

FEDERAL HOME LOAN BANKS

Combined Financial Report for the Quarterly Period Ended March 31, 2018

This Combined Financial Report provides financial information on the Federal Home Loan Banks. The Federal Home Loan Banks issue consolidated bonds and consolidated discount notes (collectively referred to as consolidated obligations). Consolidated obligations are joint and several obligations of all Federal Home Loan Banks, which means that each individual Federal Home Loan Bank is responsible for the payment of principal and interest on all consolidated obligations. Each Federal Home Loan Bank is a separately chartered entity with its own board of directors and management. There is no centralized, system-wide management or oversight by a single board of directors of the 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, as amended, 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 consolidated obligations or determined if this report is truthful or complete.

Carefully consider the risk factors provided in this and other Combined Financial Reports of the Federal Home Loan Banks (collectively referred to as Combined Financial Reports). Neither the Combined Financial Reports nor any offering materials provided by, or on behalf of, the Federal Home Loan Banks describe all the risks of investing in consolidated obligations. Investors should consult with their financial and legal advisors about the risks of investing in consolidated obligations.

The financial information contained in this Combined Financial Report is for the quarterly period ended March 31, 2018. This Combined Financial Report should be read in conjunction with the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017, issued on March 23, 2018. Combined Financial Reports are available on the Federal Home Loan Banks Office of Finance web site at fhlb-of.com. This web site address is provided as a matter of convenience only, and its contents are not made part of or incorporated by reference into this report.

Investors should direct questions about consolidated obligations or the Combined Financial Reports to the Federal Home Loan Banks Office of Finance at (703) 467-3600.

This Combined Financial Report was issued on May 14, 2018.

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TABLE OF CONTENTS

	Page
Explanatory Statement about Federal Home Loan Banks Combined Financial Report	i
Combined Financial Statements (Unaudited)	F-1
Combined Statement of Condition	F-1
Combined Statement of Income	F-2
Combined Statement of Comprehensive Income	F-3
Combined Statement of Capital	F-4
Combined Statement of Cash Flows	F-6
Notes to Combined Financial Statements (Unaudited)	F-8
Note 1 - Summary of Significant Accounting Policies	F-8
Note 2 - Recently Issued and Adopted Accounting Guidance	F-10
Note 3 - Trading Securities	F-11
Note 4 - Available-for-Sale Securities	F-12
Note 5 - Held-to-Maturity Securities	F-14
Note 6 - Other-than-Temporary Impairment Analysis	F-17
Note 7 - Advances	F-18
Note 8 - Mortgage Loans	F-20
Note 9 - Allowance for Credit Losses	F-20
Note 10 - Derivatives and Hedging Activities	F-24
Note 11 - Deposits	F-29
Note 12 - Consolidated Obligations	F-29
Note 13 - Capital	F-31
Note 14 - Accumulated Other Comprehensive Income (Loss)	F-34
Note 15 - Fair Value	F-36
Note 16 - Commitments and Contingencies	F-43
Note 17 - Subsequent Events	F-44
Condensed Combining Schedules (Unaudited)	F-46
Selected Financial Data	1
Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations	2
Forward-Looking Information	2
Executive Summary	3
Combined Financial Condition	8
Combined Results of Operations	23
Liquidity and Capital Resources	32
Critical Accounting Estimates	35
Recent Accounting Developments	37
Legislative and Regulatory Developments	37
External Credit Ratings	38
Risk Management	38
Quantitative and Qualitative Disclosures about Market Risk	49
Controls and Procedures	51
Legal Proceedings	52
Risk Factors	53
Other Information	54
Market for Capital Stock and Related Stockholder Matters	55
Supplemental Information	S-1
Index of Tables Contained in the Combined Financial Report	Index

Consolidated obligations issued under the Federal Home Loan Banks' Global Debt Program may be listed on the Euro MTF market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange has allocated the number 2306 to the Federal Home Loan Banks' Global Debt Program for listing purposes. Under the Federal Home Loan Banks' agreement with the debt 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 (the Federal Home Loan Banks acting by and through the Office of Finance), and the issuer has agreed with the debt 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 (FHLBanks) are government-sponsored enterprises (GSEs), federally-chartered but privately capitalized and independently managed. The FHLBanks together with the Federal Home Loan Banks Office of Finance (Office of Finance) comprise the FHLBank System.

The Office of Finance is responsible for preparing the Combined Financial Reports of the 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 Reports. The Office of Finance is responsible for combining the financial information it receives from each of the FHLBanks.

The Combined Financial Reports are intended to be used by investors in consolidated obligations (consolidated bonds and consolidated discount notes) of the FHLBanks as these are joint and several obligations of all 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. Therefore, each FHLBank's business, risk profile, financial condition, and results of operations will vary from FHLBank to FHLBank.

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, which is the case in a 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 certain 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 may vary 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 their 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 as 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, quarterly financial reports, filed on SEC Form 10-Q, and current reports, filed on SEC Form 8-K. Those reports contain additional information that is not contained in this Combined Financial Report. An investor should review those reports and other available information on individual FHLBanks to obtain additional detail on each FHLBank's business, risk profile, financial condition, results of operations, and accounting and financial reporting policies. Periodic reports and other information filed by each FHLBank with the SEC are made available on its web site and on the SEC's web site at sec.gov. References to web sites and to reports and other information filed by individual FHLBanks with the SEC are provided as a matter of convenience only, and their contents are not made part of or incorporated by reference into this report.

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CONDITION
(Unaudited)

<i>(dollars in millions, except par value)</i>	March 31, 2018	December 31, 2017
Assets		
Cash and due from banks	\$ 2,690	\$ 7,175
Interest-bearing deposits	6,653	5,420
Securities purchased under agreements to resell	42,014	52,568
Federal funds sold	93,329	65,530
Investment securities		
Trading securities <i>(Note 3)</i>	11,477	7,736
Available-for-sale securities <i>(Note 4)</i>	77,387	79,560
Held-to-maturity securities, fair value of \$98,983 and \$97,282 <i>(Note 5)</i>	98,552	96,466
Total investment securities	187,416	183,762
Advances, includes \$8,325 and \$9,428 at fair value held under fair value option <i>(Note 7)</i>	697,066	731,544
Mortgage loans held for portfolio, net		
Mortgage loans held for portfolio <i>(Note 8)</i>	54,915	53,843
Allowance for credit losses on mortgage loans <i>(Note 9)</i>	(17)	(16)
Total mortgage loans held for portfolio, net	54,898	53,827
Accrued interest receivable	1,742	1,584
Premises, software, and equipment, net	289	292
Derivative assets, net <i>(Note 10)</i>	1,008	991
Other assets	755	758
Total assets	<u>\$ 1,087,860</u>	<u>\$ 1,103,451</u>
Liabilities		
Deposits <i>(Note 11)</i>	\$ 8,238	\$ 7,789
Consolidated obligations <i>(Note 12)</i>		
Discount notes, includes \$1,566 and \$3,062 at fair value held under fair value option	389,052	391,480
Bonds, includes \$12,397 and \$12,917 at fair value held under fair value option	627,837	641,601
Total consolidated obligations	1,016,889	1,033,081
Mandatorily redeemable capital stock	1,237	1,272
Accrued interest payable	1,401	1,324
Affordable Housing Program payable	1,054	1,032
Derivative liabilities, net <i>(Note 10)</i>	387	449
Other liabilities	2,016	2,024
Total liabilities	<u>1,031,222</u>	<u>1,046,971</u>
Commitments and contingencies <i>(Note 16)</i>		
Capital <i>(Note 13)</i>		
Capital stock		
Class B putable (\$100 par value) issued and outstanding shares	37,119	37,422
Class A putable (\$100 par value) issued and outstanding shares	166	235
Total capital stock	37,285	37,657
Retained earnings		
Unrestricted	14,741	14,549
Restricted	3,722	3,550
Total retained earnings	18,463	18,099
Accumulated other comprehensive income (loss) <i>(Note 14)</i>	890	724
Total capital	<u>56,638</u>	<u>56,480</u>
Total liabilities and capital	<u>\$ 1,087,860</u>	<u>\$ 1,103,451</u>

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF INCOME
(Unaudited)

<i>(dollars in millions)</i>	Three Months Ended March 31,	
	2018	2017
Interest income		
Advances	\$ 3,337	\$ 1,530
Prepayment fees on advances, net	10	9
Interest-bearing deposits	31	10
Securities purchased under agreements to resell	81	29
Federal funds sold	370	147
Investment securities		
Trading securities	49	39
Available-for-sale securities	532	429
Held-to-maturity securities	569	468
Total investment securities	1,150	936
Mortgage loans held for portfolio	463	414
Other	—	1
Total interest income	5,442	3,076
Interest expense		
Consolidated obligations		
Discount notes	1,515	626
Bonds	2,621	1,598
Total consolidated obligations	4,136	2,224
Deposits	24	11
Mandatorily redeemable capital stock	17	21
Total interest expense	4,177	2,256
Net interest income	1,265	820
Provision (reversal) for credit losses	2	—
Net interest income after provision (reversal) for credit losses	1,263	820
Non-interest income		
Other-than-temporary impairment losses		
Total other-than-temporary impairment losses	(3)	(2)
Net amount of impairment losses reclassified to/(from) accumulated other comprehensive income (loss)	1	(3)
Net other-than-temporary impairment losses	(2)	(5)
Net gains (losses) on trading securities	(61)	10
Net realized gains (losses) from sale of available-for-sale securities	—	1
Net gains (losses) on financial instruments held under fair value option	(29)	(7)
Net gains (losses) on derivatives and hedging activities	55	310
Gains on litigation settlements, net	—	139
Other, net	41	44
Total non-interest income (loss)	4	492
Non-interest expense		
Compensation and benefits	170	164
Other operating expenses	93	92
Federal Housing Finance Agency	16	17
Office of Finance	15	15
Other	18	119
Total non-interest expense	312	407
Net income before assessments	955	905
Affordable Housing Program assessments	97	93
Net income	<u>\$ 858</u>	<u>\$ 812</u>

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

<i>(dollars in millions)</i>	Three Months Ended March 31,	
	2018	2017
Net income	\$ 858	\$ 812
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	17	266
Net non-credit portion of other-than-temporary impairment gains (losses) on available-for-sale securities	—	29
Net non-credit portion of other-than-temporary impairment gains (losses) on held-to-maturity securities	17	25
Net unrealized gains (losses) relating to hedging activities	136	59
Pension and postretirement benefits	1	1
Total other comprehensive income (loss)	171	380
Comprehensive income	\$ 1,029	\$ 1,192

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CAPITAL
THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Unaudited)

<i>(dollars and shares in millions)</i>	Capital Stock - Putable			
	Class B		Class A	
	Shares	Par Value	Shares	Par Value
Balance, December 31, 2016	361	\$ 36,072	2	\$ 162
Comprehensive income (loss)	—	—	—	—
Proceeds from issuance of capital stock	67	6,704	—	—
Repurchases/redemptions of capital stock	(76)	(7,605)	(2)	(160)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(2)	(196)	—	(1)
Transfers between Class B and Class A shares	(2)	(173)	2	173
Dividends on capital stock				
Cash	—	—	—	—
Stock	—	27	—	—
Balance, March 31, 2017	<u>348</u>	<u>\$ 34,829</u>	<u>2</u>	<u>\$ 174</u>
Balance, December 31, 2017	374	\$ 37,422	2	\$ 235
Adjustment for cumulative effect of accounting change - recognition and measurement of financial instruments	—	—	—	—
Comprehensive income (loss)	—	—	—	—
Proceeds from issuance of capital stock	109	10,948	—	—
Repurchases/redemptions of capital stock	(110)	(10,982)	(2)	(237)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(1)	(99)	—	(39)
Transfers between Class B and Class A shares	(2)	(207)	2	207
Dividends on capital stock				
Cash	—	—	—	—
Stock	—	37	—	—
Balance, March 31, 2018	<u>370</u>	<u>\$ 37,119</u>	<u>2</u>	<u>\$ 166</u>

Capital Stock - Putable		Additional Capital from Merger	Retained Earnings			Accumulated Other Comprehensive Income (Loss)	Total Capital
Total			Unrestricted	Restricted	Total		
Shares	Par Value						
363	\$ 36,234	\$ 52	\$ 11,789	\$ 4,541	\$ 16,330	\$ (157)	\$ 52,459
—	—	—	544	268	812	380	1,192
67	6,704	—	—	—	—	—	6,704
(78)	(7,765)	—	—	—	—	—	(7,765)
(2)	(197)	—	—	—	—	—	(197)
—	—	—	—	—	—	—	—
—	—	(43)	(336)	—	(336)	—	(379)
—	27	—	(27)	—	(27)	—	—
350	\$ 35,003	\$ 9	\$ 11,970	\$ 4,809	\$ 16,779	\$ 223	\$ 52,014
376	\$ 37,657	\$ —	\$ 14,549	\$ 3,550	\$ 18,099	\$ 724	\$ 56,480
—	—	—	5	—	5	(5)	—
—	—	—	686	172	858	171	1,029
109	10,948	—	—	—	—	—	10,948
(112)	(11,219)	—	—	—	—	—	(11,219)
(1)	(138)	—	—	—	—	—	(138)
—	—	—	—	—	—	—	—
—	—	—	(462)	—	(462)	—	(462)
—	37	—	(37)	—	(37)	—	—
372	\$ 37,285	\$ —	\$ 14,741	\$ 3,722	\$ 18,463	\$ 890	\$ 56,638

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CASH FLOWS
(Unaudited)

<i>(dollars in millions)</i>	Three Months Ended March 31,	
	2018	2017
Operating activities		
Net income	\$ 858	\$ 812
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	93	26
Net change in derivatives and hedging activities	1,025	132
Net other-than-temporary impairment losses	2	5
Other adjustments	4	(15)
Net change in fair value adjustments on trading securities	53	(8)
Net change in fair value adjustments on financial instruments held under fair value option	29	7
Net change in		
Trading securities	9	(3)
Accrued interest receivable	(182)	(51)
Other assets	46	47
Accrued interest payable	76	212
Other liabilities	(69)	(19)
Total adjustments	1,086	333
Net cash provided by (used in) operating activities	1,944	1,145
Investing activities		
Net change in		
Interest-bearing deposits	(1,429)	80
Securities purchased under agreements to resell	10,554	12,017
Federal funds sold	(27,799)	(29,780)
Premises, software, and equipment	(13)	(23)
Trading securities		
Net decrease (increase) in short-term	(715)	(200)
Proceeds from long-term	818	1,920
Purchases of long-term	(3,904)	(309)
Available-for-sale securities		
Net decrease (increase) in short-term	400	1,150
Proceeds from long-term	2,374	2,227
Purchases of long-term	(1,369)	(2,686)
Held-to-maturity securities		
Net decrease (increase) in short-term	885	568
Proceeds from long-term	4,217	4,920
Purchases of long-term	(7,061)	(5,814)
Advances		
Repaid	3,222,752	1,866,267
Originated	(3,189,619)	(1,822,473)
Mortgage loans held for portfolio		
Principal collected	1,516	1,745
Purchases	(2,638)	(2,304)
Proceeds from sales of foreclosed assets	12	17
Other investing activities		
Net cash provided by (used in) investing activities	8,982	27,323

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CASH FLOWS (continued)
(Unaudited)

<i>(dollars in millions)</i>	Three Months Ended March 31,	
	2018	2017
Financing activities		
Net change in deposits and pass-through reserves, and other financing activities	\$ 727	\$ 496
Net proceeds (payments) on derivative contracts with financing element	36	(59)
Net proceeds from issuance of consolidated obligations		
Discount notes	1,783,715	1,326,410
Bonds	130,643	94,259
Payments for maturing and retiring consolidated obligations		
Discount notes	(1,786,211)	(1,359,278)
Bonds	(143,415)	(91,476)
Proceeds from issuance of capital stock	10,948	6,704
Payments for repurchases/redemptions of capital stock	(11,219)	(7,765)
Payments for repurchases/redemptions of mandatorily redeemable capital stock	(173)	(437)
Cash dividends paid	(462)	(379)
Net cash provided by (used in) financing activities	(15,411)	(31,525)
Net increase (decrease) in cash and due from banks	(4,485)	(3,057)
Cash and due from banks at beginning of the period	7,175	7,441
Cash and due from banks at end of the period	<u>\$ 2,690</u>	<u>\$ 4,384</u>
Supplemental disclosures		
Interest paid	\$ 4,006	\$ 2,085
Affordable Housing Program payments, net	\$ 74	\$ 66
Transfers of mortgage loans to other assets	\$ 9	\$ 11
Transfers of mortgage loans held for sale to securitized mortgage loans	\$ 143	\$ 69
Non-cash receipt of trading securities	\$ 11	\$ —
Net capital stock reclassified to/(from) mandatorily redeemable capital stock	\$ 138	\$ 197

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

NOTES TO COMBINED FINANCIAL STATEMENTS (Unaudited)

Background Information

These financial statements present the combined financial position and combined results of operations of the Federal Home Loan Banks (FHLBanks). The FHLBanks are government-sponsored enterprises (GSEs) that were organized under the Federal Home Loan Bank Act of 1932, as amended (FHLBank Act), to 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. 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) is the independent Federal regulator of the FHLBanks, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae). 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 quarterly and annual combined financial reports of the FHLBanks. As provided by the FHLBank Act and applicable regulations, consolidated obligations are backed only by the financial resources of the 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" and "MPF" are registered trademarks of the FHLBank of Chicago. In addition, some FHLBanks offer correspondent services to their member institutions, including wire transfer, security safeguarding, and settlement services.

Unless otherwise stated, dollar amounts disclosed in this Combined Financial Report represent values rounded to the nearest million. Dollar amounts rounding to less than one million are not reflected in this Combined Financial Report.

Note 1 - Summary of Significant Accounting Policies

These unaudited quarterly combined financial statements do not include all disclosures associated with annual combined financial statements, and therefore should be read in conjunction with the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017. In addition, the results of operations for interim periods are not necessarily indicative of the results to be expected for the year ending December 31, 2018.

Basis of Presentation

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

Principles of Combination. Transactions between the FHLBanks have been eliminated in accordance with combination accounting principles similar to consolidation under GAAP. The more 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 is 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 face value. Because these transfers represent inter-company transfers under combination accounting principles, an inter-company elimination is made for any gain or loss on the 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 2017 combined financial statements have been reclassified or revised to conform to the financial statement presentation for the three months ended March 31, 2018. Additionally, certain other prior period amounts have been revised and may not agree to previously issued Federal Home Loan Banks combined financial reports. These amounts were not deemed to be material.

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 on 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 15 - 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 10 - Derivatives and Hedging Activities](#) for additional information regarding these agreements.)

At March 31, 2018 and December 31, 2017, the FHLBanks had \$42,014 million and \$52,568 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 March 31, 2018 and December 31, 2017.

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, 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 on the Combined Statement of Cash Flows unless the derivative meets the criteria to be a financing derivative.

Each FHLBank utilizes one or two Derivative Clearing Organizations (Clearinghouses), for all cleared derivative transactions, LCH Ltd. and/or CME Clearing. Effective January 16, 2018, LCH Ltd. made certain amendments to its rulebook, changing the legal characterization of variation margin payments to be daily settlement payments, rather than collateral. CME Clearing made the same change to its rulebook on January 3, 2017. As a result, at both Clearinghouses, variation margin is characterized as daily settlement payments, rather than cash collateral; and initial margin continues to be considered cash collateral.

Note 2 - Recently Issued and Adopted Accounting Guidance

The following tables provide a summary of recently issued accounting standards which may have an effect on the combined financial statements. For a detailed description of recently issued and adopted accounting standards, see *Note 2 - Recently Issued and Adopted Accounting Guidance* on pages F-23 to F-26 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017.

Recently Issued Accounting Guidance, Not Yet Adopted:

Accounting Standard Update (ASU)	Effective Date	Effect on the Combined Financial Statements or Other Significant Matters
Targeted Improvements to Accounting for Hedging Activities (ASU 2017-12)	This guidance becomes effective for the FHLBanks for interim and annual periods beginning on January 1, 2019, and early adoption is permitted.	The FHLBanks do not intend to adopt this guidance early. The FHLBanks are in the process of evaluating this guidance, and its effect on the FHLBanks' combined financial condition, combined results of operations, and combined cash flows has not yet been determined.
Premium Amortization on Purchased Callable Debt Securities (ASU 2017-08)	This guidance becomes effective for the FHLBanks for interim and annual periods beginning on January 1, 2019, and early adoption is permitted.	The FHLBanks do not intend to adopt this guidance early. The FHLBanks are in the process of evaluating this guidance, and its effect on the FHLBanks' combined financial condition, combined results of operations, and combined cash flows has not yet been determined.
Measurement of Credit Losses on Financial Instruments (ASU 2016-13)	This guidance becomes effective for the FHLBanks for interim and annual periods beginning on January 1, 2020. Early application is permitted as of the interim and annual reporting periods beginning after December 15, 2018.	The FHLBanks do not intend to adopt this guidance early. While the FHLBanks are in the process of evaluating the guidance, the FHLBanks expect the adoption of this guidance may result in an increase in the allowance for credit losses, including an allowance for debt securities, given the requirement to assess losses for the entire estimated life of the financial asset. The effect on the FHLBanks' combined financial condition, combined results of operations, and combined cash flows will depend upon the composition of financial assets held by the individual FHLBanks at the adoption date, as well as the economic conditions and forecasts at that time.
Leases (ASU 2016-02)	This guidance becomes effective for the FHLBanks for the interim and annual periods beginning on January 1, 2019, and early application is permitted.	The FHLBanks do not intend to adopt this guidance early. Upon adopting this guidance, the FHLBanks expect to report higher assets and liabilities as a result of recording right-of-use assets and lease liabilities for their existing leases on their statements of condition. The FHLBanks are in the process of evaluating this guidance, but its effect on the FHLBanks' combined financial condition, combined results of operations, and combined cash flows has not yet been determined.

Recently Adopted Accounting Guidance:

Accounting Standard Update (ASU)	Effective Date	Effect on the Combined Financial Statements or Other Significant Matters
Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (ASU 2017-07)	This guidance became effective for the FHLBanks for interim and annual periods beginning on January 1, 2018, and was adopted retrospectively for the presentation of the service cost component and the other components of net benefit cost on the income statement. For the capitalization of the service cost component of net benefit cost in assets, this guidance was applied prospectively.	The adoption of this guidance resulted in a reclassification of other components of net benefit costs from "Compensation and benefits" to "Other, net" in the Combined Statements of Income. The FHLBanks will continue to report service cost component in "Compensation and benefits" in accordance with this guidance. The adoption of this guidance did not have a material effect on the FHLBanks' combined financial condition, combined results of operations, and combined cash flows.
Classification of Certain Cash Receipts and Cash Payments (ASU 2016-15)	This guidance became effective for the FHLBanks for interim and annual periods beginning on January 1, 2018, and was adopted retrospectively.	Upon adoption, interest paid as reported in the supplemental disclosures section of the Combined Statement of Cash Flows was adjusted for the three months ended March 31, 2017, to include \$181 million relating to accreted interest on zero-interest consolidated obligations. The adoption of this guidance did not have any other effect on the FHLBanks' combined financial condition, combined results of operations, and combined cash flows.
Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01)	This guidance became effective for the FHLBanks for the interim and annual periods beginning on January 1, 2018, and was adopted on a modified-retrospective basis.	Upon adoption, equity securities were reclassified from trading and available-for-sale securities to other assets. The adoption of this guidance did not have a material effect on the FHLBanks' combined financial condition, combined results of operations, and combined cash flows.
Revenue from Contracts with Customers (ASU 2014-09)	This guidance became effective for the FHLBanks for interim and annual periods beginning on January 1, 2018, and was adopted on a modified-retrospective basis.	Given that the majority of the FHLBanks' financial instruments and other contractual rights that generate revenue are covered by other U.S. GAAP, the adoption of this guidance did not have a material effect on the FHLBanks' combined financial condition, combined results of operations, and combined cash flows.

Note 3 - Trading Securities

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

Fair Value	March 31, 2018	December 31, 2017
Non-mortgage-backed securities		
Certificates of deposit	\$ 1,300	\$ 585
U.S. obligations	5,256	1,785
GSE and Tennessee Valley Authority obligations	3,073	3,463
Other	277	293
Total non-mortgage-backed securities	9,906	6,126
Mortgage-backed securities		
U.S. obligations single-family MBS	15	16
GSE single-family MBS	97	101
GSE multifamily MBS	1,459	1,493
Total mortgage-backed securities	1,571	1,610
Total	\$ 11,477	\$ 7,736

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

	Three Months Ended March 31,	
	2018	2017
Net unrealized gains (losses) on trading securities held at period-end	\$ (61)	\$ 11
Net unrealized and realized gains (losses) on trading securities sold/matured during the period	—	(1)
Net gains (losses) on trading securities	\$ (61)	\$ 10

Note 4 - Available-for-Sale Securities

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

	March 31, 2018				
	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	\$ 500	\$ —	\$ —	\$ —	\$ 500
U.S. obligations	3,539	—	31	(2)	3,568
GSE and Tennessee Valley Authority obligations	14,335	—	254	(26)	14,563
State or local housing agency obligations	1,258	—	3	(12)	1,249
Federal Family Education Loan Program ABS	3,892	—	239	(1)	4,130
Other	858	—	13	(17)	854
Total non-mortgage-backed securities	24,382	—	540	(58)	24,864
Mortgage-backed securities					
U.S. obligations single-family MBS	4,826	—	51	(4)	4,873
U.S. obligations multifamily MBS	421	—	—	(7)	414
GSE single-family MBS	8,446	—	29	(115)	8,360
GSE multifamily MBS	33,021	—	376	(20)	33,377
Private-label residential MBS	4,916	(25)	608	—	5,499
Total mortgage-backed securities	51,630	(25)	1,064	(146)	52,523
Total	\$ 76,012	\$ (25)	\$ 1,604	\$ (204)	\$ 77,387
December 31, 2017					
	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	\$ 900	\$ —	\$ —	\$ —	\$ 900
U.S. obligations	3,746	—	24	(5)	3,765
GSE and Tennessee Valley Authority obligations	14,786	—	210	(35)	14,961
State or local housing agency obligations	1,262	—	7	(7)	1,262
Federal Family Education Loan Program ABS	3,986	—	234	(6)	4,214
Other	928	—	15	(21)	922
Total non-mortgage-backed securities	25,608	—	490	(74)	26,024
Mortgage-backed securities					
U.S. obligations single-family MBS	4,978	—	36	(4)	5,010
U.S. obligations multifamily MBS	448	—	—	(5)	443
GSE single-family MBS	8,808	—	32	(69)	8,771
GSE multifamily MBS	33,208	—	384	(10)	33,582
Private-label residential MBS	5,147	(34)	617	—	5,730
Total mortgage-backed securities	52,589	(34)	1,069	(88)	53,536
Total	\$ 78,197	\$ (34)	\$ 1,559	\$ (162)	\$ 79,560

- (1) Amortized cost of AFS securities includes adjustments made to the cost basis of an investment for accretion, amortization, previous OTTI recognized in earnings, and/or fair value hedge accounting adjustments.
- (2) OTTI recognized in AOCI does not include \$598 million and \$607 million in subsequent unrealized gains (losses) in fair value of previously other-than-temporarily impaired AFS securities at March 31, 2018 and December 31, 2017, which is included in net non-credit portion of OTTI losses on AFS securities in [Note 14 - Accumulated Other Comprehensive Income \(Loss\)](#).
- (3) Gross unrealized gains and gross unrealized losses on AFS securities include \$598 million and \$607 million in subsequent unrealized gains (losses) in fair value of previously other-than-temporarily impaired AFS securities at March 31, 2018 and December 31, 2017, which is not included in net unrealized gains (losses) on AFS securities in [Note 14 - Accumulated Other Comprehensive Income \(Loss\)](#).

Table 4.2 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 4.2 - AFS Securities in a Continuous Unrealized Loss Position
(dollars in millions)

	March 31, 2018					
	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						
U.S. obligations	\$ 3	\$ —	\$ 384	\$ (2)	\$ 387	\$ (2)
GSE and Tennessee Valley Authority obligations	57	—	1,516	(26)	1,573	(26)
State or local housing agency obligations	96	(5)	681	(7)	777	(12)
Federal Family Education Loan Program ABS	—	—	635	(1)	635	(1)
Other	—	—	407	(17)	407	(17)
Total non-mortgage-backed securities	156	(5)	3,623	(53)	3,779	(58)
Mortgage-backed securities						
U.S. obligations single-family MBS	31	—	104	(4)	135	(4)
U.S. obligations multifamily MBS	—	—	414	(7)	414	(7)
GSE single-family MBS	2,364	(36)	2,689	(79)	5,053	(115)
GSE multifamily MBS	5,414	(16)	1,825	(4)	7,239	(20)
Private-label residential MBS	19	—	467	(25)	486	(25)
Total mortgage-backed securities	7,828	(52)	5,499	(119)	13,327	(171)
Total	\$ 7,984	\$ (57)	\$ 9,122	\$ (172)	\$ 17,106	\$ (229)

	December 31, 2017					
	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						
U.S. obligations	\$ 32	\$ —	\$ 1,783	\$ (5)	\$ 1,815	\$ (5)
GSE and Tennessee Valley Authority obligations	63	—	1,676	(35)	1,739	(35)
State or local housing agency obligations	45	(4)	741	(3)	786	(7)
Federal Family Education Loan Program ABS	—	—	644	(6)	644	(6)
Other	—	—	418	(21)	418	(21)
Total non-mortgage-backed securities	140	(4)	5,262	(70)	5,402	(74)
Mortgage-backed securities						
U.S. obligations single-family MBS	111	—	995	(4)	1,106	(4)
U.S. obligations multifamily MBS	64	(1)	379	(4)	443	(5)
GSE single-family MBS	2,226	(15)	2,866	(54)	5,092	(69)
GSE multifamily MBS	948	(4)	2,867	(6)	3,815	(10)
Private-label residential MBS	12	—	528	(34)	540	(34)
Total mortgage-backed securities	3,361	(20)	7,635	(102)	10,996	(122)
Total	\$ 3,501	\$ (24)	\$ 12,897	\$ (172)	\$ 16,398	\$ (196)

(1) Total unrealized losses in Table 4.2 will not agree to total gross unrealized losses in Table 4.1. Total unrealized losses in Table 4.2 includes non-credit-related OTTI recognized in AOCI.

See [Note 6 - Other-than-Temporary Impairment Analysis](#) for analysis related to OTTI and [Note 6 - Other-than-Temporary Impairment Analysis - All other AFS and HTM Investment Securities](#) for additional information on AFS securities in unrealized loss positions that are not considered to be other-than-temporarily impaired.

Table 4.3 - AFS Securities by Contractual Maturity
(dollars in millions)

Year of Maturity	March 31, 2018		December 31, 2017	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Non-mortgage-backed securities				
Due in one year or less	\$ 2,459	\$ 2,457	\$ 2,427	\$ 2,431
Due after one year through five years	5,828	5,892	6,504	6,557
Due after five years through ten years	9,577	9,710	9,854	9,947
Due after ten years	2,626	2,675	2,837	2,875
Federal Family Education Loan Program ABS(1)	3,892	4,130	3,986	4,214
Total non-mortgage-backed securities	24,382	24,864	25,608	26,024
Mortgage-backed securities(1)				
Total	\$ 76,012	\$ 77,387	\$ 78,197	\$ 79,560

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

	Three Months Ended March 31,	
	2018	2017
Proceeds from sale of AFS securities	\$ —	\$ 170
Gross gains on sale of AFS securities	\$ —	\$ 1
Gross losses on sale of AFS securities	—	—
Net realized gains/(losses) from sale of AFS securities	\$ —	\$ 1

Note 5 - Held-to-Maturity Securities

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

	March 31, 2018					
	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	\$ 325	\$ —	\$ 325	\$ —	\$ —	\$ 325
U.S. obligations	1,008	—	1,008	18	(2)	1,024
GSE and Tennessee Valley Authority obligations	5,254	—	5,254	62	(6)	5,310
State or local housing agency obligations	2,283	—	2,283	3	(52)	2,234
Total non-mortgage-backed securities	8,870	—	8,870	83	(60)	8,893
Mortgage-backed securities						
U.S. obligations single-family MBS	7,675	—	7,675	25	(71)	7,629
U.S. obligations multifamily MBS	2	—	2	—	—	2
GSE single-family MBS	34,514	—	34,514	221	(356)	34,379
GSE multifamily MBS	44,423	—	44,423	100	(137)	44,386
Private-label residential MBS	3,197	(309)	2,888	603	(14)	3,477
Manufactured housing loan ABS	51	—	51	2	—	53
Home equity loan ABS	143	(14)	129	36	(1)	164
Total mortgage-backed securities	90,005	(323)	89,682	987	(579)	90,090
Total	\$ 98,875	\$ (323)	\$ 98,552	\$ 1,070	\$ (639)	\$ 98,983

December 31, 2017

	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	\$ 675	\$ —	\$ 675	\$ —	\$ —	\$ 675
U.S. obligations	1,577	—	1,577	28	(1)	1,604
GSE and Tennessee Valley Authority obligations	5,743	—	5,743	72	(6)	5,809
State or local housing agency obligations	2,318	—	2,318	3	(69)	2,252
Total non-mortgage-backed securities	10,313	—	10,313	103	(76)	10,340
Mortgage-backed securities						
U.S. obligations single-family MBS	7,869	—	7,869	22	(32)	7,859
U.S. obligations multifamily MBS	3	—	3	—	—	3
GSE single-family MBS	33,925	—	33,925	268	(214)	33,979
GSE multifamily MBS	41,088	—	41,088	173	(64)	41,197
Private-label residential MBS	3,406	(326)	3,080	616	(15)	3,681
Manufactured housing loan ABS	54	—	54	2	—	56
Home equity loan ABS	148	(14)	134	34	(1)	167
Total mortgage-backed securities	86,493	(340)	86,153	1,115	(326)	86,942
Total	\$ 96,806	\$ (340)	\$ 96,466	\$ 1,218	\$ (402)	\$ 97,282

(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 5.2 presents the HTM securities with unrealized losses, which are aggregated by major security type and length of time that individual securities have been in a continuous unrealized loss position.

Table 5.2 - HTM Securities in a Continuous Unrealized Loss Position

(dollars in millions)

	March 31, 2018					
	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						
U.S. obligations	\$ 108	\$ —	\$ 23	\$ (2)	\$ 131	\$ (2)
GSE and Tennessee Valley Authority obligations	689	(2)	1,496	(4)	2,185	(6)
State or local housing agency obligations	162	(1)	806	(51)	968	(52)
Total non-mortgage-backed securities	959	(3)	2,325	(57)	3,284	(60)
Mortgage-backed securities						
U.S. obligations single-family MBS	2,798	(45)	1,047	(26)	3,845	(71)
GSE single-family MBS	8,309	(116)	7,425	(240)	15,734	(356)
GSE multifamily MBS	15,968	(95)	2,803	(42)	18,771	(137)
Private-label residential MBS	127	(1)	1,388	(158)	1,515	(159)
Home equity loan ABS	2	—	34	(1)	36	(1)
Total mortgage-backed securities	27,204	(257)	12,697	(467)	39,901	(724)
Total	\$ 28,163	\$ (260)	\$ 15,022	\$ (524)	\$ 43,185	\$ (784)

	December 31, 2017					
	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						
U.S. obligations	\$ 633	\$ —	\$ 23	\$ (1)	\$ 656	\$ (1)
GSE and Tennessee Valley Authority obligations	996	(1)	1,495	(5)	2,491	(6)
State or local housing agency obligations	232	—	941	(69)	1,173	(69)
Total non-mortgage-backed securities	1,861	(1)	2,459	(75)	4,320	(76)
Mortgage-backed securities						
U.S. obligations single-family MBS	2,786	(15)	1,544	(17)	4,330	(32)
GSE single-family MBS	5,795	(42)	7,794	(172)	13,589	(214)
GSE multifamily MBS	7,238	(32)	3,399	(32)	10,637	(64)
Private-label residential MBS	52	—	1,554	(169)	1,606	(169)
Home equity loan ABS	1	—	35	(1)	36	(1)
Total mortgage-backed securities	15,872	(89)	14,326	(391)	30,198	(480)
Total	\$ 17,733	\$ (90)	\$ 16,785	\$ (466)	\$ 34,518	\$ (556)

(1) Total unrealized losses in Table 5.2 will not agree to total gross unrecognized holding losses in Table 5.1. Total unrealized losses in Table 5.2 includes non-credit-related OTTI recognized in AOCI and gross unrecognized holding gains on previously other-than-temporarily impaired securities.

See [Note 6 - Other-than-Temporary Impairment Analysis](#) for analysis related to OTTI and [Note 6 - Other-than-Temporary Impairment Analysis - All other AFS and HTM Investment Securities](#) for additional information on HTM securities in unrealized loss positions that are not considered to be other-than-temporarily impaired.

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

Year of Maturity	March 31, 2018			December 31, 2017		
	Amortized Cost	Carrying Value(1)	Fair Value	Amortized Cost	Carrying Value(1)	Fair Value
Non-mortgage-backed securities						
Due in one year or less	\$ 2,850	\$ 2,850	\$ 2,847	\$ 4,332	\$ 4,332	\$ 4,329
Due after one year through five years	2,325	2,325	2,329	2,244	2,244	2,250
Due after five years through ten years	983	983	1,010	994	994	1,025
Due after ten years	2,712	2,712	2,707	2,743	2,743	2,736
Total non-mortgage-backed securities	8,870	8,870	8,893	10,313	10,313	10,340
Mortgage-backed securities(2)	90,005	89,682	90,090	86,493	86,153	86,942
Total	\$ 98,875	\$ 98,552	\$ 98,983	\$ 96,806	\$ 96,466	\$ 97,282

(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.

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

	Three Months Ended March 31,	
	2018	2017
Proceeds from sale of HTM securities	\$ 8	\$ —
Carrying value of HTM securities sold	8	—
Net realized gains (losses) from sale of HTM securities	\$ —	\$ —

Note 6 - Other-than-Temporary Impairment Analysis

Each FHLBank evaluates its individual AFS and HTM investment securities holdings in an unrealized loss position for OTTI on a quarterly basis. A description of the OTTI evaluation process is disclosed in *Note 1 - Summary of Significant Accounting Policies*, page F-16, of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017. The FHLBanks' uniform framework is disclosed in *Note 7 - Other-than-Temporary Impairment Analysis*, pages F-32 to F-34, of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017.

Certain Private-label MBS

The FHLBanks' system-wide governance committee developed a short-term housing price forecast with projected changes ranging from a decrease of 7.0% to an increase of 12.0% over the twelve-month period beginning January 1, 2018. For the vast majority of markets, the projected short-term housing price changes range from an increase of 1.0% to an increase of 6.0%. Thereafter, a unique path is projected for each geographic area based on an internally developed framework derived from historical data.

Table 6.1 presents the March 31, 2018 balance of the total HTM and AFS MBS with OTTI charges during the life of the security, which represents securities other-than-temporarily impaired prior to and at March 31, 2018, based on each individual FHLBank's impairment analyses of its investment portfolio.

Table 6.1 - Total MBS Other-than-Temporarily Impaired during the Life of the Security at March 31, 2018(1)
(dollars in millions)

	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	\$ 598	\$ 491	\$ 373	\$ 546	\$ 999	\$ 803	\$ 908
Alt-A	1,009	750	593	880	5,087	4,109	4,587
Subprime	352	181	147	271	—	—	—
Total private-label residential MBS	1,959	1,422	1,113	1,697	6,086	4,912	5,495
Home equity loan ABS(2)							
Subprime	80	59	45	78	—	—	—
Total home equity loan ABS	80	59	45	78	—	—	—
Total	\$ 2,039	\$ 1,481	\$ 1,158	\$ 1,775	\$ 6,086	\$ 4,912	\$ 5,495

- (1) Table 6.1 does not include all HTM and AFS securities that are in an unrealized loss position as of March 31, 2018. 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 6.2 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 6.2 - Rollforward of the Amounts Related to Credit Losses Recognized into Earnings
(dollars in millions)

	Three Months Ended March 31,	
	2018	2017
Balance, at beginning of period	\$ 2,749	\$ 2,983
Additions		
Additional OTTI credit losses for securities upon which an OTTI charge was previously recognized(1)	2	5
Reductions		
Increases in cash flows expected to be collected (accreted as interest income over the remaining lives of the applicable securities)	(58)	(64)
Balance, at end of period	\$ 2,693	\$ 2,924

(1) For the three months ended March 31, 2018 and 2017, 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, 2018 and 2017.

All other AFS and HTM Investment Securities

At March 31, 2018, the FHLBanks held certain other AFS and HTM securities in unrealized loss positions. These unrealized losses are due primarily to interest rate volatility and/or illiquidity. 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 investment securities to be other-than-temporarily impaired at March 31, 2018.

Note 7 - Advances

The FHLBanks offer a wide range of fixed- and variable-rate advance products with different maturities, interest rates, payment characteristics, and optionality. Fixed-rate advances generally have maturities ranging from one day to 30 years. Variable-rate advances generally have maturities ranging from less than 30 days to 20 years, where the interest rates reset periodically at a fixed spread to LIBOR or other specified indices, or consolidated obligation yields.

Table 7.1 - Advances Redemption Terms
(dollars in millions)

Contractual Maturity	March 31, 2018		December 31, 2017	
	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Overdrawn demand and overnight deposit accounts	\$ 15	2.82%	\$ 12	1.72%
Due in 1 year or less	371,263	1.86%	408,563	1.54%
Due after 1 year through 2 years	114,734	1.97%	103,903	1.70%
Due after 2 years through 3 years	77,590	2.07%	78,163	1.74%
Due after 3 years through 4 years	40,134	2.16%	53,903	1.88%
Due after 4 years through 5 years	26,645	2.19%	22,901	2.00%
Thereafter	67,281	2.17%	63,293	1.96%
Index-amortizing advances(1)	1,317	2.65%	1,376	2.66%
Total principal amount	698,979	1.96%	732,114	1.66%
Commitment fees	(1)		(1)	
Discounts on AHP advances	(29)		(27)	
Premiums	83		90	
Discounts	(51)		(55)	
Hedging adjustments	(1,833)		(557)	
Fair value option valuation adjustments	(82)		(20)	
Total	\$ 697,066		\$ 731,544	

(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).

The FHLBanks offer advances to members and housing associates 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). The FHLBanks also offer certain floating-rate and/or amortizing advances that may be contractually prepaid by the borrower on specified dates without incurring prepayment or termination fees (prepayable advances). 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.

Some advances contain embedded options allowing an FHLBank to offer puttable and convertible advances. A member either can sell an embedded option to an FHLBank or can purchase an embedded option from an FHLBank. With a puttable 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. Generally, these put options are exercised when interest rates increase relative to contractual rates.

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 or other specified index. 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.

Table 7.2 - 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(1)		Year of Contractual Maturity or Next Put or Convert Date	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Overdrawn demand and overnight deposit accounts	\$ 15	\$ 12	\$ 15	\$ 12
Due in 1 year or less	475,300	507,422	375,528	411,850
Due after 1 year through 2 years	95,354	92,767	117,275	106,053
Due after 2 years through 3 years	51,934	54,183	79,887	79,196
Due after 3 years through 4 years	29,324	34,489	40,573	54,333
Due after 4 years through 5 years	17,581	15,684	26,336	22,292
Thereafter	28,154	26,181	58,048	57,002
Index-amortizing advances	1,317	1,376	1,317	1,376
Total principal amount	<u>\$ 698,979</u>	<u>\$ 732,114</u>	<u>\$ 698,979</u>	<u>\$ 732,114</u>

(1) Also includes certain floating-rate and/or amortizing advances that may be contractually prepaid by the borrower on specified dates without incurring prepayment or termination fees.

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

Contractual Maturity	March 31, 2018	December 31, 2017
Total fixed-rate	\$ 385,492	\$ 405,060
Total variable-rate	313,487	327,054
Total principal amount	<u>\$ 698,979</u>	<u>\$ 732,114</u>

Credit Risk Exposure and Security Terms

The FHLBanks' potential credit risk from advances is concentrated in commercial banks. The FHLBanks' advances outstanding that were greater than or equal to \$1.0 billion per borrower were \$502.6 billion and \$527.8 billion at March 31, 2018 and December 31, 2017. These advances were made to 105 and 110 borrowers (members and non-members) at March 31, 2018 and December 31, 2017, which represented 71.9% and 72.1% of total advances outstanding at March 31, 2018 and December 31, 2017. (See [Note 9 - Allowance for Credit Losses](#) for information related to the FHLBanks' credit risk on advances and allowance methodology for credit losses.)

Note 8 - Mortgage Loans

Mortgage Loans Held for Portfolio

Mortgage loans held for portfolio consist of loans obtained through the MPP and MPF Program and are either conventional mortgage loans or government-guaranteed or -insured mortgage loans. Under the MPP and MPF Program, the FHLBanks purchase 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.

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

	March 31, 2018	December 31, 2017
Fixed-rate, long-term single-family mortgage loans	\$ 48,223	\$ 46,955
Fixed-rate, medium-term(1) single-family mortgage loans	5,648	5,837
Total unpaid principal balance	53,871	52,792
Premiums	1,027	1,019
Discounts	(40)	(40)
Deferred loan costs, net	(3)	(3)
Hedging adjustments	60	75
Total mortgage loans held for portfolio	\$ 54,915	\$ 53,843

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

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

	March 31, 2018	December 31, 2017
Conventional MPF/MPP mortgage loans	\$ 50,120	\$ 48,978
Government-guaranteed or -insured mortgage loans	3,751	3,814
Total unpaid principal balance	\$ 53,871	\$ 52,792

Note 9 - 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 and conventional MPP loans held for portfolio;
- term federal funds sold; and
- term securities purchased under agreements to resell.

See Note 1 - Summary of Significant Accounting Policies and Note 10 - Allowance for Credit Losses on pages F-18 to F-19 and pages F-37 to F-43 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017, for a description of allowance methodologies related to the FHLBanks' portfolio segments as well as the FHLBanks' policies for impairing financing receivables, placing them on non-accrual status, and charging them off when necessary.

Credit Products

Using a risk-based approach and taking into consideration each borrower's financial strength, the FHLBanks consider the types and level of collateral to be the primary indicator of credit quality on their credit products. At March 31, 2018 and December 31, 2017, 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 March 31, 2018 and December 31, 2017, 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 three months ended March 31, 2018 and 2017.

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 March 31, 2018 and December 31, 2017, 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 16 - 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 March 31, 2018 and December 31, 2017. Furthermore, none of these mortgage loans has 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 and Conventional MPP

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 9.1 presents a rollforward of the allowance for credit losses on mortgage loans for the three months ended March 31, 2018 and 2017.

Table 9.1 - Rollforward of Allowance for Credit Losses on Conventional MPF/MPP Mortgage Loans
(dollars in millions)

	Three Months Ended March 31,	
	2018	2017
Balance, at beginning of period	\$ 16	\$ 18
Charge-offs, net of recoveries	(1)	—
Provision (reversal) for credit losses	2	—
Balance, at end of period	<u>\$ 17</u>	<u>\$ 18</u>

Table 9.2 presents the recorded investment in mortgage loans by impairment methodology at March 31, 2018 and December 31, 2017. 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 9.2 - Allowance for Credit Losses and Recorded Investment by Impairment Methodology on Conventional MPF/MPP Mortgage Loans
(dollars in millions)

	March 31, 2018	December 31, 2017
Allowance for credit losses		
Individually evaluated for impairment	\$ 7	\$ 6
Collectively evaluated for impairment	10	10
Total allowance for credit losses	<u>\$ 17</u>	<u>\$ 16</u>
Recorded investment		
Individually evaluated for impairment	\$ 246	\$ 252
Collectively evaluated for impairment	51,089	49,936
Total recorded investment	<u>\$ 51,335</u>	<u>\$ 50,188</u>

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 9.3 presents the FHLBanks' key credit quality indicators for mortgage loans at March 31, 2018 and December 31, 2017.

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

	March 31, 2018		
	Conventional MPF/MPP	Government-Guaranteed or -Insured(1)	Total
Past due 30-59 days	\$ 379	\$ 152	\$ 531
Past due 60-89 days	80	45	125
Past due 90 days or more	188	64	252
Total past due mortgage loans	647	261	908
Total current mortgage loans	50,688	3,570	54,258
Total mortgage loans(2)	\$ 51,335	\$ 3,831	\$ 55,166
Other delinquency statistics			
In process of foreclosure, included above(3)	\$ 84	\$ 22	\$ 106
Serious delinquency rate(4)	0.38%	1.67%	0.47%
Past due 90 days or more and still accruing interest	\$ 41	\$ 64	\$ 105
Loans on non-accrual status	\$ 178	\$ —	\$ 178
	December 31, 2017		
	Conventional MPF/MPP	Government-Guaranteed or -Insured(1)	Total
Past due 30-59 days	\$ 384	\$ 159	\$ 543
Past due 60-89 days	91	47	138
Past due 90 days or more	202	68	270
Total past due mortgage loans	677	274	951
Total current mortgage loans	49,511	3,625	53,136
Total mortgage loans(2)	\$ 50,188	\$ 3,899	\$ 54,087
Other delinquency statistics			
In process of foreclosure, included above(3)	\$ 89	\$ 20	\$ 109
Serious delinquency rate(4)	0.41%	1.74%	0.51%
Past due 90 days or more and still accruing interest	\$ 40	\$ 68	\$ 108
Loans on non-accrual status	\$ 193	\$ —	\$ 193

- (1) No FHLBank recorded any allowance for credit losses on government-guaranteed or -insured mortgage loans at March 31, 2018 and December 31, 2017.
- (2) The difference between the recorded investment and the carrying value of total mortgage loans of \$251 million and \$244 million at March 31, 2018 and December 31, 2017, relates primarily to accrued interest. (See [Note 8 - Mortgage Loans](#) for details on the carrying values of total mortgage loans.)
- (3) 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.
- (4) 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).

Individually Evaluated Impaired Loans. Certain conventional mortgage loans, primarily impaired mortgage loans that are considered collateral-dependent, may be specifically identified for the purpose of calculating the allowance for credit losses. The estimated credit losses on impaired collateral-dependent loans may be separately determined because sufficient information exists to make reasonable estimates of the inherent losses on these loans on an individual loan basis. An FHLBank may estimate the fair value of this collateral by applying an appropriate loss severity rate or using third party estimates or property valuation model(s).

Table 9.4 presents the recorded investment, unpaid principal balance, and related allowance of impaired conventional MPF/MPP mortgage loans individually assessed for impairment at March 31, 2018 and December 31, 2017.

Table 9.4 - Individually Evaluated Impaired Conventional MPF/MPP Mortgage Loans
(dollars in millions)

	March 31, 2018			December 31, 2017		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance	\$ 218	\$ 221	\$ —	\$ 223	\$ 226	\$ —
With an allowance	27	27	7	28	28	6
Total	\$ 245	\$ 248	\$ 7	\$ 251	\$ 254	\$ 6

Table 9.5 presents the average recorded investment and related interest income recognized on impaired loans during the three months ended March 31, 2018 and 2017.

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

	Three Months Ended March 31,			
	2018		2017	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance	\$ 220	\$ 1	\$ 267	\$ 1
With an allowance	28	—	31	—
Total	\$ 248	\$ 1	\$ 298	\$ 1

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 recoverable performance-based credit enhancement fees (for certain MPF loans), and Lender Risk Account (for MPP loans). The amount of credit enhancements estimated to protect an FHLBank against credit losses, within an FHLBank's risk tolerance, is determined through the use of a validated 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. (See *Note 10 - Allowance for Credit Losses* on pages F-37 to F-43 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017, for additional information on credit enhancements for the Mortgage Partnership Finance Program and Mortgage Purchase Program.)

At March 31, 2018 and December 31, 2017, the amounts of First Loss Account remaining to cover the losses under the MPF program were \$420 million and \$415 million. These balances exclude amounts that may be recovered through the recapture of performance-based credit enhancement fees. The First Loss Account represents the first layer or portion of credit losses that each MPF FHLBank absorbs with respect to its MPF loans after considering the borrower's equity, primary mortgage insurance, and recoverable credit enhancement fees. An FHLBank records credit enhancement fees paid to the participating financial institutions as a reduction to mortgage interest income.

At March 31, 2018 and December 31, 2017, the amounts of Lender Risk Account remaining to cover future potential losses under the MPP were \$356 million and \$352 million. The Lender Risk Account is a lender-specific account 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, in an amount sufficient to cover expected losses on the pool of mortgages.

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 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 certain cases where 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. (See *Note 10 - Allowance for Credit Losses* on pages F-42 to F-43 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017, for additional information on trouble debt restructurings.)

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

Term federal funds sold and term securities purchased under agreements to resell are generally short-term, their recorded balance approximates fair value, and they are generally transacted with counterparties that are considered by an individual FHLBank to be of investment quality. FHLBank investments in term federal funds are evaluated for purposes of a reserve for credit losses only if the investment is not paid when due. All investments in term federal funds sold are unsecured and were repaid or expected to be repaid according to the contractual terms as of March 31, 2018 and December 31, 2017. Term securities purchased under agreements to resell are considered collateralized financing arrangements and effectively represent short-term loans. 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 term securities purchased under agreements to resell at March 31, 2018 and December 31, 2017.

Note 10 - Derivatives and Hedging Activities

Nature of Business Activity

The FHLBanks are exposed to interest-rate risk primarily from the effect of interest rate changes on their interest-earning assets and their interest-bearing liabilities 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 interest-bearing liabilities. (See *Note 11 - Derivatives and Hedging Activities* on pages F-43 to F-51 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017, for a description of the application of derivatives and the types of derivatives and hedged items.)

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 (uncleared 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 executing counterparty is replaced with the Clearinghouse. FHLBanks are not derivative dealers and do not trade derivatives for short-term profit.

Financial Statement Effect and Additional Financial Information

Derivative Notional Amounts. The notional amount of derivatives serves as a factor in determining periodic interest payments or cash flows received and paid. However, the notional amount of derivatives 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 10.1 presents the notional amount, fair value of derivative instruments, and total derivative assets and liabilities. Total derivative assets and liabilities include 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 10.1 - Fair Value of Derivative Instruments
(dollars in millions)

	March 31, 2018			December 31, 2017(1)		
	Notional Amount of Derivatives	Derivative Assets	Derivative Liabilities	Notional Amount of Derivatives	Derivative Assets	Derivative Liabilities
Derivatives designated as hedging instruments						
Interest-rate swaps	\$ 351,688	\$ 985	\$ 1,712	\$ 342,989	\$ 1,605	\$ 1,915
Interest-rate swaptions	2	—	—	2	—	—
Total derivatives designated as hedging instruments	351,690	985	1,712	342,991	1,605	1,915
Derivatives not designated as hedging instruments						
Interest-rate swaps	145,111	385	371	158,613	362	332
Interest-rate swaptions	2,495	26	—	2,631	29	—
Interest-rate caps or floors	25,534	16	5	27,961	9	2
Interest-rate futures or forwards	454	—	2	391	—	—
Mortgage delivery commitments	1,473	3	1	1,206	2	1
Other	537	1	9	546	6	6
Total derivatives not designated as hedging instruments	175,604	431	388	191,348	408	341
Total derivatives before netting and collateral adjustments	\$ 527,294	1,416	2,100	\$ 534,339	2,013	2,256
Netting adjustments and cash collateral(2)		(408)	(1,713)		(1,022)	(1,807)
Total derivative assets and total derivative liabilities		\$ 1,008	\$ 387		\$ 991	\$ 449

- (1) To conform with current presentation, \$401 million of variation margin on cleared derivatives has been allocated to the individual derivative instruments as of December 31, 2017. Previously, this amount was included with Netting adjustments and cash collateral.
- (2) 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. Cash collateral posted and related accrued interest was \$1,760 million and \$1,465 million at March 31, 2018 and December 31, 2017. Cash collateral received and related accrued interest was \$455 million and \$680 million at March 31, 2018 and December 31, 2017.

Table 10.2 presents the components of net gains (losses) on derivatives and hedging activities as presented on the Combined Statement of Income.

Table 10.2 - Net Gains (Losses) on Derivatives and Hedging Activities
(dollars in millions)

	Three Months Ended March 31,	
	2018	2017
Derivatives designated as hedging instruments		
Total net gains related to fair value hedge ineffectiveness(1)	\$ 45	\$ 315
Total net gains related to cash flow hedge ineffectiveness	1	1
Derivatives not designated as hedging instruments		
Economic hedges		
Interest-rate swaps	21	22
Interest-rate swaptions	1	(8)
Interest-rate caps or floors	4	(19)
Interest-rate futures or forwards	7	(2)
Net interest settlements	(15)	(12)
Other	4	—
Mortgage delivery commitments	(9)	9
Intermediary interest-rate swap transactions	—	3
Total net gains (losses) related to derivatives not designated as hedging instruments	13	(7)
Other(2)	(4)	1
Net gains (losses) on derivatives and hedging activities	\$ 55	\$ 310

- (1) Consists of interest-rate swaps.
- (2) Consists of price alignment amount on cleared derivatives for which variation margin is characterized as a daily settled contract.

Table 10.3 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 10.3 - Effect of Fair Value Hedge-Related Derivative Instruments
(dollars in millions)

Hedged Item Type	Three Months Ended March 31, 2018			
	Gains (Losses) on Derivatives	Gains (Losses) on Hedged Items	Net Fair Value Hedge Ineffectiveness	Net Effect of Derivatives on Net Interest Income(1)
Advances	\$ 1,290	\$ (1,271)	\$ 19	\$ (21)
Consolidated bonds	(911)	920	9	(36)
Available-for-sale securities	790	(773)	17	(68)
Total	\$ 1,169	\$ (1,124)	\$ 45	\$ (125)

Hedged Item Type	Three Months Ended March 31, 2017			
	Gains (Losses) on Derivatives	Gains (Losses) on Hedged Items	Net Fair Value Hedge Ineffectiveness	Net Effect of Derivatives on Net Interest Income(1)
Advances	\$ 667	\$ (347)	\$ 320	\$ (252)
Consolidated bonds	(136)	129	(7)	123
Consolidated discount notes	3	(3)	—	(3)
Available-for-sale securities	130	(128)	2	(135)
Total	\$ 664	\$ (349)	\$ 315	\$ (267)

(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 \$(1) million and \$(295) million of amortization/accretion related to fair value hedging activities for the three months ended March 31, 2018 and 2017.

Table 10.4 presents by type of hedged item in cash flow hedging relationships, the gains (losses) recognized in OCI, 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 on the Combined Statement of Income. (See [Note 14 - Accumulated Other Comprehensive Income \(Loss\)](#) for more details on the effect of cash flow hedges on AOCI.)

Table 10.4 - Effect of Cash Flow Hedge-Related Derivative Instruments
(dollars in millions)

Derivatives and Hedged Items in Cash Flow Hedging Relationships(1)	Three Months Ended March 31, 2018			
	Amount of Gains (Losses) Recognized in OCI 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 (Losses) Recognized in Net Gains (Losses) on Derivatives and Hedging Activities (Ineffective Portion)
Interest-rate swaps				
Consolidated bonds	\$ 9	Interest expense	\$ (2)	\$ —
Consolidated discount notes	126	Interest expense	(1)	1
Interest-rate caps or floors				
Advances	—	Interest income	1	—
Total	\$ 135		\$ (2)	\$ 1

Derivatives and Hedged Items in Cash Flow Hedging Relationships(1)	Three Months Ended March 31, 2017			
	Amount of Gains (Losses) Recognized in OCI 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 (Losses) Recognized in Net Gains (Losses) on Derivatives and Hedging Activities (Ineffective Portion)
Interest-rate swaps				
Consolidated bonds	\$ (1)	Interest expense	\$ (6)	\$ —
Consolidated discount notes	57	Interest expense	(1)	1
Interest-rate caps or floors				
Advances	—	Interest income	3	—
Total	\$ 56		\$ (4)	\$ 1

(1) Table 10.4 does not include \$(41) million and \$(54) million for the effect of net interest settlements on net interest income attributable to open cash flow hedges for the three months ended March 31, 2018 and 2017.

For the three months ended March 31, 2018 and 2017, 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 March 31, 2018, less than one million of deferred net losses on derivative instruments in AOCI is expected to be reclassified to earnings during the next twelve months. At March 31, 2018, the maximum length of time over which an FHLBank is hedging its exposure to the variability in future cash flows for forecasted transactions is fourteen years, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments.

Managing Credit Risk on Derivatives

Each FHLBank is subject to credit risk due to the risk of non-performance 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.

Uncleared Derivatives. For uncleared 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 on its uncleared 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.

Certain of the FHLBanks' uncleared 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 uncleared derivative instruments in net liability positions, unless the collateral delivery threshold is set to zero. The aggregate fair value of all uncleared derivative instruments with credit-risk-related contingent features that require an FHLBank to deliver additional collateral due to a credit downgrade and were in a net liability position (before cash collateral and related accrued interest) at March 31, 2018, was \$694 million, for which the FHLBanks have posted collateral with a fair value of \$642 million 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 \$25 million of collateral at fair value to their uncleared derivatives counterparties at March 31, 2018.

Cleared Derivatives. For cleared derivatives, a Derivative Clearing Organization (Clearinghouse) is an FHLBank's counterparty. The Clearinghouse notifies the clearing agent of the required initial and variation margin and the clearing agent in turn notifies the FHLBank. Each FHLBank utilizes one or two Clearinghouses for all cleared derivative transactions, LCH Ltd. and/or CME Clearing. Effective January 16, 2018, LCH Ltd. made certain amendments to its rulebook, changing the legal characterization of variation margin payments to be daily settlement payments, rather than collateral. CME Clearing made the same change to its rulebook on January 3, 2017. As a result, at both Clearinghouses, variation margin is characterized as daily settlement payments, rather than cash collateral. At both Clearinghouses, initial margin continues to be considered cash collateral. 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/payments for changes in the fair value of cleared derivatives is posted daily through a clearing agent.

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, based on credit considerations, at March 31, 2018.

Offsetting of Derivative Assets and Derivative Liabilities

An FHLBank presents derivative instruments, related cash collateral 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.

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.

Table 10.5 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 10.5 - Offsetting of Derivative Assets and Derivative Liabilities
(dollars in millions)

March 31, 2018									
	Derivative Instruments Meeting Netting Requirements			Derivative Instruments Not Meeting Netting Requirements(1)	Total Derivative Assets and Total Derivative Liabilities	Non-cash Collateral Received or Pledged Not Offset			Net Amount(2)
	Amount Recognized	Gross Amounts of Netting Adjustments and Cash Collateral				Can Be Sold or Repledged	Cannot Be Sold or Repledged		
Derivative Assets									
Uncleared	\$ 1,101	\$ (954)	\$ 3	\$ 150	\$ 3	\$ 107	\$	\$	\$ 40
Cleared	312	546	—	858	—	—			858
Total				\$ 1,008					\$ 898
Derivative Liabilities									
Uncleared	\$ 1,744	\$ (1,383)	\$ 2	\$ 363	\$ 11	\$ 238	\$	\$	\$ 114
Cleared	354	(330)	—	24	2	10			12
Total				\$ 387					\$ 126
December 31, 2017(3)									
	Derivative Instruments Meeting Netting Requirements			Derivative Instruments Not Meeting Netting Requirements(1)	Total Derivative Assets and Total Derivative Liabilities	Non-cash Collateral Received or Pledged Not Offset			Net Amount(2)
	Amount Recognized	Gross Amounts of Netting Adjustments and Cash Collateral				Can Be Sold or Repledged	Cannot Be Sold or Repledged		
Derivative Assets									
Uncleared	\$ 782	\$ (646)	\$ 2	\$ 138	\$ —	\$ 110	\$	\$	\$ 28
Cleared	1,229	(376)	—	853	—	—			853
Total				\$ 991					\$ 881
Derivative Liabilities									
Uncleared	\$ 1,492	\$ (1,078)	\$ 1	\$ 415	\$ 8	\$ 281	\$	\$	\$ 126
Cleared	763	(729)	—	34	14	6			14
Total				\$ 449					\$ 140

(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 March 31, 2018 and December 31, 2017, the FHLBanks had additional net credit exposure of \$1,056 million and \$1,034 million due to instances where an FHLBank's non-cash collateral to a counterparty exceeded the FHLBank's net derivative position.

(3) To conform with current presentation, \$401 million of variation margin on cleared derivatives has been allocated to the individual derivative instruments within the Amount Recognized as of December 31, 2017. Previously, this amount was included with Gross Amount of Netting Adjustments and Cash Collateral.

Note 11 - 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 funds as other deposits.

Table 11.1 - Deposits
(dollars in millions)

	March 31, 2018	December 31, 2017
Interest-bearing		
Demand and overnight	\$ 7,533	\$ 6,960
Term	338	481
Other	11	11
Total interest-bearing	7,882	7,452
Non-interest-bearing		
Demand and overnight	143	136
Other	213	201
Total non-interest-bearing	356	337
Total deposits	\$ 8,238	\$ 7,789

Note 12 - Consolidated Obligations

Consolidated obligations consist of consolidated bonds and consolidated discount notes, which are joint and several obligations of all FHLBanks. 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 Secretary of the Treasury oversee the issuance of FHLBank debt through the Office of Finance. Consolidated bonds may be issued to raise short-, intermediate-, or 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 below their face value and are redeemed at face value when they mature.

Table 12.1 - Consolidated Discount Notes Outstanding
(dollars in millions)

	Book Value	Principal Amount	Weighted-Average Interest Rate(1)
March 31, 2018	\$ 389,052	\$ 389,799	1.58%
December 31, 2017	\$ 391,480	\$ 392,049	1.22%

(1) Represents yield to maturity excluding concession fees.

Table 12.2 - Consolidated Bonds Outstanding by Contractual Maturity
(dollars in millions)

Year of Contractual Maturity	March 31, 2018		December 31, 2017	
	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Due in 1 year or less	\$ 383,279	1.61%	\$ 391,541	1.32%
Due after 1 year through 2 years	110,854	1.73%	119,384	1.44%
Due after 2 years through 3 years	39,490	1.90%	34,949	1.91%
Due after 3 years through 4 years	29,813	1.90%	31,927	1.84%
Due after 4 years through 5 years	24,358	2.26%	22,572	2.20%
Thereafter	41,521	2.84%	41,711	2.80%
Index-amortizing notes	6	4.75%	18	5.39%
Total principal amount	629,321	1.77%	642,102	1.53%
Net premiums	315		346	
Hedging adjustments	(1,701)		(784)	
Fair value option valuation adjustments	(98)		(63)	
Total	\$ 627,837		\$ 641,601	

Consolidated bonds outstanding were issued with either fixed-rate coupon payment terms or variable-rate coupon payment terms that are indexed primarily to LIBOR. 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 bonds are issued, an FHLBank may enter into derivatives containing features that offset the terms and embedded options, if any, of the consolidated bond obligations.

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

Principal Amount of Consolidated Bonds	March 31, 2018	December 31, 2017
Non-callable/non-putable	\$ 544,932	\$ 563,990
Callable	84,389	78,112
Total principal amount	\$ 629,321	\$ 642,102

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

Year of Contractual Maturity or Next Call Date	March 31, 2018	December 31, 2017
Due in 1 year or less	\$ 457,530	\$ 459,695
Due after 1 year through 2 years	105,334	113,678
Due after 2 years through 3 years	24,834	25,258
Due after 3 years through 4 years	16,841	18,537
Due after 4 years through 5 years	9,563	9,052
Thereafter	15,213	15,864
Index-amortizing notes	6	18
Total principal amount	\$ 629,321	\$ 642,102

Note 13 - Capital

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 must 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 must 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 are required based on FHFA rules and regulation. At March 31, 2018, each FHLBank was in compliance with FHFA regulatory capital requirements.

Table 13.1 - Risk-Based Capital Requirements at March 31, 2018
(dollars in millions)

FHLBank	Risk-Based Capital	
	Minimum Requirement	Actual
Boston	\$ 715	\$ 3,696
New York	862	7,905
Pittsburgh	1,322	4,713
Atlanta	1,619	6,803
Cincinnati	949	5,513
Indianapolis	914	3,038
Chicago	1,131	5,248
Des Moines	1,172	7,632
Dallas	976	3,324
Topeka	487	2,290
San Francisco	2,045	6,650

Table 13.2 - Regulatory Capital Requirements at March 31, 2018
(dollars in millions)

FHLBank	Regulatory Capital Ratio		Regulatory Capital	
	Minimum Requirement	Actual	Minimum Requirement	Actual
Boston	4.0%	6.1%	\$ 2,438	\$ 3,696
New York	4.0%	5.2%	6,075	7,905
Pittsburgh	4.0%	5.0%	3,735	4,713
Atlanta	4.0%	4.8%	5,618	6,803
Cincinnati	4.0%	4.9%	4,468	5,513
Indianapolis	4.0%	4.9%	2,456	3,038
Chicago	4.0%	5.7%	3,656	5,248
Des Moines	4.0%	5.1%	5,974	7,632
Dallas	4.0%	5.1%	2,604	3,324
Topeka	4.0%	4.6%	2,126	2,458
San Francisco	4.0%	6.1%	4,369	6,650

Table 13.3 - Leverage Capital Requirements at March 31, 2018
(dollars in millions)

FHLBank	Leverage Capital Ratio		Leverage Capital	
	Minimum Requirement	Actual	Minimum Requirement	Actual
Boston	5.0%	9.1%	\$ 3,048	\$ 5,543
New York	5.0%	7.8%	7,594	11,858
Pittsburgh	5.0%	7.6%	4,668	7,070
Atlanta	5.0%	7.3%	7,023	10,204
Cincinnati	5.0%	7.4%	5,585	8,270
Indianapolis	5.0%	7.4%	3,070	4,558
Chicago	5.0%	8.6%	4,570	7,873
Des Moines	5.0%	7.7%	7,467	11,448
Dallas	5.0%	7.7%	3,255	4,986
Topeka	5.0%	6.8%	2,657	3,603
San Francisco	5.0%	9.1%	5,461	9,975

Each FHLBank is a cooperative whose member financial institutions own most of the FHLBank's capital stock. Former members (including certain non-members that own FHLBank capital stock as a result of merger or acquisition, relocation, charter termination, voluntary 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. 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. 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. 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.

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 (Framework) assesses the level and adequacy of retained earnings and establishes amounts to be retained in restricted retained earnings, which are not made available in the current dividend period, and maintains an amount of total retained earnings at least equal to its required retained earnings as described in the Framework. Prior to July 2017, the FHLBank of San Francisco's Framework had three categories of restricted retained earnings: Valuation Adjustments, Other Restricted Retained Earnings (which represented a targeted amount), and the Capital Agreement. Under the Framework, the FHLBank of San Francisco's required amount of restricted retained earnings is determined using its retained earnings methodology. As determined using the FHLBank of San Francisco's methodology, from July 2015 to January 2017, its restricted retained earnings requirement was \$2,000 million, and from January 2017 to July 2017, its restricted retained earnings requirement was \$2,300 million.

In July 2017, the FHLBank of San Francisco's board of directors approved the transfer of all amounts classified as restricted retained earnings, other than the amounts related to the Capital Agreement, to unrestricted retained earnings. As a conforming change related to the transfer, the FHLBank of San Francisco's board of directors amended the Framework to eliminate two of the categories of restricted retained earnings (Valuation Adjustments and Other Restricted Retained Earnings) and approved revisions to its retained earnings methodology to provide for a required level of all retained earnings of \$2,300 million for loss protection, capital compliance, and business growth. In January 2018, the FHLBank of San Francisco's retained earnings methodology was further revised to provide a required level of total retained earnings of \$2,500 million. The FHLBank of San Francisco satisfies its retained earnings requirement with both restricted retained earnings (i.e., amounts related to the Capital Agreement) and unrestricted retained earnings.

Table 13.4 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 Framework.

Table 13.4 - 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, 2016	\$ 11,789	\$ 2,873	\$ 1,668	\$ 4,541	\$ 16,330
Net income	544	166	102	268	812
Dividends on capital stock					
Cash	(336)	—	—	—	(336)
Stock	(27)	—	—	—	(27)
Balance, March 31, 2017	\$ 11,970	\$ 3,039	\$ 1,770	\$ 4,809	\$ 16,779
Balance, December 31, 2017	\$ 14,549	\$ 3,550	\$ —	\$ 3,550	\$ 18,099
Adjustment for cumulative effect of accounting change - recognition and measurement of financial instruments	5	—	—	—	5
Net income	686	172	—	172	858
Dividends on capital stock					
Cash	(462)	—	—	—	(462)
Stock	(37)	—	—	—	(37)
Balance, March 31, 2018	\$ 14,741	\$ 3,722	\$ —	\$ 3,722	\$ 18,463

(1) Represents retained earnings restricted by the FHLBank of San Francisco's Framework, which were eliminated in July 2017.

Mandatorily Redeemable Capital Stock

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 on the Combined Statement of Income. For the three months ended March 31, 2018 and 2017, dividends on mandatorily redeemable capital stock of \$17 million and \$21 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 13.5 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 on the Combined Statement of Condition.

Table 13.5 - Mandatorily Redeemable Capital Stock Rollforward
(dollars in millions)

	Three Months Ended March 31,	
	2018	2017
Balance, beginning of period	\$ 1,272	\$ 1,704
Net capital stock subject to mandatory redemption reclassified (to)/from capital	138	197
Redemption/repurchase of mandatorily redeemable capital stock	(173)	(437)
Other(1)	—	(2)
Balance, end of period	\$ 1,237	\$ 1,462

(1) Represents rounding adjustments.

Table 13.6 presents the amount of mandatorily redeemable capital stock 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, at its sole discretion, subject to the statutory and regulatory restrictions on excess capital stock redemption.

Table 13.6 - Mandatorily Redeemable Capital Stock by Contractual Year of Redemption
(dollars in millions)

	March 31, 2018	December 31, 2017
Year 1	\$ 13	\$ 14
Year 2	33	34
Year 3	313	312
Year 4	27	21
Year 5	21	43
Thereafter(1)	773	791
Past contractual redemption date due to remaining activity(2)	57	57
Total	<u>\$ 1,237</u>	<u>\$ 1,272</u>

- (1) Represents mandatorily redeemable capital stock resulting from an FHFA rule effective February 19, 2016, that made captive insurance companies ineligible for FHLBank membership. Captive insurance company members that were admitted as FHLBank members prior to September 12, 2014, will have their memberships terminated no later than February 19, 2021. Captive insurance company members that were admitted as FHLBank members on or after September 12, 2014, had their memberships terminated no later than February 19, 2017. The related mandatorily redeemable capital stock is not required to be redeemed until five years after the member's termination.
- (2) 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.

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 stock ownership 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 March 31, 2018, the FHLBank of Cincinnati had excess capital stock outstanding totaling more than one percent of its total assets.

Capital Classification Determination

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 was classified by the FHFA as adequately capitalized as of the date of the FHFA's most recent notification to each FHLBank.

Note 14 - Accumulated Other Comprehensive Income (Loss)

Table 14.1 presents a summary of changes in accumulated other comprehensive income (loss) for the three months ended March 31, 2018 and 2017.

Table 14.1 - Accumulated Other Comprehensive Income (Loss)
(dollars in millions)

	Net Unrealized Gains (Losses) on AFS Securities (Note 4)	Net Non-Credit Portion of OTTI Gains (Losses) on AFS Securities (Notes 4 and 6)	Net Non-Credit Portion of OTTI Gains (Losses) on HTM Securities (Notes 5 and 6)	Net Unrealized Gains (Losses) Relating to Hedging Activities (Note 10)	Pension and Postretirement Benefits	Total Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2016	\$ 407	\$ 355	\$ (432)	\$ (386)	\$ (101)	\$ (157)
Other comprehensive income before reclassifications						
Unrealized gains (losses)	267	11	—	56	—	334
Change in fair value of other-than-temporarily impaired securities	—	15	—	—	—	15
Accretion of non-credit loss	—	—	25	—	—	25
Reclassifications from accumulated other comprehensive income (loss) to net income						
Reclassification of realized net (gains) losses included in net income	(1)	—	—	—	—	(1)
Non-credit OTTI to credit OTTI	—	3	—	—	—	3
Amortization on hedging activities (1)	—	—	—	3	—	3
Amortization - pension and postretirement	—	—	—	—	1	1
Net current period other comprehensive income (loss)	266	29	25	59	1	380
Balance, March 31, 2017	<u>\$ 673</u>	<u>\$ 384</u>	<u>\$ (407)</u>	<u>\$ (327)</u>	<u>\$ (100)</u>	<u>\$ 223</u>
Balance, December 31, 2017	\$ 790	\$ 573	\$ (340)	\$ (186)	\$ (113)	\$ 724
Other comprehensive income before reclassifications						
Unrealized gains (losses)	17	(9)	—	135	—	143
Non-credit OTTI losses	—	(2)	—	—	—	(2)
Change in fair value of other-than-temporarily impaired securities	—	10	—	—	—	10
Accretion of non-credit loss	—	—	17	—	—	17
Reclassifications from accumulated other comprehensive income (loss) to net income						
Non-credit OTTI to credit OTTI	—	1	—	—	—	1
Amortization on hedging activities (1)	—	—	—	1	—	1
Amortization - pension and postretirement	—	—	—	—	1	1
Net current period other comprehensive income (loss)	17	—	17	136	1	171
Adjustment for cumulative effect of accounting change - recognition and measurement of financial instruments	(5)	—	—	—	—	(5)
Balance, March 31, 2018	<u>\$ 802</u>	<u>\$ 573</u>	<u>\$ (323)</u>	<u>\$ (50)</u>	<u>\$ (112)</u>	<u>\$ 890</u>

(1) Amortization on hedging activities consists of amortization to:	March 31,	
	2018	2017
Interest income - Advances	\$ 1	\$ 3
Interest expense - Consolidated bonds	(2)	(6)
Interest expense - Consolidated discount notes	(1)	(1)
Net gains (losses) on derivatives and hedging activities	1	1
Total amortization on hedging activities	<u>\$ (1)</u>	<u>\$ (3)</u>

Note 15 - 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. 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). 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 March 31, 2018 and December 31, 2017. Additionally, 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.

Fair Value Hierarchy

GAAP establishes a fair value hierarchy and requires an entity to maximize the use of significant observable inputs and minimize the use of significant 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 FHLBanks had no other transfers of assets or liabilities recorded at fair value on a recurring basis during the three months ended March 31, 2018 and 2017.

Table 15.1 presents the carrying value, fair value, and fair value hierarchy of financial assets and liabilities of the FHLBanks at March 31, 2018 and December 31, 2017. The FHLBanks record trading securities, available-for-sale securities, derivative assets, derivative liabilities, certain advances, certain consolidated obligations, and certain other assets at fair value on a recurring basis, and on occasion certain private-label MBS, certain mortgage loans held for portfolio, and certain other assets at fair value on a non-recurring basis. The FHLBanks record all other financial assets and liabilities at amortized cost. Refer to Table 15.2 for further details about the financial assets and liabilities held at fair value on either a recurring or non-recurring basis.

Table 15.1 - Fair Value Summary
(dollars in millions)

Financial Instruments	March 31, 2018					
	Carrying Value	Total	Fair Value			Netting Adjustment and Cash Collateral (1)
			Level 1	Level 2	Level 3	
Assets						
Cash and due from banks	\$ 2,690	\$ 2,690	\$ 2,690	\$ —	\$ —	\$ —
Interest-bearing deposits	6,653	6,653	3,059	3,594	—	—
Securities purchased under agreements to resell	42,014	42,014	—	42,014	—	—
Federal funds sold	93,329	93,331	—	93,331	—	—
Trading securities	11,477	11,477	1,652	9,825	—	—
Available-for-sale securities	77,387	77,387	—	71,851	5,536	—
Held-to-maturity securities	98,552	98,983	—	93,771	5,212	—
Advances(2)	697,066	697,033	—	697,033	—	—
Mortgage loans held for portfolio, net	54,898	54,335	—	54,201	134	—
Mortgage loans held for sale(3)	76	76	—	76	—	—
Accrued interest receivable	1,742	1,742	—	1,742	—	—
Derivative assets, net	1,008	1,008	—	1,416	—	(408)
Other assets	236	234	194	40	—	—
Liabilities						
Deposits	8,238	8,238	—	8,238	—	—
Consolidated obligations						
Discount notes(4)	389,052	389,045	—	389,045	—	—
Bonds(5)	627,837	626,498	—	626,498	—	—
Total consolidated obligations	1,016,889	1,015,543	—	1,015,543	—	—
Mandatorily redeemable capital stock	1,237	1,237	1,237	—	—	—
Accrued interest payable	1,401	1,401	—	1,401	—	—
Derivative liabilities, net	387	387	—	2,100	—	(1,713)
Other liabilities	106	104	77	27	—	—

December 31, 2017

Financial Instruments	Carrying Value	Fair Value				Netting Adjustment and Cash Collateral (1)(6)
		Total	Level 1	Level 2	Level 3	
Assets						
Cash and due from banks	\$ 7,175	\$ 7,175	\$ 7,175	\$ —	\$ —	\$ —
Interest-bearing deposits	5,420	5,420	2,825	2,595	—	—
Securities purchased under agreements to resell	52,568	52,568	—	52,568	—	—
Federal funds sold	65,530	65,531	—	65,531	—	—
Trading securities	7,736	7,736	1,306	6,430	—	—
Available-for-sale securities	79,560	79,560	51	73,742	5,767	—
Held-to-maturity securities	96,466	97,282	—	91,869	5,413	—
Advances(2)	731,544	731,600	—	731,600	—	—
Mortgage loans held for portfolio, net	53,827	54,325	—	54,189	136	—
Mortgage loans held for sale(3)	118	118	—	118	—	—
Accrued interest receivable	1,584	1,584	—	1,584	—	—
Derivative assets, net	991	991	—	2,013	—	(1,022)
Other assets	159	157	117	40	—	—
Liabilities						
Deposits	7,789	7,789	—	7,789	—	—
Consolidated obligations						
Discount notes(4)	391,480	391,469	—	391,469	—	—
Bonds(5)	641,601	641,476	—	641,476	—	—
Total consolidated obligations	1,033,081	1,032,945	—	1,032,945	—	—
Mandatorily redeemable capital stock	1,272	1,272	1,272	—	—	—
Accrued interest payable	1,324	1,324	—	1,324	—	—
Derivative liabilities, net	449	449	—	2,256	—	(1,807)
Other liabilities	113	111	84	27	—	—

(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 \$8,325 million and \$9,428 million of advances recorded under fair value option at March 31, 2018 and December 31, 2017.

(3) Represents mortgage loans held for sale recorded under fair value option, included in other assets on the Combined Statement of Condition.

(4) Includes \$1,566 million and \$3,062 million of consolidated discount notes recorded under fair value option at March 31, 2018 and December 31, 2017.

(5) Includes \$12,397 million and \$12,917 million of consolidated bonds recorded under fair value option at March 31, 2018 and December 31, 2017.

(6) To conform with current presentation, \$401 million of variation margin on cleared derivatives has been allocated to the individual derivative instruments as of December 31, 2017. Previously, this amount was included with Netting Adjustments and Cash Collateral.

Summary of Valuation Methodologies and Primary Inputs

A description of the valuation methodologies and primary inputs is disclosed in *Note 19 - Fair Value*, pages F-67 to F-70, of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017. There have been no significant changes in these valuations methodologies and primary inputs during the three months ended March 31, 2018.

Fair Value Measurements

Table 15.2 presents the fair value of assets and liabilities that are recorded on a recurring or non-recurring basis at March 31, 2018 and December 31, 2017, 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 15.2 - Fair Value Measurements
(dollars in millions)

	March 31, 2018				Netting Adjustment and Cash Collateral (1)
	Total	Level 1	Level 2	Level 3	
Recurring fair value measurements - Assets					
Trading securities					
Certificates of deposit	\$ 1,300	\$ —	\$ 1,300	\$ —	\$ —
U.S. obligations	5,256	1,652	3,604	—	—
GSE and Tennessee Valley Authority obligations	3,073	—	3,073	—	—
Other non-MBS	277	—	277	—	—
U.S. obligations single-family MBS	15	—	15	—	—
GSE single-family MBS	97	—	97	—	—
GSE multifamily MBS	1,459	—	1,459	—	—
Total trading securities	11,477	1,652	9,825	—	—
Available-for-sale securities					
Certificates of deposit	500	—	500	—	—
U.S. obligations	3,568	—	3,568	—	—
GSE and Tennessee Valley Authority obligations	14,563	—	14,563	—	—
State or local housing agency obligations	1,249	—	1,212	37	—
Federal Family Education Loan Program ABS	4,130	—	4,130	—	—
Other non-MBS	854	—	854	—	—
U.S. obligations single-family MBS	4,873	—	4,873	—	—
U.S. obligations multifamily MBS	414	—	414	—	—
GSE single-family MBS	8,360	—	8,360	—	—
GSE multifamily MBS	33,377	—	33,377	—	—
Private-label residential MBS	5,499	—	—	5,499	—
Total available-for-sale securities	77,387	—	71,851	5,536	—
Advances(2)	8,325	—	8,325	—	—
Mortgage loans held for sale(3)	76	—	76	—	—
Derivative assets, net					
Interest-rate related	1,005	—	1,413	—	(408)
Mortgage delivery commitments	3	—	3	—	—
Total derivative assets, net	1,008	—	1,416	—	(408)
Other assets					
Total recurring assets at fair value	\$ 98,480	\$ 1,846	\$ 91,506	\$ 5,536	\$ (408)
Recurring fair value measurements - Liabilities					
Consolidated Obligations					
Discount notes(4)	\$ 1,566	\$ —	\$ 1,566	\$ —	\$ —
Bonds(5)	12,397	—	12,397	—	—
Total consolidated obligations	13,963	—	13,963	—	—
Derivative liabilities, net					
Interest-rate related	386	—	2,099	—	(1,713)
Mortgage delivery commitments	1	—	1	—	—
Total derivative liabilities, net	387	—	2,100	—	(1,713)
Total recurring liabilities at fair value	\$ 14,350	\$ —	\$ 16,063	\$ —	\$ (1,713)
Non-recurring fair value measurements - Assets (6)					
Held-to-maturity securities					
Private-label residential MBS	\$ 2	\$ —	\$ —	\$ 2	—
Mortgage loans held for portfolio	14	—	—	14	—
Real estate owned	5	—	—	5	—
Total non-recurring assets at fair value	\$ 21	\$ —	\$ —	\$ 21	—

December 31, 2017

	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)(7)
Recurring fair value measurements - Assets					
Trading securities					
Certificates of deposit	\$ 585	\$ —	\$ 585	\$ —	\$ —
U.S. obligations	1,785	1,285	500	—	—
GSE and Tennessee Valley Authority obligations	3,463	—	3,463	—	—
Other non-MBS	293	21	272	—	—
U.S. obligations single-family MBS	16	—	16	—	—
GSE single-family MBS	101	—	101	—	—
GSE multifamily MBS	1,493	—	1,493	—	—
Total trading securities	7,736	1,306	6,430	—	—
Available-for-sale securities					
Certificates of deposit	900	—	900	—	—
U.S. obligations	3,765	—	3,765	—	—
GSE and Tennessee Valley Authority obligations	14,961	—	14,961	—	—
State or local housing agency obligations	1,262	—	1,225	37	—
Federal Family Education Loan Program ABS	4,214	—	4,214	—	—
Other non-MBS	922	51	871	—	—
U.S. obligations single-family MBS	5,010	—	5,010	—	—
U.S. obligations multifamily MBS	443	—	443	—	—
GSE single-family MBS	8,771	—	8,771	—	—
GSE multifamily MBS	33,582	—	33,582	—	—
Private-label residential MBS	5,730	—	—	5,730	—
Total available-for-sale securities	79,560	51	73,742	5,767	—
Advances(2)	9,428	—	9,428	—	—
Mortgage loans held for sale(3)	118	—	118	—	—
Derivative assets, net					
Interest-rate related	989	—	2,011	—	(1,022)
Mortgage delivery commitments	2	—	2	—	—
Total derivative assets, net	991	—	2,013	—	(1,022)
Other assets					
Total recurring assets at fair value	\$ 97,963	\$ 1,474	\$ 91,744	\$ 5,767	\$ (1,022)
Recurring fair value measurements - Liabilities					
Consolidated Obligations					
Discount notes(4)	\$ 3,062	\$ —	\$ 3,062	\$ —	\$ —
Bonds(5)	12,917	—	12,917	—	—
Total consolidated obligations	15,979	—	15,979	—	—
Derivative liabilities, net					
Interest-rate related	448	—	2,255	—	(1,807)
Mortgage delivery commitments	1	—	1	—	—
Total derivative liabilities, net	449	—	2,256	—	(1,807)
Total recurring liabilities at fair value	\$ 16,428	\$ —	\$ 18,235	\$ —	\$ (1,807)
Non-recurring fair value measurements - Assets (8)					
Held-to-maturity securities					
Private-label residential MBS	\$ 6	\$ —	\$ —	\$ 6	—
Mortgage loans held for portfolio	46	—	3	43	—
Real estate owned	14	—	—	14	—
Total non-recurring assets at fair value	\$ 66	\$ —	\$ 3	\$ 63	—

- (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) Represents advances recorded under fair value option at March 31, 2018 and December 31, 2017.
- (3) Represents mortgage loans held for sale recorded under fair value option, included in other assets on the Combined Statement of Condition.
- (4) Represents consolidated discount notes recorded under fair value option at March 31, 2018 and December 31, 2017.
- (5) Represents consolidated bonds recorded under fair value option at March 31, 2018 and December 31, 2017.
- (6) The fair value information presented is as of the date the fair value adjustment was recorded during the three months ended March 31, 2018.
- (7) To conform with current presentation, \$401 million of variation margin on cleared derivatives has been allocated to the individual derivative instruments as of December 31, 2017. Previously, this amount was included with Netting Adjustments and Cash Collateral.
- (8) The fair value information presented is as of the date the fair value adjustment was recorded during the year ended December 31, 2017.

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

Table 15.3 presents a rollforward of assets and liabilities measured at fair value on a recurring basis and classified as Level 3 during the three months ended March 31, 2018 and 2017.

Table 15.3 - Rollforward of Level 3 Assets and Liabilities
(dollars in millions)

	Three Months Ended March 31, 2018	
	State and Local Housing Agency Obligations	Private-Label Residential MBS
Available-for-Sale Securities		
Balance, at beginning of period	\$ 37	\$ 5,730
Total gains (losses) included in earnings		
Interest income	—	43
Net other-than-temporary impairment losses	—	(2)
Total gains (losses) included in other comprehensive income		
Net amount of impairment losses reclassified to (from) non-interest income	—	(1)
Net change in fair value of other-than-temporarily impaired securities	—	1
Purchases, issuances, sales, and settlements		
Settlements	—	(272)
Balance, at end of period	\$ 37	\$ 5,499
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 period	\$ —	\$ 25

	Three Months Ended March 31, 2017	
	State and Local Housing Agency Obligations	Private-Label Residential MBS
Available-for-Sale Securities		
Balance, at beginning of period	\$ 8	\$ 6,833
Total gains (losses) included in earnings		
Interest income	—	46
Net other-than-temporary impairment losses	—	(4)
Total gains (losses) included in other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	—	2
Net amount of impairment losses reclassified to (from) non-interest income	—	3
Net change in fair value of other-than-temporarily impaired securities	—	26
Purchases, issuances, sales, and settlements		
Settlements	—	(368)
Balance, at end of period	\$ 8	\$ 6,538
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 period	\$ —	\$ 26

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, and San Francisco (Electing FHLBanks) have each elected the fair value option for certain financial instruments when a hedge relationship does 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 when an economic derivative is adjusted for changes in fair value, but the related hedged item is not.

Table 15.4 presents net gains (losses) recognized in earnings related to financial assets and liabilities for which the fair value option was elected during the three months ended March 31, 2018 and 2017.

Table 15.4 - Fair Value Option - Financial Assets and Liabilities
(dollars in millions)

Net Gains (Losses) from Changes in Fair Value Recognized in Earnings	Three Months Ended March 31,	
	2018	2017
Advances	\$ (58)	\$ (1)
Mortgage loans held for sale(1)	(4)	—
Consolidated discount notes	—	3
Consolidated bonds	33	(9)
Total net gains (losses)	\$ (29)	\$ (7)

(1) Included in other assets on the Combined Statement of Condition.

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 on 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 on the Combined Statement of Income, except for changes in fair value related to instrument specific credit risk, which are recorded in AOCI on the Combined Statement of Condition. Each of the Electing FHLBanks determined that none of the remaining changes in fair value were related to instrument specific credit risk during the three months ended March 31, 2018 and 2017. In determining that there has been no change in instrument specific credit risk period to period, the Electing FHLBanks primarily considered the following factors:

- The FHLBanks are federally chartered GSEs, and as a result of this status, the FHLBanks' consolidated obligations have historically received the same credit ratings as the government bond credit rating of the United States, even though they are not obligations of the United States and are not guaranteed by the United States.
- Each FHLBank is jointly and severally liable with the other FHLBanks for the payment of principal and interest on all consolidated obligations of each of the FHLBanks.

Table 15.5 presents the difference between the aggregate fair value and the aggregate unpaid principal balance outstanding for advances, mortgage loans held for sale, and consolidated obligations for which the fair value option has been elected as of March 31, 2018 and December 31, 2017.

Table 15.5 - Aggregate Fair Value and Aggregate Unpaid Balance
(dollars in millions)

	March 31, 2018			December 31, 2017		
	Aggregate Fair Value	Aggregate Unpaid Principal Balance	Aggregate Fair Value Over/ (Under) Aggregate Unpaid Principal Balance	Aggregate Fair Value	Aggregate Unpaid Principal Balance	Aggregate Fair Value Over/ (Under) Aggregate Unpaid Principal Balance
Advances(1)	\$ 8,325	\$ 8,407	\$ (82)	\$ 9,428	\$ 9,448	\$ (20)
Mortgage loans held for sale(2)	76	76	—	118	116	2
Consolidated discount notes	1,566	1,564	2	3,062	3,059	3
Consolidated bonds	12,397	12,495	(98)	12,917	12,980	(63)

(1) At March 31, 2018 and December 31, 2017, none of the advances were 90 days or more past due or had been placed on non-accrual status.

(2) Included in other assets on the Combined Statement of Condition.

Note 16 - Commitments and Contingencies

Off-Balance Sheet Commitments

Table 16.1 - Off-Balance Sheet Commitments
(dollars in millions)

Notional amount	March 31, 2018			December 31, 2017
	Expire Within One Year	Expire After One Year	Total	Total
Standby letters of credit(1)	\$ 123,140	\$ 26,798	\$ 149,938	\$ 149,435
Unsettled consolidated discount notes, principal amount	4,366	—	4,366	1,009
Commitments to fund additional advances	2,459	169	2,628	1,614
Unused lines of credit - advances	2,432	—	2,432	2,371
Commitments for standby bond purchases	543	1,607	2,150	2,270
Commitments to purchase mortgage loans	837	—	837	650
Unsettled consolidated bonds, principal amount	503	—	503	1,873
Other(2)	325	—	325	292

(1) Excludes approved commitments to issue future standby letters of credit of \$504 million and \$53 million at March 31, 2018 and December 31, 2017.

(2) Consists primarily of commitments related to MPF products and commitments to purchase investments not yet traded.

Standby Letters of Credit. An FHLBank issues standby letters of credit on behalf of its members to support certain obligations of the members to third-party beneficiaries. These standby letters of credit are subject to the same collateralization and borrowing limits that are applicable to advances. Standby letters of credit may be offered to assist members in facilitating residential housing finance, community lending, and asset-liability management, and to provide liquidity. In particular, members often use standby letters of credit as collateral for deposits from federal, state, and local government agencies. 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 member either reimburses the FHLBank for the amount drawn or, subject to the applicable FHLBank's discretion, the amount drawn may be converted into a collateralized advance to the member. However, standby letters of credit usually expire without being drawn upon. Standby letters of credit have original expiration periods of up to 20 years, currently expiring no later than 2037. The carrying value of guarantees related to standby letters of credit are recorded in other liabilities and were \$131 million and \$159 million at March 31, 2018 and December 31, 2017.

Each FHLBank monitors the creditworthiness of its members that have standby letters of credit. In addition, standby letters of credit are subject to the same collateralization and borrowing limits that apply to advances and 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 2024, although some are renewable at the option of the affected FHLBank. At March 31, 2018 and December 31, 2017, the FHLBanks had standby bond-purchase commitments with 13 and 14 state housing authorities. During the three months ended March 31, 2018 and 2017, the FHLBanks were not required to purchase any bonds under these agreements.

Pledged Collateral

Certain FHLBanks pledged securities, as collateral, related to derivatives. (See [Note 10 - Derivatives and Hedging Activities](#) for additional information about the FHLBanks' pledged collateral and other credit-risk-related contingent features.)

Legal Proceedings

The FHLBanks are subject to legal proceedings arising in the normal course of business. The FHLBanks would record an accrual for a loss contingency when it is probable that a loss has been incurred and the amount can be reasonably estimated. 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 17 - Subsequent Events

Subsequent events have been evaluated from January 1, 2018, through the time of this Combined Financial Report publication. No significant subsequent events were identified, except for the declaration of dividends or repurchase or redemption of excess capital stock, which generally occur in the normal course of business unless there are regulatory or self-imposed restrictions, and the following events:

FHLBank of San Francisco

On April 9, 2018, the FHLBank of San Francisco's Board of Directors revised the Excess Stock Repurchase, Retained Earnings, and Dividend Framework to change the FHLBank's practice of repurchasing the surplus capital stock of all members and the excess capital stock of all former members from a quarterly schedule to a daily schedule. Effective April 24, 2018, the FHLBank of San Francisco began calculating the amount of stock to be repurchased each business day based on the shareholder's capital stock outstanding after all stock transactions are completed for the day, ensuring that each member and former member will continue to meet its minimum capital stock requirement after the repurchase. In accordance with the revised Framework, the FHLBank of San Francisco repurchased \$363 million of excess capital stock on April 24, 2018. The FHLBank of San Francisco may change this practice at any time. All repurchases of capital stock are at the FHLBank of San Francisco's discretion, subject to certain statutory and regulatory requirements and to the FHLBank's Risk Management Policy, Capital Plan, and Excess Stock Repurchase, Retained Earnings, and Dividend Framework.

FHLBank of Indianapolis

Subsequent to March 31, 2018, the FHLBank of Indianapolis made the decision to sell, and on May 2, 2018, executed a sale of all of the FHLBank's private-label residential MBS and ABS (principal amount of \$250 million at sale). The FHLBank of Indianapolis will record a net realized gain of approximately \$32 million associated with the sale in the second quarter of 2018.

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FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CONDITION
MARCH 31, 2018
(Unaudited)

<i>(dollars in millions, except par value)</i>	Combined	Combining Adjustments	Boston	New York
Assets				
Cash and due from banks	\$ 2,690	\$ —	\$ 27	\$ 87
Investments	329,412	(118)	18,730	36,258
Advances	697,066	—	37,988	112,202
Mortgage loans held for portfolio, net	54,898	—	4,027	2,879
Other assets	3,794	(5)	186	456
Total assets	<u>\$ 1,087,860</u>	<u>\$ (123)</u>	<u>\$ 60,958</u>	<u>\$ 151,882</u>
Liabilities				
Deposits	\$ 8,238	\$ (10)	\$ 528	\$ 1,310
Consolidated obligations				
Discount notes	389,052	—	29,468	56,510
Bonds	627,837	(112)	27,125	85,656
Total consolidated obligations	1,016,889	(112)	56,593	142,166
Mandatorily redeemable capital stock	1,237	—	36	19
Other liabilities	4,858	(6)	483	505
Total liabilities	<u>1,031,222</u>	<u>(128)</u>	<u>57,640</u>	<u>144,000</u>
Capital				
Capital stock				
Class B putable (\$100 par value) issued and outstanding	37,119	1	2,324	6,311
Class A putable (\$100 par value) issued and outstanding	166	—	—	—
Total capital stock	37,285	1	2,324	6,311
Retained earnings				
Unrestricted	14,741	3	1,057	1,071
Restricted	3,722	1	278	504
Total retained earnings	18,463	4	1,335	1,575
Accumulated other comprehensive income (loss)	890	—	(341)	(4)
Total capital	<u>56,638</u>	<u>5</u>	<u>3,318</u>	<u>7,882</u>
Total liabilities and capital	<u>\$ 1,087,860</u>	<u>\$ (123)</u>	<u>\$ 60,958</u>	<u>\$ 151,882</u>

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco
\$ 253	\$ 80	\$ 1,853	\$ 77	\$ 40	\$ 194	\$ 39	\$ 25	\$ 15
18,487	47,483	36,012	17,531	34,818	33,370	28,571	18,438	39,832
70,278	91,733	63,883	32,965	50,840	108,253	35,304	26,978	66,642
4,019	416	9,731	10,496	5,357	7,112	1,019	7,466	2,376
332	748	230	323	336	418	167	243	360
<u>\$ 93,369</u>	<u>\$ 140,460</u>	<u>\$ 111,709</u>	<u>\$ 61,392</u>	<u>\$ 91,391</u>	<u>\$ 149,347</u>	<u>\$ 65,100</u>	<u>\$ 53,150</u>	<u>\$ 109,225</u>
\$ 612	\$ 1,213	\$ 683	\$ 457	\$ 685	\$ 993	\$ 887	\$ 623	\$ 257
23,906	54,659	53,089	19,556	41,483	33,930	26,641	22,607	27,203
63,706	77,160	51,767	37,779	43,516	106,204	33,502	27,237	74,297
87,612	131,819	104,856	57,335	84,999	140,134	60,143	49,844	101,500
5	3	28	164	311	356	1	5	309
335	530	673	428	333	429	470	195	483
88,564	133,565	106,240	58,384	86,328	141,912	61,501	50,667	102,549
3,528	4,748	4,524	1,881	1,579	5,372	2,351	1,432	3,068
—	—	—	—	—	—	—	166	—
<u>3,528</u>	<u>4,748</u>	<u>4,524</u>	<u>1,881</u>	<u>1,579</u>	<u>5,372</u>	<u>2,351</u>	<u>1,598</u>	<u>3,068</u>
882	1,649	622	800	2,891	1,546	856	683	2,681
298	403	339	193	467	358	117	172	592
1,180	2,052	961	993	3,358	1,904	973	855	3,273
97	95	(16)	134	126	159	275	30	335
4,805	6,895	5,469	3,008	5,063	7,435	3,599	2,483	6,676
<u>\$ 93,369</u>	<u>\$ 140,460</u>	<u>\$ 111,709</u>	<u>\$ 61,392</u>	<u>\$ 91,391</u>	<u>\$ 149,347</u>	<u>\$ 65,100</u>	<u>\$ 53,150</u>	<u>\$ 109,225</u>

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CONDITION
DECEMBER 31, 2017
(Unaudited)

<i>(dollars in millions, except par value)</i>	Combined	Combining Adjustments	Boston	New York
Assets				
Cash and due from banks	\$ 7,175	\$ —	\$ 262	\$ 127
Investments	307,280	(139)	17,942	33,069
Advances	731,544	—	37,566	122,448
Mortgage loans held for portfolio, net	53,827	1	4,004	2,897
Other assets	3,625	(604)	588	377
Total assets	<u>\$ 1,103,451</u>	<u>\$ (742)</u>	<u>\$ 60,362</u>	<u>\$ 158,918</u>
Liabilities				
Deposits	\$ 7,789	\$ (32)	\$ 477	\$ 1,196
Consolidated obligations				
Discount notes	391,480	(1)	27,721	49,614
Bonds	641,601	(116)	28,345	99,288
Total consolidated obligations	1,033,081	(117)	56,066	148,902
Mandatorily redeemable capital stock	1,272	—	36	20
Other liabilities	4,829	(595)	518	559
Total liabilities	<u>1,046,971</u>	<u>(744)</u>	<u>57,097</u>	<u>150,677</u>
Capital				
Capital stock				
Class B putable (\$100 par value) issued and outstanding	37,422	(1)	2,284	6,750
Class A putable (\$100 par value) issued and outstanding	235	—	—	—
Total capital stock	37,657	(1)	2,284	6,750
Retained earnings				
Unrestricted	14,549	3	1,041	1,067
Restricted	3,550	1	267	479
Total retained earnings	18,099	4	1,308	1,546
Accumulated other comprehensive income (loss)	724	(1)	(327)	(55)
Total capital	<u>56,480</u>	<u>2</u>	<u>3,265</u>	<u>8,241</u>
Total liabilities and capital	<u>\$ 1,103,451</u>	<u>\$ (742)</u>	<u>\$ 60,362</u>	<u>\$ 158,918</u>

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco
\$ 3,415	\$ 2,357	\$ 27	\$ 55	\$ 42	\$ 503	\$ 88	\$ 268	\$ 31
17,756	40,378	27,058	17,572	30,683	34,452	30,941	13,998	43,570
74,280	102,440	69,918	34,055	48,085	102,613	36,461	26,296	77,382
3,923	435	9,681	10,356	5,193	7,096	878	7,287	2,076
289	956	211	311	352	435	156	228	326
<u>\$ 99,663</u>	<u>\$ 146,566</u>	<u>\$ 106,895</u>	<u>\$ 62,349</u>	<u>\$ 84,355</u>	<u>\$ 145,099</u>	<u>\$ 68,524</u>	<u>\$ 48,077</u>	<u>\$ 123,385</u>
\$ 538	\$ 1,177	\$ 650	\$ 565	\$ 524	\$ 1,107	\$ 844	\$ 462	\$ 281
36,193	50,139	46,211	20,358	41,191	36,682	32,511	20,421	30,440
57,534	87,523	54,163	37,896	37,121	98,893	31,377	24,514	85,063
93,727	137,662	100,374	58,254	78,312	135,575	63,888	44,935	115,503
5	1	30	164	311	385	6	5	309
465	459	676	420	356	1,011	306	168	486
94,735	139,299	101,730	59,403	79,503	138,078	65,044	45,570	116,579
3,659	5,154	4,241	1,858	1,443	5,068	2,318	1,405	3,243
—	—	—	—	—	—	—	235	—
3,659	5,154	4,241	1,858	1,443	5,068	2,318	1,640	3,243
876	1,623	617	793	2,845	1,504	833	677	2,670
282	380	323	183	452	335	109	164	575
1,158	2,003	940	976	3,297	1,839	942	841	3,245
111	110	(16)	112	112	114	220	26	318
4,928	7,267	5,165	2,946	4,852	7,021	3,480	2,507	6,806
<u>\$ 99,663</u>	<u>\$ 146,566</u>	<u>\$ 106,895</u>	<u>\$ 62,349</u>	<u>\$ 84,355</u>	<u>\$ 145,099</u>	<u>\$ 68,524</u>	<u>\$ 48,077</u>	<u>\$ 123,385</u>

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2018 and 2017
(Unaudited)

<i>(dollars in millions)</i>	Combined	Combining Adjustments	Boston	New York
March 31, 2018				
Interest income				
Advances	\$ 3,347	\$ 2	\$ 178	\$ 546
Investments	1,632	(2)	95	200
Mortgage loans held for portfolio	463	(3)	33	24
Other interest income	—	—	—	—
Total interest income	5,442	(3)	306	770
Interest expense				
Consolidated obligations - Discount notes	1,515	1	105	207
Consolidated obligations - Bonds	2,621	2	119	366
Other interest expense	41	(1)	2	4
Total interest expense	4,177	2	226	577
Net interest income	1,265	(5)	80	193
Provision (reversal) for credit losses	2	—	—	—
Net interest income after provision (reversal) for credit losses	1,263	(5)	80	193
Non-interest income (loss)	4	(6)	2	(19)
Non-interest expense	312	(8)	21	34
Affordable Housing Program assessments	97	(1)	6	14
Net income	\$ 858	\$ (2)	\$ 55	\$ 126
March 31, 2017				
Interest income				
Advances	\$ 1,539	\$ (2)	\$ 107	\$ 317
Investments	1,122	(2)	62	120
Mortgage loans held for portfolio	414	—	30	23
Other interest income	1	—	—	—
Total interest income	3,076	(4)	199	460
Interest expense				
Consolidated obligations - Discount notes	626	—	38	77
Consolidated obligations - Bonds	1,598	—	98	207
Other interest expense	32	—	1	2
Total interest expense	2,256	—	137	286
Net interest income	820	(4)	62	174
Provision (reversal) for credit losses	—	—	—	—
Net interest income after provision (reversal) for credit losses	820	(4)	62	174
Non-interest income (loss)	492	(3)	—	4
Non-interest expense	407	(4)	21	100
Affordable Housing Program assessments	93	1	4	8
Net income	\$ 812	\$ (4)	\$ 37	\$ 70

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco
\$ 321	\$ 455	\$ 318	\$ 144	\$ 214	\$ 502	\$ 157	\$ 141	\$ 369
100	222	128	96	211	174	128	74	206
36	6	78	84	55	60	9	60	21
—	—	—	—	—	—	—	—	—
457	683	524	324	480	736	294	275	596
96	224	181	70	183	124	95	95	134
249	320	223	178	169	448	128	112	307
2	4	2	5	4	7	3	2	7
347	548	406	253	356	579	226	209	448
110	135	118	71	124	157	68	66	148
2	—	—	—	—	—	—	—	—
108	135	118	71	124	157	68	66	148
2	27	(4)	6	—	8	3	(7)	(8)
22	35	22	23	42	33	24	15	49
9	13	9	6	8	14	5	4	10
\$ 79	\$ 114	\$ 83	\$ 48	\$ 74	\$ 118	\$ 42	\$ 40	\$ 81
\$ 206	\$ (80)	\$ 182	\$ 74	\$ 99	\$ 333	\$ 76	\$ 74	\$ 153
72	140	90	59	184	130	71	43	153
31	7	72	76	54	58	1	53	9
—	—	—	1	—	—	—	—	—
309	67	344	210	337	521	148	170	315
35	68	57	25	96	109	32	35	54
165	199	183	123	125	253	62	67	116
1	2	1	3	3	6	1	1	11
201	269	241	151	224	368	95	103	181
108	(202)	103	59	113	153	53	67	134
—	—	—	—	—	—	—	—	—
108	(202)	103	59	113	153	53	67	134
12	319	(11)	(3)	10	35	8	9	112
24	34	20	20	42	32	22	16	80
9	8	7	4	8	16	4	6	18
\$ 87	\$ 75	\$ 65	\$ 32	\$ 73	\$ 140	\$ 35	\$ 54	\$ 148

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Unaudited)

<i>(dollars in millions)</i>	Combined	Combining Adjustments	Boston	New York
March 31, 2018				
Net income	\$ 858	\$ (2)	\$ 55	\$ 126
Other comprehensive income				
Net unrealized gains (losses) on available-for-sale securities	17	1	(32)	—
Net non-credit portion of other-than-temporary impairment gains (losses) on available-for-sale securities	—	1	—	—
Net non-credit portion of other-than-temporary impairment gains (losses) on held-to-maturity securities	17	(1)	8	1
Net unrealized gains (losses) relating to hedging activities	136	(1)	10	55
Pension and postretirement benefits	1	1	—	—
Total other comprehensive income (loss)	171	1	(14)	56
Comprehensive income	<u>\$ 1,029</u>	<u>\$ (1)</u>	<u>\$ 41</u>	<u>\$ 182</u>
March 31, 2017				
Net income	\$ 812	\$ (4)	\$ 37	\$ 70
Other comprehensive income				
Net unrealized gains (losses) on available-for-sale securities	266	(1)	27	3
Net non-credit portion of other-than-temporary impairment gains (losses) on available-for-sale securities	29	(1)	—	—
Net non-credit portion of other-than-temporary impairment gains (losses) on held-to-maturity securities	25	(3)	9	7
Net unrealized gains (losses) relating to hedging activities	59	(1)	5	10
Pension and postretirement benefits	1	1	—	—
Total other comprehensive income (loss)	380	(5)	41	20
Comprehensive income	<u>\$ 1,192</u>	<u>\$ (9)</u>	<u>\$ 78</u>	<u>\$ 90</u>

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco
\$ 79	\$ 114	\$ 83	\$ 48	\$ 74	\$ 118	\$ 42	\$ 40	\$ 81
(14)	—	—	22	(49)	45	40	4	—
—	(16)	—	—	—	—	—	—	15
—	—	—	—	7	—	1	—	1
—	—	—	—	58	—	14	—	—
—	1	—	—	(2)	—	—	—	1
(14)	(15)	—	22	14	45	55	4	17
<u>\$ 65</u>	<u>\$ 99</u>	<u>\$ 83</u>	<u>\$ 70</u>	<u>\$ 88</u>	<u>\$ 163</u>	<u>\$ 97</u>	<u>\$ 44</u>	<u>\$ 98</u>
\$ 87	\$ 75	\$ 65	\$ 32	\$ 73	\$ 140	\$ 35	\$ 54	\$ 148
32	—	—	23	38	64	71	9	—
(2)	—	—	1	—	—	—	—	31
—	—	—	—	9	—	1	1	1
—	—	—	—	44	—	1	—	—
—	1	—	—	(2)	1	—	—	—
30	1	—	24	89	65	73	10	32
<u>\$ 117</u>	<u>\$ 76</u>	<u>\$ 65</u>	<u>\$ 56</u>	<u>\$ 162</u>	<u>\$ 205</u>	<u>\$ 108</u>	<u>\$ 64</u>	<u>\$ 180</u>

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CAPITAL
THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Unaudited)

<i>(dollars in millions)</i>	Combined	Combining Adjustments	Boston	New York
Balance, December 31, 2016	\$ 52,459	\$ 18	\$ 3,245	\$ 7,624
Comprehensive income (loss)	1,192	(9)	78	90
Proceeds from issuance of capital stock	6,704	2	182	987
Repurchases/redemptions of capital stock	(7,765)	—	(135)	(1,322)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(197)	—	—	—
Dividends of capital stock	27	—	—	—
Dividends				
Cash	(379)	—	(24)	(87)
Stock	(27)	—	—	—
Balance, March 31, 2017	<u>\$ 52,014</u>	<u>\$ 11</u>	<u>\$ 3,346</u>	<u>\$ 7,292</u>
Balance, December 31, 2017	\$ 56,480	\$ 2	\$ 3,265	\$ 8,241
Comprehensive income (loss)	1,029	(1)	41	182
Proceeds from issuance of capital stock	10,948	1	408	1,871
Repurchases/redemptions of capital stock	(11,219)	3	(368)	(2,310)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(138)	(2)	—	—
Dividends of capital stock	37	—	—	—
Dividends				
Cash	(462)	2	(28)	(102)
Stock	(37)	—	—	—
Balance, March 31, 2018	<u>\$ 56,638</u>	<u>\$ 5</u>	<u>\$ 3,318</u>	<u>\$ 7,882</u>

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco
\$ 4,794	\$ 6,951	\$ 4,978	\$ 2,436	\$ 4,695	\$ 7,401	\$ 2,817	\$ 1,963	\$ 5,537
117	76	65	56	162	205	108	64	180
989	2,034	18	61	534	1,079	296	439	83
(1,221)	(2,331)	—	—	(960)	(1,183)	(280)	(160)	(173)
—	(8)	(2)	—	(3)	(10)	—	(174)	—
—	—	—	—	—	—	6	21	—
(42)	(57)	(46)	(16)	(10)	(43)	—	—	(54)
—	—	—	—	—	—	(6)	(21)	—
<u>\$ 4,637</u>	<u>\$ 6,665</u>	<u>\$ 5,013</u>	<u>\$ 2,537</u>	<u>\$ 4,418</u>	<u>\$ 7,449</u>	<u>\$ 2,941</u>	<u>\$ 2,132</u>	<u>\$ 5,573</u>
\$ 4,928	\$ 7,267	\$ 5,165	\$ 2,946	\$ 4,852	\$ 7,021	\$ 3,480	\$ 2,507	\$ 6,806
65	99	83	70	88	163	97	44	98
1,025	3,495	283	23	823	2,013	481	272	253
(1,156)	(3,869)	—	—	(687)	(1,706)	(459)	(239)	(428)
—	(32)	—	—	—	(3)	—	(101)	—
—	—	—	—	—	—	11	26	—
(57)	(65)	(62)	(31)	(13)	(53)	—	—	(53)
—	—	—	—	—	—	(11)	(26)	—
<u>\$ 4,805</u>	<u>\$ 6,895</u>	<u>\$ 5,469</u>	<u>\$ 3,008</u>	<u>\$ 5,063</u>	<u>\$ 7,435</u>	<u>\$ 3,599</u>	<u>\$ 2,483</u>	<u>\$ 6,676</u>

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2018
(Unaudited)

<i>(dollars in millions)</i>	Combined	Combining Adjustments	Boston	New York
Operating activities				
Net cash provided by (used in) operating activities	\$ 1,944	\$ (3)	\$ 119	\$ 301
Investing activities				
Net change/net proceeds and payments in				
Loans to FHLBanks	—	(600)	400	—
Premises, software, and equipment	(13)	(1)	—	(2)
Investments	(23,029)	(20)	(884)	(3,247)
Advances	33,133	2	(469)	9,969
Mortgage loans held for portfolio	(1,122)	—	(26)	16
Proceeds from sales of foreclosed assets	12	—	1	—
Other investing activities	1	—	—	—
Net cash provided by (used in) investing activities	8,982	(619)	(978)	6,736
Financing activities				
Net change in deposits and pass-through reserves, and other financing activities	727	19	51	125
Net change in loans from FHLBanks	—	600	—	—
Net proceeds (payments) on derivative contracts with financing element	36	—	—	(3)
Net proceeds from issuance of consolidated obligations				
Discount notes	1,783,715	(2)	46,679	288,894
Bonds	130,643	1	2,321	26,598
Payments for maturing and retiring consolidated obligations				
Discount notes	(1,786,211)	(1)	(44,948)	(282,013)
Bonds	(143,415)	1	(3,491)	(40,136)
Proceeds from issuance of capital stock	10,948	1	408	1,871
Payments for repurchases/redemptions of capital stock	(11,219)	3	(368)	(2,310)
Payments for repurchases/redemptions of mandatorily redeemable capital stock	(173)	(2)	—	(1)
Cash dividends paid	(462)	2	(28)	(102)
Net cash provided by (used in) financing activities	(15,411)	622	624	(7,077)
Net increase (decrease) in cash and due from banks	(4,485)	—	(235)	(40)
Cash and due from banks at beginning of the period	7,175	—	262	127
Cash and due from banks at end of the period	\$ 2,690	\$ —	\$ 27	\$ 87

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco
\$ 162	\$ 269	\$ 105	\$ 164	\$ 135	\$ 132	\$ 222	\$ 97	\$ 241
—	200	—	—	—	—	—	—	—
(1)	(1)	(1)	(1)	(1)	(4)	(1)	—	—
(998)	(6,944)	(8,955)	(88)	(4,220)	1,039	2,142	(4,485)	3,631
3,878	10,376	5,993	987	(2,847)	(5,763)	1,121	(737)	10,623
(103)	19	(62)	(150)	(168)	(22)	(142)	(187)	(297)
2	1	—	—	4	2	—	2	—
—	—	—	—	—	—	—	1	—
2,778	3,651	(3,025)	748	(7,232)	(4,748)	3,120	(5,406)	13,957
75	3	38	(44)	161	(58)	153	218	(14)
—	—	—	—	—	(600)	—	—	—
—	(1)	(1)	(2)	(5)	—	51	(3)	—
100,808	280,476	116,800	89,947	436,144	45,511	80,173	260,986	37,299
18,348	14,051	6,311	4,365	11,586	16,385	7,068	6,563	17,046
(113,065)	(275,982)	(109,940)	(90,752)	(435,852)	(48,244)	(86,049)	(258,808)	(40,557)
(12,080)	(24,275)	(8,681)	(4,396)	(5,062)	(8,909)	(4,804)	(3,822)	(27,760)
1,025	3,495	283	23	823	2,013	481	272	253
(1,156)	(3,869)	—	—	(687)	(1,706)	(459)	(239)	(428)
—	(30)	(2)	—	—	(32)	(5)	(101)	—
(57)	(65)	(62)	(31)	(13)	(53)	—	—	(53)
(6,102)	(6,197)	4,746	(890)	7,095	4,307	(3,391)	5,066	(14,214)
(3,162)	(2,277)	1,826	22	(2)	(309)	(49)	(243)	(16)
3,415	2,357	27	55	42	503	88	268	31
\$ 253	\$ 80	\$ 1,853	\$ 77	\$ 40	\$ 194	\$ 39	\$ 25	\$ 15

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2017
(Unaudited)

<i>(dollars in millions)</i>	Combined	Combining Adjustments	Boston	New York
Operating activities				
Net cash provided by (used in) operating activities	\$ 1,145	\$ (1)	\$ 50	\$ 144
Investing activities				
Net change/net proceeds and payment in				
Loans to FHLBanks	—	(1,345)	—	255
Premises, software, and equipment	(23)	(2)	(1)	(9)
Investments	(15,907)	2	864	(5,932)
Advances	43,794	2	3,595	7,736
Mortgage loans held for portfolio	(559)	—	15	(42)
Proceeds from sales of foreclosed assets	17	(2)	1	1
Other investing activities	1	—	—	—
Net cash provided by (used in) investing activities	27,323	(1,345)	4,474	2,009
Financing activities				
Net change in deposits and pass-through reserves, and other financing activities	496	1	8	72
Loans from FHLBanks	—	1,345	—	—
Net proceeds (payments) on derivative contracts with financing element	(59)	(1)	(2)	(4)
Net proceeds from issuance of consolidated obligations				
Discount notes	1,326,410	(1)	38,927	218,869
Bonds	94,259	—	2,095	18,342
Payments for maturing and retiring consolidated obligations				
Discount notes	(1,359,278)	—	(44,804)	(222,056)
Bonds	(91,476)	—	(1,278)	(16,955)
Proceeds from issuance of capital stock	6,704	2	182	987
Payments for repurchases/redemptions of capital stock	(7,765)	—	(135)	(1,322)
Payments for repurchases/redemptions of mandatorily redeemable capital stock	(437)	1	—	(10)
Cash dividends paid	(379)	—	(24)	(87)
Net cash provided by (used in) financing activities	(31,525)	1,347	(5,031)	(2,164)
Net increase (decrease) in cash and due from banks	(3,057)	1	(507)	(11)
Cash and due from banks at beginning of the period	7,441	(1)	520	152
Cash and due from banks at end of the period	\$ 4,384	\$ —	\$ 13	\$ 141

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco
\$ 93	\$ 134	\$ 115	\$ 56	\$ 159	\$ 108	\$ 60	\$ 60	\$ 167
—	—	—	—	—	200	290	600	—
—	(1)	—	(1)	(2)	—	(1)	(5)	(1)
(1,373)	(5,040)	(328)	(1,377)	(464)	(579)	(1,045)	(607)	(28)
6,476	7,957	8,587	(1,595)	2,726	7,951	1,434	(1,855)	780
(32)	10	(161)	(154)	23	37	(54)	(65)	(136)
2	1	—	—	11	1	—	—	2
—	—	—	—	—	—	—	1	—
5,073	2,927	8,098	(3,127)	2,294	7,610	624	(1,931)	617
43	87	(95)	4	68	(90)	400	(5)	3
—	—	—	—	—	—	—	—	(1,345)
—	(10)	(2)	(7)	(7)	(1)	(17)	(8)	—
33,222	158,897	102,824	49,173	320,127	60,061	73,552	229,024	41,735
11,069	9,260	7,816	6,936	4,130	13,766	5,598	2,927	12,320
(37,538)	(158,123)	(111,219)	(47,579)	(323,269)	(68,465)	(77,711)	(228,297)	(40,217)
(12,725)	(13,584)	(7,504)	(5,929)	(3,380)	(12,648)	(2,457)	(1,973)	(13,043)
989	2,034	18	61	534	1,079	296	439	83
(1,221)	(2,331)	—	—	(960)	(1,183)	(280)	(160)	(173)
—	(8)	(5)	(2)	(3)	(180)	(1)	(175)	(54)
(42)	(57)	(46)	(16)	(10)	(43)	—	—	(54)
(6,203)	(3,835)	(8,213)	2,641	(2,770)	(7,704)	(620)	1,772	(745)
(1,037)	(774)	—	(430)	(317)	14	64	(99)	39
3,588	1,815	9	547	351	223	28	207	2
\$ 2,551	\$ 1,041	\$ 9	\$ 117	\$ 34	\$ 237	\$ 92	\$ 108	\$ 41

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SELECTED FINANCIAL DATA

<i>(dollars in millions)</i>	2018		2017		
	March 31,	December 31,	September 30,	June 30,	March 31,
Selected Statement of Condition Data at					
Investments(1)	\$ 329,412	\$ 307,280	\$ 318,349	\$ 312,548	\$ 308,551
Advances	697,066	731,544	719,387	706,849	660,740
Mortgage loans held for portfolio	54,915	53,843	52,226	50,555	48,990
Allowance for credit losses on mortgage loans	(17)	(16)	(16)	(17)	(18)
Total assets	1,087,860	1,103,451	1,097,509	1,081,699	1,026,027
Consolidated obligations					
Discount notes	389,052	391,480	407,311	428,684	376,967
Bonds	627,837	641,601	620,706	582,248	581,538
Total consolidated obligations	1,016,889	1,033,081	1,028,017	1,010,932	958,505
Mandatorily redeemable capital stock	1,237	1,272	1,347	1,484	1,462
Capital					
Total capital stock(2)	37,285	37,657	37,007	36,883	35,003
Additional capital from merger(3)	—	—	—	—	9
Retained earnings	18,463	18,099	17,681	17,238	16,779
Accumulated other comprehensive income (loss)	890	724	628	442	223
Total capital	56,638	56,480	55,316	54,563	52,014
Selected Statement of Income Data for the quarter ended					
Net interest income	\$ 1,265	\$ 1,236	\$ 1,236	\$ 1,189	\$ 820
Provision (reversal) for credit losses	2	—	(1)	1	—
Net interest income after provision (reversal) for credit losses	1,263	1,236	1,237	1,188	820
Non-interest income (loss)	4	58	28	37	492
Non-interest expense	312	330	314	285	407
Affordable Housing Program Assessments	97	98	97	96	93
Net income	<u>\$ 858</u>	<u>\$ 866</u>	<u>\$ 854</u>	<u>\$ 844</u>	<u>\$ 812</u>
Selected Other Data for the quarter ended					
Cash and stock dividends	\$ 499	\$ 448	\$ 411	\$ 394	\$ 406
Dividend payout ratio(4)	58.16%	51.73%	48.13%	46.68%	50.00%
Return on average equity(5)(6)	6.01%	6.23%	6.19%	6.36%	6.20%
Return on average assets	0.30%	0.32%	0.31%	0.32%	0.31%
Average equity to average assets(6)	5.06%	5.07%	4.99%	5.03%	4.98%
Net interest margin(7)	0.45%	0.45%	0.45%	0.46%	0.31%
Selected Other Data at					
GAAP capital-to-asset ratio	5.21%	5.12%	5.04%	5.04%	5.07%
Regulatory capital-to-assets ratio(8)	5.24%	5.17%	5.11%	5.14%	5.19%

- (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) FHLBank capital stock is redeemable at the request of a member subject to the statutory redemption periods and other conditions and limitations. (See [Note 13 - Capital](#) to the accompanying combined financial statements for additional information on the statutory redemption periods and other conditions and limitations.)
- (3) Additional capital from merger resulted from the merger effective May 31, 2015, between the FHLBank of Des Moines and the FHLBank of Seattle, and primarily represented the amount of the FHLBank of Seattle's closing retained earnings balance as of the merger date, adjusted for fair value and other purchase accounting adjustments, and identified intangible assets, and is net of dividends paid by the FHLBank of Des Moines subsequent to the merger date. The balance in additional capital from merger was depleted following the first quarter dividend payment in May 2017.
- (4) Dividend payout ratio is equal to dividends declared in the period expressed as a percentage of net income in the period. This ratio may not be as relevant to the combined balances because there are no shareholders at the FHLBank System-wide level.
- (5) Return on average equity is equal to net income expressed as a percentage of average total capital.
- (6) Mandatorily redeemable capital stock is not included in the calculations of return on average equity or average equity to average assets.
- (7) Net interest margin is equal to net interest income represented as a percentage of average interest-earning assets.
- (8) The regulatory capital-to-assets ratio is calculated based on the FHLBanks' regulatory capital as a percentage of total assets. (See [Note 13 - Capital](#) to the accompanying combined financial statements for a definition and discussion of regulatory capital.)

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

Investors should read this financial discussion and analysis of combined financial condition and combined results of operations together with the combined financial statements and the accompanying notes in this Combined Financial Report of the Federal Home Loan Banks (FHLBanks). Each FHLBank discusses its financial condition and results of operations in its periodic reports filed with the U. S. Securities Exchange Commission (SEC). The results of operations for interim periods are not necessarily indicative of the results to be expected for the year ending December 31, 2018, or for any future period. The unaudited financial statements, included in this Combined Financial Report, should be read in conjunction with the audited combined financial statements for the year ended December 31, 2017, included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017.

Each FHLBank's Annual Report on SEC Form 10-K and Quarterly Report on SEC Form 10-Q 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 notes that one of the principal objectives of MD&A is "to provide a narrative explanation of a registrant's financial statements that enables investors to see the registrant through the eyes of management." 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. Instead, a "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations" is prepared by the Office of Finance using information provided by each FHLBank. This Financial Discussion and Analysis does not generally include a separate discussion of how each FHLBank's operations affect the combined financial condition and combined results of operations. That level of information about each FHLBank 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 Federal Home Loan Bank Selected Financial Data and Financial Ratios](#).)

The combined financial statements include the financial results of the FHLBanks. (See [Condensed Combining Schedules](#) for information regarding each FHLBank's results.) Transactions among the FHLBanks have been eliminated in accordance with combination accounting principles related to consolidation under accounting principles generally accepted in the United States of America (GAAP). (See [Note 1 - Summary of Significant Accounting Policies](#) to the accompanying combined financial statements and [Interbank Transfers of Consolidated Bonds and Their Effect on Combined Net Income](#) for more information.)

Unless otherwise stated, dollar amounts disclosed in this Combined Financial Report represent values rounded to the nearest million. Dollar amounts rounding to less than one million are not 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," "expects," "may," "should," "will," "would," 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* on pages 21-29 of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017. 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, the rate of inflation (or deflation), employment rates, housing market activity and housing prices, the size and volatility of the residential mortgage market, and uncertainty regarding the global economy;
- levels and volatility of market prices, interest rates, and indices or other factors that could affect the value of investments or collateral held by the FHLBanks resulting from the effects of, and changes in, various monetary or fiscal policies and regulations, including those determined by the Federal Reserve Board and the Federal Deposit Insurance Corporation (FDIC), or a decline in liquidity in the financial markets;

- political events, including legislative, regulatory, judicial, or other developments that affect the FHLBanks, their members, counterparties, debt underwriters, or investors in the consolidated obligations of the FHLBanks, including changes in the Federal Home Loan Bank Act of 1932, as amended (FHLBank Act), housing finance and government-sponsored enterprise (GSE) reform, Federal Housing Finance Agency (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;
- disruptions in the credit and debt markets and the effect on the FHLBanks' funding costs, sources, and availability;
- demand for FHLBank advances resulting from changes in FHLBank members' deposit flows and credit demands;
- loss of members and repayment of advances made to those members due to institutional failures, consolidations, voluntary withdrawals, or involuntary terminations from FHLBank membership, and changes in the financial health of members;
- changes in domestic and foreign investor demand for consolidated obligations, including short-term funding, or the terms of derivative transactions and similar transactions, including changes in the relative attractiveness of consolidated obligations as compared to other investment opportunities, changes in the availability of other investment opportunities, changes in support from FHLBank debt underwriters, and changes resulting from any modification of the credit ratings of the U.S. government or the FHLBanks;
- 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;
- the pace of technological change and the ability to develop, secure, and support technology and information systems to effectively manage the risks, including information security; 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 FHLBanks together with the Office of Finance, a joint office of the FHLBanks, comprise the FHLBank System. All FHLBanks and the Office of Finance 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 by members from, and redeemed or repurchased by, an FHLBank at the stated par value of \$100 per share. The FHLBanks 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 funding is principally obtained from consolidated obligations issued through the Office of Finance on behalf of the FHLBanks. Consolidated obligations are joint and several obligations of each FHLBank. FHLBank debt issuance is generally driven by members' needs for advances.

The FHLBanks seek to maintain a balance between their public policy mission and their goal of providing adequate returns on member capital. The FHLBanks strive to achieve this balance by providing value to their members through advances, mortgage loan purchases, other services, and dividend payments. The FHLBanks' primary sources of earnings are the net interest spread between the yield on interest-earning assets and the yield on interest-bearing liabilities, combined with earnings on invested capital. Due to the FHLBanks' cooperative structures, the FHLBanks generally earn a narrow net interest spread.

External Credit Ratings

The FHLBanks' 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 their 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 and are not guaranteed by either the United States or any government agency. Moody's Investors Service (Moody's), S&P Global Ratings (S&P), or other rating organizations could downgrade or upgrade the credit rating of the U.S. government and GSEs, including the FHLBanks and their consolidated obligations. In addition to ratings on the FHLBanks' consolidated obligations, each FHLBank is rated individually by Moody's and S&P. 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 a nationally recognized statistical rating organization at any time. Investors should evaluate the rating of each nationally recognized statistical rating organization independently. Investors should not take the historical or current ratings of the FHLBanks and their consolidated obligations as an indication of future ratings for the FHLBanks and their consolidated obligations. (See [External Credit Ratings](#) for more information.)

Business Environment

The primary external factors that affect the FHLBanks' combined financial condition and results of operations include (1) the general state of the economy and financial markets; (2) conditions in the U.S. housing markets; (3) interest rate levels and volatility; and (4) the legislative and regulatory environment in which the FHLBanks, their members, counterparties, debt underwriters, or investors operate.

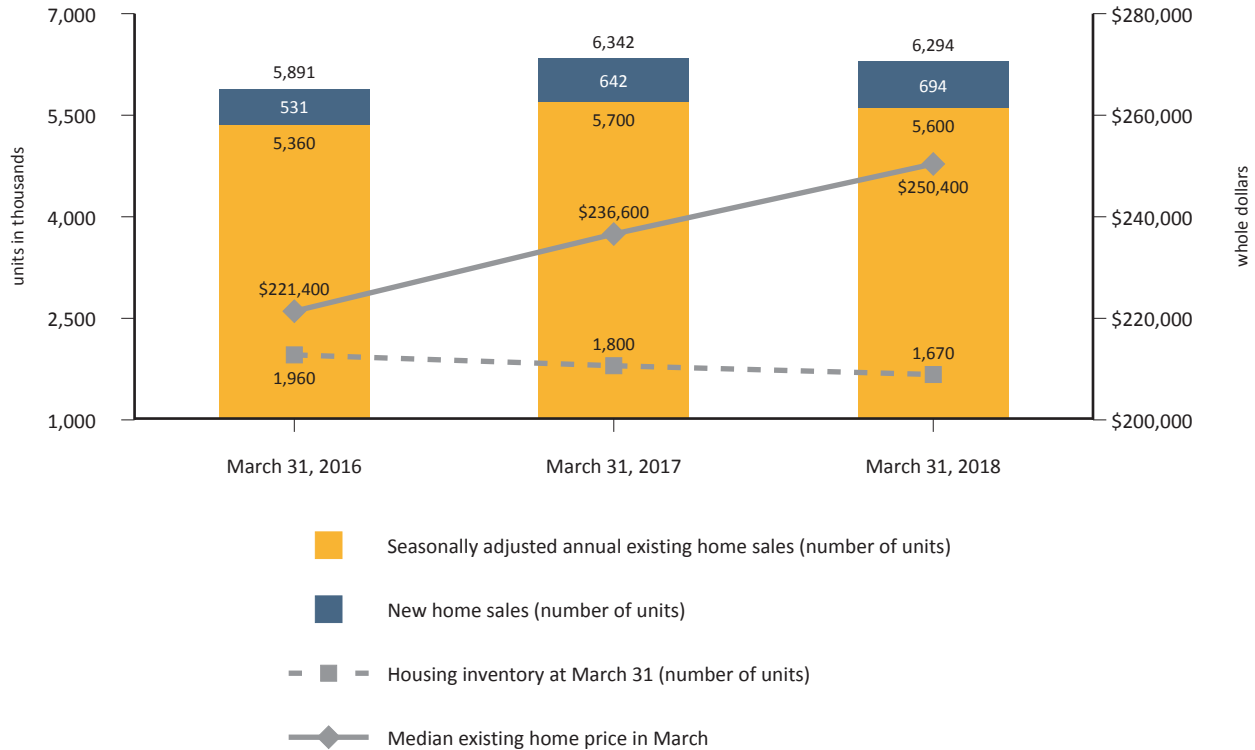
Economy and Financial Markets. The FHLBanks' overall results of operations are influenced by the economy and financial markets, and, in particular, by the FHLBanks' member demand for advances and the FHLBanks' ability to maintain sufficient access to diverse sources of funding at relatively favorable spreads. The FHLBanks' flexibility in utilizing various funding tools, in combination with a diverse investor base and their status as GSEs, have helped enable reliable market access and demand for consolidated obligations throughout fluctuating market environments and regulation changes affecting debt underwriters. The FHLBanks continued to meet their funding needs in response to demand for advances during the three months ended March 31, 2018.

Economic and market data received by the Federal Reserve, prior to the Federal Open Market Committee meeting in March 2018, indicated that the U.S. labor market continued to strengthen and that U.S. economic activity continued to rise. On a 12-month basis, inflation has increased above two percent. The Federal Open Market Committee has stated that it expects inflation to stabilize around two percent over the medium term.

The Bureau of Labor Statistics reported that the U.S. unemployment rate was 4.1% in March 2018, unchanged from the rate reported in December 2017. U.S. real gross domestic product increased at an annual rate of 2.3% in the first quarter of 2018, according to the advance estimate reported by the Bureau of Economic Analysis, compared to an increase at an annual rate of 2.9% in the fourth quarter of 2017.

Conditions in U.S. Housing Markets. Conditions in the U.S. housing markets primarily affect the FHLBanks through the creation of demand for, and yield on, advances and mortgage loans, as well as the yield on investments in mortgage-backed securities. U.S. home sales were relatively flat in the first quarter of 2018 compared to the first quarter of 2017, amid rising home prices and low housing inventory.

Figure 1: U.S. Home Sales, Inventory, and Prices



Source: National Association of REALTORS® for existing home sales, housing inventory, and median existing home price.
 Source: U.S. Department of Housing and Urban Development for new home sales.

Interest Rate Levels and Volatility. The level and volatility of interest rates affect FHLBank member demand for advances. In addition, credit spreads and the shape of the yield curve affect investor demand for consolidated obligations. These factors also impact the FHLBanks' combined results of operations, primarily affecting net interest income and the valuation of certain assets and liabilities.

Interest rates, volatility, and spreads were affected by several factors during the three months ended March 31, 2018. In the United States, overall economic conditions, monetary policy, financial regulation, and high levels of corporate debt issuance all continued to be influencing factors. Table 1 presents key interest rate data that illustrates the increases in interest rates during the three months ended March 31, 2018, compared to the same period in 2017.

Table 1 - Key Interest Rates

	Three-Month Average		Ending Rate	
	March 31, 2018	March 31, 2017	March 31, 2018	December 31, 2017
Federal Funds Effective	1.45%	0.70%	1.67%	1.33%
3-month LIBOR	1.92%	1.07%	2.31%	1.69%
2-year swap rate	2.40%	1.56%	2.58%	2.08%
10-year swap rate	2.76%	2.38%	2.79%	2.40%
3-month U.S. Treasury yield	1.57%	0.59%	1.71%	1.38%
2-year U.S. Treasury yield	2.15%	1.24%	2.27%	1.89%
10-year U.S. Treasury yield	2.75%	2.44%	2.74%	2.41%
30-year residential mortgage note rate	4.52%	4.36%	4.69%	4.22%

Source: Bloomberg

In March 2018, the Federal Reserve Board, acting through its Federal Open Market Committee, decided to raise the target range for the federal funds rate, for the second time in 2018, from a target range of 1.25% to 1.50% to a target range of 1.50% to 1.75%, based on labor market conditions and inflation. The Federal Open Market Committee stated it will assess realized and expected economic conditions relative to its objectives of maximum employment and two percent inflation when determining the timing and size of future adjustments to the target range for the federal funds rate.

During the three months ended March 31, 2018, the cost of consolidated obligations improved, as measured by the average spreads to U.S. Treasury rates, compared to the same period in 2017. Average term funding spreads (5-year and 10-year) to three-month LIBOR improved for the three months ended March 31, 2018, compared to the same period in 2017, due to increased demand for term debt. However, the shorter-term three-month average funding spreads (3-month and 2-year) worsened, compared to the same period in 2017, due to increased availability of shorter-term debt, primarily U.S. Treasuries. Table 2 presents the FHLBanks' funding spreads to three-month LIBOR.

Table 2 - Funding Spreads to Three-Month LIBOR
(in basis points)

Borrowing Term	Three-Month Average		Ending Spread	
	March 31, 2018	March 31, 2017	March 31, 2018	December 31, 2017
3-months	(33.0)	(42.5)	(54.9)	(28.9)
2-years	(15.7)	(20.0)	(15.7)	(10.9)
5-years	(1.0)	2.9	(1.9)	4.1
10-years	29.6	51.6	26.1	37.9

Legislative and Regulatory Environment. Potential legislative and regulatory changes, as well as other rules and regulations issued by the FHFA, could adversely affect the FHLBanks, FHLBank members, investors, and debt underwriters. The FHLBanks' business operations, funding costs, rights, obligations, and the environment in which the FHLBanks carry out their mission could be significantly affected by these changes. (See [Legislative and Regulatory Developments](#) for more information.)

FHLBanks' Financial Highlights

Combined Financial Condition. Total assets were \$1,087.9 billion at March 31, 2018, a decrease of 1.4% from \$1,103.5 billion at December 31, 2017.

- Advances totaled \$697.1 billion at March 31, 2018, a decrease of 4.7% from \$731.5 billion at December 31, 2017, due primarily to a decrease in short-term advances. Commercial banks were the largest member borrowers with 64.7% of the total principal amount of advances outstanding at March 31, 2018, compared to 63.0% at December 31, 2017. The top 10 advance holding company borrowers represented 38.0% of the total principal amount of advances outstanding at March 31, 2018, compared to 37.3% at December 31, 2017. The FHLBanks protect against credit risk on advances by collateralizing all advances. At March 31, 2018, each FHLBank had rights to collateral with an estimated value greater than the related outstanding advances.

- Investments were \$329.4 billion at March 31, 2018, an increase of 7.2% from \$307.3 billion at December 31, 2017, driven by an increase in federal funds sold. The FHLBanks maintain investment portfolios to provide funds to meet the credit needs of their members, maintain liquidity, and earn interest income.
- Mortgage loans held for portfolio, net, grew to \$54.9 billion at March 31, 2018, an increase of 2.0% from \$53.8 billion at December 31, 2017, as mortgage loan purchases of \$2.6 billion outpaced principal repayments of \$1.5 billion. An FHLBank may purchase mortgage loans to support the FHLBank's housing mission, provide an additional source of liquidity to its members, diversify its investments, and generate additional earnings.

Total liabilities were \$1,031.2 billion at March 31, 2018, a decrease of 1.5% from \$1,047.0 billion at December 31, 2017, due primarily to a decrease in consolidated obligations.

- Consolidated obligations totaled \$1,016.9 billion at March 31, 2018, a decrease of 1.6% from \$1,033.1 billion at December 31, 2017, in line with the decrease in total assets, and consisted of a 2.1% decrease in consolidated bonds and a 0.6% decrease in consolidated discount notes. Consolidated obligations are the principal funding source used by the FHLBanks to make advances and to purchase mortgage loans and investments.

Total GAAP capital was \$56.6 billion at March 31, 2018, an increase of 0.3% from \$56.5 billion at December 31, 2017, including growth in retained earnings and a decrease in capital stock. The GAAP capital-to-assets ratio was 5.21% and the regulatory capital-to-assets ratio was 5.24% at March 31, 2018, compared to 5.12% and 5.17% at December 31, 2017. Each FHLBank was in compliance with FHFA regulatory capital requirements at March 31, 2018.

- Capital stock was \$37.3 billion at March 31, 2018, a decrease of 1.0% from \$37.7 billion at December 31, 2017, due to net repurchases and redemptions of capital stock.
- Retained earnings grew to \$18.5 billion at March 31, 2018, an increase of 2.0% from \$18.1 billion at December 31, 2017, due to net income of \$858 million, partially offset by dividends of \$499 million.

Combined Results of Operations. Net income was \$858 million for the three months ended March 31, 2018, an increase of \$46 million, or 5.7%, compared to the same period in 2017. This increase was primarily the result of an increase in net interest income and a decrease in non-interest expense, partially offset by lower gains on derivatives and hedging activities and no gains on litigation settlements during the first quarter of 2018.

Net interest income after provision (reversal) for credit losses was \$1,263 million for the three months ended March 31, 2018, an increase of \$443 million, or 54.0%, compared to the same period in 2017. Net interest margin improved to 0.45% for the three months ended March 31, 2018, an increase of 14 basis points compared to the same period in 2017. Net interest income and net interest margin were negatively affected by accelerated amortization on certain previously restructured and hedged advances recorded by an FHLBank during the first quarter of 2017.

Non-interest income was \$4 million for the three months ended March 31, 2018, a decrease of \$488 million, compared to the same period in 2017, due primarily to lower gains on derivatives and hedging activities, no gains on litigation settlements, and net losses on trading securities during the first quarter of 2018. Non-interest expense was \$312 million for the three months ended March 31, 2018, a decrease of \$95 million, or 23.3%, compared to the same period in 2017, due primarily to a charge resulting from a bankruptcy claim settlement and a charitable contribution during the first quarter of 2017.

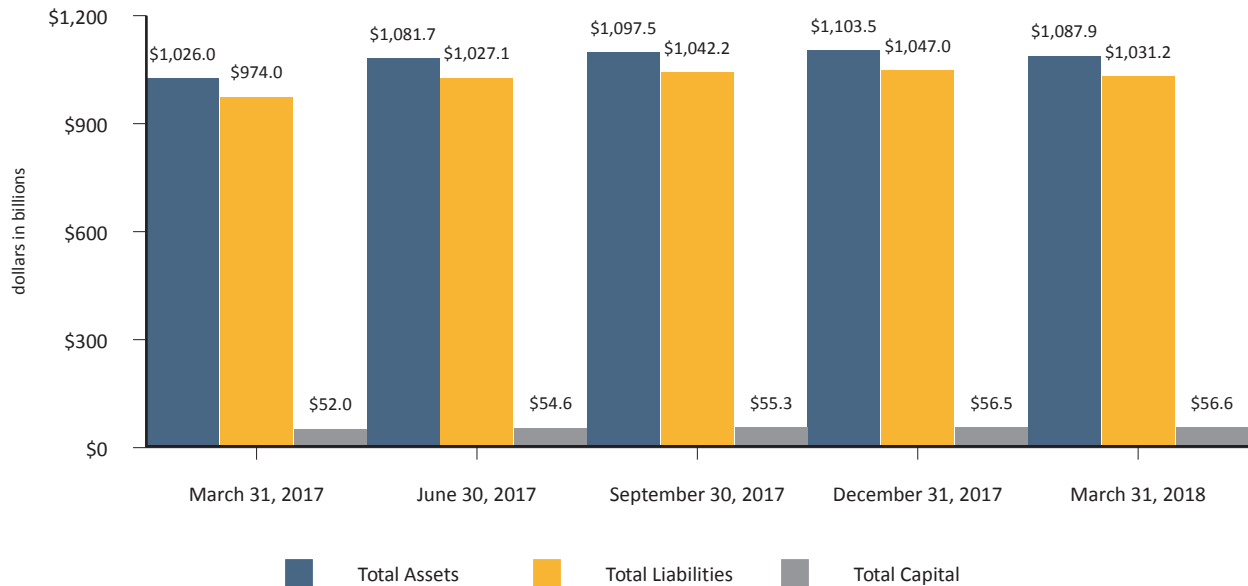
Affordable Housing Program assessments result from individual FHLBank income subject to assessments. Affordable Housing Program assessments were \$97 million for the three months ended March 31, 2018, an increase of \$4 million, or 4.3%, compared to the same period in 2017.

See [Combined Financial Condition](#) and [Combined Results of Operations](#) for further information.

Combined Financial Condition

The FHLBanks' asset composition includes cash and due from banks, investments, advances, mortgage loans held for portfolio, and other assets. The FHLBanks' liability composition includes deposits, consolidated discount notes, consolidated bonds, mandatorily redeemable capital stock, and other liabilities. The FHLBanks' capital composition includes capital stock, retained earnings, and accumulated other comprehensive income (loss) (AOCI). Figure 2 presents the total assets, liabilities, and capital for the most recent five quarters.

Figure 2: Total Assets, Liabilities, and Capital



Figures 3 and 4 present the total assets and total liabilities and capital composition at March 31, 2018.

Figure 3: Total Assets (dollars in billions)

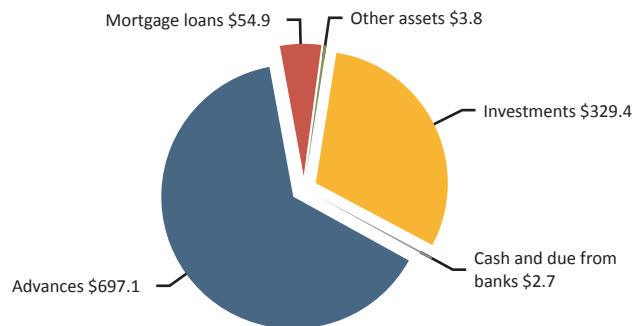
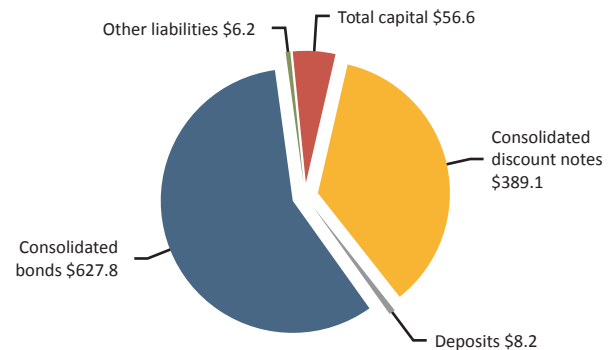


Figure 4: Total Liabilities and Capital (dollars in billions)



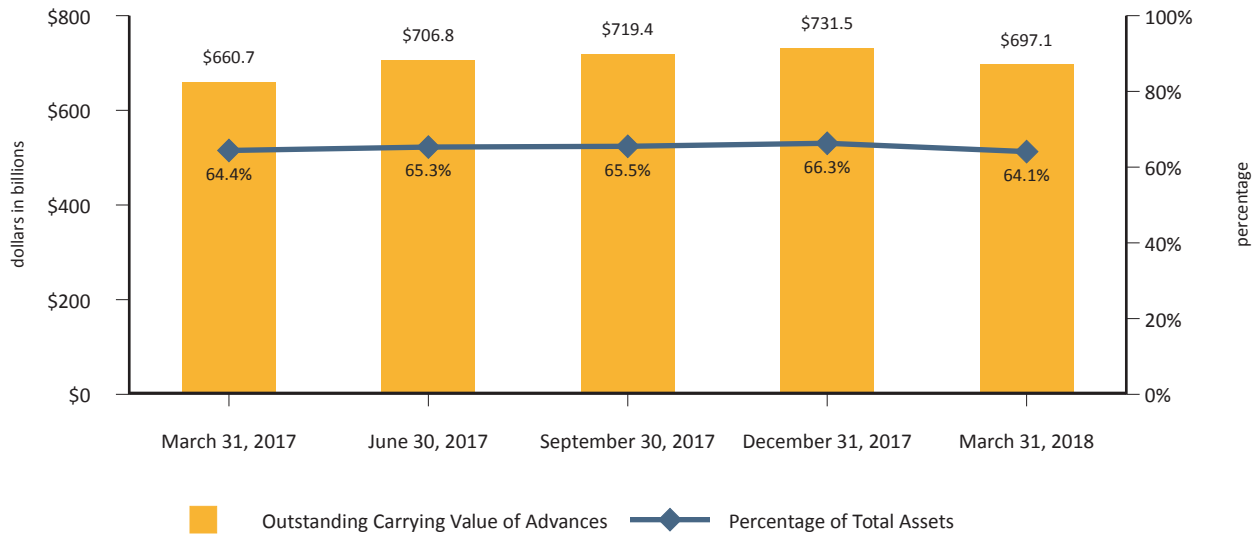
The following discussion contains information on the major categories of the Combined Statement of Condition: advances, investments, mortgage loans, consolidated obligations, deposits, and capital.

- Total assets were \$1,087.9 billion at March 31, 2018, a decrease of 1.4% from \$1,103.5 billion at December 31, 2017.
- Total liabilities were \$1,031.2 billion at March 31, 2018, a decrease of 1.5% from \$1,047.0 billion at December 31, 2017.
- Total GAAP capital was \$56.6 billion at March 31, 2018, an increase of 0.3% from \$56.5 billion at December 31, 2017.

Advances

The FHLBanks provide funding to members and housing associates 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 by, and the creditworthiness and financial condition of, the borrowing institutions. Figure 5 presents advances for the most recent five quarters.

Figure 5: Advances Outstanding (Carrying Value)



The outstanding carrying value of advances totaled \$697.1 billion at March 31, 2018, a decrease of \$34.5 billion, or 4.7%, from \$731.5 billion at December 31, 2017. This decrease was due primarily to decreases in non-callable fixed- and variable-rate advances with maturities less than one year. The percentage of members with outstanding advances was 54.4% at March 31, 2018, compared to 57.2% at December 31, 2017. Figures 6 and 7 present the principal amount of advances by product type and by contractual maturity at March 31, 2018.

Figure 6: Advances by Product Type (dollars in billions)

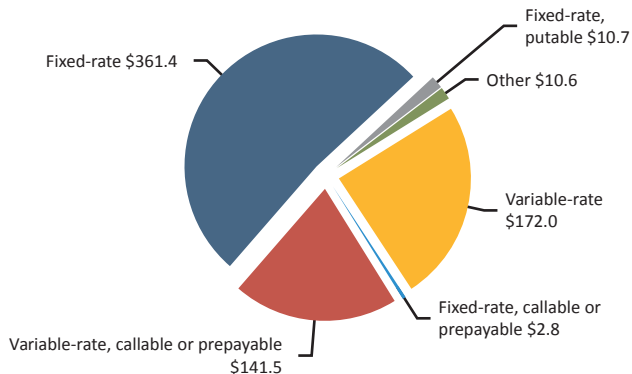


Figure 7: Advances by Contractual Maturity (dollars in billions)

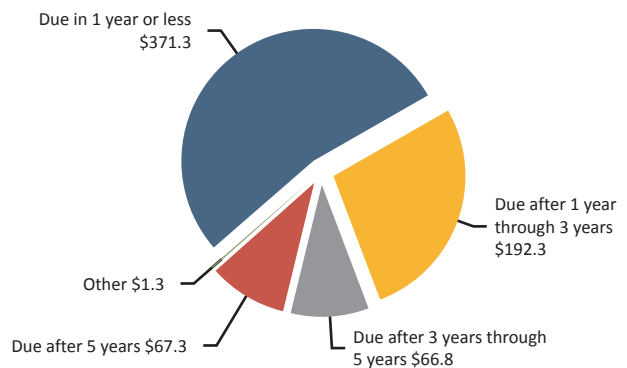


Table 3 presents advances outstanding by product type and contractual maturity, some of which include advances that contain embedded put or call options. A member either can sell an embedded option to an FHLBank or it can purchase an embedded option from an FHLBank. (See [Note 7 - Advances](#) to the accompanying combined financial statements for additional information on puttable and callable advances and their potential effects on advance maturities.)

Table 3 - Types of Advances by Contractual Maturity
(dollars in millions)

	March 31, 2018		December 31, 2017		Change
	Amount	Percentage of Total Principal Amount of Advances	Amount	Percentage of Total Principal Amount of Advances	
Fixed-rate					
Due in 1 year or less	\$ 234,716	33.6%	\$ 257,684	35.2%	\$ (22,968)
Due after 1 year through 3 years	78,725	11.3%	75,933	10.4%	2,792
Due after 3 years through 5 years	33,188	4.7%	33,145	4.5%	43
Thereafter	14,786	2.1%	15,716	2.1%	(930)
Total principal amount	361,415	51.7%	382,478	52.2%	(21,063)
Fixed-rate, callable or prepayable(1)					
Due in 1 year or less	625	0.1%	1,105	0.2%	(480)
Due after 1 year through 3 years	1,255	0.2%	1,235	0.2%	20
Due after 3 years through 5 years	758	0.1%	807	0.1%	(49)
Thereafter	155	—	182	—	(27)
Total principal amount	2,793	0.4%	3,329	0.5%	(536)
Fixed-rate, putable					
Due in 1 year or less	945	0.1%	1,774	0.2%	(829)
Due after 1 year through 3 years	120	—	183	—	(63)
Due after 3 years through 5 years	1,748	0.3%	1,470	0.2%	278
Thereafter	7,846	1.1%	5,150	0.7%	2,696
Total principal amount	10,659	1.5%	8,577	1.1%	2,082
Variable-rate					
Due in 1 year or less	106,216	15.2%	116,542	15.9%	(10,326)
Due after 1 year through 3 years	54,493	7.8%	58,427	8.0%	(3,934)
Due after 3 years through 5 years	9,863	1.5%	11,971	1.6%	(2,108)
Thereafter	1,444	0.2%	1,350	0.2%	94
Total principal amount	172,016	24.7%	188,290	25.7%	(16,274)
Variable-rate, callable or prepayable(1)					
Due in 1 year or less	27,780	4.0%	30,322	4.1%	(2,542)
Due after 1 year through 3 years	55,788	8.0%	44,377	6.1%	11,411
Due after 3 years through 5 years	19,137	2.7%	27,344	3.7%	(8,207)
Thereafter	38,751	5.5%	36,708	5.0%	2,043
Total principal amount	141,456	20.2%	138,751	18.9%	2,705
Other(2)					
Due in 1 year or less	980	0.1%	1,134	0.2%	(154)
Due after 1 year through 3 years	1,943	0.3%	1,911	0.3%	32
Due after 3 years through 5 years	2,086	0.3%	2,067	0.3%	19
Thereafter	4,299	0.6%	4,189	0.6%	110
Total principal amount	9,308	1.3%	9,301	1.4%	7
Index-amortizing(3)					
	1,317	0.2%	1,376	0.2%	(59)
Overdrawn and overnight deposit accounts					
	15	—	12	—	3
Total principal amount advances	698,979	100.0%	732,114	100.0%	\$ (33,135)
Other adjustments(4)					
	(1,913)		(570)		
Total advances	\$ 697,066		\$ 731,544		

(1) Prepayable advances are those advances that may be contractually prepaid by the borrower on specified dates without incurring prepayment or termination fees.

(2) Includes hybrid, fixed-rate amortizing/mortgage matched, convertible, and other advances.

(3) 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).

(4) Consists of hedging and fair value option valuation adjustments, unamortized premiums, discounts, and commitment fees.

Table 4 presents cash flows related to advance originations and advance repayments. During the three months ended March 31, 2018 and 2017, advance repayments exceeded originations, resulting in a decline in advances outstanding. Despite this decline, both advance originations and advance repayments increased during the three months ended March 31, 2018, driven by a higher turnover resulting from increases in advances with short-term maturities compared to the same period in 2017.

Table 4 - Advance Originations and Repayments
(dollars in millions)

	Three Months Ended March 31,		
	2018	2017	Change
Advances originated	\$ 3,189,619	\$ 1,822,473	\$ 1,367,146
Advances repaid	3,222,752	1,866,267	1,356,485
Net change	<u>\$ (33,133)</u>	<u>\$ (43,794)</u>	

The FHLBanks make advances primarily to their members. Table 5 presents the principal amount of advances by type of borrower and Table 6 presents member borrowers by type of member.

Table 5 - Principal Amount of Advances by Type of Borrower
(dollars in millions)

	March 31, 2018		December 31, 2017	
	Principal Amount	Percentage of Total Principal Amount of Advances	Principal Amount	Percentage of Total Principal Amount of Advances
Commercial bank members	\$ 452,319	64.7%	\$ 460,904	63.0%
Insurance company members(1)	106,160	15.2%	101,602	13.9%
Savings institution members	82,615	11.8%	101,036	13.8%
Credit union members	46,513	6.7%	54,832	7.5%
Community development financial institution members	172	—	162	—
Total member advances	687,779	98.4%	718,536	98.2%
Non-member borrowers	10,356	1.5%	12,683	1.7%
Housing associates	844	0.1%	895	0.1%
Total principal amount	<u>\$ 698,979</u>	<u>100.0%</u>	<u>\$ 732,114</u>	<u>100.0%</u>

(1) Includes \$23.7 billion and \$24.1 billion of the principal amount of advances outstanding to captive insurance members at March 31, 2018 and December 31, 2017.

Table 6 - Member Borrowers by Type of Member

	March 31, 2018		December 31, 2017	
	Number	Percentage of Total Member Borrowers	Number	Percentage of Total Member Borrowers
Commercial banks	2,547	67.4%	2,696	67.5%
Credit unions	525	13.9%	580	14.5%
Savings institutions	506	13.4%	522	13.1%
Insurance companies	180	4.8%	176	4.4%
Community development financial institutions	23	0.5%	21	0.5%
Total member borrowers	3,781	100.0%	3,995	100.0%
Total members	<u>6,953</u>		<u>6,989</u>	

Table 7 presents the FHLBanks' top 10 advance holding borrowers at the holding-company level on a combined basis based on the principal amount of advances outstanding at March 31, 2018. The percentage of total advances for each holding company was computed by dividing the principal amount of advances by subsidiaries of that holding company by the principal amount of total combined advances. These percentage concentrations do not represent borrowing concentrations in an individual FHLBank.

Table 7 - Top 10 Advance Holding Borrowers by Holding Company at March 31, 2018
(dollars in millions)

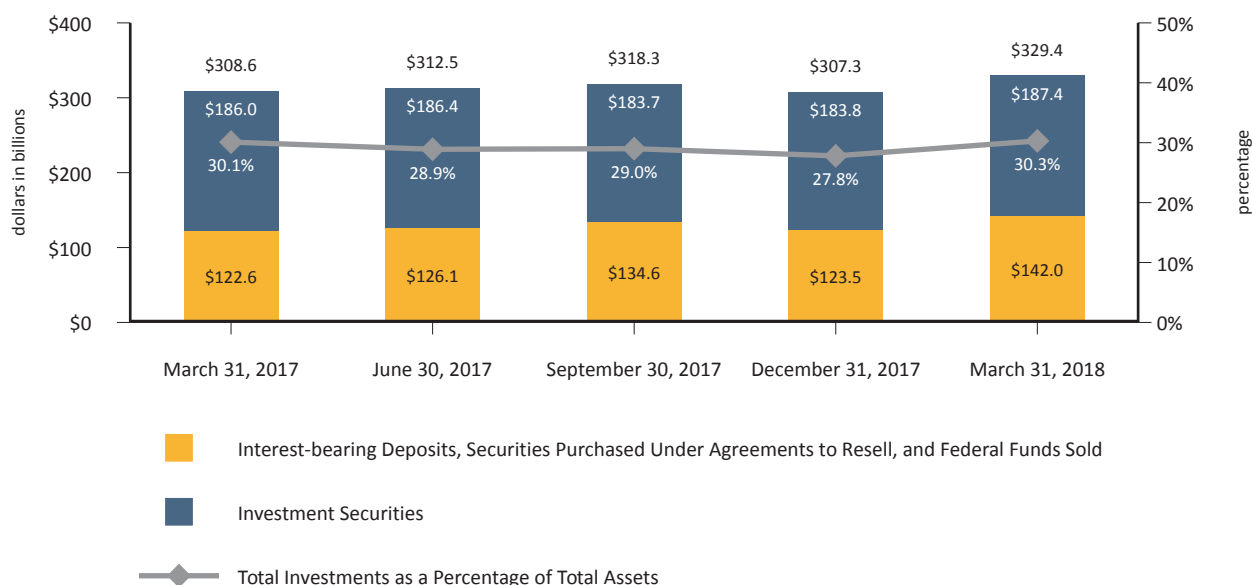
Holding Company Name(1)	FHLBank Districts(2)	Principal Amount	Percentage of Total Principal Amount of Advances
Wells Fargo & Company	Des Moines, San Francisco	\$ 58,829	8.4%
JPMorgan Chase & Co.	Pittsburgh, Cincinnati, Chicago, Des Moines, San Francisco	56,833	8.1%
Citigroup Inc.	New York, Dallas, San Francisco	30,996	4.4%
Bank of America Corporation	Boston, Atlanta, Des Moines, San Francisco	29,140	4.2%
The PNC Financial Services Group, Inc.	Pittsburgh, Atlanta, Cincinnati	19,537	2.8%
Ally Financial Inc.	Pittsburgh	18,550	2.7%
MetLife, Inc.	Boston, New York, Pittsburgh, Des Moines	16,670	2.4%
New York Community Bancorp, Inc.	New York	12,535	1.8%
Mitsubishi UFJ Financial Group, Inc.	San Francisco	11,900	1.7%
Navy Federal Credit Union	Atlanta	10,629	1.5%
		<u>\$ 265,619</u>	<u>38.0%</u>

- (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 March 31, 2018, each holding company had subsidiaries with advance borrowings in these FHLBank districts.

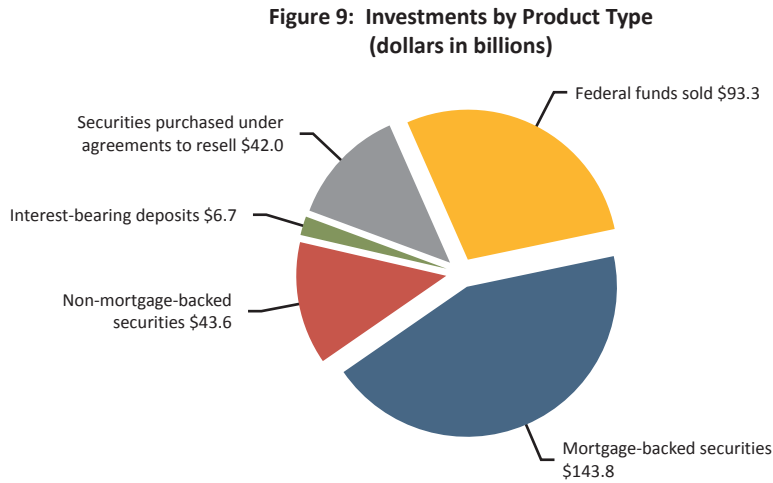
Investments

The FHLBanks maintain investment portfolios for liquidity purposes and to generate additional earnings. The income from these investment portfolios bolsters the FHLBanks' capacity to meet their commitments to affordable housing and community investment. The FHLBanks invest in investment-quality securities to mitigate credit risk inherent in these portfolios. 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 [Risk Management - Credit Risk - Investments](#) for additional information.) Figure 8 presents total investments for the most recent five quarters.

Figure 8: Total Investments



Total investments were \$329.4 billion at March 31, 2018, an increase of \$22.1 billion, or 7.2%, from \$307.3 billion at December 31, 2017, driven primarily by an increase in federal funds sold. Figure 9 presents the composition of investments by product type at March 31, 2018.



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

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

The yield earned on these short-term investments is highly correlated with short-term market interest rates. At March 31, 2018, the FHLBanks continued to maintain significant short-term investment balances as part of their ongoing investment strategy and to satisfy liquidity needs. (See [Liquidity and Capital Resources](#) for further discussion related to liquidity management.)

The FHLBanks maintain long-term investment portfolios as an additional source of liquidity and to earn interest income. These investments generally provide the FHLBanks with higher returns than those available on short-term investments. These portfolios may include:

- U.S. obligations;
- GSE obligations;
- Agency obligations; and
- Other MBS and ABS.

Table 8 presents the composition of investments, including investment securities, at March 31, 2018 and December 31, 2017.

Table 8 - Total Investments
(dollars in millions)

Carrying Value	March 31, 2018	December 31, 2017	Change
Interest-bearing deposits	\$ 6,653	\$ 5,420	\$ 1,233
Securities purchased under agreements to resell	42,014	52,568	(10,554)
Federal funds sold	93,329	65,530	27,799
Total Investment Securities by Major Security Type			
Investment securities non-mortgage-backed securities			
Certificates of deposit	2,125	2,160	(35)
U.S. obligations	9,832	7,127	2,705
GSE and Tennessee Valley Authority obligations	22,890	24,167	(1,277)
State or local housing agency obligations	3,532	3,580	(48)
Federal Family Education Loan Program ABS	4,130	4,214	(84)
Other	1,131	1,215	(84)
Total investment securities non-mortgage-backed securities	43,640	42,463	1,177
Investment securities mortgage-backed securities			
U.S. obligations single-family MBS	12,563	12,895	(332)
U.S. obligations multifamily MBS	416	446	(30)
GSE single-family MBS	42,971	42,797	174
GSE multifamily MBS	79,259	76,163	3,096
Private-label residential MBS	8,387	8,810	(423)
Manufactured housing loan ABS	51	54	(3)
Home equity loan ABS	129	134	(5)
Total investment securities mortgage-backed securities	143,776	141,299	2,477
Total investment securities	187,416	183,762	3,654
Total investments	\$ 329,412	\$ 307,280	\$ 22,132

The FHLBanks classify investment securities as held-to-maturity (HTM), available-for-sale (AFS), 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 HTM securities are designated as economic hedges, and derivatives held by an FHLBank associated with AFS securities may qualify as either a fair value hedge, or a cash flow hedge, or may be designated as an economic hedge. (See [Note 10 - Derivatives and Hedging Activities](#) to the accompanying combined financial statements for additional information.)

Table 9 presents the interest-rate payment terms of investment securities at March 31, 2018 and December 31, 2017.

Table 9 - Interest-Rate Payment Terms of Investment Securities
(dollars in millions)

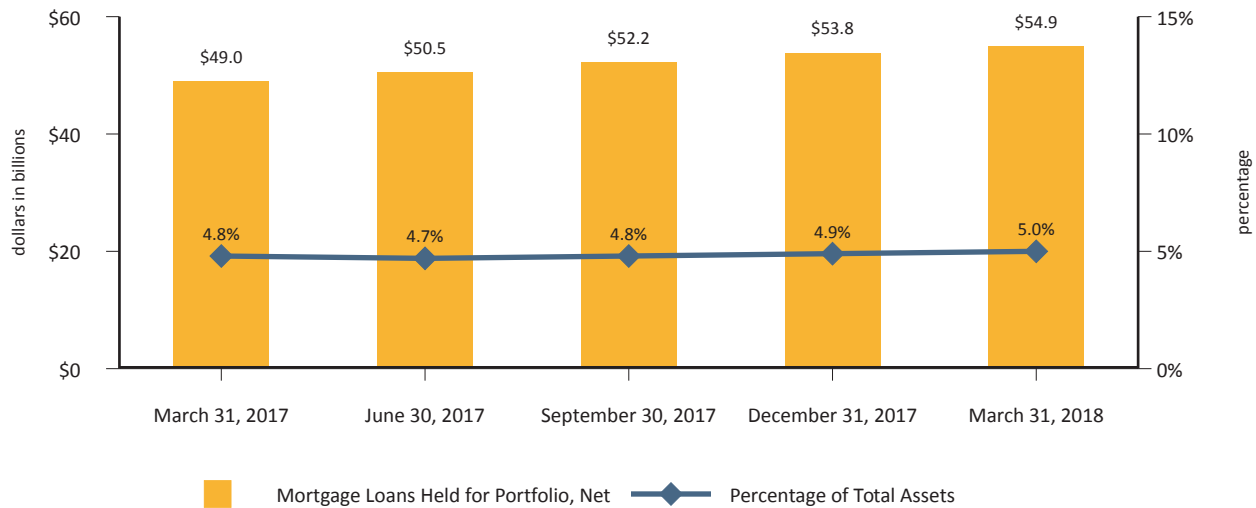
	March 31, 2018	December 31, 2017
Trading Securities at Fair Value		
Trading non-mortgage-backed securities		
Fixed-rate	\$ 8,196	\$ 3,811
Variable-rate	1,710	2,315
Total trading non-mortgage-backed securities	<u>9,906</u>	<u>6,126</u>
Trading mortgage-backed securities		
Fixed-rate	1,459	1,493
Variable-rate	112	117
Total trading mortgage-backed securities	<u>1,571</u>	<u>1,610</u>
Total trading securities	<u>\$ 11,477</u>	<u>\$ 7,736</u>
Available-for-Sale Securities at Amortized Cost		
Available-for-sale non-mortgage-backed securities		
Fixed-rate	\$ 17,872	\$ 18,900
Variable-rate	6,510	6,708
Total available-for-sale non-mortgage-backed securities	<u>24,382</u>	<u>25,608</u>
Available-for-sale mortgage-backed securities		
Fixed-rate	29,445	29,343
Variable-rate	22,185	23,246
Total available-for-sale mortgage-backed securities	<u>51,630</u>	<u>52,589</u>
Total available-for-sale securities	<u>\$ 76,012</u>	<u>\$ 78,197</u>
Held-to-Maturity Securities at Amortized Cost		
Held-to-maturity non-mortgage-backed securities		
Fixed-rate	\$ 3,387	\$ 4,797
Variable-rate	5,483	5,516
Total held-to-maturity non-mortgage-backed securities	<u>8,870</u>	<u>10,313</u>
Held-to-maturity mortgage-backed securities		
Fixed-rate	26,669	33,670
Variable-rate	63,336	52,823
Total held-to-maturity mortgage-backed securities	<u>90,005</u>	<u>86,493</u>
Total held-to-maturity securities	<u>\$ 98,875</u>	<u>\$ 96,806</u>

Limits on Certain Investments. FHFA regulations prohibit an FHLBank from purchasing MBS/ABS if its investment in these securities exceeds 300% of that FHLBank's previous month-end regulatory capital on the day it intends to purchase the securities. At March 31, 2018, each of the FHLBanks of Atlanta, Dallas, and Topeka exceeded the 300% regulatory limit. Each of these FHLBanks was not required to sell any previously purchased securities. Each of the FHLBanks was in compliance with the regulatory limit at the time of its respective securities purchases. On a combined basis, the FHLBanks' percentage of MBS/ABS (net of regulatory excluded MBS) was 258% of total combined regulatory capital at March 31, 2018.

Mortgage Loans Held for Portfolio, Net

An FHLBank may purchase mortgage loans to support the FHLBank's housing mission, provide an additional source of liquidity to FHLBank members, diversify its investments, and generate additional earnings. The two primary programs are the Mortgage Purchase Program (MPP) and the Mortgage Partnership Finance® (MPF) Program. Figure 10 presents mortgage loans held for portfolio, net, for the most recent five quarters.

Figure 10: Mortgage Loans Held for Portfolio, Net (Carrying Value)



Mortgage loans grew to \$54.9 billion at March 31, 2018, an increase of 2.0%, from \$53.8 billion at December 31, 2017, as mortgage loan purchases of \$2.6 billion outpaced principal repayments of \$1.5 billion. The allowance for credit losses on mortgage loans was \$17 million at March 31, 2018, an increase of 6.3%, from \$16 million at December 31, 2017.

Table 10 - Mortgage Loans Held for Portfolio, Net
(dollars in millions)

	March 31, 2018	December 31, 2017	Change
Mortgage loans held for portfolio	\$ 54,915	\$ 53,843	\$ 1,072
Allowance for credit losses on mortgage loans	(17)	(16)	(1)
Total mortgage loans held for portfolio, net	\$ 54,898	\$ 53,827	\$ 1,071

Mortgage Loans Held for Portfolio. As of March 31, 2018, the FHLBank of Atlanta was not accepting additional master commitments to acquire loans for its own portfolio. The FHLBank of Des Moines was not accepting additional master commitments to purchase mortgage loans under the MPP at March 31, 2018, and expects the balance of its existing MPP loans, acquired through its merger with the FHLBank of Seattle, to decrease as they are paid off. The remaining FHLBanks participating in the MPP and MPF Program continue to have the ability to purchase both conventional and government-guaranteed or -insured fixed-rate mortgage loans.

Allowance for Credit Losses on Mortgage Loans. Table 11 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.

Table 11 - Mortgage Loans Held for Portfolio - Characteristics and Credit Losses
(dollars in millions)

Unpaid Principal Balance	March 31, 2018	December 31, 2017
Total past due 90 days or more and still accruing interest	\$ 103	\$ 105
Non-accrual loans	\$ 178	\$ 194
Troubled debt restructurings (not included above)(1)	\$ 90	\$ 93

	Three Months Ended March 31, 2018	Year Ended December 31, 2017
Allowance for credit losses, beginning of period	\$ 16	\$ 18
Charge-offs, net of recoveries	(1)	(2)
Provision (reversal) for credit losses	2	—
Allowance for credit losses, end of period	\$ 17	\$ 16

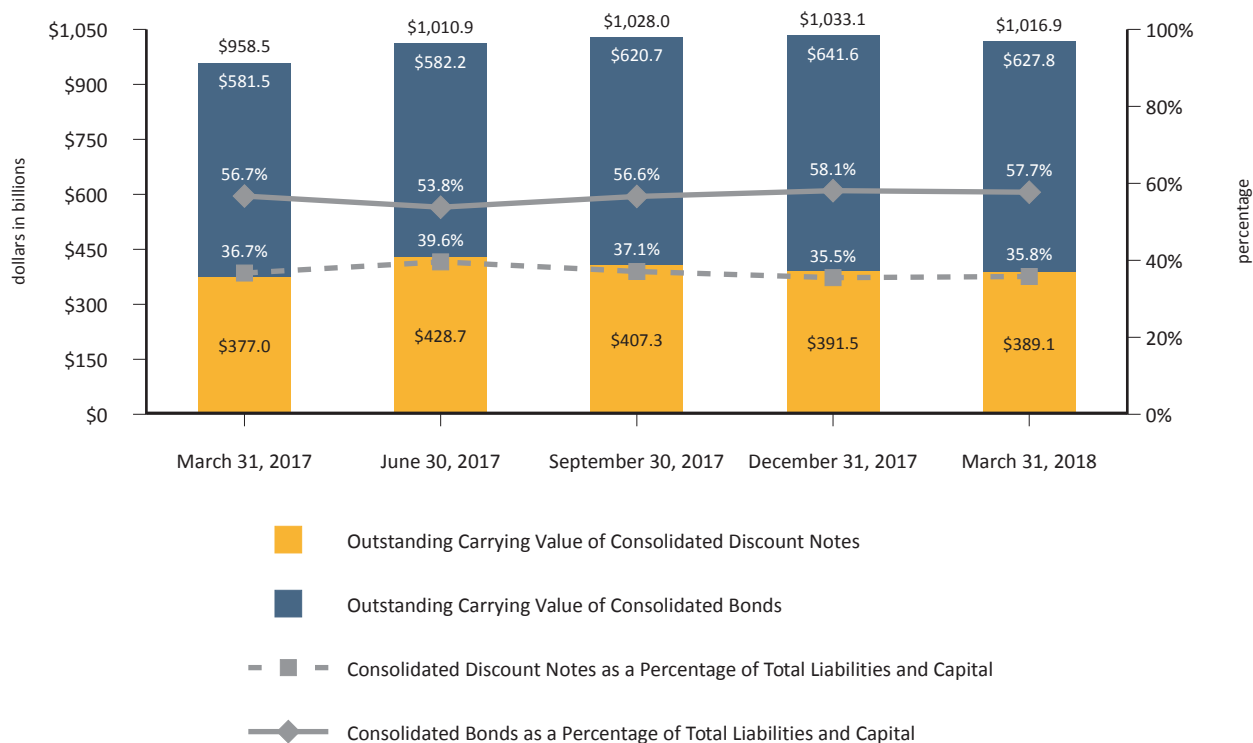
(1) Represents troubled debt restructured loans that are still performing as of the period-end presented.

See [Note 9 - Allowance for Credit Losses](#) to the accompanying combined financial statements and [Note 1 - Summary of Significant Accounting Policies](#) on pages F-18 to F-19 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017, 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, and are joint and several obligations of all FHLBanks. Consolidated obligations are the principal funding source used by the FHLBanks to make advances and to purchase mortgage loans and investments. Figure 11 presents consolidated bonds and consolidated discount notes for the most recent five quarters.

Figure 11: Consolidated Obligations Outstanding (Carrying Value)



The carrying value of consolidated obligations totaled \$1,016.9 billion at March 31, 2018, a decrease of \$16.2 billion, or 1.6%, from \$1,033.1 billion at December 31, 2017, in line with the decrease in total assets and consisted of a decrease in consolidated bonds and consolidated discount notes.

Consolidated bonds may be issued to raise short-, intermediate-, or long-term funds. Consolidated bonds are issued with either fixed-rate or variable-rate coupon payment terms and have maturities ranging from one month to 30 years. The carrying value of consolidated bonds was \$627.8 billion at March 31, 2018, a decrease of \$13.8 billion, or 2.1%, from \$641.6 billion at December 31, 2017, driven by a decrease in variable-rate consolidated bonds with contractual maturities of three years or less, partially offset by an increase in fixed-rate, callable consolidated bonds. Consolidated bonds represented 61.7% and 62.1% of total consolidated obligations outstanding at March 31, 2018 and December 31, 2017.

Consolidated discount notes are issued to provide short-term funding and have a maturity range of one day to one year. They are generally issued below face value, and mature at face value. 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 \$389.1 billion at March 31, 2018, a decrease of \$2.4 billion, or 0.6%, from \$391.5 billion at December 31, 2017. Consolidated discount notes represented 38.3% and 37.9% of total consolidated obligations outstanding at March 31, 2018 and December 31, 2017.

Figures 12 and 13 present the principal amount of consolidated obligations by product type and by contractual maturity at March 31, 2018.

Figure 12: Consolidated Obligations by Product Type (dollars in billions)

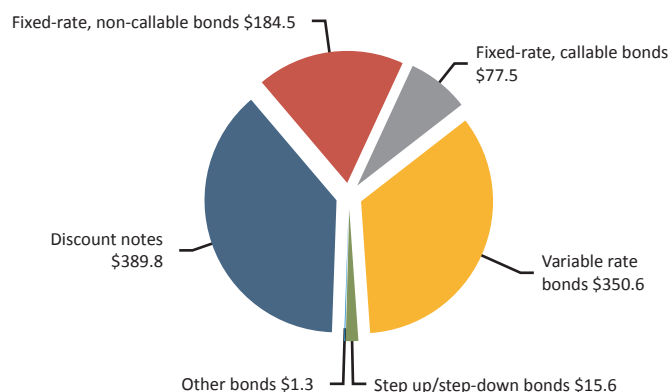


Figure 13: Consolidated Obligations by Contractual Maturity (dollars in billions)

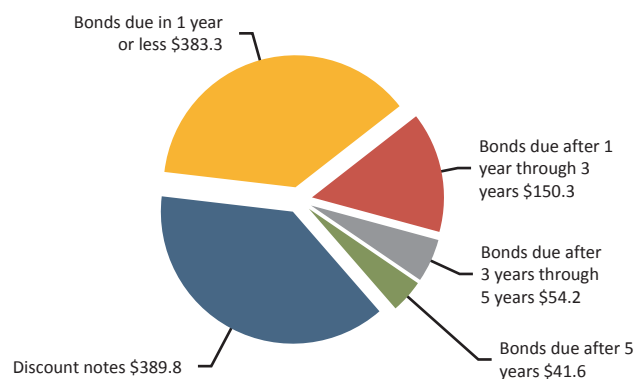


Table 12 presents the composition of consolidated obligations by product type and by contractual maturity at March 31, 2018 and December 31, 2017.

Table 12 - Types of Consolidated Obligations by Contractual Maturity
(dollars in millions)

	March 31, 2018		December 31, 2017		Change
	Amount	Percentage of Total Principal Amount of Consolidated Obligations	Amount	Percentage of Total Principal Amount of Consolidated Obligations	
Consolidated Discount Notes					
Overnight	\$ 10,954	1.1%	\$ 10,575	1.0%	\$ 379
Due after 1 day through 30 days	170,978	16.8%	166,737	16.2%	4,241
Due after 30 days through 90 days	175,039	17.2%	191,591	18.5%	(16,552)
Due after 90 days through 1 year	32,828	3.2%	23,146	2.2%	9,682
Total principal amount	389,799	38.3%	392,049	37.9%	(2,250)
Consolidated Bonds					
Fixed-rate, non-callable					
Due in 1 year or less	62,067	6.1%	57,248	5.5%	4,819
Due after 1 year through 3 years	81,311	8.0%	83,438	8.1%	(2,127)
Due after 3 years through 5 years	25,864	2.5%	27,098	2.6%	(1,234)
Thereafter	15,292	1.5%	15,944	1.5%	(652)
Total principal amount	184,534	18.1%	183,728	17.7%	806
Fixed-rate, callable					
Due in 1 year or less	11,894	1.2%	12,736	1.2%	(842)
Due after 1 year through 3 years	24,170	2.4%	19,159	1.9%	5,011
Due after 3 years through 5 years	20,700	2.0%	20,285	2.0%	415
Thereafter	20,739	2.0%	20,253	2.0%	486
Total principal amount	77,503	7.6%	72,433	7.1%	5,070
Variable-rate (non-capped and capped)					
Due in 1 year or less	308,637	30.3%	321,287	31.1%	(12,650)
Due after 1 year through 3 years	41,895	4.1%	49,533	4.8%	(7,638)
Due after 3 years through 5 years	50	—	—	—	50
Thereafter	—	—	30	—	(30)
Total principal amount	350,582	34.4%	370,850	35.9%	(20,268)
Step-up/step-down					
Due in 1 year or less	680	0.1%	270	—	410
Due after 1 year through 3 years	2,878	0.3%	2,180	0.2%	698
Due after 3 years through 5 years	7,418	0.7%	6,910	0.7%	508
Thereafter	4,575	0.4%	4,605	0.4%	(30)
Total principal amount	15,551	1.5%	13,965	1.3%	1,586
Other(1)					
Due in 1 year or less	6	—	18	—	(12)
Due after 1 year through 3 years	90	—	25	—	65
Due after 3 years through 5 years	140	—	205	—	(65)
Thereafter	1,024	0.1%	989	0.1%	35
Total principal amount	1,260	0.1%	1,237	0.1%	23
Total principal amount consolidated bonds	629,430	61.7%	642,213	62.1%	\$ (12,783)
Total principal amount	1,019,229	100.0%	1,034,262	100.0%	
Other adjustments(2)	(2,340)		(1,181)		
Total consolidated obligations	\$ 1,016,889		\$ 1,033,081		

(1) Includes index-amortizing notes.

(2) Consists of hedging and fair value option valuation adjustments, unamortized premiums and discounts, and also consists of combining adjustments of \$112 million and \$117 million at March 31, 2018 and December 31, 2017.

Table 13 presents cash flows related to consolidated obligations, which illustrates payments exceeding proceeds for the three months ended March 31, 2018 and 2017, resulting in lower consolidated obligation balances. The volume of both net proceeds and total payments of consolidated obligations increased during the three months ended March 31, 2018, compared to the same period in 2017. This was due to ongoing short-term funding needs resulting from investor preference for highly liquid debt securities and short-term advance demand.

Table 13 - Net Proceeds and Payments for Consolidated Obligations
(dollars in millions)

	Three Months Ended March 31,		
	2018	2017	Change
Net proceeds from issuance of consolidated obligations			
Discount notes	\$ 1,783,715	\$ 1,326,410	\$ 457,305
Bonds	130,643	94,259	36,384
Net proceeds	1,914,358	1,420,669	\$ 493,689
Payments for maturing and retiring consolidated obligations			
Discount notes	1,786,211	1,359,278	\$ 426,933
Bonds	143,415	91,476	51,939
Total payments	1,929,626	1,450,754	\$ 478,872
Net change	\$ (15,268)	\$ (30,085)	

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. 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 and may allow an FHLBank to reduce its funding costs. The continued attractiveness of this strategy depends on yield relationships between the FHLBanks' consolidated obligations and the derivatives markets. If conditions change, an FHLBank may alter the types or terms of the consolidated obligations that it issues. 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.

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. During the three months ended March 31, 2018 and 2017, investors preferred variable-rate consolidated obligations to fixed-rate consolidated obligations as investors sought interest-rate protection in a rising interest-rate environment. Table 14 presents the bond types the FHLBanks relied on for their bond funding needs.

Table 14 - Percentage of Total Consolidated Bonds Issued by Bond Type

	Three Months Ended March 31,	
	2018	2017
Single-index, variable-rate	82.7%	80.1%
Fixed-rate, noncallable	10.1%	13.2%
Fixed-rate, callable	5.8%	4.6%
Step-up/step-down(1)	1.4%	2.0%
Other	—	0.1%
Total	100.0%	100.0%

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

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. Deposits represent a relatively small portion of the FHLBanks' funding, totaling \$8.2 billion at March 31, 2018, an increase of \$0.4 billion, or 5.8%, from December 31, 2017. Deposit balances 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 91.4% and 89.4% of deposits at March 31, 2018 and December 31, 2017, with the remaining deposits primarily being term deposits and non-interest-bearing deposits.

Capital

GAAP capital consists of capital stock, retained earnings, and accumulated other comprehensive income (loss). Figure 14 presents GAAP capital and the GAAP capital-to-assets ratio for the most recent five quarters.

Figure 14: GAAP Capital

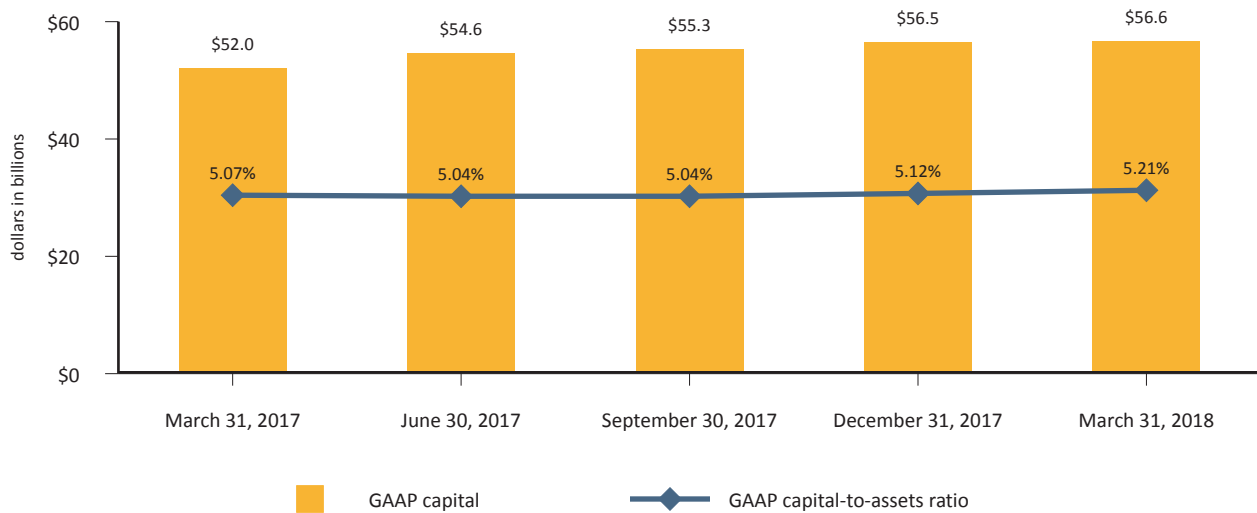


Table 15 - Total Capital and Capital-to-Assets Ratios
(dollars in millions)

	March 31, 2018	December 31, 2017	Change
Capital stock	\$ 37,285	\$ 37,657	\$ (372)
Retained earnings	18,463	18,099	364
AOCI	890	724	166
Total GAAP capital	56,638	56,480	158
Exclude: AOCI	(890)	(724)	(166)
Add: Mandatorily redeemable capital stock	1,237	1,272	(35)
Other(1)	—	(1)	1
Total combined regulatory capital(2)	\$ 56,985	\$ 57,027	\$ (42)
Total assets	\$ 1,087,860	\$ 1,103,451	\$ (15,591)
Combined GAAP capital-to-assets ratio	5.21%	5.12%	
Combined regulatory capital-to-assets ratio(3)	5.24%	5.17%	

(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 total combined regulatory capital due to combining adjustments.

(3) The combined regulatory capital-to-assets ratio is calculated based on the FHLBanks' combined regulatory capital as a percentage of combined total assets. (See [Note 13 - Capital](#) to the accompanying combined financial statements for a definition and discussion of regulatory capital.)

GAAP Capital. Total GAAP capital was \$56.6 billion at March 31, 2018, an increase of 0.3% from \$56.5 billion at December 31, 2017. This increase was due to growth in retained earnings and an increase in accumulated other comprehensive income, partially offset by a decrease in capital stock. The combined GAAP capital-to-assets ratio was 5.21% at March 31, 2018, an increase of 9 basis points from 5.12% at December 31, 2017.

Capital Stock. Capital stock was \$37.3 billion at March 31, 2018, a decrease of 1.0% from \$37.7 billion at December 31, 2017, due to net repurchases and redemptions of capital stock.

Retained Earnings. Retained earnings grew to \$18.5 billion at March 31, 2018, an increase of 2.0% from \$18.1 billion at December 31, 2017, due to net income of \$858 million, partially offset by dividends of \$499 million. Unrestricted retained earnings were \$14.7 billion at March 31, 2018, a growth of 1.3% from \$14.5 billion at December 31, 2017. Restricted retained earnings were \$3.7 billion at March 31, 2018, a growth of 4.8% from \$3.6 billion at December 31, 2017.

Accumulated Other Comprehensive Income (Loss). Accumulated other comprehensive income was \$890 million at March 31, 2018, an increase of 22.9% from \$724 million at December 31, 2017, due primarily to higher net unrealized gains related to cash flow hedge activities.

Table 16 - Capital Components as a Percentage of Total GAAP Capital

	March 31, 2018	December 31, 2017
Capital stock	65.8%	66.7%
Retained earnings	32.6%	32.0%
AOCI	1.6%	1.3%
Total GAAP capital	100.0%	100.0%

Regulatory Capital. Total combined regulatory capital was \$57.0 billion at March 31, 2018, a decrease of 0.1% compared to December 31, 2017. 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.

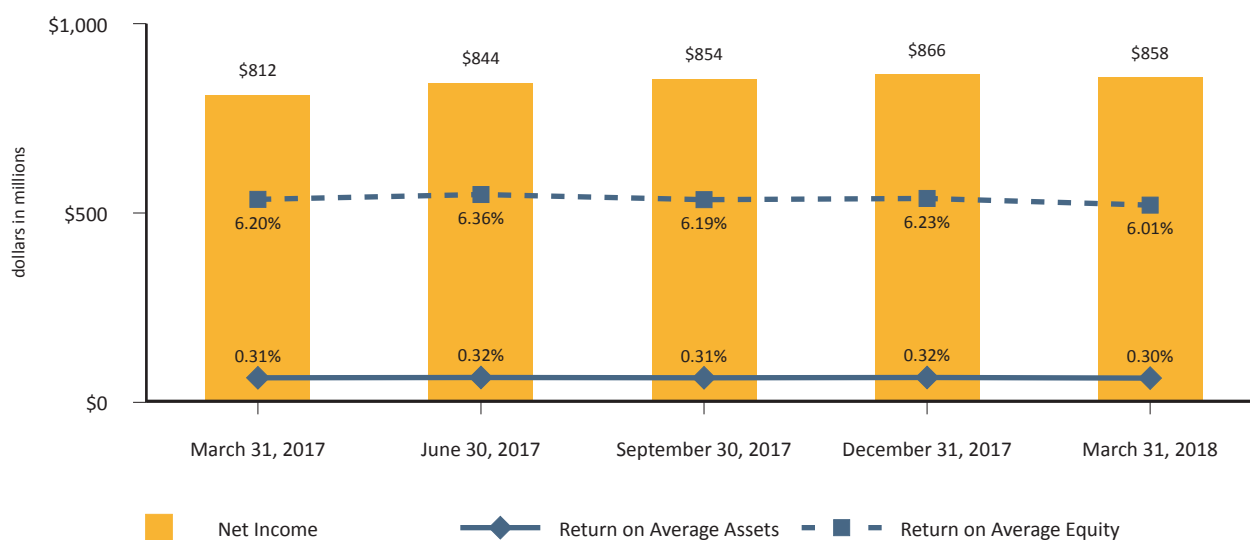
Combined Results of Operations

Net Income

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 Affordable Housing Program assessments. The FHLBanks may also recognize non-interest gains and losses, such as gains and losses on derivatives and hedging activities and gains and losses on trading securities.

Due to the FHLBanks' cooperative structures, the FHLBanks generally earn a narrow net interest spread. Accordingly, the FHLBanks' net income is relatively small compared to total assets and total liabilities. Figure 15 presents net income, return on average assets, and return on average equity for the most recent five quarters.

Figure 15: Net Income



Net income was \$858 million for the three months ended March 31, 2018, an increase of 5.7% compared to the same period in 2017. This increase was primarily the result of an increase in net interest income and a decrease in non-interest expense, partially offset by lower gains on derivatives and hedging activities and no gains on litigation settlements during the first quarter of 2018.

Table 17 - Changes in Net Income

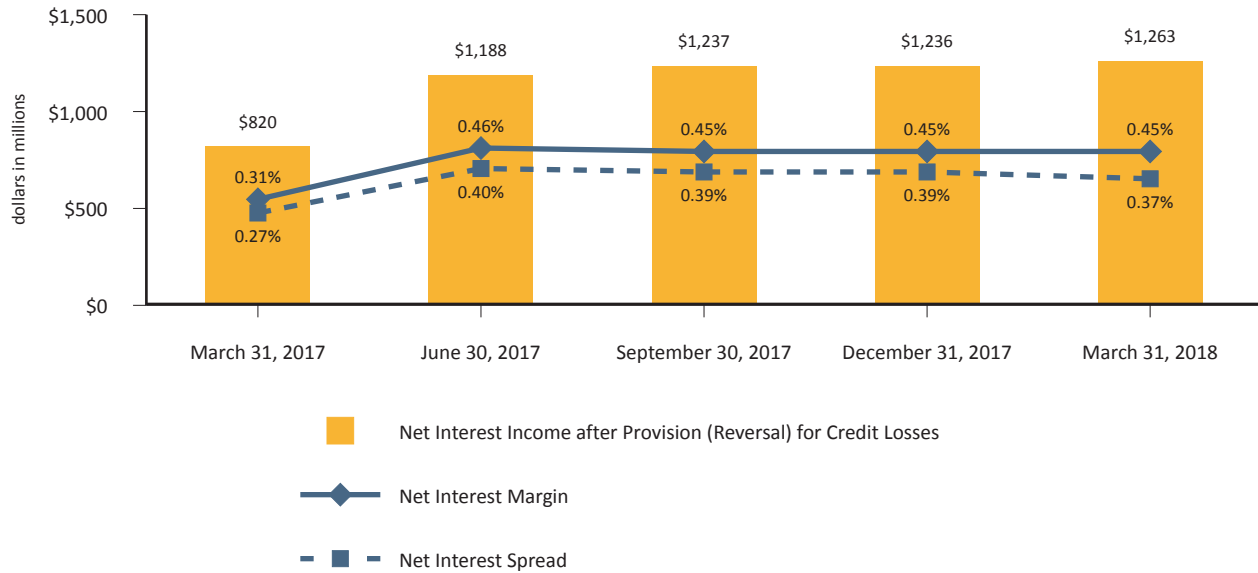
(dollars in millions)

	Three Months Ended March 31,		
	2018	2017	Change
Net interest income after provision (reversal) for credit losses	\$ 1,263	\$ 820	\$ 443
Non-interest income	4	492	(488)
Non-interest expense	312	407	(95)
Affordable Housing Program assessments	97	93	4
Net income	\$ 858	\$ 812	\$ 46

Net Interest Income after Provision (Reversal) for Credit Losses

The primary source of each FHLBank's earnings is net interest income, which is the interest income on advances, mortgage loans, and investments, less the interest expense on consolidated obligations, mandatorily redeemable capital stock, and other borrowings. Figure 16 presents net-interest income after provision (reversal) for credit losses, net interest margin, and net interest spread for the most recent five quarters.

Figure 16: Net Interest Income after Provision (Reversal) for Credit Losses



Net interest income after provision (reversal) for credit losses was \$1,263 million for the three months ended March 31, 2018, an increase of 54.0% compared to the same period in 2017. Net interest margin was 0.45% for the three months ended March 31, 2018, an increase of 14 basis points compared to the same period in 2017.

Table 18 - Net Interest Income after Provision (Reversal) for Credit Losses
(dollars in millions)

	Three Months Ended March 31,		
	2018	2017	Change
Interest income			
Advances	\$ 3,337	\$ 1,530	\$ 1,807
Prepayment fees on advances, net	10	9	1
Investments and other	1,632	1,123	509
Mortgage loans held for portfolio	463	414	49
Total interest income	5,442	3,076	2,366
Interest expense			
Consolidated obligations - Discount notes	1,515	626	889
Consolidated obligations - Bonds	2,621	1,598	1,023
Total consolidated obligations	4,136	2,224	1,912
Mandatorily redeemable capital stock and other borrowings	41	32	9
Total interest expense	4,177	2,256	1,921
Net interest income	1,265	820	445
Provision (reversal) for credit losses	2	—	2
Net interest income after provision (reversal) for credit losses	\$ 1,263	\$ 820	\$ 443

Table 19 presents average balances of and yields on 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 yield 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 a narrow net interest spread.

Table 19 - Spread and Yield Analysis
(dollars in millions)

	Three Months Ended March 31,					
	2018			2017		
	Average Balance	Interest	Annualized Yield	Average Balance	Interest	Annualized Yield
Interest-bearing deposits and other	\$ 7,821	\$ 31	1.61%	\$ 5,308	\$ 11	0.84%
Securities purchased under agreements to resell	22,231	81	1.48%	19,314	29	0.61%
Federal funds sold	101,863	370	1.47%	83,135	147	0.72%
Investment securities(1)(2)	181,781	1,150	2.57%	185,451	936	2.05%
Advances(3)	767,801	3,347	1.77%	716,431	1,539	0.87%
Mortgage loans	54,373	463	3.45%	48,750	414	3.44%
Total interest-earning assets	1,135,870	5,442	1.94%	1,058,389	3,076	1.18%
Other non-interest-earning assets	5,693			6,985		
Fair-value adjustment on investment securities(2)	2,549			835		
Total assets	<u>\$ 1,144,112</u>			<u>\$ 1,066,209</u>		
Liabilities and Capital						
Consolidated obligations - Discount notes	424,410	1,515	1.45%	409,017	626	0.62%
Consolidated obligations - Bonds	646,042	2,621	1.65%	586,313	1,598	1.11%
Mandatorily redeemable capital stock and other borrowings(4)	8,704	41	1.91%	9,944	32	1.31%
Total interest-bearing liabilities	1,079,156	4,177	1.57%	1,005,274	2,256	0.91%
Non-interest-bearing liabilities	7,030			7,829		
Total liabilities	1,086,186			1,013,103		
Capital	57,926			53,106		
Total liabilities and capital	<u>\$ 1,144,112</u>			<u>\$ 1,066,209</u>		
Net interest income		<u>\$ 1,265</u>			<u>\$ 820</u>	
Net interest spread			0.37%			0.27%
Net interest margin			0.45%			0.31%
Total interest-earning assets to total interest-bearing liabilities	105.26%			105.28%		

(1) Investment securities consist of Trading, AFS, and HTM securities.

(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 other-than-temporary impairment (OTTI) reflected in AOCI.

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

(4) The average balance of other borrowings does not include non-interest-bearing deposits, but does include the average balance and the related interest expense of deposits.

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 20 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 20 - Rate and Volume Analysis
(dollars in millions)

	Three Months Ended March 31,		
	2018 vs. 2017		
	Volume	Rate	Total
Interest Income			
Interest-bearing deposits and other	\$ 7	\$ 13	\$ 20
Securities purchased under agreements to resell	5	47	52
Federal funds sold	39	184	223
Investment securities(1)	(19)	233	214
Advances(2)	117	1,691	1,808
Mortgage loans	48	1	49
Total interest income	197	2,169	2,366
Interest Expense			
Consolidated obligations - Discount notes	25	864	889
Consolidated obligations - Bonds	177	846	1,023
Mandatorily redeemable capital stock and other borrowings(3)	(4)	13	9
Total interest expense	198	1,723	1,921
Changes in net interest income	\$ (1)	\$ 446	\$ 445

(1) Investment securities consist of Trading, AFS, and HTM securities.

(2) Includes prepayment fees on advances, net.

(3) Other borrowings does not include non-interest-bearing deposits, but does include the related interest expense of deposits.

Net interest income was \$1,265 million for the three months ended March 31, 2018, an increase of 54.3% compared to the same period in 2017. Interest income was \$5,442 million for the three months ended March 31, 2018, an increase of 76.9% compared to the same period in 2017, due primarily to a 76 basis point increase in the yield on interest-earning assets, principally advances, and a 7.3% increase in the average balance of interest-earning assets. Interest expense was \$4,177 million for the three months ended March 31, 2018, an increase of 85.2% compared to the same period in 2017, due primarily to a 66 basis point increase in the yields on interest-bearing liabilities and a 7.3% increase in the average balance of interest-bearing liabilities.

Factors Affecting Net Interest Income.

Advances. Interest income on advances was \$3,347 million for the three months ended March 31, 2018, an increase of \$1,808 million compared to the same period in 2017, resulting primarily from a 90 basis point increase in the yield on advances. The increase in yield was primarily due to the higher interest-rate environment, offset by the effect of derivatives and hedging activities on interest income from advances. (See *Table 21* for additional information regarding the effect of derivatives and hedging activities on net interest income.)

Mortgage Loans. Interest income on mortgage loans was \$463 million for the three months ended March 31, 2018, an increase of 11.8% compared to the same period in 2017, primarily resulting from an increase in the average balance of mortgage loans. The average balance of mortgage loans was \$54.4 billion, an increase of 11.5% as mortgage loan purchases outpaced principal repayments.

Total Investments. Interest income on investments was \$1,632 million for the three months ended March 31, 2018, an increase of 45.3% compared to the same period in 2017, primarily resulting from an increase in the yields on investment securities and federal funds sold. The yield on investment securities was 2.57% for the three months ended March 31, 2018, an increase of 52 basis points compared to the same period in 2017. The yield on federal funds sold was 1.47%, an increase of 75 basis points compared to the same period in 2017. The increase in the yields on investment securities and federal funds sold were driven primarily by increases in market interest rates.

Consolidated Obligations. Interest expense on consolidated obligations was \$4,136 million for the three months ended March 31, 2018, an increase of 86.0% compared to the same period in 2017, primarily resulting from an increase in yields on consolidated discount notes and consolidated bonds. The yield on consolidated discount notes was 1.45% for the three months ended March 31, 2018, an increase of 83 basis points, and the yield on consolidated bonds was 1.65%, an increase of 54 basis points compared to the same period in 2017. The increases in the yields on consolidated discount notes and consolidated bonds were due primarily to the higher interest-rate environment.

Effect of Derivatives and Hedging Activities on Net Interest Income.

Net interest income includes components related to the effect of derivatives and hedging activities resulting from the FHLBanks' hedging strategies. Net interest income, net interest margin, and yield on advances for the three months ended March 31, 2017, were negatively affected by the FHLBank of Atlanta's recording of \$302 million of accelerated amortization during the first quarter of 2017, due to prepayments of certain previously restructured and hedged advances. This accelerated amortization was offset by corresponding gains recorded in net gains (losses) on derivatives and hedging activities included in non-interest income, recorded during the first quarter of 2017. Table 21 presents the effect of derivatives and hedging activities on net interest income and Table 23 presents the effect of derivatives and hedging activities on non-interest income.

If a hedging relationship is designated and qualifies for hedge accounting treatment, the net interest settlements of interest receivables or payables related to derivatives designated in fair value or cash flow hedge relationships are recognized as adjustments to interest income or expense of the designated hedged item. In addition, when hedge accounting is discontinued, the cumulative basis adjustment on the hedged item is amortized or accreted into net interest income over the remaining life of the hedged item using a level-yield methodology. (See [Note 10 - Derivatives and Hedging Activities](#) to the accompanying combined financial statements for additional information on the effect of derivatives and hedging activities.)

Table 21 - Effect of Derivatives and Hedging Activities on Net Interest Income
(dollars in millions)

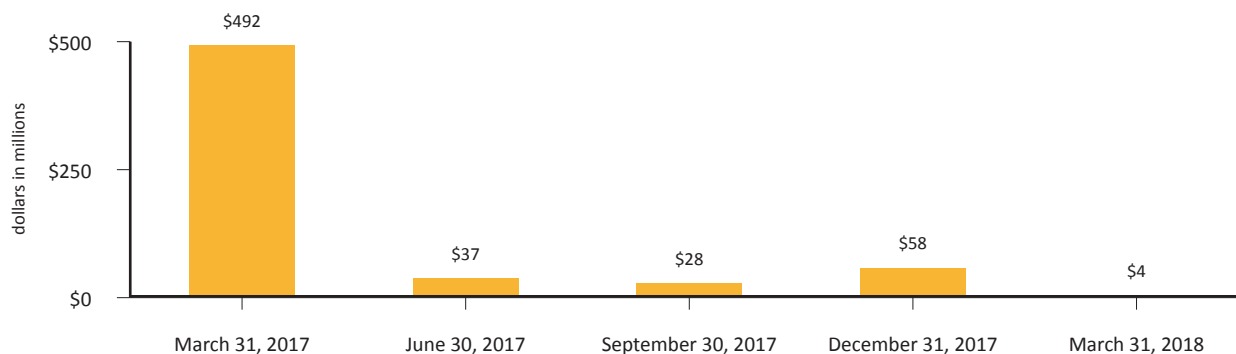
	Three Months Ended March 31, 2018					
	Advances	Investment Securities	Mortgage Loans	Consolidated Bonds	Consolidated Discount Notes	Total
Net interest income						
Amortization and accretion of hedging activities in net interest income	\$ (8)	\$ 12	\$ (3)	\$ (4)	\$ —	\$ (3)
Net interest settlements included in net interest income(1)	(21)	(68)	—	(36)	(41)	(166)
Total effect on net interest income	<u>\$ (29)</u>	<u>\$ (56)</u>	<u>\$ (3)</u>	<u>\$ (40)</u>	<u>\$ (41)</u>	<u>\$ (169)</u>
	Three Months Ended March 31, 2017					
	Advances	Investment Securities	Mortgage Loans	Consolidated Bonds	Consolidated Discount Notes	Total
Net interest income						
Amortization and accretion of hedging activities in net interest income	\$ (310)	\$ 20	\$ (5)	\$ (4)	\$ —	\$ (299)
Net interest settlements included in net interest income(1)	(252)	(135)	—	123	(57)	(321)
Total effect on net interest income	<u>\$ (562)</u>	<u>\$ (115)</u>	<u>\$ (5)</u>	<u>\$ 119</u>	<u>\$ (57)</u>	<u>\$ (620)</u>

(1) Represents interest income or expense on derivatives included in net interest income.

Non-Interest Income

Non-interest income consists of realized and unrealized gains (losses) on investment securities and derivatives activities, gains on litigation settlements, and other non-interest-earning activities. Figure 17 presents non-interest income for the most recent five quarters.

Figure 17: Non-Interest Income



Non-interest income was \$4 million for the three months ended March 31, 2018, a decrease of \$488 million compared to the same period in 2017, due primarily to lower gains on derivatives and hedging activities, no gains on litigation settlements, and net losses on trading securities during the first quarter of 2018.

Table 22 - Changes in Non-Interest Income
(dollars in millions)

	Three Months Ended March 31,		
	2018	2017	Change
Net other-than-temporary impairment losses	\$ (2)	\$ (5)	\$ 3
Net gains (losses) on trading securities	(61)	10	(71)
Net realized gains (losses) from sale of available-for-sale securities	—	1	(1)
Net gains (losses) on financial instruments held under fair value option	(29)	(7)	(22)
Net gains (losses) on derivatives and hedging activities	55	310	(255)
Gains on litigation settlements, net	—	139	(139)
Other, net	41	44	(3)
Total non-interest income (loss)	\$ 4	\$ 492	\$ (488)

Gains (Losses) on Trading Securities. The FHLBanks classify certain investment securities generally held for liquidity purposes as trading securities under GAAP. Investment securities classified as 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 fair value of these securities, including changes in interest rates, credit spreads, the passage of time, and volatility. Net losses on trading securities were \$61 million for the three months ended March 31, 2018. Net gains on trading securities were \$10 million for the three months ended March 31, 2017. Certain trading securities are being economically hedged, and the gains (losses) on these securities are generally offset by the change in fair value of the associated derivatives. (See *Table 23* for additional information regarding the effect of derivatives and hedging activities on non-interest income.)

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 items 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 items. 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.

Fair values are based on a wide range of factors, including current and projected levels of interest rates, credit spreads, the passage of time, and volatility. Hedge ineffectiveness occurs when changes in the fair value of the derivative and the associated hedged item do not perfectly offset. (See [Note 10 - Derivatives and Hedging Activities](#) to the accompanying combined financial statements for additional information on the financial effect of derivatives and hedging activities.) Table 23 presents the effect of derivatives and hedging activities on non-interest income.

Table 23 - Effect of Derivatives and Hedging Activities on Non-Interest Income
(dollars in millions)

	Three Months Ended March 31, 2018							
	Advances	Investment Securities	Mortgage Loans	Consolidated Bonds	Consolidated Discount Notes	Balance Sheet	Intermediary Positions and Other	Total
Net gains (losses) on derivatives and hedging activities								
Gains (losses) related to fair value hedge ineffectiveness	\$ 19	\$ 17	\$ —	\$ 9	\$ —	\$ —	\$ —	\$ 45
Gains (losses) related to cash flow hedge ineffectiveness	—	—	—	—	1	—	—	1
Gains (losses) related to derivatives not designated as hedging instruments	62	74	9	(151)	21	7	(9)	13
Other(1)	—	—	—	—	—	—	(4)	(4)
Total net gains (losses) on derivatives and hedging activities	81	91	9	(142)	22	7	(13)	55
Net gains (losses) on trading securities(2)	—	(58)	—	—	—	—	—	(58)
Net gains (losses) on financial instruments held at fair value	(58)	—	(4)	33	—	—	—	(29)
Total effect on non-interest income	\$ 23	\$ 33	\$ 5	\$ (109)	\$ 22	\$ 7	\$ (13)	\$ (32)

	Three Months Ended March 31, 2017							
	Advances	Investment Securities	Mortgage Loans	Consolidated Bonds	Consolidated Discount Notes	Balance Sheet	Intermediary Positions and Other	Total
Net gains (losses) on derivatives and hedging activities								
Gains (losses) related to fair value hedge ineffectiveness	\$ 320	\$ 2	\$ —	\$ (7)	\$ —	\$ —	\$ —	\$ 315
Gains (losses) related to cash flow hedge ineffectiveness	—	—	—	—	1	—	—	1
Gains (losses) related to derivatives not designated as hedging instruments	4	(2)	8	7	(16)	(11)	3	(7)
Other(1)	—	—	—	—	—	—	1	1
Total net gains (losses) on derivatives and hedging activities	324	—	8	—	(15)	(11)	4	310
Net gains (losses) on trading securities(2)	—	7	—	—	—	—	—	7
Net gains (losses) on financial instruments held at fair value	(1)	—	—	(9)	3	—	—	(7)
Total effect on non-interest income	\$ 323	\$ 7	\$ 8	\$ (9)	\$ (12)	\$ (11)	\$ 4	\$ 310

(1) Amount in intermediary positions and other includes the price alignment amount on derivatives for which variation margin is characterized as a daily settled contract.

(2) Includes only those gains (losses) on trading securities that have an assigned economic derivative; therefore, this line item may not agree to the Combined Statement of Income.

Net gains on derivatives and hedging activities were \$55 million for the three months ended March 31, 2018, resulting primarily from gains related to fair value hedge ineffectiveness and derivatives not designated as qualifying accounting hedges under GAAP.

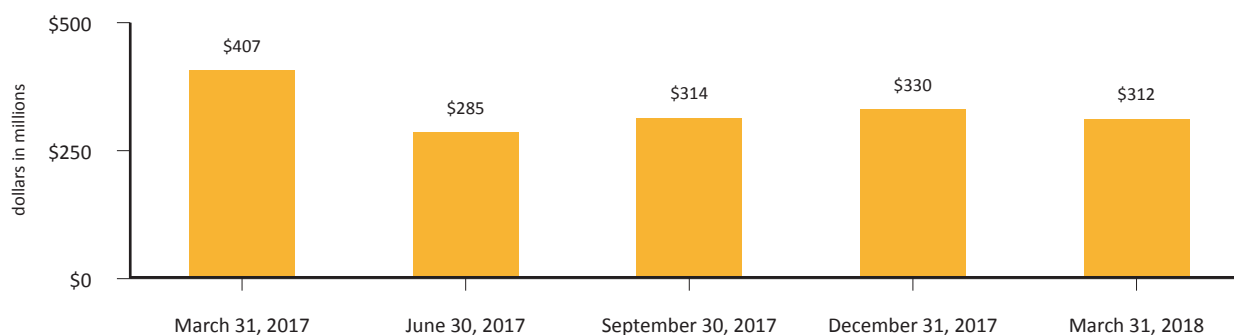
Net gains on derivatives and hedging activities were \$310 million for the three months ended March 31, 2017, consisting primarily of gains related to fair value hedge ineffectiveness. Fair value hedge ineffectiveness was driven primarily by gains resulting from prepayments of certain previously restructured and hedged advances recorded by the FHLBank of Atlanta during the first quarter of 2017. However, this gain was offset by \$302 million of accelerated amortization included in net interest income during the first quarter of 2017. (See [Table 21](#), which presents the effect of derivatives and hedging activities on net interest income.)

Gains on Litigation Settlement, Net. There were no gains on litigation settlements, net of related legal expenses for the three months ended March 31, 2018. Gains on litigation settlements, net of related legal expenses, were \$139 million for the three months ended March 31, 2017, driven primarily by the FHLBank of San Francisco's recognition of settlements resulting in a net gain of \$119 during the first quarter of 2017.

Non-Interest Expense

Non-interest expense consists of compensation and benefits, other operating expenses, FHFA expenses, Office of Finance expenses, and other expenses. Figure 18 presents non-interest expense for the most recent five quarters.

Figure 18: Non-Interest Expense



Non-interest expense was \$312 million for the three months ended March 31, 2018, a decrease of 23.3% compared to the same period in 2017, due primarily to a decrease in other expenses. This decrease was primarily the result of expenses incurred during the first quarter of 2017 related to a charge of \$70 million by the FHLBank of New York to settle all claims related to the 2008 Lehman Brothers bankruptcy and a voluntary charitable contribution of \$40 million by the FHLBank of San Francisco for a donor-advised fund established to support quality job growth and small business expansion.

Table 24 - Changes in Non-Interest Expense
(dollars in millions)

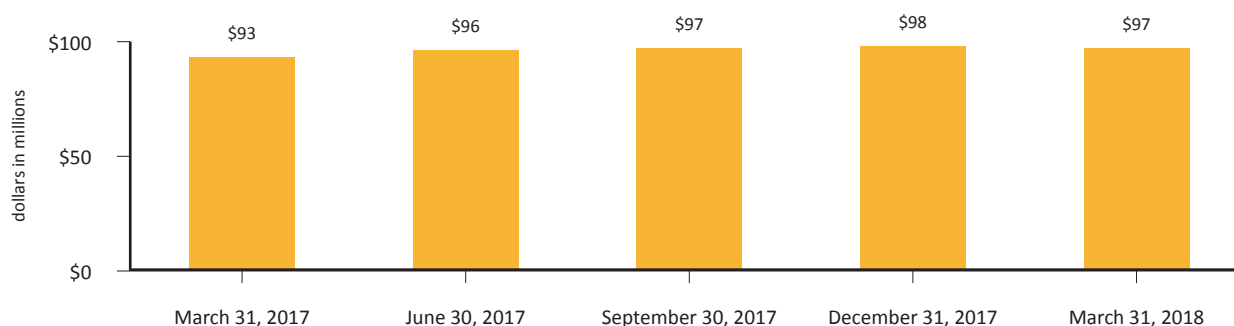
	Three Months Ended March 31,		
	2018	2017	Change
Compensation and benefits	\$ 170	\$ 164	\$ 6
Other operating expenses	93	92	1
Federal Housing Finance Agency	16	17	(1)
Office of Finance	15	15	—
Other expenses	18	119	(101)
Total non-interest expense	<u>\$ 312</u>	<u>\$ 407</u>	<u>\$ (95)</u>

Affordable Housing Program (AHP) Assessments

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. In addition to the required assessment, an FHLBank's board of directors may elect to make voluntary contributions to the AHP. 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.

AHP helps members provide subsidized and other low-cost funding, as well as grants, to create affordable rental and homeownership opportunities. All FHLBank operating costs for the AHP are included in operating expenses, so all AHP assessments go directly to support affordable housing projects. Figure 19 presents AHP assessments for the most recent five quarters.

Figure 19: Affordable Housing Program Assessments



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 joint and several obligations of all FHLBanks, these interbank transactions have no effect on the holders of the consolidated bonds.

There were no interbank transfers of consolidated obligations during the three months ended March 31, 2018 and 2017. The amount of total interbank consolidated bonds transferred during a period depends on a variety of factors, including (1) whether 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 is now 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, interbank eliminations 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 25 presents the effect of interbank eliminations and rounding adjustments (collectively referred to as combining adjustments) on the Combined Statement of Income. Interbank eliminations include:

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

Effect on	Three Months Ended March 31,	
	2018	2017
Interest income	\$ (3)	\$ (4)
Interest expense	2	—
Provision (reversal) for credit losses	—	—
Net interest income after provision (reversal) for credit losses	(5)	(4)
Non-interest income	(6)	(3)
Non-interest expense	(8)	(4)
Affordable Housing Program assessments	(1)	1
Net income	\$ (2)	\$ (4)

Comprehensive Income

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

Other comprehensive income was \$171 million for the three months ended March 31, 2018, a decrease of \$209 million compared to the same period in 2017, due primarily to fair value losses on AFS securities, partially offset by net unrealized gains related to cash flow hedging activities.

Table 26 - Comprehensive Income
(dollars in millions)

	Three Months Ended March 31,		
	2018	2017	Change
Net income	\$ 858	\$ 812	\$ 46
Other comprehensive income			
Changes in fair value of AFS securities			
Net unrealized gains (losses) on AFS securities	17	266	(249)
Net change in fair value of other-than-temporarily impaired AFS securities	1	26	(25)
Total changes in fair value of AFS securities	18	292	(274)
Changes in non-credit OTTI losses			
Net amount of AFS and HTM impairment losses reclassified to (from) non-interest income	(1)	3	(4)
Accretion of non-credit portion on HTM securities	17	25	(8)
Total changes in non-credit OTTI losses	16	28	(12)
Net unrealized gains (losses) relating to hedging activities	136	59	77
Other	1	1	—
Total other comprehensive income (loss)	171	380	(209)
Comprehensive income	\$ 1,029	\$ 1,192	\$ (163)

Changes in Fair Value of AFS securities. Changes in the fair value of AFS securities are recorded in other comprehensive income. The net change in unrealized gains (losses) on AFS securities, which have not been other-than-temporarily impaired, is due primarily to changes in interest rates, credit spreads, the passage of time, and volatility. The net change in the fair value of other-than-temporarily impaired AFS securities is driven by housing prices and the economic outlook, as well as changes in interest rates, credit spreads, the passage of time, and volatility. The distinction between the two categories is whether the AFS security has ever incurred an OTTI loss.

Changes in Non-Credit OTTI Losses. Changes in non-credit OTTI losses are comprised of the accretion of the non-credit portion on HTM securities, the reclassification of (gains) losses of the non-credit portion on AFS securities included in net income, and the net amount of AFS and HTM impairment losses reclassified to (from) non-interest 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 highly 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.

Liquidity and Capital Resources

Liquidity

Each FHLBank is required to maintain liquidity in accordance with the FHLBank Act, FHFA regulations and guidance, 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 of the FHLBank. Each FHLBank seeks to achieve this objective by managing liquidity positions to maintain stable, reliable, and cost-effective sources of funds while taking into account market conditions, member demand, and the maturity profile of the assets and liabilities of the FHLBank.

The FHLBanks may not be able to predict future trends in member credit needs because member credit needs 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 monitors current trends and anticipates future debt issuance needs to fund its members' credit needs and investment opportunities of the FHLBank. 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' requirements for advances and mortgage loans. Alternatively, 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. Over time, the FHLBanks historically have had comparatively stable access to funding through a diverse investor base.

Sources of Liquidity. The FHLBanks' primary sources of liquidity are proceeds from the issuance of consolidated obligations, as well as cash and investment holdings that are primarily high-quality, short-, and intermediate-term financial instruments. The FHLBanks' consolidated obligations are not obligations of the United States and are not guaranteed by either the United States or any government agency, but have historically received the same credit rating as the government bond credit rating of the United States. Moody's, S&P, or other rating organizations could downgrade or upgrade the credit rating of the U.S. government and GSEs, including the FHLBanks and their consolidated obligations. 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 at any time. Investors should evaluate the rating of each nationally recognized statistical rating organization independently. As of April 30, 2018, the FHLBanks' consolidated obligations were rated AA+/Aaa (with outlook stable) by S&P and Moody's. Investors should not take the historical or current ratings of the FHLBanks and their consolidated obligations as an indication of future ratings for FHLBanks and their consolidated obligations.

Other sources of liquidity include advance repayments, payments collected on mortgage loans, proceeds from the issuance of capital stock, and deposits from members. In addition, by law, the Secretary of the Treasury is authorized to purchase up to \$4 billion aggregate principal amount 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 from the U.S. Treasury shall be repaid by the FHLBanks at the earliest practicable date.

Uses of Liquidity. The FHLBanks' primary uses of liquidity are advance originations and consolidated obligation payments. Other uses of liquidity are mortgage loan and investment purchases, dividend payments, and other contractual payments. An FHLBank also maintains liquidity to redeem or repurchase excess capital stock, at its discretion, upon the request of a member or under an FHLBank's capital plan.

See [Combined Financial Condition - Advances](#) for advance originations and repayments and [Combined Financial Condition - Consolidated Obligations](#) for net proceeds and payments for consolidated obligations.

FHLBank Funding and Debt Issuance. Changes or disruptions in the capital markets could limit the FHLBanks' ability to issue consolidated obligations. However, during the three months ended March 31, 2018, the FHLBanks maintained continual access to funding and adapted their debt issuance to meet the needs of their members. The FHLBanks' short-term funding was generally driven by member demand and was achieved through the issuance of consolidated discount notes and short-term consolidated bonds. Access to short-term debt markets has been supported by strong demand, as investors, driven by increased liquidity preferences and risk aversion, including the effects of money market fund reform, have sought the FHLBanks' short-term debt as an asset of choice. This has led to advantageous funding opportunities and continued utilization of debt maturing in one year or less. (See [Combined Financial Condition - Consolidated Obligations](#) for more information on short-term consolidated obligations.)

Refinancing Risk and Investor Concentration Risk. There are inherent risks in utilizing short-term funding to support longer-dated assets and the FHLBanks may be exposed to refinancing risk and investor concentration risk. Refinancing risk includes the risk that the FHLBanks could have difficulty rolling over short-term obligations when market conditions change or investor confidence in short-term consolidated obligations declines. In managing and monitoring the amounts of financial assets that require refinancing, the FHLBanks consider their contractual maturities, as well as certain assumptions regarding expected cash flows (i.e., estimated prepayments, embedded call optionality, and scheduled amortizations). Investor concentration risk includes the risk that a market-driven or regulatory disruption to certain investor classes could lead to significant investor outflows causing unfavorable market conditions for consolidated obligations. (See the notes to the accompanying combined financial statements for additional information regarding contractual maturities of certain financial assets and financial liabilities and *Risk Factors - Liquidity Risk* on page 27 of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017.)

Interest-Rate Risk. The FHLBanks may use a portion of the short-term consolidated obligations issued to fund both short- and long-term LIBOR-indexed assets. However, funding longer-term LIBOR-indexed assets with shorter-term liabilities generally does not expose the FHLBanks to interest-rate risk because the rates on the LIBOR-indexed assets reset similarly to the liabilities (either through rate resets or re-issuance of the obligations). The FHLBanks measure and monitor interest-rate risk with commonly used methods and metrics, which include the calculations of market value of equity, duration of equity, and duration gap. (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.)

Asset/Liability Maturity Profile. Each FHLBank is focused on maintaining an adequate liquidity balance and a funding balance between its financial assets and financial liabilities, and the FHLBanks work collectively to manage system-wide liquidity and funding needs. The FHLBanks jointly monitor the combined risks, primarily by tracking the maturities of financial assets and financial liabilities. The FHLBanks monitor the funding balance between financial assets and financial liabilities and are committed to prudent risk management practices. External factors, including FHLBank member borrowing needs, supply and demand in the debt markets, and other factors may affect liquidity balances and the funding balances between financial assets and financial liabilities. However, due to the FHLBanks' status as GSEs, they have traditionally had ready access to funding at relatively favorable rates.

Regulatory Liquidity Requirements. 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:

- maintain contingency 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;
- 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;
- 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
- maintain, through short-term investments, an amount at least equal to its anticipated cash outflows under these two hypothetical scenarios.
 - The first 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 that the member is well-rated by its primary Federal regulator or its state regulator equivalent for insurance companies, 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. During the three months ended March 31, 2018, each of the FHLBanks was in compliance with the FHFA's regulatory contingency liquidity requirements. As defined by FHFA regulations, contingency liquidity means the sources of cash an FHLBank may use to meet its operational requirements when its access to capital markets is impeded, and includes:

- marketable securities with a maturity of one year or less;
- self-liquidating assets with a maturity of seven days or less;
- assets that are generally accepted as collateral in the repurchase agreement market; and
- irrevocable lines of credit from financial institutions rated not lower than the second highest rating category by a nationally recognized statistical rating organization.

Capital Resources

At March 31, 2018, each FHLBank was in compliance with its statutory minimum capital requirements. (See [Note 13 - Capital](#) to the accompanying combined financial statements for additional information regarding minimum regulatory 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, at its discretion, institute a higher capital requirement to meet internally-established thresholds or to address supervisory matters, limit dividend payments, or restrict excess capital stock repurchases as part of its retained earnings policies. (See [Note 13 - Capital](#) to the accompanying combined financial statements for more information.)

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 13 - Capital - Restricted Retained Earnings](#) to the accompanying combined financial statements for more information.)

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires each FHLBank's management to make a number of judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities (if applicable), and the reported amounts of income and expense during the reported periods. Although each FHLBank's management believes that its judgments, estimates, and assumptions are reasonable, actual results may differ from these estimates.

In the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017, certain accounting estimates and assumptions were identified as critical because they are generally considered by each FHLBank's management to be the most critical to an understanding of its financial statements and the financial data it provides to the Office of Finance for preparing the combined financial report. These estimates and assumptions consist of 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. For a description of accounting policies related to these estimates and assumptions, see *Note 1 - Summary of Significant Accounting Policies* on pages F-13 to F-23 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017.

There have been no significant changes to the critical accounting estimates disclosed in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017. For a detailed discussion of Critical Accounting Estimates, see *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations - Critical Accounting Estimates* on pages 80 to 89 of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017. Each FHLBank describes its critical accounting estimates in its periodic reports filed with the SEC.

See the following for information relating to OTTI for investment securities at and for the three months ended March 31, 2018.

OTTI for Investment Securities

Uniform OTTI Framework. The 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.

For a detailed discussion of the FHLBanks' uniform OTTI frameworks, including alternative procedures and approved key assumptions, see *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations - Critical Accounting Estimates* on pages 81 to 83 of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017. (Also, see [Note 6 - Other-than-Temporary Impairment Analysis](#) to the accompanying combined financial statements for additional information relating to OTTI, including the recognition and presentation of OTTI.)

Table 27 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 March 31, 2018. The calculated averages represent the dollar-weighted averages of all private-label residential MBS and home equity loan ABS in each category shown.

Table 27 - Significant Inputs for Private-Label Residential MBS and Home Equity Loan ABS at March 31, 2018
(dollars in millions)

	Unpaid Principal Balance	Significant Inputs			Current Credit Enhancement
		Prepayment Rates	Default Rates	Loss Severities	Weighted-Average
		Weighted-Average	Weighted-Average	Weighted-Average	
Private-label Residential MBS(1)					
Prime	\$ 2,567	15.5%	6.0%	24.2%	8.3%
Alt-A	6,832	12.3%	22.8%	37.1%	6.5%
Subprime	359	2.7%	37.1%	53.0%	18.0%
Total private-label residential MBS	<u>\$ 9,758</u>	12.8%	18.9%	34.3%	7.4%
Home Equity Loan ABS(1)					
Subprime	\$ 28	4.3%	7.8%	42.9%	52.0%
Total home equity loan ABS	<u>\$ 28</u>	4.3%	7.8%	42.9%	52.0%

(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 6 - Other-than-Temporary Impairment Analysis](#) to the accompanying combined financial statements, each FHLBank performed a cash flow analysis for each of these securities under a more stressful scenario, or adverse case scenario. This adverse case scenario was primarily based on a short-term housing price forecast, which was five percentage points lower than the base case, followed by a path with annual rates of housing price growth that included rates which were 33% lower than the base case. The credit losses on all other-than-temporarily impaired private-label MBS under the base case and adverse case scenarios were \$2 million and \$4 million for the three months ended March 31, 2018. The base case scenario represents actual OTTI-related credit losses recognized in earnings for the three months ended March 31, 2018.

The estimated cash flows of the adverse case scenario were generated to estimate what the OTTI charges would have been under a more stressful scenario for the three months ended March 31, 2018. 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.

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 and adopted accounting guidance on the FHLBanks' combined financial condition, combined results of operations, or combined cash flows.

Legislative and Regulatory Developments

Certain regulatory actions and developments are summarized in this section. (See *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations - Legislative and Regulatory Developments* on pages 89 to 90 of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017, for a description of certain legislative and regulatory developments that occurred prior to the publication of that report.)

FHFA Proposed Amendments to Affordable Housing Program Regulations. On March 14, 2018, the FHFA published a proposed rule to amend the operating requirements of the FHLBanks' Affordable Housing Program (AHP). The proposal is open for public comment through June 12, 2018. If adopted as proposed, among other modifications, the AHP rule would:

- require an FHLBank to create its own scoring criteria that are designed to satisfy new regulatory outcome requirements, replacing the existing regulatory scoring guidelines;
- permit an FHLBank to voluntarily increase its AHP homeownership set-aside program funding to 40% of its required annual AHP contributions (up from the current AHP rule's 35% annual limit);
- increase the maximum per-household set-aside grant amount to \$22,000 with an annual housing price inflation adjustment (up from the current fixed limit of \$15,000);
- remove the retention agreement requirement for owner-occupied units;
- further align AHP monitoring with certain federal government funding programs;
- increase threshold requirements for certain project types, such as projects dedicated to homeless or special needs populations; and
- authorize an FHLBank using market research empirical data to create special targeted grant programs that would be a sub-set of the regular AHP competitive funding program.

The rule, as proposed, would represent a substantial overhaul of the existing regulation on the FHLBanks' AHP and fundamentally change the structure and methodology for awarding grants to affordable housing projects. The FHLBanks do not believe that the rule, if adopted substantially as proposed, would be material to the FHLBanks' combined financial condition or combined results of operations, since, among other things, it would not increase the annual AHP funding requirement. However, the FHLBanks expect there to be increased costs related to implementing the rule requirements and making related adjustments to each FHLBank's systems.

Office of the Comptroller of the Currency, Federal Reserve Board, FDIC, Farm Credit Administration, and FHFA Proposed Rule on Margin and Capital Requirements for Covered Swap Entities. On February 21, 2018, the Office of the Comptroller of the Currency (OCC), Federal Reserve Board (FRB), FDIC, Farm Credit Administration, and FHFA published a proposed amendment to each agency's final rule on Margin and Capital Requirements for Covered Swap Entities (Swap Margin Rules) to conform the definition of "eligible master netting agreement" in such rules to the OCC's, FRB's, and FDIC's final qualified financial contract rules. It also clarifies that a legacy swap would not be deemed to be a covered swap under the Swap Margin Rules if it is amended to conform to the qualified financial contract rules. The qualified financial contract rules previously published by the OCC, FRB, and FDIC require their respective regulated entities to amend covered qualified financial contracts to limit a counterparty's immediate termination or exercise of default rights in the event of bankruptcy or receivership of the regulated entity or its affiliate(s).

Comments on the proposed rule were due by April 23, 2018. The FHLBanks continue to evaluate the proposed rule, but the FHLBanks do not expect this rule, if adopted substantially as proposed, to materially affect the FHLBanks' combined financial condition or combined results of operations.

External Credit Ratings

Since December 31, 2017, no changes to external credit ratings have occurred with regard to the FHLBanks or their consolidated obligations. At April 30, 2018, consolidated obligations were rated Aaa/P-1 by Moody's and AA+/A-1+ by S&P, with outlook stable. Moody's, S&P, or other rating organizations could downgrade or upgrade the credit rating of the U.S. government and GSEs, including the FHLBanks and their consolidated obligations. 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 at any time. Investors should evaluate the rating of each nationally recognized statistical rating organization independently. Investors should not take the historical or current ratings of the FHLBanks and their consolidated obligations as an indication of future ratings for FHLBanks and their consolidated obligations. Table 28 presents each FHLBank's long-term credit rating, short-term credit rating, and outlook at April 30, 2018.

Table 28 - FHLBanks' Long-Term Credit Ratings, Short-Term Credit Ratings, and Outlook at April 30, 2018

FHLBank	Moody's		S&P	
	Long-Term/ Short-Term Rating	Outlook	Long-Term/ Short-Term Rating	Outlook
Boston	Aaa/P-1	Stable	AA+/A-1+	Stable
New York	Aaa/P-1	Stable	AA+/A-1+	Stable
Pittsburgh	Aaa/P-1	Stable	AA+/A-1+	Stable
Atlanta	Aaa/P-1	Stable	AA+/A-1+	Stable
Cincinnati	Aaa/P-1	Stable	AA+/A-1+	Stable
Indianapolis	Aaa/P-1	Stable	AA+/A-1+	Stable
Chicago	Aaa/P-1	Stable	AA+/A-1+	Stable
Des Moines	Aaa/P-1	Stable	AA+/A-1+	Stable
Dallas	Aaa/P-1	Stable	AA+/A-1+	Stable
Topeka	Aaa/P-1	Stable	AA+/A-1+	Stable
San Francisco	Aaa/P-1	Stable	AA+/A-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. (See *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations - Risk Management*, pages 111 to 112 of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017, for more information.) 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, interim on-site visits 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 collateral and lending policies and procedures designed to limit its risk of loss while balancing its borrowers' needs for a reliable source of funding. Each FHLBank uses a methodology to evaluate its borrowers, based on financial, regulatory, and other qualitative information, including examination reports. Each FHLBank reviews its borrowers' financial condition on an ongoing basis using current information and makes changes to its collateral guidelines to mitigate the credit risk on advances. As of March 31, 2018, the management of each FHLBank believed it had adequate policies and procedures in place to manage its credit risk on advances effectively.

The FHLBanks protect against credit risk on advances by collateralizing all 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. Eligible collateral values are determined by the market value for securities collateral, and the market value or unpaid principal balance for all loan collateral. For collateral which market prices are not readily available, the FHLBanks may use internal or external valuation models or methodologies to determine the fair value of the collateral. These valuation models incorporate assumptions related to factors that may affect collateral values, such as market liquidity, discounts rates, potential prepayments, and liquidation and servicing costs in the event of default, among others, which may be adjusted in response to changes in economic and market conditions in order to produce reliable results. The FHLBanks also have policies and procedures for validating the reasonableness of their collateral valuations. In addition, collateral verifications and on-site reviews are performed by the FHLBanks based on the risk profile of the borrower. At March 31, 2018, each FHLBank had rights to collateral with an estimated value greater than the related outstanding advances. (See *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations - Risk Management - Credit Risk - Advances*, pages 91 to 95 of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017, for information on eligible collateral and effective lending values.)

As of March 31, 2018, there were 105 individual FHLBank borrowers (104 FHLBank members and 1 non-member) 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, notional amount of 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 2.5 at March 31, 2018, which represents the total of these 105 individual FHLBank borrowers' eligible collateral divided by these borrowers' advances and other credit products outstanding. The collateralization ratio for all borrowers was 3.1 at March 31, 2018. However, individual borrower credit obligations to the FHLBanks are not cross-collateralized between borrowers.

Table 29 presents advances, other credit products (which primarily includes notional amount of letters of credit), and collateral outstanding for borrowers with at least \$1.0 billion of advances outstanding as compared to all borrowers.

Table 29 - Advances, Other Credit Products, and Collateral Outstanding at March 31, 2018
(dollars in millions)

	Borrowers with at Least \$1.0 Billion of Advances Outstanding	All Borrowers	Percentage
Advances outstanding, principal amount	\$ 502,597	\$ 698,979	71.9%
Other credit products	\$ 79,638	\$ 147,686	53.9%
Collateral outstanding	\$ 1,478,558	\$ 2,599,909	56.9%

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 blanket lien status is the least restrictive collateral status, and 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. A 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 that 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 will generally require insurance company borrowers to place physical possession of all pledged eligible collateral with the FHLBank or deposit it with a custodian or control agent. 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.

Table 30 presents information on a combined basis regarding the type of collateral securing advances and other credit products outstanding.

Table 30 - Type of Collateral Securing Advances and Other Credit Products Outstanding at March 31, 2018
(dollars in millions)

Collateral Type	Blanket Lien		Listing		Delivery		Total	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Single-family mortgage loans (1)	\$ 460,890	17.7%	\$ 901,186	34.7%	\$ 5,268	0.2%	\$ 1,367,344	52.6%
Commercial real estate loans	360,133	13.9%	134,892	5.2%	29,992	1.2%	525,017	20.3%
Multifamily mortgage loans	69,019	2.7%	152,733	5.9%	11,604	0.4%	233,356	9.0%
Home equity loans and lines of credit	88,830	3.4%	94,618	3.6%	38	—	183,486	7.0%
U.S. agency MBS and CMOs	—	N/A	—	N/A	113,551	4.4%	113,551	4.4%
Other real estate loans	52,600	2.0%	3,642	0.1%	3,317	0.1%	59,559	2.2%
CFI loans	35,716	1.4%	1,621	0.1%	6	—	37,343	1.5%
U.S. agency securities (excluding MBS)	—	N/A	—	N/A	18,790	0.7%	18,790	0.7%
Commercial MBS	—	N/A	—	N/A	17,291	0.7%	17,291	0.7%
Private-label MBS and CMOs	—	N/A	—	N/A	5,174	0.2%	5,174	0.2%
Other	622	—	3,062	0.1%	35,314	1.3%	38,998	1.4%
Total collateral	\$ 1,067,810	41.1%	\$ 1,291,754	49.7%	\$ 240,345	9.2%	\$ 2,599,909	100.0%

(1) Includes Federal Housing Administration and Department of Veterans Affairs loans.
N/A Collateral is not pledged using this pledging method.

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. These investments are generally transacted with government agencies and large financial institutions that are considered by an individual FHLBank to be of investment quality. FHFA regulation defines investment quality as a determination by an FHLBank, with respect to a security, that there is adequate financial backing so that full and timely payment of principal and interest on such a security is expected, and there is minimal risk that the timely payment of principal and interest would not occur because of adverse changes in economic and financial conditions during the projected life of the security.

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

The FHLBanks maintain long-term investment portfolios as an additional source of liquidity and to earn interest income. These investments generally provide the FHLBanks with higher returns than those available on short-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 certain security types. (See *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operation - Risk Management* on pages 95 to 96 of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017, for additional information regarding the regulatory restrictions on investments.)

Investment Quality and Ratings. The FHLBanks seek to reduce the credit risk by investing in investment-quality securities. The FHLBanks consider a variety of credit quality factors when analyzing potential investments, including collateral performance, marketability, asset class or sector considerations, local and regional economic conditions, credit ratings based on the nationally recognized statistical rating organization(s), and/or the financial health of the underlying issuer. Table 31 presents the credit rating of the investment securities held by the FHLBanks as of March 31, 2018 and December 31, 2017, using the lowest long-term credit rating for each security owned by an individual FHLBank based on the nationally recognized statistical rating organization(s) used by that FHLBank. 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.

Table 31 - Investment Ratings
(dollars in millions)

Carrying Value	March 31, 2018(1)(2)						Total
	Triple-A	Double-A	Single-A	Triple-B	Below Triple-B	Unrated	
Interest-bearing deposits	\$ —	\$ 30	\$ 6,577	\$ 46	\$ —	\$ —	\$ 6,653
Securities purchased under agreements to resell	500	19,809	5,200	7,899	1,200	7,406	42,014
Federal funds sold	—	42,618	48,100	2,456	20	135	93,329
Total investment securities by major security type							
Non-mortgage backed securities							
Certificates of deposit	—	1,475	650	—	—	—	2,125
U.S. obligations	1,652	8,180	—	—	—	—	9,832
GSE and Tennessee Valley Authority obligations	—	22,890	—	—	—	—	22,890
State or local housing agency obligations	1,425	1,807	243	57	—	—	3,532
Federal Family Education Loan Program ABS	40	4,090	—	—	—	—	4,130
Other	1,021	99	—	—	—	11	1,131
Total non-mortgage-backed securities	4,138	38,541	893	57	—	11	43,640
Mortgage-backed securities							
U.S. obligations single-family MBS	159	12,404	—	—	—	—	12,563
U.S. obligations multifamily MBS	—	416	—	—	—	—	416
GSE single-family MBS	—	42,960	7	—	4	—	42,971
GSE multifamily MBS	574	78,685	—	—	—	—	79,259
Private-label residential MBS	7	81	121	665	6,305	1,208	8,387
Manufactured housing loan ABS	—	—	51	—	—	—	51
Home equity loan ABS	1	3	68	19	38	—	129
Total mortgage-backed securities	741	134,549	247	684	6,347	1,208	143,776
Total investment securities	4,879	173,090	1,140	741	6,347	1,219	187,416
Total investments	\$ 5,379	\$ 235,547	\$ 61,017	\$ 11,142	\$ 7,567	\$ 8,760	\$ 329,412

Carrying Value	December 31, 2017(2)(3)						
	Triple-A	Double-A	Single-A	Triple-B	Below Triple-B	Unrated	Total
Interest-bearing deposits	\$ —	\$ 1,747	\$ 3,627	\$ 46	\$ —	\$ —	\$ 5,420
Securities purchased under agreements to resell	2,100	36,907	2,500	6,699	500	3,862	52,568
Federal funds sold	—	27,354	33,620	4,329	—	227	65,530
Total investment securities by major security type							
Non-mortgage backed securities							
Certificates of deposit	—	1,235	925	—	—	—	2,160
U.S. obligations	1,285	5,842	—	—	—	—	7,127
GSE and Tennessee Valley Authority obligations	—	24,167	—	—	—	—	24,167
State or local housing agency obligations	1,438	1,833	309	—	—	—	3,580
Federal family education loan program ABS	41	4,173	—	—	—	—	4,214
Other	1,044	100	—	—	—	71	1,215
Total non-mortgage-backed securities	3,808	37,350	1,234	—	—	71	42,463
Mortgage-backed securities							
U.S. obligations single-family MBS	172	12,723	—	—	—	—	12,895
U.S. obligations multifamily MBS	—	446	—	—	—	—	446
GSE single-family MBS	—	42,785	7	—	5	—	42,797
GSE multifamily MBS	577	75,586	—	—	—	—	76,163
Private-label residential MBS	3	69	90	681	7,240	727	8,810
Manufactured housing loan ABS	—	—	54	—	—	—	54
Home equity loan ABS	1	3	71	20	39	—	134
Total mortgage-backed securities	753	131,612	222	701	7,284	727	141,299
Total investment securities	4,561	168,962	1,456	701	7,284	798	183,762
Total investments	\$ 6,661	\$ 234,970	\$ 41,203	\$ 11,775	\$ 7,784	\$ 4,887	\$ 307,280

- (1) Does not reflect any changes in ratings, outlook, or watch status occurring after March 31, 2018.
(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, 2017.

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 consisted of private-label residential 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) third-party insurance. 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 32 presents collateral performance and credit enhancement information related to private-label mortgage-backed securities at March 31, 2018. No FHLBank has purchased private-label mortgage-backed securities since 2008.

Table 32 - Credit Ratings of Private-Label Mortgage-Backed Securities at March 31, 2018
(dollars in millions)

	Total	Prime(1)	Alt-A(1)(2)	Subprime(1)
Unpaid Principal Balance (UPB) by credit rating(3)				
Triple-A	\$ 7	\$ 2	\$ 4	\$ 1
Double-A	85	51	26	8
Single-A	240	68	51	121
Triple-B	690	567	91	32
Double-B	827	501	305	21
Single-B	684	257	402	25
Triple-C	4,436	1,173	3,247	16
Double-C	831	72	489	270
Single-C	175	1	113	61
Single-D	565	222	324	19
Unrated	1,496	874	621	1
Total	\$ 10,036	\$ 3,788	\$ 5,673	\$ 575
Amortized cost	\$ 8,307	\$ 3,337	\$ 4,585	\$ 385
Gross unrealized losses(4)	(185)	(114)	(36)	(35)
Fair value	9,193	3,600	5,095	498
Weighted-average percentage				
Fair value to UPB	91.6%	95.0%	89.8%	86.6%
Original credit support(5)	19.5%	10.9%	23.4%	36.8%
Remaining credit support(6)	8.2%	6.8%	7.2%	26.1%
Collateral delinquency(7)	14.2%	10.9%	15.8%	20.2%

- (1) 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.
- (2) The FHLBanks held a total of \$1,352 million in Alt-A option adjustable-rate mortgages, of which \$225 million are in a gross unrealized loss position based on their unpaid principal balance at March 31, 2018.
- (3) Represents the lowest rating available at March 31, 2018, for each security owned by an individual FHLBank based on the nationally recognized statistical rating organization (s) used by that FHLBank. 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.
- (4) Represents total gross unrealized losses including non-credit-related other-than-temporary impairment recognized in AOCI. The unpaid principal balance and amortized cost of private-label mortgage-backed securities in a gross unrealized loss position was \$2,284 million and \$1,956 million at March 31, 2018.
- (5) 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.
- (6) Weighted-average credit support is based on the credit support as of March 31, 2018, and is determined based on the unpaid principal balance of the individual securities in the category and their respective credit support as of March 31, 2018.
- (7) 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.

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 and weak financial performance measures, which 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 four monoline bond insurers that insure the affected FHLBanks' investment securities. Of the four monoline bond insurers, the financial guarantee from Assured Guaranty Municipal Corp. is considered sufficient to cover all future claims and therefore excluded from the burnout period analysis. Conversely, the key burnout period for monoline bond insurers Financial Guaranty Insurance Company and MBIA Insurance Corp. 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 insurer, Ambac Assurance Corp., the affected FHLBanks established a burnout period ending on March 31, 2024. In addition, the FHLBanks have expanded the reliance on Ambac Assurance Corp. reimbursements from 45% to 100% of new claims during the burnout period.

As of March 31, 2018, total monoline bond insurance coverage was \$200 million, of which \$181 million represents the FHLBanks' private-label MBS covered by the monoline bond insurance that the FHLBanks were relying on at March 31, 2018, for modeling cash flows. Of the \$181 million, 76.8% represents subprime loans and 23.2% represents Alt-A 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, the proceeds of which may 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 and Capital Resources](#) for a discussion of the FHLBanks' liquidity management.)

Within the portfolio of short-term investments, the FHLBanks are subject to credit risk from unsecured credit exposures with private counterparties. Each FHLBank manages its own credit risk independently. The FHLBanks' unsecured credit investments have maturities ranging between overnight and nine months, and generally 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.
- *Certificates of deposit.* Unsecured negotiable promissory notes issued by banks and payable to the bearer on demand.

Table 33 presents the FHLBanks' unsecured credit exposure with private counterparties by investment type. At March 31, 2018, the FHLBanks had aggregate unsecured credit exposure from investments of \$1 billion or more to each of 29 private counterparties. The aggregate unsecured credit exposure to these counterparties represented 83.0% of the FHLBanks' total unsecured investment credit exposure to private counterparties. The unsecured investment credit exposure presented in Table 33 does not reflect the average or maximum exposure during the period, as the balances presented reflect the balances at period end.

Table 33 - Unsecured Credit Exposure by Investment Type
(dollars in millions)

Carrying Value(1)(2)	March 31, 2018	December 31, 2017
Interest-bearing deposits	\$ 6,653	\$ 5,420
Federal funds sold	93,329	65,530
Certificates of deposit	2,125	2,160
Total	\$ 102,107	\$ 73,110

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

(2) May include unsecured investment credit exposure to members.

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 capital and the counterparty's overall credit rating. Under these regulations, the level of eligible capital is determined as the lesser of an individual FHLBank's total regulatory capital or the eligible amount of Tier 1 capital or regulatory capital of the counterparty. The eligible amount of 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 sales of federal funds with a maturity of one day or less and sales of federal funds subject to a continuing contract that renews 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 capital, based on the counterparty's credit rating. As of March 31, 2018, 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. As of March 31, 2018, an FHLBank held full faith and credit U.S. guaranteed securities with foreign issuers totaling \$445 million. Other than these investments, the FHLBanks are in compliance with the FHFA regulation as of March 31, 2018.

As of March 31, 2018, 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 March 31, 2018, 82.2% of the FHLBanks' unsecured investments in federal funds sold and all of the FHLBanks' unsecured investments in certificates of deposit were to U.S. branches and agency offices of foreign commercial banks.

Table 34 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 immediate 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.

Table 34 - Ratings of Unsecured Investment Credit Exposure by Domicile of Counterparty at March 31, 2018(1)
(dollars in millions)

Carrying Value(2)	Investment Grade			Below Investment Grade	Unrated	Total
	Double-A	Single-A	Triple-B			
Domestic	\$ 11,653	\$ 8,722	\$ 2,502	\$ 20	\$ 135	\$ 23,032
U.S. subsidiaries of foreign commercial banks	—	217	—	—	—	217
Total domestic and U.S. subsidiaries of foreign commercial banks	11,653	8,939	2,502	20	135	23,249
U.S. branches and agency offices of foreign commercial banks						
Sweden	14,455	4,585	—	—	—	19,040
Canada	2,275	12,213	—	—	—	14,488
Australia	12,940	—	—	—	—	12,940
Norway	—	6,705	—	—	—	6,705
Netherlands	—	6,635	—	—	—	6,635
France	—	6,235	—	—	—	6,235
Germany	1,500	3,640	—	—	—	5,140
Japan	—	2,960	—	—	—	2,960
Belgium	—	1,535	—	—	—	1,535
Austria	—	1,330	—	—	—	1,330
Singapore	1,300	—	—	—	—	1,300
Switzerland	—	550	—	—	—	550
Total U.S. branches and agency offices of foreign commercial banks	32,470	46,388	—	—	—	78,858
Total unsecured investment credit exposure	\$ 44,123	\$ 55,327	\$ 2,502	\$ 20	\$ 135	\$ 102,107

- (1) Does not reflect any changes in ratings, outlook, or watch status occurring after March 31, 2018. 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. 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, government instrumentalities, government-sponsored enterprises, and supranational entities, and does not include related accrued interest.

Table 35 presents the contractual maturity of the FHLBanks' unsecured investment credit exposure by the domicile of the counterparty or the domicile of the counterparty's immediate 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 March 31, 2018, 91.4% of the carrying value of the total unsecured investments held by the FHLBanks had overnight maturities.

Table 35 - Contractual Maturity of Unsecured Investment Credit Exposure by Domicile of Counterparty at March 31, 2018
(dollars in millions)

Carrying Value(1)	Overnight	Due 2 days through 30 days	Due 31 days through 90 days	Total
Domestic	\$ 23,032	\$ —	\$ —	\$ 23,032
U.S. subsidiaries of foreign commercial banks	217	—	—	217
Total domestic and U.S. subsidiaries of foreign commercial banks	23,249	—	—	23,249
U.S. branches and agency offices of foreign commercial banks				
Sweden	17,350	300	1,390	19,040
Canada	12,488	1,300	700	14,488
Australia	10,965	1,190	785	12,940
Norway	6,705	—	—	6,705
Netherlands	6,635	—	—	6,635
France	5,960	50	225	6,235
Germany	4,960	—	180	5,140
Japan	2,960	—	—	2,960
Belgium	1,535	—	—	1,535
Austria	—	685	645	1,330
Singapore	500	—	800	1,300
Switzerland	—	—	550	550
Total U.S. branches and agency offices of foreign commercial banks	70,058	3,525	5,275	78,858
Total unsecured investment credit exposure	\$ 93,307	\$ 3,525	\$ 5,275	\$ 102,107

(1) Excludes unsecured investment credit exposure to U.S. government, U.S. government agencies, government 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 (AMA) regulation permits the FHLBanks to purchase and hold specified mortgage loans from their members. Each FHLBank has established or participated in the AMA programs such as the MPF Program and 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 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.

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

The FHFA's AMA regulation enhanced the credit risk sharing requirement by allowing an FHLBank to utilize its own model and methodology to determine the credit enhancement for AMA loans in lieu of a nationally recognized statistical rating organization ratings model. The loans delivered must now be credit enhanced by the members up to an FHLBank determined "AMA investment-grade" category instead of a specific nationally recognized statistical rating organization's rating.

Management at each FHLBank believes that it has adequate policies and procedures in place to manage credit risk on mortgage loans. (See [Note 9 - Allowance for Credit Losses](#) to the accompanying combined financial statements for additional information about mortgage loan credit quality indicators and the allowance for credit losses.)

See *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations - Risk Management - Credit Risk - Mortgage Loans Held for Portfolio*, on pages 104 to 109 of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017, for information on loss allocation structures, mortgage insurance, and state concentrations for MPF Program and MPP loans.

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 (uncleared 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 non-performance 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.

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. In determining maximum credit risk, each FHLBank considers accrued interest receivables and payables, as well as the netting requirements to net assets and liabilities.

Uncleared Derivatives. Each FHLBank is subject to the risk of non-performance by the counterparties to its uncleared derivative transactions. An FHLBank generally requires collateral on uncleared derivative transactions. Unless the collateral delivery threshold is set to zero, 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 if the total market value of the FHLBank's exposure to that counterparty rises above a specific threshold. As a result of these risk mitigation initiatives, the management of each FHLBank did not anticipate any credit losses on its uncleared derivative transactions as of March 31, 2018.

Cleared Derivatives. Each FHLBank is subject to the risk of non-performance 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/payment 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 March 31, 2018.

Table 36 presents the derivative positions with non-member counterparties and member institutions to which the FHLBanks had credit exposure at March 31, 2018.

Table 36 - Derivative Counterparty Credit Exposure at March 31, 2018

(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					
Uncleared derivatives					
Double-A	\$ 1,027	\$ 9	\$ (1)	\$ —	\$ 8
Single-A	19,691	311	(190)	(103)	18
Triple-B	5,969	1	(1)	—	—
Cleared derivatives(2)	72,017	4	157	734	895
Liability positions with credit exposure					
Uncleared derivatives					
Double-A	760	(6)	6	—	—
Single-A	25,575	(154)	161	3	10
Triple-B	6,097	(111)	106	6	1
Cleared derivatives(2)	303,675	(34)	719	334	1,019
Total derivative positions with credit exposure to non-member counterparties	434,811	20	957	974	1,951
Member institutions(3)	693	3	—	—	3
Total	\$ 435,504	\$ 23	\$ 957	\$ 974	\$ 1,954

- (1) This table does not reflect any changes in rating, outlook, or watch status occurring after March 31, 2018. 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 LCH Ltd. and CME Clearing, the FHLBanks' clearinghouses, which are not rated. LCH Ltd.'s ultimate parent, London Stock Exchange Group Plc, is rated A3 by Moody's and A- by S&P. CME Clearing's parent company, CME Group Inc., is rated Aa3 by Moody's and AA- by S&P.
- (3) Member institutions include mortgage delivery commitments and derivatives with members where an FHLBank is acting as an intermediary. Collateral 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.

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 annual on-site examinations, interim on-site visits, and off-site analyses of each FHLBank and the Office of Finance.

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 and market value of equity sensitivity. 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. (See *Quantitative and Qualitative Disclosures about Market Risk*, pages 113 to 118, of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017, for additional information.)

Market Value of Equity and Duration 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 implemented a market-risk model that calculates the market-risk component of this requirement.

Table 37 presents each FHLBank that includes quantitative market value of equity and duration of equity information in its individual 2018 First Quarter SEC Form 10-Q.

Table 37 - 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)

- (1) The FHLBank of Pittsburgh monitors and measures market value of equity to par value of capital stock, as described in its 2018 First Quarter SEC Form 10-Q. In addition, the FHLBank of Pittsburgh also monitors return on equity spread volatility relative to a return on equity spread volatility limit, established and approved by its board of directors.
- (2) The FHLBank of Chicago disclosed the dollar loss limits on changes in market value of equity under parallel interest rate shocks in its 2018 First Quarter SEC Form 10-Q.
- (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 2018 First Quarter SEC Form 10-Q, market value of capital stock (MVCS) sensitivity and projected income sensitivity as key market risk measures and MVCS and regulatory capital as its key capital adequacy measures.
- (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 2018 First Quarter SEC Form 10-Q, the FHLBank of Topeka believes this is a reasonable metric because, as a cooperative, the metric reflects the market value of the FHLBank of Topeka relative to the book value of its capital stock.
- (5) The FHLBank of San Francisco does not disclose duration of equity, rather it discloses a comparable metric, "Market Value of Capital Sensitivity" as a key market risk measure.

Table 38 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 guidance 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 38 - Duration of Equity
(in years)

FHLBank	March 31, 2018			December 31, 2017		
	Down	Base	Up	Down	Base	Up
Boston	(2.4)	0.9	3.2	(2.6)	(0.5)	3.2
New York	(1.7)	(0.2)	0.4	1.8	(0.4)	0.4
Pittsburgh	(0.5)	0.0	0.5	(0.4)	0.0	0.6
Atlanta	(0.3)	0.7	2.9	0.1	0.5	2.5
Cincinnati	(5.2)	1.3	1.3	(5.3)	0.5	1.4
Indianapolis	3.0	2.9	2.2	2.3	2.9	3.7
Chicago	2.1	1.2	1.8	2.9	1.2	2.2
Des Moines	(1.0)	1.4	2.6	(0.2)	1.3	2.7
Dallas	0.2	0.4	1.2	0.7	0.0	0.8
Topeka	2.2	0.5	3.4	2.9	(1.5)	2.4
San Francisco	2.2	1.3	2.4	3.8	1.6	2.3

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 39 include the effect of derivative transactions.

Table 39 - Duration Gap
(in months)

FHLBank	March 31, 2018	December 31, 2017
Boston	0.7	(0.3)
New York	(0.4)	(0.5)
Pittsburgh	(0.2)	(0.2)
Atlanta	0.4	0.2
Cincinnati	0.0	0.0
Indianapolis	1.2	1.2
Chicago	0.9	0.9
Des Moines	0.6	0.5
Dallas	0.0	(0.2)
Topeka	0.3	(1.0)
San Francisco	0.8	1.1

Use of Derivatives to Manage Interest-Rate Risk

An FHLBank enters into derivatives to manage interest-rate risk, prepayment risk, and other 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 also used to manage the effective maturity, repricing frequency, or option characteristics of financial instruments to achieve risk-management objectives. (See [Note 10 - Derivatives and Hedging Activities](#) to the accompanying combined financial statements for a discussion of managing interest-rate risk exposure and [Financial Discussion and Analysis - Combined Results of Operations](#) for the effect of derivatives and hedging activities on net interest income and non-interest income resulting from the FHLBanks' hedging strategies.)

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, 2017, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management of each FHLBank concluded, as of December 31, 2017, that its individual internal control over financial reporting is effective based on the criteria established in *Internal Control-Integrated Framework*. Additionally, the independent registered public accounting firm of each FHLBank opined that the individual FHLBank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017. (See *Part II. Item 8 - Financial Statements and Supplementary Data* or *Item 9A - Controls and Procedures* of each FHLBank's 2017 SEC Form 10-K for its *Management's Report on Internal Control over Financial Reporting*.)

Each FHLBank indicated that there were no changes to its internal control over financial reporting during the quarter ended March 31, 2018, that materially affected, or are reasonably likely to materially 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 end of the period covered by its 2018 First Quarter SEC Form 10-Q. (See *Part I. Item 4 - Controls and Procedures* of each FHLBank's 2018 First Quarter SEC Form 10-Q.)

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 that 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 fhfb-of.com. This web site address is provided as a matter of convenience only, and its contents are not made part of or incorporated by reference into this report.

LEGAL PROCEEDINGS

The FHLBanks are subject to various pending legal proceedings arising in the normal course of business. The FHLBanks and the Office of Finance do not believe they are a party to, or subject to, any pending legal 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 on a combined basis or that are otherwise material to the FHLBanks on a combined basis. (See each FHLBank's 2018 First Quarter SEC Form 10-Q under *Part II. Item 1 - Legal Proceedings* for additional information, including updates, to its legal proceedings.)

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

As of March 31, 2018, each of the FHLBanks of Boston, Chicago, and Des Moines is a plaintiff in continued legal proceedings that relate to the purchases of certain private-label MBS. Defendants in these lawsuits include entities and their 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.

RISK FACTORS

There were no material changes to the risk factors disclosed in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017. (See each FHLBank's 2018 First Quarter SEC Form 10-Q for any updates to the risk factors included in such FHLBank's 2017 SEC Form 10-K under *Part I. Item 1A - Risk Factors.*)

OTHER INFORMATION

There were no material changes to the disclosure relating to Rule 2-01(c)(1)(ii)(A) of SEC Regulation S-X (the Loan Rule) included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2017. (See each affected FHLBank's 2018 First Quarter SEC Form 10-Q for any updates to the Loan Rule disclosure included in such FHLBank's 2017 SEC Form 10-K under *Part II. Item 9B - Other Information.*)

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 certain 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.

At March 31, 2018, the FHLBanks had 385 million shares of capital stock outstanding, including mandatorily redeemable capital stock. 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, as amended. (See [Note 13 - Capital](#) to the accompanying combined financial statements for additional information on regulatory capital stock and mandatorily redeemable capital stock.)

Table 40 presents combined regulatory capital stock, which includes mandatorily redeemable capital stock, held by type of member and Table 41 presents FHLBank membership by type of member.

Table 40 - Regulatory Capital Stock Held by Type of Member
(dollars in millions)

	March 31, 2018		December 31, 2017	
	Amount	Percentage of Regulatory Capital Stock	Amount	Percentage of Regulatory Capital Stock
Commercial banks	\$ 23,909	62.1%	\$ 23,848	61.3%
Savings institutions	4,952	12.9%	5,238	13.4%
Insurance companies	4,620	12.0%	4,331	11.1%
Credit unions	3,794	9.8%	4,231	10.9%
Community development financial institutions	10	—	9	—
Total GAAP capital stock	37,285	96.8%	37,657	96.7%
Mandatorily redeemable capital stock	1,237	3.2%	1,272	3.3%
Total combined regulatory capital stock	\$ 38,522	100.0%	\$ 38,929	100.0%

Table 41 - Membership by Type of Member

	March 31, 2018		December 31, 2017	
	Number	Percentage of Total Members	Number	Percentage of Total Members
Commercial banks	4,316	62.1%	4,367	62.5%
Credit unions	1,456	20.9%	1,436	20.5%
Savings institutions	722	10.4%	733	10.5%
Insurance companies	411	5.9%	405	5.8%
Community development financial institutions	48	0.7%	48	0.7%
Total	6,953	100.0%	6,989	100.0%

The information on regulatory capital stock presented in Table 42 is accumulated at the holding-company level. The percentage of total regulatory capital stock identified in Table 42 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 42 - Top 10 Regulatory Capital Stockholders by Holding Company at March 31, 2018*(dollars in millions)*

Holding Company Name(1)	FHLBank Districts(2)	Regulatory Capital Stock(3)	Percentage of Total Regulatory Capital Stock	Mandatorily Redeemable Capital Stock
Wells Fargo & Company	Des Moines, Dallas, Topeka, San Francisco	\$ 2,336	6.1%	\$ 23
JPMorgan Chase & Co.	Pittsburgh, Cincinnati, Chicago, Des Moines, San Francisco	2,132	5.5%	565
Citigroup Inc.	New York, Dallas, San Francisco	1,608	4.2%	—
Bank of America Corporation	Boston, Atlanta, Des Moines, San Francisco	1,250	3.2%	6
MetLife, Inc.	Boston, New York, Pittsburgh, Des Moines	880	2.3%	27
The PNC Financial Services Group, Inc.	Pittsburgh, Atlanta, Cincinnati	866	2.2%	17
U.S. Bancorp	Cincinnati, Des Moines, Topeka	838	2.2%	2
Ally Financial Inc.	Pittsburgh	764	2.0%	—
New York Community Bancorp, Inc.	New York	623	1.6%	—
Navy Federal Credit Union	Atlanta	467	1.2%	—
		<u>\$ 11,764</u>	<u>30.5%</u>	<u>\$ 640</u>

(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 March 31, 2018, 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.

SUPPLEMENTAL INFORMATION

Individual Federal Home Loan Bank Selected Financial Data and Financial Ratios

The following individual Federal Home Loan Bank (FHLBank) selected financial data and financial ratios are provided as a convenience to the reader. 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

<i>(dollars in millions)</i>	Boston	New York	Pittsburgh
Selected Statement of Condition Data(1)			
At March 31, 2018			
Assets			
Investments(2)	\$ 18,730	\$ 36,258	\$ 18,487
Advances	37,988	112,202	70,278
Mortgage loans held for portfolio	4,028	2,880	4,027
Allowance for credit losses on mortgage loans	(1)	(1)	(8)
Total assets	60,958	151,882	93,369
Consolidated obligations(3)			
Discount notes	29,468	56,510	23,906
Bonds	27,125	85,656	63,706
Total consolidated obligations	56,593	142,166	87,612
Mandatorily redeemable capital stock	36	19	5
Total capital			
Capital stock(4)	2,324	6,311	3,528
Retained earnings	1,335	1,575	1,180
Accumulated other comprehensive income (loss)	(341)	(4)	97
Total capital	3,318	7,882	4,805
Asset composition (as a percentage of the individual FHLBank's total assets)			
Investments(2)	30.7%	23.9%	19.8%
Advances	62.3%	73.9%	75.3%
Mortgage loans held for portfolio, net	6.6%	1.9%	4.3%
Total retained earnings as a percentage of FHLBank's total assets	2.2%	1.0%	1.3%
FHLBank's total assets as a percentage of FHLBank System's total assets	5.6%	14.0%	8.6%
At March 31, 2017			
Assets			
Investments(2)	\$ 17,216	\$ 36,925	\$ 18,722
Advances	35,479	101,428	70,317
Mortgage loans held for portfolio	3,677	2,788	3,425
Allowance for credit losses on mortgage loans	(1)	(1)	(6)
Total assets	56,569	141,801	95,233
Consolidated obligations(3)			
Discount notes	24,179	46,162	24,191
Bonds	27,978	86,143	65,481
Total consolidated obligations	52,157	132,305	89,672
Mandatorily redeemable capital stock	33	21	5
Total capital			
Capital stock(4)	2,459	5,973	3,523
Additional capital from merger(5)	—	—	—
Retained earnings	1,230	1,395	1,031
Accumulated other comprehensive income (loss)	(343)	(76)	83
Total capital	3,346	7,292	4,637
Asset composition (as a percentage of the individual FHLBank's total assets)			
Investments(2)	30.4%	26.0%	19.7%
Advances	62.7%	71.5%	73.8%
Mortgage loans held for portfolio, net	6.5%	2.0%	3.6%
Total retained earnings as a percentage of individual FHLBank's total assets	2.2%	1.0%	1.1%
FHLBank's total assets as a percentage of FHLBank System's total assets	5.5%	13.8%	9.3%

- (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](#).
- (4) FHLBank capital stock is redeemable at the request of a member subject to the statutory redemption periods and other conditions and limitations. (See [Note 13 - Capital](#) to the accompanying combined financial statements for additional information on the statutory redemption periods and other conditions and limitations.)
- (5) Additional capital from merger resulted from the merger effective May 31, 2015, between the FHLBank of Des Moines and the FHLBank of Seattle, and primarily represented the amount of the FHLBank of Seattle's closing retained earnings balance as of the merger date, adjusted for fair value and other purchase accounting adjustments, and identified intangible assets, and is net of dividends paid by the FHLBank of Des Moines subsequent to the merger date. The balance in additional capital from merger was depleted following the first quarter dividend payment in May 2017.

Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco
\$ 47,483	\$ 36,012	\$ 17,531	\$ 34,818	\$ 33,370	\$ 28,571	\$ 18,438	\$ 39,832
91,733	63,883	32,965	50,840	108,253	35,304	26,978	66,642
417	9,732	10,497	5,359	7,114	1,019	7,467	2,376
(1)	(1)	(1)	(2)	(2)	—	(1)	—
140,460	111,709	61,392	91,391	149,347	65,100	53,150	109,225
54,659	53,089	19,556	41,483	33,930	26,641	22,607	27,203
77,160	51,767	37,779	43,516	106,204	33,502	27,237	74,297
131,819	104,856	57,335	84,999	140,134	60,143	49,844	101,500
3	28	164	311	356	1	5	309
4,748	4,524	1,881	1,579	5,372	2,351	1,598	3,068
2,052	961	993	3,358	1,904	973	855	3,273
95	(16)	134	126	159	275	30	335
6,895	5,469	3,008	5,063	7,435	3,599	2,483	6,676
33.8%	32.2%	28.6%	38.1%	22.3%	43.9%	34.7%	36.5%
65.3%	57.2%	53.7%	55.6%	72.5%	54.2%	50.8%	61.0%
0.3%	8.7%	17.1%	5.9%	4.8%	1.6%	14.0%	2.2%
1.5%	0.9%	1.6%	3.7%	1.3%	1.5%	1.6%	3.0%
12.9%	10.3%	5.6%	8.4%	13.7%	6.0%	4.9%	10.0%
\$ 41,805	\$ 25,526	\$ 16,942	\$ 28,547	\$ 41,792	\$ 26,041	\$ 14,286	\$ 40,983
90,688	61,286	29,671	42,328	123,609	31,059	25,823	49,052
513	9,293	9,634	4,943	6,872	178	6,703	966
(1)	(1)	(1)	(3)	(2)	—	(2)	—
134,730	96,328	56,669	76,109	172,918	57,526	47,091	91,290
42,066	36,298	18,399	32,806	72,549	22,783	22,506	35,028
84,292	53,497	34,470	37,662	90,956	30,128	21,670	49,493
126,358	89,795	52,869	70,468	163,505	52,911	44,176	84,521
1	32	167	301	494	3	2	403
4,650	4,173	1,554	1,282	5,803	1,952	1,353	2,280
—	—	—	—	9	—	—	—
1,910	853	903	3,083	1,590	853	769	3,150
105	(13)	80	53	47	136	10	143
6,665	5,013	2,537	4,418	7,449	2,941	2,132	5,573
31.0%	26.5%	29.9%	37.5%	24.2%	45.3%	30.3%	44.9%
67.3%	63.6%	52.4%	55.6%	71.5%	54.0%	54.8%	53.7%
0.4%	9.6%	17.0%	6.5%	4.0%	0.3%	14.2%	1.1%
1.4%	0.9%	1.6%	4.1%	0.9%	1.5%	1.6%	3.5%
13.1%	9.4%	5.5%	7.4%	16.9%	5.6%	4.6%	8.9%

Individual FHLBank Selected Financial Data and Financial Ratios (continued)

<i>(dollars in millions)</i>	Boston	New York	Pittsburgh
Selected Other Data			
March 31, 2018			
Advance concentrations - top five borrowers	29%	60%	77%
Capital stock concentrations - top five stockholders(6)	25%	55%	68%
Regulatory capital-to-assets ratio(7)	6.1%	5.2%	5.0%
Cash and stock dividends			
Quarter-to-date March 31, 2018	\$ 28	\$ 102	\$ 57
Quarter-to-date March 31, 2017	\$ 24	\$ 87	\$ 42
Weighted average dividend rate			
Quarter-to-date March 31, 2018	4.99%	6.25%	6.42%
Quarter-to-date March 31, 2017	3.94%	5.00%	4.71%
Return on average equity(8)			
Quarter-to-date March 31, 2018	6.65%	6.34%	6.63%
Quarter-to-date March 31, 2017	4.56%	3.75%	7.50%
Return on average assets			
Quarter-to-date March 31, 2018	0.36%	0.31%	0.33%
Quarter-to-date March 31, 2017	0.25%	0.19%	0.36%
Net interest margin(9)			
Quarter-to-date March 31, 2018	0.52%	0.48%	0.47%
Quarter-to-date March 31, 2017	0.43%	0.49%	0.46%
Net interest spread			
Quarter-to-date March 31, 2018	0.42%	0.41%	0.39%
Quarter-to-date March 31, 2017	0.36%	0.44%	0.42%

- (6) The FHLBank of Des Moines' top five capital stock concentration ratio is calculated based on its top four capital stockholders, as its fifth largest capital stockholder consists of mandatorily redeemable capital stock.
- (7) The regulatory capital-to-assets ratio is calculated based on the FHLBank's total regulatory capital as a percentage of total assets held at period-end. (See [Note 13 - Capital](#) to the accompanying combined financial statements for a definition and discussion of regulatory capital.)
- (8) Return on average equity is net income expressed as a percentage of average total capital. Mandatorily redeemable capital stock is not included in the calculation of return on average equity.
- (9) Net interest margin is equal to net interest income represented as a percentage of average interest-earning assets.

Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco
61 %	65%	43%	61%	65%	35%	53%	61%
52 %	57%	37%	52%	50%	24%	52%	40%
4.8 %	4.9%	4.9%	5.7%	5.1%	5.1%	4.6%	6.1%
\$ 65	\$ 62	\$ 31	\$ 13	\$ 53	\$ 11	\$ 26	\$ 53
\$ 57	\$ 46	\$ 16	\$ 10	\$ 43	\$ 6	\$ 21	\$ 54
5.16 %	5.75%	6.75%	3.32%	4.03%	1.96%	6.01%	7.00%
4.77 %	4.50%	4.25%	2.30%	3.05%	1.24%	5.73%	9.08%
6.01 %	6.23%	6.57%	5.82%	6.56%	4.63%	6.10%	4.74%
4.29 %	5.25%	5.18%	6.46%	7.52%	4.83%	9.58%	10.59%
0.29 %	0.30%	0.31%	0.33%	0.32%	0.26%	0.28%	0.26%
0.21 %	0.26%	0.23%	0.36%	0.31%	0.25%	0.43%	0.63%
0.35 %	0.44%	0.46%	0.55%	0.42%	0.42%	0.47%	0.47%
(0.58)%	0.41%	0.43%	0.57%	0.35%	0.38%	0.54%	0.58%
0.28 %	0.35%	0.37%	0.46%	0.35%	0.34%	0.40%	0.39%
(0.62)%	0.36%	0.38%	0.51%	0.31%	0.34%	0.49%	0.53%

INDEX OF TABLES CONTAINED IN THE COMBINED FINANCIAL REPORT

	Page
Tables Included in Notes to Combined Financial Statements	
Table 3.1 - Trading Securities by Major Security Type	F-11
Table 3.2 - Net Gains (Losses) on Trading Securities	F-11
Table 4.1 - Available-for-Sale (AFS) Securities by Major Security Type	F-12
Table 4.2 - AFS Securities in a Continuous Unrealized Loss Position	F-13
Table 4.3 - AFS Securities by Contractual Maturity	F-14
Table 4.4 - Proceeds from Sale and Gross Gains and Losses on AFS Securities	F-14
Table 5.1 - HTM Securities by Major Security Type	F-14
Table 5.2 - HTM Securities in a Continuous Unrealized Loss Position	F-15
Table 5.3 - HTM Securities by Contractual Maturity	F-16
Table 5.4 - Proceeds from Sale and Gains and Losses on HTM Securities	F-17
Table 6.1 - Total MBS Other-than-Temporarily Impaired during the Life of the Security at March 31, 2018	F-17
Table 6.2 - Rollforward of the Amounts Related to Credit Losses Recognized into Earnings	F-18
Table 7.1 - Advances Redemption Terms	F-18
Table 7.2 - Advances by Year of Contractual Maturity or Next Call Date and Next Put or Convert Date	F-19
Table 7.3 - Advances by Current Interest Rate Terms	F-19
Table 8.1 - Mortgage Loans Held for Portfolio	F-20
Table 8.2 - Mortgage Loans Held for Portfolio by Collateral/Guarantee Type	F-20
Table 9.1 - Rollforward of Allowance for Credit Losses on Conventional MPF/MPP Mortgage Loans	F-21
Table 9.2 - Allowance for Credit Losses and Recorded Investment by Impairment Methodology on Conventional MPF/MPP Mortgage Loans	F-21
Table 9.3 - Recorded Investment in Delinquent Mortgage Loans	F-22
Table 9.4 - Individually Evaluated Impaired Conventional MPF/MPP Mortgage Loans	F-23
Table 9.5 - Average Recorded Investment of Individually Impaired Conventional MPF/MPP Mortgage Loans and Related Interest Income Recognized	F-23
Table 10.1 - Fair Value of Derivative Instruments	F-25
Table 10.2 - Net Gains (Losses) on Derivatives and Hedging Activities	F-25
Table 10.3 - Effect of Fair Value Hedge-Related Derivative Instruments	F-26
Table 10.4 - Effect of Cash Flow Hedge-Related Derivative Instruments	F-26
Table 10.5 - Offsetting of Derivative Assets and Derivative Liabilities	F-28
Table 11.1 - Deposits	F-29
Table 12.1 - Consolidated Discount Notes Outstanding	F-29
Table 12.2 - Consolidated Bonds Outstanding by Contractual Maturity	F-30
Table 12.3 - Consolidated Bonds Outstanding by Call Features	F-30
Table 12.4 - Consolidated Bonds Outstanding by Contractual Maturity or Next Call Date	F-30
Table 13.1 - Risk-Based Capital Requirements at March 31, 2018	F-31
Table 13.2 - Regulatory Capital Requirements at March 31, 2018	F-31
Table 13.3 - Leverage Capital Requirements at March 31, 2018	F-32
Table 13.4 - Retained Earnings	F-33
Table 13.5 - Mandatorily Redeemable Capital Stock Rollforward	F-33
Table 13.6 - Mandatorily Redeemable Capital Stock by Contractual Year of Redemption	F-34
Table 14.1 - Accumulated Other Comprehensive Income (Loss)	F-35
Table 15.1 - Fair Value Summary	F-37
Table 15.2 - Fair Value Measurements	F-39
Table 15.3 - Rollforward of Level 3 Assets and Liabilities	F-41
Table 15.4 - Fair Value Option - Financial Assets and Liabilities	F-42
Table 15.5 - Aggregate Fair Value and Aggregate Unpaid Balance	F-43
Table 16.1 - Off-Balance Sheet Commitments	F-43

	Page
Tables Included in Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations	
Table 1 - Key Interest Rates	6
Table 2 - Funding Spreads to Three-Month LIBOR	6
Table 3 - Types of Advances by Contractual Maturity	10
Table 4 - Advance Originations and Repayments	11
Table 5 - Principal Amount of Advances by Type of Borrower	11
Table 6 - Member Borrowers by Type of Member	11
Table 7 - Top 10 Advance Holding Borrowers by Holding Company at March 31, 2018	12
Table 8 - Total Investments	14
Table 9 - Interest-Rate Payment Terms of Investment Securities	15
Table 10 - Mortgage Loans Held for Portfolio, Net	16
Table 11 - Mortgage Loans Held for Portfolio - Characteristics and Credit Losses	17
Table 12 - Types of Consolidated Obligations by Contractual Maturity	19
Table 13 - Net Proceeds and Payments for Consolidated Obligations	20
Table 14 - Percentage of Total Consolidated Bonds Issued by Bond Type	20
Table 15 - Total Capital and Capital-to-Assets Ratios	22
Table 16 - Capital Components as a Percentage of Total GAAP Capital	22
Table 17 - Changes in Net Income	23
Table 18 - Net Interest Income after Provision (Reversal) for Credit Losses	24
Table 19 - Spread and Yield Analysis	25
Table 20 - Rate and Volume Analysis	26
Table 21 - Effect of Derivatives and Hedging Activities on Net Interest Income	27
Table 22 - Changes in Non-Interest Income	28
Table 23 - Effect of Derivatives and Hedging Activities on Non-Interest Income	29
Table 24 - Changes in Non-Interest Expense	30
Table 25 - Effect of Combining Adjustments on Combined Statement of Income	31
Table 26 - Comprehensive Income	32
Table 27 - Significant Inputs for Private-Label Residential MBS and Home Equity Loan ABS at March 31, 2018	36
Table 28 - FHLBanks' Long-Term Credit Ratings, Short-Term Credit Ratings, and Outlook at April 30, 2018	38
Table 29 - Advances, Other Credit Products, and Collateral Outstanding at March 31, 2018	39
Table 30 - Type of Collateral Securing Advances and Other Credit Products Outstanding at March 31, 2018	40
Table 31 - Investment Ratings	41
Table 32 - Credit Ratings of Private-Label Mortgage-Backed Securities at March 31, 2018	43
Table 33 - Unsecured Credit Exposure by Investment Type	44
Table 34 - Ratings of Unsecured Investment Credit Exposure by Domicile of Counterparty at March 31, 2018	45
Table 35 - Contractual Maturity of Unsecured Investment Credit Exposure by Domicile of Counterparty at March 31, 2018	46
Table 36 - Derivative Counterparty Credit Exposure at March 31, 2018	48
Tables Included in Quantitative and Qualitative Disclosures about Market Risk	
Table 37 - Individual FHLBank's Market Value of Equity and Duration of Equity Disclosures	49
Table 38 - Duration of Equity	50
Table 39 - Duration Gap	50
Tables Included in Market for Capital Stock and Related Stockholder Matters	
Table 40 - Regulatory Capital Stock Held by Type of Member	55
Table 41 - Membership by Type of Member	55
Table 42 - Top 10 Regulatory Capital Stockholders by Holding Company at March 31, 2018	56