FEDERAL HOME LOAN BANKS

Quarterly Combined Financial Report
For the Three Months Ended March 31, 2007

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

The Securities Act of 1933, as amended, does not require the registration of consolidated obligations. No registration statement has been filed with the Securities and Exchange Commission with respect to the consolidated obligations. None of the Securities and Exchange Commission, the Federal Housing Finance Board, or any State securities commission has approved or disapproved the consolidated obligations or has passed upon the accuracy or adequacy of any offering material.

The consolidated obligations are not obligations of the United States and are not guaranteed by the United States.

Neither this Combined Financial Report nor any offering material provided by the Office of Finance on behalf of the Federal Home Loan Banks concerning any offering of consolidated obligations describes all the risks of investing in consolidated obligations. Prior to investing in consolidated obligations investors should consult their financial and legal advisors about the risks of investing in any particular issue of consolidated obligations.

The financial information contained in this Combined Financial Report is as of and for periods ended on or before March 31, 2007. You should read this Combined Financial Report in conjunction with the 2006 Combined Financial Report dated March 30, 2007. The 2006 Combined Financial Report contains financial and other information about the Federal Home Loan Banks as of and for the periods ended on or before December 31, 2006. These documents are available on the Federal Home Loan Banks Office of Finance web site at: www.fhlb-of.com.

Investors should direct questions about the Federal Home Loan Banks' Combined Financial Report to the Federal Home Loan Banks Office of Finance, Senior Director of Accounting Policy & Financial Reporting. Investors should direct questions about the Federal Home Loan Banks' consolidated obligations to the Federal Home Loan Banks Office of Finance, Marketing & Corporate Communications Division. The address is Federal Home Loan Banks Office of Finance, 11921 Freedom Drive, Suite 1000, Reston, VA 20190, (703) 467-3600, and the web site is www.fhlb-of.com. The Office of Finance will provide additional copies of this Combined Financial Report upon request. Please contact the Office of Finance to receive subsequent annual and quarterly combined financial reports.

Investors should not assume, based on the delivery of this Combined Financial Report, that there has been no change in the financial condition of the Federal Home Loan Banks since March 31, 2007.

The date of this Combined Financial Report is May 15, 2007.

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

EXPLANATORY STATEMENT ABOUT FHLBANKS COMBINED FINANCIAL REPORT

The Federal Home Loan Banks Office of Finance (Office of Finance) assumed responsibility for the preparation of the combined financial reports of the Federal Home Loan Banks (FHLBanks) in 2001, which previously had been prepared by the Federal Housing Finance Board (Finance Board). The Office of Finance does not have the same access to information about the FHLBanks as the Finance Board does in its capacity as regulator of the FHLBanks. In connection with its responsibilities in preparing combined financial reports, the Office of Finance is responsible for combining the financial information it receives from each of the FHLBanks. Each FHLBank is responsible for the financial information it provides to the Office of Finance and the underlying data it provides to the Office of Finance for inclusion in the combined financial reports.

The combined financial reports of the FHLBanks are intended to be used by investors who invest in the consolidated bonds and consolidated discount notes of the FHLBanks. These consolidated obligations are the joint and several obligations of the FHLBanks. This means that each individual FHLBank is responsible to the registered holders of the consolidated obligations for the payment of principal of and interest on all consolidated obligations issued by the FHLBanks.

Even though the consolidated obligations are the joint and several obligations of all of the FHLBanks, each FHLBank is a separately chartered entity. Each has its own board of directors and management. This is the case even though some financial institutions may have one or more affiliates that is a member of one or more FHLBanks. There is no system-wide central management of the FHLBanks. All FHLBanks are subject to regulations issued by the Finance Board, which periodically examines each FHLBank's operations.

Although each FHLBank has publicly available financial information, the financial information relating to the FHLBanks is presented to investors in consolidated obligations on a "combined" basis because this is considered more convenient for investors than providing financial information on each FHLBank on a stand-alone basis only. Investors should note, however, that this combined presentation describes a combination of assets and liabilities for this purpose only. This combined presentation in no way indicates that these assets and liabilities are under joint management and control. Each individual FHLBank manages its operations independently and with only minimal consideration as to how the transactions it enters into might affect the combined financial results.

In addition, each FHLBank's board of directors and management is responsible for establishing its own accounting and financial reporting policies in accordance with U.S. generally accepted accounting principles (GAAP). The 12 FHLBanks' accounting and financial reporting policies and practices are not necessarily always identical because different policies and/or presentations are permitted under GAAP in certain circumstances. However, all 12 FHLBanks' accounting and financial reporting policies conform to GAAP. 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 to all FHLBanks or the kinds of transactions described but which may not be applicable to all 12 FHLBanks as a result of their differing business practices and accounting and financial reporting policies under GAAP. An investor should review available information on individual FHLBanks to obtain more specific information on an FHLBank's business practices and accounting and financial reporting policies.

The FHLBanks occasionally engage in transactions in which one FHLBank transfers its direct liability on outstanding consolidated bonds to another FHLBank that assumes the direct liability on those outstanding consolidated bonds. By engaging in these transactions, two FHLBanks are able to better match their funding needs. Excess funds held by one FHLBank are transferred to another FHLBank that needs them. These transfers generally result in costs for the FHLBank that assumes the liability for the debt that are equal to or lower than those available for a similarly-sized transaction in the capital markets at that time. 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. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations — Results of Operations—Interbank Transfers of Liability on Outstanding Consolidated Bonds and Their Effect on Combined Net Income" and Note 1 to the accompanying combined financial statements.)

AVAILABLE INFORMATION ON INDIVIDUAL FHLBANKS

The FHLBanks provide information on their operations on an ongoing basis.

Pursuant to a Finance Board regulation, each FHLBank is subject to certain reporting requirements of the Securities Exchange Act of 1934, as amended (1934 Act) and must file certain periodic reports and other information with the U.S. Securities and Exchange Commission (SEC). These periodic reports and other information filed pursuant to the 1934 Act, including each FHLBank's description of the risk factors applicable to that FHLBank, may be inspected without charge and copied at prescribed rates at the public reference facilities of the SEC's principal office at 100 F Street, N.E., Washington, D.C. 20549. Investors may obtain information on the operation of the SEC's public reference facilities by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site at: http://www.sec.gov that will contain the periodic reports and other information filed by the FHLBanks with the SEC.

Each FHLBank prepares financial reports containing financial information relating to its financial condition and results of operations and files this information annually with the SEC on Form 10-K and quarterly on Form 10-Q. All of this information is made available on the respective web site of each FHLBank. The web site of the Office of Finance is located at: www.fhlb-of.com. This site also contains links to the web sites of each individual FHLBank.

Please note that we are providing all of the web site addresses and the identification of available information above solely as a matter of convenience. These web site addresses are not intended to be active links and their contents and the other available information are not a part of this report and are not intended to be incorporated by reference into this report.

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CONDITION

(Dollar amounts in millions)

	March 31, 2007 (Unaudited)	December 31, 2006
ASSETS		
Cash and due from banks	$ 276	$ 330
Interest-bearing deposits	38,587	33,872
Securities purchased under agreements to resell	6,105	4,905
Federal funds sold	98,214	77,056
Trading securities	5,773	5,687
Available-for-sale securities	5,843	6,661
Held-to-maturity securities	137,818	142,482
Advances	624,418	640,681
Mortgage loans held for portfolio	96,325	97,981
Less: allowance for credit losses on mortgage loans	7	7
Mortgage loans held for portfolio, net	96,318	97,974
Accrued interest receivable	4,020	4,344
Premises, software, and equipment, net	213	217
Derivative assets	1,632	1,626
Other assets	596	634
Total assets	$1,019,813	$1,016,469
LIABILITIES		
Deposits:		
Interest-bearing:		
Demand and overnight	$ 21,141	$ 17,512
Term	650	441
Other	749	795
Total interest-bearing	22,540	18,748
Non-interest-bearing:		
Demand and overnight	91	103
Other	110	121
Total non-interest-bearing	201	224
Total deposits	22,741	18,972
Borrowings:		
Securities sold under agreements to repurchase	2,200	2,200
Total borrowings	2,200	2,200
Consolidated obligations, net:		
Discount notes	165,938	157,549
Bonds	770,233	776,665
Total consolidated obligations, net	936,171	934,214
Subordinated notes	1,000	1,000
Mandatorily redeemable capital stock	995	1,094
Accrued interest payable	8,182	8,549
Affordable Housing Program	828	805
Payable to REFCORP	160	165
Derivative liabilities	2,148	2,886
Other liabilities	642	1,599
Total liabilities	975,067	971,484

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CONDITION (Continued)
(Dollar amounts in millions)

	March 31, 2007 (Unaudited)	December 31, 2006
CAPITAL		
Capital Stock:		
Capital stock Class B putable ($100 par value) issued and outstanding shares	$ 38,544	$ 38,882
Capital stock Class A putable ($100 par value) issued and outstanding shares	542	532
Capital stock Pre-conversion putable ($100 par value) issued and outstanding shares	2,591	2,587
Total capital stock	41,677	42,001
Retained earnings	3,221	3,143
Accumulated other comprehensive income:		
Net unrealized losses on available-for-sale securities		(8)
Net unrealized losses relating to hedging activities	(113)	(114)
Other	(39)	(37)
Total capital	44,746	44,985
Total liabilities and capital	$1,019,813	$1,016,469

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF INCOME
(Dollar amounts in millions)
(Unaudited)

	For the Three Months Ended March 31, 2007	2006
INTEREST INCOME		
Advances	$ 8,422	$ 7,067
Prepayment fees on advances, net	8	7
Interest-bearing deposits	457	358
Securities purchased under agreements to resell	54	51
Federal funds sold	1,051	803
Trading securities	81	103
Available-for-sale securities	78	62
Held-to-maturity securities	1,799	1,598
Mortgage loans held for portfolio	1,237	1,310
Other	1	1
Total interest income	13,188	11,360
INTEREST EXPENSE		
Consolidated obligations — Discount notes	2,062	1,763
Consolidated obligations — Bonds	9,811	8,321
Deposits	227	182
Securities sold under agreements to repurchase	37	35
Subordinated notes	14	
Mandatorily redeemable capital stock	13	16
Total interest expense	12,164	10,317
NET INTEREST INCOME	1,024	1,043
Provision for credit losses	2	1
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	1,022	1,042
OTHER INCOME (LOSS)		
Service fees	6	6
Net gains (losses) on trading securities	9	(148)
Net realized losses from sale of available-for-sale securities		(4)
Net realized losses from sale of held-to-maturity securities	(3)	
Net (losses) gains on derivatives and hedging activities	(5)	128
Other, net	5	4
Total other income (loss)	12	(14)
OTHER EXPENSE		
Operating	171	165
Finance Board	9	9
Office of Finance	8	6
Other	2	4
Total other expense	190	184
INCOME BEFORE ASSESSMENTS	844	844
Affordable Housing Program	70	71
REFCORP	153	154
Total assessments	223	225
NET INCOME	$ 621	$ 619

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(Dollar amounts and shares in millions)
(Unaudited)

	Capital Stock Class B*		Capital Stock Class A*		Capital Stock Pre-conversion*		Total Capital Stock*			Accumulated Other	
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value	Retained Earnings	Comprehensive Income	Total Capital
BALANCE, DECEMBER 31, 2005	377	$37,786	5	$498	38	$3,759	420	$42,043	$2,600	$(163)	$44,480
Proceeds from sale of capital stock	41	4,032				59	41	4,091			4,091
Repurchase/redemption of capital stock	(35)	(3,523)					(35)	(3,523)			(3,523)
Net shares reclassified to mandatorily redeemable capital stock	(1)	(116)		(17)	(1)	(94)	(2)	(227)			(227)
Comprehensive income:											
Net income									619		619
Other comprehensive income:											
Net unrealized losses on available-for-sale securities										(10)	(10)
Reclassification adjustment for losses included in net income relating to available-for-sale securities										3	3
Net unrealized gains relating to hedging activities										29	29
Reclassification adjustment for (gains) losses included in net income relating to hedging activities											
Other										(1)	(1)
Total comprehensive income											640
Dividends on capital stock:											
Cash									(251)		(251)
Stock	2	218					2	218	(218)		
BALANCE, MARCH 31, 2006	384	$38,397	5	$481	37	$3,724	426	$42,602	$2,750	$(142)	$45,210
BALANCE, DECEMBER 31, 2006	389	$38,882	5	$532	26	$2,587	420	$42,001	$3,143	$(159)	$44,985
Proceeds from sale of capital stock	40	3,890				6	40	3,896			3,896
Repurchase/redemption of capital stock	(39)	(3,785)					(39)	(3,785)			(3,785)
Net shares reclassified to mandatorily redeemable capital stock	(6)	(624)		10		(2)	(6)	(616)			(616)
Comprehensive income:											
Net income									621		621
Other comprehensive income:											
Net unrealized gains on available-for-sale securities										8	8
Reclassification adjustment for (gains) losses included in net income relating to available-for-sale securities											
Net unrealized gains relating to hedging activities										1	1
Reclassification adjustment for (gains) losses included in net income relating to hedging activities											
Other										(2)	(2)
Total comprehensive income											628
Dividends on capital stock:											
Cash									(362)		(362)
Stock	1	181					1	181	(181)		
BALANCE, MARCH 31, 2007	385	$38,544	5	$542	26	$2,591	416	$41,677	$3,221	$(152)	$44,746

* Putable

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CASH FLOWS
(Dollar amounts in millions)
(Unaudited)

	For the Three Months Ended March 31,	
	2007	2006
OPERATING ACTIVITIES		
Net income	$ 621	$ 619
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	151	145
Change in net fair value adjustment on derivative and hedging activities	(235)	(323)
Other adjustments	7	15
Net change in:		
Trading securities	(80)	(137)
Accrued interest receivable	334	15
Other assets	4	(247)
Accrued interest payable	(367)	663
Other liabilities	(33)	437
Total adjustments	(219)	568
Net cash provided by operating activities	402	1,187
INVESTING ACTIVITIES		
Net change in:		
Interest-bearing deposits	(4,716)	887
Securities purchased under agreements to resell	(1,200)	297
Federal funds sold	(21,159)	(6,218)
Premises, software and equipment	(9)	(11)
Available-for-sale securities:		
Proceeds	22,446	26,310
Purchases	(21,627)	(25,959)
Held-to-maturity securities:		
Net decrease in short-term	1,329	272
Proceeds from long-term	7,671	6,489
Purchases of long-term	(5,176)	(8,683)
Advances:		
Proceeds	1,846,457	1,839,577
Made	(1,829,477)	(1,836,330)
Mortgage loans held for portfolio:		
Principal collected	3,009	3,277
Purchases	(1,361)	(1,662)
Proceeds from sales of foreclosed assets	15	11
Net cash used in investing activities	(3,798)	(1,743)

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CASH FLOWS (Continued)
(Dollar amounts in millions)
(Unaudited)

	For the Three Months Ended March 31,	
	2007	2006
FINANCING ACTIVITIES		
Net change in:		
Deposits and pass-through reserves	$ 3,863	$ 2,405
Borrowings	(97)	(196)
Net proceeds from issuance of consolidated obligations:		
Discount notes	1,888,817	1,829,686
Bonds	120,776	73,473
Payments for maturing and retiring consolidated obligations:		
Discount notes	(1,880,470)	(1,852,288)
Bonds	(128,576)	(52,555)
Proceeds from issuance of capital stock	3,896	4,082
Payments for redemption of mandatorily redeemable capital stock	(717)	(279)
Payments for repurchase/redemption of capital stock	(3,785)	(3,523)
Cash dividends paid	(365)	(259)
Net cash provided by financing activities	3,342	546
Net decrease in cash and cash equivalents	(54)	(10)
Cash and cash equivalents at beginning of the period	330	356
Cash and cash equivalents at end of the period	$ 276	$ 346
Supplemental Disclosures:		
Interest paid	$ 12,241	$ 8,862
AHP payments, net	$ 47	$ 53
REFCORP assessments paid	$ 161	$ 156

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 results of operations of the 12 Federal Home Loan Banks (FHLBanks). The FHLBanks are regulated by the Federal Housing Finance Board (Finance Board). The FHLBanks serve the public by enhancing the availability of credit for residential mortgages and targeted community development. They provide a readily available, competitively-priced source of funds to their member institutions. The FHLBanks are cooperatives whose member institutions own nearly all of the capital stock of each FHLBank. Former members own the remaining capital stock to support business transactions still carried on the FHLBanks' Statement of Condition. All holders of an FHLBank's capital stock are entitled to receive dividends on their capital stock, to the extent declared by its FHLBank's board of directors. Regulated financial depositories and insurance companies engaged in residential housing finance may apply for membership. All members must purchase stock in their district's FHLBank.

The Finance Board, an independent agency in the executive branch of the U.S. government, supervises and regulates the FHLBanks and the Federal Home Loan Banks Office of Finance (Office of Finance), a joint office of the FHLBanks. The Finance Board's principal purpose is to ensure that the FHLBanks operate in a safe and sound manner. In addition, the Finance Board ensures that the FHLBanks carry out their housing finance mission, remain adequately capitalized, and are able to raise funds in the capital markets. Also, the Finance Board establishes policies and regulations governing the operations of the FHLBanks. 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 FHLBanks' debt instruments, known as consolidated obligations, are the joint and several obligations of all 12 FHLBanks and are the primary source of funds for the FHLBanks. Deposits, other borrowings and capital stock issued to members provide additional funds. Each FHLBank primarily uses these funds to provide advances to members and to purchase loans from members through its Mortgage Purchase Program (MPP)/Mortgage Partnership Finance® (MPF®) Program(1). Some FHLBanks also offer their member institutions correspondent services, such as wire transfer, security safekeeping, and settlement services.

Note 1 — Summary of Significant Accounting Policies

Principles of Combination. The combined financial statements include the financial results of the 12 FHLBanks. Material transactions among the FHLBanks have been eliminated in accordance with combination accounting principles under U.S. generally accepted accounting principles (GAAP), including Accounting Research Bulletin No. 51, *Consolidated Financial Statements.* The significant transactions between the FHLBanks are: 1) transfers of direct liability on bonds between FHLBanks — consolidated obligations issued on behalf of one FHLBank and transferred to and assumed by another FHLBank and 2) purchases of bonds — consolidated obligations issued on behalf of one FHLBank and purchased by another FHLBank in the open market.

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

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

contingent liability because it still has a joint and several liability with respect to repaying the transferred consolidated obligation.

The FHLBank assuming the consolidated bond liability accounts for the bond at its historical cost with the initial carrying amount being the amount paid to the transferring FHLBank by the assuming FHLBank in exchange for the assumption, including any premium or discount. There have not been any transactions with a third party independent of the FHLBanks under the transfer scenario. Under combination accounting principles, combining adjustments are required to reflect the transaction as if the transferring FHLBank still held the bond for purposes of the FHLBanks' combined financial statements. The debt extinguishment transaction, including any gain or loss, is eliminated, all balance sheet and income statement effects related to the assuming FHLBank's premium or discount related to the purchase of the bonds are eliminated and the transferring FHLBank's original premium or discount, concession fees and Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended by SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities — Deferral of Effective Date of FASB Statement No. 133*, SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities,* SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* and SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments, an Amendment of FASB Statements No. 133 and 140* (SFAS 133) basis adjustments are reinstated and amortized over the life of the bond.

Purchases of Bonds. All purchase transactions occur at market prices with third parties, and the purchasing FHLBanks treat these bonds as investments. Under combination accounting principles, the investment and the bonds and related interest income and expense are eliminated in combination.

No other transactions among the FHLBanks have a material effect on operating results.

Segment Reporting. While individual FHLBanks identify and report operating segments of their businesses, for the purposes of SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information,* the Finance Board regulations consider each FHLBank to be a segment.

Basis of Presentation and Use of Estimates. The FHLBanks' accounting and financial reporting policies conform to GAAP. The preparation of financial statements in accordance with GAAP requires each FHLBank's management to make assumptions and estimates that 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 includes the fair value of derivatives. Actual results could differ from these estimates significantly.

Additionally, the preparation of combined financial statements in accordance with GAAP requires the Office of Finance and the FHLBanks' management to make assumptions and estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expense. Actual combined results could differ from these estimates significantly.

Cash Flows. In the Statement of Cash Flows, the FHLBanks consider cash and due from banks as cash and cash equivalents. Federal funds sold are not treated as cash equivalents for purposes of the Statement of Cash Flows, but instead are treated as short-term investments and are reflected in the investing activities section of the Statement of Cash Flows.

Reclassifications. Certain amounts in the first quarter 2006 financial statements of the FHLBanks have been reclassified to conform to the first quarter 2007 presentation.

Note 2 — Recently Issued Accounting Standards and Interpretations

SFAS 155. On February 16, 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140* (SFAS 155), which resolves issues addressed in Statement 133 Implementation Issue No. D1, *Application of Statement 133 to Beneficial Interests in Securitized Financial Assets* (Derivatives Implementation Group (DIG) Issue D1). SFAS 155 amends

SFAS 133 to simplify the accounting for certain derivatives embedded in other financial instruments (hybrid financial instruments) by permitting fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise required bifurcation, provided that the entire hybrid financial instrument is accounted for on a fair value basis. SFAS 155 also establishes the requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, which replaces the interim guidance in DIG Issue D1. SFAS 155 amends SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities — a replacement of FASB Statement 125* (SFAS 140) to allow a qualifying special-purpose entity to hold a derivative financial instrument that pertains to beneficial interests other than another derivative financial instrument. The FHLBanks' adoption of SFAS 155 at January 1, 2007 (January 1, 2006 for the FHLBank of Dallas) did not have a material effect on their financial condition, results of operations or cash flows.

DIG Issue B40. On December 20, 2006, the FASB issued DIG Issue No. B40, *Application of Paragraph 13(b) to Securitized Interest in Prepayable Financial Assets* (DIG Issue B40). DIG Issue B40 clarifies when a securitized interest in prepayable financial assets is subject to the conditions in paragraph 13(b) of SFAS 133. The FHLBanks' adoption of DIG Issue B40 at January 1, 2007 (October 1, 2006 for the FHLBank of Dallas) did not have a material effect on their financial condition, results of operations or cash flows.

SFAS 157. On September 15, 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). In defining fair value, SFAS 157 retains the exchange price notion in earlier definitions of fair value. However, the definition of fair value under SFAS 157 focuses on the price that would be received to sell an asset or paid to transfer a liability (an exit price), not the price that would be paid to acquire the asset or received to assume the liability (an entry price). SFAS 157 applies whenever other accounting pronouncements require or permit assets or liabilities to be measured at fair value. Accordingly, SFAS 157 does not expand the use of fair value in any new circumstances. SFAS 157 also establishes a fair value hierarchy that prioritizes the information used to develop assumptions used to determine the exit price. Under this standard, fair value measurements will be separately disclosed by level within the fair value hierarchy. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 (January 1, 2008 for the FHLBanks) and interim periods within those fiscal years. The FHLBanks have not yet determined the effect that the adoption of this statement will have on their financial condition, results of operations or cash flows.

SFAS 159. On February 15, 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 creates a fair value option allowing, but not requiring, an entity to elect irrevocably fair value as the initial and subsequent measurement attribute for certain financial assets and financial liabilities, with changes in fair value recognized in earnings as they occur. It requires entities to display separately the fair value of those assets and liabilities for which the company has chosen to use fair value on the face of the balance sheet. Additionally, SFAS 159 requires an entity to provide information that would allow users to understand the effect on earnings of changes in the fair value on those instruments selected for the fair value election. SFAS 159 is effective at the beginning of an entity's first fiscal year beginning after November 15, 2007 (January 1, 2008 for the FHLBanks). Although the FHLBanks have not yet determined the effect that the implementation of SFAS 159 will have on their financial condition, results of operations or cash flows, the FHLBanks believe that, if the fair value option was elected, SFAS 159 could have a material effect on their financial condition, results of operations or cash flows.

FASB Staff Position No. FIN 39-1. On April 30, 2007, the FASB issued FASB Staff Position No. FIN 39-1, *Amendment of FASB Interpretation No. 39* (FSP FIN 39-1). FSP FIN 39-1 permits an entity to offset fair value amounts recognized for derivative instruments and fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from derivative instruments recognized at fair value executed with the same counterparty under a master netting arrangement. Under FSP FIN 39-1, the receivable or payable related to cash collateral may not be offset if the amount recognized does not represent or approximate fair value or arises from instruments in a master netting arrangement that are not eligible to be offset. The decision whether to offset such fair value amounts represents an elective accounting policy decision that, once elected, must be applied consistently. FSP FIN 39-1 is effective for fiscal years beginning after November 15, 2007 (January 1, 2008 for the FHLBanks), with earlier application permitted. An entity should recognize the effects of applying FSP FIN 39-1 as a change in accounting principle through retrospective application for all financial statements presented unless it is impracticable to do so. Upon adoption of FSP FIN 39-1, an entity is permitted to change its accounting policy to offset or not offset fair value amounts recognized for derivative instruments under master netting arrangements. The FHLBanks have not yet determined the effect that the adoption of FSP FIN 39-1 will have on their financial statements.

Note 3 — Held-to-Maturity Securities

The FHLBanks of Des Moines, Topeka and Seattle sold securities out of their respective held-to-maturity securities portfolio during the three months ended of March 31, 2007 that were either within three months of maturity or had less than 15 percent of the acquired principal outstanding. In accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (SFAS 115), such sales are considered as maturities for the purposes of security classification. The FHLBank of Des Moines recognized a net gain of $545 thousand in other income on the sale of held-to-maturity securities. The FHLBanks of Topeka and Seattle recognized net losses of $1 million and $2 million in other income on the sale of held-to-maturity securities.

There were no sales of held-to-maturity securities during the three months ended March 31, 2006.

Note 4 — 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. By July 18, 2002, the Finance Board had approved the capital structure plan of each FHLBank.

As of March 31, 2007, the FHLBanks of Boston, New York, Pittsburgh, Atlanta, Cincinnati, Indianapolis, Des Moines, Dallas, Topeka, San Francisco and Seattle have implemented their respective capital plans. Each conversion was considered a capital transaction and was accounted for at par value. Each FHLBank that has converted to a new capital structure is subject to three capital requirements under its Capital Plan and the Finance Board rules and regulations: (1) risk-based capital, (2) total capital and (3) leverage capital. First, under the risk-based capital requirement, an FHLBank must maintain at all times permanent capital defined as Class B stock and retained earnings in an amount at least equal to the sum of its credit risk, market risk, and operations risk capital requirements, all of which are calculated in accordance with the rules and regulations of the Finance Board. The Finance Board may require an FHLBank to maintain a greater amount of permanent capital than is required by the risk-based capital requirements as defined. Second, an FHLBank is required to maintain at all times a total capital-to-assets ratio of at least four percent. Total capital is the sum of permanent capital, Class A stock, any general loss allowance, if consistent with GAAP and not established for specific assets, and other amounts from sources determined by the Finance Board as available to absorb losses. Third, an 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 (i) permanent capital weighted 1.5 times and (ii) all other capital without a weighting factor. Mandatorily redeemable capital stock is considered capital for determining the FHLBank's compliance with its regulatory requirements. If an FHLBank is not in compliance with the capital requirements at the effective date, it must come into compliance within a transition period of up to three years. During that period, the existing leverage limit established by Finance Board regulations will continue to apply.

At March 31, 2007, all of the FHLBanks were in compliance with their risk-based capital rules as follows (dollar amounts in millions):

Regulatory Capital Requirements

FHLBank*	Minimum Regulatory Capital Ratio Requirement	At March 31, 2007 Minimum Regulatory Capital Requirement	Actual Capital Ratio	Total Regulatory Capital (1)	Permanent Capital (2)	Required Risk-Based Capital
Boston	4.0%	$2,386	4.3%	$2,589	$2,589	$359
New York	4.0%	3,279	4.9%	4,035	4,035	627
Pittsburgh	4.0%	2,920	4.6%	3,355	3,348	470
Atlanta	4.0%	5,653	4.5%	6,347	6,347	792
Cincinnati	4.0%	3,270	4.8%	3,943	3,943	625
Indianapolis	4.0%	1,946	4.5%	2,203	2,203	514
Des Moines	4.0%	1,709	5.4%	2,288	2,288	507
Dallas	4.0%	2,131	4.5%	2,418	2,418	433
Topeka	4.0%	1,991	4.2%	2,078	1,489	429
San Francisco	4.0%	9,876	4.5%	11,161	11,161	1,098
Seattle	4.0%(3)	2,259	4.1%	2,314	2,314	370

FHLBank*	Minimum Leverage Ratio Requirement	At March 31, 2007 Minimum Weighted Leverage Capital Requirement	Actual Leverage Ratio	Actual Weighted Leverage Capital
Boston	5.0%	$2,983	6.5%	$3,884
New York	5.0%	4,099	7.4%	6,053
Pittsburgh	5.0%	3,651	6.9%	5,029
Atlanta	5.0%	7,066	6.7%	9,520
Cincinnati	5.0%	4,088	7.2%	5,914
Indianapolis	5.0%	2,433	6.8%	3,304
Des Moines	5.0%	2,136	8.0%	3,432
Dallas	5.0%	2,663	6.8%	3,627
Topeka	5.0%	2,488	5.7%	2,822
San Francisco	5.0%	12,345	6.8%	16,742
Seattle	5.0%	2,824	6.2%	3,471

* Only includes FHLBanks that have implemented a new capital plan as of March 31, 2007.

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

(2) Permanent capital is defined as retained earnings and regulatory capital Class B stock. The mandatorily redeemable capital stock is considered capital for regulatory purposes.

(3) On January 11, 2007, the Finance Board terminated the Written Agreement between the FHLBank of Seattle and the Finance Board dated December 10, 2004. Subsequently, on January 26, 2007, due to the termination of the Written Agreement, the FHLBank of Seattle's board authorized the FHLBank of Seattle to lower the minimum capital-to-assets ratio from

4.25 percent to 4.05 percent. Prior to the termination of the Written Agreement, the FHLBank of Seattle maintained a minimum supervisory capital-to-assets ratio of 4.25 percent which was required under its business plan submitted to the Finance Board in April 2005, and accepted by the Finance Board in May 2005.

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 cancelled 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.

Until the FHLBank of Chicago implements its new capital plan, the pre-GLB Act capital rules remain in effect. In particular, the pre-GLB Act rules require members to purchase capital stock equal to the greater of $500, 1 percent of its mortgage-related assets or 5 percent of its outstanding FHLBank advances. Effective May 16, 2006, the FHLBank of Chicago adopted voluntary capital stock redemption guidelines pursuant to which it notifies members on a periodic basis of its intention to redeem up to a specified dollar amount of voluntary capital stock. Under the redemption guidelines, if aggregate member requests exceed the pre-announced redemption amount, voluntary capital stock is redeemed on a pro-rata basis. Capital stock outstanding under the pre-GLB Act rules is redeemable at the option of a member upon six-months' notice if the member withdraws from the FHLBank of Chicago.

As of March 31, 2007, the FHLBank of Chicago was in compliance with all of its minimum regulatory capital requirements. The following table summarizes the FHLBank of Chicago's regulatory capital requirements as a percentage of its total assets (dollar amounts in millions):

Pre-GLB Act Capital Requirement(2)	Regulatory Capital Requirement per Written Agreement(1)			
	Requirement		Actual	
	Ratio	Amount	Ratio	Amount
$ 3,509	4.5%	$3,947	4.8%	$4,213

(1) Regulatory capital is defined as the sum of the paid-in value of capital stock and mandatorily redeemable capital stock (together defined as "regulatory capital stock") plus retained earnings. The Finance Board granted approvals and waivers to the FHLBank of Chicago to allow it to include a designated amount of subordinated notes in determining compliance with its regulatory capital ratio.

(2) The regulatory capital ratio required by Finance Board regulations for the FHLBank of Chicago, which has not implemented a capital plan under the GLB Act, is 4.0 percent provided that its non-mortgage assets (defined as total assets less advances, acquired member assets, standby letters of credit, intermediary derivative contracts, certain MBS, and other investments specified by Finance Board regulation) after deducting its amount of deposits and capital are not greater than 11 percent of the FHLBank of Chicago's total assets on an average monthly basis. If non-mortgage assets are greater than 11 percent of its total assets, the Finance Board regulations require a regulatory capital ratio of 4.76 percent.

Under Amendment No. 3 to its Written Agreement with the Finance Board, the FHLBank of Chicago is required to maintain an aggregate amount of regulatory capital stock plus a designated amount of subordinated notes of at least $3,500 million. At March 31, 2007, the FHLBank of Chicago had an aggregate amount of $3,605 million of regulatory capital stock plus the designated amount of subordinated notes.

For additional discussion on the FHLBank of Chicago's Written Agreement with the Finance Board, see "Note 16 — Capital" in the Federal Home Loan Banks' 2006 Combined Financial Report.

Note 5 — Subsequent Events

FHLBank of Pittsburgh. On May 11, 2007, the FHLBank of Pittsburgh filed a Form 8-K with the SEC announcing that it was restating its statement of cash flows for the year ended December 31, 2006 and also filed an amended Form 10-K containing the restated cash flows for the period. During the preparation of its first quarter 2007 statement of cash flows, the FHLBank of Pittsburgh became aware of a misclassification within its December 31, 2006 statement of cash flows, which also affected each quarter in 2006. This misclassification relates to the treatment of discounts and related accretion activity on discount notes issued by the FHLBank of Pittsburgh. As a result of this misclassification within the FHLBank of Pittsburgh's 2006 statements of cash flows, cash provided by operating activities was overstated by approximately $50 million for the first quarter of 2006 and $111 million for the year ended December 31, 2006, and cash provided by financing activities was understated by approximately $50 million and $111 million in the respective periods.

To correct for this misclassification, the FHLBank of Pittsburgh restated its statement of cash flows for the year ended December 31, 2006 and each of the 2006 interim periods. The restatement only affected the classification of line items within the operating and financing sections of its statements of cash flows and had no impact on the beginning and ending cash balances as previously reported. The restatement had no effect on either the FHLBank of Pittsburgh's or the FHLBanks' Combined Statements of Income, Statements of Condition or Statements of Changes in Capital. As such, the FHLBank of Pittsburgh's, and the FHLBanks' combined, historical revenue, net income, earnings per share, total assets and total capital remained unchanged by the restatement.

While the effect of the FHLBank of Pittsburgh's restatement on the Combined Statement of Cash Flows for the year ended December 31, 2006 and each of the 2006 interim periods is immaterial, the amounts contained in this report's Combined Statement of Cash Flows for the three months ended March 31, 2006, which we have not previously published for that period, reflect the amounts as restated by the FHLBank of Pittsburgh.

FHLBank of Chicago. The FHLBank of Chicago conducted a reduction-in-force on May 1, 2007. In connection with this and other planned reductions through the remainder of 2007, the FHLBank of Chicago will recognize a charge to second quarter 2007 earnings before assessments of approximately $4.2 million.

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FEDERAL HOME LOAN BANKS
COMBINING SCHEDULES — STATEMENTS OF CONDITION
MARCH 31, 2007
(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
ASSETS						
Cash and due from banks	$ 276	$	$ 8	$ 19	$ 80	$ 20
Interest-bearing deposits	38,587		875	6,367	3,725	1,069
Deposits with other FHLBanks for mortgage loan programs		(10)			5	4
Securities purchased under agreements to resell	6,105		3,000			
Federal funds sold	98,214		4,659	3,594	3,110	11,176
Trading securities	5,773	(319)	134			4,522
Available-for-sale securities	5,843	(57)	976		60	
Held-to-maturity securities	137,818	(3,025)	7,081	10,807	12,565	19,071
Advances	624,418		38,161	59,147	45,801	101,345
Mortgage loans held for portfolio	96,325		4,385	1,490	6,751	3,162
Less: allowance for credit losses on mortgages loans	7			1	1	1
Mortgage loans held for portfolio, net	96,318		4,385	1,489	6,750	3,161
Accrued interest receivable	4,020	(14)	205	396	362	624
Premises, software, and equipment, net	213		6	11	23	30
Derivative assets	1,632		133	132	469	221
Other assets	596	6	28	21	61	84
Total assets	$1,019,813	$(3,419)	$59,651	$81,983	$73,011	$141,327
LIABILITIES						
Deposits:						
Interest-bearing:						
Demand and overnight	$ 21,141	$	$ 1,099	$ 2,148	$ 1,436	$ 6,030
Term	650		27	27	1	9
Deposits from other FHLBanks for mortgage loan programs		(10)				
Other	749		2	33	344	101
Total interest-bearing	22,540	(10)	1,128	2,208	1,781	6,140
Non-interest-bearing:						
Demand and overnight	91			2	20	26
Other	110		5			
Total non-interest-bearing	201		5	2	20	26
Total deposits	22,741	(10)	1,133	2,210	1,801	6,166
Borrowings:						
Securities sold under agreements to repurchase	2,200					500
Total borrowings	2,200					500
Consolidated obligations, net:						
Discount notes	165,938		21,025	14,002	15,752	6,727
Bonds	770,233	(3,348)	34,404	60,780	51,377	119,685
Total consolidated obligations, net	936,171	(3,348)	55,429	74,782	67,129	126,412
Subordinated notes	1,000					
Mandatorily redeemable capital stock	995		20	112	6	247
Accrued interest payable	8,182	(14)	324	637	498	1,150
Affordable Housing Program	828		46	104	52	134
Payable to REFCORP	160		12	18	14	24
Derivative liabilities	2,148		92	124	148	468
Other liabilities	642		21	83	26	131
Total liabilities	975,067	(3,372)	57,077	78,070	69,674	135,232
CAPITAL						
Capital Stock:						
Capital stock Class B putable ($100 par value) issued and outstanding	38,544		2,379	3,548	3,083	5,682
Capital stock Class A putable ($100 par value) issued and outstanding	542					
Capital stock Pre-conversion putable ($100 par value) issued and outstanding	2,591					
Total capital stock	41,677		2,379	3,548	3,083	5,682
Retained earnings	3,221	(42)	191	375	259	418
Accumulated other comprehensive income:						
Net unrealized gains (losses) on available-for-sale securities			5		2	
Net unrealized (losses) gains relating to hedging activities	(113)	(5)	2	(5)	(5)	
Other	(39)		(3)	(5)	(2)	(5)
Total capital	44,746	(47)	2,574	3,913	3,337	6,095
Total liabilities and capital	$1,019,813	$(3,419)	$59,651	$81,983	$73,011	$141,327

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 5	$ 11	$ 24	$ 22	$ 78	$	$ 7	$ 2
7,487	1,301		2	156	4,497	10,235	2,873
				1			
200			305			2,100	500
6,563	8,720	11,665	3,209	7,673	7,431	21,246	9,168
4		690		21	655	66	
741		2,845	522	654	102		
12,239	6,319	10,636	5,659	7,046	7,653	30,120	11,647
45,574	22,077	24,313	21,322	36,854	26,716	177,455	25,653
8,563	9,959	37,024	11,514	433	2,350	4,506	6,188
		1		1	1	1	
8,563	9,959	37,023	11,514	432	2,349	4,505	6,188
301	125	367	95	181	154	976	248
8	10	49	7	25	20	12	12
46	98	34	43	113	102	78	163
24	31	73	27	29	86	106	20
$81,755	$48,651	$87,719	$42,727	$53,263	$49,765	$246,906	$56,474
$ 1,032	$ 1,099	$ 1,096	$ 1,120	$ 3,220	$ 1,264	$ 615	$ 982
160		111	17	201	3	5	89
		10					
22	50	28		118	34	12	5
1,214	1,149	1,245	1,137	3,539	1,301	632	1,076
		21	22				
	11	83			7	4	
	11	104	22		7	4	
1,214	1,160	1,349	1,159	3,539	1,308	636	1,076
		1,200	500				
		1,200	500				
21,301	12,521	13,316	4,538	8,977	13,421	29,729	4,629
54,438	32,272	66,605	33,726	37,661	32,406	202,437	47,790
75,739	44,793	79,921	38,264	46,638	45,827	232,166	52,419
		1,000					
31	151	14	59	123	47	103	82
592	387	846	318	416	329	2,111	588
99	27	61	46	46	38	154	21
16	8	7	5	9	8	36	3
78	38	180	129	139	147	583	22
80	42	48	20	57	37	64	33
77,849	46,606	84,626	40,500	50,967	47,741	235,853	54,244
3,650	1,881		1,884	2,098	1,310	10,898	2,131
					542		
		2,591					
3,650	1,881	2,591	1,884	2,098	1,852	10,898	2,131
262	171	608	344	196	178	160	101
		(5)		1	(3)		
		(98)				(2)	
(6)	(7)	(3)	(1)	1	(3)	(3)	(2)
3,906	2,045	3,093	2,227	2,296	2,024	11,053	2,230
$81,755	$48,651	$87,719	$42,727	$53,263	$49,765	$246,906	$56,474

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CONDITION
DECEMBER 31, 2006

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
ASSETS						
Cash and due from banks	$ 330	$	$ 8	$ 39	$ 78	$ 29
Interest-bearing deposits	33,872		940	5,591	3,615	796
Deposits with other FHLBanks for mortgage loan programs		(12)			5	5
Securities purchased under agreements to resell	4,905		3,250			
Federal funds sold	77,056		2,607	3,661	3,370	10,532
Trading securities	5,687	(321)	151			4,515
Available-for-sale securities	6,661	(57)	988		66	
Held-to-maturity securities	142,482	(4,225)	7,306	11,251	12,939	19,330
Advances	640,681		37,342	59,013	49,335	101,476
Mortgage loans held for portfolio	97,981		4,502	1,484	6,967	3,004
Less: allowance for credit losses on mortgages loans	7			1	1	1
Mortgage loans held for portfolio, net	97,974		4,502	1,483	6,966	3,003
Accrued interest receivable	4,344	(59)	214	406	417	692
Premises, software, and equipment, net	217		6	11	22	31
Derivative assets	1,626		129	225	499	259
Other assets	634	6	27	23	64	90
Total assets	$1,016,469	$(4,668)	$57,470	$81,703	$77,376	$140,758
LIABILITIES						
Deposits:						
Interest-bearing:						
Demand and overnight	$ 17,512	$	$ 1,087	$ 2,182	$ 1,056	$ 4,445
Term	441		29	80	1	13
Deposits from other FHLBanks for mortgage loan programs		(12)				
Other	795		3	126	352	142
Total interest-bearing	18,748	(12)	1,119	2,388	1,409	4,600
Non-interest-bearing:						
Demand and overnight	103			2	17	20
Other	121		5			
Total non-interest-bearing	224		5	2	17	20
Total deposits	18,972	(12)	1,124	2,390	1,426	4,620
Borrowings:						
Securities sold under agreements to repurchase	2,200					500
Total borrowings	2,200					500
Consolidated obligations, net:						
Discount notes	157,549		17,724	12,191	17,845	4,934
Bonds	776,665	(4,548)	35,518	62,043	53,627	122,068
Total consolidated obligations, net	934,214	(4,548)	53,242	74,234	71,472	127,002
Subordinated notes	1,000					
Mandatorily redeemable capital stock	1,094		12	110	8	216
Accrued interest payable	8,549	(59)	358	735	566	1,387
Affordable Housing Program	805		45	102	49	130
Payable to REFCORP	165		13	17	15	23
Derivative liabilities	2,886		121	108	144	570
Other liabilities	1,599		23	103	62	136
Total liabilities	971,484	(4,619)	54,938	77,799	73,742	134,584
CAPITAL						
Capital Stock:						
Capital stock Class B putable ($100 par value) issued and outstanding	38,882		2,343	3,546	3,384	5,772
Capital stock Class A putable ($100 par value) issued and outstanding	532					
Capital stock Pre-conversion putable ($100 par value) issued and outstanding	2,587					
Total capital stock	42,001		2,343	3,546	3,384	5,772
Retained earnings	3,143	(44)	187	368	255	407
Accumulated other comprehensive income:						
Net unrealized (losses) gains on available-for-sale securities	(8)		3		2	
Net unrealized (losses) gains relating to hedging activities	(114)	(5)	2	(5)	(5)	
Other	(37)		(3)	(5)	(2)	(5)
Total capital	44,985	(49)	2,532	3,904	3,634	6,174
Total liabilities and capital	$1,016,469	$(4,668)	$57,470	$81,703	$77,376	$140,758

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 4	$ 15	$ 23	$ 30	$ 96	$	$ 7	$ 1
6,536	394		11	174	4,327	9,323	2,165
				1		1	
1,150			305			200	
9,642	7,324	6,470	1,625	5,495	8,055	15,443	2,832
5		532		24	704	77	
1,188		3,097	562	715	102		
12,099	6,545	11,915	5,715	7,194	8,377	30,348	13,688
41,956	22,282	26,179	21,855	41,168	28,445	183,669	27,961
8,461	10,021	37,945	11,775	450	2,374	4,631	6,367
		1		1	1	1	
8,461	10,021	37,944	11,775	449	2,373	4,630	6,367
301	136	379	93	188	176	1,078	323
8	11	51	7	25	20	12	13
13	99	41	36	91	67	20	147
24	42	83	27	30	93	107	18
$81,387	$46,869	$86,714	$42,041	$55,650	$52,739	$244,915	$53,515

$ 827	$ 847	$ 1,242	$ 879	$ 2,326	$ 1,108	$ 587	$ 926
88		95	20	45	1	5	64
		12					
12	61	30		53	1	2	13
927	908	1,379	899	2,424	1,110	594	1,003
		22	42				
	12	92			8	4	
	12	114	42		8	4	
927	920	1,493	941	2,424	1,118	598	1,003
		1,200	500				
		1,200	500				
21,947	10,471	11,166	4,685	8,226	16,736	30,128	1,496
53,239	32,844	67,744	33,066	41,684	32,039	199,300	48,041
75,186	43,315	78,910	37,751	49,910	48,775	229,428	49,537
		1,000					
137	151	14	65	160	46	106	69
559	384	690	300	444	337	2,280	568
96	26	63	45	43	36	147	23
17	7	9	6	8	9	39	2
108	63	195	163	168	204	995	47
450	48	57	21	54	42	568	35
77,480	44,914	83,631	39,792	53,211	50,567	234,161	51,284
3,658	1,793		1,906	2,248	1,475	10,616	2,141
					532		
		2,587					
3,658	1,793	2,587	1,906	2,248	2,007	10,616	2,141
256	167	606	344	190	172	143	92
(1)		(8)			(4)		
		(99)				(2)	
(6)	(5)	(3)	(1)	1	(3)	(3)	(2)
3,907	1,955	3,083	2,249	2,439	2,172	10,754	2,231
$81,387	$46,869	$86,714	$42,041	$55,650	$52,739	$244,915	$53,515

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2007

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$ 8,422	$	$486	$ 776	$623	$1,369
Prepayment fees on advances, net	8		1	2		1
Interest-bearing deposits	457		18	81	52	9
Securities purchased under agreements to resell	54		28			
Federal funds sold	1,051		39	45	46	128
Trading securities	81	(5)	2			66
Available-for-sale securities	78	(1)	12		1	
Held-to-maturity securities	1,799	(7)	100	153	156	231
Mortgage loans held for portfolio	1,237		56	19	88	40
Other	1					
Total interest income	13,188	(13)	742	1,076	966	1,844
INTEREST EXPENSE						
Consolidated obligations — Discount notes	2,062		238	171	218	76
Consolidated obligations — Bonds	9,811	(13)	423	767	647	1,542
Deposits	227		11	23	17	59
Securities sold under agreements to repurchase	37					6
Subordinated notes	14					
Mandatorily redeemable capital stock	13			2		3
Total interest expense	12,164	(13)	672	963	882	1,686
NET INTEREST INCOME	1,024		70	113	84	158
Provision for credit losses	2				2	
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	1,022		70	113	82	158
OTHER INCOME (LOSS)						
Service fees	6		1	1	1	1
Net gains on trading securities	9					5
Net realized losses from sale of held-to-maturity securities	(3)					
Net (losses) gains on derivatives and hedging activities	(5)		1	3	5	(9)
Other, net	5	1		(2)	1	
Total other income (loss)	12	1	2	2	7	(3)
OTHER EXPENSE						
Operating	171		12	16	14	21
Finance Board	9			1	1	1
Office of Finance	8		1	1	1	1
Other	2	(1)				1
Total other expense	190	(1)	13	18	16	24
INCOME BEFORE ASSESSMENTS	844	2	59	97	73	131
Affordable Housing Program	70		5	8	6	11
REFCORP	153		11	18	13	24
Total assessments	223		16	26	19	35
NET INCOME	$ 621	$ 2	$ 43	$ 71	$ 54	$ 96

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 596	$305	$ 313	$290	$525	$356	$2,425	$358
	2			1			1
83	5			2	57	119	31
11			4			4	7
99	97	120	39	82	93	180	83
		8			9	1	
11		39	8	8			
143	75	157	76	107	108	367	133
112	131	475	145	6	30	57	78
					1		
1,055	615	1,112	562	731	654	3,153	691
309	148	163	68	119	170	330	52
633	405	824	434	520	417	2,611	601
13	13	16	14	33	12	6	10
		24	7				
		14					
1	2		1	2	1	1	
956	568	1,041	524	674	600	2,948	663
99	47	71	38	57	54	205	28
99	47	71	38	57	54	205	28
			1	1			
		2			2		
					(1)		(2)
(1)	1	(13)	(1)	2	(3)	11	(1)
1		1		1	1	1	
	1	(10)		4	(1)	12	(3)
10	11	28	9	12	8	20	10
1		1	1			2	1
1				1		2	
	1	1					
12	12	30	10	13	8	24	11
87	36	31	28	48	45	193	14
7	3	2	3	4	4	16	1
16	6	6	5	9	8	35	2
23	9	8	8	13	12	51	3
$ 64	$ 27	$ 23	$ 20	$ 35	$ 33	$ 142	$ 11

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2006

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$7,067	$	$457	$701	$527	$1,133
Prepayment fees on advances, net	7			1		
Interest-bearing deposits	358		20	76	38	5
Securities purchased under agreements to resell	51		7			
Federal funds sold	803		43	21	35	101
Trading securities	103	(5)	3			76
Available-for-sale securities	62	(1)	10		3	
Held-to-maturity securities	1,598	(45)	80	130	125	229
Mortgage loans held for portfolio	1,310		60	19	95	36
Other	1					
Total interest income	11,360	(51)	680	948	823	1,580
INTEREST EXPENSE						
Consolidated obligations — Discount notes	1,763		292	203	127	67
Consolidated obligations — Bonds	8,321	(53)	309	627	605	1,295
Deposits	182		5	14	12	50
Securities sold under agreements to repurchase	35					5
Mandatorily redeemable capital stock	16					2
Total interest expense	10,317	(53)	606	844	744	1,419
NET INTEREST INCOME	1,043	2	74	104	79	161
Provision for credit losses	1				1	
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	1,042	2	74	104	78	161
OTHER (LOSS) INCOME						
Service fees	6		1	1	1	1
Net losses on trading securities	(148)		(2)			(106)
Net realized losses from sale of available-for-sale securities	(4)					
Net gains (losses) on derivatives and hedging activities	128		1	(2)	5	106
Other, net	4	(5)				
Total other (loss) income	(14)	(5)		(1)	6	1
OTHER EXPENSE						
Operating	165		11	15	15	21
Finance Board	9			1	1	1
Office of Finance	6		1	1		1
Other	4	(1)				1
Total other expense	184	(1)	12	17	16	24
INCOME BEFORE ASSESSMENTS	844	(2)	62	86	68	138
Affordable Housing Program	71		5	7	6	12
REFCORP	154		11	16	12	25
Total assessments	225		16	23	18	37
NET INCOME	$ 619	$ (2)	$ 46	$ 63	$ 50	$ 101

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$510	$273	$ 268	$253	$496	$311	$1,888	$250
2				1	1	1	1
51	9		8	4	51	83	13
8		4	3			24	5
80	51	83	36	54	50	172	77
	1	16		1	9	2	
14		23	1	11	1		
141	76	100	72	102	92	353	143
108	126	516	159	7	30	63	91
					1		
914	536	1,010	532	676	546	2,586	580
218	74	185	50	72	147	206	122
588	394	671	429	511	337	2,182	426
9	13	11	9	38	9	4	8
		20	6				4
6		2	1	3	1	1	
821	481	889	495	624	494	2,393	560
93	55	121	37	52	52	193	20
93	55	121	37	52	52	193	20
			1	1			
		(27)		(1)	(12)		
		(4)					
	(1)	11	1	(3)	19	(11)	2
1	1	4	1	2	(1)	1	
1		(16)	3	(1)	6	(10)	2
9	10	26	10	12	7	18	11
1		1	1	1		2	
1					1	1	
1	1	2					
12	11	29	11	13	8	21	11
82	44	76	29	38	50	162	11
7	4	6	3	3	4	13	1
15	8	14	5	7	9	30	2
22	12	20	8	10	13	43	3
$ 60	$ 32	$ 56	$ 21	$ 28	$ 37	$ 119	$ 8

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

(Shares in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK CLASS B PUTABLE SHARES						
BALANCE, DECEMBER 31, 2005	377		25	36	31	57
Proceeds from sale of capital stock	41		2	8	13	9
Repurchase/redemption of capital stock	(35)			(8)	(14)	(9)
Net shares reclassified to mandatorily redeemable capital stock	(1)					
Conversion to Class B or Class A shares						
Capital stock dividends	2					
BALANCE, MARCH 31, 2006	384		27	36	30	57
BALANCE, DECEMBER 31, 2006	389		23	36	34	58
Proceeds from sale of capital stock	40		1	5	6	10
Repurchase/redemption of capital stock	(39)			(6)	(9)	(11)
Net shares reclassified to mandatorily redeemable capital stock	(6)					
Conversion to Class B or Class A shares						
Capital stock dividends	1					
BALANCE, MARCH 31, 2007	385		24	35	31	57
CAPITAL STOCK CLASS A PUTABLE SHARES						
BALANCE, DECEMBER 31, 2005	5					
Proceeds from sale of capital stock						
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock						
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, MARCH 31, 2006	5					
BALANCE, DECEMBER 31, 2006	5					
Proceeds from sale of capital stock						
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock						
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, MARCH 31, 2007	5					

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
35	22		19	23	13	95	21
			2	1	1	5	
			(2)	(1)		(1)	
					(1)		
1	—	—	—	—	—	1	—
36	22	—	19	23	13	100	21
37	18		19	22	15	106	21
	1		2	1	4	10	
			(2)	(3)		(8)	
					(6)		
—	—	—	—	—	—	1	—
37	19	—	19	20	13	109	21
					5		
—	—	—	—	—	—	—	—
—	—	—	—	—	5	—	—
					5		
—	—	—	—	—	—	—	—
—	—	—	—	—	5	—	—

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CAPITAL (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

(Shares in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK PRE-CONVERSION PUTABLE SHARES						
BALANCE, DECEMBER 31, 2005	38					
Proceeds from sale of capital stock						
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(1)					
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, MARCH 31, 2006	37					
BALANCE, DECEMBER 31, 2006	26					
Proceeds from sale of capital stock						
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock						
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, MARCH 31, 2007	26					
TOTAL CAPITAL STOCK PUTABLE SHARES						
BALANCE, DECEMBER 31, 2005	420		25	36	31	57
Proceeds from sale of capital stock	41		2	8	13	9
Repurchase/redemption of capital stock	(35)			(8)	(14)	(9)
Net shares reclassified to mandatorily redeemable capital stock	(2)					
Capital stock dividends	2					
BALANCE, MARCH 31, 2006	426		27	36	30	57
BALANCE, DECEMBER 31, 2006	420		23	36	34	58
Proceeds from sale of capital stock	40		1	5	6	10
Repurchase/redemption of capital stock	(39)			(6)	(9)	(11)
Net shares reclassified to mandatorily redeemable capital stock	(6)					
Capital stock dividends	1					
BALANCE, MARCH 31, 2007	416		24	35	31	57

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
		38					
		(1)					
—	—	—	—	—	—	—	—
		37					
		26					
—	—	—	—	—	—	—	—
		26					
35	22	38	19	23	18	95	21
			2	1	1	5	
			(2)	(1)		(1)	
		(1)			(1)		
1	—	—	—	—	—	1	—
36	22	37	19	23	18	100	21
37	18	26	19	22	20	106	21
	1		2	1	4	10	
			(2)	(3)		(8)	
					(6)		
—	—	—	—	—	—	1	—
37	19	26	19	20	18	109	21

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CAPITAL (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK CLASS B PUTABLE PAR VALUE						
BALANCE, DECEMBER 31, 2005	$37,786	$	$2,532	$3,590	$3,079	$5,753
Proceeds from sale of capital stock	4,032		188	805	1,319	909
Repurchase/redemption of capital stock	(3,523)		(4)	(765)	(1,428)	(913)
Net shares reclassified to mandatorily redeemable capital stock	(116)		(7)	(9)		(1)
Conversion to Class B or Class A shares						
Capital stock dividends	218					
BALANCE, MARCH 31, 2006	$38,397	$	$2,709	$3,621	$2,970	$5,748
BALANCE, DECEMBER 31, 2006	$38,882	$	$2,343	$3,546	$3,384	$5,772
Proceeds from sale of capital stock	3,890		134	542	589	983
Repurchase/redemption of capital stock	(3,785)		(89)	(533)	(890)	(1,039)
Net shares reclassified to mandatorily redeemable capital stock	(624)		(9)	(7)		(34)
Conversion to Class B or Class A shares						
Capital stock dividends	181					
BALANCE, MARCH 31, 2007	$38,544	$	$2,379	$3,548	$3,083	$5,682
CAPITAL STOCK CLASS A PUTABLE PAR VALUE						
BALANCE, DECEMBER 31, 2005	$ 498	$	$	$	$	$
Proceeds from sale of capital stock						
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(17)					
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, MARCH 31, 2006	$ 481	$	$	$	$	$
BALANCE, DECEMBER 31, 2006	$ 532	$	$	$	$	$
Proceeds from sale of capital stock						
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	10					
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, MARCH 31, 2007	$ 542	$	$	$	$	$

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$3,503	$2,156	$	$1,932	$2,299	$1,290	$ 9,520	$2,132
	6		159	75	91	479	1
			(173)	(120)	(8)	(112)	
(1)				(4)	(92)		(2)
50				25	23	120	
$3,552	$2,162	$	$1,918	$2,275	$1,304	$10,007	$2,131
$3,658	$1,793	$	$1,906	$2,248	$1,475	$10,616	$2,141
2	88		153	77	362	957	3
			(175)	(250)	(10)	(799)	
(10)				(6)	(544)	(1)	(13)
				29	27	125	
$3,650	$1,881	$	$1,884	$2,098	$1,310	$10,898	$2,131
$	$	$	$	$	$ 498	$	$
					(17)		
$	$	$	$	$	$ 481	$	$
$	$	$	$	$	$ 532	$	$
					10		
$	$	$	$	$	$ 542	$	$

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CAPITAL (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK PRE-CONVERSION PUTABLE PAR VALUE						
BALANCE, DECEMBER 31, 2005	$ 3,759	$	$	$	$	$
Proceeds from sale of capital stock	59					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(94)					
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, MARCH 31, 2006	$ 3,724	$	$	$	$	$
BALANCE, DECEMBER 31, 2006	$ 2,587	$	$	$	$	$
Proceeds from sale of capital stock	6					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(2)					
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, MARCH 31, 2007	$ 2,591	$	$	$	$	$
TOTAL CAPITAL STOCK PUTABLE PAR VALUE						
BALANCE, DECEMBER 31, 2005	$42,043	$	$2,532	$3,590	$ 3,079	$ 5,753
Proceeds from sale of capital stock	4,091		188	805	1,319	909
Repurchase/redemption of capital stock	(3,523)		(4)	(765)	(1,428)	(913)
Net shares reclassified to mandatorily redeemable capital stock	(227)		(7)	(9)		(1)
Capital stock dividends	218					
BALANCE, MARCH 31, 2006	$42,602	$	$2,709	$3,621	$ 2,970	$ 5,748
BALANCE, DECEMBER 31, 2006	$42,001	$	$2,343	$3,546	$ 3,384	$ 5,772
Proceeds from sale of capital stock	3,896		134	542	589	983
Repurchase/redemption of capital stock	(3,785)		(89)	(533)	(890)	(1,039)
Net shares reclassified to mandatorily redeemable capital stock	(616)		(9)	(7)		(34)
Capital stock dividends	181					
BALANCE, MARCH 31, 2007	$41,677	$	$2,379	$3,548	$ 3,083	$ 5,682

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$	$	$3,759	$	$	$	$	$
		59					
		(94)					
$	$	$3,724	$	$	$	$	$
$	$	$2,587	$	$	$	$	$
		6					
		(2)					
$	$	$2,591	$	$	$	$	$
$3,503	$2,156	$3,759	$1,932	$2,299	$1,788	$ 9,520	$2,132
	6	59	159	75	91	479	1
			(173)	(120)	(8)	(112)	
(1)		(94)		(4)	(109)		(2)
50				25	23	120	
$3,552	$2,162	$3,724	$1,918	$2,275	$1,785	$ 10,007	$2,131
$3,658	$1,793	$2,587	$1,906	$2,248	$2,007	$ 10,616	$2,141
2	88	6	153	77	362	957	3
			(175)	(250)	(10)	(799)	
(10)		(2)		(6)	(534)	(1)	(13)
				29	27	125	
$3,650	$1,881	$2,591	$1,884	$2,098	$1,852	$ 10,898	$2,131

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CAPITAL (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
RETAINED EARNINGS						
BALANCE, DECEMBER 31, 2005	$2,600	$(71)	$135	$291	$189	$329
Net income	619	(2)	46	63	50	101
Dividends on capital stock:						
Cash	(251)		(34)	(46)	(25)	(78)
Stock	(218)					
BALANCE, MARCH 31, 2006	$2,750	$(73)	$147	$308	$214	$352
BALANCE, DECEMBER 31, 2006	$3,143	$(44)	$187	$368	$255	$407
Net income	621	2	43	71	54	96
Dividends on capital stock:						
Cash	(362)		(39)	(64)	(50)	(85)
Stock	(181)					
BALANCE, MARCH 31, 2007	$3,221	$(42)	$191	$375	$259	$418
ACCUMULATED OTHER COMPREHENSIVE INCOME						
BALANCE, DECEMBER 31, 2005	$ (163)	$ (6)	$ 11	$ 4	$ (8)	$
Net unrealized (losses) gains on available-for-sale securities	(10)		4		1	
Reclassification adjustment for losses included in net income relating to available-for-sale securities	3					
Net unrealized gains relating to hedging activities	29			3	1	
Reclassification adjustment for (gains) losses included in net income relating to hedging activities			(1)			
Other	(1)			(1)		
BALANCE, MARCH 31, 2006	$ (142)	$ (6)	$ 14	$ 6	$ (6)	$
BALANCE, DECEMBER 31, 2006	$ (159)	$ (5)	$ 2	$(10)	$ (5)	$ (5)
Net unrealized gains on available-for-sale securities	8		2			
Reclassification adjustment for gains (losses) included in net income relating to available-for-sale securities						
Net unrealized gains relating to hedging activities	1					
Reclassification adjustment for gains (losses) included in net income relating to hedging activities						
Other	(2)					
BALANCE, MARCH 31, 2007	$ (152)	$ (5)	$ 4	$(10)	$ (5)	$ (5)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$208	$149	$ 525	$330	$178	$137	$131	$ 69
60	32	56	21	28	37	119	8
	(25)	(28)	(15)				
(50)				(25)	(23)	(120)	
$218	$156	$ 553	$336	$181	$151	$130	$ 77
$256	$167	$ 606	$344	$190	$172	$143	$ 92
64	27	23	20	35	33	142	11
(58)	(23)	(21)	(20)				(2)
				(29)	(27)	(125)	
$262	$171	$ 608	$344	$196	$178	$160	$101
$ (2)	$ (2)	$(146)	$ (1)	$ (3)	$ (7)	$ (3)	$
(2)		(12)			(1)		
		3					
		25					
						1	
$ (4)	$ (2)	$(130)	$ (1)	$ (3)	$ (8)	$ (2)	$
$ (7)	$ (5)	$(110)	$ (1)	$ 1	$ (7)	$ (5)	$ (2)
1		3		1	1		
		1					
	(2)						
$ (6)	$ (7)	$(106)	$ (1)	$ 2	$ (6)	$ (5)	$ (2)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CAPITAL (Continued) FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
TOTAL CAPITAL						
BALANCE, DECEMBER 31, 2005	$44,480	$(77)	$2,678	$3,885	$3,260	$6,082
Proceeds from sale of capital stock	4,091		188	805	1,319	909
Repurchase/redemption of capital stock	(3,523)		(4)	(765)	(1,428)	(913)
Net shares reclassified to mandatorily redeemable capital stock	(227)		(7)	(9)		(1)
Comprehensive income:						
Net income	619	(2)	46	63	50	101
Other comprehensive income:						
Net unrealized (losses) gains on available-for-sale securities	(10)		4		1	
Reclassification adjustment for losses included in net income relating to available-for-sale securities	3					
Net unrealized gains relating to hedging activities	29			3	1	
Reclassification adjustment for (gains) losses included in net income relating to hedging activities			(1)			
Other	(1)			(1)		
Total comprehensive income	640	(2)	49	65	52	101
Dividends on capital stock:						
Cash	(251)		(34)	(46)	(25)	(78)
BALANCE, MARCH 31, 2006	$45,210	$(79)	$2,870	$3,935	$3,178	$6,100
BALANCE, DECEMBER 31, 2006	$44,985	$(49)	$2,532	$3,904	$3,634	$6,174
Proceeds from sale of capital stock	3,896		134	542	589	983
Repurchase/redemption of capital stock	(3,785)		(89)	(533)	(890)	(1,039)
Net shares reclassified to mandatorily redeemable capital stock	(616)		(9)	(7)		(34)
Comprehensive income:						
Net income	621	2	43	71	54	96
Other comprehensive income:						
Net unrealized gains on available-for-sale securities	8		2			
Reclassification adjustment for (gains) losses included in net income relating to available-for-sale securities						
Net unrealized gains relating to hedging activities	1					
Reclassification adjustment for (gains) losses included in net income relating to hedging activities						
Other	(2)					
Total comprehensive income	628	2	45	71	54	96
Dividends on capital stock:						
Cash	(362)		(39)	(64)	(50)	(85)
BALANCE, MARCH 31, 2007	$44,746	$(47)	$2,574	$3,913	$3,337	$6,095

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$3,709	$2,303	$4,138	$2,261	$2,474	$1,918	$ 9,648	$ 2,201
	6	59	159	75	91	479	1
			(173)	(120)	(8)	(112)	
(1)		(94)		(4)	(109)		(2)
60	32	56	21	28	37	119	8
(2)		(12)			(1)		
		3					
		25					
						1	
58	32	72	21	28	36	120	8
	(25)	(28)	(15)				
$3,766	$2,316	$4,147	$2,253	$2,453	$1,928	$10,135	$ 2,208
$3,907	$1,955	$3,083	$2,249	$2,439	$2,172	$10,754	$ 2,231
2	88	6	153	77	362	957	3
			(175)	(250)	(10)	(799)	
(10)		(2)		(6)	(534)	(1)	(13)
64	27	23	20	35	33	142	11
1		3		1	1		
		1					
	(2)						
65	25	27	20	36	34	142	11
(58)	(23)	(21)	(20)				(2)
$3,906	$2,045	$3,093	$2,227	$2,296	$2,024	$11,053	$ 2,230

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2007

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES:						
Net income	$ 621	$ 2	$ 43	$ 71	$ 54	$ 96
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization	151		16	23	8	14
Change in net fair value adjustment on derivative and hedging activities	(235)		(15)	64	41	(59)
Other adjustments	7				2	
Net change in:						
Trading securities	(80)		17			(5)
Accrued interest receivable	334	(45)	9	10	55	69
Other assets	4		(1)	1	1	1
Accrued interest payable	(367)	45	(34)	(98)	(68)	(237)
Other liabilities	(33)			(18)	(1)	2
Total adjustments	(219)		(8)	(18)	38	(215)
Net cash provided by (used in) operating activities	402	2	35	53	92	(119)
INVESTING ACTIVITIES:						
Net change in:						
Interest-bearing deposits	(4,716)		65	(776)	(110)	(274)
Securities purchased under agreements to resell	(1,200)		250			
Federal funds sold	(21,159)		(2,053)	67	260	(644)
Deposits to other FHLBanks for mortgage loan programs		(1)				1
Premises, software and equipment	(9)			(1)	(2)	(1)
Available-for-sale securities:						
Proceeds	22,446		7		6	
Purchases	(21,627)					
Held-to-maturity securities:						
Net decrease (increase) in short-term	1,329				335	
Proceeds from long-term	7,671	(1,200)	663	443	469	705
Purchases of long-term	(5,176)		(438)		(424)	(447)
Advances:						
Proceeds	1,846,457		107,278	94,493	108,827	39,928
Made	(1,829,477)		(108,076)	(94,518)	(105,209)	(39,584)
Mortgage loans held for portfolio:						
Principal collected	3,009		155	38	234	87
Purchases	(1,361)		(41)	(44)	(21)	(245)
Proceeds from sales of foreclosed assets	15					
Net cash (used in) provided by investing activities	(3,798)	(1,201)	(2,190)	(298)	4,365	(474)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 64	$ 27	$ 23	$ 20	$ 35	$ 33	$ 142	$ 11
33	11	22	(3)	(10)	(1)	13	25
(43)	(36)	(8)	2	16	(22)	(147)	(28)
		(1)		2	1	1	2
		(156)		4	49	11	
(1)	11	22	(2)	7	22	102	75
	10	(11)		1	1	1	
33	4	156	18	(29)	(8)	(169)	20
2	(5)	(13)	(1)	2	1		(2)
24	(5)	11	14	(7)	43	(188)	92
88	22	34	34	28	76	(46)	103
(951)	(907)		9	18	(170)	(912)	(708)
950						(1,900)	(500)
3,079	(1,396)	(5,195)	(1,584)	(2,178)	624	(5,803)	(6,336)
(1)		(3)	(1)	(1)	(1)	2	
21,456		354	563	60			
(20,997)		(110)	(520)				
1		821	(186)		631	(273)	
518	229	467	245	332	590	1,611	2,599
(1,027)		(3)		(183)	(498)	(1,596)	(560)
449,601	21,405	45,535	20,137	132,216	129,828	676,617	20,592
(453,194)	(21,147)	(43,640)	(19,573)	(127,886)	(128,074)	(670,305)	(18,271)
258	274	1,245	334	17	65	126	176
(363)	(212)	(319)	(75)		(41)		
		15					
(670)	(1,754)	(833)	(651)	2,395	2,954	(2,433)	(3,008)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CASH FLOWS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2007

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
FINANCING ACTIVITIES:						
Net change in:						
Deposits and pass-through reserves	$ 3,863	$	$ 9	$ (86)	$ 375	$ 1,545
Deposits from other FHLBanks for mortgage loan programs		1				
Borrowings	(97)			(92)		
Net proceeds from issuance of consolidated obligations:						
Discount notes	1,888,817		222,695	104,386	54,522	199,664
Bonds	120,776		9,146	9,741	4,274	29,063
Bonds transferred from other FHLBanks		(285)				
Payments for maturing and retiring consolidated obligations:						
Discount notes	(1,880,470)		(219,390)	(102,596)	(56,604)	(197,872)
Bonds	(128,576)	1,198	(10,309)	(10,782)	(6,670)	(31,670)
Bonds transferred to other FHLBanks		285		(285)		
Proceeds from issuance of capital stock	3,896		134	542	589	983
Payments for redemption of mandatorily redeemable capital stock	(717)		(1)	(5)	(2)	(3)
Payments for repurchase/redemption of capital stock	(3,785)		(89)	(533)	(890)	(1,039)
Cash dividends paid	(365)		(40)	(65)	(49)	(87)
Net cash provided by (used in) financing activities	3,342	1,199	2,155	225	(4,455)	584
Net (decrease) increase in cash and cash equivalents	(54)			(20)	2	(9)
Cash and cash equivalents at beginning of the period	330		8	39	78	29
Cash and cash equivalents at end of the period	$ 276	$	$ 8	$ 19	$ 80	$ 20
Supplemental Disclosures:						
Interest paid	$ 12,241	$	$ 696	$ 933	$ 676	$ 1,834
AHP payments, net	$ 47	$	$ 3	$ 5	$ 4	$ 7
REFCORP assessments paid	$ 161	$	$ 12	$ 17	$ 14	$ 24

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 286	$ 240	$ (143)	$ 218	$ 1,120	$ 189	$ 38	$ 72
		(1)					
					(5)		
157,487	222,584	234,196	141,311	217,392	173,062	54,983	106,535
10,012	3,793	3,560	2,704	7,382	6,123	23,123	11,855
				285			
(158,170)	(220,546)	(232,044)	(141,450)	(216,629)	(176,365)	(55,381)	(103,423)
(8,860)	(4,408)	(4,751)	(2,126)	(11,774)	(5,853)	(20,437)	(12,134)
2	88	6	153	77	362	957	3
(116)		(2)	(6)	(44)	(533)	(5)	
			(175)	(250)	(10)	(799)	
(58)	(23)	(21)	(20)				(2)
583	1,728	800	609	(2,441)	(3,030)	2,479	2,906
1	(4)	1	(8)	(18)			1
4	15	23	30	96		7	1
$ 5	$ 11	$ 24	$ 22	$ 78	$	$ 7	$ 2
$ 917	$ 452	$ 885	$ 509	$ 696	$ 641	$ 3,360	$ 642
$ 5	$ 2	$ 4	$ 2	$ 2	$ 2	$ 9	$ 2
$ 17	$ 6	$ 8	$ 6	$ 8	$ 9	$ 38	$ 2

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2006

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh (As revised)*	Atlanta
OPERATING ACTIVITIES:						
Net income	$ 619	$ (2)	$ 46	$ 63	$ 50	$ 101
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization	145	(2)	61	22	30	11
Change in net fair value adjustment on derivative and hedging activities	(323)		(27)	(26)	(32)	(89)
Other adjustments	15	4			1	
Net change in:						
Trading securities	(137)		11			106
Accrued interest receivable	15	(49)	(19)	(23)	(31)	47
Other assets	(247)		1			(252)
Accrued interest payable	663	49	(2)	42	30	(86)
Other liabilities	437		(2)	4	(1)	443
Total adjustments	568	2	23	19	(3)	180
Net cash provided by (used in) operating activities	1,187		69	82	47	281
INVESTING ACTIVITIES:						
Net change in:						
Interest-bearing deposits	887		435	2,392	79	(359)
Securities purchased under agreements to resell	297		(250)			
Federal funds sold	(6,218)		(1,327)	(1,643)	(2,280)	1,133
Deposits to other FHLBanks for mortgage loan programs		2				
Premises, software and equipment	(11)			(1)	(2)	
Available-for-sale securities:						
Proceeds	26,310				193	
Purchases	(25,959)					
Held-to-maturity securities:						
Net decrease (increase) in short-term	272				27	
Proceeds from long-term	6,489		556	604	373	661
Purchases of long-term	(8,683)		(599)	(1,100)	(406)	(790)
Advances:						
Proceeds	1,839,577		220,475	136,224	244,647	43,613
Made	(1,836,330)		(223,099)	(137,067)	(242,669)	(40,623)
Mortgage loans held for portfolio:						
Principal collected	3,277		155	39	256	80
Purchases	(1,662)		(108)	(29)	(49)	(74)
Proceeds from sales of foreclosed assets	11					
Net cash (used in) provided by investing activities	(1,743)	2	(3,762)	(581)	169	3,641

* See Note 5 — Subsequent Events on page 16.

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 60	$ 32	$ 56	$ 21	$ 28	$ 37	$ 119	$ 8
(10)	(1)	53	18	(8)	4	(44)	11
(77)	(38)	(41)	8	18	(54)	84	(49)
6				2	2		
	9	(298)	1	7	13	14	
(43)	1	(12)	(2)	9		78	59
(1)	1		1			3	
116	54	132	(18)	(46)	23	286	83
	2	(1)	(4)		(2)	1	(3)
(9)	28	(167)	4	(18)	(14)	422	101
51	60	(111)	25	10	23	541	109
1,019	(263)		122	(77)	(453)	(2,296)	288
1,000		(3)				(900)	450
(1,161)	(2,921)	(1,200)	310	3,571	(248)	753	(1,205)
				(2)			
(1)		(3)		(1)	(1)	(1)	(1)
24,930		861	250	76			
(24,948)		(1,011)					
1		409	427		(206)	(386)	
529	281	239	271	381	358	1,651	585
(675)	(241)	(2,046)	(500)		(269)	(1,527)	(530)
524,322	17,219	9,599	19,813	118,629	98,920	384,532	21,584
(527,003)	(14,255)	(10,125)	(19,662)	(114,594)	(99,324)	(385,789)	(22,120)
257	260	1,398	390	25	64	140	213
(268)	(591)	(400)	(87)		(51)	(5)	
		11					
(1,998)	(511)	(2,271)	1,334	8,008	(1,210)	(3,828)	(736)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CASH FLOWS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2006

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh (As revised)*	Atlanta
FINANCING ACTIVITIES:						
Net change in:						
Deposits and pass-through reserves	$ 2,405	$	$ 83	$ (276)	$ 530	$ 294
Deposits from other FHLBanks for mortgage loan programs		(2)				
Borrowings	(196)			7		
Net proceeds from issuance of consolidated obligations:						
Discount notes	1,829,686		196,755	159,334	56,908	87,997
Bonds	73,473		1,402	11,058	8,345	7,548
Bonds transferred from other FHLBanks		(446)	20			30
Payments for maturing and retiring consolidated obligations:						
Discount notes	(1,852,288)		(193,229)	(160,055)	(61,083)	(90,286)
Bonds	(52,555)	(1)	(1,491)	(9,557)	(4,827)	(9,422)
Bonds transferred to other FHLBanks		447				
Proceeds from issuance of capital stock	4,082		188	796	1,319	909
Payments for redemption of mandatorily redeemable capital stock	(279)			9	(1)	(5)
Payments for repurchase/redemption of capital stock	(3,523)		(4)	(765)	(1,428)	(913)
Cash dividends paid	(259)		(30)	(46)	(48)	(67)
Net cash provided by (used in) financing activities	546	(2)	3,694	505	(285)	(3,915)
Net (decrease) increase in cash and cash equivalents	(10)		1	6	(69)	7
Cash and cash equivalents at beginning of the period	356		10	22	115	13
Cash and cash equivalents at end of the period	$ 346	$	$ 11	$ 28	$ 46	$ 20
Supplemental Disclosures:						
Interest paid	$ 8,862	$	$ 563	$ 547	$ 568	$ 1,426
AHP payments, net	$ 53	$	$ 2	$ 4	$ 2	$ 7
REFCORP assessments paid	$ 156	$	$ 14	$ 14	$ 12	$ 24

* See Note 5 — Subsequent Events on page 16.

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 178	$ 705	$ 274	$ (56)	$ 503	$ 257	$ (192)	$ 105
		2					
					(5)		(198)
252,017	194,733	163,404	166,628	185,481	218,928	54,439	93,062
5,685	841	5,426	470	1,123	2,607	26,917	2,051
						396	
(251,961)	(194,753)	(162,959)	(165,935)	(192,994)	(219,292)	(67,460)	(92,281)
(3,973)	(1,047)	(3,300)	(2,443)	(1,895)	(1,301)	(11,182)	(2,116)
		(447)					
	6	59	159	75	91	479	1
(1)	(35)	(56)	(1)	(97)	(90)	(2)	
			(173)	(120)	(8)	(112)	
	(26)	(28)	(14)				
1,945	424	2,375	(1,365)	(7,924)	1,187	3,283	624
(2)	(27)	(7)	(6)	94		(4)	(3)
5	38	33	42	62		12	4
$ 3	$ 11	$ 26	$ 36	$ 156	$	$ 8	$ 1
$ 774	$ 364	$ 762	$ 487	$ 694	$ 529	$ 1,672	$ 476
$ 7	$ 4	$ 7	$ 3	$ 1	$ 2	$ 10	$ 4
$ 16	$ 7	$ 11	$ 9	$ 7	$ 13	$ 29	$

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 and combining financial statements and the notes beginning on page 4 of this Combined Financial Report. Each FHLBank addresses its financial condition and results of operations in its periodic reports filed with the SEC. A financial discussion and analysis of the combined financial condition and combined results of operations is provided in this report for investors because this is considered more convenient than providing each FHLBank's management discussion and analysis of financial condition and results of operations on a stand-alone basis only. There is no system-wide central management of the FHLBanks, and each FHLBank manages its operations independently and with only minimal consideration as to how transactions it enters into might affect the combined financial results. The financial discussion and analysis of combined financial condition and combined results of operations does not generally include a description of how each FHLBank's operations affect the combined financial condition and combined results of operations. This level of information about each of the FHLBanks is addressed in that FHLBank's periodic reports filed with the SEC. (See "Explanatory Statement about FHLBanks Combined Financial Report" on page 2 and "Available Information on Individual FHLBanks" on page 3.)

Amounts used to calculate percentage variances are based on numbers in millions. As a result, recalculations may not produce the same results when the relevant amounts are disclosed only in billions.

Forward-Looking Information

Statements contained in this report, including statements describing the objectives, projections, estimates, or future predictions of the FHLBanks and the 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 risk or uncertainty and that 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 interest rates, housing prices, employment rates and the general economy;
- the size and volatility of the residential mortgage market;
- demand for FHLBank advances resulting from changes in FHLBank members' deposit flows and credit demands;
- volatility of market prices, rates, and indices or other factors that could affect the value of investments or collateral held by the FHLBanks as security for the obligations of FHLBank members and counterparties to interest-rate exchange agreements and similar agreements, which could result from the effects of, and changes in, various monetary or fiscal policies and regulations, including those determined by the Federal Reserve Board and the Federal Deposit Insurance Corporation;
- political events, including legislative, regulatory, judicial, or other developments that affect the FHLBanks, their members, counterparties and/or investors in the consolidated obligations of the FHLBanks, such as changes in the FHLBank Act of 1932 or Finance Board regulations that affect FHLBank operations, and regulatory oversight (including the Secretary of the Treasury's authority relating to the issuance of consolidated obligations);

- competitive forces, including other sources of funding available to FHLBank members, other entities borrowing funds in the capital markets, and the ability to attract and retain skilled individuals;
- the pace of technological change and the ability to develop and support technology and information systems, including the Internet, sufficient to manage the risks of the FHLBanks' business effectively;
- loss of large members through mergers and similar activities;
- changes in domestic and foreign investor demand for consolidated obligations and/or the terms of interest-rate exchange agreements and similar agreements, including changes in the relative attractiveness of consolidated obligations as compared to other investment opportunities;
- the availability, from acceptable counterparties, of derivative financial instruments of the types and in the quantities needed for risk management purposes;
- timing and volume of market activity;
- volatility of reported results due to changes in the fair value of certain instruments/assets;
- the ability to introduce FHLBank products and services and successfully manage the risks associated with those products and services, including new types of collateral used to secure advances;
- the FHLBanks' ability to identify, manage, mitigate and/or remedy internal control weaknesses and other operational risks;
- the FHLBanks' ability to implement business process improvements;
- risk of loss arising from litigation filed against one or more of the FHLBanks;
- significant business disruptions resulting from natural or other disasters, acts of war or terrorism;
- the effect of new accounting standards, including the development of supporting systems; and
- inflation/deflation.

Business Overview

Financial Performance. As cooperatives, the FHLBanks seek to maintain a balance between their public policy mission and their ability to provide adequate returns on the capital supplied by their members. The FHLBanks achieve this balance by delivering low-cost financing to members to help them meet the credit needs of their communities and by paying dividends. In view of their cooperative nature, the FHLBanks' financial strategies are designed to enable the FHLBanks to expand and contract in response to the credit needs of their members.

The FHLBanks invest their capital in high-quality, short- and intermediate-term financial instruments. This strategy allows the FHLBanks to maintain liquidity to satisfy member demand for short- and long-term funds, repay maturing consolidated obligations, and meet other obligations. This strategy also reduces the risk of loss when investments are liquidated if an FHLBank elects to repurchase excess capital stock. The dividends paid by an FHLBank are largely the result of the FHLBank's earnings on invested member capital, net earnings on advances to members and investment returns on mortgage loans and investments. These are offset by the FHLBank's operating expenses and assessments. The board of directors and management of each FHLBank determine the pricing of member credit and the FHLBank's dividend policies based on the needs of its members.

Different FHLBank Business Strategies. Each FHLBank is operated as a separate entity with its own management, employees and board of directors but under the supervisory and regulatory framework of the Finance Board. The management and board of directors of each FHLBank determine the best approach for meeting that FHLBank's business objectives and serving its members. As such, the management and board of directors of each FHLBank have developed their own business strategies and initiatives to fulfill the FHLBank's mission and they reevaluate these strategies and initiatives from time to time. For example, some FHLBanks have actively pursued the purchase of mortgage loans from their members through the acquired member asset programs, while other FHLBanks have offered a program to their members but have not actively marketed the program or have not invested significant resources to develop or expand the programs. At March 31, 2007, mortgage loans purchased through the acquired member asset programs as a percentage of total assets varied from a high of 42 percent for the FHLBank of Chicago to a low of less than 1 percent for the FHLBank of Dallas. The FHLBank of Seattle is no longer accepting additional master commitments, has completed all of its delivery commitments and is not purchasing additional mortgages. In October 2006, the FHLBank of San Francisco announced it would no longer offer new master commitments to purchase mortgage loans from its Participating Financial Institutions (PFIs) under the MPF Program. The FHLBank of San Francisco's last purchase commitment expired on February 15, 2007.

Comparative Highlights

	For the Three Months Ended March 31,		For the Three Months Ended March 31, 2007 vs. 2006 (Decrease) Increase	
(Dollar amounts in millions)	2007	2006	$	%
Net interest income	$1,024	$1,043	$(19)	(1.8)%
Net income	621	619	2	0.3%

Net interest income decreased slightly in the first three months of 2007 over the same period during 2006 primarily due to lower interest income on mortgage loans held for portfolio as a result of decreased volume, the continuing effect of the flat to inverted yield curve and an increase in consolidated obligation interest expenses due to the higher interest-rate environment, partially offset by growth in advances and investments at higher interest rates during 2007. The net income remained relatively flat as the decrease in net interest income was offset by a $26 million increase in total other income. The increase in total other income relates to net change in net gains (losses) on trading securities and net (losses) gains on derivatives and hedging activities.

	For the Three Months Ended March 31,		For the Three Months Ended March 31, 2007 vs. 2006 Increase	
	2007	2006	$	%
Total operating expenses (dollar amounts in millions)	$171	$165	$6	3.6%

Operating expenses increased during the first three months of 2007 compared to the first three months of 2006 primarily as a result of an $9 million increase in salaries and employee benefits, due to an increase in the average number of employees and an increase in pension expense, partially offset by a $5 million decrease in other operating expenses related to lower professional fees and cost-cutting measures.

	For the Three Months Ended March 31,		For the Three Months Ended March 31, 2007 vs. 2006 Increase
	2007	2006	%
Daily average total assets (dollar amounts in billions)	$1,016.2	$997.9	1.8%

The increase in average assets is primarily the result of the growth in the FHLBanks' advances outstanding and investment portfolios.

The FHLBanks' hedge accounting strategies and trading securities resulted in the following (dollar amounts in millions):

	For the Three Months Ended March 31,		For the Three Months Ended March 31, 2007 vs. 2006 Increase (Decrease)	
	2007	2006	$	%
Net gains (losses) on trading securities	$ 9	$(148)	$ 157	106.1%
Net (losses) gains on derivatives and hedging activities	(5)	128	(133)	(103.9)%

Key amounts as a percentage of total assets are as follows (dollar amounts in billions):

	March 31, 2007		December 31, 2006		March 31, 2007 vs. December 31, 2006 (Decrease) Increase
	Amount	Percentage of Total Assets	Amount	Percentage of Total Assets	%
Advances	$ 624.4	61.2%	$ 640.7	63.0%	(2.5)%
Investments	292.3	28.7%	270.7	26.6%	8.0%
Mortgage loans held for portfolio, net	96.3	9.4%	98.0	9.6%	(1.7)%
Total assets	1,019.8		1,016.5		0.3%
Total consolidated obligations, net	936.2		934.2		0.2%
Total capital	44.7		45.0		(0.5)%

Investments increased while advances and mortgage loans held for portfolio decreased as percentages of total assets from December 31, 2006 to March 31, 2007. Consolidated obligations remained relatively flat consistent with the change in total assets from December 31, 2006 to March 31, 2007; consolidated obligations also remained relatively flat as a percentage of total assets.

The decrease in the outstanding balance of the FHLBanks' advances from December 31, 2006 to March 31, 2007 reflects overall lower demand by members for wholesale funding primarily due to the flat to inverted yield curve and competition from alternative funding sources. A number of FHLBanks had decreases in member demand for short-term and overnight advances. While the overall balance of advances outstanding at March 31, 2007 decreased from December 31, 2006, convertible and putable advances outstanding at March 31, 2007 increased from December 31, 2006. Convertible advances feature one or more put option(s) sold by a member to an FHLBank that allows the FHLBank to convert the advance from fixed-rate to variable-rate. A convertible advance carries an interest rate lower than a comparable-maturity advance that does not have the conversion feature. When an FHLBank makes a putable advance, it has the right to terminate the advance at its discretion, which the FHLBank normally would exercise when interest rates increase. If an FHLBank elects to terminate the advance, the member may apply for a new advance at the then-current advance rates, subject to all applicable credit requirements.

Investments fluctuate due to changes in the amount of the FHLBanks' asset activity, anticipated asset activity and liquidity requirements. Investments in Federal funds sold increased over $21.1 billion due to favorable market conditions.

Mortgage loans held for portfolio decreased as a result of market conditions including higher long-term interest rates, lower origination and refinancing volumes and member preference for issuing variable-rate and/or interest-only mortgages, which the FHLBanks do not purchase as part of their acquired member asset programs.

The slight decrease in capital from December 31, 2006 to March 31, 2007 is attributable to a number of factors including: decrease in advances and reclassification of capital stock as liabilities (mandatorily redeemable capital stock) during the first three months of 2007 as a result of member withdrawals at certain FHLBanks, partially offset by a slight increase in membership, due to the requirement that each new member must purchase stock in its FHLBank based on each FHLBank's capital stock purchase requirements, and payment of capital stock dividends by the FHLBanks of Dallas, Topeka and San Francisco.

The FHLBanks' GAAP capital-to-assets ratio was 4.39 percent at March 31, 2007, compared to 4.43 percent at December 31, 2006.

The return on average assets was 25 basis points during the first three months of 2007 and 2006. The return on average equity was 5.66 percent in the first three months of 2007, which is six basis points higher than the same period in 2006. The increase in return on average equity is due primarily to the decrease in the average invested equity balance while net income remained relatively flat from the prior period. The weighted-average dividend rate was 5.33 percent during the first three months of 2007, compared with 4.51 percent during the first three months of 2006. The dividend rate has been affected by each FHLBank's retained earnings policies.

Financial Trends

Conditions in Financial Markets. The primary external factors that affect net interest income are market interest rates, credit spreads and the general state of the economy.

Interest rates during a reporting period affect the FHLBanks' profitability, due primarily to the short-term structure of earning assets and the effect of higher interest rates on invested capital. At March 31, 2007 and December 31, 2006, the majority of investments, excluding mortgage-backed securities, and approximately 37 percent and 39 percent of the outstanding advances, had stated maturities of less than one year. Additionally, a significant portion of the FHLBanks' advances has been hedged with interest-rate exchange agreements in which a short-term, variable rate is received. The demand for FHLBank debt, as well as current short-term interest rates, as represented, for example, by the overnight Federal funds target rate, has an effect on the FHLBanks' profitability as measured by net interest income and return on average equity.

Interest rates also directly affect the FHLBanks through earnings on invested capital. Because the FHLBanks operate at relatively low net spreads between the yield earned on their assets and the cost of liabilities compared to other financial institutions, generally due to the FHLBanks' cooperative structures, a relatively higher proportion of FHLBank income is generated from the investment of member-supplied capital at the average asset yield as compared to other financial institutions. Consequently, changes in asset yields tend to have a greater effect on FHLBank profitability than on the profitability of financial institutions in general. Most FHLBanks' return on capital follows short-term rates such as the Federal funds or 3-month LIBOR rates, while certain FHLBank average asset yields and corresponding returns on capital have been driven by longer-term assets, such as mortgage loans purchased through the mortgage purchase programs and MBS and CMO-related investment holdings.

Certain capital markets developments may also affect the performance of the FHLBanks. Specifically, the pricing relationships between the mortgage, agency, and derivative markets and the level of market price volatility may affect the attractiveness of mortgage products for the FHLBanks as well as the cost of FHLBank debt.

The overall customer deposit balances and asset growth of FHLBank member institutions may affect the demand for FHLBank advances.

The following table presents information on key average market interest rates for the three months ended March 31, 2007 and 2006 and key market interest rates at March 31, 2007 and December 31, 2006.

	March 31, 2007 Ending Rate	December 31, 2006 Ending Rate	March 31, 2007 Three-Month Average	March 31, 2006 Three-Month Average	Ending Rate March 31, 2007 vs. December 31, 2006 Variance	Three-Month Average Rate March 31, 2007 vs. March 31, 2006 Variance
Federal funds target(1)	5.25%	5.25%	5.25%	4.44%	0.00%	0.81%
3-month LIBOR(1)	5.35%	5.36%	5.36%	4.77%	(0.01)%	0.59%
2-year LIBOR(1)	5.00%	5.17%	5.14%	5.01%	(0.17)%	0.13%
5-year LIBOR(1)	4.99%	5.09%	5.08%	5.03%	(0.10)%	0.05%
10-year LIBOR(1)	5.18%	5.18%	5.19%	5.09%	0.00%	0.10%
2-year U.S. Treasury(1)	4.58%	4.81%	4.76%	4.59%	(0.23)%	0.17%
5-year U.S. Treasury(1)	4.54%	4.70%	4.64%	4.54%	(0.16)%	0.10%
10-year U.S. Treasury(1)	4.65%	4.70%	4.68%	4.57%	(0.05)%	0.11%
15-year residential mortgage note rate(2)	5.85%	5.93%	5.87%	5.88%	(0.08)%	(0.01)%
30-year residential mortgage note rate(2)	6.13%	6.22%	6.15%	6.24%	(0.09)%	(0.09)%

(1) Sources: Bloomberg and Lehman Brothers.

(2) Average calculated using "The Mortgage Bankers Association Weekly Application Survey." March 31, 2007 ending rate is from the last week in March 2007 and December 31, 2006 ending rate is from the last week in December 2006.

The Federal Reserve Board, through its Federal Open Market Committee, increased the Federal funds rate by 25 basis points four times during 2006 and left the Federal funds rate unchanged during the first quarter of 2007. These actions have resulted in a 100 basis point increase in the Federal funds rate to its current level of 5.25 percent. Other short-term interest rates have followed the upward trend of the Federal funds rate. For example, the average three-month LIBOR rate increased approximately 59 basis points from the first quarter of 2006 to the first quarter of 2007. Additionally, the spread between long-term and short-term rates continued to narrow, causing some additional flattening, and at times, inversion, of the yield curve. This flattening was evidenced by average Treasury rates for two-year obligations increasing 17 basis points, while five-year and 10-year obligations increased 10 basis points and 11 basis points. As noted in the table above, the average interest rate on the 15-year, fixed-rate residential mortgage loan declined to 5.87 percent during the first quarter of 2007, a decrease of 1 basis point from the corresponding average interest rate during the first quarter of 2006, while the average interest rate on the 30-year, fixed-rate residential mortgage loan declined to 6.15 percent during the first quarter of 2007, a decrease of 9 basis points from the corresponding average interest rate during the first quarter of 2006.

The Securities Industry and Financial Markets Association's February 2007 "Research Quarterly," the latest date for which information is publicly available, noted that new issuance volume in the U.S. bond market totaled $6.13 trillion during 2006, an increase of 11.1 percent from the $5.52 trillion issued during 2005, and the second highest issuance year ever. The housing sector correction, coupled with growth in the issuance of non-agency mortgage-backed securities, contributed to a 6.9 percent decrease in agency mortgage-backed securities issuance during this 12-month period. The Securities Industry and Financial Markets Association's February 2007 "Research Quarterly" noted that agency long-term bond issuance volume in 2006 totaled $744.1 billion, up 11.2 percent from the $669.0 billion issued during 2005. Included in this number is the FHLBanks' long-term bond issuance of $322.5 billion, a 9.2 percent increase from 2005.

During the first quarter of 2007, the issuance of callable FHLBank consolidated obligations increased, as callable debt has become a core component of the FHLBanks' interest-rate risk management strategy. In addition, historically low market volatility, and a yield curve shape that provided little incentive for investors to extend maturities, created strong investor demand for short-term callable and bullet-type bonds. In comparison, during the same period in 2006, the FHLBanks issued a lower percentage of callable bonds, relying to a greater extent on non-callable, fixed-rate bullets.

The mortgage market continues to undergo a number of changes. Mortgage loan delinquencies have increased over the past year, particularly in the subprime sector, reflecting the combination of a softening residential real estate market in many areas of the nation as well as the effect of loosened underwriting standards applied by lenders. As a result, several high profile originators have either exited subprime lending or have filed for bankruptcy as foreclosures have mounted. The FHLBanks have not experienced material losses from their holdings of mortgage loans or MBS, due primarily to conservative underwriting and investing policies.

On the mortgage market supply side, during the first quarter of 2007, the flat to slightly inverted yield curve provided incentive for many borrowers to shy away from variable-rate and/or interest-only mortgages and refinance into 30-year, fixed-rate mortgages. In addition, mortgage originations and refinancing volumes were down. On the demand side, domestic commercial banks and overseas investors have continued to increase mortgage purchases. While Fannie Mae and Freddie Mac have recently increased their mortgage purchases, they have not approached their mortgage portfolio growth rates from the early part of this decade. These trends are due in part to continuing regulatory mandates, such as temporary retained portfolio growth limits and excess capital requirements, as well as continuing legislative uncertainty. In addition, growing demand for agency mortgage-backed securities by the U.S. dollar portfolios of foreign central banks reduced the number of mortgage investment opportunities for Fannie Mae and Freddie Mac. During the first quarter of 2007, Fannie Mae and Freddie Mac combined reported less than $1 billion in retained portfolio growth, producing little incremental funding demand. The lack of growth in GSE debt funding needs, coupled with continuing growth in demand for GSE debt by foreign central banks experiencing strong growth in U.S. dollar reserves, allowed the FHLBanks to issue debt at more attractive rates than might otherwise have been possible.

For the year ended December 31, 2006, the latest date for which information is publicly available, the Federal Deposit Insurance Corporation (FDIC) reported that total assets and deposits of all FDIC-insured institutions increased compared to the year ended December 31, 2005. Total assets for all FDIC-insured institutions increased 9.0 percent. Total domestic deposits for all FDIC-insured institutions were $6.63 trillion, a 6.6 percent gain over year-end 2005 balances, while total loans increased 7.7 percent over the same period. The growth in deposits, if sustained, may lower the future demand for advances from the FHLBanks.

Combined Statement of Condition

SFAS 133. SFAS 133 requires that assets and liabilities hedged with derivative instruments designated under fair value hedging relationships be adjusted for changes in fair value even as other assets and liabilities continue to be carried on a historical cost basis. In discussing changes in the Combined Statement of Condition at March 31, 2007 compared to December 31, 2006, the SFAS 133 fair value adjustments and basis adjustments for advances, available-for-sale securities, mortgage loans held for portfolio and consolidated obligations have been included. All other SFAS 133 hedging adjustments were less than one percent of the book value. The SFAS 133 hedging adjustments for advances, available-for-sale securities, mortgage loans held for portfolio and consolidated obligations are as follows.

SFAS 133 Hedging Adjustments
(Dollar amounts in millions)

	March 31, 2007	December 31, 2006
Advances at pre-SFAS 133 value	$624,424	$641,386
SFAS 133 hedging adjustments	(6)	(705)
Advances at carrying value	$624,418	$640,681
Available-for-sale securities at pre-SFAS 133 value(1)	$ 5,778	$ 6,592
SFAS 133 hedging adjustments	65	69
Available-for-sale securities at carrying value	$ 5,843	$ 6,661
Mortgage loans held for portfolio at pre-SFAS 133 value	$ 96,250	$ 97,921
SFAS 133 hedging adjustments	75	60
Mortgage loans held for portfolio at carrying value	$ 96,325	$ 97,981
Consolidated obligations at pre-SFAS 133 value	$938,771	$938,060
SFAS 133 hedging adjustments	(2,600)	(3,846)
Consolidated obligations at carrying value	$936,171	$934,214

(1) Book value includes fair value adjustments under SFAS No. 115.

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

Advances. Advance balances are driven by member demand, which is affected by, among other things, the cost of other sources of liquidity available to FHLBank members, including deposits.

Advances by Redemption Terms
(Dollar amounts in millions)

	March 31, 2007		December 31, 2006	
	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Overdrawn demand deposit accounts	$ 61		$ 22	
Due in 1 year or less	231,901	5.08%	252,399	5.06%
Due after 1 year through 2 years	107,747	5.01%	113,971	4.98%
Due after 2 years through 3 years	82,493	5.08%	80,728	5.07%
Due after 3 years through 4 years	50,680	5.12%	46,978	5.13%
Due after 4 years through 5 years	50,420	5.08%	48,158	5.19%
Thereafter	96,987	4.56%	94,650	4.55%
Index amortizing advances	4,286	4.52%	4,645	4.47%
Total par value	624,575	4.99%	641,551	4.98%
Commitment fees	(3)		(3)	
Discount on AHP advances	(64)		(63)	
Premium on advances	14		18	
Discount on advances	(98)		(117)	
SFAS 133 hedging adjustments	(6)		(705)	
Total	$624,418		$640,681	

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

Advances by Interest Rate Payment Terms
(Dollar amounts in millions)

	March 31, 2007		December 31, 2006	
	Amount	Percentage of Total	Amount	Percentage of Total
Par amount of advances:				
Fixed-rate	$352,259	56%	$354,742	55%
Variable-rate	272,316	44%	286,809	45%
Total	$624,575	100%	$641,551	100%

Advance Originations
(Dollar amounts in billions)

	For the Three Months Ended March 31,		For the Three Months Ended March 31, 2007 vs. 2006 Decrease	
	2007	2006	$	%
Advances originated	$1,829.5	$1,836.3	$(6.8)	(0.4)%

This reflects an overall lower demand by members for short- and longer-term advances primarily due to flat to inverted yield curve and competition from alternative funding sources.

The FHLBanks make significant use of interest-rate exchange agreements to alter cash flows on certain advances, particularly convertible and putable advances.

Many of the FHLBanks' advances are callable at the option of a member. However, the FHLBanks charge a prepayment fee when members terminate certain advances. Members may repay other advances on specified dates (call dates) without incurring prepayment fees (callable advances).

Advances by Year of Maturity or Next Call Date
(Dollar amounts in millions)

	March 31, 2007	Percentage of Total	December 31, 2006	Percentage of Total
Overdrawn demand deposit accounts	$ 61	0.0%	$ 22	0.0%
Due in 1 year or less	274,013	43.8%	293,796	45.8%
Due after 1 year through 2 years	109,911	17.6%	115,969	18.1%
Due after 2 years through 3 years	78,117	12.5%	76,636	11.9%
Due after 3 years through 4 years	44,462	7.1%	39,759	6.3%
Due after 4 years through 5 years	45,956	7.4%	42,427	6.6%
Thereafter	67,769	10.9%	68,297	10.6%
Index amortizing advances	4,286	0.7%	4,645	0.7%
Total par value	$624,575	100.0%	$641,551	100.0%

Callable Advances Outstanding
(Dollar amounts in millions)

	March 31, 2007		December 31, 2006		March 31, 2007 vs. December 31, 2006 Decrease	
	Amount	Percentage of Par Value	Amount	Percentage of Par Value	$	%
Callable advances outstanding	$28,361	4.5%	$29,659	4.6%	$(1,298)	(4.4)%

Convertible and Putable Advances Outstanding
(Dollar amounts in millions)

	March 31, 2007		December 31, 2006	
	Amount	Percentage of Par Value	Amount	Percentage of Par Value
Convertible advances outstanding	$ 43,973	7.0%	$41,885	6.5%
Putable advances outstanding	64,118	10.3%	55,428	8.6%
Convertible or putable advances outstanding	$108,091	17.3%	$97,313	15.1%

The FHLBanks also offer convertible and putable advances. Convertible advances allow the FHLBanks to convert the fixed-rate advance to an open-line advance or other structure after an agreed-upon lockout period. A convertible advance carries an interest rate lower than a comparable-maturity advance that does not have a conversion feature. With a putable advance, an FHLBank has the right to terminate the advance at its discretion, which the FHLBank normally would exercise when interest rates increase, and the borrower may apply for a new advance.

Year of Maturity or Next Put/Convert Date
(Dollar amounts in millions)

	March 31, 2007	Percentage of Total	December 31, 2006	Percentage of Total
Overdrawn demand deposit accounts	$ 61	0.0%	$ 22	0.0%
Due in 1 year or less	305,291	48.9%	317,728	49.5%
Due after 1 year through 2 years	117,944	18.8%	120,530	18.9%
Due after 2 years through 3 years	81,710	13.1%	82,973	12.9%
Due after 3 years through 4 years	38,858	6.2%	35,447	5.5%
Due after 4 years through 5 years	39,114	6.3%	41,394	6.5%
Thereafter	37,311	6.0%	38,812	6.0%
Index amortizing advances	4,286	0.7%	4,645	0.7%
Total par value	$624,575	100.0%	$641,551	100.0%

Investments. All securities are held by the FHLBanks for investment liquidity or asset-liability management purposes. Certain investment securities are classified as trading for liquidity or asset-liability management purposes. Finance Board regulations do not expressly prohibit the FHLBanks from trading in investments, but none of the FHLBanks currently hold trading securities for speculative purposes.

At March 31, 2007 and December 31, 2006, 99.94 percent and 99.95 percent of the total investments classified on the Statement of Condition as held-to-maturity, available-for-sale or trading securities were rated in the two highest investment rating categories for long-term or short-term investments.

The FHLBanks use interest-rate exchange agreements to alter the cash flows on certain investment securities.

Investments
(Dollar amounts in billions)

	March 31, 2007	December 31, 2006	March 31, 2007 vs. December 31, 2006 Increase (Decrease) $	%
Investments excluding mortgage-backed securities	$164.5	$140.5	$24.0	17.1%
Mortgage-backed securities	127.8	130.2	(2.4)	(1.8)%
Total investments	$292.3	$270.7	$21.6	8.0%

Investments
(Dollar amounts in millions)

	March 31, 2007		December 31, 2006		March 31, 2007 vs. December 31, 2006 (Decrease) Increase	
	Amount	Percentage of Total Investments	Amount	Percentage of Total Investments	$	%
Held-to-maturity securities	$137,818	47.1%	$142,482	52.6%	$(4,664)	(3.3)%
Available-for-sale securities	5,843	2.0%	6,661	2.5%	(818)	(12.3)%
Trading securities	5,773	2.0%	5,687	2.1%	86	1.5%
Total investment securities	149,434	51.1%	154,830	57.2%	(5,396)	(3.5)%
Interest-bearing deposits	38,587	13.2%	33,872	12.5%	4,715	13.9%
Securities purchased under agreements to resell	6,105	2.1%	4,905	1.8%	1,200	24.5%
Federal funds sold	98,214	33.6%	77,056	28.5%	21,158	27.5%
Total investments	$292,340	100.0%	$270,663	100.0%	$21,677	8.0%

Investment Securities
(Dollar amounts in millions)

	March 31, 2007		December 31, 2006		March 31, 2007 vs. December 31, 2006 Decrease	
	Amount	Percentage of Total Investment Securities	Amount	Percentage of Total Investment Securities	$	%
U.S. Treasury obligations	$ 102	0.1%	$ 102	0.1%	$	0.0%
Commercial paper	7,123	4.7%	8,220	5.3%	(1,097)	(13.3)%
Other U.S. obligations*	535	0.4%	953	0.6%	(418)	(43.9)%
Government-sponsored enterprises**	10,300	6.8%	11,690	7.5%	(1,390)	(11.9)%
State or local housing agency obligations	3,139	2.1%	3,240	2.1%	(101)	(3.1)%
Other	396	0.3%	397	0.3%	(1)	(0.3)%
	21,595	14.4%	24,602	15.9%	(3,007)	(12.2)%
Mortgage-backed securities:						
Other U.S. obligations*	532	0.4%	538	0.3%	(6)	(1.1)%
Government-sponsored enterprises**	44,247	29.6%	44,897	29.0%	(650)	(1.4)%
Other***	83,060	55.6%	84,793	54.8%	(1,733)	(2.0)%
	127,839	85.6%	130,228	84.1%	(2,389)	(1.8)%
Total investment securities	$149,434	100.0%	$154,830	100.0%	$(5,396)	(3.5)%

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* Other U.S. obligations primarily consists of Government National Mortgage Association (Ginnie Mae) and/or Small Business Administration (SBA) investment pools.

** Primarily consists of securities issued or guaranteed by Freddie Mac, Fannie Mae and/or the Tennessee Valley Authority, which are not obligations of the U.S. Government.

*** Primarily consists of private-label mortgage-backed securities.

Mortgage-Backed Securities Investment Portfolio
(Expressed as a percentage of total mortgage-backed securities holdings)
(Dollar amounts in millions)

	March 31, 2007		December 31, 2006	
	Amount	Percentage of Total	Amount	Percentage of Total
Private-label residential mortgage-backed securities	$ 75,475	59.0%	$ 76,874	58.9%
Government-sponsored enterprises residential mortgage-backed securities**	44,247	34.6%	44,897	34.5%
Home equity loans	3,078	2.4%	3,228	2.5%
Private-label commercial mortgage-backed securities	3,702	2.9%	3,863	3.0%
Other U.S. obligations residential mortgage-backed securities*	532	0.4%	538	0.4%
Shared Funding Program mortgage-backed certificates	478	0.4%	489	0.4%
Manufactured housing loans	327	0.3%	339	0.3%
Total mortgage-backed securities	$127,839	100.0%	$130,228	100.0%

* Other U.S. obligations primarily consists of Ginnie Mae and/or SBA investment pools.

** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae, which are not obligations of the U.S. Government.

Finance Board policy prohibits additional investments in mortgage-backed securities if an FHLBank's investments in mortgage-backed securities exceed 300 percent of the sum of that FHLBank's previous month-end capital plus its mandatorily redeemable capital stock on the day it purchases the securities. Mortgage-backed securities of the FHLBanks of Pittsburgh, Dallas and Topeka exceeded the 300 percent of their respective capital plus mandatorily redeemable capital stock regulatory limitation at March 31, 2007. These FHLBanks were, however, in compliance with this limit at the time of their respective mortgage-backed securities purchases. Under the Finance Board's limit on mortgage-backed securities purchases, these FHLBanks are not required to sell any of its mortgage-backed securities to reduce their percentage below the regulatory limit of 300 percent of capital plus mandatorily redeemable capital stock. The FHLBank of Chicago may include a designated amount of subordinated notes in calculating compliance with this requirement. The Shared Funding Program mortgage-backed certificates, however, are not subject to this 300 percent limit.

Mortgage-Backed Securities to Total Capital Ratio
(Dollar amounts in billions)

	March 31, 2007	December 31, 2006	March 31, 2007 to December 31, 2006 Decrease $	%
Mortgage-backed securities	$127.8	$130.2	$(2.4)	(1.8)%
Shared Funding Program	0.5	0.5		(2.2)%
Mortgage-backed securities (excluding Shared Funding Program)	$127.3	$129.7	$(2.4)	(1.8)%
Total capital (including mandatorily redeemable capital stock) and designated amount of applicable subordinated notes(1)	$ 46.7	$ 47.1	$(0.4)	(0.7)%
Ratio of mortgage-backed securities (excluding Shared Funding Program) to total capital(1) and designated amount of applicable subordinated notes	2.72	2.76		

(1) Represents the sum of total capital and mandatorily redeemable capital stock, which is considered capital for regulatory purposes.

Historically, the FHLBanks have been one of the major providers of Federal funds, allowing the FHLBanks to warehouse and provide balance sheet liquidity to meet unexpected borrowing demands from members. The FHLBanks also invest in U.S. agency obligations, some of which are structured debt issued by other GSEs. The FHLBanks use interest-rate exchange agreements to hedge the interest-rate risk associated with a portion of the investments in debt and to alter the cash flows on certain investment securities.

Trading Securities.

Trading Securities
(Dollar amounts in millions)

	March 31, 2007 Estimated Fair Value	December 31, 2006 Estimated Fair Value
Government-sponsored enterprises**	$5,432	$5,307
State or local housing agency obligations	60	60
Other	2	2
	5,494	5,369
Mortgage-backed securities:		
Other U.S. obligations*	90	95
Government-sponsored enterprises***	137	158
Other****	52	65
	279	318
Total	$5,773	$5,687

* Other U.S. obligations primarily consists of Ginnie Mae and/or SBA investment pools.

** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae and/or the Tennessee Valley Authority, which are not obligations of the U.S. Government.

*** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae, which are not obligations of the U.S. Government.

**** Primarily consists of private-label mortgage-backed securities.

Maturity and Yield Characteristics of Non-Mortgage-Backed Securities within Trading Securities (Dollar amounts in millions)

	March 31, 2007		December 31, 2006	
	Estimated Fair Value	Yield	Estimated Fair Value	Yield
Non-mortgage-backed securities				
Due in one year or less	$ 28	6.18%	$ 78	6.59%
Due after one year through five years	4,398	3.42%	3,334	3.74%
Due after five years through ten years	1,019	4.58%	1,908	3.69%
Due after ten years	49	6.68%	49	6.68%
Total	$5,494		$5,369	

Available-for-Sale Securities.

Available-for-Sale Securities (Dollar amounts in millions)

	March 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury obligations	$ 106	$	$ (4)	$ 102
Commercial paper	741			741
Government-sponsored enterprises*	1,780	1	(6)	1,775
Other	381	5		386
	3,008	6	(10)	3,004
Mortgage-backed securities:				
Government-sponsored enterprises**	627	2	(5)	624
Other***	2,211	4		2,215
	2,838	6	(5)	2,839
Total	$5,846	$12	$(15)	$5,843

* Primarily consists of securities issued or guaranteed by Freddie Mac, Fannie Mae and/or the Tennessee Valley Authority, which are not obligations of the U.S. Government.

** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae, which are not obligations of the U.S. Government.

*** Primarily consists of private-label mortgage-backed securities.

	December 31, 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury obligations	$ 106	$	$ (4)	$ 102
Commercial paper	1,189		(1)	1,188
Government-sponsored enterprises*	2,041	1	(8)	2,034
Other	384	3		387
	3,720	4	(13)	3,711
Mortgage-backed securities:				
Government-sponsored enterprises**	675	2	(5)	672
Other***	2,274	4		2,278
	2,949	6	(5)	2,950
Total	$6,669	$10	$(18)	$6,661

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** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae, which are not obligations of the U.S. Government.

*** Primarily consists of private-label mortgage-backed securities.

The FHLBanks have reviewed their investment security holdings and have determined that all unrealized losses reflected above are temporary, based in part on the creditworthiness of the issuers as well as the underlying collateral. The FHLBanks believe that it is probable that they will be able to collect all amounts due according to the contractual terms of the individual securities. Based upon the creditworthiness of the issuers and because the FHLBanks have the ability and the intent to hold such securities through to recovery of the unrealized losses, they do not consider the investments to be other-than-temporarily impaired at March 31, 2007.

Amortized Cost and Estimated Fair Value of Available-for-Sale Securities by Contractual Maturity (Dollar amounts in millions)

	March 31, 2007		December 31, 2006	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$1,943	$1,941	$2,262	$2,261
Due after one year through five years	244	239	681	671
Due after five through ten years	74	73	23	23
Due after ten years	747	751	754	756
	3,008	3,004	3,720	3,711
Mortgage-backed securities	2,838	2,839	2,949	2,950
Total	$5,846	$5,843	$6,669	$6,661

Expected maturities of certain securities, including mortgage-backed securities, will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

Maturity and Yield Characteristics of Available-for-Sale Non-Mortgage-Backed Securities

	March 31, 2007	December 31, 2006
Non-mortgage-backed securities		
Due in one year or less	4.97%	5.06%
Due after one year through five years	4.09%	4.44%
Due after five years through ten years	5.21%	5.85%
Due after ten years	7.36%	7.34%

Held-to-Maturity Securities.

Held-to-Maturity Securities (Dollar amounts in millions)

	March 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	$ 6,382	$	$	$ 6,382
Other U.S. obligations*	535	5	(1)	539
Government-sponsored enterprises**	3,093	23	(30)	3,086
State or local housing agency obligations	3,079	29	(5)	3,103
Other	8			8
	13,097	57	(36)	13,118
Mortgage-backed securities:				
Other U.S. obligations*	442	4	(3)	443
Government-sponsored enterprises***	43,486	119	(602)	43,003
Other****	80,793	209	(825)	80,177
	124,721	332	(1,430)	123,623
Total	$137,818	$389	$(1,466)	$136,741

* Other U.S. obligations primarily consists of Ginnie Mae and/or SBA investment pools.

** Primarily consists of securities issued or guaranteed by Freddie Mac, Fannie Mae and/or the Tennessee Valley Authority, which are not obligations of the U.S. Government.

*** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae, which are not obligations of the U.S. Government.

**** Primarily consists of private-label mortgage-backed securities.

	December 31, 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	$ 7,032	$	$	$ 7,032
Other U.S. obligations*	953	4	(1)	956
Government-sponsored enterprises**	4,349	22	(42)	4,329
State or local housing agency obligations	3,180	28	(11)	3,197
Other	8			8
	15,522	54	(54)	15,522
Mortgage-backed securities:				
Other U.S. obligations*	443	3	(4)	442
Government-sponsored enterprises***	44,067	89	(740)	43,416
Other****	82,450	170	(1,020)	81,600
	126,960	262	(1,764)	125,458
Total	$142,482	$316	$(1,818)	$140,980

* Other U.S. obligations primarily consists of Ginnie Mae and/or SBA investment pools.

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*** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae, which are not obligations of the U.S. Government.

**** Primarily consists of private-label mortgage-backed securities.

The FHLBanks have reviewed their held-to-maturity investments and have determined that all unrealized losses reflected above are temporary based on the creditworthiness of the issuers as well as the underlying collateral. The FHLBanks believe it is probable that they will be able to collect all amounts due according to the contractual terms of the individual securities. Additionally, the FHLBanks have the ability and the intent to hold such securities through to recovery of the unrealized losses, they do not consider the investments to be other-than-temporarily impaired at March 31, 2007.

Amortized Cost and Estimated Fair Value of Held-to-Maturity Securities by Contractual Maturity (Dollar amounts in millions)

	March 31, 2007		December 31, 2006	
Year of Maturity	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 7,965	$ 7,959	$ 10,215	$ 10,202
Due after one year through five years	1,890	1,885	1,847	1,834
Due after five through ten years	595	609	641	657
Due after ten years	2,647	2,665	2,819	2,829
	13,097	13,118	15,522	15,522
Mortgage-backed securities	124,721	123,623	126,960	125,458
Total	$137,818	$136,741	$142,482	$140,980

Expected maturities of certain securities, including mortgage-backed securities, will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

Maturity and Yield Characteristics of Held-to-Maturity Non-Mortgage-Backed Securities

	March 31, 2007	December 31, 2006
Non-mortgage-backed securities		
Due in one year or less	4.98%	4.83%
Due after one year through five years	5.16%	4.69%
Due after five years through ten years	5.32%	5.45%
Due after ten years	5.75%	5.75%

Mortgage Loans Held for Portfolio.

Mortgage Loans Held for Portfolio (Dollar amounts in millions)

	March 31, 2007	Percentage of Total	December 31, 2006	Percentage of Total	March 31, 2007 vs. December 31, 2006 (Decrease) Increase $	%
Real Estate:						
Fixed medium-term* single-family mortgages	$25,854	27.0%	$26,715	27.4%	$ (861)	(3.2)%
Fixed long-term single-family mortgages	69,962	73.0%	70,748	72.6%	(786)	(1.1)%
Multifamily mortgages	28	0.0%	29	0.0%	(1)	(3.4)%
	95,844	100.0%	97,492	100.0%	(1,648)	(1.7)%
Premiums	660		693		(33)	(4.8)%
Discounts	(295)		(307)		12	3.9%
Deferred loan costs, net	41		43		(2)	(4.7)%
SFAS 133 hedging adjustments	75		60		15	25.0%
Total mortgage loans held for portfolio	$96,325		$97,981		$(1,656)	(1.7)%

* Medium-term is defined as a term of 15 years or less.

For most FHLBanks, principal pay downs and maturities of mortgage loans held for portfolio have been greater than new mortgage loans held for portfolio purchases and fundings. In addition, the FHLBank of Chicago has not purchased or funded new MPF loans at the same levels as in the past due to capital limitations. The FHLBank of Seattle is no longer accepting additional master commitments, has completed all of its delivery commitments and is not purchasing additional mortgages. In October 2006, the FHLBank of San Francisco announced that it would no longer offer new master commitments to purchase mortgage loans from its PFIs under the MPF Program. The FHLBank of San Francisco's last purchase commitment expired on February 15, 2007.

At March 31, 2007, the FHLBanks of Chicago, Des Moines and Indianapolis held the largest percentage of the mortgage loans held for portfolio balances with 38 percent, 12 percent and 10 percent of the combined mortgage loans held for portfolio balance. No other FHLBank held 10 percent or more of the combined mortgage loans held for portfolio balance at March 31, 2007.

Mortgage Loans Held for Portfolio by Program Types
(Dollar amounts in millions)

	March 31, 2007		December 31, 2006		March 31, 2007 vs. December 31, 2006 Decrease	
	Amount	Percentage of Total Loans	Amount	Percentage of Total Loans	$	%
MPF, mortgage loans held for portfolio	$71,261	74.0%	$72,781	74.3%	$(1,520)	(2.1)%
MPP, mortgage loans held for portfolio	25,034	26.0%	25,169	25.7%	(135)	(0.5)%
Other mortgage loans	30	0.0%	31	0.0%	(1)	(3.2)%
Total mortgage loans held for portfolio	$96,325	100.0%	$97,981	100.0%	$(1,656)	(1.7)%
Allowance for credit losses — MPF	$ 6	85.7%	$ 6	85.7%	$	0.0%
Allowance for credit losses — other	1	14.3%	1	14.3%		0.0%
Total allowance for credit losses	$ 7	100.0%	$ 7	100.0%	$	0.0%
MPF, mortgage loans held for portfolio, net	$71,255	74.0%	$72,775	74.3%	$(1,520)	(2.1)%
MPP, mortgage loans held for portfolio, net	25,034	26.0%	25,169	25.7%	(135)	(0.5)%
Other mortgage loans, net	29	0.0%	30	0.0%	(1)	(3.3)%
Total mortgage loans held for portfolio, net	$96,318	100.0%	$97,974	100.0%	$(1,656)	(1.7)%

Each of the FHLBanks has established an appropriate allowance for credit losses for mortgage loan programs or has determined that no loan loss allowance is necessary, and the management of each FHLBank believes that it has the policies and procedures in place to manage appropriately its mortgage loan credit risk.

The other "Mortgage loans held for portfolio, net" balances relate to the Affordable Multifamily Participation Program (AMPP) established by the FHLBank of Atlanta, and the Community Mortgage Asset (CMA) program balance held by the FHLBank of New York. Through AMPP, members may sell to the FHLBank of Atlanta participations in loans on affordable multifamily rental properties. These assets do not carry external credit enhancements. Through the CMA program, the FHLBank of New York participates in residential, multifamily and community economic development mortgage loans originated by its members. The FHLBank of Atlanta suspended acquisitions under AMPP in 2006. The FHLBank of New York suspended acquisitions under the CMA program in late 2001.

Mortgage Loans by Loan Type
(Dollar amounts in millions at par value)

	March 31, 2007	Percentage of Total	December 31, 2006	Percentage of Total	March 31, 2007 vs. December 31, 2006 Decrease $	%
Government-insured loans	$ 9,683	10.1%	$10,024	10.3%	$ (341)	(3.4)%
Conventional loans	86,156	89.9%	87,463	89.7%	(1,307)	(1.5)%
Other loans	5	0.0%	5	0.0%		0.0%
Total par value	$95,844	100.0%	$97,492	100.0%	$(1,648)	(1.7)%

Allowance for Credit Losses on Mortgage Loans
(Dollar amounts in millions)

	March 31, 2007	December 31, 2006
Balance, beginning of period	$7	$10
Reversal for credit losses	—	(3)
Balance, end of period	$7	$ 7

The FHLBanks' outstanding net mortgage loans held for portfolio, nonperforming loans, loans 90 days or more past due and accruing interest, loans in foreclosure and real estate owned at March 31, 2007 and December 31, 2006 are as follows (dollar amounts in millions):

	March 31, 2007	December 31, 2006
Mortgage loans held for portfolio, net	$96,318	$97,974
Nonperforming mortgage loans held for portfolio	65	66
Mortgage loans held for portfolio past due 90 days or more and still accruing interest(1)	358	372
Loans in foreclosure	54	51
Real estate owned	34	33

(1) Mortgage loans insured or guaranteed by the Federal Housing Administration, the Department of Veterans Affairs, the Rural Housing Service of the Department of Agriculture (RHS) and/or the Department of Housing and Urban Development (HUD).

The FHLBanks' interest contractually due and actually received for nonperforming loans during the period for the three months ended March 31, 2007 and 2006 are as follows (dollar amounts in millions):

	For the Three Months Ended March 31, 2007	March 31, 2006
Interest contractually due during the period	$0.7	$1.0
Interest actually received during the period	0.3	0.3
Shortfall	$0.4	$0.7

Consolidated Obligations.

General. Consolidated obligations issued through the Office of Finance are the principal source of funds used by the FHLBanks to make advances, purchase mortgages and make investments. Consolidated obligations consist of consolidated bonds and consolidated discount notes, which differ, among other ways, in their maturities and in some of the intended uses of the funds they provide. Finance Board regulation prohibits an FHLBank from purchasing directly or indirectly a consolidated obligation as part of the consolidated obligation's initial issuance.

The FHLBanks make significant use of interest-rate exchange agreements to alter the cash flows on certain consolidated obligations.

Average Consolidated Obligations Outstanding at Par Value (Dollar amounts in billions)

	For the Three Months Ended March 31,		For the Three Months Ended March 31, 2007 vs. 2006 Increase (Decrease)	
	2007	2006	$	%
Overnight discount notes	$ 25.1	$ 24.7	$ 0.4	1.6%
Term discount notes	136.1	138.2	(2.1)	(1.5)%
Total discount notes	161.2	162.9	(1.7)	(1.0)%
Bonds	787.7	774.2	13.5	1.7%
Total consolidated obligations	$948.9	$937.1	$11.8	1.3%

Consolidated Obligations Outstanding (Dollar amounts in millions)

	March 31, 2007		December 31, 2006	
	Amount	Percentage of Total Consolidated Obligations, Net	Amount	Percentage of Total Consolidated Obligations, Net
Consolidated obligations, net:				
Discount notes	$165,938	17.7%	$157,549	16.9%
Bonds	770,233	82.3%	776,665	83.1%
Total consolidated obligations, net	$936,171	100.0%	$934,214	100.0%

Consolidated Bonds Outstanding by Year of Maturity (Dollar amounts in millions)

	March 31, 2007		December 31, 2006	
Year of Maturity	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Due in 1 year or less	$236,889	4.35%	$241,542	4.24%
Due after 1 year through 2 years	187,209	4.61%	200,601	4.48%
Due after 2 years through 3 years	104,801	4.76%	92,331	4.65%
Due after 3 years through 4 years	54,863	4.81%	58,984	4.69%
Due after 4 years through 5 years	47,455	5.12%	48,989	5.03%
Thereafter	143,787	4.94%	140,244	4.88%
Index amortizing notes	6,521	4.95%	6,555	4.94%
Total par value	781,525	4.66%	789,246	4.55%
Bond premium	328		347	
Bond discount	(9,015)		(9,078)	
SFAS 133 hedging adjustments	(2,600)		(3,845)	
Subtotal	770,238		776,670	
Bonds held in treasury	(5)		(5)	
Total	$770,233		$776,665	

Consolidated Bonds Outstanding by Year of Maturity or Next Call Date (Dollar amounts in millions)

	March 31, 2007	December 31, 2006
Due in 1 year or less	$478,079	$476,308
Due after 1 year through 2 years	132,590	143,574
Due after 2 years through 3 years	56,204	49,843
Due after 3 years through 4 years	28,025	30,189
Due after 4 years through 5 years	21,031	25,033
Thereafter	59,075	57,744
Index amortizing notes	6,521	6,555
Total par value	$781,525	$789,246

Consolidated Bonds Outstanding by Redemption Feature (Dollar amounts in millions)

	March 31, 2007	December 31, 2006
Par amount of consolidated bonds:		
Noncallable/nonputable	$407,827	$414,542
Callable	373,296	374,302
Putable	402	402
Total par value	$781,525	$789,246

Consolidated Bonds Outstanding(1)
by Payment Terms at Par Value
(Par amounts in billions)

	March 31, 2007		December 31, 2006	
	Amount	Percentage of Total	Amount	Percentage of Total
Fixed-rate, Noncallable	$324.6	41.4%	$329.1	41.5%
Fixed-rate, Callable	348.5	44.4%	350.7	44.2%
Step-Ups/Step-Downs	45.0	5.7%	51.1	6.4%
Single-index, Non-capped Floaters	32.5	4.1%	25.7	3.2%
Zero-coupon, Callable	11.0	1.4%	11.0	1.4%
Amortizing Prepayment Linked Securities	6.9	0.9%	6.9	0.9%
Capped Floaters	5.1	0.7%	6.7	0.9%
Range	6.2	0.8%	7.1	0.9%
Conversion	3.3	0.4%	3.6	0.4%
Other	1.8	0.2%	2.0	0.2%
Total	$784.9	100.0%	$793.9	100.0%

(1) Not adjusted for interbank holdings of consolidated obligations totaling $3.4 billion at March 31, 2007 and $4.6 billion at December 31, 2006.

Bonds issued through the Office of Finance often have investor-determined features. The decision to issue a 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 bonds issued to hedge the risks. The issuance of a bond with a simultaneously-transacted associated interest-rate exchange agreement usually results in a funding vehicle with a lower cost than the FHLBanks could otherwise achieve. The continued attractiveness of such debt/swap transactions depends on price relationships in both the 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:

- diversifies the investor base;
- reduces funding costs; and
- provides additional asset/liability management tools.

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

- advances with short maturities or repricing intervals due to seasonal and cyclical fluctuations in the flow of savings and mortgage financings;
- convertible advances or callable/putable advance programs;
- variable-rate advance programs; or
- money-market investments.

These discount notes presently have a maturity range of up to 365 days. They are sold at a discount and mature at par.

Debt Financing Activity. The minimal growth in the FHLBanks' assets at March 31, 2007, compared to December 31, 2006, was primarily financed by 19.9 percent and 2.0 percent increases in deposits and consolidated obligations of $3.7 billion and $2.0 billion.

The FHLBanks have diversified sources and channels of funding as the need for funding from the capital markets has grown. The Global Debt Program provided $70.0 billion and $26.8 billion at par in term funds during the first three months of 2007 and 2006. In mid-1999, the Office of

Finance implemented the TAP Issue Program. This program consolidates the issuance through daily auctions of domestic bullet bonds of common maturities by re-opening previously issued bonds. TAP issues generally remain open for three months, after which they are closed and a new series of TAP issues is opened to replace them. This program has reduced the number of separate bullet bonds issued, but more importantly has enhanced market awareness through increased issue size, secondary market activity, and utility, while providing enhanced funding diversification for the FHLBanks. Through this program, the Office of Finance seeks to enhance the liquidity of these issues. During the first three months of 2007, $12.4 billion of bonds were issued through the TAP Issue Program. This represents an increase of $3.4 billion over the first three months of 2006. The FHLBanks continue to issue debt that is both competitive and attractive in the marketplace. In addition, the FHLBanks continuously monitor and evaluate their debt issuance practices to ensure that consolidated obligations are efficiently and competitively priced.

Bonds can be negotiated individually or auctioned competitively through approximately 100 underwriters. Bonds offered daily via auction include fixed-rate bullets (through the TAP Issue Program discussed above) and American-style callables. Underwriters may contact the Office of Finance if there is a structure/dollar target they need to meet investor demand, although many times they negotiate directly with the FHLBanks. Competitively bid transactions are generally initiated by an FHLBank funding need of a particular structure and size. Dealers are invited to bid and the trade is executed.

	Percent of Total Issued During Three Months Ended March 31,	
	2007	2006
Competitive bid	18.15%	16.30%
Negotiated transactions	81.85%	83.70%
Total	100.00%	100.00%

	Percent of Total Issued During Three Months Ended March 31,	
	2007	2006
Fixed-rate, Fixed-term, Noncallable (Bullet)	27.21%	60.63%
Fixed-rate, callable	63.96%	29.47%
Step-Ups/Step-Downs	0.61%	2.87%
Single-index Floaters	7.63%	4.44%
Other	0.59%	2.59%
Total	100.00%	100.00%

Consolidated Bonds Issued at Par Value
(Dollar amounts in billions)

Three Months Ended March 31,	
2007	2006
$120.7	$72.8

The increase in consolidated bonds issued at par value occurred primarily because of the increase in bond calls/maturities during the first three months of 2007. The FHLBanks make extensive use of callable debt. At March 31, 2007, $374.9 billion of callable debt at par was outstanding (excluding an interbank holding adjustment of $1.6 billion). Callable bonds represented 47.8 percent of total bonds outstanding at par.

Consolidated discount notes accounted for 94.0 percent of the proceeds from the sale of consolidated obligations during the first three months of 2007. Much of the discount note activity reflects the refinancing of overnight discount notes.

Deposits. At March 31, 2007, deposits totaled $22.7 billion, an increase of $3.7 billion from December 31, 2006. The following table presents term deposits issued in amounts of $100,000 or more at March 31, 2007 and December 31, 2006 (dollar amounts in millions):

	March 31, 2007	December 31, 2006
3 months or less	$562	$345
Over 3 through 6 months	46	56
Over 6 through 12 months	11	13
Over 12 months	31	27
Total	$650	$441

Capital.

Total Capital
(Dollar amounts in billions)

March 31, 2007	December 31, 2006	March 31, 2007 vs. December 31, 2006 Decrease $	%
$44.7	$45.0	$(0.3)	(0.5)%

The slight decline in total capital was due primarily to:

- decrease in advances and
- $616 million reclassification of capital stock as mandatorily redeemable capital stock during the first three months of 2007,
- partially offset by a slight increase in membership, due to the requirement that each new member must purchase stock in its FHLBank based on each FHLBank's capital stock purchase requirements, and payment of capital stock dividends by the FHLBanks of Dallas, Topeka and San Francisco.

Over the same period, total assets increased. This caused the FHLBanks' GAAP capital-to-assets ratio to decrease to 4.39 percent at March 31, 2007, from 4.43 percent at December 31, 2006.

Results of Operations

Interbank Transfers of Liability on Outstanding Consolidated Bonds and Their Effect on Combined Net Income. Combined net income of the FHLBanks was 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 that assumes the direct liability on those outstanding consolidated bonds. By engaging in these transactions, two FHLBanks are able to better match their funding needs by transferring excess funds held by one FHLBank to another FHLBank that can utilize the funds. Transfer transactions allow the assuming FHLBank to achieve equal or lower funding costs than would be available to it for a similarly sized transaction in the capital markets at the time of the transfer. 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.

Description of the Transactions. As part of its overall asset/liability management strategy, an FHLBank may issue more debt than it needs at the time of issuance to fund its business. This allows the FHLBank to take advantage of favorable funding prices for large-size transactions in anticipation of using the proceeds at a later time to fund the acquisition of assets, such as mortgages or advances. In other cases, an FHLBank may have excess liquidity due to the prepayment of mortgages. Instead of continuing to retain the excess funds for use in its own business, an FHLBank may elect to transfer a portion of its liability to an FHLBank with more immediate funding needs. The funds are transferred to the assuming FHLBank together with the corresponding liability under the consolidated bonds.

Net Interest Income.

Changes in Net Interest Income
(Dollar amounts in millions)

	For the Three Months Ended March 31,		For the Three Months Ended March 31, 2007 vs. 2006 Increase (Decrease)	
	2007	2006	$	%
INTEREST INCOME				
Advances	$8,422	$7,067	$1,355	19.2%
Prepayment fees on advances	8	7	1	14.3%
Mortgage loans held for portfolio	1,237	1,310	(73)	(5.6)%
Investments and other	3,521	2,976	545	18.3%
Total interest income	13,188	11,360	1,828	16.1%
INTEREST EXPENSE				
Consolidated obligations	11,873	10,084	1,789	17.7%
Other	291	233	58	24.9%
Total interest expense	12,164	10,317	1,847	17.9%
NET INTEREST INCOME	$1,024	$1,043	$ (19)	(1.8)%

The decrease in net interest income from the first three months of 2006 to the first three months of 2007 is primarily attributable to lower interest income on mortgage loans held for portfolio as a result of decreased volume, the continuing effect of the flat to inverted yield curve and an increase in consolidation obligation interest expenses due to the higher interest-rate environment, partially offset by growth in advances and investments at higher interest rates during 2007.

The increase in consolidated obligations and other (deposits and other borrowings) interest expense for the first three months of 2007 relates mainly to the higher interest-rate environment and to a lesser extent, the higher volume of consolidated obligations and deposits and other borrowings outstanding, compared to the first three months of 2006.

The increase in advances income and investments and other interest income for the first three months of 2007 relates primarily to the higher interest-rate environment and higher volume of advances and investments outstanding, compared to the first three months of 2006.

The decrease in mortgage loans held for portfolio income for the first three months of 2007 relates primarily to the lower volume of outstanding mortgage loans held for portfolio compared to the first three months of 2006, partially offset by higher interest rates during the first three months of 2007 compared to the first three months of 2006.

The FHLBanks are required by Finance Board regulations to price advances no lower than their marginal cost of raising matching-maturity funds and the related administrative and operating costs. Subject to satisfying this requirement, the FHLBanks may also consider competitive factors in setting advances prices. They charge their members a prepayment fee if members prepay certain advances before their original maturities. The Finance Board's regulations generally require such a fee on advances with a maturity or repricing period of more than six months. The fee must be sufficient to make the FHLBank financially indifferent to the borrower's decision to prepay the advances.

Net Income.

Changes in Net Income
(Dollar amounts in millions)

	For the Three Months Ended March 31,		For the Three Months Ended March 31, 2007 vs. 2006 Increase	
	2007	**2006**	**$**	**%**
NET INCOME	$621	$619	$2	0.3%

The slight increase in net income for three months ended March 31, 2007 compared to the same period during 2006 can be primarily attributed to a $26 million increase in total other income (resulting in a total other income balance of $12 million for the first three months of 2007) which was partially offset by the effect of higher interest rates on consolidated obligations and a $6 million increase in other expenses.

The $26 million increase in total other income is primarily related to an increase in net gains (losses) on trading securities of $157 million, partially offset by a $133 million increase in net (losses) gains on derivatives and hedging activities.

Total operating expenses were $171 million for the first three months of 2007, compared to $165 million for the first three months of 2006.

The combining adjustment for the first three months of 2007 for the elimination of the transfers of interbank consolidated bond liabilities and interbank fees and commissions related to the MPF Program resulted in a net increase in other income of $1 million and a decrease in other expenses of $1 million. This led to a combined net increase in net income of $2 million. This increase is primarily related to the reversal of the interbank bond transfer-related losses recorded during the first three months of 2007. Total interbank consolidated bonds of $285 million at par value were transferred from an FHLBank to another FHLBank during the first three months of 2007.

The combining adjustment for the first three months of 2006 for the elimination of the transfers of interbank consolidated bond liabilities and interbank fees and commissions related to the MPF Program resulted in a net increase in other loss of $5 million, a decrease in other expenses of $1 million, and a reduction in interest expense on consolidated obligation bonds of $2 million. This led to a combined net decrease in net income of $2 million. This decrease is primarily related to the reversal of the interbank bond transfer-related gains previously eliminated. Total interbank consolidated bonds of $446 million at par value were transferred from an FHLBank to another FHLBank during the first three months of 2006.

Earnings Analysis.

The following table presents average balances and yields of major earning asset categories and the funding sources for those earning assets. It also presents spreads between yields on total earning assets and the cost of interest-bearing liabilities and spreads between yields on total earning assets and the cost of total funding sources (i.e., interest-bearing liabilities plus capital plus other interest-free liabilities funding earning assets). The primary source of FHLBank earnings is net interest income. This is the interest earned on advances, mortgages, investments and invested capital, *minus* interest paid on consolidated obligations, deposits and other borrowings.

Spread and Yield Analysis
(Dollar amounts in millions)

	For the Three Months Ended					
	March 31, 2007			March 31, 2006		
	Average Balance	Interest(1)	Annualized Yield	Average Balance	Interest(1)	Annualized Yield
Earning assets:						
Advances(2)	$ 637,426	$ 8,430	5.36%	$628,805	$ 7,074	4.56%
Mortgage loans held for portfolio	96,920	1,237	5.18%	104,080	1,310	5.10%
Investments:						
Interest-bearing deposits and other	34,748	458	5.35%	32,288	359	4.51%
Securities purchased under agreements to resell	4,125	54	5.31%	4,572	51	4.52%
Federal funds sold	79,963	1,051	5.33%	72,014	803	4.52%
Trading securities	5,723	81	5.74%	7,469	103	5.59%
Available-for-sale securities	6,226	78	5.08%	5,668	62	4.44%
Held-to-maturity securities	139,514	1,799	5.23%	134,412	1,598	4.82%
Total investments	270,299	3,521	5.28%	256,423	2,976	4.71%
Total earning assets	$1,004,645	$13,188	5.32%	$989,308	$11,360	4.66%
Funded by:						
Consolidated obligations	$ 932,402	$11,873	5.16%	$915,429	$10,084	4.47%
Interest-bearing deposits and other borrowings(3)	22,030	291	5.36%	20,575	233	4.59%
Total interest-bearing liabilities	954,432	12,164	5.17%	936,004	10,317	4.47%
Capital and other non-interest-bearing funds	50,213			53,304		
Total funding	$1,004,645	$12,164	4.91%	$989,308	$10,317	4.23%
Spread on:						
Total interest-bearing liabilities			0.15%			0.19%
Total funding (net interest margin)(4)			0.41%			0.43%

(1) Interest income/expense and annualized yield include the effect of associated interest-rate exchange agreements.

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

(3) The balances do not include non-interest bearing deposits and include mandatorily redeemable capital stock balances and related interest expenses. The 2007 quarterly average balance includes subordinated notes and related interest expenses.

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

A significant portion of net interest income results from earnings on assets funded by non-interest-bearing capital. This source of net interest income increased primarily because short-term interest rates rose, on average, during the first three months of 2007 over the same period in 2006. The increase in the current year's net interest income from this source more than offset the lower net interest income caused by a decrease of four basis points in the spread between asset yields and interest-bearing liability costs.

This decrease in the combined spread on total interest-bearing liabilities from the first three months of 2006 to 2007 is generally due to FHLBanks that have experienced:

- lower average mortgage loans held for portfolio, which generally have higher spreads than advances and investments, and new mortgage assets having narrower spreads,
- increased volume of lower spread advances relative to the overall asset mix,
- loss and/or effect of hedge accounting under SFAS 133, and
- higher cost of funds attributable to the flattening of the yield curve.

The net interest margin and spread on interest-bearing liabilities are affected by the inclusion or exclusion of net interest income/expense associated with the FHLBanks' interest-rate exchange agreements. For example, if the interest-rate exchange agreements qualify for fair-value hedge accounting under SFAS 133, the net interest income/expense associated with the derivative is included in the calculation of the spread on interest-bearing liabilities and net interest margin. If the interest-rate exchange agreements do not qualify for fair value hedge accounting under SFAS 133 ("economic hedges") or if the FHLBanks' have not designated it in such a qualifying hedge relationship, the net interest income/expense associated with the interest-exchange agreements is excluded from the calculation of the spread on interest-bearing liabilities and net interest margin.

The cost of consolidated obligations issued by the FHLBanks is affected by many factors including:

- the issuance volume of Treasury and GSE debt securities;
- the dollar balance of Treasury and GSE debt outstanding;
- the portfolio growth trends of the GSEs;
- domestic and foreign investor demand;
- market views on the future direction of credit spreads;
- the level of and spread between short- and long-term interest rates; and
- fixed-income market volatility.

During the first quarter of 2007, combined bond and discount note issuance was six percent higher than the corresponding period in the previous year due to increased issuance of both bonds and discount notes. Aggregate weighted-average, new-issue funding costs for FHLBank bonds were lower relative to benchmark market indices in the first quarter of 2007 compared to the first quarter of 2006, while costs for auctioned discount notes increased.

During the first quarter of 2007, short-term yields for Treasury securities remained above yields for intermediate and long-term securities, a trend that began in the second half of 2006. In this environment, which did not offer investors a yield premium to purchase longer-dated maturities, a large proportion of FHLBank bonds were issued with short-term maturity dates. During the first quarter of 2007, bonds with embedded call options represented a significant component of issuance — more than twice the volume as was issued in the first quarter of 2006. The dollar amount of FHLBank callable bonds redeemed prior to maturity in the first quarter of 2007 was significantly higher than the volume in the corresponding period in the previous year.

Changes in both volume and interest rates have a direct influence on changes in net interest income and net interest margin. The following table summarizes changes in interest income and interest expense between the three months ended March 31, 2007 and March 31, 2006. Changes in interest income and interest expense not identifiable as either volume-related or rate-related, but rather equally 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.

Rate and Volume Analysis
(Dollar amounts in millions)

	For the Three Months Ended March 31, 2007 vs. 2006		
	Increase (Decrease) Due to		
	Volume	Rate	Total
Interest Income:			
Advances(1)	$ 98	$1,258	$1,356
Mortgage loans held for portfolio	(91)	18	(73)
Investments	167	378	545
Total interest income	174	1,654	1,828
Interest Expense:			
Consolidated obligations	190	1,599	1,789
Deposits and other borrowings(2)	17	41	58
Total interest expense	207	1,640	1,847
Changes in net interest income	$(33)	$ 14	$ (19)

(1) Includes prepayment fees on advances, net.

(2) The average balances used for the calculation do not include non-interest bearing deposits and include cash and stock dividends on mandatorily redeemable capital stock as interest expense. The average balance used for the 2007 quarterly calculation includes subordinated notes and related interest expenses.

Other Income (Loss).

Other Income (Loss)
(Dollar amounts in millions)

	For the Three Months Ended March 31,	
	2007	2006
Service fees	$ 6	$ 6
Net gains (losses) on trading securities	9	(148)
Net realized losses from sale of available-for-sale securities		(4)
Net realized losses from sale of held-to-maturity securities	(3)	
Net (losses) gains on derivatives and hedging activities	(5)	128
Other, net	5	4
Total other income (loss)	$12	$ (14)

The change in total other income (loss) from the first three months of 2006 to the first three months of 2007 relates primarily to the changes in net gains (losses) on trading securities and the change in net (losses) gains on derivatives and hedging activities.

Effect of Hedging and Trading Securities Activities on Earnings by Product
(Dollar amounts in millions)

Earnings Effect for the Three Months Ended March 31, 2007	Advances	Investments	MPF/ MPP Loans	COs- Bonds	COs- Discount Notes	Balance Sheet	Total
Amortization/accretion of hedging activities in net margin	$(15)	$	$ 1	$(6)	$(2)	$	$(22)
Net gains (losses) on derivatives and hedging activities	9	(23)	(9)	25	(6)	(1)	(5)
Net gains on trading securities		9					9
Total	$ (6)	$(14)	$(8)	$19	$(8)	$(1)	$(18)

Earnings Effect for the Three Months Ended March 31, 2006	Advances	Investments	MPF/ MPP Loans	COs- Bonds	COs- Discount Notes	Balance Sheet	Total
Amortization/accretion of hedging activities in net margin	$(24)	$	$	$(22)	$(8)	$	$(54)
Net gains (losses) on derivatives and hedging activities	13	135	(17)	(21)	17	1	128
Net losses on trading securities		(148)					(148)
Total	$(11)	$ (13)	$(17)	$(43)	$ 9	$ 1	$(74)

Operating Expenses.

Operating Expenses
(Dollar amounts in millions)

	For the Three Months Ended March 31,		For the Three Months Ended March 31, 2007 vs. 2006 Increase (Decrease)	
	2007	2006	$	%
Salaries and employee benefits	$112	$103	$9	8.7%
Cost of quarters	10	8	2	25.0%
Other	49	54	(5)	(9.3)%
Total operating expenses	$171	$165	$6	3.6%
Operating expenses as a percentage of average assets (basis points)	6.8	6.7		

The increase in salaries and benefits in the first three months of 2007 reflect the following:

- higher staffing levels to support increased regulatory requirements for risk management, SEC registration and filings and preparations for compliance with Sarbanes-Oxley requirements;
- general increases in pay and benefits; and
- an increase in pension costs.

The decrease in other operating expenses in the first three months of 2007 as compared to the same period in 2006 is due to the decrease in professional fees and other cost cutting measures.

	For the Three Months Ended March 31,		For the Three Months Ended March 31, 2007 vs. 2006 Increase (Decrease)	
	2007	2006	$	%
Finance Board expenses	$9	$9	$	0.0%
Office of Finance expenses	8	6	2	33.3%
Other expenses excluded from operating expenses	2	4	(2)	(50.0)%
Affordable Housing Program expenses	70	71	(1)	(1.4)%

Finance Board Expenses. The FHLBanks fund the costs of operating the Finance Board. These costs are under the sole control of the Finance Board. Finance Board expenses are allocated among the FHLBanks based on each FHLBank's percentage of total combined regulatory capital stock plus retained earnings.

Office of Finance Expenses. The FHLBanks also fund the costs of the Office of Finance. The Office of Finance, a joint office of the FHLBanks, issues and services consolidated obligations, prepares the FHLBanks' combined quarterly and annual financial reports, and fulfills certain other functions. The expenses of the Office of Finance are allocated among the FHLBanks based on each FHLBank's percentage of total capital stock, percentage of consolidated obligations issued, and percentage of consolidated obligations outstanding. The increase in Office of Finance expenses from the first three months of 2006 to the first three months of 2007 is due primarily to increased staffing and the related salaries and benefits, to meet various regulatory and FHLBank initiatives and marketing expenses.

Other. Other expenses are excluded from operating expenses. The other expenses for the first three months of 2007 and 2006 include approximately $4 million and $4 million of certain MPF and/or MPP master servicing and custodial fees.

Affordable Housing Program. Annually, the FHLBanks must set aside for the AHP the greater of $100 million or 10 percent of regulatory income, after the assessment for REFCORP. Regulatory income is income before assessments, plus interest expense related to mandatorily redeemable capital stock under SFAS No. 150, *Accounting for Certain Financial Instruments and Characteristics of both Liabilities and Equity* (SFAS 150), less the assessment for REFCORP. The Finance Board requires each FHLBank to add back interest expense related to mandatorily redeemable capital stock before the calculation of its AHP assessment. Changes in the AHP assessments for the first three months of 2007 and 2006 reflect the overall trend of the FHLBanks' net income. AHP helps members provide subsidized and other low-cost funding to create affordable rental and home ownership opportunities. Funding is also used for commercial and economic development activities that benefit low- and moderate-income neighborhoods, thus contributing to the revitalization of these neighborhoods. All FHLBank operating costs for the AHP are included in operating expenses, so all AHP assessments go directly to support affordable housing projects.

Community Investment Program. At March 31, 2007, the FHLBanks had $6.1 billion of CIP housing advances and $1.5 billion of CIP commercial and economic development advances outstanding.

Other Housing and Community Economic Development Programs. Each of the FHLBanks has established a number of other voluntary housing and community economic development programs specifically developed for its members. These programs are funded by the FHLBanks separate from AHP.

REFCORP Payment

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

The REFCORP assessment of the FHLBanks was $153 million (cash payment of $158 million) for the first quarter of 2007 and $154 million (cash payment of $190 million) for the first quarter of 2006. The cash payments are made based on preliminary GAAP net income amounts due to the timing requirement of the payment. Any FHLBank with a net loss for a quarter is not required to pay the REFCORP assessment for that quarter. As specified in the Finance Board regulation that implements section 607 of the GLB Act, the amount by which the REFCORP payment for any quarter exceeds the $75 million benchmark payment is used to simulate the purchase of zero-coupon Treasury bonds to "defease" all or a portion of the most-distant remaining quarterly benchmark payment. The $83 million by which the first-quarter REFCORP payment exceeded the $75 million quarterly benchmark will fully defease the remaining $72 million portion of the benchmark payment due on July 15, 2015, and defease $50 million of the $75 million benchmark payment due on April 15, 2015. The defeased benchmark payments (or portions thereof) can be reinstated if future actual REFCORP payments fall short of the $75 million benchmark in any quarter.

As a result of the REFCORP payments of $158 million made by the FHLBanks in the first quarter of 2007, the overall period during which the FHLBanks must continue to make quarterly payments was shortened to April 15, 2015, effective at March 31, 2007. This date assumes that the FHLBanks will pay exactly $300 million annually after March 31, 2007 until the annuity is fully satisfied. This compares to the outside date of July 15, 2015, effective at December 31, 2006, based on REFCORP payments made through 2006.

REFCORP Defeasance Summary
For First Quarter 2007 Payment
(Dollar amounts in millions)

Payment Due Date	Amount of Benchmark Payment Defeased*	Interest Rate Used to Discount the Future Benchmark Payment	Present Value of Benchmark Payment Defeased**
July 15, 2015 (most distant remaining payment)	$ 72	4.74%	$49
April 15, 2015	50	4.73%	34
Total	$122		$83

* Subject to possible subsequent reinstatement.

** Actual cash payment of $158 million made based on estimated net income.

Capital Adequacy

The FHLBank Act prescribes minimum capital stock requirements for the FHLBanks. In addition, an individual FHLBank, at the discretion of its board of directors and/or management, may institute a higher capital requirement in order to meet internally-established thresholds or to address supervisory matters.

In 2003, the Finance Board issued guidance calling for 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 (including retained earnings) on a periodic basis to make sure the capital structure supports the risk associated with its assets and addresses applicable regulatory and supervisory matters.

Some boards of directors and/or management teams of FHLBanks have agreed with the Office of Supervision of the Finance Board either to maintain higher total capital-to-asset ratios or limit dividend payments as part of their retained earnings policies. At March 31, 2007, each of the FHLBanks was in compliance with its statutory minimum capital requirements and any internally-established or supervisory limitations. As these limitations may be revised from time to time, they are more flexible than the minimum requirements prescribed by statute. As of January 11, 2007, the FHLBank of Seattle was no longer operating under a Finance Board supervisory agreement.

At March 31, 2007, 93.1 percent of the capital of the FHLBanks consisted of capital stock, while 6.9 percent consisted of retained earnings and accumulated other comprehensive income. At March 31, 2007, the FHLBanks had an aggregate GAAP capital-to-assets ratio of 4.39 percent. This compares with a GAAP capital-to-assets ratio of 4.43 percent at December 31, 2006.

Liquidity

The FHLBanks need liquidity to:

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

The FHLBanks also maintain liquidity to repurchase excess capital stock in their discretion upon the request of a member.

Each FHLBank is required to maintain liquidity in accordance with the FHLBank Act, certain Finance Board regulations and with policies established by its management and board of directors. The FHLBanks seek to be in a position to meet the credit and liquidity needs of their members without maintaining excessive holdings of low-yielding liquid investments or being forced to incur unnecessarily high borrowing costs. The FHLBanks' primary sources of liquidity are short-term investments and the issuance of new consolidated obligation bonds and discount notes. The GSE status and rating have historically provided the FHLBanks with excellent access to capital markets. Consolidated obligations enjoy GSE status; however, they are not obligations of the United States and the United States does not guarantee them. The FHLBanks' consolidated obligations are rated Aaa/P-1 by Moody's and AAA/A-1+ by Standard & Poor's. These are the highest ratings available for such debt from a Nationally Recognized Statistical Rating Organization (NRSRO). These ratings indicate that the FHLBanks have an extremely strong capacity to meet their commitments to pay principal of and interest on consolidated obligations and that the consolidated obligations are judged to be of the highest quality with minimal credit risk. The ratings also reflect the FHLBanks' status as GSEs. Investors should note that a rating issued by an NRSRO is not a recommendation to buy, sell or hold securities and that the ratings may be revised or withdrawn by the NRSRO at any time. Investors should evaluate the rating of each NRSRO independently.

In addition, under certain circumstances the U.S. Treasury may acquire up to $4 billion of consolidated obligations of the FHLBanks. Other short-term borrowings, such as Federal funds purchased, securities sold under agreements to repurchase, and loans from other FHLBanks, also provide liquidity.

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 or the Office of Finance, or short-term capital market disruptions. (See "Risk Management — Liquidity Risk.")

Critical Accounting Policies and Estimates

For a discussion of Critical Accounting Policies and Estimates, see "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations — Critical Accounting Policies and Estimates" in the Federal Home Loan Banks' 2006 Combined Financial Report. There have been no material changes from the critical accounting policies and estimates disclosed in the "Critical Accounting Policies and Estimates" section of the Federal Home Loan Banks' 2006 Combined Financial Report. Each FHLBank describes its critical accounting policies and estimates in its Management's Discussion and Analysis in its periodic reports filed with the SEC. (See "Available Information on Individual FHLBanks.")

Legislative and Regulatory Developments

FHLBanks Office of Finance Appoints New Board of Directors Chairman. On April 11, 2007, Charles A. Bowsher was appointed to serve as the private citizen Director on the FHLBanks Office of Finance Board of Directors. Mr. Bowsher was appointed to fill a three-year term that expires on March 31, 2010. As the private citizen member of the FHLBanks Office of Finance Board of Directors, he will serve as its Chairman. After a distinguished career at Arthur Andersen, and as Assistant Secretary for Financial Management for the U.S. Navy, Mr. Bowsher was appointed Comptroller General of the United States by President Reagan in 1981. Following his 15-year term, he has served on a number of corporate boards, and currently serves on the advisory board of the Public Company Accounting Oversight Board and Glass Lewis & Company.

Finance Board Adopts Process for Appointing Directors. On April 2, 2007, the Finance Board issued a final rule that requires each FHLBank to submit on or before October 1st of each year a list of candidates qualified to fill vacant appointive director seats on its board. The final rule provides that FHLBanks are responsible for identifying potential candidates, conducting a preliminary assessment of the candidates' eligibility and qualifications, and submitting a list of nominees to the Finance Board for its consideration. At May 15, 2007, the Finance Board had made appointments under the interim final rule at the majority of FHLBanks.

Finance Board Adopts Final Rule Limiting Excess Stock. On December 22, 2006, the Finance Board adopted a final rule prohibiting FHLBanks from issuing new excess stock if the amount of excess stock exceeds one percent of the FHLBank's assets. The final rule became effective on January 29, 2007. Under the rule, any FHLBank with excess stock greater than one percent of its total assets will be prevented from further increasing excess stock by paying stock dividends or otherwise issuing new excess stock. Also included in the final rule is a provision requiring the FHLBanks to declare and pay dividends only out of previously retained earnings or current net earnings. At March 31, 2007, the FHLBanks of Cincinnati, Indianapolis, Chicago and Seattle had excess stock outstanding greater than one percent of total assets, while the remaining FHLBanks did not have excess stock outstanding greater than one percent of total assets. Most of the FHLBanks pay cash, rather than stock dividends. The FHLBanks of Dallas, Topeka and San Francisco paid stock dividends during the first three months of 2007. No FHLBank believes the final rule will have a material effect on its results of operations or financial condition. Previously, the Finance Board had issued a proposed rule that would have established minimum amounts of retained earnings for the FHLBanks. While the provisions regarding minimum amounts of retained earnings were not carried forward into the final rule, it is possible that the Finance Board may take up the matter in a subsequent rule making.

Proposed Changes to GSE Regulation. Congress is considering proposed legislation that is designed to strengthen the regulation of Fannie Mae, Freddie Mac and the FHLBanks and to address other GSE reform issues. The House Financial Services Committee approved a GSE regulatory reform bill (H.R. 1427), which would, among other things, establish a new regulator for the housing GSEs. The Senate Banking Committee has not held a hearing or passed GSE reform legislation at this time. It is impossible to predict whether any provisions relating to the Finance Board and the FHLBanks will be included in any such legislation and what such provisions may be. It is further impossible to predict whether the House of Representatives and the Senate will approve such legislation and whether any such change in regulatory structure will be signed into law. Finally, it is impossible to predict when any such change would go into effect if it were to be enacted, and what effect the legislation would ultimately have on the Finance Board or the FHLBanks.

Capital Plans Implementation Status. All FHLBanks except for the FHLBank of Chicago have implemented their new capital plans. The existing capital structure of the FHLBank of Chicago will remain in place until it implements its new capital plan. Under the new capital plans, the FHLBanks are subject to risk-based capital rules. Until the FHLBank of Chicago implements its new capital plan, the prior capital adequacy rules remain in effect.

FHLBank of Chicago Agreement with the Finance Board. For a discussion of the FHLBank of Chicago's agreement with the Finance Board, see "Business–Oversight, Audits and Examinations" in the Federal Home Loan Banks' 2006 Combined Financial Report. There have been no material changes from the agreement disclosed in the Federal Home Loan Banks' 2006 Combined Financial Report.

Recent Rating Agency Actions

Federal Home Loan Banks
Long-Term and Short-Term Credit Ratings
At April 30, 2007

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

RISK MANAGEMENT

The fundamental business of each FHLBank is to provide a readily available, competitively-priced source of funds in a wide range of maturities to meet the demands of its members and housing associates. The principal sources of funds for these activities are 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. These risks include credit risk and interest-rate risk. The FHLBanks are also subject to operational risk and business risk. To control these risks, each FHLBank has established policies and practices to evaluate and manage its credit, business, operational and interest-rate risk positions. The Finance Board has established regulations governing the risk management practices of the FHLBanks. The FHLBanks must file periodic compliance reports with the Finance Board. The Finance Board conducts an annual on-site examination of each FHLBank and the Office of Finance as well as off-site analyses.

The FHLBanks do not have any special purpose entities or any other types of off-balance sheet conduits. All derivatives are recorded in the Statements of Condition at fair value. Finance Board regulation prohibits the speculative use of interest-rate exchange agreements. The FHLBanks do not trade derivatives for short-term profit.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Managing 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 appropriate limits. The FHLBanks generally approach managing interest-rate risk by acquiring and maintaining a portfolio of assets and liabilities and entering into related interest-rate exchange agreements to limit the expected mismatches in duration. The FHLBanks manage interest-rate risk in several different ways, which are more fully discussed below.

The FHLBanks measure interest-rate risk exposure by various methods, including the calculation of duration of equity. Duration of equity measures how sensitive a theoretical market value of equity is to changes 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. Under the Finance Board regulations, the FHLBank of Chicago, which has not yet converted to its new capital plan, must ensure that its duration of equity stays within a range of +5 to -5 years, based on current interest rates using the consolidated obligation cost curve or an appropriate discounting methodology. If one assumes an instantaneous parallel increase or decrease in interest rates of 200 basis points, the duration of equity of this FHLBank must stay within a range of +7 to -7 years. The FHLBank of Chicago reports the results of its duration of equity calculations to the Finance Board each quarter. Each of the other FHLBanks that has converted to its new capital structure is no longer subject by regulation to these duration of equity requirements. The capital adequacy rules of the Finance Board require each FHLBank that has implemented a new capital plan to hold permanent capital in an amount sufficient to cover the sum of its credit, market and operations risks, as these risks are defined by the Finance Board's capital rule. Each of these FHLBanks has developed a market risk model that calculates the market risk component of this requirement. (See Duration of Equity table on page 87.)

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

The FHLBanks hold mortgage-related investments, such as:

— mortgage loans;

— mortgage-backed securities; and

— agency obligations.

Because mortgage-related investments contain prepayment options, changes in interest rates cause the expected maturities of these investments to become shorter or longer. Finance Board regulation limits this source of interest-rate risk by restricting the types of mortgage-backed securities the FHLBanks may own. FHLBanks may own only those mortgage-backed securities whose changes in average life under certain interest-rate shock scenarios are limited. The FHLBanks may hedge against this contraction risk by funding some mortgage-related investments with consolidated obligations that have call features. In addition, the FHLBanks may use caps, floors and other interest-rate exchange agreements to manage the extension and contraction variability of mortgage-related investments.

The FHLBanks may also use interest-rate exchange agreements to transform the characteristics of investment securities other than mortgage-backed securities.

Qualitative Disclosures about Market Risk

Interest-Rate Exchange Agreements

Types of Interest-Rate Exchange Agreements

General. To manage their exposure to changes in interest rates, the FHLBanks enter into the following kinds of derivatives (which are referred to in this Combined Financial Report as "interest-rate exchange agreements"):

— interest-rate swaps;

— options;

— swaptions;

— interest-rate caps and floors; and

— futures and forward contracts.

Consistent with Finance Board regulation, the FHLBanks enter into interest-rate exchange agreements only to reduce the market risk exposure inherent in otherwise unhedged assets and funding positions. Management of an FHLBank utilizes interest-rate exchange agreements in the most cost-efficient strategy and may enter into interest-rate exchange agreements that do not necessarily qualify for hedge accounting under SFAS 133 accounting rules. As a result, for these economic hedges the FHLBanks recognize only the change in fair value of these interest-rate exchange agreements in other income. They are recognized as net realized and unrealized gains (losses) on derivatives and hedging activities. No fair value adjustments of the asset, liability or firm commitment are recorded to offset these changes.

For a detailed discussion of interest-rate exchange agreements, see "Risk Management — Quantitative and Qualitative Disclosures about Market Risk — Qualitative Disclosures about Market Risk — Interest-Rate Exchange Agreements — Types of Interest-Rate Exchange Agreements" in the Federal Home Loan Banks' 2006 Combined Financial Report. There have been no material changes from the types of interest-rate exchange agreements disclosed in the Federal Home Loan Banks' 2006 Combined Financial Report. Each FHLBank describes the types of interest-rate exchange agreements it enters into in its periodic reports filed with the SEC. (See "Available Information on Individual FHLBanks.")

Derivative Notional Amounts. The notional amount of derivatives serves as a factor in determining periodic interest payments or cash flows received and paid.

The following table categorizes the estimated fair value of derivative financial instruments, excluding accrued interest by product, and type of accounting treatment. The categories "Fair Value" and "Cash Flow" represent hedge strategies for which hedge accounting is achieved. The category "Economic" represents hedge strategies for which hedge accounting is not achieved.

Total Derivative Financial Instrument by Product
(Dollar amounts in millions)

	March 31, 2007		December 31, 2006	
	Total Notional	Total Estimated Fair Value (excludes accrued interest)	Total Notional	Total Estimated Fair Value (excludes accrued interest)
Advances				
Fair Value-existing cash item	$254,533	$ 8	$235,567	$ 717
Fair Value-firm commitments	269		53	
Cash Flow-existing cash item	1,925	21	1,925	20
Economic	7,981	(1)	7,349	3
Total	264,708	28	244,894	740
Investments				
Fair Value-existing cash item	1,493	(127)	1,560	(134)
Economic (includes trading securities hedges)	11,871	(138)	12,043	(121)
Total	13,364	(265)	13,603	(255)
MPF/MPP Loans Held for Portfolio				
Fair Value-existing cash item	34,067	28	33,115	26
Standalone-delivery commitments	292	1	221	
Economic (including TBAs)	17,369	4	16,053	2
Total	51,728	33	49,389	28
Consolidated Obligations — Bonds				
Fair Value-existing cash item	490,278	(1,925)	506,990	(3,187)
Cash Flow-anticipated transaction	356			
Economic	67,834	(34)	65,768	(53)
Total	558,468	(1,959)	572,758	(3,240)
Consolidated Obligations — Discount Notes				
Fair Value-existing cash item	390		2,146	(1)
Economic	14,186	32	15,520	42
Total	14,576	32	17,666	41
Deposits				
Fair Value	20	4	20	4
Total	20	4	20	4
Balance Sheet				
Economic	7,662	3	7,242	3
Total	7,662	3	7,242	3
Intermediary Positions				
Intermediaries	2,763	1	2,874	1
Total	2,763	1	2,874	1
Total notional and estimated fair value	$913,289	$(2,123)	$908,446	$(2,678)
Total derivatives excluding accrued interest		$(2,123)		$(2,678)
Accrued interest		1,607		1,418
Net derivative balances		$ (516)		$(1,260)
Net derivative asset balances		$ 1,632		$ 1,626
Net derivative liability balances		(2,148)		(2,886)
Net derivative balances		$ (516)		$(1,260)

The notional amount of derivatives represents neither the actual amounts exchanged nor the overall exposure of the FHLBanks to credit and market risk. The overall amount that could potentially be subject to credit loss is much smaller. Notional values are not meaningful measures of the risks associated with derivatives. The risks of derivatives can be measured meaningfully on a portfolio basis. This measurement must take into account the derivatives, the item being hedged and any offsets between the two.

In accordance with SFAS 133, each FHLBank classifies derivative assets and derivative liabilities according to the net fair value of derivatives with each of its counterparties because these swaps are covered by a master netting agreement. If the net fair value of derivatives with one of its counterparties is positive, it is classified as an asset by that FHLBank. If the net fair value of derivatives with one of its counterparties is negative, it is classified as a liability by that FHLBank. At March 31, 2007, the FHLBanks had combined derivative assets of $1.6 billion and combined derivative liabilities of $2.1 billion. At December 31, 2006, the FHLBanks had combined derivative assets of $1.6 billion and combined derivative liabilities of $2.9 billion. The $800 million decrease in combined derivative liabilities from December 31, 2006 to March 31, 2007 is largely the result of interest rate changes.

Quantitative Disclosure about Market Risk

The FHLBanks use duration to measure their exposure to changes in interest rates. Duration is the weighted-average maturity (typically measured in months or years) of the cash flows of an instrument, weighted by the present value of those cash flows. Duration measures the time required to recapture an investment, assuming repaid principal is reinvested. The longer the duration, the higher the risk. Duration is also a measure of price volatility. For example, if interest rates on an instrument with a duration of five years change by one percent, the value of this instrument will change by five percent.

Duration of equity can be described as follows:

$$\frac{\text{duration of assets weighted by market value minus duration of liabilities weighted by market value}}{\text{market value of equity}}$$

Each FHLBank has an internal modeling system for measuring duration of equity and duration gap to provide to their regulator, the Finance Board, and, therefore, individual FHLBank measurements may not be directly comparable since not all FHLBanks manage to these risk measures.

For the FHLBank of Chicago, which has not yet converted to its new capital plan, Finance Board policy requires that it maintain its duration of equity (at current interest rates using the consolidated obligation cost curve or an appropriate discounting methodology) within a range of +/-5 years. The FHLBank of Chicago must maintain its duration of equity, under an assumed instantaneous +/-200 basis points parallel increase or decrease in interest rates, within a range of +/-7 years.

The other 11 FHLBanks have converted to their new capital structures and are no longer subject by regulation to the duration of equity requirements and therefore may not manage their operations to remain within these Finance Board policy requirements.

Each FHLBank also calculates and measures its duration gap. The duration gap is the difference between the estimated durations (market value sensitivity) of assets and liabilities (including the effect of interest-rate exchange agreements) and reflects the extent to which estimated maturity and repricing cash flows for assets and liabilities are matched.

Duration Gap
(In months)

FHLBank	March 31, 2007	December 31, 2006
Boston	0.1	0.2
New York	0.4	0.3
Pittsburgh	0.7	0.7
Atlanta	0.4	0.8
Cincinnati	1.2	1.0
Indianapolis	1.8	1.6
Chicago	1.0	0.9
Des Moines	(0.3)	0.0
Dallas	0.4	0.2
Topeka	1.0	1.3
San Francisco	0.5	0.7
Seattle	0.0	0.0

The table below reflects measurements by the FHLBank of Chicago, which has not yet converted to its new capital structure, of its exposure to interest-rate risk in accordance with Finance Board policy. The table summarizes the interest-rate risk associated with all instruments entered into by the FHLBank of Chicago.

Duration of Equity
(In years)

	March 31, 2007			December 31, 2006		
	+ 200 basis point change	Base	- 200 basis point change	+ 200 basis point change	Base	- 200 basis point change
FHLBank of Chicago	0.9	3.7	1.5	0.0	3.1	1.4

LIQUIDITY RISK

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

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

2. *Contingency Liquidity Risk:* the potential inability of an FHLBank to meet its liquidity needs due to an unanticipated increase in funding requests from its members or in the event it cannot access the capital markets, including the short-term discount note market, for a period of time due to a contingency such as a market disruption, operational failure or problems with its credit quality.

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

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

- investments in obligations of the U.S. government and its agencies;
- deposits in eligible banks or trust companies; or
- advances with a maturities that do not exceed five years

to cover its operational risk.

In addition, to address contingency risk Finance Board regulations require each FHLBank to have sources of funding on hand to ensure its normal operational requirements for a period of up to five days, in the event it is unable to access the consolidated obligation debt markets.

The FHLBanks' primary sources of liquidity are short-term investments and the issuance of consolidated obligation bonds and discount notes. Each of the FHLBanks was in compliance with its respective liquidity requirements at March 31, 2007.

CREDIT RISK

General

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

Managing Credit Risk

Advances. Each FHLBank manages its credit exposure to advances through a combined approach that provides for the ongoing review of the financial condition of its borrowers coupled with a conservative collateral policy. The FHLBanks protect against credit risk on advances by collateralizing all advances. The FHLBank Act requires that FHLBanks obtain and maintain from their members collateral to secure advances at the time these are originated or renewed. Collateral arrangements will vary with member credit quality, borrowing capacity, collateral availability, and overall member credit exposure. Members are also required to collateralize any letters of credit issued for their benefit by an FHLBank. Each FHLBank can call for additional or substitute collateral during the life of an advance to protect its security interest. Collateral eligible to secure advances includes:

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

Residential mortgage loans are the principal form of collateral for advances. As a matter of course, the FHLBanks perfect the security interests granted to them. In addition, the FHLBanks must take any steps necessary to ensure that the security interest in all collateral pledged by nondepository institutions for an advance is as secure as the security interest in collateral pledged by depository institutions.

The FHLBank Act permits members that qualify as a "community financial institution" (which is defined in the FHLBank Act as an FDIC-insured depository institution that had average assets for the past three calendar years totaling no more than $567 million during 2005, $587 million during 2006 and $599 million during 2007) also to pledge small-business, small-farm, and small-agribusiness loans, to the extent that its FHLBank accepts such loans as collateral for advances.

Under the FHLBank Act, an FHLBank has a statutory lien on that FHLBank's capital stock held by its members, which serves as further collateral for the indebtedness of these members to the FHLBank. In order to borrow from its FHLBank, a member must pledge collateral in the form of a blanket lien or by specific identification, or deliver such collateral to the FHLBank or its agent. Under the FHLBank Act, a security interest granted to an FHLBank by a member is entitled to a priority over the claims and rights of any party (including any receiver, conservator, trustee or similar lien creditor), except the claims and rights of a party that would be entitled to priority under otherwise applicable law and is an actual *bona fide* purchaser for value of such collateral or is an actual secured party whose security interest in such collateral is perfected in accordance with applicable state law.

No FHLBank has ever experienced a credit loss on an advance. However, the expanded eligible collateral for community financial institutions and lending to non-member housing associates increases the credit risk to the FHLBanks. Advances to community financial institutions secured with expanded eligible collateral represent approximately $6 billion of the total $625 billion of advances outstanding at par value at March 31, 2007. Advances to housing associates represent $161 million of the total $625 billion of advances outstanding at par value at March 31, 2007. The management of each FHLBank believes it has adequate policies and procedures in place to manage its credit risk on advances effectively.

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

- instruments, such as common stock, that represent an ownership in an entity, other than stock in small business investment companies, or certain investments targeted at low-income persons or communities;
- instruments issued by non-U.S. entities, other than those issued by U.S. branches and agency offices of foreign commercial banks (e.g., Federal funds);
- non-investment grade debt instruments, other than certain investments targeted at low-income persons or communities and instruments that were downgraded after their purchase by the FHLBank;
- whole mortgages or other whole loans, other than:

    1) whole mortgages or loans acquired under an FHLBank's mortgage purchase program;

    2) certain investments targeted to low-income persons or communities;

    3) certain marketable direct obligations of state, local, or tribal government units or agencies, having at least the second-highest credit rating from an NRSRO;

    4) mortgage-backed securities or asset-backed securities backed by manufactured housing loans, home equity loans, and pools of commercial and residential mortgage loans that are labeled as subprime or having certain subprime characteristics; and

5) certain foreign housing loans authorized under section 12(b) of the FHLBank Act; and

- non-U.S. dollar-denominated securities.

The FHLBanks further manage credit risk on investment securities by investing in highly-rated investment securities. At March 31, 2007 and December 31, 2006, 99.95 percent and 99.96 percent of all investments by the FHLBanks in mortgage-backed securities were rated triple-A.

Investment Securities Ratings
(Dollar amounts in millions)

Investment Rating	March 31, 2007* Amount	March 31, 2007* Percentage of Total Investments	December 31, 2006** Amount	December 31, 2006** Percentage of Total Investments
Long-term Rating				
Triple-A	$140,661	94.1%	$144,944	93.6%
Double-A	1,116	0.7%	1,002	0.6%
Short-term Rating				
A-1 or higher/P-1	7,570	5.1%	8,674	5.6%
A-2/P-2			133	0.1%
Unrated investment securities	87	0.1%	77	0.1%
Total	$149,434	100.0%	$154,830	100.0%

* This chart does not reflect changes in any rating, outlook or watch status after March 31, 2007. The ratings were obtained from S&P, Moody's and/or Fitch.

** This chart does not reflect changes in any rating, outlook or watch status after December 31, 2006. The ratings were obtained from S&P, Moody's and/or Fitch.

Unsecured Credit Exposure
(Dollar amounts in billions)

	March 31, 2007	December 31, 2006	March 31, 2007 vs. December 31, 2006 Increase Amount	March 31, 2007 vs. December 31, 2006 Increase Percentage
Unsecured credit exposure of FHLBanks to counterparties, excluding U.S. government, U.S. government agencies, and instrumentalities(1)	$144.0	$119.1	$24.9	20.9%
Maturities of unsecured credit exposure:				
Overnight	47.5%	43.8%		
2-30 days	32.8%	38.0%		
31-90 days	18.1%	17.5%		
91-270 days	1.6%	0.7%		

(1) Included in this total at March 31, 2007 and December 31, 2006 is unsecured credit of $462 million and $897 million to Washington Mutual Bank (formerly Washington Mutual Bank, FA). Washington Mutual Bank had advances of $21.4 billion and $38.5 billion from the FHLBanks of San Francisco, Dallas and New York at March 31, 2007 and December 31, 2006. Additionally, its affiliate, Washington Mutual Bank, FSB, had advances of $3.3 billion and $5.8 billion from the FHLBank of Seattle at March 31, 2007 and December 31, 2006.

Most of this unsecured credit exposure was related to Federal funds sold and commercial paper (dollar amounts in billions):

	March 31, 2007	December 31, 2006	March 31, 2007 vs. December 31, 2006 Increase (Decrease) Amount	Percentage
Federal funds sold	$98.2	$77.1	$21.1	27.5%
Commercial paper	7.1	8.2	(1.1)	(13.3)%

At March 31, 2007, the FHLBanks had aggregate unsecured credit exposure of more than $1 billion to each of 54 counterparties. The aggregate unsecured credit exposure to these 54 counterparties represented 84 percent of the FHLBanks' unsecured credit exposure to non-government counterparties.

Mortgage Loans Held for Portfolio. All 12 FHLBanks have established or participate in acquired member asset mortgage purchase programs as services to their members. All of the programs involve the investment by each FHLBank in loans either funded by the FHLBank through, or purchased directly from, PFIs, or participations in such loans acquired from other FHLBanks. The Finance Board authorized all of the FHLBanks to hold acquired member assets, such as assets acquired under the MPF Program developed by the FHLBank of Chicago and assets acquired under the MPP program developed by the FHLBanks of Cincinnati, Indianapolis and Seattle. The FHLBank of Seattle is no longer accepting additional master commitments, has completed all of its delivery commitments and is not purchasing additional mortgages. All of the FHLBanks except Cincinnati, Indianapolis and Seattle offer the MPF Program to their members. On October 6, 2006, the FHLBank of San Francisco announced that it would no longer offer new master commitments to purchase mortgage loans from its PFIs under the MPF Program. The FHLBank of San Francisco's last purchase commitment expired on February 15, 2007. Under these programs, the FHLBank purchases/funds mortgage assets from or through members or housing associates, for which the members or housing associates continue to bear a portion of the credit risk. The mortgage loans purchased/funded under these programs may carry more credit risk than advances, even though the respective member or housing associate provides credit enhancement. The credit risk under these programs is managed as follows:

—*MPF Loans:* Credit losses on conventional MPF Loans not absorbed by the borrower's equity in the mortgaged property, property insurance or PMI (primary mortgage insurance issued by qualified companies for mortgage loans with loan-to-value ratios (LTVs) greater than 80% which covers all types of losses except those generally classified as special hazard losses) are allocated for each master commitment between the MPF FHLBank and PFI as follows:

—First, to the MPF FHLBank, up to an agreed-upon amount, called a "First Loss Account" or "FLA."

—Second, to the PFI under its credit enhancement obligation, losses for each Master Commitment in excess of the FLA, if any, up to the CE Amount. The CE Amount may consist of a direct liability of the PFI to pay credit losses up to a specified amount, a contractual obligation of the PFI to provide supplemental mortgage insurance or a combination of both. For a description of the CE Amount calculation see "MPF Program—Setting Credit Enhancement Levels."

—Third, any remaining unallocated losses are absorbed by the MPF FHLBank.

—The FLA is structured by the MPF FHLBank as a memo account to track losses not covered by the credit enhancement amount provided by the PFI (or not yet recovered by the withholding of performance-based credit enhancement fees). The amount of the FLA varies by product. It may be set as a specified number of basis points of the outstanding principal balance of mortgage loans delivered by the PFI or it may initially be set at zero and grown on a monthly basis. The FLA is not a cash collateral account, and it does not give an MPF FHLBank any right/obligation to receive/pay cash or any other collateral, but rather it functions as a tracking mechanism for determining the point after which the PFI, in its role as credit enhancer, would be required to reimburse an MPF FHLBank under the credit enhancement amount for losses incurred. The PFI is paid a monthly credit enhancement fee for managing credit risk on the mortgage loans. In certain cases, the credit enhancement fees are performance-based, which provides incentive to the PFI to minimize credit losses on MPF Loans. The PFI's credit enhancement amount is sized using the MPF Program Methodology to equal the amount of losses in excess of, or including, the FLA (depending on the MPF product) that would need to be paid so that any losses in excess of the CE Amount and initial FLA would be equivalent to losses experienced by an investor in a "AA" rated mortgage-backed security. The PFI may procure SMI to cover losses equal to all or a portion of the credit enhancement amount (except that losses generally classified as special hazard losses are covered by the portion of the credit enhancement amount covered by the PFI or by the MPF FHLBank and not by SMI).

—*MPP Loans:* At the time the underlying conventional loan is funded, a "Lender Risk Account" is established by the FHLBank for each PFI selling an MPP loan. The "second layer" of losses that exceed coverage of the PMI are absorbed by the Lender Risk Account of the respective PFI that originated the MPP loan. After five years, if the balance of the funds in the Lender Risk Account exceeds the required balance, the excess amounts are distributed to the PFI based on a step-schedule set forth in the master commitment contract that establishes the Lender Risk Account. Once an MPP loan has been outstanding for more than 11 years, a balance is not required to be maintained in the Lender Risk Account with respect to that loan. To cover losses that exceed the PMI and the balance in the Lender Risk Account, each PFI is required to provide SMI, adding an additional layer of credit support to the MPP loan. This insurance reduces the overall loss exposure to approximately 50 percent of the property value at the time of the loan origination, subject, in certain cases, to an aggregate stop-loss provision in the SMI policy. If any loss extends beyond the insurance coverage and the balance held in the Lender Risk Account, the FHLBank(s) holding the interest(s) in the affected MPP loan would be responsible for absorbing this remaining loss.

All of the FHLBanks participating in these programs have established appropriate loan loss allowances or have determined that no loan loss allowances are necessary. Management at each FHLBank believes that it has adequate policies and procedures in place to manage this credit risk appropriately. Neither the PFI credit enhancements nor the mortgage loans are rated. An FHLBank must hold risk-based capital against acquired member assets or pools of assets that have an implied credit rating less than double-A. The Finance Board's acquired member asset rule specifies that assets must consist of either:

—whole loans eligible to secure advances (excluding mortgages above the conforming loan limit);

—whole loans secured by manufactured housing; or

—state and local housing finance agency bonds.

In addition, this rule mandates that the FHLBank must have a nexus with the member or housing associate. All pools of acquired member assets must have a credit-risk-sharing arrangement with a member, housing associate or third-party mortgage insurer that limits the credit-risk exposure of the FHLBank to no less than an investment-grade. The relevant credit-risk exposure must be determined by a formal rating or a comparable methodology. The Finance Board's acquired member asset rule also applies to securities created by the MPF Shared Funding Program. All of the mortgage loans acquired under these programs that were not government-insured were credit-enhanced by members to a level at least equivalent to an investment-grade rating. FHLBanks that participate in these programs believe that credit risk exposure to loan servicers is minimal.

The following tables set out the geographic concentration of mortgage loans held for portfolio by the FHLBanks. By acquiring mortgage loans from various members under their MPF Program and MPP, the FHLBanks can mitigate geographic concentration risk. These tables show the geographic concentration on an aggregated basis for all 12 FHLBanks that purchase or fund loans under the MPF Program and MPP. As a result, the tables do not necessarily reflect the actual geographic concentration with respect to each individual FHLBank.

Geographic Concentration of MPF Program (1) (2)

	March 31, 2007	December 31, 2006
Midwest	32%	32%
Northeast	16%	16%
Southeast	20%	20%
Southwest	16%	16%
West	16%	16%
Total	100%	100%

Geographic Concentration of MPP (1) (2)

	March 31, 2007	December 31, 2006
Midwest	34%	33%
Northeast	12%	12%
Southeast	21%	21%
Southwest	16%	16%
West	17%	18%
Total	100%	100%

(1) Calculated percentage based on unpaid principal at the end of each period.

(2) Midwest consists of IA, IL, IN, MI, MN, ND, NE, OH, SD and WI.
Northeast consists of CT, DE, MA, ME, NH, NJ, NY, PA, PR, RI, VI and VT.
Southeast consists of AL, DC, FL, GA, KY, MD, MS, NC, SC, TN, VA and WV.
Southwest consists of AR, AZ, CO, KS, LA, MO, NM, OK, TX and UT.
West consists of AK, CA, GU, HI, ID, MT, NV, OR, WA and WY.

The FHLBanks' MPF loans held for portfolio are dispersed across all 50 states, the District of Columbia and Puerto Rico. No single zip code represented more than one percent of MPF loans outstanding at March 31, 2007. The median size of an MPF loan was approximately $114,000 at March 31, 2007. The MPF loan statistics have been compiled on a combined basis by aggregating each participating FHLBank's information and therefore do not reflect the concentration levels and mortgage loan portfolio information at individual participating FHLBanks.

The FHLBanks' MPP mortgage loans held for portfolio are dispersed across all 50 states and the District of Columbia. No single zip code accounted for more than one percent of MPP loans outstanding at March 31, 2007. The median size of an MPP loan was approximately $137,000 at March 31, 2007. The MPP mortgage loan statistics have been compiled on a combined basis by aggregating each participating FHLBank's information and therefore do not reflect the concentration levels and mortgage loan portfolio information at individual participating FHLBanks.

The following table provides the weighted-average FICO® scores and weighted-average loan-to-value at origination for MPF loans and MPP loans outstanding at March 31, 2007 and December 31, 2006:

	March 31, 2007		December 31, 2006	
	MPF	MPP	MPF	MPP
Weighted-average FICO® score at origination (1)	737	746	734	746
Weighted-average loan-to-value at origination	67%	69%	68%	69%

(1) FICO® score is a widely-used credit industry model developed by Fair, Isaac and Company, Inc. to assess borrower credit quality with scores ranging from 150 to 950.

The MPF loan statistics were compiled and obtained from the FHLBank of Chicago and MPP mortgage loan statistics were compiled on a combining basis by aggregating each participating MPP FHLBank's information; therefore, they do not reflect the weighted-average FICO® score and weighted-average loan-to-value at origination at individual participating FHLBanks.

Derivatives and Counterparty Ratings. In addition to market risk, each FHLBank is subject to credit risk because of the potential non-performance by counterparties to derivative agreements. The amount of counterparty risk on derivatives depends on the extent to which netting procedures and other credit enhancements are used to mitigate the risk. At March 31, 2007, five counterparties represented approximately 51 percent of the total notional amount of outstanding derivative transactions and each had a credit rating of single-A or better. At March 31, 2007, none of these counterparties represented more than 10 percent of the FHLBanks' net exposure after collateral. 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 Finance Board regulation. The FHLBanks require collateral on interest-rate exchange agreements. The amount of net unsecured credit exposure that is permissible with respect to each counterparty, before a collateral requirement is triggered, depends on the credit rating of that counterparty. A counterparty must deliver collateral to an FHLBank if the total market value of the FHLBank's exposure to that counterparty rises above a specific trigger point. As a result of these risk mitigation initiatives, the management of each FHLBank does not anticipate any credit losses on its interest-rate exchange agreements.

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 favorable interest-rate swaps, forward agreements and purchased caps and floors if the counterparty defaults, *minus* the value of any related collateral. In determining maximum credit risk, the FHLBanks consider, with respect to each counterparty, accrued interest receivables and payables as well as the legal right to offset assets and liabilities.

Derivative Counterparty Credit Exposure
(Dollar amounts in millions)
At March 31, 2007

Credit Rating*	Notional Amount	Total Net Exposure at Fair Value	Total Net Exposure Collateralized	Net Exposure After Collateral
Triple-A	$ 12,948	$ 7	$	$ 7
Double-A	700,489	1,216	677	539
Single-A	198,289	393	305	88
Triple-B	9			
Unrated (1)	98			
	911,833	1,616	982	634
Intermediaries (2)	1,164	19	19	
Delivery commitments	292	1	1	
Total derivatives	$913,289	$1,636	$1,002	$634

At December 31, 2006

Credit Rating**	Notional Amount	Total Net Exposure at Fair Value	Total Net Exposure Collateralized	Net Exposure After Collateral
Triple-A	$ 15,938	$ 9	$	$ 9
Double-A	591,210	1,112	581	531
Single-A	299,505	483	385	98
Triple-B	9			
Unrated (1)	374	1		1
	907,036	1,605	966	639
Intermediaries (2)	1,189	22	22	
Delivery commitments	221	1	1	
Total derivatives	$908,446	$1,628	$989	$639

* This chart does not reflect changes in any rating, outlook or watch status after March 31, 2007. The ratings were obtained from S&P, Moody's and/or Fitch.

** This chart does not reflect changes in any rating, outlook or watch status after December 31, 2006. The ratings were obtained from S&P, Moody's and/or Fitch.

(1) Unrated counterparties represent broker-dealers utilized to purchase or sell forward contracts relating to TBA MBS to hedge the market value of commitments on fixed-rate mortgage loans. All broker-dealer counterparties are subjected to thorough credit review procedures in accordance with an FHLBank's risk management policy. There was $41 thousand of exposure at March 31, 2007 and $1 million of exposure at December 31, 2006 related to these unrated counterparties.

(2) Collateral held with respect to interest-rate exchange agreements with member institutions represents either collateral physically held by or on behalf of the FHLBank or collateral assigned to the FHLBank, as evidenced by a written security agreement, and held by the member institution for the benefit of that FHLBank.

Excluding fully collateralized interest-rate exchange agreements in which the FHLBanks are intermediaries for members, approximately 99.99 percent of the notional amount of the FHLBanks' outstanding interest-rate exchange agreements are with counterparties rated single-A or higher. At March 31, 2007, 30 counterparties represented 99.96 percent of the total notional amount of the FHLBanks' outstanding interest-rate exchange agreements excluding agreements in which the FHLBanks are intermediaries. Approximately 67 percent of these agreements are with 22 counterparties that are rated double-A or higher. Approximately 33 percent of these agreements are with 8 counterparties that are rated single-A.

OPERATIONAL RISK

Operational risk is the risk of potential loss due to:

- human error;
- systems malfunctions;
- man-made or natural disasters;
- fraud; or
- circumvention or failure of internal controls.

The FHLBanks have established comprehensive systems of risk assessments, as well as financial and operating policies and procedures, to mitigate the likelihood of such occurrences and the potential for damage that could result from them. They have also instituted appropriate insurance coverage for such risks. The policies and procedures of the FHLBanks include controls to ensure that system-generated data are reconciled to source documentation on a regular basis. The internal audit department of each FHLBank, which reports directly to the audit committee of the individual FHLBank, regularly monitors compliance by the FHLBank with established policies and procedures. In addition, each FHLBank has a disaster recovery plan that is designed to restore critical business processes and systems in the event of disasters. Some of the operational risks of the FHLBanks, however, are beyond their control. Furthermore, the failure of other parties to address their operational risk adequately could adversely affect the FHLBanks.

BUSINESS RISK

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

The board of directors and management of each FHLBank try to mitigate these business risks through long-term strategic planning and by continually monitoring economic indicators and their external environment.

FHLBank Member Concentration Risk. A number of FHLBanks also have member concentration risk. An FHLBank's financial strategies are generally designed to enable it to safely expand and contract its assets, liabilities and capital in response to changes in its member base and in its members' credit needs. An FHLBank's capital generally grows when members are required to purchase additional capital stock as they increase their advances borrowings or other business activities with their FHLBank. Some FHLBanks may also repurchase excess capital stock from members as business activities with the FHLBank decline. As a result of these strategies, the FHLBanks have been able to achieve their mission by meeting member credit needs and paying dividends while sometimes managing significant fluctuations in assets, liabilities and/or capital.

A number of FHLBanks have concentrations in advances and therefore analyze the implications for their financial management and profitability if they were to lose the advances business of one or more of these members.

If an FHLBank loses one or more large borrowers that represent a significant portion of its business, the FHLBank could, depending on the magnitude of the effect, compensate for the loss by lowering dividend rates, raising advances rates, attempting to reduce operating expenses, or by undertaking some combination of these actions. The magnitude of the effect would depend, in part, on the FHLBank's size and profitability at the time the institution ceases to be a borrower.

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 proceeding that is likely to have a material adverse effect on the results of operations or financial condition of the FHLBanks, or is otherwise material to the FHLBanks or the Office of Finance.

RISK FACTORS

For a discussion of risk factors, see "Risk Factors" in the Federal Home Loan Banks' 2006 Combined Financial Report. There have been no material changes from the risk factors disclosed in the "Risk Factors" section of the Federal Home Loan Banks' 2006 Combined Financial Report. Each FHLBank describes the risk factors it faces in its business in its periodic reports filed with the SEC. (See "Available Information on Individual FHLBanks.")

SUBMISSION OF MATTERS TO VOTE OF CAPITAL STOCKHOLDERS OTHER THAN ELECTION OF DIRECTORS

None.

MARKET FOR FHLBANKS' CAPITAL STOCK AND RELATED STOCKHOLDER MATTERS

As a cooperative, each FHLBank conducts its advances business and acquired member asset programs almost exclusively with its members. 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 and may be redeemed at its stated par value of $100 per share upon the request of a member subject to applicable redemption periods as well as certain conditions and limitations. At March 31, 2007, the FHLBanks had over 416 million shares of capital stock outstanding. The FHLBanks are not required to register their securities under the Securities Act of 1933 (as amended). Pursuant to a Finance Board regulation, each FHLBank has become an effective SEC registrant and is subject to certain reporting requirements of the Securities Exchange Act of 1934.

Voting Rights. Members holding capital stock on December 31 of the preceding year can participate in the annual election process for FHLBank directors. Eligible members may nominate and elect representatives from members in their state to serve three-year terms on the board of directors of their FHLBank. For each directorship to be filled in an election, each member institution that is located in the state to be represented by the directorship is entitled to cast one vote for each share of stock that the member was required to hold at December 31 of the calendar year immediately preceding the election year; provided, however, that the number of votes that any member may cast for any one directorship shall not exceed the average number of shares of stock that were required to be held by all members located in the state to be represented on that date.

Regulatory Capital Stock. The information on capital stock presented in the table is for individual FHLBank members. The information is not aggregated to the holding-company level of those members. Some of the institutions listed are affiliates of the same holding company and some of the institutions listed have affiliates that are members but that are not listed in the tables.

Top 10 Regulatory Capital Stock Holding Members
at March 31, 2007
(Dollar amounts in millions)

Name	City	State	Capital Stock
Citibank, N.A.* (1) (2) (3)	Las Vegas	NV	$ 4,110
Washington Mutual Bank* (4) (5)	Henderson	NV	1,640
World Savings Bank, FSB* (6)	Oakland	CA	1,308
Countrywide Bank, NA	Alexandria	VA	1,219
IndyMac Bank, F.S.B.	Pasadena	CA	806
Sovereign Bank* (7) (8)	Reading	PA	704
Washington Mutual Bank, FSB*	Salt Lake City	UT	590
World Savings Bank, FSB Texas (6)	Houston	TX	572
US Bank, NA (9)	Cincinnati	OH	540
Charter One Bank, NA	Cleveland	OH	527
			$12,016

* Indicates that an officer or director of the member was an FHLBank director at March 31, 2007.

(1) On October 1, 2006, Citibank (West), FSB, (the FHLBank of San Francisco's member) was reorganized into its affiliate Citibank, N.A. and Citibank, N.A., assumed the outstanding capital stock of Citibank (West), FSB. Also included is a *de minimis* amount of capital stock of the FHLBank of New York.

(2) Includes $117 million in FHLBank of Atlanta capital stock from the acquisition of Citibank, Federal Savings Bank, a former member of the FHLBank of Atlanta.

(3) Includes $4 million in FHLBank of Dallas capital stock from the merger of Citibank Texas, N.A., a former member of the FHLBank of Dallas, into Citibank, N.A.

(4) Includes $109 million in FHLBank of Dallas capital stock from the acquisition of Bank United, a former member of the FHLBank of Dallas.

(5) Includes $5 million in FHLBank of New York capital stock from the acquisition of Dime Savings Bank of New York, FSB, a former member of the FHLBank of New York.

(6) On October 1, 2006, Golden West Financial Corporation, the parent company of World Savings Bank, FSB (the FHLBank of San Francisco's member) and World Savings Bank, FSB Texas (the FHLBank of Dallas' member) merged with Wachovia Corporation. World Savings Bank, FSB, and World Savings Bank, FSB Texas have remained members of the FHLBanks of San Francisco and Dallas after the merger.

(7) Includes $6 million in FHLBank of Boston capital stock from the acquisition of former members of the FHLBank of Boston.

(8) Includes $90 million in FHLBank of New York capital stock from the acquisition of Independence Community Bank, a former member of the FHLBank of New York.

(9) Includes $14 million in FHLBank of Des Moines capital stock acquired through a merger with former member of the FHLBank of Des Moines.

Regulatory capital stock includes all FHLBank members' capital stock plus mandatorily redeemable capital stock, which is reclassified as a liability in accordance with SFAS 150.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Each FHLBank is a cooperative. The members own all the stock of the FHLBanks, the majority of the directors of each FHLBank is elected by and from the membership, and the FHLBanks conduct their advances almost exclusively with members.

Members.

Membership by Type of Member

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Total
December 31, 2003	5,946	1,344	729	82	8,101
December 31, 2004	5,936	1,292	801	92	8,121
December 31, 2005	5,916	1,276	846	111	8,149
December 31, 2006	5,871	1,245	875	134	8,125
March 31, 2007	5,883	1,227	882	138	8,130

Membership in an FHLBank is voluntary. A member must give notice of its intent to withdraw. The GLB Act permits each FHLBank to issue one or more of two classes of stock, each with subclasses. Class A stock is redeemable on six months written notice from a member and Class B stock is redeemable on five years written notice from a member. Capital stock outstanding under the pre-GLB Act rules, which only applies to the FHLBank of Chicago at March 31, 2007, is redeemable at the option of a member upon six months notice if the member withdraws from the FHLBank. If a member withdraws its membership from an FHLBank, it may not acquire shares of any FHLBank for 5 years after the date on which its divestiture of capital stock is completed. This restriction does not apply if the member is transferring its membership from one FHLBank to another.

Between January 1, 1993 and March 31, 2007, 111 FHLBank members withdrew for reasons other than merger or acquisition. During 2007, 18 members gave notice to withdraw for reasons other than merger or acquisition. The affected FHLBanks do not expect these withdrawals to have a material adverse effect on their results of operations or financial condition.

Regulatory Capital Stock Held by Type of Member
(Dollar amounts in billions)

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Other (1)	Total
December 31, 2003	$20.5	$13.8	$1.4	$1.1	$0.9	$37.7
December 31, 2004 (2)	19.5	17.4	1.8	1.6	0.9	41.2
December 31, 2005 (2)	20.4	18.6	1.8	1.6	1.1	43.5
December 31, 2006 (2)	23.1	15.6	1.9	1.6	0.9	43.1
March 31, 2007 (2)	22.6	15.9	1.7	1.7	0.8	42.7

(1) The other category includes capital stock of members involved in mergers with non-members. Advances to a member involved in a merger must be repaid before or at maturity, if the surviving institution is a non-member institution. Until these advances are repaid, the former member must continue to hold capital stock to support the advances.

(2) Includes mandatorily redeemable capital stock, which is considered capital for regulatory purposes.

The holdings of commercial bank members at March 31, 2007 represent 52.9 percent of the total regulatory capital stock of the FHLBanks. The regulatory capital stock held by thrift institution members at March 31, 2007 represented 37.2 percent of the total regulatory capital stock of the FHLBanks.

Member Borrowers.

Member Borrowers

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Total
December 31, 2003	4,282	970	272	42	5,566
December 31, 2004	4,492	962	328	43	5,825
December 31, 2005	4,417	999	397	46	5,859
December 31, 2006	4,245	954	414	50	5,663
March 31, 2007	4,152	930	385	50	5,517

The percentage of total members borrowing decreased to 67.9 percent at March 31, 2007, as compared to 69.7 percent at December 31, 2006. The 83 borrowers with advance holdings of $1 billion or more at March 31, 2007, held 69.6 percent of total advances. The 83 borrowers with advance holdings of $1 billion or more at December 31, 2006 held 69.0 percent of total advances.

Advances at Par Value
(Dollar amounts in billions)

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Other (1)	Total (2)
December 31, 2003	$274.0	$192.5	$ 9.1	$ 8.0	$18.0	$501.6
December 31, 2004	254.7	278.9	11.4	11.1	20.0	576.1
December 31, 2005	270.0	307.8	14.6	11.5	16.5	620.4
December 31, 2006	339.2	256.7	18.9	14.2	12.6	641.6
March 31, 2007	336.3	244.2	16.3	15.4	12.4	624.6

(1) The other category includes advances to housing associates and members involved in mergers with a non-member. Advances to a member involved in a merger must be repaid before or at maturity, if the surviving institution is a non-member institution.

(2) Total advance amounts are at par value and will not agree to the Statement of Condition. The differences between the par and book value amounts primarily relate to basis adjustments arising from hedges under SFAS 133 for book purposes.

The information presented on advances in the table is for individual FHLBank members. The data are not aggregated to the holding-company level. Some of the institutions listed are affiliates of the same holding company, and some of the institutions listed have affiliates that are members but that are not listed in the tables.

Top 10 Member Holding Advances at Par Value
at March 31, 2007
(Dollar amounts in millions)

Name	City	State	Advances (1)	Percent of Total Advances
Citibank, N.A.* (2) (3) (4) (5)	Las Vegas	NV	$ 87,483	14.0%
Countrywide Bank, NA	Alexandria	VA	26,525	4.2%
Washington Mutual Bank* (6) (7)	Henderson	NV	21,429	3.4%
World Savings Bank, FSB* (8)	Oakland	CA	19,428	3.1%
World Savings Bank, FSB Texas (8)	Houston	TX	13,263	2.1%
Sovereign Bank* (9) (10)	Reading	PA	13,181	2.1%
U.S. Bank, NA	Cincinnati	OH	12,155	1.9%
Charter One Bank, NA (11)	Cleveland	OH	11,676	1.9%
Bank of America Oregon, NA	Portland	OR	10,610	1.7%
Hudson City Savings Bank*	Paramus	NJ	10,416	1.7%
			$226,166	36.1%

* An asterisk indicates that an officer or director of the member was an FHLBank director at March 31, 2007.

(1) Member advance amounts and the total advance amounts are at par value, and the total advance amount will not agree to the Statement of Condition. The difference between the par and book value amounts primarily relates to basis adjustments arising from hedges under SFAS 133 for book purposes.

(2) On October 1, 2006, Citibank (West), FSB, (the FHLBank of San Francisco's member) was reorganized into its affiliate Citibank, N.A., and Citibank, N.A., assumed the outstanding advances of Citibank (West), FSB.

(3) Includes $1 million in FHLBank of New York advances from the reorganization of Citibank, a former member of the FHLBank of New York.

(4) Includes $2,600 million in FHLBank of Atlanta advances from the acquisition of Citibank, Federal Savings Bank, a former member of the FHLBank of Atlanta.

(5) Includes $1 million in FHLBank of Dallas advances from the merger of Citibank Texas, N.A., a former member of the FHLBank of Dallas, into Citibank, N.A.

(6) Includes $2,613 million in FHLBank of Dallas advances from the acquisition of Bank United, a former member of the FHLBank of Dallas.

(7) Includes $103 million in FHLBank of New York advances from the acquisition of Dime Savings Bank of New York, FSB, a former member of the FHLBank of New York.

(8) On October 1, 2006, Golden West Financial Corporation, the parent company of World Savings Bank, FSB (the FHLBank of San Francisco's member) and World Savings Bank, FSB Texas (the FHLBank of Dallas' member) merged with Wachovia Corporation. World Savings Bank, FSB, and World Savings Bank, FSB Texas have remained members of the FHLBanks of San Francisco and Dallas after the merger.

(9) Includes $106 million in FHLBank of Boston advances from the acquisition of former members of the FHLBank of Boston.

(10) Includes $1,378 million in FHLBank of New York advances from the acquisition of Independence Community Bank, a former member of the FHLBank of New York.

(11) Includes $5 million in FHLBank of Indianapolis advances from the acquisition of a former member of the FHLBank of Indianapolis.

Housing Associates. At March 31, 2007, the FHLBanks had $161 million in advances outstanding to 15 housing associates, up from $131 million at year-end 2006. Housing associates eligible to borrow include 42 state housing finance agencies, 10 county housing finance agencies, 4 housing development corporations, 3 city housing authorities, and 1 tribal housing corporation.

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 members. The FHLBanks conduct their advances and mortgage loan business almost exclusively with members. As a result, in the normal course of business, the FHLBanks regularly extend credit to members whose officers and directors may serve as directors of the FHLBanks. This credit is extended on market terms that are no more favorable to these "related" members than comparable transactions with other members of the same FHLBank. As of March 31, 2007, the FHLBanks had $176.1 billion of advances outstanding to members whose officers were serving as directors of the FHLBanks. This amounted to 28.2 percent of total advances at par.

An FHLBank may also purchase short-term investments, Federal funds and mortgage-backed securities from members. All investments are market-rate transactions and all mortgage-backed securities are purchased through securities brokers or dealers.