FEDERAL HOME LOAN BANKS

Combined Financial Report
for the Quarterly Period Ended June 30, 2012

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

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

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

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

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

The financial information contained in this Combined Financial Report is for the quarterly period ended June 30, 2012. This Combined Financial Report should be read in conjunction with the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2011, issued on March 29, 2012. Combined Financial Reports are available on the Federal Home Loan Banks Office of Finance web site at www.fhlb-of.com. This web site address is provided as a matter of convenience only, and its contents are not made part of this report and are not intended to be incorporated by reference into this report.

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

This Combined Financial Report was issued on August 13, 2012.

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

EXPLANATORY STATEMENT ABOUT
FEDERAL HOME LOAN BANKS COMBINED FINANCIAL REPORT

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

The FHLBanks Combined Financial Report is intended to be used by investors in consolidated obligation bonds (consolidated bonds) and consolidated obligation discount notes (consolidated discount notes) of the FHLBanks as these consolidated bonds and consolidated discount notes are the joint and several obligations of all 12 FHLBanks. This Combined Financial Report is provided using combination accounting principles generally accepted in the United States of America. This combined presentation in no way indicates that these assets and liabilities are under joint management and control as each individual FHLBank manages its operations independently.

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

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

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

Each FHLBank is subject to the reporting requirements of the Securities Exchange Act of 1934 as amended, and must file periodic reports and other information with the SEC. Each FHLBank prepares an annual financial report, filed on SEC Form 10-K, and quarterly financial reports, filed on SEC Form 10-Q. Those reports contain additional information that is not contained in this Combined Financial Report. 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.

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CONDITION
(Unaudited)

(dollars in millions, except par value)	June 30, 2012	December 31, 2011
Assets		
Cash and due from banks	$ 5,062	$ 20,182
Interest-bearing deposits	1,106	1,207
Securities purchased under agreements to resell	28,128	12,675
Federal funds sold	47,072	41,139
Investment securities		
Trading securities	16,685	18,705
Available-for-sale securities	69,045	78,062
Held-to-maturity securities, fair value of $121,536 and $120,886	119,485	119,477
Total investment securities	205,215	216,244
Advances, includes $7,758 and $8,693 at fair value held under fair value option	418,366	418,157
Mortgage loans held for portfolio, net		
Mortgage loans held for portfolio	51,853	53,515
Allowance for credit losses on mortgage loans	(140)	(138)
Total mortgage loans held for portfolio, net	51,713	53,377
Accrued interest receivable	1,478	1,613
Premises, software and equipment, net	207	221
Derivative assets, net	587	636
Other assets	614	635
Total assets	$ 759,548	$ 766,086
Liabilities		
Deposits		
Interest-bearing	$ 12,705	$ 12,203
Non-interest-bearing	338	361
Total deposits	13,043	12,564
Securities sold under agreements to repurchase	—	400
Consolidated obligations		
Discount notes, includes $8,116 and $19,862 at fair value held under fair value option	196,265	190,149
Bonds, includes $55,225 and $38,981 at fair value held under fair value option	493,961	506,975
Total consolidated obligations	690,226	697,124
Mandatorily redeemable capital stock	7,501	8,013
Accrued interest payable	1,582	1,763
Affordable Housing Program payable	739	718
Derivative liabilities, net	2,891	3,570
Other liabilities, includes $2 at fair value held under fair value option in 2011	2,351	1,113
Subordinated notes	1,000	1,000
Total liabilities	719,333	726,265
Commitments and contingencies (Note 16)		
Capital		
Capital stock		
Class B putable ($100 par value) issued and outstanding	33,479	32,485
Class A putable ($100 par value) issued and outstanding	594	655
Pre-conversion putable ($100 par value) issued and outstanding	—	2,402
Total capital stock	34,073	35,542
Retained earnings		
Unrestricted	7,220	6,603
Restricted	2,331	1,974
Total retained earnings	9,551	8,577
Accumulated other comprehensive income (loss)	(3,409)	(4,298)
Total capital	40,215	39,821
Total liabilities and capital	$ 759,548	$ 766,086

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF INCOME
(Unaudited)

(dollars in millions)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Interest income				
Advances	$ 762	$ 829	$ 1,565	$ 1,723
Prepayment fees on advances, net	69	45	158	103
Interest-bearing deposits	5	2	7	4
Securities purchased under agreements to resell	13	3	20	11
Federal funds sold	22	25	36	63
Trading securities	82	102	175	201
Available-for-sale securities	391	371	777	696
Held-to-maturity securities	651	822	1,348	1,745
Mortgage loans	548	684	1,138	1,385
Other	—	—	2	2
Total interest income	2,543	2,883	5,226	5,933
Interest expense				
Consolidated obligations — Discount notes	129	134	239	294
Consolidated obligations — Bonds	1,408	1,715	2,934	3,513
Deposits	2	1	3	3
Securities sold under agreements to repurchase	—	5	—	9
Subordinated notes	15	14	29	28
Mandatorily redeemable capital stock	15	12	31	26
Total interest expense	1,569	1,881	3,236	3,873
Net interest income	974	1,002	1,990	2,060
Provision (reversal) for credit losses	1	10	13	31
Net interest income after provision (reversal) for credit losses	973	992	1,977	2,029
Non-interest income (loss)				
Total other-than-temporary impairment losses	(25)	(164)	(50)	(291)
Net amount of impairment losses reclassified to/(from) accumulated other comprehensive income (loss)	(30)	(177)	(36)	(325)
Net other-than-temporary impairment losses	(55)	(341)	(86)	(616)
Net gains (losses) on trading securities	(1)	35	(75)	(36)
Net realized gains (losses) from sale of available-for-sale securities	—	10	—	18
Net realized gains from sale of held-to-maturity securities	29	10	29	10
Net gains (losses) on financial instruments held under fair value option	18	24	23	(36)
Net gains (losses) on derivatives and hedging activities	(111)	(157)	57	(27)
Service fees	7	7	15	14
Other, net	—	12	(22)	(13)
Total non-interest income (loss)	(113)	(400)	(59)	(686)
Non-interest expense				
Compensation and benefits	127	126	258	282
Other operating expenses	82	76	157	148
Federal Housing Finance Agency	17	20	38	41
Office of Finance	11	7	22	21
Other	6	11	10	9
Total non-interest expense	243	240	485	501
Income (loss) before assessments	617	352	1,433	842
Assessments				
Affordable Housing Program	65	32	148	73
REFCORP	—	69	—	160
Total assessments	65	101	148	233
Net income (loss)	$ 552	$ 251	$ 1,285	$ 609

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

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

(dollars in millions)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Net income (loss)	$ 552	$ 251	$ 1,285	$ 609
Other comprehensive income (loss)				
Net unrealized gains/losses on available-for-sale securities				
Unrealized gains (losses)	267	300	226	203
Reclassification of realized net (gains) losses included in net income (loss)	—	(5)	—	(13)
Total net unrealized gains/losses on available-for-sale securities	267	295	226	190
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities				
Reclassification of (gains) losses included in net income (loss)	1	—	2	1
Total net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities	1	—	2	1
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities				
Non-credit portion other-than-temporary impairment losses	—	—	—	(3)
Non-credit portion other-than-temporary impairment losses transferred from held-to-maturity securities	(7)	(739)	(14)	(2,535)
Net change in fair value of other-than-temporarily impaired securities	47	209	474	1,110
Reclassification of non-credit portion included in net income (loss)	26	160	44	272
Reclassification of (gains) losses included in net income (loss)	—	(5)	—	(5)
Unrealized gains (losses)	6	(7)	158	9
Total net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	72	(382)	662	(1,152)
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities				
Non-credit portion other-than-temporary impairment losses	(13)	(86)	(26)	(198)
Reclassification of non-credit portion included in net income (loss)	17	103	18	254
Accretion of non-credit portion	45	147	96	439
Transfer of non-credit portion from held-to-maturity securities to available-for-sale securities	7	739	14	2,535
Total net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	56	903	102	3,030
Net unrealized gains/losses relating to hedging activities				
Unrealized gains (losses)	(173)	(141)	(107)	(63)
Reclassification of (gains) losses included in net income (loss)	1	(14)	1	(22)
Total net unrealized gains/losses relating to hedging activities	(172)	(155)	(106)	(85)
Pension and postretirement benefits	3	2	3	2
Total other comprehensive income (loss)	227	663	889	1,986
Total comprehensive income (loss)	$ 779	$ 914	$ 2,174	$ 2,595

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CAPITAL
SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(Unaudited)

	Capital Stock			
	Class B		Class A	
(dollars and shares in millions)	Shares	Par Value	Shares	Par Value
Balance, December 31, 2010	387	$ 38,683	7	$ 719
Proceeds from issuance of capital stock	19	2,083	—	5
Repurchase/redemption of capital stock	(40)	(3,999)	—	—
Net shares reclassified (to)/from mandatorily redeemable capital stock	(29)	(2,949)	(1)	(115)
Transfer between Class B and Class A shares	(1)	(108)	1	108
Comprehensive income (loss)	—	—	—	—
Dividends on capital stock				
Cash	—	—	—	—
Stock	—	16	—	—
Balance, June 30, 2011	336	$ 33,726	7	$ 717
Balance, December 31, 2011	325	$ 32,485	6	$ 655
Proceeds from issuance of capital stock	48	4,726	—	3
Repurchase/redemption of capital stock	(56)	(5,666)	—	(47)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(5)	(471)	—	(32)
Conversion to/transfer between Class B or Class A shares	24	2,387	—	15
Comprehensive income (loss)	—	—	—	—
Dividends on capital stock				
Cash	—	—	—	—
Stock	—	18	—	—
Balance, June 30, 2012	336	$ 33,479	6	$ 594

Capital Stock				Retained Earnings			Accumulated Other Comprehensive Income (Loss)	Total Capital
Pre-conversion		Total						
Shares	Par Value	Shares	Par Value	Unrestricted	Restricted	Total		
23	$ 2,333	417	$ 41,735	$ 5,943	$ 1,609	$ 7,552	$ (5,546)	$ 43,741
1	22	20	2,110	—	—	—	—	2,110
—	—	(40)	(3,999)	—	—	—	—	(3,999)
—	(3)	(30)	(3,067)	—	—	—	—	(3,067)
—	—	—	—	—	—	—	—	—
—	—	—	—	553	56	609	1,986	2,595
—	—	—	—	(286)	—	(286)	—	(286)
—	—	—	16	(16)	—	(16)	—	—
24	$ 2,352	367	$ 36,795	$ 6,194	$ 1,665	$ 7,859	$ (3,560)	$ 41,094
24	$ 2,402	355	$ 35,542	$ 6,603	$ 1,974	$ 8,577	$ (4,298)	$ 39,821
—	—	48	4,729	—	—	—	—	4,729
—	—	(56)	(5,713)	—	—	—	—	(5,713)
—	—	(5)	(503)	—	—	—	—	(503)
(24)	(2,402)	—	—	—	—	—	—	—
—	—	—	—	928	357	1,285	889	2,174
—	—	—	—	(293)	—	(293)	—	(293)
—	—	—	18	(18)	—	(18)	—	—
—	$ —	342	$ 34,073	$ 7,220	$ 2,331	$ 9,551	$ (3,409)	$ 40,215

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

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

(dollars in millions)	Six Months Ended June 30, 2012	2011
Operating activities		
Net income (loss)	$ 1,285	$ 609
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	496	(5)
Change in net derivatives and hedging activities	54	840
Net other-than-temporary impairment losses	86	616
Other adjustments	38	49
Net change in fair value adjustments on trading securities	75	36
Net change in fair value adjustments on financial instruments held under fair value option	(23)	36
Net change in		
Trading securities	249	1
Accrued interest receivable	126	247
Other assets	(22)	(8)
Accrued interest payable	(182)	(211)
Other liabilities	1	(98)
Total adjustments	898	1,503
Net cash provided by (used in) operating activities	2,183	2,112
Investing activities		
Net change in		
Interest-bearing deposits	(46)	441
Securities purchased under agreements to resell	(15,453)	8,600
Federal funds sold	(5,934)	20,984
Premises, software and equipment	(21)	(26)
Trading securities		
Net decrease (increase) in short-term	448	(373)
Proceeds from long-term	4,281	2,243
Purchases of long-term	(3,034)	(3,206)
Available-for-sale securities		
Net decrease (increase) in short-term	3,372	1,950
Proceeds from long-term	13,472	6,234
Purchases of long-term	(6,363)	(1,259)
Held-to-maturity securities		
Net decrease (increase) in short-term	(598)	292
Proceeds from long-term	15,597	16,658
Purchases of long-term	(14,159)	(14,266)
Advances		
Principal collected	1,460,275	787,815
Made	(1,461,286)	(738,927)
Mortgage loans held for portfolio		
Principal collected	7,440	6,708
Purchases	(5,890)	(2,706)
Proceeds from sales of foreclosed assets	70	67
Principal collected on other loans	1	1
Net cash provided by (used in) investing activities	(7,828)	91,230

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

(dollars in millions)	Six Months Ended June 30, 2012	2011
Financing activities		
Net change in		
Deposits and pass-through reserves	$ 414	$ (442)
Securities sold under agreements to repurchase and other borrowings	(431)	75
Net proceeds (payments) on derivative contracts with financing element	(567)	(774)
Net proceeds from issuance of consolidated obligations		
Discount notes	1,601,954	3,050,274
Bonds	223,667	171,051
Payments for maturing and retiring consolidated obligations		
Discount notes	(1,595,846)	(3,063,717)
Bonds	(236,374)	(226,267)
Proceeds from issuance of capital stock	4,729	2,110
Payments for repurchase/redemption of mandatorily redeemable capital stock	(1,015)	(843)
Payments for repurchase/redemption of capital stock	(5,713)	(3,999)
Cash dividends paid	(293)	(286)
Net cash provided by (used in) financing activities	(9,475)	(72,818)
Net increase (decrease) in cash and due from banks	(15,120)	20,524
Cash and due from banks at beginning of the period	20,182	3,801
Cash and due from banks at end of the period	$ 5,062	$ 24,325
Supplemental disclosures		
Interest paid	$ 3,694	$ 4,533
AHP payments, net	$ 127	$ 109
REFCORP assessments paid	$ —	$ 176
Transfers of mortgage loans to real estate owned	$ 87	$ 85
Transfers of mortgage loans held for portfolio to mortgage loans held for sale	$ —	$ 1,324
Transfers of other-than-temporarily impaired held-to-maturity securities to available-for-sale securities	$ 72	$ 7,662

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

NOTES TO COMBINED FINANCIAL STATEMENTS (Unaudited)

Background Information

These financial statements present the combined financial position and combined results of operations of the 12 Federal Home Loan Banks (FHLBanks). The FHLBanks are government-sponsored enterprises (GSEs) that serve the public by enhancing the availability of credit for residential mortgages and targeted community development. They are financial cooperatives that provide a readily available, competitively-priced source of funds to their member institutions. All members must purchase stock in their district's FHLBank. Member institutions own substantially all of the capital stock of each FHLBank. Former members (including certain non-members that own FHLBank capital stock as a result of merger or acquisition of an FHLBank member) own the remaining capital stock to support business transactions still carried on an FHLBank's statement of condition. All holders of an FHLBank's capital stock may, to the extent declared by that FHLBank's board of directors, receive dividends on their capital stock. Regulated financial depositories and insurance companies engaged in residential housing finance may apply for membership. Additionally, qualified Community Development Financial Institutions are eligible to be members of an FHLBank. State and local housing authorities that meet certain statutory and regulatory criteria may also borrow from the FHLBanks; while eligible to borrow, housing associates are not members of the FHLBanks and, as such, are not allowed to hold capital stock.

Each FHLBank operates as a separate entity with its own management, employees and board of directors. The FHLBanks do not have any special purpose entities or any other type of off-balance sheet conduits.

The Federal Housing Finance Agency (FHFA) was established and became the independent Federal regulator (the Regulator) of the FHLBanks, Federal Home Loan Mortgage Corporation (Freddie Mac) and Federal National Mortgage Association (Fannie Mae), effective July 30, 2008 with the passage of the Housing and Economic Recovery Act of 2008 (the Housing Act). Pursuant to the Housing Act, all regulations, orders, determinations, and resolutions that were issued, made, prescribed, or allowed to become effective by the former Federal Housing Finance Board will remain in effect until modified, terminated, set aside, or superseded by the Director of the FHFA, any court of competent jurisdiction, or operation of law. The FHFA'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 obligation bonds (consolidated bonds) and consolidated obligation discount notes (consolidated discount notes), and to prepare the combined quarterly and annual financial reports of the 12 FHLBanks. As provided by the Federal Home Loan Bank Act of 1932, as amended (FHLBank Act), and applicable regulations, consolidated bonds and consolidated discount notes (collectively referred to as consolidated obligations) are backed only by the financial resources of the 12 FHLBanks. Consolidated obligations are the primary source of funds for the FHLBanks in addition to deposits, other borrowings and capital stock issued to members. 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) through their respective FHLBank's Mortgage Purchase Program (MPP) or the Mortgage Partnership Finance® (MPF) Program. "Mortgage Partnership Finance," "MPF," “MPF Shared Funding,” “eMPF” and “MPF Xtra” are registered trademarks of the FHLBank of Chicago. In addition, some FHLBanks offer their member institutions correspondent services, such as wire transfer, security safekeeping, and settlement services.

Note 1 - Summary of Significant Accounting Policies

These unaudited quarterly combined financial statements do not include all disclosures associated with annual combined financial statements, and accordingly should be read in conjunction with the audited combined financial statements for the year ended December 31, 2011 included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2011.

Basis of Presentation

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

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

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

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

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

Segment Reporting. FHFA regulations consider each FHLBank to be a segment. However, because there is no centralized, system-wide management or centralized board of director oversight of the individual FHLBanks, there is no single chief operating decision maker. (See the *Condensed Combining Schedules* for segment information.)

Reclassifications and Revisions to Prior Period Amounts. Certain amounts in the 2011 combined financial statements have been reclassified to conform to the financial statement presentation for the three and six months ended June 30, 2012. Additionally, certain prior period amounts have been revised and may not agree to the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2011. These amounts were not deemed to be material.

Subsequent Events. For purposes of this Combined Financial Report, subsequent events have been evaluated from July 1, 2012 through the time of publication. (See *Note 17 - Subsequent Events* for more information.)

Use of Estimates

The preparation of financial statements in accordance with GAAP requires each FHLBank's management to make subjective assumptions and estimates that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expense. The most significant of these estimates include the determination of other-than-temporary impairments of certain mortgage-backed securities (MBS) and fair value of derivatives, certain advances, certain investment securities and certain consolidated obligations that are reported at fair value in the Combined Statement of Condition. Actual results could differ from these estimates significantly.

Fair Value. The fair value amounts, recorded on the Combined Statement of Condition and in the note disclosures for the periods presented, have been determined by the FHLBanks using available market and other pertinent information, and reflect each FHLBank's best judgment of appropriate valuation methods. Although an FHLBank uses its best judgment in estimating the fair value of these financial instruments, there are inherent limitations in any valuation technique. Therefore, these fair values may not be indicative of the amounts that would have been realized in market transactions at the reporting dates. (See *Note 15 - Fair Value* for more information.)

Variable Interest Entities

Certain FHLBanks have investments in variable interest entities (VIEs) that include, but are not limited to, senior interests in

private-label MBS and asset-backed securities (ABS). The carrying amounts and classification of the assets that relate to the FHLBanks' investments in VIEs are included in investment securities on the Combined Statement of Condition. The affected FHLBanks have no liabilities related to these VIEs. The maximum loss exposure for these VIEs is limited to the carrying value of the FHLBanks' investments in the VIEs.

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

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

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

Note 2 - Recently Issued and Adopted Accounting Guidance

Framework for Adversely Classifying Certain Assets. On April 9, 2012, the FHFA issued an advisory bulletin that establishes a standard and uniform methodology for classifying loans, other real estate owned, and certain other assets (excluding investment securities), and prescribes the timing of asset charge-offs based on these classifications. This guidance is generally consistent with the *Uniform Retail Credit Classification and Account Management Policy* issued by the federal banking regulators in June 2000. The FHFA's advisory bulletin states that it was effective for the FHLBanks upon issuance. The FHLBanks are currently assessing the provisions of this advisory bulletin in coordination with the FHFA, and therefore, have not yet determined either when they will implement this guidance or its effect on the FHLBanks' combined financial condition, combined results of operations and combined cash flows.

Disclosures about Offsetting Assets and Liabilities. On December 16, 2011, the FASB and the IASB issued common disclosure requirements intended to help investors and other financial statement users better assess the effect or potential effect of offsetting arrangements on a company's financial position, whether a company's financial statements are prepared on the basis of GAAP or IFRS. This guidance will require the FHLBanks to disclose both gross and net information about financial instruments, including derivative instruments, which are either offset on their statements of condition or subject to an enforceable master netting arrangement or similar agreement. This guidance will be effective for the FHLBanks for interim and annual periods beginning on January 1, 2013 and will be applied retrospectively for all comparative periods presented. The adoption of this guidance may result in increased interim and annual financial statement disclosures, but will not affect the FHLBanks' combined financial condition, combined results of operations or combined cash flows.

Presentation of Comprehensive Income. On June 16, 2011, the Financial Accounting Standards Board (FASB) issued guidance to increase the prominence of other comprehensive income in financial statements. This guidance requires an entity that reports items of other comprehensive income to present comprehensive income in either a single financial statement or in two consecutive financial statements. In a single continuous statement, an entity is required to present the components of net income and total net income, the components of other comprehensive income and a total for other comprehensive income, as well as a total for comprehensive income. In a two-statement approach, an entity is required to present the components of net income and total net income in its statement of net income. The statement of other comprehensive income should follow immediately and include the components of other comprehensive income as well as totals for both other comprehensive income and comprehensive income. This guidance eliminated the option to present other comprehensive income in the statement of changes in stockholders' equity. Each FHLBank elected the two-statement approach for interim and annual periods beginning on January 1, 2012 and applied this guidance retrospectively for all periods presented. The adoption of this guidance was limited to the presentation of certain information contained in the interim and annual financial statements and did not affect the FHLBanks' combined financial condition, combined results of operations or combined cash flows. (See *Note 14 - Accumulated Other Comprehensive Income (Loss)* for disclosures required under this amended guidance.)

On December 23, 2011, the FASB issued guidance to defer the effective date of the new requirement to present reclassifications of items out of accumulated other comprehensive income (AOCI) in the statement of net income. This deferral

became effective for the FHLBanks for interim and annual periods beginning on January 1, 2012 and did not affect the FHLBanks' adoption of the remaining guidance contained in the new accounting standard for the presentation of comprehensive income.

Fair Value Measurements and Disclosures. On May 12, 2011, the FASB and the International Accounting Standards Board (IASB) issued substantially converged guidance on fair value measurement and disclosure requirements. This guidance clarifies how fair value accounting should be applied where its use is already required or permitted by other guidance within GAAP or International Financial Reporting Standards (IFRS); these amendments do not require additional fair value measurements. This guidance generally represents clarifications to the application of existing fair value measurement and disclosure requirements, as well as some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This guidance became effective for the FHLBanks for interim and annual periods beginning on January 1, 2012 and was applied prospectively. The adoption of this guidance resulted in additional financial statement disclosures, but did not have a material effect on the FHLBanks' combined financial condition, combined results of operations or combined cash flows. (See *Note 15 - Fair Value* for disclosures required under this amended guidance.)

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

Note 3 - Trading Securities

Table 3.1 - Trading Securities by Major Security Type

(dollars in millions)

	June 30, 2012	December 31, 2011
	Fair Value	Fair Value
Non-mortgage-backed securities		
U.S. Treasury obligations	$ 1,334	$ 1,061
Commercial paper	460	599
Certificates of deposit	624	1,020
Other U.S. obligations	261	9
GSE and Tennessee Valley Authority obligations	10,572	9,697
State or local housing agency obligations	2	3
Temporary Liquidity Guarantee Program debentures and promissory notes	2,375	5,179
Other(1)	303	296
Total non-mortgage-backed securities	15,931	17,864
Mortgage-backed securities		
Other U.S. obligations residential MBS(2)	41	43
GSE residential MBS	461	549
GSE commercial MBS	252	249
Total mortgage-backed securities	754	841
Total	$ 16,685	$ 18,705

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

At June 30, 2012 and December 31, 2011, 55.3% and 57.9% of the FHLBanks' fixed-rate trading securities were swapped to a variable rate and 64.0% and 43.9% of the FHLBanks' variable-rate trading securities were swapped to a different variable-rate index.

Table 3.2 - Net Gains (Losses) on Trading Securities

(dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net unrealized gains (losses) on trading securities held at period-end	$ 9	$ 42	$ (14)	$ (24)
Net unrealized and realized gains (losses) on trading securities sold/ matured during the year	(10)	(7)	(61)	(12)
Net gains (losses) on trading securities	$ (1)	$ 35	$ (75)	$ (36)

Note 4 - Available-for-Sale Securities

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

(dollars in millions)

	June 30, 2012				
	Amortized Cost(1)	OTTI Recognized in AOCI(2)	Gross Unrealized Gains(3)	Gross Unrealized Losses(3)	Fair Value
Non-mortgage-backed securities					
Certificates of deposit	$ 800	$ —	$ —	$ —	$ 800
Other U.S. obligations(4)	1,578	—	72	(3)	1,647
GSE and Tennessee Valley Authority obligations	14,285	—	113	(88)	14,310
State and local housing agency obligations	13	—	—	—	13
Temporary Liquidity Guarantee Program debentures and promissory notes	2,659	—	3	—	2,662
Federal Family Education Loan Program ABS	7,425	—	486	(41)	7,870
Other(5)	916	—	4	(40)	880
Total non-mortgage-backed securities	27,676	—	678	(172)	28,182
Mortgage-backed securities					
Other U.S. obligations residential MBS(6)	2,946	—	163	—	3,109
GSE residential MBS	23,236	—	924	(111)	24,049
GSE commercial MBS	152	—	—	—	152
Private-label residential MBS	16,033	(2,466)	31	(59)	13,539
Home equity loan ABS	16	(2)	—	—	14
Total mortgage-backed securities	42,383	(2,468)	1,118	(170)	40,863
Total	$ 70,059	$ (2,468)	$ 1,796	$ (342)	$ 69,045

	December 31, 2011				
	Amortized Cost(1)	OTTI Recognized in AOCI(2)	Gross Unrealized Gains(3)	Gross Unrealized Losses(3)	Fair Value
Non-mortgage-backed securities					
Certificates of deposit	$ 3,955	$ —	$ —	$ (1)	$ 3,954
Other U.S. obligations(4)	1,177	—	63	—	1,240
GSE and Tennessee Valley Authority obligations	14,935	—	126	(80)	14,981
Temporary Liquidity Guarantee Program debentures and promissory notes	9,532	—	14	—	9,546
Federal Family Education Loan Program ABS	7,796	—	398	(35)	8,159
Other(7)	974	—	3	(37)	940
Total non-mortgage-backed securities	38,369	—	604	(153)	38,820
Mortgage-backed securities					
Other U.S. obligations residential MBS(6)	2,988	—	130	—	3,118
GSE residential MBS	21,084	—	773	(96)	21,761
GSE commercial MBS	154	—	—	(1)	153
Private-label residential MBS	17,351	(2,969)	17	(204)	14,195
Home equity loan ABS	18	(3)	—	—	15
Total mortgage-backed securities	41,595	(2,972)	920	(301)	39,242
Total	$ 79,964	$ (2,972)	$ 1,524	$ (454)	$ 78,062

(1) Amortized cost of AFS securities includes adjustments made to the cost basis of an investment for accretion, amortization, previous other-than-temporary impairment (OTTI) recognized in earnings, and/or fair value hedge accounting adjustments.
(2) OTTI recognized in AOCI does not include $(27) million and $(185) million in subsequent unrealized gains (losses) in fair value of previously other-than-temporarily impaired AFS securities at June 30, 2012 and December 31, 2011, which is included in net non-credit portion of OTTI losses on AFS securities in *Note 14 - Accumulated Other Comprehensive Income (Loss)*.
(3) Gross unrealized gains and gross unrealized losses on AFS securities include $(27) million and $(185) million in subsequent unrealized gains (losses) in fair value of previously other-than-temporarily impaired AFS securities at June 30, 2012 and December 31, 2011, which is not included in net unrealized gains (losses) on AFS securities in *Note 14 - Accumulated Other Comprehensive Income (Loss)*.
(4) Primarily consists of debt securities issued or guaranteed by Small Business Administration (SBA) and Export-Import Bank of the U.S. (Ex-Im Bank).
(5) Primarily consists of debentures issued by Inter-American Development Bank (IDB) and taxable municipal bonds.
(6) Primarily consists of MBS issued or guaranteed by Ginnie Mae.
(7) Primarily consists of debentures issued by IDB, taxable municipal bonds and debt securities issued by International Bank for Reconstruction and Development (IBRD).

At June 30, 2012 and December 31, 2011, the amortized cost of the FHLBanks' MBS classified as AFS included credit losses, OTTI-related accretion adjustments, and purchased premiums and discounts totaling $2,904 million and $2,890 million.

Table 4.2 presents the AFS securities with unrealized losses by major security type and length of time that individual securities have been in a continuous unrealized loss position.

Table 4.2 - AFS Securities in a Continuous Unrealized Loss Position

(dollars in millions)

	June 30, 2012					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses(1)
Non-mortgage-backed securities						
Other U.S. obligations	$ 457	$ (3)	$ —	$ —	$ 457	$ (3)
GSE and Tennessee Valley Authority obligations	3,074	(14)	436	(74)	3,510	(88)
Federal Family Education Loan Program ABS	112	(1)	1,141	(40)	1,253	(41)
Other(2)	140	(1)	472	(39)	612	(40)
Total non-mortgage-backed securities	3,783	(19)	2,049	(153)	5,832	(172)
Mortgage-backed securities						
GSE residential MBS	4,733	(110)	456	(1)	5,189	(111)
Private-label residential MBS	545	(15)	11,691	(2,510)	12,236	(2,525)
Home equity loan ABS	—	—	12	(2)	12	(2)
Total mortgage-backed securities	5,278	(125)	12,159	(2,513)	17,437	(2,638)
Total	$ 9,061	$ (144)	$ 14,208	$ (2,666)	$ 23,269	$ (2,810)

	December 31, 2011					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses(1)
Non-mortgage-backed securities						
Certificates of deposit	$ 3,524	$ (1)	$ —	$ —	$ 3,524	$ (1)
GSE and Tennessee Valley Authority obligations	2,487	(6)	1,042	(74)	3,529	(80)
Federal Family Education Loan Program ABS	223	(3)	1,203	(32)	1,426	(35)
Other(3)	322	(1)	469	(36)	791	(37)
Total non-mortgage-backed securities	6,556	(11)	2,714	(142)	9,270	(153)
Mortgage-backed securities						
GSE residential MBS	5,273	(92)	937	(4)	6,210	(96)
GSE commercial MBS	50	—	103	(1)	153	(1)
Private-label residential MBS	1,292	(61)	12,490	(3,112)	13,782	(3,173)
Home equity loan ABS	2	—	13	(3)	15	(3)
Total mortgage-backed securities	6,617	(153)	13,543	(3,120)	20,160	(3,273)
Total	$ 13,173	$ (164)	$ 16,257	$ (3,262)	$ 29,430	$ (3,426)

(1) Total unrealized losses in Table 4.2 will not agree to total gross unrealized losses in Table 4.1. Total unrealized losses in Table 4.2 include non-credit-related OTTI losses recorded in AOCI.
(2) Primarily consists of debentures issued by IDB.
(3) Primarily consists of debentures issued by IDB and IBRD.

Table 4.3 - AFS Securities by Contractual Maturity

(dollars in millions)

	June 30, 2012		December 31, 2011	
Year of Maturity	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Non-mortgage-backed securities				
Due in one year or less	$ 5,720	$ 5,730	$ 17,123	$ 17,138
Due after one year through five years	7,151	7,219	5,425	5,501
Due after five years through ten years	5,085	5,134	5,987	6,052
Due after ten years	2,295	2,229	2,038	1,970
Federal Family Education Loan Program ABS(1)	7,425	7,870	7,796	8,159
Total non-mortgage-backed securities	27,676	28,182	38,369	38,820
Mortgage-backed securities(1)	42,383	40,863	41,595	39,242
Total	$ 70,059	$ 69,045	$ 79,964	$ 78,062

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

At June 30, 2012 and December 31, 2011, 43.3% and 39.8% of the FHLBanks' fixed-rate AFS securities were swapped to a variable rate. At June 30, 2012, none of the FHLBanks' variable-rate AFS securities were swapped to a different variable-rate index and at December 31, 2011, 0.1% of the FHLBanks' variable-rate AFS securities were swapped to a different variable-rate index.

Table 4.4 - Proceeds from Sale and Gross Gains and Losses on AFS Securities

(dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Proceeds from sale of AFS securities	$ 56	$ 816	$ 56	$ 2,195
Gross gains on sale of AFS securities	$ —	$ 14	$ —	$ 22
Gross losses on sale of AFS securities	—	(4)	—	(4)
Net realized gains (losses) from sale of AFS securities	$ —	$ 10 [(a)]	$ —	$ 18 [(a)]

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

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

Note 5 - Held-to-Maturity Securities

Table 5.1 - HTM Securities by Major Security Type

(dollars in millions)

	June 30, 2012					
	Amortized Cost(1)	OTTI Recognized in AOCI(2)	Carrying Value(2)	Gross Unrecognized Holding Gains(3)	Gross Unrecognized Holding Losses(3)	Fair Value
Non-mortgage-backed securities						
Commercial paper	$ 2,349	$ —	$ 2,349	$ —	$ —	$ 2,349
Certificates of deposit	7,248	—	7,248	—	—	7,248
Other U.S. obligations(4)	2,275	—	2,275	122	—	2,397
GSE and Tennessee Valley Authority obligations	2,971	—	2,971	108	—	3,079
State or local housing agency obligations	2,116	—	2,116	19	(255)	1,880
Temporary Liquidity Guarantee Program debentures and promissory notes	2,029	—	2,029	—	—	2,029
Other	2	—	2	—	—	2
Total non-mortgage-backed securities	18,990	—	18,990	249	(255)	18,984
Mortgage-backed securities						
Other U.S. obligations residential MBS(5)	9,176	—	9,176	146	(7)	9,315
Other U.S. obligations commercial MBS(5)	501	—	501	8	—	509
GSE residential MBS	72,553	—	72,553	2,128	(18)	74,663
GSE commercial MBS	4,918	—	4,918	311	—	5,229
Private-label residential MBS	13,779	(954)	12,825	281	(804)	12,302
Private-label commercial MBS	25	—	25	1	—	26
Manufactured housing loan ABS	159	—	159	—	(11)	148
Home equity loan ABS	407	(69)	338	51	(29)	360
Total mortgage-backed securities	101,518	(1,023)	100,495	2,926	(869)	102,552
Total	$ 120,508	$ (1,023)	$ 119,485	$ 3,175	$ (1,124)	$ 121,536

	December 31, 2011					
	Amortized Cost(1)	OTTI Recognized in AOCI(2)	Carrying Value(2)	Gross Unrecognized Holding Gains(3)	Gross Unrecognized Holding Losses(3)	Fair Value
Non-mortgage-backed securities						
Commercial paper	$ 1,800	$ —	$ 1,800	$ —	$ —	$ 1,800
Certificates of deposit	7,209	—	7,209	—	—	7,209
Other U.S. obligations(4)	2,259	—	2,259	94	—	2,353
GSE and Tennessee Valley Authority obligations	2,616	—	2,616	115	—	2,731
State or local housing agency obligations	2,225	—	2,225	14	(295)	1,944
Temporary Liquidity Guarantee Program debentures and promissory notes	3,295	—	3,295	3	—	3,298
Other	2	—	2	—	—	2
Total non-mortgage-backed securities	19,406	—	19,406	226	(295)	19,337
Mortgage-backed securities						
Other U.S. obligations residential MBS(5)	9,444	—	9,444	115	(16)	9,543
Other U.S. obligations commercial MBS(5)	521	—	521	6	—	527
GSE residential MBS	71,305	—	71,305	2,189	(39)	73,455
GSE commercial MBS	3,510	—	3,510	233	—	3,743
Private-label residential MBS	15,760	(1,048)	14,712	223	(1,238)	13,697
Private-label commercial MBS	48	—	48	1	—	49
Manufactured housing loan ABS	171	—	171	—	(12)	159
Home equity loan ABS	437	(77)	360	50	(34)	376
Total mortgage-backed securities	101,196	(1,125)	100,071	2,817	(1,339)	101,549
Total	$ 120,602	$ (1,125)	$ 119,477	$ 3,043	$ (1,634)	$ 120,886

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

At June 30, 2012 and December 31, 2011, the amortized cost of the FHLBanks' MBS classified as HTM included credit losses, OTTI-related accretion adjustments, and purchased premiums and discounts totaling $1,076 million and $1,130 million.

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

Table 5.2 - HTM Securities in a Continuous Unrealized Loss Position

(dollars in millions)

	June 30, 2012					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses(1)
Non-mortgage-backed securities						
State or local housing agency obligations	$ —	$ —	$ 1,109	$ (255)	$ 1,109	$ (255)
Total non-mortgage-backed securities	—	—	1,109	(255)	1,109	(255)
Mortgage-backed securities						
Other U.S. obligations residential MBS(2)	562	(1)	825	(6)	1,387	(7)
GSE residential MBS	1,992	(7)	1,886	(11)	3,878	(18)
Private-label residential MBS	437	(4)	9,563	(1,709)	10,000	(1,713)
Manufactured housing loan ABS	—	—	148	(11)	148	(11)
Home equity loan ABS	—	—	345	(52)	345	(52)
Total mortgage-backed securities	2,991	(12)	12,767	(1,789)	15,758	(1,801)
Total	$ 2,991	$ (12)	$ 13,876	$ (2,044)	$ 16,867	$ (2,056)

	December 31, 2011					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses(1)
Non-mortgage-backed securities						
State or local housing agency obligations	$ 31	$ (3)	$ 1,174	$ (292)	$ 1,205	$ (295)
Total non-mortgage-backed securities	31	(3)	1,174	(292)	1,205	(295)
Mortgage-backed securities						
Other U.S. obligations residential MBS(3)	1,657	(8)	762	(8)	2,419	(16)
GSE residential MBS	6,581	(16)	3,790	(23)	10,371	(39)
Private-label residential MBS	1,229	(25)	9,843	(2,238)	11,072	(2,263)
Manufactured housing loan ABS	—	—	159	(12)	159	(12)
Home equity loan ABS	1	—	373	(65)	374	(65)
Total mortgage-backed securities	9,468	(49)	14,927	(2,346)	24,395	(2,395)
Total	$ 9,499	$ (52)	$ 16,101	$ (2,638)	$ 25,600	$ (2,690)

(1) Total unrealized losses in Table 5.2 will not agree to total gross unrecognized holding losses in Table 5.1. Total unrealized losses in Table 5.2 include non-credit-related OTTI losses recorded in AOCI and gross unrecognized holding gains on previously other-than-temporarily impaired securities.
(2) Primarily consists of mortgage-backed securities issued or guaranteed by Ginnie Mae.
(3) Primarily consists of mortgage-backed securities issued or guaranteed by Ginnie Mae and NCUA.

Table 5.3 - HTM Securities by Contractual Maturity

(dollars in millions)

	June 30, 2012			December 31, 2011		
Year of Maturity	**Amortized Cost**	**Carrying Value(1)**	**Fair Value**	**Amortized Cost**	**Carrying Value(1)**	**Fair Value**
Non-mortgage-backed securities						
Due in one year or less	$ 12,765	$ 12,765	$ 12,784	$ 13,234	$ 13,234	$ 13,250
Due after one year through five years	2,149	2,149	2,155	1,893	1,893	1,921
Due after five years through ten years	680	680	694	696	696	710
Due after ten years	3,396	3,396	3,351	3,583	3,583	3,456
Total non-mortgage-backed securities	18,990	18,990	18,984	19,406	19,406	19,337
Mortgage-backed securities(2)	101,518	100,495	102,552	101,196	100,071	101,549
Total	$ 120,508	$ 119,485	$ 121,536	$ 120,602	$ 119,477	$ 120,886

(1) The carrying value of HTM securities represents amortized cost after adjustment for non-credit-related impairment recognized in AOCI.
(2) MBS are not presented by contractual maturity because their expected maturities will likely differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

Realized Gains and Losses

Certain FHLBanks sold securities out of their respective HTM portfolio that were either within three months of maturity or had less than 15% of the acquired principal outstanding at the time of the sale. These sales are considered maturities for purposes of security classification.

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

(dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Proceeds from sale of HTM securities	$ 508	$ 373	$ 513	$ 373
Net realized gains (losses) from sale of HTM securities	29	10	29	10

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

Note 6 - Other-than-Temporary Impairment Analysis

Each FHLBank evaluates its individual AFS and HTM investment securities holdings in an unrealized loss position for OTTI on at least a quarterly basis. As part of its evaluation of securities for OTTI, an FHLBank considers its intent to sell each debt security and whether it is more likely than not that it will be required to sell the security before its anticipated recovery. If either of these conditions is met, an FHLBank recognizes an OTTI charge to earnings equal to the entire difference between the security's amortized cost basis and its fair value at the statement of condition date. For securities in an unrealized loss position that meet neither of these conditions, each FHLBank performs a cash flow analysis to determine whether the entire amortized cost basis of these impaired securities, including all previously other-than-temporarily impaired securities, will be recovered. If the FHLBank does not expect to recover the entire amount, the unrealized loss position is considered to be other-than-temporarily impaired. The FHLBank evaluates the security's OTTI to determine the amount of credit loss recognized in earnings, which is limited to the amount of that security's unrealized loss.

The 12 FHLBanks have developed a uniform framework for completing their OTTI analyses in accordance with FASB guidance on the recognition and presentation of OTTI in the financial statements. To assess whether the entire amortized cost bases of its private-label residential MBS and home equity loan ABS would be recovered, each FHLBank performed a cash flow analysis using two third-party models for each such security where fair value was less than amortized cost as of the most recent balance sheet date, except for certain private-label residential MBS and home equity loan ABS where underlying loan-level collateral data was not available using the uniform OTTI modeling methodology under the FHLBanks' uniform framework. A description of the uniform framework and the two third-party models are disclosed in *Note 8 - Other-than-Temporary Impairment Analysis*, pages F-35 to F-36, of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2011.

Certain Private-label MBS

The FHLBanks' housing price forecast as of June 30, 2012 assumed current-to-trough home price declines ranging from 0.0% (for those housing markets that are believed to have reached their trough) to 6.0%. For those markets where further home price declines are anticipated, the declines were projected to occur over the 3- to 9-month period beginning April 1, 2012. For the vast majority of markets where further home price declines are anticipated, the declines were projected to range from 1% to 4% over the 3-month period beginning April 1, 2012.

From the trough, home prices were projected to recover using one of five different recovery paths that vary by housing market. Table 6.1 presents projected home price recovery by months at June 30, 2012.

Table 6.1 - Recovery Ranges of Housing Price Change

Months	Recovery Range % (Annualized Rates)		
1 - 6	0.0	-	2.8
7 - 18	0.0	-	3.0
19 -24	1.0	-	4.0
25 -30	2.0	-	4.0
31 -42	2.0	-	5.0
43 -66	2.0	-	6.0
Thereafter	2.3	-	5.6

Table 6.2 presents the significant inputs used to measure the amount of credit loss recognized in earnings during the three months ended June 30, 2012 for those securities for which an OTTI was determined to have occurred as well as related current credit enhancement for each applicable FHLBank. Credit enhancement is defined as the percentage of credit subordination, excess spread and over-collateralization, if any, in a security structure that will generally absorb losses before each FHLBank will experience a loss on the security. The calculated averages represent the dollar-weighted averages of all the private-label residential MBS and home equity loan ABS in each category shown.

Table 6.2 - Significant Inputs for OTTI

	Significant Inputs for OTTI Private-label Residential MBS(1)							
	Prepayment Rates		Default Rates		Loss Severities		Current Credit Enhancement	
Year of Securitization	Weighted-Average %(2)	Range %	Weighted-Average %(2)	Range %	Weighted-Average %(2)	Range %	Weighted-Average %(2)	Range %
Prime								
2007	9.9	9.9	20.8	20.8	47.3	47.3	3.7	3.7
2006	7.6	6.0 - 11.2	33.5	19.6 - 43.1	40.6	35.7 - 50.8	2.2	0.0 - 7.0
2005	9.1	6.9 - 15.5	19.4	8.5 - 26.5	42.7	34.2 - 44.1	4.8	1.4 - 6.1
2004 and prior	31.7	29.1 - 33.0	0.6	0.0 - 0.9	15.2	0.0 - 23.0	17.2	5.0 - 41.2
Total prime	7.8	6.0 - 33.0	31.8	0.0 - 43.1	40.9	0.0 - 50.8	2.5	0.0 - 41.2
Alt-A								
2007	3.6	1.4 - 10.2	73.2	34.3 - 88.3	55.5	45.6 - 61.7	31.5	4.0 - 41.9
2006	6.1	1.7 - 9.0	56.7	39.7 - 84.4	54.3	47.4 - 66.9	23.3	0.0 - 38.0
2005	8.5	3.1 - 12.8	35.1	14.6 - 72.9	46.8	38.1 - 60.1	9.2	0.0 - 26.0
2004 and prior	11.2	9.0 - 14.0	25.8	14.5 - 42.3	44.2	34.3 - 55.2	11.9	7.5 - 32.5
Total Alt-A	6.5	1.4 - 14.0	52.5	14.5 - 88.3	51.9	34.3 - 66.9	20.5	0.0 - 41.9
Subprime								
2004 and prior	5.8	5.8	37.1	37.1	65.9	65.9	11.1	11.1
Total subprime	5.8	5.8	37.1	37.1	65.9	65.9	11.1	11.1
Total OTTI private-label residential MBS	6.9	1.4 - 33.0	46.1	0.0 - 88.3	48.5	0.0 - 66.9	14.9	0.0 - 41.9

	Significant Inputs for OTTI Home Equity Loan ABS(1)							
	Prepayment Rates		Default Rates		Loss Severities		Current Credit Enhancement	
Year of Securitization	Weighted-Average %(2)	Range %	Weighted-Average %(2)	Range %	Weighted-Average %(2)	Range %	Weighted-Average %(2)	Range %
Subprime								
2004 and prior	2.3	1.1 - 3.1	7.8	4.1 - 12.0	97.7	91.2 - 100.0	(16.4) [(a)]	(30.8) - 16.0 [(b)]
Total subprime	2.3	1.1 - 3.1	7.8	4.1 - 12.0	97.7	91.2 - 100.0	(16.4) [(a)]	(30.8) - 16.0 [(b)]
Total OTTI home equity loan ABS	2.3	1.1 - 3.1	7.8	4.1 - 12.0	97.7	91.2 - 100.0	(16.4) [(a)]	(30.8) - 16.0 [(b)]

(a) A negative weighted-average percentage exists because the servicer restated the principal balances insured by Ambac Assurance Corp. (Ambac) due to Ambac's inability to make cash payments on factor paydowns.
(b) 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) The classification (prime, Alt-A and subprime) is based on the model used to run the estimated cash flows for the CUSIP, which may not necessarily be the same as the classification at the time of origination.
(2) Weighted-average percentage is based on unpaid principal balance.

Certain private-label MBS owned by certain FHLBanks are insured by monoline bond insurers. These 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 previously discussed. Conversely, the key burn-out period for three monoline bond insurers, Syncora Guarantee Inc., Financial Guaranty Insurance Corp. and Ambac, are not considered applicable due to regulatory intervention that has suspended all claims payments to effectively zero.

For the remaining monoline bond insurer, MBIA Insurance Corp. (MBIA), Table 6.3 presents the key burn-out period assumptions used by an FHLBank that has relied on the projected time horizon of credit protection from this insurer at June 30, 2012.

Table 6.3 - Other-than-Temporarily Impaired Securities Insured by MBIA

(dollars in millions)

Assumed burn-out period (months)	3
Coverage ignore date	September 30, 2012
Total unpaid principal balance of other-than-temporarily impaired securities	$12

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

During the three and six months ended June 30, 2012 and 2011, certain FHLBanks elected to transfer from their respective HTM portfolio to their respective AFS portfolio private-label residential MBS that had credit-related OTTI recorded during the applicable period. Each of these FHLBanks recognized an OTTI credit loss on these HTM private-label residential MBS, which each FHLBank believes is evidence of a significant deterioration in the issuer's creditworthiness. This deterioration is the basis for the transfers to the AFS portfolio. These transfers allow management the option to decide to sell these securities prior to maturity in response to changes in interest rates, changes in prepayment risk, or other factors. For the AFS securities in an unrealized loss position, each of these FHLBanks asserted as of June 30, 2012 that it has no intent to sell and believes it is not more likely than not that it will be required to sell any security before its anticipated recovery of the remaining amortized cost basis.

Table 6.4 presents information on private-label residential MBS transferred during the three and six months ended June 30, 2012 and 2011. The amounts represent the values as of the transfer date.

Table 6.4 - HTM Securities Transferred to AFS Securities

(dollars in millions)

	Three Months Ended June 30,							
	2012				2011			
	Amortized Cost	OTTI Recognized in AOCI	Gross Unrecognized Holding Gains (Losses)	Fair Value	Amortized Cost	OTTI Recognized in AOCI	Gross Unrecognized Holding Gains (Losses)	Fair Value
FHLBank of Atlanta(1)	$ —	$ —	$ —	$ —	$ 52	$ (6)	$ —	$ 46
FHLBank of San Francisco(1)	26	(7)	—	19	2,626	(733)	168	2,061
Total	$ 26	$ (7)	$ —	$ 19	$ 2,678	$ (739)	$ 168	$ 2,107

	Six Months Ended June 30,							
	2012				2011			
	Amortized Cost	OTTI Recognized in AOCI	Gross Unrecognized Holding Gains (Losses)	Fair Value	Amortized Cost	OTTI Recognized in AOCI	Gross Unrecognized Holding Gains (Losses)	Fair Value
FHLBank of Pittsburgh(1)	$ 12	$ (1)	$ —	$ 11	$ 94	$ (3)	$ —	$ 91
FHLBank of Atlanta(1)	6	—	—	6	374	(26)	—	348
FHLBank of San Francisco(1)	68	(13)	—	55	9,716	(2,501)	857	8,072
FHLBank of Seattle(2)	—	—	—	—	13	(5)	1	9
Total	$ 86	$ (14)	$ —	$ 72	$ 10,197	$ (2,535)	$ 858	$ 8,520

(1) Transfer included all private-label residential MBS that had credit-related OTTI recorded during the applicable period.
(2) Transfer included certain private-label residential MBS that had credit-related OTTI recorded during the applicable period.

Table 6.5 presents the June 30, 2012 balance of the total HTM and AFS securities with OTTI charges during the three months ended June 30, 2012, based on each individual FHLBank's impairment analyses of its investment portfolio at June 30, 2012.

Table 6.5 - Total Securities Other-than-Temporarily Impaired during the Three Months Ended June 30, 2012

(dollars in millions)

	June 30, 2012 (1)						
	Held-to-Maturity Securities				Available-for-Sale Securities		
	Unpaid Principal Balance	Amortized Cost	Carrying Value	Fair Value	Unpaid Principal Balance	Amortized Cost	Fair Value
Private-label residential MBS(2)							
Prime	$ 662	$ 546	$ 401	$ 463	$ 835	$ 741	$ 697
Alt-A	224	182	136	138	2,677	2,191	1,790
Subprime	—	—	—	—	3	1	1
Total private-label residential MBS	886	728	537	601	3,515	2,933	2,488
Home equity loan ABS(2)							
Subprime	16	10	9	10	—	—	—
Total home equity loan ABS	16	10	9	10	—	—	—
Total	$ 902	$ 738	$ 546	$ 611	$ 3,515	$ 2,933	$ 2,488

(1) Table 6.5 does not include all HTM and AFS securities that are in an unrealized loss position as of June 30, 2012. This table includes only those HTM and AFS securities with OTTI charges during the three months ended June 30, 2012.
(2) The FHLBanks classify securities as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by a nationally recognized statistical rating organization upon issuance of the securities.

Table 6.6 presents the June 30, 2012 balance of the total HTM and AFS securities with OTTI charges during the life of the security (which represent securities impaired prior to and at June 30, 2012), based on each individual FHLBank's impairment analyses of its investment portfolio.

Table 6.6 - Total Securities Other-than-Temporarily Impaired during the Life of the Security

(dollars in millions)

	June 30, 2012 (1)						
	Held-to-Maturity Securities				Available-for-Sale Securities		
	Unpaid Principal Balance	Amortized Cost	Carrying Value	Fair Value	Unpaid Principal Balance	Amortized Cost	Fair Value
Private-label residential MBS(2)							
Prime	$ 1,768	$ 1,416	$ 1,070	$ 1,232	$ 5,987	$ 5,064	$ 4,673
Alt-A	2,253	1,734	1,250	1,267	13,093	10,961	8,859
Subprime	863	564	441	454	3	1	1
Total private-label residential MBS	4,884	3,714	2,761	2,953	19,083	16,026	13,533
Home equity loan ABS(2)							
Alt-A	—	—	—	—	22	16	14
Subprime	250	212	141	192	—	—	—
Total home equity loan ABS	250	212	141	192	22	16	14
Total	$ 5,134	$ 3,926	$ 2,902	$ 3,145	$ 19,105	$ 16,042	$ 13,547

(1) Table 6.6 does not include all HTM and AFS securities that are in an unrealized loss position as of June 30, 2012. This table includes only those HTM and AFS securities with OTTI charges during the life of the security.

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

Table 6.7 presents the credit losses and net amount of impairment losses reclassified to/(from) accumulated other comprehensive income (loss) for the three and six months ended June 30, 2012 and 2011.

Table 6.7 - Other-than-Temporary Impairment Losses

(dollars in millions)

	Three Months Ended June 30,					
	2012			2011		
	Total OTTI Losses	AOCI(1)	OTTI Related to Credit Losses	Total OTTI Losses	AOCI(1)	OTTI Related to Credit Losses
Private-label residential MBS(2)						
Prime	$ (1)	$ (25)	$ (26)	$ (16)	$ (51)	$ (67)
Alt-A	(23)	(4)	(27)	(137)	(131)	(268)
Subprime	(1)	—	(1)	(10)	4	(6)
Total OTTI on private-label residential MBS	(25)	(29)	(54)	(163)	(178)	(341)
Home equity loan ABS(2)						
Subprime	—	(1)	(1)	(1)	1	—
Total OTTI on home equity loan ABS	—	(1)	(1)	(1)	1	—
Total	$ (25)	$ (30)	$ (55)	$ (164)	$ (177)	$ (341)

	Six Months Ended June 30,					
	2012			2011		
	Total OTTI Losses	AOCI(1)	OTTI Related to Credit Losses	Total OTTI Losses	AOCI(1)	OTTI Related to Credit Losses
Private-label residential MBS(2)						
Prime	$ (3)	$ (39)	$ (42)	$ (55)	$ (100)	$ (155)
Alt-A	(45)	4	(41)	(225)	(222)	(447)
Subprime	(2)	1	(1)	(10)	(4)	(14)
Total OTTI on private-label residential MBS	(50)	(34)	(84)	(290)	(326)	(616)
Home equity loan ABS(2)						
Alt-A	—	(1)	(1)	—	—	—
Subprime	—	(1)	(1)	(1)	1	—
Total OTTI on home equity loan ABS	—	(2)	(2)	(1)	1	—
Total	$ (50)	$ (36)	$ (86)	$ (291)	$ (325)	$ (616)

(1) Represents the net amount of impairment losses reclassified to/(from) AOCI.
(2) The FHLBanks classify securities as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by a nationally recognized statistical rating organization upon issuance of the securities.

Table 6.8 presents a rollforward of the amounts related to credit losses recognized in earnings. The rollforward relates to the amount of credit losses on investment securities held by the FHLBanks for which a portion of other-than-temporary impairment losses were recognized in accumulated other comprehensive income (loss).

Table 6.8 - Rollforward of the Amounts Related to Credit Losses Recognized into Earnings

(dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Balance, at beginning of period	$ 4,215	$ 3,743	$ 4,201	$ 3,487
Additions:				
Credit losses for which OTTI was not previously recognized	—	4	—	10
Additional OTTI credit losses for securities upon which an OTTI charge was previously recognized(1)	55	337	86	606
Reductions:				
Securities sold, matured, paid down or prepaid during the period	(13)	(60)	(25)	(73)
Increases in cash flows expected to be collected that are recognized over the remaining life of the securities	(15)	(6)	(20)	(12)
Balance, at end of period	$ 4,242	$ 4,018	$ 4,242	$ 4,018

(1) For the three months ended June 30, 2012 and 2011, additional OTTI credit losses for securities upon which an OTTI charge was previously recognized relates to all securities that were also previously impaired prior to April 1, 2012 and 2011. For the six months ended June 30, 2012 and 2011, additional OTTI credit losses for securities upon which an OTTI charge was previously recognized relates to all securities that were also previously impaired prior to January 1, 2012 and 2011.

All other AFS and HTM Investments

At June 30, 2012, the FHLBanks held certain AFS and HTM securities in unrealized loss positions. These unrealized losses are primarily due to illiquidity and interest rate volatility. These losses are considered temporary as each of the FHLBanks expects to recover the entire amortized cost basis on its remaining AFS and HTM securities in unrealized loss positions and neither intends to sell these securities nor considers it more likely than not that it will be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis. As a result, each FHLBank does not consider any of the following investments to be other-than-temporarily impaired at June 30, 2012:

- State and local housing agency obligations. Certain FHLBanks invest in state or local government bonds. Each of these FHLBanks has determined that, as of June 30, 2012, all of its 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 June 30, 2012 are expected to return contractual principal and interest, and such supranational entity is rated triple-A by each of three nationally recognized statistical rating organizations used by the affected FHLBank. The 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 obligations, Tennessee Valley Authority (TVA) obligations, manufactured housing loan ABS, and Federal Family Education Loan Program (FFELP) ABS. Each affected FHLBank determined that the strength of the issuers' guarantees through direct obligations or support from the U.S. government is sufficient to protect that FHLBank from losses based on current expectations. As a result, each of these FHLBanks has determined that, as of June 30, 2012, all of its gross unrealized losses on these securities are temporary.

Note 7 - Advances

The FHLBanks offer a wide range of fixed- and variable-rate advance products with different maturities, interest rates, payment characteristics and optionality. Fixed-rate advances generally have maturities ranging from one day to 30 years. Variable-rate advances generally have maturities ranging from less than 30 days to 15 years, where the interest rates reset periodically at a fixed spread to the London Interbank Offered Rate (LIBOR) or other specified index.

Table 7.1 - Advances Redemption Terms

(dollars in millions)

	June 30, 2012		December 31, 2011	
Redemption Term	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Overdrawn demand and overnight deposit accounts	$ 21	0.81%	$ 21	0.98%
Due in 1 year or less	158,650	1.09%	145,413	1.27%
Due after 1 year through 2 years	52,058	1.98%	66,221	2.05%
Due after 2 years through 3 years	37,866	2.23%	37,375	2.38%
Due after 3 years through 4 years	40,566	2.79%	32,524	2.76%
Due after 4 years through 5 years	43,964	2.55%	42,335	2.96%
Thereafter	68,744	2.98%	76,880	3.25%
Index-amortizing advances(1)	2,474	4.07%	2,517	4.20%
Total par value	404,343	1.98%	403,286	2.20%
Commitment fees	(7)		(8)	
Discount on AHP advances	(53)		(55)	
Premiums	276		259	
Discounts	(111)		(107)	
Hedging adjustments	13,592		14,356	
Fair value option valuation adjustments	326		426	
Total	$ 418,366		$ 418,157	

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

Table 7.2 - Advances by Year of Contractual Maturity or Next Call Date and Next Put or Convert Date

(dollars in millions)

	Year of Contractual Maturity or Next Call Date		Year of Contractual Maturity or Next Put or Convert Date	
Redemption Term	**June 30, 2012**	**December 31, 2011**	**June 30, 2012**	**December 31, 2011**
Overdrawn demand and overnight deposit accounts	$ 21	$ 21	$ 21	$ 21
Due in 1 year or less	180,436	167,489	201,883	192,317
Due after 1 year through 2 years	51,066	63,039	51,392	65,352
Due after 2 years through 3 years	34,556	35,707	36,340	35,847
Due after 3 years through 4 years	37,315	30,490	34,254	29,330
Due after 4 years through 5 years	39,471	37,820	32,411	33,635
Thereafter	59,004	66,203	45,568	44,267
Index-amortizing advances	2,474	2,517	2,474	2,517
Total par value	$ 404,343	$ 403,286	$ 404,343	$ 403,286

The FHLBanks offer advances to members that provide a member the right, based upon predetermined option exercise dates, to call the advance prior to maturity without incurring prepayment or termination fees (callable advances). In exchange for receiving the right to call the advance on a predetermined call schedule, the member pays a higher fixed rate for the advance relative to an equivalent maturity, non-callable, fixed-rate advance. If the call option is exercised, replacement funding may be available. Other advances may only be prepaid by paying a fee to the FHLBank (prepayment fee) that makes the FHLBank financially indifferent to the prepayment of the advance. At June 30, 2012 and December 31, 2011, the FHLBanks had callable advances of $34.4 billion and $27.7 billion.

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

With a putable advance to a member, an FHLBank effectively purchases a put option from the member that allows that FHLBank to put or extinguish the fixed-rate advance to the member on predetermined exercise dates, and offer, subject to certain conditions, replacement funding at prevailing market rates. Generally, these put options are exercised when interest rates increase. At June 30, 2012 and December 31, 2011, the FHLBanks had putable advances outstanding totaling $36.3 billion and $44.0 billion.

Convertible advances allow an FHLBank to convert an advance from one interest-payment term structure to another. When issuing convertible advances, an FHLBank may purchase put options from a member that allow that FHLBank to convert the fixed-rate advance to a variable-rate advance at the current market rate or another structure after an agreed-upon lockout period. A convertible advance carries a lower interest rate than a comparable-maturity fixed-rate advance without the conversion feature. Variable- to fixed-rate convertible advances have a defined lockout period during which the interest rates adjust based on a spread to LIBOR. At the end of the lockout period, these advances may convert to fixed-rate advances. The fixed rates on the converted advances are determined at origination. At June 30, 2012 and December 31, 2011, the FHLBanks had convertible advances outstanding totaling $13.3 billion and $16.1 billion.

Table 7.3 presents the par value, interest rate characteristics and percentage of FHLBanks' fixed-rate advances that were swapped to a variable rate and variable-rate advances that were swapped to a different variable-rate index.

Table 7.3 - Advances by Current Interest Rate Terms

(dollars in millions)

	June 30, 2012			December 31, 2011		
	Par Value	**Amount Swapped (Par Value)**	**Percentage Swapped**	**Par Value**	**Amount Swapped (Par Value)**	**Percentage Swapped**
Total fixed-rate	$ 304,266	$ 177,918	58.5%	$ 308,545	$ 194,595	63.1%
Total variable-rate	100,077	5,134	5.1%	94,741	2,414	2.5%
Total par value	$ 404,343	$ 183,052	45.3%	$ 403,286	$ 197,009	48.9%

Credit Risk Exposure and Security Terms

The FHLBanks' potential credit risk from advances is concentrated in commercial banks, savings institutions and insurance companies. The FHLBanks' advances outstanding that were greater than or equal to $1.0 billion per borrower were $261.7 billion and $254.7 billion at June 30, 2012 and December 31, 2011. These advances were made to 71 and 70 borrowers (members and non-members) at June 30, 2012 and December 31, 2011, which represented 64.7% and 63.2% of total advances outstanding at June 30, 2012 and December 31, 2011.

The FHLBanks lend to financial institutions 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 fully secure their advances, and the FHLBanks do not expect to incur any credit losses on advances. The management of each FHLBank believes that it has 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 creditworthiness and financial condition. Based on the collateral pledged as security for advances and each FHLBank management's credit analyses of its members' financial condition and its credit extension and collateral policies, each FHLBank expects to collect all amounts due according to the contractual terms of its advances. (See *Note 9 - Allowance for Credit Losses* for information related to FHLBanks' credit risk on advances and allowance methodology for credit losses.)

Note 8 - Mortgage Loans

Mortgage Loans Held for Portfolio

Mortgage loans held for portfolio consist of loans obtained through the MPP and MPF Program and are either conventional or government-guaranteed or -insured loans. The MPP and MPF Program involve the purchase by the FHLBanks of single-family mortgage loans that are originated or acquired by participating financial institutions. These mortgage loans are credit-enhanced by participating financial institutions or are guaranteed or insured by Federal agencies. The FHLBanks are authorized to hold acquired member assets, such as assets acquired under the MPP and MPF Program.

Currently, the FHLBanks of Atlanta, Chicago, Dallas, San Francisco, and Seattle are not accepting additional Master Commitments to acquire loans for their own portfolio or purchasing additional mortgage loans under either the MPP or MPF Program, except for certain FHLBanks' purchases of MPF Loans to support affordable housing. The remaining FHLBanks participating in the MPP and MPF Program continue to have the ability to purchase and fund both conventional and government-guaranteed or -insured loans.

Table 8.1 - Mortgage Loans Held for Portfolio

(dollars in millions)

	June 30, 2012	December 31, 2011
Fixed-rate, medium-term(1) single-family mortgage loans	$ 11,765	$ 12,010
Fixed-rate, long-term single-family mortgage loans	39,408	40,919
Multifamily mortgage loans	21	21
Total unpaid principal balance	51,194	52,950
Premiums	613	535
Discounts	(146)	(178)
Deferred loan costs, net	3	6
Hedging adjustments	189	202
Total mortgage loans held for portfolio	$ 51,853	$ 53,515

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

At June 30, 2012 and December 31, 2011, 18.6% and 24.4% of the FHLBanks' fixed-rate mortgage loans were swapped to a variable rate.

Table 8.2 - Mortgage Loans Held for Portfolio by Collateral/Guarantee Type

(dollars in millions)

	June 30, 2012	December 31, 2011
Conventional mortgage loans	$ 44,570	$ 46,099
Government-guaranteed or -insured mortgage loans	6,603	6,830
Multifamily mortgage loans	21	21
Total unpaid principal balance	$ 51,194	$ 52,950

Note 9 - Allowance for Credit Losses

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

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

See *Note 1 - Summary of Significant Accounting Policies* and *Note 11 - Allowance for Credit Losses* on pages F-19 to F-20 and pages F-45 to F-51 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2011 for a description of allowance methodologies related to the FHLBanks' portfolio segments as well as the FHLBanks' policies for impairing financing receivables, placing them on non-accrual status and charging them off when necessary.

Credit Products

Using a risk-based approach and taking into consideration each borrower's financial strength, the FHLBanks consider the types and level of collateral to be the primary indicator of credit quality on their credit products. At June 30, 2012 and December 31, 2011, each of the FHLBanks had rights to collateral on a borrower-by-borrower basis with an estimated value in excess of its outstanding extensions of credit.

At June 30, 2012 and December 31, 2011, none of the FHLBanks had any credit products that were past due, on non-accrual status or considered impaired. In addition, there were no troubled debt restructurings related to credit products at any of the FHLBanks during the three months ended June 30, 2012 and 2011.

The FHLBanks have not recorded any allowance for credit losses on credit products based on the collateral held as security, each FHLBank management's collateral policies, credit analysis and repayment history on credit products. At June 30, 2012 and December 31, 2011, no liability to reflect an allowance for credit losses for off-balance sheet credit exposures was recorded. (See *Note 16 - Commitments and Contingencies* for additional information on the FHLBanks' off-balance sheet credit exposure.)

Government-Guaranteed or -Insured Mortgage Loans Held for Portfolio

The FHLBanks invest in fixed-rate mortgage loans that are insured or guaranteed by the Federal Housing Administration, the Department of Veterans Affairs, the Rural Housing Service of the Department of Agriculture, and/or by the Department of Housing and Urban Development. The servicer provides and maintains insurance or a guarantee from the applicable government agency. The servicer is responsible for compliance with all government agency requirements and for obtaining the benefit of the applicable guarantee or insurance with respect to defaulted government-guaranteed or -insured mortgage loans. Any losses incurred on such loans that are not recovered from the issuer or the guarantor are absorbed by the servicer. Therefore, the FHLBanks only have credit risk for these loans if the servicer fails to pay for losses not covered by the guarantee or insurance. Based on the FHLBanks' assessment of their servicers, the FHLBanks did not establish an allowance for credit losses for their government-guaranteed or -insured mortgage loan portfolios at June 30, 2012 and December 31, 2011. Furthermore, none of these mortgage loans have been placed on non-accrual status because of the U.S. government guarantee or insurance on these loans and the contractual obligation of the loan servicer to repurchase the loans when certain criteria are met.

Mortgage Loans Held for Portfolio - Conventional MPF, Conventional MPP and Other Loans

Rollforward of Allowance for Credit Losses on Mortgage Loans. Each FHLBank established an allowance for credit losses on its conventional mortgage loans held for portfolio. Tables 9.1 and 9.2 present a rollforward of the allowance for credit losses on mortgage loans for the three and six months ended June 30, 2012 and 2011 and the recorded investment in mortgage loans by impairment methodology at June 30, 2012 and December 31, 2011. The recorded investment in a loan is the unpaid principal balance of the loan, adjusted for accrued interest, net deferred loan fees or costs, unamortized premiums or discounts, fair value hedge adjustments and direct write-downs. The recorded investment is not net of any valuation allowance.

Table 9.1 - Rollforward of Allowance for Credit Losses on Mortgage Loans

(dollars in millions)

	Three Months Ended June 30,							
	2012				2011			
	Conventional MPP	Conventional MPF	Other	Total	Conventional MPP	Conventional MPF	Other	Total
Balance, at beginning of period	$ 31	$ 113	$ 1	$ 145	$ 17	$ 86	$ 1	$ 104
Charge-offs	(1)	(5)	—	(6)	(1)	(4)	—	(5)
Provision (reversal) for credit losses(1)	1	—	—	1	3	6	—	9
Balance, at end of period	$ 31	$ 108	$ 1	$ 140	$ 19	$ 88	$ 1	$ 108

	Six Months Ended June 30,							
	2012				2011			
	Conventional MPP	Conventional MPF	Other	Total	Conventional MPP	Conventional MPF	Other	Total
Balance, at beginning of period	$ 30	$ 107	$ 1	$ 138	$ 15	$ 70	$ 1	$ 86
Charge-offs	(2)	(9)	—	(11)	(2)	(9)	—	(11)
Provision (reversal) for credit losses(1)	3	10	—	13	6	27	—	33
Balance, at end of period	$ 31	$ 108	$ 1	$ 140	$ 19	$ 88	$ 1	$ 108

(1) The provision for credit losses includes only the provision related specifically to mortgage loans and does not include less than $1 million of provision for credit losses related to Banking on Business loans specific to the FHLBank of Pittsburgh for both the three and six months ended June 30, 2012 and $1 million and $2 million of reversals for the three and six months ended June 30, 2011.

Table 9.2 - Allowance for Credit Losses and Recorded Investment by Impairment Methodology

(dollars in millions)

	June 30, 2012				December 31, 2011			
	Conventional MPP	Conventional MPF	Other	Total	Conventional MPP	Conventional MPF	Other	Total
Allowances for credit losses, end of period								
Individually evaluated for impairment	$ 2	$ 53	$ —	$ 55	$ 2	$ 50	$ —	$ 52
Collectively evaluated for impairment	29	55	1	85	28	57	1	86
Total	$ 31	$ 108	$ 1	$ 140	$ 30	$ 107	$ 1	$ 138
Recorded investment, end of period(1)								
Individually evaluated for impairment								
Impaired, with or without a related allowance	$ 17	$ 341	$ —	$ 358	$ 5	$ 352	$ —	$ 357
Not impaired, no related allowance	—	1,571	—	1,571	—	1,369	—	1,369
Total individually evaluated for impairment	17	1,912	—	1,929	5	1,721	—	1,726
Collectively evaluated for impairment	13,068	30,359	21	43,448	13,010	32,072	22	45,104
Total	$ 13,085	$ 32,271	$ 21	$ 45,377	$ 13,015	$ 33,793	$ 22	$ 46,830

(1) Excludes government-guaranteed or -insured mortgage loans at June 30, 2012 and December 31, 2011.

Credit Quality Indicators. Key credit quality indicators for mortgage loans include the migration of past due loans, non-accrual loans, loans in process of foreclosure and impaired loans. Table 9.3 presents the FHLBanks' key credit quality indicators for mortgage loans at June 30, 2012 and December 31, 2011.

Table 9.3 - Recorded Investment in Delinquent Mortgage Loans

(dollars in millions)

	June 30, 2012				
	Conventional MPP	Conventional MPF	Government-Guaranteed or -Insured	Other	Total
Past due 30-59 days delinquent	$ 145	$ 445	$ 329	$ —	$ 919
Past due 60-89 days delinquent	46	139	97	—	282
Past due 90 days or more delinquent	263	659	361	—	1,283
Total past due mortgage loans	454	1,243	787	—	2,484
Total current mortgage loans	12,631	31,028	5,938	21	49,618
Total mortgage loans(1)	$ 13,085	$ 32,271	$ 6,725	$ 21	$ 52,102
Other delinquency statistics					
In process of foreclosure, included above(2)	$ 210	$ 443	$ 146	$ —	$ 799
Serious delinquency rate(3)	2.02%	2.06%	5.38%	—	2.48%
Past due 90 days or more and still accruing interest	$ 205	$ 114	$ 361	$ —	$ 680
Loans on non-accrual status(4)	$ 66	$ 590	$ —	$ —	$ 656

	December 31, 2011				
	Conventional MPP	Conventional MPF	Government-Guaranteed or -Insured	Other	Total
Past due 30-59 days delinquent	$ 169	$ 522	$ 395	$ —	$ 1,086
Past due 60-89 days delinquent	69	170	128	—	367
Past due 90 days or more delinquent	276	702	396	—	1,374
Total past due mortgage loans	514	1,394	919	—	2,827
Total current mortgage loans	12,501	32,399	6,029	22	50,951
Total mortgage loans(1)	$ 13,015	$ 33,793	$ 6,948	$ 22	$ 53,778
Other delinquency statistics					
In process of foreclosure, included above(2)	$ 210	$ 467	$ 114	$ —	$ 791
Serious delinquency rate(3)	2.13%	2.09%	5.70%	—	2.57%
Past due 90 days or more and still accruing interest	$ 217	$ 128	$ 396	$ —	$ 741
Loans on non-accrual status(4)	$ 63	$ 618	$ —	$ —	$ 681

(1) The difference between the recorded investment and the carrying value of total mortgage loans of $249 million and $263 million at June 30, 2012 and December 31, 2011 primarily relates to accrued interest. (See *Note 8 - Mortgage Loans* for details on the carrying values of total mortgage loans.)
(2) Includes loans where the decision of foreclosure or a similar alternative such as pursuit of deed-in-lieu has been reported. Loans in the process of foreclosure are included in past due or current loans depending on their delinquency status.
(3) Represents seriously delinquent loans as a percentage of total mortgage loans. Seriously delinquent loans are comprised of all loans past due 90 days or more delinquent or loans which are in the process of foreclosure (including past due or current loans in the process of foreclosure).
(4) Generally represents mortgage loans with contractual principal or interest payments 90 days or more past due and not accruing interest.

Individually Evaluated Impaired Loans. Tables 9.4 and 9.5 present the recorded investment, unpaid principal balance and related allowance of impaired loans individually assessed for impairment at June 30, 2012 and December 31, 2011, and the average recorded investment and related interest income recognized on these loans during the three and six months ended June 30, 2012 and 2011.

Table 9.4 - Individually Evaluated Impaired Loan Statistics by Product Class Level

(dollars in millions)

	June 30, 2012			December 31, 2011		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance						
Conventional MPP Loans	$ 12	$ 12	$ —	$ 3	$ 3	$ —
Conventional MPF Loans	26	26	—	30	30	—
With an allowance						
Conventional MPP Loans	5	5	—	2	2	—
Conventional MPF Loans	315	313	53	322	320	50
Total						
Conventional MPP Loans	$ 17	$ 17	$ —	$ 5	$ 5	$ —
Conventional MPF Loans	$ 341	$ 339	$ 53	$ 352	$ 350	$ 50

Table 9.5 - Average Recorded Investment of Individually Impaired Loans and Related Interest Income Recognized

(dollars in millions)

	Three Months Ended June 30,			
	2012		2011	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance				
Conventional MPP Loans	$ 8	$ —	$ —	$ —
Conventional MPF Loans	24	—	28	—
With an allowance				
Conventional MPP Loans	4	—	—	—
Conventional MPF Loans	316	3	170	2
Total				
Conventional MPP Loans	$ 12	$ —	$ —	$ —
Conventional MPF Loans	$ 340	$ 3	$ 198	$ 2

	Six Months Ended June 30,			
	2012		2011	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance				
Conventional MPP Loans	$ 7	$ —	$ —	$ —
Conventional MPF Loans	26	—	28	—
With an allowance				
Conventional MPP Loans	3	—	—	—
Conventional MPF Loans	321	5	162	3
Total				
Conventional MPP Loans	$ 10	$ —	$ —	$ —
Conventional MPF Loans	$ 347	$ 5	$ 190	$ 3

Credit Enhancements. The FHLBanks' allowance for credit losses considers the credit enhancements associated with conventional mortgage loans under the MPF and MPP Programs. These credit enhancements apply after a homeowner's equity is exhausted. Credit enhancements considered may include primary mortgage insurance, supplemental mortgage insurance, the credit enhancement amount plus any performance-based credit enhancement fees (for MPF Loans) and Lender Risk Account (for MPP Loans). Any incurred losses that would be recovered from the credit enhancements are not reserved as part of the FHLBanks' allowance for credit losses on mortgage loans.

Mortgage Partnership Finance (MPF). The conventional MPF loans are required to be credit enhanced so that the risk of loss is limited to the losses equivalent to an investor in a double-A rated mortgage-backed security at the time of purchase. Each MPF FHLBank and its participating financial institution share the risk of credit losses on conventional MPF Loan products, excluding the MPF Xtra product, by structuring potential losses on conventional MPF Loans into layers with respect to each Master Commitment. Each MPF FHLBank analyzes the risk characteristics of its MPF loans using a model from a nationally recognized statistical rating organization or an equivalent model using a comparable methodology to determine the amount of credit enhancement. This credit enhancement amount is broken into a First Loss Account and a credit enhancement obligation of a participating financial institution, which is calculated based on the risk analysis to equal the difference between the amounts needed for the Master Commitment to have a rating equivalent to a double-A rated mortgage-backed security and an MPF FHLBank's initial First Loss Account exposure.

The First Loss Account represents the first layer or portion of credit losses for which each MPF FHLBank is obligated to incur with respect to its MPF Loans after considering the borrower's equity and primary mortgage insurance. The participating financial institution is required to cover the next layer of losses up to an agreed-upon credit enhancement obligation amount, which may consist of a direct liability of the participating financial institution to pay credit losses up to a specified amount, a contractual obligation of a participating financial institution to provide supplemental mortgage insurance or a combination of both. Any remaining unallocated losses are absorbed by the MPF FHLBank.

Participating financial institutions are paid a credit enhancement fee for assuming credit risk and in some instances all or a portion of the credit enhancement fee may be performance-based. An MPF FHLBank's losses incurred under the First Loss Account may be recovered by withholding future performance credit enhancement fees otherwise payable to the participating financial institutions. At June 30, 2012 and December 31, 2011, the amounts of First Loss Account remaining to cover the losses under the MPF program were $491 million and $502 million. This balance excludes amounts that may be recovered through the recapture of performance-based credit enhancement fees. The FHLBanks record credit enhancement fees paid to the participating financial institutions as a reduction to mortgage interest income. Credit enhancement fees totaled $7 million and $8 million for the three months ended June 30, 2012 and 2011, and $15 million and $17 million for the six months ended June 30, 2012 and 2011.

Unlike other MPF products, under the MPF Xtra product, participating financial institutions are not required to provide credit enhancement and do not receive credit enhancement fees. Loans sold to the FHLBank of Chicago under the MPF Xtra product are concurrently sold to Fannie Mae, as a third-party investor and are not held on the participating FHLBank's Statement of Condition. (See *Note 16 - Commitments and Contingencies* for additional information.)

Mortgage Purchase Program (MPP). The conventional mortgage loans under the MPP are supported by a combination of primary mortgage insurance, supplemental mortgage insurance and Lender Risk Account, in addition to the associated property as collateral. The Lender Risk Account is funded by an FHLBank either up-front as a portion of the purchase proceeds or through a portion of the net interest remitted monthly by the borrower. The Lender Risk Account is a lender-specific account funded by an FHLBank in an amount approximately sufficient to cover expected losses on the pool of mortgages. The Lender Risk Account is recorded in other liabilities in the Combined Statement of Condition. To the extent available, Lender Risk Account funds are used to offset any losses that occur. Typically after five years, excess funds over required balances are distributed to the member in accordance with a step-down schedule that is established at the time of a master commitment contract. The Lender Risk Account is released in accordance with the terms of the Master Commitment.

Table 9.6 - Changes in the MPP Lender Risk Account

(dollars in millions)

	Six Months Ended June 30,	
	2012	2011
Lender Risk Account, at beginning of period	$ 100	$ 78
Additions	33	13
Claims	(10)	(11)
Scheduled distributions	(2)	(2)
Lender Risk Account, at end of period	$ 121	$ 78

Troubled debt restructurings. A troubled debt restructuring is considered to have occurred when a concession is granted to a borrower for economic or legal reasons related to the borrower's financial difficulties and that concession would not have been considered otherwise.

The FHLBanks' MPF Loan troubled debt restructurings primarily involve modifying the borrower's monthly payment for a period of up to 36 months to achieve a housing expense ratio of no more than 31% of their qualifying monthly income. The outstanding principal balance is first re-amortized to reflect a principal and interest payment for a term not to exceed 40 years. This would result in a balloon payment at the original maturity date of the loan as the maturity date and number of remaining monthly payments are not adjusted. If the 31% housing expense ratio is not achieved through re-amortization, the interest rate is reduced in 0.125% increments below the original note rate, to a floor rate of 3.00%, resulting in reduced principal and interest payments for the temporary payment modification period of up to 36 months, until the desired 31% housing expense ratio is met.

The MPP troubled debt restructurings primarily involve loans where an agreement permits the recapitalization of past due amounts up to the original loan amount. Under this type of modification, no other terms of the original loan are modified, including the borrower's original interest rate and contractual maturity.

An MPF or MPP Loan considered to be a troubled debt restructuring is individually evaluated for impairment when determining its related allowance for credit losses. Credit loss is measured by factoring in expected cash shortfalls (i.e., loss severity rate) incurred as of the reporting date as well as the economic loss attributable to delaying the original contractual

principal and interest due dates, if applicable. Table 9.7 presents the recorded investment balances of performing and non-performing mortgage loans classified as troubled debt restructurings as of June 30, 2012 and December 31, 2011.

Table 9.7 - Performing and Non-Performing Troubled Debt Restructurings

(dollars in millions)

	June 30, 2012			December 31, 2011		
	Performing	Non-Performing	Total	Performing	Non-Performing	Total
Conventional MPP Loans	$ 12	$ 5	$ 17	$ 4	$ 2	$ 6
Conventional MPF Loans	24	9	33	17	9	26
Total	$ 36	$ 14	$ 50	$ 21	$ 11	$ 32

During the three and six months ended June 30, 2012 and 2011, the FHLBanks had a limited number of troubled debt restructurings of mortgage loans. Table 9.8 presents the financial effect of these modifications for the three and six months ended June 30, 2012. The pre- and post-modification amounts represent the recorded investment as of the date the troubled debt restructuring was executed. During the three and six months ended June 30, 2012, the pre- and post-modification recorded investment in troubled debt restructurings was not materially different as there were no write-offs either due to principal forgiveness or direct write-offs.

Table 9.8 - Troubled Debt Restructurings - Recorded Investment Balance at Modification Date

(dollars in millions)

	June 30, 2012			
	Three Months Ended		Six Months Ended	
	Pre-Modification	Post-Modification	Pre-Modification	Post-Modification
Conventional MPP Loans	$ 9	$ 10	$ 11	$ 12
Conventional MPF Loans	6	6	10	10
Total	$ 15	$ 16	$ 21	$ 22

During the three months ended June 30, 2012, certain conventional MPF and MPP Loans modified as troubled debt restructurings within the previous twelve months experienced a payment default. Table 9.9 presents the amount of such MPF and MPP Loans that subsequently defaulted.

Table 9.9 - Recorded Investment of Troubled Debt Restructurings that Subsequently Defaulted

(dollars in millions)

	June 30, 2012
Conventional MPP Loans	$ 3
Conventional MPF Loans	9
Total	$ 12

Real Estate Owned. The FHLBanks had $104 million and $107 million of real estate owned recorded in other assets on the Combined Statement of Condition at June 30, 2012 and December 31, 2011.

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

These investments are generally short-term and their recorded balance approximates fair value. The FHLBanks invest in Federal funds with investment-grade counterparties that are only evaluated for purposes of an allowance for credit losses if the investment is not paid when due. All investments in Federal funds as of June 30, 2012 and December 31, 2011 were repaid or expected to repay according to the contractual terms. Securities purchased under agreements to resell are considered collateralized financing arrangements and effectively represent short-term loans with investment-grade counterparties. The terms of these loans are structured such that if the market value of the underlying securities decrease below the market value required as collateral, the counterparty must place an equivalent amount of additional securities as collateral or remit an equivalent amount of cash, or the dollar value of the resale agreement will be decreased accordingly. If an agreement to resell is deemed to be impaired, the difference between the fair value of the collateral and the amortized cost of the agreement is charged to earnings. Based upon the collateral held as security, the FHLBanks determined that no allowance for credit losses was needed for the securities purchased under agreements to resell at June 30, 2012 and December 31, 2011.

Note 10 - Derivatives and Hedging Activities

Nature of Business Activity

The FHLBanks are exposed to interest-rate risk primarily from the effect of interest rate changes on their interest-earning assets and their funding sources that finance these assets. The goal of each FHLBank's interest-rate risk management strategies is not to eliminate interest-rate risk, but to manage it within appropriate limits. To mitigate the risk of loss, each FHLBank has established policies and procedures, which include guidelines on the amount of exposure to interest rate changes it is willing to accept. In addition, each FHLBank monitors the risk to its interest income, net interest margin and average maturity of interest-earning assets and funding sources. (See *Note 12 - Derivatives and Hedging Activities* on pages F-52 to F-60 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2011 for additional information on the FHLBanks' interest-rate exchange agreements and the use of these agreements.)

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

Financial Statement Effect and Additional Financial Information

Derivative Notional Amounts. The notional amount of derivatives serves as a factor in determining periodic interest payments or cash flows received and paid. However, the notional amount of derivatives represents neither the actual amounts exchanged nor the overall exposure of the FHLBanks to credit and market risk. The risks of derivatives can be measured meaningfully on a portfolio basis that takes into account the derivatives, the item being hedged and any offsets between the two.

Table 10.1 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 10.1 - Fair Value of Derivative Instruments

(dollars in millions)

	June 30, 2012		
	Notional Amount of Derivatives	Derivative Assets	Derivative Liabilities
Derivatives Designated as Hedging Instruments			
Interest-rate swaps	$ 458,061	$ 5,142	$ 17,692
Interest-rate caps or floors	285	—	5
Interest-rate futures or forwards	1,250	—	54
Total derivatives in hedging relationships	459,596	5,142	17,751
Derivatives Not Designated as Hedging Instruments			
Interest-rate swaps	160,642	1,318	2,074
Interest-rate swaptions	7,450	173	—
Interest-rate caps or floors	33,441	338	40
Interest-rate futures or forwards	245	—	2
Mortgage delivery commitments	1,970	17	13
Other	615	9	9
Total derivatives not designated as hedging instruments	204,363	1,855	2,138
Total derivatives before netting and collateral adjustments	$ 663,959	6,997	19,889
Netting adjustments		(5,814)	(5,814)
Cash collateral and related accrued interest		(596)	(11,184)
Total netting adjustments and cash collateral(1)		(6,410)	(16,998)
Total derivative assets and total derivative liabilities		$ 587	$ 2,891

	December 31, 2011		
	Notional Amount of Derivatives	Derivative Assets	Derivative Liabilities
Derivatives Designated as Hedging Instruments			
Interest-rate swaps	$ 485,443	$ 5,685	$ 18,286
Interest-rate swaptions	370	32	—
Interest-rate caps or floors	285	—	5
Interest-rate futures or forwards	745	—	33
Total derivatives in hedging relationships	486,843	5,717	18,324
Derivatives Not Designated as Hedging Instruments			
Interest-rate swaps	178,324	1,357	2,210
Interest-rate swaptions	5,020	181	—
Interest-rate caps or floors	33,753	418	64
Interest-rate futures or forwards	445	—	4
Mortgage delivery commitments	1,274	8	4
Other	641	9	9
Total derivatives not designated as hedging instruments	219,457	1,973	2,291
Total derivatives before netting and collateral adjustments	$ 706,300	7,690	20,615
Netting adjustments		(6,287)	(6,287)
Cash collateral and related accrued interest		(767)	(10,758)
Total netting adjustments and cash collateral(1)		(7,054)	(17,045)
Total derivative assets and total derivative liabilities		$ 636	$ 3,570

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

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

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

(dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Derivatives and Hedged Items in Fair Value Hedging Relationships				
Interest-rate swaps	$ 54	$ 59	$ 167	$ 184
Other	—	(3)	1	(8)
Total net gains related to fair value hedge ineffectiveness	54	56	168	176
Total net gains related to cash flow hedge ineffectiveness	—	12	2	14
Derivatives Not Designated as Hedging Instruments				
Economic hedges				
Interest-rate swaps	(129)	(135)	(16)	(17)
Interest-rate swaptions	16	(16)	16	(63)
Interest-rate caps or floors	(40)	(42)	(56)	(85)
Interest-rate futures or forwards	(10)	(6)	(13)	(5)
Net interest settlements	(21)	(34)	(62)	(51)
Other	(6)	(3)	(7)	(3)
Mortgage delivery commitments	25	11	25	7
Total net gains (losses) related to derivatives not designated as hedging instruments	(165)	(225)	(113)	(217)
Net gains (losses) on derivatives and hedging activities	$ (111)	$ (157)	$ 57	$ (27)

Table 10.3 presents, by type of hedged item, the gains (losses) on derivatives and the related hedged items in fair-value hedging relationships and the effect of those derivatives on the FHLBanks' net interest income.

Table 10.3 - Effect of Fair Value Hedge-Related Derivative Instruments

(dollars in millions)

	Three Months Ended June 30, 2012			
Hedged Item Type	**Gains (Losses) on Derivatives**	**Gains (Losses) on Hedged Items**	**Net Fair Value Hedge Ineffectiveness**	**Net Effect of Derivatives on Net Interest Income(1)**
Advances	$ (761)	$ 828	$ 67	$ (1,172)
Consolidated bonds	191	(205)	(14)	667
Consolidated discount notes	(1)	—	(1)	7
Available-for-sale securities	(347)	349	2	(124)
Mortgage loans held for portfolio	2	(2)	—	(1)
Deposits	(1)	1	—	1
Total	$ (917)	$ 971	$ 54	$ (622)

	Three Months Ended June 30, 2011			
Hedged Item Type	**Gains (Losses) on Derivatives**	**Gains (Losses) on Hedged Items**	**Net Fair Value Hedge Ineffectiveness**	**Net Effect of Derivatives on Net Interest Income(1)**
Advances	$ (1,411)	$ 1,452	$ 41	$ (1,648)
Consolidated bonds	1,016	(1,008)	8	1,175
Consolidated discount notes	(1)	1	—	2
Available-for-sale securities	(166)	176	10	(89)
Mortgage loans held for portfolio	(5)	2	(3)	(2)
Total	$ (567)	$ 623	$ 56	$ (562)

	Six Months Ended June 30, 2012			
Hedged Item Type	**Gains (Losses) on Derivatives**	**Gains (Losses) on Hedged Items**	**Net Fair Value Hedge Ineffectiveness**	**Net Effect of Derivatives on Net Interest Income(1)**
Advances	$ 363	$ (186)	$ 177	$ (2,408)
Consolidated bonds	(265)	236	(29)	1,316
Consolidated discount notes	—	(2)	(2)	1
Available-for-sale securities	(197)	218	21	(246)
Mortgage loans held for portfolio	1	—	1	(2)
Deposits	(1)	1	—	1
Total	$ (99)	$ 267	$ 168	$ (1,338)

	Six Months Ended June 30, 2011			
Hedged Item Type	**Gains (Losses) on Derivatives**	**Gains (Losses) on Hedged Items**	**Net Fair Value Hedge Ineffectiveness**	**Net Effect of Derivatives on Net Interest Income(1)**
Advances	$ 604	$ (444)	$ 160	$ (3,428)
Consolidated bonds	(104)	104	—	2,350
Consolidated discount notes	(3)	3	—	4
Available-for-sale securities	(89)	113	24	(174)
Mortgage loans held for portfolio	(6)	(2)	(8)	(5)
Total	$ 402	$ (226)	$ 176	$ (1,253)

(1) The net effect of derivatives on net interest income in fair value hedge relationships is included in the interest income or interest expense line item of the respective hedged item type. These amounts include the effect of net interest settlements attributable to designated fair value hedges but do not include $(55) million and $(57) million of amortization/accretion related to fair value hedging activities for the three months ended June 30, 2012 and 2011 and $(478) million and $(128) million for the six months ended June 30, 2012 and 2011.

An FHLBank may also hedge a firm commitment for a forward-starting advance through the use of an interest-rate swap. In this case, the swap will function as the hedging instrument for both the firm commitment and the subsequent advance. The fair value change associated with the firm commitment will be 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 qualifies as a fair value hedge, the hedge would be terminated and net gains and losses would be recognized in current-period earnings. There were no material amounts of gains and losses recognized due to disqualification of firm commitment hedges during the three and six months ended June 30, 2012 and 2011.

Table 10.4 presents by type of hedged item in cash flow hedging relationships, the gains (losses) recognized in AOCI, reclassified from AOCI into income, and the effect of those hedging activities on the FHLBanks' net gains (losses) on derivatives and hedging activities on the Combined Statement of Income. (See the *Combined Statement of Comprehensive Income* for more details on the effect of cash flow hedges on AOCI.)

Table 10.4 - Effect of Cash Flow Hedge-Related Derivative Instruments

(dollars in millions)

	Three Months Ended June 30, 2012			
Derivatives and Hedged Items in Cash-Flow Hedging Relationships(1):	**Amount of Gains (Losses) Recognized in AOCI on Derivative (Effective Portion)**	**Location of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)**	**Amount of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)**	**Amount of Gains Recognized in Net Gains (Losses) on Derivatives and Hedging Activities (Ineffective Portion)**
Interest-rate swaps				
Consolidated bonds	$ (2)	Interest expense	$ (2)	$ —
Consolidated discount notes	(152)	Interest expense	(1)	—
Interest-rate caps or floors				
Advances	—	Interest income	4	—
Consolidated discount notes	—	Interest expense	(2)	—
Interest-rate futures or forwards				
Consolidated bonds	(19)	Interest expense	—	—
Total	$ (173)		$ (1)	$ —

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

Derivatives and Hedged Items in Cash-Flow Hedging Relationships(1):	Six Months Ended June 30, 2012			
	Amount of Gains (Losses) Recognized in AOCI on Derivative (Effective Portion)	Location of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)	Amount of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)	Amount of Gains Recognized in Net Gains (Losses) on Derivatives and Hedging Activities (Ineffective Portion)
Interest-rate swaps				
Consolidated bonds	$ (2)	Interest expense	$ (5)	$ —
Consolidated discount notes	(83)	Interest expense	(2)	2
Interest-rate caps or floors				
Advances	—	Interest income	8	—
Consolidated discount notes	—	Interest expense	(4)	—
Interest-rate futures or forwards				
Consolidated bonds	(22)	Interest expense	—	—
Total	$ (107)		$ (3)	$ 2

Derivatives and Hedged Items in Cash-Flow Hedging Relationships(1):	Six Months Ended June 30, 2011			
	Amount of Gains (Losses) Recognized in AOCI on Derivative (Effective Portion)	Location of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)	Amount of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)	Amount of Gains Recognized in Net Gains (Losses) on Derivatives and Hedging Activities (Ineffective Portion)
Interest-rate swaps				
Consolidated bonds	$ 4	Interest expense	$ (4)	$ —
Consolidated discount notes	(63)	Interest expense	(2)	2
Interest-rate caps or floors				
Advances	12	Interest income	22	12
Consolidated discount notes	—	Interest expense	(8)	—
Interest-rate futures or forwards				
Consolidated bonds	(2)	Interest expense	—	—
Total	$ (49)		$ 8	$ 14

(1) Table 10.4 does not include $(80) million and $(82) million for the effect of net interest settlements attributable to open cash flow hedges on net interest income for the three months ended June 30, 2012 and 2011 and $(147) million and $(163) million for the six months ended June 30, 2012 and 2011.

For the three and six months ended June 30, 2012 and 2011, no material amounts were reclassified from AOCI into earnings as a result of discontinued cash flow hedges because the original forecasted transactions occurred by the end of the originally specified time period or within a two-month period thereafter. At June 30, 2012, $5 million of deferred net gains on derivative instruments in AOCI is expected to be reclassified to earnings during the next twelve months. 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. However, certain FHLBanks hedge the risk of variability of cash flows associated with forecasted future consolidated obligation issuances up to a maximum of ten years.

Managing Credit Risk on Derivatives

Each FHLBank is subject to credit risk due to nonperformance by counterparties to interest-rate exchange agreements. The degree of counterparty risk depends on the extent to which master netting arrangements are included in such contracts to mitigate the risk. Each FHLBank manages counterparty credit risk through credit analysis, collateral requirements and adherence to the requirements set forth in its policies and FHFA regulations. Each FHLBank requires collateral agreements with collateral delivery thresholds on all derivatives. Additionally, collateral related to derivatives with member institutions includes collateral assigned to an FHLBank, as evidenced by a written security agreement and held by the member institution for the benefit of 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 15 - Fair Value* for discussion regarding the FHLBanks' fair value methodology for derivative assets and liabilities, including an evaluation of the potential for the fair value of these instruments to be affected by counterparty credit risk.)

Table 10.5 presents credit risk exposure on derivative instruments, excluding the amount of excess cash collateral received from counterparties in instances where a counterparty's pledged collateral to an FHLBank exceeds the FHLBank's net position.

Table 10.5 - Credit Risk Exposure

(dollars in millions)

	June 30, 2012	December 31, 2011
Total net exposure at fair value(1)	$ 1,184	$ 1,403
Cash collateral held	593	767
Net exposure after cash collateral	591	636
Other collateral held	456	479
Net exposure after collateral	$ 135	$ 157

(1) Includes net accrued interest receivable of $154 million and $139 million at June 30, 2012 and December 31, 2011.

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 nationally recognized statistical rating organization, that FHLBank may be required to deliver additional collateral on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position (before cash collateral and related accrued interest) at June 30, 2012 was $11.8 billion, for which the FHLBanks have posted collateral with a fair value of $10.6 billion in the normal course of business. If each FHLBank's credit rating had been lowered from its current rating to the next lower rating that would have triggered additional collateral to be delivered, the FHLBanks would have been required to deliver an additional $0.7 billion of collateral at fair value to their derivatives counterparties at June 30, 2012.

Note 11 - Deposits

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

Table 11.1 - Deposits

(dollars in millions)

	June 30, 2012	December 31, 2011
Interest-bearing		
Demand and overnight	$ 11,596	$ 11,795
Term	1,011	293
Other	98	115
Total interest-bearing	12,705	12,203
Non-interest-bearing		
Demand and overnight	149	157
Other	189	204
Total non-interest-bearing	338	361
Total deposits	$ 13,043	$ 12,564

Note 12 - Consolidated Obligations

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

The FHFA and the U.S. Secretary of the Treasury 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 and have original maturities of up to one year. These notes sell at less than their face amount and are redeemed at par value when they mature.

Table 12.1 - Consolidated Bonds Outstanding by Contractual Maturity

(dollars in millions)

	June 30, 2012		December 31, 2011	
Year of Contractual Maturity	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Due in 1 year or less	$ 222,169	0.96%	$ 228,480	0.86%
Due after 1 year through 2 years	114,094	1.55%	106,338	1.92%
Due after 2 years through 3 years	31,495	2.60%	41,722	2.56%
Due after 3 years through 4 years	24,919	2.99%	26,353	2.67%
Due after 4 years through 5 years	32,570	2.55%	30,791	3.11%
Thereafter	61,056	3.08%	64,419	3.65%
Index-amortizing notes	2,382	4.78%	3,381	4.81%
Total par value	488,685	1.69%	501,484	1.85%
Premiums	874		766	
Discounts	(166)		(192)	
Hedging adjustments	4,533		4,850	
Fair value option valuation adjustments	35		67	
Total	$ 493,961		$ 506,975	

Table 12.2 - Consolidated Discount Notes Outstanding

(dollars in millions)

	Book Value	Par Value	Weighted-Average Interest Rate(1)
June 30, 2012	$ 196,265	$ 196,295	0.10%
December 31, 2011	$ 190,149	$ 190,175	0.05%

(1) Represents yield to maturity excluding concession fees.

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 LIBOR, U.S. Treasury Bills, Prime rate, and others. To meet the specific needs of certain investors in consolidated obligations, both fixed-rate consolidated bonds and variable-rate consolidated bonds may contain features that result in complex coupon payment terms and call options. When such consolidated obligations are issued, the FHLBanks typically enter into derivatives containing features that offset the terms and embedded options, if any, of the consolidated obligations. At June 30, 2012 and December 31, 2011, 67.1% and 65.8% of the FHLBanks' fixed-rate consolidated bonds were swapped to a variable rate. At June 30, 2012 and December 31, 2011, 82.6% and 78.1% of the FHLBanks' variable-rate consolidated bonds were swapped to a different variable-rate index and 14.2% and 26.6% of the FHLBanks' consolidated discount notes were swapped to a variable rate.

Table 12.3 - Consolidated Bonds Outstanding by Call Features

(dollars in millions)

Par Values of Consolidated Bonds	June 30, 2012	December 31, 2011
Noncallable/nonputable	$ 394,180	$ 383,182
Callable	94,505	118,302
Total par value	$ 488,685	$ 501,484

Table 12.4 - Consolidated Bonds Outstanding by Contractual Maturity or Next Call Date

(dollars in millions)

Year of Contractual Maturity or Next Call Date	June 30, 2012	December 31, 2011
Due in 1 year or less	$ 292,119	$ 305,101
Due after 1 year through 2 years	100,616	99,344
Due after 2 years through 3 years	26,583	27,767
Due after 3 years through 4 years	21,195	19,294
Due after 4 years through 5 years	20,718	18,910
Thereafter	25,072	27,687
Index-amortizing notes	2,382	3,381
Total par value	$ 488,685	$ 501,484

Note 13 - Capital

The Gramm-Leach-Bliley Act of 1999 (GLB Act) required each FHLBank to adopt a capital plan and convert to a new capital structure. As of June 30, 2012, all of the FHLBanks had implemented their respective capital plans. Each conversion was considered a capital transaction and was accounted for at par value. Each FHLBank is subject to three capital requirements under its capital plan and the FHFA rules and regulations. Regulatory capital does not include AOCI, but does include mandatorily redeemable capital stock.

1. Risk-based capital. Each FHLBank must maintain at all times permanent capital, defined as Class B stock and retained earnings, in an amount at least equal to the sum of its credit risk, market risk, and operations risk capital requirements, all of which are calculated in accordance with the rules and regulations of the FHFA. The FHFA 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. Each FHLBank is required to maintain at all times a total capital-to-assets ratio of at least four percent. Total regulatory capital is the sum of permanent capital, Class A stock, any general loss allowance, if consistent with GAAP and not established for specific assets, and other amounts from sources determined by the FHFA as available to absorb losses.

3. Leverage capital. Each FHLBank is required to maintain at all times a leverage capital-to-assets ratio of at least five percent. Leverage capital is defined as the sum of permanent capital weighted 1.5 times and all other capital without a weighting factor.

At June 30, 2012, each FHLBank was in compliance with its regulatory capital rules. (See *FHLBank of Seattle Capital Classification and Consent Arrangement* within this note for a description of its agreement with the FHFA.)

Table 13.1 - Risk-Based Capital Requirements at June 30, 2012

(dollars in millions)

FHLBank	Risk-Based Capital Requirement	Actual Risk-Based Capital
Boston	$ 751	$ 4,129
New York	531	5,758
Pittsburgh	978	3,796
Atlanta	1,749	6,466
Cincinnati	388	4,012
Indianapolis	698	2,608
Chicago	1,501	3,364
Des Moines	409	2,675
Dallas	400	1,748
Topeka	263	1,304
San Francisco	4,192	11,742
Seattle	1,669	2,839

Table 13.2 - Regulatory Capital Requirements at June 30, 2012

(dollars in millions)

FHLBank	Minimum Regulatory Capital Ratio Requirement	Minimum Regulatory Capital Requirement	Actual Regulatory Capital Ratio	Actual Regulatory Capital
Boston	4.0%	$ 1,991	8.3%	$ 4,129
New York	4.0%	4,096	5.6%	5,758
Pittsburgh	4.0%	2,242	6.8%	3,796
Atlanta	4.0%	4,778	5.4%	6,466
Cincinnati	4.0%	2,699	6.0%	4,012
Indianapolis	4.0%	1,607	6.5%	2,608
Chicago	4.0%	2,746	4.9%	3,364
Des Moines	4.0%	1,878	5.7%	2,675
Dallas	4.0%	1,389	5.0%	1,748
Topeka	4.0%	1,406	5.1%	1,787
San Francisco	4.0%	4,106	11.4%	11,742
Seattle	4.0%	1,455	8.2%	2,998

Table 13.3 - Leverage Capital Requirements at June 30, 2012

(dollars in millions)

FHLBank	Minimum Leverage Capital Ratio Requirement	Minimum Leverage Capital Requirement	Actual Leverage Capital Ratio	Actual Leverage Capital
Boston	5.0%	$ 2,488	12.4%	$ 6,193
New York	5.0%	5,120	8.4%	8,636
Pittsburgh	5.0%	2,803	10.2%	5,694
Atlanta	5.0%	5,972	8.1%	9,699
Cincinnati	5.0%	3,373	8.9%	6,017
Indianapolis	5.0%	2,008	9.7%	3,912
Chicago	5.0%	3,432	7.4%	5,046
Des Moines	5.0%	2,347	8.6%	4,013
Dallas	5.0%	1,736	7.6%	2,623
Topeka	5.0%	1,757	6.9%	2,439
San Francisco	5.0%	5,133	17.2%	17,613
Seattle	5.0%	1,818	12.2%	4,417

At June 30, 2012, combined regulatory capital was $51.1 billion, compared to $52.9 billion at December 31, 2011. The amount at December 31, 2011, included a percentage of the outstanding principal amount of the FHLBank of Chicago's subordinated notes (the Designated Amount), which the FHLBank of Chicago was allowed to include in determining compliance with its regulatory capital requirements. At December 31, 2011, the Designated Amount of subordinated notes was $800 million. After the FHLBank of Chicago converted its capital stock as of January 1, 2012, it no longer includes the Designated Amount of subordinated notes in determining compliance with its minimum regulatory capital requirements now that the FHLBank of Chicago is subject to the post-conversion capital requirements. (See *FHLBank of Chicago Regulatory Actions* within this note for information on the FHLBank of Chicago's new capital plan.)

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 FHFA rules. As of April 18, 2012, the FHLBank of Chicago's dividend declarations are no longer subject to FHFA approval. However, the FHLBank of Chicago's board of directors adopted a resolution, that may not be amended without FHFA consent, which limits the level of dividends that may be declared by the FHLBank of Chicago. (See *FHLBank of Chicago Regulatory Actions* within this note for information on the termination of the FHLBank of Chicago's Consent Order to Cease and Desist.) The FHLBank of Seattle will not pay dividends except upon compliance with capital restoration and retained earnings plans approved by the FHFA and prior written approval of the FHFA.

Restricted Retained Earnings

The Joint Capital Enhancement Agreement, as amended (Capital Agreement), is intended to enhance the capital position of each FHLBank. The Capital Agreement provides that each FHLBank will allocate 20% of its net income each quarter to a separate restricted retained earnings account until the balance of that account equals at least one percent of that FHLBank's average balance of outstanding consolidated obligations for the previous quarter. These restricted retained earnings are not available to pay dividends.

The FHLBank of San Francisco's retained earnings and dividend policy establishes amounts to be retained in restricted retained earnings, which are not made available for dividends in the current dividend period. These amounts are not related to the Capital Agreement; however, they are also classified as restricted retained earnings on the Combined Statement of Condition. The FHLBank of San Francisco retains in restricted retained earnings any cumulative net gains in earnings (net of applicable assessments) resulting from gains or losses on derivatives and associated hedged items and financial instruments carried at fair value (valuation adjustments). In addition to any cumulative net gains resulting from valuation adjustments, the FHLBank of San Francisco holds a targeted amount in restricted retained earnings intended to protect paid-in capital from the effects of an extremely adverse credit, operations risk or market event.

Table 13.4 presents the components of retained earnings, including the restricted amounts related to the Capital Agreement and the restricted amounts related to the FHLBank of San Francisco's retained earnings and dividend policy.

Table 13.4 - Retained Earnings

(dollars in millions)

	Unrestricted Retained Earnings	Capital Agreement Restricted Retained Earnings	Other Restricted Retained Earnings(1)	Total Restricted Retained Earnings	Total Retained Earnings
Balance, December 31, 2011	$ 6,603	$ 200	$ 1,774	$ 1,974	$ 8,577
Net income	928	259	98	357	1,285
Dividends on capital stock					
Cash	(293)	—	—	—	(293)
Stock	(18)	—	—	—	(18)
Balance, June 30, 2012	$ 7,220	$ 459	$ 1,872	$ 2,331	$ 9,551

(1) Represents retained earnings restricted by the FHLBank of San Francisco's retained earnings and dividend policy related to valuation adjustments and the retained earnings targeted buildup.

Mandatorily Redeemable Capital Stock

Each FHLBank is a cooperative whose member financial institutions and former members own all of the FHLBank's capital stock. Shares of capital stock cannot be purchased or sold except between an FHLBank and its members at its $100 per share par value, as mandated by each FHLBank's capital plan.

An FHLBank generally reclassifies capital stock subject to redemption from capital to the mandatorily redeemable capital stock liability upon expiration of a grace period, if applicable, after a member exercises a written redemption right, or gives notice of intent to withdraw from membership, or attains non-member status by merger or acquisition, charter termination, or involuntary termination from membership. Shares of capital stock meeting these definitions are reclassified to mandatorily redeemable capital stock at fair value. Dividends related to capital stock classified as mandatorily redeemable capital stock are accrued at the expected dividend rate and reported as interest expense in the Combined Statement of Income. For the three months ended June 30, 2012 and 2011, dividends on mandatorily redeemable capital stock in the amount of $15 million and

$12 million were recorded as interest expense. For the six months ended June 30, 2012 and 2011, dividends on mandatorily redeemable capital stock in the amount of $31 million and $26 million were recorded as interest expense.

A member may cancel or revoke its written notice of redemption or its notice of withdrawal from membership prior to the end of the 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 capital stock is defined as the amount of stock held by a member (or former member) in excess of that institution's minimum investment requirement. FHFA rules limit the ability of an FHLBank to create member excess capital stock under certain circumstances. An FHLBank may not pay dividends in the form of capital stock or issue new excess capital stock to members if that FHLBank's excess capital stock exceeds one percent of its total assets or if the issuance of excess capital stock would cause that FHLBank's excess capital stock to exceed one percent of its total assets. At June 30, 2012, each of the FHLBanks of Boston, Pittsburgh, Cincinnati, Indianapolis, San Francisco and Seattle had excess capital stock outstanding totaling more than one percent of its total assets. At June 30, 2012, each of these FHLBanks was in compliance with the FHFA's excess capital stock rules.

Capital Classification Determination

The FHFA has implemented the prompt corrective action provisions of the Housing Act. The rule established four capital classifications for the FHLBanks: adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, and implemented the prompt corrective action provisions that apply to FHLBanks that are not deemed to be adequately capitalized. The FHFA determines each FHLBank's capital classification on at least a quarterly basis. If an FHLBank is determined to be other than adequately capitalized, that FHLBank becomes subject to additional supervisory authority by the FHFA. Before implementing a reclassification, the Director of the FHFA is required to provide that FHLBank with written notice of the proposed action and an opportunity to submit a response.

FHLBank of Chicago Regulatory Actions

Capital Rules. Under the FHLBank of Chicago's new capital plan, which became effective January 1, 2012, its stock consists of two sub-classes of stock, Class B-1 stock and Class B-2 stock (together, Class B stock), both with a par value of $100 and redeemable on five years written notice, subject to certain conditions. Under the capital plan, each member is required to own capital stock in an amount equal to the greater of a membership stock requirement or an activity stock requirement. Membership stock requirements will continue to be recalculated annually, whereas the activity stock requirement will apply on a continuing basis.

Regulatory Actions. On April 18, 2012, the FHFA terminated the Consent Order to Cease and Desist (the C&D Order) that the FHLBank of Chicago entered into with the Federal Housing Finance Board in October 2007. The C&D Order placed several requirements on the FHLBank of Chicago, including among other things, certain restrictions on the repurchase and redemption of capital stock, prior approval of dividend declarations and submission of a revised capital plan.

In connection with operating the FHLBank of Chicago after termination of the C&D Order, the FHLBank of Chicago's board of directors adopted a resolution on March 30, 2012, which included the following:

- As required by the FHFA in connection with the approval of the FHLBank of Chicago's capital plan, it will continue to obtain FHFA approval for any new investments that have a term to maturity in excess of 270 days until such time as the FHLBank of Chicago's mortgage-backed securities portfolio is less than three times its total regulatory capital and the FHLBank of Chicago's advances represent more than 50% of its total assets.

- In addition to the requirements to declare and pay dividends in accordance with its retained earnings and dividend policy, dividends paid on either Class B-1 stock or Class B-2 stock in any given quarter must not exceed the average of three-month LIBOR for that quarter on an annualized basis. The FHLBank of Chicago may, with approval of its board of directors, request approval from the FHFA to pay dividends in excess of this limit in advance of a coming calendar year.

- The FHLBank of Chicago must maintain retained earnings at a level equal to a floor amount, which is the greater of its retained earnings as of each immediately preceding year-end or $1.321 billion, and will not pay a dividend without prior written approval by the FHFA if the payment of such dividend would cause the FHLBank of Chicago's retained earnings to be reduced below the floor amount.

- The FHLBank of Chicago will continue to execute and comply with its plan to repurchase excess capital stock of members over a period of time (Repurchase Plan) as approved by the FHFA in December 2011. Once the Repurchase Plan terminates, the FHLBank of Chicago will continue to repurchase excess capital stock held by members on a quarterly basis but only if it maintains compliance with the financial and capital thresholds set forth in the Repurchase Plan.

The FHLBank of Chicago's board of directors may not modify or terminate this resolution without written consent by the Director of the FHFA.

FHLBank of Seattle Capital Classification and Consent Arrangement

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

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

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

Although remediation of the requirements of the Consent Arrangement may take some time, the FHLBank of Seattle has made substantial progress in a number of areas, including enhancing its credit and collateral risk management, remediating or developing plans for remediating its 2010 examination findings, and developing improved executive compensation plans (on which the FHLBank of Seattle received a non-objection from the FHFA). Further, as required by the Consent Arrangement, the FHLBank of Seattle has been striving to increase its ratio of advances to total assets. Due to the currently high level of liquidity and weak loan demand experienced by the FHLBank of Seattle's members, demand for advances is not robust. Thus, rather than increasing the ratio of advances to total assets quarter over quarter, the FHLBank of Seattle determined that it is prudent to accept some variation in that ratio over time and establish a cap on the dollar level of investments, which the FHLBank of Seattle did in late March 2012. With this change, the FHLBank of Seattle will continue to increase its advances-to-assets ratio, but not at a steady rate. The FHLBank of Seattle believes this change will allow it to maintain a strong level of liquidity and more interest-earning assets to improve its income and retained earnings. The FHLBank of Seattle continues to develop and refine plans, policies and procedures to address the remaining Consent Agreement requirements.

The Consent Arrangement also provided for a Stabilization Period (which commenced as of the date of the Consent Order and continued through August 12, 2011). The Consent Arrangement required the FHLBank of Seattle to meet certain minimum financial metrics during the Stabilization Period and to maintain them for each quarter-end thereafter. These financial metrics relate to retained earnings, accumulated other comprehensive loss and the market value of equity to the par value of capital

stock ratio. With the exception of the retained earnings requirement under the Consent Arrangement as of June 30, 2011, the FHLBank of Seattle has met all minimum financial metrics at each quarter-end during the Stabilization Period and at all quarter-ends after August 2011.

The Consent Agreement clarifies, among other things, the steps FHLBank of Seattle must take to stabilize its business, improve its capital classification and return to normal operations, including the repurchase and redemption of, and payment of dividends on, capital stock. The FHLBank of Seattle has coordinated, and will continue coordinating, with the FHFA so that its plans and actions are aligned with the FHFA's expectations. However, there is a risk that the FHLBank of Seattle may be unable to successfully execute the plans, policies and procedures it is developing or has developed to enhance the FHLBank of Seattle's safety and soundness and to stabilize its business, improve its capital classification and return to normal operations, which could have a material adverse consequence to its business, including its financial condition and results of operations. Further, the FHLBank of Seattle's failure to finalize and execute plans, policies and procedures acceptable to the FHFA, meet and maintain the financial metrics, or meet the requirements for asset composition, capital management and other operational and risk management objectives pursuant to the Consent Arrangement could result in additional actions under the prompt corrective action regulations or imposition of additional requirements or conditions by the FHFA, which could also have a material adverse consequence to the FHLBank of Seattle's business, including its financial condition and results of operations.

The Consent Arrangement will remain in effect until modified or terminated by the FHFA and does not prevent the FHFA from taking any other action affecting the FHLBank of Seattle that, at the sole discretion of the FHFA, it deems appropriate in fulfilling its supervisory responsibilities. Until the FHFA determines that FHLBank of Seattle has met the requirements of the Consent Arrangement, the FHLBank of Seattle expects to be restricted from redeeming, repurchasing, or paying dividends on capital stock without FHFA approval. Further, as a result of the FHLBank of Seattle's classification of undercapitalized, the FHLBank of Seattle expects that it will remain subject to the mandatory and discretionary restrictions resulting from such classification, including among others, restrictions on redeeming, repurchasing, or paying dividends on capital stock without FHFA approval.

Note 14 - Accumulated Other Comprehensive Income (Loss)

Table 14.1 presents a summary of changes in accumulated other comprehensive income (loss) for the six months ended June 30, 2012 and 2011.

Table 14.1 - Accumulated Other Comprehensive Income (Loss)

(dollars in millions)

	Net unrealized gains (losses) on AFS securities (Note 4)	Net unrealized gains (losses) on HTM securities transferred from AFS securities (Note 5)	Net non-credit portion of OTTI losses on AFS securities (Note 4)	Net non-credit portion of OTTI losses on HTM securities (Note 6)	Net unrealized gains (losses) relating to hedging activities (Note 10)	Pension and postretirement benefits	Total AOCI
Balance, December 31, 2010	$ 837	$ (8)	$ (1,306)	$ (4,441)	$ (579)	$ (49)	$ (5,546)
Other comprehensive income (loss)	190	1	(1,152)	3,030	(85)	2	1,986
Balance, June 30, 2011	$ 1,027	$ (7)	$ (2,458)	$ (1,411)	$ (664)	$ (47)	$ (3,560)
Balance, December 31, 2011	$ 1,255	$ (5)	$ (3,157)	$ (1,125)	$ (1,196)	$ (70)	$ (4,298)
Other comprehensive income (loss)	226	2	662	102	(106)	3	889
Balance, June 30, 2012	$ 1,481	$ (3)	$ (2,495)	$ (1,023)	$ (1,302)	$ (67)	$ (3,409)

Note 15 - Fair Value

The fair value amounts, recorded on the Combined Statement of Condition and presented in the note disclosures for the periods presented, have been determined by the FHLBanks using available market and other pertinent information, and reflect each FHLBank's best judgment of appropriate valuation methods. Although each FHLBank uses its best judgment in estimating the fair value of its financial instruments, there are inherent limitations in any valuation technique. Therefore, the fair values may not be indicative of the amounts that would have been realized in market transactions at June 30, 2012 and December 31, 2011.

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 certain other assets on a non-recurring basis. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The inputs are evaluated and an overall level for the fair value measurement is determined. This overall level is an indication of market observability of the fair value measurement for the asset or liability. An entity must disclose the level within the fair value hierarchy in which the measurements are classified for all assets and liabilities.

The fair value hierarchy prioritizes the inputs used to measure fair value into three broad levels:

- Level 1 Inputs. Quoted prices (unadjusted) for identical assets or liabilities in an active market that the reporting entity can access on the measurement date.

- Level 2 Inputs. Inputs, other than quoted prices within Level 1, that are observable inputs for the asset or liability, either directly or indirectly. If the asset or liability has a specified or contractual term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following: (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in markets that are not active; (3) inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates and yield curves that are observable at commonly quoted intervals, and implied volatilities); and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 Inputs. Unobservable inputs for the asset or liability.

Each FHLBank reviews its fair value hierarchy classifications on a quarterly basis. Changes in the observability of the valuation inputs may result in a reclassification of certain assets or liabilities. These reclassifications are reported as transfers in/out at fair value as of the beginning of the quarter in which the changes occur. There were no such transfers during the three and six months ended June 30, 2012 and 2011.

Table 15.1 presents the carrying value, estimated fair value and fair value hierarchy at June 30, 2012 of financial assets and liabilities of the FHLBanks. These values do not represent an estimate of the overall market value of the FHLBanks as going concerns, which would take into account future business opportunities and the net profitability of assets and liabilities.

Table 15.1 - Fair Value Summary

(dollars in millions)

	June 30, 2012					
		Fair Value				
Financial Instruments	Carrying Value	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Assets						
Cash and due from banks	$ 5,062	$ 5,062	$ 5,062	$ —	$ —	$ —
Interest-bearing deposits	1,106	1,106	—	1,106	—	—
Securities purchased under agreements to resell	28,128	28,128	—	28,128	—	—
Federal funds sold	47,072	47,072	—	47,072	—	—
Trading securities	16,685	16,685	11	16,674	—	—
Available-for-sale securities	69,045	69,045	11	55,481	13,553	—
Held-to-maturity securities	119,485	121,536	—	107,320	14,216	—
Advances(2)	418,366	421,417	—	421,417	—	—
Mortgage loans held for portfolio, net	51,713	55,061	—	54,737	324	—
Accrued interest receivable	1,478	1,478	—	1,478	—	—
Derivative assets, net	587	587	—	6,961	36	(6,410)
Other assets	17	17	17	—	—	—
Liabilities						
Deposits	13,043	13,043	—	13,043	—	—
Consolidated obligations						
Discount notes(3)	196,265	196,266	—	196,266	—	—
Bonds(4)	493,961	502,614	—	502,529	85	—
Total consolidated obligations	690,226	698,880	—	698,795	85	—
Mandatorily redeemable capital stock	7,501	7,501	7,501	—	—	—
Accrued interest payable	1,582	1,582	—	1,582	—	—
Derivative liabilities, net	2,891	2,891	—	19,889	—	(16,998)
Other liabilities	75	75	75	—	—	—
Subordinated notes	1,000	1,138	—	1,138	—	—

Financial Instruments	December 31, 2011 Carrying Value	Fair Value
Assets		
Cash and due from banks	$ 20,182	$ 20,182
Interest-bearing deposits	1,207	1,207
Securities purchased under agreements to resell	12,675	12,675
Federal funds sold	41,139	41,140
Trading securities	18,705	18,705
Available-for-sale securities	78,062	78,062
Held-to-maturity securities	119,477	120,886
Advances(2)	418,157	421,889
Mortgage loans held for portfolio, net	53,377	57,001
Accrued interest receivable	1,613	1,613
Derivative assets, net	636	636
Other assets	15	15
Liabilities		
Deposits	12,564	12,564
Securities sold under repurchase agreements	400	400
Consolidated obligations		
Discount notes(3)	190,149	190,157
Bonds(4)	506,975	516,888
Total consolidated obligations	697,124	707,045
Mandatorily redeemable capital stock	8,013	8,013
Accrued interest payable	1,763	1,763
Derivative liabilities, net	3,570	3,570
Other liabilities	82	82
Subordinated notes	1,000	1,127

(1) Amounts represent the effect of legally enforceable master netting agreements that allow an FHLBank to net settle positive and negative positions and also cash collateral and related accrued interest held or placed with the same counterparties.
(2) Includes $7,758 million and $8,693 million of advances recorded under fair value option and $39 million and $45 million of hedged advances recorded at fair value at June 30, 2012 and December 31, 2011.
(3) Includes $8,116 million and $19,862 million of consolidated obligation discount notes recorded under fair value option at June 30, 2012 and December 31, 2011.
(4) Includes $55,225 million and $38,981 million of consolidated obligation bonds recorded under fair value option and $85 million and $87 million of hedged consolidated bonds recorded at fair value at June 30, 2012 and December 31, 2011.

Summary of Valuation Methodologies and Primary Inputs

Cash and due from banks. The fair values equal the carrying values.

Interest-bearing deposits. The fair values are determined based on prices obtained from a pricing service or by calculating the present value of the expected future cash flows and reducing the amount for accrued interest receivable. For interest-bearing deposits with three months or less to maturity or repricing, the fair values approximate the carrying values.

Securities purchased under agreements to resell. The fair values are determined by calculating the present value of the future cash flows. The discount rates used in these calculations are the rates for securities with similar terms. For securities with three months or less to maturity or repricing, the fair values approximate the carrying values.

Federal funds sold. The fair values of overnight Federal funds sold approximate the carrying values. The fair values of term Federal funds sold are determined by calculating the present value of the expected future cash flows. The discount rates used in these calculations are the rates for Federal funds with similar terms.

Investment securities-MBS. Using a uniform framework, each FHLBank's valuation technique incorporates prices from up to four designated third-party pricing services, when available. The third-party pricing services use various proprietary models to price MBS. The inputs to those models are derived from various sources including, but not limited to: benchmark yields, reported trades, dealer estimates, issuer spreads, benchmark securities, bids, offers and other market-related data. Since

many MBS do not trade on a daily basis, the pricing vendors use available information as applicable such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing to determine the prices for individual securities. Each pricing vendor has an established challenge process in place for all MBS valuations, which facilitates resolution of potentially erroneous prices identified by the FHLBanks.

Recently, each FHLBank conducted reviews of the four pricing vendors to confirm and further augment its understanding of the vendors' pricing processes, methodologies and control procedures for specific instruments.

The FHLBanks' valuation technique for estimating the fair values of MBS first requires the establishment of a median price for each security. If four prices are received, the average of the middle two prices is the median price; if three prices are received, the middle price is the median price; if two prices are received, the average of the two prices is the median price; and if one price is received, it is the median price (and also the final price) subject to some type of validation. All prices that are within a specified tolerance threshold of the median price are included in the cluster of prices that are averaged to compute a default price. All prices that are outside the threshold (outliers) are subject to further analysis; including, but not limited to, comparison to prices provided by an additional third-party valuation service, prices for similar securities, and/or non-binding dealer estimates; to determine if an outlier is a better estimate of fair value. If an outlier or some other price identified in the analysis is determined to be a better estimate of fair value, then the outlier or the other price as appropriate is used as the final price rather than the default price. Alternatively, if the analysis confirms that an outlier (or outliers) is (are) in fact not representative of fair value and the default price is the best estimate, then the default price is used as the final price. In all cases, the final price is used to determine the fair value of the security.

As an additional step for certain securities, each FHLBank reviewed the final fair value estimates of its private-label residential MBS holdings as of June 30, 2012 for reasonableness using an implied yield test. Each FHLBank calculated an implied yield for certain of its private-label residential MBS using the estimated fair value derived from the process previously described and the security's projected cash flows from the FHLBank's OTTI process. These yields were compared to the market yield of comparable securities according to dealers and other third-party sources to the extent comparable market yield data was available. This analysis did not indicate that any material adjustments to the fair value estimates were necessary.

As of June 30, 2012, four prices were received for a majority of the FHLBanks' MBS holdings and the final prices for those securities were computed by averaging the prices received. Based on each FHLBank's reviews of the pricing methods employed by the third-party pricing vendors and the relative lack of dispersion among the vendor prices (or, in those instances in which there were outliers or significant yield variances, the FHLBanks' additional analyses), each FHLBank believes its final prices result in reasonable estimates of fair value and that the fair value measurements are classified appropriately in the fair value hierarchy. Based on the lack of significant market activity for private-label residential MBS and home equity loan ABS, the recurring and non-recurring fair value measurements for those securities were classified as Level 3 within the fair value hierarchy as of June 30, 2012 and December 31, 2011.

Investment securities-Non-MBS. To determine the estimated fair values of non-MBS investment securities, each FHLBank uses either a market approach using prices from third-party pricing services, generally consistent with the methodologies for MBS, or an income approach based on a market-observable interest rate curve, adjusted for a spread, which may be based on unobservable information. Differing spreads may be applied to distinct term points along the discount curve in determining the fair values of instruments with varying maturities. Each FHLBank believes that its methodologies result in fair values that are reasonable and similar in all material respects based on the nature of the financial instruments being measured. The market-observable interest rate curves used by the FHLBanks and the related financial instrument they measure are as follows:

- *Treasury Curve.* U.S. Treasury obligations.
- *LIBOR Swap Curve*. Commercial paper, certificates of deposit, Temporary Liquidity Guarantee Program debentures and promissory notes, and Federal Family Education Loan Program ABS.
- *U.S. Government Agency Fair Value Curve.* Government-sponsored enterprises and Tennessee Valley Authority obligations.

Advances. Each FHLBank generally determines the fair values of its advances by calculating the present value of expected future cash flows from the advances, excluding the amount of the accrued interest receivable. The discount rates used in these calculations are equivalent to the replacement advance rates for advances with similar terms. Each FHLBank calculates its replacement advance rates at a spread to its cost of funds. Each FHLBank's cost of funds approximates the CO Curve. (See *Summary of Valuation Methodologies and Primary Inputs - Consolidated obligations* within this note for a discussion of the CO Curve.) To estimate the fair values of advances with optionality, market-based expectations of future interest rate volatility

implied from current market prices for similar options are also used. In accordance with the FHFA's advances regulations, an advance with a maturity or repricing period greater than six months requires a prepayment fee sufficient to make an FHLBank financially indifferent to the borrower's decision to prepay the advances. Therefore, the fair values of advances do not assume prepayment risk.

Mortgage loans held for portfolio. The fair values of mortgage loans are estimated based on quoted market prices for similar mortgage loans, if available, or modeled values. The modeled values generally start with prices for newly issued mortgage-backed securities issued by U.S. government-sponsored enterprises or similar new mortgage loans, adjusted for underlying assumptions or characteristics. The prices are adjusted for differences in coupon, average loan rate, seasoning, credit risk, and cash flow remittance between the FHLBank's mortgage loans and the referenced mortgage-backed securities or mortgage loans. The prices of the referenced mortgage-backed securities and mortgage loans are highly dependent upon the underlying prepayment and other assumptions. Changes in the prepayment rates often have a material effect on the fair value estimates. The fair values of certain non-performing loans are estimated based on the values of the underlying collateral or the present values of future cash flows, which may include estimates of prepayment rates and other assumptions.

Accrued interest receivable and payable. The fair values approximate the carrying values.

Derivative assets/liabilities. Each FHLBank bases the fair values of derivatives with similar terms on 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. In limited instances, fair value estimates for interest-rate related derivatives are obtained from dealers and are corroborated by an FHLBank using a pricing model and observable market data (e.g., the LIBOR Swap Curve). Each FHLBank is subject to credit risk in derivatives transactions due to the potential nonperformance of their derivatives counterparties, which are generally highly rated institutions. To mitigate this risk, each FHLBank has entered into master netting agreements for interest-rate exchange agreements with its derivative counterparties. To further limit the FHLBank's net unsecured credit exposure to those counterparties, each FHLBank has entered into bilateral security agreements with all of its active derivatives counterparties that provide for the delivery of collateral at specified levels. Each FHLBank has evaluated the potential for the fair value of the instruments to be affected by counterparty credit risk and its own credit risk and has determined that no adjustments were significant to the overall fair value measurements.

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

Each of the FHLBank's discounted cash flow analysis uses market-observable inputs. 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).

TBAs:

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

Mortgage delivery commitments:

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

Deposits. The fair values of deposits are generally equal to the carrying values of the deposits because the deposits are primarily overnight deposits or due on demand. Each FHLBank determines the fair values of term deposits by calculating the present value of expected future cash flows from the deposits. The discount rates used in these calculations are the cost of deposits with similar terms.

Securities sold under agreements to repurchase. Each FHLBank determines the fair values of securities sold under agreements to repurchase using the income approach, which converts the expected future cash flows to a single present value using market-based inputs. The fair value also takes into consideration any derivative features, as applicable.

Consolidated obligations. Each FHLBank estimates the fair values of consolidated obligations based on prices received from pricing services, consistent with the methodology for MBS previously discussed, or by using standard valuation techniques and inputs based on the cost of raising comparable term debt.

The inputs used to determine the fair values of consolidated obligations are as follows:

- *CO Curve and LIBOR Swap Curve.* The Office of Finance constructs an internal curve, referred to as the CO Curve, using the U.S. Treasury Curve as a base curve that is then adjusted by adding indicative spreads obtained from market observable sources. These market indications are generally derived from pricing indications from dealers, historical pricing relationships, recent GSE trades and secondary market activity. The LIBOR Swap Curve is used for certain callable consolidated obligations.

- *Volatility assumption.* To estimate the fair values of consolidated obligations with optionality, the FHLBanks use market-based expectations of future interest rate volatility implied from current market prices for similar options.

- *Spread adjustment.* FHLBanks may apply an adjustment to the curve.

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

Commitments. The fair value of the FHLBanks' commitments to extend credit for advances, letters of credit and standby bond-purchase agreements was immaterial at June 30, 2012 and December 31, 2011.

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

Subjectivity of estimates. Estimates of the fair value of financial assets and liabilities using the methodologies described above are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows, prepayment speed assumptions, expected interest rate volatility, possible distributions of future interest rates used to value options, and the selection of discount rates that appropriately reflect market and credit risks. The use of different assumptions could have a material effect on the fair value estimates.

Fair Value Measurements

Table 15.2 presents the fair value of assets and liabilities, which are recorded on a recurring or non-recurring basis at June 30, 2012 and December 31, 2011, by level within the fair value hierarchy. The FHLBanks measure certain held-to-maturity securities and mortgage loans at fair value on a non-recurring basis due to the recognition of a credit loss. Real estate owned is measured at fair value when the asset's fair value less costs to sell is lower than its carrying amount.

Table 15.2 - Fair Value Measurements

(dollars in millions)

	June 30, 2012				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Recurring Fair Value Measurements - Assets					
Trading securities					
U.S. Treasury obligations	$ 1,334	$ —	$ 1,334	$ —	$ —
Commercial paper	460	—	460	—	—
Certificates of deposit	624	—	624	—	—
Other U.S. obligations	261	—	261	—	—
GSE obligations	10,572	—	10,572	—	—
State or local housing agency obligations	2	—	2	—	—
Temporary Liquidity Guarantee Program debentures and promissory notes	2,375	—	2,375	—	—
Other non-MBS	303	11	292	—	—
Other U.S. obligations residential MBS	41	—	41	—	—
GSE residential MBS	461	—	461	—	—
GSE commercial MBS	252	—	252	—	—
Total trading securities	16,685	11	16,674	—	—
Available-for-sale securities					
Certificates of deposit	800	—	800	—	—
Other U.S. obligations	1,647	—	1,647	—	—
GSE and Tennessee Valley Authority obligations	14,310	—	14,310	—	—
State or local housing agency obligations	13	—	13	—	—
Temporary Liquidity Guarantee Program debentures and promissory notes	2,662	—	2,662	—	—
Federal Family Education Loan Program ABS	7,870	—	7,870	—	—
Other non-MBS	880	11	869	—	—
Other U.S. obligations residential MBS	3,109	—	3,109	—	—
GSE residential MBS	24,049	—	24,049	—	—
GSE commercial MBS	152	—	152	—	—
Private-label residential MBS	13,539	—	—	13,539	—
Home equity loan ABS	14	—	—	14	—
Total available-for-sale securities	69,045	11	55,481	13,553	—
Advances(2)	7,797	—	7,797	—	—
Derivative assets, net					
Interest-rate related	570	—	6,944	36	(6,410)
Mortgage delivery commitments	17	—	17	—	—
Total derivative assets, net	587	—	6,961	36	(6,410)
Other assets	17	17	—	—	—
Total recurring assets at fair value	$ 94,131	$ 39	$ 86,913	$ 13,589	$ (6,410)

	June 30, 2012				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Recurring Fair Value Measurements - Liabilities					
Consolidated Obligations					
Discount notes(3)	$ 8,116	$ —	$ 8,116	$ —	$ —
Bonds(4)	55,310	—	55,225	85	—
Total consolidated obligations	63,426	—	63,341	85	—
Derivative liabilities, net					
Interest-rate related	2,876	—	19,874	—	(16,998)
TBAs	2	—	2	—	—
Mortgage delivery commitments	13	—	13	—	—
Total derivative liabilities, net	2,891	—	19,889	—	(16,998)
Total recurring liabilities at fair value	$ 66,317	$ —	$ 83,230	$ 85	$ (16,998)
Non-Recurring Fair Value Measurements - Assets					
Held-to-maturity securities					
Private-label residential MBS	$ 109	$ —	$ —	$ 109	
Home equity loan ABS	6	—	—	6	
Total held-to-maturity securities	115	—	—	115	
Mortgage loans held for portfolio	241	—	—	241	
Real estate owned	23	—	3	20	
Total non-recurring assets at fair value	$ 379	$ —	$ 3	$ 376	

	December 31, 2011				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Recurring Fair Value Measurements - Assets					
Trading securities					
U.S. Treasury obligations	$ 1,061	$ —	$ 1,061	$ —	$ —
Commercial paper	599	—	599	—	—
Certificates of deposit	1,020	—	1,020	—	—
Other U.S. obligations	9	—	9	—	—
GSE obligations	9,697	—	9,697	—	—
State or local housing agency obligations	3	—	3	—	—
Temporary Liquidity Guarantee Program debentures and promissory notes	5,179	—	5,179	—	—
Other non-MBS	296	10	286	—	—
Other U.S. obligations residential MBS	43	—	43	—	—
GSE residential MBS	549	—	549	—	—
GSE commercial MBS	249	—	249	—	—
Total trading securities	18,705	10	18,695	—	—
Available-for-sale securities					
Certificates of deposit	3,954	—	3,954	—	—
Other U.S. obligations	1,240	—	1,240	—	—
GSE and Tennessee Valley Authority obligations	14,981	—	14,981	—	—
Temporary Liquidity Guarantee Program debentures and promissory notes	9,546	—	9,546	—	—
Federal Family Education Loan Program ABS	8,159	—	8,159	—	—
Other non-MBS	940	11	929	—	—
Other U.S. obligations residential MBS	3,118	—	3,118	—	—
GSE residential MBS	21,761	—	21,761	—	—
GSE commercial MBS	153	—	153	—	—
Private-label residential MBS	14,195	—	—	14,195	—
Home equity loan ABS	15	—	—	15	—
Total available-for-sale securities	78,062	11	63,841	14,210	—
Advances(2)	8,738	—	8,738	—	—
Derivative assets, net					
Interest-rate related	628	—	7,645	37	(7,054)
Mortgage delivery commitments	8	—	8	—	—
Total derivative assets, net	636	—	7,653	37	(7,054)
Other assets	15	15	—	—	—
Total recurring assets at fair value	$ 106,156	$ 36	$ 98,927	$ 14,247	$ (7,054)

	December 31, 2011				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Recurring Fair Value Measurements - Liabilities					
Consolidated Obligations					
Discount notes(3)	$ 19,862	$ —	$ 19,862	$ —	$ —
Bonds(4)	39,068	—	38,981	87	—
Total consolidated obligations	58,930	—	58,843	87	—
Derivative liabilities, net					
Interest-rate related	3,562	—	20,607	—	(17,045)
TBAs	4	—	4	—	—
Mortgage delivery commitments	4	—	4	—	—
Total derivative liabilities, net	3,570	—	20,615	—	(17,045)
Optional advance commitments, included in other liabilities	2	—	2	—	—
Total recurring liabilities at fair value	$ 62,502	$ —	$ 79,460	$ 87	$ (17,045)
Non-Recurring Fair Value Measurements - Assets					
Held-to-maturity securities					
Private-label residential MBS	$ 234	$ —	$ —	$ 234	
Home equity loan ABS	6	—	—	6	
Total held-to-maturity securities	240	—	—	240	
Mortgage loans held for portfolio	249	—	—	249	
Real estate owned	25	—	3	22	
Total non-recurring assets at fair value	$ 514	$ —	$ 3	$ 511	

(1) Amounts represent the effect of legally enforceable master netting agreements that allow an FHLBank to net settle positive and negative positions and also cash collateral and related accrued interest held or placed with the same counterparties.
(2) Includes $7,758 million and $8,693 million of advances recorded under fair value option and $39 million and $45 million of hedged advances recorded at fair value at June 30, 2012 and December 31, 2011.
(3) Represents consolidated obligation discount notes recorded under fair value option at June 30, 2012 and December 31, 2011.
(4) Includes $55,225 million and $38,981 million of consolidated obligation bonds recorded under fair value option and $85 million and $87 million of hedged consolidated bonds recorded at fair value at June 30, 2012 and December 31, 2011.

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

Table 15.3 presents a rollforward of assets and liabilities measured at fair value on a recurring basis and classified as Level 3 during the six months ended June 30, 2012 and 2011.

Table 15.3 - Rollforward of Level 3 Assets and Liabilities

(dollars in millions)

	Six Months Ended June 30, 2012			
	Available-for-Sale Securities		Derivatives, Net(1)	
	Private-Label Residential MBS	Home Equity Loan ABS	Interest-Rate Related	Consolidated Bonds
Balance, at beginning of period	$ 14,195	$ 15	$ 37	$ (87)
Total gains or losses (realized/unrealized)				
Included in net gains (losses) on derivatives and hedging activities	—	—	(1)	2
Included in interest income	(9)	—	—	—
Net other-than-temporary impairment losses, credit portion	(63)	(1)	—	—
Reclassification of non-credit portion included in net income (loss)	43	1	—	—
Included in net change in fair value on OTTI available-for-sale securities included in OCI	474	—	—	—
Included in unrealized gains (losses) on OTTI available-for-sale securities included in OCI	158	—	—	—
Purchases, issuances, sales and settlements				
Settlements	(1,331)	(1)	—	—
Transfers from held-to-maturity to available-for-sale securities(2)	72	—	—	—
Balance, at end of period	$ 13,539	$ 14	$ 36	$ (85)
Total amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains/losses relating to assets and liabilities still held at June 30, 2012	$ (75)	$ (1)	$ (1)	$ 1

	Six Months Ended June 30, 2011			
	Available-for-Sale Securities		Derivatives, Net(1)	
	Private-Label Residential MBS	Home Equity Loan ABS	Interest-Rate Related	Consolidated Bonds
Balance, at beginning of period	$ 8,047	$ 15	$ 29	$ (78)
Total gains or losses (realized/unrealized)				
Included in net gains (losses) on sale of available-for-sale securities	5	—	—	—
Included in net gains (losses) on changes in fair value included in earnings	(326) [(a)]	(1)	—	—
Included in AOCI	1,366	5	—	—
Purchases, issuances and settlements				
Settlements	(1,364)	(2)	—	—
Transfers from held-to-maturity to available-for-sale securities(2)	7,661	—	—	—
Balance, at end of period	$ 15,389	$ 17	$ 29	$ (78)
Total amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains/losses relating to assets and liabilities still held at June 30, 2011	$ (325)	$ (1)	$ —	$ —

(a) Represents OTTI related to the credit loss recognized in earnings for AFS securities.
(1) Balances exclude netting adjustments and cash collateral.
(2) During the six months ended June 30, 2012 and 2011, certain FHLBanks elected to transfer certain private-label residential MBS that had credit-related OTTI from their respective HTM portfolio to their respective AFS portfolio. (See *Note 6 - Other-Than-Temporary Impairment Analysis* for additional information on these transfers.) As of June 30, 2012 and 2011, the fair value of these securities continued to be determined using significant unobservable inputs (Level 3).

Fair Value Option

The fair value option provides an irrevocable option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments and written loan commitments not previously carried at fair value. It requires entities to display the fair value of those assets and liabilities for which the entity has chosen to use fair value on the face of the statement of condition. Fair value is used for both the initial and subsequent measurement of the designated assets, liabilities and commitments, with the changes in fair value recognized in net income. Interest income and interest expense on advances and consolidated obligations at fair value are recognized solely on the contractual amount of interest due or unpaid. Any transaction fees or costs are immediately recognized into non-interest income or non-interest expense.

The FHLBanks of New York, Cincinnati, Chicago, Des Moines, Dallas, San Francisco and Seattle (Electing FHLBanks) have each elected the fair value option for certain advances, certain optional advance commitments and/or certain consolidated obligations, which either do not qualify for hedge accounting or may be at risk for not meeting hedge effectiveness requirements, primarily in an effort to mitigate the potential income statement volatility that can arise from economic hedging relationships in which the carrying value of the hedged item is not adjusted for changes in fair value.

Table 15.4 - Fair Value Option - Financial Assets and Liabilities

(dollars in millions)

	Three Months Ended June 30,							
	2012				2011			
	Advances	Consolidated Discount Notes	Consolidated Bonds	Other Liabilities	Advances	Consolidated Discount Notes	Consolidated Bonds	Other Liabilities
Balance, at beginning of period	$ 7,920	$ (13,545)	$ (33,904)	$ (1)	$ 9,714	$ (3,476)	$ (46,767)	$ (15)
New transactions elected for fair value option	238	(1,395)	(30,684)	—	1,004	(961)	(11,940)	—
Maturities and terminations	(408)	6,828	9,366	—	(1,588)	2,080	24,219	—
Net gains (losses) on financial instruments held under fair value option	9	—	8	1	105	—	(86)	5
Change in accrued interest and other	(1)	(4)	(11)	—	1	1	20	—
Balance, at end of period	$ 7,758	$ (8,116)	$ (55,225)	$ —	$ 9,236	$ (2,356)	$ (34,554)	$ (10)

	Six Months Ended June 30,							
	2012				2011			
	Advances	Consolidated Discount Notes	Consolidated Bonds	Other Liabilities	Advances	Consolidated Discount Notes	Consolidated Bonds	Other Liabilities
Balance, at beginning of period	$ 8,693	$ (19,862)	$ (38,981)	$ (2)	$ 10,494	$ (5,820)	$ (47,395)	$ (11)
New transactions elected for fair value option	464	(1,595)	(41,468)	—	1,522	(1,204)	(32,340)	(3)
Maturities and terminations	(1,378)	13,343	25,192	—	(2,828)	4,669	45,265	—
Net gains (losses) on financial instruments held under fair value option	(17)	4	34	2	54	1	(95)	4
Change in accrued interest and other	(4)	(6)	(2)	—	(6)	(2)	11	—
Balance, at end of period	$ 7,758	$ (8,116)	$ (55,225)	$ —	$ 9,236	$ (2,356)	$ (34,554)	$ (10)

For instruments for which the fair value option has been elected, the related contractual interest income, contractual interest expense and the discount amortization on fair value option discount notes are recorded as part of net interest income in the Combined Statement of Income. The remaining changes in fair value for instruments for which the fair value option has been elected are recorded as net gains (losses) on financial instruments held under fair value option in the Combined Statement of Income. The change in fair value does not include changes in instrument-specific credit risk. Each of the Electing FHLBanks determined that no adjustments to the fair values of its instruments recorded under the fair value option for instrument-specific credit risk were necessary for the three and six months ended June 30, 2012 and 2011.

Table 15.5 presents the difference between the aggregate unpaid balance outstanding and the aggregate fair value for advances and consolidated obligations for which the fair value option has been elected as of June 30, 2012 and December 31, 2011.

Table 15.5 - Aggregate Unpaid Balance and Aggregate Fair Value

(dollars in millions)

	June 30, 2012			December 31, 2011		
	Aggregate Unpaid Principal Balance	Aggregate Fair Value	Fair Value Over/ (Under) Aggregate Unpaid Principal Balance	Aggregate Unpaid Principal Balance	Aggregate Fair Value	Fair Value Over/ (Under) Aggregate Unpaid Principal Balance
Advances(1)	$ 7,432	$ 7,758	$ 326	$ 8,267	$ 8,693	$ 426
Consolidated discount notes	8,117	8,116	(1)	19,859	19,862	3
Consolidated bonds	55,190	55,225	35	38,914	38,981	67

(1) At June 30, 2012 and December 31, 2011, none of the advances were 90 days or more past due or had been placed on non-accrual status.

Note 16 - Commitments and Contingencies

Off-Balance Sheet Commitments

Table 16.1 - Off-Balance Sheet Commitments

(dollars in millions)

	June 30, 2012			December 31, 2011
Notional amount	Expire Within One Year	Expire After One Year	Total	Total
Standby letters of credit outstanding(1)	$ 31,318	$ 19,216	$ 50,534	$ 53,663
Commitments for standby bond purchases	1,309	2,062	3,371	3,125
Unused lines of credit - advances	2,076	—	2,076	2,067
Commitments to fund additional advances	1,629	290	1,919	967
Commitments to purchase mortgage loans	1,367	—	1,367	1,024
Unsettled consolidated bonds, at par(2)	11,763	—	11,763	5,236
Unsettled consolidated discount notes, at par	1,253	—	1,253	58

(1) Excludes unconditional commitments to issue standby letters of credit of $250 million and $170 million at June 30, 2012 and December 31, 2011.
(2) Unsettled consolidated bonds of $8,990 million and $4,715 million were hedged with associated interest-rate swaps at June 30, 2012 and December 31, 2011.

Standby Letters of Credit. A standby letter of credit is a financing arrangement between an FHLBank and its member. Standby letters of credit are executed for members for a fee. If an FHLBank is required to make payment for a beneficiary's draw, the payment amount is converted into a collateralized advance to the member. The original terms of these standby letters of credit range from less than one month to 20 years, with a final expiration in 2030. The carrying value of guarantees related to standby letters of credit are recorded in other liabilities and were $92 million and $102 million at June 30, 2012 and December 31, 2011.

Each FHLBank monitors the creditworthiness of its members that have standby letters of credit. In addition, standby letters of credit are fully collateralized at the time of issuance. As a result, each FHLBank has deemed it unnecessary to record any additional liability on these commitments.

Standby Bond-Purchase Agreements. Certain FHLBanks have entered into standby bond-purchase agreements with state housing authorities within their district whereby these FHLBanks agree to provide liquidity for a fee. If required, the affected FHLBanks will purchase and hold the state housing authority's bonds until the designated marketing agent can find a suitable investor or the state housing authority repurchases the bond according to a schedule established by the standby bond-purchase agreement. Each standby bond-purchase agreement dictates the specific terms that would require the affected FHLBank to purchase the bond. The standby bond-purchase commitments entered into by these FHLBanks have original expiration periods of up to seven years, currently expiring no later than 2016, although some are renewable at the option of

the affected FHLBank. At June 30, 2012 and December 31, 2011, the FHLBanks had standby bond-purchase commitments with 11 and 10 state housing authorities. During the six months ended June 30, 2012, the FHLBanks were not required to purchase any bonds under these agreements.

Commitments to Purchase Mortgage Loans. An FHLBank may enter into commitments that unconditionally obligate it to purchase mortgage loans. Commitments are generally for periods not exceeding three months. These outstanding commitments represented obligations of the FHLBanks to purchase closed mortgage loans from their members and net delivery commitments related to the MPF Xtra product. Delivery commitments are recorded at fair value as derivative assets or derivative liabilities in the Combined Statement of Condition. Under the MPF Xtra product, the FHLBank of Chicago enters into delivery commitments to purchase MPF Xtra mortgage loans from the participating financial institutions and simultaneously enters into delivery commitments to resell these loans to Fannie Mae. The outstanding delivery commitments issued by the FHLBank of Chicago were $603 million and $250 million at June 30, 2012 and December 31, 2011. 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. The FHLBanks had pledged securities, as collateral, to counterparties that have market risk exposure from the FHLBanks related to derivatives. At June 30, 2012 and December 31, 2011, the pledged securities that cannot be sold or repledged had a carrying value of $1,208 million and $965 million while the pledged securities that can be sold or repledged had a carrying value of $138 million and $792 million.

Lehman Bankruptcy

On September 15, 2008, Lehman Brothers Holdings, Inc. (LBHI), the parent company of Lehman Brothers Special Financing (LBSF) and a guarantor of LBSF's obligations, announced it had filed a petition for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. This filing precipitated the termination of the FHLBanks' derivatives transactions with LBSF. Each affected FHLBank calculated its resulting settlement amount, including in that calculation any unreturned collateral pledged in connection with those transactions.

Several FHLBanks received a derivatives alternative dispute resolution (ADR) notice from the LBHI bankruptcy estate relating to the unwinding of derivatives transactions between LBSF and individual FHLBanks in 2008. Under the derivatives ADR notice, an FHLBank may agree to the demand, deny the demand or make a counteroffer and ultimately arrive at a settlement of the demand. Some of these FHLBanks have settled their disputes with the LBHI bankruptcy estate. Each of the FHLBanks of New York and Cincinnati has disclosed information regarding certain legal proceedings in connection with LBHI's insolvency in its individual 2012 Second Quarter SEC Form 10-Q.

Other Legal Proceedings

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

Note 17 - Subsequent Events

Subsequent events have been evaluated from July 1, 2012 through the time of publication of this Combined Financial Report. No significant subsequent events were identified, except for the declaration of dividends or repurchase of excess capital stock, which generally occur in the normal course of business unless there are regulatory or self-imposed restrictions.

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CONDITION
JUNE 30, 2012
(Unaudited)

(dollars in millions, except par value)	Combined	Combining Adjustments	Boston	New York
Assets				
Cash and due from banks	$ 5,062	$ —	$ 473	$ 914
Investments	281,521	(217)	19,364	21,976
Advances	418,366	—	26,457	77,610
Mortgage loans held for portfolio, net	51,713	—	3,311	1,628
Other assets	2,886	(1)	158	266
Total assets	$ 759,548	$ (218)	$ 49,763	$ 102,394
Liabilities				
Deposits	$ 13,043	$ (9)	$ 669	$ 1,723
Consolidated obligations				
Discount notes	196,265	—	16,610	21,332
Bonds	493,961	(247)	27,623	72,964
Total consolidated obligations	690,226	(247)	44,233	94,296
Mandatorily redeemable capital stock	7,501	—	216	42
Other liabilities	8,563	(3)	1,261	821
Total liabilities	719,333	(259)	46,379	96,882
Capital				
Capital stock				
Class B putable ($100 par value) issued and outstanding	33,479	—	3,421	4,888
Class A putable ($100 par value) issued and outstanding	594	—	—	—
Total capital stock	34,073	—	3,421	4,888
Retained earnings				
Unrestricted	7,220	43	448	766
Restricted	2,331	—	43	62
Total retained earnings	9,551	43	491	828
Accumulated other comprehensive income (loss)	(3,409)	(2)	(528)	(204)
Total capital	40,215	41	3,384	5,512
Total liabilities and capital	$ 759,548	$ (218)	$ 49,763	$ 102,394

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 287	$ 13	$ 780	$ 198	$ 24	$ 258	$ 1,448	$ 528	$ 138	$ 1
18,314	35,701	23,359	15,239	40,336	12,738	13,805	11,182	44,283	25,441
33,617	81,842	35,095	18,814	15,797	26,561	19,207	17,730	56,074	9,562
3,621	1,423	8,094	5,780	12,162	7,254	141	5,549	1,547	1,203
213	461	138	134	322	127	128	157	620	163
$ 56,052	$ 119,440	$ 67,466	$ 40,165	$ 68,641	$ 46,938	$ 34,729	$ 35,146	$ 102,662	$ 36,370
$ 1,102	$ 2,133	$ 1,140	$ 783	$ 727	$ 1,352	$ 1,145	$ 1,712	$ 147	$ 419
16,263	21,427	30,539	7,557	23,439	5,956	9,508	9,605	17,611	16,418
34,381	89,079	31,319	28,720	39,872	36,396	22,049	21,646	73,528	16,631
50,644	110,506	61,858	36,277	63,311	42,352	31,557	31,251	91,139	33,049
207	115	265	451	10	10	5	8	5,048	1,124
589	621	465	577	1,460	409	323	424	1,202	414
52,542	113,375	63,728	38,088	65,508	44,123	33,030	33,395	97,536	35,006
3,110	5,007	3,259	1,608	1,850	2,064	1,204	863	4,643	1,562
—	—	—	—	—	—	—	475	—	119
3,110	5,007	3,259	1,608	1,850	2,064	1,204	1,338	4,643	1,681
466	1,299	454	521	1,435	582	524	424	97	161
13	45	34	28	69	19	15	17	1,954	32
479	1,344	488	549	1,504	601	539	441	2,051	193
(79)	(286)	(9)	(80)	(221)	150	(44)	(28)	(1,568)	(510)
3,510	6,065	3,738	2,077	3,133	2,815	1,699	1,751	5,126	1,364
$ 56,052	$ 119,440	$ 67,466	$ 40,165	$ 68,641	$ 46,938	$ 34,729	$ 35,146	$ 102,662	$ 36,370

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CONDITION
DECEMBER 31, 2011
(Unaudited)

(dollars in millions, except par value)	Combined	Combining Adjustments	Boston	New York
Assets				
Cash and due from banks	$ 20,182	$ —	$ 112	$ 10,878
Investments	271,265	(263)	21,379	14,237
Advances	418,157	—	25,195	70,864
Mortgage loans held for portfolio, net	53,377	—	3,109	1,408
Other assets	3,105	(1)	173	275
Total assets	$ 766,086	$ (264)	$ 49,968	$ 97,662
Liabilities				
Deposits	$ 12,564	$ (19)	$ 654	$ 2,102
Consolidated obligations				
Discount notes	190,149	—	14,652	22,123
Bonds	506,975	(261)	29,879	67,441
Total consolidated obligations	697,124	(261)	44,531	89,564
Mandatorily redeemable capital stock	8,013	—	228	54
Other liabilities	8,564	(38)	1,066	896
Total liabilities	726,265	(318)	46,479	92,616
Capital				
Capital stock				
Class B putable ($100 par value) issued and outstanding	32,485	—	3,626	4,491
Class A putable ($100 par value) issued and outstanding	655	—	—	—
Pre-conversion putable ($100 par value) issued and outstanding	2,402	—	—	—
Total capital stock	35,542	—	3,626	4,491
Retained earnings				
Unrestricted	6,603	56	375	722
Restricted	1,974	—	23	24
Total retained earnings	8,577	56	398	746
Accumulated other comprehensive income (loss)	(4,298)	(2)	(535)	(191)
Total capital	39,821	54	3,489	5,046
Total liabilities and capital	$ 766,086	$ (264)	$ 49,968	$ 97,662

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 634	$ 6	$ 2,034	$ 513	$ 1,002	$ 240	$ 1,152	$ 116	$ 3,494	$ 1
16,639	36,138	21,941	15,203	40,503	14,637	13,538	10,576	39,368	27,369
30,605	86,971	28,424	18,568	15,291	26,591	18,798	17,394	68,164	11,292
3,883	1,633	7,850	5,955	14,118	7,138	163	4,934	1,829	1,357
233	522	148	136	341	127	119	170	697	165
$ 51,994	$ 125,270	$ 60,397	$ 40,375	$ 71,255	$ 48,733	$ 33,770	$ 33,190	$ 113,552	$ 40,184
$ 1,099	$ 2,655	$ 1,083	$ 629	$ 648	$ 750	$ 1,522	$ 998	$ 156	$ 287
10,922	24,330	26,136	6,536	25,404	6,810	9,799	10,251	19,152	14,034
35,613	90,662	28,855	30,358	39,880	38,012	20,070	19,895	83,350	23,221
46,535	114,992	54,991	36,894	65,284	44,822	29,869	30,146	102,502	37,255
45	286	275	453	4	6	15	8	5,578	1,061
652	776	489	451	2,027	343	659	337	611	295
48,331	118,709	56,838	38,427	67,963	45,921	32,065	31,489	108,847	38,898
3,389	5,718	3,126	1,563	—	2,109	1,256	791	4,795	1,621
—	—	—	—	—	—	—	536	—	119
—	—	—	—	2,402	—	—	—	—	—
3,389	5,718	3,126	1,563	2,402	2,109	1,256	1,327	4,795	1,740
431	1,235	432	484	1,289	562	489	396	—	132
4	19	12	13	32	7	6	6	1,803	25
435	1,254	444	497	1,321	569	495	402	1,803	157
(161)	(411)	(11)	(112)	(431)	134	(46)	(28)	(1,893)	(611)
3,663	6,561	3,559	1,948	3,292	2,812	1,705	1,701	4,705	1,286
$ 51,994	$ 125,270	$ 60,397	$ 40,375	$ 71,255	$ 48,733	$ 33,770	$ 33,190	$ 113,552	$ 40,184

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF INCOME
THREE MONTHS ENDED JUNE 30, 2012 AND 2011
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
June 30, 2012				
Interest income				
Advances	$ 831	$ —	$ 100	$ 105
Investments	1,164	(4)	62	82
Mortgage loans	548	—	34	16
Total interest income	2,543	(4)	196	203
Interest expense				
Consolidated obligations — Discount notes	129	—	3	13
Consolidated obligations — Bonds	1,408	3	103	97
Other interest expense	32	—	1	1
Total interest expense	1,569	3	107	111
Net interest income	974	(7)	89	92
Provision (reversal) for credit losses	1	—	(1)	—
Net interest income after provision (reversal) for credit losses	973	(7)	90	92
Non-interest income (loss)				
Net other-than-temporary impairment losses	(55)	—	(2)	(1)
Other	(58)	(2)	(11)	29
Total non-interest income (loss)	(113)	(2)	(13)	28
Non-interest expense	243	(2)	15	24
Assessments	65	—	6	10
Net income (loss)	$ 552	$ (7)	$ 56	$ 86
June 30, 2011				
Interest income				
Advances	$ 874	$ —	$ 93	$ 116
Investments	1,325	(3)	64	79
Mortgage loans	684	—	38	16
Total interest income	2,883	(3)	195	211
Interest expense				
Consolidated obligations — Discount notes	134	—	3	7
Consolidated obligations — Bonds	1,715	4	116	103
Other interest expense	32	—	—	1
Total interest expense	1,881	4	119	111
Net interest income	1,002	(7)	76	100
Provision (reversal) for credit losses	10	—	(2)	1
Net interest income after provision (reversal) for credit losses	992	(7)	78	99
Non-interest income (loss)				
Net other-than-temporary impairment losses	(341)	—	(35)	—
Other	(59)	(2)	5	(1)
Total non-interest income (loss)	(400)	(2)	(30)	(1)
Non-interest expense	240	(2)	18	26
Assessments	101	—	8	19
Net income (loss)	$ 251	$ (7)	$ 22	$ 53

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 73	$ 79	$ 60	$ 46	$ 55	$ 63	$ 49	$ 40	$ 136	$ 25
70	156	83	53	287	57	28	37	214	39
42	20	69	64	143	72	2	47	22	17
185	255	212	163	485	192	79	124	372	81
4	6	7	2	77	2	2	2	7	4
131	144	150	98	255	135	36	67	142	47
—	2	3	3	15	—	—	—	7	—
135	152	160	103	347	137	38	69	156	51
50	103	52	60	138	55	41	55	216	30
—	—	—	2	2	—	—	—	(2)	—
50	103	52	58	136	55	41	55	218	30
(4)	(8)	—	—	(14)	—	—	—	(21)	(5)
(3)	2	22	(5)	(13)	(20)	2	(16)	(61)	18
(7)	(6)	22	(5)	(27)	(20)	2	(16)	(82)	13
17	30	14	15	32	15	18	14	34	17
3	7	6	4	8	2	2	3	11	3
$ 23	$ 60	$ 54	$ 34	$ 69	$ 18	$ 23	$ 22	$ 91	$ 23
$ 61	$ 64	$ 59	$ 39	$ 67	$ 69	$ 57	$ 39	$ 180	$ 30
83	190	119	61	310	75	22	46	251	28
52	25	85	77	192	83	2	49	28	37
196	279	263	177	569	227	81	134	459	95
4	4	6	2	92	1	—	3	9	3
156	159	186	115	328	177	43	77	183	68
—	1	4	4	19	—	—	—	3	—
160	164	196	121	439	178	43	80	195	71
36	115	67	56	130	49	38	54	264	24
1	—	2	1	3	1	—	—	3	—
35	115	65	55	127	48	38	54	261	24
(11)	(37)	—	(3)	(23)	—	(3)	(1)	(163)	(65)
8	5	—	(5)	(20)	(8)	(7)	(6)	(56)	28
(3)	(32)	—	(8)	(43)	(8)	(10)	(7)	(219)	(37)
16	32	14	14	29	14	19	15	30	15
4	13	13	9	14	7	3	8	3	—
$ 12	$ 38	$ 38	$ 24	$ 41	$ 19	$ 6	$ 24	$ 9	$ (28)

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
June 30, 2012				
Interest income				
Advances	$ 1,723	$ —	$ 184	$ 213
Investments	2,363	(8)	120	161
Mortgage loans	1,138	—	69	32
Other interest income	2	—	—	—
Total interest income	5,226	(8)	373	406
Interest expense				
Consolidated obligations — Discount notes	239	—	5	23
Consolidated obligations — Bonds	2,934	5	210	197
Other interest expense	63	—	1	2
Total interest expense	3,236	5	216	222
Net interest income	1,990	(13)	157	184
Provision (reversal) for credit losses	13	—	(2)	1
Net interest income after provision (reversal) for credit losses	1,977	(13)	159	183
Non-interest income (loss)				
Net other-than-temporary impairment losses	(86)	—	(5)	(1)
Other	27	(3)	(9)	76
Total non-interest income (loss)	(59)	(3)	(14)	75
Non-interest expense	485	(3)	31	49
Assessments	148	—	11	21
Net income (loss)	$ 1,285	$ (13)	$ 103	$ 188
June 30, 2011				
Interest income				
Advances	$ 1,826	$ —	$ 181	$ 275
Investments	2,720	(7)	130	162
Mortgage loans	1,385	—	76	31
Other interest income	2	—	—	—
Total interest income	5,933	(7)	387	468
Interest expense				
Consolidated obligations — Discount notes	294	—	8	15
Consolidated obligations — Bonds	3,513	5	236	217
Other interest expense	66	—	—	2
Total interest expense	3,873	5	244	234
Net interest income	2,060	(12)	143	234
Provision (reversal) for credit losses	31	—	(2)	3
Net interest income after provision (reversal) for credit losses	2,029	(12)	145	231
Non-interest income (loss)				
Net other-than-temporary impairment losses	(616)	—	(66)	—
Other	(70)	13	15	13
Total non-interest income (loss)	(686)	13	(51)	13
Non-interest expense	501	(4)	33	75
Assessments	233	—	16	45
Net income (loss)	$ 609	$ 5	$ 45	$ 124

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 143	$ 147	$ 123	$ 92	$ 129	$ 146	$ 101	$ 79	$ 313	$ 53
140	321	177	108	585	118	55	76	434	76
87	41	158	133	296	147	4	96	42	33
—	—	—	1	—	—	—	1	—	—
370	509	458	334	1,010	411	160	252	789	162
6	9	11	3	153	4	4	3	13	5
272	309	308	202	531	282	75	135	304	104
—	3	6	7	29	—	—	1	14	—
278	321	325	212	713	286	79	139	331	109
92	188	133	122	297	125	81	113	458	53
—	3	1	2	8	—	—	1	(1)	—
92	185	132	120	289	125	81	112	459	53
(10)	(15)	—	(3)	(15)	—	—	(1)	(30)	(6)
3	32	21	(3)	(6)	(25)	8	(24)	(72)	29
(7)	17	21	(6)	(21)	(25)	8	(25)	(102)	23
35	57	28	30	62	30	37	27	66	36
5	15	13	9	21	7	5	6	31	4
$ 45	$ 130	$ 112	$ 75	$ 185	$ 63	$ 47	$ 54	$ 260	$ 36
$ 125	$ 135	$ 120	$ 81	$ 135	$ 142	$ 118	$ 82	$ 372	$ 60
173	398	244	125	629	170	47	98	492	59
104	51	176	157	391	166	5	97	56	75
—	—	—	1	—	—	—	1	—	—
402	584	540	364	1,155	478	170	278	920	194
9	11	18	5	190	3	1	7	20	7
318	328	377	234	673	364	89	156	374	142
—	3	8	9	37	—	—	1	6	—
327	342	403	248	900	367	90	164	400	149
75	242	137	116	255	111	80	114	520	45
4	—	4	2	9	7	—	1	3	—
71	242	133	114	246	104	80	113	517	45
(31)	(89)	—	(21)	(43)	—	(4)	(2)	(272)	(88)
12	22	4	(5)	(47)	(14)	(12)	(18)	(89)	36
(19)	(67)	4	(26)	(90)	(14)	(16)	(20)	(361)	(52)
32	54	28	27	65	29	39	28	62	33
5	32	29	17	24	16	7	17	25	—
$ 15	$ 89	$ 80	$ 44	$ 67	$ 45	$ 18	$ 48	$ 69	$ (40)

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED JUNE 30, 2012 AND 2011
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
June 30, 2012				
Net income (loss)	$ 552	$ (7)	$ 56	$ 86
Other comprehensive income (loss)				
Net unrealized gains/losses on available-for-sale securities	267	—	(3)	5
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities	1	—	—	—
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	72	—	—	—
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	56	—	14	3
Net unrealized gains/losses relating to hedging activities	(172)	—	(19)	(43)
Pension and postretirement benefits	3	—	—	1
Total other comprehensive income (loss)	227	—	(8)	(34)
Total comprehensive income (loss)	$ 779	$ (7)	$ 48	$ 52
June 30, 2011				
Net income (loss)	$ 251	$ (7)	$ 22	$ 53
Other comprehensive income (loss)				
Net unrealized gains/losses on available-for-sale securities	295	—	17	4
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	(382)	—	—	—
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	903	—	61	3
Net unrealized gains/losses relating to hedging activities	(155)	—	(2)	(10)
Pension and postretirement benefits	2	—	—	—
Total other comprehensive income (loss)	663	—	76	(3)
Total comprehensive income (loss)	$ 914	$ (7)	$ 98	$ 50

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 23	$ 60	$ 54	$ 34	$ 69	$ 18	$ 23	$ 22	$ 91	$ 23
12	—	—	(2)	244	18	(7)	—	(1)	1
—	—	—	—	1	—	—	—	—	—
9	(2)	—	5	—	—	—	—	55	5
—	—	—	—	31	—	3	2	3	—
—	—	—	—	(110)	—	—	—	—	—
—	1	1	(1)	—	1	—	—	—	—
21	(1)	1	2	166	19	(4)	2	57	6
$ 44	$ 59	$ 55	$ 36	$ 235	$ 37	$ 19	$ 24	$ 148	$ 29
$ 12	$ 38	$ 38	$ 24	$ 41	$ 19	$ 6	$ 24	$ 9	$ (28)
—	—	1	6	234	29	—	—	1	3
12	27	—	(6)	3	—	—	—	(445)	27
—	—	—	1	45	—	1	(1)	791	2
—	—	—	—	(143)	—	—	—	—	—
—	—	—	2	—	—	—	—	—	—
12	27	1	3	139	29	1	(1)	347	32
$ 24	$ 65	$ 39	$ 27	$ 180	$ 48	$ 7	$ 23	$ 356	$ 4

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF COMPREHENSIVE INCOME
SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
June 30, 2012				
Net income (loss)	$ 1,285	$ (13)	$ 103	$ 188
Other comprehensive income (loss)				
Net unrealized gains/losses on available-for-sale securities	226	—	(2)	5
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities	2	—	—	—
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	662	—	—	—
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	102	—	31	6
Net unrealized gains/losses relating to hedging activities	(106)	—	(22)	(25)
Pension and postretirement benefits	3	—	—	1
Total other comprehensive income (loss)	889	—	7	(13)
Total comprehensive income (loss)	$ 2,174	$ (13)	$ 110	$ 175
June 30, 2011				
Net income (loss)	$ 609	$ 5	$ 45	$ 124
Other comprehensive income (loss)				
Net unrealized gains/losses on available-for-sale securities	190	—	12	(4)
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities	1	—	—	—
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	(1,152)	—	—	—
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	3,030	—	133	7
Net unrealized gains/losses relating to hedging activities	(85)	—	(2)	(6)
Pension and postretirement benefits	2	—	—	—
Total other comprehensive income (loss)	1,986	—	143	(3)
Total comprehensive income (loss)	$ 2,595	$ 5	$ 188	$ 121

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 45	$ 130	$ 112	$ 75	$ 185	$ 63	$ 47	$ 54	$ 260	$ 36
12	—	1	(6)	212	15	(4)	—	(1)	(6)
—	—	—	—	2	—	—	—	—	—
70	124	—	39	5	—	—	—	318	106
—	—	—	—	50	—	6	—	8	1
—	—	—	—	(59)	—	—	—	—	—
—	1	1	(1)	—	1	—	—	—	—
82	125	2	32	210	16	2	—	325	101
$ 127	$ 255	$ 114	$ 107	$ 395	$ 79	$ 49	$ 54	$ 585	$ 137
$ 15	$ 89	$ 80	$ 44	$ 67	$ 45	$ 18	$ 48	$ 69	$ (40)
—	—	—	10	157	2	—	—	2	11
—	—	—	—	1	—	—	—	—	—
91	106	—	19	11	—	—	—	(1,524)	145
—	—	—	2	95	—	7	1	2,773	12
—	—	—	—	(77)	—	—	—	—	—
—	—	—	2	—	—	—	—	—	—
91	106	—	33	187	2	7	1	1,251	168
$ 106	$ 195	$ 80	$ 77	$ 254	$ 47	$ 25	$ 49	$ 1,320	$ 128

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CAPITAL
SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Balance, December 31, 2010	$ 43,741	$ 62	$ 3,276	$ 5,144
Proceeds from issuance of capital stock	2,110	—	48	1,332
Repurchase/redemption of capital stock	(3,999)	—	—	(1,200)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(3,067)	—	(141)	(3)
Dividends of capital stock	16	—	—	—
Comprehensive income (loss)	2,595	5	188	121
Dividends				
Cash	(286)	—	(5)	(115)
Stock	(16)	—	—	—
Balance, June 30, 2011	$ 41,094	$ 67	$ 3,366	$ 5,279
Balance, December 31, 2011	$ 39,821	$ 54	$ 3,489	$ 5,046
Proceeds from issuance of capital stock	4,729	—	34	2,371
Repurchase/redemption of capital stock	(5,713)	—	(238)	(1,974)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(503)	—	(1)	—
Dividends of capital stock	18	—	—	—
Comprehensive income (loss)	2,174	(13)	110	175
Dividends				
Cash	(293)	—	(10)	(106)
Stock	(18)	—	—	—
Balance, June 30, 2012	$ 40,215	$ 41	$ 3,384	$ 5,512

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 4,161	$ 7,946	$ 3,523	$ 1,947	$ 2,949	$ 2,830	$ 1,990	$ 1,783	$ 6,948	$ 1,182
45	64	21	35	22	212	183	46	100	2
(367)	(927)	—	(150)	—	(255)	(441)	(3)	(656)	—
(1)	(28)	—	(5)	(3)	—	(61)	(133)	(2,680)	(12)
—	—	—	—	—	—	3	13	—	—
106	195	80	77	254	47	25	49	1,320	128
—	(29)	(70)	(20)	(1)	(33)	—	—	(13)	—
—	—	—	—	—	—	(3)	(13)	—	—
$ 3,944	$ 7,221	$ 3,554	$ 1,884	$ 3,221	$ 2,801	$ 1,696	$ 1,742	$ 5,019	$ 1,300
$ 3,663	$ 6,561	$ 3,559	$ 1,948	$ 3,292	$ 2,812	$ 1,705	$ 1,701	$ 4,705	$ 1,286
160	531	150	49	125	584	305	194	222	4
(256)	(1,189)	—	—	(645)	(623)	(359)	(59)	(370)	—
(183)	(53)	(17)	(4)	(32)	(6)	(1)	(139)	(4)	(63)
—	—	—	—	—	—	3	15	—	—
127	255	114	107	395	79	49	54	585	137
(1)	(40)	(68)	(23)	(2)	(31)	—	—	(12)	—
—	—	—	—	—	—	(3)	(15)	—	—
$ 3,510	$ 6,065	$ 3,738	$ 2,077	$ 3,133	$ 2,815	$ 1,699	$ 1,751	$ 5,126	$ 1,364

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2012
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Operating activities				
Net cash provided by (used in) operating activities	$ 2,183	$ —	$ 215	$ 357
Investing activities				
Net change/net proceeds and payments in				
Loans to FHLBanks	—	(35)	—	—
Premises, software and equipment	(21)	—	—	(1)
Investments	(8,417)	(11)	2,172	(7,821)
Advances	(1,011)	—	(1,313)	(6,761)
Mortgage loans held for portfolio	1,550	—	(210)	(222)
Proceeds from sales of foreclosed assets	70	—	5	1
Principal collected on other loans	1	—	—	—
Net cash provided by (used in) investing activities	(7,828)	(46)	654	(14,804)
Financing activities				
Net change in				
Deposits and pass-through reserves	414	11	(5)	(373)
Securities sold under agreements to repurchase and other borrowings	(431)	—	—	(26)
Loans from FHLBanks	—	35	—	—
Net proceeds (payments) on derivative contracts with financing element	(567)	—	(20)	(140)
Net proceeds from issuance of consolidated obligations				
Discount notes	1,601,954	—	74,034	75,663
Bonds	223,667	—	4,706	33,825
Payments for maturing and retiring consolidated obligations				
Discount notes	(1,595,846)	—	(72,075)	(76,453)
Bonds	(236,374)	—	(6,921)	(28,292)
Proceeds from issuance of capital stock	4,729	—	34	2,371
Payments for repurchase/redemption of mandatorily redeemable capital stock	(1,015)	—	(13)	(12)
Payments for repurchase/redemption of capital stock	(5,713)	—	(238)	(1,974)
Cash dividends paid	(293)	—	(10)	(106)
Net cash provided by (used in) financing activities	(9,475)	46	(508)	4,483
Net increase (decrease) in cash and due from banks	(15,120)	—	361	(9,964)
Cash and due from banks at beginning of the period	20,182	—	112	10,878
Cash and due from banks at end of the period	$ 5,062	$ —	$ 473	$ 914

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 346	$ 293	$ 220	$ 131	$ (8)	$ 70	$ 110	$ 91	$ 290	$ 68
—	—	—	—	—	—	35	—	—	—
(2)	(1)	(1)	(6)	(4)	(1)	(2)	(1)	(1)	(1)
(1,852)	572	(1,369)	123	488	2,319	(746)	(474)	(3,965)	2,147
(3,118)	4,991	(6,762)	(233)	(500)	(293)	(410)	(343)	12,006	1,725
260	200	(262)	169	1,918	(132)	22	(628)	284	151
—	7	—	—	35	15	—	5	2	—
—	—	—	—	—	—	—	1	—	—
(4,712)	5,769	(8,394)	53	1,937	1,908	(1,101)	(1,440)	8,326	4,022
16	(512)	80	153	79	613	(375)	708	(85)	104
—	—	—	—	(400)	—	—	(5)	—	—
—	—	—	—	—	—	—	(35)	—	—
(32)	(185)	(86)	(43)	(36)	(5)	(15)	(33)	24	4
180,217	187,547	125,661	56,295	191,476	169,883	163,538	30,782	26,401	320,457
13,784	42,643	10,039	11,811	22,620	13,820	12,938	10,911	28,390	18,180
(174,879)	(190,457)	(121,261)	(55,274)	(193,443)	(170,736)	(163,828)	(31,428)	(27,941)	(318,071)
(14,969)	(44,169)	(7,568)	(13,461)	(22,655)	(15,463)	(10,906)	(9,135)	(38,067)	(24,768)
160	531	150	49	125	584	305	194	222	4
(21)	(224)	(27)	(6)	(26)	(2)	(11)	(139)	(534)	—
(256)	(1,189)	—	—	(645)	(623)	(359)	(59)	(370)	—
(1)	(40)	(68)	(23)	(2)	(31)	—	—	(12)	—
4,019	(6,055)	6,920	(499)	(2,907)	(1,960)	1,287	1,761	(11,972)	(4,090)
(347)	7	(1,254)	(315)	(978)	18	296	412	(3,356)	—
634	6	2,034	513	1,002	240	1,152	116	3,494	1
$ 287	$ 13	$ 780	$ 198	$ 24	$ 258	$ 1,448	$ 528	$ 138	$ 1

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2011
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Operating activities				
Net cash provided by (used in) operating activities	$ 2,112	$ —	$ 156	$ 363
Investing activities				
Net change/net proceeds and payments in				
Premises, software and equipment	(26)	—	(1)	(2)
Investments	38,298	(1)	5,238	765
Advances	48,888	—	1,781	5,828
Mortgage loans held for portfolio	4,002	—	106	(33)
Proceeds from sales of foreclosed assets	67	—	5	1
Principal collected on other loans	1	—	—	—
Net cash provided by (used in) investing activities	91,230	(1)	7,129	6,559
Financing activities				
Net change in				
Deposits and pass-through reserves	(442)	—	(2)	(538)
Deposits from other FHLBanks	—	1	—	—
Other borrowings	75	—	—	80
Net proceeds (payments) on derivative contracts with financing element	(774)	—	(16)	(202)
Net proceeds from issuance of consolidated obligations				
Discount notes	3,050,274	—	383,742	92,300
Bonds	171,051	—	6,735	25,838
Bonds transferred from other FHLBanks	—	(182)	—	—
Payments for maturing and retiring consolidated obligations				
Discount notes	(3,063,717)	—	(390,212)	(84,675)
Bonds	(226,267)	—	(6,954)	(34,683)
Bonds transferred to other FHLBanks	—	182	—	(167)
Proceeds from issuance of capital stock	2,110	—	48	1,332
Payments for repurchase/redemption of mandatorily redeemable capital stock	(843)	—	(4)	(8)
Payments for repurchase/redemption of capital stock	(3,999)	—	—	(1,200)
Cash dividends paid	(286)	—	(5)	(115)
Net cash provided by (used in) financing activities	(72,818)	1	(6,668)	(2,038)
Net increase (decrease) in cash and due from banks	20,524	—	617	4,884
Cash and due from banks at beginning of the period	3,801	—	6	661
Cash and due from banks at end of the period	$ 24,325	$ —	$ 623	$ 5,545

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 142	$ 394	$ 166	$ 135	$ 170	$ 150	$ 31	$ 62	$ 281	$ 62
(2)	(2)	(1)	(1)	(3)	(2)	(3)	(1)	(5)	(3)
(46)	3,279	5,401	5,112	6,018	2,979	2,976	1,720	2,559	2,298
2,726	11,449	937	812	1,567	1,307	5,763	1,738	12,800	2,180
339	204	213	416	2,174	168	23	(277)	282	387
—	6	—	—	34	18	—	3	—	—
—	—	—	—	—	—	—	1	—	—
3,017	14,936	6,550	6,339	9,790	4,470	8,759	3,184	15,636	4,862
19	(102)	(228)	121	(195)	(192)	430	526	(97)	(184)
—	—	—	—	(1)	—	—	—	—	—
—	—	—	—	—	—	—	(5)	—	—
(39)	(268)	(85)	(54)	(63)	(5)	(10)	(36)	37	(33)
61,804	533,293	326,111	259,945	582,256	278,968	113,049	38,461	33,643	346,702
9,362	27,852	8,453	9,923	16,783	14,508	1,939	4,618	29,751	15,289
—	—	—	—	—	—	167	—	15	—
(64,070)	(536,641)	(328,198)	(258,876)	(584,049)	(277,574)	(115,328)	(42,376)	(32,765)	(348,953)
(8,585)	(38,380)	(11,083)	(15,723)	(22,251)	(19,686)	(8,226)	(4,002)	(38,950)	(17,744)
—	—	—	—	—	—	(15)	—	—	—
45	64	21	35	22	212	183	46	100	2
(3)	(172)	(33)	(148)	—	—	(52)	(138)	(285)	—
(367)	(927)	—	(150)	—	(255)	(441)	(3)	(656)	—
—	(29)	(70)	(20)	(1)	(33)	—	—	(13)	—
(1,834)	(15,310)	(5,112)	(4,947)	(7,499)	(4,057)	(8,304)	(2,909)	(9,220)	(4,921)
1,325	20	1,604	1,527	2,461	563	486	337	6,697	3
143	5	198	12	282	106	1,632	—	755	1
$ 1,468	$ 25	$ 1,802	$ 1,539	$ 2,743	$ 669	$ 2,118	$ 337	$ 7,452	$ 4

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SELECTED FINANCIAL DATA

	2012		2011		
(dollars in millions)	June 30,	March 31,	December 31,	September 30,	June 30,
Selected Statement of Condition Data at					
Investments(1)	$ 281,521	$ 279,946	$ 271,265	$ 290,246	$ 295,794
Advances	418,366	393,931	418,157	415,379	428,460
Mortgage loans held for portfolio	51,853	52,749	53,515	55,290	55,970
Allowance for credit losses on mortgage loans	(140)	(145)	(138)	(118)	(108)
Total assets	759,548	737,769	766,086	778,252	809,219
Consolidated obligations					
Discount notes	196,265	181,700	190,149	172,269	180,960
Bonds	493,961	481,099	506,975	530,260	551,198
Total consolidated obligations	690,226	662,799	697,124	702,529	732,158
Mandatorily redeemable capital stock	7,501	7,909	8,013	8,934	9,290
Subordinated notes(2)	1,000	1,000	1,000	1,000	1,000
Capital stock(3)					
Class B putable	33,479	34,024	32,485	32,881	33,726
Class A putable	594	684	655	713	717
Pre-conversion putable	—	—	2,402	2,390	2,352
Total capital stock	34,073	34,708	35,542	35,984	36,795
Retained earnings	9,551	9,151	8,577	8,193	7,859
Accumulated other comprehensive income (loss)	(3,409)	(3,636)	(4,298)	(3,873)	(3,560)
Total capital(3)	40,215	40,223	39,821	40,304	41,094
Selected Statement of Income Data for the quarter ended					
Net interest income	$ 974	$ 1,016	$ 1,050	$ 994	$ 1,002
Provision (reversal) for credit losses	1	12	28	12	10
Net interest income after provision (reversal) for credit losses	973	1,004	1,022	982	992
Non-interest income (loss)	(113)	54	(123)	(226)	(400)
Non-interest expense	243	242	319	237	240
Assessments	65	83	65	50	101
Net income (loss)	$ 552	$ 733	$ 515	$ 469	$ 251
Selected Other Data for the quarter ended					
Cash and stock dividends	$ 152	$ 159	$ 131	$ 135	$ 141
Dividend payout ratio(4)	27.54 %	21.69 %	25.44 %	28.78 %	56.18 %
Return on average equity(5)	5.52 %	7.44 %	5.15 %	4.55 %	2.28 %
Return on average assets	0.29 %	0.38 %	0.26 %	0.23 %	0.12 %
Average equity to average assets	5.21 %	5.17 %	5.06 %	5.02 %	5.28 %
Net interest margin(6)	0.51 %	0.53 %	0.53 %	0.49 %	0.48 %
Selected Other Data at					
GAAP capital-to-assets ratio	5.29 %	5.45 %	5.20 %	5.18 %	5.08 %
Combined regulatory capital-to-assets ratio(7)	6.73 %	7.02 %	6.91 %	6.93 %	6.77 %

(1) Investments consist of interest-bearing deposits, securities purchased under agreements to resell, Federal funds sold, trading securities, available-for-sale securities and held-to-maturity securities.

(2) The 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 U.S. government or any of the FHLBanks other than the FHLBank of Chicago.

(3) FHLBank capital stock is redeemable at the request of a member subject to the statutory redemption periods and other conditions and limitations. The FHLBank of Chicago implemented its capital plan under the GLB Act effective January 1, 2012. The corresponding balances for capital stock pre-conversion putable relate solely to the FHLBank of Chicago. (See *Note 13 - Capital* to the accompanying combined financial statements.)

(4) Dividend payout ratio is equal to dividends declared in the period expressed as a percentage of net income (loss) in the period. This ratio may not be as relevant to the combined balances because there are no shareholders at the FHLBank System-wide level.

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

(6) Net interest margin is equal to net interest income represented as a percentage of average interest-earning assets.

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

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

Investors should read this financial discussion and analysis of combined financial condition and combined results of operations together with the combined financial statements and the accompanying notes in this Combined Financial Report. Each FHLBank discusses its financial condition and results of operations in its periodic reports filed with the SEC. The results of operations for interim periods are not necessarily indicative of the results to be expected for the year ending December 31, 2012. The unaudited financial statements included in this Combined Financial Report should be read in conjunction with the audited combined financial statements for the year ended December 31, 2011 included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2011.

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

The combined financial statements include the financial records of the 12 FHLBanks. (See the *Condensed Combining Schedules* for information regarding each individual FHLBank's results.) Transactions among the FHLBanks have been eliminated in accordance with combination accounting principles related to consolidation under GAAP. (See *Interbank Transfers of Consolidated Bonds and Their Effect on Combined Net Income* and *Note 1 - Summary of Significant Accounting Policies* to the accompanying combined financial statements for more information.)

Unless otherwise stated, amounts disclosed in this Combined Financial Report represent values rounded to the nearest million; 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, the size and volatility of the residential mortgage market, and uncertainty regarding the European sovereign debt crisis;

- volatility of market prices, interest rates, and indices or other factors that could affect the value of investments, including other-than-temporary impairment of private-label mortgage-backed securities, or collateral held by the FHLBanks resulting from the effects of, and changes in, various monetary or fiscal policies and regulations, including those determined by the Federal Reserve Board and the FDIC, or a decline in liquidity in the financial markets;

- political events, including legislative, regulatory, judicial, or other developments that affect the FHLBanks, their members, counterparties or investors in the consolidated obligations of the FHLBanks, including changes in the FHLBank Act, housing finance and GSE reform, FHFA actions or regulations that affect FHLBank operations, and

regulatory oversight;

- competitive forces, including other sources of funding available to FHLBank members, and other entities borrowing funds in the capital markets;
- demand for FHLBank advances resulting from changes in FHLBank members' deposit flows and credit demands;
- loss of large members and repayment of advances made to those members due to institutional failures, consolidations or withdrawals from FHLBank membership;
- changes in domestic and foreign investor demand for consolidated obligations or the terms of interest-rate exchange agreements and similar agreements, including changes in the relative attractiveness of consolidated obligations as compared to other investment opportunities and changes resulting from any modification of credit ratings;
- the availability of acceptable institutional counterparties for business transactions, including derivative transactions used to manage interest-rate risk;
- the ability to introduce new products and services and successfully manage the risks associated with those products and services, including new types of collateral used to secure advances; and
- the effect of new accounting guidance, including the development of supporting systems and related internal controls.

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

Executive Summary

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

Overview

The FHLBanks are government-sponsored enterprises (GSEs), federally-chartered but privately capitalized and independently managed. The 12 regional FHLBanks together with the Office of Finance, the fiscal agent of the FHLBanks, comprise the FHLBank System. All FHLBanks operate under the supervisory and regulatory framework of the Federal Housing Finance Agency (FHFA).

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

Each FHLBank's primary business is to serve as a financial intermediary between the capital markets and its members. This intermediation process involves raising funds by issuing debt, known as consolidated obligations, in the capital markets and lending those proceeds to member institutions in the form of loans, known as advances. Each FHLBank's principal funding is obtained from consolidated obligations issued through the Office of Finance on behalf of the FHLBanks. Consolidated obligations are the joint and several obligation of each FHLBank.

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

Credit Ratings

The FHLBank System's ability to raise funds in the capital markets at narrow spreads to the U.S. Treasury yield curve is due largely to the FHLBanks' status as GSEs, which is reflected in its consolidated obligations receiving the same credit rating as the government bond credit rating of the United States even though the consolidated obligations are not obligations of the United States. In addition to ratings on the FHLBanks' consolidated obligations, each FHLBank is rated individually by Moody's Investors Service (Moody's) and Standard & Poor's Ratings Services (S&P). Investors should note that a rating issued by a rating agency is not a recommendation to buy, sell or hold securities and that the ratings may be revised or withdrawn by the rating agency at any time. Investors should evaluate the rating of each rating agency independently. FHLBank debt is neither the obligation of nor is it guaranteed by the United States or any government agency. Moody's, S&P or other rating organizations could downgrade the U.S. government and, in turn, GSEs, including the FHLBanks. Previous rating agency actions have not had a material adverse effect on the FHLBanks' operations, financial position, liquidity or funding costs. However, uncertainty remains regarding possible longer-term effects resulting from previous or any future rating agency actions.

Business Environment

The primary external factors that affected the FHLBanks' combined financial condition and operating performance during the quarter ended June 30, 2012 included: (1) the general state of the economy and financial markets; (2) the conditions in the housing markets; (3) interest rate levels and volatility; and (4) the legislative and regulatory environment. As a result of these factors, during the quarter ended June 30, 2012, the FHLBanks continued to face challenges with respect to advance portfolios that are below the levels of previous years, low yields on interest-earning assets in the current low interest-rate environment, and the ongoing effect of other-than-temporary impairment (OTTI) related to certain private-label mortgage-backed securities.

Economy and Financial Markets. The FHLBanks' overall results of operations are influenced by the economic and financial markets and, in particular, FHLBanks' member demand for wholesale funding. The slow economic recovery continues to dampen depository members' wholesale borrowing needs. As part of their overall business strategy, the FHLBanks' depository members typically use wholesale funding in the form of advances along with other sources of funding, such as retail deposits, as sources of liquidity to make residential mortgage loans. As demand for residential mortgage loans declined, the FHLBank members' demand for funding through advances declined. In an effort to strengthen their capital positions, many of these member institutions have reduced the size of their balance sheets, which, along with high retail deposit levels and weak lending activity, has reduced demand for wholesale funding, including FHLBank advances. However, the demand for advances has shown some signs of regional stabilization and certain FHLBank members increased their use of advances.

The U.S. economy continued its slow recovery from the economic downturn. However, the pace of this recovery appears to have decelerated during the six months ended June 30, 2012. The labor market showed signs of improvement during 2011 and into early 2012; however, the jobless rate has recently leveled out and the economy remains far from full employment. Inflation decreased during the quarter ended June 30, 2012, due to a decline in gasoline and energy prices. Strains in the financial markets eased during the quarter ended March 31, 2012; however, tensions in Euro-area financial markets intensified again during the quarter ended June 30, 2012. European authorities responded by announcing several new policy actions. Despite these actions, Europe's financial markets and economy remain under significant stress and will continue to impact the financial and economic conditions domestically and internationally. At the U.S. state and local government level, finances remain constrained, suggesting an additional fiscal drag on top of the wind-down of stimulus-related policies and the expiration of certain federal tax policies.

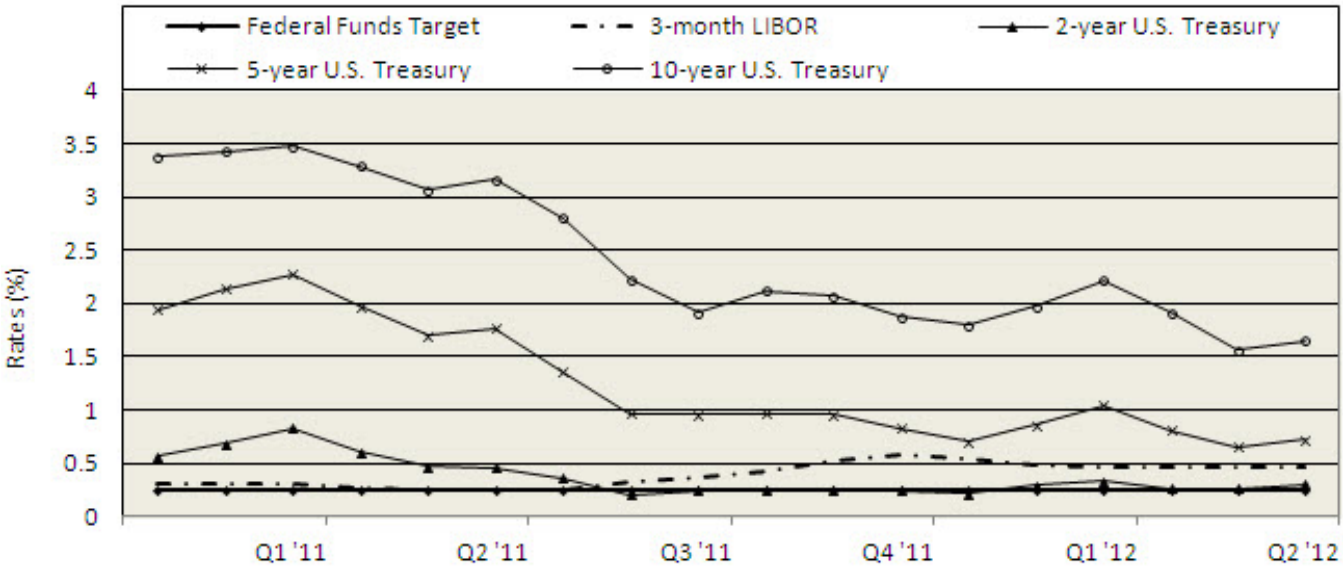
The financial markets experienced a significant increase in volatility in 2011, triggering a flight-to-quality rally in the capital markets as investors moved away from risky assets in favor of assets such as short-term U.S. Treasuries and agency debt securities, including the FHLBanks' consolidated obligations. This trend continued in the quarter ended June 30, 2012, as U.S. economic data started to show signs of a stalling economy, which led to improved funding costs for the FHLBanks during the latter part of the quarter ended June 30, 2012. The FHLBank System maintained ready access to capital at attractive funding levels during the quarter ended June 30, 2012.

Conditions in Housing Markets. The conditions in the housing markets primarily affect the FHLBanks through the creation of demand for residential mortgage loans from member institutions and the valuation of loan collateral underlying private-label mortgage-backed securities. During the quarter ended June 30, 2012, the housing sector continued to show some signs of improvement. Historically low mortgage interest rates and the decline in home prices improved measures of housing affordability, but demand remains weak. Housing starts and home sales continued to trend higher during the quarter ended

June 30, 2012, but remain near record low levels. The improvements in the housing market face headwinds from tight mortgage lending standards, homebuyers being deterred by worries about their own finances and the overall economy. A number of negative factors remained in place during the quarter ended June 30, 2012, including the large inventory of homes in the foreclosure pipeline and significant levels of negative equity. The FHLBanks also continued to face uncertainty with respect to certain private-label mortgage-backed securities as a result of actual and projected performance of the loan collateral underlying those securities. However, compared to the same periods in 2011, credit-related OTTI charges were lower during the three and six months ended June 30, 2012. Current period credit-related OTTI charges reflected a modest increase in projected losses on loan collateral underlying certain private-label mortgage-backed securities.

Interest Rate Levels and Volatility. Changes in short-term interest rates affect the FHLBanks' interest income and interest expense because a considerable portion of the FHLBanks' assets and liabilities are either directly or indirectly tied to short-term interest rates such as the federal funds or three-month LIBOR rates. Short-term interest rates also directly affect the FHLBanks through earnings on capital invested. The following chart presents key market interest rates from the quarter ended March 31, 2011 through the quarter ended June 30, 2012.

Key Market Interest Rates



Data Source: Bloomberg.

During the quarter ended June 30, 2012, short-term interest rates remained at historic lows while intermediate- and long-term rates decreased compared to the quarter ended March 31, 2012.

The Federal Reserve Board, acting through its Federal Open Market Committee, indicated that it will maintain its target range for the federal funds rate at 0.00% to 0.25% as it continues to anticipate that economic conditions are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014. The Federal Reserve Board decided to continue "Operation Twist," which is intended to drive down longer-term interest rates by purchasing longer-dated assets and selling shorter-dated assets and is expected to run through the end of 2012. The Federal Reserve Board also continued its existing policy to reinvest principal payments on its agency debt and agency mortgage-backed securities (MBS) holdings back into agency MBS instead of U.S. Treasury securities.

Levels of other short-term interest rates remained very low during the quarter ended June 30, 2012 and were consistent with their historical relationship to federal funds target rates. On a weighted-average basis, when compared to three-month LIBOR, monthly consolidated bond funding costs for new issuances were relatively stable during the quarter. However, swapped weighted-average bond funding costs for new issuances were not as favorable during the quarter ended June 30, 2012 as they were during the quarter ended March 31, 2012.

Market interest rate levels, volatility and credit spreads affect the FHLBanks' profitability. Flattening of the yield curve tends to compress an FHLBank's net interest margin, while a steep yield curve allows the FHLBanks to retire higher-cost, longer-term consolidated bonds before their final maturities and replace them with lower-cost debt. The declines in interest rates over the

last several years negatively affected the FHLBanks' profitability by resulting in a lower return on interest-earning assets. Based on the average 2-year to 10-year spread, the U.S. Treasury yield curve slightly flattened during the six months ended June 30, 2012 compared to the six months ended June 30, 2011.

During the quarter ended June 30, 2012, U.S. Treasury yields trended slightly lower compared to the quarter ended March 31, 2012. As the FHLBanks issue debt at spreads consistently above U.S. Treasuries, these lower interest rates decrease the cost of issuing FHLBank consolidated obligations and decrease the related cost of long-term advances to members. While consolidated obligations are primarily fixed-rate contracts, the effect of derivative and hedging activities allow the cost of debt to track market interest rates for those instruments that are in a qualifying hedge relationship. As a result, the annualized yield on total interest-bearing liabilities for the quarter ended June 30, 2012 was 89 basis points, 6 basis points lower than for the quarter ended March 31, 2012. The decrease in annualized yield on total interest-bearing liabilities was consistent with the decrease in intermediate- and long-term interest rates, which have been decreasing since the quarter ended March 31, 2011. The decline in interest rates allowed the FHLBanks to continue retiring higher-cost debt and replacing it with lower-cost debt resulting in the decrease in annualized yield on total interest-bearing liabilities.

Taxable money market funds, which purchase a significant portion of the consolidated discount notes and short maturity consolidated bonds issued by the FHLBanks, had a decline in assets during the six months ended June 30, 2012. This decrease is consistent with the decline in consolidated obligations at June 30, 2012 compared to December 31, 2011.

Legislative and Regulatory Environment.

Dodd-Frank Act. The Dodd-Frank Act provides for new statutory and regulatory requirements for derivative transactions, including those used by each FHLBank to hedge its interest-rate and other risks. 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.

See *Legislative and Regulatory Developments* for more information.

FHLBanks' Financial Highlights

Financial Condition. Total assets were $759.5 billion at June 30, 2012, a decrease of 0.9% from $766.1 billion at December 31, 2011, led by a decline in cash and due from banks, partially offset by an increase in investments. Cash and due from banks declined 74.9% to $5.1 billion. Investments increased 3.8% to $281.5 billion as a result of increases in Federal funds sold and securities purchased under agreements to resell, partially offset by maturities of certain investment securities. Advances were generally flat at $418.4 billion compared to December 31, 2011 as declines in the quarter ended March 31, 2012 were offset by increases during the quarter ended June 30, 2012. The demand for advances has shown some signs of regional stabilization and certain FHLBank members increased their use of advances.

FHLBank debt issuance is generally driven by members' needs for advances. During the six months ended June 30, 2012, the FHLBanks maintained continual access to funding and adapted their debt issuance to meet the needs of their members. Consolidated obligations were $690.2 billion at June 30, 2012, a decrease of 1.0% from $697.1 billion at December 31, 2011, driven by the decrease in total assets.

Total GAAP capital was $40.2 billion at June 30, 2012, an increase of 1.0% from $39.8 billion at December 31, 2011, driven by growth in retained earnings and an improvement in accumulated other comprehensive income (loss), partially offset by a reduction in capital stock outstanding. The total GAAP capital-to-assets ratio was 5.29% at June 30, 2012, an increase of 9 basis points from 5.20% at December 31, 2011.

Total combined regulatory capital was $51.1 billion at June 30, 2012, a decrease of 3.4% from $52.9 billion at December 31, 2011, driven by reductions in capital stock and mandatorily redeemable capital stock outstanding, and the exclusion of the designated amount of subordinated notes from the calculation under the FHLBank of Chicago's new capital structure, partially offset by growth in retained earnings. The combined regulatory capital-to-assets ratio was 6.73% at June 30, 2012, a decrease of 18 basis points from 6.91% at December 31, 2011. The difference between total GAAP capital and total combined regulatory capital relates primarily to accumulated other comprehensive income (loss), which is excluded from regulatory capital, and mandatorily redeemable capital stock, which is included in regulatory capital.

Operating Results. Net income for the three months ended June 30, 2012 was $552 million, an increase of $301 million compared to the same period in 2011. This increase was driven by lower OTTI charges and lower assessments. Net income for the six months ended June 30, 2012 was $1,285 million, an increase of $676 million compared to the same period in 2011. This increase was driven by lower OTTI charges, net gains on derivatives, hedged items and financial instruments carried at fair value, and lower assessments.

Net interest income after provision (reversal) for credit losses for the three and six months ended June 30, 2012 was $973 million and $1,977 million, decreases of 1.9% and 2.6% compared to the same periods in 2011. The decreases were driven by the reduction in the average balance of interest-earning assets, partially offset by higher net interest margin.

Non-interest income (loss) for the three months ended June 30, 2012 was a loss of $113 million, an improvement of $287 million compared to the same period in 2011. This improvement was due primarily to lower credit-related OTTI charges and lower net losses on derivatives and hedging activities, partially offset by net losses on trading securities. Non-interest income (loss) for the six months ended June 30, 2012 was a loss of $59 million, an improvement of $627 million compared to the same period in 2011. This improvement was due primarily to lower credit-related OTTI charges, net gains on derivatives and hedging activities and net gains on financial instruments held under fair value option, partially offset by higher net losses on trading securities.

Non-interest expense for the three months ended June 30, 2012 was $243 million, an increase of 1.3% compared to the same period in 2011. Non-interest expense for the six months ended June 30, 2012 was $485 million, a decrease of 3.2% compared to the same period in 2011. The decrease in non-interest expense for the six months ended June 30, 2012 resulted from additional pension plan contributions expensed during the quarter ended March 31, 2011.

Assessments for the three and six months ended June 30, 2012 were $65 million and $148 million, decreases of 35.6% and 36.5% compared to the same periods in 2011. The decreases were driven by the satisfaction of the FHLBanks' REFCORP obligation, partially offset by higher assessments in support of affordable housing programs as a result of increases in net income before assessments.

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

Combined Statement of Condition

Total assets were $759.5 billion at June 30, 2012, a decrease of 0.9% from $766.1 billion at December 31, 2011, led by a decline in cash and due from banks, partially offset by an increase in investments. Total consolidated obligations were $690.2 billion at June 30, 2012, a decrease of 1.0% from $697.1 billion at December 31, 2011, driven by the decrease in total assets. The following discussion contains information on the major categories of the FHLBanks' Combined Statement of Condition: advances, investments, mortgage loans, consolidated obligations, deposits and capital.

Advances

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

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

Table 1 - Advances Outstanding by Product Type

(dollars in millions)

	June 30, 2012		December 31, 2011	
	Amount	Percentage of Total	Amount	Percentage of Total
Fixed-rate	$ 251,363	62.2%	$ 256,496	63.6%
Adjustable/variable-rate indexed	98,677	24.4%	93,350	23.2%
Hybrid(1)	28,794	7.1%	25,082	6.2%
Convertible	13,343	3.3%	16,139	4.0%
Amortizing(2)/mortgage-matched	11,588	2.9%	11,649	2.9%
Other advances	578	0.1%	570	0.1%
Total par value	404,343	100.0%	403,286	100.0%
Other(3)	14,023		14,871	
Total	$ 418,366		$ 418,157	

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

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

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

The outstanding carrying value of advances at June 30, 2012 was generally flat at $418.4 billion compared to December 31, 2011, as declines in the first quarter of 2012 were offset by increases during the second quarter. The demand for advances has shown some signs of regional stabilization and certain FHLBank members increased their use of advances. However, the percentage of members with outstanding advances decreased to 58.9% at June 30, 2012 compared to 60.7% at December 31, 2011.

Table 2 presents cash flows related to advance originations and advance repayments. The increase in both advance originations and repayments during the three and six months ended June 30, 2012, compared to the same periods in 2011, is due primarily to members electing to restructure certain outstanding advances to take advantage of the low interest-rate environment. In addition, the FHLBanks issued more short-term advances, many having overnight maturities, during the three and six months ended June 30, 2012, compared to the same periods in 2011.

Table 2 - Advance Originations and Repayments

(dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	2012	2011	Change
Advances originated	$ 889,062	$ 360,946	$ 528,116	$ 1,461,286	$ 738,927	$ 722,359
Advances repaid	865,402	379,057	486,345	1,460,275	787,815	672,460
Net change	$ 23,660	$ (18,111)		$ 1,011	$ (48,888)	

The FHLBanks lend advances primarily to their members. Table 3 presents the advances at par value by type of borrower and Table 4 presents the member borrowers by type of member.

Table 3 - Advances at Par Value by Type of Borrower

(dollars in millions)

	June 30, 2012		December 31, 2011	
	Par Value	Percentage of Total Par Value of Advances	Par Value	Percentage of Total Par Value of Advances
Commercial bank members	$ 222,065	54.9%	$ 210,811	52.3%
Thrift members	83,058	20.5%	89,078	22.1%
Insurance company members	52,414	13.0%	46,840	11.6%
Credit union members	23,720	5.9%	24,154	6.0%
Community development financial institution members	35	—	39	—
Total member advances	381,292	94.3%	370,922	92.0%
Non-member borrowers	22,755	5.6%	31,223	7.7%
Housing associates	296	0.1%	1,141	0.3%
Total par value	$ 404,343	100.0%	$ 403,286	100.0%

Table 4 - Member Borrowers by Type of Member

	June 30, 2012		December 31, 2011	
	Number	Percentage of Total Member Borrowers	Number	Percentage of Total Member Borrowers
Commercial banks	3,346	73.5%	3,473	73.7%
Thrifts	711	15.6%	754	16.0%
Credit unions	380	8.3%	387	8.2%
Insurance companies	112	2.5%	96	2.0%
Community development financial institutions	4	0.1%	5	0.1%
Total member borrowers	4,553	100.0%	4,715	100.0%
Total members	7,731		7,774	

Table 5 presents the FHLBanks' top ten advance holding borrowers at the holding-company level on a combined basis based on advances outstanding at par value at June 30, 2012. The percentage of total advances for each holding company was computed by dividing the par value of advances for the subsidiaries of that holding company by the total combined par value of advances. These percentage concentrations do not represent borrowing concentrations in an individual FHLBank.

Table 5 - Top 10 Advance Holding Borrowers by Holding Company at June 30, 2012

(dollars in millions)

Holding Company Name(1)	FHLBank Districts(2)	Par Value	Percentage of Total Par Value of Advances
Citigroup Inc.	New York, Dallas, San Francisco	$ 25,533	6.3%
Bank of America Corporation	Boston, New York, Atlanta, Indianapolis, San Francisco, Seattle	22,331	5.5%
JPMorgan Chase & Co.	Cincinnati, San Francisco, Seattle	19,358	4.8%
MetLife, Inc.	Boston, New York, Des Moines	15,777	3.9%
Banco Santander, S.A.	New York, Pittsburgh	12,645	3.1%
The PNC Financial Services Group, Inc.	New York, Pittsburgh, Atlanta, Cincinnati, Des Moines	10,437	2.6%
Suntrust Banks Inc.	Atlanta	9,526	2.4%
BB&T Corporation	Atlanta	9,089	2.2%
New York Community Bancorp, Inc.	New York, Cincinnati	8,049	2.0%
U.S. Bancorp	Cincinnati, Des Moines, Dallas, Topeka, San Francisco	7,350	1.8%
		$ 140,095	34.6%

(1) Holding company information was obtained from the Federal Reserve System's website, the National Information Center (NIC) and SEC filings. The NIC is a central repository of data about banks and other institutions for which the Federal Reserve System has a supervisory, regulatory, or research interest, including both domestic and foreign banking organizations operating in the United States.

(2) At June 30, 2012, each holding company had subsidiaries with advance borrowings in these FHLBank districts.

Investments

The FHLBanks maintain investment portfolios for liquidity purposes, to use balance sheet capacity and to provide additional earnings. This investment income bolsters the FHLBanks' capacity to meet their commitments to affordable housing and community investment, and to cover operating expenses. Table 6 presents the composition of investments at June 30, 2012 and December 31, 2011.

Table 6 - Total Investments

(dollars in millions)

	Carrying Value		
	June 30, 2012	December 31, 2011	Change
Interest-bearing deposits(1)	$ 1,106	$ 1,207	$ (101)
Securities purchased under agreements to resell	28,128	12,675	15,453
Federal funds sold	47,072	41,139	5,933
Total Investment Securities by Major Security Type			
Investment securities non-mortgage-backed securities			
U.S. Treasury obligations	1,334	1,061	273
Commercial paper	2,809	2,399	410
Certificates of deposit	8,672	12,183	(3,511)
Other U.S. obligations(2)	4,183	3,508	675
GSE and Tennessee Valley Authority obligations	27,853	27,294	559
State or local housing agency obligations	2,131	2,228	(97)
Temporary Liquidity Guarantee Program debentures and promissory notes	7,066	18,020	(10,954)
Federal Family Education Loan Program ABS	7,870	8,159	(289)
Other(3)	1,185	1,238	(53)
Total investment securities non-mortgage-backed securities	63,103	76,090	(12,987)
Investment securities mortgage-backed securities			
Other U.S. obligations residential MBS(4)	12,326	12,605	(279)
Other U.S. obligations commercial MBS(4)	501	521	(20)
GSE residential MBS	97,063	93,615	3,448
GSE commercial MBS	5,322	3,912	1,410
Private-label residential MBS	26,364	28,907	(2,543)
Private-label commercial MBS	25	48	(23)
Manufactured housing loan ABS	159	171	(12)
Home equity loan ABS	352	375	(23)
Total investment securities mortgage-backed securities	142,112	140,154	1,958
Total investment securities	205,215	216,244	(11,029)
Total investments	$ 281,521	$ 271,265	$ 10,256

(1) Primarily consists of deposits with Branch Banking and Trust Company by the FHLBank of Atlanta at June 30, 2012 and December 31, 2011. Branch Banking and Trust Company is one of the top ten borrowers of the FHLBank of Atlanta. One of the FHLBank of Atlanta's member directors is a senior executive vice president of Branch Banking and Trust Company.

(2) Primarily consists of debt securities issued or guaranteed by Small Business Administration (SBA), Export-Import Bank of the U.S. (Ex-Im Bank) and National Credit Union Administration (NCUA).

(3) Primarily consists of debentures issued by Inter-American Development Bank (IDB), taxable municipal bonds and debt securities issued by International Bank for Reconstruction and Development (IBRD).

(4) Primarily consists of MBS issued or guaranteed by Government National Mortgage Association (Ginnie Mae), NCUA and SBA.

Total investments were $281,521 million at June 30, 2012, an increase of 3.8% from December 31, 2011 due to an increase of $21,386 million in securities purchased under agreements to resell and Federal funds sold, offset by a decrease of $11,029 million in investment securities. The increase in total investments was driven by certain FHLBanks using excess cash to purchase short-term liquidity investments and reflects normal periodic variations in short-term liquidity investment balances, partially offset by maturities of certain investment securities.

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

- interest-bearing deposits;
- securities purchased under agreements to resell;
- Federal funds sold;
- U.S. Treasury obligations;
- commercial paper;
- certificates of deposit;
- GSE obligations; and
- Temporary Liquidity Guarantee Program debentures and promissory notes.

The yield earned on these short-term investments is tied directly to short-term market interest rates. At June 30, 2012, the FHLBanks continued to maintain significant short-term investment balances as part of their ongoing strategy and to satisfy regulatory liquidity requirements.

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

Gross Unrealized Losses on Mortgage-Backed Securities. Gross unrealized losses, including the net effect of non-credit-related OTTI recognized in AOCI, on the FHLBanks' available-for-sale (AFS) MBS decreased $635 million from December 31, 2011 to June 30, 2012. This decline was primarily driven by an increase in the fair value of certain private-label residential MBS.

Gross unrealized losses, including the net effect of non-credit-related OTTI recognized in AOCI, on the FHLBanks' held-to-maturity (HTM) MBS decreased $594 million from December 31, 2011 to June 30, 2012. This decrease was primarily driven by an increase in the fair value of certain private-label residential MBS. However, the increase in the fair value of these securities is not recorded in the statement of condition or in the statement of comprehensive income as these investments are HTM. Also contributing to the decrease was the accretion of the non-credit portion of impairment losses, which is recorded in AOCI, of HTM securities that had experienced non-credit-related OTTI in previous quarters. For these securities, the non-credit-related impairment is accreted prospectively, based on the amount and timing of future cash flows, over the remaining life of the security as an increase in its carrying value. There is no effect on earnings unless the security is subsequently sold or there are additional decreases in cash flows expected to be collected. (See *Note 4 - Available-for-Sale Securities* and *Note 5 - Held-to-Maturity Securities* to the accompanying combined financial statements for discussion of those securities with unrealized losses.)

OTTI on Investment Securities. Each FHLBank evaluates its individual AFS and HTM investment securities holdings for OTTI on at least a quarterly basis. Private-label residential MBS, private-label commercial MBS, manufactured housing loan asset-backed securities (ABS) and home equity loan ABS (collectively referred to as private-label mortgage-backed securities) are those investment securities that generally carry the greatest risk of loss. For the three and six months ended June 30, 2012, affected FHLBanks recognized $55 million and $86 million of net OTTI losses related to AFS and HTM private-label mortgage-backed securities. For the three and six months ended June 30, 2011, affected FHLBanks recognized $341 million and $616 million of net OTTI losses related to AFS and HTM private-label mortgage-backed securities. The net OTTI losses related to AFS and HTM private-label mortgage-backed securities for the three and six months ended June 30, 2012 and 2011 were recognized after each of these FHLBanks determined that it was likely that it would not recover the entire amortized cost basis of each of these securities.

In addition to those securities with OTTI, the FHLBanks have other private-label mortgage-backed securities in unrealized loss positions at June 30, 2012. However, these declines are considered temporary, as each of the affected FHLBanks expects to recover the entire amortized cost basis on these securities and neither intends to sell these securities, nor considers it more likely than not that it would be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis. The FHLBanks' portfolio monitoring is ongoing and further deterioration in delinquency rates, loss rates, and real estate values may cause an additional increase in recognized losses on investment securities.

See *Critical Accounting Estimates - OTTI for Investment Securities*, *Risk Management - Credit Risk - Investments*, and *Note 6 - Other-than-Temporary Impairment Analysis* to the accompanying combined financial statements for additional information.

Mortgage-Backed Securities to Total Regulatory Capital Ratio. Current regulatory policy prohibits an FHLBank from purchasing MBS if its investment in MBS exceeds 300% of that FHLBank's previous month-end regulatory capital on the day it purchases the securities. On March 24, 2008, the Federal Housing Finance Board temporarily increased this limit from 300% to 600% for certain kinds of MBS under certain conditions; this temporary increase expired on March 31, 2010. At June 30, 2012, each of the FHLBanks of Chicago, Dallas and Topeka had MBS holdings in excess of the current investment limit and is precluded from purchasing additional MBS investments until their respective MBS ratio declines below 300%. Each of these FHLBanks was not required to sell any previously purchased MBS that were in compliance with the applicable limit at the time of purchase. Each of the remaining FHLBanks was in compliance with the regulatory limit at the time of its respective MBS purchases and at June 30, 2012. The ratio of MBS (net of regulatory excluded MBS) to total regulatory capital, for the FHLBanks on a combined basis at June 30, 2012, was 2.8.

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

See individual FHLBank 2011 SEC Forms 10-K for disclosures related to investment holdings that exceed 10% of total capital.

Mortgage Loans Held for Portfolio, Net

The FHLBanks purchase mortgage loans to support the FHLBanks' housing mission, diversify their investments and provide an additional source of liquidity to FHLBank members. The two programs are the Mortgage Purchase Program (MPP) and the Mortgage Partnership Finance® (MPF) Program. (See *Risk Management - Credit Risk - Mortgage Loans Held for Portfolio* for more information.)

Table 7 - Mortgage Loans Held for Portfolio, Net

(dollars in millions)

	June 30, 2012	December 31, 2011	Change
Mortgage loans held for portfolio	$ 51,853	$ 53,515	$ (1,662)
Allowance for credit losses on mortgage loans	(140)	(138)	(2)
Total mortgage loans held for portfolio, net	$ 51,713	$ 53,377	$ (1,664)

Mortgage Loans Held for Portfolio. Mortgage loans were $51.7 billion at June 30, 2012, a decrease of 3.1% from $53.4 billion at December 31, 2011. The mortgage loans held for portfolio balance continued to decline from December 31, 2011 primarily due to principal paydowns continuing to exceed purchase volumes.

Allowance for Credit Losses on Mortgage Loans. Periodically, each FHLBank evaluates the allowance for credit losses for its mortgage loans based on its policies and procedures to determine if an allowance for credit losses is necessary. The allowance for credit losses on mortgage loans increased $2 million compared to the balance at December 31, 2011. The FHLBanks generally increased their individual allowance for credit losses on mortgage loans during the first six months of 2012 in response to ongoing weakness in home prices, costs associated with delays in foreclosure proceedings and continued loan foreclosures in many areas of the country.

Table 8 - Mortgage Loans Held for Portfolio - Characteristics and Credit Losses

(dollars in millions)

Unpaid Principal Balance	June 30, 2012	December 31, 2011
Total past due 90 days or more and still accruing interest	$ 668	$ 729
Non-accrual loans(1)	$ 648	$ 674
Troubled debt restructurings (not included above)	$ 34	$ 21

	Six Months Ended June 30, 2012	Year Ended December 31, 2011
Allowance for credit losses, beginning of period	$ 138	$ 86
Charge-offs	(11)	(20)
Provision for credit losses(2)	13	72
Allowance for credit losses, end of period	$ 140	$ 138

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

(2) The provision for credit losses includes only the provision related specifically to mortgage loans and does not include less than $1 million provision for credit losses related to Banking on Business loans specific to the FHLBank of Pittsburgh for the six months ended June 30, 2012 and $1 million reversal for the year ended December 31, 2011.

See *Note 9 - Allowance for Credit Losses* to the accompanying combined financial statements for more information.

Consolidated Obligations

Consolidated obligations consist of consolidated obligation bonds (consolidated bonds) and consolidated obligation discount notes (consolidated discount notes), which are debt instruments issued through the Office of Finance. Consolidated obligations are the principal funding source used by the FHLBanks to make advances and to purchase mortgage loans and investments. At June 30, 2012, the carrying value of total consolidated obligations was $690.2 billion, a decrease of 1.0% from $697.1 billion at December 31, 2011.

Consolidated bonds are issued primarily to raise intermediate- and long-term funds. Consolidated bonds generally carry fixed- or variable-rate payment terms and have maturities typically ranging from one month to 30 years. At June 30, 2012, the carrying value of consolidated bonds was $494.0 billion, a decrease of 2.6% from $507.0 billion at December 31, 2011.

Consolidated discount notes are issued primarily to provide short-term funding. These consolidated discount notes presently have a maturity range of one day through one year, are sold at a discount and mature at par. Most of the consolidated discount note activity reflects the refinancing of overnight discount notes. At June 30, 2012, the carrying value of consolidated discount notes was $196.3 billion, an increase of 3.2% from $190.1 billion at December 31, 2011.

Table 9 - Consolidated Obligations Outstanding

(dollars in millions)

	June 30, 2012	December 31, 2011	Change
Par value of consolidated obligations due in 1 year or less			
Consolidated discount notes	$ 196,295	$ 190,175	$ 6,120
Consolidated bonds	222,169	228,480	(6,311)
Total	418,464	418,655	(191)
Par value of long-term consolidated bonds(1)	266,516	273,004	(6,488)
Total par value	684,980	691,659	(6,679)
Other(2)	5,246	5,465	(219)
Total consolidated obligations	$ 690,226	$ 697,124	$ (6,898)

(1) Includes $2.4 billion and $3.4 billion of index-amortizing notes as of June 30, 2012 and December 31, 2011.

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

Table 10 presents cash flows related to consolidated obligations, which illustrates the general trend of payments exceeding proceeds, resulting in lower consolidated obligation balances. The decrease in consolidated discount note issuances and payments during the three and six months ended June 30, 2012 resulted from the extension of the discount note weighted-average maturity in 2012 compared to 2011, in part driven by lower average overnight and short-term window volumes.

Table 10 - Net Proceeds and Payments for Consolidated Obligations

(dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	2012	2011	Change
Net proceeds from issuance of consolidated obligations						
Discount notes	$ 887,086	$ 1,342,150	$ (455,064)	$ 1,601,954	$ 3,050,274	$ (1,448,320)
Bonds	124,307	94,697	29,610	223,667	171,051	52,616
Net proceeds	1,011,393	1,436,847	$ (425,454)	1,825,621	3,221,325	$ (1,395,704)
Net payments for maturing and retiring consolidated obligations						
Discount notes	872,524	1,345,496	$ (472,972)	1,595,846	3,063,717	$ (1,467,871)
Bonds	111,598	129,722	(18,124)	236,374	226,267	10,107
Net payments	984,122	1,475,218	$ (491,096)	1,832,220	3,289,984	$ (1,457,764)
Net change	$ 27,271	$ (38,371)		$ (6,599)	$ (68,659)	

Consolidated Bonds. Consolidated bonds often have investor-determined features. The decision to issue a consolidated bond using a particular structure is based upon the desired amount of funding and the ability of the FHLBank(s) receiving the proceeds of the consolidated bonds issued to hedge the risks. The issuance of a consolidated bond with a simultaneously-transacted interest-rate exchange agreement usually results in a funding transaction with a lower cost than an FHLBank 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.

Table 11 - Par Value of Consolidated Bonds Outstanding by Payment Terms

(dollars in millions)

	June 30, 2012		December 31, 2011	
	Par Value(1)	Percentage of Total	Par Value(1)	Percentage of Total
Fixed-rate, noncallable	$ 345,720	70.7%	$ 326,872	65.1%
Fixed-rate, callable	70,015	14.3%	93,367	18.6%
Single-index, non-capped variable-rate	42,758	8.8%	49,958	10.0%
Step-up/step-down	25,563	5.2%	24,598	4.9%
Index-amortizing notes	2,382	0.5%	3,383	0.7%
Other(2)	2,455	0.5%	3,514	0.7%
Total	$ 488,893	100.0%	$ 501,692	100.0%

(1) Consolidated bonds outstanding have not been adjusted for interbank holdings totaling $208 million at both June 30, 2012 and December 31, 2011.
(2) Primarily consists of conversion, capped variable-rate and range consolidated bonds.

The types of consolidated bonds issued can fluctuate based on comparative changes in their cost levels, supply and demand conditions, advance demand and the FHLBanks' individual balance sheet management strategies. On a combined basis, the FHLBanks generally relied on negotiated bullet and swapped callable bonds for the majority of their bond funding needs during the three and six months ended June 30, 2012 and 2011.

Table 12 - Percentage of Total Consolidated Bonds Issued by Bond Type

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Fixed-rate, fixed-term, noncallable (bullet)	42.7%	25.7%	42.5%	28.3%
Fixed-rate, callable	35.2%	49.7%	39.5%	49.6%
Single-index, variable-rate	11.1%	5.7%	7.0%	6.4%
Step-up/step-down(1)	10.9%	17.7%	10.8%	14.5%
Other	0.1%	1.2%	0.2%	1.2%
Total	100.0%	100.0%	100.0%	100.0%

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

Deposits

The FHLBanks offer demand, overnight and term deposit programs to their members and to qualifying non-members. At June 30, 2012, deposits totaled $13.0 billion, an increase of $0.5 billion or 3.8% from December 31, 2011. These deposits represent a relatively small portion of the FHLBanks' funding. Total deposits vary depending upon market factors, such as the attractiveness of the FHLBanks' deposit pricing relative to the rates available on alternative money market instruments, FHLBank members' investment preferences with respect to the maturity of their investments and FHLBank members' liquidity. Interest-bearing demand and overnight deposits comprised 88.9% and 93.9% of deposits at June 30, 2012 and December 31, 2011, with the remaining deposits primarily including term deposits and non-interest bearing deposits.

Capital

Table 13 - Total Capital and Capital-to-Assets Ratios

(dollars in millions)

	June 30, 2012	December 31, 2011	Change
Capital stock	$ 34,073	$ 35,542	$ (1,469)
Retained earnings	9,551	8,577	974
AOCI	(3,409)	(4,298)	889
Total GAAP capital	40,215	39,821	394
Exclude:			
AOCI	3,409	4,298	(889)
Add:			
Mandatorily redeemable capital stock	7,501	8,013	(512)
Subordinated notes(1)	—	800	(800)
Other(2)	1	4	(3)
Total regulatory capital	$ 51,126	$ 52,936	$ (1,810)
Total assets	$ 759,548	$ 766,086	$ (6,538)
GAAP capital-to-assets ratio	5.29%	5.20%	
Regulatory capital-to-assets ratio	6.73%	6.91%	

(1) Consists of the Designated Amount of subordinated notes of $800 million as of December 31, 2011, which the FHLBank of Chicago was allowed to include in determining compliance with its regulatory capital requirements prior to implementation of its new capital plan on January 1, 2012. (See *Note 13 - Capital* to the accompanying combined financial statements for information on regulatory capital requirements.)

(2) Includes rounding adjustments.

GAAP Capital. Total GAAP capital was $40.2 billion at June 30, 2012, an increase of 1.0% from $39.8 billion at December 31, 2011, driven by growth in retained earnings and an improvement in accumulated other comprehensive income (loss), partially offset by a reduction in capital stock outstanding. The total GAAP capital-to-assets ratio was 5.29% at June 30, 2012, an increase of 9 basis points from 5.20% from December 31, 2011, driven primarily by the 0.9% decrease in total assets.

Capital Stock. The decrease in capital stock outstanding was primarily the result of excess capital stock repurchases and redemptions, net of capital stock issuances of $984 million, which primarily result from a decline in borrowers' advances, and net shares reclassified to mandatorily redeemable capital stock of $503 million, driven by changes in membership composition, such as mergers, acquisitions and liquidations.

AOCI. The improvement in AOCI was primarily the result of $632 million in subsequent net fair value increases on previously other-than-temporarily impaired AFS securities, $226 million in net fair value increases on AFS securities not classified as other-than-temporarily impaired and $96 million in accretion of the non-credit portion of OTTI losses on HTM securities, partially offset by $107 million in net fair value decreases related to cash flow hedging activities.

Retained Earnings. The increase in retained earnings was driven by net income of $1,285 million, partially offset by cash dividends of $293 million.

Regulatory Capital. Total combined regulatory capital was $51.1 billion at June 30, 2012, a decrease of 3.4% from $52.9 billion at December 31, 2011, driven by reductions in capital stock and mandatorily redeemable capital stock outstanding, and the exclusion of the designated amount of subordinated notes from the calculation under the FHLBank of Chicago's new capital structure, partially offset by growth in retained earnings. The combined regulatory capital-to-assets ratio was 6.73% at June 30, 2012, a decrease of 18 basis points from 6.91% at December 31, 2011, driven primarily by the 0.9% decrease in total assets.

Table 14 - GAAP Capital Components as a Percentage of Total Capital

	June 30, 2012	December 31, 2011
Capital stock	84.7 %	89.3 %
Retained earnings	23.8 %	21.5 %
AOCI	(8.5)%	(10.8)%
Total GAAP capital	100.0 %	100.0 %

Combined Results of Operations

Net Income

The primary source of each FHLBank's earnings is net interest income, which is the interest earned on advances, investments and mortgage loans, less the interest paid on consolidated obligations, deposits and other borrowings. Net income for the three months ended June 30, 2012 was $552 million, an increase of $301 million compared to the same period in 2011. This increase was driven by lower other-than-temporary impairment charges and lower assessments.

Net income for the six months ended June 30, 2012 was $1,285 million, an increase of $676 million compared to the same period in 2011. This increase was driven by lower other-than-temporary impairment charges, net gains on derivatives and hedging activities, net gains on financial instruments carried at fair value and lower assessments.

Table 15 - Changes in Net Income

(dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	2012	2011	Change
Net interest income after provision (reversal) for credit losses	$ 973	$ 992	$ (19)	$ 1,977	$ 2,029	$ (52)
Non-interest income (loss)	(113)	(400)	287	(59)	(686)	627
Non-interest expense	243	240	3	485	501	(16)
Assessments	65	101	(36)	148	233	(85)
Net income (loss)	$ 552	$ 251	$ 301	$ 1,285	$ 609	$ 676

Net Interest Income after Provision (Reversal) for Credit Losses

Net interest income after provision (reversal) for credit losses for the three and six months ended June 30, 2012 was $973 million and $1,977 million, decreases of 1.9% and 2.6% compared to the same periods in 2011, driven by the reduction in the average balance of interest-earning assets, partially offset by higher net interest margin. Interest income for the three and six months ended June 30, 2012 was $2,543 million and $5,226 million, decreases of 11.8% and 11.9%, and interest expense was $1,569 million and $3,236 million, decreases of 16.6% and 16.4%, compared to the same periods in 2011.

Table 16 - Net Interest Income after Provision (Reversal) for Credit Losses

(dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	2012	2011	Change
Interest income						
Advances	$ 762	$ 829	$ (67)	$ 1,565	$ 1,723	$ (158)
Prepayment fees on advances, net	69	45	24	158	103	55
Interest-bearing deposits	5	2	3	7	4	3
Securities purchased under agreements to resell	13	3	10	20	11	9
Federal funds sold	22	25	(3)	36	63	(27)
Trading securities	82	102	(20)	175	201	(26)
Available-for-sale securities	391	371	20	777	696	81
Held-to-maturity securities	651	822	(171)	1,348	1,745	(397)
Mortgage loans	548	684	(136)	1,138	1,385	(247)
Other	—	—	—	2	2	—
Total interest income	2,543	2,883	(340)	5,226	5,933	(707)
Interest expense						
Consolidated obligations — Discount notes	129	134	(5)	239	294	(55)
Consolidated obligations — Bonds	1,408	1,715	(307)	2,934	3,513	(579)
Deposits	2	1	1	3	3	—
Securities sold under agreements to repurchase	—	5	(5)	—	9	(9)
Subordinated notes	15	14	1	29	28	1
Mandatorily redeemable capital stock	15	12	3	31	26	5
Total interest expense	1,569	1,881	(312)	3,236	3,873	(637)
Net interest income	974	1,002	(28)	1,990	2,060	(70)
Provision (reversal) for credit losses	1	10	(9)	13	31	(18)
Net interest income after provision (reversal) for credit losses	$ 973	$ 992	$ (19)	$ 1,977	$ 2,029	$ (52)

Table 17 presents average balances and annualized yields of the major categories of interest-earning assets and interest-bearing liabilities; net interest spread, which is the difference between the annualized yield on total interest-earning assets and the annualized cost on total interest-bearing liabilities; and net interest margin, which is net interest income expressed as a percentage of the average balance of total interest-earning assets.

Table 17 - Spread and Yield Analysis

(dollars in millions)

	Three Months Ended June 30,					
	2012			2011		
	Average Balance	Interest	Annualized Yield	Average Balance	Interest	Annualized Yield
Advances(1)	$ 403,848	$ 831	0.83%	$ 436,068	$ 874	0.80%
Mortgage loans	52,198	548	4.22%	57,770	684	4.75%
Investments						
Interest-bearing deposits and other	11,255	5	0.18%	6,230	2	0.13%
Securities purchased under agreements to resell	28,222	13	0.19%	12,710	3	0.09%
Federal funds sold	56,230	22	0.16%	83,324	25	0.12%
Trading securities	17,173	82	1.92%	29,670	102	1.38%
Available-for-sale securities(2)	76,344	391	2.06%	75,660	371	1.97%
Held-to-maturity securities(2)	116,995	651	2.24%	132,956	822	2.48%
Total investments	306,219	1,164	1.53%	340,550	1,325	1.56%
Total interest-earning assets	762,265	2,543	1.34%	834,388	2,883	1.39%
Other non-interest-earning assets	5,517			6,518		
Fair-value adjustment on investment securities(2)	(3,535)			(4,697)		
Total assets	$ 764,247			$ 836,209		
Consolidated obligations						
Discount notes	$ 198,115	129	0.26%	$ 182,220	134	0.29%
Bonds	484,687	1,408	1.17%	569,469	1,715	1.21%
Interest-bearing deposits and other borrowings(3)	23,430	32	0.55%	23,817	32	0.54%
Total interest-bearing liabilities	706,232	1,569	0.89%	775,506	1,881	0.97%
Non-interest-bearing liabilities	18,217			16,523		
Total liabilities	724,449			792,029		
Capital	39,798			44,180		
Total liabilities and capital	$ 764,247			$ 836,209		
Net interest income		$ 974			$ 1,002	
Net interest spread			0.45%			0.42%
Net interest margin			0.51%			0.48%

	Six Months Ended June 30,					
	2012			2011		
	Average Balance	Interest	Annualized Yield	Average Balance	Interest	Annualized Yield
Advances(1)	$ 405,127	$ 1,723	0.86%	$ 448,388	$ 1,826	0.82%
Mortgage loans	52,463	1,138	4.36%	58,718	1,385	4.76%
Investments						
Interest-bearing deposits and other	11,436	9	0.16%	6,313	6	0.19%
Securities purchased under agreements to resell	26,270	20	0.15%	15,566	11	0.14%
Federal funds sold	54,322	36	0.13%	83,304	63	0.15%
Trading securities	17,766	175	1.98%	29,491	201	1.37%
Available-for-sale securities(2)	78,613	777	1.99%	73,424	696	1.91%
Held-to-maturity securities(2)	118,050	1,348	2.30%	135,813	1,745	2.59%
Total investments	306,457	2,365	1.55%	343,911	2,722	1.60%
Total interest-earning assets	764,047	5,226	1.38%	851,017	5,933	1.41%
Other non-interest-earning assets	5,636			6,786		
Fair-value adjustment on investment securities(2)	(3,948)			(4,898)		
Total assets	$ 765,735			$ 852,905		
Consolidated obligations						
Discount notes	$ 196,303	239	0.24%	$ 184,094	294	0.32%
Bonds	487,233	2,934	1.21%	583,270	3,513	1.21%
Interest-bearing deposits and other borrowings(3)	24,209	63	0.52%	24,112	66	0.55%
Total interest-bearing liabilities	707,745	3,236	0.92%	791,476	3,873	0.99%
Non-interest-bearing liabilities	18,266			17,255		
Total liabilities	726,011			808,731		
Capital	39,724			44,174		
Total liabilities and capital	$ 765,735			$ 852,905		
Net interest income		$ 1,990			$ 2,060	
Net interest spread			0.46%			0.42%
Net interest margin			0.52%			0.49%

(1) Interest income for advances includes prepayment fees on advances, net.
(2) The average balances of AFS securities and HTM securities are reflected at amortized cost; therefore, the resulting yields do not give effect to changes in fair value or the non-credit component of previously recognized OTTI reflected in AOCI.
(3) The balances do not include non-interest-bearing deposits, but do include the average balances and the related interest expense of mandatorily redeemable capital stock and subordinated notes.

Changes in both interest rates and average balances of interest-earning assets and interest-bearing liabilities have a direct influence on changes in net interest income, net interest margin and net interest spread. Table 18 presents changes in interest income and interest expense due to volume-related and rate-related factors. Changes in interest income and interest expense not identifiable as either volume-related or rate-related, but rather attributable to both volume and rate changes, have been allocated to the volume and rate categories based upon the proportion of the absolute value of the volume and rate changes.

Table 18 - Rate and Volume Analysis

(dollars in millions)

	Three Months Ended June 30, 2012 vs. 2011			Six Months Ended June 30, 2012 vs. 2011		
	Volume	Rate	Total	Volume	Rate	Total
Interest Income						
Advances(1)	$ (70)	$ 27	$ (43)	$ (190)	$ 87	$ (103)
Mortgage loans	(62)	(74)	(136)	(140)	(107)	(247)
Investments	(132)	(29)	(161)	(283)	(74)	(357)
Total interest income	(264)	(76)	(340)	(613)	(94)	(707)
Interest Expense						
Consolidated obligations	(163)	(149)	(312)	(399)	(235)	(634)
Deposits and other borrowings(2)	(1)	1	—	—	(3)	(3)
Total interest expense	(164)	(148)	(312)	(399)	(238)	(637)
Changes in net interest income	$ (100)	$ 72	$ (28)	$ (214)	$ 144	$ (70)

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

Lower Average Balances. Total average interest-earning assets declined 8.6% and 10.2% during the three and six months ended June 30, 2012 compared to the same periods in 2011, negatively affecting net interest income. These declines were due primarily to decreases of 10.1% and 10.9% in the average balances of investments, decreases of 9.6% and 10.7% in the average balances of mortgage loans, and decreases of 7.4% and 9.6% in the average balances of advances. The declines in investments were driven by principal paydowns on mortgage-backed securities and lower short-term investment balances due to reduced liquidity needs. The declines in mortgage loans were the result of low purchase volumes, principal repayments and the sale of mortgage loans in 2011. The declines in advances continued to be driven by high deposit levels and low demand for loans at member institutions, although the demand for advances showed some signs of regional stabilization and certain FHLBank members increased their use of advances. Consistent with the decline in average interest-earning assets, the average balances of consolidated obligations decreased 9.2% and 10.9% for the three and six months ended June 30, 2012 compared to the same periods in 2011.

Net Interest Margin. Net interest margin was 0.51% and 0.52% for the three and six months ended June 30, 2012, an increase of 3 basis points for both periods compared to the same periods in 2011, due primarily to higher net interest spreads. The net yield on interest-earning assets was 1.34% and 1.38%, decreases of 5 and 3 basis points because of lower yields on mortgage loans and investments, which were partially offset by the higher yield on advances, largely attributable to higher prepayment fees. The net yield on interest-bearing liabilities was 0.89% and 0.92%, decreases of 8 and 7 basis points, partially attributable to the cumulative effect of redemptions and refinancings of consolidated obligations in a very low interest rate environment.

Non-Interest Income (Loss)

Non-interest income (loss) for the three months ended June 30, 2012 was a loss of $113 million, an improvement of $287 million compared to the same period in 2011. This improvement was due primarily to lower credit-related other-than-temporary impairment charges and lower net losses on derivatives and hedging activities, partially offset by net losses on trading securities.

Non-interest income (loss) for the six months ended June 30, 2012 was a loss of $59 million, an improvement of $627 million compared to the same period in 2011. This improvement was due primarily to lower credit-related other-than-temporary impairment charges, net gains on derivatives and hedging activities and net gains on financial instruments held under fair value option, partially offset by higher net losses on trading securities.

Table 19 - Changes in Non-Interest Income (Loss)

(dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	2012	2011	Change
Net other-than-temporary impairment losses	$ (55)	$ (341)	$ 286	$ (86)	$ (616)	$ 530
Net gains (losses) on trading securities	(1)	35	(36)	(75)	(36)	(39)
Net realized gains (losses) from sale of available-for-sale securities	—	10	(10)	—	18	(18)
Net realized gains from sale of held-to-maturity securities	29	10	19	29	10	19
Net gains (losses) on financial instruments held under fair value option	18	24	(6)	23	(36)	59
Net gains (losses) on derivatives and hedging activities	(111)	(157)	46	57	(27)	84
Service fees	7	7	—	15	14	1
Other, net	—	12	(12)	(22)	(13)	(9)
Total non-interest income (loss)	$ (113)	$ (400)	$ 287	$ (59)	$ (686)	$ 627

Other-than-Temporary Impairment Losses. The FHLBanks update their OTTI analysis each quarter to reflect current housing market conditions, changes in anticipated housing market conditions, observed and anticipated borrower behavior, and updated information on collateral underlying private-label MBS. This process includes updating key aspects of the FHLBanks' loss projection models. Credit-related other-than-temporary impairment charges for the three and six months ended June 30, 2012 of $55 million and $86 million reflected the impact of a modest increase in projected losses on loan collateral underlying certain private-label mortgage-backed securities. Factors that adversely affected projected loan losses included the impact of large inventories of unsold homes on current and forecasted housing prices, continued weakness in the economy and in employment, and increased foreclosure costs and delays, resulting in continued credit losses.

Credit-related other-than-temporary impairment charges for the three and six months ended June 30, 2011 of $341 million and $616 million reflected the continued uncertainty about the future of the U.S. housing markets and the domestic economy, as well as ongoing deterioration in the credit performance of loan collateral underlying certain private-label MBS. Assumptions regarding collateral performance included higher projected loss severities compared to prior quarters, reflecting anticipated increases in foreclosure and liquidation costs.

Table 20 - Other-than-Temporary Impairment Losses

(dollars in millions)

	Three Months Ended June 30,					
	2012			2011		
	Total OTTI Losses	AOCI(1)	OTTI Related to Credit Losses	Total OTTI Losses	AOCI(1)	OTTI Related to Credit Losses
OTTI by Collateral Type(2)						
Private-label residential MBS						
Prime	$ (1)	$ (25)	$ (26)	$ (16)	$ (51)	$ (67)
Alt-A	(23)	(4)	(27)	(137)	(131)	(268)
Subprime	(1)	—	(1)	(10)	4	(6)
Total OTTI on private-label residential MBS	(25)	(29)	(54)	(163)	(178)	(341)
Home equity loan ABS						
Subprime	—	(1)	(1)	(1)	1	—
Total OTTI on home equity loan ABS	—	(1)	(1)	(1)	1	—
Total	$ (25)	$ (30)	$ (55)	$ (164)	$ (177)	$ (341)
OTTI by Period						
Securities newly impaired during the period	$ (8)	$ 8	$ —	$ (73)	$ 69	$ (4)
Securities previously impaired prior to current period(3)	(17)	(38)	(55)	(91)	(246)	(337)
Total	$ (25)	$ (30)	$ (55)	$ (164)	$ (177)	$ (341)

	Six Months Ended June 30,					
	2012			2011		
	Total OTTI Losses	AOCI(1)	OTTI Related to Credit Losses	Total OTTI Losses	AOCI(1)	OTTI Related to Credit Losses
OTTI by Collateral Type(2)						
Private-label residential MBS						
Prime	$ (3)	$ (39)	$ (42)	$ (55)	$ (100)	$ (155)
Alt-A	(45)	4	(41)	(225)	(222)	(447)
Subprime	(2)	1	(1)	(10)	(4)	(14)
Total OTTI on private-label residential MBS	(50)	(34)	(84)	(290)	(326)	(616)
Home equity loan ABS						
Alt-A	—	(1)	(1)	—	—	—
Subprime	—	(1)	(1)	(1)	1	—
Total OTTI on home equity loan ABS	—	(2)	(2)	(1)	1	—
Total	$ (50)	$ (36)	$ (86)	$ (291)	$ (325)	$ (616)
OTTI by Period						
Securities newly impaired during the period	$ (18)	$ 18	$ —	$ (184)	$ 174	$ (10)
Securities previously impaired prior to current period(3)	(32)	(54)	(86)	(107)	(499)	(606)
Total	$ (50)	$ (36)	$ (86)	$ (291)	$ (325)	$ (616)

(1) Represents the net amount of impairment losses reclassified to/(from) AOCI.
(2) The FHLBanks classify securities as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by a nationally recognized statistical rating organization upon issuance of the securities.
(3) For the three months ended June 30, 2012 and 2011, securities previously impaired prior to current period represents all securities that were impaired prior to April 1, 2012 and 2011. For the six months ended June 30, 2012 and 2011, securities previously impaired prior to current period represents all securities that were impaired prior to January 1, 2012 and 2011.

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

Gains (Losses) on Trading Securities. The FHLBanks generally hold trading securities for liquidity purposes. Trading securities are recorded at fair value with changes in fair value reflected in non-interest income. There are a number of factors that can impact the value of a trading security, including the movement in absolute interest rates, changes in credit spreads, the passage of time and changes in volatility. The net loss on trading securities of $75 million for the six months ended June 30, 2012 was driven by changes in interest rates and by the recognition of acquisition premiums on certain trading securities purchased with above-market coupon rates. The related premiums paid are reflected as mark-to-market losses on the securities as their fair values approach par at maturity. The net loss on trading securities of $36 million for the six months ended June 30, 2011 was the result of mark-to-market adjustments required to report trading securities at fair value.

Realized Gains from Sale of Held-to-Maturity Securities. The net realized gains from the sale of held-to-maturity securities was $29 million and $10 million for both the three and six months ended June 30, 2012 and for the three and six months ended June 30, 2011, resulting from the clean-up sales of mortgage-backed securities. Each of these securities sold had less than 15% of the original acquired principal remaining at the time of the sale and was sold under certain FHLBanks' periodic clean-up process.

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

Fair values of advances and consolidated obligations held under fair value option vary from period to period based on changes in a wide range of market factors including the current and projected levels of interest rates, volatility, and credit spreads. The significant inputs used by the FHLBanks to determine the fair value of advances and consolidated obligations are the CO Curve, LIBOR swap curve, volatility assumptions and spread assumptions. Additionally, net gains and losses are affected by changes in the composition of the financial instruments held under fair value option. Table 21 presents the net gains and losses on financial instruments held under fair value option.

Table 21 - Net Gains (Losses) on Financial Instruments Held under Fair Value Option

(dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	2012	2011	Change
Advances	$ 9	$ 105	$ (96)	$ (17)	$ 54	$ (71)
Consolidated obligations						
Discount notes	—	—	—	4	1	3
Bonds	8	(86)	94	34	(95)	129
Other liabilities(1)	1	5	(4)	2	4	(2)
Total net gains (losses) on financial instruments held under fair value option	$ 18	$ 24	$ (6)	$ 23	$ (36)	$ 59

(1) Represents optional advance commitments.

Gains (Losses) on Derivatives and Hedging Activities. The FHLBanks' derivatives and hedging positions fluctuate due to volatility in the overall interest-rate environment. In general, an FHLBank holds derivatives and associated hedged instruments to the maturity, call or put date. Therefore, as a matter of timing, nearly all of the cumulative net gains and losses for these financial instruments generally reverse over the remaining contractual terms of the hedged financial instruments. However, there may be instances 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 22 - Net Gains (Losses) on Derivatives and Hedging Activities

(dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	2012	2011	Change
Net gains (losses) related to fair value hedge ineffectiveness	$ 54	$ 56	$ (2)	$ 168	$ 176	$ (8)
Net gains (losses) related to cash flow hedge ineffectiveness	—	12	(12)	2	14	(12)
Net gains (losses) related to derivatives not designated as hedging instruments	(165)	(225)	60	(113)	(217)	104
Total net gains (losses) on derivatives and hedging activities	$ (111)	$ (157)	$ 46	$ 57	$ (27)	$ 84

The net losses on derivatives and hedging activities during the three months ended June 30, 2012 and 2011 were driven by losses related to economic hedges. These losses primarily resulted from the effects of changes in interest rates and lower swaption volatilities.

The net gains on derivatives and hedging activities during the six months ended June 30, 2012 were driven by gains related to fair-value hedge ineffectiveness, which were partially offset by losses related to economic hedges. The gains from fair-value hedge ineffectiveness were due primarily to normal mark-to-market activities resulting from changes in the benchmark interest rate and volatility. Hedge ineffectiveness occurs when changes in the fair value of the derivative and the associated hedged instrument do not perfectly offset.

The net losses on derivatives and hedging activities during the six months ended June 30, 2011 were driven by losses related to economic hedges, which were partially offset by gains related to fair-value hedge ineffectiveness. The net losses related to economic hedges primarily resulted from the effects of changes in interest rates and lower swaption volatilities. (See *Quantitative and Qualitative Disclosures About Market Risk - Use of Derivatives to Manage Interest-Rate Risk* and *Note 10 - Derivatives and Hedging Activities* to the accompanying combined financial statements for the earnings effect resulting from derivatives and hedging activities.)

Non-interest Expense

Non-interest expense for the three months ended June 30, 2012 was $243 million, an increase of 1.3% compared to the same period in 2011. Non-interest expense for the six months ended June 30, 2012 was $485 million, a decrease of 3.2% compared to the same period in 2011. The decrease in non-interest expense for the six months ended June 30, 2012 resulted from additional pension plan contributions expensed during the first quarter of 2011.

Table 23 - Changes in Non-interest Expense

(dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	2012	2011	Change
Compensation and benefits	$ 127	$ 126	$ 1	$ 258	$ 282	$ (24)
Other operating expenses	82	76	6	157	148	9
Federal Housing Finance Agency	17	20	(3)	38	41	(3)
Office of Finance	11	7	4	22	21	1
Other	6	11	(5)	10	9	1
Total non-interest expense	$ 243	$ 240	$ 3	$ 485	$ 501	$ (16)

Compensation and Benefits. These expenses include costs for FHLBank employees, including salaries, incentives, and health and retirement benefits. For the six months ended June 30, 2012, compensation and benefits expenses decreased 8.5% compared to the same period in 2011, due primarily to additional pension plan contributions to eliminate a funding shortfall, which were expensed in the first quarter of 2011.

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

Office of Finance Expenses. The FHLBanks also fund the costs of the Office of Finance, a joint office of the FHLBanks that issues and services consolidated obligations, prepares the FHLBanks' combined quarterly and annual financial reports, and fulfills certain other functions.

Assessments

Assessments for the three and six months ended June 30, 2012 were $65 million and $148 million, decreases of 35.6% and 36.5% compared to the same periods in 2011. The decreases were driven by the satisfaction of the FHLBanks' REFCORP obligation, partially offset by higher assessments in support of affordable housing programs as a result of increases in net income before assessments.

Table 24 - Assessments

(dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	2012	2011	Change
Affordable Housing Program	$ 65	$ 32	$ 33	$ 148	$ 73	$ 75
REFCORP	—	69	(69)	—	160	(160)
Total assessments	$ 65	$ 101	$ (36)	$ 148	$ 233	$ (85)

Affordable Housing Program (AHP). By regulation, the FHLBanks must annually set aside for the AHP the greater of the aggregate of $100 million or 10% of net earnings, after any 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 any assessment for REFCORP. Any FHLBank with a net loss for a quarter is not required to pay the AHP assessment for that quarter.

AHP helps members provide subsidized and other low-cost funding as well as grants to create affordable rental and home ownership opportunities. All FHLBank operating costs for the AHP are included in operating expenses, so all AHP assessments go directly to support affordable housing projects.

REFCORP. On August 5, 2011, the FHFA certified that the FHLBanks had fully satisfied their REFCORP obligation. The FHLBanks entered into a Joint Capital Enhancement Agreement, as amended, which requires each FHLBank to allocate 20% of its net income to a separate restricted retained earnings account, beginning in the third quarter of 2011. As a result of fully satisfying their REFCORP obligation, the FHLBanks did not record any REFCORP assessments during the three and six months ended June 30, 2012.

Interbank Transfers of 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.

There were no interbank transfers of consolidated bonds during the six months ended June 30, 2012. Total consolidated bonds of $165 million at par value were transferred from an FHLBank to another FHLBank during the six months ended June 30, 2011.

The amount of total interbank consolidated bonds transferred during a period depends on a variety of factors, such as (1) whether or not an assuming FHLBank can obtain equal or lower funding costs through interbank transfers as compared to issuing new debt, (2) an FHLBank's overall asset/liability management strategy and (3) current market conditions.

The transferring FHLBank treats the transfer as a debt extinguishment because that FHLBank has been released from being the primary obligor. The assuming FHLBank becomes the primary obligor because it now is directly responsible for repaying the debt. The assuming FHLBank records the fair value, including any premium or discount, as the initial carrying amount for the consolidated bond it received from the transferring FHLBank. However, under the principles of combination accounting, combining adjustments are required to reflect the transaction as if the transferring FHLBank still holds the consolidated bond for purposes of the FHLBanks' combined financial statements.

Table 25 presents the effect of combining adjustments on the Combined Statement of Income for the elimination of transfers of interbank consolidated bond liabilities and for offsetting interbank commissions as well as fees related to the MPF Program that are eliminated in non-interest income (loss) and non-interest expense and have no effect on net income (loss).

Table 25 - Effect of Combining Adjustments on Combined Statement of Income

(dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
Effect on:	**2012**	**2011**	**Change**	**2012**	**2011**	**Change**
Net interest income	$ (7)	$ (7)	$ —	$ (13)	$ (12)	$ (1)
Non-interest income (loss)	$ (2)	$ (2)	$ —	$ (3)	$ 13	$ (16)
Non-interest expense	$ (2)	$ (2)	$ —	$ (3)	$ (4)	$ 1
Net income (loss)	$ (7)	$ (7)	$ —	$ (13)	$ 5	$ (18)

Comprehensive Income

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

Comprehensive income for the three months ended June 30, 2012 was $779 million, a decrease of 14.8% compared to the same period in 2011, due primarily to a $393 million net decrease in the net non-credit portion of OTTI losses on available-for-sale and held-to-maturity securities, partially offset by a $301 million increase in net income. Comprehensive income for the six months ended June 30, 2012 was $2,174 million, a decrease of 16.2% compared to the same period in 2011, due primarily to a $1,114 million net decrease in the net non-credit portion of OTTI losses on available-for-sale and held-to-maturity securities, partially offset by a $676 million increase in net income.

Total other comprehensive income of $227 million and $889 million for the three and six months ended June 30, 2012 consisted primarily of increases in the fair value of available-for-sale securities and accretion of the non-credit portion of OTTI losses on held-to-maturity securities, which were partially offset by unrealized losses related to cash-flow hedging activities.

Table 26 - Comprehensive Income (Loss)

(dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	2012	2011	Change
Net income (loss)	$ 552	$ 251	$ 301	$ 1,285	$ 609	$ 676
Other comprehensive income (loss)						
Net unrealized gains/losses on available-for-sale securities	267	295	(28)	226	190	36
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities	1	—	1	2	1	1
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	72	(382)	454	662	(1,152)	1,814
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	56	903	(847)	102	3,030	(2,928)
Net unrealized gains/losses relating to hedging activities	(172)	(155)	(17)	(106)	(85)	(21)
Pension and postretirement benefits	3	2	1	3	2	1
Total other comprehensive income (loss)	227	663	(436)	889	1,986	(1,097)
Total comprehensive income (loss)	$ 779	$ 914	$ (135)	$ 2,174	$ 2,595	$ (421)

Other comprehensive income (loss) on AFS securities. Other comprehensive income (loss) on AFS securities is classified into two separate components, net change in unrealized gains/losses on AFS securities and the net change in the non-credit portion of other-than-temporary impairment losses on AFS securities. The distinction between the two categories is whether the AFS security has incurred an OTTI charge. The changes in the fair value of AFS securities, which are primarily due to changes in interest rates, are recorded in other comprehensive income (loss). Other comprehensive income (loss) is also impacted by the occurrence of an OTTI charge on an AFS security, the transfer of securities from the HTM portfolio to the AFS portfolio, and the reclassification of the non-credit portion of OTTI losses to net income (loss).

Other comprehensive income (loss) on HTM securities. Other comprehensive income (loss) on HTM securities is comprised of the net unrealized gains/losses on HTM securities transferred to the AFS portfolio, the net non-credit portion of OTTI losses on HTM securities, and the accretion of the non-credit portion of OTTI losses on HTM securities.

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

Capital Adequacy

The FHLBank Act prescribes minimum capital requirements for the FHLBanks, and following the passage of the "Housing and Economic Recovery Act of 2008" (Housing Act), the Director of the FHFA is responsible for setting the risk-based capital standards for the FHLBanks. In addition, on March 3, 2011, the FHFA issued a final rule authorizing the Director of the FHFA to temporarily increase the minimum capital level for an FHLBank if the Director of the FHFA determines that the current level is insufficient to address that FHLBank's risks. At June 30, 2012, each of the FHLBanks was in compliance with its statutory minimum capital requirements. (See *Note 13 - Capital* to the accompanying combined financial statements for more information on each FHLBank's minimum capital requirements and regulatory actions related to each of the FHLBanks of Chicago and Seattle.)

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

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

Management and the board of directors of each FHLBank review the capital structure of that FHLBank on a periodic basis to ensure the capital structure supports the risk associated with its assets and addresses applicable regulatory and supervisory matters. In addition, an individual FHLBank may institute a higher capital requirement to meet internally-established thresholds or to address supervisory matters, or may limit dividend payments as part of its retained earnings policies. As of June 30, 2012, certain FHLBanks have limited dividend payments and/or restricted excess capital stock redemptions and repurchases. These limitations may be revised from time to time. (See *Dividend and Excess Stock Limitations* for more information on certain FHLBank limits on dividend payments and excess capital stock redemptions and repurchases.)

Joint Capital Enhancement Agreement

The Joint Capital Enhancement Agreement, as amended (Capital Agreement), is intended to enhance the capital position of each FHLBank. The Capital Agreement provides that each FHLBank will allocate 20% of its net income each quarter to a separate restricted retained earnings account until the balance of that account equals at least one percent of that FHLBank's average balance of outstanding consolidated obligations for the previous quarter. These restricted retained earnings are not available to pay dividends. (See *Note 13 - Capital* - *Restricted Retained Earnings* to the accompanying combined financial statements for more information.)

Dividend and Excess Stock Limitations

Certain FHLBanks have regulatory restrictions or have implemented voluntary actions to suspend dividend payments and/or repurchases or redemptions of excess capital stock. These actions were implemented as a capital preservation measure and reflect a conservative approach to financial management due to market volatility and impairment of certain private-label mortgage-backed securities. (See *Note 13 - Capital* - *Excess Capital Stock* to the accompanying combined financial statements for information on the regulatory restrictions related to excess capital stock.)

FHLBank of Boston. The FHLBank of Boston is continuing its moratorium on repurchases of excess capital stock, other than in limited, former member-related instances of insolvency. Although the FHLBank of Boston conducted a partial repurchase of excess capital stock on March 9, 2012, there are no plans to conduct another excess stock repurchase in 2012. Further, on April 26, 2012, the FHLBank of Boston's board of directors adopted:

- a resolution that it would not declare dividends in excess of 20% of quarterly net income for the quarter on which the dividend is based for the remainder of 2012, without the FHFA's non-objection;

- a revision to the FHLBank of Boston's retained earnings policy that now provides that when the FHLBank of Boston's retained earnings target exceeds the level of the FHLBank of Boston's retained earnings, the quarterly dividend payout cannot exceed 40% of the FHLBank of Boston's earnings for the quarter; and

- a resolution that it will not conduct excess stock repurchases, other than in limited, former member-related instances of insolvency, without obtaining the FHFA's non-objection (which the FHLBank of Boston does not expect to pursue in 2012).

FHLBank of Pittsburgh. On December 23, 2008, the FHLBank of Pittsburgh voluntarily suspended dividend payments until such time that the FHLBank of Pittsburgh believed it is prudent to restore them, in an effort to build retained earnings. During 2011, the FHLBank of Pittsburgh did not pay a dividend. On February 23, 2012, April 30, 2012, and July 31, 2012, the FHLBank of Pittsburgh paid a dividend equal to an annual yield of 0.10%.

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

The FHLBank of Pittsburgh's market value of equity to par value of capital stock ratio was 105.7% and 96.9% at June 30, 2012 and December 31, 2011. The improvement in the market value of equity to par value of capital stock ratio in first six months of 2012 was due primarily to narrower spreads and principal paydowns on its private-label mortgage-backed securities portfolio, increased retained earnings and narrower advance spreads resulting from pricing changes adopted during the first quarter. Because the market value of equity to par value of capital stock ratio was above the 90.0% floor at June 30, 2012, the FHLBank of Pittsburgh performed additional analysis of capital adequacy taking into consideration the impact of excess capital stock repurchases and dividend payouts to determine if any excess stock should be repurchased. As a result of this analysis, the FHLBank of Pittsburgh repurchased approximately $200 million in excess capital stock on July 31, 2012. The FHLBank of Pittsburgh also executed partial repurchases of excess capital stock in February and April 2012 which totaled $278 million. The effect of the repurchases was a modest improvement in the market value of equity to par value of capital stock ratio.

Decisions regarding any future repurchases of excess capital stock or dividend payouts will be made on a quarterly basis. The FHLBank of Pittsburgh will continue to monitor the market value of equity to par value of capital stock ratio as well as the condition of its private-label mortgage-backed securities 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. On April 18, 2012, the FHFA terminated the Consent Order to Cease and Desist (the C&D Order) that the FHLBank of Chicago entered into with the Federal Housing Finance Board in October 2007. The C&D Order placed several requirements on the FHLBank of Chicago, including among other things, certain restrictions on the repurchase and redemption of capital stock, prior approval of dividend declarations and submission of a revised capital plan. As of April 18, 2012, the FHLBank of Chicago is no longer required to obtain FHFA approval for redemptions and repurchases of capital stock or for dividend declarations. However, the FHLBank of Chicago's board of directors adopted a resolution, that may not be amended without FHFA consent, governing dividend declarations and repurchases of excess capital stock by the FHLBank of Chicago. (See *Note 13 - Capital* - *FHLBank of Chicago Regulatory Actions* to the accompanying combined financial statements for more information.)

In connection with its new capital plan, the FHLBank of Chicago received approval from the FHFA to repurchase excess capital stock of current members over a period of time (Repurchase Plan). During the three and six months ended June 30, 2012, the FHLBank of Chicago repurchased excess capital stock totaling $150 million and $650 million in accordance with the FHLBank of Chicago's Repurchase Plan.

The FHLBank of Chicago's Repurchase Plan terminated by its terms effective upon the FHLBank of Chicago's most recent repurchase of excess capital stock on May 15, 2012. However, pursuant to the resolution adopted by the FHLBank of Chicago's board of directors, the FHLBank of Chicago continues to repurchase excess capital stock held by its members if it maintains compliance with the financial and capital thresholds set forth in the Repurchase Plan. (See *Note 13 - Capital* - *FHLBank of Chicago Regulatory Actions* to the accompanying combined financial statements for more information.)

On July 16, 2012, following the FHLBank of Chicago's assessment that it met the thresholds for repurchase outlined in the Repurchase Plan based on the financial results for the second quarter of 2012, the FHLBank of Chicago notified members of another repurchase opportunity and the process for requesting repurchase. In accordance with that process, the FHLBank of Chicago announced that it would repurchase excess capital stock of $150 million on August 15, 2012.

On July 24, 2012, the FHLBank of Chicago's board of directors declared a cash dividend at an annualized rate of 0.30% per share based on its preliminary financial results for the second quarter of 2012. Although the FHLBank of Chicago continues to work to build its financial strength to support a reasonable dividend, any future dividend determination by the FHLBank of Chicago's board of directors will depend on future operating results and be reviewed in accordance with its resolution and its

retained earnings and dividend policy.

FHLBank of San Francisco. On a quarterly basis, the FHLBank of San Francisco determines whether it will repurchase excess capital stock. Because of a decision to preserve capital in view of the possibility of future other-than-temporary impairment charges on the FHLBank of San Francisco's private-label residential mortgage-backed securities portfolio, the FHLBank of San Francisco did not fully repurchase excess stock created primarily by declining advance balances in 2011 and in the first six months of 2012. The FHLBank of San Francisco opted to maintain its strong regulatory capital position, while repurchasing $446 million and $454 million in excess capital stock in the first and second quarters of 2012. The FHLBank of San Francisco repurchased excess capital stock totaling $445 million, $471 million, $460 million and $469 million in the first, second, third and fourth quarters of 2011. During the second quarter of 2012, the five-year redemption period for $1 million in mandatorily redeemable capital stock expired, and the FHLBank of San Francisco redeemed the stock at its $100 par value on the relevant expiration dates.

On July 26, 2012, the FHLBank of San Francisco announced that it plans to repurchase up to $500 million in excess capital stock on August 14, 2012. The amount of excess capital stock to be repurchased from any shareholder will be based on the shareholder's pro-rata ownership share of total capital stock outstanding as of the repurchase date, up to the amount of the shareholder's excess capital stock.

The FHLBank of San Francisco will continue to monitor the condition of its private-label residential mortgage-backed securities portfolio, the ratio of the estimated market value of its capital stock to the par value of its capital stock, its overall financial performance and retained earnings, developments in the mortgage and credit markets, and other relevant information as the basis for determining the status of dividends and capital stock repurchases in future quarters. (See *Note 13 - Capital* - *Restricted Retained Earnings* to the accompanying combined financial statements for more information on the FHLBank of San Francisco's retained earnings and dividend policy.)

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 FHFA. The FHLBank of Seattle has been unable to redeem Class A or Class B capital stock at the end of the statutory six-month or five-year redemption period since March 2009. There can be no assurance of when or if the FHLBank of Seattle's board of directors will declare dividends in the future. (See *Note 13 - Capital* - *FHLBank of Seattle Capital Classification and Consent Arrangement* to the accompanying combined financial statements for a description of the FHLBank of Seattle's Consent Arrangement with the FHFA.)

Liquidity

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

The FHLBanks need liquidity to:

- satisfy their members' demand for short- and long-term funds;
- repay maturing consolidated obligations; and
- meet other obligations.

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

The FHLBanks' primary sources of liquidity are the issuance of new consolidated obligations and holdings of investments that are primarily high-quality, short- and intermediate-term financial instruments. Historically, GSE status and favorable credit ratings have provided the FHLBanks with excellent access to capital markets. Consolidated obligations enjoy GSE status; however, they are not obligations of the United States and the United States does not guarantee them. The FHLBanks' consolidated obligations have historically received the same credit rating as the government bond credit rating of the United States even though the consolidated obligations are not obligations of the United States.

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

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

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

To protect the FHLBanks against temporary disruptions in access to the debt markets in response to a rise in capital markets volatility, the FHFA requires each FHLBank to: (1) maintain contingent liquidity sufficient to meet liquidity needs that shall, at a minimum, cover five calendar days of inability to access consolidated obligations in the debt markets; (2) have available at all times an amount greater than or equal to its members' current deposits invested in advances with maturities not to exceed five years, deposits in banks or trust companies, and obligations of the U.S. Treasury; (3) maintain, in the aggregate, unpledged qualifying assets in an amount at least equal to the amount of its participation in total consolidated obligations outstanding; and (4) maintain, through short-term investments, an amount at least equal to its anticipated cash outflows under two hypothetical scenarios.

Each FHLBank also maintains a contingency liquidity plan designed to enable it to meet its obligations and the liquidity needs of members in the event of operational disruptions at the FHLBanks and/or the Office of Finance, or short-term capital market disruptions. For instance, federal budget deficit and debt ceiling issues and any related credit rating downgrades could continue to cause adverse reactions in the financial markets, which could result in higher interest rates, higher FHLBank borrowing costs, greater demand for collateral from FHLBanks and/or difficulty accessing liquidity on acceptable terms. Therefore, the FHLBanks have taken actions, or continue to take actions, to bolster the amount of liquidity in the event their access to the debt markets is disrupted.

Critical Accounting Estimates

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

In the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2011, certain accounting estimates and assumptions were identified as critical because they are generally considered by each FHLBank's management to be the most critical to an understanding of its financial statements and the financial data it provides to the Office of Finance for preparing the combined financial report. These estimates and assumptions include those used in conjunction with: (1) OTTI for investment securities; (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 for each identified portfolio segment of financing receivables. (See *Note 1 - Summary of Significant Accounting Policies*, pages F-15 to F-22, of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2011 for a description of accounting policies related to these estimates and assumptions.)

For a detailed discussion of Critical Accounting Estimates, see *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations-Critical Accounting Estimates* in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2011. Other than the OTTI methodology for investment securities discussed below, there have been no significant changes in the critical accounting estimates disclosed in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2011. Each FHLBank describes its critical accounting estimates in its Management's Discussion and Analysis of Financial Condition and Results of Operations in its periodic reports filed with the SEC.

OTTI for Investment Securities

Uniform OTTI Framework. The 12 FHLBanks have developed a uniform framework for completing their OTTI analyses in compliance 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. (See *Note 6 - Other-than-Temporary Impairment Analysis* to the accompanying combined financial statements for additional discussion regarding the recognition and presentation of OTTI.)

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

At June 30, 2012, seven FHLBanks owned certain private-label MBS where the underlying loan-level collateral data was not available. For private-label MBS that could not be modeled under the FHLBanks' uniform framework, alternative procedures were determined and approved by the FHLBanks. These alternative procedures established a formal process by which the FHLBanks could provide input on and approve key OTTI assumptions. Each affected FHLBank considered the approved alternative procedures to assess these securities for OTTI. These securities, which are backed by residential, home equity, manufactured housing, commercial real estate and reverse mortgage loans and/or home equity lines of credit, represented approximately 3% of the FHLBanks' total unpaid principal balance of private-label MBS at June 30, 2012.

In performing the cash flow analysis for the private-label MBS under the uniform framework, each FHLBank uses two third-party models. The first model forecasts loan-level prepayment, default and severity behavior. The second model is used to determine the resulting cash flows. The FHLBanks also assess the potential mitigation of projected credit losses through the application of existing monoline bond insurance from third parties by performing a qualitative assessment of the respective insurer's ability to cover the security's projected shortfall of contractual principal or interest. (See *Note 6 - Other-than-Temporary Impairment Analysis* to the accompanying combined financial statements and *Risk Management - Credit Risk - Monoline Bond Insurance* for additional information.)

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

Table 27 presents the significant inputs used to assess private-label residential MBS and home equity loan ABS under the FHLBanks' uniform framework for OTTI as well as related current credit enhancements as of June 30, 2012. Credit enhancement is defined as the percentage of credit subordination, excess spread and over-collateralization, if any, in a security structure that will generally absorb losses before each FHLBank will experience a loss on the security. The calculated averages represent the dollar-weighted averages of all the private-label residential MBS and home equity loan ABS in each category shown.

Table 27 - Significant Inputs for Private-label Residential MBS and Home Equity Loan ABS

(dollars in millions)

		Significant Inputs for All Private-label Residential MBS(1)							
		Prepayment Rates		Default Rates		Loss Severities		Current Credit Enhancement	
Year of Securitization	Unpaid Principal Balance	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %
Prime									
2008	$ 698	8.7	6.7 - 10.0	32.4	25.2 - 39.4	41.3	35.9 - 48.7	22.2	9.5 - 46.2
2007	1,136	9.4	6.0 - 35.7	25.0	1.7 - 42.0	41.5	23.7 - 52.8	3.4	0.0 - 20.7
2006	2,051	8.5	5.9 - 30.7	32.3	2.0 - 46.7	40.5	25.0 - 60.7	3.6	0.0 - 19.8
2005	2,455	11.5	5.2 - 24.9	15.5	1.4 - 50.0	34.0	19.9 - 53.0	7.1	0.0 - 47.8
2004 and prior	5,122	16.8	0.9 - 54.6	8.5	0.0 - 60.3	27.6	0.0 - 63.2	9.3	2.4 - 95.6
Total prime	11,462	12.9	0.9 - 54.6	17.4	0.0 - 60.3	33.5	0.0 - 63.2	8.0	0.0 - 95.6
Alt-A									
2008	336	7.0	4.2 - 9.3	49.3	42.5 - 56.8	43.5	42.7 - 47.0	33.4	22.6 - 39.5
2007	6,537	5.0	1.3 - 10.9	63.3	28.1 - 88.9	49.3	33.4 - 61.9	18.8	(2.8) - 51.4 [(a)]
2006	5,169	5.7	1.6 - 16.4	58.4	1.8 - 87.0	51.7	18.4 - 66.9	13.4	(5.2) - 62.4 [(a)]
2005	6,502	7.9	2.4 - 14.7	38.3	7.0 - 77.2	45.9	25.7 - 66.3	13.5	0.0 - 87.8
2004 and prior	2,835	11.1	2.0 - 21.4	18.3	0.8 - 55.0	33.0	17.0 - 78.4	14.9	3.7 - 85.6
Total Alt-A	21,379	6.9	1.3 - 21.4	48.3	0.8 - 88.9	46.6	17.0 - 78.4	15.6	(5.2) - 87.8 [(a)]
Subprime									
2007	10	3.3	3.3	69.9	69.9	68.1	68.1	42.3	42.3
2006	918	3.0	1.7 - 4.2	74.1	59.3 - 87.8	69.8	64.4 - 78.7	22.8	(40.6) - 100.1 [(a)(b)]
2005	63	3.3	2.6 - 4.2	69.2	52.7 - 83.2	66.5	59.9 - 70.0	46.9	7.0 - 88.1
2004 and prior	23	5.8	2.4 - 7.1	32.1	17.1 - 44.3	74.0	28.1 - 91.9	40.8	(6.9) - 100.0 [(a)]
Total subprime	1,014	3.1	1.7 - 7.1	72.8	17.1 - 87.8	69.7	28.1 - 91.9	24.9	(40.6) - 100.1 [(a)(b)]
Total all private-label residential MBS	$ 33,855	8.8	0.9 - 54.6	38.6	0.0 - 88.9	42.9	0.0 - 91.9	13.3	(40.6) - 100.1 [(a)(b)]

		Significant Inputs for All Home Equity Loan ABS(1)							
		Prepayment Rates		Default Rates		Loss Severities		Current Credit Enhancement	
Year of Securitization	Unpaid Principal Balance	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %
Alt-A									
2006	$ 14	14.8	14.8	2.5	2.5	100.0	100.0	0.0	0.0
2005	1	32.2	32.2	0.3	0.3	100.0	100.0	72.5	72.5
2004 and prior	22	10.3	7.2 - 17.4	4.7	0.6 - 6.8	100.0	100.0	2.6	0.0 - 8.4
Total Alt-A	37	12.7	7.2 - 32.2	3.8	0.3 - 6.8	100.0	100.0	4.1	0.0 - 72.5
Subprime									
2004 and prior	431	4.1	1.1 - 13.4	6.4	1.3 - 43.7	71.2	18.8 - 105.0	30.8	(30.8) - 100.0 [(a)]
Total subprime	431	4.1	1.1 - 13.4	6.4	1.3 - 43.7	71.2	18.8 - 105.0	30.8	(30.8) - 100.0 [(a)]
Total all home equity loan ABS	$ 468	4.8	1.1 - 32.2	6.2	0.3 - 43.7	73.5	18.8 - 105.0	28.7	(30.8) - 100.0 [(a)]

(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.
(b) Although investment losses cannot exceed 100 percent, the loss severity of the underlying collateral can exceed 100 percent as a result of extended periods in foreclosure that result in an accumulation of taxes, insurance, maintenance and other fees.
(1) The classification (prime, Alt-A and subprime) is based on the model used to run the estimated cash flows for the individual securities, which may not necessarily be the same as the classification at the time of origination.

Adverse Case Scenario. In addition to evaluating its private-label MBS under a base case (or best estimate) scenario as discussed in *Note 6 - Other-than-Temporary Impairment Analysis* to the accompanying combined financial statements, each FHLBank performed a cash flow analysis for each of these securities under a more stressful housing price scenario. This more stressful scenario was based on a housing price forecast that was 5 percentage points lower at the trough than the base case scenario, followed by a flatter recovery path. Under this scenario, current-to-trough home price declines were projected to range from 5.0% to 11.0% over the 3- to 9-month period beginning April 1, 2012. For most of the housing markets, the declines were projected to occur over the 3-month period beginning April 1, 2012. From the trough, home prices were

projected to recover using one of five different recovery paths that vary by housing market. Table 28 presents projected home price recovery ranges by months under the adverse case scenario.

Table 28 - Adverse Case Scenario Recovery Ranges of Housing Price Change

Months	Recovery Range % (Annualized Rates)
1 - 6	0.0 - 1.9
7 - 18	0.0 - 2.0
19 - 24	0.7 - 2.7
25 - 30	1.3 - 2.7
31 - 42	1.3 - 3.4
43 - 66	1.3 - 4.0
Thereafter	1.5 - 3.8

The stress test scenario and associated results do not represent each FHLBank's current expectations, and therefore should not be construed as a prediction of each FHLBank's future results, market conditions or the actual performance of these securities. Rather, the results from this hypothetical stress test scenario provide a measure of the credit losses that the FHLBanks might incur if home price declines (and subsequent recoveries) are more adverse than those projected in each FHLBank's OTTI assessment.

Table 29 presents the combined credit losses under the base case and adverse case scenario for other-than-temporarily impaired private-label MBS for the three months ended June 30, 2012. The base case scenario represents actual OTTI-related credit losses recognized in earnings for the three months ended June 30, 2012. The adverse case scenario's estimated cash flows were generated to show what the OTTI charges would have been under the more stressful housing price scenario at June 30, 2012.

Table 29 - Base Case and Adverse Case Scenarios

(dollars in millions)

	Three Months Ended June 30, 2012					
	Base Case			Adverse Case		
	Number of Securities	Unpaid Principal Balance	OTTI Related to Credit Loss	Number of Securities	Unpaid Principal Balance	OTTI Related to Credit Loss
Private-label residential MBS						
Prime(1)	38	$ 1,497	$ (26)	101	$ 4,487	$ (97)
Alt-A(1)	58	2,901	(27)	251	10,674	(306)
Subprime(1)	1	3	(1)	12	149	(6)
Total private-label residential MBS	97	4,401	(54)	364	15,310	(409)
Home equity loan ABS						
Alt-A(1)	—	—	—	4	18	(2)
Subprime(1)	5	16	(1)	6	17	(2)
Total home equity loan ABS	5	16	(1)	10	35	(4)
Total	102	$ 4,417	$ (55)	374	$ 15,345	$ (413)

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

Recent Accounting Developments

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

Legislative and Regulatory Developments

The legislative and regulatory environment for the FHLBank System has changed significantly over the past few years, starting with the Housing Act in 2008 and continuing with financial regulators' issuance of proposed and/or final rules to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) enacted in July 2010 and continuing deliberations by the U.S. Congress regarding housing finance and GSE reform. The FHLBanks' business operations, funding costs, rights, obligations, or the business environment in which the FHLBanks carry out their housing finance mission are likely to be affected by the Dodd-Frank Act. However, the full effect of the Dodd-Frank Act will become known only after the required regulations, studies and reports are issued and finalized.

Certain regulatory actions and developments since March 31, 2012 are summarized in this section. See *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations-Legislative and Regulatory Developments* in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2011 for a description of certain legislative and regulatory developments that occurred prior to the publication of that report.

Dodd-Frank Act

New Requirements for the FHLBanks' Derivatives Transactions.

Definitions of Certain Terms under New Derivatives Requirements. 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 U.S. Commodity Futures Trading Commission (CFTC) and/or the SEC. Based on the definitions in the final rules jointly issued by the CFTC and SEC in April 2012, the FHLBanks will not be required to register as either a “major swap participant” or as a “swap dealer” based on the derivative transactions that an FHLBank enters into for the purposes of hedging and managing its interest-rate risk or for the derivative transactions that an FHLBank intermediates for its member institutions.

Based on the final rules and accompanying interpretive guidance jointly issued by the CFTC and SEC in July 2012, call and put optionality in certain advances to the FHLBanks' member institutions will not be treated as “swaps” as long as the optionality relates solely to the interest rate on the advance and does not result in enhanced or inverse performance or other risks unrelated to the interest rate. Accordingly, each FHLBank's ability to offer these advances to its member customers should not be affected by the new derivatives regulation.

Mandatory Clearing of Derivatives Transactions. The Dodd-Frank Act provides for new statutory and regulatory requirements for derivative transactions, including those used by each FHLBank to hedge its interest rate and other risks. 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. Cleared derivative transactions will be subject to new requirements including mandatory reporting, recordkeeping and documentation requirements established by applicable regulators and initial and variation margin requirements established by the clearinghouse and its clearing members. (See *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations-Legislative and Regulatory Developments* in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2011 for more information regarding these requirements.)

The CFTC recently finalized an end-user exception to mandatory clearing that applies to any derivatives transactions that an FHLBank intermediates for its member institutions with $10 billion or less in assets as long as the member uses the derivative transactions to hedge or mitigate its commercial risk and the FHLBank or its member complies with the rule's additional reporting requirements. As a result, any of these intermediated derivative transactions would not be subject to mandatory clearing, although these transactions would be subject to applicable requirements for uncleared derivatives, including requirements that are expected to be issued under the Dodd-Frank Act.

Uncleared Derivatives Transactions. The Dodd-Frank Act will also change the regulatory landscape for derivative transactions that are not subject to mandatory clearing requirements (uncleared trades). While each FHLBank expects to continue to enter into uncleared trades on a bilateral basis, those trades will be subject to new requirements, including mandatory reporting, recordkeeping, documentation, and minimum margin and capital requirements established by applicable regulators. At this time, the FHLBanks do not expect to have to comply with such requirements until the beginning of 2013, at the earliest. (See *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations-Legislative and Regulatory Developments* in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2011 for more information regarding these requirements.)

The CFTC, the SEC, the FHFA and other bank regulators are expected to continue to issue final rulemakings implementing the foregoing requirements between now and the end of 2012.

Effectiveness of Key Rules for Derivatives Transactions. Many of the provisions of the Dodd-Frank Act relating to derivatives that are expected to have the most effect on FHLBank derivatives transactions will take effect on a date determined by the CFTC, which must be no less than 60 days after the CFTC publishes final regulations implementing those provisions. Compliance dates for certain of these rulemakings that have been finalized and published by the CFTC, including new recordkeeping and reporting requirements, are based on the effectiveness of the final rules further defining the term “swap” jointly issued by the CFTC and SEC. The final rules defining the term “swap” become effective on October 12, 2012. The implementation timeframe for mandatory clearing of eligible interest rate swaps is based on the effectiveness of the CFTC's mandatory clearing determinations, which were released in proposed form on July 24, 2012 for interest rate swaps that are currently clearable. The CFTC will finalize these determinations in the beginning of November 2012, and the FHLBanks will have to clear eligible interest rate swaps within 180 days after publication of the final determinations, which the FHLBanks estimate will be sometime during the second quarter of 2013.

The FHLBanks will continue to monitor these rulemakings and the overall regulatory process to implement the derivatives reform under the Dodd-Frank Act.

Regulation of Systemically Important Nonbank Financial Companies.

Authority to Require Supervision and Regulation of Certain Nonbank Financial Companies. On April 11, 2012, the Financial Stability Oversight Council (Oversight Council) issued a final rule effective May 11, 2012 that provides guidance regarding the standards and procedures the Oversight Council will follow in determining whether to designate a nonbank financial company for supervision by the Federal Reserve Board and to be subject to certain heightened prudential standards. Each FHLBank would be a nonbank financial company pursuant to a separate rule that has been proposed, but is not yet final, by the Federal Reserve Board. The guidance issued with the final rule provides that the Oversight Council expects generally to follow a three-stage process that includes a six-category framework for evaluating a nonbank financial company. Under the final rule, in non-emergency situations the Oversight Council will first identify those U.S. nonbank financial companies that have $50 billion or more of total consolidated assets and exceed one of five quantitative threshold indicators of interconnectedness or susceptibility to material financial distress. One threshold indicator of significance to FHLBanks is whether a company has $20 billion or more of borrowing outstanding, including bonds issued, or in this case, an FHLBank's consolidated obligations. If a nonbank financial company meets any of these quantitative thresholds, the Oversight Council will then analyze its potential threat to U.S. financial stability, based on information from that company's primary financial regulator (in the case of an FHLBank, the FHFA) and nonpublic information collected directly from the company.

The final rule provides that the Oversight Council will consider as one factor whether the nonbank financial company is subject to oversight by a primary financial regulatory agency in making its determinations. A nonbank financial company that the Oversight Council proposes to designate for additional supervision and prudential standards under this rule has the opportunity to contest the designation. If an FHLBank is designated by the Oversight Council for supervision and oversight by the Federal Reserve Board, then its operations and business could be adversely affected by additional costs and restrictions on business activities resulting from that oversight.

FHFA Regulatory Actions

Final Rule.

Prudential Management and Operations Standards. On June 8, 2012, the FHFA issued a final rule, as required by the Housing Act, regarding prudential standards for the operation and management of the FHLBanks, including, among others, prudential standards for internal controls and information systems, internal audit systems, market and interest rate risks, liquidity, asset growth, investments, credit and counterparty risk management, and records maintenance. The rule requires an FHLBank that fails to meet a standard to file a corrective action plan with the FHFA within 30 calendar days of being notified by the FHFA of the need to file a corrective plan, unless the FHFA notifies the FHLBank that the plan must be filed within a different time period. If an acceptable corrective action plan is not submitted by the deadline or the terms of that plan are not complied with in any material respect, the Director of the FHFA can impose sanctions, such as limits on asset growth, increases in the level of retained earnings, and prohibitions on dividends or the redemption or repurchase of capital stock. The final rule became effective on August 7, 2012.

Additional Developments

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.

In June 2012, the Federal Reserve, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation (the Agencies) jointly published three notices of proposed rulemaking (the NPRs) seeking comments on comprehensive revisions to the Agencies' capital framework to incorporate the Basel Committee's new capital framework. These revisions would, among other things:

- implement the Basel Committee's capital standards related to minimum requirements, regulatory capital and additional capital buffers;
- revise the methodologies for calculating risk-weighted assets in the general risk-based capital rules; and
- revise the approach by which large banks determine their capital adequacy.

The NPRs do not incorporate the reforms related to liquidity risk management published in Basel III, which the Agencies are expected to propose in a separate rulemaking.

While it is still uncertain how the capital and liquidity standards being developed by the Basel Committee ultimately will be implemented by the U.S. regulatory authorities, the new framework and the Federal Reserve Board's proposed plan could require some of the FHLBanks' members to divest assets in order to comply with the more stringent capital and liquidity requirements, thereby tending to decrease their need for advances. The requirements may also adversely impact investor demand for consolidated obligations to the extent that affected institutions divest or limit their investments in consolidated obligations. On the other hand, the new requirements could provide an incentive to FHLBank members to borrow term advances from their FHLBank to create and maintain balance sheet liquidity.

Recent Rating Agency Actions

Since January 1, 2012, no rating agency actions occurred with regard to the FHLBanks or their consolidated obligations, except as follows. On July 31, 2012, S&P announced that it had corrected the FHLBank of Seattle's long-term issuer credit rating, originally published in July 2010, from AA+ to AA, with no change to the FHLBank of Seattle's outlook or short-term credit rating. This correction had no impact on the FHLBank of Seattle's derivative collateral arrangements or its cost of funds. Table 30 presents each FHLBank's long-term credit rating, short-term credit rating and outlook at July 31, 2012.

Table 30 - FHLBanks' Long-Term Credit Ratings, Short-Term Credit Ratings and Outlook at July 31, 2012

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

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. (See *Quantitative and Qualitative Disclosures about Market Risk* for a discussion of market risk.) The FHLBanks are also subject to liquidity risk, operational risk and business risk. (See *Financial Discussion and Analysis - Risk Management* in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2011 for a detailed discussion of the FHLBanks' risk management practices.) There have been no material changes to each FHLBank's risk management practices since December 31, 2011.

Credit Risk

Advances. The FHLBanks endeavor to minimize credit risk on advances by monitoring the financial condition of their borrowers and by holding sufficient collateral to protect themselves from losses. In light of the deterioration in the housing and mortgage markets, each FHLBank continues to evaluate and make changes to its collateral guidelines when reviewing its borrowers' financial condition to further mitigate the credit risk on advances. The management of each FHLBank believes that it has adequate policies and procedures in place to manage its credit risk on advances effectively. At June 30, 2012, each FHLBank had rights to collateral with an estimated value greater than the related outstanding advances. Advance and other credit product obligations to the FHLBanks are fully secured with eligible collateral, the value of which is discounted to protect the FHLBanks from credit losses.

Collateral lending values are determined by subtracting the collateral haircut from 100%. Certain collateral haircuts may also reflect haircuts applied to advances outstanding based upon borrowers' actual financial performance. The FHLBanks that accept Community Financial Institution (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.

Table 31 presents the range of collateral lending values for the blanket lien, listing and delivery methods of pledging collateral across the 12 FHLBanks. 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. A blanket lien is generally assigned to lower risk institutions pledging collateral. Under the listing status, the borrower retains physical possession of specific collateral pledged to an FHLBank, but the borrower provides listings of loans pledged to its FHLBank with detailed loan information, such as loan amount, payments, maturity date, interest rate, loan-to-value, collateral type and FICO® scores. Under the delivery status, an FHLBank requires the borrower to place physical possession of eligible collateral with the FHLBank or a third-party custodian to sufficiently secure all outstanding obligations. Typically, an FHLBank would take physical possession or control of collateral if the financial condition of the borrower was deteriorating or if the borrower exceeded certain credit product usage triggers. However, to ensure its position as a first-priority secured creditor, an FHLBank is generally more likely to take possession of collateral posted by insurance companies. Delivery of collateral may also be required if there is a regulatory action against the borrower by its regulator that would indicate inadequate controls or other conditions that would be of concern to that FHLBank.

Effective lending value percentages are equal to collateral lending value divided by the unpaid principal balance of eligible loan collateral or market value of eligible securities collateral. Average effective lending values are calculated based on the total lending value against eligible collateral for all borrowers without regard to the amount of credit extended to any particular borrower. Individual borrower credit obligations to the FHLBanks are not cross-collateralized between borrowers.

Table 31 - Effective Lending Values by Type of Collateral for all Borrowers

Collateral Type	June 30, 2012	
	Effective Lending Values Applied to Collateral	Average Effective Lending Value
Blanket Lien		
Single-family mortgage loans	10%-97%	73%
Federal Housing Administration (FHA) and Department of Veterans Affairs (VA) loans	74%-93%	89%
Multifamily mortgage loans	22%-92%	64%
Other U.S. government-guaranteed mortgage loans	87%-94%	89%
Home equity loans and lines of credit	10%-87%	47%
CFI collateral	10%-77%	49%
Commercial loans	20%-87%	60%
Other loan collateral	32%-74%	48%
Listing		
Single-family mortgage loans	3%-90%	69%
FHA and VA loans	28%-89%	68%
Multifamily mortgage loans	25%-87%	74%
Other U.S. government-guaranteed mortgage loans	92%	92%
Home equity loans and lines of credit	3%-88%	46%
CFI collateral	5%-74%	56%
Commercial loans	19%-77%	57%
Other loan collateral	12%-74%	49%
Delivery		
Cash, U.S. government and U.S. Treasury securities	87%-100%	95%
State and local government securities	75%-90%	88%
U.S. agency securities	76%-99%	95%
U.S. agency MBS and collateralized mortgage obligations (CMOs)	55%-98%	94%
Private-label MBS and CMOs	25%-98%	86%
CFI securities	91%-94%	91%
Commercial MBS	53%-93%	81%
Equity securities	70%-97%	81%
Other securities	74%-90%	78%
Single-family mortgage loans	2%-90%	62%
FHA and VA loans	14%-94%	77%
Multifamily mortgage loans	8%-83%	67%
Other U.S. government-guaranteed mortgage loans	69%-94%	74%
Home equity loans and lines of credit	5%-79%	42%
CFI collateral	4%-63%	47%
Commercial loans	9%-79%	55%
Other loan collateral	1%-65%	42%
Student loan securities	93%-98%	94%

As of June 30, 2012, there were 71 individual FHLBank borrowers (67 FHLBank members and 4 non-member financial institutions) that each held advance balances of at least $1.0 billion. When a non-member financial institution acquires some or all of the assets and liabilities of an FHLBank member, including outstanding advances and FHLBank capital stock, an FHLBank may allow those advances to remain outstanding to that non-member financial institution. The non-member borrower would be required to meet all of that FHLBank's credit and collateral requirements, including requirements regarding creditworthiness and collateral borrowing capacity. A borrower's total credit obligation to an FHLBank includes outstanding advances, outstanding letters of credit, collateralized derivative contracts and credit enhanced obligations on mortgage loans sold to the FHLBank. Eligible collateral values include market values for securities and the unpaid principal

balance for all other collateral pledged by the blanket lien, listing or delivery method. The collateralization ratio was 2.7 at June 30, 2012, which represents the total of these 71 individual FHLBank borrowers' eligible collateral divided by these borrowers' advances and other credit products outstanding at June 30, 2012; however, individual borrower credit obligations to the FHLBanks are not cross-collateralized between borrowers.

Table 32 presents advances, other credit products (which primarily includes letters of credit) and collateral outstanding for borrowers with at least $1.0 billion of advances outstanding as compared to all advance borrowers.

Table 32 - Advances, Other Credit Products and Collateral Outstanding

(dollars in millions)

	June 30, 2012		
	Borrowers with at Least $1.0 Billion of Advances Outstanding	All Borrowers	Percentage
Advances outstanding, at par	$ 261,740	$ 404,343	64.7%
Other credit products outstanding, at par	$ 27,206	$ 52,300	52.0%
Collateral outstanding	$ 789,775	$ 1,556,055	50.8%

Table 33 presents information on a combined basis regarding the type of collateral securing the advances to the 71 individual FHLBank borrowers with at least $1.0 billion of advances outstanding.

Table 33 - Type of Collateral Securing Advances to Borrowers with at Least $1.0 Billion of Advances Outstanding

(dollars in millions)

	June 30, 2012							
	Blanket Lien		Listing		Delivery		Total	
Collateral Type	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Single-family mortgage loans	$ 117,604	14.9%	$ 293,256	37.1%	$ 13,751	1.8%	$ 424,611	53.8%
Home equity loans and lines of credit	46,228	5.9%	77,776	9.8%	936	0.1%	124,940	15.8%
Commercial real estate loans	60,843	7.7%	16,328	2.1%	11,838	1.5%	89,009	11.3%
Multifamily mortgage loans	17,660	2.2%	41,856	5.3%	2,419	0.3%	61,935	7.8%
U.S. agency MBS and CMOs	—	N/A	—	N/A	42,771	5.4%	42,771	5.4%
Commercial MBS	—	N/A	—	N/A	11,784	1.5%	11,784	1.5%
FHA and VA loans	4,216	0.5%	6,621	0.8%	863	0.1%	11,700	1.4%
U.S. agency securities (excluding MBS)	—	N/A	—	N/A	9,263	1.2%	9,263	1.2%
Private-label MBS and CMOs	—	N/A	—	N/A	1,234	0.2%	1,234	0.2%
Other	2,983	0.4%	1,961	0.2%	7,584	1.0%	12,528	1.6%
Total collateral	$ 249,534	31.6%	$ 437,798	55.3%	$ 102,443	13.1%	$ 789,775	100.0%

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

Member Failures. The financial condition of all members and housing associates is closely monitored for compliance with financial criteria as set forth in each FHLBank's credit policies. During the six months ended June 30, 2012, no FHLBank incurred any credit loss on any of its advances, including advances to failed borrowers. During the same period, 29 of the 31 FDIC-insured institutions that failed were members of the FHLBanks with approximately $276.1 million of advances outstanding at the time of their failure, all of which were either assumed by another member or non-member institution or repaid by the acquiring institution or the FDIC. From July 1, 2012 to July 31, 2012, 7 of the 8 FDIC-insured institutions that failed were members of the FHLBanks with approximately $33.0 million of advances outstanding at the time of their failure, all of which were either assumed by another member or a non-member institution or repaid by the acquiring institution or the FDIC.

Investments. The FHLBanks are subject to credit risk on investments consisting of investment securities, interest-bearing deposits, securities purchased under agreements to resell and Federal funds sold.

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

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

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

- instruments, such as common stock, that represent an ownership interest in an entity, other than stock in small business investment companies, or certain investments targeted at low-income persons or communities;

- instruments issued by non-U.S. entities, other than those issued by U.S. branches and agency offices of foreign commercial banks (e.g., Federal funds);

- non-investment grade debt instruments, other than certain investments targeted at low-income persons or communities and instruments that were downgraded after their purchase by the FHLBank;

- whole mortgages or other whole loans, or interests in mortgages or loans, other than:

    - whole mortgages or loans acquired under an FHLBank's Acquired Member Asset program;
    - certain investments targeted to low-income persons or communities;
    - certain marketable direct obligations of state, local, or tribal government units or agencies, having at least the second-highest credit rating from a nationally recognized statistical rating organization;
    - mortgage-backed securities (which include agency and private-label pools of commercial and residential mortgage loans), or asset-backed securities collateralized by manufactured housing loans or home equity loans, that meet the definition of the term “securities” under the Securities Act of 1933; and
    - certain foreign housing loans authorized under section 12(b) of the FHLBank Act;

- residual interest and interest accrual classes of securities;

- interest-only and principal-only securities;

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

- foreign currency or commodity positions.

Investment Ratings. The FHLBanks mitigate the credit risk on investments by investing in highly-rated investments. Table 34 presents the credit ratings of the investment securities held by the FHLBanks as of June 30, 2012 and December 31, 2011 using the lowest long-term ratings for each security owned by an individual FHLBank, based on the nationally recognized statistical rating organization(s) used by that FHLBank.

Table 34 - Investment Ratings

(dollars in millions)

	June 30, 2012 (1)(2)											
	Carrying Value											
	Investment Grade				Below Investment Grade							
	Triple-A	Double-A	Single-A	Triple-B	Double-B	Single-B	Triple-C	Double-C	Single-C	Single-D	Unrated	Total
Interest-bearing deposits(3)	$ —	$ 4	$ 1,102	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,106
Securities purchased under agreements to resell	—	6,650	18,378	3,000	—	—	—	—	—	—	100	28,128
Federal funds sold	—	32,635	13,643	654	—	—	—	—	—	—	140	47,072
Investment securities												
Non-mortgage-backed securities												
U.S. Treasury obligations	—	1,334	—	—	—	—	—	—	—	—	—	1,334
Commercial paper	—	460	2,349	—	—	—	—	—	—	—	—	2,809
Certificates of deposit	—	4,242	4,430	—	—	—	—	—	—	—	—	8,672
Other U.S. obligations(4)	—	4,172	—	—	—	—	—	—	—	—	11	4,183
GSE and Tennessee Valley Authority obligations	—	27,853	—	—	—	—	—	—	—	—	—	27,853
State or local housing agency obligations	128	1,462	—	539	—	—	—	—	—	—	2	2,131
Temporary Liquidity Guarantee Program debentures and promissory notes	—	7,066	—	—	—	—	—	—	—	—	—	7,066
Federal Family Education Loan Program ABS	33	7,837	—	—	—	—	—	—	—	—	—	7,870
Other(5)	842	319	—	—	—	—	—	—	—	—	24	1,185
Total non-mortgage-backed securities	1,003	54,745	6,779	539	—	—	—	—	—	—	37	63,103
Mortgage-backed securities												
Other U.S. obligations residential MBS(6)	350	11,976	—	—	—	—	—	—	—	—	—	12,326
Other U.S. obligations commercial MBS(6)	—	501	—	—	—	—	—	—	—	—	—	501
GSE residential MBS	—	97,063	—	—	—	—	—	—	—	—	—	97,063
GSE commercial MBS	—	5,322	—	—	—	—	—	—	—	—	—	5,322
Private-label residential MBS	1,201	843	1,251	2,596	2,550	2,659	7,811	2,765	3,074	1,610	4	26,364
Private-label commercial MBS	25	—	—	—	—	—	—	—	—	—	—	25
Manufactured housing loan ABS	—	159	—	—	—	—	—	—	—	—	—	159
Home equity loan ABS	20	95	81	28	11	51	48	6	—	12	—	352
Total mortgage-backed securities	1,596	115,959	1,332	2,624	2,561	2,710	7,859	2,771	3,074	1,622	4	142,112
Total investment securities	2,599	170,704	8,111	3,163	2,561	2,710	7,859	2,771	3,074	1,622	41	205,215
Total investments	$ 2,599	$ 209,993	$ 41,234	$ 6,817	$ 2,561	$ 2,710	$ 7,859	$ 2,771	$ 3,074	$ 1,622	$ 281	$ 281,521

	December 31, 2011 (2)(7)											
	Carrying Value											
	Investment Grade				Below Investment Grade							
	Triple-A	Double-A	Single-A	Triple-B	Double-B	Single-B	Triple-C	Double-C	Single-C	Single-D	Unrated	Total
Interest-bearing deposits(3)	$ —	$ 6	$ 1,201	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,207
Securities purchased under agreements to resell	—	200	7,575	4,900	—	—	—	—	—	—	—	12,675
Federal funds sold	—	23,650	17,184	269	—	—	—	—	—	—	36	41,139
Investment securities												
Non-mortgage-backed securities												
U.S. Treasury obligations	—	1,061	—	—	—	—	—	—	—	—	—	1,061
Commercial paper	—	2,099	300	—	—	—	—	—	—	—	—	2,399
Certificates of deposit	—	4,863	7,320	—	—	—	—	—	—	—	—	12,183
Other U.S. obligations(4)	—	3,496	—	—	—	—	—	—	—	—	12	3,508
GSE and Tennessee Valley Authority obligations	—	27,294	—	—	—	—	—	—	—	—	—	27,294
State or local housing agency obligations	124	1,524	2	578	—	—	—	—	—	—	—	2,228
Temporary Liquidity Guarantee Program debentures and promissory notes	—	18,020	—	—	—	—	—	—	—	—	—	18,020
Federal Family Education Loan Program ABS	1,340	6,819	—	—	—	—	—	—	—	—	—	8,159
Other(8)	1,047	168	—	—	—	—	—	—	—	—	23	1,238
Total non-mortgage-backed securities	2,511	65,344	7,622	578	—	—	—	—	—	—	35	76,090
Mortgage-backed securities												
Other U.S. obligations residential MBS(6)	364	12,241	—	—	—	—	—	—	—	—	—	12,605
Other U.S. obligations commercial MBS(6)	—	521	—	—	—	—	—	—	—	—	—	521
GSE residential MBS	—	93,615	—	—	—	—	—	—	—	—	—	93,615
GSE commercial MBS	—	3,912	—	—	—	—	—	—	—	—	—	3,912
Private-label residential MBS	1,844	1,108	1,836	2,995	2,287	2,834	8,559	3,350	3,463	627	4	28,907
Private-label commercial MBS	48	—	—	—	—	—	—	—	—	—	—	48
Manufactured housing loan ABS	—	171	—	—	—	—	—	—	—	—	—	171
Home equity loan ABS	24	106	79	34	5	67	42	6	—	12	—	375
Total mortgage-backed securities	2,280	111,674	1,915	3,029	2,292	2,901	8,601	3,356	3,463	639	4	140,154
Total investment securities	4,791	177,018	9,537	3,607	2,292	2,901	8,601	3,356	3,463	639	39	216,244
Total investments	$ 4,791	$ 200,874	$ 35,497	$ 8,776	$ 2,292	$ 2,901	$ 8,601	$ 3,356	$ 3,463	$ 639	$ 75	$ 271,265

(1) Does not reflect any changes in ratings, outlook or watch status occurring after June 30, 2012. The ratings presented in this table represent the lowest long-term rating available for each security owned by an individual FHLBank, based on the nationally recognized statistical rating organization(s) used by that FHLBank. Although the FHLBanks' internal ratings are not presented in this table, the internal ratings of an individual FHLBank may differ from those obtained from the nationally recognized statistical rating organization(s) and each other FHLBank's internal ratings.

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

(3) Primarily consists of deposits with Branch Banking and Trust Company by the FHLBank of Atlanta. Branch Banking and Trust Company is one of the top ten borrowers of the FHLBank of Atlanta. One of the FHLBank of Atlanta's member directors is a senior executive vice president of Branch Banking and Trust Company.

(4) Primarily consists of debt securities issued or guaranteed by Ex-Im Bank, SBA and NCUA.

(5) Primarily consists of debentures issued by IDB and taxable municipal bonds.

(6) Primarily consists of MBS issued or guaranteed by Ginnie Mae, NCUA and SBA.

(7) Does not reflect any changes in ratings, outlook or watch status occurring after December 31, 2011. These ratings represent the lowest long-term rating available for each security owned by an individual FHLBank based on the nationally recognized statistical rating organization(s) used by that FHLBank. Although the FHLBanks' internal ratings are not presented in this table, the internal ratings of an individual FHLBank may differ from those obtained from the nationally recognized statistical rating organization(s) and each other FHLBank's internal ratings.

(8) Primarily consists of debentures issued by IDB, taxable municipal bonds and debt securities issued by IBRD.

Of the $281.5 billion of total investments held by the FHLBanks at June 30, 2012, $20.6 billion (based on carrying value) of this amount was rated below investment grade. An additional $233 million (based on carrying value) of total investments was downgraded to below investment grade from July 1, 2012 through July 31, 2012 based on the nationally recognized statistical rating organization(s) as presented in Table 35.

Table 35 - Subsequent Downgrades

(dollars in millions)

Investment Ratings(1)		Downgrades - Balances Based on Values at June 30, 2012(2)			
At June 30, 2012	At July 31, 2012	Private-Label Residential MBS		Agency MBS	
From	To	Carrying Value	Fair Value	Carrying Value	Fair Value
Triple-A	Double-A	$ 2	$ 2	$ —	$ —
	Single-A	1	—	57	55
	Double-B	—	—	34	33
Double-A	Single-A	55	50	—	—
	Triple-B	64	60	—	—
Single-A	Triple-B	79	74	—	—
	Double-B	43	39	—	—
Triple-B	Double-B	156	150	—	—
Single-B	Triple-C	14	14	—	—
Triple-C	Double-C	81	82	—	—
	Single-D	21	21	—	—
Double-C	Single-D	153	154	—	—
Single-C	Single-D	179	200	—	—
Total		$ 848	$ 846	$ 91	$ 88

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

(2) Represents investment amounts at June 30, 2012 that were subsequently downgraded during the period from July 1, 2012 through July 31, 2012.

At June 30, 2012, 1.7% of total investments held by the FHLBanks were on negative watch by S&P, Moody's and/or Fitch. Table 36 presents investments on negative watch at July 31, 2012. The carrying value and fair value of the investments on negative watch at July 31, 2012 are based on June 30, 2012 balances.

Table 36 - Investments on Negative Watch

(dollars in millions)

	Private-Label Residential MBS		Manufactured Housing Loan ABS		Home Equity Loan ABS		Non-MBS	
Investment Ratings(1)	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Triple-A	$ 19	$ 19	$ —	$ —	$ —	$ —	$ —	$ —
Double-A	41	38	143	136	91	81	198	175
Single-A	53	54	—	—	—	—	—	—
Triple-B	258	236	—	—	—	—	—	—
Double-B	257	229	—	—	—	—	—	—
Single-B	40	30	—	—	8	8	—	—
Triple-C	196	192	—	—	—	—	—	—
Double-C	43	43	—	—	—	—	—	—
Total	$ 907	$ 841	$ 143	$ 136	$ 99	$ 89	$ 198	$ 175

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

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

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

As a result of each affected FHLBank's evaluation of its portfolio during the three months ended June 30, 2012, the FHLBanks recognized total OTTI losses related to $902 million (unpaid principal balance) of HTM securities and $3,515 million (unpaid principal balance) of AFS securities. The FHLBanks recognized $55 million of total credit-related OTTI charges on private-label MBS during the three months ended June 30, 2012, which included $30 million of net losses reclassified from accumulated other comprehensive income (loss).

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

Table 37 presents collateral performance and credit enhancement information related to private-label mortgage-backed securities at June 30, 2012. No FHLBank has purchased any private-label MBS since 2008.

Table 37 - Credit Ratings of Private-label Mortgage-Backed Securities at June 30, 2012

(dollars in millions)

	Total by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
Unpaid Principal Balance (UPB) by credit rating(1)						
Triple-A	$ 1,249	$ —	$ —	$ 29	$ 44	$ 1,176
Double-A	1,099	—	—	96	—	1,003
Single-A	1,347	—	—	—	243	1,104
Triple-B	2,657	96	130	51	139	2,241
Below investment grade						
Double-B	2,578	—	184	84	577	1,733
Single-B	2,958	279	28	176	1,317	1,158
Triple-C	11,170	423	4,175	2,294	3,948	330
Double-C	4,323	237	1,201	1,170	1,702	13
Single-C	4,593	—	1,867	2,167	556	3
Single-D	2,721	—	689	1,585	423	24
Unrated	4	—	—	—	—	4
Total	$ 34,699	$ 1,035	$ 8,274	$ 7,652	$ 8,949	$ 8,789
Amortized cost	$ 30,419	$ 970	$ 6,768	$ 5,881	$ 8,082	$ 8,718
Gross unrealized losses(2)	(4,303)	(145)	(1,245)	(1,005)	(1,310)	(598)
Fair value	26,389	827	5,551	5,060	6,780	8,171
Credit losses(3)						
Total OTTI	$ (50)	$ —	$ (11)	$ (14)	$ (19)	$ (6)
AOCI(4)	(36)	—	(9)	(32)	4	1
Credit losses	$ (86)	$ —	$ (20)	$ (46)	$ (15)	$ (5)
Weighted-average percentage						
Fair value to UPB						
Private-label residential MBS	75.9%	80.1%	67.1%	66.1%	75.8%	93.6%
Private-label commercial MBS	102.1%	—	—	—	—	102.1%
Manufactured housing loan ABS	93.0%	—	—	—	—	93.0%
Home equity loan ABS	79.8%	—	—	74.2%	95.2%	80.0%
Total	76.1%	80.1%	67.1%	66.2%	75.8%	92.9%

	Prime(5) by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
Private-label residential MBS						
UPB by credit rating(1)						
Triple-A	$ 1,098	$ —	$ —	$ 29	$ 27	$ 1,042
Double-A	593	—	—	—	—	593
Single-A	844	—	—	—	171	673
Triple-B	1,463	—	130	40	115	1,178
Below investment grade						
Double-B	1,706	—	43	37	434	1,192
Single-B	1,567	84	25	118	528	812
Triple-C	2,118	232	612	125	1,034	115
Double-C	1,683	115	665	428	475	—
Single-C	2,213	—	726	1,397	90	—
Single-D	1,377	—	345	891	141	—
Total	$ 14,662	$ 431	$ 2,546	$ 3,065	$ 3,015	$ 5,605
Amortized cost	$ 13,373	$ 379	$ 2,065	$ 2,529	$ 2,818	$ 5,582
Gross unrealized losses(2)	(1,158)	(23)	(178)	(347)	(270)	(340)
Fair value	12,425	358	1,902	2,339	2,552	5,274
Credit losses(3)						
Total OTTI	$ (3)	$ —	$ —	$ (2)	$ —	$ (1)
AOCI(4)	(39)	—	(10)	(29)	(1)	1
Credit losses	$ (42)	$ —	$ (10)	$ (31)	$ (1)	$ —
Weighted-average percentage						
Fair value to UPB	84.7%	83.4%	74.7%	76.3%	84.6%	94.1%
Original credit support(6)	8.8%	24.7%	14.5%	10.4%	8.8%	4.1%
Credit support(7)	7.6%	19.2%	5.5%	2.8%	8.4%	9.8%
Collateral delinquency(8)	14.4%	22.7%	22.3%	19.1%	13.6%	8.0%
Private-label commercial MBS						
UPB by credit rating(1)						
Triple-A	$ 25	$ —	$ —	$ —	$ —	$ 25
Total	$ 25	$ —	$ —	$ —	$ —	$ 25
Amortized cost	$ 25	$ —	$ —	$ —	$ —	$ 25
Fair value	26	—	—	—	—	26
Weighted-average percentage						
Fair value to UPB	102.1%	—	—	—	—	102.1%
Original credit support(6)	17.7%	—	—	—	—	17.7%
Credit support(7)	34.5%	—	—	—	—	34.5%
Collateral delinquency(8)	3.4%	—	—	—	—	3.4%

	Alt-A(5) by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
Private-label residential MBS						
UPB by credit rating(1)						
Triple-A	$ 106	$ —	$ —	$ —	$ 17	$ 89
Double-A	250	—	—	82	—	168
Single-A	405	—	—	—	70	335
Triple-B	1,135	96	—	—	23	1,016
Below investment grade						
Double-B	790	—	141	—	126	523
Single-B	1,282	195	3	49	771	264
Triple-C	8,642	191	3,553	1,883	2,896	119
Double-C	2,164	122	536	289	1,217	—
Single-C	2,266	—	1,141	659	466	—
Single-D	1,320	—	344	694	282	—
Unrated	1	—	—	—	—	1
Total	$ 18,361	$ 604	$ 5,718	$ 3,656	$ 5,868	$ 2,515
Amortized cost	$ 15,719	$ 591	$ 4,693	$ 2,713	$ 5,205	$ 2,517
Gross unrealized losses(2)	(2,934)	(122)	(1,066)	(519)	(1,034)	(193)
Fair value	12,820	469	3,641	2,200	4,174	2,336
Credit losses(3)						
Total OTTI	$ (45)	$ —	$ (11)	$ (12)	$ (17)	$ (5)
AOCI(4)	4	—	1	(3)	4	2
Credit losses	$ (41)	$ —	$ (10)	$ (15)	$ (13)	$ (3)
Weighted-average percentage						
Fair value to UPB	69.8 %	77.7%	63.7%	60.2%	71.1%	92.8 %
Original credit support(6)	22.8 %	33.9%	32.8%	26.7%	16.4%	7.1 %
Credit support(7)	17.2 %	30.5%	22.8%	14.2%	13.4%	14.5 %
Collateral delinquency(8)	29.1 %	22.0%	39.3%	38.1%	22.2%	10.8 %
Home equity loan ABS						
UPB by credit rating(1)						
Double-A	$ 14	$ —	$ —	$ 14	$ —	$ —
Single-A	1	—	—	—	1	—
Below investment grade						
Single-B	12	—	—	—	—	12
Triple-C	7	—	—	—	—	7
Double-C	3	—	—	—	—	3
Total	$ 37	$ —	$ —	$ 14	$ 1	$ 22
Amortized cost	$ 31	$ —	$ —	$ 14	$ 1	$ 16
Gross unrealized losses(2)	(6)	—	—	(4)	—	(2)
Fair value	25	—	—	10	1	14
Credit losses(3)						
Total OTTI	$ —	$ —	$ —	$ —	$ —	$ —
AOCI(4)	(1)	—	—	—	—	(1)
Credit losses	$ (1)	$ —	$ —	$ —	$ —	$ (1)
Weighted-average percentage						
Fair value to UPB	68.9 %	—	—	74.2%	95.2%	64.2 %
Original credit support(6)(9)	(0.8)%	—	—	—	3.1%	(1.5)%
Credit support(7)	4.1 %	—	—	—	72.5%	2.6 %
Collateral delinquency(8)	8.0 %	—	—	3.6%	0.3%	11.1 %

	Subprime(5) by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
Private-label residential MBS						
UPB by credit rating(1)						
Double-A	$ 2	$ —	$ —	$ —	$ —	$ 2
Single-A	8	—	—	—	1	7
Triple-B	16	—	—	11	1	4
Below investment grade						
Double-B	69	—	—	47	17	5
Single-B	29	—	—	9	18	2
Triple-C	317	—	10	286	18	3
Double-C	466	—	—	453	10	3
Single-C	114	—	—	111	—	3
Unrated	3	—	—	—	—	3
Total	$ 1,024	$ —	$ 10	$ 917	$ 65	$ 32
Amortized cost	$ 720	$ —	$ 10	$ 625	$ 58	$ 27
Gross unrealized losses(2)	(146)	—	(1)	(135)	(6)	(4)
Fair value	596	—	8	511	53	24
Credit losses(3)						
Total OTTI	$ (2)	$ —	$ —	$ —	$ (2)	$ —
AOCI(4)	1	—	—	—	1	—
Credit losses	$ (1)	$ —	$ —	$ —	$ (1)	$ —
Weighted-average percentage						
Fair value to UPB	58.3%	—	83.3%	55.8%	81.6%	76.5%
Original credit support(6)	23.3%	—	23.0%	22.9%	22.1%	35.0%
Credit support(7)	25.1%	—	42.3%	22.8%	47.0%	41.6%
Collateral delinquency(8)	40.9%	—	38.7%	41.6%	40.0%	21.9%
Manufactured housing loan ABS						
UPB by credit rating(1)						
Double-A	$ 159	$ —	$ —	$ —	$ —	$ 159
Total	$ 159	$ —	$ —	$ —	$ —	$ 159
Amortized cost	$ 159	$ —	$ —	$ —	$ —	$ 159
Gross unrealized losses(2)	(11)	—	—	—	—	(11)
Fair value	148	—	—	—	—	148
Weighted-average percentage						
Fair value to UPB	93.0%	—	—	—	—	93.0%
Original credit support(6)	92.8%	—	—	—	—	92.8%
Credit support(7)	28.2%	—	—	—	—	28.2%
Collateral delinquency(8)	3.2%	—	—	—	—	3.2%

	Subprime(5) by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
Home equity loan ABS						
UPB by credit rating(1)						
Triple-A	$ 20	$ —	$ —	$ —	$ —	$ 20
Double-A	81	—	—	—	—	81
Single-A	89	—	—	—	—	89
Triple-B	43	—	—	—	—	43
Below investment grade						
Double-B	13	—	—	—	—	13
Single-B	68	—	—	—	—	68
Triple-C	86	—	—	—	—	86
Double-C	7	—	—	—	—	7
Single-D	24	—	—	—	—	24
Total	$ 431	$ —	$ —	$ —	$ —	$ 431
Amortized cost	$ 392	$ —	$ —	$ —	$ —	$ 392
Gross unrealized losses(2)	(48)	—	—	—	—	(48)
Fair value	349	—	—	—	—	349
Credit losses(3)						
Total OTTI	$ —	$ —	$ —	$ —	$ —	$ —
AOCI(4)	(1)	—	—	—	—	(1)
Credit losses	$ (1)	$ —	$ —	$ —	$ —	$ (1)
Weighted-average percentage						
Fair value to UPB	80.8%	—	—	—	—	80.8%
Original credit support(6)	55.3%	—	—	—	—	55.3%
Credit support(7)	30.8%	—	—	—	—	30.8%
Collateral delinquency(8)	16.2%	—	—	—	—	16.2%

(1) Represents the lowest rating available for each security owned by an individual FHLBank based on the nationally recognized statistical rating organization(s) used by that FHLBank.
(2) Represents total gross unrealized losses including non-credit-related other-than-temporary impairment recognized in AOCI.
(3) The credit losses presented are for the six months ended June 30, 2012.
(4) Represents the net amount of other-than-temporary impairment losses reclassified to/(from) AOCI.
(5) The FHLBanks classify securities as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by a nationally recognized statistical rating organization(s) upon issuance of the securities.
(6) Original weighted-average credit support is based on the credit support at the time of issuance and is determined based on the unpaid principal balance of the individual securities in the category and their respective original credit support.
(7) Weighted-average credit support is based on the credit support as of June 30, 2012 and is determined based on the unpaid principal balance of the individual securities in the category and their respective credit support as of June 30, 2012.
(8) Weighted-average collateral delinquency rate is determined based on the underlying loans that are 60 days or more past due and is determined based on the unpaid principal balance of the individual securities in the category and their respective delinquencies.
(9) A negative original weighted-average credit support exists when the remaining principal balance on the supporting collateral is less than the remaining principal balance of the security.

Table 38 presents, by loan type, characteristics of private-label mortgage-backed securities in a gross unrealized loss position at June 30, 2012. The lowest ratings available used by that FHLBank for each security is reported as of July 31, 2012, based on the security's unpaid principal balance at June 30, 2012. The FHLBanks held a total of $4,796 million in Alt-A option ARMs, of which $4,733 million are in a gross unrealized loss position based on their unpaid principal balance at June 30, 2012, as presented in Table 38.

Table 38 - Private-Label Mortgage-Backed Securities in a Gross Unrealized Loss Position

(dollars in millions)

	June 30, 2012					July 31, 2012 MBS Ratings Based on June 30, 2012 Unpaid Principal Balance(1)(2)			
	Unpaid Principal Balance	Amortized Cost	Gross Unrealized Losses	Weighted-Average Collateral Delinquency Rate(3)	Percentage Rated Triple-A	Percentage Rated Triple-A	Percentage Rated Investment Grade(4)	Percentage Rated Below Investment Grade	Percentage on Watchlist
Private-label residential MBS backed by(5)									
Prime loans									
First lien	$ 12,005	$ 10,943	$ (1,158)	15.1%	2.4%	2.4%	19.6%	78.0%	2.7%
Total private-label residential MBS backed by prime loans	12,005	10,943	(1,158)	15.1%	2.4%	2.4%	19.6%	78.0%	2.7%
Alt-A and other loans									
Alt-A option ARM	4,733	3,771	(1,159)	46.4%	—	—	—	100.0%	—
Alt-A other	12,506	10,966	(1,775)	23.7%	0.4%	0.4%	9.0%	90.6%	3.5%
Total private-label residential MBS backed by Alt-A and other loans	17,239	14,737	(2,934)	29.9%	0.3%	0.3%	6.5%	93.1%	2.7%
Subprime loans									
First lien	1,007	711	(146)	40.7%	—	—	2.6%	97.1%	0.1%
Total private-label residential MBS backed by subprime loans	1,007	711	(146)	40.7%	—	—	2.6%	97.1%	0.1%
Manufactured housing loan ABS backed by(5)									
Subprime loans									
First lien	159	159	(11)	3.2%	—	—	100.0%	—	90.0%
Total manufactured housing loan ABS backed by subprime loans	159	159	(11)	3.2%	—	—	100.0%	—	90.0%
Home equity loan ABS backed by(5)									
Alt-A and other loans									
Alt-A other	34	29	(6)	7.4%	—	—	41.9%	58.1%	78.9%
Total home equity loan ABS backed by Alt-A loans	34	29	(6)	7.4%	—	—	41.9%	58.1%	78.9%
Subprime loans									
First lien	164	155	(24)	17.5%	11.3%	11.3%	32.2%	56.5%	7.4%
Second lien	4	3	(1)	27.4%	12.3%	12.3%	—	87.7%	27.0%
Total home equity loan ABS backed by subprime loans	168	158	(25)	17.7%	11.3%	11.3%	31.5%	57.2%	7.9%
Other - Not Classified(6)	261	235	(23)	15.0%	0.7%	0.7%	61.7%	37.6%	24.9%
Total	$ 30,873	$ 26,972	$ (4,303)	24.1%	1.2%	1.2%	12.6%	86.2%	3.4%

(1) The percentages include the effect of paydowns in full subsequent to June 30, 2012.

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

(3) 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.

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

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

(6) The FHLBank of New York owns certain private-label securities that were acquired prior to 2004 for which only the original lien information is available. The current lien information is not available. In certain instances, the servicer is no longer in business to provide this information. In other instances, the servicers were never required to track the information subsequent to origination.

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

The monoline bond insurers continue to be subject to adverse ratings, rating downgrades and weakening financial performance measures. A rating downgrade implies an increased risk that the monoline bond insurer will fail to fulfill its obligations to reimburse the insured investor for claims made under the related insurance policies. Table 39 presents the financial strength ratings of monoline bond insurers that provide monoline bond insurance coverage for the FHLBanks' private-label residential MBS, manufactured housing loan ABS and home equity loan ABS. (See *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations - Critical Accounting Estimates - OTTI for Investment Securities* in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2011 for information regarding the FHLBanks' processes for evaluating monoline bond insurance for purposes of OTTI analysis.)

Table 39 - Monoline Bond Insurers' Financial Strength Ratings at July 31, 2012

	Moody's Credit Rating	S&P Credit Rating
Assured Guaranty Municipal Corp.	Aa3	AA-
MBIA Insurance Corp.	B3	B
Ambac Assurance Corp.	Withdrawn	Not Rated
Financial Guaranty Insurance Company	Withdrawn	Not Rated
Syncora Guarantee Inc.	Ca	Withdrawn

As of June 30, 2012, total monoline bond insurance coverage was $573 million, of which $294 million represents the FHLBanks' private-label residential MBS, manufactured housing loan ABS and home equity loan ABS covered by the monoline bond insurance that the FHLBanks are relying on at June 30, 2012 for modeling the cash flows, as presented in Table 40.

Table 40 - Monoline Bond Insurance Coverage and Related Unrealized Losses of Certain MBS

(dollars in millions)

	As of June 30, 2012					
	Assured Guaranty Municipal Corp.		MBIA Insurance Corp.(1)		Total	
	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses
Private-label residential MBS(2)						
Subprime loans	$ 1	$ —	$ —	$ —	$ 1	$ —
Total private-label residential MBS	1	—	—	—	1	—
Manufactured housing loan ABS(2)						
Subprime loans	143	(7)	—	—	143	(7)
Total manufactured housing loan ABS	143	(7)	—	—	143	(7)
Home equity loan ABS(2)						
Alt-A loans	13	(4)	12	(1)	25	(5)
Subprime loans	79	(7)	46	(5)	125	(12)
Total home equity loan ABS	92	(11)	58	(6)	150	(17)
Total	$ 236	$ (18)	$ 58	$ (6)	$ 294	$ (24)

(1) MBIA Insurance Corp.'s burn-out period is expected to end on September 30, 2012. (See *Note 6 - Other-than-Temporary Impairment Analysis* to the accompanying combined financial statements.)

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

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

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

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

Table 41 presents the FHLBanks' unsecured credit exposure with private counterparties by investment type. At June 30, 2012, the FHLBanks had aggregate unsecured credit exposure from investments of $1 billion or more to each of 18 private counterparties. The aggregate unsecured credit exposure to these counterparties represented 81.9% of the FHLBanks' total unsecured investment credit exposure to private counterparties. The unsecured investment credit exposure presented in Table 41 does not reflect the average or maximum exposure during the period as the balances presented reflect the balances at period end.

Table 41 - Unsecured Credit Exposure by Investment Type

(dollars in millions)

Carrying Value(1)	June 30, 2012	December 31, 2011
Interest-bearing deposits(2)	$ 1,102	$ 1,201
Federal funds sold	47,072	41,139
Commercial paper	2,809	2,399
Certificates of deposit	8,672	12,183
Total	$ 59,655	$ 56,922

(1) Excludes unsecured investment credit exposure to U.S. government, U.S. government agencies and instrumentalities, government-sponsored enterprises and supranational entities and does not include related accrued interest as of June 30, 2012 and December 31, 2011.

(2) Primarily consists of deposits with Branch Banking and Trust Company by the FHLBank of Atlanta at June 30, 2012 and December 31, 2011. Branch Banking and Trust Company is one of the top ten borrowers of the FHLBank of Atlanta. One of the FHLBank of Atlanta's member directors is a senior executive vice president of Branch Banking and Trust Company.

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

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

The FHFA regulation also permits the FHLBanks to extend additional unsecured credit for overnight extensions of credit and for sales of Federal funds subject to continuing contracts that renew automatically. An FHLBank's total unsecured exposure to a counterparty may not exceed twice the regulatory limit for term exposures, or a total of 2% to 30% of the eligible amount of regulatory capital, based on the counterparty's credit rating. As of June 30, 2012, each of the FHLBanks was in compliance with the regulatory limits established for unsecured credit.

The FHLBanks are prohibited by FHFA regulation from investing in financial instruments issued by non-U.S. entities other than those issued by U.S. branches and agency offices of foreign commercial banks. The FHLBanks' unsecured credit exposures to U.S. branches and agency offices of foreign commercial banks include the risk that, as a result of political or economic conditions in a country, the counterparty may be unable to meet their contractual repayment obligations. The FHLBanks' unsecured credit exposures to domestic counterparties and U.S. subsidiaries of foreign commercial banks include the risk that these counterparties have extended credit to foreign counterparties. The FHLBanks are in compliance with the regulation and did not own any financial instruments issued by foreign sovereign governments, including those countries that are members of the European Union, as of and for the period ended June 30, 2012.

As of June 30, 2012, the FHLBanks' unsecured investment credit exposure to U.S. branches and agency offices of foreign commercial banks was comprised of Federal funds sold, commercial paper and certificates of deposit. As of June 30, 2012, 78.6%, 16.4% and 74.2% of the FHLBanks' unsecured investment credit exposure in Federal funds sold, commercial paper and certificates of deposit was to U.S. branches and agency offices of foreign commercial banks. Table 42 presents the lowest long-term credit ratings of the unsecured investment credit exposures presented by the domicile of the counterparty or the domicile of the counterparty's parent for U.S. branches and agency offices of foreign commercial banks based on the nationally recognized statistical rating organization(s) used by the individual FHLBank holding the investment. This table does not reflect the foreign sovereign government's credit rating. The FHLBanks mitigate credit risk by generally investing in unsecured investments of highly-rated counterparties.

Table 42 - Ratings of Unsecured Investment Credit Exposure by Domicile of Counterparty

(dollars in millions)

	June 30, 2012(1)				
	Carrying Value(2)				
	Investment Grade				
Domicile of Counterparty	Double-A	Single-A	Triple-B	Unrated	Total
Domestic	$ 4,834	$ 7,955	$ 654	$ 140	$ 13,583
U.S. subsidiaries of foreign commercial banks	—	2,190	—	—	2,190
Total domestic and U.S. subsidiaries of foreign commercial banks	4,834	10,145	654	140	15,773
U.S. branches and agency offices of foreign commercial banks					
Canada	11,692	4,814	—	—	16,506
Australia	10,891	—	—	—	10,891
Sweden	5,340	2,165	—	—	7,505
Netherlands	3,195	—	—	—	3,195
Norway	—	3,185	—	—	3,185
Finland	1,385	—	—	—	1,385
United Kingdom	—	625	—	—	625
Austria	—	350	—	—	350
Switzerland	—	240	—	—	240
Total U.S. branches and agency offices of foreign commercial banks	32,503	11,379	—	—	43,882
Total unsecured investment credit exposure	$ 37,337	$ 21,524	$ 654	$ 140	$ 59,655

(1) Does not reflect any changes in ratings, outlook or watch status occurring after June 30, 2012. The ratings presented in this table represent the lowest long-term rating available for each security owned by an individual FHLBank, based on the nationally recognized statistical rating organization(s) used by that FHLBank. Although the FHLBanks' internal ratings are not presented in this table, the internal ratings of an individual FHLBank may differ from those obtained from the nationally recognized statistical rating organization(s) and each other FHLBank's internal ratings.

(2) Excludes unsecured investment credit exposure to U.S. government, U.S. government agencies and instrumentalities, government-sponsored enterprises and supranational entities and does not include related accrued interest as of June 30, 2012.

Table 43 presents the contractual maturity of the FHLBanks' unsecured investment credit exposure by the domicile of the counterparty or the domicile of the counterparty's parent for U.S. branches and agency offices of foreign commercial banks. The FHLBanks also mitigate the credit risk on investments by generally investing in investments that have short-term maturities. At June 30, 2012, 59.1% of the carrying value of the total unsecured investments held by the FHLBanks had overnight maturities.

Table 43 - Contractual Maturity of Unsecured Investment Credit Exposure by Domicile of Counterparty

(dollars in millions)

	June 30, 2012				
	Carrying Value(1)				
Domicile of Counterparty	Overnight	Due 2 days through 30 days	Due 31 days through 90 days	Due 91 days through 180 days	Total
Domestic	$ 10,149	$ 1,790	$ 1,644	$ —	$ 13,583
U.S. subsidiaries of foreign commercial banks	530	1,335	325	—	2,190
Total domestic and U.S. subsidiaries of foreign commercial banks	10,679	3,125	1,969	—	15,773
U.S. branches and agency offices of foreign commercial banks					
Canada	9,002	3,334	4,170	—	16,506
Australia	3,593	2,305	4,619	374	10,891
Sweden	4,894	618	1,993	—	7,505
Netherlands	3,045	150	—	—	3,195
Norway	2,302	558	325	—	3,185
Finland	1,385	—	—	—	1,385
United Kingdom	—	625	—	—	625
Austria	350	—	—	—	350
Switzerland	—	240	—	—	240
Total U.S. branches and agency offices of foreign commercial banks	24,571	7,830	11,107	374	43,882
Total unsecured credit investment exposure	$ 35,250	$ 10,955	$ 13,076	$ 374	$ 59,655

(1) Excludes unsecured investment credit exposure to U.S. government, U.S. government agencies and instrumentalities, government-sponsored enterprises and supranational entities and does not include related accrued interest as of June 30, 2012.

Mortgage Loans Held for Portfolio. The FHFA's Acquired Member Asset regulation permits the FHLBanks to purchase and hold specified mortgage loans from their members. All 12 FHLBanks have established or participated in Acquired Member Asset programs such as the Mortgage Partnership Finance® (MPF) Program and Mortgage Purchase Program (MPP) as services to their members. Members and eligible housing associates may apply to become a participating financial institution (PFI) of their respective FHLBank. The mortgage loans purchased or funded under these programs may carry more credit risk than advances, even though the respective member or housing associate provides credit enhancement and continues to bear a portion of the credit risk.

Management at each FHLBank believes that it has adequate policies and procedures in place to manage credit risk on mortgage loans appropriately. All of the FHLBanks that are currently participating or previously participated in Acquired Member Asset programs have established loan loss allowances under each program or have determined that no loan loss allowances are necessary. (See *Note 9 - Allowance for Credit Losses* to the accompanying combined financial statements for additional information about mortgage loan credit quality indicators, allowance for credit losses, and delinquency statistics by Acquired Member Asset program and type of loan. See *Risk Management - Credit Risk - Mortgage Loans Held for Portfolio* in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2011 for information on loss allocation structures for MPF and MPP loans.)

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

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

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

Tables 44 and 45 present the FHLBanks' primary mortgage insurance coverage for seriously delinquent loans (conventional loans 90 days or more delinquent or in the process of foreclosure) by MPF Program and MPP.

Table 44 - Seriously Delinquent Conventional MPF Loans with Primary Mortgage Insurance

(dollars in millions)

		June 30, 2012	
Insurance Provider	**Credit Rating(1) by Moody's/S&P**	**Unpaid Principal Balance(2)**	**Maximum Coverage Outstanding(3)**
Mortgage Guaranty Insurance Co.	B1/B(4)	$ 44	$ 13
Genworth Mortgage Insurance	Ba1/B	27	7
Republic Mortgage Insurance	Not Rated/R(5)	23	7
United Guaranty Residential Insurance	Baa1/BBB	21	6
PMI Mortgage Insurance Co.	Caa3/R(5)	21	6
Radian Guaranty, Inc.	Ba3/B(6)	14	4
Other		13	4
Total		$ 163	$ 47

(1) Represents the credit rating as of July 31, 2012.
(2) Represents the unpaid principal balance of conventional loans 90 days or more delinquent or in the process of foreclosure. Assumes primary mortgage insurance is in effect at time of origination. Insurance coverage may be discontinued once a certain LTV ratio is met.
(3) Represents the estimated contractual limit for reimbursement of principal losses (i.e., risk in force) assuming the primary mortgage insurance at origination is still in effect. The amount of expected claims under these insurance contracts is substantially less than the contractual limit for reimbursement.
(4) Rating was downgraded by S&P on August 2, 2012 from B to B- and by Moody's on August 8, 2012 from B1 to B2.
(5) Represents "regulatory action".
(6) Rating was downgraded by S&P on August 2, 2012 from B to B-.

Table 45 - Seriously Delinquent Conventional MPP Loans with Primary Mortgage Insurance

(dollars in millions)

		June 30, 2012	
Insurance Provider	**Credit Rating(1) by Moody's/S&P**	**Unpaid Principal Balance(2)**	**Maximum Coverage Outstanding(3)**
Mortgage Guaranty Insurance Co.	B1/B(4)	$ 13	$ 3
Republic Mortgage Insurance	Not Rated/R(5)	9	2
Genworth Mortgage Insurance	Ba1/B	8	2
Radian Guaranty, Inc.	Ba3/B(6)	8	2
United Guaranty Residential Insurance	Baa1/BBB	6	1
PMI Mortgage Insurance Co.	Caa3/R(5)	4	1
Other		1	—
Total		$ 49	$ 11

(1) Represents the credit rating as of July 31, 2012.
(2) Represents the unpaid principal balance of conventional loans 90 days or more delinquent or in the process of foreclosure. Assumes primary mortgage insurance in effect at time of origination. Insurance coverage may be discontinued once a certain loan-to-value ratio is met.
(3) Represents the estimated contractual limit for reimbursement of principal losses (i.e., risk in force) assuming the primary mortgage insurance at origination is still in effect. The amount of expected claims under these insurance contracts is substantially less than the contractual limit for reimbursement.
(4) Rating was downgraded by S&P on August 2, 2012 from B to B- and by Moody's on August 8, 2012 from B1 to B2.
(5) Represents "regulatory action".
(6) Rating was downgraded by S&P on August 2, 2012 from B to B-.

On October 20, 2011, the Arizona Department of Insurance took possession and control of PMI Mortgage Insurance Co. and beginning October 24, 2011, PMI Mortgage Insurance Co. is paying out 50% of the amount of allowed claims while the remainder of the claim amount owed is being deferred until the company is liquidated. On March 14, 2012, the court entered an Order for Appointment of Receiver and Injunction placing PMI Mortgage Insurance Co. into rehabilitation. The FHLBanks do not expect the seizure of PMI Mortgage Insurance Co. and its limitation on claim payments to have a material effect on the FHLBanks' combined financial condition and combined results of operations.

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

Supplemental Mortgage Insurance. Certain FHLBanks use supplemental mortgage insurance as a credit enhancement to limit the loss exposure for their Acquired Member Asset programs. For MPF/MPP loans credit enhanced with supplemental mortgage insurance, the FHFA's regulations require the FHLBank members that sell loans to their respective FHLBanks to maintain supplemental mortgage insurance with an insurer rated no lower than the second-highest rating category by any nationally recognized statistical rating organization, unless this requirement is waived by the FHFA. Rating downgrades imply an increased risk that the affected mortgage insurer(s) will fail to fulfill their obligations to reimburse the FHLBanks for claims under insurance policies. If a mortgage insurer fails to fulfill its obligations, the affected FHLBank(s) may bear any remaining loss of the borrower's default on the related mortgage loans not covered by the member.

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

Due to previous rating agency actions, certain MPF FHLBanks increased their estimated allowance for credit losses on mortgage loans and discontinued paying the associated performance credit enhancement fees as the relevant PFIs have elected not to assume the credit enhancement obligations as their own. Certain MPF FHLBanks discontinued obtaining coverage on new loans from mortgage insurers that have a rating below BBB as rated by any nationally recognized statistical rating organization or insurers exceed those FHLBanks' internal exposure limits.

The FHLBank of Seattle canceled its supplemental mortgage insurance policies and is currently exploring options to credit enhance its conventional MPP Loans to achieve the minimum level of portfolio credit protection specified by the FHFA. The other MPP FHLBanks discontinued obtaining supplemental mortgage insurance on new loans as part of the approved new business activity plan and continue to use the downgraded insurance providers for existing loans in compliance with the temporary waiver issued by the FHFA. The FHFA approved notices of new business activity plans for certain MPP FHLBanks that use an enhanced Lender Risk Account, which is funded by an FHLBank upfront as a portion of the purchase proceeds, for additional credit enhancement for new MPP business, consistent with FHFA regulations.

Each affected FHLBank has evaluated the claims-paying ability of its supplemental mortgage insurance providers. The MPP FHLBanks determined that it is not necessary to increase the amount of required risk-based capital as a result of assigning a higher risk weighting to the assets covered by a downgraded supplemental mortgage insurance provider under the credit risk-based capital calculations. As of June 30, 2012, the MPP FHLBanks recorded a provision of less than $1 million related to potential losses from supplemental mortgage insurance providers.

Geographic Concentrations. Tables 46 and 47 provide the percentage of unpaid principal balance of conventional mortgage loans held for portfolio outstanding at June 30, 2012 for the five largest state concentrations, with comparable data at December 31, 2011. These tables show the state concentration on an aggregated basis for all 12 FHLBanks that purchased or funded loans under the MPF Program and MPP. As a result, these tables do not necessarily reflect the actual state concentration with respect to each individual FHLBank.

Table 46 - State Concentrations of MPF Program(1)

	June 30, 2012	December 31, 2011
California	8.8%	9.3%
Iowa	6.9%	6.0%
Wisconsin	6.2%	7.1%
Pennsylvania	5.4%	5.4%
Kansas	5.3%	4.6%
All other	67.4%	67.6%
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 June 30, 2012.

Table 47 - State Concentrations of MPP(1)

	June 30, 2012	December 31, 2011
Ohio	30.4%	27.8%
Indiana	15.0%	12.7%
Michigan	10.0%	9.5%
California	6.3%	7.0%
Kentucky	5.8%	5.5%
All other	32.5%	37.5%
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 June 30, 2012.

Derivatives and Counterparty Ratings. In addition to market risk, each FHLBank is subject to credit risk because of the potential non-performance by counterparties to interest-rate exchange agreements. The amount of counterparty credit risk on derivatives depends on the extent to which netting procedures, collateral requirements and other credit enhancements are used and are effective in mitigating the risk. Each FHLBank manages counterparty credit risk through credit analysis, collateral management and other credit enhancements. The FHLBanks are also required to follow the requirements set forth by applicable regulation. The FHLBanks require collateral on interest-rate exchange agreements. The amount of net unsecured credit exposure that is permissible with respect to each counterparty depends on the credit rating of that counterparty. A counterparty must deliver collateral to an FHLBank if the total market value of the FHLBank's exposure to that counterparty rises above a specific trigger point. As a result of these risk mitigation initiatives, the management of each FHLBank does not anticipate any credit losses on its interest-rate exchange agreements with counterparties as of June 30, 2012.

The FHLBanks actively monitor their counterparties' exposure to European sovereign debt and consider this exposure as a component of their credit risk review process. Due to the significant European sovereign credit concerns, certain FHLBanks suspended or reduced new derivatives transactions with certain European counterparties to reduce the exposure to these counterparties. They may further suspend or limit derivative transactions with other European counterparties in accordance with their risk management policies and regulatory requirements.

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 net assets and liabilities. This calculation of maximum credit risk excludes the amount of excess cash collateral received from counterparties in instances where a counterparty's pledged collateral to an FHLBank exceeds the FHLBank's net position.

Table 48 - Derivative Counterparty Credit Exposure at June 30, 2012

(dollars in millions)

Credit Rating(1)	Notional Amount	Credit Exposure Net of Cash Collateral	Other Collateral Held	Net Exposure After Collateral
Double-A	$ 35,235	$ 39	$ 4	$ 35
Single-A	534,161	509	434	75
Triple-B	91,724	9	—	9
Subtotal	661,120	557	438	119
Member institutions(2)	2,839	34	18	16
Total derivatives	$ 663,959	$ 591	$ 456	$ 135

(1) This chart does not reflect any changes in rating, outlook or watch status occurring after June 30, 2012. The credit ratings presented are based on the nationally recognized statistical rating organization(s) used by that FHLBank.

(2) 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.

At June 30, 2012, 86.1% of the notional amount of the FHLBanks' outstanding interest-rate exchange agreements (excluding interest-rate exchange agreements with member institutions) were with counterparties rated single-A or higher.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

Interest-Rate Risk

Interest-rate risk is the risk that relative and absolute changes in interest rates may adversely affect an institution's financial condition. The goal of an interest-rate risk management strategy is not necessarily to eliminate interest-rate risk, but to manage it by setting, and operating within, an appropriate framework and limits. The FHLBanks generally manage interest-rate risk by acquiring and maintaining a portfolio of assets and liabilities and entering into related interest-rate exchange agreements to limit the expected mismatches in duration. The FHLBanks measure and monitor interest rate-risk with commonly used methods, which include the calculations of market value of equity, duration of equity and duration gap. (See *Quantitative and Qualitative Disclosure About Market Risk* in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2011.)

Market Value of Equity and Duration of Equity

Each FHLBank has an internal modeling system for measuring its duration of equity; therefore, individual FHLBank measurements may not be directly comparable. Each FHLBank reports the results of its duration of equity calculations to the FHFA each quarter. However, not all FHLBanks manage to the duration of equity risk measure. The capital adequacy rules of the FHFA require each FHLBank to hold permanent capital in an amount sufficient to cover the sum of its credit, market and operations risk-based capital requirements, which are defined by applicable regulations. Each FHLBank has developed a market risk model that calculates the market risk component of this requirement.

Table 49 presents each FHLBank that includes quantitative market value of equity and duration of equity information in its individual 2012 Second Quarter SEC Form 10-Q.

Table 49 - Individual FHLBank's Market Value of Equity and Duration of Equity Disclosure

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

(1) The FHLBank of Pittsburgh's market value of equity volatility metrics are monitored. The FHLBank of Pittsburgh measures market value of equity to par value of capital stock, as described in its 2012 Second Quarter SEC Form 10-Q. The FHLBank of Pittsburgh also monitors the earned dividend spread (EDS) volatility metric relative to a predetermined EDS floor, established and approved by its board of directors.

(2) The FHLBank of Chicago disclosed the dollar limits on changes in market value under parallel interest rate shocks in addition to duration of equity in its 2012 Second Quarter SEC Form 10-Q.

(3) Although the FHLBank of Des Moines measures and monitors market value of equity and duration of equity, those measures are not disclosed as key market risk measures. The FHLBank of Des Moines disclosed, in its 2012 Second Quarter SEC Form 10-Q, market value of capital stock (MVCS) and economic value of capital stock (EVCS) as key risk measures. The FHLBank of Des Moines measures and limits movements in MVCS.

(4) The FHLBank of Topeka measures and monitors market value of equity (MVE); however, the FHLBank of Topeka measures market value risk in terms of its MVE in relation to its total regulatory capital stock outstanding instead of to its book value of equity. As described in its 2012 Second Quarter SEC Form 10-Q, the FHLBank of Topeka believes this is a reasonable metric because, as a cooperative, the metric reflects the market value of the FHLBank of Topeka relative to the book value of its capital stock.

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

Table 50 presents the duration of equity reported by each FHLBank to the FHFA in accordance with the FHFA's guidance, which prescribes that down and up interest-rate shocks equal 200 basis points. However, the applicable regulation restricts the down rate from assuming a negative interest rate. Therefore, each FHLBank adjusts its down rate accordingly in periods of very low levels of interest rates. (See Table 49 for each FHLBank's market and interest-rate risk measurement disclosure in its individual 2012 Second Quarter SEC Form 10-Q.)

Table 50 - Duration of Equity

(in years)

	June 30, 2012			December 31, 2011		
FHLBank	Down	Base	Up	Down	Base	Up
Boston	1.4	0.2	2.2	1.8	1.1	2.6
New York	0.4	(0.4)	3.1	1.3	0.0	2.7
Pittsburgh	0.9	2.1	3.5	1.7	2.7	4.4
Atlanta	(0.7)	(0.7)	2.9	(0.3)	1.3	3.3
Cincinnati	1.0	(1.8)	4.7	(0.3)	(3.8)	3.7
Indianapolis	(4.4)	0.6	0.6	(6.9)	(1.5)	2.4
Chicago	2.9	0.4	(2.2)	2.8	2.3	1.8
Des Moines	(3.0)	(0.9)	10.9	(2.3)	(1.6)	9.1
Dallas	4.0	1.7	2.6	4.7	1.2	3.8
Topeka	0.3	(1.0)	1.1	0.9	(0.4)	0.2
San Francisco	0.5	0.6	1.1	1.9	2.1	1.7
Seattle	0.2	1.3	5.0	0.9	2.2	4.8

Duration Gap

A related measure of interest-rate risk is duration gap, which is the difference between the estimated durations (market value sensitivity) of assets and liabilities and reflects the extent to which estimated maturity and repricing cash flows for assets and liabilities are matched. Duration gap determines the sensitivity of assets and liabilities to interest-rate changes. Each FHLBank has an internal modeling system for measuring its duration gap; therefore, individual FHLBank measurements may not be directly comparable. Duration generally indicates the expected change in an instrument's market value resulting from an increase or a decrease in interest rates. Higher duration numbers, whether positive or negative, indicate greater volatility in the market value of equity in response to changing interest rates. Duration gap numbers in Table 51 include the effect of interest-rate exchange agreements.

Table 51 - Duration Gap

(in months)

FHLBank	June 30, 2012	December 31, 2011
Boston	0.2	0.9
New York	(0.6)	(0.2)
Pittsburgh	1.1	1.4
Atlanta	(0.8)	0.6
Cincinnati	(0.1)	(0.3)
Indianapolis	(0.4)	(2.1)
Chicago	0.2	1.1
Des Moines	(1.1)	(1.4)
Dallas	1.0	0.5
Topeka	(0.6)	(0.3)
San Francisco	(0.2)	1.5
Seattle	0.1	0.1

Use of Derivatives to Manage Interest-Rate Risk

An FHLBank enters into derivatives to manage interest-rate risk, prepayment risk and exposure inherent in otherwise unhedged assets and funding positions. An FHLBank attempts to use derivatives to reduce interest-rate exposure in the most cost-efficient manner. Derivatives are used to adjust the effective maturity, repricing frequency, or option characteristics of financial instruments to achieve risk-management objectives. (See *Note 10 - Derivatives and Hedging Activities* to the accompanying combined financial statements for a discussion of managing interest-rate risk exposure.)

Table 52 presents the net effect of derivatives and hedging activities on the Combined Statement of Income resulting from the FHLBanks applying different hedging strategies.

Table 52 - Net Effect of Derivatives and Hedging Activities

(dollars in millions)

	Three Months Ended June 30, 2012								
Net Effect of Derivatives and Hedging Activities	Advances	Investments	Mortgage Loans	Deposits	CO Bonds	CO DNs	Balance Sheet	Optional Advance Commitments	Total
Net interest income									
Amortization and accretion of hedging activities in net interest income(1)	$ (106)	$ 29	$ (23)	$ —	$ 47	$ (3)	$ —	$ —	$ (56)
Net interest settlements included in net interest income(2)	(1,172)	(124)	(1)	1	667	(73)	—	—	(702)
Total net interest income	(1,278)	(95)	(24)	1	714	(76)	—	—	(758)
Net gains (losses) on derivatives and hedging activities									
Gains (losses) on fair value hedges	67	2	—	—	(14)	(1)	—	—	54
Gains (losses) on derivatives not receiving hedge accounting	(71)	(90)	—	—	47	(23)	(27)	(1)	(165)
Total net gains (losses) on derivatives and hedging activities	(4)	(88)	—	—	33	(24)	(27)	(1)	(111)
Subtotal	(1,282)	(183)	(24)	1	747	(100)	(27)	(1)	(869)
Net gains (losses) on trading securities(3)	—	12	—	—	—	—	—	—	12
Net gains (losses) on financial instruments held at fair value	9	—	—	—	8	—	—	1	18
Total net effect of derivatives and hedging activities	$ (1,273)	$ (171)	$ (24)	$ 1	$ 755	$ (100)	$ (27)	$ —	$ (839)

	Three Months Ended June 30, 2011							
Net Effect of Derivatives and Hedging Activities	Advances	Investments	Mortgage Loans	CO Bonds	CO DNs	Balance Sheet	Optional Advance Commitments	Total
Net interest income								
Amortization and accretion of hedging activities in net interest income(1)	$ (86)	$ 4	$ (11)	$ 43	$ (5)	$ —	$ —	$ (55)
Net interest settlements included in net interest income(2)	(1,648)	(89)	(2)	1,175	(80)	—	—	(644)
Total net interest income	(1,734)	(85)	(13)	1,218	(85)	—	—	(699)
Net gains (losses) on derivatives and hedging activities								
Gains (losses) on fair value hedges	41	10	(3)	8	—	—	—	56
Gains (losses) on cash flow hedges	12	—	—	—	—	—	—	12
Gains (losses) on derivatives not receiving hedge accounting	(172)	(131)	(20)	161	(26)	(32)	(5)	(225)
Total net gains (losses) on derivatives and hedging activities	(119)	(121)	(23)	169	(26)	(32)	(5)	(157)
Subtotal	(1,853)	(206)	(36)	1,387	(111)	(32)	(5)	(856)
Net gains (losses) on trading securities(3)	—	39	—	—	—	—	—	39
Net gains (losses) on financial instruments held at fair value	105	—	—	(86)	—	—	5	24
Total net effect of derivatives and hedging activities	$ (1,748)	$ (167)	$ (36)	$ 1,301	$ (111)	$ (32)	$ —	$ (793)

Net Effect of Derivatives and Hedging Activities	Six Months Ended June 30, 2012								
	Advances	Investments	Mortgage Loans	Deposits	CO Bonds	CO DNs	Balance Sheet	Optional Advance Commitments	Total
Net interest income									
Amortization and accretion of hedging activities in net interest income(1)	$ (580)	$ 57	$ (38)	$ —	$ 86	$ (6)	$ —	$ —	$ (481)
Net interest settlements included in net interest income(2)	(2,408)	(246)	(2)	1	1,316	(146)	—	—	(1,485)
Total net interest income	(2,988)	(189)	(40)	1	1,402	(152)	—	—	(1,966)
Net gains (losses) on derivatives and hedging activities									
Gains (losses) on fair value hedges	177	21	1	—	(29)	(2)	—	—	168
Gains (losses) on cash flow hedges	—	—	—	—	—	2	—	—	2
Gains (losses) on derivatives not receiving hedge accounting	(97)	(96)	(5)	—	119	(12)	(20)	(2)	(113)
Total net gains (losses) on derivatives and hedging activities	80	(75)	(4)	—	90	(12)	(20)	(2)	57
Subtotal	(2,908)	(264)	(44)	1	1,492	(164)	(20)	(2)	(1,909)
Net gains (losses) on trading securities(3)	—	(50)	—	—	—	—	—	—	(50)
Net gains (losses) on financial instruments held at fair value	(17)	—	—	—	34	4	—	2	23
Total net effect of derivatives and hedging activities	$ (2,925)	$ (314)	$ (44)	$ 1	$ 1,526	$ (160)	$ (20)	$ —	$ (1,936)

Net Effect of Derivatives and Hedging Activities	Six Months Ended June 30, 2011							
	Advances	Investments	Mortgage Loans	CO Bonds	CO DNs	Balance Sheet	Optional Advance Commitments	Total
Net interest income								
Amortization and accretion of hedging activities in net interest income(1)	$ (172)	$ 7	$ (26)	$ 81	$ (10)	$ —	$ —	$ (120)
Net interest settlements included in net interest income(2)	(3,428)	(174)	(5)	2,350	(159)	—	—	(1,416)
Total net interest income	(3,600)	(167)	(31)	2,431	(169)	—	—	(1,536)
Net gains (losses) on derivatives and hedging activities								
Gains (losses) on fair value hedges	160	24	(8)	—	—	—	—	176
Gains (losses) on cash flow hedges	12	—	—	—	2	—	—	14
Gains (losses) on derivatives not receiving hedge accounting	(163)	(133)	(53)	207	(30)	(41)	(4)	(217)
Total net gains (losses) on derivatives and hedging activities	9	(109)	(61)	207	(28)	(41)	(4)	(27)
Subtotal	(3,591)	(276)	(92)	2,638	(197)	(41)	(4)	(1,563)
Net gains (losses) on trading securities(3)	—	(22)	—	—	—	—	—	(22)
Net gains (losses) on financial instruments held at fair value	54	—	—	(95)	1	—	4	(36)
Total net effect of derivatives and hedging activities	$ (3,537)	$ (298)	$ (92)	$ 2,543	$ (196)	$ (41)	$ —	$ (1,621)

(1) Represents amortization and accretion of fair-value hedging adjustments included in net interest income.
(2) Represents interest income or expense on derivatives included in net interest income.
(3) Includes only those gains or losses on trading securities that have an economic derivative "assigned;" therefore, this line item may not agree to the Combined Statement of Income.

At June 30, 2012, certain FHLBanks had full fair value hedges of advances with a notional amount of $412 million and an estimated fair value loss of $13 million, and certain FHLBanks had full fair value hedges of consolidated bonds with a notional amount of $3.0 billion and an estimated fair value gain of $523 million. The remaining fair value hedges at June 30, 2012 represent benchmark interest-rate hedges.

CONTROLS AND PROCEDURES

FHLBanks

The management of each FHLBank is required under applicable laws and regulations to establish and maintain effective disclosure controls and procedures as well as effective internal control over financial reporting, as such disclosure controls and procedures and internal control over financial reporting relate to that FHLBank only. Each FHLBank's management assessed the effectiveness of its individual internal control over financial reporting as of December 31, 2011, based on the framework established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, each FHLBank's management concluded, as of December 31, 2011, that its individual internal control over financial reporting is effective based on the criteria established in *Internal Control-Integrated Framework.* Additionally, the independent registered public accounting firm of each FHLBank opined that the individual FHLBank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011. (See *Part II. Item 8 - Financial Statements and Supplementary Data* or *Item 9A - Controls and Procedures* of each FHLBank's 2011 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 June 30, 2012 that materially affected, or are reasonably likely to affect, its internal control over financial reporting. Additionally, management of each FHLBank concluded that its disclosure controls and procedures were effective at a reasonable assurance level as of the fiscal quarter ended June 30, 2012. (See *Part I. Item 4-Controls and Procedures* of each FHLBank's 2012 Second Quarter SEC Form 10-Q.)

Office of Finance Controls and Procedures over the Combined Financial Reporting Combining Process

The Office of Finance is not responsible for the preparation, accuracy or adequacy of the information or financial data provided by the FHLBanks to the Office of Finance for use in preparing the combined financial reports, or for the quality or effectiveness of the disclosure controls and procedures or internal control over financial reporting of the FHLBanks as they relate to such information and financial data. Each FHLBank is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting with respect to the information and financial data provided to the Office of Finance. Although the Office of Finance is not an SEC registrant, FHFA regulations require that the combined financial report form and content generally be consistent with SEC Regulations S-K and S-X, as interpreted by the FHFA. The Office of Finance is not required to establish and maintain, and in light of the nature of its role has not established and maintained, disclosure controls and procedures and internal control over financial reporting at the FHLBank System level in the same manner as 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 that comprise the combined financial statements, the condensed combining schedules and other disclosures included in this Combined Financial Report. Instead, the Office of Finance relies on each FHLBank management's certification and representation regarding the accuracy and completeness of its data submitted to the Office of Finance for use in preparing this Combined Financial Report.

Audit Committee Charter

The charter of the audit committee of the Office of Finance's board of directors is available on the Office of Finance's website at www.fhlb-of.com. This web site address is provided as a matter of convenience only, and its contents are not made part of this report and are not intended to be incorporated by reference into this report.

LEGAL PROCEEDINGS

The FHLBanks are subject to various pending legal proceedings arising in the normal course of business. The FHLBanks and the Office of Finance are not a party to, nor are they subject to, any pending legal proceedings, except the following identified proceedings, where the ultimate liability of the FHLBanks, if any, arising out of these proceedings is likely to have a material effect on the results of operations, financial condition or liquidity of the FHLBanks or that are otherwise material to the FHLBanks. (See each FHLBank's 2012 Second Quarter SEC Form 10-Q under *Part II. Item 1-Legal Proceedings* for additional information, including updates, to its legal proceedings.)

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

As of June 30, 2012, each of the FHLBanks of Boston, Pittsburgh, Atlanta, Indianapolis, Chicago, San Francisco and Seattle is a plaintiff in continued legal proceedings that relate to its purchases of certain private-label MBS. Defendants in these lawsuits include entities and affiliates that buy, sell or distribute the FHLBanks' consolidated obligations or are derivative counterparties. These defendants and their affiliates may be members or former members of the plaintiff FHLBanks or other FHLBanks. In addition, certain defendants in some of these legal proceedings currently issue credit ratings on the FHLBanks and the FHLBank System's consolidated obligations.

Legal Proceedings Relating to the Lehman Bankruptcy

See *Note 16 - Commitments and Contingencies* - *Lehman Bankruptcy* to the accompanying combined financial statements for information on legal proceedings relating to bankruptcy proceedings involving Lehman Brothers Holdings, Inc.

RISK FACTORS

There were no material changes to the risk factors disclosed in the Federal Home Loan Banks' 2011 Combined Financial Report. (See each FHLBank's 2012 Second Quarter SEC Form 10-Q for any updates to risk factors included in its 2011 SEC Form 10-K under *Item 1A-Risk Factors*.)

MARKET FOR CAPITAL STOCK AND RELATED STOCKHOLDER MATTERS

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

At June 30, 2012, the FHLBanks had 342 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.

Table 53 presents combined regulatory capital stock, which includes mandatorily redeemable capital stock, held by type of member and Table 54 presents FHLBank membership by type of member.

Table 53 - Capital Stock Held by Type of Member

(dollars in millions)

	June 30, 2012		December 31, 2011	
	Amount	Percentage of Regulatory Capital Stock	Amount	Percentage of Regulatory Capital Stock
Commercial banks	$ 21,113	50.8%	$ 21,782	50.0%
Thrifts	6,758	16.3%	7,692	17.7%
Insurance companies	3,583	8.6%	3,492	8.0%
Credit unions	2,615	6.3%	2,572	5.9%
Community development financial institutions	4	—	4	—
Total GAAP capital stock	34,073	82.0%	35,542	81.6%
Mandatorily redeemable capital stock	7,501	18.0%	8,013	18.4%
Total combined regulatory capital stock	$ 41,574	100.0%	$ 43,555	100.0%

Table 54 - Membership by Type of Member

	June 30, 2012		December 31, 2011	
	Number	Percentage of Total Members	Number	Percentage of Total Members
Commercial banks	5,301	68.5%	5,345	68.8%
Credit unions	1,157	15.0%	1,123	14.4%
Thrifts	1,006	13.0%	1,048	13.5%
Insurance companies	255	3.3%	250	3.2%
Community development financial institutions	12	0.2%	8	0.1%
Total	7,731	100.0%	7,774	100.0%

During the six months ended June 30, 2012, seven FHLBank members withdrew from FHLBank membership for reasons other than merger or acquisition and 28 FHLBank members gave notice of intent to withdraw from FHLBank membership for reasons other than merger or acquisition.

The information on regulatory capital stock presented in Table 55 is accumulated at the holding-company level. The percentage of total regulatory capital stock identified in Table 55 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 55 - Top 10 Regulatory Capital Stockholders by Holding Company at June 30, 2012

(dollars in millions)

Holding Company Name(1)	FHLBank Districts(2)	Regulatory Capital Stock(3)	Percentage of Total Regulatory Capital Stock	Mandatorily Redeemable Capital Stock
Citigroup Inc.	New York, Pittsburgh, Des Moines, Dallas, San Francisco	$ 3,770	9.1%	$ 2,754
JPMorgan Chase & Co.	Pittsburgh, Cincinnati, Chicago, San Francisco, Seattle	3,126	7.5%	1,580
Bank of America Corporation	Boston, New York, Atlanta, Indianapolis, San Francisco, Seattle	3,010	7.2%	247
Wells Fargo & Company	Atlanta, Des Moines, Dallas, Topeka, San Francisco, Seattle	1,284	3.1%	1,148
MetLife, Inc.	Boston, New York, Des Moines	940	2.3%	—
U.S. Bancorp	Cincinnati, Des Moines, Dallas, Topeka, San Francisco, Seattle	816	2.0%	211
The PNC Financial Services Group, Inc.	New York, Pittsburgh, Atlanta, Cincinnati, Des Moines	639	1.5%	272
Banco Santander, S.A.	New York, Pittsburgh	632	1.5%	—
UK Financial Investments Limited	Boston, New York, Pittsburgh, Cincinnati	602	1.4%	19
Fifth Third Bancorp	Cincinnati, Indianapolis	497	1.2%	97
		$ 15,316	36.8%	$ 6,328

(1) Holding company information was obtained from the Federal Reserve System's website, the National Information Center (NIC) and SEC filings. The NIC is a central repository of data about banks and other institutions for which the Federal Reserve System has a supervisory, regulatory, or research interest, including both domestic and foreign banking organizations operating in the United States.

(2) At June 30, 2012, each holding company had subsidiaries with regulatory capital stock holdings in these FHLBank districts.

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

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Each FHLBank is a member-owned cooperative, whose members elect a majority of that FHLBank's directors from among the officers and directors of its members. The FHLBanks conduct their advances and mortgage loan business primarily with members. As a result, in the normal course of business, the FHLBanks regularly extend credit to members whose officers and/or directors may serve as directors of the FHLBanks and members (or affiliates) owning more than 5% of an FHLBank's capital stock. This credit is extended on market terms that are no more favorable to these "related" members than comparable transactions with other members of the same FHLBank. As of June 30, 2012, the FHLBanks had $41.0 billion of advances outstanding to members whose officers and/or directors were serving as directors of the FHLBanks, which represented 10.1% of total advances at par value. (See *Market for Capital Stock and Related Stockholder Matters* and *Financial Discussion and Analysis - Combined Statement of Condition - Advances* for additional information on FHLBank advances and membership.)

An FHLBank provides Affordable Housing Program subsidies in the form of direct grants and below-market interest rate advances to members, which use the funds to assist in the purchase, construction, or rehabilitation of housing for very low-, low-, and moderate-income households. Only FHLBank members, along with their nonmember Affordable Housing Program project sponsors, may submit Affordable Housing Program applications. All Affordable Housing Program subsidies are made in the normal course of business. In instances where Affordable Housing Program subsidies involve a member (or its affiliate) owning more than 5% of an FHLBank's capital stock, a member with an officer or director who serves as a director of an FHLBank, or an entity with an officer, director or general partner who serves as a director of an FHLBank (and has a direct or indirect interest in the Affordable Housing Program subsidies), such Affordable Housing Program subsidies are subject to the same eligibility and other program criteria and requirements as Affordable Housing Program subsidies provided to all other members, and the regulations governing the operations of the Affordable Housing Program.

An FHLBank may also have deposits with members and purchase short-term investments, Federal funds and mortgage-backed securities from members, some of whose officers and/or directors may serve as directors of their respective FHLBank. All investments are market-rate transactions and all mortgage-backed securities are purchased through securities brokers or dealers.

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SUPPLEMENTAL INFORMATION

Individual Federal Home Loan Bank Selected Financial Data and Financial Ratios

The following individual Federal Home Loan Bank (FHLBank) selected financial data and financial ratios are provided as a convenience to the reader. Please refer to *Explanatory Statement about Federal Home Loan Banks Combined Financial Report*, which discusses the independent management and operation of the FHLBanks; identifies the availability of other information about the FHLBanks; and describes where to find the periodic reports and other information filed by each FHLBank with the SEC.

Individual FHLBank Selected Financial Data and Financial Ratios

(dollars in millions)	Boston	New York	Pittsburgh
Selected Statement of Condition Data(1)			
At June 30, 2012			
Assets			
Investments(2)	$ 19,364	$ 21,976	$ 18,314
Advances	26,457	77,610	33,617
Mortgage loans held for portfolio	3,317	1,635	3,635
Allowance for credit losses on mortgage loans	(6)	(7)	(14)
Total assets	49,763	102,394	56,052
Consolidated obligations(3)			
Discount notes	16,610	21,332	16,263
Bonds	27,623	72,964	34,381
Total consolidated obligations	44,233	94,296	50,644
Mandatorily redeemable capital stock	216	42	207
Subordinated notes(4)	—	—	—
Total capital			
Capital stock(5)			
Class B putable	3,421	4,888	3,110
Class A putable	—	—	—
Total capital stock	3,421	4,888	3,110
Total retained earnings	491	828	479
Accumulated other comprehensive income (loss)	(528)	(204)	(79)
Total capital	3,384	5,512	3,510
Asset composition as a percentage of the individual FHLBank's total assets			
Investments(2)	38.9%	21.5%	32.7%
Advances	53.2%	75.8%	60.0%
Mortgage loans, net	6.7%	1.6%	6.5%
Total retained earnings as a percentage of the individual FHLBank's total assets	1.0%	0.8%	0.9%
FHLBank's total assets as a percentage of FHLBank System's total assets	6.6%	13.5%	7.4%
At June 30, 2011			
Assets			
Investments(2)	$ 22,087	$ 16,413	$ 19,186
Advances	26,204	74,791	26,912
Mortgage loans held for portfolio	3,140	1,302	4,140
Allowance for credit losses on mortgage loans	(7)	(6)	(9)
Total assets	52,234	98,342	51,947
Consolidated obligations(3)			
Discount notes	12,053	27,013	10,815
Bonds	34,887	62,816	34,892
Total consolidated obligations	46,940	89,829	45,707
Mandatorily redeemable capital stock	227	58	32
Subordinated notes(4)	—	—	—
Total capital:			
Capital stock(5)			
Class B putable	3,572	4,658	3,663
Class A putable	—	—	—
Pre-conversion putable(6)	—	—	—
Total capital stock	3,572	4,658	3,663
Total retained earnings	289	721	412
Accumulated other comprehensive income (loss)	(495)	(100)	(131)
Total capital	3,366	5,279	3,944
Asset composition as a percentage of the individual FHLBank's total assets			
Investments(2)	42.3%	16.7%	36.9%
Advances	50.2%	76.1%	51.8%
Mortgage loans, net	6.0%	1.3%	8.0%
Total retained earnings as a percentage of individual FHLBank's total assets	0.6%	0.7%	0.8%
FHLBank's total assets as a percentage of FHLBank System's total assets	6.5%	12.2%	6.4%

(1) The sum or recalculation of individual FHLBank amounts may not agree or may not be recalculated from the Combined Statement of Condition amounts due to interbank combining adjustments.

(2) Investments consist of interest-bearing deposits, deposits with other FHLBanks, securities purchased under agreements to resell, Federal funds sold, trading securities, available-for-sale securities, and held-to-maturity securities.

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

Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 35,701	$ 23,359	$ 15,239	$ 40,336	$ 12,738	$ 13,805	$ 11,182	$ 44,283	$ 25,441
81,842	35,095	18,814	15,797	26,561	19,207	17,730	56,074	9,562
1,432	8,114	5,785	12,210	7,271	141	5,553	1,551	1,209
(9)	(20)	(5)	(48)	(17)	—	(4)	(4)	(6)
119,440	67,466	40,165	68,641	46,938	34,729	35,146	102,662	36,370
21,427	30,539	7,557	23,439	5,956	9,508	9,605	17,611	16,418
89,079	31,319	28,720	39,872	36,396	22,049	21,646	73,528	16,631
110,506	61,858	36,277	63,311	42,352	31,557	31,251	91,139	33,049
115	265	451	10	10	5	8	5,048	1,124
—	—	—	1,000	—	—	—	—	—
5,007	3,259	1,608	1,850	2,064	1,204	863	4,643	1,562
—	—	—	—	—	—	475	—	119
5,007	3,259	1,608	1,850	2,064	1,204	1,338	4,643	1,681
1,344	488	549	1,504	601	539	441	2,051	193
(286)	(9)	(80)	(221)	150	(44)	(28)	(1,568)	(510)
6,065	3,738	2,077	3,133	2,815	1,699	1,751	5,126	1,364
29.9%	34.6%	37.9%	58.8%	27.1%	39.8%	31.8%	43.1%	70.0%
68.5%	52.0%	46.8%	23.0%	56.6%	55.3%	50.4%	54.6%	26.3%
1.2%	12.0%	14.4%	17.7%	15.5%	0.4%	15.8%	1.5%	3.3%
1.1%	0.7%	1.4%	2.2%	1.3%	1.6%	1.3%	2.0%	0.5%
15.7%	8.9%	5.3%	9.0%	6.2%	4.6%	4.6%	13.5%	4.8%
$ 36,979	$ 27,940	$ 14,624	$ 40,560	$ 15,601	$ 9,286	$ 13,100	$ 51,222	$ 29,005
77,427	29,173	17,476	17,315	27,939	19,684	17,633	82,745	11,161
1,828	7,561	6,283	16,114	7,244	184	4,575	2,102	1,497
(1)	(15)	(2)	(39)	(19)	—	(3)	(5)	(2)
116,817	66,618	40,059	77,078	51,575	31,388	35,826	144,438	43,106
20,573	32,916	9,993	16,619	8,602	2,850	9,786	20,406	9,334
84,640	28,052	26,068	52,535	38,568	25,124	22,106	111,709	30,062
105,213	60,968	36,061	69,154	47,170	27,974	31,892	132,115	39,396
385	324	515	533	7	17	14	6,144	1,034
—	—	—	1,000	—	—	—	—	—
6,333	3,113	1,490	—	2,140	1,285	785	5,046	1,641
—	—	—	—	—	—	592	—	125
—	—	—	2,352	—	—	—	—	—
6,333	3,113	1,490	2,352	2,140	1,285	1,377	5,046	1,766
1,184	448	451	1,165	568	467	387	1,665	33
(296)	(7)	(57)	(296)	93	(56)	(22)	(1,692)	(499)
7,221	3,554	1,884	3,221	2,801	1,696	1,742	5,019	1,300
31.7%	41.9%	36.5%	52.6%	30.2%	29.6%	36.6%	35.5%	67.3%
66.3%	43.8%	43.6%	22.5%	54.2%	62.7%	49.2%	57.3%	25.9%
1.6%	11.3%	15.7%	20.9%	14.0%	0.6%	12.8%	1.5%	3.5%
1.0%	0.7%	1.1%	1.5%	1.1%	1.5%	1.1%	1.2%	0.1%
14.4%	8.2%	5.0%	9.5%	6.4%	3.9%	4.4%	17.8%	5.3%

(4) 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 U.S. government or any of the FHLBanks other than the FHLBank of Chicago.

(5) FHLBank capital stock is redeemable at the request of a member subject to the statutory redemption periods and other conditions and limitations. (See *Note 13 - Capital* to the accompanying combined financial statements.)

(6) The corresponding balances for pre-conversion capital stock at June 30, 2011 relate solely to the FHLBank of Chicago, which did not implement its capital plan until January 1, 2012. (See *Note 13 - Capital* to the accompanying combined financial statements.)

Individual FHLBank Selected Financial Data and Financial Ratios (continued)

(dollars in millions)	Boston	New York	Pittsburgh
Selected Other Data(1)			
At June 30, 2012			
Advance concentrations - top five borrowers	37%	62%	76%
Capital stock concentrations - top five stockholders	48%	56%	55%
Regulatory capital ratio(7)	8.3%	5.6%	6.8%
Cash and stock dividends			
Quarter-to-date June 30, 2012	$ 5	$ 48	$ —
Quarter-to-date June 30, 2011	$ 2	$ 49	$ —
Year-to-date June 30, 2012	$ 10	$ 106	$ 1
Year-to-date June 30, 2011	$ 5	$ 115	$ —
Weighted-average dividend rate			
Quarter-to-date June 30, 2012	0.52%	4.50%	0.10%
Quarter-to-date June 30, 2011	0.31%	4.50%	—
Year-to-date June 30, 2012	0.51%	4.50%	0.10%
Year-to-date June 30, 2011	0.30%	4.50%	—
Return on average equity(8)			
Quarter-to-date June 30, 2012	6.70%	6.75%	2.70%
Quarter-to-date June 30, 2011	2.63%	4.35%	1.27%
Year-to-date June 30, 2012	6.06%	7.45%	2.61%
Year-to-date June 30, 2011	2.73%	5.05%	0.76%
Return on average assets			
Quarter-to-date June 30, 2012	0.49%	0.34%	0.16%
Quarter-to-date June 30, 2011	0.16%	0.22%	0.09%
Year-to-date June 30, 2012	0.43%	0.38%	0.16%
Year-to-date June 30, 2011	0.17%	0.25%	0.06%
Net interest margin(9)			
Quarter-to-date June 30, 2012	0.78%	0.37%	0.36%
Quarter-to-date June 30, 2011	0.57%	0.41%	0.27%
Year-to-date June 30, 2012	0.67%	0.37%	0.34%
Year-to-date June 30, 2011	0.53%	0.47%	0.29%
Net interest spread			
Quarter-to-date June 30, 2012	0.68%	0.33%	0.28%
Quarter-to-date June 30, 2011	0.49%	0.37%	0.15%
Year-to-date June 30, 2012	0.57%	0.33%	0.25%
Year-to-date June 30, 2011	0.45%	0.44%	0.16%

(7) The regulatory capital ratio is calculated based on the FHLBank's total regulatory capital as a percentage of total assets held at period-end. (See *Note 13 - Capital* to the accompanying combined financial statements for a definition and discussion of regulatory capital.)
(8) Return on average equity is net income expressed as a percentage of average total capital.
(9) Net interest margin is net interest income, before provision (reversal) for credit losses, represented as a percentage of average interest-earning assets.

Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
57%	60%	49%	49%	40%	30%	52%	65%	72 %
45%	45%	40%	34%	26%	22%	34%	64%	61 %
5.4%	6.0%	6.5%	4.9%	5.7%	5.0%	5.1%	11.4%	8.2 %
$ 22	$ 33	$ 12	$ 1	$ 16	$ 2	$ 7	$ 6	$ —
$ 14	$ 35	$ 10	$ 1	$ 16	$ 1	$ 6	$ 7	$ —
$ 40	$ 68	$ 23	$ 2	$ 31	$ 3	$ 15	$ 12	$ —
$ 29	$ 70	$ 20	$ 1	$ 33	$ 3	$ 13	$ 13	$ —
1.51%	4.25%	3.00%	0.18%	3.02%	0.38%	2.19%	0.51%	—
0.81%	4.50%	2.50%	0.07%	3.00%	0.38%	1.87%	0.31%	—
1.42%	4.38%	3.00%	0.13%	3.01%	0.38%	2.16%	0.50%	—
0.84%	4.50%	2.50%	0.08%	3.00%	0.38%	1.88%	0.30%	—
3.76%	6.03%	6.53%	9.28%	2.60%	5.38%	5.02%	7.23%	6.68 %
2.01%	4.28%	4.96%	5.20%	2.75%	1.54%	5.43%	0.48%	(8.60)%
3.97%	6.26%	7.46%	12.57%	4.55%	5.59%	6.15%	10.53%	5.31 %
2.29%	4.53%	4.52%	4.40%	3.27%	2.01%	5.48%	1.81%	(6.29)%
0.20%	0.34%	0.33%	0.39%	0.15%	0.26%	0.26%	0.34%	0.25 %
0.13%	0.22%	0.23%	0.20%	0.14%	0.08%	0.25%	0.03%	(0.25)%
0.21%	0.35%	0.37%	0.52%	0.26%	0.27%	0.32%	0.48%	0.20 %
0.14%	0.23%	0.20%	0.16%	0.17%	0.11%	0.25%	0.09%	(0.18)%
0.34%	0.33%	0.59%	0.80%	0.45%	0.46%	0.64%	0.82%	0.33 %
0.38%	0.39%	0.53%	0.65%	0.36%	0.47%	0.59%	0.72%	0.21 %
0.31%	0.42%	0.60%	0.85%	0.50%	0.47%	0.67%	0.85%	0.29 %
0.39%	0.40%	0.54%	0.62%	0.41%	0.47%	0.61%	0.70%	0.19 %
0.30%	0.26%	0.51%	0.72%	0.38%	0.42%	0.58%	0.79%	0.28 %
0.33%	0.31%	0.45%	0.57%	0.28%	0.44%	0.54%	0.69%	0.18 %
0.26%	0.35%	0.52%	0.77%	0.42%	0.42%	0.61%	0.82%	0.25 %
0.34%	0.32%	0.47%	0.55%	0.33%	0.43%	0.55%	0.66%	0.16 %

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