FEDERAL HOME LOAN BANKS

Quarterly Combined Financial Report
For the Three Months Ended March 31, 2008

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, 2008. You should read this Combined Financial Report in conjunction with the 2007 Combined Financial Report dated March 31, 2008. The 2007 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, 2007. 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 reports 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, 2008.

The date of this Combined Financial Report is May 14, 2008.

TABLE OF CONTENTS

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 institution holding companies may have one or more affiliates, each of which may be a member of one or more different 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 in this report 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 accounting principles generally accepted in the United States of America (GAAP). The 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 each 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 obligations to another FHLBank that assumes the direct liability on those outstanding consolidated obligations. 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 those funds. 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 obligations are the joint and several obligation of all 12 FHLBanks, these interbank transactions have no effect on the holders of the consolidated obligations. (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: 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 except per share amounts)
(Unaudited)

	March 31, 2008	December 31, 2007
ASSETS		
Cash and due from banks	$ 246	$ 320
Interest-bearing deposits	41,114	46,642
Securities purchased under agreements to resell	150	800
Federal funds sold	92,601	85,818
Trading securities	8,233	6,809
Available-for-sale securities	9,243	5,813
Held-to-maturity securities	159,909	151,176
Advances (Includes $19,990 at fair value under fair value option at March 31, 2008)	913,104	875,061
Mortgage loans held for portfolio	90,800	91,618
Less: allowance for credit losses on mortgage loans	8	8
Mortgage loans held for portfolio, net	90,792	91,610
Accrued interest receivable	4,571	5,614
Premises, software, and equipment, net	203	208
Derivative assets	1,854	1,306
Other assets	670	623
Total assets	$1,322,690	$1,271,800
LIABILITIES		
Deposits:		
Interest-bearing:		
Demand and overnight	$ 25,660	$ 19,912
Term	701	749
Other	27	24
Total interest-bearing	26,388	20,685
Non-interest-bearing:		
Demand and overnight	81	84
Other	213	124
Total non-interest-bearing	294	208
Total deposits	26,682	20,893
Borrowings:		
Securities sold under agreements to repurchase	1,200	1,400
Other		100
Total borrowings	1,200	1,500
Consolidated obligations, net:		
Discount notes	393,786	376,342
Bonds (Includes $20,141 at fair value under fair value option at March 31, 2008)	823,694	802,574
Total consolidated obligations, net	1,217,480	1,178,916
Mandatorily redeemable capital stock	1,201	1,107
Accrued interest payable	7,768	8,187
Affordable Housing Program	923	893
Payable to REFCORP	197	212
Derivative liabilities	5,410	3,789
Other liabilities	4,963	1,706
Subordinated notes	1,000	1,000
Total liabilities	1,266,824	1,218,203
CAPITAL		
Capital Stock:		
Capital stock Class B putable ($100 par value per share) issued and outstanding shares	48,991	46,701
Capital stock Class A putable ($100 par value per share) issued and outstanding shares	1,057	891
Capital stock Pre-conversion ($100 par value per share) issued and outstanding shares	2,525	2,661
Total capital stock	52,573	50,253
Retained earnings	3,753	3,689
Accumulated other comprehensive income:		
Net unrealized losses on available-for-sale securities	(259)	(41)
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities	(118)	(138)
Net unrealized losses relating to hedging activities	(53)	(137)
Pension and postretirement benefits	(30)	(29)
Total capital	55,866	53,597
Total liabilities and capital	$1,322,690	$1,271,800

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, 2008	2007
INTEREST INCOME		
Advances	$ 9,074	$ 8,422
Prepayment fees on advances, net	41	8
Interest-bearing deposits	507	457
Securities purchased under agreements to resell	17	54
Federal funds sold	691	1,051
Trading securities	98	81
Available-for-sale securities	64	78
Held-to-maturity securities	1,829	1,775
Mortgage loans held for portfolio	1,153	1,238
Other	1	1
Total interest income	13,475	13,165
INTEREST EXPENSE		
Consolidated obligations — Discount notes	3,349	2,062
Consolidated obligations — Bonds	8,706	9,787
Deposits	177	227
Securities sold under agreements to repurchase	21	37
Subordinated notes	14	14
Mandatorily redeemable capital stock	13	13
Total interest expense	12,280	12,140
NET INTEREST INCOME	1,195	1,025
Provision for credit losses	1	2
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	1,194	1,023
OTHER (LOSS) INCOME		
Service fees	7	7
Net gains on trading securities	134	9
Net realized losses on held-to-maturity securities	(33)	(3)
Net gains on instruments held at fair value	274	
Net losses on derivatives and hedging activities	(384)	(5)
Other, net	(11)	4
Total other (loss) income	(13)	12
OTHER EXPENSE		
Operating	181	171
Finance Board	10	9
Office of Finance	8	9
Other, net	1	2
Total other expense	200	191
INCOME BEFORE ASSESSMENTS	981	844
Affordable Housing Program	89	70
REFCORP	195	153
Total assessments	284	223
NET INCOME	$ 697	$ 621

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, 2008 AND 2007

(Dollar amounts and shares in millions)
(Unaudited)

	Capital Stock Class B*		Capital Stock Class A*		Capital Stock Pre-conversion*		Total Capital Stock*		Retained Earnings	Accumulated Other Comprehensive Income	Total Capital
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value			
BALANCE, DECEMBER 31, 2006	389	$38,882	5	$532	26	$2,587	420	$42,001	$3,144	$(159)	$44,986
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)	(588)		(26)		(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 losses (gains) included in net income relating to available-for-sale securities											
Net unrealized gains relating to hedging activities										1	1
Reclassification adjustment for losses (gains) included in net income relating to hedging activities											
Pension and postretirement benefits										(2)	(2)
Total comprehensive income											628
Transfer between Class B and Class A shares		(36)		36							
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	$3,222	$(152)	$44,747

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

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CAPITAL (continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(Dollar amounts and shares in millions)
(Unaudited)

	Capital Stock Class B*		Capital Stock Class A*		Capital Stock Pre-conversion*		Total Capital Stock*		Retained Earnings	Accumulated Other Comprehensive Income	Total Capital
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value			
BALANCE, DECEMBER 31, 2007	468	$46,701	9	$ 891	27	$2,661	504	$50,253	$3,689	$(345)	$53,597
Adjustment to opening balance relating to SFAS 158 and 159									16		16
Proceeds from sale of capital stock	73	7,291	3	253		24	76	7,568			7,568
Repurchase/redemption of capital stock	(47)	(4,651)	(1)	(97)			(48)	(4,748)			(4,748)
Net shares reclassified to mandatorily redeemable capital stock	(5)	(620)		(10)	(2)	(160)	(7)	(790)			(790)
Comprehensive income:											
Net income									697		697
Other comprehensive income:											
Net unrealized losses on available-for-sale securities										(218)	(218)
Reclassification adjustment for losses (gains) included in net income relating to available-for-sale securities											
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities											
Reclassification adjustment for losses (gains) included in net income relating to held-to-maturity securities transferred from available-for-sale securities										20	20
Net unrealized gains relating to hedging activities										74	74
Reclassification adjustment for losses included in net income relating to hedging activities										10	10
Pension and postretirement benefits										(1)	(1)
Total comprehensive income											582
Transfer between Class B and Class A shares		(20)		20							
Dividends on capital stock:											
Cash									(359)		(359)
Stock	2	290					2	290	(290)		
BALANCE, MARCH 31, 2008	491	$48,991	11	$1,057	25	$2,525	527	$52,573	$3,753	$(460)	$55,866

* 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, 2008	For the Three Months Ended March 31, 2007
OPERATING ACTIVITIES		
Net income	$ 697	$ 621
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	(203)	148
Change in net fair value adjustment on derivative and hedging activities	42	(260)
Other adjustments	57	7
Net change in fair value adjustments on trading securities	(135)	(7)
Change in fair value adjustments on financial instruments held at fair value	(274)	
Net change in:		
Trading securities	(1)	
Accrued interest receivable	953	334
Other assets	(42)	3
Accrued interest payable	(359)	(367)
Other liabilities	(5)	(33)
Total adjustments	33	(175)
Net cash provided by operating activities	730	446
INVESTING ACTIVITIES		
Net change in:		
Interest-bearing deposits	1,485	(4,716)
Securities purchased under agreements to resell	650	(1,200)
Federal funds sold	(6,782)	(21,159)
Premises, software and equipment	(7)	(9)
Trading securities:		
Proceeds	294	190
Purchases	(1,595)	(263)
Available-for-sale securities:		
Proceeds	1,283	22,446
Purchases	(4,325)	(21,627)
Held-to-maturity securities:		
Net decrease in short-term	2,967	1,230
Proceeds from long-term	6,056	7,671
Purchases of long-term	(14,998)	(5,077)
Advances:		
Proceeds	2,174,481	1,846,457
Made	(2,203,163)	(1,829,477)
Mortgage loans held for portfolio:		
Principal collected	3,371	3,009
Purchases	(2,456)	(1,361)
Proceeds from sales of foreclosed assets	8	16
Net cash used in investing activities	(42,731)	(3,870)

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

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

	For the Three Months Ended March 31, 2008	For the Three Months Ended March 31, 2007
FINANCING ACTIVITIES		
Net change in:		
Deposits and pass-through reserves	$ 6,730	$ 3,891
Borrowings	(314)	(97)
Net proceeds on derivative contracts with financing element	130	
Net proceeds from issuance of consolidated obligations:		
Discount notes	3,135,608	1,888,817
Bonds	216,968	120,776
Payments for maturing and retiring consolidated obligations:		
Discount notes	(3,117,758)	(1,880,470)
Bonds	(201,197)	(128,576)
Proceeds from issuance of capital stock	7,568	3,896
Payments for redemption of mandatorily redeemable capital stock	(701)	(717)
Payments for repurchase/redemption of capital stock	(4,748)	(3,785)
Cash dividends paid	(359)	(365)
Net cash provided by financing activities	41,927	3,370
Net decrease in cash and cash equivalents	(74)	(54)
Cash and cash equivalents at beginning of the period	320	330
Cash and cash equivalents at end of the period	$ 246	$ 276
Supplemental Disclosures:		
Interest paid	$ 12,741	$ 12,235
AHP payments, net	$ 57	$ 47
REFCORP assessments paid	$ 211	$ 161
Transfers of mortgage loans to real estate owned	$ 18	$ 19

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 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 the FHLBank's board of directors. Regulated financial depositories and insurance companies engaged in residential housing finance may apply for membership. State and local housing authorities that meet certain statutory and regulatory criteria may also borrow from the FHLBanks; while eligible to borrow, housing associates are not members of the FHLBanks and, as such, are not required to hold capital stock. All members must purchase stock in their district's FHLBank.

The Federal Housing Finance Board (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). The Office of Finance is a joint office of the FHLBanks established by the Finance Board to facilitate the issuance and servicing of the debt instruments of the FHLBanks, known as consolidated obligations, and to prepare the combined quarterly and annual financial reports of all 12 FHLBanks. 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.

As provided by the Federal Home Loan Bank Act of 1932 (FHLBank Act), as amended, or Finance Board regulation, consolidated obligations are backed only by the financial resources of all 12 FHLBanks and are the primary source of funds for the FHLBanks. Deposits, other borrowings and capital stock issued to members provide other funds. Each FHLBank primarily uses these funds to provide advances to members and to purchase loans from members through its Mortgage Purchase Program (MPP) or Mortgage Partnership Finance (MPF®)(1) Program. 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 records of the 12 FHLBanks. Material transactions among the FHLBanks have been eliminated in accordance with combination accounting principles under generally accepted accounting principles in the United States of America (GAAP), including Accounting Research Bulletin No. 51, *Consolidated Financial Statements*. The most 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

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

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 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 par with the initial carrying amount being the amount paid to the transferring FHLBank by the assuming FHLBank in exchange for the assumption, plus any premium or minus any 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 statement of condition and statement of income effects related to the assuming FHLBank's premium or discount related to the purchase of the bonds are eliminated and the transferring FHLBank reinstates and amortizes over the life of the bond the original premium or discount, concession fees and basis adjustments relating to 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).

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 interest expense are eliminated in combination.

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

Segment Reporting. 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 subjective assumptions and estimates that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expense. The most significant of these estimates includes the fair value of derivatives, certain advances, certain investment securities and certain consolidated obligations that are reported at fair value in the statement of condition. Actual results could differ from these estimates significantly.

Third Quarter 2007 Cumulative Adjustment for FHLBank of Chicago's Restatement. In the third quarter of 2007, the FHLBank of Chicago identified an accounting error related to certain SFAS 133 long-haul fair value hedge relationships of advances and consolidated obligations that were hedged at values other than par at hedge inception. The FHLBank of Chicago determined that the effect of the error was not material to any previously issued financial statements; however, had the FHLBank of Chicago corrected the effect of the error through a cumulative effect adjustment in the third quarter of 2007, such adjustment would have been material to the three months and nine months ended September 30, 2007. Consequently, the FHLBank of Chicago was required under GAAP to correct the effect of this error by restating its previously issued quarterly financial statements, even though the effect of the error was not material to any of its previously issued quarters. Specifically, the FHLBank of Chicago restated its statement of income for the three months ended March 31, 2007 and corrected another immaterial error that had been previously recorded on a cumulative basis by reversing and recording it in the correct period. In the second quarter 2007, the FHLBank of Chicago had recognized a $2 million gain as a component of derivatives and hedging activities as a result of a correction of an error related to a SFAS 133 hedging adjustment of an underlying consolidated obligation bond. The FHLBank of Chicago will correct its previously issued second quarter interim 2007 financial statements in connection with the issuance of its second quarter interim 2008 financial statements.

The FHLBank of Chicago's accounting error is considered immaterial to the FHLBanks' combined financial statements for all periods. Therefore, a net cumulative adjustment of $16 million (increase to net income and retained earnings) was reflected in the third quarter 2007 combining financial statements for the FHLBank of Chicago contained in the third quarter 2007 Combined Financial Report.

Reclassifications. Certain amounts in the 2007 financial statements of the FHLBanks have been reclassified to conform to the first quarter 2008 presentation. In particular, in accordance with Financial Accounting Standards Board (FASB) Staff Position (FSP) No. FIN 39-1, *Amendment of FASB Interpretation No. 39* (FSP FIN 39-1), the FHLBanks recognized the effects of applying FSP FIN 39-1 as a change in accounting principle through retrospective application for all financial statement periods presented. Previously, the cash collateral amounts arising from the same master netting arrangement as the derivative instruments were reported as interest-bearing deposits and the related accrued interest amounts were reported as accrued interest receivable and/or accrued interest payable, as applicable. These amounts are now components of "Derivative assets" and/or "Derivative liabilities." For more information related to FSP FIN 39-1, see "Note 2 — Changes in and Adoptions of Accounting Principles and Recently Issued Accounting Standards and Interpretations" to these combined financial statements.

In addition, in accordance with SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115 (SFAS 159),* which amends FASB Statement No. 95, *Statement of Cash Flows* (SFAS 95), and FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (SFAS 115), cash flows from trading securities (which include securities for which an entity has elected the fair value option) should be classified in the statement of cash flows based on the nature of and purpose for which the securities were acquired. On a retroactive basis, the FHLBanks classified purchases, sales and maturities of trading securities *held for investment* purposes as cash flows from investing activities. Cash flows related to trading securities *held for trading* purposes continue to be reported as cash flows from operating activities. Previously, all cash flows associated with trading securities were reflected in the statement of cash flows as operating activities. The net increase in trading securities of $80 million for the three months ended March 31, 2007, as previously reported, has been reclassified as an increase in net change in fair value adjustment on trading securities of $7 million in the net cash provided by operating activities section and trading proceeds of $190 million and purchases of $263 million in the net cash used in investing activities section of the combined Statement of Cash Flows. For more information on SFAS 159, see "Note 2 — Changes in and Adoptions of Accounting Principles and Recently Issued Accounting Standards and Interpretations" to these combined financial statements.

Note 2 — Changes in and Adoptions of Accounting Principles and Recently Issued Accounting Standards and Interpretations

Change in Accounting Principle. Effective January 1, 2008, the FHLBank of Topeka changed its method of amortizing/accreting mortgage loan origination fees (agent fees) and premiums/discounts under SFAS No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases — an amendment of FASB Statements No. 13, 60, and 65 and a rescission of FASB Statement No. 17* (SFAS 91). Previously, amortization/accretion of origination fees and premiums/discounts were computed using the estimated life method with retrospective adjustment. Under this method, the income effects of loan origination fees, premiums and discounts were recognized using the interest method over the estimated lives of the assets, which required a retrospective adjustment of the effective yield each time the FHLBank of Topeka changed its estimate of the loan life, based on actual prepayments received and changes in expected future prepayments. Under the estimated life method, the net investment in the loans was adjusted as if the new estimate had been known since the original acquisition of the mortgage loan. On January 1, 2008, the FHLBank of Topeka began amortizing/accreting loan origination fees and premiums/discounts using the contractual method. The contractual method uses the cash flows specified by the loan contracts, as adjusted for actual prepayments, to apply the interest method. The contractual method does not utilize estimates of future prepayments of principal. While both methods are acceptable under GAAP, the FHLBank of Topeka believes that the contractual method is preferable to the estimated life method because, under the contractual method, the income effects of loan origination cost, premiums and discounts are recognized in a manner that is reflective of the actual behavior of the mortgage loans during the period in which the behavior occurs while also reflecting the contractual terms of the assets without regard to changes in estimated prepayments based on assumptions about future borrower behavior.

As a result of the change in method of amortizing/accreting loan origination costs and premiums/discounts, the prior period historical financial statements have been retrospectively adjusted to reflect the reporting periods as if the contractual method had been used during those reporting periods. The change in amortization/accretion method resulted in increases of $2.9 million for mortgage loans held for portfolio, $239 thousand for the Affordable Housing Program liability, $539 thousand for payable to Resolution Funding Corporation (REFCORP) and $2.2 million for retained earnings for the Statement of Condition at December 31, 2007. The effect on the Statement of Income for the three months ended March 31, 2007 was less than $1 million for interest income on mortgage loans held for portfolio and Affordable Housing Program and REFCORP assessments.

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 three-level fair value hierarchy that prioritizes the information used to develop assumptions used to determine the exit price, thereby increasing consistency and comparability in fair value measurements and related disclosures. The effect of adopting SFAS 157 at January 1, 2008 was immaterial to the FHLBanks. For additional information detailing the extent to which the FHLBanks measure assets and liabilities at fair value and the methods and assumptions used by the FHLBanks to measure fair value, see “Note 5 — Fair Value Disclosures” to these combined financial statements.

SFAS 158. On September 29, 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (SFAS 158), which requires employers to fully recognize the obligations associated with single-employer defined benefit pension, retiree healthcare and other postretirement plans in their financial statements. SFAS 158 did not have a material effect on the FHLBanks' financial condition, results of operations or cash flow upon adoption at December 31, 2006. SFAS 158 also requires an employer to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statements of condition, effective for fiscal years ending after December 15, 2008. All FHLBanks, except for the FHLBank of San Francisco, used a December 31 measurement date as of December 31, 2006. In accordance with SFAS 158, the FHLBank of San Francisco re-measured its plan assets and benefit obligations as of the beginning of 2008 and recognized an adjustment to the opening balance of its retained earnings. The adoption of the change in the measurement date did not have a material effect on the FHLBank of San Francisco's financial condition, results of operations or cash flow.

SFAS 159. On February 15, 2007, the FASB issued SFAS 159, which 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 an entity has chosen to use fair value on the face of the statement of condition. 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. The FHLBank of San Francisco is the only FHLBank that elected to record certain financial assets and financial liabilities at fair value. The effect of adopting SFAS 159 was a net $16 million increase to the FHLBank of San Francisco's retained earnings balance at January 1, 2008, as follows (dollar amounts in millions):

	Ending Balance at December 31, 2007	Effect of Adopting SFAS 159	Opening Balance at January 1, 2008
Advances	$15,968	$17	$15,985
Consolidated obligations - bonds	(1,246)	(1)	(1,247)
Cumulative effect of adoption		$16	

For additional information detailing the fair value of certain financial assets and financial liabilities, see “Note 5 — Fair Value Disclosures” to these combined financial statements.

Cash Flows from Trading Securities. SFAS 159 amends SFAS 95 and SFAS 115, to specify that cash flows from trading securities (which include securities for which an entity has elected the fair value option) should be classified in the statement of cash flows based on the nature of and purpose for which the securities were acquired. Prior to this amendment, SFAS 95 and SFAS 115 specified that all cash flows from trading securities must be classified as cash flows from operating activities. On a retroactive basis, beginning in the first quarter of 2008, the FHLBanks classify purchases, sales and maturities of trading securities *held for investment* purposes as cash flows from investing activities. Cash flows related to trading securities *held for trading* purposes continue to be reported as cash flows from operating activities. While the FHLBanks classify certain investments acquired for purposes of liquidity and asset/liability management as trading and carry them at fair value, the FHLBanks do not participate in speculative trading practices and may hold certain trading investments indefinitely as each FHLBank’s management periodically evaluates its liquidity needs.

FSP FIN 39-1. On April 30, 2007, the FASB issued FSP FIN 39-1,which 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. As a result of the FHLBanks’ adoption and retrospective application of FSP FIN 39-1 on January 1, 2008, the combined Statement of Condition at December 31, 2007 was revised as follows (dollar amounts in millions):

	As Previously Reported	Effect of Adoption	As Adjusted
ASSETS:			
Interest-bearing deposits	$48,243	$(1,601)	$46,642
Accrued interest receivable	5,618	(4)	5,614
Derivative assets	2,401	(1,095)	1,306
Effect on Total Assets	$56,262	$(2,700)	$53,562
LIABILITIES:			
Total interest-bearing deposits	$21,865	$(1,180)	$20,685
Accrued interest payable	8,193	(6)	8,187
Derivative liabilities	5,303	(1,514)	3,789
Effect on Total Liabilities	$35,361	$(2,700)	$32,661

DIG Issue E23. On December 20, 2007, the FASB issued DIG Issue No. E23, *Issues Involving the Application of the Shortcut Method Under Paragraph 68* (DIG Issue E23). DIG Issue E23 amends paragraph 68 of SFAS 133 with respect to the conditions that must be satisfied in order to apply the shortcut method for assessing hedge effectiveness. The FHLBanks’ adoption of DIG Issue E23 at January 1, 2008 did not have a material effect on their financial condition, results of operations or cash flows.

SFAS 161. On March 19, 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity’s financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 (January 1, 2009 for the FHLBanks), with early application allowed. The FHLBanks have not yet determined the effect that the adoption of SFAS 161 will have on their financial statement disclosures.

Note 3 — Held-to-Maturity Securities

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

	March 31, 2008			
	Amortized Cost(1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	$ 4,781	$ 4	$	$ 4,785
Other U.S. obligations*	419	5		424
Government-sponsored enterprises**	2,233	71	(1)	2,303
State or local housing agency obligations	2,868	34	(79)	2,823
Other	9			9
	10,310	114	(80)	10,344
Mortgage-backed securities:				
Other U.S. obligations*	336	4	(3)	337
Government-sponsored enterprises***	64,029	642	(404)	64,267
Other****	85,234	36	(7,792)	77,478
	149,599	682	(8,199)	142,082
Total	$159,909	$796	$(8,279)	$152,426

	December 31, 2007			
	Amortized Cost(1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	$ 7,197	$	$	$ 7,197
Other U.S. obligations*	725	7	(1)	731
Government-sponsored enterprises**	1,827	41	(5)	1,863
State or local housing agency obligations	2,917	33	(29)	2,921
Other	92			92
	12,758	81	(35)	12,804
Mortgage-backed securities:				
Other U.S. obligations*	356	3	(2)	357
Government-sponsored enterprises***	50,470	307	(390)	50,387
Other****	87,592	110	(2,126)	85,576
	138,418	420	(2,518)	136,320
Total	$151,176	$501	$(2,553)	$149,124

(1) Amortized cost of held-to-maturity securities includes adjustments made to the cost basis of an investment for accretion, amortization, and previous other-than-temporary impairments.

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

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

The FHLBank of Chicago's held-to-maturity securities portfolio at March 31, 2008 included $4.4 billion of private-label mortgage-backed securities (also referred to as MBS) whereby the majority of underlying mortgages collateralizing the securities were considered subprime or non-traditional. This portfolio had gross unrealized losses of $334 million at March 31, 2008. The FHLBank of Chicago performed an impairment analysis of this portfolio at March 31, 2008 to determine the recoverability of all principal and interest contractually due based on the securities' underlying collateral, delinquency and default rates and expected loss severities. Based on this analysis, the FHLBank of Chicago recognized an other-than-temporary impairment loss of $33 million related to four MBS, which is reported in the Statement of Income as "Net realized losses on held-to-maturity securities." These securities had a total amortized cost of $108 million and fair value of $75 million at the time of impairment. These securities were subsequently downgraded in April 2008 by Standard & Poor's Ratings Services (S&P) or Moody's Investors Service, Inc. (Moody's) to BB/Ba2 or B/B2. One additional security, which was reaffirmed by S&P in March 2008 at AA was downgraded to Ba2 by Moody's in April 2008. All other securities within this portfolio are rated BBB or higher at March 31, 2008. The remainder of the FHLBank of Chicago's held-to-maturity securities portfolio that has not been designated as other-than-temporarily impaired has experienced unrealized losses and a decrease in value due to interest rate volatility and credit deterioration in the U.S. mortgage markets. The overall decline in value of the FHLBank of Chicago's held-to-maturity securities portfolio is considered temporary as the FHLBank of Chicago has the intent and ability to hold these investments to maturity and expects to collect all contractual principal and interest. The remaining FHLBanks did not record any other-than-temporary impairment charges as of March 31, 2008, as these FHLBanks believe any decline in value is considered temporary and that they have the ability and intent to hold these investments to maturity, expecting to collect all contractual principal and interest.

The FHLBanks of Des Moines, Topeka and Seattle each sold securities out of its held-to-maturity securities portfolio during the three months ended March 31, 2007 that were either within three months of maturity or had less than 15 percent of the acquired principal outstanding at the time of the sale. In accordance with 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 and 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 during the three months ended March 31, 2007.

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 plan of each FHLBank.

As of March 31, 2008, all of the FHLBanks, except for the FHLBank of Chicago, 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, each FHLBank must maintain at all times permanent capital defined as Class B stock and retained earnings in an amount at least equal to the sum of its credit risk, market risk, and operations risk capital requirements, all of which are calculated in accordance with the rules and regulations of the Finance 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, each FHLBank is required to maintain at all times a total capital-to-assets ratio of at least four percent. Total regulatory capital is the sum of permanent capital, Class A stock, any general loss allowance, if consistent with GAAP and not established for specific assets, and other amounts from sources determined by the Finance Board as available to absorb losses. Third, each FHLBank is required to maintain at all times a leverage capital-to-assets ratio of at least five percent. Leverage capital is defined as the sum of (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 FHLBanks' compliance with these regulatory capital requirements. If an

FHLBank is not in compliance with these capital requirements at the effective date of its capital conversion, it must come into compliance within a transition period of up to three years. During that period, the existing leverage limit established by Finance Board regulations will continue to apply. For the 11 FHLBanks that have implemented their respective capital plans, each FHLBank was in compliance with these capital requirements at the effective date of its capital conversion.

At March 31, 2008, all of the FHLBanks were in compliance with their risk-based capital requirements as follows (dollar amounts in millions):

Regulatory Capital Requirements

FHLBank*	Minimum Regulatory Capital Ratio Requirement	At March 31, 2008 Minimum Regulatory Capital Requirement	Actual Capital Ratio	Total Regulatory Capital(1)	Permanent Capital(2)	Required Risk-Based Capital
Boston	4.0%	$ 3,217	4.4%	$ 3,572	$ 3,572	$ 979
New York	4.0%	4,341	4.7%	5,088	5,087	641
Pittsburgh	4.0%	4,186	4.3%	4,525	4,516	1,337
Atlanta	4.0%	7,817	4.3%	8,469	8,469	1,243
Cincinnati	4.0%	3,777	4.4%	4,134	4,134	665
Indianapolis	4.0%	2,345	4.2%	2,481	2,481	453
Des Moines	4.0%	2,803	4.9%	3,421	3,421	574
Dallas	4.0%	2,749	4.3%	2,956	2,956	512
Topeka	4.0%	2,165	4.1%	2,245	1,595	832
San Francisco	4.0%	13,299	4.4%	14,554	14,554	4,925
Seattle	4.0%	2,753	4.1%	2,843	2,399	1,523

FHLBank*	Minimum Leverage Ratio Requirement	At March 31, 2008 Minimum Weighted Leverage Capital Requirement	Actual Leverage Ratio	Actual Weighted Leverage Capital
Boston	5.0%	$ 4,022	6.7%	$ 5,358
New York	5.0%	5,426	7.0%	7,631
Pittsburgh	5.0%	5,232	6.5%	6,784
Atlanta	5.0%	9,771	6.5%	12,704
Cincinnati	5.0%	4,721	6.6%	6,201
Indianapolis	5.0%	2,931	6.3%	3,721
Des Moines	5.0%	3,504	7.3%	5,132
Dallas	5.0%	3,436	6.5%	4,434
Topeka	5.0%	2,707	5.6%	3,043
San Francisco	5.0%	16,624	6.6%	21,831
Seattle	5.0%	3,441	5.9%	4,042

* Excludes the FHLBank of Chicago, which had not implemented a new capital plan as of March 31, 2008.

(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 Class B stock. Mandatorily redeemable capital stock is considered capital for regulatory purposes.

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 of 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. After entering into the Consent Cease and Desist Order (C&D Order) with the Finance Board on October 10, 2007, the FHLBank of Chicago's capital stock repurchases and redemptions, including redemptions upon membership withdrawal or other termination, require prior approval of the Director of the Office of Supervision of the Finance Board (OS Director). The OS Director may approve a written request by the FHLBank of Chicago for proposed redemptions or repurchases if the OS Director determines that allowing the redemption or repurchase would be consistent with maintaining the FHLBank of Chicago's capital adequacy and continued safe and sound operations. See "Note 6 — Subsequent Events" regarding the OS Director's denial of pending redemption requests made by the FHLBank of Chicago.

As of March 31, 2008, 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 at March 31, 2008 as a percentage of its total assets (dollar amounts in millions):

Regulatory Capital(1)			
Requirement in Effect		Actual	
Ratio(2)	Amount	Ratio	Amount
4.50%	$3,942	4.89%	$4,282

(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 allows the FHLBank of Chicago 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. If the non-mortgage asset ratio is greater than 11 percent, the Finance Board regulations require a regulatory capital ratio of 4.76 percent. The C&D Order includes an additional minimum regulatory capital ratio of 4.5 percent, which supersedes the 4.0 percent regulatory requirement discussed above. The FHLBank of Chicago's non-mortgage assets on an average monthly basis were below 11 percent at March 31, 2008, thus it was subject to the 4.5 percent ratio at that date.

Under the C&D Order, 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 $3,600 million. At March 31, 2008, the FHLBank of Chicago had an aggregate amount of $3,701 million of regulatory capital stock plus the designated amount of subordinated notes.

Note 5 — Fair Value Disclosures

As discussed in Note 2, the FHLBanks adopted SFAS 157 and SFAS 159 on January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value under GAAP and expands disclosures about fair value measurements. 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 159 provides entities with an option to report selected financial assets and financial liabilities at fair value. The FHLBanks do not necessarily use the same dealer prices, models and assumptions in determining the fair values of their respective assets, liabilities and derivatives.

The FHLBanks record trading securities, available-for-sale securities, derivative assets, and derivative liabilities as well as certain advances and certain consolidated obligation bonds at fair value. Fair value is a market-based measurement and is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The transaction to sell the asset or transfer the liability is a hypothetical transaction at the measurement date, considered from the perspective of a market participant that holds the asset or owes the liability. In general, the transaction price will equal the exit price and, therefore, represents the fair value of the asset or liability at initial recognition. In determining whether a transaction price represents the fair value of the asset or liability at initial recognition, each reporting entity is required to consider factors specific to the asset or liability, the principal or most advantageous market for the asset or liability, and market participants with whom the entity would transact in that market.

Fair Value Option.

SFAS 159 provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments not previously carried at fair value. It requires entities to display the fair value of those assets and liabilities for which the company has chosen to use fair value on the face of the statement of condition. Under SFAS 159, fair value is used for both the initial and subsequent measurement of the designated assets, liabilities and commitments, with the changes in fair value recognized in net income. The FHLBanks adopted SFAS 159 on January 1, 2008. The FHLBank of San Francisco is the only FHLBank that elected the fair value option for certain financial assets and financial liabilities at this time.

Upon adoption of SFAS 159, the FHLBank of San Francisco elected certain advances and consolidated obligations that are economically hedged to transition to the fair value option, as follows:

- adjustable rate credit advances with embedded options;
- callable fixed rate credit advances;
- putable fixed rate credit advances;
- putable fixed rate credit advances with embedded options;
- fixed rate credit advances with partial prepayment symmetry;
- callable or non-callable capped floater consolidated obligation bonds;
- convertible consolidated obligation bonds;
- floating or fixed rate range accrual consolidated obligation bonds; and
- ratchet consolidated obligation bonds.

In addition to the items transitioned to the fair value option on January 1, 2008, the FHLBank of San Francisco has elected that any new transactions in these categories will be accounted for in accordance with SFAS 159. In general, transactions elected for the fair value option in accordance with SFAS 159 are in economic hedge relationships. The FHLBank of San Francisco has also elected the fair value option in accordance with SFAS 159 for certain additional categories for all new transactions entered into starting on January 1, 2008 including adjustable rate credit advances and adjustable rate consolidated obligation bonds indexed to Federal funds, Treasury Bill, Constant Maturity Treasury (CMT), Constant Maturity Swap, 12-month Moving Treasury Average of a one-year CMT and Prime Rate.

The FHLBank of San Francisco has elected these items for the fair value option in accordance with SFAS 159 to allow it to fair value the financial asset or financial liability to assist in mitigating potential income statement volatility that can arise from economic hedging relationships. This risk associated with using fair value only for the derivative is the FHLBank of San Francisco's primary driver for electing the fair value option for financial assets and liabilities that do not qualify for hedge accounting under the provisions of SFAS 133 or for items that have not previously met or may be at risk for not meeting the SFAS 133 hedge effectiveness requirements.

Fair Value Hierarchy.

SFAS 157 established a fair value hierarchy to prioritize the inputs of valuation techniques used to measure fair value. The inputs are evaluated and an overall level for the fair value measurement is determined. This overall level is an indication of how market observable the fair value measurement is. SFAS 157 clarifies fair value in terms of the price in an orderly transaction between market participants to sell an asset or transfer a liability in the principal (or most advantageous) market for the asset or liability at the measurement date (an exit price). In order to determine the fair value or the exit price, entities must determine the unit of account, highest and best use, principal market, and market participants. These determinations allow the reporting entity to define the inputs for fair value and level of hierarchy.

Outlined below is the application of the fair value hierarchy established by SFAS 157 to the FHLBanks' financial assets and financial liabilities that are carried at fair value.

Level 1 — inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. An active market for the asset or liability is a market in which the transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The types of assets and liabilities carried at Level 1 fair value generally include certain types of derivative contracts that are traded in open exchange market, investments such as U.S. Treasury securities, and other U.S. government and agency mortgage-backed securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2 — inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. The types of assets and liabilities carried at Level 2 fair value generally include investment securities, including U.S. government, agency and private-label mortgage-backed securities, derivative contracts, certain advances and certain consolidated obligation bonds.

Level 3 — inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs supported by little or no market activity or by the entity's own assumptions. The types of assets and liabilities carried at Level 3 fair value generally include certain types of investment securities that are backed by non-traditional mortgage loans and an inverse floating rate consolidated obligation bond along with the derivative hedging that bond.

The FHLBanks utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Fair value is first determined based on quoted market prices or market-based prices, where available. If quoted market prices or market-based prices are not available, fair value is determined based on valuation models that use market-based information available to the FHLBanks as inputs to the models. For a discussion of an individual FHLBank's fair value measurement techniques, see that FHLBank's periodic report filed with the SEC.

Fair Value on a Recurring Basis.

The following table presents for each SFAS 157 hierarchy level, the FHLBanks' assets and liabilities that are measured at fair value on the Statement of Condition at March 31, 2008 (dollar amounts in millions):

	Fair Value Measurements at March 31, 2008				
	Total	Level 1	Level 2	Level 3	Netting Adjustment(1)
Assets					
Trading securities	$ 8,233	$11	$ 8,222	$	$
Available-for-sale securities	9,243		9,091	152	
Advances(2)	24,074		24,074		
Derivative assets	1,854	2	8,678	26	(6,852)
Total assets at fair value	$ 43,404	$13	$ 50,065	$178	$ (6,852)
Liabilities					
Consolidated obligations - bonds(3)	$(26,781)	$	$(26,706)	$ (75)	$
Derivative liabilities	(5,410)	(1)	(15,766)		10,357
Total liabilities at fair value	$(32,191)	$ (1)	$(42,472)	$ (75)	$10,357

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

(2) Includes $19,990 million of advances recorded under the fair value option in accordance with SFAS 159 and $4,084 million of advances recorded at fair value in accordance with SFAS 133.

(3) Includes $20,141 million of consolidated obligations - bonds recorded under the fair value option in accordance with SFAS 159 and $6,640 million of consolidated obligations - bonds recorded at fair value in accordance with SFAS 133.

For instruments carried at fair value, the FHLBanks review the fair value hierarchy classifications on a quarterly basis. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers in/out of Level 3 at fair value in the quarter in which the changes occur.

The following table presents a reconciliation of all assets and liabilities that are measured at fair value on the Statement of Condition using significant unobservable inputs (Level 3) for the three months ended March 31, 2008 (dollar amounts in millions):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Available-for-Sale Securities	Derivative Assets	Consolidated Obligations-Bonds
Balance at December 31, 2007	$247	$20	$(69)
Effect of SFAS 157 and SFAS 159 adoption			
Balance at January 1, 2008	247	20	(69)
Total gains or losses (realized/unrealized):			
Included in net gains (losses) on changes in fair value		6	(6)
Included in other comprehensive income	(75)		
Purchases, issuances and settlements			
Transfers out of Level 3	(20)		
Balance at March 31, 2008	$152	$26	$(75)
Total amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains or losses relating to assets and liabilities still held at March 31, 2008	$	$ 6	$ (6)

The following table presents the changes in fair values for the three months ended March 31, 2008 for items measured at fair value pursuant to the election of the fair value option (dollar amounts in millions):

	Three Months Ended March 31, 2008		
	Interest Income(1)/ (Interest Expense)	Net Gains on Changes in Fair Value under Fair Value Option	Total Changes in Fair Value Included in Current Period Earnings
Advances	$190	$239	$429
Consolidated obligations - bonds	(68)	35	(33)
Total		$274	

(1) Includes $2 million of prepayment fees on advances for which the fair value option has been elected in accordance with SFAS 159.

For items recorded under the fair value option, the related contractual interest income and contractual interest expense is recorded as part of net interest income on the Statement of Income. The remaining changes in fair value for instruments in which the fair value option has been elected is recorded as “Net gains on instruments held at fair value” in the Statement of Income. The change in fair value, as shown in the table above, does not include changes in instrument-specific credit risk. The FHLBank of San Francisco, the only FHLBank that has elected to record certain financial assets and financial liabilities at fair value in accordance with SFAS 159 as of March 31, 2008, determined that no adjustments to the fair values of instruments recorded under the fair value option for instrument-specific credit risk was necessary.

The following table reflects the difference between the aggregate fair value and the aggregate remaining contractual principal balance outstanding as of March 31, 2008, for advances and consolidated obligations - bonds for which the fair value option has been elected (dollar amounts in millions):

	Aggregate Unpaid Principal Balance	Aggregate Fair Value	Aggregate Fair Value Over Aggregate Unpaid Principal Balance
Advances(1)	$19,423	$19,990	$567
Consolidated obligations - bonds	20,117	20,141	24

(1) At March 31, 2008, none of these advances were 90 days or more past due or had been placed on nonaccrual status.

Fair Value on a Nonrecurring Basis.

The FHLBanks measure certain held-to-maturity securities at fair value on a nonrecurring basis. These held-to-maturity securities are not measured at fair value on an ongoing basis, but are subject to fair value adjustments only in certain circumstances (i.e., when there is evidence of other-than-temporary impairment).

In accordance with the provisions of SFAS 115, as amended by FASB Staff Position No. 115-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* (FSP 115-1), four of the FHLBank of Chicago's held-to-maturity investment securities, with a carrying amount of $108 million were written down to their fair value of $75 million, resulting in an other-than-temporary impairment charge of $33 million, which was included in other non-interest income for the three months ended March 31, 2008. The FHLBank of Chicago's principal markets for these securities are the secondary institutional markets, with an exit price that is predominantly reflective of bid-level pricing in that market.

The following table presents these investment securities by level within the SFAS 157 valuation hierarchy as of March 31, 2008, for which a nonrecurring change in fair value has been recorded during the quarter ended March 31, 2008, and the total change in value of these investment securities for which a fair value adjustment has been included in the Statement of Income for the three months ended March 31, 2008 (dollar amounts in millions):

	Fair Value Measurements at March 31, 2008				For the Three Months Ended March 31, 2008
	Total	Level 1	Level 2	Level 3	Total Losses
Held-to-maturity securities	$75	$	$	$75	$(33)
Total assets at fair value on a non-recurring basis	$75	$	$	$75	$(33)

Estimated Fair Values.

The carrying values and estimated fair values of the FHLBanks' financial instruments at March 31, 2008, were as follows (dollar amounts in millions):

	March 31, 2008		
Financial Instruments	**Carrying Value**	**Net Unrealized Gains/(Losses)**	**Estimated Fair Value**
Assets:			
Cash and due from banks	$ 246	$	$ 246
Interest-bearing deposits	41,114	15	41,129
Securities purchased under agreements to resell	150		150
Federal funds sold	92,601	9	92,610
Trading securities	8,233		8,233
Available-for-sale securities	9,243		9,243
Held-to-maturity securities	159,909	(7,483)	152,426
Advances	913,104	1,616	914,720
Mortgage loans held for portfolio, net	90,792	51	90,843
Accrued interest receivable	4,571		4,571
Derivative assets	1,854		1,854
Liabilities:			
Deposits	(26,682)		(26,682)
Securities sold under repurchase agreements	(1,200)	(55)	(1,255)
Consolidated obligations:			
Discount notes	(393,786)	(197)	(393,983)
Bonds	(823,694)	(6,738)	(830,432)
Mandatorily redeemable capital stock	(1,201)		(1,201)
Accrued interest payable	(7,768)		(7,768)
Derivative liabilities	(5,410)		(5,410)
Subordinated notes	(1,000)	(111)	(1,111)

The carrying values and estimated fair values of the FHLBanks' financial instruments at December 31, 2007, were as follows (dollar amounts in millions):

Financial Instruments	December 31, 2007 Carrying Value	Net Unrealized Gains/(Losses)	Estimated Fair Value
Assets:			
Cash and due from banks	$ 320	$	$ 320
Interest-bearing deposits	46,642	12	46,654
Securities purchased under agreements to resell	800		800
Federal funds sold	85,818	5	85,823
Trading securities	6,809		6,809
Available-for-sale securities	5,813		5,813
Held-to-maturity securities	151,176	(2,052)	149,124
Advances	875,061	1,212	876,273
Mortgage loans held for portfolio, net	91,610	(926)	90,684
Accrued interest receivable	5,614		5,614
Derivative assets	1,306		1,306
Liabilities:			
Deposits	(20,893)	1	(20,892)
Securities sold under repurchase agreements	(1,400)	(72)	(1,472)
Other borrowings	(100)		(100)
Consolidated obligations:			
Discount notes	(376,342)	(25)	(376,367)
Bonds	(802,574)	(3,460)	(806,034)
Mandatorily redeemable capital stock	(1,107)		(1,107)
Accrued interest payable	(8,187)		(8,187)
Derivative liabilities	(3,789)		(3,789)
Subordinated notes	(1,000)	(75)	(1,075)

Note 6 — Subsequent Events

FHLBank of Chicago. Effective May 5, 2008, the Executive & Governance Committee of the Board of Directors of the FHLBank of Chicago appointed Matthew R. Feldman to the position of President and CEO.

On April 24, 2008, the FHLBank of Chicago received a letter from the OS Director denying its request to redeem capital stock totaling $8 million in connection with seven membership withdrawals or other membership terminations.

On April 23, 2008, the FHLBank of Chicago announced that it will no longer purchase mortgage loans from participating financial institutions (PFIs) under the MPF Program after July 31, 2008. The FHLBank of Chicago will continue to provide programmatic and operational support in its role as MPF Provider for mortgage loans already purchased from its members and for the FHLBanks participating in the MPF Program. The other FHLBanks participating in the MPF Program continue to have the ability to purchase and fund loans through the MPF infrastructure.

FHLBanks of Chicago and Dallas. On April 4, 2008, the FHLBanks of Chicago and Dallas terminated previously announced merger discussions.

FHLBank of Seattle. On April 28, 2008, the Finance Board notified the FHLBank of Seattle of its decision to raise the ceiling on its dividend payments from 50 percent to 75 percent of year-to-date net income calculated in accordance with GAAP, but not to allow the FHLBank of Seattle to repurchase excess Class B stock at this time. The FHLBank of Seattle retains the ability to redeem Class B stock following the expiration of the statutory five-year redemption period, and there are no restrictions on its ability to repurchase Class A stock.

On April 8, 2008, S&P lowered the counterparty credit and financial strength ratings on Mortgage Guaranty Insurance Corporation (MGIC), an MPP supplemental mortgage insurance provider, from "AA−" to "A" with a negative outlook. On April 25, 2008, the FHLBank of Seattle exercised its contractual right and notified MGIC of its intent to cancel its policies. The FHLBank of Seattle is currently evaluating the need for alternative supplemental insurance on its mortgage loan portfolio.

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CONDITION
MARCH 31, 2008

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
ASSETS						
Cash and due from banks	$ 246	$	$ 8	$ 33	$ 72	$ 19
Interest-bearing deposits	41,114		4,270	4,970	6,150	475
Deposits with other FHLBanks for mortgage loan programs		(7)			2	3
Securities purchased under agreements to resell	150					
Federal funds sold	92,601		2,347	3,945	4,440	8,868
Trading securities	8,233	(643)	101		7	5,247
Available-for-sale securities	9,243	(43)	1,107	1,996	36	
Held-to-maturity securities	159,909	(500)	8,889	9,623	13,672	24,273
Advances	913,104		59,201	85,928	73,464	152,105
Mortgage loans held for portfolio	90,800		4,053	1,469	6,128	3,516
Less: allowance for credit losses on mortgages loans	8			1	1	1
Mortgage loans held for portfolio, net	90,792		4,053	1,468	6,127	3,515
Accrued interest receivable	4,571	(8)	349	468	516	723
Premises, software, and equipment, net	203		6	13	24	30
Derivative assets	1,854		74	59	64	67
Other assets	670	4	30	14	69	101
Total assets	$1,322,690	$(1,197)	$80,435	$108,517	$104,643	$195,426
LIABILITIES						
Deposits:						
Interest-bearing:						
Demand and overnight	$ 25,660	$	$ 1,276	$ 2,567	$ 3,086	$ 8,015
Term	701		29	4		
Deposits from other FHLBanks for mortgage loan programs		(7)				
Other	27		2	1		
Total interest-bearing	26,388	(7)	1,307	2,572	3,086	8,015
Non-interest-bearing:						
Demand and overnight	81				26	14
Other	213		13			
Total non-interest-bearing	294		13		26	14
Total deposits	26,682	(7)	1,320	2,572	3,112	8,029
Borrowings:						
Securities sold under agreements to repurchase	1,200					
Total borrowings	1,200					
Consolidated obligations, net:						
Discount notes	393,786		43,251	26,337	34,111	30,703
Bonds	823,694	(1,146)	30,987	73,124	61,436	143,791
Total consolidated obligations, net	1,217,480	(1,146)	74,238	99,461	95,547	174,494
Mandatorily redeemable capital stock	1,201		33	182	4	37
Accrued interest payable	7,768	(8)	315	676	583	1,287
Affordable Housing Program	923		52	124	63	161
Payable to REFCORP	197		14	25	14	29
Derivative liabilities	5,410		471	568	592	1,863
Other liabilities	4,963		493	61	225	1,096
Subordinated notes	1,000					
Total liabilities	1,266,824	(1,161)	76,936	103,669	100,140	186,996

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 3	$ 15	$ 19	$ 22	$ 48	$	$ 6	$ 1
	727				6,050	14,112	4,360
				2			
150							
11,755	10,080	6,899	3,615	5,290	4,340	19,623	11,399
3		897		4	2,561	56	
	659	437	4,461	590			
11,639	7,020	11,612	4,001	8,564	7,910	43,793	9,413
61,719	30,605	32,662	47,092	53,633	30,522	248,425	37,748
8,819	9,259	34,510	10,707	368	2,424	4,026	5,521
		2		1	1	1	
8,819	9,259	34,508	10,707	367	2,423	4,025	5,521
249	189	348	111	161	148	1,056	261
9	9	37	7	22	18	16	12
44	11	89	44	24	82	1,206	90
25	40	88	22	18	76	162	21
$94,415	$58,614	$87,596	$70,082	$68,723	$54,130	$332,480	$68,826
$ 1,586	$ 973	$ 1,090	$ 939	$ 2,898	$ 1,689	$ 366	$ 1,175
76	69	22	238	68	13	69	113
		7					
21						3	
1,683	1,042	1,119	1,177	2,966	1,702	438	1,288
			41				
2	2	185			8	3	
2	2	185	41		8	3	
1,685	1,044	1,304	1,218	2,966	1,710	441	1,288
		1,200					
		1,200					
39,799	22,137	14,578	32,365	22,024	23,539	84,872	20,070
47,946	31,697	64,567	32,166	40,213	26,130	228,750	44,033
87,745	53,834	79,145	64,531	62,237	49,669	313,622	64,103
119	206	176	43	71	35	213	82
419	354	795	310	380	291	1,944	422
103	32	40	42	47	40	194	25
12	11		8	8	5	63	8
237	637	377	281	17	138	123	106
85	230	655	392	117	35	1,541	33
		1,000					
90,405	56,348	84,692	66,825	65,843	51,923	318,141	66,067

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CONDITION (continued)
MARCH 31, 2008

(Dollar amounts in millions except per share amounts)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL						
Capital Stock:						
Capital stock Class B putable ($100 par value per share) issued and outstanding	$ 48,991	$	$ 3,306	$ 4,476	$ 4,206	$ 7,962
Capital stock Class A putable ($100 par value per share) issued and outstanding	1,057					
Capital stock Pre-conversion putable ($100 par value per share) issued and outstanding	2,525					
Total capital stock	52,573		3,306	4,476	4,206	7,962
Retained earnings	3,753	(32)	232	429	306	471
Accumulated other comprehensive income:						
Net unrealized losses on available-for-sale securities	(259)		(37)	(17)	(6)	
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities	(118)					
Net unrealized (losses) gains relating to hedging activities	(53)	(4)	1	(35)	(2)	
Pension and postretirement benefits	(30)		(3)	(5)	(1)	(3)
Total capital	55,866	(36)	3,499	4,848	4,503	8,430
Total liabilities and capital	$1,322,690	$(1,197)	$80,435	$108,517	$104,643	$195,426
Supplemental Disclosures:						
Advances held at fair value under fair value option included in Advances total	$ 19,990	$	$	$	$	$
Consolidated obligations - bonds held at fair value under fair value option included in consolidated obligations - bonds total	$ 20,141	$	$	$	$	$

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 3,726	$ 2,053	$	$ 3,012	$ 2,668	$ 1,388	$ 14,049	$ 2,145
					614		443
		2,525					
3,726	2,053	2,525	3,012	2,668	2,002	14,049	2,588
289	222	581	367	217	207	292	172
	(3)	(70)	(121)	(5)			
		(118)					
		(12)				(1)	
(5)	(6)	(2)	(1)		(2)	(1)	(1)
4,010	2,266	2,904	3,257	2,880	2,207	14,339	2,759
$94,415	$58,614	$87,596	$70,082	$68,723	$54,130	$332,480	$68,826
$	$	$	$	$	$	$ 19,990	$
$	$	$	$	$	$	$ 20,141	$

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CONDITION
DECEMBER 31, 2007

(Dollar amounts in millions except per share amounts)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
ASSETS						
Cash and due from banks	$ 320	$	$ 7	$ 8	$ 67	$ 19
Interest-bearing deposits	46,642		5,330	10,300	5,675	800
Deposits with other FHLBanks for mortgage loan programs		(9)			4	4
Securities purchased under agreements to resell	800		500			
Federal funds sold	85,818		2,908	4,381	4,725	14,835
Trading securities	6,809	(522)	113		8	4,628
Available-for-sale securities	5,813	(42)	1,064	13	42	
Held-to-maturity securities	151,176	(2,525)	7,948	10,285	14,237	21,260
Advances	875,061		55,680	82,090	68,798	142,867
Mortgage loans held for portfolio	91,618		4,091	1,493	6,221	3,527
Less: allowance for credit losses on mortgages loans	8			1	1	1
Mortgage loans held for portfolio, net	91,610		4,091	1,492	6,220	3,526
Loans to other FHLBanks		(955)		55	500	
Accrued interest receivable	5,614	(39)	457	562	529	825
Premises, software, and equipment, net	208		6	13	25	31
Derivative assets	1,306		67	29	47	43
Other assets	623	4	29	17	59	100
Total assets	$1,271,800	$(4,088)	$78,200	$109,245	$100,936	$188,938
LIABILITIES						
Deposits:						
Interest-bearing:						
Demand and overnight	$ 19,912	$	$ 673	$ 1,585	$ 2,235	$ 7,115
Term	749		31	17		
Deposits from other FHLBanks for mortgage loan programs		(9)				
Other	24		3	1		
Total interest-bearing	20,685	(9)	707	1,603	2,235	7,115
Non-interest-bearing:						
Demand and overnight	84			3	21	20
Other	124		6			
Total non-interest-bearing	208		6	3	21	20
Total deposits	20,893	(9)	713	1,606	2,256	7,135
Borrowings:						
Loans from other FHLBanks		(955)				
Securities sold under agreements to repurchase	1,400					
Other	100					
Total borrowings	1,500	(955)				
Consolidated obligations, net:						
Discount notes	376,342		42,988	34,791	34,685	28,348
Bonds	802,574	(3,055)	30,422	66,326	58,613	142,237
Total consolidated obligations, net	1,178,916	(3,055)	73,410	101,117	93,298	170,585
Mandatorily redeemable capital stock	1,107		31	239	4	55
Accrued interest payable	8,187	(39)	280	656	557	1,460
Affordable Housing Program	893		49	119	60	156
Payable to REFCORP	212		16	24	16	31
Derivative liabilities	3,789		287	672	431	1,306
Other liabilities	1,706		26	61	29	188
Subordinated notes	1,000					
Total liabilities	1,218,203	(4,058)	74,812	104,494	96,651	180,916
CAPITAL						
Capital Stock:						
Capital stock Class B putable ($100 par value per share) issued and outstanding	46,701		3,164	4,368	3,995	7,556
Capital stock Class A putable ($100 par value per share) issued and outstanding	891					
Capital stock Pre-conversion putable ($100 par value per share) issued and outstanding	2,661					
Total capital stock	50,253		3,164	4,368	3,995	7,556
Retained earnings	3,689	(26)	226	418	296	469
Accumulated other comprehensive income:						
Net unrealized losses on available-for-sale securities	(41)				(2)	
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities	(138)					
Net unrealized (losses) gains relating to hedging activities	(137)	(4)	1	(30)	(3)	
Pension and postretirement benefits	(29)		(3)	(5)	(1)	(3)
Total capital	53,597	(30)	3,388	4,751	4,285	8,022
Total liabilities and capital	$1,271,800	$(4,088)	$78,200	$109,245	$100,936	$188,938

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 53	$ 7	$ 17	$ 59	$ 75	$ 2	$ 5	$ 1
2,065	1,660		100		6,122	14,590	
				1			
300							
10,136	11,261	10,286	1,805	7,100	5,150	11,680	1,551
4		863		3	1,654	58	
		941	3,433	362			
12,173	6,715	11,481	3,905	8,535	7,590	38,585	10,987
53,310	26,770	30,221	40,412	46,298	32,057	251,034	45,524
8,928	9,397	34,625	10,802	382	2,353	4,133	5,666
		2		1	1	1	
8,928	9,397	34,623	10,802	381	2,352	4,132	5,666
				400			
305	193	364	130	189	197	1,590	312
8	9	40	7	23	18	16	12
28	3	111	61	65	78	642	132
25	40	80	22	26	85	114	22
$87,335	$56,055	$89,027	$60,736	$63,458	$55,305	$322,446	$64,207
$ 911	$ 556	$ 840	$ 802	$ 2,877	$ 1,333	$ 223	$ 762
117		114	40	211	1	16	202
		9					
18						2	
1,046	556	963	842	3,088	1,334	241	964
		19	21				
	1	107			7	3	
	1	126	21		7	3	
1,046	557	1,089	863	3,088	1,341	244	964
						955	
		1,200	200				
						100	
		1,200	200			1,055	
35,437	22,171	19,057	21,501	24,120	19,896	78,368	14,980
46,179	30,254	62,642	34,564	32,855	31,213	225,328	44,996
81,616	52,425	81,699	56,065	56,975	51,109	303,696	59,976
118	163	22	46	82	36	229	82
431	319	605	301	341	321	2,432	523
103	30	45	43	48	42	175	23
17	10	10	6	8	11	58	5
161	305	232	138	23	109	102	23
88	47	56	22	288	38	828	35
		1,000					
83,580	53,856	85,958	57,684	60,853	53,007	308,819	61,631
3,473	2,003		2,717	2,394	1,487	13,403	2,141
					604		287
		2,661					
3,473	2,003	2,661	2,717	2,394	2,091	13,403	2,428
287	202	659	361	212	209	227	149
		(13)	(25)	(1)			
		(138)					
		(99)				(2)	
(5)	(6)	(1)	(1)		(2)	(1)	(1)
3,755	2,199	3,069	3,052	2,605	2,298	13,627	2,576
$87,335	$56,055	$89,027	$60,736	$63,458	$55,305	$322,446	$64,207

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2008

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$ 9,074	$	$611	$ 864	$ 722	$1,476
Prepayment fees on advances, net	41		4	8		1
Interest-bearing deposits	507		50	111	63	22
Securities purchased under agreements to resell	17		9			
Federal funds sold	691		15	29	33	78
Trading securities	98	(9)	2			68
Available-for-sale securities	64	(1)	10	9		
Held-to-maturity securities	1,829	(20)	85	134	173	269
Mortgage loans held for portfolio	1,153		52	20	79	47
Other	1					
Total interest income	13,475	(30)	838	1,175	1,070	1,961
INTEREST EXPENSE						
Consolidated obligations — Discount notes	3,349		415	271	295	271
Consolidated obligations — Bonds	8,706	(28)	320	731	670	1,433
Deposits	177		7	16	15	48
Securities sold under agreements to repurchase	21					
Subordinated notes	14					
Mandatorily redeemable capital stock	13			4		1
Total interest expense	12,280	(28)	742	1,022	980	1,753
NET INTEREST INCOME	1,195	(2)	96	153	90	208
Provision for credit losses	1				1	
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	1,194	(2)	96	153	89	208
OTHER (LOSS) INCOME						
Service fees	7		1	1	1	1
Net gains on trading securities	134					106
Net realized losses on held-to-maturity securities	(33)					
Net gains on instruments held at fair value	274					
Net (losses) gains on derivatives and hedging activities	(384)		(4)	1	4	(129)
Other, net	(11)	(5)	(3)			
Total other (loss) income	(13)	(5)	(6)	2	5	(22)
OTHER EXPENSE						
Operating	181		13	16	14	24
Finance Board	10			1		2
Office of Finance	8		1	1	1	1
Other, net	1	(1)				
Total other expense	200	(1)	14	18	15	27
INCOME (LOSS) BEFORE ASSESSMENTS	981	(6)	76	137	79	159
Affordable Housing Program	89		6	12	7	13
REFCORP	195		14	25	14	29
Total assessments	284		20	37	21	42
NET INCOME (LOSS)	$ 697	$ (6)	$ 56	$ 100	$ 58	$ 117

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$575	$293	$326	$387	$488	$323	$2,584	$425
		12	1				15
26	14		1	1	66	139	14
8							
53	104	67	22	48	37	132	73
		11			25	1	
		6	36	4			
146	81	147	46	91	88	478	111
117	122	429	134	5	31	49	68
					1		
925	614	998	627	637	571	3,383	706
316	180	137	161	173	194	790	146
518	356	788	390	389	305	2,348	486
10	6	9	9	27	11	10	9
		19	2				
		14					
1	3			1		3	
845	545	967	562	590	510	3,151	641
80	69	31	65	47	61	232	65
80	69	31	65	47	61	232	65
			1	1	1		
		15			13		
		(33)					
						274	
(3)		(62)	(13)	5	(34)	(155)	6
2		2		7	1	1	(16)
(1)		(78)	(12)	13	(19)	120	(10)
10	9	28	10	17	8	21	11
1		1		1	1	2	1
1	1					2	
		2					
12	10	31	10	18	9	25	12
67	59	(78)	43	42	33	327	43
6	5		4	3	3	27	3
12	11		8	8	6	60	8
18	16		12	11	9	87	11
$ 49	$ 43	$ (78)	$ 31	$ 31	$ 24	$ 240	$ 32

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	1,775	(31)	100	153	156	231
Mortgage loans held for portfolio	1,238		56	19	88	40
Other	1					
Total interest income	13,165	(37)	742	1,076	966	1,844
INTEREST EXPENSE						
Consolidated obligations — Discount notes	2,062		238	171	218	76
Consolidated obligations — Bonds	9,787	(37)	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	12,140	(37)	672	963	882	1,686
NET INTEREST INCOME	1,025		70	113	84	158
Provision for credit losses	2				2	
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	1,023		70	113	82	158
OTHER INCOME (LOSS)						
Service fees	7		1	1	1	1
Net gains on trading securities	9					5
Net realized losses on held-to-maturity securities	(3)					
Net (losses) gains on derivatives and hedging activities	(5)		1	3	5	(9)
Other, net	4	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	9		1	1	1	1
Other, net	2	(1)				1
Total other expense	191	(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	31	57	78
					1		
1,055	615	1,112	562	731	655	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	55	205	28
99	47	71	38	57	55	205	28
			1	1	1		
		2			2		
					(1)		(2)
(1)	1	(13)	(1)	2	(3)	11	(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	1	2	
	1	1					
12	12	30	10	13	9	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 CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(Shares in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK CLASS B PUTABLE SHARES						
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)					
Transfer between Class B and Class A shares						
Capital stock dividends	1					
BALANCE, MARCH 31, 2007	385		24	35	31	57
BALANCE, DECEMBER 31, 2007	468		32	44	40	76
Proceeds from sale of capital stock	73		1	9	17	15
Repurchase/redemption of capital stock	(47)			(8)	(15)	(11)
Net shares reclassified to mandatorily redeemable capital stock	(5)					
Transfer between Class B and Class A shares						
Capital stock dividends	2					
BALANCE, MARCH 31, 2008	491		33	45	42	80
CAPITAL STOCK CLASS A PUTABLE SHARES						
BALANCE, DECEMBER 31, 2006	5					
Proceeds from sale of capital stock						
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock						
Transfer between Class B and Class A shares						
Capital stock dividends						
BALANCE, MARCH 31, 2007	5					
BALANCE, DECEMBER 31, 2007	9					
Proceeds from sale of capital stock	3					
Repurchase/redemption of capital stock	(1)					
Net shares reclassified to mandatorily redeemable capital stock						
Transfer between Class B and Class A shares						
Capital stock dividends						
BALANCE, MARCH 31, 2008	11					

	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
	37	18		19	22	15	106	21
		1		2	1	4	10	
				(2)	(3)		(8)	
						(6)		
	—	—	—	—	—	—	1	—
	37	19	—	19	20	13	109	21
	35	20		27	24	15	134	21
	2	1		13	5	4	6	
				(10)	(2)		(1)	
						(5)		
	—	—	—	—	—	—	2	—
	37	21	—	30	27	14	141	21
						5		
	—	—	—	—	—	—	—	—
	—	—	—	—	—	5	—	—
						6		3
								3
								(1)
	—	—	—	—	—	—	—	—
	—	—	—	—	—	6	—	5

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CAPITAL (continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(Shares in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK PRE-CONVERSION PUTABLE SHARES						
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	—	—	—	—	—
BALANCE, DECEMBER 31, 2007	27					
Proceeds from sale of capital stock						
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, 2008	25	—	—	—	—	—
TOTAL CAPITAL STOCK PUTABLE SHARES						
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
BALANCE, DECEMBER 31, 2007	504		32	44	40	76
Proceeds from sale of capital stock	76		1	9	17	15
Repurchase/redemption of capital stock	(48)			(8)	(15)	(11)
Net shares reclassified to mandatorily redeemable capital stock	(7)					
Capital stock dividends	2	—	—	—	—	—
BALANCE, MARCH 31, 2008	527	—	33	45	42	80

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
		26					
		26					
		27					
		(2)					
		25					
37	18	26	19	22	20	106	21
	1		2	1	4	10	
			(2)	(3)		(8)	
						1	
37	19	26	19	20	18	109	21
35	20	27	27	24	21	134	24
2	1		13	5	4	6	3
			(10)	(2)		(1)	(1)
		(2)			(5)		
						2	
37	21	25	30	27	20	141	26

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CAPITAL (continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK CLASS B PUTABLE PAR VALUE						
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	(588)		(9)	(7)		(34)
Transfer between Class B and Class A shares	(36)					
Capital stock dividends	181					
BALANCE, MARCH 31, 2007	$38,544	$	$2,379	$3,548	$ 3,083	$ 5,682
BALANCE, DECEMBER 31, 2007	$46,701	$	$3,164	$4,368	$ 3,995	$ 7,556
Proceeds from sale of capital stock	7,291		144	929	1,677	1,459
Repurchase/redemption of capital stock	(4,651)			(763)	(1,466)	(1,045)
Net shares reclassified to mandatorily redeemable capital stock	(620)		(2)	(58)		(8)
Transfer between Class B and Class A shares	(20)					
Capital stock dividends	290					
BALANCE, MARCH 31, 2008	$48,991	$	$3,306	$4,476	$ 4,206	$ 7,962
CAPITAL STOCK CLASS A PUTABLE PAR VALUE						
BALANCE, DECEMBER 31, 2006	$ 532	$	$	$	$	$
Proceeds from sale of capital stock						
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(26)					
Transfer between Class B and Class A shares	36					
Capital stock dividends						
BALANCE, MARCH 31, 2007	$ 542	$	$	$	$	$
BALANCE, DECEMBER 31, 2007	$ 891	$	$	$	$	$
Proceeds from sale of capital stock	253					
Repurchase/redemption of capital stock	(97)					
Net shares reclassified to mandatorily redeemable capital stock	(10)					
Transfer between Class B and Class A shares	20					
Capital stock dividends						
BALANCE, MARCH 31, 2008	$ 1,057	$	$	$	$	$

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$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)	(508)	(1)	(13)
					(36)		
				29	27	125	
$3,650	$1,881	$	$ 1,884	$2,098	$1,310	$10,898	$2,131
$3,473	$2,003	$	$ 2,717	$2,394	$1,487	$13,403	$2,141
206	93		1,333	489	403	554	4
			(1,037)	(228)	(15)	(97)	
	(43)		(1)	(13)	(493)	(2)	
					(20)		
47				26	26	191	
$3,726	$2,053	$	$ 3,012	$2,668	$1,388	$14,049	$2,145
$	$	$	$	$	$ 532	$	$
					(26)		
					36		
$	$	$	$	$	$ 542	$	$
$	$	$	$	$	$ 604	$	$ 287
							253
							(97)
					(10)		
					20		
$	$	$	$	$	$ 614	$	$ 443

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CAPITAL (continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK PRE-CONVERSION PUTABLE PAR VALUE						
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	$	$	$	$	$
BALANCE, DECEMBER 31, 2007	$ 2,661	$	$	$	$	$
Proceeds from sale of capital stock	24					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(160)					
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, MARCH 31, 2008	$ 2,525	$	$	$	$	$
TOTAL CAPITAL STOCK PUTABLE PAR VALUE						
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
BALANCE, DECEMBER 31, 2007	$50,253	$	$3,164	$4,368	$ 3,995	$ 7,556
Proceeds from sale of capital stock	7,568		144	929	1,677	1,459
Repurchase/redemption of capital stock	(4,748)			(763)	(1,466)	(1,045)
Net shares reclassified to mandatorily redeemable capital stock	(790)		(2)	(58)		(8)
Capital stock dividends	290					
BALANCE, MARCH 31, 2008	$52,573	$	$3,306	$4,476	$ 4,206	$ 7,962

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$	$	$2,587	$	$	$	$	$
		6					
		(2)					
$	$	$2,591	$	$	$	$	$
$	$	$2,661	$	$	$	$	$
		24					
		(160)					
$	$	$2,525	$	$	$	$	$
$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
$3,473	$2,003	$2,661	$ 2,717	$2,394	$2,091	$13,403	$2,428
206	93	24	1,333	489	403	554	257
			(1,037)	(228)	(15)	(97)	(97)
	(43)	(160)	(1)	(13)	(503)	(2)	
47				26	26	191	
$3,726	$2,053	$2,525	$ 3,012	$2,668	$2,002	$14,049	$2,588

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CAPITAL (continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
RETAINED EARNINGS						
BALANCE, DECEMBER 31, 2006	$3,144	$(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	$3,222	$(42)	$191	$375	$259	$ 418
BALANCE, DECEMBER 31, 2007	$3,689	$(26)	$226	$418	$296	$ 469
Adjustment to opening balance relating to SFAS 158 and 159	16					
Net income	697	(6)	56	100	58	117
Dividends on capital stock:						
Cash	(359)		(50)	(89)	(48)	(115)
Stock	(290)					
BALANCE, MARCH 31, 2008	$3,753	$(32)	$232	$429	$306	$ 471
ACCUMULATED OTHER COMPREHENSIVE INCOME						
BALANCE, DECEMBER 31, 2006	$ (159)	$ (5)	$ 2	$ (10)	$ (5)	$ (5)
Net unrealized gains on available-for-sale securities	8		2			
Reclassification adjustment for losses (gains) included in net income relating to available-for-sale securities						
Net unrealized gains relating to hedging activities	1					
Reclassification adjustment for losses (gains) included in net income relating to hedging activities						
Other	(2)					
BALANCE, MARCH 31, 2007	$ (152)	$ (5)	$ 4	$ (10)	$ (5)	$ (5)
BALANCE, DECEMBER 31, 2007	$ (345)	$ (4)	$ (2)	$ (35)	$ (6)	$ (3)
Net unrealized losses on available-for-sale securities	(218)		(37)	(17)	(4)	
Reclassification adjustment for losses (gains) included in net income relating to available-for-sale securities						
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities						
Reclassification adjustment for losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities	20					
Net unrealized gains (losses) relating to hedging activities	74			(5)		
Reclassification adjustment for losses included in net income relating to hedging activities	10				1	
Pension and postretirement benefits	(1)					
BALANCE, MARCH 31, 2008	$ (460)	$ (4)	$ (39)	$ (57)	$ (9)	$ (3)

	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
	$256	$167	$ 606	$ 344	$190	$173	$ 143	$ 92
	64	27	23	20	35	33	142	11
	(58)	(23)	(21)	(20)				(2)
					(29)	(27)	(125)	
	$262	$171	$ 608	$ 344	$196	$179	$ 160	$101
	$287	$202	$ 659	$ 361	$212	$209	$ 227	$149
							16	
	49	43	(78)	31	31	24	240	32
		(23)		(25)				(9)
	(47)				(26)	(26)	(191)	
	$289	$222	$ 581	$ 367	$217	$207	$ 292	$172
	$ (7)	$ (5)	$(110)	$ (1)	$ 1	$ (7)	$ (5)	$ (2)
	1		3		1	1		
			1					
		(2)						
	$ (6)	$ (7)	$(106)	$ (1)	$ 2	$ (6)	$ (5)	$ (2)
	$ (5)	$ (6)	$(251)	$ (26)	$ (1)	$ (2)	$ (3)	$ (1)
		(3)	(57)	(96)	(4)			
			20					
			79					
			8				1	
			(1)					
	$ (5)	$ (9)	$(202)	$(122)	$ (5)	$ (2)	$ (2)	$ (1)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CAPITAL (continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
TOTAL CAPITAL						
BALANCE, DECEMBER 31, 2006	$44,986	$(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 losses (gains) included in net income relating to available-for-sale securities						
Net unrealized gains relating to hedging activities	1					
Reclassification adjustment for losses (gains) 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	$44,747	$(47)	$2,574	$3,913	$ 3,337	$ 6,095
BALANCE, DECEMBER 31, 2007	$53,597	$(30)	$3,388	$4,751	$ 4,285	$ 8,022
Adjustment to opening balances relating to SFAS 158 and 159	16					
Proceeds from sale of capital stock	7,568		144	929	1,677	1,459
Repurchase/redemption of capital stock	(4,748)			(763)	(1,466)	(1,045)
Net shares reclassified to mandatorily redeemable capital stock	(790)		(2)	(58)		(8)
Comprehensive income:						
Net income	697	(6)	56	100	58	117
Other comprehensive income:						
Net unrealized losses on available-for-sale securities	(218)		(37)	(17)	(4)	
Reclassification adjustment for losses (gains) included in net income relating to available-for-sale securities						
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities						
Reclassification adjustment for losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities	20					
Net unrealized gains (losses) relating to hedging activities	74			(5)		
Reclassification adjustment for losses included in net income relating to hedging activities	10				1	
Pension and postretirement benefits	(1)					
Total comprehensive income	582	(6)	19	78	55	117
Dividends on capital stock:						
Cash	(359)		(50)	(89)	(48)	(115)
BALANCE, MARCH 31, 2008	$55,866	$(36)	$3,499	$4,848	$ 4,503	$ 8,430

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$3,907	$1,955	$3,083	$ 2,249	$2,439	$2,173	$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	$2,025	$11,053	$2,230
$3,755	$2,199	$3,069	$ 3,052	$2,605	$2,298	$13,627	$2,576
						16	
206	93	24	1,333	489	403	554	257
			(1,037)	(228)	(15)	(97)	(97)
	(43)	(160)	(1)	(13)	(503)	(2)	
49	43	(78)	31	31	24	240	32
	(3)	(57)	(96)	(4)			
		20					
		79					
		8				1	
		(1)					
49	40	(29)	(65)	27	24	241	32
	(23)		(25)				(9)
$4,010	$2,266	$2,904	$ 3,257	$2,880	$2,207	$14,339	$2,759

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2008

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES						
Net income (loss)	$ 697	$ (6)	$ 56	$ 100	$ 58	$ 117
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	(203)	2	(62)	(114)	(4)	118
Change in net fair value adjustment on derivative and hedging activities	42		(79)			102
Other adjustments	57	4	3		1	
Net change in fair value adjustments on trading securities	(135)					(107)
Change in fair value adjustments on financial instruments held at fair value	(274)					
Net change in:						
Trading securities	(1)					
Accrued interest receivable	953	(31)	109	94	13	99
Other assets	(42)			1	(1)	(5)
Accrued interest payable	(359)	31	34	20	25	(173)
Other liabilities	(5)		(1)	5	(3)	(2)
Total adjustments	33	6	4	6	31	32
Net cash provided by (used in) operating activities	730		60	106	89	149
INVESTING ACTIVITIES						
Net change in:						
Interest-bearing deposits	1,485		1,060	3,995	(1,060)	(1,399)
Securities purchased under agreements to resell	650		500			
Federal funds sold	(6,782)		561	436	285	5,967
Deposits to other FHLBanks for mortgage loan programs		(2)			2	1
Loans to FHLBanks		(955)		55	500	
Premises, software and equipment	(7)			(1)	(1)	
Trading securities:						
Proceeds	294	(5)	12			250
Purchases	(1,595)	113				(762)
Available-for-sale securities:						
Proceeds	1,283			36	2	
Purchases	(4,325)		(31)	(2,034)		
Held-to-maturity securities:						
Net decrease (increase) in short-term	2,967				84	
Proceeds from long-term	6,056	(2,025)	574	659	706	740
Purchases of long-term	(14,998)		(1,046)		(30)	(2,839)
Advances:						
Proceeds	2,174,481		233,688	97,002	432,567	51,833
Made	(2,203,163)		(236,849)	(99,325)	(436,173)	(57,978)
Mortgage loans held for portfolio:						
Principal collected	3,371		139	44	203	117
Purchases	(2,456)		(104)	(21)	(113)	(107)
Proceeds from sales of foreclosed assets	8		1			
Net cash (used in) provided by investing activities	(42,731)	(2,874)	(1,495)	846	(3,028)	(4,177)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 49	$ 43	$ (78)	$ 31	$ 31	$ 24	$ 240	$ 32
6	(20)	15	(8)	(36)	(27)	(77)	4
3	(42)	122	30	26	7	(203)	76
2		33	(1)	(4)		3	16
		(15)			(13)		
						(274)	
				(1)			
56	5	26	19	28	48	436	51
	4	(6)	(1)	3	1	(45)	7
(12)	36	190	9	39	(30)	(426)	(102)
(7)	2	(26)	(1)	(2)	(6)	33	3
48	(15)	339	47	53	(20)	(553)	55
97	28	261	78	84	4	(313)	87
1,814	905		85	(74)	41	478	(4,360)
150							
(1,619)	1,181	3,387	(1,810)	1,810	811	(7,943)	(9,848)
				(1)			
				400			
(1)		(1)		(1)	(1)	(1)	
		2			33	2	
		(20)			(926)		
		436	778	31			
	(474)		(1,529)	(257)			
1		1,409	(230)	443	(271)	1,631	(100)
535	331	176	136	294	233	1,425	2,272
	(631)	(1,114)		(939)	(277)	(7,524)	(598)
511,791	12,550	60,210	71,832	152,677	150,800	360,475	39,056
(519,811)	(15,916)	(62,422)	(78,095)	(159,790)	(149,014)	(356,740)	(31,050)
448	312	1,434	334	14	78	107	141
(345)	(177)	(1,198)	(241)		(150)		
		7					
(7,037)	(1,919)	2,306	(8,740)	(5,393)	1,357	(8,090)	(4,487)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CASH FLOWS (continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2008

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
FINANCING ACTIVITIES						
Net change in:						
Deposits and pass-through reserves	$ 6,730	$	$ 605	$ 968	$ 875	$ 930
Deposits from other FHLBanks for mortgage loan programs		2				
Borrowings	(314)			(9)		
Loans from FHLBanks		955				
Net proceeds on derivative contracts with financing element	130		2			12
Net proceeds from issuance of consolidated obligations:						
Discount notes	3,135,608		366,200	179,164	302,247	87,739
Bonds	216,968	(113)	9,276	22,215	13,580	39,337
Bonds transferred from other FHLBanks		(471)			314	
Payments for maturing and retiring consolidated obligations:						
Discount notes	(3,117,758)		(365,857)	(187,515)	(302,791)	(85,408)
Bonds	(201,197)	2,030	(8,884)	(15,712)	(11,444)	(38,855)
Bonds transferred to other FHLBanks		471				
Proceeds from issuance of capital stock	7,568		144	929	1,677	1,459
Payments for redemption of mandatorily redeemable capital stock	(701)			(115)		(26)
Payments for repurchase/redemption of capital stock	(4,748)			(763)	(1,466)	(1,045)
Cash dividends paid	(359)		(50)	(89)	(48)	(115)
Net cash provided by (used in) financing activities	41,927	2,874	1,436	(927)	2,944	4,028
Net (decrease) increase in cash and cash equivalents	(74)		1	25	5	
Cash and cash equivalents at beginning of the period	320		7	8	67	19
Cash and cash equivalents at end of the period	$ 246	$	$ 8	$ 33	$ 72	$ 19
Supplemental Disclosures:						
Interest paid	$ 12,741	$	$ 863	$ 767	$ 651	$ 1,642
AHP payments, net	$ 57	$	$ 2	$ 6	$ 3	$ 9
REFCORP assessments paid	$ 211	$	$ 16	$ 24	$ 17	$ 31
Transfers of mortgage loans to real estate owned	$ 18	$	$ 1	$	$ 1	$

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 650	$ 476	$ 216	$ 416	$ (27)	$ 343	$ 946	$ 332
		(2)					
			(200)		(5)	(100)	
						(955)	
	39			7	70		
199,047	287,226	371,185	336,097	255,023	274,949	212,110	264,621
16,161	10,839	12,144	4,876	17,802	5,431	52,238	13,182
157							
(194,679)	(287,238)	(375,635)	(325,223)	(257,086)	(271,264)	(205,531)	(259,531)
(14,652)	(9,513)	(10,491)	(7,608)	(10,202)	(10,771)	(50,740)	(14,355)
				(471)			
206	93	24	1,333	489	403	554	257
		(6)	(4)	(25)	(504)	(21)	
			(1,037)	(228)	(15)	(97)	(97)
	(23)		(25)				(9)
6,890	1,899	(2,565)	8,625	5,282	(1,363)	8,404	4,400
(50)	8	2	(37)	(27)	(2)	1	
53	7	17	59	75	2	5	1
$ 3	$ 15	$ 19	$ 22	$ 48	$	$ 6	$ 1
$ 875	$ 333	$ 783	$ 573	$ 597	$ 601	$ 4,313	$ 743
$ 6	$ 4	$ 5	$ 4	$ 4	$ 4	$ 8	$ 2
$ 17	$ 10	$ 10	$ 6	$ 8	$ 12	$ 55	$ 5
$	$	$ 14	$ 1	$	$ 1	$	$

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	148		16	23	8	11
Change in net fair value adjustment on derivative and hedging activities	(260)		(15)	64	41	(56)
Other adjustments	7				2	
Net change in fair value adjustments on trading securities	(7)					(5)
Net change in:						
Accrued interest receivable	334	(45)	9	10	55	69
Other assets	3		(2)	1	1	1
Accrued interest payable	(367)	45	(34)	(98)	(68)	(237)
Other liabilities	(33)			(18)	(1)	2
Total adjustments	(175)		(26)	(18)	38	(215)
Net cash provided by (used in) operating activities	446	2	17	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)
Trading securities:						
Proceeds	190		17			
Purchases	(263)					
Available-for-sale securities:						
Proceeds	22,446		7		6	
Purchases	(21,627)					
Held-to-maturity securities:						
Net decrease (increase) in short-term	1,230				335	
Proceeds from long-term	7,671	(1,200)	663	443	469	705
Purchases of long-term	(5,077)		(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	16		1			
Net cash (used in) provided by investing activities	(3,870)	(1,201)	(2,172)	(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)	(36)	2	16	(22)	(147)	(28)
		(1)		2	1	1	2
					(2)		
(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)	139	14	(11)	(8)	(199)	92
88	22	162	34	24	25	(57)	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	
		107		4	51	11	
		(263)					
21,456		354	563	60			
(20,997)		(110)	(520)				
1		821	(186)		631	(273)	(99)
518	229	467	245	332	590	1,611	2,599
(1,027)		(3)		(183)	(498)	(1,596)	(461)
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)	(989)	(651)	2,399	3,005	(2,422)	(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	$ 3,891	$	$ 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	3,370	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	$ 12,235	$	$ 696	$ 933	$ 676	$ 1,834
AHP payments, net	$ 47	$	$ 3	$ 5	$ 4	$ 7
REFCORP assessments paid	$ 161	$	$ 12	$ 17	$ 14	$ 24
Transfers of mortgage loans to real estate owned	$ 19	$	$ 1		$ 1	$

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 286	$ 240	$ (115)	$ 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	828	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	$ 635	$ 3,360	$ 642
$ 5	$ 2	$ 4	$ 2	$ 2	$ 2	$ 9	$ 2
$ 17	$ 6	$ 8	$ 6	$ 8	$ 9	$ 38	$ 2
$	$	$ 15	$ 2	$	$	$	$

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

Investors should read this financial discussion and analysis of combined financial condition and combined results of operations together with the combined financial statements and the 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. The results of operations for interim periods are not necessarily indicative of the results to be expected for the year ending December 31, 2008. The unaudited financial statements should be read in conjunction with the FHLBanks' audited financial statements and related notes to the FHLBanks' annual combined financial report for the year ended December 31, 2007.

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.)

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. This volatility 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, or a decline in liquidity in the financial markets;
- political events, including legislative, regulatory, judicial, or other developments that affect the FHLBanks, their members, counterparties and/or investors in the consolidated obligations of the FHLBanks, such as changes in the FHLBank Act or Finance Board regulations that affect FHLBank operations, and regulatory oversight (including the U.S. 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 assets and liabilities;
- the ability to introduce new 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.

Each FHLBank invests its capital in primarily high-quality, short- and intermediate-term financial instruments. This strategy allows the FHLBanks to maintain liquidity to satisfy member demand for short- and long-term funds, repay maturing consolidated obligations, and meet other obligations. This strategy also reduces the risk of loss when investments are liquidated if an FHLBank elects to repurchase excess capital stock. 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. However, the management and board of directors of each FHLBank determine the best approach for meeting the FHLBank's business objectives and serving the needs of its members, which may not be the same as other FHLBanks due to different markets and economic characteristics. 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 their members have not invested significant resources to develop or expand the programs. At March 31, 2008, mortgage loans purchased through the acquired member asset programs as a percentage of an individual FHLBank's total assets varied from a high of 39 percent for the FHLBank of Chicago to a low of less than one percent for the FHLBank of Dallas.

Comparative Highlights

(Dollar amounts in millions)	For the Three Months Ended March 31, 2008	2007	Increase $	%
Net interest income	$1,195	$1,025	$170	16.6%
Net income	697	621	76	12.2%

Net interest income increased in the first quarter of 2008 compared to the first quarter of 2007, primarily due to growth in advance interest income as a result of higher volumes of advances during 2008. The increase was partially offset by growth in consolidated obligation interest expense due to higher volumes of consolidated obligations, as well as lower interest income on mortgage loans held for portfolio, generally as a result of decreased volume. Net income increased in the first quarter of 2008 compared to the first quarter of 2007 primarily due to the increase in net interest income.

The FHLBanks' trading securities, instruments held at fair value under fair value option and hedge accounting strategies resulted in the following (dollar amounts in millions):

	For the Three Months Ended March 31, 2008	2007	Increase (Decrease)
Net gains on trading securities	$ 134	$ 9	$ 125
Net gains on instruments held at fair value	274		274
Net losses on derivatives and hedging activities	(384)	(5)	(379)

In general, derivatives and associated hedged instruments, and certain assets and liabilities that are carried at fair value, are held to the maturity, call, or put date. Therefore, for these financial instruments, nearly all of the cumulative net gains and losses that are unrealized gains or losses are primarily a matter of timing and will generally reverse over the remaining contractual terms of the hedged financial instrument, associated interest rate exchange agreement, or financial instrument carried at fair value. However, there may be instances in which these instruments are terminated prior to maturity or prior to the call or put dates. Terminating the financial instrument or hedging relationship may result in a realized gain or loss. In addition, the FHLBanks may have instances in which they may sell trading securities prior to maturity, which may also result in a realized gain or loss.

Hedge ineffectiveness occurs when changes in the fair value of the derivative and the related hedged item do not perfectly offset each other. Hedge ineffectiveness is driven by changes in the benchmark interest rate and volatility. As the benchmark interest rate changes and the magnitude of that change intensifies, so will the effect on the FHLBanks' net losses on derivatives and hedging activities. Additionally, volatility in the marketplace may intensify this effect.

(Dollar amounts in millions)	For the Three Months Ended March 31, 2008	2007	Increase $	%
Total operating expenses	$181	$171	$10	5.8%

The increase in operating expenses is primarily attributable to $3 million in costs resulting from the termination of merger discussions between the FHLBanks of Chicago and Dallas that were expensed in the first quarter of 2008, $4 million in employee salaries and benefits costs and a general increase in consulting and professional fees.

	For the Three Months Ended March 31,		Increase	
(Dollar amounts in millions)	2008	2007	$	%
Daily average total assets	$1,295,698	$1,016,193	$279,505	27.5%

The increase in average assets is primarily the result of the growth in the FHLBanks' advances and in investment portfolios during the three months ended March 31, 2008.

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

	March 31, 2008		December 31, 2007		Increase (Decrease)
	Amount	Percentage of Total Assets	Amount	Percentage of Total Assets	%
Advances	$ 913,104	69.0%	$ 875,061	68.8%	4.3%
Investments	311,250	23.5%	297,058	23.4%	4.8%
Mortgage loans held for portfolio, net	90,792	6.9%	91,610	7.2%	(0.9)%
Total assets	1,322,690		1,271,800		4.0%
Total consolidated obligations, net	1,217,480		1,178,916		3.3%
Total capital	55,866		53,597		4.2%

Advances and investments increased slightly as a percentage of total assets. Mortgage loans held for portfolio, however, decreased as a percentage of total assets. Consolidated obligations increased to support the growth in total assets.

In light of the extraordinary events affecting the credit markets that began during the third quarter of 2007, members continued to increase their level of borrowing in FHLBank advances. Despite ongoing turbulence in the capital markets, the FHLBanks continued to issue funding at an attractive cost while reinforcing their role as liquidity providers to members. Mortgage loans held for portfolio decreased as a result of market conditions and lower origination and refinancing volumes.

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 $6.8 billion from December 31, 2007 due to favorable market conditions.

The increase in the level of capital at March 31, 2008 is attributable to a number of factors including: increases in advances and the corresponding minimum capital stock purchase requirements, the accumulation of retained earnings, and the payment and use of stock dividends instead of cash dividends. A number of FHLBanks have increased their accumulated retained earnings as a result of regulatory requirements and to offset the possible effect of temporary income volatility associated with SFAS 133. The FHLBanks' combined capital-to-assets ratio was 4.22 percent at March 31, 2008, compared to 4.21 percent at December 31, 2007.

The return on average assets was 22 basis points during the three months ended March 31, 2008 and 25 basis points during the three months ended March 31, 2007. The return on average equity was 5.14 percent during the three months ended March 31, 2008, compared to 5.66 percent during the three months ended March 31, 2007. The decrease in return on average equity for the three months ended March 31, 2008 is due primarily to the higher increase in the average invested equity balance in comparison to net income from the prior period, resulting mainly from an increase in outstanding advances. The weighted-average dividend rate was 5.13 percent during the three months ended March 31, 2008, compared with 5.33 percent during the three months ended March 31, 2007. The dividend rate has been influenced by each FHLBank's retained earnings policies, dividend policies, net earnings, business strategies and Finance Board regulations.

Financial Trends

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

Interest rates prevailing during any reporting period affect the FHLBanks' profitability for that reporting period, due primarily to the short-term structure of earning assets and the effect of interest rates on invested capital. At March 31, 2008 and December 31, 2007, the majority of investments, excluding mortgage-backed securities, and approximately 40 percent and 33 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. Generally due to the FHLBanks' cooperative structures, the FHLBanks earn relatively narrow net spreads between the yield on assets and the cost of corresponding liabilities. As a result, compared with other financial institutions, a relatively higher proportion of FHLBank income is generated from the investment of member-supplied capital at the average asset yield. 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 are driven by longer-term assets, such as mortgage loans purchased through the mortgage purchase programs and mortgage-backed securities (also referred to as MBS) and collateralized mortgage obligations (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 following table presents information on key market interest rates at March 31, 2008 and December 31, 2007 and key average market interest rates for the three months ended March 31, 2008 and 2007.

	March 31, 2008 Ending Rate	December 31, 2007 Ending Rate	March 31, 2008 Three-Month Average	March 31, 2007 Three-Month Average	Ending Rate March 31, 2008 vs. December 31, 2007 Variance	Three-Month Average Rate March 31, 2008 vs. March 31, 2007 Variance
Federal funds target(1)	2.25%	4.25%	3.19%	5.25%	(2.00)%	(2.06)%
3-month LIBOR(1)	2.69%	4.70%	3.29%	5.36%	(2.01)%	(2.07)%
2-year LIBOR(1)	2.42%	3.81%	2.84%	5.14%	(1.39)%	(2.30)%
5-year LIBOR(1)	3.30%	4.18%	3.57%	5.08%	(0.88)%	(1.51)%
10-year LIBOR(1)	4.07%	4.67%	4.32%	5.19%	(0.60)%	(0.87)%
2-year U.S. Treasury(1)	1.59%	3.05%	2.04%	4.76%	(1.46)%	(2.72)%
5-year U.S. Treasury(1)	2.44%	3.44%	2.75%	4.64%	(1.00)%	(1.89)%
10-year U.S. Treasury(1)	3.41%	4.03%	3.65%	4.68%	(0.62)%	(1.03)%
15-year residential mortgage note rate(2)	5.28%	5.60%	5.28%	5.87%	(0.32)%	(0.59)%
30-year residential mortgage note rate(2)	5.75%	6.05%	5.84%	6.15%	(0.30)%	(0.31)%

(1) Source: Bloomberg.

(2) Average calculated using "The Mortgage Bankers Association Weekly Application Survey." March 31, 2008 ending rate is from the last week in March 2008 and December 31, 2007 ending rate is from the last week in December 2007.

The Federal Reserve Board, through its Federal Open Market Committee, lowered its target for the Federal funds rate by a total of 100 basis points during 2007. During the first quarter of 2008, the Federal Open Market Committee lowered the Federal funds rate three more times, resulting in an additional 200 basis point reduction in the Federal funds rate to 2.25 percent.

Both short-term and long-term interest rates followed this downward trend in the Federal funds rate. For example, due to aggressive and unprecedented action by U.S. and foreign central banks to add liquidity to the money markets, the average three-month and two-year LIBOR rates decreased approximately 207 and 230 basis points from the first quarter of 2007 to the first quarter of 2008, while the average two-year U.S. Treasury rate for the first quarter of 2008 was 272 basis points lower than the corresponding two-year U.S. Treasury rate during the first quarter of 2007. Average five-year and ten-year U.S. Treasury rates were lower by 189 and 103 basis points in the first three months of 2008 compared to the same period in 2007, while average five-year and ten-year LIBOR rates were lower by 151 and 87 basis points over this time period.

The Securities Industry and Financial Markets Association's February 2008 "Research Quarterly," the latest date for which information is publicly available, noted that securities issuance totaled $6.44 trillion during 2007, virtually unchanged from the $6.47 trillion issued during 2006. However, the effect of the credit market turbulence contributed to a 27 percent decline in securities issuance volume during the second half of 2007 compared to securities issuance volume during the first half of 2007. During 2007, agency debt and mortgage-backed securities issue volume rose as a result of the substantial funding cost difference between the agency and non-agency mortgage markets. Federal agency new securities issuance during 2007 totaled $940.7 billion, an increase of 25.9 percent compared to the corresponding new issuance volume during 2006. This increase reflected the demand for conventional mortgage financing due to a pricing and underwriting driven slowdown of activity in the non-agency mortgage-backed securities market. Issuance of mortgage-related securities totaled $2.04 trillion in 2007, compared to $1.99 trillion in 2006. Issuance peaked at $618.5 billion in the second quarter of 2007, with the volume in the second half of the year 25.1 percent lower than in the first half of the year. The weakened housing market, declines in home prices, tighter underwriting practices and the virtual disappearance of subprime originations, combined with credit market turmoil and diminished liquidity, led to the lower mortgage-related issuance activity in the second half of 2007. Agency long-term bond issuance volume in 2007 totaled $941.7 billion, up 26.0 percent from the $747.3 billion issued during 2006. Included in this number is the FHLBanks' bond issuance of $495.2 billion, a 53.6 percent increase compared to 2006, which was due to the rise in demand for FHLBank funding from member financial institutions and a historically high volume of bonds called prior to maturity. In the fourth quarter of 2007, FHLBank issuance reached its highest level of the year at $152.6 billion, compared to an average of approximately $114 billion for the first three quarters of 2007.

During the first quarter of 2008, the issuance of callable FHLBank consolidated obligations increased, as callable debt continued to be a core component of the FHLBanks' interest-rate risk management strategy. In addition, call volume increased sharply beginning in the fourth quarter of 2007 as market interest rates declined, and this trend continued into the first quarter of 2008. The dollar amount of callable bonds redeemed prior to maturity was substantially higher in the first quarter of 2008 compared with the corresponding period in the prior year.

The mortgage market continues to undergo a number of changes. Mortgage loan delinquencies and defaults 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, the effect of less rigorous loan underwriting standards and interest rate resets on variable-rate loans. In addition, mortgage originators and investors incurred significant markdowns on the value of subprime loans and securities backed by subprime loans. As a result, a number of high profile originators have exited subprime lending, shed assets or filed for bankruptcy as warehouse lenders invoked lending covenants and seized collateral. The FHLBanks have not experienced significant losses from their holdings of mortgage loans or MBS, due primarily to conservative underwriting and investment policies.

On the mortgage market supply side, during the first quarter of 2008, the overall interest rate environment provided incentive for many borrowers to avoid variable-rate mortgages and refinance into fixed-rate mortgages. During 2007 and the first quarter of 2008, both Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) operated under an agreement with their regulator to limit retained portfolio growth and maintain a capital surplus. As such, their historical ability to act as large investors in mortgages and MBS was blocked. As a result, other domestic and international investors, including foreign central banks, provided the bulk of the demand for the mortgages and MBS originated during this period. Dislocations in the credit market during the second half of 2007 created calls for an expanded role in the mortgage market for Fannie Mae and Freddie Mac in the form of greater on balance sheet growth and/or authority to purchase higher balance loans. On May 6, 2008, Fannie Mae announced that OFHEO had lifted its consent order, and would reduce the excess capital requirement to 15 percent upon the successful completion of Fannie Mae's capital-raising plan.

For the year ended December 31, 2007, 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, 2006. Total assets for all FDIC-insured institutions increased 9.9 percent. Total domestic deposits for all FDIC-insured institutions were $6.91 trillion, a 4.2 percent gain over year-end 2006, while total loans and leases increased 9.3 percent over the same period. Domestic deposits increased by $170.6 billion, a 2.5 percent gain, in the fourth quarter of 2007 — the largest quarterly dollar increase ever reported by this industry. Non-deposit liabilities rose by $74.0 billion, a 2.3 percent increase, led by advances from FHLBanks, which increased by $38.4 billion or 5.0 percent. A sustained growth in bank deposits, combined with a recovery in the non-agency mortgage securitization market, may lower the future demand for advances from the FHLBanks.

Combined Statement of Condition

SFAS 133 and SFAS 159. SFAS 133 requires that assets and liabilities hedged with derivative instruments designated under fair value hedging relationships be adjusted for changes in value attributable to the risk being hedged (e.g., benchmark interest rate risk) even as other assets and liabilities continue to be carried on a historical cost basis. SFAS 159 provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments not previously carried at fair value. In discussing changes in the Combined Statement of Condition at March 31, 2008 compared to December 31, 2007, the SFAS 133 and SFAS 159 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 and SFAS 159 hedging and valuation adjustments for advances, available-for-sale securities, mortgage loans held for portfolio and consolidated obligations are as follows.

SFAS 133 Hedging and SFAS 159 Valuation Adjustments
(Dollar amounts in millions)

	March 31, 2008	December 31, 2007
Advances at pre-SFAS 133 and 159 value	$ 895,835	$ 867,144
SFAS 133 hedging adjustments	16,702	7,917
SFAS 159 valuation adjustments(1)	567	
Advances at carrying value	$ 913,104	$ 875,061
Available-for-sale securities at pre-SFAS 133 value(2)	$ 9,147	$ 5,710
SFAS 133 hedging adjustments	96	103
Available-for-sale securities at carrying value	$ 9,243	$ 5,813
Mortgage loans held for portfolio at pre-SFAS 133 value	$ 90,559	$ 91,503
SFAS 133 hedging adjustments	241	115
Mortgage loans held for portfolio at carrying value	$ 90,800	$ 91,618
Consolidated obligations at pre-SFAS 133 and 159 value	$1,209,580	$1,176,111
SFAS 133 hedging adjustments	7,876	2,805
SFAS 159 valuation adjustments(1)	24	
Consolidated obligations at carrying value	$1,217,480	$1,178,916

(1) See "Note 5 — Fair Value Disclosures" for discussion about financial instruments carried at fair value on the statement of condition by the FHLBanks.

(2) 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. In light of the extraordinary events affecting the credit markets that began during the third quarter of 2007, members continued to increase their level of borrowing in FHLBank advances.

At March 31, 2008, the FHLBanks had $7.6 billion of CIP housing advances and $1.9 billion of CIP commercial and economic development advances outstanding.

Advances by Redemption Terms
(Dollar amounts in millions)

Redemption Term	March 31, 2008 Amount	March 31, 2008 Weighted-Average Interest Rate	December 31, 2007 Amount	December 31, 2007 Weighted-Average Interest Rate
Overdrawn demand and overnight deposit accounts	$ 33		$ 86	
Due in 1 year or less	358,140	3.16%	288,696	4.51%
Due after 1 year through 2 years	157,352	3.80%	174,061	4.82%
Due after 2 years through 3 years	108,533	4.21%	124,529	4.96%
Due after 3 years through 4 years	59,906	4.09%	82,819	5.10%
Due after 4 years through 5 years	67,408	3.88%	67,280	4.86%
Thereafter	141,029	4.01%	126,363	4.57%
Index amortizing advances	3,534	4.63%	3,415	4.71%
Total par value	895,935	3.66%	867,249	4.73%
Commitment fees	(5)		(4)	
Discount on AHP advances	(67)		(68)	
Premiums	27		30	
Discounts	(55)		(63)	
SFAS 133 hedging adjustments	16,702		7,917	
SFAS 159 valuation adjustments	567			
Total	$913,104		$875,061	

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)

Par Amount of Advances	March 31, 2008 Amount	March 31, 2008 Percentage of Total	December 31, 2007 Amount	December 31, 2007 Percentage of Total
Fixed-rate	$592,191	66%	$565,805	65%
Variable-rate	303,744	34%	301,444	35%
Total	$895,935	100%	$867,249	100%

Advance Originations
(Dollar amounts in millions)

	For the Three Months Ended March 31, 2008	For the Three Months Ended March 31, 2007	Increase $	Increase %
Advances originated	$2,203,163	$1,829,477	$373,686	20.4%

The increase in advance originations noted in the above table generally reflected an increase in demand by members for short- and longer-term advances as a result of the continued credit crisis, the interest-rate environment and heavy refinancing activity in advances.

Many of the FHLBanks' advances are callable at the option of the member borrowing the advance. 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).

Callable Advances Outstanding
(Dollar amounts in millions)

	March 31, 2008		December 31, 2007		Increase	
	Amount	Percentage of Par Value	Amount	Percentage of Par Value	$	%
Callable advances	$135,684	15.1%	$34,270	4.0%	$101,414	295.9%

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

	March 31, 2008	Percentage of Total	December 31, 2007	Percentage of Total
Overdrawn demand and overnight deposit accounts	$ 33	0.0%	$ 86	0.0%
Due in 1 year or less	389,337	43.5%	316,830	36.6%
Due after 1 year through 2 years	153,489	17.1%	169,570	19.6%
Due after 2 years through 3 years	105,020	11.7%	121,340	14.0%
Due after 3 years through 4 years	55,634	6.2%	78,372	9.0%
Due after 4 years through 5 years	60,697	6.8%	62,813	7.2%
Thereafter	128,191	14.3%	114,823	13.2%
Index amortizing advances	3,534	0.4%	3,415	0.4%
Total par value	$895,935	100.0%	$867,249	100.0%

Convertible and Putable Advances Outstanding Par Value
(Dollar amounts in millions)

	March 31, 2008		December 31, 2007	
	Amount	Percentage of Par Value	Amount	Percentage of Par Value
Convertible advances	$ 51,094	5.7%	$ 49,055	5.7%
Putable advances	82,927	9.3%	82,845	9.6%
Convertible and putable advances	$134,021	15.0%	$131,900	15.3%

The FHLBanks also offer convertible and putable advances. Convertible advances allow an FHLBank to convert the fixed-rate advance to an open-line advance or another 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 then apply for a new advance.

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

	March 31, 2008	Percentage of Total	December 31, 2007	Percentage of Total
Overdrawn demand and overnight deposit accounts	$ 33	0.0%	$ 86	0.0%
Due in 1 year or less	454,271	50.7%	376,111	43.3%
Due after 1 year through 2 years	172,205	19.2%	190,760	22.0%
Due after 2 years through 3 years	102,403	11.4%	116,883	13.5%
Due after 3 years through 4 years	55,250	6.2%	78,721	9.1%
Due after 4 years through 5 years	48,976	5.5%	49,378	5.7%
Thereafter	59,263	6.6%	51,895	6.0%
Index amortizing advances	3,534	0.4%	3,415	0.4%
Total par value	$895,935	100.0%	$867,249	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, 2008 and December 31, 2007, 99.88 percent and 99.95 percent of the total investment securities 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 as defined by Standard & Poor's Rating Services (S&P), Moody's Investors Service (Moody's) and/or Fitch Ratings (Fitch). At March 31, 2008, approximately 4 percent of total investment securities were on negative watch/outlook. Most (approximately 3 percent) of this amount represented private-label residential MBS and home equity loan investments, and less than 1 percent of total investment securities related to commercial paper, State or local housing agency obligations and other non-MBS investment securities.

Investments
(Dollar amounts in millions)

	March 31, 2008	December 31, 2007	Increase	
			$	%
Investments (excluding mortgage-backed securities)	$153,700	$153,545	$ 155	0.1%
Mortgage-backed securities	157,550	143,513	14,037	9.8%
Total investments	$311,250	$297,058	$14,192	4.8%

Investments
(Dollar amounts in millions)

	March 31, 2008		December 31, 2007		Increase (Decrease)	
	Amount	Percentage of Total Investments	Amount	Percentage of Total Investments	$	%
Held-to-maturity securities	$159,909	51.4%	$151,176	50.9%	$ 8,733	5.8%
Available-for-sale securities	9,243	3.0%	5,813	2.0%	3,430	59.0%
Trading securities	8,233	2.6%	6,809	2.3%	1,424	20.9%
Total investment securities	177,385	57.0%	163,798	55.2%	13,587	8.3%
Interest-bearing deposits	41,114	13.2%	46,642	15.7%	(5,528)	(11.9)%
Securities purchased under agreements to resell	150	0.0%	800	0.2%	(650)	(81.3)%
Federal funds sold	92,601	29.8%	85,818	28.9%	6,783	7.9%
Total investments	$311,250	100.0%	$297,058	100.0%	$14,192	4.8%

Investment Securities
(Dollar amounts in millions)

	March 31, 2008		December 31, 2007	
	Amount	Percentage of Total Investment Securities	Amount	Percentage of Total Investment Securities
Commercial paper	$ 4,781	2.7%	$ 7,197	4.4%
Other U.S. obligations*	419	0.2%	725	0.4%
Government-sponsored enterprises**	11,272	6.4%	8,874	5.4%
State or local housing agency obligations	2,927	1.7%	2,977	1.8%
Other	436	0.2%	512	0.3%
	19,835	11.2%	20,285	12.3%
Mortgage-backed securities:				
Other U.S. obligations*	406	0.2%	430	0.3%
Government-sponsored enterprises***	71,623	40.4%	55,098	33.6%
Other****	85,521	48.2%	87,985	53.8%
	157,550	88.8%	143,513	87.7%
Total investment securities	$177,385	100.0%	$163,798	100.0%

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

** Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae and/or the Tennessee Valley Authority (TVA), 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.

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

	March 31, 2008		December 31, 2007	
	Carrying Value	Percentage of Total	Carrying Value	Percentage of Total
Private-label residential mortgage-backed securities	$ 80,189	50.9%	$ 82,038	57.2%
Government-sponsored enterprises residential mortgage-backed securities*	71,623	45.5%	55,098	38.4%
Private-label commercial mortgage-backed securities	2,260	1.4%	2,757	1.9%
Home equity loans	2,358	1.5%	2,462	1.7%
MPF Shared Funding Program mortgage-backed certificates	431	0.3%	439	0.3%
Other U.S. obligations residential mortgage-backed securities**	406	0.2%	430	0.3%
Manufactured housing loans	283	0.2%	289	0.2%
Total mortgage-backed securities	$157,550	100.0%	$143,513	100.0%

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

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

Finance Board policy limits 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. On March 24, 2008, the Finance Board temporarily increased this limit from 300 percent to 600 percent. (See "Legislative and Regulatory Developments — Finance Board's Temporary Increase in Authority to Purchase Mortgage-Backed Securities.") The FHLBank of Chicago may include a designated amount of subordinated notes in calculating compliance with the 300 percent limit. The MPF Shared Funding Program mortgage-backed certificates, however, are not subject to this 300 percent limit.

At March 31, 2008, the FHLBanks did not hold any collateralized debt obligation (CDO) securities.

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

	March 31, 2008	December 31, 2007	Increase (Decrease) $	Increase (Decrease) %
Mortgage-backed securities	$157,550	$143,513	$14,037	9.8%
MPF Shared Funding Program	431	439	(8)	(1.8)%
Mortgage-backed securities (excluding MPF Shared Funding Program)	$157,119	$143,074	$14,045	9.8%
Total capital(1) and designated amount of applicable subordinated notes	$ 58,067	$ 55,704	$ 2,363	4.2%
Ratio of mortgage-backed securities (excluding MPF Shared Funding Program) to total capital(1) and designated amount of applicable subordinated notes	2.71	2.57		

(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.

Trading Securities.

Trading Securities
(Dollar amounts in millions)

	March 31, 2008	December 31, 2007
	Estimated Fair Value	Estimated Fair Value
Government-sponsored enterprises*	$7,193	$5,717
State or local housing agency obligations	59	60
Other	11	11
	7,263	5,788
Mortgage-backed securities:		
Other U.S. obligations**	70	74
Government-sponsored enterprises***	872	912
Other****	28	35
	970	1,021
Total	$8,233	$6,809

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

** 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.

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

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

	March 31, 2008		December 31, 2007	
Year of Maturity	Estimated Fair Value	Yield	Estimated Fair Value	Yield
Non-mortgage-backed securities				
Due in one year or less	$ 212	4.28%	$ 211	4.30%
Due after one year through five years	5,118	4.63%	4,671	4.74%
Due after five years through ten years	1,909	4.71%	881	4.69%
Due after ten years	24	6.72%	25	6.72%
Total	$7,263		$5,788	

Available-for-Sale Securities.

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

	March 31, 2008			
	Amortized Cost(1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government-sponsored enterprises*	$1,856	$14	$ (24)	$1,846
Other	428		(12)	416
	2,284	14	(36)	2,262
Mortgage-backed securities:				
Government-sponsored enterprises**	6,868	8	(154)	6,722
Other ***	347		(88)	259
	7,215	8	(242)	6,981
Total	$9,499	$22	$(278)	$9,243

	December 31, 2007			
	Amortized Cost(1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government-sponsored enterprises*	$1,324	$ 7	$ (1)	$1,330
Other	408	2	(1)	409
	1,732	9	(2)	1,739
Mortgage-backed securities:				
Government-sponsored enterprises**	3,748	1	(33)	3,716
Other***	376		(18)	358
	4,124	1	(51)	4,074
Total	$5,856	$10	$(53)	$5,813

(1) Amortized cost of available-for-sale securities includes adjustments made to the cost basis of an investment for accretion, amortization and hedging.

* Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae and/or TVA, 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.

The FHLBanks have reviewed their available-for-sale investment securities 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, 2008.

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

Year of Contractual Maturity	March 31, 2008 Amortized Cost	March 31, 2008 Estimated Fair Value	December 31, 2007 Amortized Cost	December 31, 2007 Estimated Fair Value
Due in one year or less	$ 293	$ 291	$ 697	$ 696
Due after one year through five years	394	402	187	190
Due after five through ten years	766	772	60	62
Due after ten years	831	797	788	791
	2,284	2,262	1,732	1,739
Mortgage-backed securities	7,215	6,981	4,124	4,074
Total	$9,499	$9,243	$5,856	$5,813

Expected maturities of certain securities, including mortgage-backed securities, may 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

Year of Maturity	March 31, 2008	December 31, 2007
Non-mortgage-backed securities		
Due in one year or less	2.37%	4.48%
Due after one year through five years	3.78%	4.37%
Due after five years through ten years	4.10%	4.83%
Due after ten years	6.56%	6.57%

Held-to-Maturity Securities.

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

	March 31, 2008			
	Amortized Cost(1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	$ 4,781	$ 4	$	$ 4,785
Other U.S. obligations*	419	5		424
Government-sponsored enterprises**	2,233	71	(1)	2,303
State or local housing agency obligations	2,868	34	(79)	2,823
Other	9			9
	10,310	114	(80)	10,344
Mortgage-backed securities:				
Other U.S. obligations*	336	4	(3)	337
Government-sponsored enterprises***	64,029	642	(404)	64,267
Other****	85,234	36	(7,792)	77,478
	149,599	682	(8,199)	142,082
Total	$159,909	$796	$(8,279)	$152,426

	December 31, 2007			
	Amortized Cost(1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	$ 7,197	$	$	$ 7,197
Other U.S. obligations*	725	7	(1)	731
Government-sponsored enterprises**	1,827	41	(5)	1,863
State or local housing agency obligations	2,917	33	(29)	2,921
Other	92			92
	12,758	81	(35)	12,804
Mortgage-backed securities:				
Other U.S. obligations*	356	3	(2)	357
Government-sponsored enterprises***	50,470	307	(390)	50,387
Other****	87,592	110	(2,126)	85,576
	138,418	420	(2,518)	136,320
Total	$151,176	$501	$(2,553)	$149,124

(1) Amortized cost of held-to-maturity securities includes adjustments made to the cost basis of an investment for accretion, amortization, and previous other-than-temporary impairments.

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

** Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae and/or TVA, 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.

The $5,681 million increase in gross unrealized losses on the FHLBanks' held-to-maturity mortgage-backed securities in the first quarter of 2008 is due to continued deterioration in the credit performance of mortgage loans and in house prices, compounded by the effect of forced portfolio liquidations by certain large investors. These factors resulted in temporary illiquidity in portions of the mortgage-backed securities market and extraordinarily wide mortgage asset spreads relative to historical averages. These market disruptions have caused the FHLBanks' estimated fair values on their mortgage-backed securities to fall below amortized cost on a large number of the FHLBanks' individual securities, particularly the private-label mortgage-backed securities. The FHLBanks have reviewed all of their held-to-maturity investment securities holdings and have determined that all unrealized losses reflected above are temporary based on the creditworthiness of the issuers and/or financial guarantors, or by the structural credit enhancements enjoyed by these securities. The FHLBank of Chicago's held-to-maturity securities portfolio at March 31, 2008 included $4.4 billion of private label mortgage-backed securities whereby the majority of underlying mortgages collateralizing the securities were considered subprime or non-traditional. This portfolio had gross unrealized losses of $334 million at March 31, 2008. The FHLBank of Chicago performed an impairment analysis of this portfolio at March 31, 2008 to determine the recoverability of all principal and interest contractually due based on the securities' underlying collateral, delinquency and default rates and expected loss severities. Based on this analysis, the FHLBank of Chicago recognized an other-than-temporary impairment loss of $33 million related to four MBS securities, which is reported in the Statement of Income as "Net realized losses on held-to-maturity securities." These securities had a total amortized cost of $108 million and fair value of $75 million at the time of impairment. Other than the FHLBank of Chicago's impairment of certain held-to-maturity securities, 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 these securities through to maturity of the unrealized losses, so they do not consider the remaining investments to be other-than-temporarily impaired at March 31, 2008.

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

Year of Contractual Maturity	March 31, 2008 Amortized Cost	March 31, 2008 Estimated Fair Value	December 31, 2007 Amortized Cost	December 31, 2007 Estimated Fair Value
Due in one year or less	$ 5,702	$ 5,710	$ 8,397	$ 8,399
Due after one year through five years	1,920	2,002	1,330	1,348
Due after five through ten years	272	273	572	603
Due after ten years	2,416	2,359	2,459	2,454
	10,310	10,344	12,758	12,804
Mortgage-backed securities	149,599	142,082	138,418	136,320
Total	$159,909	$152,426	$151,176	$149,124

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

Year of Maturity	March 31, 2008	December 31, 2007
Non-mortgage-backed securities		
Due in one year or less	3.03%	4.92%
Due after one year through five years	4.58%	4.72%
Due after five years through ten years	4.58%	5.32%
Due after ten years	4.44%	5.50%

Mortgage Loans Held for Portfolio.

Mortgage Loans Held for Portfolio (Dollar amounts in millions)

	March 31, 2008	Percentage of Total	December 31, 2007	Percentage of Total	(Decrease) Increase $	(Decrease) Increase %
Real Estate:						
Fixed-rate, medium-term* single-family mortgages	$22,931	25.4%	$23,280	25.6%	$(349)	(1.5)%
Fixed-rate, long-term single-family mortgages	67,266	74.6%	67,848	74.4%	(582)	(0.9)%
Multifamily mortgages	27	0.0%	27	0.0%		0.0%
	90,224	100.0%	91,155	100.0%	(931)	(1.0)%
Premiums	579		596		(17)	(2.9)%
Discounts	(280)		(285)		5	1.8%
Deferred loan costs, net	36		37		(1)	(2.7)%
SFAS 133 hedging adjustments	241		115		126	109.6%
Total mortgage loans held for portfolio	$90,800		$91,618		$(818)	(0.9)%

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

In 2008 and 2007, principal paydowns and maturities of mortgage loans held for portfolio have been greater than purchases and fundings of new mortgage loans held for portfolio.

At March 31, 2008, the FHLBanks of Chicago, Des Moines and Indianapolis held the largest percentage of the mortgage loans held for portfolio balance with 38 percent, 12 percent and 10 percent of the combined mortgage loans held for portfolio. No other FHLBank held 10 percent or more of the combined mortgage loans held for portfolio at March 31, 2008.

The FHLBank of Seattle, which previously offered the MPP to its members, is no longer accepting additional master commitments in the MPP, completed all of its delivery commitments in 2006 and is not purchasing additional mortgages. On October 6, 2006, the FHLBank of San Francisco announced that it would no longer offer new commitments to purchase mortgage loans from its members under the MPF Program, but that it would retain its existing portfolio of mortgage loans. The commitment of the FHLBank of San Francisco to purchase mortgage loans under its last outstanding master commitment expired on February 14, 2007. The FHLBank of Atlanta stopped accepting additional MPF master commitments as of February 4, 2008 and as of March 31, 2008, had ceased purchasing assets under the MPF Program. The FHLBank of Atlanta plans to retain its existing portfolio of MPF loans, which eventually will be reduced to zero in accordance with the ordinary course of maturity of those assets, and plans to continue to offer MPP. In 2007, the FHLBank of Chicago completed its obligations to purchase participation interests under pre-existing agreements with other FHLBanks and no longer enters into agreements to purchase participation interests in new master commitments with other FHLBanks. On April 23, 2008, the FHLBank of Chicago announced that it will no longer purchase mortgage loans from participating financial institutions under the MPF Program after July 31, 2008. The FHLBank of Chicago will continue to provide programmatic and operational support in its role as MPF Provider for mortgage loans already purchased from its members and for the FHLBanks participating in the MPF Program. The other FHLBanks participating in the MPF Program continue to have the ability to purchase and fund loans through the MPF infrastructure.

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

	March 31, 2008		December 31, 2007		Decrease	
	Amount	Percentage of Total Loans	Amount	Percentage of Total Loans	$	%
MPF, mortgage loans held for portfolio	$66,836	73.6%	$67,273	73.5%	$(437)	(0.6)%
MPP, mortgage loans held for portfolio	23,936	26.4%	24,316	26.5%	(380)	(1.6)%
Other mortgage loans	28	0.0%	29	0.0%	(1)	(3.4)%
Total mortgage loans held for portfolio	$90,800	100.0%	$91,618	100.0%	$(818)	(0.9)%
Allowance for credit losses — MPF	$ 7	87.5%	$ 7	87.5%	$	0.0%
Allowance for credit losses — MPP		0.0%		0.0%		0.0%
Allowance for credit losses — other	1	12.5%	1	12.5%		0.0%
Total allowance for credit losses	$ 8	100.0%	$ 8	100.0%	$	0.0%
MPF, mortgage loans held for portfolio, net	$66,829	73.6%	$67,266	73.4%	$(437)	(0.6)%
MPP, mortgage loans held for portfolio, net	23,936	26.4%	24,316	26.6%	(380)	(1.6)%
Other mortgage loans, net	27	0.0%	28	0.0%	(1)	(3.6)%
Total mortgage loans held for portfolio, net	$90,792	100.0%	$91,610	100.0%	$(818)	(0.9)%

Each of the FHLBanks has either 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 the credit risk on its mortgage loan portfolio.

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 sold to the

FHLBank of Atlanta participations in loans on affordable multifamily rental properties. These assets did not carry external credit enhancements. Through the CMA program, the FHLBank of New York participated in residential, multifamily and community economic development mortgage loans originated by its members. The FHLBank of Atlanta ceased acquisitions under AMPP in 2006. The FHLBank of New York suspended acquisitions under the CMA program in 2001.

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

	March 31, 2008	Percentage of Total	December 31, 2007	Percentage of Total	Decrease $	Decrease %
Government-insured loans	$ 8,693	9.6%	$ 8,899	9.8%	$(206)	(2.3)%
Conventional loans	81,527	90.4%	82,252	90.2%	(725)	(0.9)%
Other loans	4	0.0%	4	0.0%		0.0%
Total par value	$90,224	100.0%	$91,155	100.0%	$(931)	(1.0)%

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

	March 31, 2008	December 31, 2007
Balance, beginning of period	$8	$7
Provision for credit losses	—	1
Balance, end of period	$8	$8

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, 2008 and December 31, 2007 are as follows (dollar amounts in millions):

	March 31, 2008	December 31, 2007
Mortgage loans held for portfolio, net	$90,792	$91,610
Nonperforming mortgage loans held for portfolio	100	86
Mortgage loans held for portfolio past due 90 days or more and still accruing interest(1)	402	398
Loans in foreclosure	86	73
Real estate owned	46	43

(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 and/or the Department of Housing and Urban Development.

The FHLBanks' interest contractually due and actually received for nonperforming loans during the period for the three months ended March 31, 2008 and 2007 are as follows:

Nonperforming Loans Contractual Interest Due and Received
(Dollar amounts in millions)

	For the Three Months Ended	
	March 31, 2008	March 31, 2007
Interest contractually due during the period	$1.0	$0.7
Interest actually received during the period	0.5	0.3
Shortfall	$0.5	$0.4

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.

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

	For the Three Months Ended March 31,		Increase	
	2008	2007	$	%
Overnight discount notes	$ 41,342	$ 25,094	$ 16,248	64.7%
Term discount notes	333,901	136,132	197,769	145.3%
Total discount notes	375,243	161,226	214,017	132.7%
Bonds	819,766	787,679	32,087	4.1%
Total consolidated obligations	$1,195,009	$948,905	$246,104	25.9%

Consolidated Obligations Outstanding
(Dollar amounts in millions)

	March 31, 2008		December 31, 2007	
	Amount	Percentage of Total Consolidated Obligations, Net	Amount	Percentage of Total Consolidated Obligations, Net
Discount notes	$ 393,786	32.3%	$ 376,342	31.9%
Bonds	823,694	67.7%	802,574	68.1%
Total consolidated obligations, net	$1,217,480	100.0%	$1,178,916	100.0%

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

Year of Contractual Maturity	March 31, 2008 Amount	March 31, 2008 Weighted-Average Interest Rate	December 31, 2007 Amount	December 31, 2007 Weighted-Average Interest Rate
Due in 1 year or less	$313,561	3.73%	$287,781	4.51%
Due after 1 year through 2 years	185,456	3.81%	176,493	4.71%
Due after 2 years through 3 years	68,745	4.45%	82,969	4.67%
Due after 3 years through 4 years	45,301	4.90%	49,500	5.02%
Due after 4 years through 5 years	55,590	4.72%	51,812	5.08%
Thereafter	147,625	5.06%	151,887	5.10%
Index amortizing notes	7,945	5.02%	7,835	5.02%
Total par value	824,223	4.19%	808,277	4.75%
Premiums	488		395	
Discounts	(8,896)		(8,894)	
SFAS 133 hedging adjustments	7,860		2,801	
SFAS 159 valuation adjustments	24			
Subtotal	823,699		802,579	
Bonds held in treasury	(5)		(5)	
Total	$823,694		$802,574	

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

Year of Contractual Maturity or Next Call Date	March 31, 2008	December 31, 2007
Due in 1 year or less	$476,475	$489,504
Due after 1 year through 2 years	182,053	149,459
Due after 2 years through 3 years	51,846	55,577
Due after 3 years through 4 years	22,956	27,096
Due after 4 years through 5 years	20,813	17,549
Thereafter	62,135	61,257
Index amortizing notes	7,945	7,835
Total par value	$824,223	$808,277

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

Par amount of consolidated bonds	March 31, 2008	December 31, 2007
Noncallable/nonputable	$573,802	$496,085
Callable	250,421	312,192
Total par value	$824,223	$808,277

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

	March 31, 2008		December 31, 2007	
	Amount	Percentage of Total	Amount	Percentage of Total
Fixed-rate, noncallable	$365,699	44.3%	$358,962	44.2%
Fixed-rate, callable	235,896	28.6%	290,062	35.8%
Single-index, non-capped variable-rate	184,160	22.3%	106,200	13.1%
Step-up/step-down	11,878	1.4%	26,272	3.2%
Zero-coupon, callable	10,998	1.3%	11,004	1.4%
Amortizing prepayment linked securities	8,226	1.0%	8,142	1.0%
Range variable-rate	5,689	0.7%	5,930	0.7%
Conversion	1,355	0.2%	1,632	0.2%
Capped variable-rate	1,048	0.1%	2,476	0.3%
Other	420	0.1%	674	0.1%
Total	$825,369	100.0%	$811,354	100.0%

(1) Consolidated bonds outstanding have not been adjusted for interbank holdings of consolidated obligations totaling $1,146 million at March 31, 2008 and $3,077 million at December 31, 2007.

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

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

Debt Financing Activity. The growth in the FHLBanks' assets at March 31, 2008, compared to December 31, 2007, was primarily financed by a 3.3 percent increase in consolidated obligations of $38.6 billion and a 27.7 percent increase in deposits of $5.8 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 issued $101.4 billion and $70.0 billion at par in term funds during the first three months of 2008 and 2007. The TAP Issue 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 2008, $9.9 billion of bonds were issued through the TAP Issue Program. This represents a decrease of $2.5 billion over the first three months of 2007. 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,	
	2008	2007
Negotiated transactions	85.53%	81.85%
Competitive bid	14.47%	18.15%
Total	100.00%	100.00%

	Percent of Total Issued During Three Months Ended March 31,	
	2008	2007
Single-index, variable-rate	40.36%	7.63%
Fixed-rate, callable	34.76%	63.96%
Fixed-rate, fixed-term, noncallable (bullet)	22.73%	27.21%
Step-up/step-down	1.00%	0.61%
Other	1.15%	0.59%
Total	100.00%	100.00%

Consolidated Discount Notes and Bonds Issued at Par Value
(Dollar amounts in millions)

	Three Months Ended March 31,	
	2008	2007
Discount Notes	$3,138,240	$1,890,916
Bonds	$ 217,257	$ 120,729

The increase in consolidated discount notes relates primarily to the continued effects of the turbulence in the credit markets that began during the third quarter of 2007, which resulted in members significantly increasing their level of borrowing in the FHLBanks' advances leading to a corresponding increase in consolidated obligations issued and the total amount outstanding. In addition, many investors viewed the FHLBanks' consolidated obligations as a "safe haven" during the market turmoil, which resulted in reduced funding costs for consolidated obligations relative to LIBOR, especially on the discount notes. 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 2008. The FHLBanks make extensive use of callable debt. At March 31, 2008, $250.4 billion of callable debt at par was outstanding (excluding an interbank holding adjustment of $1.1 billion). At March 31, 2008, callable bonds represented 30.4 percent of total bonds outstanding at par.

Consolidated discount notes accounted for 93.5 percent of the proceeds from the issuance of consolidated obligations during the first three months of 2008. Much of the discount note activity reflects the refinancing of overnight discount notes.

Deposits. At March 31, 2008, deposits totaled $26,682 million, an increase of $5,789 million or 27.7 percent from December 31, 2007. The following table presents term deposits issued in amounts of $100,000 or more at March 31, 2008 (dollar amounts in millions):

	March 31, 2008
3 months or less	$592
Over 3 months through 6 months	48
Over 6 months through 12 months	31
Over 12 months	26
Total	$697

Capital.

Total Capital
(Dollar amounts in millions)

March 31, 2008	December 31, 2007	Increase	
		$	%
$55,866	$53,597	$2,269	4.2%

The increase in total capital was due primarily to the increase in total capital stock attributable to:

- the $7,568 million of net proceeds from the sale of capital stock as a result of increases in advances, partially offset by
- the $4,748 million of repurchase/redemption of capital stock and $790 million of reclassification of capital stock as mandatorily redeemable capital stock during the first three months of 2008.

Over the same period, total capital increased at a slightly higher rate than total assets. This caused the FHLBanks' total capital-to-assets ratio to increase to 4.22 percent at March 31, 2008, from 4.21 percent at December 31, 2007. All FHLBanks but the FHLBank of Chicago have converted to their new capital plans at March 31, 2008. These conversions were treated as capital transactions and were accounted for at par value.

Results of Operations

The combined financial statements include the financial records of the 12 FHLBanks. Material transactions among the FHLBanks have been eliminated in accordance with combination accounting principles under GAAP, including Accounting Research Bulletin No. 51, *Consolidated Financial Statements.* (See discussions relating to "Interbank Transfers of Liability on Outstanding Consolidated Bonds and Their Effect on Combined Net Income" at the end of this section and Note 1 to the accompanying combined financial statements.)

Net Interest Income.

Changes in Net Interest Income
(Dollar amounts in millions)

	For the Three Months Ended March 31,		Increase (Decrease)	
	2008	2007	$	%
INTEREST INCOME				
Advances	$ 9,074	$ 8,422	$ 652	7.7%
Prepayment fees on advances	41	8	33	412.5%
Mortgage loans held for portfolio	1,153	1,238	(85)	(6.9)%
Investments and other	3,207	3,497	(290)	(8.3)%
Total interest income	13,475	13,165	310	2.4%
INTEREST EXPENSE				
Consolidated obligations	12,055	11,849	206	1.7%
Other	225	291	(66)	(22.7)%
Total interest expense	12,280	12,140	140	1.2%
NET INTEREST INCOME	$ 1,195	$ 1,025	$ 170	16.6%

Net interest income increased in the first quarter of 2008 compared to the first quarter of 2007 primarily due to growth in advance interest income, which is primarily the result of higher advance volumes. The increase was partially offset by growth in consolidated obligation interest expense due to higher volumes of consolidated obligations, as well as lower interest income on investments, generally as a result of lower interest rates.

The decrease in mortgage loans held for portfolio income from the first quarter of 2007 compared to the first quarter of 2008 relates primarily to the lower volume of outstanding mortgage loans held for portfolio, but is also affected by lower interest rates.

Earnings Analysis.

The following table presents average balances and yields of major categories of earning assets 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, 2008			March 31, 2007		
	Average Balance(1)	Interest(2)	Annualized Yield	Average Balance(1)	Interest(2)	Annualized Yield
Earning assets:						
Advances(3)	$ 888,548	$ 9,115	4.13%	$ 637,426	$ 8,430	5.36%
Mortgage loans held for portfolio	91,035	1,153	5.09%	96,922	1,238	5.18%
Investments:						
Interest-bearing deposits and other	50,740	508	4.03%	34,747	458	5.35%
Securities purchased under agreements to resell	1,945	17	3.52%	4,125	54	5.31%
Federal funds sold	81,989	691	3.39%	79,963	1,051	5.33%
Trading securities	7,452	98	5.29%	5,723	81	5.74%
Available-for-sale securities(4)	6,441	64	4.00%	6,174	78	5.12%
Held-to-maturity securities	152,604	1,829	4.82%	139,514	1,775	5.16%
Total investments	301,171	3,207	4.28%	270,246	3,497	5.25%
Total earning assets	$1,280,754	$13,475	4.23%	$1,004,594	$13,165	5.31%
Funded by:						
Consolidated obligations	$1,188,675	$12,055	4.08%	$ 932,402	$11,849	5.15%
Interest-bearing deposits and other borrowings(5)	26,705	225	3.39%	22,029	291	5.36%
Total interest-bearing liabilities	1,215,380	12,280	4.06%	954,431	12,140	5.16%
Capital and other non-interest-bearing funds	65,374			50,163		
Total funding	$1,280,754	$12,280	3.86%	$1,004,594	$12,140	4.90%
Spread on:						
Total interest-bearing liabilities			0.17%			0.15%
Total funding (net interest margin)(6)			0.37%			0.41%

(1) Average balances do not reflect the effect of reclassifications of cash collateral under FSP FIN 39-1.

(2) Interest income/expense and annualized yield include the effect of associated interest-rate exchange agreements that qualify for fair-value hedge accounting under SFAS 133.

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

(4) The average balances of available-for-sale securities are reflected at amortized cost; therefore, the resulting yields do not give effect to changes in fair value.

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

(6) 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 due to the increase in capital stock related to advance activities during the first quarter of 2008 over the same period in 2007. During the first quarter of 2008, at the combined level, the spread between asset yields and interest-bearing liability increased 2 basis points and the net interest margin decreased 4 basis points. During the first quarter of 2008, some FHLBanks experienced an increase in the net interest margin and spread, while some FHLBanks experienced a decrease in the net interest margin and spread.

Items that increased the net interest margin and spread in general included an increase in the average advance balances and a reduction in the average funding costs. In addition, higher net interest spreads on both the FHLBanks' mortgage portfolios and non-MBS investments generally increased the FHLBanks' spreads. Items that decreased the net interest margin and spread included an increase in the recognition of unamortized non-cash items associated with calling an increased amount of consolidated obligation bonds in the first quarter of 2008, the effect of interest rate volatility on the FHLBanks' derivative and hedging activities and the maturity of low-cost debt that was issued to fund low interest rate mortgages and the replacement of such mortgages at lower net spreads. For additional discussion related to an individual FHLBank's first quarter 2008 change in net interest margin and interest spread, refer to that FHLBank's periodic report filed with the SEC.

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-rate exchange agreements is excluded from the calculation of the spread on interest-bearing liabilities and net interest margin.

During the first quarter of 2008, the growth in consolidated obligations outstanding, which commenced during the latter part of 2007 amid the turbulence in the credit markets, continued. Combined bond and discount note issuance was 67 percent higher than the corresponding period in the previous year due to increased issuance of both bonds and discount notes. Consolidated obligations outstanding rose by $269.0 billion — bonds increased by $40.5 billion and discount notes increased by $228.5 billion. Compared to the first quarter of 2007, aggregate weighted-average, new-issue funding costs for FHLBank bonds increased, while funding levels for auctioned discount notes improved relative to benchmark market indices.

During the first quarter of 2007, short-term yields for U.S. Treasury securities generally remained slightly above yields for intermediate and long-term securities. During the second half of 2007, this trend reversed. At the same time, yields on U.S. Treasury securities declined. The spread between longer-term yields and shorter-term yields increased throughout the fourth quarter of 2007 and continued at an accelerated pace into the first quarter of 2008.

During the first quarter of 2008, 35 percent of the FHLBank bonds issued were callable compared to the corresponding period in 2007 when callable bonds accounted for 64 percent of issuance. In 2008, floating rate bonds became an important funding channel. During the first quarter of 2008, bonds issued with floating rate coupons comprised 40 percent of issuance compared to 8 percent during the same period in 2007.

The dollar amount of callable bonds redeemed prior to maturity was substantially higher in the first quarter of 2008 compared with the corresponding period in the prior year. Call volume increased sharply beginning in the fourth quarter of 2007 as market interest rates declined, and this trend continued during the first quarter of 2008. The volume of bond calls was 124 percent higher during the first quarter of 2008 than in the corresponding period in 2007.

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, 2008 and the three months ended March 31, 2007. 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, 2008 vs. 2007		
	Increase (Decrease) Due to		
	Volume	Rate	Total
Interest Income:			
Advances(1)	$2,846	$(2,161)	$ 685
Mortgage loans held for portfolio	(75)	(10)	(85)
Investments(2)	372	(662)	(290)
Total interest income	3,143	(2,833)	310
Interest Expense:			
Consolidated obligations	2,878	(2,672)	206
Deposits and other borrowings(2)(3)	54	(120)	(66)
Total interest expense	2,932	(2,792)	140
Changes in net interest income	$ 211	$ (41)	$ 170

(1) Includes prepayment fees on advances, net.

(2) Average balances used for this calculation do not reflect the effect of reclassifications of cash collateral under FSP FIN 39-1.

(3) Calculations do not include the average balances of non-interest-bearing deposits and include cash and stock dividends on mandatorily redeemable capital stock as interest expense. Calculations also include the average balances of subordinated notes and related interest expense.

Net Income.

Changes in Net Income
(Dollar amounts in millions)

	For the Three Months Ended March 31,		Increase (Decrease)
	2008	2007	
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	$1,194	$1,023	$ 171
OTHER (LOSS) INCOME			
Net gains on trading securities	134	9	125
Net realized losses on held-to-maturity securities	(33)	(3)	(30)
Net gains on instruments held at fair value	274		274
Net losses on derivatives and hedging activities	(384)	(5)	(379)
Other, net	(4)	11	(15)
Total other (loss) income	(13)	12	(25)
Total other expense	200	191	9
Total assessments	284	223	61
NET INCOME	$ 697	$ 621	$ 76

The increase in net income for the first quarter of 2008 compared to the first quarter of 2007 can be primarily attributed to the increase in net interest income, which was partially offset by increases in other loss and assessments. Combined net income for first quarter 2008 was $697 million, a 12.2 percent increase from the $621 million recorded the previous year. Combined net income was reduced by the FHLBank of Chicago's net loss of $78 million, which includes an other-than-temporary impairment loss of $33 million on certain private-label MBS primarily collateralized by first lien mortgages to subprime borrowers. For additional information, please refer to the FHLBank of Chicago's periodic report filed with the SEC. The remaining FHLBanks did not record any other-than-temporary impairment charges as of March 31, 2008.

Other (Loss) Income. The change in total other loss for the first quarter of 2008 compared to the first quarter of 2007 relates primarily to the increase in net losses on derivatives and hedging activities, which is partially offset by the net gains on instruments held at fair value.

Under SFAS 133, the FHLBanks are required to carry all of their derivative instruments on the statement of condition at fair value. If derivatives meet the hedging criteria, including effectiveness measures, as specified in SFAS 133, the underlying hedged instruments may also be carried at their estimated values so that some or all of the unrealized gains or losses recognized on the derivatives are offset by corresponding unrealized gains or losses on the underlying hedged instruments. The unrealized gains or losses on the "ineffective" portion of all hedges, which represents the amounts by which the changes in the fair value of the derivatives differ from the changes in the values of the hedged items or the variability in the cash flows of the forecasted transactions, are recognized in current period earnings. In addition, certain derivatives are associated with assets or liabilities but do not qualify as fair value or cash flow hedges under SFAS 133. These economic hedges are recorded on the statement of condition at fair value with the unrealized gains or losses recognized in current period earnings without any offsetting unrealized gains or losses from the associated asset or liability.

Under SFAS 159, the FHLBank of San Francisco elected to carry certain assets and liabilities (certain advances and certain consolidated obligations - bonds) at fair value. The FHLBank of San Francisco recognized the unrealized gains and losses on these assets and liabilities in current period earnings. In general, transactions elected for the fair value option in accordance with SFAS 159 are in economic hedge relationships.

In general, derivatives and associated hedged instruments, and certain assets and liabilities that are carried at fair value, are held to the maturity, call, or put date. Therefore, for these financial instruments, nearly all of the cumulative net gains and losses that are unrealized gains or losses are primarily a matter of timing and will generally reverse over the remaining contractual terms of the hedged financial instrument, associated interest rate exchange agreement, or financial instrument carried at fair value. However, there may be instances in which these instruments are terminated prior to maturity or prior to the call or put dates. Terminating the financial instrument or hedging relationship may result in a realized gain or loss. In addition, the FHLBanks may have instances in which they may sell trading securities prior to maturity, which may also result in a realized gain or loss.

Hedge ineffectiveness occurs when changes in the fair value of the derivative and the related hedged item do not perfectly offset each other. Hedge ineffectiveness is driven by changes in the benchmark interest rate and volatility. As the benchmark interest rate changes and the magnitude of that change intensifies, so will the effect on the FHLBanks' net losses on derivatives and hedging activities. Additionally, volatility in the marketplace may intensify this effect.

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

Earnings Effect for the Three Months Ended March 31, 2008	Advances	Investments	MPF/ MPP Loans	COs- Bonds	COs- Discount Notes	Balance Sheet	Total
Amortization/accretion of hedging activities in net margin	$ (25)	$	$	$ (7)	$ (6)	$	$ (38)
Net (losses) gains on derivatives and hedging activities	(289)	(179)	(30)	73	48	(7)	(384)
Net gains on trading securities		134					134
Net gains on instruments held at fair value	239			35			274
Total	$ (75)	$ (45)	$(30)	$101	$42	$(7)	$ (14)

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)

Other Expense.

Operating Expenses (Dollar amounts in millions)

	For the Three Months Ended March 31, 2008	2007	Increase $	%
Salaries and employee benefits	$116	$112	$ 4	3.6%
Cost of quarters	10	10		0.0%
Other	55	49	6	12.2%
Total operating expenses	$181	$171	$10	5.8%
Operating expenses as a percentage of average assets (basis points)	5.6	6.8		

The increase in salaries and employee benefits in the first quarter of 2008 primarily relates to higher staffing levels for several of the FHLBanks and general increases in pay and benefits.

The increase in other operating expenses includes $3 million in costs resulting from the termination of the merger discussions between the FHLBanks of Chicago and Dallas that were expensed in the first quarter of 2008 and a general increase in consulting and professional fees.

Other Expenses
(Dollar amounts in millions)

	For the Three Months Ended March 31,		Increase (Decrease)	
	2008	2007	$	%
Finance Board expenses	$10	$ 9	$ 1	11.1%
Office of Finance expenses	8	9	(1)	(11.1)%
Other, net	1	2	(1)	(50.0)%
Affordable Housing Program expenses	89	70	19	27.1%

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.

Affordable Housing Program (AHP). Annually, the FHLBanks must set aside for the AHP the greater of $100 million or 10 percent of regulatory income, after the assessment for Resolution Funding Corporation (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. Any FHLBank with a net loss for a quarter is not required to pay the AHP assessment for that quarter. The Finance Board requires each FHLBank to add back interest expense related to mandatorily redeemable capital stock before the calculation of its AHP assessment. The increase in the AHP assessments for the first three months of 2008 compared to the first three months of 2007 reflects 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. All FHLBank operating costs for the AHP are included in operating expenses, so all AHP assessments go directly to support affordable housing projects.

Interbank Transfers of Liability on Outstanding Consolidated Bonds and Their Effect on Combined Net Income. Combined net income of the FHLBanks is affected by interbank transfers of liability on outstanding consolidated bonds. These transactions arise when one FHLBank transfers its direct liability on outstanding consolidated bonds to another FHLBank 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 funds held by one FHLBank to another FHLBank that needs 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 advances or mortgages. 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. The assuming FHLBank assumes this liability at fair value which represents an all-in cost equal to or lower than it would have otherwise obtained for the same amount and maturity in the capital markets at that time. In this type of transaction, the FHLBank that transfers a liability for the consolidated bond also unwinds the related portion of any hedge transactions it entered into when the consolidated bond was issued. It can also take other steps in order to manage its interest rate exposure on the debt transferred. For example, it can:

— terminate the interest-rate exchange agreement entered into with respect to the transferred debt; or

— eliminate the underlying assets (e.g., through the sale of investment securities with similar characteristics to those consolidated bonds being offered for transfer or through the prepayment of mortgages).

The transferring FHLBank treats the transfer as a debt extinguishment because that FHLBank has been released from being the primary obligor. Specifically, the release is made effective by the Office of Finance recording the transfer in its records. The Office of Finance provides release by acting within the confines of the 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 contingent liability because it still has joint and several liability with respect to repaying the transferred consolidated obligation.

The initial carrying amount for the bond is the amount (including any premium or discount) the assuming FHLBank paid the transferring FHLBank. Under this transfer scenario, no transaction with a third party independent of the FHLBanks takes place. Under the principles of combination accounting, combining adjustments are required to reflect the transaction as if the transferring FHLBank still holds the bond for purposes of the combined financial statements of the FHLBanks. This has the following results:

(1) the debt extinguishment transaction (including any gain or loss) is eliminated;

(2) all statement of condition and statement of income effects with respect to the premium or discount related to the purchase of the bonds by the assuming FHLBank are eliminated; and

(3) the original premium or discount, concession fees and SFAS 133 basis adjustments of the transferring FHLBank are reinstated and amortized over the life of the bond.

These amounts are eliminated as combining adjustments in the combining schedules accompanying the combined financial statements and will reverse over the remaining term of the consolidated bonds. Due to different discount accretion and/or premium amortization periods used by the assuming FHLBank and the transferring FHLBank, timing differences will affect net interest income as these transactions are reversed. These transactions do not affect the holders of the consolidated bonds, as the consolidated bonds are the joint and several obligation of all 12 FHLBanks. (See Note 1 to the accompanying combined financial statements and the related FHLBanks combining schedules.)

Total interbank consolidated bonds of $450 million and $283 million at par value were transferred from an FHLBank to another FHLBank during the first three months of 2008 and 2007. The combining adjustments for the first three months of 2008 and 2007 for the elimination of the transfers of interbank consolidated bond liabilities and interbank fees and commissions related to the MPF Program resulted in the following effect on the Statement of Income:

Combining Adjustments Effect on Statements of Income
(Dollar amounts in millions)

	For the Three Months Ended March 31, 2008	For the Three Months Ended March 31, 2007	Decrease
Net interest income	$(2)	$	$(2)
Total other (loss) income	(5)	1	(6)
Total other expense	(1)	(1)	
Net income	$(6)	$ 2	$(8)

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 U.S. Secretary of the Treasury, selects the appropriate discounting factors used in calculating the annuity.

The REFCORP assessment of the FHLBanks was $195 million (cash payment of $199 million) for the first quarter of 2008 and $153 million (cash payment of $158 million) for the first quarter of 2007. 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 U.S. Treasury bonds to “defease” all or a portion of the most-distant remaining quarterly benchmark payment. The $124 million by which the first quarter REFCORP payment exceeded the $75 million quarterly benchmark will fully defease the remaining $51 million portion of the benchmark payment due on October 15, 2013, the entire $75 million benchmark payment due on July 15, 2013, and defease $17 million of the $75 million benchmark payment due on April 15, 2013. 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 $199 million made by the FHLBanks in the first quarter of 2008, the overall period during which the FHLBanks must continue to make quarterly payments was shortened to April 15, 2013, effective at March 31, 2008. This date assumes that the FHLBanks will pay exactly $300 million annually after March 31, 2008 until the annuity is fully satisfied.

REFCORP Defeasance Summary
For First Quarter 2008 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**
October 15, 2013 (most distant remaining payment)	$ 51	2.77%	$ 44
July 15, 2013	75	2.75%	65
April 15, 2013	17	2.70%	15
Total	$143		$124

* Subject to possible subsequent reinstatement.

** Actual cash payment of $199 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.

The Finance Board guidance calls 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, 2008, 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.

At March 31, 2008, 94.1 percent of the capital of the FHLBanks consisted of capital stock, while 5.9 percent consisted of retained earnings and accumulated other comprehensive income. At March 31, 2008, the FHLBanks had a total capital-to-assets ratio of 4.22 percent. This compares with a total capital-to-assets ratio of 4.21 percent at December 31, 2007.

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 at their discretion upon the request of a member or under an FHLBank's excess stock repurchase program.

Each FHLBank is required to maintain liquidity in accordance with the FHLBank Act, certain Finance Board regulations and 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 favorable credit rating have historically provided the FHLBanks with excellent access to capital markets. Consolidated obligations enjoy GSE status; however, they are not obligations of the United States and the United States does not guarantee them. The FHLBanks' consolidated obligations are rated Aaa/P-1 by Moody's and AAA/A-1+ by S&P. 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. These ratings have not been affected by rating actions taken with respect to individual FHLBanks. (See "Recent Rating Agency Actions.") Investors should note that a rating issued by 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, may 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 at the Office of Finance, or short-term capital market disruptions.

Critical Accounting Estimates

For a discussion of Critical Accounting Estimates, see "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations — Critical Accounting Estimates" in the Federal Home Loan Banks' 2007 Combined Financial Report. Other than the fair value changes and other-than-temporary impairment for investment securities discussed below, there have been no material changes from the critical accounting estimates disclosed in the "Critical Accounting Estimates" section of the Federal Home Loan Banks' 2007 Combined Financial Report. Each FHLBank describes its critical accounting estimates in its Management's Discussion and Analysis of Financial Condition and Results of Operations in its periodic reports filed with the SEC. (See "Available Information on Individual FHLBanks.")

Fair Values. The FHLBanks carry certain assets and liabilities on the Statement of Condition at fair value, including investments classified as available-for-sale and trading, all derivatives, and financial instruments carried at fair value under SFAS 159. The FHLBanks adopted SFAS 157 on January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and requires additional disclosures for instruments carried at fair value on the Statement of Condition. SFAS 157 defines "fair value" as the price that would be received to sell an asset or paid to transfer a liability (an exit price).

Fair values play an important role in the valuation of certain of the assets, liabilities and hedging transactions of the FHLBanks. The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that are actively traded and have quoted market prices or parameters readily available, there is little to no subjectivity in determining fair value. If quoted market prices or market-based prices are not available, fair values are determined based on valuation models that use either:

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

Pricing models and their underlying assumptions are based on the best estimates of management of each FHLBank with respect to:

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

These assumptions may have a significant effect on the reported fair values of assets and liabilities, including derivatives, and the income and expense related thereto. The use of different assumptions, as well as changes in market conditions, could result in materially different net income and retained earnings. The FHLBanks do not necessarily use the same dealer prices, models and assumptions in determining the fair values of their respective assets, liabilities and derivatives.

The FHLBanks categorize their financial instruments carried at fair value into a three-level classification in accordance with SFAS 157. The valuation hierarchy is based upon the transparency (observable or unobservable) of inputs to the valuation of an asset or liability as of the measurement date. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect an FHLBank's market assumptions. The FHLBanks utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. For a discussion of an individual FHLBank's fair value measurement techniques, see that FHLBank's periodic report filed with the SEC.

For further discussion regarding how the FHLBanks measure financial assets and financial liabilities at fair value, see "Note 5 — Fair Value Disclosures," to the combined financial statements.

Other-Than-Temporary Impairment for Investment Securities. The broad-based deterioration of credit performance related to residential mortgage loans and the accompanying decline in residential U.S. real estate values have increased the level of credit risk to which the FHLBanks are exposed in their investments in mortgage-related securities. The FHLBanks' investments in mortgage-related securities are directly or indirectly supported by underlying mortgage loans. Due to the decline in values of residential U.S. real estate and difficult conditions in the credit markets, the FHLBanks closely monitor the performance of their securities on a quarterly basis (or sooner if a loss-triggering event occurs) to evaluate their exposure to the risk of loss on these investments in order to determine whether a loss is other-than-temporary, consistent with SFAS 115 (as amended by FASB Staff Position 115-1, *The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments*). For an investment security that has a fair value that is less than its corresponding carrying value, an FHLBank will record impairment (at fair value) when the decline in fair value is deemed to be other-than-temporary. An FHLBank will conclude that a loss is other-than-temporary if it is probable that the FHLBank will not receive all of the investment security's contractual cash flows. As part of this analysis, an FHLBank must assess its intent and ability to hold a security until recovery of any unrealized losses. These evaluations are inherently subjective and consider a number of qualitative factors. In addition to monitoring the credit ratings of an FHLBank's securities for downgrades, as well as placement on negative outlook or credit watch, an FHLBank's management evaluates other factors that may be indicative of other-than-temporary impairment. These include, but are not limited to, an evaluation of the type of security, the length of time and extent to which the fair value of a security has been less than its cost, and certain collateral-related characteristics such as FICO scores, loan-to-value ratios, delinquency and foreclosure rates, and geographic concentrations, as applicable by security. If an FHLBank determines that an other-than-temporary impairment exists, it accounts for the investment security as if it had been purchased on the measurement date of the other-than-temporary impairment. The investment security is written down to fair value (its new cost basis), any deferred amounts related to the investment security are written off, and a realized loss is recognized in non-interest income. A new accretable yield is calculated and amortized prospectively over the remaining life of the investment security based on the amount and timing of future estimated cash flows.

Legislative and Regulatory Developments

Finance Board's Temporary Increase in Authority to Purchase Mortgage-Backed Securities. On March 24, 2008, the Finance Board passed a resolution authorizing the FHLBanks to increase their purchases of agency mortgage-backed securities, effective immediately. Pursuant to the resolution, the limit on the FHLBanks' mortgage-backed securities authority would increase from 300 percent of capital to 600 percent of capital for two years. The resolution requires an FHLBank to notify the Finance Board prior to its first acquisition under the expanded authority and include in its notification a description of the risk management principles underlying its purchases. The expanded authority is limited to Fannie Mae and Freddie Mac securities. The resolution provides that securities purchased under the increased authority must be backed by mortgages that were originated after January 1, 2008 consistent with, and subsequent to, Federal bank regulatory guidance on non-traditional and subprime mortgage lending.

FHLBank of Chicago Consent Cease and Desist Order (C&D Order). At the request of the Finance Board, on October 10, 2007, the FHLBank of Chicago entered into a C&D Order. The C&D Order places several requirements on the FHLBank of Chicago, including maintenance of revised minimum regulatory capital requirements, prior Finance Board approval of capital stock repurchases and redemptions and dividend declarations, submission of a new capital plan and submission of revised market risk management and hedging policies and procedures. On April 24, 2008, the Director of the Office of Supervision of the Finance Board (OS Director) denied the FHLBank of Chicago's request to redeem the capital stock of seven members in connection with their membership withdrawal or termination. The FHLBank of Chicago remains in compliance with the minimum capital and leverage requirements outlined in the C&D Order.

On April 25, 2008, the FHLBank of Chicago submitted a revised capital plan to the Finance Board in response to comments it received from the Finance Board staff on April 18, 2008. On May 5, 2008, the FHLBank of Chicago received comments from the Finance Board staff to its latest submission and is in the process of responding to those comments in order to obtain approval of the plan and implementation strategies from the Finance Board. The FHLBank of Chicago expects to receive approval shortly from the Finance Board to move forward with a revised plan for the conversion of its capital stock to one or more classes of Class B capital stock with a five-year redemption period consistent with the requirements of the structure required by the GLB Act. After the plan is approved by the Finance Board, the FHLBank of Chicago will announce the terms of the plan.

Proposed Affordable Housing Program Regulation Amendment. On April 16, 2008, the Finance Board published a proposed rule that would temporarily add authority for FHLBanks to use their AHP direct set-aside subsidy to establish a program targeted to refinancing or restructuring existing nontraditional mortgage loans held by members or their affiliates. The proposed rule is subject to a 60-day comment period, and the final rule, if any, approved by the Finance Board may be different from the proposed rule.

Proposal to Treat Municipal Bonds Guaranteed by FHLBanks as Tax-Exempt Bonds. On April 9, 2008, the U.S. House of Representatives' Ways and Means Committee approved a broad housing tax bill (H.R. 5720) that included a provision to temporarily allow municipal, industrial and other private activity bonds that are supported by letters of credit issued by an FHLBank to be eligible for treatment as tax-exempt bonds regardless of whether the bonds are used to finance housing programs. Currently, municipal bonds that receive credit support from an FHLBank cannot qualify as tax-exempt bonds unless the bonds are used to finance housing programs. The U.S. House of Representatives approved this legislation as part of a broader housing bill on May 8, 2008. The U.S. Senate is expected to consider similar housing legislation in the near future, though it is unclear whether such legislation will include a similar FHLBank provision as in the U.S. House of Representatives version. Ultimately, given the uncertain nature of the legislative process, it is not possible to predict the chances of this legislation being enacted.

Proposed "Emergency Student Loan Market Liquidity Act." On April 8, 2008, legislation was introduced in the U.S. House of Representatives (H.R. 5723) to authorize FHLBanks on a temporary basis to invest in student loan-related securities, accept student loans and student loan-related securities as collateral, and provide advances to members to originate student loans and finance student loan-related securities. The bill is currently under consideration by the U.S. House Committee on Financial Services. Given the uncertain nature of the legislative process, it is not possible to predict the chances of this legislation being enacted. More recently, a broader student loan bill passed by both the U.S. House of Representatives and the U.S. Senate contains a non-binding "Sense of the Congress" resolution that calls upon the FHLBanks to consider, in consultation with the U.S. Secretary of Treasury and the U.S. Secretary of Education, using available authorities in a timely manner, if needed, to assist in ensuring that students and families can access Federal student loans for academic year 2008-2009, and if needed in the subsequent academic year, in a manner that results in no increased costs to taxpayers.

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 U.S. 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. On May 8, 2008, the U.S. House of Representatives passed H.R. 1427 as an amendment to a broad housing bill (H.R. 3221) that is aimed at slowing the pace of foreclosures and stimulating the real estate market. The U.S. Senate may consider this legislation as part of a broad housing bill in May 2008. 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 U.S. 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.

Recent Rating Agency Actions

Federal Home Loan Banks
Long-Term and Short-Term Credit Ratings
At May 9, 2008

	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(1)	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(2)	AAA/A-1+	Stable	Aaa/P-1	Stable
Indianapolis	AAA/A-1+	Stable	Aaa/P-1	Stable
New York	AAA/A-1+	Stable	Aaa/P-1	Stable
Pittsburgh	AAA/A-1+	Stable	Aaa/P-1	Stable
San Francisco	AAA/A-1+	Stable	Aaa/P-1	Stable
Seattle	AA+/A-1+	Stable	Aaa/P-1	Stable
Topeka	AAA/A-1+	Stable	Aaa/P-1	Stable

(1) On April 10, 2008, S&P announced that it had placed the FHLBank of Chicago on Credit Watch with negative implications. This action was taken following the termination of merger discussions with the FHLBank of Dallas. Additionally, on April 8, 2008, Moody's announced that it had revised its outlook on the FHLBank of Chicago's subordinated notes to negative from stable.

(2) At March 31, 2008, the outlook for the FHLBank of Des Moines was negative. On April 9, 2008, S&P revised its outlook on the FHLBank of Des Moines to stable from negative.

RISK MANAGEMENT

For a discussion of "Risk Management," including "Quantitative and Qualitative Disclosures about Market Risk, Liquidity Risk, Credit Risk, Operational Risk and Business Risk," see "Risk Management" in the Federal Home Loan Banks' 2007 Combined Financial Report. Each FHLBank includes a discussion of its risk management in its periodic reports filed with the SEC. (See "Available Information on Individual FHLBanks.") The following quantitative information should be read in conjunction with the discussion of "Risk Management" included in the Federal Home Loan Banks' 2007 Combined Financial Report.

Interest-Rate Exchange Agreements

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, 2008		December 31, 2007	
	Total Notional	Total Estimated Fair Value (excludes collateral and accrued interest)	Total Notional	Total Estimated Fair Value (excludes collateral and accrued interest)
Advances				
Fair Value-existing cash item	$ 361,284	$(16,702)	$342,624	$(7,918)
Fair Value-firm commitments	30		2,093	(3)
Cash Flow-existing cash item	2,975	223	3,375	161
Economic	30,689	(538)	13,504	(17)
Total	394,978	(17,017)	361,596	(7,777)
Investments				
Fair Value-existing cash item	2,104	(281)	1,251	(172)
Economic (includes trading securities hedges)	16,674	(476)	13,520	(229)
Total	18,778	(757)	14,771	(401)
MPF/MPP Loans Held for Portfolio				
Fair Value-existing cash item	10,331	(70)	13,959	(51)
Standalone-delivery commitments	696	1	214	1
Economic (including TBAs)	18,145	7	7,260	19
Total	29,172	(62)	21,433	(31)
Consolidated Obligations — Bonds				
Fair Value-existing cash item	394,731	8,551	446,273	3,568
Cash Flow-anticipated transaction			537	(7)
Economic	111,967	90	70,952	75
Total	506,698	8,641	517,762	3,636
Consolidated Obligations — Discount Notes				
Fair Value-existing cash item	3,082	16	2,172	4
Economic	44,664	46	22,705	14
Total	47,746	62	24,877	18
Deposits				
Fair Value	20	5	20	4
Total	20	5	20	4

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

	March 31, 2008		December 31, 2007	
	Total Notional	Total Estimated Fair Value (excludes collateral and accrued interest)	Total Notional	Total Estimated Fair Value (excludes collateral and accrued interest)
Balance Sheet				
Economic	16,464	5	15,359	9
Total	16,464	5	15,359	9
Intermediary Positions				
Intermediaries	2,482		3,344	1
Total	2,482		3,344	1
Total notional and estimated fair value	$1,016,338	$ (9,123)	$959,162	$(4,541)
Total derivatives excluding collateral and accrued interest		$ (9,123)		$(4,541)
Accrued interest		2,202		1,639
Net cash collateral and related accrued interest		3,365		419
Net derivative balances		$ (3,556)		$(2,483)
Net derivative assets balances		$ 1,854		$ 1,306
Net derivative liabilities balances		(5,410)		(3,789)
Net derivative balances		$ (3,556)		$(2,483)

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. In accordance with FSP FIN 39-1, the FHLBanks also offset cash collateral and related accrued interest against the net fair value of derivatives. The $548 million increase in combined derivative assets and the $1.6 billion increase in combined derivative liabilities from December 31, 2007 to March 31, 2008 are largely the result of changes in interest rates.

Quantitative Disclosure about Market Risk

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

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 yield curve or an appropriate discounting methodology. If one assumes an instantaneous parallel interest rate shifts of +/-200 basis points, the duration of equity of the FHLBank of Chicago must stay within a range of +7 to -7 years. Each FHLBank reports the results of its duration of equity calculations to the Finance Board each quarter; however, each FHLBank that has converted to its new capital structure is no longer subject by regulation to the 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 operational risk-based capital requirements, as these metrics are defined by Finance Board regulations. Each of these FHLBanks has developed a market risk model that calculates the market risk component of this requirement.

The table below reflects measurements by the FHLBank of Chicago 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, 2008			December 31, 2007		
−200 basis point change*	Base	+200 basis point change	−200 basis point change*	Base	+200 basis point change
(1.7)	2.1	(3.0)	1.8	(0.1)	(2.7)

* The Finance Board regulation restricts the down rate from assuming a negative interest rate. Therefore, the FHLBank of Chicago adjusts the down rate accordingly. Given the low interest rate environment on March 31, 2008, the lowest duration of equity result the FHLBank of Chicago has modeled is a -150 basis point change at March 31, 2008.

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, 2008	December 31, 2007
Boston	0.1	0.5
New York	0.1	(0.6)
Pittsburgh	1.7	1.6
Atlanta	(0.1)	0.4
Cincinnati	0.0	0.4
Indianapolis	0.6	1.2
Chicago	0.2	0.0
Des Moines	(1.0)	(1.4)
Dallas	2.3	0.9
Topeka	1.9	1.4
San Francisco	4.1	1.5
Seattle	0.0	0.0

Credit Risk

Credit risk is the risk of loss due to default or non-performance of an obligor or counterparty. The FHLBanks are subject to credit risk on advances, investments (including mortgage-backed securities), mortgage loans held for portfolio and interest-rate exchange agreements. Each FHLBank follows guidelines established by the 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 an integrated approach that provides for the ongoing review of the financial condition of its borrowers coupled with conservative collateral/lending policies and procedures to limit its risk of loss while balancing its borrowers' needs for a reliable source of funding. The FHLBanks protect against credit risk on advances by collateralizing all advances. The FHLBank Act requires that FHLBanks obtain and maintain from their borrowers collateral to secure advances at the time the advances are originated or renewed. Collateral arrangements will vary depending upon borrower credit quality, financial condition and performance; borrowing capacity; collateral availability; and overall credit exposure to the borrower. Each FHLBank establishes each borrower's borrowing capacity by determining the amount it will lend against each collateral type. Borrowers are also required to collateralize the face amount of any letters of credit issued for their benefit by an FHLBank. Each FHLBank can call for additional or substitute collateral during the life of an advance to protect its security interest.

Residential mortgage loans are the principal form of collateral for advances. As a matter of course and through multiple means, the FHLBanks perfect the security interests granted to them by their borrowers. In addition, the FHLBanks must take any steps necessary to ensure that their security interests in all collateral pledged by non-depository member institutions (i.e., insurance companies and housing associates) is as secure as their security interests in collateral pledged by depository member institutions.

The FHLBanks generally establish an overall FHLBank credit limit for each borrower, which caps the amount of FHLBank credit availability to such borrower. This limit is designed to mitigate the FHLBanks' credit exposure to an individual borrower, while encouraging borrowers to diversify their funding sources. A borrower's total credit limit with an FHLBank includes the face amount of outstanding letters of credit, the principal amount of outstanding advances, the total exposure of the FHLBank to the borrower under any derivative contract and credit enhancement obligation of the borrower on mortgage loans sold to the FHLBank (if any). Each FHLBank determines the credit limit of a borrower by evaluating a wide variety of factors, including, but not limited to, the borrower's overall creditworthiness and collateral management practices. Most of the FHLBanks impose borrowing limits on borrowers within a maximum range of between 35 to 55 percent of a borrower's total assets.

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 $9.6 billion of the total $895.9 billion of advances outstanding at par value at March 31, 2008. Advances to housing associates represent $273 million of the total $895.9 billion of advances outstanding at par value at March 31, 2008.

In light of the deterioration in the housing and mortgage markets, the FHLBanks continue to evaluate and make changes to their collateral guidelines when reviewing their borrowers' financial condition to further mitigate the credit risk of advances. The management of each FHLBank believes it has adequate policies and procedures in place to manage its credit risk on advances effectively. For additional information related to the FHLBanks' advances collateral/lending policies, refer to the Federal Home Loan Banks' 2007 Combined Financial Report and an individual FHLBank's Form 10-K filed with the SEC.

Investments. In order to minimize credit risk on investments, the FHLBanks are required to operate within certain statutory and regulatory limits that are described in the Federal Home Loan Banks' 2007 Combined Financial Report. The FHLBanks further mitigate credit risk on investment securities by investing in highly-rated investment securities. At March 31, 2008 and December 31, 2007, 99.72 percent and 99.96 percent of all investments held by the FHLBanks in mortgage-backed securities were rated triple-A. Of the $157.6 billion in mortgage-backed securities investments held by the FHLBanks at March 31, 2008, as of May 9, 2008, less than one percent had been downgraded with a stable outlook, of which $109 million has been downgraded to below investment grade, and less than one percent are on negative watch/outlook but not downgraded. These rating actions relate to private-label mortgage-backed securities and home equity loan investments. As of May 9, 2008, less than one percent of the $80.2 billion of private-label mortgage-backed securities investments held by the FHLBanks at March 31, 2008 had been downgraded with stable outlook, of which $11 million has been downgraded to below investment grade. As of May 9, 2008, less than one percent of the $80.2 billion of private-label mortgage-backed securities investments held by the FHLBanks at March 31, 2008 are on negative watch/outlook but not downgraded. As of May 9, 2008, approximately 11 percent of the $2.4 billion home equity loan investments at March 31, 2008 had been downgraded with stable outlook, of which $98 million has been downgraded to below investment grade. As of May 9, 2008, approximately 2 percent of the $2.4 billion of home equity loan investments at March 31, 2008 are on negative watch/outlook but not downgraded. As of May 9, 2008, of the total investment securities of $177.4 billion at March 31, 2008, less than one percent of non-MBS investment securities have been downgraded with stable outlook or on negative watch/outlook.

Investment Securities Ratings
(Dollar amounts in millions)

	March 31, 2008*		December 31, 2007**	
Investment Rating	Amount	Percentage of Total Investments	Amount	Percentage of Total Investments
Long-term rating				
Triple-A	$170,736	96.3%	$155,222	94.7%
Double-A	1,486	0.8%	965	0.6%
Single-A	73	0.1%		0.0%
Triple-B	47	0.0%		0.0%
Below Investment Grade	4	0.0%		0.0%
Short-term rating				
A-1 or higher/P-1	4,955	2.8%	7,526	4.6%
Unrated investment securities	84	0.0%	85	0.1%
Total	$177,385	100.0%	$163,798	100.0%

* This chart does not reflect any changes in rating, outlook or watch status occurring after March 31, 2008. The ratings were obtained from S&P, Moody's and/or Fitch.

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

Approximately 95 percent of the FHLBanks' mortgage-backed securities are classified as held-to-maturity and the FHLBanks have the ability and intent to hold these mortgage-backed securities until maturity. Each FHLBank actively monitors the credit quality of its mortgage-backed securities and does not expect any further credit losses on these investments at this time other than the $33 million other-than-temporary impairment loss recorded at March 31, 2008. However, if delinquency and/or loss rates on mortgages and/or home equity loans continue to increase, and/or there is a rapid decline in residential real estate values, some FHLBanks could experience reduced yields or losses on these investment securities.

At March 31, 2008, the carrying values of the FHLBanks' total private-label residential mortgage-backed securities and home equity loan investments reported on the combined Statement of Condition were $80.2 billion and $2.4 billion. The following table presented at par value is based on classification by the originator at the time of origination. The investment ratings are as of March 31, 2008. Of the total private-label residential mortgage-backed securities and home equity loan investments at par value, prime represented 57.5 percent, Alt-A represented 39.6 percent and subprime represented 2.9 percent. Of the $157.6 billion in mortgage-backed securities investments held by the FHLBanks at March 31, 2008, less than 2 percent were categorized as subprime by the originator at the time of origination.

Private-Label Residential Mortgage-Backed Securities and Home Equity Loans By Year of Securitization at Par Value At March 31, 2008 (Dollar amounts in millions)

	Prime			Alt-A		Subprime				
Year of Securitization	Triple-A	Triple-B	Below Investment Grade	Triple-A	Triple-B	Triple-A	Double-A	Single-A	Triple-B	Unrated
Private-label residential mortgage-backed securities (RMBS):										
2008	$ 994	$	$	$ 893	$	$	$	$	$	$
2007	6,686			9,449						
2006	8,495			6,584						
2005	8,131			10,143						
2004	11,577			2,682						
2003 and prior	11,804	—	—	3,020	—	12	—	—	—	—
Total	47,687	—	—	32,771	—	12	—	—	—	—
Home equity loans:										
2008										
2007						10				
2006				26		884	256	73	55	
2005				7		278				
2004				43	5	7		7		4
2003 and prior	8	1	4			742	82		6	3
Total	8	1	4	76	5	1,921	338	80	61	7
Total private-label RMBS and home equity loans	$47,695	$1	$4	$32,847	$5	$1,933	$338	$80	$61	$7

Many FHLBanks' investment policies require supplemental bond insurance or credit enhancements at a level beyond that required to receive a triple-A credit rating for non-agency mortgage-backed securities. Credit enhancement is defined as the percentage of subordinated tranches and over-collateralization, if any, in a security structure that will absorb losses before the security will take a loss. In many cases, the FHLBanks' private-label residential mortgage-backed securities and home equity loan investments are supported by some level of credit enhancement or supplemental bond insurance.

Unsecured Credit Exposure (Dollar amounts in millions)

	March 31, 2008	December 31, 2007	(Decrease) $	(Decrease) %
Unsecured credit exposure of FHLBanks to counterparties, excluding U.S. government, U.S. government agencies, and instrumentalities(1)	$138,783	$139,895	$(1,112)	(0.8)%
Maturities of unsecured credit exposure:				
Overnight	49.8%	46.4%		
2-30 days	28.9%	27.3%		
31-90 days	19.7%	24.0%		
91-270 days	1.6%	2.3%		

(1) Included in this total at March 31, 2008 is unsecured credit of $4.0 billion to Citibank, N.A. In addition to the unsecured credit exposure included in the table above, Citibank, N.A. had advances totaling $88.5 billion from the FHLBanks of San Francisco, New York and Dallas at March 31, 2008.

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

	March 31, 2008	December 31, 2007	Increase (Decrease) $	Increase (Decrease) %
Federal funds sold	$92,601	$85,818	$ 6,783	7.9%
Commercial paper	4,781	7,197	(2,146)	(33.6)%

At March 31, 2008, the FHLBanks had aggregate unsecured credit exposure of $1 billion or more to each of 48 counterparties. The aggregate unsecured credit exposure to these 48 counterparties represented 83.7 percent of the FHLBanks' unsecured credit exposure to non-government counterparties.

Mortgage Loans Held for Portfolio.

MPF. The FHLBanks' MPF Program uses nine mortgage insurance companies to provide both primary mortgage insurance and supplemental mortgage insurance (SMI) under its various programs. The MPF FHLBanks closely monitor the financial condition of these mortgage insurers. All providers are required to maintain a credit rating of AA- or better by at least one NRSRO and are reviewed at least annually by the individual FHLBank's credit risk committee or more frequently as circumstances warrant. The MPF FHLBanks offering the MPF Program have recently established a set of financial criteria for further monitoring the financial condition of the mortgage insurance companies.

As of April 30, 2008, several of the FHLBanks' mortgage insurance providers have had their external ratings for claims paying ability or insurer financial strength downgraded by one or more NRSROs. Rating downgrades imply an increased risk that these mortgage insurers will fail to fulfill their obligations to reimburse the FHLBanks for claims under insurance policies. If a mortgage insurer fails to fulfill its obligations, the FHLBanks may bear the full loss of the borrower default on the related mortgage loans. To date, downgrades have not had a material effect on the operation of the FHLBanks' MPF Program. The MPF FHLBanks had total credit exposure to Mortgage Guaranty Insurance Corp. (MGIC), their largest mortgage insurer, of $638 million and $699 million as of March 31, 2008 and December 31, 2007. As of April 30, 2008, MGIC remained rated AA by at least one NRSRO. The FHLBanks continue to monitor MGIC's credit quality.

MPP. The FHLBanks' MPP Program also uses mortgage insurance companies to provide SMI, including MGIC. The MPP FHLBanks continue to closely monitor the financial condition of their mortgage insurers. On April 25, 2008, the FHLBank of Seattle exercised its contractual right and notified MGIC of its intent to cancel its policies. The FHLBank of Seattle and all MPP FHLBanks continue to evaluate the need for alternative supplemental insurance on their mortgage loan portfolios. The MPP FHLBanks have either discontinued obtaining coverage on new loans from MGIC, are already using supplemental providers, or are currently reviewing other options that may be available.

The following tables set out the geographic concentration of mortgage loans held for portfolio by the FHLBanks. These tables show the geographic concentration on an aggregated basis for all 12 FHLBanks that purchased or funded loans under the MPF Program and MPP. As a result, the tables do not necessarily reflect the actual geographic concentration with respect to each individual FHLBank.

Geographic Concentration of MPF Program(1)(2)

	March 31, 2008	December 31, 2007
Midwest	34%	33%
Northeast	16%	16%
Southeast	19%	20%
Southwest	16%	16%
West	15%	15%
Total	100%	100%

Geographic Concentration of MPP(1)(2)

	March 31, 2008	December 31, 2007
Midwest	36%	35%
Northeast	12%	12%
Southeast	21%	21%
Southwest	15%	15%
West	16%	17%
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, Puerto Rico, and the U.S. Virgin Islands. No single zip code represented more than one percent of MPF loans outstanding at March 31, 2008. The median size of an MPF loan was approximately $111 thousand at March 31, 2008. The MPF loan statistics have been compiled and obtained from the FHLBank of Chicago and therefore do not reflect the concentration levels and mortgage loan portfolio information at individual MPF FHLBanks.

The FHLBanks' MPP mortgage loans held for portfolio are dispersed across all 50 states, the District of Columbia, and the U.S. Virgin Islands. No single zip code accounted for more than one percent of MPP loans outstanding at March 31, 2008. The median size of an MPP loan was approximately $142 thousand at March 31, 2008. 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.

There were no changes in the weighted-average FICO® scores and weighted-average loan-to-value ratios at origination for MPF loans and MPP loans outstanding from December 31, 2007 to March 31, 2008. The data for both periods is disclosed in the following table:

	MPF	MPP
Weighted-average FICO® score at origination(1)	738	748
Weighted-average loan-to-value at origination	67%	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 ratio 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 credit risk on derivatives depends on the extent to which netting procedures, collateral requirements and other credit enhancements are used to mitigate the risk. At March 31, 2008, five counterparties represented approximately 56 percent of the total notional amount of outstanding derivative transactions and each had a credit rating of single-A or better. At March 31, 2008, two counterparties each represented more than 10 percent of the FHLBanks' net exposure after collateral, with one counterparty representing 12 percent and one counterparty representing 13 percent. None of the remaining counterparties represented more than 10 percent of the FHLBanks' net exposure after collateral. As a result of the interest rate decline from December 31, 2007 to March 31, 2008, both the gross and net credit exposure of the FHLBanks grew, as their net receivable position increased.

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, 2008

Credit Rating *	Notional Amount	Total Net Exposure at Fair Value	Total Net Exposure Collateralized	Net Exposure After Collateral
Triple-A	$ 7,156	$ 22	$	$ 22
Double-A	775,685	3,200	2,707	493
Single-A	228,174	837	750	87
Triple-B	3,618	4		4
Unrated(1)	50			
	1,014,683	4,063	3,457	606
Intermediaries(2)	959	10	10	
Delivery commitments	696	1		1
Total derivatives	$1,016,338	$4,074	$3,467	$607

At December 31, 2007

Credit Rating**	Notional Amount	Total Net Exposure at Fair Value	Total Net Exposure Collateralized	Net Exposure After Collateral
Triple-A	$ 9,606	$ 6	$	$ 6
Double-A	723,157	1,959	1,341	618
Single-A	224,762	436	352	84
Triple-B	9			
Unrated(1)	39			
	957,573	2,401	1,693	708
Intermediaries(2)	1,375	10	10	
Delivery commitments	214	1	1	
Total derivatives	$959,162	$2,412	$1,704	$708

(See notes to these tables on the next page.)

* This chart does not reflect any changes in rating, outlook or watch status occurring after March 31, 2008. The ratings were obtained from S&P, Moody's and/or Fitch.

** This chart does not reflect any changes in rating, outlook or watch status occurring after December 31, 2007. 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 no exposure at March 31, 2008 and December 31, 2007 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 pledged to the FHLBank under a blanket lien or by specific identification, 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, 99.6 percent of the notional amount of the FHLBanks' outstanding interest-rate exchange agreements are with counterparties rated single-A or higher. At March 31, 2008, 30 counterparties represented 99.97 percent of the total notional amount of the FHLBanks' outstanding interest-rate exchange agreements excluding agreements in which the FHLBanks are intermediaries. Approximately 57 percent of these agreements are with 17 counterparties that are rated double-A or higher. Approximately 42 percent of these agreements are with 11 counterparties that are rated single-A. Approximately one percent of these agreements are with two counterparties that are rated triple-B.

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.

RISK FACTORS

This item should be read in conjunction with the risk factors set forth in the Federal Home Loan Banks' 2007 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.")

Some FHLBanks are subject to increased credit and liquidity risk exposures related to mortgage loans that back their MBS investments, and any increased delinquency rates and credit losses could adversely affect the yield on or value of their MBS investments.

In recent months, delinquencies and losses with respect to residential mortgage loans generally have increased, particularly in the subprime sector. In addition, residential property values in many states have declined or remained stable, after extended periods during which those values appreciated. If delinquency and/or default rates on mortgages continue to increase, and/or there is a rapid decline in residential real estate values, some FHLBanks could experience reduced yields or losses on their MBS investments. In addition, the fair value of the related MBS investments may be adversely affected.

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 per share and may be redeemed at its stated par value of \$100 per share upon the request of a member subject to applicable redemption periods as well as certain conditions and limitations. At March 31, 2008, the FHLBanks had 527 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 is an 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 following 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 table.

Top 10 Regulatory Capital Stock Holding Members
at March 31, 2008 (1)
(Dollar amounts in millions)

Name	City	State	Capital Stock
Citibank, N.A.*(2)	Las Vegas	NV	$ 4,964
Washington Mutual Bank*(3)	Henderson	NV	2,783
Countrywide Bank, FSB	Alexandria	VA	2,096
Wachovia Mortgage, FSB*	North Las Vegas	NV	1,516
Bank of America Rhode Island, NA	Providence	RI	1,058
Sovereign Bank*(4)	Reading	PA	950
Wachovia Bank, FSB	Houston	TX	889
U.S. Bank, NA(5)	Cincinnati	OH	834
Hudson City Savings Bank*	Paramus	NJ	744
Washington Mutual Bank FSB*	Salt Lake City	UT	731
			$16,565

* Indicates that an officer or director of the member was an FHLBank director at March 31, 2008.

(1) Includes FHLBank members' capital stock that is considered to be mandatorily redeemable, which is reclassified as a liability in accordance with SFAS 150.

(2) Includes a *de minimis* amount of 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. Also included is a *de minimis* amount of capital stock of the FHLBank of New York.

(3) Includes $15 million in FHLBank of Dallas capital stock from the acquisition of Bank United, a former member of the FHLBank of Dallas and $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.

(4) Includes $44 million in FHLBank of New York capital stock from the acquisition of Independence Community Bank, a former member of the FHLBank of New York and $4 million in FHLBank of Boston capital stock from the acquisition of former members of the FHLBank of Boston.

(5) Includes $11 million in FHLBank of Des Moines capital stock acquired through a merger with a former member of the FHLBank of Des Moines and $4 million in FHLBank of Seattle capital stock acquired through a merger with a former member of the FHLBank of Seattle.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Each FHLBank is a cooperative. The members and former 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
March 31, 2008	5,812	1,196	917	155	8,080
December 31, 2007	5,818	1,198	907	152	8,075

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 capital stock, each with sub-classes. Class A capital stock is redeemable on six months' written notice from a member and Class B capital 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, 2008, is redeemable at the option of a member upon six months' written notice of withdrawal from membership, provided that the FHLBank of Chicago is in compliance with its regulatory capital requirements and the OS Director has approved the redemption. See "Note 4 — Capital" and "Note 6 — Subsequent Events" for discussions of restrictions placed on the redemption of the FHLBank of Chicago's capital stock. If a member withdraws its membership from an FHLBank, it may not acquire shares of any FHLBank for five years after the date on which its divestiture of capital stock is completed. This restriction does not apply if the member is transferring its membership from one FHLBank to another.

During the first three months ended March 31, 2008, one FHLBank member withdrew from membership for reasons other than merger or acquisition and 25 members gave notice of intent to withdraw from membership 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(2)
March 31, 2008	$28.6	$19.5	$2.4	$2.4	$0.9	$53.8
December 31, 2007	26.9	18.8	2.5	2.2	1.0	51.4

(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 these advances.

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

The holdings of commercial bank members at March 31, 2008 represented 53.1 percent of the total regulatory capital stock of the FHLBanks. The regulatory capital stock held by thrift institution members at March 31, 2008 represented 36.3 percent of the total regulatory capital stock of the FHLBanks.

Member Borrowers.

Member Borrowers

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Total
March 31, 2008	4,330	926	441	61	5,758
December 31, 2007	4,253	938	432	52	5,675

The percentage of total members borrowing increased slightly to 71.3 percent at March 31, 2008, as compared to 70.3 percent at December 31, 2007. The 103 borrowers with advance holdings of $1 billion or more at March 31, 2008 held 73.8 percent of total advances. The 101 borrowers with advance holdings of $1 billion or more at December 31, 2007 held 74.2 percent of total advances.

Advances at Par Value
(Dollar amounts in billions)

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Other(1)	Total(2)
March 31, 2008	$472.9	$351.5	$28.5	$31.1	$11.9	$895.9
December 31, 2007	455.5	338.7	32.3	28.7	12.0	867.2

(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 where the surviving institution is a non-member must be repaid before or at maturity.

(2) Total advance amounts are at par value and will not agree to the Statement of Condition. The differences between the par value and book value amounts primarily relate to basis adjustments arising from hedging activities.

The information presented on advances in the following 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 table.

Top 10 Members Holding Advances at Par Value at March 31, 2008 (Dollar amounts in millions)

Name	City	State	Advances(1)	Percentage of Total Advances
Citibank, N.A.*(2)	Las Vegas	NV	$ 88,528	9.9%
Washington Mutual Bank *(3)	Henderson	NV	51,950	5.8%
Countrywide Bank, FSB	Alexandria	VA	46,025	5.1%
Wachovia Mortgage, FSB*	North Las Vegas	NV	31,928	3.6%
Bank of America Rhode Island, NA	Providence	RI	23,751	2.7%
Wachovia Bank, FSB	Houston	TX	21,263	2.4%
U.S. Bank, NA(4)	Cincinnati	OH	19,606	2.2%
Sovereign Bank*(5)	Reading	PA	19,583	2.2%
Hudson City Savings Bank*	Paramus	NJ	15,275	1.7%
Wells Fargo Bank, N.A.	Sioux Falls	SD	15,225	1.7%
			$333,134	37.3%

* An asterisk indicates that an officer or director of the member was an FHLBank director at March 31, 2008.

(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 differences between the par value and book value amounts primarily relate to basis adjustments arising from hedging activities.

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

(3) Includes $368 million in FHLBank of Dallas advances from the acquisition of Bank United, a former member of the FHLBank of Dallas and $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.

(4) Includes $245 million in FHLBank of Des Moines advances acquired through a merger with a former member of the FHLBank of Des Moines and $5 million in FHLBank of Seattle advances from acquisition of former member of the FHLBank of Seattle.

(5) Includes $978 million in FHLBank of New York advances from the acquisition of Independence Community Bank, a former member of the FHLBank of New York and $73 million in FHLBank of Boston advances from the acquisition of former members of the FHLBank of Boston.

Housing Associates. At March 31, 2008, the FHLBanks had $273 million in advances outstanding to 16 housing associates, up from $149 million at year-end 2007. Housing associates eligible to borrow include 43 state housing finance agencies, 9 county housing finance agencies, 3 city housing authorities, 3 housing development corporations, 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 its members. The FHLBanks conduct their advances and mortgage loan business almost exclusively with members. As a result, in the normal course of business, the FHLBanks regularly extend credit to members whose officers and/or directors may serve as directors of the FHLBanks. This credit is extended on market terms that are no more favorable to these "related" members than comparable transactions with other members of the same FHLBank. As of March 31, 2008, the FHLBanks had $261.4 billion of advances outstanding to members whose officers and/or directors were serving as directors of the FHLBanks. This represents 29.2 percent of total advances at par value at that date.

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