, a variety of factors, including a severe recession, record-high interest rates, and unsafe and unsound practices following thrift deregulation, resulted in significant losses for thrift institutions in the 1980s. In reaction to the significant cost to the American taxpayers of resolving failed thrift institutions, Congress restructured the home mortgage financing system by passing the Financial Institutions Reform, Recovery and Enforcement Act of 1989. Congress reaffirmed the housing finance mission of the FHLBanks and expanded membership eligibility in the FHLBanks to include commercial banks and credit unions with a commitment to housing finance.

On July 30, 2008, the Housing and Economic Recovery Act of 2008 (Housing Act) was enacted and was designed to, among other things, address the then-current housing finance crisis, expand the financing authority of the Federal Housing Administration (FHA), and address GSE reform issues. With respect to the FHLBanks, the Housing Act created the FHFA, which became the regulator of the FHLBanks and the Office of Finance, with broad authority over FHLBank issues such as: board of director composition, executive compensation, risk-based capital standards and prompt corrective action enforcement provisions, membership eligibility for community development financial institutions, and low-income housing goals.

Advances

The FHLBanks serve as a source of liquidity by making loans, known as advances, to their members and eligible non-member housing associates on the security of mortgages and other collateral pledged by the borrowing institutions. Access to FHLBank advances can reduce the amount of low-yielding liquid assets a member would otherwise hold to ensure the same amount of liquidity. Advances are the FHLBanks' largest asset category on a combined basis, representing 59.8% and 55.8% of combined total assets at December 31, 2013 and 2012. Advances are generally collateralized by mortgages held in FHLBank member portfolios. (See *Financial Discussion and Analysis - Risk Management - Credit Risk - Advances* for additional information on advances collateral). Because portfolio lenders may originate loans that they are unwilling or unable to sell in the secondary mortgage market, FHLBank advances can serve as a funding source for a variety of mortgages, including those focused on very low-, low-, and moderate-income households. For those members that choose to sell or securitize their mortgages, FHLBank advances can provide interim funding.

Each FHLBank develops its advance programs to meet the particular needs of its members. Each FHLBank offers a wide array of fixed- and variable-rate advances, with maturities typically ranging from one day to 30 years, consistent with its safe and sound operation.

Advance Products

- Fixed-Rate Advances. These advances are available over a variety of terms and are used to fund both the short- and long-term liquidity needs of borrowers. Typically, interest is paid monthly or quarterly and the principal is paid at maturity.

- Variable-Rate Advances. These advances have interest rates that reset periodically to a specified interest rate index, such as the London Interbank Offered Rate (LIBOR) or other standard indices, and are used to fund both the short- and long-term liquidity needs of borrowers. Typically, interest is paid monthly or quarterly and the principal is paid at maturity.

- Hybrid Advances. These advances contain a one-time option to embed either a floor or cap at any time during the life of the advance and may be either fixed- or variable-rate at the time of issuance.

- Convertible Advances. These 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.

- Fixed-Rate Amortizing Advances. These advances are medium- or long-term fixed-rate loans with amortizing schedules structured to match the payment characteristics of a mortgage loan or portfolio of mortgage loans. The principal and interest are repaid monthly, quarterly, semi-annually, or annually over the term of the advances. Fixed-rate amortizing advances may be fully amortizing to the maturity date, or may have a balloon payment due at maturity.

- Overnight Advances. These advances are used primarily to fund the short-term liquidity needs of borrowers. An overnight advance may automatically renew until the member pays down the advance, or it may mature on the next business day. Interest rates are set daily.

In addition to these advance products, the FHLBanks' advance programs may include products with embedded option features, such as interest-rate caps and floors and call and put options, advances with non-standard interest-rate indices, forward starting advances, and advances with a combination of these features.

Advances to Members and Non-Members

In addition to advances to members, the FHLBanks are permitted to make advances to non-members that are approved mortgagees under Title II of the National Housing Act (housing associates, which are generally state and local housing agencies) and that meet the following requirements:

- is a chartered institution having succession;
- is subject to the inspection and supervision of some governmental agency;
- its principal activity in the mortgage field consists of lending its own funds;
- its financial condition is such that advances may be safely made to the housing associate; and
- if the non-member is a state housing financing agency (as defined by FHFA regulation), it shall provide satisfactory evidence that it functions as a source of mortgage loan financing in that state or for the Indian or Alaskan Native community.

Housing associates are not subject to certain provisions applicable to members under the FHLBank Act. For example, they are not required or permitted to purchase capital stock in an FHLBank. However, the same regulatory lending requirements that apply to members also generally apply to housing associates. Advances to housing associates represented approximately 0.1% of total advances outstanding at par value at both December 31, 2013 and 2012.

FHLBank advances can provide funding to smaller lenders that lack diverse funding sources because smaller lenders often do not have access to all of the funding alternatives available to larger financial entities. The FHLBanks give these lenders access to wholesale funding at competitive prices.

FHLBank credit products also help members in their asset and liability management. The FHLBanks can offer advances that are matched to the maturity and prepayment characteristics of mortgage loans. These advances can reduce a member's interest-rate risk associated with holding long-term, fixed-rate mortgages. In addition, an FHLBank may make commitments for advances to a member covering a predefined period. This program aids members and their FHLBank in cash flow planning and enables members to reduce their funding risk.

The FHLBanks offer specialized programs that provide members with access to below-market interest rate advances to create affordable homeownership and rental opportunities and for commercial and economic development activities. (See *Business - Other Mission-Related Activities* for more information.)

Investments

The FHLBanks maintain investment portfolios for liquidity purposes, to use balance sheet capacity, and to generate additional earnings. This investment income also bolsters the FHLBanks' capacity to meet their commitments to affordable housing and community investment.

The FHLBanks maintain short-term investment portfolios, which may provide funds to meet the credit needs of their members. Within the portfolio of short-term investments, the FHLBanks have unsecured credit exposure on certain investments. These portfolios may include:

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

The FHLBanks earn interest income by holding long-term investments. These investments generally provide the FHLBanks with higher returns than those available on short-term investments. Within the portfolio of long-term investments, the FHLBanks are primarily subject to credit risk related to private-label mortgage-backed securities that are either directly or indirectly supported by underlying mortgage loans.

Total investments represented 29.1% of the FHLBanks' combined total assets at December 31, 2013 and 34.9% of the FHLBanks' combined total assets at December 31, 2012.

FHFA regulations prohibit the FHLBanks from investing in certain types of securities and limit the FHLBanks' investment in mortgage-backed securities (MBS) and asset-backed securities (ABS). (See *Financial Discussion and Analysis - Risk Management - Credit Risk - Investments* for information on these restrictions and limitations.)

Mortgage Loans

An FHLBank may have programs to purchase mortgage loans from, or fund mortgage loans through, members or housing associates called participating financial institutions (PFIs). The primary programs are the Mortgage Partnership Finance® (MPF) Program ("Mortgage Partnership Finance," "MPF," and "MPF Xtra" are registered trademarks of the FHLBank of Chicago) and the Mortgage Purchase Program (MPP). Through the MPP and MPF Program, an FHLBank invests principally in qualifying 5-year to 30-year conventional and government-guaranteed or -insured fixed-rate mortgage loans and participations in pools of these mortgage loans, secured by one-to-four family residential properties. Government mortgage loans are insured or guaranteed by the Federal Housing Administration, the Department of Veterans Affairs, the Rural Housing Service of the Department of Agriculture, or the U.S. Department of Housing and Urban Development (HUD).

The MPP and MPF Program were developed to support the FHLBanks' housing mission, diversify their assets, and provide an additional source of liquidity to their members. As such, these programs serve as a secondary mortgage structure for those FHLBank members originating mortgage loans that they choose to sell into the secondary mortgage market rather than hold in their own loan portfolios.

At December 31, 2013, the FHLBanks of Atlanta, Chicago, Dallas, San Francisco, and Seattle were not accepting additional master commitments to acquire loans for their own portfolio or purchasing additional mortgage loans under either the MPP or MPF Program, except for certain FHLBanks' purchases of MPF Loans to support affordable housing. The remaining FHLBanks participating in the MPP or MPF Program continue to have the ability to purchase and fund both conventional and government-guaranteed or -insured fixed-rate mortgage loans. Starting in 2014, the FHLBank of San Francisco plans to begin purchasing conventional, conforming, fixed-rate mortgage loans, and Federal Housing Administration/Department of Veterans Affairs-insured mortgage loans from members for its own portfolio under the MPF Original and MPF Government products. At December 31, 2013 and 2012, the FHLBanks had invested in MPF Loans and MPP Loans in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Mortgage loans held for portfolio represented 5.3% and 6.5% of the FHLBanks' combined total assets at December 31, 2013 and 2012.

Under the MPP and MPF Program, each FHLBank manages the interest-rate risk, prepayment option risk, and liquidity risk of the fixed-rate mortgage loans in which it holds an interest, while the PFI manages the origination and servicing activities. For conventional mortgage loans, each FHLBank holding an interest, and the PFI selling or originating the mortgage loan, share in the credit risk pursuant to a master commitment as the PFI is required to provide a measure of credit-loss protection to the FHLBank(s) holding interests in loans generated by the PFI. For government mortgage loans, the servicer provides and maintains insurance or a guarantee from the applicable government agency. The servicer is responsible for compliance with all government agency requirements and for obtaining the benefit of the applicable insurance or guarantee with respect to defaulted government mortgage loans. Any losses incurred on these loans that are not recovered from the issuer or the guarantor are absorbed by the servicer. (See *Financial Discussion and Analysis - Risk Management - Credit Risk - Mortgage Loans Held for Portfolio* and *Note 10 - Allowance for Credit Losses* - *Credit Enhancements* to the accompanying combined financial statements for a detailed discussion of the credit enhancement and risk sharing arrangements and loan product information for these programs.)

MPF Program

One or more MPF FHLBanks may acquire or participate in all or a portion of the acquired mortgage loans from a PFI of another MPF FHLBank. The FHLBank of Chicago acts as "MPF Provider" and provides programmatic and operational support to the MPF FHLBanks and each of their PFIs. There are currently five MPF Program portfolio products, and the MPF Xtra product under which mortgage loans are sold concurrently to Fannie Mae. Five of these six products (Original MPF, MPF 125, MPF Plus, MPF Government, and MPF Xtra) are closed loan products in which the MPF FHLBank purchases loans that have been acquired or have already been closed by the PFI with its own funds. For the sixth product, MPF 100, the loans were previously acquired as table-funded loans whereby the MPF FHLBank funded and originated the loans because the PFI acted as the agent for the MPF FHLBank. Unlike other conventional MPF Program products, under the MPF Xtra product the FHLBank of Chicago purchases eligible MPF Loans from PFIs located in its district and in other FHLBank districts and concurrently sells these MPF Loans to Fannie Mae as a third-party investor. PFIs are not required to provide credit enhancement and do not receive credit enhancement fees in connection with the MPF Xtra product.

MPP

Each participating FHLBank may acquire mortgage loans from its approved PFIs that can also be third-party servicers for the FHLBank's MPP. Also, each MPP FHLBank is responsible for operating its own program, including the marketing and funding of MPP loans, and establishing the loan origination, underwriting, and servicing criteria of the loans acquired through its MPP. The MPP FHLBanks neither service the acquired loans, nor own any servicing rights. However, an MPP FHLBank must approve any servicer, including a member-servicer, and any transfers of servicing to third parties. Each MPP FHLBank has engaged JPMorgan Chase Bank as the MPP master servicer.

Consolidated Obligations

Consolidated obligations consist of consolidated bonds and 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 obligations outstanding represented 92.0% and 90.8% of the FHLBanks' combined total liabilities and capital at December 31, 2013 and 2012.

The use of consolidated bonds or consolidated discount notes to provide funding is generally determined based on the desired maturity of the obligation. All consolidated obligations are issued through the Office of Finance on behalf of the 12 FHLBanks. The Office of Finance can issue consolidated obligations only when an FHLBank provides a request for and agrees to accept the funds. An FHLBank is generally prohibited by regulation from purchasing, directly or indirectly, securities from the initial issuance of consolidated obligations. The FHFA and the U.S. Secretary of the Treasury have oversight over the issuance of FHLBank debt.

The capital markets have generally considered the FHLBanks' consolidated obligations to be agency debt. As a result, although the U.S. government does not guarantee the FHLBanks' debt, the FHLBanks have traditionally had ready access to funding at relatively favorable rates. The FHLBanks' ability to access the capital markets through the issuance of consolidated obligations, using a variety of debt structures and maturities, allows the FHLBanks to manage their balance sheets effectively and efficiently.

Credit Ratings. Consolidated obligations are currently rated Aaa/P-1 by Moody's and AA+/A-1+ by S&P. These ratings reflect the FHLBanks' status as GSEs and indicate that these rating agencies believe the FHLBanks have the capacity to meet their commitments to pay principal and interest on consolidated obligations. 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. These ratings have not been affected by rating actions taken with respect to individual FHLBanks. 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 nationally recognized statistical rating organization at any time. Investors should evaluate the rating of each nationally recognized statistical rating organization independently.

Interest Rate. Consolidated obligations can be 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 federal funds effective rate, LIBOR, and others. When consolidated obligations are issued with variable-rate coupon payment terms that use the federal funds effective rate, the FHLBanks typically simultaneously enter into derivatives that effectively convert the federal funds effective rate to LIBOR.

The federal funds effective rate is based on transactional data relating to the federal funds sold market. An increase in commercial bank excess reserves combined with the rate of interest paid on those reserves has contributed to a decline in the volume of transactions in the overnight federal funds market. In the aggregate, the FHLBanks may comprise a significant percentage of the federal funds sold market, including the brokered portion, at any one time. However, each FHLBank manages its investment portfolio separately. (See *Note 11 - Derivatives and Hedging Activities* to the accompanying combined financial statements.)

Derivative Transactions. To meet the expected demand of certain investors in consolidated obligations, both fixed-rate and variable-rate consolidated bonds may contain features that result in complex coupon payment terms and call or put options. When these consolidated obligations are issued, the FHLBanks typically enter into derivatives containing offsetting features that effectively convert the terms of the consolidated bond to better match the interest-rate risk management objectives of the issuing FHLBank(s).

Other Transactions and Services. Certain securities dealers and banks or their affiliates enter into other transactions with and perform other services for the FHLBanks. These services include the purchase and sale of investment securities. In some cases, some or all of the net proceeds from an issue of consolidated obligations may be loaned to a member that is affiliated with the securities dealer involved in underwriting that issue.

Joint and Several Liability. Although each FHLBank is primarily liable for its portion of consolidated obligations (i.e., those issued on its behalf), each FHLBank is also jointly and severally liable with the other 11 FHLBanks for the payment of principal and interest on all consolidated obligations of each of the FHLBanks. The FHFA, at its discretion, may require any FHLBank to make principal or interest payments due on any consolidated obligation whether or not the consolidated obligation represents a primary liability of that FHLBank. Although it has never occurred, to the extent that an FHLBank makes any payment on a consolidated obligation on behalf of another FHLBank that is primarily liable for that consolidated obligation, FHFA regulations provide that the paying FHLBank is entitled to reimbursement from the non-complying FHLBank for any payments made on its behalf and other associated costs (including interest to be determined by the FHFA). However, if the FHFA determines that the non-complying FHLBank is unable to satisfy its repayment obligations, then the FHFA may allocate the outstanding liabilities of the non-complying FHLBank among the remaining FHLBanks on a pro-rata basis in proportion to each FHLBank's participation in all consolidated obligations outstanding. The FHFA reserves the right to allocate the outstanding liabilities for the consolidated obligations between the FHLBanks in any other manner it may determine to ensure that the FHLBanks operate in a safe and sound manner.

Regulatory Requirements. FHFA regulations require that each FHLBank maintain the following types of assets, free from any lien or pledge, in an amount at least equal to that FHLBank's participation in all consolidated obligations outstanding:

- cash;
- obligations of, or fully guaranteed by, the United States;
- secured advances;

- mortgages, which have any guaranty, insurance or commitment from the United States or any agency of the United States;
- investments described in Section 16(a) of the FHLBank Act (e.g., securities that a fiduciary or trust fund may purchase under the laws of the state in which the FHLBank is located); and
- other securities that are assigned a rating or assessment by a nationally recognized statistical rating organization that is equivalent or higher than the rating or assessment assigned by that nationally recognized statistical rating organization to consolidated obligations.

Any assets subject to a lien or pledge for the benefit of the holders of any issue of consolidated obligations are treated as if they were free from lien or pledge for purposes of compliance with these regulations. In addition, each FHLBank must adhere to the leverage limits set by the FHLBank Act and regulatory limits set by the FHFA. At December 31, 2013, each FHLBank was in compliance with these requirements.

Consolidated Discount Notes

On a daily basis, FHLBanks may request that specific amounts of consolidated discount notes with specific maturity dates be offered by the Office of Finance for sale through certain securities dealers. The Office of Finance commits to issue consolidated discount notes on behalf of the requesting FHLBanks after dealers submit orders for the specific consolidated discount notes offered for sale. The FHLBanks receive funding based on the time of their request, the rate requested for issuance, the trade date, the settlement date, and the maturity date. However, an FHLBank may receive less than requested (or may not receive any funding) because of investor demand and competing FHLBank requests for the particular funding that the FHLBank is requesting. These consolidated discount notes are available in maturities of one year or less and are generally issued at or below par, and mature at par.

Twice weekly, one or more of the FHLBanks may also request that specific amounts of consolidated discount notes with fixed maturities of four, nine, 13, and 26 weeks be offered by the Office of Finance through competitive auctions conducted with securities dealers in the consolidated discount note selling group. The consolidated discount notes offered for sale through competitive auction are not subject to a limit on the maximum costs the FHLBanks are willing to pay. The FHLBanks receive funding based on their requests at a weighted-average rate of the winning bids from the dealers. If the bids submitted are less than the total of the FHLBanks' requests, an FHLBank receives funding based on that FHLBank's regulatory capital relative to the regulatory capital of other FHLBanks offering consolidated discount notes.

Consolidated Bonds

Consolidated bonds are issued primarily to raise intermediate- and long-term funds for the FHLBanks. They can be issued and distributed through negotiated or competitive bidding transactions with approved underwriters or bidding group members. Consolidated bonds generally carry fixed- or variable-rate payment terms and have maturities typically ranging up to 30 years, although there is no statutory or regulatory limitation on their maturity.

TAP Issue Program. The FHLBanks use the TAP Issue Program to issue fixed-rate, noncallable (bullet) bonds. This program uses specific maturities that may be reopened daily through competitive auctions. The goal of the TAP Issue Program is to aggregate frequent smaller fixed-rate funding needs into a larger bond issue that may have greater market liquidity.

Global Bullet Consolidated Bonds. The FHLBanks issue global bullet consolidated bonds. The FHLBanks and the Office of Finance maintain a debt issuance process for scheduled issuance of global bullet consolidated bonds. As part of this process, management from each FHLBank will determine and communicate a firm commitment to the Office of Finance for an amount of scheduled global bullet debt to be issued on its behalf. If the FHLBanks' orders do not meet the minimum debt issue size, each FHLBank receives an allocation of proceeds equal to either the larger of the FHLBank's commitment or the ratio of the individual FHLBank's regulatory capital to total regulatory capital of all of the FHLBanks. If the FHLBanks' commitments exceed the minimum debt issue size, then the proceeds are allocated based on relative regulatory capital of the FHLBanks with the allocation limited to either the lesser of the allocation amount or the actual commitment amount. The FHLBanks can, however, pass on any scheduled calendar slot and decline to issue any global bullet consolidated bonds upon agreement of at least eight of the 12 FHLBanks.

Deposits

The FHLBanks offer demand and overnight deposit programs to members and qualifying non-members. In addition, certain FHLBanks offer short-term interest-bearing deposit programs to members, and in certain cases, qualifying non-members. The FHLBank Act allows each FHLBank to accept deposits from:

- its members;
- any institution for which it is providing correspondent services;
- other FHLBanks; and
- other U.S. government instrumentalities.

Deposit programs, although not as significant as other funding sources, provide some of the funding resources for the FHLBanks. To a much lesser extent than consolidated obligations, deposits also provide funding for advances, mortgage loans, and investments. At the same time, they offer members a low-risk earning asset that satisfies their regulatory liquidity requirements. Deposits represented 1.3% and 1.8% of the FHLBanks' combined total liabilities and capital at December 31, 2013 and 2012.

Capital, Capital Rules, and Dividends

Capital Structure

The Gramm-Leach-Bliley Act (GLB Act) amended the FHLBank Act to permit each FHLBank to issue one or two classes of capital stock, each with sub-classes. Class A capital stock (Class A stock) is redeemable on six months written notice from a member and Class B capital stock (Class B stock) is redeemable on five years written notice from a member. If a member withdraws its membership from an FHLBank, it may not acquire shares of any FHLBank for five years after the date on which its divestiture of capital stock is completed. This restriction does not apply if the member is transferring its membership from one FHLBank to another FHLBank on an uninterrupted basis. (See *Note 17 - Capital* to the accompanying combined financial statements.)

The FHFA's final regulation that implemented a capital structure for the FHLBanks, as required by the GLB Act, had the following effects:

- it established risk-based and leverage capital requirements for the FHLBanks;
- it permitted each FHLBank to issue different classes of stock with different rights and preferences; and
- it required each FHLBank to submit a capital plan for approval by the FHFA.

Capital Adequacy

Under the GLB Act and the FHFA's regulation, each FHLBank is subject to certain risk-based capital requirements. Each FHLBank is required to ensure that it operates in a safe and sound manner, with sufficient permanent capital and reserves to manage risks that arise in the operations and management of that FHLBank. The FHLBanks are subject by regulation to the following three regulatory capital requirements:

- risk-based capital;
- total regulatory capital; and
- leverage capital.

Risk-Based Capital. The GLB Act defines permanent capital for each FHLBank as the amount paid-in for Class B stock, plus the amount of an FHLBank's retained earnings, as determined in accordance with GAAP. Mandatorily redeemable capital stock is considered capital for regulatory purposes. Each FHLBank must maintain at all times permanent capital 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 FHFA.

Credit Risk. Each FHLBank's credit risk capital requirement shall equal the sum of its credit risk capital charges for all assets, off-balance sheet items, and derivative contracts. These computations are based on, among other things, the credit risk percentages assigned to each item as required by the FHFA.

Market Risk. Each FHLBank's market risk capital requirement shall equal the sum of the market value of its portfolio at risk from market movements, primarily interest rates, that could occur during times of market stress plus the amount, if any, by which the current market value of its total capital is less than 85% of its book value of total capital.

Each FHLBank must calculate the market value of its portfolio at risk and the current market value of its total capital by using either an internal market risk model or internal cash flow model approved by the FHFA. Although each FHLBank models its own market risk, the FHFA has reviewed and approved the modeling approach and underlying assumptions used by each FHLBank and reviews these modeling approaches on an ongoing basis.

Operations Risk. Each FHLBank's operations risk capital requirement shall at all times equal 30% of the sum of its credit risk and market risk capital requirements. The FHFA can approve a reduction in this percentage if an FHLBank meets alternative requirements.

Total Regulatory Capital. The GLB Act specifies a four percent minimum total regulatory capital-to-assets ratio. Capital for regulatory capital adequacy purposes under the GLB Act is defined as the sum of each FHLBank's:

- permanent capital;
- amounts paid-in for Class A stock;
- general loss allowance, if consistent with GAAP and not established for specific assets; and
- other amounts from sources determined by the FHFA as available to absorb losses.

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 FHFA may require an FHLBank to maintain greater minimum capital levels than is required based on FHFA rules and regulations.

Each FHLBank was in compliance with these capital requirements at December 31, 2013. (See *Note 17 - 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 FHFA.)

Summary of Individual FHLBank's Capital Plan Structure

Single Class of Class B Stock. Each of the FHLBanks of Pittsburgh, Cincinnati, Des Moines, Dallas, and San Francisco offers a single class of Class B stock. Each of these FHLBanks requires its members to maintain a membership and/or activity-based stock balance based on the terms of its capital plan.

Sub-Classes of Class B Stock. Each of the FHLBanks of New York, Atlanta, Indianapolis, and Chicago offers two sub-classes of Class B stock, Class B1 and Class B2, which represent either membership or activity-based stock requirements based on the terms of the capital plan of each of these FHLBanks. Class B1 and Class B2 stockholders may or may not have the same voting rights and dividend rates, depending on the terms of the capital plan of each of these FHLBanks.

Class A and Class B Stock. Each of the FHLBanks of Boston and Topeka may offer a single series of Class A stock and a single series of Class B stock, although the FHLBank of Boston has not issued, and does not intend to issue, any Class A stock at this time. Usage of Class A stock and Class B stock to meet membership and activity-based requirements, as well as dividend rates and voting rights for each class of stock, would be determined based on the terms of the capital plan of each of these FHLBanks.

The FHLBank of Seattle currently offers a single series of Class B stock, but has an outstanding balance of Class A stock and Class B stock. On May 12, 2009, as part of the FHLBank of Seattle's efforts to correct its then risk-based capital deficiency, the board of directors of the FHLBank of Seattle suspended the issuance of Class A stock to support new advances, effective June 1, 2009. New advances must be supported by Class B stock, which, unlike Class A stock, can be used to increase the FHLBank of Seattle's permanent capital. Class A and Class B stockholders have the same voting rights. (See *Note 17 - 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 FHFA that restricts excess stock repurchases and redemptions and dividend payments.)

Capital Classification Determination

The FHFA has implemented the prompt corrective action provisions of the Housing Act. The FHFA rule defined four capital classifications for the FHLBanks: adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, and the FHFA issued a regulation implementing the prompt corrective action provisions that apply to FHLBanks that are not deemed to be adequately capitalized. The FHFA determines each FHLBank's capital classification on at least a quarterly basis. If an FHLBank is determined to be other than adequately capitalized, that FHLBank becomes subject to additional supervisory authority by the FHFA. (See *Note 17 - Capital* - *FHLBank of Seattle Capital Classification and Consent Arrangement* to the accompanying combined financial statements for more information on the FHLBank of Seattle's capital classification.) Before implementing a reclassification, the Director of the FHFA is required to provide that FHLBank with written notice of the proposed action and an opportunity to submit a response. Each FHLBank is classified by the FHFA as adequately capitalized as of the date of the FHFA's most recent notification to each FHLBank. For a discussion of an individual FHLBank's capital classification, see that FHLBank's periodic report filed with the SEC.

Mandatorily Redeemable Capital Stock

An FHLBank generally reclassifies capital stock subject to redemption from capital to a mandatorily redeemable capital stock liability upon expiration of a grace period, if applicable, after a member exercises a written redemption right, or gives notice of intent to withdraw from membership, or attains non-member status by merger or acquisition, relocation, charter termination, or involuntary termination of membership. Shares of capital stock meeting these conditions are reclassified to mandatorily redeemable capital stock at fair value. 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 capital to a liability, until such amount is paid, and any subsequently declared dividend. Dividends related to capital stock classified as mandatorily redeemable capital stock are accrued at the expected dividend rate and reported as interest expense in the Combined Statement of Income.

Statutory and Regulatory Restrictions on Capital Stock Redemptions and Repurchases

In accordance with the FHLBank Act, each class of FHLBank stock is considered putable by the member, and an FHLBank may repurchase, in its sole discretion, any member's stock investments that exceed the required minimum amount. However, there are significant statutory and regulatory restrictions on the obligation to redeem, or right to repurchase, the outstanding stock. As a result, whether or not a member may have its capital stock in an FHLBank repurchased (at an FHLBank's discretion at any time before the end of the redemption period) or redeemed (at a member's request, completed at the end of a redemption period) will depend on whether the FHLBank is in compliance with the following restrictions.

- An FHLBank may not redeem or repurchase any capital stock if, following such redemption or repurchase, the FHLBank would fail to satisfy any of its minimum capital requirements. By law, no FHLBank stock may be redeemed or repurchased if the FHLBank becomes undercapitalized, so only a minimal portion of outstanding stock qualifies for redemption or repurchase consideration.

- An FHLBank may not redeem or repurchase any capital stock without approval of the FHFA if either its board of directors or the FHFA determines that it has incurred, or is likely to incur, losses resulting, or expected to result, in a charge against capital while such charges are continuing or expected to continue.

- An FHLBank's board of directors can suspend redemptions of stock if it finds that redemptions would result in the FHLBank failing to maintain adequate capital considering risks faced by the FHLBank or would otherwise prevent the FHLBank from operating in a safe and sound manner.

These restrictions apply even if an FHLBank is in compliance with its minimum capital requirements. As a result, repurchases or redemptions of a member's capital stock in an FHLBank will depend on whether the FHLBank is in compliance with its three regulatory capital requirements (risk-based capital, total regulatory capital, and leverage capital). In addition, some FHLBanks have agreed with the FHFA either to maintain higher total capital-to-assets ratios, and/or limit dividend payments and/or repurchases/redemptions of excess capital stock, as part of their retained earnings policies. (See *Financial Discussion and Analysis - Capital Adequacy* - *Dividend and Excess Stock Limitations* for a discussion of divided payment limitations and/or excess stock purchase restrictions for certain FHLBanks.)

Additionally, an FHLBank may not redeem or repurchase shares of capital stock from any of its members if:

- the principal or interest due on any consolidated obligation has not been paid in full when due;
- the FHLBank fails to certify in writing to the FHFA that it will remain in compliance with its liquidity requirements and will remain capable of making full and timely payment of all of its current obligations;
- the FHLBank notifies the FHFA that it cannot provide the foregoing certification, projects it will fail to comply with statutory or regulatory liquidity requirements, or will be unable to timely and fully meet all of its obligations; or
- the FHLBank actually fails to comply with statutory or regulatory liquidity requirements or to timely and fully meet all of its current obligations, or enters or negotiates to enter into an agreement with one or more FHLBanks to obtain financial assistance to meet its current obligations.

If an FHLBank is liquidated, after payment in full to the FHLBank's creditors, the FHLBank's stockholders will be entitled to receive the par value of their capital stock. The rights of the Class A and Class B stockholders in connection with a liquidation or merger or other consolidation with another FHLBank shall be determined in accordance with the capital plan of the affected FHLBank, subject to any terms and conditions imposed by the FHFA.

In addition to possessing the authority, in certain specific situations, to prohibit stock redemptions, an FHLBank's board of directors has the right to call for the FHLBank's members, as a condition of membership, to make additional capital stock purchases as needed to satisfy statutory and regulatory capital requirements under the GLB Act.

Each FHLBank's board of directors has a statutory obligation to review and adjust member capital stock requirements in order to comply with the FHLBank's minimum capital requirements, and each member must comply promptly with any such requirement. However, a member could reduce its outstanding business with the FHLBank as an alternative to purchasing stock.

If, during the period between receipt of a stock redemption notification from a member and the actual redemption (which may last indefinitely if an FHLBank is undercapitalized), an FHLBank is either liquidated or forced to merge with another FHLBank, the redemption value of the stock will be established after the settlement of all senior claims. Generally, no claims would be subordinated to the rights of FHLBank stockholders.

Dividends and Retained Earnings

According to FHFA regulations and the terms of the Joint Capital Enhancement Agreement, as amended (Capital Agreement), an FHLBank's board of directors may declare and pay dividends, in either cash or capital stock, only from previously retained earnings or current net earnings that are classified as unrestricted retained earnings. These rules prohibit an FHLBank from paying a dividend if it has failed to meet any capital requirements or would fail to meet such a requirement after paying the dividend. FHFA regulations also limit the ability of an FHLBank to create excess capital stock under certain circumstances. Excess capital stock is defined as the amount of stock held by a member (or former member) in excess of that institution's minimum investment requirement. An FHLBank may not pay dividends in the form of capital stock or issue new excess capital stock to members if that FHLBank's excess capital stock exceeds one percent of its total assets, or if the issuance of excess capital stock would cause that FHLBank's excess capital stock to exceed one percent of its total assets.

The Capital Agreement 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 FHFA certified that the FHLBanks fully satisfied their REFCORP obligation. In accordance with the Capital Agreement, starting in the third quarter of 2011, each FHLBank allocates 20% of its net income to a separate restricted retained earnings account. (See *Note 17 - Capital* - *Restricted Retained Earnings* to the accompanying combined financial statements for more information.) In addition, several FHLBanks have implemented actions to suspend dividend payments and/or repurchases/redemptions of excess capital stock. (See *Financial Discussion and Analysis - Capital Adequacy* - *Dividend and Excess Stock Limitations* for a discussion of these actions.)

Use of Derivatives

The use of derivatives is an integral part of each FHLBank's financial management strategies to reduce identified risks inherent in its lending, investing, and funding activities. FHFA regulations and each FHLBank's risk management policy are intended to limit credit risk arising from these instruments and prohibit trading in, or the speculative use of, derivative instruments. The types of derivatives an FHLBank may use include: interest-rate swaps, swaptions, interest-rate cap and floor agreements, options, and futures and forward contracts. Each FHLBank may enter into derivatives to:

- reduce funding costs for consolidated obligations;
- manage interest-rate risk exposure inherent in otherwise unhedged asset or liability positions;
- manage prepayment risk;
- achieve the FHLBank's risk management objectives; and
- act as an intermediary between FHLBank members and counterparties.

An FHLBank may use derivatives in its overall interest-rate risk management activities to adjust the interest-rate sensitivity of its assets to correspond to the interest-rate sensitivity of its liabilities. In addition to using derivatives to manage mismatches between the coupon features of its assets and liabilities, an FHLBank also uses derivatives to manage embedded options in its assets and liabilities and to preserve the market value of its existing assets and liabilities.

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. An FHLBank may enter into derivative transactions concurrently with the issuance of consolidated obligations. This strategy of issuing consolidated obligations while simultaneously entering into derivative transactions enables an FHLBank to offer a wider range of attractively priced advances to its members. The continued attractiveness of FHLBank debt depends on yield relationships between the consolidated obligation and derivatives markets. As conditions in these markets change, the FHLBank may alter the types or terms of the consolidated obligations issued. An FHLBank uses derivatives extensively to align the timing, structure, and amount of its members' credit needs with the investment requirements of its creditors. (See *Financial Discussion and Analysis - Risk Management - Credit Risk* - *Derivative Counterparties* for information on credit exposure on derivatives and *Note 11 - Derivatives and Hedging Activities* to the accompanying combined financial statements.)

Audits and Examinations

FHLBanks' Regulator

The Federal Housing Finance Agency (FHFA), an independent agency in the executive branch of the U.S. government, supervises and regulates the FHLBanks and the Office of Finance. The FHFA's stated mission, with respect to the FHLBanks, is to ensure that the FHLBanks operate in a safe and sound manner so that the FHLBanks serve as a reliable source of liquidity and funding for housing finance and community investment. (See *Note 17 - Capital* to the accompanying combined financial statements for more information on the FHFA's regulatory requirements and actions related to the FHLBank of Seattle.)

The FHFA is headed by a Director appointed by the President of the United States, by and with the advice and consent of the U.S. Senate, to serve a five-year term. The Director of the FHFA must have a demonstrated understanding of financial management or oversight, and have a demonstrated understanding of capital markets, including the mortgage securities markets and housing finance.

The Federal Housing Finance Oversight Board advises the Director of the FHFA about overall strategies and policies for executing the duties of the Director of the FHFA. The Federal Housing Finance Oversight Board is comprised of four board members: the Secretary of the Treasury, the Secretary of HUD, the Chairman of the SEC, and the Director of the FHFA, who serves as the chairman of the board.

The FHFA is financed by assessments from the regulated entities, including the FHLBanks. No tax dollars or other appropriations are directed to support the operations of the FHFA or the FHLBanks. To assess the safety and soundness of the FHLBanks, the FHFA conducts annual on-site examinations of each FHLBank and the Office of Finance, as well as periodic off-site reviews. In accordance with the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the Housing Act, the FHFA is required to present the findings of the agency's annual examinations of the 12 FHLBanks and the Office of Finance to the U.S. Congress. In addition, each FHLBank is required to submit monthly financial information on its financial condition and its results of operations to the FHFA.

The principal duties of the Director of the FHFA, with respect to the FHLBanks, are to:

- oversee the prudential operations of the FHLBanks;
- ensure that each FHLBank operates in a safe and sound manner, including maintenance of adequate capital and internal controls;
- ensure that the operations and activities of each FHLBank foster liquid, efficient, competitive, and resilient national housing finance markets (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities);
- ensure that each FHLBank complies with the FHLBank Act and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the Housing Act, and the applicable rules, regulations, guidelines, and orders issued under those Acts;
- ensure that each FHLBank carries out its statutory mission only through activities that are authorized under and consistent with the FHLBank Act and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the Housing Act; and
- ensure that the activities of each FHLBank and the manner in which each FHLBank is operated are consistent with the public interest.

The FHFA is located at 400 7th Street, SW, Washington, D.C. 20024, and its web site is www.fhfa.gov. This web site 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.

Government Corporation Control Act

The Government Corporation Control Act provides that, before a government corporation issues and offers obligations to the public, the Secretary of the Treasury shall prescribe the form, denomination, maturity, interest rate, and conditions to which the obligations will be subject; the method and time issued; and the selling price. The FHLBanks meet the definition of government corporations under the Government Corporation Control Act.

Each FHLBank and the Office of Finance has an internal audit department and an audit committee of its board of directors. An independent registered public accounting firm audits the annual financial statements of each FHLBank and the annual combined financial statements of the FHLBanks prepared by the Office of Finance. The accounting firm conducts the audit of each FHLBank in accordance with the standards of the Public Company Accounting Oversight Board and in accordance with the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The accounting firm conducts the audit of the annual combined financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The FHLBanks and certain members of the U.S. Congress all receive the audited financial statements of the FHLBanks. In addition, each FHLBank is required to submit an annual management report to the President of the United States, the U.S. Congress, the Director of the Office of Management and Budget, and the Comptroller General of the United States. These reports include financial statements, a statement on internal accounting and administrative control systems, and the report of the accounting firm on the financial statements.

The Government Corporation Control Act provides that the Comptroller General of the United States may review any audit of the financial statements conducted by an independent registered public accounting firm and shall report to the U.S. Congress, the Director of the Office of Management and Budget, and the FHLBank under review regarding the results of the review and make any recommendation the Comptroller General of the United States considers appropriate. The Comptroller General of the United States may also audit the financial statements of an FHLBank at the discretion of the Comptroller General or at the request of a committee of the U.S. Congress. In addition, the Comptroller General of the United States has the authority under the FHLBank Act to audit or examine the FHFA and the FHLBanks to determine the extent to which they fairly and effectively fulfill the purposes of the FHLBank Act.

Other Mission-Related Activities

In addition to supporting residential mortgage lending, one of the FHLBanks' core missions is to support community development through affordable housing and community investment. A number of programs administered by the FHLBanks are targeted to fulfill that mission. These programs have provided affordable home ownership and rental opportunities for hundreds of thousands of very low- to moderate-income families and have provided community lending, which has strengthened communities across the United States and its territories.

The FHLBanks offer funding to members, often at below-market interest rates and for long terms, through Community Investment Cash Advance (CICA) programs. Under the CICA programs, in general, each FHLBank:

- shall offer an Affordable Housing Program;
- shall offer a Community Investment Program;
- may offer a Rural Development Funding Program; and
- may offer an Urban Development Funding Program.

CICA programs provide financing for projects that are targeted to affordable housing and certain economic development activities. Economic development projects include commercial, industrial, manufacturing, social service, infrastructure, and public facility projects and activities. CICA lending is targeted to specific beneficiaries, which are determined by the geographical area in which a project is located, by the individuals who benefit from a project as employees or service recipients, or by projects that qualify as small businesses. Members may use the proceeds of CICA funding to finance targeted economic development projects directly (loan originations and purchases) or indirectly (lending to other lenders for eligible purposes).

Affordable Housing Program (AHP). An AHP subsidizes the cost of owner-occupied housing for individuals and families with incomes at or below 80% of the area median income, and in the case of rental housing, the household's income in at least 20% of the units may not exceed 50% of the area median income. The subsidy may be in the form of a grant or a below-cost or subsidized interest rate on an advance. AHP funds are primarily available through a competitive application program at each of the FHLBanks.

In an AHP competitive application program, members submit applications on behalf of one or more sponsors of eligible housing projects. Projects must meet certain eligibility requirements and score successfully in order to obtain funding under an AHP competitive application program. AHP funds are also awarded through a homeownership set-aside program. Under this type of program, an FHLBank may set aside annually up to the greater of $4.5 million or 35% of its annual required AHP funds to assist low- and moderate-income households to purchase homes, provided that at least one-third of the FHLBank's set-aside allocation is made available to assist first-time home buyers. Members obtain AHP homeownership set-aside funds from the FHLBank and then use those funds as grants to eligible households. Set-aside funds may be used for down payment, closing costs, counseling, or rehabilitation assistance in connection with a household's purchase or rehabilitation of an owner-occupied unit. Each FHLBank sets its own maximum grant amount, which may not exceed $15,000 per household. All 12 of the FHLBanks have AHP homeownership set-aside programs.

If an FHLBank fails to use or commit the full amount it is required to contribute to an AHP in any year, then 90% of the unused or uncommitted amount shall be deposited by the FHLBank in an Affordable Housing Reserve Fund established and administered by the FHFA. The remaining 10% of the unused and uncommitted amount retained by that FHLBank should be fully used or committed by that FHLBank during the following year, and any remaining portion must be deposited in the Affordable Housing Reserve Fund. The Affordable Housing Reserve Fund has never been activated.

Community Investment Program (CIP). The CIP for housing is a lending program that allows members to borrow at a discounted rate of interest, or to obtain letters of credit, from an FHLBank. An advance under the CIP for housing is offered to a member at an FHLBank's cost of funds plus reasonable administrative costs. An FHLBank discounts the interest rates on CIP advances and may require the member to pass through this discount to its own borrowers.

Members use the CIP for housing advances to fund the purchase, construction, rehabilitation, refinancing, or pre-development financing of owner-occupied and rental housing for households whose income does not exceed 115% of the area median income. At December 31, 2013 and 2012, the FHLBanks had $7.6 billion and $6.5 billion of CIP housing advances outstanding.

In addition to housing, the CIP can be used for commercial and economic development activities that benefit low- to moderate-income families and neighborhoods. At December 31, 2013 and 2012, the FHLBanks had $246 million and $254 million of CIP commercial and economic development advances outstanding.

Members may use the proceeds to finance housing directly, by making or purchasing mortgages, or indirectly by purchasing eligible mortgage securities, mortgage-revenue bonds and low-income housing tax credits or by lending to other lenders to make eligible loans.

Rural Development Funding Program. The Rural Development Funding Program provides advances or grants for targeted community lending in rural areas for beneficiaries with incomes at or below 115% of the area median income.

Urban Development Funding Program. The Urban Development Funding Program provides advances or grants for targeted community lending in urban areas for targeted beneficiaries with incomes at or below 100% of the area median income.

Currently, all of the FHLBanks offer an AHP and a CIP, and may offer either a Rural Development Funding Program, an Urban Development Funding Program, or both. Each FHLBank has a Community Lending Plan that describes its program objectives for economic development. Approved housing associates may use certain CICA programs. Some FHLBanks have additional community lending programs designed to retain or create jobs or otherwise improve the economic status of communities.

From 1990 through June 30, 2013, which is the latest information available on the FHFA's web site, the FHLBanks have awarded $4.9 billion in AHP subsidies and grants to facilitate development of affordable housing projects designed to create 812 thousand housing units. (See *Note 14 - Affordable Housing Program (AHP)* to the accompanying combined financial statements.)

Since the establishment of the CIP in 1990 and the establishment of CICA in 1998, through December 31, 2012, which is the latest information available on the FHFA's web site, $47.9 billion in FHLBank advances for housing development have financed 772 thousand housing units. In addition to housing developments, $20.1 billion in FHLBank advances have helped finance thousands of local community economic development projects.

Community Support Program

To retain access to long-term credit from an FHLBank, members are required to meet standards of community support activities, which they document by submitting a Community Support Statement to the FHFA approximately every two years. These standards take into account each member's performance under the Community Reinvestment Act of 1977 and the member's record of lending to first-time home buyers.

Competition

Advances

Demand for FHLBank advances is affected by, among other things, the cost of other sources of liquidity available to FHLBank members, including deposits. Each FHLBank individually competes with its members' depositors as well as suppliers of secured and unsecured wholesale funding. These competitors may include investment banks, commercial banks, Federal Reserve Banks, and, in certain circumstances, one or more other FHLBanks, when affiliates of their members are members of other FHLBanks. Both small and large FHLBank members typically have access to brokered deposits and repurchase agreements, each of which presents a competitive alternative to advances. Larger members also have greater access to other competitive sources of funding and asset/liability management facilitated by the domestic and global credit markets. These sources include subordinated debt, interbank loans, covered bonds, interest-rate swaps, options, bank notes, and commercial paper.

The availability of alternative funding sources to members can significantly influence the demand for FHLBank advances and this availability can vary as a result of:

- market conditions;
- products and structures available in the marketplace;
- member creditworthiness;
- availability of collateral; and
- new government programs or changes to existing ones.

The FHLBanks' competitive environment continues to be affected by the slow economic recovery as the demand for advances remains limited by the high level of deposits held by members. In addition, the FHLBanks' competitive environment may be impacted by various legislative and regulatory initiatives. (See *Risk Factors* - *Business Risk-Regulatory* and *Risk Factors* - *Business Risk-Legislative* for more information.)

Mortgage Loans

The activities of the FHLBanks' mortgage loan programs are subject to significant competition in purchasing conventional fixed-rate mortgage and government-guaranteed or -insured loans. The FHLBanks face competition in customer service, the prices paid for these assets, and ancillary services, such as automated underwriting. The most direct competition for mortgages comes from other housing GSEs that also purchase conventional fixed-rate mortgage loans, specifically Fannie Mae and Freddie Mac, which are the dominant purchasers of residential fixed-rate conventional mortgages. The FHLBanks primarily compete on the basis of transaction structure, price, products, and services offered. The FHLBanks regularly reassess their potential for success in attracting and retaining customers for their mortgage products and services.

Debt Issuance

Each FHLBank also competes primarily with the U.S. government, Fannie Mae, Freddie Mac, and other GSEs, as well as corporate, sovereign, sub-sovereign, and supranational entities, for funds raised through the issuance of unsecured debt in the domestic and global debt markets. If the supply of competing debt products increases without a corresponding increase in demand, or if certain investors change their view of investing in FHLBank debt, debt costs may rise, or less debt may be issued at the same cost. In addition, certain regulatory initiatives may adversely affect the availability and cost of funds raised through the issuance of certain types of unsecured debt. A change in the types or an increase in the amounts of U.S. Treasury issuance also affects the FHLBanks' ability to raise funds because it provides alternative investment options. Further, a perceived or actual higher level of government support for other GSEs and other issuers may increase demand for their debt securities relative to similar FHLBank debt securities. Although the available supply of funds has kept pace with the funding needs of the FHLBanks' members (as expressed through FHLBank debt issuance), investors should not rely on the belief that this will necessarily continue to be the case in the future.

The issuance of callable debt and the simultaneous execution of callable derivative transactions that mirror the debt issued has been an important source of competitive funding for the FHLBanks. As such, the availability of markets for callable debt and derivative transactions may be an important factor in determining the FHLBanks' relative cost of funds. There is considerable competition in the markets for callable debt and for derivative transactions with high credit quality entities. Investors should not rely on the belief that these markets will necessarily be sustained in the future. (See *Financial Discussion and Analysis - Legislative and Regulatory Developments* for more information about recent regulatory developments, including those pertaining to the Dodd-Frank Act.)

Tax Status and Assessments

The FHLBanks are exempt from all corporate federal, state, and local taxation, except for local real estate tax. However, by regulation, the FHLBanks must annually set aside for the AHP the greater of the aggregate of $100 million or 10% of each individual FHLBank's income subject to assessment (income before assessments, plus interest expense related to mandatorily redeemable capital stock, less the assessment for REFCORP until the FHLBanks' REFCORP obligation was satisfied). Prior to the satisfaction of the FHLBanks' REFCORP obligation, each FHLBank was also required to make payments to REFCORP (20% of annual GAAP net income before REFCORP assessments and after payment of AHP assessments). On August 5, 2011, the FHFA certified that the FHLBanks had fully satisfied their REFCORP obligation with their payments made on July 15, 2011. The AHP assessment was $293 million and $296 million for the years ended December 31, 2013 and 2012. The aggregate REFCORP and AHP assessments were $348 million for the year ended December 31, 2011. (See *Note 14 - Affordable Housing Program (AHP)* and *Note 15 - Resolution Funding Corporation (REFCORP)* to the accompanying combined financial statements.)

Cash dividends received by FHLBank members from the FHLBanks are taxable and do not benefit from the exclusion for corporate dividends received.

Office of Finance

The consolidated obligations of the FHLBanks are issued through the Office of Finance. In addition to facilitating and executing the issuance of the consolidated obligations, the Office of Finance also:

- services all consolidated obligations;
- prepares the FHLBanks' quarterly and annual combined financial reports;
- serves as a source of information for the FHLBanks on capital markets developments;
- administers REFCORP and the Financing Corporation (two tax-exempt government corporations created during the savings and loan crisis of the 1980s);
- manages relationships with the rating agencies and the U.S. Treasury as they relate to the consolidated obligations; and
- performs various debt marketing activities, including investor presentations and conferences.

Pursuant to FHFA regulations, the Office of Finance, often in conjunction with the FHLBanks, has adopted policies and procedures for consolidated obligations. These policies and procedures relate to the frequency and timing of consolidated obligations issuance, issue size, minimum denomination, selling concessions, underwriter qualifications and selection, issuance currency, coupon features, call or put features, principal amortization features, and selection and retention of outside counsel. The Office of Finance has responsibility for facilitating and approving the issuance of the consolidated obligations in accordance with these policies and procedures. In addition, the Office of Finance has the authority to redirect, limit, or prohibit the FHLBanks' requests to issue consolidated obligations if it determines that the action is inconsistent with FHFA regulations. The FHFA requires consolidated obligations to be issued efficiently and at the lowest all-in funding costs over time, consistent with:

- prudent risk-management practices, prudential debt parameters, short- and long-term market conditions, and the FHLBanks' role as GSEs;
- maintaining reliable access to the short-term and long-term capital markets; and
- positioning the issuance of debt to take advantage of current and future capital market opportunities.

Employees

Table 3 - Employees

	December 31, 2013			December 31, 2012			Full-time Employees
FHLBank	Full-time	Part-time	Total	Full-time	Part-time	Total	Change
Boston	197	1	198	186	1	187	11
New York	258	—	258	269	3	272	(11)
Pittsburgh	208	2	210	206	3	209	2
Atlanta	343	4	347	338	11	349	5
Cincinnati	199	1	200	195	4	199	4
Indianapolis	204	4	208	192	4	196	12
Chicago	344	11	355	320	9	329	24
Des Moines	209	6	215	212	7	219	(3)
Dallas	180	1	181	198	2	200	(18)
Topeka	201	5	206	197	4	201	4
San Francisco	255	7	262	255	9	264	—
Seattle	159	2	161	142	1	143	17
Office of Finance	106	—	106	98	1	99	8
Total	2,863	44	2,907	2,808	59	2,867	55

RISK FACTORS

The following discussion summarizes certain risks and uncertainties facing the FHLBanks as they potentially affect investors in the FHLBanks' consolidated obligations. There may be other risks and uncertainties that are not described in these risk factors. If any of these risks or uncertainties is realized, it could negatively affect an FHLBank's, and possibly the entire FHLBank System's, financial condition or results of operations. As a result, there could be a reduction in the value of FHLBank membership or an adverse effect on an FHLBank's, or the entire FHLBank System's, ability to pay its obligations when due. Additional discussion and analysis of other risks and uncertainties are set forth throughout this Combined Financial Report. (See each FHLBank's 2013 SEC Form 10-K under *Item 1A-Risk Factors* for a discussion regarding its risk factors.)

Business Risk-General

A prolonged downturn in the U.S. housing market and other economic conditions, and related U.S. government policies, could adversely affect the FHLBanks' business activities and earnings.

The FHLBanks' businesses and results of operations are sensitive to the condition of the housing and mortgage markets, as well as general business and economic conditions. Slow recovery of the U.S. economy continues to have an impact on the business of many FHLBank members as well as the FHLBanks' businesses and results of operations. There continue to be challenges to the ongoing recovery due to uncertainty about the U.S. fiscal situation, including ongoing sequester-related fiscal tightening, the recurring U.S. debt ceiling debate, the timing of reduction in quantitative easing by the Federal Reserve, and the possibility that global economic growth may be slower than currently anticipated. If these conditions remain unchanged or deteriorate, the FHLBanks' businesses and results of operations could be adversely affected.

In 2013, adverse trends that the U.S. housing market experienced during the recent financial crisis continued to reverse, as evidenced by the level of home price appreciation and lower delinquency rates. If this recovery is not sustained and adverse trends reappear in the mortgage lending sector, including declines in home prices or loan performance trends, a reduction could occur in the value of collateral securing member credit to each FHLBank and the fair value of its mortgage-backed security investments. This change could increase the possibility of under-collateralization, increasing the risk of loss in case of a member's failure, or could increase the risk of loss on the FHLBanks' mortgage-backed security investments because of additional credit impairment charges. Also, further deterioration in the residential mortgage markets could negatively affect the value of the FHLBanks' mortgage loan portfolios, resulting in an increase in the allowance for credit losses on mortgage loans and possible additional realized losses if the FHLBanks are forced to liquidate their mortgage portfolios.

In addition, the FHLBanks' businesses and results of operations are affected significantly by the fiscal and monetary policies of the U.S. government and its agencies, including the Federal Reserve Board through its regulation of the supply of money and credit in the United States. The Federal Reserve Board's policies either directly or indirectly influence the yield on interest-earning assets and the cost of interest-bearing liabilities and the demand for FHLBank debt. In response to the recent financial crisis, the Federal Reserve Board has taken several measures intended to depress short-term and long-term interest rates to help stabilize the U.S. economy. (See *Financial Discussion and Analysis - Executive Summary* for more information on recent Federal Reserve Board guidance and actions.)

These measures as well as other systemic events could adversely affect the FHLBanks through lower yields on their investments, higher yields on their debt, or both. Additionally, the FHLBanks are affected by the global economy to the extent it impacts, among other things, member borrowing activity and FHLBank investment patterns. Furthermore, changes in investors' perceptions in the strength of the U.S. economy or the availability of more attractive investment opportunities elsewhere could lead to changes in investors' demand for FHLBanks' consolidated obligations.

Business Risk-Legislative

Changes in laws or changes in the application of current law could restrict the FHLBanks' business operations and negatively affect their earnings and the value of FHLBank membership.

As GSEs, the FHLBanks are organized under the authority of the FHLBank Act and are governed by U.S. federal laws and regulations of the FHFA, an independent agency within the executive branch of the U.S. government. Also, the U.S. government enacted the Housing Act in 2008 in response to the financial instability of Fannie Mae and Freddie Mac as well as to improve regulatory oversight of the GSEs, including the FHLBanks. As a result, the FHFA has issued and continues to issue regulations that change how the FHLBanks conduct business activities as part of carrying out their housing finance and community investment mission.

Additionally, the legislative and regulatory environment for FHLBanks and their members continues to change significantly as regulators continue to implement the Housing Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) and the reforms of the Basel Committee on Bank Supervision. The Dodd-Frank Act, in particular, made significant changes to the overall regulatory framework of the U.S. financial system. There are several provisions in the Dodd-Frank Act that could affect the FHLBanks or their members, depending on how the various regulators decide to implement this federal law through the issuance of regulations and their enforcement activities. For example, the Financial Stability Oversight Council (Oversight Council), established by the Dodd-Frank Act, issued a final rule that established the standards and procedures for determining whether to designate a nonbank financial company for supervision by the Federal Reserve Board. In its determination, the Oversight Council will consider whether the nonbank financial company is subject to oversight by a primary financial regulatory agency (e.g., FHFA). If an FHLBank is designated for Federal Reserve Board supervision by the Oversight Council, it would be subject to additional Federal Reserve Board prudential standards, which could adversely impact that FHLBank's operations and business if they result in additional costs, liquidity or capital requirements, and/or restrictions on that FHLBank's business activities. In addition, the Oversight Council and the U.S. Securities and Exchange Commission have proposed recommendations for structural reforms to money market funds that may affect the demand for the FHLBanks' consolidated obligations. Because the Dodd-Frank Act requires several regulatory bodies to carry out its provisions, the full effect of this law on the FHLBanks and their members remains uncertain until after the required regulations and reports to Congress are issued and implemented. (See *Financial Discussion and Analysis - Legislative and Regulatory Developments* for more information about recent legislative and regulatory developments, including those that pertain to the Dodd-Frank Act.)

Changes in the regulation or status of GSEs and their debt issuance could reduce demand or increase the cost of the FHLBanks' debt issuance and adversely affect their earnings.

The FHLBanks are GSEs organized under the authority of the FHLBank Act and are authorized to issue debt securities to fund their operations and to finance housing and community investments in the United States. During the recent financial crisis, the FHLBank System's debt pricing came under pressure as investors perceived GSE debt securities, including those securities issued by Fannie Mae and Freddie Mac, as bearing increased risk. This increased perception of risk resulted from the negative financial performance of Fannie Mae and Freddie Mac and the FHFA's action to place them into conservatorship in September 2008. In addition, certain FHLBanks had negative financial performance in the past, resulting from mortgage-backed securities credit impairments and noncompliance with regulatory capital requirements.

In response to the general decline in the U.S. housing market and overall adverse effect on the GSEs, the U.S. government initiated several programs. One example is the U.S. Treasury's financing arrangements with Fannie Mae and Freddie Mac to help them pay their obligations and fund their business activities. These financing arrangements, along with other programs initiated to stabilize the housing market, are considered temporary until the U.S. government can address housing and GSE reform.

In February 2011, the U.S. Treasury and HUD issued a joint report to the U.S. Congress as mandated by the Dodd-Frank Act. This report provided the U.S. Congress with various options to consider, including a plan to wind down Fannie Mae and Freddie Mac as well as significantly reduce the U.S. government's role in housing finance. This plan outlined key reforms to address several areas in the current U.S. mortgage market with the aim to improve consumer protection, transparency to investors, underwriting standards, and other critical measures. Although the FHLBanks are not the primary focus of these housing finance reforms, there are several recommendations that could affect the FHLBanks' current business activities with their members, particularly large financial institutions. These recommendations include reducing and altering the composition of the FHLBanks' investment portfolios, limiting the level of advances outstanding to individual members, and restricting membership to allow each financial institution, inclusive of its affiliates, to be an active member in only a single FHLBank.

During 2014, the U.S. Congress continues to consider possible reforms for U.S. housing finance and the regulated entities, including the resolution of Fannie Mae and Freddie Mac. Legislation has been introduced in the U.S. Congress to replace Fannie Mae and Freddie Mac with a new housing finance system to support the secondary mortgage market. Additionally, various proposals have been submitted in the U.S. Congress, including the Housing Finance Reform and Taxpayer Protection Act of 2013 and the Protecting American Taxpayers and Homeowners Act of 2013. These proposals would have direct implications for the FHLBanks if enacted. (See *Financial Discussion and Analysis - Legislative and Regulatory Developments* for more information regarding recent and pending legislative and regulatory developments, including housing finance and housing GSE reforms.)

Given the current uncertainty surrounding the timing and pace of these reforms, the FHLBanks' funding costs and access to funds could be adversely affected by changes in investors' perceptions of the risks associated with the housing GSEs. Additionally, investor concerns about U.S. agency debt and the U.S. agency debt market may also adversely affect the FHLBanks' competitive position and result in higher funding costs, which could negatively affect the FHLBanks' earnings.

Business Risk-Regulatory

Failure to meet minimum regulatory capital requirements could affect the FHLBanks' ability to conduct business and could adversely affect their earnings.

Each FHLBank is subject to certain minimum capital requirements under the GLB Act, which amended the FHLBank Act, and FHFA rules and regulations that include total capital, leverage capital, and risk-based capital requirements. The risk-based capital requirement is equal to the sum of an FHLBank's credit-risk, market-risk, and operations-risk capital requirements. Only permanent capital, which is defined as retained earnings and the amounts paid for Class B stock, can satisfy the risk-based capital requirement. The operations-risk capital requirement is affected by increases in credit-risk and market-risk capital requirements because the operations-risk capital requirement is equal to 30 percent of the sum of the credit-risk and market-risk capital requirements.

Rating downgrades on individual investments may cause the total credit-risk-based capital requirement to rise. Declines in the fair value of an FHLBank's investments below certain levels increase that FHLBank's market-risk capital requirement. Future declines in the market value of private-label mortgage-backed securities may significantly increase an FHLBank's market-risk, credit-risk, and operations-risk capital requirements, which could lead to a risk-based capital deficiency.

If an FHLBank is unable to satisfy its minimum capital requirements, that FHLBank would be subject to certain capital restoration requirements and prohibited from paying dividends and redeeming or repurchasing capital stock without the prior approval of the FHFA, which could adversely affect a member's investment in FHLBank capital stock. Furthermore, any suspension of dividends and/or capital stock repurchases and redemptions could decrease FHLBank member confidence, which in turn could reduce advance demand and net income should members elect to use alternative sources of wholesale funding. As a result of a risk-based capital shortfall, investors could perceive an increased level of risk or deterioration in the performance of an FHLBank, which could result in a downgrade in that FHLBank's outlook or its short- or long-term credit ratings. (See *Financial Discussion and Analysis - Capital Adequacy* and *Note 17 - Capital* to the accompanying combined financial statements for additional information on the FHLBanks' capital requirements.)

The FHLBanks may not be able to pay dividends or repurchase or redeem members' capital stock consistent with past practices, which may be a factor in causing a decrease in members' demand for advances or difficulties in retaining existing members and attracting new members.

The payment of dividends and repurchase or redemption of capital stock are subject to certain statutory and regulatory restrictions (including that an FHLBank is in compliance with all minimum capital requirements) and is highly dependent on an FHLBank's ability to continue to generate future net income and maintain adequate retained earnings and capital levels. Furthermore, events such as changes in the FHLBanks' market risk profile, credit quality of assets held, and increased volatility of net income may affect the adequacy of the FHLBanks' retained earnings. These changes may require the FHLBanks to increase their target level of retained earnings and correspondingly reduce their dividends or limit capital stock repurchases or redemptions in order to achieve and maintain the targeted amounts of retained earnings. These actions may be a factor in causing a decline in the value of the FHLBank membership or a reduction in members' demand for advances, or a factor in making it difficult for the FHLBanks to retain existing members or to attract new members. (See *Financial Discussion and Analysis - Capital Adequacy* and *Note 17 - Capital* to the accompanying combined financial statements for additional information on the FHLBanks' dividend and excess stock limitations.)

Compliance with regulatory contingency liquidity guidance could restrict investment activities and adversely affect the FHLBanks' net interest income.

The FHFA requires the FHLBanks to maintain sufficient liquidity through short-term investments in an amount at least equal to an FHLBank's cash outflows under two hypothetical scenarios for the treatment of maturing advances. (See *Financial Discussion and Analysis - Liquidity* for a description of these scenarios.) This regulatory guidance is designed to provide sufficient liquidity to protect against temporary disruptions in the capital markets that affect the FHLBanks' access to funding. To satisfy these two scenarios, the FHLBanks maintain balances in shorter-term investments, which may earn lower interest rates than alternate investment options. Additionally, in certain circumstances, the FHLBanks may need to fund shorter-term advances with short-term discount notes that have maturities beyond those of the related advances, thus increasing the FHLBanks' short-term advance pricing or reducing net income through lower net interest spreads. To the extent these increased prices make FHLBank advances less competitive, advance levels and net interest income may be negatively affected. (See *Financial Discussion and Analysis - Liquidity* for more discussion regarding the FHLBanks' liquidity requirements.)

The FHLBanks' Affordable Housing Programs could become a larger proportional burden if the FHLBanks' annual net income is reduced or eliminated.

Each FHLBank is required to establish an Affordable Housing Program (AHP). Each FHLBank provides subsidies in the form of direct grants or below-market interest rate loans to members who use the funds to assist in the purchase, construction, or rehabilitation of housing for low- to moderate-income households. Annually, the FHLBanks must set aside an aggregate of the greater of $100 million or 10% of net earnings for the AHP. As an FHLBank's net income is reduced, the amount of funding available through the AHP is also reduced, limiting the FHLBanks' ability to satisfy its mission. As a result, the FHLBanks could be required to set aside a minimum of $100 million per year in the aggregate, even if one or more FHLBanks are unprofitable for that year. (See *Note 14 - Affordable Housing Program (AHP)* to the accompanying combined financial statements for more information about this funding requirement.)

Business Risk-Strategic

Increased competition or reduced demand could adversely affect the FHLBanks' primary business activity to provide funding at attractive prices while maintaining sufficient net interest margins.

The FHLBanks' primary business is making advances to their members. Each FHLBank competes with other suppliers of wholesale funding, including investment banks, commercial banks, Federal Reserve Banks, and, in certain circumstances, other FHLBanks. Following the recent financial crisis, the FHLBanks experienced a sharp decrease in demand from their members for advances. This was largely due to members' ability to access alternative funding sources, such as an increase in deposits from members' banking customers that resulted from Federal Deposit Insurance Corporation (FDIC) actions. Specifically, these actions provided most FHLBank members with lower-cost funding sources by increasing the FDIC standard maximum deposit insurance amount to $250,000.

The FHLBanks may be required to change policies, programs, and agreements affecting members' access to advances, mortgage purchase programs, the AHP, and other credit programs that could cause members to obtain financing from alternative sources. Furthermore, adoption of new legislation or regulations, such as the development of a covered bond market, could create alternative funding sources for FHLBank members. Many competitors are not subject to the same regulations, which may enable those competitors to offer products and terms that the FHLBanks are not able to offer. Additionally, some of the FHLBanks compete with Fannie Mae and Freddie Mac, as well as other FHLBanks, to purchase mortgage loans from members or affiliates of members. This increased competition may reduce the amount of available mortgage loans that FHLBanks can purchase, resulting in lower income from this part of their businesses.

Additionally, each FHLBank also competes with the U.S. Treasury, Fannie Mae, Freddie Mac, and other GSEs, as well as corporate, state, and local, sovereign, sub-sovereign, and supranational entities, for funds through the issuance of unsecured debt in the global capital markets. Increases in the supply of competing debt products could result in higher debt costs or lower amounts of debt issued at the same cost. Increased competition could adversely affect the amount of funding available to the FHLBanks or increase the cost of funding available to the FHLBanks. Any of these effects could adversely affect the FHLBanks' combined financial condition and results of operations, and the value of FHLBank membership.

A loss or change of business activities with large members or consolidation of membership could adversely affect the FHLBanks' combined financial condition or results of operations.

Some FHLBanks have a high concentration of advances and capital with large members, and certain large members have affiliates that are members of other FHLBanks. A loss of some of these members due to withdrawal from membership, acquisition by a non-member, or failure could result in a reduction of the FHLBanks' total combined assets, capital, and net income. Withdrawal of members could occur as a result of the failure of members or increased consolidation in the financial services industry. Industry consolidation could also lead to the concentration of large members in some FHLBank districts and a related decrease in membership and significant loss of business for certain other FHLBanks. If advances are concentrated in a smaller number of members, an FHLBank's risk of loss resulting from a single event would become proportionately greater. Industry consolidation could also cause an FHLBank to lose members whose business and stock investments are so substantial that their loss could threaten the viability of that FHLBank. As a result, the FHLBanks' combined financial condition or results of operations could be adversely affected by a continued loss or change in business activities with large members or consolidation in the financial services industry. (See *Financial Discussion and Analysis - Risk Management - Business Risk - FHLBank Member Concentration Risk* for more discussion regarding the FHLBanks' exposure to member concentration risk.)

Credit Risk

Increased delinquency rates or loan modifications, or legal actions could result in additional credit losses on mortgage loans that back mortgage-backed security investments and adversely affect the yield or value of related FHLBank investments.

FHLBanks have invested in both U.S. agency and private-label mortgage-backed securities that are backed by prime, subprime, and Alt-A mortgage loans. Although the FHLBanks only invested in senior tranches of these private-label mortgage-backed securities having the highest long-term debt rating at the time of purchase, many of those securities were subsequently downgraded and sustained realized or projected credit losses due to economic conditions and housing market trends. The depth and duration of these previous trends, and the uncertainty regarding future trends, continue to affect the market for these private-label mortgage-backed securities, resulting in relatively lower market prices than those of securities initially purchased, even though improvement in the combined fair value of these securities has been experienced in recent years.

Although the overall U.S. housing market showed continued signs of recovery during 2013, it remains susceptible to loan delinquencies and loan modifications, including reductions in principal or interest payments, on the mortgage loans backing mortgage-backed securities. Due to improvements in the housing markets, the FHLBanks recognized minimal credit losses in their combined results of operations during 2013, unlike the initial years of the financial crisis. If positive trends in the housing markets and housing prices reverse or are less than projected, there could be additional credit losses relating to other-than-temporary impairments. For example, a slower economic recovery, in either the United States as a whole or in specific regions of the country, or delays in foreclosures could result in higher delinquencies, increasing the risk of credit losses that adversely affect the yield or value of these securities.

Federal and state government authorities, as well as private entities that include financial institutions and residential mortgage loan servicers, have proposed, commenced, or promoted programs designed to provide homeowners with assistance in avoiding residential mortgage loan foreclosures. For example, the U.S. Treasury is continuing its efforts to expand refinancing programs for homeowners whose mortgages are greater than their home value to include mortgages underlying private-label mortgage-backed securities.

Loan modification programs, as well as future legislative, regulatory, or other actions, including amendments to the bankruptcy laws, could also result in the modification of outstanding mortgage loans. Additionally, legal actions relating to loan modifications could adversely affect the value of certain FHLBanks' mortgage-backed securities if loan modifications or foreclosure activities occur that result in lower payments than previously expected for these securities.

These actions may adversely affect the yield or value of these private-label mortgage-backed securities and U.S. agency mortgage-backed securities. (See *Financial Discussion and Analysis - Risk Management - Credit Risk - Investments* for more discussion and analysis about the FHLBanks' exposure to credit risk related to investments and their management of this risk.)

Increased credit risk exposure resulting from increased defaults on mortgage loans or FHLBank member failures could adversely affect the FHLBanks' earnings and financial condition.

The FHLBanks have exposure to credit risk as part of their normal business operations through:

- funding advances;
- funding or purchasing mortgage loans; and
- extending open lines of credit, standby letters of credit and other commitments.

The FHLBanks require advances and other extensions of credit to be fully secured with collateral. The FHLBanks evaluate the types of collateral pledged by their borrowers and assign a borrowing capacity to the collateral, generally based on a percentage of its market value. In order for advances to remain fully collateralized, the FHLBanks require borrowers to pledge additional collateral, when deemed necessary. If borrowers are unable to pledge additional collateral to fully secure their obligations with an FHLBank, that FHLBank's advance levels could decrease, negatively affecting its financial condition, results of operations, and value of FHLBank membership. Additionally, inability to liquidate the collateral in the event of a default could cause an FHLBank to incur a credit loss and adversely affect the financial condition and results of operations of that FHLBank.

Mortgage loans held in the FHLBanks' portfolios are collateralized by the underlying real estate and may also be credit enhanced to further mitigate credit risk. Although the U.S. housing market continued to show signs of recovery during 2013, it remains susceptible to loan delinquencies and loan modifications on mortgage loans, including reductions in principal or interest payments. In addition, certain FHLBanks have a greater credit risk exposure in geographical areas with suppressed real estate values.

The U.S. housing market remains exposed to significant credit risk as the U.S. financial markets continue to stabilize. As a result, some financial institutions continue to be under financial stress exposing the FHLBanks to member and counterparty risk, as well as the risk of default. Even though the financial services industry experienced a significantly lower rate of FHLBank member failures in 2013, the higher level of mergers and consolidations compared to years immediately prior to the recent financial crisis could adversely affect the FHLBanks' membership or business volume.

If an FHLBank's member defaults on its obligations, or the FDIC fails either to promptly repay all of that failed institution's obligations or to assume the outstanding advances, then that FHLBank may be required to liquidate the collateral pledged by the failed institution. The volatility of market prices and interest rates could affect the value of the collateral held by the FHLBank as security for the obligations of its members. The proceeds realized from the liquidation of pledged collateral may not be sufficient to fully satisfy the amount of the failed institution's obligations or the operational cost of liquidating the collateral. Default by a member with significant unsecured obligations to an FHLBank could result in significant losses, which would adversely affect the FHLBanks' combined financial condition or results of operations. (See *Financial Discussion and Analysis - Risk Management* - *Credit Risk* for more discussion and analysis about the FHLBanks' exposure to credit risk and their management of this risk.)

Defaults by one or more institutional counterparties on its obligations to the FHLBanks could adversely affect combined results of operations and financial condition.

The FHLBanks face the risk that one or more of their institutional counterparties may fail to fulfill their contractual obligations. The primary exposures to institutional counterparty risk are with:

- unsecured money market transactions or short-term investments with domestic and foreign counterparties;
- derivative counterparties;
- mortgage servicers that service the loans purchased under the MPP and MPF programs (including MPF Xtra); and
- third-party providers of credit enhancements on private-label MBS investments, including mortgage insurers, bond insurers, and financial guarantors.

A counterparty default could result in losses if the FHLBanks' credit exposure to that counterparty was unsecured or under-collateralized, or if the FHLBanks' credit obligations associated with derivative positions were over-collateralized. The insolvency or other inability of a significant counterparty to perform its obligations under these transactions or other agreements could have an adverse effect on the FHLBanks' results of operations and financial condition.

The FHLBanks have both direct and indirect exposure to foreign credit risk through their various counterparties. Adverse economic, political, or other trends that may occur within, across, or among various regions or countries could have direct adverse effects on the FHLBanks' institutional counterparties and on the U.S. economy. In turn, the FHLBanks could also

experience adverse effects on their credit performance given their relationship with these counterparties and the possibility of negative consequences for the U.S. economy.

In addition, the FHLBanks' ability to engage in routine derivatives, funding, and other transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are inter-related as a result of trading, clearing, counterparty, and other relationships. As a result, actual and potential defaults of one or more financial services institutions could lead to market-wide disruptions, making it difficult for the FHLBanks to find counterparties for transactions. (See *Financial Discussion and Analysis - Risk Management* - *Credit Risk* for more discussion and analysis about the FHLBanks' exposure to credit risk and their management of this risk.)

Market Risk

A sustained period of low interest rates, rapid changes in interest rates or an inability to successfully manage interest-rate risk could have a material adverse effect on the FHLBanks' net interest income.

The FHLBanks realize income primarily from the spread between interest earned on their outstanding advances and investments less the interest paid on their consolidated obligations and other liabilities. The FHLBanks' financial performance is affected by fiscal and monetary policies of the U.S. government and its agencies, in particular, the Federal Reserve Board's policies to depress short-term and long-term interest rates to help stabilize the U.S. economy. Therefore, an FHLBank's ability to anticipate changes regarding the direction and speed of interest rate changes, or to hedge related exposures such as basis risk arising from a shift in the relationship of interest rates in different financial markets or on different financial instruments, significantly affects the success of its asset and liability management activities and its level of net interest income. An FHLBank may use a number of measures to monitor and manage interest rate risk, including income simulations and duration/market value sensitivity analyses.

Given the unpredictability of the financial markets, capturing all potential outcomes in these analyses is extremely difficult. Key assumptions include, but are not limited to, loan volumes and pricing, market conditions for an FHLBank's consolidated obligations, interest rate spreads and prepayment speeds, implied volatility of options contracts, and cash flows on mortgage-related assets. These assumptions are inherently uncertain and they cannot precisely estimate net interest income and the market value of equity. Actual results may differ from simulated results due to the timing, magnitude, and frequency of interest rate changes and changes in market conditions and management strategies, among other factors. Volatility and disruption in the credit markets may result in a higher level of volatility in the FHLBanks' interest-rate risk profile and could negatively affect the FHLBanks' ability to manage interest-rate risk effectively.

The effect of interest rate changes can be exacerbated by prepayment and extension risk, which is the risk that mortgage-based investments will be refinanced by the borrower in low interest-rate environments or will remain outstanding longer than expected at below-market yields when interest rates increase. Decreases in interest rates typically cause mortgage prepayments to increase and may result in increased premium amortization expense and substandard performance in an FHLBank's mortgage portfolio as an FHLBank experiences a return of principal that it must re-invest in a lower rate environment. In addition, while these prepayments would reduce the asset balance, the associated debt may remain outstanding and at above-market rates. (See *Quantitative and Qualitative Disclosures about Market Risk* for additional discussion and analysis regarding the FHLBanks' sensitivity to interest rate changes and the use of derivatives to manage their exposure to interest-rate risk.)

The Dodd-Frank Act has also resulted in new statutory and regulatory requirements for derivative transactions, including those transactions used by an FHLBank to hedge its interest rate and other risks. As a result of these requirements, beginning in June 2013, certain interest-rate swap transactions, whether they are initially executed with a swap dealer or subject to mandatory execution through a swap execution facility, are required to be cleared through a third-party central clearinghouse. Additionally, initial and variation margin is required to be posted for cleared derivatives. The Commodity Futures Trading Commission (CFTC) is expected to issue additional mandatory clearing determinations for other derivative transactions. Furthermore, while the FHLBanks continue to enter into uncleared trades on a bilateral basis, those trades will be subject to additional regulatory requirements, including new mandatory reporting requirements and new minimum margin and capital requirements imposed by bank and other federal regulators. Any of these margin and capital requirements could adversely affect the liquidity and pricing of derivative transactions entered into by the FHLBanks, making derivative trades more costly and less attractive as risk management tools for the FHLBanks. (See *Note 11 - Derivatives and Hedging Activities* - *Managing Credit Risk on Derivatives* to the accompanying combined financial statements and *Financial Discussion and Analysis - Risk Management - Credit Risk - Derivative Counterparties* for additional information regarding new requirements for the FHLBanks' derivative transactions.)

The FHLBanks' ability to access the capital markets, their primary source of funding, on acceptable terms could be adversely affected by changes to the credit ratings of FHLBanks' consolidated obligations.

The FHLBanks' consolidated obligations are rated Aaa/P-1 with a stable outlook by Moody's and AA+/A-1+ with a stable outlook by S&P. Rating agencies may from time to time change a rating or issue negative reports. Because all of the FHLBanks have joint and several liability for all FHLBank consolidated obligations, negative developments at any FHLBank may affect these credit ratings or result in the issuance of a negative report regardless of an individual FHLBank's financial condition and results of operations. In addition, because of the FHLBanks' GSE status, the credit ratings of the FHLBank System and the FHLBanks are generally influenced by the sovereign credit rating of the United States.

If the U.S. government fails to adequately address, based on the credit rating agencies' criteria, its fiscal budget process or statutory debt limits, downgrades to the U.S. sovereign credit rating and outlook may occur. As a result, similar downgrades in the credit ratings and outlook on the FHLBanks and the FHLBanks' consolidated obligations may also occur even though they are not obligations of the United States.

Although credit rating actions in recent years have not yet had a material effect on the FHLBanks' funding costs, uncertainty remains regarding possible longer-term effects resulting from past downgrades. Any future downgrades in credit ratings and outlook may 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 11 - Derivatives and Hedging Activities* - *Managing Credit Risk on Derivatives* to the accompanying combined financial statements for more information about the FHLBanks' additional collateral requirements.) 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 could be negatively affected.

Liquidity Risk

Disruptions in the short-term capital markets could have an adverse effect on the FHLBanks' ability to refinance their consolidated obligations or to manage their liquidity positions to meet members' needs on acceptable terms.

The FHLBanks' primary source of funds is the sale of consolidated obligations in the capital markets, including the short-term discount note market. The FHLBanks' ability to obtain funds through the sale of consolidated obligations depends in part on prevailing conditions in the capital markets. The severe financial and economic disruptions during the most recent financial crisis, and the U.S. government's dramatic measures enacted to mitigate their effects, have affected the FHLBanks' funding costs and practices. Each FHLBank's ability to operate its business, meet its obligations, and generate net interest income depends primarily on the ability to issue debt frequently to meet member demand and to refinance existing outstanding consolidated obligations at attractive rates, maturities, and call features when needed.

The FHLBanks are exposed to liquidity risk if there is any significant disruption in the short-term debt markets. If this disruption is prolonged, the FHLBanks may not be able to obtain funding on acceptable terms. Without access to the short-term debt markets, the alternative longer-term funding, if available, would increase funding costs and likely cause the FHLBanks to increase advance rates, adversely affecting demand for advances. If the FHLBanks cannot access funding when needed on acceptable terms, their ability to support and continue their operations could be adversely affected. As a result, an FHLBank's inability to manage its liquidity position or its contingency liquidity plan to meet its obligations, as well as the credit and liquidity needs of its members, could adversely affect that FHLBank's financial condition and results of operations, and the value of FHLBank membership. (See *Financial Discussion and Analysis - Liquidity* for more discussion regarding the FHLBanks' liquidity requirements.)

Operational Risk

Each FHLBank relies on business and financial models to manage its financial risks, to make business decisions and to value assets and liabilities. An FHLBank's business could be adversely affected if those models fail to produce reliable results.

Each FHLBank makes significant use of business and financial models for managing different risks. Each FHLBank uses models to measure and monitor exposures to various risks, including interest rate, prepayment, and other market risks, as well as credit risk. Each FHLBank also uses models in determining the fair value of financial instruments when independent price quotations are not available or reliable. The information provided by these models is also used in making business decisions

relating to strategies, initiatives, transactions, and products, and in financial statement reporting. Because models use assumptions to project future trends and performance, they are inherently imperfect predictors of actual results.

Changes in any models or in their underlying assumptions, judgments, or estimates may cause the results generated by the models to be materially different. If the models are not reliable, an FHLBank could make poor business decisions, including poor asset and liability management decisions, that could result in an adverse financial effect on the FHLBanks' businesses. Furthermore, strategies that an FHLBank employs to attempt to manage the risks associated with the use of models may not be effective. The models used by each FHLBank to determine the fair values of its assets, liabilities, and derivatives may differ from the models used by the other FHLBanks. The use of different models or assumptions by individual FHLBanks, as well as changes in market conditions, could result in materially different valuation estimates or other estimates even when similar or identical assets and liabilities are being measured, and could have materially different effects on the net income and retained earnings of each of the FHLBanks.

For example, uncertainty in the housing and mortgage markets increases the FHLBanks' exposure to the inherent risks associated with the reliance on internal models that use key assumptions to project future trends and performance. Although each FHLBank adjusts its internal models when necessary to reflect changes in economic conditions, housing markets, and other key factors, the risk remains that an FHLBank's internal models could produce unreliable results or estimates that vary considerably from actual results. (See *Financial Discussion and Analysis - Critical Accounting Estimates* for more discussion about the FHLBanks' use of financial models in determining critical accounting estimates.)

Failures or interruptions in the information systems and other critical services used by each FHLBank and the Office of Finance could adversely affect the FHLBanks' ability to effectively conduct and manage their businesses.

Each of the FHLBanks and the Office of Finance relies heavily on its information systems and other technology, including systems and technology provided by third-parties, to conduct and manage its business. A failure or interruption, including an event caused by a cyber attack or other breach of technology security, in any of these systems or other technology could prevent the FHLBanks from conducting and managing their businesses effectively.

Each of the FHLBanks relies on other parties to perform certain critical services. For example, the FHLBanks rely on the Office of Finance for, among other things, the issuance of consolidated obligations, which represent their primary source of funds. A failure or interruption in this service could disrupt the FHLBanks' access to these funds.

Although each of the FHLBanks and the Office of Finance has implemented a business continuity plan, it may not be able to prevent or mitigate the negative effects of a failure or interruption. A failure or interruption could adversely affect an FHLBank's ability to conduct and manage its business effectively, including member relations, risk management, and profitability.

Failures or circumventions of the financial reporting controls and procedures that each of the FHLBanks and the Office of Finance maintain, and that the Office of Finance relies upon to prepare the FHLBanks Combined Financial Report, could adversely affect the accuracy and meaningfulness of the information contained in this Combined Financial Report.

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. The Office of Finance is not required to establish and maintain disclosure controls and procedures and internal control over financial reporting in the same manner as those maintained by each FHLBank. Instead, the Office of Finance relies on each FHLBank management's certification and representation regarding the accuracy and completeness of its data submitted to the Office of Finance and has established controls and procedures concerning: (1) each FHLBank's submission of information and financial data to the Office of Finance, (2) the process of combining the financial statements of the individual FHLBanks, and (3) the review of such information. However, an FHLBank's or the Office of Finance's failure to detect material weaknesses or circumventions of its respective key controls could have an adverse effect on the accuracy and meaningfulness of the FHLBanks Combined Financial Report. (See *Controls and Procedures* for more information regarding each FHLBank's management assessment of its individual internal control over financial reporting and evaluation of its disclosure controls and procedures, and the Office of Finance's controls and procedures over the combined financial reporting combining process.)

PROPERTIES AND GEOGRAPHIC DISTRIBUTION

The FHLBanks operate in all 50 states, the District of Columbia, and U.S. territories. Each FHLBank serves members whose principal place of business is located in its specifically-defined geographic district. In addition to their principal business location, each of the FHLBanks and the Office of Finance also maintain leased, off-site, back-up facilities.

Table 4 - Properties and Geographic Distribution

FHLBank	Address	Owned/ Leased	States and Territories	Number of Members
Boston	800 Boylston St. 9th Fl. Boston, MA 02199	Leased	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	443
New York	101 Park Ave. New York, NY 10178-0599	Leased	New Jersey, New York, Puerto Rico, U.S. Virgin Islands	333
Pittsburgh	601 Grant St. Pittsburgh, PA 15219-4455	Leased	Delaware, Pennsylvania, West Virginia	297
Atlanta	1475 Peachtree St., N.E. Atlanta, GA 30309	Owned	Alabama, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia	996
Cincinnati	221 East Fourth St. Ste. 600 Cincinnati, OH 45202	Leased	Kentucky, Ohio, Tennessee	727
Indianapolis	8250 Woodfield Crossing Blvd. Indianapolis, IN 46240	Owned	Indiana, Michigan	404
Chicago	200 East Randolph Dr. Chicago, IL 60601	Leased	Illinois, Wisconsin	759
Des Moines	Skywalk Level 801 Walnut St. Ste. 200 Des Moines, IA 50309-3513	Leased	Iowa, Minnesota, Missouri, North Dakota, South Dakota	1,183
Dallas	8500 Freeport Pkwy. South Ste. 600 Irving, TX 75063-2547	Owned	Arkansas, Louisiana, Mississippi, New Mexico, Texas	875
Topeka	One Security Benefit Pl. Ste. 100 Topeka, KS 66606-2444	Leased	Colorado, Kansas, Nebraska, Oklahoma	804
San Francisco	600 California St. San Francisco, CA 94108	Leased	Arizona, California, Nevada	354
Seattle	1001 Fourth Ave. Ste. 2600 Seattle, WA 98154	Leased	Alaska, American Samoa, Guam, Hawaii, Idaho, Montana, Northern Mariana Islands, Oregon, Utah, Washington, Wyoming	329
Office of Finance	1818 Library St. Ste. 200 Reston, VA 20190	Leased		

See *Market for Capital Stock and Related Stockholder Matters* for more information on FHLBank members.

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 the following identified proceedings, 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 2013 SEC Form 10-K under *Part I. Item 3-Legal Proceedings* for additional information, including updates, to its legal proceedings.)

Legal Proceedings Relating to the Purchase of Certain Private-label MBS

As of December 31, 2013, each of the FHLBanks of Boston, Pittsburgh, Indianapolis, Chicago, San Francisco, and Seattle is a plaintiff in continued legal proceedings that relate to its purchases 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. These defendants and their affiliates may be members or former members of the plaintiff FHLBanks or other FHLBanks. In addition, certain defendants in some of these legal proceedings currently issue credit ratings on the FHLBanks and the FHLBank System's consolidated obligations.

Legal Proceedings Relating to the Lehman Bankruptcy

See *Note 21 - 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.

MARKET FOR CAPITAL STOCK AND RELATED STOCKHOLDER MATTERS

As a cooperative, each FHLBank conducts its advances business and mortgage loan programs almost exclusively with its members. Members and former members 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/repurchased at its stated par value of $100 per share, 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 December 31, 2013, the FHLBanks had 335 million shares of capital stock outstanding. The FHLBanks are not required to register their securities under the Securities Act of 1933 (as amended); however, each FHLBank is required to register a class of its stock under the Securities Exchange Act of 1934.

Table 5 presents combined regulatory capital stock, which includes mandatorily redeemable capital stock, held by type of member and Table 6 presents FHLBank membership by type of member.

Table 5 - Regulatory Capital Stock Held by Type of Member
(dollars in millions)

	December 31, 2013		December 31, 2012	
	Amount	Percentage of Regulatory Capital Stock	Amount	Percentage of Regulatory Capital Stock
Commercial banks	$ 21,472	56.0%	$ 21,023	52.0%
Thrifts	5,543	14.4%	6,352	15.7%
Insurance companies	3,650	9.5%	3,506	8.7%
Credit unions	2,705	7.0%	2,650	6.5%
Community development financial institutions	5	—	4	—
Total GAAP capital stock	33,375	86.9%	33,535	82.9%
Mandatorily redeemable capital stock	4,998	13.1%	6,929	17.1%
Total combined regulatory capital stock	$ 38,373	100.0%	$ 40,464	100.0%

Table 6 - Membership by Type of Member

	December 31, 2013		December 31, 2012	
	Number	Percentage of Total Members	Number	Percentage of Total Members
Commercial banks	5,052	67.3%	5,207	68.2%
Credit unions	1,218	16.2%	1,180	15.5%
Thrifts	933	12.4%	972	12.7%
Insurance companies	283	3.8%	263	3.4%
Community development financial institutions	18	0.3%	13	0.2%
Total	7,504	100.0%	7,635	100.0%

The information on regulatory capital stock presented in Table 7 is accumulated at the holding-company level. The percentage of total regulatory capital stock identified in Table 7 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 7 - Top 10 Regulatory Capital Stockholders by Holding Company at December 31, 2013
(dollars in millions)

Holding Company Name(1)	FHLBank Districts(2)	Regulatory Capital Stock(3)	Percentage of Total Regulatory Capital Stock	Mandatorily Redeemable Capital Stock
JPMorgan Chase & Co.	Pittsburgh, Cincinnati, Chicago, San Francisco, Seattle	$ 3,457	9.0%	$ 808
Citigroup Inc.	New York, Des Moines, Dallas, San Francisco	2,666	6.9%	1,279
Bank of America Corporation	Boston, New York, Atlanta, San Francisco, Seattle	2,613	6.8%	1,428
Wells Fargo & Company	Des Moines, Dallas, Topeka, San Francisco, Seattle	1,417	3.7%	574
MetLife, Inc.	Boston, New York, Pittsburgh, Des Moines	874	2.3%	4
Capital One Financial Corporation	Atlanta, Dallas	774	2.0%	—
The PNC Financial Services Group, Inc.	New York, Pittsburgh, Atlanta, Cincinnati	711	1.9%	109
U.S. Bancorp	Cincinnati, Des Moines, Topeka, San Francisco, Seattle	638	1.7%	46
New York Community Bancorp, Inc.	New York, Cincinnati, San Francisco	561	1.5%	24
UK Financial Investments Limited	Boston, Pittsburgh, Cincinnati	468	1.2%	—
		$ 14,179	37.0%	$ 4,272

(1) 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.
(2) At December 31, 2013, each holding company had subsidiaries with regulatory capital stock holdings in these FHLBank districts.
(3) Includes FHLBank capital stock that is considered to be mandatorily redeemable, which is classified as a liability under GAAP.

Five Largest Regulatory Capital Stockholders of Each FHLBank. Table 8 presents information on the five largest regulatory capital stockholders by FHLBank at December 31, 2013. The information presented on capital stock in Table 8 is for individual FHLBank regulatory capital stockholders. The data is not aggregated to the holding-company level. Some of the institutions listed are affiliates of the same holding company, and some of the institutions listed may have affiliates that are regulatory capital stockholders that are not listed in the table. Each FHLBank describes its risk management policies, including disclosures about its concentration risk, if any, in its periodic reports filed with the SEC. (See *Explanatory Statement about Federal Home Loan Banks Combined Financial Report*.)

Table 8 - Top 5 Regulatory Capital Stockholders by FHLBank at December 31, 2013
(dollars in millions)

District	Name	Holding Company Name(1)	Regulatory Capital Stock	Percentage of FHLBank Regulatory Capital Stock(2)	Mandatorily Redeemable Capital Stock
Boston	Bank of America, National Association(3)	Bank of America Corporation	$ 858	24.4%	$ 858
	RBS Citizens, National Association	UK Financial Investments Limited	430	12.3%	—
	People's United Bank		164	4.7%	—
	Webster Bank National Association		108	3.1%	—
	First Niagara Bank, National Association(3)		102	2.9%	102
			$ 1,662	47.4%	$ 960
New York	Citibank, N.A.	Citigroup Inc.	$ 1,385	24.8%	$ —
	Metropolitan Life Insurance Company	MetLife, Inc.	700	12.5%	—
	New York Community Bank(4)	New York Community Bancorp, Inc.	518	9.3%	—
	Hudson City Savings Bank, FSB(4)		347	6.2%	—
	First Niagara Bank, National Association		231	4.1%	—
			$ 3,181	56.9%	$ —

District	Name	Holding Company Name(1)	Regulatory Capital Stock	Percentage of FHLBank Regulatory Capital Stock(2)	Mandatorily Redeemable Capital Stock
Pittsburgh	PNC Bank, National Association(4)	The PNC Financial Services Group, Inc.	$ 602	20.3%	$ —
	Chase Bank USA, N.A.	JPMorgan Chase & Co.	440	14.8%	—
	Santander Bank, National Association(4)		417	14.1%	—
	Ally Bank		308	10.4%	—
	TD Bank, N.A.		155	5.2%	—
			$ 1,922	64.8%	$ —
Atlanta	Bank of America, National Association	Bank of America Corporation	$ 797	16.2%	$ —
	Capital One, National Association	Capital One Financial Corporation	403	8.2%	—
	Branch Banking and Trust Company (4)		388	7.9%	—
	Capital One Bank (USA), National Association	Capital One Financial Corporation	371	7.6%	—
	SunTrust Bank		336	6.8%	—
			$ 2,295	46.7%	$ —
Cincinnati	JPMorgan Chase Bank, National Association	JPMorgan Chase & Co.	$ 1,533	31.9%	$ —
	U.S. Bank N.A.	U.S. Bancorp	592	12.3%	—
	Fifth Third Bank		401	8.3%	—
	KeyBank NA		179	3.7%	—
	The Huntington National Bank		166	3.4%	—
			$ 2,871	59.6%	$ —
Indianapolis	Flagstar Bank, FSB		$ 210	12.9%	$ —
	Lincoln National Life Insurance Company		130	7.9%	—
	Jackson National Life Insurance Company		115	7.1%	—
	Blue Cross Blue Shield of Michigan		63	3.9%	—
	Guggenheim Life and Annuity Company		52	3.2%	—
			$ 570	35.0%	$ —
Chicago	BMO Harris Bank National Association		$ 170	10.2%	$ —
	The Northern Trust Company		142	8.5%	—
	Associated Bank, National Association		110	6.6%	—
	State Farm Bank, F.S.B.		92	5.5%	—
	One Mortgage Partners Corp.	JPMorgan Chase & Co.	82	4.9%	—
			$ 596	35.7%	$ —
Des Moines	Wells Fargo Bank, National Association	Wells Fargo & Company	$ 770	28.5%	$ —
	Transamerica Life Insurance Company		104	3.8%	—
	HICA Education Loan Corporation		94	3.5%	—
	Principal Life Insurance Company		80	3.0%	—
	Aviva Life and Annuity Company		61	2.3%	—
			$ 1,109	41.1%	$ —

District	Name	Holding Company Name(1)	Regulatory Capital Stock	Percentage of FHLBank Regulatory Capital Stock(2)	Mandatorily Redeemable Capital Stock
Dallas	Comerica Bank		$ 48	4.3%	$ —
	International Bank of Commerce		45	4.0%	—
	Texas Capital Bank, National Association		39	3.4%	—
	Beal Bank USA		38	3.4%	—
	Southside Bank		34	3.0%	—
			$ 204	18.1%	$ —
Topeka	MidFirst Bank		$ 137	11.0%	$ —
	Capitol Federal Savings Bank		129	10.3%	—
	Security Benefit Life Insurance Co.		51	4.1%	—
	BOKF, National Association		51	4.1%	—
	United of Omaha Life Insurance Company		36	2.9%	—
			$ 404	32.4%	$ —
San Francisco	Citibank, N.A.(3)	Citigroup Inc.	$ 1,279	23.1%	$ 1,279
	JPMorgan Bank & Trust Company, National Association	JPMorgan Chase & Co.	594	10.7%	—
	Wells Fargo Bank, NA(3)	Wells Fargo & Company	518	9.4%	518
	Bank of America California, N.A.	Bank of America Corporation	388	7.0%	—
	First Republic Bank		242	4.4%	—
			$ 3,021	54.6%	$ 1,797
Seattle	JPMorgan Chase Bank, National Association(3)	JPMorgan Chase & Co.	$ 731	27.4%	$ 731
	Bank of America Oregon, National Association(3)	Bank of America Corporation	570	21.4%	570
	Washington Federal, National Association		147	5.5%	42
	Sterling Savings Bank		94	3.5%	—
	American Savings Bank, F.S.B.(4)		93	3.5%	73
			$ 1,635	61.3%	$ 1,416

(1) The holding company name is only shown for each Top 5 regulatory capital stockholder that has its holding company listed in Table 7 - Top 10 Regulatory Capital Stockholders by Holding Company at December 31, 2013.
(2) For consistency with the individual FHLBank's presentation of its Top 5 regulatory capital stockholders at December 31, 2013, amounts used to calculate percentages of FHLBank regulatory capital stock may be based on numbers in thousands. Accordingly, recalculations using the amounts in millions as presented in Table 8 may not produce the same results.
(3) Non-member stockholder that is holding legacy capital stock due to out-of-district acquisition, merger, or relocation.
(4) Indicates that an officer or director of the stockholder was an FHLBank director at December 31, 2013.

SELECTED FINANCIAL DATA

(dollars in millions)	2013	2012	2011	2010	2009
Selected Statement of Condition Data at December 31,					
Investments(1)	$ 242,863	$ 265,825	$ 271,265	$ 330,470	$ 284,351
Advances	498,599	425,750	418,157	478,589	631,159
Mortgage loans held for portfolio	44,530	49,555	53,513	61,269	71,457
Allowance for credit losses on mortgage loans	(88)	(132)	(138)	(86)	(32)
Total assets	834,200	762,452	766,084	878,101	1,015,571
Consolidated obligations					
Discount notes	293,296	216,282	190,149	194,431	198,532
Bonds	473,845	475,856	506,975	606,567	736,344
Total consolidated obligations	767,141	692,138	697,124	800,998	934,876
Mandatorily redeemable capital stock	4,998	6,929	8,013	7,066	8,138
Subordinated notes(2)	944	1,000	1,000	1,000	1,000
Capital					
Total capital stock(3)	33,375	33,535	35,542	41,735	44,982
Retained earnings	12,206	10,522	8,575	7,544	6,021
Accumulated other comprehensive income (loss)	(511)	(1,510)	(4,298)	(5,546)	(8,206)
Total capital(3)	45,070	42,547	39,819	43,733	42,797
Selected Statement of Income Data for the year ended December 31,					
Net interest income	$ 3,415	$ 4,052	$ 4,175	$ 5,227	$ 5,425
Provision (reversal) for credit losses	(19)	21	71	58	18
Net interest income after provision (reversal) for credit losses	3,434	4,031	4,104	5,169	5,407
Non-interest income (loss)	329	(154)	(1,097)	(1,424)	(1,779)
Non-interest expense	943	975	1,060	932	943
Assessments	293	296	348	727	830
Net income (loss)	$ 2,527	$ 2,606	$ 1,599	$ 2,086	$ 1,855
Selected Other Data for the year ended December 31,					
Cash and stock dividends	$ 843	$ 659	$ 568	$ 587	$ 641
Dividend payout ratio(4)	33.36 %	25.29 %	35.52 %	28.14 %	34.56 %
Return on average equity(5)	5.88 %	6.48 %	3.79 %	4.83 %	3.95 %
Return on average assets	0.32 %	0.34 %	0.19 %	0.22 %	0.16 %
Average equity to average assets	5.50 %	5.27 %	5.11 %	4.54 %	4.00 %
Net interest margin(6)	0.44 %	0.53 %	0.51 %	0.55 %	0.46 %
Selected Other Data at December 31,					
Total GAAP capital-to-asset ratio	5.40 %	5.58 %	5.20 %	4.98 %	4.21 %
Combined regulatory capital-to-assets ratio(7)	6.06 %	6.69 %	6.91 %	6.53 %	5.92 %

(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) The subordinated notes outstanding, issued by the FHLBank of Chicago, mature on June 13, 2016. The subordinated notes are not obligations of, and are not guaranteed by, the U. S. 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.
(4) Dividend payout ratio is equal to dividends declared in the period expressed as a percentage of net income (loss) 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 (loss) expressed as a percentage of average total capital.
(6) Net interest margin is equal to net interest income (loss) represented as a percentage of average interest-earning assets.
(7) The regulatory capital-to-assets ratio is calculated based on the FHLBanks' combined regulatory capital as a percentage of total assets. (See *Note 17 - 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 of the 12 FHLBanks. Each FHLBank discusses its financial condition and results of operations in its periodic reports filed with the SEC. 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 Federal Home Loan Banks 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 *Condensed Combining Schedules* for information regarding each individual FHLBank's results.) Transactions among the FHLBanks have been eliminated in accordance with combination accounting principles related to consolidation under GAAP. (See *Interbank Transfers of Consolidated Bonds and Their Effect on Combined Net Income* and *Note 1 - Summary of Significant Accounting Policies* to the accompanying combined financial statements for more information.)

Unless otherwise stated, amounts disclosed in this Combined Financial Report represent values rounded to the nearest million. 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 forward-looking statements, by their nature, involve risks or uncertainties, including those set forth in the *Risk Factors* section of 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, money and capital markets, employment rates, housing market activity and housing prices, the size and volatility of the residential mortgage market, and uncertainty regarding the global economy;

- volatility of market prices, interest rates, and indices or other factors that could affect the value of investments, including other-than-temporary impairment (OTTI) of private-label mortgage-backed securities, 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 finance and GSE reform, FHFA actions, 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, consolidations, or withdrawals from FHLBank membership;

- changes in domestic and foreign investor demand for consolidated obligations or the terms of derivative transactions and similar transactions, 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 of acceptable institutional counterparties for business transactions, including derivative transactions used to manage interest-rate risk;

- 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 guidance, 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 Combined Financial 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 GSEs, federally-chartered but privately capitalized and independently managed. The 12 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 FHFA.

The FHLBanks are cooperative institutions, meaning 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 generally 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 secured loans, known as advances. Each FHLBank's principal funding is obtained from consolidated obligations issued through the Office of Finance on behalf of the FHLBanks. Consolidated obligations are the joint and several obligation of each FHLBank.

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, other services and dividend payments. The interest spread between the cost of each FHLBank's liabilities and the yield on its assets, and the earnings on its capital invested, are the FHLBanks' primary sources of earnings. Due to the FHLBanks' cooperative structures, the FHLBanks generally earn narrow net spreads between the yield on assets and the cost of liabilities incurred to fund those assets.

Credit Ratings

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 FHLBanks' status as GSEs, 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 Moody's Investors Service (Moody's) and Standard & Poor's Ratings Services (S&P). 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 neither the obligation of, nor is it guaranteed by, the United States or any government agency. Moody's, S&P, or other rating organizations could downgrade or upgrade the credit rating of the U.S. government and, in turn, GSEs, including the FHLBanks.

Business Environment

The primary external factors that affected the FHLBanks' combined financial condition and operating performance during the year ended December 31, 2013, included (1) the general state of the economy and financial markets; (2) the conditions in the housing markets; (3) interest rate levels and volatility; and (4) the legislative and regulatory environment.

Economy and Financial Markets. As part of their overall business strategy, the FHLBanks' members typically use wholesale funding in the form of advances along with other sources of funding, such as retail deposits, as sources of liquidity to make residential mortgage loans. The FHLBanks' overall results of operations are influenced by the economy and financial markets, and, in particular, FHLBanks' member demand for wholesale funding. The slow economic recovery along with high retail deposit levels and weak lending activity continues to dampen members' wholesale borrowing needs. However, advances outstanding increased during the year ended December 31, 2013, due to higher member borrowing, particularly by large-asset members.

During the year ended December 31, 2013, the economy continued to recover from the economic downturn. Gross domestic product continued to grow during the year ended December 31, 2013, and has grown for 18 consecutive quarters. In addition, conditions in the labor market are improving, and the unemployment rate stood at 6.7% in February 2014. There continue to be challenges to the ongoing recovery due to uncertainty about the U.S. fiscal situation, including the unemployment rate being above a level that is consistent with maximum employment, continued reductions in quantitative easing by the Federal Reserve, and the volatility in the global financial markets.

Financial markets experienced both periods of volatility and periods of stability during the year ended December 31, 2013. During the quarter ended December 31, 2013, there was ongoing volatility due to political debates concerning the government shutdown and the debt ceiling in the early part of the quarter and the Federal Reserve's announcement to reduce quantitative easing during the latter part of the quarter. As a result, some investors moved away from riskier assets in favor of high quality, short-term investments. During the year ended December 31, 2013, the FHLBank System maintained ready access to funding at relatively attractive levels.

Conditions in Housing Markets. Conditions in the U.S. housing markets primarily affect the FHLBanks through the creation of demand for residential mortgage loans from members and the valuation of private-label mortgage-backed securities. During the year ended December 31, 2013, rising housing construction and home sales added to job growth, and increases in home prices bolstered household finances and consumer spending while reducing the number of homeowners whose mortgage loan balances exceed the fair market value of their homes. The rise in home sales, housing prices, and residential construction during the year ended December 31, 2013, was supported by low mortgage rates and improved confidence in both the housing market and the economy. However, improvements in the housing market face headwinds from mortgage credit lending standards and limited housing inventory.

Interest Rate Levels and Volatility. The level and volatility of interest rates are significant factors affecting the FHLBanks' combined financial condition and combined results of operations. During the year ended December 31, 2013, compared to the year ended December 31, 2012, average short-term interest rates have generally decreased and average long-term rates have generally increased.

The Federal Reserve Board, acting through its Federal Open Market Committee, indicated in March 2014 that it will maintain its target range for the federal funds rate at zero to one quarter percent. In determining how long to maintain this target range, the Federal Open Market Committee will assess progress, both realized and expected, toward its objective of maximum

employment and two percent inflation. The Federal Open Market Committee continues to anticipate, based on an assessment of several factors, that it likely will be appropriate to maintain the current target range for the federal funds rate for a considerable time after the asset purchase program ends, especially if projected inflation continues to run below the Federal Open Market Committee's two percent longer-run goal, and provided that longer-term inflation expectations remain well anchored. In light of the cumulative progress toward maximum employment and the improvement in outlook for labor market conditions, in March 2014 the Federal Market Open Committee decided to make a further measured reduction in the pace of its asset purchases, otherwise known as quantitative easing. Beginning in April 2014, it will purchase $25 billion in agency MBS per month (these purchases were reduced from $40 billion to $35 billion in January 2014 and then further reduced from $35 billion to $30 billion in February 2014) and it will purchase longer-term Treasury securities at a pace of $30 billion per month (these purchases were reduced from $45 billion to $40 billion in January 2014 and then further reduced from $40 billion to $35 billion in February 2014). The Federal Reserve Board also continued its existing policy of reinvesting principal payments on its agency debt and agency MBS holdings back into agency MBS, and of rolling over maturing Treasury securities at auction.

Legislative and Regulatory Environment. The FHLBanks' business operations, funding costs, rights or obligations, and the business environment in which the FHLBanks carry out their housing finance mission are affected by the legislative and regulatory environment. This environment for the FHLBank System has changed significantly over the past few years, starting with the Housing and Economic Recovery Act of 2008 (Housing Act) and continuing with financial regulators' issuance of rules to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), enacted in July 2010, and deliberations by the U.S. Congress regarding housing finance and GSE reform. (See *Legislative and Regulatory Developments* for more information.)

FHLBanks' Financial Highlights

Combined Financial Condition. Total assets were $834.2 billion at December 31, 2013, an increase of 9.4% from $762.5 billion at December 31, 2012. Advances were $498.6 billion, an increase of 17.1% due to higher member borrowing, particularly by large-asset members. Investment balances were $242.9 billion, a decrease of 8.6% due primarily to decreases in securities purchased under agreements to resell, federal funds sold, and private-label mortgage-backed securities, partially offset by increases in government-sponsored enterprise mortgage-backed securities and U.S. government obligations. Mortgage loans were $44.4 billion, a decrease of 10.1% resulting from principal repayments continuing to exceed purchases.

FHLBank debt issuance is generally driven by members' needs for advances. During the year ended December 31, 2013, the FHLBanks maintained continual access to funding and adapted their debt issuance to meet the needs of their members. Total liabilities were $789.1 billion at December 31, 2013, an increase of 9.6% from $719.9 billion at December 31, 2012, due primarily to an increase in consolidated obligations. The increase in consolidated obligations was driven by an increase in discount notes, as a result of additional funding needs related to the growth in advances.

Total GAAP capital was $45.1 billion at December 31, 2013, an increase of 5.9% from $42.5 billion at December 31, 2012. This increase is the result of growth in retained earnings and an improvement in accumulated other comprehensive income (loss), partially offset by a decline in capital stock outstanding. Retained earnings grew 16.0% due to net income of $2,527 million, offset by dividends of $843 million. Capital stock declined $160 million as repurchases, redemptions, and net transfers of capital stock exceeded new issuances.

Combined Results of Operations. Net income for the year ended December 31, 2013, was $2,527 million, a decrease of $79 million compared to the year ended December 31, 2012. The decrease for the year ended December 31, 2013, was due to lower net interest income, partially offset by an improvement in non-interest income.

Net interest income after provision (reversal) for credit losses for the year ended December 31, 2013, was $3,434 million, a decrease of 14.8% compared to the year ended December 31, 2012. Net interest margin for the year ended December 31, 2013, was 0.44%, a decrease of 9 basis points compared to the year ended December 31, 2012. Interest income was $8,413 million for the year ended December 31, 2013, a decrease of 17.5% compared to the year ended December 31, 2012. The decrease was due to lower yields on interest-earning assets, which included lower prepayment fees, and reductions in the average balances of investments and mortgage loans, partially offset by the higher average balances of advances. Interest expense was $4,998 million for the year ended December 31, 2013, a decrease of 18.6% compared to the year ended December 31, 2012. This decrease was driven by lower yields on new consolidated obligations, including the effect of redemptions and refinancings of higher-cost consolidated obligations.

Non-interest income for the year ended December 31, 2013, was $329 million, an improvement of $483 million compared to the year ended December 31, 2012. This improvement was due primarily to net gains on derivatives and hedging activities, litigation settlement gains, and lower credit-related other-than-temporary impairment charges, partially offset by higher losses on trading securities.

Non-interest expense for the year ended December 31, 2013, was $943 million, a decrease of 3.3% compared to the year ended December 31, 2012. The decrease for the year ended December 31, 2013, was due primarily to the 2013 second quarter reversal into other expense of a one-time, $50 million charge originally recorded in 2011, by the FHLBank of Chicago.

Affordable Housing Program assessments for the year ended December 31, 2013, were $293 million, a decrease of 1.0% compared to the year ended December 31, 2012. Affordable Housing Program assessments result from individual FHLBank income subject to assessments.

See *Combined Financial Condition* and *Combined Results of Operations* for further information.

Combined Financial Condition

Total assets were $834.2 billion at December 31, 2013, an increase of 9.4% from $762.5 billion at December 31, 2012, led by increases in advances, partially offset by declines in investments and mortgage loans. Total consolidated obligations were $767.1 billion at December 31, 2013, an increase of 10.8% from $692.1 billion at December 31, 2012, due to funding needs resulting from the growth in advances. The following discussion contains information on the major categories of the FHLBanks' Combined Statement of Condition: advances, investments, mortgage loans, consolidated obligations, deposits, and capital.

Advances

The FHLBanks provide liquidity to members and eligible non-members through secured loans (advances), which may be used for residential mortgages, community investments, and other services for housing and community development. Each FHLBank makes advances based on the security of mortgage loans and other types of eligible collateral pledged, and the creditworthiness and financial condition of the borrowing institutions.

Table 9 presents advances outstanding by product type, some of which include advances that contain embedded put or call options. A member can either sell an embedded option to an FHLBank or it can purchase an embedded option from an FHLBank. (See *Note 8 - Advances* to the accompanying combined financial statements for additional information on putable and callable advances and their potential effect on advance maturities.)

Table 9 - Advances Outstanding by Product Type
(dollars in millions)

	December 31, 2013		December 31, 2012	
	Amount	Percentage of Total	Amount	Percentage of Total
Fixed-rate	$ 277,858	56.5%	$ 249,314	60.3%
Adjustable/variable-rate indexed	174,939	35.5%	117,394	28.4%
Hybrid(1)	20,334	4.1%	24,352	5.9%
Amortizing(2)/mortgage-matched	11,395	2.3%	12,060	2.9%
Convertible	7,460	1.5%	9,892	2.4%
Other advances	573	0.1%	588	0.1%
Total par value	492,559	100.0%	413,600	100.0%
Other(3)	6,040		12,150	
Total	$ 498,599		$ 425,750	

(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. Generally, as market interest rates rise (fall), the maturity of an index-amortizing advance extends (contracts).
(3) Consists of hedging and fair value option valuation adjustments, unamortized premiums, discounts, and commitment fees.

The outstanding carrying value of advances was $498.6 billion at December 31, 2013, an increase of $72.8 billion or 17.1% from $425.8 billion at December 31, 2012. The increase was due to higher member borrowing, particularly by large-asset members. The percentage of members with outstanding advances was 57.4% at December 31, 2013, compared to 57.3% at December 31, 2012.

Table 10 presents cash flows related to advance originations and advance repayments, which illustrates advances originations exceeding repayments during the years ended December 31, 2013 and 2012, resulting in growth in advances during those periods. This trend is driven primarily by members electing to restructure certain outstanding advances to take advantage of the low interest-rate environment. In addition, the FHLBanks issued more short-term advances, many having overnight maturities.

Table 10 - Advance Originations and Repayments
(dollars in millions)

	Year Ended December 31,			Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Advances originated	$ 3,488,649	$ 2,919,466	$ 1,500,879	$ 569,183	$ 1,418,587
Advances repaid	3,409,729	2,909,476	1,561,601	500,253	1,347,875
Net change	$ 78,920	$ 9,990	$ (60,722)		

The FHLBanks make advances primarily to their members. Table 11 presents advances at par value by type of borrower and Table 12 presents member borrowers by type of member.

Table 11 - Advances at Par Value by Type of Borrower
(dollars in millions)

	December 31, 2013		December 31, 2012	
	Par Value	Percentage of Total Par Value of Advances	Par Value	Percentage of Total Par Value of Advances
Commercial bank members	$ 315,649	64.1%	$ 232,825	56.3%
Thrift members	79,064	16.0%	85,762	20.7%
Insurance company members	59,391	12.1%	51,593	12.5%
Credit union members	26,990	5.4%	25,074	6.1%
Community development financial institution members	59	—	41	—
Total member advances	481,153	97.6%	395,295	95.6%
Non-member borrowers	11,092	2.3%	17,952	4.3%
Housing associates	314	0.1%	353	0.1%
Total par value	$ 492,559	100.0%	$ 413,600	100.0%

Table 12 - Member Borrowers by Type of Member

	December 31, 2013		December 31, 2012	
	Number	Percentage of Total Member Borrowers	Number	Percentage of Total Member Borrowers
Commercial banks	3,109	72.1%	3,206	73.2%
Thrifts	641	14.9%	668	15.3%
Credit unions	436	10.1%	385	8.8%
Insurance companies	118	2.8%	112	2.6%
Community development financial institutions	6	0.1%	5	0.1%
Total member borrowers	4,310	100.0%	4,376	100.0%
Total members	7,504		7,635	

Table 13 presents the FHLBanks' top 10 advance holding borrowers at the holding-company level on a combined basis based on advances outstanding at par at December 31, 2013. The percentage of total advances for each holding company was computed by dividing the par value of advances by subsidiaries of that holding company by the total combined par value of advances. These percentage concentrations do not represent borrowing concentrations in an individual FHLBank.

Table 13 - Top 10 Advance Holding Borrowers by Holding Company at December 31, 2013
(dollars in millions)

Holding Company Name(1)	FHLBank Districts(2)	Par Value	Percentage of Total Par Value of Advances
JPMorgan Chase & Co.	Pittsburgh, Cincinnati, Chicago, San Francisco, Seattle	$ 61,831	12.6%
Bank of America Corporation	Boston, New York, Atlanta, San Francisco, Seattle	28,938	5.9%
Citigroup Inc.	New York, Dallas, San Francisco	25,202	5.1%
Wells Fargo & Company	Des Moines, San Francisco	19,141	3.9%
Capital One Financial Corporation	Atlanta, Dallas	16,314	3.3%
MetLife, Inc.	Boston, New York, Pittsburgh, Des Moines	15,000	3.0%
The PNC Financial Services Group, Inc.	New York, Pittsburgh, Atlanta, Cincinnati	12,907	2.6%
New York Community Bancorp, Inc.	New York, Cincinnati	11,084	2.3%
Banco Santander, S.A.	Pittsburgh	8,965	1.8%
BB&T Corporation	Atlanta	8,182	1.7%
		$ 207,564	42.2%

(1) 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.
(2) At December 31, 2013, each holding company had subsidiaries with advance borrowings in these FHLBank districts.

Five Largest Advance Holding Borrowers from Each FHLBank. Table 14 presents information on the five largest borrowers from each FHLBank at December 31, 2013. The information presented on borrowings in Table 14 is for individual FHLBank advance holding borrowers. The data is not aggregated to the holding-company level. Some of the institutions listed are affiliates of the same holding company, and some of the institutions listed may have affiliates that are advance holding borrowers that are not listed in the table. Each FHLBank describes its risk management policies, including disclosures about its concentration risk, if any, in its periodic reports filed with the SEC. (See *Explanatory Statement about Federal Home Loan Banks Combined Financial Report*.)

Table 14 - Top 5 Advance Holding Borrowers by FHLBank at December 31, 2013
(dollars in millions)

District	Name	Holding Company Name(1)	Par Value	Percentage of FHLBank Total Par Value of Advances(2)
Boston	People's United Bank		$ 3,456	12.7%
	RBS Citizens, National Association		2,269	8.3%
	Webster Bank, National Association		2,052	7.5%
	Berkshire Bank		964	3.6%
	Brookline Bank		601	2.2%
			$ 9,342	34.3%
New York	Citibank, N.A.	Citigroup Inc.	$ 22,200	25.0%
	Metropolitan Life Insurance Company	MetLife, Inc.	12,770	14.4%
	New York Community Bank(4)	New York Community Bancorp, Inc.	10,143	11.4%
	Hudson City Saving Bank, FSB(4)		6,025	6.8%
	First Niagara Bank, National Association		4,304	4.9%
			$ 55,442	62.5%

District	Name	Holding Company Name(1)	Par Value	Percentage of FHLBank Total Par Value of Advances(2)
Pittsburgh	PNC Bank, National Association(4)	The PNC Financial Services Group, Inc.	$ 11,435	23.0%
	Chase Bank USA, N.A.	JPMorgan Chase & Co.	9,975	20.1%
	Santander Bank, National Association(4)	Banco Santander, S.A.	8,965	18.0%
	Ally Bank		6,570	13.2%
	Susquehanna Bank		1,526	3.1%
			$ 38,471	77.4%
Atlanta	Bank of America, National Association	Bank of America Corporation	$ 17,263	19.6%
	Capital One, National Association	Capital One Financial Corporation	8,506	9.7%
	Branch Banking and Trust Company(4)	BB&T Corporation	8,182	9.3%
	Capital One Bank (USA), National Association	Capital One Financial Corporation	7,800	8.9%
	SunTrust Bank		7,016	8.0%
			$ 48,767	55.5%
Cincinnati	JPMorgan Chase Bank, National Association	JPMorgan Chase & Co.	$ 41,700	64.1%
	U.S. Bank, N. A.		4,584	7.0%
	The Huntington National Bank		1,809	2.8%
	Western-Southern Life Assurance Company		1,342	2.0%
	Protective Life Insurance Company		1,171	1.8%
			$ 50,606	77.7%
Indianapolis	Lincoln National Life insurance Company		$ 2,100	12.3%
	Jackson National Life Insurance Company		1,978	11.6%
	Blue Cross Blue Shield of Michigan		1,172	6.8%
	Tuebor Captive Insurance Company, LLC		990	5.8%
	Flagstar Bank, FSB		988	5.8%
			$ 7,228	42.3%
Chicago	One Mortgage Partners Corp.	JPMorgan Chase & Co.	$ 4,100	17.5%
	Associated Bank, National Association		2,700	11.5%
	BMO Harris Bank National Association		2,375	10.1%
	State Farm Bank, F.S.B.		2,350	10.0%
	The Northern Trust Company		1,635	7.0%
			$ 13,160	56.1%
Des Moines	Wells Fargo Bank, National Association	Wells Fargo & Company	$ 19,000	41.9%
	Transamerica Life Insurance Company		2,350	5.2%
	HICA Education Loan Corporation		2,280	5.0%
	Principal Life Insurance Company		1,750	3.9%
	Aviva Life and Annuity Company		1,271	2.8%
			$ 26,651	58.8%
Dallas	Comerica Bank		$ 1,000	6.3%
	International Bank of Commerce		905	5.7%
	Beal Bank USA		860	5.5%
	Texas Capital Bank, National Association		840	5.3%
	ViewPoint Bank, National Association		641	4.1%
			$ 4,246	26.9%
Topeka	MidFirst Bank		$ 2,720	15.8%
	Capitol Federal Savings Bank		2,525	14.7%
	Security Benefit Life Insurance Co.		1,015	5.9%
	BOKF, National Association		1,006	5.8%
	Security Life of Denver Insurance Co.		700	4.1%
			$ 7,966	46.3%

District	Name	Holding Company Name(1)	Par Value	Percentage of FHLBank Total Par Value of Advances(2)
San Francisco	Bank of America California, N.A.	Bank of America Corporation	$ 7,750	17.5%
	First Republic Bank		5,150	11.7%
	JPMorgan Bank & Trust Company, National Association	JPMorgan Chase & Co.	5,125	11.6%
	Bank of the West		4,933	11.2%
	OneWest Bank, FSB		4,501	10.2%
			$ 27,459	62.2%
Seattle	Bank of America Oregon, National Association(3)	Bank of America Corporation	$ 3,827	35.4%
	Washington Federal, National Association		1,930	17.8%
	Sterling Savings Bank		1,145	10.6%
	Glacier Bank		835	7.7%
	HomeStreet Bank		447	4.1%
			$ 8,184	75.6%

(1) The holding company name is only shown for each Top 5 advance holding borrower that has its holding company listed in Table 13 - Top 10 Advance Holding Borrowers by Holding Company at December 31, 2013.
(2) For consistency with the individual FHLBank's presentation of its Top 5 advance holders at December 31, 2013, amounts used to calculate percentages of FHLBank advances may be based on numbers in thousands. Accordingly, recalculations using the amounts in millions as presented in Table 14 may not produce the same results.
(3) Non-member advance holding borrower that is holding legacy advances due to out-of-district acquisition, merger, or relocation.
(4) Indicates that an officer or director of the borrower was an FHLBank director at December 31, 2013.

Investments

The FHLBanks maintain investment portfolios for liquidity purposes, to use balance sheet capacity, and to generate additional earnings. This investment income bolsters the FHLBanks' capacity to meet their commitments to affordable housing and community investment. Table 15 presents the composition of investments and investment securities as of December 31, 2013, 2012, and 2011.

Table 15 - Total Investments
(dollars in millions)

	December 31,						
	2013					2012	2011
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years	Carrying Value	Carrying Value	Carrying Value
Interest-bearing deposits	$ 1,006	$ 1	$ —	$ —	$ 1,007	$ 1,007	$ 1,207
Securities purchased under agreements to resell	20,350	—	—	—	20,350	35,839	12,675
Federal funds sold	29,500	—	—	—	29,500	44,010	41,139
Trading Securities							
Trading non-mortgage-backed securities							
U.S. Treasury obligations	2,822	25	—	—	2,847	1,003	1,061
Commercial paper	—	—	—	—	—	60	599
Certificates of deposit	260	—	—	—	260	325	1,020
Other U.S. obligations	—	—	37	230	267	310	9
GSE and Tennessee Valley Authority obligations	1,809	4,973	147	143	7,072	7,983	9,697
State or local housing agency obligations	—	1	—	—	1	2	3
Temporary Liquidity Guarantee Program debentures and promissory notes	—	—	—	—	—	—	5,179
Other	13	—	150	113	276	306	296
Total trading non-mortgage-backed securities	4,904	4,999	334	486	10,723	9,989	17,864
Trading mortgage-backed securities							
Other U.S. obligations residential MBS	—	—	5	28	33	38	43
GSE residential MBS	—	4	358	319	681	854	549
GSE commercial MBS	—	—	229	—	229	252	249
Total trading mortgage-backed securities	—	4	592	347	943	1,144	841
Total trading securities	4,904	5,003	926	833	11,666	11,133	18,705

	December 31,						
	2013					2012	2011
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years	Carrying Value	Carrying Value	Carrying Value
Available-for-Sale Securities							
Available-for-sale non-mortgage-backed securities							
Certificates of deposit	2,185	—	—	—	2,185	—	3,954
Other U.S. obligations	5	119	673	3,363	4,160	2,079	1,015
GSE and Tennessee Valley Authority obligations	1,039	8,866	3,533	1,027	14,465	14,199	14,981
State or local housing agency obligations	—	—	1	36	37	20	—
Temporary Liquidity Guarantee Program debentures and promissory notes	—	—	—	—	—	—	9,546
Federal Family Education Loan Program ABS	—	10	117	6,677	6,804	7,452	8,159
Other	34	232	318	543	1,127	1,343	1,165
Total available-for-sale non-mortgage-backed securities	3,263	9,227	4,642	11,646	28,778	25,093	38,820
Available-for-sale mortgage-backed securities							
Other U.S. obligations residential MBS	—	—	56	3,332	3,388	3,387	3,118
Other U.S. obligations commercial MBS	—	—	—	309	309	—	—
GSE residential MBS	60	1,094	14,350	8,678	24,182	23,397	21,761
GSE commercial MBS	—	—	43	—	43	147	153
Private-label residential MBS	—	—	12	12,278	12,290	13,695	14,195
Home equity loan ABS	—	—	—	15	15	14	15
Total available-for-sale mortgage-backed securities	60	1,094	14,461	24,612	40,227	40,640	39,242
Total available-for-sale securities	3,323	10,321	19,103	36,258	69,005	65,733	78,062
Held-to-Maturity Securities							
Held-to-maturity non-mortgage-backed securities							
Commercial paper	—	—	—	—	—	—	1,800
Certificates of deposit	1,926	—	—	—	1,926	2,958	7,209
Other U.S. obligations	679	80	459	1,101	2,319	2,561	2,259
GSE and Tennessee Valley Authority obligations	525	3,593	—	307	4,425	3,131	2,616
State or local housing agency obligations	21	381	532	2,591	3,525	2,713	2,225
Temporary Liquidity Guarantee Program debentures and promissory notes	—	—	—	—	—	—	3,295
Other	—	1	—	—	1	2	2
Total held-to-maturity non-mortgage-backed securities	3,151	4,055	991	3,999	12,196	11,365	19,406
Held-to-maturity mortgage-backed securities							
Other U.S. obligations residential MBS	—	266	1,490	8,261	10,017	9,109	9,444
Other U.S. obligations commercial MBS	—	—	2	213	215	457	521
GSE residential MBS	42	1,227	8,081	62,952	72,302	70,253	71,305
GSE commercial MBS	48	1,949	5,644	15	7,656	5,203	3,510
Private-label residential MBS	—	379	142	8,028	8,549	11,241	14,712
Private-label commercial MBS	—	—	—	—	—	10	48
Manufactured housing loan ABS	—	—	—	125	125	147	171
Home equity loan ABS	—	—	—	275	275	318	360
Total held-to-maturity mortgage-backed securities	90	3,821	15,359	79,869	99,139	96,738	100,071
Total held-to-maturity securities	3,241	7,876	16,350	83,868	111,335	108,103	119,477
Total investment securities	11,468	23,200	36,379	120,959	192,006	184,969	216,244
Total investments	$ 62,324	$ 23,201	$ 36,379	$ 120,959	$ 242,863	$ 265,825	$ 271,265

	December 31,						
	2013					2012	2011
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years	Carrying Value	Carrying Value	Carrying Value
Interest-bearing deposits	$ 1,006	$ 1	$ —	$ —	$ 1,007	$ 1,007	$ 1,207
Securities purchased under agreements to resell	20,350	—	—	—	20,350	35,839	12,675
Federal funds sold	29,500	—	—	—	29,500	44,010	41,139
Total Investment Securities by Major Security Type							
Investment securities non-mortgage-backed securities							
U.S. Treasury obligations	2,822	25	—	—	2,847	1,003	1,061
Commercial paper	—	—	—	—	—	60	2,399
Certificates of deposit	4,371	—	—	—	4,371	3,283	12,183
Other U.S. obligations	684	199	1,169	4,694	6,746	4,950	3,283
GSE and Tennessee Valley Authority obligations	3,373	17,432	3,680	1,477	25,962	25,313	27,294
State or local housing agency obligations	21	382	533	2,627	3,563	2,735	2,228
Temporary Liquidity Guarantee Program debentures and promissory notes	—	—	—	—	—	—	18,020
Federal Family Education Loan Program ABS	—	10	117	6,677	6,804	7,452	8,159
Other	47	233	468	656	1,404	1,651	1,463
Total investment securities non-mortgage-backed securities	11,318	18,281	5,967	16,131	51,697	46,447	76,090
Investment securities mortgage-backed securities							
Other U.S. obligations residential MBS	—	266	1,551	11,621	13,438	12,534	12,605
Other U.S. obligations commercial MBS	—	—	2	522	524	457	521
GSE residential MBS	102	2,325	22,789	71,949	97,165	94,504	93,615
GSE commercial MBS	48	1,949	5,916	15	7,928	5,602	3,912
Private-label residential MBS	—	379	154	20,306	20,839	24,936	28,907
Private-label commercial MBS	—	—	—	—	—	10	48
Manufactured housing loan ABS	—	—	—	125	125	147	171
Home equity loan ABS	—	—	—	290	290	332	375
Total investment securities mortgage-backed securities	150	4,919	30,412	104,828	140,309	138,522	140,154
Total investment securities	11,468	23,200	36,379	120,959	192,006	184,969	216,244
Total investments	$ 62,324	$ 23,201	$ 36,379	$ 120,959	$ 242,863	$ 265,825	$ 271,265
Yield on trading securities	0.80 %	2.07%	3.05%	3.49%			
Yield on available-for-sale securities	0.71 %	1.46%	3.44%	3.33%			
Yield on held-to-maturity securities	0.41 %	1.69%	2.49%	1.98%			
Yield on total investment securities	0.66 %	1.67%	3.00%	2.39%			

Total investments were $242.9 billion at December 31, 2013, a decrease of $23.0 billion or 8.6% from $265.8 billion at December 31, 2012, due primarily to decreases in securities purchased under agreements to resell, federal funds sold, and private-label mortgage-backed securities, partially offset by increases in GSE mortgage-backed securities and U.S. government obligations.

Amortized Cost. The amortized cost of AFS and HTM securities includes adjustments made to the cost basis. At December 31, 2013 and 2012, the amortized cost of the FHLBanks' AFS securities included credit losses, OTTI-related accretion adjustments, and purchased premiums and discounts totaling $2,463 million and $2,749 million. At December 31, 2013 and 2012, the amortized cost of the FHLBanks' HTM securities included credit losses, OTTI-related accretion adjustments, and purchased premiums and discounts totaling $912 million and $986 million.

See *Note 5 - Available-for-Sale Securities* and *Note 6 - Held-to-Maturity Securities* to the accompanying combined financial statements for additional information.

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;
- certificates of deposit; and
- GSE obligations.

The yield earned on these short-term investments is tied directly to short-term market interest rates. At December 31, 2013, the FHLBanks continued to maintain significant short-term investment balances as part of their ongoing strategy and to satisfy regulatory liquidity requirements. (See *Liquidity* for further discussion related to liquidity management.)

Long-term Investments. The FHLBanks earn interest income by holding long-term investments. These investments generally provide the FHLBanks with higher returns than those available on short-term investments.

Unrealized Losses on Mortgage-Backed Securities. Unrealized losses, including the net effect of non-credit-related OTTI recognized in AOCI, on the FHLBanks' available-for-sale (AFS) MBS, decreased $725 million from December 31, 2012 to December 31, 2013. This decline was primarily driven by an increase in the fair value of certain private-label residential MBS.

Unrealized losses, including the net effect of non-credit-related OTTI recognized in AOCI, on the FHLBanks' held-to-maturity (HTM) MBS increased $494 million from December 31, 2012 to December 31, 2013. The increase in unrealized losses was primarily related to the decline in fair value of certain government-sponsored enterprise MBS, which was due primarily to changes in interest rates. However, the decline in fair value of HTM MBS is not recorded in the Combined Statement of Condition or in the Combined Statement of Comprehensive Income, as these investments are held-to-maturity. Partially offsetting this increase in unrealized losses was the accretion of the non-credit portion of OTTI losses, recorded in AOCI, on HTM securities that had experienced non-credit-related OTTI in previous periods. 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. There is no effect on earnings unless the security is subsequently sold or there are additional decreases in cash flows expected to be collected.

See *Note 5 - Available-for-Sale Securities* and *Note 6 - 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 a quarterly basis. Private-label residential MBS, private-label commercial MBS, manufactured housing loan ABS, and home equity loan ABS (collectively referred to as private-label mortgage-backed securities) are those investment securities that generally carry the greatest risk of loss. For the year ended December 31, 2013, affected FHLBanks recognized $14 million of net OTTI losses related to AFS and HTM private-label mortgage-backed securities. For the year ended December 31, 2012, affected FHLBanks recognized $112 million of net OTTI losses related to AFS and HTM private-label mortgage-backed securities. The net OTTI losses related to AFS and HTM private-label mortgage-backed securities for the years ended December 31, 2013 and 2012, were recognized after each of these FHLBanks determined that it was likely that it would not recover the entire amortized cost basis of each of these securities.

In addition to those securities with OTTI, the FHLBanks had certain private-label mortgage-backed securities in unrealized loss positions at December 31, 2013. However, these declines are considered temporary, as each of the affected FHLBanks asserted as of December 31, 2013, that it has no intent to sell and believes 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. The FHLBanks' portfolio monitoring is ongoing, and further deterioration in delinquency rates, loss rates, and real estate values may cause an increase in recognized losses on investment securities.

See *Critical Accounting Estimates - OTTI for Investment Securities*, *Risk Management - Credit Risk - Investments*, and *Note 7 - Other-than-Temporary Impairment Analysis* to the accompanying combined financial statements for additional information.

Mortgage-Backed Securities to Total Regulatory Capital Ratio. Current regulatory policy prohibits an FHLBank from purchasing MBS if its investment in MBS exceeds 300% of that FHLBank's previous month-end regulatory capital on the day it purchases the securities. On March 24, 2008, the Federal Housing Finance Board temporarily increased this limit from 300% to 600% for certain kinds of MBS under certain conditions; this temporary increase expired on March 31, 2010. At December 31, 2013, each of the FHLBanks of Indianapolis, Chicago, and Topeka are precluded from purchasing additional MBS investments until their respective MBS ratio declines below 300%. Each of these FHLBanks was not required to sell any previously purchased MBS. Each of the FHLBanks was in compliance with the regulatory limit at the time of its respective MBS purchases. The ratio of MBS (net of regulatory excluded MBS) to total regulatory capital for the FHLBanks on a combined basis at December 31, 2013, was 2.8.

In addition to this limitation, the FHLBank of Chicago's board of directors passed a resolution requiring that the FHLBank of Chicago obtain FHFA approval for any new investments that have a term to maturity in excess of 270 days, until such time as the FHLBank of Chicago's MBS portfolio is less than three times its total regulatory capital and its advances represent more than 50% of its total assets.

See individual FHLBank 2013 SEC Forms 10-K for disclosures related to individual FHLBank investment holdings that exceed 10% of their respective total capital.

Mortgage Loans Held for Portfolio, Net

An FHLBank may purchase mortgage loans to support the FHLBank's housing mission, diversify its 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 *Risk Management - Credit Risk - Mortgage Loans Held for Portfolio* for more information.)

Table 16 - Mortgage Loans Held for Portfolio, Net
(dollars in millions)

	December 31, 2013	December 31, 2012	Change
Mortgage loans held for portfolio	$ 44,530	$ 49,555	$ (5,025)
Allowance for credit losses on mortgage loans	(88)	(132)	44
Total mortgage loans held for portfolio, net	$ 44,442	$ 49,423	$ (4,981)

Mortgage Loans Held for Portfolio. Mortgage loans were $44.5 billion at December 31, 2013, a decrease of 10.1% from $49.6 billion at December 31, 2012. The mortgage loans held for portfolio balance continued to decline from December 31, 2012, due primarily to principal paydowns continuing to exceed purchases.

Allowance for Credit Losses on Mortgage Loans. Table 17 presents the characteristics and credit losses of mortgage loans held for portfolio. 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 is necessary. The allowance for credit losses on mortgage loans was $88 million at December 31, 2013, a decrease of $44 million or 33.3% from $132 million at December 31, 2012, due primarily to the reversal of credit losses and charge-offs by certain FHLBanks during 2013. The reversal of credit losses was due primarily to improvements in the housing market and reductions in loan delinquencies and loss severity estimates.

Table 17 - Mortgage Loans Held for Portfolio - Characteristics and Credit Losses
(dollars in millions)

	December 31,				
Unpaid Principal Balance	**2013**	**2012**	**2011**	**2010**	**2009**
Total past due 90 days or more and still accruing interest	$ 410	$ 559	$ 729	$ 820	$ 946
Non-accrual loans(1)	$ 552	$ 650	$ 674	$ 535	$ 371
Troubled debt restructurings (not included above)(2)	$ 78	$ 61	$ 21	$ 6	$ —

	Year Ended December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
Allowance for credit losses, beginning of period	$ 132	$ 138	$ 86	$ 32	$ 15
Charge-offs and recoveries	(25)	(27)	(20)	(6)	(1)
Provision (reversal) for credit losses(3)	(19)	21	72	60	18
Allowance for credit losses, end of period	$ 88	$ 132	$ 138	$ 86	$ 32

(1) 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.
(2) Represents troubled debt restructured loans that are still performing as of the period-end presented.
(3) The provision (reversal) for credit losses includes only the provision (reversal) related specifically to mortgage loans and does not include the provision (reversal) for credit losses related to Banking on Business loans specific to the FHLBank of Pittsburgh.

Table 18 - Interest Shortfall on Nonaccrual Loans and Loans Modified in Troubled Debt Restructurings
(dollars in millions)

	Year Ended December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
Gross amount of interest that would have been recorded based on original terms	$ 26	$ 30	$ 30	$ 22	$ 16
Interest actually recognized in income during the period	4	12	11	9	7
Shortfall	$ 22	$ 18	$ 19	$ 13	$ 9

See *Note 10 - Allowance for Credit Losses* to the accompanying combined financial statements for more information.

Consolidated Obligations

Consolidated obligations consist of consolidated bonds and 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. The carrying value of consolidated obligations was $767.1 billion at December 31, 2013, an increase of $75.0 billion or 10.8% from $692.1 billion at December 31, 2012, due to funding needs resulting from the growth in advances.

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. The carrying value of consolidated bonds was $473.8 billion at December 31, 2013, a decrease of $2.0 billion or 0.4% from $475.9 billion at December 31, 2012. Consolidated bonds represented 61.8% and 68.8% of total consolidated obligations outstanding at December 31, 2013 and 2012.

Consolidated discount notes are issued primarily to provide short-term funding. These consolidated discount notes have a maturity range of one day to one year, are generally issued at or below par, and mature at par. A significant portion of consolidated discount note activity typically results from the refinancing of overnight discount notes. The carrying value of consolidated discount notes was $293.3 billion at December 31, 2013, an increase of $77.0 billion or 35.6% from $216.3 billion at December 31, 2012. Consolidated discount notes represented 38.2% and 31.2% of total consolidated obligations outstanding at December 31, 2013 and 2012.

Table 19 - Consolidated Obligations Outstanding
(dollars in millions)

	December 31, 2013	December 31, 2012	Change
Par value of consolidated obligations due in 1 year or less			
Consolidated discount notes	$ 293,342	$ 216,335	$ 77,007
Consolidated bonds	230,021	238,921	(8,900)
Total	523,363	455,256	68,107
Par value of long-term consolidated bonds(1)	243,148	232,444	10,704
Total par value	766,511	687,700	78,811
Other(2)	630	4,438	(3,808)
Total consolidated obligations	$ 767,141	$ 692,138	$ 75,003

(1) Includes $0.9 billion and $1.4 billion of index-amortizing notes as of December 31, 2013 and 2012.
(2) Consists of hedging and fair value option valuation adjustments, and unamortized premiums and discounts.

Table 20 presents cash flows related to consolidated obligations, which illustrates proceeds exceeding payments for the year ended December 31, 2013, resulting in a higher consolidated obligation balance. However, the volume of net proceeds and net payments decreased for the year ended December 31, 2013, compared to the same periods in 2012 and 2011, due to lower exercise of call options resulting in lower transaction volumes for consolidated bonds, and due to the issuance of longer maturity consolidated discount notes resulting in lower transaction volumes for consolidated discount notes.

Table 20 - Net Proceeds and Payments for Consolidated Obligations
(dollars in millions)

	Year Ended December 31,			Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Net proceeds from issuance of consolidated obligations					
Discount notes	$ 3,099,326	$ 3,557,821	$ 4,142,367	$ (458,495)	$ (584,546)
Bonds	341,475	418,255	409,203	(76,780)	9,052
Net proceeds	3,440,801	3,976,076	4,551,570	$ (535,275)	$ (575,494)
Net payments for maturing and retiring consolidated obligations					
Discount notes	3,022,323	3,531,720	4,146,633	$ (509,397)	$ (614,913)
Bonds	339,380	448,280	509,255	(108,900)	(60,975)
Net payments	3,361,703	3,980,000	4,655,888	$ (618,297)	$ (675,888)
Net change	$ 79,098	$ (3,924)	$ (104,318)		

During the year ended December 31, 2013, the daily average balance outstanding for consolidated discount notes and consolidated bonds with original maturities of one year or less increased, compared to the daily average balances for the years ended December 31, 2012 and 2011, due to a number of factors including member advance demand, investment opportunities, and funding costs.

Table 21 - Short-Term Consolidated Obligations Outstanding
(dollars in millions)

	Consolidated Discount Notes(1)			Consolidated Bonds With Original Maturities of One Year or Less(2)		
	2013	2012	2011	2013	2012	2011
Outstanding at end of the period	$ 293,296	$ 216,282	$ 190,149	$ 136,270	$ 100,370	$ 73,325
Weighted-average interest rate at end of the period	0.09%	0.12%	0.05%	0.12%	0.19%	0.17%
Daily average outstanding for the period	$ 220,478	$ 201,718	$ 181,590	$ 116,161	$ 87,142	$ 74,643
Weighted-average interest rate for the period	0.23%	0.26%	0.29%	0.14%	0.19%	0.25%
Highest outstanding at any month-end	$ 293,296	$ 217,237	$ 192,798	$ 136,270	$ 100,370	$ 85,297

(1) Values are derived using the carrying value of the consolidated discount notes.
(2) Values are derived using the par value of the consolidated bonds.

Consolidated Bonds. Consolidated bonds often have investor-determined features. The decision to issue a consolidated bond using a particular structure is based on 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-executed derivative transaction usually results in a funding vehicle with a lower cost than an FHLBank could otherwise achieve. The continued attractiveness of these debt/swap transactions depends on pricing relationships in both the consolidated bond and interest-rate exchange markets. If conditions in these markets change, the FHLBanks may alter the types or terms of the bonds issued. The increase in funding alternatives available to the FHLBanks through negotiated debt/swap transactions is beneficial to the FHLBanks because it may diversify the investor base, reduce funding costs, and/or provide additional asset/liability management tools.

Table 22 - Par Value of Consolidated Bonds Outstanding by Payment Terms
(dollars in millions)

	December 31, 2013		December 31, 2012	
	Par Value(1)	Percentage of Total	Par Value(1)	Percentage of Total
Fixed-rate, noncallable	$ 261,907	55.3%	$ 309,065	65.6%
Fixed-rate, callable	86,908	18.4%	57,971	12.3%
Single-index, non-capped variable-rate	85,664	18.1%	78,403	16.6%
Step-up/step-down	35,611	7.5%	22,685	4.8%
Index-amortizing notes	882	0.2%	1,362	0.3%
Other(2)	2,523	0.5%	2,083	0.4%
Total	$ 473,495	100.0%	$ 471,569	100.0%

(1) Consolidated bonds outstanding have not been adjusted for interbank holdings totaling $326 million at December 31, 2013, and $204 million at December 31, 2012.
(2) Primarily consists of capped variable-rate and conversion 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 23 presents the bond types the FHLBanks relied on for their bond funding needs.

Table 23 - Percentage of Total Consolidated Bonds Issued by Bond Type

	Year Ended December 31,		
	2013	2012	2011
Fixed-rate, fixed-term, noncallable (bullet)	49.2%	34.1%	36.5%
Fixed-rate, callable	24.8%	39.0%	42.9%
Single-index, variable-rate	18.9%	15.6%	7.4%
Step-up/step-down(1)	6.9%	11.2%	12.2%
Other	0.2%	0.1%	1.0%
Total	100.0%	100.0%	100.0%

(1) Primarily consists of callable step-up bonds.

The FHLBanks may use callable swaps to hedge against the interest-rate risk associated with the callable bonds. The hedged callable bond is generally called if the call feature of the derivative is exercised. These call features could result in the need for FHLBanks to refinance a substantial portion of outstanding liabilities during times of decreasing interest rates. Call options on unhedged callable consolidated bonds generally are exercised when the bond can be replaced at a lower cost. Callable bonds enable an FHLBank to meet its funding needs at costs not otherwise directly attainable solely through the issuance of non-callable debt.

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

- advances with short-term maturities or repricing intervals;
- convertible advances or callable/putable advance programs;
- variable-rate advance programs; or
- money-market investments.

Debt Financing Activity. The FHLBanks have diversified sources and channels of funding based on the need for funding from the capital markets. Consolidated bonds can be negotiated individually or auctioned competitively through approximately 70 underwriters. Consolidated bonds can be offered daily through auction and include fixed-rate bullets (through the TAP Issue Program) and American-style callables, which are bonds that are redeemable continuously on and after the first redemption date until maturity. Underwriters may contact the Office of Finance if there is a structure/coupon target they need to meet investor demand, although many times they negotiate directly with the FHLBanks. Competitively-bid transactions are generally initiated when an FHLBank needs funds of a particular structure and size. Dealers are invited to bid, and the trade is executed by the Office of Finance if the FHLBank's funding parameters are satisfied.

Table 24 - Percentage of Total Consolidated Bonds Issued by Transaction Type

	Year Ended December 31,		
	2013	2012	2011
Negotiated transactions	87.8%	85.3%	88.9%
Competitive bid	12.2%	14.7%	11.1%
Total	100.0%	100.0%	100.0%

Deposits

The FHLBanks offer demand and overnight deposit programs to members and qualifying non-members. In addition, certain FHLBanks offer short-term interest-bearing deposit programs to members, and in certain cases, qualifying non-members. At December 31, 2013, deposits totaled $10.6 billion, a decrease of $3.2 billion or 23.1% from December 31, 2012. These deposits represent a relatively small portion of the FHLBanks' funding. Deposits vary depending on 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 FHLBank members' liquidity. Interest-bearing demand and overnight deposits represented 86.0% and 80.2% of deposits at December 31, 2013, and December 31, 2012, with the remaining deposits primarily being term deposits and non-interest bearing deposits.

Table 25 presents term deposits issued in amounts of $100 thousand or more at December 31, 2013 and 2012.

Table 25 - Term Deposits Issued in Amounts of $100 Thousand or More
(dollars in millions)

	December 31, 2013	December 31, 2012
3 months or less	$ 183	$ 557
Over 3 months through 6 months	153	66
Over 6 months through 12 months	74	51
Over 12 months	10	36
Total	$ 420	$ 710

Capital

Table 26 - Total Capital and Capital-to-Assets Ratios
(dollars in millions)

	December 31, 2013	December 31, 2012	Change
Capital stock	$ 33,375	$ 33,535	$ (160)
Retained earnings	12,206	10,522	1,684
AOCI	(511)	(1,510)	999
Total GAAP capital	45,070	42,547	2,523
Exclude: AOCI	511	1,510	(999)
Add: Mandatorily redeemable capital stock	4,998	6,929	(1,931)
Other(1)	(1)	1	(2)
Total regulatory capital(2)	$ 50,578	$ 50,987	$ (409)
Total assets	$ 834,200	$ 762,452	$ 71,748
GAAP capital-to-assets ratio	5.40%	5.58%	
Regulatory capital-to-assets ratio	6.06%	6.69%	

(1) Represents rounding adjustments.
(2) Regulatory capital requirements apply to individual FHLBanks, and the combined amounts are for analysis only. The sum of the individual FHLBank regulatory capital amounts does not agree to the combined regulatory capital due to combining adjustments.

GAAP Capital. Total GAAP capital was $45.1 billion at December 31, 2013, an increase of 5.9% from $42.5 billion at December 31, 2012. This increase is the result of growth in retained earnings and an improvement in AOCI, partially offset by a decline in capital stock outstanding. The total GAAP capital-to-assets ratio was 5.40% at December 31, 2013, a decrease of 18 basis points from 5.58% at December 31, 2012.

Capital Stock. Capital stock declined $160 million as repurchases, redemptions, and net transfers of capital stock exceeded new issuances.

Accumulated Other Comprehensive Income (Loss). The change in AOCI of $999 million was primarily affected by:

- fair value improvements of $1,108 million related to other-than-temporarily impaired available-for-sale private-label mortgage-backed securities, driven by increased housing prices and an improved economic outlook;
- net fair value decreases of $809 million on all other investment securities classified as available-for-sale due primarily to changes in interest rates; and
- net fair value increases of $533 million from hedging activities due to changes in the market value of derivatives designated as cash flow hedges. (See *Combined Results of Operations - Comprehensive Income* for more information.)

Retained Earnings. Retained earnings grew 16.0% due to net income of $2,527 million, offset by dividends of $843 million.

Regulatory Capital. Total combined regulatory capital was $50.6 billion at December 31, 2013, a decrease of 0.8% from $51.0 billion at December 31, 2012. This decrease is the result of a decline in regulatory stock outstanding, which consists of capital stock and mandatorily redeemable capital stock, partially offset by growth in retained earnings.

Table 27 - GAAP Capital Components as a Percentage of Total Capital

	December 31, 2013	December 31, 2012
Capital stock	74.0 %	78.8 %
Retained earnings	27.1 %	24.7 %
AOCI	(1.1)%	(3.5)%
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, mortgage loans, and investments, less the interest paid on consolidated obligations and other borrowings. Net income for the year ended December 31, 2013, was $2,527 million, a decline of 3.0% compared to the same period in 2012. This decrease was due primarily to lower net interest income, partially offset by an improvement in non-interest income. Net income for the year ended December 31, 2012, was $2,606 million, an increase of 63.0% compared to the same period in 2011. This increase was the result of an improvement in non-interest income (loss), lower non-interest expense, and lower assessments, partially offset by lower net interest income.

Table 28 - Changes in Net Income
(dollars in millions)

	Year Ended December 31,			Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Net interest income after provision (reversal) for credit losses	$ 3,434	$ 4,031	$ 4,104	$ (597)	$ (73)
Non-interest income (loss)	329	(154)	(1,097)	483	943
Non-interest expense	943	975	1,060	(32)	(85)
Assessments	293	296	348	(3)	(52)
Net income (loss)	$ 2,527	$ 2,606	$ 1,599	$ (79)	$ 1,007

Net Interest Income after Provision (Reversal) for Credit Losses

Net interest income after provision (reversal) for credit losses for the year ended December 31, 2013, was $3,434 million, a decrease of 14.8% compared to the same period in 2012. Net interest margin for the year ended December 31, 2013, was 0.44%, a decrease of 9 basis points compared to the same period in 2012. Net interest income after provision (reversal) for credit losses for the year ended December 31, 2012, was $4,031 million, a decrease of 1.8% compared to the same period in 2011. Net interest margin for the year ended December 31, 2012, was 0.53%, an increase of 2 basis points compared to the same period in 2011.

Interest income was $8,413 million for the year ended December 31, 2013, a decrease of 17.5% compared to the same period in 2012. This decrease was due to lower yields on interest-earning assets, which included lower prepayment fees, and reductions in the average balances of investments and mortgage loans, partially offset by the higher average balances of advances. Interest income was $10,194 million for the year ended December 31, 2012, a decrease of 11.2% compared to the same period in 2011. This decrease was due to lower average balances and lower yields on interest-earning assets.

Interest expense was $4,998 million for the year ended December 31, 2013, a decrease of 18.6% compared to the same period in 2012. Interest expense was $6,142 million for the year ended December 31, 2012, a decrease of 15.9% compared to the same period in 2012. These decreases were driven by lower yields on new consolidated obligations, including the effect of redemptions and refinancings of higher cost consolidated obligations.

Table 29 - Net Interest Income after Provision (Reversal) for Credit Losses
(dollars in millions)

	Year Ended December 31,			Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Interest income					
Advances	$ 2,559	$ 3,106	$ 3,340	$ (547)	$ (234)
Prepayment fees on advances, net	138	341	257	(203)	84
Interest-bearing deposits	11	19	9	(8)	10
Securities purchased under agreements to resell	24	53	17	(29)	36
Federal funds sold	67	78	101	(11)	(23)
Trading securities	207	316	404	(109)	(88)
Available-for-sale securities	1,374	1,518	1,448	(144)	70
Held-to-maturity securities	2,164	2,571	3,259	(407)	(688)
Mortgage loans held for portfolio	1,867	2,189	2,642	(322)	(453)
Other	2	3	2	(1)	1
Total interest income	8,413	10,194	11,479	(1,781)	(1,285)
Interest expense					
Consolidated obligations - Discount notes	511	524	529	(13)	(5)
Consolidated obligations - Bonds	4,248	5,471	6,645	(1,223)	(1,174)
Deposits	4	5	8	(1)	(3)
Securities sold under agreements to repurchase	—	—	17	—	(17)
Subordinated notes	57	57	57	—	—
Mandatorily redeemable capital stock	178	85	48	93	37
Total interest expense	4,998	6,142	7,304	(1,144)	(1,162)
Net interest income	3,415	4,052	4,175	(637)	(123)
Provision (reversal) for credit losses	(19)	21	71	(40)	(50)
Net interest income after provision (reversal) for credit losses	$ 3,434	$ 4,031	$ 4,104	$ (597)	$ (73)

Table 30 presents average balances and yields of the major categories of interest-earning assets and interest-bearing liabilities; net interest spread, which is the difference between the annualized yield on total interest-earning assets and the annualized cost on total interest-bearing liabilities; and net interest margin, which is net interest income expressed as a percentage of the average balance of total interest-earning assets. Due to the FHLBanks' cooperative structures, the FHLBanks generally earn narrow net spreads between the yield on assets and the cost of liabilities incurred to fund those assets.

Table 30 - Spread and Yield Analysis
(dollars in millions)

	Year Ended December 31,								
	2013			2012			2011		
	Average Balance	Interest	Annualized Yield	Average Balance	Interest	Annualized Yield	Average Balance	Interest	Annualized Yield
Advances(1)	$ 445,147	$ 2,697	0.61%	$ 407,192	$ 3,447	0.85%	$ 433,404	$ 3,597	0.83%
Mortgage loans	46,695	1,867	4.00%	51,618	2,189	4.24%	56,883	2,642	4.64%
Investments									
Interest-bearing deposits and other	9,209	13	0.14%	11,522	22	0.19%	9,032	11	0.12%
Securities purchased under agreements to resell	26,704	24	0.09%	31,824	53	0.17%	15,543	17	0.11%
Federal funds sold	61,758	67	0.11%	53,097	78	0.15%	74,805	101	0.14%
Trading securities	11,211	207	1.85%	16,616	316	1.90%	26,563	404	1.52%
Available-for-sale securities(2)	67,209	1,374	2.04%	74,894	1,518	2.03%	76,337	1,448	1.90%
Held-to-maturity securities(2)	109,027	2,164	1.98%	115,298	2,571	2.23%	130,203	3,259	2.50%
Total investments	285,118	3,849	1.35%	303,251	4,558	1.50%	332,483	5,240	1.58%
Total interest-earning assets	776,960	8,413	1.08%	762,061	10,194	1.34%	822,770	11,479	1.40%
Other non-interest-earning assets	5,051			5,345			8,193		
Fair-value adjustment on investment securities(2)	(1,056)			(3,755)			(4,809)		
Total assets	$ 780,955			$ 763,651			$ 826,154		
Consolidated obligations									
Discount notes	$ 220,478	511	0.23%	$ 201,718	524	0.26%	$ 181,590	529	0.29%
Bonds	482,990	4,248	0.88%	480,982	5,471	1.14%	558,706	6,645	1.19%
Interest-bearing deposits and other borrowings(3)	19,461	239	1.23%	22,686	147	0.65%	25,657	130	0.51%
Total interest-bearing liabilities	722,929	4,998	0.69%	705,386	6,142	0.87%	765,953	7,304	0.95%
Non-interest-bearing liabilities	15,051			18,035			17,978		
Total liabilities	737,980			723,421			783,931		
Capital	42,975			40,230			42,223		
Total liabilities and capital	$ 780,955			$ 763,651			$ 826,154		
Net interest income		$ 3,415			$ 4,052			$ 4,175	
Net interest spread			0.39%			0.47%			0.45%
Net interest margin			0.44%			0.53%			0.51%

(1) Interest income for advances includes prepayment fees on advances, net.
(2) The average balances of AFS securities and HTM 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 previously recognized OTTI reflected in AOCI.
(3) The balances do not include non-interest-bearing deposits, but do include the average balances and the related interest expense of mandatorily redeemable capital stock and subordinated notes.

Changes in both interest rates and average balances of interest-earning assets and interest-bearing liabilities have a direct influence on changes in net interest income, net interest margin, and net interest spread. Table 31 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 on the proportion of the absolute value of the volume and rate changes.

Table 31 - Rate and Volume Analysis
(dollars in millions)

	2013 vs. 2012			2012 vs. 2011		
	Volume	Rate	Total	Volume	Rate	Total
Interest Income						
Advances(1)	$ 299	$ (1,049)	$ (750)	$ (232)	$ 82	$ (150)
Mortgage loans	(202)	(120)	(322)	(235)	(218)	(453)
Investments	(265)	(444)	(709)	(433)	(249)	(682)
Total interest income	(168)	(1,613)	(1,781)	(900)	(385)	(1,285)
Interest Expense						
Consolidated obligations	177	(1,413)	(1,236)	(534)	(645)	(1,179)
Deposits and other borrowings(2)	(24)	116	92	(16)	33	17
Total interest expense	153	(1,297)	(1,144)	(550)	(612)	(1,162)
Changes in net interest income	$ (321)	$ (316)	$ (637)	$ (350)	$ 227	$ (123)

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

Lower Yields. A significant factor driving lower net interest income for the year ended December 31, 2013, compared to the same period in 2012, was the lower yield on total interest-earning assets. The yield on total interest-earning assets for the year ended December 31, 2013, was 1.08%, a decrease of 26 basis points compared to the same period in 2012, resulting from lower yields on mortgage loans, advances and investments. These lower yields were partially offset by a lower yield on total interest-bearing liabilities. The yield on total interest-bearing liabilities was 0.69%, a decrease of 18 basis points, primarily attributable to the issuance of new consolidated obligations, including the effect of redemptions and refinancings of higher-cost consolidated obligations. The net effect of the lower yields on interest-earning assets and interest-bearing liabilities was a reduction of net interest spread to 0.39% for the year ended December 31, 2013, from 0.47% for the year ended December 31, 2012.

The lower yield on total interest-earning assets also contributed to the decrease in net interest income for the year ended December 31, 2012, compared to the same period in 2011. However, this lower yield was more than offset by the lower yield on total interest-bearing liabilities. The yield on total interest-earning assets was 1.34%, a decrease of 6 basis points for the year ended December 31, 2012, resulting from lower yields on mortgage loans and investments, partially offset by a higher yield on advances. The yield on total interest-bearing liabilities was 0.87%, a decrease of 8 basis points, primarily attributable to the issuance of new consolidated obligations, including the effect of redemptions and refinancings of higher-cost consolidated obligations. The net effect of the lower yields on interest-earning assets and interest-bearing liabilities was an increase in net interest spread to 0.47% for the year ended December 31, 2012, from 0.45% for the year ended December 31, 2011.

Average Balances. Another significant factor driving lower net interest income for the year ended December 31, 2013, was lower average balances of investments and mortgage loans, and a higher average balance of total interest-bearing liabilities, partially offset by a higher average balance on advances.

The average balance of mortgage loans decreased 9.5% and the average balance of investments decreased 6.0% for the year ended December 31, 2013, compared to the same period in 2012. The lower average balance of mortgage loans was the result of principal repayments continuing to exceed purchases. The lower average balance of investments was driven by the maturity of Temporary Liquidity Guarantee Program securities, the runoff of residential mortgage-backed securities, and decreases in securities purchased under agreements to resell, partially offset by the higher average balance of federal funds sold.

The average balance of total interest-bearing liabilities increased 2.5% for the year ended December 31, 2013, which was driven by the increase in the average balance of consolidated obligations. The average balance of consolidated obligations increased 3.0% for the year ended December 31, 2013, compared to the same period in 2012, which was driven by an increase of 9.3% in the average balance of consolidated discount notes and an increase of 0.4% in the average balance of consolidated bonds.

Partially offsetting the lower average balances of investments and mortgage loans, and the higher average balance of total interest-bearing liabilities, was a higher average balance of advances. The average balances of advances increased 9.3% for the year ended December 31, 2013, compared to the same period in 2012. This increase reflected the demand for advances, particularly by large-asset members. However, many member institutions continue to experience high deposit levels and low loan demand. Although the average balances of advances increased, the demand was generally in lower-yielding advances, which contributed to the decline in interest income.

The lower average balance of total interest-earning assets, partially offset by the lower average balance of total interest-bearing liabilities, also contributed to the decrease in net interest income for the year ended December 31, 2012, compared to the same period in 2011. Total average interest-earning assets decreased 7.4% during the year ended December 31, 2012, compared to the same period in 2011, negatively affecting net interest income. This decline was the result of a decrease of 9.3% in the average balance of mortgage loans, a decrease of 8.8% in the average balance of investments, and a decrease of 6.1% in the average balance of advances. The lower average balance of mortgage loans was the result of principal repayments exceeding purchases. The lower average balance of investments was driven by the runoff of residential mortgage-backed securities and lower average short-term investment balances due to reduced liquidity needs. The lower average balance of advances was driven by high deposit levels and low loan demand experienced at member institutions. Consistent with the decline in the average balance of interest-earning assets, the average balance of consolidated obligations decreased 7.8% for the year ended December 31, 2012, compared to the same period in 2011.

See *Note 11 - Derivatives and Hedging Activities* to the accompanying combined financial statements and *Quantitative and Qualitative Disclosures about Market Risk - Use of Derivatives to Manage Interest-Rate Risk* for information on the effect of derivatives and hedging activities on net interest income.

Non-Interest Income (Loss)

Non-interest income for the year ended December 31, 2013, was $329 million, an improvement of $483 million compared to the same period in 2012. The improvement was due primarily to net gains on derivatives and hedging activities, litigation settlement gains, and lower credit-related other-than-temporary impairment charges, partially offset by higher net losses on trading securities.

Non-interest income (loss) for the year ended December 31, 2012, was a loss of $154 million, an improvement of $943 million compared to the same period in 2011. The improvement was due primarily to lower credit-related other-than-temporary impairment charges as well as net gains on derivatives and hedging activities, partially offset by higher net losses on trading securities.

Table 32 - Changes in Non-Interest Income (Loss)
(dollars in millions)

	Year Ended December 31,			Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Net other-than-temporary impairment losses	$ (15)	$ (112)	$ (856)	$ 97	$ 744
Net gains (losses) on trading securities	(284)	(152)	(11)	(132)	(141)
Net realized gains (losses) from sale of available-for-sale securities	21	15	24	6	(9)
Net realized gains (losses) from sale of held-to-maturity securities	—	30	35	(30)	(5)
Net gains (losses) on financial instruments held under fair value option	(18)	(5)	6	(13)	(11)
Net gains (losses) on derivatives and hedging activities	416	47	(383)	369	430
Gains on litigation settlement, net	202	2	15	200	(13)
Net gains (losses) on debt extinguishments	(103)	(81)	(105)	(22)	24
Other, net	110	102	178	8	(76)
Total non-interest income (loss)	$ 329	$ (154)	$ (1,097)	$ 483	$ 943

Other-than-Temporary Impairment Losses. The FHLBanks update their other-than-temporary impairment analysis each quarter to reflect current housing market conditions, changes in anticipated housing market conditions, observed and anticipated borrower behavior, and updated information on collateral underlying private-label mortgage-backed securities. This process includes updating key aspects of the FHLBanks' loss projection models.

For the year ended December 31, 2013, net other-than-temporary impairment losses were $15 million compared to $112 million and $856 million for the years ended December 31, 2012 and 2011. The decreases in net other-than-temporary impairment losses were due primarily to improvements in housing prices and the improved economic outlook.

Table 33 - Other-than-Temporary Impairment Losses of Private-Label Mortgage-Backed Securities
(dollars in millions)

	Year Ended December 31,								
	2013			2012			2011		
	Total OTTI Losses(1)	AOCI(2)	OTTI Related to Credit Losses	Total OTTI Losses	AOCI(2)	OTTI Related to Credit Losses	Total OTTI Losses	AOCI(2)	OTTI Related to Credit Losses
OTTI by Collateral Type(3)									
Private-label residential MBS									
Prime	$ (2)	$ 1	$ (1)	$ (7)	$ (39)	$ (46)	$ (108)	$ (126)	$ (234)
Alt-A	(13)	—	(13)	(80)	18	(62)	(479)	(119)	(598)
Subprime	—	—	—	(2)	1	(1)	(17)	—	(17)
Total OTTI on private-label residential MBS	(15)	1	(14)	(89)	(20)	(109)	(604)	(245)	(849)
Home equity loan ABS									
Alt-A	—	—	—	—	(1)	(1)	—	(1)	(1)
Subprime	—	—	—	—	(2)	(2)	(2)	(4)	(6)
Total OTTI on home equity loan ABS	—	—	—	—	(3)	(3)	(2)	(5)	(7)
Total	$ (15)	$ 1	$ (14)	$ (89)	$ (23)	$ (112)	$ (606)	$ (250)	$ (856)
OTTI by Period									
Securities newly impaired during the period	$ (5)	$ 5	$ —	$ (44)	$ 43	$ (1)	$ (312)	$ 283	$ (29)
Securities previously impaired prior to current period(4)	(10)	(4)	(14)	(45)	(66)	(111)	(294)	(533)	(827)
Total	$ (15)	$ 1	$ (14)	$ (89)	$ (23)	$ (112)	$ (606)	$ (250)	$ (856)

(1) Table 33 does not include $1 million of OTTI charges related to an AFS non-mortgage-backed security for the year ended December 31, 2013, that the FHLBank of Des Moines intended to sell.
(2) Represents the net amount of impairment losses reclassified to/(from) AOCI.
(3) The FHLBanks classify 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 securities.
(4) For the years ended December 31, 2013, 2012, and 2011, securities previously other-than-temporarily impaired prior to current period represents all securities that were other-than-temporarily impaired prior to January 1, 2013, 2012, and 2011.

See *Note 7 - 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 generally hold trading securities for liquidity purposes. Trading securities are recorded at fair value with changes in fair value reflected in non-interest income. There are a number of factors that affect the value of a trading security, including movement in interest rates, changes in credit spreads, the passage of time, and changes in volatility. Net losses on trading securities for the years ended December 31, 2013, 2012, and 2011, were $284 million, $152 million, and $11 million. (See *Note 4 - Trading Securities* to the accompanying combined financial statements for additional information.)

Gains (Losses) on Financial Instruments Held under Fair Value Option. Certain FHLBanks elected the fair value option for certain financial assets and certain financial liabilities and recognize the changes in fair value on these assets and liabilities as 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.

Fair values of advances, consolidated obligations, and other liabilities held under fair value option vary from period to period based on changes in a wide range of market factors, including the current and projected levels of interest rates, volatility, and credit spreads. The significant inputs used by the FHLBanks to determine the fair value of advances and consolidated obligations are the CO Curve, LIBOR Swap Curve, volatility assumptions, and spread assumptions. Additionally, net gains and losses are affected by changes in the composition of the financial instruments held under fair value option. Table 34 presents the net gains and losses on financial instruments held under fair value option.

Table 34 - Gains (Losses) on Financial Instruments Held Under Fair Value Option
(dollars in millions)

	Year Ended December 31,			Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Advances	$ (170)	$ (21)	$ 184	$ (149)	$ (205)
Consolidated obligations					
Discount notes	(1)	3	(2)	(4)	5
Bonds	153	11	(188)	142	199
Other liabilities	—	2	12	(2)	(10)
Total net gains (losses) on financial instruments held under fair value option	$ (18)	$ (5)	$ 6	$ (13)	$ (11)

Gains (Losses) on Derivatives and Hedging Activities. Fair value estimates for an FHLBank's derivatives and hedging positions fluctuate with changes in market conditions. In general, an FHLBank holds derivatives and associated hedged instruments 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 generally reverse over the remaining contractual terms of the hedged financial instruments. However, there may be instances when 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 35 presents the net gains and losses on derivatives and hedging activities.

Table 35 - Net Gains (Losses) on Derivatives and Hedging Activities
(dollars in millions)

	Year Ended December 31,			Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Net gains (losses) related to fair value hedge ineffectiveness	$ 239	$ 191	$ 220	$ 48	$ (29)
Net gains (losses) related to cash flow hedge ineffectiveness	3	3	41	—	(38)
Net gains (losses) related to derivatives not designated as hedging instruments	174	(147)	(644)	321	497
Total net gains (losses) on derivatives and hedging activities	$ 416	$ 47	$ (383)	$ 369	$ 430

The net gains on derivatives and hedging activities for the years ended December 31, 2013 and 2012, were $416 million and $47 million, and the net loss on derivatives and hedging activities for the year ended December 31, 2011, was $383 million. These gains and losses are due primarily to hedge ineffectiveness and to changes in the fair value of derivatives not designated as qualifying accounting hedges. The fair values are based on a wide range of factors, including current and projected levels of interest rates, volatility, and credit spreads. Hedge ineffectiveness occurs when changes in the fair value of the derivative and the associated hedged instrument do not perfectly offset. (See *Note 11 - Derivatives and Hedging Activities* to the accompanying combined financial statements and *Quantitative and Qualitative Disclosures about Market Risk - Use of Derivatives to Manage Interest-Rate Risk* for additional information on the effect of derivatives and hedging activities on non-interest income.)

Gains on Litigation Settlement, Net. During 2013, certain FHLBanks agreed with certain of their defendants to settle claims against them arising from certain investments in private-label MBS. As a result of these settlement agreements, these FHLBanks recorded a gain on litigation settlements of $202 million, which is net of legal fees and expenses.

Net Gains (Losses) on Debt Extinguishments. Certain FHLBanks repurchased and extinguished certain higher-cost debt, which resulted in a loss of $103 million, $81 million, and $105 million for the years ended December 31, 2013, 2012, and 2011. These FHLBanks expect the debt extinguishments to reduce future interest expense.

Other, Net. For the years ended December 31, 2013, 2012, and 2011, other, net was income of $110 million, $102 million, and $178 million, which primarily included income from various product and service fees, as well as gains or losses on investments related to retirement plans. During the year ended December 31, 2011, certain FHLBanks also recorded gains of $81 million on the sale of mortgage loans.

Non-interest Expense

Non-interest expense for the year ended December 31, 2013, was $943 million, a decrease of 3.3% compared to the same period in 2012, which was due primarily to the decrease in other expense, partially offset by an increase in compensation and benefits. Non-interest expense for the year ended December 31, 2012, was $975 million, a decrease of 8.0% compared to the same period in 2011, which was due primarily to the decreases in other expense and compensation and benefits.

Table 36 - Changes in Non-Interest Expense
(dollars in millions)

	Year Ended December 31,			Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Compensation and benefits	$ 544	$ 508	$ 540	$ 36	$ (32)
Other operating expenses	345	331	313	14	18
Federal Housing Finance Agency	52	72	79	(20)	(7)
Office of Finance	44	40	43	4	(3)
Other	(42)	24	85	(66)	(61)
Total non-interest expense	$ 943	$ 975	$ 1,060	$ (32)	$ (85)

Compensation and Benefits. These expenses include costs for FHLBank employees, including salaries, incentives, and health and retirement benefits. For the year ended December 31, 2013, compensation and benefits expense was $544 million, an increase of 7.1% compared to the same period in 2012, due primarily to voluntary pension contributions, acceleration of the amortization of pension benefits from accumulated other comprehensive income (loss), and increased incentive compensation accruals. For the year ended December 31, 2012, compensation and benefits expense was $508 million, a decrease of 5.9% compared to the same period in 2011, due primarily to additional pension fund contributions to eliminate a funding shortfall, which were expensed in the first quarter of 2011.

FHFA Expenses. The FHLBanks fund the portion of the FHFA's operating costs and working capital fund that relate to the FHLBanks, as determined by the FHFA. These costs are based on the FHFA's annual budget and are under the sole control of the FHFA. Each FHLBank pays its pro-rata share of FHFA expenses based on the ratio of each FHLBank's minimum required regulatory capital to the aggregate minimum required regulatory capital of all FHLBanks.

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.

Other. The decrease for the year ended December 31, 2013, was due primarily to the 2013 second quarter reversal of a one-time, $50 million charge originally recorded in 2011 by the FHLBank of Chicago. For the year ended December 31, 2012, the decrease primarily reflects a one-time, $50 million charge, recorded in 2011 by the FHLBank of Chicago to supplement its affordable housing and community investment programs.

Assessments

Assessments for the year ended December 31, 2013, were $293 million, a decrease of 1.0% compared to the same period in 2012. The decrease was the result of a decline in the individual FHLBank's income subject to assessments. Assessments for the year ended December 31, 2012, were $296 million, a decrease of 14.9% compared to the same period in 2011. The decrease was driven by the August 2011 satisfaction of the FHLBanks' Resolution Funding Corporation (REFCORP) obligation, partially offset by higher Affordable Housing Program assessments as a result of an increase in the individual FHLBank's income subject to assessments.

Table 37 - Assessments
(dollars in millions)

	Year Ended December 31,			Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Affordable Housing Program	$ 293	$ 296	$ 188	$ (3)	$ 108
REFCORP	—	—	160	—	(160)
Total assessments	$ 293	$ 296	$ 348	$ (3)	$ (52)

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% of the individual FHLBank's income subject to assessment. For purposes of the AHP calculation, each FHLBank's income subject to assessment is defined as the individual FHLBank's net income before assessments, plus interest expense related to mandatorily redeemable capital stock, less the assessment for REFCORP until the FHLBanks' REFCORP obligation was satisfied. (See *Note 14 - Affordable Housing Program (AHP)* to the accompanying combined financial statements for discussion regarding the satisfaction of the FHLBanks' REFCORP obligation and its effect on each FHLBank's AHP contributions.)

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.

REFCORP. On August 5, 2011, the FHFA certified that the FHLBanks had fully satisfied their REFCORP obligation with their payments that were made on July 15, 2011. The FHLBanks entered into a Joint Capital Enhancement Agreement, as amended, which requires each FHLBank to allocate 20% of its net income to a separate restricted retained earnings account, beginning in the third quarter of 2011. (See *Note 17 - Capital* to the accompanying combined financial statements for further discussion.) As a result of fully satisfying their REFCORP obligation, the FHLBanks did not record a REFCORP assessment for the years ended December 31, 2013 and 2012, or in each of the last two quarters of 2011.

Prior to the satisfaction of the FHLBanks' REFCORP obligation, each FHLBank was required to make payments to REFCORP (20% of annual GAAP net income before REFCORP assessments and after payment of AHP assessments) until the total amount of payments actually made was equivalent to a $300 million annual annuity whose final maturity date was April 15, 2030.

Interbank Transfers of Consolidated Bonds and Their Effect on Combined Net Income

Combined net income of the FHLBanks is affected by interbank transfers of the 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.

Total consolidated bonds of $175 million and $380 million at par value were transferred from an FHLBank to another FHLBank during the years ended December 31, 2013 and 2012. 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 transferring FHLBank treats the transfer as a debt extinguishment because that FHLBank has been released from being the primary obligor. The transferring FHLBank records a gain or loss on the debt transferred to the assuming FHLBank based on the difference between the fair value and the carrying value of the consolidated bonds, including any unamortized premiums or discounts. The assuming FHLBank becomes the primary obligor because it now is directly responsible for repaying the debt. The assuming FHLBank records the fair value, including any premium or discount, as the initial carrying amount for the consolidated bond it received from the transferring FHLBank. However, under the principles of combination accounting, combining adjustments are required to reflect the transaction as if the transferring FHLBank continues to hold the consolidated bond for purposes of the FHLBanks' combined financial statements.

Table 38 presents the effect of interbank and rounding adjustments (combining adjustments) on the Combined Statement of Income. Interbank adjustments include the elimination of:

- transfers of interbank consolidated bond liabilities;
- interest on purchased consolidated bonds which is eliminated in interest income and interest expense; and
- fees related to the MPF Program that are eliminated in non-interest income and non-interest expense.

Table 38 - Effect of Combining Adjustments on Combined Statement of Income
(dollars in millions)

	Year Ended December 31,		
Effect on	**2013**	**2012**	**2011**
Total interest income	$ (17)	$ (15)	$ (14)
Total interest expense	(3)	13	11
Provision (reversal) for credit losses	(1)	—	—
Net interest income after provision (reversal) for credit losses	(13)	(28)	(25)
Non-interest income	21	40	9
Non-interest expense	(7)	(9)	(8)
Assessments	(1)	—	—
Net income	$ 16	$ 21	$ (8)

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income (loss). Other comprehensive income (loss) is reported in the Combined Statement of Comprehensive Income and presents the net change in the accumulated other comprehensive income (loss) balances.

Comprehensive income during the year ended December 31, 2013, was $3,526 million, a decrease of 34.6% compared to the same period in 2012. This decrease was due primarily to net unrealized losses on AFS securities and a lower net change in fair value of other-than-temporarily impaired AFS securities, partially offset by net unrealized gains relating to hedging activities.

Comprehensive income for the year ended December 31, 2012, was $5,394 million, an increase of 89.5% compared to the same period in 2011. This increase was due primarily to a higher net change in fair value of other-than-temporarily impaired AFS securities, higher net income, and lower net unrealized losses relating to hedging activities, partially offset by lower accretion of the non-credit portion on HTM securities and a lower reclassification of the non-credit portion of AFS securities included in net income.

Table 39 - Comprehensive Income
(dollars in millions)

	Year Ended December 31,			Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Net income	$ 2,527	$ 2,606	$ 1,599	$ (79)	$ 1,007
Other comprehensive income (loss)					
Changes in fair value of AFS securities					
Net unrealized gains (losses) on AFS securities	(809)	559	418	(1,368)	141
Net change in fair value of other-than-temporarily impaired AFS securities	1,108	2,122	645	(1,014)	1,477
Total changes in fair value of AFS securities	299	2,681	1,063	(2,382)	1,618
Changes in non-credit OTTI losses					
Reclassification of the non-credit portion of AFS securities included in net income	(17)	53	276	(70)	(223)
Non-credit portion of HTM securities	(2)	(32)	(37)	30	5
Accretion of non-credit portion on HTM securities	153	183	581	(30)	(398)
Total changes in non-credit OTTI losses	134	204	820	(70)	(616)
Net unrealized gains (losses) relating to hedging activities	533	(85)	(617)	618	532
Other	33	(12)	(18)	45	6
Total other comprehensive income (loss)	999	2,788	1,248	(1,789)	1,540
Total comprehensive income	$ 3,526	$ 5,394	$ 2,847	$ (1,868)	$ 2,547

Changes in Fair Value of AFS securities. Changes in the fair value of AFS securities, which are due primarily to changes in interest rates, are recorded in other comprehensive income (loss). The changes in fair value are classified into two separate components, the net change in unrealized gains (losses) on AFS securities that have not been other-than-temporarily impaired and the net change in the fair value of other-than-temporarily impaired AFS securities. The distinction between the two categories is whether the AFS security has incurred an OTTI loss.

Changes in Non-Credit OTTI Losses. Changes in non-credit OTTI losses are comprised of the net non-credit portion of OTTI on AFS and HTM securities, the accretion of the non-credit portion of HTM securities, and the reclassification of the non-credit portion of AFS and HTM securities included in net income.

Net Unrealized Gains (Losses) Relating to Hedging Activities. Net unrealized gains (losses) relating to hedging activities is comprised of changes in the fair value of a derivative that is designated and qualifies as a cash flow hedge, to the extent that the hedge is effective, until earnings are affected by the variability of the cash flows of the hedged transaction and the amounts are reclassified to non-interest income. The FHLBanks' gains (losses) on hedging activities fluctuate with volatility in the overall interest-rate environment and with the positions taken by the FHLBanks to hedge their risk exposure using cash flow hedges.

Capital Adequacy

At December 31, 2013, each of the FHLBanks was in compliance with its statutory minimum capital requirements. (See *Note 17 - Capital* to the accompanying combined financial statements for more information on each FHLBank's minimum capital requirements.) 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 interest-rate 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 December 31, 2013, certain 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 Joint Capital Enhancement Agreement, as amended (Capital Agreement), is intended to enhance the capital position of each FHLBank. The Capital Agreement provides that each FHLBank will allocate 20% of its net income each quarter to a separate 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 are not available to pay dividends. (See *Note 17 - Capital* - *Restricted Retained Earnings* to the accompanying combined financial statements for more information.)

Dividend and Excess Stock Limitations

Certain FHLBanks have implemented voluntary actions to suspend 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 due to market volatility and impairment of certain private-label MBS. (See *Note 17 - Capital* - *Excess Capital Stock* to the accompanying combined financial statements for information on the regulatory restrictions related to excess capital stock.)

FHLBank of Boston. The FHLBank of Boston is continuing its moratorium on repurchases of excess capital stock, other than in limited, former member-related instances of insolvency. The FHLBank of Boston commenced the moratorium in December 2008 to preserve capital based on certain challenges it faced at the time, principally from its investments in private-label MBS. Since the institution of the moratorium, the FHLBank of Boston has conducted repurchases of excess capital stock of $250 million on March 9, 2012, and $300 million on March 11, 2013.

The FHLBank of Boston expects to conduct another repurchase of excess capital stock of $500 million on May 1, 2014. The FHLBank of Boston's board of directors announced this expected partial repurchase of excess capital stock on February 20, 2014. In announcing this expected repurchase, the FHLBank of Boston's board of directors also announced that it may approve a second partial repurchase of excess capital stock later in 2014, although a quarterly loss or a significant adverse event or trend could cause such an additional repurchase to be suspended.

FHLBank of Pittsburgh. The FHLBank of Pittsburgh's management monitors capital adequacy, including the level of retained earnings, through the evaluation of the market value of equity to par value of capital stock. The market value of equity to par value of capital stock ratio provides a current assessment of the liquidation value of the balance sheet and measures the FHLBank of Pittsburgh's current ability to honor the par put redemption feature of its capital stock. This is one of the risk metrics used to evaluate the adequacy of retained earnings and develop dividend payment and excess capital stock repurchase recommendations.

The FHLBank of Pittsburgh's market value of equity to par value of capital stock ratio increased from 115.1% at December 31, 2012, to 128.0% at December 31, 2013. Several factors contributed to the improvement in the market value of equity to par value of capital stock ratio:

- narrower private-label MBS spread (i.e., the incremental risk premium or the additional yield the market is expecting to be compensated for holding private-label MBS versus less risky assets);
- principal paydowns on the private-label MBS portfolio;
- narrower advance and MPF spreads;
- increased retained earnings; and
- lower capital stock balance (which includes mandatorily redeemable capital stock) due to a reduction in the advance capital stock requirement effective September 2013, along with repurchases of excess capital stock of approximately $2.0 billion during 2013.

These factors were partially offset by the effect of higher long-term interest rates and member capital stock purchases associated with incremental advance borrowing.

FHLBank of Chicago. During 2013, the FHLBank of Chicago repurchased excess capital stock of $189 million as part of its quarterly repurchase opportunities in February and May. Effective May 28, 2013, the FHLBank of Chicago announced

completion of its quarterly excess capital stock repurchases program initiated in 2012, and its current practice of repurchasing excess capital stock held by members within three business days of receiving a repurchase request, subject to regulatory requirements and prudent business practices. Since initiating this practice, all capital stock repurchases were made within three business days of receipt of the request.

FHLBank of San Francisco. On a quarterly basis, the FHLBank of San Francisco determines whether it will repurchase excess capital stock. In light of the FHLBank of San Francisco's strong regulatory capital position, it repurchased $750 million in excess capital stock on March 21, 2014. This repurchase, combined with the estimated redemption of up to $7 million in mandatorily redeemable capital stock during the first quarter of 2014 will reduce the FHLBank of San Francisco's excess capital stock by up to $757 million. The amount of excess capital stock to be repurchased from each shareholder will be based on the total amount of capital stock (including mandatorily redeemable capital stock) outstanding to all shareholders on the repurchase date. The FHLBank of San Francisco will repurchase an equal percentage of each shareholder's total capital stock to the extent that the shareholder has sufficient excess capital stock.

The FHLBank of San Francisco will continue to monitor the condition of its private-label residential MBS portfolio, the ratio of the estimated 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 payment of dividends and the repurchase of excess capital stock in future quarters. (See *Note 17 - Capital* - *Restricted Retained Earnings* to the accompanying combined financial statements for more information on the FHLBank of San Francisco's Excess Stock Repurchase, Retained Earnings, and Dividend Framework.)

FHLBank of Seattle. In October 2010, the FHLBank of Seattle entered into a Consent Order with the FHFA (together, with related understandings, the 2010 Consent Arrangement), which set forth certain requirements for financial performance, capital management, asset composition, and other operational and risk management. In addition, restrictions were placed on its redemptions and repurchases of capital stock and its payment of dividends, including FHFA approval. Since 2010, the FHLBank of Seattle has made substantial progress in addressing the 2010 Consent Arrangement requirements and remediating associated supervisory concerns. Further, the FHLBank of Seattle's financial performance has improved significantly since 2010.

On November 22, 2013, the FHLBank of Seattle entered into a Stipulation and Consent to the Issuance of an Amended Consent Order with the FHFA relating to the Consent Order, effective as of the same date, issued by the FHFA (together, with related understandings, the Amended Consent Arrangement). The Amended Consent Arrangement supersedes in its entirety the 2010 Consent Arrangement. In addition to continuing implementation or following the terms of plans or policies adopted under the 2010 Consent Arrangement, the Amended Consent Arrangement requires:

- development and submission of an asset composition plan acceptable to the FHFA for increasing advances and other core mission assets as a proportion of the FHLBank of Seattle's balance sheet and, upon approval by the FHFA, implementation of that plan;
- written non-objection by the FHFA prior to any excess capital stock repurchases, stock redemptions, or dividend payments; and
- the FHLBank of Seattle's board of directors monitors its adherence to the provisions of the Amended Consent Agreement.

In September 2012, the FHFA approved the FHLBank of Seattle's proposal for a modest excess capital stock repurchase program and granted the FHLBank of Seattle authority to repurchase up to $25 million of excess capital stock per quarter, provided:

- the FHLBank of Seattle's financial condition, measured primarily by the market value of equity to par value of capital stock ratio, does not deteriorate;
- the excess capital stock repurchases from the FHLBank of Seattle's shareholders are handled on a pro-rata basis; and
- the FHLBank of Seattle receives a non-objection for each quarter's repurchase from the FHFA.

The approval for the excess stock repurchase program does not impact the terms of the 2010 Consent Arrangement or Amended Consent Arrangement, which generally restrict the FHLBank of Seattle from redeeming or repurchasing capital stock without FHFA approval. (See *Note 17 - 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 FHFA.)

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 and to meet all current and future financial commitments 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.

The FHLBanks also maintain liquidity to redeem or 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 FHLBanks' 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 investments that are primarily high-quality, short-, and intermediate-term financial instruments. Historically, 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.

Other short-term borrowings, such as member deposits and securities sold under agreements to repurchase, may also provide liquidity. In addition, by law, the Secretary of the Treasury may acquire up to $4 billion of consolidated obligations of the FHLBanks. This authority may be exercised only if alternative means cannot be effectively employed to permit the FHLBanks to continue to supply reasonable amounts of funds to the mortgage market, and the ability to supply such funds is substantially impaired because of monetary stringency and a high level of interest rates. Any funds borrowed shall be repaid by the FHLBanks at the earliest practicable date.

An FHLBank manages its balance sheet and corresponding liquidity requirements in response to its members' credit needs. In response to reduced member 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, deposit growth, and 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 FHFA requires each FHLBank to: (1) maintain contingent liquidity sufficient to meet liquidity needs that shall, at a minimum, cover five calendar days of inability to access consolidated obligations in the debt markets; (2) have available at all times an amount greater than or equal to its members' current deposits invested in advances with maturities not to exceed five years, deposits in banks or trust companies, and obligations of the U.S. Treasury; (3) maintain, in the aggregate, unpledged qualifying assets in an amount at least equal to the amount of its participation in total consolidated obligations outstanding; and (4) maintain, through short-term investments, an amount at least equal to its anticipated cash outflows under two hypothetical 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 15 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/or difficulty accessing liquidity on acceptable terms. Therefore, the FHLBanks have taken actions, or continue to take actions, to bolster the amount of liquidity in the event their access to the debt markets is disrupted.

In September 2012, the Office of Finance revised its methodology for the allocation of the proceeds from the issuance of consolidated obligations when consolidated obligations cannot be issued in sufficient amounts to satisfy all FHLBank demand for funding during periods of financial distress and when its existing allocation processes are deemed insufficient. The purpose and objective of this allocation methodology is to ensure that guidance is in place to facilitate the ability of the Office of Finance to meet the funding needs of FHLBanks when market conditions threaten to limit or prevent access to funding in periods of financial distress. In general, this methodology provides that the proceeds in these circumstances will be allocated among the FHLBanks based on relative FHLBank total regulatory capital unless the Office of Finance determines that there is an overwhelming reason to adopt a different allocation method. As is the case during any instance of a disruption in an FHLBank's ability to access the capital markets, market conditions or this allocation could adversely impact an FHLBank's ability to finance its operations, which could thereby adversely impact that FHLBank's financial condition and results of operations.

Off-Balance Sheet Arrangements and Other Commitments

In the ordinary course of business, the FHLBanks engage in financial transactions that, in accordance with GAAP, are not recorded on the FHLBanks' Combined Statement of Condition or may be recorded on the FHLBanks' Combined Statement of Condition in amounts that are different from the full contract or notional amount of the transactions. (See *Note 21 - Commitments and Contingencies* - *Off-Balance Sheet Commitments* to the accompanying combined financial statements for a discussion and the amounts of the FHLBanks' off-balance sheet arrangements and other commitments.) The FHLBanks do not have any special purpose entities or any other types of off-balance sheet conduits.

Contractual Obligations

In the ordinary course of operations, the FHLBanks enter into certain contractual obligations. Table 40 presents the FHLBanks' significant contractual obligations at December 31, 2013.

Table 40 - Payments Due or Expiration Terms by Type of Contractual Obligation
(dollars in millions)

	Payments Due or Expiration Terms by Period				
	Less than 1 year	1 year to less than 3 years	3 years to less than 5 years	Thereafter	Total
Consolidated bonds(1)	$ 230,242	$ 96,253	$ 61,714	$ 84,960	$ 473,169
Capital lease obligations	7	2	—	—	9
Operating leases	19	37	30	67	153
Subordinated notes	—	944	—	—	944
Mandatorily redeemable capital stock(2)	1,822	1,602	1,320	254	4,998
Commitments to fund/purchase mortgage loans	324	—	—	—	324
Pension and post-retirement contributions(3)	34	41	26	84	185
Total contractual obligations	$ 232,448	$ 98,879	$ 63,090	$ 85,365	$ 479,782

(1) Does not include consolidated discount notes and contractual interest payments related to consolidated bonds. Payments for consolidated bonds (including index-amortizing notes) are allocated to a period based on contractual maturities. The actual timing of payments could be influenced by factors affecting redemptions. (See *Note 13 - Consolidated Obligations* to the accompanying combined financial statements for additional information.)

(2) The amounts presented include capital stock redemptions that are restricted by regulatory actions related to the FHLBank of Seattle and mandatorily redeemable capital stock that is past the end of the contractual redemption period because there is activity outstanding to which the mandatorily redeemable capital stock relates. (See *Note 17 - Capital - FHLBank of Seattle Capital Classification and Consent Arrangement* to the accompanying combined financial statements for discussions on the FHLBank of Seattle's mandatorily redeemable capital stock.)

(3) Includes future funding contributions for the qualified pension plans in the less than one year column only. Includes scheduled benefit payments for the nonqualified (unfunded) pension plans for all periods.

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 its 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 from these estimates.

Each individual FHLBank manages its operations independently and is responsible for establishing its own accounting and financial reporting policies in accordance with GAAP. An individual FHLBank's accounting and financial reporting policies and practices, including accounting estimates, are not always identical to those used by other FHLBanks because alternative policies and presentations are permitted under GAAP in certain circumstances. Among other things, the FHLBanks might not use the same models and assumptions in determining the fair values of their respective assets and liabilities. The use of different models or assumptions by individual FHLBanks could result in materially different valuations or other estimates, even when similar or identical assets and liabilities are being measured, and could have materially different effects on the net income and retained earnings of the respective FHLBanks, although each of these methodologies is in compliance with GAAP. However, the FHLBanks and the Office of Finance recognize the importance of transparency and enhanced consistency in financial reporting, and have implemented a uniform framework for completing their OTTI analyses of private-label MBS and a uniform valuation technique for determining the fair value of agency MBS and private-label MBS.

The accounting estimates and assumptions discussed in this section are those 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 this combined financial report. These estimates require an FHLBank's management to make subjective or complex judgments about matters that are inherently uncertain. Investors are cautioned that future events rarely develop exactly as forecasted, and the best estimates routinely require adjustments, which could be material. A change in an estimate or assumption could have a material effect on an FHLBank's reported results of operations or its financial condition, and differences between the assumptions and estimates used by individual FHLBanks could result in material differences in the reported results of operations and financial condition of those FHLBanks.

Estimates and assumptions that are significant to the results of operations and financial condition of the FHLBanks include those used in conjunction with (1) OTTI for investment securities; (2) fair value estimates; (3) derivative hedging relationships; (4) amortization of premiums and accretion of discounts on investment securities and purchased mortgage loans; and (5) calculation of allowance for credit losses for each identified portfolio segment of financing receivables. (See *Note 1 - Summary of Significant Accounting Policies* to the accompanying combined financial statements for a description of accounting policies related to these estimates and assumptions.)

OTTI for Investment Securities

Uniform OTTI Framework. The 12 FHLBanks have developed a uniform framework for completing their OTTI analyses in compliance with accounting guidance on the recognition and presentation of OTTI in the financial statements. To ensure consistency in the determination of OTTI for private-label MBS among all FHLBanks, the FHLBanks use a system-wide governance committee and 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. To assess whether the entire amortized cost bases of the FHLBanks' private-label MBS will 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 where the underlying loan-level collateral data was not available using the uniform OTTI modeling methodology under the FHLBanks' uniform framework.

The FHLBanks evaluate substantially all of their private-label MBS in an unrealized loss position using the FHLBanks' uniform framework and approved assumptions for purposes of OTTI cash flow analysis. For private-label MBS where underlying collateral data is not available, alternative procedures, as determined by each FHLBank, are used to assess these securities for OTTI. (See *Note 7 - Other-than-Temporary Impairment Analysis* to the accompanying combined financial statements for additional discussion regarding the recognition and presentation of OTTI.)

At December 31, 2013, seven FHLBanks owned certain private-label MBS where the underlying loan-level collateral data was not available. For private-label MBS that could not be modeled under the FHLBanks' uniform framework, alternative procedures were determined and approved by the system-wide 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, commercial real estate loans, and/or home equity lines of credit, represented approximately 2% of the FHLBanks' total unpaid principal balance of private-label MBS at December 31, 2013.

Each FHLBank updates its OTTI analysis each quarter to reflect current and anticipated housing market conditions, observed and anticipated borrower behavior, and updated information on the loans supporting the FHLBank's private-label MBS. This process includes updating key aspects of each FHLBank's loss projection models. In doing so, an FHLBank considers many factors including, but not limited to, the following:

- the credit ratings assigned to the securities by the nationally recognized statistical rating organizations;
- other indicators of issuer credit quality;
- the strength of the provider of any guarantees;
- the duration and magnitude of the unrealized loss; and
- whether the FHLBank has the intent to sell the security or more likely than not will be required to sell the security before the recovery of its amortized cost basis.

In the case of its private-label MBS, each FHLBank also considers prepayment speeds, the historical and projected performance of the underlying loans, and the credit support provided by the subordinate securities.

In performing the cash flow analysis for the private-label MBS under the uniform framework, each FHLBank uses two third-party models. The first model forecasts loan-level prepayment, 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 by performing an assessment of the respective insurer's ability to cover the security's projected shortfall of contractual principal or interest. (See *Note 7 - Other-than-Temporary Impairment Analysis* to the accompanying combined financial statements for additional information.)

The modeling assumptions, significant inputs, and methodologies are material to an OTTI determination. Any changes to these assumptions, significant inputs, or methodologies could result in materially different outcomes to this determination, including the realization of additional OTTI charges that may be substantial. Each FHLBank is responsible for making its own OTTI determination and assessing the reasonableness of assumptions, significant inputs, and methodologies used, as well as for performing the required present value calculations using appropriate historical cost bases and yields. Two or more FHLBanks that hold the same private-label MBS are required to consult with one another to ensure they reach the same conclusion on any decision that a commonly-held private-label MBS is other-than-temporarily impaired. This includes the determination that the fair value and the credit loss component of the unrealized loss are consistent among those FHLBanks.

Table 41 presents the unpaid principal balances and the significant inputs used to assess private-label residential MBS and home equity loan ABS under the FHLBanks' uniform framework for OTTI, as well as related current credit enhancements as of December 31, 2013. The calculated averages represent the dollar-weighted averages of all the private-label residential MBS and home equity loan ABS in each category shown.

Table 41 - Significant Inputs for Private-Label Residential MBS and Home Equity Loan ABS
(dollars in millions)

	December 31, 2013				
		Significant Inputs for All Private-label Residential MBS(1)			Current Credit Enhancement
		Prepayment Rates	Default Rates	Loss Severities	
Year of Securitization	Unpaid Principal Balance	Weighted-Average	Weighted-Average	Weighted-Average	Weighted-Average
Prime					
2008	$ 539	11.5%	16.7%	35.9%	16.9%
2007	695	10.6%	13.6%	37.5%	2.5%
2006	1,435	10.3%	16.5%	37.1%	1.5%
2005	1,603	12.2%	6.2%	32.4%	6.2%
2004 and prior	3,172	12.9%	4.3%	31.6%	10.5%
Total prime	7,444	11.9%	8.8%	33.7%	7.6%
Alt-A					
2008	272	9.8%	28.4%	39.5%	27.6%
2007	5,182	8.1%	40.4%	42.4%	12.0%
2006	3,939	8.2%	36.5%	44.0%	7.6%
2005	5,205	8.8%	21.4%	39.6%	9.6%
2004 and prior	1,966	11.5%	11.4%	32.8%	15.8%
Total Alt-A	16,564	8.8%	29.9%	40.7%	10.9%
Subprime					
2007	8	5.4%	55.3%	59.4%	43.4%
2006	735	5.7%	55.9%	60.3%	21.0%
2005	39	6.5%	49.6%	56.5%	42.9%
2004 and prior	20	8.4%	22.1%	59.0%	32.3%
Total subprime	802	5.8%	54.8%	60.1%	22.5%
Total all private-label residential MBS	$ 24,810	9.6%	24.4%	39.2%	10.3%

	December 31, 2013				
		Significant Inputs for All Home Equity Loan ABS(1)			Current Credit Enhancement
		Prepayment Rates	Default Rates	Loss Severities	
Year of Securitization	Unpaid Principal Balance	Weighted-Average	Weighted-Average	Weighted-Average	Weighted-Average
Subprime					
2004 and prior	$ 125	7.9%	6.2%	54.2%	35.2%
Total subprime	125	7.9%	6.2%	54.2%	35.2%
Total all home equity loan ABS	$ 125	7.9%	6.2%	54.2%	35.2%

(1) 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.

Adverse Case Scenario. In addition to evaluating its private-label MBS under a base case (or best estimate) scenario as discussed in *Note 7 - 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 scenario. This stress test or adverse case scenario was primarily based on a short-term housing price forecast, which was decreased five percentage points relative to the base case, followed by a recovery path that is 33% lower than the base case.

The adverse case 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 adverse case 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 base case OTTI assessment.

Table 42 presents the combined credit losses under the base case and adverse case scenario for other-than-temporarily impaired private-label MBS for the three months ended December 31, 2013. The base case scenario represents actual OTTI-related credit losses recognized in earnings for the three months ended December 31, 2013. The adverse case scenario's estimated cash flows were generated to show what the OTTI charges would have been under the more stressful scenario for the three months ended December 31, 2013.

Table 42 - Base Case and Adverse Case Scenarios
(dollars in millions)

	Three Months Ended December 31, 2013					
	Base Case			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 residential MBS						
Prime(1)	6	$ 26	$ (1)	12	$ 56	$ (1)
Alt-A(1)	15	236	(1)	34	733	(3)
Subprime(1)	—	—	—	1	—	—
Total private-label residential MBS	21	262	(2)	47	789	(4)
Home equity loan ABS						
Alt-A(1)	—	—	—	1	2	—
Subprime(1)	—	—	—	3	26	(2)
Total home equity loan ABS	—	—	—	4	28	(2)
Total	21	$ 262	$ (2)	51	$ 817	$ (6)

(1) 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.

Monoline Bond Insurers. Certain FHLBanks' investment securities are insured by monoline bond insurers. The bond insurance on these investments guarantees the timely payments of principal and interest if these payments cannot be satisfied from the cash flows of the underlying mortgage pool(s). Private-label residential MBS, manufactured housing loans, and home equity loan investments insured by monoline bond insurers are cash flow tested for credit impairment. For private-label residential MBS, manufactured housing loans, and home equity loan investments protected by such monoline insurance, an FHLBank's OTTI analysis would look first to the performance of the underlying security, considering its embedded credit enhancements in the form of excess spread, over-collateralization, and credit subordination, to determine the collectability of all amounts due. If these protections are deemed insufficient to make timely payment of all amounts due, then an FHLBank may consider the capacity of the monoline bond insurer to cover any shortfalls. (See *Risk Management - Monoline Bond Insurance* for additional information regarding the FHLBanks' monoline bond insurance coverage on a limited number of private-label MBS.)

Fair Value Estimates

The use of fair value to measure the FHLBanks' financial instruments is fundamental to the FHLBanks' financial statements and is a critical accounting estimate because certain assets and liabilities are carried at fair value, including trading securities, available-for-sale securities, derivative assets and liabilities, certain advances, certain consolidated obligations, and certain other assets and liabilities. In addition, certain assets are measured at fair value on a non-recurring basis at December 31, 2013. These assets and liabilities are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). In general, the transaction price will equal the exit price, and therefore represents the fair value of the asset or liability at initial recognition. However, in concluding whether a transaction price represents fair value, each reporting entity is required to consider factors specific to the transaction and the asset or liability. In addition, the reporting entity must determine the unit of account, highest and best use, principal market, and market participants. These determinations allow the reporting entity to define the inputs for fair value and level of hierarchy. The three-level fair value hierarchy prioritizes the inputs into the valuation technique used to measure the fair value of the assets and liabilities held at fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

Table 43 presents the assets and liabilities measured at fair value and their respective percentages compared to total recurring assets and liabilities measured at fair value and to total assets and total liabilities as reported on the Combined Statement of Condition at December 31, 2013. (See *Note 20 - Fair Value* to the accompanying combined financial statements for details on fair value measurements.)

Table 43 - Assets and Liabilities Measured at Fair Value
(dollars in millions)

	December 31, 2013				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Assets measured at fair value					
Recurring	$ 107,556	$ 87	$ 98,790	$ 12,324	$ (3,645)
Non-recurring	254	—	—	254	—
Total assets measured at fair value	$ 107,810	$ 87	$ 98,790	$ 12,578	$ (3,645)
Percentage of recurring assets to total recurring assets	100.0%	0.1%	91.8%	11.5%	(3.4)%
Percentage of recurring assets to total assets(2)	12.9%	—	11.8%	1.5%	(0.4)%
Percentage of total assets measured at fair value to total assets(2)	12.9%	—	11.8%	1.5%	(0.4)%
Liabilities measured at fair value					
Recurring	$ 45,890	$ —	$ 55,708	$ 68	$ (9,886)
Total liabilities measured at fair value	$ 45,890	$ —	$ 55,708	$ 68	$ (9,886)
Percentage of recurring liabilities to total recurring liabilities	100.0%	—	121.4%	0.1%	(21.5)%
Percentage of recurring liabilities to total liabilities(2)	5.8%	—	7.1%	—	(1.3)%
Percentage of total liabilities measured at fair value to total liabilities(2)	5.8%	—	7.1%	—	(1.3)%

(1) Amounts represent the application of the netting requirements that allow an FHLBank to settle positive and negative positions and also cash collateral and related accrued interest held or placed by that FHLBank with the same clearing agent and/or counterparty.
(2) The percentage is calculated based on the total assets of $834,200 million and total liabilities of $789,130 million as reported on the Combined Statement of Condition at December 31, 2013.

Each FHLBank uses valuation techniques that maximize the use of observable market-based inputs, when appropriate, to value the assets and liabilities carried at fair value on a recurring basis or to determine whether a fair value adjustment is needed for assets and liabilities to be carried at fair value on a non-recurring basis. Given the nature of some of the assets and liabilities carried at fair value, whether on a recurring or non-recurring basis, clearly determinable market-based valuation inputs are often not available. Therefore, the fair value measurements of these instruments use unobservable inputs and are classified as Level 3 within the fair value hierarchy. Level 3 assets primarily consist of private-label MBS. Due to unavailability of observable inputs for the Level 3 assets, fair values are determined on valuation models that use the following:

- third-party vendor prices;
- discounted cash flows, using market estimates of interest rates and volatility; or
- dealer prices on similar instruments.

The assumptions used in these models are based on each FHLBank's best estimate with respect to the following:

- discount rates;
- prepayments;
- market volatility; and
- other factors.

These assumptions may have a significant effect on the reported fair value of assets and liabilities. The use of different assumptions, as well as changes in market conditions, could result in materially different net income, other comprehensive income, and retained earnings.

Uniform Valuation Technique for MBS. As amended by the FHLBanks' MBS Pricing Governance Committee and adopted by all 12 FHLBanks as of December 31, 2011, the FHLBanks' valuation technique first requires the establishment of a median price for each security using a formula based on the number of third-party vendor prices received:

- if four prices are received, the middle two prices are averaged to establish a median price;
- if three prices are received, the middle price is the median price;
- if two prices are received, the prices are averaged to establish a median price; and
- if one price is received, it is the median price (and also the final price), subject to further validation, consistent with the evaluation of outliers as discussed in the next paragraph.

All prices that are within a specified tolerance threshold of the median price are included in the cluster of prices that are averaged to compute a default price. Prices that are outside the threshold (outliers) are subject to further analysis to determine if they are a better estimate of fair value. This analysis includes, but is not limited to, comparison to prices provided by an additional third-party valuation service, prices for similar securities, and non-binding dealer estimates. If the analysis determines an outlier or some other price is a better estimate of fair value, then the outlier or the other price is used as the final price rather than the default price. If the analysis confirms that an outlier is not representative of fair value, then the default price is used as the final price. In all cases, the final price is used to determine the fair value of the security.

Each individual FHLBank has its set of control processes that are designed to ensure its fair value measurements are appropriate and reliable. These control processes may include, but are not limited to, the following:

- obtaining the third-party pricing service methodologies and control reports;
- challenging a third-party pricing vendor when a price falls outside of the tolerance parameters;
- identifying a stale price, a price that changed significantly from prior valuations, and other anomalies that may indicate that a price may not be accurate; and
- reviewing pricing consistency within the same asset group to identify anomalies.

In addition, each FHLBank reviewed the final fair value estimates of certain of its private-label MBS holdings as of December 31, 2013, for reasonableness using an implied yield test. Each FHLBank calculated an implied yield for certain of its private-label MBS using the estimated fair value derived from the process described and the security's projected cash flows from the FHLBank's OTTI process. It then compared such yield to the market yield for comparable securities, according to dealers and other third-party sources, to the extent comparable market yield data was available. Significant variances were evaluated in conjunction with all other available pricing information to determine whether an adjustment to the fair value estimate was appropriate.

Prices for MBS CUSIPs held in common with other FHLBanks are reviewed for consistency. In using this common methodology, each FHLBank remains responsible for the selection and application of its fair value methodology and for the reasonableness of assumptions and inputs used.

Valuation of Derivatives. Prior to December 31, 2012, the FHLBanks used the LIBOR swap curve to discount cash flows when determining the fair values of its derivatives. During the fourth quarter of 2012, the FHLBanks observed an increasing trend in the use of the overnight index swap (OIS) curve by other market participants to value certain collateralized derivatives. As a result, the FHLBanks concluded that the OIS curve was a more appropriate curve to use to discount the cash flows on certain of their collateralized derivatives as of December 31, 2012. The impact of this change was not significant. (See *Note 20 - Fair Value* to the accompanying combined financial statements for further discussion regarding how the FHLBanks measure financial assets and financial liabilities at fair value.)

Derivative Hedging Relationships

Derivatives accounting involves estimating the fair value of the derivatives and assessing the effectiveness of the hedging relationship using regression-based testing, based on simulated valuations derived from historical market data. These estimates include subjective calculations and estimates based on information available as of the date of the financial statements, which could be materially different based on different assumptions, calculations, and estimates. If hedging

relationships meet the criteria, two approaches to hedge accounting can be used: short-cut hedge accounting and long-haul hedge accounting.

Short-Cut Hedge Accounting. A short-cut hedging relationship assumes no ineffectiveness and implies that the hedge between an interest-rate swap and an interest-bearing financial instrument is perfectly correlated. Therefore, it is assumed that changes in the fair value of the interest-rate swap and the interest-bearing financial instrument will perfectly offset one another. To qualify for short-cut accounting treatment, a number of restrictive conditions must be met, including but not limited to, the following:

- the notional amount of the interest-rate swap matches the principal amount of the interest-bearing financial instrument being hedged;
- the fair value of the interest-rate swap at the inception of the hedging relationship is zero;
- the formula for computing net settlements under the interest-rate swap is the same for each net settlement; and
- the interest-bearing financial instrument is not prepayable.

Provided that no terms changed, the entire change in the hedging instrument's fair value is considered to be effective at achieving offsetting changes in fair values or cash flows of the hedged asset or liability. If all the criteria are met, an FHLBank may apply the short-cut method to a qualifying hedge when the relationship is designated on the trade date of both the hedging instrument and the hedged items (for example, advances or consolidated obligation bonds are issued). The hedged item is not recognized for accounting purposes until its settlement date; however, the FHLBanks record the changes in the hedging instrument and the hedged item's fair value beginning on the trade date, but the derivative relationship has no effect on earnings or capital.

Long-Haul Hedge Accounting. A long-haul hedging relationship implies a highly-effective hedging relationship that requires an FHLBank to assess, retrospectively and prospectively, whether the derivative and hedged item has been and will be highly effective in offsetting changes in fair value attributable to the hedged risk. The changes in fair value for the derivative and the hedged item may or may not be perfectly correlated. Any difference in the change of fair value between the two will be recognized as a net gain or loss in the statement of income. To maintain the highly-effective relationship, this effectiveness testing of the hedge is performed at the inception of the hedge and thereafter, on at least a quarterly basis. An FHLBank may perform dollar-offset prospective testing at the inception of the hedge and calculate retrospective regressions after a sufficient number of data points have been accumulated to render a statistically significant result. Alternatively, an FHLBank may employ regression-based testing prospectively based on simulated valuations derived from historical market data. If, during this effectiveness testing, the hedge fails to maintain effectiveness at any point, the hedge relationship will be deemed ineffective. As a result, the hedged item's changes in fair value will no longer be evaluated for effectiveness, and will be treated as not-highly-effective.

If a hedging relationship is not considered highly effective, it does not qualify for hedge accounting treatment. Therefore, the hedged item's changes in fair value are not evaluated, even though an offsetting relationship between fair values or cash flows of the hedge and hedged items may be demonstrated. Changes in the fair value of such economic hedges of assets or liabilities for asset/liability management purposes are recorded in current-period earnings. (See *Note 1 - Summary of Significant Accounting Policies* and *Note 11 - Derivatives and Hedging Activities* to the accompanying combined financial statements for additional discussion regarding the FHLBanks' accounting for derivatives and types of hedging transactions.)

Amortization of Premiums and Accretion of Discounts on Investment Securities and Purchased Mortgage Loans

When an FHLBank purchases investment securities and mortgage loans, it may not pay the seller the par value or the unpaid principal balance of the asset. If an FHLBank purchases the asset at a premium, the premium reduces the yield that an FHLBank recognizes on the asset below the stated coupon or note rate. Conversely, if an FHLBank purchases the asset at a discount, the discount increases the yield that FHLBank recognizes on the asset above the stated coupon or note rate.

The FHLBanks amortize premiums and accrete discounts in accordance with GAAP and recognize the amounts of amortization or accretion in current period earnings as a decrease or increase to interest income. An offsetting adjustment is made to the asset's net carrying value as the premiums are amortized and the discounts are accreted into interest income.

Contractual Interest Method. The amortization of premiums or accretion of discounts to interest income using the contractual interest method produces a constant level-yield over the contractual life, which represents the stated maturity. The contractual interest method recognizes the income effects of premiums and discounts over the contractual life of the

asset based on the actual behavior of the underlying assets, including adjustments for actual prepayment activities, and reflects the contractual terms of the asset without regard to changes in estimated prepayments based on assumptions about future borrower behavior.

Retrospective Interest Method. Except when the contractual interest method is used, the FHLBanks apply the retrospective interest method on their investment securities and purchased mortgage loans for which prepayments reasonably can be expected and estimated. The retrospective interest method requires that an FHLBank estimate prepayments over the estimated life of the securities and make a retrospective adjustment of the effective yield each time that it changes the estimated life as if the new estimate had been known since the original acquisition date of the asset. Use of the retrospective method may increase volatility of reported earnings during periods of changing interest rates, and the use of different estimates or assumptions, as well as changes in external factors, could produce significantly different results. Declining interest rates generally accelerate prepayments, which accelerate the amortization of premiums and reduce current-period earnings. Typically, declining interest rates also accelerate the accretion of discounts, which increases current-period earnings. Conversely, rising interest rates generally result in slower prepayments, which shift premium amortization and discount accretion to future periods.

Allowance for Credit Losses

Each FHLBank is required to assess potential credit losses and establish an allowance for credit losses, as applicable, for each identified portfolio segment of financing receivables. A portfolio segment is the level at which an FHLBank develops and documents a systematic method for determining its allowance for credit losses. The FHLBanks' allowances for credit losses methodology is discussed below for the following portfolio segments:

- credit products (advances, letters of credit, and other extensions of credit to borrowers);
- conventional MPF loans held for portfolio, conventional MPP loans held for portfolio; and
- government-guaranteed or -insured mortgage loans held for portfolio.

Furthermore, the FHLBanks established a systematic methodology for assessing other financing receivables for potential credit losses, including other loans, term securities purchased under agreements to resell, and term federal funds sold. (See *Note 10 - Allowance for Credit Losses* to the accompanying combined financial statements for additional information on the FHLBanks' allowance for credit losses methodologies.)

The allowance for credit losses represents the best estimate by each FHLBank's management of the probable credit losses inherent in its financing receivable portfolios. Determining the amount of the allowance for credit losses is considered a critical accounting estimate because management's evaluation of the adequacy of the allowance for credit losses is subjective and requires significant estimates, such as the amounts and timing of estimated future cash flows, estimated losses based on historical loss experience, and consideration of current economic trends, all of which are susceptible to change. Each FHLBank's assumptions and judgments related to its allowance for credit losses are based on information available as of the date of the corresponding financial statements. Actual losses could differ from these estimates. (See *Risk Management - Credit Risk* for further discussion of how the FHLBanks monitor, limit, and assess credit risk on their financing receivables.)

Credit Products. Each FHLBank expects to collect all amounts due according to the contractual terms of its credit products based on the nature and quality of the collateral held as security for its credit products, its credit extension and collateral policies, its credit analysis and the repayment history on its credit products. Accordingly, no allowance for losses on credit products was deemed necessary at December 31, 2013 and 2012. Furthermore, no liability to reflect an allowance for credit losses for off-balance sheet exposures was recorded at December 31, 2013 and 2012. No FHLBank has ever experienced a credit loss on any of its credit products.

The FHLBanks are required by FHFA regulation to obtain sufficient collateral on credit products to protect against losses. The FHLBanks are permitted to accept only certain collateral, such as the following:

- U.S. government or agency securities;
- residential mortgage loans;
- FHLBank deposits; and
- other real estate-related assets.

Each FHLBank may require additional collateral (whether or not that additional collateral meets the eligibility criteria previously discussed) or require that the borrower substitute existing collateral at any time. An FHLBank also has a statutory lien on each member's FHLBank stock as additional security for the indebtedness of that member. At December 31, 2013 and 2012, the rights to collateral held by the FHLBanks on a borrower-by-borrower basis had an estimated value that was equal to or exceeded the outstanding extensions of credit. Management of each FHLBank believes that adequate policies and procedures are in place to effectively manage that FHLBank's respective credit risk on its credit products. These policies and procedures may include, but are not limited to the following: (1) monitoring the creditworthiness and financial condition of the institutions to which the FHLBank lends funds; (2) reviewing the quality and value of collateral pledged by members to secure extensions of credit; (3) estimating borrowing capacity based on collateral value and collateral type for each member; and (4) evaluating historical loss experience.

Conventional MPF Mortgage Loans Held for Portfolio. At December 31, 2013 and 2012, each MPF FHLBank that holds mortgage loans under the MPF Program had an allowance for credit losses on mortgage loans held under that program. Each MPF FHLBank bases its allowance on its management's estimate of credit losses inherent in its mortgage loan portfolio at the balance sheet date. The estimate is based on the individual MPF FHLBank's loan portfolio performance history and/or on analysis of industry statistics for similar mortgage loan portfolios. Conventional loans, in addition to having the related real estate as collateral, are also credit enhanced either by the participating financial institution (PFI), which is required to pledge qualified collateral to secure its credit enhancement obligation, or by the supplemental mortgage insurance (SMI) purchased by the PFI. If an MPF FHLBank had losses in excess of the estimated liquidation value of collateral held and credit enhancement amount, credit losses would be recognized for financial reporting purposes.

The allowance for credit losses on mortgage loans held under the MPF Program is established at a level that each FHLBank's management believes to be adequate to absorb its estimated credit losses related to specifically identified loans and estimated credit losses inherent in its total MPF loan portfolio.

The estimation of credit losses in the total MPF loan portfolio involves assessing the effect of current economic trends and specific events on the allowance for credit losses on mortgage loans. Furthermore, each FHLBank generally takes into consideration the following factors: (1) management's judgment as to the eligibility of PFIs to continue to service and credit-enhance the loans delivered to an MPF FHLBank; (2) evaluation of credit exposure on portfolio loans; (3) valuation and collectability of credit enhancements provided by PFIs or mortgage insurers; (4) estimation of loss exposure and historical loss experience; (5) loan portfolio characteristics and collateral valuations; and (6) industry data and prevailing economic conditions. Setting the level of reserves requires significant judgment, due to the inability to readily determine the fair value of all underlying properties and the uncertainty in other macroeconomic factors that make estimating defaults and severity imprecise, and regular evaluation by management.

Certain conventional mortgage loans, primarily impaired mortgage loans that are considered collateral-dependent, may be specifically identified for purposes of calculating the allowance for credit losses. These collateral-dependent loans, which may include loans on non-accrual status, are treated separately from the remaining MPF loans because sufficient information exists to make a reasonable estimate of the inherent loss for such MPF loans on an individual loan basis. All other MPF loans are collectively evaluated for impairment. Migration analysis is a methodology for determining, through an FHLBank's experience over a historical period, the rate of default on pools of similar loans. Certain FHLBanks apply migration analysis to loans based on payment status categories such as current, 30, 60, and 90 days past due as well as to loans 60 days past due following receipt of notice of filing from the bankruptcy court. Each FHLBank then estimates how many loans in these categories may migrate to a realized loss position and applies a loss severity factor to estimate losses incurred at the statement of condition date. Primary mortgage insurance (PMI) and the credit enhancement amount provided by the PFI or by SMI are generally factored into the allowance for credit loss determination, provided that collection from the PFI or insurance companies is determined to be probable. The combination of these factors, as well as an additional judgmental amount determined by management due to uncertainties inherent in the estimation process, represents the estimated credit losses from conventional MPF loans. Although this amount is not allocated to any specific economic or credit event, it is intended to cover other inherent losses that may not be captured in the methodology previously described. Therefore, the total allowance for credit losses represents management's best estimate of probable loan losses. However, the actual loss that may occur on homogeneous pools of mortgage loans may be more or less than the estimated loss. Any potential losses that would be recovered from the credit enhancement amount, as well as PMI, are not generally reserved for as part of the allowance for credit losses on mortgage loans.

Conventional MPP Mortgage Loans Held for Portfolio. Each MPP FHLBank that has acquired mortgage loans under the MPP analyzes its MPP loans on a quarterly basis by estimating probable incurred losses, comparing these losses to credit enhancements, including the recoverability of insured amounts, and then establishes general or real estate owned-specific reserves based on the results. At December 31, 2013 and 2012, each MPP FHLBank either had an allowance for credit losses on mortgage loans acquired under its MPP or has determined that no such allowance was required, due in part to the structure of the allocation of credit risk under that program. If an MPP FHLBank had losses in excess of the estimated liquidation value of collateral held, PMI (if applicable), lender risk account, and SMI (if applicable), credit losses would be recognized for financial reporting purposes.

The MPP FHLBanks apply a consistent methodology to determine the adequacy of the allowance for credit losses. The key estimates and assumptions that affect each MPP FHLBank's allowance for credit losses generally include the following: (1) the characteristics of specific delinquent conventional loans outstanding under the MPP; (2) evaluations of the overall delinquent loan portfolio through the use of migration analysis; (3) loss severity estimates; (4) historical claims and default experience; (5) expected proceeds from credit enhancements; (6) comparisons to reported industry data; and (7) current economic trends and conditions. Setting the level of reserves requires significant judgment, due to the inability to readily determine the fair value of all underlying properties and the uncertainty in other macroeconomic factors that make estimating defaults and severity imprecise, and regular evaluation by management.

Government-Guaranteed or -Insured Mortgage Loans Held for Portfolio. FHLBanks purchase both conventional mortgage loans and government-guaranteed or -insured mortgage loans under the MPF Program and MPP. Government loans are insured or guaranteed by federal agencies, including the Federal Housing Administration, Department of Veterans Affairs, Rural Housing Service, and Department of Housing and Urban Development. Any losses from these mortgage loans are expected to be recovered from those entities or absorbed by the servicers. Accordingly, the FHLBanks have determined that no allowance for credit losses is necessary in connection with government-guaranteed or -insured mortgage loans held for portfolio at December 31, 2013 and 2012.

Recent Accounting Developments

See *Note 2 - Recently Issued and Adopted Accounting Guidance* to the accompanying combined financial statements for a discussion regarding the effect of recently issued accounting guidance on the FHLBanks' combined financial condition, combined results of operations, or combined cash flows.

Legislative and Regulatory Developments

The legislative and regulatory environment in which each FHLBank and its members operate continues to evolve as a result of regulations enacted pursuant to the Housing and Economic Recovery Act of 2008, as amended (Housing Act) and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). The FHLBanks' business operations, funding costs, rights, obligations, and/or the environment in which the FHLBanks carry out their housing finance mission are likely to continue to be significantly impacted by these changes. Significant regulatory actions and developments for the period covered by this report are summarized below.

Significant FHFA Developments

Proposed Rule on Responsibilities of Boards of Directors; Corporate Practices and Corporate Governance Matters. On January 28, 2014, the FHFA published a proposed rule to relocate and consolidate existing Federal Housing Finance Board and Office of Federal Housing Enterprise Oversight regulations pertaining to director responsibilities, corporate practices, and corporate governance matters for Fannie Mae and Freddie Mac (together, the Enterprises) and the FHLBanks (together with the Enterprises, the "regulated entities"). In addition, the proposed rule would make certain amendments or additions to the corporate governance rules currently applicable to the FHLBanks, including provisions to:

- Revise existing risk management provisions to better align them with more recent proposals of the Federal Reserve Board, including requirements that each regulated entity adopts an enterprise wide risk management program and appoints a chief risk officer with certain enumerated responsibilities;

- Require each regulated entity to maintain a compliance program headed by a compliance officer who reports directly to the chief executive officer and must regularly report to the board of directors (or a board committee);

- Require each regulated entity's board to establish committees specifically responsible for the following matters: (a) risk management; (b) audit; (c) compensation; and (d) corporate governance;

- Require each FHLBank to designate in its bylaws a body of law to follow for its corporate governance practices and procedures that may arise for which no federal law controls, choosing from (a) the law of the jurisdiction in which the FHLBank maintains its principal office; (b) the Delaware General Corporation Law; or (c) the Revised Model Business Corporation Act. The proposed rule states that the FHFA has the authority to review a regulated entity's indemnification policies, procedures and practices and may limit or prohibit indemnification payments in support of the safe and sound operations of the regulated entity.

Comments on the proposed rule are due by May 15, 2014.

Final Rule on Executive Compensation. On January 28, 2014, the FHFA issued a final rule setting forth requirements and processes with respect to compensation provided to executive officers by FHLBanks and the Office of Finance. The final rule addresses the authority of the Director of the FHFA to review the compensation arrangements of executive officers of the FHLBanks and to prohibit an FHLBank or the Office of Finance from providing compensation to any executive officer that the Director of the FHFA determines is not reasonable and comparable with compensation for employment in other similar businesses involving similar duties and responsibilities.

The final rule also addresses the Director's authority to approve, in advance, agreements or contracts of executive officers that provide compensation in connection with termination of employment. The final rule became effective on February 27, 2014.

Final Rule on Golden Parachute Payments. On January 28, 2014, the FHFA issued a final rule setting forth the standards that the Director of the FHFA will take into consideration when determining whether to limit or prohibit golden parachute payments. The primary impact of this final rule is to better conform existing FHFA regulations on golden parachutes with FDIC golden parachute regulations and to further limit golden parachute payments made by an FHLBank or the Office of Finance that is assigned a less than satisfactory composite FHFA examination rating. The final rule became effective on February 27, 2014.

Final Guidance on Collateralization of Advances and Other Credit Products Provided to Insurance Company Members. On December 23, 2013, the FHFA published a final Advisory Bulletin that provides guidance on credit risk management practices to ensure FHLBank advances remain fully secured when lending to insurance company members. The guidance identifies differing risks in lending to insurance companies compared with lending to federally-insured depository institutions.

The guidance notes that in assessing an FHLBank’s lending to insurance companies and collateral position with respect to insurance company members, the FHFA will evaluate, among other things:

- an FHLBank's control of pledged collateral and ensuring it has a first-priority perfected security interest;
- an FHLBank’s legal analysis with respect to state insurance laws;
- an FHLBank's documented framework, procedures, methodologies and standards to evaluate an insurance company member's creditworthiness and financial condition, and the value of the pledged collateral; and
- whether an FHLBank has a written plan for the liquidation of insurance company member collateral.

Final Rule on Stress-Testing Requirements. On September 26, 2013, the FHFA issued a final rule that requires each FHLBank to assess the potential impact of certain sets of economic and financial conditions, including baseline, adverse, and severely adverse scenarios, on its earnings, capital, and other related factors, over a nine-quarter forward horizon based on its portfolio as of September 30 of the previous year. The rule provides that the FHFA will annually issue guidance on the scenarios and methodologies to be used in conducting the stress test. Each FHLBank must publicly disclose the results of its severely adverse economic conditions stress test. The final rule became effective October 28, 2013.

Joint Proposed Rule on Credit Risk Retention for Asset-backed Securities. On September 20, 2013, the FHFA with other U.S. federal regulators jointly issued a proposed rule, with a comment deadline of October 30, 2013, that proposes requiring asset-backed securities sponsors to retain a minimum of five percent economic interest in a portion of the credit risk of the assets collateralizing the asset-backed securities, unless all the securitized assets satisfy specified qualifications. The proposed rule revises an earlier proposed rule on asset-backed securities credit risk retention. In general, as with the original proposed rule, the revised proposed rule specifies criteria for qualified residential mortgage, commercial real estate, auto, and commercial

loans that would make them exempt from the risk-retention requirement. The criteria for qualified residential mortgages is based on historical data and on underwriting and product features that are associated with low risk even in periods of a decline in housing prices and of high unemployment. The proposed rule exempts agency MBS from the risk-retention requirements as long as the sponsoring agency is operating under the conservatorship or receivership of the FHFA and would fully guarantee the timely payment of principal and interest on all interests in the issued security. At this time, the impact of this rule, if adopted, on FHLBank operations is uncertain.

Other Significant Developments

Regulation of Systemically Important Nonbank Financial Companies. In 2012, the Financial Stability Oversight Council (Oversight Council) issued a final rule and guidance on the standards and procedures the Oversight Council will follow in determining whether to designate a nonbank financial company for supervision by the Federal Reserve Board and subject that company to certain heightened prudential standards (commonly referred to as a "systemically important financial institution" or "SIFI"). The Oversight Council will analyze a nonbank financial company for possible designation under a three-stage process based on (1) the size of the nonbank financial company, (2) the potential threat that the nonbank financial company could pose to U.S. financial stability, and (3) information collected directly from the company. A nonbank financial company that the Oversight Council proposes to designate as a systemically important financial institution under this rule has the opportunity to contest the designation.

On April 5, 2013, the Federal Reserve System published a final rule that establishes the requirements for determining when a company is "predominately engaged in financial activities" and thus a "nonbank financial company." Designation as a systemically important financial institution could adversely impact an FHLBank's operations and business if additional Federal Reserve standards result in additional costs, liquidity or capital requirements, and/or restrictions on that FHLBank's business activities.

Housing Finance and Housing GSE Reform. Congress continues to consider reforms for U.S. housing finance and the regulated entities, including the resolution of Fannie Mae and Freddie Mac. Legislation has been introduced in both the House of Representatives and the Senate that would wind down the Enterprises and replace them with a new finance system to support the secondary mortgage market. On June 25, 2013, a bill entitled the Housing Finance Reform and Taxpayer Protection Act of 2013 (the Housing Finance Reform Act) was introduced in the Senate with bipartisan support. On July 11, 2013, Republican leaders of the House Financial Services Committee submitted a proposal entitled the Protecting American Taxpayers and Homeowners Act of 2013 (the PATH Act). Both proposals would have direct implications for the FHLBanks if enacted.

While both proposals reflect the FHFA's efforts over the past year to lay the groundwork for a new U.S. housing finance structure by creating a common securitization platform and establishing national standards for mortgage securitization, they differ on the role of the federal government in the revamped housing finance structure. The Housing Finance Reform Act would establish the Federal Mortgage Insurance Corporation as an independent agency in the Federal government, replacing the FHFA as the primary Federal regulator of the FHLBanks. The Federal Mortgage Insurance Corporation would, among other things, facilitate the securitization of eligible mortgages by insuring covered securities in a catastrophic risk position. The FHLBanks would be allowed to apply to become an approved issuer of covered securities to facilitate access to the secondary market for smaller community mortgage lenders. Any covered MBS issued by the FHLBanks would not be issued as consolidated obligations and would not be treated as joint and several obligations of any FHLBank that has not elected to participate in such issuance.

By contrast, the PATH Act would effectively eliminate any government guarantee of conventional, conforming mortgages except for FHA, Department of Veterans Affairs, and similar loans designed to serve first-time homebuyers and low- and moderate-income borrowers. The FHLBanks would be authorized to act as aggregators of mortgages for securitization through a newly established common market utility.

The PATH Act would also revamp the statutory provisions governing the board composition of the FHLBanks. Among other things, for merging FHLBanks, the number of directors would be capped at 15 and the number of member directors allocated to a state would be capped at two until each state has at least one member director. In addition, the FHFA would be given the authority, consistent with the authority of other banking regulators, to regulate and examine certain vendors of an FHLBank or an Enterprise. Also, the PATH Act would remove the requirement that the FHFA adopt regulations establishing standards of community investment or service for FHLBanks' members.

Any of these proposals likely would have consequences for the FHLBank System and each FHLBank's ability to provide readily accessible liquidity to FHLBank members. However, given the uncertainty of the Congressional process, it is impossible to determine at this time whether or when legislation would be enacted for housing GSE or housing finance reform. The ultimate effects of these efforts on the FHLBanks are unknown and will depend on the legislation or other changes, if any, that ultimately are implemented.

Money Market Mutual Fund Reform. In 2012, the Oversight Council proposed recommendations for structural reforms of money market mutual funds. The Oversight Council has stated that these reforms are intended to address the structural vulnerabilities of money market mutual funds. In addition, on June 19, 2013, the SEC proposed two alternatives for amending rules that govern money market mutual funds under the Investment Company Act of 1940. The demand for FHLBank consolidated obligations may be impacted by the structural reform ultimately adopted. Accordingly, these reforms could cause the FHLBanks' funding costs to rise or otherwise adversely impact market access and, in turn, adversely impact the FHLBanks' results of operations.

Consumer Financial Protection Bureau (CFPB) Final Rule on Qualified Mortgages. In January 2013, the CFPB issued a final rule with an effective date of January 10, 2014, that establishes new standards for mortgage lenders to follow during the loan approval process to determine whether a borrower can afford to repay certain types of loans, including mortgages and other loans secured by a dwelling. The final rule provides for a "safe harbor" (which may be subject to a "rebuttable presumption," depending on loan pricing) from consumer claims that a lender did not adequately consider whether a consumer can afford to repay the lender's mortgage, provided that the mortgage meets the requirements of a Qualified Mortgage loan. Qualified Mortgages are home loans that are either eligible for purchase by Fannie Mae or Freddie Mac or otherwise satisfy certain underwriting standards. On May 6, 2013, the FHFA announced that Fannie Mae and Freddie Mac will no longer purchase a loan that is not a Qualified Mortgage under those underwriting standards starting January 10, 2014. The underwriting standards require lenders to consider, among other factors, the borrower's current income, current employment status, credit history, monthly mortgage payment, monthly payment for other loan obligations, and total debt-to-income ratio. Further, the Qualified Mortgage underwriting standards generally prohibit loans with excessive points and fees, interest-only or negative-amortization features (subject to limited exceptions), or terms greater than 30 years. On the same date it issued the final Ability to Repay/final Qualified Mortgage standards, the CFPB also issued a proposal that would allow small creditors (generally those with assets under $2 billion) in rural or underserved areas to treat first lien balloon mortgage loans that they offer as Qualified Mortgages. Comments were provided by February 25, 2013.

The Qualified Mortgage liability safe harbor could provide incentives to lenders, including the FHLBanks' members, to limit their mortgage lending to Qualified Mortgages or otherwise reduce their origination of mortgage loans that are not Qualified Mortgages. This approach could reduce the overall level of members' mortgage lending and, in turn, reduce demand for FHLBank advances. Additionally, the value and marketability of mortgage loans that are not Qualified Mortgages, including those pledged as collateral to secure member advances, may be adversely affected.

Basel Committee on Banking Supervision - Final Capital Framework. In July 2013, the Federal Reserve Board and the Office of the Comptroller of the Currency adopted a final rule, and the FDIC (together with the Federal Reserve and the Office of the Comptroller of the Currency, the Financial Regulators) adopted an interim final rule (which was amended September 10, 2013), establishing new minimum capital standards for financial institutions to incorporate the Basel III regulatory capital reforms from the Basel Committee on Banking Supervision. The FHLBanks are not required to meet Basel III requirements, but many FHLBank members are subject to these new requirements. The new capital framework includes, among other things:

- a new common equity tier 1 minimum capital requirement, a higher minimum tier 1 capital requirement, and an additional capital conservation buffer;
- revised methodologies for calculation of risk-weighted assets to enhance risk sensitivity; and
- a supplementary leverage ratio for financial institutions subject to the "advanced approaches" risk-based capital rules.

The new framework could require some FHLBank members to divest assets in order to comply with the more stringent capital requirements, thereby tending to decrease their need for advances. Conversely, the new requirements could create incentives for members to use term advances to create and maintain balance-sheet liquidity. Most of the FHLBank members must begin to comply with the final rule by January 1, 2015, although some larger members were required to begin to comply by January 1, 2014.

Basel Committee on Bank Supervision - Proposed Liquidity Coverage Ratio. In October 2013, the Financial Regulators issued a proposed rule with a comment deadline of January 31, 2014, for a minimum liquidity coverage ratio applicable to all internationally active banking organizations, bank holding companies, systemically important, non-bank financial institutions designated for Federal Reserve supervision that do not have substantial insurance activities, certain savings and loan holding companies, and depository institutions with $250 billion or more in total assets or $10 billion or more in consolidated total on-balance sheet foreign exposure; and to such organization's consolidated subsidiaries that are depository institutions with $10 billion or more in total consolidated assets. Among other things, the proposed rule defines various categories of high quality, liquid assets to satisfy the liquidity coverage ratio, and these high quality liquid assets are further categorized into Levels 1, 2A or 2B. The treatment of high quality liquid assets for the liquidity coverage ratio is most favorable under the Level 1 category, less favorable under the Level 2A category, and least favorable under the Level 2B category. As proposed, FHLBank consolidated obligations would be Level 2A high quality liquid assets. At this time, the impact of this rule (if adopted) on the FHLBank System consolidated obligations is uncertain.

National Credit Union Administration Proposed Rule on Access to Emergency Liquidity. On October 30, 2013, the National Credit Union Administration published a final rule requiring, among other things, that federally-insured credit unions with assets of $250 million or more must maintain access to at least one federal liquidity source for use in times of financial emergency and distressed economic circumstances. This access must be demonstrated through direct or indirect membership in the Central Liquidity Facility (a U.S. government corporation created to improve the general financial stability of credit unions by serving as a liquidity lender to credit unions) or by establishing access to the Federal Reserve's discount window. The final rule does not include FHLBank membership as an emergency liquidity source. Accordingly, the final rule may adversely impact the FHLBanks' results of operations if it causes the FHLBanks' federally-insured credit union members to favor these federal liquidity sources over FHLBank membership or advances. The published rule is scheduled to be effective March 31, 2014.

Recent Rating Agency Actions

On July 18, 2013, Moody's affirmed the Aaa senior rating of the FHLBank System and revised its outlook for the FHLBank System from negative to stable. These rating actions followed the affirmation by Moody's of the Aaa rating assigned to the United States of America and the revision of the outlook of the United States of America from negative to stable.

On June 10, 2013, S&P affirmed the AA+ long-term credit rating and the A-1+ short-term credit rating on the senior debt issues of the FHLBank System and for 11 of 12 FHLBanks. In addition, S&P affirmed the AA long-term credit rating and the A-1+ short-term credit rating for the FHLBank of Seattle. S&P also revised its outlook for the FHLBank System and for 11 of 12 FHLBanks from negative to stable; the negative outlook for FHLBank of Seattle remained unchanged. On July 18, 2013, S&P affirmed the AA long-term credit rating, the A-1+ short-term credit rating, and revised its outlook from negative to stable for the FHLBank of Seattle. These rating actions reflect S&P's revision of the outlook on the long-term credit rating of the United States of America from negative to stable. S&P has indicated that its ratings of the FHLBank System and the FHLBanks are constrained by the long-term credit rating of the United States. Table 44 presents each FHLBank's long-term credit rating, short-term credit rating, and outlook at March 15, 2014.

Table 44 - FHLBanks' Long-Term Credit Ratings, Short-Term Credit Ratings, and Outlook at March 15, 2014

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

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 derivative transactions, can potentially expose the FHLBanks to a number of risks, including market risk and credit risk. (See *Quantitative and Qualitative Disclosures about Market Risk* for a discussion of market 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 control these risks and must file periodic compliance reports with the FHFA. The FHFA has established regulations governing the risk management practices of the FHLBanks and conducts an annual on-site examination of each FHLBank and the Office of Finance as well as off-site analyses.

Credit Risk

Advances. Each FHLBank manages its credit exposure to advances through an integrated approach that provides for the ongoing review of the financial condition of its borrowers coupled with conservative collateral and lending policies and procedures to limit its risk of loss while balancing its borrowers' needs for a reliable source of funding. In response to conditions in the housing and mortgage markets, each FHLBank continues to evaluate and make changes to its collateral guidelines when reviewing its borrowers' financial condition to further mitigate the credit risk on advances. At December 31, 2013, each FHLBank had rights to collateral with an estimated value greater than the related outstanding advances. Advances and other credit product obligations to an FHLBank are fully secured with eligible collateral, the value of which is discounted to protect the FHLBanks from credit loss.

The FHLBanks protect against credit risk on advances by collateralizing all advances. The FHLBank Act requires that FHLBanks obtain and maintain collateral from their borrowers to secure advances at the time the advances are originated or renewed. Furthermore, under the FHLBank Act, an FHLBank has a statutory lien on that FHLBank's capital stock held by its members, which serves as further collateral for the indebtedness of these members to the FHLBank. The FHLBank Act also allows FHLBanks to further protect their security position with respect to advances by allowing them to require the posting of additional collateral, whether or not such additional collateral is eligible to originate or renew an advance. The FHLBanks perfect their security interests by filing applicable financing statements or taking delivery of collateral. In addition, the FHLBank Act states that a security interest granted to an FHLBank member, or any affiliate of the member to an FHLBank, is entitled to a priority over the claims and rights of any party (including any receiver, conservator, trustee, or similar lien creditor), except the claims and rights of a party that would be entitled to priority under otherwise applicable law and is an actual bona fide purchaser for value of that collateral, or is an actual secured party whose security interest in such collateral is perfected in accordance with applicable state law. Collateral arrangements will vary depending on: (1) borrower credit quality, financial condition, and performance; (2) borrowing capacity; (3) collateral availability; and (4) overall credit exposure to the borrower.

Each FHLBank establishes each borrower's borrowing capacity by determining the amount it will lend against each collateral type. Borrowers are also required to collateralize the face amount of any letters of credit issued for their benefit by an FHLBank. In addition, an FHLBank must take any steps necessary to ensure that its security interest in all collateral pledged by non-depository member institutions (i.e., insurance companies and housing associates) is as secure as its security interests in collateral pledged by depository member institutions.

Residential mortgage loans are the principal form of collateral for advances. Collateral eligible to secure new or renewed advances includes:

- one-to-four family and multifamily mortgage loans (delinquent for no more than 90 days) and securities representing such mortgages;
- loans and securities issued, insured, or guaranteed by the U.S. government or any U.S. government agency (for example, mortgage-backed securities issued or guaranteed by Fannie Mae, Freddie Mac, or Ginnie Mae);
- cash or deposits in the FHLBank;
- certain other collateral that is real estate-related, provided that the collateral has a readily ascertainable value and that the FHLBank can perfect a security interest in it; and
- certain qualifying securities representing undivided equity interests in eligible advance collateral.

Each FHLBank generally establishes an overall FHLBank credit limit for each borrower, which caps the amount of FHLBank credit availability to the borrower. This limit is designed to reduce an FHLBank's credit exposure to an individual borrower, while encouraging borrowers to diversify their funding sources. A borrower's total credit limit with an FHLBank includes the principal amount of outstanding advances, the face amount of outstanding letters of credit, the total exposure of the FHLBank to the borrower under any derivative contract, and the credit enhancement obligation of the borrower on mortgage loans sold to the FHLBank. Each FHLBank determines the credit limit of its borrower by evaluating a wide variety of factors, including, but not limited to, the borrower's overall creditworthiness and collateral management practices. The FHLBanks impose borrowing limits on most borrowers with a maximum ranging from 20% to 60% of a borrower's total assets. However, certain borrowers may be approved for a higher borrowing limit when it is supported by that borrower's creditworthiness and collateral.

Based on the financial condition of the borrower, each FHLBank classifies each borrower by the method of pledging collateral into one of three collateral categories: (1) blanket lien status; (2) listing (specific identification) status; or (3) delivery (possession) status. The least restrictive collateral status, and the most widely used by the FHLBanks' borrowers, is the blanket lien status. This status is generally assigned to lower risk institutions pledging collateral. Under the blanket lien status, an individual FHLBank allows a borrower to retain possession of eligible collateral pledged to that FHLBank, provided the borrower executes a written security agreement and agrees to hold the collateral for the benefit of that FHLBank. Origination of new advances or renewal of advances must only be supported by certain eligible collateral categories. The blanket lien is typically accepted by the FHLBanks only for loan collateral; most securities collateral must be delivered to an FHLBank, or an FHLBank-approved third-party custodian, and pledged for the benefit of the applicable FHLBank.

An FHLBank may require borrowers to provide a detailed listing of eligible advance collateral being pledged to the FHLBank due to their high usage of FHLBank credit products, the type of assets being pledged, or the credit condition of the borrower. Under the listing status, the borrower retains physical possession of specific collateral pledged to an FHLBank, but the borrower provides listings of loans pledged to its FHLBank with detailed loan information, such as loan amount, payments, maturity date, interest rate, loan-to-value, collateral type, and FICO® scores. From a borrower's perspective, the benefit of listing collateral in lieu of a blanket lien security agreement is that, in some cases, the discount or haircut applicable to that collateral may be lower than that for blanket lien collateral. From an FHLBank's perspective, the benefit of listing collateral is that it provides more detailed loan information to arrive at a more precise valuation.

Under the delivery status, an FHLBank requires the borrower to place physical possession of eligible collateral with the FHLBank or a third-party custodian to sufficiently secure all outstanding obligations. Typically, an FHLBank would take physical possession or control of collateral if the financial condition of the borrower was deteriorating or if the borrower exceeded certain credit product usage triggers. However, to ensure its position as a first-priority secured creditor, an FHLBank is generally more likely to take possession of collateral posted by insurance companies. Delivery of collateral may also be required if there is a regulatory action against the borrower by its regulator that would indicate inadequate controls or other conditions that would be of concern to that FHLBank.

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. Table 45 presents the range of collateral lending values for the blanket lien, listing, and delivery methods of pledging collateral across the 12 FHLBanks.

Collateral lending values are determined by subtracting the collateral haircut from 100%. Certain collateral haircuts may also reflect haircuts applied to advances outstanding based on borrowers' actual financial performance. Effective lending value percentages are equal to the collateral lending value divided by the unpaid principal balance of eligible loan collateral or market value of eligible securities collateral. Average effective lending values are calculated based on the total lending value against eligible collateral for all borrowers without regard to the amount of credit extended to any particular borrower; however, individual borrower credit obligations to the FHLBanks are not cross-collateralized between borrowers.

Table 45 - Effective Lending Values by Type of Collateral for all Borrowers

Collateral Type	December 31, 2013	
	Effective Lending Values Applied to Collateral	Average Effective Lending Value
Blanket Lien		
Single-family mortgage loans	13%-95%	75%
Federal Housing Administration (FHA) and Department of Veterans Affairs (VA) loans	71%-94%	88%
Multifamily mortgage loans	29%-89%	69%
Other U.S. government-guaranteed loans	81%-94%	89%
Home equity loans and lines of credit	7%-90%	51%
CFI collateral	15%-85%	50%
Commercial real estate loans	22%-91%	67%
Other loan collateral	24%-75%	52%
Listing		
Single-family mortgage loans	0%-95%	75%
FHA and VA loans	57%-91%	77%
Multifamily mortgage loans	45%-87%	79%
Other U.S. government-guaranteed loans	94%-96%	96%
Home equity loans and lines of credit	15%-89%	50%
CFI collateral	30%-75%	68%
Commercial real estate loans	27%-88%	70%
Other loan collateral	43%-76%	67%
Delivery		
Cash, U.S. government, and U.S. Treasury securities	81%-100%	94%
State and local government securities	83%-94%	91%
U.S. agency securities	80%-99%	94%
U.S. agency MBS and collateralized mortgage obligations (CMOs)	55%-98%	95%
Private-label MBS and CMOs	25%-97%	88%
CFI securities	93%-94%	93%
Commercial MBS	37%-93%	82%
Equity securities	81%	81%
Other securities	68%-97%	74%
Single-family mortgage loans	2%-94%	67%
FHA and VA loans	57%-89%	76%
Multifamily mortgage loans	10%-83%	72%
Other U.S. government-guaranteed loans	72%-94%	73%
Home equity loans and lines of credit	9%-82%	46%
CFI collateral	15%-75%	53%
Commercial real estate loans	4%-89%	65%
Other loan collateral	7%-89%	50%
Student loan securities	91%-96%	92%

As of December 31, 2013, there were 73 individual FHLBank borrowers (70 FHLBank members and three non-member financial institutions) that each 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. A borrower's total credit obligation to an FHLBank could include outstanding advances, outstanding letters of credit, collateralized derivative contracts, and credit enhanced obligations on mortgage loans sold to the FHLBank. Eligible collateral values include market values for securities and the unpaid principal balance for all other collateral pledged by the blanket lien, listing, or delivery method. The collateralization ratio was 2.4 at December 31, 2013, which represents the total of these 73 individual FHLBank borrowers' eligible collateral divided by these borrowers' advances and other credit products outstanding at December 31, 2013; however, individual borrower credit obligations to the FHLBanks are not cross-collateralized between borrowers.

Table 46 presents advances, other credit products (which primarily includes letters of credit), and collateral outstanding for borrowers with at least $1.0 billion of advances outstanding as compared to all borrowers.

Table 46 - Advances, Other Credit Products, and Collateral Outstanding
(dollars in millions)

	December 31, 2013		
	Borrowers with at Least $1.0 Billion of Advances Outstanding	All Borrowers	Percentage
Advances outstanding, at par	$ 335,591	$ 492,559	68.1%
Other credit products outstanding, at par	$ 53,180	$ 84,322	63.1%
Collateral outstanding	$ 942,579	$ 1,720,906	54.8%

Table 47 presents information on a combined basis regarding the type of collateral securing the advances to the 73 individual FHLBank borrowers with at least $1.0 billion of advances outstanding.

Table 47 - Type of Collateral Securing Advances to Borrowers with at Least $1.0 Billion of Advances Outstanding
(dollars in millions)

	December 31, 2013							
	Blanket Lien		Listing		Delivery		Total	
Collateral Type	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Single-family mortgage loans	$ 114,966	12.2%	$ 443,248	47.0%	$ 8,140	0.9%	$ 566,354	60.1%
Home equity loans and lines of credit	39,600	4.2%	70,103	7.5%	499	0.1%	110,202	11.8%
Commercial real estate loans	68,749	7.3%	24,830	2.6%	11,384	1.2%	104,963	11.1%
Multifamily mortgage loans	20,818	2.2%	56,961	6.0%	3,417	0.4%	81,196	8.6%
U.S. agency MBS and CMOs	—	N/A	—	N/A	40,498	4.3%	40,498	4.3%
Commercial MBS	—	N/A	—	N/A	16,397	1.7%	16,397	1.7%
FHA and VA loans	550	0.1%	5,990	0.6%	6	—	6,546	0.7%
U.S. agency securities (excluding MBS)	—	N/A	—	N/A	7,315	0.8%	7,315	0.8%
Private-label MBS and CMOs	—	N/A	—	N/A	86	—	86	—
Other	1,369	0.1%	2,435	0.3%	5,218	0.5%	9,022	0.9%
Total collateral	$ 246,052	26.1%	$ 603,567	64.0%	$ 92,960	9.9%	$ 942,579	100.0%

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

The FHLBank Act also permits borrowers that qualify as a Community Financial Institution (CFI) to pledge certain CFI-specific collateral to the extent that its FHLBank accepts those loans as collateral for advances. The FHLBank Act, as amended by the Housing Act, defines CFIs as depository institutions insured by the FDIC with average total assets over the preceding three-year period of less than $1.0 billion (the average total asset cap), with the average total asset cap adjusted annually for inflation. The average total asset cap for 2013 was $1.095 billion and the average total asset cap for 2014 is $1.108 billion.

The FHLBanks that accept CFI-specific collateral mitigate the potential increased credit risk through higher haircuts (lower lending values) on that collateral as presented in Table 45. CFI-specific collateral consists of small business, small farm, and small agri-business loans. Furthermore, the FHFA provides 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 $2.6 billion of the $492.6 billion of total advances outstanding at par value at December 31, 2013.

Member Failures. The financial condition of all members and housing associates is closely monitored for compliance with financial criteria as set forth in each FHLBank's credit policies. During the year ended December 31, 2013, no FHLBank incurred any credit loss on any of its advances, including advances to failed borrowers. During the same period, 18 of the 24 FDIC-insured institutions that failed were members of the FHLBanks with approximately $667 million of advances outstanding at the time of the failure, all of which were either assumed by another member or non-member institution, or repaid by the acquiring institution or the FDIC. From January 1, 2014 to February 28, 2014, all five of the FDIC-insured institutions that failed were members of the FHLBanks. All $15 million of advances outstanding to these members at the time of their failure 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 members are secured by eligible collateral. However, if a member were to default, and the value of the collateral pledged by the member declined to a point such that an FHLBank was unable to realize sufficient value from the pledged collateral to cover the member's obligations and an FHLBank was unable to obtain additional collateral to make up for the reduction in value of that 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. As of December 31, 2013, the management of each FHLBank believed it had 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.

The FHLBanks maintain short-term investment portfolios, which may provide funds to meet the credit needs of their members. These short-term investments are transacted with government agencies and large financial institutions with investment-grade credit ratings. Within this portfolio of short-term investments, the FHLBanks have unsecured credit exposure on certain investments.

The FHLBanks earn interest income by holding long-term investments. Within this portfolio of long-term investments, the FHLBanks are primarily subject to credit risk related to private-label mortgage-backed securities that are either directly or indirectly supported by underlying mortgage loans.

Regulatory Restrictions on Investments. To minimize credit risk on investments, the FHLBanks are prohibited by FHFA regulations from investing in any of the following security types:

- instruments, such as common stock that represent an ownership interest 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:

    - whole mortgages or loans acquired under an FHLBank's Acquired Member Asset program;
    - certain investments targeted to low-income persons or communities;
    - 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;
    - 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
    - certain foreign housing loans authorized under section 12(b) of the FHLBank Act;

- residual interest and interest accrual classes of securities;
- interest-only and principal-only securities;
- mortgage-backed securities or eligible asset-backed securities that on the trade date are at rates equal to their contractual cap, with average lives that vary more than six years under an assumed instantaneous rate change of 300 basis points, unless the instrument qualifies as an Acquired Member Asset; and
- foreign currency or commodity positions.

Investment Ratings. The FHLBanks reduce the credit risk on investments by investing in highly-rated investments. Table 48 presents the credit rating of the investment securities held by the FHLBanks as of December 31, 2013 and December 31, 2012, using the lowest long-term ratings for each security owned by an individual FHLBank, based on the nationally recognized statistical rating organization(s) used by that FHLBank.

Table 48 - Investment Ratings
(dollars in millions)

	December 31, 2013(1)(2)						
	Investment Grade				Below Investment Grade		
Carrying Value	Triple-A	Double-A	Single-A	Triple-B		Unrated	Total
Interest-bearing deposits	$ —	$ 1	$ 1,006	$ —	$ —	$ —	$ 1,007
Securities purchased under agreements to resell	—	10,550	6,400	1,500	—	1,900	20,350
Federal funds sold	—	11,916	15,697	1,787	—	100	29,500
Investment securities							
Non-mortgage backed securities							
U.S. Treasury obligations	—	2,847	—	—	—	—	2,847
Certificates of deposit	—	2,420	1,951	—	—	—	4,371
Other U.S. obligations	—	6,746	—	—	—	—	6,746
GSE and Tennessee Valley Authority obligations	—	25,962	—	—	—	—	25,962
State or local housing agency obligations	1,488	1,477	204	392	—	2	3,563
Federal Family Education Loan Program ABS	18	6,786	—	—	—	—	6,804
Other	746	632	—	—	—	26	1,404
Total non-mortgage-backed securities	2,252	46,870	2,155	392	—	28	51,697
Mortgage-backed securities							
Other U.S. obligations residential MBS	318	13,120	—	—	—	—	13,438
Other U.S. obligations commercial MBS	—	524	—	—	—	—	524
GSE residential MBS	466	96,655	27	—	17	—	97,165
GSE commercial MBS	—	7,928	—	—	—	—	7,928
Private-label residential MBS	26	215	480	2,125	17,963	30	20,839
Manufactured housing loan ABS	—	—	125	—	—	—	125
Home equity loan ABS	2	10	133	38	104	3	290
Total mortgage-backed securities	812	118,452	765	2,163	18,084	33	140,309
Total investment securities	3,064	165,322	2,920	2,555	18,084	61	192,006
Total investments	$ 3,064	$ 187,789	$ 26,023	$ 5,842	$ 18,084	$ 2,061	$ 242,863

	December 31, 2012(2)(3)						
	Investment Grade				Below Investment Grade		
Carrying Value	Triple-A	Double-A	Single-A	Triple-B		Unrated	Total
Interest-bearing deposits	$ —	$ 3	$ 1,004	$ —	$ —	$ —	$ 1,007
Securities purchased under agreements to resell	—	10,000	20,264	3,000	—	2,575	35,839
Federal funds sold	—	21,458	21,787	665	—	100	44,010
Investment securities							
Non-mortgage backed securities							
U.S. Treasury obligations	—	1,003	—	—	—	—	1,003
Commercial paper	—	60	—	—	—	—	60
Certificates of deposit	—	725	2,558	—	—	—	3,283
Other U.S. obligations	—	4,950	—	—	—	—	4,950
GSE and Tennessee Valley Authority obligations	—	25,313	—	—	—	—	25,313
State or local housing agency obligations	631	1,601	—	500	—	3	2,735
Federal family education loan program ABS	25	7,427	—	—	—	—	7,452
Other	847	779	—	—	—	25	1,651
Total non-mortgage-backed securities	1,503	41,858	2,558	500	—	28	46,447
Mortgage-backed securities							
Other U.S. obligations residential MBS	359	12,175	—	—	—	—	12,534
Other U.S. obligations commercial MBS	—	457	—	—	—	—	457
GSE residential MBS	—	94,428	47	—	29	—	94,504
GSE commercial MBS	—	5,602	—	—	—	—	5,602
Private-label residential MBS	95	539	1,128	2,459	20,705	10	24,936
Private-label commercial MBS	10	—	—	—	—	—	10
Manufactured housing loan ABS	—	132	15	—	—	—	147
Home equity loan ABS	7	103	63	39	120	—	332
Total mortgage-backed securities	471	113,436	1,253	2,498	20,854	10	138,522
Total investment securities	1,974	155,294	3,811	2,998	20,854	38	184,969
Total investments	$ 1,974	$ 186,755	$ 46,866	$ 6,663	$ 20,854	$ 2,713	$ 265,825

(1) Does not reflect any changes in ratings, outlook, or watch status occurring after December 31, 2013. The ratings presented in this table represent the lowest long-term rating available for each security owned by an individual FHLBank, based on the nationally recognized statistical rating organization(s) used by that FHLBank. Although the FHLBanks' internal ratings are not presented in this table, the internal ratings of an individual FHLBank may differ from those obtained from the nationally recognized statistical rating organization(s) and other FHLBank internal ratings.

(2) Investment amounts represent the carrying value and do not include related accrued interest.

(3) Does not reflect any changes in ratings, outlook, or watch status occurring after December 31, 2012. The ratings presented in this table represent the lowest long-term rating available for each security owned by an individual FHLBank, based on the nationally recognized statistical rating organization(s) used by that FHLBank. Although the FHLBanks' internal ratings are not presented in this table, the internal ratings of an individual FHLBank may differ from those obtained from the nationally recognized statistical rating organization(s) and other FHLBank internal ratings.

Long-term Investments. Within the portfolio of long-term investments, the FHLBanks are primarily subject to credit risk related to private-label mortgage-backed securities that are either directly or indirectly supported by underlying mortgage loans. The FHLBanks invested in private-label mortgage-backed securities, which consist of private-label residential MBS and private-label commercial MBS, manufactured housing loan ABS, and home equity loan ABS. Each private-label mortgage-backed security may contain one or more forms of credit protection/enhancements, including, but not limited to, (1) guarantee of principal and interest, (2) subordination, (3) over-collateralization and excess interest, and (4) insurance wrap. Credit enhancement achieved through subordination features results in the subordination of payments to junior classes to support cash flows received by senior classes held by investors such as the FHLBanks.

Although the FHLBanks invested in private-label mortgage-backed securities that at the date of purchase were substantially all rated triple-A, many of these securities have incurred credit losses based on economic conditions and housing market trends.

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 a 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 on 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 49 presents collateral performance and credit enhancement information related to private-label mortgage-backed securities at December 31, 2013. No FHLBank has purchased private-label mortgage-backed securities since 2008.

Table 49 - Credit Ratings of Private-Label Mortgage-Backed Securities at December 31, 2013
(dollars in millions)

	Total by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
Unpaid Principal Balance (UPB) by credit rating(1)						
Triple-A	$ 28	$ —	$ —	$ —	$ 9	$ 19
Double-A	231	68	—	—	—	163
Single-A	748	—	—	61	66	621
Triple-B	2,164	—	—	5	251	1,908
Below investment grade						
Double-B	1,809	—	13	15	237	1,544
Single-B	2,411	159	295	121	745	1,091
Triple-C	8,328	357	2,730	1,665	3,145	431
Double-C	2,700	228	658	915	892	7
Single-C	1,403	—	592	397	414	—
Single-D	5,679	—	2,097	2,507	1,051	24
Unrated	36	—	—	14	—	22
Total	$ 25,537	$ 812	$ 6,385	$ 5,700	$ 6,810	$ 5,830
Amortized cost	$ 21,965	$ 752	$ 5,138	$ 4,280	$ 6,031	$ 5,764
Gross unrealized losses(2)	(1,024)	(31)	(233)	(367)	(276)	(117)
Fair value	22,015	744	5,119	4,550	5,891	5,711
Credit losses(3)						
Total OTTI(4)	$ (15)	$ —	$ (8)	$ (1)	$ (4)	$ (2)
AOCI(5)	1	—	(1)	(1)	1	2
Credit losses	$ (14)	$ —	$ (9)	$ (2)	$ (3)	$ —
Fair value to UPB	86.2%	91.8%	80.2%	79.8%	86.5%	97.9%

	Prime(6) by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
UPB by credit rating(1)						
Triple-A	$ 2	$ —	$ —	$ —	$ —	$ 2
Double-A	142	—	—	—	—	142
Single-A	281	—	—	—	12	269
Triple-B	1,486	—	—	—	231	1,255
Below investment grade						
Double-B	1,254	—	13	15	194	1,032
Single-B	1,293	—	122	70	414	687
Triple-C	1,094	237	59	54	568	176
Double-C	676	85	158	218	215	—
Single-C	577	—	246	187	144	—
Single-D	3,093	—	1,146	1,626	321	—
Unrated	26	—	—	14	—	12
Total	$ 9,924	$ 322	$ 1,744	$ 2,184	$ 2,099	$ 3,575
Amortized cost	$ 8,899	$ 276	$ 1,372	$ 1,766	$ 1,927	$ 3,558
Gross unrealized losses(2)	(352)	—	(21)	(230)	(35)	(66)
Fair value	9,101	294	1,466	1,885	1,949	3,507
Credit losses(3)						
Total OTTI	$ (2)	$ —	$ (1)	$ (1)	$ —	$ —
AOCI(5)	1	—	1	—	—	—
Credit losses	$ (1)	$ —	$ —	$ (1)	$ —	$ —
Weighted-average percentage						
Fair value to UPB	91.7%	91.2%	84.1%	86.3%	92.9%	98.0%
Original credit support(7)	10.6%	24.7%	15.2%	10.8%	9.7%	7.6%
Credit support(8)	10.0%	12.1%	2.2%	0.7%	7.1%	21.0%
Collateral delinquency(9)	15.0%	16.1%	18.1%	15.5%	11.2%	15.2%

	Alt-A(6) by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
UPB by credit rating(1)						
Triple-A	$ 23	$ —	$ —	$ —	$ 9	$ 14
Double-A	80	68	—	—	—	12
Single-A	205	—	—	61	52	92
Triple-B	614	—	—	—	18	596
Below investment grade						
Double-B	507	—	—	—	39	468
Single-B	1,043	159	165	25	316	378
Triple-C	6,940	120	2,671	1,402	2,569	178
Double-C	1,649	143	500	335	667	4
Single-C	694	—	346	78	270	—
Single-D	2,562	—	951	881	730	—
Unrated	4	—	—	—	—	4
Total	$ 14,321	$ 490	$ 4,633	$ 2,782	$ 4,670	$ 1,746
Amortized cost	$ 12,082	$ 476	$ 3,758	$ 2,041	$ 4,069	$ 1,738
Gross unrealized losses(2)	(574)	(31)	(211)	(50)	(239)	(43)
Fair value	11,842	450	3,645	2,128	3,906	1,713
Credit losses(3)						
Total OTTI	$ (13)	$ —	$ (7)	$ —	$ (4)	$ (2)
AOCI(5)	—	—	(2)	(1)	1	2
Credit losses	$ (13)	$ —	$ (9)	$ (1)	$ (3)	$ —
Weighted-average percentage						
Fair value to UPB	82.7%	92.1%	78.7%	76.5%	83.6%	98.1%
Original credit support(7)	23.4%	34.2%	33.1%	26.4%	16.9%	7.5%
Credit support(8)	12.2%	26.0%	15.2%	7.1%	9.6%	15.7%
Collateral delinquency(9)	23.7%	18.4%	30.2%	29.9%	18.9%	10.9%

	Subprime (6) by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
UPB by credit rating(1)						
Triple-A	$ 3	$ —	$ —	$ —	$ —	$ 3
Double-A	9	—	—	—	—	9
Single-A	262	—	—	—	2	260
Triple-B	64	—	—	5	2	57
Below investment grade						
Double-B	48	—	—	—	4	44
Single-B	75	—	8	26	15	26
Triple-C	294	—	—	209	8	77
Double-C	375	—	—	362	10	3
Single-C	132	—	—	132	—	—
Single-D	24	—	—	—	—	24
Unrated	6	—	—	—	—	6
Total	$ 1,292	$ —	$ 8	$ 734	$ 41	$ 509
Amortized cost	$ 984	$ —	$ 8	$ 473	$ 35	$ 468
Gross unrealized losses(2)	(98)	—	(1)	(87)	(2)	(8)
Fair value	1,072	—	8	537	36	491
Credit losses(3)						
Total OTTI	$ —	$ —	$ —	$ —	$ —	$ —
AOCI(5)	—	—	—	—	—	—
Credit losses	$ —	$ —	$ —	$ —	$ —	$ —
Weighted-average percentage						
Fair value to UPB	83.0%	—	97.0%	73.1%	89.3%	96.3%
Original credit support(7)	38.6%	—	23.0%	22.8%	22.0%	63.0%
Credit support(8)	26.5%	—	43.4%	21.0%	43.1%	33.0%
Collateral delinquency(9)	27.3%	—	30.9%	35.0%	31.1%	15.8%

(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 total gross unrealized losses including non-credit-related other-than-temporary impairment recognized in AOCI.
(3) The credit losses presented are for the year ended December 31, 2013.
(4) Table 49 does not include $1 million of OTTI charges related to an AFS non-mortgage-backed security at December 31, 2013, that the FHLBank of Des Moines intended to sell.
(5) Represents the net amount of other-than-temporary impairment losses reclassified to/(from) AOCI.
(6) The FHLBanks classify 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 securities.
(7) Original weighted-average credit support is based on the credit support at the time of issuance and is determined based on the unpaid principal balance of the individual securities in the category and their respective original credit support.
(8) Weighted-average credit support is based on the credit support as of December 31, 2013, and is determined based on the unpaid principal balance of the individual securities in the category and their respective credit support as of December 31, 2013.
(9) Weighted-average collateral delinquency rate is determined based on the underlying loans that are 60 days or more past due and is determined based on the unpaid principal balance of the individual securities in the category and their respective delinquencies.

Table 50 presents, by loan type, characteristics of private-label mortgage-backed securities in a gross unrealized loss position at December 31, 2013. The FHLBanks held a total of $3,689 million in Alt-A option adjustable-rate mortgages (ARMs), of which $2,360 million are in a gross unrealized loss position based on their unpaid principal balance at December 31, 2013, as presented in Table 50.

Table 50 - Private-Label Mortgage-Backed Securities in a Gross Unrealized Loss Position
(dollars in millions)

	December 31, 2013			
	Unpaid Principal Balance	Amortized Cost	Gross Unrealized Losses	Weighted-Average Collateral Delinquency Rate(1)
Private-label MBS backed by(2)				
Prime loans				
First lien	$ 5,207	$ 4,848	$ (352)	11.7%
Total private-label MBS backed by prime loans	5,207	4,848	(352)	11.7%
Alt-A and other loans				
Alt-A option ARM	2,360	2,045	(187)	33.3%
Alt-A other	5,870	5,429	(387)	18.3%
Total private-label MBS backed by Alt-A and other loans	8,230	7,474	(574)	22.6%
Subprime loans				
First lien	1,025	749	(95)	28.5%
Second lien	2	2	—	24.5%
Total private-label MBS backed by subprime loans	1,027	751	(95)	28.5%
Other - Not Classified(3)	221	195	(3)	20.5%
Total	$ 14,685	$ 13,268	$ (1,024)	20.4%

(1) 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.
(2) The FHLBanks classify 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 securities.
(3) 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.

Table 51 presents, by loan and interest rate type, the unpaid principal balance of private-label mortgage-backed securities at December 31, 2013 and 2012.

Table 51 - Unpaid Principal Balance by Fixed or Variable Rate
(dollars in millions)

	December 31, 2013			December 31, 2012		
	Fixed Rate(1)	Variable Rate(1)	Total	Fixed Rate(1)	Variable Rate(1)	Total
Prime(2)	$ 980	$ 8,944	$ 9,924	$ 1,771	$ 11,247	$ 13,018
Alt-A(2)	3,538	10,783	14,321	4,504	12,395	16,899
Subprime(2)	400	892	1,292	462	1,042	1,504
Total	$ 4,918	$ 20,619	$ 25,537	$ 6,737	$ 24,684	$ 31,421

(1) The determination of fixed or variable is based on the contractual coupon type of the security.
(2) The FHLBanks classify 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 securities.

Monoline Bond Insurance. Certain FHLBank investment securities portfolios include a limited number of investments that are insured by monoline bond insurers. The monoline bond insurance on these investments guarantees the timely payment of principal and interest if these payments cannot be satisfied from the cash flows of the underlying mortgage collateral.

The monoline bond insurers continue to be subject to adverse ratings, rating downgrades, and weak financial performance measures. Below investment grade ratings or rating downgrades imply 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. There are five monoline bond insurers that insure the affected FHLBanks' investment securities. Of the five monoline bond insurers, the financial guarantee from Assured Guaranty Municipal Corp. is considered sufficient to cover all future claims and therefore excluded from the burn-out period analysis. Conversely, the key burn-out period for monoline bond insurers Financial Guaranty Insurance Company and Syncora Guarantee Inc. are not considered applicable due to regulatory intervention that has suspended all claims, and the affected FHLBanks have placed no reliance on these monoline insurers. For the remaining monoline bond insurers, MBIA Insurance Corp and Ambac Assurance Corp., the affected FHLBanks established a burn-out period ending on December 31, 2014. In addition, Ambac Assurance Corp. reimbursements are limited to 25% of new claims during the burn-out period. The FHLBanks monitor the financial condition of these monoline bond insurers on an ongoing basis, and, as facts and circumstances change, the burn-out period could significantly change. (See *Critical Accounting Estimates - OTTI for Investment Securities* for information regarding the FHLBanks' processes for evaluating monoline bond insurance for purposes of OTTI analysis.)

As of December 31, 2013, total monoline bond insurance coverage was $466 million, of which $295 million represents the FHLBanks' private-label MBS covered by the monoline bond insurance that the FHLBanks were relying on at December 31, 2013, for modeling cash flows. Of the $295 million, 13.4% represents Alt-A loans, and 86.6% represents subprime loans. The FHLBanks classify 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 securities.

Short-term Investments. The FHLBanks maintain short-term investment portfolios to provide funds to meet the credit needs of their members and to maintain liquidity. The FHLBank Act and FHFA regulations set liquidity requirements for the FHLBanks, and an individual FHLBank's board of directors may also adopt additional liquidity policies. In addition, each FHLBank maintains a contingency liquidity plan in the event of operational disruptions at either the FHLBanks or the Office of Finance. (See *Liquidity* for a discussion of the FHLBanks' liquidity management.)

Within the portfolio of short-term investments, the FHLBanks face credit risk from unsecured exposures. Each FHLBank manages its own credit risk independently. The FHLBanks' unsecured credit investments have maturities ranging between overnight and nine months and include the following types:

- *Interest-bearing deposits.* Primarily consists of unsecured deposits that earn interest.
- *Federal funds sold.* Unsecured loans of reserve balances at the Federal Reserve Banks between financial institutions that are made on an overnight and term basis.
- *Commercial paper.* Unsecured debt issued by corporations, typically for the financing of accounts receivable, inventories, and meeting short-term liabilities.
- *Certificates of deposit.* Unsecured negotiable promissory notes issued by banks and payable to the bearer on demand.

Table 52 presents the FHLBanks' unsecured credit exposure with private counterparties by investment type. At December 31, 2013, the FHLBanks had aggregate unsecured credit exposure from investments of $1 billion or more to each of 13 private counterparties. The aggregate unsecured credit exposure to these counterparties represented 80.2% of the FHLBanks' total unsecured investment credit exposure to private counterparties. The unsecured investment credit exposure presented in Table 52 does not reflect the average or maximum exposure during the period, as the balances presented reflect the balances at period end.

Table 52 - Unsecured Credit Exposure by Investment Type
(dollars in millions)

Carrying Value(1)(2)	December 31, 2013	December 31, 2012
Interest-bearing deposits	$ 1,006	$ 1,004
Federal funds sold	29,500	44,010
Commercial paper	—	60
Certificates of deposit	4,371	3,283
Total	$ 34,877	$ 48,357

(1) Excludes unsecured investment credit exposure to U.S. government, U.S. government agencies and instrumentalities, government-sponsored enterprises, and supranational entities and does not include related accrued interest as of December 31, 2013 and 2012.
(2) May include unsecured investment credit exposure to members. (See *Security Ownership of Certain Beneficial Owners and Certain Relationships and Related Transactions* for further discussion of related-party transactions.)

Each FHLBank actively monitors its credit exposures and the credit quality of its counterparties, including an assessment of each counterparty's financial performance, capital adequacy, sovereign support, and the current market perceptions of the counterparties. General macroeconomic, political, and market conditions may also be considered when deciding on unsecured exposure. As a result, the FHLBanks may limit or suspend existing exposures.

FHFA regulations include limits on the amount of unsecured credit an individual FHLBank may extend to a counterparty or to a group of affiliated counterparties. This limit is based on a percentage of eligible regulatory capital and the counterparty's overall credit rating. Under these regulations, the level of eligible regulatory capital is determined as the lesser of an individual FHLBank's total regulatory capital or the eligible amount of regulatory capital of the counterparty. The eligible amount of regulatory capital is then multiplied by a stated percentage. The percentage that an FHLBank may offer for term extensions of unsecured credit ranges from 1% to 15% based on the counterparty's credit rating. The calculation of term extensions of unsecured credit includes on-balance sheet transactions, off-balance sheet commitments, and derivative transactions. (See *Credit Risk - Derivative Counterparties* for additional information related to derivatives exposure.)

FHFA regulation also permits the FHLBanks to extend additional unsecured credit for overnight extensions of credit and for sales of federal funds subject to continuing contracts that renew automatically. An FHLBank's total unsecured exposure to a counterparty may not exceed twice the regulatory limit for term exposures, or a total of 2% to 30% of the eligible amount of regulatory capital, based on the counterparty's credit rating. As of December 31, 2013, each of the FHLBanks was in compliance with the regulatory limits established for unsecured credit.

The FHLBanks are prohibited by FHFA regulation from investing in financial instruments issued by non-U.S. entities other than those issued by U.S. branches and agency offices of foreign commercial banks. The FHLBanks' unsecured credit exposures to U.S. branches and agency offices of foreign commercial banks include the risk that, as a result of political or economic conditions in a country, the counterparty may be unable to meet its contractual repayment obligations. The FHLBanks' unsecured credit exposures to domestic counterparties and U.S. subsidiaries of foreign commercial banks include the risk that these counterparties have extended credit to foreign counterparties. The FHLBanks are in compliance with the regulation and did not own any financial instruments issued by non-U.S. entities other than those issued by U.S. branches and agency offices of foreign commercial banks as of December 31, 2013.

As of December 31, 2013, the FHLBanks' unsecured investment credit exposure to U.S. branches and agency offices of foreign commercial banks was comprised of federal funds sold and certificates of deposit. As of December 31, 2013, 78.7% and 56.3% of the FHLBanks' unsecured investment credit exposure in federal funds sold and certificates of deposit was to U.S. branches and agency offices of foreign commercial banks. Table 53 presents the lowest long-term credit ratings of the unsecured investment credit exposures presented by the domicile of the counterparty or the domicile of the counterparty's parent for U.S. branches and agency offices of foreign commercial banks based on the nationally recognized statistical rating organization(s) used by the individual FHLBank holding the investment. This table does not reflect the foreign sovereign government's credit rating. The FHLBanks reduce credit risk by generally investing in unsecured investments of highly-rated counterparties.

Table 53 - Ratings of Unsecured Investment Credit Exposure by Domicile of Counterparty
(dollars in millions)

	December 31, 2013(1)				
	Investment Grade				
Carrying Value(2)	Double-A	Single-A	Triple-B	Unrated	Total
Domestic	$ 1,070	$ 4,875	$ 1,131	$ 100	$ 7,176
U.S. subsidiaries of foreign commercial banks	—	1,360	656	—	2,016
Total domestic and U.S. subsidiaries of foreign commercial banks	1,070	6,235	1,787	100	9,192
U.S. branches and agency offices of foreign commercial banks					
Canada	2,175	7,499	—	—	9,674
Australia	6,135	—	—	—	6,135
Finland	3,756	—	—	—	3,756
Norway	—	2,333	—	—	2,333
Japan	—	1,587	—	—	1,587
Netherlands	1,000	—	—	—	1,000
United Kingdom	—	1,000	—	—	1,000
Sweden	200	—	—	—	200
Total U.S. branches and agency offices of foreign commercial banks	13,266	12,419	—	—	25,685
Total unsecured investment credit exposure	$ 14,336	$ 18,654	$ 1,787	$ 100	$ 34,877

(1) Does not reflect any changes in ratings, outlook, or watch status occurring after December 31, 2013. The ratings presented in this table represent the lowest long-term rating available for each security owned by an individual FHLBank, based on the nationally recognized statistical rating organization(s) used by that FHLBank. Although the FHLBanks' internal ratings are not presented in this table, the internal ratings of an individual FHLBank may differ from those obtained from the nationally recognized statistical rating organization(s) and other FHLBank internal ratings.

(2) Excludes unsecured investment credit exposure to U.S. government, U.S. government agencies and instrumentalities, government-sponsored enterprises, and supranational entities and does not include related accrued interest.

Table 54 presents the contractual maturity of the FHLBanks' unsecured investment credit exposure by the domicile of the counterparty or the domicile of the counterparty's parent for U.S. branches and agency offices of foreign commercial banks. The FHLBanks also reduce the credit risk on investments by generally investing in investments that have short-term maturities. At December 31, 2013, 59.1% of the carrying value of the total unsecured investments held by the FHLBanks had overnight maturities.

Table 54 - Contractual Maturity of Unsecured Investment Credit Exposure by Domicile of Counterparty
(dollars in millions)

	December 31, 2013			
Carrying Value(1)	Overnight	Due 2 days through 30 days	Due 31 days through 90 days	Total
Domestic	$ 4,953	$ 139	$ 2,084	$ 7,176
U.S. subsidiaries of foreign commercial banks	1,156	594	266	2,016
Total domestic and U.S. subsidiaries of foreign commercial banks	6,109	733	2,350	9,192
U.S. branches and agency offices of foreign commercial banks				
Canada	4,574	2,426	2,674	9,674
Australia	2,592	1,057	2,486	6,135
Finland	3,756	—	—	3,756
Norway	2,067	266	—	2,333
Japan	—	1,587	—	1,587
Netherlands	500	500	—	1,000
United Kingdom	1,000	—	—	1,000
Sweden	—	150	50	200
Total U.S. branches and agency offices of foreign commercial banks	14,489	5,986	5,210	25,685
Total unsecured investment credit exposure	$ 20,598	$ 6,719	$ 7,560	$ 34,877

(1) Excludes unsecured investment credit exposure to U.S. government, U.S. government agencies and instrumentalities, government-sponsored enterprises, and supranational entities and does not include related accrued interest.

Mortgage Loans Held for Portfolio. The FHFA's Acquired Member Asset regulation permits the FHLBanks to purchase and hold specified mortgage loans from their members. Each FHLBank has established or participated in the Acquired Member Asset programs such as the Mortgage Partnership Finance® (MPF) Program and Mortgage Purchase Program (MPP) as services to their members. Members and eligible housing associates may apply to become a participating financial institution (PFI) of their respective FHLBank. 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 bears a portion of the credit risk at the time of purchase.

An FHLBank must hold risk-based capital against acquired member assets or pools of assets based on the applicable percentage required by the FHFA. This percentage is determined by the credit rating of those assets or pools of assets after taking into account any credit enhancements on those assets. However, neither the PFI's credit enhancements nor the mortgage loans are rated by the rating agencies. The regulation requires that the credit rating must be determined by a formal rating from a nationally recognized statistical rating organization, or using a model from a nationally recognized statistical rating organization approved by the FHFA to establish an implied credit rating standard, or other similar standards. All of the mortgage loans acquired under these programs that are not government-guaranteed or -insured are credit-enhanced by members to a level at least equivalent to an investment-grade rating in accordance with the FHFA's regulation.

Management at each FHLBank believes that it has adequate policies and procedures in place to manage credit risk on mortgage loans appropriately. At December 31, 2013 and 2012, each FHLBank that is currently participating or previously participated in the Acquired Member Asset programs has established loan loss allowances under each program or has determined that no loan loss allowances are necessary. (See *Note 10 - Allowance for Credit Losses* to the accompanying combined financial statements for additional information about mortgage loan credit quality indicators, allowance for credit losses, and delinquency statistics by the Acquired Member Asset program and type of loan.)

Table 55 presents the comparison of MPF and MPP products at December 31, 2013. A variety of MPF products have been developed to meet the differing needs of PFIs with different risk-sharing characteristics as summarized in Table 55. While the MPP operates with a single structure, it also includes Federal Housing Administration (FHA) insured mortgage loans.

Table 55 - MPP and MPF Product Comparison at December 31, 2013

Product Name	FHLBank First Loss Account/Lender Risk Account Size	PFI Credit Enhancement(CE) Description	Average CE Amount(1)	CE Fee to PFI(2)	CE Fee Offset(3)	Servicing Fee to PFI
Original MPF	3 to 6 basis points; added each year based on the unpaid balance	Equivalent to double-A	6.8%	7 to 11 basis points/year-paid monthly	No	25 basis points/year
MPF 100	100 basis points; fixed based on the size of the loan pool at closing	Equivalent to double-A including First Loss Account (FLA)	5.1%	7 to 10 basis points/year-paid monthly; performance-based after 2 or 3 years	Yes - after first 2 to 3 years	25 basis points/year
MPF 125	100 basis points; fixed based on the size of the loan pool at closing	Equivalent to double-A including FLA	4.8%	7 to 10 basis points/year-paid monthly; performance-based	Yes	25 basis points/year
MPF Plus	An agreed-upon amount not less than expected losses	0 to 20 basis points after FLA and SMI, equivalent to double-A	1.7%	13 to 14 basis points/year in total, with a varying split between performance-based (delayed for 1 year) and a fixed rate; all fees paid monthly	Yes	25 basis points/year
MPF Government(4)	N/A	N/A - Unreimbursed servicing expenses	N/A	N/A	N/A	44 basis points/year plus 2 basis points/ year
MPF Xtra(5)	N/A	N/A	N/A	N/A	N/A	25 basis points/year
MPP	30 to 175 basis points; based on pool risk factors and expected losses	After Lender Risk Account to at least triple-B	N/A	N/A	N/A	25 basis points/year
MPP FHA	N/A	N/A - Unreimbursed servicing expenses	N/A	N/A	N/A	44 basis points/year

(1) Represents the average CE amounts for all MPF FHLBanks based on current unpaid principal balances; thus, the CE amounts for individual MPF FHLBanks may vary depending on each FHLBank's individual master commitment characteristics.

(2) For the FHLBank of Des Moines, the CE Fees on certain MPF products differ from those listed above as follows:

- Original MPF: 8 to 11 basis points/year-paid monthly

- MPF 100: 7 to 11 basis points/year-paid monthly; performance-based after three years
- MPF Plus: 0 to 8.5 basis points/year-plus 0 to 10 basis points/year; performance-based (delayed for one year); all fees are paid monthly

(3) Future payouts of performance-based CE Fees are reduced when losses are allocated to the First Loss Account.

(4) Formerly called Original MPF for FHA/VA. For master commitments issued prior to February 2, 2007, the PFI is paid a monthly government loan fee equal to 0.02% (2 basis points) annually based on the month-end outstanding aggregate principal balance of the master commitment, which is in addition to the customary 0.44% (44 basis points) annual servicing fee that continues to apply for master commitments issued after February 1, 2007, and that is retained by the PFI on a monthly basis, based on the outstanding aggregate principal balance of the MPF Government Loans.

(5) MPF Loans acquired under the MPF Xtra product are concurrently sold to Fannie Mae and are not retained in an MPF FHLBank's portfolio.

MPF Loans - Loss Allocation. Credit losses on conventional MPF Loans not absorbed by the borrower's equity in the mortgaged property, property insurance, or primary mortgage insurance are allocated for each master commitment between an MPF FHLBank and the PFI as follows:

- First, up to an agreed-upon amount to the First Loss Account maintained by an MPF FHLBank. The First Loss Account is structured as a memo account to track losses not covered by the credit enhancement amount provided by the PFI, (or not yet recovered by the withholding of performance-based credit enhancement fees). The PFI is paid a monthly credit enhancement fee for managing credit risk on the mortgage loans. In certain cases, the credit enhancement fees are performance-based, which provides incentive to the PFI to minimize credit losses on MPF Loans. These fees may be withheld to recover losses incurred by an MPF FHLBank for each master commitment, if any, up to the First Loss Account.

- Second, credit losses in excess of the First Loss Account, if any, to the PFI under its credit enhancement obligation, up to the credit enhancement amount. The credit enhancement amount may consist of a direct liability of the PFI to pay credit losses up to a specified amount, a contractual obligation of the PFI to provide supplemental mortgage insurance, or a combination of both.

- Third, any remaining unallocated losses are absorbed by an MPF FHLBank.

The First Loss Account and credit enhancement amount apply to all the MPF Loans, and an MPF FHLBank's share of credit losses is based on its respective participation interest in the entire master commitment. An MPF FHLBank's credit risk on MPF Loans is the potential for financial loss due to borrower default or depreciation in the value of the real estate collateral securing the MPF Loan, offset by the PFI's credit enhancement amount. The PFI is required to pledge collateral to secure any portion of its credit enhancement amount that is a direct obligation.

The MPF FHLBanks also face credit risk through potential losses on conventional MPF Loans to the extent that those losses are not recoverable from PFIs, and with respect to MPF Government Loans, amounts not recoverable from the applicable government agency (including servicer-paid losses not covered by the applicable federal agency). The outstanding balance of MPF Loans exposed to credit losses, which are not recoverable from these sources, was approximately $25.1 billion and $28.6 billion at December 31, 2013 and 2012. The MPF FHLBanks' actual credit exposure is significantly less than these amounts because the borrower's equity, which represents the fair value of underlying property in excess of the outstanding MPF Loan balance, has not been considered. The MPF FHLBanks require primary mortgage insurance for those loans with a loan-to-value ratio over 80% at origination. If the original value of the real estate collateral securing an MPF Loan does not decline, then the principal paydowns will lower the loan-to-value ratio over the life of the loan.

MPF Loans - Setting Credit Enhancements. The type of the credit enhancement fee depends on the product selected; however, no credit enhancement fee is payable under the MPF Xtra product. The PFI has no credit enhancement amount under the MPF Xtra product because these acquired loans are concurrently sold to Fannie Mae. A model-based rating methodology (based on a nationally recognized statistical rating organization's model) is used to determine the required credit enhancement amount, which is calculated to equal the difference between the amount needed for the master commitment to have a rating equivalent to a double-A rated mortgage-backed security and an MPF FHLBank's initial First Loss Account exposure. An MPF FHLBank determines its First Loss Account exposure by taking the initial First Loss Account and reducing it by the estimated value of any performance-based credit enhancement fees that would be payable to the PFI.

The MPF products were designed to allow for periodic resets of the credit enhancement amount for each master commitment, and of the First Loss Account for each master commitment for certain products, because the amount of credit enhancement necessary to maintain an FHLBank's risk of loss equivalent to the losses of an investor in a double-A rated mortgage-backed security for any master commitment is usually reduced over time. Under the MPF Program, the PFI's credit enhancement amount may take the form of a contingent, performance-based credit enhancement fee as well as the credit enhancement amount (which is a direct liability to pay credit losses or the requirement for the PFI to pay for a supplemental

mortgage insurance policy insuring a portion of the credit losses). The credit enhancement amounts for the Original MPF, MPF 100, and MPF 125 products are initially reset 10 years from the date of the master commitment. The supplemental mortgage insurance policy for the MPF Plus product is reset after five years and annually thereafter, with any PFI's credit enhancement amount reset at the same time or starting five years after the date of the master commitment. In addition to scheduled resets, a PFI's credit enhancement amount may be reduced to equal the balance of the MPF Loans in a master commitment if the balance of the MPF Loans equals or is less than the credit enhancement amount.

MPP Loans - Loss Allocation. Each FHLBank participating in the MPP is exposed to credit risk on loans purchased from members through its MPP. Like the MPF Program, MPP is governed by the regulation of the Acquired Member Asset program, and mortgage loans purchased from PFIs under the program also must carry sufficient credit enhancements to provide a credit risk exposure equivalent to no less than triple-B rated assets based on a model-based rating methodology (based on a nationally recognized statistical rating organization's model) at the time of purchase. For FHA-insured loans, MPP FHLBanks believe they bear no credit risk on purchased FHA loans, and therefore do not require either a Lender Risk Account or supplemental mortgage insurance coverage for these U.S. government-insured loans.

The MPP FHLBanks' primary management of credit risk for conventional loans involves the mortgage assets themselves (homeowners' equity) as well as additional layers of credit enhancements. The order of priority for credit enhancements is as follows:

- primary mortgage insurance (when applicable);
- Lender Risk Account; and
- supplemental mortgage insurance (when applicable).

For conventional loans, primary mortgage insurance, if applicable, covers losses or exposure down to a loan-to-value ratio of between approximately 61% and 80% based on the original appraisal, original loan-to-value ratio, term, amount of primary mortgage insurance coverage, and characteristics of the loan. At the time the underlying conventional loan is funded, a Lender Risk Account is established by the FHLBank for each PFI selling an MPP Loan to that FHLBank. Generally, after five years, if the balance of the funds in the Lender Risk Account exceeds the required balance, the excess amounts are distributed to the PFI based on a step-down schedule set forth in the master commitment contract that establishes the Lender Risk Account.

The MPP mortgage loans are not rated by any nationally recognized statistical rating organization. Participating MPP FHLBanks use a model-based rating methodology (based on a nationally recognized statistical rating organization's model) to assign the Lender Risk Account percentage to each master commitment and to manage the credit risk of committed and purchased conventional loans. The rating model evaluates the characteristics of the loans the PFIs actually delivered to the FHLBanks for the likelihood of timely payment of principal and interest. The model results are based on numerous standard borrowers and loan attributes, such as the loan-to-value ratio, loan purpose (such as purchase of home, refinance, or cash-out refinance), type of documentation, income and debt expense ratios, and credit scores. Based on the credit assessment, each MPP FHLBank is required to hold risk-based capital to help mitigate the potential credit risk in accordance with the FHFA regulations.

In addition to the Lender Risk Accounts, participating MPP FHLBanks with supplemental mortgage insurance coverage are protected from a portion of credit losses. This coverage may be exceeded based on the severity of a loss on a loan and in certain cases subject to an aggregate stop-loss provision in the supplemental mortgage insurance policy. If an MPP FHLBank does not have supplemental mortgage insurance coverage for its MPP Loans, it would seek additional credit enhancements, including expanded use of the Lender Risk Account and aggregation of loan purchases into larger loan pools, in order for the purchased mortgage loan pool to achieve a rating equivalent to at least triple-B at the time of acquisition. If any loss extends beyond the insurance coverage and the balance held in the Lender Risk Account, the FHLBank holding the interest in the affected MPP Loan would be responsible for absorbing this remaining loss. The totality of the credit enhancements are designed to adequately protect the MPP FHLBanks against credit losses in scenarios of severe downward movements in housing prices and unfavorable changes in other factors that can affect loan delinquencies and defaults.

Each MPP FHLBank performs periodic reviews of its portfolio to identify incurred losses and to determine the likelihood of loan collection. If an MPP FHLBank has incurred losses in excess of the collateral held, primary mortgage insurance (if applicable), Lender Risk Account, and supplemental mortgage insurance (if applicable), these amounts would be recognized as credit losses. In 2013, participating MPP FHLBanks recorded a $13 million reversal for credit losses related to the MPP loans. This reversal was based on improvements in the housing market and reductions in loan delinquencies and loss severity estimates. In addition to the MPP FHLBanks' credit enhancements, the underwriting and loan characteristics indicate favorable

credit performance and the portfolios have experienced only a modest, overall amount of delinquencies and defaults. Because of these factors, participating MPP FHLBanks believe their exposure to credit risk on conventional loans is moderate.

Credit Exposure to Insurance Providers. In addition to credit risk associated with mortgage loans purchased or funded through the Acquired Member Asset programs, the FHLBanks are exposed to the risk of non-performance of mortgage insurers that provide primary mortgage insurance and supplemental mortgage insurance coverage on mortgage loans.

Primary Mortgage Insurance. Qualified mortgage insurance companies issue primary mortgage insurance for conventional mortgage loans with loan-to-value ratios greater than 80% to cover principally those losses incurred related to borrower default. Historically, the FHLBanks have depended on the primary mortgage insurance policies for loss coverage. An FHLBank may be exposed to credit risk if a primary mortgage insurance provider fails to fulfill its claims payment obligations to that FHLBank. Each FHLBank has policies to limit its credit exposure to each mortgage insurance company, or limit its credit exposure to a certain percentage of the mortgage insurance company's regulatory capital, based on certain criteria, such as the mortgage insurance company's rating by nationally recognized statistical rating organizations. The FHLBanks receive primary mortgage insurance coverage information at acquisition of the mortgage loans and generally do not receive notification of any subsequent changes in primary mortgage insurance coverage. As a result, they can only estimate the amount of primary mortgage insurance in force at any time subsequent to acquisition.

If a primary mortgage insurance provider is downgraded, an FHLBank may request that the servicer obtain replacement primary mortgage insurance coverage with a different provider. However, it is possible that replacement coverage may be unavailable or result in additional cost to the FHLBank. Primary mortgage insurance for conventional mortgage loans must be issued by a mortgage insurance company on that FHLBank's approved mortgage insurance company list whenever primary mortgage insurance coverage is required. In order for a mortgage insurance company to remain on the current approved mortgage insurance company list, the mortgage insurance company must be acceptable for use in that FHLBank's rating modeling software used to calculate the required amount of credit enhancement. In addition, many FHLBanks perform a quarterly analysis evaluating the financial condition and concentration risk regarding the primary mortgage insurance providers, which may include a review of rating levels, ratings watch and outlook, and profitability.

Tables 56 and 57 present the FHLBanks' primary mortgage insurance coverage for seriously delinquent loans (conventional loans 90 days or more delinquent or in the process of foreclosure) by MPF Program and MPP.

Table 56 - Seriously Delinquent Conventional MPF Loans with Primary Mortgage Insurance
(dollars in millions)

		December 31, 2013	
Insurance Provider	**Credit Rating(1) by Moody's/S&P**	**Unpaid Principal Balance(2)**	**Maximum Coverage Outstanding(3)**
Mortgage Guaranty Insurance Co.(4)	Ba3/BB	$ 32	$ 10
Genworth Mortgage Insurance(5)	Ba1/BB-	17	5
Republic Mortgage Insurance(6)	WR/Not Rated	16	5
PMI Mortgage Insurance Co.(6)	WR/Not Rated	14	4
United Guaranty Residential Insurance(7)	Baa1/A-	14	4
Radian Guaranty, Inc.(8)	Ba3/BB-	10	3
Other		11	3
Total		$ 114	$ 34

(1) Represents the credit rating as of March 15, 2014.
(2) Represents the unpaid principal balance of conventional loans 90 days or more delinquent or in the process of foreclosure. Assumes primary mortgage insurance is in effect at time of origination. Insurance coverage may be discontinued once a certain loan-to-value ratio is met.
(3) Represents the estimated contractual limit for reimbursement of principal losses (i.e., risk in force) assuming the primary mortgage insurance 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) Rating upgraded by S&P on February 27, 2014, from B to BB.
(5) Ratings upgraded by Moody's on February 5, 2014, from Ba2 to Ba1 and by S&P on February 27, 2014, from B to BB-.
(6) WR represents a previously issued credit rating that has been withdrawn by the rating agency.
(7) Rating upgraded by S&P on February 27, 2014, from BBB+ to A-.
(8) Rating upgraded by S&P on February 27, 2014, from B to BB-.

Table 57 - Seriously Delinquent Conventional MPP Loans with Primary Mortgage Insurance
(dollars in millions)

Insurance Provider	Credit Rating(1) by Moody's/S&P	December 31, 2013 Unpaid Principal Balance(2)	December 31, 2013 Maximum Coverage Outstanding(3)
Mortgage Guaranty Insurance Co.(4)	Ba3/BB	$ 9	$ 2
Genworth Mortgage Insurance(5)	Ba1/BB-	6	2
Republic Mortgage Insurance(6)	WR/Not Rated	5	1
Radian Guaranty, Inc.(7)	Ba3/BB-	4	1
United Guaranty Residential Insurance(8)	Baa1/A-	4	1
PMI Mortgage Insurance Co.(6)	WR/Not Rated	3	1
Other		1	—
Total		$ 32	$ 8

(1) Represents the credit rating as of March 15, 2014.
(2) Represents the unpaid principal balance of conventional loans 90 days or more delinquent or in the process of foreclosure. Assumes primary mortgage insurance in effect at time of origination. Insurance coverage may be discontinued once a certain loan-to-value ratio is met.
(3) Represents the estimated contractual limit for reimbursement of principal losses (i.e., risk in force) assuming the primary mortgage insurance 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) Rating upgraded by S&P on February 27, 2014, from B to BB.
(5) Ratings upgraded by Moody's on February 5, 2014, from Ba2 to Ba1 and by S&P on February 27, 2014, from B to BB-.
(6) WR represents a previously issued credit rating that has been withdrawn by the rating agency.
(7) Rating upgraded by S&P on February 27, 2014, from B to BB-.
(8) Rating upgraded by S&P on February 27, 2014, from BBB+ to A-.

Certain MPF FHLBanks have discontinued accepting new loans with primary mortgage insurance coverage from mortgage insurers that have a rating below triple-B, as rated by any nationally recognized statistical rating organization, or from mortgage insurers where the new coverage would exceed an FHLBank's internal exposure limits. In addition, certain MPF FHLBanks have discontinued accepting new loans with primary mortgage insurance coverage from mortgage insurers that have been placed under the control or conservatorship of their state insurance regulators.

PMI Mortgage Insurance Co. On October 20, 2011, the Arizona Department of Insurance took possession and control of PMI Mortgage Insurance Co. and beginning October 24, 2011, PMI Mortgage Insurance Co. had only been paying out 50% of claim amounts while the remainder of the claim amount owed is being deferred until the company is liquidated. On March 14, 2012, the court entered an Order for Appointment of Receiver and Injunction placing PMI Mortgage Insurance Co. into rehabilitation. On April 5, 2013, the cash percentage of the partial claim payment plan increased to 55%. The remaining 45% will be deferred based on PMI Mortgage Insurance Co.'s ability to pay additional amounts in the future. Additionally, all claims that have previously been settled at a 50% cash percentage were trued up (in a one-time payment) to the increased level of 55%. On March 7, 2014, the cash percentage of the partial claim payment plan increased to 67%. The remaining 33% will be deferred based on PMI Mortgage Insurance Co.'s ability to pay additional amounts in the future. Additionally, all claims that have previously been settled at a 55% cash percentage were trued up (in a one-time payment) to the increased level of 67%. No affected FHLBank expects the seizure of PMI Mortgage Insurance Co. and its limitation on claim payments to have a material effect on its financial condition and results of operations.

Republic Mortgage Insurance Co. On January 19, 2012, the North Carolina Department of Insurance issued an Order of Supervision providing for immediate administrative supervision of Republic Mortgage Insurance Co. (RMIC). Under the order, RMIC continues to retain its status as a wholly-owned subsidiary of its parent holding company, Old Republic International Corporation. The primary effect on affected FHLBanks is that RMIC may not pay more than 50% of any claims allowed under any policy of insurance it has issued. The remaining 50% will be deferred and credited to a temporary surplus account on the books of RMIC during an initial period not to exceed one year. Accordingly, all claim payments made on January 19, 2012, and thereafter, will be made at a 50% rate.

On September 14, 2012, RMIC submitted a corrective plan to the North Carolina Department of Insurance and recommended that RMIC be subject to partial initial payments on all settled claims at the rate of 60% in cash, with the remaining 40% deferred and retained in claim reserves. On November 29, 2012, the North Carolina Department of Insurance approved the corrective plan submitted by RMIC. The approved corrective plan is to be reviewed at least annually and an

upward change in the initial cash payment percentage from 50% to 60% is provided in the plan retroactive to January 19, 2012. No affected FHLBank expects RMIC's limitation on claim payments to have a material effect on its financial condition and results of operations.

Supplemental Mortgage Insurance. Certain FHLBanks use supplemental mortgage insurance as a credit enhancement to limit the loss exposure for their Acquired Member Asset programs. For MPF/MPP loans credit enhanced with supplemental mortgage insurance, the FHFA's regulations require the FHLBank members that sell loans to their respective FHLBanks to maintain supplemental mortgage insurance 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 FHFA. Rating downgrades imply an increased risk that the affected mortgage insurer(s) will fail to fulfill their obligations to reimburse the FHLBanks for claims under insurance policies. If a mortgage insurer fails to fulfill its obligations, the affected FHLBank(s) may bear any remaining loss of the borrower's default on the related mortgage loans not covered by the member.

On August 6, 2009, the Director of the FHFA granted a temporary waiver of this requirement subject to certain conditions. The waiver required the FHLBanks to evaluate the claims-paying ability of their supplemental mortgage insurance providers and hold retained earnings or take other steps necessary to mitigate any attendant risk associated with using a supplemental mortgage insurance provider having a rating below double-A. On July 29, 2010, the FHFA extended the waiver for an additional year and on July 31, 2011, the FHFA extended the waiver again until such time as the regulation is amended to revise or eliminate the supplemental mortgage insurance rating.

Each affected MPF FHLBank has evaluated the claims-paying ability of its supplemental mortgage insurance providers. As of December 31, 2013, due to previous rating agency actions, certain MPF FHLBanks have increased their estimated allowance for credit losses on mortgage loans, required the PFI to collateralize the credit enhancement obligation, or have discontinued paying the associated performance credit enhancement fees as the relevant PFIs have elected not to assume the credit enhancement obligations as their own. During 2012, the FHLBank of Des Moines obtained approval from the FHFA and subsequently canceled all of its supplemental mortgage insurance policies. Upon cancellation of these policies, the affected PFI was no longer required to retain a portion of the credit risk on the underlying master loan commitments, and therefore the FHLBank of Des Moines no longer pays credit enhancement fees to this PFI. However, the FHLBank of Des Moines holds additional retained earnings to absorb any potential losses.

Each affected MPP FHLBank has evaluated the claims-paying ability of its supplemental mortgage insurance providers. These MPP FHLBanks determined that it is not necessary to increase the amount of required risk-based capital as a result of assigning a higher risk weighting to the assets covered by a downgraded supplemental mortgage insurance provider under the credit risk-based capital calculations.

Certain MPP FHLBanks have canceled their respective supplemental mortgage insurance policies or have discontinued obtaining supplemental mortgage insurance on new loans, 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 FHFA. The FHFA approved notices of new business activity plans for certain MPP FHLBanks that use an enhanced Lender Risk Account, which is funded by an FHLBank upfront as a portion of the purchase proceeds, for additional credit enhancement for new MPP business, consistent with FHFA regulations.

FICO® Score and Loan-to-Value Ratios. High loan-to-value ratios, in which homeowners have little or no equity at stake, and low FICO® scores are key drivers of potential mortgage delinquencies and defaults. The FHLBanks generally consider a FICO® score of over 660, and a loan-to-value ratio of 80% or lower, as benchmarks indicating reduced credit risk of default. As of December 31, 2013, outstanding conventional loans with FICO® scores under 660 at origination totaled 8.7% and 3.2% of the MPF Program and MPP total mortgage loan portfolios. Considering both qualitative and quantitative factors, these loans were not considered high-risk loans at origination or at the time of purchase based on the Acquired Member Asset program's design and the original terms and structure of the loans. Each FHLBank's allowance for credit losses on mortgage loans reflects the incurred losses associated with loans that are considered high-risk subsequent to origination or purchase.

Table 58 presents conventional MPF Program and MPP loans by FICO® score at origination and current delinquency rate at December 31, 2013.

Table 58 - MPF and MPP Conventional Loans by FICO® Score and Delinquency Rate
(dollars in millions)

	December 31, 2013				
			Delinquent		
FICO® Score at Origination (1)	Unpaid Principal Balance	Current	30 Days	60 Days	90 Days or More
MPF Conventional Loans					
619 or less	$ 481	79.4%	8.4%	2.8%	9.4%
620-659	1,842	87.1%	5.7%	1.7%	5.5%
660 or higher	24,318	97.2%	1.1%	0.3%	1.4%
No FICO® score	145	92.6%	3.3%	1.4%	2.7%
Total	$ 26,786	96.2%	1.5%	0.5%	1.8%
MPP Conventional Loans					
619 or less	$ 13	87.6%	3.6%	1.5%	7.3%
620-659	353	84.7%	5.9%	1.8%	7.6%
660 or higher	11,175	97.5%	0.9%	0.3%	1.3%
No FICO® score	—	—	—	—	—
Total	$ 11,541	97.1%	1.1%	0.3%	1.5%
Weighted-average FICO® score - MPF	735				
Weighted-average FICO® score - MPP	753				

(1) Represents the original lowest FICO® score of the borrowers and co-borrowers.

Table 59 presents loan-to-value ratios at origination for MPF and MPP conventional loans outstanding at December 31, 2013.

Table 59 - MPF and MPP Conventional Loans by Loan-to-Value Ratio at Origination

	December 31, 2013			
	MPF Conventional Loans		MPP Conventional Loans	
Loan-to-Value Ratio at Origination	Unpaid Principal Balance	Percentage	Unpaid Principal Balance	Percentage
< = 60%	$ 5,933	22.2%	$ 2,030	17.6%
> 60% to 70%	4,306	16.1%	1,911	16.6%
> 70% to 80%	13,272	49.5%	6,188	53.6%
> 80% to 90%(1)	1,928	7.2%	865	7.5%
> 90%(1)	1,347	5.0%	547	4.7%
Total	$ 26,786	100.0%	$ 11,541	100.0%
Weighted-average loan-to-value %		70.5%		71.6%

(1) These conventional loans were required to have primary mortgage insurance at origination.

Geographic Concentrations. Tables 60 and 61 provide the percentage of unpaid principal balance of conventional mortgage loans held for portfolio outstanding at December 31, 2013, for the five largest state concentrations, with comparable data at December 31, 2012. 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, these tables do not necessarily reflect the actual state concentration with respect to each individual FHLBank.

Table 60 - State Concentrations of MPF Program

	December 31,(1)	
	2013	2012
Iowa	8.1%	7.1%
Kansas	7.3%	6.1%
California	6.5%	8.0%
Pennsylvania	6.4%	5.8%
New York	5.5%	5.2%
All Other	66.2%	67.8%
Total	100.0%	100.0%

(1) Calculated percentage based on unpaid principal balance of conventional loans at the end of the period. The state concentrations reflect the top five states at December 31, 2013.

Table 61 - State Concentrations of MPP

	December 31,(1)	
	2013	2012
Ohio	31.1%	30.3%
Indiana	18.8%	16.2%
Michigan	13.0%	11.4%
Kentucky	6.8%	6.1%
California	4.7%	5.8%
All Other	25.6%	30.2%
Total	100.0%	100.0%

(1) Calculated percentage based on unpaid principal balance of conventional loans at the end of the period. The state concentrations reflect the top five states at December 31, 2013.

Derivative Counterparties. Each FHLBank transacts most of its derivatives with large banks and major broker-dealers. Derivative transactions may be either executed with a counterparty (bilateral derivatives) or cleared through a Futures Commission Merchant (i.e., clearing agent) with a Derivative Clearing Organization (cleared derivatives).

Each FHLBank is subject to credit risk due to the risk of nonperformance by counterparties to its derivative transactions. The amount of 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 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.

Bilateral Derivatives. Each FHLBank is subject to the risk of non-performance by the counterparties to its bilateral derivative transactions. An FHLBank generally requires collateral on bilateral derivative transactions. 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 generally 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 did not anticipate any credit losses on its bilateral derivative transactions as of December 31, 2013.

Cleared Derivatives. Each FHLBank is subject to the risk of nonperformance by the Derivative Clearing Organization(s) (Clearinghouse) and the clearing agents. The requirement that an FHLBank posts initial and variation margin through the clearing agent, to the Clearinghouse, exposes an FHLBank to credit risk in the event that the clearing agent or the Clearinghouse fails to meet its obligations. However, the use of cleared derivatives is intended to mitigate an FHLBank's overall credit risk exposure because a central counterparty is substituted for individual counterparties and collateral is posted daily for changes in the value of cleared derivatives through a clearing agent. The management of each FHLBank did not anticipate any credit losses on its cleared derivatives as of December 31, 2013.

The contractual or notional amount of derivative transactions reflects the involvement of an FHLBank in the various classes of financial instruments. The maximum credit risk of an FHLBank with respect to derivative transactions is the estimated cost of replacing the derivative transactions if there is a default, minus the value of any related collateral, including initial and variation margin. In determining maximum credit risk, each FHLBank considers accrued interest receivables and payables as well as the netting requirements to net assets and liabilities. Table 62 presents the derivative positions with non-member counterparties and member institutions to which the FHLBanks had credit exposure at December 31, 2013.

Table 62 - Derivative Counterparty Credit Exposure at December 31, 2013
(dollars in millions)

Credit Rating(1)	Notional Amount	Net Derivatives Fair Value Before Collateral	Cash Collateral Pledged To (From) Counterparties	Non-cash Collateral Pledged To (From) Counterparties	Net Credit Exposure to Counterparties
Non-member counterparties					
Asset positions with credit exposure					
Bilateral derivatives					
Double-A	$ 3,008	$ 29	$ (13)	$ —	$ 16
Single-A	47,079	545	(396)	(103)	46
Cleared derivatives(2)	89,502	121	42	—	163
Liability positions with credit exposure					
Bilateral derivatives					
Double-A	1,433	(7)	8	—	1
Single-A	30,645	(937)	639	320	22
Triple-B	10,888	(375)	310	70	5
Cleared derivatives(2)	39,736	(131)	238	—	107
Total derivative positions with credit exposure to non-member counterparties	222,291	(755)	828	287	360
Member institutions(3)	185	6	—	(3)	3
Total	$ 222,476	$ (749)	$ 828	$ 284	$ 363

(1) This chart does not reflect any changes in rating, outlook, or watch status occurring after December 31, 2013. The ratings presented in this table represent the lowest long-term counterparty credit rating available for each counterparty of an individual FHLBank, based on the nationally recognized statistical rating organization(s) used by that FHLBank.
(2) Represents derivative transactions cleared with Clearinghouses, which are not rated.
(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.

Liquidity Risk

Liquidity risk is the risk that an FHLBank will be unable to meet its financial obligations as they come due or meet the funding needs of its members in a timely, cost-effective manner. There are two types of liquidity risk that affect the FHLBanks:

- Operational Liquidity Risk. The potential inability of an FHLBank to meet its deposit liquidity requirements to fund its anticipated (or unanticipated) day-to-day needs through normal sources of funding, including the short-term discount note market; and

- Contingency Liquidity Risk. The potential inability of an FHLBank to meet its liquidity needs due to an unanticipated increase in borrowing requests from its members or an inability to access the capital markets, including the short-term discount note market, for a period of time due to a market disruption, operational failure, or problems with its credit quality.

To address liquidity risk, the FHLBank Act and FHFA regulations set liquidity requirements for the FHLBanks. (See *Liquidity* for FHFA regulations on the FHLBanks' liquidity requirements.) An individual FHLBank's board of directors may also set additional liquidity policies.

The FHLBanks' primary sources of liquidity include the issuance of consolidated discount notes and consolidated bonds and proceeds from the maturity or sale of short-term investments, including federal funds sold, securities purchased under agreements to resell, and U.S. government and agency securities. During 2013, the FHLBanks maintained access to funding and were able to structure their debt issuance to meet the needs of the capital markets as well as their members' need for funding. (See *Combined Financial Condition - Consolidated Obligations* for additional analysis and discussion about the FHLBanks' consolidated obligations.)

Operational Risk

Operational risk is the risk of potential loss due to:

- human error;
- key person dependency;
- systems malfunctions or cyber attacks;
- man-made or natural disasters;
- fraud; or
- circumvention or failure of internal controls.

The FHLBanks have established comprehensive risk assessments, as well as financial and operating policies and procedures, to reduce the likelihood of these occurrences and the potential for damage that could result from them. They have also instituted appropriate insurance coverage to reduce these risks. The policies and procedures of the FHLBanks include controls to ensure that system-generated data are reconciled to source documentation on a regular basis. The internal audit department of each FHLBank, which reports directly to the audit committee of the individual FHLBank, regularly monitors compliance by that FHLBank with the established policies and procedures. In addition, each of the FHLBanks and the Office of Finance has a disaster recovery plan that is designed to restore critical business processes and systems in the event of a disaster. Some of the operational risks of the FHLBanks and Office of Finance, however, are beyond their control. Furthermore, the failure of other parties to address their operational risk adequately could adversely affect the FHLBanks. (See *Risk Factors* - *Operational Risk* for additional information about certain operational risks and *Controls and Procedures* for additional information regarding each FHLBank's controls over its financial reporting and the Office of Finance's controls and procedures over the combined financial reporting process.)

Business Risk

Business risk is the risk of an adverse effect on an FHLBank's profitability as a result of external factors. These external factors may occur in both the short and long term. Business risk includes political, strategic, reputation, and/or regulatory events that are beyond the control of the individual FHLBank. From time to time, proposals or changes in laws and regulations are made or considered, which could affect the status of the FHLBanks and their costs of doing business.

Each FHLBank's board of directors and management try to reduce these business risks through long-term strategic planning and by continually monitoring economic indicators and their external environment. Additionally, the 12 FHLBanks are members of the Council of Federal Home Loan Banks (Council), a trade association based in Washington, D.C. whose primary function is to represent the positions and views of the Council's members to policymakers. The Council's mission is to: (1) ensure the FHLBanks' common legislative and regulatory interests are served; (2) promote enactment of laws and regulations that are beneficial to the FHLBanks; and (3) enhance awareness and understanding of the FHLBanks among Washington, D.C. leaders, including members of the U.S. Congress, the executive branch of the U.S. government, regulators, trade associations and the financial media.

A number of FHLBanks also have member concentration risk. An FHLBank's financial strategies are generally designed to enable it to safely expand and contract its assets, liabilities, and capital in response to changes in its member base and in its members' credit needs. An FHLBank's capital generally grows when members are required to purchase additional capital stock as they increase their advances borrowings or other business activities with their FHLBank. Some FHLBanks may also repurchase excess capital stock from members as business activities with those members decline. In addition, an individual FHLBank, at the discretion of its board of directors or management, could undertake the following capital preservation

initiatives in order to meet internally established thresholds or to meet its regulatory capital requirement: (1) voluntarily reduce or eliminate the payment of dividends; (2) suspend excess capital stock repurchases; or (3) raise the capital stock holding requirements for its members.

A number of FHLBanks have concentrations in advances and therefore analyze the implications for their financial management and profitability if they were to lose the advances of one or more of these members. (See *Combined Financial Condition - Advances* for the *Top 10 Advance Holding Borrowers by Holding Company* for the FHLBank System's member concentration risk and *Top 5 Advance Holding Borrowers by FHLBank at December 31, 2013,* for more information regarding each FHLBank's member concentration risk.)

If an FHLBank loses one or more large borrowers that represent a significant portion of its business, that FHLBank could, depending on the magnitude of the effect, compensate for the loss by:

- lowering dividend rates;
- raising advance rates;
- attempting to reduce operating expenses; or
- undertaking some combination of these actions.

The magnitude of the effect would depend, in part, on the FHLBank's size and profitability at the time the institution ceases to be a borrower. Each FHLBank describes its risk management policies, including disclosures about its member concentration risk, if any, in its periodic reports filed with the SEC.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT 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 Federal Home Loan Banks Combined Financial Report.*)

Each FHLBank has established policies and procedures to evaluate, manage, and mitigate market risks. The FHFA has established regulations governing the risk management practices of the FHLBanks. The FHLBanks must file periodic compliance reports with the FHFA. The FHFA conducts an annual on-site examination of each FHLBank and the Office of Finance as well as off-site analyses.

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 manage interest-rate risk by acquiring and maintaining a portfolio of assets and liabilities and entering into related derivative transactions to limit the expected mismatches in duration. The FHLBanks measure and monitor interest rate-risk with commonly used methods, which include the calculations of market value of equity, duration of equity, and duration gap.

The optionality embedded in certain financial instruments held by the FHLBanks can create interest-rate risk. For example, when a member prepays an advance, this can lead to lower future income for the FHLBank. If the principal portion of the advance being prepaid is reinvested in assets yielding a lower return, but that principal amount continues to be funded by the original (higher-cost) debt, the FHLBank can suffer lower net returns. To protect against this risk, each FHLBank generally charges members a prepayment fee to compensate the FHLBank for this potential loss, making it financially indifferent to the prepayment. When an FHLBank offers advances (other than short-term advances) that a member may prepay without a prepayment fee, it usually finances these advances with callable debt or otherwise hedges this option.

The FHLBanks hold mortgage-related investments, such as mortgage loans and mortgage-backed securities. Because mortgage-related investments may contain prepayment options, changes in interest rates may cause the expected maturities of these investments to become shorter (prepay) or longer (extend). The rate and timing of unscheduled payments and collections of principal on mortgage loans are difficult to predict accurately and will be affected by a variety of factors. While the FHLBanks manage prepayment and extension risk by using a combination of debt instruments and derivative transactions, if the level of actual prepayments is higher or lower than expected, the FHLBanks may incur additional costs to hedge the change in this market-risk exposure, which would result in reduced earnings. FHFA regulation also limits this source of interest-rate risk by restricting the types of mortgage-backed securities the FHLBanks may own. FHLBanks may own only those mortgage-backed securities with limited average life extension under certain interest-rate shock scenarios. The FHLBanks may hedge against prepayment risk by funding some mortgage-related investments with consolidated obligations that have call features. In addition, the FHLBanks may use caps, floors, and other derivative transactions to manage the extension and contraction variability of mortgage-related investments. The FHLBanks may also use derivative transactions to change the characteristics of investment securities, other than mortgage-backed securities, to match the cash flow characteristics and/or market value of the hedged item.

Market Value of Equity and Duration of Equity

An FHLBank may analyze its interest-rate risk exposure by evaluating its theoretical market value of equity. Market value of equity represents the difference between the theoretical market value of total assets and the theoretical market value of total liabilities, including off-balance sheet items. It measures, in present value terms, the long-term economic value of current capital and the long-term level and volatility of net interest income. Generally, an FHLBank analyzes the sensitivity of the market value of equity to changes in interest rates, prepayment speeds, options prices, mortgage and debt spreads, interest-rate volatility, and other market variables. Therefore, market values can be calculated under various interest-rate scenarios, and the resulting changes in net equity can provide an indicator of the exposure of that FHLBank's market value of equity to

market volatility. However, market value of equity should not be considered indicative of the market value of an FHLBank as a going concern or the value of an FHLBank in a liquidation scenario because it does not consider future new business activities, risk management strategies, or the net profitability of assets after funding costs are subtracted.

Another measure of interest-rate risk is duration of equity, which measures how sensitive a theoretical market value of equity is to changes in interest rates. Duration of equity equals the market value-weighted duration of assets minus the market value-weighted duration of liabilities, divided by the market value of equity. Each FHLBank has an internal modeling system for measuring its duration of equity; therefore, individual FHLBank measurements may not be directly comparable. Each FHLBank reports the results of its duration of equity calculations to the FHFA each quarter. However, not all FHLBanks manage to the duration of equity risk measure. The capital adequacy rules of the FHFA require each FHLBank to hold permanent capital in an amount sufficient to cover the sum of its credit, market, and operations risk-based capital requirements, which are defined by applicable regulations. Each FHLBank has developed a market-risk model that calculates the market-risk component of this requirement.

Table 63 presents each FHLBank that includes quantitative market value of equity and duration of equity information in its individual 2013 SEC Form 10-K.

Table 63 - Individual FHLBank's Market Value of Equity and Duration of Equity Disclosures

FHLBank	Market Value of Equity	Duration of Equity
Boston	✓	✓
New York	✓	✓
Pittsburgh	(1)	✓
Atlanta	✓	✓
Cincinnati	✓	✓
Indianapolis	✓	✓
Chicago	✓	(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, as described in its 2013 SEC Form 10-K. 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 market value under parallel interest rate shocks in addition to duration of equity in its 2013 SEC Form 10-K.

(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 2013 SEC Form 10-K, 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 2013 SEC Form 10-K, 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) The FHLBank of San Francisco does not disclose duration of equity, rather it discloses comparable metrics, "Market Value of Capital Sensitivity" and "Net Portfolio Value of Capital Sensitivity" as key market risk measures.

Table 64 presents the duration of equity reported by each FHLBank to the FHFA in accordance with the FHFA's guidance, which prescribes that down and up interest-rate shocks equal 200 basis points. However, the 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.

Table 64 - Duration of Equity
(in years)

	December 31, 2013			December 31, 2012		
FHLBank	Down	Base	Up	Down	Base	Up
Boston	0.1	0.9	2.5	0.5	0.3	3.1
New York	0.4	0.6	1.5	0.6	(1.5)	2.0
Pittsburgh	(0.9)	1.2	2.0	1.2	2.5	2.6
Atlanta	(1.4)	0.3	5.2	(0.9)	(0.8)	2.6
Cincinnati	1.0	2.5	2.3	1.8	1.9	4.1
Indianapolis	0.6	(2.0)	2.1	(4.2)	0.3	0.4
Chicago	5.9	1.0	(0.9)	2.4	0.8	(3.5)
Des Moines	(4.8)	1.0	3.2	(1.4)	(2.4)	7.2
Dallas	5.8	4.3	8.2	3.4	1.6	2.5
Topeka	0.3	(0.2)	2.1	(0.1)	(0.6)	0.3
San Francisco	1.7	1.6	2.2	(0.1)	(0.3)	1.2
Seattle	(1.9)	0.0	2.9	0.0	1.5	4.1

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. Each FHLBank has an internal modeling system for measuring its duration gap; therefore, individual FHLBank measurements may not be directly comparable. 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. Duration gap numbers in Table 65 include the effect of derivative transactions.

Table 65 - Duration Gap
(in months)

FHLBank	December 31, 2013	December 31, 2012
Boston	1.0	0.4
New York	0.0	(1.4)
Pittsburgh	0.4	1.3
Atlanta	(0.1)	(0.7)
Cincinnati	0.1	0.1
Indianapolis	(3.3)	(0.7)
Chicago	0.7	0.4
Des Moines	0.2	(2.0)
Dallas	3.1	0.8
Topeka	(0.2)	(0.4)
San Francisco	1.0	(1.2)
Seattle	0.0	0.1

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. (See *Note 11 - Derivatives and Hedging Activities* to the accompanying combined financial statements for a discussion of managing interest-rate risk exposure.)

Table 66 presents the notional amount of the derivatives used to manage interest-rate risk. 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 reflects the FHLBanks' involvement in the various classes of financial instruments and represents neither the actual amounts exchanged nor the overall exposure of the FHLBanks to credit and market risk; the overall risk is much smaller. The risks of derivatives can be measured meaningfully on a portfolio basis that takes into account the counterparties, the types of derivatives, the items being hedged, and any offsets between the derivatives and the items being hedged.

Table 66 - Hedging Strategies
(dollars in millions)

Hedged Item / Hedging Instrument	Hedging Objective	Hedge Accounting Designation(1)	December 31, 2013 Notional Amount	December 31, 2012 Notional Amount
Advances(2)				
Pay-fixed, receive-float interest-rate swap (without options)	Converts the advance's fixed rate to a variable-rate index.	Fair Value	$ 86,750	$ 82,351
		Economic	11,583	8,917
Pay-fixed, receive-float interest-rate swap (with options)	Converts the advance's fixed rate to a variable-rate index and offsets option risk in the advance.	Fair Value	52,663	64,788
		Economic	1,295	1,204
Pay-float with embedded features, receive-float interest-rate swap (non-callable)	Reduces interest-rate sensitivity and repricing gaps by converting the advance's variable rate to a different variable-rate index and/or offsets embedded option risk in the advance.	Fair Value	3,545	3,346
		Economic	5	—
Pay-float with embedded features, receive-float interest-rate swap (callable)	Reduces interest-rate sensitivity and repricing gaps by converting the advance's variable rate to a different variable-rate index and/or offsets embedded option risk in the advance.	Fair Value	925	900
Pay-float, receive-float basis swap	Reduces interest-rate sensitivity and repricing gaps by converting the advance's variable rate to a different variable-rate index.	Economic	465	566
Interest-rate cap, floor, corridor, or collar	Offsets the interest cap, floor, corridor, or collar embedded in a variable-rate advance.	Fair Value	282	285
		Economic	177	188
Interest-rate swaption	Provides the option to enter into an interest-rate swap to offset interest-rate risk associated with an optional advance commitment.	Economic	180	50
		Total	157,870	162,595
Investment securities(3)				
Pay-fixed, receive-float interest-rate swap	Converts the investment security's fixed rate to a variable-rate index.	Fair Value	20,154	14,750
		Economic	4,495	4,923
Pay-float, receive-float interest-rate swap	Converts the investment security's variable rate to a different variable-rate index.	Economic	2,993	2,743
Interest-rate cap or floor	Offsets the interest-rate cap or floor embedded in a variable-rate investment.	Economic	10,367	11,517
		Total	38,009	33,933
Mortgage loans(4)				
Pay-fixed, receive-float interest-rate swap	Converts the mortgage loan's fixed rate to a variable-rate index.	Economic	7,670	7,277
Receive-fixed, pay-float interest-rate swap	Converts the variable rate to a fixed rate in a pooled mortgage portfolio hedge.	Economic	5,507	4,247
Interest-rate swaption	Provides the option to enter into an interest-rate swap to offset interest-rate or prepayment risk in a pooled mortgage portfolio hedge.	Economic	4,285	8,690
Interest-rate cap or floor	Protects against changes in income of certain mortgage assets due to changes in interest rates.	Economic	1,125	1,875
Forward settlement agreement	Protects against changes in market value of fixed-rate mortgage delivery commitments resulting from changes in interest rates.	Economic	120	250
		Total	18,707	22,339

Hedged Item / Hedging Instrument	Hedging Objective	Hedge Accounting Designation(1)	December 31, 2013 Notional Amount	December 31, 2012 Notional Amount
Deposits				
Receive-fixed, pay-float interest-rate swap	Converts the deposit's fixed rate to a variable-rate index.	Fair Value	20	20
		Total	20	20
Consolidated Bonds(5)				
Receive-fixed or structured, pay-float interest-rate swap (without options)	Converts the bond's fixed or structured rate to a variable-rate index.	Fair Value	123,480	169,798
		Economic	29,090	33,440
Receive-fixed or structured, pay-float interest-rate swap (with options)	Converts the bond's fixed- or structured-rate to a variable-rate index and offsets option risk in the bond.	Fair Value	76,173	50,959
		Economic	18,362	4,543
Receive-float with embedded features, pay-float interest-rate swap (callable)	Reduces interest-rate sensitivity and repricing gaps by converting the bond's variable rate to a different variable-rate index and/or offsets embedded option risk in the bond.	Fair Value	75	2,380
		Economic	120	—
Receive-float with embedded features, pay-float interest rate swap (non-callable)	Reduces interest-rate sensitivity and repricing gaps by converting the bond's variable rate to a different variable-rate index and/or offsets embedded option risk in the bond.	Fair Value	175	175
Receive-float, pay-float basis swap	Reduces interest-rate sensitivity and repricing gaps by converting the bond's variable rate to a different variable-rate index.	Economic	15,958	41,548
Pay-fixed, receive-float interest-rate swap	Fixed-rate or floating-rate non-callable bond, which may have been previously converted to LIBOR, converted to fixed-rate debt that offsets the interest-rate risk of mortgage assets.	Economic	860	535
Basis swap	Fixed-rate or floating-rate non-callable bond previously converted to a floating-rate index, converted to another floating rate to reduce interest-rate sensitivity and repricing gaps.	Economic	3,545	11,061
Forward-starting interest-rate swap	Locks in the cost of funding on anticipated issuance of debt.	Cash Flow	1,411	1,250
		Total	269,249	315,689
Consolidated Discount Notes(6)				
Receive-fixed, pay-float interest-rate swap	Converts the discount note's fixed rate to a variable-rate index.	Fair Value	1,499	—
		Economic	23,439	5,881
Pay-fixed, receive-float interest-rate swap (with options)	Discount note converted to fixed-rate callable debt that offsets the prepayment risk of mortgage assets.	Economic	1,025	755
Pay-fixed, receive-float interest-rate swap (without options)	Discount note converted to fixed-rate non-callable debt that offsets the interest-rate risk of mortgage assets.	Economic	280	630
Interest-rate cap, floor, or swap	Mitigates the variability of cash flows associated with the benchmark interest rate (LIBOR).	Cash Flow	7,359	7,824
		Total	33,602	15,090
Balance Sheet				
Pay-fixed, receive-float interest-rate swap	Converts the asset or liability fixed rate to a variable-rate index.	Economic	125	125
Pay-float, receive-float basis swap	To reduce interest-rate sensitivity and repricing gaps by converting the asset's or liability's variable rate to the same variable-rate index as the funding source or asset being funded.	Economic	4,200	4,700
Interest-rate swaption	Provides the option to enter into an interest-rate swap to offset interest-rate or prepayment risk.	Economic	400	—
Interest-rate cap or floor	Protects against changes in income of certain assets due to changes in interest rates.	Economic	15,192	17,842
		Total	19,917	22,667

Hedged Item / Hedging Instrument	Hedging Objective	Hedge Accounting Designation(1)	December 31, 2013 Notional Amount	December 31, 2012 Notional Amount
Intermediary Positions and Other				
Pay-fixed, receive-fixed interest-rate swap	To offset interest-rate swaps executed with members by executing interest-rate swaps with derivatives counterparties.	Economic	130	265
Pay-fixed, receive-float interest-rate swap, and receive-fixed, pay-float interest-rate swap	To provide interest-rate swaps to members and to offset interest-rate swaps executed with members by executing interest-rate swaps with derivatives counterparties.	Economic	803	680
Interest-rate cap or floor	To offset interest-rate caps or floors executed with members by executing interest-rate caps or floors with derivatives counterparties.	Economic	506	636
Interest rate swaption	To offset swaptions executed with members by executing swaptions with derivatives counterparties.	Economic	40	—
		Total	1,479	1,581
Stand-Alone Derivatives				
Mortgage delivery commitment	Exposed to fair-value risk associated with fixed-rate mortgage purchase commitments.	N/A	425	1,566
		Total	425	1,566
Total Notional Amount			$ 539,278	$ 575,480

(1) The Fair Value and Cash Flow categories represent hedging strategies for which qualifying hedge accounting is achieved. The Economic category represents hedging strategies for which qualifying hedge accounting is not achieved.
(2) At December 31, 2013 and 2012, the par value of advances outstanding was $492,559 million and $413,600 million.
(3) At December 31, 2013 and 2012, the fair value of trading securities was $11,666 million and $11,133 million and the amortized cost of AFS securities was $67,925 million and $64,930 million.
(4) At December 31, 2013 and 2012, the unpaid principal balance of mortgage loans held for portfolio was $43,822 million and $48,811 million.
(5) At December 31, 2013 and 2012, the par value of consolidated bonds outstanding was $473,169 million and $471,365 million.
(6) At December 31, 2013 and 2012, the par value of consolidated discount notes outstanding was $293,342 million and $216,335 million.

At December 31, 2013, certain FHLBanks had full fair value hedges of advances with a notional amount of $287 million and an estimated fair value loss of $5 million and certain FHLBanks had full fair value hedges of consolidated bonds with a notional amount of $2,565 million and an estimated fair value gain of $329 million. The remaining fair value hedges presented in Table 66 at December 31, 2013, represent benchmark interest-rate hedges.

Table 67 presents the effect of derivatives and hedging activities on net interest income and non-interest income resulting from the FHLBanks' hedging strategies.

Table 67 - Effect of Derivatives and Hedging Activities
(dollars in millions)

	Year Ended December 31, 2013								
	Advances	Investment Securities	Mortgage Loans	Deposits	Consolidated Bonds	Consolidated Discount Notes	Balance Sheet	Optional Advance Commitments	Total
Net interest income									
Amortization and accretion of hedging activities in net interest income(1)	$ (281)	$ 118	$ (46)	$ —	$ 164	$ (3)	$ —	$ —	$ (48)
Net interest settlements included in net interest income(2)	(3,520)	(548)	—	2	2,323	(293)	—	—	(2,036)
Total effect on net interest income	$ (3,801)	$ (430)	$ (46)	$ 2	$ 2,487	$ (296)	$ —	$ —	$ (2,084)
Net gains (losses) on derivatives and hedging activities									
Gains (losses) on fair value hedges	$ 240	$ 40	$ —	$ —	$ (41)	$ —	$ —	$ —	$ 239
Gains (losses) on cash flow hedges	—	—	—	—	(2)	5	—	—	3
Gains (losses) on derivatives not receiving hedge accounting	56	131	(6)	—	(42)	14	21	—	174
Total net gains (losses) on derivatives and hedging activities	296	171	(6)	—	(85)	19	21	—	416
Net gains (losses) on trading securities(3)	—	(278)	—	—	—	—	—	—	(278)
Net gains (losses) on financial instruments held at fair value	(170)	—	—	—	153	(1)	—	—	(18)
Total effect on non-interest income	$ 126	$ (107)	$ (6)	$ —	$ 68	$ 18	$ 21	$ —	$ 120

	Year Ended December 31, 2012								
	Advances	Investment Securities	Mortgage Loans	Deposits	Consolidated Bonds	Consolidated Discount Notes	Balance Sheet	Optional Advance Commitments	Total
Net interest income									
Amortization and accretion of hedging activities in net interest income(1)	$ (701)	$ 116	$ (70)	$ —	$ 183	$ (9)	$ —	$ —	$ (481)
Net interest settlements included in net interest income(2)	(4,533)	(497)	(2)	2	2,509	(293)	—	—	(2,814)
Total effect on net interest income	$ (5,234)	$ (381)	$ (72)	$ 2	$ 2,692	$ (302)	$ —	$ —	$ (3,295)
Net gains (losses) on derivatives and hedging activities									
Gains (losses) on fair value hedges	$ 199	$ 30	$ 1	$ —	$ (37)	$ (2)	$ —	$ —	$ 191
Gains (losses) on cash flow hedges	—	—	—	—	—	3	—	—	3
Gains (losses) on derivatives not receiving hedge accounting	(149)	(139)	(6)	—	200	(22)	(29)	(2)	(147)
Total net gains (losses) on derivatives and hedging activities	50	(109)	(5)	—	163	(21)	(29)	(2)	47
Net gains (losses) on trading securities(3)	—	(107)	—	—	—	—	—	—	(107)
Net gains (losses) on financial instruments held at fair value	(21)	—	—	—	11	3	—	2	(5)
Total effect on non-interest income	$ 29	$ (216)	$ (5)	$ —	$ 174	$ (18)	$ (29)	$ —	$ (65)

	Year Ended December 31, 2011								
	Advances	Investment Securities	Mortgage Loans	Deposits	Consolidated Bonds	Consolidated Discount Notes	Balance Sheet	Optional Advance Commitments	Total
Net interest income									
Amortization and accretion of hedging activities in net interest income(1)	$ (374)	$ 39	$ (60)	$ —	$ 166	$ (17)	$ —	$ —	$ (246)
Net interest settlements included in net interest income(2)	(6,417)	(393)	(8)	2	4,191	(319)	—	—	(2,944)
Total effect on net interest income	$ (6,791)	$ (354)	$ (68)	$ 2	$ 4,357	$ (336)	$ —	$ —	$ (3,190)
Net gains (losses) on derivatives and hedging activities									
Gains (losses) on fair value hedges	$ 203	$ 30	$ (5)	$ —	$ (9)	$ 1	$ —	$ —	$ 220
Gains (losses) on cash flow hedges	37	—	—	—	—	4	—	—	41
Gains (losses) on derivatives not receiving hedge accounting	(384)	(386)	28	—	312	(85)	(117)	(12)	(644)
Total net gains (losses) on derivatives and hedging activities	(144)	(356)	23	—	303	(80)	(117)	(12)	(383)
Net gains (losses) on trading securities(3)	—	32	—	—	—	—	—	—	32
Net gains (losses) on financial instruments held at fair value	184	—	—	—	(188)	(2)	—	12	6
Total effect on non-interest income	$ 40	$ (324)	$ 23	$ —	$ 115	$ (82)	$ (117)	$ —	$ (345)

(1) Represents amortization and accretion of hedging adjustments included in net interest income.
(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 assigned economic derivative; therefore, this line item may not agree to the Combined Statement of Income.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial Statements

The combined financial statements and accompanying notes, including the Office of Finance Audit Committee Report and the Independent Auditor's Report, begin on page F-1 of this Combined Financial Report.

Supplementary Financial Data

Table 68 - Selected Quarterly Combined Results of Operations (Unaudited)
(dollars in millions)

	2013 Quarter Ended			
	December 31	September 30	June 30	March 31
Total interest income	$ 2,082	$ 2,076	$ 2,089	$ 2,166
Total interest expense	1,194	1,231	1,257	1,316
Net interest income	888	845	832	850
Provision (reversal) for credit losses	(6)	(3)	(6)	(4)
Net interest income after provision (reversal) for credit losses	894	848	838	854
Non-interest income (loss)	150	(5)	156	28
Non-interest expense	280	241	188	234
Assessments	84	65	76	68
Net income (loss)	$ 680	$ 537	$ 730	$ 580

	2012 Quarter Ended			
	December 31	September 30	June 30	March 31
Total interest income	$ 2,396	$ 2,514	$ 2,571	$ 2,713
Total interest expense	1,407	1,499	1,569	1,667
Net interest income	989	1,015	1,002	1,046
Provision (reversal) for credit losses	2	6	1	12
Net interest income after provision (reversal) for credit losses	987	1,009	1,001	1,034
Non-interest income (loss)	(1)	(40)	(140)	27
Non-interest expense	250	236	245	244
Assessments	75	73	65	83
Net income (loss)	$ 661	$ 660	$ 551	$ 734

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON COMBINED ACCOUNTING AND FINANCIAL DISCLOSURES

There were no changes in accountants or disagreements with accountants in the period covered by this Combined Financial Report.

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, 2013, based on the criteria established in *Internal Control-Integrated Framework (1992)* 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, 2013, that its individual internal control over financial reporting is effective based on the criteria established in *Internal Control-Integrated Framework (1992).* 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, 2013. (See *Part II. Item 8 - Financial Statements and Supplementary Data* or *Item 9A - Controls and Procedures* of each FHLBank's 2013 SEC Form 10-K for its *Management's Report on Internal Control over Financial Reporting*.)

Each of the FHLBanks indicated that there were no changes to its internal control over financial reporting during the quarter ended December 31, 2013 that materially affected, or are reasonably likely to affect, 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 quarter ended December 31, 2013. (See *Part II. Item 9A - Controls and Procedures* of each FHLBank's 2013 SEC Form 10-K.)

FHLBank of Seattle's Remediation Activities Relating to Previously Identified Material Weakness

On April 25, 2013, the FHLBank of Seattle's management and its Board concluded that its financial statements for the years ended December 31, 2010 through December 31, 2012 and the quarterly periods within 2011 and 2012 (the referenced periods) should no longer be relied upon, due to the identification of material errors in the statements of cash flows. Further, the FHLBank of Seattle concluded that there was a material weakness in its internal control over financial reporting for the referenced periods. These control deficiencies resulted in errors in the FHLBank of Seattle's statement of cash flows, for the referenced periods, as originally reported, which in turn necessitated a restatement of its statement of cash flows for the referenced periods. Specifically, the FHLBank of Seattle did not maintain effective controls over the review of the classification and presentation of cash flows from certain financing and investing activities, which led to the misclassification of cash flows among operating activities, investing activities, and financing activities in its statement of cash flows for the referenced periods. (See *Note 1 - Summary of Significant Accounting Policies* to the accompanying combined financial statements for additional information about the FHLBank of Seattle's restatements.)

During the second quarter of 2013, the FHLBank of Seattle implemented and enhanced certain controls and procedures related to cash flow compilation and review processes. For each of the periods subsequent to the second quarter of 2013, the FHLBank of Seattle tested and evaluated the operation of these control enhancements and concluded that the material weakness related to its internal control over financial reporting has been remediated as of December 31, 2013.

Office of Finance Controls and Procedures over the 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, FHFA 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 FHFA. 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 in the same manner as those maintained by each FHLBank. The Office of Finance has established controls and procedures concerning the FHLBanks' submission of information and financial data to the Office of Finance, the process of combining the financial statements and other financial information of the individual FHLBanks, and the review of that information.

The Office of Finance does not independently verify the financial information submitted by each FHLBank that comprise the combined financial statements, the condensed combining schedules, and other disclosures included in this Combined Financial Report. Instead, the Office of Finance relies on each FHLBank management's certification and representation regarding the accuracy and completeness, in all material respects, of its data submitted to the Office of Finance for use in preparing this Combined Financial Report.

Audit Committee Charter

The charter of the audit committee of the Office of Finance's board of directors is available on the Office of Finance's 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.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND 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 and members (or affiliates) owning more than 5% of an FHLBank's capital stock. 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 December 31, 2013, the FHLBanks had $59.2 billion of advances outstanding to members whose officers and/or directors were serving as directors of the FHLBanks, which represented 12.0% of total advances at par value. (See *Market for Capital Stock and Related Stockholder Matters* and *Financial Discussion and Analysis - Combined Financial Condition - Advances* for additional information on FHLBank advances and membership.)

An FHLBank provides Affordable Housing Program subsidies in the form of direct grants and below-market interest rate advances to members, which use the funds to assist in the purchase, construction, or rehabilitation of housing for very low-, low-, and moderate-income households. Only FHLBank members, along with their non-member Affordable Housing Program project sponsors, may submit Affordable Housing Program applications. All Affordable Housing Program subsidies are made in the normal course of business.

An FHLBank also provides subsidies in the form of grants and below-market interest rate advances or standby letters of credit to members for community lending and economic development projects under the Community Investment Program and Community Investment Cash Advance programs. Only FHLBank members may submit applications for these credit program subsidies. These subsidies are made in the normal course of business.

In instances where an Affordable Housing Program, Community Investment Program, or Community Investment Cash Advance transaction involves a member (or its affiliate) owning more than 5% of an FHLBank's capital stock, a member with an officer or director who serves as a director of an FHLBank, or an entity with an officer, director or general partner who serves as a director of an FHLBank (and has a direct or indirect interest in the subsidy), the transaction is subject to the same eligibility and other program criteria and requirements as all other transactions, and the regulations governing the operations of the relevant program.

An FHLBank may also have investments in interest-bearing deposits, securities purchased under agreements to resell, federal funds sold, commercial paper, and certificates of deposit, and may also execute mortgage-backed securities and derivative transactions, with members or their affiliates, some of whose officers and/or directors may serve as directors of their respective FHLBank. All investments are transacted at then-current market prices without preference to the status of the counterparty or the issuer of the investment as a member, non-member, or affiliate. (See each FHLBank's 2013 SEC Form 10-K under *Item 13—Certain Relationships and Related Transactions, and Director Independence* for additional information regarding related transactions with its members.)

PRINCIPAL ACCOUNTING FEES AND SERVICES

Each of the audit committees of the FHLBanks and the Office of Finance pre-approve audit and non-audit services provided by the principal independent public accountant to the entity it oversees. Also, each audit committee annually considers whether the services identified under the caption "all other fees" and rendered to the entity it oversees are compatible with maintaining the principal accountant's independence. Table 69 presents the aggregate fees billed or to be billed to the FHLBanks and the Office of Finance by their principal independent public accountant, PricewaterhouseCoopers LLP.

Table 69 - Principal Accounting Fees and Services
(dollars in millions)

	Year Ended December 31,	
	2013	2012
Audit fees(1)	$ 10	$ 9
Audit-related fees(2)	1	1
Tax fees	—	—
All other fees(3)	—	1
Total fees	$ 11	$ 11

(1) Audit fees consist of fees incurred in connection with the annual audits and quarterly reviews of the FHLBanks' individual and combined financial statements, including audits of internal controls over financial reporting, and for the review of related financial information.
(2) Audit-related fees primarily consist of assurance and related services related to accounting consultations and combined audit central team services.
(3) All other fees consist of services rendered for non-financial information system related consulting. No fees were paid to the principal independent public accountant for financial information system design and implementation.

OFFICE OF FINANCE AUDIT COMMITTEE REPORT

By Federal Housing Finance Agency (FHFA) regulation, the Audit Committee of the Office of Finance Board of Directors performs oversight duties in connection with the preparation of the combined financial report of the Federal Home Loan Banks (FHLBanks), which includes the audited combined financial statements of the FHLBanks. The Audit Committee is comprised of five independent directors not employed by an FHLBank or the Office of Finance; who were selected by the Office of Finance Board of Directors, subject to review by the FHFA; and who as a group must have substantial experience in financial and accounting matters. In connection with its duties, the Audit Committee has adopted a written charter, which has been posted on the Office of Finance web site. The Audit Committee members are not required to satisfy any express qualification or independence standards governing their service as an audit committee that are separate and distinct from their qualifications to serve as members of the Office of Finance Board of Directors.

There is no system-wide centralized management of the FHLBanks. Each FHLBank is a separately chartered entity and has its own board of directors and management. Each FHLBank's board of directors has established an audit committee, the members of which are required to meet express qualification and independence standards established by the FHFA and the audit committee independence requirements set forth in Section 10A(m) of the Securities Exchange Act of 1934, but who may not be considered "independent" based on corporate governance standards of independence used by the FHLBanks for disclosure purposes as required under SEC rules and regulations. In addition, each FHLBank's board of directors and management is responsible for establishing its own accounting and financial reporting policies in accordance with accounting principles generally accepted in the United States of America. Each FHLBank is subject to certain reporting requirements of the Securities Exchange Act of 1934 and must file periodic reports and other information including annual audited financial statements with the Securities and Exchange Commission. (See *Explanatory Statement about Federal Home Loan Banks Combined Financial Report*.)

In connection with its responsibilities in preparing combined financial reports and combined financial statements, the Office of Finance is responsible for combining the financial information it receives from each of the FHLBanks. Each FHLBank is responsible for the financial information and the underlying data it provides to the Office of Finance for inclusion in the combined financial reports and combined financial statements. Based on FHFA regulation and guidance related to the combined financial reports, the Audit Committee's responsibilities are limited to the oversight of the preparation of the combined financial reports with regard to the basis and approach to combining information from the FHLBanks. The Audit Committee is responsible for ensuring that the FHLBanks adopt consistent accounting policies and procedures to the extent necessary for information submitted by the FHLBanks to the Office of Finance to be combined to create accurate and meaningful combined financial reports. However, the Audit Committee is not responsible for overseeing the reliability and integrity of the accounting policies and financial reporting of the individual FHLBanks or the accuracy of the information that they submit to the Office of Finance.

The Audit Committee has reviewed and discussed the audited combined financial statements with senior management of the Office of Finance, and discussed with the independent accountants the matters required to be discussed in accordance with auditing standards generally accepted in the United States of America.

The Audit Committee has also received the written disclosures from the independent accountant required to be disclosed in accordance with auditing standards generally accepted in the United States of America regarding the independent accountant's communications with the Audit Committee concerning independence, and has discussed with the independent accountant their independence.

Based on the review and discussions referred to above, the Audit Committee of the Office of Finance Board of Directors determined to include the audited combined financial statements in the FHLBanks' 2013 Combined Financial Report.

Jonathan A. Scott, Chair
J. Michael Davis
Kathleen Crum McKinney
Walter H. Morris, Jr.
H Ronald Weissman

March 28, 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Federal Home Loan Banks Office of Finance:

We have audited the accompanying combined financial statements of the twelve Federal Home Loan Banks (FHLBanks), which comprise the combined statements of condition as of December 31, 2013 and 2012, and the related combined statements of income, comprehensive income, capital, and cash flows for each of the years in the three-year period ended December 31, 2013.

Management's Responsibility for the Combined Financial Statements

Management of the FHLBanks Office of Finance (OF) and the FHLBanks are responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the OF's and the FHLBanks' preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the FHLBanks at December 31, 2013 and 2012, and the combined results of their operations and their combined cash flows for each of the years in the three-year period ended December 31, 2013, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The condensed combining information shown on pages F-88 to F-105 is the responsibility of management of the OF and the FHLBanks and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The condensed combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the condensed combining information is fairly stated, in all material respects, in relation to the combined financial statements taken as a whole. The condensed combining information is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations, and cash flows of the individual FHLBanks and is not a required part of the combined financial statements.

PricewaterhouseCoopers LLP

McLean, Virginia
March 28, 2014

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CONDITION

(dollars in millions, except par value)	December 31, 2013	December 31, 2012
Assets		
Cash and due from banks *(Note 3)*	$ 45,773	$ 18,560
Interest-bearing deposits	1,007	1,007
Securities purchased under agreements to resell	20,350	35,839
Federal funds sold	29,500	44,010
Investment securities		
Trading securities, includes $2 pledged as collateral that may be repledged at December 31, 2013 *(Note 4)*	11,666	11,133
Available-for-sale securities, includes $83 and $9 pledged as collateral that may be repledged *(Note 5)*	69,005	65,733
Held-to-maturity securities, includes $78 and $105 pledged as collateral that may be repledged, fair value of $112,257 and $111,167 *(Note 6)*	111,335	108,103
Total investment securities	192,006	184,969
Advances, includes $26,305 and $7,900 at fair value held under fair value option *(Note 8)*	498,599	425,750
Mortgage loans held for portfolio, net		
Mortgage loans held for portfolio *(Note 9)*	44,530	49,555
Allowance for credit losses on mortgage loans *(Note 10)*	(88)	(132)
Total mortgage loans held for portfolio, net	44,442	49,423
Accrued interest receivable	1,144	1,255
Premises, software and equipment, net	229	213
Derivative assets, net *(Note 11)*	513	815
Other assets	637	611
Total assets	$ 834,200	$ 762,452
Liabilities		
Deposits *(Note 12)*	$ 10,555	$ 13,721
Consolidated obligations *(Note 13)*		
Discount notes, includes $5,336 and $3,198 at fair value held under fair value option	293,296	216,282
Bonds, includes $38,573 and $47,645 at fair value held under fair value option	473,845	475,856
Total consolidated obligations	767,141	692,138
Mandatorily redeemable capital stock	4,998	6,929
Accrued interest payable	1,156	1,400
Affordable Housing Program payable *(Note 14)*	788	746
Derivative liabilities, net *(Note 11)*	1,913	2,544
Other liabilities	1,635	1,427
Subordinated notes *(Note 16)*	944	1,000
Total liabilities	789,130	719,905
Commitments and contingencies *(Note 21)*		
Capital *(Note 17)*		
Capital stock		
Class B putable ($100 par value) issued and outstanding shares: 329,000,379 and 330,237,163	32,900	33,021
Class A putable ($100 par value) issued and outstanding shares: 4,753,042 and 5,145,255	475	514
Total capital stock	33,375	33,535
Retained earnings		
Unrestricted	9,099	7,933
Restricted	3,107	2,589
Total retained earnings	12,206	10,522
Accumulated other comprehensive income (loss) *(Note 18)*	(511)	(1,510)
Total capital	45,070	42,547
Total liabilities and capital	$ 834,200	$ 762,452

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF INCOME

(dollars in millions)	Year Ended December 31, 2013	2012	2011
Interest income			
Advances	$ 2,559	$ 3,106	$ 3,340
Prepayment fees on advances, net	138	341	257
Interest-bearing deposits	11	19	9
Securities purchased under agreements to resell	24	53	17
Federal funds sold	67	78	101
Trading securities	207	316	404
Available-for-sale securities	1,374	1,518	1,448
Held-to-maturity securities	2,164	2,571	3,259
Mortgage loans held for portfolio	1,867	2,189	2,642
Other	2	3	2
Total interest income	8,413	10,194	11,479
Interest expense			
Consolidated obligations - Discount notes	511	524	529
Consolidated obligations - Bonds	4,248	5,471	6,645
Deposits	4	5	8
Securities sold under agreements to repurchase	—	—	17
Subordinated notes	57	57	57
Mandatorily redeemable capital stock	178	85	48
Total interest expense	4,998	6,142	7,304
Net interest income	3,415	4,052	4,175
Provision (reversal) for credit losses	(19)	21	71
Net interest income after provision (reversal) for credit losses	3,434	4,031	4,104
Non-interest income (loss)			
Other-than-temporary impairment losses			
Total other-than-temporary impairment losses	(16)	(89)	(606)
Net amount of impairment losses reclassified to/(from) accumulated other comprehensive income (loss)	1	(23)	(250)
Net other-than-temporary impairment losses	(15)	(112)	(856)
Net gains (losses) on trading securities	(284)	(152)	(11)
Net realized gains (losses) from sale of available-for-sale securities	21	15	24
Net realized gains (losses) from sale of held-to-maturity securities	—	30	35
Net gains (losses) on financial instruments held under fair value option	(18)	(5)	6
Net gains (losses) on derivatives and hedging activities	416	47	(383)
Gains on litigation settlement, net	202	2	15
Net gains (losses) on debt extinguishments	(103)	(81)	(105)
Other, net	110	102	178
Total non-interest income (loss)	329	(154)	(1,097)
Non-interest expense			
Compensation and benefits	544	508	540
Other operating expenses	345	331	313
Federal Housing Finance Agency	52	72	79
Office of Finance	44	40	43
Other	(42)	24	85
Total non-interest expense	943	975	1,060
Income (loss) before assessments	2,820	2,902	1,947
Assessments			
Affordable Housing Program	293	296	188
REFCORP	—	—	160
Total assessments	293	296	348
Net income (loss)	$ 2,527	$ 2,606	$ 1,599

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF COMPREHENSIVE INCOME

(dollars in millions)	Year Ended December 31, 2013	2012	2011
Net income (loss)	$ 2,527	$ 2,606	$ 1,599
Other comprehensive income (loss)			
Net unrealized gains/losses on available-for-sale securities			
Unrealized gains (losses)	(806)	572	431
Reclassification of realized net (gains) losses included in net income (loss)	(3)	(13)	(13)
Total net unrealized gains/losses on available-for-sale securities	(809)	559	418
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities			
Reclassification of (gains) losses included in net income (loss)	2	2	3
Total net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities	2	2	3
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities			
Non-credit portion of other-than-temporary impairment losses	—	—	(4)
Non-credit portion of other-than-temporary impairment losses transferred from held-to-maturity securities	(5)	(29)	(2,772)
Net change in fair value of other-than-temporarily impaired securities	810	1,745	836
Reclassification of non-credit portion included in net income (loss)	1	55	291
Reclassification of (gains) losses included in net income (loss)	(18)	(2)	(11)
Unrealized gains (losses)	298	377	(191)
Total net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	1,086	2,146	(1,851)
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities			
Non-credit portion of other-than-temporary impairment losses	(5)	(53)	(330)
Reclassification of non-credit portion included in net income (loss)	3	21	293
Accretion of non-credit portion	153	183	581
Transfer of non-credit portion from held-to-maturity securities to available-for-sale securities	5	29	2,772
Total net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	156	180	3,316
Net unrealized gains/losses relating to hedging activities			
Unrealized gains (losses)	540	(87)	(572)
Reclassification of (gains) losses included in net income (loss)	(7)	2	(45)
Total net unrealized gains/losses relating to hedging activities	533	(85)	(617)
Pension and postretirement benefits	31	(14)	(21)
Total other comprehensive income (loss)	999	2,788	1,248
Total comprehensive income (loss)	$ 3,526	$ 5,394	$ 2,847

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CAPITAL
YEAR ENDED DECEMBER 31, 2013, 2012 AND 2011

	Capital Stock - Putable			
	Class B		Class A	
(dollars and shares in millions)	Shares	Par Value	Shares	Par Value
Balance, December 31, 2010	387	$ 38,683	7	$ 719
Adjustment for cumulative effect of accounting change - change in amortization methodology	—	—	—	—
Proceeds from issuance of capital stock	47	4,785	—	7
Repurchases/redemptions of capital stock	(77)	(7,628)	—	(34)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(31)	(3,242)	(2)	(182)
Transfers between Class B and Class A shares	(1)	(145)	1	145
Comprehensive income (loss)	—	—	—	—
Dividends on capital stock				
Cash	—	—	—	—
Stock	—	32	—	—
Balance, December 31, 2011	325	32,485	6	655
Proceeds from issuance of capital stock	99	9,893	—	5
Repurchases/redemptions of capital stock	(104)	(10,593)	(1)	(135)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(11)	(1,142)	(1)	(69)
Conversions to/transfers between Class B and Class A shares	23	2,344	1	58
Comprehensive income (loss)	—	—	—	—
Dividends on capital stock				
Cash	—	—	—	—
Stock	—	34	—	—
Balance, December 31, 2012	332	33,021	5	514
Proceeds from issuance of capital stock	167	16,696	—	1
Repurchases/redemptions of capital stock	(146)	(14,609)	(2)	(184)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(20)	(1,970)	(1)	(131)
Transfers between Class B and Class A shares	(3)	(275)	3	275
Comprehensive income (loss)	—	—	—	—
Dividends on capital stock				
Cash	—	—	—	—
Stock	—	37	—	—
Balance, December 31, 2013	330	$ 32,900	5	$ 475

Capital Stock - Putable				Retained Earnings			Accumulated Other Comprehensive Income (Loss)	Total Capital
Pre-conversion		Total						
Shares	Par Value	Shares	Par Value	Unrestricted	Restricted	Total		
23	$ 2,333	417	$ 41,735	$ 5,943	$ 1,609	$ 7,552	$ (5,546)	$ 43,741
—	—	—	—	(8)	—	(8)	—	(8)
1	75	48	4,867	—	—	—	—	4,867
—	—	(77)	(7,662)	—	—	—	—	(7,662)
—	(6)	(33)	(3,430)	—	—	—	—	(3,430)
—	—	—	—	—	—	—	—	—
—	—	—	—	1,235	364	1,599	1,248	2,847
—	—	—	—	(536)	—	(536)	—	(536)
—	—	—	32	(32)	—	(32)	—	—
24	2,402	355	35,542	6,602	1,973	8,575	(4,298)	39,819
—	—	99	9,898	—	—	—	—	9,898
—	—	(105)	(10,728)	—	—	—	—	(10,728)
—	—	(12)	(1,211)	—	—	—	—	(1,211)
(24)	(2,402)	—	—	—	—	—	—	—
—	—	—	—	1,990	616	2,606	2,788	5,394
—	—	—	—	(625)	—	(625)	—	(625)
—	—	—	34	(34)	—	(34)	—	—
—	—	337	33,535	7,933	2,589	10,522	(1,510)	42,547
—	—	167	16,697	—	—	—	—	16,697
—	—	(148)	(14,793)	—	—	—	—	(14,793)
—	—	(21)	(2,101)	—	—	—	—	(2,101)
—	—	—	—	—	—	—	—	—
—	—	—	—	2,009	518	2,527	999	3,526
—	—	—	—	(806)	—	(806)	—	(806)
—	—	—	37	(37)	—	(37)	—	—
—	$ —	335	$ 33,375	$ 9,099	$ 3,107	$ 12,206	$ (511)	$ 45,070

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CASH FLOWS

(dollars in millions)	Year Ended December 31, 2013	2012	2011
Operating activities			
Net income (loss)	$ 2,527	$ 2,606	$ 1,599
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortization	(23)	604	43
Change in net derivatives and hedging activities	869	404	1,043
Net other-than-temporary impairment losses	15	112	856
Other adjustments	163	49	(13)
Net change in fair value adjustments on trading securities	279	152	11
Net change in fair value adjustments on financial instruments held under fair value option	18	5	(6)
Net change in			
Trading securities	123	629	151
Accrued interest receivable	99	332	288
Other assets	(182)	(61)	(10)
Accrued interest payable	(249)	(362)	(720)
Other liabilities	91	98	(81)
Total adjustments	1,203	1,962	1,562
Net cash provided by (used in) operating activities	3,730	4,568	3,161
Investing activities			
Net change in			
Interest-bearing deposits	3,056	977	(3,525)
Securities purchased under agreements to resell	15,489	(23,164)	3,725
Federal funds sold	14,510	(2,872)	34,716
Premises, software and equipment	(75)	(54)	(54)
Trading securities			
Net decrease (increase) in short-term	(874)	3,745	11,407
Proceeds from long-term	3,713	9,967	6,068
Purchases of long-term	(4,288)	(6,493)	(8,057)
Available-for-sale securities			
Net decrease (increase) in short-term	(2,185)	4,172	1,618
Proceeds from long-term	14,299	21,602	11,780
Purchases of long-term	(15,910)	(10,660)	(9,874)
Held-to-maturity securities			
Net decrease (increase) in short-term	1,109	6,477	6,721
Proceeds from long-term	24,504	31,078	31,128
Purchases of long-term	(28,412)	(26,289)	(26,970)
Advances			
Principal collected	3,409,729	2,909,476	1,561,601
Made	(3,488,649)	(2,919,466)	(1,500,879)
Mortgage loans held for portfolio			
Principal collected	11,583	14,974	13,194
Purchases	(6,778)	(11,271)	(6,900)
Mortgage loans held for sale			
Proceeds	—	—	1,468
Proceeds from sales of foreclosed assets	168	131	140
Principal collected on other loans	2	2	2
Net cash provided by (used in) investing activities	(49,009)	2,332	127,309

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CASH FLOWS (continued)

(dollars in millions)	Year Ended December 31, 2013	2012	2011
Financing activities			
Net change in			
Deposits and pass-through reserves	$ (2,797)	$ 745	$ (2,248)
Securities sold under agreements to repurchase and other borrowings	—	(405)	(773)
Net proceeds (payments) on derivative contracts with financing element	(814)	(1,188)	(936)
Net proceeds from issuance of consolidated obligations			
Discount notes	3,099,326	3,557,821	4,142,367
Bonds	341,475	418,255	409,203
Payments for maturing and retiring consolidated obligations			
Discount notes	(3,022,323)	(3,531,720)	(4,146,633)
Bonds	(339,380)	(448,280)	(509,255)
Payments for retirement of subordinated notes	(62)	—	—
Proceeds from issuance of capital stock	16,697	9,898	4,867
Payments for repurchases/redemptions of mandatorily redeemable capital stock	(4,031)	(2,295)	(2,483)
Payments for repurchases/redemptions of capital stock	(14,793)	(10,728)	(7,662)
Cash dividends paid	(806)	(625)	(536)
Net cash provided by (used in) financing activities	72,492	(8,522)	(114,089)
Net increase (decrease) in cash and due from banks	27,213	(1,622)	16,381
Cash and due from banks at beginning of the period	18,560	20,182	3,801
Cash and due from banks at end of the period	$ 45,773	$ 18,560	$ 20,182
Supplemental disclosures			
Interest paid	$ 5,668	$ 6,985	$ 8,752
AHP payments, net	$ 250	$ 270	$ 243
REFCORP assessments, net	$ —	$ —	$ 252
Transfers of mortgage loans to real estate owned	$ 170	$ 198	$ 166
Transfers of mortgage loans held for portfolio to mortgage loans held for sale, net	$ —	$ —	$ 1,280
Transfers of other-than-temporarily impaired held-to-maturity securities to available-for-sale securities	$ 83	$ 157	$ 8,578

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

NOTES TO COMBINED FINANCIAL STATEMENTS

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 are government-sponsored enterprises (GSEs) that 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. On a combined basis, member institutions own most of the FHLBanks' capital stock. Former members (including certain non-members that own FHLBank capital stock as a result of merger or acquisition, relocation, charter termination, or involuntary termination of an FHLBank member) own the remaining capital stock to support business transactions still carried on an FHLBank's 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, qualified community development financial institutions are eligible to be members of an FHLBank. Housing associates, including 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 therefore 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 (FHFA) was established and became the independent Federal 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 Director of the FHFA, any court of competent jurisdiction, or operation of law. The FHFA's stated mission is to ensure that the housing GSEs operate in a safe and sound manner so that they serve as a reliable source of liquidity and funding for housing finance and community investment.

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 (consolidated bonds and consolidated discount notes), and to prepare the combined quarterly and annual financial reports of the 12 FHLBanks. As provided by the Federal Home Loan Bank Act of 1932, as amended (FHLBank Act), and applicable regulations, consolidated obligations are backed only by the financial resources of the 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. The FHLBanks primarily use these funds to provide advances to members. Certain FHLBanks also use these funds to acquire mortgage loans from members (acquired member assets) through their respective FHLBank's Mortgage Purchase Program (MPP) or the Mortgage Partnership Finance® (MPF) Program. "Mortgage Partnership Finance," "MPF," and "MPF Xtra" are registered trademarks of the FHLBank of Chicago. In addition, some FHLBanks offer correspondent services to their member institutions, including wire transfer, security safekeeping, and settlement services.

Unless otherwise stated, amounts disclosed in this Combined Financial Report represent values rounded to the nearest million. Amounts less than one million may not be reflected in this Combined Financial Report.

Note 1 - Summary of Significant Accounting Policies

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).

Principles of Combination. Transactions between 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 Bonds between FHLBanks.* These transfers occur when the primary obligation under 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 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 in the combined financial statements represent those of the transferring FHLBank.

2. *Purchases of Consolidated Bonds.* These purchases occur when consolidated bonds 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 as investments. Under combination accounting principles, the investment and the consolidated bonds, and related contractual interest income and expense, are eliminated in combination.

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

Segment Reporting. FHFA regulations consider each FHLBank to be a segment. However, there is no single chief operating decision maker because there is no centralized, system-wide management or centralized board of director oversight of the individual FHLBanks. (See the *Condensed Combining Schedules* for segment information.)

Reclassifications and Revisions to Prior Period Amounts. Certain amounts in the 2012 and 2011 combined financial statements have been reclassified or revised to conform to the financial statement presentation for the year ended December 31, 2013. Additionally, certain other prior period amounts have been revised and may not agree to the Federal Home Loan Banks Combined Financial Report for the years ended December 31, 2012 and 2011. These amounts were not deemed to be material.

Change in Amortization and Accretion Method of Deferred Premiums and Discounts on Mortgage Loans Held for Portfolio. Effective October 1, 2013, the FHLBank of Seattle changed its method of accounting for the amortization and accretion of premiums and discounts on its mortgage loans held for portfolio to the contractual interest method, from the retrospective interest method. The FHLBank of Seattle believes the contractual interest method is preferable to the retrospective interest method. The FHLBank of Seattle's change to the contractual interest method for amortizing premiums and accreting discounts on its mortgage loans has been reported through retrospective application to all periods presented. As a result, a cumulative adjustment of $8 million, as a reduction to retained earnings, was reported at January 1, 2011, which was offset by an increase to net income of $6 million during 2011. The net adjustment, as well as adjustments for each of the quarterly and annual periods, for the periods ended December 31, 2013 and 2012 was less than $1 million to net income.

Correction of Errors by the FHLBank of Seattle. Subsequent to filing its SEC Form 10-K for the year ended December 31, 2012, and as a result of ongoing enhancements to its statement of cash flows preparation process, the FHLBank of Seattle's management became aware of presentation errors in cash flows from certain financing and investment activities in its statement of cash flows. These errors affected the years ended December 31, 2012, 2011, and 2010; the three months ended March 31, 2012 and 2011; the six months ended June 30, 2012 and 2011; and the nine months ended September 30, 2012 and 2011. In May 2013, the FHLBank of Seattle filed an amendment for each of its affected SEC annual reports on Form 10-K/A and SEC quarterly reports on Form 10-Q/A.

The result of the FHLBank of Seattle's restatements is provided as part of each of the 2013 quarterly and annual Combined Financial Reports. These restatements are labeled "as restated" for the FHLBank of Seattle's statement of cash flows presented in the *Condensed Combining Schedule - Statements of Cash Flows* for the affected prior periods. Table 1.1 presents the effect of the FHLBank of Seattle's restatements by affected prior period and activity on its statement of cash flows as presented in the *Condensed Combining Schedule - Statements of Cash Flows*.

Table 1.1 - FHLBank of Seattle's Restatement of Prior Period Statements of Cash Flows
(dollars in millions)

	As Reported	As Restated
Year ended December 31, 2011		
Net cash provided by (used in) operating activities	$ 137	$ 165
Net cash provided by (used in) investing activities	7,115	7,091
Net cash provided by (used in) financing activities	(7,252)	(7,256)
Year ended December 31, 2012		
Net cash provided by (used in) operating activities	(5)	19
Net cash provided by (used in) investing activities	5,107	5,098
Net cash provided by (used in) financing activities	(5,103)	(5,118)

Given the nature and structure of the FHLBank System as a whole, including the above analysis, the FHLBanks' Office of Finance concluded that the FHLBank of Seattle's presentation errors in each corresponding period's Combined Statement of Cash Flows were not material to the combined financial reports of the FHLBank System.

Subsequent Events. For purposes of this Combined Financial Report, subsequent events have been evaluated from January 1, 2014 through the time of publication. (See *Note 22 - Subsequent Events* for more information.)

Significant Accounting Policies

The following summary of significant accounting policies has been compiled from the 12 FHLBanks' individual summaries of significant accounting policies. While the 12 FHLBanks' accounting and financial reporting policies are not necessarily always identical, each FHLBank is responsible for establishing its own accounting and financial reporting policies in accordance with GAAP. The following paragraphs describe the more significant accounting policies followed by the FHLBanks, including the more notable alternatives acceptable under GAAP.

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 certain mortgage-backed securities (MBS) 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 in the footnotes for the periods presented, have been determined by the FHLBanks using available market and other pertinent information, and reflect each FHLBank's best judgment of appropriate valuation methods. 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 20 - Fair Value* for more information.)

Financial Instruments Meeting Netting Requirements

The FHLBanks present certain financial instruments on a net basis when they have a legal right of offset and all other requirements for netting are met (collectively referred to as the netting requirements). For these financial instruments, each of the affected FHLBanks has elected to offset its asset and liability positions, as well as cash collateral received or pledged, when it has met the netting requirements.

The net exposure for these financial instruments can change on a daily basis; therefore, there may be a delay between the time this exposure change is identified and additional collateral is requested, and the time when this collateral is received or pledged. Likewise, there may be a delay for excess collateral to be returned. For derivative instruments that meet the netting requirements, any excess cash collateral received or pledged is recognized as a derivative liability or derivative asset. (See *Note 11 - Derivatives and Hedging Activities* for additional information regarding these agreements.)

At December 31, 2013 and 2012, the FHLBanks had $20,350 million and $35,839 million in securities purchased under agreements to resell. Based on the fair value of the related collateral held, the securities purchased under agreements to resell were fully collateralized for the periods presented. There were no offsetting liabilities related to these securities at December 31, 2013 and 2012.

Interest-Bearing Deposits, Securities Purchased under Agreements to Resell, and Federal Funds Sold

These investments provide short-term liquidity and are carried at cost. Interest-bearing deposits include certificates of deposit and bank notes not meeting the definition of a security. The FHLBanks treat securities purchased under agreements to resell as short-term collateralized loans that are classified as assets in the Combined Statement of Condition. Securities purchased under agreements to resell are held in safekeeping in the name of the affected FHLBank by third-party custodians approved by that FHLBank. If the fair value of the underlying securities decreases below the fair value required as collateral, the counterparty has the option to (1) place an equivalent amount of additional securities in safekeeping in the name of the FHLBank or (2) remit an equivalent amount of cash. Federal funds sold consist of short-term, unsecured loans generally made to investment-grade counterparties.

Investment Securities

The FHLBanks classify investment securities as trading, available-for-sale (AFS), and held-to-maturity (HTM) at the date of acquisition. Purchases and sales of securities are recorded on a trade date basis.

Trading. Securities classified as trading are held for liquidity purposes and carried at fair value. The FHLBanks record changes in the fair value of these securities through non-interest income as net gains (losses) on trading securities. FHFA regulation and each FHLBank's risk management policy prohibit trading in or the speculative use of these instruments and limit credit risk arising from these instruments.

Available-for-Sale. Securities that are not classified as HTM or trading are classified as AFS and are carried at fair value. The FHLBanks record changes in the fair value of these securities in accumulated other comprehensive income (loss) (AOCI) as net unrealized gains (losses) on available-for-sale securities. For AFS securities that have been hedged and qualify as a fair value hedge, the FHLBanks record the portion of the change in value related to the risk being hedged in non-interest income as net gains (losses) on derivatives and hedging activities together with the related change in the fair value of the derivative, and record the remainder of the change in the fair value of the investment in AOCI as net unrealized gains (losses) on available-for-sale securities. For AFS securities that have been hedged and qualify as a cash flow hedge, the FHLBanks record the effective portion of the change in value of the derivative related to the risk being hedged in AOCI as net unrealized gains (losses) relating to hedging activities. The ineffective portion is recorded in non-interest income and presented as net gains (losses) on derivatives and hedging activities.

Held-to-Maturity. Securities that the FHLBanks have both the ability and intent to hold to maturity are classified as HTM and are carried at cost adjusted for periodic principal repayments, amortization of premiums and accretion of discounts, previous other-than-temporary impairment (OTTI), and accretion of the non-credit portion of OTTI recognized in AOCI.

Certain changes in circumstances may cause an FHLBank to change its intent to hold a 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 issuer's creditworthiness or

changes in regulatory requirements, is not considered to be inconsistent with its original classification. Other events that are isolated, nonrecurring, and unusual for the FHLBanks that could not have been reasonably anticipated may cause an FHLBank to sell or transfer an HTM security without necessarily calling into question its intent to hold other debt securities to maturity. In addition, sale of a debt security that meets either of the following two conditions would not be considered inconsistent with the original classification of that security:

1. the sale occurs near enough to its maturity date (or call date if exercise of the call is probable) that interest-rate risk is substantially eliminated as a pricing factor and the changes in market interest rates would not have a significant effect on the security's fair value; or

2. the sale of a security occurs after the FHLBank has already collected a substantial portion (at least 85 percent) of the principal outstanding at acquisition due either to prepayments on the debt security or to scheduled payments on a debt security payable in equal installments (both principal and interest) over its term.

Premiums and Discounts. The FHLBanks amortize purchased premiums and accrete purchased discounts on investment securities using either the contractual level-yield (contractual interest method) or the retrospective level-yield (retrospective interest method) over the estimated cash flows of the securities. The contractual interest method recognizes the income effects of premiums and discounts over the contractual life of the securities based on the actual behavior of the underlying assets, including adjustments for actual prepayment activities, and reflects the contractual terms of the securities without regard to changes in estimated prepayments based on assumptions about future borrower behavior. The retrospective interest method requires that an FHLBank estimate prepayments over the estimated life of the securities and make a retrospective adjustment of the effective yield each time that it changes the estimated life as if the new estimate had been known since the original acquisition date of the securities.

Gains and Losses on Sales. Each FHLBank computes gains and losses on sales of its investment securities using the specific identification method and includes these gains and losses in non-interest income (loss).

Investment Securities - Other-than-Temporary Impairment

Each FHLBank evaluates its individual AFS and HTM securities in unrealized loss positions for OTTI on at least a quarterly basis. A security is considered impaired (i.e., in an unrealized loss position) when its fair value is less than its amortized cost. An FHLBank considers an OTTI to have occurred under any of the following conditions:

- It has an intent to sell the impaired debt security;

- If, based on available evidence, it believes it is more likely than not that it will be required to sell the impaired debt security before the recovery of its amortized cost; or

- It does not expect to recover the entire amortized cost of the impaired debt security.

Recognition of OTTI. If either of these first two conditions is met, an FHLBank recognizes an OTTI charge in earnings equal to the entire difference between the security's amortized cost and its fair value as of the statement of condition date. For securities in an unrealized loss position that do not meet either of these conditions, the entire loss position, or total OTTI, is evaluated to determine the extent and amount of credit loss.

To determine whether a credit loss exists, each FHLBank performs an analysis, which includes a cash flow analysis for private-label MBS, to determine if it will recover the entire amortized cost of each of these securities. The present value of the cash flows expected to be collected is compared to the amortized cost of the debt security. If there is a credit loss (the difference between the present value of the cash flows expected to be collected and the amortized cost of the debt security), the carrying value of the debt security is adjusted to its fair value. However, rather than recognizing the entire difference between the amortized cost and fair value in earnings, only the amount of the impairment representing the credit loss (i.e., the credit component) is recognized in earnings, while the amount related to all other factors (i.e., the non-credit component) is recognized in AOCI, which is a component of capital. The credit loss on a debt security is limited to the amount of that security's unrealized losses.

The total OTTI is presented in the statement of income with an offset for the amount of the non-credit portion of OTTI that is recognized in AOCI. The remaining amount in the statement of income represents the credit loss for the period.

Accounting for OTTI Recognized in AOCI. For subsequent accounting of an other-than-temporarily impaired security, an FHLBank records an additional OTTI if the present value of cash flows expected to be collected is less than the amortized cost of the security. The total amount of this additional OTTI (both credit and non-credit component, if any) is determined as the difference between the security's amortized cost less the amount of OTTI recognized in AOCI prior to the determination of this additional OTTI and its fair value. Any additional credit loss is limited to that security's unrealized losses, or the difference between the security's amortized cost and its fair value as of the statement of condition date. This additional credit loss, up to the amount in AOCI related to the security, is reclassified out of AOCI and recognized in earnings. Any credit loss in excess of the related AOCI is recognized in earnings.

Subsequent related increases and decreases (if not an additional OTTI) in the fair value of AFS securities are netted against the non-credit component of OTTI recognized previously in AOCI. For HTM securities, if the current carrying value is less than its current fair value, the carrying value of the security is not increased. However, the OTTI recognized in AOCI for HTM securities is accreted to the carrying value of each security on a prospective basis, based on the amount and timing of future estimated cash flows (with no effect on earnings unless the security is subsequently sold or there are additional decreases in cash flows expected to be collected). For debt securities classified as AFS, the FHLBanks do not accrete the OTTI recognized in AOCI to the carrying value because the subsequent measurement basis for these securities is fair value.

Interest Income Recognition. When a security has been other-than-temporarily impaired, a new accretable yield is calculated for that security at its impairment measurement date. This adjusted yield is used to calculate the interest income recognized over the remaining life of that security, matching the amount and timing of its estimated future collectible cash flows. Subsequent to that security's initial OTTI, an FHLBank re-evaluates estimated future collectible cash flows on a quarterly basis. If the security has no additional OTTI based on this evaluation, the accretable yield is reassessed for possible adjustment on a prospective basis. Depending on an FHLBank's accounting method, the accretable yield is adjusted if there is either: (1) a significant increase in the security's expected cash flows or (2) a favorable or unfavorable change in the timing and amount of the security's expected cash flows.

Variable Interest Entities

Certain FHLBanks have investments in variable interest entities (VIEs) that include, but are not limited to, senior interests in private-label 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 VIE. 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 these characteristics, each affected FHLBank has determined that consolidation is not required for its VIEs for the periods presented. In addition, each of these FHLBanks has not provided financial or other support (explicitly or implicitly) during the periods presented. Furthermore, each affected FHLBank was not previously contractually required to provide, nor does it intend to provide, that support in the future.

Advances

The FHLBanks report advances (secured loans to members, former members, or housing associates) either at amortized cost or at fair value when the fair value option is elected. Advances carried at amortized cost are reported net of premiums, discounts (including discounts related to the Affordable Housing Program (AHP)), unearned commitment fees, and hedging adjustments. The FHLBanks amortize or accrete premiums and discounts, and recognize unearned commitment fees and hedging adjustments, to interest income using a level-yield methodology. The FHLBanks record interest on advances to interest income as earned. For advances carried at fair value, interest income is recognized based on the contractual interest rate.

Advance Modifications. In cases in which an FHLBank funds a new advance concurrently with or within a short period of time before or after the prepayment of an existing advance, the FHLBank evaluates whether the new advance meets the accounting criteria to qualify as a modification of an existing advance or whether it constitutes a new advance. The FHLBank compares the present value of cash flows on the new advance to the present value of cash flows remaining on the existing advance. If there is at least a 10 percent difference in the present value of cash flows or if the FHLBank concludes the difference between the advances is more than minor based on a qualitative assessment of the modifications made to the original contractual terms, then the advance is accounted for as a new advance. In all other instances, the new advance is accounted for as a modification.

Prepayment Fees. The FHLBanks charge a borrower a prepayment fee when the borrower prepays certain advances before the original maturity. The FHLBanks record prepayment fees net of basis adjustments related to hedging activities included in the carrying value of the advance as prepayment fees on advances, net in the interest income section of the Combined Statement of Income.

If a new advance does not qualify as a modification of an existing advance, it is treated as an advance termination and any prepayment fee, net of hedging adjustments, is recorded to prepayment fees on advances, net in the interest income section of the Combined Statement of Income.

If a new advance qualifies as a modification of an existing advance, any prepayment fee, net of hedging adjustments, is deferred, recorded in the basis of the modified advance, and amortized using a level-yield methodology over the life of the modified advance to advance interest income. If the modified advance is hedged and meets hedge accounting requirements, the modified advance is marked to benchmark or full fair value, depending on the risk being hedged, and subsequent fair value changes that are attributable to the hedged risk are recorded in non-interest income.

Mortgage Loans Held for Portfolio

Each FHLBank classifies mortgage loans that it has the intent and ability to hold for the foreseeable future or until maturity or payoff as held for portfolio. Accordingly, these mortgage loans are reported net of premiums, discounts, deferred loan fees or costs, hedging adjustments, and the allowance for credit losses.

Premiums and Discounts. An FHLBank defers and amortizes premiums and accretes discounts paid to and received by PFIs, deferred loan fees or costs, and hedging basis adjustments to interest income using either the contractual interest method or the retrospective interest method. In determining prepayment estimates for the retrospective interest method, mortgage loans are aggregated by similar characteristics (type, maturity, note rate, and acquisition date).

Credit Enhancement Fees. For conventional mortgage loans, PFIs retain a portion of the credit risk on the loans they sell to the FHLBanks by providing credit enhancement either through a direct liability to pay credit losses up to a specified amount or through a contractual obligation to provide supplemental mortgage insurance (SMI). For mortgage loans purchased under the MPF program, PFIs are paid a credit enhancement fee (CE Fee) for assuming credit risk and in some instances all or a portion of the CE Fee may be performance-based. CE Fees are paid monthly based on the remaining unpaid principal balance of the loans in a master commitment. CE Fees are recorded as an offset to mortgage loan interest income. To the extent an FHLBank experiences losses in a master commitment, it may be able to recapture CE fees paid to that PFI to offset these losses.

Other Fees. The FHLBanks may receive other non-origination fees, such as delivery commitment extension fees, pair-off fees, and price adjustment fees. Delivery commitment extension fees are received when a PFI requests to extend the delivery commitment period beyond the original stated expiration. These fees compensate the FHLBanks for lost interest as a result of late funding and are recorded in non-interest income as received. Pair-off fees represent a make-whole provision; they are received when the amount funded is less than a specific percentage of the delivery commitment amount and are recorded in non-interest income. Price adjustment fees are received when the amount funded is greater than a specified percentage of the delivery commitment amount; they represent purchase price adjustments to the related loans acquired and are recorded as a part of the carrying value of the loans.

Allowance for Credit Losses

Establishing Allowance for Credit Loss. An allowance for credit losses is a valuation allowance separately established for each identified portfolio segment, if it is probable that impairment has occurred in an FHLBank's portfolio as of the statement of condition date and the amount of loss can be reasonably estimated. To the extent necessary, an allowance for credit losses

for off-balance sheet credit exposures is recorded as a liability. (See *Note 10 - Allowance for Credit Losses* for details on each allowance methodology.)

Portfolio Segments. A portfolio segment is defined as the level at which an entity develops and documents a systematic methodology for determining its allowance for credit losses. Each FHLBank has developed and documented a systematic methodology for determining an allowance for credit losses, where applicable, for:

- credit products (advances, letters of credit, and other extensions of credit to borrowers);
- government-guaranteed or -insured 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.

Classes of Financing Receivables. Classes of financing receivables generally are a disaggregation of a portfolio segment to the extent that it is needed to understand the exposure to credit risk arising from these financing receivables. Each FHLBank determined that no further disaggregation of its portfolio segments is needed as the credit risk arising from these financing receivables is assessed and measured by that FHLBank at the portfolio segment level.

Non-accrual Loans. The FHLBanks place a conventional mortgage loan on non-accrual status if it is determined that either (1) the collection of interest or principal is doubtful or (2) interest or principal is past due for 90 days or more, except when the loan is well-secured (e.g., through credit enhancements) and in the process of collection. As such, FHLBanks do not place conventional mortgage loans over 90 days delinquent on non-accrual status when losses are not expected to be incurred. The FHLBanks do not place government-guaranteed or -insured mortgage loans on non-accrual status due to the U.S. government guarantee or insurance on these loans and the contractual obligation of the loan servicer to repurchase the loans when certain criteria are met. For those mortgage loans placed on non-accrual status, accrued but uncollected interest is reversed against interest income. The FHLBanks record cash payments received first as interest income and then as a reduction of principal as specified in the contractual agreement, unless the collection of the remaining principal amount due is considered doubtful. If the collection of the remaining principal amount due is considered doubtful, then cash payments received would be applied first solely to principal until the remaining principal amount due is expected to be collected and then as a recovery of any charge-off, if applicable, followed by recording interest income. A loan on non-accrual status may be restored to accrual when (1) none of its contractual principal and interest is due and unpaid, and an FHLBank expects repayment of the remaining contractual interest and principal or (2) it otherwise becomes well secured and in the process of collection.

Troubled Debt Restructuring. An FHLBank considers a troubled debt restructuring to have occurred when a concession is granted to a borrower for economic or legal reasons related to the borrower's financial difficulties and that concession would not have been considered otherwise. An FHLBank has granted a concession when it does not expect to collect all amounts due to the FHLBank under the original contract as a result of the restructuring. Loans that are discharged in Chapter 7 bankruptcy and have not been reaffirmed by the borrowers are also considered to be troubled debt restructurings, except in cases where certain supplemental mortgage insurance policies are held or where all contractual amounts due are still expected to be collected as a result of certain credit enhancements or government guarantees.

Impairment Methodology. A loan is considered impaired when, based on current information and events, it is probable that an FHLBank will be unable to collect all amounts due according to the contractual terms of the loan agreement.

Loans that are on non-accrual status and that are considered collateral-dependent are measured for impairment based on the fair value of the underlying property less estimated selling costs. Loans are considered collateral-dependent if repayment is expected to be provided solely by the sale of the underlying property; that is, there is no other available and reliable source of repayment. Collateral-dependent loans are impaired if the fair value of the underlying collateral is insufficient to recover the unpaid principal balance on the loan. Interest income on impaired loans is recognized in the same manner as non-accrual loans.

Charge-off Policy. The FHLBanks evaluate whether to record a charge-off on a conventional mortgage loan upon the occurrence of a confirming event. Confirming events include, but are not limited to, the occurrence of foreclosure or notification of a claim against any of the credit enhancements. A charge-off is recorded if it is estimated that the recorded investment in that loan will not be recovered.

Real Estate Owned

Real estate owned (REO) includes assets that have been received in satisfaction of debt through foreclosures. REO is initially recorded at fair value less estimated selling costs and is subsequently carried at the lower of that amount or current fair value less estimated selling costs. The FHLBanks recognize a charge-off to the allowance for credit losses if the fair value of the REO less estimated selling costs is less than the recorded investment in the loan at the date of transfer from loans to REO. Any subsequent realized gains, realized or unrealized losses, and carrying costs are included in other non-interest income (loss) or other non-interest expense in the Combined Statement of Income. REO is recorded in other assets in the Combined Statement of Condition.

Derivatives

All derivatives are recognized on the Combined Statement of Condition at their fair values and are reported as either derivative assets or derivative liabilities, net of cash collateral, including initial and variation margin, and accrued interest received from or pledged to clearing agents and/or counterparties. The fair values of derivatives are netted by clearing agent and/or counterparty when the netting requirements have been met. If these netted amounts are positive, they are classified as an asset, and if negative, they are classified as a liability. Cash flows associated with derivatives are reflected as cash flows from operating activities in the Combined Statement of Cash Flows unless the derivative meets the criteria to be a financing derivative.

Derivative Designations. Each derivative is designated as one of the following:

1. a qualifying hedge of the change in fair value of a recognized asset or liability or an unrecognized firm commitment (a fair value hedge);

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

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

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

Accounting for Fair Value or Cash Flow Hedges. If hedging relationships meet certain criteria, including, but not limited to, formal documentation of the hedging relationship and an expectation to be highly effective, they qualify for fair value or cash flow hedge accounting and the offsetting changes in fair value of the hedged items may be recorded either in earnings (fair value hedges) or AOCI (cash flow hedges). Two approaches to hedge accounting include:

1. *Long-haul hedge accounting.* The application of long-haul hedge accounting requires an FHLBank to formally assess (both at the hedge's inception and at least quarterly) whether the derivatives that are used in hedging transactions have been effective in offsetting changes in the fair value or cash flows of hedged items or forecasted transactions and whether those derivatives may be expected to remain effective in future periods.

2. *Short-cut hedge accounting*. Transactions that meet certain criteria qualify for the short-cut method of hedge accounting in which an assumption can be made that the change in fair value of a hedged item, due to changes in the benchmark rate, exactly offsets the change in fair value of the related derivative. Under the short-cut method, the entire change in fair value of the interest-rate swap is considered to be effective at achieving offsetting changes in fair values or cash flows of the hedged asset or liability.

Derivatives are typically executed at the same time as the hedged item, and each FHLBank designates the hedged item in a qualifying hedge relationship at the trade date. In many hedging relationships, an FHLBank may designate the hedging relationship upon its commitment to disburse an advance or trade a consolidated obligation in which settlement occurs within the shortest period of time possible for the type of instrument based on market settlement conventions. An FHLBank then records the changes in fair value of the derivative and the hedged item beginning on the trade date.

Changes in the fair value of a derivative that is designated and qualifies as a fair value hedge, along with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk, are recorded in non-interest income as net gains (losses) on derivatives and hedging activities.

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

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

Accounting for Economic Hedges or Intermediary Activities. An economic hedge is defined as a derivative hedging specific or non-specific underlying assets, liabilities, or firm commitments that does not qualify or was not designated for fair value or cash flow hedge accounting, but is an acceptable hedging strategy under an FHLBank's risk management program. These economic hedging strategies also comply with FHFA regulatory requirements prohibiting speculative hedge transactions. An economic hedge by definition introduces the potential for earnings variability caused by the changes in fair value of the derivatives that are recorded in an FHLBank's income but that are not offset by corresponding changes in the value of the economically hedged assets, liabilities, or firm commitments. As a result, an FHLBank recognizes only the net interest and the change in fair value of these derivatives in non-interest income as net gains (losses) on derivatives and hedging activities with no offsetting fair value adjustments for the assets, liabilities, or firm commitments.

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

Accrued Interest Receivables and Payables. The net settlements of interest receivables and payables related to derivatives designated in fair value or cash flow hedge relationships are recognized as adjustments to the income or expense of the designated hedged item. The net settlements of interest receivables and payables related to intermediated derivatives for members and other economic hedges are recognized in non-interest income as net gains (losses) on derivatives and hedging activities.

Discontinuance of Hedge Accounting. An FHLBank discontinues hedge accounting prospectively when:

- it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including hedged items such as firm commitments or forecasted transactions);
- the derivative and/or the hedged item expires or is sold, terminated, or exercised;
- it is no longer probable that the forecasted transaction will occur in the originally expected period;
- a hedged firm commitment no longer meets the definition of a firm commitment; or
- management determines that designating the derivative as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued, an FHLBank either terminates the derivative or continues to carry the derivative on the statement of condition at its fair value, ceases to adjust the hedged asset or liability for changes in fair value, and amortizes the cumulative basis adjustment on the hedged item into earnings over the remaining life of the hedged item using a level-yield methodology.

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

Under limited circumstances, when an FHLBank discontinues cash flow hedge accounting because it is no longer probable that the forecasted transaction will occur by the end of the originally specified time period, or within the following two months, but it is probable the transaction will still occur in the future, the gain or loss on the derivative remains in AOCI and is recognized as earnings when the forecasted transaction affects earnings. However, if it is probable that a forecasted transaction will not occur by the end of the originally specified time period or within the following two months, the gains and losses that were in AOCI are recognized immediately in earnings.

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

Embedded Derivatives. The FHLBanks may issue debt, make advances, or purchase financial instruments in which a derivative instrument is "embedded." Upon execution of these transactions, an FHLBank assesses whether the economic characteristics of the embedded derivative are clearly and closely related to the economic characteristics of the remaining component of the advance, debt, or purchased financial instrument (the host contract) and whether a separate, non-embedded instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument. The embedded derivative is separated from the host contract, carried at fair value, and designated as a stand-alone derivative instrument pursuant to an economic hedge when an FHLBank determines that (1) the embedded derivative has economic characteristics that are not clearly and closely related to the economic characteristics of the host contract and (2) a separate, stand-alone instrument with the same terms would qualify as a derivative instrument. However, the entire contract is carried at fair value and no portion of the contract is designated as a hedging instrument if the entire contract (the host contract and the embedded derivative) is to be measured at fair value, with changes in fair value reported in current-period earnings (such as an investment security classified as "trading" as well as hybrid financial instruments that are selected for the fair value option), or if the FHLBank cannot reliably identify and measure the embedded derivative for purposes of separating that derivative from its host contract.

Premises, Software, and Equipment

The FHLBanks record premises, software, and equipment at cost less accumulated depreciation and amortization and compute depreciation using the straight-line method over the estimated useful lives of assets, which range from one to 40 years. The FHLBanks amortize leasehold improvements using the straight-line method over the shorter of the estimated useful life of the improvement or the remaining term of the lease. The FHLBanks may capitalize improvements and major renewals but expense ordinary maintenance and repairs when incurred. The FHLBanks include gains and losses on the disposal of premises, software, and equipment in non-interest income (loss).

The cost of computer software developed or obtained for internal use is capitalized and amortized over future periods. At December 31, 2013 and 2012, the FHLBanks had $100 million and $109 million in unamortized computer software costs. Amortization of computer software costs charged to expense was $35 million, $41 million, and $37 million for the years ended December 31, 2013, 2012 and 2011.

Accumulated Depreciation and Amortization. At December 31, 2013 and 2012, the accumulated depreciation and amortization related to premises, software, and equipment was $543 million and $520 million.

Depreciation and Amortization Expense. For the years ended December 31, 2013, 2012, and 2011, the depreciation and amortization expense for premises, software, and equipment was $57 million, $62 million, and $62 million.

Consolidated Obligations

Consolidated obligations are recorded at amortized cost unless an FHLBank has elected the fair value option, in which case, the consolidated obligations are carried at fair value.

Discounts and Premiums. The FHLBanks amortize premiums and accrete discounts as well as hedging basis adjustments on consolidated obligations to interest expense using the interest method over the term to maturity or the estimated life of the corresponding consolidated obligation.

Concessions. The FHLBanks pay concessions to dealers in connection with the issuance of certain consolidated obligations. The Office of Finance prorates the amount of the concession to each FHLBank based upon the percentage of the debt issued that is assumed by that FHLBank. Concessions paid on consolidated obligations designated under the fair value option are expensed as incurred in non-interest expense. Concessions paid on consolidated obligations not designated under the fair value option are deferred and amortized, using the interest method, over the term to maturity or the estimated life of the corresponding consolidated obligation. Unamortized concessions are included in other assets and the amortization of those concessions is included in consolidated obligation interest expense.

Mandatorily Redeemable Capital Stock

An FHLBank generally reclassifies stock subject to redemption from capital stock to a liability after a member provides written notice of redemption, gives notice of intention to withdraw from membership, or attains non-member status by merger or acquisition, relocation, charter termination, or other involuntary termination from membership, because the member's shares will then meet the definition of a mandatorily redeemable financial instrument. Shares meeting this definition are reclassified to a liability at fair value. Dividends declared on shares classified as a liability are accrued at the expected dividend rate and reflected as interest expense in the Combined Statement of Income. The repurchase or redemption of mandatorily redeemable capital stock is reflected as a financing cash outflow in the Combined Statement of Cash Flows.

If a member cancels its written notice of redemption or notice of withdrawal, the FHLBank will reclassify mandatorily redeemable capital stock from liabilities to capital. After the reclassification, dividends on the capital stock will no longer be classified as interest expense.

Restricted Retained Earnings

In 2011, the 12 FHLBanks entered into a Joint Capital Enhancement Agreement, as amended (Capital Agreement). Under the Capital Agreement, beginning in the third quarter of 2011, each FHLBank allocates 20% of its quarterly net income to a separate restricted retained earnings account at that FHLBank until the account balance equals at least one percent of that FHLBank's average balance of outstanding consolidated obligations for the previous quarter. The FHLBanks' restricted retained earnings are not available to pay dividends and are presented separately on the Combined Statement of Condition.

Gains on Litigation Settlement, Net

Litigation settlement gains, net of related legal expenses, are recorded in non-interest income as gains on litigation settlements, net in the Combined Statement of Income. A litigation settlement gain is considered realized and recorded when an affected FHLBank receives cash or assets that are readily convertible to known amounts of cash or claims to cash. In addition, a litigation settlement gain is considered realizable and recorded when an FHLBank enters into a signed agreement that is not subject to appeal, where the counterparty has the ability to pay, and the amount to be received can be reasonably estimated. Prior to being realized or realizable, the FHLBanks consider potential litigation settlement gains to be gain contingencies, and therefore they are not recorded in the Combined Statement of Income. The related legal expenses are contingent-based fees and are only incurred and recorded upon a litigation settlement gain.

FHFA Expenses

The portion of the FHFA's expenses and working capital fund paid by the FHLBanks are allocated among the FHLBanks based on the pro-rata share of the annual assessments (which are based on the ratio between each FHLBank's minimum required regulatory capital and the aggregate minimum required regulatory capital of every FHLBank).

Office of Finance Expenses

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.

Assessments

Affordable Housing Program (AHP). The FHLBank Act requires each FHLBank to establish and fund an AHP, providing subsidies to members to assist in the purchase, construction, or rehabilitation of housing for very low-to-moderate-income households. Each FHLBank charges the required funding for AHP to earnings and establishes a liability. An FHLBank issues AHP advances at interest rates below the customary interest rate for non-subsidized advances. A discount on the AHP advance and charge against AHP liability is recorded for the present value of the variation in the cash flow caused by the difference in the interest rate between the AHP advance rate and that FHLBank's related cost of funds for comparable maturity funding. As an alternative, that FHLBank has the authority to make the AHP subsidy available to members as a grant. The discount on AHP advances is accreted to interest income on advances using a level-yield methodology over the life of the advance.

Resolution Funding Corporation (REFCORP). Although the FHLBanks are exempt from ordinary federal, state, and local taxation, except for local real estate tax, they were required to make quarterly payments to REFCORP through the second quarter of 2011, after which the obligation was satisfied. These payments represented a portion of the interest on bonds that were issued by REFCORP. REFCORP is a government corporation established by Congress in 1989 that provided funding for the resolution and disposition of insolvent savings institutions. Officers, employees, and agents of the Office of Finance are authorized to act for and on behalf of REFCORP to carry out the functions of REFCORP.

Note 2 - Recently Issued and Adopted Accounting Guidance

Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure

On January 17, 2014, the Financial Accounting Standards Board (FASB) issued guidance clarifying when consumer mortgage loans collateralized by real estate should be reclassified to real estate owned (REO). Specifically, these collateralized mortgage loans should be reclassified to REO when either the creditor obtains legal title to the residential real estate property upon completion of a foreclosure, or the borrower conveys all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. This guidance is effective for interim and annual periods beginning on or after December 15, 2014 and may be adopted under either the modified retrospective transition method or the prospective transition method. The FHLBanks are in the process of evaluating its effect on the FHLBanks' combined financial condition, combined results of operations, and combined cash flows, but it is not expected to be material.

Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes

On July 17, 2013, the FASB amended existing guidance to include the Fed Funds Effective Swap Rate (also referred to as Overnight Index Swap Rate (OIS)) as a U.S. benchmark interest rate for hedge accounting purposes. Including OIS as an acceptable U.S. benchmark interest rate, in addition to U.S. Treasuries and London Interbank Offered Rates (LIBOR), provides a more comprehensive spectrum of interest rate resets to use as the designated benchmark interest rate risk component under the hedge accounting guidance. The amendments also removed the restriction on using different benchmark interest rates for similar hedges. The amendments apply to all entities that elect to apply hedge accounting of the benchmark interest rate, and were effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The adoption of this guidance did not have a material effect on any of the FHLBanks' respective hedging strategies.

Joint and Several Liability Arrangements

On February 28, 2013, the FASB issued guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date. This guidance requires an entity to measure these obligations as the sum of (1) the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (2) any additional amount the reporting entity expects to pay on behalf of its co-obligors. In addition, this guidance requires an entity to disclose the nature and amount of the obligations as well as other information about these obligations. This guidance is effective for interim and annual periods beginning on or after December 15, 2013, and should be applied retrospectively to obligations with joint and several liabilities existing at the beginning of an entity's fiscal year of adoption. This guidance will have no effect on the FHLBanks' combined financial condition, combined results of operations, or combined cash flows.

Presentation of Comprehensive Income

On February 5, 2013, the FASB issued guidance to improve the transparency of reporting reclassifications out of accumulated other comprehensive income (AOCI). This guidance does not change the current requirements for reporting net income or comprehensive income in financial statements. Rather, it requires an entity to present, either on the face of the financial statement where net income is presented or in the footnotes, significant amounts reclassified out of AOCI. These amounts are presented based on the respective lines of net income only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other required disclosures that provide additional detail about these other amounts. This guidance became effective for the FHLBanks for interim and annual periods beginning on January 1, 2013, and was applied prospectively. The adoption of this guidance resulted in additional financial statement disclosures, but did not affect the FHLBanks' combined financial condition, combined results of operations, or combined cash flows. (See *Note 18 - Accumulated Other Comprehensive Income (Loss)* for disclosures related to this accounting guidance.)

Framework for Adversely Classifying Certain Assets

On April 9, 2012, the FHFA issued an advisory bulletin that establishes a standard and uniform methodology for adversely classifying loans, other real estate owned, and certain other assets (excluding investment securities), and prescribes the timing of asset charge-offs based on these classifications. This guidance is generally consistent with the *Uniform Retail Credit Classification and Account Management Policy* issued by the federal banking regulators in June 2000. The adverse classification requirements were implemented as of January 1, 2014 and the charge-off requirements should be implemented no later than January 1, 2015. The FHLBanks are currently implementing and assessing the provisions of this advisory bulletin and have not yet determined its effect on the FHLBanks' combined financial condition, combined results of operations, and combined cash flows.

Disclosures about Offsetting Assets and Liabilities

On December 16, 2011, the FASB and the International Accounting Standards Board issued common disclosure requirements intended to help investors and other financial statement users better assess the effect or potential effect of offsetting arrangements on an entity's financial position, whether an entity's financial statements are prepared on the basis of GAAP or International Financial Reporting Standards. This guidance was amended on January 31, 2013, to clarify that its scope includes only certain financial instruments that are either offset on the balance sheet or are subject to an enforceable master netting arrangement or similar agreement. The FHLBanks are required to disclose both gross and net information about derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that meet these criteria. This guidance, as amended, became effective for the FHLBanks for interim and annual periods beginning on January 1, 2013, and was applied retrospectively for all comparative periods presented. The adoption of this guidance resulted in additional financial statement disclosures, but did not affect the FHLBanks' combined financial condition, combined results of operations, or combined cash flows. (See *Note 1 - Summary of Significant Accounting Policies* and *Note 11 - Derivatives and Hedging Activities* for disclosures related to this accounting guidance.)

Note 3 - Cash and Due from Banks

Compensating Balances

The FHLBanks maintain collected cash balances with commercial banks in return for certain services. These agreements contain no legal restrictions on the withdrawal of funds. The average collected cash balances were $435 million and $658 million for the years ended December 31, 2013 and 2012.

Pass-through Deposit Reserves

Certain FHLBanks act as pass-through correspondents for member institutions required to deposit reserves with the Federal Reserve Banks. The amount shown as cash and due from banks includes pass-through reserves deposited with the Federal Reserve Banks of $142 million and $143 million at December 31, 2013 and 2012.

Note 4 - Trading Securities

Table 4.1 - Trading Securities by Major Security Type
(dollars in millions)

Fair Value	December 31, 2013	December 31, 2012
Non-mortgage-backed securities		
U.S. Treasury obligations	$ 2,847	$ 1,003
Commercial paper	—	60
Certificates of deposit	260	325
Other U.S. obligations	267	310
GSE and Tennessee Valley Authority obligations	7,072	7,983
State or local housing agency obligations	1	2
Other	276	306
Total non-mortgage-backed securities	10,723	9,989
Mortgage-backed securities		
Other U.S. obligations residential MBS	33	38
GSE residential MBS	681	854
GSE commercial MBS	229	252
Total mortgage-backed securities	943	1,144
Total	$ 11,666	$ 11,133

Table 4.2 - Net Gains (Losses) on Trading Securities
(dollars in millions)

	Year Ended December 31,		
	2013	2012	2011
Net unrealized gains (losses) on trading securities held at period-end	$ (266)	$ (100)	$ 20
Net unrealized and realized gains (losses) on trading securities sold/matured during the year	(18)	(52)	(31)
Net gains (losses) on trading securities	$ (284)	$ (152)	$ (11)

Note 5 - Available-for-Sale Securities

Table 5.1 - Available-for-Sale (AFS) Securities by Major Security Type
(dollars in millions)

	December 31, 2013				
	Amortized Cost(1)	OTTI Recognized in AOCI(2)	Gross Unrealized Gains(3)	Gross Unrealized Losses(3)	Fair Value
Non-mortgage-backed securities					
Certificates of deposit	$ 2,185	$ —	$ —	$ —	$ 2,185
Other U.S. obligations	4,128	—	46	(14)	4,160
GSE and Tennessee Valley Authority obligations	14,503	—	46	(84)	14,465
State or local housing agency obligations	40	—	—	(3)	37
Federal Family Education Loan Program ABS	6,396	—	426	(18)	6,804
Other	1,144	—	8	(25)	1,127
Total non-mortgage-backed securities	28,396	—	526	(144)	28,778
Mortgage-backed securities					
Other U.S. obligations residential MBS	3,272	—	119	(3)	3,388
Other U.S. obligations commercial MBS	309	—	—	—	309
GSE residential MBS	23,678	—	613	(109)	24,182
GSE commercial MBS	43	—	—	—	43
Private-label residential MBS	12,215	(418)	501	(8)	12,290
Home equity loan ABS	12	—	3	—	15
Total mortgage-backed securities	39,529	(418)	1,236	(120)	40,227
Total	$ 67,925	$ (418)	$ 1,762	$ (264)	$ 69,005

	December 31, 2012				
	Amortized Cost(1)	OTTI Recognized in AOCI(2)	Gross Unrealized Gains(3)	Gross Unrealized Losses(3)	Fair Value
Non-mortgage-backed securities					
Other U.S. obligations	$ 1,999	$ —	$ 80	$ —	$ 2,079
GSE and Tennessee Valley Authority obligations	14,136	—	119	(56)	14,199
State or local housing agency obligations	20	—	—	—	20
Federal Family Education Loan Program ABS	6,958	—	508	(14)	7,452
Other	1,362	—	10	(29)	1,343
Total non-mortgage-backed securities	24,475	—	717	(99)	25,093
Mortgage-backed securities					
Other U.S. obligations residential MBS	3,194	—	193	—	3,387
GSE residential MBS	22,394	—	1,058	(55)	23,397
GSE commercial MBS	147	—	—	—	147
Private-label residential MBS	14,706	(1,206)	196	(1)	13,695
Home equity loan ABS	14	(1)	1	—	14
Total mortgage-backed securities	40,455	(1,207)	1,448	(56)	40,640
Total	$ 64,930	$ (1,207)	$ 2,165	$ (155)	$ 65,733

(1) Amortized cost of AFS securities includes adjustments made to the cost basis of an investment for accretion, amortization, previous other-than-temporary impairment (OTTI) recognized in earnings, and/or fair value hedge accounting adjustments.

(2) OTTI recognized in AOCI does not include $493 million and $196 million in subsequent unrealized gains (losses) in fair value of previously other-than-temporarily impaired AFS securities at December 31, 2013 and 2012, which is included in net non-credit portion of OTTI losses on AFS securities in *Note 18 - Accumulated Other Comprehensive Income (Loss)*.

(3) Gross unrealized gains and gross unrealized losses on AFS securities include $493 million and $196 million in subsequent unrealized gains (losses) in fair value of previously other-than-temporarily impaired AFS securities at December 31, 2013 and 2012, which is not included in net unrealized gains (losses) on AFS securities in *Note 18 - Accumulated Other Comprehensive Income (Loss)*.

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

	December 31, 2013					
	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	$ 1,447	$ (14)	$ —	$ —	$ 1,447	$ (14)
GSE and Tennessee Valley Authority obligations	5,323	(37)	403	(47)	5,726	(84)
State or local housing agency obligations	27	(2)	9	(1)	36	(3)
Federal Family Education Loan Program ABS	22	—	969	(18)	991	(18)
Other	203	(1)	430	(24)	633	(25)
Total non-mortgage-backed securities	7,022	(54)	1,811	(90)	8,833	(144)
Mortgage-backed securities						
Other U.S. Obligations residential MBS	528	(3)	29	—	557	(3)
GSE residential MBS	4,788	(83)	3,622	(26)	8,410	(109)
Private-label residential MBS	921	(13)	4,352	(413)	5,273	(426)
Total mortgage-backed securities	6,237	(99)	8,003	(439)	14,240	(538)
Total	$ 13,259	$ (153)	$ 9,814	$ (529)	$ 23,073	$ (682)

	December 31, 2012					
	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						
GSE and Tennessee Valley Authority obligations	$ 1,704	$ (3)	$ 490	$ (53)	$ 2,194	$ (56)
Federal Family Education Loan Program ABS	—	—	1,079	(14)	1,079	(14)
Other	141	—	473	(29)	614	(29)
Total non-mortgage-backed securities	1,845	(3)	2,042	(96)	3,887	(99)
Mortgage-backed securities						
GSE residential MBS	268	(1)	3,798	(54)	4,066	(55)
Private-label residential MBS	360	(2)	9,323	(1,205)	9,683	(1,207)
Home equity loan ABS	—	—	3	(1)	3	(1)
Total mortgage-backed securities	628	(3)	13,124	(1,260)	13,752	(1,263)
Total	$ 2,473	$ (6)	$ 15,166	$ (1,356)	$ 17,639	$ (1,362)

(1) Total unrealized losses in Table 5.2 will not agree to total gross unrealized losses in Table 5.1. Total unrealized losses in Table 5.2 includes non-credit-related OTTI losses recorded in AOCI.

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

	December 31, 2013		December 31, 2012	
Year of Maturity	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Non-mortgage-backed securities				
Due in one year or less	$ 3,259	$ 3,263	$ 2,054	$ 2,064
Due after one year through five years	9,181	9,217	7,799	7,860
Due after five years through ten years	4,529	4,525	4,667	4,736
Due after ten years	5,031	4,969	2,997	2,981
Federal Family Education Loan Program ABS(1)	6,396	6,804	6,958	7,452
Total non-mortgage-backed securities	28,396	28,778	24,475	25,093
Mortgage-backed securities(1)	39,529	40,227	40,455	40,640
Total	$ 67,925	$ 69,005	$ 64,930	$ 65,733

(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 as borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

Table 5.4 - Interest-Rate Payment Terms of AFS Securities
(dollars in millions)

	December 31,	
	2013	2012
Amortized cost of non-mortgage-backed securities		
Fixed rate	$ 19,545	$ 15,954
Variable rate	8,851	8,521
Total amortized cost of non-mortgage-backed securities	28,396	24,475
Amortized cost of mortgage-backed securities		
Fixed rate	22,957	20,390
Variable rate	16,572	20,065
Total amortized cost of mortgage-backed securities	39,529	40,455
Total	$ 67,925	$ 64,930

Table 5.5 - Proceeds from Sale and Gross Gains and Losses on AFS Securities
(dollars in millions)

	Year Ended December 31,		
	2013	2012	2011
Proceeds from sale of AFS securities	$ 442	$ 266	$ 2,426
Gross gains on sale of AFS securities	$ 21	$ 15	$ 28
Gross losses on sale of AFS securities	—	—	(4)
Net realized gains/(losses) from sale of AFS securities(1)	$ 21	$ 15	$ 24

(1) Includes $18 million, $2 million, and $11 million of net realized gains relating to sales of previously other-than-temporarily impaired securities for the years ended December 31, 2013, 2012, and 2011.

See *Note 7 - Other-than-Temporary Impairment Analysis* for analysis related to OTTI and information on the transfers of securities between the AFS portfolio and the held-to-maturity (HTM) portfolio.

Note 6 - Held-to-Maturity Securities

Table 6.1 - HTM Securities by Major Security Type
(dollars in millions)

	December 31, 2013					
	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						
Certificates of deposit	$ 1,926	$ —	$ 1,926	$ —	$ —	$ 1,926
Other U.S. obligations	2,319	—	2,319	44	(1)	2,362
GSE and Tennessee Valley Authority obligations	4,425	—	4,425	33	(24)	4,434
State or local housing agency obligations	3,525	—	3,525	10	(202)	3,333
Other	1	—	1	—	—	1
Total non-mortgage-backed securities	12,196	—	12,196	87	(227)	12,056
Mortgage-backed securities						
Other U.S. obligations residential MBS	10,017	—	10,017	101	(79)	10,039
Other U.S. obligations commercial MBS	215	—	215	1	—	216
GSE residential MBS	72,302	—	72,302	948	(717)	72,533
GSE commercial MBS	7,656	—	7,656	140	(93)	7,703
Private-label residential MBS	9,284	(735)	8,549	838	(152)	9,235
Manufactured housing loan ABS	125	—	125	3	(2)	126
Home equity loan ABS	329	(54)	275	80	(6)	349
Total mortgage-backed securities	99,928	(789)	99,139	2,111	(1,049)	100,201
Total	$ 112,124	$ (789)	$ 111,335	$ 2,198	$ (1,276)	$ 112,257

	December 31, 2012					
	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						
Certificates of deposit	$ 2,958	$ —	$ 2,958	$ —	$ —	$ 2,958
Other U.S. obligations	2,561	—	2,561	141	—	2,702
GSE and Tennessee Valley Authority obligations	3,131	—	3,131	94	—	3,225
State or local housing agency obligations	2,713	—	2,713	23	(211)	2,525
Other	2	—	2	—	—	2
Total non-mortgage-backed securities	11,365	—	11,365	258	(211)	11,412
Mortgage-backed securities						
Other U.S. obligations residential MBS	9,109	—	9,109	177	(1)	9,285
Other U.S. obligations commercial MBS	457	—	457	8	—	465
GSE residential MBS	70,253	—	70,253	2,042	(11)	72,284
GSE commercial MBS	5,203	—	5,203	381	(1)	5,583
Private-label residential MBS	12,122	(881)	11,241	638	(264)	11,615
Private-label commercial MBS	10	—	10	—	—	10
Manufactured housing loan ABS	147	—	147	2	(4)	145
Home equity loan ABS	382	(64)	318	67	(17)	368
Total mortgage-backed securities	97,683	(945)	96,738	3,315	(298)	99,755
Total	$ 109,048	$ (945)	$ 108,103	$ 3,573	$ (509)	$ 111,167

(1) Amortized cost of HTM securities includes adjustments made to the cost basis of an investment for accretion, amortization, and/or previous OTTI recognized in earnings.
(2) Carrying value of HTM securities represents amortized cost after adjustment for the non-credit-related OTTI recognized in AOCI.
(3) Gross unrecognized holding gains (losses) represent the difference between fair value and carrying value.

Table 6.2 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.

Table 6.2 - HTM Securities in a Continuous Unrealized Loss Position
(dollars in millions)

	December 31, 2013					
	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	$ 85	$ (1)	$ 17	$ —	$ 102	$ (1)
GSE and Tennessee Valley Authority obligations	1,970	(24)	—	—	1,970	(24)
State or local housing agency obligations	565	(9)	928	(193)	1,493	(202)
Total non-mortgage-backed securities	2,620	(34)	945	(193)	3,565	(227)
Mortgage-backed securities						
Other U.S. obligations residential MBS	3,008	(75)	549	(4)	3,557	(79)
GSE residential MBS	26,740	(690)	1,129	(27)	27,869	(717)
GSE commercial MBS	3,951	(93)	—	—	3,951	(93)
Private-label residential MBS	1,920	(25)	5,044	(565)	6,964	(590)
Manufactured housing loan ABS	—	—	11	(2)	11	(2)
Home equity loan ABS	—	—	243	(6)	243	(6)
Total mortgage-backed securities	35,619	(883)	6,976	(604)	42,595	(1,487)
Total	$ 38,239	$ (917)	$ 7,921	$ (797)	$ 46,160	$ (1,714)

	December 31, 2012					
	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						
State or local housing agency obligations	$ 1	$ —	$ 1,072	$ (211)	$ 1,073	$ (211)
Total non-mortgage-backed securities	1	—	1,072	(211)	1,073	(211)
Mortgage-backed securities						
Other U.S. obligations residential MBS	275	—	463	(1)	738	(1)
GSE residential MBS	1,278	(5)	847	(6)	2,125	(11)
GSE commercial MBS	296	(1)	—	—	296	(1)
Private-label residential MBS	96	(2)	7,733	(950)	7,829	(952)
Manufactured housing loan ABS	—	—	67	(4)	67	(4)
Home equity loan ABS	62	(1)	263	(23)	325	(24)
Total mortgage-backed securities	2,007	(9)	9,373	(984)	11,380	(993)
Total	$ 2,008	$ (9)	$ 10,445	$ (1,195)	$ 12,453	$ (1,204)

(1) Total unrealized losses in Table 6.2 will not agree to total gross unrecognized holding losses in Table 6.1. Total unrealized losses in Table 6.2 includes non-credit-related OTTI recognized in AOCI and gross unrecognized holding gains on previously other-than-temporarily impaired securities.

Table 6.3 - HTM Securities by Contractual Maturity
(dollars in millions)

	December 31, 2013			December 31, 2012		
Year of Maturity	Amortized Cost	Carrying Value(1)	Fair Value	Amortized Cost	Carrying Value(1)	Fair Value
Non-mortgage-backed securities						
Due in one year or less	$ 3,151	$ 3,151	$ 3,152	$ 4,604	$ 4,604	$ 4,608
Due after one year through five years	4,055	4,055	4,033	2,285	2,285	2,290
Due after five years through ten years	991	991	992	820	820	840
Due after ten years	3,999	3,999	3,879	3,656	3,656	3,674
Total non-mortgage-backed securities	12,196	12,196	12,056	11,365	11,365	11,412
Mortgage-backed securities(2)	99,928	99,139	100,201	97,683	96,738	99,755
Total	$ 112,124	$ 111,335	$ 112,257	$ 109,048	$ 108,103	$ 111,167

(1) Carrying value of HTM securities represents amortized cost after adjustment for non-credit-related OTTI recognized in AOCI.
(2) MBS are not presented by contractual maturity because their expected maturities will likely differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

Table 6.4 - Interest Rate Payment Terms of HTM Securities
(dollars in millions)

	December 31,	
	2013	2012
Amortized cost of non-mortgage-backed securities		
Fixed rate	$ 6,467	$ 6,585
Variable rate	5,729	4,780
Total amortized cost of non-mortgage-backed securities	12,196	11,365
Amortized cost of mortgage-backed securities		
Fixed rate	46,727	41,789
Variable rate	53,201	55,894
Total amortized cost of mortgage-backed securities	99,928	97,683
Total	$ 112,124	$ 109,048

Realized Gains and Losses

Certain FHLBanks sold securities out of their respective HTM portfolio that were either within three months of maturity or had less than 15% of the acquired principal outstanding at the time of the sale. These sales are considered maturities for purposes of security classification.

Table 6.5 - Proceeds from Sale and Gains and Losses on HTM Securities
(dollars in millions)

	Year Ended December 31,		
	2013	2012	2011
Proceeds from sale of HTM securities	$ —	$ 539	$ 1,401
Carrying value of HTM securities sold	—	509	1,366
Net realized gains (losses) from sale of HTM securities	$ —	$ 30	$ 35

Note 7 - Other-than-Temporary Impairment Analysis

Each FHLBank evaluates its individual AFS and HTM investment securities holdings in an unrealized loss position for OTTI on 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 statement of condition date. For securities in an unrealized loss position that meet neither of these conditions, each FHLBank performs a cash flow analysis to determine whether the entire amortized cost basis of these impaired securities, including all previously other-than-temporarily impaired securities, will be recovered. If the FHLBank does not expect to recover the entire amount, the unrealized loss position is considered to be other-than-temporarily impaired. The FHLBank evaluates the security's OTTI to determine the amount of credit loss recognized in earnings, which is limited to the amount of that security's unrealized loss.

To ensure consistency in determination of OTTI for private-label MBS among all FHLBanks, the FHLBanks use a system-wide governance committee and 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 MBS in an unrealized loss position to be evaluated using the FHLBanks' common framework and approved assumptions for purposes of OTTI cash flow analysis. For certain private-label MBS 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 available information, including the structure of the applicable security and certain assumptions such as:

- the remaining payment terms for the security;
- prepayment speeds based on underlying loan-level borrower and loan characteristics;
- default rates based on underlying loan-level borrower and loan characteristics;
- 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-rate assumptions.

Certain Private-label MBS

Each FHLBank performed a cash flow analysis using two third-party models to assess whether the entire amortized cost basis of its private-label MBS 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; as currently defined, a CBSA must contain at least one urban area with a population of 10,000 or more people. The FHLBanks' OTTI Governance Committee developed a short-term housing price forecast with projected changes ranging from a decrease of 5.0% to an increase of 7.0% over the twelve month period beginning October 1, 2013. For the vast majority of markets, the projected short-term housing price changes range from an increase of 1.0% to an increase of 5.0%. Thereafter, home prices were projected to recover using one of five different recovery paths.

Table 7.1 presents projected home price recovery by months following the short-term housing price forecast.

Table 7.1 - Recovery Ranges of Housing Price Change

Months	Recovery Range (Annualized Rates)		
1 - 6	0.0%	—	3.0%
7 - 12	1.0%	—	4.0%
13 - 18	2.0%	—	4.0%
19 - 30	2.0%	—	5.0%
31 - 54	2.0%	—	6.0%
Thereafter	2.3%	—	5.6%

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 reflects a best estimate scenario and includes a base case current-to-trough housing price forecast and a base case housing price recovery path.

OTTI - Credit Loss. 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 MBS, 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.

OTTI - Significant Inputs. Table 7.2 presents the significant inputs used to measure the amount of credit loss recognized in earnings during the year ended December 31, 2013, for those securities for which an OTTI was determined to have occurred, as well as related current credit enhancement, for each applicable FHLBank. Credit enhancement is defined as the percentage of credit subordination, excess spread, and over-collateralization, if any, in a security structure that will generally absorb losses before each FHLBank will experience a credit loss on the security. The calculated averages represent the dollar-weighted averages of all the private-label residential MBS and home equity loan ABS in each category shown.

Table 7.2 - Significant Inputs for OTTI

	Significant Inputs for OTTI Private-label Residential MBS(1)(2)			Current Credit Enhancement
	Prepayment Rates	Default Rates	Loss Severities	
Year of Securitization	Weighted-Average(3)	Weighted-Average(3)	Weighted-Average(3)	Weighted-Average(3)
Prime				
2007	10.1%	5.6%	31.0%	19.4%
2006	8.4%	12.5%	37.2%	1.0%
2005	10.6%	11.3%	33.3%	3.5%
2004 and prior	10.0%	8.7%	33.0%	12.0%
Total prime	9.8%	8.0%	32.7%	13.1%
Alt-A				
2007	8.4%	41.2%	45.4%	7.4%
2006	7.3%	42.4%	47.3%	6.7%
2005	7.3%	21.6%	42.5%	15.5%
2004 and prior	11.5%	12.9%	35.8%	14.8%
Total Alt-A	8.3%	33.9%	44.0%	10.0%
Total OTTI Private-label residential MBS	8.4%	33.2%	43.7%	10.1%

	Significant Inputs for OTTI Home Equity Loan ABS(1)(2)			Current Credit Enhancement
	Prepayment Rates	Default Rates	Loss Severities	
Year of Securitization	Weighted-Average(3)	Weighted-Average(3)	Weighted-Average(3)	Weighted-Average(3)
Subprime				
2004 and prior	1.2%	44.9%	81.8%	11.5%
Total subprime	1.2%	44.9%	81.8%	11.5%
Total OTTI Home equity loan ABS	1.2%	44.9%	81.8%	11.5%

(1) Represents significant inputs associated with the most recent OTTI in 2013.
(2) The classification (prime, Alt-A, and subprime) is based on the model used to run the estimated cash flows for the CUSIP, which may not necessarily be the same as the classification at the time of origination.
(3) Weighted-average percentage is based on unpaid principal balance.

OTTI - HTM Securities Transferred to AFS Securities. Certain 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 issuer's creditworthiness, is not considered to be inconsistent with its original classification. Additionally, other events that are isolated, nonrecurring, or unusual for an FHLBank that could not have been reasonably anticipated may cause an FHLBank to sell or transfer an HTM security without necessarily calling into question its intent to hold other debt securities to maturity.

During 2013, 2012, and 2011, certain FHLBanks elected to transfer from their respective HTM portfolio to their respective AFS portfolio private-label residential MBS that had credit-related OTTI recorded during the applicable period. Each of these FHLBanks recognized an OTTI credit loss on these HTM private-label residential MBS, which that FHLBank believes is evidence of a significant deterioration in the issuer's creditworthiness. This deterioration 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 the affected FHLBanks asserted as of December 31, 2013, that it has no intent to sell and believes 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 7.3 presents information on private-label residential MBS transferred during 2013, 2012, and 2011. The amounts represent the values as of the transfer date.

Table 7.3 - HTM Securities Transferred to AFS Securities
(dollars in millions)

	2013				
	Amortized Cost	OTTI Recognized in AOCI	Carrying Value	Gross Unrecognized Holding Gains (Losses)	Fair Value
Transferred at December 31,	$ 16	$ —	$ 16	$ —	$ 16
Transferred at September 30,	37	(1)	36	—	36
Transferred at June 30,	1	—	1	—	1
Transferred at March 31,	34	(4)	30	—	30
Total	$ 88	$ (5)	$ 83	$ —	$ 83

	2012				
	Amortized Cost	OTTI Recognized in AOCI	Carrying Value	Gross Unrecognized Holding Gains (Losses)	Fair Value
Transferred at December 31,	$ 6	$ —	$ 6	$ —	$ 6
Transferred at September 30,	94	(15)	79	—	79
Transferred at June 30,	26	(7)	19	—	19
Transferred at March 31,	60	(7)	53	—	53
Total	$ 186	$ (29)	$ 157	$ —	$ 157

	2011				
	Amortized Cost	OTTI Recognized in AOCI	Carrying Value	Gross Unrecognized Holding Gains (Losses)	Fair Value
Transferred at December 31,	$ 392	$ (84)	$ 308	$ 1	$ 309
Transferred at September 30,	761	(153)	608	33	641
Transferred at June 30,	2,678	(739)	1,939	168	2,107
Transferred at March 31,	7,519	(1,796)	5,723	690	6,413
Total	$ 11,350	$ (2,772)	$ 8,578	$ 892	$ 9,470

Table 7.4 presents the December 31, 2013 balance of the total HTM and AFS MBS with OTTI charges during the life of the security (which represent securities other-than-temporarily impaired prior to and at December 31, 2013), based on each individual FHLBank's impairment analyses of its investment portfolio.

Table 7.4 - Total MBS Other-than-Temporarily Impaired during the Life of the Security
(dollars in millions)

	December 31, 2013(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 residential MBS(2)							
Prime	$ 1,350	$ 1,076	$ 805	$ 1,126	$ 4,252	$ 3,509	$ 3,736
Alt-A	1,918	1,470	1,095	1,441	10,492	8,700	8,547
Subprime	717	448	359	516	2	2	1
Total private-label residential MBS	3,985	2,994	2,259	3,083	14,746	12,211	12,284
Home equity loan ABS(2)							
Alt-A	—	—	—	—	17	12	14
Subprime	203	165	111	187	—	—	—
Total home equity loan ABS	203	165	111	187	17	12	14
Total	$ 4,188	$ 3,159	$ 2,370	$ 3,270	$ 14,763	$ 12,223	$ 12,298

(1) Table 7.4 does not include all HTM and AFS securities that are in an unrealized loss position as of December 31, 2013. This table includes only HTM and AFS MBS with OTTI charges during the life of the security.
(2) The FHLBanks classify 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 securities.

Table 7.5 presents a rollforward of the amounts related to credit losses recognized in earnings. The rollforward relates to the amount of credit losses on investment securities held by the FHLBanks for which a portion of OTTI losses was recognized in accumulated other comprehensive income (loss).

Table 7.5 - Rollforward of the Amounts Related to Credit Losses Recognized into Earnings
(dollars in millions)

	2013	2012	2011
Balance, at beginning of period	$ 4,260	$ 4,290	$ 3,524
Additions			
Credit losses for which OTTI was not previously recognized(1)	—	1	29
Additional OTTI credit losses for securities upon which an OTTI charge was previously recognized (2)	14	111	827
Reductions			
Securities sold or matured during the period(3)	(60)	(79)	(63)
Credit losses on securities that an FHLBank intends to sell before recovery of its amortized cost basis	(8)	—	—
Increases in cash flows expected to be collected that are recognized over the remaining life of the securities	(131)	(63)	(27)
Balance, at end of period	$ 4,075	$ 4,260	$ 4,290

(1) Table 7.5 does not include $1 million of OTTI charges related to an AFS non-mortgage-backed security for the year ended December 31, 2013, that the FHLBank of Des Moines intended to sell.
(2) For the years ended December 31, 2013, 2012, and 2011, additional OTTI credit losses for securities upon which an OTTI charge was previously recognized relates to all securities that were also previously impaired prior to January 1, 2013, 2012, and 2011.
(3) Represents reductions related to securities sold or having reached final maturity during the period, and therefore are no longer held by the FHLBanks at the end of the period.

All other AFS and HTM Investment Securities

At December 31, 2013, the FHLBanks held certain other AFS and HTM securities in unrealized loss positions. These unrealized losses are due primarily to illiquidity and interest rate volatility. These losses are considered temporary as each FHLBank expects to recover the entire amortized cost basis on its 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 these other AFS and HTM investments to be other-than-temporarily impaired at December 31, 2013.

Note 8 - 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 20 years, where the interest rates reset periodically at a fixed spread to the LIBOR or other specified index.

Table 8.1 - Advances Redemption Terms
(dollars in millions)

	December 31, 2013		December 31, 2012	
Redemption Term	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Overdrawn demand and overnight deposit accounts	$ 16	2.05%	$ 38	2.27%
Due in 1 year or less	206,928	0.52%	165,019	0.82%
Due after 1 year through 2 years	54,952	1.40%	40,669	1.75%
Due after 2 years through 3 years	55,827	1.77%	41,153	1.94%
Due after 3 years through 4 years	52,298	1.89%	43,471	2.35%
Due after 4 years through 5 years	64,748	1.23%	52,663	2.20%
Thereafter	55,793	2.24%	68,267	2.35%
Index-amortizing advances(1)	1,997	3.64%	2,320	3.94%
Total par value	492,559	1.21%	413,600	1.63%
Commitment fees	(7)		(8)	
Discounts on AHP advances	(41)		(49)	
Premiums	118		256	
Discounts	(110)		(104)	
Hedging adjustments	5,961		11,766	
Fair value option valuation adjustments	119		289	
Total	$ 498,599		$ 425,750	

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

Table 8.2 - Advances by Year of Contractual Maturity or Next Call Date and Next Put or Convert Date
(dollars in millions)

	Year of Contractual Maturity or Next Call Date		Year of Contractual Maturity or Next Put or Convert Date	
Redemption Term	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Overdrawn demand and overnight deposit accounts	$ 16	$ 38	$ 16	$ 38
Due in 1 year or less	248,642	186,434	231,878	199,801
Due after 1 year through 2 years	51,856	39,050	55,174	39,779
Due after 2 years through 3 years	52,358	38,814	53,096	40,466
Due after 3 years through 4 years	48,422	39,793	44,029	39,214
Due after 4 years through 5 years	45,294	48,868	59,138	36,832
Thereafter	43,974	58,283	47,231	55,150
Index-amortizing advances	1,997	2,320	1,997	2,320
Total par value	$ 492,559	$ 413,600	$ 492,559	$ 413,600

The FHLBanks offer advances to members and eligible non-members that provide 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 December 31, 2013 and 2012, the FHLBanks had callable advances outstanding totaling $52.5 billion and $34.2 billion.

Some advances contain embedded options allowing an FHLBank 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, these put options are exercised when interest rates increase. At December 31, 2013 and 2012, the FHLBanks had putable advances outstanding totaling $26.3 billion and $31.7 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 December 31, 2013 and 2012, the FHLBanks had convertible advances outstanding totaling $7.5 billion and $9.9 billion.

Table 8.3 - Advances by Current Interest Rate Terms
(dollars in millions)

	December 31, 2013	December 31, 2012
Fixed-rate		
Due in one year or less	$ 154,165	$ 127,781
Due after one year	161,115	166,590
Total fixed-rate	315,280	294,371
Variable-rate		
Due in one year or less	52,350	36,911
Due after one year	124,929	82,318
Total variable-rate	177,279	119,229
Total par value	$ 492,559	$ 413,600

Credit Risk Exposure and Security Terms

The FHLBanks' potential credit risk from advances is concentrated in commercial banks and thrifts. The FHLBanks' advances outstanding that were greater than or equal to $1.0 billion per borrower were $335.6 billion and $273.1 billion at December 31, 2013 and 2012. These advances were made to 73 and 70 borrowers (members and non-members) at December 31, 2013 and 2012, which represented 68.1% and 66.0% of total advances outstanding at December 31, 2013 and 2012. (See *Note 10 - Allowance for Credit Losses* for information related to the FHLBanks' credit risk on advances and allowance methodology for credit losses.)

Note 9 - Mortgage Loans

Mortgage Loans Held for Portfolio

Mortgage loans held for portfolio consist of loans obtained through the MPP and MPF Program and are either conventional or government-guaranteed or -insured mortgage 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. These mortgage loans are credit-enhanced by participating financial institutions or are guaranteed or insured by Federal agencies. The FHLBanks are authorized to hold acquired member assets, such as assets acquired under the MPP and MPF Program.

As of December 31, 2013, the FHLBanks of Atlanta, Chicago, Dallas, San Francisco, and Seattle were not accepting additional master commitments to acquire loans for their own portfolio or purchasing additional mortgage loans under either the MPP or MPF Program, except for certain FHLBanks' purchases of MPF Loans to support affordable housing. The remaining FHLBanks participating in the MPP and MPF Program continue to have the ability to purchase and fund both conventional and government-guaranteed or -insured mortgage loans. The FHLBank of San Francisco announced that it is renewing its participation in the MPF Program. Starting in 2014, the FHLBank of San Francisco plans to begin purchasing conventional, conforming, fixed-rate mortgage loans, and Federal Housing Administration/Department of Veterans Affairs-insured mortgage loans from members for its own portfolio under the MPF Original and MPF Government products.

Table 9.1 - Mortgage Loans Held for Portfolio
(dollars in millions)

	December 31,	
	2013	2012
Fixed-rate, long-term single-family mortgage loans	$ 34,393	$ 37,634
Fixed-rate, medium-term(1) single-family mortgage loans	9,429	11,157
Multifamily mortgage loans	—	20
Total unpaid principal balance	43,822	48,811
Premiums	694	686
Discounts	(103)	(126)
Deferred loan costs, net	—	2
Hedging adjustments	117	182
Total mortgage loans held for portfolio	$ 44,530	$ 49,555

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

Table 9.2 - Mortgage Loans Held for Portfolio by Collateral/Guarantee Type
(dollars in millions)

	December 31,	
	2013	2012
Conventional mortgage loans	$ 38,327	$ 42,479
Government-guaranteed or -insured mortgage loans	5,495	6,312
Multifamily mortgage loans	—	20
Total unpaid principal balance	$ 43,822	$ 48,811

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 settled on July 26, 2011, resulting in a gain of approximately $77 million in the third quarter of 2011, reported in non-interest income - other, net in the Combined Statement of Income.

Note 10 - Allowance for Credit Losses

Each FHLBank has established an allowance methodology for its applicable portfolio segments:

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

Credit Products

Each FHLBank manages its credit exposure to credit products through an integrated approach that includes establishing a credit limit for each borrower, includes an ongoing review of each borrower's financial condition and is coupled with collateral and lending policies to limit risk of loss while balancing borrowers' needs for a reliable source of funding. In addition, each FHLBank lends to eligible borrowers in accordance with federal statutes and FHFA regulations. Specifically, each FHLBank complies with the FHLBank Act, which requires the FHLBank to obtain sufficient collateral to fully secure credit products. The estimated value of the collateral required to secure each member's credit products is calculated by applying collateral discounts, or haircuts, to the market value or unpaid principal balance of the collateral, as applicable. Each FHLBank accepts certain investment securities, residential mortgage loans, deposits, and other real estate related assets as collateral. In addition, community financial institutions (CFIs) are eligible to use expanded statutory collateral provisions for small business, agriculture loans, and community development loans. The FHLBank capital stock owned by each borrower is also pledged as collateral. Collateral arrangements may vary depending upon borrower credit quality, financial condition and performance; borrowing capacity; and overall credit exposure to the borrower. Each FHLBank can also require additional or substitute collateral to protect its security interest. Management of each FHLBank believes that these policies effectively manage that FHLBank's respective credit risk from credit products.

Based upon the financial condition of the borrower, an FHLBank either allows a borrower to retain physical possession of the collateral assigned to it, or requires the borrower to specifically assign or place physical possession of the collateral with the FHLBank or its safekeeping agent. Each FHLBank perfects its security interest in all pledged collateral. The FHLBank Act states that any security interest granted to an FHLBank by a borrower will have priority over the claims or rights of any other party except for claims or rights of a third party that would be entitled to priority under otherwise applicable law and are held by a bona fide purchaser for value or by a secured party holding a prior perfected security interest.

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 indicator of credit quality on their credit products. At December 31, 2013 and 2012, each FHLBank had rights to collateral on a borrower-by-borrower basis with an estimated value equal to, or greater than, its outstanding extensions of credit.

Each FHLBank continues to evaluate and make changes to its collateral guidelines, as necessary, based on current market conditions. At December 31, 2013 and 2012, 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 FHLBank during the years ended December 31, 2013 and 2012.

Based on the collateral held as security, each FHLBank management's credit extension and collateral policies and repayment history on credit products, no FHLBank has incurred any losses on its credit products. Accordingly, at December 31, 2013 and 2012, no FHLBank recorded any allowance for credit losses on these credit products, and no FHLBank recorded any liability to reflect an allowance for credit losses for off-balance sheet credit exposures. (See *Note 21 - Commitments and Contingencies* for additional information on the FHLBanks' off-balance sheet credit exposure.)

Government-Guaranteed or -Insured Mortgage Loans Held for Portfolio

An FHLBank invests in fixed-rate mortgage loans that are insured or guaranteed by the Federal Housing Administration, the Department of Veterans Affairs, the Rural Housing Service of the Department of Agriculture, and/or the Department of Housing and Urban Development. The servicer provides and maintains insurance or a guarantee from the applicable government agency. The servicer is responsible for compliance with all government agency requirements and for obtaining the

benefit of the applicable guarantee or insurance with respect to defaulted government-guaranteed or -insured mortgage loans. Any losses incurred on these loans that are not recovered from the issuer or the guarantor are absorbed by the servicer. Therefore, each FHLBank only has credit risk for these loans if the servicer fails to pay for losses not covered by the guarantee or insurance. Based on each FHLBank's assessment of its servicers, no FHLBank established an allowance for credit losses for its government-guaranteed or -insured mortgage loan portfolio at December 31, 2013 and 2012. Furthermore, none of these mortgage loans have been placed on non-accrual status because of the U.S. government guarantee or insurance on these loans and the contractual obligation of the loan servicer to repurchase the loans when certain criteria are met.

Mortgage Loans Held for Portfolio - Conventional MPF, Conventional MPP, and Other Loans

Each FHLBank determines its allowances for conventional loans through analyses that include consideration of various data observations, such as past performance, current performance, loan portfolio characteristics, collateral-related characteristics, industry data, and prevailing economic conditions. The measurement of the allowance for loan losses may consist of: (1) mortgage loans evaluated at the individual master commitment level; (2) individually evaluated mortgage loans; (3) collectively evaluated mortgage loans; or (4) estimating additional credit loss in conventional mortgage loans.

Mortgage Loans Evaluated at the Individual Master Commitment Level. The credit risk analysis of all conventional MPF Loans is performed at the individual master commitment level to determine the credit enhancements available to recover losses on MPF Loans under each individual master commitment.

Individually Evaluated Mortgage Loans Including Collateral Dependent Mortgage Loans. Certain conventional mortgage loans, primarily impaired mortgage loans that are considered collateral dependent, may be specifically identified for purposes of calculating the allowance for credit losses. A mortgage loan is considered collateral dependent if repayment is only expected to be provided by the sale of the underlying property - that is, if it is considered likely that the borrower will default and there is no credit enhancement from a participating financial institution to offset losses under the master commitment. The estimated credit losses on impaired collateral-dependent loans may be separately determined because sufficient information exists to make a reasonable estimate of the inherent loss for such loans on an individual loan basis. Each FHLBank applies an appropriate loss severity rate, which is used to estimate the fair value of its collateral. The resulting incurred loss is equal to the difference between the carrying value of the loan and the estimated fair value of the collateral less estimated selling costs.

Collectively Evaluated Mortgage Loans. The credit risk analysis of conventional loans evaluated collectively for impairment by an FHLBank considers loan pool specific attribute data, applies estimated loss severities, and incorporates the associated credit enhancements in order to determine the FHLBank's best estimate of probable incurred losses at the reporting date. Credit enhancement cash flows that are projected and assessed as not probable of receipt are not considered in reducing the estimated losses. Migration analysis is a methodology for determining, through an FHLBank's experience over a historical period, the rate of default on pools of similar loans. Certain FHLBanks apply migration analysis to loans based on payment status categories, such as current, 30, 60, and 90 days past due as well as to loans 60 days past due following receipt of notice of filing from the bankruptcy court. Each FHLBank then estimates how many loans in these categories may migrate to a realized loss position and applies a loss severity factor to estimate losses incurred at the statement of condition date.

Estimating Additional Credit Losses on Mortgage Loans. Certain FHLBanks also assess other factors in the estimation of loan losses for their respective homogeneous loan population. These factors represent subjective management judgment based on facts and circumstances that exist as of the reporting date that are unallocated to any specific measurable economic or credit event and are intended to cover other inherent losses that may not otherwise be captured in the methodology. Therefore, the allowance for credit losses that includes these factors represents management's best estimate of probable loan losses. However, the actual loss that may occur on homogeneous pools of mortgage loans may be more or less than the estimated loss.

Rollforward of Allowance for Credit Losses on Mortgage Loans. Each FHLBank established an allowance for credit losses on its conventional mortgage loans held for portfolio. Table 10.1 presents a rollforward of the allowance for credit losses on mortgage loans for the years ended December 31, 2013, 2012, and 2011, and Table 10.2 presents the recorded investment in mortgage loans by impairment methodology at December 31, 2013 and 2012. The recorded investment in a loan is the unpaid principal balance 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 10.1 - Rollforward of Allowance for Credit Losses on Mortgage Loans
(dollars in millions)

	Year Ended December 31, 2013			
	Conventional MPP	Conventional MPF	Other	Total
Balance, at beginning of period	$ 30	$ 101	$ 1	$ 132
Charge-offs and recoveries	(4)	(20)	(1)	(25)
Provision (reversal) for credit losses(1)	(13)	(6)	—	(19)
Balance, at end of period	$ 13	$ 75	$ —	$ 88

	Year Ended December 31, 2012			
	Conventional MPP	Conventional MPF	Other	Total
Balance, at beginning of period	$ 30	$ 107	$ 1	$ 138
Charge-offs and recoveries	(7)	(20)	—	(27)
Provision (reversal) for credit losses(1)	7	14	—	21
Balance, at end of period	$ 30	$ 101	$ 1	$ 132

	Year Ended December 31, 2011			
	Conventional MPP	Conventional MPF	Other	Total
Balance, at beginning of period	$ 15	$ 70	$ 1	$ 86
Charge-offs and recoveries	(6)	(14)	—	(20)
Provision (reversal) for credit losses(1)	21	51	—	72
Balance, at end of period	$ 30	$ 107	$ 1	$ 138

(1) The provision (reversal) for credit losses includes only the provision (reversal) related specifically to mortgage loans and does not include provision or reversal for credit losses related to Banking on Business loans specific to the FHLBank of Pittsburgh of $1 million or less for the periods presented.

Table 10.2 - Allowance for Credit Losses and Recorded Investment by Impairment Methodology
(dollars in millions)

	December 31,							
	2013				2012			
	Conventional MPP	Conventional MPF	Other	Total	Conventional MPP	Conventional MPF	Other	Total
Allowances for credit losses, end of period								
Individually evaluated for impairment	$ 1	$ 35	$ —	$ 36	$ 1	$ 51	$ —	$ 52
Collectively evaluated for impairment	12	40	—	52	29	50	1	80
	$ 13	$ 75	$ —	$ 88	$ 30	$ 101	$ 1	$ 132
Recorded investment, end of period(1)								
Individually evaluated for impairment								
Impaired, with or without a related allowance	$ 39	$ 348	$ —	$ 387	$ 35	$ 380	$ —	$ 415
Not impaired, no related allowance	—	1,795	—	1,795	—	1,756	—	1,756
Total individually evaluated for impairment	39	2,143	—	2,182	35	2,136	—	2,171
Collectively evaluated for impairment	11,795	25,140	—	36,935	12,545	28,606	21	41,172
Total recorded investment	$ 11,834	$ 27,283	$ —	$ 39,117	$ 12,580	$ 30,742	$ 21	$ 43,343

(1) Excludes government-guaranteed or -insured mortgage loans at December 31, 2013 and 2012.

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. Table 10.3 presents the FHLBanks' key credit quality indicators for mortgage loans at December 31, 2013 and 2012.

Table 10.3 - Recorded Investment in Delinquent Mortgage Loans
(dollars in millions)

	December 31, 2013				
	Conventional MPP	Conventional MPF	Government-Guaranteed or -Insured	Other	Total
Past due 30-59 days	$ 128	$ 418	$ 296	$ —	$ 842
Past due 60-89 days	40	123	89	—	252
Past due 90 days or more	172	491	256	—	919
Total past due mortgage loans	340	1,032	641	—	2,013
Total current mortgage loans	11,494	26,251	4,980	—	42,725
Total mortgage loans(1)	$ 11,834	$ 27,283	$ 5,621	$ —	$ 44,738
Other delinquency statistics					
In process of foreclosure, included above(2)	$ 123	$ 283	$ 87	$ —	$ 493
Serious delinquency rate(3)	1.45%	1.69%	4.09%	—	1.93%
Past due 90 days or more and still accruing interest	$ 134	$ 27	$ 256	$ —	$ 417
Loans on non-accrual status(4)	$ 45	$ 518	$ —	$ —	$ 563

	December 31, 2012				
	Conventional MPP	Conventional MPF	Government-Guaranteed or -Insured	Other	Total
Past due 30-59 days	$ 140	$ 444	$ 305	$ —	$ 889
Past due 60-89 days	53	140	101	—	294
Past due 90 days or more	233	614	318	—	1,165
Total past due mortgage loans	426	1,198	724	—	2,348
Total current mortgage loans	12,154	29,544	5,720	21	47,439
Total mortgage loans(1)	$ 12,580	$ 30,742	$ 6,444	$ 21	$ 49,787
Other delinquency statistics					
In process of foreclosure, included above(2)	$ 181	$ 392	$ 114	$ —	$ 687
Serious delinquency rate(3)	1.85%	2.01%	4.93%	—	2.35%
Past due 90 days or more and still accruing interest	$ 182	$ 67	$ 318	$ —	$ 567
Loans on non-accrual status(4)	$ 58	$ 606	$ —	$ —	$ 664

(1) The difference between the recorded investment and the carrying value of total mortgage loans of $208 million and $232 million at December 31, 2013 and 2012 primarily relates to accrued interest. (See *Note 9 - Mortgage Loans* for details on the carrying values of total mortgage loans.)
(2) Includes loans where the decision of foreclosure or a similar alternative, such as pursuit of deed-in-lieu has been reported. Loans in the process of foreclosure are included in past due or current loans depending on their delinquency status.
(3) Represents seriously delinquent loans as a percentage of total mortgage loans. Seriously delinquent loans are comprised of all loans past due 90 days or more delinquent or loans that are in the process of foreclosure (including past due or current loans in the process of foreclosure).
(4) Generally represents mortgage loans with contractual principal or interest payments 90 days or more past due and not accruing interest.

Individually Evaluated Impaired Loans. Table 10.4 presents the recorded investment, unpaid principal balance, and related allowance of impaired loans individually assessed for impairment at December 31, 2013 and 2012, and Table 10.5 presents the average recorded investment and related interest income recognized on these loans during the years ended December 31, 2013, 2012, and 2011.

Table 10.4 - Individually Evaluated Impaired Loan Statistics by Product Class Level
(dollars in millions)

	December 31, 2013			December 31, 2012		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance						
Conventional MPP Loans	$ 35	$ 35	$ —	$ 31	$ 31	$ —
Conventional MPF Loans	34	34	—	32	32	—
With an allowance						
Conventional MPP Loans	4	4	—	4	4	—
Conventional MPF Loans	314	309	35	348	343	51
Total						
Conventional MPP Loans	$ 39	$ 39	$ —	$ 35	$ 35	$ —
Conventional MPF Loans	$ 348	$ 343	$ 35	$ 380	$ 375	$ 51

Table 10.5 - Average Recorded Investment of Individually Impaired Loans and Related Interest Income Recognized
(dollars in millions)

	Year Ended December 31,					
	2013		2012		2011	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance						
Conventional MPP Loans	$ 35	$ 1	$ 14	$ 1	$ 1	$ —
Conventional MPF Loans	35	—	29	—	29	—
With an allowance						
Conventional MPP Loans	3	—	3	—	1	—
Conventional MPF Loans	329	1	333	9	196	6
Total						
Conventional MPP Loans	$ 38	$ 1	$ 17	$ 1	$ 2	$ —
Conventional MPF Loans	$ 364	$ 1	$ 362	$ 9	$ 225	$ 6

Credit Enhancements. An FHLBank's allowance for credit losses considers the credit enhancements associated with conventional mortgage loans under the MPF Program and MPP. These credit enhancements apply after a homeowner's equity is exhausted. Credit enhancements may include primary mortgage insurance, supplemental mortgage insurance, the credit enhancement amount plus any performance-based credit enhancement fees (for MPF Loans), and Lender Risk Account (for MPP Loans). The amount of credit enhancements estimated to protect an FHLBank against credit losses is determined through the use of a model. Any incurred losses that would be recovered from the credit enhancements are not reserved as part of an FHLBank's allowance for credit losses on mortgage loans.

Mortgage Partnership Finance. The conventional MPF loans are required to be credit enhanced so that the risk of loss is limited to the losses equivalent to an investor in a double-A rated mortgage-backed security at the time of purchase. Each MPF FHLBank and its participating financial institution share the risk of credit losses on conventional MPF Loan products, excluding the MPF Xtra product, by structuring potential losses on conventional MPF Loans into layers with respect to each master commitment. Each MPF FHLBank analyzes the risk characteristics of its MPF loans using a model from a nationally recognized statistical rating organization or an equivalent model using a comparable methodology to determine the amount of credit enhancement at the time of purchase. This credit enhancement amount is broken into a First Loss Account and a credit enhancement obligation of a participating financial institution, which is calculated based on the risk analysis to equal the difference between the amounts needed for the master commitment to have a rating equivalent to a double-A rated mortgage-backed security and an MPF FHLBank's initial First Loss Account exposure.

The First Loss Account represents the first layer or portion of credit losses that each MPF FHLBank is obligated to absorb with respect to its MPF Loans after considering the borrower's equity and primary mortgage insurance. The participating financial institution is required to cover the next layer of losses up to an agreed-upon credit enhancement obligation amount, which may consist of a direct liability of the participating financial institution to pay credit losses up to a specified amount, a contractual obligation of a participating financial institution to provide supplemental mortgage insurance, or a combination of both. Any remaining unallocated losses are absorbed by the MPF FHLBank.

Participating financial institutions are paid a credit enhancement fee for assuming credit risk, and in some instances all or a portion of the credit enhancement fee may be performance-based. An MPF FHLBank's losses incurred under the First Loss Account may be recovered by withholding future performance credit enhancement fees otherwise payable to the participating financial institutions. If at any time an MPF FHLBank cancels all or a portion of its supplemental mortgage insurance policies, the participating financial institution no longer retains the portion of credit risk on the related mortgage loans purchased by an MPF FHLBank. In those instances, an MPF FHLBank holds additional retained earnings to protect against losses and no credit enhancement fees are paid to the participating financial institution.

At December 31, 2013 and 2012, the amounts of First Loss Account remaining to cover the losses under the MPF program were $403 million and $446 million. This balance excludes amounts that may be recovered through the recapture of performance-based credit enhancement fees. An FHLBank records credit enhancement fees paid to the participating financial institutions as a reduction to mortgage interest income. Credit enhancement fees totaled $22 million, $28 million, and $33 million for the years ended December 31, 2013, 2012, and 2011.

Unlike other MPF products, under the MPF Xtra product, participating financial institutions are not required to provide credit enhancement and do not receive credit enhancement fees. Loans sold to the FHLBank of Chicago under the MPF Xtra product are concurrently sold to Fannie Mae, as a third-party investor, and are not held on the participating MPF FHLBank's statement of condition. (See *Note 21 - Commitments and Contingencies* for additional information.)

Mortgage Purchase Program. The conventional mortgage loans under the MPP are supported by a combination of primary mortgage insurance, supplemental mortgage insurance, and Lender Risk Account, in addition to the associated property as collateral. The Lender Risk Account is funded by an MPP FHLBank either upfront as a portion of the purchase proceeds or through a portion of the net interest remitted monthly by the borrower. The Lender Risk Account is a lender-specific account funded by an MPP FHLBank in an amount approximately sufficient to cover expected losses on the pool of mortgages. The Lender Risk Account is recorded in other liabilities in the Combined Statement of Condition. To the extent available, Lender Risk Account funds are used to offset any losses that 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 upon execution of a master commitment contract. The Lender Risk Account is released in accordance with the terms of the master commitment.

Table 10.6 - Changes in the MPP Lender Risk Account
(dollars in millions)

	Year Ended December 31,		
	2013	2012	2011
Balance, at beginning of period	$ 138	$ 100	$ 80
Additions	36	58	42
Claims	(10)	(16)	(19)
Scheduled distributions	(3)	(4)	(3)
Balance, at end of period	$ 161	$ 138	$ 100

Troubled debt restructurings. A troubled debt restructuring is considered to have occurred when a concession is granted to a borrower for economic or legal reasons related to the borrower's financial difficulties and that concession would not have been considered otherwise. An FHLBank has granted a concession when it does not expect to collect all amounts due to the FHLBank under the original contract as a result of the restructuring. Loans outstanding as of December 31, 2013 and 2012 that are discharged in Chapter 7 bankruptcy and have not been reaffirmed by the borrowers are also considered to be troubled debt restructurings, except in cases where certain supplemental mortgage insurance policies are held or where all contractual amounts due are still expected to be collected as a result of certain credit enhancements or government guarantees.

An FHLBank's MPF Loan troubled debt restructurings primarily involve modifying the borrower's monthly payment for a period of up to 36 months to achieve a housing expense ratio of no more than 31% of their qualifying monthly income. The outstanding principal balance is first re-amortized to reflect a principal and interest payment for a term not to exceed 40 years. This would result in a balloon payment at the original maturity date of the loan as the maturity date and the number of remaining monthly payments are not adjusted. If the 31% housing expense ratio is not achieved through re-amortization, the interest rate is reduced in 0.125% increments below the original note rate, to a floor rate of 3.00%, resulting in reduced principal and interest payments, for the temporary payment modification period of up to 36 months, until the desired 31% housing expense ratio is met.

An FHLBank's MPP Loan troubled debt restructurings primarily involve loans where an agreement permits the recapitalization of past due amounts up to the original loan amount. Under this type of modification, no other terms of the original loan are modified, including the borrower's original interest rate and contractual maturity.

An MPF or MPP Loan considered to be a troubled debt restructuring is individually evaluated for impairment when determining its related allowance for credit losses. Credit loss is measured by factoring in expected cash shortfalls (i.e., loss severity rate) incurred as of the reporting date as well as the economic loss attributable to delaying the original contractual principal and interest due dates, if applicable. Table 10.7 presents the recorded investment balances of performing and non-performing mortgage loans classified as troubled debt restructurings as of December 31, 2013 and 2012.

Table 10.7 - Performing and Non-Performing Troubled Debt Restructurings
(dollars in millions)

	December 31, 2013			December 31, 2012		
	Performing	Non-performing	Total	Performing	Non-performing	Total
Conventional MPP Loans	$ 28	$ 10	$ 38	$ 18	$ 17	$ 35
Conventional MPF Loans	50	59	109	43	14	57
Total	$ 78	$ 69	$ 147	$ 61	$ 31	$ 92

During the years ended December 31, 2013, 2012, and 2011, the FHLBanks had a limited number of troubled debt restructurings of mortgage loans. Table 10.8 presents the financial effect of the modifications during the years ended December 31, 2013, 2012, and 2011. The post-modification amounts represent the recorded investment as of the date the troubled debt restructuring was executed.

Table 10.8 - Troubled Debt Restructurings - Recorded Investment Balance at Modification Date
(dollars in millions)

	Year Ended December 31,		
Post-Modification(1)	2013	2012	2011
Conventional MPP Loans	$ 12	$ 30	$ 5
Conventional MPF Loans	58	28	18
Total	$ 70	$ 58	$ 23

(1) The pre-modification recorded investment in troubled debt restructurings was not materially different from the post-modification amount as there were no write-offs either due to principal forgiveness or direct write-offs during the years ended December 31, 2013, 2012, and 2011.

During the years ended December 31, 2013, 2012, and 2011, certain conventional MPF and MPP Loans modified as troubled debt restructurings within the previous twelve months experienced a payment default. A borrower is considered to have defaulted on a troubled debt restructuring if the borrower's contractually due principal or interest is 60 days or more past due at any time during the period presented. Table 10.9 presents the amount of these MPF and MPP Loans that subsequently defaulted.

Table 10.9 - Recorded Investment of Troubled Debt Restructurings that Subsequently Defaulted(1)
(dollars in millions)

	Year Ended December 31,		
	2013	2012	2011
Conventional MPP Loans	$ 2	$ 3	$ 1
Conventional MPF Loans	33	12	8
Total	$ 35	$ 15	$ 9

(1) For the purpose of this disclosure, only the initial default was included in Table 10.9; however, a loan can experience another payment default in a subsequent period.

Real Estate Owned. The FHLBanks had $106 million and $138 million of real estate owned recorded in other assets on the Combined Statement of Condition at December 31, 2013 and 2012.

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

These investments are generally short-term and their recorded balance approximates fair value. An FHLBank invests in federal funds with investment-grade counterparties that are only evaluated for purposes of a reserve for credit losses if the investment is not paid when due. All investments in federal funds sold are unsecured and were repaid or expected to be repaid according to the contractual terms as of December 31, 2013 and 2012. Securities purchased under agreements to resell are considered collateralized financing arrangements and effectively represent short-term loans with investment-grade counterparties. The terms of these loans are structured such that if the market value of the underlying securities decreases 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. 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, each FHLBank determined that no allowance for credit losses was needed for its securities purchased under agreements to resell at December 31, 2013 and 2012.

Note 11 - 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 strategy 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 FHFA regulation, an FHLBank enters into derivatives: (1) to manage the interest-rate risk exposures inherent in its otherwise unhedged assets and funding positions, (2) to achieve the FHLBank's risk management objectives, and (3) to act as an intermediary between its members and counterparties. FHFA 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 obligation;
- 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 portfolio.

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 its statement of condition. These hedges are primarily used to manage mismatches between the coupon features of its assets and liabilities and offset prepayment risks in certain assets. 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 its 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.

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. Derivative transactions may be either executed with a counterparty (bilateral derivatives) or cleared through a Futures Commission Merchant (i.e., clearing agent) with a Derivative Clearing Organization (cleared derivatives).

Once a derivative transaction has been accepted for clearing by a Derivative Clearing Organization (Clearinghouse), the derivative transaction is novated and the executing counterparty is replaced with the Clearinghouse. The Clearinghouse notifies the clearing agent of the required initial and variation margin and the clearing agent notifies the FHLBank of the required initial and variation margin. (See *Managing Credit Risk on Derivatives* for a more detailed discussion of cleared derivatives.) FHLBanks are not derivative dealers and do not trade derivatives for short-term profit.

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. An interest-rate swap is an agreement between two entities to exchange cash flows in the future. The agreement sets the dates on which the cash flows will be paid and the manner in which the cash flows will be calculated. One of the simplest forms of an interest-rate swap involves the promise by one party to pay cash flows equivalent to the interest on a notional amount at a predetermined fixed rate for a given period of time. In return for this promise, this party receives

cash flows equivalent to the interest on the same notional amount at a variable-rate index for the same period of time. The variable rate received or paid by the FHLBanks in most derivative transactions is the London Interbank Offered Rate (LIBOR).

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

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

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

Futures and Forwards Contracts. An FHLBank may use futures and forward contracts in order to hedge interest-rate risk. For example, certain mortgage purchase commitments entered into by an FHLBank are considered derivatives. An FHLBank may hedge these commitments by selling to-be-announced (TBA) mortgage-backed securities for forward settlement. A TBA represents a forward contract for the sale of mortgage-backed securities at a future agreed upon date for an established price.

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. An FHLBank typically uses regression analyses or other statistical analyses to assess the effectiveness of its hedges.

Investments. The FHLBanks classify investment securities as held-to-maturity, available-for-sale, or trading securities. The interest-rate and prepayment risks associated with these investment securities are managed through a combination of debt issuance and derivatives. An FHLBank may manage the prepayment and interest-rate risks by funding investment securities with consolidated obligations that have call features or by hedging the prepayment risk with caps or floors, callable swaps or swaptions. An FHLBank may manage prepayment and duration risk by funding investment securities with consolidated obligations that contain call features. An FHLBank may also manage the risk arising from changing market prices and volatility of investment securities by matching the cash outflow on the derivatives with the cash inflow on the investment securities. Derivatives held by an FHLBank that are associated with trading and held-to-maturity securities are designated as economic hedges and derivatives held by an FHLBank associated with available-for-sale securities may qualify as either a fair value hedge, economic hedge, or a cash flow hedge.

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

When issuing convertible advances, an FHLBank has the right to convert to/from a fixed-rate advance from/to a variable-rate advance if interest rates increase/decrease. A convertible advance carries an interest rate lower than a comparable-maturity fixed-rate advance that does not have the conversion feature. With a putable advance, an FHLBank effectively purchases a put option from the member that allows the FHLBank to put or extinguish the fixed-rate advance, which the FHLBank normally would exercise when interest rates increase. An FHLBank may hedge these advances by entering into a cancelable derivative.

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

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

Options may also be used to hedge prepayment risk on the mortgages, many of which are not identified to specific mortgages, and therefore do not receive fair value or cash flow hedge accounting treatment. The FHLBanks may also purchase interest-rate caps and floors, swaptions, callable swaps, calls and puts to minimize the prepayment risk embedded in the mortgage loans. Although these derivatives are valid economic hedges against the prepayment risk of the loans, they are not specifically linked to individual loans; and therefore do not receive either fair value or cash flow hedge accounting. These derivatives are marked-to-market through earnings.

Consolidated Obligations. An FHLBank enters into derivatives to hedge the interest-rate risk associated with its specific debt issuances. An FHLBank manages the risk arising from changing market prices and volatility of a consolidated obligation by matching the cash inflow on the derivative with the cash outflow on the consolidated obligation.

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

This strategy of issuing bonds while simultaneously entering into derivatives enables an FHLBank to offer a wider range of attractively priced advances to its members and may allow an FHLBank to reduce its funding costs. The continued attractiveness of this debt depends on yield relationships between the bond and derivative markets. If conditions in these markets change, an FHLBank may alter the types or terms of the bonds that it issues. By acting in both the capital and the swap markets, the FHLBanks can raise funds at lower costs than through the issuance of simple fixed- or variable-rate consolidated obligations in the capital markets alone.

Anticipated Streams of Future Cash Flows. An FHLBank may enter into an option to hedge a specified future variable cash stream as a result of rolling over short-term, fixed-rate financial instruments, such as LIBOR advances and consolidated discount notes. The option will effectively cap the variable cash stream at a predetermined target rate.

Firm Commitments. Certain mortgage purchase commitments are considered derivatives. An FHLBank normally hedges these commitments by selling TBA mortgage-backed securities or other derivatives for forward settlement. The mortgage purchase commitment and the TBA used in the firm commitment hedging strategy (economic hedge) are recorded as a derivative asset or derivative liability at fair value, with changes in fair value recognized in current-period earnings. When the mortgage purchase commitment derivative settles, the current market value of the commitment is included with the basis of the mortgage loan and amortized accordingly.

An FHLBank 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 fair value change associated with the firm commitment will be recorded as a basis adjustment 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 qualifies 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 during the years ended December 31, 2013, 2012, and 2011.

Anticipated Debt Issuance. Certain FHLBanks use derivatives to lock in the cost of funding prior to an anticipated debt issuance and designate them as cash flow hedges. The derivative is terminated upon issuance of the debt instrument.

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

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 reflects the FHLBanks' involvement in the various classes of financial instruments and represents neither the actual amounts exchanged nor the overall exposure of the FHLBanks to credit and market risk; the overall risk is much smaller. The risks of derivatives can be measured meaningfully on a portfolio basis that takes into account the counterparties, the types of derivatives, the items being hedged, and any offsets between the derivatives and the items being hedged.

Table 11.1 presents the fair value of derivative instruments, including the effect of netting adjustments and cash collateral. For purposes of this disclosure, the derivative values include the fair value of derivatives and the related accrued interest.

Table 11.1 - Fair Value of Derivative Instruments
(dollars in millions)

	December 31, 2013		
	Notional Amount of Derivatives	Derivative Assets	Derivative Liabilities
Derivatives designated as hedging instruments			
Interest-rate swaps	$ 374,229	$ 3,031	$ 10,688
Interest-rate caps or floors	282	—	3
Total derivatives in hedging relationships	374,511	3,031	10,691
Derivatives not designated as hedging instruments			
Interest-rate swaps	131,690	786	1,064
Interest-rate swaptions	4,905	64	1
Interest-rate caps or floors	27,367	270	36
Interest-rate futures or forwards	120	1	—
Mortgage delivery commitments	425	3	4
Other	260	3	3
Total derivatives not designated as hedging instruments	164,767	1,127	1,108
Total derivatives before netting and collateral adjustments	$ 539,278	4,158	11,799
Netting adjustments		(3,171)	(3,171)
Cash collateral and related accrued interest		(474)	(6,715)
Total netting adjustments and cash collateral(1)		(3,645)	(9,886)
Total derivative assets and total derivative liabilities		$ 513	$ 1,913

	December 31, 2012		
	Notional Amount of Derivatives	Derivative Assets	Derivative Liabilities
Derivatives designated as hedging instruments			
Interest-rate swaps	$ 398,541	$ 4,352	$ 15,901
Interest-rate caps or floors	285	—	4
Total derivatives in hedging relationships	398,826	4,352	15,905
Derivatives not designated as hedging instruments			
Interest-rate swaps	133,510	1,128	1,808
Interest-rate swaptions	8,740	160	—
Interest-rate caps or floors	32,058	298	30
Interest-rate futures or forwards	250	1	—
Mortgage delivery commitments	1,566	16	16
Other	530	8	7
Total derivatives not designated as hedging instruments	176,654	1,611	1,861
Total derivatives before netting and collateral adjustments	$ 575,480	5,963	17,766
Netting adjustments		(4,874)	(4,874)
Cash collateral and related accrued interest		(274)	(10,348)
Total netting adjustments and cash collateral(1)		(5,148)	(15,222)
Total derivative assets and total derivative liabilities		$ 815	$ 2,544

(1) Amounts represent the application of the netting requirements that allow an FHLBank to settle positive and negative positions and also cash collateral and related accrued interest held or placed by that FHLBank with the same clearing agent and/or counterparty.

Table 11.2 presents the components of net gains (losses) on derivatives and hedging activities as presented in the Combined Statement of Income.

Table 11.2 - Net Gains (Losses) on Derivatives and Hedging Activities
(dollars in millions)

	Year Ended December 31,		
	2013	2012	2011
Derivatives and hedged items in fair value hedging relationships			
Interest-rate swaps	$ 239	$ 190	$ 226
Other	—	1	(6)
Total net gains related to fair value hedge ineffectiveness	239	191	220
Total net gains related to cash flow hedge ineffectiveness	3	3	41
Derivatives not designated as hedging instruments			
Economic hedges			
Interest-rate swaps	298	(12)	(469)
Interest-rate swaptions	(44)	18	130
Interest-rate caps or floors	(47)	(87)	(195)
Interest-rate futures or forwards	11	(32)	(24)
Net interest settlements	(25)	(80)	(121)
Other	—	—	(10)
Mortgage delivery commitments	(19)	46	45
Total net gains (losses) related to derivatives not designated as hedging instruments	174	(147)	(644)
Net gains (losses) on derivatives and hedging activities	$ 416	$ 47	$ (383)

Table 11.3 presents, by type of hedged item, the gains (losses) on derivatives and the related hedged items in fair value hedging relationships and the effect of those derivatives on the FHLBanks' net interest income.

Table 11.3 - Effect of Fair Value Hedge-Related Derivative Instruments
(dollars in millions)

	Year Ended December 31, 2013			
Hedged Item Type	**Gains (Losses) on Derivatives**	**Gains (Losses) on Hedged Items**	**Net Fair Value Hedge Ineffectiveness**	**Net Effect of Derivatives on Net Interest Income(1)**
Advances	$ 5,394	$ (5,154)	$ 240	$ (3,520)
Consolidated bonds	(3,478)	3,437	(41)	2,323
Available-for-sale securities	1,129	(1,089)	40	(548)
Deposits	(2)	2	—	2
Total	$ 3,043	$ (2,804)	$ 239	$ (1,743)

	Year Ended December 31, 2012			
Hedged Item Type	**Gains (Losses) on Derivatives**	**Gains (Losses) on Hedged Items**	**Net Fair Value Hedge Ineffectiveness**	**Net Effect of Derivatives on Net Interest Income(1)**
Advances	$ 1,561	$ (1,362)	$ 199	$ (4,533)
Consolidated bonds	(908)	871	(37)	2,509
Consolidated discount notes	—	(2)	(2)	2
Available-for-sale securities	(172)	202	30	(497)
Mortgage loans held for portfolio	1	—	1	(2)
Deposits	(1)	1	—	2
Total	$ 481	$ (290)	$ 191	$ (2,519)

	Year Ended December 31, 2011			
Hedged Item Type	**Gains (Losses) on Derivatives**	**Gains (Losses) on Hedged Items**	**Net Fair Value Hedge Ineffectiveness**	**Net Effect of Derivatives on Net Interest Income(1)**
Advances	$ (1,499)	$ 1,702	$ 203	$ (6,417)
Consolidated bonds	575	(584)	(9)	4,191
Consolidated discount notes	(4)	5	1	5
Available-for-sale securities	(765)	795	30	(393)
Mortgage loans held for portfolio	(1)	(4)	(5)	(8)
Deposits	(1)	1	—	2
Total	$ (1,695)	$ 1,915	$ 220	$ (2,620)

(1) The net effect of derivatives, in fair value hedge relationships, on net interest income is included in the interest income or interest expense line item of the respective hedged item type. These amounts include the effect of net interest settlements attributable to designated fair value hedges but do not include $(52) million, $(476) million and $(250) million of amortization/accretion related to fair value hedging activities for the years ended December 31, 2013, 2012, and 2011.

Table 11.4 presents by type of hedged item in cash flow hedging relationships, the gains (losses) recognized in AOCI, the gains (losses) reclassified from AOCI into income, and the effect of those hedging activities on the FHLBanks' net gains (losses) on derivatives and hedging activities in the Combined Statement of Income. (See *Note 18 - Accumulated Other Comprehensive Income (Loss)* for more details on the effect of cash flow hedges on AOCI.)

Table 11.4 - Effect of Cash Flow Hedge-Related Derivative Instruments
(dollars in millions)

	Year Ended December 31, 2013			
Derivatives and Hedged Items in Cash Flow Hedging Relationships(1)	**Amount of Gains (Losses) Recognized in AOCI on Derivatives (Effective Portion)**	**Location of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)**	**Amount of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)**	**Amount of Gains Recognized in Net Gains (Losses) on Derivatives and Hedging Activities (Ineffective Portion)**
Interest-rate swaps				
Consolidated bonds	$ 14	Interest expense	$ (5)	$ (2)
Consolidated discount notes	526	Interest expense	(2)	5
Interest-rate caps or floors				
Advances	—	Interest income	12	—
Consolidated discount notes	—	Interest expense	(1)	—
Total	$ 540		$ 4	$ 3

	Year Ended December 31, 2012			
Derivatives and Hedged Items in Cash Flow Hedging Relationships(1)	**Amount of Gains (Losses) Recognized in AOCI on Derivatives (Effective Portion)**	**Location of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)**	**Amount of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)**	**Amount of Gains Recognized in Net Gains (Losses) on Derivatives and Hedging Activities (Ineffective Portion)**
Interest-rate swaps				
Consolidated bonds	$ (35)	Interest expense	$ (9)	$ —
Consolidated discount notes	(52)	Interest expense	(4)	3
Interest-rate caps or floors				
Advances	—	Interest income	14	—
Consolidated discount notes	—	Interest expense	(6)	—
Total	$ (87)		$ (5)	$ 3

	Year Ended December 31, 2011			
Derivatives and Hedged Items in Cash Flow Hedging Relationships(1)	**Amount of Gains (Losses) Recognized in AOCI on Derivatives (Effective Portion)**	**Location of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)**	**Amount of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)**	**Amount of Gains Recognized in Net Gains (Losses) on Derivatives and Hedging Activities (Ineffective Portion)**
Interest-rate swaps				
Consolidated bonds	$ (34)	Interest expense	$ (9)	$ —
Consolidated discount notes	(534)	Interest expense	(5)	4
Interest-rate caps or floors				
Advances	37	Interest income	31	37
Consolidated discount notes	—	Interest expense	(13)	—
Total	$ (531)		$ 4	$ 41

(1) Table 11.4 does not include $(293) million, $(295) million, and $(324) million for the effect of net interest settlements attributable to open cash flow hedges on net interest income for the years ended December 31, 2013, 2012, and 2011.

For the years ended December 31, 2013, 2012, and 2011, no material amounts were reclassified from AOCI into earnings as a result of discontinued 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 December 31, 2013, $2 million of deferred net losses on derivative instruments in AOCI is expected to be reclassified to earnings during the next twelve months. At December 31, 2013, the maximum length of time over which an FHLBank is hedging its 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 fifteen years.

Managing Credit Risk on Derivatives

Each FHLBank is subject to credit risk due to the risk of nonperformance by counterparties to its derivative transactions, and manages credit risk through credit analysis, collateral requirements, and adherence to the requirements set forth in its policies, U.S. Commodity Futures Trading Commission regulations, and FHFA regulations. For bilateral derivatives, the degree of credit risk depends on the extent to which master netting arrangements are included in these contracts to mitigate the risk. Each FHLBank requires collateral agreements with collateral delivery thresholds on the majority of its bilateral derivatives. 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 that FHLBank.

For cleared derivatives, the Clearinghouse is an FHLBank's counterparty. The requirement that an FHLBank post initial and variation margin through the clearing agent, to the Clearinghouse, exposes an FHLBank to credit risk if the clearing agent or the Clearinghouse fails to meet its obligations. The use of cleared derivatives is intended to mitigate credit risk exposure because a central counterparty is substituted for individual counterparties and collateral is posted daily through a clearing agent, for changes in the value of cleared derivatives.

Each FHLBank has analyzed the enforceability of offsetting rights incorporated in its cleared derivative transactions and determined that the exercise of those offsetting rights by a non-defaulting party under these transactions should be upheld under applicable law upon an event of default including a bankruptcy, insolvency, or similar proceeding involving the Clearinghouse or that FHLBank's clearing agent, or both. Based on this analysis, each FHLBank presents a net derivative receivable or payable for all of its transactions through a particular clearing agent with a particular Clearinghouse.

Certain of the FHLBanks' bilateral 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 nationally recognized statistical rating organization, that FHLBank may be required to deliver additional collateral on bilateral derivative instruments in net liability positions. The aggregate fair value of all bilateral derivative instruments with credit-risk-related contingent features that were in a net liability position (before cash collateral and related accrued interest) at December 31, 2013, was $6.8 billion, for which the FHLBanks have posted collateral with a fair value of $5.6 billion in the normal course of business. If each FHLBank's credit rating 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 an additional $0.5 billion of collateral at fair value to their bilateral derivatives counterparties at December 31, 2013.

For cleared derivatives, the Clearinghouse determines initial margin requirements and generally credit ratings are not factored into the initial margin. However, clearing agents may require additional initial margin to be posted based on credit considerations, including, but not limited to, credit rating downgrades. None of the FHLBanks were required to post additional initial margin by its clearing agents at December 31, 2013.

Offsetting of Derivative Assets and Derivative Liabilities

An FHLBank presents derivative instruments, related cash collateral, including initial and variation margin, received or pledged, and associated accrued interest, on a net basis by clearing agent and/or by counterparty when it has met the netting requirements.

Table 11.5 presents separately the fair value of derivative instruments meeting or not meeting netting requirements, with and without the legal right of offset, including the related collateral received from or pledged to counterparties.

Table 11.5 - Offsetting of Derivative Assets and Derivative Liabilities
(dollars in millions)

	December 31, 2013		December 31, 2012	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Derivative instruments meeting netting requirements				
Gross recognized amount				
Bilateral derivatives	$ 3,939	$ 11,571	$ 5,947	$ 17,750
Cleared derivatives	216	224	—	—
Total gross recognized amount	4,155	11,795	5,947	17,750
Gross amounts of netting adjustments and cash collateral				
Bilateral derivatives	(3,699)	(9,662)	(5,148)	(15,222)
Cleared derivatives	54	(224)	—	—
Total gross amounts of netting adjustments and cash collateral	(3,645)	(9,886)	(5,148)	(15,222)
Net amounts after netting adjustments and cash collateral				
Bilateral derivatives	240	1,909	799	2,528
Cleared derivatives	270	—	—	—
Total net amounts after netting adjustments and cash collateral	510	1,909	799	2,528
Derivative instruments not meeting netting requirements(1)				
Bilateral derivatives	3	4	16	16
Total derivative instruments not meeting netting requirements(1)	3	4	16	16
Total derivative assets and total derivative liabilities				
Bilateral derivatives	243	1,913	815	2,544
Cleared derivatives	270	—	—	—
Total derivative assets and total derivative liabilities presented in the Combined Statement of Condition	513	1,913	815	2,544
Non-cash collateral received or pledged not offset				
Can be sold or repledged				
Bilateral derivatives	102	150	525	117
Total can be sold or repledged	102	150	525	117
Cannot be sold or repledged				
Bilateral derivatives	55	421	137	931
Total cannot be sold or repledged	55	421	137	931
Net amount(2)				
Bilateral derivatives	86	1,342	153	1,496
Cleared derivatives	270	—	—	—
Total net amount(2)	$ 356	$ 1,342	$ 153	$ 1,496

(1) Represents derivatives that are not subject to an enforceable netting agreement (e.g., mortgage delivery commitments and certain interest-rate futures or forwards).
(2) Any overcollateralization at an FHLBank's individual clearing agent and/or counterparty level is not included in the determination of the net amount. At December 31, 2013 and 2012, the FHLBanks had additional net credit exposure of $7 million and $18 million due to instances where an FHLBank's non-cash collateral to a counterparty exceeded the FHLBank's net derivative liability position.

Note 12 - Deposits

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

Deposits classified as demand, overnight, and other pay interest based on a daily interest rate. Term deposits pay interest based on a fixed rate determined at the issuance of the deposit. The weighted-average interest rates paid on interest-bearing deposits were 0.03%, 0.04%, and 0.05% during the years ended December 31, 2013, 2012, and 2011.

Table 12.1 - Deposits
(dollars in millions)

	December 31, 2013	December 31, 2012
Interest-bearing		
Demand and overnight	$ 9,081	$ 11,009
Term	421	712
Other	378	439
Total interest-bearing	9,880	12,160
Non-interest-bearing		
Demand and overnight	546	1,337
Other	129	224
Total non-interest-bearing	675	1,561
Total deposits	$ 10,555	$ 13,721

The aggregate amount of term deposits with a denomination of $100 thousand or more was $420 million and $710 million at December 31, 2013 and 2012.

Note 13 - 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, an 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 records as a liability its specific portion of consolidated obligations for which it is the primary obligor.

The FHFA and the U.S. Secretary of the Treasury oversee 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 and have original maturities of up to one year. These notes generally sell at or below their face value and are redeemed at par when they mature.

Although each FHLBank is primarily liable for its portion of consolidated obligations, each FHLBank is also jointly and severally liable with the other FHLBanks for the payment of principal and interest on all consolidated obligations of the FHLBanks. The par values of the FHLBanks' outstanding consolidated obligations, including consolidated obligations held by other FHLBanks, were $766.8 billion and $687.9 billion at December 31, 2013 and 2012. The FHFA, at its discretion, may require any FHLBank to make principal or interest payments due on any consolidated obligation whether or not the consolidated obligation represents a primary liability of that FHLBank. Although an FHLBank has never paid the principal or interest payments due on a consolidated obligation on behalf of another FHLBank, if that event should occur, FHFA regulations provide that the paying FHLBank is entitled to reimbursement from the non-complying FHLBank for any payments made on its behalf and other associated costs, including interest to be determined by the FHFA. If, however, the FHFA determines that the non-complying FHLBank is unable to satisfy its repayment obligations, then the FHFA may allocate the outstanding liabilities of the non-complying FHLBank among the remaining FHLBanks on a pro-rata basis in proportion to each FHLBank's participation in all consolidated obligations outstanding. The FHFA reserves the right to allocate the outstanding liabilities for the consolidated obligations among the FHLBanks in any other manner it may determine to ensure that the FHLBanks operate in a safe and sound manner.

Regulations require each FHLBank to maintain unpledged qualifying assets equal to its participation in the consolidated obligations outstanding. Qualifying assets are defined as cash; secured advances; assets with an assessment or rating at least equivalent to the current assessment or rating of the consolidated obligations; obligations of or fully guaranteed by the United

States, obligations, participations, or other instruments of or issued by Fannie Mae or Ginnie Mae; mortgages, obligations, or other securities which are or ever have been sold by Freddie Mac under the FHLBank Act; and such securities as fiduciary and trust funds may invest in under the laws of the state in which the FHLBank is located. Any assets subject to a lien or pledge for the benefit of holders of any issue of consolidated obligations are treated as if they were free from lien or pledge for purposes of compliance with these regulations.

Table 13.1 - Consolidated Discount Notes Outstanding
(dollars in millions)

	Book Value	Par Value	Weighted-Average Interest Rate(1)
December 31, 2013	$ 293,296	$ 293,342	0.09%
December 31, 2012	$ 216,282	$ 216,335	0.12%

(1) Represents yield to maturity excluding concession fees.

Table 13.2 - Consolidated Bonds Outstanding by Contractual Maturity
(dollars in millions)

	December 31,			
	2013		2012	
Year of Contractual Maturity	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Due in 1 year or less	$ 230,021	0.56%	$ 238,921	0.96%
Due after 1 year through 2 years	57,445	1.29%	72,801	1.51%
Due after 2 years through 3 years	38,317	2.28%	34,192	2.02%
Due after 3 years through 4 years	30,083	2.39%	23,982	3.40%
Due after 4 years through 5 years	31,461	1.62%	30,038	2.46%
Thereafter	84,960	2.36%	70,069	2.54%
Index-amortizing notes	882	4.72%	1,362	4.68%
Total par value	473,169	1.30%	471,365	1.59%
Net premiums	537		639	
Hedging adjustments	241		3,798	
Fair value option valuation adjustments	(102)		54	
Total	$ 473,845		$ 475,856	

Consolidated obligations outstanding were issued with either fixed-rate coupon payment terms or variable-rate coupon payment terms that may use a variety of indices for interest-rate resets, including the federal funds effective rate, LIBOR, and others. To meet the 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 options. When these consolidated obligations are issued, an FHLBank typically enters into derivatives containing features that offset the terms and embedded options, if any, of the consolidated bond obligations.

Table 13.3 - Consolidated Bonds Outstanding by Call Features
(dollars in millions)

	December 31,	
Par Values of Consolidated Bonds	2013	2012
Non-callable/non-putable	$ 350,655	$ 391,334
Callable	122,514	80,031
Total par value	$ 473,169	$ 471,365

Table 13.4 - Consolidated Bonds Outstanding by Contractual Maturity or Next Call Date
(dollars in millions)

Year of Contractual Maturity or Next Call Date	December 31, 2013	December 31, 2012
Due in 1 year or less	$ 331,170	$ 309,977
Due after 1 year through 2 years	55,029	68,872
Due after 2 years through 3 years	30,986	29,494
Due after 3 years through 4 years	21,669	21,145
Due after 4 years through 5 years	10,102	20,073
Thereafter	23,331	20,442
Index-amortizing notes	882	1,362
Total par value	$ 473,169	$ 471,365

Consolidated bonds, beyond having fixed-rate or simple variable-rate interest-rate payment terms, may also have the following interest-rate payment types:

- *Step-up bonds* pay interest at increasing fixed rates and *step-down bonds* pay interest at decreasing fixed rates for specified intervals over the life of the consolidated bond. These consolidated bonds generally contain provisions enabling an FHLBank to call consolidated bonds at its option on the step-up or step-down dates.

- *Conversion bonds* have interest rates that convert from fixed to variable, or variable to fixed, or from one index to another, on predetermined dates according to the terms of the consolidated bond offerings.

- *Range bonds* pay interest based on the number of days a specified index is within/outside of a specified range. The computation of the variable interest rate differs for each consolidated bond issue, but the consolidated bond generally pays zero interest or a minimal rate if the specified index is outside of the specified range.

Table 13.5 - Consolidated Bonds by Interest-Rate Payment Type
(dollars in millions)

Par Value of Consolidated Bonds	December 31, 2013	December 31, 2012
Fixed-rate	$ 349,463	$ 368,273
Simple variable-rate	87,299	79,844
Step-up	34,075	22,090
Step-down	1,561	595
Fixed-rate that converts to variable-rate	307	230
Range bonds	120	—
Variable-rate that converts to fixed-rate	85	35
Other	259	298
Total par value	$ 473,169	$ 471,365

Consolidated Bonds Denominated in Foreign Currencies. Consolidated bonds issued can be denominated in foreign currencies. Concurrent with these issuances, the FHLBanks exchange the interest and principal payment obligations related to the issues for equivalent amounts denominated in U.S. dollars. There were no consolidated bonds denominated in foreign currencies outstanding at December 31, 2013 and 2012.

Concessions on Consolidated Obligations. Unamortized concessions included in other assets were $100 million and $102 million at December 31, 2013 and 2012. The amortization of these concessions is included in consolidated obligation interest expense and totaled $53 million, $144 million, and $164 million during the years ended December 31, 2013, 2012, and 2011.

Note 14 - Affordable Housing Program (AHP)

The FHLBank Act requires each FHLBank to establish an AHP. Each FHLBank provides subsidies in the form of direct grants and below-market interest rate advances to members who use the funds to assist in the purchase, construction, or rehabilitation of housing for very low-, low-, and moderate-income households. Annually, the FHLBanks must set aside for the AHP the greater of the aggregate of $100 million or 10% of each individual FHLBank's income subject to assessment. For purposes of the AHP calculation, each FHLBank's income subject to assessment is defined as the individual FHLBank's net income before assessments, plus interest expense related to mandatorily redeemable capital stock, less the assessment for REFCORP until the FHLBanks' REFCORP obligation was satisfied. Each FHLBank accrues this expense monthly based on its net earnings. An FHLBank reduces its AHP liability as members use subsidies. (See *Note 15 - Resolution Funding Corporation (REFCORP)* for a discussion of the REFCORP calculation.)

On August 5, 2011, the FHFA certified that the FHLBanks had fully satisfied their REFCORP obligation with their payments made on July 15, 2011. The FHLBanks entered into a Joint Capital Enhancement Agreement, as amended, which requires each FHLBank to allocate 20% of its net income to a separate restricted retained earnings account, beginning in the third quarter of 2011. Because the REFCORP assessment reduced the amount of net earnings used to calculate the AHP assessment, it had the effect of reducing the total amount of funds allocated to the AHP. However, the amounts allocated to the new restricted retained earnings account are not treated as an assessment and do not reduce each FHLBank's net income. As a result, each FHLBank's AHP contributions as a percentage of pre-assessment earnings increase because the REFCORP obligation has been fully satisfied.

If an FHLBank experienced a net loss during a quarter, but still had net earnings for the year, the FHLBank's obligation to the AHP would be calculated based on the FHLBank's year-to-date net earnings. If the FHLBank had net earnings in subsequent quarters, it would be required to contribute additional amounts to meet its calculated annual obligation. If the FHLBank experienced a net loss for a full year, the FHLBank would have no obligation to the AHP for the year, because each FHLBank's required annual AHP contribution is limited to its annual net earnings. If the aggregate 10% calculation previously discussed was less than $100 million for all 12 FHLBanks, each FHLBank would be required to assure that the aggregate contribution of the FHLBanks equals $100 million. The proration would be made on the basis of an FHLBank's income in relation to the income of all FHLBanks for the previous year, subject to the annual earnings limitation as previously discussed. There was no shortfall in the years ended December 31, 2013, 2012, or 2011. If an FHLBank finds that its required contributions are contributing to the financial instability of that FHLBank, it may apply to the FHFA for a temporary suspension of its contributions. The FHLBanks did not make any such applications in the years ended December 31, 2013, 2012, or 2011.

The FHLBanks had outstanding principal of $261 million and $1,116 million at December 31, 2013 and 2012 related to AHP advances.

Table 14.1 - Analysis of AHP Liability
(dollars in millions)

	Year Ended December 31,		
	2013	2012	2011
Balance, at beginning of year	$ 746	$ 718	$ 773
Assessments	293	296	188
Subsidy usage, net(1)	(251)	(268)	(243)
Balance, at end of year	$ 788	$ 746	$ 718

(1) Amounts may not agree to the AHP payments, net amounts in the Combined Statement of Cash Flows for each applicable period due to rounding.

Note 15 - Resolution Funding Corporation (REFCORP)

On August 5, 2011, the FHFA certified that the FHLBanks had fully satisfied their REFCORP obligation with their payments made on July 15, 2011. The FHLBanks entered into a Joint Capital Enhancement Agreement, as amended, which requires each FHLBank to allocate 20% of its net income to a separate restricted retained earnings account, beginning in the third quarter of

2011. (See *Note 17 - Capital* for further discussion.) As a result of fully satisfying their REFCORP obligation, the FHLBanks did not record a REFCORP assessment for the years ended December 31, 2013 and 2012 and in each of the last two quarters of 2011.

Prior to the satisfaction of the FHLBanks' REFCORP obligation, each FHLBank was required to make payments to REFCORP (20% of annual GAAP net income before REFCORP assessments and after payment of AHP assessments) until the total amount of payments actually made was equivalent to a $300 million annual annuity whose final maturity date was April 15, 2030. The FHFA and its predecessors shortened or lengthened the period during which the FHLBanks made payments to REFCORP based on actual payments made relative to the referenced annuity. The FHFA and its predecessors, in consultation with the U.S. Secretary of the Treasury, selected the appropriate discounting factors used in calculating the annuity. (See *Note 14 - Affordable Housing Program (AHP)* for a discussion of the AHP calculation.)

Note 16 - Subordinated Notes

During the year ended December 31, 2013, the FHLBank of Chicago repurchased $56 million of its outstanding subordinated notes through open market purchases. At December 31, 2013, the FHLBank of Chicago has $944 million of subordinated notes outstanding that mature on June 13, 2016. The subordinated notes are not obligations of, and are not guaranteed by, the U.S. government or any FHLBanks other than the FHLBank of Chicago. The subordinated notes are unsecured obligations and rank junior in priority of payment to the FHLBank of Chicago's senior liabilities. Senior liabilities include all of the existing and future liabilities, such as deposits, consolidated obligations for which the FHLBank of Chicago is the primary obligor and consolidated obligations of the other FHLBanks for which the FHLBank of Chicago is jointly and severally liable.

Senior liabilities do not include the FHLBank of Chicago's existing and future liabilities related to payments of junior equity claims (all such payments to, and redemptions of shares from, holders of its capital stock being referred to as junior equity claims) and payments to, or redemption of shares from, any holder of its capital stock that is barred or required to be deferred for any reason, such as noncompliance with any minimum regulatory capital requirement applicable to the FHLBank of Chicago. Also, senior liabilities do not include any liability that, by its terms, expressly ranks equal with or junior to the subordinated notes. The FHLBank of Chicago's regulatory approval to issue subordinated debt prohibits it from making any payment to, or redeeming shares from, any holder of capital stock which it is obligated to make, on or after any applicable interest payment date or the maturity date of the subordinated notes unless the FHLBank of Chicago has paid, in full, all interest and principal due in respect of the subordinated notes on a particular date.

Also pursuant to the regulatory order approving the issuance of subordinated notes, in the event of the FHLBank of Chicago's liquidation or reorganization, the FHFA shall cause the FHLBank of Chicago, its receiver, conservator, or other successor, as applicable, to pay or make provision for the payment of all of its liabilities, including those evidenced by the subordinated notes, before making payment to, or redeeming any shares of, capital stock issued by the FHLBank of Chicago, including shares as to which a claim for mandatory redemption has arisen.

The subordinated notes may not be redeemed, in whole or in part, prior to maturity. These notes do not contain any provisions permitting holders to accelerate the maturity thereof on the occurrence of any default or other event. The subordinated notes were issued at par and accrue interest at a rate of 5.625% per annum. Interest is payable semi-annually in arrears on each June 13 and December 13. The FHLBank of Chicago will defer interest payments if five business days prior to any interest payment date it does not satisfy any minimum regulatory leverage ratio then applicable to it.

The FHLBank of Chicago may not defer interest on the subordinated notes for more than five consecutive years and in no event beyond their maturity date. If the FHLBank of Chicago defers interest payments on the subordinated notes, interest will continue to accrue and will compound at a rate of 5.625% per annum. Any interest deferral period ends when the FHLBank of Chicago satisfies all minimum regulatory leverage ratios to which it is subject, after taking into account all deferred interest and interest on such deferred interest. During the periods when interest payments are deferred, the FHLBank of Chicago may not declare or pay dividends on, or redeem, repurchase, or acquire its capital stock (including mandatorily redeemable capital stock). As of December 31, 2013, the FHLBank of Chicago satisfied the minimum regulatory leverage ratios applicable to the FHLBank of Chicago, and it had not deferred any interest payments.

Note 17 - Capital

The Gramm-Leach-Bliley Act of 1999 (GLB Act) amended the FHLBank Act to require each FHLBank to adopt a capital plan and convert to a new capital structure. As of December 31, 2013, all of the FHLBanks had implemented their respective capital plans. Each conversion was considered a capital transaction and was accounted for at par value. Each FHLBank is subject to three capital requirements under its capital plan and the FHFA rules and regulations. Regulatory capital does not include AOCI, but does include mandatorily redeemable capital stock.

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 FHFA.

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 FHFA 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 FHFA may require an FHLBank to maintain greater minimum capital levels than is required based on FHFA rules and regulation.

At December 31, 2013, combined regulatory capital was $50.6 billion compared to $51.0 billion at December 31, 2012. At December 31, 2013, each FHLBank was in compliance with its regulatory capital rules. On October 25, 2010, the FHLBank of Seattle entered into a Consent Arrangement with the FHFA, which will remain in effect until modified or terminated by the FHFA. (See *FHLBank of Seattle Capital Classification and Consent Arrangement* within this note for a description of its agreement with the FHFA.)

Table 17.1 - Risk-Based Capital Requirements at December 31, 2013
(dollars in millions)

	Risk-Based Capital	
FHLBank	Minimum Requirement	Actual
Boston	$ 729	$ 4,297
New York	655	6,594
Pittsburgh	1,053	3,648
Atlanta	2,246	6,563
Cincinnati	547	5,435
Indianapolis	765	2,379
Chicago	1,465	3,703
Des Moines	676	3,379
Dallas	451	1,782
Topeka	415	1,390
San Francisco	3,912	7,925
Seattle	1,363	2,846

Table 17.2 - Regulatory Capital Requirements at December 31, 2013
(dollars in millions)

FHLBank	Regulatory Capital Ratio		Regulatory Capital	
	Minimum Requirement	Actual	Minimum Requirement	Actual
Boston	4.0%	9.6%	$ 1,786	$ 4,297
New York	4.0%	5.1%	5,133	6,594
Pittsburgh	4.0%	5.2%	2,827	3,648
Atlanta	4.0%	5.4%	4,893	6,563
Cincinnati	4.0%	5.3%	4,127	5,435
Indianapolis	4.0%	6.3%	1,511	2,379
Chicago	4.0%	5.4%	2,752	3,703
Des Moines	4.0%	4.6%	2,920	3,379
Dallas	4.0%	5.9%	1,209	1,782
Topeka	4.0%	5.4%	1,358	1,824
San Francisco	4.0%	9.2%	3,431	7,925
Seattle	4.0%	8.3%	1,435	2,958

Table 17.3 - Leverage Capital Requirements at December 31, 2013
(dollars in millions)

FHLBank	Leverage Capital Ratio		Leverage Capital	
	Minimum Requirement	Actual	Minimum Requirement	Actual
Boston	5.0%	14.4%	$ 2,232	$ 6,445
New York	5.0%	7.7%	6,417	9,891
Pittsburgh	5.0%	7.7%	3,534	5,472
Atlanta	5.0%	8.1%	6,116	9,845
Cincinnati	5.0%	7.9%	5,159	8,153
Indianapolis	5.0%	9.4%	1,889	3,568
Chicago	5.0%	8.1%	3,440	5,555
Des Moines	5.0%	6.9%	3,650	5,068
Dallas	5.0%	8.9%	1,511	2,673
Topeka	5.0%	7.4%	1,698	2,519
San Francisco	5.0%	13.9%	4,289	11,888
Seattle	5.0%	12.2%	1,794	4,381

The GLB Act amendments made FHLBank 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.

In accordance with the FHLBank Act, each class of FHLBank stock is considered putable by the member and an FHLBank may repurchase, in its sole discretion, any member's stock investments that exceed the required minimum amount. However, there are significant statutory and regulatory restrictions on the obligation to redeem, or right to repurchase, the outstanding stock. As a result, whether or not a member may have its capital stock in an FHLBank repurchased (at an FHLBank's discretion at any time before the end of the redemption period) or redeemed (at a member's request, completed at the end of a redemption period) will depend in part on whether the FHLBank is in compliance with those restrictions.

An FHLBank's board of directors may declare and pay dividends in either cash or capital stock, assuming the FHLBank is in compliance with FHFA rules. Until the FHFA determines that the FHLBank of Seattle has met all requirements of the Consent Arrangement, the FHLBank of Seattle is required to obtain prior written approval from the FHFA for any dividends.

Restricted Retained Earnings

The Joint Capital Enhancement Agreement, as amended (Capital Agreement), is intended to enhance the capital position of each FHLBank. The Capital Agreement provides that each FHLBank will allocate 20% of its net income each quarter to a separate 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 are not available to pay dividends.

The FHLBank of San Francisco's Excess Stock Repurchase, Retained Earnings, and Dividend Framework establishes amounts to be retained in restricted retained earnings, which are not made available for dividends in the current dividend period. These amounts are not related to the Capital Agreement; however, they are also classified as restricted retained earnings on the Combined Statement of Condition. The FHLBank of San Francisco retains in restricted retained earnings any cumulative net gains in earnings (net of applicable assessments) resulting from gains or losses on derivatives and associated hedged items and financial instruments carried at fair value (valuation adjustments). In addition to any cumulative net gains resulting from valuation adjustments, the FHLBank of San Francisco holds a targeted amount in restricted retained earnings intended to protect paid-in capital from the effects of an extremely adverse credit, operations risk, or market event.

Table 17.4 presents the components of retained earnings, including the restricted amounts related to the Capital Agreement and the restricted amounts related to the FHLBank of San Francisco's Excess Stock Repurchase, Retained Earnings, and Dividend Framework.

Table 17.4 - Retained Earnings
(dollars in millions)

	Unrestricted Retained Earnings	Capital Agreement Restricted Retained Earnings	Other Restricted Retained Earnings(1)	Total Restricted Retained Earnings	Total Retained Earnings
Balance, December 31, 2010	$ 5,943	$ —	$ 1,609	$ 1,609	$ 7,552
Adjustment for cumulative effect of accounting change - change in amortization methodology(2)	(8)	—	—	—	(8)
Net income	1,235	199	165	364	1,599
Dividends on capital stock					
Cash	(536)	—	—	—	(536)
Stock	(32)	—	—	—	(32)
Balance, December 31, 2011	6,602	199	1,774	1,973	8,575
Net income	1,990	517	99	616	2,606
Dividends on capital stock					
Cash	(625)	—	—	—	(625)
Stock	(34)	—	—	—	(34)
Balance, December 31, 2012	7,933	716	1,873	2,589	10,522
Net income	2,009	503	15	518	2,527
Dividends on capital stock					
Cash	(806)	—	—	—	(806)
Stock	(37)	—	—	—	(37)
Balance, December 31, 2013	$ 9,099	$ 1,219	$ 1,888	$ 3,107	$ 12,206

(1) Represents retained earnings restricted by the FHLBank of San Francisco's Excess Stock Repurchase, Retained Earnings, and Dividend Framework related to valuation adjustments and the retained earnings targeted buildup.

(2) Represents the FHLBank of Seattle's change in method of accounting for the amortization and accretion of premiums and discounts on its mortgage loans held for portfolio to the contractual interest method. (See *Note 1 - Summary of Significant Accounting Policies* for additional information related to the FHLBank of Seattle's change in amortization and accretion method of deferred premiums and discounts on mortgage loans held for portfolio.)

Mandatorily Redeemable Capital Stock

Each FHLBank is a cooperative whose member financial institutions and former members own all of the FHLBank's capital stock. Shares of capital stock 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.

An FHLBank generally reclassifies capital stock subject to redemption from capital to the mandatorily redeemable capital stock liability upon expiration of a grace period, if applicable, after a member exercises a written redemption right, or gives notice of intent to withdraw from membership, or attains non-member status by merger or acquisition, relocation, charter termination, or involuntary termination from membership. Shares of capital stock meeting these definitions are reclassified to mandatorily redeemable capital stock at fair value. Dividends related to capital stock classified as mandatorily redeemable capital stock are accrued at the expected dividend rate and reported as interest expense in the Combined Statement of Income. For the years ended December 31, 2013, 2012, and 2011, dividends on mandatorily redeemable capital stock in the amount of $178 million, $85 million, and $48 million were recorded as interest expense.

A member may cancel or revoke its written notice of redemption or its notice of withdrawal from membership prior to the end of the applicable redemption period. Each FHLBank's capital plan provides the terms for cancellation fees that may be incurred by the member upon cancellation.

Table 17.5 presents capital stock subject to mandatory redemption. Payment is contingent on each FHLBank's waiting period and the FHLBank's ability to meet its minimum regulatory capital requirements. These amounts have been classified as a liability in the Combined Statement of Condition.

Table 17.5 - Mandatorily Redeemable Capital Stock Rollforward
(dollars in millions)

	Year Ended December 31,		
	2013	2012	2011
Balance, beginning of year	$ 6,929	$ 8,013	$ 7,066
Capital stock subject to mandatory redemption reclassified from capital	2,102	1,239	3,967
Capital stock previously subject to mandatory redemption reclassified to capital	(1)	(28)	(537)
Redemption/repurchase of mandatorily redeemable capital stock	(4,031)	(2,295)	(2,483)
Accrued stock dividend classified as mandatorily redeemable capital stock	(1)	—	—
Balance, end of year	$ 4,998	$ 6,929	$ 8,013

The number of stockholders holding mandatorily redeemable capital stock was 223, 262, and 300 at December 31, 2013, 2012, and 2011.

At December 31, 2013 and 2012, certain members of the FHLBank of Indianapolis had requested redemptions of capital stock of $4 million and $102 million that have not been reclassified as mandatorily redeemable capital stock because the requesting member may revoke its request, without substantive penalty, throughout the five-year waiting period, based on the capital plan of this FHLBank. Therefore, the FHLBank of Indianapolis did not consider these requests to be substantive in nature. However, the FHLBank of Indianapolis considered redemption requests related to merger or acquisition, charter termination, or involuntary termination from membership to be substantive when made and therefore, the related stock was considered mandatorily redeemable capital stock and reclassified to liabilities.

In addition, certain FHLBanks have a grace period for capital stock redemption requests. Capital stock not reclassified as mandatorily redeemable capital stock at December 31, 2013 (excluding the amounts presented for the FHLBank of Indianapolis) represents requests where the grace period had not yet expired.

Table 17.6 presents the amount of mandatorily redeemable capital stock at December 31, 2013, by contractual year of redemption. The year of redemption in the table is the end of the appropriate redemption period applicable to each FHLBank's capital plan. An FHLBank is not required to redeem membership stock until either five years or six months, depending on the type of capital stock issuable under its capital plan, after the membership is terminated or the FHLBank receives notice of withdrawal. However, if membership is terminated due to merger or consolidation, the FHLBank may recalculate the former member's stock requirement following that termination and the stock may be deemed excess stock subject to repurchase at the FHLBank's discretion. An FHLBank is not required to redeem activity-based stock until the later of the expiration of the notice of redemption or until the activity to which the capital stock relates no longer remains outstanding. If activity-based stock becomes excess stock as a result of an activity no longer remaining outstanding, an FHLBank may repurchase those shares, in its sole discretion, subject to the statutory and regulatory restrictions on excess capital stock redemption.

Table 17.6 - Mandatorily Redeemable Capital Stock by Contractual Year of Redemption
(dollars in millions)

	Amount
Year 1	$ 715
Year 2	137
Year 3	1,465
Year 4	36
Year 5	1,456
Past contractual redemption date due to remaining activity(1)	131
Past contractual redemption date due to regulatory action(2)	1,058
Total	$ 4,998

(1) Represents mandatorily redeemable capital stock that is past the end of the contractual redemption period because there is activity outstanding to which the mandatorily redeemable capital stock relates.
(2) See *FHLBank of Seattle Capital Classification and Consent Arrangement* within this note for discussions on this FHLBank's mandatorily redeemable capital stock.

Excess Capital Stock

Excess capital stock is defined as the amount of stock held by a member (or former member) in excess of that institution's minimum investment requirement. FHFA rules limit the ability of an FHLBank to create member excess capital stock under certain circumstances. An FHLBank may not pay dividends in the form of capital stock or issue new excess capital stock to members if that FHLBank's excess capital stock exceeds one percent of its total assets or if the issuance of excess capital stock would cause that FHLBank's excess capital stock to exceed one percent of its total assets. At December 31, 2013, each of the FHLBanks of Boston, Cincinnati, Indianapolis, San Francisco, and Seattle had excess capital stock outstanding totaling more than one percent of its total assets. For the year ended December 31, 2013, each of these FHLBanks complied with the excess capital stock rule.

Capital Classification Determination

The FHFA has implemented the prompt corrective action provisions of the Housing Act. The FHFA rule defined four capital classifications for the FHLBanks: adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, and the FHFA issued a regulation implementing the prompt corrective action provisions that apply to FHLBanks that are not deemed to be adequately capitalized. The FHFA determines each FHLBank's capital classification on at least a quarterly basis. If an FHLBank is determined to be other than adequately capitalized, that FHLBank becomes subject to additional supervisory authority by the FHFA. Before implementing a reclassification, the Director of the FHFA is required to provide that FHLBank with written notice of the proposed action and an opportunity to submit a response. Each FHLBank is classified by the FHFA as adequately capitalized as of the date of the FHFA's most recent notification to each FHLBank.

FHLBank of Seattle Capital Classification and Consent Arrangement

In August 2009, under the FHFA's prompt corrective action regulations, the FHLBank of Seattle received a capital classification of undercapitalized from the FHFA, due to, among other things, the FHLBank of Seattle's risk-based capital deficiencies as of December 31, 2008, March 31, 2009, and June 30, 2009, the deterioration in the value of its private-label mortgage-backed securities and the amount of accumulated other comprehensive loss stemming from that deterioration, the level of its retained earnings in comparison to accumulated other comprehensive loss, and its market value of equity compared to the par value of capital stock. Since September 2012, the FHLBank of Seattle has been classified by the FHFA as adequately capitalized.

In October 2010, the FHLBank of Seattle entered into a Consent Order (together with the related agreements, the 2010 Consent Arrangement), which set forth certain requirements regarding its financial performance, capital management, asset composition, and other operational and risk management, and placed restrictions on its redemptions and repurchases of capital stock and its payment of dividends. Since 2010, the FHLBank of Seattle has developed and implemented numerous plans and policies to address the 2010 Consent Arrangement requirements and remediate associated supervisory concerns, and its financial performance has improved significantly since then. In November 2013, the FHLBank of Seattle entered into a Consent Order (together with related agreements, the Amended Consent Arrangement) with the FHFA, which superseded the 2010 Consent Arrangement. Although the Amended Consent Arrangement requires the FHLBank of Seattle to continue adhering to the terms of plans and policies that were adopted to address the 2010 Consent Arrangement requirements, the FHLBank of Seattle is no longer subject to other requirements, including minimum financial metrics and detailed monthly tracking and reporting. The Amended Consent Arrangement requires that:

- the FHLBank of Seattle develop and submit an asset composition plan acceptable to the FHFA for increasing advances and other core mission assets as a proportion of its consolidated obligations and, upon approval by the FHFA, implement such plan;
- the FHLBank of Seattle obtain written non-objection from the FHFA prior to repurchasing and redeeming any excess capital stock or paying dividends on its capital stock; and
- the FHLBank of Seattle's board of directors monitors its adherence to the Amended Consent Arrangement.

In December 2013, the FHLBank of Seattle submitted its strategic plan to the FHFA identifying the steps it would take to achieve certain core mission asset benchmarks. Key components of its plan include identifying opportunities to increase advances with both existing and new members and developing programs to increase other core mission assets. The FHLBank of Seattle expects that the FHFA's approval of this strategic plan (or a subsequent version of the plan) would satisfy the Amended Consent Arrangement requirement related to the growth of its core mission assets. If the FHLBank of Seattle fails to submit a plan acceptable to the FHFA or falls short in the execution of a plan accepted by the FHFA, the FHLBank of Seattle could be subject to imposition of additional requirements or conditions by the FHFA, any of which could adversely impact its financial condition and results of operations. The Amended Consent Arrangement will remain in effect until modified or terminated by the FHFA and does not prevent the FHFA from taking any other actions affecting the FHLBank of Seattle that, at the sole discretion of the FHFA, it deems appropriate in fulfilling its supervisory responsibilities.

Note 18 - Accumulated Other Comprehensive Income (Loss)

Table 18.1 presents a summary of changes in accumulated other comprehensive income (loss) for the years ended December 31, 2013, 2012, and 2011.

Table 18.1 - Accumulated Other Comprehensive Income (Loss)
(dollars in millions)

	Net Unrealized Gains (Losses) on AFS Securities (Note 5)	Net Unrealized Gains (Losses) on HTM Securities Transferred from AFS Securities	Net Non-Credit Portion of OTTI Losses on AFS Securities (Note 5 and 7)	Net Non-Credit Portion of OTTI Losses on HTM Securities (Note 6 and 7)	Net Unrealized Gains (Losses) Relating to Hedging Activities (Note 11)	Pension and Postretirement Benefits (Note 19)	Total Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2010	$ 837	$ (8)	$ (1,306)	$ (4,441)	$ (579)	$ (49)	$ (5,546)
Other comprehensive income (loss)	418	3	(1,851)	3,316	(617)	(21)	1,248
Balance, December 31, 2011	1,255	(5)	(3,157)	(1,125)	(1,196)	(70)	(4,298)
Other comprehensive income (loss)	559	2	2,146	180	(85)	(14)	2,788
Balance, December 31, 2012	1,814	(3)	(1,011)	(945)	(1,281)	(84)	(1,510)
Other comprehensive income (loss) before reclassifications							
Net unrealized gains (losses)	(806)	—	298	—	540	—	32
Non-credit OTTI losses	—	—	—	(5)	—	—	(5)
Non-credit OTTI losses transferred	—	—	(5)	5	—	—	—
Net change in fair value	—	—	810	—	—	—	810
Accretion of non-credit loss	—	—	—	153	—	—	153
Reclassifications from other comprehensive income (loss) to net income (loss)							
Net gains (losses) on securities	(3)	2	(18)	—	—	—	(19)
Non-credit OTTI to credit OTTI	—	—	1	3	—	—	4
Amortization on hedging activities(1)	—	—	—	—	(7)	—	(7)
Amortization - pension and postretirement	—	—	—	—	—	31	31
Net current period other comprehensive income (loss)	(809)	2	1,086	156	533	31	999
Balance, December 31, 2013	$ 1,005	$ (1)	$ 75	$ (789)	$ (748)	$ (53)	$ (511)

(1) Amortization on hedging activities consists of amortization to:

	December 31, 2013
Interest income - Advances	$ 12
Interest expense - Consolidated bonds	(5)
Interest expense - Consolidated discount notes	(3)
Net gains (losses) on derivatives and hedge activities	3
Total amortization on hedging activities	$ 7

Note 19 - Pension and Postretirement Benefit Plans

Qualified Defined Benefit Multiemployer Plan. All of the FHLBanks participate in the Pentegra Defined Benefit Plan for Financial Institutions (Pentegra DB Plan), except for the FHLBank of San Francisco, which provides a Cash Balance Plan to eligible employees. The Pentegra DB Plan is a tax-qualified, defined-benefit pension plan. The Pentegra DB Plan is treated as a multiemployer plan for accounting purposes, but operates as a multiple-employer plan under the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code. As a result, certain multiemployer plan disclosures, including the certified zone status, are not applicable to the Pentegra DB Plan. Under the Pentegra DB Plan, contributions made by a participating employer may be used to provide benefits to employees of other participating employers because assets contributed by an employer are not segregated in a separate account or restricted to provide benefits only to employees of that employer. Also, in the event a participating employer is unable to meet its contribution requirements, the required contributions for the other participating employers could increase proportionately.

The Pentegra DB Plan covers substantially all officers and employees of the FHLBanks that meet certain eligibility requirements, except that:

- FHLBank of Atlanta employees are eligible to participate only if hired before March 1, 2011;
- FHLBank of Indianapolis employees are eligible to participate only if hired before February 1, 2010;
- FHLBank of Des Moines employees are eligible to participate only if hired on or before December 31, 2010;
- FHLBank of Dallas employees are eligible to participate only if hired before January 1, 2007 or hired on or after January 1, 2007, provided that the new employee had prior service with a financial services institution that participated in the Pentegra DB Plan, during which service the employee was covered by that plan;
- FHLBank of Topeka employees are eligible to participate only if hired before January 1, 2009; and
- FHLBank of Seattle employees historically were only eligible to participate if they were hired before January 1, 2004. For the plan year 2011-2012, the FHLBank of Seattle did not meet the minimum participation requirement for the Pentegra DB Plan, and therefore, in order to correct the deficiency, plan enrollment was re-opened for employees hired during the calendar year 2004, with a retroactive effective date of July 1, 2011.

The Pentegra DB Plan operates on a fiscal year from July 1 through June 30. The Pentegra DB Plan files one Form 5500 on behalf of all employers who participate in the plan. The Employer Identification Number is 13-5645888 and the three-digit plan number is 333. There are no collective bargaining agreements in place at any FHLBank.

The Pentegra DB Plan's annual valuation process includes calculating the plan's funded status and separately calculating the funded status of each participating employer. The funded status is defined as the market value of assets divided by the funding target (100% of the present value of all benefit liabilities accrued at that date). As permitted by ERISA, the Pentegra DB Plan accepts contributions for the prior plan year up to eight and a half months after the asset valuation date. As a result, the market value of assets at the valuation date (July 1) will increase by any subsequent contributions designated for the immediately preceding plan year ended June 30.

The most recent Form 5500 available for the Pentegra DB Plan is for the plan year ended June 30, 2012. For the plan years ended June 30, 2012 and 2011, none of the individual FHLBank's contributions represented more than 5% of the total contributions to the Pentegra DB Plan.

The Pentegra DB Plan funded status and the range of the FHLBanks' funded status as of July 1, 2013 and 2012, increased as compared to July 1, 2011 due to the Moving Ahead for Progress in the 21st Century Act (MAP-21) enacted on July 6, 2012, which changed the calculation of the discount rate used to determine the pension plan liability. MAP-21 allows plan sponsors to measure the pension plan liability using the 25-year average of interest rates to determine the discount rate. Prior to MAP-21, the discount rate used in measuring the pension plan liability was based on the 24-month average of interest rates.

Table 19.1 - Pentegra DB Plan Net Pension Cost and Funded Status
(dollars in millions)

	2013	2012	2011
Net pension cost charged to compensation and benefit expense for the year ended December 31	$ 44	$ 41	$ 88
Pentegra DB Plan funded status as of July 1	101.31% [(a)]	108.39% [(b)]	90.29%
Range of the FHLBanks' funded status as of July 1	91.38%-113.10%	100.02%-126.95%	82.44%-106.10%

(a) The Pentegra DB Plan's funded status as of July 1, 2013, is preliminary and may increase because the plan's participants were permitted to make contributions for the plan year ended June 30, 2013 through March 15, 2014. Contributions made on or before March 15, 2014, and designated for the plan year ended June 30, 2013, will be included in the final valuation as of July 1, 2013. The final funded status as of July 1, 2013, will not be available until the Form 5500 for the plan year July 1, 2013 through June 30, 2014, is filed (this Form 5500 is due to be filed no later than April 2015).

(b) The Pentegra DB Plan's funded status as of July 1, 2012, is preliminary and may increase because the plan's participants were permitted to make contributions for the plan year ended June 30, 2012 through March 15, 2013. Contributions made on or before March 15, 2013, and designated for the plan year ended June 30, 2012, will be included in the final valuation as of July 1, 2012. The final funded status as of July 1, 2012, will not be available until the Form 5500 for the plan year July 1, 2012 through June 30, 2013, is filed (this Form 5500 is due to be filed no later than April 2014).

Qualified Defined Contribution Plans. Each FHLBank, except for the FHLBanks of Atlanta, San Francisco, and Seattle, also participates in the Pentegra Defined Contribution Plan for Financial Institutions, a tax-qualified, defined-contribution plan. The FHLBanks of Atlanta, San Francisco, and Seattle have similar defined-contribution plans. Under these plans, each FHLBank contributes a percentage of the participants' compensation by making a matching contribution equal to a percentage of the employee's voluntary contributions, subject to certain limitations.

Nonqualified Supplemental Defined Contribution Retirement Plans. Certain FHLBanks maintain at least one or more nonqualified, unfunded supplemental defined contribution plans. These plans restore all or a portion of defined contributions to those employees who have had their qualified defined contribution benefits limited by IRS regulations. The unfunded liability associated with these nonqualified supplemental defined contribution retirement plans was $57 million and $47 million at December 31, 2013 and 2012. However, certain of these FHLBanks have established a grantor/rabbi trust to meet future benefit obligations and current payments to the beneficiaries.

Costs expensed for all qualified and nonqualified defined contribution plans were $18 million for the year ended December 31, 2013, $17 million for the year ended December 31, 2012, and $16 million for the year ended December 31, 2011.

Nonqualified Supplemental Defined Benefit Retirement Plans. Certain FHLBanks maintain one or more nonqualified, unfunded supplemental defined benefit plans. These plans ensure that participants receive the full amount of benefits to which they would have been entitled under the qualified defined benefit plan in the absence of limits on benefit levels imposed by the IRS. Certain of these FHLBanks have established a grantor/rabbi trust to meet future benefit obligations and current payments to the beneficiaries. There are no funded plan assets that have been designated to provide supplemental retirement benefits.

FHLBank of San Francisco Cash Balance Plan. The FHLBank of San Francisco provides retirement benefits through its Cash Balance Plan, a tax-qualified defined benefit plan. The Cash Balance Plan is provided to all employees who have completed six months of FHLBank of San Francisco service. Under the plan, each eligible FHLBank of San Francisco employee accrues benefits annually equal to six percent of the employee's total annual compensation (base salary and short term incentive award), plus six percent interest on the benefits accrued to the employee through the prior year end. The Cash Balance Plan is funded through a qualified trust established by the FHLBank of San Francisco.

Postretirement Benefit Plans. Certain FHLBanks offer a postretirement benefit plan that may include health care and/or life insurance benefits for eligible retirees. There are no funded plan assets that have been designated to provide postretirement benefits.

Table 19.2 presents the obligations and funding status of the FHLBanks' nonqualified supplemental defined benefit retirement plans and the FHLBank of San Francisco's Cash Balance Plan (collectively referred to as "Defined Benefit Retirement Plans"); and the FHLBanks' postretirement benefit plans.

Table 19.2 - Benefit Obligation, Fair Value of Plan Assets, and Funded Status
(dollars in millions)

	Defined Benefit Retirement Plans		Postretirement Benefit Plans	
	2013	2012	2013	2012
Change in benefit obligation				
Benefit obligation at beginning of year	$ 207	$ 177	$ 52	$ 49
Service cost	11	9	3	2
Interest cost	7	7	3	2
Loss (gain)	(9)	23	(7)	—
Benefits paid	(18)	(7)	(2)	(1)
Settlements and curtailments	—	(2)	—	—
Benefit obligation at end of year	198	207	49	52
Change in plan assets				
Fair value of plan assets at beginning of year	32	24	—	—
Actual return on plan assets	5	3	—	—
Employer contributions	19	12	2	1
Benefits paid	(18)	(7)	(2)	(1)
Fair value of plan assets at end of year	38	32	—	—
Funded status	$ (160)	$ (175)	$ (49)	$ (52)

Amounts recognized in other liabilities on the Combined Statement of Condition for the FHLBanks' defined benefit retirement plans and postretirement benefit plans at December 31, 2013 and 2012 were $209 million and $227 million.

Table 19.3 - Amounts Recognized in AOCI
(dollars in millions)

	Defined Benefit Retirement Plans		Postretirement Benefit Plans	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Net actuarial loss	$ 54	$ 81	$ 2	$ 8
Prior service cost (benefit)	1	—	(4)	(5)
Total	$ 55	$ 81	$ (2)	$ 3

The accumulated benefit obligation for the defined benefit retirement plans was $167 million and $171 million at December 31, 2013 and 2012.

Table 19.4 - Net Periodic Benefit Cost and Other Amounts Recognized in Other Comprehensive Income (Loss)
(dollars in millions)

	Year Ended December 31,					
	Defined Benefit Retirement Plans			Postretirement Benefit Plans		
	2013	2012	2011	2013	2012	2011
Net Periodic Benefit Cost						
Service cost	$ 11	$ 9	$ 8	$ 3	$ 2	$ 2
Interest cost	7	7	7	3	2	2
Expected return on plan assets	(3)	(2)	(2)	—	—	—
Amortization of prior service cost	—	—	—	(2)	(2)	(1)
Amortization of net loss (gain)	9	7	5	1	—	—
Settlement loss	5	—	2	—	—	—
Net periodic benefit cost	29	21	20	5	2	3
Other Changes in Benefit Obligations Recognized in Other Comprehensive Income						
Net loss (gain)	(10)	16	23	(7)	—	3
Prior service cost (benefit)	(2)	4	—	1	—	—
Amortization of net (loss) gain	(9)	(7)	(5)	(1)	—	—
Amortization of prior service (cost) benefit	—	—	—	2	1	1
Prior service cost recognized due to curtailment/settlement loss	(5)	—	(1)	—	—	—
Total recognized in other comprehensive income	(26)	13	17	(5)	1	4
Total recognized in net periodic benefit cost and other comprehensive income	$ 3	$ 34	$ 37	$ —	$ 3	$ 7

Table 19.5 presents the estimated net actuarial loss and prior service benefit that will be amortized from AOCI into net periodic benefit cost over the next fiscal year.

Table 19.5 - Amortization for Next Fiscal Year
(dollars in millions)

	Defined Benefit Retirement Plans	Postretirement Benefit Plans
Net actuarial loss	$ 5	$ —
Prior service benefit	—	(1)
Total	$ 5	$ (1)

Table 19.6 presents the key assumptions used for the actuarial calculations to determine benefit obligations for the FHLBanks' defined benefit retirement plans and postretirement benefit plans (displayed as a range from low to high).

Table 19.6 - Benefit Obligation Key Assumptions

	Defined Benefit Retirement Plans		Postretirement Benefit Plans	
	2013	2012	2013	2012
Discount rate	4.3% - 5.0%	3.3% - 4.1%	4.6% - 5.4%	3.8% - 4.5%
Salary increases	3.0% - 5.5%	3.0% - 5.5%	N/A	N/A

N/A - These assumptions are not applicable to the postretirement benefit plans.

Table 19.7 presents the key assumptions used for the actuarial calculations to determine net periodic benefit cost for the FHLBanks' defined benefit retirement plans and postretirement benefit plans (displayed as a range from low to high).

Table 19.7 - Net Periodic Benefit Cost Key Assumptions

	Defined Benefit Retirement Plans			Postretirement Benefit Plans		
	2013	2012	2011	2013	2012	2011
Discount rate	3.3% - 4.8%	3.7% - 4.5%	4.0% - 5.6%	3.8% - 4.8%	4.2% - 4.8%	5.3% - 7.5%
Salary increases	3.0% - 5.5%	4.0% - 5.5%	4.0% - 5.5%	N/A	N/A	N/A
Expected return on plan assets	8.0%	8.0%	8.0%	N/A	N/A	N/A

N/A - These assumptions are not applicable to the postretirement benefit plans.

Table 19.8 presents the assumed health care cost trend rates for the FHLBanks' postretirement benefit plans (displayed as a range from low to high).

Table 19.8 - Postretirement Benefit Plans Assumed Health Care Cost Trend Rates(1)

	2013	2012
Assumed for next year	4.7% - 9.0%	5.0% - 8.1%
Ultimate rate	5.0% - 5.3%	5.0% - 5.3%
Year that ultimate rate is reached	2013 - 2045	2012 - 2023

(1) Table 19.8 excludes certain postretirement health benefit plan assumptions for the FHLBank of San Francisco because this plan's costs are capped at 1998 health care premium amounts. As a result, changes in the health care cost trend rates will have no effect on the FHLBank of San Francisco's accumulated postretirement benefit obligation, or service and interest costs.

The effect of a percentage point increase in the assumed health care cost trend rate would be an increase in postretirement benefit expense of less than $1 million and an increase in accumulated postretirement benefit obligation (APBO) of $6 million. The effect of a percentage point decrease in the assumed health care cost trend rate would be a decrease in postretirement benefit expense of less than $1 million and a decrease in APBO of $6 million.

The discount rates for the disclosures as of December 31, 2013, were determined by using a discounted cash flow approach, which incorporates the timing of each expected future benefit payment. Estimated future benefit payments are based on each plan's census data, benefit formulas and provisions, and valuation assumptions reflecting the probability of decrement and survival. The present value of the future benefit payments is determined by using weighted-average duration-based interest rate yields from a variety of highly rated relevant corporate bond indices as of December 31, 2013, and solving for the single discount rate that produces the same present value.

The nonqualified supplemental retirement plans and postretirement benefit plans are not funded; therefore, no contributions will be made in 2014 other than for the payment of benefits. The FHLBank of San Francisco contributed $2 million in 2013, and expects to contribute $2 million in 2014 to its Cash Balance Plan, a qualified defined benefit plan. The FHLBank of San Francisco contributed less than $1 million in 2013, and expects to contribute $1 million to its nonqualified defined benefit plans and its postretirement health plan in 2014.

Table 19.9 - Estimated Future Benefit Payments
(dollars in millions)

Years	Payments
2014	$ 12
2015	15
2016	16
2017	16
2018	18
2019-2023	95

FHLBank of San Francisco's Plan Assets

Table 19.10 presents the fair values of the FHLBank of San Francisco's Cash Balance Plan's assets as of December 31, 2013 and 2012, by asset category. (See *Note 20 - Fair Value* for further information regarding the three levels of fair value measurement.)

Table 19.10 - FHLBank of San Francisco's Cash Balance Plan's Fair Value of Plan Assets by Asset Category
(dollars in millions)

	December 31, 2013				December 31, 2012			
	Fair Value Measurement Using				Fair Value Measurement Using			
Asset Category	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1	$ —	$ —	$ 1	$ 1	$ —	$ —	$ 1
Equity mutual funds	24	—	—	24	18	—	—	18
Fixed-income mutual funds	12	—	—	12	11	—	—	11
Real estate mutual funds	1	—	—	1	1	—	—	1
Other mutual funds	—	—	—	—	1	—	—	1
Total	$ 38	$ —	$ —	$ 38	$ 32	$ —	$ —	$ 32

The Cash Balance Plan is administered by the FHLBank of San Francisco's Retirement Committee, which establishes the plan's Statement of Investment Policy and Objectives. The FHLBank of San Francisco's Retirement Committee has adopted a strategic asset allocation based on a stable distribution of assets among major asset classes. These asset classes include domestic large-, mid-, and small-capitalization equity investments; international equity investments; and fixed-income investments. The FHLBank of San Francisco's Retirement Committee has set the Cash Balance Plan's target allocation percentages for a mix range of 50% to 70% equity and 30% to 50% fixed income. The FHLBank of San Francisco's Retirement Committee reviews the performance of the Cash Balance Plan on a regular basis.

Table 19.11 - FHLBank of San Francisco's Cash Balance Plan's Weighted-Average Asset Allocation by Asset Category

	December 31,	
Asset Category	2013	2012
Cash and cash equivalents	2%	4%
Equity mutual funds	62%	58%
Fixed-income mutual funds	32%	34%
Real estate mutual funds	2%	2%
Other mutual funds	2%	2%
Total	100%	100%

Note 20 - Fair Value

The fair value amounts recorded on the Combined Statement of Condition and presented in the note disclosures for the periods presented have been determined by the FHLBanks using available market and other pertinent information and reflect each FHLBank's best judgment of appropriate valuation methods. Although each FHLBank uses its best judgment in estimating the fair value of its financial instruments, there are inherent limitations in any valuation technique. Therefore, the fair values may not be indicative of the amounts that would have been realized in market transactions at December 31, 2013 and 2012.

Fair Value Hierarchy

The FHLBanks record trading securities, available-for-sale securities, derivative assets, derivative liabilities, certain advances, certain consolidated obligations and certain other assets and liabilities at fair value on a recurring basis and on occasion, certain private-label MBS and certain other assets on a non-recurring basis. U.S. GAAP establishes a fair value hierarchy and requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The inputs are evaluated and an overall level for the fair value measurement is determined. This overall level is an indication of market observability of the fair value measurement for the asset or liability. An entity must disclose the level within the fair value hierarchy in which the measurements are classified.

The fair value hierarchy prioritizes the inputs used to measure fair value into three broad levels:

- Level 1 Inputs. Quoted prices (unadjusted) for identical assets or liabilities in an active market that the reporting entity can access on the measurement date.

- Level 2 Inputs. Inputs other than quoted prices within Level 1, that are observable inputs for the asset or liability, either directly or indirectly. If the asset or liability has a specified or contractual term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following: (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in markets that are not active; (3) inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates and yield curves that are observable at commonly quoted intervals, and implied volatilities); and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 Inputs. Unobservable inputs for the asset or liability.

Each FHLBank reviews its fair value hierarchy classifications on a quarterly basis. Changes in the observability of the valuation inputs may result in a reclassification of certain assets or liabilities. These reclassifications are reported as transfers in/out at fair value at the beginning of the quarter in which the changes occur.

The FHLBank of Indianapolis classified six private-label residential MBS it sold on April 4, 2013, within the fair value hierarchy as Level 2, as of March 31, 2013, because the estimated fair values were derived from and corroborated by the sales prices in actual market transactions. The total fair value of these six private-label residential MBS that the FHLBank of Indianapolis transferred from Level 3 to Level 2 was $124 million at January 1, 2013, the beginning of the quarter in which the transfer occurred. The FHLBanks had no other transfers of assets or liabilities recorded at fair value on a recurring basis during the years ended December 31, 2013, 2012, or 2011.

Table 20.1 presents the carrying value, fair value, and fair value hierarchy of financial assets and liabilities of the FHLBanks at December 31, 2013 and 2012. These values do not represent an estimate of the overall market value of the FHLBanks as going concerns, which would take into account future business opportunities and the net profitability of assets and liabilities.

Table 20.1 - Fair Value Summary
(dollars in millions)

	December 31, 2013					
		Fair Value				
Financial Instruments	Carrying Value	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Assets						
Cash and due from banks	$ 45,773	$ 45,773	$ 45,773	$ —	$ —	$ —
Interest-bearing deposits	1,007	1,007	—	1,007	—	—
Securities purchased under agreements to resell	20,350	20,350	—	20,350	—	—
Federal funds sold	29,500	29,500	—	29,500	—	—
Trading securities	11,666	11,666	13	11,653	—	—
Available-for-sale securities	69,005	69,005	12	56,688	12,305	—
Held-to-maturity securities	111,335	112,257	—	101,350	10,907	—
Advances(2)	498,599	498,822	—	498,822	—	—
Mortgage loans held for portfolio, net	44,442	45,625	—	45,290	335	—
Accrued interest receivable	1,144	1,144	—	1,144	—	—
Derivative assets, net	513	513	—	4,139	19	(3,645)
Other assets	67	67	62	5	—	—
Liabilities						
Deposits	10,555	10,555	—	10,555	—	—
Consolidated obligations						
Discount notes(3)	293,296	293,299	—	293,299	—	—
Bonds(4)	473,845	474,421	—	474,353	68	—
Total consolidated obligations	767,141	767,720	—	767,652	68	—
Mandatorily redeemable capital stock	4,998	4,998	4,998	—	—	—
Accrued interest payable	1,156	1,156	—	1,156	—	—
Derivative liabilities, net	1,913	1,913	—	11,799	—	(9,886)
Other liabilities	76	76	76	—	—	—
Subordinated notes	944	1,055	—	1,055	—	—

	December 31, 2012					
		Fair Value				
Financial Instruments	Carrying Value	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Assets						
Cash and due from banks	$ 18,560	$ 18,560	$ 18,560	$ —	$ —	$ —
Interest-bearing deposits	1,007	1,007	—	1,007	—	—
Securities purchased under agreements to resell	35,839	35,839	—	35,839	—	—
Federal funds sold	44,010	44,011	—	44,011	—	—
Trading securities	11,133	11,133	11	11,122	—	—
Available-for-sale securities	65,733	65,733	11	52,013	13,709	—
Held-to-maturity securities	108,103	111,167	—	97,692	13,475	—
Advances(2)	425,750	428,093	—	428,093	—	—
Mortgage loans held for portfolio, net	49,423	52,363	—	51,979	384	—
Accrued interest receivable	1,255	1,255	—	1,255	—	—
Derivative assets, net	815	815	—	5,930	33	(5,148)
Other assets	63	63	59	4	—	—
Liabilities						
Deposits	13,721	13,721	—	13,721	—	—
Consolidated obligations						
Discount notes(3)	216,282	216,298	—	216,298	—	—
Bonds(4)	475,856	483,562	—	483,480	82	—
Total consolidated obligations	692,138	699,860	—	699,778	82	—
Mandatorily redeemable capital stock	6,929	6,929	6,929	—	—	—
Accrued interest payable	1,400	1,400	—	1,400	—	—
Derivative liabilities, net	2,544	2,544	—	17,766	—	(15,222)
Other liabilities	85	85	85	—	—	—
Subordinated notes	1,000	1,162	—	1,162	—	—

(1) Amounts represent the application of the netting requirements that allow an FHLBank to settle positive and negative positions and also cash collateral and related accrued interest held or placed by that FHLBank with the same clearing agent and/or counterparty.
(2) Includes $26,305 million and $7,900 million of advances recorded under the fair value option at December 31, 2013 and 2012 and $10 million of hedged advances recorded at fair value at December 31, 2012.
(3) Includes $5,336 million and $3,198 million of consolidated discount notes recorded under the fair value option at December 31, 2013 and 2012.
(4) Includes $38,573 million and $47,645 million of consolidated bonds recorded under the fair value option and $68 million and $82 million of hedged consolidated bonds recorded at fair value at December 31, 2013 and 2012.

Summary of Valuation Methodologies and Primary Inputs

Cash and due from banks. The fair values equal the carrying values.

Interest-bearing deposits. The fair values are determined based on prices obtained from a pricing service or by calculating the present value of the expected future cash flows and reducing the amount for accrued interest receivable. For certain FHLBanks' interest-bearing deposits with three months or less to maturity or repricing, the fair values approximate the carrying values.

Securities purchased under agreements to resell. The fair values are determined by calculating the present value of the future cash flows and reducing the amount for accrued interest receivable. The discount rates used in these calculations are the rates for securities with similar terms. For certain FHLBanks' securities with three months or less to maturity or repricing, the fair values approximate the carrying values.

Federal funds sold. The fair values of overnight federal funds sold approximate the carrying values. The fair values of term federal funds sold are determined by calculating the present value of the expected future cash flows and reducing the amount for accrued interest receivable. The discount rates used in these calculations are the rates for federal funds with similar terms.

Investment securities-MBS. Using a uniform framework, each FHLBank's valuation technique incorporates prices from up to four designated third-party pricing vendors, when available. The third-party pricing vendors use various proprietary models to price MBS. The inputs to those models are derived from various sources, including, but not limited to, benchmark yields, reported trades, dealer estimates, issuer spreads, benchmark securities, bids, offers, and other market-related data. Because many MBS do not trade on a daily basis, the pricing vendors use applicable, available information, such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing, to determine the prices for individual securities. Each pricing vendor has an established challenge process in place for all MBS valuations, which facilitates resolution of potentially erroneous prices identified by the FHLBanks.

Each FHLBank has conducted reviews of up to four pricing vendors to confirm and further augment its understanding of the vendors' pricing processes, methodologies, and control procedures for specific instruments.

The FHLBanks' valuation technique for estimating the fair values of MBS first requires the establishment of a median price for each security. If four prices are received, the average of the middle two prices is the median price; if three prices are received, the middle price is the median price; if two prices are received, the average of the two prices is the median price; and if one price is received, it is the median price (and also the final price), subject to validation of outliers.

All prices that are within a specified tolerance threshold of the median price are included in the cluster of prices that are averaged to compute a default price. All prices that are outside the threshold (outliers) are subject to further analysis to determine if an outlier is a better estimate of fair value. These steps include, but are not limited to, comparison to prices provided by an additional third-party valuation service, prices for similar securities, and/or non-binding dealer estimates. If an outlier or some other price identified in the analysis is determined to be a better estimate of fair value, then the outlier or the other price as appropriate is used as the final price rather than the default price. Alternatively, if the analysis confirms that an outlier (or outliers) is (are) in fact not representative of fair value and the default price is the best estimate, then the default price is used as the final price. In all cases, the final price is used to determine the fair value of the security.

As of December 31, 2013 and 2012, four prices were received for a majority of the FHLBanks' MBS holdings and the final prices for those securities were computed by averaging the prices received. Based on each FHLBank's review of the pricing methods employed by the third-party pricing vendors and the relative lack of dispersion among the vendor prices (or, in those instances in which there were outliers or significant yield variances, the FHLBanks' additional analyses), each FHLBank believes its final prices result in reasonable estimates of fair value and that the fair value measurements are classified appropriately in the fair value hierarchy. Based on the lack of significant market activity for private-label residential MBS and home equity loan ABS, the recurring and non-recurring fair value measurements for those securities were classified as Level 3 within the fair value hierarchy as of December 31, 2013 and 2012.

As an additional step for certain securities, each FHLBank reviewed the final fair value estimates of its private-label residential MBS holdings for reasonableness using an implied yield test. Each FHLBank calculated an implied yield for certain of its private-label residential MBS using the estimated fair value derived from the process previously described and the security's projected cash flows from the FHLBank's OTTI process. These yields were compared to the market yield of comparable securities according to dealers and other third-party sources to the extent comparable market yield data was available. This analysis did not indicate that any material adjustments to the fair value estimates were necessary.

Investment securities-Non-MBS. To determine the estimated fair values of non-MBS investment securities, each FHLBank uses either a market approach using prices from third-party pricing vendors, generally consistent with the methodologies for MBS, or an income approach based on a market-observable interest rate curve adjusted for a spread, which may be based on unobservable information. Differing spreads may be applied to distinct term points along the discount curve in determining the fair values of instruments with varying maturities. 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 market-observable interest rate curves used by the FHLBanks and the related financial instrument they measure are as follows:

- *Treasury Curve.* U.S. Treasury obligations.
- *LIBOR Swap Curve*. Commercial paper, certificates of deposit, promissory notes, and Federal Family Education Loan Program ABS.
- *U.S. Government Agency Fair Value Curve.* Government-sponsored enterprises and Tennessee Valley Authority obligations.

Advances. Each FHLBank generally determines the fair values of its 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. Each FHLBank calculates its replacement advance rates at a spread to its cost of funds. Each FHLBank's cost of funds approximates the CO Curve. (See *Summary of Valuation Methodologies and Primary Inputs - Consolidated obligations* within this note for a discussion of the CO Curve.) To estimate the fair values of advances with optionality, market-based expectations of future interest rate volatility implied from current market prices for similar options are also used. In accordance with the FHFA's advances regulations, an advance with a maturity or repricing period greater than six months requires a prepayment fee sufficient to make an FHLBank financially indifferent to the borrower's decision to prepay the advances. Therefore, the fair values of advances do not assume prepayment risk.

The FHLBanks did not adjust their fair value measurement of advances for creditworthiness primarily because advances were fully collateralized. (See *Note - 8 Advances* and *Note - 10 Allowance for Credit Losses* for additional information.)

Mortgage loans held for portfolio. The fair values of mortgage loans are estimated based on quoted market prices for similar mortgage loans, if available, or modeled values. The modeled values generally 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. The prices are adjusted for differences in coupon, average loan rate, seasoning, credit risk, 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 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. The fair values of certain non-performing loans are estimated based on the values of the underlying collateral or the present values of future cash flows, which may include estimates of prepayment rates and other assumptions.

Accrued interest receivable and payable. The fair values approximate the carrying values.

Derivative assets/liabilities. Each FHLBank bases the fair values of derivatives with similar terms on 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. In limited instances, fair value estimates for derivatives are obtained from dealers and are corroborated by an FHLBank using a pricing model and observable market data. Each FHLBank is subject to credit risk due to the risk of nonperformance by counterparties to its derivative transactions. For bilateral derivatives, the degree of credit risk depends on the extent to which master netting arrangements are included in these contracts to mitigate the risk. In addition, each FHLBank requires collateral agreements with collateral delivery thresholds on the majority of it bilateral derivatives. The use of cleared derivatives is intended to mitigate credit risk exposure because a central counterparty is substituted for individual counterparties and collateral is posted daily through a clearing agent, for changes in the value of cleared derivatives. Each FHLBank has evaluated the potential for the fair value of the instruments to be affected by counterparty credit risk and its own credit risk and has determined that no adjustments were significant to the overall fair value measurements.

The fair values of each FHLBank's derivative assets and liabilities include accrued interest receivable/payable and related cash collateral, including initial and variation margin, 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. Derivatives are presented on a net basis by clearing agent and/or by counterparty when it has met the netting requirements. If these netted amounts are positive, they are classified as an asset and, if negative, they are classified as a liability.

Each FHLBank's discounted cash flow analysis uses market-observable inputs. Inputs by class of derivative are as follows:

Interest-rate related:

- *Discount rate assumption*. The FHLBanks used the Overnight Index Swap (OIS) curve or the LIBOR swap curve depending on the terms of the derivative.
- *Forward interest rate assumption.* 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).

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.* TBA security prices are generally adjusted for differences in coupon, average loan rate, and seasoning.

Deposits. The fair values of deposits are generally equal to its carrying values because the deposits are primarily overnight instruments or due on demand. Each FHLBank determines the fair values of term deposits by calculating the present value of expected future cash flows from the deposits and reducing this amount for accrued interest payable. The discount rates used in these calculations are the cost of deposits with similar terms.

Securities sold under agreements to repurchase. Each FHLBank determines the fair values 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. Each FHLBank estimates the fair values of consolidated obligations based on prices received from pricing vendors, consistent with the methodology for MBS previously discussed, or by using standard valuation techniques and inputs based on the cost of raising comparable term debt.

The inputs used to determine the fair values of consolidated obligations are as follows:

- *CO Curve and LIBOR Swap Curve.* The Office of Finance constructs an internal curve, referred to as the CO Curve, using the U.S. Treasury Curve as a base curve that is then adjusted by adding indicative spreads obtained 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 LIBOR Swap Curve is used for certain callable consolidated obligations.

- *Volatility assumption.* To estimate the fair values of consolidated obligations with optionality the FHLBanks use market-based expectations of future interest rate volatility implied from current market prices for similar options.

- *Spread adjustment.* FHLBanks may apply an adjustment to the curve.

The FHLBanks monitor their own creditworthiness and determine if any credit risk adjustments are necessary in their fair value measurement of consolidated obligations.

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 that 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.

Commitments. The fair value of the FHLBanks' commitments to extend credit for advances, letters of credit, and standby bond-purchase agreements was immaterial at December 31, 2013 and 2012.

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

Subjectivity of estimates. Estimates of the fair value of financial assets and liabilities using the methodologies 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.

Fair Value Measurements

Table 20.2 presents the fair value of assets and liabilities that are recorded on a recurring or non-recurring basis at December 31, 2013 and 2012, by level within the fair value hierarchy. The FHLBanks measure certain held-to-maturity securities and mortgage loans at fair value on a non-recurring basis due to the recognition of a credit loss. Real estate owned is measured using fair value when the asset's fair value less costs to sell is lower than its carrying amount.

Table 20.2 - Fair Value Measurements
(dollars in millions)

	December 31, 2013				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Recurring fair value measurements - Assets					
Trading securities					
U.S. Treasury obligations	$ 2,847	$ —	$ 2,847	$ —	$ —
Certificates of deposit	260	—	260	—	—
Other U.S. obligations	267	—	267	—	—
GSE and Tennessee Valley Authority obligations	7,072	—	7,072	—	—
State or local housing agency obligations	1	—	1	—	—
Other non-MBS	276	13	263	—	—
Other U.S. obligations residential MBS	33	—	33	—	—
GSE residential MBS	681	—	681	—	—
GSE commercial MBS	229	—	229	—	—
Total trading securities	11,666	13	11,653	—	—
Available-for-sale securities					
Certificates of deposit	2,185	—	2,185	—	—
Other U.S. obligations	4,160	—	4,160	—	—
GSE and Tennessee Valley Authority obligations	14,465	—	14,465	—	—
State or local housing agency obligations	37	—	37	—	—
Federal Family Education Loan Program ABS	6,804	—	6,804	—	—
Other non-MBS	1,127	12	1,115	—	—
Other U.S. obligations residential MBS	3,388	—	3,388	—	—
Other U.S. obligations commercial MBS	309	—	309	—	—
GSE residential MBS	24,182	—	24,182	—	—
GSE commercial MBS	43	—	43	—	—
Private-label residential MBS	12,290	—	—	12,290	—
Home equity loan ABS	15	—	—	15	—
Total available-for-sale securities	69,005	12	56,688	12,305	—
Advances(2)	26,305	—	26,305	—	—
Derivative assets, net					
Interest-rate related	509	—	4,135	19	(3,645)
TBAs	1	—	1	—	—
Mortgage delivery commitments	3	—	3	—	—
Total derivative assets, net	513	—	4,139	19	(3,645)
Other assets	67	62	5	—	—
Total recurring assets at fair value	$ 107,556	$ 87	$ 98,790	$ 12,324	$ (3,645)

	December 31, 2013				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Recurring fair value measurements - Liabilities					
Consolidated Obligations					
Discount notes(3)	$ 5,336	$ —	$ 5,336	$ —	$ —
Bonds(4)	38,641	—	38,573	68	—
Total consolidated obligations	43,977	—	43,909	68	—
Derivative liabilities, net					
Interest-rate related	1,909	—	11,795	—	(9,886)
Mortgage delivery commitments	4	—	4	—	—
Total derivative liabilities, net	1,913	—	11,799	—	(9,886)
Total recurring liabilities at fair value	$ 45,890	$ —	$ 55,708	$ 68	$ (9,886)
Non-recurring fair value measurements - Assets					
Mortgage loans held for portfolio	$ 237	$ —	$ —	$ 237	
Real estate owned	17	—	—	17	
Total non-recurring assets at fair value	$ 254	$ —	$ —	$ 254	

	December 31, 2012				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Recurring fair value measurements - Assets					
Trading securities					
U.S. Treasury obligations	$ 1,003	$ —	$ 1,003	$ —	$ —
Commercial paper	60	—	60	—	—
Certificates of deposit	325	—	325	—	—
Other U.S. obligations	310	—	310	—	—
GSE and Tennessee Valley Authority obligations	7,983	—	7,983	—	—
State or local housing agency obligations	2	—	2	—	—
Other non-MBS	306	11	295	—	—
Other U.S. obligations residential MBS	38	—	38	—	—
GSE residential MBS	854	—	854	—	—
GSE commercial MBS	252	—	252	—	—
Total trading securities	11,133	11	11,122	—	—
Available-for-sale securities					
Other U.S. obligations	2,079	—	2,079	—	—
GSE and Tennessee Valley Authority obligations	14,199	—	14,199	—	—
State or local housing agency obligations	20	—	20	—	—
Federal Family Education Loan Program ABS	7,452	—	7,452	—	—
Other non-MBS	1,343	11	1,332	—	—
Other U.S. obligations residential MBS	3,387	—	3,387	—	—
GSE residential MBS	23,397	—	23,397	—	—
GSE commercial MBS	147	—	147	—	—
Private-label residential MBS	13,695	—	—	13,695	—
Home equity loan ABS	14	—	—	14	—
Total available-for-sale securities	65,733	11	52,013	13,709	—

	December 31, 2012				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Advances(2)	7,910	—	7,910	—	—
Derivative assets, net					
Interest-rate related	798	—	5,913	33	(5,148)
TBAs	1	—	1	—	—
Mortgage delivery commitments	16	—	16	—	—
Total derivative assets, net	815	—	5,930	33	(5,148)
Other assets	63	59	4	—	—
Total recurring assets at fair value	$ 85,654	$ 81	$ 76,979	$ 13,742	$ (5,148)
Recurring fair value measurements - Liabilities					
Consolidated Obligations					
Discount notes(3)	$ 3,198	$ —	$ 3,198	$ —	$ —
Bonds(4)	47,727	—	47,645	82	—
Total consolidated obligations	50,925	—	50,843	82	—
Derivative liabilities, net					
Interest-rate related	2,528	—	17,750	—	(15,222)
Mortgage delivery commitments	16	—	16	—	—
Total derivative liabilities, net	2,544	—	17,766	—	(15,222)
Total recurring liabilities at fair value	$ 53,469	$ —	$ 68,609	$ 82	$ (15,222)
Non-recurring fair value measurements - Assets					
Held-to-maturity securities					
Private-label residential MBS	$ 65	$ —	$ —	$ 65	
Mortgage loans held for portfolio	261	—	—	261	
Real estate owned	26	—	3	23	
Total non-recurring assets at fair value	$ 352	$ —	$ 3	$ 349	

(1) Amounts represent the application of the netting requirements that allow an FHLBank to settle positive and negative positions and also cash collateral and related accrued interest held or placed by that FHLBank with the same clearing agent and/or counterparty.
(2) Includes $26,305 million and $7,900 million of advances recorded under the fair value option at December 31, 2013 and 2012, and $10 million of hedged advances recorded at fair value at December 31, 2012.
(3) Represents consolidated discount notes recorded under the fair value option at December 31, 2013 and 2012.
(4) Includes $38,573 million and $47,645 million of consolidated bonds recorded under the fair value option and $68 million and $82 million of hedged consolidated bonds recorded at fair value at December 31, 2013 and 2012.

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

Table 20.3 presents a rollforward of assets and liabilities measured at fair value on a recurring basis and classified as Level 3 during the years ended December 31, 2013, 2012, and 2011.

Table 20.3 - Rollforward of Level 3 Assets and Liabilities
(dollars in millions)

	Year Ended December 31, 2013			
	Available-for-Sale Securities		Derivative Assets(1)	
	Private-Label Residential MBS	Home Equity Loan ABS	Interest-Rate Related	Consolidated Bonds
Balance, at beginning of period	$ 13,695	$ 14	$ 33	$ (82)
Total gains or losses (realized/unrealized) included in				
Net gains (losses) on sale of available-for-sale securities	1	—	—	—
Net gains (losses) on derivatives and hedging activities	—	—	(14)	14
Interest income	53	1	—	—
Net other-than-temporary impairment losses, credit portion	(9)	—	—	—
Net unrealized gains (losses) on available-for-sale securities in other comprehensive income (loss)	3	—	—	—
Reclassification of non-credit portion included in net income (loss)	(1)	—	—	—
Net change in fair value on OTTI available-for-sale securities included in other comprehensive income (loss)	787	1	—	—
Unrealized gains (losses) on OTTI available-for-sale securities included in other comprehensive income (loss)	305	2	—	—
Purchases, issuances, sales, and settlements				
Sales	(42)	—	—	—
Settlements	(2,461)	(3)	—	—
Transfers from Level 3 to Level 2	(124)	—	—	—
Transfers from held-to-maturity to available-for-sale securities(2)	83	—	—	—
Balance, at end of period	$ 12,290	$ 15	$ 19	$ (68)
Total amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains/losses relating to assets and liabilities held at end of the period	$ 16	$ 1	$ —	$ —

	Year Ended December 31, 2012			
	Available-for-Sale Securities		Derivative Assets(1)	
	Private-Label Residential MBS	Home Equity Loan ABS	Interest-Rate Related	Consolidated Bonds
Balance, at beginning of period	$ 14,195	$ 15	$ 37	$ (87)
Total gains or losses (realized/unrealized) included in				
Net gains (losses) on sale of available-for-sale securities	2	—	—	—
Net gains (losses) on derivatives and hedging activities	—	—	(4)	5
Interest income	3	1	—	—
Net other-than-temporary impairment losses, credit portion	(85)	(1)	—	—
Net unrealized gains (losses) on available-for-sale securities in other comprehensive income (loss)	1	—	—	—
Reclassification of non-credit portion included in net income (loss)	54	1	—	—
Net change in fair value on OTTI available-for-sale securities included in other comprehensive income (loss)	1,742	1	—	—
Unrealized gains (losses) on OTTI available-for-sale securities included in other comprehensive income (loss)	377	—	—	—
Purchases, issuances, sales, and settlements				
Sales	(129)	—	—	—
Settlements	(2,622)	(3)	—	—
Transfers from held-to-maturity to available-for-sale securities(2)	157	—	—	—
Balance, at end of period	$ 13,695	$ 14	$ 33	$ (82)
Total amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains/losses relating to assets and liabilities held at end of the period	$ (100)	$ —	$ —	$ 5

	Year Ended December 31, 2011			
	Available-for-Sale Securities		Derivative Assets(1)	
	Private-Label Residential MBS	Home Equity Loan ABS	Interest-Rate Related	Consolidated Bonds
Balance, at beginning of period	$ 8,047	$ 15	$ 29	$ (78)
Total gains or losses (realized/unrealized) included in				
Net gains (losses) on sale of available-for-sale securities	11	—	—	—
Net gains (losses) on changes in fair value included in earnings	(519) [(a)]	(1) [(a)]	8	(9)
AOCI	899	5	—	—
Purchases, issuances, sales, and settlements				
Sales	(293)	—	—	—
Settlements	(2,533)	(4)	—	—
Transfers from held-to-maturity to available-for-sale securities(2)	8,583	—	—	—
Balance, at end of period	$ 14,195	$ 15	$ 37	$ (87)
Total amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains/losses relating to assets and liabilities held at end of the period	$ (518)	$ (1)	$ 8	$ (9)

(a) Represents OTTI related to the credit loss recognized in earnings for available-for-sale securities.
(1) Balances exclude netting adjustments and cash collateral.
(2) During 2013, 2012, and 2011, certain FHLBanks elected to transfer certain private-label residential MBS that had credit-related OTTI from their respective held-to-maturity portfolio to their respective available-for-sale portfolio. (See *Note 7 - Other-than-Temporary Impairment Analysis* for additional information on these transfers.) For the years ended December 31, 2013, 2012, and 2011, the fair value of these securities continued to be determined using significant unobservable inputs (Level 3).

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 on advances and consolidated obligations at fair value are recognized solely on the contractual amount of interest due or unpaid. Any transaction fees or costs are immediately recognized into non-interest income or non-interest expense.

The FHLBanks of New York, Cincinnati, Chicago, Des Moines, Dallas, San Francisco, and Seattle (Electing FHLBanks) have each elected the fair value option for certain advances, certain optional advance commitments, and/or certain consolidated obligations that either do not qualify for hedge accounting or may be at risk for not meeting hedge effectiveness requirements. These fair value elections were made primarily in an effort to mitigate the potential income statement volatility that can arise from economic hedging relationships in which the carrying value of the hedged item is not adjusted for changes in fair value.

Table 20.4 - Fair Value Option - Financial Assets and Liabilities
(dollars in millions)

	Year Ended December 31, 2013			
	Advances	Consolidated Discount Notes	Consolidated Bonds	Other Liabilities
Balance, at beginning of period	$ 7,900	$ (3,198)	$ (47,645)	$ —
New transactions elected for fair value option	21,558	(5,684)	(41,152)	—
Maturities and terminations	(2,988)	3,545	50,068	—
Net gains (losses) on financial instruments held under fair value option	(170)	(1)	153	—
Change in accrued interest and other	5	2	3	—
Balance, at end of period	$ 26,305	$ (5,336)	$ (38,573)	$ —

	Year Ended December 31, 2012			
	Advances	Consolidated Discount Notes	Consolidated Bonds	Other Liabilities
Balance, at beginning of period	$ 8,693	$ (19,862)	$ (38,981)	$ (2)
New transactions elected for fair value option	1,362	(3,396)	(64,873)	—
Maturities and terminations	(2,128)	20,066	56,196	—
Net gains (losses) on financial instruments held under fair value option	(21)	3	11	2
Change in accrued interest and other	(6)	(9)	2	—
Balance, at end of period	$ 7,900	$ (3,198)	$ (47,645)	$ —

	Year Ended December 31, 2011			
	Advances	Consolidated Discount Notes	Consolidated Bonds	Other Liabilities
Balance, at beginning of period	$ 10,494	$ (5,820)	$ (47,395)	$ (11)
New transactions elected for fair value option	2,049	(20,134)	(65,098)	(3)
Maturities and terminations	(4,023)	6,107	73,687	—
Net gains (losses) on financial instruments held under fair value option	184	(2)	(188)	12
Change in accrued interest and other	(11)	(13)	13	—
Balance, at end of period	$ 8,693	$ (19,862)	$ (38,981)	$ (2)

For instruments for which the fair value option has been elected, 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 in the Combined Statement of Income. The remaining changes in fair value for instruments for which the fair value option has been elected are recorded as net gains (losses) on financial instruments 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 for the years ended December 31, 2013, 2012, and 2011.

Table 20.5 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 December 31, 2013 and 2012.

Table 20.5 - Aggregate Unpaid Balance and Aggregate Fair Value
(dollars in millions)

	December 31, 2013			December 31, 2012		
	Aggregate Unpaid Principal Balance	Aggregate Fair Value	Aggregate Fair Value Over/(Under) Aggregate Unpaid Principal Balance	Aggregate Unpaid Principal Balance	Aggregate Fair Value	Aggregate Fair Value Over/(Under) Aggregate Unpaid Principal Balance
Advances(1)	$ 26,186	$ 26,305	$ 119	$ 7,611	$ 7,900	$ 289
Consolidated discount notes	5,334	5,336	2	3,196	3,198	2
Consolidated bonds	38,675	38,573	(102)	47,591	47,645	54

(1) At December 31, 2013 and 2012, none of the advances were 90 days or more past due or had been placed on non-accrual status.

Note 21 - Commitments and Contingencies

Off-Balance Sheet Commitments

Table 21.1 - Off-Balance Sheet Commitments
(dollars in millions)

	December 31, 2013			December 31, 2012
Notional amount	Expire Within One Year	Expire After One Year	Total	Total
Standby letters of credit outstanding(1)	$ 51,725	$ 32,125	$ 83,850	$ 57,711
Commitments for standby bond purchases	554	2,414	2,968	3,248
Unused lines of credit - advances	2,084	—	2,084	1,995
Commitments to purchase mortgage loans	223	—	223	576
MPF Xtra mortgage purchase commitments	101	—	101	495
Unresolved repurchasable loans and indemnifications for MPF Xtra mortgage loans(2)	56	—	56	39
Commitments to fund additional advances	1,187	198	1,385	1,014
Commitments to purchase investment securities (not yet traded)	152	—	152	—
Unsettled consolidated bonds, at par(3)	2,927	—	2,927	6,609
Unsettled consolidated discount notes, at par	6,871	—	6,871	3,420

(1) Excludes unconditional commitments to issue standby letters of credit of $180 million and $429 million at December 31, 2013 and 2012.
(2) The FHLBank of Chicago is exposed to mortgage repurchase liability in connection with its sale of MPF Xtra Loans to Fannie Mae under the MPF Xtra product. The amount presented includes only mortgage loans for which (1) a breach of an eligibility requirement or other warranty has been specifically identified and (2) the FHLBank of Chicago believes Fannie Mae will request the FHLBank of Chicago to repurchase or provide an indemnity. Accordingly, these unresolved repurchase requests are classified to expire within one year. However, these unresolved repurchase requests may occur after one year from the reporting date since they do not have an expiration date. If the participating financial institution from which the FHLBank of Chicago purchased an ineligible MPF Xtra loan is viable, the FHLBank of Chicago may require the participating financial institution to repurchase that loan or indemnify the FHLBank of Chicago for related losses. Since the FHLBank of Chicago deems it probable that it will recover any losses from the participating financial institutions, no loss was recognized related to MPF Xtra loan repurchase or indemnification risk to Fannie Mae.
(3) Unsettled consolidated bonds of $2,205 million and $6,050 million were hedged with associated interest-rate swaps at December 31, 2013 and 2012.

Standby Letters of Credit. A standby letter of credit is a financing arrangement between an FHLBank and its member. Standby letters of credit are executed for members for a fee. If an FHLBank is required to make payment for a beneficiary's draw, the payment amount is converted into a collateralized advance to the member. Substantially all of these standby letters of credit range from less than one month to 20 years. The carrying value of guarantees related to standby letters of credit are recorded in other liabilities and were $168 million and $103 million at December 31, 2013 and 2012.

Each FHLBank monitors the creditworthiness of its members that have standby letters of credit. In addition, standby letters of credit are fully collateralized at the time of issuance. As a result, each FHLBank has deemed it unnecessary to record any additional liability on these commitments.

Standby Bond-Purchase Agreements. Certain FHLBanks have entered into standby bond-purchase agreements with state housing authorities within their district whereby these FHLBanks agree to provide liquidity for a fee. If required, the affected FHLBanks will purchase and hold the state housing authority's bonds until the designated marketing agent can find a suitable investor or the state housing authority repurchases the bond according to a schedule established by the standby bond-purchase agreement. Each standby bond-purchase agreement dictates the specific terms that would require the affected FHLBank to purchase the bond. The standby bond-purchase commitments entered into by these FHLBanks have original expiration periods of up to seven years, currently expiring no later than 2016, although some are renewable at the option of the affected FHLBank. At December 31, 2013 and 2012, the FHLBanks had standby bond-purchase commitments with 11 state housing authorities. During 2013 and 2012, the FHLBanks were not required to purchase any bonds under these agreements.

Commitments to Purchase Mortgage Loans. An FHLBank may enter into commitments that unconditionally obligate it to purchase mortgage loans from their members. Commitments are generally for periods not exceeding three months. Delivery commitments are recorded at fair value as derivative assets or derivative liabilities in the Combined Statement of Condition.

MPF Xtra Mortgage Purchase Commitments. Under the MPF Xtra product, the FHLBank of Chicago enters into delivery commitments to purchase MPF Xtra mortgage loans from the participating financial institutions and simultaneously enters into delivery commitments to resell these loans to Fannie Mae. For derivatives and hedging activities disclosure purposes, the delivery commitments issued by the FHLBank of Chicago and by Fannie Mae are considered separate derivatives.

Pledged Collateral

Certain FHLBanks pledged securities, as collateral, related to derivatives. (See *Note 11 - Derivatives and Hedging Activities* for additional information about the FHLBanks' pledged collateral and other credit-risk-related contingent features.)

Lease Commitments

The FHLBanks charged to operating expenses net rental and related costs of approximately $22 million, $23 million, and $24 million for the years ended December 31, 2013, 2012, and 2011.

Table 21.2 - Future Minimum Lease Payments
(dollars in millions)

Year	Premises	Equipment(1)	Total
2014	$ 17	$ 9	$ 26
2015	18	4	22
2016	17	—	17
2017	16	—	16
2018	14	—	14
Thereafter	67	—	67
Total	$ 149	$ 13	$ 162

(1) Includes minimum lease payments for both operating and capital leases.

Lease agreements for FHLBank premises generally provide for increases in the basic rentals resulting from increases in property taxes and maintenance expenses. These increases are not expected to have a material effect on the FHLBanks.

Lehman Bankruptcy

On September 15, 2008, Lehman Brothers Holdings, Inc. (LBHI), the parent company of Lehman Brothers Special Financing (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.

Several FHLBanks 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. Some of these FHLBanks have settled their disputes with the LBHI bankruptcy estate. Each of the FHLBanks of New York and Cincinnati has disclosed information regarding its legal proceedings in connection with LBHI's insolvency in its individual 2013 SEC Form 10-K.

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, results of operations, or cash flows.

Note 22 - Subsequent Events

Subsequent events have been evaluated from January 1, 2014 through the time of publication of this Combined Financial Report. 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 following event:

FHLBank of Pittsburgh

During January 2014, the FHLBank of Pittsburgh agreed with certain of its defendants to settle claims arising out of investments the FHLBank of Pittsburgh made in certain private-label mortgage-backed securities, for an aggregate gain of $36.6 million (which is net of legal fees and expenses). This amount will be recognized in the quarter ending March 31, 2014.

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CONDITION
DECEMBER 31, 2013

(dollars in millions, except par value)	Combined	Combining Adjustments	Boston	New York
Assets				
Cash and due from banks	$ 45,773	$ —	$ 641	$ 15,310
Investments	242,863	(342)	12,981	20,085
Advances	498,599	2	27,517	90,765
Mortgage loans held for portfolio, net	44,442	1	3,368	1,927
Other assets	2,523	(3)	131	246
Total assets	$ 834,200	$ (342)	$ 44,638	$ 128,333
Liabilities				
Deposits	$ 10,555	$ (12)	$ 518	$ 1,929
Consolidated obligations				
Discount notes	293,296	(2)	16,061	45,870
Bonds	473,845	(417)	23,466	73,276
Total consolidated obligations	767,141	(419)	39,527	119,146
Mandatorily redeemable capital stock	4,998	(1)	977	24
Other liabilities	6,436	(1)	779	749
Total liabilities	789,130	(433)	41,801	121,848
Capital				
Capital stock				
Class B putable ($100 par value) issued and outstanding	32,900	—	2,530	5,571
Class A putable ($100 par value) issued and outstanding	475	—	—	—
Total capital stock	33,375	—	2,530	5,571
Retained earnings				
Unrestricted	9,099	91	682	842
Restricted	3,107	—	107	157
Total retained earnings	12,206	91	789	999
Accumulated other comprehensive income (loss)	(511)	—	(482)	(85)
Total capital	45,070	91	2,837	6,485
Total liabilities and capital	$ 834,200	$ (342)	$ 44,638	$ 128,333

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 3,121	$ 4,374	$ 8,599	$ 3,319	$ 971	$ 448	$ 911	$ 1,714	$ 4,906	$ 1,459
13,876	26,944	22,364	10,780	36,402	20,131	13,131	8,705	35,260	22,546
50,247	89,588	65,270	17,337	23,489	45,650	15,979	17,425	44,395	10,935
3,224	918	6,819	6,190	7,695	6,557	91	5,949	905	798
203	492	129	160	240	218	110	157	308	132
$ 70,671	$ 122,316	$ 103,181	$ 37,786	$ 68,797	$ 73,004	$ 30,222	$ 33,950	$ 85,774	$ 35,870
$ 694	$ 1,752	$ 914	$ 1,066	$ 544	$ 699	$ 886	$ 962	$ 193	$ 410
28,237	32,202	38,210	7,435	31,089	38,137	5,984	10,890	24,194	14,989
37,698	80,728	58,163	26,584	31,987	30,195	21,487	20,057	53,207	17,414
65,935	112,930	96,373	34,019	63,076	68,332	27,471	30,947	77,401	32,403
—	24	116	17	5	9	3	5	2,071	1,748
349	958	468	300	1,407	507	115	234	400	171
66,978	115,664	97,871	35,402	65,032	69,547	28,475	32,148	80,065	34,732
2,962	4,883	4,698	1,610	1,670	2,692	1,124	822	3,460	878
—	—	—	—	—	—	—	430	—	45
2,962	4,883	4,698	1,610	1,670	2,692	1,124	1,252	3,460	923
626	1,516	510	667	1,853	627	616	516	317	236
60	141	111	85	175	51	40	52	2,077	51
686	1,657	621	752	2,028	678	656	568	2,394	287
45	112	(9)	22	67	87	(33)	(18)	(145)	(72)
3,693	6,652	5,310	2,384	3,765	3,457	1,747	1,802	5,709	1,138
$ 70,671	$ 122,316	$ 103,181	$ 37,786	$ 68,797	$ 73,004	$ 30,222	$ 33,950	$ 85,774	$ 35,870

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CONDITION
DECEMBER 31, 2012

(dollars in millions, except par value)	Combined	Combining Adjustments	Boston	New York
Assets				
Cash and due from banks	$ 18,560	$ —	$ 241	$ 7,553
Investments	265,825	(219)	15,554	17,459
Advances	425,750	—	20,790	75,888
Mortgage loans held for portfolio, net	49,423	—	3,479	1,843
Other assets	2,894	(2)	145	246
Total assets	$ 762,452	$ (221)	$ 40,209	$ 102,989
Liabilities				
Deposits	$ 13,721	$ (15)	$ 595	$ 2,055
Consolidated obligations				
Discount notes	216,282	—	8,639	29,780
Bonds	475,856	(278)	26,120	64,784
Total consolidated obligations	692,138	(278)	34,759	94,564
Mandatorily redeemable capital stock	6,929	—	216	23
Other liabilities	7,117	(4)	1,073	856
Total liabilities	719,905	(297)	36,643	97,498
Capital				
Capital stock				
Class B putable ($100 par value) issued and outstanding	33,021	—	3,455	4,797
Class A putable ($100 par value) issued and outstanding	514	—	—	—
Total capital stock	33,535	—	3,455	4,797
Retained earnings				
Unrestricted	7,933	77	524	798
Restricted	2,589	—	64	96
Total retained earnings	10,522	77	588	894
Accumulated other comprehensive income (loss)	(1,510)	(1)	(477)	(200)
Total capital	42,547	76	3,566	5,491
Total liabilities and capital	$ 762,452	$ (221)	$ 40,209	$ 102,989

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 1,351	$ 4,083	$ 16	$ 105	$ 3,564	$ 252	$ 921	$ 370	$ 104	$ —
19,057	30,454	19,950	16,845	40,750	13,433	16,200	10,775	40,528	25,039
40,498	87,503	53,944	18,130	14,530	26,614	18,395	16,573	43,750	9,135
3,533	1,244	7,530	6,001	10,432	6,952	121	5,941	1,289	1,058
177	421	122	147	308	116	118	160	750	186
$ 64,616	$ 123,705	$ 81,562	$ 41,228	$ 69,584	$ 47,367	$ 35,755	$ 33,819	$ 86,421	$ 35,418
$ 1,000	$ 2,094	$ 1,176	$ 1,787	$ 816	$ 1,085	$ 1,178	$ 1,182	$ 227	$ 541
24,148	31,737	30,840	8,924	31,260	8,675	6,984	8,669	5,209	21,417
35,136	82,947	44,346	27,408	32,569	34,345	25,698	21,974	70,310	10,497
59,284	114,684	75,186	36,332	63,829	43,020	32,682	30,643	75,519	31,914
432	40	211	451	6	9	5	6	4,343	1,187
472	612	452	442	1,485	419	119	267	719	205
61,188	117,430	77,025	39,012	66,136	44,533	33,984	32,098	80,808	33,847
2,815	4,898	4,010	1,634	1,650	2,063	1,217	859	4,160	1,463
—	—	—	—	—	—	—	405	—	109
2,815	4,898	4,010	1,634	1,650	2,063	1,217	1,264	4,160	1,572
529	1,362	479	550	1,584	593	550	454	246	187
30	73	59	41	107	29	22	28	2,001	39
559	1,435	538	591	1,691	622	572	482	2,247	226
54	(58)	(11)	(9)	107	149	(18)	(25)	(794)	(227)
3,428	6,275	4,537	2,216	3,448	2,834	1,771	1,721	5,613	1,571
$ 64,616	$ 123,705	$ 81,562	$ 41,228	$ 69,584	$ 47,367	$ 35,755	$ 33,819	$ 86,421	$ 35,418

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2013 and 2012

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
December 31, 2013				
Interest income				
Advances	$ 2,697	$ (1)	$ 253	$ 445
Investments	3,847	(17)	206	275
Mortgage loans held for portfolio	1,867	2	128	68
Other interest income	2	(1)	—	—
Total interest income	8,413	(17)	587	788
Interest expense				
Consolidated obligations - Discount notes	511	(2)	7	69
Consolidated obligations - Bonds	4,248	(3)	318	295
Other interest expense	239	2	6	2
Total interest expense	4,998	(3)	331	366
Net interest income	3,415	(14)	256	422
Provision (reversal) for credit losses	(19)	(1)	(2)	—
Net interest income after provision (reversal) for credit losses	3,434	(13)	258	422
Non-interest income (loss)				
Net other-than-temporary impairment losses	(15)	1	(3)	—
Other	344	20	46	13
Total non-interest income (loss)	329	21	43	13
Non-interest expense	943	(7)	65	96
Assessments	293	(1)	24	34
Net income (loss)	$ 2,527	$ 16	$ 212	$ 305
December 31, 2012				
Interest income				
Advances	$ 3,447	$ —	$ 357	$ 523
Investments	4,555	(15)	237	314
Mortgage loans held for portfolio	2,189	—	136	66
Other interest income	3	—	—	—
Total interest income	10,194	(15)	730	903
Interest expense				
Consolidated obligations - Discount notes	524	—	12	57
Consolidated obligations - Bonds	5,471	13	405	376
Other interest expense	147	—	1	3
Total interest expense	6,142	13	418	436
Net interest income	4,052	(28)	312	467
Provision (reversal) for credit losses	21	—	(3)	1
Net interest income after provision (reversal) for credit losses	4,031	(28)	315	466
Non-interest income (loss)				
Net other-than-temporary impairment losses	(112)	—	(7)	(2)
Other	(42)	40	(15)	34
Total non-interest income (loss)	(154)	40	(22)	32
Non-interest expense	975	(9)	63	97
Assessments	296	—	23	40
Net income (loss)	$ 2,606	$ 21	$ 207	$ 361

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 230	$ 233	$ 308	$ 146	$ 175	$ 201	$ 158	$ 128	$ 345	$ 76
225	497	323	174	937	180	80	117	691	159
142	61	269	246	399	253	6	196	50	47
—	—	—	1	—	—	—	2	—	—
597	791	900	567	1,511	634	244	443	1,086	282
18	27	37	8	288	14	7	9	17	12
382	421	530	314	716	407	89	215	432	132
1	2	5	7	57	—	—	1	155	1
401	450	572	329	1,061	421	96	225	604	145
196	341	328	238	450	213	148	218	482	137
(2)	5	(7)	(4)	(2)	(6)	—	2	(1)	(1)
198	336	335	242	452	219	148	216	483	138
—	—	—	(2)	—	(1)	—	(1)	(7)	(2)
48	166	20	71	(20)	(34)	20	(30)	12	12
48	166	20	69	(20)	(35)	20	(31)	5	10
81	127	64	68	56	62	70	53	128	80
17	37	30	25	33	12	10	13	52	7
$ 148	$ 338	$ 261	$ 218	$ 343	$ 110	$ 88	$ 119	$ 308	$ 61
$ 293	$ 294	$ 261	$ 175	$ 241	$ 271	$ 195	$ 155	$ 585	$ 97
270	603	347	211	1,129	221	106	144	832	156
168	76	313	258	546	284	8	194	77	63
—	—	—	1	—	—	—	2	—	—
731	973	921	645	1,916	776	309	495	1,494	316
18	25	31	8	307	12	8	9	21	16
501	568	570	380	980	523	140	264	574	177
2	4	12	15	57	—	—	2	51	—
521	597	613	403	1,344	535	148	275	646	193
210	376	308	242	572	241	161	220	848	123
—	6	1	8	9	—	—	3	(1)	(3)
210	370	307	234	563	241	161	217	849	126
(11)	(16)	—	(4)	(15)	—	—	(2)	(44)	(11)
18	71	13	(9)	(20)	(49)	2	(42)	(120)	35
7	55	13	(13)	(35)	(49)	2	(44)	(164)	24
73	125	58	60	111	68	73	51	134	71
14	30	27	18	42	13	9	12	60	8
$ 130	$ 270	$ 235	$ 143	$ 375	$ 111	$ 81	$ 110	$ 491	$ 71

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF INCOME
YEAR ENDED DECEMBER 31, 2011

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Interest income				
Advances	$ 3,597	$ —	$ 356	$ 571
Investments	5,238	(14)	260	319
Mortgage loans held for portfolio	2,642	—	149	63
Other interest income	2	—	—	—
Total interest income	11,479	(14)	765	953
Interest expense				
Consolidated obligations - Discount notes	529	—	9	35
Consolidated obligations - Bonds	6,645	11	449	406
Other interest expense	130	—	1	4
Total interest expense	7,304	11	459	445
Net interest income	4,175	(25)	306	508
Provision (reversal) for credit losses	71	—	(1)	3
Net interest income after provision (reversal) for credit losses	4,104	(25)	307	505
Non-interest income (loss)				
Net other-than-temporary impairment losses	(856)	—	(77)	(6)
Other	(241)	9	24	(74)
Total non-interest income (loss)	(1,097)	9	(53)	(80)
Non-interest expense	1,060	(8)	65	123
Assessments	348	—	29	58
Net income (loss)	$ 1,599	$ (8)	$ 160	$ 244

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 255	$ 258	$ 236	$ 169	$ 259	$ 271	$ 222	$ 166	$ 709	$ 125
320	754	440	234	1,248	307	91	183	964	132
201	97	335	300	737	325	10	196	113	116
—	—	—	—	—	—	—	2	—	—
776	1,109	1,011	703	2,244	903	323	547	1,786	373
11	17	28	8	357	6	4	10	34	10
610	628	720	449	1,276	660	167	303	707	259
1	5	14	15	74	1	—	3	12	—
622	650	762	472	1,707	667	171	316	753	269
154	459	249	231	537	236	152	231	1,033	104
10	5	12	5	19	9	—	1	4	4
144	454	237	226	518	227	152	230	1,029	100
(45)	(118)	—	(27)	(68)	—	(6)	(5)	(413)	(91)
12	14	(5)	(6)	5	(67)	(4)	(74)	(232)	157
(33)	(104)	(5)	(33)	(63)	(67)	(10)	(79)	(645)	66
65	123	57	58	184	62	84	54	126	67
8	43	37	25	47	20	10	20	42	9
$ 38	$ 184	$ 138	$ 110	$ 224	$ 78	$ 48	$ 77	$ 216	$ 90

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
December 31, 2013				
Net income (loss)	$ 2,527	$ 16	$ 212	$ 305
Other comprehensive income (loss)				
Net unrealized gains/losses on available-for-sale securities	(809)	(1)	(79)	(7)
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities	2	—	—	—
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	1,086	(1)	—	—
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	156	—	60	10
Net unrealized gains/losses relating to hedging activities	533	1	13	106
Pension and postretirement benefits	31	1	1	6
Total other comprehensive income (loss)	999	—	(5)	115
Total comprehensive income (loss)	$ 3,526	$ 16	$ 207	$ 420
December 31, 2012				
Net income (loss)	$ 2,606	$ 21	$ 207	$ 361
Other comprehensive income (loss)				
Net unrealized gains/losses on available-for-sale securities	559	—	26	6
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities	2	—	—	—
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	2,146	—	—	—
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	180	—	66	12
Net unrealized gains/losses relating to hedging activities	(85)	1	(33)	(25)
Pension and postretirement benefits	(14)	—	(1)	(2)
Total other comprehensive income (loss)	2,788	1	58	(9)
Total comprehensive income (loss)	$ 5,394	$ 22	$ 265	$ 352
December 31, 2011				
Net income (loss)	$ 1,599	$ (8)	$ 160	$ 244
Other comprehensive income (loss)				
Net unrealized gains/losses on available-for-sale securities	418	—	(34)	(7)
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities	3	—	—	—
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	(1,851)	—	—	—
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	3,316	—	171	17
Net unrealized gains/losses relating to hedging activities	(617)	—	(32)	(97)
Pension and postretirement benefits	(21)	—	(2)	(7)
Total other comprehensive income (loss)	1,248	—	103	(94)
Total comprehensive income (loss)	$ 2,847	$ (8)	$ 263	$ 150

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 148	$ 338	$ 261	$ 218	$ 343	$ 110	$ 88	$ 119	$ 308	$ 61
(67)	—	—	(12)	(524)	(64)	(24)	—	—	(31)
—	—	—	—	2	—	—	—	—	—
58	166	—	36	8	—	—	—	637	182
—	—	—	—	61	—	9	5	7	4
—	—	—	—	413	—	—	—	—	—
—	4	2	8	—	2	—	2	5	—
(9)	170	2	32	(40)	(62)	(15)	7	649	155
$ 139	$ 508	$ 263	$ 250	$ 303	$ 48	$ 73	$ 126	$ 957	$ 216
$ 130	$ 270	$ 235	$ 143	$ 375	$ 111	$ 81	$ 110	$ 491	$ 71
29	—	1	(3)	463	15	18	—	(1)	5
—	—	—	—	2	—	—	—	—	—
187	357	—	109	18	—	—	—	1,088	387
—	—	—	—	85	—	10	3	12	(8)
—	—	—	—	(29)	—	—	—	1	—
(1)	(4)	(1)	(3)	(1)	—	—	—	(1)	—
215	353	—	103	538	15	28	3	1,099	384
$ 345	$ 623	$ 235	$ 246	$ 913	$ 126	$ 109	$ 113	$ 1,590	$ 455
$ 38	$ 184	$ 138	$ 110	$ 224	$ 78	$ 48	$ 77	$ 216	$ 90
7	—	(1)	20	365	45	5	—	2	16
—	—	—	—	3	—	—	—	—	—
54	(6)	—	(50)	8	—	—	—	(1,836)	(21)
—	—	—	7	164	—	12	(4)	2,888	61
—	—	—	—	(488)	—	—	—	—	—
—	(3)	(3)	1	—	(2)	—	(1)	(4)	—
61	(9)	(4)	(22)	52	43	17	(5)	1,050	56
$ 99	$ 175	$ 134	$ 88	$ 276	$ 121	$ 65	$ 72	$ 1,266	$ 146

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CAPITAL
YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Balance, December 31, 2010	$ 43,741	$ 62	$ 3,276	$ 5,144
Adjustment for cumulative effect of accounting change - change in amortization methodology	(8)	—	—	—
Proceeds from issuance of capital stock	4,867	—	102	2,396
Repurchases/redemptions of capital stock	(7,662)	—	—	(2,430)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(3,430)	—	(141)	(4)
Dividends of capital stock	32	—	—	—
Comprehensive income (loss)	2,847	(8)	263	150
Dividends				
Cash	(536)	—	(11)	(210)
Stock	(32)	—	—	—
Balance, December 31, 2011	39,819	54	3,489	5,046
Proceeds from issuance of capital stock	9,898	—	68	3,550
Repurchases/redemptions of capital stock	(10,728)	—	(238)	(3,236)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(1,211)	—	(1)	(8)
Dividends of capital stock	34	—	—	—
Comprehensive income (loss)	5,394	22	265	352
Dividends				
Cash	(625)	—	(17)	(213)
Stock	(34)	—	—	—
Balance, December 31, 2012	42,547	76	3,566	5,491
Proceeds from issuance of capital stock	16,697	1	210	4,144
Repurchases/redemptions of capital stock	(14,793)	(2)	(275)	(3,365)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(2,101)	1	(860)	(5)
Dividends of capital stock	37	—	—	—
Comprehensive income (loss)	3,526	16	207	420
Dividends				
Cash	(806)	(1)	(11)	(200)
Stock	(37)	—	—	—
Balance, December 31, 2013	$ 45,070	$ 91	$ 2,837	$ 6,485

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
—	—	—	—	—	—	—	—	—	(8)
130	672	48	122	75	415	473	187	244	3
(707)	(2,052)	—	(155)	—	(483)	(753)	(39)	(1,043)	—
(20)	(126)	(14)	(14)	(6)	(6)	(70)	(302)	(2,688)	(39)
—	—	—	—	—	—	5	27	—	—
99	175	134	88	276	121	65	72	1,266	146
—	(54)	(132)	(40)	(2)	(65)	—	—	(22)	—
—	—	—	—	—	—	(5)	(27)	—	—
3,663	6,561	3,559	1,948	3,292	2,812	1,705	1,701	4,705	1,284
589	1,797	924	75	191	1,230	766	436	266	6
(711)	(2,555)	—	—	(886)	(1,267)	(807)	(147)	(864)	(17)
(452)	(62)	(40)	(4)	(57)	(9)	(2)	(382)	(37)	(157)
—	—	—	—	—	—	4	30	—	—
345	623	235	246	913	126	109	113	1,590	455
(6)	(89)	(141)	(49)	(5)	(58)	—	—	(47)	—
—	—	—	—	—	—	(4)	(30)	—	—
3,428	6,275	4,537	2,216	3,448	2,834	1,771	1,721	5,613	1,571
1,665	4,960	721	166	435	2,371	980	503	530	11
(1,517)	(4,966)	—	(95)	(357)	(1,721)	(1,051)	(191)	(1,226)	(27)
(1)	(9)	(33)	(95)	(58)	(21)	(26)	(357)	(4)	(633)
—	—	—	—	—	—	4	33	—	—
139	508	263	250	303	48	73	126	957	216
(21)	(116)	(178)	(58)	(6)	(54)	—	—	(161)	—
—	—	—	—	—	—	(4)	(33)	—	—
$ 3,693	$ 6,652	$ 5,310	$ 2,384	$ 3,765	$ 3,457	$ 1,747	$ 1,802	$ 5,709	$ 1,138

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Operating activities				
Net cash provided by (used in) operating activities	$ 3,730	$ (4)	$ 194	$ 526
Investing activities				
Net change/net proceeds and payments in				
Premises, software and equipment	(75)	1	(2)	(4)
Investments	25,011	(6)	2,391	(1,578)
Advances	(78,920)	1	(6,940)	(16,445)
Mortgage loans held for portfolio	4,805	(1)	89	(96)
Proceeds from sales of foreclosed assets	168	1	12	1
Principal collected on other loans	2	—	—	—
Net cash provided by (used in) investing activities	(49,009)	(4)	(4,450)	(18,122)
Financing activities				
Net change in				
Deposits and pass-through reserves	(2,797)	2	(76)	(138)
Net proceeds (payments) on derivative contracts with financing element	(814)	2	(19)	(238)
Net proceeds from issuance of consolidated obligations				
Discount notes	3,099,326	2	62,164	177,848
Bonds	341,475	1	6,561	64,345
Bonds transferred from other FHLBanks	—	(202)	80	—
Payments for maturing and retiring consolidated obligations				
Discount notes	(3,022,323)	—	(54,742)	(161,755)
Bonds	(339,380)	2	(9,137)	(55,255)
Bonds transferred to other FHLBanks	—	202	—	(29)
Payments for retirement of subordinated notes	(62)	—	—	—
Proceeds from issuance of capital stock	16,697	1	210	4,144
Payments for repurchases/redemptions of mandatorily redeemable capital stock	(4,031)	1	(99)	(4)
Payments for repurchases/redemptions of capital stock	(14,793)	(2)	(275)	(3,365)
Cash dividends paid	(806)	(1)	(11)	(200)
Net cash provided by (used in) financing activities	72,492	8	4,656	25,353
Net increase (decrease) in cash and due from banks	27,213	—	400	7,757
Cash and due from banks at beginning of the period	18,560	—	241	7,553
Cash and due from banks at end of the period	$ 45,773	$ —	$ 641	$ 15,310

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 228	$ 377	$ 321	$ 394	$ 843	$ 114	$ 205	$ 170	$ 220	$ 142
(3)	(3)	(7)	(12)	(14)	(8)	(1)	(4)	(8)	(10)
4,899	5,110	(2,298)	6,254	3,647	(6,731)	3,184	2,117	5,538	2,484
(10,041)	(4,005)	(11,467)	250	(9,086)	(19,305)	2,132	(1,063)	(1,007)	(1,944)
311	295	686	(198)	2,737	359	30	(43)	379	257
—	27	—	—	93	25	—	5	4	—
—	—	—	—	—	—	—	2	—	—
(4,834)	1,424	(13,086)	6,294	(2,623)	(25,660)	5,345	1,014	4,906	787
(330)	(352)	(261)	(715)	(272)	(310)	(290)	(219)	273	(109)
(32)	(157)	(42)	(69)	(69)	(8)	(208)	(56)	66	16
232,106	312,393	165,083	60,950	711,289	129,559	143,194	83,223	107,252	914,263
27,631	74,635	34,035	20,007	15,132	38,190	7,901	8,491	29,195	15,351
—	—	—	—	—	—	—	—	122	—
(228,019)	(311,935)	(157,715)	(62,438)	(711,458)	(100,100)	(144,193)	(81,003)	(88,272)	(920,693)
(24,674)	(75,947)	(20,167)	(20,693)	(15,386)	(41,991)	(11,865)	(10,230)	(45,827)	(8,210)
—	—	—	—	—	(173)	—	—	—	—
—	—	—	—	(62)	—	—	—	—	—
1,665	4,960	721	166	435	2,371	980	503	530	11
(433)	(25)	(128)	(529)	(59)	(21)	(28)	(358)	(2,276)	(72)
(1,517)	(4,966)	—	(95)	(357)	(1,721)	(1,051)	(191)	(1,226)	(27)
(21)	(116)	(178)	(58)	(6)	(54)	—	—	(161)	—
6,376	(1,510)	21,348	(3,474)	(813)	25,742	(5,560)	160	(324)	530
1,770	291	8,583	3,214	(2,593)	196	(10)	1,344	4,802	1,459
1,351	4,083	16	105	3,564	252	921	370	104	—
$ 3,121	$ 4,374	$ 8,599	$ 3,319	$ 971	$ 448	$ 911	$ 1,714	$ 4,906	$ 1,459

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Operating activities				
Net cash provided by (used in) operating activities	$ 4,568	$ —	$ 334	$ 679
Investing activities				
Net change/net proceeds and payment in				
Loans to FHLBanks	—	(35)	—	—
Premises, software and equipment	(54)	—	(2)	(2)
Investments	8,540	(5)	5,872	(3,109)
Advances	(9,990)	—	4,304	(5,303)
Mortgage loans held for portfolio	3,703	—	(390)	(439)
Proceeds from sales of foreclosed assets	131	—	9	2
Principal collected on other loans	2	—	—	—
Net cash provided by (used in) investing activities	2,332	(40)	9,793	(8,851)
Financing activities				
Net change in				
Deposits and pass-through reserves	745	5	(78)	(64)
Securities sold under agreements to repurchase and other borrowings	(405)	—	—	—
Loans from FHLBanks	—	35	—	—
Net proceeds (payments) on derivative contracts with financing element	(1,188)	—	(32)	(286)
Net proceeds from issuance of consolidated obligations				
Discount notes	3,557,821	—	116,545	148,597
Bonds	418,255	—	11,307	45,604
Bonds transferred from other FHLBanks	—	(428)	428	—
Payments for maturing and retiring consolidated obligations				
Discount notes	(3,531,720)	—	(122,558)	(140,944)
Bonds	(448,280)	—	(15,410)	(48,122)
Bonds transferred to other FHLBanks	—	428	—	—
Proceeds from issuance of capital stock	9,898	—	68	3,550
Payments for repurchases/redemptions of mandatorily redeemable capital stock	(2,295)	—	(13)	(39)
Payments for repurchases/redemptions of capital stock	(10,728)	—	(238)	(3,236)
Cash dividends paid	(625)	—	(17)	(213)
Net cash provided by (used in) financing activities	(8,522)	40	(9,998)	4,847
Net increase (decrease) in cash and due from banks	(1,622)	—	129	(3,325)
Cash and due from banks at beginning of the period	20,182	—	112	10,878
Cash and due from banks at end of the period	$ 18,560	$ —	$ 241	$ 7,553

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle (As Restated)
$ 917	$ 422	$ 403	$ 299	$ 287	$ 206	$ 217	$ 203	$ 582	$ 19
—	—	—	—	—	—	35	—	—	—
(3)	(4)	(2)	(14)	(8)	(4)	(3)	(2)	(7)	(3)
(2,677)	6,478	2,191	(1,546)	389	1,651	(3,287)	(211)	112	2,682
(10,355)	(1,096)	(25,778)	386	750	(392)	352	755	24,256	2,131
347	368	292	(55)	3,597	148	41	(1,034)	540	288
—	13	—	—	68	28	—	8	3	—
—	—	—	—	—	—	—	2	—	—
(12,688)	5,759	(23,297)	(1,229)	4,796	1,431	(2,862)	(482)	24,904	5,098
(76)	(500)	109	1,157	168	338	(344)	166	(360)	224
—	—	—	—	(400)	—	—	(5)	—	—
—	—	—	—	—	—	—	(35)	—	—
(125)	(347)	(114)	(83)	(77)	(9)	(107)	(68)	48	12
454,911	331,282	250,629	146,060	554,365	324,662	411,402	67,339	49,244	702,785
39,935	67,479	35,063	23,148	46,649	24,090	22,957	19,854	53,478	28,691
—	—	—	—	—	—	—	—	—	—
(441,689)	(323,892)	(245,932)	(143,674)	(548,510)	(322,796)	(414,217)	(68,923)	(63,180)	(695,405)
(40,275)	(74,971)	(19,558)	(26,106)	(53,961)	(27,381)	(17,224)	(17,700)	(66,189)	(41,383)
—	—	—	—	—	(428)	—	—	—	—
589	1,797	924	75	191	1,230	766	436	266	6
(65)	(308)	(104)	(6)	(55)	(6)	(12)	(384)	(1,272)	(31)
(711)	(2,555)	—	—	(886)	(1,267)	(807)	(147)	(864)	(17)
(6)	(89)	(141)	(49)	(5)	(58)	—	—	(47)	—
12,488	(2,104)	20,876	522	(2,521)	(1,625)	2,414	533	(28,876)	(5,118)
717	4,077	(2,018)	(408)	2,562	12	(231)	254	(3,390)	(1)
634	6	2,034	513	1,002	240	1,152	116	3,494	1
$ 1,351	$ 4,083	$ 16	$ 105	$ 3,564	$ 252	$ 921	$ 370	$ 104	$ —

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Operating activities				
Net cash provided by (used in) operating activities	$ 3,161	$ —	$ 293	$ 702
Investing activities				
Net change/net proceeds and payments in				
Loans to FHLBanks	—	35	—	—
Premises, software and equipment	(54)	—	(2)	(4)
Investments	58,737	6	5,990	2,618
Advances	60,722	—	2,807	9,951
Mortgage loans held for portfolio	6,294	—	122	(147)
Mortgage loans held for sale	1,468	—	—	—
Proceeds from sales of foreclosed assets	140	—	11	2
Principal collected on other loans	2	—	—	—
Net cash provided by (used in) investing activities	127,309	41	8,928	12,420
Financing activities				
Net change in				
Deposits and pass-through reserves	(2,248)	(6)	(77)	(334)
Securities sold under agreements to repurchase and other borrowings	(773)	—	—	32
Loans from FHLBanks	—	(35)	—	—
Net proceeds (payments) on derivative contracts with financing element	(936)	—	(39)	(375)
Net proceeds from issuance of consolidated obligations				
Discount notes	4,142,367	—	465,308	148,527
Bonds	409,203	—	12,816	54,660
Bonds transferred from other FHLBanks	—	(182)	—	—
Payments for maturing and retiring consolidated obligations				
Discount notes	(4,146,633)	—	(469,179)	(145,794)
Bonds	(509,255)	—	(18,032)	(59,197)
Bonds transferred to other FHLBanks	—	182	—	(167)
Proceeds from issuance of capital stock	4,867	—	102	2,396
Payments for repurchases/redemptions of mandatorily redeemable capital stock	(2,483)	—	(3)	(13)
Payments for repurchases/redemptions of capital stock	(7,662)	—	—	(2,430)
Cash dividends paid	(536)	—	(11)	(210)
Net cash provided by (used in) financing activities	(114,089)	(41)	(9,115)	(2,905)
Net increase (decrease) in cash and due from banks	16,381	—	106	10,217
Cash and due from banks at beginning of the period	3,801	—	6	661
Cash and due from banks at end of the period	$ 20,182	$ —	$ 112	$ 10,878

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle (As Restated)
$ 400	$ 723	$ 356	$ 208	$ (752)	$ 268	$ 67	$ 149	$ 582	$ 165
—	—	—	—	—	—	(35)	—	—	—
(2)	(6)	(1)	(4)	(8)	(5)	(4)	(2)	(12)	(4)
1,858	3,245	11,328	3,927	6,616	3,569	(1,479)	4,044	13,920	3,095
(913)	2,499	1,677	(131)	3,580	2,839	6,781	2,074	27,474	2,084
585	385	(114)	734	4,089	237	44	(755)	555	559
—	—	—	—	—	—	—	111	—	1,357
—	17	—	—	68	35	—	7	—	—
—	—	—	—	—	—	—	2	—	—
1,528	6,140	12,890	4,526	14,345	6,675	5,307	5,481	41,937	7,091
(66)	(477)	(371)	39	(171)	(439)	397	(232)	(312)	(199)
—	—	—	—	(800)	—	—	(5)	—	—
—	—	—	—	—	—	—	35	—	—
(102)	(502)	(171)	(101)	(112)	(10)	555	(71)	60	(68)
87,088	833,339	413,489	289,603	646,974	325,050	135,286	61,943	56,361	679,399
19,624	85,905	18,026	30,570	36,067	35,575	11,697	13,011	56,156	35,096
—	—	—	—	—	—	167	—	15	—
(89,245)	(832,931)	(422,357)	(291,990)	(639,985)	(325,450)	(130,618)	(65,392)	(56,735)	(676,957)
(18,150)	(90,393)	(19,846)	(32,062)	(54,387)	(41,395)	(22,980)	(14,638)	(93,645)	(44,530)
—	—	—	—	—	—	(15)	—	—	—
130	672	48	122	75	415	473	187	244	3
(9)	(369)	(96)	(219)	(532)	(7)	(63)	(313)	(859)	—
(707)	(2,052)	—	(155)	—	(483)	(753)	(39)	(1,043)	—
—	(54)	(132)	(40)	(2)	(65)	—	—	(22)	—
(1,437)	(6,862)	(11,410)	(4,233)	(12,873)	(6,809)	(5,854)	(5,514)	(39,780)	(7,256)
491	1	1,836	501	720	134	(480)	116	2,739	—
143	5	198	12	282	106	1,632	—	755	1
$ 634	$ 6	$ 2,034	$ 513	$ 1,002	$ 240	$ 1,152	$ 116	$ 3,494	$ 1

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SUPPLEMENTAL INFORMATION

FHLBank Management and Compensation

FHLBank Directors

A board of at least 13 directors, or such other number as the FHFA determines appropriate, governs each FHLBank. The members of each FHLBank elect all of the FHLBank's directors, each of whom is elected for a four-year term, unless otherwise adjusted by the Director of the FHFA in order to achieve an appropriate staggering of terms (with approximately one-fourth of the directors' terms expiring each year). Directors may not serve more than three consecutive full terms. An FHLBank's board of directors must be comprised of a majority of member directors, who are directors or officers of members, and a minority of non-member independent directors. Non-member independent directors must comprise not less than two-fifths of the members of the board of directors and two of these directors must hold public interest director positions.

To be eligible to serve as a member director, a candidate must be a citizen of the United States and be an officer or director of a member institution that is located in the state to which the Director of the FHFA has allocated the directorship and that meets all of the minimum capital requirements established by its appropriate regulator. For member directors, each eligible institution may nominate representatives from member institutions in its respective state to serve on the board of the directors. After the slate of nominees is finalized, each eligible institution may vote for the number of open member director seats in the state in which its principal place of business is located.

To be eligible to serve as a non-member independent director, an individual must be a citizen of the United States and a bona fide resident of that FHLBank's district. A non-member independent director may not be an officer of any FHLBank, or an officer, director, or employee of an FHLBank member on whose board the individual sits or of any recipient of advances from an FHLBank. Under the Federal Home Loan Bank Act of 1932, as amended (FHLBank Act), there are two types of non-member independent directors:

- *Public interest director.* Each FHLBank is required to have at least two public interest directors. Before names are placed on the ballot, nominee eligibility will be verified through application and eligibility certification forms prescribed by the FHFA. Public interest directors must have more than four years' experience in representing consumer or community interests in banking services, credit needs, housing, or consumer financial protections. The FHFA deemed existing public interest directors who qualified and were designated under previous FHLBank Act provisions to be public interest directors for the remainder of their current terms.

- *Other non-member independent directors.* Non-member independent directors must have demonstrated knowledge or experience in auditing or accounting, derivatives, financial management, organizational management, project development or risk management practices, or other expertise established by FHFA regulations. In order for a non-member independent director candidate to be elected, a candidate must receive at least 20% of the votes that are eligible to be cast unless there are multiple nominees. The FHFA will impose the FHLBank Act's requirements on newly elected non-member independent directors.

The FHFA's regulation includes the following provisions:

- requires each FHLBank's board of directors to annually determine how many of its non-member independent directors should be designated public interest directors (provided that each FHLBank at all times has at least two public interest directors);

- states that where an FHLBank's board of directors acts to fill a member director vacancy that occurs mid-term, the eligible candidates for that position must be officers or directors of a member institution at the time the FHLBank board of directors acts, not as of the prior year-end; and

- permits an FHLBank that nominates more than one nominee for each open non-member independent director position to declare elected the nominee who receives the highest number of votes, even if the total votes received are less than 20% of the eligible votes.

Eligible members nominate representatives from members in their state to serve as member directors and non-member independent directors are nominated by each FHLBank's board of directors. For the election of both member directors and non-member independent directors, each eligible institution is entitled to cast one vote for each share of stock that it was required to hold as of December 31 of the calendar year immediately preceding the election year (the record date). The number of votes that any member may cast for any one directorship shall not exceed the average number of shares of stock required to be held as of the record date by all member institutions located in the member's state as of the record date.

The board of directors of each FHLBank has the responsibility to establish policies and programs that carry out the FHLBank's housing finance mission. Each board of directors adopts and reviews policies governing the FHLBank's credit, investment, and funding activities, and oversees the implementation of these policies. The directors also must adopt policies to manage the FHLBank's exposure to credit, liquidity, and interest-rate risk. In addition, each board of directors is responsible for monitoring that FHLBank's compliance with FHFA regulations.

The following persons are currently serving as Chair or Vice Chair of an FHLBank and the following information has been provided for each FHLBank primarily based on the information disclosed in its annual report on SEC Form 10-K for the year ended December 31, 2013:

Andrew J. Calamare, 58, is serving as Chair of the board of directors of the FHLBank of Boston. Mr. Calamare has served as executive vice president of The Co-operative Central Bank, located in Boston Massachusetts, since January 2011. Prior to his current position, Mr. Calamare served as president and chief executive officer of the Life Insurance Association of Massachusetts since 2000. Prior to that position, Mr. Calamare served as of counsel with the law firm Quinn and Morris, as special counsel to the Rhode Island General Assembly, and as Commissioner of Banks for the Commonwealth of Massachusetts. Mr. Calamare has served as a director of the FHLBank of Boston since March 30, 2007, and his current term as a director will conclude on December 31, 2016.

Steven A. Closson, 64, is serving as Vice Chair of the board of directors of the FHLBank of Boston. Mr. Closson serves as a director of Androscoggin Savings Bank, located in Lewiston, Maine. Mr. Closson joined Androscoggin Savings Bank as a senior vice president and treasurer in 1987 and was promoted to president and chief executive officer and elected to Androscoggin Savings Bank's board of directors in 1991. He retired from that position on December 31, 2011. Mr. Closson has served as a director of the FHLBank of Boston since January 1, 2004, and his current term as a director will conclude on December 31, 2015.

Michael M. Horn, 74, is serving as Chair of the board of directors of the FHLBank of New York. Mr. Horn has been a partner in the law firm of McCarter & English, LLP since 1990. He has served as the Commissioner of Banking for the State of New Jersey and as the New Jersey State Treasurer. He was also a member of the New Jersey State Assembly and served as a member of the Assembly Banking Committee. In addition, Mr. Horn served on New Jersey's Executive Commission on Ethical Standards both as its Vice Chair and Chairman, was appointed as a State Advisory Member of the Federal Financial Institutions Examination Council, and was a member of the Municipal Securities Rulemaking Board. Mr. Horn is counsel to the New Jersey Bankers Association, was Chairman of the Bank Regulatory Committee of the Banking Law Section of the New Jersey State Bar Association, and is a Fellow of the American Bar Foundation. Mr. Horn's legal and regulatory experience, as indicated by his background, supports his qualifications to serve on the FHLBank of New York's board of directors as an independent director.

Joseph R. Ficalora, 67, is serving as Vice Chair of the board of directors of the FHLBank of New York. Mr. Ficalora has been the President and Chief Executive Officer and a Director of New York Community Bancorp, Inc. (NYCB) since its inception on July 20, 1993. He has also been the President and Chief Executive Officer and a Director of NYCB primary subsidiaries, New York Community Bank (New York Community) and New York Commercial Bank (New York Commercial), both of which are FHLBank of New York members, since January 1, 1994 and December 30, 2005, respectively. On January 1, 2007, he was appointed Chairman of New York Community Bancorp, Inc., New York Community and New York Commercial (a position he previously held at New York Community Bancorp, Inc. from July 20, 1993 through July 31, 2001 and at New York Community from May 20, 1997 through July 31, 2001); he served as Chairman of these three entities until December 2010. Since 1965, when he joined New York Community (formerly Queens County Savings Bank), Mr. Ficalora has held increasingly responsible positions, crossing all lines of operations. Prior to his appointment as President and Chief Executive Officer of New York Community in 1994, Mr. Ficalora served as President and Chief Operating Officer (beginning in October 1989); before that, he served as Executive Vice President, Comptroller and Secretary. A graduate of Pace University with a degree in business and finance, Mr. Ficalora provides leadership to several professional banking organizations. In addition to previously serving as a member of the Executive Committee and as Chairman of the former Community Bankers Association of New York State, Mr. Ficalora is a Director of the New York State Bankers Association and Chairman of its Metropolitan Area Division. Additionally,

he is a member of the Government Relations Administrative Committee of the American Bankers Association as well as a former member of their Board of Directors. He also serves on the Board of Directors of RSI Retirement Trust, Pentegra Services, Inc., and of Peter B. Cannell and Co., Inc., an investment advisory firm that became a subsidiary of New York Community in 2004. In addition, Mr. Ficalora is on the PSI Board of Pentegra Retirement Services, Inc. Mr. Ficalora served as a member of the Board of Directors of the Thrift Institutions Advisory Council of the Federal Reserve Board in Washington, D.C., and also served as a member of the Thrift Institutions Advisory Panel of the Federal Reserve Bank of New York. Mr. Ficalora has also previously served as a director of Computhrift Corporation, Chairman and board member of the New York Savings Bank Life Insurance Fund, President and Director of the MSB Fund and President and Director of the Asset Management Fund Large Cap Equity Institutional Fund, Inc. With respect to community activities, Mr. Ficalora has been a member of the Board of Directors of the Queens Chamber of Commerce since 1990 and a member of its Executive Committee since April 1992. In addition, Mr. Ficalora is President of the Queens Library Foundation and is currently the Chairman of the Administrative Committee of the Queens Borough Public Library, having served as its President. He serves on the Boards of Directors of the New York Hall of Science, New York Hospital-Queens, Flushing Cemetery, the Board of Trustees of the Museum of the Moving Image and on the Advisory Council of the Queens Museum of Art.

Patrick A. Bond, 64, joined the Board of Directors of the FHLBank of Pittsburgh in May 2007 and is currently serving as its Chair. Mr. Bond is a Founding General Partner of Mountaineer Capital, LP in Charleston, West Virginia. He graduated with a BS in Industrial Engineering and an MS in Industrial Engineering from West Virginia University. He is a director of the West Virginia Symphony Orchestra, Chairman of the Board of Charleston Area Alliance, a director of Capitol Market, Inc., board member of the Clay Center for the Arts and Sciences of West Virginia, a member of the Board of Directors of Mid-Atlantic Technology Research and Innovation Center, and a former member of the Bank's Affordable Housing Advisory Council.

John K. Darr, 69, originally joined the board of directors of the FHLBank of Pittsburgh in January 2008 and is currently serving as its Vice Chair. Mr. Darr retired from the FHLBanks Office of Finance at the end of 2007 where he served as Chief Executive Officer and Managing Director for 15 years. Mr. Darr has over 42 years of business experience, including several years as Treasurer of the FHLBank of San Francisco, as Chief Financial Officer of Sallie Mae, Chief Executive Officer of a registered investment management company, and Managing Director of Mortgage Finance at a securities dealer. Mr. Darr is currently a Trustee of a mutual fund complex, Advisors Inner Circle Fund I, Advisors Inner Circle Fund II, and Bishop Street Funds. Mr. Darr also serves as a director of two non-profit entities, including Manna, Inc., a very low-income home builder, homeownership counseling, and mortgage lending entity in the District of Columbia.

Donna C. Goodrich, 51, is serving as Chair of the board of directors of the FHLBank of Atlanta. She has served as senior executive vice president of Branch Banking & Trust Company (BB&T) since December 2006. She is responsible for deposit services, payment services, processing services, and electronic delivery channels at BB&T. Ms. Goodrich joined BB&T in 1985, and has held the positions of retail services officer, financial center manager, mergers and acquisition analyst, asset/liability management specialist, and deposit and corporate funding manager. She is a member of the Senior Leadership Team and serves on several committees, including the Market Risk, Liquidity and Capital Committee. Ms. Goodrich also serves as senior executive vice president of BB&T Corporation, the holding company of BB&T, a position she has held since December 2006. Ms. Goodrich is the immediate past chairman of the North Carolina Bankers Association. She has expertise in asset/liability management and finance.

William C. Handorf, Ph.D., 69, is Vice Chair of the board of directors of the FHLBank of Atlanta. He has served as a professor of finance and real estate at The George Washington University's School of Business in Washington, D.C. since 1975. From 2001 to 2006, Mr. Handorf served as a director of the Federal Reserve Bank of Richmond's Baltimore branch, including two years as chair. From 1992 to 1995, Mr. Handorf served as a private citizen director of the FHLBanks Office of Finance. Mr. Handorf has expertise in financial markets, banking, real estate investment, accounting, and derivatives.

Carl F. Wick, 74, has served as Chair of the FHLBank of Cincinnati since January 2007. Mr. Wick was previously Vice Chair of the FHLBank of Cincinnati board of directors since March 2005. Mr. Wick was employed by the NCR Corporation (one of the two leading manufacturers of IT banking systems in the world at the time) from 1966 to 1994, when he retired. He continued with NCR into 1997 on a contractual basis. Mr. Wick's work at NCR included training and support for NCR computer banking system installations; managing NCR's customer support and education centers in Chicago and Dallas and serving as a director in NCR's R&D division. Mr. Wick is the owner of Wick and Associates Consulting, a business consulting firm. He also served as a member of the Ohio Board of Education for 8 ½ years, chairing several key policy committees. He retired from the State Board in 2009. Mr. Wick's qualifications and insight provide valuable skills to the board in the important areas of technology, personnel, compensation and organizational development. Mr. Wick served as Chairman of the Council of the Federal Home Loan Banks in 2012 and 2013. Mr. Wick is a graduate of The Ohio State University.

William J. Small, 63, was elected Vice Chair of the FHLBank of Cincinnati effective January 1, 2014. Mr. Small has been Chairman of First Defiance Financial Corp. and its subsidiary bank, First Federal Bank of the Midwest, of Defiance, Ohio, since 1999. He also served as Chief Executive Officer of First Defiance Financial Corp. from 1999 to December 2013. In addition, he served as Chief Executive Officer of First Federal Bank of the Midwest from 1999 until December 2008.

James D. MacPhee, 66, serves as the Chair of the board of directors of the FHLBank of Indianapolis. He is the Chief Executive Officer and a director of Kalamazoo County State Bank in Schoolcraft, Michigan, and has served in that position since 1991. Mr. MacPhee also serves as a director of First State Bank in Decatur, Michigan. Mr. MacPhee has worked in the financial services industry since 1968. During his career, Mr. MacPhee has held leadership positions with the Community Bankers of Michigan (formerly the Michigan Association of Community Bankers) and the Independent Community Bankers of America, is a past chair of the latter organization and currently serves on its Executive Committee. He holds an undergraduate degree in business and finance from Kalamazoo Valley Community College and an executive master of business administration degree in bank management from the University of Michigan. In addition to serving as the Chair of the board of directors of the FHLBank of Indianapolis, Mr. MacPhee serves as Chair of the FHLBank of Indianapolis' Executive/Governance Committee and is an ex-officio member of all board of directors' committees at the FHLBank of Indianapolis.

Michael J. Hannigan, Jr., 69, serves as the Vice Chair of the board of directors of the FHLBank of Indianapolis. Mr. Hannigan has been involved in mortgage banking and related businesses for more than 25 years. Currently, he is the President of The Hannigan Company, LLC, a real estate development company in Carmel, Indiana, and has held that position since 2006 when he formed the company. From 1986 to 2006, Mr. Hannigan was the Executive Vice President and a director of The Precedent Companies, LLC. Mr. Hannigan previously served as a Senior Vice President and director of Union Federal Savings Bank. During his career, Mr. Hannigan has been involved as a director and founding partner of several companies involved in residential development, home building, private water utility service, industrial development, and private capital acquisition. From 2009 to 2011, Mr. Hannigan served as Program Manager for the Indiana Builders Association, a trade association. In addition to serving as the Vice Chair of the board of directors of the FHLBank of Indianapolis, Mr. Hannigan serves on the FHLBank of Indianapolis' Affordable Housing and Budget/Information Technology Committees. He has previously served as Vice Chair of the board of directors of the FHLBank of Indianapolis and Vice Chair of the Council of FHLBanks.

Steven F. Rosenbaum, 57, is Chair of the FHLBank of Chicago and has served in that capacity since January 1, 2014. Mr. Rosenbaum has been employed by Prospect Federal Savings Bank since 1987. He has served as President and Chief Executive Officer since 1998 and, in 2006, was named Chairman of the Board. Prior to his service with Prospect Federal Savings Bank, he was a lobbyist with the Illinois State Chamber of Commerce. In addition, he serves on the board of the Illinois League of Financial Institutions (chairman from 2002 to 2003), is a member of the Mutual Institutions Committee for the American Bankers Association, and a member of the Illinois Board of Savings Institutions. He is a member of the Board of Directors of Brother Rice High School (Chicago, Illinois).

William W. Sennholz, 48, is Vice Chair of the FHLBank of Chicago and has served in that capacity since January 1, 2014. Mr. Sennholz joined Marshfield Savings Bank (now Forward Financial Bank) in Marshfield, Wisconsin, in 2005 as President and Chief Executive Officer. Prior to his service with Marshfield Savings Bank, he served as President, Chief Executive Officer, and Chairman of the Board of Clarke County State Bank in Osceola, Iowa, from 2002 to 2005. From 1997 to 2002, Mr. Sennholz was the Vice President, Senior Lending Officer at Peoples State Bank in Wausau, Wisconsin. He held various positions of increasing responsibility at M&I First American Bank from 1989 to 1997.

Dale E. Oberkfell, 58, the Chair of the FHLBank of Des Moines, has served in a variety of banking positions during his 30 years in the financial services industry. Mr. Oberkfell currently serves as executive vice president and chief financial officer of Midwest BankCentre and treasurer and board secretary of Midwest BankCentre, Inc. Prior to joining Midwest BankCentre in January of 2012, he held various executive-level positions at Reliance Bank in Des Peres, Missouri, including president, chief operating officer, and chief financial officer. During this period, he also served as executive vice president and chief financial officer of Reliance Bancshares, Inc. in Des Peres, Missouri, and as an executive officer of Reliance Bank, FSB in Fort Myers, Florida. Mr. Oberkfell was also a partner at the Certified Public Accounting firm of Cummings, Oberkfell & Ristau, P.C. in St. Louis, Missouri. He is a licensed certified public accountant and is active in the American Institute of Certified Public Accountants. He currently serves on several non-profit boards, including Good Shepard Family and Children's Services and Washington University Alumni Boards. Mr. Oberkfell's position as an officer of a member institution and his involvement in and knowledge of accounting, auditing, internal controls, and financial management, as indicated by his background, support his qualifications to serve on the FHLBank of Des Moines' board of directors. Mr. Oberkfell also serves as Chair of the Executive and Governance Committee.

Eric A. Hardmeyer, 54, the Vice Chair of the FHLBank of Des Moines, joined the Bank of North Dakota in 1985 and served as senior vice president of lending before becoming President and Chief Executive Officer in 2001. Mr. Hardmeyer serves on the board of trustees of the Bismarck-Mandan Chamber of Commerce Foundation and the Missouri Valley YMCA. He previously chaired the North Dakota Bankers Association. Mr. Hardmeyer's position as an officer of a member institution and his involvement in and knowledge of economic development, accounting, auditing, and financial management, as indicated by his background, support Mr. Hardmeyer's qualifications to serve on the FHLBank of Des Moines' board of directors. Mr. Hardmeyer also serves as Vice Chair of the Executive and Governance Committee.

James H. Clayton, 62, is Chair of the board of directors of the FHLBank of Dallas and has served in that capacity since January 1, 2013. Mr. Clayton serves as Chairman and Chief Executive Officer of Planters Bank and Trust Company in Indianola, Mississippi. He joined Planters Bank and Trust Company, a member of FHLBank of Dallas, in 1976 and has served as Chairman and Chief Executive Officer since 2003. From 1984 to 2003, Mr. Clayton served as a board member, President and Chief Executive Officer. Since 1984, Mr. Clayton has also served as a director of Planters Holding Company, a privately held enterprise. Mr. Clayton is a past president of the Indianola Chamber of Commerce and past chairman of the Mississippi Bankers Association. He previously served on the Government Relations Council of the American Bankers Association and was a member of its BankPac Committee. Mr. Clayton currently serves on the Council of Federal Home Loan Banks and is a member of the Chair and Vice Chair Committee of the Council of Federal Home Loan Banks. He also serves as Chairman of the Executive Committee of the FHLBank of Dallas' Board of Directors.

Mary E. Ceverha, 69, is Vice Chair of the board of directors of the FHLBank of Dallas and has served in that capacity since December 2005. From January 2005 to December 2005, she served as Acting Vice Chair of the board of directors of the FHLBank of Dallas. A civic volunteer who resides in Dallas, Texas, she has served as a director of the FHLBank of Dallas since 2004. Ms. Ceverha is also a current director and past president of Trinity Commons Foundation, Inc. Founded by Ms. Ceverha in 2001, this not-for-profit organization coordinates fundraising and other activities relating to the construction of the Trinity River Project, a public works redevelopment project in Dallas, Texas. Previously, she served on the steering committee of the President's Research Council for the University of Texas Southwestern Medical Center, which raises funds for medical research, and as a member of the Greater Dallas Planning Council. Ms. Ceverha is also a former board member and president of Friends of Fair Park, a non-profit citizens group dedicated to the preservation of Fair Park, a national historic landmark in Dallas, Texas, and she is a former Commissioner of the Dallas Housing Authority. From 1995 to 2004, she served on the Texas State Board of Health. Ms. Ceverha currently serves on the Council of Federal Home Loan Banks and is a member of the Chair and Vice Chair Committee of the Council of Federal Home Loan Banks. She also serves as Vice Chairman of the Executive Committee of the FHLBank of Dallas' board of directors.

G. Bridger Cox, 61, is the Chair of the board of directors of the FHLBank of Topeka and he has been Chairman and President of Citizens Bank & Trust Company, Ardmore, Oklahoma, since 1996. Although the Board of Directors did not participate in Mr. Cox's nomination since he is a member director, Mr. Cox is a graduate of the Stonier Graduate School of Banking at Rutgers University, possesses more than 30 years of banking management experience, has served on the board of directors of the Oklahoma Industrial Finance Authority and the Oklahoma Development Finance Authority, and has prior experience as an FHLBank director, that assists in his service as a director. Prior to his current term, Mr. Cox served as a member director of the FHLBank from January 1998 through December 2006.

Robert E. Caldwell, II, 43, is Vice Chair of the board of directors of the FHLBank of Topeka and has been the President and Chief Operating Officer of WRK Real Estate, LLC since January 2014. He previously served as President and Chief Executive Officer of Hampton Enterprises, Inc., a commercial real estate development, general contracting, construction management and property management firm, from 2006 through 2013. Prior to 2006, he served as General Counsel for Linweld, Inc., a large independent manufacturer and distributor of industrial/medical gases and welding supplies. The board of directors of the FHLBank of Topeka considered Mr. Caldwell's qualifications, skills and attributes, including his B.S. in business administration, his J.D. and MBA, his experience as General Counsel for Linweld, Inc., a subsidiary of a Japanese public company, his service as President and Chief Executive Officer of a commercial real estate and construction company, and his prior service as an FHLBank director, when making his nomination. Mr. Caldwell previously served as Vice Chairman of the board of directors of the FHLBank of Topeka from January 2004 through December 2006.

John F. Luikart, 64, is the Chair of the board of directors of FHLBank of San Francisco, and he has been president of Bethany Advisors LLC, San Francisco, California, since February 2007. He has also been a trustee of four asbestos trusts, including the Western Asbestos Settlement Trust, since 2004. He was senior advisor to the Chief Executive Officer of Red Capital Group from July 2011 to July 2012 and was Chairman of Wedbush Securities Inc., Los Angeles, California, from 2006 to 2010. Previously, he

was president and chief operating officer of Tucker Anthony Sutro from 2001 to 2002 and chairman and chief executive officer of Sutro & Co. from 1996 to 2002. He joined Sutro & Co. in 1988 as executive vice president of capital markets and became President in 1990. Mr. Luikart's current position as the principal executive officer of an investment and financial advisory firm; his previous positions as director or principal executive officer of investment banking firms (or their affiliates); and his experience in investment management, capital markets, corporate finance, securitization, and mortgage finance and his involvement in and knowledge of corporate governance, finance, auditing, accounting, internal controls, risk management, financial reporting, and financial management, as indicated by his background, support Mr. Luikart's qualifications to serve on the FHLBank of San Francisco's board of directors.

Douglas H. (Tad) Lowrey, 61, is the Vice Chair of the board of directors of the FHLBank of San Francisco, and he has served as the Chief Executive Officer of CapitalSource Bank, Los Angeles, California, since its formation in July 2008 and became chairman in 2012. Prior to that, he was chairman of Wedbush Bank, from its inception in February 2008 to July 2008, and he was executive vice president of its holding company, Wedbush Inc., a financial services investment and holding company in Los Angeles, California, from January 2006 to June 2008. Mr. Lowrey was chairman, president, and chief executive officer of Jackson Federal Bank from February 1999 until its acquisition by Union Bank of California in October 2004. He has held positions as chief executive officer and chief financial officer for several financial institutions, as vice president of the Thrift Institutions Advisory Council to the Board of Governors of the Federal Reserve Bank, and as a member of the Savings Association Insurance Fund Industry Advisory Committee to the Federal Deposit Insurance Corporation. He previously served on the FHLBank of San Francisco's board of directors from 1996 to 1998 and from 1999 to 2003 and was its vice chairman in 2003. Mr. Lowrey's current position as the principal executive officer of an FHLBank of San Francisco member; his previous positions as principal executive officer, principal financial officer, director, and chairman of FHLBank of San Francisco members or other financial institutions; and his involvement in and knowledge of corporate governance, finance, auditing, accounting, internal controls, risk management, financial reporting, and financial management, as indicated by his background, support Mr. Lowrey's qualifications to serve on the board of directors of the FHLBank of San Francisco.

William V. Humphreys, 66, has served as a director of the FHLBank of Seattle since 2006 and as Chair since 2010. Mr. Humphreys has served as president, chief executive officer, and director of Citizens Bank, a commercial banking services provider, and Citizens Bancorp, a publicly-traded bank holding company in Corvallis, Oregon, since 1996. Mr. Humphreys currently serves as one of three FHLBank of Seattle representatives on the Council of Federal Home Loan Banks. Mr. Humphreys has served as chair of the Oregon Bankers Association, board member of the American Bankers Association, and director and chairman of the State of Oregon Banking Board. He is currently a faculty member at Oregon Bankers Association Directors College. Mr. Humphreys' position as an officer and director of an FHLBank of Seattle member, his knowledge of community banking, and his experience in financial and balance sheet management, corporate governance, organizational leadership, risk assessment, and project development support his qualifications to serve as a member director of the FHLBank of Seattle.

Gordon Zimmerman, 51, has served as a director of the FHLBank of Seattle since 2007 and as vice chair since January 2014. Mr. Zimmerman has served as the president and a director of Community Bank, Inc., a community financial institution in Ronan, Montana, and Montana Community Banks, Inc., the holding company of Community Bank, Inc., since 2003. From 1998 to 2003, he served as chief financial officer, president, and a board member of Pend Oreille Bank in Sandpoint, Idaho. Mr. Zimmerman currently serves as one of three FHLBank of Seattle representatives on the Council of Federal Home Loan Banks. Mr. Zimmerman's involvement in and knowledge of finance and accounting, asset/liability management, and corporate governance support his qualifications to serve as a member director of the FHLBank of Seattle.

FHLBank Presidents

Each FHLBank president reports to the board of directors of the respective FHLBank. Each FHLBank president participates in regular meetings with the presidents of the other FHLBanks. The responsibilities of the president include:

- management of the FHLBank;
- administration of the programs of the FHLBank; and
- compliance with the regulations and policies of the FHFA.

The following persons are currently serving as president of an FHLBank and the following information has been provided for each FHLBank primarily based on the information disclosed in its annual report on SEC Form 10-K for the year ended December 31, 2013:

Edward A. Hjerpe III, 55, has served as President and Chief Executive Officer of the FHLBank of Boston since July 2009. Mr. Hjerpe came to the FHLBank of Boston from Strata Bank and Service Bancorp, Inc., where he was Interim Chief Executive Officer from September 2008 until joining the FHLBank of Boston. Mr. Hjerpe was a financial, strategy, and management consultant from August 2007 to September 2008, and both President and Chief Operating Officer of the New England Region of Webster Bank N.A. and Senior Vice President of Webster Financial Corporation from May 2004 to June 2007. Prior to those roles, Mr. Hjerpe served as Executive Vice President, Chief Operating Officer, and Chief Financial Officer at FIRSTFED AMERICA BANCORP, Inc. from July 1997 to May 2004. Mr. Hjerpe also worked at the FHLBank of Boston from 1988 to 1997, first as Vice President and Director of Financial Analysis and Economic Research, and ultimately as Executive Vice President and Chief Financial Officer. Mr. Hjerpe has been involved in numerous community, civic, industry, and nonprofit organizations over the course of his career. He currently serves as a member of the board of directors of the Office of Finance and was the 2013 chair of the FHLBank Presidents Conference. Mr. Hjerpe also serves as the chair of the board of Dental Services of Massachusetts, is a current member and the past chair of the board of trustees of St. Anselm College in Manchester, New Hampshire, and is a current member of the board of directors of the Pentegra Defined Benefit Plan for Financial Institutions. Mr. Hjerpe earned a B.A. in Business and Economics from St. Anselm College, and an M.A. and Ph.D. in Economics from the University of Notre Dame.

Alfred A. DelliBovi, 68, was elected President of the FHLBank of New York in November 1992. As announced in a Current Report on Form 8-K filed on March 20, 2014, by the FHLBank of New York, Mr. DelliBovi informed the FHLBank of New York on March 20, 2014, of his decision to retire effective as of the close of business on April 1, 2014. As also announced in that Form 8-K, the FHLBank of New York's board elected Mr. José R. González to succeed Mr. DelliBovi as President and Chief Executive Officer effective immediately upon Mr. DelliBovi's retirement. As president, he serves as the Chief Executive Officer and directs the FHLBank of New York's overall operations to facilitate the extension of credit products and services to the FHLBank of New York's member-lenders. Since 2005, Mr. DelliBovi has been a member of the board of directors of the Pentegra Defined Contribution Plan for Financial Institutions; he previously served on this board from 1994 through 2000. Since October 2009, he has served on the board of directors of the Pentegra Defined Benefit Plan for Financial Institutions; he previously served on this board from 2001 through 2003. In addition, Mr. DelliBovi was appointed by the U.S. Department of the Treasury in September 2006 to serve as a member of the Directorate of the Resolution Funding Corporation, and he was appointed Chairman in September 2007; he served on this board until October 2009. From November 2009 through November 2010, Mr. DelliBovi served as Chair of the board of the Financing Corporation. Mr. DelliBovi previously served on the Financing Corporation board as Chair from November 2002 through November 2003, and he also served as Vice Chair of the Financing Corporation board from November 1996 to November 1997. Since July, 2010, Mr. DelliBovi, along with the eleven other FHLBank Presidents and five independent directors, has served as a director of the Office of Finance of the FHLBanks. In December 2011, Mr. DelliBovi was named to the Bipartisan Policy Center's Housing Commission. This 17 member national commission is in the process of developing a package of realistic and actionable policy recommendations to address the nation's troubled housing sector. Prior to joining the FHLBank of New York, Mr. DelliBovi served as Deputy Secretary of the U.S. Department of Housing and Urban Development, from 1989 until 1992. In May 1992, President Bush appointed Mr. DelliBovi Co-chairman of the Presidential Task Force on Recovery in Los Angeles. Mr. DelliBovi served as a senior official at the U.S. Department of Transportation in the Reagan Administration, was elected to four terms in the New York State Assembly and earned a Master of Public Administration degree from Bernard M. Baruch College, City University of New York.

Winthrop Watson, 59, was appointed as the FHLBank of Pittsburgh's President and Chief Executive Officer effective January 1, 2011. Previously, he was Chief Operating Officer of the Bank, a position that he assumed in November 2009. Mr. Watson served as Managing Director at J.P. Morgan in Hong Kong from 2007-2009 after serving the company in various capacities in New York for 22 years. In Hong Kong, he served as a senior client executive for J.P. Morgan's Asia Pacific central banks and sovereign wealth funds, head of its Asia Pacific debt capital markets, and as chairman of its Asia Pacific investment banking business evaluation committee. Earlier, Mr. Watson was Managing Director of J.P. Morgan in New York, where he helped build the company's investment and commercial banking franchise for U.S. government-sponsored enterprises, including the FHLBanks. His background also includes several financial advisory assignments on behalf of FHLBanks. Mr. Watson holds an MBA from Stanford University and a BA from the University of Virginia.

W. Wesley McMullan, 50, was appointed as the FHLBank of Atlanta's President and Chief Executive Officer in December 2010. Previously he served as Executive Vice President and Director of Financial Management, since 2004, with responsibility for sales, MPP sales, asset-liability management, liquidity management, other mission-related investments, customer systems and operations, and member education. Mr. McMullan joined the FHLBank of Atlanta as a credit analyst in 1988, and later earned promotions to assistant vice president in 1993, vice president in 1995, group vice president in 1998, and senior vice president in 2001. He is a Chartered Financial Analyst and earned a BS in Finance from Clemson University.

Andrew S. Howell, 52, was appointed as the FHLBank of Cincinnati's President and Chief Executive Officer in June 2012. Previously, he served as Executive Vice President-Chief Operating Officer of the FHLBank of Cincinnati since January 2008. Mr. Howell began his career at the FHLBank of Cincinnati in 1989 as the Credit Department Manager after being in several lending and management positions at Huntington Bank, Bank One, and First National Bank of Cincinnati. Mr. Howell currently serves on the Board of Directors of the FHLBanks Office of Finance. Mr. Howell earned a bachelor's degree of Business Administration from the University of Kentucky, and a Master of Business Administration degree from the University of Cincinnati.

Cindy L. Konich, 57, was selected by the FHLBank of Indianapolis' board of directors to serve as President - Chief Executive Officer of the FHLBank of Indianapolis effective July 22, 2013. Prior to that appointment, she and Mr. Jonathan R. West were appointed by the FHLBank of Indianapolis' board of directors to serve as Acting Co-Presidents - Chief Executive Officers from April 18, 2013, to June 6, 2013, and from July 1, 2013 to July 22, 2013. Previously, Ms. Konich had been promoted to Executive Vice President - Chief Operating Officer - Chief Financial Officer on July 30, 2010, after having served as Senior Vice President - Chief Financial Officer, since September 17, 2007. Ms. Konich holds an MBA and is a CPA.

Matthew R. Feldman, 60, became President and Chief Executive Officer of the FHLBank of Chicago in May 2008, after serving as Acting President from April 2008 until then. Mr. Feldman was Executive Vice President, Operations and Administration of the FHLBank of Chicago from 2006 to 2008, Senior Vice President, Risk Management from 2004 to 2006 and Senior Vice President, Manager of Operations Analysis from 2003 to 2004. Prior to his employment with the FHLBank of Chicago, Mr. Feldman was founder and Chief Executive Officer of Learning Insights, Inc. from 1996 to 2003. Mr. Feldman conceived, established, financed, and directed the operations of this privately held e-learning company of which he is still Non-Executive Chairman. Mr. Feldman was President of Continental Trust Company, a wholly-owned subsidiary of Continental Bank from 1992 to 1995 and Managing Director-Global Trading and Distribution of Continental Bank from 1988 to 1992. Mr. Feldman currently serves on the board of directors of the FHLBank's Office of Finance and on the board of the Pentegra Defined Benefit Plan for Financial Institutions.

Richard S. Swanson, 64, has served as the FHLBank of Des Moines' President and Chief Executive Officer since June of 2006. Mr. Swanson joined the FHLBank of Des Moines following a career in bank management, corporate and financial law practice, and public service based in Seattle, Washington. From 2004 to 2006, he advised companies in the areas of corporate governance and finance, banking law, and SEC regulation as a principal of the law firm of Hillis, Clark, Martin & Peterson. From 1990 to 2003, Mr. Swanson was Chief Executive Officer and a director of HomeStreet Bank. He also served the FHLBank of Seattle as a member director from 1998 to 2003 and as vice chair from 2002 to 2003. Throughout his career, Mr. Swanson has been a director of public and private companies, as well as non-profit organizations and industry associations. He is recognized as a Board Leadership Fellow by the National Association of Corporate Directors, and currently serves on the Board of Directors of the FHLBanks' Office of Finance and, by appointment of the FHFA, as director and chair of the Financing Corporation. Mr. Swanson received his undergraduate degree from Harvard College, was a Marshall Scholar at Cambridge University and earned his law degree from Stanford Law School.

Paul Joiner, 61, serves as Interim President and Chief Executive Officer of the FHLBank of Dallas and has served in that capacity since September 2013. Prior to that, he served as Senior Vice President and Chief Strategy Officer of the FHLBank of Dallas from June 2007 to September 2013 and from February 2005 to June 2006. As Chief Strategy Officer, Mr. Joiner had responsibility for corporate planning, financial forecasting and research, including market research and analysis. From June 2006 to June 2007, he served as Chief Risk Officer of the FHLBank of Dallas. In this role, Mr. Joiner had responsibility for the FHLBank of Dallas' risk management functions and income forecasting. He joined the FHLBank of Dallas in August 1983 and served in various marketing, planning and financial positions prior to his appointment as Director of Research and Planning in September 1999, a position he held until his appointment as Chief Strategy Officer in February 2005. Mr. Joiner served as a Vice President of the FHLBank of Dallas from 1986 until 1993, when he was promoted to Senior Vice President. Mr. Joiner currently serves on the Council of Federal Home Loan Banks.

Andrew J. Jetter, 58, became President and Chief Executive Officer of FHLBank of Topeka in September 2002. He served as Executive Vice President and Chief Operating Officer from January 1998 to September 2002. Mr. Jetter joined the FHLBank of Topeka in 1987 as an attorney and was promoted to General Counsel in 1989, Vice President in 1993, and Senior Vice President in 1996.

Dean Schultz, 67, has been President and Chief Executive Officer of the FHLBank of San Francisco since April 1991. Mr. Schultz currently serves as Vice Chairman of the board of directors of the FHLBanks Office of Finance, which facilitates the issuance and servicing of consolidated obligations for the FHLBanks. Prior to joining the FHLBank of San Francisco, he was Executive Vice President of the FHLBank of New York, where he had also served as Senior Vice President and General Counsel.

From 1980 to 1984, he was Senior Vice President and General Counsel with First Federal Savings and Loan Association of Rochester, New York. He previously was a partner in a Rochester law firm.

Michael L. Wilson, 57, has served as president and chief executive officer of the FHLBank of Seattle since 2012. Previously, Mr. Wilson served as executive vice president and chief business officer of the FHLBank of Des Moines from 2006 to 2012. From 1994 to 2006, Mr. Wilson served in a number of leadership roles at the FHLBank of Boston, including senior executive vice president and chief operating officer from 1999 to 2006. Prior to joining the FHLBank of Boston, Mr. Wilson served as director of the Office of Policy and Research at the Federal Housing Finance Board in Washington, D.C. Mr. Wilson is one of the FHLBank of Seattle's representatives on the Council of Federal Home Loan Banks and also serves on the board of the Office of Finance.

Chief Executive Officer, FHLBanks Office of Finance

John D. Fisk, 57, began serving as Chief Executive Officer of the Office of Finance on January 1, 2008. Mr. Fisk has over 30 years of experience in the fixed-income and mortgage markets. Prior to joining the Office of Finance in 2004, he was Executive Vice-President for Strategic Planning at MGIC, the nation's largest private mortgage insurer. Previously, Mr. Fisk held a series of increasingly responsible capital market and mortgage positions in his 17 years at Freddie Mac. These included leading the securities sales & trading group and the REMIC Program. By the time of his departure in 2000, he was Executive Vice-President, responsible for all single-family mortgage business. A 1978 graduate of Yale University, Mr. Fisk earned his MBA from the Wharton School at the University of Pennsylvania in 1982.

FHLBanks Office of Finance Board of Directors

The Office of Finance board of directors is comprised of the twelve FHLBank presidents and five independent directors. H Ronald Weissman is the chair and Dean Schultz, chief executive officer and president of the FHLBank of San Francisco, is the vice chair. The following persons are currently serving as an independent director:

H Ronald Weissman, 69, was appointed as an independent director for a five-year term ending in 2015 and was also appointed Chair of the Office of Finance's board of directors. Prior to the reconstitution of the Office of Finance's board of directors in 2010, Mr. Weissman served as the private citizen member of the Office of Finance's board of directors and its designated financial expert. Previously, Mr. Weissman was a senior partner at Ernst & Young since 2002, served as Global Managing Partner for several of the firm's most significant financial services clients and had assumed significant corporate and client responsibilities until his retirement in 2009. Prior to joining Ernst & Young, he was a partner with Arthur Andersen. He presently serves on the Audit Committee (Chair for three year rotation) and the Compensation Committee for Encore Capital Group, Inc., serves on the Audit Committee for Sears Canada, Inc., and has held other board of director positions (including three where he chaired the audit committee). Mr. Weissman, a Certified Public Accountant, holds an Advanced Professional Director Certification from the American College of Corporate Directors, a national public company director education and credentialing organization, an MBA from the Columbia University Graduate School of Business and a Bachelor of Arts degree from Union College in Schenectady, New York. He is a CPA in New York State.

J. Michael Davis, 74, was originally appointed as an independent director for a one-year term ending in 2011. In 2011, he was re-elected to a five-year term expiring in 2016. Mr. Davis has over 40 years of experience within the financial services industry. He served on the board of the FHLBank of Topeka, including as vice chair and as a member of the Audit Committee. Mr. Davis held senior executive positions with several farm credit institutions within the Farm Credit System. He also has non-profit board of director experience as chair and treasurer.

Jonathan A. Scott, Ph.D., 64, was originally appointed as an independent director for a three-year term ending in 2013. In 2013, he was re-elected to a five-year term expiring in 2018. Dr. Scott is a full professor of Finance at Temple University's Fox School of Business and Management, where he has been since 1991. At Temple he is currently the Academic Director of the Fox School's honors program, and Managing Director of the Owl Fund. He also has six years of experience in academic administration at Temple University and managed initiatives related to information technology, program cost analysis, and performance metrics. Prior to joining the university, Dr. Scott was an executive for seven years at the FHLBank of Dallas, including service as the Chief Financial Officer in 1987-1988. Dr. Scott received a Ph.D. in Economics from Purdue University.

Kathleen C. McKinney, 59, was originally appointed as an independent director for a two-year term ending in 2012. In 2012, she was re-elected to a five-year term expiring in 2017. Ms. McKinney has over 35 years of experience as bond counsel and underwriter's counsel in the public finance, community facilities and economic development sector. She recently served as

President of the National Association of Bond Lawyers and is a recognized speaker on public finance legal issues. She is past chair of the Furman University Board of Trustees.

Walter H. Morris, Jr., 62, was appointed as an independent director for a four-year term ending in 2014. Mr. Morris has more than 30 years of financial services experience, retiring in 2010 from Ernst & Young after a 14-year career in advisory services working in real estate advisory, structured finance, and fraud/dispute services. He directed or completed numerous advisory assignments for international banks, GSEs, and U.S. government agencies while at Ernst & Young. In addition, Mr. Morris has 20 years of experience in commercial and mortgage banking, including international and capital markets functions and foreign assignments in London, England and Paris, France. He also has extensive non-profit board of director experience. Mr. Morris received his MBA degree from the Harvard Graduate School of Business School and an undergraduate degree from Harvard College.

Regulations Governing the Selection and Compensation of FHLBank and Office of Finance Employees

As specified in the FHLBank Act, the selection and compensation of FHLBank officers and employees are subject to the approval of the board of directors and management of each individual FHLBank. However, the Director of the FHFA has the authority to prohibit compensation that is not reasonable and comparable to compensation paid to executives in other similar businesses involving similar duties and responsibilities. The FHFA established several principles for the FHLBanks and the Office of Finance for setting executive compensation policies and practices to ensure sound incentive compensation practices:

- executive compensation must be reasonable and comparable to that offered to executives in similar positions at other comparable financial institutions;
- executive incentive compensation should be consistent with sound risk management and preservation of the par value of the FHLBank's capital stock;
- a significant percentage of an executive's incentive-based compensation should be tied to longer-term performance and outcome-indicators;
- a significant percentage of an executive's incentive-based compensation should be deferred and made contingent upon performance over several years; and
- the board of directors of each FHLBank and the Office of Finance should promote accountability and transparency with respect to the process of setting compensation.

Each FHLBank is responsible for establishing that FHLBank's compensation philosophy and objectives, and each FHLBank includes a compensation discussion and analysis relating to all material elements of the compensation of its named executive officers in its annual report on Form 10-K filed with the SEC. (See *Explanatory Statement about Federal Home Loan Banks Combined Financial Report*.)

The FHFA exercises similar supervisory and examination authority over the Office of Finance and its board of directors as it exercises over an FHLBank and its board of directors. FHFA regulations require the Office of Finance board of directors to select, employ, determine the compensation for, and assign the duties of, the Office of Finance chief executive officer. (See *Office of Finance CEO 2013 Compensation Discussion and Analysis* for more information.)

Overview and Objectives of FHLBank and Office of Finance Executive Compensation Programs

Each FHLBank strives to provide total compensation that promotes its mission. Compensation programs at each of the FHLBanks are generally intended to focus executives on achieving their individual FHLBank's mission and to associate executive pay with the FHLBank's corporate goals, performance targets, and strategic plan. Each FHLBank's board of directors determines total compensation for the president of that FHLBank, consisting of base salary, cash incentive compensation, and other benefits as described in Table S-1.

The Office of Finance is only responsible for the compensation policies for its employees. The Office of Finance seeks to provide a flexible and market-based approach to compensation that attracts, retains, and motivates high performing, accomplished financial services executives who, by their individual and collective performance, achieve the Office of Finance's strategic business initiatives. The objectives of the program are to communicate goals and standards of performance for the

successful achievement of the Office of Finance's mission. (See *Office of Finance CEO 2013 Compensation Discussion and Analysis-Compensation Program Overview Philosophy and Objectives* for more information.)

The following information has been provided for each FHLBank primarily based on the information disclosed in its annual report on SEC Form 10-K for the year ended December 31, 2013, which in each case provides detail about the FHLBank's compensation philosophy and objectives. The presentations may not be consistent due to differing FHLBank practices and application and interpretation of the rules.

Table S-1 - FHLBank Presidents and Office of Finance CEO Summary Compensation Table
(whole dollars)

FHLBank	President/CEO Name	Year	Salary	Bonus	Non-Equity Incentive Plan Compensation	Change In Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation*	Total
Boston	Edward A. Hjerpe III	2013	$ 669,500	$ —	$ 434,324	$ 1,000	$ 79,217	$ 1,184,041
		2012	650,000	—	359,081	270,000	68,477	1,347,558
		2011	595,000	—	213,242	325,000	62,666	1,195,908
New York	Alfred A. DelliBovi	2013	793,952	—	511,268	8,000	131,257	1,444,477
		2012	763,415	—	541,013	1,149,000	124,514	2,577,942
		2011	709,263	—	523,180	1,444,000	120,417	2,796,860
Pittsburgh	Winthrop Watson(1)	2013	675,000	—	618,041	114,000	60,445	1,467,486
		2012	650,000	—	510,250	128,000	44,613	1,332,863
		2011	625,000	—	593,156	104,000	40,508	1,362,664
Atlanta	W. Wesley McMullan(2)	2013	682,500	1,100	681,764	154,640	59,980	1,579,984
		2012	650,000	100	634,959	888,648	58,112	2,231,819
		2011	650,000	100	599,362	1,089,000	58,758	2,397,220
Cincinnati	Andrew S. Howell(3)	2013	617,775	—	340,546	189,000	15,300	1,162,621
		2012	491,055	—	271,561	810,000	15,000	1,587,616
Indianapolis	Cindy L. Konich(4)	2013	485,401	—	288,609	113,000	15,570	902,580
	Jonathan R. West(5)	2013	364,033	—	199,513	—	15,405	578,951
	Milton J. Miller, II(6)	2013	313,504	—	328,358	—	147,531	789,393
		2012	603,513	—	486,663	1,317,000	15,105	2,422,281
		2011	555,438	—	504,294	2,083,000	14,805	3,157,537
Chicago	Matthew R. Feldman	2013	763,000	—	657,325	283,000	15,300	1,718,625
		2012	720,000	—	708,840	496,000	15,000	1,939,840
		2011	695,000	—	1,081,420	409,000	14,700	2,200,120
Des Moines	Richard S. Swanson	2013	670,000	—	500,001	242,000	67,700	1,479,701
		2012	645,833	—	840,784	443,000	71,568	2,001,185
		2011	620,833	—	487,835	441,000	64,351	1,614,019
Dallas	Paul Joiner(7)	2013	303,593	—	150,945	65,000	23,629	543,167
	Terry Smith (8)	2013	643,969	—	—	—	761,693	1,405,662
		2012	767,350	—	473,001	194,000	654,006	2,088,357
		2011	745,000	—	334,557	278,000	643,462	2,001,019
Topeka	Andrew J. Jetter(9)	2013	665,750	—	586,898	17,716	77,840	1,348,204
		2012	646,350	—	604,913	813,382	55,075	2,119,720
		2011	627,500	—	606,062	1,169,289	55,792	2,458,643
San Francisco	Dean Schultz(10)	2013	811,800	—	1,054,700	414,378	61,104	2,341,982
		2012	795,900	—	765,400	665,480	65,082	2,291,862
		2011	902,967	—	869,500	732,778	63,580	2,568,825
Seattle	Michael L. Wilson(11)	2013	610,000	—	249,280	60,000	60,217	979,497
		2012	526,885	—	158,144	246,000	119,587	1,050,616
Office of Finance	John D. Fisk(12)	2013	650,000	—	726,746	—	24,796	1,401,542
		2012	607,717	—	691,135	449,000	33,709	1,781,561
		2011	590,017	—	584,141	499,000	32,517	1,705,675

* Compensation in this column is further presented in Table S-2 - All Other Compensation Table.

(1) Mr. Watson's 2013 non-equity incentive plan compensation was the incentive and transition plans described in the FHLBank of Pittsburgh's Form 10-K, as well as the deferred incentive earned in the 2012 Executive Officer Incentive Compensation Plan.
(2) The amount under non-equity incentive plan compensation includes the dollar value of all earnings for services performed during the fiscal years ended December 31, 2013, 2012, and 2011 pursuant to awards under the FHLBank of Atlanta incentive compensation plan and the dollar value of all interest earned on deferred incentive related to incentive compensation awards for prior fiscal years (50% of the 2013 and 2012 incentive compensation award is subject to mandatory deferral over three years and 34% of the 2011 incentive compensation award is subject to mandatory deferral over three years) and also included is the dollar value of all interest earned on deferred incentive related to incentive compensation awards for prior fiscal years. The 2013 bonus amount for Mr. McMullan includes an award payment of $1,000 under the FHLBank of Atlanta's Service Award Program to recognize employees with five or more years of service. The Service Award Program is administrated by the FHLBank of Atlanta's human resources department and is available to all employees of FHLBank of Atlanta under the same general terms and conditions.
(3) Mr. Andrew S. Howell became the President and Chief Executive Officer of FHLBank of Cincinnati in June 2012.
(4) Ms. Konich was appointed as President - Chief Executive Officer effective July 22, 2013. Ms. Konich served as Executive Vice President - Chief Operating Officer - Chief Financial Officer from July 30, 2010 until July 22, 2013, and also served in the additional capacity of Acting Co-President - CEO during a portion of 2013. Ms. Konich did not serve as the principal executive officer during any portion of 2011 or 2012.
(5) Mr. West is listed as being a principal executive officer as a result of serving in the capacity of Acting Co-President - CEO during a portion of 2013. Mr. West did not serve as the principal executive officer during any portion of 2011 or 2012.
(6) Mr. Miller retired effective July 1, 2013.
(7) Mr. Joiner was named Interim President and Chief Executive Officer of the FHLBank of Dallas in September 2013.
(8) Mr. Smith resigned from the FHLBank of Dallas in September 2013.
(9) Mr. Jetter's pension value decreased by $513,000 during 2013. In accordance with SEC rules, this negative amount is not included in this table.
(10) Mr. Schultz's 2011 salary includes $122,667 for a vacation cash-out payment.
(11) Mr. Michael L. Wilson became President and Chief Executive Officer of the FHLBank of Seattle on January 30, 2012.
(12) Mr. Fisk's pension value decreased by $110,000 during 2013. In accordance with SEC rules, this negative amount is not included in this table.

FHLBank President Employment Agreements

FHLBank of Boston. The FHLBank of Boston has a change-in-control agreement with Mr. Hjerpe. The FHLBank of Boston's board of directors had determined that having the change in control agreement in place would be an effective recruitment and retention tool since the events under which it provides payment to Mr. Hjerpe would provide a measure of protection to Mr. Hjerpe in the instance of the FHLBank of Boston's relocation in excess of 50 miles or his termination of employment or material diminution in duties or base compensation resulting from merger, consolidation, reorganization, sale of all or substantially all of the FHLBank of Boston's assets, or the liquidation or dissolution of the FHLBank of Boston. Under the terms of the change in control agreement, in the event that either:

- Mr. Hjerpe terminates his employment with the FHLBank of Boston for a good reason (as defined in the change in control agreement) that is not remedied within certain cure periods by the FHLBank of Boston; or

- the FHLBank of Boston (or the FHLBank of Boston's successor in the event of reorganization) terminates Mr. Hjerpe's employment without cause (as defined by the change in control agreement).

The FHLBank of Boston has agreed to pay Mr. Hjerpe an amount equal to his annualized base salary at the time of such termination to be paid in equal installments over the following 12 months according to the FHLBank of Boston's regular payroll cycle during such period. Notwithstanding the foregoing, the FHLBank of Boston's obligation to pay Mr. Hjerpe such amount will be subject to Mr. Hjerpe's execution of the FHLBank of Boston's standard release of claims agreement and the FHLBank of Boston's compliance with applicable statutory and regulatory requirements at the time such payment would otherwise be made. Payments to Mr. Hjerpe under the change in control agreement are in lieu of any severance payments that would be otherwise payable to him.

FHLBank of New York. The FHLBank of New York is an "at will" employer and does not provide written employment agreements to any of its employees. However, employees, including the president, receive:

- cash compensation (i.e., base salary, and, for exempt employees, "variable" or "at risk" short-term incentive compensation);

- retirement-related benefits (i.e., qualified defined benefit plan; qualified defined contribution plan; and nonqualified defined benefit portion of the benefit equalization plan); and

- health and welfare programs and other benefits.

Other benefits, which are available to all regular employees, include medical, dental, vision care, life, business travel accident insurance, and short- and long-term disability insurance, flexible spending accounts, an employee assistance program, educational development assistance, voluntary life insurance, long-term care insurance, fitness club reimbursement, and severance pay. An additional benefit offered to all officers, age 40 or greater, or who are at vice-president rank or above, is a physical examination every 18 months.

FHLBank of Pittsburgh. In the event of a merger of the FHLBank of Pittsburgh with another FHLBank, where the merger results in the termination of employment (including resignation for good reason as defined under the change in control agreement) for the CEO, he is eligible for severance payments under his change in control agreement as follows:

- two years base salary;
- two times the incentive compensation award payout eligibility at target in the year of separation from service;
- FHLBank of Pittsburgh contributions for medical insurance for the benefits continuation period of 18 months at the same level that it contributes to medical insurance for its then-active employees; and
- individualized outplacement for up to 12 months.

With the appointment of Winthrop Watson as President and CEO effective January 1, 2011, the FHLBank of Pittsburgh executed an Amended and Restated Change in Control Agreement, effective January 1, 2011. Accordingly, during 2013, Mr. Watson would also have been eligible for a payment equal to: (1) 12% of his compensation (as defined in the FHLBank of Pittsburgh's supplemental thrift plan) and (2) the retirement benefit amount that would have been provided under the qualified and nonqualified defined benefit plans if the President and CEO's qualified and nonqualified retirement plan benefits had vested as of December 31, 2013.

FHLBank of Atlanta. The FHLBank of Atlanta entered into an employment agreement with Mr. McMullan in connection with his appointment as president and chief executive officer (McMullan Agreement), effective as of January 1, 2014. The McMullan Agreement may be terminated at any time by the FHLBank of Atlanta, with or without "cause," or by Mr. McMullan, with or without "good reason," each as defined in the McMullan Agreement. Unless earlier terminated by either party as provided therein, the McMullan Agreement has a three-year term and will extend automatically for subsequent one-year periods unless either party elects not to renew. If during the term of his employment Mr. McMullan is terminated without "cause" or resigns for "good reason," the McMullan Agreement provides for severance pay in an amount equal to: (1) his then-current annual base salary, payable in a lump sum within 30 days, and (2) an amount equal to the amount that would have been payable pursuant to his incentive compensation award for the year in which the termination occurs, payable at the same time that such awards are paid to the FHLBank of Atlanta's senior executives. The McMullan Agreement does not provide for any severance pay in the event of a termination with "cause," a termination on account of his death or disability, or his resignation without "good reason."

FHLBank of Cincinnati. Other than normal pension benefits and eligibility to participate in the FHLBank of Cincinnati's retiree supplemental benefits program, no perquisites or other special benefits are provided to the president in the event of a change in control, resignation, retirement or other termination of employment.

FHLBank of Indianapolis. The FHLBank of Indianapolis maintains a key employee severance agreement for Ms. Konich. If a termination occurs under certain circumstances, Ms. Konich is entitled to 2.99 times the average of the three prior calendar years' base salary, bonus, and other cash compensation, salary deferrals and employer matching contributions to the qualified and non-qualified plans, compensation for the loss of the use of a company vehicle (if any), continued medical and dental insurance coverage for 36 months (subject to Ms. Konich paying the employee portion of the cost of such coverage), a gross-up amount to cover the increased tax liability, an additional three years credit to age and years of service for the supplemental executive retirement plan, and reimbursement for reasonable legal, accounting, financial advisory, and actuarial services. If the FHLBank of Indianapolis is not in compliance with any applicable regulatory capital or regulatory leverage requirement at the time payment under the agreement becomes due, or if the payment would cause the FHLBank of Indianapolis to fall below applicable regulatory requirements, the payment would be deferred until such time as the FHLBank of Indianapolis achieves compliance with its regulatory requirements. Moreover, if the FHLBank of Indianapolis was insolvent, had a receiver or conservator appointed, or was in "troubled condition" at the time payment under this agreement became due, the FHFA could deem such a payment to be subject to its rules limiting golden parachute payments.

FHLBank of Chicago. Mr. Feldman's employment agreement with the FHLBank of Chicago provides for a four-year employment term effective January 1, 2011 through December 31, 2014, unless terminated earlier as provided for in the agreement. The agreement provides for automatic one-year extensions until such date as the FHLBank of Chicago's board of directors or Mr. Feldman gives notice and terminates the automatic extension provision.

Mr. Feldman's employment agreement was amended on July 23, 2013, to allow Mr. Feldman to participate in the FHLBank of Chicago's new President and Executive Team Incentive Compensation Plan. Mr. Feldman is also entitled to participate in the key employee long-term incentive compensation plan for the 2012 to 2014, and 2013 to 2015, performance periods after which this long-term incentive component of his compensation will be replaced by a deferred award under the president and executive team incentive compensation plan. The FHLBank of Chicago's board of directors may award a discretionary bonus to Mr. Feldman separate from any incentive compensation earned under these plans. Mr. Feldman is also entitled to participate in the FHLBank of Chicago's health insurance, life insurance, retirement, and other benefit plans that are generally applicable to the FHLBank of Chicago's other senior executives. Under the employment agreement, the FHLBank of Chicago has agreed to indemnify Mr. Feldman with respect to any tax liabilities and penalties and interest under Section 409A of the Internal Revenue Code of 1986.

Under Mr. Feldman's employment agreement, in the event his employment with the FHLBank of Chicago is terminated either by him with good reason (as defined in the agreement), by the FHLBank of Chicago other than for cause (as defined in the agreement), by non-renewal by the FHLBank of Chicago of the agreement, or as a result of the death or disability of Mr. Feldman, Mr. Feldman is entitled to receive the following payments:

- all accrued and unpaid salary for time worked as of the date of termination;
- all accrued but unutilized vacation time as of the date of termination;
- salary continuation (at the base salary in effect at the time of termination) for a one-year period beginning on the date of termination;
- payment in a lump sum of an amount equal to the minimum total incentive compensation that Mr. Feldman would otherwise have been entitled to receive if all performance targets for the current calendar year had been met at a 100% level;
- continued participation in the FHLBank of Chicago's employee health care benefit plans in accordance with the terms of its then-current severance plan that would be applicable to him if his employment had been terminated pursuant to such plan, provided that the FHLBank of Chicago will continue paying the employer's portion of medical and/or dental insurance premiums for one year from the date of termination; and
- an additional amount under the FHLBank of Chicago's post-December 31, 2004 benefit equalization plan equal to the additional annual benefit as if such benefit had been calculated as though (i) Mr. Feldman were 3 years older than his actual age and (ii) Mr. Feldman had 3 additional years of service at the same rate of annual compensation in effect for the 12-month period ending on the December 31 immediately preceding the termination of Mr. Feldman's employment.

If Mr. Feldman's employment with the FHLBank of Chicago is terminated by the FHLBank of Chicago for cause or by Mr. Feldman other than for good reason, Mr. Feldman is entitled only to all accrued and unpaid salary for time worked as of the date of termination and all accrued but unutilized vacation time as of the date of termination.

The employment agreement provides that Mr. Feldman will not be entitled to any other compensation, bonus or severance pay from the FHLBank of Chicago other than as specified above and any vested rights which he has under any pension, thrift, or other benefit plan, excluding the severance plan. The right to receive termination payments as outlined above is contingent upon, among other things, Mr. Feldman signing a general release of all claims against the FHLBank of Chicago in such form as the FHLBank of Chicago requires.

FHLBank of Des Moines. If Mr. Swanson's employment is terminated by the FHLBank of Des Moines for cause, his death, disability or retirement, or by him without good reason, he is entitled to base salary through the date of termination, accrued but unpaid awards under any incentive plan in the amount equal to that which he would have received in the year of termination, accrued and earned vacation through the date of termination and all other vested benefits under the terms of the FHLBank of Des Moines's employee benefit plans. If his termination is due to death, disability or retirement, he is also entitled to accrued but unpaid incentive plan awards covering periods prior to the one in which he was terminated, the incentive plan award for the calendar year in which the date of termination occurs and prorated for the portion of the calendar year in which he was employed, and other coverage continuation rights that are available to such employees upon death, disability, or retirement.

If Mr. Swanson's employment is terminated by the FHLBank of Des Moines without cause, by him for good reason, or as a result of a merger or change in control, he is entitled to the following:

- severance payments equal to two times his base salary;
- one times his target annual incentive plan award in effect for the calendar year in which the date of termination occurs;
- the incentive plan award for the calendar year in which the date of termination occurs and pro-rated for the portion of the calendar year in which he was employed;
- the accrued but unpaid incentive plan awards covering periods prior to the one in which he was terminated and calculated in accordance with the terms of the incentive plan as if termination was due to death, disability, or retirement; and
- State of Iowa benefits continuation, provided that the FHLBank of Des Moines will continue to pay its portion of the medical and/or dental insurance premiums for him for the one-year period following the date of termination.

FHLBank of Dallas. On November 20, 2007 (effective date), the FHLBank of Dallas entered into an employment agreement with Mr. Joiner. The employment agreement provides that Mr. Joiner's employment will continue for three years from the effective date unless terminated earlier for any of the following reasons: (1) death; (2) disability; (3) termination by the FHLBank of Dallas for cause; (4) termination by the FHLBank of Dallas for other than cause; or (5) termination by Mr. Joiner with good reason. As of each anniversary of the effective date, an additional year is automatically added to the unexpired term of the employment agreement unless either the FHLBank of Dallas or Mr. Joiner gives a notice of non-renewal. In 2013, neither the FHLBank of Dallas nor Mr. Joiner gave a notice of non-renewal. As a result, an additional year was added to the unexpired term of Mr. Joiner's employment agreement.

In the event that Mr. Joiner's employment with the FHLBank of Dallas is terminated either by him for good reason or by the FHLBank of Dallas other than for cause, or in the event that either the FHLBank of Dallas or Mr. Joiner gives notice of non-renewal and the FHLBank of Dallas relieves him of his duties under the employment agreement, Mr. Joiner shall be entitled to receive:

- all accrued and unpaid base salary for time worked through the date of termination of Mr. Joiner's employment;
- all accrued but unutilized vacation time as of the termination date;
- base salary continuation (at the base salary in effect at the time of termination) from the termination date through the end of the remaining term of the employment agreement;
- continued participation in any incentive compensation plan in existence as of the termination date, provided that all other eligibility and performance objectives are met, as if Mr. Joiner had continued employment through December 31 of the year in which the termination occurs (Mr. Joiner will not be eligible for incentive compensation with respect to any year following the year of termination);
- continuation of any elective health care benefits that are being provided to Mr. Joiner as of his termination date for one year; and
- a lump sum payment equal to the cost of COBRA continuation coverage under the health care benefits plan of the kind Mr. Joiner then subscribes to for the number of months for which base salary is payable in excess of one year.

In addition to the amounts above, Mr. Joiner would be entitled to receive, upon reaching age 62, the amounts in his supplemental executive retirement plan account in 10 annual installment payments. Further, if the triggering event is related to a significant transaction (e.g., merger, consolidation or liquidation) then Mr. Joiner would also be entitled to receive a pro-rata portion of any long-term incentive awards that had not otherwise become vested as of the date of the significant transaction.

FHLBank of Topeka. The FHLBank Topeka does not have a separate employment agreement with its president. The FHLBank Topeka provides severance benefits to its executive officers pursuant to the FHLBank of Topeka's officer severance policy. The policy's primary objective is to provide a level of protection to officers, including the president, from loss of income during a period of unemployment. An officer of the FHLBank of Topeka is eligible to receive severance pay under the policy if the FHLBank of Topeka terminates the officer's employment with or without cause, subject to certain limitations. Provided the requirements of the policy are met and the president provides the FHLBank of Topeka an enforceable release, the president will receive severance pay equal to 52 weeks of the president's final annual base salary. Upon termination or change in control, the president would be entitled to receive:

- the severance payment;
- any earned but unpaid incentive awards;
- the respective aggregate balance that would be payable under the nonqualified deferred compensation plans within ninety days of termination of employment due to death, disability or retirement; and
- the payment that may be due under the benefit equalization plan upon a change in control.

FHLBank of San Francisco. The FHLBank of San Francisco's president is employed on an at-will basis. The president may resign at any time, and the FHLBank of San Francisco may terminate his employment at any time, for any reason or no reason, with or without cause and with or without notice. The FHLBank of San Francisco's board of directors approved a change in control severance agreement for Mr. Schultz, which became effective as of June 1, 2011. The agreement provides for a severance payment and continued benefits if Mr. Schultz's employment terminates under certain circumstances in connection with a change in control (as defined in the agreement) of the FHLBank of San Francisco. In particular, under the terms of Mr. Schultz's agreement, if he terminates his employment for good reason (as defined in the agreement), he shall be entitled to receive, in lieu of any severance benefits to which Mr. Schultz may otherwise be entitled under any severance plan or program of the FHLBank of San Francisco, the following:

- his fully earned but unpaid base salary through the date of termination (together with all other amounts and benefits to which Mr. Schultz is entitled under any benefit plan or practice of the FHLBank of San Francisco other than the FHLBank of San Francisco's corporate senior officer severance policy);

- severance pay in an amount equal to the sum of two times Mr. Schultz's annual base salary plus two times his annual incentive amounts (as defined in the agreement);

- continued health and life insurance coverage (as defined in the agreement) for up to 180 days after the first anniversary of the date of termination of Mr. Schultz's employment (or if earlier, the date he accepts employment from an employer with comparable benefits); and

- executive-level outplacement services at the FHLBank of San Francisco's expense, not to exceed $25,000.

If the FHLBank of San Francisco is not in compliance with any applicable regulatory capital or regulatory leverage requirement, or if any of the payments required to be made pursuant to the severance pay described above would cause the FHLBank of San Francisco to fall below such applicable regulatory requirements, such payment shall be delayed until such time as the FHLBank of San Francisco achieves compliance with its regulatory capital requirements.

FHLBank of Seattle. In January 2012, the FHLBank of Seattle entered into an employment agreement with Michael L. Wilson, effective as of January 30, 2012. The initial term of the employment agreement was for two years, and provides for automatic extensions for successive one year periods, unless Mr. Wilson or the FHLBank of Seattle provides timely notice of non-extension. Mr. Wilson's employment agreement was automatically extended for an additional one-year period as of January 30, 2014. The employment agreement provides for an annual initial base salary of $570,000, unless decreased as part of a cost reduction plan applicable to the FHLBank of Seattle's senior executive officers. For 2014, Mr. Wilson’s base salary has been set at $628,300. Mr. Wilson is eligible to participate in the FHLBank of Seattle's executive incentive compensation programs. He is also eligible to participate in the Pentegra DB Plan (due to having been a plan participant since 1994), the Retirement BEP, and the Thrift BEP. Mr. Wilson was also entitled to reimbursement of relocation expenses up to a maximum of $125,000.

If Mr. Wilson's employment is terminated by the FHLBank of Seattle for cause or Mr. Wilson terminates employment without good reason, he is entitled to receive the following accrued obligations:

- his base salary through the date of termination;
- accrued but unpaid awards under the incentive compensation plans in accordance with the terms of such plans;
- accrued but unused vacation time; and
- other vested benefits under the terms of the FHLBank of Seattle's employee benefit plans.

If Mr. Wilson's employment is terminated by the FHLBank of Seattle without cause or by Mr. Wilson for good reason, he is entitled to receive:

- the accrued obligations;
- severance pay equal to one times his then-current base salary; and
- FHLBank of Seattle's-paid premiums for medical and dental insurance coverage for 18 months for Mr. Wilson and his then-eligible dependents.

In the event of Mr. Wilson's termination of employment without cause or by Mr. Wilson for good reason within 12 months following a change in control, Mr. Wilson is entitled to the immediately foregoing benefits, except that severance pay will be equal to two times his then-current base salary. The foregoing payments are conditional on Mr. Wilson's execution of a release of claims against the FHLBank of Seattle in a form reasonably acceptable to the FHLBank of Seattle. In the event of Mr. Wilson's termination of employment due to disability, he is entitled to the accrued obligations plus FHLBank of Seattle paid premiums for medical and dental insurance coverage for 18 months, subject to Mr. Wilson's execution of a release of claims.

Table S-2 - All Other Compensation Table
(whole dollars)

FHLBank*	President/CEO Name	Year	Termination of Employment or Change of Control if Triggered	Contribution or Other Allocations Made by the FHLBank to Vested and/or Unvested Defined Contribution Plans	Dollar Value of any Insurance Premiums Paid by the FHLBank with Respect to Life Insurance for the Benefit of the President/ CEO	Gross-ups or Other Amounts Reimbursed for the Payment of Taxes	Perquisites and Other Personal Benefits*	Other	Total
Boston	Edward A. Hjerpe III(1)	2013	$ —	$ 61,733	$ —	$ —	$ 17,484	$ —	$ 79,217
		2012	—	52,420	—	—	16,057	—	68,477
		2011	—	42,155	—	—	20,511	—	62,666
New York	Alfred A. DelliBovi(2)	2013	—	15,300	12,000	—	25,578	78,379	131,257
		2012	—	15,000	12,000	—	23,889	73,625	124,514
		2011	—	14,700	12,000	—	25,165	68,552	120,417
Pittsburgh	Winthrop Watson	2013	—	60,000	—	—	—	445	60,445
		2012	—	44,589	—	—	—	24	44,613
		2011	—	40,484	—	—	—	24	40,508
Atlanta	W. Wesley McMullan(3)	2013	—	40,950	—	550	18,480	—	59,980
		2012	—	39,000	—	48	19,064	—	58,112
		2011	—	39,510	—	48	19,200	—	58,758
Cincinnati	Andrew S. Howell	2013	—	15,300	—	—	—	—	15,300
		2012	—	15,000	—	—	—	—	15,000
Indianapolis	Cindy L. Konich	2013	—	15,300	270	—	—	—	15,570
	Jonathan R. West	2013	—	15,300	105	—	—	—	15,405
	Milton J. Miller, II(4)	2013	—	15,300	105	—	132,126	—	147,531
		2012	—	15,000	105	—	—	—	15,105
		2011	—	14,700	105	—	—	—	14,805
Chicago	Matthew R. Feldman	2013	—	15,300	—	—	—	—	15,300
		2012	—	15,000	—	—	—	—	15,000
		2011	—	14,700	—	—	—	—	14,700
Des Moines	Richard S. Swanson(5)	2013	—	55,200	—	—	12,500	—	67,700
		2012	—	55,568	—	—	16,000	—	71,568
		2011	—	51,851	—	—	12,500	—	64,351
Dallas	Paul Joiner	2013	—	18,216	—	—	—	5,413	23,629
	Terry Smith(6)	2013	220,000	471,232	—	14,000	56,461	—	761,693
		2012	—	503,654	—	13,102	80,702	56,548	654,006
		2011	—	492,458	—	14,736	64,689	71,579	643,462
Topeka	Andrew J. Jetter	2013	—	57,919	1,435	—	10,830	7,656	77,840
		2012	—	45,880	1,443	—	—	7,752	55,075
		2011	—	47,747	1,487	—	—	6,558	55,792
San Francisco	Dean Schultz(7)	2013	—	48,708	2,880	—	6,651	2,865	61,104
		2012	—	47,754	2,880	—	9,376	5,072	65,082
		2011	—	46,818	2,880	—	9,847	4,035	63,580
Seattle	Michael L. Wilson(8)	2013	—	44,564	—	—	15,653	—	60,217
		2012	—	18,525	—	—	15,078	85,984	119,587
Office of Finance	John D. Fisk(9)	2013	—	15,300	—	—	9,496	—	24,796
		2012	—	15,000	—	—	13,536	5,173	33,709
		2011	—	14,700	—	—	13,506	4,311	32,517

* Only individual amounts greater than $25,000 are required to be disclosed in the footnotes.

(1) Perquisites and other personal benefits amount for Mr. Hjerpe includes the following: personal use of an FHLBank of Boston-owned vehicle, reimbursement for apartment expenses through mid-February 2011, parking, reimbursement for mass transportation, spousal travel expenses, and airline program memberships.

(2) Perquisites and other personal benefits amount for 2013 for Mr. DelliBovi includes the following: personal use of an FHLBank of New York-provided vehicle, payment of vision insurance premium, payments for dollar amount of funds matched in connection with the Pentegra Defined Contribution Plan for Financial Institutions, payment of group term life insurance premium and supplemental individual term life insurance premium, payment of long term disability insurance premium, payment of health insurance premium, payment of dental insurance premium, and payment of employee assistance program premium.

(3) Perquisites and other personal benefits amount for Mr. McMullan include a $1,500 per month automobile allowance. Perquisites are valued at the actual amounts paid by the FHLBank of Atlanta and the value of each perquisite was less than $25,000.

(4) Perquisites and other personal benefits amount for Mr. Miller for 2013, include a cumulative vacation payout of $128,349, and other deminimus perquisites that are individually and in the aggregate valued at less than $10,000.
(5) Perquisites and other personal benefits amount for Mr. Swanson includes the following: personal use of an FHLBank of Des Moines-provided vehicle, medical plan premiums, and financial planning allowance.
(6) Perquisites and other personal benefits amount for Mr. Smith consisted of personal travel and entertainment expenses, the use of an FHLBank of Dallas-leased vehicle and spousal travel and meal cost reimbursements in connection with some of the FHLBank of Dallas' board functions, as well as the use of FHLBank of Dallas-owned property for personal storage (in 2013 and 2012) and the provision of information technology and other services by FHLBank of Dallas personnel for which there was no aggregate incremental cost to the FHLBank of Dallas.
(7) Perquisites and personal other benefits amount for Mr. Schultz include the following: personal use of an FHLBank of San Francisco-provided vehicle, reimbursement for health club membership dues, and parking expenses.
(8) Perquisites and personal other benefits amount for Mr. Wilson include FHLBank of Seattle car allowance, office parking, and health club membership. Other includes relocation benefits paid to Mr. Wilson in 2012, as part of his employment terms.
(9) Perquisites and other personal benefits amount for Mr. Fisk include the personal use of an Office of Finance-provided vehicle.

Table S-3 - Grants of Plan-Based Awards
(whole dollars)

				Estimated Future Payouts under Non-Equity Incentive Plan Awards		
FHLBank	**President/CEO Name**		**Grant Date**	**Threshold**	**Target**	**Maximum**
Boston	Edward A. Hjerpe III	(1)	—	$ 85,361	$ 170,723	$ 256,084
New York	Alfred A. DelliBovi		3/20/2013	174,669	317,581	603,404
Pittsburgh	Winthrop Watson	(2)	—	193,050	337,500	482,625
		(3)	—	148,500	259,875	371,250
Atlanta	W. Wesley McMullan		4/9/2013	218,400	436,800	655,200
Cincinnati	Andrew S. Howell	(4)(5)	11/21/2013	309,000	463,500	618,000
		(4)(6)	11/15/2012	284,000	426,000	568,000
Indianapolis	Cindy L. Konich	(2)	12/1/2011	4,967	154,523	209,698
		(7)	12/1/2011	133,201	177,601	222,001
	Jonathan R. West	(2)	12/1/2011	2,730	91,008	127,412
		(7)	12/1/2011	79,676	106,234	132,793
	Milton J. Miller, II	(2)	12/1/2011	3,919	117,564	156,752
		(7)	12/1/2011	100,466	133,955	167,444
Chicago	Matthew R. Feldman	(8)	1/28/2013	228,900	305,200	381,500
		(9)	1/28/2013	264,094	352,125	440,156
		(10)	1/28/2013	—	228,900	381,500
Des Moines	Richard S. Swanson	(2)	12/14/2012	167,500	251,250	335,000
		(11)	12/14/2012	167,500	251,250	335,000
Dallas	Paul Joiner	(2)	—	3,985	53,129	66,411
		(12)	—	40,643	85,158	114,189
	Terry Smith	(2)	—	69,948	201,544	237,111
Topeka	Andrew J. Jetter	(13)	1/1/2013	195,330	260,440	325,550
		(12)	1/1/2013	195,330	260,440	325,550
San Francisco	Dean Schultz	(14)	2/1/2013	162,400	324,700	405,900
		(12)	2/1/2013	162,400	324,700	405,900
Seattle	Michael L. Wilson	(2)	1/1/2013	183,000	366,000	579,500
Office of Finance	John D. Fisk	(15)	2/1/2013	195,000	260,000	325,000
		(16)	2/1/2013	195,000	260,000	325,000

(1) Represents estimate of annual short-term incentive compensation for January 1, 2013 through December 31, 2013, under the FHLBank of Boston 2013 executive incentive compensation plan. The estimated future payout for the long-term component of the 2013 executive incentive compensation plan is based, in part, on the results of the short-term component at year-end 2013. The actual future payout for the long-term component will then be interpolated between threshold and target, or between target and excess, depending on the actual results of achievement for the long-term component goal as determined at year-end 2015. If threshold is not achieved, there will not be a payout.

	Estimated Possible Payouts under Non-Equity Incentive Plan Awards		
If short-term component results in:	**Threshold**	**Target**	**Excess**
Threshold	$ 42,681	$ 85,361	$ 128,042
Target	85,361	170,723	256,084
Excess	128,042	256,084	384,126

(2) Represents the estimated payout range of the annual short-term incentive compensation plan for January 1, 2013 through December 31, 2013.
(3) The FHLBank of Pittsburgh's transition plan was put into place to assist in the transition of the FHLBank of Pittsburgh's executive incentive plan from a plan without a deferred component to one with a deferred component, where the annual goal under the 2013 incentive plan serves as the 2013 goal under the transition plan. The award levels were established to bridge the cash component levels until the ongoing deferral payments are fully implemented and are expressed as a percent of base salary.
(4) Represents estimated payout under the FHLBank of Cincinnati's incentive plan; 50% of this payout will be awarded in cash following the plan year, the other 50% will be mandatorily deferred for three years. The final value of the deferred award can be increased, decreased, or remain the same based on the achievement level of the deferred goals during the three-year period.
(5) Awards granted on this date are for the 2014 Incentive Plan
(6) Awards granted on this date were for the 2013 Incentive Plan.
(7) Represents the estimated payout under the deferred incentive plan for the FHLBank of Indianapolis; payout is based upon the amount earned under the annual incentive plan and is further dependent on attaining the minimum threshold over the 3-year deferral period (2014-2016).
(8) Represents the potential annual award payouts under FHLBank of Chicago's president and executive team incentive compensation plan for the period from January 1, 2013 through December 31, 2013. Under this plan, 50% of the total incentive award is an annual award vested at the end of a one-year performance period.
(9) Represents the deferred award granted under FHLBank of Chicago’s president and executive team incentive compensation plan for the period from January 1, 2014 through December 31, 2016 based on actual performance for 2013. Under this plan, 50% of the total incentive award is a deferred award which will vest at the end of a three-year deferral period (subject to adjustment based upon achievement of certain performance goals).
(10) Represents the potential transitional "gap year" payout under the FHLBank of Chicago' key employee long-term incentive compensation for the period from January 1, 2013 to December 31, 2015.
(11) Represents estimate of deferred incentive compensation for the FHLBank of Des Moines for the four-year performance cycle beginning January 1, 2013 and ending December 31, 2016.
(12) Represents the estimated payout range of the long-term incentive compensation for the three-year performance cycle beginning January 1, 2013 and ending December 31, 2015.
(13) Represents applicable range of estimated future payouts for the FHLBank of Topeka for the three-year performance periods and does not represent amounts actually earned or awarded for fiscal year ended December 31, 2013. Payments are calculated using the base salary in effect on January 1 at the beginning of the performance period. Awards, if any, under this plans are payable in the year following the end of the three-year performance period.
(14) Represents the estimated payout range of the annual short-term incentive compensation plan for January 1, 2013 through December 31, 2013. Actual amounts earned under the short-term incentive compensation plan for this period are included in Table S-1 - FHLBank Presidents and Office of Finance CEO Summary Compensation Table.
(15) Represents estimated payout under the Executive Incentive Plan, approved by the Office of Finance Board of Directors in 2013, which has two components: 50% annual and 50% deferred. These amounts represent the award opportunity for the annual portion payable in 2014.
(16) Represents estimated payout under the Executive Incentive Plan, approved by the Office of Finance Board of Directors in 2013, which has two components: 50% annual and 50% deferred. The first half of the deferred portion is payable in 2015 subject to Office of Finance Board of Directors approval and the second half is payable in 2016 subject to Office of Finance Board of Directors approval.

Table S-4 - Pension Benefits for Year 2013
(whole dollars)

FHLBank	President/CEO Name	Plan Name*	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During 2013
Boston	Edward A. Hjerpe III(1)	Pentegra DBP	21.7	$ 879,000	$ —
		BEP	4.5	300,000	—
New York	Alfred A. DelliBovi(2)	Pentegra DBP	20.8	1,825,000	—
		BEP	20.8	7,089,000	—
Pittsburgh	Winthrop Watson(3)	Pentegra DBP	3.6	123,000	—
		SERP	4.1	278,000	—
Atlanta	W. Wesley McMullan(4)	Pentegra DBP	25.8	1,053,000	—
		BEP	25.8	3,020,000	—
Cincinnati	Andrew S. Howell(5)	Pentegra DBP	23.5	1,092,000	—
		BEP	23.5	1,901,000	—
Indianapolis	Cindy L. Konich(6)	Pentegra DBP	29.1	1,640,000	—
		SERP	29.1	2,933,000	—
	Jonathan R. West(6)	Pentegra DBP	27.4	1,568,000	—
		SERP	27.4	1,871,000	—
	Milton J. Miller, II(6)	Pentegra DBP	36.0	—	1,072,698
		SERP	36.0	—	10,283,393
Chicago	Matthew R. Feldman(7)	Pentegra DBP	9.8	575,000	—
		BEP	9.8	1,337,000	—
Des Moines	Richard S. Swanson(8)	Pentegra DBP	6.6	513,000	—
		BEP	6.6	1,406,000	—
Dallas	Paul Joiner(9)	Pentegra DBP	30.0	2,424,000	—
	Terry Smith (9)	Pentegra DBP	27.8	—	1,918,000
Topeka	Andrew J. Jetter(10)	Pentegra DBP	25.6	1,265,000	—
		BEP	25.6	3,759,000	—
San Francisco	Dean Schultz(11)	BEP	28.8	3,201,844	—
		SERP	11.0	2,303,883	—
		CBP	28.8	448,547	—
		FIRF	11.0	478,219	—
		DCP	28.8	67,284	—
Seattle	Michael L. Wilson(12)	Pentegra DBP	19.0	979,000	—
		BEP	2.0	183,000	—
Office of Finance	John D. Fisk(13)	Pentegra DBP	9.1	457,000	—
		SERP	9.1	1,277,000	—

* Pentegra DBP = Pentegra Defined Benefit Plan for Financial Institutions
BEP = Benefit Equalization Plan
SERP = Supplemental Executive Retirement Plan
FIRF = Financial Institutions Retirement Fund
CBP = Cash Balance Plan
DCP = Deferred Compensation Plan

(1) Boston- Formula: 1.5% × high five-year average compensation × credited years of service, subject to a maximum annual benefit amount not to exceed 80% of high five-year average compensation.
Compensation for the Pension BEP is the highest five-year compensation (salary and incentive) paid in the year. Compensation for Pentegra DBP is the highest five-year compensation, defined as base salary excluding the participant's voluntary contribution to the Thrift BEP, subject to the applicable IRS limits on annual earnings ($255,000 for 2013).
The regular form of retirement benefits is a straight-life annuity with a 12 times initial death benefit feature.
Mr. Hjerpe's credited years of service for the Pentegra DBP includes 14.6 years of service at the FHLBank of Boston and 7.1 years of service at a previous employer that participated in the Pentegra DBP.

(2) New York- Formula: 2.5% × years of benefit service (not to exceed 30) × highest consecutive three-year average earnings.
Earnings are defined as base salary plus short-term incentives, and overtime, subject to the annual Internal Revenue Code limit.
The normal form of payment is a life annuity with a 12 year guaranteed payment, which means that if retiree dies prior to receiving 12 years of annuity payments, the retiree's beneficiary will receive a lump sum equal to the remaining unpaid payments in the 12 year period.

(3) Pittsburgh- Formula: 1.5% × years of benefit service × high five-year average compensation.
Compensation covered for the Pentegra Defined Benefit Plan includes annual base salary, subject to IRS limitations. Compensation covered for the SERP includes annual base salary and annual incentive compensation, without regard to IRS limitations.
The regular form of retirement benefits provides a single life annuity; a lump sum option is also available.

(4) Atlanta- The "Present Value of Accumulated Benefit" is the present value of the annual pension benefit that was earned as of December 31, 2013, assuming retirement at age 65. Benefits under the plan were calculated using a 4.95% discount rate; 5.04% was used to calculate benefits under the excess plan.

(5) Cincinnati- Formula: 2.5% × years of benefit service × highest three-year average compensation.
Compensation is defined as base salary, excess accrued vacation benefits, and annual incentive compensation, and excludes any deferred incentive payments or payments received from the LTI Plan.
The regular form of retirement benefits is a single-life annuity including a lump-sum retirement death benefit.

(6) Indianapolis- Formula: 2.5% × years of benefit service × high three-year average compensation plus, at age 66, an annual retiree cost of living adjustment of three percent without regard to the IRS limits.
- Eligible compensation includes salary (before any employee contributions to tax qualified plans), STI Plan, bonus, and any other compensation that is reflected on the IRS Form W-2 (but not including LTI Plan payments or any compensation deferred from a prior year).
- The regular form of retirement benefits provides for a lump sum payment or annual installments up to 20 years or a combination of lump sum and annual payments.
- Benefit payments commencing before age 65 are reduced by applying an early retirement factor based on the employee's age when payments begin. The allowance payable at age 65 would be reduced by 3% for each year under age 65. If the sum of the age and years of vesting service at termination of employment is at least 70, the retirement allowance would be reduced by 1.5% for each year under age 65.

(7) Chicago- Formula: 2.25% × the number of years credited service × highest five-year compensation.
Compensation is the average annual salary (base and short-term incentive compensation) for the five consecutive years of highest salary. At December 31, 2013, the additional present value of accrued benefit due Mr. Feldman under section (7)(b)(vi) of his employment agreement is $2,110,000. The regular form of retirement benefits is an annuity or a lump-sum retirement death benefit.

(8) Des Moines- Formula: 2.25% × the number of years credited service × highest three consecutive year's average compensation. Average compensation is defined as the total taxable compensation as reported on the IRS Form W-2.

(9) Dallas- Formula: (3% × years of service credited prior to July 1, 2003 × high three-year average compensation (consecutive years)) plus (2% × years of service credited on or after July 1, 2003 × high three-year average compensation (consecutive years)).
The pension plan limits the maximum years of benefit service to 30 years. Compensation covered by the plan includes taxable compensation as reported on Mr. Joiner's W-2 (exclusive of any compensation deferred from a prior year) plus any pre-tax contributions to the FHLBank of Dallas' Section 401(k) plan and/or Section 125 cafeteria plan, subject to the 2013 IRS limitation of $255,000 per year.
The regular form of retirement benefit is a single life annuity that includes a lump-sum death benefit. The normal retirement age is 65, but Mr. Joiner is eligible to receive an unreduced retirement benefit beginning at age 60. The FHLBank of Dallas does not have a supplemental defined benefit plan that covers compensation in excess of the IRS maximum limit; accordingly, Table S-4 reflects the estimated pension benefits payable to Mr. Joiner based solely on the IRS compensation limit as his compensation exceeded such limit.
At the time of his resignation, Mr. Smith was eligible for early retirement with reduced benefits (the reduction factor applicable to Mr. Smith was approximately 4.5%). Following his resignation, Mr. Smith elected to take his pension benefit in a lump sum distribution.

(10) Topeka- Formula: Starting September 2003 Pentegra Defined Plan Benefit = 2.0% × years of benefit service (not to exceed 30 years) × high three-year average compensation. Benefit service begins one year after employment.
Prior to September 2003 FIRF Benefit = 2.25% × years of benefit service (not to exceed 30 years) × high three-year average compensation. Benefit service begins one year after employment.
Compensation covered includes annual base salary plus incentive compensation subject to the 2013 annual IRS limitation of $255,000.
The regular form of retirement benefits provides a single life annuity, a lump sum payment or other additional payment options.

(11) San Francisco- Benefit Equalization Plan
The Benefit Equalization Plan is an unfunded and non-tax-qualified plan that is designed to restore retirement benefits lost under the Cash Balance Plan and the FHLBank of San Francisco's Savings Plan (a defined contribution plan) because of compensation and benefits limitations imposed on the Cash Balance Plan and the Savings Plan under the Internal Revenue Code (IRC). An employee's benefits that would have been credited under the Cash Balance Plan or the Savings Plan but for the limitations imposed on those plans under the IRC are credited as supplemental cash balance benefits under the BEP and the credits accrue interest at an annual rate of 6% until distributed. The amounts credited or accrued under the BEP vest according to the corresponding provisions of the Cash Balance Plan and the Savings Plan.
Supplemental Executive Retirement Plan
The SERP is an unfunded and non-tax-qualified retirement benefit plan that provides a cash balance benefit to the FHLBank of San Francisco's eligible senior officers that is in addition to the Cash Balance Plan benefits. For this plan, years of credited service represent the years of participation since the inception of the plan in 2003 or the first year in which the participant initially became active in the SERP. For purposes of determining the amount of the FHLBank of San Francisco's contribution in the SERP, the years of credit service are defined in the SERP. The SERP supplements the Cash Balance Plan benefits to provide a competitive postretirement compensation package that is intended to help the FHLBank of San Francisco attract and retain key senior officers who are critical to the success of the FHLBank of San Francisco.
Cash Balance Plan and the Financial Institutions Retirement Fund
The FHLBank of San Francisco began offering benefits under the Cash Balance Plan (CBP) on January 1, 1996. The CBP is a tax-qualified defined benefit pension plan that covers employees who have completed six months of service, including the president. Each year, eligible employees accrue benefits equal to 6% of their total annual compensation (which includes base salary and short-term cash incentive compensation) plus interest equal to 6% of their account balances accrued through the prior year, referred to as the annual benefit component of the CBP.
The benefits under the CBP annual benefit component are fully vested after an employee completes three years of service. Vested amounts are generally payable in a lump sum or in an annuity when the employee leaves the FHLBank of San Francisco.
Prior to offering benefits under the CBP, the FHLBank of San Francisco participated in the Financial Institutions Retirement Fund. The FIRF is a multiple-employer tax-qualified defined benefit pension plan. The FHLBank of San Francisco withdrew from the FIRF on December 31, 1995 at which time benefits earned under the FIRF were fully vested and the value of those benefits was then frozen. As of December 31, 1995, the FHLBank of San Francisco calculated each participant's FIRF benefit based on the participant's then-highest three consecutive years' average pay multiplied by the participant's years of service multiplied by two percent, referred to as the frozen FIRF benefit. Upon retirement, participants will be eligible to receive their frozen FIRF benefits.
In addition, to preserve the value of the participant's frozen FIRF benefit, the FHLBank of San Francisco maintains the ratio of each participant's frozen FIRF annuity payments to the participant's highest three consecutive years' average pay as of December 31, 1995 (annuity ratio), which is referred to as the net transition benefit component of the CBP. Upon retirement, each participant with a frozen FIRF benefit will receive a net transition benefit under the CBP that equals his or her highest three consecutive years' average pay at retirement multiplied by his or her annuity ratio minus the frozen FIRF benefit.
Deferred Compensation Plan
The FHLBank of San Francisco's Deferred Compensation Plan is an unfunded and non-tax-qualified plan, consisting of three components: (1) employee deferral of current compensation; (2) make-up matching contributions that would have been made by the FHLBank of San Francisco under the Savings Plan had the base salary compensation not been deferred; and, (3) make-up pension benefits that would have been earned under the Cash Balance Plan had any amount of total annual compensation (base salary and short-term cash incentive compensation) not been deferred.

(12) Seattle- Pentegra DB Plan
The Pentegra DB Plan at the FHLBank of Seattle provides a normal retirement benefit equal to 2.5% of the participant's average annual compensation for the three highest consecutive years during the participant's years of credited service, multiplied by the participant's years of credited service, subject to IRC compensation limits and vesting provisions. Compensation is defined as base salary plus overtime and bonuses. Effective August 1, 2013, the FHLBank of Seattle amended the Pentegra DB Plan to reduce the normal retirement benefit from 2.5% to 2.0% for future benefit accruals.
Retirement Benefit Equalization Plan
The FHLBank of Seattle's retirement BEP is a non-qualified defined benefit pension plan that provides eligible executives, whose benefits under the Pentegra DB Plan are limited by the IRC limits, including the annual compensation limit, with a supplemental pension benefit. This supplemental benefit is equal to the benefit that would have been paid from the Pentegra DB Plan in the absence of the IRC limits, less the amount that the executive actually receives from the Pentegra DB Plan.

(13) Office of Finance- Formula: Starting July 2011 - 2.0% × years of benefit service × high three-year average compensation. Benefits earned from April 2003 to June 2011 are frozen under the prior benefit formula of 2.25%.

Table S-5 - Non-Qualified Deferred Compensation for Year 2013
(whole dollars)

FHLBank	President/CEO Name	President/CEO Contributions	FHLBank Contributions	Aggregate Withdrawals/ Distributions	Aggregate Earnings	Aggregate Balance at 12/31/13
Boston	Edward A. Hjerpe III	$ 30,866	$ 46,433	$ —	$ 42,688	$ 298,877
Pittsburgh	Winthrop Watson	377,500	55,266	—	108,635	891,573
Atlanta	W. Wesley McMullan	45,250	26,775	—	51,873	445,968
Chicago	Matthew R. Feldman	45,670	—	119,035	342	190,847
Des Moines	Richard S. Swanson	230,000	40,162	—	43,163	685,404
Dallas	Paul Joiner	2,040	2,916	—	36,322	492,605
	Terry Smith	1,530	455,932	1,119,299	287,846	2,558,930
Topeka	Andrew J. Jetter	72,175	42,619	—	71,163	1,365,292
San Francisco	Dean Schultz	—	—	18	—	—
Seattle	Michael L. Wilson	28,467	24,400	—	5,398	64,440
Office of Finance	John D. Fisk	62,968	65,168	—	274,500	1,584,281

Office of Finance CEO 2013 Compensation Discussion and Analysis

Compensation Philosophy and Objectives.

The Human Resources and Compensation Committee (HR Committee) serves as the compensation committee of the Office of Finance Board of Directors. The compensation program for the Office of Finance CEO is designed to provide a flexible and market-based approach to compensation that attracts, motivates, and retains an executive with the skills and expertise necessary to enable the Office of Finance to meet or exceed its business goals. To achieve these objectives, the Office of Finance compensates the CEO using a total compensation program approach that combines base salary, short- and long-term variable (incentive-based) compensation, retirement benefits, and modest fringe benefits. The objectives of the compensation program are to establish and communicate short- and long-term standards of performance for the successful achievement of the Office of Finance's mission and to recognize, motivate, and reward the CEO commensurate with his contributions.

The Office of Finance Board of Directors believes that its compensation philosophy is effective in attracting, retaining, and motivating a highly qualified individual. The Office of Finance Board of Directors reviews annually the compensation program to ensure that it is consistent with and supports the Office of Finance's business strategies and objectives. The FHFA's five guiding principles for sound incentive compensation practices were incorporated into the development, implementation, and review of compensation policies and practices for the Office of Finance CEO in 2013.

Regulatory Oversight of Executive Compensation.

On January 28, 2014, the FHFA issued a final rule setting forth requirements and processes with respect to compensation provided to executive officers by FHLBanks and the Office of Finance. The final rule addresses the authority of the Director of the FHFA to review the compensation arrangements of executive officers of the FHLBanks and to prohibit an FHLBank or the Office of Finance from providing compensation to any executive officer that the Director of the FHFA determines is not reasonable and comparable with compensation for employment in other similar businesses involving similar duties and responsibilities. The final rule also addresses the Director's authority to approve, in advance, agreements or contracts of executive officers that provide compensation in connection with termination of employment. The final rule became effective on February 27, 2014.

Competition and Compensation Benchmarking.

Role of the HR Committee and the Office of Finance Board of Directors in Setting Executive Compensation. The HR Committee and the Office of Finance Board of Directors align the executive compensation program with the Office of Finance's business objectives and focus the CEO's efforts on fulfilling these goals. The HR Committee reviews the CEO's performance and researches and recommends the CEO salary to the Office of Finance Board of Directors. The percentage of salary increase that will apply to a base pay merit adjustment for each year is recommended by the HR Committee for approval by the Office of Finance Board of Directors. The retirement benefit plans that are offered, and any changes to those

plans from year to year, are approved by the Office of Finance Board of Directors after a recommendation by the HR Committee. The HR Committee also recommends the goals, payout, and qualifications for the annual Executive Incentive Plan for approval by the Office of Finance Board of Directors.

Role of Compensation Consultant in Setting Executive Compensation. The salary and benefit benchmarks used by the Office of Finance to establish reasonable and competitive compensation for its employees are the competitor groups established by Aon Consulting and its affiliate, McLagan Partners, as presented in Table S-6. The benchmarking analysis included the following competitor positions: the CEO of each FHLBank; the head of debt capital markets for certain commercial banks; the proxy data for Fannie Mae and Freddie Mac; and the publicly available data for the Federal Farm Credit Banks Funding Corporation.

Table S-6 - Benchmarking Institutions

Australia & New Zealand Banking Group	Federal Home Loan Bank of Chicago	Macquarie Bank
Banco Bilbao Vizcaya Argentaria	Federal Home Loan Bank of Cincinnati	Mizuho Corporate Bank, Ltd.
Banco ITAU Investment Bank	Federal Home Loan Bank of Dallas	National Australia Bank
Banco Santander	Federal Home Loan Bank of Des Moines	Natixis
Bank of America Merrill Lynch	Federal Home Loan Bank of Indianapolis	Nord/LB
Bank of Tokyo - Mitsubishi UFJ	Federal Home Loan Bank of New York	PNC Bank
Bayerische Landesbank	Federal Home Loan Bank of Pittsburgh	Rabobank Nederland
BMO Financial Group	Federal Home Loan Bank of San Francisco	RBS/Citizens Bank
BNP Paribas	Federal Home Loan Bank of Seattle	RBS-MIB
Branch Banking & Trust Co.	Federal Home Loan Bank of Topeka	Regions Financial Corporation
CIBC World Markets	Fifth Third Bank	Royal Bank of Canada
Citigroup	Freddie Mac	Societe Generale
Commerzbank	GE Capital	Standard Chartered Bank
Crédit Agricole CIB	Helaba Landesbank Hessen-Thuringen	SunTrust Banks
Credit Industriel et Commercial	HSBC Global Banking and Markets	TD Securities
Dexia	ING	The Bank of Nova Scotia
DnB NOR Markets, Inc.	JMP Securities	The Federal Farm Credit Banks Funding Corporation
DZ Bank	JP Morgan Chase	UniCredit
Fannie Mae	KBC Bank	U.S. Bancorp
Federal Home Loan Bank of Atlanta	KeyCorp	Wells Fargo Bank
Federal Home Loan Bank of Boston	Lloyds Banking Group	

Elements of Total Compensation Program.

Base Salary. Base salary is a key component of the Office of Finance's total CEO compensation program. In setting the base salary for the CEO, the Office of Finance Board of Directors has discretion to consider a wide range of factors, including the CEO's individual performance, the performance of the Office of Finance overall, the CEO's tenure and the amount of the CEO base salary relative to the base salaries paid to executives in similar positions in the 50th percentile of executive salaries in the Office of Finance's peer groups. The Office of Finance Board of Directors also considers the amount and relative percentage of the CEO's total compensation that is derived from base salary.

The Office of Finance Board of Directors approved, effective December 4, 2012, a 7% base salary increase for 2013, resulting in an annual base salary of $650,000.

Executive Incentive Plan. The Office of Finance's CEO 2013 Executive Incentive Plan is an annual cash-based incentive compensation plan designed to promote and reward high levels of performance for accomplishing Office of Finance Board of Directors-approved goals. The annual goals reflect desired performance focused on the Office of Finance mission. Each goal is assigned a weight reflecting its relative importance and potential effect on the Office of Finance's strategic initiatives. The CEO is eligible to receive 50% of the combined plan award as a cash payment and 50% of the award is deferred for two years.

The Office of Finance Board of Directors approved three goals consistent with the 2013 Executive Incentive Plan that are intended to reinforce the strategic plan actions and value delivered by the Office of Finance to support the mission of the FHLBanks.

- Customers (45% weight) consisted of serving the needs of the FHLBanks individually and collectively.
- Customers (20% weight) consisted of serving the needs of the FHLBanks individually and collectively by managing relationships with debt investors, improving debt demand, enhancing funding flexibility, and maintaining market confidence in FHLBank debt.
- Operations (35% weight) consisted of mitigating risk and improving results through sustained operational excellence.

The authorization for payment of awards is provided following a review of the year-end performance results by the Office of Finance Board of Directors at its first meeting subsequent to year end. The cash incentive payments are determined based on the actual performance in comparison with the performance levels established for each goal. If actual performance falls below the threshold level of performance, no payment is made for that goal. If actual performance exceeds the maximum level, only the value assigned as the performance maximum is paid. When actual performance falls between the assigned threshold, target and maximum performance levels, an interpolation is calculated for that goal. The achievement level for each goal is then multiplied by the corresponding incentive weight assigned to that goal and the results for each goal are summed to arrive at the final incentive award payable to the Office of Finance's CEO.

The CEO is assigned a combined incentive award opportunity, stated as a percentage of base salary, which corresponds to the level of organizational responsibility and ability to contribute to and influence overall Office of Finance performance. At its February 11, 2014 meeting, the Office of Finance Board of Directors authorized an Executive Incentive Plan award of $608,855 (93.7%) for John Fisk, of which 50%, $304,427, was paid in 2014 and 50% is deferred over two years. The deferred award expected to be paid in 2015 is $152,214, and the deferred award expected to be paid in 2016 is $152,214. The deferred awards will be reviewed prior to payment based on established criteria by the Office of Finance Board of Directors.

Table S-7 - 2013 Executive Incentive Plan Results
(whole dollars)

Goal	Weight	Overall Award Level	Total Award
Customers	45%	Between target and maximum	$ 255,455
Customers	20%	Close to maximum	127,400
Operations	35%	Close to maximum	226,000
Total	100%		$ 608,855

On February 11, 2014, the Office of Finance Board of Directors approved a deferred award payment to John Fisk of $422,318. The award was comprised of two components, an award of $168,611, which is the deferred component of the 2012 Executive Incentive Plan (25% deferral of the 2012 Executive Incentive Plan) and an award of $253,707, which is the deferred component of the 2011 Annual Incentive Award (40% deferral of the 2011 Annual Incentive Award). The Office of Finance Board of Directors approved the payment, which was determined as follows:

Table S-8 - 2012 Executive Incentive Plan Deferred Component
(whole dollars)

Goal	Weight	Overall Award Level	Total Award
Bank Stakeholders	25%	Between target and maximum	$ 42,153
Investor Stakeholders	25%	Between target and maximum	42,153
Risk Management	25%	Between target and maximum	42,153
People	25%	Between target and maximum	42,152
Total	100%		$ 168,611

Table S-9 - 2011 Annual Incentive Award Deferred Component
(whole dollars)

Goal	Weight	Overall Award Level	Total Award
Bank Stakeholders	33.3%	Between target and maximum	$ 84,569
Investor Stakeholders	33.3%	Between target and maximum	84,569
Risk Management and Controls	33.4%	Between target and maximum	84,569
Total	100%		$ 253,707

Retirement Benefits. The Office of Finance maintains a comprehensive retirement program for the CEO comprised of a combination of two IRS qualified plans and two non-qualified plans.

- Qualified Defined Benefit Pension Plan - The Pentegra Defined Benefit Plan is a funded tax-qualified plan that is maintained on a non-contributory basis, i.e., no employee contributions. Participants' pension benefits are 100% vested upon completion of six years of service. The pension benefits payable under the Pentegra Defined Benefit Plan are determined under a pre-established formula that provides a single life annuity payable monthly at normal retirement (age 65), or other actuarially equivalent forms of benefit payments, including an early retirement option. The benefit formula through June 30, 2011 was 2.25% for each year of benefit service multiplied by the highest three-year average compensation. As of July 1, 2011, the benefit formula was reduced to 2.0% for each year of benefit service multiplied by the highest three-year average compensation.

- Non-qualified Defined Benefit Pension Plan - The CEO is eligible to participate in the Supplemental Retirement Plan, an unfunded, non-qualified pension plan that mirrors the Pentegra Defined Benefit Plan in all material respects. In the event that benefits payable from the Pentegra Defined Benefit Plan have been reduced or otherwise limited by IRS provision, the executive's lost benefits are payable under the terms of the Supplemental Retirement Plan. Because this plan is a non-qualified plan, the benefits received from this plan do not receive the same funding protection associated with the qualified plan.

- Qualified Defined Contribution Plan - The Pentegra Defined Contribution Plan for Financial Institutions is a tax-qualified defined contribution plan to which the Office of Finance makes tenure-based matching contributions. The matching contribution begins upon completion of one year of employment and subsequently increases based on length of employment to a maximum of six percent of base salary. Under the Pentegra Defined Contribution Plan, a participant may elect to contribute up to 50% of base salary on either a before-tax, i.e., 401(k), or after-tax basis. The plan permits participants to self-direct investment elections into one or more investment funds, which may be changed daily by the participants. A participant may withdraw vested account balances while employed, subject to certain IRS and plan limitations.

- Non-qualified Defined Contribution Plan - The CEO is eligible to participate in the Supplemental Thrift Plan, an unfunded, non-qualified, contributory pension plan that mirrors the Pentegra Defined Contribution Plan in all material respects. This plan restores benefits that participants would have received absent IRS limits on contributions to the Pentegra Defined Contribution Plan. Under the Supplemental Thrift Plan, participants may elect to contribute up to 50% of base salary and up to 100% of incentive compensation on a pre-tax basis. As in the Pentegra Defined Contribution Plan, the employer match in the Supplemental Thrift Plan is tenure-based with a six percent maximum. This plan permits participants to self-direct investment elections into a choice of ten investment funds.

Perquisites. The perquisites provided by the Office of Finance represent a small fraction of the CEO's total compensation and are provided in accordance with market practices for executives in similar positions and with similar responsibilities. During 2013, the CEO was provided with an Office of Finance-owned vehicle for his business and personal use. The operating expenses associated with the vehicle were also provided. The CEO's personal use of the Office of Finance-owned vehicle, including use for the daily commute to and from work, is reported as a taxable fringe benefit.

Financial Counseling. The CEO is eligible for an annual reimbursement of personal financial counseling not to exceed $10,000. The cost of this benefit in 2013 was $1,858.

Director Compensation

In accordance with the regulations of the FHFA under the FHLBank Act, the FHLBanks have established formal policies governing the compensation and travel reimbursement provided to their directors. The goal of the policies is to compensate members of the board of directors for work performed on behalf of the FHLBanks. Under these policies, compensation consists of per-meeting fees. The meeting fees compensate directors for:

- time spent reviewing materials sent to them on a periodic basis by the FHLBanks;
- preparation for meetings;
- participation in any other activities for the FHLBanks; and
- actual time spent attending the meetings of the board or its committee.

Directors are also reimbursed for reasonable FHLBank-related travel expenses, which are not included in Table S-10 - Director Compensation for Year 2013.

An FHFA rule allows each FHLBank to pay its directors reasonable compensation and expenses, subject to the authority of the Director of the FHFA to object to, and to prohibit prospectively, compensation and/or expenses that the Director of the FHFA determines are not reasonable. (See *FHLBank Management and Compensation-FHLBank Directors* and *FHLBank Management and Compensation-FHLBanks Office of Finance Board of Directors* for biographies.) The following information has been provided for each FHLBank primarily based on the information disclosed in its annual report on SEC Form 10-K for the year ended December 31, 2013.

Table S-10 - Director Compensation for Year 2013
(whole dollars)

FHLBank	Director Name	Position	Fees Earned or Paid in Cash	All Other Compensation	Total
Boston	Jan A. Miller	Chair	$ 75,000	$ —	$ 75,000
	Jay F. Malcynsky	Vice-Chair	65,000	—	65,000
New York	Michael M. Horn	Chair	100,000	—	100,000
	Josè Ramon Gonzàlez(1)	Vice-Chair	75,552	—	75,552
Pittsburgh	Dennis S. Marlo	Chair	86,000	27	86,027
	John K. Darr	Vice-Chair	78,000	27	78,027
Atlanta	Donna C. Goodrich	Chair	70,000	—	70,000
	William C. Handorf	Vice-Chair	65,000	—	65,000
Cincinnati	Carl F. Wick	Chair	108,000	1,082	109,082
	B. Proctor Caudill, Jr.	Vice-Chair	85,000	194	85,194
Indianapolis	Paul C. Clabuesch	Chair	110,000	—	110,000
	Jeffrey A. Poxon	Vice-Chair	85,000	—	85,000
Chicago	Thomas L. Herlache	Chair	90,000	—	90,000
	Steven F. Rosenbaum	Vice-Chair	80,000	—	80,000
Des Moines	Dale E. Oberkfell	Chair	90,000	—	90,000
	Eric A. Hardmeyer	Vice-Chair	85,000	—	85,000
Dallas	James H. Clayton	Chair	77,500	—	77,500
	Mary E. Ceverha	Vice-Chair	72,500	—	72,500
Topeka	G. Bridger Cox	Chair	100,000	—	100,000
	Robert E. Caldwell, II	Vice-Chair	85,000	—	85,000
San Francisco	John F. Luikart	Chair	95,000	—	95,000
	Douglas H. (Tad) Lowrey	Vice-Chair	89,576	—	89,576
Seattle	William V. Humphreys	Chair	70,000	—	70,000
	Craig E. Dahl	Vice-Chair	65,000	—	65,000
Office of Finance(2)	H Ronald Weissman(3)	Chair	125,000	2,939	127,939

(1) Josè Ramon Gonzàlez resigned his position as Vice-Chair as of September 30, 2013, and Joseph R. Ficalora became Vice-Chair of the board of directors of the FHLBank of New York on October 1, 2013. Joseph R. Ficalora did not earn any fees in 2013, while serving as Vice-Chair of the board of directors of the FHLBank of New York.

(2) Dean Schultz, Chief Executive Officer and President of the FHLBank of San Francisco, serves as the Vice-Chair of the Office of Finance Board of Directors. Per FHFA regulation, an FHLBank president shall not receive any additional compensation or reimbursement as a result of his service as a director of the Office of Finance Board of Directors.

(3) All Other Compensation for H Ronald Weissman primarily consists of educational expenses.

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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. Please refer to *Explanatory Statement about Federal Home Loan Banks 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 December 31, 2013			
Assets			
Investments(2)	$ 12,981	$ 20,085	$ 13,876
Advances	27,517	90,765	50,247
Mortgage loans held for portfolio	3,370	1,933	3,235
Allowance for credit losses on mortgage loans	(2)	(6)	(11)
Total assets	44,638	128,333	70,671
Consolidated obligations(3)			
Discount notes	16,061	45,870	28,237
Bonds	23,466	73,276	37,698
Total consolidated obligations	39,527	119,146	65,935
Mandatorily redeemable capital stock	977	24	—
Subordinated notes(4)	—	—	—
Total capital			
Capital stock(5)	2,530	5,571	2,962
Retained earnings	789	999	686
Accumulated other comprehensive income (loss)	(482)	(85)	45
Total capital	2,837	6,485	3,693
Asset composition (as a percentage of the individual FHLBank's total assets)			
Investments(2)	29.1%	15.7%	19.6%
Advances	61.6%	70.7%	71.1%
Mortgage loans, net	7.5%	1.5%	4.6%
Total retained earnings as a percentage of FHLBank's total assets	1.8%	0.8%	1.0%
FHLBank's total assets as a percentage of FHLBank System's total assets	5.4%	15.4%	8.5%
At December 31, 2012			
Assets			
Investments(2)	$ 15,554	$ 17,459	$ 19,057
Advances	20,790	75,888	40,498
Mortgage loans held for portfolio	3,483	1,850	3,547
Allowance for credit losses on mortgage loans	(4)	(7)	(14)
Total assets	40,209	102,989	64,616
Consolidated obligations(3)			
Discount notes	8,639	29,780	24,148
Bonds	26,120	64,784	35,136
Total consolidated obligations	34,759	94,564	59,284
Mandatorily redeemable capital stock	216	23	432
Subordinated notes(4)	—	—	—
Total capital			
Capital stock(5)	3,455	4,797	2,815
Retained earnings	588	894	559
Accumulated other comprehensive income (loss)	(477)	(200)	54
Total capital	3,566	5,491	3,428
Asset composition (as a percentage of the individual FHLBank's total assets)			
Investments(2)	38.7%	17.0%	29.5%
Advances	51.7%	73.7%	62.7%
Mortgage loans, net	8.7%	1.8%	5.5%
Total retained earnings as a percentage of individual FHLBank's total assets	1.5%	0.9%	0.9%
FHLBank's total assets as a percentage of FHLBank System's total assets	5.3%	13.5%	8.5%

(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 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, and held-to-maturity securities.

(3) See *Financial Discussion and Analysis - Combined Results of Operations - Interbank Transfers of Consolidated Bonds and Their Effect on Combined Net Income*.

Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 26,944	$ 22,364	$ 10,780	$ 36,402	$ 20,131	$ 13,131	$ 8,705	$ 35,260	$ 22,546
89,588	65,270	17,337	23,489	45,650	15,979	17,425	44,395	10,935
929	6,826	6,195	7,724	6,565	91	5,956	907	799
(11)	(7)	(5)	(29)	(8)	—	(7)	(2)	(1)
122,316	103,181	37,786	68,797	73,004	30,222	33,950	85,774	35,870
32,202	38,210	7,435	31,089	38,137	5,984	10,890	24,194	14,989
80,728	58,163	26,584	31,987	30,195	21,487	20,057	53,207	17,414
112,930	96,373	34,019	63,076	68,332	27,471	30,947	77,401	32,403
24	116	17	5	9	3	5	2,071	1,748
—	—	—	944	—	—	—	—	—
4,883	4,698	1,610	1,670	2,692	1,124	1,252	3,460	923
1,657	621	752	2,028	678	656	568	2,394	287
112	(9)	22	67	87	(33)	(18)	(145)	(72)
6,652	5,310	2,384	3,765	3,457	1,747	1,802	5,709	1,138
22.0%	21.7%	28.5%	52.9%	27.6%	43.4%	25.6%	41.1%	62.9%
73.2%	63.3%	45.9%	34.1%	62.5%	52.9%	51.3%	51.8%	30.5%
0.8%	6.6%	16.4%	11.2%	9.0%	0.3%	17.5%	1.1%	2.2%
1.4%	0.6%	2.0%	2.9%	0.9%	2.2%	1.7%	2.8%	0.8%
14.7%	12.4%	4.5%	8.2%	8.8%	3.6%	4.1%	10.3%	4.3%
$ 30,454	$ 19,950	$ 16,845	$ 40,750	$ 13,433	$ 16,200	$ 10,775	$ 40,528	$ 25,039
87,503	53,944	18,130	14,530	26,614	18,395	16,573	43,750	9,135
1,255	7,548	6,011	10,474	6,968	121	5,946	1,292	1,060
(11)	(18)	(10)	(42)	(16)	—	(5)	(3)	(2)
123,705	81,562	41,228	69,584	47,367	35,755	33,819	86,421	35,418
31,737	30,840	8,924	31,260	8,675	6,984	8,669	5,209	21,417
82,947	44,346	27,408	32,569	34,345	25,698	21,974	70,310	10,497
114,684	75,186	36,332	63,829	43,020	32,682	30,643	75,519	31,914
40	211	451	6	9	5	6	4,343	1,187
—	—	—	1,000	—	—	—	—	—
4,898	4,010	1,634	1,650	2,063	1,217	1,264	4,160	1,572
1,435	538	591	1,691	622	572	482	2,247	226
(58)	(11)	(9)	107	149	(18)	(25)	(794)	(227)
6,275	4,537	2,216	3,448	2,834	1,771	1,721	5,613	1,571
24.6%	24.5%	40.9%	58.6%	28.4%	45.3%	31.9%	46.9%	70.7%
70.7%	66.1%	44.0%	20.9%	56.2%	51.4%	49.0%	50.6%	25.8%
1.0%	9.2%	14.6%	15.0%	14.7%	0.3%	17.6%	1.5%	3.0%
1.2%	0.7%	1.4%	2.4%	1.3%	1.6%	1.4%	2.6%	0.6%
16.2%	10.7%	5.4%	9.1%	6.2%	4.7%	4.4%	11.3%	4.6%

(4) The subordinated notes outstanding, issued by the FHLBank of Chicago, mature on June 13, 2016. The subordinated notes are not obligations of, and are not guaranteed by, the U.S. 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 17 - 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			
December 31, 2013			
Advance concentrations - top five borrowers	34%	62%	77%
Capital stock concentrations - top five stockholders	47%	57%	65%
Regulatory capital-to-assets ratio(6)	9.6%	5.1%	5.2%
Cash and stock dividends			
Year-to-date December 31, 2013	$ 11	$ 200	$ 21
Year-to-date December 31, 2012	$ 17	$ 213	$ 6
Year-to-date December 31, 2011	$ 11	$ 210	$ —
Weighted-average dividend rate			
Year-to-date December 31, 2013	0.38%	4.19%	0.78%
Year-to-date December 31, 2012	0.50%	4.50%	0.18%
Year-to-date December 31, 2011	0.30%	4.50%	—
Return on average equity(7)			
Year-to-date December 31, 2013	7.40%	5.22%	4.32%
Year-to-date December 31, 2012	6.03%	6.88%	3.75%
Year-to-date December 31, 2011	4.73%	4.83%	0.98%
Return on average assets			
Year-to-date December 31, 2013	0.54%	0.27%	0.24%
Year-to-date December 31, 2012	0.45%	0.35%	0.23%
Year-to-date December 31, 2011	0.30%	0.24%	0.07%
Net interest margin(8)			
Year-to-date December 31, 2013	0.65%	0.38%	0.32%
Year-to-date December 31, 2012	0.68%	0.46%	0.37%
Year-to-date December 31, 2011	0.58%	0.51%	0.30%
Net interest spread			
Year-to-date December 31, 2013	0.56%	0.35%	0.28%
Year-to-date December 31, 2012	0.58%	0.42%	0.30%
Year-to-date December 31, 2011	0.51%	0.47%	0.17%

(6) The regulatory capital ratio is calculated based on the FHLBank's total regulatory capital as a percentage of total assets held at period-end. (See *Note 17 - Capital* to the accompanying combined financial statements.)
(7) Return on average equity is net income expressed as a percentage of average total capital.
(8) Net interest margin is equal to net interest income (loss) represented as a percentage of average interest-earning assets.

Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
55%	78%	42%	56%	59%	27%	46%	62%	76%
47%	60%	35%	36%	41%	18%	32%	55%	61%
5.4%	5.3%	6.3%	5.4%	4.6%	5.9%	5.4%	9.2%	8.3%
$ 116	$ 178	$ 58	$ 6	$ 54	$ 4	$ 33	$ 161	$ —
$ 89	$ 141	$ 49	$ 5	$ 58	$ 4	$ 30	$ 47	$ —
$ 54	$ 132	$ 40	$ 2	$ 65	$ 5	$ 27	$ 22	$ —
2.51%	4.18%	3.50%	0.39%	2.61%	0.38%	2.42%	3.99%	0.75%
1.69%	4.44%	3.13%	0.25%	2.82%	0.38%	2.26%	0.97%	—
0.84%	4.25%	2.50%	0.10%	3.00%	0.38%	1.99%	0.29%	—
5.42%	5.10%	9.40%	9.69%	3.68%	5.15%	6.37%	5.36%	5.04%
4.26%	6.20%	6.89%	12.90%	3.98%	4.77%	6.23%	9.44%	4.98%
2.52%	3.89%	5.63%	7.22%	2.78%	2.73%	4.43%	3.43%	6.62%
0.28%	0.28%	0.54%	0.53%	0.20%	0.27%	0.33%	0.35%	0.17%
0.22%	0.35%	0.35%	0.54%	0.23%	0.23%	0.32%	0.48%	0.19%
0.15%	0.21%	0.26%	0.28%	0.15%	0.14%	0.21%	0.15%	0.19%
0.29%	0.35%	0.60%	0.71%	0.39%	0.45%	0.61%	0.56%	0.37%
0.31%	0.46%	0.59%	0.84%	0.49%	0.45%	0.64%	0.84%	0.34%
0.37%	0.37%	0.55%	0.69%	0.44%	0.46%	0.63%	0.74%	0.23%
0.26%	0.31%	0.51%	0.62%	0.34%	0.43%	0.57%	0.50%	0.35%
0.27%	0.40%	0.52%	0.77%	0.42%	0.41%	0.58%	0.80%	0.30%
0.32%	0.29%	0.47%	0.62%	0.36%	0.43%	0.59%	0.71%	0.20%

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