FEDERAL HOME LOAN BANKS

Combined Financial Report
For the year ended December 31, 2010

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

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

The FHLBanks' consolidated obligations are not obligations of the United States and are not guaranteed by either the United States or any government agency.

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

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

Investors should direct questions about the FHLBanks' consolidated obligations or their combined financial reports to the FHLBanks Office of Finance at (703) 467-3600. The FHLBanks Office of Finance is located at 1818 Library Street, Suite 200, Reston, VA 20190. This document is available on the FHLBanks Office of Finance web site at www.fhlb-of.com. This web site address is provided as a matter of convenience only, and its contents are not made part of this report and are not intended to be incorporated by reference into this report.

This Combined Financial Report was issued on March 30, 2011.

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

EXPLANATORY STATEMENT ABOUT FHLBANKS COMBINED FINANCIAL REPORT

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

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

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

Each FHLBank is a separately chartered cooperative with individual boards of directors and management and is responsible for establishing its own accounting and financial reporting policies in accordance with GAAP. The FHLBanks' accounting and financial reporting policies and practices are not necessarily identical because alternative policies and presentations are permitted under GAAP in certain circumstances. Statements in this report may be qualified by a term such as "generally," "primarily," "typically" or words of similar meaning to indicate that the statement is generally applicable, but may not be applicable to all FHLBanks or transactions as a result of their different business practices and accounting and financial reporting policies under GAAP.

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

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

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

BUSINESS

General Information

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

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

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

Table 1 - FHLBanks' Asset Composition

	December 31, 2010	December 31, 2009
	Percentage of Total Assets	Percentage of Total Assets
Advances	54.5%	62.1%
Investments	37.6%	28.0%
Mortgage loans held for portfolio, net	7.0%	7.0%
Other assets	0.9%	2.9%
Total assets	100.0%	100.0%

The FHLBanks fund their assets and operations principally through the sale of debt instruments to the public, known as consolidated obligations, through the Office of Finance. Each FHLBank is jointly and severally liable with the other FHLBanks for all consolidated obligations issued. Consolidated obligations are not obligations of the United States, and the U.S. government does not guarantee them. Additional funds are provided by member deposits and the issuance of capital stock.

Table 2 - FHLBanks' Liability and Capital Composition

	December 31, 2010	December 31, 2009
	Percentage of Total Liabilities and Capital	Percentage of Total Liabilities and Capital
Total consolidated obligations, net	91.2%	92.1%
Deposits	1.6%	1.6%
Other liabilities	2.2%	2.1%
Total GAAP capital[1]	5.0%	4.2%
Total liabilities and capital	100.0%	100.0%

(1) The FHLBanks' combined regulatory capital-to-assets ratio was 6.53 percent at December 31, 2010 and 5.92 percent at December 31, 2009. (See ***Note 19—Capital*** to the accompanying combined financial statements for details on regulatory capital requirements.)

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

Membership in an FHLBank is limited to regulated depositories, insurance companies, and community development financial institutions (CDFIs). Effective February 4, 2010, CDFIs that have been certified by the CDFI Fund of the U.S. Department of the Treasury (U.S. Treasury), including community development loan funds, community development venture capital funds, and state-chartered credit unions without federal insurance are eligible to become members. (See ***Table 64—Membership by Type of Member*** identifying members of the FHLBanks by type of financial institution.) Eligible financial institutions may only be a member of one FHLBank, and generally may purchase capital stock only in the FHLBank whose district includes the state where the member's principal place of business is located. Some financial institution holding companies may have one or more subsidiaries, each of which may be a member of the same or a different FHLBank. Membership in an FHLBank is voluntary.

As a member-owned cooperative, each FHLBank conducts the majority of its credit and mortgage program businesses almost exclusively with members. An FHLBank may also purchase short-term investments, Federal funds and mortgage-backed securities from members, or their affiliates. All investments are purchased at then-current market prices and all mortgage-backed securities are purchased through securities brokers or dealers. The FHLBanks manage their primary objective of fulfilling their public purpose by enhancing the value of membership for member institutions. The value of membership may be derived from access to readily available credit and other services from the FHLBanks and the value of the cost differential between an FHLBank's advances and other potential sources of funds, as well as the potential for dividends paid on members' investment in an FHLBank's capital stock.

In keeping with their cooperative philosophy, the FHLBanks price their advances at relatively small mark-ups over their cost of funds and historically returned the majority of their net income to their members in the form of dividends. Accordingly, the FHLBanks' income and balance of retained earnings are relatively small as they relate to total assets and total liabilities.

The primary source of revenue for the FHLBanks is interest income earned on advances, investments and mortgage loans held for portfolio. The primary items of expense for the FHLBanks are interest paid on consolidated obligations; net other-than-temporary impairment losses; operating expenses, including employee compensation and benefits; and Resolution Funding Corporation (REFCORP) and Affordable Housing Program (AHP) assessments. A key driver of net interest income and net income is the return the FHLBanks receive on member capital because there is no related interest expense.

Historical Perspective

The fundamental business of the FHLBanks is to provide a readily available, low-cost source of funds in a wide range of maturities to meet the demands of members and eligible non-member housing associates. Congress created the FHLBanks in 1932 to improve the availability of funds to support home ownership. Although the FHLBanks were initially capitalized with government funds, their members have provided all of the FHLBanks' capital for over 50 years.

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

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

Advances

The FHLBanks make loans, known as advances, to their members and eligible non-member housing associates on the security of mortgages and other collateral pledged by the borrowing institutions. Advances are the FHLBanks' largest asset category on a combined basis, representing 54.5 percent and 62.1 percent of total assets at December 31, 2010 and 2009. Advances are collateralized generally by mortgages held in FHLBank member portfolios (See ***Risk Management—Credit Risk—Managing Credit Risk—Advances*** for additional information on advances collateral). Because portfolio lenders may originate loans that they are unwilling or unable to sell in the secondary mortgage market, FHLBank advances can serve as a funding source for a variety of conforming and nonconforming mortgages. FHLBank advances support important housing markets, including those focused on very low-, low- and moderate-income households. For those members that choose to sell or securitize their mortgages, FHLBank advances can provide interim funding.

The FHLBanks serve as a source of liquidity for their members. Access to FHLBank advances can reduce the amount of low-yielding liquid assets a member would otherwise hold to ensure the same amount of liquidity.

Each FHLBank develops its advances program to meet the particular needs of its members. Each FHLBank offers a wide array of fixed- and variable-rate advances, with maturities typically ranging from one day to 30 years, consistent with the safe and sound operation of each FHLBank. The FHLBanks offer both standard and customized advance structures.

Standard Advances

Standard types of advances generally include:

- Fixed-Rate Advances. Fixed-rate advances have maturities typically ranging from one day to 30 years.
- Variable-Rate Advances. Variable-rate advances include advances with maturities ranging from less than 30 days to 10 years, where the interest rates reset periodically at a fixed spread to the London Interbank Offered Rate (LIBOR) or other specified standardized indices.
- Fixed-Rate Amortizing Advances. Fixed-rate amortizing advances have maturities typically ranging from one year to 30 years, with the principal repaid monthly, quarterly, semi-annually or annually over the term of the advances. Fixed-rate amortizing advances may be fully amortizing to the maturity date, or may have a balloon payment due at maturity.
- Convertible Advances. Variable to fixed-rate convertible advances have maturities typically ranging from two years to 10 years, with a defined lockout period during which the interest rates adjust based on a spread to LIBOR. At the end of the lockout period, these advances may convert to fixed-rate advances. The fixed rates on the converted advances are determined at origination. The FHLBanks also offer convertible fixed-rate advances, which allow the FHLBanks to convert to open-line advances or other structures after an agreed upon lockout period. Maturities of convertible fixed-rate advances generally range from one month to 15 years.

- Open-Line Advances. Open-line advances are designed to provide flexible funding to meet borrowers' daily liquidity needs and can be drawn for one day. These advances may automatically be renewed until the member pays down the advances. Interest rates are set daily.

Customized Advances

Customized advances may include:

- advances with non-standardized interest rate indices;
- advances with standardized interest rate indices that are averaged;
- advances with embedded optionality, such as interest-rate caps, floors and collars, and call or put options;
- advances with partial prepayment symmetry, where an FHLBank charges the member a prepayment fee or pay the member a prepayment fee, depending on certain factors such as changes in interest rates, when the advance is prepaid; and
- hybrid advances, which are advances with a one-time option to embed either a floor or cap at any time during the life of the advance. This advance may be either fixed- or variable-rate at the time of issuance.

Advances to Members and Non-Members

In addition to advances to members, the FHLBanks are permitted to make advances to non-members that are approved mortgagees under Title II of the National Housing Act (housing associates, which are generally state and local housing agencies). In addition, to be eligible for advances from an FHLBank, housing associates must also:

- be chartered under law and have succession;
- be subject to inspection and supervision by a governmental agency; and
- lend their own funds as their principal activity in the mortgage field.

Housing associates are not subject to certain provisions applicable to members under the FHLBank Act. For example, they are not required to purchase capital stock in an FHLBank. However, the same regulatory lending requirements that apply to members also generally apply to housing associates.

FHLBank advances can provide funding to smaller lenders that lack diverse funding sources. Smaller community lenders often do not have access to many of the funding alternatives available to larger financial entities, including repurchase agreements, commercial paper and brokered deposits. The FHLBanks give these lenders access to wholesale funding at competitive prices.

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

The FHLBanks help members meet their responsibilities under the CRA. Through the Affordable Housing Program (AHP), the Community Investment Program (CIP) and the Community Investment Cash Advance (CICA) programs, members have access to subsidized and other low-cost funding to create affordable rental and homeownership opportunities and for commercial and economic development activities that benefit very low-, low- and moderate-income neighborhoods, thereby contributing to the revitalization of these communities.

Approximately $44.1 billion in FHLBank-supported lending for housing development has financed approximately 726 thousand housing units from the establishment of the CIP in 1990 and the establishment of CICA in 1998, through 2009, the latest information available on the Regulator's web site. In addition to housing developments, over $17.7 billion in FHLBank-supported community lending has helped finance thousands of local economic community development projects.

Since its inception in 1990, the AHP has provided significant resources for housing development across the 50 states, the District of Columbia, and U.S. territories. From 1990 through December 31, 2010, the latest information available on the Regulator's web site, the FHLBanks have awarded approximately $4.3 billion in AHP subsidies to facilitate development of affordable housing projects designed to create over 742 thousand housing units for very low-, low- and moderate-income families.

The FHLBanks are one of the largest sources of private funding for affordable housing in the nation. (See ***Note 16—Affordable Housing Program (AHP)*** to the accompanying combined financial statements.)

Investments

The FHLBanks maintain portfolios of investments for liquidity purposes, to manage capital stock repurchases and redemptions and to provide additional earnings. This investment income also bolsters the FHLBanks' capacity to meet their commitments to affordable housing and community investment, to cover operating expenses and to satisfy the REFCORP assessment. (See ***Tax Status*** for more detail on the REFCORP assessment.)

The FHLBanks maintain portfolios of short-term investments issued by highly-rated institutions, which may provide available funds to meet the credit needs of their members. These portfolios of short-term investments may include:

- overnight Federal funds;
- term Federal funds;
- securities purchased under agreements to resell;
- interest-bearing certificates of deposits and bank notes; and
- commercial paper.

The FHLBanks also enhance interest income and cover operating expenses by holding other investment securities. These include mortgage-backed securities (MBS) issued by government-sponsored mortgage agencies and enterprises or those that carry the highest ratings, at the time of purchase, from a Nationally Recognized Statistical Rating Organization (NRSRO) or another financial rating source as deemed appropriate, securities issued by U.S. government-sponsored agencies and instrumentalities, and securities issued by state or local housing finance agencies. These investment securities may provide the FHLBanks with higher returns than those available in the short-term money markets. In addition to the investments listed above, certain FHLBanks have invested in Temporary Liquidity Guarantee Program (TLGP) debt backed by the U.S. government. This guarantee is scheduled to expire on December 31, 2012. Total investments represented 37.6 percent of the FHLBanks' combined total assets at December 31, 2010 and 28.0 percent of the FHLBanks' combined total assets at December 31, 2009.

Finance Agency regulations prohibit the FHLBanks from investing in certain types of securities and limit the FHLBanks' investment in MBS and asset-backed securities. (See ***Risk Management—Credit Risk—Managing Credit Risk—Investments*** for information on these restrictions and limitations.)

Acquired Member Asset Programs—Mortgage Loans Held for Portfolio

The FHLBanks have programs to purchase mortgage loans from, or fund mortgage loans through, members or housing associates called participating financial institutions (PFIs). The primary programs are the Mortgage Partnership Finance (MPF®) Program[1] and the Mortgage Purchase Program (MPP). These programs were developed to support the FHLBanks' housing mission, diversify their assets and provide an additional source of liquidity to their members. Many FHLBank members that originate mortgage loans choose to sell those loans into the secondary mortgage market rather than hold them in their own portfolios.

(1) "Mortgage Partnership Finance," "MPF" and "MPF Xtra" are registered trademarks of the FHLBank of Chicago.

The FHLBanks that currently offer the MPF Program are the FHLBanks of Boston, New York, Pittsburgh, Chicago, Des Moines and Topeka. The FHLBank of Chicago acts as "MPF Provider" and provides programmatic and operational support to the MPF FHLBanks and each of their PFIs. The FHLBanks that currently offer the MPP are Cincinnati and Indianapolis. The FHLBanks of Atlanta, Dallas, San Francisco and Seattle no longer purchase either MPP or MPF Loans; however, each of these FHLBanks plans to support its existing portfolio of mortgage loans.

In 2008, the FHLBank of Chicago introduced the MPF Xtra product under which it purchases MPF Loans and concurrently sells them to Federal National Mortgage Association (Fannie Mae). Other than immaterial amounts to support government housing programs, the FHLBank of Chicago has ceased buying MPF Loans for its portfolio. The other MPF FHLBanks continue to have the ability to purchase and fund loans through the MPF infrastructure. Unlike other MPF products, under the MPF Xtra product PFIs are not required to provide credit enhancement and do not receive credit enhancement fees (CE Fees). In 2009, each of the FHLBanks of Boston, Pittsburgh and Des Moines also began offering the MPF Xtra product to its members. The MPF Xtra Loans are not retained in an FHLBank's mortgage loan portfolio.

MPF Loans and MPP Loans

Under the MPF Program and MPP, FHLBanks invest principally in qualifying five-year to 30-year conforming conventional and government-guaranteed fixed-rate mortgage loans and participations in pools of these mortgage loans, secured by one-to-four family residential properties. Government-guaranteed mortgage loans are mortgage loans insured or guaranteed by FHA, the Department of Veterans Affairs (VA), the Rural Housing Service of the Department of Agriculture (RHS) or the U.S. Department of Housing and Urban Development (HUD). Under the MPF Program, one or more MPF FHLBanks may acquire or participate in all or a portion of the acquired mortgage loans obtained from a PFI of another MPF FHLBank. Mortgage loans held for portfolio represented 7.0 percent of the FHLBanks' combined total assets at both December 31, 2010 and 2009. At December 31, 2010 and 2009, the FHLBanks had invested in MPF Loans and MPP Loans in all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

Under these mortgage programs, each FHLBank manages the interest-rate risk, prepayment option risk and liquidity risk of the fixed-rate mortgage loans in which it holds an interest, while the PFI manages the origination and servicing activities. Each FHLBank holding an interest in a mortgage loan, and the PFI selling or originating the mortgage loan, share in the credit risk of conventional mortgage loans pursuant to a Master Agreement and a Master Commitment Contract. Under these programs, the PFI provides a measure of credit-loss protection to the FHLBank(s) holding interests in loans generated by the PFI. In the case of the MPF Program, the selling or originating PFI receives a CE Fee. All loss allocations to a PFI and its MPF FHLBank related to a Master Commitment Contract are limited to that Master Commitment Contract. In the case of the MPP, the selling PFI benefits from a Lender Risk Account (LRA), which is funded from either a purchase-price holdback or as a portion of the monthly interest payment that PFIs may receive from an MPP FHLBank after a certain time period in exchange for managing credit risk to pre-defined levels in accordance with the program documents. All loss allocations to a PFI and its MPP FHLBank are based upon either individual pools of loans covered by each Master Commitment Contract between that PFI and its MPP FHLBank or across all participants within a larger aggregated pool.

A more detailed discussion of the credit enhancement and risk-sharing arrangements and loan product information for the MPF Program and the MPP is included under ***Risk Management—Credit Risk—Managing Credit Risk—Mortgage Loans Held for Portfolio*** and ***Supplemental Information—Additional Information on FHLBanks' Mortgage Partnership Finance® (MPF®) Program*** and ***Supplemental Information—Additional Information on FHLBanks' Mortgage Purchase Program (MPP)***.

Debt Financing—Consolidated Obligations

Consolidated obligations, consisting of bonds and discount notes, are the principal funding source used by the FHLBanks to provide for advances, investments and the mortgage programs. The use of a bond or discount note to provide funding is generally determined based on the desired maturity of the obligation. All consolidated obligations are issued through the Office of Finance on behalf of the 12 FHLBanks. The Office of Finance can issue consolidated obligations only when an FHLBank (Primary Obligor FHLBank) provides a request for and agrees to accept the funds. An FHLBank is generally prohibited by regulation from purchasing, directly or indirectly, securities from the initial issuance of a consolidated obligation. The Finance Agency and the Secretary of the U.S. Treasury oversee the issuance of FHLBank debt through the Office of Finance.

Consolidated obligations were outstanding in an amount equal to 91.2 percent of the FHLBanks' combined total liabilities and capital at December 31, 2010 and 92.1 percent of the FHLBanks' combined total liabilities and capital at December 31, 2009. The capital markets have traditionally considered the FHLBanks' consolidated obligations as being equivalent to "Federal agency" debt. As a result, although the U.S. government does not guarantee the FHLBanks' debt, the FHLBanks have traditionally had ready access to funding at relatively favorable rates. The FHLBanks' ability to access the capital markets through the issuance of consolidated obligations, using a variety of debt structures and maturities, allows the FHLBanks to manage their balance sheets effectively and efficiently.

Credit Ratings. Consolidated obligations are currently rated Aaa/P-1 by Moody's and AAA/A-1+ by S&P. These are the highest ratings available for such debt from these Nationally Recognized Statistical Rating Organizations (NRSROs). These ratings indicate that the FHLBanks have an extremely strong capacity to meet their commitments to pay principal and interest on consolidated obligations and that the consolidated obligations are judged to be of the highest quality with minimal credit risk. The ratings on the FHLBanks' consolidated obligations also reflect the FHLBank System's status as a GSE. These ratings have not been affected by rating actions taken with respect to individual FHLBanks. Investors should note that a rating issued by an NRSRO is not a recommendation to buy, sell or hold securities and that the ratings may be revised or withdrawn by the NRSRO at any time. Investors should evaluate the rating of each NRSRO independently.

Interest Rate. Consolidated bonds are generally issued at a discount and with either fixed-rate or variable-rate coupon payment terms. Consolidated discount notes are issued at a discount to par value. The interest-rate indices on variable-rate consolidated bonds typically include:

- LIBOR;
- the Treasury Bills (T-Bills);
- Federal funds rate; and
- the Prime rate.

Interest-Rate Exchange Agreements. In connection with the sale of any particular issue of consolidated obligations, the Primary Obligor FHLBank may enter into interest-rate exchange agreements or other transactions with the applicable securities dealer, bank or their affiliate, or an unaffiliated third party. These transactions are entered into by an FHLBank to create synthetically reconfigured funding terms and costs as a primary way to reconcile the demand of its members and the preferences of the capital markets. The primary reasons the FHLBanks enter into these transactions are to convert fixed-rate debt to variable-rate debt or to convert from one interest-rate index to another. This allows the FHLBanks to create synthetic variable-rate debt at a cost that is lower than the cost of a variable-rate consolidated obligation issued directly by the FHLBanks.

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

Joint and Several Liability. Although each FHLBank is primarily liable for the portion of consolidated obligations corresponding to the proceeds received by that FHLBank, all FHLBanks are also jointly and severally liable for the payment of principal and interest on all consolidated obligations. Under Finance Agency regulations, if the principal or interest on any consolidated obligation issued on behalf of one of the FHLBanks is not paid in full when due, the Primary Obligor FHLBank may not pay dividends to, or redeem or repurchase shares of capital stock from, any member of that FHLBank. The Finance Agency, in its sole discretion, may require any FHLBank to make payments of principal or interest on any consolidated obligations, whether or not the Primary Obligor FHLBank has defaulted on the payment of that consolidated obligation.

To the extent that an FHLBank makes any payment on a consolidated obligation on behalf of the Primary Obligor FHLBank, the paying FHLBank is entitled to reimbursement from the Primary Obligor FHLBank. However, if the Finance Agency determines that an FHLBank is unable to satisfy its obligations, then the Finance Agency may allocate the outstanding liability among the remaining FHLBanks on a pro-rata basis in proportion to each FHLBank's participation in all consolidated obligations outstanding, or on any other basis that the Finance Agency may determine.

Neither the Finance Agency nor any of its predecessors has ever required an FHLBank to repay obligations in excess of its participation nor has it allocated to any FHLBank any outstanding liability on any other FHLBank's consolidated obligations.

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

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

Any assets subject to a lien or pledge for the benefit of holders of any issue of consolidated obligations are treated as if they were free from lien or pledge for purposes of compliance with these regulations. In addition, each FHLBank must adhere to the leverage limits set by the FHLBank Act and regulatory limits set by the Regulator. At December 31, 2010, each FHLBank was in compliance with these requirements.

Consolidated Discount Notes

On a daily basis, FHLBanks may request that specific amounts of consolidated discount notes with specific maturity dates be offered by the Office of Finance for sale through certain securities dealers. The Office of Finance commits to issue discount notes on behalf of the requesting FHLBanks when dealers submit orders for the specific discount notes offered for sale. The FHLBanks receive funding based on the time of their request, the rate requested for issuance, the trade date, the settlement date and the maturity date. If all terms of the request are the same except for the time of the request, then the FHLBank may receive from zero to 100 percent of the proceeds of the sale of the discount notes issued depending on the time of the request and the amount of orders for the discount notes submitted by dealers. These discount notes presently are available in maturities of one year or less. They are sold at a discount and mature at par.

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

Consolidated Bonds

Historically, consolidated bonds have been issued primarily to raise intermediate- and long-term funds. During the recent credit crisis, consolidated bonds were primarily used to raise additional short- and intermediate-term funds. They can be issued and distributed through negotiated or competitively bid transactions with approved underwriters or bidding group members. Consolidated bonds generally carry fixed- or variable-rate payment terms and have maturities typically ranging from one month to 30 years, although there is no statutory or regulatory limitation on their maturity.

To meet the specific needs of certain investors in consolidated bonds, both fixed-rate bonds and variable-rate bonds issued by the FHLBanks may contain embedded features, which can result in complex coupon payment terms and call features. When consolidated bonds with these kinds of features are issued, the FHLBanks may concurrently enter into interest-rate exchange agreements that contain offsetting features, which effectively alter the terms of the bonds to variable-rate bonds tied to an index.

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

Global Consolidated Bonds. The FHLBanks also issue global consolidated bonds. Effective in January 2009, the FHLBanks and the Office of Finance implemented a debt issuance process for scheduled issuance of global bullet consolidated bonds. As part of this process, management from each of the FHLBanks will determine and communicate a firm commitment to the Office of Finance for an amount of scheduled global debt to be issued on its behalf. If the FHLBanks' orders do not meet the minimum debt issue size, each FHLBank receives an allocation of proceeds equal to the larger of the FHLBank's commitment or the ratio of the individual FHLBank's regulatory capital to total regulatory capital of all of the FHLBanks. If the FHLBanks' commitments exceed the minimum debt issue size, then the proceeds are allocated based on relative regulatory capital of the FHLBanks with the allocation limited to the lesser of the allocation amount or actual commitment amount. The FHLBanks can, however, pass on any scheduled calendar slot and decline to issue any global bullet consolidated bonds upon agreement of eight of the 12 FHLBanks.

Deposits

The FHLBanks offer demand, overnight and term deposit programs to their members and to qualifying non-members. The FHLBank Act allows each FHLBank to accept deposits from:

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

Deposit programs, although not as significant as other funding sources, provide some of the funding resources for the FHLBanks. To a much lesser extent than consolidated obligations, deposits also provide funding for advances and investments. At the same time, they offer members a low-risk earning asset that satisfies their regulatory liquidity requirements. Deposits represented an amount equal to 1.6 percent of the FHLBanks' combined total liabilities and capital at both December 31, 2010 and 2009.

Capital, Capital Rules and Dividends

Capital Structure under the Gramm-Leach-Bliley Act (GLB Act)

The GLB Act permits each FHLBank to issue one or two classes of stock, each with sub-classes. Class A capital stock (Class A stock) is redeemable on six months written notice from a member and Class B capital stock (Class B stock) is redeemable on five years written notice from a member. Each FHLBank can repurchase a member's excess capital stock at its discretion at any time prior to the end of the redemption period, provided that FHLBank will continue to meet its regulatory capital requirements after the repurchase. Under the GLB Act, membership in an FHLBank became voluntary for all members. If a member withdraws its membership from an FHLBank, it may not acquire shares of any FHLBank for five years after the date on which its divestiture of capital stock is completed. This restriction does not apply if the member is transferring its membership from one FHLBank to another FHLBank on an uninterrupted basis. (See ***Note 19—Capital*** to the accompanying combined financial statements.)

The Federal Housing Finance Board's (Finance Board) final rule that implemented a capital structure for the FHLBanks, as required by the GLB Act, had the following effects:

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

Each FHLBank, except for the FHLBank of Chicago, has implemented its respective capital plan. (See ***Capital Structure Prior to the GLB Act.***)

Capital Adequacy under the GLB Act

Under the GLB Act and the Finance Agency's regulation, each FHLBank is subject to risk-based capital rules following implementation of its capital plan as contemplated under the GLB Act. Under Finance Agency regulations, each FHLBank needs to ensure that it operates in a safe and sound manner, with sufficient permanent capital and reserves to support the risks that arise in the operations and management of that FHLBank. The FHLBanks are subject by regulation to the following three regulatory capital requirements:

1. risk-based capital;
2. total regulatory capital ratio; and
3. leverage capital ratio.

Risk-Based Capital. The GLB Act defines "permanent capital" for each FHLBank as the amount paid-in for Class B capital stock, plus the amount of an FHLBank's retained earnings, as determined in accordance with GAAP. Mandatorily redeemable capital stock is considered capital for regulatory purposes. Each FHLBank must maintain at all times permanent capital in an amount at least equal to the sum of its credit risk, market risk, and operations risk capital requirements, all of which are calculated in accordance with the rules and regulations of the Finance Agency.

The credit risk component of the risk-based capital requirement of an FHLBank is determined by adding together the credit risk capital charges computed for assets, off-balance sheet items and derivative contracts. These computations are based on, among other things, the credit risk percentages assigned to each item as required by the Regulator.

The market risk component of the risk-based capital requirement of an FHLBank is the sum of:

1. the market value of its portfolio at risk from movements in interest rates that could occur during times of market stress; plus
2. any amount by which the current market value of its total capital falls short of 85 percent of book value.

Each FHLBank must calculate the market value of its portfolio at risk and the current market value of its total capital by using either an internal market risk model or internal cash flow model approved by the Regulator. The Finance Board approved the models used by the 11 FHLBanks that have implemented capital plans under the GLB Act. Although each FHLBank models its own market risk, the Finance Board has reviewed and approved the modeling approach and underlying assumptions used by each FHLBank. The Regulator reviews these modeling approaches on an ongoing basis.

The operational risk component of the risk-based capital requirement of an FHLBank is equal to 30 percent of the sum of its credit risk and market risk components of the risk-based capital requirement. The Regulator can approve a reduction in this percentage. For reasons of safety and soundness, the Regulator may also require an individual FHLBank to maintain greater permanent capital than is required by the risk-based capital requirements previously described.

Total Regulatory Capital Ratio. The GLB Act specifies a four percent minimum total capital ratio. Total capital for regulatory capital adequacy purposes under the GLB Act is defined as the sum of the FHLBank's permanent capital; plus

1. the amounts paid-in by its members for Class A capital stock;
2. any general loss allowance, if consistent with GAAP and not established for specific assets; and

3. other amounts from sources determined by the Regulator as available to absorb losses.

Leverage Capital Ratio. The GLB Act specifies a five percent minimum leverage ratio based on total capital, which includes a 1.5 weighting factor applicable to permanent capital.

All FHLBanks that were subject to these capital requirements at December 31, 2010 were in compliance at that date. (See ***Note 19—Capital—FHLBank of Seattle Capital Classification and Consent Arrangement*** to the accompanying combined financial statements for a description of the FHLBank of Seattle's Consent Arrangement with the Finance Agency.)

An FHLBank may not redeem or repurchase any of its capital stock without the Regulator's approval or if that FHLBank's board of directors determines that the FHLBank has incurred or is likely to incur losses that result in or are likely to result in charges against the capital of that FHLBank. This applies even if that FHLBank is in compliance with its minimum capital requirements. As a result, whether or not a member may have its capital stock in an FHLBank repurchased (at an FHLBank's discretion at any time before the end of the redemption period) or redeemed (at a member's request, completed at the end of a redemption period) at any given time will depend on whether the FHLBank is in compliance with its three regulatory capital requirements (risk-based capital, total capital ratio, and leverage capital ratio). In addition, some FHLBanks have agreed with the Regulator either to maintain higher total capital-to-assets ratios and/or limit dividend payments as part of their retained earnings policies. (See ***Financial Discussion and Analysis—Capital Adequacy—Dividend and Excess Stock Limitations*** for a discussion of certain FHLBanks' dividend payment limitations and/or excess stock purchase restrictions.)

Summary of Individual FHLBank's Capital Plan Structure under the GLB Act

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

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

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

The FHLBank of Seattle currently offers a single series of Class B stock, but has an outstanding balance of Class A stock and Class B stock. On May 12, 2009, as part of the FHLBank of Seattle's efforts to correct its risk-based capital deficiency, the board of directors of the FHLBank of Seattle suspended the issuance of Class A stock to support new advances, effective June 1, 2009. New advances must be supported by Class B stock, which, unlike Class A stock, can be used to increase the FHLBank of Seattle's permanent capital. Class A and Class B stockholders have the same voting rights. (See ***Note 19—Capital—FHLBank of Seattle Capital Classification and Consent Arrangement*** to the accompanying combined financial statements for a description of the FHLBank of Seattle's Consent Arrangement with the Finance Agency that restricts excess stock repurchases and redemptions and dividend payments.)

See each individual FHLBank's SEC Form 10-K for a complete description of each FHLBank's capital plan structure. (See also ***Financial Discussion and Analysis—Capital Adequacy—Dividend and Excess Stock Limitations*** for recent changes to certain FHLBank's capital plans.)

Capital Structure Prior to the GLB Act

At December 31, 2010, only the FHLBank of Chicago had not yet implemented a new capital plan under the GLB Act. Until the FHLBank of Chicago implements its new capital plan, the pre-GLB Act capital rules remain in effect. In particular, the pre-GLB Act rules require a member to purchase capital stock equal to the greater of $500, one percent of its mortgage-related assets or five percent of its outstanding FHLBank advances.

FHLBank of Chicago capital stock outstanding under the pre-GLB Act rules is redeemable at the option of a member upon six months written notice of withdrawal from membership from the FHLBank of Chicago, provided that the FHLBank of Chicago is in compliance with its regulatory capital requirements and the Deputy Director, Division of FHLBank Regulation of the Finance Agency (Deputy Director) has approved the redemption. However, the Deputy Director has denied all redemption requests since April 24, 2008.

The FHLBank of Chicago's leverage limit, under Finance Agency regulations, provides that its total assets may not exceed 25 times its total regulatory capital stock, retained earnings, and reserves, provided that nonmortgage assets (after deducting the amounts of deposits and capital) do not exceed 11% of total assets. This requirement may also be viewed as a percentage regulatory capital ratio where the FHLBank of Chicago's total regulatory capital stock, retained earnings, and reserves must be at least 4.0 percent of its total assets. This 4.0 percent leverage limit is currently superseded by the 4.5 percent minimum regulatory capital ratio required by the Consent Cease & Desist Order (C&D Order). If the FHLBank of Chicago is unable to meet the 4.0 percent leverage limit based on its asset composition, it would still be able to remain in compliance with the leverage requirement so long as the FHLBank of Chicago's total assets did not exceed 21 times total regulatory capital stock, retained earnings, and reserves (that is, total regulatory capital stock, retained earnings, and reserves must be at least 4.76 percent of its total assets). The FHLBank of Chicago was in compliance with these capital requirements at December 31, 2010.

The FHLBank of Chicago entered into the C&D Order with the Finance Board on October 10, 2007 and an amendment thereto as of July 24, 2008. (See ***Note 19—Capital—FHLBank of Chicago Regulatory Actions*** to the accompanying combined financial statements for more information on the Finance Agency's regulatory requirements and actions related to the FHLBank of Chicago.)

Mandatorily Redeemable Capital Stock

An FHLBank generally reclassifies stock subject to redemption from capital to liabilities at fair value once a member submits a written redemption request, gives notice of intent to withdraw from membership, or attains non-member status by merger or acquisition, charter termination, or involuntary termination from membership. The fair value of capital subject to mandatory redemption is generally at par value as indicated by member contemporaneous purchases and sales at par value. Fair value also includes estimated dividends earned at the time of reclassification from capital to liabilities, until such amount is paid, and any subsequently declared stock dividends. The fair value of an FHLBank's stock for measurement purposes has been the par value because FHLBank stock can only be acquired by members (or transferred between members) at par value and redeemed at par value as mandated by each FHLBank's capital plan, subject to statutory and regulatory requirements. FHLBank stock is not traded and no market mechanism exists for the exchange of stock outside the cooperative structure. (See ***Note 19—Capital*** to the accompanying combined financial statements for more information on mandatorily redeemable capital stock and redemption requests on shares of capital stock that are not reclassified as mandatorily redeemable capital stock.)

Dividends and Retained Earnings

The board of directors of each FHLBank may declare and pay dividends in either cash or capital stock, assuming the FHLBank is in compliance with Finance Agency rules. Finance Agency regulation prohibits an FHLBank from issuing additional excess stock, including through the issuance of stock dividends, if the amount of excess stock exceeds one percent of the FHLBank's total assets. Excess stock is defined by the Regulator as any FHLBank stock owned by a member or other institution in excess of that member's or other institution's minimum investment in capital stock required under the FHLBank Act, Finance Agency regulations, or the FHLBank's capital plan. Also included in this regulation is a provision permitting the FHLBanks to declare and pay dividends only from previously retained earnings or current net earnings. The regulation also prohibits an FHLBank from declaring or paying a dividend if that FHLBank's total permanent capital is below the par value of its stock or is projected to be in this situation after payment of the dividend.

Effective February 28, 2011, the FHLBanks entered into a Joint Capital Enhancement Agreement (the JCE Agreement), which provides that upon satisfaction of the FHLBanks' obligations to REFCORP, each FHLBank will, on a quarterly basis, allocate at least 20 percent of its net income to a separate Restricted Retained Earnings Account (RRE Account). Under the JCE Agreement, each FHLBank will be required to build its RRE Account to one percent of its total outstanding consolidated obligations. The JCE Agreement provides that during periods in which an FHLBank's RRE Account is less than one percent of its total consolidated obligations, that FHLBank may pay dividends only from retained earnings that are not restricted in its RRE Account or from the portion of quarterly net income that exceeds the amount required to be allocated to its RRE Account. (See ***Financial Discussion and Analysis—Capital Adequacy—Joint Capital Enhancement Agreement*** for more information on the JCE Agreement.)

The board of directors of most FHLBanks has adopted a retained earnings policy that may include a target amount of retained earnings as well as a plan that will enable the FHLBank to reach the targeted amount of retained earnings. In addition, several FHLBanks have implemented actions related to suspensions of dividend payments and/or repurchases of excess capital stock. (See ***Financial Discussion and Analysis—Capital Adequacy—Dividend and Excess Stock Limitations*** for a discussion of these actions.)

Audits and Examinations

FHLBanks' Regulator

The Federal Housing Finance Board (Finance Board), an independent agency in the executive branch of the U.S. government, supervised and regulated the FHLBanks and the Office of Finance through July 29, 2008. The Housing Act established the Federal Housing Finance Agency (Finance Agency), which became the new independent Federal Regulator of the FHLBanks and the Office of Finance, effective July 30, 2008 (Regulator). The Finance Board was merged into the Finance Agency on October 27, 2008. The Finance Agency's mission with respect to the FHLBanks is to provide effective supervision, regulation and housing mission oversight of the FHLBanks to promote their safety and soundness, support housing finance and affordable housing, and support a stable and liquid mortgage market. The Finance Agency establishes regulations governing the operations of the FHLBanks. (See ***Note 19—Capital*** to the accompanying combined financial statements for more information on the Finance Agency's regulatory requirements and actions related to the FHLBanks of Chicago and Seattle.)

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

The Federal Housing Finance Oversight Board advises the Finance Agency Director with respect to overall strategies and policies in carrying out the duties of the Finance Agency Director, including promotion of a stable and liquid mortgage market, affordable housing and community investment through safety and soundness oversight of Fannie Mae, Federal Home Loan Mortgage Corporation (Freddie Mac) and the FHLBanks. The Federal Housing Finance Oversight Board is comprised of four board members: the Secretary of Treasury; the Secretary of HUD; the Chairman of the Securities and Exchange Commission (SEC); and the Finance Agency Director, who serves as the chairman of the board. The Finance Agency is financed by assessments from the regulated entities, including the FHLBanks. No tax dollars or other appropriations are directed to support the operations of the Finance Agency or the FHLBanks. To assess the safety and soundness of the FHLBanks, the Finance Agency conducts annual on-site examinations of each FHLBank and the Office of Finance, as well as periodic off-site reviews. In addition, each FHLBank is required to submit monthly financial information on its financial condition and results of operations to the Finance Agency.

The Finance Agency has broad regulatory authority over the FHLBanks. The Finance Agency Director may issue and serve a notice of charges upon any FHLBank or executive officer or director of an FHLBank under certain circumstances. The Finance Agency Director may take such action if it determines that the FHLBank, executive officer or director is engaging or has engaged in an unsafe or unsound practice in conducting the business of that FHLBank, or in any conduct that violates any provision of the FHLBank Act or any law, order, rule or regulation or any written condition imposed by the Finance Agency, or any written agreement entered into by the FHLBank with the Finance Agency. The Finance Agency Director may also issue any order requiring a regulated entity, executive officer, director, or affiliated party to take affirmative action to correct or remedy any condition resulting from violations or practices with respect to an order.

The Finance Agency Director has the authority to:

- require a regulated entity to make restitution, or provide reimbursement, indemnification, or guarantee against loss, if the entity was unjustly enriched in connection with a practice or violation; or the violation or practice involved a reckless disregard for the law or any applicable regulations or prior order of the Finance Agency Director;
- require a regulated entity to seek restitution, or to obtain reimbursement, indemnification, or guarantee against loss;
- restrict the growth of the regulated entity;
- require the regulated entity to dispose of any loan or asset involved;
- require the regulated entity to rescind agreements or contracts;
- require the regulated entity to employ qualified officers or employees (who may be subject to approval by the Finance Agency Director or at the direction of the Finance Agency Director); and
- require the regulated entity to take other actions as the Finance Agency Director determines appropriate.

The Finance Agency is located at 1700 G Street, N.W., 4th Floor, Washington, DC 20552, and its web site is www.fhfa.gov. This web site is provided as a matter of convenience only, and its contents are not made part of this report and are not intended to be incorporated by reference into this report.

Government Corporation Control Act

The Government Corporation Control Act provides that, before a government corporation issues and offers obligations to the public, the Secretary of the U.S. Treasury shall prescribe the form, denomination, maturity, interest rate, and conditions of the obligations; the method and time issued; and the selling price. The FHLBanks meet the definition of government corporations under the Government Corporation Control Act. The FHLBank Act also authorizes the Secretary of the U.S. Treasury, at his or her discretion, to purchase consolidated obligations up to an aggregate principal amount of $4 billion. There have been no borrowings outstanding under this authority since 1977.

The U.S. Treasury receives the Finance Agency's annual report to the U.S. Congress, monthly reports reflecting securities transactions of the FHLBanks, and other reports reflecting the operations of the FHLBanks.

Each FHLBank and the Office of Finance has an internal audit department and an audit committee. An independent registered public accounting firm audits the annual financial statements of each FHLBank and the annual combined financial statements of the FHLBanks prepared by the Office of Finance. The independent registered public accounting firm conducts these audits following standards of the Public Company Accounting Oversight Board (United States) and *Government Auditing Standards* issued by the Comptroller General of the United States. The FHLBanks, the Finance Agency, and the U.S. Congress all receive the audited financial statements. The FHLBanks must submit annual management reports to the President of the United States, the U.S. Congress, the Office of Management and Budget, and the Comptroller General of the United States. These reports include:

- a statement of financial condition;
- a statement of operations;
- a statement of capital;
- a statement of cash flows;
- a statement on internal accounting and administrative control systems; and
- the report of the independent registered public accounting firm on the financial statements.

The Comptroller General of the United States has the authority under the FHLBank Act to audit or examine the Regulator and the FHLBanks and to decide the extent to which they fairly and effectively fulfill the purposes of the FHLBank Act. Furthermore, the Government Corporation Control Act provides that the Comptroller General of the United States may review any audit of the financial statements conducted by an independent registered public accounting firm. If the Comptroller General of the United States conducts a review, he or she must report the results and provide his or her recommendations to the U.S. Congress, the Office of Management and Budget, and the FHLBank under review. The Comptroller General of the United States may also conduct his or her own audit of any financial statements of any FHLBank.

Other Mission-Related Activities

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

Housing Programs

There are two key FHLBank housing programs that provide members with grants and other low-cost funds to finance housing. Funds from both of these programs can be used to purchase, construct or rehabilitate owner-occupied or rental housing.

- The Affordable Housing Program (AHP) is a subsidy program that provides grants and interest-rate subsidies on loans to members.

- The Community Investment Program (CIP) for housing is a lending program that allows members to borrow advances, for households with incomes at or below 115 percent of the area median income (AMI), at an FHLBank's cost of funds, plus reasonable administrative costs, or to obtain triple-A-rated letters of credit from the FHLBanks.

The AHP subsidizes the cost of owner-occupied housing for individuals and families with incomes at or below 80 percent of the AMI; and rental housing in which at least 20 percent of the units are reserved for households with incomes at or below 50 percent of AMI. The subsidy may be in the form of a grant or a below-cost or subsidized interest rate on an advance. AHP funds are primarily available through a competitive application program at each of the FHLBanks.

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

If an FHLBank fails to use or commit the full amount it is required to contribute to the AHP program in any year, then 90 percent of the unused or uncommitted amount must be deposited by the FHLBank in an Affordable Housing Reserve Fund established and administered by the Regulator. The unused and uncommitted amount retained by the FHLBank should be fully used or committed by the FHLBank during the following year, and any remaining portion shall be deposited in the Affordable Housing Reserve Fund.

Economic Community Development Programs

In addition to housing, the CIP can be used for economic development in low- to-moderate income neighborhoods. At December 31, 2010 and 2009, the FHLBanks had $6.0 billion and $6.2 billion of CIP housing advances, and $2.7 billion and $2.8 billion of CIP commercial and economic development advances outstanding.

The FHLBanks also offer long-term advances, often at below-market interest rates, through other Community Investment Cash Advance (CICA) programs. CICA programs provide financing for projects that are targeted to certain economic development activities. Economic development projects include commercial, industrial, manufacturing, social service, infrastructure, and public facility projects and activities. CICA lending is targeted to specific beneficiaries, including small businesses and certain geographic areas. Two types of CICA programs benefit households at specified income levels.

- Rural Development Funding: Projects in rural areas for beneficiaries with incomes at or below 115 percent of the AMI; and

- Urban Development Funding Program: Projects in urban areas for targeted beneficiaries with incomes at or below 100 percent of the AMI.

Currently, all of the FHLBanks offer the CIP and one or more other types of CICA programs for economic development. Members may use the proceeds of CICA funding to finance targeted economic development projects directly (loan originations and purchases) or indirectly (lending to other lenders for eligible purposes). Each FHLBank has a Community Lending Plan that describes its program objectives for economic development. Approved housing associates may use certain CICA programs. Some FHLBanks have additional community lending programs designed to retain or create jobs or otherwise improve the economic status of communities.

Community Support Program

To retain access to long-term credit from an FHLBank, members are required to meet standards of community support activities and to submit a Community Support Statement to the Regulator approximately every two years that documents their satisfaction of those standards. These standards take into account each member's performance under the Community Reinvestment Act, and the member's record of lending to first-time homebuyers.

Use of Interest-Rate Exchange Agreements

Interest-rate exchange agreements (also referred to as derivatives) are an integral part of each FHLBank's financial management strategies to reduce identified risks inherent in its lending, investing and funding activities. Finance Agency regulation and each FHLBank's risk management policy prohibit trading in or the speculative use of derivative instruments and limit credit risk arising from these instruments. Consistent with Finance Agency regulation, each FHLBank may enter into derivatives to:

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

The types of derivatives an FHLBank may use include: interest-rate swaps, swaptions, interest-rate cap and floor agreements, calls, puts, and futures and forward contracts. The combined notional amounts of interest-rate exchange agreements held by the FHLBanks were $787.2 billion and $975.1 billion at December 31, 2010 and 2009. (See ***Risk Management—Credit Risk—Derivatives and Counterparty Ratings*** for information on credit exposure on these derivatives.)

Each FHLBank uses interest-rate exchange agreements in its overall interest-rate risk management activities to adjust the interest-rate sensitivity of its assets, including advances and investments, to approximate more closely the interest-rate sensitivity of its liabilities. In addition to using interest-rate exchange agreements to manage mismatches between the coupon features of its assets and liabilities, each FHLBank also uses interest-rate exchange agreements to manage embedded options in its assets and liabilities, to preserve the market value of its existing assets and liabilities and to reduce funding costs.

Each FHLBank frequently enters into interest-rate exchange agreements concurrently with the issuance of consolidated obligations. This strategy of issuing consolidated obligations while simultaneously entering into interest-rate exchange agreements enables the FHLBank to offer a wider range of attractively priced advances to its members. The continued attractiveness of FHLBank debt depends on yield relationships between the consolidated obligation and interest-rate exchange markets. As conditions in these markets change, the FHLBank may alter the types or terms of the consolidated obligations issued. Each FHLBank uses interest-rate exchange agreements extensively to make possible the alignment of the timing, structure and amount of its members' credit needs with the investment requirements of its creditors. (See ***Financial Discussion and Analysis—Critical Accounting Estimates—Derivative Hedging Relationships*** and ***Note 12—Derivatives and Hedging Activities*** to the accompanying combined financial statements.)

Competition

Advances

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

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

- market conditions;
- products;
- structures;
- members' creditworthiness;
- availability of collateral; and
- new government programs or changes to existing ones.

Competition for advances has arisen from the various fiscal and monetary stimulus programs, and financial guarantees initiated by the federal government to combat the financial crisis and recession, such as the Troubled Asset Relief Program (TARP), the Federal Reserve's Term Auction Facility, the TLGP, the Federal Reserve Discount Window, and the Federal Deposit Insurance Corporation (FDIC) deposit insurance limit increase. Although several of these temporary government programs expired during 2010, the FHLBanks' competitive environment continues to be affected by the Federal Reserve's low interest-rate environment and the extent to which FHLBank members use advances as part of their core financing rather than just as a back-up source of liquidity.

Mortgage Loans Held for Portfolio

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

Debt Issuance

Each FHLBank also competes primarily with the U.S. government (including a number of U.S. government programs initiated during the recent credit crisis), Fannie Mae, Freddie Mac and other GSEs, as well as corporate, sovereign, sub-sovereign and supranational entities, for funds raised through the issuance of unsecured debt in the domestic and global debt markets. If the supply of competing debt products increases without a corresponding increase in demand, or if certain investors change their view of investing in FHLBank debt, debt costs may rise, or less debt may be issued, at the same cost than would otherwise be the case. In addition, regulatory initiatives, which tend to reduce investments by certain depository institutions in unsecured debt with greater price volatility or interest-rate sensitivity than fixed-rate, fixed-maturity instruments of the same maturity, may adversely affect the availability and cost of funds raised through the issuance of certain types of unsecured debt. The increase in U.S. Treasury issuance also affects the FHLBanks' ability to raise funds as it provides alternative investment options. Further, a perceived or actual higher level of government support for other GSEs and other issuers may increase demand for their debt securities relative to similar FHLBank debt securities. Although the available supply of funds has kept pace with the funding needs of the FHLBanks' members (as expressed through FHLBank debt issuance), investors should not rely on the belief that this will necessarily continue to be the case in the future.

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

Tax Status

The FHLBanks are exempt from all corporate federal, state, and local taxation, except for local real estate tax. However, they are required to make payments to REFCORP in the amount equal to 20 percent of net income calculated in accordance with GAAP after the assessment for AHP, but before the assessment for REFCORP. In addition, each year the FHLBanks must set aside for the AHP the greater of the aggregate of $100 million or 10 percent of net earnings (income before assessments and before interest expense related to mandatorily redeemable capital stock, but after the assessment for REFCORP). Assessments for REFCORP and AHP equate to an effective minimum income tax rate of 26.5 percent. This effective rate will be higher for those FHLBanks with interest expense for mandatorily redeemable capital stock and on a combined basis to the extent any individual FHLBank has a net loss before assessments. The combined REFCORP and AHP assessments were $727 million for the year ended December 31, 2010, $830 million for the year ended December 31, 2009 and $600 million for the year ended December 31, 2008.

Effective February 28, 2011, the FHLBanks entered into a JCE Agreement, which provides that upon satisfaction of the FHLBanks' obligations to REFCORP, each FHLBank will, on a quarterly basis, allocate at least 20 percent of its net income to a separate Restricted Retained Earnings Account. (See ***Financial Discussion and Analysis—Capital Adequacy—Joint Capital Enhancement Agreement*** and ***Note 17—Resolution Funding Corporation (REFCORP) to the accompanying combined financial statements.***)

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

Office of Finance

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

- services all outstanding debt;
- prepares the FHLBanks' quarterly and annual combined financial reports;
- serves as a source of information for the FHLBanks on capital markets developments;
- administers REFCORP and the Financing Corporation (FICO); and
- manages relationships of the FHLBanks with the rating agencies and U.S. Treasury as they relate to the consolidated obligations.

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

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

Employees

Table 3 - Employees

	December 31, 2010			December 31, 2009			Full-time Employees
FHLBank	Full-time	Part-time	Total	Full-time	Part-time	Total	(Decrease) Increase
Boston	183	1	184	185	1	186	(2)
New York	268	3	271	259	5	264	9
Pittsburgh	211	4	215	231	5	236	(20)
Atlanta	404	13	417	401	16	417	3
Cincinnati	193	4	197	196	5	201	(3)
Indianapolis	170	5	175	159	5	164	11
Chicago	294	6	300	320	9	329	(26)
Des Moines	212	8	220	217	6	223	(5)
Dallas	198	2	200	194	–	194	4
Topeka	198	4	202	185	8	193	13
San Francisco	297	7	304	304	7	311	(7)
Seattle	129	–	129	154	–	154	(25)
Office of Finance	94	3	97	86	2	88	8
Total	2,851	60	2,911	2,891	69	2,960	(40)

The decrease in employees at certain FHLBanks is primarily related to expense reduction initiatives and outsourcing of certain functions that resulted in the elimination of staff positions. The increase in employees at certain FHLBanks and the Office of Finance is primarily the result of additional staffing to support business initiatives and increased regulatory compliance.

RISK FACTORS

The following discussion summarizes certain risks and uncertainties facing the FHLBanks as they potentially affect investors in the FHLBanks' consolidated obligations. There may be other risks and uncertainties that are not described below. If any of these risks or uncertainties is realized, it could negatively affect an FHLBank's, and possibly the entire FHLBank System's, financial condition or results of operations. As a result, there could be a reduction in the value of that FHLBank's membership or an adverse effect on that FHLBank's, or the entire FHLBank System's, ability to pay its obligations when due. Additional discussion and analysis of other risks and uncertainties are set forth throughout this Combined Financial Report. (See each FHLBank's 2010 SEC Form 10-K *Item 1A—Risk Factors* for a discussion regarding its risk factors.)

Business Risk—General

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

The FHLBanks' business and results of operations are sensitive to the condition of the housing and mortgage markets, as well as general business and economic conditions. Unfavorable conditions and trends in the U.S. economy, including the declines in real estate values, illiquid mortgage markets, and volatility in both debt and equity capital markets, have adversely affected the business of many FHLBank members as well as the FHLBanks' business and results of operations. If these conditions remain unchanged or deteriorate, FHLBanks' business and results of operations could be adversely affected.

The deterioration of the U.S. housing market and national decline in home prices remains a significant risk to the FHLBanks' members. Further weakening of real estate prices and adverse performance trends in the mortgage lending sector could further reduce the value of collateral securing member credit to each FHLBank and the fair value of its mortgage-backed security investments. This could increase the possibility of under-collateralization, increasing the risk of loss in case of a member's failure or increase the risk of loss on the FHLBanks' MBS investments because of additional credit impairment charges. The continuing deterioration in the residential mortgage markets could also negatively affect the value of the FHLBanks' mortgage loan portfolios, resulting in an increase in the allowance for credit losses on mortgage loans and possible additional realized losses should the FHLBanks be forced to liquidate their mortgage loan portfolios.

In addition, the FHLBanks' businesses and results of operations are affected significantly by the fiscal and monetary policies of the U.S. government and its agencies, including the Federal Reserve Board through its regulation of the supply of money and credit in the United States. The Federal Reserve Board's policies either directly or indirectly influence the yield on interest-earning assets and the cost of interest-bearing liabilities and the demand for FHLBank debt. Additionally, the FHLBanks are affected by the global economy through member ownership and investment patterns. Changes in investors' perceptions in either the value of the U.S. economy or availability of investment in overseas capital markets could lead to changes in foreign investors' interest in FHLBank consolidated obligations.

Business Risk—Legislative

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

As GSEs, the FHLBanks are organized under the authority of the FHLBank Act and are governed by U.S. federal laws and regulations of the Finance Agency, an independent agency within the executive branch of the U.S. government. The U.S. government amended the FHLBank Act with the enactment of the Housing Act in response to the financial instability of the GSEs and to improve regulatory oversight. Subsequently, the Finance Agency has issued several regulations that changed how the FHLBanks conduct business activities as part of carrying out their housing finance mission.

In July 2010, the U.S. government enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The Dodd-Frank Act made significant changes to the overall regulatory framework of the U.S. financial system. There are several provisions in the Dodd-Frank Act that could affect the FHLBanks or their members, depending on how the various regulators decide to implement this federal law through the issuance of regulations and their enforcement activities. For example, if the Financial Stability Oversight

Council established by the Dodd-Frank Act decided that an FHLBank is a nonbank financial company, then that FHLBank would be subject to the supervision of the Federal Reserve Board. Other provisions may not directly affect the FHLBanks but could affect their members. For example, this federal law establishes a solvency framework to address the failure of a financial institution, which could be a member of the FHLBank System. Because the Dodd-Frank Act requires several regulatory bodies to carry out its provisions, the full effect of this law on the FHLBanks and their members remains uncertain until after the required regulations and reports to Congress are issued and implemented. (See ***Financial Discussion and Analysis—Legislative and Regulatory Developments*** for more information about recent regulatory developments, including those pertaining to the Dodd-Frank Act.)

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

The FHLBanks are GSEs organized under the authority of the FHLBank Act and are authorized to issue agency debt securities to fund their operations and finance housing development in the U.S. During the recent financial crisis, the FHLBank System's debt pricing came under pressure as investors perceived GSE debt securities, including those securities issued by Fannie Mae and Freddie Mac, as bearing increased risk. This increased perception of risk resulted from the negative financial performance of Fannie Mae and Freddie Mac and the Finance Agency's action to place them into conservatorship in September 2008. In addition, certain FHLBanks had negative financial performance, resulting from MBS credit impairment losses and noncompliance with regulatory capital requirements.

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

On February 11, 2011, the U.S. Treasury and HUD issued a joint report mandated by the Dodd-Frank Act, outlining a plan to wind down Fannie Mae and Freddie Mac as well as significantly reduce the U.S. government's role in housing finance. This plan proposes key reforms to address several areas in the current U.S. mortgage market with the aim to improve consumer protection, transparency to investors, underwriting standards and other critical measures. These proposed reforms include:

- winding down Fannie Mae and Freddie Mac while helping bring private capital to the mortgage market;
- fixing the fundamental flaws in the mortgage market;
- targeting the U.S. government's support for affordable housing; and
- structuring the U.S. government's future role in the housing market.

Although the FHLBanks are not the primary focus, the report identifies possible reforms for the FHLBank System, which would:

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

The report also supports exploring additional means to provide funding to housing lenders, including potentially the development of a covered bond market. A developed covered bond market could compete with FHLBank advances. If housing GSE reform legislation is enacted incorporating these requirements, the FHLBanks could be significantly limited in their ability to make advances to their members and subject to additional limitations on their investment authority.

Given the current uncertainty surrounding the timing and pace of the above reforms, the FHLBanks' funding costs and access to funds may be adversely affected by changes in investors' perceptions of the risks associated with the housing GSEs. Additionally, investor concerns about U.S. agency debt and the U.S. agency debt market may also adversely affect the FHLBanks' competitive position and result in higher funding costs, which could negatively affect the FHLBanks' earnings. (See ***Financial Discussion and Analysis—Legislative and Regulatory Developments*** for more information regarding this report and other recent and pending legislative and regulatory developments.)

Business Risk—Regulatory

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

Each FHLBank is subject to certain minimum capital requirements that typically include a risk-based capital requirement that is equal to the sum of an FHLBank's credit-risk, market-risk and operations-risk capital requirements. Only permanent capital can satisfy the risk-based capital requirement. The operations-risk capital requirement is affected by increases in credit-risk and market-risk capital requirements because the operations-risk capital requirement is equal to 30 percent of the sum of the credit-risk and market-risk capital requirements.

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

If an FHLBank is unable to satisfy its risk-based capital requirement, that FHLBank would be subject to certain capital restoration requirements and prohibited from paying dividends and redeeming or repurchasing capital stock without the prior approval of the Finance Agency, which could adversely affect a member's investment in FHLBank capital stock. Furthermore, any suspension of dividends and/or capital stock repurchases and redemptions could decrease FHLBank member confidence, which in turn could reduce advance demand and net income should members elect to use alternative sources of wholesale funding. As a result of a risk-based capital shortfall, investors could perceive an increased level of risk or deterioration in the performance of an FHLBank, which could result in a downgrade in that FHLBank's outlook or its short- or long-term credit ratings. (See ***Note 19—Capital*** to the accompanying combined financial statements for additional information on the FHLBanks' capital requirements.)

The FHLBanks may not be able to pay dividends or repurchase or redeem members' capital stock at rates consistent with past practices, causing a decline in business transactions with members.

Under Finance Agency regulation, an FHLBank may pay dividends on its capital stock only out of previously retained earnings or current net income. The payment of dividends is subject to certain statutory and regulatory restrictions (including that an FHLBank is in compliance with all minimum capital requirements) and is highly dependent on an FHLBank's ability to continue to generate future net income and maintain adequate retained earnings and capital levels. Furthermore, events such as changes in the FHLBanks' market risk profile, credit quality of assets held and increased volatility of net income caused by the application of certain accounting guidance may affect the adequacy of the FHLBanks' retained earnings. These changes may require the FHLBanks to increase their target level of retained earnings and correspondingly reduce their dividends from historical dividend payout ratios in order to achieve and maintain the targeted amounts of retained earnings. These actions may cause a decline in the value of the FHLBank membership, reducing members' business transactions with the FHLBanks.

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

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

The FHLBanks' Affordable Housing Programs and other related community investment programs may become a larger proportional burden if the FHLBanks' annual net income is reduced or eliminated.

Each FHLBank is required to establish an AHP. Each FHLBank provides subsidies in the form of direct grants or below-market interest rate loans to members who use the funds to assist in the purchase, construction or rehabilitation of housing for low- to moderate-income households. Annually, the FHLBanks must set aside an aggregate of the greater of $100 million or 10 percent of net earnings for the AHP, after the assessment for REFCORP. As an FHLBank's net income is reduced, the amount of funding available through the AHP is also reduced, limiting the FHLBanks' ability to satisfy its mission. As a result, the FHLBanks may be required to set aside a minimum of $100 million per year in the aggregate, even if one or more FHLBanks are unprofitable for that year. (See ***Note 16—Affordable Housing Program (AHP)*** for more information about this funding requirement.)

Business Risk—Strategic

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

The FHLBanks' primary business is making advances to their members. Each FHLBank competes with other suppliers of wholesale funding including investment banks, commercial banks and other FHLBanks. In recent periods, the FHLBanks have experienced a sharp decrease in demand from their members for advances. This is largely due to members' ability to access alternative funding sources and an increase in deposits from members' banking customers as a result of recent FDIC actions. These actions provided most FHLBank members with lower-cost funding sources by increasing the FDIC standard maximum deposit insurance amount to $250,000 and providing unlimited FDIC deposit insurance for non-interest-bearing transaction accounts. These funding sources have offered more favorable terms than the FHLBanks, including more flexible credit or collateral standards.

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

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

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

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

Credit Risk

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

FHLBanks have invested in both U.S. agency and private-label mortgage-backed securities that are backed by prime, subprime, and Alt-A hybrid and pay-option adjustable-rate mortgage loans. Although the FHLBanks only invested in senior tranches of the private-label mortgage-backed securities, having the highest long-term debt rating at the time of purchase, many of these securities are projected to sustain credit losses based on current economic conditions and housing market trends. The depth and duration of these trends continues to affect the market for these private-label mortgage-backed securities, resulting in low market prices even though some improvement was noted through increased fair values in 2010 over 2009.

During 2010, the U.S. housing market continued to experience significant adverse trends, including significant price depreciation in some markets and high delinquency and default rates. These conditions contributed to high rates of loan delinquencies on the mortgage loans backing the private-label mortgage-backed securities, resulting in additional credit losses recognized in the FHLBanks' combined results of operations. If the deterioration in the housing markets and housing prices is greater than projected, there may be further credit losses from other-than-temporary impairments. For example, a slower economic recovery, in either the U.S. as a whole or in specific regions of the country, or delays in foreclosures could result in higher delinquencies, increasing the risk of credit losses that adversely affect the yield or value of these securities.

Federal and state government authorities, as well as private entities, have proposed or commenced programs designed to provide homeowners with assistance in avoiding residential mortgage loan foreclosures. Loan modification programs, as well as future legislative, regulatory or other actions, including amendments to the bankruptcy laws, that result in the modification of outstanding mortgage loans. These actions may adversely affect the value of and the returns on these private-label mortgage-backed securities and U.S. agency mortgage-backed securities, including those securities issued by Fannie Mae and Freddie Mac.

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

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

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

The FHLBanks require that advances, mortgage loans and other extensions of credit are fully secured with collateral. The FHLBanks evaluate the types of collateral pledged by their borrowers and assign a borrowing capacity to the collateral, generally based on a percentage of its market value. However, the devaluation or inability to liquidate the collateral in the event of a default could cause an FHLBank to incur a credit loss and adversely affect the financial condition and results of operations of that FHLBank.

Although the financial markets have stabilized somewhat, the U.S. housing market remains distressed and exposed to significant credit risk. As a result, many financial institutions continue to be under financial stress exposing the FHLBanks to member and counterparty risk, as well as the risk of default. Furthermore, the financial services industry continued to experience a higher level of FHLBank member failures in 2010, resulting in a higher level of mergers and consolidations compared to years immediately prior to the recent financial crisis.

During 2010, the U.S. housing market continued to experience significant adverse trends, including significant depreciation in housing prices in some markets as well as high delinquency and default rates. As a result, certain FHLBanks have experienced higher defaults on their mortgage loan programs, recognizing credit losses after including any credit enhancements. Additionally, the real estate collateral held by the FHLBanks was also negatively affected. In order for advances to remain fully collateralized, the FHLBanks required members to pledge additional collateral, when deemed necessary. This requirement may adversely affect those members that lack additional assets to pledge as collateral. If members are unable to secure their obligations with an FHLBank, that FHLBank's advance levels could decrease, negatively affecting its financial condition, results of operations, and value of FHLBank membership.

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

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

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

- derivative counterparties;
- mortgage servicers that service the loans the FHLBanks hold as collateral on advances; and
- third-party providers of credit enhancements on private-label MBS investments, including mortgage insurers, bond insurers, and financial guarantees.

A counterparty default could result in losses if the FHLBanks' credit exposure to that counterparty was under-collateralized or the FHLBanks' credit obligations associated with derivative positions were over-collateralized.

In addition, the FHLBanks' ability to engage in routine derivatives, funding and other transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are inter-related as a result of trading, clearing, counterparty and other relationships. As a result, actual and potential defaults of one or more financial services institutions could lead to market-wide disruptions, making it difficult for the FHLBanks to find counterparties for transactions.

Market Risk

Changes in interest rates or an inability to successfully manage interest-rate risk could have a material adverse effect on the FHLBanks' net interest income.

The FHLBanks realize income primarily from the spread between interest earned on their outstanding advances and investments less the interest paid on their consolidated obligations and other liabilities. An FHLBank's ability to anticipate changes regarding the direction and speed of interest rate changes, or to hedge the related exposures, significantly affects the success of the asset and liability management activities and the level of net interest income. An FHLBank may use a number of measures to monitor and manage interest rate risk, including income simulations and duration/market value sensitivity analyses.

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

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

The Dodd-Frank Act will also change the regulatory landscape for derivative transactions, including those transactions that are cleared through a third-party central clearinghouse and trades not subject to mandatory clearing requirements (uncleared trades). Cleared trades are expected to be subject to initial and variation margin requirements established by the clearinghouse and its clearing members. While clearing derivatives may or may not reduce the counterparty credit risk associated with bilateral transactions, the margin requirements for cleared trades have the potential to make derivative transactions more costly for the FHLBanks. While the FHLBanks expect to continue to enter into uncleared trades on a bilateral basis, those trades are expected to be subject to new regulatory requirements, including new mandatory reporting requirements and new minimum margin and capital requirements imposed by bank and other federal regulators. Any of these margin and capital requirements could adversely affect the liquidity and pricing of certain uncleared derivative transactions entered into by the FHLBanks, making uncleared trades more costly and less attractive as risk management tools for the FHLBanks. (See ***Financial Discussion and Analysis—Legislative and Regulatory Developments—Dodd-Frank Act*** for additional information regarding new requirements for the FHLBanks' derivative transactions.)

Changes in the credit ratings on FHLBank System consolidated obligations may adversely affect the cost of consolidated obligations or the ability to enter into derivative transactions on acceptable terms.

Historically, FHLBank System consolidated obligations have been assigned the highest ratings by major credit rating agencies. If these credit rating agencies issue negative reports or downgrade the credit quality of the FHLBank System, the FHLBanks' cost of funds might increase and adversely affect their ability to issue consolidated obligations on acceptable terms. Additionally, the FHLBanks are highly dependent on using derivative instruments to obtain low-cost funding and to manage interest-rate risk. Negative credit rating events might also have an adverse affect their ability to enter into derivative instruments with acceptable terms, increasing the cost of funding or limiting their ability to manage interest-rate risk effectively. As a result, the FHLBanks may not be able to effectively manage their cost of funding or exposure to interest-rate risk, which could negatively affect their results of operations, financial condition and the value of FHLBank membership.

Liquidity Risk

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

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

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

Operational Risk

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

Each FHLBank makes significant use of business and financial models for managing different risks. Each FHLBank uses models to measure and monitor exposures to various risks, including interest rate, prepayment and other market risks, as well as credit risk. Each FHLBank also uses models in determining the fair value of financial instruments when independent price quotations are not available or reliable. The information provided by these models is also used in making business decisions relating to strategies, initiatives, transactions and products and in financial statement reporting. Because models use assumptions to project future trends and performance, they are inherently imperfect predictors of actual results.

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

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

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

Each FHLBank and the Office of Finance relies heavily on its information systems and other technology to conduct and manage its business. A failure or interruption in any of these systems or other technology could prevent the FHLBanks from conducting and managing their business effectively. Although each of the FHLBanks and the Office of Finance has implemented a business continuity plan, it may not be able to prevent or mitigate the negative effects of a failure or interruption. A failure or interruption could adversely affect an FHLBank's member relations, risk management, and profitability, which could negatively affect the FHLBanks' ability to conduct and manage their businesses effectively.

PROPERTIES AND GEOGRAPHIC DISTRIBUTION

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

Table 4 - Properties and Geographic Distribution

FHLBank Name	Address	Owned/ Leased	States and Territories	Number of Members
FHLBank of Boston	111 Huntington Ave. 24th Fl. Boston, MA 02199-7614	Leased	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	459
FHLBank of New York	101 Park Ave. New York, NY 10178-0599	Leased	New Jersey, New York, Puerto Rico, U.S. Virgin Islands	336
FHLBank of Pittsburgh	601 Grant St. Pittsburgh, PA 15219-4455	Leased	Delaware, Pennsylvania, West Virginia	308
FHLBank of Atlanta	1475 Peachtree St., N.E. Atlanta, GA 30309	Owned	Alabama, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia	1,110
FHLBank of Cincinnati	221 East Fourth St. 1000 Atrium Two Cincinnati, OH 45202	Leased	Kentucky, Ohio, Tennessee	735
FHLBank of Indianapolis	8250 Woodfield Crossing Blvd. Indianapolis, IN 46240	Owned	Indiana, Michigan	410
FHLBank of Chicago	200 East Randolph Dr. Chicago, IL 60601	Leased	Illinois, Wisconsin	775
FHLBank of Des Moines	Skywalk Level 801 Walnut Street Ste. 200 Des Moines, IA 50309-3513	Leased	Iowa, Minnesota, Missouri, North Dakota, South Dakota	1,219
FHLBank of Dallas	8500 Freeport Pkwy. South, Ste. 600 Irving, TX 75063-2547	Owned	Arkansas, Louisiana, Mississippi, New Mexico, Texas	918
FHLBank Topeka	One Security Benefit Pl. Ste. 100 Topeka, KS 66606-2444	Leased	Colorado, Kansas, Nebraska, Oklahoma	836
FHLBank of San Francisco	600 California St. San Francisco, CA 94108	Leased	Arizona, California, Nevada	384
FHLBank of Seattle	1501 Fourth Ave. Ste. 1800 Seattle, WA 98101	Leased	Alaska, American Samoa, Guam, Hawaii, Idaho, Montana, Northern Mariana Islands, Oregon, Utah, Washington, Wyoming	359
FHLBanks Office of Finance	1818 Library Street Ste. 200 Reston, VA 20190	Leased		

See ***Security Ownership of Certain Beneficial Owners*** for more information on FHLBanks' members.

LEGAL PROCEEDINGS

The FHLBanks are subject to various pending legal proceedings arising in the normal course of business. The FHLBanks and the Office of Finance are not a party to, nor are they subject to, any pending legal proceedings, except those proceedings noted below, where the ultimate liability of the FHLBanks, if any, arising out of these proceedings is likely to have a material effect on the results of operations or financial condition of the FHLBanks or that are otherwise material to the FHLBanks. (See each FHLBank's 2010 SEC Form 10-K under *Part I. Item 3—Legal Proceedings* for additional information, including updates, to its legal proceedings.)

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

Each of the FHLBanks of Pittsburgh, Atlanta, Indianapolis, Chicago, San Francisco and Seattle filed legal proceedings that relate to the purchase of certain private-label MBS. Defendants in these lawsuits include entities and affiliates that buy, sell or distribute the FHLBanks' consolidated obligations or are derivative counterparties. Affiliates of these defendants may be members or former members of the plaintiff FHLBanks or other FHLBanks.

Legal Proceedings Relating to the Lehman Bankruptcy

Each of the FHLBanks of New York and Pittsburgh has reported legal proceedings that relate to bankruptcy proceedings involving the Lehman Brothers Holdings, Inc. bankruptcy estate as a result of the unwinding of derivatives transactions between Lehman Brothers Special Financing and certain individual FHLBanks in 2008. (See ***Note 22—Commitments and Contingencies—Lehman Bankruptcy*** to the accompanying combined financial statements.)

MARKET FOR FHLBANKS' CAPITAL STOCK AND RELATED STOCKHOLDER MATTERS

As a cooperative, each FHLBank conducts its advances business and acquired member asset programs almost exclusively with its members. The members and certain nonmembers own all the FHLBanks' capital stock. There is no established marketplace for the FHLBanks' stock and it is not publicly traded. FHLBank stock is purchased by members at the stated par value of $100 per share and may be redeemed at its stated par value of $100 per share upon the request of a member subject to applicable redemption periods and certain conditions and limitations. (See ***Financial Discussion and Analysis—Capital Adequacy—Dividend and Excess Stock Limitations*** for a discussion of certain Banks' actions regarding dividends and excess capital stock.)

At December 31, 2010, the FHLBanks had 417 million shares of capital stock outstanding. The FHLBanks are not required to register their securities under the Securities Act of 1933 (as amended). Each FHLBank is an SEC registrant as required by the Housing Act and is subject to certain reporting requirements of the Securities Exchange Act of 1934.

Top 10 Regulatory Capital Stockholders

The information on capital stock presented in Table 5 is accumulated at the holding-company level. Holding company information was obtained from the Federal Reserve System's web site, the National Information Center (NIC) and SEC filings. The NIC is a central repository of data about banks and other institutions for which the Federal Reserve System has a supervisory, regulatory, or research interest, including both domestic and foreign banking organizations operating in the United States. The percentage of total regulatory capital stock identified in the table below 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 5 - Top 10 Regulatory Capital Stockholders by Holding Company at December 31, 2010 (dollars in millions)

Holding Company Name	FHLBank Districts[1]	Regulatory Capital Stock[2]	Percentage of Total Regulatory Capital Stock	Mandatorily Redeemable Capital Stock
Bank of America Corporation	Boston, New York, Atlanta, Indianapolis, Chicago, San Francisco, Seattle	$ 4,571	9.4%	$ 541
JPMorgan Chase & Co.	New York, Pittsburgh, Chicago, San Francisco, Seattle	3,840	7.9%	2,338
Citigroup Inc.	New York, Pittsburgh, Des Moines, Dallas, San Francisco	3,640	7.5%	–
Wells Fargo & Company	Atlanta, Des Moines, Dallas, San Francisco, Seattle	2,123	4.4%	1,740
MetLife, Inc.	Boston, New York, Des Moines	980	2.0%	–
The PNC Financial Services Group, Inc.	New York, Pittsburgh, Atlanta, Cincinnati, Indianapolis, Chicago, Des Moines	928	1.9%	508
U.S. Bancorp	Cincinnati, Chicago, Des Moines, San Francisco, Seattle	905	1.9%	300
Hudson City Bancorp, Inc.	New York	872	1.8%	–
UK Financial Investments Limited	Boston, New York, Pittsburgh, Cincinnati	720	1.5%	71
Banco Santander, S.A.	New York, Pittsburgh	658	1.3%	2
		$19,237	39.6%	$5,500

(1) Each holding company had subsidiaries with regulatory capital stock holdings at December 31, 2010 in the FHLBank districts as presented in Table 5.

(2) Includes FHLBank capital stock that is considered to be mandatorily redeemable, which is classified as a liability under GAAP.

Five Largest Regulatory Capital Stockholders of Each FHLBank

Table 6 presents information on the five largest regulatory capital stockholders by FHLBank at December 31, 2010. The information presented on capital stock in the table is for individual FHLBank members. The data is not aggregated to the holding-company level. Some of the institutions listed are affiliates of the same holding company, and some of the institutions listed may have affiliates that are members but that are not listed in the tables. Each FHLBank describes its risk management policies, including disclosures about its concentration risk, if any, in its periodic reports filed with the SEC. (See ***Explanatory Statement about FHLBanks Combined Financial Report***.)

Table 6 - Top 5 Regulatory Capital Stockholders by FHLBank at December 31, 2010 (dollars in millions)

District	Name	Holding Company Name[1]	Capital Stock	Percentage of FHLBank Capital Stock[2]	Mandatorily Redeemable Capital Stock
Boston	Bank of America Rhode Island, N.A.	Bank of America Corporation	$1,083	28.8%	$ –
	RBS Citizens, N.A.	UK Financial Investments Limited	516	13.7%	–
	NewAlliance Bank		121	3.2%	–
	Webster Bank, National Association		93	2.5%	–
	TD Bank, N.A.[3]		86	2.3%	86
			$1,899	50.5%	$ 86
New York	Hudson City Savings Bank[4]	Hudson City Bancorp, Inc.	$ 872	19.0%	$ –
	Metropolitan Life Insurance Company	MetLife, Inc.	704	15.3%	–
	New York Community Bank[4]		409	8.9%	–
	Manufacturers and Traders Trust Company		198	4.3%	–
	MetLife Bank, N.A.	MetLife, Inc.	187	4.1%	–
			$2,370	51.6%	$ –
Pittsburgh	Sovereign Bank	Banco Santander, S.A.	$ 612	15.2%	$ –
	Ally Bank		471	11.7%	–
	ING Bank, FSB[4]		455	11.3%	–
	PNC Bank, National Association	The PNC Financial Services Group, Inc.	420	10.5%	–
	Chase Bank USA, N.A.	JPMorgan Chase & Co.	230	5.7%	–
			$2,188	54.4%	$ –
Atlanta	Bank of America, National Association	Bank of America Corporation	$1,715	22.1%	$ –
	Branch Banking and Trust Company[4]		586	7.6%	–
	Regions Bank		417	5.4%	–
	Navy Federal Credit Union		397	5.1%	–
	SunTrust Bank		298	3.8%	–
			$3,413	44.0%	$ –

District	Name	Holding Company Name[1]	Capital Stock	Percentage of FHLBank Capital Stock[2]	Mandatorily Redeemable Capital Stock
Cincinnati	U.S. Bank, N.A.	U.S. BANCORP	$ 591	17.1%	$ –
	Fifth Third Bank		401	11.6%	–
	PNC Bank, National Association[3]	The PNC Financial Services Group, Inc.	262	7.6%	262
	Keybank, NA		179	5.2%	–
	The Huntington National Bank		166	4.8%	–
			$1,599	46.3%	$ 262
Indianapolis	Flagstar Bank, FSB[4]		$ 337	14.9%	$ –
	LaSalle Bank Midwest NA[3]	Bank of America Corporation	282	12.4%	282
	Fifth Third Bank[3]		123	5.4%	123
	Jackson National Life Insurance Company		112	4.9%	–
	Citizens Bank		111	4.9%	–
			$ 965	42.5%	$ 405
Chicago	Bank of America, National Association[3]	Bank of America Corporation	$ 230	8.0%	$ 230
	One Mortgage Partners Corp.	JPMorgan Chase & Co.	172	6.0%	–
	Harris National Association		160	5.6%	–
	M & I Marshall & Ilsley Bank		152	5.3%	–
	PNC Bank, National Association[3]	The PNC Financial Services Group, Inc.	146	5.1%	146
			$ 860	30.0%	$ 376
Des Moines	Transamerica Life Insurance Company		$ 210	9.6%	$ –
	Superior Guaranty Insurance Company	Wells Fargo & Company	157	7.2%	–
	TCF National Bank		137	6.3%	–
	Aviva Life and Annuity Company		133	6.1%	–
	ING USA Annuity and Life Insurance Company		80	3.7%	–
			$ 717	32.9%	$ –
Dallas	Wells Fargo Bank South Central, NA	Wells Fargo & Company	$ 189	11.7%	$ –
	Comerica Bank		128	7.9%	–
	Beal Bank Nevada		64	4.0%	–
	International Bank of Commerce		48	3.0%	–
	Southside Bank[4]		35	2.2%	–
			$ 464	28.8%	$ –

District	Name	Holding Company Name[1]	Capital Stock	Percentage of FHLBank Capital Stock[2]	Mandatorily Redeemable Capital Stock
Topeka	MidFirst Bank		$ 157	10.7%	$ –
	Capitol Federal Savings Bank		122	8.3%	–
	Pacific Life Insurance Company		78	5.3%	–
	Security Life of Denver Insurance Co.		68	4.6%	–
	Security Benefit Life Insurance Co.		67	4.5%	–
			$ 492	33.4%	$ –
San Francisco	Citibank, NA[4]	Citigroup Inc.	$3,445	28.6%	$ –
	JPMorgan Chase Bank, National Association[3]	JPMorgan Chase & Co.	1,566	13.0%	1,566
	Wells Fargo Bank, NA[3]	Wells Fargo & Company	1,435	11.9%	1,435
	JPMorgan Bank & Trust Company, National Association	JPMorgan Chase & Co.	1,099	9.1%	–
	Bank of America California, N.A.	Bank of America Corporation	628	5.2%	–
			$8,173	67.8%	$3,001
Seattle	JPMorgan Chase Bank, National Association[3]	JPMorgan Chase & Co.	$ 772	27.6%	$ 772
	Bank of America Oregon, NA	Bank of America Corporation	603	21.5%	–
	Washington Federal Savings and Loan Association		150	5.4%	47
	American Savings Bank, F.S.B.		98	3.5%	33
	Sterling Savings Bank		94	3.4%	–
			$1,717	61.4%	$ 852

(1) The holding company name is only shown for each Top 5 regulatory capital stockholder that has its holding company listed in Table 5—Top 10 Regulatory Capital Stockholders by Holding Company at December 31, 2010.

(2) For consistency with the individual FHLBank's presentation of its top 5 capital stockholders at December 31, 2010, amounts used to calculate percentages of FHLBank regulatory capital stock are based on numbers in thousands. Accordingly, recalculations using the amounts in millions as presented in Table 6 may not produce the same results.

(3) Non-member stockholder.

(4) Indicates that an officer or director of the member was an FHLBank director at December 31, 2010.

SELECTED FINANCIAL DATA
(Dollars in millions)

	2010	2009	2008	2007	2006
Selected Statement of Condition Data at December 31,					
Investments[1]	$330,470	$ 284,351	$ 305,913	$ 297,058	$ 270,319
Advances	478,589	631,159	928,638	875,061	640,681
Mortgage loans held for portfolio	61,277	71,469	87,376	91,618	97,983
Allowance for credit losses on mortgage loans	(86)	(32)	(15)	(8)	(7)
Total assets	878,109	1,015,583	1,349,053	1,271,800	1,015,304
Consolidated obligations[2]:					
Discount notes	194,431	198,532	439,895	376,342	157,549
Bonds	606,567	736,344	818,372	802,574	776,665
Total consolidated obligations	800,998	934,876	1,258,267	1,178,916	934,214
Mandatorily redeemable capital stock[3]	7,066	8,138	6,136	1,107	1,094
Subordinated notes[4]	1,000	1,000	1,000	1,000	1,000
Total capital stock[3][5]:					
Capital stock-Class B putable[6]	38,683	42,227	46,413	46,701	38,882
Capital stock-Class A putable[6]	719	427	752	891	532
Capital stock-Preconversion putable[6]	2,333	2,328	2,386	2,661	2,587
Total capital stock	41,735	44,982	49,551	50,253	42,001
Retained earnings[2][7]	7,552	6,033	2,936	3,689	3,144
Accumulated other comprehensive (loss) income (AOCI)[7]	(5,546)	(8,206)	(1,137)	(345)	(159)
Total capital[2][5]	43,741	42,809	51,350	53,597	44,986
Selected Statement of Income Data for the year ended December 31,					
Net interest income[2][3]	$ 5,234	$ 5,432	$ 5,243	$ 4,517	$ 4,293
Provision (reversal) for credit losses	58	18	11	3	(1)
Net interest income after provision (reversal) for credit losses[2][3]	5,176	5,414	5,232	4,514	4,294
Total other (loss) income[2][7]	(1,436)	(1,786)	(2,350)	127	3
Total other expense	932	943	1,076	792	743
Total assessments	727	830	600	1,022	942
Net income[2][3][7]	$ 2,081	$ 1,855	$ 1,206	$ 2,827	$ 2,612
Selected Other Data for the year ended December 31,					
Cash and stock dividends[3]	$ 587	$ 641	$ 1,975	$ 2,282	$ 2,069
Dividend payout ratio[3][8]	28.21%	34.56%	163.76%	80.72%	79.21%
Return on average equity[9]	4.82%	3.95%	2.17%	6.01%	5.80%
Return on average assets	0.22%	0.16%	0.09%	0.26%	0.26%
Average equity to average assets	4.54%	4.00%	4.12%	4.29%	4.47%
Net interest margin[3][10]	0.55%	0.46%	0.40%	0.42%	0.43%
Selected Other Data at December 31,					
Total regulatory capital ratio[3][11]	6.53%	5.92%	4.42%	4.41%	4.65%

(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) See ***Financial Discussion and Analysis—Combined Results of Operations—Interbank Transfers of Liability on Outstanding Consolidated Bonds and Their Effect on Combined Net Income***.

(3) The FHLBanks classify certain outstanding capital stock as "mandatorily redeemable capital stock" and include it in the liability section of the Combined Statement of Condition. For the years ended December 31, 2010, 2009, 2008, 2007 and 2006, dividends on mandatorily redeemable capital stock in the amounts of $54 million, $40 million, $50 million, $57 million and $60 million were recorded as interest expense. Although the mandatorily redeemable capital stock is not included in capital for financial reporting purposes, it is considered capital for regulatory purposes. (See ***Note 19—Capital*** to the accompanying combined financial statements for information on the significant restrictions on stock redemption.)

(4) On June 13, 2006, the FHLBank of Chicago issued $1.0 billion of subordinated notes that mature on June 13, 2016. The subordinated notes are not obligations of, and are not guaranteed by, the United States government or any of the FHLBanks other than the FHLBank of Chicago. (See ***Note 18—Subordinated Notes*** to the accompanying combined financial statements.)

(5) FHLBank capital stock is redeemable at the request of a member subject to the statutory redemption periods and other conditions and limitations. (See ***Note 19—Capital*** to the accompanying combined financial statements.)

(6) All FHLBanks, except for the FHLBank of Chicago, implemented their respective capital plan prior to 2006. The corresponding balances for capital stock—pre-conversion putable for years 2006 and beyond relate solely to the FHLBank of Chicago, which has not yet implemented its new capital plan. (See ***Note 19—Capital*** to the accompanying combined financial statements.)

(7) The FHLBanks adopted the amended OTTI guidance as of January 1, 2009 and recognized the cumulative effect of initially applying this guidance, totaling $1,883 million, as an adjustment to the retained earnings balance at January 1, 2009, with an offsetting adjustment to AOCI; this amount represents noncredit losses reported in AOCI related to the adoption of this guidance. Under the new guidance, if an impairment was determined to be other-than-temporary, the total other-than-temporary impairment losses net of the portion of impairment losses recognized in other comprehensive income is recognized in earnings as "Net other-than-temporary impairment losses." The net other-than-temporary impairment losses for the years ended December 31, 2010 and 2009 were $1,071 million and $2,431 million. Prior to adoption of the current GAAP for OTTI on investment securities, if an impairment was determined to be other-than-temporary, an impairment loss was recognized in earnings as "Realized losses on other-than-temporary impaired securities." The realized losses on other-than-temporary impaired securities were $2,025 million for the year ended December 31, 2008. (See ***Note 1—Summary of Significant Accounting Policies*** and ***Note 8—Other-Than-Temporary Impairment Analysis*** to the accompanying combined financial statements.)

(8) Dividend payout ratio is 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.

(9) Return on average equity is net income expressed as a percentage of average total capital.

(10) Net interest margin is net interest income before provision (reversal) for credit losses, represented as a percentage of average interest-earning assets.

(11) The regulatory capital ratio is calculated based on the FHLBank's total regulatory capital as a percentage of total assets at period end. Total regulatory capital, under the GLB Act, is the defined as the sum of permanent capital, the amounts paid for Class A capital stock, any general allowance for losses and any other amount from sources available to absorb losses that the Finance Agency has determined by regulation to be appropriate to include in determining total capital. Total regulatory capital for the FHLBank of Chicago, which has not implemented a capital plan under the GLB Act, is defined as the sum of the paid-in value of capital stock and mandatorily redeemable capital stock plus retained earnings. The Finance Agency allows the FHLBank of Chicago to include a Designated Amount of subordinated notes in determining compliance with its regulatory capital ratio. (See ***Business—Capital, Capital Rules and Dividends*** and ***Note 19—Capital*** to the accompanying combined financial statements.)

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

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

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

Forward-Looking Information

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

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

- changes in the general economy, employment rates, housing market activity and housing prices, and the size and volatility of the residential mortgage market;
- volatility of market prices, interest rates, and indices or other factors that could affect the value of investments or collateral held by the FHLBanks resulting from the effects of, and changes in, various monetary or fiscal policies and regulations, including those determined by the Federal Reserve Board and the FDIC, or a decline in liquidity in the financial markets;
- political events, including legislative, regulatory, judicial, or other developments that affect the FHLBanks, their members, counterparties or investors in the consolidated obligations of the FHLBanks, including changes in the FHLBank Act, housing GSE reform or regulations that affect FHLBank operations, and regulatory oversight;
- competitive forces, including other sources of funding available to FHLBank members, and other entities borrowing funds in the capital markets;
- demand for FHLBank advances resulting from changes in FHLBank members' deposit flows and credit demands;

- loss of large members and repayment of advances made to those members due to institutional failures, mergers, consolidations, or withdrawals from membership;
- changes in domestic and foreign investor demand for consolidated obligations or the terms of interest-rate exchange agreements and similar agreements, including changes in the relative attractiveness of consolidated obligations as compared to other investment opportunities;
- the availability, from acceptable counterparties, of derivative financial instruments of the types and in the quantities needed for risk management purposes;
- the ability to introduce new products and services and successfully manage the risks associated with those products and services, including new types of collateral used to secure advances; and
- the effect of new accounting standards, including the development of supporting systems and related internal controls.

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

Executive Summary

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

Overview

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

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

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

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

The FHLBank System's ability to raise funds in the capital markets at narrow spreads to the U.S. Treasury yield curve is due largely to the FHLBank System's GSE status, which is acknowledged in its consolidated obligations receiving the highest credit rating available from nationally recognized statistical rating organizations. However, FHLBank debt is not guaranteed by, nor is it the obligation of, the United States or any government agency.

Business Environment

The primary external factors that affected the FHLBanks' combined financial condition and performance during 2010 were 1) the general state of the economy and capital markets; 2) the conditions in the credit and housing markets; 3) interest-rate levels and volatility; and 4) the legislative and regulatory environment. During 2010, the FHLBanks continued to face challenges with respect to decreasing advance portfolios, run-off of higher-yielding assets, including mortgage-backed securities (MBS) and mortgage loans, lower yields on interest-earning assets in the current low interest-rate environment, and the ongoing effect of other-than-temporary impairment (OTTI) related to FHLBanks' private-label MBS portfolios.

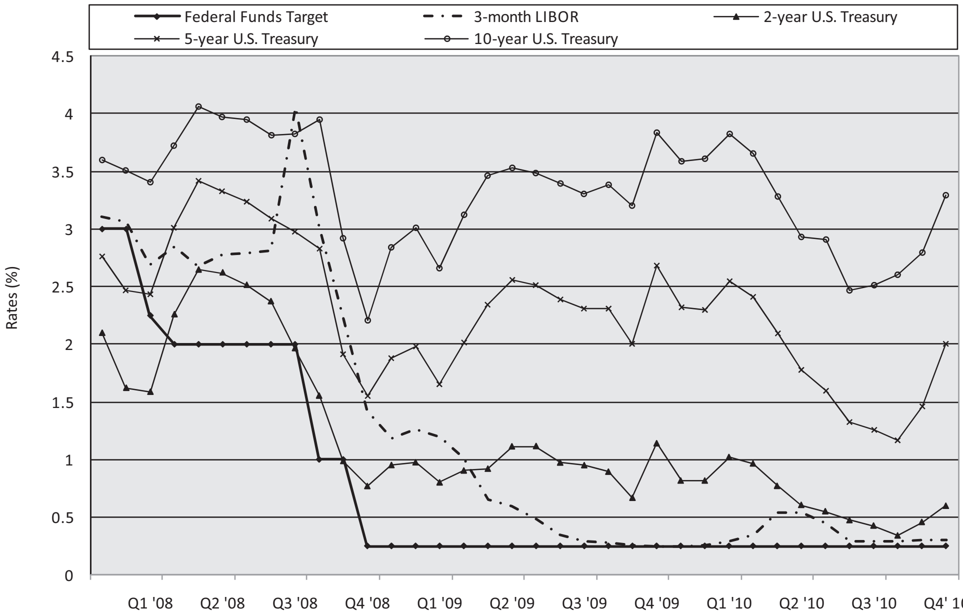
Economy and Capital Markets. The U.S. economy showed signs of modest growth during the first quarter of 2010, but this trend appeared to end during the second quarter of 2010 with persistent weak economic data, worries about the European debt crisis and fears of a double-dip recession. Small businesses appeared to remain reluctant to add to payrolls due to concerns about the strength of the economic recovery. There were more positive indicators during the second half of 2010, especially during the fourth quarter. However, these indicators were somewhat tempered by continued concerns about the persistent weak housing market, high unemployment and financial conditions overseas. Due to high levels of residential and commercial mortgage delinquencies and foreclosures, the housing market remained one of the weakest sectors of the economy.

The capital markets reflected the uncertainty in general economic recovery, as both equity and fixed income markets have experienced volatility. The sovereign debt crisis in Europe sparked a flight to quality during the second quarter of 2010, as investors questioned the financial stability of the European Union. While this flight to quality reversed in the second half of 2010, concerns about the European Union remain. As a result of the credit concerns stemming from the European debt crisis, the FHLBanks' longer-term funding costs improved. During 2010, significant focus was placed on government actions to support capital markets as well as financial reform legislation.

Conditions in Credit and Housing Markets. A relatively weak U.S. economy provided little opportunity for improvement in loan activity by the FHLBanks' members. The U.S. mortgage market continues to undergo a number of changes. Continued mortgage loan delinquencies and defaults reflect the combination of a fragile residential real estate market in many areas of the nation, the lingering effects of less rigorous loan underwriting standards prior to the financial crisis in 2008, and interest-rate resets on variable-rate loans. In addition, mortgage originators, dealers and investors incurred significant markdowns in recent years on the value of subprime, alternative documentation and payment-option loans and securities backed by these loans. As a result, a number of high-profile originators have exited subprime and alternative documentation lending, disposed of assets, or filed for bankruptcy as warehouse lenders invoked lending covenants and seized collateral since 2008. Several issues are contributing to ongoing uncertainty in the housing and mortgage markets, including allegations of widespread failures in the processing of home mortgage foreclosures and increasing investor demands for the repurchase of mortgage loans that do not conform to the original representations and warranties.

The housing market continues to be weak. Recovery of residential real estate markets remained hampered by high levels of distressed properties for sale and elevated delinquency and foreclosure rates. Home refinancing activity increased in response to historically low mortgage rates during the first three quarters of the year, but refinancing applications fell sharply during the fourth quarter when rates increased noticeably. Commercial real estate activity has been restrained by high vacancy rates, low property prices, and strained credit conditions.

Interest Rates. Although interest rates fluctuated in 2010 and 2009, relatively stable short-term rates and a steep consolidated obligation yield curve benefited the FHLBanks' earnings. The following chart presents key market interest rates during 2010, 2009 and 2008.



Source: Bloomberg.

During 2010, the Federal Reserve Board, through the Federal Open Market Committee, left the Federal funds target rate unchanged from year-end 2009, at a level of between 0.00 percent and 0.25 percent. The Federal funds rate was last changed in December 2008. Levels of other short-term interest rates remained very low during 2010 and, on average, were consistent with their historical relationship to Federal funds target rates. Changes in short-term rates affect the FHLBanks' interest income and expense because a considerable portion of the FHLBanks' assets and liabilities are either directly or indirectly tied to short-term rates such as the Federal funds or three-month LIBOR rates.

The long-term portion of the U.S. Treasury curve increased fairly substantially during the fourth quarter of 2010 and continued increasing in 2011. As the FHLBanks issue debt at spreads above U.S. Treasuries, these higher interest rates increase the cost of issuing FHLBank consolidated obligations and therefore, increase the cost of long-term advances to members. During the fourth quarter of 2010, the FHLBanks increased their consolidated discount note issuance. Furthermore, while the volume of bonds called prior to maturity significantly increased during 2010, compared to 2009, this trend reversed during the last two months of 2010 as callable bond maturities extended as a result of rising interest rates.

Certain FHLBanks' average asset yields and corresponding returns on capital are also driven by longer-term assets, such as mortgage loans and MBS investments. Intermediate- and long-term interest rates, including mortgage rates, decreased in 2010, especially toward the end of the second quarter and in the third quarter, while spreads on consolidated bonds to LIBOR and U.S. Treasury rates remained relatively stable. This trend allowed the FHLBanks to continue retiring higher-cost, longer-term consolidated bonds before their final maturities. The lower mortgage rates resulted in a substantial amount of principal paydowns of mortgage loans. When higher coupon mortgage loans prepay, the unscheduled return of principal cannot be invested in assets with a comparable yield, resulting in a decline in the aggregate yield on the remaining loan portfolio and a decrease in the net interest margin.

Legislative and Regulatory Environment. The legislative and regulatory environment for the FHLBanks has been one of profound change during 2010, the most notable of which was the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) on July 21, 2010. While this legislation is expected to have far-reaching effects on many aspects of the banking industry, its implementation is likely to be complex and protracted. Furthermore, the issuance of several proposed and final regulations from the Finance Agency, as well as from other financial regulators added to the climate of rapid regulatory change. The FHLBanks expect the coming year to involve additional legislative and regulatory changes as regulators issue proposed or final rules to implement the Dodd-Frank Act and introduce proposals for housing GSE reform.

During 2010, several government lending programs that were designed to help manage the financial crisis expired on schedule with no significant consequences for the financial markets. These expirations included the Federal Reserve's purchase program for agency debt and agency mortgage-backed securities, which came to an end during the first quarter of 2010. The market continued to be focused on the still generally weak economic and employment data, the European sovereign debt crisis and the timing of future actions by the Federal Reserve Board. In a positive development for the FHLBanks, the SEC final rule on money market fund reform included FHLBank consolidated discount notes with remaining maturities of 60 days or less in its definition of weekly liquid assets, which helped to maintain investor demand for shorter-term FHLBank consolidated discount notes. (See ***Legislative and Regulatory Developments*** for additional information.)

2010 FHLBanks' Financial Highlights

Financial Condition. At December 31, 2010, the FHLBanks' total assets were $878.1 billion, a decrease of 14 percent from $1,015.6 billion at December 31, 2009. Advances declined 24 percent during 2010 through normal paydowns and prepayments. This decline was driven primarily by weak FHLBank member loan demand as a result of high deposit levels at member financial institutions and continued availability of alternative funding sources.

A 16 percent increase in investments in 2010 partially offset the advances decline. This increase was primarily attributable to growth in short-term investments and investments in debt securities issued by U.S. agencies and government-sponsored enterprises, offset by a decrease in private-label MBS. Investment balances, as well as the composition of investments, fluctuate due to changes in the FHLBanks' actual and anticipated asset activity, liquidity requirements, and needs in light of current market conditions.

Mortgage loans decreased by 14 percent as maturities and repayments continued to outpace purchase volumes due to the conditions in the housing and mortgage markets that continued to negatively affect home purchases. In 2010, the FHLBanks charged off $6 million of losses on mortgage loans and recorded an additional $60 million provision for credit losses on mortgage loans, compared to $1 million of charge-offs and an additional $18 million provision for credit losses on mortgage loans in 2009. The increase in the provision for credit losses on mortgage loans was due primarily to the increase in delinquencies and defaults on mortgage loans resulting from continued deterioration in general economic and labor market conditions and the ongoing depression in house prices nationwide.

During 2010, the FHLBanks maintained continual access to funding and adapted their debt issuance to meet the needs of market participants. Total consolidated obligations outstanding declined $133.9 billion, or 14 percent, to $801.0 billion at December 31, 2010, from $934.9 billion at December 31, 2009, due to reduced member funding needs. This decline resulted from the maturity, redemption or early extinguishment of consolidated bonds as advances matured or were prepaid. The FHLBanks' consolidated obligations issuance decreased by 7 percent in 2010 compared to 2009. Aggregate weighted-average, new-issue funding costs for FHLBank consolidated bonds increased relative to benchmark market indices in 2010, as compared to 2009. The FHLBanks relied more on callable funding during 2010, such that fixed-rate bonds with an embedded call option represented 43 percent of consolidated bond issuance during 2010, compared to 26 percent during 2009. Consolidated discount notes increased in 2010 as a percentage of total consolidated obligations.

Total combined GAAP capital increased $932 million in 2010, due to improvement in combined accumulated other comprehensive income (loss) and an increase in combined retained earnings, offset by a decrease in combined capital stock outstanding.

Total combined regulatory capital decreased $2,799 million in 2010, primarily due to net capital stock redemptions and decreases in combined mandatorily redeemable capital stock (MRCS), partially offset by an increase in combined retained earnings. The difference between GAAP capital and regulatory capital relates primarily to accumulated other comprehensive income (loss), which is excluded from regulatory capital, and MRCS, which is included in regulatory capital.

Operating Results. Combined net income for the year ended December 31, 2010 increased $226 million to $2,081 million from $1,855 million for the year ended December 31, 2009. Changes in net income were driven primarily by reductions in OTTI losses reported in other (loss) income, net gains on trading securities, and a decrease in net losses on advances, consolidated obligations and other liabilities held under fair value option. The increase in net income was partially offset by net losses on derivatives and hedging activities and a modest decrease in net interest income.

During 2010, the FHLBanks experienced declines in both interest income and interest expense and an increase in the provision for credit losses on mortgage loans held for portfolio, leading to an overall decrease in combined net interest income after provision for credit losses from $5,414 million in 2009 to $5,176 million in 2010. The decrease in interest income was primarily the result of declines in advances, run-off of higher yielding investments and mortgage loans, and lower yields on interest-earning assets in the current low interest-rate environment. Decreases in interest income were partially offset by higher prepayment fees on advances. Interest expense also decreased, driven by decreases in average debt outstanding, lower interest rates and a shift from consolidated bonds to consolidated discount notes. In the aggregate, the net interest margin improvement was driven primarily by the higher prepayment fees and lower funding costs.

On a combined basis, the FHLBanks recognized $1,436 million of other losses during 2010, compared to other losses of $1,786 million for 2009. Other losses for 2010 were primarily due to credit-related OTTI charges on private-label MBS and losses on derivatives and hedging activities.

The FHLBanks recognized $1,071 million of credit-related OTTI charges on private-label MBS during 2010 and $2,431 million of credit-related OTTI charges for 2009. The reduction in credit losses attributable to OTTI during 2010 primarily reflects the cumulative losses recognized to-date and the relative stabilization in projected factors, such as home prices, that affect the expected cash flows of these securities. Ongoing pressure on housing prices from large inventories of unsold properties and the effect of current and forecasted borrower defaults and mortgage foreclosures continued to negatively affect the credit quality of the FHLBanks' private-label MBS, which contributed to recognition of additional OTTI charges during 2010.

Other (loss) income is also subject to variability due to changes in the fair value of derivatives and certain other financial instruments carried at fair value and subject to mark-to-market adjustments. During 2010, the FHLBanks recognized $302 million of net losses on derivatives and hedging activities, compared to $1,207 million of net gains during 2009. Net losses on advances, consolidated obligations and other liabilities held under fair value option decreased from $457 million to $106 million, while net losses on trading securities of $140 million in 2009 reversed to net gains of $69 million in 2010.

For the year ended December 31, 2010, the FHLBanks recognized total assessment expense of $727 million, compared to total assessment expense of $830 million for the year ended December 31, 2009. The components of total assessment expense are Affordable Housing Program (AHP) and Resolution Funding Corporation (REFCORP) assessments. Only FHLBanks with net income are required to make contributions to the AHP and REFCORP.

Business Outlook

The FHLBanks' 2010 net income reflects consistent performance in the FHLBanks' core lending activities and continued strength and stability, despite the slow economic recovery. The FHLBanks' primary challenge continues to be the weak economic recovery and housing market fundamentals that adversely affect advance demand. Another ongoing challenge is uncertainty with respect to the FHLBanks' private-label MBS portfolios which continue to experience OTTI losses. Furthermore, as the FHLBanks are governed by Federal laws and Finance Agency regulations, changes in regulatory or statutory requirements, or in their application, could negatively affect the FHLBanks' ability to conduct business or their cost of doing business. Each of the FHLBanks continues to follow a conservative capital and financial management approach in light of these challenges.

Advances. After reaching their peak in the third quarter of 2008, advance balances continued to decrease in 2010. The ongoing effects of the recent recession and weak economic recovery are likely to continue, including: 1) subdued member lending demand; 2) member deposit growth; 3) limitations on financial institutions' ability to expand lending; and 4) substantial liquidity and funding alternatives available from the federal government to stimulate economic growth. To the extent these effects and conditions remain, member advance demand may continue to be weak. If the economic recovery continues, followed by tightening in the Federal Reserve's monetary policy and winding down of the government's funding and liquidity programs, the FHLBanks expect that demand for advances will increase.

Some FHLBanks have a high concentration of advances and capital with large members. During 2010, several FHLBanks experienced significant declines in advances due to membership withdrawals or reduced demand for advances from their largest borrowers. Furthermore, certain recent FDIC actions may affect the large members' demand for advances by increasing the cost of advances for these members. Over the longer term, uncertainty remains about the extent to which the larger institutions will borrow in sufficient quantity to provide economies of scale.

Credit Impairment of Private-label MBS. The credit-related portion of OTTI losses recognized in earnings was lower during 2010 compared to 2009. However, the FHLBanks could face additional credit losses as financial markets and domestic housing markets struggle with a slow recovery. Specifically, the FHLBanks could continue to recognize OTTI losses on private-label MBS if delinquency, foreclosure, or loss severity rates on mortgages continue to deteriorate, and residential real estate values continue to decline beyond forecasted levels. Foreclosure delays with respect to defaulted loans underlying private-label MBS may increase credit-related losses, as delays have the effect of diverting cash flows to subordinate tranches of private-label MBS and shortening the amount of time until the FHLBanks' more senior tranches may be required to absorb losses. In addition, certain private-label MBS may be undergoing loan modification and forbearance proceedings at the loan level and such processes may adversely affect the amounts and timing of expected cash flows. In order to ensure retained earnings growth and a stronger capital position for the future, each of the FHLBanks has implemented capital preservation measures such as increasing their retained earnings targets, suspending dividend payments or repurchasing excess capital stock.

Legislative and Regulatory Environment. On July 21, 2010, President Obama signed the Dodd-Frank Act into law. The FHLBanks are subject to the Act's derivatives trading and reporting requirements, which could raise the FHLBanks' expenses and reduce their ability to act as intermediaries between members and the capital markets. In addition, provisions in the Act that affect member financial institutions could affect the FHLBanks' ability to carry out their housing finance mission. Furthermore, if the FHLBanks are identified as being systemically important financial institutions by the Federal Reserve Board, they would be subject to heightened prudential standards, which could include, among other things, new risk-based capital, liquidity, and risk management requirements. Until various regulatory agencies complete the process of adopting regulations governing the financial industry, it is not possible to predict how the FHLBanks may be directly or indirectly affected by the Act.

On February 11, 2011, the Obama Administration delivered a report to Congress that discussed housing GSE reform. The report recommends using a combination of policy levers to wind down Fannie Mae and Freddie Mac, reduce the U.S. government's role in housing finance, and move toward increased reliance on the private sector in the mortgage market. This report focused mainly on Fannie Mae and Freddie Mac, but also suggested changes to the FHLBank System in the context of broader reforms to the GSEs. More specifically, this report suggested that the FHLBank System should work to support small- and medium-size financial institutions by limiting each financial institution's membership to only one FHLBank. Furthermore, the report proposes limiting the level of FHLBank advances. These restrictions could affect large FHLBank members that may need to use alternative sources as a means for funding. As a result, these restrictions might exacerbate the contraction of the FHLBank System and drive funding costs higher for all members. Although the pace of the proposed reforms will depend significantly on market conditions, the Obama Administration recommends implementation within the next five to seven years. As legislators and the White House address GSE reform, it is not possible to predict what effects GSE reform might have on the FHLBanks' business model, financial condition or results of operations. However, initial market reaction to the report has been positive for FHLBanks and resulted in improvement in funding costs. (See ***Risk Factors*** and ***Legislative and Regulatory Developments*** for additional information.)

Joint Capital Enhancement Agreement. On February 28, 2011, each of the FHLBanks entered into a Joint Capital Enhancement Agreement (the JCE Agreement). Generally, the JCE Agreement will obligate each FHLBank to allocate an amount at least equal to 20 percent of its quarterly net income (net of that FHLBank's obligation to its Affordable Housing Program) to a restricted retained earnings account beginning with the calendar quarter-end following the satisfaction of the FHLBanks' obligation to make payments to the Resolution Funding Corporation (REFCORP). (See ***REFCORP Payment*** for additional information on REFCORP.) Amounts in the restricted retained earnings account cannot be used to pay dividends. The agreement also provides that each FHLBank will submit applications to the Finance Agency to request approval to amend their respective capital plans consistent with the terms of the JCE Agreement. (See ***Capital Adequacy*** for additional information.)

Combined Statement of Condition

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

Advances

The change in advance balances reflects the member demand for liquidity and funding, which is driven by economic factors such as interest-rate environment, the availability of alternative funding to members and general economic conditions. During 2010, the FHLBanks continued to experience significant prepayments of advances for a variety of reasons, including high deposit levels at member financial institutions, low loan demand by FHLBank members and availability of alternative funding sources.

Table 7 - Advances Originations and Repayments (dollars in millions)

	Year Ended December 31,			2010 vs. 2009 (Decrease)		2009 vs. 2008 (Decrease)	
	2010	2009	2008	$	%	$	%
Advances originated	$1,404,056	$3,046,597	$8,551,560	$(1,642,541)	(53.9)%	$(5,504,963)	(64.4)%
Advances repaid	1,556,077	3,331,163	8,518,268	(1,775,086)	(53.3)%	(5,187,105)	(60.9)%
Net (decrease) increase	$ (152,021)	$ (284,566)	$ 33,292				

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

Table 8 - Advances Outstanding by Product Type (dollars in millions)

	December 31, 2010		December 31, 2009	
	Balance	Percent of Total	Balance	Percent of Total
Adjustable/variable-rate indexed	$119,955	25.8%	$163,568	26.6%
Fixed-rate	269,387	58.1%	348,155	56.5%
Convertible	22,881	4.9%	34,522	5.6%
Hybrid[(1)]	39,414	8.5%	54,511	8.9%
Amortizing[(2)]/mortgage matched	12,334	2.7%	15,096	2.4%
Other advances	15	0.0%	48	0.0%
Total par value	$463,986	100%	$615,900	100%

(1) A hybrid advance contains a one-time option to embed either a floor or cap at any time during the life of the advance. A hybrid may be either fixed or variable rate at the date of issuance.

(2) Amortizing advances include index amortizing advances, which require repayment in accordance with predetermined amortization schedules linked to various indices. (See ***Note 9—Advances*** to the accompanying combined financial statements for additional information regarding amortizing advances.)

Investments

The FHLBanks hold all their securities for investment, liquidity or asset-liability management purposes. Certain investment securities are classified as trading for liquidity or asset-liability management purposes. Regulations do not expressly prohibit the FHLBanks from trading in investments; however, none of the FHLBanks currently hold trading securities for speculative purposes.

The FHLBanks use short-term investments for liquidity management and to manage their individual FHLBank's leverage ratio in response to fluctuations in other asset balances. The yield earned on such short-term investments is tied directly to short-term market interest rates. The FHLBanks started increasing their short-term investments in the fourth quarter of 2008 during the financial crisis, which also required the FHLBanks to increase liquidity. At December 31, 2010, the FHLBanks continued to maintain relatively high short-term investment balances as part of their continuing strategies, which include maintaining a strong short-term liquidity position and satisfy their regulatory liquidity requirements.

Table 9 - Investments by Contractual Maturity (dollars in millions)

	December 31,						
	2010					2009	2008
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Carrying Value	Carrying Value	Carrying Value
Trading Securities:							
Non-mortgage-backed securities:							
U.S. Treasury obligations	$ 2,785	$ –	$ 283	$ –	$ 3,068	$ 1,029	$ –
Commercial paper	2,349	–	–	–	2,349	2,590	673
Certificates of deposit and bank notes[1]	7,075	–	–	–	7,075	3,200	2,072
Government-sponsored enterprises[2]	6,332	3,889	2,134	–	12,355	9,452	6,422
State or local housing Agency obligations	–	–	3	–	3	10	14
TLGP[3]	735	1,391	–	–	2,126	4,479	2,151
Other[4]	12	–	36	223	271	752	10
Total non-mortgage-backed securities	19,288	5,280	2,456	223	27,247	21,512	11,342
Mortgage-backed securities:							
Other U.S. obligations residential MBS[5]	–	–	–	49	49	55	60
Government-sponsored enterprises residential MBS[6]	–	5	19	741	765	607	734
Government-sponsored enterprises commercial MBS[6]	–	14	216	–	230	73	14
Total trading mortgage-backed securities	–	19	235	790	1,044	735	808
Total trading securities	19,288	5,299	2,691	1,013	28,291	22,247	12,150
Yield on trading Securities	0.47%	2.12%	4.28%	3.89%			

	December 31,						
	2010					2009	2008
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Carrying Value	Carrying Value	Carrying Value
Available-for-Sale Securities:							
Non-mortgage-backed securities:							
Certificates of deposit[1]	5,790	–	–	–	5,790	9,270	2,511
Other U.S. obligations[5]	–	–	366	618	984	762	–
Government-sponsored enterprises and TVA[2]	1,588	6,647	2,470	472	11,177	4,310	2,809
State or local housing agency Obligations	–	–	–	–	–	–	30
TLGP[3]	1,003	9,573	–	–	10,576	3,299	–
FFELP ABS[7]	–	–	65	8,734	8,799	9,323	–
Other[4]	12	–	4	561	577	396	469
Total non-mortgage- backed securities	8,393	16,220	2,905	10,385	37,903	27,360	5,819
Mortgage-backed securities:							
Other U.S. obligations residential MBS[5]	–	–	97	3,082	3,179	1,620	–
Government-sponsored enterprises residential MBS[6]	–	410	11,177	10,425	22,012	17,489	8,274
Government-sponsored enterprises commercial MBS[6]	147	106	50	–	303	310	314
Private-label residential MBS	–	–	–	8,047	8,047	5,695	117
Private-label commercial MBS	–	–	–	–	–	–	28
Home equity loans	–	–	–	15	15	14	7
Total AFS mortgage-backed securities	147	516	11,324	21,569	33,556	25,128	8,740
Total available-for-sale securities	8,540	16,736	14,229	31,954	71,459	52,488	14,559
Yield on available-for-sale securities	0.48%	0.83%	4.27%	3.67%			
Held-to-Maturity Securities:							
Non-mortgage-backed securities:							
Commercial paper	2,500	–	–	–	2,500	1,100	1,272
Certificates of deposit[1]	13,176	–	–	–	13,176	13,263	16,428
Other U.S. obligations[5]	539	20	383	526	1,468	474	737
Government-sponsored enterprises and TVA[2]	147	2,713	–	311	3,171	1,662	2,267
State or local housing Agency obligations	74	127	162	2,114	2,477	2,789	2,941
TLGP[3]	1,494	1,885	–	–	3,379	2,373	1,250
Other[4]	–	–	–	4	4	7	7
Total non-mortgage-backed securities	17,930	4,745	545	2,955	26,175	21,668	24,902
Mortgage-backed securities:							
Other U.S. obligations residential MBS[5]	–	1	1,401	7,145	8,547	4,109	498
Other U.S. obligations commercial MBS[5]	–	–	1	52	53	55	7
Government-sponsored enterprises residential MBS[6]	17	270	9,024	63,050	72,361	78,536	84,962

	December 31,						
	2010					2009	2008
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Carrying Value	Carrying Value	Carrying Value
Government-sponsored enterprises commercial MBS(6)	39	817	907	17	1,780	1,106	1,263
Private-label residential MBS	–	2	2,521	26,024	28,547	40,296	70,597
Private-label commercial MBS	3	–	–	157	160	284	906
Manufactured housing loans	–	–	–	196	196	224	254
Home equity loans	–	–	–	408	408	1,257	737
MPF Shared Funding Program mortgage- backed certificates	–	–	–	229	229	298	398
Total HTM mortgage-backed securities	59	1,090	13,854	97,278	112,281	126,165	159,622
Total held-to-maturity securities	17,989	5,835	14,399	100,233	138,456	147,833	184,524
Yield on held-to-maturity securities	0.31%	2.04%	3.30%	2.88%			
Total investment securities	45,817	27,870	31,319	133,200	238,206	222,568	211,233
Yield on total securities	0.41%	1.33%	3.82%	3.07%			
Interest-bearing deposits	6	3	–	–	9	11	47,486
Securities purchased under agreements to resell	16,400	–	–	–	16,400	7,175	6,895
Federal funds sold	75,855	–	–	–	75,855	54,597	40,299
Total investments	$138,078	$27,873	$31,319	$133,200	$330,470	$284,351	$305,913

(1) Represents certificates of deposit and/or bank notes that meet the definition of an investment security.

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

(3) Represents corporate debentures and/or promissory notes issued or guaranteed by the FDIC under its Temporary Liquidity Guarantee Program.

(4) Primarily consists of taxable municipal bonds and/or debentures issued by supranational entity (Inter-American Development Bank) and taxable municipal bonds.

(5) Primarily consists of securities issued or guaranteed by Government National Mortgage Association (Ginnie Mae) and/or Small Business Administration (SBA) investment pools.

(6) Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

(7) Represents FFELP ABS, which are backed by Federal Family Education Loan Program (FFELP) student loans that are guaranteed by a guarantee agency and re-insured by the U.S. Department of Education.

Gross Unrealized Losses on Mortgage-backed Securities. Gross unrealized losses, including the net effect of noncredit-related OTTI recognized in AOCI, on the FHLBanks' AFS mortgage-backed securities decreased $1,003 million from December 31, 2009 to December 31, 2010. Gross unrealized losses, including the net effect of noncredit-related OTTI recognized in AOCI, on the FHLBanks' HTM mortgage-backed securities decreased $4,681 million from December 31, 2009 to December 30, 2010. This decrease is partially a result of the FHLBanks of Pittsburgh's and Atlanta's election to transfer all private-label RMBS that had credit-related OTTI recorded during both years from its HTM portfolio to its AFS portfolio. The FHLBank of Seattle elected to transfer certain private-label RMBS that had credit-related OTTI during 2010 and 2009 from its HTM portfolio to its AFS portfolio. During the fourth quarter of 2010, the FHLBank of Indianapolis transferred all private-label RMBS that had OTTI credit losses during the year-ended December 31, 2010, from its HTM portfolio to its AFS portfolio.

The primary factor for the improvement in noncredit OTTI in AOCI is the accretion of the noncredit portion of impairment losses on HTM securities, reclassification of previous noncredit losses out of AOCI into credit losses and subsequent fair value adjustments on previously impaired AFS securities at December 31, 2010.

Each FHLBank evaluates its individual AFS and HTM investment securities holdings for OTTI on at least a quarterly basis. (See ***Critical Accounting Estimates—OTTI for Investment Securities***, and ***Note 8—Other-Than-Temporary Impairment Analysis*** to the accompanying combined financial statements for additional information regarding the FHLBanks' processes for evaluating HTM and AFS securities for OTTI.)

OTTI on Investment Securities

Table 10 - Percentage of Total Mortgage-Backed Securities by Investment Classification

	December 31,		
	2010	2009	2008
Mortgage-backed securities:			
Held-to-maturity securities	76.4%	83.0%	94.3%
Available-for-sale securities	22.9%	16.5%	5.2%
Trading securities	0.7%	0.5%	0.5%
Total	100.0%	100.0%	100.0%

For the held-to-maturity and available-for-sale securities, each of the FHLBanks does not intend to sell these securities and it is not more likely than not that the FHLBank will be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis. Each FHLBank actively monitors the credit quality of its mortgage-backed securities to evaluate its exposure to the risk of loss on these investments. For the years ended December 31, 2010 and 2009, all the affected FHLBanks recognized $1,125 million and $11,197 million of combined total OTTI losses related to private-label RMBS and home equity loan investments classified as held-to-maturity securities and available-for-sale securities, after each of these FHLBanks determined that it was likely that it would not recover the entire amortized cost of each of these securities.

For the years ended December 31, 2010 and 2009, the FHLBanks of Pittsburgh and Atlanta transferred all private-label RMBS that had OTTI credit losses, while the FHLBank of Seattle transferred certain private-label RMBS that had OTTI credit losses from their respective held-to-maturity portfolio to their respective available-for-sale portfolio. In addition, during the fourth quarter of 2010, the FHLBank of Indianapolis transferred all private-label RMBS that had OTTI credit losses during the year ended December 31, 2010, from its held-to-maturity portfolio to its available-for-sale portfolio. The FHLBanks of Pittsburgh and Indianapolis sold certain of these securities in 2010. However, all the affected FHLBanks have no current plans to sell their respective remaining OTTI securities nor are they under any requirement to sell these securities. (See ***Note 8—Other-Than-Temporary Impairment Analysis*** to the accompanying combined financial statements for additional information.)

Table 11 presents selected summary information relating to private-label RMBS and CMBS, manufactured housing loans, and home equity loan investments at December 31, 2010.

Table 11 - Private-label Mortgage-related Investment Securities by Year of Securitization (dollars in millions)

	Total by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
Unpaid Principal Balance (UPB) by credit rating(2)						
Triple-A	$ 8,151	$ –	$ –	$ 132	$ 200	$ 7,819
Double-A	2,881	–	50	214	372	2,245
Single-A	2,959	–	–	168	486	2,305
Triple-B	1,639	173	157	257	491	561
Double-B	1,776	–	744	256	665	111
Single-B	4,625	501	884	656	2,441	143
Triple-C	14,756	684	4,655	3,608	5,737	72
Double-C	6,054	–	2,547	2,847	642	18
Single-C	3,169	–	1,449	1,432	285	3
Single-D	697	–	302	367	5	23
Unrated	4	–	–	–	–	4
Total	$46,711	$1,358	$10,788	$ 9,937	$11,324	$13,304
Amortized cost	$43,123	$1,318	$ 9,432	$ 8,373	$10,758	$13,242
Gross unrealized losses(3)	(7,053)	(280)	(2,245)	(1,674)	(2,073)	(781)
Fair value (FV)	37,436	1,078	7,670	7,179	8,952	12,557
OTTI losses(4):						
Credit-related OTTI charge taken	$ (1,040)	$ (36)	$ (440)	$ (369)	$ (179)	$ (16)
Other Credit-related OTTI(4)	(31)	–	(31)	–	–	–
Credit loss	(1,071)	(36)	(471)	(369)	(179)	(16)
AOCI(5)	(85)	(68)	50	242	(286)	(23)
Other AOCI(4)(5)	31	–	31	–	–	–
Net AOCI(5)	(54)	(68)	81	242	(286)	(23)
Total OTTI losses	$ (1,125)	$ (104)	$ (390)	$ (127)	$ (465)	$ (39)
FV to UPB:						
Private-label RMBS	80.1%	79.3%	71.1%	72.2%	79.1%	95.1%
Private-label CMBS	101.9%	–	–	–	–	101.9%
Manufactured housing loans	88.5%	–	–	–	–	88.5%
Home equity loan investments	78.0%	–	–	72.2%	75.2%	78.2%
Grand total	80.1%	79.3%	71.1%	72.2%	79.1%	94.4%

	Total Prime [1] by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
UPB by credit rating[2]:						
Triple-A	$ 6,428	$ –	$ –	$ 99	$ 169	$6,160
Double-A	1,572	–	38	100	239	1,195
Single-A	1,928	–	–	168	364	1,396
Triple-B	787	36	157	93	196	305
Double-B	1,024	–	207	238	515	64
Single-B	2,535	234	240	578	1,435	48
Triple-C	3,760	298	1,317	957	1,188	–
Double-C	3,198	–	1,473	1,591	134	–
Single-C	1,194	–	522	655	17	–
Total	$22,426	$ 568	$ 3,954	$4,479	$ 4,257	$9,168
Amortized cost	$21,272	$ 534	$ 3,486	$4,007	$ 4,109	$9,136
Gross unrealized losses[3]	(1,890)	(70)	(419)	(585)	(390)	(426)
Fair value	19,889	503	3,178	3,691	3,732	8,785
OTTI losses[4]:						
Credit-related OTTI charge taken	$ (393)	$ (32)	$ (189)	$ (118)	$ (51)	$ (3)
Other Credit-related OTTI[4]	(31)	–	(31)	–	–	–
Credit loss	(424)	(32)	(220)	(118)	(51)	(3)
AOCI[5]	65	(9)	55	59	(28)	(12)
Other AOCI[4][5]	31	–	31	–	–	–
Net AOCI[5]	96	(9)	86	59	(28)	(12)
Total OTTI losses	$ (328)	$ (41)	$ (134)	$ (59)	$ (79)	$ (15)
Weighted-average FV to UPB	88.7%	88.3%	80.4%	82.4%	87.7%	95.8%

	Total Alt-A [1] by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
UPB by credit rating[2]:						
Triple-A	$ 1,555	$ –	$ –	$ 22	$ 31	$1,502
Double-A	1,007	–	12	110	131	754
Single-A	932	–	–	–	115	817
Triple-B	745	137	–	91	290	227
Double-B	663	–	537	–	105	21
Single-B	2,039	267	644	69	1,006	53
Triple-C	10,545	386	3,328	2,292	4,523	16
Double-C	2,352	–	1,074	780	494	4
Single-C	1,867	–	927	672	268	–
Single-D	674	–	302	367	5	–
Total	$22,379	$ 790	$ 6,824	$4,403	$ 6,968	$3,394
Amortized cost	$20,280	$ 784	$ 5,936	$3,603	$ 6,558	$3,399
Gross unrealized losses[3]	(4,868)	(210)	(1,824)	(905)	(1,674)	(255)
Fair value	16,198	575	4,484	2,839	5,136	3,164
OTTI losses:						
Credit loss	$ (547)	$ (4)	$ (251)	$ (165)	$ (124)	$ (3)
AOCI[5]	(208)	(59)	(3)	131	(261)	(16)
Total OTTI losses	$ (755)	$ (63)	$ (254)	$ (34)	$ (385)	$ (19)
Weighted-average FV to UPB	72.4%	72.8%	65.7%	64.5%	73.7%	93.2%

	Total Subprime [1] by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
UPB by credit rating[2]:						
Triple-A	$ 168	$ –	$ –	$ 11	$ –	$ 157
Double-A	302	–	–	4	2	296
Single-A	99	–	–	–	7	92
Triple-B	107	–	–	73	5	29
Double-B	89	–	–	18	45	26
Single-B	51	–	–	9	–	42
Triple-C	451	–	10	359	26	56
Double-C	504	–	–	476	14	14
Single-C	108	–	–	105	–	3
Single-D	23	–	–	–	–	23
Unrated	4	–	–	–	–	4
Total	$ 1,906	$ –	$ 10	$1,055	$ 99	$ 742
Amortized cost	$ 1,571	$ –	$ 10	$ 763	$ 91	$ 707
Gross unrealized losses[3]	(295)	–	(2)	(184)	(9)	(100)
Fair value	1,349	–	8	649	84	608
OTTI losses:						
Credit loss	$ (100)	$ –	$ –	$ (86)	$ (4)	$ (10)
AOCI[5]	58	–	(2)	52	3	5
Total OTTI losses	$ (42)	$ –	$ (2)	$ (34)	$ (1)	$ (5)
Weighted-average FV to UPB	70.8%	–	76.0%	61.6%	85.3%	81.8%

(1) The FHLBanks classify private-label RMBS and CMBS, manufactured housing loans and home equity loan investments as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

(2) Represents the lowest rating available for each security owned by an individual FHLBank based on NRSROs used by that FHLBank.

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

(4) OTTI losses include $(31) million and $31 million of credit and noncredit related losses taken on securities sold in 2010.

(5) Represents the net amount of impairment losses recognized in or reclassified (to)/from AOCI.

In addition to those with OTTI, the FHLBanks' private-label RMBS and CMBS, manufactured housing loans, and home equity loan investments portfolio experienced net unrealized losses and a decrease in fair value due to interest rate volatility, illiquidity in the marketplace, and credit deterioration in the U.S. mortgage markets. However, these declines are considered temporary, as each of the FHLBanks expects to recover the entire amortized cost basis on the remaining securities in unrealized loss positions and neither intends to sell these securities, nor considers it more likely than not that it would be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis. See individual FHLBanks' 2010 SEC Form 10-Ks for FHLBank-specific information relating to OTTI. The FHLBanks' portfolio monitoring is ongoing, and further deterioration in delinquency and loss rates and real estate values may cause an additional increase in recognized losses on private-label RMBS and CMBS, manufactured housing loans, and home equity loan investments. (See ***Critical Accounting Estimates—OTTI for Investment Securities***, and ***Note 8—Other-Than-Temporary-Impairment Analysis*** to the accompanying combined financial statements for additional information regarding the FHLBanks' processes for evaluating investment securities for OTTI. See ***Risk Management—Credit Risk—Private-label MBS*** for additional information regarding investments in private-label RMBS and CMBS, manufactured housing loans and home equity loan investments.)

Mortgage Loans Held for Portfolio, Net

The factors that affect the volume of mortgage loans purchased from members include the general level of U.S. housing activity, the level of domestic refinancing activity and consumer product preferences. Mortgage loan balances at December 31, 2010 decreased compared to the mortgage loan balances at

December 31, 2009. In general, maturities and principal paydowns of mortgage loans held for portfolio have been greater than purchases and fundings of new mortgage loans held for portfolio. Historically, a decline in interest rates generally resulted in accelerated mortgage refinancing activity, thus increasing prepayments and thereby shortening the effective maturity of the mortgage-related assets. However, the borrowers may not be able to obtain new mortgage loans at current lower rates. This is due to reductions in borrower incomes, declines in the values of their homes, tighter lending standards, and/or delays in obtaining approval of new loans. In addition, the FHLBanks anticipate that their combined outstanding mortgage loans held for portfolio will continue to decrease due to several FHLBanks' discontinued participation in the MPP and/or MPF Program.

At December 31, 2010, the FHLBanks of Chicago (29.9 percent), Cincinnati (12.7 percent), Des Moines (12.1 percent) and Indianapolis (10.9 percent) held the largest percentage of the combined mortgage loans held for portfolio. No other FHLBank held 10.0 percent or more of the combined mortgage loans held for portfolio at December 31, 2010.

The FHLBank of Boston, Pittsburgh, Chicago, and Des Moines offer the MPF Xtra product. Loans sold to the FHLBank of Chicago under the MPF Xtra product are concurrently sold to Fannie Mae, as a third party investor, and are not held on each participating FHLBank's balance sheet. Unlike other conventional MPF products, under the MPF Xtra product participating financial institutions (PFIs) are not required to provide credit enhancement and do not receive Credit Enhancement Fees (CE Fees). The system-wide volume of MPF Xtra product since it was introduced in the fourth quarter of 2008 is in excess of $6.8 billion.

Management of each FHLBank believes that it has the policies and procedures in place to manage appropriately the credit risk on its mortgage loan portfolio. Each of the FHLBanks has either established an allowance for credit losses for mortgage loan programs or has determined that no loan loss allowance is necessary. The FHLBanks generally increased the allowance for credit losses on mortgage loans during 2010 primarily in response to the ongoing deterioration in home prices nationwide, the delay in foreclosure proceedings, and the increase in loan foreclosures in many areas of the country.

Table 12 - Mortgage Loans Held for Portfolio and Allowance for Credit Losses (dollars in millions)

	December 31,(1)				
	2010	2009	2008	2007	2006
Total unpaid principal balance past due 90 days or more and still accruing interest	$820	$946	$578	$414	$372
Nonaccrual loans, unpaid principal balance(2)	$535	$371	$165	$ 86	$ 66
Troubled debt restructurings (not included above)	$ 7	$ –	$ –	$ –	$ –
Allowance for credit losses on mortgage loans, beginning of period	$ 32	$ 15	$ 8	$ 7	$ 10
Charge-offs	(6)	(1)	(1)	–	–
Provision (reversal) for credit losses(3)	60	18	8	1	(3)
Allowance for credit losses on mortgage loans, end of period	$ 86	$ 32	$ 15	$ 8	$ 7

(1) Balances reflect unpaid principal balance.

(2) Nonaccrual mortgage loans are defined as conventional mortgage loans where either (a) the collection of interest or principal is doubtful, or (b) interest or principal is past due for 90 days or more, except when the loan is well secured and in the process of collection.

(3) The provision for credit losses includes only the provision related specifically to mortgage loans and does not include the (reversal) provision for credit losses related to Banking on Business loans specific to the FHLBank of Pittsburgh of $(2) million and $3 million for the years ended December 31, 2010 and 2008.

Table 13 - Interest Shortfall on Nonaccrual Loans and Loans Modified in Troubled Debt Restructurings (dollars in millions)

	2010	2009	2008	2007	2006
Gross amount of interest that would have been recorded based on original terms	$22	$16	$7	$5	$4
Interest actually recognized in income during the period	9	7	3	2	1
Shortfall	$13	$ 9	$4	$3	$3

See ***Note 11—Allowance for Credit Losses*** to the accompanying combined financial statements and ***Net Interest Income after Provision for Credit Losses*** for more information.

Consolidated Obligations

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

Total consolidated obligations outstanding, as reported on the Combined Statement of Condition, decreased $133.9 billion from December 31, 2009 to December 31, 2010. This decline consists of a $4.1 billion decrease in consolidated discount notes, a $71.7 billion decrease in consolidated bonds maturing in one year or less and a $58.1 billion decrease in long-term consolidated bonds. (See ***Note 15—Consolidated Obligations*** to the accompanying combined financial statements.) Total consolidated obligations outstanding declined at December 31, 2010 compared to December 31, 2009 because of reduced member funding needs and extinguishment of consolidated bonds as advances matured or were prepaid.

Holders of consolidated obligations issued before January 29, 1993 (prior bondholders) had protection, until the final maturity date of these consolidated obligations in March 2011, equivalent to that provided under the FHLBanks' previous leverage limit of 12 times FHLBanks' regulatory capital stock. The prior bondholders have a claim on a certain amount of the qualifying assets (Special Asset Account or SAA) if regulatory capital stock is less than 8.33 percent of consolidated obligations. Mandatorily redeemable capital stock is considered capital stock for determining the FHLBanks' compliance with this requirement. At December 31, 2010 and 2009, the FHLBanks' regulatory capital stock equaled 6.1 percent and 5.7 percent of the par value of consolidated obligations outstanding, and the required minimum pledged qualifying asset balance was less than $1 million for 2010 and 2009. Further, the resolution requiring the establishment of the SAA also requires each FHLBank to transfer qualifying assets in the amount of its allocated share of the FHLBanks' SAA to a trust for the benefit of the prior bondholders if its regulatory capital-to-assets ratio falls below two percent. At December 31, 2010 and 2009, no FHLBank had a regulatory capital-to-assets ratio of less than two percent; therefore, no assets were being held in a trust. In addition, no trust has ever been established as a result of this regulation, as the ratio has never fallen below two percent.

Table 14 - Short-Term Consolidated Obligations Outstanding (dollars in millions)

	Consolidated Obligations Discount Notes(1)			Consolidated Obligation Bonds With Original Maturities of One Year or Less(2)		
	2010	2009	2008	2010	2009	2008
Outstanding at end of the period	$194,431	$198,532	$439,895	$ 72,452	$145,881	$189,357
Weighted-average rate at end of the period	0.15%	0.18%	1.33%	0.33%	0.61%	2.31%
Daily-average outstanding for the period	$192,613	$338,359	$390,111	$ 86,918	$157,083	$158,807
Weighted-average rate for the period	0.35%	0.64%	2.54%	0.45%	1.15%	2.89%
Highest outstanding at any month-end	$206,702	$446,180	$446,821	$135,591	$172,114	$209,374

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

(2) Values are derived using the par value of the consolidated bonds.

During the year ended December 31, 2010 the daily-average balance outstanding for the period for discount notes and bonds with original maturities of a year or less decreased when compared to the daily-average balance for the years ended December 31, 2009 and 2008 due to a decrease in demand for advances by the FHLBanks' members during the year ended December 31, 2010.

Table 15 - Par Value of Consolidated Bonds Outstanding (1) by Payment Terms (dollars in millions)

	December 31, 2010		December 31, 2009	
	Amount	Percentage of Total	Amount	Percentage of Total
Fixed-rate, noncallable	$354,082	58.7%	$424,998	58.1%
Fixed-rate, callable	109,687	18.2%	120,545	16.5%
Single-index, non-capped variable-rate	94,957	15.8%	130,524	17.8%
Step-up/step-down	36,507	6.1%	45,986	6.3%
Amortizing prepayment linked securities	4,540	0.8%	5,981	0.8%
Conversion	1,025	0.2%	2,325	0.3%
Range	306	0.1%	983	0.1%
Capped variable-rate	785	0.1%	205	0.0%
Zero-coupon, callable	–	0.0%	450	0.1%
Other	7	0.0%	44	0.0%
Total	$601,896	100.0%	$732,041	100.0%

(1) Consolidated bonds outstanding have not been adjusted for interbank holdings of consolidated bonds totaling $193 million at December 31, 2010 and $350 million at December 31, 2009.

Balances of the various types of consolidated obligations can fluctuate significantly based on comparative changes in their cost levels, supply and demand conditions, advance demand, money market investment balances, and the FHLBanks' individual balance sheet management strategies.

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

- diversify the investor base;
- reduce funding costs; and
- provide additional asset/liability management tools.

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

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

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

Debt Financing Activity. The FHLBanks have diversified sources and channels of funding based on the need for funding from the capital markets. The Global Debt Program issued $282.5 billion and $209.2 billion at par in term funds during the years ended December 31, 2010 and 2009. The TAP Issue Program consolidates the issuance through daily auctions of bullet consolidated bonds of common maturities by re-opening previously issued consolidated bonds. TAP issues generally remain open for three months, after which a new series of TAP issues is opened to replace them. This program has reduced the number of separate bullet consolidated bonds issued, but more importantly has enhanced market awareness through increased issue size, and secondary market activity, while providing enhanced funding diversification for the FHLBanks. Through this program, the Office of Finance seeks to enhance the liquidity of these issues. During the year ended December 31, 2010, $30.9 billion of consolidated bonds were issued through the TAP Issue Program. This issuance represents an increase of $15.8 billion over the year ended December 31, 2009. During the first half of 2009, funding costs for TAP securities rose substantially compared to funding alternatives, making TAP securities less attractive to the FHLBanks. In early 2009, TAP securities were perceived as less liquid relative to other larger GSE securities and were excluded from the Federal Reserve's $175 billion GSE purchase program; therefore, dealers and investors demanded a higher yield for holding TAPs. However, this trend reversed during the second half of 2009, as enhanced TAP funding opportunities and improvement in the market for the FHLBanks' term funding products resulted in $14.6 billion of TAP issuance.

Consolidated bonds can be negotiated individually or auctioned competitively through approximately 75 underwriters. Consolidated bonds can be offered daily through auction and include fixed-rate bullets (through the TAP Issue Program discussed above) and American-style callables, which are bonds that are redeemable continuously on and after the first redemption date through maturity. Underwriters may contact the Office of Finance if there is a structure/dollar target they need to meet investor demand, although many times they negotiate directly with the FHLBanks. Competitively-bid transactions are generally initiated when an FHLBank needs funds of a particular structure and size. Dealers are invited to bid and the trade is executed by the Office of Finance if the FHLBank's funding parameters are satisfied.

Table 16 - Percent of Total Consolidated Obligations Bonds Issued by Transaction Type

	2010	2009	2008
Negotiated transactions	84.0%	89.8%	85.5%
Competitive bid	16.0%	10.2%	14.5%
Total	100.0%	100.0%	100.0%

Table 17 - Percent of Total Consolidated Bonds Issued by Bond Type

	2010	2009	2008
Fixed-rate, callable	42.6%	26.3%	26.5%
Fixed-rate, fixed-term, noncallable (bullet)	27.9%	40.8%	40.0%
Single-index, variable-rate	15.4%	20.4%	31.3%
Step-up/step-down(1)	13.1%	11.8%	1.5%
Other	1.0%	0.7%	0.7%
Total	100.0%	100.0%	100.0%

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

The FHLBanks may use callable swaps to hedge against the interest-rate risk associated with the callable bonds. The hedged callable bond is generally called if the call feature of the derivative is exercised. These call features could require the FHLBanks to refinance a substantial portion of outstanding liabilities during times of decreasing interest rates. Call options on unhedged callable consolidated bonds generally are exercised when the bond can be replaced at a lower cost. The callable bond enables the FHLBanks to meet its funding needs at costs not otherwise directly attainable solely through the issuance of non-callable debt. At December 31, 2010, $146.2 billion of callable debt at par was outstanding (excluding an interbank holding adjustment of $47 million) and represented 24.3 percent of total consolidated bonds outstanding at par. This percentage has increased in 2010, largely driven by comparatively more attractive funding opportunities available in callable debt products.

Table 18 - Par Value of Consolidated Discount Notes and Consolidated Bonds Issued (dollars in millions)

	2010	2009	2008
Consolidated discount notes	$6,754,760	$7,301,501	$10,857,293
Consolidated bonds	$ 532,905	$ 506,355	$ 554,731

Balances of the various types of consolidated obligations can fluctuate significantly based on comparative changes in their cost levels, supply and demand conditions, advance demand, money market investment balances, and the FHLBanks' individual balance sheet management strategies. The decrease in consolidated obligations issued corresponds to the decrease in advances during the year ended December 31, 2010.

Consolidated discount notes accounted for 92.7 percent of the proceeds from the issuance of consolidated obligations during the year ended December 31, 2010, compared to 93.4 percent and 95.1 percent of the proceeds from the issuance of consolidated obligations during the years ended December 31, 2009 and 2008. Much of the consolidated discount note activity reflects the refinancing of overnight discount notes.

Deposits

At December 31, 2010, deposits totaled $14,401 million, a decrease of $1,496 million or 9.4 percent from December 31, 2009. Factors that influence deposit levels include turnover in members' investment securities portfolios, changes in members demand for liquidity primarily due to member institutions deposit growth, the slope of the yield curve and the FHLBanks' deposit pricing as compared to other short-term money market rates.

Table 19 - Term Deposits Issued in Amounts of $100,000 or More (dollars in millions)

	December 31, 2010	December 31, 2009
3 months or less	$ 511	$401
Over 3 months through 6 months	525	352
Over 6 months through 12 months	58	149
Over 12 months	31	31
Total	$1,125	$933

Capital

Table 20 - Total Capital and Capital-to-Assets Ratios (dollars in millions)

	December 31,		
	2010	2009	(Decrease) Increase
Capital stock	$ 41,735	$ 44,982	$ (3,247)
Retained earnings	7,552	6,033	1,519
AOCI	(5,546)	(8,206)	2,660
Total GAAP capital	43,741	42,809	932
Exclude:			
AOCI	5,546	8,206	(2,660)
Add:			
Mandatorily redeemable capital stock	7,066	8,138	(1,072)
Subordinated notes	1,000	1,000	–
General loss allowance	9	8	1
Total regulatory capital	$ 57,362	$ 60,161	$ (2,799)
Total assets	$878,109	$1,015,583	$(137,474)
GAAP capital-to-assets ratio	4.98%	4.22%	
Regulatory capital-to-assets ratio	6.53%	5.92%	

The increase in GAAP capital was due primarily to:

- a $2,660 million improvement in AOCI that was driven primarily by: $1,437 million in accretion of the noncredit portion of impairment losses on held-to-maturity securities, $994 million in reclassification of previous noncredit losses on held-to-maturity and available-for-sale securities out of AOCI into credit losses, and $660 million in unrealized gains on available-for-sale securities, partially offset by $(501) million of net noncredit portion of OTTI on held-to-maturity and available-for-sale securities during the year ended December 30, 2010, and

- a $1,519 million improvement in retained earnings consisting primarily of net income of $2,081 million, less cash dividends of $541 million; which were

- partially offset by a $3,247 million decrease in total capital stock outstanding, driven primarily by capital stock repurchases/redemptions of $6,511 million and capital stock issuances of $3,627 million during the year ended December 31, 2010.

Although total GAAP capital increased 2 percent from December 31, 2009 to December 31, 2010, total assets decreased by 14 percent. The decrease in total assets was the primary driver of the increase in the FHLBanks' combined GAAP capital-to-assets ratio at December 31, 2010, when compared to December 31, 2009. Over the same period, total regulatory capital decreased 5 percent. However, the FHLBanks' combined regulatory capital-to-assets ratio increased because, on a percentage basis, total assets decreased more than total regulatory capital.

Table 21 - GAAP Capital as a Percentage of Total Capital

	December 31,	
	2010	2009
Capital stock	95.4%	105.1%
Retained earnings	17.3%	14.1%
AOCI	(12.7)%	(19.2)%
Total capital	100.0%	100.0%

Combined Results of Operations

The combined financial statements include the financial records of the 12 FHLBanks. (See ***Individual FHLBank Selected Financial Data and Financial Ratios*** for information regarding each individual FHLBank's results.) Material transactions among the FHLBanks have been eliminated in accordance with combination accounting principles related to consolidation under GAAP. (See discussions relating to ***Interbank Transfers of Liability on Outstanding Consolidated Bonds and Their Effect on Combined Net Income*** at the end of this section and in ***Note 1—Summary of Significant Accounting Policies*** to the accompanying combined financial statements.)

Net Income

The primary source of each FHLBank's earnings is net interest income, which is the interest earned on advances, investments and mortgage loans, less interest paid on consolidated obligations, deposits and other borrowings. Combined net income for the year ended December 31, 2010 increased 12 percent compared to the prior year driven by a reduction in credit-related OTTI charges, net gains on trading securities, and a decrease in net losses on advances, consolidated obligations and other liabilities held under fair value option. This increase in net income was partially offset by net losses on derivatives and hedging activities and a modest decrease in net interest income.

Combined net income for the year ended December 31, 2009 increased 54 percent from the year ended December 31, 2008 and can be primarily attributed to a slight increase in net interest income and net gains on derivatives and hedging activities. This increase in net income was partially offset by increased OTTI charges, net losses on trading securities, and net losses on advances, consolidated obligations and other liabilities held under fair value option.

Table 22 - Changes in Net Income (dollars in millions)

	Year Ended December 31,			(Decrease) Increase	
	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
Net interest income after provision for credit losses	$ 5,176	$ 5,414	$ 5,232	$(238)	$ 182
Total other (loss) income	(1,436)	(1,786)	(2,350)	350	564
Total other expense	932	943	1,076	(11)	(133)
Total assessments	727	830	600	(103)	230
Net income	$ 2,081	$ 1,855	$ 1,206	226	649

Net Interest Income after Provision for Credit Losses

Net interest income after provision for credit losses continues to remain relatively stable on a year-over-year basis despite continuing declines in interest-earning assets and interest-bearing liabilities. Changes in interest income and interest expense have been driven primarily by 1) declines in average balances of interest-earning assets; 2) declines in average balances of interest-bearing liabilities and changes in the mix of debt; 3) declines in the effective yields of both interest-earning assets and interest-bearing liabilities; and 4) increases in the provision for credit losses.

Table 23 - Net Interest Income after Provision for Credit Losses (dollars in millions)

	Year Ended December 31,			(Decrease) Increase	
	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
Interest Income:					
Advances	$ 4,606	$ 9,763	$29,653	$(5,157)	$(19,890)
Prepayment fees on advances	533	166	82	367	84
Interest-bearing deposits	15	67	90	(52)	(23)
Securities purchased under agreements to resell	42	25	47	17	(22)
Federal funds sold	150	134	1,737	16	(1,603)
Trading securities	343	401	406	(58)	(5)
Available-for-sale securities	1,268	638	338	630	300
Held-to-maturity securities	4,362	5,839	8,744	(1,477)	(2,905)
Mortgage loans held for portfolio	3,187	3,873	4,495	(686)	(622)
Other	4	3	3	1	–
Total interest income	14,510	20,909	45,595	(6,399)	(24,686)
Interest Expense:					
Consolidated obligations—Discount notes	667	2,174	9,927	(1,507)	(7,753)
Consolidated obligations—Bonds	8,462	13,156	29,841	(4,694)	(16,685)
Deposits	17	23	411	(6)	(388)
Securities sold under agreements to repurchase	18	26	64	(8)	(38)
Subordinated notes	57	57	57	–	–
Mandatorily redeemable capital stock	54	40	50	14	(10)
Other borrowings	1	1	2	–	(1)
Total interest expense	9,276	15,477	40,352	(6,201)	(24,875)
Net interest income before provision for credit losses	5,234	5,432	5,243	(198)	189
Provision for credit losses	58	18	11	40	7
Net interest income after provision for credit losses	$ 5,176	$ 5,414	$ 5,232	$ (238)	$ 182

Table 24 presents average balances and yields of the major categories of interest-earning assets and the interest-bearing liabilities. It also presents spreads between yields on total interest-earning assets and the cost of interest-bearing liabilities and spreads between yields on total earning assets and the cost of total funding sources (interest-bearing liabilities, plus capital, plus other interest-free liabilities). Net interest income before the provision for credit losses when expressed as a percentage of the average book balance of interest-earning assets equals the net interest margin. Net interest spread, when expressed as a percentage, is the difference between the annualized yield on interest-earning assets and the annualized yield on interest-bearing liabilities.

Table 24 - Spread and Yield Analysis (dollars in millions)

	2010			2009			2008		
	Average Balance	Interest	Annualized Yield	Average Balance	Interest	Annualized Yield	Average Balance	Interest	Annualized Yield
Advances[(1)]	$542,775	$ 5,139	0.95%	$ 754,264	$ 9,929	1.32%	$ 933,162	$29,735	3.19%
Investments:									
Interest-bearing deposits and other	8,006	19	0.24%	29,162	70	0.24%	8,363	93	1.11%
Securities purchased under agreements to resell	21,668	42	0.19%	14,003	25	0.18%	3,683	47	1.28%
Federal funds sold	78,938	150	0.19%	71,264	134	0.19%	79,901	1,737	2.17%
Trading securities	20,206	343	1.70%	19,051	401	2.10%	8,215	406	4.94%
Available-for-sale securities[(2)]	65,515	1,268	1.94%	30,773	638	2.07%	9,936	338	3.40%
Held-to-maturity securities[(2)]	146,986	4,362	2.97%	170,450	5,839	3.43%	202,381	8,744	4.32%
Total investments	341,319	6,184	1.81%	334,703	7,107	2.12%	312,479	11,365	3.64%
Mortgage loans held for portfolio	66,436	3,187	4.80%	78,605	3,873	4.93%	89,147	4,495	5.04%
Total interest-earning assets	950,530	14,510	1.53%	1,167,572	20,909	1.79%	1,334,788	45,595	3.42%
Other non-interest earning assets	8,326			11,142			13,557		
Fair-value adjustment on investment securities[(2)]	(8,063)			(6,116)			25		
Total assets	$950,793			$1,172,598			$1,348,370		
Consolidated obligations:									
Discount notes	$192,613	667	0.35%	$ 338,359	2,174	0.64%	$ 390,111	9,927	2.54%
Bonds	664,264	8,462	1.27%	733,571	13,156	1.79%	853,075	29,841	3.50%
Interest-bearing deposits and other borrowings[(3)]	29,654	147	0.50%	27,823	147	0.53%	26,973	584	2.17%
Total interest-bearing liabilities	886,531	9,276	1.05%	1,099,753	15,477	1.41%	1,270,159	40,352	3.18%
Non-interest-bearing liabilities	21,070			25,929			22,651		
Total liabilities	907,601			1,125,682			1,292,810		
Capital	43,192			46,916			55,560		
Total liabilities and capital	$950,793			$1,172,598			$1,348,370		
Net interest income before provision for credit losses		$ 5,234			$ 5,432			$ 5,243	
Net interest spread			0.48%			0.38%			0.24%
Net interest margin			0.55%			0.46%			0.40%

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

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

(3) The balances do not include non-interest bearing deposits and include mandatorily redeemable capital stock and sub-ordinated notes averages balances and related interest expense.

Changes in both interest-earning assets and interest-bearing liabilities and effective interest rates have a direct influence on changes in net interest income, net interest margin and net interest spread. The following table summarizes changes in interest income and interest expense due to volume-related and rate-related factors. Changes in interest income and interest expense not identifiable as either volume-related or rate-related, but rather attributable to both volume and rate changes, have been allocated to the volume and rate categories based upon the proportion of the absolute value of the volume and rate changes.

Table 25 - Rate and Volume Analysis (dollars in millions)

	2010 vs. 2009			2009 vs. 2008		
	(Decrease) Increase Due to			(Decrease) Increase Due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest Income:						
Advances[1]	$(2,393)	$(2,397)	$(4,790)	$(4,877)	$(14,929)	$(19,806)
Investments	138	(1,061)	(923)	759	(5,017)	(4,258)
Mortgage loans held for portfolio	(586)	(100)	(686)	(521)	(101)	(622)
Total interest income	(2,841)	(3,558)	(6,399)	(4,639)	(20,047)	(24,686)
Interest Expense:						
Consolidated obligations	(2,730)	(3,471)	(6,201)	(4,874)	(19,564)	(24,438)
Interest-bearing deposits and other borrowings[2]	9	(9)	–	18	(455)	(437)
Total interest expense	(2,721)	(3,480)	(6,201)	(4,856)	(20,019)	(24,875)
Changes in net interest income	$ (120)	$ (78)	$ (198)	$ 217	$ (28)	$ 189

(1) Includes prepayment fees on advances, net.

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

Declines in Average Balances of Interest Earning Assets. The change in the average interest-earning assets balances, led by a 28 percent decline in the average advance balance during 2010, negatively affected net interest income. Demand for advances declined primarily due to high deposit levels at member financial institutions, low loan demand by FHLBank members and continued availability of alternative funding sources. The decline in advances due to prepayments and restructurings resulted in a corresponding increase in prepayment fee income. Prepayment fees vary from period to period based on the level of advances prepaid prior to their scheduled maturity or repricing dates.

Declines in Average Balances of Interest-Bearing Liabilities and Change in Mix of Debt. As advances declined, the FHLBanks generally deployed excess funds by reducing debt outstanding. Additionally, on a combined basis, the FHLBanks adapted their debt issuance to meet the needs of market participants and used consolidated discount notes, which typically have a lower rate of interest and a shorter maturity. Both the reduction of debt and the change in mix of debt reduced interest expense and positively affected net interest income.

Declines in Effective Yields. The low interest-rate environment resulted in a decline in average yield on total interest-earning assets and negatively affected net interest income. However, an increase in the proportion of higher-yielding assets, as advances declined at a greater rate than other interest-earning assets, resulted in an offsetting positive effect on the net interest spread and margin. The reduction in intermediate- and long-term interest rates enabled certain FHLBanks to redeem (call) consolidated bonds before their final maturities and replace them with newly issued consolidated bonds and discount notes at significantly lower interest rates.

Increases in Provision for Credit Losses. For the year ended December 31, 2010, the FHLBanks recorded a $58 million net provision due to portfolio and market trends related to rising delinquency rates, increased loss severities, and prepayment speeds consistent with the increase in delinquent, non-accrual, and impaired mortgage loans held for portfolio. The FHLBanks' nonaccrual and impaired loans grew as their mortgage loan portfolios experienced some additional deterioration. (See ***Critical Accounting Estimates—Allowance for Credit Losses*** for factors that affect the FHLBanks' estimates on the allowance for loan credit losses and

Note 11—Allowance for Credit Losses to the accompanying combined financial statements for details on the allowance for credit losses.)

Other (Loss) Income

Other (loss) income continued to decrease on a year-over-year basis. The primary drivers of other (loss) income are the deterioration of the credit quality of certain private-label RMBS, changes in the fair value of derivatives and certain other financial instruments carried at fair value under the fair value option, partially offset by net realized and unrealized gains on investment securities.

Table 26 - Changes in Other (Loss) Income (dollars in millions)

	Year Ended December 31,			Increase (Decrease)	
	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
Other (Loss) Income:					
Net other-than-temporary impairment losses	$(1,071)	$(2,431)	$ –	$ 1,360	$(2,431)
Realized losses on other-than-temporarily impaired securities	–	–	(2,025)	–	2,025
Net gains (losses) on trading securities	69	(140)	260	209	(400)
Net realized gains from sale of available-for-sale securities	20	7	9	13	(2)
Net realized gains from sale of held-to-maturity securities	8	17	4	(9)	13
Net (losses) gains on advances, consolidated obligations and other liabilities held under fair value option	(106)	(457)	883	351	(1,340)
Net (losses) gains on derivatives and hedging activities	(302)	1,207	(1,559)	(1,509)	2,766
Service fees	35	32	29	3	3
Other, net	(89)	(21)	49	(68)	(70)
Total other (loss) income	$(1,436)	$(1,786)	$(2,350)	$ 350	$ 564

Other-Than-Temporary Impairment Losses. The losses recognized in earnings in 2010 and 2009 represent the credit portion of the FHLBanks' OTTI as a result of the FHLBanks' adoption of the amended OTTI guidance in 2009. The "Realized losses on OTTI securities" recorded in 2008 represent the impairment losses calculated as the entire difference between a security's amortized cost basis and its fair value at the balance sheet date of the reporting period for which the impairment assessment was made. The credit-related OTTI losses decreased significantly in 2010 compared to 2009, primarily due to the relative stabilization of home prices and economic conditions that affect the expected performance of the mortgage loans underlying the FHLBanks' private-label RMBS.

Table 27 - Other-Than-Temporary Impairment Losses (dollars in millions)

	Year Ended December 31,					
	2010			2009		
	Credit Loss	AOCI[1]	Total Losses	Credit Loss	AOCI[1]	Total Losses
OTTI by Collateral type:[2]						
Private-label RMBS:						
Prime	$ (424)	$ 96	$ (328)	$ (718)	$(2,884)	$ (3,602)
Alt-A	(546)	(209)	(755)	(1,509)	(5,533)	(7,042)
Subprime	(90)	53	(37)	(1)	(1)	(2)
Total OTTI Private-label RMBS	(1,060)	(60)	(1,120)	(2,228)	(8,418)	(10,646)
Home equity loan investments:						
Alt-A	(1)	1	–	(7)	(10)	(17)
Subprime	(10)	5	(5)	(196)	(338)	(534)
Total OTTI Home equity loan investments	(11)	6	(5)	(203)	(348)	(551)
Total	$(1,071)	$ (54)	$(1,125)	$(2,431)	$(8,766)	$(11,197)
OTTI by Period:						
Securities newly impaired during the period	$ (82)	$(890)	$ (972)	$(1,705)	$(8,983)	$(10,688)
Securities previously impaired prior to current period[3]	(989)	836	(153)	(726)	217	(509)
Total	$(1,071)	$ (54)	$(1,125)	$(2,431)	$(8,766)	$(11,197)

(1) Represents the net amount of impairment losses recognized in or reclassified (to)/from AOCI.

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

(3) For the years ended December 31, 2010 and 2009, "securities previously impaired prior to current period" represents all securities that were also previously impaired prior to January 1, 2010 and 2009.

The credit-related OTTI charges reflect the deterioration in the credit quality of the private-label RMBS due to the current economic, financial and housing market conditions. During the year ended December 31, 2010, large inventories of unsold or foreclosed properties and continuing weakness in residential real estate values affected the actual and projected performance of the loan collateral underlying the FHLBanks' private-label RMBS. (See ***Note 1—Summary of Significant Accounting Policies*** and ***Note 8—Other-Than-Temporary Impairment Analysis*** to the accompanying combined financial statements and ***Critical Accounting Estimates—OTTI for Investment Securities*** for additional information.)

Net Gains (Losses) on Trading Securities. The FHLBanks carry trading securities at fair value. The net gains on trading securities for the current year were due to decreases in interest rates in the first nine months of 2010 with offsetting losses during the last quarter of 2010 due to increases in interest rates. Conversely, increases in interest rates in 2009 drove the declines in fair value of the fixed-rate trading securities.

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

Table 28 - Net (Losses) Gains on Financial Instruments Held Under Fair Value Option (dollars in millions)

	Year Ended December 31,			Increase (Decrease)	
	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
Advances	$(163)	$(573)	$915	$410	$(1,488)
Consolidated obligations:					
Consolidated bonds	63	116	(32)	(53)	148
Consolidated discount notes	(2)	–	–	(2)	–
Other liabilities[1]	(4)	–	–	(4)	–
Total	$(106)	$(457)	$883	$351	$(1,340)

(1) Represents optional advance commitments.

The fluctuations in total net unrealized gains and losses on advances, consolidated obligations and other liabilities held under fair value option were primarily driven by changes in interest rates throughout the year and the swaptions volatilities used in pricing the fair value option putable advances and callable bonds. The majority of unrealized losses on advances were driven by increases in interest rates, primarily in the last quarter of 2010. The unrealized losses on advances carried under the fair value option in 2009 resulted from increases in long-term interest rates throughout 2009. For 2008, the unrealized net fair value gains on advances were primarily driven by decreases in interest rates. Conversely, changes in interest rates in 2010 and 2009 resulted in favorable changes in the fair value of the bonds carried under fair value option. The unrealized losses on the consolidated bonds in 2008 were primarily due to the decreases in the interest rates throughout the year. (See ***Risk Management—Fair Value Option and Derivatives and Hedging Activities*** for detail discussions on earnings effect due to the adoption of the fair value option.)

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

Table 29 - Net (Losses) Gains on Derivatives and Hedging Activities (dollars in millions)

	Year Ended December 31,			(Decrease) Increase	
	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
Net (losses) gains on derivatives and hedging activities:					
Gains (losses) on fair-value hedges	$ 274	$ 774	$ (133)	$ (500)	$ 907
Gains (losses) on cash-flow hedges	5	7	(15)	(2)	22
(Losses) gains on derivatives not receiving hedge accounting (includes economic hedges)	(581)	426	(1,411)	(1,007)	1,837
Total net (losses) gains on derivatives and hedging activities	$(302)	$1,207	$(1,559)	$(1,509)	$2,766

The net losses on derivatives and hedging activities during the year ended December 31, 2010 compared to net gains in the year ended December 31, 2009 were due primarily to losses on economic hedges and smaller gains on fair-value hedge ineffectiveness. Hedge ineffectiveness occurs when changes in fair value of the derivative and the associated hedged financial instrument do not perfectly match each other. The changes in hedge ineffectiveness gains during the year ended December 31, 2010 were attributable primarily to the normal mark-to-market activity because of changes in the benchmark interest rate and volatility. Losses on economic hedges in the year ended December 31, 2010 as compared to gains in the year ended December 31, 2009 were driven primarily by decreases in interest rates and implied volatility predominantly during the first nine months of 2010, partially offset by the net gains for the fourth quarter of 2010 due to increases in interest rates and volatility. In addition, certain FHLBanks sold some of their interest rate caps and floors which resulted in realized gains in the year ended December 31, 2010.

The increase in net gains on derivatives and hedging activities for the year ended December 31, 2009 compared to the year ended December 31, 2008 was attributable primarily to changes in interest rate spreads and a decrease in LIBOR. This was partially offset by higher costs incurred by certain FHLBanks related to hedging prepayment risk exposure on MPF mortgage loans. Additionally, narrowing spreads between interest rates on GSE debt securities and interest-rate swaps since year-end 2008 also resulted in net gains on derivatives and hedging activities during the year ended December 31, 2009. (See ***Risk Management—Fair Value Option and Derivatives and Hedging Activities*** for a discussion on earnings effect due to the adoption of the fair value option.)

Other Expense

Table 30 presents the components and changes in other expense. Other expense continued to decrease on a year-over-year basis, driven primarily by improvements in the (reversal) provision for derivative counterparty credit losses that was partially offset by increases in compensation and benefits, other expenses, Finance Agency/Finance Board expenses and Office of Finance expenses.

Table 30 - Changes in Other Expense (dollars in millions)

	Year Ended December 31, 2010			Increase (Decrease)	
	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
Compensation and benefits	$533	$487	$ 445	$ 46	$ 42
Other operating expenses	327	326	287	1	39
Finance Agency/Finance Board	55	42	41	13	1
Office of Finance	39	35	34	4	1
(Reversal) provision for derivative counterparty credit losses	(55)	35	252	(90)	(217)
Other	33	18	17	15	1
Total other expense	$932	$943	$1,076	$(11)	$(133)

Compensation and Benefits. These expenses include costs for FHLBank employees including salaries, incentives, and health and retirement benefits. For the year ended December 31, 2010, compensation and benefits expenses increased 9 percent, due primarily to severance expenses and additional pension fund contributions. The 9 percent increase in the year ended December 31, 2009 compared to the year ended December 31, 2008 was driven primarily by higher pension costs, annual merit increases, and higher staffing levels, partially offset by decreased incentive compensation.

Other Operating Expenses. These expenses consist primarily of occupancy costs, depreciation and amortization, and professional and other contractual services. On a combined basis, other operating expenses were flat in the year ended December 31, 2010 compared to the year ended December 31, 2009, as increases in professional fees from certain FHLBanks were offset by general decreases in software amortization expense and contractual services from certain FHLBanks. The $39 million increase for the year ended December 31, 2009 compared to the year ended December 31, 2008 relates primarily to higher consulting and professional fees attributable to the FHLBanks' securities impairment assessment process and other business risk management initiatives.

Finance Agency/Finance Board Expenses. The FHLBanks fund the portion of the Finance Agency's operating costs and working capital fund that relate to the FHLBanks, as determined by the Finance Agency. These costs are based on the Finance Agency's annual budget and are under the sole control of the Finance Agency. Each FHLBank pays its pro-rata share based on the ratio of each FHLBank's minimum required regulatory capital to the aggregate minimum required regulatory capital of all FHLBanks. Through July 30, 2008, Finance Board expenses were allocated to the FHLBanks based on each FHLBank's percentage of total combined regulatory capital stock plus retained earnings.

Office of Finance Expenses. The FHLBanks also fund the costs of the Office of Finance, a joint office of the FHLBanks that issues and services consolidated obligations, prepares the FHLBanks' combined quarterly and annual financial reports, and fulfills certain other functions. Through December 31, 2010, the Office of Finance's expenses were allocated among the FHLBanks based on each FHLBank's percentage of total GAAP capital stock, percentage of consolidated obligations issued, and percentage of consolidated obligations outstanding. The increases in Office of Finance expenses for the years ended December 31, 2010 and 2009 were due primarily to increases in Office of Finance compensation and benefit expenses related to additional staffing to support business initiatives and increased regulatory requirements.

(Reversal) Provision for Derivative Counterparty Credit Losses. The FHLBanks are exposed to credit risk due to the possibility of counterparties' nonperformance on derivative agreements. The reversal for derivative counterparty credit losses in the year ended December 31, 2010 and the decrease in the provision for derivative counterparty credit losses in the year ended December 31, 2009, reflected certain FHLBanks' bankruptcy proceedings in connection with the Lehman Brothers Special Financing, Inc. (LBSF) bankruptcy.

As a result of unwinding derivative transactions between the FHLBanks and LBSF in the year ended December 31, 2008, the FHLBanks in a net receivable position established a $252 million provision for derivative counterparty credit losses. The $35 million provision for derivative counterparty credit losses recorded for the year ended December 31, 2009 was related to the FHLBank of Pittsburgh's provision for its outstanding receivable with LBSF. As of December 31, 2010, the FHLBank of Pittsburgh maintained this amount as it remained the most probable estimated loss.

The $55 million gain recorded in the year ended December 31, 2010 represents the reversal of provisions for derivative counterparty credit losses from the FHLBank of Atlanta ($51 million) and the FHLBank of Seattle ($4 million) with respect to the provisions they established in 2008 as a result of each FHLBank's sale of its net receivable due from LBSF to a third party in the year ended December 31, 2010.

The FHLBanks manage counterparty credit risk through credit analyses, collateral requirements, and adherence to the requirements set forth in FHLBanks' policies and regulations. Based on credit analyses and collateral requirements, the FHLBanks did not anticipate any credit losses on their derivative agreements during 2010. Thus, no provision for derivative counterparty credit losses was recorded for the year ended December 31, 2010. (See ***Risk Management*** and ***Note 12—Derivatives and Hedging Activities*** to the accompanying combined financial statements for discussions on the (reversal) provision for derivative counterparty credit losses recorded in 2010.)

Assessments

Table 31 - Assessments (dollars in millions)

	Year Ended December 31,			(Decrease) Increase	
	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
Affordable Housing Program	$229	$258	$188	$ (29)	$ 70
REFCORP	498	572	412	(74)	160
Total assessments	$727	$830	$600	$(103)	$230

Affordable Housing Program (AHP). By regulation, the FHLBanks must annually set aside for the AHP the greater of the aggregate of $100 million or 10 percent of net earnings, after the assessment for the Resolution Funding Corporation (REFCORP). For purposes of the AHP calculation, net earnings is defined as net income before assessments, plus interest expense related to mandatorily redeemable capital stock, less the assessment for REFCORP. Any FHLBank with a net loss for a quarter is not required to pay the AHP assessment for that quarter. The Regulator requires that each FHLBank add back interest expense related to mandatorily redeemable capital stock before the calculation of its AHP assessment.

AHP helps members provide subsidized and other low-cost funding as well as grants to create affordable rental and home ownership opportunities. All FHLBank operating costs for the AHP are included in operating expenses, so all AHP assessments go directly to support affordable housing projects. Only FHLBanks with net income are required to make contributions to the AHP. (See ***Note 16—Affordable Housing Program (AHP)*** to the accompanying combined financial statements for further discussion regarding AHP.)

REFCORP Payment. Each FHLBank is required to make payments to REFCORP (20 percent of annual GAAP net income before REFCORP assessments and after payment of AHP assessments) until the total amount of payments actually made is equivalent to a $300 million annual annuity whose final maturity date is April 15, 2030. The Regulator will shorten or lengthen the period during which the FHLBanks must make payments to REFCORP depending on actual payments made relative to the referenced annuity. The Regulator, in consultation with the U.S. Secretary of the Treasury, selects the appropriate discounting factors used in calculating the annuity.

The REFCORP assessment of the FHLBanks was $160 million (cash payment of $162 million, which includes the application of certain credits due to FHLBanks that overpaid their 2008 and/or 2009 annual assessments) for the fourth quarter of 2010 compared with $138 million (cash payment of $105 million) for the fourth quarter of 2009. The REFCORP assessment of the FHLBanks was $498 million (cash payment of $513 million, which includes the application of certain credits due to FHLBanks that overpaid their 2008 and/or 2009 annual REFCORP assessments) for 2010 and $572 million (cash payment of $578 million, which includes the application of certain credits due to FHLBanks that overpaid their 2008 annual REFCORP assessment) for 2009. The cash payments are made based on preliminary GAAP net income amounts due to the timing requirement of the payment. Any FHLBank with a net loss for a quarter is not required to pay the REFCORP assessment for that quarter. As specified in the applicable regulation that implements section 607 of the Gramm-Leach-Bliley Act of 1999 (GLB Act), the amount by which the REFCORP payment for any quarter exceeds the $75 million benchmark payment is used to simulate the purchase of zero-coupon U.S. Treasury bonds to “defease” all or a portion of the most-distant remaining quarterly benchmark payment. The $86 million by which the fourth quarter 2010 REFCORP payment exceeded the $75 million quarterly benchmark, along with the $1 million of credits (based on preliminary GAAP net income amounts) due to FHLBanks that overpaid their 2010 annual REFCORP assessment, will fully defease the remaining $20 million of the benchmark payment due on January 15, 2012 and defease $65 million of the $75 million benchmark payment due on October 15, 2011. The defeased benchmark payments (or portions thereof) can be reinstated if future actual REFCORP payments fall short of the $75 million benchmark in any quarter.

As a result of both the $86 million by which the fourth quarter 2010 REFCORP payment exceeded the $75 million quarterly benchmark and the $1 million of credits due to FHLBanks that overpaid their 2010 annual REFCORP assessment, the overall period during which the FHLBanks must continue to make quarterly payments was shortened to October 15, 2011, effective at December 31, 2010, from April 15, 2012, effective at December 31, 2009. The October 15, 2011 date assumes that the FHLBanks will pay exactly $75 million for each of the April 15, 2011 and the July 15, 2011 quarterly payments and $10 million for the October 15, 2011 quarterly payment (including the application of certain credits due to FHLBanks that overpaid their annual REFCORP assessment as referred to in the preceding paragraph).

Effective February 28, 2011, the FHLBanks entered into a Joint Capital Enhancement Agreement, which provides that upon satisfaction of the FHLBanks’ obligations to REFCORP, each FHLBank will, on a quarterly basis, allocate at least 20 percent of its net income to a separate restricted retained earnings account. (See ***Capital Adequacy—Joint Capital Enhancement Agreement*** and ***Note 17—Resolution Funding Corporation (REFCORP)*** to the accompanying combined financial statements for further discussion.)

Table 32 - REFCORP Defeasance Summary for the Fourth Quarter 2010 Payment (dollars in millions)

Payment Due Date	Amount of Benchmark Payment Defeased[1]	Interest Rate Used to Discount the Future Benchmark Payment	Present Value of Benchmark Payment Defeased[2]
January 15, 2012[3]	$20	0.36%	$20
October 15, 2011	65	0.27%	65
Total	$85		$85

(1) Subject to possible subsequent reinstatement.

(2) Actual fourth quarter 2010 contribution of $162 million.

(3) Most distant remaining payment.

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

Combined net income of the FHLBanks is affected by interbank transfers of liability on outstanding consolidated bonds. These transactions arise when one FHLBank transfers its direct liability on outstanding consolidated bonds to another FHLBank. By engaging in these transactions, two FHLBanks are able to better match their funding needs by transferring funds held by one FHLBank to another FHLBank that needs funds. Because the consolidated bonds are the joint and several obligation of all 12 FHLBanks, these interbank transactions have no effect on the holders of the consolidated bonds.

As part of its overall asset/liability management strategy, an FHLBank may issue more debt than it needs at the time of issuance to fund its business. This allows the FHLBank to take advantage of favorable funding prices for large-size transactions in anticipation of using the proceeds at a later time to fund the acquisition of assets, such as advances or mortgages. In other cases, an FHLBank may have excess liquidity due to the prepayment of advances and mortgages. Instead of continuing to retain the excess funds for use in its own business, an FHLBank may elect to transfer a portion of its liability to an FHLBank with more immediate funding needs. The funds are transferred to the assuming FHLBank together with the corresponding liability under the consolidated bonds. The assuming FHLBank assumes this liability at fair value which represents an all-in cost equal to or lower than it would have otherwise obtained for the same amount and maturity in the capital markets at that time. In this type of transaction, the FHLBank that transfers a liability for the consolidated bond may also unwind the related portion of any hedge transactions it entered into when the consolidated bond was issued.

The transferring FHLBank treats the transfer as a debt extinguishment because that FHLBank has been released from being the primary obligor. Specifically, the release is made effective by the Office of Finance recording the transfer in its records. The Office of Finance provides release by acting within the confines of the regulations that govern the determination of which FHLBank is the primary obligor. The assuming FHLBank becomes the primary obligor because it now is directly responsible for repaying the debt.

The initial carrying amount for the consolidated bond is the amount (including any premium or discount) the assuming FHLBank received from the transferring FHLBank. Under this transfer scenario, no transaction with a third party independent of the FHLBanks takes place. Under the principles of combination accounting, combining adjustments are required to reflect the transaction as if the transferring FHLBank still holds the consolidated bond for purposes of the combined financial statements of the FHLBanks. Due to different discount accretion and/or premium amortization periods used by the assuming FHLBank and the transferring FHLBank, timing differences will affect net interest income as these transactions are reversed. The following amounts are eliminated as combining adjustments in the combining schedules accompanying the combined financial statements and will reverse over the remaining term of the consolidated bonds:

1. the debt extinguishment transaction (including any gain or loss) is eliminated;
2. all statement of condition and statement of income effects with respect to the premium or discount related to the purchase of the consolidated bonds by the assuming FHLBank are eliminated; and
3. the original premium or discount, concession fees and derivative-related basis adjustments of the transferring FHLBank are reinstated and amortized over the life of the consolidated bond.

Total interbank consolidated bonds of $1.3 billion, $480 million and $1.5 billion at par value were transferred from one FHLBank to another FHLBank during 2010, 2009 and 2008. The amount of total interbank consolidated bonds transferred during a period depends on a variety of factors, such as 1) whether or not an assuming FHLBank can obtain equal or lower funding costs through interbank transfers as compared to issuing new debt, 2) an FHLBank's overall asset/liability management strategy and 3) current market conditions. The combining adjustments for the elimination of the transfers of interbank consolidated bond liabilities and interbank fees and commissions related to the MPF Program resulted in the following effect on the Combined Statement of Income.

Table 33 - Effect of Combining Adjustments on Combined Statement of Income (dollars in millions)

Effect on:	Year Ended December 31, 2010	2009	2008	Year Ended December 31, 2010 vs. 2009 Increase	2009 vs. 2008 (Decrease) Increase
Net interest income	$ (4)	$(19)	$(7)	$15	$(12)
Total other (loss) income	77	31	(5)	46	36
Total other expense	(6)	(6)	(5)	–	(1)
Net income	79	18	(7)	61	25

Capital Adequacy

The FHLBank Act prescribes minimum capital requirements for the FHLBanks, and following the passage of the Housing Act, the Finance Agency Director is responsible for setting the risk-based capital standards for the FHLBanks. In addition, on March 3, 2011, the Finance Agency issued a final rule authorizing the Finance Agency Director to temporarily increase the minimum capital level for an FHLBank if the Finance Agency Director determines that the current level is insufficient to address that FHLBank's risks. (See ***Legislative and Regulatory Developments—Finance Agency—Final Rules—Minimum Capital*** for more information on the minimum capital rule.) At December 31, 2010, each of the FHLBanks was in compliance with its statutory minimum capital requirements. (See ***Note 19—Capital*** to the accompanying combined financial statements for more information on each FHLBanks' minimum capital requirements and regulatory actions related to the FHLBanks of Chicago and Seattle.)

Regulatory guidance requires each FHLBank to assess, at least once a year, the adequacy of its retained earnings under various future financial and economic scenarios, including:

- parallel and non-parallel interest-rate shifts;
- changes in the basis relationship between different yield curves; and
- changes in the credit quality of the FHLBank's assets.

Management and the board of directors of each FHLBank review the capital structure of that FHLBank on a periodic basis to ensure the capital structure supports the risk associated with its assets and addresses applicable regulatory and supervisory matters. In addition, an individual FHLBank may institute a higher capital requirement to meet internally-established thresholds or to address supervisory matters, or may limit dividend payments as part of its retained earnings policies. As of December 31, 2010, some FHLBanks have limited dividend payments and/or restricted excess capital stock redemptions and repurchases. These limitations may be revised from time to time. (See ***Dividend and Excess Stock Limitations*** for more information on certain FHLBank's limits on dividend payments and excess capital stock repurchases.)

Joint Capital Enhancement Agreement

Effective February 28, 2011, the FHLBanks entered into a Joint Capital Enhancement Agreement (the JCE Agreement). The JCE Agreement provides that upon satisfaction of the FHLBanks' obligations to the Resolution Funding Corporation (REFCORP), each FHLBank will, on a quarterly basis, allocate at least 20 percent of its net income to a Separate Restricted Retained Earnings Account (RRE Account). Currently, the REFCORP obligations are expected to be fully satisfied during the 2011 calendar year. Under the JCE Agreement, each FHLBank will be required to build its RRE Account to one percent of its total outstanding consolidated obligations, which for this purpose is based on the most recent quarter's average carrying value of all consolidated obligations for which an FHLBank is the primary obligor, excluding fair value option and hedging adjustments (Total Consolidated Obligations).

The JCE Agreement further requires each FHLBank to submit an application to the Finance Agency for approval to amend its capital plan or capital plan submission, as applicable, consistent with the terms of the JCE Agreement. Under the JCE Agreement, if the FHLBanks' REFCORP obligations terminate before the Finance Agency has approved all proposed capital plan amendments; each FHLBank shall commence the required allocation to its RRE Account beginning as of the end of the calendar quarter in which the final REFCORP payments are made by the FHLBanks.

The JCE Agreement provides that any quarterly net losses of an FHLBank may be netted against its net income, if any, for other quarters during the same calendar year to determine the minimum required year-to-date or annual allocation to its RRE Account. In the event an FHLBank incurs a net loss for a cumulative year-to-date or annual period that results in a decrease to the balance of its RRE Account as of the beginning of that calendar year, such FHLBank's quarterly allocation requirement will thereafter increase to 50 percent of quarterly net income until the cumulative difference between the allocations made at the 50 percent rate and the allocations that would have been made at the regular 20 percent rate is equal to the amount of the decrease to the balance of its RRE Account at the beginning of that calendar year. Any year-to-date or annual losses must first be allocated to retained earnings that are not restricted in the FHLBank's RRE Account until such retained earnings are reduced to a zero balance. Thereafter, any remaining losses may be applied to reduce the balance of the FHLBank's RRE Account, but not below a zero balance.

The JCE Agreement also provides that if an FHLBank's RRE Account exceeds 1.5 percent of its Total Consolidated Obligations, such FHLBank may transfer amounts from its RRE Account to the non-restricted retained earnings account, but only to the extent that the balance of its RRE Account remains at least equal to 1.5 percent of the FHLBank's Total Consolidated Obligations immediately following such transfer.

Finally, the JCE Agreement provides that during periods in which an FHLBank's RRE Account is less than one percent of its Total Consolidated Obligations, such FHLBank may pay dividends only from retained earnings that are not restricted in its RRE Account or from the portion of quarterly net income that exceeds the amount required to be allocated to its RRE Account.

The JCE Agreement can be voluntarily terminated by an affirmative vote of two-thirds of the boards of directors of the FHLBanks, or automatically if a change in the FHLBank Act, Finance Agency regulations, or other applicable law has the effect of: (1) creating any new or higher assessment or taxation on the net income or capital of any FHLBank, or requiring the FHLBanks to retain a higher level of restricted retained earnings than the amount that is required under the JCE Agreement; or (2) establishing general restrictions applicable to the payment of dividends by FHLBanks that satisfy all relevant capital standards by either (a) requiring a new or higher mandatory allocation of an FHLBank's net income to any retained earnings account other than the amount specified in the JCE Agreement, or (b) prohibiting dividend payments from any portion of an FHLBank's retained earnings that are not held in its RRE Account.

In the event the JCE Agreement is voluntarily terminated, each FHLBank's obligation to allocate earnings to its RRE Account would cease (with Finance Agency consent for those FHLBanks for which a capital plan amendment has been approved), but the restrictions on the use of the amounts in the RRE Account will continue until an event that triggers automatic termination occurs or until the FHLBanks unanimously agree to remove such restriction (and the Finance Agency approves the termination, for those FHLBanks for which a capital plan amendment has been approved). If the JCE Agreement is automatically terminated, each FHLBank's obligation to make allocations to its RRE Account will terminate and the restrictions on the use of amounts in its RRE Account would terminate.

Prompt Corrective Action Capital Classifications and Critical Capital Levels for the FHLBanks

The Finance Agency released a final rule, effective August 4, 2009, that, among other things, established criteria for capital classifications and critical capital levels for the FHLBanks for purposes of the Finance Agency's prompt corrective action authority over the FHLBanks (PCA rule). The PCA rule requires the Finance Agency Director to determine the capital classification of each FHLBank no less often than once every quarter. The PCA rule states that the Finance Agency Director may make a determination more than once a quarter and that the Finance Agency Director can make a determination at any time for one or more FHLBanks without making a determination for all FHLBanks. The PCA rule also requires an FHLBank to provide written notification to the Finance Agency within ten calendar days of any event that causes its permanent or total capital to fall below the level necessary to maintain its assigned capital classification.

The PCA rule sets forth the criteria for classifying the FHLBanks as follows:

- *Adequately capitalized.* An FHLBank is adequately capitalized only if it holds sufficient capital to meet both its risk-based and minimum capital requirements.

- *Undercapitalized.* An FHLBank is undercapitalized if it fails to meet any one of its minimum or risk-based capital requirements, but the deficiency is not large enough to classify the FHLBank as significantly undercapitalized or critically undercapitalized.
- *Significantly undercapitalized.* An FHLBank is significantly undercapitalized if the amount of capital held by the FHLBank is less than 75 percent of the capital levels needed for the FHLBank to meet either its risk-based or minimum capital requirements.
- *Critically undercapitalized.* An FHLBank would be considered critically undercapitalized whenever its total capital is two percent or less of its total assets.

The PCA rule:

- requires an FHLBank that is classified as undercapitalized to submit a capital restoration plan that meets with the approval of the Finance Agency Director within 15 business days following notice from the Finance Agency, and carry out all commitments made in that plan;
- restricts an undercapitalized FHLBank's quarterly asset growth and its ability to engage in any new business activity or acquire any entity;
- prohibits an undercapitalized FHLBank from making any capital distribution that would cause it to become significantly or critically undercapitalized;
- prohibits an adequately capitalized FHLBank from making a capital distribution if, after doing so, the FHLBank would be undercapitalized; and
- prohibits an undercapitalized FHLBank from making any capital distribution that would violate any additional restrictions related to the payment of dividends or the repurchase or redemption of stock. Capital distributions for an FHLBank are defined to include dividends paid in the form of stock.

The Finance Agency Director can reclassify an FHLBank from one capital classification category to another upon a written determination that the FHLBank is engaging in conduct that could result in a rapid depletion of its capital, or that the value of collateral pledged to the FHLBank or the value of property subject to mortgages owned by the FHLBank has decreased significantly. The Finance Agency Director can also reclassify an FHLBank from one capital classification category to another if the Finance Agency Director determines that the FHLBank is in an unsafe and unsound condition. (See ***Note 19—Capital—FHLBank of Seattle Capital Classification and Consent Arrangement*** to the accompanying combined financial statements for a description of the FHLBank of Seattle's undercapitalized classification under the PCA rule and the Stipulation and Consent to the Issuance of a Consent Order, and the related understandings with the Finance Agency, which are collectively referred to as the Consent Arrangement (Consent Arrangement).)

Dividend and Excess Stock Limitations

A number of FHLBanks have implemented actions related to suspensions of dividend payments and/or repurchases or redemptions of excess capital stock. These actions were implemented as a capital preservation measure and to reflect a conservative approach to financial management during a period of severe market volatility and due to impairment of private-label MBS.

FHLBank of Boston. Effective December 8, 2008, the FHLBank of Boston suspended the practice of repurchasing excess capital stock, except in limited instances of former member insolvency. The FHLBank of Boston continues its moratorium on excess stock repurchases. At December 31, 2010, members and non-members of the FHLBank of Boston with capital stock outstanding held excess capital stock totaling $1.9 billion or 3.3 percent of its total assets.

On January 22, 2011, certain amendments to the FHLBank of Boston's capital plan became effective that are intended to encourage borrowing by members that may be reluctant to borrow from the FHLBank of Boston in instances where they cannot borrow without purchasing additional Class B stock to satisfy their activity-based stock investment requirements. Any such reluctance may be attributed to the FHLBank of Boston's continuing moratorium on the repurchase of excess stock and lack of declaration of dividends from November 2008 until February 2011. To that end, the amendments provide the FHLBank of Boston with the ability to allow members to satisfy the activity-based capital requirements for certain advances that they initiate and that are disbursed by the FHLBank of Boston (eligible advances) using:

- stock from the FHLBank of Boston's pool of Class B stock in excess of the FHLBank of Boston's members' aggregate total stock investment requirements, referred to as the excess stock pool; and/or
- a new class of FHLBank of Boston stock, Class A stock, $100 par value per share that the FHLBank of Boston may (but is not required to) issue. The FHLBank of Boston does not intend to issue Class A stock at this time.

In addition, the amendments:

- reduce the lower bound of the range of the activity-based stock investment requirement for letters of credit to an effective 0.25 percent;
- provide clarification on interpretation of the capital plan and on continuing FHLBank of Boston practices for resolving member stock deficiencies. On this latter change, the amendments provide that any member that does not satisfy its stock deficiency by the relevant deadline set forth in the capital plan will be deemed to have drawn an advance from the FHLBank of Boston in the amount of the deficiency, the proceeds of which will be applied to purchase Class B stock so as to satisfy the deficiency.

FHLBank of Pittsburgh.

Excess Stock Repurchases. On December 23, 2008, the FHLBank of Pittsburgh announced its decision to voluntarily suspend excess capital stock repurchases until further notice. This action was taken after careful analysis and consideration of certain negative market trends and the effect on the FHLBank of Pittsburgh's profitability and financial condition.

Beginning in first quarter 2010, the FHLBank of Pittsburgh began measuring capital adequacy with a key risk indicator—Market Value of Equity to Par Value of Common Stock (MV/CS). This metric provides a current assessment of the fair value of the FHLBank of Pittsburgh's assets less liabilities on a liquidation basis compared to the par value of the capital stock. The term liquidation basis is used because this calculation assumes no intangibles or going-concern value. An initial floor of 85 percent was established by the FHLBank of Pittsburgh's board of directors, representing the estimated level from which the MV/CS would recover to par through the retention of earnings over the 5-year redemption period of the FHLBank of Pittsburgh's capital stock. When MV/CS is below the established floor, excess capital repurchases and dividend payouts are required to be restricted.

Because the MV/CS ratio was above 85 percent at September 30, 2010, the FHLBank of Pittsburgh performed additional analysis of the adequacy of retained earnings taking into consideration the effect of potential excess capital stock repurchases and/or dividend payouts. As a result of this analysis, the FHLBank of Pittsburgh repurchased approximately 5 percent, or $200 million, in excess capital stock on October 29, 2010.

At December 31, 2010 the MV/CS ratio was again above 85 percent and the necessary analysis was performed to determine if the FHLBank of Pittsburgh could repurchase additional excess capital stock and/or pay dividends. This analysis resulted in another repurchase of approximately 5 percent, or $200 million in excess capital stock on February 23, 2011. In both instances, the amount of excess capital stock repurchased from any member was the lesser of 5 percent of the member's total capital stock outstanding or its excess capital stock outstanding through October 28, 2010 and February 22, 2011.

In July 2010, the FHLBank of Pittsburgh amended its capital plan. This amended capital plan provides members with a stable membership capital stock calculation replacing the unused borrowing capacity calculation. Additionally, the amended plan expanded the acquired member asset stock purchase requirement range and prospectively established a capital stock purchase requirement for letters of credit. Details regarding the amended capital plan are available in the FHLBank of Pittsburgh's 2010 SEC Form 10-K.

Dividends. The amount of dividends the FHLBank of Pittsburgh's board of directors determines to pay out, if any, is affected by, among other factors, the level of retained earnings. Dividends may be paid in either capital stock or cash; the FHLBank of Pittsburgh has historically paid cash dividends only. On December 23, 2008, the FHLBank of Pittsburgh announced its decision to voluntarily suspend payment of dividends until further notice. The management and the board of directors of the FHLBank of Pittsburgh, as well as the Finance Agency, believe that the level of retained earnings with respect to the total balance of AOCI should be one of the considerations in assessing the FHLBank of Pittsburgh's ability to resume paying a dividend.

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

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

Based on fourth quarter 2010 results, the FHLBank of Chicago's board of directors declared a cash dividend at an annualized rate of 0.10 percent, which resulted in an amount of $719 thousand that was paid to members on February 14, 2011. Although the FHLBank of Chicago's board of directors' decision to restore a dividend considered the importance of sustaining a dividend, any future dividend determination will depend principally on the FHLBank of Chicago's future operating results. Furthermore, any future dividend declarations remain subject to the prior written approval of the Deputy Director. (See ***Note 19—Capital—FHLBank of Chicago Regulatory Actions*** to the accompanying combined financial statements for more information on the FHLBank of Chicago's restricted dividends and repurchases and redemptions of capital stock.)

FHLBank of San Francisco. On a quarterly basis, the FHLBank of San Francisco determines whether it will repurchase excess capital stock, including surplus capital stock, which is defined as any stock holdings in excess of 115 percent of the member's minimum capital stock requirement. Because of a decision to preserve capital in view of the possibility of future OTTI charges on the FHLBank of San Francisco's private-label RMBS portfolio, during 2010, the FHLBank of San Francisco paid a nominal dividend rather than a market-rate dividend and did not fully repurchase excess stock created by declining advance balances. The FHLBank of San Francisco opted to maintain its strong regulatory capital position, while paying a nominal dividend, and repurchasing $1.4 billion in excess capital stock during 2010. The FHLBank of San Francisco did not repurchase any excess capital stock in 2009.

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

FHLBank of Seattle. As a result of its undercapitalized classification and the Consent Arrangement, the FHLBank of Seattle is currently unable to declare or pay dividends, or redeem or repurchase capital stock, without prior approval of the Finance Agency. The FHLBank of Seattle has been unable to redeem Class A or Class B capital stock at the end of its statutory redemption period since March 2009. Also, there can be no assurance of when or if the FHLBank of Seattle board of directors will declare dividends in the future. (See ***Note 19—Capital—FHLBank of Seattle Capital Classification and Consent Arrangement*** to the accompanying combined financial statements for a description of the FHLBank of Seattle's Consent Arrangement with the Finance Agency.)

Liquidity

Each FHLBank is required to maintain liquidity in accordance with the FHLBank Act and certain regulations and policies established by its management and board of directors. Each FHLBank seeks to be in a position to meet the credit and liquidity needs of its members by managing holdings of liquid investments and obtaining cost-effective source of funds.

The FHLBanks need liquidity to:

- satisfy their members' demand for short- and long-term funds;
- repay maturing consolidated obligations; and
- meet other obligations, including any mandatory redemptions of capital stock.

The FHLBanks also maintain liquidity to repurchase excess capital stock at their discretion upon the request of a member or under an FHLBank's capital plan. (See ***Capital Adequacy—Dividend and Excess Stock Limitations*** for a discussion of certain FHLBanks' dividend payment suspensions and/or excess stock purchase restrictions.)

The FHLBanks' primary sources of liquidity are the issuance of new consolidated obligations and holdings of short-term investments. The GSE status and favorable credit rating have historically provided the FHLBanks with excellent access to capital markets. Consolidated obligations enjoy GSE status; however, they are not obligations of the United States and the United States does not guarantee them. The FHLBanks' consolidated obligations are assigned the highest ratings available for such debt from nationally recognized statistical rating organizations. These ratings indicate that the FHLBanks have an extremely strong capacity to meet their commitments to pay principal of and interest on consolidated obligations and that the consolidated obligations are judged to be of the highest quality with minimal credit risk. The ratings also reflect the FHLBanks' status as GSEs. These ratings have not been affected by rating actions taken with respect to individual FHLBanks. (See ***Recent Rating Agency Actions***.) Investors should note that a rating issued by a nationally recognized statistical rating organization is not a recommendation to buy, sell or hold securities and that the ratings may be revised or withdrawn by the nationally recognized statistical rating organization at any time. Investors should evaluate the rating of each nationally recognized statistical rating organization independently.

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

For liquidity purposes, each FHLBank holds investments that are primarily high-quality, short- and intermediate-term financial instruments. This strategy allows the FHLBanks to maintain liquidity to satisfy member demand for short- and long-term funds, repay maturing consolidated obligations, and meet other obligations. This strategy also reduces the risk of loss when investments are liquidated if an FHLBank elects to repurchase excess capital stock.

An FHLBank's ability to expand its balance sheet and corresponding liquidity requirements in response to its members' increased credit needs is correlated to its members' capital stock requirements for advances and mortgage loans. Similarly, each FHLBank can also contract its balance sheet and corresponding liquidity requirements in response to its members' reduced credit needs. An FHLBank may allow its consolidated obligations to mature without replacement, or repurchase and retire outstanding consolidated obligations, allowing its balance sheet to shrink. The FHLBanks may not be able to predict future trends in member credit needs because they are driven by complex interactions among a number of factors, including members' mortgage loan originations, other loan portfolio growth, and deposit growth, as well as the attractiveness of advances compared to other wholesale borrowing alternatives. Each FHLBank regularly monitors current trends and anticipates future debt issuance needs to be prepared to fund its members' credit needs and its investment opportunities.

To protect the FHLBanks against temporary disruptions in access to the debt markets in response to a rise in capital markets volatility, the Finance Agency requires each FHLBank to maintain sufficient liquidity, through short-term investments, in an amount at least equal to an FHLBank's anticipated cash outflows under two different scenarios.

- One scenario assumes that an FHLBank cannot access the capital markets for a period of between 10 to 20 days, with initial guidance set at fifteen days, and that during that time members do not renew any maturing, prepaid and called advances.

- The second scenario assumes that an FHLBank cannot access the capital markets for a period of between three to seven days, with initial guidance set at five days, and that during that period an FHLBank will automatically renew maturing and called advances for all members except very large members provided the member is well-rated by its primary Federal regulator or its state regulator equivalent for insurance companies; has a rating assigned by a nationally recognized statistical rating organization that is investment quality; and is well-rated by the individual FHLBank's internal credit rating system. (See ***Risk Factors—Compliance with regulatory contingency liquidity guidance could adversely affect the FHLBanks' earnings*** for more information.)

Each FHLBank also maintains a contingency liquidity plan designed to enable it to meet its obligations and the liquidity needs of members in the event of operational disruptions at the FHLBanks and/or the Office of Finance, or short-term capital market disruptions. (See ***Risk Management—Liquidity Risk***.)

Off-Balance Sheet Arrangements and Other Commitments

In the ordinary course of business, the FHLBanks engage in financial transactions that, in accordance with GAAP, are not recorded on the FHLBanks' Combined Statement of Condition or may be recorded on the FHLBanks' Combined Statement of Condition in amounts that are different from the full contract or notional amount of the transactions. The FHLBanks routinely enter into commitments to extend advances, issue standby letters of credit and/or fund unused lines of credit. These commitments and standby letters of credit may not necessarily represent future cash requirements of the FHLBanks. Some of these commitments are expected to expire without being drawn upon. At December 31, 2010, the FHLBanks had $4.3 billion of commitments to extend advances and unused lines of credit, and $63.1 billion in standby letters of credit outstanding. The FHLBanks entered into $2.6 billion par value of consolidated bonds and $42 million par value of consolidated discount notes that had traded but not yet settled at December 31, 2010. The FHLBanks do not have any special purpose entities or any other types of off-balance sheet conduits.

Contractual Obligations

In the ordinary course of operations, the FHLBanks enter into certain contractual obligations. Table 34 presents the FHLBanks' significant contractual obligations at December 31, 2010.

Table 34 - Payments Due or Expiration Terms by Type of Contractual Obligation (dollars in millions)

	Payments Due or Expiration Terms by Period				
	< 1 year	1 to 3 years	> 3 to 5 years	> 5 years	Total
Consolidated obligation bonds[1]	$264,549	$184,686	$74,928	$77,540	$601,703
Capital lease obligations	7	14	9	–	30
Operating leases	23	43	29	99	194
Subordinated notes	–	–	–	1,000	1,000
Securities sold under agreements to repurchase	800	400	–	–	1,200
Mandatorily redeemable capital stock	708	3,155	2,972	231	7,066
Commitments to fund/purchase mortgage loans	610	–	–	–	610
Pension and post-retirement contributions	57	12	11	43	123
Total contractual obligations	$266,754	$188,310	$77,949	$78,913	$611,926

(1) Does not include discount notes and contractual interest payments related to consolidated bonds. Total is based on contractual maturities; the actual timing of payments could be affected by factors affecting redemptions.

Critical Accounting Estimates

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

Each individual FHLBank manages its operations independently and is responsible for establishing its own accounting and financial reporting policies in accordance with GAAP. An individual FHLBank's accounting and financial reporting policies and practices, including accounting estimates, are not always identical to those used by other FHLBanks because alternative policies and presentations are permitted under GAAP in certain circumstances. Among other things, the FHLBanks might not use the same models and assumptions in determining the fair values of their respective assets and liabilities. The use of different models or assumptions by individual FHLBanks, as well as changes in market conditions, could result in materially different valuation estimates or other estimates, even when similar or identical assets and liabilities are being measured, and could have materially different effects on the net income and retained earnings of the respective FHLBanks, although each of these methodologies is in compliance with GAAP. However, the FHLBanks and the Office of Finance recognize the importance of transparency and enhanced consistency in financial reporting, and during 2009, the 12 FHLBanks developed a uniform framework for completing their OTTI analyses and a fair value methodology for MBS, manufactured housing loans and home equity loan investments.

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

Estimates and assumptions that are significant to the results of operations and financial condition of the FHLBanks include those used in conjunction with: (1) OTTI determinations; (2) fair value estimates; (3) derivative hedging relationships; (4) amortization of premium and accretion of discount on investment securities and purchased mortgage loans; and (5) calculation of allowances for credit losses on advances and mortgage loans. (See ***Note 1—Summary of Significant Accounting Policies*** to the accompanying combined financial statements for a description of accounting policies related to these estimates and assumptions.)

OTTI for Investment Securities

Uniform OTTI Framework. In 2009, the 12 FHLBanks developed a uniform framework for completing their OTTI analyses concurrent with FASB guidance on the recognition and presentation of OTTI in the financial statements. Implementation of this uniform OTTI framework and adoption of FASB's guidance provided greater consistency among the 12 FHLBanks regarding their OTTI analyses, including the calculation of any expected credit losses for impaired securities.

Most of the FHLBanks select all of their private-label RMBS and certain home equity loan investments for purposes of OTTI cash flow analysis to be evaluated using the common framework developed by the 12 FHLBanks. Furthermore, the FHLBanks, consistent with the objectives of Finance Agency guidance, enhanced their overall OTTI process by creating an OTTI Governance Committee, which established a formal process by which the FHLBanks could provide input on and approve key OTTI assumptions. The OTTI Governance Committee is responsible for reviewing and approving key OTTI assumptions, including interest rates and housing prices, along with related modeling inputs and methodologies to be used to generate cash flow projections.

To assess whether the entire amortized cost bases of the FHLBanks' private-label RMBS and certain home equity loan investments would be recovered, the FHLBanks performed a cash flow analysis for each such security where fair value was less than amortized cost as of the balance sheet date, except for certain private-label RMBS and home equity loan investments where underlying loan-level collateral data was not available using the third-party models approved by the OTTI Governance Committee. At December 31, 2010, 7 FHLBanks owned certain private-label MBS where underlying loan-level collateral data is not available using the third-party models. For private-label RMBS and home equity loan investments that could not be modeled under the FHLBanks' common framework, alternative procedures were determined and approved by the OTTI Governance Committee and considered by each applicable FHLBank to assess these securities for OTTI. These investments, which are backed by residential, home equity and commercial real estate loans, home equity lines of credit, and manufactured housing loans, represent approximately 3 percent of the FHLBanks' total unpaid principal balance of private-label RMBS and CMBS, manufactured housing loans and home equity loan investments.

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

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

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

In performing the cash flow analysis for these private-label RMBS and certain home equity loan investments under the common framework, each FHLBank uses two third-party models. The first model forecasts loan-level prepayments, default and severity behavior. The second model is used to determine the resulting cash flows. The FHLBanks also assess the potential mitigation of projected credit losses through the application of existing monoline bond insurance from third parties. The FHLBanks perform a qualitative assessment of the respective insurer's ability to cover the security's projected shortfall of contractual principal or interest. (See ***Note 8—Other-Than-Temporary Impairment Analysis*** to the accompanying combined financial statements for additional information.)

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

Table 35 presents the significant inputs used to assess private-label RMBS and home equity loan investments for OTTI as well as related current credit enhancements. Credit enhancement is defined as the percentage of subordinated tranches, excess spread and over-collateralization, if any, in a security structure that will generally absorb losses before each FHLBank will experience a loss on the security. The calculated averages below represent the dollar-weighted averages of all the private-label RMBS and home equity loan investments in each category shown. The classification (prime, Alt-A and subprime) is based on the model used to run the estimated cash flows for the individual securities, which may not necessarily be the same as the classification at the time of origination.

Table 35 - Significant Inputs (dollars in millions)

Year of Securitization	Unpaid Principal Balance[1]	Significant Inputs for All Private-label RMBS: Prepayment Rates Weighted-Average %	Prepayment Rates Range %	Default Rates Weighted-Average %	Default Rates Range %	Loss Severities Weighted-Average %	Loss Severities Range %	Current Credit Enhancement Weighted-Average %	Current Credit Enhancement Range %
Prime									
2008	$ 973	9.6	5.9 - 11.1	42.6	24.3 - 55.1	43.6	38.0 - 50.7	25.6	14.7 - 41.5
2007	2,322	8.8	5.7 - 22.9	26.4	0.6 - 58.3	39.2	19.2 - 47.8	6.2	1.3 - 23.0
2006	3,339	9.3	5.9 - 29.5	22.3	0.4 - 52.5	40.5	19.4 - 48.6	7.2	0.0 - 21.6
2005	3,544	10.7	5.6 - 33.0	11.9	0.2 - 42.4	31.2	19.4 - 47.8	7.6	1.9 - 29.3
2004 and prior	8,611	16.6	0.6 - 85.1	4.8	0.0 - 32.5	23.5	0.0 - 88.5	7.9	0.0 - 85.8
Total prime	18,789	12.9	0.6 - 85.1	13.9	0.0 - 58.3	31.0	0.0 - 88.5	8.4	0.0 - 85.8
Alt-A									
2008	421	9.8	7.6 - 11.7	55.4	49.9 - 63.0	43.0	41.8 - 48.0	36.2	26.4 - 40.7
2007	7,907	8.7	3.2 - 15.5	66.4	25.4 - 90.1	50.6	31.0 - 62.2	24.8	0.0 - 48.5
2006	6,227	9.6	3.4 - 17.4	60.9	16.9 - 90.8	49.9	35.1 - 63.4	19.1	0.0 - 58.3
2005	7,820	11.8	5.8 - 21.2	38.5	8.9 - 79.9	42.5	20.3 - 57.7	17.7	0.0 - 77.6
2004 and prior	3,690	15.1	2.0 - 26.6	14.9	0.0 - 61.2	30.6	17.9 - 113.1	14.3	0.0 - 74.9
Total Alt-A	26,065	10.8	2.0 - 26.6	49.2	0.0 - 90.8	45.0	17.9 - 113.1	20.0	0.0 - 77.6
Subprime									
2007	10	5.3	5.3	80.0	80.0	69.1	69.1	39.8	39.8
2006	1,053	5.6	3.1 - 7.1	79.7	71.6 - 91.2	70.2	64.8 - 77.9	27.9	(11.0) - 99.5[a]
2005	94	5.0	2.0 - 6.7	79.9	64.8 - 93.2	66.2	60.5 - 69.8	48.0	16.5 - 78.1
2004 and prior	27	12.7	5.9 - 15.7	36.8	25.5 - 53.0	85.5	71.8 - 100.9	45.3	1.0 - 100.0
Total subprime	1,184	5.7	2.0 - 15.7	78.7	25.5 - 93.2	70.2	60.5 - 100.9	30.0	(11.0) - 100.0[a]
Total all private-label RMBS	$46,038	11.5	0.6 - 85.1	35.6	0.0 - 93.2	40.0	0.0 - 113.1	15.5	(11.0) - 100.0[a]

Year of Securitization	Unpaid Principal Balance[1]	Significant Inputs for All Home Equity Loan Investments[2]: Prepayment Rates Weighted-Average %	Prepayment Rates Range %	Default Rates Weighted-Average %	Default Rates Range %	Loss Severities Weighted-Average %	Loss Severities Range %
Alt-A							
2006	$ 19	15.6	15.6	7.3	7.3	100.0	100.0
2005	4	8.4	8.4	0.4	0.4	100.0	100.0
2004 and prior	28	11.7	9.6 - 15.5	4.7	0.8 - 6.3	100.0	100.0
Total Alt-A	51	12.9	8.4 - 15.6	5.3	0.4 - 7.3	100.0	100.0
Subprime							
2004 and prior	509	4.9	1.6 - 17.3	6.0	1.0 - 50.8	69.9	30.0 - 100.4
Total subprime	509	4.9	1.6 - 17.3	6.0	1.0 - 50.8	69.9	30.0 - 100.4
Total all home equity loan investments	$560	5.6	1.6 - 17.3	5.9	0.4 - 50.8	72.7	30.0 - 100.4

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

(1) Represents unpaid principal balance as of December 31, 2010.

(2) Current credit enhancement weighted-average and range percentages are not considered meaningful for home equity loan investments, as the majority of these investments have monoline bond insurance. See ***Note 8—Other-Than-Temporary Impairment Analysis*** to the accompanying combined financial statements for additional information on monoline bond insurers.

Adverse Case Scenario. In addition to evaluating its private-label RMBS and certain home equity loan investments under a base case (or best estimate) scenario as discussed in ***Note 8—Other-Than-Temporary-Impairment Analysis*** to the accompanying combined financial statements, each FHLBank performed a cash flow analysis for each of these securities under a more stressful housing price scenario. This more stressful scenario was based on a housing price forecast that was 5 percentage points lower at the trough than the base case scenario, followed by a flatter recovery path. Under this scenario, current-to-trough home price declines were projected to range from 6 percent to 15 percent over the 3- to 9-month period beginning October 1, 2010. Thereafter, home prices were projected to increase within a range of 0 percent to 1.9 percent in the first year, 0 percent to 2.0 percent in the second year, 1.0 percent to 2.7 percent in the third year, 1.3 percent to 3.4 percent in the fourth year, 1.3 percent to 4.0 percent in each of the fifth and sixth years, and 1.5 percent to 3.8 percent in each subsequent year. The stress test scenario and associated results do not represent each FHLBank's current expectations, and should not be construed as a prediction of each FHLBank's future results, market conditions or the actual performance of these securities. Rather, the results from this hypothetical stress test scenario provide a measure of the credit losses that the FHLBanks might incur if home price declines (and subsequent recoveries) are worse than those projected in each FHLBank's OTTI assessment.

Table 36 presents the combined credit losses under the base case and adverse case scenario for other-than-temporarily impaired private-label RMBS and home equity loan investments for the quarter ended December 31, 2010. The base case scenario represents actual OTTI-related credit losses recognized in earnings for the quarter ended December 31, 2010. The adverse case scenario's estimated cash flows were generated to show what the OTTI charges could have been under the more stressful housing price scenario at December 31, 2010.

Table 36 - Base Case and Adverse Case Scenarios (dollars in millions)

	December 31, 2010					
	Base Case(1)			Adverse Case		
	Number of Securities	Unpaid Principal Balance	OTTI Related to Credit Loss	Number of Securities	Unpaid Principal Balance	OTTI Related to Credit Loss
Private-label RMBS:						
Prime(2)	42	$ 2,581	$ (22)	108	$ 7,856	$(189)
Alt-A(2)	204	11,239	(135)	315	16,538	(691)
Subprime(2)	20	463	(7)	39	962	(50)
Total private-label RMBS	266	14,283	(164)	462	25,356	(930)
Home equity loan investments:						
Alt-A(2)	1	4	–	4	25	(3)
Subprime(2)	8	22	(1)	10	24	(1)
Total home equity loan investments	9	26	(1)	14	49	(4)
Total	275	$14,309	$(165)	476	$25,405	$(934)

(1) Represent securities and related OTTI credit losses for the fourth quarter of 2010.

(2) Based on the originator's classification at the time of origination or based on classification by a nationally recognized statistical rating organization upon issuance of the MBS.

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

In determining monoline bond insurer support, an FHLBank would consider the contractual terms of the insurance guarantee, and whether the credit protection under the terms of the agreement travels with the security if it is projected that the security would have to rely on insurance protection for cash flow sufficiency, either currently or in the future. FHLBanks that have investments insured by monoline bond insurers follow the guidelines provided by the FHLBank of New York when performing their OTTI analysis.

In estimating an insurer's capacity to provide credit protection in the future to cover any decrease in cash flows expected to be collected for securities deemed to be OTTI, the FHLBank of New York developed a methodology to assess the ability of a monoline bond insurer to meet its future insurance obligations. The methodology establishes boundaries that can be used on a consistent basis, and includes both quantitative and qualitative factors. This methodology calculates the length of time that a monoline bond insurer is expected to remain financially viable in order to pay claims for insured securities and it primarily employs information that is publicly available to identify cash flows used up by a monoline bond insurer for insurance claims. Based on the monoline bond insurer's existing insurance reserves, the methodology attempts to predict the length of time the monoline bond insurer's claims-paying resources could sustain bond insurance losses and estimate a future point in time when the monoline bond insurer's claim-paying resources may be exhausted.

For insured securities that are deemed to be credit-impaired without insurer protection, this methodology compares the timing and the amount of cash flow shortfalls to the estimated timing for when a monoline bond insurer's claim-paying resources would be exhausted in order to quantify both the timing and the amount of cash flow shortfalls that the monoline insurer is unlikely to be able to cover. However, an FHLBank must use significant judgment and assumptions when estimating a monoline bond insurer's financial strength to remain viable over a long-term horizon, predicting when a monoline bond insurer may no longer have the ability to perform under its contractual agreement and comparing the timing and the amounts of cash flow shortfalls for securities that are credit-impaired without insurer protection. The results of the monoline bond insurer financial analysis, which projects the time horizon of credit protection provided by a monoline bond insurer as a function of claim-paying resources and anticipated claims in the future (monoline burn-out period), are incorporated as a key input in the third-party cash flow model. If this cash flow model projects cash flow shortfalls (credit impairment) on a monoline-insured security, the monoline "burn-out" date is then input into the cash flow model. That input then provides the necessary information to the cash flow model for the continuation of cash flows until the burn-out date. Any cash flow shortfalls beyond the "burn-out" date are deemed to be unrecoverable and the monoline-insured security will be credit impaired.

Fair Value Estimates

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

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

The FHLBanks use valuation techniques that maximize the use of observable market based inputs, when appropriate, to value the assets and liabilities carried at fair value on a recurring basis or to determine whether a fair value adjustment is needed for assets and liabilities to be carried at fair value on a non-recurring basis. Given the nature of some of the assets and liabilities carried at fair value, whether on a recurring or non-recurring basis, clearly determinable market based valuation inputs are often not available.

Therefore, the fair value measurements of these instruments use unobservable inputs and are classified as Level 3 within the fair value hierarchy. The assets held by the FHLBanks that are carried at Level 3 fair value are primarily private-label MBS. Due to unavailability of observable inputs for the Level 3 assets, fair values are determined based on valuation models that use either:

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

The assumptions used in these models are based on management's best estimates with respect to:

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

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

During 2009, the FHLBanks developed a uniform fair value methodology for determining the fair value of MBS, manufactured housing loans and home equity loan investments, which was adopted by all 12 FHLBanks by the first quarter of 2010.

Under this fair value methodology, each FHLBank requests prices for either all MBS, or only for private-label MBS, manufactured housing loans and home equity loan investments, as applicable, from four specific third-party vendors. Depending on the number of prices received for each security, each FHLBank selects a median or average price as defined by the fair value methodology. This methodology also incorporates variance thresholds to assist in identifying median or average prices that may require further review. In certain limited instances (a security's price is outside of established variance thresholds or the third-party vendors do not provide a price for a security), an FHLBank will obtain a price from securities dealers or internally model a price that is deemed most appropriate after consideration of relevant facts and circumstances that a market participant would consider. Prices for MBS held in common with other FHLBanks are reviewed for consistency. In adopting this common fair value methodology, each FHLBank remains responsible for the selection and application of its fair value methodology and the reasonableness of assumptions and inputs used. (See ***Note 21—Fair Value*** to the accompanying combined financial statements for further discussion regarding how the FHLBanks measure financial assets and financial liabilities at fair value.)

Derivative Hedging Relationships

Derivatives accounting involves estimating the fair value of the derivatives and assessing the effectiveness of the hedging relationship using regression-based testing, based on simulated valuations derived from historical market data. These estimates include subjective calculations and estimates based on information available as of the date of the financial statements, which could be materially different based on different assumptions, calculations, and estimates. If hedging relationships meet the criteria, two approaches to hedge accounting can be used: short-cut hedge accounting and long-haul hedge accounting.

Short-Cut Hedge Accounting. A short-cut hedging relationship assumes no ineffectiveness and implies that the hedge between an interest-rate swap and an interest-bearing financial instrument is perfectly correlated. Therefore, changes in the fair value of the interest-rate swap and the interest-bearing financial instrument will perfectly offset one another, as a short-cut relationship assumes no ineffectiveness. To qualify for short-cut accounting treatment, a number of restrictive conditions must be met:

- the notional amount of the interest-rate swap matches the principal amount of the interest-bearing financial instrument being hedged;
- the fair value of the interest-rate swap at the inception of the hedging relationship is zero;
- the formula for computing net settlements under the interest-rate swap is the same for each net settlement; and

- the interest-bearing financial instrument is not prepayable.

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

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

If a hedging relationship is not considered highly effective, although an offsetting relationship between fair values or cash flows of the hedge and hedged items may be demonstrated, it does not qualify for hedge accounting treatment and, therefore, the hedged item's changes in fair value are not evaluated. Changes in the fair value of such economic hedges of assets or liabilities for asset/liability management are recorded in current-period earnings. (See ***Note 12—Derivatives and Hedging Activities*** to the accompanying combined financial statements for detailed discussion of the FHLBanks' accounting for derivatives and types of hedge transactions.)

Amortization of Premium and Accretion of Discount on Investment Securities and Purchased Mortgage Loans

When an FHLBank purchases investment securities and mortgage loans under the MPF Program or MPP, it may not pay the seller the exact amount of the asset's unpaid principal balance. If an FHLBank purchases the assets at a premium, the premium reduces the yield that FHLBank recognizes on the assets below the stated coupon amount. Conversely, if an FHLBank purchases the asset at a discount, the discount increases the yield that FHLBank recognizes on the assets above the stated coupon amount.

The FHLBanks amortize premiums and accrete discounts in accordance with GAAP and recognize the amounts of amortization or accretion in current period earnings as a decrease or increase to interest income. An offsetting adjustment is made to the asset's net carrying value. Under GAAP, premiums and discounts are required to be recognized in income at a constant effective yield over the life of the instrument.

Contractual Method. The amortization of premiums or accretion of discounts to interest income using the contractual method produces a constant effective yield over the contractual life, which represents the stated maturity. The contractual method recognizes the income effects of premiums and discounts in a manner that reflects the actual behavior of the mortgage loans during the period in which the behavior occurs while also reflecting the contractual terms of the assets without regard to changes in estimated prepayments based upon assumptions about future borrower behavior. The FHLBanks of Pittsburgh, Atlanta and Des Moines apply the contractual method of amortization of premiums and accretion of discounts on their MBS and purchased mortgage loans. Each of the FHLBanks of Boston, New York, Chicago and Dallas apply the contractual method of amortization and accretion on their purchased mortgage loans.

Retrospective Method. Except for the above situations when the contractual method is used, the FHLBanks apply the retrospective method on their MBS and purchased mortgage loans for which prepayments reasonably can be expected and estimated. Under the retrospective method, the effective yield is periodically recalculated to reflect anticipated future prepayments and actual prepayments to date as actual prepayments often deviate from the estimates. Adjustments of the effective yields for the investment securities or purchased mortgage loans are recorded on a retrospective basis, meaning that the net investment in the instrument is adjusted to the amount that would have existed had the new effective yield been applied since the acquisition of the asset. Use of the retrospective method may increase volatility of reported earnings during periods of changing interest rates, and the use of different estimates or assumptions as well as changes in external factors could produce significantly different results. Reductions in interest rates generally accelerate prepayments, which accelerate the amortization of premiums and reduce current-period earnings. Typically, declining interest rates accelerate the accretion of discounts, thereby increasing current-period earnings. Conversely, in a rising interest-rate environment, prepayments will generally extend over a longer period, shifting some of the premium amortization and discount accretion to future periods.

Allowance for Credit Losses

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

- advances, letters of credit and other extensions of credit to members, collectively referred to as credit products;
- conventional mortgage loans held for portfolio, including those acquired under the MPF Program and MPP; and
- government-guaranteed or -insured mortgage loans held for portfolio.

Furthermore, the FHLBanks established a systematic methodology for assessing other financing receivables for potential credit losses, including other loans, term securities purchased under agreements to resell and term federal funds sold. (See ***Note 11—Allowance for Credit Losses*** to the accompanying combined financial statements for additional information on the FHLBanks' allowance for credit losses methodologies.)

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

Credit Products. Based on the nature and quality of the collateral held as security for credit products, each FHLBank's credit extension and collateral policies, each FHLBank's credit analysis, and the repayment history on its credit products, each FHLBank expects to collect all amounts due according to the contractual terms of its credit products. Accordingly, no allowance for losses on credit products was deemed necessary at December 31, 2010 and 2009. Furthermore, no liability to reflect an allowance for credit losses for off-balance sheet credit exposures was recorded at December 31, 2010 and 2009. No FHLBank has ever experienced a credit loss on any of its credit products.

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

- U.S. government or agency securities;

- residential mortgage loans;
- FHLBank deposits; and
- other real estate-related assets.

Each FHLBank may require additional collateral (whether or not that additional collateral meets the eligibility criteria set forth above) or require that the borrower substitute existing collateral at any time. An FHLBank also has a statutory lien upon each member's FHLBank stock as additional security for the indebtedness of that member. At December 31, 2010 and 2009, the rights to collateral held by the FHLBanks on a borrower-by-borrower basis had an estimated value that exceeded the outstanding advances for each individual borrower. Management of each FHLBank believes that adequate policies and procedures are in place to effectively manage that FHLBank's respective credit risk on its credit products. These policies and procedures may include, but are not limited to: (1) monitoring the creditworthiness and financial condition of the institutions to which the FHLBank lends funds; (2) reviewing the quality and value of collateral pledged by members to secure extensions of credit; (3) estimating borrowing capacity based on collateral value and collateral type for each member; and (4) evaluating historical loss experience.

Conventional MPF Mortgage Loans Held for Portfolio. At December 31, 2010 and 2009, each MPF FHLBank that holds mortgage loans under the MPF Program either had an allowance for credit losses on mortgage loans held or has determined that no loan loss allowance was necessary under that program. Each MPF FHLBank bases its allowance on its management's estimate of credit losses inherent in its mortgage loan portfolio at the balance sheet date. The estimate is either based on the individual MPF FHLBank's loan portfolio performance history or is based on analysis of industry statistics for similar mortgage loan portfolios. Conventional loans, in addition to having the related real estate as collateral, are also credit enhanced either by the PFI, which is required to pledge qualified collateral to secure its credit enhancement obligation, or by supplemental mortgage insurance (SMI) purchased by the PFI. If the MPF FHLBanks had losses in excess of the estimated liquidation value of collateral held and credit enhancement amount, credit losses would be recognized for financial reporting purposes.

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

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

The MPF FHLBanks' review of specifically identified loans typically involves the identification of collateral-dependent loans. Collateral-dependent loans are treated separately from the remaining MPF Loans because sufficient information exists to make a reasonable estimate of the inherent loss for such MPF Loans on an individual loan basis. Certain FHLBanks apply migration analysis to MPF Loans that are delinquent. The allowance for credit losses for an FHLBank's conventional loan pools is based on an analysis of the migration of its delinquent loans to default since the inception of the MPF Program. An MPF FHLBank then analyzes the probable loss severity on that portion of the delinquent loans that the migration analysis indicates will default within one year. PMI and the credit enhancement protection amount provided by the PFI or by SMI are factored into the allowance for credit loss determination, provided that collection from the PFI or insurance companies is determined to be probable. The combination of these factors, as well as an additional judgmental amount determined by management due to uncertainties inherent in the estimation process (margin for imprecision), represents the estimated credit losses from conventional MPF Loans. Although the margin for imprecision is not allocated to any specific economic or credit event, it is intended to cover other inherent losses that may not be captured in the methodology described above. The actual loss that may occur on homogeneous pools of mortgage loans may be more or less than the estimated loss.

Any potential losses that would be recovered from the credit enhancement protection amount, as well as PMI, are not reserved for as part of the allowance for credit losses on mortgage loans.

Conventional MPP Mortgage Loans Held for Portfolio. Each MPP FHLBank that has acquired mortgage loans under the MPP analyzes its MPP Loans on a quarterly basis by estimating probable credit losses, comparing these losses to credit enhancements, including the recoverability of insured amounts, and then establishes general or real estate owned-specific reserves based on the results. At December 31, 2010 and 2009, each MPP FHLBank either had an allowance for credit losses on mortgage loans acquired under its MPP or has determined that no such allowance was required, due in part to the structure of the allocation of credit risk under that program. If an MPP FHLBank had losses in excess of the estimated liquidation value of collateral held, PMI (if applicable), lender risk account (LRA), and SMI (if applicable), credit losses would be recognized for financial reporting purposes.

The MPP FHLBanks apply a consistent methodology to determine the adequacy of the allowance for credit losses. The key estimates and assumptions that affect the MPP FHLBanks' allowance for credit losses generally include: (1) the characteristics of specific delinquent conventional loans outstanding under the MPP; (2) evaluations of the overall delinquent loan portfolio through the use of migration analysis; (3) loss severity estimates; (4) historical claims and default experience; (5) expected proceeds from credit enhancements; (6) comparisons to reported industry data; and (7) current economic trends and conditions.

These estimates require significant judgments, especially considering the unprecedented deterioration in the national housing market, the inability to readily determine the fair value of all underlying properties and the uncertainty in other macroeconomic factors that make estimating defaults and severity increasingly imprecise.

Government-Guaranteed or -Insured Mortgage Loans Held for Portfolio. FHLBanks purchase both conventional mortgage loans and government mortgage loans under the MPF Program and MPP. Government loans are insured or guaranteed by federal agencies, including the FHA, VA, RHS or HUD. Any losses from such mortgage loans are expected to be recovered from those entities or absorbed by the servicers. Accordingly, the FHLBanks have determined that no allowance for losses is necessary in connection with government mortgage loans held for portfolio at December 31, 2010 and 2009.

Legislative and Regulatory Developments

The legislative and regulatory environment for the FHLBanks has been one of profound change during the period covered by this report, the most notable of which was the enactment of the Dodd-Frank Act on July 21, 2010. Further, the issuance of several proposed and final regulations from the Finance Agency as well as from other financial regulators, such as the FDIC, added to the climate of rapid regulatory change. The FHLBanks expect 2011 to involve additional, significant legislative and regulatory changes as financial regulators issue proposed and/or final rules to implement the Dodd-Frank Act and proposals for housing GSE reform are introduced.

Dodd-Frank Act

The Dodd-Frank Act, among other things: (1) creates an interagency oversight council (the Oversight Council) that is charged with identifying and regulating systemically important financial institutions; (2) regulates the over-the-counter derivatives market; (3) imposes new executive compensation proxy and disclosure requirements; (4) establishes new requirements for MBS, including a risk-retention requirement; (5) reforms the credit rating agencies; (6) makes a number of changes to the federal deposit insurance system, including making permanent the temporary increase in the standard maximum deposit insurance amount of $250,000; and (7) creates a consumer financial protection bureau. Although the FHLBanks were exempted from several notable provisions of the Dodd-Frank Act, the FHLBanks' business operations, funding costs, rights, obligations, and/or the environment in which the FHLBanks carry out their housing-finance mission are likely to be affected by the Dodd-Frank Act. Certain regulatory actions resulting from the Dodd-Frank Act that may have an important effect on the FHLBanks are summarized below, although the full effect of the Dodd-Frank Act will become known only after the required regulations, studies and reports are issued and finalized.

New Requirements for the FHLBanks' Derivative Transactions. The Dodd-Frank Act provides for new statutory and regulatory requirements for derivative transactions, including those used by the FHLBanks to hedge their interest rate and other risks. As a result of these requirements, certain derivative transactions will be required to be cleared through a third-party central clearinghouse and traded on regulated exchanges or new swap execution facilities. These cleared trades are expected to be subject to initial and variation margin requirements established by the clearinghouse and its clearing members. While clearing swaps may reduce counterparty credit risk, the margin requirements for cleared trades have the potential of making derivative transactions more costly and less attractive as risk management tools for the FHLBanks.

The Dodd-Frank Act will also change the regulatory landscape for derivative transactions that are not subject to mandatory clearing requirements (uncleared trades). While the FHLBanks expect to continue to enter into uncleared trades on a bilateral basis, those trades are expected to be subject to new regulatory requirements, including new mandatory reporting requirements and new minimum margin and capital requirements imposed by bank and other federal regulators. Any of these margin and capital requirements could adversely affect the liquidity and pricing of certain uncleared derivative transactions entered into by the FHLBanks, making uncleared trades more costly and less attractive as risk management tools for the FHLBanks.

The Dodd-Frank Act will require swap dealers and certain other large users of derivatives to register as "swap dealers" or "major swap participants" with the Commodity Futures Trading Commission (CFTC) and/or the SEC. Based on the definition in the proposed rules jointly issued by the CFTC and SEC, it seems unlikely that the FHLBanks will be required to register as a major swap participant, although this remains a possibility. It also seems unlikely that the FHLBanks will be required to register as a swap dealer for derivative transactions with their counterparties for the purpose of hedging and managing its interest- rate risk, which constitute the great majority of the FHLBanks' derivative transactions. However, based on the proposed rules, it is possible that an FHLBank could be required to register with the CFTC as a swap dealer based on the intermediated "swaps" that it enters into with its members.

It is also unclear how the final rule will treat the embedded derivatives in advances to FHLBank members, such as caps and floors. The scope of the term "swap" in the Dodd-Frank Act has not yet been addressed in proposed rules. Accordingly, it is not known at this time whether certain transactions between any of the FHLBanks and its member customers will be treated as "swaps." Depending on how the terms "swap" and "swap dealer" are finally defined in the rules, the FHLBanks may be faced with the business decision of whether to continue to offer "swaps" to member customers if those transactions would require that FHLBank to register as swap dealer.

Designation as a swap dealer would subject that FHLBank to significant additional regulation and cost, including without limitation registration with the CFTC, new internal and external business conduct standards, additional reporting requirements and additional swap-based capital and margin requirements. Even if an FHLBank is designated as a swap dealer, the proposed rule would permit that FHLBank to apply to the CFTC to limit such designation to those specified activities as to which that FHLBank is acting as a swap dealer. Thus, the hedging activities of an FHLBank may not be subject to the full requirements that are generally imposed on traditional swap dealers.

The CFTC has issued an advance notice of proposed rulemaking that includes four possible models for swaps customers to post collateral to a clearinghouse in connection with cleared swaps. An FHLBank may be adversely affected if such a rule places an FHLBank's required posted collateral at a greater risk of loss in the clearinghouse structure than under the current over-the-counter market structure.

The FHLBanks are actively participating in the development of the regulations under the Dodd-Frank Act by formally commenting to the regulators regarding a variety of the rulemakings that could affect the FHLBanks. It is not expected that final rules related to derivative transactions implementing the Dodd-Frank Act will become effective until the latter half of 2011 and delays beyond that time are possible.

Federal Reserve Board Proposed Rule on Regulatory Oversight of Nonbank Financial Companies. On February 11, 2011, the Federal Reserve Board issued a proposed rule that would define certain key terms to determine which nonbank financial companies will be subject to the Federal Reserve's regulatory oversight. The proposed rule provides that a company is "predominantly engaged in financial activities" if:

- the annual gross financial revenue of the company represents 85 percent or more of the company's gross revenue in either of its two most recent completed fiscal years; or
- the company's total financial assets represent 85 percent or more of the company's total assets as of the end of either of its two most recently completed fiscal years.

Comments on this proposed rule were due by March 30, 2011.

An FHLBank would likely be engaged in financial activities under either prong of the proposed test. The proposed rule also defines "significant nonbank financial company" to mean a nonbank financial company that had $50 billion or more in total assets as of the end of its most recently completed fiscal year. If an individual FHLBank is determined to be a nonbank financial company subject to the Federal Reserve's regulatory oversight, then that FHLBank's operations and business may be adversely affected by such oversight.

Oversight Council Notice of Proposed Rulemaking on Authority to Supervise and Regulate Certain Nonbank Financial Companies. On January 26, 2011, the Oversight Council issued a proposed rule that would implement the Oversight Council's authority to subject nonbank financial companies to the supervision of the Federal Reserve Board and certain banking standards. The proposed rule defines "nonbank financial company" broadly enough to likely cover the FHLBanks. Also, under the proposed rule, the Oversight Council will consider certain factors in determining whether to subject a nonbank financial company to supervision and prudential standards. Some factors identified include: the availability of substitutes for the financial services and products the entity provides as well as the entity's size; interconnectedness with other financial firms: leverage, liquidity risk; and maturity mismatch and existing regulatory scrutiny. If one or more of the FHLBanks are determined to be nonbank financial companies subject to the Oversight Council's regulatory requirements, then the FHLBanks' operations and business are likely to be affected. Comments on this proposed rule were due by February 25, 2011.

Oversight Council Recommendations on Implementing the Volcker Rule. In January 2011, the Oversight Council issued recommendations for implementing certain prohibitions on proprietary trading, commonly referred to as the Volcker Rule. Institutions subject to the Volcker Rule may be subject to various limits with regard to their proprietary trading and various regulatory requirements to ensure compliance with the Volcker Rule. If the FHLBanks are subject to the Volcker Rule, then each FHLBank may be subject to additional limitations on the composition of its investment portfolio beyond Finance Agency regulations. These limitations may potentially result in less profitable investment alternatives. Further, complying with related regulatory requirements would be likely to increase the FHLBanks' regulatory burden and incremental costs. The FHLBank System's consolidated obligations generally are exempt from the operation of this rule, subject to certain limitations, including the absence of conflicts of interest and certain financial risks.

FDIC Regulatory Actions.

Assessments, Large Bank Pricing. On February 25, 2011, the FDIC issued a final rule to revise the assessment system applicable to FDIC-insured financial institutions. The rule, among other things, implements a provision in the Dodd-Frank Act to redefine the assessment base used for calculating deposit insurance assessments. Specifically, the rule changes the assessment base for most institutions from adjusted domestic deposits to average consolidated total assets minus average tangible equity. Once this rule takes effect on April 1, 2011, FHLBank advances will be included in their members' assessment base. The rule also eliminates an adjustment to the base assessment rate paid for secured liabilities, including FHLBank advances, in excess of 25% of an institution's domestic deposits because these are now part of the assessment base. This rule may negatively affect demand for FHLBank advances to the extent that these assessments increase the cost of advances for some members.

Orderly Liquidation Authority Provisions of Dodd-Frank Act. On January 25, 2011, the FDIC issued an interim final rule on how the FDIC would treat certain creditor claims under the new orderly liquidation authority established by the Dodd-Frank Act. The Dodd-Frank Act provides for the appointment of the FDIC as receiver for a financial company, not including FDIC-insured depository institutions, in instances where the failure of the company and its liquidation under other insolvency procedures (such as bankruptcy) would pose a significant risk to the financial stability of the United States. The interim final rule provides, among other things:

- a valuation standard for collateral on secured claims;
- that all unsecured creditors must expect to absorb losses in any liquidation and that secured creditors will only be protected to the extent of the fair value of their collateral;
- a clarification of the treatment for contingent claims; and
- that secured obligations collateralized with U.S. government obligations will be valued at fair market value.

Comments on this interim final rule were due by March 28, 2011.

Unlimited Deposit Insurance for Non-Interest-Bearing Transaction Accounts. On November 15, 2010, the FDIC issued a final rule providing for unlimited deposit insurance for non-interest-bearing transaction accounts from December 31, 2010 until January 1, 2013. Deposits are a source of liquidity for FHLBank members, and a rise in deposits, which may occur as a result of the FDIC's unlimited support of non-interest-bearing transaction accounts, tends to weaken member demand for FHLBank advances.

Housing GSE Reform

On February 11, 2011, the U.S. Treasury and HUD issued jointly a report to Congress on Reforming America's Housing Finance Market. The report's primary focus is on providing options for the long-term structure of housing finance involving Fannie Mae and Freddie Mac. In addition, the Obama Administration noted it would work, in consultation with the FHFA and Congress, to restrict the areas of mortgage finance in which Fannie Mae, Freddie Mac and the FHLBanks operate so that overall government support of the mortgage market will be substantially reduced over time.

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

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

If housing GSE reform legislation is enacted incorporating these requirements, the FHLBanks could be significantly limited in their ability to make advances to their members and subject to additional limitations on their investment authority.

The report also supports exploring additional means to provide funding to housing lenders, including potentially the development of a covered bond market. A developed covered bond market could compete with FHLBank advances.

Additionally, the report sets forth various reforms for Fannie Mae and Freddie Mac, each of which would ultimately wind down those entities. The FHLBanks have traditionally allocated a significant portion of their investment portfolio to investments in Fannie Mae and Freddie Mac debt securities. Accordingly, FHLBank investment strategies would likely be affected by winding down those entities. To the extent that Fannie Mae and Freddie Mac wind down or limit the amount of mortgages they purchase, FHLBank members may determine to increase their mortgage loans held in portfolio which could potentially increase demand for FHLBank advances. The potential effect of housing GSE reform on the government agency debt market is unknown at this time. In any case, the effect of housing GSE reform on the FHLBanks will depend on the content of legislation that is enacted to implement housing GSE reform.

Finance Agency

Final Rules.

Minimum Capital. On March 3, 2011, the Finance Agency issued a final rule authorizing the Finance Agency Director to temporarily increase the minimum capital level for an FHLBank if the Finance Agency Director determines that the current level is insufficient to address that FHLBank's risks. The rule provides the factors that the Finance Agency Director may consider in making this determination for an FHLBank, including its:

- current or anticipated declines in the value of assets held;
- current or projected declines in capital;
- levels of reserves or retained earnings;
- liquidity risk and ability to access funding;
- credit (including counterparty), market, operational and other risks;
- initiatives, operations, products or practices that entail heightened risk;
- ratio of market value of equity to the par value of capital stock;
- material non-compliance with regulations, written orders or agreements;
- housing finance market conditions; or
- other conditions as identified by the Finance Agency Director.

The final regulation provides that the Finance Agency Director shall consider the need to maintain, modify or rescind an increase no less than every 12 months. If an FHLBank is required to increase its minimum capital level, then that FHLBank may require additional stock purchases from its members and/or lower or suspend dividend payments to increase retained earnings to satisfy the increase. Alternatively, that FHLBank could try to satisfy the increased requirement by disposing of assets to lower the size of its balance sheet relative to its total outstanding stock. This asset disposal may adversely affect that FHLBank's results of operations and ability to satisfy its mission. This rule will become effective on April 4, 2011.

Office of Minority and Women Inclusion. On December 28, 2010, the Finance Agency issued a final rule requiring each of the FHLBanks and Office of Finance to promote diversity and the inclusion of women, minorities and individuals with disabilities in all activities. The rule requires each FHLBank to either establish an Office of Minority and Women Inclusion or designate an office to be responsible for carrying out this rule's requirements at every level of the organization including management, employment and contracting. Additionally, the rule requires each of the FHLBanks and Office of Finance to make certain periodic reports on its compliance to the Director. The FHLBanks and Office of Finance expect that complying with the rule will increase regulatory burdens and incremental costs but cannot establish any meaningful cost projections as they continue to develop strategies to comply with the rule. This rule became effective on January 27, 2011.

Use of Community Development Loans by Community Financial Institutions to Secure Advances and Secured Lending to FHLBank Members and Their Affiliates. On December 9, 2010, the Finance Agency issued a final rule that, among other things:

- provided the FHLBanks with regulatory authority to receive community development loans as collateral for advances from CFIs that are members, subject to other regulatory requirements; and

- codified the Finance Agency's position that secured lending to a member by an FHLBank in any form is an "advance" and is therefore, subject to all requirements applicable to an advance, including stock investment requirements.

However, the final rule (i) clarified that it was not intended to prohibit an FHLBank's derivatives activities with members or other obligations that may create a credit exposure to an FHLBank but that do not arise from that FHLBank's lending of cash funds, and (ii) does not include a prohibition on secured transactions with members' affiliates, as was initially proposed. This latter prohibition would have prohibited the

FHLBanks from entering into many of the repurchase transactions that they currently enter for liquidity and investment purposes. This rule became effective on January 10, 2011.

Board of Directors of the FHLBank System's Office of Finance. On May 3, 2010, the Finance Agency issued a final regulation restructuring the Office of Finance's board of directors. Among other things, the regulation:

- increased the size of the board such that it is now comprised of the twelve FHLBank presidents and five independent directors;
- created an audit committee;
- provided for the creation of other committees;
- set a method for electing independent directors along with setting qualifications for these directors; and
- provided that the method of funding the Office of Finance and allocating its expenses among the FHLBanks shall be as determined by policies adopted by the board of directors.

The audit committee may only be comprised of the five independent directors and has been charged with the oversight of the form and content of the information that the FHLBanks provide to the Office of Finance for use in the combined financial reports. Additionally, the audit committee has responsibility to ensure that the FHLBanks adopt consistent accounting policies and procedures to the extent necessary for information submitted by the FHLBanks to the Office of Finance to be combined to create accurate and meaningful combined financial reports. The rule generally became effective on June 2, 2010.

FHLBank Directors' Eligibility, Elections, Compensation and Expenses. On April 5, 2010, the Finance Agency issued a final rule on FHLBank director elections, compensation, and expenses. Regarding elections, the final regulation changes the process by which FHLBank directors are chosen after a directorship is re-designated prior to the end of the term as a result of the annual designation of FHLBank directorships. Specifically, the re-designation causes the original directorship to terminate at the end of the calendar year and creates a new directorship that will be filled by an election of the members. Regarding compensation, the final rule, among other things: allows FHLBanks to pay directors reasonable compensation and reimburse necessary expenses; requires each FHLBank to adopt a written compensation policy relating to such compensation and reimbursement of expenses; prescribes certain related reporting requirements; and prohibits payments to FHLBank directors who regularly fail to attend board or committee meetings. This rule became effective on May 5, 2010.

Reporting Fraudulent Financial Instruments and Loans. On January 27, 2010, the Finance Agency issued a final regulation, requiring each FHLBank to report to the Finance Agency its purchase or sale of fraudulent financial instruments or loans, or financial instruments or loans it suspects are possibly fraudulent. The regulation imposes requirements on the timeframe, format, document retention, and nondisclosure obligations for reporting fraud or possible fraud to the Finance Agency. Each FHLBank is also required to establish and maintain adequate internal controls, policies, procedures, and an operational training program to discover and report fraud or possible fraud. The adopting release provides that the regulation will apply to all of the FHLBanks' programs and products. Given this scope, this regulation potentially creates significant investigatory and reporting obligations for the FHLBanks. The adopting release for the regulation provides that the Finance Agency will issue certain guidance specifying the investigatory and reporting obligations under the regulation. However, this guidance has not yet been issued. The FHLBanks will be in a position to assess the significance of the reporting obligations after the Finance Agency has issued the guidance. This rule became effective on February 26, 2010.

Proposed Rules.

Private Transfer Fee Covenants. On February 8, 2011, the Finance Agency issued a proposed rule that would restrict the FHLBanks from acquiring, or taking security interests in, mortgages on properties encumbered by certain private transfer fee covenants and related securities. The proposed rule prohibits the FHLBanks from purchasing or investing in any mortgages on properties encumbered by private transfer fee covenants, securities backed by these mortgages or securities backed by the income stream from such covenants, unless the covenants are excepted transfer fee covenants. Excepted transfer fee covenants are covenants to pay a private transfer fee to a homeowner association, condominium, cooperative or certain other tax-exempt organizations that use the private transfer fees for the direct benefit of the property. The proposed rule also prohibits the FHLBanks from accepting these mortgages or securities as collateral unless the covenants are excepted transfer fee covenants. The foregoing restrictions would apply only to mortgages on properties encumbered by private transfer fee covenants created on or after February 8, 2011, and to the securities backed by such mortgages, and to securities issued after that date and backed by revenue from private transfer fees regardless of when the covenants were created. The FHLBanks would be required to comply with the regulation within 120 days of the publication of the final rule. Comments on the proposed rule are due by April 11, 2011.

Voluntary FHLBank Mergers. On November 26, 2010, the Finance Agency issued a proposed rule that would establish the conditions and procedures for the consideration and approval of voluntary mergers between FHLBanks. Based on the proposed rule, two or more FHLBanks may merge provided:

- the FHLBanks have agreed upon the terms of the proposed merger and the board of directors of each such FHLBank has authorized the execution of the merger agreement;
- the FHLBanks have jointly filed a merger application with the Finance Agency to obtain the approval of the Finance Agency Director;
- the Finance Agency Director has granted preliminary approval of the merger;
- the members of each such FHLBank ratify the merger agreement; and
- the Finance Agency Director has granted final approval of the merger agreement.

Comments on this proposed rule were due by January 25, 2011.

FHLBank Liabilities. On November 8, 2010, the Finance Agency issued a proposed rule that would, among other things:

- reorganize and re-adopt Finance Board regulations dealing with consolidated obligations, as well as related regulations addressing other authorized FHLBank liabilities and book entry procedures for consolidated obligations;
- implement recent statutory amendments that removed authority from the Finance Agency to issue consolidated obligations;
- specify that the FHLBanks issue consolidated obligations that are the joint and several obligations of the FHLBanks as provided for in the statute rather than as joint and several obligations of the FHLBanks as provided for in the current regulation; and
- provide that consolidated obligations are issued under Section 11(c) of the FHLBank Act rather than under Section 11(a) of the FHLBank Act.

The adoption of the proposed rule would not have any adverse effect on the FHLBanks' joint and several liability for the principal and interest payments on consolidated obligations. Comments on this proposed rule were due by January 7, 2011.

Rules of Practice and Procedure for Enforcement Proceedings. On August 12, 2010, the Finance Agency issued a proposed rule that would amend existing regulations implementing stronger Finance Agency enforcement powers and procedures if adopted as proposed. Comments on this proposed rule were due by October 12, 2010.

Conservatorship and Receivership. On July 9, 2010, the Finance Agency issued a proposed rule that would set forth the basic authorities of the Finance Agency when acting as conservator or receiver for any of the entities it regulates, including the FHLBanks. The basic authorities set forth in the proposed rule include the authority to enforce and repudiate contracts, establish procedures for conservators and receivers and priorities of claims for contract parties and other claimants, and address whether and to what extent claims by current and former holders of equity interests in the regulated entities will be paid. Comments on this proposed rule were due by September 7, 2010.

FHLBank Investments. On May 4, 2010, the Finance Agency issued a proposed regulation that, among other things, requested comment on whether additional limitations on an FHLBank's MBS investments, including its private-label MBS investments, should be adopted as part of a final regulation and whether, for private-label MBS investments, such limitations should be based on an FHLBank's level of retained earnings. Comments on this proposed rule were due by July 6, 2010.

Advance Notices of Proposed Rulemaking.

Use of Nationally Recognized Statistical Rating Organizations' Credit Ratings. On January 31, 2011, the Finance Agency issued an advance notice of proposed rule that would implement a provision in the Dodd-Frank Act that requires all federal agencies to remove regulations that require use of nationally recognized statistical rating organizations' credit ratings in the assessment of a security. The notice seeks comment regarding certain specific Finance Agency regulations applicable to FHLBanks, including risk-based capital requirements, prudential requirements, investments and consolidated obligations. Comments on this advance notice of rulemaking were due on March 17, 2011.

FHLBank Members. On December 27, 2010, the Finance Agency issued an advance notice of proposed rulemaking to address its regulations on FHLBank membership to ensure such regulations are consistent with maintaining a nexus between FHLBank membership and the housing and community development mission of the FHLBanks. The notice provides certain alternatives designed to strengthen that nexus including, among other things:

- requiring compliance with membership standards on a continuous basis rather than only at the time of admission to membership; and
- creating additional quantifiable standards for membership.

The FHLBanks' results of operations may be adversely affected if the Finance Agency ultimately issues a regulation that excludes prospective institutions from becoming FHLBank members or precludes existing members from continuing as FHLBank members due to the reduced business opportunities that would result. Comments on this advance notice of proposed rulemaking were due on March 28, 2011.

Additional Developments

Expiration of Authority to Issue Tax-Exempt Letters of Credit. The FHLBanks' authority to issue letters of credit to support non-housing-related tax-exempt state and local bond issuances on behalf of members generally expired on December 31, 2010 in accordance with the HERA Act although an FHLBank may renew a letter of credit issued between the date of enactment of that Act and December 31, 2010.

Basel Committee on Banking Supervision Capital Framework. In September 2010, the Basel Committee on Banking Supervision (the Basel Committee) approved a new capital framework for internationally active banks. Banks subject to the new framework will be required to have increased amounts of capital with core capital being more strictly defined to include only common equity and other capital assets that are able to fully absorb losses. While it is uncertain how the new capital requirements or other standards being developed by the Basel Committee, such as liquidity standards, will be implemented by the U.S. regulatory authorities, the new framework could require some of our members to divest assets in order to comply with the more stringent capital requirements, thereby tending to decrease their need for advances. Likewise, any new liquidity requirements may also adversely affect member demand for advances and/or investor demand for consolidated obligations.

SEC Final Rule on Money Market Reform. On March 4, 2010, the SEC issued a final rule, amending the rules governing money market funds under the Investment Company Act. These amendments have resulted in certain tightened liquidity requirements, such as: maintaining certain financial instruments for short-term liquidity; reducing the maximum weighted-average maturity of portfolio holdings and improving the quality of portfolio holdings. The final rule includes overnight FHLBank discount notes in the definition of "daily liquid assets" and "weekly liquid assets" and will encompass FHLBank discount notes with remaining maturities of up to 60 days in the definition of "weekly liquid assets." The final rule's requirements became effective on May 5, 2010 unless another compliance date is specified (e.g., daily and weekly liquidity requirements became effective on May 28, 2010).

Recent Rating Agency Actions

Table 37 - FHLBanks Long-Term and Short-Term Credit Ratings at March 30, 2011

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

RISK MANAGEMENT

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

Market Risk

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

Interest-Rate Risk

Interest-rate risk is the risk that relative and absolute changes in interest rates may adversely affect an institution's financial condition. The goal of an interest-rate risk management strategy is not necessarily to eliminate interest-rate risk, but to manage it by setting, and operating within, an appropriate framework and limits. The FHLBanks generally approach managing interest-rate risk by acquiring and maintaining a portfolio of assets and liabilities and entering into related interest-rate exchange agreements to limit the expected mismatches in duration. The FHLBanks manage interest-rate risk with commonly used methods of measuring and monitoring interest rate-risk, which include the calculation of market value of equity, duration of equity and duration gap.

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

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

Market Value of Equity and Duration of Equity

An FHLBank may analyze its interest-rate risk exposure by evaluating its theoretical market value of equity. Market value of equity represents the difference between (1) the theoretical market value of total assets and (2) the theoretical market value of total liabilities, including off-balance sheet items. It measures, in present value terms, the long-term economic value of current capital and the long-term level and volatility of net interest income. Generally, an FHLBank analyzes the sensitivity of the market value of equity to changes in interest rates, prepayment speeds, options prices, mortgage and debt spreads, interest rate volatility, and other market variables. As such, market values can be calculated under various interest rate scenarios, and the resulting changes in net equity can provide an indicator of the exposure of the FHLBank's market value of equity to market volatility. However, market value of equity should not be considered indicative of the market value of an FHLBank as a going concern or the value of an FHLBank in a liquidation scenario because it does not consider future new business activities, risk management strategies, or the net profitability of assets after funding costs are subtracted.

Another measure of interest-rate risk is duration of equity, which measures how sensitive a theoretical market value of equity is to changes in interest rates. Duration of equity equals the market value-weighted duration of assets minus the market value-weighted duration of liabilities, divided by the market value of equity. Each FHLBank has an internal modeling system for measuring its duration of equity, and therefore, individual FHLBank measurements may not be directly comparable. Each FHLBank reports the results of its duration of equity calculations to the Finance Agency each quarter; however, each FHLBank that has converted to its GLB Act capital structure is no longer subject by regulation to the duration of equity requirements (which includes all FHLBanks, except for the FHLBank of Chicago as of December 31, 2010). Not all FHLBanks manage to the duration of equity risk measure. The capital adequacy rules of the Regulator require each FHLBank (except for the FHLBank of Chicago) to hold permanent capital in an amount sufficient to cover the sum of its credit, market and operational risk-based capital requirements, which are defined by applicable regulations. Each of these FHLBanks has developed a market risk model that calculates the market risk component of this requirement. (See ***FHLBank of Chicago's Fair Value Changes*** for its regulatory measurement of market changes.)

Table 38 presents each FHLBank that includes quantitative market value of equity and duration of equity information in its individual 2010 SEC Form 10-K.

Table 38 - Individual FHLBank's Market Value of Equity and Duration of Equity

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

(1) The FHLBank of Pittsburgh's market value of equity volatility metrics are monitored. The FHLBank of Pittsburgh measures market value of equity to par value of capital stock (MV/CS), as described in its 2010 SEC Form 10-K. The FHLBank of Pittsburgh also monitors the earned dividend spread (EDS) volatility metric relative to a predetermined EDS Floor, established and approved by its board of directors.

(2) The FHLBank of Chicago disclosed the dollar limits on changes in fair value under parallel interest rate shocks instead of the duration and convexity limits in its 2010 SEC Form 10-K, as presented in Table 41 - FHLBank of Chicago's Fair Value Changes.

(3) Although the FHLBank of Des Moines measures and monitors market value of equity and duration of equity, those measures are not disclosed as key market risk measures. The FHLBank of Des Moines discloses, in its 2010 SEC

Form 10-K, market value of capital stock (MVCS) and economic value of capital stock (EVCS) as key risk measures. The FHLBank of Des Moines measures and limits movements in MVCS.

(4) The FHLBank of Topeka measures and monitors market value of equity (MVE); however, the FHLBank of Topeka measures market value risk in terms of its MVE in relation to its total regulatory capital stock outstanding instead of to its book value of equity. As described in its 2010 SEC Form 10-K, the FHLBank of Topeka believes this is a reasonable metric because as a cooperative, the metric reflects the market value of the FHLBank of Topeka relative to the book value of its capital stock.

(5) Although the FHLBank of San Francisco measures duration of equity, this measure is not disclosed as a key market risk measure.

Table 39 presents the duration of equity reported by each FHLBank to the Finance Agency in accordance with the Regulator's guidance. (See Table 38 for each FHLBank's market and interest-rate risk measurement disclosure in its individual 2010 SEC Form 10-K.)

Table 39 - Duration of Equity (in years)

	December 31, 2010			December 31, 2009		
FHLBank	Down[(1)]	Base	Up[(2)]	Down[(1)]	Base	Up[(2)]
Boston	2.6	1.6	4.8	4.6	4.7	6.9
New York	2.2	(1.1)	2.9	0.2	0.4	3.7
Pittsburgh	1.8	3.0	4.5	5.1	11.6	4.7
Atlanta	(1.0)	0.2	3.2	0.0	3.7	4.7
Cincinnati	(1.2)	1.7	6.5	(0.8)	0.6	4.1
Indianapolis	(1.0)	0.6	2.9	(4.1)	(1.2)	0.8
Des Moines	(12.7)	(0.0)	2.9	(17.1)	3.6	6.6
Dallas	3.6	3.6	5.8	1.7	3.7	7.9
Topeka	(1.0)	(1.7)	1.4	(1.3)	0.1	0.1
San Francisco	1.9	2.0	1.7	4.8	5.6	3.2
Seattle	1.2	1.3	5.6	3.7	0.3	1.5

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

(2) Up equals 200 basis points.

Duration Gap

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

Table 40 - Duration Gap [(1)] (in months)

FHLBank	December 31, 2010	December 31, 2009
Boston	1.1	2.6
New York	(0.9)	0.1
Pittsburgh	1.7	6.1
Atlanta	(0.2)	1.8
Cincinnati	0.1	(0.0)
Indianapolis	(0.6)	(1.8)
Chicago	0.0	1.0
Des Moines	(0.6)	1.2
Dallas	2.0	1.8
Topeka	(1.0)	0.0
San Francisco	1.4	3.7
Seattle	0.0	0.0

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

FHLBank of Chicago's Fair Value Changes

The FHLBank of Chicago's Asset/Liability Management Committee provides oversight of risk management practices and policies. This includes routine reporting to the FHLBank of Chicago's senior management and its board of directors, as well as maintaining the market risk policy, which defines its interest-rate risk limits. In December 2010, the FHLBank of Chicago received a notice of non-objection from the Deputy Director regarding its revised risk management and hedging policies, procedures, and practices. Prior to that, in February 2009, the FHLBank of Chicago received a non-objection letter from the Finance Agency related to its proposal to apply temporarily direct dollar limits on market value changes under parallel interest rate shocks. Table 41 presents the change in market risk limits under the market risk policy as of December 31, 2010 and the interest-rate risk policy as of December 31, 2009. Some scenarios will not be measured when swap rates are less than 2 percent.

Table 41 - FHLBank of Chicago's Fair Value Changes (dollars in millions)

	2010		2009	
Scenario as of December 31,	Change in Fair Value	Limit	Change in Fair Value	Limit
-200 bp	[a]	$(185.0)	[a]	$(185.0)
-100 bp	[a]	(77.5)	[a]	(77.5)
-50 bp	[a]	(30.0)	[a]	(30.0)
-25 bp	0.7	(15.0)	[a]	(12.5)
+25 bp	2.0	(30.0)	(9.8)	(25.0)
+50 bp	2.0	(60.0)	(23.6)	(60.0)
+100 bp	(22.7)	(155.0)	(85.7)	(155.0)
+200 bp	(173.2)	(370.0)	(280.8)	(370.0)

(a) Due to the low interest rate environment, these values cannot be calculated.

Use of Derivatives to Manage Interest-Rate Risk

An FHLBank enters into derivatives to manage interest-rate risk, prepayment risk and exposure inherent in otherwise unhedged assets and funding positions. An FHLBank attempts to use derivatives to reduce interest-rate exposure in the most cost-efficient manner. Derivatives are used to adjust the effective maturity, repricing frequency, or option characteristics of financial instruments to achieve risk-management objectives. (See ***Note 12—Derivatives and Hedging Activities*** to the accompanying combined financial statements for a discussion of qualitative disclosure about market risk, including "Application of Derivatives," "Types of Derivatives," "Types of Hedged Items," and "Managing Credit Risk on Derivatives".)

The notional amount of derivatives serves as a factor in determining periodic interest payments or cash flows received and paid. The notional amount of derivatives represents neither the actual amounts exchanged nor the overall exposure of the FHLBanks to credit and market risk. The overall amount that could potentially be subject to credit loss is much smaller. Interest-rate risk is evaluated on a portfolio basis, taking into account the derivatives, the items being hedged and any offsets between the two.

Table 42 - Hedging Strategies (dollars in millions)

Hedged Item / Hedging Instrument	Hedging Objective	Hedge Accounting Designation[1]	December 31, 2010 Notional Amount	December 31, 2009 Notional Amount
Advances:				
Pay-fixed, receive-float interest-rate swap (without options)	Converts the advance's fixed-rate to a variable-rate index.	Fair Value	$111,517	$139,566
		Economic	7,338	18,712
Pay-fixed, receive-float interest-rate swap (with options)	Converts the advance's fixed-rate to a variable-rate index and offsets option risk in the advance.	Fair Value	120,525	162,654
		Economic	4,256	5,036
Receive-fixed, pay-float interest-rate swap	Converts the advance's variable-rate to a fixed-rate.	Economic	150	150
Pay-float with embedded features, receive-float interest-rate swap (non-callable)	Reduces interest-rate sensitivity and repricing gaps by converting the advance's variable-rate to a different variable-rate index and/or offsets embedded option risk in the advance.	Fair Value	434	521
Pay-float with embedded features, receive-float interest-rate swap (callable)	Reduces interest-rate sensitivity and repricing gaps by converting the advance's variable-rate to a different variable-rate index and/or offsets embedded option risk in the advance.	Fair Value	1,633	1,843
Pay-float, receive-float basis swap	Reduces interest-rate sensitivity and repricing gaps by converting the advance's variable-rate to a different variable-rate index.	Economic	623	2,981
Interest-rate cap, floor, corridor, or collar	Offsets the interest cap, floor, corridor or collar embedded in a variable-rate advance.	Fair Value	292	195
		Economic	1,204	2,041
Interest-rate cap, floor, or swap	Hedges a specified future variable cash flow of a variable-rate LIBOR-based advance.	Cash Flow	–	2,175
Interest-rate swaption	Provides the option to enter into an interest-rate swap to offset interest-rate risk associated with an optional advance commitment.	Economic	150	–
		Total	248,122	335,874
Investments:				
Pay-fixed, receive-float interest-rate swap	Converts the investment's fixed-rate to a variable-rate index.	Fair Value	10,218	4,622
		Economic	6,140	7,031
Pay-float, receive-float interest-rate swap	Converts the investment's variable-rate to a different variable-rate index.	Economic	2,183	50
Interest-rate cap	Offsets the interest-rate cap embedded in a variable-rate investment.	Economic	12,604	11,474
Pay-fixed, receive-float interest-rate swap (with options)	Converts the investment's fixed-rate to a variable-rate index and offsets option risk in the investment.	Fair Value	34	34
Interest-rate floor	To limit duration of equity risk caused by a decline in interest-rates.	Economic	300	300
		Total	31,479	23,511

Hedged Item / Hedging Instrument	Hedging Objective	Hedge Accounting Designation[1]	December 31, 2010 Notional Amount	December 31, 2009 Notional Amount
Mortgage Loans:				
Pay-fixed, receive-float interest-rate swap	Converts the mortgage loan's fixed-rate to a variable-rate index.	Fair Value Economic	1,137 10,406	3,759 8,039
Receive-fixed, pay-float interest-rate swap	Converts the variable-rate to a fixed-rate in a pooled mortgage portfolio hedge.	Fair Value Economic	604 10,737	– 6,006
Interest-rate swaption	Provides the option to enter into an interest-rate swap to offset interest-rate or prepayment risk in a pooled mortgage portfolio hedge.	Fair Value Economic	870 9,420	2,855 10,803
Interest-rate cap or floor	Protects against changes in income of mortgage assets due to changes in interest-rates.	Economic	2,408	225
Mortgage options	Hedges exposure against widening mortgage spreads.	Economic	–	5
Forward settlement agreement	Protects against changes in market value of fixed-rate mortgage delivery commitments resulting from changes in interest-rates.	Economic	262	69
Futures options	To hedge negative convexity associated with mortgage portfolio.	Economic	–	400
		Total	35,844	32,161
Deposits:				
Receive-fixed, pay-float interest-rate swap	Converts the deposit's fixed-rate to a variable-rate index.	Fair Value	20	20
		Total	20	20
Consolidated Obligation Bonds:				
Receive-fixed or structured, pay-float interest-rate swap (without options)	Converts the bond's fixed- or structured-rate to a variable-rate index.	Fair Value Economic	204,860 21,859	271,536 24,614
Receive-fixed or structured, pay-float interest-rate swap (with options)	Converts the bond's fixed- or structured-rate to a variable-rate index and offsets option risk in the bond.	Fair Value Economic	82,728 21,368	96,570 20,020
Receive-float with embedded features, pay-float interest-rate swap (callable)	Reduces interest-rate sensitivity and repricing gaps by converting the bond's variable-rate to a different variable-rate index and/or offsets embedded option risk in the bond.	Fair Value	3,541	5,145
Receive-float, pay-float basis swap	Reduces interest-rate sensitivity and repricing gaps by converting the bond's variable-rate to a different variable-rate index.	Economic	44,386	63,507
Basis swap	Fixed-rate or floating rate non-callable bond previously converted to a floating rate index, converted to another floating rate to reduce interest-rate sensitivity and repricing gaps.	Economic	27,505	29,506
Pay-fixed, receive-float interest-rate swap	Fixed-rate or floating rate non-callable bond, which may have been previously converted to LIBOR, converted to fixed-rate debt that offsets the interest-rate risk of mortgage assets.	Economic	3,315	2,980
		Total	409,562	513,878

Hedged Item / Hedging Instrument	Hedging Objective	Hedge Accounting Designation[1]	December 31, 2010 Notional Amount	2009 Notional Amount
Consolidated Obligation Discount Notes:				
Receive-fixed, pay-float interest-rate swap	Converts the discount note's fixed-rate to a variable-rate index.	Fair Value	2,746	11,183
		Economic	22,745	22,735
Pay-fixed, receive-float interest-rate swap (with options)	Discount note converted to fixed-rate callable debt that offsets the prepayment risk of mortgage assets.	Economic	1,627	1,795
Pay-fixed, receive-float interest-rate swap (without options)	Discount note converted to fixed-rate non-callable debt that offsets the interest-rate risk of mortgage assets.	Economic	65	–
Interest-rate cap, floor, or swap	Mitigates the variability of cash flows associated with the benchmark interest-rate (i.e. LIBOR).	Cash Flow	8,262	8,772
		Total	35,445	44,485
Balance Sheet:				
Pay-fixed, receive-float interest-rate swap	Converts the asset or liability fixed-rate to a variable-rate index.	Economic	225	1,347
Pay-float, receive-float basis swap	To reduce interest-rate sensitivity and repricing gaps by converting the asset or liability's variable-rate to the same variable-rate index as the funding source or asset being funded.	Economic	6,700	10,750
Interest-rate cap or floor	Protects against changes in income of certain assets due to changes in interest rates.	Economic	15,042	8,832
		Total	21,967	20,929
Intermediary Positions and Other:				
Pay-fixed, receive-fixed interest-rate swap	To offset interest-rate swaps executed with members by executing interest-rate swaps with derivatives counterparties.	Economic	276	163
Pay-fixed, receive-float interest-rate swap, and receive-fixed, pay-float interest-rate swap	To provide interest-rate swaps to members and to offset interest-rate swaps executed with members by executing interest-rate swaps with derivatives counterparties.	Economic	665	1,084
Interest-rate cap or floor	To offset interest-rate caps or floors executed with members by executing interest-rate caps or floors with derivatives counterparties.	Economic	3,034	2,674
		Total	3,975	3,921
Stand-Alone Derivatives:				
Mortgage delivery commitment	Exposed to fair value risk associated with fixed-rate mortgage purchase commitments.	N/A	750	329
		Total	750	329
Total Notional Amount			$787,164	$975,108

(1) The categories "Fair Value" and "Cash Flow" represent hedge strategies for which qualifying hedge accounting is achieved. The category "Economic" represents hedge strategies for which qualifying hedge accounting is not achieved.

At December 31, 2010, certain FHLBanks had full fair-value hedges with a notional amount of $1.1 billion and an estimated fair value loss of $30 million for advances and had full fair-value hedges with a notional amount $11.7 billion and an estimated fair value gain of $682 million for consolidated bonds. The remaining fair-value hedges at December 31, 2010 represent benchmark interest-rate hedges.

Table 43 presents the net effect of derivatives and hedging activities on the Combined Statement of Income resulting from applying different hedging strategies.

Table 43 - Net Effect of Derivatives and Hedging Activities (dollars in millions)

Net Effect of Derivatives and Hedging Activities	Year Ended December 31, 2010								
	Advances	Investments	Mortgage Loans	Deposits	CO Bonds	CO DNs	Balance Sheet	Other	Total
Net interest income:									
Amortization/accretion of hedging activities in net interest income(1)	$ (480)	$ 11	$(42)	$ –	$ 179	$ (17)	$ –	$ –	$ (349)
Net interest settlements included in net interest income(2)	(9,097)	(266)	(47)	2	6,043	(308)	–	–	(3,673)
Total net interest income	(9,577)	(255)	(89)	2	6,222	(325)	–	–	(4,022)
Net gains (losses) on derivatives and hedging activities:									
Gains (losses) on fair value hedges	270	13	(3)	–	(3)	(3)	–	–	274
Gains on cash flow hedges	–	–	–	–	–	5	–	–	5
(Losses) gains on derivatives not receiving hedge accounting	(319)	(495)	–	–	330	(60)	(38)	1	(581)
Total net (losses) gains on derivatives and hedging activities	(49)	(482)	(3)	–	327	(58)	(38)	1	(302)
Subtotal	(9,626)	(737)	(92)	2	6,549	(383)	(38)	1	(4,324)
Net gains on trading securities(3)	–	83	–	–	–	–	–	–	83
Net (losses) gains on financial instruments held at fair value(3)	(163)	–	–	–	63	(2)	–	(4)	(106)
Total net effect of derivatives and hedging activities	$(9,789)	$(654)	$(92)	$ 2	$6,612	$(385)	$(38)	$ (3)	$(4,347)

Net Effect of Derivatives and Hedging Activities	Year Ended December 31, 2009								
	Advances	Investments	Mortgage Loans	Deposits	CO Bonds	CO DNs	Balance Sheet	Other	Total
Net interest income:									
Amortization/accretion of hedging activities in net interest income(1)	$ (845)	$ 9	$ 8	$ –	$ 177	$ (11)	$ –	$ –	$ (662)
Net interest settlements included in net interest income(2)	(10,334)	(151)	(79)	1	6,675	(89)	–	–	(3,977)
Total net interest income	(11,179)	(142)	(71)	1	6,852	(100)	–	–	(4,639)
Net gains (losses) on derivatives and hedging activities:									
Gains (losses) on fair value hedges	444	86	(20)	–	270	(6)	–	–	774
Gains on cash flow hedges	–	–	–	–	–	7	–	–	7
(Losses) gains on derivatives not receiving hedge accounting	(141)	166	(170)	–	200	204	167	–	426
Total net gains (losses) on derivatives and hedging activities	303	252	(190)	–	470	205	167	–	1,207
Subtotal	(10,876)	110	(261)	1	7,322	105	167	–	(3,432)
Net losses on trading securities(3)	–	(212)	–	–	–	–	–	–	(212)
Net (losses) gains on financial instruments held at fair value(3)	(573)	–	–	–	116	–	–	–	(457)
Total net effect of derivatives and hedging activities	$(11,449)	$(102)	$(261)	$ 1	$7,438	$ 105	$167	$ –	$(4,101)

Net Effect of Derivatives and Hedging Activities	Year Ended December 31, 2008 Advances	Investments	Mortgage Loans	Deposits	CO Bonds	CO DNs	Balance Sheet	Other	Total
Net interest income:									
Amortization/accretion of hedging activities in net interest income[1]	$ (253)	$ 6	$ (8)	$ –	$ 22	$ (25)	$ –	$ –	$ (258)
Net interest settlements included in net interest income[2]	(3,830)	(64)	(39)	1	4,148	(40)	–	–	176
Total net interest income	(4,083)	(58)	(47)	1	4,170	(65)	–	–	(82)
Net gains (losses) on derivatives and hedging activities:									
Gains (losses) on fair value hedges	62	7	(14)	–	(194)	6	–	–	(133)
Losses on cash flow hedges	–	–	–	–	(14)	(1)	–	–	(15)
(Losses) gains on derivatives not receiving hedge accounting	(1,189)	(691)	112	–	(103)	100	34	326	(1,411)
Total net (losses) gains on derivatives and hedging activities	(1,127)	(684)	98	–	(311)	105	34	326	(1,559)
Subtotal	(5,210)	(742)	51	1	3,859	40	34	326	(1,641)
Net gains on trading securities[3]	–	294	–	–	–	–	–	–	294
Net gains (losses) on financial instruments held at fair value[3]	915	–	–	–	(32)	–	–	–	883
Total net effect of derivatives and hedging activities	$(4,295)	$(448)	$ 51	$ 1	$3,827	$ 40	$34	$326	$ (464)

(1) Represents the amortization/accretion of hedging fair value adjustments for both open and closed hedge positions, which include hedges previously terminated and those currently failing effectiveness testing.

(2) Represents interest income/expense on derivatives included in net interest income.

(3) Includes only those gains or losses on trading securities or financial instruments held at fair value that have an economic derivative "assigned;" therefore, this line item may not agree to the Combined Statement of Income.

Liquidity Risk

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

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

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

To address liquidity risk, the FHLBank Act and Finance Agency regulations set liquidity requirements for the FHLBanks. An individual FHLBank's board of directors may also set additional liquidity policies.

Under the FHLBank Act, to cover its operational liquidity risk, each FHLBank must have an amount equal to its current deposits invested in:

- obligations of the U.S. government;
- deposits in eligible banks or trust companies; or
- advances with a maturity that does not exceed five years.

In addition, to address contingency liquidity risk, Finance Agency regulations require each FHLBank to have sources of funding on hand to ensure its normal operational requirements for a period of up to five business days, in the event it is unable to access the consolidated obligation debt markets. Each of the FHLBanks was in compliance with its respective regulatory liquidity requirements at December 31, 2010.

The FHLBanks' primary sources of liquidity may include maturities of overnight and short-term money-market investments and advances and the issuance of consolidated discount notes and consolidated bonds. The FHLBank consolidated obligations outstanding declined further from year-end 2009 to year-end 2010, mirroring the decline in advance demand. Consolidated bonds outstanding decreased by $130 billion and consolidated discount notes outstanding decreased by $4 billion during this time period. Although the consolidated obligations outstanding declined for the year ended 2010, the FHLBanks maintained access to funding throughout 2010, while structuring their debt issuance to meet the needs of the capital markets as well as their members' need for funding. The FHLBanks relied heavily on swapped callable bonds and negotiated bullet bonds for a significant portion of consolidated bond funding. (See ***Financial Discussion and Analysis—Liquidity*** for more discussion and analysis regarding the FHLBanks' liquidity.)

Credit Risk

General

Credit risk is the risk of loss due to default or non-performance of an obligor or counterparty. The FHLBanks are subject to credit risk on advances, investments (including mortgage-backed securities), mortgage loans held for portfolio and interest-rate exchange agreements. Each FHLBank follows guidelines established by the Regulator and its board of directors regarding unsecured extensions of credit, whether on- or off-balance sheet. Applicable regulation limits the amounts and terms of unsecured credit exposure to any counterparty other than the U.S. government. Unsecured credit exposure to any counterparty is limited by the credit quality and capital level of that counterparty and by the capital level of the FHLBank.

Managing Credit Risk

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

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

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

- one-to-four family and multifamily mortgage loans (delinquent for no more than 90 days) and securities representing such mortgages;

- securities issued, insured or guaranteed by the U.S. government or any U.S. government agency (for example, MBS issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae);
- cash or deposits in the FHLBank;
- certain other collateral that is real estate-related, provided that the collateral has a readily ascertainable value and that the FHLBank can perfect a security interest in it; and
- certain qualifying securities representing undivided equity interests in eligible advance collateral.

The FHLBanks generally establish an overall FHLBank credit limit for each borrower, which caps the amount of FHLBank credit availability to such borrower. This limit is designed to mitigate the FHLBanks' credit exposure to an individual borrower, while encouraging borrowers to diversify their funding sources. A borrower's total credit limit with an FHLBank includes the principal amount of outstanding advances, the face amount of outstanding letters of credit, the total exposure of the FHLBank to the borrower under any derivative contract and credit enhancement obligation of the borrower on mortgage loans sold to the FHLBank. Each FHLBank determines the credit limit of a borrower by evaluating a wide variety of factors, including, but not limited to, the borrower's overall creditworthiness and collateral management practices. Most of the FHLBanks impose borrowing limits on borrowers within a maximum range of between 30 to 55 percent of a borrower's total assets.

Based upon the financial condition of the borrower, most of the FHLBanks classify each borrower by the method of pledging collateral into one of three collateral categories: (1) blanket lien status; (2) listing (specific identification) pledge status; or (3) delivery (possession) status. The assignment of a borrower to a collateral status category reflects an FHLBank's increasing level of control over the collateral pledged by the borrower as a borrower's financial condition deteriorates.

The least restrictive collateral status, and the most widely used by the FHLBanks' borrowers, is the blanket lien status. This status is generally assigned to lower risk institutions pledging collateral. Under the blanket lien status, an individual FHLBank allows a borrower to retain possession of eligible collateral pledged to the FHLBank, provided the borrower executes a written security agreement and agrees to hold the collateral for the benefit of the FHLBank. Origination of new advances or renewal of advances must only be supported by certain eligible collateral categories. The blanket pledge is typically accepted by the FHLBanks only for loan collateral; most securities collateral must be delivered to the FHLBank or an FHLBank-approved third-party custodian and pledged for the benefit of the applicable FHLBank.

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

For borrowers in 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. Delivery of collateral may also be required if there is a regulatory action taken against the borrower by its regulator that would indicate inadequate controls or other conditions that would be of concern to the FHLBank.

At December 31, 2010, the FHLBanks had rights to collateral with an estimated value greater than the related outstanding advances. All borrower obligations to the FHLBanks are secured with eligible collateral, the value of which is discounted to protect the FHLBanks from default in adverse circumstances. Collateral discounts, or haircuts, used in determining lending values of the collateral are calculated to project that the lending value of collateral securing each borrower's obligations exceeds the amount the borrower may borrow from the FHLBanks. The collateral lending values for the blanket, listing and delivery methods of pledging collateral range across the 12 FHLBanks as shown in Table 44. Collateral lending values are determined by subtracting the collateral haircut from 100 percent. Certain collateral haircuts may also reflect haircuts applied to advances outstanding based upon borrowers' actual financial performance. Effective lending value percentages represent collateral lending value divided by unpaid principal balance of eligible loan collateral or market value of eligible securities collateral. Average effective lending values are the percentages of the averages of total collateral lending values to eligible collateral for all borrowers. These percentages are calculated without regard to the amount of the outstanding extensions of credit to any particular borrower.

Table 44 - Lending Values by Type of Collateral for All Borrowers

	December 31, 2010	
Type of Collateral Type	Effective Lending Values Applied to Collateral	Average Effective Lending Value
Blanket Lien		
Single-family mortgage loans	17%-98%	71%
FHA and VA loans	71%-93%	90%
Multifamily mortgage loans	6%-80%	59%
Other U.S. government-guaranteed mortgage loans	71%-93%	85%
Home equity loans and lines of credit	5%-86%	44%
Community financial institution (CFI) collateral	4%-68%	45%
Commercial loans	11%-70%	53%
Other loan collateral	4%-72%	45%
Listing		
Single-family mortgage loans	1%-95%	66%
FHA and VA loans	41%-95%	45%
Multifamily mortgage loans	28%-74%	65%
Other U.S. government-guaranteed mortgage loans	74%-89%	89%
Home equity loans and lines of credit	17%-56%	27%
CFI collateral	28%-85%	51%
Commercial loans	25%-70%	57%
Other loan collateral	19%-50%	37%
Delivered Collateral		
Cash, U.S. government and U.S. Treasury securities	90%-100%	96%
State and local government securities	68%-98%	90%
U.S. agency securities	76%-99%	96%
U.S. agency MBS and CMOs(1)	55%-98%	94%
Private-label MBS and CMOs(1)	25%-98%	84%
CFI securities	95%	95%
Commercial MBS	56%-90%	81%
Equity securities	53%-90%	76%
Other securities	74%-90%	77%
Single-family mortgage loans	1%-93%	62%
FHA and VA loans	53%-93%	78%
Multi-family mortgage loans	8%-85%	60%
Other U.S. government-guaranteed mortgage loans	27%-93%	75%
Home equity loans and lines of credit	5%-77%	47%
CFI collateral	4%-68%	36%
Commercial loans	9%-70%	53%
Other loan collateral	4%-68%	33%

(1) CMOs - Collateralized mortgage obligations

As of December 31, 2010, 62 individual FHLBank members and 6 non-member financial institutions held advance balances of at least $1 billion. When a non-member financial institution acquires some or all of the assets and liabilities of an FHLBank member, including outstanding advances and FHLBank capital stock, an FHLBank may allow those advances to remain outstanding to that non-member financial institution. The non-member borrower would be required to meet all of that FHLBank's credit and collateral requirements, including requirements regarding creditworthiness and collateral borrowing capacity.

In the aggregate, the advances to the 68 individual FHLBank borrowers (members and non-members) with at least $1 billion of advances outstanding represented approximately $291.8 billion, or 62.9 percent, of total advances outstanding at December 31, 2010, while other credit products to these borrowers represented approximately $26.5 billion, or 41.4 percent, of total other credit obligations to the FHLBanks. A borrower's total credit obligation to an FHLBank includes outstanding advances, outstanding letters of credit, collateralized derivative contracts and credit enhancement obligation on mortgage loans sold to the FHLBank (if any). The weighted-average collateralization ratio was 2.2 at December 31, 2010 (i.e., the total of these 68 individual FHLBank borrowers' eligible collateral divided by these borrowers' advances and other credit products outstanding at December 31, 2010, although the borrowers' credit obligations to the FHLBanks are not cross-collateralized between borrowers). Collateral pledged by FHLBank borrowers with at least $1 billion of outstanding advances represented approximately 45.2 percent of total collateral pledged by all FHLBank borrowers with advances outstanding at December 31, 2010. Eligible collateral values include market values for securities and the unpaid principal balance for all other collateral pledged by delivery, listing or blanket lien method. At December 31, 2010, approximately 51.8 percent of these 68 individual FHLBank members' eligible collateral was pledged by the listing method, with approximately 30.3 percent pledged in the form of a blanket lien and the remaining 17.9 percent pledged by the delivery method. On a combined basis, the eligible collateral securing these 68 individual FHLBank members' advances was comprised of the following collateral categories.

Table 45 - Type of Collateral Securing Advances to Borrowers with at least $1 Billion of Advances Outstanding

	December 31, 2010			
Collateral Type	Blanket	Listing	Delivery	Total
Single-family mortgage loans	13.7%	33.9%	3.0%	50.6%
Home equity loans and lines of credit	6.4%	11.3%	0.2%	17.9%
Commercial real estate loans	7.5%	2.7%	1.3%	11.5%
U.S. agency MBS and CMOs	N/A	N/A	6.1%	6.1%
Multifamily mortgage loans	2.3%	3.3%	0.4%	6.0%
Private-label MBS and CMOs	N/A	N/A	2.8%	2.8%
CMBS	N/A	N/A	2.0%	2.0%
U.S. agency securities (excluding MBS)	N/A	N/A	1.6%	1.6%
FHA and VA loans	0.3%	0.7%	0.1%	1.1%
U.S. government and U.S. Treasury securities	N/A	N/A	0.4%	0.4%

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

The FHLBank Act permitted borrowers that qualify as a CFI also to pledge certain CFI-specific collateral to the extent that its FHLBank accepts such loans as collateral for advances. CFI is defined in the FHLBank Act as an FDIC-insured depository institution that had average assets for the past three calendar years totaling no more than $625 million (during 2008), up until the passage of the Housing Act. The Housing Act defined CFIs for 2008 as depository institutions insured by the FDIC with average total assets over the preceding three-year period of less than $1.0 billion (the average total asset cap), with the average total asset cap adjusted annually for inflation. As of January 1, 2011, the Finance Agency adjusted the average total asset cap from $1.029 billion as of January 1, 2010 to $1.040 billion.

The FHLBanks that accept CFI-specific collateral mitigate the potential increased credit risk through higher haircuts (lower lending values) on such collateral. CFI-specific collateral consists of small business, small farm, and small agri-business loans. Furthermore, on December 9, 2010, the Finance Agency issued a final rule that provided the FHLBanks with regulatory authority to receive community development loans as collateral for advances from CFI members. Advances to CFIs secured with expanded eligible collateral represented approximately $3.2 billion of the $464.0 billion of total advances outstanding at par value at December 31, 2010. Advances to housing associates represented $1.1 billion of the total advances outstanding at par value at December 31, 2010.

No FHLBank incurred any credit loss on any of the related advances. During 2010, 143 of the 157 FDIC-insured institutions that failed were members of the FHLBanks. The total amount of advances outstanding to these members at the time of their failure was approximately $26.9 billion, all of which were either assumed by another member or a non-member institution or repaid by the acquiring institution or the FDIC. From January 1, 2011 to March 15, 2011, 23 of the 25 FDIC-insured institutions that failed were members of the FHLBanks. The total amount of advances outstanding to these 23 members at the time of their failure was approximately $1.0 billion, all of which were either assumed by another member or a non-member institution or repaid by the acquiring institution or the FDIC. All extensions of credit by the FHLBanks to members are secured by eligible collateral. However, if a member were to default, and the value of the collateral pledged by the member declined to a point such that an FHLBank was unable to realize sufficient value from the pledged collateral to cover the member's obligations and an FHLBank was unable to obtain additional collateral to make up for the reduction in value of such collateral, that FHLBank could incur losses. A default by a member or non-member with significant obligations to an FHLBank could result in significant financial losses, which would adversely affect the FHLBank's results of operations and financial condition. In light of the deterioration in the housing and mortgage markets, the FHLBanks continue to evaluate and make changes to their collateral guidelines when reviewing their borrowers' financial condition to further mitigate the credit risk of advances. The management of each FHLBank believes it has adequate policies and procedures in place to manage its credit risk on advances effectively.

Investments. The FHLBanks are subject to credit risk on investments consisting of investment securities, interest-bearing deposits, securities purchased under agreements to resell and Federal funds sold. At December 31, 2010, the carrying value of the FHLBanks' investments was $330.5 billion, as compared to $284.4 billion at December 31, 2009.

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

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

The FHLBanks further mitigate credit risk on investment securities by investing in highly-rated investment securities. At December 31, 2010 and 2009, 85.3 percent and 82.4 percent of total investments securities held by the FHLBanks were rated in the two highest investment rating categories for long-term and short-term investments.

Table 46 - Investment Ratings (dollars in millions)

	December 31. 2010[1][2]											
	Carrying Value											
	Investment Grade[3]				Below Investment Grade[3]							
	Triple-A	Double-A	Single-A	Triple-B	Double-B	Single-B	Triple-C	Double-C	Single-C	Single-D	Unrated	Total
	A-1 or higher Rating/P-1	A-2/P-2	A-3/P-3		B-1	B-2	B-3	C		D		
Interest-bearing deposits	$ 9	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 9
Securities purchased under agreements to resell	6,025	225	1,500	4,750	–	–	–	–	–	–	3,900	16,400
Federal funds sold	10,833	36,354	28,313	326	–	–	–	–	–	–	29	75,855
Investment Securities:												
U.S. Treasury obligations	3,068	–	–	–	–	–	–	–	–	–	–	3,068
Commercial paper	4,849	–	–	–	–	–	–	–	–	–	–	4,849
Certificates of deposit[4]	5,640	12,597	7,804	–	–	–	–	–	–	–	–	26,041
Other U.S. obligations[5]	2,439	–	–	–	–	–	–	–	–	–	13	2,452
Government-sponsored enterprises and TVA[6]	26,678	25	–	–	–	–	–	–	–	–	–	26,703
State or local housing agency Obligations	297	1,444	547	190	–	–	–	–	–	–	2	2,480
TLGP[7]	16,081	–	–	–	–	–	–	–	–	–	–	16,081
FFELP ABS[8]	8,799	–	–	–	–	–	–	–	–	–	–	8,799
Other	711	114	–	–	–	–	–	–	–	–	27	852
Total non mortgage-backed securities	68,562	14,180	8,351	190	–	–	–	–	–	–	42	91,325
Mortgage-backed securities:												
Other U.S. obligations residential MBS[5]	11,775	–	–	–	–	–	–	–	–	–	–	11,775
Other U.S. obligations commercial MBS[5]	53	–	–	–	–	–	–	–	–	–	–	53
Government-sponsored enterprises residential MBS[9]	95,138	–	–	–	–	–	–	–	–	–	–	95,138
Government-sponsored enterprises commercial MBS[9]	2,313	–	–	–	–	–	–	–	–	–	–	2,313
Private-label residential MBS	7,823	2,506	2,829	1,566	1,579	4,076	9,993	3,871	2,020	327	4	36,594
Private-label commercial MBS	160	–	–	–	–	–	–	–	–	–	–	160
Manufactured housing loans	–	196	–	–	–	–	–	–	–	–	–	196
Home equity loans	124	104	74	17	14	38	34	7	–	11	–	423
MPF Shared Funding Program mortgage-backed certificates	218	11	–	–	–	–	–	–	–	–	–	229
Total mortgage-backed securities	117,604	2,817	2,903	1,583	1,593	4,114	10,027	3,878	2,020	338	4	146,881
Total investments	$203,033	$53,576	$41,067	$6,849	$1,593	$4,114	$10,027	$3,878	$2,020	$338	$3,975	$330,470

	December 31, 2009[2][10]											
	Carrying Value											
	Investment Grade[3]				Below Investment Grade[3]							
	Triple-A	Double-A	Single-A	Triple-B	Double-B	Single-B	Triple-C	Double-C	Single-C	Single-D	Unrated	Total
	A-1 or higher Rating/P-1	A-2/P-2	A-3/P-3		B-1	B-2	B-3	C		D		
Interest-bearing deposits	$ 11	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 11
Securities purchased under agreements to resell	850	425	4,750	–	–	–	–	–	–	–	1,150	7,175
Federal funds sold	6,614	27,977	19,642	337	–	–	–	–	–	–	27	54,597
Investment Securities:												
U.S. Treasury obligations	1,029	–	–	–	–	–	–	–	–	–	–	1,029
Commercial paper	2,590	1,000	100	–	–	–	–	–	–	–	–	3,690
Certificates of deposit and bank notes[4]	3,300	13,662	8,771	–	–	–	–	–	–	–	–	25,733
Other U.S. obligations[5]	1,222	–	–	–	–	–	–	–	–	–	14	1,236
Government-sponsored enterprises and TVA[6]	15,398	26	–	–	–	–	–	–	–	–	–	15,424
State or local housing agency obligations	368	2,171	24	234	–	–	–	–	–	–	2	2,799
TLGP[7]	10,151	–	–	–	–	–	–	–	–	–	–	10,151
FFELP ABS[8]	9,323	–	–	–	–	–	–	–	–	–	–	9,323
Other	703	420	–	3	–	–	–	–	–	–	29	1,155
Total non mortgage-backed securities	44,084	17,279	8,895	237	–	–	–	–	–	–	45	70,540
Mortgage-backed securities:												
Other U.S. obligations residential MBS[5]	5,784	–	–	–	–	–	–	–	–	–	–	5,784
Other U.S. obligations commercial MBS[5]	55	–	–	–	–	–	–	–	–	–	–	55
Government-sponsored enterprises residential MBS[9]	96,632	–	–	–	–	–	–	–	–	–	–	96,632
Government-sponsored enterprises commercial MBS[9]	1,489	–	–	–	–	–	–	–	–	–	–	1,489
Private-label residential MBS	13,153	3,625	5,521	4,035	4,248	4,234	8,413	2,334	369	59	–	45,991
Private-label commercial MBS	284	–	–	–	–	–	–	–	–	–	–	284
Manufactured housing loans	–	224	–	–	–	–	–	–	–	–	–	224
Home equity loans	250	133	60	112	76	174	319	117	25	–	5	1,271
MPF Shared Funding Program mortgage-backed certificates	285	13	–	–	–	–	–	–	–	–	–	298
Total mortgage-backed securities	117,932	3,995	5,581	4,147	4,324	4,408	8,732	2,451	394	59	5	152,028
Total investments	$169,491	$49,676	$38,868	$4,721	$4,324	$4,408	$8,732	$2,451	$394	$59	$1,227	$284,351

(1) This chart does not reflect any changes in ratings, outlook or watch status occurring after December 31, 2010. These ratings represent the lowest rating available for each security owned by an individual FHLBank, based on the Nationally Recognized Statistical Rating Organization(s) (NRSROs) used by that FHLBank.

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

(3) Dollar amounts include both short-term and long-term ratings.

(4) Represents certificates of deposit and/or bank notes that meet the definition of an investment security.

(5) Primarily consists of securities issued or guaranteed by Ginnie Mae, Ex-Im Bank and/or SBA investment pools.

(6) Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae, FFCB and/or the TVA.

(7) Represents corporate debentures and promissory notes issued or guaranteed by the FDIC under its TLGP.

(8) Represents FFELP ABS, which are backed by FFELP student loans that are guaranteed by a guarantee agency and re-insured by the U.S. Department of Education.

(9) Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

(10) This chart does not reflect any changes in ratings, outlook or watch status occurring after December 31, 2009. These ratings represent the lowest rating available for each security owned by an individual FHLBank based on NRSROs used by that FHLBank.

Table 47 presents rating agency actions for investments downgrades taken with respect to the following categories of investments during the period from January 1, 2011 to March 15, 2011.

Table 47 - Subsequent Downgrades (dollars in millions)

Investment Ratings[1]		Downgrades - Balances Based on Values at December 31, 2010[2]			
At December 31, 2010	At March 15, 2011	Private-label RMBS		Home Equity Loan Investments	
From	To	Carrying Value	Fair Value	Carrying Value	Fair Value
Triple-A	Double-A	$ 128	$ 120	$ 4	$3
	Single-A	196	187	5	4
	Triple-B	366	361	–	–
	Double-B	31	30	–	–
	Single-B	59	55	1	1
Double-A	Single-A	69	59	–	–
	Triple-B	370	331	–	–
	Double-B	162	143	–	–
	Single-B	116	120	–	–
Single-A	Triple-B	361	328	–	–
	Double-B	70	63	–	–
	Single-B	254	232	–	–
Triple-B	Single-B	106	97	–	–
	Triple-C	123	70	–	–
Double-B	Single-B	16	16	1	1
	Triple-C	21	22	–	–
Single-B	Triple-C	34	35	–	–
Double-C	Single-D	5	7	–	–
Single-C	Single-D	96	125	–	–
Total		$2,583	$2,401	$11	$9

(1) Represents the lowest rating available for each security owned by an individual FHLBank based on NRSROs used by that FHLBank.

(2) Represents investment amounts at December 31, 2010 that were subsequently downgraded during the period from January 1, 2011 to March 15, 2011.

Of the $330.5 billion of total investment held by the FHLBanks at December 31, 2010, $22.0 billion of this amount was rated below investment grade at December 31, 2010, and an additional $0.9 billion was downgraded to below investment grade from January 1, 2011 through March 15, 2011.

At December 31, 2010, 4.1 percent of total investment securities were on negative watch by S&P, Moody's and/or Fitch, which consisted of private-label residential MBS, home equity loan investments, certificates of deposit and state or local housing agency obligations.

Table 48 presents rating agency actions for investments placed on negative watch during the period from January 1, 2011 to March 15, 2011. Values are based on December 31, 2010 balances.

Table 48 - Investments Placed on Negative Watch (dollars in millions)

Investment Ratings[1]	Private-Label RMBS Carrying Value	Private-Label RMBS Fair Value	Non-MBS[2] Carrying Value	Non-MBS[2] Fair Value
Triple-A	$11	$10	$ 200	$ 200
Double-A	–	–	2,115	2,115
Single-A	–	–	517	434
Total	$11	$10	$2,832	$2,749

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

(2) Includes interest-bearing deposits, securities purchased under agreements to resell, Federal funds sold and non-MBS investment securities.

Mortgage-Backed Securities. The FHLBanks invest in and are subject to credit risk related to MBS issued by Federal agencies, GSEs and private-label issuers that are directly supported by underlying mortgage loans.

Regulator policy limits additional investments in MBS if an FHLBank's investments in MBS exceed 300 percent of the sum of that FHLBank's previous month-end regulatory capital on the day it purchases the securities. On March 24, 2008, the Finance Board temporarily increased this limit from 300 percent to 600 percent for certain kinds of MBS under certain conditions; this temporary increase expired on March 31, 2010. At the time of its respective MBS purchases and as of December 31, 2010, each of the FHLBanks was in compliance with the applicable regulatory limit.

Table 49 presents the mortgage-backed securities to total regulatory capital ratio for the FHLBanks on a combined basis at December 31, 2010 and December 31, 2009.

Table 49 - Mortgage-Backed Securities to Total Regulatory Capital Ratio (dollars in millions)

	December 31, 2010	December 31, 2009	Decrease $	Decrease %
Mortgage-backed securities	$146,881	$152,028	$(5,147)	(3.4)%
Less: MPF Shared Funding Program	229	298	(69)	(23.2)%
Mortgage-backed securities (excluding MPF Shared Funding Program)	$146,652	$151,730	$(5,078)	(3.3)%
Total regulatory capital[1] and Designated Amount of applicable subordinated notes	$ 57,362	$ 60,161	$(2,799)	(4.7)%
Ratio of MBS (excluding MPF Shared Funding Program) to total regulatory capital[1] and Designated Amount of applicable subordinated notes	2.56	2.52		

(1) Total regulatory capital is defined as the sum of permanent capital, the amounts paid for Class A capital stock, any general allowance for losses and any other amount from sources available to absorb losses that the Finance Agency has determined by regulation to be appropriate to include in determining total capital. Total regulatory capital also includes mandatorily redeemable capital stock.

Private-Label MBS. Table 50 presents unpaid principal balance of private-label mortgage-backed securities, manufactured housing loans and home equity loan investments by fixed- or variable-rate.

Table 50 - Unpaid Principal Balance by Fixed- or Variable-Rate (dollars in millions)

	December 31, 2010[1]			December 31, 2009[1]		
	Fixed-Rate[2]	Variable-Rate[2]	Total	Fixed-Rate[2]	Variable-Rate[2]	Total
Private-label RMBS:						
Prime	$ 6,488	$15,777	$22,265	$10,928	$19,546	$30,474
Alt-A	7,495	14,833	22,328	9,881	15,950	25,831
Subprime	–	1,202	1,202	–	1,320	1,320
Total private-label RMBS	13,983	31,812	45,795	20,809	36,816	57,625
Private-label CMBS:						
Prime	91	70	161	152	132	284
Total private-label CMBS	91	70	161	152	132	284
Manufactured housing loans:						
Subprime	196	–	196	224	–	224
Total manufactured housing loans	196	–	196	224	–	224
Home equity loan investments:						
Alt-A	–	51	51	–	61	61
Subprime	389	119	508	437	151	588
Total home equity loan investments	389	170	559	437	212	649
Total private-label MBS, manufactured housing loans and home equity loan investments	$14,659	$32,052	$46,711	$21,622	$37,160	$58,782

(1) The FHLBanks classify private-label RMBS and CMBS, manufactured housing loans and home equity loan investments as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

(2) The determination of fixed- or variable-rate is based upon the contractual coupon type of the security.

At December 31, 2010, the carrying values of the private-label mortgage-backed securities, manufactured housing loans and home equity loan investments were as follows:

- combined private-label RMBS of $36,594 million;
- combined private-label CMBS of $160 million;
- combined manufactured housing loans of $196 million; and
- combined home equity loan investments of $423 million.

The FHLBanks generally purchased private-label MBS rated triple-A (or its equivalent) by an NRSRO, such as Moody's or S&P. Table 51 presents certain information related to private-label RMBS and CMBS, manufactured housing loans and home equity loan investments. No FHLBank has purchased private-label MBS since 2008. In addition, each FHLBank typically requires, at the time of purchase, credit enhancement that it believes to be above the amounts required for a triple-A credit rating by an NRSRO for non-agency mortgage backed securities. Structural credit enhancements include subordination and over-collateralization that are designed to absorb losses before an FHLBank will incur a loss on a security. Credit enhancement achieved through senior-subordinated features results in the subordination of payments to junior classes to ensure cash flows are received by senior classes held by investors such as the FHLBanks. Of the total unpaid principal balance of private-label RMBS and CMBS, manufactured housing loans and home equity loan investments, prime represented 48.0 percent, Alt-A represented 47.9 percent and subprime represented 4.1 percent. Of the $146.9 billion carrying value of total mortgage-backed securities investments held by the FHLBanks at December 31, 2010, less than 2.0 percent were categorized as subprime by the originator at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

Table 51 - Private-Label Mortgage-Related Securities by Year of Securitization (dollars in millions)

	Prime[1] by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
Private-label RMBS:						
UPB by credit rating[2]						
Triple-A	$ 6,267	$ –	$ –	$ 99	$ 169	$5,999
Double-A	1,572	–	38	100	239	1,195
Single-A	1,928	–	–	168	364	1,396
Triple-B	787	36	157	93	196	305
Double-B	1,024	–	207	238	515	64
Single-B	2,535	234	240	578	1,435	48
Triple-C	3,760	298	1,317	957	1,188	–
Double-C	3,198	–	1,473	1,591	134	–
Single-C	1,194	–	522	655	17	–
Total	$22,265	$ 568	$3,954	$4,479	$4,257	$9,007
Amortized cost	$21,112	$ 534	$3,486	$4,007	$4,109	$8,976
Gross unrealized losses[3]	(1,890)	(70)	(419)	(585)	(390)	(426)
Fair value	19,725	503	3,178	3,691	3,732	8,621
OTTI losses[4]:						
Credit-related OTTI charge taken	$ (393)	$ (32)	$ (189)	$ (118)	$ (51)	$ (3)
Other Credit-related OTTI[4]	(31)	–	(31)	–	–	–
Credit loss	(424)	(32)	(220)	(118)	(51)	(3)
AOCI[9]	65	(9)	55	59	(28)	(12)
Other AOCI[4][9]	31	–	31	–	–	–
Net AOCI[9]	96	(9)	86	59	(28)	(12)
Total OTTI losses	$ (328)	$ (41)	$ (134)	$ (59)	$ (79)	$ (15)
Weighted-average FV to UPB	88.6%	88.3%	80.4%	82.4%	87.7%	95.7%
Original weighted-average credit support[5]	7.9%	24.1%	12.8%	9.7%	8.1%	3.7%
Weighted-average credit support[6]	9.3%	23.7%	10.1%	7.4%	9.8%	8.7%
Weighted-average collateral delinquency[7]	12.5%	23.7%	19.2%	17.1%	13.3%	6.1%
Private-label CMBS:						
UPB by credit rating[2]						
Triple-A	$ 161	$ –	$ –	$ –	$ –	$ 161
Total	$ 161	$ –	$ –	$ –	$ –	$ 161
Amortized cost	$ 160	$ –	$ –	$ –	$ –	$ 160
Fair value	164	–	–	–	–	164
Weighted-average FV to UPB	101.9%	–	–	–	–	101.9%
Original weighted-average credit support[5]	21.6%	–	–	–	–	21.6%
Weighted-average credit support[6]	30.7%	–	–	–	–	30.7%
Weighted-average collateral delinquency[7]	3.6%	–	–	–	–	3.6%

	Alt-A[1] by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
Private-label RMBS:						
UPB by credit rating[2]						
Triple-A	$ 1,555	$ –	$ –	$ 22	$ 31	$1,502
Double-A	988	–	12	91	131	754
Single-A	928	–	–	–	111	817
Triple-B	745	137	–	91	290	227
Double-B	663	–	537	–	105	21
Single-B	2,024	267	644	69	1,006	38
Triple-C	10,536	386	3,328	2,292	4,523	7
Double-C	2,348	–	1,074	780	494	–
Single-C	1,867	–	927	672	268	–
Single-D	674	–	302	367	5	–
Total	$22,328	$ 790	$ 6,824	$4,384	$ 6,964	$3,366
Amortized cost	$20,234	$ 784	$ 5,936	$3,583	$ 6,554	$3,377
Gross unrealized losses[3]	(4,855)	(210)	(1,824)	(900)	(1,673)	(248)
Fair value	16,166	575	4,484	2,825	5,133	3,149
OTTI losses:						
Credit loss	$ (546)	$ (4)	$ (251)	$ (165)	$ (124)	$ (2)
AOCI[9]	(209)	(59)	(3)	131	(261)	(17)
Total OTTI losses	$ (755)	$ (63)	$ (254)	$ (34)	$ (385)	$ (19)
Weighted-average FV to UPB	72.4%	72.8%	65.7%	64.4%	73.7%	93.6%
Original weighted-average credit support[5]	22.3%	33.3%	32.5%	26.3%	16.1%	6.7%
Weighted-average credit support[6]	21.2%	33.4%	28.1%	20.3%	17.4%	13.7%
Weighted-average collateral delinquency[7]	29.2%	23.0%	38.6%	39.9%	23.4%	9.7%
Home equity loan investments:						
UPB by credit rating[2]						
Double-A	$ 19	$ –	$ –	$ 19	$ –	$ –
Single-A	4	–	–	–	4	–
Single-B	15	–	–	–	–	15
Triple-C	9	–	–	–	–	9
Double-C	4	–	–	–	–	4
Total	$ 51	$ –	$ –	$ 19	$ 4	$ 28
Amortized cost	$ 46	$ –	$ –	$ 20	$ 4	$ 22
Gross unrealized losses[3]	(13)	–	–	(5)	(1)	(7)
Fair value	32	–	–	14	3	15
OTTI losses:						
Credit loss	$ (1)	$ –	$ –	$ –	$ –	$ (1)
AOCI[9]	1	–	–	–	–	1
Total OTTI losses	$ –	$ –	$ –	$ –	$ –	$ –
Weighted-average FV to UPB	62.5%	–	–	72.2%	75.2%	54.1%
Original weighted-average credit support[5][8]	(0.6)%	–	–	–	3.1%	(1.5)%
Weighted-average credit support[6]	3.4%	–	–	–	28.2%	2.4%
Weighted-average collateral delinquency[7]	7.8%	–	–	3.9%	0.5%	11.5%

	Subprime[1] by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
Private-label RMBS:						
UPB by credit rating[2]						
Triple-A	$ 24	$ –	$ –	$ 11	$ –	$ 13
Double-A	15	–	–	4	2	9
Single-A	10	–	–	–	7	3
Triple-B	79	–	–	73	5	1
Double-B	63	–	–	18	45	–
Single-B	9	–	–	9	–	–
Triple-C	396	–	10	359	26	1
Double-C	494	–	–	476	14	4
Single-C	108	–	–	105	–	3
Unrated	4	–	–	–	–	4
Total	$1,202	$ –	$ 10	$1,055	$ 99	$ 38
Amortized cost	$ 898	$ –	$ 10	$ 763	$ 91	$ 34
Gross unrealized losses[3]	(200)	–	(2)	(184)	(9)	(5)
Fair value	771	–	8	649	84	30
OTTI losses:						
Credit loss	$ (90)	$ –	$ –	$ (86)	$ (4)	$ –
AOCI[9]	53	–	(2)	52	3	–
Total OTTI losses	$ (37)	$ –	$ (2)	$ (34)	$ (1)	$ –
Weighted-average percentage of FV to UPB	64.1%	–	76.0%	61.6%	85.3%	77.3%
Original weighted-average credit support[5]	23.1%	–	23.0%	22.7%	22.2%	35.1%
Weighted-average credit support[6]	30.6%	–	39.8%	27.9%	48.1%	55.5%
Weighted-average collateral delinquency[7]	43.2%	–	38.9%	43.9%	43.9%	21.8%
Manufactured housing loans:						
UPB by credit rating[2]						
Double-A	$ 196	$ –	$ –	$ –	$ –	$ 196
Total	$ 196	$ –	$ –	$ –	$ –	$ 196
Amortized cost	$ 196	$ –	$ –	$ –	$ –	$ 196
Gross unrealized losses[3]	(23)	–	–	–	–	(23)
Fair value	173	–	–	–	–	173
Weighted-average FV to UPB	88.4%	–	–	–	–	88.4%
Original weighted-average credit support[5]	93.0%	–	–	–	–	93.0%
Weighted-average credit support[6]	93.0%	–	–	–	–	93.0%
Weighted-average collateral delinquency[7]	3.4%	–	–	–	–	3.4%
Home equity loan investments:						
UPB by credit rating[2]						
Triple-A	$ 144	$ –	$ –	$ –	$ –	$ 144
Double-A	91	–	–	–	–	91
Single-A	89	–	–	–	–	89
Triple-B	28	–	–	–	–	28
Double-B	26	–	–	–	–	26
Single-B	42	–	–	–	–	42
Triple-C	55	–	–	–	–	55
Double-C	10	–	–	–	–	10
Single-D	23	–	–	–	–	23
Total	$ 508	$ –	$ –	$ –	$ –	$ 508
Amortized cost	$ 477	$ –	$ –	$ –	$ –	$ 477
Gross unrealized losses[3]	(72)	–	–	–	–	(72)
Fair value	405	–	–	–	–	405

	Subprime[1] by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
OTTI losses:						
Credit loss	$ (10)	$ –	$ –	$ –	$ –	$ (10)
AOCI[9]	5	–	–	–	–	5
Total OTTI losses	$ (5)	$ –	$ –	$ –	$ –	$ (5)
Weighted-average FV to UPB	79.6%	–	–	–	–	79.6%
Original weighted-average credit support[5]	54.5%	–	–	–	–	54.5%
Weighted-average credit support[6]	63.0%	–	–	–	–	63.0%
Weighted-average collateral delinquency[7]	17.9%	–	–	–	–	17.9%

(1) The FHLBanks classify private-label RMBS and CMBS, manufactured housing loans and home equity loan investments as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

(2) Represents the lowest rating available for each security owned by an individual FHLBank based on NRSROs used by that FHLBank.

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

(4) OTTI losses include $(31) million and $31 million of credit and noncredit related losses taken on securities sold in 2010.

(5) Original weighted-average credit support is based on the credit support at the time of issuance. The reported original credit support percentage represents the weighted average based on the unpaid principal balance of the individual securities in the category and their respective original credit support.

(6) Weighted-average credit support is based on the credit support as of December 31, 2010. The reported credit support percentage represents the weighted average based on the unpaid principal balance of the individual securities in the category and their respective credit support as of December 31, 2010.

(7) Weighted-average collateral delinquency rate is determined based on the underlying loans that are 60 days or more past due. The reported delinquency percentage represents the weighted average based on the unpaid principal balance of the individual securities in the category and their respective delinquencies.

(8) Negative original credit enhancement exists due to over-collateralization and excess spread.

(9) Represents the net amount of impairment losses recognized in or reclassified (to)/from AOCI.

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

Table 52 presents, by loan type, characteristics of private-label RMBS and CMBS, home equity loan investments and manufactured housing loans in a gross unrealized loss position at December 31, 2010. The lowest ratings available for each security is reported as of March 15, 2011 based on the security's unpaid principal balance at December 31, 2010. The FHLBanks held a total of $5,557 million in Alt-A Option ARMs, of which $5,508 million is in a gross unrealized loss position based on unpaid principal balance at December 31, 2010, as disclosed in the following table.

Table 52 - Private-Label Mortgage-Related Securities in a Loss Position (dollars in millions)

	December 31, 2010[(1)]					March 15, 2011 MBS Ratings Based on December 31, 2010 Unpaid Principal Balance[(1)(2)(3)]			
	Unpaid Principal Balance	Amortized Cost	Gross Unrealized Losses	Weighted-Average Collateral Delinquency Rate[(4)]	Percentage Rated Triple-A	Percentage Rated Triple-A	Percentage Rated Investment Grade[(6)]	Percentage Rated Below Investment Grade	Percentage on Watchlist
Private-label RMBS backed by:									
Prime loans:									
First lien	$17,976	$16,931	$(1,890)	14.4%	17.0%	15.9%	21.9%	62.2%	20.3%
Total private-label RMBS backed by prime loans	17,976	16,931	(1,890)	14.4%	17.0%	15.9%	21.9%	62.2%	20.3%
Alt-A and other loans:									
Alt-A option ARM	5,508	4,739	(1,589)	45.4%	–	–	–	100.0%	–
Alt-A other	15,841	14,561	(3,266)	24.8%	5.2%	4.2%	13.6%	82.2%	8.3%
Total private-label RMBS backed by Alt-A and other loans	21,349	19,300	(4,855)	30.2%	3.9%	3.1%	10.1%	86.8%	6.2%
Subprime loans:									
First lien	1,182	890	(200)	43.1%	2.0%	1.2%	9.7%	89.1%	2.1%
Total private-label RMBS backed by subprime loans	1,182	890	(200)	43.1%	2.0%	1.2%	9.7%	89.1%	2.1%
Private-label CMBS backed by:									
Prime loans:									
First lien	67	67	–	4.5%	100.0%	100.0%	–	–	–
Total private-label CMBS backed by prime loans	67	67	–	4.5%	100.0%	100.0%	–	–	–
Alt-A and other loans:									
Manufactured housing loans backed by:									
Subprime loans:									
First lien	196	196	(23)	3.4%	–	–	100.0%	–	–
Total manufactured housing loans backed by subprime loans	196	196	(23)	3.4%	–	–	100.0%	–	–
Home equity loan investments backed by:									
Alt-A and other loans:									
Alt-A other	52	46	(13)	7.8%	–	–	45.2%	54.8%	59.6%
Total home equity loan investments backed by Alt-A loans	52	46	(13)	7.8%	–	–	45.2%	54.8%	59.6%
Subprime loans:									
First lien	201	192	(38)	19.9%	35.0%	19.9%	48.1%	32.0%	54.9%
Second lien	6	5	(1)	31.6%	10.0%	10.0%	–	90.0%	–
Total home equity loan investments backed by subprime loans	207	197	(39)	20.2%	34.3%	19.6%	46.7%	33.7%	53.3%
Other—Not Classified[(5)]:	300	279	(33)	16.0%	24.6%	20.8%	50.2%	29.0%	54.7%
Total private-label RMBS, private-label CMBS, manufactured housing loans, home equity loan investments, and other - not classified	$41,329	$37,906	$(7,053)	23.3%	10.0%	9.0%	16.1%	74.9%	12.8%

(1) The FHLBanks classify private-label RMBS and CMBS, manufactured housing loans and home equity loan investments as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

(2) The percentages include the effect of paydowns in full subsequent to December 31, 2010.

(3) Represents the lowest ratings available for each security owned by an individual FHLBank based on NRSROs used by that FHLBank.

(4) Weighted-average collateral delinquency rate is determined based on the underlying loans that are 60 days or more past due. The reported delinquency percentage represents the weighted average based on the unpaid principal balance of the individual securities in the category and their respective delinquencies.

(5) The FHLBank of New York owns certain private-label securities that were acquired prior to 2004 for which only the original lien information is available. The current lien information is not available. In certain instances, the servicer is no longer in business to provide this information. In other instances, the servicers were never required to track the information subsequent to origination. As a result, third-party providers of such information or existing servicers do not have current lien information.

(6) Represents investment grade from double-A to triple-B.

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

As a result of each FHLBank's evaluations, during the year ended December 31, 2010, the FHLBanks recognized OTTI losses related to an aggregate amount of $16,306 million of unpaid principal balance in held-to-maturity MBS investments and $8,273 million of unpaid principal balance related to available-for-sale securities. The FHLBanks recognized total OTTI charges of $1,071 million during 2010 related to the credit losses on total MBS instruments and the net amount of impairment losses reclassified to accumulated other comprehensive loss of $54 million.

Monoline Bond Insurance. Certain FHLBanks' investment securities portfolios include a limited number of investments that are insured by monoline bond insurers. The monoline bond insurance on these investments generally guarantees the timely payments of principal and interest if these payments cannot be satisfied from the cash flows of the underlying mortgage collateral. The affected FHLBanks closely monitor the financial condition of these monoline bond insurers on an ongoing basis.

As of December 31, 2010, the total monoline bond insurance coverage was $697 million, of which $362 million represents the FHLBanks' private-label RMBS and CMBS, manufactured housing loans, and home equity loan investments covered by the monoline bond insurers the FHLBanks are relying on at December 31, 2010 for modeling the cash flows, as presented in Table 53.

Table 53 - Monoline Bond Insurance Coverage and Related Unrealized Losses of Certain MBS (dollars in millions)

	Alt-A[1]					
	Assured Guaranty Municipal Corp.		MBIA Insurance Corp.[2]		Total	
Year of Securitization	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses
Private-label RMBS:						
2007	$12	$(1)	$ –	$ –	$12	$ (1)
Home equity loan investments:						
2006	20	(5)	–	–	20	(5)
2004 and prior	–	–	15	(4)	15	(4)
Total	20	(5)	15	(4)	35	(9)
Total private-label RMBS, and CMBS, manufactured housing loans and home equity loan investments	$32	$(6)	$15	$(4)	$47	$(10)

	Subprime[1]					
	Assured Guaranty Municipal Corp.		MBIA Insurance Corp.[2]		Total	
Year of Securitization	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses
Private-label RMBS:						
2004 and prior	$ 1	$ –	$ –	$ –	$ 1	$ –
Manufactured housing loans:						
2004 and prior	176	(21)	–	–	176	(21)
Home equity loan investments:						
2004 and prior	85	(6)	53	(10)	138	(16)
Total private-label RMBS, and CMBS, manufactured housing loans and home equity loan investments	$262	$(27)	$53	$(10)	$315	$(37)

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

(2) MBIA Insurance Corp.'s burn-out period ends in June 2011. (See ***Note 8—Other-Than-Temporary-Impairment Analysis*** to the accompanying combined financial statements.)

The monoline bond insurers have been subject to adverse ratings, rating downgrades and weakening financial performance measures. A rating downgrade implies an increased risk that the monoline bond insurer will fail to fulfill its obligations to reimburse the insured investor for claims made under the related insurance policies. Table 54 presents the financial strength ratings of monoline bond insurers that provide monoline bond insurance coverage for the FHLBanks' private-label RMBS and CMBS, manufactured housing loans, and home equity loan investments. (See ***Critical Accounting Estimates—OTTI for Investment Securities*** for information regarding the FHLBanks' processes for evaluating monoline bond insurance for purposes of OTTI analysis.)

Table 54 - Monoline Bond Insurers' Financial Strength Ratings as of March 30, 2011

	Moody's Credit Rating	S&P Credit Rating	Fitch Credit Rating
Assured Guaranty Municipal Corp.	Aa3	AA+	Not Rated
MBIA Insurance Corporation	B3	B	Not Rated
AMBAC Assurance Corporation (Ambac)(1)	Caa2	Not Rated	Not Rated
Financial Guaranty Insurance Company	Withdrawn	Not Rated	Not Rated
Syncora Guarantee Inc.(2)	Ca	Not Rated	Not Rated

(1) On November 8, 2010, Ambac Financial Group, Inc., the holding company of Ambac, filed its petition for chapter 11 protection in U.S. Bankruptcy court in Manhattan. Ratings withdrawn by S&P on November 30, 2010.

(2) Ratings withdrawn by S&P on July 28, 2010.

Unsecured Credit Exposure. Table 55 presents the FHLBanks' unsecured credit exposure of investments with private counterparties that have maturities generally ranging between overnight and 9 months.

Table 55 - Unsecured Credit Exposure (dollars in millions)

	December 31, 2010 Carrying Value(1)	December 31, 2009 Carrying Value(1)
Federal funds sold	$ 75,855	$54,597
Commercial paper	4,849	3,690
Certificates of deposit and bank notes	26,041	25,733
Other(2)	4	4
Total	$106,749	$84,024

(1) Excludes unsecured credit exposure related to U.S. government, U.S. government agencies, and instrumentalities, and does not include related accrued interest receivable.

(2) Primarily consists of Small Business Investment Company (SBIC) equity investment.

At December 31, 2010, the FHLBanks had aggregate unsecured credit exposure of $1 billion or more to each of 37 counterparties. The aggregate unsecured credit exposure to these 37 counterparties represented 92.0 percent of the FHLBanks' unsecured credit exposure to non-government counterparties.

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

All of the FHLBanks participating in AMA programs have established loan loss allowances under each program or have determined that no loan loss allowances are necessary. (See ***Note 11—Allowance for Credit Losses*** to the accompanying combined financial statements for additional information about mortgage loans credit quality indicators, allowance for credit losses, and delinquency statistics by AMA program and type of loan.)

Management at each FHLBank believes that it has adequate policies and procedures in place to manage credit risk on mortgage loans appropriately. Neither the PFI credit enhancements nor the mortgage loans are rated. An FHLBank must hold risk-based capital against acquired member assets or pools of assets that have an implied credit rating less than double-A. The Regulator's acquired member asset regulation specifies that assets must consist of either:

- whole loans eligible to secure advances (excluding mortgages above the conforming loan limit);
- whole loans secured by manufactured housing; or
- state and local housing finance agency bonds.

In addition, this regulation mandates that the FHLBank must have a nexus with the member or housing associate. The FHLBank's relevant credit-risk exposure must be determined by a formal rating or a comparable methodology. The Regulator's acquired member asset regulation also applies to securities created under the MPF Shared Funding®(2) Program (see ***Supplemental Information—Additional Information on FHLBanks' Mortgage Partnership Finance® (MPF®) Program—MPF Shared Funding Program)***. All of the mortgage loans acquired under these programs that were not government-guaranteed or -insured were credit-enhanced by members to a level at least equivalent to an investment-grade rating (triple-B). Each FHLBank that participates in these programs believes that its credit risk exposure to loan servicers is minimal.

Credit losses on conventional MPF and MPP Loans are allocated as follows:

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

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

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

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

See ***Supplemental Information—MPF Program—Setting Credit Enhancement Levels*** for a description of the FLA amount and the CE Amount calculation under the MPF Program.

An MPF FHLBank's credit risk on MPF Loans is the potential for financial loss due to borrower default or depreciation in the value of the real estate collateral securing the MPF Loan, offset by the PFI's credit enhancement protection amount (CEP Amount), which may take the form of a contingent, performance-based CE Fee as well as the CE Amount. The PFI is required to pledge collateral to secure any portion of its CE Amount that is a direct obligation.

The MPF FHLBanks also face credit risk through potential losses on MPF Loans to the extent that such losses are not recoverable from PMI and with respect to MPF Government Loans, amounts not recoverable from the applicable government agency with respect to MPF Government Loans (including servicer-paid losses not covered by the applicable federal agency). The outstanding balance of MPF Loans exposed to

(2) "MPF Shared Funding" is a registered trademark of the FHLBank of Chicago.

credit losses, which are not recoverable from these sources, was approximately $36.9 billion and $46.6 billion at December 31, 2010 and 2009. The MPF FHLBanks' actual credit exposure is significantly less than these amounts because the borrower's equity, which represents the fair value of underlying property in excess of the outstanding MPF Loan balance, has not been considered. For those loans with a loan-to-value ratio (LTV) over 80 percent at origination, the MPF FHLBanks require PMI. An LTV is enhanced by the seasoned nature of the MPF Loans because principal paydowns lower the LTV.

Loss Allocation for MPP Loans. At the time the underlying conventional loan is funded, a Lender Risk Account (LRA) is established by the FHLBank for each PFI selling an MPP Loan. The "second layer" of losses that exceed coverage of the PMI is absorbed by the LRA of the respective PFI that originated the MPP Loan. Generally, after five years, if the balance of the funds in the LRA exceeds the required balance, the excess amounts are distributed to the PFI based on a step-schedule set forth in the Master Commitment Contract that establishes the LRA. In addition to the LRAs, participating MPP FHLBanks with SMI coverage are protected from credit losses to approximately 50 percent of the property's original value for conventional loans, in certain cases subject to an aggregate stop-loss provision in the SMI policy. If an MPP FHLBank does not have SMI coverage for its MPP Loans, it would seek additional credit enhancements, including expanded use of the LRA and aggregation of loan purchases into larger loan pools, in order for the purchased mortgage loan pool to achieve a rating equivalent to at least triple-B at the time of acquisition. If any loss extends beyond the insurance coverage and the balance held in the LRA, the FHLBank(s) holding the interest(s) in the affected MPP Loan would be responsible for absorbing this remaining loss.

In 2010, participating MPP FHLBanks recorded a $15 million provision for credit losses related to the MPP. This provision was based on actual losses (which have totaled $2 million since the inception of the program) and an assessment of additional estimated incurred losses. In addition to the MPP FHLBanks' credit enhancements, the underwriting and loan characteristics indicate favorable credit performance and the portfolios have experienced only a modest, albeit increasing, overall amount of delinquencies and defaults. Because of these factors, participating MPP FHLBanks believe their exposure to credit risk on conventional loans is moderate. Each MPP FHLBank performs periodic reviews of its portfolio to identify incurred losses and to determine the likelihood of loan collection. Should an MPP FHLBank have incurred losses in excess of the collateral held, PMI (if applicable), LRA and SMI (if applicable), these amounts would be recognized as credit losses.

Mortgage Insurance—General. The FHLBanks are exposed to the risk of non-performance of mortgage insurers that provide PMI and SMI coverage on mortgage loans.

PMI is issued by qualified companies for mortgage loans with LTVs greater than 80 percent and covers all types of losses except those generally classified as special hazard losses.

When SMI is used as a form of credit enhancement in conjunction with an AMA program, Finance Agency regulations require the FHLBanks' members that sell loans to the FHLBanks through such a program to maintain SMI with an insurer rated no lower than the second-highest rating category by any nationally recognized statistical rating organization. Rating downgrades imply an increased risk that the affected mortgage insurer(s) will fail to fulfill their obligations to reimburse the FHLBanks for claims under insurance policies. If a mortgage insurer fails to fulfill its obligations, the FHLBanks may bear any remaining loss of the borrower default on the related mortgage loans not covered by the member. On August 6, 2009, the Finance Agency Director granted a temporary waiver of this requirement subject to certain conditions. On July 29, 2010, the Finance Agency extended the waiver on existing business granted by the Finance Agency Director on August 6, 2009 subject to the same conditions until such time as the AMA regulation has been amended or for an additional year, whichever comes sooner.

With regard to any MPF or MPP Loans that are credit-enhanced with SMI and were purchased, or will be purchased, under Master Commitments that were executed on or before August 6, 2009, the requirement to maintain SMI with an insurer rated no lower than the second-highest rating category by any nationally recognized statistical rating organization is waived for the period described above, provided that an FHLBank must evaluate the claims-paying ability of its SMI providers, hold additional retained earnings and take any other steps necessary to mitigate any attendant risk associated with using an SMI provider having a rating below the regulatory standard.

The FHLBanks have evaluated the claims-paying ability of their SMI providers and either determined that it is not necessary to hold retained earnings to mitigate the risk of using these SMI providers or increased the amount of required risk-based capital as a result of assigning a higher risk weighting to the assets covered by a downgraded SMI provider under the credit risk-based capital calculations. In addition, an FHLBank that relies on this waiver for existing business was required, by April 8, 2010, to submit to the Finance Agency a written analysis of credit enhancement alternatives that do not rely on SMI for existing pools of loans that presently rely upon SMI for credit enhancement. Such alternatives considered the requirements of the AMA regulation and existing AMA programs, as well as any accounting or other legal requirements. Consistent with the extended waiver granted by the Finance Agency Director, the Finance Agency also agreed to consider a formal request to cancel SMI coverage related to existing pools that can achieve a triple-B rating without SMI. The Finance Agency will require those FHLBanks that wish to cancel and replace SMI with an alternative means of credit enhancement for existing pools of AMA to file a notice of new business activity.

With regard to new MPP business, the regulatory requirement is waived for a period of twelve months—the initial waiver of six months from August 6, 2009, in addition to a six-month extension—to allow FHLBanks to enter into new Master Commitments during the twelve-month period, assuming the other requirements of the existing program are met. Furthermore, an MPP FHLBank must also evaluate the claims-paying ability of its SMI providers, hold additional retained earnings, and take any other steps necessary to mitigate any attendant risk associated with using an SMI provider having a rating below the regulatory standard.

As of March 30, 2011, all of the FHLBanks' mortgage insurance (MI) providers have had their external ratings for claims-paying ability or insurer financial strength downgraded below double-A-minus by all relevant nationally recognized statistical rating organizations.

Due to the aforementioned rating agency actions, certain MPF FHLBanks increased their estimated allowance for credit losses on mortgage loans and discontinued paying the associated performance credit enhancement fees as the relevant PFIs have elected not to assume the credit enhancement obligations as their own. Other MPF FHLBanks have analyzed their potential loss exposure to all MI providers and have not increased their loan loss reserves, but they will continue to monitor the financial condition of their MI providers. Certain MPF FHLBanks discontinued obtaining coverage on new loans from MI insurers that have a nationally recognized statistical rating organization rating below triple-B and exceed those FHLBanks' internal exposure limits.

The MPP FHLBanks either discontinued obtaining SMI on new loans from the MI providers downgraded below double-A-minus, canceled their existing SMI policies or continued using the downgraded insurance providers in compliance with the temporary waiver issued by the Finance Agency while they evaluate the need for alternative credit enhancements for their mortgage loan portfolios. The Finance Agency approved notices of new business activity plan for the MPP FHLBanks that will use an enhanced fixed LRA account for additional credit enhancement for new MPP business consistent with Finance Agency regulations. To the extent that the new MPP product without SMI was not implemented in 2010, an extension of the waiver had been requested until its implementation in 2011. Each MPP FHLBank believes its exposure to supplemental insurance providers (if applicable) constitutes an acceptable amount even under various scenarios. Because the MPP FHLBanks have had only 615 claims paid through December 31, 2010 in the MPP out of 314,719 conventional loans purchased since its inception in 2000, each MPP FHLBank believes it is unlikely that its claims would rise to a significant overall level. Therefore, each MPP FHLBank believes it has only a small amount of credit exposure to its remaining SMI providers, except in the most unlikely adverse scenarios.

PMI. For a conventional loan, PMI, if applicable, covers losses or exposure down to approximately an LTV of between 65 percent and 80 percent based upon the original appraisal, original LTV, term and amount of PMI coverage, and characteristics of the loan. An FHLBank is exposed to credit risk if a PMI provider fails to fulfill its claims payment obligations to that FHLBank. Each FHLBank has policies to limit its credit exposure to each MI company based on certain criteria, including, but not limited to, the MI company's nationally recognized statistical rating organization's ratings, or limiting its credit exposure to a certain percentage of the MI company's regulatory capital. The FHLBanks receive PMI coverage information only at acquisition of mortgage loans and generally do not receive notification of any subsequent changes in PMI coverage and therefore they can only estimate the amount of PMI in force at any time subsequent to acquisition. Historically, FHLBanks have depended on the PMI policies for loss coverage. Tables 56 and 57 present the FHLBanks' PMI coverage for seriously delinquent loans (conventional loans 90 days or more delinquent or in the process of foreclosure) by MPF Program and MPP.

Table 56 - MPF Seriously Delinquent Conventional Loans with PMI (dollars in millions)

Insurance Provider	Credit Rating(1) by Moody's/S&P/Fitch	December 31, 2010 Unpaid Principal Balance(2)	December 31, 2010 Maximum Coverage Outstanding(3)
Mortgage Guaranty Insurance Co.	Ba3/B+/NR(4)	$ 50	$14
Genworth Mortgage Insurance	Baa2/BB+/NR(4)	29	8
Republic Mortgage Insurance	Ba1/BBB-/BBB-	27	7
United Guaranty Residential Insurance	Baa1/BBB/NR(4)	26	7
PMI Mortgage Insurance Co.	B2/B+/NR(4)	24	7
Radian Guaranty, Inc.	Ba3/B+/NR(4)	13	3
Other		21	6
Total		$190	$52

(1) Represents the credit rating as of March 30, 2011.

(2) Represents the unpaid principal balance of conventional loans 90 days or more delinquent or in the process of foreclosure. Assumes PMI in effect at time of origination. Insurance coverage may be discontinued once a certain LTV ratio is met.

(3) Represents the estimated contractual limit for reimbursement of principal losses (i.e., risk in force) assuming the PMI at origination is still in effect. The amount of expected claims under these insurance contracts is substantially less than the contractual limit for reimbursement.

(4) Not rated by Fitch.

If a PMI provider is downgraded, an MPF FHLBank can request the servicer to obtain replacement PMI coverage with a different provider. However, it is possible that replacement coverage may be unavailable or result in additional cost to the MPF FHLBank. PMI for MPF Loans must be issued by an MI company on the approved MI company list whenever PMI coverage is required. However, no MI company on the approved MI company list currently has a double-A minus or better claims-paying ability rating from any nationally recognized statistical rating organization. The current criteria for MI companies to remain on the approved MI company list is acceptability for use in modeling software licensed from a nationally recognized statistical rating organization.

Table 57 - MPP Seriously Delinquent Conventional Loans with PMI (dollars in millions)

Insurance Provider	Credit Rating(1) by Moody's/S&P/Fitch	December 31, 2010 Unpaid Principal Balance(2)	December 31, 2010 Maximum Coverage Outstanding(3)
Mortgage Guaranty Insurance Co.	Ba3/B+/NR(4)	$12	$ 3
Republic Mortgage Insurance	Ba1/BBB-/BBB-	10	3
Radian Guaranty, Inc.	Ba3/B+/NR(4)	7	2
Genworth Mortgage Insurance	Baa2/BB+/NR(4)	6	2
United Guaranty Residential Insurance	Baa1/BBB/NR(4)	6	1
PMI Mortgage Insurance Co.	B2/B+/NR(4)	4	1
Other		1	–
Total		$46	$12

(1) Represents the credit rating as of March 30, 2011.

(2) Represents the unpaid principal balance of conventional loans 90 days or more delinquent or in the process of foreclosure. Assumes PMI in effect at time of origination. Insurance coverage may be discontinued once a certain LTV ratio is met.

(3) Represents the estimated contractual limit for reimbursement of principal losses (i.e., risk in force) assuming the PMI at origination is still in effect. The amount of expected claims under these insurance contracts is substantially less than the contractual limit for reimbursement.

(4) Not rated by Fitch.

As of March 30, 2011, the MPP FHLBanks have analyzed their potential loss exposure to all of the MI companies and do not expect incremental losses due to the lower MI company ratings. This expectation is based on the credit enhancement features of the MPP Loans Master Commitment Contracts (exclusive of mortgage insurance), the underwriting characteristics of the MPP Loans, the seasoning of the MPP Loans and the performance of these loans to date. The MPP FHLBanks closely monitor the financial conditions of these MI companies.

FICO® and LTVs. The following tables present FICO® scores and LTVs at origination for MPF and MPP conventional loans outstanding. High LTVs, in which homeowners have little or no equity at stake, are key drivers in potential mortgage delinquencies and defaults.

Table 58 - MPF Portfolio Loan Characteristics

FICO® Score[1]	December 31, 2010	December 31, 2009
< 620	2.3%	2.3%
620 to < 660	8.2%	8.1%
660 to < 700	15.5%	15.3%
700 to < 740	21.8%	22.0%
> = 740	52.2%	52.3%
Total %	100.0%	100.0%
Weighted-average FICO® Score	733	733

LTV	December 31, 2010	December 31, 2009
< = 60%	26.7%	27.8%
> 60% to 70%	16.8%	17.0%
> 70% to 80%	45.5%	44.5%
> 80% to 90%[2]	6.8%	6.7%
> 90%[2]	4.2%	4.0%
Total LTV	100.0%	100.0%
Weighted-average LTV %	68.6%	68.1%

Table 59 - MPP Portfolio Loan Characteristics

FICO® Score[1]	December 31, 2010	December 31, 2009
< 620	0.2%	0.2%
620 to < 660	4.4%	4.3%
660 to < 700	13.5%	13.0%
700 to < 740	22.4%	22.1%
> = 740	59.5%	60.4%
Total %	100.0%	100.0%
Weighted-average FICO® Score	745	745

LTV	December 31, 2010	2009
< = 60%	22.4%	23.5%
> 60% to 70%	17.4%	17.6%
> 70% to 80%	51.4%	50.6%
> 80% to 90%(2)	5.1%	4.7%
> 90%(2)	3.7%	3.6%
Total LTV	100.0%	100.0%
Weighted-average LTV %	69.8%	69.6%

(1) Represents the original FICO® score of the lowest borrower for the related loan.

(2) These conventional loans were required to have PMI at origination.

In the current market, the FHLBanks generally consider a FICO® score of over 660, and an LTV of 80 percent or lower, as benchmarks indicating a lower amount of credit risk. As of December 31, 2010, outstanding conventional loans with FICO® scores at origination under 660 totaled 10.5 percent and 4.6 percent of the total MPF and MPP mortgage loan portfolios compared to 10.4 percent and 4.5 percent at December 31, 2009. These measures have been relatively stable over the last two years. The FHLBanks believe these measures are another indication that MPF and MPP Loans have a reduced risk of default. Furthermore, no FHLBank knowingly purchases any loan that violates the terms of its Anti-Predatory Lending Policy.

As of December 31, 2010, the FHLBanks had no high-risk loans (measured by low FICO® scores and high LTVs) at origination or purchase based on AMA programs' design and the original terms and structure of the loans. Each FHLBank's allowance for credit losses on mortgage loans reflects the incurred losses associated with loans that are considered high-risk subsequent to origination or purchase.

Concentrations. The following tables provide the percentage of unpaid principal balance of conventional mortgage loans held for portfolio outstanding at December 31, 2010 for the five largest state concentrations. These tables show the state concentration on an aggregated basis for all 12 FHLBanks that purchased or funded loans under the MPF Program and MPP. As a result, the tables do not necessarily reflect the actual state concentration with respect to each individual FHLBank.

Table 60 - State Concentration of MPF Program

	December 31,(1) 2010	2009
California	9.2%	9.6%
Wisconsin	7.6%	9.3%
Illinois	6.1%	6.6%
Pennsylvania	5.0%	4.5%
Minnesota	4.7%	4.4%
All others	67.4%	65.6%
Total	100.0%	100.0%

Table 61 - State Concentration of MPP

	December 31,(1) 2010	2009
Ohio	21.2%	21.5%
California	10.2%	10.4%
Indiana	9.8%	9.3%
Michigan	8.4%	6.7%
Kentucky	4.0%	3.6%
All others	46.4%	48.5%
Total	100.0%	100.0%

(1) Calculated percentage based on unpaid principal balance of conventional loans at the end of the period. The state concentrations reflect the top five states at December 31, 2010.

Derivatives and Counterparty Ratings. In addition to market risk, each FHLBank is subject to credit risk because of the potential non-performance by counterparties to derivative agreements. The amount of counterparty credit risk on derivatives depends on the extent to which netting procedures, collateral requirements and other credit enhancements are used and are effective to mitigate the risk. Each FHLBank manages counterparty credit risk through credit analysis, collateral management and other credit enhancements. The FHLBanks are also required to follow the requirements set forth by applicable regulation. The FHLBanks require collateral on interest-rate exchange agreements. The amount of net unsecured credit exposure that is permissible with respect to each counterparty, before a collateral requirement is triggered, depends on the credit rating of that counterparty. A counterparty must deliver collateral to an FHLBank if the total market value of the FHLBank's exposure to that counterparty rises above a specific trigger point. As a result of these risk mitigation initiatives, the management of each FHLBank does not anticipate any credit losses on its interest-rate exchange agreements with counterparties as of December 31, 2010. For additional discussion regarding derivatives and counterparty ratings, please refer to the individual FHLBanks' periodic reports filed with the SEC.

The contractual or notional amount of interest-rate exchange agreements reflects the involvement of an FHLBank in the various classes of financial instruments. The maximum credit risk of an FHLBank with respect to interest-rate exchange agreements is the estimated cost of replacing interest-rate swaps, forward agreements and purchased caps and floors if the counterparty defaults, *minus* the value of any related collateral. In determining maximum credit risk, the FHLBanks consider, with respect to each counterparty, accrued interest receivables and payables as well as the legal right to offset assets and liabilities. This calculation of maximum credit risk excludes circumstances where a counterparty's pledged collateral to an FHLBank exceeds the FHLBank's net position.

Table 62 - Derivative Counterparty Credit Exposure at December 31, 2010 (dollars in millions)

Credit Rating(1)	Notional Amount	Credit Exposure Net of Cash Collateral	Other Collateral Held	Net Exposure After Collateral
Triple-A	$ 1,496	$ 3	$ –	$ 3
Double-A	274,665	385	278	107
Single-A	498,641	486	429	57
Triple-B	9,499	1	–	1
Unrated(2)	126	–	–	–
	784,427	875	707	168
Member Institutions(3)	2,737	16	14	2
Total derivatives	$787,164	$891	$721	$170

(1) This chart does not reflect any changes in rating, outlook or watch status occurring after December 31, 2010. The ratings were obtained from S&P, Moody's and/or Fitch.

(2) Represents one broker-dealer used to purchase or sell forward contracts relating to TBA MBS to hedge the market value of commitments on fixed-rate mortgage loans. All broker-dealer counterparties are subjected to thorough credit review procedures in accordance with an FHLBank's risk management policy. There was less than $1 million exposure at December 31, 2010 related to this unrated counterparty.

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

Excluding fully collateralized interest-rate exchange agreements in which the FHLBanks are intermediaries for members, 98.8 percent of the notional amount of the FHLBanks' outstanding interest-rate exchange agreements at December 31, 2010 were with counterparties rated single-A or higher.

Operational Risk

Operational risk is the risk of potential loss due to:

- human error;
- systems malfunctions;
- man-made or natural disasters;
- fraud; or
- circumvention or failure of internal controls.

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

Business Risk

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

Each FHLBank's board of directors and management try to mitigate these business risks through long-term strategic planning and by continually monitoring economic indicators and their external environment.

FHLBank Member Concentration Risk

A number of FHLBanks also have member concentration risk. An FHLBank's financial strategies are generally designed to enable it to safely expand and contract its assets, liabilities and capital in response to changes in its member base and in its members' credit needs. An FHLBank's capital generally grows when members are required to purchase additional capital stock as they increase their advances borrowings or other business activities with their FHLBank. Some FHLBanks may also repurchase excess capital stock from members as business activities with those members decline. In addition, an individual FHLBank, at the discretion of its board of directors or management, could undertake the following capital preservation initiatives in order to meet internally established thresholds or meet its regulatory capital requirement: (1) voluntarily reduce or eliminate the payment of dividends, (2) suspend excess capital stock repurchases, or (3) raise the capital stock holding requirements for its members. As a result of these strategies, the FHLBanks have been able to achieve their mission by meeting member credit needs and managing fluctuations in assets, liabilities and capital.

A number of FHLBanks have concentrations in advances and therefore analyze the implications for their financial management and profitability if they were to lose the advances of one or more of these members. (See ***Security Ownership of Certain Beneficial Owners—Top 10 Advance Holding Borrowers by Holding Company at Par Value*** for the FHLBank System's concentration risk and ***Top 5 Advance Holding Borrowers by FHLBank*** for more information regarding each FHLBank's concentration risk.)

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

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

The magnitude of the effect would depend, in part, on the FHLBank's size and profitability at the time the institution ceases to be a borrower.

Each FHLBank describes its risk management policies, including disclosures about its concentration risk, if any, in its periodic reports filed with the SEC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial Statements

The combined financial statements and accompanying notes, including the Report of the Audit Committee and the Report of Independent Registered Public Accounting Firm, begin on page F-1 of this Combined Financial Report.

Supplementary Financial Data

Table 63 - Selected Quarterly Combined Results of Operations (Unaudited) (dollars in millions)

	2010 Quarter Ended			
	December 31	September 30	June 30	March 31
Total interest income	$3,341	$3,753	$3,741	$3,675
Total interest expense	2,075	2,346	2,415	2,440
Net interest income before provision for credit losses	1,266	1,407	1,326	1,235
Provision for credit losses	25	14	11	8
Net interest income after provision for credit losses	1,241	1,393	1,315	1,227
Total other (loss) income	1	(209)	(679)	(549)
Total other expense	308	228	173	223
Total assessments	236	224	137	130
Net income (loss)	$ 698	$ 732	$ 326	$ 325

	2009 Quarter Ended			
	December 31	September 30	June 30	March 31
Total interest income	$3,991	$ 4,521	$5,553	$6,844
Total interest expense	2,659	3,160	4,060	5,598
Net interest income before provision for credit losses	1,332	1,361	1,493	1,246
Provision for credit losses	4	4	6	4
Net interest income after provision for credit losses	1,328	1,357	1,487	1,242
Total other (loss) income	(317)	(1,245)	245	(469)
Total other expense	259	220	217	247
Total assessments	200	57	392	181
Net income (loss)	$ 552	$ (165)	$1,123	$ 345

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

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

CONTROLS AND PROCEDURES

FHLBanks

The management of each FHLBank is required under applicable laws and regulations to establish and maintain controls and procedures, which include disclosure controls and procedures as well as adequate internal control over financial reporting, as such controls and procedures and internal control over financial reporting relate to that FHLBank only. Each of the FHLBank's management assessed the effectiveness of their individual internal control over financial reporting as of December 31, 2010, based on the framework established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on their assessment, each FHLBank's management concluded, as of December 31, 2010, that their individual internal control over financial reporting is effective based on the criteria established in *Internal Control—Integrated Framework.* Additionally, the independent registered public accounting firm of each FHLBank opined that the individual FHLBank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010. (See *Item 8—Financial Statements and Supplementary Data* or *Item 9A—Controls and Procedures* of each FHLBank's 2010 SEC Form 10-K for its *Management's Report on Internal Control over Financial Reporting*.)

Each of the FHLBanks indicated that there were no changes to its internal control over financial reporting during the fiscal quarter ended December 31, 2010 that materially affected, or are reasonably likely to affect, its internal control over financial reporting.

Office of Finance Controls and Procedures over Combined Financial Reporting Combining Process

The Office of Finance is not responsible for the preparation, accuracy or adequacy of the information or financial data provided by the FHLBanks to the Office of Finance for use in preparing the combined financial reports, or for the quality or effectiveness of the disclosure controls and procedures or internal control over financial reporting of the FHLBanks as they relate to such information and financial data. Each FHLBank is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting with respect to the information and financial data provided to the Office of Finance. Although the Office of Finance is not an SEC registrant, Finance Agency regulations require that the combined financial report form and content generally be consistent with SEC Regulations S-K and S-X, as interpreted by the Finance Agency. The Office of Finance is not required to establish and maintain, and in light of the nature of its role has not established and maintained, disclosure controls and procedures and internal control over financial reporting at the FHLBank System level comparable to those maintained by each FHLBank. The Office of Finance has established procedures and controls concerning the FHLBanks' submission of information, and financial data to the Office of Finance, the process of combining the financial statements of the individual FHLBanks and the review of such information.

The Office of Finance does not independently verify the financial information submitted by each FHLBank, including the disclosures in the financial statements of the individual FHLBanks that comprise the combining schedules included in this Combined Financial Report. Therefore, the Office of Finance may be unable to detect or prevent a significant misstatement in this Combined Financial Report.

In July 2010, the Office of Finance's audit committee was restructured to implement the Finance Agency's regulations that were effective June 2, 2010. (See ***Legislative and Regulatory Developments—Finance Agency—Final Rules*** for more discussion about the restructuring of the Office of Finance's board of directors and its audit committee.)

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

The charter of the audit committee of the Office of Finance's board of directors is available on the Office of Finance's website at www.fhlb-of.com. This web site address is provided as a matter of convenience only, and its contents are not made part of this report and are not intended to be incorporated by reference into this report.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Each FHLBank is a cooperative; therefore, the members and former members own all the stock of the FHLBanks, all of the directors of each FHLBank are elected by the membership, and the FHLBanks conduct their advances almost exclusively with members. (See ***Business—Capital, Capital Rules and Dividends*** for information on the FHLBanks capital structure.)

Members

Table 64 - Membership by Type of Member

	December 31, 2010	
	Number	Percent of Total Members
Commercial banks	5,507	70.2%
Thrifts	1,083	13.8%
Credit unions	1,030	13.1%
Insurance companies	227	2.9%
CDFI[1]	2	–
Total	7,849	100.0%

(1) Community Development Financial Institutions.

During the year ended December 31, 2010, 41 FHLBank members withdrew from FHLBank membership for reasons other than merger or acquisition and 36 members gave notice of intent to withdraw from FHLBank membership for reasons other than merger or acquisition. None of the affected FHLBanks expect these withdrawals to have a material adverse effect on its results of operations or financial condition.

Table 65 - Regulatory Capital Stock Held by Type of Member (dollars in millions)

	December 31, 2010	
	Amount	Percent of Regulatory Capital Stock
Commercial banks	$26,771	54.9%
Thrifts	9,087	18.6%
Credit unions	2,540	5.2%
Insurance companies	3,336	6.8%
CDFI[1]	1	–
Total GAAP capital stock	41,735	85.5%
MRCS[2]	7,066	14.5%
Total regulatory capital stock	$48,801	100.0%

(1) Community Development Financial Institutions.

(2) Mandatorily redeemable capital stock, which is considered capital for regulatory purposes.

Table 66 - Member Borrowers by Type of Member

	December 31, 2010	
	Number	Percent of Total Member Borrowers
Commercial banks	3,796	74.5%
Thrifts	797	15.6%
Credit unions	413	8.1%
Insurance companies	90	1.8%
Total	5,096	100.0%

The percentage of total members borrowing decreased to 64.9 percent at December 31, 2010, as compared to 70.1 percent at December 31, 2009. The 68 borrowers with advance holdings of $1 billion or more at December 31, 2010 held 62.9 percent of total advances. The 85 borrowers with advance holdings of $1 billion or more at December 31, 2009 held 66.1 percent of total advances.

Table 67 - Advances at Par Value by Type of Borrower (dollars in millions)

	December 31, 2010	
	Par Value(1)	Percent of Total Par Value of Advances
Commercial bank members	$263,635	56.8%
Thrift members	107,367	23.2%
Credit union members	26,105	5.6%
Insurance company members	45,090	9.7%
Total member advances	442,197	95.3%
Non-member borrowers	20,672	4.5%
Housing associates	1,117	0.2%
Total par value of advances	$463,986	100.0%

(1) Total advance amounts are at par value and differ from that reported in the Combined Statement of Condition. The differences between the par value and book value amounts relate primarily to basis adjustments arising from hedging activities.

Housing Associates

At December 31, 2010, the FHLBanks had $1.1 billion in advances outstanding to 23 housing associates, up from $608 million to 13 housing associates at December 31, 2009. Housing associates eligible to borrow include 43 state housing finance agencies, 10 county housing finance agencies, 4 housing development corporations, 3 city housing authorities, and 1 tribal housing corporation.

Top 10 Advance Holding Borrowers by Holding Company

The information on advances presented in Table 68 is accumulated at the holding-company level. Holding company information was obtained from the Federal Reserve System's web site, the NIC and SEC filings. The NIC is a central repository of data about banks and other institutions for which the Federal Reserve System has a supervisory, regulatory, or research interest, including both domestic and foreign banking organizations operating in the United States. The percentage of total advances presented in Table 68 for each holding company was computed by dividing the par amount of advances by subsidiaries of that holding company by the total combined par amount of advances. These percentage concentrations do not represent borrowing concentrations in an individual FHLBank.

Table 68 - Top 10 Advance Holding Borrowers by Holding Company at December 31, 2010 (dollars in millions)

Holding Company Name	FHLBank Districts(1)	Advances(2)	Percent of Total Advances
Bank of America Corporation	Boston, New York, Atlanta, Indianapolis, Chicago, San Francisco, Seattle	$ 43,840	9.4%
Citigroup Inc.	New York, Pittsburgh, Dallas, San Francisco	28,690	6.2%
JPMorgan Chase & Co.	New York, San Francisco, Seattle	25,175	5.4%
Hudson City Bancorp, Inc.	New York	17,025	3.7%
MetLife, Inc.	Boston, New York	16,445	3.5%
Banco Santander, S.A.	New York, Pittsburgh	10,710	2.3%
BB&T Corporation	Atlanta	10,362	2.2%
New York Community Bancorp, Inc.	New York, Cincinnati	8,566	1.8%
U.S. Bancorp	Cincinnati, Chicago, Des Moines, San Francisco	8,424	1.8%
Navy Federal Credit Union	Atlanta	8,239	1.8%
		$177,476	38.1%

(1) Each holding company had subsidiaries with advance borrowings at December 31, 2010 in the FHLBank districts as presented in Table 68.

(2) Member advance amounts and the total advance amount are at par value, and the total advance amount will differ from that reported in the Combined Statement of Condition. The differences between the par value and book value amounts primarily relate to basis adjustments arising from hedging activities.

Five Largest Advance Holding Borrowers from Each FHLBank

Table 69 presents information on the five largest borrowers from each FHLBank at December 31, 2010. The information presented on borrowings in Table 69 is for individual FHLBank members. The data is not aggregated to the holding-company level. Some of the institutions listed are affiliates of the same holding company, and some of the institutions listed may have affiliates that are members but that are not listed in the tables. Each FHLBank describes its risk management policies, including disclosures about its concentration risk, if any, in its periodic reports filed with the SEC. (See ***Explanatory Statement about FHLBanks Combined Financial Report***.)

Table 69 - Top 5 Advance Holding Borrowers by FHLBank at December 31, 2010 (dollars in millions)

District	Name	Holding Company Names[1]	Advances[2]	Percent of FHLBank Advances[3]
Boston	RBS Citizens, N.A.		$ 4,133	15.1%
	Bank of America Rhode Island, N.A.	Bank of America Corporation	2,587	9.4%
	NewAlliance Bank		2,112	7.7%
	Webster Bank, National Association		766	2.8%
	Salem Five Cents Savings Bank		564	2.1%
			$10,162	37.1%
New York	Hudson City Savings Bank, FSB[4]	Hudson City Bancorp, Inc.	$17,025	22.1%
	Metropolitan Life Insurance Company	MetLife, Inc.	12,555	16.3%
	New York Community Bank[4]	New York Community Bancorp, Inc.	7,793	10.1%
	MetLife Bank, N.A.	MetLife, Inc.	3,790	4.9%
	Manufacturers and Traders Trust Company		2,758	3.6%
			$43,921	57.0%
Pittsburgh	Sovereign Bank	Banco Santander, S.A.	$ 9,825	34.6%
	Ally Bank		5,298	18.7%
	PNC Bank, N.A.		1,500	5.3%
	Citizens Bank of Pennsylvania		930	3.3%
	Susquehanna Bank		899	3.2%
			$18,452	65.1%
Atlanta	Bank of America, National Association	Bank of America Corporation	$25,040	29.4%
	Branch Banking and Trust Company[4]	BB&T Corporation	10,362	12.2%
	Navy Federal Credit Union	Navy Federal Credit Union	8,239	9.7%
	Regions Bank		4,210	5.0%
	E*TRADE Bank		2,304	2.7%
			$50,155	59.0%
Cincinnati	U.S. Bank, N.A.	U.S. Bancorp	$ 7,315	24.8%
	PNC Bank, National Association[5]		4,000	13.6%
	Fifth Third Bank[5]		1,536	5.2%
	Western-Southern Life Assurance Co.		1,225	4.1%
	RBS Citizens, N.A.		1,007	3.4%
			$15,083	51.1%
Indianapolis	Flagstar Bank, FSB[4]		$ 3,726	21.1%
	Jackson National Life Insurance Company		1,765	10.0%
	LaSalle Bank Midwest N.A.[5]	Bank of America Corporation	900	5.1%
	Citizens Bank		804	4.6%
	First Indiana		800	4.5%
			$ 7,995	45.3%

District	Name	Holding Company Names[1]	Advances[2]	Percent of FHLBank Advances[3]
Chicago	Harris National Association		$ 2,375	12.7%
	Associated Bank, National Association		2,001	10.7%
	State Farm Bank, F.S.B.		1,800	9.6%
	M & I Marshall & Ilsley Bank		1,441	7.7%
	Bank of America, National Association[5]	Bank of America Corporation	1,251	6.7%
			$ 8,868	47.4%
Des Moines	Transamerica Life Insurance Company		$ 4,500	15.8%
	TCF National Bank		2,850	10.0%
	Aviva Life and Annuity Company		2,772	9.7%
	ING USA Annuity and Life Insurance Company		1,579	5.5%
	Principal Life Insurance Company		1,000	3.5%
			$12,701	44.5%
Dallas	Wells Fargo Bank South Central, N.A.		$ 3,998	16.0%
	Comerica Bank		2,500	10.0%
	Beal Bank Nevada		1,435	5.7%
	International Bank of Commerce		950	3.8%
	First National Bank		584	2.3%
			$ 9,467	37.8%
Topeka	MidFirst Bank		$ 3,088	16.3%
	Capitol Federal Savings Bank		2,376	12.6%
	Pacific Life Insurance Company		1,500	7.9%
	Security Life of Denver Insurance Co.		1,350	7.1%
	Security Benefit Life Insurance Co.		1,259	6.7%
			$ 9,573	50.6%
San Francisco	Citibank, NA[4]	Citigroup Inc.	$28,488	30.0%
	JPMorgan Bank & Trust Company, National Association	JPMorgan Chase & Co.	20,950	22.1%
	Bank of America California, N.A.	Bank of America Corporation	9,954	10.5%
	OneWest Bank, FSB		5,900	6.2%
	Bank of the West		4,641	4.9%
			$69,933	73.7%
Seattle	Bank of America Oregon, NA	Bank of America Corporation	$ 4,108	31.6%
	Washington Federal Savings and Loan Association		1,850	14.2%
	Capmark Bank		946	7.3%
	Central Pacific Bank		551	4.3%
	Sterling Savings Bank		306	2.4%
			$ 7,761	59.8%

(1) The holding company name is only shown for each Top 5 regulatory capital stockholder that has its holding company listed in Table 68 - Top 10 Advance Holding Borrowers by Holding Company.

(2) Member advance amounts and the total advance amounts are at par value, and the total advance amount will not agree to the Combined Statement of Condition. The differences between the par value and book value amounts relate primarily to basis adjustments arising from hedging activities.

(3) For consistency with the individual FHLBank's presentation of its top 5 advance holders at December 31, 2010, amounts used to calculate percentages of FHLBank advances are based on numbers in thousands. Accordingly, recalculations using the amounts in millions as presented in this report may not produce the same results.

(4) Indicates that an officer or director of the member was an FHLBank director at December 31, 2010.

(5) Non-member stockholder.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Each FHLBank is a member-owned cooperative, whose members elect a majority of that FHLBank's directors from among the officers and directors of its members. The FHLBanks conduct their advances and mortgage loan business almost exclusively with members. As a result, in the normal course of business, the FHLBanks regularly extend credit to members whose officers and/or directors may serve as directors of the FHLBanks. This credit is extended on market terms that are no more favorable to these "related" members than comparable transactions with other members of the same FHLBank. As of December 31, 2010, the FHLBanks had $76.1 billion of advances outstanding to members whose officers and/or directors were serving as directors of the FHLBanks. This represented 16.4 percent of total advances at par value at that date.

An FHLBank may also purchase short-term investments, Federal funds and mortgage-backed securities from members. All investments are market-rate transactions and all mortgage-backed securities are purchased through securities brokers or dealers. (See each FHLBank's 2010 SEC Form 10-K under *Item 13—Certain Relationships and Related Transactions, and Director Independence* for additional information regarding certain relationships and related transactions with its members.)

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Table 70 presents the aggregate fees billed to the FHLBanks by their principal independent public accountant, PricewaterhouseCoopers LLP.

Table 70 - Principal Accountant Fees (dollars in millions)

	Year Ended December 31, 2010	Year Ended December 31, 2009
Audit fees	$10.9	$13.2
Audit-related fees	0.9	0.9
Tax fees	–	0.1
All other fees	0.5	0.1
Total fees	$12.3	$14.3

The *audit fees* for the years ended December 31, 2010 and 2009 were for professional services rendered for the annual audits and quarterly reviews of the individual and combined financial statements of the FHLBanks, and for review of financial information related to the FHLBanks' SEC filings.

The *audit-related fees* for the years ended December 31, 2010 and 2009 were for assurance and related services primarily related to accounting consultations, FHLBank capital plan conversions and internal control reviews.

The *tax fees* for the year ended December 31, 2009 were for consultation services primarily related to tax withholding matters.

All *other fees* for the years ended December 31, 2010 and 2009 were for services rendered for non-financial information system related consulting. No fees were paid to the principal independent public accountant for financial information system design and implementation.

Each FHLBank's audit committee and the audit committee of the board of directors of the Office of Finance pre-approve audit and non-audit services provided by the principal independent public accountant to the entity it oversees. Also, each audit committee annually considers whether the services identified under the caption "all other fees" and rendered to the entity it oversees are compatible with maintaining the principal accountants' independence.

OFFICE OF FINANCE AUDIT COMMITTEE REPORT

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

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

In connection with its responsibilities in preparing combined financial reports and combined financial statements, the OF is responsible for combining the financial information it receives from each of the FHLBanks. Each FHLBank is responsible for the financial information and the underlying data it provides to the OF for inclusion in the combined financial reports and combined financial statements. Based on Finance Agency regulation and guidance related to the combined financial reports, the OF Board's Audit Committee responsibilities are limited to the oversight of the preparation of the combined financial reports with regard to the basis and approach to combining information from the FHLBanks. The Audit Committee is not responsible for overseeing the reliability and integrity of the accounting policies and financial reporting of the individual FHLBanks or the accuracy of the information that they submit to the OF.

The Audit Committee has reviewed and discussed the audited combined financial statements with senior management of the OF, and discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has also received the written disclosures and the letter from the independent accountant required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the Audit Committee concerning independence, and has discussed with the independent auditor the independent auditor's independence.

Based on the review and discussions referred to above, the OF Board determined to include the audited combined financial statements in the FHLBanks' 2010 Combined Financial Report.

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

March 30, 2011

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REPORT OF INDEPENDENT AUDITORS

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

In our opinion, the accompanying combined statements of condition and the related combined statements of operations, capital and cash flows present fairly, in all material respects, the combined financial position of the Federal Home Loan Banks (the "FHLBanks") at December 31, 2010 and 2009, and the combined results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. These combined financial statements are the responsibility of the management of the FHLBanks Office of Finance and the FHLBanks. Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits of these combined financial statements in accordance with auditing standards generally accepted in the United States of America and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, effective January 1, 2009, the FHLBanks adopted guidance that revises the recognition and reporting requirements for other-than-temporary impairments of debt securities classified as either available-for-sale or held-to-maturity.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole; we have also audited each of the individual FHLBank's financial statements and have also issued separate reports on the financial statements of each of the FHLBanks. The combining information shown on pages F-90 to F-123 is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual FHLBanks. However, the combining information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is presented fairly in all material respects in relation to the combined financial statements taken as a whole.

PricewaterhouseCoopers LLP

McLean, Virginia
March 30, 2011

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CONDITION

(Dollars in millions and capital stock shares in thousands)

	December 31, 2010	December 31, 2009
ASSETS		
Cash and due from banks (*Note 3*)	$ 3,801	$ 24,330
Interest-bearing deposits	9	11
Securities purchased under agreements to resell (*Note 4*)	16,400	7,175
Federal funds sold	75,855	54,597
Investment securities:		
Trading securities, includes $243 and $188 pledged as collateral in 2010 and 2009 that may be repledged (*Note 5*)	28,291	22,247
Available-for-sale securities, includes $358 and $738 pledged as collateral in 2010 and 2009 that may be repledged (*Note 6*)	71,459	52,488
Held-to-maturity securities, includes $1,354 and $1,423 pledged as collateral in 2010 and 2009 that may be repledged (1) (*Note 7*)	138,456	147,833
Total investment securities	238,206	222,568
Advances, includes $10,494 and $21,620 at fair value under fair value option in 2010 and 2009 (*Note 9*)	478,589	631,159
Mortgage loans held for portfolio:		
Mortgage loans held for portfolio (*Note 10*)	61,277	71,469
Less allowance for credit losses on mortgage loans (*Note 11*)	(86)	(32)
Mortgage loans held for portfolio, net	61,191	71,437
Accrued interest receivable	1,921	2,466
Premises, software and equipment, net	229	208
Derivative assets, net (*Note 12*)	897	674
Other assets	1,011	958
Total assets	$878,109	$1,015,583
LIABILITIES		
Deposits (*Note 13*):		
Interest-bearing	$ 13,980	$ 15,589
Non-interest-bearing	421	308
Total deposits	14,401	15,897
Securities sold under agreements to repurchase (*Note 14*)	1,200	1,200
Consolidated obligations, net (*Note 15*):		
Discount notes, includes $5,820 at fair value under fair value option in 2010	194,431	198,532
Bonds, includes $47,395 and $53,805 at fair value under fair value option in 2010 and 2009	606,567	736,344
Total consolidated obligations, net	800,998	934,876
Mandatorily redeemable capital stock	7,066	8,138
Accrued interest payable	2,471	3,802
Affordable Housing Program payable (*Note 16*)	773	791
Payable to REFCORP (*Note 17*)	159	121
Derivative liabilities, net (*Note 12*)	5,467	5,228
Other liabilities, includes $11 at fair value under fair value option in 2010	833	1,721
Subordinated notes (*Note 18*)	1,000	1,000
Total liabilities	834,368	972,774
Commitments and contingencies (*Notes 22 and 23*)		
CAPITAL (*Note 19***)**		
Capital Stock:		
Class B putable ($100 par value) issued and outstanding shares: 386,845 shares in 2010 and 422,264 shares in 2009	38,683	42,227
Class A putable ($100 par value) issued and outstanding shares: 7,198 shares in 2010 and 4,261 shares in 2009	719	427
Pre-conversion ($100 par value) issued and outstanding shares: 23,333 shares in 2010 and 23,277 shares in 2009	2,333	2,328
Total capital stock	41,735	44,982
Retained earnings	7,552	6,033
Accumulated other comprehensive income (loss):		
Net unrealized gains on available-for-sale securities (*Note 6*)	841	453
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities	(8)	(22)
Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities (*Note 8*)	(1,310)	(2,182)
Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities (*Note 8*)	(4,441)	(6,149)
Net unrealized losses relating to hedging activities (*Note 12*)	(579)	(267)
Pension and postretirement benefits (*Note 20*)	(49)	(39)
Total accumulated other comprehensive income (loss)	(5,546)	(8,206)
Total capital	43,741	42,809
Total liabilities and capital	$878,109	$1,015,583

(1) Fair values: $140,266 and $146,191 at December 31, 2010 and 2009

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

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF INCOME

(Dollars in millions)

	Year Ended December 31,		
	2010	2009	2008
INTEREST INCOME			
Advances	$ 4,606	$ 9,763	$29,653
Prepayment fees on advances, net	533	166	82
Interest-bearing deposits	15	67	90
Securities purchased under agreements to resell	42	25	47
Federal funds sold	150	134	1,737
Trading securities	343	401	406
Available-for-sale securities	1,268	638	338
Held-to-maturity securities	4,362	5,839	8,744
Mortgage loans held for portfolio	3,187	3,873	4,495
Other	4	3	3
Total interest income	14,510	20,909	45,595
INTEREST EXPENSE			
Consolidated obligations—Discount notes	667	2,174	9,927
Consolidated obligations—Bonds	8,462	13,156	29,841
Deposits	17	23	411
Securities sold under agreements to repurchase	18	26	64
Subordinated notes	57	57	57
Mandatorily redeemable capital stock	54	40	50
Other borrowings	1	1	2
Total interest expense	9,276	15,477	40,352
NET INTEREST INCOME	5,234	5,432	5,243
Provision for credit losses	58	18	11
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	5,176	5,414	5,232
OTHER (LOSS) INCOME			
Total other-than-temporary impairment losses	(1,125)	(11,197)	–
Net amount of impairment losses reclassified to accumulated other comprehensive loss	54	8,766	–
Net other-than-temporary impairment losses recognized in income	(1,071)	(2,431)	–
Realized losses on other-than-temporarily impaired securities	–	–	(2,025)
Net gains (losses) on trading securities	69	(140)	260
Net realized gains from sale of available-for-sale securities	20	7	9
Net realized gains from sale of held-to-maturity securities	8	17	4
Net (losses) gains on advances, consolidated obligations and other liabilities held under fair value option	(106)	(457)	883
Net (losses) gains on derivatives and hedging activities	(302)	1,207	(1,559)
Service fees	35	32	29
Other, net	(89)	(21)	49
Total other (loss) income	(1,436)	(1,786)	(2,350)
OTHER EXPENSE			
Compensation and benefits	533	487	445
Other operating expenses	327	326	287
Finance Agency/Finance Board	55	42	41
Office of Finance	39	35	34
(Reversal) provision for derivative counterparty credit losses	(55)	35	252
Other	33	18	17
Total other expense	932	943	1,076
INCOME BEFORE ASSESSMENTS	2,808	2,685	1,806
ASSESSMENTS			
Affordable Housing Program	229	258	188
REFCORP	498	572	412
Total assessments	727	830	600
NET INCOME	$ 2,081	$ 1,855	$ 1,206

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

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CAPITAL
YEAR ENDED DECEMBER 31, 2010, 2009 AND 2008

(Dollars and shares in millions)

	Capital Stock										
	Class B[(1)]		Class A[(1)]		Pre-conversion[(1)]		Total[(1)]			Accumulated Other	
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value	Retained Earnings	Comprehensive Income (Loss)	Total Capital
BALANCE, DECEMBER 31, 2007	468	$ 46,701	9	$ 891	27	$2,661	504	$ 50,253	$ 3,689	$ (345)	$ 53,597
Adjustment to opening balance relating to pension and postretirement benefits and fair value option guidance	–	–	–	–	–	–	–	–	16	–	16
Proceeds from sale of capital stock	295	29,484	6	614	1	115	302	30,213	–	–	30,213
Repurchase/redemption of capital stock	(232)	(23,216)	(6)	(615)	–	–	(238)	(23,831)	–	–	(23,831)
Net shares reclassified to mandatorily redeemable capital stock	(71)	(7,079)	(5)	(445)	(4)	(390)	(80)	(7,914)	–	–	(7,914)
Comprehensive income:											
Net income	–	–	–	–	–	–	–	–	1,206	–	1,206
Other comprehensive income (loss):											
Net unrealized gains (losses) on available-for-sale securities:											
Unrealized losses	–	–	–	–	–	–	–	–	–	(422)	(422)
Reclassification of losses included in net income	–	–	–	–	–	–	–	–	–	53	53
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities:											
Reclassification of losses included in net income	–	–	–	–	–	–	–	–	–	62	62
Net unrealized gains (losses) relating to hedging activities:											
Unrealized losses	–	–	–	–	–	–	–	–	–	(532)	(532)
Reclassification of losses included in net income	–	–	–	–	–	–	–	–	–	57	57
Pension and postretirement benefits	–	–	–	–	–	–	–	–	–	(10)	(10)
Total comprehensive income											414
Transfer between Class B and Class A shares	(3)	(307)	3	307	–	–	–	–	–	–	–
Dividends on capital stock:											
Cash	–	–	–	–	–	–	–	–	(1,144)	–	(1,144)
Stock	8	830	–	–	–	–	8	830	(831)	–	(1)
BALANCE, DECEMBER 31, 2008	465	46,413	7	752	24	2,386	496	49,551	2,936	(1,137)	51,350
Cumulative effect of adjustment relating to amended other-than-temporary impairment guidance	–	–	–	–	–	–	–	–	1,883	(1,883)	
Proceeds from sale of capital stock	56	5,689		27	1	102	57	5,818	–	–	5,818
Repurchase/redemption of capital stock	(66)	(6,559)	(1)	(118)	–	–	(67)	(6,677)	–	–	(6,677)
Net shares reclassified to mandatorily redeemable capital stock	(34)	(3,498)	(1)	(102)	(2)	(160)	(37)	(3,760)	–	–	(3,760)
Comprehensive income:											
Net income	–	–	–	–	–	–	–	–	1,855	–	1,855
Other comprehensive income (loss):											
Net unrealized gains (losses) on available-for-sale securities:											
Unrealized gains	–	–	–	–	–	–	–	–	–	946	946
Reclassification of gains included in net income	–	–	–	–	–	–	–	–	–	(83)	(83)
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities:											
Reclassification of losses included in net income	–	–	–	–	–	–	–	–	–	54	54
Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities:											
Noncredit portion, including losses transferred from held-to-maturity securities and subsequent fair value adjustments	–	–	–	–	–	–	–	–	–	(2,525)	(2,525)
Reclassification of noncredit portion included in net income	–	–	–	–	–	–	–	–	–	402	402
Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities:											
Net noncredit portion	–	–	–	–	–	–	–	–	–	(10,220)	(10,220)
Reclassification of noncredit portion included in net income	–	–	–	–	–	–	–	–	–	1,352	1,352
Accretion of noncredit portion	–	–	–	–	–	–	–	–	–	1,293	1,293
Reclassification of noncredit portion from held-to-maturity securities to available-for-sale securities	–	–	–	–	–	–	–	–	–	3,250	3,250
Net unrealized gains (losses) relating to hedging activities:											
Unrealized gains	–	–	–	–	–	–	–	–	–	302	302
Reclassification of losses included in net income	–	–	–	–	–	–	–	–	–	42	42
Pension and postretirement benefits	–	–	–	–	–	–	–	–	–	1	1
Total comprehensive loss											(3,331)
Transfer between Class B and Class A shares	1	132	(1)	(132)	–	–	–	–	–	–	–
Dividends on capital stock:											
Cash	–	–	–	–	–	–	–	–	(591)	–	(591)
Stock	–	50	–	–	–	–	–	50	(50)	–	–

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CAPITAL (continued)
YEAR ENDED DECEMBER 31, 2010, 2009 AND 2008

(Dollars and shares in millions)

	Capital Stock										
	Class B[1]		Class A[1]		Pre-conversion[1]		Total[1]			Accumulated Other	
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value	Retained Earnings	Comprehensive Income (Loss)	Total Capital
BALANCE, DECEMBER 31, 2009	422	42,227	4	427	23	2,328	449	44,982	6,033	(8,206)	42,809
Adjustment for cumulative effect of accounting change—fair value guidance for scope exception related to embedded credit derivatives	–	–	–	–	–	–	–	–	25	–	25
Proceeds from sale of capital stock	37	3,553	–	4	1	70	38	3,627	–	–	3,627
Repurchase/redemption of capital stock	(65)	(6,511)	–	–	–	–	(65)	(6,511)	–	–	(6,511)
Net shares reclassified to mandatorily redeemable capital stock	(3)	(215)	(1)	(129)	(1)	(65)	(5)	(409)	–	–	(409)
Comprehensive income:											
Net income	–	–	–	–	–	–	–	–	2,081	–	2,081
Other comprehensive income (loss):											
Net unrealized gains (losses) on available-for-sale securities:											
Unrealized gains	–	–	–	–	–	–	–	–	–	398	398
Reclassification of gains included in net income	–	–	–	–	–	–	–	–	–	(10)	(10)
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities:											
Reclassification of losses included in net income	–	–	–	–	–	–	–	–	–	14	14
Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities:											
Noncredit portion, including losses transferred from held-to maturity securities and subsequent fair value adjustments	–	–	–	–	–	–	–	–	–	(133)	(133)
Reclassification of gains included in net income	–	–	–	–	–	–	–	–	–	(10)	(10)
Reclassification of noncredit portion included in net income	–	–	–	–	–	–	–	–	–	355	355
Unrealized gains	–	–	–	–	–	–	–	–	–	660	660
Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities:											
Net noncredit portion	–	–	–	–	–	–	–	–	–	(1,051)	(1,051)
Reclassification of noncredit portion included in net income	–	–	–	–	–	–	–	–	–	639	639
Accretion of noncredit portion	–	–	–	–	–	–	–	–	–	1,437	1,437
Reclassification of noncredit portion from held-to-maturity securities to available-for-sale securities	–	–	–	–	–	–	–	–	–	683	683
Net unrealized gains (losses) relating to hedging activities:											
Unrealized losses	–	–	–	–	–	–	–	–	–	(301)	(301)
Reclassification of gains included in net income	–	–	–	–	–	–	–	–	–	(11)	(11)
Pension and postretirement benefits	–	–	–	–	–	–	–	–	–	(10)	(10)
Total comprehensive income											4,741
Transfer between Class B and Class A shares	(4)	(417)	4	417	–	–	–	–	–	–	–
Dividends on capital stock:											
Cash	–	–	–	–	–	–	–	–	(541)	–	(541)
Stock	–	46	–	–	–	–	–	46	(46)	–	–
BALANCE, DECEMBER 31, 2010	387	$ 38,683	7	$ 719	23	$2,333	417	$ 41,735	$ 7,552	$ (5,546)	$ 43,741

(1) Putable

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

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CASH FLOWS

(Dollars in millions)

	Year Ended December 31,		
	2010	2009	2008
OPERATING ACTIVITIES			
Net income	$ 2,081	$ 1,855	$ 1,206
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	72	(1,500)	(463)
Change in net derivative and hedging activities	1,949	723	1,344
Net other-than-temporary impairment losses recognized in income	1,071	2,431	–
Realized losses on other-than-temporarily impaired securities	–	–	2,025
Other adjustments	(16)	49	247
Net change in fair value adjustments on trading securities	(68)	169	(297)
Net change in fair value adjustments on advances, consolidated obligations and other liabilities held under fair value option	106	457	(883)
Net change in:			
Trading securities	149	(780)	(499)
Accrued interest receivable	523	1,746	1,183
Other assets	(48)	(85)	(265)
Accrued interest payable	(1,329)	(2,526)	(1,825)
Other liabilities[(1)]	85	174	(386)
Total adjustments	2,494	858	181
Net cash provided by operating activities	4,575	2,713	1,387
INVESTING ACTIVITIES			
Net change in:			
Interest-bearing deposits	(11)	53,809	(59,398)
Securities purchased under agreements to resell	(9,225)	(280)	(6,095)
Federal funds sold	(21,258)	(14,299)	45,519
Premises, software and equipment	(54)	(70)	(51)
Trading securities:			
Net increase in short-term	(6,237)	(7,343)	(2,242)
Proceeds from long-term	3,488	3,697	3,554
Purchases of long-term	(2,946)	(5,602)	(6,767)
Available-for-sale securities:			
Net decrease (increase) in short-term	3,480	(6,758)	(2,294)
Proceeds from long-term	6,997	6,105	2,655
Purchases of long-term	(25,125)	(30,137)	(9,036)
Held-to-maturity securities:			
Net (increase) decrease in short-term	(2,713)	5,275	34,972
Proceeds from long-term	42,441	39,439	26,961
Purchases of long-term	(33,393)	(22,427)	(51,365)
Advances:			
Proceeds	1,556,077	3,331,163	8,518,268
Made	(1,404,056)	(3,046,597)	(8,551,560)
Mortgage loans held for portfolio:			
Principal collected	16,417	21,415	12,022
Purchases	(6,504)	(7,996)	(7,700)
Mortgage loans held for sale:			
Proceeds	–	2,124	–
Principal collected	–	128	–
Proceeds from sales of foreclosed assets	154	75	58
Principal collected on other loans	2	2	1
Net cash provided by (used in) investing activities	117,534	321,723	(52,498)

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CASH FLOWS (continued)

(Dollars in millions)

	Year Ended December 31,		
	2010	2009	2008
FINANCING ACTIVITIES			
Net change in:			
Deposits and pass-through reserves	(2,573)	(137)	(3,826)
Borrowings	4	(409)	166
Net (payments) proceeds on derivative contracts with financing element	(1,742)	(1,607)	1,665
Net proceeds from issuance of consolidated obligations:			
Discount notes	6,754,406	7,200,128	10,848,109
Bonds	533,165	506,688	554,624
Payments for maturing and retiring consolidated obligations:			
Discount notes	(6,758,372)	(7,440,075)	(10,784,163)
Bonds	(662,620)	(582,306)	(547,180)
Proceeds from issuance of capital stock	3,627	5,818	30,213
Payments for repurchase/redemption of mandatorily redeemable capital stock	(1,481)	(1,758)	(2,912)
Payments for repurchase/redemption of capital stock	(6,511)	(6,677)	(23,831)
Cash dividends paid	(541)	(591)	(1,254)
Net cash (used in) provided by financing activities	(142,638)	(320,926)	71,611
Net (decrease) increase in cash and cash equivalents	(20,529)	3,510	20,500
Cash and due from banks at beginning of the period	24,330	20,820	320
Cash and due from banks at end of the period	$ 3,801	$ 24,330	$ 20,820
Supplemental Disclosures:			
Interest paid	$ 11,254	$ 19,593	$ 41,073
AHP payments, net	$ 249	$ 277	$ 269
REFCORP assessments paid	$ 411	$ 406	$ 785
Transfers of mortgage loans to real estate owned	$ 213	$ 160	$ 99
Transfers of mortgage loans held for portfolio to mortgage loans held for sale	$ 121	$ 2,414	$ –
Transfers of mortgage loans held for sale to mortgage loans held for portfolio	$ –	$ 163	$ –
Transfers of other-than-temporarily impaired held-to-maturity securities to available-for-sale securities	$ 2,902	$ 5,341	$ –
Transfers from held-to-maturity securities to trading	$ 390	$ –	$ –

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Background Information

These financial statements present the combined financial position and combined results of operations of the 12 Federal Home Loan Banks (FHLBanks). The FHLBanks serve the public by enhancing the availability of credit for residential mortgages and targeted community development. They are financial cooperatives that provide a readily available, competitively-priced source of funds to their member institutions. All members must purchase stock in their district's FHLBank. Member institutions own nearly all of the capital stock of each FHLBank. Former members[1] own the remaining capital stock to support business transactions still carried on the FHLBanks' Combined Statement of Condition. All holders of an FHLBank's capital stock may, to the extent declared by the FHLBank's board of directors, receive dividends on their capital stock. Regulated financial depositories and insurance companies engaged in residential housing finance may apply for membership. Additionally, effective February 4, 2010, authorized Community Development Financial Institutions are eligible to be members of an FHLBank. State and local housing authorities that meet certain statutory and regulatory criteria may also borrow from the FHLBanks; while eligible to borrow, housing associates are not members of the FHLBanks and, as such, are not allowed to hold capital stock.

Each FHLBank operates as a separate entity with its own management, employees and board of directors. The FHLBanks do not have any special purpose entities or any other type of off-balance sheet conduits.

The former Federal Housing Finance Board (Finance Board) was an independent agency in the executive branch of the U.S. government that supervised and regulated the FHLBanks and the Federal Home Loan Banks' Office of Finance (Office of Finance) through July 29, 2008. With the passage of the "Housing and Economic Recovery Act of 2008" (the Housing Act), the Federal Housing Finance Agency (Finance Agency) was established and became the new independent Federal regulator (the Regulator) of the FHLBanks, Federal Home Loan Mortgage Corporation (Freddie Mac) and Federal National Mortgage Association (Fannie Mae), effective July 30, 2008. The Finance Board was merged into the Finance Agency as of October 27, 2008. Pursuant to the Housing Act, all regulations, orders, determinations, and resolutions that were issued, made, prescribed, or allowed to become effective by the Finance Board will remain in effect until modified, terminated, set aside, or superseded by the Finance Agency Director, any court of competent jurisdiction, or operation of law. References throughout this document to regulations of the Finance Agency also include the regulations of the Finance Board where they remain applicable. The Finance Agency's stated mission with respect to the FHLBanks is to provide effective supervision, regulation and housing mission oversight of the FHLBanks to promote their safety and soundness, support housing finance and affordable housing, and support a stable and liquid mortgage market.

The Office of Finance is a joint office of the FHLBanks established to facilitate the issuance and servicing of the debt instruments of the FHLBanks, known as consolidated obligations, and to prepare the combined quarterly and annual financial reports of all 12 FHLBanks. As provided by the amended FHLBank Act and applicable regulations, consolidated obligations are backed only by the financial resources of all 12 FHLBanks. Consolidated obligations are the primary source of funds for the FHLBanks in addition to deposits, other borrowings and capital stock issued to members. Each FHLBank primarily uses these funds to provide advances to members. Certain FHLBanks also use these funds to acquire mortgage loans from members (acquired member assets (AMA)) through their respective FHLBank's Mortgage Purchase Program (MPP) or the Mortgage Partnership Finance (MPF®)[2] Program. In addition, some FHLBanks offer their member institutions correspondent services, such as wire transfer, security safekeeping, and settlement services.

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

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

Note 1—Summary of Significant Accounting Policies

Basis of Presentation

Principles of Combination. The combined financial statements include the financial statements and records of the 12 FHLBanks that are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). Material transactions among the FHLBanks have been eliminated in accordance with combination accounting principles similar to consolidation under GAAP. The most significant transactions between the FHLBanks are: 1) transfers of direct liability on consolidated bonds between FHLBanks, which occur when consolidated bonds issued on behalf of one FHLBank are transferred to and assumed by another FHLBank and 2) purchases of consolidated bonds and discount notes, which occur when consolidated obligations issued on behalf of one FHLBank are purchased by another FHLBank in the open market. (See the ***Federal Home Loan Banks Combining Schedules*** for the combining adjustments made to the combined financial statements.)

Transfers of Direct Liability on Consolidated Bonds between FHLBanks. The transferring FHLBank treats the transfer as a debt extinguishment because it is released from being the primary obligor when the Office of Finance records the transfer, pursuant to its duties under applicable regulations. The assuming FHLBank then becomes the primary obligor while the transferring FHLBank has a contingent liability because it still has joint and several liability with respect to repaying the transferred consolidated bonds.

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

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

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

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

Segment Reporting. Finance Agency regulations consider each FHLBank to be a segment. (See ***Federal Home Loan Banks Combining Schedules*** for segment information.)

Reclassifications. The FHLBank of Chicago reclassified $238 million and $15 million from consolidated bond interest expense to consolidated discount note interest expense to properly reflect the interest expense incurred relative to certain cash-flow hedges for the years ended December 31, 2009 and 2008. The Combined Statement of Income also reflects a reclassification of $49 million and $10 million from interest income on advances to prepayment fees on advances, net for the years ended December 31, 2009 and 2008 related to a change in presentation for the FHLBank of Chicago. Additionally, certain other amounts in the 2009 and 2008 financial statements have been reclassified to conform to the financial statement presentation for the year ended December 31, 2010.

Subsequent Events. For purposes of this combined financial report, subsequent events have been evaluated through the date of this Combined Financial Report. (See ***Note 23—Subsequent Events*** for more information.)

Significant Accounting Policies

The following summary of significant accounting policies has been compiled from the 12 FHLBanks' individual summaries of significant accounting policies. While the 12 FHLBanks' accounting and financial reporting policies are not necessarily always identical, each FHLBank is responsible for establishing its own accounting and financial reporting policies in accordance with GAAP. The following paragraphs describe the more significant accounting policies followed by the FHLBanks, including the more notable alternatives acceptable under GAAP.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires each FHLBank's management to make subjective assumptions and estimates that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expense. The most significant of these estimates include the determination of other-than-temporary impairments of securities and fair value of derivatives, certain advances, certain investment securities and certain consolidated obligations that are reported at fair value in the Combined Statement of Condition. Actual results could differ from these estimates significantly.

Fair Value. The fair value amounts, recorded on the Combined Statement of Condition and presented in the note disclosures, have been determined by the FHLBanks using available market information and each FHLBank's best judgment of appropriate valuation methods. These estimates are based on pertinent information available to the FHLBanks at December 31, 2010 and 2009. 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 21—Fair Value*** for more information.)

Interest-Bearing Deposits, Securities Purchased under Agreements to Resell, and Federal Funds Sold

These investments provide short-term liquidity and are carried at cost. Interest-bearing deposits include certificates of deposit and bank notes not meeting the definition of a security. The FHLBanks treat securities purchased under agreements to resell as collateralized financings.

Investment Securities

The FHLBanks classify investment securities as trading, available-for-sale (AFS) and held-to-maturity (HTM) at the date of acquisition. Purchases and sales of securities are recorded on a trade date basis.

Trading. Securities classified as trading are held for liquidity purposes and carried at fair value. The FHLBanks record changes in the fair value of these investments through other income as "Net gains (losses) on trading securities." Finance Agency regulation and each FHLBank's risk management policy prohibit trading in or the speculative use of these instruments and limit credit risk arising from these instruments.

Available-for-Sale. Securities that are not classified as HTM or trading are classified as AFS and are carried at fair value. The FHLBanks record changes in the fair value of these securities in accumulated other comprehensive income (loss) (AOCI) as "Net unrealized gains (losses) on available-for-sale securities." For AFS securities that have been hedged and qualify as a fair-value hedge, the FHLBanks record the portion of the change in value related to the risk being hedged in other income as "Net gains (losses) on derivatives and hedging activities" together with the related change in the fair value of the derivative, and record the remainder of the change in the fair value of the investment in AOCI as "Net unrealized gains (losses) on available-for-sale securities." For AFS that have been hedged and qualify as a cash-flow hedge, the FHLBanks record the effective portion of the change in value of the derivative related to the risk being hedged in AOCI as "Net unrealized gains (losses) relating to hedging activities." The ineffective portion is recorded in other income and presented as "Net gains (losses) on derivatives and hedging activities."

Held-to-Maturity. Securities that the FHLBanks have both the ability and intent to hold to maturity are classified as HTM and are carried at amortized cost, adjusted for periodic principal repayments, amortization of premiums and accretion of discounts, and previous other-than-temporary impairment (OTTI) recognized in net income and AOCI.

Certain changes in circumstances may cause an FHLBank to change its intent to hold a security to maturity without calling into question its intent to hold other debt securities to maturity in the future. Thus, the sale or transfer of an HTM security due to certain changes in circumstances, such as evidence of significant deterioration in the issuer's creditworthiness or changes in regulatory requirements, is not considered to be inconsistent with its original classification. Other events that are isolated, non-recurring, and unusual for the FHLBanks that could not have been reasonably anticipated may cause an FHLBank to sell or transfer an HTM security without necessarily calling into question its intent to hold other debt securities to maturity. In addition, sales of debt securities that meet either of the following two conditions may be considered as maturities for purposes of the classification of securities:

1. the sale occurs near enough to its maturity date (or call date if exercise of the call is probable) that interest-rate risk is substantially eliminated as a pricing factor and the changes in market interest rates would not have a significant effect on the security's fair value, or

2. the sale of a security occurs after the FHLBank has already collected a substantial portion (at least 85 percent) of the principal outstanding at acquisition due either to prepayments on the debt security or to scheduled payments on a debt security payable in equal installments (both principal and interest) over its term.

Premiums and Discounts. The FHLBanks amortize purchased premiums and accrete purchased discounts on investment securities using either the contractual level-yield method (contractual method) or the retrospective level-yield method (retrospective method) over the estimated cash flows of the securities. The contractual method recognizes the income effects of premiums and discounts over the contractual life of the securities based on the actual behavior of the underlying assets, including adjustments for actual prepayment activities, and reflects the contractual terms of the securities without regard to changes in estimated prepayments based on assumptions about future borrower behavior. The retrospective method requires that an FHLBank estimate prepayments over the estimated life of the securities and make a retrospective adjustment of the effective yield each time that it changes the estimated life as if the new estimate had been known since the original acquisition date of the securities.

Gains and Losses on Sales. The FHLBanks compute gains and losses on sales of investment securities using the specific identification method and include these gains and losses in other income (loss).

Investment Securities—Other-than-Temporary Impairment

Each FHLBank evaluates its individual AFS and HTM securities in unrealized loss positions for OTTI on at least a quarterly basis. A security is considered impaired when its fair value is less than its amortized cost basis. An FHLBank considers an OTTI to have occurred under any of the following conditions:

- It has an intent to sell the impaired debt security;
- If, based on available evidence, it believes it is more likely than not that it will be required to sell the impaired debt security before the recovery of its amortized cost basis; or
- It does not expect to recover the entire amortized cost basis of the impaired debt security.

Recognition of OTTI. If any of these conditions are met, an FHLBank recognizes an OTTI charge in earnings equal to the entire difference between the security's amortized cost basis and its fair value as of the statement of condition date. For securities in an unrealized loss position that do not meet either of these conditions, the entire loss position, or total OTTI, is evaluated to determine the extent and amount of credit loss.

To determine whether a credit loss exists, each FHLBank performs an analysis, which includes a cash flow test for private-label MBS, to determine if it will recover the entire amortized cost basis of each of these securities. The present value of the cash flows expected to be collected is compared to the amortized cost basis of the debt security. If there is a credit loss (the difference between the present value of the cash flows expected to be collected and the amortized cost basis of the debt security), the carrying value of the debt security is adjusted to its fair value. However, rather than recognizing the entire difference between the amortized cost basis and fair value in earnings, only the amount of the impairment representing the credit loss (i.e., the credit component) is recognized in earnings, while the amount related to all other factors (i.e., the non-credit component) is recognized in AOCI, which is a component of capital.

The total OTTI is presented in the statement of income with an offset for the amount of the non-credit portion of OTTI that is recognized in AOCI. The remaining amount in the statement of income represents the credit loss for the period.

Accounting for OTTI Recognized in AOCI. For subsequent accounting of OTTI securities, if the present value of cash flows expected to be collected is less than the amortized cost basis, an FHLBank would record an additional OTTI. The amount of total OTTI for an AFS or HTM security that was previously impaired is determined as the difference between its amortized cost less the amount of OTTI recognized in AOCI prior to the determination of OTTI and its fair value. For certain other-than-temporarily impaired securities that were previously impaired and have subsequently incurred additional credit losses during 2010, the additional credit losses, up to the amount in AOCI, were reclassified out of non-credit losses in AOCI and charged to earnings.

Subsequent related increases and decreases (if not an OTTI) in the fair value of AFS securities will be netted against the non-credit component of OTTI recognized previously in AOCI. For debt securities classified as HTM, the OTTI recognized in AOCI is accreted to the carrying value of each security on a prospective basis, based on the amount and timing of future estimated cash flows (with no effect on earnings unless the security is subsequently sold or there are additional decreases in cash flows expected to be collected). For debt securities classified as AFS, the FHLBanks do not accrete the OTTI recognized in AOCI to the carrying value because the subsequent measurement basis for these securities is fair value.

Interest Income Recognition. There are two acceptable subsequent interest income recognition methods under GAAP. Upon subsequent evaluation of a debt security where there is no additional OTTI, all FHLBanks, except for the FHLBanks of Chicago and Topeka, adjust the accretable yield on a prospective basis if there is a significant increase in the security's expected cash flows. Each of the FHLBanks of Chicago and Topeka adjusts the accretable yield when there is a favorable change in the timing and amount of a security's expected cash flows. Under both accounting methods, the estimated cash flows and accretable yield are re-evaluated on a quarterly basis.

As of the impairment measurement date, a new accretable yield is calculated for the impaired investment security. This yield is then used to calculate the amount to be recognized into income over the remaining life of the security so as to match the amount and timing of future cash flows expected to be collected. Subsequent changes in estimated cash flows change the accretable yield on a prospective basis.

Accounting Prior to 2009. Prior to adoption of current accounting guidance for OTTI on investment securities, if an impairment was determined to be other-than-temporary, then an impairment loss was recognized in earnings in an amount equal to the entire difference between the security's amortized cost basis and its fair value at the statement of condition date of the reporting period for which the assessment was made. An FHLBank would conclude that a loss was other-than-temporary if it was probable that the FHLBank would not receive all of the investment security's contractual cash flows. As part of this analysis, an FHLBank had to assess its intent and ability to hold a security until recovery of any unrealized losses. The FHLBanks adopted the current accounting guidance for OTTI as of January 1, 2009, and recognized the effects of adoption as a change in accounting principle. The FHLBanks recognized the $1,883 million cumulative effect of initial application of the guidance as an adjustment to their retained earnings at January 1, 2009, with an offsetting adjustment to AOCI.

Advances

The FHLBanks report advances (loans to members, former members or housing associates) either at amortized cost or fair value when the fair value option is elected. Advances carried at amortized cost are reported net of premiums, discounts (including discounts related to Affordable Housing Program (AHP)), unearned commitment fees and hedging adjustments. The FHLBanks amortize/accrete premiums and discounts, and recognize unearned commitment fees and hedging adjustments to interest income using a level-yield methodology. The FHLBanks record interest on advances to interest income as earned. Advances carried at fair value recognize contractual interest into interest income.

Advance Modifications. In cases in which the FHLBanks fund a new advance concurrent with or within a short period of time before or after the prepayment of an existing advance, the FHLBanks evaluate whether the new advance meets the accounting criteria to qualify as a modification of an existing advance or whether it constitutes a new advance. The FHLBanks compare the present value of cash flows on the new advance to the present value of cash flows remaining on the existing advance. If there is at least a 10 percent difference in the cash flows or if the FHLBanks conclude the difference between the advances is more than minor based on a qualitative assessment of the modifications made to the advance's original contractual terms, then the advance is accounted for as a new advance. In all other instances, the new advance is accounted for as a modification.

Prepayment Fees. The FHLBanks charge a borrower a prepayment fee when the borrower prepays certain advances before the original maturity. The FHLBanks record prepayment fees net of basis adjustments related to hedging activities included in the book basis of the advance as "Prepayment fees on advances, net" in the interest income section of the Combined Statement of Income.

If a new advance does not qualify as a modification of an existing advance, it is treated as an advance termination and any prepayment fee, net of hedging adjustments, is recorded to "Prepayment fees on advances, net" in the interest income section of the Combined Statement of Income.

If a new advance qualifies as a modification of an existing advance, any prepayment fee, net of hedging adjustments, is deferred, recorded in the basis of the modified advance, and amortized using a level-yield methodology over the life of the modified advance to advance interest income. If the modified advance is hedged and meets hedge accounting requirements, the modified advance is marked to benchmark or full fair value, depending on the risk being hedged, and subsequent fair value changes that are attributable to the hedged risk are recorded in other income.

Mortgage Loans Held for Portfolio

Each FHLBank classifies mortgage loans that it has the intent and ability to hold for the foreseeable future or until maturity or payoff as held for portfolio. Accordingly, these mortgage loans are reported net of premiums, discounts, deferred loan fees or costs, hedging adjustments, and the allowance for credit losses.

Premiums and Discounts. The FHLBanks defer and amortize/accrete premiums and discounts paid to and received by an FHLBank's participating financial institution members (PFIs), deferred loan fees or costs, and hedging basis adjustments to interest income using either the contractual method or the retrospective method. In determining prepayment estimates for the retrospective method, mortgage loans are aggregated by similar characteristics (type, maturity, note rate and acquisition date).

Credit Enhancement Fees. For conventional mortgage loans, PFIs retain a portion of the credit risk on the loans they sell to the FHLBanks by providing credit enhancement either through a direct liability to pay credit losses up to a specified amount or through a contractual obligation to provide supplemental mortgage insurance (SMI). PFIs are paid a credit enhancement fee (CE Fee) for assuming credit risk and in some instances all or a portion of the CE Fee may be performance-based. CE Fees are paid monthly based on the remaining unpaid principal balance of the loans in a master commitment. CE Fees are recorded as an offset to mortgage loan interest income. To the extent the FHLBanks experience losses in a master commitment, they may be able to recapture CE fees paid to the PFIs to offset these losses.

Other Fees. The FHLBanks may receive other non-origination fees, such as delivery commitment extension fees, pair-off fees, and price adjustment fees. Delivery commitment extension fees are received when a PFI requests to extend the delivery commitment period beyond the original stated maturity. These fees compensate the FHLBanks for lost interest as a result of late funding and are recorded in other income as received. Pair-off fees represent a make-whole provision and are received when the amount funded is less than a specific percentage of the delivery commitment amount and are recorded in other income. Price adjustment fees are received when the amount funded is greater than a specified percentage of the delivery commitment amount and represent purchase price adjustments to the related loans acquired and are recorded as a part of the loan basis.

Allowance for Credit Losses

Establishing Allowance for Credit Loss. An allowance for credit losses is a valuation allowance separately established for each identified portfolio segment, if it is probable that impairment has occurred in an

FHLBank's portfolio as of the statement of condition date and the amount of loss can be reasonably estimated. To the extent necessary, an allowance for credit losses for off-balance sheet credit exposures is recorded as a liability. (See ***Note 11—Allowance for Credit Losses*** for details on each allowance methodology.)

Portfolio Segments. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. Each of the FHLBanks has developed and documented a systematic methodology for determining an allowance for credit losses, where applicable, for:

1. advances, letters of credit and other extensions of credit to members, collectively referred to as credit products;
2. government-guaranteed or -insured mortgage loans held for portfolio;
3. conventional MPF Loans held for portfolio;
4. conventional MPP Loans held for portfolio;
5. other loans;
6. term securities purchased under agreements to resell; and
7. term federal funds sold.

Classes of Financing Receivables. Classes of financing receivables generally are a disaggregation of a portfolio segment to the extent that it is needed to understand the exposure to credit risk arising from these financing receivables. The FHLBanks determined that no further disaggregation of the portfolio segments is needed as the credit risk arising from these financing receivables is assessed and measured by each FHLBank at the portfolio segment level.

Non-accrual Loans. The FHLBanks place a conventional mortgage loan on non-accrual status if it is determined that either (1) the collection of interest or principal is doubtful or (2) interest or principal is past due for 90 days or more, except when the loan is well-secured and in the process of collection (e.g., through credit enhancements). As such, FHLBanks do not place conventional mortgage loans over 90 days delinquent on nonaccrual status when losses are not expected to be incurred. For those mortgage loans placed on non-accrual status, accrued but uncollected interest is charged against interest income. The FHLBanks record cash payments received first as interest income and then as a reduction of principal as specified in the contractual agreement, unless the collection of the remaining principal amount due is considered doubtful. If the collection of the remaining principal amount due is considered doubtful then cash payments received would be applied first solely to principal until the remaining principal amount due is expected to be collected and then as a recovery of any charge-off, if applicable, followed by recording interest income. A loan on non-accrual status may be restored to accrual when (1) none of its contractual principal and interest is due and unpaid, and an FHLBank expects repayment of the remaining contractual interest and principal or (2) it otherwise becomes well secured and in the process of collection.

Impairment Methodology. A loan is considered impaired when, based on current information and events, it is probable that an FHLBank will be unable to collect all amounts due according to the contractual terms of the loan agreement.

Loans that are on non-accrual status and that are considered collateral-dependent are measured for impairment based on the fair value of the underlying property less estimated selling costs. Loans are considered collateral-dependent if repayment is expected to be provided solely by the sale of the underlying property; that is, there is no other available and reliable source of repayment. Collateral-dependent loans are impaired if the fair value of the underlying collateral is insufficient to recover the unpaid principal balance on the loan. Interest income on impaired loans is recognized in the same manner as non-accrual loans noted above.

Charge-off Policy. The FHLBanks evaluate whether to record a charge-off on a conventional mortgage loan upon the occurrence of a confirming event. Confirming events include, but are not limited to, the occurrence of foreclosure or notification of a claim against any of the credit enhancements. A charge-off is recorded if the recorded investment in that loan will not be recovered.

Real Estate Owned

Real estate owned (REO) includes assets that have been received in satisfaction of debt through foreclosures. REO is initially recorded at fair value less estimated selling costs and is subsequently carried at the lower of that amount or current fair value less estimated selling costs. The FHLBanks recognize a charge-off to the allowance for credit losses if the fair value of the REO less estimated selling costs is less than the recorded investment in the loan at the date of transfer from loans to REO. Any subsequent realized gains, realized or unrealized losses and carrying costs are included in other non-interest expense in the Combined Statement of Income. REO is recorded in other assets in the Combined Statement of Condition.

Derivatives

All derivatives are recognized on the Combined Statement of Condition at their fair values and are reported as either, derivative assets or derivative liabilities, net of cash collateral and accrued interest from counterparties.

<u>Derivative Designations.</u> Each derivative is designated as one of the following:

1. a qualifying hedge of the change in fair value of a recognized asset or liability or an unrecognized firm commitment (a fair-value hedge);
2. a qualifying hedge of a forecasted transaction or the variability of cash flows that are to be received or paid in connection with a recognized asset or liability (a cash-flow hedge);
3. a non-qualifying hedge (economic hedge) for asset-liability management purposes; or
4. a non-qualifying hedge of another derivative (an intermediation hedge) that is offered as a product to members or used to offset other derivatives with non-member counterparties.

<u>Accounting for Qualifying Hedges.</u> If hedging relationships meet certain criteria, including, but not limited to, formal documentation of the hedging relationship and an expectation to be highly effective, they qualify for hedge accounting and the offsetting changes in fair value of the hedged items may be recorded either in earnings (fair-value hedges) or AOCI (cash-flow hedges). Two approaches to hedge accounting include:

1. Long-haul hedge accounting. The application of long-haul hedge accounting generally requires an FHLBank to formally assess (both at the hedge's inception and at least quarterly) whether the derivatives that are used in hedging transactions have been effective in offsetting changes in the fair value or cash flows of hedged items or forecasted transactions and whether those derivatives may be expected to remain effective in future periods.
2. Short-cut hedge accounting. Transactions that meet certain criteria qualify for the short-cut method of hedge accounting in which an assumption can be made that the change in fair value of a hedged item, due to changes in the benchmark rate, exactly offsets the change in fair value of the related derivative. Under the short-cut method, the entire change in fair value of the interest-rate swap is considered to be effective at achieving offsetting changes in fair values or cash flows of the hedged asset or liability.

Derivatives are typically executed at the same time as the hedged item, and each FHLBank designates the hedged item in a qualifying hedge relationship at the trade date. In many hedging relationships, an FHLBank may designate the hedging relationship upon its commitment to disburse an advance or trade a consolidated obligation in which settlement occurs within the shortest period of time possible for the type of instrument based on market settlement conventions. An FHLBank then records the changes in fair value of the derivative and the hedged item beginning on the trade date.

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

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

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

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

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

Accrued Interest Receivables and Payables. The differentials between accruals of interest receivables and payables on derivatives designated as fair-value or cash-flow hedge relationships are recognized as adjustments to the income or expense of the designated hedged item. The differentials between accruals of interest receivables and payables on intermediated derivatives for members and other economic hedges are recognized in other income as "Net gains (losses) on derivatives and hedging activities."

Discontinuance of Hedge Accounting. An FHLBank discontinues hedge accounting prospectively when:

- it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including hedged items such as firm commitments or forecasted transactions);
- the derivative and/or the hedged item expires or is sold, terminated, or exercised;
- it is no longer probable that the forecasted transaction will occur in the originally expected period;
- a hedged firm commitment no longer meets the definition of a firm commitment; or
- management determines that designating the derivative as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued, an FHLBank either terminates the derivative or continues to carry the derivative on the statement of condition at its fair value, ceases to adjust the hedged asset or liability for changes in fair value, and amortizes the cumulative basis adjustment on the hedged item into earnings over the remaining life of the hedged item using a level-yield methodology.

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

Under limited circumstances, when an FHLBank discontinues cash-flow hedge accounting because it is no longer probable that the forecasted transaction will occur by the end of the originally specified time period, or within the following two months, but it is probable the transaction will still occur in the future, the gain or loss on the derivative remains in AOCI and is recognized as earnings when the forecasted transaction affects earnings. However, if it is probable that a forecasted transaction will not occur by the end of the originally specified time period or within the following two months, the gains and losses that were AOCI are recognized immediately in earnings.

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

Embedded Derivatives. The FHLBanks may issue debt, make advances, or purchase financial instruments in which a derivative instrument is "embedded." Upon execution of these transactions, an FHLBank assesses whether the economic characteristics of the embedded derivative are clearly and closely related to the economic characteristics of the remaining component of the advance, debt or purchased financial instrument (the host contract) and whether a separate, non-embedded instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument. The embedded derivative is separated from the host contract, carried at fair value, and designated as a stand-alone derivative instrument pursuant to an economic hedge when an FHLBank determines that (1) the embedded derivative has economic characteristics that are not clearly and closely related to the economic characteristics of the host contract and (2) a separate, stand-alone instrument with the same terms would qualify as a derivative instrument. However, if the entire contract (the host contract and the embedded derivative) is to be measured at fair value, with changes in fair value reported in current-period earnings (such as an investment security classified as "trading" as well as hybrid financial instruments that are eligible for the fair value option), or if the FHLBank cannot reliably identify and measure the embedded derivative for purposes of separating that derivative from its host contract, the entire contract is carried at fair value and no portion of the contract is designated as a hedging instrument.

Premises, Software and Equipment, Net

The FHLBanks record premises, software and equipment at cost less accumulated depreciation and amortization and computes depreciation using the straight-line method over the estimated useful lives of assets, which range from one to 40 years. The FHLBanks amortize leasehold improvements using the straight-line method over the shorter of the estimated useful life of the improvement or the remaining term of the lease. The FHLBanks may capitalize improvements and major renewals but expense ordinary maintenance and repairs when incurred. The FHLBanks include gains and losses on the disposal of premises, software and equipment in other income (loss).

The cost of computer software developed or obtained for internal use is capitalized and amortized over future periods. At December 31, 2010 and 2009, the FHLBanks had $110 million and $106 million in unamortized computer software costs. Amortization of computer software costs charged to expense was $36 million, $41 million and $35 million for the years ended December 31, 2010, 2009 and 2008.

Accumulated Depreciation and Amortization. At December 31, 2010 and 2009, the accumulated depreciation and amortization related to premises, software and equipment was $445 million and $406 million.

Depreciation and Amortization Expense. For the years ended December 31, 2010, 2009 and 2008, the depreciation and amortization expense for premises, software and equipment was $62 million, $60 million and $55 million.

Consolidated Obligations

Consolidated obligations are recorded at amortized cost unless an FHLBank has elected the fair value option, in which case, the consolidated obligations are carried at fair value.

Discounts and Premiums. The FHLBanks accrete/amortize discounts and premiums as well as hedging basis adjustments on consolidated obligations to interest expense using a level-yield methodology over the term to maturity or the estimated life of the corresponding consolidated obligation.

Concessions. The FHLBanks pay concessions to dealers in connection with the issuance of certain consolidated obligations. The Office of Finance prorates the amount of the concession to each FHLBank based upon the percentage of the debt issued that is assumed by that FHLBank. Concessions paid on consolidated obligations designated under the fair value option are expensed as incurred in other non-interest expense. Concessions paid on consolidated obligations not designated under the fair value option are deferred and amortized, using a level-yield methodology, over the terms to maturity or the estimated lives of the consolidated obligations. Unamortized concessions are included in "Other assets" and the amortization of such concessions is included in consolidated obligation interest expense.

Mandatorily Redeemable Capital Stock

The FHLBanks reclassify stock subject to redemption from capital stock to a liability after a member provides written notice of redemption, gives notice of intention to withdraw from membership, or attains non-member status by merger or acquisition, charter termination, or other involuntary termination from membership, because the member's shares will then meet the definition of a mandatorily redeemable financial instrument. Shares meeting this definition are reclassified to a liability at fair value. Dividends declared on shares classified as a liability are accrued at the expected dividend rate and reflected as interest expense in the Combined Statement of Income. The repurchase or redemption of mandatorily redeemable capital stock is reflected as a financing cash outflow in the Combined Statement of Cash Flows.

If a member cancels its written notice of redemption or notice of withdrawal, the FHLBank will reclassify mandatorily redeemable capital stock from liabilities to capital. After the reclassification, dividends on the capital stock will no longer be classified as interest expense.

Finance Agency/Finance Board Expenses

The FHLBanks funded the costs of operating the Finance Board, and fund a portion of the costs of operating the Finance Agency since it was created on July 30, 2008. The Finance Board allocated its operating and capital expenditures to the FHLBanks based on each FHLBank's percentage of total combined regulatory capital stock plus retained earnings through July 29, 2008. The portion of the Finance Agency's expenses and working capital fund paid by the FHLBanks are allocated among the FHLBanks based on the *pro rata* share of the annual assessments (which are based on the ratio between each FHLBank's minimum required regulatory capital and the aggregate minimum required regulatory capital of every FHLBank).

Office of Finance Expenses

The FHLBanks are assessed for the costs of operating the Office of Finance. The Office of Finance allocates its operating and capital expenditures based equally on each FHLBank's percentage of capital stock, percentage of consolidated obligations issued and percentage of consolidated obligations outstanding.

Assessments

Affordable Housing Program (AHP). The FHLBank Act requires each FHLBank to establish and fund an AHP, providing subsidies to members to assist in the purchase, construction, or rehabilitation of housing for very low-to-moderate-income households. Each of the FHLBanks charges the required funding for AHP to earnings and establishes a liability. An FHLBank issues AHP advances at interest rates below the customary interest rate for non-subsidized advances. A discount on the AHP advance and charge against AHP liability is recorded for the present value of the variation in the cash flow caused by the difference in the interest rate between the AHP advance rate and that FHLBank's related cost of funds for comparable maturity funding. As an alternative, that FHLBank has the authority to make the AHP subsidy available to members as a grant. The discount on AHP advances is accreted to interest income on advances using a level-yield methodology over the life of the advance. (See ***Note 16—Affordable Housing Program (AHP)*** for more information.)

Resolution Funding Corporation (REFCORP). Although the FHLBanks are exempt from ordinary federal, state, and local taxation, except for local real estate tax, they are required to make quarterly payments to REFCORP to be used to pay a portion of the interest on bonds that were issued by REFCORP. REFCORP is a corporation established by Congress in 1989 to provide funding for the resolution and disposition of insolvent savings institutions. Officers, employees, and agents of the Office of Finance are authorized to act for and on behalf of REFCORP to carry out the functions of REFCORP. (See ***Note 17—Resolution Funding Corporation (REFCORP)*** for more information.)

Note 2—Recently Adopted and Issued Accounting Guidance

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

On July 21, 2010, the Financial Accounting Standards Board (FASB) issued amended guidance to enhance disclosures about an entity's allowance for credit losses and the credit quality of its financing receivables. The amended guidance requires all public and nonpublic entities with financing receivables, including loans, lease receivables and other long-term receivables, to provide disclosure of the following: (1) the nature of credit risk inherent in financing receivables; (2) how that risk is analyzed and assessed in arriving at the allowance for credit losses; and (3) the changes and reasons for those changes in the allowance for credit losses. Both new and existing disclosures must be disaggregated by portfolio segment or class of financing receivable. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. Short-term accounts receivable, receivables measured at fair value or at the lower of cost or fair value, and debt securities are exempt from this amended guidance. The required disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on December 31, 2010. The required disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on January 1, 2011. The adoption of this amended guidance resulted in increased financial statement disclosures, but did not affect the FHLBanks' combined financial condition, combined results of operations or combined cash flows. (See ***Note 1—Summary of Significant Accounting Policies Allowance for Credit Losses*** and ***Note 11—Allowance for Credit Losses*** for additional disclosures required under this amended guidance.)

On January 19, 2011, the FASB issued guidance to defer temporarily the effective date of disclosures about troubled debt restructurings required by the amended guidance on disclosures about the credit quality of financing receivables and the allowance for credit losses. The effective date for these new disclosures will be coordinated with the effective date of the guidance for determining what constitutes a troubled debt restructuring. Currently, that guidance is anticipated to be effective for interim and annual periods ending after June 15, 2011.

Scope Exception Related to Embedded Credit Derivatives

On March 5, 2010, the FASB issued amended guidance to clarify that the only type of embedded credit derivative feature related to the transfer of credit risk that is exempt from derivative bifurcation requirements is one that is in the form of subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination will need to assess those embedded credit derivatives to determine if bifurcation and separate accounting as a derivative is required. Upon adoption, entities are permitted to irrevocably elect the fair value option for any investment in a beneficial interest in a securitized financial asset. Any impairment would be recognized prior to applying the fair value option election. This amended guidance became effective on July 1, 2010. The adoption of this amended guidance resulted in a $25 million cumulative effect adjustment to the July 1, 2010 retained earnings balance and represented the difference between the amortized cost and fair value of certain held-to-maturity MBS with a carrying value of $390 million for which the fair value option was elected. Consistent with the guidance for fair value option accounting, once these MBS were reclassified from held-to-maturity to trading, subsequent fair value changes are immediately recognized in earnings. (See ***Combining Schedules—Statements of Capital for the Years Ended December 31, 2010, 2009 and 2008*** for additional information by each FHLBank.)

Fair Value Measurements and Disclosures—Improving Disclosures about Fair Value Measurements

On January 21, 2010, the FASB issued amended guidance for fair value measurements and disclosures. The update requires a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and to describe the reasons for the transfers. Furthermore, this update requires a reporting entity to present separately information about purchases, sales, issuances and settlements in the reconciliation for fair value measurements using significant unobservable inputs; clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value; and amends guidance on employers' disclosures about postretirement benefit plan assets to require that those disclosures be provided by classes of assets instead of by major categories of assets. The amended guidance became effective on January 1, 2010, except for the disclosures about purchases, sales, issuances and settlements in the rollforward of activity for Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning on January 1, 2011, and for interim periods within those fiscal years. In the period of initial adoption, entities are not required to provide the amended disclosures for any previous periods presented for comparative purposes. The FHLBanks adopted this amended guidance as of January 1, 2010, with the exception of the required changes noted above related to the rollforward of activity for Level 3 fair value measurements. The adoption resulted in increased financial statement disclosures but did not have any effect on the FHLBanks' combined financial condition, combined results of operations or combined cash flows. (See ***Note 21—Fair Value*** for additional disclosures required under this amended guidance.)

Accounting for the Consolidation of Variable Interest Entities

On June 12, 2009, the FASB issued guidance that is intended to improve financial reporting by enterprises involved with variable interest entities (VIEs) by providing more relevant and reliable information to financial statement users. This guidance amends the manner in which entities evaluate whether consolidation is required for VIEs. An entity must first perform a qualitative analysis in determining whether it must consolidate a VIE, and if the qualitative analysis is not determinative, the entity should perform a quantitative analysis. This guidance also requires that an entity continually evaluate VIEs for consolidation, rather than making such an assessment based upon the occurrence of triggering events. Additionally, the guidance requires enhanced disclosures about how an entity's involvement with a VIE affects its financial statements and its exposure to risks. The FHLBanks adopted this guidance as of January 1, 2010. The adoption has not had a material effect on the FHLBanks' combined financial condition, combined results of operations or combined cash flows.

Accounting for Transfers of Financial Assets

On June 12, 2009, the FASB issued guidance that is intended to improve the relevance, representational faithfulness, and comparability of information that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement in transferred financial assets. Key provisions of the guidance include: (1) the removal of the concept of qualifying special purpose entities; (2) the introduction of the concept of a participating interest, in circumstances in which a portion of a financial asset has been transferred; and (3) the requirement that to qualify for sale accounting, the transferor must evaluate whether it maintains effective control over the transferred financial assets either directly or indirectly. The guidance also requires enhanced disclosures about transfers of financial assets and a transferor's continuing involvement. The FHLBanks adopted this guidance as of January 1, 2010. The adoption has not had a material effect on the FHLBanks' combined financial condition, combined results of operations or combined cash flows.

Note 3—Cash and Due from Banks

Compensating Balances

The FHLBanks maintain collected cash balances with commercial banks in return for certain services. These agreements contain no legal restrictions on the withdrawal of funds. The average collected cash balances were $184 million and $90 million for the years ended December 31, 2010 and 2009.

In addition, the majority of the FHLBanks maintained average required balances with various Federal Reserve Banks of $64 million and $65 million for the years ended December 31, 2010 and 2009. These represent average balances required to be maintained over each 14-day reporting cycle; however, the FHLBanks may use earnings credits on these balances to pay for services received from the Federal Reserve Banks.

Pass-through Deposit Reserves

Certain of the FHLBanks act as pass-through correspondents for member institutions required to deposit reserves with the Federal Reserve Banks. The amount shown as cash and due from banks includes pass-through reserves deposited with the Federal Reserve Banks of $99 million and $331 million at December 31, 2010 and 2009.

Note 4—Securities Purchased Under Agreements to Resell

The FHLBanks periodically hold securities purchased under agreements to resell those securities. These amounts represent short-term loans and are classified as assets in the Combined Statement of Condition. These securities purchased under agreements to resell are held in safekeeping in the name of the relevant FHLBank by third-party custodians approved by the FHLBank. If the market value of the underlying securities decreases below the market value required as collateral, then the counterparty is required to (1) place an equivalent amount of additional securities in safekeeping in the name of the FHLBank or (2) remit an equivalent amount of cash, or the dollar value of the resale agreement will be decreased accordingly.

Note 5—Trading Securities

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

	December 31,	
	2010 Fair Value	2009 Fair Value
U.S. Treasury obligations	$ 3,068	$ 1,029
Commercial paper	2,349	2,590
Certificates of deposit and bank notes[1]	7,075	3,200
Government-sponsored enterprises[2]	12,355	9,452
State or local housing agency obligations	3	10
TLGP[3]	2,126	4,479
Other[4]	271	752
	27,247	21,512
Mortgage-backed securities:		
Other U.S. obligations residential MBS[5]	49	55
Government-sponsored enterprises residential MBS[6]	765	607
Government-sponsored enterprises commercial MBS[6]	230	73
Total mortgage-backed securities	1,044	735
Total	$28,291	$22,247

(1) Represents certificates of deposit and bank notes that meet the definition of an investment security.

(2) Primarily consists of debt securities issued or guaranteed by Freddie Mac and Fannie Mae.

(3) Represents corporate debentures issued or guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program (TLGP).

(4) Primarily consists of taxable municipal bonds.

(5) Primarily consists of securities issued or guaranteed by Government National Mortgage Association (Ginnie Mae).

(6) Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

At December 31, 2010 and 2009, 37.7 percent and 51.3 percent of the FHLBanks' fixed-rate trading securities were swapped to a variable rate and 46.3 percent and 1.9 percent of the FHLBanks' variable-rate trading securities were swapped to a different variable-rate index.

Table 5.2 - Net Gains (Losses) on Trading Securities (dollars in millions)

	2010	2009	2008
Net unrealized gains (losses) on trading securities held at period-end	$38	$(136)	$271
Net unrealized and realized gains (losses) on trading securities sold/matured during the year	31	(4)	(11)
Net gains (losses) on trading securities	$69	$(140)	$260

Note 6—Available-for-Sale Securities

Table 6.1 - AFS Securities by Major Security Type (dollars in millions)

	December 31, 2010				
	Amortized Cost[1]	OTTI Recognized in AOCI[2]	Gross Unrealized Gains[3]	Gross Unrealized Losses	Fair Value
Certificates of deposit[4]	$ 5,790	$ –	$ –	$ –	$ 5,790
Other U.S. obligations[5]	955	–	31	(2)	984
Government-sponsored enterprises and TVA[6]	10,980	–	253	(56)	11,177
TLGP[7]	10,560	–	18	(2)	10,576
FFELP ABS[8]	8,310	–	505	(16)	8,799
Other[9]	623	–	1	(47)	577
	37,218	–	808	(123)	37,903
Mortgage-backed securities:					
Other U.S. obligations residential MBS[5]	3,101	–	83	(5)	3,179
Government-sponsored enterprises residential MBS[10]	21,612	–	408	(8)	22,012
Government-sponsored enterprises commercial MBS[10]	304	–	–	(1)	303
Private-label residential MBS	9,349	(2,590)	1,291	(3)	8,047
Home equity loans	22	(13)	6	–	15
Total mortgage-backed securities	34,388	(2,603)	1,788	(17)	33,556
Total	$71,606	$(2,603)	$2,596	$(140)	$71,459

	December 31, 2009				
	Amortized Cost[1]	OTTI Recognized in AOCI[2]	Gross Unrealized Gains[3]	Gross Unrealized Losses	Fair Value
Certificates of deposit[4]	$ 9,270	$ –	$ –	$ –	$ 9,270
Other U.S. obligations[5]	752	–	10	–	762
Government-sponsored enterprises and TVA[6]	4,271	–	92	(53)	4,310
TLGP[7]	3,298	–	4	(3)	3,299
FFELP ABS[8]	8,790	–	534	(1)	9,323
Other[9]	432	–	–	(36)	396
	26,813	–	640	(93)	27,360
Mortgage-backed securities:					
Other U.S. obligations residential MBS[5]	1,579	–	44	(3)	1,620
Government-sponsored enterprises residential MBS[10]	17,533	–	102	(146)	17,489
Government-sponsored enterprises commercial MBS[10]	314	–	–	(4)	310
Private-label residential MBS	7,868	(2,762)	592	(3)	5,695
Home equity loans	27	(13)	–	–	14
Total mortgage-backed securities	27,321	(2,775)	738	(156)	25,128
Total	$54,134	$(2,775)	$1,378	$(249)	$52,488

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

(2) OTTI recognized in AOCI does not include $1,293 million and $593 million in unrealized gains in fair value of previously impaired AFS securities at December 31, 2010 and December 31, 2009.

(3) Gross unrealized gains include $1,293 million and $593 million in unrealized gains in fair value of previously impaired AFS securities and $322 million and $83 million in net hedging fair value adjustments at December 31, 2010 and December 31, 2009.

(4) Represents certificates of deposit that meet the definition of an investment security.

(5) Primarily consists of securities issued or guaranteed by Ginnie Mae, Small Business Administration (SBA) and Export-Import Bank of the U.S. (Ex-Im Bank).

(6) Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae, Federal Farm Credit Bank (FFCB) and Tennessee Valley Authority (TVA).

(7) Represents corporate debentures and/or promissory notes issued or guaranteed by FDIC under its TLGP.

(8) FFELP ABS are backed by Federal Family Education Loan Program (FFELP) student loans that are guaranteed by a guarantee agency and re-insured by the U.S. Department of Education.

(9) Primarily consists of debentures issued by a supranational entity (Inter-American Development Bank) and taxable municipal bonds.

(10) Primarily consists of securities issued or guaranteed by Freddie Mac and Fannie Mae.

See ***Note 8—Other-Than-Temporary-Impairment Analysis*** for information on the transfers between the AFS portfolio and HTM portfolio.

Table 6.2 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 6.2 - AFS Securities in a Continuous Unrealized Loss Position (dollars in millions)

	December 31, 2010					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses[6]
Government-sponsored enterprises and TVA[1]	$ 3,242	$(13)	$ 341	$ (43)	$ 3,583	$ (56)
TLGP	4,572	(2)	–	–	4,572	(2)
FFELP ABS	1,332	(16)	10	–	1,342	(16)
Other U.S. Obligations[2]	161	(2)	–	–	161	(2)
Other[3]	149	(9)	401	(37)	550	(46)[a]
Mortgage-backed securities:						
Other U.S. Obligations residential MBS[2]	1,126	(5)	–	–	1,126	(5)
Government-sponsored enterprises residential MBS[4]	979	(5)	506	(3)	1,485	(8)
Government-sponsored enterprises commercial MBS[4]	50	–	227	(1)	277	(1)
Private-label residential MBS[5]	17	(1)	7,321	(1,313)	7,338	(1,314)
Home equity loans[5]	–	–	15	(7)	15	(7)
Total	$11,628	$(53)	$8,821	$(1,404)	$20,449	$(1,457)

	December 31, 2009					
	Less than 12 Months		12 Months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses[6]
Government-sponsored enterprises and TVA[1]	$ 1,798	$ (11)	$ 319	$ (42)	$ 2,117	$ (53)
FFELP ABS	1,703	(1)	–	–	1,703	(1)
Other[7]	1,582	(2)	381	(35)	1,963	(37)[a]
Mortgage-backed securities:						
Other U.S. Obligations residential MBS[2]	288	(3)	–	–	288	(3)
Government-sponsored enterprises residential MBS[4]	8,040	(102)	4,602	(44)	12,642	(146)
Government-sponsored enterprises commercial MBS[4]	–	–	254	(4)	254	(4)
Private-label residential MBS[5]	–	–	5,696	(2,172)	5,696	(2,172)
Home equity loans[5]	–	–	14	(13)	14	(13)
Total	$13,411	$(119)	$11,266	$(2,310)	$24,677	$(2,429)

(a) Does not include $1 million and $2 million of unrealized losses in mutual funds in two grantor trusts designated as AFS securities at December 31, 2010 and 2009.

(1) Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae, FFCB, Ex-Im Bank and/or TVA.

(2) Primarily consists of securities issued or guaranteed by Ginnie Mae investment pools.

(3) Primarily consists of debentures issued by Inter-American Development Bank.

(4) Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

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

(6) As a result of amended OTTI guidance, the total unrealized losses amount will not agree to the total gross unrealized losses amount included in the major security types table. The total unrealized losses amounts include noncredit-related OTTI losses recorded in AOCI and subsequent unrealized changes in fair value related to other-than-temporarily impaired securities. The total unrealized losses amounts exclude $7 million in net unrealized gain positions of certain previously other-than-temporarily impaired AFS securities at December 31, 2010.

(7) Primarily consists of debentures issued by Inter-American Development Bank and includes TLGP.

Table 6.3 - AFS Securities by Contractual Maturity (dollars in millions)

	December 31, 2010		December 31, 2009	
Year of Maturity	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 8,384	$ 8,393	$ 9,343	$ 9,341
Due after one year through five years	16,162	16,220	4,972	4,964
Due after five years through ten years	2,640	2,840	2,506	2,599
Due after ten years	1,722	1,651	1,202	1,133
FFELP ABS	8,310	8,799	8,790	9,323
	37,218	37,903	26,813	27,360
Mortgage-backed securities	34,388	33,556	27,321	25,128
Total	$71,606	$71,459	$54,134	$52,488

FFELP ABS and mortgage-backed securities are not presented by contractual maturity because their expected maturities will likely differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

At December 31, 2010 and 2009, the amortized cost of the FHLBanks' mortgage-backed securities classified as AFS included credit losses and OTTI-related accretion adjustments, and net purchased premiums of $1,244 million and $831 million.

Table 6.4 - Interest-Rate Payment Terms of AFS Securities (dollars in millions)

	December 31, 2010	December 31, 2009
Amortized cost of AFS securities other than mortgage-backed securities:		
Fixed-rate	$19,609	$15,582
Variable-rate	17,609	11,231
	37,218	26,813
Amortized cost of AFS mortgage-backed securities:		
Fixed-rate	16,639	11,612
Variable-rate	17,749	15,709
	34,388	27,321
Total	$71,606	$54,134

At December 31, 2010 and 2009, 35.5 percent and 25.5 percent of the FHLBanks' fixed-rate AFS were swapped to a variable rate and none of the FHLBanks' variable-rate AFS were swapped to a different variable-rate index.

Table 6.5 - Proceeds from Sale, Gross Gains and Losses on AFS Securities (dollars in millions)

	December 31,		
	2010	2009	2008
Proceeds from sale of AFS securities	$639	$3,400	$1,118
Gross gains on AFS securities	20[(a)]	52	12
Gross losses on AFS securities	–	45	3

(a) Includes $10 million of gross gains relating to sales of previously other-than-temporarily impaired AFS securities.

Note 7—Held-to-Maturity Securities

Table 7.1 - HTM Securities by Major Security Type (dollars in millions)

	December 31, 2010					
	Amortized Cost(1)	OTTI Recognized in AOCI(2)	Carrying Value(2)	Gross Unrecognized Holding Gains(3)	Gross Unrecognized Holding Losses(3)	Fair Value
Commercial paper	$ 2,500	$ –	$ 2,500	$ –	$ –	$ 2,500
Certificates of deposit(4)	13,176	–	13,176	–	–	13,176
Other U.S. obligations(5)	1,468	–	1,468	6	(13)	1,461
Government-sponsored enterprises and TVA(6)	3,171	–	3,171	94	(5)	3,260
State or local housing agency obligations	2,477	–	2,477	7	(297)	2,187
TLGP(7)	3,379	–	3,379	5	–	3,384
Other	4	–	4	–	–	4
	26,175	–	26,175	112	(315)	25,972
Mortgage-backed securities:						
Other U.S. obligations residential MBS(5)	8,547	–	8,547	64	(29)	8,582
Other U.S. obligations commercial MBS(5)	53	–	53	2	–	55
Government-sponsored enterprises residential MBS(8)	72,361	–	72,361	2,050	(195)	74,216
Government-sponsored enterprises commercial MBS(8)	1,780	–	1,780	77	(17)	1,840
Private-label residential MBS	32,895	(4,348)	28,547	1,476	(1,408)	28,615
Private-label commercial MBS	160	–	160	4	–	164
Manufactured housing loans	196	–	196	–	(23)	173
Home equity loans	501	(93)	408	54	(40)	422
MPF Shared Funding Program mortgage-backed certificates	229	–	229	–	(2)	227
Total mortgage-backed securities	116,722	(4,441)	112,281	3,727	(1,714)	114,294
Total	$142,897	$(4,441)	$138,456	$3,839	$(2,029)	$140,266

	December 31, 2009					
	Amortized Cost(1)	OTTI Recognized in AOCI(2)	Carrying Value(2)	Gross Unrecognized Holding Gains(3)	Gross Unrecognized Holding Losses(3)	Fair Value
Commercial paper	$ 1,100	$ –	$ 1,100	$ –	$ –	$ 1,100
Certificates of deposit(4)	13,263	–	13,263	1	–	13,264
Other U.S. obligations(5)	474	–	474	6	(2)	478
Government-sponsored enterprises and TVA(6)	1,662	–	1,662	72	(6)	1,728
State or local housing agency obligations	2,789	–	2,789	25	(213)	2,601
TLGP(7)	2,373	–	2,373	8	(1)	2,380
Other	7	–	7	–	–	7
	21,668	–	21,668	112	(222)	21,558
Mortgage-backed securities:						
Other U.S. obligations residential MBS(5)	4,109	–	4,109	9	(15)	4,103
Other U.S. obligations commercial MBS(5)	55	–	55	–	–	55
Government-sponsored enterprises residential MBS(8)	78,536	–	78,536	2,141	(171)	80,506
Government-sponsored enterprises commercial MBS(8)	1,106	–	1,106	66	–	1,172
Private-label residential MBS	46,038	(5,742)	40,296	916	(4,322)	36,890
Private-label commercial MBS	284	–	284	4	(5)	283
Manufactured housing loans	224	–	224	–	(43)	181
Home equity loans	1,664	(407)	1,257	48	(158)	1,147
MPF Shared Funding Program mortgage-backed certificates	298	–	298	2	(4)	296
Total mortgage-backed securities	132,314	(6,149)	126,165	3,186	(4,718)	124,633
Total	$153,982	$(6,149)	$147,833	$3,298	$(4,940)	$146,191

(1) Amortized cost of HTM securities includes adjustments made to the cost basis of an investment for accretion, amortization, collection of cash, and/or previous OTTI recognized in earnings (excluding any cumulative-effect adjustments recognized in accordance with the transition provisions of the amended OTTI guidance).

(2) In accordance with the amended OTTI guidance, carrying value of HTM securities represents amortized cost after adjustment for noncredit related impairment recognized in AOCI.

(3) Gross unrecognized holding gains (losses) represent the difference between fair value and carrying value.

(4) Represents certificates of deposit that meet the definition of an investment security.

(5) Primarily consists of securities issued or guaranteed by Ginnie Mae, National Credit Union Administration and/or SBA investment pools.

(6) Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae, FFCB and/or TVA.

(7) Represents corporate debentures and/or promissory notes issued or guaranteed by FDIC under its TLGP.

(8) Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

See ***Note 8—Other-Than-Temporary-Impairment Analysis*** for information on the transfers between the AFS portfolio and HTM portfolio.

Table 7.2 presents the HTM securities with unrealized losses, which are aggregated by major security type and length of time that individual securities have been in a continuous unrealized loss position. The unrealized losses include other-than-temporary impairments recognized in AOCI and gross unrecognized holding losses at December 31, 2010 and 2009.

Table 7.2 - HTM Securities in a Continuous Unrealized Loss Position (dollars in millions)

	December 31, 2010					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses[1]
Other U.S. obligations[2]	$ 555	$ (13)	$ –	$ –	$ 555	$ (13)
Government-sponsored enterprises and TVA[3]	1,809	(5)	–	–	1,809	(5)
State or local housing agency obligations	150	(16)	1,295	(281)	1,445	(297)
Mortgage-backed securities:						
Other U.S. obligations residential MBS[2]	4,075	(29)	5	–	4,080	(29)
Government-sponsored enterprises residential MBS[4]	10,603	(184)	2,133	(11)	12,736	(195)
Government-sponsored enterprises commercial MBS[4]	468	(17)	–	–	468	(17)
Private-label residential MBS[5]	718	(7)	23,150	(5,624)	23,868	(5,631)
Manufactured housing loans	–	–	173	(23)	173	(23)
Home equity loans[5]	2	–	418	(78)	420	(78)
MPF Shared Funding Program mortgage-backed certificates	195	(1)	8	(1)	203	(2)
Total	$18,575	$(272)	$27,182	$(6,018)	$45,757	$(6,290)

	December 31, 2009					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses[1]
Other U.S. obligations[2]	$ 58	$ (2)	$ 24	$ –	$ 82	$ (2)
Government-sponsored enterprises and TVA[3]	299	(6)	–	–	299	(6)
State or local housing agency obligations	295	(16)	1,084	(197)	1,379	(213)
TLGP[6]	349	(1)	–	–	349	(1)
Mortgage-backed securities:						
Other U.S. obligations residential MBS[2]	2,254	(15)	61	–	2,315	(15)
Government-sponsored enterprises residential MBS[4]	9,894	(67)	10,733	(104)	20,627	(171)
Private-label residential MBS[5]	817	(40)	34,864	(9,831)	35,681	(9,871)
Private-label commercial MBS	–	–	127	(5)	127	(5)
Manufactured housing loans	–	–	181	(43)	181	(43)
Home equity loans[5]	3	(1)	1,130	(546)	1,133	(547)
MPF Shared Funding Program mortgage-backed certificates	190	(2)	9	(2)	199	(4)
Total	$14,159	$(150)	$48,213	$(10,728)	$62,372	$(10,878)

(1) Unrealized losses represent the difference between fair value and amortized cost. As a result of amended OTTI guidance, there are differences in the definitions of unrealized losses and unrecognized holding losses. Total unrealized losses in the table above will not agree with total gross unrecognized holding losses in the major security types table as previously noted.

(2) Primarily consists of securities issued or guaranteed by Ginnie Mae and/or SBA investment pools.

(3) Primarily consists of debt securities issued or guaranteed by Fannie Mae and TVA.

(4) Primarily consists of securities issued or guaranteed by Freddie Mac and Fannie Mae.

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

(6) Represents corporate debentures and/or promissory notes issued or guaranteed by FDIC under its TLGP.

Table 7.3 - HTM Securities by Contractual Maturity (dollars in millions)

Year of Maturity	December 31, 2010 Amortized Cost[(1)]	Carrying Value[(1)]	Fair Value	December 31, 2009 Amortized Cost[(1)]	Carrying Value[(1)]	Fair Value
Due in one year or less	$ 17,930	$ 17,930	$ 17,932	$ 15,022	$ 15,022	$ 15,027
Due after one year through five years	4,745	4,745	4,813	3,546	3,546	3,627
Due after five years through ten years	545	545	539	352	352	352
Due after ten years	2,955	2,955	2,688	2,748	2,748	2,552
	26,175	26,175	25,972	21,668	21,668	21,558
Mortgage-backed securities	116,722	112,281	114,294	132,314	126,165	124,633
Total	$142,897	$138,456	$140,266	$153,982	$147,833	$146,191

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

Expected maturities of some securities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

Table 7.4 - Interest Rate Payment Terms of HTM Securities (dollars in millions)

	December 31, 2010	December 31, 2009
Amortized cost of HTM securities other than mortgage-backed securities:		
Fixed-rate	$ 21,393	$ 17,021
Variable-rate	4,782	4,647
	26,175	21,668
Amortized cost of HTM mortgage-backed securities:		
Fixed-rate	56,179	65,523
Variable-rate	60,543	66,791
	116,722	132,314
Total	$142,897	$153,982

At December 31, 2010, the amortized cost of the FHLBanks' mortgage-backed securities classified as HTM includes net purchased discounts, credit losses and OTTI-related accretion adjustments of $2,171 million. At December 31, 2009, the amortized cost of the FHLBanks' mortgage-backed securities classified as HTM includes net discounts of $2,042 million, which only consists of net purchased discounts.

Realized Gains and Losses. Certain FHLBanks each sold securities out of its HTM securities portfolio during the years ended December 31, 2010, 2009 and 2008 that were either within three months of maturity or had less than 15 percent of the acquired principal outstanding at the time of the sale. These sales are considered as maturities for the purposes of security classification.

Table 7.5 - Proceeds and Gains (Losses) from Sale of HTM Securities (dollars in millions)

	December 31, 2010	2009	2008
Proceeds from sale of long-term HTM securities	$351	$742	$659
Gains (losses) from sale of HTM securities	8	17	4

Note 8—Other-Than-Temporary-Impairment Analysis

Each FHLBank evaluates its individual AFS and HTM investment securities holdings in an unrealized loss position for OTTI on at least a quarterly basis. As part of its evaluation of securities for OTTI, an FHLBank considers its intent to sell each debt security and whether it is more likely than not that it will be required to sell the security before its anticipated recovery. If either of these conditions is met, an FHLBank recognizes an OTTI charge to earnings equal to the entire difference between the security's amortized cost basis and its fair value at the balance sheet date. For securities in unrealized loss position that meet neither of these conditions, each FHLBank performs analysis to determine if any of these securities are other-than-temporarily impaired.

Private-label RMBS and Home equity loan investments

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

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

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

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

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

The first third-party model considers borrower characteristics and the particular attributes of the loans underlying an FHLBank's securities, in conjunction with assumptions about future changes in home prices and interest rates, to project prepayments, defaults and loss severities. A significant input to the first model is the forecast of future housing price changes for the relevant states and core based statistical areas (CBSAs), which are based upon an assessment of the individual housing markets. CBSA refers collectively to metropolitan and micropolitan statistical areas as defined by the United States Office of Management and Budget; as currently defined, a CBSA must contain at least one urban area with a population of 10,000 or more people. The FHLBanks' housing price forecast assumed current-to-trough home price declines ranging from 1.0 percent to 10.0 percent over the 3- to 9-month period beginning October 1, 2010. Thereafter, home prices were projected to recover using one of five different recovery paths that vary by housing market. Under those recovery paths, home prices were projected to increase within a range of 0 percent to 2.8 percent in their first year, 0 percent to 3.0 percent in the second year, 1.5 percent to 4.0 percent the third year, 2.0 percent to 5.0 percent in the fourth year, 2.0 percent to 6.0 percent in each of the fifth and sixth years, and 2.3 percent to 5.6 percent in each subsequent year.

The month-by-month projections of future loan performance derived from the first model, which reflect projected prepayments, defaults and loss severities, are then input into a second model that allocates the projected loan level cash flows and losses to the various security classes in the securitization structure in accordance with its prescribed cash flow and loss allocation rules. In a securitization in which the credit enhancement for the senior securities is derived from the presence of subordinate securities, losses are generally allocated first to the subordinate securities until their principal balance is reduced to zero. The projected cash flows are based on a number of assumptions and expectations, and the results of these models can vary significantly with changes in assumptions and expectations. The scenario of cash flows determined based on the model approach described above reflects a best estimate scenario and includes a base case current-to-trough housing price forecast and a base case housing price recovery path described in the prior paragraph.

In performing a detailed cash flow analysis, each FHLBank identifies the best estimate of the cash flows expected to be collected. If this estimate results in a present value of expected cash flows (discounted at the security's effective yield) that is less than the amortized cost basis of a security (that is, a credit loss exists), an OTTI loss is considered to have occurred. For variable-rate and hybrid private-label RMBS, the affected FHLBank uses the effective interest rate derived from a variable-rate index (e.g., one month LIBOR) plus the contractual spread, plus or minus a fixed spread adjustment when there is an existing discount or premium on the security. As the implied forward curve of the index changes over time, the effective interest rates derived from that index will also change over time.

As a result of each FHLBank's evaluations, during the year ended December 31, 2010, the FHLBanks of Boston, New York, Chicago, Dallas, Topeka, San Francisco and Seattle recognized OTTI credit losses related to an aggregate amount of $16,306 million of unpaid principal balance in HTM MBS investments. Additionally, each of the FHLBanks of Pittsburgh, Atlanta, Indianapolis, Chicago and Seattle determined that $8,273 million of unpaid principal balance in AFS securities, including those transferred from HTM securities, were other-than-temporarily impaired during the year ended December 31, 2010. Each of these FHLBanks determined that it was likely that it would not recover the entire amortized cost of each of these securities owned by it.

Each of these FHLBanks does not intend to sell these securities and it is not more likely than not that the FHLBank will be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis. The FHLBanks recognized total OTTI charges of $1,071 million for the year ended December 31, 2010 related to the credit losses on MBS instruments, which are reported in the Combined Statement of Income as a part of the "Net other-than-temporary impairment losses." The net amount of impairment losses reclassified (from)/to accumulated other comprehensive losses of $54 million is reflected in the Combined Statement of Condition as "Accumulated other comprehensive income (loss)—Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities" and "Accumulated other comprehensive income (loss)—Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities." Subsequent increases and decreases (if not an additional OTTI) in the fair value of AFS securities and transfers are included in "Accumulated other comprehensive income (loss)." The OTTI recognized in AOCI related to HTM securities is accreted to the carrying value of each security on a prospective basis, over the remaining life of each security. That accretion increases the carrying value of each security and continues until this security is sold or matures, or there is an additional OTTI that is recognized in earnings. For the year ended December 31, 2010, the FHLBanks accreted $1,437 million of noncredit impairment from AOCI to the carrying value of HTM securities. For certain other-than-temporarily impaired securities that were previously impaired and have subsequently incurred $994 million additional credit losses during 2010, the additional credit losses, up to the amount in AOCI, were reclassified out of noncredit losses in AOCI and charged to earnings.

For those securities for which an OTTI was determined to have occurred during the year ended December 31, 2010 (that is, securities for which each FHLBank determined that it was more likely than not that the entire amortized cost basis would not be recovered), the following tables present the significant inputs used to measure the amount of credit loss recognized in earnings during this period as well as related current credit enhancement for each applicable FHLBank. Credit enhancement is defined as the percentage of subordinated tranches, excess spread and over-collateralization, if any, in a security structure that will generally absorb losses before each affected FHLBank will experience a loss on the security. The calculated averages represent the dollar-weighted averages of all the private-label RMBS and home equity loan investments in each category shown. The classification (prime, Alt-A and subprime) is based on the model used to run the estimated cash flows for the security, which may not necessarily be the same as the classification at the time of origination.

Table 8.1 - Significant Inputs for OTTI

	Significant Inputs for OTTI Private-label RMBS[1]							
	Prepayment Rates		Default Rates		Loss Severities		Current Credit Enhancement	
Year of Securitization	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %
Prime:								
2008	9.3	8.2 - 10.8	46.7	38.7 - 55.1	46.9	43.0 - 50.7	22.8	14.7 - 30.1
2007	8.0	4.4 - 10.8	36.2	12.2 - 61.4	46.6	30.2 - 55.7	6.0	1.3 - 11.6
2006	8.7	5.5 - 14.0	24.1	2.0 - 48.1	38.7	28.6 - 65.1	7.5	1.9 - 21.8
2005	9.6	5.1 - 11.8	26.6	5.9 - 45.3	39.9	31.4 - 58.9	8.1	1.9 - 17.1
2004 and prior	14.1	10.7 - 18.9	22.8	0.0 - 32.5	42.6	0.0 - 49.4	12.7	9.8 - 37.9
Total prime	8.8	4.4 - 18.9	31.3	0.0 - 61.4	42.8	0.0 - 65.1	8.5	1.3 - 37.9
Alt-A:								
2008	8.9	7.6 - 10.3	57.3	49.9 - 63.0	43.1	41.8 - 48.0	36.0	26.4 - 40.7
2007	8.6	3.2 - 15.5	67.1	25.4 - 90.1	50.6	41.2 - 62.2	24.2	0.0 - 47.1
2006	9.9	3.4 - 17.4	59.6	16.2 - 90.8	49.3	36.2 - 63.4	17.7	0.0 - 46.8
2005	11.8	6.1 - 16.2	40.7	12.9 - 79.9	44.3	31.3 - 59.4	15.8	0.0 - 49.4
2004 and prior	13.4	8.1 - 19.0	38.4	6.2 - 65.8	44.3	10.0 - 55.0	19.9	4.8 - 40.5
Total Alt-A	10.0	3.2 - 19.0	56.7	6.2 - 90.8	48.2	10.0 - 63.4	19.8	0.0 - 49.4
Subprime:								
2007	5.3	5.3	80.0	80.0	69.1	69.1	39.8	39.8
2006	5.1	3.0 - 6.2	81.7	77.2 - 91.7	71.0	66.6 - 78.6	23.2	(8.2) - 46.4[a]
2005	4.7	4.6 - 4.8	82.2	80.1 - 82.9	68.5	65.0 - 69.8	25.4	16.5 - 28.7
2004 and prior	11.6	10.3 - 14.2	30.0	19.3 - 54.8	86.8	75.1 - 102.9	48.8	14.8 - 100.0
Total subprime	5.1	3.0 - 14.2	81.4	19.3 - 91.7	71.0	65.0 - 102.9	23.6	(8.2) - 100.0[a]
Total OTTI Private-label RMBS	9.5	3.0 - 19.0	51.9	0.0 - 91.7	47.8	0.0 - 102.9	17.4	(8.2) - 100.0[a]

	Significant Inputs for OTTI Home Equity Loan Investments[1][2]					
	Prepayment Rates		Default Rates		Loss Severities	
Year of Securitization	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %
Alt-A:						
2004 and prior	10.2	8.9 - 14.5	4.9	0.9 - 6.5	100.0	100.0
Total Alt-A	10.2	8.9 - 14.5	4.9	0.9 - 6.5	100.0	100.0
Subprime:						
2004 and prior	5.0	1.7 - 12.5	7.9	4.3 - 50.8	85.0	52.2 - 100.0
Total subprime	5.0	1.7 - 12.5	7.9	4.3 - 50.8	85.0	52.2 - 100.0
Total OTTI Home equity loan investments	5.4	1.7 - 14.5	7.6	0.9 - 50.8	86.3	52.2 - 100.0

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

(1) Represents significant inputs associated with the last OTTI in 2010.

(2) Current credit enhancement weighted average and range percentages are not considered meaningful for home equity loan investments, as the majority of these investments are third-party insured.

Certain private-label MBS owned by the FHLBanks are insured by monoline bond insurers. The FHLBanks performed analyses to assess the financial strength of these monoline bond insurers to establish an expected case regarding the time horizon of the monoline bond insurers' ability to fulfill their financial obligations and provide credit support. The projected time horizon of credit protection provided by an insurer is a function of claims paying resources and anticipated claims in the future. This assumption is referred to as the "burn-out period" and is expressed in months. Of the five monoline bond insurers, the financial guarantees from Assured Guaranty Municipal Corp. are considered sufficient to cover all future claims; this monoline bond insurer is, therefore, excluded from the burn-out analysis discussed above. Conversely, the key burn-out period for three monoline bond insurers, Syncora Guarantee Inc. (Syncora), Financial Guarantee Insurance Corp. and Ambac Assurance Corp. (Ambac), are not considered applicable due to regulatory intervention that has suspended all claims payments to effectively zero. For the remaining monoline bond insurer, MBIA Insurance Corp. (MBIA), the following table summarizes the key burn-out period assumptions used by those FHLBanks that have relied on credit protection from this insurer during the fourth quarter of 2010. The other-than-temporarily impaired securities insured by MBIA are owned by the FHLBanks of New York, Pittsburgh and Chicago.

Table 8.2 - OTTI Securities Insured by MBIA

	Protection time horizon calculation
	MBIA
Burn-out period (months)	6
Coverage ignore date	June 30, 2011
Number of other-than-temporarily impaired securities	4

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

During 2010 and 2009, each of the FHLBanks of Pittsburgh and Atlanta elected to transfer all private-label RMBS that had credit-related other-than-temporary impairment recorded during both years from their respective HTM portfolio to their respective AFS portfolio. The FHLBank of Seattle elected to transfer certain private-label RMBS that had credit-related OTTI during 2010 and 2009 from its HTM portfolio to its AFS portfolio. In addition, during the fourth quarter of 2010, the FHLBank of Indianapolis transferred all private-label RMBS that had OTTI credit losses during the year-ended December 31, 2010, from its HTM portfolio to its AFS portfolio. Each of these FHLBanks recognized an OTTI credit loss on these private-label RMBS HTM securities, which each FHLBank believes is evidence of a significant decline in the issuers' creditworthiness. The decline in the issuers' creditworthiness is the basis for the transfers to the AFS portfolio. These transfers allow management the option to decide to sell these securities prior to maturity in response to changes in interest rates, changes in prepayment risk or other factors, while recognizing management's intent to hold these securities for an indefinite period of time. The FHLBanks of Pittsburgh and Indianapolis sold certain of these securities in 2010; however, the affected FHLBanks have no current plans to sell their respective remaining OTTI securities nor are they under any requirement to sell these securities.

Table 8.3 - Unpaid Principal Balance of HTM Securities Transferred to AFS Securities (dollars in millions)

	Unpaid Principal Balance at the Time of Transfer for 2010 Quarter Ended				
	March 31	June 30	September 30	December 31	Total
FHLBank of Pittsburgh	$ 23	$321	$ –	$ –	$ 344
FHLBank of Atlanta	471	936	84	–	1,491
FHLBank of Indianapolis	–	–	–	1, 238	1,238
FHLBank of Seattle	139	221	206	146	712

	Unpaid Principal Balance at the Time of Transfer for 2009 Quarter Ended				
	March 31	June 30	September 30	December 31	Total
FHLBank of Pittsburgh	$ –	$2,109	$1,073	$327	$3,509
FHLBank of Atlanta	2,480	322	215	544	3,561
FHLBank of Seattle	–	–	1,447	574	2,021

Table 8.4 presents the December 31, 2010 balance of the total HTM and AFS securities with OTTI charges during the year ended December 31, 2010, based on each individual FHLBank's impairment analyses of its investment portfolio during December 31, 2010.

Table 8.4 - Total Securities Impaired During 2010 (dollars in millions)

	December 31, 2010[1]						
	Held-to-Maturity Securities				Available-for-Sale Securities		
	Unpaid Principal Balance	Amortized Cost	Carrying Value	Fair Value	Unpaid Principal Balance	Amortized Cost	Fair Value
Private-label RMBS:							
Prime	$ 3,333	$ 2,916	$2,062	$ 2,500	$6,341	$5,668	$5,269
Alt-A	12,012	10,617	7,414	8,253	1,901	1,626	1,278
Subprime	935	645	466	536	3	2	2
Total OTTI Private-label RMBS	16,280	14,178	9,942	11,289	8,245	7,296	6,549
Home equity loan investments:							
Alt-A	–	–	–	–	28	22	15
Subprime	26	18	12	15	–	–	–
Total OTTI Home equity loan investments	26	18	12	15	28	22	15
Total OTTI investments	$16,306	$14,196	$9,954	$11,304	$8,273	$7,318	$6,564

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

Table 8.5 presents the December 31, 2010 balance of the total HTM and AFS securities with OTTI charges during the life of the security (which represent securities impaired prior to 2010 as well as during 2010), based on each individual FHLBank's impairment analyses of its investment portfolio.

Table 8.5 - Total Securities Impaired During the Life of the Security (dollars in millions)

	December 31, 2010[1]						
	Held-to-Maturity Securities				Available-for-Sale Securities		
	Unpaid Principal Balance	Amortized Cost	Carrying Value	Fair Value	Unpaid Principal Balance	Amortized Cost	Fair Value
Private-label RMBS:							
Prime	$ 3,434	$ 3,014	$ 2,147	$ 2,594	$ 6,422	$ 5,737	$ 5,336
Alt-A	12,394	10,995	7,693	8,582	4,312	3,601	2,703
Subprime	947	651	471	546	3	2	2
Total OTTI Private-label RMBS	16,775	14,660	10,311	11,722	10,737	9,340	8,041
Home equity loan investments:							
Alt-A	–	–	–	–	28	22	15
Subprime	283	251	159	213	–	–	–
Total OTTI Home equity loan investments	283	251	159	213	28	22	15
Total OTTI investments	$17,058	$ 14,911	$ 10,470	$ 11,935	$10,765	$ 9,362	$ 8,056
Total MBS		$116,722	$112,281	$114,294		$34,388	$33,556
Total investment securities		$142,897	$138,456	$140,266		$71,606	$71,459

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

Table 8.6 presents the credit losses and net amount of impairment losses reclassified (to)/from accumulated other comprehensive losses for the year ended December 31, 2010.

Table 8.6 - Credit Losses and Net Amount of Impairment Losses (dollars in millions)

	2010[1]		
	OTTI Related to Credit Loss	AOCI[2]	Total OTTI Losses
Private-label RMBS:			
Prime	$ (424)	$ 96	$ (328)
Alt-A	(546)	(209)	(755)
Subprime	(90)	53	(37)
Total OTTI Private-label RMBS	(1,060)	(60)	(1,120)
Home equity loan investments:			
Alt-A	(1)	1	–
Subprime	(10)	5	(5)
Total OTTI Home equity loan investments	(11)	6	(5)
Total	$(1,071)	$ (54)	$(1,125)

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

(2) Represents the net amount of impairment losses recognized in or reclassified (to)/from AOCI.

Table 8.7 - Rollforward of the Amounts Related to Credit Losses Recognized into Earnings (dollars in millions)

	2010	2009
Balance, at beginning of period	$2,555	$ 131[a]
Additions:		
Credit losses for which OTTI was not previously recognized	82	1,705
Additional OTTI credit losses for which an OTTI charge was previously recognized[1]	989	726
Reductions:		
Securities sold, matured, paid down or prepaid during the period	(123)	(6)
Increases in cash flows expected to be collected, recognized over the remaining life of the securities	(16)	(1)
Balance, at end of the period	$3,487	$2,555

(a) The FHLBanks adopted the amended OTTI guidance as of January 1, 2009 and recognized the cumulative effect of initially applying this guidance, totaling $1,883 million, as an adjustment to the retained earnings balance at January 1, 2009, with an offsetting adjustment to AOCI; this amount represents noncredit losses reported in AOCI related to the adoption of this guidance.

(1) For the years ended December 31, 2010 and 2009, "Additional OTTI credit losses for securities which an OTTI charge was previously recognized" relates to all securities that were also previously impaired prior to January 1, 2010 and 2009.

All other AFS and HTM Investments

The remainder of the FHLBanks' AFS and HTM securities portfolio has experienced net unrealized losses and a decrease in fair value due to illiquidity in the marketplace, credit deterioration and interest rate volatility in the U.S. mortgage markets. However, the decline is considered temporary as each of the FHLBanks expects to recover the entire amortized cost basis on the remaining AFS and HTM securities in unrealized loss positions and neither intends to sell these securities nor considers it more likely than not that it will be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis. As a result, each FHLBank does not consider any of the following investments to be other-than-temporarily impaired at December 31, 2010:

- State and local housing agency obligations. Certain FHLBanks invest in state or local government bonds. Each of these FHLBanks has determined that, as of December 31, 2010, all of the gross unrealized losses on these bonds are temporary because the strength of the underlying collateral and credit enhancements was sufficient to protect an FHLBank from losses based on current expectations.

- Debentures issued by a supranational entity. Debentures issued by a supranational entity that were in an unrealized loss position as of December 31, 2010 are expected to return contractual principal and interest, and such supranational entity is rated triple-A by each of three NRSROs used by the affected FHLBank. The decline in market value of these securities is largely attributable to illiquidity in the credit markets and not to deterioration in the fundamental credit quality of these securities.
- Other U.S. obligations, GSE, FFELP ABS and TLGP investments. For other U.S. obligations, MBS, non-MBS and MBS GSE, FFELP ABS and TLGP investments, each FHLBank, as applicable, determined that the strength of the issuers' guarantees through direct obligations or support from the U.S. government is sufficient to protect an FHLBank from losses based on current expectations. As a result, each of these FHLBanks has determined that, as of December 31, 2010, all of these gross unrealized losses are temporary.
- MPF shared funding program mortgage-backed certificates. For its MPF shared funding program mortgage-backed certificates in an unrealized loss position, the affected FHLBanks determined that credit enhancements resulting from subordination were sufficient to protect the FHLBanks from losses based on current expectations. As a result, each of the applicable FHLBanks determined that, as of December 31, 2010, all of the gross unrealized losses on its MPF shared funding program mortgage-backed certificates are temporary.
- Private-label commercial MBS (CMBS). Based upon each FHLBank's assessment of the creditworthiness of the issuers of its private-label CMBS, the credit ratings assigned by the NRSROs, and the performance of the underlying loans and the credit support provided by the subordinate securities, each FHLBank expects that its holdings of private-label CMBS would not be settled at an amount less than the amortized cost bases in these investments.

Note 9—Advances

FHLBanks offer a wide range of fixed- and variable-rate advance products with different maturities, interest rates, payment characteristics and optionality. Fixed-rate advances generally have maturities ranging from one day to 30 years. Variable-rate advances generally have maturities ranging from less than 30 days to 10 years, where the interest rates reset periodically at a fixed spread to the London Interbank Offered Rate (LIBOR) or other specified index. At December 31, 2010 and 2009, the FHLBanks had advances outstanding, including AHP advances (see ***Note 16—Affordable Housing Program***), with interest rates ranging from 0.0 percent to 9.75 percent. Advances with interest rates of 0.0 percent include AHP-subsidized advances and certain structured advances.

Table 9.1 - Advances Redemption Terms (dollars in millions)

	December 31, 2010		December 31, 2009	
Redemption Term	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Overdrawn demand and overnight deposit accounts	$ 7		$ 18	
Due in 1 year or less	158,293	1.60%	229,407	2.09%
Due after 1 year through 2 years	64,723	2.88%	99,684	2.73%
Due after 2 years through 3 years	65,617	2.28%	72,387	2.95%
Due after 3 years through 4 years	27,273	2.88%	60,363	2.41%
Due after 4 years through 5 years	31,141	2.96%	22,941	3.04%
Thereafter	114,219	3.29%	127,818	3.47%
Index amortizing advances(1)	2,713	4.40%	3,282	4.53%
Total par value	463,986	2.47%	615,900	2.66%
Commitment fees	(8)		(8)	
Discount on AHP advances	(61)		(64)	
Premiums	214		35	
Discounts	(130)		(71)	
Hedging adjustments	13,511		14,750	
Fair value option valuation adjustments	1,077		617	
Total	$478,589		$631,159	

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

Table 9.2 - Advances by Year of Contractual Maturity, Next Call Date, or Next Put/Convert Date (dollars in millions)

	Year of Contractual Maturity or Next Call Date		Year of Contractual Maturity or Next Put/Convert Date	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Overdrawn demand and overnight deposit accounts	$ 7	$ 18	$ 7	$ 18
Due in 1 year or less	181,195	254,272	235,562	319,469
Due after 1 year through 2 years	63,788	98,731	56,119	103,179
Due after 2 years through 3 years	61,793	67,971	63,330	59,195
Due after 3 years through 4 years	25,762	55,672	25,149	56,021
Due after 4 years through 5 years	29,281	20,433	24,705	20,263
Thereafter	99,447	115,521	56,401	54,473
Index amortizing advances[1]	2,713	3,282	2,713	3,282
Total par value	$463,986	$615,900	$463,986	$615,900

The FHLBanks offer advances to members that provide a member the right, based upon predetermined option exercise dates, to call the advance prior to maturity without incurring prepayment or termination fees (callable advances). In exchange for receiving the right to call the advance on a predetermined call schedule, the member pays a higher fixed rate for the advance relative to an equivalent maturity, non-callable, fixed-rate advance. If the call option is exercised, replacement funding may be available. Other advances may only be prepaid by paying a fee to the FHLBank (prepayment fee) that makes the FHLBank financially indifferent to the prepayment of the advance. At December 31, 2010 and 2009, the FHLBanks had callable advances of $27,818 million and $31,702 million.

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

With a putable advance to a member, an FHLBank effectively purchases a put option from the member that allows that FHLBank to put or extinguish the fixed-rate advance to the member on predetermined exercise dates, and offer, subject to certain conditions, replacement funding at prevailing market rates. Generally, such put options are exercised when interest rates increase. At December 31, 2010 and 2009, the FHLBanks had putable advances outstanding totaling $66,034 million and $87,605 million.

Convertible advances allow an FHLBank to convert an advance from one interest-payment term structure to another. When issuing convertible advances, an FHLBank may purchase put options from a member that allow that FHLBank to convert the fixed-rate advance to a variable-rate advance at the current market rate or another structure after an agreed-upon lockout period. A convertible advance carries a lower interest rate than a comparable-maturity fixed-rate advance without the conversion feature. Variable- to fixed-rate convertible advances have a defined lockout period during which the interest rates adjust based on a spread to LIBOR. At the end of the lockout period, these advances may convert to fixed-rate advances. The fixed rates on the converted advances are determined at origination. At December 31, 2010 and 2009, the FHLBanks had convertible advances outstanding totaling $22,881 million and $34,921 million.

Table 9.3 - Advances by Interest Rate Payment Terms (dollars in millions)

Par value of advances	December 31, 2010	December 31, 2009
Fixed-rate(1)		
Due in one year or less	$106,991	$169,493
Due after one year	234,493	279,266
Total fixed-rate	341,484	448,759
Variable-rate(1)		
Due in one year or less	51,324	59,964
Due after one year	71,178	107,177
Total variable-rate	122,502	167,141
Total par value	$463,986	$615,900

(1) Classified based on its current terms.

At December 31, 2010 and 2009, 71.2 percent and 72.9 percent of the FHLBanks' fixed-rate advances were swapped to a variable-rate and 3.2 percent and 3.3 percent of the FHLBanks' variable-rate advances were swapped to a different variable-rate index.

Credit Risk Exposure and Security Terms

The FHLBanks' potential credit risk from advances is concentrated in commercial banks and savings institutions. At December 31, 2010 and 2009, the FHLBanks had $292 billion and $407 billion of advances outstanding that were greater than or equal to $1 billion per borrower. These advances were made to 68 and 85 borrowers (members and non-members), respectively, representing 62.9 percent and 66.1 percent of total advances outstanding.

The FHLBanks lend to financial institutions involved in housing finance within their districts according to Federal statutes, including the FHLBank Act. The FHLBank Act requires each FHLBank to hold, or have access to, collateral to secure their advances, and the FHLBanks do not expect to incur any credit losses on advances. The management of each FHLBank has the policies and procedures in place to manage its credit risk, including requirements for physical possession or control of pledged collateral, restrictions on borrowing, verifications of collateral and continuous monitoring of borrowings and the member's financial condition. Each FHLBank continues to monitor the collateral and creditworthiness of its borrowers. Based on the collateral pledged as security for advances and each FHLBank management's credit analyses of its members' financial condition and its credit extension and collateral policies, each FHLBank expects to collect all amounts due according to the contractual terms of its advances. (See ***Note 11—Allowance for Credit Losses*** for information related to FHLBanks' credit risk on advances and allowance methodology for credit losses.)

Note 10—Mortgage Loans

Mortgage Loans Held for Portfolio. The mortgage loans held for portfolio primarily consists of loans obtained through the MPP and MPF Programs and are conforming conventional and government-guaranteed or -insured loans. The MPP and MPF Programs involve the purchase by the FHLBanks of single-family mortgage loans that are originated or acquired by participating financial institutions (PFIs). These mortgage loans are credit-enhanced by PFIs or are guaranteed or insured by Federal agencies. FHLBanks are authorized to hold acquired member assets, such as assets acquired under the MPF Program developed by the FHLBank of Chicago and the MPP developed by the FHLBanks of Cincinnati, Indianapolis and Seattle.

Currently, the FHLBanks of Atlanta, Chicago, Dallas, San Francisco, and Seattle are not accepting additional master commitments or purchasing additional mortgages under either MPP or MPF, except for immaterial amounts of MPF Loans to support affordable housing. Each of these FHLBanks plans to retain its existing portfolio of mortgage loans. The remaining FHLBanks participating in the MPF Program continue to have the ability to purchase and fund loans through the MPF infrastructure.

Table 10.1 - Mortgage Loans Held for Portfolio (dollars in millions)

	December 31, 2010	December 31, 2009
Real Estate:		
Fixed-rate, medium-term[1] single-family mortgages	$13,873	$16,826
Fixed-rate, long-term single-family mortgages	46,858	54,148
Multifamily mortgages	25	26
	60,756	71,000
Premiums	471	460
Discounts	(198)	(245)
Deferred loan costs, net	15	21
Hedging adjustments	233	233
Total mortgage loans held for portfolio	$61,277	$71,469

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

At December 31, 2010 and 2009, 24.6 percent and 21.5 percent of the FHLBanks' fixed-rate mortgage loans were swapped to a variable-rate.

Table 10.2 - Outstanding Unpaid Principal Balance of Mortgage Loans Held for Portfolio (dollars in millions)

	December 31, 2010	December 31, 2009
Conventional loans	$53,449	$63,476
Government-guaranteed or -insured loans	7,282	7,498
Other loans	25	26
Total unpaid principal balance	$60,756	$71,000

See ***Note 11—Allowance for Credit Losses*** for information related to FHLBanks' credit risk on mortgage loans and allowance methodology for credit losses.

Mortgage Loans Held for Sale. On December 31, 2010, the FHLBank of Topeka transferred $121 million of mortgage loans held for portfolio to held for sale based on its intent to sell specific identified mortgage loans. All of these loans were classified as conventional mortgage loans. The mortgage loans held for sale are included within other assets on the Combined Statement of Condition at December 31, 2010. These loans are accounted for at the lower of cost or fair value. The individual loan basis is used to determine the lower of cost or fair value adjustments.

Note 11—Allowance for Credit Losses

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

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

Credit Products

Each FHLBank manages its credit exposure to credit products through an integrated approach that generally provides for a credit limit to be established for each borrower, includes an ongoing review of each borrower's financial condition and is coupled with collateral and lending policies to limit risk of loss while balancing borrowers' needs for a reliable source of funding. In addition, the FHLBanks lend to their members in accordance with federal statutes and FHFA regulations. Specifically, FHLBanks comply with the FHLBank Act, which requires FHLBanks to obtain sufficient collateral to fully secure credit products. The estimated value of the collateral required to secure each member's credit products is calculated by applying collateral discounts, or haircuts, to the value of the collateral. FHLBanks accept certain investment securities, residential mortgage loans, deposits, and other real estate related assets as collateral. In addition, community financial institutions (CFIs) are eligible to use expanded statutory collateral provisions for small business, agriculture loans and community development loans. Each FHLBank's capital stock owned is also pledged as collateral. Collateral arrangements may vary depending upon: (1) borrower credit quality, financial condition and performance; (2) borrowing capacity; and (3) overall credit exposure to the borrower. Each FHLBank can call for additional or substitute collateral to protect its security interest. Management of each FHLBank believes that these policies effectively manage that FHLBank's respective credit risk from credit products.

Based upon the financial condition of the borrower, FHLBanks either allow a borrower to retain physical possession of the collateral assigned to it, or require the borrower to specifically assign or place physical possession of the collateral with the FHLBank or its safekeeping agent. The FHLBanks perfect their security interest in all pledged collateral. The FHLBank Act affords any security interest granted to an FHLBank by a member priority over the claims or rights of any other party except for claims or rights of a third party that would be entitled to priority under otherwise applicable law and are held by a bona fide purchaser for value or by a secured party holding a prior perfected security interest.

Using a risk-based approach and taking into consideration each borrower's financial strength, the FHLBanks consider the types and level of collateral to be the primary indicator of credit quality on their credit products. At December 31, 2010 and 2009, each of the FHLBanks had rights to collateral on a borrower-by-borrower basis with an estimated value in excess of its outstanding extensions of credit.

Each FHLBank continues to evaluate and make changes to its collateral guidelines, as necessary, based on current market conditions. At December 31, 2010 and 2009, none of the FHLBanks had any credit products that were past due, on non-accrual status, or considered impaired. In addition, there have been no troubled debt restructurings related to credit products at any of the FHLBanks during 2010 and 2009.

None of the FHLBanks incurred any credit losses on credit products as of December 31, 2010 and 2009. Based upon the collateral held as security, their credit extension and collateral policies, managements' credit analysis and the repayment history on credit products, the FHLBanks have not recorded any allowance for credit losses on credit products. At December 31, 2010 and 2009, no liability to reflect an allowance for credit losses for off-balance sheet credit exposures was recorded. (See ***Note 22—Commitments and Contingencies*** for additional information on the FHLBanks' off-balance sheet credit exposure.)

Mortgage Loans—Conventional MPF, MPP and Other Loans

The allowances for conventional loans are determined by analyses that include consideration of various data observations such as past performance, current performance, loan portfolio characteristics, collateral-related characteristics, industry data, and prevailing economic conditions. The measurement of the allowance for credit losses may consist of: (1) mortgage loans evaluated at the individual master commitment level; (2) individually evaluated mortgage loans; (3) collectively evaluated mortgage loans; or (4) estimating additional credit loss in conventional mortgage loans.

Mortgage Loans Evaluated at the Individual Master Commitment Level. The credit risk analysis of all conventional MPF Loans is performed at the individual Master Commitment level to determine the credit enhancements available to recover losses on MPF Loans under each individual Master Commitment. The FHLBanks did not evaluate MPP Loans individually at December 31, 2010 and 2009.

Individually Evaluated Mortgage Loans. Certain conventional mortgage loans, primarily impaired mortgage loans that are considered collateral-dependent, may be specifically identified for purposes of calculating the allowance for credit losses. A mortgage loan is considered collateral-dependent if repayment is only expected to be provided by the sale of the underlying property—that is, if it is considered likely that the borrower will default and there is no credit enhancement from a PFI to offset losses under the Master Commitment. The estimated credit losses on impaired collateral-dependent loans may be separately determined because sufficient information exists to make a reasonable estimate of the inherent loss for such loans on an individual loan basis. The FHLBanks apply an appropriate loss severity rate, which is used to estimate the fair value of the collateral. The resulting incurred loss is equal to the carrying value of the loan less the estimated fair value of the collateral less estimated selling costs.

Collectively Evaluated Mortgage Loans. The credit risk analysis of conventional loans evaluated collectively for impairment considers loan pool specific attribute data, applies estimated loss severities and incorporates the credit enhancements of the mortgage loan programs. Migration analysis is a methodology for determining, through the FHLBanks' experience over a historical period, the rate of loss incurred on pools of similar loans. Certain FHLBanks apply migration analysis to loans based on categories such as current, 30, 60, and 90 days past due as well as to loans 60 days past due following receipt of notice of filing from the bankruptcy court. These FHLBanks then estimate how many loans in these categories may migrate to a realized loss position and apply a loss severity factor to estimate losses incurred at the statement of condition date.

Estimating Additional Credit Loss in Conventional Mortgage Loans. Certain FHLBanks also assess a factor for the margin for imprecision to the estimation of loan losses for the homogeneous population. The margin for imprecision is a factor in the allowance for credit losses that recognizes the imprecise nature of the measurement process and is included as part of the mortgage loan allowance for credit loss. This amount represents a subjective management judgment based on facts and circumstances that exist as of the reporting date that is unallocated to any specific measurable economic or credit event and is intended to cover other inherent losses that may not be captured in the methodology described within. The actual loss that may occur on homogenous pools of mortgage loans may be more or less than the estimated loss.

Rollforward of Allowance for Credit Losses on Mortgage Loans. As of December 31, 2010 and 2009, the FHLBanks determined that an allowance for credit losses should be established for credit losses on their conventional mortgage loans. The following table presents a rollforward of the allowance for credit losses on mortgage loans for the years ended December 31, 2010, 2009 and 2008 and the recorded investment in mortgage loans by impairment methodology at December 31, 2010.

Table 11.1 - Allowance Rollforward for Credit Losses on Mortgage Loans (dollars in millions)

	2010	2009	2008
Allowance for credit losses:			
Balance, beginning of year	$ 32	$15	$ 8
Charge-offs	(6)	(1)	(1)
Recoveries	–	–	–
Provision for credit losses(1)	60	18	8
Balance, end of year	$ 86	$32	$15
Ending balance, individually evaluated for impairment(2)	$ 17		
Ending balance, collectively evaluated for impairment	$ 69		
Recorded investment, end of year(3)(4):			
Individually evaluated for impairment	$ 135		
Collectively evaluated for impairment	$52,554		

(1) The provision for credit losses includes only the provision related specifically to mortgage loans and does not include the (reversal)/provision for credit losses related to Banking on Business loans specific to the FHLBank of Pittsburgh of ($2) million and $3 million for the years ended December 31, 2010 and 2008.

(2) A level of imprecision is not used when determining the estimated credit losses on specifically identified mortgage loans.

(3) Excludes government-guaranteed or -insured loans and individually evaluated for impairment conventional mortgage loans that were deemed not impaired on December 31, 2010.

(4) The recorded investment in a loan is the unpaid principal balance (UPB) of the loan, adjusted for accrued interest, net deferred loan fees or costs, unamortized premiums or discounts and direct write-downs. The recorded investment is not net of any valuation allowance.

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 11.2 presents the FHLBanks' key credit quality indicators for mortgage loans at December 31, 2010 and 2009.

Table 11.2 - Recorded Investment [(1)] in Delinquent Mortgage Loans (dollars in millions)

	December 31, 2010				
Mortgage loans:	Conventional MPP Loans	Conventional MPF Loans	Government-Guaranteed or Insured Loans	Other Loans	Total
Past due 30-59 days delinquent	$ 197	$ 583	$ 423	$ –	$ 1,203
Past due 60-89 days delinquent	69	204	154	–	427
Past due 90 days or more delinquent	255	696	387	–	1,338
Total past due	521	1,483	964	–	2,968
Total current loans	14,868	37,031	6,438	27	58,364
Total mortgage loans	$15,389	$38,514	$7,402	$ 27	$61,332
Other delinquency statistics:					
In process of foreclosure, included above[(2)]	$ 178	$ 446	$ 133	$ –	$ 757
Serious delinquency rate[(3)]	1.66%	1.83%	5.23%	0.00%	2.19%
Past due 90 days or more still accruing interest	$ 241	$ 206	$ 386	$ –	$ 833
Loans on non-accrual status[(4)]	$ 15	$ 522	$ –	$ –	$ 537
Troubled debt restructurings	$ –	$ 6	$ –	$ –	$ 6

	December 31, 2009
Carrying value of mortgage loans held for portfolio, net	$71,437
UPB of non-accrual mortgage loans held for portfolio[(4)]	$ 372
UPB of mortgage loans held for portfolio past due 30- 89 days and still accruing interest	$ 1,736
UPB of mortgage loans held for portfolio past due 90 days or more and still accruing interest	$ 773
UPB of loans in foreclosure	$ 540

(1) The recorded investment in a loan is the UPB of the loan, adjusted for accrued interest, net deferred loan fees or costs, unamortized premiums or discounts and direct write-downs. The recorded investment is not net of any valuation allowance.

(2) Includes loans where the decision of foreclosure or similar alternative such as pursuit of deed-in-lieu has been reported. Loans in process of foreclosure are included in past due or current loans dependent on their delinquency status.

(3) Loans that are 90 days or more past due or in the process of foreclosure expressed as a percentage of the total loan portfolio class UPB.

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

The FHLBanks had $119 million and $90 million in real estate owned recorded in other assets at December 31, 2010 and 2009.

Table 11.3 presents the recorded investment, UPB and related allowance of impaired loans individually assessed for impairment at December 31, 2010, and the average recorded investment of impaired loans for the year ended December 31, 2010.

Table 11.3 - Impaired Loans Statistics by Product Class Level (dollars in millions)

	December 31, 2010				
	Recorded Investment	UPB	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance:					
Conventional MPP Loans	$ –	$ –	$ –	$ –	$ –
Conventional MPF Loans	6	6	–	5	–
Other Loans	–	–	–	–	–
With an allowance:					
Conventional MPP Loans	$ –	$ –	$ –	$ –	$ –
Conventional MPF Loans	129	129	17	106	3
Other Loans	–	–	–	–	–
Total:					
Conventional MPP Loans	$ –	$ –	$ –	$ –	$ –
Conventional MPF Loans	135	135	17	111	3
Other Loans	–	–	–	–	–

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

The PFI and the FHLBanks share the risk of credit losses on conventional MPF Loan products, other than the MPF Xtra product, by structuring potential losses on conventional MPF Loans into layers with respect to each master commitment. After any PMI, the FHLBanks are obligated to incur the first layer or portion of credit losses not absorbed by the borrower's equity, which is called the First Loss Account (FLA). Under the MPF Program, the PFI's credit enhancement protection consists of the credit enhancement amount, which may be a direct obligation of the PFI or may be a SMI policy paid for by the PFI, and may include a contingent performance-based CE Fees payable to the PFI. The PFI is required to pledge collateral to secure any portion of its credit enhancement amount that is a direct obligation.

For conventional MPF Loans, credit losses that are not absorbed by the borrower's equity or paid by PMI are allocated to the FHLBanks up to an agreed upon amount, referred to as the FLA. The FLA functions as a tracking mechanism for determining the point after which the participating member is required to cover losses. The FHLBanks pay the participating member a fee, a portion of which may be based on the credit performance of the mortgage loans, in exchange for absorbing the second layer of losses up to an agreed-upon credit enhancement amount. Performance-based fees may be withheld to cover losses allocated to the FHLBank. At December 31, 2010, and 2009, the MPF FHLBanks' exposure under the FLA, excluding amounts that may be recovered through performance-based CE Fees was $517 million and $570 million. The FHLBanks record CE Fees paid to the participating members as a reduction to mortgage interest income. CE Fees totaled $44 million, $59 million, and $75 million for the years ended December 31, 2010, 2009 and 2008.

The conventional mortgage loans under the MPP are supported by some combination of PMI and SMI (if applicable) and the LRA in addition to the associated property as collateral. The LRA is funded by an FHLBank either up front as a portion of the purchase proceeds or through a portion of the net interest remitted monthly by the member. The LRA is a lender-specific account funded by an FHLBank in an amount approximately sufficient to cover expected losses on the pool of mortgages. The LRA funds are used to offset any losses that may occur. Typically after five years, excess funds over required balances are distributed to the member in accordance with a step-down schedule that is established at the time of a Master Commitment Contract. The LRA is released in accordance with Master Commitment Contracts.

Table 11.4 - Changes in the MPP LRA (dollars in millions)

	December 31,	
	2010	2009
LRA at beginning of year	$ 96	$ 91
Additions	10	21
Claims	(23)	(5)
Scheduled distributions	(5)	(11)
LRA at end of year	$ 78	$ 96

Government-Guaranteed or -Insured Mortgage Loans

The FHLBanks invest in fixed-rate government-guaranteed or -insured mortgage loans which are guaranteed or insured by the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), the Rural Housing Service of the Department of Agriculture (RHS), or by the Department of Housing and Urban Development (HUD). The servicer provides and maintains a guarantee or insurance from the applicable government agency (i.e., the FHA, VA, RHS, or HUD). The servicer is responsible for compliance with all government agency requirements and for obtaining the benefit of the applicable guarantee or insurance with respect to defaulted mortgage government loans. Any losses incurred on such loans that are not recovered from the guarantor or insurer are absorbed by the servicers. Therefore, the FHLBanks only have credit risk for these loans if the servicer fails to pay for losses not covered by VA or RHS guarantees, or FHA or HUD insurance. In this regard, based on FHLBanks assessment of their servicers, the FHLBanks did not establish an allowance for credit losses for government-guaranteed or -insured mortgage loans held for portfolio as of December 31, 2010 and 2009. Furthermore, due to the government guarantee or insurance, these mortgage loans are not placed on non-accrual status.

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

These investments are generally short-term and their recorded balance approximates fair value. The FHLBanks invest in term Federal funds with highly rated counterparties, which are only evaluated for purposes of an allowance for credit losses if the investment is not paid when due. All investments in term Federal funds as of December 31, 2010 and 2009 were repaid according to the contractual terms. Term securities purchased under agreements to resell are considered collateralized financing arrangements and effectively represent short-term loans with highly-rated counterparties. As discussed in ***Note 4—Securities Purchased Under Agreements to Resell***, the terms of these loans are structured such that if the market value of the underlying securities decrease below the market value required as collateral, the counterparty must place an equivalent amount of additional securities as collateral or remit an equivalent amount of cash, or the dollar value of the resale agreement will be decreased accordingly. If an agreement to resell is deemed to be impaired, the difference between the fair value of the collateral and the amortized cost of the agreement is charged to earnings. Based upon the collateral held as security, the FHLBanks determined that no allowance for credit losses was needed for the term securities under agreements to resell at December 31, 2010 and 2009.

Note 12—Derivatives and Hedging Activities

Nature of Business Activity

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

Consistent with Finance Agency regulation, an FHLBank enters into derivatives to (1) manage the interest-rate risk exposures inherent in its otherwise unhedged assets and funding positions, (2) to achieve the FHLBank's risk management objectives, and (3) to act as an intermediary between its members and counterparties. Finance Agency regulation and each FHLBank's risk management policy prohibit trading in or the speculative use of these derivative instruments and limit credit risk arising from these instruments. The use of derivatives is an integral part of each FHLBank's financial management strategy.

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

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

Application of Derivatives

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

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

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

Types of Derivatives

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

<u>Interest-Rate Swaps.</u> An interest-rate swap is an agreement between two entities to exchange cash flows in the future. The agreement sets the dates on which the cash flows will be paid and the manner in which the cash flows will be calculated. One of the simplest forms of an interest-rate swap involves the promise by one party to pay cash flows equivalent to the interest on a notional amount at a predetermined fixed rate

for a given period of time. In return for this promise, this party receives cash flows equivalent to the interest on the same notional amount at a variable-rate index for the same period of time. The variable rate received by the FHLBanks in most derivatives is the London Interbank Offered Rate (LIBOR).

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

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

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

Futures/Forwards Contracts. An FHLBank may use futures and forward contracts in order to hedge interest-rate risk. For example, certain mortgage purchase commitments entered into by an FHLBank are considered derivatives. An FHLBank may hedge these commitments by selling "to-be-announced" (TBA) MBS for forward settlement. A TBA represents a forward contract for the sale of MBS at a future agreed upon date for an established price.

Types of Hedged Items

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

Consolidated Obligations. Each FHLBank enters into derivatives to hedge the interest-rate risk associated with its specific debt issuances. An FHLBank manages the risk arising from changing market prices and volatility of a consolidated obligation by matching the cash inflow on the derivative with the cash outflow on the consolidated obligation.

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

This strategy of issuing bonds while simultaneously entering into derivatives enables an FHLBank to offer a wider range of attractively priced advances to its members and may allow an FHLBank to reduce its funding costs. The continued attractiveness of such debt depends on yield relationships between the bond and derivative markets. If conditions in these markets change, an FHLBank may alter the types or terms of the bonds that it issues. By acting in both the capital and the swap markets, the FHLBanks can raise funds at lower costs than through the issuance of simple fixed- or variable-rate consolidated obligations in the capital markets alone.

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

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

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

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

Options may also be used to hedge prepayment risk on the mortgages, many of which are not identified to specific mortgages and, therefore, do not receive fair-value or cash-flow hedge accounting treatment. The FHLBanks may also purchase interest-rate caps and floors, swaptions, callable swaps, calls, and puts to minimize the prepayment risk embedded in the mortgage loans. Although these derivatives are valid economic hedges against the prepayment risk of the loans, they are not specifically linked to individual loans and, therefore, do not receive either fair-value or cash-flow hedge accounting. These derivatives are marked-to-market through earnings.

Anticipated Streams of Future Cash Flows. The FHLBanks may enter into an option to hedge a specified future variable cash stream as a result of rolling over short-term, fixed-rate financial instruments such as LIBOR advances and consolidated discount notes. The option will effectively cap the variable cash stream at a predetermined target rate.

Firm Commitments. Certain mortgage purchase commitments are considered derivatives. The FHLBanks normally hedge these commitments by selling TBA MBS or other derivatives for forward settlement. The mortgage purchase commitment and the TBA used in the firm commitment hedging strategy (economic hedge) are recorded as a derivative asset or derivative liability at fair value, with changes in fair value recognized in current-period earnings. When the mortgage purchase commitment derivative settles, the current market value of the commitment is included with the basis of the mortgage loan and amortized accordingly.

The FHLBanks may also hedge a firm commitment for a forward starting advance through the use of an interest-rate swap. In this case, the swap will function as the hedging instrument for both the firm commitment and the subsequent advance. The basis movement associated with the firm commitment will be rolled into the basis of the advance at the time the commitment is terminated and the advance is issued. The basis adjustment will then be amortized into interest income over the life of the advance. In addition, if a hedged firm commitment no longer qualified as a fair-value hedge, the hedge would be terminated and net gains and losses would be recognized in current-period earnings. There were no material amounts of gains and losses recognized due to disqualification of firm commitment hedges during the years ended 2010, 2009 and 2008.

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

Anticipated Debt Issuance. Certain FHLBanks use derivatives to “lock-in” the cost of funding prior to an anticipated debt issuance, and designate them as cash-flow hedges. The derivative is terminated upon issuance of the debt instrument.

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

Managing Credit Risk on Derivatives

The FHLBanks are subject to credit risk due to nonperformance by counterparties to the derivative agreements. The degree of counterparty risk depends on the extent to which master netting arrangements are included in such contracts to mitigate the risk. The FHLBanks manage counterparty credit risk through credit analysis, collateral requirements and adherence to the requirements set forth in FHLBank policies and Finance Agency regulations. The FHLBanks require collateral agreements on all derivatives that establish collateral delivery thresholds. Additionally, collateral related to derivatives with member institutions includes collateral assigned to an FHLBank, as evidenced by a written security agreement and held by the member institution for the benefit of the FHLBank. Based on credit analyses and collateral requirements, the management of each FHLBank does not anticipate any credit losses on its derivative agreements. (See ***Note 21—Fair Value*** for discussion regarding the FHLBanks’ fair value methodology for derivative assets and liabilities, including an evaluation of the potential for the fair value of these instruments to be affected by counterparty credit risk.)

Table 12.1 presents credit risk exposure on derivative instruments, excluding circumstances where a counterparty’s pledged collateral to an FHLBank exceeds the FHLBank’s net position.

Table 12.1 - Credit Risk Exposure (dollars in millions)

	Year Ended December 31,	
	2010	2009
Total net exposure at fair value[1]	$2,055	$2,522
Cash collateral held	1,164	1,862
Net exposure after cash collateral	891	660
Other collateral	721	464
Net exposure after collateral	$ 170	$ 196

(1) Includes net accrued interest receivable of $376 million and $768 million at December 31, 2010 and 2009.

Certain of the FHLBanks' derivative instruments contain provisions that require an FHLBank to post additional collateral with its counterparties if there is deterioration in that FHLBank's credit rating. If an FHLBank's credit rating is lowered by a major credit rating agency, that FHLBank would be required to deliver additional collateral on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position (before cash collateral and related accrued interest) at December 31, 2010 was $12.3 billion for which the FHLBanks have posted collateral of $8.6 billion in the normal course of business. If each of the FHLBanks' credit ratings had been lowered from its current rating to the next lower rating that would have triggered additional collateral to be delivered, the FHLBanks would have been required to deliver up to an additional $2.5 billion of collateral (at fair value) to their derivatives counterparties at December 31, 2010. None of the FHLBanks' senior credit ratings was lowered during the years ended 2010 and 2009.

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

Lehman Brothers Holdings, Inc. Bankruptcy. On September 15, 2008, Lehman Brothers Holdings, Inc. (LBHI), the parent company of Lehman Brothers Special Financing (LBSF) and a guarantor of LBSF's obligations, filed for protection under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court in the Southern District of New York. LBSF was a counterparty to FHLBanks on multiple derivative transactions under International Swap Dealers Association, Inc. master agreements with a total notional amount of $123 billion at the time of termination of the FHLBanks' derivative transactions with LBSF. As a result, each affected FHLBank notified LBSF of the FHLBank's intent to terminate early all of its outstanding derivative positions with LBSF. Unwinding of the derivative transactions between LBSF and FHLBanks resulted in $343 million of net gains on derivatives and hedging activities during the third quarter of 2008. In addition, upon unwinding of the derivative transactions between the FHLBanks and LBSF, each of the FHLBanks in a net receivable position netted the value of the collateral due to be returned to that FHLBank with all other amounts due between the parties, which resulted in an establishment of a $312 million receivable from LBSF (before provision) included in "Other assets" in the Combined Statement of Condition and a $252 million provision for derivative counterparty credit losses in the Combined Statement of Income to the extent that the FHLBanks were able to estimate reasonably the amount of loss that had been incurred with respect to settlements of derivative transactions with LBSF.

- *FHLBank of Pittsburgh.* In the first quarter of 2009, management of the FHLBank of Pittsburgh estimated its amount of loss as $35.3 million as reported in "(Reversal) provision for derivative counterparty credit losses" on the Combined Statement of Income and recorded a contingency reserve related to the $41.5 million receivable from LBSF based on the discovery phase of the adversary proceeding filed by the FHLBank of Pittsburgh in the fourth quarter of 2008. As of December 31, 2010, the FHLBank of Pittsburgh maintained a $6.2 million net receivable balance with respect to LBSF.

- *FHLBank of Atlanta.* During the second quarter of 2010, the FHLBank of Atlanta and management of the Lehman bankruptcy estate concluded that the agreed-upon amount of the FHLBank of Atlanta's claims on the Lehman bankruptcy estate was $175 million. Based on a financial disclosure report made available by the Lehman bankruptcy estate during the second quarter of 2010 and market prices for the sale of claims on the Lehman bankruptcy estate, the estimate by the FHLBank of Atlanta's management of the probable amount to be realized was $68 million as of June 30, 2010. The FHLBank of Atlanta therefore increased its estimate of the probable amount to be realized related to the net receivable due from LBSF by $49 million, with a corresponding reduction to other expense as reported in "(Reversal) provision of derivative counterparty credit losses" on the Combined Statement of Income.

During the third quarter of 2010, the FHLBank of Atlanta management began negotiations with a third party for the sale of its claim on the Lehman bankruptcy estate. Based on these negotiations, the FHLBank of Atlanta management's estimate of the probable amount to be realized as of August 30, 2010 was $70 million.

The FHLBank of Atlanta therefore increased its estimate of the probable amount to be realized related to the net receivable due from LBSF by $2 million, with a corresponding reduction to other expense as reported in "(Reversal) provision of derivative counterparty credit losses" on the Combined Statement of Income. On September 30, 2010, the FHLBank of Atlanta sold its claim on the Lehman bankruptcy estate for $70 million, the carrying value of the net receivable due from LBSF. For the year ended December 31, 2010, the total reduction to other expense related to the net receivable due from LBSF was $51 million.

- *FHLBank of Seattle.* In December 2010, the FHLBank of Seattle released its provision for derivative counterparty credit loss of $4 million in other expense as reported in "(Reversal) provision of derivative counterparty credit losses" on the Combined Statement of Income as a result of the December 2010 sale of its outstanding receivable with LBHI.

Financial Statement Effect and Additional Financial Information

Derivative Notional Amounts. The notional amount of derivatives serves as a factor in determining periodic interest payments or cash flows received and paid. However, the notional amount of derivatives represents neither the actual amounts exchanged nor the overall exposure of the FHLBanks to credit and market risk. The risks of derivatives can be measured meaningfully on a portfolio basis that takes into account the derivatives, the item being hedged and any offsets between the two.

Table 12.2 presents the fair value of derivative instruments. For purposes of this disclosure, the derivative values include the fair value of derivatives and the related accrued interest.

Table 12.2 - Derivative Instruments Fair Value (dollars in millions)

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

	December 31, 2009		
	Notional Amount of Derivatives	Derivative Assets	Derivative Liabilities
Derivatives Designated as Hedging Instruments:			
Interest-rate swaps	$706,125	$ 7,519	$ 17,617
Interest-rate swaptions	2,855	67	–
Interest-rate caps or floors	2,370	178	–
Interest-rate futures/forwards	100	2	–
Total derivatives in hedging relationships	711,450	7,766	17,617
Derivatives Not Designated as Hedging Instruments:			
Interest-rate swaps	226,186	1,151	1,628
Interest-rate swaptions	10,802	158	–
Interest-rate caps or floors	25,547	455	67
Interest-rate futures/forwards	446	1	–
Mortgage delivery commitments	329	–	2
Other	348	2	1
Total derivatives not designated as hedging instruments	263,658	1,767	1,698
Total derivatives before netting and collateral adjustments	$975,108	9,533	19,315
Netting adjustments		(6,993)	(6,993)
Cash collateral and related accrued interest		(1,866)	(7,094)
Total netting adjustments and cash collateral[1]		(8,859)	(14,087)
Derivative assets and derivative liabilities as reported on the statement of condition		$ 674	$ 5,228

(1) Amounts represent the effect of legally enforceable master netting agreements that allow the FHLBank to settle positive and negative positions by counterparties.

Table 12.3 presents the components of net gains (losses) on derivatives and hedging activities for the years ended December 31, 2010 and 2009 as presented in the Combined Statement of Income.

Table 12.3 - Net Gains (Losses) on Derivatives and Hedging Instruments (dollars in millions)

	Year Ended December 31, 2010	Year Ended December 31, 2009
Derivatives and Hedged Items in Fair-Value Hedging Relationships:		
Interest-rate swaps	$ 278	$ 784
Interest-rate caps/floors	(1)	–
Other[1]	(3)	(10)
Total net gains related to fair-value hedge ineffectiveness	274	774
Total net gains related to cash-flow hedge ineffectiveness:	5	7
Derivatives Not Designated as Hedging Instruments:		
Economic hedges		
Interest-rate swaps	117	1,881
Interest-rate swaptions	(261)	(917)
Interest-rate caps/floors	(190)	144
Interest-rate futures/forwards	(1)	3
Net interest settlements	(256)	(685)
Other	(6)	1
Mortgage delivery commitments	14	(2)
Intermediary transactions		
Interest-rate swaps	1	–
Other	1	1
Total net (losses) gains related to derivatives not designated as hedging instruments	(581)	426
Net (losses) gains on derivatives and hedging activities	$(302)	$1,207

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

Table 12.4 presents the components of net losses on derivatives and hedging activities for the year ended December 31, 2008 as presented in the Combined Statement of Income.

Table 12.4 - Net Losses on Derivatives and Hedging Instruments (dollars in millions)

	Year Ended December 31, 2008
Losses related to fair-value hedge ineffectiveness	$ (133)
Losses on economic hedges	(1,411)
Losses related to cash-flow hedge ineffectiveness	(15)
Net losses on derivatives and hedging activities	$(1,559)

Table 12.5 presents by type of hedged item, the (losses) gains on derivatives and the related hedged items in fair-value hedging relationships and the effect of those derivatives on the FHLBanks' net interest income.

Table 12.5 - Effect of Fair-Value Hedge Related Derivative Instruments (dollars in millions)

Hedged Item Type:	Year Ended December 31, 2010 Losses on Derivative	Gains on Hedged Item	Net Fair-Value Hedge Ineffectiveness	Effect of Derivatives on Net Interest Income/Interest Expense[1]
Advances	$ (33)	$304	$271	$(9,135)
Consolidated bonds	(101)	98	(3)	6,014
Consolidated discount notes	(8)	5	(3)	15
Available-for-sale securities	(268)	280	12	(255)
Mortgage loans held for portfolio	(34)	31	(3)	(48)
Deposits	–	–	–	2
Total	$(444)	$718	$274	$(3,407)

Hedged Item Type:	Year Ended December 31, 2009 Gains (Losses) on Derivative	(Losses) Gains on Hedged Item	Net Fair-Value Hedge Ineffectiveness	Effect of Derivatives on Net Interest Income/Interest Expense[1]
Advances	$11,237	$(10,792)	$445	$(10,459)
Consolidated bonds	(5,870)	6,140	270	6,664
Consolidated discount notes	(59)	53	(6)	149
Available-for-sale securities	438	(352)	86	(141)
Mortgage loans held for portfolio	71	(92)	(21)	(79)
Deposits	(2)	2	–	1
Total	$ 5,815	$ (5,041)	$774	$ (3,865)

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

Table 12.6 presents by type of hedged item in cash-flow hedging relationships, the (losses) gains recognized in AOCI, reclassified from AOCI into income, and the effect of those hedging activities on the FHLBanks' net gains (losses) on derivatives and hedging activities on the Combined Statement of Income. (See the ***Combined Statement of Capital*** for more details on the effect of cash-flow hedges on AOCI.)

Table 12.6 - Effect of Cash-Flow Hedge Related Derivative Instruments (dollars in millions)

Derivatives and Hedged Items in Cash Flow Hedging Relationships:	Year Ended December 31, 2010 Amount of (Losses) Gains Recognized in AOCI on Derivative (Effective Portion)	Location of (Losses) Gains Reclassified from AOCI into Income (Effective Portion)	Amount of (Losses) Gains Derivatives and Reclassified from AOCI into Income (Effective Portion)	Amount of Gains Recognized in Net Gains (Losses) on Hedging Activities (Ineffective Portion)
Interest-rate swaps				
Consolidated bonds	$ –	Interest expense	$(13)	$ –
Consolidated discount notes	(304)	Interest expense	(5)	5
Interest-rate caps or floors				
Advances	8	Interest income	38	–
Consolidated discount notes	–	Interest expense	(14)	–
Total	$(296)		$ 6	$ 5

Derivatives and Hedged Items in Cash Flow Hedging Relationships:	Year Ended December 31, 2009 Amount of Gains/(Losses) Recognized in AOCI on Derivative (Effective Portion)	Location of Losses Reclassified from AOCI into Income (Effective Portion)	Amount of Losses Reclassified from AOCI into Income (Effective Portion)	Amount of Gains Recognized in Net Gains/(Losses) on Derivatives and Hedging Activities (Ineffective Portion)
Interest-rate swaps				
Consolidated bonds	$ –	Interest expense	$(16)	$ –
Consolidated discount notes	405	Interest expense	(4)	7
Interest-rate caps or floors				
Advances	(109)	Interest income	(14)	–
Consolidated discount notes	–	Interest expense	(15)	–
Total	$ 296		$(49)	$ 7

There were no material amounts for the years ended December 31, 2010, 2009 and 2008 that were reclassified from AOCI into earnings as a result of the discontinuance of cash-flow hedges because the original forecasted transactions occurred by the end of the originally specified time period or within a two-month period thereafter. At December 31, 2010, the deferred net gains on derivative instruments in AOCI that are expected to be reclassified to earnings during the next twelve months are $20 million. The maximum length of time over which the FHLBanks are hedging their exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, is generally no more than six months. For the FHLBank of Chicago, the maximum length of time over which forecasted transactions are hedged is 10 years.

Note 13—Deposits

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

Deposits classified as demand, overnight and other pay interest based on a daily interest rate. Short-term deposits pay interest based on a fixed rate determined at the issuance of the deposit. The average interest rates paid on average deposits during 2010, 2009 and 2008 were 0.1 percent, 0.1 percent and 1.7 percent.

Table 13.1 - Deposits (dollars in millions)

	December 31, 2010	December 31, 2009
Interest-bearing:		
Demand and overnight	$12,776	$14,559
Term	1,129	936
Other	75	94
Total interest-bearing	13,980	15,589
Non-interest-bearing:		
Demand and overnight	160	113
Other	261	195
Total non-interest-bearing	421	308
Total deposits	$14,401	$15,897

Note 14—Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase are carried at amortized cost. The FHLBank of Chicago has delivered securities sold under agreements to repurchase to a primary dealer, with $800 million maturing in 2011 and the remaining $400 million in 2012. If the fair value of the underlying securities fall below the fair value required as collateral, then the affected FHLBank must deliver additional securities to the dealer. Investment securities having a carrying value of $1.3 billion were pledged as collateral for repurchase agreements as of both December 31, 2010 and 2009, all of which was permitted to be sold or repledged by the secured party.

Note 15—Consolidated Obligations

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

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

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

The par values of the 12 FHLBanks' outstanding consolidated obligations, including consolidated obligations held by other FHLBanks, were approximately $796.4 billion and $930.6 billion at December 31, 2010 and 2009. Regulations require each FHLBank to maintain unpledged qualifying assets equal to its participation in the consolidated obligations outstanding. Qualifying assets are defined as cash; secured advances; assets with an assessment or rating at least equivalent to the current assessment or rating of the consolidated obligations; obligations of or fully guaranteed by the United States, obligations, participations or other instruments of or issued by Fannie Mae or Ginnie Mae; mortgages, obligations or other securities which are or have ever been sold by Freddie Mac under the FHLBank Act; and such securities as fiduciary and trust funds may invest in under the laws of the state in which the FHLBank is located. Any assets subject to a lien or pledge for the benefit of holders of any issue of consolidated obligations are treated as if they were free from lien or pledge for purposes of compliance with these regulations.

Table 15.1 - Consolidated Bonds Outstanding by Contractual Maturity (dollars in millions)

	December 31,			
	2010		2009	
Year of Contractual Maturity	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Due in 1 year or less	$264,479	1.21%	$336,359	1.40%
Due after 1 year through 2 years	102,481	1.74%	139,782	2.13%
Due after 2 years through 3 years	80,387	2.60%	82,354	2.56%
Due after 3 years through 4 years	34,203	3.04%	54,103	3.58%
Due after 4 years through 5 years	38,750	2.40%	33,797	3.67%
Thereafter	76,864	4.01%	79,318	4.67%
Index amortizing notes	4,539	4.82%	5,978	5.07%
Total par value	601,703	2.05%	731,691	2.32%
Premiums	761		631	
Discounts	(278)		(745)	
Hedging adjustments	4,489		4,812	
Fair value option valuation adjustments	(108)		(45)	
Total	$606,567		$736,344	

Consolidated obligations are issued with either fixed-rate coupon payment terms or variable-rate coupon payment terms that use a variety of indices for interest-rate resets including the LIBOR, Treasury Bills (T-Bills), the Prime rate, and others. To meet the expected specific needs of certain investors in consolidated obligations, both fixed-rate consolidated bonds and variable-rate consolidated bonds may contain features that result in complex coupon payment terms and call or put options. When such consolidated obligations are issued, the FHLBanks enter into derivatives containing offsetting features that effectively convert the terms of the consolidated bond to those of a simple variable-rate consolidated bond or a fixed-rate consolidated bond.

Table 15.2 - Consolidated Bonds Outstanding by Call Features (dollars in millions)

	December 31,	
Par values of consolidated bonds	2010	2009
Noncallable/nonputable	$455,512	$565,840
Callable	146,191	165,851
Total par value	$601,703	$731,691

Table 15.3 - Consolidated Bonds Outstanding by Contractual Maturity or Next Call Date (dollars in millions)

	December 31,	
Year of Contractual Maturity or Next Call Date	2010	2009
Due in 1 year or less	$369,833	$467,856
Due after 1 year through 2 years	92,154	116,010
Due after 2 years through 3 years	59,638	46,537
Due after 3 years through 4 years	20,423	39,944
Due after 4 years through 5 years	17,173	14,091
Thereafter	37,943	41,275
Index amortizing notes	4,539	5,978
Total par value	$601,703	$731,691

These consolidated obligations, beyond having fixed-rate or simple variable-rate coupon payment terms, may also have the following broad terms regarding either principal repayment or coupon payment terms:

- *Indexed principal redemption consolidated bonds* (index amortizing notes) repay principal according to a predetermined amortization schedule or prepay principal based on a calculation linked to the level of a certain index. Index amortizing notes have a stated maturity. As of December 31, 2010 and 2009, the FHLBanks' index amortizing notes had fixed-rate coupon payment terms. Usually, as market interest rates change, the portion of the monthly payment allocated to the repayment of principal also changes, resulting in a balloon payment on the maturity date if rates rise or causing the note to mature before the stated maturity date if rates fall.

- *Optional principal redemption consolidated bonds* (callable bonds) that an FHLBank may redeem in whole or in part at its discretion on predetermined call dates according to the terms of the consolidated bond offerings.

With respect to interest payments, consolidated bonds may also have the following terms:

- *Step-up consolidated bonds* pay interest at increasing fixed rates for specified intervals over the life of the consolidated bond. These consolidated bonds generally contain provisions enabling the FHLBanks to call consolidated bonds at their option on the step-up dates;

- *Range consolidated bonds* pay interest based on the number of days a specified index is within/outside of a specified range. The computation of the variable interest rate differs for each consolidated bond issue, but the consolidated bond generally pays zero interest or a minimal rate if the specified index is outside the specified range;

- *Conversion consolidated bonds* have coupons that convert from fixed to variable, or variable to fixed, or from one index to another, on predetermined dates according to the terms of the consolidated bond offerings;

- *Step-down consolidated bonds* pay interest at decreasing fixed rates for specified intervals over the life of the consolidated bond. These consolidated bonds generally contain provisions enabling the FHLBanks to call consolidated bonds at their option on the step-down dates;

- *Zero-coupon consolidated bonds* are discounted instruments that earn a fixed yield to maturity or the optional principal redemption date. All principal and interest are paid at maturity or on the optional principal redemption date, if redeemed prior to maturity;

- *Inverse floating consolidated bonds* have coupons that increase as an index declines and decrease as an index rises; and

- *Comparative index consolidated bonds* have coupon rates determined by the difference between two or more market indices, typically CMT and LIBOR.

Table 15.4 - Consolidated Bonds by Interest-Rate Payment Type (dollars in millions)

Par value of consolidated bonds	December 31, 2010	December 31, 2009
Fixed-rate	$468,161	$551,742
Simple variable-rate	95,511	130,699
Step-up	36,265	45,364
Fixed-rate that converts to variable-rate	857	915
Range bonds	306	983
Step-down	230	600
Variable-rate that converts to fixed-rate	118	880
Inverse floating	50	50
Zero-coupon	–	452
Other	205	6
Total par value	$601,703	$731,691

At December 31, 2010 and 2009, 67.2 percent and 69.5 percent of the FHLBanks' fixed-rate consolidated bonds were swapped to a variable-rate and 43.5 percent and 47.2 percent of the FHLBanks' variable-rate consolidated bonds were swapped to a different variable-rate index.

Consolidated Bonds Denominated in Foreign Currencies. Consolidated bonds issued can be denominated in foreign currencies. Concurrent with these issuances, the FHLBanks exchange the interest and principal payment obligations related to the issues for equivalent amounts denominated in U.S. dollars. There were no consolidated bonds denominated in foreign currencies outstanding at December 31, 2010 and 2009.

Consolidated Discount Notes. Consolidated discount notes are issued to raise short-term funds. Consolidated discount notes are consolidated obligations with original maturities of up to one year. These consolidated discount notes are issued at less than their face amount and redeemed at par value when they mature.

Table 15.5 - Consolidated Discount Notes (dollars in millions)

	Book Value	Par Value	Weighted-Average Interest Rate(1)
December 31, 2010	$194,431	$194,478	0.15%
December 31, 2009	$198,532	$198,577	0.18%

(1) Represents an implied rate.

At December 31, 2010 and 2009, 14.0 percent and 19.4 percent of the FHLBanks' fixed-rate consolidated discount notes were swapped to a variable-rate.

Concessions on Consolidated Obligations. Unamortized concessions, included in other assets, were $162 million and $215 million at December 31, 2010 and 2009. The amortization of such concessions is included in consolidated obligation interest expense and totaled $211 million, $238 million and $270 million in 2010, 2009, and 2008.

Note 16—Affordable Housing Program (AHP)

The FHLBank Act requires each FHLBank to establish an AHP. Each FHLBank provides subsidies in the form of direct grants and below-market interest rate advances to members who use the funds to assist in the purchase, construction, or rehabilitation of housing for very low-, low-, and moderate-income households. Annually, the FHLBanks must set aside for the AHP the greater of the aggregate of $100 million or 10 percent of net earnings, after the assessment for REFCORP. For purposes of the AHP calculation, net earnings is defined as net income before assessments, plus interest expense related to mandatorily redeemable capital stock, less the assessment for REFCORP. The requirement to add back interest expense related to mandatorily redeemable capital stock is based on an advisory bulletin issued by the Regulator. The AHP and REFCORP assessments are calculated simultaneously because of their interdependence on each other. Each FHLBank accrues this expense monthly based on its net earnings. An FHLBank reduces its AHP liability as members use subsidies. (See ***Note 17—Resolution Funding Corporation (REFCORP)*** for discussion of the REFCORP calculation.)

If an FHLBank experienced a net loss during a quarter, but still had net earnings for the year, the FHLBank's obligation to the AHP would be calculated based on the FHLBank's year-to-date net earnings. If the FHLBank had net earnings in subsequent quarters, it would be required to contribute additional amounts to meet its calculated annual obligation. If the FHLBank experienced a net loss for a full year, the FHLBank would have no obligation to the AHP for the year, because each FHLBank's required annual AHP contribution is limited to its annual net earnings. If the aggregate 10 percent calculation described above was less than $100 million for all 12 FHLBanks, each FHLBank would be required to assure that the aggregate contribution of the FHLBanks equals $100 million. The pro ration would be made on the basis of an FHLBank's income in relation to the income of all FHLBanks for the previous year, subject to the annual earnings limitation as discussed above.

There was no shortfall, as described above, in 2010, 2009 or 2008. If an FHLBank finds that its required contributions are contributing to the financial instability of that FHLBank, it may apply to the Finance Agency for a temporary suspension of its contributions. The FHLBanks did not make any such applications in 2010, 2009 or 2008. The FHLBanks had outstanding principal of $334 million and $347 million at December 31, 2010 and 2009 related to AHP advances.

Table 16.1 - Analysis of AHP Liability (dollars in millions)

	2010	2009	2008
Balance at beginning of year	$ 791	$ 808	$ 893
Expense	229	258	188
Subsidy usage, net[1]	(247)	(275)	(273)
Balance at end of year	$ 773	$ 791	$ 808

(1) Amounts do not agree to the "AHP payments, net" amounts per the Combined Statement of Cash Flows for each applicable period due to rounding.

Note 17—Resolution Funding Corporation (REFCORP)

Each FHLBank is required to make payments to REFCORP (20 percent of annual GAAP net income before REFCORP assessments and after payment of AHP assessments) until the total amount of payments actually made is equivalent to a $300 million annual annuity whose final maturity date is April 15, 2030. The Regulator will shorten or lengthen the period during which the FHLBanks must make payments to REFCORP depending on actual payments made relative to the referenced annuity. The Regulator, in consultation with the U.S. Secretary of the Treasury, selects the appropriate discounting factors used in calculating the annuity. (See ***Note 16—Affordable Housing Program (AHP)*** for a discussion of the AHP calculation.)

The cumulative amount to be paid to REFCORP by each FHLBank is not determinable at this time because it depends on the future earnings of all FHLBanks and interest rates. If an individual FHLBank experienced a net loss during a quarter, but still had net income for the year, that FHLBank's obligation to REFCORP would be calculated based on that FHLBank's year-to-date GAAP net income. The FHLBank would be entitled to a refund of amounts paid for the full year that were in excess of its calculated annual obligation. If the FHLBank had net income in subsequent quarters, it would be required to contribute additional amounts to meet its calculated annual obligation. If the FHLBank experienced a net loss for a full year, the FHLBank would have no obligation to REFCORP for the year.

Due to certain FHLBanks overpaying their REFCORP assessment in prior years, and as directed by the U.S. Treasury, these FHLBanks will use their respective overpayments as a credit against future REFCORP assessments (to the extent the FHLBank has positive net income in the future) over an indefinite period of time. Overpayments of $1 million and $33 million were recorded as deferred assets by the FHLBanks and reported in "Other assets" on the FHLBanks' Combined Statement of Condition at December 31, 2010 and 2009. The FHLBanks used $50 million and $115 million of credits during the years ended December 31, 2010 and 2009. Over time, as the FHLBanks use these credits against their future REFCORP assessments, each FHLBank's deferred asset will be reduced until the deferred asset has been exhausted. If any amount of an FHLBank's deferred asset still remains at the time that the REFCORP obligation for the FHLBank System as a whole is fully satisfied, or almost fully satisfied, REFCORP, in consultation with the U.S. Treasury, will implement a procedure so that each FHLBank with credits remaining would be able to collect on its remaining deferred asset.

Table 17.1 - Analysis of REFCORP (Asset)/Liability (dollars in millions)

	December 31,		
	2010	2009	2008
Net balance at beginning of year	$ 5	$(161)	$ 212
Expense	498	572	412
Cash payment	(411)	(406)	(785)
Net balance at end of year	$ 92	$ 5	$(161)
Deferred REFCORP asset	$ (67)	$(116)	$(198)
REFCORP liability	159	121	37
Net balance at end of year	$ 92	$ 5	$(161)

The Finance Agency is required to extend the term of the FHLBanks' obligation to REFCORP for each calendar quarter in which the FHLBanks' quarterly payment falls short of $75 million.

The FHLBanks' aggregate payments through 2010 have exceeded the scheduled payments, effectively accelerating payment of the REFCORP obligation and shortening its remaining term to October 15, 2011, effective at December 31, 2010. The FHLBanks' aggregate payments through 2010 have satisfied $65 million of the $75 million scheduled payment due on October 15, 2011 and all scheduled payments thereafter. This date assumes that the FHLBanks will pay exactly $75 million for each of the April 15, 2011 and the July 15, 2011 quarterly payments and $10 million for the October 15, 2011 quarterly payment (including the application of certain credits due to FHLBanks that overpaid their annual REFCORP assessment as referred to in the preceding paragraph). The benchmark payments or portions of them could be reinstated if the actual REFCORP payments of the FHLBanks fall short of $75 million in a quarter.

Note 18—Subordinated Notes

The FHLBank of Chicago has $1.0 billion of subordinated notes outstanding that mature on June 13, 2016. The subordinated notes are not obligations of, and are not guaranteed by, the United States government or any of the FHLBanks other than the FHLBank of Chicago. The subordinated notes are unsecured obligations and rank junior in priority of payment to the FHLBank of Chicago's senior liabilities. Senior liabilities include all of the existing and future liabilities, such as deposits, consolidated obligations for which the FHLBank of Chicago is the primary obligor, and consolidated obligations of the other FHLBanks for which the FHLBank of Chicago is jointly and severally liable.

Senior liabilities do not include the FHLBank of Chicago's existing and future liabilities related to payments of junior equity claims (all such payments to, and redemptions of shares from, holders of its capital stock being referred to as junior equity claims) and payments to, or redemption of shares from, any holder of its capital stock that is barred or required to be deferred for any reason, such as noncompliance with any minimum regulatory capital requirement applicable to the FHLBank of Chicago. Also, senior liabilities do not include any liability that, by its terms, expressly ranks equal with or junior to the subordinated notes. The FHLBank of Chicago's regulatory approval to issue subordinated debt prohibits it from making any payment to, or redeeming shares from, any holder of capital stock which it is obligated to make, on or after any applicable interest payment date or the maturity date of the subordinated notes unless it has paid, in full, all interest and principal due in respect of the subordinated notes on a particular date.

The subordinated notes may not be redeemed, in whole or in part, prior to maturity. These notes do not contain any provisions permitting holders to accelerate the maturity thereof on the occurrence of any default or other event. The subordinated notes were issued at par, and accrue interest at a rate of 5.625 percent per annum. Interest is payable semi-annually in arrears on each June 13 and December 13. The FHLBank of Chicago will defer interest payments if five business days prior to any interest payment date it does not satisfy any minimum regulatory leverage ratio then applicable to it.

The FHLBank of Chicago may not defer interest on the subordinated notes for more than five consecutive years and in no event beyond their maturity date. If the FHLBank of Chicago defers interest payments on the subordinated notes, interest will continue to accrue and will compound at a rate of 5.625 percent per annum. Any interest deferral period ends when the FHLBank of Chicago satisfies all minimum regulatory leverage ratios to which it is subject, after taking into account all deferred interest and interest on such deferred interest. During the periods when interest payments are deferred, the FHLBank of Chicago may not declare or pay dividends on, or redeem, repurchase or acquire its capital stock (including mandatorily redeemable capital stock). At December 31, 2010, the FHLBank of Chicago satisfied the minimum regulatory leverage ratios applicable to the FHLBank of Chicago, and it had not deferred any interest payments.

The FHLBank of Chicago is allowed to include a percentage of the outstanding principal amount of the subordinated notes (the Designated Amount) in determining compliance with its regulatory capital and minimum regulatory leverage ratio requirements and in calculating its maximum permissible holdings of mortgage-backed securities, and unsecured credit, subject to 20 percent annual phase-outs beginning on June 14, 2011 as presented in Table 18.1.

Table 18.1 - Designated Amount Phase-Out (dollars in millions)

Time Period	Percentage of Designated Amount	Designated Amount
Issuance through June 13, 2011	100%	$1,000
June 14, 2011 through June 13, 2012	80%	800
June 14, 2012 through June 13, 2013	60%	600
June 14, 2013 through June 13, 2014	40%	400
June 14, 2014 through June 13, 2015	20%	200
June 14, 2015 through June 13, 2016	–	–

Note 19—Capital

The Gramm-Leach-Bliley Act of 1999 (GLB Act) required each FHLBank to adopt a capital plan and convert to a new capital structure. As of December 31, 2010, all of the FHLBanks, except for the FHLBank of Chicago, had implemented their respective capital plans. Each conversion was considered a capital transaction and was accounted for at par value. Each FHLBank that has converted to a new capital structure is subject to three capital requirements under its capital plan and the Finance Agency rules and regulations:

1. Risk-based capital. Under this capital requirement, each FHLBank must maintain at all times permanent capital, defined as Class B stock and retained earnings, in an amount at least equal to the sum of its credit risk, market risk, and operations risk capital requirements, all of which are calculated in accordance with the rules and regulations of the Finance Agency. The Finance Agency may require an FHLBank to maintain a greater amount of permanent capital than is required by the risk-based capital requirements as defined.

2. Total regulatory capital. Under this capital requirement, an FHLBank is required to maintain at all times a total capital-to-assets ratio of at least four percent. Total regulatory capital is the sum of permanent capital, Class A stock, any general loss allowance, if consistent with GAAP and not established for specific assets, and other amounts from sources determined by the Finance Agency as available to absorb losses.

3. Leverage capital. Under this third capital requirement, each FHLBank is required to maintain at all times a leverage capital-to-assets ratio of at least five percent. Leverage capital is defined as the sum of permanent capital weighted 1.5 times and all other capital without a weighting factor. Mandatorily redeemable capital stock is considered capital for determining an FHLBank's compliance with its regulatory requirements.

The pre-GLB Act capital rules remain in effect until the FHLBank of Chicago implements its new capital plan. The pre-GLB Act rules require members to purchase capital stock equal to the greater of $500, 1 percent of its mortgage-related assets or 5 percent of its outstanding FHLBank advances. If the FHLBank of Chicago is not in compliance with the capital requirements at the effective date of its capital conversion, it must come into compliance within a transition period of up to three years. During that period, the existing leverage limit established by Finance Agency regulations will continue to apply.

At December 31, 2010, all of the FHLBanks that have implemented their respective capital plans under the GLB Act were in compliance with their regulatory capital rules. (See ***FHLBank of Seattle Capital Classification and Consent Arrangement*** within this note for a description of this FHLBank's agreement with the Finance Agency.)

Table 19.1 - Risk-Based Capital Requirements as of December 31, 2010 (dollars in millions)

FHLBank[(1)]	Risk-Based Capital Requirement	Actual Risk-Based Capital
Boston	$ 975	$ 4,004
New York	539	5,304
Pittsburgh	1,620	4,418
Atlanta	2,377	8,877
Cincinnati	444	3,887
Indianapolis	928	2,695
Des Moines	717	2,746
Dallas	403	2,061
Topeka	269	1,219
San Francisco	4,209	13,640
Seattle	1,981	2,713

Table 19.2 - Total Regulatory Capital Requirements as of December 31, 2010 (dollars in millions)

FHLBank[(1)]	Minimum Regulatory Capital Ratio Requirement	Minimum Regulatory Capital Requirement	Actual Regulatory Capital Ratio	Actual Regulatory Capital
Boston	4.0%	$2,346	6.8%	$ 4,004
New York	4.0%	4,008	5.3%	5,310
Pittsburgh	4.0%	2,135	8.3%	4,419
Atlanta	4.0%	5,272	6.7%	8,877
Cincinnati	4.0%	2,865	5.4%	3,887
Indianapolis	4.0%	1,797	6.0%	2,695
Des Moines	4.0%	2,223	4.9%	2,746
Dallas	4.0%	1,588	5.2%	2,061
Topeka	4.0%	1,548	4.7%	1,826
San Francisco	4.0%	6,097	8.9%	13,640
Seattle	4.0%	1,888	6.1%	2,871

Table 19.3 - Leverage Capital Requirements as of December 31, 2010 (dollars in millions)

FHLBank[(1)]	Minimum Leverage Capital Ratio Requirement	Minimum Leverage Capital Requirement	Actual Leverage Capital Ratio	Actual Leverage Capital
Boston	5.0%	$2,932	10.2%	$ 6,006
New York	5.0%	5,011	8.0%	7,962
Pittsburgh	5.0%	2,669	12.4%	6,628
Atlanta	5.0%	6,590	10.1%	13,316
Cincinnati	5.0%	3,582	8.1%	5,830
Indianapolis	5.0%	2,246	9.0%	4,044
Des Moines	5.0%	2,778	7.4%	4,119
Dallas	5.0%	1,985	7.8%	3,092
Topeka	5.0%	1,935	6.3%	2,435
San Francisco	5.0%	7,621	13.4%	20,460
Seattle	5.0%	2,360	9.0%	4,228

(1) Excludes the FHLBank of Chicago, which had not implemented a new capital plan as of December 31, 2010, but was in compliance with all of its minimum regulatory capital requirements. (See ***FHLBank of Chicago Regulatory Actions*** within this note for a description of this FHLBank's regulatory capital requirements.)

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

An FHLBank's board of directors may declare and pay dividends in either cash or capital stock, assuming the FHLBank is in compliance with Finance Agency rules. Dividends declared by the board of directors of the FHLBank of Chicago are subject to the prior written approval of the Deputy Director, Division of FHLBank Regulation of the Finance Agency (Deputy Director). The FHLBank of Seattle will not pay dividends except upon compliance with capital restoration and retained earnings plans approved by the Finance Agency and prior written approval of the Finance Agency.

At December 31, 2010, combined regulatory capital was $57.4 billion, compared to $60.2 billion at December 31, 2009. These amounts include $1.0 billion in subordinated notes, subject to 20 percent annual phase-outs beginning on June 14, 2011 (Designated Amount), which the FHLBank of Chicago is allowed to include in determining compliance with its regulatory capital requirements, as further discussed in this note. Combined regulatory capital does not include AOCI, but does include mandatorily redeemable capital stock.

Mandatorily Redeemable Capital Stock. Each FHLBank is a cooperative whose member financial institutions and former members own all of the relevant FHLBank's capital stock. Member shares cannot be purchased or sold except between an FHLBank and its members at its $100 per share par value, as mandated by each FHLBank's capital plan or by regulation. If a member cancels its written notice of redemption or notice of withdrawal, the FHLBank will reclassify mandatorily redeemable capital stock from a liability to capital according to the terms of its capital plan. After the reclassification, dividends on the capital stock would no longer be classified as interest expense. For the years ended December 31, 2010, 2009 and 2008, dividends on mandatorily redeemable capital stock in the amount of $54 million, $40 million and $50 million were recorded as interest expense.

At December 31, 2010 and 2009, the FHLBanks had $7.1 billion and $8.1 billion in capital stock subject to mandatory redemption with payment subject to each FHLBank's waiting period and the FHLBank continuing to meet its minimum regulatory capital requirements. These amounts have been classified as a liability in the Combined Statement of Condition.

Table 19.4 - Mandatorily Redeemable Capital Stock Rollforward (dollars in millions)

	Year Ended December 31,		
	2010	2009	2008
Balance, beginning of year	$8,138	$ 6,136	$ 1,107
Capital stock subject to mandatory redemption reclassified from capital:			
Withdrawals	213	2,477	2,052
Other redemptions	1,146	4,206	5,876
Capital stock previously subject to mandatory redemption reclassified to capital:			
Withdrawals	(48)	(2,922)	(14)
Other redemptions	(902)	(1)	–
Net redemption of mandatorily redeemable capital stock:			
Withdrawals	(897)	(146)	(785)
Other redemptions	(584)	(1,612)	(2,127)
Accrued dividend classified as mandatorily redeemable	–	–	27
Balance, end of year	$7,066	$ 8,138	$ 6,136

The number of stockholders holding the mandatorily redeemable capital stock was 345, 286 and 190 at December 31, 2010, 2009 and 2008.

At December 31, 2010 and 2009, certain members requested redemptions of capital stock that have not been reclassified as mandatorily redeemable capital stock. These excess capital stock amounts were not classified as mandatorily redeemable capital stock for the FHLBanks of Indianapolis and Seattle because the requesting member may revoke its request, without substantive penalty, throughout the five-year waiting period, based on the capital plan of each of these FHLBanks.

Table 19.5 - Excess Capital Stock not Reclassified as Mandatorily Redeemable Capital Stock (dollars in millions)

	December 31, 2010		December 31, 2009	
	Number of Stockholders	Amount	Number of Stockholders	Amount
FHLBank of Indianapolis	11	$133	8	$131
FHLBank of Seattle	43	169	48	214
Total	54	$302	56	$345

In addition, certain FHLBanks have a grace period for capital stock redemption requests. Capital stock not reclassified as mandatorily redeemable capital stock at December 31, 2010 (excluding the amounts presented in Table 19.5) represents requests where the grace period had not yet expired.

Table 19.6 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 disappearing institution's membership stock requirement following such termination and the stock may be deemed excess stock subject to repurchase at the FHLBank's discretion. The FHLBanks are 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, the FHLBanks may repurchase such shares, in their sole discretion, subject to the statutory and regulatory restrictions on capital stock redemption discussed below.

Table 19.6 – Mandatorily Redeemable Capital Stock by Contractual Year of Redemption (dollars in millions)

Year 1	$ 197
Year 2	168
Year 3	2,972
Year 4	2,386
Year 5	586
Past contractual redemption date due to remaining activity(1)	28
Past contractual redemption date due to regulatory action(2)	199
Subtotal	6,536
FHLBank of Chicago(3)	530
Total	$7,066

(1) Represents mandatorily redeemable capital stock that is past the end of the contractual redemption period because there is activity outstanding to which the mandatorily redeemable capital stock relates.

(2) See ***FHLBank of Seattle Capital Classification and Consent Arrangement*** within this note for a discussion on the FHLBank of Seattle's mandatorily redeemable capital stock restrictions.

(3) From April 24, 2008 through December 31, 2010, the Deputy Director has denied requests of 21 members of the FHLBank of Chicago to redeem capital stock in connection with membership withdrawals or other terminations, of which $37 million is in the FHLBank of Chicago's mandatorily redeemable capital stock balance at December 31, 2010. See ***FHLBank of Chicago Regulatory Actions*** within this note for a discussion on the FHLBank of Chicago's mandatorily redeemable capital stock restrictions.

A member may cancel or revoke its written notice of redemption or its notice of withdrawal from membership prior to the end of the five-year redemption period. Each FHLBank's capital plan provides the terms for cancellation fees that may be incurred by the member upon such cancellation.

Excess Capital Stock. Excess stock is defined as the amount of stock held by a member (or former member) in excess of that institution's minimum investment requirement. Finance Agency rules limit the ability of an FHLBank to create member excess stock under certain circumstances. An FHLBank may not pay dividends in the form of capital stock or issue new excess stock to members if that FHLBank's excess stock exceeds one percent of its total assets or if the issuance of excess stock would cause that FHLBank's excess stock to exceed one percent of its total assets. At December 31, 2010, each of the FHLBanks of Boston, Pittsburgh, Atlanta, Cincinnati, Indianapolis, Chicago, San Francisco and Seattle had excess capital stock outstanding totaling more than one percent of its total assets. At December 31, 2010, each of these FHLBanks was in compliance with the Finance Agency's excess stock rules.

Statutory and Regulatory Restrictions on Capital Stock Redemption. In accordance with the FHLBank Act, each class of FHLBank stock is considered putable by the member. However, there are significant statutory and regulatory restrictions on the obligation, or right, to redeem the outstanding stock, including the following:

- An FHLBank may not redeem any capital stock if, following such redemption, the FHLBank would fail to satisfy any of its minimum capital requirements. By law, no FHLBank stock may be redeemed if the FHLBank becomes undercapitalized so only a minimal portion of outstanding stock qualifies for redemption consideration.
- An FHLBank may not redeem any capital stock without approval of the Finance Agency if either its board of directors, or the Finance Agency, determines that it has incurred, or is likely to incur, losses resulting, or expected to result, in a charge against capital while such charges are continuing or expected to continue.

Additionally, an FHLBank may not redeem or repurchase shares of capital stock from any member of the FHLBank if (1) the principal or interest due on any consolidated obligation has not been paid in full when due; (2) the FHLBank fails to certify in writing to the Finance Agency that it will remain in compliance with its liquidity requirements and will remain capable of making full and timely payment of all of its current obligations; (3) the FHLBank notifies the Finance Agency that it cannot provide the foregoing certification, projects it will fail to comply with statutory or regulatory liquidity requirements or will be unable to timely and fully meet all of its obligations; or (4) the FHLBank actually fails to comply with statutory or regulatory liquidity requirements or to timely and fully meet all of its current obligations, or enters or negotiates to enter into an agreement with one or more FHLBanks to obtain financial assistance to meet its current obligations.

If an FHLBank is liquidated, after payment in full to the FHLBank's creditors, the FHLBank's stockholders will be entitled to receive the par value of their capital stock. In addition, the FHLBank's Class B stockholders will be entitled to any retained earnings in an amount proportional to the stockholder's share of the total shares of capital stock. In the event of a merger or consolidation, the board of directors shall determine the rights and preferences of the FHLBank's stockholders, subject to any terms and conditions imposed by the Finance Agency.

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

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

If, during the period between receipt of a stock redemption notification from a member and the actual redemption (which may last indefinitely if an FHLBank is undercapitalized, does not have the required credit rating, etc.), an FHLBank is either liquidated or forced to merge with another FHLBank, the redemption value of the stock will be established after the settlement of all senior claims. Generally, no claims would be subordinated to the rights of FHLBank stockholders.

The GLB Act states that an FHLBank may repurchase, in its sole discretion, any member's stock investments that exceed the required minimum amount.

Capital Classification Determination. On July 30, 2009, the Finance Agency published a final rule that implemented the prompt corrective action (PCA) provisions of the Housing Act. The rule established four capital classifications: adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, for the FHLBanks and implemented the PCA provisions that apply to FHLBanks that are not deemed to be adequately capitalized. The Finance Agency determines each FHLBank's capital classification on at least a quarterly basis. If an FHLBank is determined to be other than adequately capitalized, the FHLBank becomes subject to additional supervisory authority by the Finance Agency. Before implementing a reclassification, the Finance Agency Director is required to provide the FHLBank with written notice of the proposed action and an opportunity to submit a response. For a discussion of an individual FHLBank's capital classification, see that FHLBank's periodic report filed with the SEC.

FHLBank of Chicago Regulatory Actions. At the request of the Finance Board, on October 10, 2007, the FHLBank of Chicago entered into a Consent Cease and Desist Order, which was subsequently amended on July 24, 2008 (the Consent Cease and Desist Order, as amended, is hereinafter referred to as the C&D Order).

The C&D Order places several requirements on the FHLBank of Chicago, including the following:

- the FHLBank of Chicago must maintain a ratio of regulatory capital stock, plus retained earnings, plus a Designated Amount of subordinated notes to total assets of at least 4.5 percent, and a minimum total amount of the sum of regulatory capital stock plus a Designated Amount of subordinated notes of $3.600 billion;

- capital stock repurchases and redemptions, including redemptions upon membership withdrawal or other membership termination, except for certain redemptions of excess capital stock above a member's capital stock floor, require prior approval of the Deputy Director. The C&D Order provides that the Deputy Director may approve a written request by the FHLBank of Chicago for proposed redemptions or repurchases if the Deputy Director determines that allowing the redemption or repurchase would be consistent with maintaining the capital adequacy of the FHLBank of Chicago and its continued safe and sound operations;

- dividend declarations are subject to the prior written approval of the Deputy Director; and

- the C&D Order required the FHLBank of Chicago to submit a revised capital plan to the Finance Board, implementation strategies for the plan, and a revised market risk, management and hedging policies, procedures and practices.

On July 24, 2008, the Finance Board amended the C&D Order to permit the FHLBank of Chicago to repurchase or redeem excess capital stock above a member's capital stock floor (the amount of capital stock a member held as of the close of business at July 23, 2008, plus any required adjustments related to annual membership stock recalculations) in connection with the repayment of advances subject to the following conditions: (1) subsequent to the redemption or repurchase of stock, the FHLBank of Chicago remains in compliance with any applicable minimum capital requirements and (2) the redemption or repurchase does not otherwise cause the FHLBank of Chicago to violate a provision of the FHLBank Act. The Deputy Director may, however, direct the FHLBank of Chicago not to redeem or repurchase stock if, in his sole discretion, the continuation of such transactions would be inconsistent with maintaining the capital adequacy of the FHLBank of Chicago and its continued safe and sound operation.

During the year ended December 31, 2010, the FHLBank of Chicago redeemed $1 million in excess capital stock exceeding a member's capital stock floor as permitted under the C&D Order, however; the Deputy Director has denied all other requests submitted to the Finance Agency to redeem mandatorily redeemable capital stock since April 24, 2008. The FHLBank of Chicago does not believe a denial of a stock redemption request by the Deputy Director affects the reclassification of mandatorily redeemable capital stock as a liability. Rather, this denial delays the timing of an eventual mandatory redemption.

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

As of December 31, 2010, the FHLBank of Chicago was in compliance with all of its minimum regulatory capital requirements. Table 19.7 presents the FHLBank of Chicago's regulatory capital requirements at December 31, 2010 as a percentage of its total assets.

Table 19.7 - FHLBank of Chicago Regulatory Capital Requirements (dollars in millions)

	Regulatory Capital plus Designated Amount of Subordinated Notes(1)			
	Requirement in effect		Actual	
Non-Mortgage Asset Ratio	Ratio(2)	Amount	Ratio	Amount
20.43%	4.76%	$4,004	5.90%	$4,962

(1) Regulatory capital is defined as the sum of the paid-in value of capital stock and mandatorily redeemable capital stock (together defined as regulatory capital stock) plus retained earnings. The Finance Agency allows the FHLBank of Chicago to include a Designated Amount of subordinated notes (subject to 20 percent annual phase-outs beginning on June 14, 2011) when determining compliance with its regulatory capital ratio.

(2) The regulatory capital ratio required by Finance Agency regulations for the FHLBank of Chicago, which has not implemented a capital plan under the GLB Act, is 4.0 percent provided that its non-mortgage assets (defined as total assets less advances, acquired member assets, standby letters of credit, derivative contracts with members, certain MBS, and other investments specified by the Finance Agency) after deducting its amount of deposits and capital do not exceed 11 percent of the FHLBank of Chicago's total assets. If non-mortgage assets are greater than 11 percent of its total assets, the Finance Agency regulations require a regulatory capital ratio of 4.76 percent. The C&D Order includes a minimum regulatory capital ratio of 4.5 percent, which currently supersedes the 4.0 percent regulatory requirement discussed above. The FHLBank of Chicago's non-mortgage asset ratio on an average monthly basis was above 11 percent at December 31, 2010, thus it was subject to the 4.76 percent ratio at that date.

Under the C&D Order, the FHLBank of Chicago is also required to maintain an aggregate amount of regulatory capital stock plus a Designated Amount of subordinated notes of at least $3.600 billion. At December 31, 2010, the FHLBank of Chicago had an aggregate amount of $3.863 billion of regulatory capital stock plus the Designated Amount of subordinated notes.

FHLBank of Seattle Capital Classification and Consent Arrangement. In August 2009, under the Finance Agency's prompt corrective action regulation, the FHLBank of Seattle received a capital classification of "undercapitalized" from the Finance Agency, due to among other things, the FHLBank of Seattle's risk-based capital deficiencies as of March 31, 2009 and June 30, 2009, the deterioration in the value of its private-label MBS and the amount of accumulated other comprehensive loss (AOCL) stemming from that deterioration, the level of its retained earnings in comparison to AOCL, and its market value of equity (MVE) compared to the par value of capital stock (PVCS). This classification subjects the FHLBank of Seattle to a range of mandatory or discretionary restrictions, including limitations on asset growth and new business activities.

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

- risk management and asset improvement;
- capital adequacy and retained earnings;

- remediation of examination findings;
- information technology; and
- senior management and compensation practices.

In addition to taking the specified actions within the timeframes noted in the Consent Order and the milestones and timelines the FHLBank of Seattle develops as components of its plans to address the requirements for asset composition, capital management, and other operational and risk management objectives, the Consent Arrangement also provides for a Stabilization Period commencing on the date of the Consent Order and continuing through the filing of the FHLBank of Seattle's second quarter 2011 SEC Form 10-Q. The Consent Arrangement requires the FHLBank of Seattle to meet certain minimum financial metrics by the end of the Stabilization Period and maintain them for each quarter-end thereafter. These financial metrics relate to retained earnings, AOCL and the MVE to PVCS Ratio.

As of December 31, 2010, the FHLBank of Seattle had met the minimum financial metrics pursuant to the Consent Arrangement throughout the Stabilization Period to date.

The FHLBank of Seattle believes that its Consent Arrangement provides it with a clear path to more normal operations and to enhance the safety and soundness of its operations, policies, and practices. The FHLBank of Seattle is fully committed to addressing the requirements of the Consent Arrangement and achieving the following goals:

- addressing the requirements of the Consent Arrangement;
- strengthening the FHLBank of Seattle's balance sheet while employing sound risk management strategies;
- strengthening the FHLBank of Seattle's capital position through growth in its retained earnings; and
- closing the gap between the FHLBank of Seattle's MVE and PVCS.

In the FHLBank of Seattle's actions taken and improvements proposed thus far, it has coordinated, and will continue coordinating, with the Finance Agency so that actions taken and improvements proposed are aligned with the Finance Agency's expectations. However, there is a risk that implementation of approved plans, policies, and procedures designed to enhance the FHLBank of Seattle's safety and soundness may, to varying degrees, reduce its flexibility in managing the FHLBank of Seattle, negatively affecting advance volumes, its cost of funds, and net income, further affecting its financial condition and results of operations. See the FHLBank of Seattle's individual 2010 SEC Form 10-K for a complete description of the plans that the FHLBank of Seattle is developing in conjunction with the Consent Arrangement.

The Consent Arrangement will remain in effect until modified or terminated by the Finance Agency and does not prevent the Finance Agency from taking any other action affecting the FHLBank of Seattle that, at the sole discretion of the Finance Agency, it deems appropriate in fulfilling its supervisory responsibilities. Further, the FHLBank of Seattle cannot predict whether it will be able to develop and execute plans acceptable to the Finance Agency to enable it to meet minimum financial metrics by the end of the Stabilization Period and maintain them at each quarter-end thereafter and otherwise meet the requirements for asset composition, capital management, and other operational and risk management objectives pursuant to the Consent Arrangement. Failure to successfully execute such plans or meet such requirements could result in additional actions under the PCA provisions or imposition of additional standards or conditions by the Finance Agency, which could have a material adverse consequence to the FHLBank of Seattle's business, including its financial condition and results of operations.

Note 20—Pension and Postretirement Benefit Plans

Qualified Defined Benefit Multi-employer Plan. The FHLBanks participate in the Pentegra Defined Benefit Plan for Financial Institutions (Pentegra Defined Benefit Plan), a tax-qualified defined-benefit pension plan. The Pentegra Defined Benefit Plan is a multi-employer plan in which assets contributed by one participating employer may be used to provide benefits to employees of other participating employers because assets contributed by an employer are not segregated in a separate account or restricted to provide benefits only to employees of that employer. As a result, disclosure of the accumulated benefit obligations, plan assets, and the components of annual pension expense attributable to the FHLBanks are not presented herein.

The Pentegra Defined Benefit Plan covers substantially all officers and employees of the FHLBanks that meet certain eligibility requirements, except:

1. FHLBank of Dallas employees are eligible to participate only if hired before January 1, 2007 or hired on or after January 1, 2007, provided that the new employee had prior service with a financial services institution that participated in the Pentegra Defined Benefit Plan, during which service the employee was covered by such plan;
2. FHLBank of San Francisco, which provides a Cash Balance Plan to eligible employees;
3. FHLBank of Seattle employees are eligible to participate only if hired before January 1, 2004;
4. FHLBank of Indianapolis employees are eligible to participate only if hired before February 1, 2010; and
5. FHLBank of Des Moines employees are eligible to participate only if hired before December 31, 2010.

Contributions to the Pentegra Defined Benefit Plan charged to compensation and benefit expense were $88 million, $64 million and $44 million in the years ended December 31, 2010, 2009 and 2008.

Qualified Defined Contribution Plans. The FHLBanks, except for the FHLBanks of Atlanta, San Francisco and Seattle, also participate in the Pentegra Defined Contribution Plan for Financial Institutions, a tax-qualified, defined-contribution plan. The FHLBanks of Atlanta, San Francisco and Seattle have similar defined-contribution plans. The FHLBanks contribute a percentage of the participants' compensation by making a matching contribution equal to a percentage of the employee's voluntary contributions, subject to certain limitations.

Nonqualified Supplemental Defined Contribution Retirement Plans. Certain FHLBanks maintain at least one or more nonqualified, unfunded supplemental defined contribution plans. These plans restore defined contributions to those employees who have had their qualified defined contribution benefits limited by IRS regulations. The unfunded liability associated with these nonqualified supplemental defined contribution retirement plans was $41 million and $50 million at December 31, 2010 and 2009. However, certain FHLBanks have established a grantor/rabbi trust to meet future benefit obligations and current payments to the beneficiaries.

Costs expensed for all qualified and nonqualified defined contribution plans were $16 million, $16 million and $9 million in the years ended December 31, 2010, 2009 and 2008.

Nonqualified Supplemental Defined Benefit Retirement Plans. Certain FHLBanks maintain one or more nonqualified, unfunded defined benefit plans. These plans ensure that participants receive the full amount of benefits to which they would have been entitled under the qualified defined benefit plan in the absence of limits on benefit levels imposed by the IRS. Certain FHLBanks have established a grantor/rabbi trust to meet future benefit obligations and current payments to the beneficiaries. There are no funded plan assets that have been designated to provide supplemental retirement benefits.

FHLBank of San Francisco Cash Balance Plan. The FHLBank of San Francisco provides retirement benefits through its Cash Balance Plan, a tax-qualified defined benefit plan. The Cash Balance Plan covers all employees who have completed six months of FHLBank of San Francisco service. Under the plan, each eligible FHLBank of San Francisco employee accrues benefits annually equal to 6 percent of the employee's total annual compensation, plus 6 percent interest on the employee's account balance accrued through the prior year end. The Cash Balance Plan is funded through a trust established by the FHLBank of San Francisco.

Postretirement Benefit Plans. Certain FHLBanks offer a postretirement benefit plan that may include health care and/or life insurance benefits for eligible retirees. There are no funded plan assets that have been designated to provide postretirement benefits.

Table 20.1 presents the obligations and funding status of the FHLBanks' nonqualified supplemental defined benefit retirement plans, the FHLBank of San Francisco's Cash Balance Plan (collectively referred to as "Defined Benefit Retirement Plans" in the tables below) and the FHLBanks' postretirement benefit plans.

Table 20.1 - Benefit Obligation, Fair Value of Plan Assets and Funded Status (dollars in millions)

	Defined Benefit Retirement Plans		Postretirement Benefit Plans	
	2010	2009	2010	2009
Change in benefit obligation				
Benefit obligation at beginning of year	$ 131	$ 122	$ 38	$ 38
Service cost	7	7	2	2
Interest cost	7	7	2	2
Amendments—changes in assumptions	1	1	–	(2)
Actuarial loss (gain)	14	10	1	(1)
Benefits paid	(10)	(17)	(1)	(1)
Settlements and curtailments	1	1	–	–
Benefit obligation at end of year	151	131	42	38
Change in plan assets				
Fair value of plan assets at beginning of the year	18	12	–	–
Actual return on plan assets	2	3	–	–
Employer contributions	13	20	1	1
Benefits paid	(10)	(17)	(1)	(1)
Fair value of plan assets at end of the year	23	18	–	–
Funded status	$(128)	$(113)	$(42)	$(38)

Amounts recognized in "Other liabilities" on the Combined Statement of Condition for the FHLBanks' defined benefit retirement plans and postretirement benefit plans at December 31, 2010 and 2009 were $170 million and $151 million.

Table 20.2 - Amounts Recognized in AOCI (dollars in millions)

	Defined Benefit Retirement Plans		Postretirement Benefit Plans	
	2010	2009	2010	2009
Net actuarial loss	$51	$41	$ 5	$ 5
Prior service cost (benefit)	–	2	(8)	(10)
Transition obligation	–	–	1	1
	$51	$43	$(2)	$ (4)

The accumulated benefit obligation for the defined benefit retirement plans was $131 million and $112 million at December 31, 2010 and 2009.

Table 20.3 - Net Periodic Benefit Cost and Other Amounts Recognized in AOCI (dollars in millions)

	Defined Benefit Retirement Plans			Postretirement Benefit Plans		
	2010	2009	2008	2010	2009	2008
Net Periodic Benefit Cost						
Service cost	$ 7	$ 7	$ 7	$ 2	$ 2	$ 2
Interest cost	7	7	7	2	2	2
Expected return on plan assets	(1)	(1)	(1)	–	–	–
Amortization of prior service cost	–	–	–	(2)	(2)	(2)
Amortization of net loss (gain)	4	4	3	–	–	1
Settlement loss	3	3	1	–	–	–
Net periodic benefit cost	20	20	17	2	2	3
Other Changes in Benefit Obligations Recognized in Other Comprehensive Income						
Net loss (gain)	14	6	13	–	(1)	(1)
Prior service cost (benefit)	–	–	–	–	(3)	–
Amortization of net (loss) gain	(4)	(4)	(3)	–	–	(1)
Amortization of prior service (cost) benefit	–	–	–	2	2	2
Prior service cost recognized due to curtailment	(2)	–	–	–	–	–
Total recognized in other comprehensive income	8	2	10	2	(2)	–
Total recognized in net periodic benefit cost and other comprehensive income	$28	$22	$27	$ 4	$ –	$ 3

Table 20.4 presents the estimated net actuarial loss and prior service benefit that will be amortized from AOCI into net periodic benefit cost over the next fiscal year.

Table 20.4 - Amortization for Next Fiscal Year (dollars in millions)

	Defined Benefit Retirement Plans	Postretirement Benefit Plans
Net actuarial loss	$5	$ –
Prior service benefit	–	(1)
Total	$5	$(1)

Table 20.5 presents the key assumptions used for the actuarial calculations to determine benefit obligations for the FHLBanks' defined benefit retirement plans and postretirement benefit plans (displayed as a range from low to high).

Table 20.5 - Benefit Obligation Key Assumptions

	Defined Benefit Retirement Plans		Postretirement Benefit Plans	
	2010	2009	2010	2009
Discount rate	4.5% - 5.6%	5.3% - 6.1%	5.3% - 6.0%	5.7% - 6.2%
Salary increases	4.0% - 5.5%	4.5% - 5.5%		

Table 20.6 presents the key assumptions used for the actuarial calculations to determine net periodic benefit cost for the FHLBanks' defined benefit retirement plans and postretirement benefit plans (displayed as a range from low to high).

Table 20.6 - Net Periodic Benefit Cost Key Assumptions

	Defined Benefit Retirement Plans			Postretirement Benefit Plans		
	2010	2009	2008	2010	2009	2008
Discount rate	5.0% - 6.1%	5.6% - 6.5%	5.8% - 6.6%	5.5% - 6.2%	5.8% - 7.0%	6.0% - 6.6%
Salary increases	4.5% - 5.5%	4.3% - 5.5%	4.5% - 5.5%			
Expected return on plan assets	8.0%	8.0%	8.0%			

Table 20.7 - Postretirement Benefit Plans Assumed Health Care Cost Trend Rates(1)

	2010	2009
Health care cost trend rates:		
Assumed for next year	5.0% - 9.0%	5.0% - 10.0%
Ultimate rate	5.0% - 5.3%	5.0% - 5.3%
Year that ultimate rate is reached	2010 - 2023	2009 - 2023

(1) Table excludes certain postretirement health benefit plan assumptions for the FHLBank of San Francisco because this plan's costs are capped at 1998 levels. As a result, changes in the health care cost trend rates will have no effect on the FHLBank of San Francisco's accumulated postretirement benefit obligation, or service or interest costs.

The effect of a percentage point increase in the assumed health care cost trend rate would be an increase in postretirement benefit expense of less than $1 million and an increase in accumulated postretirement benefit obligation (APBO) of $5 million. The effect of a percentage point decrease in the assumed health care cost trend rate would be a decrease in postretirement benefit expense of less than $1 million and a decrease in APBO of $5 million.

The discount rates for the disclosures as of December 31, 2010 were determined by using a discounted cash flow approach, which incorporates the timing of each expected future benefit payment. Estimated future benefit payments are based on each plan's census data, benefit formulae and provisions, and valuation assumptions reflecting the probability of decrement and survival. The present value of the future benefit payments is determined by using weighted-average duration-based interest rate yields from a variety of highly rated relevant corporate bond indices as of December 31, 2010, and solving for the single discount rate that produces the same present value.

The nonqualified supplemental retirement plans and postretirement benefit plans are not funded; therefore, no contributions will be made in 2011 other than for the payment of benefits.

The FHLBank of San Francisco contributed $4 million in 2010 and expects to contribute $3 million in 2011 to the Cash Balance Plan. Immaterial contribution amounts were made to the FHLBank of San Francisco's nonqualified defined benefit plans and its postretirement health plan in 2010. The FHLBank of San Francisco expects to contribute immaterial amounts to its nonqualified defined benefit plans and its postretirement health plan in 2011.

Table 20.8 - Estimated Future Benefit Payments (dollars in millions)

Years	Payments
2011	$10
2012	13
2013	11
2014	12
2015	12
2016-2020	73

FHLBank of San Francisco's Plan Assets

Table 20.9 presents the FHLBank of San Francisco's fair values of the Cash Balance Plan's assets as of December 31, 2010 and 2009, by asset category. (See ***Note 21—Fair Value*** for further information regarding the three levels of fair value measurement.)

Table 20.9 - FHLBank of San Francisco's Cash Balance Plan's Fair Value of Plan Assets (dollars in millions)

	December 31, 2010				December 31, 2009			
	Fair Value Measurement Using:				Fair Value Measurement Using:			
Asset Category	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1	$ –	$ –	$ 1	$ 1	$ –	$ –	$ 1
Collective investment trust	–	–	–	–	2	–	–	2
Equity mutual funds	14	–	–	14	10	–	–	10
Fixed income mutual funds	7	–	–	7	4	–	–	4
Other	1	–	–	1	1	–	–	1
Total	$23	$ –	$ –	$23	$18	$ –	$ –	$18

The Cash Balance Plan is administered by the FHLBank of San Francisco's Retirement Committee, which establishes the plan's Statement of Investment Policy and Objectives. The Retirement Committee has adopted a strategic asset allocation that envisions a reasonably stable distribution of assets among major asset classes. These asset classes include domestic large-, mid-, and small-capitalization equity; international equity investments; and fixed income investments. The Retirement Committee has set the Cash Balance Plan's target allocation percentages for a mix range of 50-70 percent equity and 30-50 percent fixed income. The Retirement Committee reviews the performance of the Cash Balance Plan on a quarterly basis.

Table 20.10 - FHLBank of San Francisco's Cash Balance Plan's Weighted-Average Asset Allocation by Asset Category

	December 31,	
Asset Category	2010	2009
Cash and cash equivalents	4%	7%
Collective investment trust	–	10%
Equity mutual funds	59%	57%
Fixed income mutual funds	33%	22%
Real estate mutual funds	2%	2%
Other mutual funds	2%	2%
Total	100%	100%

Note 21—Fair Value

The fair value amounts, recorded on the Combined Statement of Condition and presented in the note disclosures, have been determined by the FHLBanks using available market information and each FHLBank's best judgment of appropriate valuation methods. These estimates are based on pertinent information available to the FHLBanks at December 31, 2010 and 2009. 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.

Table 21.1 - Fair Value Summary Table does not represent an estimate of the overall market value of the FHLBanks as going concerns, which would take into account future business opportunities and the net profitability of assets versus liabilities.

Table 21.1 - Fair Value Summary Table (dollars in millions)

Financial Instruments	December 31, 2010 Carrying Value	December 31, 2010 Estimated Fair Value	December 31, 2009 Carrying Value	December 31, 2009 Estimated Fair Value
Assets:				
Cash and due from banks	$ 3,801	$ 3,801	$ 24,330	$ 24,330
Interest-bearing deposits	9	9	11	11
Securities purchased under agreements to resell	16,400	16,400	7,175	7,175
Federal funds sold	75,855	75,855	54,597	54,597
Trading securities	28,291	28,291	22,247	22,247
Available-for-sale securities	71,459	71,459	52,488	52,488
Held-to-maturity securities	138,456	140,266	147,833	146,191
Advances(1)	478,589	480,420	631,159	633,079
Mortgage loans held for portfolio, net	61,191	64,289	71,437	73,816
Accrued interest receivable	1,921	1,921	2,466	2,466
Derivative assets	897	897	674	674
Other assets	13	13	18	18
Liabilities:				
Deposits	14,401	14,401	15,897	15,897
Securities sold under repurchase agreements	1,200	1,213	1,200	1,225
Consolidated obligations:				
Discount notes(2)	194,431	194,435	198,532	198,544
Bonds(3)	606,567	613,573	736,344	743,312
Mandatorily redeemable capital stock	7,066	7,066	8,138	8,138
Accrued interest payable	2,471	2,471	3,802	3,802
Derivative liabilities	5,467	5,467	5,228	5,228
Optional advance commitments (other liabilities)	11	11	–	–
Subordinated notes	1,000	1,065	1,000	1,011

(1) Includes $10,494 million and $21,620 million of advances recorded under the fair value option at December 31, 2010 and 2009.

(2) Includes $5,820 million of consolidated discount notes recorded under the fair value option at December 31, 2010.

(3) Includes $47,395 million and $53,805 million of consolidated bonds recorded under the fair value option at December 31, 2010 and 2009.

Fair Value Hierarchy

The FHLBanks record trading securities, available-for-sale securities, derivative assets, derivative liabilities, certain advances, certain consolidated obligations and certain other liabilities at fair value on a recurring basis and on occasion certain private-label MBS and other financial assets on a non-recurring basis. The fair value hierarchy is used to prioritize the fair value valuation techniques as well as the inputs to valuation techniques used to measure fair value for assets and liabilities that are carried at fair value, both on a recurring and non-recurring basis, on the Combined Statement of Condition. The inputs are evaluated and an overall level for the fair value measurement is determined. This overall level is an indication of market observability of the fair value measurement for the asset or liability.

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

- Level 1. Defined as those instruments for which fair value is determined from quoted prices for identical assets or liabilities in active markets. The types of assets and liabilities carried at Level 1 fair value generally include certain types of derivative contracts that are traded in an open exchange market and investments such as publicly-traded mutual funds.
- Level 2. Defined as those instruments for which fair value is determined from quoted prices for similar assets and liabilities in active markets, or, if a valuation methodology is used, inputs are selected that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. The types of assets and liabilities carried at Level 2 fair value generally include trading and available-for-sale investment securities, including U.S. government and agency mortgage-

backed securities, derivative contracts and certain advances, certain consolidated obligations and certain other liabilities elected to be carried at fair value under the fair value option.

- Level 3. Defined as those instruments for which inputs to the valuation methodology are unobservable and significant to the fair value measurement. The types of assets and liabilities that are either carried at Level 3 fair value on a recurring basis or measured at Level 3 fair value on a non-recurring basis generally include private-label RMBS, home equity loans, and certain consolidated bonds along with the derivative instruments hedging those consolidated bonds.

For instruments that are carried at fair value, each FHLBank reviews its fair value hierarchy classifications on a quarterly basis. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. These reclassifications are reported as transfers in/out at fair value as of the beginning of the quarter in which the changes occur. There were no such transfers during the years ended December 31, 2010 and 2009.

Valuation Techniques and Significant Inputs

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

Interest-bearing deposits. The fair value is determined based on each security's quoted price or prices obtained from a pricing service for instruments with more than three months to maturity. When quoted prices are not available, the fair value is determined by calculating the present value of the expected future cash flows and reducing the amount for accrued interest receivable. For certain FHLBanks, the fair value approximates the carrying value for interest-bearing deposits with variable rates and fixed rates with three months or less to maturity or repricing.

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

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

Investment securities—non-MBS. The FHLBanks use either an income approach based on a market-observable interest rate curve adjusted for a spread, or prices received from pricing services to determine the estimated fair value of non-MBS investment securities. Each FHLBank believes that its methodologies result in fair values that are reasonable and similar in all material respects based on the nature of the financial instruments being measured. The significant inputs include either a market-observable interest rate curve and a discount spread, if applicable, or the price received from a pricing service. Differing spreads may be applied to distinct term points along the discount curve in determining the fair value of instruments with varying maturities; therefore, the spread adjustment is presented as a range in Table 21.2.

Table 21.2 presents the significant inputs for non-MBS financial assets and liabilities carried at levels 2 and 3 within the fair value hierarchy at December 31, 2010.

Table 21.2 - Significant Inputs for Non-MBS (dollars in millions)

	Interest Rate Curve/Pricing Services	Spread Range to the Interest Rate Curve (basis points)	Fair Value Levels 2 and 3
U.S. Treasury obligations	Treasury	–	$ 2,785
	Pricing Service	N/A	283
Total U.S. Treasury obligations			3,068
Commercial paper	LIBOR Swap Curve	(8) to (7)	2,349
Certificates of deposit	LIBOR Swap Curve	(4) to (2)	1,755
	Pricing Service	N/A	11,110
Total certificates of deposit			12,865
Other U.S. obligations	Pricing Service	N/A	984
Government-sponsored enterprises and TVA	Agency Discount Note	–	4,496
	Pricing Service	N/A	19,036
Total Government-sponsored enterprises and TVA			23,532
State or local housing agency obligations	Pricing Service	N/A	3
TLGP	LIBOR Swap Curve	(5)	250
	Pricing Service	N/A	12,452
Total TLGP			12,702
FFELP ABS	LIBOR Swap Curve	64 to 108	6,303
	Pricing Service	N/A	2,496
Total FFELP ABS			8,799
Other	Pricing Service	N/A	835

Investment securities—MBS. The FHLBanks' valuation technique incorporates prices from up to four designated third-party pricing vendors, when available. These pricing vendors use methods that generally employ, but are not limited to benchmark yields, recent trades, dealer estimates, valuation models, benchmarking of like securities, sector groupings, and/or matrix pricing. Each FHLBank establishes a price for each of its MBS using a formula that is based upon the number of prices received. If four prices are received, the average of the middle two prices is used; if three prices are received, the middle price is used; if two prices are received, the average of the two prices is used; and if one price is received, it is used subject to some type of validation as described below. The computed prices are tested for reasonableness using specified tolerance thresholds. Computed prices within the established thresholds are generally accepted unless strong evidence suggests that using the formula-driven price would not be appropriate. Preliminary estimated fair values that are outside the tolerance thresholds, or that management believes may not be appropriate based on all available information (including those limited instances in which only one price is received), are subject to further analysis including, but not limited to, a comparison to the prices for similar securities and/or to non-binding dealer estimates or the use of an internal model that is deemed most appropriate after consideration of all relevant facts and circumstances that a market participant would consider. As of December 31, 2010, substantially all of the FHLBanks' MBS holdings were priced using this valuation technique. The relative lack of dispersion among the vendor prices received for each of the securities supports each FHLBank's conclusion that the final computed prices are reasonable estimates of fair value. Based on the current lack of significant market activity for private-label RMBS, the recurring and non-recurring fair value measurements for those securities as of December 31, 2010 fell within Level 3 of the fair value hierarchy.

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

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

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

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

- *Spread assumption.* As of December 31, 2010, the spread adjustment to the CO Curve was 3 to 30 basis points for advances carried at fair value.

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

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

Derivative assets/liabilities. The FHLBanks base the fair values of derivatives with similar terms on available market prices when available. However, active markets do not exist for many of the FHLBanks' derivatives. Consequently, fair values for these instruments are generally estimated using standard valuation techniques such as discounted cash-flow analysis and comparisons to similar instruments. Estimates developed using these methods are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows, volatility of interest rates, and the selection of discount rates that appropriately reflect market and credit risks. The use of different assumptions could have a material effect on the fair value estimates. Because these estimates are made at a specific point in time, they are susceptible to material near-term changes. The FHLBanks are subject to credit risk in derivatives transactions due to the potential nonperformance of their derivatives counterparties, which are generally highly rated institutions. To mitigate this risk, the FHLBanks have entered into master netting agreements for interest-rate exchange agreements with their derivative counterparties. In addition, each FHLBank has entered into bilateral security agreements with all of its active derivatives counterparties that provide for the delivery of collateral at specified levels tied to those counterparties' credit ratings to limit that FHLBank's net unsecured credit exposure to those counterparties. Each FHLBank has evaluated the potential for the fair value of the instruments to be affected by counterparty and our own credit risk and has determined that no adjustments were significant to the overall fair value measurements.

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

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

Interest-rate related:

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

TBAs:

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

Mortgage delivery commitments:

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

Deposits. The FHLBanks determine the fair values of deposits by calculating the present value of expected future cash flows from the deposits. The discount rates used in these calculations are the cost of deposits with similar terms. For certain FHLBanks, the fair value equals the carrying value for deposits with variable rates and fixed rates with three months or less to maturity or repricing.

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

Consolidated obligations. The FHLBanks estimate fair values based on the cost of raising comparable term debt, independent market-based prices received from a third-party pricing service, or internal valuation models. The FHLBanks' internal valuation models use standard valuation techniques and estimate fair values based on the following significant inputs for those consolidated obligations carried at fair value on the Combined Statement of Condition.

- *CO Curve and LIBOR Swap Curve.* CO Curve and LIBOR Swap Curve for certain callable consolidated obligations.
- *Volatility assumption.* Market-based expectations of future interest rate volatility implied from current market prices for similar options.
- *Spread assumption.* As of December 31, 2010, the spread adjustment to the LIBOR Swap Curve was (33) to (8) basis points for certain callable consolidated obligations carried at fair value for the applicable FHLBank using the LIBOR Swap Curve to value certain callable consolidated obligations. There was no spread adjustment to the CO Curve used to value the non-callable consolidated obligations carried at fair value and certain callable consolidated obligations for those FHLBanks not using the LIBOR Swap Curve.

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

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

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

Commitments. The fair value of the FHLBanks' commitments to extend credit for advances, letters of credit and standby bond purchase agreements was immaterial at December 31, 2010 and 2009.

Fair Value on a Recurring Basis

Table 21.3 presents the fair value of financial assets and liabilities by level within the fair value hierarchy, which are recorded on a recurring basis at December 31, 2010 and 2009.

Table 21.3 - Hierarchy Level for Financial Assets and Liabilities - Recurring (dollars in millions)

	December 31, 2010				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral[1]
Assets:					
Trading securities:					
U.S. Treasury obligations	$ 3,068	$ –	$ 3,068	$ –	$ –
Commercial paper	2,349	–	2,349	–	–
Certificates of deposit	7,075	–	7,075	–	–
Government-sponsored enterprises	12,355	–	12,355	–	–
State or local housing agency obligations	3	–	3	–	–
TLGP	2,126	–	2,126	–	–
Other non-MBS	271	11	260	–	–
Other U.S. obligations RMBS	49	–	49	–	–
Government-sponsored enterprises RMBS	765	–	765	–	–
Government-sponsored enterprises CMBS	230	–	230	–	–
Total trading securities	28,291	11	28,280	–	–
Available-for-sale securities:					
Certificates of deposit	5,790	–	5,790	–	–
Other U.S. obligations	984	–	984	–	–
Government-sponsored enterprises and TVA	11,177	–	11,177	–	–
TLGP	10,576	–	10,576	–	–
FFELP ABS	8,799	–	8,799	–	–
Other non-MBS	577	2	575	–	–
Other U.S. obligations RMBS	3,179	–	3,179	–	–
Government-sponsored enterprises RMBS	22,012	–	22,012	–	–
Government-sponsored enterprises CMBS	303	–	303	–	–
Private-label RMBS	8,047	–	–	8,047	–
Home equity loans	15	–	–	15	–
Total available-for-sale securities	71,459	2	63,395	8,062	–
Advances[2]	11,301	–	11,301	–	–

	December 31, 2010				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral[1]
Derivative assets:					
Interest-rate related	894	–	8,437	29	(7,572)
TBAs	1	1	–	–	–
Mortgage delivery commitments	2	–	2	–	–
Total derivative assets	897	1	8,439	29	(7,572)
Other assets	13	13	–	–	–
Total assets at fair value	$111,961	$27	$111,415	$8,091	$ (7,572)
Liabilities:					
Consolidated Obligations:					
Discount notes[3]	$ 5,820	$ –	$ 5,820	$ –	$ –
Bonds[4]	47,986	–	47,908	78	–
Derivative liabilities:					
Interest-rate related	5,462	–	19,042	–	(13,580)
TBAs	1	–	1	–	–
Mortgage delivery commitments	4	–	4	–	–
Total derivative liabilities	5,467	–	19,047	–	(13,580)
Optional advance commitments (included in other liabilities)[5]	11	–	11	–	–
Total liabilities at fair value	$ 59,284	$ –	$ 72,786	$ 78	$(13,580)

	December 31, 2009				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral[1]
Assets:					
Trading securities:					
U.S. Treasury obligations	$ 1,029	$ –	$ 1,029	$ –	$ –
Commercial paper	2,590	–	2,590	–	–
Certificates of deposit and bank notes	3,200	–	3,200	–	–
Government-sponsored enterprises	9,452	–	9,452	–	–
State or local housing agency obligations	10	–	10	–	–
TLGP	4,479	–	4,479	–	–
Other non-MBS	752	11	741	–	–
Other U.S. obligations RMBS	55	–	55	–	–
Government-sponsored enterprises RMBS	607	–	607	–	–
Government-sponsored enterprises CMBS	73	–	73	–	–
Total trading securities	22,247	11	22,236	–	–
Available-for-sale securities:					
Certificates of deposit	9,270	–	9,270	–	–
Other U.S. obligations	762	–	762	–	–
Government-sponsored enterprises and TVA	4,310	–	4,310	–	–
TLGP	3,299	–	3,299	–	–
FFELP ABS	9,323	–	9,323	–	–
Other non-MBS	396	2	394	–	–
Other U.S. obligations RMBS	1,620	–	1,620	–	–
Government-sponsored enterprises RMBS	17,489	–	17,489	–	–
Government-sponsored enterprises CMBS	310	–	310	–	–
Private-label RMBS	5,695	–	–	5,695	–
Home equity loans	14	–	–	14	–
Total available-for-sale securities	52,488	2	46,777	5,709	–

	December 31, 2009				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral[1]
Advances[2]	22,956	–	22,956	–	–
Derivative assets	674	1	9,509	23	(8,859)
Other assets	18	18	–	–	–
Total assets at fair value	$98,383	$32	$101,478	$5,732	$ (8,859)
Liabilities:					
Consolidated bonds[4]	$55,026	$ –	$ 54,955	$ 71	$ –
Derivative liabilities	5,228	–	19,315	–	(14,087)
Total liabilities at fair value	$60,254	$ –	$ 74,270	$ 71	$(14,087)

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

(2) Includes $10,494 million and $21,620 million of advances recorded under the fair value option and $807 million and $1,336 million of hedged advances recorded at fair value at December 31, 2010 and 2009.

(3) Represents $5,820 million of consolidated discount notes recorded under the fair value option.

(4) Includes $47,395 million and $53,805 million of consolidated bonds recorded under the fair value option and $591 million and $1,221 million of hedged consolidated bonds recorded at fair value at December 31, 2010 and 2009.

(5) Represents $11 million of other liabilities recorded under the fair value option.

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

Table 21.4 presents a reconciliation of assets and liabilities measured at fair value on a recurring basis which used level 3 significant inputs during the years ended December 31, 2010 and 2009.

Table 21.4 - Reconciliation of Level 3 Assets and Liabilities (dollars in millions)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Available-for-Sale Securities		Derivative Assets[2]	
	Private-Label RMBS	Home Equity Loans	Interest-Rate Related	Consolidated Bonds
December 31, 2009	$ 5,695	$14	$23	$(71)
Total gains or losses (realized/unrealized):				
Included in net gains on sale of AFS securities	10	–	–	–
Included in net (losses) gains on changes in fair value included in earnings	(362)[a]	(1)	6	(7)
Included in AOCI	739	8	–	–
Purchases, issuances, sales and settlements	(1,091)	(6)	–	–
Transfers from held-to-maturity to available-for-sale securities[1]	3,056	–	–	–
December 31, 2010	$ 8,047	$15	$29	$(78)
Total amount of (losses) gains for the period included in earnings attributable to the change in unrealized gains/losses relating to assets and liabilities still held at December 31, 2010	$ (331)	$ (1)	$ 6	$ (7)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Available-for-Sale Securities			
	Private-Label RMBS	Home Equity Loans	Derivative Assets[(2)]	Consolidated Bonds
December 31, 2008	$ 117	$ 6	$ 46	$(91)
Total gains or losses (realized/unrealized):				
Included in net losses on sale of AFS securities	(2)	–	–	–
Included in net (losses) gains on changes in fair value included in earnings related to assets and liabilities still held at year end	(377)[(a)]	(3)	(23)	20
Included in AOCI, sales	640	7	–	–
Purchases, issuances and settlements	(246)	(4)	–	–
Transfers from held-to-maturity to available-for-sale securities[(1)]	5,563	8	–	–
December 31, 2009	$5,695	$14	$ 23	$(71)

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

(1) During 2010 and 2009, each of the FHLBanks of Pittsburgh and Atlanta elected to transfer all private-label RMBS that had credit-related other-than-temporary impairment recorded during both years from their respective HTM portfolio to their respective AFS portfolio. The FHLBank of Seattle elected to transfer certain private-label RMBS that had credit-related OTTI during 2010 and 2009 from its HTM portfolio to its AFS portfolio. In addition, during the fourth quarter of 2010, the FHLBank of Indianapolis transferred all private-label RMBS that had OTTI credit losses during the year-ended December 31, 2010 from its HTM portfolio to its AFS portfolio**.** (See ***Note 8—Other-Than-Temporary Impairment Analysis*** for additional information on these transfers.) As of December 31, 2010 and 2009, the fair value of these securities continued to be determined using significant unobservable inputs (Level 3).

(2) Balances exclude netting adjustments and cash collateral.

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

Table 21.5 presents the fair value of financial assets and liabilities by level within the fair value hierarchy that are recorded on a non-recurring basis at December 31, 2010 and 2009.

Table 21.5 - Hierarchy Level for Financial Assets and Liabilities - Non-Recurring (dollars in millions)

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

	December 31, 2009			
	Total	Level 1	Level 2	Level 3
Held-to-maturity securities:				
Private-label RMBS	$2,915	$ –	$ –	$2,915
Home equity loan investments	105	–	–	105
Total held-to-maturity securities	3,020	–	–	3,020
Mortgage loans held for portfolio	17	–	–	17
Real estate owned	57	–	2	55
Total non-recurring assets at fair value	$3,094	$ –	$ 2	$3,092

Fair Value Option. The fair value option provides an irrevocable option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments not previously carried at fair value. It requires entities to display the fair value of those assets and liabilities for which the entity has chosen to use fair value on the face of the statement of condition. Fair value is used for both the initial and subsequent measurement of the designated assets, liabilities and commitments, with the changes in fair value recognized in net income. Interest income and interest expense carried on advances and consolidated obligations (consolidated discount notes and consolidated bonds) at fair value are recognized solely on the contractual amount of interest due or unpaid. Any transaction fees or costs are immediately recognized into other non-interest income or other non-interest expense.

The FHLBanks of New York, Chicago, Dallas, Des Moines and San Francisco (Electing FHLBanks) have elected the fair value option for certain advances, certain optional advance commitments and certain consolidated obligations transactions. Each of the Electing FHLBanks has elected some or all of these items for the fair value option to allow it to fair value the financial asset or financial liability to assist in mitigating potential income statement volatility that can arise from economic hedging relationships. This risk associated with using fair value only for the derivative is the primary reason that the Electing FHLBanks have elected the fair value option for financial assets and financial liabilities that do not qualify for hedge accounting or for items that have not previously met or may be at risk for not meeting hedge effectiveness requirements.

Table 21.6 - Fair Value Option Financial Assets and Liabilities (dollars in millions)

	December 31,					
	2010				2009	
	Advances	Consolidated Discount Notes	Consolidated Bonds	Other Liabilities	Advances	Consolidated Bonds
Balance at beginning of year	$ 21,620	$ –	$(53,805)	$ –	$ 38,774	$(31,285)
New transactions elected for fair value option	3,593	(8,607)	(79,469)	(7)	516	(54,410)
Maturities and terminations	(14,505)	2,799	85,816	–	(17,023)	31,778
Net (losses) gains on instruments held under fair value option	(163)	(2)	63	(4)	(573)	116
Change in accrued interest and other	(51)	(10)	–	–	(74)	(4)
Balance at end of year	$ 10,494	$(5,820)	$(47,395)	$(11)	$ 21,620	$(53,805)

For items recorded under the fair value option, the related contractual interest income and contractual interest expense is recorded as part of net interest income on the Combined Statement of Income. The remaining changes in fair value for instruments in which the fair value option has been elected is recorded as “Net (losses) gains on advances, consolidated obligations and other liabilities held at fair value option” in the Combined Statement of Income. The change in fair value does not include changes in instrument-specific credit risk. Each of the Electing FHLBanks determined that no adjustments to the fair values of its instruments recorded under the fair value option for instrument-specific credit risk were necessary as of December 31, 2010 and 2009.

Table 21.7 presents the difference between the aggregate unpaid balance outstanding and the aggregate fair value for advances and consolidated obligations for which the fair value option has been elected as of December 31, 2010 and 2009.

Table 21.7 - Aggregate Unpaid Balance and Aggregate Fair Value (dollars in millions)

	Aggregate Unpaid Principal Balance	Aggregate Fair Value	Fair Value Over/(Under) Aggregate Unpaid Principal Balance
December 31, 2010:			
Advances[1]	$10,167	$10,494	$ 327
Consolidated discount notes	5,816	5,820	4
Consolidated bonds	47,503	47,395	(108)
December 31, 2009:			
Advances[1]	$21,003	$21,620	$ 617
Consolidated bonds	53,850	53,805	(45)

(1) At December 31, 2010 and 2009, none of the advances were 90 days or more past due or had been placed on non-accrual status.

Note 22—Commitments and Contingencies

Off-Balance-Sheet Commitments

Table 22.1 - Off-Balance-Sheet Commitments (dollars in millions)

	December 31, 2010			December 31, 2009
Notional amount	Expire Within One Year	Expire After One Year	Total	Total
Standby letters of credit outstanding[1]	$38,821	$24,277	$63,098	$52,756
Commitments for standby bond purchases	968	2,507	3,475	3,466
Unused lines of credit	2,098	–	2,098	1,605
Commitments to fund additional advances	1,968	214	2,182	776
Commitment to fund or purchase mortgage loans	615	–	615	261
Unsettled consolidated bonds, at par[2]	2,619	–	2,619	11,171
Unsettled consolidated discount notes, at par	42	–	42	3,359

(1) Excludes unconditional commitments to issue standby letters of credit of $503 million and $262 million at December 31, 2010 and 2009.

(2) Unsettled consolidated bonds of $1,758 million and $9,465 million were hedged with associated interest-rate swaps at December 31, 2010 and 2009.

Commitments to Extend Credit. Standby letters of credit are executed for members for a fee. A standby letter of credit is a financing arrangement between the FHLBank and its member. If the FHLBank is required to make payment for a beneficiary's draw, the payment amount is converted into a collateralized advance to the member. The original terms of these standby letters of credit, including related commitments, range from less than one month to 20 years, including a final expiration in 2030. The carrying value of guarantees related to standby letters of credit are recorded in other liabilities and were $138 million and $133 million at December 31, 2010 and 2009.

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

Standby Bond-Purchase Agreements. Certain FHLBanks have entered into standby bond purchase agreements with state housing authorities within their district whereby the FHLBanks agree to provide liquidity for a fee. If required, these FHLBanks will purchase and hold the authority's bonds until the designated marketing agent can find a suitable investor or the housing authority repurchases the bond according to a schedule established by the standby agreement. Each standby agreement dictates the specific terms that would require the FHLBank to purchase the bond. The bond purchase commitments entered into by these FHLBanks have expiration periods up to 7 years, currently no later than 2016, although some are renewable at the option of an FHLBank. At December 31, 2010 and 2009, the FHLBanks had standby bond purchase commitments with 12 state housing authorities. During 2010, the FHLBanks were not required to purchase any bonds under these agreements.

Commitments to Fund or Purchase Mortgage Loans. The FHLBanks enter into commitments that unconditionally obligate them to fund or purchase mortgage loans. Commitments are generally for periods not to exceed 365 days. Of these outstanding commitments, $610 million and $259 million at December 31, 2010 and 2009 represent commitments that obligate the FHLBanks to purchase closed mortgage loans from their members, as well as net delivery commitments related to the MPF Xtra product. The remaining balances of $5 million and $2 million represent commitments that obligate the FHLBanks to table fund mortgage loans that are not considered derivatives.

The delivery commitments are recorded at fair value as derivatives. Under the MPF Xtra product, the FHLBank of Chicago enters into delivery commitments to purchase MPF Xtra mortgage loans from the PFIs, and simultaneously enters into delivery commitments to resell these loans to Fannie Mae. The outstanding delivery commitments issued by the FHLBank of Chicago were $140 million and $70 million at December 31, 2010 and 2009. For derivative and hedging activities disclosure purposes, the delivery commitments issued by the FHLBank of Chicago and by Fannie Mae are considered separate derivatives.

Pledged Collateral

The FHLBanks generally execute derivatives with large banks and major broker-dealers and generally enter into bilateral pledge (collateral) agreements. At December 31, 2010, the FHLBanks had pledged, as collateral, securities with a carrying value of $964 million, which cannot be sold or repledged, and securities with a carrying value of $688 million, which can be sold or repledged to counterparties who have market risk exposure from the FHLBanks related to derivatives.

Lease Commitments

The FHLBanks charged to operating expenses net rental and related costs of approximately $24 million, $30 million and $26 million for the years ended December 31, 2010, 2009, and 2008.

Table 22.2 - Future Minimum Lease Payments[(1)] (dollars in millions)

Year	Premises	Equipment	Total
2011	$ 22	$ 8	$ 30
2012	22	8	30
2013	19	8	27
2014	16	7	23
2015	13	2	15
Thereafter	99	–	99
Total	$191	$33	$224

(1) Includes minimum lease payments for both operating and capital leases for equipment.

Lease agreements for FHLBank premises generally provide for increases in the basic rentals resulting from increases in property taxes and maintenance expenses. Such increases are not expected to have a material effect on the FHLBanks.

Lehman Bankruptcy

On September 15, 2008, LBHI, the parent company of LBSF and a guarantor of LBSF's obligations, announced it had filed a petition for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. This filing precipitated the termination of the FHLBanks' derivatives transactions with LBSF. Each affected FHLBank calculated its resulting settlement amount, including in that calculation any unreturned collateral pledged in connection with those transactions. Each FHLBank in a net receivable position, including the FHLBanks of Pittsburgh, Atlanta and Seattle, has made a provision (reversal) for derivative counterparty credit losses due to LBHI's bankruptcy. (See ***Note 12—Derivatives and Hedging Activities—Managing Credit Risk on Derivatives—Lehman Brothers Holdings, Inc. Bankruptcy*** for additional information regarding the net receivable and the provision for derivative counterparty credit losses.)

Additionally, a number of FHLBanks, including the FHLBanks of Boston, New York, Cincinnati and Topeka, have received a derivatives alternative dispute resolution (ADR) notice from the LBHI bankruptcy estate relating to the unwinding of derivatives transactions between LBSF and individual FHLBanks in 2008. Under the derivatives ADR notice, an FHLBank may agree to the demand, deny the demand or make a counteroffer to the demand. The FHLBanks of Boston, New York, Cincinnati and Topeka have disclosed information regarding these proceedings in their individual 2010 SEC Form 10-Ks.

Other Legal Proceedings

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

Further discussion and additional information for the above and other commitments and contingencies are provided in ***Note 9—Advances***; ***Note 12—Derivatives and Hedging Activities***; ***Note 15—Consolidated Obligations***; ***Note 19—Capital***; and ***Note 21—Fair Value***.

Note 23—Subsequent Events

For purposes of this combined financial report, subsequent events have been evaluated through the date of this Combined Financial Report. From January 1, 2011 to March 30, 2011, no significant subsequent events were identified, except for the declaration of dividends or repurchase of excess capital stock, which generally occur in the normal course of business unless there are regulatory or self-imposed restrictions.

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FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CONDITION
December 31, 2010

(Dollar amounts in millions)

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

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

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CONDITION
DECEMBER 31, 2009

(Dollars in millions)

	Combined	Combining Adjustments	Boston	New York
ASSETS				
Cash and due from banks	$ 24,330	$ –	$ 191	$ 2,189
Interest-bearing deposits	11	–	–	–
Deposits with other FHLBanks	–	(11)	–	–
Securities purchased under agreements to resell	7,175	–	1,250	–
Federal funds sold	54,597	–	5,676	3,450
Investment securities:				
Trading securities	22,247	(353)	107	–
Available-for-sale securities	52,488	–	6,487	2,253
Held-to-maturity securities	147,833	–	7,427	10,519
Total investment securities	222,568	(353)	14,021	12,772
Advances	631,159	–	37,591	94,349
Mortgage loans held for portfolio:				
Mortgage loans held for portfolio	71,469	–	3,508	1,322
Less allowance for credit losses on mortgage loans	(32)	–	(2)	(5)
Mortgage loans held for portfolio, net	71,437	–	3,506	1,317
Accrued interest receivable	2,466	(3)	148	341
Premises, software, and equipment, net	208	–	6	15
Derivative assets, net	674	–	17	8
Other assets	958	3	81	20
Total assets	$ 1,015,583	$ (364)	$ 62,487	$ 114,461
LIABILITIES				
Deposits:				
Interest-bearing:				
Demand and overnight	$ 14,559	$ –	$ 721	$ 2,556
Term	936	–	30	7
Deposits from other FHLBanks	–	(11)	–	–
Other	94	–	4	62
Total interest-bearing	15,589	(11)	755	2,625
Non-interest-bearing:				
Demand and overnight	113	–	–	6
Other	195	–	18	–
Total non-interest-bearing	308	–	18	6
Total deposits	15,897	(11)	773	2,631
Securities sold under agreements to repurchase	1,200	–	–	–
Consolidated obligations, net:				
Discount notes	198,532	–	22,278	30,828
Bonds	736,344	(333)	35,409	74,008
Total consolidated obligations, net	934,876	(333)	57,687	104,836
Mandatorily redeemable capital stock	8,138	–	91	126
Accrued interest payable	3,802	(3)	178	278
Affordable Housing Program payable	791	–	24	144
Payable to REFCORP	121	–	–	24
Derivative liabilities, net	5,228	–	768	746
Other liabilities	1,721	–	202	73
Subordinated notes	1,000	–	–	–
Total liabilities	972,774	(347)	59,723	108,858
CAPITAL				
Capital Stock:				
Class B putable ($100 par value) issued and outstanding	42,227	–	3,643	5,059
Class A putable ($100 par value) issued and outstanding	427	–	–	–
Pre-conversion putable ($100 par value) issued and outstanding	2,328	–	–	–
Total capital stock	44,982	–	3,643	5,059
Retained earnings	6,033	(15)	142	689
Accumulated other comprehensive income (loss):				
Net unrealized gains (losses) on available-for-sale securities	453	–	(90)	(3)
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities	(22)	–	–	–
Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities	(2,182)	–	–	–
Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities	(6,149)	–	(929)	(111)
Net unrealized losses relating to hedging activities	(267)	(2)	–	(23)
Pension and postretirement benefits	(39)	–	(2)	(8)
Total accumulated other comprehensive income (loss)	(8,206)	(2)	(1,021)	(145)
Total capital	42,809	(17)	2,764	5,603
Total liabilities and capital	$ 1,015,583	$ (364)	$ 62,487	$ 114,461
Supplemental Disclosures:				
Advances held at fair value under fair value option included in advances	$ 21,620	$ –	$ –	$ –
Consolidated bonds held at fair value under fair value option included in consolidated bonds	$ 53,805	$ –	$ –	$ 6,036

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 1,419	$ 465	$ 1,808	$ 1,722	$ 2,823	$ 299	$ 3,908	$ 495	$ 8,280	$ 731
–	–	–	–	–	11	–	–	–	–
8	3	–	–	–	–	–	–	–	–
–	–	100	–	2,325	–	–	–	–	3,500
3,000	10,043	2,150	5,532	390	3,133	2,063	945	8,164	10,051
1,286	3,553	3,802	–	1,370	4,434	4	8,013	31	–
2,397	2,256	6,670	1,761	20,019	7,737	–	–	1,931	977
10,482	17,085	11,471	7,701	12,689	5,475	11,425	7,390	36,880	9,289
14,165	22,894	21,943	9,462	34,078	17,646	11,429	15,403	38,842	10,266
41,177	114,580	35,818	22,443	24,148	35,720	47,263	22,254	133,559	22,257
5,165	2,523	9,366	7,272	23,852	7,719	260	3,336	3,039	4,107
(2)	(1)	–	–	(14)	(2)	(1)	(2)	(2)	(1)
5,163	2,522	9,366	7,272	23,838	7,717	259	3,334	3,037	4,106
229	515	152	114	247	82	61	102	355	123
22	34	10	11	25	9	25	15	21	15
8	39	9	1	44	11	65	16	452	4
100	216	31	42	156	29	19	68	152	41
$ 65,291	$ 151,311	$ 71,387	$ 46,599	$ 88,074	$ 64,657	$ 65,092	$ 42,632	$ 192,862	$ 51,094
$ 1,247	$ 2,989	$ 1,970	$ 806	$ 828	$ 660	$ 1,306	$ 1,021	$ 192	$ 263
11	–	80	15	15	484	156	32	29	77
–	–	–	–	11	–	–	–	–	–
–	–	27	–	–	–	–	–	1	–
1,258	2,989	2,077	821	854	1,144	1,462	1,053	222	340
26	–	–	–	–	81	–	–	–	–
–	–	8	4	148	–	–	15	2	–
26	–	8	4	148	81	–	15	2	–
1,284	2,989	2,085	825	1,002	1,225	1,462	1,068	224	340
–	–	–	–	1,200	–	–	–	–	–
10,209	17,127	23,187	6,250	22,139	9,417	8,762	11,587	18,246	18,502
49,104	121,450	41,222	35,908	58,225	50,495	51,516	27,525	162,053	29,762
59,313	138,577	64,409	42,158	80,364	59,912	60,278	39,112	180,299	48,264
8	188	676	755	466	8	9	22	4,843	946
301	612	309	212	376	244	179	154	754	208
25	125	99	37	13	41	44	44	186	9
–	21	12	7	–	10	10	12	25	–
624	409	228	713	713	280	1	241	205	300
23	137	102	146	562	26	287	33	96	34
–	–	–	–	1,000	–	–	–	–	–
61,578	143,058	67,920	44,853	85,696	61,746	62,270	40,686	186,632	50,101
4,018	8,124	3,063	1,726	–	2,461	2,532	1,309	8,575	1,717
–	–	–	–	–	–	–	294	–	133
–	–	–	–	2,328	–	–	–	–	–
4,018	8,124	3,063	1,726	2,328	2,461	2,532	1,603	8,575	1,850
389	873	412	349	708	484	356	355	1,239	52
(2)	–	–	2	580	(33)	–	–	(1)	–
–	–	–	–	(22)	–	–	–	–	–
(691)	(739)	–	–	(55)	–	–	–	–	(697)
–	–	–	(325)	(923)	–	(67)	(10)	(3,575)	(209)
–	–	–	–	(241)	–	–	–	(1)	–
(1)	(5)	(8)	(6)	3	(1)	1	(2)	(7)	(3)
(694)	(744)	(8)	(329)	(658)	(34)	(66)	(12)	(3,584)	(909)
3,713	8,253	3,467	1,746	2,378	2,911	2,822	1,946	6,230	993
$ 65,291	$ 151,311	$ 71,387	$ 46,599	$ 88,074	$ 64,657	$ 65,092	$ 42,632	$ 192,862	$ 51,094
$ –	$ –	$ –	$ –	$ 4	$ –	$ –	$ –	$ 21,616	$ –
$ –	$ –	$ –	$ –	$ 4,749	$ 5,998	$ –	$ –	$ 37,022	$ –

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME
YEAR ENDED DECEMBER 31, 2010

(Dollars in millions)

	Combined	Combining Adjustments	Boston	New York
INTEREST INCOME				
Advances	$ 4,606	$ –	$ 409	$ 602
Prepayment fees on advances, net	533		18	13
Interest-bearing deposits	15	–	–	6
Securities purchased under agreements to resell	42	–	6	–
Federal funds sold	150	–	12	9
Trading securities	343	(17)	15	–
Available-for-sale securities	1,268	–	74	32
Held-to-maturity securities	4,362	–	171	352
Mortgage loans held for portfolio	3,187	–	166	65
Other	4	–	–	–
Total interest income	14,510	(17)	871	1,079
INTEREST EXPENSE				
Consolidated obligations–Discount notes	667	–	30	42
Consolidated obligations–Bonds	8,462	(13)	542	572
Deposits	17	–	1	4
Securities sold under agreements to repurchase	18	–	–	–
Subordinated notes	57	–	–	–
Mandatorily redeemable capital stock	54	–	–	4
Other borrowings	1	–	–	–
Total interest expense	9,276	(13)	573	622
NET INTEREST INCOME	5,234	(4)	298	457
Provision (reversal) for credit losses	58	–	7	1
NET INTEREST INCOME AFTER PROVISION (REVERSAL) FOR CREDIT LOSSES	5,176	(4)	291	456
OTHER (LOSS) INCOME				
Total other-than-temporary impairment losses	(1,125)	–	(49)	(5)
Net amount of impairment losses reclassified to/(from) accumulated other comprehensive loss	54	–	(35)	(4)
Net other-than-temporary impairment losses recognized in income	(1,071)	–	(84)	(9)
Net gains (losses) on trading securities	69	–	7	–
Net realized gains from sale of available-for-sale securities	20	–	–	–
Net realized gains from sale of held-to-maturity securities	8	–	–	–
Net (losses) gains on advances, consolidated obligations and other liabilities held under fair value option	(106)	–	–	(3)
Net (losses) gains on derivatives and hedging activities	(302)	–	(16)	27
Service fees	35	–	7	5
Other, net	(89)	77		(2)
Total other (loss) income	(1,436)	77	(86)	18
OTHER EXPENSE				
Compensation and benefits	533	–	33	58
Other operating expenses	327	–	19	28
Finance Agency	55	–	4	6
Office of Finance	39	–	3	4
Reversal of derivative counterparty credit losses	(55)	–	–	–
Other	33	(6)	1	2
Total other expense	932	(6)	60	98
INCOME BEFORE ASSESSMENTS	2,808	79	145	376
ASSESSMENTS				
Affordable Housing Program	229	–	12	31
REFCORP	498	–	26	69
Total assessments	727	–	38	100
NET INCOME	$ 2,081	$ 79	$ 107	$ 276

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 307	$ 324	$ 286	$ 197	$ 347	$ 388	$ 313	$ 195	$ 1,070	$ 168
21	10	8	17	169	174	13	15	53	22
1	7	1	–	–	–	–	–	–	–
–	–	5	4	12	2	–	–	–	13
8	31	12	13	7	5	6	4	29	14
3	166	7	–	32	40	–	91	6	–
165	182	12	9	666	97	–	–	6	25
228	574	510	250	579	224	135	148	1,046	145
242	121	413	349	962	357	13	174	138	187
–	–	–	1	–	–	–	3	–	–
975	1,415	1,254	840	2,774	1,287	480	630	2,348	574
19	29	41	15	387	10	11	21	40	22
721	823	919	544	1,534	861	234	355	995	375
1	3	1	–	1	1	1	3	1	–
–	–	–	–	18	–	–	–	–	–
–	–	–	–	57	–	–	–	–	–
–	2	18	14	–	–	–	–	16	–
–	–	–	–	–	–	–	1	–	–
741	857	979	573	1,997	872	246	380	1,052	397
234	558	275	267	777	415	234	250	1,296	177
(2)	–	13	1	21	12	–	2	2	1
236	558	262	266	756	403	234	248	1,294	176
(22)	(200)	–	(24)	(42)	–	(17)	(18)	(540)	(208)
(137)	57	–	(46)	(121)	–	15	14	209	102
(159)	(143)	–	(70)	(163)	–	(2)	(4)	(331)	(106)
–	31	(3)	–	(17)	37	1	14	(1)	–
8	–	–	2	10	–	–	–	–	–
–	–	8	–	–	–	–	–	–	–
–	–	–	–	8	6	(4)	–	(113)	–
(5)	8	8	7	52	(53)	(18)	(175)	(168)	31
3	2	2	1	1	2	3	5	1	3
(4)	1	5	1	(18)	(154)	6	5	8	(14)
(157)	(101)	20	(59)	(127)	(162)	(14)	(155)	(604)	(86)
39	66	34	36	66	38	44	26	63	30
23	49	15	13	39	17	28	13	52	31
3	8	4	3	4	3	3	2	12	3
3	6	3	2	4	2	2	2	6	2
–	(51)	–	–	–	–	–	–	–	(4)
–	1	–	1	18	–	–	4	12	–
68	79	56	55	131	60	77	47	145	62
11	378	226	152	498	181	143	46	545	28
1	31	20	14	41	15	12	4	46	2
2	69	42	27	91	33	26	8	100	5
3	100	62	41	132	48	38	12	146	7
$ 8	$ 278	$ 164	$ 111	$ 366	$ 133	$ 105	$ 34	$ 399	$ 21

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME
YEAR ENDED DECEMBER 31, 2009

(Dollars in millions)

	Combined	Combining Adjustments	Boston	New York
INTEREST INCOME				
Advances	$ 9,763	$ –	$ 665	$ 1,248
Prepayment fees on advances, net	166	–	13	23
Interest-bearing deposits	67	–	11	20
Securities purchased under agreements to resell	25	–	5	–
Federal funds sold	134	–	9	3
Trading securities	401	(26)	3	–
Available-for-sale securities	638	–	15	29
Held-to-maturity securities	5,839	–	233	463
Mortgage loans held for portfolio	3,873	–	194	72
Other	3	–	–	–
Total interest income	20,909	(26)	1,148	1,858
INTEREST EXPENSE				
Consolidated obligations—Discount notes	2,174	–	153	193
Consolidated obligations—Bonds	13,156	(7)	682	954
Deposits	23	–	1	2
Securities sold under agreements to repurchase	26	–	–	–
Subordinated notes	57	–	–	–
Mandatorily redeemable capital stock	40	–	–	8
Other borrowings	1	–	–	–
Total interest expense	15,477	(7)	836	1,157
NET INTEREST INCOME	5,432	(19)	312	701
Provision (reversal) for credit losses	18	–	2	3
NET INTEREST INCOME AFTER PROVISION (REVERSAL) FOR CREDIT LOSSES	5,414	(19)	310	698
OTHER (LOSS) INCOME				
Total other-than-temporary impairment losses	(11,197)	–	(1,329)	(141)
Net amount of impairment losses reclassified to/(from) accumulated other comprehensive loss	8,766	–	885	120
Net other-than-temporary impairment losses recognized in income	(2,431)	–	(444)	(21)
Net (losses) gains on trading securities	(140)	–	(1)	–
Net realized gains (losses) from sale of available-for-sale securities	7	–	–	–
Net realized gains from sale of held-to-maturity securities	17	–	2	–
Net (losses) gains on advances and consolidated obligations held under fair value option	(457)	–	–	16
Net gains (losses) on derivatives and hedging activities	1,207	–	2	165
Service fees	32	–	4	4
Other, net	(21)	31	–	–
Total other (loss) income	(1,786)	31	(437)	164
OTHER EXPENSE				
Compensation and benefits	487	–	34	50
Other operating expenses	326	–	19	26
Finance Agency	42	–	3	4
Office of Finance	35	–	3	4
Provision for derivative counterparty credit losses	35	–	–	–
Other	18	(6)	1	–
Total other expense	943	(6)	60	84
INCOME (LOSS) BEFORE ASSESSMENTS	2,685	18	(187)	778
ASSESSMENTS				
Affordable Housing Program	258	–	–	64
REFCORP	572	–	–	143
Total assessments	830	–	–	207
NET INCOME (LOSS)	$ 1,855	$ 18	$ (187)	$ 571

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 607	$ 872	$ 570	$ 393	$ 584	$ 658	$ 651	$ 336	$ 2,766	$ 413
5	16	8	6	17	10	14	12	34	8
11	7	9	–	–	1	1	7	–	–
–	–	1	–	9	2	–	–	–	8
3	22	11	24	5	17	5	4	23	8
14	197	3	–	36	66	–	107	1	–
71	104	18	18	320	62	–	–	–	1
456	902	578	272	721	174	150	205	1,480	205
281	152	484	414	1,264	444	16	160	157	235
–	–	–	–	–	–	–	3	–	–
1,448	2,272	1,682	1,127	2,956	1,434	837	834	4,461	878
42	260	112	85	376	132	207	74	472	68
1,141	1,602	1,172	755	1,916	1,101	553	494	2,199	594
1	4	2	1	1	3	1	5	1	1
–	–	–	–	26	–	–	–	–	–
–	–	–	–	57	–	–	–	–	–
–	2	9	13	–	–	–	1	7	–
–	–	–	–	–	–	–	1	–	–
1,184	1,868	1,295	854	2,376	1,236	761	575	2,679	663
264	404	387	273	580	198	76	259	1,782	215
(2)	–	–	–	10	2	–	1	1	1
266	404	387	273	570	196	76	258	1,781	214
(1,044)	(1,306)	–	(413)	(1,404)	–	(80)	(9)	(4,121)	(1,350)
815	990	–	353	967	–	76	8	3,513	1,039
(229)	(316)	–	(60)	(437)	–	(4)	(1)	(608)	(311)
1	(135)	–	–	(14)	19	1	(12)	1	–
(2)	–	–	–	19	(11)	1	–	–	–
2	–	12	–	–	–	–	–	–	1
–	–	–	–	2	(4)	–	–	(471)	–
12	543	18	(1)	(83)	134	193	112	122	(10)
3	2	2	1	1	2	3	6	1	3
8	1	6	2	5	(84)	6	3	7	(6)
(205)	95	38	(58)	(507)	56	200	108	(948)	(323)
33	55	34	32	62	32	42	24	60	29
26	46	15	13	51	17	29	14	51	19
2	6	3	2	3	2	2	2	11	2
2	5	3	2	3	2	2	1	6	2
35	–	–	–	–	–	–	–	–	–
–	1	4	1	9	–	–	3	4	1
98	113	59	50	128	53	75	44	132	53
(37)	386	366	165	(65)	199	201	322	701	(162)
–	32	31	15	–	16	16	26	58	–
–	71	67	30	–	37	37	59	128	–
–	103	98	45	–	53	53	85	186	–
$ (37)	$ 283	$ 268	$ 120	$ (65)	$ 146	$ 148	$ 237	$ 515	$ (162)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME
YEAR ENDED DECEMBER 31, 2008

(Dollars in millions)

	Combined	Combining Adjustments	Boston	New York
INTEREST INCOME				
Advances	$ 29,653	$ –	$ 1,980	$ 3,009
Prepayment fees (credits) on advances, net	82	–	5	22
Interest-bearing deposits	90	–	–	28
Securities purchased under agreements to resell	47	–	12	–
Federal funds sold	1,737	–	34	78
Trading securities	406	(37)	5	–
Available-for-sale securities	338	(2)	32	81
Held-to-maturity securities	8,744	(23)	443	763
Mortgage loans held for portfolio	4,495	–	209	78
Other	3	–	–	–
Total interest income	45,595	(62)	2,720	4,059
INTEREST EXPENSE				
Consolidated obligations—Discount notes	9,927	–	1,154	698
Consolidated obligations—Bonds	29,841	(55)	1,214	2,620
Deposits	411	–	17	37
Securities sold under agreements to repurchase	64	–	–	–
Subordinated notes	57	–	–	–
Mandatorily redeemable capital stock	50	–	1	9
Other borrowings	2	–	1	–
Total interest expense	40,352	(55)	2,387	3,364
NET INTEREST INCOME	5,243	(7)	333	695
Provision for credit losses	11	–	–	1
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	5,232	(7)	333	694
OTHER (LOSS) INCOME				
Realized losses on other-than-temporarily impaired securities	(2,025)	–	(382)	–
Net gains (losses) on trading securities	260	–	(1)	–
Net realized gains (losses) from sale of available-for-sale securities	9	–	–	–
Net realized gains from sale of held-to-maturity securities	4	–	–	1
Net gains (losses) on advances and consolidated obligations held under fair value option	883	–	–	(8)
Net (losses) gains on derivatives and hedging activities	(1,559)	–	(11)	(199)
Service fees	29	–	4	3
Other, net	49	(5)	(3)	2
Total other (loss) income	(2,350)	(5)	(393)	(201)
OTHER EXPENSE				
Compensation and benefits	445	–	31	44
Other operating expenses	287	–	20	22
Finance Agency/Finance Board	41	–	2	4
Office of Finance	34	–	2	3
Provision for derivative counterparty credit losses	252	–	–	66
Other	17	(5)	1	–
Total other expense	1,076	(5)	56	139
INCOME (LOSS) BEFORE ASSESSMENTS	1,806	(7)	(116)	354
ASSESSMENTS				
Affordable Housing Program	188	–	–	30
REFCORP	412	–	–	65
Total assessments	600	–	–	95
NET INCOME (LOSS)	$ 1,206	$ (7)	$ (116)	$ 259

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 2,141	$ 4,722	$ 1,893	$ 998	$ 1,157	$ 1,418	$ 1,810	$ 1,044	$ 8,186	$ 1,295
10	7	2	–	8	1	7	2	(4)	22
10	29	15	–	–	–	2	6	–	–
–	–	14	–	2	–	–	–	–	19
77	239	145	271	139	72	96	73	318	195
–	284	–	–	43	1	–	108	2	–
1	–	1	30	52	133	10	–	–	–
797	1,169	682	351	717	209	349	519	2,315	453
316	183	437	467	1,654	534	20	134	200	263
–	–	–	–	–	–	–	3	–	–
3,352	6,633	3,189	2,117	3,772	2,368	2,294	1,889	11,017	2,247
686	988	947	498	444	617	522	605	2,266	502
2,349	4,686	1,844	1,314	2,994	1,481	1,563	1,008	7,282	1,541
35	110	26	15	19	22	58	27	24	21
–	2	–	–	56	2	–	1	–	3
–	–	–	–	57	–	–	–	–	–
–	2	8	12	–	1	1	1	14	1
–	–	–	–	–	–	–	1	–	–
3,070	5,788	2,825	1,839	3,570	2,123	2,144	1,643	9,586	2,068
282	845	364	278	202	245	150	246	1,431	179
7	–	–	–	3	–	–	–	–	–
275	845	364	278	199	245	150	246	1,431	179
(266)	(186)	–	–	(292)	–	–	(5)	(590)	(304)
(1)	200	–	–	18	1	(1)	45	(1)	–
–	–	–	–	10	–	(1)	–	–	–
–	–	–	–	–	2	–	–	–	1
–	–	–	–	1	–	–	–	890	–
66	(229)	2	12	45	(33)	7	(215)	(1,008)	4
3	2	1	1	1	2	4	5	1	2
5	(1)	6	2	25	5	15	2	18	(22)
(193)	(214)	9	15	(192)	(23)	24	(168)	(690)	(319)
30	65	26	26	63	26	34	22	53	25
20	39	13	10	49	14	27	12	42	19
3	6	3	2	3	2	2	2	10	2
3	4	3	2	2	2	2	2	7	2
–	170	–	–	–	5	1	–	–	10
–	2	6	1	9	–	–	2	–	1
56	286	51	41	126	49	66	40	112	59
26	345	322	252	(119)	173	108	38	629	(199)
2	28	27	22	–	14	9	3	53	–
5	63	59	46	–	32	20	7	115	–
7	91	86	68	–	46	29	10	168	–
$ 19	$ 254	$ 236	$ 184	$ (119)	$ 127	$ 79	$ 28	$ 461	$ (199)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL
YEAR ENDED DECEMBER 31, 2010, 2009 AND 2008

(Shares in millions)

	Combined	Combining Adjustments	Boston	New York
CAPITAL STOCK CLASS B PUTABLE SHARES				
BALANCE, DECEMBER 31, 2007	468	–	32	44
Proceeds from sale of capital stock	295	–	10	51
Repurchase/redemption of capital stock	(232)	–	(5)	(38)
Net shares reclassified to mandatorily redeemable capital stock	(71)	–	(1)	(1)
Transfer between Class B and Class A shares	(3)	–	–	–
Capital stock dividends	8	–	–	–
BALANCE, DECEMBER 31, 2008	465	–	36	56
Proceeds from sale of capital stock	56	–	–	32
Repurchase/redemption of capital stock	(66)	–	–	(37)
Net shares reclassified to mandatorily redeemable capital stock	(34)	–	–	–
Transfer between Class B and Class A shares	1	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, DECEMBER 31, 2009	422	–	36	51
Proceeds from sale of capital stock	37	–	–	19
Repurchase/redemption of capital stock	(65)	–	–	(24)
Net shares reclassified to mandatorily redeemable capital stock	(3)	–	–	–
Transfer between Class B and Class A shares	(4)	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, DECEMBER 31, 2010	387	–	36	46
CAPITAL STOCK CLASS A PUTABLE SHARES				
BALANCE, DECEMBER 31, 2007	9	–	–	–
Proceeds from sale of capital stock	6	–	–	–
Repurchase/redemption of capital stock	(6)	–	–	–
Net shares reclassified to mandatorily redeemable capital stock	(5)	–	–	–
Transfer between Class B and Class A shares	3	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, DECEMBER 31, 2008	7	–	–	–
Proceeds from sale of capital stock	–	–	–	–
Repurchase/redemption of capital stock	(1)	–	–	–
Net shares reclassified to mandatorily redeemable capital stock	(1)	–	–	–
Transfer between Class B and Class A shares	(1)	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, DECEMBER 31, 2009	4	–	–	–
Proceeds from sale of capital stock	–	–	–	–
Repurchase/redemption of capital stock	–	–	–	–
Net shares reclassified to mandatorily redeemable capital stock	(1)	–	–	–
Transfer between Class B and Class A shares	4	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, DECEMBER 31, 2010	7	–	–	–

	Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
	40	76	35	20	–	27	24	15	134	21
	46	64	4	3	–	56	20	20	17	4
	(45)	(55)	–	–	–	(55)	(12)	(1)	(21)	–
	(1)	–	–	(4)	–	–	(1)	(16)	(39)	(8)
	–	–	–	–	–	–	–	(3)	–	–
	–	–	1	–	–	–	1	1	5	–
	40	85	40	19	–	28	32	16	96	17
	–	9	1	–	–	3	6	4	1	–
	–	(11)	–	–	–	(6)	(12)	–	–	–
	–	(2)	(10)	(2)	–	–	(1)	(8)	(11)	–
	–	–	–	–	–	–	–	1	–	–
	–	–	–	–	–	–	–	–	–	–
	40	81	31	17	–	25	25	13	86	17
	2	3	1	–	–	4	5	2	1	–
	(2)	(8)	–	(1)	–	(7)	(14)	–	(9)	–
	–	(4)	(1)	–	–	–	–	(2)	5	(1)
	–	–	–	–	–	–	–	(4)	–	–
	–	–	–	–	–	–	–	–	–	–
	40	72	31	16	–	22	16	9	83	16
	–	–	–	–	–	–	–	6	–	3
	–	–	–	–	–	–	–	–	–	6
	–	–	–	–	–	–	–	–	–	(6)
	–	–	–	–	–	–	–	(3)	–	(2)
	–	–	–	–	–	–	–	3	–	–
	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	6	–	1
	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	(1)	–	–
	–	–	–	–	–	–	–	(1)	–	–
	–	–	–	–	–	–	–	(1)	–	–
	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	3	–	1
	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	(1)	–	–
	–	–	–	–	–	–	–	4	–	–
	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	6	–	1

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
YEAR ENDED DECEMBER 31, 2010, 2009 AND 2008

(Shares in millions)

	Combined	Combining Adjustments	Boston	New York
CAPITAL STOCK PRE-CONVERSION PUTABLE SHARES				
BALANCE, DECEMBER 31, 2007	27	–	–	–
Proceeds from sale of capital stock	1	–	–	–
Repurchase/redemption of capital stock	–	–	–	–
Net shares reclassified to mandatorily redeemable capital stock	(4)	–	–	–
Conversion to Class B or Class A shares	–	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, DECEMBER 31, 2008	24	–	–	–
Proceeds from sale of capital stock	1	–	–	–
Repurchase/redemption of capital stock	–	–	–	–
Net shares reclassified to mandatorily redeemable capital stock	(2)	–	–	–
Conversion to Class B or Class A shares	–	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, DECEMBER 31, 2009	23	–	–	–
Proceeds from sale of capital stock	1	–	–	–
Repurchase/redemption of capital stock	–	–	–	–
Net shares reclassified to mandatorily redeemable capital stock	(1)	–	–	–
Conversion to Class B or Class A shares	–	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, DECEMBER 31, 2010	23	–	–	–
TOTAL CAPITAL STOCK PUTABLE SHARES				
BALANCE, DECEMBER 31, 2007	504	–	32	44
Proceeds from sale of capital stock	302	–	10	51
Repurchase/redemption of capital stock	(238)	–	(5)	(38)
Net shares reclassified to mandatorily redeemable capital stock	(80)	–	(1)	(1)
Capital stock dividends	8	–	–	–
BALANCE, DECEMBER 31, 2008	496	–	36	56
Proceeds from sale of capital stock	57	–	–	32
Repurchase/redemption of capital stock	(67)	–	–	(37)
Net shares reclassified to mandatorily redeemable capital stock	(37)	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, DECEMBER 31, 2009	449	–	36	51
Proceeds from sale of capital stock	38	–	–	19
Repurchase/redemption of capital stock	(65)	–	–	(24)
Net shares reclassified to mandatorily redeemable capital stock	(5)	–	–	–
Transfer between Class B and Class A shares	–	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, DECEMBER 31, 2010	417	–	36	46

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
–	–	–	–	27	–	–	–	–	–
–	–	–	–	1	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	(4)	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	24	–	–	–	–	–
–	–	–	–	1	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	(2)	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	23	–	–	–	–	–
–	–	–	–	1	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	(1)	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	23	–	–	–	–	–
40	76	35	20	27	27	24	21	134	24
46	64	4	3	1	56	20	20	17	10
(45)	(55)	–	–	–	(55)	(12)	(1)	(21)	(6)
(1)	–	–	(4)	(4)	–	(1)	(19)	(39)	(10)
–	–	1	–	–	–	1	1	5	–
40	85	40	19	24	28	32	22	96	18
–	9	1	–	1	3	6	4	1	–
–	(11)	–	–	–	(6)	(12)	(1)	–	–
–	(2)	(10)	(2)	(2)	–	(1)	(9)	(11)	–
–	–	–	–	–	–	–	–	–	–
40	81	31	17	23	25	25	16	86	18
2	3	1	–	1	4	5	2	1	–
(2)	(8)	–	(1)	–	(7)	(14)	–	(9)	–
–	(4)	(1)	–	(1)	–	–	(3)	5	(1)
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
40	72	31	16	23	22	16	15	83	17

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
YEAR ENDED DECEMBER 31, 2010, 2009 AND 2008

(Dollars in millions)

	Combined	Combining Adjustments	Boston	New York
CAPITAL STOCK CLASS B PUTABLE PAR VALUE				
BALANCE, DECEMBER 31, 2007	$ 46,701	$ –	$ 3,164	$ 4,368
Proceeds from sale of capital stock	29,484	–	965	5,131
Repurchase/redemption of capital stock	(23,216)	–	(456)	(3,849)
Net shares reclassified to mandatorily redeemable capital stock	(7,079)	–	(88)	(65)
Transfer between Class B and Class A shares	(307)	–	–	–
Capital stock dividends	830	–	–	–
BALANCE, DECEMBER 31, 2008	46,413	–	3,585	5,585
Proceeds from sale of capital stock	5,689	–	58	3,210
Repurchase/redemption of capital stock	(6,559)	–	(2)	(3,686)
Net shares reclassified to mandatorily redeemable capital stock	(3,498)	–	2	(50)
Transfer between Class B and Class A shares	132	–	–	–
Capital stock dividends	50	–	–	–
BALANCE, DECEMBER 31, 2009	42,227	–	3,643	5,059
Proceeds from sale of capital stock	3,553	–	25	1,875
Repurchase/redemption of capital stock	(6,511)	–	–	(2,357)
Net shares reclassified to mandatorily redeemable capital stock	(215)	–	(3)	(48)
Transfer between Class B and Class A shares	(417)	–	–	–
Capital stock dividends	46	–	–	–
BALANCE, DECEMBER 31, 2010	$ 38,683	$ –	$ 3,665	$ 4,529
CAPITAL STOCK CLASS A PUTABLE PAR VALUE				
BALANCE, DECEMBER 31, 2007	$ 891	$ –	$ –	$ –
Proceeds from sale of capital stock	614	–	–	–
Repurchase/redemption of capital stock	(615)	–	–	–
Net shares reclassified to mandatorily redeemable capital stock	(445)	–	–	–
Transfer between Class B and Class A shares	307	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, DECEMBER 31, 2008	752	–	–	–
Proceeds from sale of capital stock	27	–	–	–
Repurchase/redemption of capital stock	(118)	–	–	–
Net shares reclassified to mandatorily redeemable capital stock	(102)	–	–	–
Transfer between Class B and Class A shares	(132)	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, DECEMBER 31, 2009	427	–	–	–
Proceeds from sale of capital stock	4	–	–	–
Repurchase/redemption of capital stock	–	–	–	–
Net shares reclassified to mandatorily redeemable capital stock	(129)	–	–	–
Transfer between Class B and Class A shares	417	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, DECEMBER 31, 2010	$ 719	$ –	$ –	$ –

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 3,995	$ 7,556	$ 3,473	$ 2,003	$ –	$ 2,717	$ 2,394	$ 1,487	$ 13,403	$ 2,141
4,547	6,411	375	256	–	5,580	2,014	2,082	1,720	403
(4,506)	(5,455)	–	–	–	(5,513)	(1,186)	(117)	(2,134)	–
(54)	(49)	(33)	(380)	–	(3)	(73)	(1,619)	(3,901)	(814)
–	–	–	–	–	–	–	(307)	–	–
–	–	147	–	–	–	75	80	528	–
3,982	8,463	3,962	1,879	–	2,781	3,224	1,606	9,616	1,730
40	926	92	72	–	269	578	362	71	11
–	(1,111)	–	(5)	–	(570)	(1,171)	(14)	–	–
(4)	(154)	(991)	(220)	–	(19)	(107)	(819)	(1,112)	(24)
–	–	–	–	–	–	–	132	–	–
–	–	–	–	–	–	8	42	–	–
4,018	8,124	3,063	1,726	–	2,461	2,532	1,309	8,575	1,717
195	252	70	40	–	481	450	103	60	2
(195)	(754)	–	(126)	–	(737)	(1,387)	(14)	(941)	–
(32)	(398)	(41)	(30)	–	(22)	(3)	(157)	588	(69)
–	–	–	–	–	–	–	(417)	–	–
–	–	–	–	–	–	9	37	–	–
$ 3,986	$ 7,224	$ 3,092	$ 1,610	$ –	$ 2,183	$ 1,601	$ 861	$ 8,282	$ 1,650
$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 604	$ –	$ 287
–	–	–	–	–	–	–	4	–	610
–	–	–	–	–	–	–	–	–	(615)
–	–	–	–	–	–	–	(281)	–	(164)
–	–	–	–	–	–	–	307	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	634	–	118
–	–	–	–	–	–	–	7	–	20
–	–	–	–	–	–	–	(118)	–	–
–	–	–	–	–	–	–	(97)	–	(5)
–	–	–	–	–	–	–	(132)	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	294	–	133
–	–	–	–	–	–	–	4	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	(122)	–	(7)
–	–	–	–	–	–	–	417	–	–
–	–	–	–	–	–	–	–	–	–
$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 593	$ –	$ 126

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
YEAR ENDED DECEMBER 31, 2010, 2009 AND 2008

(Dollars in millions)

	Combined	Combining Adjustments	Boston	New York
CAPITAL STOCK PRE-CONVERSION PUTABLE PAR VALUE				
BALANCE, DECEMBER 31, 2007	$ 2,661	$ –	$ –	$ –
Proceeds from sale of capital stock	115	–	–	–
Repurchase/redemption of capital stock	–	–	–	–
Net shares reclassified to mandatorily redeemable capital stock	(390)	–	–	–
Conversion to Class B or Class A shares	–	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, DECEMBER 31, 2008	2,386	–	–	–
Proceeds from sale of capital stock	102	–	–	–
Repurchase/redemption of capital stock	–	–	–	–
Net shares reclassified to mandatorily redeemable capital stock	(160)	–	–	–
Conversion to Class B or Class A shares	–	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, DECEMBER 31, 2009	2,328	–	–	–
Proceeds from sale of capital stock	70	–	–	–
Repurchase/redemption of capital stock	–	–	–	–
Net shares reclassified to mandatorily redeemable capital stock	(65)	–	–	–
Conversion to Class B or Class A shares	–	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, DECEMBER 31, 2010	$ 2,333	$ –	$ –	$ –
TOTAL CAPITAL STOCK PUTABLE PAR VALUE				
BALANCE, DECEMBER 31, 2007	$ 50,253	$ –	$ 3,164	$ 4,368
Proceeds from sale of capital stock	30,213	–	965	5,131
Repurchase/redemption of capital stock	(23,831)	–	(456)	(3,849)
Net shares reclassified to mandatorily redeemable capital stock	(7,914)	–	(88)	(65)
Capital stock dividends	830	–	–	–
BALANCE, DECEMBER 31, 2008	49,551	–	3,585	5,585
Proceeds from sale of capital stock	5,818	–	58	3,210
Repurchase/redemption of capital stock	(6,677)	–	(2)	(3,686)
Net shares reclassified to mandatorily redeemable capital stock	(3,760)	–	2	(50)
Capital stock dividends	50	–	–	–
BALANCE, DECEMBER 31, 2009	44,982	–	3,643	5,059
Proceeds from sale of capital stock	3,627	–	25	1,875
Repurchase/redemption of capital stock	(6,511)	–	–	(2,357)
Net shares reclassified to mandatorily redeemable capital stock	(409)	–	(3)	(48)
Capital stock dividends	46	–	–	–
BALANCE, DECEMBER 31, 2010	$ 41,735	$ –	$ 3,665	$ 4,529
RETAINED EARNINGS				
BALANCE, DECEMBER 31, 2007	$ 3,689	$ (26)	$ 226	$ 418
Adjustment to opening balance relating to pension and postretirement benefits and fair value option guidance	16	–	–	–
Net income (loss)	1,206	(7)	(116)	259
Dividends on capital stock:				
Cash	(1,144)	–	(130)	(294)
Stock	(831)	–	–	–
BALANCE, DECEMBER 31, 2008	2,936	(33)	(20)	383
Cumulative effect of adjustment relating to amended other-than-temporary impairment guidance	1,883	–	349	–
Net income (loss)	1,855	18	(187)	571
Dividends on capital stock:				
Cash	(591)	–	–	(265)
Stock	(50)	–	–	–
BALANCE, DECEMBER 31, 2009	6,033	(15)	142	689
Adjustment for cumulative effect of accounting change — fair value guidance for scope exception related to embedded credit derivative	25	–	–	–
Net income	2,081	79	107	276
Dividends on capital stock:				
Cash	(541)	–	–	(253)
Stock	(46)	–	–	–
BALANCE, DECEMBER 31, 2010	$ 7,552	$ 64	$ 249	$ 712

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ –	$ –	$ –	$ –	$ 2,661	$ –	$ –	$ –	$ –	$ –
–	–	–	–	115	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	(390)	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	2,386	–	–	–	–	–
–	–	–	–	102	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	(160)	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	2,328	–	–	–	–	–
–	–	–	–	70	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	(65)	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
$ –	$ –	$ –	$ –	$ 2,333	$ –	$ –	$ –	$ –	$ –
$ 3,995	$ 7,556	$ 3,473	$ 2,003	$ 2,661	$ 2,717	$ 2,394	$ 2,091	$ 13,403	$ 2,428
4,547	6,411	375	256	115	5,580	2,014	2,086	1,720	1,013
(4,506)	(5,455)	–	–	–	(5,513)	(1,186)	(117)	(2,134)	(615)
(54)	(49)	(33)	(380)	(390)	(3)	(73)	(1,900)	(3,901)	(978)
–	–	147	–	–	–	75	80	528	–
3,982	8,463	3,962	1,879	2,386	2,781	3,224	2,240	9,616	1,848
40	926	92	72	102	269	578	369	71	31
–	(1,111)	–	(5)	–	(570)	(1,171)	(132)	–	–
(4)	(154)	(991)	(220)	(160)	(19)	(107)	(916)	(1,112)	(29)
–	–	–	–	–	–	8	42	–	–
4,018	8,124	3,063	1,726	2,328	2,461	2,532	1,603	8,575	1,850
195	252	70	40	70	481	450	107	60	2
(195)	(754)	–	(126)	–	(737)	(1,387)	(14)	(941)	–
(32)	(398)	(41)	(30)	(65)	(22)	(3)	(279)	588	(76)
–	–	–	–	–	–	9	37	–	–
$ 3,986	$ 7,224	$ 3,092	$ 1,610	$ 2,333	$ 2,183	$ 1,601	$ 1,454	$ 8,282	$ 1,776
$ 296	$ 469	$ 287	$ 202	$ 659	$ 361	$ 212	$ 209	$ 227	$ 149
–	–	–	–	–	–	–	–	16	–
19	254	236	184	(119)	127	79	28	461	(199)
(145)	(288)	(49)	(103)	–	(106)	–	–	–	(29)
–	–	(148)	–	–	–	(75)	(80)	(528)	–
170	435	326	283	540	382	216	157	176	(79)
256	179	–	–	233	–	–	3	570	293
(37)	283	268	120	(65)	146	148	237	515	(162)
–	(24)	(182)	(54)	–	(44)	–	–	(22)	–
–	–	–	–	–	–	(8)	(42)	–	–
389	873	412	349	708	484	356	355	1,239	52
–	–	–	–	25	–	–	–	–	–
8	278	164	111	366	133	105	34	399	21
–	(27)	(138)	(33)	–	(61)	–	–	(29)	–
–	–	–	–	–	–	(9)	(37)	–	–
$ 397	$ 1,124	$ 438	$ 427	$ 1,099	$ 556	$ 452	$ 352	$ 1,609	$ 73

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
YEAR ENDED DECEMBER 31, 2010, 2009 AND 2008

(Dollars in millions)

	Combined	Combining Adjustments	Boston	New York
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)				
BALANCE, DECEMBER 31, 2007	$ (345)	$ (4)	$ (2)	$ (35)
Net unrealized gains (losses) on available-for-sale securities:				
Unrealized losses	(422)	–	(131)	(64)
Reclassification of losses included in net income	53	–	–	–
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities:				
Reclassification of losses included in net income	62	–	–	–
Net unrealized gains (losses) relating to hedging securities:				
Unrealized losses	(532)	–	–	–
Reclassification of losses (gains) included in net income	57	1	(1)	–
Pension and postretirement benefits	(10)	–	(1)	(2)
BALANCE, DECEMBER 31, 2008	(1,137)	(3)	(135)	(101)
Cumulative effect of adjustment relating to amended other-than-temporary impairment guidance	(1,883)	–	(349)	–
Net unrealized gains (losses) on available-for-sale securities:				
Unrealized gains (losses)	946	–	41	61
Reclassification of (gains) losses included in net income	(83)	–	–	–
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities:				
Reclassification of losses included in net income	54	–	–	–
Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities:				
Noncredit portion including losses transferred from held-to maturity securities and subsequent fair value adjustments	(2,525)	–	–	–
Reclassification of noncredit portion included in net income	402	–	–	–
Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities:				
Net noncredit portion	(10,220)	–	(1,133)	(118)
Reclassification of noncredit portion included in net income	1,352	–	248	–
Accretion of noncredit portion	1,293	–	305	7
Reclassification of noncredit portion from held-to-maturity securities to available-for-sale securities	3,250	–	–	–
Net unrealized gains (losses) relating to hedging activities:				
Unrealized gains	302	–	–	–
Reclassification of losses included in net income	42	1	–	7
Pension and postretirement benefits	1	–	2	(1)
BALANCE, DECEMBER 31, 2009	(8,206)	(2)	(1,021)	(145)
Net unrealized gains (losses) on available-for-sale securities:				
Unrealized gains (losses)	398	–	75	26
Reclassification of gains included in net income	(10)	–	–	–
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities:				
Reclassification of losses included in net income	14	–	–	–
Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities:				
Noncredit portion, including losses transferred from held-to-maturity securities and subsequent fair value adjustments	(133)	–	–	–
Reclassification of gains included in net income	(10)	–	–	–
Reclassification of noncredit portion included in net income	355	–	–	–
Unrealized gains	660	–	–	–
Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities:				
Net noncredit portion	(1,051)	–	(35)	(2)
Reclassification of noncredit portion included in net income	639	–	70	6
Accretion of noncredit portion	1,437	–	272	14
Reclassification of noncredit portion from held-to-maturity securities to available-for-sale securities	683	–	–	–
Net unrealized gains (losses) relating to hedging activities:				
Unrealized losses	(301)	–	–	–
Reclassification of (gains) losses included in net income	(11)	–	–	8
Pension and postretirement benefits	(10)	–	1	(4)
BALANCE, DECEMBER 31, 2010	$ (5,546)	$ (2)	$ (638)	$ (97)

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ (6)	$ (3)	$ (5)	$ (6)	$ (251)	$ (26)	$ (1)	$ (2)	$ (3)	$ (1)
(15)	–	–	(67)	(24)	(119)	(2)	–	–	–
3	–	–	–	49	–	1	–	–	–
–	–	–	–	62	–	–	–	–	–
–	–	–	–	(532)	–	–	–	–	–
2	–	–	–	54	–	–	–	1	–
(1)	(2)	(1)	2	3	(1)	–	–	(5)	(2)
(17)	(5)	(6)	(71)	(639)	(146)	(2)	(2)	(7)	(3)
(256)	(179)	–	–	(233)	–	–	(3)	(570)	(293)
10	–	–	69	587	176	3	–	(1)	–
2	–	–	–	(19)	(65)	(1)	–	–	–
–	–	–	–	54	–	–	–	–	–
(821)	(945)	–	–	(31)	–	–	–	–	(728)
133	206	–	–	32	–	–	–	–	31
(961)	(952)	–	(375)	(1,292)	–	(78)	(8)	(4,034)	(1,269)
24	–	–	22	336	–	2	–	521	199
31	–	–	28	210	–	9	1	508	194
1,159	1,131	–	–	–	–	–	–	–	960
–	–	–	–	302	–	–	–	–	–
1	–	–	–	33	–	–	–	–	–
1	–	(2)	(2)	2	1	1	–	(1)	–
(694)	(744)	(8)	(329)	(658)	(34)	(66)	(12)	(3,584)	(909)
1	4	–	(6)	178	125	–	–	–	(5)
–	–	–	–	(10)	–	–	–	–	–
–	–	–	–	14	–	–	–	–	–
(20)	240	–	(67)	–	–	–	–	–	(286)
(8)	–	–	(2)	–	–	–	–	–	–
156	103	–	–	7	–	–	–	–	89
342	–	–	–	14	–	–	–	–	304
(20)	(161)	–	(22)	(36)	–	(17)	(16)	(537)	(205)
–	–	–	68	150	–	2	2	328	13
–	–	–	56	179	–	18	4	850	44
20	161	–	216	–	–	–	–	–	286
–	–	–	–	(301)	–	–	–	–	–
–	–	–	–	(19)	–	–	–	–	–
1	(5)	1	(4)	(1)	–	–	(1)	–	2
$ (222)	$ (402)	$ (7)	$ (90)	$ (483)	$ 91	$ (63)	$ (23)	$ (2,943)	$ (667)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
YEAR ENDED DECEMBER 31, 2010, 2009 AND 2008

(Dollars in millions)

	Combined	Combining Adjustments	Boston	New York
TOTAL CAPITAL				
BALANCE, DECEMBER 31, 2007	$ 53,597	$ (30)	$ 3,388	$ 4,751
Adjustment to opening balances relating to pension and postretirement benefits and fair value option guidance	16	–	–	–
Proceeds from sale of capital stock	30,213	–	965	5,131
Repurchase/redemption of capital stock	(23,831)	–	(456)	(3,849)
Net shares reclassified to mandatorily redeemable capital stock	(7,914)	–	(88)	(65)
Comprehensive income:				
Net income (loss)	1,206	(7)	(116)	259
Other comprehensive income (loss):				
Net unrealized gains (losses) on available-for-sale securities:				
Unrealized losses	(422)	–	(131)	(64)
Reclassification of losses included in net income	53	–	–	–
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities:				
Reclassification of losses included in net income	62	–	–	–
Net unrealized gains (losses) relating to hedging activities:				
Unrealized losses	(532)	–	–	–
Reclassification of (gains) losses included in net income	57	1	(1)	–
Pension and postretirement benefits	(10)	–	(1)	(2)
Total comprehensive income (loss)	414	(6)	(249)	193
Dividends on capital stock:				
Cash	(1,144)	–	(130)	(294)
Stock	(1)	–	–	–
BALANCE, DECEMBER 31, 2008	51,350	(36)	3,430	5,867
Retained earnings cumulative effect of adjustment relating to amended other-than-temporary impairment guidance	1,883	–	349	–
Accumulated other comprehensive income cumulative effect of adjustment relating to amended other-than-temporary impairment guidance	(1,883)	–	(349)	–
Proceeds from sale of capital stock	5,818	–	58	3,210
Repurchase/redemption of capital stock	(6,677)	–	(2)	(3,686)
Net shares reclassified to mandatorily redeemable capital stock	(3,760)	–	2	(50)
Comprehensive income:				
Net income (loss)	1,855	18	(187)	571
Other comprehensive (loss) income:				
Net unrealized gains (losses) on available-for-sale securities:				
Unrealized gains (losses)	946	–	41	61
Reclassification of (gains) losses included in net income	(83)	–	–	–
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities:				
Reclassification of losses included in net income	54	–	–	–
Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities:				
Noncredit portion, including losses transferred from held-to maturity securities and subsequent fair value adjustments	(2,525)	–	–	–
Reclassification of noncredit portion included in net income	402	–	–	–
Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities:				
Net noncredit portion	(10,220)	–	(1,133)	(118)
Reclassification of noncredit portion included in net income	1,352	–	248	–
Accretion of noncredit portion	1,293	–	305	7
Reclassification of noncredit portion from held-to-maturity securities to available-for-sale securities	3,250	–	–	–
Net unrealized gains (losses) relating to hedging activities:				
Unrealized gains	302	–	–	–
Reclassification of losses included in net income	42	1	–	7
Pension and postretirement benefits	1	–	2	(1)
Total comprehensive (loss) income	(3,331)	19	(724)	527
Dividends on capital stock:				
Cash	(591)	–	–	(265)
BALANCE, DECEMBER 31, 2009	42,809	(17)	2,764	5,603
Adjustment for cumulative effect of accounting change — fair value guidance for scope exception related to embedded credit derivatives	25	–	–	–
Proceeds from sale of capital stock	3,627	–	25	1,875
Repurchase/redemption of capital stock	(6,511)	–	–	(2,357)
Net shares reclassified to mandatorily redeemable capital stock	(409)	–	(3)	(48)
Comprehensive income:				
Net income	2,081	79	107	276
Other comprehensive income:				
Net unrealized gains (losses) on available-for-sale securities:				
Unrealized gains (losses)	398	–	75	26
Reclassification of gains included in net income	(10)	–	–	–
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities:				
Reclassification of losses included in net income	14	–	–	–
Net noncredit portion of other-than-temporary impairment losses on available- for-sale securities:				
Noncredit portion, including losses transferred from held-to-maturity securities and subsequent fair value adjustments	(133)	–	–	–
Reclassification of gains included in net income	(10)	–	–	–
Reclassification of noncredit portion included in net income	355	–	–	–
Unrealized gains	660	–	–	–
Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities:				
Net noncredit portion	(1,051)	–	(35)	(2)
Reclassification of noncredit portion included in net income	639	–	70	6
Accretion of noncredit portion	1,437	–	272	14
Reclassification of noncredit portion from held-to-maturity securities to available-for-sale securities	683	–	–	–
Net unrealized gains (losses) relating to hedging activities:				
Unrealized losses	(301)	–	–	–
Reclassification of (gains) losses included in net income	(11)	–	–	8
Pension and postretirement benefits	(10)	–	1	(4)
Total comprehensive income	4,741	79	490	324
Dividends on capital stock:				
Cash	(541)	–	–	(253)
BALANCE, DECEMBER 31, 2010	$ 43,741	$ 62	$ 3,276	$ 5,144

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 4,285	$ 8,022	$ 3,755	$ 2,199	$ 3,069	$ 3,052	$ 2,605	$ 2,298	$ 13,627	$ 2,576
–	–	–	–	–	–	–	–	16	–
4,547	6,411	375	256	115	5,580	2,014	2,086	1,720	1,013
(4,506)	(5,455)	–	–	–	(5,513)	(1,186)	(117)	(2,134)	(615)
(54)	(49)	(33)	(380)	(390)	(3)	(73)	(1,900)	(3,901)	(978)
19	254	236	184	(119)	127	79	28	461	(199)
(15)	–	–	(67)	(24)	(119)	(2)	–	–	–
3	–	–	–	49	–	1	–	–	–
–	–	–	–	62	–	–	–	–	–
–	–	–	–	(532)	–	–	–	–	–
2	–	–	–	54	–	–	–	1	–
(1)	(2)	(1)	2	3	(1)	–	–	(5)	(2)
8	252	235	119	(507)	7	78	28	457	(201)
(145)	(288)	(49)	(103)	–	(106)	–	–	–	(29)
–	–	(1)	–	–	–	–	–	–	–
4,135	8,893	4,282	2,091	2,287	3,017	3,438	2,395	9,785	1,766
256	179	–	–	233	–	–	3	570	293
(256)	(179)	–	–	(233)	–	–	(3)	(570)	(293)
40	926	92	72	102	269	578	369	71	31
–	(1,111)	–	(5)	–	(570)	(1,171)	(132)	–	–
(4)	(154)	(991)	(220)	(160)	(19)	(107)	(916)	(1,112)	(29)
(37)	283	268	120	(65)	146	148	237	515	(162)
10	–	–	69	587	176	3	–	(1)	–
2	–	–	–	(19)	(65)	(1)	–	–	–
–	–	–	–	54	–	–	–	–	–
(821)	(945)	–	–	(31)	–	–	–	–	(728)
133	206	–	–	32	–	–	–	–	31
(961)	(952)	–	(375)	(1,292)	–	(78)	(8)	(4,034)	(1,269)
24	–	–	22	336	–	2	–	521	199
31	–	–	28	210	–	9	1	508	194
1,159	1,131	–	–	–	–	–	–	–	960
–	–	–	–	302	–	–	–	–	–
1	–	–	–	33	–	–	–	–	–
1	–	(2)	(2)	2	1	1	–	(1)	–
(458)	(277)	266	(138)	149	258	84	230	(2,492)	(775)
–	(24)	(182)	(54)	–	(44)	–	–	(22)	–
3,713	8,253	3,467	1,746	2,378	2,911	2,822	1,946	6,230	993
–	–	–	–	25	–	–	–	–	–
195	252	70	40	70	481	450	107	60	2
(195)	(754)	–	(126)		(737)	(1,387)	(14)	(941)	–
(32)	(398)	(41)	(30)	(65)	(22)	(3)	(279)	588	(76)
8	278	164	111	366	133	105	34	399	21
1	4	–	(6)	178	125	–	–	–	(5)
–	–	–	–	(10)	–	–	–	–	–
–	–	–	–	14	–	–	–	–	–
(20)	240	–	(67)	–	–	–	–	–	(286)
(8)	–	–	(2)	–	–	–	–	–	–
156	103	–	–	7	–	–	–	–	89
342	–	–	–	14	–	–	–	–	304
(20)	(161)	–	(22)	(36)	–	(17)	(16)	(537)	(205)
–	–	–	68	150	–	2	2	328	13
–	–	–	56	179	–	18	4	850	44
20	161	–	216	–	–	–	–	–	286
–	–	–	–	(301)	–	–	–	–	–
–	–	–	–	(19)	–	–	–	–	–
1	(5)	1	(4)	(1)	–	–	(1)	–	2
480	620	165	350	541	258	108	23	1,040	263
–	(27)	(138)	(33)	–	(61)	–	–	(29)	–
$ 4,161	$ 7,946	$ 3,523	$ 1,947	$ 2,949	$ 2,830	$ 1,990	$ 1,783	$ 6,948	$ 1,182

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010

(Dollars in millions)

	Combined	Combining Adjustments	Boston	New York
OPERATING ACTIVITIES:				
Net income	$ 2,081	$ 79	$ 107	$ 276
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	72	4	13	(42)
Change in net derivative and hedging activities	1,949	–	47	536
Net other-than-temporarily impairment losses recognized in income	1,071	–	84	9
Other adjustments	(16)	(83)	6	(1)
Net change in fair value adjustments on trading securities	(68)	–	(7)	–
Net change in fair value adjustments on advances, consolidated obligations and other liabilities held under fair value option	106	–	–	3
Net change in:				
Trading securities	149	–	–	–
Accrued interest receivable	523	–	3	53
Other assets	(48)	–	–	(3)
Accrued interest payable	(1,329)	–	(37)	(73)
Other liabilities[1]	85	–	27	2
Total adjustments	2,494	(79)	136	484
Net cash provided by operating activities	4,575	–	243	760
INVESTING ACTIVITIES:				
Net change in:				
Interest-bearing deposits	(11)	–	–	(502)
Securities purchased under agreements to resell	(9,225)	–	(925)	–
Federal funds sold	(21,258)	–	91	(1,538)
Deposits to other FHLBanks	–	2	–	–
Premises, software and equipment	(54)	–	(1)	(6)
Trading securities:				
Net (increase) decrease in short-term	(6,237)	–	(5,320)	–
Proceeds from long-term	3,488	(154)	5	–
Purchases of long-term	(2,946)	–	(151)	–
Available-for-sale securities:				
Net decrease in short-term	3,480	–	2,600	–
Proceeds from long-term	6,997	–	562	1,159
Purchases of long-term	(25,125)	–	(3,927)	(2,861)
Held-to-maturity securities:				
Net (increase) decrease in short-term	(2,713)	–	–	–
Proceeds from long-term	42,441	–	2,088	3,325
Purchases of long-term	(33,393)	–	(1,087)	(551)
Advances:				
Proceeds	1,556,077	–	145,944	224,670
Made	(1,404,056)	–	(136,415)	(210,872)
Mortgage loans held for portfolio:				
Principal collected	16,417	–	776	246
Purchases	(6,504)	–	(539)	(196)
Proceeds from sales of foreclosed assets	154	–	10	–
Principal collected on other loans	2	–	–	–
Net cash provided by (used in) investing activities	117,534	(152)	3,711	12,874

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 8	$ 278	$ 164	$ 111	$ 366	$ 133	$ 105	$ 34	$ 399	$ 21
24	(47)	30	(20)	165	68	(45)	–	(12)	(66)
49	877	199	161	(163)	(86)	117	85	74	53
159	143	–	70	163	–	2	4	331	106
1	(51)	6	(147)	63	172	–	2	1	15
–	(31)	3	–	17	(37)	–	(14)	1	–
–	–	–	–	(8)	(6)	4	–	113	–
150	–	–	–	–	–	(1)	–	–	–
76	127	19	15	(15)	2	18	10	178	37
(2)	63	3	–	(104)	(2)	(3)	(5)	(2)	7
(134)	(255)	(118)	(77)	(96)	(57)	(85)	(25)	(294)	(78)
(8)	14	(31)	–	56	10	5	(5)	9	6
315	840	111	2	78	64	12	52	399	80
323	1,118	275	113	444	197	117	86	798	101
141	459	13	49	–	(55)	(72)	(6)	–	(38)
–	–	(2,850)	(750)	(1,900)	(1,550)	–	–	–	(1,250)
(330)	(5,658)	(3,330)	(1,793)	(2,628)	1,108	(1,704)	(810)	(8,148)	3,482
(3)	1	–	–	–	–	–	–	–	–
(3)	(10)	(3)	(1)	(5)	(3)	(6)	(2)	(11)	(3)
–	–	(2,602)	–	–	–	–	1,685	–	–
–	207	–	–	117	3,000	–	307	6	–
–	–	–	–	–	–	–	(300)	(2,495)	–
–	–	880	–	–	–	–	–	–	–
839	613	–	48	1,272	1,953	–	–	–	551
–	–	–	(425)	(5,864)	(446)	–	–	–	(11,602)
(450)	(890)	(692)	–	(263)	(335)	–	–	(1,719)	1,636
2,198	5,364	4,384	1,771	3,185	2,491	4,057	3,003	8,557	2,018
(3,658)	(6,337)	(4,906)	(3,408)	(3,224)	(3,904)	(1,079)	(2,375)	(1,479)	(1,385)
95,171	71,815	315,884	25,890	90,265	46,272	272,897	42,110	189,812	35,347
(83,745)	(47,013)	(310,264)	(21,818)	(85,058)	(39,742)	(251,050)	(39,178)	(152,415)	(26,486)
1,057	484	2,437	1,703	5,514	1,769	52	834	656	889
(387)	–	(873)	(1,138)	(50)	(1,519)	–	(1,802)	–	–
–	–	–	–	112	24	–	8	–	–
–	–	–	–	–	–	–	2	–	–
10,830	19,035	(1,922)	128	1,473	9,063	23,095	3,476	32,764	3,159

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS (continued)
YEAR ENDED DECEMBER 31, 2010

(Dollars in millions)

	Combined	Combining Adjustments	Boston	New York
FINANCING ACTIVITIES:				
Net change in:				
Deposits and pass-through reserves	(2,573)	–	(30)	(156)
Deposits from other FHLBanks	–	(2)	–	–
Borrowings	4	–	–	9
Net (payments) proceeds on derivative contracts with financing element	(1,742)	–	(39)	(440)
Net proceeds from issuance of consolidated obligations:				
Discount notes	6,754,406	–	1,250,316	121,979
Bonds	533,165	–	30,042	68,041
Bonds transferred from other FHLBanks	–	(1,408)	653	225
Payments for maturing and retiring consolidated obligations:				
Discount notes	(6,758,372)	–	(1,254,064)	(133,402)
Bonds	(662,620)	154	(31,038)	(70,572)
Bonds transferred to other FHLBanks	–	1,408	–	–
Proceeds from sale of capital stock	3,627	–	25	1,875
Payments for repurchase/redemption of mandatorily redeemable capital stock	(1,481)	–	(4)	(111)
Payments for repurchase/redemption of capital stock	(6,511)	–	–	(2,357)
Cash dividends paid	(541)	–	–	(253)
Net cash (used in) provided by financing activities	(142,638)	152	(4,139)	(15,162)
Net decrease in cash and cash equivalents	(20,529)	–	(185)	(1,528)
Cash and due from banks at beginning of the period	24,330	–	191	2,189
Cash and due from banks at end of the period	$ 3,801	$ –	$ 6	$ 661
Supplemental Disclosures:				
Interest paid	$ 11,254	$ –	$ 600	$ 723
AHP payments, net	$ 249	$ –	$ 10	$ 37
REFCORP assessments paid	$ 411	$ –	$ –	$ 71
Transfers of mortgage loans to real estate owned	$ 213	$ –	$ 12	$ 1
Transfers of mortgage loans held for portfolio to mortgage loans held for sale	$ 121	$ –	$ –	$ –
Transfers of other-than-temporarily impaired held-to-maturity securities to available-for-sale securities	$ 2,902	$ –	$ –	$ –
Transfers from held-to-maturity securities to trading securities	$ 390	$ –	$ –	$ –

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

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
(110)	79	(660)	(234)	(184)	(39)	(814)	140	(734)	169
–	–	–	–	2	–	–	–	–	–
–	–	–	–	–	–	–	(5)	–	–
(149)	(735)	(174)	(143)	(118)	19	(19)	(93)	65	84
78,071	1,077,317	675,426	695,302	1,237,058	338,200	112,253	96,901	90,552	981,031
14,452	91,425	19,347	35,780	53,548	43,834	25,234	18,400	89,170	43,892
–	162	162	–	206	–	–	–	–	–
(75,200)	(1,070,502)	(663,615)	(692,628)	(1,240,774)	(340,405)	(115,874)	(94,786)	(89,239)	(987,883)
(28,743)	(117,773)	(30,021)	(39,782)	(54,103)	(50,220)	(45,327)	(24,425)	(129,485)	(41,285)
(744)	–	–	–	(162)	(502)	–	–	–	–
195	252	70	40	70	481	450	107	60	2
(6)	(57)	(360)	(127)	(1)	(23)	(4)	(282)	(506)	–
(195)	(754)	–	(126)	–	(737)	(1,387)	(14)	(941)	–
–	(27)	(138)	(33)	–	(61)	–	–	(29)	–
(12,429)	(20,613)	37	(1,951)	(4,458)	(9,453)	(25,488)	(4,057)	(41,087)	(3,990)
(1,276)	(460)	(1,610)	(1,710)	(2,541)	(193)	(2,276)	(495)	(7,525)	(730)
1,419	465	1,808	1,722	2,823	299	3,908	495	8,280	731
$ 143	$ 5	$ 198	$ 12	$ 282	$ 106	$ 1,632	$ –	$ 755	$ 1
$ 886	$ 1,132	$ 1,036	$ 656	$ 2,064	$ 1,762	$ 276	$ 395	$ 1,248	$ 476
$ 12	$ 30	$ 31	$ 16	$ 15	$ 11	$ 14	$ 9	$ 58	$ 6
$ –	$ 70	$ 42	$ 24	$ 42	$ 31	$ 31	$ 12	$ 88	$ –
$ 20	$ 15	$ –	$ –	$ 123	$ 28	$ –	$ 7	$ 5	$ 2
$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 121	$ –	$ –
$ 319	$ 1,298	$ –	$ 881	$ –	$ –	$ –	$ –	$ –	$ 404
$ –	$ –	$ –	$ –	$ 390	$ –	$ –	$ –	$ –	$ –

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2009

(Dollars in millions)

	Combined	Combining Adjustments	Boston	New York
OPERATING ACTIVITIES:				
Net income (loss)	$ 1,855	$ 18	$ (187)	$ 571
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	(1,500)	19	(251)	(108)
Change in net derivative and hedging activities	723	–	103	182
Net other-than-temporary impairment losses recognized in income	2,431	–	444	21
Other adjustments	49	(37)	–	2
Net change in fair value adjustments on trading securities	169	–	1	–
Net change in fair value adjustments on advances, consolidated obligations and other liabilities held under fair value option	457	–	–	(16)
Net change in:				
Trading securities	(780)	–	–	–
Accrued interest receivable	1,746	(5)	141	152
Other assets	(85)	–	6	1
Accrued interest payable	(2,526)	5	(80)	(153)
Other liabilities[1]	174	–	(18)	40
Total adjustments	858	(18)	346	121
Net cash provided by (used in) operating activities	2,713	–	159	692
INVESTING ACTIVITIES:				
Net change in:				
Interest-bearing deposits	53,809	–	3,279	13,768
Securities purchased under agreements to resell	(280)	–	1,250	–
Federal funds sold	(14,299)	–	(3,136)	(3,450)
Deposits to other FHLBanks	–	5	–	–
Premises, software and equipment	(70)	–	(2)	(6)
Trading securities:				
Net increase in short-term	(7,343)	–	–	–
Proceeds from long-term	3,697	(34)	16	–
Purchases of long-term	(5,602)	–	(61)	–
Available-for-sale securities:				
Net increase in short-term	(6,758)	–	(2,600)	–
Proceeds from long-term	6,105	–	90	676
Purchases of long-term	(30,137)	–	(2,932)	(1)
Held-to-maturity securities:				
Net decrease (increase) in short-term	5,275	–	565	1,203
Proceeds from long-term	39,439	–	1,883	2,997
Purchases of long-term	(22,427)	–	(1,433)	(3,511)
Advances:				
Proceeds	3,331,163	–	311,110	370,710
Made	(3,046,597)	–	(292,195)	(358,067)
Mortgage loans held for portfolio:				
Principal collected	21,415	–	969	286
Purchases	(7,996)	–	(338)	(150)
Mortgage loans held for sale:				
Proceeds	2,124	–	–	–
Principal collected	128	–	–	–
Proceeds from sales of foreclosed assets	75	–	8	–
Principal collected on other loans	2	–	–	–
Net cash provided by (used in) investing activities	321,723	(29)	16,473	24,455

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ (37)	$ 283	$ 268	$ 120	$ (65)	$ 146	$ 148	$ 237	$ 515	$ (162)
(235)	(267)	(52)	(108)	241	(52)	(164)	(62)	(321)	(140)
387	848	145	202	(354)	(134)	11	(64)	(599)	(4)
229	316	–	60	437	–	4	1	608	311
(3)	–	(12)	(3)	(5)	101	(1)	1	1	5
–	162	–	–	14	(19)	–	12	(1)	–
–	–	–	–	(2)	4	–	–	471	–
(779)	–	–	–	–	–	(1)	–	–	–
205	260	124	38	(1)	11	84	36	583	118
38	(61)	(4)	(3)	(70)	1	–	(3)	10	–
(194)	(427)	(85)	(73)	(183)	(73)	(335)	(100)	(699)	(129)
(19)	56	1	(7)	(2)	9	26	29	70	(11)
(371)	887	117	106	75	(152)	(376)	(150)	123	150
(408)	1,170	385	226	10	(6)	(228)	87	638	(12)
6,039	2,783	20,220	216	–	201	3,780	3,501	–	22
–	–	(100)	–	(1,830)	–	–	–	–	400
(1,750)	725	(2,150)	1,691	695	292	(191)	(561)	1,267	(7,731)
(5)	–								
(5)	(15)	(3)	(2)	(10)	(2)	(10)	(2)	(9)	(4)
–	–	(3,797)	–			–	(3,546)		–
–	778	–	–	587	2,170	–	174	6	–
–	–		–	(1,107)	(4,434)	–	–	–	–
–	–	(4,158)	–	–	–	–	–	–	–
215	241	–	–	1,151	3,569	130	–	–	33
(2)	–	–	–	(17,904)	(7,367)	–	–	(1,931)	–
(400)	(300)	(1)	–	236	385	–	1,496	3,744	(1,653)
3,417	4,954	4,153	2,280	3,096	1,352	3,182	2,263	7,659	2,203
(1,792)	(1,983)	(2,706)	(3,536)	(471)	(1,250)	(2,940)	(98)	(717)	(1,990)
139,137	111,129	391,630	29,836	212,174	43,592	440,103	261,528	963,054	57,160
(119,328)	(64,661)	(373,951)	(21,571)	(198,522)	(37,962)	(426,766)	(248,334)	(862,499)	(42,741)
1,414	730	2,937	2,095	8,130	2,266	67	880	666	975
(427)	–	(3,672)	(591)	(43)	(1,578)	–	(1,197)	–	–
–	–	–	–	–	2,124	–	–	–	–
–	–	–	–	–	128	–	–	–	–
–	–	–	–	51	16	–	–	–	–
–	–	–	–	–	–	–	2	–	–
26,513	54,381	28,402	10,418	6,233	3,502	17,355	16,106	111,240	6,674

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS (continued)
YEAR ENDED DECEMBER 31, 2009

(Dollars in millions)

	Combined	Combining Adjustments	Boston	New York
FINANCING ACTIVITIES:				
Net change in:				
Deposits and pass-through reserves	(137)	–	127	1,177
Deposits from other FHLBanks	–	(2)	–	–
Borrowings	(409)	–	–	(404)
Net (payments) proceeds on derivative contracts with financing element	(1,607)	–	(29)	–
Net proceeds from issuance of consolidated obligations:				
Discount notes	7,200,128	(25)	1,261,975	862,168
Bonds	506,688	–	26,770	54,502
Bonds transferred from other FHLBanks	–	(518)	–	–
Payments for maturing and retiring consolidated obligations:				
Discount notes	(7,440,075)	25	(1,282,007)	(877,587)
Bonds	(582,306)	34	(23,339)	(62,025)
Bonds transferred to other FHLBanks	–	518	–	–
Proceeds from issuance of capital stock	5,818	–	58	3,210
Payments for repurchase/redemption of mandatorily redeemable capital stock	(1,758)	–	–	(67)
Payments for repurchase/redemption of capital stock	(6,677)	–	(2)	(3,686)
Cash dividends paid	(591)	–	–	(265)
Net cash (used in) provided by financing activities	(320,926)	32	(16,447)	(22,977)
Net increase (decrease) in cash and due from banks	3,510	3	185	2,170
Cash and due from banks at beginning of the period	20,820	(3)	6	19
Cash and due from banks at end of the period	$ 24,330	$ –	$ 191	$ 2,189
Supplemental Disclosures:				
Interest paid	$ 19,593	$ –	$ 1,096	$ 1,402
AHP payments, net	$ 277	$ –	$ 9	$ 42
REFCORP assessments paid	$ 406	$ –	$ –	$ 123
Transfers of mortgage loans to real estate owned	$ 160	$ –	$ 9	$ 1
Transfers of mortgage loans held for portfolio to mortgage loans held for sale securities	$ 2,414	$ –	$ –	$ –
Transfers of mortgage loans held for sale to mortgage loans held for portfolio	$ 163	$ –	$ –	$ –
Transfers of other-than-temporarily impaired held-to-maturity securities to available-for-sale securities	$ 5,341	$ –	$ –	$ –

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

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
(212)	(561)	880	203	243	(268)	136	(648)	(980)	(234)
–	–	–	–	2	–	–	–	–	–
–	–	–	–	–	–	–	(5)	–	–
(209)	(1,025)	(155)	(153)	(99)	(11)	55	(90)	109	–
139,009	280,893	636,871	461,354	1,127,269	719,301	260,438	310,265	143,823	996,787
26,224	95,580	33,069	31,985	29,445	32,407	43,587	19,026	87,201	26,892
–	518	–	–	–	–	–	–	–	–
(151,629)	(318,693)	(662,946)	(478,494)	(1,134,591)	(729,868)	(268,298)	(324,865)	(217,086)	(994,036)
(37,977)	(111,607)	(34,185)	(24,697)	(25,715)	(24,028)	(48,377)	(18,689)	(136,330)	(35,371)
–	–	–	–	(111)	(407)	–	–	–	–
40	926	92	72	102	269	578	369	71	31
–	(10)	(426)	(4)	(95)	(22)	(188)	(929)	(16)	(1)
–	(1,111)	–	(5)	–	(570)	(1,171)	(132)	–	–
–	(24)	(182)	(54)	–	(44)	–	–	(22)	–
(24,754)	(55,114)	(26,982)	(9,793)	(3,550)	(3,241)	(13,240)	(15,698)	(123,230)	(5,932)
1,351	437	1,805	851	2,693	255	3,887	495	(11,352)	730
68	28	3	871	130	44	21	–	19,632	1
$ 1,419	$ 465	$ 1,808	$ 1,722	$ 2,823	$ 299	$ 3,908	$ 495	$ 8,280	$ 731
$ 1,554	$ 1,994	$ 1,458	$ 924	$ 2,421	$ 2,062	$ 1,125	$ 716	$ 4,048	$ 793
$ 19	$ 46	$ 35	$ 14	$ 10	$ 16	$ 16	$ 10	$ 52	$ 8
$ –	$ 36	$ 69	$ 41	$ 16	$ 27	$ 10	$ 32	$ 52	$ –
$ 19	$ 6	$ –	$ –	$ 94	$ 19	$ –	$ 5	$ 4	$ 3
$ –	$ –	$ –	$ –	$ –	$ 2,414	$ –	$ –	$ –	$ –
$ –	$ –	$ –	$ –	$ –	$ 163	$ –	$ –	$ –	$ –
$ 2,244	$ 2,318	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 779

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008

(Dollars in millions)

	Combined	Combining Adjustments	Boston	New York
OPERATING ACTIVITIES:				
Net income (loss)	$ 1,206	$ (7)	$ (116)	$ 259
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	(463)	7	(216)	(64)
Change in net derivative and hedging activities	1,344	–	120	(122)
Realized losses on other-than-temporarily impaired securities	2,025	–	382	–
Other adjustments	247	–	3	64
Net change in fair value adjustments on trading securities	(297)	–	1	–
Net change in fair value adjustments on advances, consolidated obligations and other liabilities held under fair value option	(883)	–	–	8
Net change in:				
Trading securities	(499)	–	–	–
Accrued interest receivable	1,183	(31)	169	69
Other assets	(265)	–	(8)	(67)
Accrued interest payable	(1,825)	31	(22)	(222)
Other liabilities[1]	(386)	–	(72)	(12)
Total adjustments	181	7	357	(346)
Net cash provided by (used in) operating activities	1,387	–	241	(87)
INVESTING ACTIVITIES:				
Net change in:				
Interest-bearing deposits	(59,398)	–	(3,279)	(15,609)
Securities purchased under agreements to resell	(6,095)	–	(2,000)	–
Federal funds sold	45,519	–	368	4,381
Deposits to other FHLBanks	–	(3)	–	–
Loans to FHLBanks	–	(955)	–	55
Premises, software and equipment	(51)	–	(1)	(6)
Trading securities:				
Net increase in short-term	(2,242)	–	–	–
Proceeds from long-term	3,554	(19)	49	–
Purchases of long-term	(6,767)	113	–	–
Available-for-sale securities:				
Net (increase) decrease in short-term	(2,294)	–	–	–
Proceeds from long-term	2,655	(42)	72	336
Purchases of long-term	(9,036)	–	(92)	(3,244)
Held-to-maturity securities:				
Net decrease (increase) in short-term	34,972	–	4,765	9,097
Proceeds from long-term	26,961	(2,525)	2,293	2,437
Purchases of long-term	(51,365)	–	(3,438)	(2,284)
Advances:				
Proceeds	8,518,268	–	955,150	596,335
Made	(8,551,560)	–	(955,595)	(619,123)
Mortgage loans held for portfolio:				
Principal collected	12,022	–	547	170
Purchases	(7,700)	–	(622)	(138)
Proceeds from sales of foreclosed assets	58	–	5	–
Principal collected on other loans	1	–	–	–
Net cash (used in) provided by investing activities	(52,498)	(3,431)	(1,778)	(27,593)

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 19	$ 254	$ 236	$ 184	$ (119)	$ 127	$ 79	$ 28	$ 461	$ (199)
(285)	367	26	(21)	41	48	20	(75)	(279)	(32)
28	294	(133)	(70)	(30)	80	(136)	195	753	365
266	186	–	–	292	–	–	5	590	304
7	170	5	–	(15)	(3)	(6)	1	1	20
–	(236)	–	–	(18)	(1)	–	(44)	1	–
–	–	–	–	(1)	–	–	–	(890)	–
(499)	–	–	–	–	–	–	–	–	–
95	43	30	41	(8)	37	44	58	565	71
(46)	(25)	–	3	(64)	(11)	1	–	(48)	–
(64)	(421)	(37)	(34)	(39)	19	172	(68)	(954)	(186)
(78)	(53)	5	16	(30)	(7)	(29)	(21)	(76)	(29)
(576)	325	(104)	(65)	128	162	66	51	(337)	513
(557)	579	132	119	9	289	145	79	124	314
(6,473)	(5,533)	(20,490)	(297)	–	(268)	(3,804)	(3,563)	–	(82)
–	–	300	–	(495)	–	–	–	–	(3,900)
3,475	4,066	10,136	4,038	9,201	(1,620)	5,228	4,766	2,249	(769)
2	1	–	–	–	–	–	–	–	–
500	–	–	–	–	–	400	–	–	–
(3)	(8)	(4)	(1)	(7)	(3)	(2)	(2)	(10)	(4)
–	–	–	–	–	–	–	(2,242)	–	–
–	2,450	–	–	838	–	–	214	22	–
–	(2,979)	–	–	(825)	(2,150)	–	(926)	–	–
–	–	(2,512)	–	–	218	–	–	–	–
7	–	29	–	954	521	582	194	–	2
–	–	(29)	(1,680)	(2,181)	(1,264)	(350)	(194)	–	(2)
3,059	800	2,065	1,660	1,114	(85)	992	5,765	6,988	(1,248)
3,059	3,472	2,127	1,669	1,553	704	1,679	1,082	5,827	3,584
(1,372)	(5,505)	(2,844)	(1,627)	(7,957)	(2,565)	(6,055)	(4,187)	(12,105)	(1,426)
1,382,585	218,998	1,576,272	57,373	276,114	329,770	897,403	586,006	1,486,351	155,911
(1,374,295)	(235,046)	(1,576,116)	(60,947)	(283,597)	(330,411)	(911,508)	(589,136)	(1,468,936)	(146,850)
773	441	1,299	1,099	5,031	1,295	54	322	427	564
(736)	(165)	(1,038)	(498)	(2,320)	(1,184)	–	(999)	–	–
–	–	–	–	41	12	–	–	–	–
–	–	–	–	–	–	–	1	–	–
10,581	(19,008)	(10,805)	789	(2,536)	(7,030)	(15,381)	(2,899)	20,813	5,780

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS (continued)
YEAR ENDED DECEMBER 31, 2008

(Dollars in millions)

	Combined	Combining Adjustments	Boston	New York
FINANCING ACTIVITIES:				
Net change in:				
Deposits and pass-through reserves	(3,826)	–	(119)	(142)
Borrowings	166	–	–	471
Loans from FHLBanks	–	955	–	–
Net proceeds (payments) on derivative contracts with financing element	1,665	–	35	–
Net proceeds from issuance of consolidated obligations:				
Discount notes	10,848,109	–	1,221,134	686,114
Bonds	554,624	(113)	23,756	62,036
Bonds transferred from other FHLBanks	–	(1,556)	–	–
Payments for maturing and retiring consolidated obligations:				
Discount notes	(10,784,163)	–	(1,221,517)	(674,496)
Bonds	(547,180)	2,579	(22,106)	(47,119)
Bonds transferred to other FHLBanks	–	1,563	–	–
Proceeds from issuance of capital stock	30,213	–	965	5,131
Payments for redemption of mandatorily redeemable capital stock	(2,912)	–	(26)	(161)
Payments for repurchase/redemption of capital stock	(23,831)	–	(456)	(3,849)
Cash dividends paid	(1,254)	–	(130)	(294)
Net cash provided by (used in) financing activities	71,611	3,428	1,536	27,691
Net increase (decrease) in cash and due from banks	20,500	(3)	(1)	11
Cash and due from banks at beginning of the period	320	–	7	8
Cash and due from banks at end of the period	$ 20,820	$ (3)	$ 6	$ 19
Supplemental Disclosures:				
Interest paid	$ 41,073	$ –	$ 2,553	$ 2,821
AHP payments, net	$ 269	$ –	$ 11	$ 26
REFCORP assessments paid	$ 785	$ –	$ 57	$ 84
Transfers of mortgage loans to real estate owned	$ 99	$ –	$ 8	$ 1

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

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
(952)	(3,493)	183	54	(330)	603	(1,435)	381	1,840	(416)
–	–	–	–	–	(200)	–	(5)	(100)	–
–	–	–	–	–	–	–	–	(955)	–
278	832	214	168	116	25	10	118	(131)	–
746,659	357,998	942,960	1,010,820	1,229,174	1,143,298	592,181	1,030,058	755,490	1,132,223
32,261	118,775	31,582	27,147	22,685	21,122	52,859	21,809	114,692	26,013
314	613	287	39	–	–	139	–	164	–
(758,394)	(331,324)	(929,052)	(1,009,503)	(1,218,752)	(1,144,772)	(599,584)	(1,023,668)	(741,792)	(1,131,309)
(30,031)	(125,457)	(35,832)	(28,917)	(29,568)	(13,273)	(29,262)	(25,942)	(129,707)	(32,545)
–	–	–	–	(789)	–	(487)	–	–	(287)
4,547	6,411	375	256	115	5,580	2,014	2,086	1,720	1,013
(54)	(60)	(45)	(9)	(11)	(38)	(67)	(1,902)	(397)	(142)
(4,506)	(5,455)	–	–	–	(5,513)	(1,186)	(117)	(2,134)	(615)
(145)	(402)	(49)	(99)	–	(106)	–	–	–	(29)
(10,023)	18,438	10,623	(44)	2,640	6,726	15,182	2,818	(1,310)	(6,094)
1	9	(50)	864	113	(15)	(54)	(2)	19,627	–
67	19	53	7	17	59	75	2	5	1
$ 68	$ 28	$ 3	$ 871	$ 130	$ 44	$ 21	$ –	$ 19,632	$ 1
$ 2,716	$ 5,184	$ 2,851	$ 1,364	$ 3,615	$ 2,061	$ 2,023	$ 1,774	$ 11,857	$ 2,254
$ 19	$ 45	$ 28	$ 16	$ 22	$ 17	$ 13	$ 17	$ 48	$ 7
$ 61	$ 108	$ 62	$ 38	$ 10	$ 38	$ 45	$ 34	$ 224	$ 24
$ 8	$ 2	$ –	$ –	$ 64	$ 12	$ –	$ 2	$ 2	$ –

SUPPLEMENTAL INFORMATION

Additional Information on FHLBanks' Mortgage Partnership Finance® (MPF®) Program[1]

General

The MPF Program is a secondary mortgage market structure under which MPF FHLBanks purchase and fund eligible mortgage loans from or through participating financial institutions (PFIs) and purchase participations in pools of eligible mortgage loans from other FHLBanks (collectively, MPF Loans). MPF FHLBanks generally acquire whole loans from their respective PFIs, but may also acquire them from a member PFI of another MPF FHLBank with permission of the PFI's MPF FHLBank. Until the addition of the MPF Xtra product on September 23, 2008, MPF Loans had been retained by MPF FHLBanks. Under the MPF Program, FHLBanks invest principally in qualifying five-year to 30-year conforming conventional and government-guaranteed fixed-rate mortgage loans and participations in pools of such mortgage loans, secured by one-to-four family residential properties. The MPF FHLBanks are permitted to purchase qualifying mortgage loans within any state, the District of Columbia or certain major territories of the United States.

The MPF Program portfolio products, which do not include MPF Xtra®, are designed to allocate the risks of MPF Loans among the MPF FHLBanks and PFIs, and to take advantage of their respective strengths in managing these risks. PFIs originate MPF Loans, whether through retail or wholesale operations, and typically retain the associated servicing. While PFIs manage and bear most of the credit risk associated with the MPF Loans, the MPF FHLBanks manage the interest-rate risk, prepayment risk and liquidity risk associated with these loans.

Different MPF Program products for conventional loans were developed for sharing credit risk with PFIs and for compliance with the Finance Agency's requirements under its Acquired Member Assets (AMA) regulation. MPF Government Loans also qualify as AMA and are either insured or guaranteed by one of the following government agencies: the Federal Housing Administration (FHA); the Department of Veterans Affairs (VA); the Rural Housing Service of the Department of Agriculture (RHS); or the Department of Housing and Urban Development (HUD).

There are currently five MPF Program portfolio products, in addition to the MPF Xtra product under which mortgage loans are sold concurrently to Fannie Mae. Five of these six products (Original MPF, MPF 125, MPF Plus, MPF Government and MPF Xtra) are closed loan products in which the MPF FHLBank purchases loans that have been acquired or have already been closed by the PFI with its own funds. However, under the MPF 100 product, the MPF FHLBank "table funds" MPF Loans; that is, the MPF FHLBank provides the funds for the PFI as its agent to make the MPF Loan to the borrower and therefore, for accounting purposes, the MPF FHLBank is considered the originator of the MPF Loan.

Unlike other conventional MPF Program products, under the MPF Xtra product, the FHLBank of Chicago purchases MPF Program eligible MPF Loans from PFIs and concurrently sells these MPF Loans to Fannie Mae as a third-party investor. PFIs are not required to provide credit enhancement and do not receive credit enhancement fees (CE Fees) with the MPF Xtra product. (See ***Table S-1—MPP and MPF Product Comparison at December 31, 2010***.)

The FHLBank of Chicago provides programmatic and operational support to other MPF FHLBanks and their PFIs in its role as "MPF Provider," for which it receives a fee. For the MPF Xtra product, the difference between the prices that the MPF Provider pays the PFI and that Fannie Mae pays the MPF Provider for a MPF Xtra Loan is a nominal upfront fee. This fee is expected to cover the MPF Provider's cost of acting as master servicer for the MPF Xtra product and is recognized over the life of the MPF Xtra Loan. The PFI retains the servicing fees for MPF Loans in exchange for servicing them.

PFI Eligibility

Members and eligible housing associates may apply to become a PFI of their respective MPF FHLBank. The member and its MPF FHLBank sign an MPF Program Participating Financial Institution Agreement (PFI Agreement) that provides the terms and conditions for the sale or funding of MPF Loans, including required credit enhancement, and establishes the terms and conditions for servicing MPF Loans. All of the PFI's obligations under the PFI Agreement are secured in the same manner as the other obligations of the PFI under its regular advances

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(1) "Mortgage Partnership Finance," "MPF" and "MPF Xtra" are registered trademarks of the FHLBank of Chicago.

agreement with the MPF FHLBank. The MPF Bank has the right under the PFI Agreement to request additional collateral to secure the PFI's obligations.

PFI Responsibilities

For MPF Loan products developed for conventional loans, excluding the MPF Xtra product, PFIs assume or retain a portion of the credit risk on the MPF Loans acquired by MPF FHLBanks by providing credit enhancement either through a direct liability to pay credit losses, up to a specified amount (CE Amount), or through a contractual obligation to provide supplemental mortgage guaranty insurance (SMI). Each MPF Loan delivered by a PFI is linked to a Master Commitment so that the cumulative CE Amount, if applicable, can be determined for each Master Commitment. The PFI's CE Amount covers losses for conventional MPF Loans under a Master Commitment in excess of the MPF FHLBank's first loss account (FLA), which is a memo account used to track the MPF FHLBank's losses until the CE Amount starts covering losses. PFIs are paid a CE Fee for managing credit risk and, in some instances, all or a portion of the CE Fee may be performance-based.

When an MPF Loan is funded or purchased, the PFI must deliver a qualifying promissory note and certain other required documents to the designated custodian. The designated custodian reports to the MPF Provider whether the documentation package matches the funding information transmitted to the MPF Provider and otherwise meets MPF Program requirements.

PFIs are required to comply with the MPF Program policies contained in the PFI Agreement, as well as the MPF Origination Guide and MPF Servicing Guide published and maintained by the FHLBank of Chicago as MPF Provider (together MPF Guides). MPF Guides include eligibility requirements for PFIs such as: 1) maintaining errors and omissions insurance and a fidelity bond; 2) anti-predatory lending policies; 3) loan eligibility and underwriting requirements; 4) customary representations and warranties; and 5) loan documentation and custodian requirements. The MPF Guides also detail the PFI's servicing duties and responsibilities for reporting, remittances, default management, and disposition of properties acquired by foreclosure or deed-in-lieu of foreclosure. In addition, the MPF Guides require each PFI to provide an annual certification with respect to its insurance and its compliance with the MPF Program requirements.

Mortgage Standards

The current underwriting and eligibility guidelines under the MPF Guides are broadly summarized below. Certain guidelines may be waived for individual PFIs with respect to specified provisions of the MPF Guides.

Mortgage Characteristics. MPF Loans must be qualifying, 5-year to 30-year conforming conventional or government-guaranteed or insured fixed-rate, fully amortizing mortgage loans, secured by first liens on owner-occupied, one-to-four unit single-family residential properties and one-unit second homes. Conforming loan size, which is established annually as required by Finance Agency regulations, may not exceed loan limits permitted to be set by the Finance Agency each year. For 2011, the Finance Agency established the conforming loan size at $417,000, the same as for 2009 and 2010, with loans originated in certain high-cost areas in the contiguous United States eligible for higher conforming limits. A conventional mortgage refers to non-government-guaranteed or insured mortgages.

Loan-to-Value Ratio (LTV) and Primary Mortgage Insurance. The maximum LTV for conventional MPF Loans must not exceed 95 percent, although FHLBank AHP mortgage loans may have LTVs up to 100 percent. Government MPF Loans may not exceed the LTV limits set by the applicable government agency and they must meet the requirements to be insured or guaranteed by the applicable government agency. Conventional MPF Loans with LTVs greater than 80 percent require certain amounts of PMI from a mortgage guaranty insurance (MI) company.

Ineligible Mortgage Loans. The following types of mortgage loans are not eligible for delivery under the MPF Program: (1) mortgage loans that must be excluded from securities rated by S&P; (2) mortgage loans not meeting the MPF Program eligibility requirements as set forth in the MPF Guides and agreements; (3) mortgage loans that are classified as high cost, high rate, high risk, Home Ownership and Equity Protection Act (HOEPA) loans or loans in similar categories defined under predatory lending or abusive lending laws; and (4) subprime, non-traditional or higher-priced mortgage loans.

Quality Assurance Process

The MPF Provider conducts an initial quality assurance review of a selected sample of conventional MPF Loans from each PFI's initial MPF Loan delivery. Subsequently, the MPF Provider performs periodic reviews of a sample of conventional MPF Loans to determine whether the reviewed MPF Loans complied with the MPF Program requirements at the time of acquisition. The MPF Provider does not currently conduct quality assurance reviews of MPF Government Loans. When a PFI fails to comply with the requirements of the PFI Agreement, MPF Guides (including servicing breaches), applicable law, or terms of mortgage documents, the PFI may be required to provide an indemnification covering related losses or to repurchase the MPF Loans that are affected by such failure if it cannot be cured. In all cases where a PFI was placed into receivership with the FDIC by the PFI's regulator and were resolved, all obligations were either satisfied or were assumed by another institution.

MPF Loan Participations

Participation percentages for MPF Loans may range from 1 percent to 100 percent and the participation percentages in MPF Loans may vary by each Master Commitment, by agreement of the MPF FHLBank selling the participation interests (the Owner Bank), the FHLBank of Chicago, in its role as MPF Provider, and other MPF FHLBanks purchasing a participation interest.

The Owner Bank is responsible for the following:

- reporting to any participating MPF FHLBank initially, and at least annually thereafter on the creditworthiness of the PFI;
- ensuring that adequate collateral is available from each of its PFIs to secure any direct obligation portion of the PFI's CE Amount; and
- enforcing the PFI's obligations under its PFI Agreement.

The risk sharing and rights of the Owner Bank and participating MPF FHLBank(s) are as follows:

- each pays its respective pro-rata share of each MPF Loan acquired;
- each receives its respective pro-rata share of principal and interest payments and is responsible for CE Fees based upon its participation percentage for each MPF Loan under the related delivery commitment. For the Original MPF product each is responsible for monthly allocations to the FLA based upon the unpaid principal balance of, and its participation percentage for, each MPF Loan; and
- each is responsible for its respective pro-rata share of FLA exposure and losses incurred with respect to the Master Commitment based upon the overall risk-sharing percentage for the Master Commitment, except that for the Original MPF product, each shares in exposure to loss based on its respective percentage of the FLA at the time the loss is allocated.

The FLA and CE Amount apply to all the MPF Loans in a Master Commitment regardless of participation arrangements, so an MPF FHLBank's share of credit losses is based on its respective participation interest in the entire Master Commitment. For example, if an MPF FHLBank were to acquire 25 percent of MPF Loans under a $100 million Master Commitment and no changes were made to the Master Commitment, that MPF FHLBank's risk-sharing percentage of credit losses would be 25 percent.

In the case where an MPF FHLBank changes its initial percentage in the Master Commitment, the risk-sharing percentage will also change. For example, if an MPF FHLBank were to acquire 25 percent of the first $50 million and 50 percent of the second $50 million of MPF Loans delivered under a $100 million Master Commitment, the MPF FHLBank would share in 37.5 percent of the credit losses for that Master Commitment. In that case, the MPF FHLBank would receive principal and interest payments on the individual MPF Loans that remain outstanding in a given month according to its participation percentages in each individual MPF Loan.

The arrangement is slightly different for the Original MPF product because each MPF FHLBank's participation percentage in the FLA is based upon its share of each MPF Loan as the FLA increases over time. If the percentage participations differ for various MPF Loans, each MPF FHLBank's percentage of the FLA will be affected by those differences because MPF Loans are acquired and repaid at different times. For example, if a Master Commitment had a total FLA of $100,000 (as of the date of a given loss), and one participating MPF FHLBank's FLA is $25,000 and the other MPF FHLBank's FLA is $75,000, then the first MPF FHLBank would incur 25 percent of such loss and the other MPF FHLBank would incur 75 percent of such loss.

In 2010, the FHLBank of Chicago sold $73 million in 100 percent participations in MPF Loans to the FHLBank of Boston. There were no sales of participations in MPF Loans in 2009.

MPF Servicing

The PFI or its servicing affiliate generally retains the right and responsibility for servicing MPF Loans it delivers. The PFI is responsible for collecting the borrower's monthly payments and otherwise dealing with the borrower with respect to the MPF Loan and the mortgaged property. Based on monthly reports the PFI is required to provide to the master servicer, appropriate withdrawals are made from the PFI's deposit account with the applicable MPF FHLBank. In some cases, the PFI has agreed to advance principal and interest payments on the scheduled remittance date when the borrower has failed to pay, provided that the collateral securing the MPF Loan is sufficient to reimburse the PFI for advanced amounts. Appropriate amounts are withdrawn from the PFI's deposit account with the applicable MPF FHLBank on a monthly basis.

If an MPF Loan becomes delinquent, the PFI is required to contact the borrower to determine the cause of the delinquency and whether the borrower will be able to cure the default. The MPF Guides permit certain types of forbearance plans. Upon any MPF Loan becoming 90 days or more delinquent, the master servicer monitors and reviews the PFI's default management activities for that MPF Loan, including timeliness of notices to the mortgagor, forbearance proposals, property protection activities, and foreclosure referrals, all in accordance with the MPF Guides. For the MPF Xtra product, the PFI must also comply with Fannie Mae's delinquency servicing requirements.

Upon liquidation of any MPF Loan and submission of each realized loss calculation from the PFI, the master servicer reviews the realized loss calculation submitted by the PFI for conformity with the PMI requirements, if applicable, and conformity with the cost and timeliness standards of the MPF Guides. The master servicer disallows the reimbursement to the PFI of any servicing advances related to the PFI's failure to perform in accordance with the MPF Guides, and in the case of the MPF Xtra product, in accordance with Fannie Mae's servicing requirements.

If there is a loss on a conventional portfolio MPF Loan, the MPF Provider allocates the loss to the Master Commitment in accordance with the risk-sharing structure for that particular Master Commitment. The servicer pays any gain on the sale of real-estate owned property to the MPF FHLBank, or in the case of a participation the gain is paid to the MPF FHLBanks based upon their respective interest in the MPF Loan. However, the amount of the gain is available to reduce subsequent losses incurred under the Master Commitment before such losses are allocated between the MPF FHLBank and the PFI.

The MPF Provider monitors the PFI's compliance with MPF Program requirements throughout the servicing process, and the MPF Provider brings any material concerns to the attention of the MPF FHLBank. Minor lapses in servicing are charged to the PFI. Major lapses in servicing could result in a PFI's servicing rights being terminated for cause and the servicing of the particular MPF Loans being transferred to a new, qualified servicing PFI. In addition, PFIs are obligated to continue to service MPF Xtra Loans for Fannie Mae in the event the MPF Provider's agreement with Fannie Mae is terminated, unless Fannie Mae decides to terminate such servicing.

Although PFIs generally retain servicing of the MPF Loans they deliver, certain PFIs choose to sell the servicing rights on a concurrent basis (servicing released) or in a bulk transfer to another PFI, which is permitted with the consent of the MPF FHLBank(s) involved. One PFI has been designated to acquire servicing under the MPF Program's concurrent sale of servicing option. In addition, several PFIs have acquired servicing rights on a concurrent, servicing released basis or bulk transfer basis without the direct support from the MPF Program.

MPF Shared Funding Program[2]

In 2003, the FHLBank of Chicago invested in AMA-eligible securities through the MPF Shared Funding program and sold concurrently some of these securities to two other FHLBanks. No residual interest was created or retained on the FHLBank of Chicago's balance sheet. These investments are classified as held-to-maturity securities and, on a combined basis, were reported at an amortized cost of $229 million and $298 million at December 31, 2010 and 2009. These securities, which are rated double-A, are not publicly traded and are not guaranteed by any of the FHLBanks.

Credit Enhancement Structure

The MPF FHLBank and PFI share the risk of credit losses on conventional MPF Loans held in portfolio by structuring potential losses into layers with respect to each Master Commitment. The MPF FHLBank is obligated to incur the first layer of credit losses (FLA), which varies by MPF product. Losses in excess of the FLA, up to the CE Amount, are covered by the PFI either directly or indirectly. The FLA is not a cash collateral account. For MPF products with performance-based CE Fees, the MPF FHLBank may withhold CE Fees to recover losses at the FLA level, which results in the first layer of loss being allocated to the PFI.

The PFI's CE Amount represents either or both the PFI's direct liability to pay credit losses incurred with respect to a Master Commitment and/or the requirement of the PFI to obtain and pay for an SMI policy insuring a portion of the credit losses arising from the Master Commitment.

CE Fees compensate PFIs for assuming credit risk and may or may not be performance based depending on the MPF product. CE Fees are paid monthly based on the remaining unpaid principal balance of the MPF Loans under the Master Commitment. The CE Fees and CE Amount vary by MPF product. CE Fees, which are payable to a PFI as compensation for assuming credit risk, are recorded as an offset to MPF Loan interest income when paid by the MPF FHLBank. To the extent that losses in the current month exceed performance-based CE Fees accrued, the remaining losses may be recovered by the MPF FHLBank by withholding future performance-based CE Fees.

Loss Allocation

Credit losses on conventional MPF Loans not absorbed by the borrower's equity in the mortgaged property, property insurance or PMI are allocated first to the MPF FHLBank, up to the agreed-upon amount of the FLA as follows:

- *Original MPF*—The FLA starts out at zero, but increases monthly over the life of the Master Commitment at a rate that ranges from 0.03 percent to 0.06 percent (3 to 6 basis points) annually based on the month-end outstanding aggregate principal balance of the MPF Loans in the Master Commitment. The FLA is structured so that over time it should cover expected losses on a Master Commitment. Losses early in the life of the Master Commitment could exceed the FLA and be charged to the PFI's CE Amount.

- *MPF 100 and MPF 125*—The FLA is equal to one percent (100 basis points) of the aggregate principal balance of the MPF Loans delivered under the Master Commitment; however, the CE Fees are performance-based, which allows the MPF FHLBank to recover a portion of losses incurred under the FLA.

- *MPF Plus*—The FLA is equal to an agreed-upon percentage of the aggregate principal balance of the MPF Loans purchased under the Master Commitment, but not less than the amount of expected losses on the Master Commitment. A portion of the CE Fees is performance-based which allows the MPF FHLBank to recover a portion of losses incurred under the FLA.

For all MPF conventional loans, losses in excess of the FLA and not covered by SMI are allocated to the PFI under its credit enhancement obligation, if any, up to the CE Amount. Any losses in excess of the CE Amount are absorbed by the MPF FHLBank.

With respect to participation interests, MPF Loan losses allocable to the MPF FHLBank are allocated pro-rata among the participating MPF FHLBanks based upon their respective participation interests in the related Master Commitment.

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(2) "MPF Shared Funding" is a registered trademark of the FHLBank of Chicago.

Setting Credit Enhancement Levels. A nationally recognized statistical rating organization's model-based rating methodology is used to determine the required CE Amount, which is calculated to equal the difference between the amount needed for the Master Commitment to have a rating equivalent to a double-A- rated mortgage-backed security and an MPF FHLBank's initial FLA exposure (which is zero for the Original MPF product). An MPF FHLBank determines its FLA exposure by taking the initial FLA and reducing it by the estimated value of any performance-based CE Fees that would be payable to the PFI.

In determining the rating equivalent for Master Commitments with an FLA equal to 100 basis points (all MPF 100, MPF 125 and some MPF Plus Master Commitments), the MPF FHLBank relies only partially on its ability to reduce performance-based CE Fees when measuring the effective FLA exposure. As a result, an MPF FHLBank can either hold additional risk-based capital, or additional retained earnings in the case of the FHLBank of Chicago, against the related Master Commitments in accordance with the AMA regulations, or purchase SMI to upgrade the estimated rating of the Master Commitment to the equivalent of a double-A rated mortgage-backed security.

For MPF Plus, the PFI is required to provide an SMI policy covering the MPF Loans in the Master Commitment and having a deductible initially equal to the FLA. Depending upon the amount of the CE Fees it is paid, the PFI may or may not have any direct liability on the CE Amount.

In connection with its risk management, an MPF FHLBank is required to recalculate the estimated credit rating of a Master Commitment if there is evidence of a decline in the credit quality of the related MPF Loans.

The MPF products were designed to allow for periodic resets of the credit enhancement protection amount (CEP Amount) for each Master Commitment, and for certain products, the FLA for each Master Commitment, because the amount of credit enhancement necessary to maintain an FHLBank's risk of loss equivalent to the losses of an investor in a double-A rated mortgage-backed security for any Master Commitment is usually reduced over time. Under the MPF Program, the PFI's CEP Amount may take the form of a contingent, performance-based CE Fee as well as the CE Amount (which is a direct liability to pay credit losses or the requirement for the PFI to pay for an SMI policy insuring a portion of the credit losses). The Original MPF, MPF 100 and MPF 125 products are initially reset 10 years from the date of the Master Commitment. The SMI policy for the MPF Plus product is reset after five years and annually thereafter, with any PFI's CE Amount reset at the same time or starting five years after the date of the Master Commitment. In addition to scheduled resets, a PFI's CE Amount may be reduced to equal the balance of the MPF Loans in a Master Commitment if the balance of the MPF Loans equals or is less than the CE Amount.

Credit Enhancement Fees. The type of the CE Fee depends upon the product selected, though no CE Fee is payable under the MPF Xtra product as the PFI has no CE Amount under that product. For Original MPF, the PFI is paid a CE Fee between 0.07 percent and 0.11 percent (7 to 11 basis points) annually, which is paid monthly based on the aggregate outstanding principal balance of the MPF Loans in the Master Commitment.

For MPF 100 and MPF 125, the PFI is paid a performance-based CE Fee of between 0.07 percent and 0.10 percent (7 and 10 basis points) annually, which is paid monthly based on the aggregate outstanding principal balance of the MPF Loans in the Master Commitment. The CE Fee is fixed for the first two or three years of each MPF 100 Master Commitment, after which it is performance-based. The CE Fee for MPF 125 is performance-based for the entire life of the Master Commitment.

For MPF Plus, the PFI is paid a CE Fee of 0.13 percent or 0.14 percent (13 or 14 basis points) annually, which is split into fixed and performance-based portions. The performance-based CE Fee is typically 0.07 percent (7 basis points) annually, which is paid monthly based on the aggregate outstanding balance of the MPF Loans in the Master Commitment. The performance-based CE Fee is reduced by losses charged to the FLA and is paid one year after being accrued. The fixed portion of the CE Fee is typically between 0.06 percent and 0.07 percent (6 and 7 basis points) annually, based on the aggregate outstanding principal balance of the MPF Loans in the Master Commitment. The fixed CE Fee is lower for master commitments without a direct PFI CE Amount.

For MPF Government Loans, the PFI provides and maintains insurance or a guaranty from the applicable government agency (the FHA, VA, RHS or HUD). The PFI is responsible for compliance with all government agency requirements. For Master Commitments issued prior to February 2, 2007, the PFI is paid a monthly government loan fee equal to 0.02 percent (2 basis points) annually, which is based on the month-end outstanding principal balance of the Master Commitment. This amount is in addition to the customary 0.44 percent (44 basis points) annual servicing fee that is paid for all Government Master Commitments. PFIs must be licensed or qualified to originate and service MPF Government Loans in order to be eligible to sell and service MPF Government Loans under the MPF Program.

Additional Information on FHLBanks' Mortgage Purchase Program (MPP)

General

MPP is currently offered by each of the FHLBanks of Cincinnati and Indianapolis. The FHLBank of Atlanta suspended acquisitions of mortgage loans under the MPP in 2008. MPP was also offered by the FHLBank of Seattle until early 2006. MPP, which was introduced in 2000, enables participating FHLBanks to purchase directly from members both their qualifying conforming fixed-rate conventional one-to-four family mortgages and residential mortgages insured by the FHA. The MPP FHLBanks are permitted to purchase qualifying mortgage loans within any state, the District of Columbia or certain major U.S. territories.

Each MPP FHLBank has approved PFIs that sell them mortgage loans. A PFI may also be a third-party servicer (subject to MPP FHLBank approval) of loans sold to an MPP FHLBank by other member PFIs. The FHLBanks do not use any trust or intermediary to purchase mortgage loans from members under the MPP. The PFIs may retain or sell servicing to third parties. The MPP FHLBanks neither service these loans, nor do they own any servicing rights. The MPP FHLBank must approve any servicer, including a member-servicer, and any transfers of servicing to third parties. The PFIs or servicers are responsible for servicing loans, for which they receive a servicing fee, in accordance with the MPP Guide. The MPP FHLBanks have engaged JPMorgan Chase Bank as the MPP master servicer.

Each of the two FHLBanks which currently offer MPP share the cost of system development that supports loan acquisition, while the FHLBanks of Atlanta, Cincinnati and Indianapolis share the cost for maintaining these computer systems. Each MPP FHLBank is responsible for operating its own program, for marketing the program to its members and for funding and hedging any loans acquired through the program. Furthermore, each MPP FHLBank is responsible for the development and maintenance of the MPP guide governing origination, underwriting and servicing of the loans sold to it through its MPP. Each MPP FHLBank establishes its own origination, underwriting and servicing criteria, including eligibility standards for loans that may be sold to it, as well as other requirements for its MPP. Each MPP FHLBank provides the systems and back office support for its program, including transaction processing. In some circumstances, an MPP FHLBank may grant its PFI a waiver exempting it from complying with specified provisions of the MPP FHLBank's program requirements.

Loan Purchase Process

A Master Commitment Contract is negotiated with each PFI, in which the PFI agrees to make a best efforts attempt to sell an MPP FHLBank a specific dollar amount of loans over a period of up to 12 months. MPP FHLBanks purchase loans pursuant to a Mandatory Delivery Contract, which is a legal commitment an MPP FHLBank makes to purchase, and a PFI makes to deliver, a specified dollar amount of mortgage loans, with a forward settlement date, at a specified range of mortgage note rates and prices. Shortly before delivering the loans that will fill the Mandatory Delivery Contract, the PFI must submit loan-level detail, including underwriting information. An MPP FHLBank applies procedures to screen out loans that do not comply with that FHLBank's policies. An MPP FHLBank's underwriting guidelines generally mirror those of secondary market investors in conforming conventional loans. PFIs are required to make certain representations and warranties against underwriting guidelines on loans PFIs sell to an FHLBank. If loans are sold in breach of those representations and warranties, an FHLBank has the contractual right to require the PFI to repurchase those loans.

Management of Credit Risk

Each FHLBank participating in the MPP is exposed to credit risk on loans purchased from members through its MPP. Like the MPF Program, MPP is governed by the AMA Regulation, and mortgage loans purchased from PFIs under the program also must carry sufficient credit enhancements to give them a credit risk exposure equivalent to no less than triple-B-rated assets based upon a nationally recognized statistical rating organization's model-based rating methodology at the time of purchase. Each of the MPP FHLBanks analyze all loan pools using a credit assessment model licensed from a nationally recognized statistical rating organization and each meets this requirement when the loan pool is closed. Based upon the credit assessment, each MPP FHLBank is required to hold risk-based capital to help mitigate the perceived additional credit risk in accordance with Finance Agency regulations. The MPP mortgage loans are not, however, rated by any nationally recognized statistical rating organization.

The MPP FHLBanks' primary management of credit risk in MPP involves the mortgage assets themselves (homeowners' equity) as well as additional layers of credit enhancements. In order of priority, credit enhancements include:

- *PMI* (when applicable).

- *Lender Risk Account* (LRA, as described further below, for conventional loans only).

- *SMI (when applicable).* The participating member's SMI, purchased by the PFI for conventional loans from a third-party provider naming the FHLBank as the beneficiary, absorbs losses beyond the LRA and enhances the credit of the underlying pool of mortgages to an investment-grade equivalent.

Because of the FHA guarantee, MPP FHLBanks bear no credit risk on purchased FHA loans, and therefore do not require either a LRA or SMI coverage for these U.S. government-guaranteed or -insured loans.

For conventional loans, PMI, if applicable, covers losses or exposure down to an LTV of between approximately 65 and 80 percent based upon the original appraisal, original LTV, term, amount of PMI coverage, and characteristics of the loan.

The LRA is a key feature that helps protect participating MPP FHLBanks against credit losses on conventional mortgage loans. Funds are available to cover credit losses in excess of the borrower's equity and PMI on any loans in the pool that these FHLBanks have purchased. Participating MPP FHLBanks use a nationally recognized statistical rating organization's model-based rating methodology to assign the LRA percentage to each Master Commitment and to manage the credit risk of committed and purchased conventional loans. This model evaluates the characteristics of the loans the PFIs commit to deliver and the loans actually delivered to the FHLBanks for the likelihood of timely payment of principal and interest. The nationally recognized statistical rating organization model results are based on numerous standard borrowers and loan attributes, such as the LTV, loan purpose, such as purchase of home, refinance, or cash-out refinance, type of documentation, income and debt expense ratios, and credit scores.

In addition to the LRAs, participating MPP FHLBanks with SMI coverage are protected from credit losses to approximately 50 percent of the property's original value for conventional loans, in certain cases subject to an aggregate stop-loss provision in the SMI policy. The stop-loss is equal to the total initial principal balance of loans purchased under the Master Commitment Contract multiplied by the stop-loss percentage, and represents the maximum aggregate amount payable by the SMI provider under the SMI policy for that loan pool. The FHLBanks would assume the credit exposure if the severity of losses were to exceed the SMI coverage, or if SMI is not applicable, the LRA coverage.

Earnings from the MPP

MPP earnings come from monthly interest payments due to the MPP FHLBank. Reported interest income on each MPP Loan is computed as the mortgage note rate multiplied by the loan's principal balance outstanding, adjusted as follows:

- less servicing costs;
- less the cost of SMI, if applicable (required for conventional loans only);
- plus the net amortization of purchase premiums or accretion of purchase discounts; and
- plus the net amortization or accretion of fair value adjustments for purchase commitments.

The MPP FHLBanks consider the cost of the LRA and SMI when they establish conventional loan pricing. Each of these credit enhancement structures is accounted for in the valuation of an FHLBank's expected return on acquired mortgage loans and in a credit risk review performed during the loan pooling process, at which time the dollar amount specified in the PFI's Master Commitment Contract is fulfilled and the commitment is closed. The pricing of each structure depends on a number of factors and is PFI-specific. These FHLBanks do not receive any guarantee or other fees for retaining the risk of losses in excess of the LRA and SMI.

MPP and MPF Product Information

A variety of MPF products have been developed to meet the differing needs of PFIs, but they are all premised on the same risk-sharing concept. While the MPP operates with a single structure, it also includes FHA-insured mortgage loans.

Table S-1 - MPP and MPF Product Comparison at December 31, 2010

Product Name	FHLBank FLA/LRA Size	PFI Credit Enhancement Description	Average CE Amount	CE Fee to PFI(1)	CE Fee Offset(2)	Servicing Fee to PFI
Original MPF	3 to 6 basis points; added each year based on the unpaid balance	Equivalent to “double-A”	2.01%	7 to 11 basis points/year—paid monthly	No	25 basis points/year
MPF 100	100 basis points; fixed based on the size of the loan pool at closing	After FLA, equivalent to “double-A”	0.50%	7 to 10 basis points/year—paid monthly; performance-based after 2 or 3 years	Yes—after first 2 to 3 years	25 basis points/year
MPF 125	100 basis points; fixed based on the size of the loan pool at closing	After FLA, equivalent to “double-A”	1.65%	7 to 10 basis points/year—paid monthly; performance-based	Yes	25 basis points/year
MPF Plus	An agreed-upon amount not less than expected losses	0 to 20 basis points after FLA and SMI, equivalent to “double-A”	1.33%	13 to 14 basis points/year in total, with a varying split between performance-based (delayed for 1 year) and a fixed rate; all fees paid monthly	Yes	25 basis points/year
MPF Government(3)	N/A	N/A (Unreimbursed servicing expenses)	N/A	N/A	N/A	44 basis points/year plus 2 basis points/year—paid monthly (U.S. Government loan fee)
MPF Xtra	N/A	N/A	N/A	N/A	N/A	25 basis points/year
MPP	30 to 150 basis points; based on pool risk factors and expected losses	After LRA to at least “triple-B”	N/A	N/A	N/A	Generally 25 basis points/year
MPP FHA	N/A	Unreimbursed servicing expenses	N/A	N/A	N/A	Generally 44 basis points/year

(1) For the FHLBank of Des Moines, the CE Fees on certain MPF products differ from those listed above as follows:
- Original MPF: 8 to 11 basis points/year—paid monthly
- MPF 100: 7 to 11 basis points/year—paid monthly; performance-based after three years
- MPF Plus: 6.5 to 8.5 basis points/year—plus 8 to 10 basis points/year; performance-based (delayed for one year); all fees are paid monthly

(2) Future payouts of performance-based CE Fees are reduced when losses are allocated to the FLA.

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

FHLBank Management and Compensation

FHLBank Directors

A board of at least 13 directors, or such other number as the Finance Agency determines appropriate, governs each FHLBank. The members of each FHLBank elect all of the FHLBank's directors, each of whom is elected for a four-year term, unless otherwise adjusted by the Finance Agency Director in order to achieve an appropriate staggering of terms (with approximately one-fourth of the directors' terms expiring each year). Directors may not serve more than three consecutive full terms. An FHLBank's board of directors must be comprised of a majority of member directors, who are directors or officers of members, and a minority of non-member independent directors. Non-member independent directors must comprise not less than two-fifths of the members of the board of directors and two of these directors must hold public interest director positions.

To be eligible to serve as a member director, a candidate must be a citizen of the United States and be an officer or director of a member institution that is located in the state and that meets all the minimum capital requirements established by its appropriate regulator. For member directors, each eligible institution may nominate representatives from member institutions in its respective state to serve on the board of the directors. After the slate of nominees is finalized, each eligible institution may vote for the number of open member director seats in the state in which its principal place of business is located.

To be eligible to serve as a non-member independent director, an individual must be a citizen of the United States and a *bona fide* resident of that FHLBank's district. A non-member independent director may not be an officer of any FHLBank, or an officer, director or employee of an FHLBank member on whose board the individual sits or of any recipient of advances from an FHLBank. Under the Housing Act, there are two types of non-member independent directors:

- *Public interest director*—Each FHLBank is required to have at least two public interest directors. Before names are placed on the ballot, nominee eligibility will be verified through application and eligibility certification forms prescribed by the Finance Agency. Public interest directors must have more than four years' experience in representing consumer or community interests in banking services, credit needs, housing, or consumer financial protections. The Finance Agency will deem existing public interest directors who qualified and were designated under previous FHLBank Act provisions to be public interest directors for the remainder of their current terms.

- *Other independent directors*—Independent directors must have demonstrated knowledge or experience in auditing or accounting, derivatives, financial management, organizational management, project development or risk management practices, or other expertise established by Finance Agency regulations. In order for an independent director candidate to be elected, a candidate must receive at least 20 percent of the votes that are eligible to be cast unless there are multiple nominees. The Finance Agency will impose the Housing Act's requirements on newly elected independent directors.

On October 7, 2009, the Finance Agency adopted a final regulation, which became effective on November 6, 2009, which included provisions:

- requiring each FHLBank's board of directors to annually determine how many of its independent directors should be designated public interest directors (provided that each FHLBank at all times has at least two public interest directors);

- stating that where an FHLBank's board of directors acts to fill a member director vacancy that occurs mid-term, the eligible candidates for that position must be officers or directors of a member institution at the time the FHLBank board of directors acts, not as of the prior year-end; and

- permitting an FHLBank that nominates more than one nominee for each open independent director position to declare elected the nominee who receives the highest number of votes, even if the total votes received is less than 20 percent of the eligible votes.

Eligible members nominate representatives from members in their state to serve as member directors and independent directors are nominated by each FHLBank's board of directors. For the election of both member directors and independent directors, each eligible institution is entitled to cast one vote for each share of stock that it was required to hold as of December 31 of the calendar year immediately preceding the election year (the record date). The number of votes that any member may cast for any one directorship shall not exceed the average number of shares of stock that were required to be held by all member institutions located in the member's state on that date (December 31).

The board of directors of each FHLBank has the responsibility to establish policies and programs that carry out the FHLBank's housing finance mission. Each board of directors adopts and reviews policies governing the FHLBank's credit, investment, and funding activities, and oversees the implementation of these policies. The directors also must adopt policies to manage the FHLBank's exposure to credit, liquidity, and interest-rate risk. In addition, each board of directors is responsible for monitoring that FHLBank's compliance with Finance Agency regulations.

The following persons are currently serving as chair or vice chair of the FHLBanks:

Jan A. Miller, 60, has been elected to serve as chair of the board of the FHLBank of Boston. Mr. Miller has served as president and trustee of Eastern Bank Corporation and executive vice president of Eastern Bank since November 2010. Both Eastern Bank Corporation and Eastern Bank are located in Boston, Massachusetts. Prior to serving in those positions, Mr. Miller served as president, chief executive officer and director of Wainwright Bank & Trust Company, located in Boston, Massachusetts, since 1997. Prior to joining Wainwright Bank in 1994, Mr. Miller spent 19 years in various senior management positions at Shawmut Bank, N.A. Mr. Miller is a director of Legal Sea Foods, LLC. Mr. Miller is a past chairman of the Massachusetts Bankers Association, a member of the American Bankers Association Government Relations Council, and a member of the FDIC Advisory Committee on Community Banking and has served in various other leadership positions in banking and community organizations throughout his career. Mr. Miller has served as a director of the FHLBank of Boston since January 1, 2004, and his current term as a director will conclude on December 31, 2013.

Jay F. Malcynsky, 57, has been elected to serve as vice chair of the board of the FHLBank of Boston for 2011. Mr. Malcynsky has served as president and managing partner of Gaffney, Bennett and Associates, Inc., a Connecticut-based corporation specializing in government relations and political consulting since 1984. Mr. Malcynsky is also a practicing lawyer in Connecticut and Washington D.C., specializing in administrative law and regulatory compliance. Mr. Malcynsky previously served as a director of the FHLBank of Boston from 2002 to 2004. Mr. Malcynsky was reappointed as a director of the FHLBank of Boston on March 30, 2007, and his current term as director will conclude on December 31, 2012.

Michael M. Horn, 71, is serving as chair of the board of directors of the FHLBank of New York. Mr. Horn has been a partner in the law firm of McCarter & English, LLP since 1990. He has served as the Commissioner of Banking for the State of New Jersey and as the New Jersey State Treasurer. He was also a member of the New Jersey State Assembly and served as a member of the Assembly Banking Committee. In addition, Mr. Horn served on New Jersey's Executive Commission on Ethical Standards both as its vice chair and chairman, was appointed as a State Advisory Member of the Federal Financial Institutions Examination Council, and was a member of the Municipal Securities Rulemaking Board. Mr. Horn is counsel to the New Jersey Bankers Association, chairman of the Bank Regulatory Committee of the Banking Law Section of the New Jersey State Bar Association, and a Fellow of the American Bar Foundation. He served as a director of Ryan Beck & Co. through February 27, 2007. Mr. Horn's legal and regulatory experience, as indicated by his background, support his qualifications to serve on the FHLBank of New York's board of directors as an independent director.

José Ramon González, 56, is serving as vice chair of the board of directors of the FHLBank of New York and has been senior executive vice president, banking and corporate development, of Oriental Financial Group, Inc. and Oriental Bank & Trust since August, 2010. He was president and chief executive officer of Santander BanCorp and Banco Santander Puerto Rico from October 2002 until August 2008, and served as a director of both entities until August 2010. Mr. González joined the Santander Group in August 1996 as president and chief executive officer of Santander Securities Corporation. He later served as executive vice president and chief financial officer of Santander BanCorp and Banco Santander Puerto Rico and in April 2002 was named president and chief operating officer of both entities. Mr. González is a past president of the Puerto Rico Bankers Association and a past president of the Securities Industry Association of Puerto Rico. Mr. González was at Credit Suisse First Boston from 1983 to 1986 as vice president of investment banking, and from 1989 to 1995 as president and chief executive officer of the firm's Puerto Rico subsidiary. From 1986 to 1989, Mr. González was president and chief executive officer of the Government Development Bank for Puerto Rico. From 1980 to 1983, he was in the private practice of law in San Juan, Puerto Rico with the law firm of O'Neill & Borges.

Dennis S. Marlo, 68, has served on the board of directors of the FHLBank of Pittsburgh since November 2002 and is currently serving as its chair. Mr. Marlo is currently managing director of Sanctuary Group LTD, a financial and executive advisory firm located in Malvern, Pennsylvania. Formerly he served as the chief financial officer, treasurer and chief risk management officer of Sovereign Bank. Prior to Sovereign, he was the chief executive officer of Main Line Bank. Previously, he was employed for 25 years at KPMG, LLC and its predecessor organizations, where he retired as a partner in the firm. A graduate of LaSalle University and a Certified Public Accountant, Mr. Marlo also completed studies at the Graduate School of Community Bank Management, University of Texas/Austin. He is currently the chairman of the board of trustees of Harcum College in Bryn Mawr, Pennsylvania. He is a member of the board of directors of EnerSys in Reading, Pennsylvania; the board of directors of Main Line Health Real Estate, LP; the board of trustees of The Lankenau Hospital Foundation in Wynnewood, Pennsylvania; and the Council of President's Associates of LaSalle University in Philadelphia. He is also a member of both the American and Pennsylvania Institutes of Certified Public Accountants and the Financial Managers Society, having served on its national board of directors.

John K. Darr, 66, joined the board of directors of the FHLBank of Pittsburgh in January 2008 and is currently serving as its vice chair. Mr. Darr retired from the FHLBanks' Office of Finance at the end of 2007 where he served as CEO and managing director for 15 years. He was responsible for issuing debt in the global capital markets on behalf of the FHLBanks, consistent with their mission of providing low-cost liquidity for member-owner financial institutions. He also was responsible for issuing the FHLBank System's Combined Financial Report and was intimately involved in the FHLBank System's SEC registration process. Mr. Darr has a total of 41 years of business experience, including several years as treasurer of the FHLBank of San Francisco, serving as a control officer of three member institutions, and as CFO of Sallie Mae, CEO of a registered investment management company, and managing director of mortgage finance at a securities dealer. Mr. Darr is a former director of Mortgage IT. In addition to his service on the board of the FHLBank of Pittsburgh, Mr. Darr is a trustee of a mutual fund complex serving as a trustee of Advisors Inner Circle Fund I, Advisors Inner Circle Fund II, and Bishop Street Funds. Mr. Darr also serves as a director of two non-profit entities, including Manna, Inc., a very low-income home builder, homeownership counseling, and mortgage lending entity located in the District of Columbia. During his 17 years of service to this faith-based organization, Mr. Darr served as chair of the board's Audit and Finance Committee, as co-chair of its Leadership Committee and as a fundraiser. Manna is credited with having provided more than 1,000 units of affordable housing over the past 25 years as well as counseling hundreds of homebuyers.

Scott C. Harvard, 56, has served as vice president of Virginia Savings Bank, F.S.B. since June 2009. Previously, he served as president and chief executive officer and as a director of Shore Bank from 1985 to June 2009. He served as president and chief executive officer of its parent, Shore Financial Corporation, from 1997 to 2008. Mr. Harvard served as a director and an executive vice president of Hampton Roads Bankshares from June 2008 to June 2009. Mr. Harvard has served as chairman of the board of the FHLBank of Atlanta since 2007. Mr. Harvard has expertise in community banking and corporate governance.

William C. Handorf, Ph.D., 66, is vice chairman of the board of the FHLBank of Atlanta. He has served as a professor of finance and real estate at The George Washington University's School of Business in Washington, D.C. since 1975. From 2001 to 2006, Mr. Handorf served as a director of the Federal Reserve Bank of Richmond's Baltimore Branch, including two years as chair. From 1992 to 1995, Mr. Handorf served as a private citizen director of the FHLBanks' Office of Finance. Mr. Handorf has expertise in financial markets, banking, real estate investment, accounting, and derivatives.

Carl F. Wick, 71, has served as chair of the FHLBank of Cincinnati since January 2007. Mr. Wick was previously vice chair of the FHLBank of Cincinnati board of directors since March 2005. He was employed by NCR Corporation (one of the two largest manufacturers and suppliers of computer banking systems in the world at the time) from 1966 to 1994 when he retired. He continued with NCR into 1997 on a contractual basis. Mr. Wick's work at NCR over the years included training and support for many NCR computer banking system installations; management of

NCR customer support and education centers, including its central location in the U.S. for customer banking systems training; and serving as a director in NCR's R&D division where he was responsible for NCR's worldwide engineering human resources function. Mr. Wick is currently the owner of Wick and Associates, a business consulting firm. He also served as a member of the Ohio Board of Education for 8½ years, chairing several key policy committees and serving as a member of the executive committee. He retired from the State Board in 2009. Mr. Wick's qualifications and insight provide valuable skills to the board, particularly in the important areas of technology, personnel matters and organizational development.

B. Proctor Caudill, Jr., 61, was elected vice chair of the FHLBank of Cincinnati effective January 1, 2009. Mr. Caudill has served on the FHLBank of Cincinnati board of directors since January 2004. He has been involved in banking for over 40 years. He served as president and chief executive officer of Peoples Bank, Morehead and Sandy Hook, Kentucky, from 1981 until July 2006. Since August 2006, Mr. Caudill has served as a director of Kentucky Bancshares, Inc. and its subsidiary, Kentucky Bank, of Paris, Kentucky.

Paul C. Clabuesch, 62, is chair of the FHLBank of Indianapolis and is the past chairman, president and chief executive officer of Thumb Bancorp, Inc., a bank holding company, and Thumb National Bank and Trust, in Pigeon, Michigan, a position in which he served from 1985 through 2009, when he was named chairman emeritus of Thumb National Bank and Trust. Mr. Clabuesch's career with that bank began in 1973. During his career, Mr. Clabuesch held numerous leadership positions with the Michigan Bankers Association, including service as chairman of its board, treasurer, and membership on its executive council. Mr. Clabuesch was also named the Michigan Bankers Association's Banker of the Year in 2008. Mr. Clabuesch has served as a member of the board of trustees of Scheurer Hospital, Pigeon, Michigan, since 1975.

Jeffrey A. Poxon, 64, serves as vice chairman of the FHLBank of Indianapolis' board of directors. He is the vice president-investments research of The Lafayette Life Insurance Company in Lafayette, Indiana, having previously served as its chief investment officer. Mr. Poxon has been with that company since 1979, was appointed chief investment officer in 1987, and was promoted to senior vice president in 1995. He is also a director of LSB Financial Corporation, Lafayette, Indiana and a director of its banking subsidiary, Lafayette Savings Bank, FSB in Lafayette, Indiana, having served in those capacities since 1992.

Thomas L. Herlache, 68, was elected chair of FHLBank of Chicago effective January 1, 2011. Mr. Herlache served as the vice chair of the FHLBank of Chicago during 2010. Mr. Herlache serves as a director of the board for Baylake Bank and Baylake Corp., a one-bank holding company, in Sturgeon Bay, Wisconsin, and served as chairman of the board from 2007 to 2009. From 1983 to 2007, Mr. Herlache served as president, CEO, and chairman of the board for Baylake Bank and Baylake Corp. Mr. Herlache currently serves as a director on the Door County Memorial Hospital Board and as a president of the Sturgeon Bay Waterfront Redevelopment Authority. He has previously served on the Door County Board of Supervisors, Door County Chamber of Commerce Board, as well as on the Sturgeon Bay Utility Commission from 1981 to 1986. Mr. Herlache served as president for part of his tenure at the Sturgeon Bay Utility Commission.

Steven F. Rosenbaum, 54, was elected vice chair of the FHLBank of Chicago effective January 1, 2011. Mr. Rosenbaum has been employed by Prospect Federal Savings Bank since 1987. He has served as president and CEO since 1998 and, in 2006, was named chairman of the board. Prior to his service with Prospect Federal Savings Bank, he was a lobbyist with the Illinois State Chamber of Commerce. In addition, he serves on the board of the Illinois League of Financial Institutions (chairman from 2002 to 2003), is a member of the Mutual Institutions Committee for the American Bankers Association, and a member of the Illinois Board of Savings Institutions. He is a member of the board of directors of Brother Rice High School (Chicago, Illinois).

Michael K. Guttau, 64, the chair of the FHLBank of Des Moines, has been with Treynor State Bank in Treynor, Iowa, since 1978 where he has served as president, chairman, and chief executive officer. He has been actively involved with the American Bankers Association, Iowa Bankers Association, Community Bankers of Iowa, and served as the Iowa Superintendent of Banking from 1995 through 1999. He is a board member and chair of the audit committee for the Southwest Iowa Renewable Energy ethanol plant. He also served as the 2008-2009 chairman of the Council of Federal Home Loan Banks, which is the non-profit trade association for the twelve FHLBanks located in Washington, D.C. Mr. Guttau's position as an officer of a member institution and his involvement in and knowledge of banking regulation, organizational management, and financial management, as indicated by his background, support his qualifications to serve on the FHLBank of Des Moines' board of directors. Mr. Guttau also serves as chair of FHLBank of Des Moines' executive and governance committee.

Eric A. Hardmeyer, 51, the vice chair of the FHLBank of Des Moines, joined the Bank of North Dakota in 1985 as a loan officer and served as senior vice president of lending before becoming president and CEO in 2001, a position he currently maintains. Mr. Hardmeyer is the past chairman of the North Dakota Bankers Association and also serves on the board of directors of the Bismarck-Mandan Chamber of Commerce and the North Dakota Rural Development Council. Mr. Hardmeyer's position as an officer of a member institution and his involvement in and knowledge of economic development, accounting, auditing, and financial management, as indicated by his background, support Mr. Hardmeyer's qualifications to serve on the FHLBank of Des Moines' board of directors.

Lee R. Gibson, 54, is chairman of the board of directors of the FHLBank of Dallas and has served in that capacity since January 1, 2007. Mr. Gibson serves as senior executive vice president and chief financial officer of Southside Bank (a member of the FHLBank of Dallas) and its publicly traded holding company, Southside Bancshares, Inc. (Tyler, Texas). He has served as senior executive vice president of Southside Bank since February 2009. From 1990 to February 2009, he served as executive vice president of Southside Bank. Mr. Gibson has served as senior executive vice president of Southside Bancshares, Inc. since February 2010. From 1990 to February 2010, he served as executive vice president of Southside Bancshares, Inc. Mr. Gibson has served as chief financial officer of both Southside Bank and Southside Bancshares, Inc. since 2000. He also serves as a director of Southside Bank. Before joining Southside Bank in 1984, Mr. Gibson served as an auditor for Ernst & Young. He currently serves as chairman of the Council of Federal Home Loan Banks and as president of the Executive Board of the East Texas Area Council of Boy Scouts. He also serves on the boards of directors of the TJC Foundation and the Foundation of the East Texas Boy Scouts. Mr. Gibson is chairman of the executive committee of the FHLBank of Dallas' board of directors. He is a Certified Public Accountant.

Mary E. Ceverha, 66, is vice chairman of the board of directors of the FHLBank of Dallas and has served in that capacity since December 2005. From January 2005 to December 2005, she served as acting vice chairman of the board of directors of the FHLBank of Dallas. A civic volunteer who resides in Dallas, Texas, she has served as a director of the Bank since 2004. Ms. Ceverha is also a current director and past president of Trinity Commons Foundation, Inc. Founded by Ms. Ceverha in 2001, this not-for-profit organization coordinates fundraising and other activities relating to the construction of the Trinity River Project in Dallas, Texas. Previously, she served on the steering committee of the President's Research Council for the University of Texas Southwestern Medical Center, which raises funds for medical research, and as a member of the Greater Dallas Planning Council. Ms. Ceverha is also a former board member and president of Friends of Fair Park, a non-profit citizens group dedicated to the preservation of Fair Park, a national historic landmark in Dallas, Texas, and she is a former commissioner of the Dallas Housing Authority. From 1995 to 2004, she served on the Texas State Board of Health. Ms. Ceverha currently serves on the Council of Federal Home Loan Banks. She also serves as vice chairman of the executive committee of the FHLBank of Dallas' board of directors.

Ronald K. Wente, 60, is chairman of the board of directors of the FHLBank of Topeka and has been president and CEO of Golden Belt Bank, FSA, Ellis, Kansas, since 1974. Although as a member director the board of directors did not participate in Mr. Wente's nomination, Mr. Wente possesses 38 years of banking experience, experience with the products and services provided by the FHLBank of Topeka (including knowledge of operations, regulatory compliance and legislative issues), extensive experience with banking trade groups both on the regional and national level, and prior experience as an FHLBank director, that assist in his service as a director. Mr. Wente is an ex officio member of all FHLBank committees.

Robert E. Caldwell, II, 40, is vice chairman of the board of directors of the FHLBank of Topeka and has been president and CEO of Hampton Enterprises, Inc., a commercial real estate development, general contracting, construction management and property management firm, since 2006. He previously served as general counsel for Linweld, Inc., a large independent manufacturer and distributor of industrial/medical gases and welding supplies. The board of directors of the FHLBank of Topeka considered Mr. Caldwell's qualifications, skills and attributes, including his B.S. in business administration, his J.D. and MBA, his experience as general counsel for Linweld, Inc., a subsidiary of a Japanese public company, his service as president and CEO of a commercial real estate and construction company, and his prior service as an FHLBank director, when making his nomination. Mr. Caldwell served as vice chairman of the FHLBank's board of directors from January 2004 through December 2006.

Timothy R. Chrisman, 64, has been the chairman of the board of directors of the FHLBank of San Francisco since 2005 and was vice chairman of the board of directors of the FHLBank of San Francisco in 2004. Mr. Chrisman has been an officer of Pacific Western Bank, Los Angeles, California, since March 2005. Prior to that, he was a director of Commercial Capital Bank and Commercial Capital Bancorp, based in Irvine, California, from June 2004 to March 2005. In 2004, Commercial Capital Bancorp acquired Hawthorne Savings, Hawthorne, California, where Mr. Chrisman was chairman of the board of directors from 1995 to 2004. Mr. Chrisman is also the chief executive officer of Chrisman & Company, Inc., a retained executive search firm he founded in 1980. From 2005 through February 2008, he served as chairman of the Council of Federal Home Loan Banks. Since 2005, he has served as chairman of the Chair-Vice Chair Committee of the FHLBank System. Mr. Chrisman's position as an officer of an FHLBank of San Francisco member; his previous positions as a director with or chairman of FHLBank of San Francisco members; his involvement in and knowledge of corporate governance, human resources, and compensation practices and his management skills, as indicated by his background, support Mr. Chrisman's qualifications to serve on the FHLBank of San Francisco's board of directors.

Scott C. Syphax, 47, has been president and chief executive officer of Nehemiah Corporation of America, a community development corporation, in Sacramento, California, since 2001. From 1999 to 2001, Mr. Syphax was a manager of public affairs for Eli Lilly & Company. He has been vice chairman of the FHLBank of San Francisco's board of directors since December 2009. Mr. Syphax's involvement and experience in representing community interests in housing and his management skills, as indicated by his background, support Mr. Syphax's qualifications to serve as a public interest director on the San Francisco's board of directors.

William V. Humphreys, 63 has served as a director of the FHLBank of Seattle since 2006 and as chair since January 2010. Mr. Humphreys has served as president and chief executive officer of Citizens Bank in Corvallis, Oregon, a commercial banking services provider, since 1996 and as president and chief executive officer of Citizens Bancorp, a publicly traded bank holding company, since 1997. He serves as a director of Citizens Bancorp. Mr. Humphreys currently serves as one of three FHLBank of Seattle representatives on the Council of Federal Home Loan Banks. Mr. Humphreys has served as a director of the Oregon Bankers Association and the American Bankers Association, as well as chairman of the State of Oregon Banking Board. He is currently a faculty member at Oregon Bankers Association Directors College. Mr. Humphreys' position as an officer and director of an FHLBank of Seattle member, his experience in corporate governance, and his leadership and management skills, as indicated by his background, support Mr. Humphreys' qualifications to serve as a member director on the FHLBank of Seattle's board of directors.

Craig E. Dahl, 61, has served as a director of the FHLBank of Seattle since 2004 and as vice chair since 2005. Since 1996, Mr. Dahl has served as president, chief executive officer, and a director of Alaska Pacific Bancshares, Inc. and its wholly-owned subsidiary, Alaska Pacific Bank, a federally chartered savings bank. Mr. Dahl currently serves as one of the three FHLBank of Seattle representatives on the Council of Federal Home Loan Banks. Mr. Dahl currently serves on the Government Relations Council for the American Bankers Association, and served two terms as president of the Alaska Bankers Association. Mr. Dahl's position as an officer of a FHLBank of Seattle member; his experience in corporate governance, and his leadership and management skills, as indicated by his background, support Mr. Dahl's qualifications to serve as a member director on the FHLBank of Seattle's board of directors.

FHLBank Presidents

Each FHLBank president reports to the board of directors of the respective FHLBank. Each FHLBank president participates in regular meetings with the presidents of the other FHLBanks. The responsibilities of the president include:

- management of the FHLBank;
- administration of the programs of the FHLBank; and
- compliance with the regulations and policies of the Finance Agency.

The following persons are currently serving as president of the FHLBanks:

Edward A. Hjerpe III, 52, has been president and chief executive officer of the FHLBank of Boston since July 2009. Mr. Hjerpe came to the FHLBank of Boston from Strata Bank and Service Bancorp, Inc., where he was interim chief executive officer from September 2008 until joining the FHLBank of Boston. Mr. Hjerpe was a financial strategy and management consultant from August 2007 to September 2008, and both president and chief operating officer of the New England Region of Webster Bank N.A. and senior vice president of Webster Financial Corporation from May 2004 to June 2007. Prior to those roles, Mr. Hjerpe served as executive vice president, chief operating officer, and chief financial officer at Firstfed America Bancorp, Inc. from July 1997 to May 2004. Mr. Hjerpe also worked at the FHLBank of Boston from 1988 to 1997, first as senior vice president and director of financial analysis and economic research, and ultimately as executive vice president and chief financial officer. Mr. Hjerpe has been involved in numerous community, civic, industry, and nonprofit organizations over the course of his career. He currently serves as chair of the board of trustees of St. Anselm College in Manchester, New Hampshire, as well as on the board of Dental Services of Massachusetts. He also served on the board of the United Way of Fall River. Mr. Hjerpe earned a B.A. in business and economics from St. Anselm College, and an M.A. and Ph.D. in economics from the University of Notre Dame.

Alfred A. DelliBovi, 65, was elected president of the FHLBank of New York in November 1992. As president, he serves as the chief executive officer and directs the FHLBank of New York's overall operations to facilitate the extension of credit products and services to the FHLBank of New York's member-lenders. Since 2005, Mr. DelliBovi has been a member of the board of directors of the Pentegra Defined Contribution Plan for Financial Institutions; he previously served on this board from 1994 through 2000. Since October 2009, he has served on the board of directors of the Pentegra Defined Benefit Plan for Financial Institutions; he previously served on this board from 2001 through 2003. In addition, Mr. DelliBovi was appointed by the U.S. Department of the Treasury in September 2006 to serve as a member of the Directorate of the Resolution Funding Corporation, and he was appointed chairman in September 2007; he served on this board until October 2009. In November 2009, Mr. DelliBovi was appointed to serve as chair of the board of the Financing Corporation. Mr. DelliBovi previously served on the Financing Corporation board as chair from November 2002 through November 2003, and he also served as vice chair of the Financing Corporation board from November 1996 to November 1997. Since July, 2010, Mr. DelliBovi, along with the eleven other FHLBank Presidents and five independent directors, has served as a director of the Office of Finance of the FHLBanks. Prior to joining the FHLBank of New York, Mr. DelliBovi served as Deputy Secretary of the U.S. Department of Housing and Urban Development, from 1989 until 1992. In May 1992, President Bush appointed Mr. DelliBovi co-chairman of the Presidential Task Force on Recovery in Los Angeles. Mr. DelliBovi served as a senior official at the U.S. Department of Transportation in the Reagan Administration, was elected to four terms in the New York State Assembly, and earned a Master of Public Administration degree from Bernard M. Baruch College, City University of New York.

Winthrop Watson, 56, was appointed as the FHLBank of Pittsburgh's president and chief executive officer effective January 1, 2011. Mr. Watson originally joined the FHLBank of Pittsburgh on November 18, 2009 as chief operating officer. Mr. Watson served as managing director at J.P. Morgan in Hong Kong from 2007-2009 after serving the company in various capacities in New York for 22 years. In Hong Kong, he served as senior client executive for J.P. Morgan's Asia Pacific central banks and sovereign wealth funds, head of its Asia Pacific debt capital markets, and as chairman of its Asia Pacific investment banking business evaluation committee. Earlier, Mr. Watson was a managing director of J.P. Morgan Securities in New York where he helped build the company's investment and commercial banking franchise for U.S. GSEs, including the FHLBanks. His background also includes several financial advisory assignments on behalf of FHLBanks. Mr. Watson holds an MBA from Stanford University and a BA from the University of Virginia.

W. Wesley McMullan, 47, was appointed as the FHLBank of Atlanta's president and chief executive officer on December 16, 2010. Prior to that, he served as executive vice president and director of financial management, since 2004, with responsibility for sales, MPP sales, asset-liability management, liquidity management, other mission-related investments, customer systems and operations, and member education. Mr. McMullan joined the FHLBank of Atlanta in 1988 as a credit analyst and later earned promotions to assistant vice president in 1993, vice president in 1995, group vice president in 1998, and senior vice president in 2001. He is a chartered financial analyst and earned a B.S. in finance from Clemson University.

David H. Hehman, 62, is president and chief executive officer of the FHLBank of Cincinnati. He was named president and chief executive officer in 2003, following a 25-year career at the FHLBank of Cincinnati during which he held positions including chief financial officer and executive vice president. In addition to his duties at the FHLBank of Cincinnati, Mr. Hehman represents the FHLBank of Cincinnati on Pentegra's Retirement Fund, and serves on the board of directors of the Resolution Funding Corporation. Outside the FHLBank of Cincinnati, Mr. Hehman also serves on the board of directors of Brighton Properties, Inc., a nonprofit affordable housing and social services agency in Newport, Kentucky, and the Economic Advisory Committee for the Greater Cincinnati Chamber of Commerce.

Milton J. Miller, II, 55, was selected by the FHLBank of Indianapolis' board of directors to serve as president and CEO of the FHLBank of Indianapolis effective July 16, 2007. Mr. Miller began his career at the FHLBank of Indianapolis in 1978 and held various positions, until his appointment as CFO in 1985, a position he held until he accepted early retirement from the FHLBank of Indianapolis in December 2006. Mr. Miller currently serves on the board of directors of the Office of Finance. In 2008, Mr. Miller was appointed to the board directors of Pentegra Defined Benefit Plan for Financial Institutions, which is part of Pentegra Retirement Services. Pentegra Retirement Services is a not-for-profit cooperative that provides full-service community bank retirement programs nationwide, including those provided to the employees of the FHLBank of Indianapolis. Mr. Miller received a BS in Management and Administration in 1977 and an MBA in Finance in 1981, both from Indiana University, Bloomington. He received his Chartered Financial Analyst (CFA) designation in 1986.

Matthew R. Feldman, 57, became president and chief executive officer of the FHLBank of Chicago in May 2008, after serving as acting president from April 2008 until then. Mr. Feldman was executive vice president, operations and administration of the FHLBank of Chicago from 2006 to 2008, senior vice president, risk management from 2004 to 2006 and senior vice president, manager of operations analysis from 2003 to 2004. Prior to his employment with the FHLBank of Chicago, Mr. Feldman was founder and chief executive officer of Learning Insights, Inc. from 1996 to 2003. Mr. Feldman conceived, established, financed, and directed the operations of this privately held e-learning company of which he is still non-executive chairman. Mr. Feldman was president of Continental Trust Company, a wholly-owned subsidiary of Continental Bank from 1992 to 1995 and managing director-global trading and distribution of Continental Bank from 1988 to 1992.

Richard S. Swanson, 61, has been with the FHLBank of Des Moines since June 2006 and is currently serving as its president and CEO. In addition to his management responsibilities associated with being president and CEO, Mr. Swanson also directly manages the FHLBank of Des Moines's legal department. Prior to joining the FHLBank of Des Moines, Mr. Swanson was a principal of the Seattle law firm of Hillis, Clark, Martin and Peterson for two years where he provided counsel in the areas of finance, banking law, and SEC regulation. Previously, Mr. Swanson served as chairman and CEO of HomeStreet Bank in Seattle, Washington, and had served as its CEO since 1990. As a member director from HomeStreet Bank, Mr. Swanson served on the board of directors of the FHLBank of Seattle from 1998 to 2003, and served as the board's vice chair from 2002 to 2003.

Terry Smith, 54, serves as president and chief executive officer of the FHLBank of Dallas and has served in such capacity since August 2000. Prior to that, he served as executive vice president and chief operating officer of the FHLBank of Dallas, responsible for the financial and risk management, credit and collateral, financial services, accounting, and information systems functions. Mr. Smith joined the FHLBank of Dallas in January 1986 to coordinate the hedging and asset/liability management functions, and was promoted to chief financial officer in 1988. He served in that capacity until his appointment as chief operating officer in 1991. Mr. Smith currently serves as vice chairman of the board of directors of the FHLBanks Office of Finance and is the chairman of the risk committee of the board of directors of the FHLBanks Office of Finance. He also serves on the Council of Federal Home Loan Banks, the board of directors of the Pentegra Defined Benefit Plan for Financial Institutions and on the investment committee for the Pentegra Defined Benefit Plan for Financial Institutions. Mr. Smith is a past member and former chairman of the audit committee of the FHLBanks' Office of Finance.

Andrew J. Jetter, 55, became president and chief executive officer of FHLBank of Topeka in September 2002. He also served as executive vice president and chief operating officer from January 1998 to September 2002. Mr. Jetter joined the FHLBank of Topeka in 1987 as an attorney and was promoted to general counsel in 1989, vice president in 1993, and senior vice president in 1996.

Dean Schultz, 64, has been president and chief executive officer of the FHLBank of San Francisco since April 1991. Mr. Schultz is a member of the board of directors of the Office of Finance, which facilitates the issuance and servicing of consolidated obligations for the FHLBanks. He is also a director of Social Compact, an organization dedicated to increasing business leadership for and investment in lower-income communities. Prior to joining the FHLBank of San Francisco, he was executive vice president of the FHLBank of New York, where he had also served as senior vice president and general counsel. From 1980 to 1984, he was senior vice president and general counsel with First Federal Savings and Loan Association of Rochester, New York. He previously was a partner in a Rochester law firm.

Steven R. Horton, 50, was appointed as acting president and chief executive officer of the FHLBank of Seattle on October 25, 2010, in addition to serving as senior vice president, chief operating officer of the FHLBank of Seattle since May 2009. As such, he is responsible for the operational functions of the bank, including business development, marketing and sales, member services, information technology, community investments, government relations, and communications. Mr. Horton served as the FHLBank of Seattle's senior vice president, chief risk officer from July 2005 until May 2009 and has also served in several other leadership roles at the FHLBank of Seattle. Mr. Horton earned his Bachelor's degree in finance from Seattle University in 1982. Mr. Horton currently serves as one of the three FHLBank of Seattle representatives on the Council of Federal Home Loan Banks.

Chief Executive Officer, FHLBanks Office of Finance

John D. Fisk, 54, began serving as chief executive officer of the Office of Finance on January 1, 2008. Mr. Fisk has more than 20 years of experience in the fixed-income and mortgage markets. Prior to joining the Office of Finance in 2004, he was executive vice-president for strategic planning at MGIC, the nation's largest private mortgage insurer. Previously, Mr. Fisk held a series of increasingly responsible capital market and mortgage positions in 17 years at Freddie Mac. These included leading the securities sales & trading group and the REMIC Program. By the time of his departure in 2000, he was executive vice-president, responsible for all single-family mortgage business. A 1978 graduate of Yale University, Mr. Fisk earned his MBA from the Wharton School at the University of Pennsylvania in 1982.

FHLBanks Office of Finance Board of Directors

On July 9, 2010 the Finance Agency appointed H Ronald Weissman, J. Michael Davis, Kathleen C. McKinney, Walter H. Morris, Jr., and Jonathan A. Scott Ph.D. as the five independent directors of the Office of Finance board of directors, serving as the Office of Finance's audit committee. Additionally, H Ronald Weissman was appointed chair and Terry Smith, chief executive officer and president of the FHLBank of Dallas, was appointed vice chair. The Office of Finance board of directors also includes the president of each FHLBank.

H Ronald Weissman, 66, was appointed as an independent director for a five-year term ending in 2015 and was also appointed chair of the Office of Finance's board of directors. Prior to the reconstitution of the Office of Finance's board of directors, Mr. Weissman served as the private citizen member of the Office of Finance's board of directors and its designated financial expert. Previously, Mr. Weissman was a senior partner at Ernst & Young since 2002, served as Global Managing Partner for several of the firm's most significant financial services clients and had assumed significant corporate and client responsibilities until his retirement. Prior to joining Ernst & Young, he was a partner with Arthur Andersen. Mr. Weissman, a certified public accountant, also holds an MBA from the Columbia University Graduate School of Business and a Bachelor of Art degree from Union College in Schenectady, New York.

Regulations Governing the Selection and Compensation of FHLBank and Office of Finance Employees

As specified in the Gramm-Leach-Bliley Act of 1999 (GLB Act), and the Housing Act, the selection and compensation of FHLBank officers and employees are subject to the approval of the board of directors and management of each individual FHLBank. The Finance Agency exercises similar supervisory and examination authority over the Office of Finance and its board of directors as it exercises over an FHLBank and its board of directors. Finance Agency regulations require the Office of Finance board of directors to select, employ, determine the compensation for, and assign the duties of the chief executive officer.

Each FHLBank is responsible for establishing that FHLBank's compensation philosophy and objectives, and each FHLBank includes a compensation discussion and analysis relating to all material elements of the compensation of its named executive officers in its annual report on Form 10-K filed with the SEC. (See ***Explanatory Statement about FHLBanks Combined Financial Report***.)

Overview and Objectives of FHLBank and Office of Finance Executive Compensation Programs

Each FHLBank strives to provide total compensation that promotes its mission. Compensation programs at each of the FHLBanks are generally intended to focus executives on achieving their individual FHLBank's mission and to associate executive pay with the FHLBank's corporate goals, performance targets, and strategic plan. Each FHLBank's board of directors determines total compensation for executives of that FHLBank, consisting of base salary, cash incentive compensation, and other benefits as described in the Summary Compensation Table.

The Office of Finance is only responsible for the compensation policies for its employees. The Office of Finance seeks to provide a flexible and market-based approach to compensation that attracts, retains and motivates high performing, accomplished financial services executives who, by their individual and collective performance, achieve the Office of Finance's strategic business initiatives. The objectives of the program are to communicate goals and standards of performance for the successful achievement of the Office of Finance's mission. (See ***Office of Finance CEO 2010 Compensation Discussion and Analysis—Compensation Program Overview Philosophy and Objectives.***)

The following information has been provided for each FHLBank primarily based on the presentation it used in its annual report on SEC Form 10-K for the year ended December 31, 2010, which in each case provides detail about the FHLBank's compensation philosophy and objectives. The presentations may not be consistent due to differing FHLBank practices and application and interpretation of the rules.

Table S-2 - FHLBank Presidents and Office of Finance CEO Summary Compensation Table (whole dollars)

FHLBank Name	President/CEO Name	Year		Salary ($)	Bonus ($)	Non-Equity Incentive Plan Compensation ($)	Change In Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation *($)	Total ($)
Boston	Edward A. Hjerpe III	2010	(1)	562,500	55,000	107,578	145,000	85,049	955,127
		2009		275,000	–	–	110,000	38,317	423,317
New York	Alfred A. DelliBovi	2010		678,721	–	526,090	1,434,998	69,177	2,708,986
		2009		649,494	–	503,592	1,010,379	72,917	2,236,382
		2008		615,634	–	379,938	1,092,000	76,327	2,163,899
Pittsburgh	John R. Price	2010	(2)	550,000	–	70,785	212,000	637,531	1,470,316
		2009		550,000	–	66,000	78,000	33,024	727,024
		2008		550,000	–	–	242,000	59,811	851,811
Atlanta	W. Wesley McMullan	2010	(3)	474,492	140	354,457	478,000	30,660	1,337,749
	Jill Spencer	2010	(4)	575,000	50,140	414,627	562,000	27,850	1,629,617
	Richard A. Dorfman	2010	(5)	223,558	–	–	–	1,015,037	1,238,595
		2009		775,000	148	246,294	140,000	73,115	1,234,557
		2008		737,500	700,148	276,563	54,000	81,001	1,849,212
Cincinnati	David H. Hehman	2010		645,506	–	547,269	1,382,000	14,700	2,589,475
		2009		613,124	–	531,068	1,757,000	62,086	2,963,278
		2008		600,023	–	575,923	1,034,000	67,106	2,277,052
Indianapolis	Milton J. Miller, II	2010		534,066	–	512,278	872,000	14,914	1,933,258
		2009		538,461	–	228,242	1,275,000	22,265	2,063,968
		2008		500,006	–	350,004	748,000	32,390	1,630,400
Chicago	Matthew R. Feldman	2010		650,000	–	–	248,000	14,700	912,700
		2009		650,000	–	–	169,000	14,700	833,700
		2008		576,903	–	–	136,000	10,530	723,433
Des Moines	Richard S. Swanson	2010		597,350	–	460,066	308,000	55,545	1,420,961
		2009		584,100	–	440,604	234,000	46,624	1,305,328
		2008		584,100	–	416,172	182,000	41,627	1,223,899
Dallas	Terry Smith	2010		730,000	–	322,291	307,000	477,986	1,837,277
		2009		715,000	–	279,279	351,000	470,690	1,815,969
		2008		680,000	–	376,788	195,000	391,804	1,643,592
Topeka	Andrew J. Jetter	2010		609,226	–	416,210	791,982	49,001	1,866,419
		2009		595,805	–	429,908	725,000	63,794	1,814,507
		2008		584,255	–	482,010	584,383	49,241	1,699,889
San Francisco	Dean Schultz	2010		765,000	–	744,700	637,894	64,498	2,212,092
		2009		725,000	–	769,400	527,019	40,977	2,062,396
		2008		725,000	–	619,200	532,468	58,484	1,935,152
Seattle	Steven R. Horton	2010	(6)	341,737	–	–	254,043	13,674	609,454
	Richard M. Riccobono	2010	(7)	472,171	–	–	2,758,713	629,789	3,860,673
		2009		514,100	–	317,125	–	52,740	883,965
		2008		514,100	–	192,857	318,593	37,502	1,063,052
Office of Finance	John D. Fisk	2010	(8)	578,448	–	548,628	262,000	27,996	1,417,072
		2009		561,600	–	560,099	169,000	28,641	1,319,340
		2008		540,000	–	505,863	147,000	23,829	1,216,692

* Compensation in this column is further presented in Table S-3—All Other Compensation Table.

(1) Mr. Hjerpe has been president and chief executive officer of the FHLBank of Boston since July 2009.

(2) Mr. Price retired effective December 31, 2010. For 2010, Mr. Price's non-equity incentive plan compensation was the temporary incentive plan described in the FHLBank of Pittsburgh's 2010 Annual Report filed on Form 10-K. All other compensation included employer contributions to defined contribution plans of $36,960, retirement compensation with respect to the release and separation agreement of $582,698 as detailed below and perquisites totaling $17,849. Perquisites included parking benefits, spousal travel, personal miles on a company vehicle, retirement gift and company car purchase. Mr. Price executed a general release and separation agreement and retired effective December 31, 2010. All other compensation included the following items from the release and separation agreement: salary continuation payments of $550,000 for a 12-month period; a lump sum payment in lieu of the outplacement services in the amount of $20,000; and medical insurance premiums paid during the 12-month period of $12,698. For 2009, Mr. Price's non-equity incentive plan compensation was the temporary incentive plan described in the FHLBank of Pittsburgh's 2009 Annual Report filed on Form 10-K. All other compensation included employer contributions to defined contribution plans of $33,000. For 2008, Mr. Price's non-equity incentive plan compensation was the variable incentive plan described in the FHLBank of Pittsburgh's 2008 Annual Report filed on Form 10-K. All other compensation included employer contributions to defined contribution plans of $49,005, and perquisites totaling $10,782. Perquisites included parking benefits, spousal travel and child care expenses, personal miles on a company vehicle, financial planning/tax preparation benefits, and non-business travel expenses.

(3) Amounts for Mr. McMullan include pro-rated amounts for his separate service as executive vice president and director of financial management from January 1, 2010 through December 15, 2010 and his service as president and chief executive officer effective December 16, 2010.

(4) Jill Spencer served as interim president and chief executive officer of the FHLBank of Atlanta from April 16, 2010 to December 16, 2010. During that time, she continued her role as executive vice president, general counsel, chief strategy officer and corporate secretary. Ms. Spencer does not have an employment agreement with the FHLBank of Atlanta; however, Ms. Spencer received a supplemental base salary in the amount of $12,500 for each month or partial month of service during 2010 as interim president and chief executive officer. These supplemental amounts were recognized as base salary for purposes of calculating Ms. Spencer's 2010 incentive compensation awards. In addition, the board of directors of FHLBank of Atlanta awarded Ms. Spencer a discretionary $50,000 bonus for 2010 for her service as interim president and chief executive officer.

(5) In connection with Mr. Dorfman's resignation in April 2010, the FHLBank of Atlanta and Mr. Dorfman entered into an agreement and release of claims. Pursuant to this agreement, the FHLBank of Atlanta paid his current annual base salary through his resignation, a severance payment equal to $900,000, reimbursement of actual legal expenses incurred by Mr. Dorfman related to the severance agreement, and the costs of continuing Mr. Dorfman's medical insurance through May 31, 2010.

(6) Steven R. Horton was named acting president and chief executive officer of the FHLBank of Seattle in October 2010. Mr. Horton received no annual or long-term incentive compensation for the year ended December 31, 2010.

(7) Richard M. Riccobono resigned from the FHLBank of Seattle in October 2010. Mr. Riccobono received no annual incentive compensation for the year ended December 31, 2010 or long-term incentive compensation for the 2010 performance period.

(8) Mr. Fisk's non-equity incentive compensation consists of $353,914 awarded under the Office of Finance's annual short-term incentive compensation and $194,714 awarded under the Office of Finance's long-term incentive plan for the three-year plan ended December 31, 2010, which was paid in February 2011.

FHLBank President Employment Agreements

FHLBank of Boston. As an additional incentive to recruit Mr. Hjerpe as president and chief executive officer of the FHLBank of Boston, the board of directors caused the FHLBank of Boston to enter into a change in control agreement. FHLBank of Boston's board of directors had determined that having the change in control agreement in place would be an effective recruitment and retention tool since the events under which it provides payment to Mr. Hjerpe would provide a measure of protection to Mr. Hjerpe in the instance of the FHLBank of Boston's relocation in excess of fifty miles or his termination of employment or material diminution in duties or base compensation resulting from merger, consolidation, reorganization, sale of all or substantially all of the FHLBank of Boston's assets, or the liquidation or dissolution of the FHLBank of Boston. Under the terms of the Change in Control agreement, in the event that either:

- Mr. Hjerpe terminates his employment with the FHLBank of Boston for a good reason (as defined in the change in control agreement) that is not remedied within certain cure periods by the FHLBank of Boston; or

- the FHLBank of Boston (or the FHLBank of Boston's successor in the event of reorganization) terminates Mr. Hjerpe without cause (as defined by the change in control agreement);

the FHLBank of Boston has agreed to pay Mr. Hjerpe an amount equal to his annualized base salary at the time of such termination to be paid in equal installments over the following 12 months according to the FHLBank of Boston's regular payroll cycle during such period. Notwithstanding the foregoing, the FHLBank of Boston's obligation to pay Mr. Hjerpe such amount will be subject to Mr. Hjerpe's execution of the FHLBank of Boston's standard release of claims agreement and the FHLBank of Boston's compliance with applicable statutory and regulatory requirements at the time such payment would otherwise be made. Payments to Mr. Hjerpe under the Change in Control agreement are in lieu of any severance payments that would be otherwise payable to him by the FHLBank of Boston.

FHLBank of New York. The FHLBank of New York is an "at will" employer and does not provide written employment agreements to any of its employees. However, employees, including the president, receive:

1. cash compensation (i.e., base salary, and, for exempt employees, "variable" or "at risk" short-term incentive compensation);

2. retirement-related benefits (i.e., qualified defined benefit plan; qualified defined contribution plan; and nonqualified defined benefit portion of the benefit equalization plan); and

3. health and welfare programs and other benefits.

In addition, in the category of retirement-related benefits, the FHLBank of New York offered the nonqualified defined contribution portion of the benefits equalization plan, a nonqualified deferred compensation plan and a nonqualified profit-sharing plan through and until November 10, 2010. Other benefits, which are available to all regular employees, include medical, dental, vision care, life, business travel accident insurance, and short- and long-term disability insurance, flexible spending accounts, an employee assistance program, educational development assistance, voluntary life insurance, long-term care insurance, fitness club reimbursement and severance pay. An additional benefit offered to all officers, age 40 or greater, or who are at vice-president rank or above, is a physical examination every 18 months.

FHLBank of Atlanta. The FHLBank of Atlanta entered into an employment agreement with Mr. McMullan in connection with his appointment as president and chief executive officer (McMullan Agreement), effective as of December 16, 2010. The McMullan Agreement may be terminated at any time by the FHLBank of Atlanta, with or without "cause," or by Mr. McMullan, with or without "good reason," each as defined in the McMullan Agreement. Unless earlier terminated by either party as provided therein, the McMullan Agreement has a three-year term and will extend automatically for subsequent one-year periods unless either party elects not to renew. If during the term of his employment Mr. McMullan is terminated without cause or resigns for good reason, the McMullan Agreement provides for severance pay in an amount equal to: (1) his then-current annual base salary, payable in a lump sum within 30 days, and (2) the short-term incentive award that he would have earned for the year in which the termination or resignation occurs had he remained employed, payable at the same time that such awards are paid to the FHLBank of Atlanta's senior executives. The McMullan Agreement does not provide for any severance pay in the event of a termination with cause, a termination on account of his death or disability, or his resignation without good reason.

FHLBank of Cincinnati. Other than normal pension benefits and eligibility to participate in the FHLBank of Cincinnati's retiree medical and retiree life insurance programs, no perquisites or other special benefits are provided to the president in the event of a change in control, resignation, retirement or other termination of employment.

FHLBank of Indianapolis. The FHLBank of Indianapolis maintains a key employee severance agreement for Mr. Miller. If a termination occurs under certain circumstances, Mr. Miller is entitled to 2.00 times the average of the three preceding years' base salary, bonus, and other cash compensation, salary deferrals and matching contributions to the qualified and non-qualified plans, compensation for the loss of the use of a company vehicle (if any), continued medical and dental plan coverage for 36 months (subject to Mr. Miller paying the employee portion of the cost of such coverage), a gross-up amount to cover the increased tax liability, an additional three years credit to age and years of service for the defined benefit plan and the supplemental executive retirement plan, and reimbursement for reasonable legal, accounting, financial advisory, and actuarial services. If the FHLBank of Indianapolis is not in compliance with any applicable regulatory capital or regulatory leverage requirement at the time payment under the agreement is due, or if the payment would cause the FHLBank of Indianapolis to fall below applicable regulatory requirements, the payment will be deferred until such time as the FHLBank of Indianapolis achieves compliance with its regulatory requirements.

FHLBank of Chicago. Mr. Feldman entered into an employment agreement with the FHLBank of Chicago effective as of May 5, 2008 that provided for an employment term ending on May 31, 2011, unless terminated earlier as provided for in the agreement. The agreement was replaced with a new employment agreement effective January 1, 2011. Mr. Feldman's base salary for 2010 was $650,000, which had been established as his base salary for the three-year term of his 2008 employment agreement. The 2008 employment agreement provided that Mr. Feldman would be entitled to participate in the president's incentive compensation plan and the key employee long-term incentive compensation plan, but that payments to Mr. Feldman under these plans would be subject to the further condition that the FHLBank of Chicago had (a) earned a net profit for the fiscal year and (b) had paid dividends on its capital stock for at least two consecutive quarters during that fiscal year. Under his 2008 employment agreement, Mr. Feldman was entitled to receive termination payments consistent with that which he would have received under the FHLBank of Chicago severance plan. In the event that his employment with the FHLBank of Chicago was terminated either by him for good reason (as defined in the agreement) or by the FHLBank of Chicago other than for cause (as defined in the agreement) Mr. Feldman was entitled to receive the following:

1. all accrued and unpaid salary for time worked as of the date of termination;
2. all accrued but unutilized vacation time as of the date of termination;
3. salary continuation (at the base salary in effect at the time of termination) for a one-year period beginning on the date of termination; and
4. continued participation in the FHLBank of Chicago's employee health care benefit plans in accordance with the terms of the FHLBank of Chicago's then-current severance plan that would be applicable to the executive if his employment had been terminated pursuant to such plan, provided that the FHLBank of Chicago will continue paying the employer's portion of medical and/or dental insurance premiums for one year from the date of termination.

If Mr. Feldman's employment with the FHLBank of Chicago was terminated by the FHLBank of Chicago for cause, by Mr. Feldman other than for good reason or by death or disability, Mr. Feldman is entitled only to the amounts in items (1) and (2) above.

FHLBank of Des Moines. If Mr. Swanson's employment is terminated by the FHLBank of Des Moines for cause, his death or disability, or by him without good reason, he is entitled to the following: 1) base salary, 2) accrued but unpaid annual incentive for any year prior to the year of termination, 3) accrued vacation through the date of termination, and 4) all other vested benefits under the terms of the FHLBank of Des Moines's employee benefit plans. If Mr. Swanson's employment is terminated by the FHLBank of Des Moines without cause, by him for good reason, or as a result of a merger or change in control, he is entitled to the following:

1. severance payments equal to two times his base salary,
2. one times his target annual incentive plan (AIP) award in effect for the calendar year in which the date of termination occurs,
3. the AIP award for the calendar year in which the date of termination occurs and pro-rated for the portion of the calendar year in which he was employed,
4. the unpaid long-term incentive plan (LTIP) award for any performance period ending prior to the year in which the date of termination occurs,
5. a pro-rated LTIP award for any LTIP awards for which the performance period has not ended as of the date of termination, and
6. the FHLBank of Des Moines will continue to pay its portion of the medical and/or dental insurance premiums for him for the one-year period following the date of termination. Assuming one or more of these triggering events for the receipt of severance payments occurred as of December 31, 2010, the total value of severance payable to Mr. Swanson would have been $2.1 million.

FHLBank of Dallas. On November 20, 2007 (Effective Date), the FHLBank of Dallas entered into an employment agreement with Mr. Smith. The employment agreement provides that Mr. Smith's employment will continue for three years from the effective date unless terminated earlier for any of the following reasons: (1) death; (2) disability; (3) termination by the FHLBank of Dallas for cause; (4) termination by the FHLBank of Dallas for other than cause; or (5) termination by Mr. Smith with good reason. As of each anniversary of the effective date, an additional year is automatically added to the unexpired term of the employment agreement unless either the FHLBank of Dallas or Mr. Smith gives a notice of non-renewal.

In the event that Mr. Smith's employment with the FHLBank of Dallas is terminated either by him for good reason or by the FHLBank of Dallas other than for cause, or in the event that either the FHLBank of Dallas or Mr. Smith gives notice of non-renewal and the FHLBank of Dallas relieves him of his duties, Mr. Smith shall be entitled to receive base salary continuation (at the base salary in effect at the time of termination) from the termination date through the end of the remaining term of the employment agreement; continued participation in any incentive compensation plan in existence as of the termination date, provided that all other eligibility and performance objectives are met, as if he had continued employment through December 31 of the year in which the termination occurs (Mr. Smith will not be eligible for incentive compensation with respect to any year following the year of termination); continuation of any elective health care benefits that are being provided to him as of his termination date for one year; and a lump sum payment equal to the cost of COBRA continuation coverage under the health care benefits plan of the kind Mr. Smith then subscribes to for the number of months for which base salary is payable in excess of one year. In addition, under the terms of the FHLBank of Dallas' long-term incentive plan, Mr. Smith would be entitled, in certain specified circumstances, to receive a pro-rata amount of any long-term incentive awards.

FHLBank of Topeka. The FHLBank Topeka does not have a separate employment agreement with its president. The FHLBank Topeka provides severance benefits to its executive officers pursuant to the FHLBank of Topeka's officer severance policy. The policy's primary objective is to provide a level of protection to officers, including the president, from loss of income during a period of unemployment. An officer of the FHLBank of Topeka is eligible to receive severance pay under the policy if the FHLBank of Topeka terminates the officer's employment with or without cause, subject to certain limitations. Provided the requirements of the policy are met and the president provides the FHLBank of Topeka an enforceable release, the president will receive severance pay equal to 52 weeks of the president's final base salary. Upon termination or change in control, the president would be entitled to receive:

1. the severance payment,
2. any earned but unpaid incentive awards,
3. the respective aggregate balance that would be payable under the nonqualified deferred compensation plans within ninety days of termination of employment due to death, disability or retirement, and
4. the payment that may be due under the benefit equalization plan upon a change in control.

FHLBank of San Francisco. The FHLBank of San Francisco's president is employed on an at-will basis. Mr. Schultz may receive severance benefits in the event that Mr. Schultz's employment is terminated because the job or position is eliminated or substantially modified, equal to the greater of: (1) 12 weeks of the president's base salary, or (2) the sum of three weeks of the president's base salary plus three weeks of the president's base salary for each full year of service and three weeks of base salary pro-rated for each partial year of service at the FHLBank of San Francisco to a maximum of 52 weeks. The FHLBank of San Francisco's current severance policy also provides one month of continued health and life insurance benefits and, at the FHLBank of San Francisco's discretion, outplacement assistance.

Table S-3 - All Other Compensation Table (whole dollars)

FHLBank Name	President/CEO Name	Year		Termination of employment or change of control if triggered ($)	Contribution or other allocations made by the FHLBank to vested and/or unvested defined contribution plans ($)	Dollar value of any insurance premiums paid by the FHLBank with respect to life insurance for the benefit of the president/CEO ($)	Gross-ups or other amounts reimbursed for the payment of taxes ($)	Perquisites and Other Personal Benefits * ($)	Other ($)	Total ($)
Boston	Edward A. Hjerpe III	2010	(1)	–	33,750	–	–	51,299	–	85,049
		2009		–	16,500	–	–	21,817	–	38,317
New York	Alfred A. DelliBovi	2010	(2)	–	14,700	13,200	–	36,331	4,946	69,177
		2009		–	35,421	13,188	–	24,308	–	72,917
		2008		–	36,183	12,754	–	27,390	–	76,327
Pittsburgh	John R. Price	2010	(3)	582,698	36,960	–	–	17,849	24	637,531
		2009		–	33,000	–	–	–	24	33,024
		2008		–	49,005	–	–	10,782	24	59,811
Atlanta	W. Wesley McMullan	2010	(4)	–	27,960	–	–	2,700	–	30,660
	Jill Spencer	2010		–	27,750	–	–	100	–	27,850
	Richard A. Dorfman	2010	(5)	991,229	13,414	–	–	10,394	–	1,015,037
		2009		–	46,500	–	–	26,615	–	73,115
		2008		–	44,250	–	–	36,751	–	81,001
Cincinnati	David H. Hehman	2010		–	14,700	–	–	–	–	14,700
		2009		–	62,086	–	–	–	–	62,086
		2008		–	56,967	–	–	10,139	–	67,106
Indianapolis	Milton J. Miller, II	2010		–	14,700	214	–	–	–	14,914
		2009		–	22,050	215	–	–	–	22,265
		2008		–	30,000	200	–	–	2,190	32,390
Chicago	Matthew R. Feldman	2010		–	14,700	–	–	–	–	14,700
		2009		–	14,700	–	–	–	–	14,700
		2008		–	10,530	–	–	–	–	10,530
Des Moines	Richard S. Swanson	2010	(6)	–	43,045	–	–	12,500	–	55,545
		2009		–	34,124	–	–	12,500	–	46,624
		2008		–	25,627	–	–	16,000	–	41,627
Dallas	Terry Smith	2010	(7)	–	369,289	–	16,156	31,161	61,380	477,986
		2009		–	357,069	–	14,486	30,357	68,778	470,690
		2008		–	288,623	–	12,101	28,264	62,816	391,804
Topeka	Andrew J. Jetter	2010		–	45,296	2,100	–	–	1,605	49,001
		2009		–	47,469	1,971	–	13,048	1,306	63,794
		2008		–	29,784	1,830	–	16,243	1,384	49,241
San Francisco	Dean Schultz	2010	(8)	–	45,900	4,080	–	13,447	1,071	64,498
		2009		–	14,700	4,080	–	21,126	1,071	40,977
		2008		–	43,500	4,080	–	9,981	923	58,484
Seattle	Steven R. Horton	2010		–	13,674	–	–	–	–	13,674
	Richard M. Riccobono	2010	(9)	558,546	56,948	–	–	14,295	–	629,789
		2009		–	35,665	–	–	17,075	–	52,740
		2008		–	37,502	–	–	–	–	37,502
Office of Finance	John D. Fisk	2010	(10)	–	14,700	–	–	13,296	–	27,996
		2009		–	14,700	–	–	13,941	–	28,641
		2008		–	14,850	–	–	8,979	–	23,829

* Only individual amounts greater than $25,000 are required to be disclosed in the footnotes.

(1) Amount for Mr. Hjerpe includes the following perquisites: personal use of an FHLBank of Boston-owned vehicle, reimbursement for apartment expenses, parking, reimbursement for mass transportation, and spousal travel expenses.

(2) Perquisites and other benefits amount for 2010, 2009 and 2008 for Mr. DelliBovi includes the following: personal use of an FHLBank of New York-provided vehicle and payment of vision insurance premium.

(3) All other compensation included employer contributions to defined contribution plans of $36,960, retirement compensation with respect to the release and separation agreement of $582,698 as detailed below and perquisites totaling $17,849. Perquisites included parking benefits, spousal travel, personal miles on a company vehicle, retirement gift and company car purchase. Mr. Price executed a general release and separation agreement and retired effective December 31, 2010. All other compensation included the following items from the general release and separation agreement: salary continuation payments of $550,000 for a 12-month period; a lump sum payment in lieu of the outplacement services in the amount of $20,000; and medical insurance premiums paid during the 12-month period of $12,698.

(4) Perquisites for Mr. McMullan include a $1,500 per month automobile allowance. Perquisites are valued at the actual amounts paid by the FHLBank of Atlanta, and the value of each perquisite was less than $25,000.

(5) Perquisites and other benefits amount for Mr. Dorfman includes the following: personal use of an FHLBank of Atlanta-provided vehicle, financial planning services, home office, and guest travel. The severance amount shown for Mr. Dorfman includes $25,000 in reimbursement of attorneys' fees, a $900,000 severance payment, and a $66,229 vacation payout.

(6) Perquisites and other benefits amount for 2010 for Mr. Swanson includes the following: personal use of an FHLBank of Des Moines-provided vehicle and financial planning allowance.

(7) Perquisites and other benefits amount for 2010 for Mr. Smith includes the following: personal use of a FHLBank of Dallas-leased vehicle, spousal travel and meal cost reimbursements in connection with board meetings. Other includes payouts for unused vacation and unused flex leave.

(8) Perquisites and other benefits amount for 2010, 2009 and 2008 for Mr. Schultz includes the following: personal use of an FHLBank of San Francisco-provided vehicle, financial planning, health club membership dues and parking expenses.

(9) The amount shown in the "All Other Compensation" column for Mr. Riccobono is comprised of $56,948 of contributions by the FHLBank of Seattle to Mr. Riccobono's 401(k) and Thrift BEP, a $10,000 car allowance, and $4,295 in office parking and airline club membership. Under the terms of his employment agreement, Mr. Riccobono received $524,382 in severance compensation, $29,164 in paid premiums for group health plans, and $5,000 in outplacement services. In addition, as a part of Mr. Riccobono's separation and mutual release, he received additional compensation in the amount of $238,950 representing the unpaid amounts that were provisionally determined for the 2008 and 2009 interim years under the 2008-2010 and 2009-2011 long-term FHLBank of Seattle incentive compensation plan.

(10) Perquisites and other benefits amount for 2010 for Mr. Fisk includes the personal use of an Office of Finance-provided vehicle.

Table S-4 - Grants of Plan-Based Awards for Year 2010 (whole dollars)

				Estimated Future Payouts under Non-Equity Incentive Plan Awards		
FHLBank Name	President/CEO Name		Grant Date	Threshold ($)	Target ($)	Maximum ($)
Boston	Edward A. Hjerpe III	(1)	–	50,625	101,250	151,875
New York	Alfred A. DelliBovi		2/23/2010	149,319	271,488	515,828
Pittsburgh	John R. Price	(2)	–	–	–	121,000
		(3)	–	660,000	880,000	1,100,000
Atlanta	W. Wesley McMullan	(4)	4/30/2010	120,723	241,446	362,169
Cincinnati	David H. Hehman		2/18/2010	151,500	333,300	454,500
			2/18/2010	81,810	181,800	299,970
Indianapolis	Milton J. Miller, II	(2)	1/21/2010	8,011	267,033	373,846
		(5)	1/21/2010	80,110	160,220	240,330
Chicago	Matthew R. Feldman	(6)	1/25/2010	–	390,000	650,000
		(7)	1/25/2010	–	390,000	650,000
Des Moines	Richard S. Swanson		2/18/2010	150,000	225,000	300,000
			2/18/2010	75,000	150,000	225,000
Dallas	Terry Smith	(2)	–	208,050	372,300	438,000
		(5)	–	91,980	159,140	226,300
Topeka	Andrew J. Jetter	(8)	1/01/2010	24,577	49,154	73,731
		(8)	4/01/2010	25,315	50,630	75,945
		(8)	7/01/2010	25,315	50,630	75,945
		(8)	10/01/2010	92,330	184,660	276,990
		(5)	1/01/2010	119,161	238,322	357,483
San Francisco	Dean Schultz	(9)	2/01/2010	191,250	382,500	765,000
Office of Finance	John D. Fisk	(2)	2/2/2010	144,612	289,224	433,836
		(5)	2/2/2010	144,612	289,224	433,836

(1) Represents estimate of annual short-term incentive compensation for January 1, 2010 through December 31, 2010 under the 2010 Executive Incentive Compensation Plan. The estimated future payouts for the long-term component of the 2010 Executive Incentive Compensation Plan, for the three-year performance cycle beginning January 1, 2010 and ending December 31, 2012, are based, in part, on the results of the short-term component. The estimated future payout for the long-term component will then be either 50 percent of the target amount, 100 percent of the target amount, or 150 percent of the target amount, as follows:

	Estimated Future Payouts under Non-Equity Incentive Plan Awards for the Long-term Component (whole dollars):		
If the Short-term component results in:	**Threshold**	**Target**	**Maximum**
Threshold	$16,875	$ 33,750	$ 50,625
Target	33,750	67,500	101,250
Maximum	50,625	101,250	151,875

(2) Represents estimate of annual short-term incentive compensation for January 1, 2010 through December 31, 2010.

(3) Represents estimate of long-term incentive compensation for the three-year performance cycle beginning January 1, 2010 and ending December 31, 2012. Payment of this additional incentive award opportunity is based on long-term financial performance. Payouts were calculated based on the executive's salary as of January 1, 2010. The additional award opportunity would be paid in the year following the achievement of the specific financial performance measures. If the goal was met in 2010, the participants would be eligible for the payouts associated with the "Maximum" column; in 2011, the participants would be eligible for the payouts associated with the "Target" column; and in 2012, the participants would be eligible for the payouts associated with the "Threshold" column. In 2010, none of the performance measures were met; therefore, no payout was made. The Board amended and restated the temporary incentive plan effective January 1, 2011.

(4) Amounts for Mr. McMullan include pro-rated amounts for his separate service as executive vice president and director of financial management from January 1, 2010 through December 15, 2010 and his service as president and chief executive officer effective December 16, 2010.

(5) Represents estimate of long-term incentive compensation for the three-year performance cycle beginning January 1, 2010 and ending December 31, 2012.

(6) Represents the potential payouts under the Mr. Feldman's Incentive Compensation Plan for the period from January 1, 2010 through December 31, 2010. Pursuant to Mr. Feldman's employment agreement, payments under this plan were subject to the further condition that the FHLBank of Chicago has (A) earned a net profit for the fiscal year and (B) has paid dividends on its capital stock for at least two consecutive quarters during that fiscal year.

(7) Represents the potential payout under the Key Employee Long Term Incentive Compensation for the period from January 1, 2010 to December 31, 2012. Pursuant to Mr. Feldman's employment agreement, payments under this plan were subject to the further condition that the FHLBank of Chicago has (A) earned a net profit for the fiscal year and (B) has paid dividends on its capital stock for at least two consecutive quarters during that fiscal year.

(8) Represents potential payouts of quarterly short-term incentive compensation for 2010.

(9) Represents estimate of long-term incentive compensation effective January 1, 2010 for the three-year performance cycle beginning January 1, 2010 and ending December 31, 2012. No information is provided for the 2010 annual short-term incentive plan because the award range as a percentage of base salary was not included in this plan, and therefore, the estimated payout range of this plan is not available.

Table S-5 - Pension Benefits for Year 2010 (whole dollars)

FHLBank Name	President/CEO Name		Plan Name*	Number of Years Credited Service	Present Value of Accumulated Benefit ($)	Payments During 2010 ($)
Boston	Edward A. Hjerpe III	(1)	Pentegra DBP	18.7	538,000	–
			BEP	1.5	45,000	–
New York	Alfred A. DelliBovi	(2)	Pentegra DBP	17.75	1,384,000	–
			BEP	17.75	4,929,000	–
Pittsburgh	John R. Price	(3)	Pentegra DBP	4.75	243,000	–
			SERP	5.3	567,000	–
Atlanta	W. Wesley McMullan	(4)	Pentegra DBP	22.8	679,000	–
			BEP	22.8	1,263,000	–
	Jill Spencer	(5)	Pentegra DBP	24.3	747,000	–
			BEP	24.3	2,057,000	–
	Richard A. Dorfman	(6)	Pentegra DBP	1.8	–	–
			BEP	1.8	–	–
Cincinnati	David H. Hehman	(7)	Pentegra DBP	32.9	2,247,000	–
			BEP	32.9	7,397,000	–
Indianapolis	Milton J. Miller, II	(8)(9)	Pentegra DBP	33.0	376,000	–
			SERP	33.0	3,048,000	–
Chicago	Matthew R. Feldman	(10)	Pentegra DBP	6.75	303,000	–
			BEP	6.75	421,000	–
Des Moines	Richard S. Swanson		Pentegra DBP	3.6	216,000	–
			BEP	3.6	577,000	–
Dallas	Terry Smith	(11)	Pentegra DBP	25.0	1,829,000	–
Topeka	Andrew J. Jetter	(12)	Pentegra DBP	22.6	859,000	–
			BEP	22.6	2,740,000	–
San Francisco	Dean Schultz	(13)	BEP	25.75	2,574,831	–
			SERP	8.0	1,232,662	–
			CBP	25.75	359,334	–
			FIRF	11.0	504,183	–
			DCP	25.75	56,133	–
Seattle	Steven R. Horton	(14)	Pentegra DBP	21.7	768,000	–
			BEP	21.7	418,670	–
	Richard M. Riccobono	(15)	Pentegra DBP	24.4	870,000	–
			BEP	24.4	–	3,687,066
Office of Finance	John D. Fisk	(16)	Pentegra DBP	6.1	242,000	–
			SERP	6.1	654,000	–

* Pentegra DBP = Pentegra Defined Benefit Plan for Financial Institutions

BEP = Benefit Equalization Plan

SERP = Supplemental Executive Retirement Plan

FIRF = Financial Institutions Retirement Fund

CBP = Cash Balance Plan

DCP = Deferred Compensation Plan

(1)
- Formula: 2.375 percent × high five-year average compensation × credited years of service, subject to a maximum annual benefit amount not to exceed 80 percent of high five-year average compensation.
- Compensation is the highest five-year compensation (salary and incentive) paid in the year.
- The regular form of retirement benefits is a straight-life annuity including a lump-sum retirement death benefit.

Mr. Hjerpe's credited years of service for the Pentegra DBP includes 11.6 years of service at the FHLBank of Boston and 7.1 years of service at a previous employer that participated in the Pentegra DBP.

(2)
- Formula: 2.5 percent × years of benefit service (not to exceed 30) × highest consecutive three-year average earnings.
- Earnings are defined as base salary plus short-term incentives, and overtime, subject to the annual Internal Revenue Code limit.
- The normal form of payment is a life annuity with a 12 year guaranteed payment which means that if retiree dies prior to receiving 12 years of annuity payments, the retiree's beneficiary will receive a lump sum equal to the remaining unpaid payments in the 12 year period.

(3)
- Formula: 2 percent × years of benefit service × high three-year average compensation.

- Compensation covered for the Pentegra Defined Benefit Plan includes annual base salary, subject to IRS limitations. Compensation covered for the SERP includes annual base salary and annual incentive compensation, without regard to IRS limitations.
- The regular form of retirement benefits provides a single life annuity; a lump sum option is also available.

(4) The "Present Value of Accumulated Benefit" is the present value of the annual pension benefit that was earned as of December 31, 2010, assuming retirement at age 65. Benefits under the plan were calculated using a 5.54 percent discount rate; 4.53 percent was used to calculate benefits under the excess plan. The 2000 RP Mortality Table (50% static mortality table for lump sums; 50% generational mortality table for annuities) was used for both plans.

(5) See calculation in note 4 above. In accordance with plan provisions, the years of credited service for Ms. Spencer include 16.16 years credited for prior service earned while employed by the FHLBank of San Francisco. The incremental value of this prior service, as valued in the FHLBank of Atlanta's excess plan, using the methodology described in note 4 above, is $1,318,000.

(6) Richard A. Dorfman had not attained the minimum five years of service with the FHLBank of Atlanta prior to his resignation; thus, he was not eligible for benefits under the qualified plan or the excess plan upon his resignation and any prior accumulated benefits terminated.

(7)
- Formula: 2.5 percent × years of benefit service × highest three-year average compensation.
- Compensation is defined as Salary, Bonus and the amount included in the Non-Equity Incentive Compensation Plan column for the short-term incentive plan as reported in the Summary Compensation Table.
- The regular form of retirement benefits is a single-life annuity including a lump-sum retirement death benefit.

(8) The years of credited service for Mr. Miller in Table S-5 have been increased by three years as a result of the terms of the early retirement incentive package. The early retirement incentive was offered to all employees age 50 or older with 10 or more years of service as of December 15, 2006.

(9)
- Formula: 2.5 percent × years of benefit service × high three-year average compensation plus, at age 66, an annual retiree cost of living adjustment of three percent without regard to the IRS limits.
- The remuneration covered includes salary, bonus, and any other compensation (except for Long-Term Incentive Plan), that is reflected on the Internal Revenue Service Form W-2 (exclusive of any compensation deferred from a prior year).
- The regular form of retirement benefits provides for a lump sum payment or annual installments up to 20 years or a combination of lump sum and annual payments.
- Benefit payments commencing before age 65 are reduced by applying an early retirement factor based on the employee's age when payments begin. The allowance payable at age 65 would be reduced by 3 percent for each year under age 65. If the sum of the age and years of vesting service at termination of employment is at least 70, the retirement allowance would be reduced by 1.5 percent for each year under age 65.

(10)
- Formula: 2.25 percent × the number of years credit service × highest five-year average salary.
- Compensation is the average annual salary (base and short-term incentive compensation) for the five consecutive years of highest salary during the benefit service.
- The regular form of retirement benefits is an annuity or a lump-sum retirement death benefit.

(11)
- Formula: (3 percent × years of service credited prior to July 1, 2003 × high three-year average compensation (consecutive years)) plus (2 percent × years of service credited on or after July 1, 2003 × high three-year average compensation (consecutive years))
- The pension plan limits the maximum years of benefit service to 30 years. Compensation covered by the plan includes taxable compensation as reported on Mr. Smith's W-2 (exclusive of any compensation deferred from a prior year) plus any pre-tax contributions to the FHLBank of Dallas' Section 401(k) plan and/or Section 125 cafeteria plan, subject to the 2010 IRS limitation of $245,000 per year. For 2011, the IRS did not increase the maximum compensation limit.
- The regular form of retirement benefit is a single life annuity that includes a lump-sum death benefit. The normal retirement age is 65, but Mr. Smith is eligible to receive an unreduced retirement benefit beginning at age 60. The FHLBank of Dallas does not have a supplemental defined benefit plan that covers compensation in excess of the IRS maximum limit; accordingly, Table S-5 reflects the estimated pension benefits payable to Mr. Smith based solely on the IRS compensation limit as his compensation exceeded such limit.

(12)
- Formula: Starting September 2003 Pentegra Defined Plan Benefit = 2.0 percent × years of benefit service (not to exceed 30 years) × high three-year average compensation. Benefit service begins one year after employment.

  Prior to September 2003 FIRF Benefit = 2.25 percent × years of benefit service (not to exceed 30 years) × high three-year average compensation. Benefit service begins one year after employment.
- Compensation covered includes annual base salary plus incentive compensation subject to the 2010 annual IRS limitation of $245,000.
- The regular form of retirement benefits provides a single life annuity, a lump sum payment or other additional payment options.

(13)
- Benefit Equalization Plan

The Benefit Equalization Plan (BEP) is an unfunded and non-qualified plan that is designed to restore retirement benefits lost under the Cash Balance Plan and the Savings Plan (a defined contribution plan) because of compensation and benefits limitations imposed on the Cash Balance Plan and the Savings Plan under the Internal Revenue Code (IRC). An employee's benefits that would have been credited under the Cash Balance Plan or the Savings Plan but for the limitations imposed on those plans under the IRC are credited as Supplemental Cash Balance Benefits under the BEP and the credits accrue interest at an annual rate of 6 percent until paid. The amounts credited or accrued under the BEP vest according to the corresponding provisions of the Cash Balance Plan and the Savings Plan.

- Supplemental Executive Retirement Plan

The FHLBank of San Francisco began providing a Supplemental Executive Retirement Plan (SERP) to the FHLBank of San Francisco's senior officers, including the president, effective January 1, 2003. This plan is an unfunded and non-qualified retirement benefit plan that provides a cash balance benefit to the FHLBank of San Francisco's senior officers that is in addition to the Cash Balance Plan benefits. The SERP supplements the Cash Balance Plan benefits to provide a competitive postretirement compensation package that is intended to help the FHLBank of San Francisco attract and retain key senior officers who are critical to the success of the FHLBank of San Francisco.

- Cash Balance Plan and the Financial Institutions Retirement Fund

The FHLBank of San Francisco began offering benefits under the Cash Balance Plan on January 1, 1996. The Cash Balance Plan is a tax-qualified defined benefit pension plan that covers employees who have completed six months of service, including the president. Each year, eligible employees accrue benefits equal to 6 percent of their total annual compensation (which includes base salary and short-term cash incentive compensation) plus interest equal to 6 percent of their account balances accrued through the prior year, referred to as the annual benefit component of the Cash Balance Plan.

The benefits under the Cash Balance Plan annual benefit component are fully vested after an employee completes 3 years of service. Vested amounts are generally payable in a lump sum or in an annuity when the employee leaves the FHLBank of San Francisco.

Prior to offering benefits under the Cash Balance Plan, the FHLBank of San Francisco participated in the Financial Institutions Retirement Fund, or the FIRF. The FIRF is a multiple-employer tax-qualified defined benefit pension plan. The FHLBank of San Francisco withdrew from the FIRF on December 31, 1995.

When the FHLBank of San Francisco withdrew from the FIRF, benefits earned under the FIRF as of December 31, 1995, were fully vested and the value of those benefits was then frozen. As of December 31, 1995, the FHLBank of San Francisco calculated each participant's FIRF benefit based on the participant's then-highest three consecutive years' average pay multiplied by the participant's years of service multiplied by two percent, referred to as the frozen FIRF benefit. Upon retirement, participants will be eligible to receive their frozen FIRF benefits.

In addition, to preserve the value of the participant's frozen FIRF benefit, the FHLBank of San Francisco maintains the ratio of each participant's frozen FIRF annuity payments to the participant's highest three consecutive years' average pay as of December 31, 1995 (annuity ratio), which is referred to as the net transition benefit component of the Cash Balance Plan. Upon retirement, each participant with a frozen FIRF benefit will receive a net transition benefit under the Cash Balance Plan that equals his or her highest three consecutive years' average pay at retirement multiplied by his or her annuity ratio minus the frozen FIRF benefit.

- Deferred Compensation Plan

The FHLBank of San Francisco's Deferred Compensation Plan is an unfunded and non-qualified plan, consisting of three components: (1) employee deferral of current compensation, short-term incentive and long-term incentive, when applicable; (2) make-up matching contributions that would have been made by the FHLBank of San Francisco under the Savings Plan had the base salary compensation not been deferred; and, (3) make-up pension benefits that would have been earned under the Cash Balance Plan had total annual compensation (base salary and short-term cash incentive compensation) not been deferred.

(14) • Pentegra DB Plan

The Pentegra DB Plan at the FHLBank of Seattle provides a normal retirement benefit equal to 2.5% of the participant's average annual compensation for the three highest consecutive years during the participant's years of credited service, multiplied by the participant's years of credited service, subject to IRC compensation limits and vesting provisions. Compensation is defined as base salary plus overtime and bonuses.

- Retirement Benefit Equalization Plan

The FHLBank of Seattle's Retirement BEP is a non-qualified defined benefit pension plan that provides eligible executives, whose benefits under the Pentegra DB Plan are limited by the IRC limits, including the annual compensation limit, with a supplemental pension benefit. This supplemental benefit is equal to the benefit that would have been paid from the Pentegra DB Plan in the absence of the IRC limits, less the amount that the executive actually receives from the Pentegra DB Plan.

(15) Mr. Riccobono's credited years of service for the Pentegra DB Plan and Retirement BEP includes 5.2 years of service at the FHLBank of Seattle and 19.2 years of service at a previous employer that participated in the Pentegra DB Plan. Mr. Riccobono joined the BEP on January 1, 2006. As of November 1, 2010, Mr. Riccobono received a lump-sum Retirement BEP payment of $3,687,066 representing the offset amount he would have received under the Pentegra DB Plan without regard to the IRC compensation limits.

(16) • Formula: Starting April 2003—2.25 percent × years of benefit service × high three-year average compensation.

Table S-6 - Non-Qualified Deferred Compensation for Year 2010 (whole dollars)

FHLBank Name	President/CEO Name	President/CEO Contributions ($)	FHLBank Contributions ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Earnings ($)	Aggregate Balance at 12/31/10 ($)
Boston	Edward A. Hjerpe III	16,875	19,050	–	4,499	51,010
New York	Alfred A. DelliBovi	–	–	1,225,654	100,998	–
Pittsburgh	John R. Price	11,130	25,935	–	25,307	1,198,320
Atlanta	W. Wesley McMullan	11,460	13,260	–	17,417	199,686
	Jill Spencer	5,750	13,050	–	28,608	258,432
	Richard A. Dorfman	–	–	156,406	16,198	–
Cincinnati	David H. Hehman	–	–	3,221,458	99,435	–
Indianapolis	Milton J. Miller, II	–	–	661,772	5,843	–
Chicago	Matthew R. Feldman	24,300	–	–	144	89,515
Des Moines	Richard S. Swanson	51,162	27,740	358,752	10	78,903
Dallas	Terry Smith	2,000	354,589	–	64,051	1,739,459
Topeka	Andrew J. Jetter	15,298	30,595	–	55,157	975,998
San Francisco	Dean Schultz	–	–	–	58,856	451,339
Seattle	Steven R. Horton	–	–	–	9,253	79,744
	Richard M. Riccobono	12,898	30,638	189,910	13,543	–
Office of Finance	John D. Fisk	51,813	53,613	–	89,268	794,606

Office of Finance CEO 2010 Compensation Discussion and Analysis

Compensation Program Overview. In July 2010, the Human Resources and Compensation Committee (HR Committee) was created as part of the newly configured Office of Finance Board and serves as the compensation committee of the Office of Finance Board.

On October 27, 2009, the Finance Agency issued an Advisory Bulletin outlining five guiding principles for sound incentive compensation practices to which the FHLBanks and the Office of Finance should adhere in setting executive compensation policies and practices. As described below, these principles have been incorporated into the development, implementation, and review of compensation policies and practices for the CEO in 2010.

Compensation Philosophy and Objectives. The compensation program for the Office of Finance CEO is designed to provide a flexible and market-based approach to compensation that attracts, motivates and retains a talented individual who has the skills and expertise necessary to enable the Office of Finance to meet or exceed its business goals. To achieve these objectives, the Office of Finance compensates the CEO using a total compensation program approach that combines base salary, short- and long-term variable (incentive-based) compensation, retirement benefits and modest fringe benefits. The objectives of the compensation program are to communicate short- and long-term standards of performance for the successful achievement of the Office of Finance's mission and to recognize, motivate and reward the CEO commensurate with his contribution.

The Office of Finance Board believes that its compensation philosophy is effective in attracting, retaining and motivating a highly qualified individual. The Office of Finance Board reviews annually the compensation program to insure that it is consistent with and supports the Office of Finance's business strategies and objectives.

Competition and Compensation Benchmarking.

Role of the HR Committee and the Office of Finance Board in Setting Executive Compensation. The HR Committee and the Office of Finance Board align the executive compensation program with the Office of Finance business objectives and focus the CEO's efforts on fulfilling these goals. The HR Committee reviews the CEO's performance and researches and recommends the CEO salary to the Office of Finance Board. The percentage of salary increase that will apply to merit for each year's budget is recommended by the HR Committee for approval by the Office of Finance Board. The retirement benefit plans that are offered, and any changes to those plans from year to year, are approved by the Office of Finance Board after a recommendation by the HR Committee. The HR Committee also recommends the goals, payouts and qualifications for both the annual short-term incentive plans and the long-term incentive plan for the Office of Finance Board's approval.

Role of Compensation Consultant in Setting Executive Compensation. The salary and benefit benchmarks used by the Office of Finance to establish reasonable and competitive compensation for its employees are the competitor groups established by Aon Consulting and its affiliate, McLagan Partners.

Table S-7 - Benchmarking Institutions

Banco Bilbao Vizcaya Argentaria	Federal Home Loan Bank of Des Moines	PNC Bank
Banco Santander	Federal Home Loan Bank of Indianapolis	Rabobank Nederland
Bank of America Merrill Lynch	Federal Home Loan Bank of New York	RBS/Citizens Bank
Bank of the West	Federal Home Loan Bank of Pittsburgh	Regions Financial Corporation
Bank of Tokyo—Mitsubishi UFJ	Federal Home Loan Bank of San Francisco	Royal Bank of Canada
BBVA Compass	Federal Home Loan Bank of Seattle	Royal Bank of Scotland
BMO Financial Group	Federal Home Loan Bank of Topeka	Société Générale
BNP Paribas	Fortis Financial Services LLC	Standard Chartered Bank
Branch Banking & Trust Co.	GE Commercial Finance	State Street Bank & Trust Company
Capital One	HSBC Bank	SunTrust Banks
Citigroup	HSBC Global Banking and Markets	SVB Financial Group
Commerzbank	ING	The Bank Of New York Mellon
Calyon (Credit Agricole CIB)	JP Morgan Chase	The Bank of Nova Scotia
Federal Home Loan Bank of Atlanta	KeyCorp	The CIT Group
Federal Home Loan Bank of Boston	Lloyds Banking Group	UniCredit
Federal Home Loan Bank of Chicago	Mitsubishi Securities	Wachovia Corporation
Federal Home Loan Bank of Cincinnati	National Australia Bank	Wells Fargo Bank
Federal Home Loan Bank of Dallas	Nomura Securities	

Elements of Total Compensation Program.

Base Salary. Base salary is a key component of the Office of Finance's total CEO compensation program. In setting the base salary for the CEO, the Office of Finance Board has discretion to consider a wide range of factors, including the CEO's individual performance, the performance of the Office of Finance overall, the CEO's tenure, and the amount of the CEO base salary relative to the base salaries paid to executives in similar positions in the 50th and 75th percentile of executive salaries in the Office of Finance's peer groups. The Office of Finance Board also considers the amount and relative percentage of the CEO's total compensation that is derived from base salary.

The Office of Finance Board approved, effective January 1, 2010, a 3 percent base salary increase for 2010, resulting in an annual base salary of $578,448.

Short-Term Non-Equity Incentive Plan Compensation. The Office of Finance's CEO Incentive Compensation Plan (ICP) is an annual cash-based incentive compensation plan designed to promote and reward high levels of performance for accomplishing Office of Finance Board approved goals. The annual goals reflect desired performance and the Office of Finance mission. Each goal is assigned a weight reflecting its relative importance and potential effect on the Office of Finance's strategic initiatives and annual business plan. Quantitative goals representing 70 percent of the plan were each assigned a threshold, target and maximum level of performance. In addition 30 percent of the plan is comprised of a qualitative component evaluated by the HR Committee with a recommendation for approval to the full Office of Finance Board.

Under the 2010 Short-Term ICP, the Office of Finance Board approved four goals that are intended to reinforce the actions and value delivered by the Office of Finance to support the mission of the FHLBanks.

- Bank Stakeholders (40 percent) consisted of serving the needs of the FHLBanks individually and collectively.
- Investor Stakeholders (30 percent) consisted of managing relationships with investors and other constituencies to improve debt demand and maintain market confidence in FHLBanks debt.
- Operations (15 percent) consisted of enhancing the effectiveness and efficiency of the Office of Finance infrastructure through strong controls, quality business processes, and a strong management team.
- Combined Financial Reporting (15 percent) consisted of one quantitative performance indicator as measured by building a contingency plan to compress the combined financial reporting workflow timeline and one qualitative factor as measured by the quality of the combined financial report content related to developing common approaches with the FHLBanks' financial reports.

The authorization for payment of ICP awards is generally provided following review of the year-end performance results by the Office of Finance Board at its first meeting subsequent to year end. The cash incentive payments are determined based on the actual performance in comparison with the performance levels established for each goal. If actual performance falls below the threshold level of performance, no payment is made for that goal. If actual performance exceeds the maximum level, only the value assigned as the performance maximum is paid. When actual performance falls between the assigned threshold, target and maximum performance levels, an interpolation is calculated for that goal. The achievement level for each goal is then multiplied by the corresponding incentive weight assigned to that goal and the results for each goal are summed to arrive at the final incentive award payable to the executive.

At its February 15, 2011 meeting, the Office of Finance Board authorized an ICP distribution of $353,914 (61.18 percent) for John Fisk based on quantitative results of $258,914 and a qualitative evaluation valued at $95,000.

The CEO is assigned an annual incentive award opportunity, stated as a percentage of base salary, which corresponds to the level of organizational responsibility and ability to contribute to and influence overall Office of Finance performance.

Table S-8 - Short-term ICP Results (whole dollars)

Goal	Weight	Overall Award Level	Total Award
Bank Stakeholders	40%	Between target and maximum	$ 96,952
Investor Stakeholders	30%	Between target and maximum	70,856
Operations	15%	Maximum	45,553
Combined Financial Reporting	15%	Maximum	45,553
Total Quantitative Results	100%		258,914
Qualitative Evaluation			95,000
Total Quantitative and Qualitative			$353,914

Long-Term Non-Equity Incentive Plan Compensation. To remain market-competitive and to facilitate our long term focus on safe and sound operations, the Office of Finance Board establishes annually a Long-Term Incentive (LTI) opportunity based on a rolling three-year performance period. For example, LTI plan payments earned for the 2008-2010 plan period will be paid in 2011, and payments earned for the 2009—2011 plan period will be paid in 2012. The Office of Finance's LTI, is a cash-based, performance plan designed to promote high levels of performance, to create long-term ties between key employees and the Office of Finance, to establish a career orientation within the Office of Finance and to ensure retention of talent. The Office of Finance Board approves LTI goals for the CEO that reflect desired performance, operational and public mission objectives for the Office of Finance as measured over the three-year performance period. Each approved LTI goal is assigned an incentive weight reflecting its relative importance and potential effect on the strategic long-term initiatives, and each is assigned a quantitative threshold, target and maximum level of performance of 25 percent, 50 percent, and 75 percent, respectively, for the 2008-2010 plan.

LTI incentive awards are calculated based on the actual performance or achievement level for each LTI goal at the end of each three-year performance period, with interpolations made for results between achievement levels. The achievement level for each LTI goal is multiplied by the corresponding incentive weight assigned to that goal. The results are summed and then calculated as a percentage of base salary effective at the beginning of the three-year period.

- IT Operational Improvement (60 percent) consisted of an evaluation of the operational objectives of the Information Technology Infrastructure Library adoption goals.

- Funding Costs (40 percent) consisted of an evaluation based on four components for the year ended December 31, 2008 and five components for the years ended December 31, 2009 and 2010 from the balanced scorecard.

On February 28, 2011, the Office of Finance made an LTI payment to John Fisk of $194,714 for the 2008-2010 plan, which concluded on December 31, 2010. The Office of Finance Board approved the payment based on the following results for the goals:

Table S-9 - 2008 - 2010 Long-term ICP Quantitative Results (whole dollars)

Goal	Weight	Overall Award Level	Total Award
Funding Costs	40%	Target	$113,714
IT Operational Improvement	60%	Threshold	81,000
Total	100%		$194,714

Retirement Benefits. The Office of Finance maintains a comprehensive retirement program for the CEO comprised of a combination of two IRS qualified plans and two non-qualified plans:

- Qualified Defined Benefit Pension Plan—The Pentegra DBP is a funded tax-qualified plan that is maintained on a non-contributory basis, i.e., no employee contributions. Participants' pension benefits are 100 percent vested upon completion of six years of service. The pension benefits payable under the Pentegra DBP are determined under a pre-established formula that provides a single life annuity payable monthly at normal retirement (age 65), or other actuarially equivalent forms of benefit payments, including an early retirement option. The benefit formula is 2.25 percent for each year of benefit service multiplied by the highest three-year average compensation.

- Non-qualified Defined Benefit Pension Plan—The CEO is eligible to participate in the Supplemental Retirement Plan (SRP), an unfunded, non-qualified pension plan that mirrors the Pentegra DBP in all material respects. In the event that benefits payable from the Pentegra DBP have been reduced or otherwise limited, the executive's lost benefits are payable under the terms of the SRP. Because the SRP is a non-qualified plan, the benefits received from this plan do not receive the same tax treatment and funding protection associated with the qualified plan.

- Qualified Defined Contribution Plan—The Pentegra Defined Contribution Plan for Financial Institutions (Pentegra DC) is a tax-qualified defined contribution plan to which the Office of Finance makes tenure-based matching contributions. The matching contribution begins upon completion of one year of employment and subsequently increases based on length of employment to a maximum of six percent of base salary. Under the Pentegra DC plan, a participant may elect to contribute up to 50 percent of base salary on either a before-tax, i.e., 401(k), or after-tax basis. The plan permits participants to self-direct investment elections into one or more investment funds, which may be changed daily by the participants. A participant may withdraw vested account balances while employed, subject to certain IRS and plan limitations.

- Non-qualified Defined Contribution Plan—The CEO is eligible to participate in the Supplemental Thrift Plan (STP), an unfunded, non-qualified, contributory pension plan that mirrors the Pentegra DC plan in all material respects. The STP restores benefits that participants would have received absent IRS limits on contributions to the Pentegra DC Plan. Under the STP, participants may elect to contribute up to 50 percent of base salary and up to 100 percent of incentive compensation on a pre-tax basis. As in the Pentegra DC plan, the employer match in the STP is tenure-based with a 6 percent maximum. The STP permits participants to self-direct investment elections into a choice of ten investment funds.

Perquisites. The perquisites provided by the Office of Finance represent a small fraction of the CEO's total compensation and are provided in accordance with market practices for executives in similar positions and with similar responsibilities. During 2010, the CEO was provided with an Office of Finance-owned vehicle for his business and personal use. The operating expenses associated with the vehicle were also provided. The CEO's personal use of the Office of Finance-owned vehicle, including use for the daily commute to and from work, is reported as a taxable fringe benefit.

Financial Counseling. The CEO is eligible for an annual reimbursement of personal financial counseling not to exceed $10,000, however this benefit was not utilized in 2010.

Director Compensation

In accordance with the regulations of the Finance Agency, the GLB Act, and the Housing Act, the FHLBanks have established formal policies governing the compensation and travel reimbursement provided their directors. The goal of the policies is to compensate members of the board of directors for work performed on behalf of the FHLBanks. Under these policies, compensation consists of per-meeting fees. The meeting fees compensate directors for:

- time spent reviewing materials sent to them on a periodic basis by the FHLBanks;
- preparation for meetings;
- participation in any other activities for the FHLBanks; and
- actual time spent attending the meetings of the board or its committee.

Directors are also reimbursed for reasonable FHLBank-related travel expenses, which are not included in Table S-10 - Director Compensation for Year 2010.

On April 5, 2010, the Finance Agency issued a final rule pursuant to the Housing Act, allowing each FHLBank to pay its directors reasonable compensation and expenses, subject to the authority of the Finance Agency Director to object to, and to prohibit prospectively, compensation and/or expenses that the Finance Agency Director determines are not reasonable. (See ***Supplemental Information—FHLBank Management and Compensation—FHLBank Directors*** for biographies.)

Table S-10 - Director Compensation for Year 2010 (whole dollars)

FHLBank Name	Director Name	Position	Fees Earned or Paid in Cash ($)	All Other Compensation ($)	Total ($)
Boston	Jan A. Miller	Chair	60,000	–	60,000
	Jay F. Malcynsky	Vice-Chair	55,000	–	55,000
New York	Michael M. Horn	Chair	60,000	–	60,000
	José Ramon González	Vice-Chair	55,000	–	55,000
Pittsburgh	Dennis S. Marlo	Chair	60,000	24	60,024
	H. Charles Maddy, III	Vice-Chair	55,000	24	55,024
Atlanta	Scott C. Harvard	Chair	60,000	–	60,000
	William C. Handorf	Vice-Chair (1)	50,000	–	50,000
	J. Thomas Johnson	Vice-Chair (2)	55,000	–	55,000
Cincinnati	Carl F. Wick	Chair	60,000	651	60,651
	B. Proctor Caudill, Jr.	Vice-Chair	55,000	1,081	56,081
Indianapolis	Paul C. Clabuesch	Chair	65,000	–	65,000
	Jeffrey A. Paxon	Vice-Chair	55,000	–	55,000
Chicago	P. David Kuhl	Chair	60,000	–	60,000
	Thomas L. Herlache	Vice-Chair	55,000	–	55,000
Des Moines	Michael K. Guttau	Chair	60,000	–	60,000
	Eric A. Hardmeyer	Vice-Chair	55,000	–	55,000
	Dale E. Oberkfell	Vice-Chair	55,000	–	55,000
Dallas	Lee R. Gibson	Chair	60,000	–	60,000
	Mary E. Ceverha	Vice-Chair	55,000	–	55,000
Topeka	Ronald K. Wente	Chair	60,000	–	60,000
	Lindel E. Pettigrew	Vice-Chair	55,000	–	55,000
San Francisco	Timothy R. Chrisman	Chair	60,000	–	60,000
	Scott C. Syphax	Vice-Chair	55,000	–	55,000
Seattle	William V. Humphreys	Chair	60,000	–	60,000
	Craig E. Dahl	Vice-Chair	55,000	–	55,000
Office of Finance	H Ronald Weissman	Chair	173,000	4,069	177,069

(1) Mr. Handorf served as chairman of the audit committee during 2010 and as such, was subject to an annual fee cap of $50,000. During 2011, Mr. Handorf serves as the vice-chairman of the FHLBank of Atlanta Board of Directors.

(2) Mr. Johnson served as vice-chairman of the FHLBank Atlanta board of directors during 2010, and as such, he was subject to an annual fee cap of $55,000.

INDIVIDUAL FHLBANK SELECTED FINANCIAL DATA AND FINANCIAL RATIOS

The following individual FHLBank selected financial data and financial ratios are provided as a convenience to the reader. Each FHLBank provides the Office of Finance with its selected financial data and financial ratios. Please refer to **Explanatory Statement about FHLBanks Combined Financial Report**, which discusses the independent management and operation of the FHLBanks; identifies the availability of other information about the FHLBanks; and describes where to find the periodic reports and other information filed by each FHLBank with the SEC.

Individual FHLBank Selected Financial Data and Financial Ratios
(Dollars in millions)

	Boston	New York	Pittsburgh
SELECTED STATEMENT OF CONDITION DATA			
At December 31, 2010			
Assets			
Investments, including MBS(1)	$27,134	$ 16,739	$18,752
Advances	28,035	81,200	29,708
Mortgage loans held for portfolio	3,255	1,272	4,486
Allowance for credit losses on mortgage loans	(9)	(6)	(3)
Total assets	58,647	100,212	53,387
Consolidated obligations, net:(2)			
Discount notes	18,525	19,391	13,082
Bonds	35,103	71,743	34,129
Total consolidated obligations	53,628	91,134	47,211
Mandatorily redeemable capital stock	90	63	34
Subordinated notes(3)	–	–	–
Total Capital:			
Total capital stock:(4)			
Class B putable	3,665	4,529	3,986
Class A putable	–	–	–
Preconversion putable(5)	–	–	–
Total capital stock	3,665	4,529	3,986
Retained earnings	249	712	397
Accumulated other comprehensive income (loss) (AOCI)	(638)	(97)	(222)
Total capital	3,276	5,144	4,161
Asset composition (as a percentage of the individual FHLBanks' total assets):			
Investments, including MBS(1)	46.3%	16.7%	35.1%
Advances	47.8%	81.0%	55.6%
Mortgage loans, net	5.5%	1.3%	8.4%
Retained earnings as a percentage of FHLBank's total assets	0.4%	0.7%	0.7%
FHLBanks' total assets as a percentage of FHLBank System's total assets	6.7%	11.4%	6.1%
At December 31, 2009			
Assets			
Investments, including MBS(1)	$20,947	$ 16,222	$17,173
Advances	37,591	94,349	41,177
Mortgage loans held for portfolio	3,508	1,322	5,165
Allowance for credit losses on mortgage loans	(2)	(5)	(2)
Total assets	62,487	114,461	65,291
Consolidated obligations, net:(2)			
Discount notes	22,278	30,828	10,209
Bonds	35,409	74,008	49,104
Total consolidated obligations	57,687	104,836	59,313
Mandatorily redeemable capital stock	91	126	8
Subordinated notes(3)	–	–	–
Total Capital:			
Total capital stock:(4)			
Class B putable	3,643	5,059	4,018
Class A putable	–	–	–
Preconversion putable(5)	–	–	–
Total capital stock	3,643	5,059	4,018
Retained earnings	142	689	389
Accumulated other comprehensive income (loss) (AOCI)	(1,021)	(145)	(694)
Total capital	2,764	5,603	3,713
Asset composition (as a percentage of the individual FHLBanks' total assets):			
Investments, including MBS(1)	33.5%	14.2%	26.3%
Advances	60.2%	82.4%	63.1%
Mortgage loans, net	5.6%	1.2%	7.9%
Retained earnings as a percentage of individual FHLBanks' total assets	0.2%	0.6%	0.6%
FHLBanks' total assets as a percentage of FHLBank System's total assets	6.2%	11.3%	6.4%

(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 and loans to other FHLBanks.

(2) See **Financial Discussion and Analysis—Results of Operations—Interbank Transfers of Liabilities on Outstanding Consolidated Bonds and Their Effect on Combined Net Income**.

(3) On June 13, 2006, the FHLBank of Chicago issued $1.0 billion of subordinated notes that mature on June 13, 2016. The subordinated notes are not obligations of, and are not guaranteed by, the United States government or any of the FHLBanks other than the FHLBank of Chicago.

Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 39,879	$33,314	$19,785	$46,239	$18,640	$12,269	$14,846	$ 52,582	$30,499
89,258	30,181	18,275	18,901	29,253	25,456	19,368	95,599	13,355
2,040	7,782	6,703	18,327	7,434	207	4,176	2,384	3,211
(1)	(12)	(1)	(33)	(13)	–	(3)	(3)	(2)
131,798	71,631	44,930	84,116	55,569	39,690	38,706	152,423	47,208
23,915	35,003	8,925	18,421	7,208	5,132	13,705	19,527	11,597
95,198	30,697	31,875	57,849	43,791	31,316	21,521	121,120	32,479
119,113	65,700	40,800	76,270	50,999	36,448	35,226	140,647	44,076
529	357	658	530	7	8	19	3,749	1,022
–	–	–	1,000	–	–	–	–	–
7,224	3,092	1,610	–	2,183	1,601	861	8,282	1,650
–	–	–	–	–	–	593	–	126
–	–	–	2,333	–	–	–	–	–
7,224	3,092	1,610	2,333	2,183	1,601	1,454	8,282	1,776
1,124	438	427	1,099	556	452	352	1,609	73
(402)	(7)	(90)	(483)	91	(63)	(23)	(2,943)	(667)
7,946	3,523	1,947	2,949	2,830	1,990	1,783	6,948	1,182
30.3%	46.5%	44.0%	55.0%	33.5%	30.9%	38.4%	34.5%	64.6%
67.7%	42.1%	40.7%	22.5%	52.6%	64.1%	50.0%	62.7%	28.3%
1.5%	10.8%	14.9%	21.7%	13.4%	0.5%	10.8%	1.6%	6.8%
0.9%	0.6%	1.0%	1.3%	1.0%	1.1%	0.9%	1.1%	0.2%
15.0%	8.2%	5.1%	9.6%	6.3%	4.5%	4.4%	17.4%	5.4%
$ 32,940	$24,193	$14,994	$36,793	$20,790	$13,492	$16,348	$ 47,006	$23,817
114,580	35,818	22,443	24,148	35,720	47,263	22,254	133,559	22,257
2,523	9,366	7,272	23,852	7,719	260	3,336	3,039	4,107
(1)	–	–	(14)	(2)	(1)	(2)	(2)	(1)
151,311	71,387	46,599	88,074	64,657	65,092	42,632	192,862	51,094
17,127	23,187	6,250	22,139	9,417	8,762	11,587	18,246	18,502
121,450	41,222	35,908	58,225	50,495	51,516	27,525	162,053	29,762
138,577	64,409	42,158	80,364	59,912	60,278	39,112	180,299	48,264
188	676	755	466	8	9	22	4,843	946
–	–	–	1,000	–	–	–	–	–
8,124	3,063	1,726	–	2,461	2,532	1,309	8,575	1,717
–	–	–	–	–	–	294	–	133
–	–	–	2,328	–	–	–	–	–
8,124	3,063	1,726	2,328	2,461	2,532	1,603	8,575	1,850
873	412	349	708	484	356	355	1,239	52
(744)	(8)	(329)	(658)	(34)	(66)	(12)	(3,584)	(909)
8,253	3,467	1,746	2,378	2,911	2,822	1,946	6,230	993
21.8%	33.9%	32.2%	41.8%	32.2%	20.7%	38.3%	24.4%	46.6%
75.7%	50.2%	48.2%	27.4%	55.2%	72.6%	52.2%	69.3%	43.6%
1.7%	13.1%	15.6%	27.1%	11.9%	0.4%	7.8%	1.6%	8.0%
0.6%	0.6%	0.7%	0.8%	0.7%	0.5%	0.8%	0.6%	0.1%
14.9%	7.0%	4.6%	8.7%	6.4%	6.4%	4.2%	19.0%	5.0%

(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 19—Capital*** to the accompanying combined financial statements.)

(5) The corresponding balances for capital stock—pre-conversion putable for years 2006 and beyond relate solely to the FHLBank of Chicago, which has not yet implemented its new capital plan. (See ***Note 19—Capital*** to the accompanying combined financial statements.)

Individual FHLBank Selected Financial Data and Financial Ratios (continued)
(Dollars in millions)

	Boston	New York	Pittsburgh
SELECTED OTHER DATA			
At December 31, 2010			
Advance concentrations (%): top five borrowers	37%	57%	65%
Capital stock concentrations (%): top five stockholders	51%	52%	54%
Regulatory capital ratio (%)(6)	6.8%	5.3%	8.3%
Cash and stock dividends:			
2010	$ –	$ 253	$ –
2009	–	265	–
2008	130	294	145
Weighted-average dividend rate:			
2010	0.00%	5.29%	0.00%
2009	0.00%	5.60%	0.00%
2008	3.86%	5.20%	3.64%
Return on average equity:(7)			
2010	3.52%	5.24%	0.21%
2009	(6.49)%	10.02%	(0.98)%
2008	(3.17)%	4.95%	0.45%
Return on average assets:			
2010	0.17%	0.25%	0.01%
2009	(0.27)%	0.45%	(0.05)%
2008	(0.14)%	0.22%	0.02%
Net interest margin:(8)			
2010	0.47%	0.42%	0.39%
2009	0.44%	0.56%	0.35%
2008	0.41%	0.59%	0.29%
Net interest spread			
2010	0.40%	0.37%	0.27%
2009	0.36%	0.49%	0.22%
2008	0.26%	0.41%	0.12%

(6) The regulatory capital ratio is calculated based on the FHLBank's total regulatory capital as a percentage of total assets held at period end. Total regulatory capital is defined under the GLB Act except for the FHLBank of Chicago's regulatory capital, which has not implemented a capital plan under the GLB Act, and is the sum of the paid-in value of capital stock and mandatorily redeemable capital stock plus retained earnings. (See ***Note 19—Capital*** to the accompanying combined financial statements.)

(7) Return on average equity is net income expressed as a percentage of average total capital.

(8) Net interest margin is net interest income before provision for credit losses, represented as a percentage of average interest-earning assets.

Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
59%	51%	45%	47%	45%	38%	51%	74%	60%
44%	46%	43%	30%	33%	29%	33%	68%	61%
6.7%	5.4%	6.0%	5.9%	4.9%	5.2%	4.7%	8.9%	6.1%
$ 27	$ 138	$ 33	$ –	$ 61	$ 9	$ 37	$ 29	$ –
24	182	54	–	44	8	42	22	–
288	197	103	–	106	75	80	528	29
0.35%	4.38%	1.87%	0.00%	2.50%	0.38%	2.83%	0.34%	0.00%
0.31%	4.63%	2.83%	0.00%	1.50%	0.25%	2.61%	0.21%	0.00%
3.54%	5.31%	5.01%	0.00%	3.87%	2.58%	4.34%	3.93%	1.14%
3.42%	4.67%	6.13%	14.00%	4.57%	4.23%	1.79%	6.13%	1.87%
3.58%	6.38%	5.94%	(3.24)%	4.46%	4.92%	11.24%	5.83%	(13.94)%
2.95%	5.73%	8.14%	(4.13)%	3.88%	2.52%	1.17%	3.54%	(7.84)%
0.19%	0.24%	0.24%	0.41%	0.22%	0.20%	0.08%	0.24%	0.04%
0.16%	0.32%	0.23%	(0.07)%	0.21%	0.21%	0.48%	0.21%	(0.30)%
0.13%	0.25%	0.32%	(0.13)%	0.18%	0.11%	0.05%	0.14%	(0.29)%
0.39%	0.40%	0.58%	0.89%	0.67%	0.44%	0.60%	0.79%	0.35%
0.22%	0.46%	0.52%	0.65%	0.28%	0.11%	0.53%	0.73%	0.40%
0.42%	0.39%	0.48%	0.22%	0.35%	0.20%	0.43%	0.44%	0.27%
0.33%	0.30%	0.49%	0.83%	0.59%	0.42%	0.54%	0.76%	0.30%
0.14%	0.36%	0.41%	0.55%	0.17%	0.06%	0.47%	0.69%	0.34%
0.24%	0.22%	0.31%	0.10%	0.18%	0.06%	0.29%	0.33%	0.13%

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