FEDERAL HOME LOAN BANKS

Quarterly Combined Financial Report
For the Six Months Ended June 30, 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 Agency, 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 June 30, 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, Chief Accounting Officer & 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, 1818 Library Street, Suite 200, 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 June 30, 2008.

The date of this Combined Financial Report is August 13, 2008.

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

EXPLANATORY STATEMENT ABOUT FHLBANKS COMBINED FINANCIAL REPORT

The Federal Home Loan Banks Office of Finance (Office of Finance) assumed responsibility for the preparation of the combined financial reports of the Federal Home Loan Banks (FHLBanks) in 2001, which previously had been prepared by the Federal Housing Finance Board (Finance Board), the former regulator of the FHLBanks. The Office of Finance does not have the same access to information about the FHLBanks as the Finance Board had, or the new regulator (the Federal Housing Finance Agency (Finance Agency)) has, in its capacity as regulator (the Regulator) of the FHLBanks. See "Notes to Combined Financial Statements (Unaudited)—Background Information" for more information regarding the change in the FHLBanks' regulator. 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 Regulator, 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

Each FHLBank provides information on its operations on an ongoing basis.

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 each FHLBank 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 the web site addresses and the identification of available information above are provided 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)

	June 30, 2008	December 31, 2007
ASSETS		
Cash and due from banks	$ 270	$ 320
Interest-bearing deposits	53,017	46,642
Securities purchased under agreements to resell	300	800
Federal funds sold	89,354	85,818
Trading securities	8,948	6,809
Available-for-sale securities	10,502	5,813
Held-to-maturity securities	172,302	151,176
Advances (Includes $22,497 at fair value under fair value option at June 30, 2008)	913,897	875,061
Mortgage loans held for portfolio	89,140	91,618
Less: allowance for credit losses on mortgage loans	8	8
Mortgage loans held for portfolio, net	89,132	91,610
Accrued interest receivable	4,358	5,614
Premises, software, and equipment, net	202	208
Derivative assets	1,285	1,306
Other assets	692	623
Total assets	$1,344,259	$1,271,800
LIABILITIES		
Deposits:		
Interest-bearing:		
Demand and overnight	$ 19,265	$ 19,912
Term	628	749
Other	26	24
Total interest-bearing	19,919	20,685
Non-interest-bearing:		
Demand and overnight	67	84
Other	141	124
Total non-interest-bearing	208	208
Total deposits	20,127	20,893
Borrowings:		
Securities sold under agreements to repurchase	1,200	1,400
Other	185	100
Total borrowings	1,385	1,500
Consolidated obligations, net:		
Discount notes	378,556	376,342
Bonds (Includes $26,406 at fair value under fair value option at June 30, 2008)	871,148	802,574
Total consolidated obligations, net	1,249,704	1,178,916
Mandatorily redeemable capital stock	1,236	1,107
Accrued interest payable	6,963	8,187
Affordable Housing Program	943	893
Payable to REFCORP	196	212
Derivative liabilities	4,251	3,789
Other liabilities	1,822	1,706
Subordinated notes	1,000	1,000
Total liabilities	1,287,627	1,218,203
CAPITAL		
Capital Stock:		
Capital stock Class B putable ($100 par value per share) issued and outstanding	49,827	46,701
Capital stock Class A putable ($100 par value per share) issued and outstanding	873	891
Capital stock Pre-conversion ($100 par value per share) issued and outstanding	2,548	2,661
Total capital stock	53,248	50,253
Retained earnings	3,838	3,689
Accumulated other comprehensive income:		
Net unrealized losses on available-for-sale securities	(214)	(41)
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities	(99)	(138)
Net unrealized losses relating to hedging activities	(113)	(137)
Pension and postretirement benefits	(28)	(29)
Total capital	56,632	53,597
Total liabilities and capital	$1,344,259	$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 June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
INTEREST INCOME				
Advances	$ 6,716	$ 8,398	$15,790	$16,820
Prepayment fees on advances, net	26	8	67	16
Interest-bearing deposits	325	495	832	952
Securities purchased under agreements to resell	5	39	22	93
Federal funds sold	469	1,211	1,160	2,262
Trading securities	109	82	207	163
Available-for-sale securities	78	96	142	174
Held-to-maturity securities	1,836	1,746	3,665	3,521
Mortgage loans held for portfolio	1,133	1,224	2,286	2,462
Other	1	1	2	2
Total interest income	10,698	13,300	24,173	26,465
INTEREST EXPENSE				
Consolidated obligations - Discount notes	2,266	2,000	5,615	4,062
Consolidated obligations - Bonds	6,932	9,921	15,638	19,708
Deposits	113	262	290	489
Securities sold under agreements to repurchase	12	40	33	77
Subordinated notes	15	15	29	29
Mandatorily redeemable capital stock	15	12	28	25
Other borrowings	1	1	1	1
Total interest expense	9,354	12,251	21,634	24,391
NET INTEREST INCOME	1,344	1,049	2,539	2,074
Provision for credit losses	2		3	2
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	1,342	1,049	2,536	2,072
OTHER (LOSS) INCOME				
Service fees	10	8	17	15
Net losses on trading securities	(266)	(99)	(132)	(90)
Net realized gains from sale of available-for-sale securities	3		3	
Net realized losses on held-to-maturity securities	(28)	(1)	(61)	(4)
Net (losses) gains on instruments held at fair value	(228)		46	
Net gains (losses) on derivatives and hedging activities	364	83	(20)	78
Other, net	6	8	(5)	12
Total other (loss) income	(139)	(1)	(152)	11
OTHER EXPENSE				
Operating	178	173	359	344
Finance Board	10	8	20	17
Office of Finance	8	4	16	13
Other, net	4	7	5	9
Total other expense	200	192	400	383
INCOME BEFORE ASSESSMENTS	1,003	856	1,984	1,700
Affordable Housing Program	87	71	176	141
REFCORP	198	157	393	310
Total assessments	285	228	569	451
NET INCOME	$ 718	$ 628	$ 1,415	$ 1,249

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

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 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	86	8,606		5		57	86	8,668			8,668
Repurchase/redemption of capital stock	(87)	(8,603)					(87)	(8,603)			(8,603)
Net shares reclassified to mandatorily redeemable capital stock	(10)	(951)		(45)		(7)	(10)	(1,003)			(1,003)
Comprehensive income:											
Net income									1,249		1,249
Other comprehensive income:											
Net unrealized gains on available-for-sale securities										1	1
Reclassification adjustment for losses (gains) included in net income relating to available-for-sale securities											
Net unrealized losses relating to hedging activities										(8)	(8)
Reclassification adjustment for losses included in net income relating to hedging activities										2	2
Pension and postretirement benefits										(1)	(1)
Total comprehensive income											1,243
Transfer between Class B and Class A shares	(1)	(118)	1	118							
Dividends on capital stock:											
Cash									(722)		(722)
Stock	5	364					5	364	(364)		
BALANCE, JUNE 30, 2007	382	$38,180	6	$610	26	$2,637	414	$41,427	$3,307	$(165)	$44,569

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

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CAPITAL (continued)
FOR THE SIX MONTHS ENDED JUNE 30, 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	144	14,483	4	367		52	148	14,902			14,902
Repurchase/redemption of capital stock	(109)	(10,816)	(3)	(334)			(112)	(11,150)			(11,150)
Net shares reclassified to mandatorily redeemable capital stock	(12)	(1,106)		(75)	(2)	(165)	(14)	(1,346)			(1,346)
Comprehensive income:											
Net income									1,415		1,415
Other comprehensive income:											
Net unrealized losses on available-for-sale securities										(170)	(170)
Reclassification adjustment for gains included in net income relating to available-for-sale securities										(3)	(3)
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										39	39
Net unrealized gains relating to hedging activities										3	3
Reclassification adjustment for losses included in net income relating to hedging activities										21	21
Pension and postretirement benefits										1	1
Total comprehensive income											1,306
Transfer between Class B and Class A shares		(24)		24							
Dividends on capital stock:											
Cash									(693)		(693)
Stock	6	589					6	589	(589)		
BALANCE, JUNE 30, 2008	497	$ 49,827	10	$ 873	25	$2,548	532	$ 53,248	$3,838	$(454)	$ 56,632

* 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 Six Months Ended June 30,	
	2008	2007
OPERATING ACTIVITIES		
Net income	$ 1,415	$ 1,249
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	(577)	162
Change in net fair value adjustment on derivative and hedging activities	(38)	(665)
Other adjustments	89	14
Net change in fair value adjustments on trading securities	177	81
Change in fair value adjustments on financial instruments held at fair value	(46)	
Net change in:		
Accrued interest receivable	1,179	122
Other assets	(83)	(13)
Accrued interest payable	(1,165)	247
Other liabilities	73	(1)
Total adjustments	(391)	(53)
Net cash provided by operating activities	1,024	1,196
INVESTING ACTIVITIES		
Net change in:		
Interest-bearing deposits	(6,302)	(2,952)
Securities purchased under agreements to resell	500	1,700
Federal funds sold	(3,535)	(23,318)
Premises, software and equipment	(21)	(16)
Trading securities:		
Proceeds	1,293	278
Purchases	(3,601)	(263)
Available-for-sale securities:		
Proceeds	3,268	39,675
Purchases	(8,160)	(41,584)
Held-to-maturity securities:		
Net decrease (increase) in short-term	422	(2,401)
Proceeds from long-term	13,876	14,808
Purchases of long-term	(35,305)	(10,207)
Advances:		
Proceeds	4,500,762	3,506,766
Made	(4,539,969)	(3,507,309)
Mortgage loans held for portfolio:		
Principal collected	7,053	6,275
Purchases	(4,639)	(2,802)
Proceeds from sales of foreclosed assets	20	30
Principal collected on other loans	1	1
Net cash used in investing activities	(74,337)	(21,319)

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 Six Months Ended June 30, 2008	2007
FINANCING ACTIVITIES		
Net change in:		
Deposits and pass-through reserves	$ (617)	$ 2,121
Borrowings	(116)	32
Net proceeds on derivative contracts with financing element	250	
Net proceeds from issuance of consolidated obligations:		
Discount notes	6,312,151	3,859,789
Bonds	386,534	235,471
Payments for maturing and retiring consolidated obligations:		
Discount notes	(6,309,204)	(3,853,797)
Bonds	(317,566)	(221,565)
Proceeds from issuance of capital stock	14,902	8,668
Payments for redemption of mandatorily redeemable capital stock	(1,228)	(1,221)
Payments for repurchase/redemption of capital stock	(11,150)	(8,603)
Cash dividends paid	(693)	(723)
Net cash provided by financing activities	73,263	20,172
Net (decrease) increase in cash and cash equivalents	(50)	49
Cash and cash equivalents at beginning of the period	320	330
Cash and cash equivalents at end of the period	$ 270	$ 379
Supplemental Disclosures:		
Interest paid	$ 22,795	$ 22,987
AHP payments, net	$ 127	$ 109
REFCORP assessments paid	$ 407	$ 319
Transfers of mortgage loans to real estate owned	$ 46	$ 38

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, supervised and regulated the FHLBanks and the Federal Home Loan Banks' Office of Finance (Office of Finance) through July 29, 2008. With the passage of the "Housing and Economic Recovery Act of 2008" (the Housing Act), a newly-established, independent Federal agency regulator, the Federal Housing Finance Agency (Finance Agency) became the new Federal regulator (the Regulator) of the FHLBanks, effective July 30, 2008. The Finance Board will be abolished one year after the date of enactment of the Housing Act. During the one-year transition period, the Finance Board will be responsible for winding up its affairs. 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 Regulator's principal purpose is to ensure that the FHLBanks operate in a safe and sound manner. In addition, the Regulator 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 Regulator 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, and applicable regulations, 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. Certain FHLBanks also use these funds to purchase loans from members through their respective FHLBank's Mortgage Purchase Program (MPP) or the Mortgage Partnership Finance (MPF®)(1) Program. In addition, some FHLBanks offer their member institutions correspondent services, such as wire transfer, security safekeeping, and settlement services.

Note 1—Summary of Significant Accounting Policies

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

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

assumed by another FHLBank and 2) purchases of bonds—consolidated obligations issued on behalf of one FHLBank and purchased by another FHLBank in the open market.

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

Second Quarter 2008 Error Correction by the FHLBank of New York. During the second quarter of 2008, the FHLBank of New York discovered an error in its first quarter of 2008 financial statements related to the amortization of basis adjustments recorded on certain bonds qualifying for hedge accounting under SFAS 133. This error was not material to the financial statements for the periods reported and it was corrected in the second quarter of 2008. This error resulted in a $6.5 million overstatement of net income for the first quarter of 2008 on an after-assessment basis ($8.8 million overstatement on a pre-assessment basis).

Second Quarter 2008 Error Correction by the FHLBank of Seattle. During the second quarter of 2008, the FHLBank of Seattle identified and corrected the effect of an error in the manner in which it accounts for basis adjustments when differences exist at inception of benchmark fair value hedges between the initial calculation of the present value of future cash flows and the carrying value of certain consolidated obligation bonds and advances pursuant to its application of SFAS 133. Under the FHLBank of Seattle's prior approach, it inappropriately excluded the natural amortization of the initial difference between the fair value and carrying value of a limited number of consolidated obligations and advances at inception of the benchmark fair value hedges. The FHLBank of Seattle assessed the effect of this error on all prior periods and determined that the error, which began occurring in the second quarter of 2006, did not result in a material misstatement to any previously issued financial statements. A cumulative out-of-period adjustment in the amount of $5.4 million, representing an increase to net income before assessments, was recorded and was not considered material to the annual results for the year ended December 31, 2008. Consequently, the FHLBank of Seattle recorded the adjustment during the quarter ended June 30, 2008, rather than restate its previously issued financial statements.

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 and six months ended June 30, 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 of 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 corrected 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 second 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 decrease in trading securities of $96 million for the six months ended June 30, 2007, as previously reported, has been reclassified as a decrease in net change in fair value adjustment on trading securities of $81 million in the net cash provided by operating activities section and trading securities proceeds of $278 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 and six months ended June 30, 2007 was approximately $1 million or less 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 adoption of SFAS 157 at January 1, 2008 did not have a material effect on 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 10—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 statement 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 10—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 Derivatives Implementation Group (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—Trading Securities

Major Security Types. Trading securities, excluding interbank holdings of consolidated obligations totaling $618 million and $522 million at June 30, 2008 and December 31, 2007, were as follows (dollar amounts in millions):

	June 30, 2008 Estimated Fair Value	December 31, 2007 Estimated Fair Value
Government-sponsored enterprises*	$7,958	$5,717
State or local housing agency obligations	59	60
Other	11	11
	8,028	5,788
Mortgage-backed securities:		
Other U.S. obligations**	67	74
Government-sponsored enterprises***	835	912
Other****	18	35
	920	1,021
Total	$8,948	$6,809

* Primarily consists of debt securities issued or guaranteed by Federal Home Loan Mortgage Corporation (Freddie Mac) and/or Federal National Mortgage Association (Fannie Mae), which are not obligations of the U.S. Government.

** Primarily consists of Government National Mortgage Association (Ginnie Mae) 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.

Note 4—Available-for-Sale Securities

Major Security Types. Available-for-sale securities, excluding interbank holdings of consolidated obligations totaling $42 million at both June 30, 2008 and December 31, 2007, were as follows (dollar amounts in millions):

	June 30, 2008			
	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government-sponsored enterprises*	$ 1,864	$ 7	$ (46)	$ 1,825
Other	409		(6)	403
	2,273	7	(52)	2,228
Mortgage-backed securities:				
Government-sponsored enterprises**	8,142	9	(99)	8,052
Other***	328		(106)	222
	8,470	9	(205)	8,274
Total	$10,743	$16	$(257)	$10,502

	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/or hedging.

* Primarily consists of debt securities issued or guaranteed by Freddie Mac, 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.

Each FHLBank evaluates its individual available-for-sale investment securities holdings for other-than-temporary impairment on at least a quarterly basis. As part of this process, an FHLBank considers its ability and intent to hold each security for a sufficient time to allow for any anticipated recovery of unrealized losses. To determine which individual securities are at risk for other-than-temporary impairment, an FHLBank considers various characteristics of each security including, but not limited to, the following: the credit rating and related outlook or status; the underlying type of collateral; the duration and level of the unrealized loss; any credit enhancements or insurance; and certain other collateral-related characteristics such as FICO credit scores, delinquency rates and the security's performance. The relative importance of this information varies based on the facts and circumstances surrounding each security, as well as the economic environment at the time of assessment. As a result of this security-level review, an FHLBank identifies individual securities believed to be at risk for other-than-temporary impairment, which are evaluated further by analyzing the performance of the security. Securities with weaker performance measures are evaluated by estimating projected cash flows based on the structure of the security and certain assumptions, such as default rates and loss severity, to determine whether the FHLBank expects to receive the contractual cash flows to which it is entitled. As a result of these evaluations and each FHLBank's ability and intent to hold such securities through the recovery of the unrealized losses, each FHLBank's management believes that it is probable that it will be able to collect all amounts due according to the contractual terms of the individual securities and does not consider its respective investments to be other-than-temporarily impaired at June 30, 2008.

Note 5—Held-to-Maturity Securities

Major Security Types. Held-to-maturity securities, excluding interbank holdings of consolidated obligations totaling $2.5 billion at December 31, 2007, were as follows (dollar amounts in millions). The FHLBanks did not have held-to-maturity interbank holdings of consolidated obligations at June 30, 2008.

	June 30, 2008			
	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	$ 6,863	$ 4	$	$ 6,867
Other U.S. obligations*	765	3	(2)	766
Government-sponsored enterprises**	2,226	37	(12)	2,251
State or local housing agency obligations	2,917	22	(56)	2,883
Other	9			9
	12,780	66	(70)	12,776
Mortgage-backed securities:				
Other U.S. obligations*	313	2	(2)	313
Government-sponsored enterprises***	77,860	368	(746)	77,482
Other****	81,349	22	(8,384)	72,987
	159,522	392	(9,132)	150,782
Total	$172,302	$458	$(9,202)	$163,558

	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/or previous other-than-temporary impairments.

* Primarily consists of 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 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.

Each FHLBank evaluates its individual held-to-maturity investment securities holdings for other-than-temporary impairment on at least a quarterly basis. As part of this process, an FHLBank considers its ability and intent to hold each security for a sufficient time to allow for any anticipated recovery of unrealized losses. To determine which individual securities are at risk for other-than-temporary impairment, an FHLBank considers various characteristics of each security including, but not limited to, the following: the credit rating and related outlook or status; the underlying type of collateral; the duration and level of the unrealized loss; any credit enhancements or insurance; and certain other collateral-related characteristics such as FICO credit scores, delinquency rates and the security's performance. The relative importance of this information varies based on the facts and circumstances surrounding each security, as well as the economic environment at the time of assessment. As a result of this security-level review, an FHLBank identifies individual securities believed to be at risk for other-than-temporary impairment, which are evaluated further by analyzing the performance of the security. Securities with weaker performance measures are evaluated by estimating projected cash flows based on the structure of the security and certain assumptions, such as default rates and loss severity, to determine whether the FHLBank expects to receive the contractual cash flows to which it is entitled. As a result of its evaluations, the FHLBank of Chicago recognized other-than-temporary impairment losses related to mortgage-backed securities (also referred to as MBS) instruments in its held-to-maturity portfolio, as further described later in this footnote. The remaining 11 FHLBanks have the ability and intent to hold such securities through the recovery of the unrealized losses and the management of each of these 11 FHLBanks believes that it is probable that it will be able to collect all amounts due according to the contractual terms of the individual securities and does not consider its respective investments to be other-than-temporarily impaired at June 30, 2008.

The FHLBank of Chicago's held-to-maturity securities portfolio at June 30, 2008 included \$4.2 billion of private issue mortgage-backed securities classified in this report as private-label residential MBS (\$2.8 billion) and MBS backed by home equity loan investments (\$1.4 billion). The majority of underlying mortgages collateralizing these securities were considered subprime or non-traditional. This portfolio had gross unrealized losses of \$348 million at June 30, 2008. The FHLBank of Chicago performed an impairment analysis of this portfolio at June 30, 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 \$30 million and \$63 million in the three and six months ended June 30, 2008 related to MBS instruments in its held-to-maturity portfolio, which is reported in the Statement of Income as "Net realized losses on held-to-maturity securities." The securities impaired in the second quarter of 2008 had a fair value of \$94 million at June 30, 2008.

The FHLBank of Chicago's held-to-maturity portfolio had gross unrealized losses of \$419 million at June 30, 2008. This amount does not include unrealized losses on securities transferred from the FHLBank of Chicago's available-for-sale securities portfolio on December 27, 2007, because the transfer was recorded at fair value. At that time, a \$138 million unrealized loss was recorded in accumulated other comprehensive income (OCI) and is being amortized over the remaining life of the securities as a yield adjustment, offset by the interest income accretion related to the discount on the transferred securities. However, OCI on these securities is recognized immediately into earnings if an impairment charge is realized. In the second quarter and first six months of 2008, the FHLBank of Chicago recognized \$9 million and \$22 million from OCI into realized losses on held-to-maturity securities due to other-than-temporary impairment. Net of these impairment charges and amortization, the remaining balance in OCI at June 30, 2008 on these transferred securities was \$99 million.

The remainder of the FHLBank of Chicago's held-to-maturity securities portfolio has experienced unrealized losses and a decrease in fair value due to interest rate volatility, illiquidity in the marketplace, and credit deterioration in the U.S. mortgage markets. However, the decline 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 FHLBanks of New York, Topeka and Seattle each sold securities out of its held-to-maturity securities portfolio during the six months ended June 30, 2008 that were either within three months of maturity or had less than 15 percent of the acquired principal outstanding at the time of the sale. The FHLBanks of Des Moines, Topeka and Seattle each sold securities out of its held-to-maturity securities portfolio during the six months ended June 30, 2007. In accordance with SFAS 115, such sales are considered as maturities for the purposes of security classification. The FHLBanks of New York and Seattle each recognized a net gain of $1 million and the FHLBank of Topeka recognized a net loss of less than $1 million on the sale of held-to-maturity securities during the six months ended June 30, 2008. The FHLBank of Des Moines recognized a net gain of less than $1 million; the FHLBank of Topeka recognized a net loss of $1 million and the FHLBank of Seattle recognized a net loss of $4 million in other income on the sale of held-to-maturity securities during the six months ended June 30, 2007. The FHLBank of Atlanta recognized a gain of less than $1 million during the six months ended June 30, 2008 on a state and local housing agency bond that was redeemed by the issuer.

Note 6—Advances

Redemption Terms. At June 30, 2008 and December 31, 2007, the FHLBanks had advances outstanding as summarized below (dollar amounts in millions).

	June 30, 2008		December 31, 2007	
Redemption Term	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Overdrawn demand and overnight deposit accounts	$ 28		$ 86	
Due in 1 year or less	353,719	2.87%	288,696	4.51%
Due after 1 year through 2 years	162,804	3.71%	174,061	4.82%
Due after 2 years through 3 years	111,359	4.00%	124,529	4.96%
Due after 3 years through 4 years	56,731	3.86%	82,819	5.10%
Due after 4 years through 5 years	73,666	3.58%	67,280	4.86%
Thereafter	144,596	3.92%	126,363	4.57%
Index amortizing advances	3,575	4.63%	3,415	4.71%
Total par value	906,478	3.45%	867,249	4.73%
Commitment fees	(5)		(4)	
Discount on AHP advances	(68)		(68)	
Premiums	25		30	
Discounts	(48)		(63)	
SFAS 133 hedging adjustments	7,212		7,917	
SFAS 159 valuation adjustments	303			
Total	$913,897		$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).

The FHLBanks offer advances to members that may be prepaid on pertinent dates (call dates) without incurring prepayment or termination fees (callable advances). Other advances may only be prepaid by paying a fee to the FHLBank (prepayment fee) that makes the FHLBank financially indifferent to the prepayment of the advance. At June 30, 2008 and December 31, 2007, the FHLBanks had callable advances of $39,600 million and $34,270 million.

The following table summarizes advances at June 30, 2008 and December 31, 2007, by year of contractual maturity or next call date for callable advances (dollar amounts in millions):

	June 30, 2008	Percentage of Total	December 31, 2007	Percentage of Total
Overdrawn demand and overnight deposit accounts	$ 28	0.0%	$ 86	0.0%
Due in 1 year or less	385,826	42.6%	316,830	36.6%
Due after 1 year through 2 years	157,029	17.3%	169,570	19.6%
Due after 2 years through 3 years	106,936	11.8%	121,340	14.0%
Due after 3 years through 4 years	53,553	5.9%	78,372	9.0%
Due after 4 years through 5 years	67,252	7.4%	62,813	7.2%
Thereafter	132,279	14.6%	114,823	13.2%
Index amortizing advances	3,575	0.4%	3,415	0.4%
Total par value	$906,478	100.0%	$867,249	100.0%

The FHLBanks also offer putable and convertible advances. With a putable advance, an FHLBank has the right to terminate the advance at predetermined exercise dates, which the FHLBank typically would exercise when interest rates increase, and the borrower may then apply for a new advance at the prevailing market rate. At June 30, 2008 and December 31, 2007, the FHLBanks had putable advances outstanding totaling $92,988 million and $82,845 million.

Convertible advances allow the FHLBanks to convert the fixed-rate advance to a variable-rate advance at the current market rate or another structure after an agreed-upon lockout period. At June 30, 2008 and December 31, 2007, the FHLBanks had convertible advances outstanding totaling $50,304 million and $49,055 million.

The following table summarizes advances at June 30, 2008 and December 31, 2007, by year of contractual maturity or next put/convert date for putable/convertible advances (dollar amounts in millions):

	June 30, 2008	Percentage of Total	December 31, 2007	Percentage of Total
Overdrawn demand and overnight deposit accounts	$ 28	0.0%	$ 86	0.0%
Due in 1 year or less	450,920	49.7%	376,111	43.3%
Due after 1 year through 2 years	173,247	19.1%	190,760	22.0%
Due after 2 years through 3 years	109,312	12.1%	116,883	13.5%
Due after 3 years through 4 years	51,096	5.6%	78,721	9.1%
Due after 4 years through 5 years	56,703	6.3%	49,378	5.7%
Thereafter	61,597	6.8%	51,895	6.0%
Index amortizing advances	3,575	0.4%	3,415	0.4%
Total par value	$906,478	100.0%	$867,249	100.0%

Interest-Rate Payment Terms. The following table details additional interest-rate payment terms for advances at June 30, 2008 and December 31, 2007 (dollar amounts in millions):

	June 30, 2008		December 31, 2007	
	Amount	Percentage of Total	Amount	Percentage of Total
Par amount of advances				
Fixed-rate	$593,907	65.5%	$565,805	65.2%
Variable-rate	312,571	34.5%	301,444	34.8%
Total	$906,478	100.0%	$867,249	100.0%

Note 7—Mortgage Loans Held for Portfolio

Under two programs, the FHLBanks hold single-family mortgage loans that are funded through, or credit-enhanced by, and serviced by members. The Finance Board previously authorized different and much smaller mortgage loan purchase programs not confined to single-family mortgage loans at the FHLBanks of New York and Atlanta.

The following table presents information at June 30, 2008 and December 31, 2007 on mortgage loans held by all FHLBanks under all programs (dollar amounts in millions):

	June 30, 2008	Percentage of Total	December 31, 2007	Percentage of Total	(Decrease) Increase	
					$	%
Real Estate:						
Fixed-rate, medium-term* single-family mortgages	$22,303	25.2%	$23,280	25.6%	$ (977)	(4.2)%
Fixed-rate, long-term single-family mortgages	66,385	74.8%	67,848	74.4%	(1,463)	(2.2)%
Multifamily mortgages	27	0.0%	27	0.0%		0.0%
	88,715	100.0%	91,155	100.0%	(2,440)	(2.7)%
Premiums	563		596		(33)	(5.5)%
Discounts	(277)		(285)		8	2.8%
Deferred loan costs, net	34		37		(3)	(8.1)%
SFAS 133 hedging adjustments	105		115		(10)	(8.7)%
Total mortgage loans held for portfolio	$89,140		$91,618		$(2,478)	(2.7)%

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

The following table details the par value of mortgage loans held for portfolio outstanding at June 30, 2008 and December 31, 2007 (dollar amounts in millions):

	June 30, 2008	Percentage of Total	December 31, 2007	Percentage of Total	Decrease	
					$	%
Conventional loans	$80,246	90.5%	$82,252	90.2%	$(2,006)	(2.4)%
Government-guaranteed or -insured loans	8,465	9.5%	8,899	9.8%	(434)	(4.9)%
Other loans	4	0.0%	4	0.0%		0.0%
Total par value	$88,715	100.0%	$91,155	100.0%	$(2,440)	(2.7)%

The allowances for credit losses on mortgage loans were as follows (dollar amounts in millions):

	June 30, 2008	December 31, 2007
Balance, beginning of period	$ 8	$7
Charge-offs	(1)	
Provision for credit losses	1	1
Balance, end of period	$ 8	$8

Note 8—Consolidated Obligations

General. Consolidated obligations consist of consolidated bonds and discount notes and as provided by the FHLBank Act or Finance Board regulation, are backed only by the financial resources of the FHLBanks. The FHLBanks issue consolidated obligations through the Office of Finance as their agent. In connection with each debt issuance, each FHLBank specifies the amount of debt it wants issued on its behalf. The Office of Finance tracks the amount of debt issued on behalf of each FHLBank. In addition, each FHLBank separately tracks and records as a liability its specific portion of consolidated obligations for which it is the primary obligor.

The Finance Board and the U.S. Secretary of the Treasury have oversight over the issuance of FHLBank debt through the Office of Finance. Consolidated bonds are issued primarily to raise intermediate and long-term funds for the FHLBanks and are not subject to any statutory or regulatory limits on their maturity. Consolidated discount notes are issued primarily to raise short-term funds. These notes sell at less than their face amount and are redeemed at par value when they mature.

Redemption Terms. The following is a summary of the FHLBanks' consolidated bonds outstanding, excluding interbank holdings of $623 million and $3.1 billion at June 30, 2008 and December 31, 2007, by year of contractual maturity (dollar amounts in millions):

	June 30, 2008		December 31, 2007	
Year of Contractual Maturity	Amount	Weighted - Average Interest Rate	Amount	Weighted - Average Interest Rate
Due in 1 year or less	$361,723	3.22%	$287,781	4.51%
Due after 1 year through 2 years	185,528	3.42%	176,493	4.71%
Due after 2 years through 3 years	77,666	4.09%	82,969	4.67%
Due after 3 years through 4 years	48,538	4.82%	49,500	5.02%
Due after 4 years through 5 years	60,029	4.40%	51,812	5.08%
Thereafter	133,750	5.14%	151,887	5.10%
Index amortizing notes	7,948	5.01%	7,835	5.02%
Total par value	875,182	3.82%	808,277	4.75%
Premiums	486		395	
Discounts	(6,764)		(8,894)	
SFAS 133 hedging adjustments	2,251		2,801	
SFAS 159 valuation adjustments	(2)			
Subtotal	871,153		802,579	
Bonds held in treasury	(5)		(5)	
Total	$871,148		$802,574	

The FHLBanks' consolidated bonds outstanding included (dollar amounts in millions):

Par amount of consolidated bonds	June 30, 2008	December 31, 2007
Noncallable/nonputable	$657,728	$496,085
Callable	217,454	312,192
Total par value	$875,182	$808,277

The following table summarizes consolidated bonds outstanding at June 30, 2008 and December 31, 2007 by year of contractual maturity or next call date (dollar amounts in millions):

Year of Contractual Maturity or Next Call Date	June 30, 2008	December 31, 2007
Due in 1 year or less	$507,084	$489,504
Due after 1 year through 2 years	189,277	149,459
Due after 2 years through 3 years	61,630	55,577
Due after 3 years through 4 years	25,188	27,096
Due after 4 years through 5 years	24,652	17,549
Thereafter	59,403	61,257
Index amortizing notes	7,948	7,835
Total par value	$875,182	$808,277

Note 9—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 June 30, 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 June 30, 2008, all of the FHLBanks were in compliance with their risk-based capital requirements as follows (dollar amounts in millions):

Regulatory Capital Requirements

		At June 30, 2008				
FHLBank*	Minimum Regulatory Capital Ratio Requirement	Minimum Regulatory Capital Requirement	Actual Capital Ratio	Total Regulatory Capital (1)	Permanent Capital (2)	Required Risk-Based Capital
Boston	4.0%	$ 3,373	4.4%	$ 3,726	$ 3,726	$ 775
New York	4.0%	4,724	4.7%	5,503	5,502	796
Pittsburgh	4.0%	3,943	4.4%	4,333	4,322	1,200
Atlanta	4.0%	7,730	4.3%	8,338	8,338	1,475
Cincinnati	4.0%	3,801	4.5%	4,277	4,277	585
Indianapolis	4.0%	2,399	4.3%	2,578	2,578	522
Des Moines	4.0%	2,834	4.9%	3,447	3,447	566
Dallas	4.0%	3,049	4.4%	3,369	3,369	563
Topeka	4.0%	2,437	4.2%	2,562	1,971	759
San Francisco	4.0%	13,139	4.3%	14,258	14,258	3,214
Seattle	4.0%	2,657	4.1%	2,739	2,422	1,609

		At June 30, 2008		
FHLBank*	Minimum Leverage Ratio Requirement	Minimum Weighted Leverage Capital Requirement	Actual Leverage Ratio	Actual Weighted Leverage Capital
Boston	5.0%	$ 4,216	6.6%	$ 5,589
New York	5.0%	5,905	7.0%	8,254
Pittsburgh	5.0%	4,928	6.6%	6,494
Atlanta	5.0%	9,662	6.5%	12,507
Cincinnati	5.0%	4,751	6.8%	6,415
Indianapolis	5.0%	2,998	6.4%	3,866
Des Moines	5.0%	3,542	7.3%	5,171
Dallas	5.0%	3,811	6.6%	5,053
Topeka	5.0%	3,046	5.8%	3,547
San Francisco	5.0%	16,424	6.5%	21,387
Seattle	5.0%	3,322	6.0%	3,950

* Excludes the FHLBank of Chicago, which had not implemented a new capital plan as of June 30, 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). On July 24, 2008, the Finance Board amended the C&D Order to allow the FHLBank of Chicago to redeem a member's capital stock purchased on or after that date to support increased levels of borrowing through advances once such advances are repaid, subject to the conditions discussed in "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Legislative and Regulatory Developments—FHLBank of Chicago Consent Cease and Desist Order (C&D Order)."

As of June 30, 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 June 30, 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%	$4,177	4.56%	4,235

(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 June 30, 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 billion. At June 30, 2008, the FHLBank of Chicago had an aggregate amount of $3.728 billion of regulatory capital stock plus the designated amount of subordinated notes.

Note 10—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 entity 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. To date, the FHLBank of San Francisco is the only FHLBank that elected the fair value option for certain financial assets and financial liabilities.

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 financial 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 an open exchange market, investments such as U.S. Treasury securities and publicly-traded mutual funds.

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 are supported by little or no market activity and reflect 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 June 30, 2008 (dollar amounts in millions):

	Fair Value Measurements at June 30, 2008				
	Total	Level 1	Level 2	Level 3	Netting Adjustments (1)
Assets					
Trading securities	$ 8,948	$10	$ 8,938	$	$
Available-for-sale securities	10,502		10,377	125	
Advances (2)	26,361		26,361		
Derivative assets	1,285	1	5,485	19	(4,220)
Total assets at fair value	$ 47,096	$11	$ 51,161	$144	$(4,220)
Liabilities					
Consolidated obligations - bonds (3)	$(29,538)	$	$(29,470)	$ (68)	$
Derivative liabilities	(4,251)	(3)	(8,596)		4,348
Total liabilities at fair value	$(33,789)	$ (3)	$(38,066)	$ (68)	$ 4,348

(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 $22,497 million of advances recorded under the fair value option in accordance with SFAS 159 and $3,864 million of advances recorded at fair value in accordance with SFAS 133.

(3) Includes $26,406 million of consolidated obligations - bonds recorded under the fair value option in accordance with SFAS 159 and $3,132 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 six months ended June 30, 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 (losses) gains on changes in fair value		(1)	1
Included in other comprehensive income	(98)		
Purchases, issuances and settlements			
Transfers out of Level 3	(24)		
Balance at June 30, 2008	$125	$19	$(68)
Total amount of (losses) gains for the period included in earnings attributable to the change in unrealized gains or losses relating to assets and liabilities still held at June 30, 2008	$	$ (1)	$ 1

The following table presents the changes in fair values for the three and six months ended June 30, 2008 for items measured at fair value pursuant to the election of the fair value option (dollar amounts in millions):

	Interest Income/ (Interest Expense)	Net (Losses) Gains on Changes in Fair Value Under Fair Value Option	Total Changes in Fair Value Included in Current Period Earnings
Three months ended June 30, 2008:			
Advances	$ 191	$(256)	$ (65)
Consolidated obligations - bonds	(142)	28	(114)
Total		$(228)	
Six months ended June 30, 2008:			
Advances	$ 381	$ (17)	$ 364
Consolidated obligations - bonds	(210)	63	(147)
Total		$ 46	

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 (losses) 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 June 30, 2008, determined that no adjustments to the fair values of instruments recorded under the fair value option for instrument-specific credit risk were necessary.

The following table reflects the difference between the aggregate fair value and the aggregate remaining contractual principal balance outstanding as of June 30, 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	Fair Value Over/(Under) Aggregate Unpaid Principal Balance
Advances (1)	$22,194	$22,497	$303
Consolidated obligations - bonds	26,408	26,406	(2)

(1) At June 30, 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 FSP No. 115-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* (FSP 115-1), the FHLBank of Chicago's held-to-maturity securities with a carrying amount of $124 million were written down to their fair value of $94 million, resulting in an other-than-temporary impairment charge of $30 million, which was included in other non-interest income for the three months ended June 30, 2008. The FHLBank of Chicago's principal markets for these held-to-maturity securities are the secondary institutional markets, with an exit price that is predominantly reflective of bid-level pricing in that market. As a result of the lack of liquidity, the FHLBank of Chicago believes that the fair value of these investments is Level 3 in the fair value hierarchy.

The following table presents these investment securities by level within the SFAS 157 valuation hierarchy as of June 30, 2008, for which a nonrecurring change in fair value has been recorded during the period ended June 30, 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 June 30, 2008 (dollar amounts in millions):

	Fair Value Measurements at June 30, 2008 Using				For the Three Months Ended June 30, 2008
	Total	Level 1	Level 2	Level 3	Loss
Held-to-maturity securities	$94	$	$	$94	$(30)

Estimated Fair Values. The carrying values and estimated fair values of the FHLBanks' financial instruments at June 30, 2008, were as follows (dollar amounts in millions):

	June 30, 2008		
Financial Instruments	Carrying Value	Net Unrealized Gains/(Losses)	Estimated Fair Value
Assets:			
Cash and due from banks	$ 270	$	$ 270
Interest-bearing deposits	53,017		53,017
Securities purchased under agreements to resell	300		300
Federal funds sold	89,354	2	89,356
Trading securities	8,948		8,948
Available-for-sale securities	10,502		10,502
Held-to-maturity securities	172,302	(8,744)	163,558
Advances	913,897	529	914,426
Mortgage loans held for portfolio, net	89,132	(1,819)	87,313
Accrued interest receivable	4,358		4,358
Derivative assets	1,285		1,285
Liabilities:			
Deposits	(20,127)	1	(20,126)
Securities sold under repurchase agreements	(1,200)	(53)	(1,253)
Other borrowings	(185)		(185)
Consolidated obligations:			
Discount notes	(378,556)	66	(378,490)
Bonds	(871,148)	(915)	(872,063)
Mandatorily redeemable capital stock	(1,236)		(1,236)
Accrued interest payable	(6,963)		(6,963)
Derivative liabilities	(4,251)		(4,251)
Subordinated notes	(1,000)	9	(991)

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 11—Subsequent Events

FHLBank of San Francisco's Advances to IndyMac Bank Remain Fully Secured. On July 11, 2008, the Office of Thrift Supervision (OTS) closed IndyMac Bank, F.S.B. and appointed the Federal Deposit Insurance Corporation (FDIC) as receiver for IndyMac Bank, F.S.B. In connection with the receivership, the OTS chartered IndyMac Federal Bank, FSB, with the FDIC appointed as conservator, and all outstanding FHLBank of San Francisco advances to IndyMac Bank, F.S.B., and the FHLBank of San Francisco capital stock held by IndyMac Bank, F.S.B., were transferred to IndyMac Federal Bank, FSB. As of August 5, 2008, outstanding advances to IndyMac Federal Bank, FSB were $9.1 billion, the FHLBank of San Francisco capital stock held by IndyMac Federal Bank, FSB was $465 million, and the FHLBank of San Francisco had a perfected security interest in approximately $24.7 billion in mortgage loans (unpaid principal balance) and mortgage-backed securities (par amount). The value of the collateral exceeds the carrying amount of the advances outstanding and the FHLBank of San Francisco expects to collect all amounts due according to the contractual terms of the advances. Two other smaller member institutions were also placed into receivership during July 2008. Neither of these smaller member institutions had any advances outstanding as of July 29, 2008, and no losses were incurred by the FHLBank of San Francisco.

Changes to Regulation of Government-Sponsored Enterprises (GSEs). On July 30, 2008, the Housing Act was enacted. The Housing Act is designed to, among other things, address the current housing finance crisis, expand the Federal Housing Administration's financing authority and address GSE reform issues. Each FHLBank is currently reviewing the effect of the Housing Act on its business and operations. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Legislative and Regulatory Developments—Changes to Regulation of GSEs.")

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CONDITION
JUNE 30, 2008

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
ASSETS						
Cash and due from banks	$ 270	$	$ 7	$ 41	$ 94	$ 9
Interest-bearing deposits	53,017		3,450	8,125	6,550	1,600
Deposits with other FHLBanks		(7)			2	3
Securities purchased under agreements to resell	300					
Federal funds sold	89,354		2,180	3,913	5,890	11,403
Trading securities	8,948	(618)	87		7	6,073
Available-for-sale securities	10,502	(42)	1,070	3,076	29	
Held-to-maturity securities	172,302		10,034	10,240	13,021	24,731
Advances	913,897		63,072	90,757	66,329	145,046
Mortgage loans held for portfolio	89,140		4,050	1,458	6,029	3,427
Less: allowance for credit losses on mortgages loans	8			1	1	1
Mortgage loans held for portfolio, net	89,132		4,050	1,457	6,028	3,426
Accrued interest receivable	4,358	(9)	305	436	488	765
Premises, software, and equipment, net	202		6	13	24	29
Derivative assets	1,285		12	37	44	46
Other assets	692	4	43	12	61	109
Total assets	$1,344,259	$(672)	$84,316	$118,107	$98,567	$193,240
LIABILITIES						
Deposits:						
Interest-bearing:						
Demand and overnight	$ 19,265	$	$ 876	$ 1,715	$ 4,019	$ 5,019
Term	628		31	80	9	
Deposits from other FHLBanks		(7)				
Other	26		3	2		
Total interest-bearing	19,919	(7)	910	1,797	4,028	5,019
Non-interest-bearing:						
Demand and overnight	67			2	27	
Other	141		11			
Total non-interest-bearing	208		11	2	27	
Total deposits	20,127	(7)	921	1,799	4,055	5,019
Borrowings:						
Securities sold under agreements to repurchase	1,200					
Other	185					
Total borrowings	1,385					
Consolidated obligations, net:						
Discount notes	378,556		44,333	25,670	23,499	28,547
Bonds	871,148	(623)	34,683	83,897	65,732	147,848
Total consolidated obligations, net	1,249,704	(623)	79,016	109,567	89,231	176,395
Mandatorily redeemable capital stock	1,236		93	170	4	35
Accrued interest payable	6,963	(9)	283	512	498	1,206
Affordable Housing Program	943		55	124	64	159
Payable to REFCORP	196		13	18	13	27
Derivative liabilities	4,251		307	586	375	1,912
Other liabilities	1,822		23	66	23	187
Subordinated notes	1,000					
Total liabilities	1,287,627	(639)	80,711	112,842	94,263	184,940

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 1	$ 7	$ 18	$ 46	$ 32	$ 1	$ 13	$ 1
5,000					6,538	14,932	6,822
				2			
300							
10,494	11,896	7,265	4,819	5,207	2,140	16,052	8,095
3		876		4	2,462	54	
	1,164	677	4,124	404			
12,749	7,465	15,046	5,104	9,769	9,381	45,552	9,210
57,520	30,161	34,679	46,003	60,143	37,544	246,008	36,635
8,641	9,037	33,765	10,583	352	2,541	3,902	5,355
		2		1	1	1	
8,641	9,037	33,763	10,583	351	2,540	3,901	5,355
241	167	357	96	153	162	979	218
9	9	34	7	21	17	20	13
32	17	26	33	127	58	791	62
27	46	86	23	16	73	172	20
$95,017	$59,969	$92,827	$70,838	$76,229	$60,916	$328,474	$66,431
$ 1,208	$ 625	$ 664	$ 980	$ 2,401	$ 870	$ 215	$ 673
83	44	20	79	89	10	24	159
		7					
17						4	
1,308	669	691	1,059	2,490	880	243	832
		1	37				
1	2	116			7	4	
1	2	117	37		7	4	
1,309	671	808	1,096	2,490	887	247	832
		1,200					
				185			
		1,200		185			
41,448	19,933	19,398	27,714	18,676	29,700	77,753	21,885
47,242	35,991	66,525	37,588	50,995	27,255	233,510	40,505
88,690	55,924	85,923	65,302	69,671	56,955	311,263	62,390
129	206	180	43	71	34	189	82
386	344	641	263	380	255	1,833	371
104	33	34	43	49	41	210	27
16	12		12	10	12	56	7
154	370	186	153	1	138	36	33
86	43	62	580	75	69	574	34
		1,000					
90,874	57,603	90,034	67,492	72,932	58,391	314,408	63,776

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CONDITION (continued)
JUNE 30, 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	$ 49,827	$	$ 3,380	$ 4,915	$ 3,998	$ 7,837
Capital stock Class A putable ($100 par value per share) issued and outstanding	873					
Capital stock Pre-conversion putable ($100 par value per share) issued and outstanding	2,548					
Total capital stock	53,248		3,380	4,915	3,998	7,837
Retained earnings	3,838	(29)	253	418	320	466
Accumulated other comprehensive income:						
Net unrealized losses on available-for-sale securities	(214)		(25)	(29)	(12)	
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities	(99)					
Net unrealized losses relating to hedging activities	(113)	(4)		(34)	(1)	
Pension and postretirement benefits	(28)		(3)	(5)	(1)	(3)
Total capital	56,632	(33)	3,605	5,265	4,304	8,300
Total liabilities and capital	$1,344,259	$(672)	$84,316	$118,107	$98,567	$193,240
Supplemental Disclosures:						
Advances held at fair value under fair value option included in Advances total	$ 22,497	$	$	$	$	$
Consolidated obligations - bonds held at fair value under fair value option included in consolidated obligations - bonds total	$ 26,406	$	$	$	$	$

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 3,844	$ 2,128	$	$ 3,016	$ 3,060	$ 1,737	$ 13,763	$ 2,149
					556		317
		2,548					
3,844	2,128	2,548	3,016	3,060	2,293	13,763	2,466
304	243	507	388	238	234	306	190
	(1)	(89)	(57)	(1)			
		(99)					
		(73)				(1)	
(5)	(4)	(1)	(1)		(2)	(2)	(1)
4,143	2,366	2,793	3,346	3,297	2,525	14,066	2,655
$95,017	$59,969	$92,827	$70,838	$76,229	$60,916	$328,474	$66,431
$	$	$	$	$	$	$ 22,497	$
$	$	$	$	$	$	$ 26,406	$

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CONDITION
DECEMBER 31, 2007

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

	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		(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		(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 JUNE 30, 2008

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$ 6,716	$	$452	$649	$488	$1,050
Prepayment fees on advances, net	26			12	2	2
Interest-bearing deposits	325		25	64	48	12
Securities purchased under agreements to resell	5		2			
Federal funds sold	469		8	20	20	62
Trading securities	109	(9)	1			78
Available-for-sale securities	78		7	23	1	
Held-to-maturity securities	1,836	(3)	92	124	163	294
Mortgage loans held for portfolio	1,133		52	19	78	46
Other	1					
Total interest income	10,698	(12)	639	911	800	1,544
INTEREST EXPENSE						
Consolidated obligations - Discount notes	2,266		260	147	158	179
Consolidated obligations - Bonds	6,932	(10)	288	593	544	1,093
Deposits	113		5	10	10	32
Securities sold under agreements to repurchase	12					
Subordinated notes	15					
Mandatorily redeemable capital stock	15		1	3		
Other borrowings	1					
Total interest expense	9,354	(10)	554	753	712	1,304
NET INTEREST INCOME	1,344	(2)	85	158	88	240
Provision for credit losses	2				2	
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	1,342	(2)	85	158	86	240
OTHER (LOSS) INCOME						
Service fees	10		2	1	1	
Net losses on trading securities	(266)		(1)			(188)
Net realized gains from sale of available-for-sale securities	3					
Net realized (losses) gains on held-to-maturity securities	(28)			1		
Net losses on instruments held at fair value	(228)					
Net gains (losses) on derivatives and hedging activities	364			(41)	(1)	123
Other, net	6	3			1	
Total other (loss) income	(139)	3	1	(39)	1	(65)
OTHER EXPENSE						
Operating	178		13	17	14	25
Finance Board	10		1	1	2	1
Office of Finance	8					1
Other, net	4	(2)				1
Total other expense	200	(2)	14	18	16	28
INCOME (LOSS) BEFORE ASSESSMENTS	1,003	3	72	101	71	147
Affordable Housing Program	87		6	8	5	12
REFCORP	198		13	19	13	27
Total assessments	285		19	27	18	39
NET INCOME (LOSS)	$ 718	$ 3	$ 53	$ 74	$ 53	$ 108

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$438	$228	$278	$332	$416	$235	$1,864	$286
1				1	1		7
11	2			1	43	91	28
3							
50	73	40	24	24	16	77	55
		10			28	1	
	5	6	34	2			
146	82	155	45	81	80	491	86
116	121	414	133	5	30	48	71
					1		
765	511	903	568	530	434	2,572	533
229	119	99	156	120	140	541	118
428	315	750	332	342	215	1,683	359
8	4	5	6	15	6	7	5
		12					
		15					
4	2		1			3	1
					1		
669	440	881	495	477	362	2,234	483
96	71	22	73	53	72	338	50
96	71	22	73	53	72	338	50
1	1			1	2		1
		(15)			(62)		
				3			
		(30)					1
						(228)	
2	2	(20)	3	10	63	217	6
1		2	1	3		1	(6)
4	3	(63)	4	17	3	(10)	2
9	8	30	10	13	8	20	11
1	1		1			2	
		1	1	1	1	2	1
1		2			2		
11	9	33	12	14	11	24	12
89	65	(74)	65	56	64	304	40
7	5		5	5	5	25	4
17	12		12	10	12	56	7
24	17		17	15	17	81	11
$ 65	$ 48	$ (74)	$ 48	$ 41	$ 47	$ 223	$ 29

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED JUNE 30, 2007

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$ 8,398	$	$512	$ 806	$625	$1,381
Prepayment fees on advances, net	8		1	1	1	
Interest-bearing deposits	495		19	84	52	15
Securities purchased under agreements to resell	39		17			
Federal funds sold	1,211		66	42	52	182
Trading securities	82	(5)	2			67
Available-for-sale securities	96	(1)	12		1	
Held-to-maturity securities	1,746	(29)	99	149	152	229
Mortgage loans held for portfolio	1,224		55	20	85	42
Other	1					
Total interest income	13,300	(35)	783	1,102	968	1,916
INTEREST EXPENSE						
Consolidated obligations - Discount notes	2,000		255	171	211	79
Consolidated obligations - Bonds	9,921	(36)	444	781	648	1,597
Deposits	262		11	35	22	71
Securities sold under agreements to repurchase	40				1	6
Subordinated notes	15					
Mandatorily redeemable capital stock	12		1	2		4
Other borrowings	1					
Total interest expense	12,251	(36)	711	989	882	1,757
NET INTEREST INCOME	1,049	1	72	113	86	159
Provision for credit losses						
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	1,049	1	72	113	86	159
OTHER (LOSS) INCOME						
Service fees	8		1	1	1	
Net losses on trading securities	(99)		(1)			(78)
Net realized (losses) gains from sale of held-to-maturity securities	(1)					
Net gains (losses) on derivatives and hedging activities	83		(4)	2	(2)	72
Other, net	8	1		(2)		1
Total other (loss) income	(1)	1	(4)	1	(1)	(5)
OTHER EXPENSE						
Operating	173		12	17	14	24
Finance Board	8		1			2
Office of Finance	4					
Other	7	(1)				1
Total other expense	192	(1)	13	17	14	27
INCOME BEFORE ASSESSMENTS	856	3	55	97	71	127
Affordable Housing Program	71		4	8	6	11
REFCORP	157		10	18	13	23
Total assessments	228		14	26	19	34
NET INCOME	$ 628	$ 3	$ 41	$ 71	$ 52	$ 93

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 615	$295	$ 308	$297	$484	$355	$2,371	$349
3				1			1
99	18		1	2	59	102	44
4			4			8	6
82	116	149	65	71	97	167	122
		8		1	8	1	
16		37	23	7	1		
143	72	154	72	106	106	369	124
116	131	466	142	6	30	54	77
					1		
1,078	632	1,122	604	678	657	3,072	723
270	145	173	98	104	168	271	55
686	425	828	446	483	421	2,579	619
14	13	12	12	37	13	9	13
		25	8				
		15					
1	1		1	1		1	
					1		
971	584	1,053	565	625	603	2,860	687
107	48	69	39	53	54	212	36
107	48	69	39	53	54	212	36
1	1			1	1		1
		(10)			(10)		
			1				(2)
(1)	(4)	8		(2)	10	7	(3)
1	1	2	2	1	1		
1	(2)		3		2	7	(4)
9	8	29	10	13	7	20	10
	1			1	1	2	
	1	1				1	1
2		2			2		1
11	10	32	10	14	10	23	12
97	36	37	32	39	46	196	20
8	3	4	3	3	3	16	2
18	7	6	6	7	9	36	4
26	10	10	9	10	12	52	6
$ 71	$ 26	$ 27	$ 23	$ 29	$ 34	$ 144	$ 14

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2008

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$15,790	$	$1,063	$1,513	$1,210	$2,526
Prepayment fees on advances, net	67		4	20	2	3
Interest-bearing deposits	832		75	175	111	34
Securities purchased under agreements to resell	22		11			
Federal funds sold	1,160		23	49	53	140
Trading securities	207	(18)	3			146
Available-for-sale securities	142	(1)	17	32	1	
Held-to-maturity securities	3,665	(23)	177	258	336	563
Mortgage loans held for portfolio	2,286		104	39	157	93
Other	2					
Total interest income	24,173	(42)	1,477	2,086	1,870	3,505
INTEREST EXPENSE						
Consolidated obligations - Discount notes	5,615		675	418	453	450
Consolidated obligations - Bonds	15,638	(38)	608	1,324	1,214	2,526
Deposits	290		12	26	25	80
Securities sold under agreements to repurchase	33					
Subordinated notes	29					
Mandatorily redeemable capital stock	28		1	7		1
Other borrowings	1					
Total interest expense	21,634	(38)	1,296	1,775	1,692	3,057
NET INTEREST INCOME	2,539	(4)	181	311	178	448
Provision for credit losses	3				3	
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	2,536	(4)	181	311	175	448
OTHER (LOSS) INCOME						
Service fees	17		3	2	2	1
Net losses on trading securities	(132)		(1)			(82)
Net realized gains from sale of available-for-sale securities	3					
Net realized (losses) gains on held-to-maturity securities	(61)			1		
Net gains on instruments held at fair value	46					
Net (losses) gains on derivatives and hedging activities	(20)		(4)	(40)	3	(6)
Other, net	(5)	(2)	(3)		1	
Total other (loss) income	(152)	(2)	(5)	(37)	6	(87)
OTHER EXPENSE						
Operating	359		26	33	28	49
Finance Board	20		1	2	2	3
Office of Finance	16		1	1	1	2
Other, net	5	(3)				1
Total other expense	400	(3)	28	36	31	55
INCOME (LOSS) BEFORE ASSESSMENTS	1,984	(3)	148	238	150	306
Affordable Housing Program	176		12	20	12	25
REFCORP	393		27	44	27	56
Total assessments	569		39	64	39	81
NET INCOME (LOSS)	$ 1,415	$ (3)	$ 109	$ 174	$ 111	$ 225

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$1,013	$ 521	$ 604	$ 719	$ 904	$ 558	$4,448	$ 711
1		12	1	1	1		22
37	16		1	2	109	230	42
11							
103	177	107	46	72	53	209	128
		21			53	2	
	5	12	70	6			
292	163	302	91	172	168	969	197
233	243	843	267	10	61	97	139
					2		
1,690	1,125	1,901	1,195	1,167	1,005	5,955	1,239
545	299	236	317	293	334	1,331	264
946	671	1,538	722	731	520	4,031	845
18	10	14	15	42	17	17	14
		31	2				
		29					
5	5		1	1		6	1
					1		
1,514	985	1,848	1,057	1,067	872	5,385	1,124
176	140	53	138	100	133	570	115
176	140	53	138	100	133	570	115
1	1		1	2	3		1
					(49)		
				3			
		(63)					1
						46	
(1)	2	(82)	(10)	15	29	62	12
3		4	1	10	1	2	(22)
3	3	(141)	(8)	30	(16)	110	(8)
19	17	58	20	30	16	41	22
2	1	1	1	1	1	4	1
1	1	1	1	1	1	4	1
1		4			2		
23	19	64	22	32	20	49	24
156	124	(152)	108	98	97	631	83
13	10		9	8	8	52	7
29	23		20	18	18	116	15
42	33		29	26	26	168	22
$ 114	$ 91	$ (152)	$ 79	$ 72	$ 71	$ 463	$ 61

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2007

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$16,820	$	$ 998	$1,582	$1,248	$2,750
Prepayment fees on advances, net	16		2	3	1	1
Interest-bearing deposits	952		37	165	104	24
Securities purchased under agreements to resell	93		45			
Federal funds sold	2,262		105	87	98	310
Trading securities	163	(10)	4			133
Available-for-sale securities	174	(2)	24		2	
Held-to-maturity securities	3,521	(60)	199	302	308	460
Mortgage loans held for portfolio	2,462		111	39	173	82
Other	2					
Total interest income	26,465	(72)	1,525	2,178	1,934	3,760
INTEREST EXPENSE						
Consolidated obligations - Discount notes	4,062		493	342	429	155
Consolidated obligations - Bonds	19,708	(73)	867	1,548	1,295	3,139
Deposits	489		22	58	39	130
Securities sold under agreements to repurchase	77				1	12
Subordinated notes	29					
Mandatorily redeemable capital stock	25		1	4		7
Other borrowings	1					
Total interest expense	24,391	(73)	1,383	1,952	1,764	3,443
NET INTEREST INCOME	2,074	1	142	226	170	317
Provision for credit losses	2				2	
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	2,072	1	142	226	168	317
OTHER INCOME (LOSS)						
Service fees	15		2	2	2	1
Net losses on trading securities	(90)		(1)			(73)
Net realized (losses) gains from sale of held-to-maturity securities	(4)					
Net gains (losses) on derivatives and hedging activities	78		(3)	5	3	63
Other, net	12	2		(4)	1	1
Total other income (loss)	11	2	(2)	3	6	(8)
OTHER EXPENSE						
Operating	344		24	33	28	45
Finance Board	17		1	1	1	3
Office of Finance	13		1	1	1	1
Other	9	(2)				2
Total other expense	383	(2)	26	35	30	51
INCOME BEFORE ASSESSMENTS	1,700	5	114	194	144	258
Affordable Housing Program	141		9	16	12	22
REFCORP	310		21	36	26	47
Total assessments	451		30	52	38	69
NET INCOME	$ 1,249	$ 5	$ 84	$ 142	$ 106	$ 189

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$1,211	$ 600	$ 621	$ 587	$1,009	$ 711	$4,796	$ 707
3	2			2			2
182	23		1	4	116	221	75
15			8			12	13
181	213	269	104	153	190	347	205
		16		1	17	2	
27		76	31	15	1		
286	147	311	148	213	214	736	257
228	262	941	287	12	61	111	155
					2		
2,133	1,247	2,234	1,166	1,409	1,312	6,225	1,414
579	293	336	166	223	338	601	107
1,319	830	1,652	880	1,003	838	5,190	1,220
27	26	28	26	70	25	15	23
		49	15				
		29					
2	3		2	3	1	2	
					1		
1,927	1,152	2,094	1,089	1,299	1,203	5,808	1,350
206	95	140	77	110	109	417	64
206	95	140	77	110	109	417	64
1	1		1	2	2		1
		(8)			(8)		
			1		(1)		(4)
(2)	(3)	(5)	(1)		7	18	(4)
2	1	3	2	2	1	1	
1	(1)	(10)	3	4	1	19	(7)
19	19	57	19	25	15	40	20
1	1	1	1	1	1	4	1
1	1	1		1	1	3	1
2	1	3			2		1
23	22	62	20	27	19	47	23
184	72	68	60	87	91	389	34
15	6	6	6	7	7	32	3
34	13	12	11	16	17	71	6
49	19	18	17	23	24	103	9
$ 135	$ 53	$ 50	$ 43	$ 64	$ 67	$ 286	$ 25

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CAPITAL FOR THE SIX MONTHS ENDED JUNE 30, 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	86		2	12	21	21
Repurchase/redemption of capital stock	(87)		(1)	(11)	(20)	(20)
Net shares reclassified to mandatorily redeemable capital stock	(10)					(1)
Transfer between Class B and Class A shares	(1)					
Capital stock dividends	5					
BALANCE, JUNE 30, 2007	382		24	37	35	58
BALANCE, DECEMBER 31, 2007	468		32	44	40	76
Proceeds from sale of capital stock	144		3	22	30	25
Repurchase/redemption of capital stock	(109)			(16)	(29)	(23)
Net shares reclassified to mandatorily redeemable capital stock	(12)		(1)	(1)	(1)	
Transfer between Class B and Class A shares						
Capital stock dividends	6					
BALANCE, JUNE 30, 2008	497		34	49	40	78
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	1					
Capital stock dividends						
BALANCE, JUNE 30, 2007	6					
BALANCE, DECEMBER 31, 2007	9					
Proceeds from sale of capital stock	4					
Repurchase/redemption of capital stock	(3)					
Net shares reclassified to mandatorily redeemable capital stock						
Transfer between Class B and Class A shares						
Capital stock dividends						
BALANCE, JUNE 30, 2008	10					

	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
	37	18		19	22	15	106	21
		1		4	3	8	14	
				(4)	(6)		(25)	
						(9)		
						(1)		
	—	—	—	—	1	1	3	—
	37	19	—	19	20	14	98	21
	35	20		27	24	15	134	21
	2	2		30	10	11	9	
				(27)	(4)	(1)	(9)	
		(1)				(8)		
	1	—	—	—	1	—	4	—
	38	21	—	30	31	17	138	21
						5		
						1		
	—	—	—	—	—	—	—	—
	—	—	—	—	—	6	—	—
						6		3
								4
								(3)
	—	—	—	—	—	—	—	—
	—	—	—	—	—	6	—	4

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE SIX MONTHS ENDED JUNE 30, 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, JUNE 30, 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, JUNE 30, 2008	25	—	—	—	—	—
TOTAL CAPITAL STOCK PUTABLE SHARES						
BALANCE, DECEMBER 31, 2006	420		23	36	34	58
Proceeds from sale of capital stock	86		2	12	21	21
Repurchase/redemption of capital stock	(87)		(1)	(11)	(20)	(20)
Net shares reclassified to mandatorily redeemable capital stock	(10)					(1)
Capital stock dividends	5					
BALANCE, JUNE 30, 2007	414	—	24	37	35	58
BALANCE, DECEMBER 31, 2007	504		32	44	40	76
Proceeds from sale of capital stock	148		3	22	30	25
Repurchase/redemption of capital stock	(112)			(16)	(29)	(23)
Net shares reclassified to mandatorily redeemable capital stock	(14)		(1)	(1)	(1)	
Capital stock dividends	6					
BALANCE, JUNE 30, 2008	532	—	34	49	40	78

	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
			26					
			26					
			27					
			(2)					
			25					
	37	18	26	19	22	20	106	21
		1		4	3	8	14	
				(4)	(6)		(25)	
						(9)		
					1	1	3	
	37	19	26	19	20	20	98	21
	35	20	27	27	24	21	134	24
	2	2		30	10	11	9	4
				(27)	(4)	(1)	(9)	(3)
		(1)	(2)			(8)		
	1				1		4	
	38	21	25	30	31	23	138	25

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE SIX MONTHS ENDED JUNE 30, 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	8,606		188	1,205	2,131	2,082
Repurchase/redemption of capital stock	(8,603)		(95)	(1,082)	(2,030)	(1,965)
Net shares reclassified to mandatorily redeemable capital stock	(951)		(8)	(7)		(46)
Transfer between Class B and Class A shares	(118)					
Capital stock dividends	364					
BALANCE, JUNE 30, 2007	$ 38,180	$	$2,428	$ 3,662	$ 3,485	$ 5,843
BALANCE, DECEMBER 31, 2007	$ 46,701	$	$3,164	$ 4,368	$ 3,995	$ 7,556
Proceeds from sale of capital stock	14,483		307	2,191	3,013	2,526
Repurchase/redemption of capital stock	(10,816)		(3)	(1,579)	(2,956)	(2,228)
Net shares reclassified to mandatorily redeemable capital stock	(1,106)		(88)	(65)	(54)	(17)
Transfer between Class B and Class A shares	(24)					
Capital stock dividends	589					
BALANCE, JUNE 30, 2008	$ 49,827	$	$3,380	$ 4,915	$ 3,998	$ 7,837
CAPITAL STOCK CLASS A PUTABLE PAR VALUE						
BALANCE, DECEMBER 31, 2006	$ 532	$	$	$	$	$
Proceeds from sale of capital stock	5					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(45)					
Transfer between Class B and Class A shares	118					
Capital stock dividends						
BALANCE, JUNE 30, 2007	$ 610	$	$	$	$	$
BALANCE, DECEMBER 31, 2007	$ 891	$	$	$	$	$
Proceeds from sale of capital stock	367					
Repurchase/redemption of capital stock	(334)					
Net shares reclassified to mandatorily redeemable capital stock	(75)					
Transfer between Class B and Class A shares	24					
Capital stock dividends						
BALANCE, JUNE 30, 2008	$ 873	$	$	$	$	$

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$3,658	$1,793	$	$ 1,906	$2,248	$1,475	$10,616	$2,141
46	113		402	236	795	1,396	12
			(357)	(580)	(20)	(2,474)	
(12)	(12)		(3)	(6)	(836)	(8)	(13)
					(118)		
				57	55	252	
$3,692	$1,894	$	$ 1,948	$1,955	$1,351	$ 9,782	$2,140
$3,473	$2,003	$	$ 2,717	$2,394	$1,487	$13,403	$2,141
282	168		2,975	1,032	1,099	882	8
			(2,673)	(397)	(60)	(920)	
(8)	(43)		(3)	(15)	(811)	(2)	
					(24)		
97				46	46	400	
$3,844	$2,128	$	$ 3,016	$3,060	$1,737	$13,763	$2,149
$	$	$	$	$	$ 532	$	$
					5		
					(45)		
					118		
$	$	$	$	$	$ 610	$	$
$	$	$	$	$	$ 604	$	$ 287
					3		364
							(334)
					(75)		
					24		
$	$	$	$	$	$ 556	$	$ 317

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE SIX MONTHS ENDED JUNE 30, 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	57					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(7)					
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, JUNE 30, 2007	$ 2,637	$	$	$	$	$
BALANCE, DECEMBER 31, 2007	$ 2,661	$	$	$	$	$
Proceeds from sale of capital stock	52					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(165)					
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, JUNE 30, 2008	$ 2,548	$	$	$	$	$
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	8,668		188	1,205	2,131	2,082
Repurchase/redemption of capital stock	(8,603)		(95)	(1,082)	(2,030)	(1,965)
Net shares reclassified to mandatorily redeemable capital stock	(1,003)		(8)	(7)		(46)
Capital stock dividends	364					
BALANCE, JUNE 30, 2007	$ 41,427	$	$2,428	$ 3,662	$ 3,485	$ 5,843
BALANCE, DECEMBER 31, 2007	$ 50,253	$	$3,164	$ 4,368	$ 3,995	$ 7,556
Proceeds from sale of capital stock	14,902		307	2,191	3,013	2,526
Repurchase/redemption of capital stock	(11,150)		(3)	(1,579)	(2,956)	(2,228)
Net shares reclassified to mandatorily redeemable capital stock	(1,346)		(88)	(65)	(54)	(17)
Capital stock dividends	589					
BALANCE, JUNE 30, 2008	$ 53,248	$	$3,380	$ 4,915	$ 3,998	$ 7,837

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$	$	$2,587	$	$	$	$	$
		57					
		(7)					
$	$	$2,637	$	$	$	$	$
$	$	$2,661	$	$	$	$	$
		52					
		(165)					
$	$	$2,548	$	$	$	$	$
$3,658	$1,793	$2,587	$ 1,906	$2,248	$2,007	$10,616	$2,141
46	113	57	402	236	800	1,396	12
			(357)	(580)	(20)	(2,474)	
(12)	(12)	(7)	(3)	(6)	(881)	(8)	(13)
				57	55	252	
$3,692	$1,894	$2,637	$ 1,948	$1,955	$1,961	$ 9,782	$2,140
$3,473	$2,003	$2,661	$ 2,717	$2,394	$2,091	$13,403	$2,428
282	168	52	2,975	1,032	1,102	882	372
			(2,673)	(397)	(60)	(920)	(334)
(8)	(43)	(165)	(3)	(15)	(886)	(2)	
97				46	46	400	
$3,844	$2,128	$2,548	$ 3,016	$3,060	$2,293	$13,763	$2,466

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE SIX MONTHS ENDED JUNE 30, 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	1,249	5	84	142	106	189
Dividends on capital stock:						
Cash	(722)		(79)	(130)	(96)	(170)
Stock	(364)					
BALANCE, JUNE 30, 2007	$3,307	$(39)	$192	$ 380	$265	$ 426
BALANCE, DECEMBER 31, 2007	$3,689	$(26)	$226	$ 418	$296	$ 469
Adjustment to opening balance relating to SFAS 158 and 159	16					
Net income	1,415	(3)	109	174	111	225
Dividends on capital stock:						
Cash	(693)		(82)	(174)	(87)	(228)
Stock	(589)					
BALANCE, JUNE 30, 2008	$3,838	$(29)	$253	$ 418	$320	$ 466
ACCUMULATED OTHER COMPREHENSIVE INCOME						
BALANCE, DECEMBER 31, 2006	$ (159)	$ (5)	$ 2	$ (10)	$ (5)	$ (5)
Net unrealized gains (losses) on available-for-sale securities	1		7		1	
Reclassification adjustment for (gains) losses included in net income relating to available-for-sale securities						
Net unrealized (losses) gains relating to hedging activities	(8)			1		
Reclassification adjustment for losses (gains) included in net income relating to hedging activities	2		(1)		1	
Pension and postretirement benefits	(1)					
BALANCE, JUNE 30, 2007	$ (165)	$ (5)	$ 8	$ (9)	$ (3)	$ (5)
BALANCE, DECEMBER 31, 2007	$ (345)	$ (4)	$ (2)	$ (35)	$ (6)	$ (3)
Net unrealized (losses) gains on available-for-sale securities	(170)		(25)	(29)	(10)	
Reclassification adjustment for gains included in net income relating to available-for-sale securities	(3)					
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	39					
Net unrealized gains (losses) relating to hedging activities	3			(4)		
Reclassification adjustment for losses (gains) included in net income relating to hedging activities	21		(1)		2	
Pension and postretirement benefits	1					
BALANCE, JUNE 30, 2008	$ (454)	$ (4)	$(28)	$ (68)	$(14)	$ (3)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 256	$167	$ 606	$344	$190	$173	$ 143	$ 92
135	53	50	43	64	67	286	25
(118)	(45)	(39)	(40)				(5)
				(57)	(55)	(252)	
$ 273	$175	$ 617	$347	$197	$185	$ 177	$112
$ 287	$202	$ 659	$361	$212	$209	$ 227	$149
						16	
114	91	(152)	79	72	71	463	61
	(50)		(52)				(20)
(97)				(46)	(46)	(400)	
$ 304	$243	$ 507	$388	$238	$234	$ 306	$190
$ (7)	$ (5)	$(110)	$ (1)	$ 1	$ (7)	$ (5)	$ (2)
1		(3)	(7)	1	1		
		(9)					
		2					
	(1)						
$ (6)	$ (6)	$(120)	$ (8)	$ 2	$ (6)	$ (5)	$ (2)
$ (5)	$ (6)	$(251)	$(26)	$ (1)	$ (2)	$ (3)	$ (1)
	(1)	(76)	(32)	3			
				(3)			
		39					
		7					
		19				1	
	2					(1)	
$ (5)	$ (5)	$(262)	$(58)	$ (1)	$ (2)	$ (3)	$ (1)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE SIX MONTHS ENDED JUNE 30, 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	8,668		188	1,205	2,131	2,082
Repurchase/redemption of capital stock	(8,603)		(95)	(1,082)	(2,030)	(1,965)
Net shares reclassified to mandatorily redeemable capital stock	(1,003)		(8)	(7)		(46)
Comprehensive income:						
Net income	1,249	5	84	142	106	189
Other comprehensive income:						
Net unrealized gains (losses) on available-for-sale securities	1		7		1	
Reclassification adjustment for (gains) losses included in net income relating to available-for-sale securities						
Net unrealized (losses) gains relating to hedging activities	(8)			1		
Reclassification adjustment for losses (gains) included in net income relating to hedging activities	2		(1)		1	
Pension and postretirement benefits	(1)					
Total comprehensive income	1,243	5	90	143	108	189
Dividends on capital stock:						
Cash	(722)		(79)	(130)	(96)	(170)
BALANCE, JUNE 30, 2007	$ 44,569	$(44)	$2,628	$ 4,033	$ 3,747	$ 6,264
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	14,902		307	2,191	3,013	2,526
Repurchase/redemption of capital stock	(11,150)		(3)	(1,579)	(2,956)	(2,228)
Net shares reclassified to mandatorily redeemable capital stock	(1,346)		(88)	(65)	(54)	(17)
Comprehensive income:						
Net income	1,415	(3)	109	174	111	225
Other comprehensive income:						
Net unrealized (losses) gains on available-for-sale securities	(170)		(25)	(29)	(10)	
Reclassification adjustment for gains included in net income relating to available-for-sale securities	(3)					
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	39					
Net unrealized gains (losses) relating to hedging activities	3			(4)		
Reclassification adjustment for losses (gains) included in net income relating to hedging activities	21		(1)		2	
Pension and postretirement benefits	1					
Total comprehensive income	1,306	(3)	83	141	103	225
Dividends on capital stock:						
Cash	(693)		(82)	(174)	(87)	(228)
BALANCE, JUNE 30, 2008	$ 56,632	$(33)	$3,605	$ 5,265	$ 4,304	$ 8,300

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
46	113	57	402	236	800	1,396	12
			(357)	(580)	(20)	(2,474)	
(12)	(12)	(7)	(3)	(6)	(881)	(8)	(13)
135	53	50	43	64	67	286	25
1		(3)	(7)	1	1		
		(9)					
		2					
	(1)						
136	52	40	36	65	68	286	25
(118)	(45)	(39)	(40)				(5)
$3,959	$2,063	$3,134	$ 2,287	$2,154	$2,140	$ 9,954	$2,250
$3,755	$2,199	$3,069	$ 3,052	$2,605	$2,298	$13,627	$2,576
						16	
282	168	52	2,975	1,032	1,102	882	372
			(2,673)	(397)	(60)	(920)	(334)
(8)	(43)	(165)	(3)	(15)	(886)	(2)	
114	91	(152)	79	72	71	463	61
	(1)	(76)	(32)	3			
				(3)			
		39					
		7					
		19				1	
	2					(1)	
114	92	(163)	47	72	71	463	61
	(50)		(52)				(20)
$4,143	$2,366	$2,793	$ 3,346	$3,297	$2,525	$14,066	$2,655

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2008

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES						
Net income (loss)	$ 1,415	$ (3)	$ 109	$ 174	$ 111	$ 225
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	(577)	4	(118)	(118)	(126)	162
Change in net fair value adjustment on derivative and hedging activities	(38)		25	114	161	9
Other adjustments	89	(1)	3	(1)	4	
Net change in fair value adjustments on trading securities	177		1			126
Change in fair value adjustments on financial instruments held at fair value	(46)					
Net change in:						
Trading securities					1	
Accrued interest receivable	1,179	(30)	152	126	41	63
Other assets	(83)		(12)	3	(1)	(18)
Accrued interest payable	(1,165)	30	3	(144)	(60)	(254)
Other liabilities	73			4	(6)	(3)
Total adjustments	(391)	3	54	(16)	14	85
Net cash provided by (used in) operating activities	1,024		163	158	125	310
INVESTING ACTIVITIES						
Net change in:						
Interest-bearing deposits	(6,302)		1,880	2,021	(1,114)	(265)
Securities purchased under agreements to resell	500		500			
Federal funds sold	(3,535)		728	468	(1,165)	3,432
Deposits to other FHLBanks		(2)			2	
Loans to FHLBanks		(955)		55	500	
Premises, software and equipment	(21)			(3)	(2)	(1)
Trading securities:						
Proceeds	1,293	(11)	25			1,200
Purchases	(3,601)	113				(2,768)
Available-for-sale securities:						
Proceeds	3,268			154	4	
Purchases	(8,160)		(30)	(3,244)		
Held-to-maturity securities:						
Net decrease (increase) in short-term	422				84	
Proceeds from long-term	13,876	(2,525)	1,220	1,388	1,466	1,772
Purchases of long-term	(35,305)		(3,307)	(1,344)	(330)	(5,239)
Advances:						
Proceeds	4,500,762		493,136	202,966	802,661	94,436
Made	(4,539,969)		(500,552)	(211,746)	(800,239)	(96,789)
Mortgage loans held for portfolio:						
Principal collected	7,053		313	95	443	257
Purchases	(4,639)		(278)	(61)	(259)	(157)
Proceeds from sales of foreclosed assets	20		2			
Principal collected on other loans	1					
Net cash (used in) provided by investing activities	(74,337)	(3,380)	(6,363)	(9,251)	2,051	(4,122)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 114	$ 91	$ (152)	$ 79	$ 72	$ 71	$ 463	$ 61
(16)	(53)	(45)	(5)	(22)	(38)	(170)	(32)
33	4	24	70	(40)	(38)	(559)	159
3		63	(1)	(9)		6	22
		1			49		
						(46)	
				(1)			
64	27	16	37	36	35	518	94
2	(1)	(16)	(2)	4	1	(52)	9
(45)	25	36	(38)	38	(67)	(536)	(153)
	3	(28)	5	3	36	55	4
41	5	51	66	9	(22)	(784)	103
155	96	(101)	145	81	49	(321)	164
(2,988)	1,660		100	(14)	(418)	(342)	(6,822)
(358)	(635)	3,021	(3,014)	1,893	3,010	(4,372)	(6,543)
				400			
(2)		(3)		(1)	(1)	(6)	(2)
		6			69	4	
		(20)			(926)		
		448	2,354	308			
	(1,192)	(267)	(3,077)	(350)			
1		(1,036)	200	592	(7)	886	(298)
1,159	762	741	313	742	515	3,236	3,087
(1,732)	(1,508)	(3,274)	(1,152)	(2,792)	(2,294)	(11,321)	(1,012)
1,016,390	30,306	131,413	164,779	397,588	312,692	783,317	71,078
(1,020,591)	(33,715)	(135,845)	(170,381)	(411,479)	(318,194)	(778,184)	(62,254)
842	647	2,989	732	29	169	229	308
(565)	(291)	(2,148)	(519)		(361)		
		18					
					1		
(7,844)	(3,966)	(3,957)	(9,665)	(13,084)	(5,745)	(6,553)	(2,458)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS (continued) FOR THE SIX MONTHS ENDED JUNE 30, 2008

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
FINANCING ACTIVITIES						
Net change in:						
Deposits and pass-through reserves	$ (617)	$	$ 243	$ 195	$ 1,794	$ (2,116)
Deposits from other FHLBanks		2				
Borrowings	(116)			4		
Loans from FHLBanks		955				
Net proceeds on derivative contracts with financing element	250		2			102
Net proceeds from issuance of consolidated obligations:						
Discount notes	6,312,151		770,082	404,085	499,719	139,572
Bonds	386,534	(113)	18,366	41,297	23,453	75,331
Bonds transferred from other FHLBanks		(774)			314	
Payments for maturing and retiring consolidated obligations:						
Discount notes	(6,309,204)		(768,604)	(413,086)	(510,832)	(139,397)
Bonds	(317,566)	2,536	(14,085)	(23,673)	(16,513)	(69,723)
Bonds transferred to other FHLBanks		774				
Proceeds from issuance of capital stock	14,902		307	2,191	3,013	2,526
Payments for redemption of mandatorily redeemable capital stock	(1,228)		(26)	(134)	(54)	(37)
Payments for repurchase/redemption of capital stock	(11,150)		(3)	(1,579)	(2,956)	(2,228)
Cash dividends paid	(693)		(82)	(174)	(87)	(228)
Net cash provided by (used in) financing activities	73,263	3,380	6,200	9,126	(2,149)	3,802
Net (decrease) increase in cash and cash equivalents	(50)			33	27	(10)
Cash and cash equivalents at beginning of the period	320		7	8	67	19
Cash and cash equivalents at end of the period	$ 270	$	$ 7	$ 41	$ 94	$ 9
Supplemental Disclosures:						
Interest paid	$ 22,795	$	$ 1,462	$ 1,545	$ 1,385	$ 2,846
AHP payments, net	$ 127	$	$ 5	$ 15	$ 9	$ 23
REFCORP assessments paid	$ 407	$	$ 30	$ 49	$ 31	$ 60
Transfers of mortgage loans to real estate owned	$ 46	$	$ 3	$	$ 3	$ 1

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 266	$ 105	$ (312)	$ 217	$ (612)	$ (469)	$ 238	$ (166)
		(2)					
			(200)	185	(5)	(100)	
						(955)	
	73			2	71		
462,843	593,066	714,170	717,897	481,460	578,727	393,770	556,760
24,269	22,166	21,041	13,604	39,820	12,036	78,767	16,497
157				139		164	
(456,800)	(595,247)	(713,801)	(711,669)	(486,885)	(568,860)	(394,207)	(549,816)
(23,380)	(16,411)	(17,082)	(10,586)	(21,269)	(15,959)	(70,709)	(20,712)
				(487)			(287)
282	168	52	2,975	1,032	1,102	882	372
		(7)	(6)	(28)	(888)	(48)	
			(2,673)	(397)	(60)	(920)	(334)
	(50)		(52)				(20)
7,637	3,870	4,059	9,507	12,960	5,695	6,882	2,294
(52)		1	(13)	(43)	(1)	8	
53	7	17	59	75	2	5	1
$ 1	$ 7	$ 18	$ 46	$ 32	$ 1	$ 13	$ 1
$ 1,580	$ 665	$ 1,826	$ 1,088	$ 1,082	$ 976	$ 7,063	$ 1,277
$ 13	$ 8	$ 11	$ 8	$ 7	$ 8	$ 17	$ 3
$ 29	$ 20	$ 10	$ 14	$ 16	$ 17	$ 118	$ 13
$	$	$ 31	$ 6	$	$ 1	$ 1	$

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2007

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES						
Net income	$ 1,249	$ 5	$ 84	$ 142	$ 106	$ 189
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization	162	(1)	29	16	30	15
Change in net fair value adjustment on derivative and hedging activities	(665)		(79)	(9)	(2)	(169)
Other adjustments	14		1		2	
Net change in fair value adjustments on trading securities	81		1			73
Net change in:						
Accrued interest receivable	122	(12)	(5)	(15)	13	56
Other assets	(13)		(1)	3		1
Accrued interest payable	247	12	55	(21)	(45)	95
Other liabilities	(1)		1	(15)	1	10
Total adjustments	(53)	(1)	2	(41)	(1)	81
Net cash provided by (used in) operating activities	1,196	4	86	101	105	270
INVESTING ACTIVITIES						
Net change in:						
Interest-bearing deposits	(2,952)		(90)	(1,254)	(235)	(68)
Securities purchased under agreements to resell	1,700		1,250			
Federal funds sold	(23,318)		(2,532)	(859)	885	(4,935)
Deposits to other FHLBanks						1
Principal collected on other loans	1					
Premises, software and equipment	(16)		(1)	(3)	(3)	(2)
Trading securities:						
Proceeds	278		24			
Purchases	(263)					
Available-for-sale securities:						
Proceeds	39,675	(3)	9		10	
Purchases	(41,584)					
Held-to-maturity securities:						
Net (increase) decrease in short-term	(2,401)		(45)		335	
Proceeds from long-term	14,808	(1,200)	1,273	969	1,124	1,487
Purchases of long-term	(10,207)		(1,272)	(695)	(784)	(904)
Advances:						
Proceeds	3,506,766		212,341	185,622	240,749	82,945
Made	(3,507,309)		(213,893)	(188,038)	(247,483)	(85,998)
Mortgage loans held for portfolio:						
Principal collected	6,275		316	80	475	192
Purchases	(2,802)		(81)	(108)	(55)	(440)
Proceeds from sales of foreclosed assets	30		2			
Net cash (used in) provided by investing activities	(21,319)	(1,203)	(2,699)	(4,286)	(4,982)	(7,722)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 135	$ 53	$ 50	$ 43	$ 64	$ 67	$ 286	$ 25
	(3)	35	17	(25)	12	(19)	56
(19)	(13)	34	(50)	12	(62)	(231)	(77)
	1	(2)		4	2	2	4
					7		
(20)	7	(6)	(5)	17	9	82	1
(3)	7	(22)		2	1	(1)	
24	30	(24)	18	(21)	42	45	37
10	(4)	(19)	(2)	3	6	8	
(8)	25	(4)	(22)	(8)	17	(114)	21
127	78	46	21	56	84	172	46
(350)	(896)		(188)	(84)	338	1,017	(1,142)
1,050						(300)	(300)
3,042	(1,733)	(6,356)	(2,605)	(440)	422	(3,619)	(4,588)
				(2)		1	
					1		
(1)		(5)	(1)	(1)	(1)	2	
1		166		22	51	14	
		(263)					
37,181		395	1,894	189			
(36,756)		(110)	(4,718)				
		(1,031)	573	(1,295)	(678)	(161)	(99)
1,088	494	858	449	686	897	3,145	3,538
(1,477)	(494)	(9)		(183)	(875)	(2,558)	(956)
994,652	48,737	114,513	38,324	236,721	237,332	1,076,884	37,946
(1,000,086)	(48,516)	(112,188)	(39,184)	(232,020)	(237,419)	(1,064,323)	(38,161)
539	578	2,576	707	36	139	267	370
(894)	(270)	(691)	(159)		(104)		
		28					
(2,011)	(2,100)	(2,117)	(4,908)	3,629	103	10,369	(3,392)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS (continued)
FOR THE SIX MONTHS ENDED JUNE 30, 2007

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
FINANCING ACTIVITIES						
Net change in:						
Deposits and pass-through reserves	$ 2,121	$	$ (78)	$ (190)	$ 1,009	$ 1,162
Borrowings	32			37		
Net proceeds from issuance of consolidated obligations:						
Discount notes	3,859,789		399,045	184,318	173,820	436,883
Bonds	235,471		15,580	22,038	9,700	55,961
Bonds transferred from other FHLBanks		(469)				
Payments for maturing and retiring consolidated obligations:						
Discount notes	(3,853,797)		(398,453)	(183,738)	(168,717)	(437,196)
Bonds	(221,565)	1,197	(13,481)	(17,864)	(10,950)	(49,259)
Bonds transferred to other FHLBanks		471		(386)		
Proceeds from issuance of capital stock	8,668		188	1,205	2,131	2,082
Payments for redemption of mandatorily redeemable capital stock	(1,221)		(16)	(39)	(2)	(35)
Payments for repurchase/redemption of capital stock	(8,603)		(95)	(1,082)	(2,030)	(1,965)
Cash dividends paid	(723)		(79)	(131)	(95)	(171)
Net cash provided by (used in) financing activities	20,172	1,199	2,611	4,168	4,866	7,462
Net increase (decrease) in cash and cash equivalents	49		(2)	(17)	(11)	10
Cash and cash equivalents at beginning of the period	330		8	39	78	29
Cash and cash equivalents at end of the period	$ 379	$	$ 6	$ 22	$ 67	$ 39
Supplemental Disclosures:						
Interest paid	$ 22,987	$	$ 1,384	$ 1,628	$ 1,272	$ 3,166
AHP payments, net	$ 109	$	$ 5	$ 10	$ 8	$ 14
REFCORP assessments paid	$ 319	$	$ 24	$ 35	$ 28	$ 48
Transfers of mortgage loans to real estate owned	$ 38	$	$ 2	$	$ 3	$

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 215	$ 144	$ (635)	$ (86)	$ 607	$ (38)	$ (33)	$ 44
					(5)		
290,660	447,258	502,848	322,268	479,937	334,132	100,139	188,481
22,047	9,649	11,856	5,328	13,049	10,559	39,320	20,384
				326		60	83
(292,801)	(447,339)	(499,654)	(319,041)	(480,564)	(335,672)	(104,868)	(185,754)
(18,043)	(7,763)	(12,273)	(3,575)	(16,535)	(9,057)	(44,063)	(19,899)
		(85)					
46	113	57	402	236	800	1,396	12
(116)		(2)	1	(106)	(886)	(20)	
			(357)	(580)	(20)	(2,474)	
(118)	(45)	(39)	(40)				(5)
1,890	2,017	2,073	4,900	(3,630)	(187)	(10,543)	3,346
6	(5)	2	13	55		(2)	
4	15	23	30	96		7	1
$ 10	$ 10	$ 25	$ 43	$ 151	$	$ 5	$ 1
$ 1,895	$ 824	$ 2,067	$ 1,061	$ 1,329	$ 1,200	$ 5,848	$ 1,313
$ 11	$ 5	$ 15	$ 7	$ 5	$ 4	$ 20	$ 5
$ 33	$ 14	$ 15	$ 11	$ 17	$ 17	$ 74	$ 3
$	$	$ 27	$ 5	$	$ 1	$	$

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 Federal Home Loan Bank (FHLBank) addresses its financial condition and results of operations in its periodic reports filed with the U.S. Securities and Exchange Commission (SEC). The results of operations for interim periods are not necessarily indicative of the results to be expected for the year ending December 31, 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 Federal Home Loan Banks Office of Finance (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 (FDIC), or a decline in liquidity in the financial markets;
- political events, including legislative, regulatory, judicial, or other developments that affect the FHLBanks, their members, counterparties and/or investors in the consolidated obligations of the FHLBanks, such as changes in the Federal Home Loan Bank Act of 1932 (FHLBank Act), as amended, or 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 and the passage of the "Housing and Economic Recovery Act of 2008" (the Housing Act));

- 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 investments and mortgage loans. 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 Federal Housing Finance Agency (Finance Agency) in its capacity as regulator (the Regulator). 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; 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; and some FHLBanks that previously participated have exited the programs. At June 30, 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 36 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 June 30, 2008	2007	For the Six Months Ended June 30, 2008	2007	For the Three Months Ended June 30, 2008 vs. 2007 Increase $	%	For the Six Months Ended June 30, 2008 vs. 2007 Increase $	%
Net interest income	$1,344	$1,049	$2,539	$2,074	$295	28.1%	$465	22.4%
Net income	718	628	1,415	1,249	90	14.3%	166	13.3%

Net interest income increased in the second quarter and first six months of 2008, compared to the second quarter and first six months of 2007, as volume increases in advances and investments offset the decline in interest rates. Net income increased in the second quarter and first six months of 2008 compared to the second quarter and first six months of 2007 primarily due to the increase in net interest income.

The FHLBanks' net gains (losses) on trading securities, instruments held at fair value under the fair value option and derivatives and hedging activities resulted in the following (dollar amounts in millions):

	For the Three Months Ended June 30, 2008	2007	For the Six Months Ended June 30, 2008	2007	For the Three Months Ended June 30, 2008 vs. 2007 (Decrease) Increase $	For the Six Months Ended June 30, 2008 vs. 2007 (Decrease) Increase $
Net losses on trading securities	$(266)	$(99)	$(132)	$(90)	$(167)	$(42)
Net (losses) gains on instruments held at fair value	(228)		46		(228)	46
Net gains (losses) on derivatives and hedging activities	364	83	(20)	78	281	(98)

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 gains (losses) on derivatives and hedging activities. Additionally, volatility in the marketplace may intensify this effect.

(Dollar amounts in millions)	For the Three Months Ended June 30, 2008	2007	For the Six Months Ended June 30, 2008	2007	For the Three Months Ended June 30, 2008 vs. 2007 Increase $	%	For the Six Months Ended June 30, 2008 vs. 2007 Increase $	%
Total operating expenses	$178	$173	$359	$344	$5	2.9%	$15	4.4%

The increase in operating expenses for the second quarter of 2008 compared to the second quarter of 2007 is primarily attributable to employee salaries and benefits costs. The increase in operating expenses for the first six months of 2008 compared to the first six months of 2007 is primarily attributable to $8 million in employee salaries and benefits costs and $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.

(Dollar amounts in millions)	For the Three Months Ended June 30, 2008	2007	For the Six Months Ended June 30, 2008	2007	For the Three Months Ended June 30, 2008 vs. 2007 Increase $	%	For the Six Months Ended June 30, 2008 vs. 2007 Increase $	%
Daily average total assets	$1,341,902	$1,015,283	$1,318,800	$1,015,736	$326,619	32.2%	$303,064	29.8%

The increase in average assets is primarily the result of the growth in the FHLBanks' advances and in investment portfolios during the second quarter and six months ended June 30, 2008.

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

	June 30, 2008 Amount	Percentage of Total Assets	December 31, 2007 Amount	Percentage of Total Assets	Increase (Decrease) %
Advances	$ 913,897	68.0%	$ 875,061	68.8%	4.4%
Investments	334,423	24.9%	297,058	23.4%	12.6%
Mortgage loans held for portfolio, net	89,132	6.6%	91,610	7.2%	(2.7)%
Total assets	1,344,259		1,271,800		5.7%
Total consolidated obligations, net	1,249,704		1,178,916		6.0%
Total capital	56,632		53,597		5.7%

Even though advances increased at June 30, 2008 from December 31, 2007, advances, along with mortgage loans held for portfolio, decreased slightly as a percentage of total assets. Investments increased as a percentage of total assets, primarily resulting from the additional capital required to support the increase in advances. 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 during the first six months of 2008 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 interest-bearing deposits and Federal funds sold increased $6.4 billion and $3.5 billion from December 31, 2007 to June 30, 2008 due to liquidity needs in light of current market conditions.

The increase in the level of capital at June 30, 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 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). The FHLBanks' combined capital-to-assets ratio at June 30, 2008 was 4.21 percent, unchanged from December 31, 2007.

The return on average assets was 22 basis points during the three and six months ended June 30, 2008 and 25 basis points during the three and six months ended June 30, 2007. The return on average equity was 5.13 percent and 5.14 percent during the three and six months ended June 30, 2008, compared to 5.71 percent and 5.69 percent during the three and six months ended June 30, 2007. The decreases in return on average assets and return on average equity for the three and six months ended June 30, 2008 are due primarily to larger increases in the average total assets and average invested equity balances, resulting mainly from an increase in outstanding advances, in comparison to the increase in net income from prior periods, as a result of the lower interest rate environment. The weighted-average dividend rate was 4.83 percent and 4.98 percent during the three and six months ended June 30, 2008, compared with 5.33 percent during the three and six months ended June 30, 2007. The dividend rate has been influenced by each FHLBank's retained earnings policies, dividend policies, net earnings, business strategies and Federal Housing Finance Board (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 June 30, 2008 and December 31, 2007, the majority of investments, excluding mortgage-backed securities, and approximately 39 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 June 30, 2008 and December 31, 2007 and key average market interest rates for the three and six months ended June 30, 2008 and 2007.

	June 30, 2008 Ending Rate	December 31, 2007 Ending Rate	Second Quarter 2008 Three-Month Average	Second Quarter 2007 Three-Month Average	First Half 2008 Six-Month Average	First Half 2007 Six-Month Average
Federal Funds Target (1)	2.00%	4.25%	2.08%	5.25%	2.63%	5.25%
3-month LIBOR (1)	2.78%	4.70%	2.75%	5.36%	3.02%	5.36%
2-year LIBOR (1)	3.55%	3.81%	3.26%	5.23%	3.05%	5.18%
5-year LIBOR (1)	4.26%	4.18%	3.99%	5.25%	3.78%	5.16%
10-year LIBOR (1)	4.67%	4.67%	4.52%	5.40%	4.42%	5.30%
3-month U.S. Treasury (1)	1.74%	3.24%	1.64%	4.85%	1.87%	4.98%
2-year U.S. Treasury (1)	2.62%	3.05%	2.40%	4.80%	2.22%	4.78%
5-year U.S. Treasury (1)	3.33%	3.44%	3.15%	4.76%	2.95%	4.70%
10-year U.S. Treasury (1)	3.97%	4.03%	3.86%	4.84%	3.76%	4.76%
15-year residential mortgage note rate (2)	5.90%	5.60%	5.62%	6.02%	5.45%	5.94%
30-year residential mortgage note rate (2)	6.33%	6.05%	6.07%	6.31%	5.95%	6.23%

(1) Source: Bloomberg.

(2) Average calculated using "The Mortgage Bankers Association Weekly Application Survey." June 30, 2008 ending rate is from the last week in June 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 half of 2008, the Federal Open Market Committee lowered the Federal funds rate four more times, resulting in an additional 225 basis point reduction in the Federal funds rate to 2 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 261 and 197 basis points from the second quarter of 2007 to the second quarter of 2008, while the average three-month and two-year U.S. Treasury rates for the second quarter of 2008 was approximately 321 and 240 basis points lower than the corresponding three-month and two-year U.S. Treasury rates during the second quarter of 2007. Average five-year and ten-year U.S. Treasury rates were lower by 175 and 100 basis points in the first six months of 2008 compared to the same period in 2007, while average five-year and ten-year LIBOR rates were lower by 138 and 88 basis points over this time period.

During the second quarter and first half of 2008, general concerns continued regarding the creditworthiness of trade counterparties, which curtailed market liquidity. Uncertainty with regard to the magnitude of future write-downs of mortgage-related holdings on the books of commercial banks and securities dealers influenced the degree to which transaction counterparties were willing to extend unsecured credit to each other. Concern about the viability of dealer counterparties was further elevated when it was revealed in March 2008 that Bear Stearns' management would be forced to sell the firm, with assistance from the U.S. Government, at a greatly depressed value due to inadequate operating liquidity. In addition, securities dealers demonstrated a generally more defensive posture as risk positions and balance sheet allocations were closely scrutinized amid significant losses in trading accounts. Additionally, during the second quarter and first half of 2008, in response to significantly reduced liquidity in the term lending markets, the Federal Reserve modified existing bank liquidity facilities and implemented new term liquidity facilities that could be accessed directly by banks and securities dealers. These unprecedented steps provided the banking system and the securities industry with large alternative funding sources. These new funding sources provided a much-needed supplement to the traditional wholesale funding sources available to banks and securities dealers.

The Securities Industry and Financial Markets Association's (SIFMA's) May 2008 "Research Quarterly," the latest date for which information is publicly available, noted that securities issuance in the first quarter of 2008 reached \$1.43 trillion, an increase from the \$1.36 trillion issued in the fourth quarter of 2007, but substantially lower than the \$1.81 trillion issued in the first quarter of 2007. Mortgage-related securities issuance decreased 30.1% to \$377.5 billion in the first quarter of 2008 from \$540.4 billion in the first quarter of 2007. SIFMA's "Research Quarterly" noted that several factors affected the mortgage-related securities market, leading to the decline in new-issue volume, including a deteriorated housing market, fewer mortgage originations, tighter underwriting standards, record delinquency and foreclosure levels, diminished market liquidity and turmoil in the global credit markets. The shift toward government-sponsored enterprise (GSE) or agency mortgage financing led to higher agency debt and MBS issuance in the quarter. Long-term federal agency debt issuance rose 67.9% from \$265.4 billion in the first quarter of 2007 to \$445.5 billion in the first quarter of 2008. The FHLBanks accounted for nearly half of total agency debt issuance in the first quarter of 2008. With increased demand for funding from member banks, the FHLBanks' long-term debt issuance increased 80.0% from \$120.7 billion in the first quarter of 2007 to \$217.2 billion during the same period in 2008.

During the second quarter and first half of 2008, the issuance of callable FHLBank consolidated obligations decreased, as bullet debt and floating rate debt became more prominent funding vehicles. In addition, while bond call volume increased sharply beginning in the fourth quarter of 2007 as market interest rates declined and call volume accelerated during the first quarter of 2008, the volume of bonds called during the second quarter of 2008, although relatively high, was substantially lower than during the prior quarter. The funding instruments the FHLBanks choose to utilize at any point in time depend on several factors, including relative pricing, desired structural characteristics (e.g., call feature, maturity date, floating-rate coupon) and market capacity. When the proportionality of funding instruments outstanding changes, it may be reflective of any one or a combination of these factors. In late 2007 and early 2008, a large volume of callable bonds were called prior to maturity. These called bonds were replaced with a combination of funding instruments, with short-term term bullets and floating-rate bonds comprising a large percentage. Relative pricing and market capacity were factors influencing the shift in the funding mix. During the first quarter of 2008, money fund assets grew rapidly as investors sought less volatile investments. At the same time, money fund managers were allocating to high-quality issuers, such as the GSEs, after disposing of asset-backed securities that had underperformed as a result of the credit crisis. The resulting strong and high-volume demand from money funds for short-term GSE debt provided the FHLBanks with attractive funding opportunities in discount notes, short bullets and floaters.

The mortgage market continues to undergo a number of changes. Mortgage loan delinquencies and defaults have increased over the past year, particularly in the nonprime 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, dealers and investors incurred significant markdowns on the value of subprime, alternative documentation and payment-option loans and securities backed by these loans. As a result, a number of high profile originators have exited subprime lending, disposed of 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 half 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 much of the first half of 2008, both Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) operated under agreements 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. During the second quarter of 2008, Fannie Mae and Freddie Mac reported significant increases in their outstanding commitments to purchase mortgages and MBS and in the sizes of their retained investment portfolios. On May 6, 2008, the Office of Federal Housing Enterprise Oversight (OFHEO) lifted its consent order with Fannie Mae and announced its intention to lower the OFHEO-directed excess capital requirement for Fannie Mae to 15 percent upon the successful completion of Fannie Mae's capital-raising plan. Similarly, on May 14, 2008, OFHEO announced its intention to lower the OFHEO-directed excess capital requirement for Freddie Mac to 15 percent upon the successful completion of Freddie Mac's capital-raising plan, assuming there are no material changes to ongoing regulatory compliance. On July 18, 2008, Freddie Mac announced that it had become an SEC registrant under the Securities Exchange Act of 1934.

For the quarter ended March 31, 2008, the latest date for which information is publicly available, the FDIC reported that total assets and deposits of all FDIC-insured institutions increased compared to the quarter ended March 31, 2007. Total assets for all FDIC-insured institutions increased 11.6 percent over this time period. Total domestic deposits for all FDIC-insured institutions were $7.07 trillion, a 5.6 percent gain compared to the March 31, 2007 balance, while total loans and leases increased 9.5 percent over the same period. Domestic deposits increased by $156.2 billion, a 2.3 percent gain, during the first quarter of 2008, while non-deposit liabilities rose by $171.6 billion, a 5.2 percent increase, during this time period. For the twelve-month period ended March 31, 2008, FHLBank advances to FDIC-insured institutions increased by $234.0 billion, or 38.5%, to $841.5 billion. 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.

Conditions in Financial Markets Subsequent to the Second Quarter of 2008. In the latter half of July 2008, market unrest resulting from negative headlines about GSEs and the continued turmoil in the U.S. housing and mortgage markets adversely affected the FHLBanks' ability to issue debt. This period was characterized by significantly increased volatility in GSE debt pricing and funding. To the extent that the FHLBanks' cost of funds increases, member institutions may, in turn, experience higher costs for advance borrowings. The cost of the FHLBanks' longer-term debt increased relative to LIBOR in the latter half of July 2008 as some investors were only willing to purchase debt with short-term maturities as a result of the uncertainties in the entire U.S. housing and mortgage markets.

The FHLBanks were able to continue issuing short-term discount notes during this particularly stressful period. Importantly, the FHLBanks continue to have access to all consolidated bond and discount note funding channels in auctioned, negotiated and selling group formats. The passage of the Housing Act (signed into law by the President of the United States on July 30, 2008), which includes reform measures relating to Fannie Mae and Freddie Mac, appears to have alleviated some but not all of this market disruption.

In late July 2008, the U.S. Treasury issued guidance on covered bonds in order to increase liquidity in the capital markets. Future demand for FHLBank advances could be affected to the extent that the covered bond market develops.

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 No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115* (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 June 30, 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)

	June 30, 2008	December 31, 2007
Advances at pre-SFAS 133 and 159 value	$ 906,382	$ 867,144
SFAS 133 hedging adjustments	7,212	7,917
SFAS 159 valuation adjustments (1)	303	
Advances at carrying value	$ 913,897	$ 875,061
Available-for-sale securities at pre-SFAS 133 value (2)	$ 10,511	$ 5,710
SFAS 133 hedging adjustments	(9)	103
Available-for-sale securities at carrying value	$ 10,502	$ 5,813
Mortgage loans held for portfolio at pre-SFAS 133 value	$ 89,035	$ 91,503
SFAS 133 hedging adjustments	105	115
Mortgage loans held for portfolio at carrying value	$ 89,140	$ 91,618
Consolidated obligations at pre-SFAS 133 and 159 value	$1,247,452	$1,176,111
SFAS 133 hedging adjustments	2,254	2,805
SFAS 159 valuation adjustments (1)	(2)	
Consolidated obligations at carrying value	$1,249,704	$1,178,916

(1) See "Note 10—Fair Value Disclosures" to the accompanying combined financial statements 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, *Accounting for Certain Investments in Debt and Equity Securities* (SFAS 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 during the period, particularly in short-term advances, due in one year or less.

At June 30, 2008, the FHLBanks had $4.8 billion of CIP housing advances and $2.0 billion of CIP commercial and economic development advances outstanding.

Advances by Redemption Terms
(Dollar amounts in millions)

Redemption Term	June 30, 2008 Amount	June 30, 2008 Weighted-Average Interest Rate	December 31, 2007 Amount	December 31, 2007 Weighted-Average Interest Rate
Overdrawn demand and overnight deposit accounts	$ 28		$ 86	
Due in 1 year or less	353,719	2.87%	288,696	4.51%
Due after 1 year through 2 years	162,804	3.71%	174,061	4.82%
Due after 2 years through 3 years	111,359	4.00%	124,529	4.96%
Due after 3 years through 4 years	56,731	3.86%	82,819	5.10%
Due after 4 years through 5 years	73,666	3.58%	67,280	4.86%
Thereafter	144,596	3.92%	126,363	4.57%
Index amortizing advances	3,575	4.63%	3,415	4.71%
Total par value	906,478	3.45%	867,249	4.73%
Commitment fees	(5)		(4)	
Discount on AHP advances	(68)		(68)	
Premiums	25		30	
Discounts	(48)		(63)	
SFAS 133 hedging adjustments	7,212		7,917	
SFAS 159 valuation adjustments	303			
Total	$913,897		$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)

	June 30, 2008 Amount	June 30, 2008 Percentage of Total	December 31, 2007 Amount	December 31, 2007 Percentage of Total
Par amount of advances				
Fixed-rate	$593,907	65.5%	$565,805	65.2%
Variable-rate	312,571	34.5%	301,444	34.8%
Total	$906,478	100.0%	$867,249	100.0%

Advance Originations
(Dollar amounts in millions)

	For the Three Months Ended June 30, 2008	For the Three Months Ended June 30, 2007	For the Six Months Ended June 30, 2008	For the Six Months Ended June 30, 2007	For the Three Months Ended June 30, 2008 vs. 2007 Increase $	For the Three Months Ended June 30, 2008 vs. 2007 Increase %	For the Six Months Ended June 30, 2008 vs. 2007 Increase $	For the Six Months Ended June 30, 2008 vs. 2007 Increase %
Advances originated	$2,336,806	$1,677,832	$4,539,969	$3,507,309	$658,974	39.3%	$1,032,660	29.4%
Advances repaid	2,326,281	1,660,309	4,500,762	3,506,766	665,972	40.1%	993,996	28.3%
Net increase	$ 10,525	$ 17,523	$ 39,207	$ 543				

The increase in advance originations noted in the previous 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—Par Value
(Dollar amounts in millions)

	June 30, 2008		December 31, 2007		Increase	
	Amount	Percentage of Par Value	Amount	Percentage of Par Value	$	%
Callable advances	$39,600	4.4%	$34,270	4.0%	$5,330	15.6%

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

Year of Contractual Maturity or Next Call Date	June 30, 2008	Percentage of Total	December 31, 2007	Percentage of Total
Overdrawn demand and overnight deposit accounts	$ 28	0.0%	$ 86	0.0%
Due in 1 year or less	385,826	42.6%	316,830	36.6%
Due after 1 year through 2 years	157,029	17.3%	169,570	19.6%
Due after 2 years through 3 years	106,936	11.8%	121,340	14.0%
Due after 3 years through 4 years	53,553	5.9%	78,372	9.0%
Due after 4 years through 5 years	67,252	7.4%	62,813	7.2%
Thereafter	132,279	14.6%	114,823	13.2%
Index amortizing advances	3,575	0.4%	3,415	0.4%
Total par value	$906,478	100.0%	$867,249	100.0%

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.

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

	June 30, 2008		December 31, 2007	
	Amount	Percentage of Par Value	Amount	Percentage of Par Value
Convertible advances	$ 50,304	5.5%	$ 49,055	5.7%
Putable advances	92,988	10.3%	82,845	9.6%
Convertible and putable advances	$143,292	15.8%	$131,900	15.3%

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

	June 30, 2008	Percentage of Total	December 31, 2007	Percentage of Total
Overdrawn demand and overnight deposit accounts	$ 28	0.0%	$ 86	0.0%
Due in 1 year or less	450,920	49.7%	376,111	43.3%
Due after 1 year through 2 years	173,247	19.1%	190,760	22.0%
Due after 2 years through 3 years	109,312	12.1%	116,883	13.5%
Due after 3 years through 4 years	51,096	5.6%	78,721	9.1%
Due after 4 years through 5 years	56,703	6.3%	49,378	5.7%
Thereafter	61,597	6.8%	51,895	6.0%
Index amortizing advances	3,575	0.4%	3,415	0.4%
Total par value	$906,478	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. Regulations do not expressly prohibit the FHLBanks from trading in investments, but none of the FHLBanks currently hold trading securities for speculative purposes.

At June 30, 2008 and December 31, 2007, 99.65 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 June 30, 2008, approximately 4 percent of total investment securities were on negative watch. Of these securities on negative watch, approximately 3 percent of total investment securities represented private-label residential MBS and home equity loan investments, and the balance was commercial paper and state or local housing agency obligations.

Investments
(Dollar amounts in millions)

	June 30, 2008	December 31, 2007	Increase	
			$	%
Investments (excluding mortgage-backed securities)	$165,707	$153,545	$12,162	7.9%
Mortgage-backed securities	168,716	143,513	25,203	17.6%
Total investments	$334,423	$297,058	$37,365	12.6%

Investments
(Dollar amounts in millions)

	June 30, 2008		December 31, 2007		Increase (Decrease)	
	Amount	Percentage of Total Investments	Amount	Percentage of Total Investments	$	%
Held-to-maturity securities	$172,302	51.5%	$151,176	50.9%	$21,126	14.0%
Available-for-sale securities	10,502	3.1%	5,813	2.0%	4,689	80.7%
Trading securities	8,948	2.7%	6,809	2.3%	2,139	31.4%
Total investment securities	191,752	57.3%	163,798	55.2%	27,954	17.1%
Interest-bearing deposits	53,017	15.9%	46,642	15.7%	6,375	13.7%
Securities purchased under agreements to resell	300	0.1%	800	0.2%	(500)	(62.5)%
Federal funds sold	89,354	26.7%	85,818	28.9%	3,536	4.1%
Total investments	$334,423	100.0%	$297,058	100.0%	$37,365	12.6%

Investment Securities
(Dollar amounts in millions)

	June 30, 2008		December 31, 2007	
	Amount	Percentage of Total Investment Securities	Amount	Percentage of Total Investment Securities
Commercial paper	$ 6,863	3.6%	$ 7,197	4.4%
Other U.S. obligations*	765	0.4%	725	0.4%
Government-sponsored enterprises**	12,009	6.3%	8,874	5.4%
State or local housing agency obligations	2,976	1.6%	2,977	1.8%
Other	423	0.2%	512	0.3%
	23,036	12.1%	20,285	12.3%
Mortgage-backed securities:				
Other U.S. obligations*	380	0.2%	430	0.3%
Government-sponsored enterprises***	86,747	45.2%	55,098	33.6%
Other****	81,589	42.5%	87,985	53.8%
	168,716	87.9%	143,513	87.7%
Total investment securities	$191,752	100.0%	$163,798	100.0%

* 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)

	June 30, 2008		December 31, 2007	
	Carrying Value	Percentage of Total	Carrying Value	Percentage of Total
Government-sponsored enterprises residential mortgage-backed securities*	$ 86,747	51.4%	$ 55,098	38.4%
Private-label residential mortgage-backed securities	76,840	45.6%	82,038	57.2%
Home equity loans	2,256	1.3%	2,462	1.7%
Private-label commercial mortgage-backed securities	1,802	1.1%	2,757	1.9%
MPF Shared Funding Program mortgage-backed certificates	417	0.2%	439	0.3%
Other U.S. obligations residential mortgage-backed securities**	380	0.2%	430	0.3%
Manufactured housing loans	274	0.2%	289	0.2%
Total mortgage-backed securities	$168,716	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.

** Primarily consists of Ginnie Mae and/or SBA investment pools.

Regulator 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 June 30, 2008, the FHLBanks did not hold any collateralized debt obligation (CDO) securities.

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

	June 30, 2008	December 31, 2007	Increase (Decrease) $	Increase (Decrease) %
Mortgage-backed securities	$168,716	$143,513	$25,203	17.6%
Less: MPF Shared Funding Program	417	439	(22)	(5.0)%
Mortgage-backed securities (excluding MPF Shared Funding Program)	$168,299	$143,074	$25,225	17.6%
Total capital(1) and designated amount of applicable subordinated notes	$ 58,868	$ 55,704	$ 3,164	5.7%
Ratio of mortgage-backed securities (excluding MPF Shared Funding Program) to total capital(1) and designated amount of applicable subordinated notes	2.86	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)

	June 30, 2008	December 31, 2007
	Estimated Fair Value	Estimated Fair Value
Government-sponsored enterprises*	$7,958	$5,717
State or local housing agency obligations	59	60
Other	11	11
	8,028	5,788
Mortgage-backed securities:		
Other U.S. obligations**	67	74
Government-sponsored enterprises***	835	912
Other****	18	35
	920	1,021
Total	$8,948	$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.

** Primarily consists of Ginnie Mae 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)

	June 30, 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	$ 521	4.48%	$ 211	4.30%
Due after one year through five years	3,928	4.63%	4,671	4.74%
Due after five years through ten years	3,555	4.59%	881	4.69%
Due after ten years	24	6.72%	25	6.72%
Total	$8,028		$5,788	

Available-for-Sale Securities.

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

	June 30, 2008			
	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government-sponsored enterprises*	$ 1,864	$ 7	$ (46)	$ 1,825
Other	409		(6)	403
	2,273	7	(52)	2,228
Mortgage-backed securities:				
Government-sponsored enterprises**	8,142	9	(99)	8,052
Other***	328		(106)	222
	8,470	9	(205)	8,274
Total	$10,743	$16	$(257)	$10,502

	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/or 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 $154 million increase in gross unrealized losses on the FHLBanks' available-for-sale mortgage-backed securities from December 31, 2007 to June 30, 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 estimated fair values on mortgage-backed securities owned by the FHLBanks to fall below amortized cost on a large number of individual securities, particularly the private-label mortgage-backed securities.

Each FHLBank evaluates its individual available-for-sale investment securities holdings for other-than-temporary impairment on at least a quarterly basis. See "Critical Accounting Estimates—Other-than-Temporary Impairment for Investment Securities," and "Notes to Combined Financial Statements (Unaudited)—Note 4—Available-for-Sale Securities" for additional information regarding the FHLBanks' processes for evaluating available-for-sale securities for other-than-temporary impairment.

As a result of these evaluations and each FHLBank's ability and intent to hold such securities through the recovery of the unrealized losses, each FHLBank's management believes that it is probable that it will be able to collect all amounts due according to the contractual terms of the individual securities and does not consider its respective investments to be other-than-temporarily impaired at June 30, 2008.

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

Year of Maturity	June 30, 2008 Amortized Cost	June 30, 2008 Estimated Fair Value	December 31, 2007 Amortized Cost	December 31, 2007 Estimated Fair Value
Due in one year or less	$ 69	$ 68	$ 697	$ 696
Due after one year through five years	162	166	187	190
Due after five through ten years	1,251	1,225	60	62
Due after ten years	791	769	788	791
	2,273	2,228	1,732	1,739
Mortgage-backed securities	8,470	8,274	4,124	4,074
Total	$10,743	$10,502	$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	June 30, 2008	December 31, 2007
Non-mortgage-backed securities		
Due in one year or less	4.04%	4.48%
Due after one year through five years	4.39%	4.37%
Due after five years through ten years	4.39%	4.83%
Due after ten years	6.57%	6.57%

Held-to-Maturity Securities.

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

	June 30, 2008			
	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	$ 6,863	$ 4	$	$ 6,867
Other U.S. obligations*	765	3	(2)	766
Government-sponsored enterprises**	2,226	37	(12)	2,251
State or local housing agency obligations	2,917	22	(56)	2,883
Other	9			9
	12,780	66	(70)	12,776
Mortgage-backed securities:				
Other U.S. obligations*	313	2	(2)	313
Government-sponsored enterprises***	77,860	368	(746)	77,482
Other****	81,349	22	(8,384)	72,987
	159,522	392	(9,132)	150,782
Total	$172,302	$458	$(9,202)	$163,558

	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/or previous other-than-temporary impairments.

* 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 $6,614 million increase in gross unrealized losses on the FHLBanks' held-to-maturity mortgage-backed securities from December 31, 2007 to June 30, 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 estimated fair values on mortgage-backed securities owned by the FHLBanks to fall below amortized cost on a large number of individual securities, particularly the private-label mortgage-backed securities.

Each FHLBank evaluates its individual held-to-maturity investment securities holdings for other-than-temporary impairment on at least a quarterly basis. See "Critical Accounting Estimates—Other-than-Temporary Impairment for Investment Securities," and "Notes to Combined Financial Statements (Unaudited)—Note 5—Held-to-Maturity Securities" for additional information regarding the FHLBanks' processes for evaluating held-to-maturity securities for other-than-temporary impairment. As a result of these evaluations and each FHLBank's ability and intent to hold such securities through the recovery of the unrealized losses, each FHLBank's management believes that it is probable that it will be able to collect all amounts due according to the contractual terms of the individual securities and does not consider its respective investments to be other-than-temporarily impaired at June 30, 2008, except for certain MBS instruments held by the FHLBank of Chicago in its held-to-maturity portfolio, as further described below.

The FHLBank of Chicago's held-to-maturity securities portfolio at June 30, 2008 included $4.2 billion of private issue mortgage-backed securities classified in this report as private-label residential MBS ($2.8 billion) and MBS backed by home equity loan investments ($1.4 billion). The majority of underlying mortgages collateralizing these securities were considered subprime or non-traditional. This portfolio had gross unrealized losses of $348 million at June 30, 2008. The FHLBank of Chicago performed an impairment analysis of this portfolio at June 30, 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 $30 million and $63 million in the three and six months ended June 30, 2008 related to MBS instruments in its held-to-maturity portfolio, which is reported in the Statement of Income as "Net realized losses on held-to-maturity securities." These securities impaired in the second quarter of 2008 had a fair value of $94 million at June 30, 2008.

The FHLBank of Chicago's held-to-maturity portfolio had gross unrealized losses of $419 million at June 30, 2008. This amount does not include unrealized losses on securities transferred from the FHLBank of Chicago's available-for-sale securities portfolio on December 27, 2007, because the transfer was recorded at fair value. At that time, a $138 million unrealized loss was recorded in accumulated other comprehensive income (OCI) and is being amortized over the remaining life of the securities as a yield adjustment, offset by the interest income accretion related to the discount on the transferred securities. However, OCI on these securities is recognized immediately into earnings if an impairment charge is realized. In the second quarter and first six months of 2008, the FHLBank of Chicago recognized $9 million and $22 million from OCI into realized losses on held-to-maturity securities due to other-than-temporary impairment. Net of these impairment charges and amortization, the remaining balance in OCI at June 30, 2008 on these transferred securities was $99 million.

The remainder of the FHLBank of Chicago's held-to-maturity securities portfolio has experienced unrealized losses and a decrease in fair value due to interest rate volatility, illiquidity in the marketplace, and credit deterioration in the U.S. mortgage markets. However, the decline 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. If the mortgage markets and general business and economic conditions continue to deteriorate, it is possible that the FHLBanks may experience other-than-temporary impairment in the value of their MBS investments. The FHLBanks cannot predict when or if such write-downs may occur or the size of any such write-downs if they do occur.

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

	June 30, 2008		December 31, 2007	
Year of Maturity	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 8,112	$ 8,118	$ 8,397	$ 8,399
Due after one year through five years	1,921	1,957	1,330	1,348
Due after five through ten years	261	258	572	603
Due after ten years	2,486	2,443	2,459	2,454
	12,780	12,776	12,758	12,804
Mortgage-backed securities	159,522	150,782	138,418	136,320
Total	$172,302	$163,558	$151,176	$149,124

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 Held-to-Maturity Non-Mortgage-Backed Securities

Year of Maturity	June 30, 2008	December 31, 2007
Non-mortgage-backed securities		
Due in one year or less	2.65%	4.92%
Due after one year through five years	4.52%	4.72%
Due after five years through ten years	4.42%	5.32%
Due after ten years	3.93%	5.50%

Mortgage Loans Held for Portfolio.

Mortgage Loans Held for Portfolio (Dollar amounts in millions)

	June 30, 2008	Percentage of Total	December 31, 2007	Percentage of Total	(Decrease) Increase $	(Decrease) Increase %
Real Estate:						
Fixed-rate, medium-term* single-family mortgages	$22,303	25.2%	$23,280	25.6%	$ (977)	(4.2)%
Fixed-rate, long-term single-family mortgages	66,385	74.8%	67,848	74.4%	(1,463)	(2.2)%
Multifamily mortgages	27	0.0%	27	0.0%		0.0%
	88,715	100.0%	91,155	100.0%	(2,440)	(2.7)%
Premiums	563		596		(33)	(5.5)%
Discounts	(277)		(285)		8	2.8%
Deferred loan costs, net	34		37		(3)	(8.1)%
SFAS 133 hedging adjustments	105		115		(10)	(8.7)%
Total mortgage loans held for portfolio	$89,140		$91,618		$(2,478)	(2.7)%

* 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 June 30, 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 June 30, 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. The FHLBank of Atlanta recently determined to suspend new acquisitions of mortgage loans under the MPP. The FHLBank of Atlanta plans to continue to support its existing portfolio of MPP loans. 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. Effective August 1, 2008, the FHLBank of Chicago no longer purchases mortgage loans from participating financial institutions under the MPF Program except for non-material amounts of MPF loans related to previous commitments and its affordable housing program. Mortgage loans purchased from the FHLBank of Chicago's participating financial institutions starting August 1, 2008 through October 31, 2008 are expected to be held primarily as investments by other 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)

	June 30, 2008		December 31, 2007		Decrease	
	Amount	Percentage of Total Loans	Amount	Percentage of Total Loans	$	%
MPF, mortgage loans held for portfolio	$65,703	73.7%	$67,273	73.5%	$(1,570)	(2.3)%
MPP, mortgage loans held for portfolio	23,409	26.3%	24,316	26.5%	(907)	(3.7)%
Other mortgage loans	28	0.0%	29	0.0%	(1)	(3.4)%
Total mortgage loans held for portfolio	$89,140	100.0%	$91,618	100.0%	$(2,478)	(2.7)%
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	$65,696	73.7%	$67,266	73.4%	$(1,570)	(2.3)%
MPP, mortgage loans held for portfolio, net	23,409	26.3%	24,316	26.6%	(907)	(3.7)%
Other mortgage loans, net	27	0.0%	28	0.0%	(1)	(3.6)%
Total mortgage loans held for portfolio, net	$89,132	100.0%	$91,610	100.0%	$(2,478)	(2.7)%

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" balances relate to the Affordable Multifamily Participation Program (AMPP) established by the FHLBank of Atlanta, and the Community Mortgage Asset (CMA) program 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)

	June 30, 2008	Percentage of Total	December 31, 2007	Percentage of Total	Decrease $	Decrease %
Conventional loans	$80,246	90.5%	$82,252	90.2%	$(2,006)	(2.4)%
Government-guaranteed or -insured loans	8,465	9.5%	8,899	9.8%	(434)	(4.9)%
Other loans	4	0.0%	4	0.0%		0.0%
Total par value	$88,715	100.0%	$91,155	100.0%	$(2,440)	(2.7)%

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

	June 30, 2008	December 31, 2007
Balance, beginning of period	$ 8	$7
Charge-offs	(1)	
Provision for credit losses	1	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 June 30, 2008 and December 31, 2007 are as follows (dollar amounts in millions):

	June 30, 2008	December 31, 2007
Mortgage loans held for portfolio, net	$89,132	$91,610
Nonperforming mortgage loans held for portfolio(1)	111	86
Mortgage loans held for portfolio past due 90 days or more and still accruing interest(2)	419	398
Loans in foreclosure	88	73
Real estate owned	49	43

(1) Generally represents conventional mortgage loans with contractual principal or interest payments 90 days or more past due.

(2) 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 for the six months ended June 30, 2008 and 2007 are as follows:

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

	For the Six Months Ended	
	June 30, 2008	June 30, 2007
Interest contractually due during the period	$2.2	$1.3
Interest actually received during the period	1.6	0.6
Shortfall	$0.6	$0.7

Consolidated Obligations.

General. Consolidated obligations issued through the Office of Finance are the principal source of funds used by the FHLBanks to make advances, purchase mortgages and make investments. Consolidated obligations consist of consolidated bonds and consolidated discount notes, which differ, among other ways, in their maturities and in some of the intended uses of the funds they provide. An FHLBank is basically prohibited by regulation 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 June 30, 2008	For the Three Months Ended June 30, 2007	For the Six Months Ended June 30, 2008	For the Six Months Ended June 30, 2007	For the Three Months Ended June 30, 2008 vs. 2007 Increase $	For the Three Months Ended June 30, 2008 vs. 2007 Increase %	For the Six Months Ended June 30, 2008 vs. 2007 Increase $	For the Six Months Ended June 30, 2008 vs. 2007 Increase %
Overnight discount notes	$ 39,209	$ 26,843	$ 40,314	$ 26,000	$ 12,366	46.1%	$ 14,314	55.1%
Term discount notes	342,356	127,804	337,975	131,818	214,552	167.9%	206,157	156.4%
Total discount notes	381,565	154,647	378,289	157,818	226,918	146.7%	220,471	139.7%
Bonds	858,041	791,350	838,212	789,580	66,691	8.4%	48,632	6.2%
Total consolidated obligations	$1,239,606	$945,997	$1,216,501	$947,398	$293,609	31.0%	$269,103	28.4%

Consolidated Obligations Outstanding (Dollar amounts in millions)

	June 30, 2008		December 31, 2007	
	Amount	Percentage of Total Consolidated Obligations, Net	Amount	Percentage of Total Consolidated Obligations, Net
Discount notes	$ 378,556	30.3%	$ 376,342	31.9%
Bonds	871,148	69.7%	802,574	68.1%
Total consolidated obligations, net	$1,249,704	100.0%	$1,178,916	100.0%

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

	June 30, 2008		December 31, 2007	
Year of Contractual Maturity	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Due in 1 year or less	$361,723	3.22%	$287,781	4.51%
Due after 1 year through 2 years	185,528	3.42%	176,493	4.71%
Due after 2 years through 3 years	77,666	4.09%	82,969	4.67%
Due after 3 years through 4 years	48,538	4.82%	49,500	5.02%
Due after 4 years through 5 years	60,029	4.40%	51,812	5.08%
Thereafter	133,750	5.14%	151,887	5.10%
Index amortizing notes	7,948	5.01%	7,835	5.02%
Total par value	875,182	3.82%	808,277	4.75%
Premiums	486		395	
Discounts	(6,764)		(8,894)	
SFAS 133 hedging adjustments	2,251		2,801	
SFAS 159 valuation adjustments	(2)			
Subtotal	871,153		802,579	
Bonds held in treasury	(5)		(5)	
Total	$871,148		$802,574	

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

Year of Contractual Maturity or Next Call Date	June 30, 2008	December 31, 2007
Due in 1 year or less	$507,084	$489,504
Due after 1 year through 2 years	189,277	149,459
Due after 2 years through 3 years	61,630	55,577
Due after 3 years through 4 years	25,188	27,096
Due after 4 years through 5 years	24,652	17,549
Thereafter	59,403	61,257
Index amortizing notes	7,948	7,835
Total par value	$875,182	$808,277

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

	June 30, 2008	December 31, 2007
Noncallable/nonputable	$657,728	$496,085
Callable	217,454	312,192
Total par value	$875,182	$808,277

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

	June 30, 2008		December 31, 2007	
	Amount	Percentage of Total	Amount	Percentage of Total
Fixed-rate, noncallable	$442,599	50.5%	$358,962	44.2%
Fixed-rate, callable	204,835	23.4%	290,062	35.8%
Single-index, non-capped variable-rate	197,688	22.6%	106,200	13.1%
Zero-coupon, callable	8,224	0.9%	11,004	1.4%
Amortizing prepayment linked securities	8,217	0.9%	8,142	1.0%
Step-up / step-down	7,138	0.8%	26,272	3.2%
Range variable-rate	4,795	0.6%	5,930	0.7%
Conversion	1,255	0.2%	1,632	0.2%
Capped variable-rate	740	0.1%	2,476	0.3%
Other	354	0.0%	674	0.1%
Total	$875,845	100.0%	$811,354	100.0%

(1) Consolidated bonds outstanding have not been adjusted for interbank holdings of consolidated obligations totaling $663 million at June 30, 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 June 30, 2008, compared to December 31, 2007, was primarily financed by a 6.0 percent increase in consolidated obligations of $70.8 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 $151.9 billion and $127.4 billion at par in term funds during the first six 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 six months of 2008, $34.6 billion of bonds were issued through the TAP Issue Program. This represents an increase of $12.6 billion over the first six 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 Bonds Issued During Three Months Ended June 30,		Percent of Total Bonds Issued During Six Months Ended June 30,	
	2008	2007	2008	2007
Negotiated transactions	79.90%	85.45%	83.06%	83.60%
Competitive bid	20.10%	14.55%	16.94%	16.40%
Total	100.00%	100.00%	100.00%	100.00%

	Percent of Total Bonds Issued During Three Months Ended June 30,		Percent of Total Bonds Issued During Six Months Ended June 30,	
	2008	2007	2008	2007
Fixed-rate, fixed-term, noncallable (bullet)	63.60%	39.79%	40.65%	33.34%
Fixed-rate, callable	21.64%	53.35%	29.01%	58.79%
Single-index, variable-rate	13.86%	5.55%	28.74%	6.62%
Step-up/step-down	0.34%	0.55%	0.71%	0.58%
Other	0.56%	0.76%	0.89%	0.67%
Total	100.00%	100.00%	100.00%	100.00%

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
Discount Notes	$3,178,598	$1,973,002	$6,316,838	$3,863,918
Bonds	$ 169,609	$ 114,695	$ 386,866	$ 235,424

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 discount notes. The increase in consolidated bonds issued at par value occurred primarily because of the increase in bond calls/maturities during the first six months of 2008 as interest rates declined. The FHLBanks make extensive use of callable debt. At June 30, 2008, $217.5 billion of callable debt at par was outstanding (excluding an interbank holding adjustment of $165 million). At June 30, 2008, callable bonds represented 24.8 percent of total bonds outstanding at par.

Consolidated discount notes accounted for 94.2 percent of the proceeds from the issuance of consolidated obligations during the first six months of 2008. Much of the discount note activity reflects the refinancing of overnight discount notes.

Deposits. At June 30, 2008, deposits totaled $20,127 million, a decrease of $766 million or 3.7 percent from December 31, 2007.

The following table presents term deposits issued in amounts of $100,000 or more at June 30, 2008 (dollar amounts in millions):

	June 30, 2008
3 months or less	$507
Over 3 months through 6 months	67
Over 6 months through 12 months	15
Over 12 months	37
Total	$626

Capital.

Total Capital
(Dollar amounts in millions)

June 30, 2008	December 31, 2007	Increase $	Increase %
$56,632	$53,597	$3,035	5.7%

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

- the $14.9 billion of net proceeds from the sale of capital stock as a result of increases in advances, partially offset by
- the $11.2 billion of repurchase/redemption of capital stock and $1.3 billion of reclassification of capital stock as mandatorily redeemable capital stock during the first six months of 2008.

Over the same period, total capital increased at the same rate as total assets. This caused the FHLBanks' total capital-to-assets ratio to remain at 4.21 percent at June 30, 2008, unchanged from December 31, 2007. All FHLBanks except the FHLBank of Chicago have converted to their new capital plans at June 30, 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 June 30,		For the Six Months Ended June 30,		For the Three Months Ended June 30, 2008 vs. 2007 (Decrease) Increase		For the Six Months Ended June 30, 2008 vs. 2007 (Decrease) Increase	
	2008	2007	2008	2007	$	%	$	%
INTEREST INCOME								
Advances	$ 6,716	$ 8,398	$15,790	$16,820	$(1,682)	(20.0)%	$(1,030)	(6.1)%
Prepayment fees on advances	26	8	67	16	18	225.0%	51	318.8%
Mortgage loans held for portfolio	1,133	1,224	2,286	2,462	(91)	(7.4)%	(176)	(7.1)%
Investments and other	2,823	3,670	6,030	7,167	(847)	(23.1)%	(1,137)	(15.9)%
Total interest income	10,698	13,300	24,173	26,465	(2,602)	(19.6)%	(2,292)	(8.7)%
INTEREST EXPENSE								
Consolidated obligations	9,198	11,921	21,253	23,770	(2,723)	(22.8)%	(2,517)	(10.6)%
Other	156	330	381	621	(174)	(52.7)%	(240)	(38.6)%
Total interest expense	9,354	12,251	21,634	24,391	(2,897)	(23.6)%	(2,757)	(11.3)%
NET INTEREST INCOME	$ 1,344	$ 1,049	$ 2,539	$ 2,074	$ 295	28.1%	$ 465	22.4%

Net interest income increased in the second quarter and first six months of 2008 compared to the second quarter and first six months of 2007, as volume increases in advances and investments offset the decline in interest rates. The decreases in consolidated obligation interest expense in the second quarter and first six months of 2008, compared to the second quarter and first six months of 2007, were due primarily to lower interest rates.

The decrease in interest income on mortgage loans held for portfolio from the second quarter and first six months of 2007 compared to the second quarter and first six months 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					
	June 30, 2008			June 30, 2007		
	Average Balance(1)	Interest (2)	Annualized Yield	Average Balance(1)	Interest (2)	Annualized Yield
Earning assets:						
Advances(3)	$ 926,939	6,742	2.93%	$ 628,766	8,406	5.36%
Mortgage loans held for portfolio	89,753	1,133	5.08%	95,192	1,224	5.16%
Investments:						
Interest-bearing deposits and other	47,079	326	2.79%	37,015	496	5.37%
Securities purchased under agreements to resell	1,041	5	1.93%	2,896	39	5.40%
Federal funds sold	81,195	469	2.32%	91,150	1,211	5.33%
Trading securities	8,588	109	5.10%	5,719	82	5.75%
Available-for-sale securities(4)	9,710	78	3.23%	7,285	96	5.29%
Held-to-maturity securities	164,631	1,836	4.49%	135,849	1,746	5.16%
Total investments	312,244	2,823	3.64%	279,914	3,670	5.26%
Total earning assets	$1,328,936	$10,698	3.24%	$1,003,872	$13,300	5.31%
Funded by:						
Consolidated obligations:						
Discount Notes	380,988	2,266	2.39%	153,789	2,000	5.22%
Bonds	855,238	6,932	3.26%	776,152	9,921	5.13%
Interest-bearing deposits and other borrowings(5)	26,586	156	2.36%	24,541	330	5.39%
Total interest-bearing liabilities	1,262,812	9,354	2.98%	954,482	12,251	5.15%
Capital and other non-interest-bearing funds	66,124			49,390		
Total funding	$1,328,936	$ 9,354	2.83%	$1,003,872	$12,251	4.89%
Spread on:						
Total interest-bearing liabilities			0.26%			0.16%
Total funding (net interest margin)(6)			0.41%			0.42%

(1) Average balances do not reflect the effect of reclassifications of cash collateral under FSP No. FIN 39-1, *Amendment of FASB Interpretation No. 39* (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.

Spread and Yield Analysis (continued)
(Dollar amounts in millions)

	For the Six Months Ended					
	June 30, 2008			June 30, 2007		
	Average Balance(1)	Interest(2)	Annualized Yield	Average Balance(1)	Interest(2)	Annualized Yield
Earning assets:						
Advances(3)	$ 907,744	15,857	3.51%	$ 633,073	16,836	5.36%
Mortgage loans held for portfolio	90,394	2,286	5.09%	96,052	2,462	5.17%
Investments:						
Interest-bearing deposits and other	48,909	834	3.43%	35,887	954	5.36%
Securities purchased under agreements to resell	1,493	22	2.96%	3,507	93	5.35%
Federal funds sold	81,592	1,160	2.86%	85,588	2,262	5.33%
Trading securities	8,020	207	5.19%	5,721	163	5.75%
Available-for-sale securities(4)	8,075	142	3.54%	6,733	174	5.21%
Held-to-maturity securities	158,617	3,665	4.65%	137,671	3,521	5.16%
Total investments	306,706	6,030	3.95%	275,107	7,167	5.25%
Total earning assets	$1,304,844	$24,173	3.73%	$1,004,232	$26,465	5.31%
Funded by:						
Consolidated obligations:						
Discount Notes	377,314	5,615	2.99%	156,628	4,062	5.23%
Bonds	835,137	15,638	3.77%	774,537	19,708	5.13%
Interest-bearing deposits and other borrowings(5)	26,646	381	2.88%	23,292	621	5.38%
Total interest-bearing liabilities	1,239,097	21,634	3.51%	954,457	24,391	5.15%
Capital and other non-interest-bearing funds	65,747			49,775		
Total funding	$1,304,844	$21,634	3.33%	$1,004,232	$24,391	4.90%
Spread on:						
Total interest-bearing liabilities			0.22%			0.16%
Total funding (net interest margin)(6)			0.40%			0.41%

(1) Average balances do not reflect the effect of reclassifications of cash collateral under FSP No. FIN 39-1, *Amendment of FASB Interpretation No. 39* (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 second quarter and first six months of 2008 over the same periods in 2007. During the second quarter of 2008, at the combined level, the spread between asset yields and interest-bearing liabilities increased 10 basis points and the net interest margin decreased one basis point. During the first six months of 2008, at the combined level, the spread between asset yields and interest-bearing liabilities increased six basis points and the net interest margin decreased one basis point. During the first six months of 2008, some FHLBanks experienced an increase in the net interest margin and spread, while other FHLBanks experienced a decrease in the net interest margin and spread.

Items that increased the net interest margin and spread for the three-month and six-month periods ended June 30, 2008, compared to the corresponding periods in the prior year, included an increase in the volume of advances, a reduction in the average funding costs of consolidated obligation discount notes relative to the yield of assets with comparable terms, and increases in prepayment fee income. 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 a general decline in short-term interest rates between periods, an increase in the recognition of unamortized non-cash items associated with calling an increased amount of consolidated obligation bonds in the second quarter and first half 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 second quarter and first half 2008 change in net interest margin and spread, please refer to that FHLBank's periodic report filed with the SEC.

The net interest margin and spread between total earning assets and total 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 between total earning assets and total 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 between total earning assets and total interest-bearing liabilities and net interest margin.

During the second quarter and first six months of 2008, the growth in consolidated obligations outstanding continued. Total consolidated obligations issuance was 60 percent higher during the second quarter of 2008, and 64 percent higher during the first six months of 2008, than the corresponding periods in the previous year. Par values of consolidated obligations outstanding (before interbank elimination) were $284.8 billion higher on June 30, 2008 compared to June 30, 2007 — bonds increased by $69.4 billion and discount notes increased by $215.4 billion. Aggregate weighted-average, new-issue funding costs for FHLBank bonds and auctioned discount notes improved relative to benchmark market indices for both the second quarter and first six months of 2008, compared to the corresponding periods in 2007.

During the second quarter of 2007, long-term yields for U.S. Treasury securities began to move slightly above yields for short-term securities, reversing a trend of several months. This condition intensified in 2008, such that during the second quarter of 2008, short-term yields were below those for intermediate and long-term securities, and the spread between short-term and longer-term securities increased. At the same time, yields on U.S. Treasury securities increased during the second quarter of 2008, reversing a decline that began during the second half of 2007.

During the second quarter and first six months of 2008, 22 percent and 29 percent of the FHLBank bonds issued were callable, compared to 53 percent and 59 percent during the corresponding periods in 2007. Bullet bonds and floating rate bonds became more prominent funding vehicles in 2008. In the second quarter of 2008, bullet bonds were the dominant funding vehicle, accounting for 64 percent of issuance, compared to 40 percent of issuance during the second quarter of 2007. During the first half of 2008, bullet bonds comprised 41 percent of issuance and floating rate bonds made up 29 percent of issuance, compared to 33 percent of issuance and 7 percent of issuance during the first half of 2007. The funding instruments the FHLBanks choose to utilize at any point in time depend on several factors, including relative pricing, desired structural characteristics (e.g., call feature, maturity date, floating-rate coupon) and market capacity. When the proportionality of funding instruments outstanding changes, it may be reflective of any one or a combination of these factors. In late 2007 and early 2008, a large volume of callable bonds were called prior to maturity. These called bonds were replaced with a combination of funding instruments, with short-term term bullets and floating-rate bonds comprising a large percentage. Relative pricing and market capacity were factors influencing the shift in the funding mix. During the first quarter of 2008, money fund assets grew rapidly as investors sought less volatile investments. At the same time, money fund managers were allocating to high-quality issuers, such as the GSEs, after disposing of asset-backed securities that had underperformed as a result of the credit crisis. The resulting strong and high-volume demand from money funds for short-term GSE debt provided the FHLBanks with attractive funding opportunities in discount notes, short bullets and floaters.

The dollar amount of callable bonds redeemed prior to maturity in the second quarter and first half of 2008 was more than twice that of the corresponding periods in the prior year. Bond call volume increased sharply beginning in the fourth quarter of 2007 as market interest rates declined, and call volume accelerated during the first quarter of 2008. However, although relatively high, the volume of bonds called during the second quarter of 2008 was substantially lower than during the first quarter of 2008.

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 and six months ended June 30, 2008 and the three and six months ended June 30, 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 June 30, 2008 vs. 2007			For the Six Months Ended June 30, 2008 vs. 2007		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest Income:						
Advances(1)	$3,060	$(4,724)	$(1,664)	$5,905	$(6,884)	$ (979)
Mortgage loans held for portfolio	(69)	(22)	(91)	(143)	(33)	(176)
Investments(2)	388	(1,235)	(847)	759	(1,896)	(1,137)
Total interest income	3,379	(5,981)	(2,602)	6,521	(8,813)	(2,292)
Interest Expense:						
Consolidated obligations	3,202	(5,925)	(2,723)	6,076	(8,593)	(2,517)
Deposits and other borrowings(2)(3)	26	(200)	(174)	80	(320)	(240)
Total interest expense	3,228	(6,125)	(2,897)	6,156	(8,913)	(2,757)
Changes in net interest income	$ 151	$ 144	$ 295	$ 365	$ 100	$ 465

(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 June 30,		For the Six Months Ended June 30,		For the Three Months Ended June 30, 2008 vs. 2007 Increase (Decrease)	For the Six Months Ended June 30, 2008 vs. 2007 Increase (Decrease)
	2008	2007	2008	2007	$	$
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	$1,342	$1,049	$2,536	$2,072	$ 293	$ 464
OTHER (LOSS) INCOME						
Net losses on trading securities	(266)	(99)	(132)	(90)	(167)	(42)
Net realized losses on held-to-maturity securities	(28)	(1)	(61)	(4)	(27)	(57)
Net (losses) gains on instruments held at fair value	(228)		46		(228)	46
Net gains (losses) on derivatives and hedging activities	364	83	(20)	78	281	(98)
Other	19	16	15	27	3	(12)
Total other (loss) income	(139)	(1)	(152)	11	(138)	(163)
Total other expense	200	192	400	383	8	17
Total assessments	285	228	569	451	57	118
NET INCOME	$ 718	$ 628	$1,415	$1,249	$ 90	$ 166

Combined net income for the three months ended June 30, 2008 was $718 million, a 14.3 percent increase from the $628 million recorded in the previous year. Combined net income for the six months ended June 30, 2008 was $1.4 billion, a 13.3 percent increase from the $1.2 billion recorded in the previous year. The increase in net income for the three and six months ended June 30, 2008 compared to the same periods during 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 was reduced by the FHLBank of Chicago's net loss of $74 million for the three months ended June 30, 2008 and $152 million for the six months ended June 30, 2008. The FHLBank of Chicago's net loss includes an other-than-temporary impairment loss of $30 million and $63 million for the three months and six months ended June 30, 2008 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 June 30, 2008.

Other (Loss) Income. The change in total other (loss) income for the second quarter of 2008 compared to the second quarter of 2007 relates primarily to the net losses on instruments held at fair value and the net losses on trading securities, which are partially offset by the increase in net gains on derivatives and hedging activities. The change in total other loss for the first six months of 2008 compared to the first six months of 2007 relates primarily to the net losses on derivatives and net realized losses on held-to-maturity securities.

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, changes in fair value of the associated hedged instruments attributable to the risk being hedged (e.g., benchmark interest rate risk) may also be recorded 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 associated 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 advances and certain consolidated obligations - bonds at fair value. The FHLBank of San Francisco recognizes changes in the unrealized gains and losses on these assets and liabilities in current period earnings. In general, transactions for which the fair value option has been elected 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 gains (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 June 30, 2008	Advances	Investments	MPF/ MPP Loans	COs- Bonds	COs- Discount Notes	Balance Sheet	Total
Amortization/accretion of hedging activities in net margin	$ (13)	$	$	$ 10	$	$	$ (3)
Net gains (losses) on derivatives and hedging activities	235	224	(35)	(84)	5	19	364
Net losses on trading securities		(266)					(266)
Net (losses) gains on instruments held at fair value	(256)			28			(228)
Total	$ (34)	$ (42)	$(35)	$(46)	$5	$19	$(133)

Earnings Effect for the Three Months Ended June 30, 2007	Advances	Investments	MPF/ MPP Loans	COs- Bonds	COs- Discount Notes	Balance Sheet	Total
Amortization/accretion of hedging activities in net margin	$(23)	$	$	$(22)	$	$	$(45)
Net gains (losses) on derivatives and hedging activities	7	100	(9)	(33)	18		83
Net losses on trading securities		(99)					(99)
Total	$(16)	$ 1	$(9)	$(55)	$18	$	$(61)

Earnings Effect for the Six Months Ended June 30, 2008	Advances	Investments	MPF/ MPP Loans	COs- Bonds	COs- Discount Notes	Balance Sheet	Total
Amortization/accretion of hedging activities in net margin	$ (38)	$	$	$ 3	$ (6)	$	$ (41)
Net (losses) gains on derivatives and hedging activities	(54)	45	(65)	(11)	53	12	(20)
Net losses on trading securities		(132)					(132)
Net (losses) gains on instruments held at fair value	(17)			63			46
Total	$(109)	$ (87)	$(65)	$ 55	$47	$12	$(147)

Earnings Effect for the Six Months Ended June 30, 2007	Advances	Investments	MPF/ MPP Loans	COs- Bonds	COs- Discount Notes	Balance Sheet	Total
Amortization/accretion of hedging activities in net margin	$(38)	$	$ 1	$(28)	$ (2)	$	$(67)
Net gains (losses) on derivatives and hedging activities	16	77	(18)	(8)	12	(1)	78
Net losses on trading securities		(90)					(90)
Total	$(22)	$(13)	$(17)	$(36)	$10	$(1)	$(79)

Other Expense.

Operating Expenses
(Dollar amounts in millions)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Three Months Ended June 30, 2008 vs. 2007 Increase		For the Six Months Ended June 30, 2008 vs. 2007 Increase	
	2008	2007	2008	2007	$	%	$	%
Salaries and employee benefits	$112	$108	$228	$220	$4	3.7%	$ 8	3.6%
Cost of quarters	9	9	19	19		0.0%		0.0%
Other	57	56	112	105	1	1.8%	7	6.7%
Total operating expenses	$178	$173	$359	$344	$5	2.9%	$15	4.4%
Operating expenses as a percentage of total average assets (basis points)(1)	5.3	6.8	5.5	6.8				

(1) Operating expense ratio is annualized.

The increase in total operating expenses in the three and six months ended June 30, 2008 primarily relates to salaries and employee benefits as a result of higher staffing levels for several of the FHLBanks and general increases in pay and benefits. In addition, other operating expenses for the first six months of 2008 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.

Other Expenses
(Dollar amounts in millions)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Three Months Ended June 30, 2008 vs. 2007 Increase (Decrease)		For the Six Months Ended June 30, 2008 vs. 2007 Increase (Decrease)	
	2008	2007	2008	2007	$	%	$	%
Finance Board expenses	$10	$ 8	$ 20	$ 17	$ 2	25.0%	$ 3	17.6%
Office of Finance expenses	8	4	16	13	4	100.0%	3	23.1%
Other, net	4	7	5	9	(3)	(42.9)%	(4)	(44.4)%
Affordable Housing Program expenses	87	71	176	141	16	22.5%	35	24.8%

Finance Board Expenses. The FHLBanks fund the costs of operating the Finance Board, and a portion of the costs of operating the Finance Agency since it was created on July 30, 2008. These costs are under the sole control of the Regulator. Finance Board expenses were allocated among the FHLBanks based on each FHLBank's percentage of total combined regulatory capital stock plus retained earnings through July 29, 2008.

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 Regulator 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 second quarter and first six months of 2008 compared to the second quarter and first six 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 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 $746 million and $468 million at par value were transferred from one FHLBank to another FHLBank during the first six months of 2008 and 2007. The combining adjustments for the second quarter and first six 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:

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Three Months Ended June 30, 2008 vs. 2007	For the Six Months Ended June 30, 2008 vs. 2007
	2008	2007	2008	2007	(Decrease) Increase	Decrease
Effect on:						
Net interest income	$(2)	$ 1	$(4)	$ 1	$(3)	$(5)
Total other (loss) income	3	1	(2)	2	2	(4)
Total other expense	(2)	(1)	(3)	(2)	(1)	(1)
Net income	3	3	(3)	5		(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 Regulator 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 Regulator, in consultation with the U.S. Secretary of the Treasury, selects the appropriate discounting factors used in calculating the annuity.

The REFCORP assessment of the FHLBanks was $200 million (cash payment of $197 million) for the second quarter of 2008 and $157 million (cash payment of $156 million) for the second quarter of 2007. The REFCORP assessment of the FHLBanks was $395 million (cash payment of $396 million) for the first six months of 2008 and $310 million (cash payment of $314 million) for the first six months 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 applicable regulation that implements section 607 of the Gramm-Leach-Bliley Act of 1999 (GLB Act), the amount by which the REFCORP payment for any quarter exceeds the $75 million benchmark payment is used to simulate the purchase of zero-coupon U.S. Treasury bonds to "defease" all or a portion of the most-distant remaining quarterly benchmark payment. The $122 million by which the second quarter REFCORP payment exceeded the $75 million quarterly benchmark will fully defease the remaining $58 million portion of the benchmark payment due on April 15, 2013, the entire $75 million benchmark payment due on January 15, 2013, and defease $7 million of the $75 million benchmark payment due on October 15, 2012. 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 $197 million made by the FHLBanks in the second quarter of 2008, the overall period during which the FHLBanks must continue to make quarterly payments was shortened to October 15, 2012, effective at June 30, 2008. This date assumes that the FHLBanks will pay exactly $300 million annually after June 30, 2008 until the annuity is fully satisfied.

REFCORP Defeasance Summary
For Second 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**
April 15, 2013 (most distant remaining payment)	$ 58	3.10%	$ 50
January 15, 2013	75	3.08%	65
October 15, 2012	7	2.97%	7
Total	$140		$122

* Subject to possible subsequent reinstatement.

** Actual cash payment of $197 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.

Regulator 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 Regulator either to maintain higher total capital-to-assets ratios or limit dividend payments as part of their retained earnings policies. At June 30, 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 June 30, 2008, 94.0 percent of the capital of the FHLBanks consisted of capital stock, while 6.0 percent consisted of retained earnings and accumulated other comprehensive income. At June 30, 2008, the FHLBanks had a total capital-to-assets ratio of 4.21 percent, unchanged from December 31, 2007.

With the passage of the Housing Act, the director of the newly-established Finance Agency shall be responsible for setting the risk-based capital standards for the FHLBanks.

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 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.

With the passage of the Housing Act on July 30, 2008, the U.S. Secretary of the Treasury is authorized to purchase obligations issued by any FHLBank, in any amount deemed appropriate by the U.S. Secretary of the Treasury under certain conditions. This temporary authorization expires December 31, 2009 and supplements the existing limit of $4 billion. 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 No. 157, *Fair Value Measurements* (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 10—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 U.S. residential 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 Financial Accounting Standards Board Staff Position (FSP) 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 these 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, any credit enhancement or insurance, and certain other collateral-related characteristics such as FICO credit scores, loan-to-value ratios, delinquency and foreclosure rates, geographic concentrations and the security's performance. 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

Changes to Regulation of GSEs. On July 30, 2008, the "Housing and Economic Recovery Act of 2008" (the Housing Act) was enacted. The Housing Act is designed to, among other things, address the current housing finance crisis, expand the Federal Housing Administration's financing authority and address GSE reform issues. Each FHLBank is currently reviewing the effect of the Housing Act on its business and operations. With respect to the FHLBanks, the Housing Act:

- Creates a newly-established, independent federal agency regulator, the Finance Agency, which became the new federal regulator of the FHLBanks, Fannie Mae and Freddie Mac effective on July 30, 2008. The Finance Agency will be headed by a single Director (FHFA Director), and under the Housing Act, the initial acting FHFA Director will be James Lockhart, who had most recently served as the Director of the Office of Federal Housing Enterprise Oversight within the U.S. Department of Housing and Urban Development. The Finance Board, the FHLBanks' former regulator, will be abolished one year after the date of enactment of the Housing Act. During the one-year transition period, the Finance Board will be responsible for winding up its affairs. Finance Board regulations, orders, determinations and resolutions remain in effect until modified, terminated, set aside or superseded in accordance with law by the FHFA Director, a court of competent jurisdiction or by operation of law. The FHLBanks will be responsible for their share of the operating expenses for both the Finance Agency and the Finance Board.
- Authorizes the U.S. Secretary of the Treasury to purchase obligations issued by the FHLBanks, in any amount deemed appropriate by the U.S. Secretary of the Treasury under certain conditions.

This temporary authorization expires December 31, 2009 and supplements the existing limit of $4 billion.

- Authorizes the FHFA Director to set risk-based capital standards for the FHLBanks and other capital standards and reserve requirements for FHLBank activities and products.
- Provides the FHFA Director with express broad conservatorship and receivership authority over the FHLBanks.
- Provides that an FHLBank's board of directors shall be comprised of 13 directors, or such other number as the FHFA Director determines appropriate, a majority of whom shall be persons who are directors or officers of its members and a minimum of two-fifths of whom shall be non-member independent directors (nominated by an FHLBank's board of directors in consultation with the affordable housing Advisory Council of the FHLBank). Two of the independent directors must have more than four years experience in representing consumer or community interests and the remaining directors must have such other knowledge and expertise as set forth in the Housing Act or regulations promulgated under the Housing Act. The statutory "grandfathering" rules for the number of elective director seats by state remain, unless FHLBanks merge.
- Removes the maximum statutory annual limit on director compensation.
- Allows the FHFA Director to prohibit FHLBank executive compensation that is not reasonable and comparable with compensation for employment in other similar businesses involving similar duties and responsibilities. If the FHLBank is undercapitalized, the FHFA Director may also restrict executive compensation. Until December 31, 2009, the FHFA Director has additional authority to approve, disapprove or modify executive compensation.
- Requires the FHFA Director to issue regulations to facilitate the sharing of information among the FHLBanks to, among other things, enable the FHLBanks to assess their joint and several liability obligations.
- Provides the FHLBanks with express statutory exemptions from compliance with certain provisions of the federal securities laws.
- Allows FHLBanks to voluntarily merge with the approval of the FHFA Director and their respective boards of directors and requires the FHFA Director to issue regulations establishing the conditions and procedures for the consideration and approval of voluntary mergers, including procedures for FHLBank member approval.
- Requires the FHFA Director to provide to the affected FHLBank (1) at least 30 days notice prior to liquidating or reorganizing that FHLBank and (2) a hearing.
- Allows the number of FHLBank districts to be reduced to fewer than eight pursuant to a voluntary merger or pursuant to the FHFA Director's action to liquidate an FHLBank.
- Provides FHLBank membership eligibility for "community development financial institutions".
- Redefines "community financial institutions" as those institutions that have, as of the date of the transaction at issue, less than $1.0 billion in average total assets over the three years preceding that date (subject to annual adjustment by the FHFA Director based on the consumer price index) and adds secured loans for "community development activities" as a permitted purpose, and as eligible collateral, for advances to community financial institutions.
- Provides that each FHLBank shall establish an office for diversity in management, employment and business activities.
- Provides that the FHLBanks are subject to prompt corrective action enforcement provisions, similar to those currently applicable to national banks and federal savings associations.
- Authorizes the FHFA Director to establish low- and very low-income and certain other housing goals for loans acquired by the FHLBanks, which when established would affect the FHLBanks' acquired member asset programs.

- Authorizes each FHLBank to issue letters of credit to support tax-exempt bond issuances, where the original issuance of the bonds occurred during the period beginning July 30, 2008 and ending December 31, 2010, or a renewal or extension of a letter of credit so issued.

- Authorizes each FHLBank under its Affordable Housing Program to use such percentage, as the FHFA Director may establish, of any subsidized advances set aside to finance home ownership for the refinancing of home loans for families having an income at or below 80% of the applicable area median income. This authority expires two years after enactment of the Housing Act.

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. The FHLBank of Chicago anticipates that the Housing Act, which established the Finance Agency as the new regulator for the FHLBanks, may further delay the approval and implementation of its capital plan. As of the date of this report, the Finance Board has taken no action on the capital plan, and the FHLBank of Chicago is unable to predict when the Finance Agency may do so. After the plan is approved, the FHLBank of Chicago will announce the terms of the plan.

At the request of the FHLBank of Chicago, on July 24, 2008, the Finance Board amended the C&D Order to allow the FHLBank of Chicago to repurchase or redeem any capital stock issued to support new advances after repayment of those new advances. Specifically, under the C&D Order, as amended, the FHLBank of Chicago may repurchase or redeem any capital stock upon the following conditions:

- the capital stock was issued on or after July 24, 2008;

- the FHLBank of Chicago issued the stock solely in order to allow a member to obtain a new advance, provided that such member's aggregate outstanding advances do not exceed 20 times the amount of FHLBank of Chicago capital stock held by such member as required by the FHLBank Act;

- the member has repaid in full the advance that was obtained using the newly issued capital stock;

- subsequent to the redemption or repurchase of the newly issued stock, the FHLBank of Chicago remains in compliance with any applicable minimum capital requirement; and

- the redemption or repurchase does not otherwise cause the FHLBank of Chicago to violate a provision of the FHLBank Act.

Notwithstanding the above, the OS Director may direct the FHLBank of Chicago not to redeem or repurchase stock if, in his sole discretion, the continuation of such transactions would be inconsistent with maintaining the capital adequacy of the FHLBank of Chicago and its continued safe and sound operations, although such action by the OS Director would not preclude redemption or repurchase of stock issued by the FHLBank of Chicago prior to the date on which the OS Director takes such action.

Finance Board Issues Advisory Bulletin on Application of Guidance on Nontraditional and Subprime Residential Mortgage Loans to Specific FHLBank Assets. On July 1, 2008, the Finance Board issued Advisory Bulletin 2008-AB-02 (Advisory Bulletin) on the application of nontraditional and subprime residential mortgage loans to specific FHLBank assets. This Advisory Bulletin supplements Advisory Bulletin 2007-AB-01 by providing written guidance regarding mortgages purchased under the

Acquired Member Assets programs, investments in private-label mortgage-backed securities and collateral securing advances. The Advisory Bulletin was effective upon issuance. The Advisory Bulletin states that mortgage loan commitments and/or underlying mortgages related to private-label mortgage-backed securities and/or collateral securing advances entered into by the FHLBanks comply with all aspect of the *Interagency Guidance on Nontraditional Mortgage Product Risks* and *Statement on Subprime Mortgage Lending* guidance published by the Federal banking regulatory agencies. Each FHLBank's management believes its FHLBank has limited exposure to subprime loans due to its business model, conservative policies pertaining to advances collateral and investments, and low credit risk due to the design of its mortgage loan program(s).

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 was subject to a 60-day comment period, which closed on June 16, 2008, and the final rule, if any, to be approved by the Regulator may be different from the proposed rule.

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.

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 Regulator 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, the Federal banking regulatory agencies' guidance on non-traditional and subprime mortgage lending. The terms of the resolution may be amended by the Regulator based on an individual FHLBank's circumstances.

The FHLBank of Topeka received authorization and subsequently began acquiring mortgage-backed securities in the second quarter of 2008 under this expanded authority and continues to do so. The FHLBanks of Cincinnati and Dallas were approved by the Finance Board to begin making such purchases in the second quarter of 2008 and during the third quarter of 2008, additional MBS securities were purchased under the expanded authority by both FHLBanks. On August 6, 2008, the FHLBank of Chicago received authorization from the Office of Supervision of the Finance Board to increase its investments in certain types of agency mortgage-backed securities pursuant to this resolution. The remaining FHLBanks have either provided notification to the Finance Board that they intend to exercise the expanded investment authority, have decided not to pursue it at this time or continue to evaluate their need to increase mortgage-backed securities purchases.

Recent Rating Agency Actions

Federal Home Loan Banks
Long-Term and Short-Term Credit Ratings
At August 8, 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+	Stable	Aaa/P-1	Stable
Cincinnati	AAA/A-1+	Stable	Aaa/P-1	Stable
Dallas	AAA/A-1+	Stable	Aaa/P-1	Stable
Des Moines(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(3)	AA+/A-1+	Positive	Aaa/P-1	Stable
Topeka	AAA/A-1+	Stable	Aaa/P-1	Stable

(1) On June 12, 2008, S&P announced that: 1) the long-term counterparty credit rating for the FHLBank of Chicago was downgraded to AA; 2) the FHLBank of Chicago was removed from CreditWatch with negative implications; and 3) the FHLBank of Chicago's outlook was upgraded to stable. On April 10, 2008, S&P announced that it had placed the FHLBank of Chicago on CreditWatch 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) On April 9, 2008, S&P announced that the outlook for the FHLBank of Des Moines was revised to stable from negative and the AAA/A-1+ counterparty credit ratings were affirmed.

(3) On June 12, 2008, S&P announced that the outlook for the FHLBank of Seattle was upgraded to positive and the AA+/ A-1+ counterparty credit ratings were affirmed.

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 collateral and 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)

	June 30, 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	$361,231	$(7,154)	$342,624	$(7,918)
Fair Value-firm commitments			2,093	(3)
Cash Flow-existing cash item	2,975	156	3,375	161
Economic	32,947	(194)	13,504	(17)
Total	397,153	(7,192)	361,596	(7,777)
Investments				
Fair Value-existing cash item	2,350	(219)	1,251	(172)
Economic (includes trading securities hedges)	20,035	(245)	13,520	(229)
Total	22,385	(464)	14,771	(401)
MPF/MPP Loans Held for Portfolio				
Fair Value-existing cash item	7,136	2	13,959	(51)
Standalone-delivery commitments	285		214	1
Economic (including TBAs)	7,749	13	7,260	19
Total	15,170	15	21,433	(31)
Consolidated Obligations - Bonds				
Fair Value-existing cash item	418,444	2,764	446,273	3,568
Cash Flow-anticipated transaction	475	4	537	(7)
Economic	121,987	(40)	70,952	75
Total	540,906	2,728	517,762	3,636
Consolidated Obligations - Discount Notes				
Fair Value-existing cash item	3,578	2	2,172	4
Economic	44,981	24	22,705	14
Total	48,559	26	24,877	18
Deposits				
Fair Value	20	4	20	4
Total	20	4	20	4
Balance Sheet				
Economic	21,922	86	15,359	9
Total	21,922	86	15,359	9

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

	June 30, 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)
Intermediary Positions				
Intermediaries	4,468		3,344	1
Total	4,468		3,344	1
Total notional and estimated fair value	$1,050,583	$(4,797)	$959,162	$(4,541)
Total derivatives excluding collateral and accrued interest		$(4,797)		$(4,541)
Accrued interest		1,704		1,639
Net cash collateral and related accrued interest		127		419
Net derivative balances		$(2,966)		$(2,483)
Net derivative assets balances		$ 1,285		$ 1,306
Net derivative liabilities balances		(4,251)		(3,789)
Net derivative balances		$(2,966)		$(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 $21 million decrease in combined derivative assets and the $462 million increase in combined derivative liabilities from December 31, 2007 to June 30, 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 Regulator) and duration gap and, therefore, individual FHLBank measurements may not be directly comparable because not all FHLBanks manage to these risk measures.

Under applicable 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 Regulator 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 Regulator 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 applicable 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 Regulator policy. The table summarizes the interest-rate risk associated with all instruments entered into by the FHLBank of Chicago.

Duration of Equity
(In years)

June 30, 2008			December 31, 2007		
Down*	Base	Up**	Down*	Base	Up**
0.5	3.1	(3.3)	1.8	(0.1)	(2.7)

* Applicable regulation restricts the down rate from assuming a negative interest rate. Therefore, each FHLBank adjusts the down rate accordingly. Under guidance provided by the Regulator, in designated low-rate environments, FHLBanks should calculate the duration of equity using the largest parallel down shock that produces post-shock Treasury rates no lower than 35 basis points. The same basis point reduction in rates should be applied to all maturities and all non-Treasury interest rates. Given the low interest rate environment on June 30, 2008, the lowest duration of equity result the FHLBank of Chicago has modeled is a -100 basis point change at June 30, 2008. -200 basis points was used for December 31, 2007.

** Up = 200 basis points

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	June 30, 2008	December 31, 2007
Boston	0.3	0.5
New York	0.2	(0.6)
Pittsburgh	1.3	1.6
Atlanta	2.1	0.4
Cincinnati	0.0	0.4
Indianapolis	0.5	1.2
Chicago	0.4	0.0
Des Moines	(0.3)	(1.4)
Dallas	2.0	0.9
Topeka	2.7	1.4
San Francisco	2.6	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 Regulator and its board of directors regarding unsecured extensions of credit, whether on- or off-balance sheet. Applicable regulation limits the amounts and terms of unsecured credit exposure to any counterparty other than the U.S. government. Unsecured credit exposure to any counterparty is limited by the credit quality and capital level of that counterparty and by the capital level of the FHLBank.

Managing Credit Risk

Advances. Each FHLBank manages its credit exposure to advances through an integrated approach that provides for the ongoing review of the financial condition of its borrowers coupled with conservative collateral/lending policies and procedures to limit its risk of loss while balancing its borrowers' needs for a reliable source of funding. The FHLBanks protect against credit risk on advances by collateralizing all advances. The FHLBank Act requires that FHLBanks obtain and maintain collateral from their borrowers to secure advances at the time the advances are originated or renewed. 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 $10.7 billion of the total $906.5 billion of advances outstanding at par value at June 30, 2008. Advances to housing associates represent $214 million of the total $906.5 billion of advances outstanding at par value at June 30, 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 each 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 June 30, 2008 and December 31, 2007, 99.36 percent and 99.96 percent of all investments held by the FHLBanks in mortgage-backed securities were rated triple-A.

Investment Securities Ratings
(Dollar amounts in millions)

	June 30, 2008*		December 31, 2007**	
Investment Rating	Amount	Percentage of Total Investments	Amount	Percentage of Total Investments
Long-term rating				
Triple-A	$181,979	94.9%	$155,222	94.7%
Double-A	2,514	1.3%	965	0.6%
Single-A	460	0.2%		
Triple-B	29	0.0%		
Below investment grade	98	0.1%		
Short-term rating				
A-1 or higher/P-1	6,589	3.4%	7,526	4.6%
Unrated investment securities	83	0.1%	85	0.1%
Total	$191,752	100.0%	$163,798	100.0%

* This chart does not reflect any changes in rating, outlook or watch status occurring after June 30, 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.

Investment Securities
Downgrades/Negative Watch From July 1, 2008 Through August 8, 2008
(Dollar amounts in millions)

	Based on Carrying Values as of June 30, 2008		
	Downgraded and/or Placed on Negative Watch from July 1, 2008 through August 8, 2008		
	Downgraded and Stable	Downgraded and Placed on Negative Watch	Not Downgraded but Placed on Negative Watch
Private-label residential MBS (RMBS):			
Percentage of total private-label RMBS	1%	2%	4%
Amount of private-label RMBS rated below investment grade	$194	$	$
Home equity loan investments:			
Percentage of total home equity loan investments	4%	10%	4%
Private-label commercial MBS (CMBS):			
Percentage of total private-label CMBS	0%	0%	1%
Total private-label RMBS and CMBS, and home equity loan investments:			
Percentage of total investment securities	0%(1)	1%	2%
Amount of total private-label RMBS and CMBS, and home equity loan investments rated below investment grade	$194	$	$
Total non-MBS:			
Percentage of total investment securities	1%	0%(1)	0%(1)

(1) Represents less than one-half of one percent.

Of the MBS investments held by the FHLBanks at June 30, 2008, a total of $292 million was rated below investment grade as of August 8, 2008. As noted in the previous two tables, $98 million of this amount was rated below investment grade at June 30, 2008, and an additional $194 million was downgraded to below investment grade from July 1, 2008 through August 8, 2008.

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 at this time does not expect further credit losses that would have a material adverse effect on its financial condition other than the $30 million and $63 million other-than-temporary impairment loss recorded by the FHLBank of Chicago in the three and six months ended June 30, 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 June 30, 2008, the carrying values of the FHLBanks' total private-label RMBS and home equity loan investments reported on the combined Statement of Condition were $76.8 billion and $2.3 billion. The following table presents private-label RMBS and home equity loan instruments based on classification as determined by the originator at the time of origination. The investment ratings are as of June 30, 2008. Of the total private-label RMBS and home equity loan investments at par value, prime represented 56.7 percent, Alt-A represented 40.3 percent and subprime represented 3.0 percent. Of the $168.7 billion in mortgage-backed securities investments held by the FHLBanks at June 30, 2008, less than 2 percent were categorized as subprime by the originator at the time of origination.

Par Value of Private-Label Residential Mortgage-Backed Securities and Home Equity Loan Investments By Year of Securitization At June 30, 2008 (Dollar amounts in millions)

Year of Securitization	Prime Triple-A	Double-A	Single-A	Triple-B	Below Investment Grade	Unrated	Total
Private-label RMBS:							
2008	$ 879	$	$	$	$	$	$ 879
2007	6,430						6,430
2006	8,124						8,124
2005	7,669						7,669
2004	11,047						11,047
2003 and prior	10,997	1				1	10,999
Total	45,146	1				1	45,148
Home equity loan investments:							
2008							
2007							
2006							
2005							
2004							
2003 and prior		5	2	1	4		12
Total		5	2	1	4		12
Total private-label RMBS and home equity loan investments	$45,146	$ 6	$ 2	$ 1	$ 4	$ 1	$45,160

Year of Securitization	Alt-A Triple-A	Double-A	Single-A	Triple-B	Below Investment Grade	Unrated	Total
Private-label RMBS:							
2008	$ 1,189	$	$	$	$	$	$ 1,189
2007	9,137	63					9,200
2006	6,277		24				6,301
2005	9,805	56			10		9,871
2004	2,556						2,556
2003 and prior	2,852		4				2,856
Total	31,816	119	28		10		31,973
Home equity loan investments:							
2008							
2007							
2006	26						26
2005		6					6
2004		18	22		5		45
2003 and prior							
Total	26	24	22		5		77
Total private-label RMBS and home equity loan investments	$31,842	$143	$50	$	$15	$	$32,050

Par Value of Private-Label Residential Mortgage-Backed Securities and Home Equity Loan Investments By Year of Securitization (continued)
At June 30, 2008
(Dollar amounts in millions)

	Subprime						
Year of Securitization	Triple-A	Double-A	Single-A	Triple-B	Below Investment Grade	Unrated	Total
Private-label RMBS:							
2008	$	$	$	$	$	$	$
2007							
2006							
2005							
2004							
2003 and prior	12	25					37
Total	12	25					37
Home equity loan investments:							
2008							
2007	10						10
2006	696	285	118	30	133		1,262
2005	252						252
2004	7		6			4	17
2003 and prior	448	282	48	6		3	787
Total	1,413	567	172	36	133	7	2,328
Total private-label RMBS and home equity loan investments	$1,425	$592	$172	$36	$133	$7	$2,365

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)

	June 30, 2008	December 31, 2007	Increase $	Increase %
Unsecured credit exposure of FHLBanks to counterparties, excluding U.S. government, U.S. government agencies, and instrumentalities(1)	$149,423	$139,895	$9,528	6.8%
Maturities of unsecured credit exposure:				
Overnight	41.5%	46.4%		
2-30 days	35.6%	27.3%		
31-90 days	20.7%	24.0%		
91-270 days	2.2%	2.3%		

(1) Included in this total at June 30, 2008 is unsecured credit of $2.5 billion to Citibank, N.A. In addition to the unsecured credit exposure included in the table above, Citibank, N.A. had advances totaling $86.4 billion from the FHLBanks of San Francisco, New York and Dallas at June 30, 2008.

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

	June 30, 2008	December 31, 2007	Increase (Decrease) $	Increase (Decrease) %
Federal funds sold	$89,354	$85,818	$3,536	4.1%
Commercial paper	6,863	7,197	(334)	(4.6)%

At June 30, 2008, the FHLBanks had aggregate unsecured credit exposure of $1 billion or more to each of 52 counterparties. The aggregate unsecured credit exposure to these 52 counterparties represented 85.2 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 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 July 31, 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 any remaining loss of the borrower default on the related mortgage loans not covered by the member. The MPF FHLBanks had total credit exposure to Mortgage Guaranty Insurance Corp. (MGIC), their largest mortgage insurer, of $550 million and $699 million as of June 30, 2008 and December 31, 2007. As of July 31, 2008, MGIC's insurance strength was rated below AA- by three NRSROs. Several other FHLBanks' mortgage insurance providers have also had their external ratings for claims-paying ability or insurer financial strength downgraded below AA- by one or more NRSROs. The FHLBanks have analyzed their potential loss exposure to all mortgage insurance providers, have not increased loan loss reserves due to the aforementioned recent rating agency actions and will continue to monitor the financial condition of their mortgage insurance providers. On June 30, 2008, the FHLBank of Chicago (acting as MPF provider) published a notice to participating financial institutions requiring that any loan delivered under MPF Program with a note date after July 31, 2008 must be insured by an approved mortgage insurer whenever primary mortgage insurance is required. Triad Guaranty Insurance Co. was removed from the approved list of mortgage insurers.

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 cancelled its policies with MGIC, effective on that date. The MPP FHLBanks have either discontinued obtaining coverage on new loans from MGIC and are already using supplemental providers, or continue to evaluate the need for alternative supplemental insurance on their mortgage loan portfolios and reviewing other options that may be available, including obtaining regulatory relief. The MPP FHLBanks had total credit exposure to MGIC of $26 million and $18 million as of June 30, 2008 and December 31, 2007. To date, rating downgrades have not had a material effect on the operation of the FHLBanks' MPP programs.

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)

	June 30, 2008	December 31, 2007
Midwest	35%	33%
Northeast	16%	16%
Southeast	19%	20%
Southwest	15%	16%
West	15%	15%
Total	100%	100%

Geographic Concentration of MPP(1) (2)

	June 30, 2008	December 31, 2007
Midwest	37%	35%
Northeast	11%	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 June 30, 2008. The median size of an MPF loan was approximately $110 thousand at June 30, 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 June 30, 2008. The median size of an MPP loan was approximately $142 thousand at June 30, 2008. The MPP mortgage loan statistics have been compiled on acombined basis by aggregating each participating FHLBank's information and therefore do not reflect the concentration levels and mortgage loan portfolio information at individual participating FHLBanks.

The following table provides the weighted-average FICO® scores and weighted-average loan-to-value ratios at origination for MPF loans and MPP loans outstanding from December 31, 2007 and June 30, 2008:

	June 30, 2008		December 31, 2007	
	MPF	MPP	MPF	MPP
Weighted-average FICO® score at origination (1)	739	748	738	748
Weighted-average loan-to-value at origination	67%	69%	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. Each FHLBank manages counterparty credit risk through credit analysis, collateral management and other credit enhancements. The FHLBanks are also required to follow the requirements set forth by applicable regulation. The FHLBanks require collateral on interest-rate exchange agreements. The amount of net unsecured credit exposure that is permissible with respect to each counterparty, before a collateral requirement is triggered, depends on the credit rating of that counterparty. A counterparty must deliver collateral to an FHLBank if the total market value of the FHLBank's exposure to that counterparty rises above a specific trigger point. As a result of these risk mitigation initiatives, the management of each FHLBank does not anticipate any credit losses on its interest-rate exchange agreements. As a result of the interest rate decline from December 31, 2007 to June 30, 2008, the gross credit exposure of the FHLBanks grew, as their net receivable position increased. Additional collateral to reduce the net credit exposure was delivered subsequent to June 30, 2008. For additional discussion regarding derivatives and counterparty ratings, including any concentrations, please refer to each FHLBank's periodic report filed with the SEC.

The contractual or notional amount of interest-rate exchange agreements reflects the involvement of an FHLBank in the various classes of financial instruments. The maximum credit risk of an FHLBank with respect to interest-rate exchange agreements is the estimated cost of replacing 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 June 30, 2008

Credit Rating *	Notional Amount	Total Net Exposure at Fair Value	Total Net Exposure Collateralized	Net Exposure After Collateral
Triple-A	$ 5,700	$ 6	$	$ 6
Double-A	786,800	2,154	1,684	470
Single-A	233,486	424	374	50
Triple-B	22,367	44	38	6
Unrated (1)	19			
	1,048,372	2,628	2,096	532
Intermediaries (2)	1,926	4	4	
Delivery commitments	285	1		1
Total derivatives	$1,050,583	$2,633	$2,100	$533

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

* This chart does not reflect any changes in rating, outlook or watch status occurring after June 30, 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) Represents one broker-dealer 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 less than $1 million of exposure at June 30, 2008 and no exposure at December 31, 2007 related to this unrated counterparty.

(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, 97.9 percent of the notional amount of the FHLBanks' outstanding interest-rate exchange agreements are with counterparties rated single-A or higher.

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 nonprime sector, including subprime and alternative documentation loans. 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 June 30, 2008, the FHLBanks had 532 million shares of capital stock outstanding. The FHLBanks are not required to register their securities under the Securities Act of 1933 (as amended). Each FHLBank is an SEC registrant as required by the Housing Act and is subject to certain reporting requirements of the Securities Exchange Act of 1934.

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 as "member directors" on the board of directors of their FHLBank. Eligible members may elect independent directors from among eligible persons nominated by their FHLBank's board of directors after consultation with their FHLBank's Advisory Council. All directors will be elected for four-year terms. 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.

For a description of recent changes to the composition of the boards of directors of the FHLBanks, see "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations — Legislative and Regulatory Developments — Changes to Regulation of GSEs."

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 June 30, 2008 (1)
(Dollar amounts in millions)

Name	City	State	Capital Stock
Citibank, N.A.* (2)	Las Vegas	NV	$ 4,595
Washington Mutual Bank* (3)	Henderson	NV	2,822
Countrywide Bank, FSB(4)	Alexandria	VA	1,990
Wachovia Mortgage, FSB*	North Las Vegas	NV	1,534
Bank of America Rhode Island, NA	Providence	RI	1,078
Wachovia Bank, FSB	Houston	TX	972
Sovereign Bank* (5)	Reading	PA	893
U.S. Bank, NA (6)	Cincinnati	OH	845
Hudson City Savings Bank*	Paramus	NJ	809
Bank of America California, NA	San Francisco	CA	699
			$16,237

* Indicates that an officer or director of the member was an FHLBank director at June 30, 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) On July 1, 2008, Bank of America Corporation, a member of the FHLBank of Atlanta, completed its acquisition of Countrywide Financial Corporation, the parent of Countrywide Bank, FSB, which is also a member of the FHLBank of Atlanta. Countrywide Bank, FSB has remained a member of the FHLBank of Atlanta since the acquisition.

(5) Includes $41 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.

(6) 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
June 30, 2008	5,848	1,191	922	164	8,125
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 subclasses. 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 June 30, 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 Regulator has approved the redemption. See "Note 9—Capital" 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 six months ended June 30, 2008, two FHLBank members withdrew from membership for reasons other than merger or acquisition and 27 members gave notice of intent to withdraw from membership for reasons other than merger or acquisition. None of the affected FHLBanks expect these withdrawals to have a material adverse effect on its results of operations or financial condition.

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

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Other (1)	Total (2)
June 30, 2008	$28.8	$19.4	$2.7	$2.6	$1.0	$54.5
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 June 30, 2008 represented 52.9 percent of the total regulatory capital stock of the FHLBanks. The regulatory capital stock held by thrift institution members at June 30, 2008 represented 35.6 percent of the total regulatory capital stock of the FHLBanks.

Member Borrowers.

Member Borrowers

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Total
June 30, 2008	4,495	948	451	67	5,961
December 31, 2007	4,253	938	432	52	5,675

The percentage of total members borrowing increased slightly to 73.4 percent at June 30, 2008, as compared to 70.3 percent at December 31, 2007. The 111 borrowers with advance holdings of $1 billion or more at June 30, 2008 held 72.4 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)
June 30, 2008	$487.1	$339.4	$35.4	$33.4	$11.2	$906.5
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 June 30, 2008
(Dollar amounts in millions)

Name	City	State	Advances (1)	Percentage of Total Advances
Citibank, N.A. * (2)	Las Vegas	NV	$ 86,378	9.5%
Washington Mutual Bank * (3)	Henderson	NV	47,650	5.3%
Countrywide Bank, FSB (4)	Alexandria	VA	43,675	4.8%
Wachovia Mortgage, FSB*	North Las Vegas	NV	31,830	3.5%
Bank of America Rhode Island, NA	Providence	RI	23,749	2.6%
Wachovia Bank, FSB	Houston	TX	23,263	2.5%
U.S. Bank, NA (5)	Cincinnati	OH	17,101	1.9%
Sovereign Bank* (6)	Reading	PA	16,825	1.9%
Hudson City Savings Bank*	Paramus	NJ	16,275	1.8%
Bank of America California, NA	San Francisco	CA	12,554	1.4%
			$319,300	35.2%

* An asterisk indicates that an officer or director of the member was an FHLBank director at June 30, 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) On July 1, 2008, Bank of America Corporation, a member of the FHLBank of Atlanta, completed its acquisition of Countrywide Financial Corporation, the parent of Countrywide Bank, FSB, which is also a member of the FHLBank of Atlanta. Countrywide Bank, FSB has remained a member of the FHLBank of Atlanta since the acquisition.

(5) Includes $241 million in FHLBank of Des Moines advances acquired through a merger with a former member of the FHLBank of Des Moines and $4 million in FHLBank of Seattle advances from acquisition of a former member of the FHLBank of Seattle.

(6) Includes $903 million in FHLBank of New York advances from the acquisition of Independence Community Bank, a former member of the FHLBank of New York and $40 million in FHLBank of Boston advances from the acquisition of former members of the FHLBank of Boston.

Housing Associates. At June 30, 2008, the FHLBanks had $214 million in advances outstanding to 17 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, 4 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 June 30, 2008, the FHLBanks had $254.2 billion of advances outstanding to members whose officers and/or directors were serving as directors of the FHLBanks. This represents 28.0 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.