# FEDERAL HOME LOAN BANKS

## Quarterly Combined Financial Report
## For the Six Months Ended June 30, 2010

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 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. Investors should consult their financial and legal advisors about the risks of investing in any particular issue of consolidated obligations prior to investing in consolidated obligations. The combined financial reports of the Federal Home Loan Banks are intended to be used by investors who invest in the consolidated obligations of the Federal Home Loan Banks. Even though the consolidated obligations are the joint and several obligations of all of the Federal Home Loan Banks, each Federal Home Loan Bank is a separately chartered entity with its own board of directors and management. There is no centralized system-wide management or oversight by a single board of directors of the Federal Home Loan Banks. Please see "Explanatory Statement about Federal Home Loan Banks Combined Financial Report" on page 1 for important background information regarding the publication of this Combined Financial Report.

The financial information contained in this Combined Financial Report is as of and for periods ended on or before June 30, 2010. You should read this Combined Financial Report in conjunction with the 2009 Combined Financial Report dated March 30, 2010. The 2009 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, 2009. This document is 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.

**The financial condition of the Federal Home Loan Banks may have changed since June 30, 2010.**

The date of this Combined Financial Report is August 13, 2010.

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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, the former regulator of the FHLBanks (Finance Board). As regulator of the FHLBanks, the Finance Board had, and the new regulator (the Federal Housing Finance Agency (Finance Agency)) has, access to different information about the FHLBanks than the Office of Finance. The Finance Agency, when referred to in its capacity as the regulator of the FHLBanks, is referred to herein as the "Regulator." See "Notes to Combined Financial Statements—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 cooperative with its own board of directors and management. As a cooperative, only members and former members own the capital stock in each of the FHLBanks. Each financial institution that becomes a member of an FHLBank may only be a member of one FHLBank, and generally may purchase capital stock only in the FHLBank whose district includes the state where the member's principal place of business is located. Some financial institution holding companies may have one or more affiliates, each of which may be a member of the same or a different FHLBank. There is no centralized system-wide management or oversight by a single board of directors 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 in the consolidated obligations of the FHLBanks 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 to the other information relating to the FHLBanks contained in this Combined Financial Report, please see "Available Information on Individual FHLBanks" and "Supplemental Information—Individual FHLBank Selected Financial Data and Financial Ratios."

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 alternative policies and/or presentations are permitted under GAAP in certain circumstances. However, all 12 FHLBanks' accounting and financial reporting policies conform to GAAP. The FHLBanks may use different pricing sources, models and assumptions in determining the fair values of their respective assets, liabilities and derivatives. The use of different models or assumptions by individual FHLBanks, as well as changes in market conditions, could result in materially different valuation estimates or other estimates even when similar or identical assets and liabilities are being measured, and could have materially different effects on the net income and retained earnings of the respective FHLBanks. 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 or all such transactions as a result of their differing business practices and accounting and financial reporting policies under GAAP.

During 2009, the FHLBanks developed a uniform framework for completing their other-than-temporary-impairment (OTTI) analyses and a fair value methodology for mortgage-backed securities (MBS), manufactured housing loans and home equity loan investments to enhance the FHLBanks' overall OTTI processes and to ensure greater consistency among all the FHLBanks.

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. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Critical Accounting Estimates—OTTI for Investment Securities" and "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Critical Accounting Estimates—Fair Value Methodology Used to Estimate the Fair Value of Private-Label MBS" in the Federal Home Loan Banks' 2009 Combined Financial Report for more information.)

An investor may not be able to obtain easily a "system-wide" view of the business, risk profile, financial condition, results of operations and liquidity of the FHLBanks due to the absence of centralized management or centralized board of director oversight over the 12 FHLBanks. There is no centralized system-wide management or centralized board of director oversight to direct consistency in the operations, risk management, accounting and financial disclosure policies of the individual FHLBanks. This decentralized structure is not conducive to preparing disclosures from a "system-wide" view in the same manner that is generally expected of U.S. Securities and Exchange Commission (SEC) registrants, such as the manner in which each FHLBank provides disclosures in its individual periodic financial reports. For example, the SEC's guidance regarding Management's Discussion and Analysis of Financial Condition and Results of Operations, commonly called MD&A, included in periodic reports filed by SEC registrants, notes that one of the principal objectives of MD&A is to provide a narrative explanation of a registrant's financial statements that enables investors to see the registrant through the eyes of the registrant's management. Because there is no centralized management of the FHLBank System, this Combined Financial Report does not contain a conventional MD&A. It includes, instead, a "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations," prepared by the Office of Finance using information provided by each FHLBank. Important information regarding the business and financial condition of each of the FHLBanks, including a discussion of business and financial risks, is set forth in the periodic reports filed by each FHLBank with the SEC.

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—Combined 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 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 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 contains 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 with the SEC annually on Form 10-K and quarterly on Form 10-Q. Those reports contain information that is not contained in the combined financial reports. 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 web site also contains links to the web sites of each FHLBank.

In addition to the other information relating to the FHLBanks contained in this Combined Financial Report, please see "Supplemental Information—Individual FHLBank Selected Financial Data and Financial Ratios."

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)
## (Unaudited)

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| **ASSETS** | | |
| Cash and due from banks | $ 17,267 | $ 24,330 |
| Interest-bearing deposits | 12 | 11 |
| Securities purchased under agreements to resell | 14,975 | 7,175 |
| Federal funds sold | 69,982 | 54,597 |
| Trading securities | 17,923 | 22,247 |
| Available-for-sale securities | 65,631 | 52,488 |
| Held-to-maturity securities [(1)] | 140,178 | 147,833 |
| Advances (includes $12,823 and $21,620 at fair value under fair value option at June 30, 2010 and December 31, 2009) | 540,318 | 631,159 |
| Mortgage loans held for portfolio | 66,847 | 71,469 |
| Less allowance for credit losses on mortgage loans | 52 | 32 |
| Mortgage loans held for portfolio, net | 66,795 | 71,437 |
| Accrued interest receivable | 2,127 | 2,466 |
| Premises, software, and equipment, net | 228 | 208 |
| Derivative assets | 716 | 674 |
| Other assets | 959 | 958 |
| Total assets | $937,111 | $1,015,583 |
| **LIABILITIES** | | |
| Deposits: | | |
| Interest-bearing | $ 17,532 | $ 15,589 |
| Non-interest-bearing | 273 | 308 |
| Total deposits | 17,805 | 15,897 |
| Borrowings: | | |
| Securities sold under agreements to repurchase | 1,200 | 1,200 |
| Total borrowings | 1,200 | 1,200 |
| Consolidated obligations, net: | | |
| Discount notes (includes $4,963 at fair value under fair value option at June 30, 2010) | 181,474 | 198,532 |
| Bonds (includes $45,613 and $53,805 at fair value under fair value option at June 30, 2010 and December 31, 2009) | 671,467 | 736,344 |
| Total consolidated obligations, net | 852,941 | 934,876 |
| Mandatorily redeemable capital stock | 8,051 | 8,138 |
| Accrued interest payable | 3,079 | 3,802 |
| Affordable Housing Program payable | 766 | 791 |
| Payable to REFCORP | 77 | 121 |
| Derivative liabilities | 6,084 | 5,228 |
| Other liabilities | 2,922 | 1,721 |
| Subordinated notes | 1,000 | 1,000 |
| Total liabilities | 893,925 | 972,774 |
| **CAPITAL** | | |
| Capital stock: | | |
| Capital stock Class B putable ($100 par value) issued and outstanding | 40,897 | 42,227 |
| Capital stock Class A putable ($100 par value) issued and outstanding | 440 | 427 |
| Capital stock Pre-conversion putable ($100 par value) issued and outstanding | 2,331 | 2,328 |
| Total capital stock | 43,668 | 44,982 |
| Retained earnings | 6,399 | 6,033 |
| Accumulated other comprehensive income (loss): | | |
| Net unrealized gains on available-for-sale securities | 1,067 | 453 |
| Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities | (12) | (22) |
| Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities | (1,683) | (2,182) |
| Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities | (5,495) | (6,149) |
| Net unrealized losses relating to hedging activities | (720) | (267) |
| Pension and postretirement benefits | (38) | (39) |
| Total accumulated other comprehensive income (loss) | (6,881) | (8,206) |
| Total capital | 43,186 | 42,809 |
| Total liabilities and capital | $937,111 | $1,015,583 |

(1) Fair values: $141,931 and $146,191 at June 30, 2010 and December 31, 2009.

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, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| **INTEREST INCOME** | | | | |
| Advances | $1,167 | $ 2,675 | $ 2,376 | $ 6,470 |
| Prepayment fees on advances, net | 141 | 72 | 176 | 113 |
| Interest-bearing deposits | 4 | 29 | 6 | 61 |
| Securities purchased under agreements to resell | 9 | 5 | 12 | 14 |
| Federal funds sold | 43 | 37 | 72 | 78 |
| Trading securities | 79 | 109 | 165 | 217 |
| Available-for-sale securities | 317 | 136 | 598 | 196 |
| Held-to-maturity securities | 1,166 | 1,478 | 2,350 | 3,167 |
| Mortgage loans held for portfolio | 814 | 1,011 | 1,659 | 2,079 |
| Other | 1 | 1 | 2 | 2 |
| Total interest income | 3,741 | 5,553 | 7,416 | 12,397 |
| **INTEREST EXPENSE** | | | | |
| Consolidated obligations—Discount notes | 168 | 557 | 321 | 1,638 |
| Consolidated obligations—Bonds | 2,212 | 3,467 | 4,466 | 7,944 |
| Deposits | 5 | 7 | 6 | 15 |
| Securities sold under agreements to repurchase | 5 | 7 | 9 | 17 |
| Subordinated notes | 14 | 14 | 28 | 28 |
| Mandatorily redeemable capital stock | 11 | 7 | 25 | 15 |
| Other borrowings | | 1 | | 1 |
| Total interest expense | 2,415 | 4,060 | 4,855 | 9,658 |
| **NET INTEREST INCOME** | 1,326 | 1,493 | 2,561 | 2,739 |
| Provision for credit losses | 11 | 6 | 19 | 10 |
| **NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES** | 1,315 | 1,487 | 2,542 | 2,729 |
| **OTHER (LOSS) INCOME** | | | | |
| Total other-than-temporary impairment losses | (468) | (2,996) | (874) | (8,196) |
| Net amount of impairment losses reclassified (from)/to accumulated other comprehensive loss | (27) | 2,559 | 146 | 7,243 |
| Net other-than-temporary impairment losses | (495) | (437) | (728) | (953) |
| Net gains (losses) on trading securities | 157 | (68) | 186 | (79) |
| Net realized losses from sale of available-for-sale securities | | (43) | | (24) |
| Net realized gains from sale of held-to-maturity securities | 6 | | 6 | 6 |
| Net losses on advances and consolidated obligations held at fair value | (38) | (189) | (142) | (367) |
| Net (losses) gains on derivatives and hedging activities | (324) | 979 | (578) | 1,179 |
| Service fees | 8 | 9 | 15 | 17 |
| Other, net | 7 | (6) | 13 | (3) |
| Total other (loss) income | (679) | 245 | (1,228) | (224) |
| **OTHER EXPENSE** | | | | |
| Operating | 201 | 196 | 396 | 384 |
| Finance Agency | 10 | 7 | 24 | 20 |
| Office of Finance | 7 | 9 | 19 | 18 |
| (Reversal) provision for derivative counterparty credit losses | (53) | | (53) | 35 |
| Other, net | 8 | 5 | 10 | 7 |
| Total other expense | 173 | 217 | 396 | 464 |
| **INCOME BEFORE ASSESSMENTS** | 463 | 1,515 | 918 | 2,041 |
| Affordable Housing Program | 43 | 120 | 83 | 177 |
| REFCORP | 94 | 272 | 184 | 396 |
| Total assessments | 137 | 392 | 267 | 573 |
| **NET INCOME** | $ 326 | $ 1,123 | $ 651 | $ 1,468 |

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, 2010 AND 2009

### (Dollar amounts and shares in millions)
### (Unaudited)

| | Capital Stock Class B[1] | | Capital Stock Class A[1] | | Capital Stock Pre-conversion[1] | | Total Capital Stock[1] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Par Value | Shares | Par Value | Shares | Par Value | Shares | Par Value | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Capital |
| **BALANCE, DECEMBER 31, 2008** | 465 | $46,413 | 7 | $ 752 | 24 | $2,386 | 496 | $49,551 | $2,936 | $(1,137) | $51,350 |
| Cumulative effect of adjustment relating to amended other-than-temporary impairment guidance | | | | | | | | | 1,883 | (1,883) | |
| Proceeds from sale of capital stock | 35 | 3,746 | | 24 | 1 | 100 | 36 | 3,870 | | | 3,870 |
| Repurchase/redemption of capital stock | (40) | (4,095) | (1) | (118) | | | (41) | (4,213) | | | (4,213) |
| Net shares reclassified to mandatorily redeemable capital stock | | (60) | (1) | (97) | (1) | (111) | (2) | (268) | | | (268) |
| Comprehensive income: | | | | | | | | | | | |
| Net income | | | | | | | | | 1,468 | | 1,468 |
| Other comprehensive (loss) income: | | | | | | | | | | | |
| Net unrealized (losses) on available-for-sale securities: | | | | | | | | | | | |
| Unrealized gains on available-for-sale securities | | | | | | | | | | 281 | 281 |
| Reclassification adjustment for gains included in net income relating to available-for-sale securities | | | | | | | | | | 7 | 7 |
| Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities: | | | | | | | | | | | |
| 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 noncredit portion of other-than-temporary impairment losses on available-for-sale securities: | | | | | | | | | | | |
| Noncredit portion of impairment losses on available-for-sale securities, including noncredit impairment losses transferred from held-to-maturity securities and subsequent fair value adjustments | | | | | | | | | | (1,922) | (1,922) |
| Reclassification adjustment of noncredit portion of impairment losses included in net income relating to available-for-sale securities | | | | | | | | | | 51 | 51 |
| Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities: | | | | | | | | | | | |
| Noncredit portion of impairment losses on held-to-maturity securities | | | | | | | | | | (7,396) | (7,396) |
| Reclassification adjustment of noncredit portion of impairment losses included in net income relating to held-to-maturity securities | | | | | | | | | | 382 | 382 |
| Accretion of noncredit portion of impairment losses on held-to-maturity securities | | | | | | | | | | 453 | 453 |
| Reclassification of noncredit portion of impairment losses from held-to-maturity securities to available-for-sale securities | | | | | | | | | | 1,765 | 1,765 |
| Net unrealized gains relating to hedging activities: | | | | | | | | | | | |
| Unrealized gains relating to hedging activities | | | | | | | | | | 239 | 239 |
| Reclassification adjustment for losses included in net income relating to hedging activities | | | | | | | | | | 20 | 20 |
| Pension and postretirement benefits | | | | | | | | | | 3 | 3 |
| Total comprehensive loss | | | | | | | | | | | (4,610) |
| Transfer between Class B and Class A shares | 1 | 132 | (1) | (132) | | | | | | | |
| Dividends on capital stock: | | | | | | | | | | | |
| Cash | | | | | | | | | (252) | | (252) |
| Stock | | 26 | | | | | | 26 | (26) | | |
| **BALANCE, JUNE 30, 2009** | 461 | $46,162 | 4 | $ 429 | 24 | $2,375 | 489 | $48,966 | $6,009 | $(9,098) | $45,877 |

## FEDERAL HOME LOAN BANKS

## COMBINED STATEMENT OF CAPITAL (continued)
## FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

### (Dollar amounts and shares in millions)
### (Unaudited)

| | Capital Stock Class B[1] | | Capital Stock Class A[1] | | Capital Stock Pre-conversion[1] | | Total Capital Stock[1] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Par Value | Shares | Par Value | Shares | Par Value | Shares | Par Value | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Capital |
| **BALANCE, DECEMBER 31, 2009** | 422 | $42,227 | 4 | $ 427 | 23 | $2,328 | 449 | $44,982 | $6,033 | $(8,206) | $42,809 |
| Proceeds from sale of capital stock | 16 | 1,621 | | 3 | | 25 | 16 | 1,649 | | | 1,649 |
| Repurchase/redemption of capital stock | (24) | (2,413) | | | | | (24) | (2,413) | | | (2,413) |
| Net shares reclassified to mandatorily redeemable capital stock | (4) | (551) | | (1) | | (22) | (4) | (574) | | | (574) |
| Comprehensive income: | | | | | | | | | | | |
| Net income | | | | | | | | | 651 | | 651 |
| Other comprehensive income (loss): | | | | | | | | | | | |
| Net unrealized gains on available-for-sale securities: | | | | | | | | | | | |
| Unrealized gains on available-for-sale securities | | | | | | | | | | 614 | 614 |
| Reclassification adjustment for gains included in net income relating to available-for-sale securities | | | | | | | | | | | |
| Net unrealized gains on held-to-maturity securities transferred from available-for-sale securities: | | | | | | | | | | | |
| Unrealized gains 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 | | | | | | | | | | 10 | 10 |
| Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities: | | | | | | | | | | | |
| Noncredit portion of impairment losses on available-for-sale securities, including noncredit impairment losses transferred from held-to-maturity securities and subsequent fair value adjustments | | | | | | | | | | 223 | 223 |
| Reclassification adjustment of noncredit portion of impairment losses included in net income relating to available-for-sale securities | | | | | | | | | | 276 | 276 |
| Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities: | | | | | | | | | | | |
| Noncredit portion of impairment losses on held-to-maturity securities | | | | | | | | | | (807) | (807) |
| Reclassification adjustment of noncredit portion of impairment losses included in net income relating to held-to-maturity securities | | | | | | | | | | 386 | 386 |
| Accretion of noncredit portion of impairment losses on held-to-maturity securities | | | | | | | | | | 744 | 744 |
| Reclassification of noncredit portion of impairment losses from held-to-maturity securities to available-for-sale securities | | | | | | | | | | 331 | 331 |
| Net unrealized (losses) gains relating to hedging activities: | | | | | | | | | | | |
| Unrealized losses relating to hedging activities | | | | | | | | | | (460) | (460) |
| Reclassification adjustment for losses included in net income relating to hedging activities | | | | | | | | | | 7 | 7 |
| Pension and postretirement benefits | | | | | | | | | | 1 | 1 |
| Total comprehensive income | | | | | | | | | | | 1,976 |
| Transfer between Class B and Class A shares | | (11) | | 11 | | | | | | | |
| Dividends on capital stock: | | | | | | | | | | | |
| Cash | | | | | | | | | (261) | | (261) |
| Stock | | 24 | | | | | | 24 | (24) | | |
| **BALANCE, JUNE 30, 2010** | 410 | $40,897 | 4 | $ 440 | 23 | $2,331 | 437 | $43,668 | $6,399 | $(6,881) | $43,186 |

(1) 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, | |
|---|---|---|
| | 2010 | 2009 (As Revised) |
| **OPERATING ACTIVITIES** | | |
| Net income | $ 651 | $ 1,468 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | (101) | (975) |
| Change in net derivative and hedging activities | 1,466 | 103 |
| Other adjustments [1] | 696 | 1,008 |
| Net change in fair value adjustments on trading securities | (187) | 106 |
| Net change in fair value adjustments on advances and consolidated obligations held at fair value | 142 | 367 |
| Net change in: | | |
| Trading securities | | (428) |
| Accrued interest receivable | 353 | 1,273 |
| Other assets | (45) | 35 |
| Accrued interest payable | (714) | (2,224) |
| Other liabilities [2] | 197 | 266 |
| Total adjustments | 1,807 | (469) |
| Net cash provided by operating activities | 2,458 | 999 |
| **INVESTING ACTIVITIES** | | |
| Net change in: | | |
| Interest-bearing deposits | (1,405) | 8,800 |
| Securities purchased under agreements to resell | (7,800) | (3,490) |
| Federal funds sold | (15,385) | (17,432) |
| Premises, software and equipment | (25) | (31) |
| Trading securities: | | |
| Net decrease (increase) in short-term | 2,696 | (5,448) |
| Proceeds from long-term | 3,100 | 1,288 |
| Purchases of long-term | (1,283) | (4,773) |
| Available-for-sale securities: | | |
| Net decrease (increase) in short-term | 3,575 | (2,668) |
| Proceeds from long-term | 3,226 | 2,483 |
| Purchases of long-term | (16,316) | (10,429) |
| Held-to-maturity securities: | | |
| Net (increase) decrease in short-term | (2,003) | 3,247 |
| Proceeds from long-term | 22,876 | 20,569 |
| Purchases of long-term | (14,266) | (10,334) |
| Advances: | | |
| Proceeds | 745,463 | 2,123,098 |
| Made | (652,157) | (1,943,142) |
| Mortgage loans held for portfolio: | | |
| Principal collected | 6,244 | 12,885 |
| Purchases | (1,672) | (5,681) |
| Mortgage loans held for sale: | | |
| Proceeds | | 2,124 |
| Principal collected | | 128 |
| Proceeds from sales of foreclosed assets | 65 | 29 |
| Principal collected on other loans | 1 | 1 |
| Net cash provided by investing activities | 74,934 | 171,224 |

# FEDERAL HOME LOAN BANKS

## COMBINED STATEMENT OF CASH FLOWS (continued)

### (Dollar amounts in millions)
### (Unaudited)

| | For the Six Months Ended June 30, 2010 | For the Six Months Ended June 30, 2009 (As Revised) |
|---|---|---|
| **FINANCING ACTIVITIES** | | |
| Net change in: | | |
| Deposits and pass-through reserves | $ 1,741 | $ 2,188 |
| Borrowings | (1) | (198) |
| Net payments on derivative contracts with financing element | (984) | (771) |
| Net proceeds from issuance of consolidated obligations: | | |
| Discount notes | 3,282,644 | 3,872,929 |
| Bonds | 292,107 | 248,033 |
| Payments for maturing and retiring consolidated obligations: | | |
| Discount notes | (3,299,546) | (3,969,632) |
| Bonds | (358,730) | (343,184) |
| Proceeds from issuance of capital stock | 1,649 | 3,870 |
| Payments for repurchase/redemption of mandatorily redeemable capital stock | (661) | (776) |
| Payments for repurchase/redemption of capital stock | (2,413) | (4,213) |
| Cash dividends paid | (261) | (252) |
| Net cash used in financing activities | (84,455) | (192,006) |
| Net decrease in cash and cash equivalents | (7,063) | (19,783) |
| Cash and cash equivalents at beginning of the period | 24,330 | 20,820 |
| Cash and cash equivalents at end of the period | $ 17,267 | $ 1,037 |
| **Supplemental Disclosures:** | | |
| Interest paid | $ 5,878 | $ 12,675 |
| AHP payments, net | $ 109 | $ 129 |
| REFCORP assessments paid | $ 199 | $ 107 |
| Transfers of mortgage loans to real estate owned | $ 118 | $ 68 |
| Mortgage loans held for portfolio transferred to mortgage loans held for sale | $ | $ 2,414 |
| Mortgage loans held for sale transferred to mortgage loans held for portfolio | $ | $ 163 |
| Non-cash transfer of other-than-temporarily impaired held-to-maturity securities to available-for-sale securities | $ 1,732 | $ 2,975 |

(1) Other adjustments primarily relate to the non-cash adjustments for "Net other-than-temporary impairment losses" of $728 million and $953 million for the six months ended June 30, 2010 and 2009 as reported on the Combined Statement of Income.

(2) Other liabilities includes the net change in the REFCORP receivable/payable.

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

## Federal Home Loan Banks

## Notes to Combined Financial Statements (Unaudited)

## Background Information

These financial statements present the combined financial position and combined results of operations of the 12 Federal Home Loan Banks (FHLBanks). The FHLBanks serve the public by enhancing the availability of credit for residential mortgages and targeted community development. They are financial cooperatives that provide a readily available, competitively-priced source of funds to their member institutions. All members must purchase stock in their district's FHLBank. Member institutions own nearly all of the capital stock of each FHLBank. Former members[1] own the remaining capital stock to support business transactions still carried on the FHLBanks' Combined Statement of Condition. All holders of an FHLBank's capital stock may, to the extent declared by the FHLBank's board of directors, receive dividends on their capital stock. Regulated financial depositories and insurance companies engaged in residential housing finance may apply for membership. Additionally, effective February 4, 2010, authorized Community Development Financial Institutions are eligible to be members of an FHLBank. State and local housing authorities that meet certain statutory and regulatory criteria may also borrow from the FHLBanks; while eligible to borrow, housing associates are not members of the FHLBanks and, as such, are not allowed to hold capital stock.

The former Federal Housing Finance Board (Finance Board) was an independent agency in the executive branch of the U.S. government that supervised and regulated the FHLBanks and the Federal Home Loan Banks' Office of Finance (Office of Finance) through July 29, 2008. With the passage of the "Housing and Economic Recovery Act of 2008" (the Housing Act), the Federal Housing Finance Agency (Finance Agency) was established and became the new independent Federal regulator (the Regulator) of the FHLBanks, Federal Home Loan Mortgage Corporation (Freddie Mac) and Federal National Mortgage Association (Fannie Mae), effective July 30, 2008. The Finance Board was merged into the Finance Agency as of October 27, 2008. Pursuant to the Housing Act, all regulations, orders, determinations, and resolutions that were issued, made, prescribed, or allowed to become effective by the Finance Board will remain in effect until modified, terminated, set aside, or superseded by the Director of the Finance Agency, any court of competent jurisdiction, or operation of law. References throughout this document to regulations of the Finance Agency also include the regulations of the Finance Board where they remain applicable. The Finance Agency's mission with respect to the FHLBanks is to provide effective supervision, regulation and housing mission oversight of the FHLBanks to promote their safety and soundness, support housing finance and affordable housing, and support a stable and liquid mortgage market. Each FHLBank operates as a separate entity with its own management, employees and board of directors. The FHLBanks do not have any special purpose entities or any other type of off-balance sheet conduits.

The Office of Finance is a joint office of the FHLBanks established by the predecessor of the Finance Board, the former regulator of the FHLBanks, to facilitate the issuance and servicing of the debt instruments of the FHLBanks, known as consolidated obligations, and to prepare the combined quarterly and annual financial reports of all 12 FHLBanks. As provided by the 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 acquire mortgage loans from members (acquired member assets (AMA)) through their respective FHLBank's Mortgage Purchase Program (MPP) or the Mortgage Partnership Finance (MPF®)[2] Program. In addition, some FHLBanks offer their

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(1) Former members include certain non-members that own FHLBank capital stock as a result of merger or acquisition of an FHLBank member.

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

member institutions correspondent services, such as wire transfer, security safekeeping, and settlement services.

## Note 1—Summary of Significant Accounting Policies

These unaudited quarterly financial statements do not include all disclosures associated with annual financial statements, and accordingly should be read in conjunction with the audited financial statements for the year ended December 31, 2009 included in the FHLBanks' 2009 Combined Financial Report.

*Principles of Combination.* The combined financial statements include the financial statements and records of the 12 FHLBanks. Material transactions among the FHLBanks have been eliminated in accordance with combination accounting principles similar to consolidation under generally accepted accounting principles in the United States of America (GAAP). The most significant transactions between the FHLBanks are: 1) transfers of direct liability on consolidated bonds between FHLBanks, which occur when consolidated bonds issued on behalf of one FHLBank are transferred to and assumed by another FHLBank and 2) purchases of consolidated bonds and discount notes, which occur when consolidated obligations issued on behalf of one FHLBank are purchased by another FHLBank in the open market. (See the "Federal Home Loan Banks Combining Schedules" provided on pages 74-105 for the combining adjustments made to the combined financial statements.)

*Transfers of Direct Liability on Consolidated Bonds Between FHLBanks.* The transferring FHLBank treats the transfer as a debt extinguishment because it is released from being the primary obligor when the Office of Finance records the transfer, pursuant to its duties under applicable regulations. The assuming FHLBank then becomes the primary obligor while the transferring FHLBank has a contingent liability because it still has joint and several liability with respect to repaying the transferred consolidated obligation.

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

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

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

*Subsequent Events.* For purposes of this combined financial report, subsequent events have been evaluated through August 13, 2010, the date of this Combined Financial Report.

*Segment Reporting.* Finance Agency 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 include the determination of other-than-temporary impairments of securities and fair value of derivatives, certain advances, certain investment securities and certain consolidated obligations that are reported at fair value in the Combined Statement of Condition. Actual results could differ from these estimates significantly.

*Reclassifications and Revisions to Prior Period Amounts.* The FHLBank of Chicago reclassified $50 million and $89 million from consolidated bond interest expense to consolidated discount note interest expense to reflect properly the interest expense incurred relative to certain cash flow hedges during the three and six months ended June 30, 2009. Additionally, certain other amounts in the 2009 financial statements have been reclassified to conform to the financial statement presentation for the six months ended June 30, 2010.

Subsequent to filing its SEC Form 10-Q for the quarter ended September 30, 2009, and as a result of ongoing enhancement to its statement of cash flow preparation process, the FHLBank of Chicago became aware of calculation errors in the cash flows from certain derivative and investment activities in its condensed statements of cash flows for the three months ended March 31, 2009, June 30, 2009 and September 30, 2009. These errors resulted in the misclassification of cash flows primarily between operating activities and investing activities. Given the nature and structure of the FHLBank System as a whole, coupled with the immaterial effect of the restatement on the Combined Statement of Cash Flows for each of the three months ended March 31, 2009, June 30, 2009 and September 30, 2009, the FHLBanks Office of Finance concluded that the FHLBank of Chicago's misstatements in each corresponding period's combined statement of cash flows was not material to the FHLBank System. In order to reflect the 2009 prior period restated amounts included for the FHLBank of Chicago, the Combined Financial Report's Combined Statement of Cash Flows and Combining Schedules—Statements of Cash Flows for each of the periods ended March 31, 2009, June 30, 2009 and September 30, 2009 have been or will be labeled "as revised," consistent with past practice, and will be accompanied with the appropriate related footnote disclosure.

Additionally, certain prior period amounts have been revised and may not agree to the 2009 Combined Financial Report. These amounts were not deemed to be material.

## Note 2—Recently Issued and Adopted Accounting Standards and Interpretations

*Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses.* On July 21, 2010, the Financial Accounting Standards Board (FASB) issued amended guidance to enhance disclosures about an entity's allowance for credit losses and the credit quality of its financing receivables. The amended guidance requires all public and nonpublic entities with financing receivables, including loans, lease receivables and other long-term receivables, to provide disclosure of the following: (i) the nature of credit risk inherent in financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses, and (iii) the changes and reasons for those changes in the allowance for credit losses. Both new and existing disclosures must be disaggregated by portfolio segment or class of financing receivable. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. Short-term accounts receivable, receivables measured at fair value or at the lower of cost or fair value, and debt securities are exempt from this amended guidance. For public entities, the required disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010 (December 31, 2010 for the FHLBanks). The required disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010 (January 1, 2011 for the FHLBanks). The adoption of this amended guidance will likely result in increased financial statement disclosures, but will not affect the FHLBanks' financial condition, results of operations or cash flows.

*Scope Exception Related to Embedded Credit Derivatives.* On March 5, 2010, the FASB issued amended guidance to clarify that the only type of embedded credit derivative feature related to the transfer of credit risk that is exempt from derivative bifurcation requirements is one that is in the form of subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination will need to assess those embedded credit derivatives to determine if bifurcation and separate accounting as a derivative is required. Upon adoption, entities are permitted to irrevocably elect the fair value option for any investment in a beneficial interest in a securitized financial asset. Any impairment would be recognized prior to applying the fair value option election. This amended guidance became effective at the beginning of the first interim reporting period beginning after June 15, 2010 (July 1, 2010 for the FHLBanks). The adoption of this amended guidance did not have a material effect on the FHLBanks' financial condition, results of operations or cash flows.

*Fair Value Measurements and Disclosures—Improving Disclosures about Fair Value Measurements.* On January 21, 2010, the FASB issued amended guidance for fair value measurements and disclosures. The update requires a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. Furthermore, this update requires a reporting entity to present separately information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements using significant unobservable inputs; clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value; and amends guidance on employers' disclosures about postretirement benefit plan assets to require that disclosures be provided by classes of assets instead of by major categories of assets. The amended guidance became effective for interim and annual reporting periods beginning after December 15, 2009 (January 1, 2010 for the FHLBanks), except for the disclosures about purchases, sales, issuances, and settlements in the roll-forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 (January 1, 2011 for the FHLBanks), and for interim periods within those fiscal years. In the period of initial adoption, entities are not required to provide the amended disclosures for any previous periods presented for comparative purposes. Early adoption is permitted. The FHLBanks adopted this amended guidance as of January 1, 2010 with the exception of the required changes noted above related to the reconciliation of Level 3 fair values. Its adoption resulted in increased financial statement disclosures but did not have any effect on the FHLBanks' financial condition, results of operations or cash flows.

*Accounting for the Consolidation of Variable Interest Entities.* On June 12, 2009, the FASB issued guidance that is intended to improve financial reporting by enterprises involved with variable interest entities (VIEs) by providing more relevant and reliable information to users of financial statements. This guidance amends the manner in which entities evaluate whether consolidation is required for VIEs. An entity must first perform a qualitative analysis in determining whether it must consolidate a VIE, and if the qualitative analysis is not determinative, the entity should perform a quantitative analysis. This guidance also requires that an entity continually evaluate VIEs for consolidation, rather than making such an assessment based upon the occurrence of triggering events. Additionally, the guidance requires enhanced disclosures about how an entity's involvement with a VIE affects its financial statements and its exposure to risks. The FHLBanks adopted this guidance as of January 1, 2010. Its adoption has not had a material effect on the FHLBanks' financial condition, results of operations or cash flows.

*Accounting for Transfers of Financial Assets.* On June 12, 2009, the FASB issued guidance that is intended to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement in transferred financial assets. Key provisions of the guidance include (i) the removal of the concept of qualifying special purpose entities, (ii) the introduction of the concept of a participating interest, in circumstances in which a portion of a financial asset has been transferred and (iii) the requirement that to qualify for sale accounting, the transferor must evaluate whether it maintains effective control over transferred financial assets either directly or indirectly. The guidance also requires enhanced disclosures about transfers of financial assets and a transferor's continuing involvement. This guidance became effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009 (January 1, 2010 for the FHLBanks), for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The FHLBanks adopted this guidance as of January 1, 2010. Its adoption has not had a material effect on the FHLBanks' financial condition, results of operations or cash flows.

## Note 3—Trading Securities

*Major Security Types.* Trading securities were as follows (dollar amounts in millions):

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| | Fair Value | Fair Value |
| U.S. Treasury obligations | $ 1,030 | $ 1,029 |
| Commercial paper | 2,829 | 2,590 |
| Certificates of deposit and bank notes (1) | 4,065 | 3,200 |
| Government-sponsored enterprises (2) | 6,689 | 9,452 |
| State or local housing agency obligations | 10 | 10 |
| TLGP (3) | 2,003 | 4,479 |
| Other (4) | 472 | 752 |
| | 17,098 | 21,512 |
| Mortgage-backed securities: | | |
| Other U.S. obligations residential MBS (5) | 52 | 55 |
| Government-sponsored enterprises residential MBS (6) | 539 | 607 |
| Government-sponsored enterprises commercial MBS (6) | 234 | 73 |
| Total mortgage-backed securities | 825 | 735 |
| Total | $17,923 | $22,247 |

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

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

(3) Represents corporate debentures issued or guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program (TLGP).

(4) Primarily consists of taxable municipal bonds.

(5) Primarily consists of Government National Mortgage Association (Ginnie Mae) investment pools.

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

Net realized and unrealized gains (losses) on trading securities during the periods noted below were as follows (dollar amounts in millions):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Net unrealized gains (losses) on trading securities of securities held at period end | $135 | $(82) | $153 | $(72) |
| Net unrealized and realized gains (losses) on trading securities sold/matured during the year | 22 | 14 | 33 | (7) |
| Net gains (losses) on trading securities | $157 | $(68) | $186 | $(79) |

## Note 4—Available-for-Sale Securities

*Major Security Types.* Available-for-sale (AFS) securities were as follows (dollar amounts in millions).

| | June 30, 2010 | | | | |
|---|---|---|---|---|---|
| | Amortized Cost [1] | OTTI Recognized in AOCI [2] | Gross Unrealized Gains [3] | Gross Unrealized Losses | Fair Value |
| Certificates of deposit [4] | $ 5,695 | $ | $ | $ (1) | $ 5,694 |
| Other U.S. obligations [5] | 804 | | 32 | | 836 |
| Government-sponsored enterprises and TVA [6] | 9,200 | | 275 | (56) | 9,419 |
| TLGP [7] | 7,071 | | 24 | (1) | 7,094 |
| FFELP ABS [8] | 8,592 | | 556 | (22) | 9,126 |
| Other [9] | 474 | | | (42) | 432 |
| | 31,836 | | 887 | (122) | 32,601 |
| Mortgage-backed securities: | | | | | |
| Other U.S. obligations residential MBS [5] | 2,934 | | 108 | (1) | 3,041 |
| Government-sponsored enterprises residential MBS [10] | 21,664 | | 640 | (5) | 22,299 |
| Government-sponsored enterprises commercial MBS [10] | 312 | | | (2) | 310 |
| Private-label residential MBS | 9,042 | (2,605) | 930 | (2) | 7,365 |
| Home equity loans | 25 | (14) | 4 | | 15 |
| Total mortgage-backed securities | 33,977 | (2,619) | 1,682 | (10) | 33,030 |
| Total | $65,813 | $(2,619) | $2,569 | $(132) | $65,631 |

| | December 31, 2009 | | | | |
|---|---|---|---|---|---|
| | Amortized Cost [1] | OTTI Recognized in AOCI [2] | Gross Unrealized Gains [3] | Gross Unrealized Losses | Fair Value |
| Certificates of deposit [4] | $ 9,270 | $ | $ | $ | $ 9,270 |
| Other U.S. obligations [5] | 752 | | 10 | | 762 |
| Government-sponsored enterprises and TVA [6] | 4,271 | | 92 | (53) | 4,310 |
| TLGP [7] | 3,298 | | 4 | (3) | 3,299 |
| FFELP ABS [8] | 8,790 | | 534 | (1) | 9,323 |
| Other [9] | 432 | | | (36) | 396 |
| | 26,813 | | 640 | (93) | 27,360 |
| Mortgage-backed securities: | | | | | |
| Other U.S. obligations residential MBS [5] | 1,579 | | 44 | (3) | 1,620 |
| Government-sponsored enterprises residential MBS [10] | 17,533 | | 102 | (146) | 17,489 |
| Government-sponsored enterprises commercial MBS [10] | 314 | | | (4) | 310 |
| Private-label residential MBS | 7,868 | (2,762) | 592 | (3) | 5,695 |
| Home equity loans | 27 | (13) | | | 14 |
| Total mortgage-backed securities | 27,321 | (2,775) | 738 | (156) | 25,128 |
| Total | $54,134 | $(2,775) | $1,378 | $(249) | $52,488 |

(1) Amortized cost of available-for-sale securities includes adjustments made to the cost basis of an investment for accretion, amortization, collection of cash, previous OTTI recognized in earnings (excluding any cumulative-effect adjustments recognized in accordance with the transition provisions of the amended OTTI guidance), and/or fair value hedge accounting adjustments.

(2) OTTI recognized in AOCI does not include $936 million and $593 million in unrealized gains in fair value of previously impaired AFS securities at June 30, 2010 and December 31, 2009

(3) Gross unrealized gains include $936 million and $593 million in unrealized gains in fair value of previously impaired AFS securities and $434 million and $83 million in hedging adjustments at June 30, 2010 and December 31, 2009.

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

(5) Other U.S. obligations primarily consist of SBA investment pools.

(6) Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae, Federal Farm Credit Bank (FFCB), Export-Import Bank of the U.S. (Ex-Im Bank) and/or Tennessee Valley Authority (TVA).

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

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

(9) Primarily consists of debentures issued by a supranational entity.

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

During the three months ended June 30, 2010, each of the FHLBanks of Pittsburgh and Atlanta elected to transfer all private-label RMBS, that had credit-related other than temporary impairment recorded this period from its held-to-maturity portfolio to its available-for-sale portfolio, while the FHLBank of Seattle elected to transfer certain private-label RMBS that had credit-related other than temporary impairment recorded this period from its held-to-maturity portfolio to its available-for-sale portfolio. See "Note 6—Other-Than-Temporary-Impairment Analysis" for additional information on these transfers.

The following tables summarize the available-for-sale securities with unrealized losses, which are aggregated by major security type and length of time that individual securities have been in a continuous unrealized loss position (dollar amounts in millions).

| | June 30, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 months or more | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses [7] |
| Certificates of deposits [1] | $3,899 | $ (1) | $ | $ | $ 3,899 | $ (1) |
| Government-sponsored enterprises and TVA [2] | 1,504 | * | 353 | (56) | 1,857 | (56) |
| FFELP ABS | 1,696 | (22) | | | 1,696 | (22) |
| Other [3] | 73 | * | 417 | (41) | 490 | (41) [a] |
| Mortgage-backed securities: | | | | | | |
| Other U.S. Obligations residential MBS [4] | 140 | (1) | | | 140 | (1) |
| Government-sponsored enterprises residential MBS [5] | 44 | * | 793 | (5) | 837 | (5) |
| Government-sponsored enterprises commercial MBS [5] | | | 230 | (2) | 230 | (2) |
| Private-label residential MBS [6] | | | 7,310 | (1,677) | 7,310 | (1,677) |
| Home equity loans [6] | | | 16 | (10) | 16 | (10) |
| Total | $7,356 | $(24) | $9,119 | $(1,791) | $16,475 | $(1,815) |

| | December 31, 2009 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 months or more | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses (7) |
| Government-sponsored enterprises and TVA (2) | $ 1,798 | $ (11) | $ 319 | $ (42) | $ 2,117 | $ (53) |
| Other (3) | 1,582 | (2) | 381 | (35) | 1,963 | (37) (a) |
| Mortgage-backed securities: | | | | | | |
| Other U.S. obligations residential MBS (4) | 288 | (3) | | | 288 | (3) |
| Government-sponsored enterprises residential MBS (5) | 8,040 | (102) | 4,602 | (44) | 12,642 | (146) |
| Government-sponsored enterprises commercial MBS (5) | | | 254 | (4) | 254 | (4) |
| Private-label residential MBS (6) | | | 5,696 | (2,173) | 5,696 | (2,173) |
| Home equity loans (6) | | | 14 | (13) | 14 | (13) |
| Total | $11,708 | $(118) | $11,266 | $(2,311) | $22,974 | $(2,429) |

* Represents amounts less than $1 million.

(a) Does not include $2 million of unrealized losses in mutual funds in two grantor trusts designated as available-for-sale securities at June 30, 2010 and December 31, 2009.

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

(2) Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae, FFCB, Ex-Im Bank and/or TVA.

(3) Primarily consists of debentures issued by a supranational entity and includes TLGP.

(4) Primarily consists of Ginnie Mae investment pools.

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

(6) Includes investments for which a portion of an OTTI has been recognized in AOCI.

(7) As a result of amended OTTI guidance, the total unrealized losses amount will not agree to the total gross unrealized losses amount included in the major security types table. The total unrealized losses amounts include noncredit-related OTTI losses recorded in AOCI and subsequent unrealized changes in fair value related to other-than-temporarily impaired securities.

*Redemption Terms.* The amortized cost and fair value of available-for-sale securities by contractual maturity are shown below (dollar amounts in millions). Expected maturities of asset- and mortgage-backed securities will likely differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| Year of Maturity | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Due in one year or less | $ 6,216 | $ 6,213 | $ 9,343 | $ 9,341 |
| Due after one year through five years | 13,039 | 13,111 | 4,972 | 4,964 |
| Due after five years through ten years | 2,473 | 2,698 | 2,506 | 2,599 |
| Due after ten years | 1,516 | 1,453 | 1,202 | 1,133 |
| FFELP ABS | 8,592 | 9,126 | 8,790 | 9,323 |
| | 31,836 | 32,601 | 26,813 | 27,360 |
| Mortgage-backed securities | 33,977 | 33,030 | 27,321 | 25,128 |
| Total | $65,813 | $65,631 | $54,134 | $52,488 |

At June 30, 2010 and December 31, 2009, the amortized cost of the FHLBanks' mortgage-backed securities classified as available-for-sale included credit losses and OTTI-related accretion adjustments, and net purchased premiums of $1,106 million and $831 million.

*Realized Gains and Losses.* The FHLBanks received $136 million and $1,423 million in proceeds from the sale of available-for-sale securities for the six months ended June 30, 2010 and 2009. The FHLBanks realized less than $1 million and $20 million in gross gains on the sale of available-for-sale securities during the six months ended June 30, 2010 and 2009 and less than $1 million and $44 million in gross losses on the sale of available-for-sale securities during the six months ended June 30, 2010 and 2009.

## Note 5—Held-to-Maturity Securities

*Major Security Types.*

Held-to-maturity securities (HTM) were as follows (dollar amounts in millions).

| | June 30, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | Amortized Cost [1] | OTTI Recognized in AOCI [2] | Carrying Value [2] | Gross Unrecognized Holding Gains [3] | Gross Unrecognized Holding Losses [3] | Fair Value |
| U.S. Treasury obligations | $ 27 | $ | $ 27 | $ | $ | $ 27 |
| Commercial paper | 2,357 | | 2,357 | | | 2,357 |
| Certificates of deposit [4] | 13,920 | | 13,920 | 1 | | 13,921 |
| Other U.S. obligations [5] | 500 | | 500 | 6 | (3) | 503 |
| Government-sponsored enterprises and TVA [6] | 1,475 | | 1,475 | 110 | | 1,585 |
| State or local housing agency obligations | 2,658 | | 2,658 | 25 | (329) | 2,354 |
| TLGP [7] | 2,370 | | 2,370 | 10 | | 2,380 |
| Other | 7 | | 7 | | | 7 |
| | 23,314 | | 23,314 | 152 | (332) | 23,134 |
| Mortgage-backed securities: | | | | | | |
| Other U.S. obligations residential MBS [5] | 5,418 | | 5,418 | 61 | (1) | 5,478 |
| Other U.S. obligations commercial MBS [5] | 55 | | 55 | 1 | | 56 |
| Government-sponsored enterprises residential MBS [8] | 74,590 | | 74,590 | 2,726 | (29) | 77,287 |
| Government-sponsored enterprises commercial MBS [8] | 1,352 | | 1,352 | 95 | | 1,447 |
| Private-label residential MBS | 39,663 | (5,393) | 34,270 | 1,352 | (2,227) | 33,395 |
| Private-label commercial MBS | 250 | | 250 | 5 | (2) | 253 |
| Manufactured housing loans | 209 | | 209 | | (29) | 180 |
| Home equity loans | 550 | (102) | 448 | 39 | (56) | 431 |
| MPF Shared Funding Program mortgage-backed certificates | 272 | | 272 | | (2) | 270 |
| Total mortgage-backed securities | 122,359 | (5,495) | 116,864 | 4,279 | (2,346) | 118,797 |
| Total | $145,673 | $(5,495) | $140,178 | $4,431 | $(2,678) | $141,931 |

| | December 31, 2009 | | | | | |
|---|---|---|---|---|---|---|
| | Amortized Cost (1) | OTTI Recognized in AOCI (2) | Carrying Value (2) | Gross Unrecognized Holding Gains (3) | Gross Unrecognized Holding Losses (3) | Fair Value |
| Commercial paper | $ 1,100 | $ | $ 1,100 | $ | $ | $ 1,100 |
| Certificates of deposit (4) | 13,263 | | 13,263 | 1 | | 13,264 |
| Other U.S. obligations (5) | 474 | | 474 | 6 | (2) | 478 |
| Government-sponsored enterprises and TVA (6) | 1,662 | | 1,662 | 72 | (6) | 1,728 |
| State or local housing agency obligations | 2,789 | | 2,789 | 25 | (213) | 2,601 |
| TLGP (7) | 2,373 | | 2,373 | 8 | (1) | 2,380 |
| Other | 7 | | 7 | | | 7 |
| | 21,668 | | 21,668 | 112 | (222) | 21,558 |
| Mortgage-backed securities: | | | | | | |
| Other U.S. obligations residential MBS (5) | 4,109 | | 4,109 | 9 | (15) | 4,103 |
| Other U.S. obligations commercial MBS (5) | 55 | | 55 | | | 55 |
| Government-sponsored enterprises residential MBS (8) | 78,536 | | 78,536 | 2,141 | (171) | 80,506 |
| Government-sponsored enterprises commercial MBS (8) | 1,106 | | 1,106 | 66 | | 1,172 |
| Private-label residential MBS | 46,038 | (5,742) | 40,296 | 916 | (4,322) | 36,890 |
| Private-label commercial MBS | 284 | | 284 | 4 | (5) | 283 |
| Manufactured housing loans | 224 | | 224 | | (43) | 181 |
| Home equity loans | 1,664 | (407) | 1,257 | 48 | (158) | 1,147 |
| MPF Shared Funding Program mortgage-backed certificates | 298 | | 298 | 2 | (4) | 296 |
| Total mortgage-backed securities | 132,314 | (6,149) | 126,165 | 3,186 | (4,718) | 124,633 |
| Total | $153,982 | $(6,149) | $147,833 | $3,298 | $(4,940) | $146,191 |

(1) Amortized cost of held-to-maturity securities includes adjustments made to the cost basis of an investment for accretion, amortization, collection of cash, and/or previous OTTI recognized in earnings (excluding any cumulative-effect adjustments recognized in accordance with the transition provisions of the amended OTTI guidance).

(2) In accordance with the amended OTTI guidance, carrying value of held-to-maturity securities represents amortized cost after adjustment for noncredit-related impairment recognized in AOCI.

(3) Gross unrecognized holding gains (losses) represent the difference between fair value and carrying value.

(4) Represents certificates of deposit that meet the definition of an investment security.

(5) Primarily consists of Ginnie Mae and/or SBA investment pools.

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

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

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

During the three months ended June 30, 2010, each of the FHLBanks of Pittsburgh and Atlanta elected to transfer all private-label RMBS that had credit-related other-than-temporary impairment recorded this period from its held-to-maturity portfolio to its available-for-sale portfolio, while the FHLBank of Seattle elected to transfer certain private-label RMBS that had credit-related other-than-temporary impairment recorded this period from its held-to-maturity portfolio to its available-for-sale portfolio. See “Note 6—Other-Than-Temporary-Impairment Analysis” for additional information on these transfers.

The following tables summarize the held-to-maturity securities with unrealized losses, which are aggregated by major security type and length of time that individual securities have been in a continuous unrealized loss position (dollar amounts in millions). The unrealized losses include other-than-temporary impairments recognized in AOCI and gross unrecognized holding losses at June 30, 2010.

| | June 30, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 months or more | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses (1) |
| Other U.S. obligations (2) | $ 73 | $ (3) | $ 14 | $ * | $ 87 | $ (3) |
| State or local housing agency obligations | 393 | (106) | 1,010 | (223) | 1,403 | (329) |
| Mortgage-backed securities: | | | | | | |
| Government-sponsored enterprises residential MBS (5) | 1,245 | (6) | 6,263 | (23) | 7,508 | (29) |
| Private-label residential MBS (6) | 322 | (7) | 29,537 | (7,389) | 29,859 | (7,396) |
| Private-label commercial MBS | | | 116 | (2) | 116 | (2) |
| Manufactured housing loans | | | 180 | (29) | 180 | (29) |
| Home equity loans (6) | | | 430 | (119) | 430 | (119) |
| MPF Shared Funding Program mortgage-backed certificates | 233 | * | 9 | (2) | 242 | (2) |
| Total | $2,266 | $(122) | $37,559 | $(7,787) | $39,825 | $(7,909) |

| | December 31, 2009 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 months or more | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses (1) |
| Other U.S. obligations (2) | $ 58 | $ (2) | $ 24 | $ * | $ 82 | $ (2) |
| Government-sponsored enterprises and TVA (3) | 299 | (6) | | | 299 | (6) |
| State or local housing agency obligations | 295 | (16) | 1,084 | (197) | 1,379 | (213) |
| Mortgage-backed securities: | | | | | | |
| Other U.S. obligations residential MBS (4) | 2,254 | (15) | 61 | * | 2,315 | (15) |
| Government-sponsored enterprises residential MBS (5) | 9,894 | (67) | 10,733 | (104) | 20,627 | (171) |
| Private-label residential MBS (6) | 817 | (40) | 34,864 | (9,831) | 35,681 | (9,871) |
| Private-label commercial MBS | | | 127 | (5) | 127 | (5) |
| Manufactured housing loans | | | 181 | (43) | 181 | (43) |
| Home equity loans (6) | 3 | (1) | 1,130 | (546) | 1,133 | (547) |
| MPF Shared Funding Program mortgage-backed certificates | 190 | (2) | 9 | (2) | 199 | (4) |
| Total | $13,810 | $(149) | $48,213 | $(10,728) | $62,023 | $(10,877) |

* Represents amounts less than $1 million.

(1) Unrealized losses represent the difference between fair value and amortized cost. As a result of amended OTTI guidance, there are differences in the definitions of unrealized losses and unrecognized holding losses. Total unrealized losses in the table above will not agree with total gross unrecognized holding losses in the major security types table as previously noted.

(2) Primarily consists of SBA investment pools.

(3) Primarily consists of debt securities issued or guaranteed by Freddie Mac and TVA.

(4) Primarily consists of Ginnie Mae and/or SBA investment pools.

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

(6) Includes investments for which a portion of an OTTI has been recognized in AOCI.

*Redemption Terms.* The amortized cost, carrying value and fair value of held-to-maturity securities by contractual maturity are shown below (dollar amounts in millions). Expected maturities of mortgage-backed securities will likely differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

| | June 30, 2010 | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|
| Year of Maturity | Amortized Cost (1) | Carrying Value (1) | Fair Value | Amortized Cost (1) | Carrying Value (1) | Fair Value |
| Due in one year or less | $ 17,277 | $ 17,277 | $ 17,283 | $ 15,022 | $ 15,022 | $ 15,027 |
| Due after one year through five years | 3,036 | 3,036 | 3,123 | 3,546 | 3,546 | 3,627 |
| Due after five years through ten years | 332 | 332 | 330 | 352 | 352 | 352 |
| Due after ten years | 2,669 | 2,669 | 2,398 | 2,748 | 2,748 | 2,552 |
| | 23,314 | 23,314 | 23,134 | 21,668 | 21,668 | 21,558 |
| Mortgage-backed securities | 122,359 | 116,864 | 118,797 | 132,314 | 126,165 | 124,633 |
| Total | $145,673 | $140,178 | $141,931 | $153,982 | $147,833 | $146,191 |

(1) In accordance with amended OTTI guidance, carrying value of held-to-maturity securities represents amortized cost after an adjustment for noncredit-related impairment recognized in AOCI.

At June 30, 2010 and December 31, 2009, the amortized cost of the FHLBanks' mortgage-backed securities classified as held-to-maturity includes net purchased discounts, credit losses and OTTI-related accretion adjustments of $2,259 million and $2,038 million.

*Realized Gains and Losses.* Certain FHLBanks each sold securities out of its held-to-maturity securities portfolio during the six months ended June 30, 2010 and 2009 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. Such sales are considered maturities for purposes of security classification. These FHLBanks recognized $214 million and $264 million in proceeds from the sale of held-to-maturity securities during the six months ended June 30, 2010 and 2009. In addition, certain FHLBanks realized a gain of $6 million from the sale of held-to-maturity securities during both the six months ended June 30, 2010 and 2009.

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

## Note 6—Other-Than-Temporary-Impairment Analysis

Each FHLBank evaluates its individual available-for-sale and held-to-maturity investment securities in an unrealized loss position for OTTI on at least a quarterly basis. As part of its evaluation of securities for OTTI, an FHLBank considers its intent to sell each debt security and whether it is more likely than not that the FHLBank will be required to sell the security before its anticipated recovery. If either of these conditions is met, the FHLBank recognizes an OTTI charge to earnings equal to the entire difference between the security's amortized cost basis and its fair value at the balance sheet date. For securities in an unrealized loss position that meet neither of these conditions, each FHLBank performs analysis to determine if any of these securities are other-than-temporarily impaired.

The declines in market value of certain investment securities are not attributable to credit quality , if the FHLBank does not intend to sell these securities and it is not more likely than not that an FHLBank will be required to sell these securities before recovery of their amortized cost bases, and therefore do not require an OTTI charge. As a result, each FHLBank does not consider any of the following investments to be other-than-temporarily impaired at June 30, 2010:

- *State or local housing agency obligations.* Certain FHLBanks invest in state or local government bonds. Each of these FHLBanks has determined that, as of June 30, 2010, all of the gross unrealized losses on these bonds are temporary because the strength of the underlying collateral and credit enhancements is sufficient to protect that FHLBank from losses based on current expectations.

- *Debentures issued by a supranational entity.* Debentures issued by a supranational entity that were in an unrealized loss position as of June 30, 2010 are viewed as being likely to return contractual principal and interest because such supranational entity is rated triple-A by each of the three Nationally Recognized Statistical Rating Organizations (NRSROs) used by the affected FHLBank. The decline in market value of these securities is largely attributable to illiquidity in the credit markets and not to deterioration in the fundamental credit quality of these securities.

- *Agency MBS, GSE debt obligations, FFELP ABS and TLGP investments.* For its agency MBS, GSE debt obligations, FFELP ABS and TLGP investments, each FHLBank, as applicable, determined that the strength of the issuers' guarantees through direct obligations or support from the U.S. government is sufficient to protect an FHLBank from losses based on current expectations. As a result, each of these FHLBanks has determined that, as of June 30, 2010, all of the gross unrealized losses on its agency MBS, GSE debt obligations, FFELP ABS and TLGP investments are temporary.

- *Private-label commercial MBS (CMBS).* Based upon each FHLBank's assessment of the creditworthiness of the issuers of its private-label CMBS, the credit ratings assigned by the NRSROs, and the performance of the underlying loans and the credit support provided by the subordinate securities, each FHLBank expects that its holdings of private-label CMBS would not be settled at an amount less than the amortized cost bases in these investments.

To ensure consistency in determination of the OTTI for private-label RMBS and certain home equity loan investments (including home equity asset-backed securities) among all FHLBanks, the FHLBanks enhanced their overall OTTI process in 2009 by creating an OTTI Governance Committee and established a formal process by which the FHLBanks can provide input on and approve key OTTI modeling assumptions used for purposes of their cash flow analyses for the majority of these securities. Most of the FHLBanks select all of their private-label RMBS and certain home equity loan investments to be run using the FHLBanks' common framework and approved assumptions for purposes of OTTI cash flow analysis.

At June 30, 2010, seven FHLBanks owned certain private-label MBS backed by multi-family and commercial real estate loans, home equity lines of credit and manufactured housing loans that were outside of the scope of the FHLBanks' OTTI Governance Committee. These securities and certain private-label RMBS and home equity loan investments, where the underlying collateral data is not available, were analyzed for OTTI using alternative procedures as determined by each of these seven FHLBanks owning securities backed by such collateral. Of these seven FHLBanks, for the FHLBank of New York, approximately 50 percent of its private-label MBS were outside the scope of the common framework because sufficient loan-level collateral data was not available for analysis under the common framework. The FHLBank of New York performed OTTI analysis by cash flow testing 100 percent of its private-label RMBS, home equity loan investments and manufactured housing loans using its own techniques and assumptions that were determined primarily using historical performance data for these securities. At June 30, 2010, the FHLBank of New York's assumptions and performance measures were benchmarked by comparing them to (1) performance parameters from market consensus, and (2) the assumptions and performance measures provided by the OTTI Governance Committee for the FHLBank's private-label MBS that were within the scope of the common framework. Please see each FHLBank's periodic reports filed with the SEC for additional details regarding its OTTI cash flow analysis.

Each FHLBank's evaluation includes estimating projected cash flows that the FHLBank is likely to collect based on an assessment of all available information about the applicable security on an individual basis, the structure of the security and certain assumptions as determined by the FHLBanks' OTTI Governance Committee, such as the remaining payment terms for the security, prepayment speeds, default rates, loss severity on the collateral supporting each FHLBank's security based on underlying loan-level borrower and loan characteristics, expected housing price changes, and interest-rate assumptions, to determine whether the FHLBank will recover the entire amortized cost basis of the security. In performing a detailed cash flow analysis, each FHLBank identifies the best estimate of the cash flows expected to be collected. If this estimate results in a present value of expected cash flows (discounted at the security's effective yield) that is less than the amortized cost basis of a security (that is, a credit loss exists), an OTTI is considered to have occurred.

Each FHLBank performed a cash flow analysis using two third-party models to assess whether the entire amortized cost basis of its private-label RMBS securities will be recovered.

The first third-party model considers borrower characteristics and the particular attributes of the loans underlying an FHLBank's securities, in conjunction with assumptions about future changes in home prices and interest rates, to project prepayments, defaults and loss severities. A significant input to the first model is the forecast of future housing price changes for the relevant states and core based statistical areas (CBSAs), which are based upon an assessment of the individual housing markets. CBSA refers collectively to metropolitan and micropolitan statistical areas as defined by the United States Office of Management and Budget; as currently defined, a CBSA must contain at least one urban area with a population of 10,000 or more people. The FHLBanks' housing price forecast assumed CBSA level current-to-trough home price declines ranging from 0 percent to 12 percent over the 3- to 9-month period beginning April 1, 2010. Thereafter, home prices are projected to remain flat in the first six months, and to increase 0.5 percent in the next six months, 3 percent in the second year and 4 percent in each subsequent year.

The month-by-month projections of future loan performance derived from the first model, which reflect projected prepayments, defaults and loss severities, are then input into a second model that allocates the projected loan-level cash flows and losses to the various security classes in the securitization structure in accordance with its prescribed cash flow and loss allocation rules. In a securitization in which the credit enhancement for the senior securities is derived from the presence of subordinate securities, losses are generally allocated first to the subordinate securities until their principal balance is reduced to zero. The projected cash flows are based on a number of assumptions and expectations, and the results of these models can vary significantly with changes in assumptions and expectations. Refer to an individual FHLBank's periodic reports filed with the SEC for summaries of significant inputs used to measure the amount of credit loss on other-than-temporarily impaired securities recognized in earnings during the three months ended June 30, 2010. The scenario of cash flows determined based on the model approach described above reflects a best estimate scenario and includes a base case current to trough housing price forecast and a base case housing price recovery path described in the prior paragraph.

At each quarter end, each FHLBank compares the present value of the cash flows expected to be collected with respect to its private-label RMBS to the amortized cost basis of the security to determine whether a credit loss exists. For the FHLBank's variable rate and hybrid private-label RMBS, the FHLBank uses a forward interest rate curve to project the future estimated cash flows. The FHLBank then uses the effective interest rate for the security prior to impairment for determining the present value of the future estimated cash flows. For securities previously identified as other-than-temporarily impaired, the FHLBank updates its estimate of future estimated cash flows on a quarterly basis.

As a result of each FHLBank's evaluations, at June 30, 2010, the FHLBanks of Boston, New York, Indianapolis, Chicago, Dallas, Topeka, San Francisco and Seattle recognized OTTI credit losses related to an aggregate amount of $14,344 million of unpaid principal balance in held-to-maturity MBS investments, as further described in this footnote. Additionally, each of the FHLBanks of Pittsburgh, Atlanta, Chicago and Seattle determined that $9,023 million of unpaid principal balance related to available-for-sale securities, including those transferred from held-to-maturity securities during the three months ended June 30, 2010, were other-than-temporarily impaired at June 30, 2010. Each of these FHLBanks determined that it was likely that it would not recover the entire amortized cost of each of these securities owned by it.

Despite the slower pace of decline in certain factors such as home prices and unemployment rates, which affected the expected performance of the mortgage loans underlying the FHLBanks' private-label MBS, an additional impairment related to credit loss and all other factors (noncredit losses) were recorded in the three months ended June 30, 2010 on HTM and AFS private-label MBS, reflecting an increase in projected losses on the collateral underlying these investments. Each of these FHLBanks does not intend to sell these securities and it is not more likely than not that the FHLBank will be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis. The FHLBanks recognized total OTTI charges of $495 million and $728 million during the three and six months ended June 30, 2010 related to the credit losses on MBS instruments, which are reported in the Combined Statement of Income as a part of the "Net other-than-temporary impairment losses," and the net amount of impairment losses reclassified (from)/to accumulated other comprehensive loss of $(27) million and $146 million is reflected in the Combined Statement of Condition as "Accumulated other comprehensive income (loss)—Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities" and "Accumulated other comprehensive income (loss)—Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities." Subsequent increases and decreases (if not an additional OTTI) in the fair value of available-for-sale securities and transfers are included in "Accumulated other comprehensive income (loss)." The OTTI recognized in AOCI related to held-to-maturity securities is accreted to the carrying value of each security on a prospective basis, over the remaining life of each security. That accretion increases the carrying value of each security and continues until this security is sold or matures, or there is an additional OTTI that is recognized in earnings. For the six months ended June 30, 2010, the FHLBanks accreted $744 million of noncredit impairment from AOCI to the carrying value of held-to-maturity securities. For certain other-than-temporarily impaired securities that were previously impaired and have subsequently incurred $662 million additional credit losses during the six months ended June 30, 2010, the additional credit losses, up to the amount in AOCI, were reclassified out of noncredit losses in AOCI and charged to earnings.

For those securities for which an OTTI was determined to have occurred during the three months ended June 30, 2010, the following tables present the significant inputs used to measure the amount of credit loss recognized in earnings during this period as well as related current credit enhancement for each applicable FHLBank. Credit enhancement is defined as the percentage of subordinated tranches and over-collateralization, if any, in a security structure that will generally absorb losses before each FHLBank will experience a loss on the security. The calculated averages represent the dollar-weighted averages of all the private-label RMBS and home equity loan investments in each category shown. The classification (prime, Alt-A and subprime) is based on the model used to run the estimated cash flows for the CUSIP, which may not necessarily be the same as the classification at the time of origination.

**FHLBank of Boston**

| | Significant Inputs for OTTI Private-label RMBS | | | | | | Current Credit Enhancement | |
|---|---|---|---|---|---|---|---|---|
| | Prepayment Rates | | Default Rates | | Loss Severities | | | |
| **Year of Securitization** | Weighted-Average % | Range % | Weighted-Average % | Range % | Weighted-Average % | Range % | Weighted-Average % | Range % |
| **Alt-A** | | | | | | | | |
| 2007 | 6.9 | 4.3 - 13.8 | 79.8 | 39.3 - 89.1 | 52.1 | 45.4 - 57.2 | 19.1 | 0.0 - 47.7 |
| 2006 | 7.2 | 3.8 - 10.3 | 77.4 | 55.6 - 90.2 | 53.3 | 45.9 - 58.3 | 18.6 | 0.0 - 47.4 |
| 2005 | 10.6 | 7.7 - 12.5 | 53.9 | 30.4 - 76.0 | 49.3 | 37.0 - 59.4 | 17.8 | 3.3 - 48.5 |
| 2004 and prior | 9.5 | 9.5 - 9.6 | 63.3 | 61.1 - 65.9 | 49.1 | 47.0 - 50.9 | 34.8 | 30.2 - 40.0 |
| Total Alt-A | 7.8 | 3.8 - 13.8 | 73.2 | 30.4 - 90.2 | 52.0 | 37.0 - 59.4 | 18.7 | 0.0 - 48.5 |
| Total OTTI Private-label RMBS | 7.8 | 3.8 - 13.8 | 73.2 | 30.4 - 90.2 | 52.0 | 37.0 - 59.4 | 18.7 | 0.0 - 48.5 |

**FHLBank of New York**

| Year of Securitization | Significant Inputs for OTTI Home Equity Loan Investments [1] | | | | | |
|---|---|---|---|---|---|---|
| | Prepayment Rates | | Default Rates | | Loss Severities | |
| | Weighted-Average % | Range % | Weighted-Average % | Range % | Weighted-Average % | Range % |
| **Subprime** | | | | | | |
| 2004 and prior | 3.7 | 2.0 - 6.2 | 6.3 | 6.0 - 6.4 | 88.9 | 68.9 - 100.0 |
| Total Subprime | 3.7 | 2.0 - 6.2 | 6.3 | 6.0 - 6.4 | 88.9 | 68.9 - 100.0 |
| Total OTTI Home equity loan investments | 3.7 | 2.0 - 6.2 | 6.3 | 6.0 - 6.4 | 88.9 | 68.9 - 100.0 |

**FHLBank of Pittsburgh**

| Year of Securitization | Significant Inputs for OTTI Private-label RMBS | | | | | | Current Credit Enhancement | |
|---|---|---|---|---|---|---|---|---|
| | Prepayment Rates | | Default Rates | | Loss Severities | | | |
| | Weighted-Average % | Range % | Weighted-Average % | Range % | Weighted-Average % | Range % | Weighted-Average % | Range % |
| **Prime** | | | | | | | | |
| 2007 | 8.5 | 4.4 - 10.8 | 39.7 | 14.8 - 58.6 | 49.7 | 40.8 - 57.4 | 6.2 | 3.1 - 8.2 |
| 2006 | 8.2 | 5.7 - 11.5 | 22.5 | 12.1 - 39.5 | 36.7 | 33.0 - 41.8 | 7.4 | 3.5 - 13.5 |
| 2005 | 8.2 | 5.4 - 9.5 | 14.6 | 5.0 - 39.1 | 40.2 | 35.2 - 52.2 | 5.8 | 4.7 - 8.7 |
| Total prime | 8.4 | 4.4 - 11.5 | 33.0 | 5.0 - 58.6 | 45.4 | 33.0 - 57.4 | 6.5 | 3.1 - 13.5 |
| **Alt-A** | | | | | | | | |
| 2007 | 10.1 | 9.3 - 11.2 | 53.3 | 39.0 - 59.7 | 47.6 | 45.9 - 48.6 | 6.5 | 0.6 - 13.2 |
| 2006 | 12.6 | 8.4 - 14.5 | 44.0 | 16.2 - 73.2 | 47.7 | 36.2 - 54.2 | 6.4 | 2.7 - 10.0 |
| 2005 | 11.2 | 10.3 - 12.4 | 23.9 | 22.7 - 24.7 | 40.2 | 38.7 - 42.4 | 5.0 | 4.5 - 5.6 |
| 2004 and prior | 14.6 | 14.6 | 30.1 | 30.1 | 39.2 | 39.2 | 11.3 | 11.3 |
| Total Alt-A | 11.7 | 8.4 - 14.6 | 44.6 | 16.2 - 73.2 | 46.6 | 36.2 - 54.2 | 6.5 | 0.6 - 13.2 |
| Total OTTI Private-label RMBS | 9.6 | 4.4 - 14.6 | 37.0 | 5.0 - 73.2 | 45.8 | 33.0 - 57.4 | 6.5 | 0.6 - 13.5 |

| Year of Securitization | Significant Inputs for OTTI Home Equity Loan Investments [1] | | | | | |
|---|---|---|---|---|---|---|
| | Prepayment Rates | | Default Rates | | Loss Severities | |
| | Weighted-Average % | Range % | Weighted-Average % | Range % | Weighted-Average % | Range % |
| **Alt-A** | | | | | | |
| 2004 and prior | 11.5 | 10.3 - 13.9 | 5.0 | 2.7 - 6.3 | 100.0 | 100.0 |
| Total Alt-A | 11.5 | 10.3 - 13.9 | 5.0 | 2.7 - 6.3 | 100.0 | 100.0 |
| Total OTTI Home equity loan investments | 11.5 | 10.3 - 13.9 | 5.0 | 2.7 - 6.3 | 100.0 | 100.0 |

**FHLBank of Atlanta**

| Year of Securitization | Significant Inputs for OTTI Private-label RMBS | | | | | | Current Credit Enhancement | |
|---|---|---|---|---|---|---|---|---|
| | Prepayment Rates | | Default Rates | | Loss Severities | | | |
| | Weighted-Average % | Range % | Weighted-Average % | Range % | Weighted-Average % | Range % | Weighted-Average % | Range % |
| **Prime** | | | | | | | | |
| 2008 | 8.2 | 8.2 | 38.7 | 38.7 | 50.7 | 50.7 | 15.5 | 15.5 - 15.6 |
| 2007 | 7.7 | 5.7 - 9.1 | 16.7 | 12.2 - 21.6 | 40.7 | 30.2 - 47.8 | 7.3 | 5.5 - 11.2 |
| 2006 | 8.0 | 6.6 - 8.7 | 23.7 | 16.7 - 42.3 | 39.9 | 36.8 - 41.3 | 7.0 | 3.5 - 9.1 |
| 2005 | 10.1 | 6.0 - 11.8 | 22.9 | 10.3 - 28.7 | 42.7 | 32.3 - 47.8 | 8.3 | 4.4 - 10.4 |
| Total prime | 8.3 | 5.7 - 11.8 | 23.5 | 10.3 - 42.3 | 42.4 | 30.2 - 50.7 | 8.7 | 3.5 - 15.6 |
| **Alt-A** | | | | | | | | |
| 2007 | 10.3 | 8.4 - 12.1 | 56.8 | 51.6 - 64.4 | 48.3 | 45.1 - 51.2 | 13.8 | 6.6 - 18.7 |
| 2006 | 10.5 | 8.4 - 12.9 | 54.5 | 47.9 - 57.6 | 47.7 | 42.5 - 53.0 | 9.1 | 5.6 - 11.8 |
| 2005 | 12.1 | 9.9 - 14.3 | 41.2 | 22.9 - 59.4 | 47.7 | 40.4 - 55.0 | 9.4 | 4.2 - 13.0 |
| 2004 and prior | 16.7 | 16.7 | 14.3 | 14.3 | 31.8 | 31.8 | 14.9 | 14.9 |
| Total Alt-A | 10.9 | 8.4 - 16.7 | 51.2 | 14.3 - 64.4 | 47.8 | 31.8 - 55.0 | 11.4 | 4.2 - 18.7 |
| Total OTTI Private-label RMBS | 9.8 | 5.7 - 16.7 | 39.1 | 10.3 - 64.4 | 45.5 | 30.2 - 55.0 | 10.2 | 3.5 - 18.7 |

**FHLBank of Indianapolis**

| Year of Securitization | Significant Inputs for OTTI Private-label RMBS | | | | | | Current Credit Enhancement | |
|---|---|---|---|---|---|---|---|---|
| | Prepayment Rates | | Default Rates | | Loss Severities | | | |
| | Weighted-Average % | Range % | Weighted-Average % | Range % | Weighted-Average % | Range % | Weighted-Average % | Range % |
| **Prime** | | | | | | | | |
| 2007 | 7.1 | 5.8 - 8.5 | 48.0 | 29.8 - 61.4 | 50.0 | 44.2 - 54.3 | 6.0 | 2.4 - 12.6 |
| 2006 | 8.0 | 5.5 - 11.4 | 23.7 | 14.6 - 34.1 | 36.3 | 34.7 - 37.7 | 5.3 | 3.8 - 8.7 |
| 2005 | 11.1 | 9.5 - 11.8 | 32.4 | 26.6 - 39.3 | 43.6 | 40.9 - 52.7 | 9.3 | 6.3 - 10.4 |
| Total prime | 8.7 | 5.5 - 11.8 | 38.8 | 14.6 - 61.4 | 45.7 | 34.7 - 54.3 | 7.0 | 2.4 - 12.6 |
| **Alt-A** | | | | | | | | |
| 2006 | 13.1 | 13.1 | 21.2 | 21.2 | 42.5 | 42.5 | 4.7 | 4.7 |
| 2005 | 9.4 | 7.6 - 13.4 | 40.1 | 26.2 - 46.3 | 40.4 | 35.2 - 42.7 | 5.7 | 5.2 - 6.0 |
| Total Alt-A | 10.8 | 7.6 - 13.4 | 32.9 | 21.2 - 46.3 | 41.2 | 35.2 - 42.7 | 5.3 | 4.7 - 6.0 |
| Total OTTI Private-label RMBS | 8.8 | 5.5 - 13.4 | 38.4 | 14.6 - 61.4 | 45.3 | 34.7 - 54.3 | 6.9 | 2.4 - 12.6 |

**FHLBank of Chicago**

| Year of Securitization | Significant Inputs for OTTI Private-label RMBS: Prepayment Rates Weighted-Average % | Prepayment Rates Range % | Default Rates Weighted-Average % | Default Rates Range % | Loss Severities Weighted-Average % | Loss Severities Range % | Current Credit Enhancement Weighted-Average % | Current Credit Enhancement Range [(2)] % |
|---|---|---|---|---|---|---|---|---|
| **Prime** | | | | | | | | |
| 2006 | 10.1 | 7.0 - 11.2 | 36.1 | 31.9 - 45.2 | 38.4 | 29.9 - 42.5 | 7.8 | 5.4 - 16.8 |
| 2004 and prior | 17.1 | 15.1 - 18.9 | 1.5 | 0.0 - 3.1 | 11.2 | 0.0 - 23.7 | 24.4 | 9.4 - 37.9 |
| Total prime | 10.3 | 7.0 - 18.9 | 35.5 | 0.0 - 45.2 | 38.0 | 0.0 - 42.5 | 8.0 | 5.4 - 37.9 |
| **Alt-A** | | | | | | | | |
| 2006 | 9.8 | 7.9 - 11.5 | 58.8 | 46.3 - 71.5 | 49.3 | 46.7 - 55.6 | 13.0 | 2.1 - 19.3 |
| 2005 | 11.1 | 11.1 | 45.9 | 45.9 | 48.1 | 48.1 | 8.6 | 8.6 |
| Total Alt-A | 9.9 | 7.9 - 11.5 | 58.0 | 45.9 - 71.5 | 49.2 | 46.7 - 55.6 | 12.7 | 2.1 - 19.3 |
| **Subprime** | | | | | | | | |
| 2006 | 5.8 | 3.2 - 6.9 | 78.0 | 70.6 - 90.9 | 68.7 | 65.0 - 75.7 | 26.0 | (5.4) - 41.4 |
| 2005 | 5.1 | 5.0 - 5.3 | 80.2 | 78.3 - 80.9 | 67.2 | 63.6 - 68.6 | 27.0 | 16.5 - 30.9 |
| 2004 and prior | 14.1 | 14.1 | 29.6 | 29.6 | 70.2 | 70.2 | 79.3 | 79.3 |
| Total Subprime | 5.8 | 3.2 - 14.1 | 78.1 | 29.6 - 90.9 | 68.6 | 63.6 - 75.7 | 26.1 | (5.4) - 79.3 |
| Total OTTI Private-label RMBS | 7.7 | 3.2 - 18.9 | 56.7 | 0.0 - 90.9 | 50.8 | 0.0 - 75.7 | 9.0 | (5.4) - 79.3 |

**FHLBank of Dallas**

| Year of Securitization | Significant Inputs for OTTI Private-label RMBS: Prepayment Rates Weighted-Average % | Prepayment Rates Range % | Default Rates Weighted-Average % | Default Rates Range % | Loss Severities Weighted-Average % | Loss Severities Range % | Current Credit Enhancement Weighted-Average % | Current Credit Enhancement Range % |
|---|---|---|---|---|---|---|---|---|
| **Alt-A** | | | | | | | | |
| 2006 | 13.8 | 13.8 | 34.6 | 34.6 | 44.4 | 44.4 | 7.8 | 7.8 |
| 2005 | 8.0 | 7.1 - 8.6 | 71.8 | 55.8 - 75.0 | 49.8 | 37.0 - 51.9 | 42.8 | 35.9 - 47.3 |
| Total Alt-A | 10.9 | 7.1 - 13.8 | 52.9 | 34.6 - 75.0 | 47.1 | 37.0 - 51.9 | 25.1 | 7.8 - 47.3 |
| Total OTTI Private-label RMBS | 10.9 | 7.1 - 13.8 | 52.9 | 34.6 - 75.0 | 47.1 | 37.0 - 51.9 | 25.1 | 7.8 - 47.3 |

**FHLBank of Topeka**

| Year of Securitization | Significant Inputs for OTTI Private-label RMBS: Prepayment Rates Weighted-Average % | Prepayment Rates Range % | Default Rates Weighted-Average % | Default Rates Range % | Loss Severities Weighted-Average % | Loss Severities Range % | Current Credit Enhancement Weighted-Average % | Current Credit Enhancement Range % |
|---|---|---|---|---|---|---|---|---|
| **Prime** | | | | | | | | |
| 2005 | 6.8 | 6.8 | 13.9 | 13.9 | 41.6 | 41.6 | 3.3 | 3.3 |
| Total prime | 6.8 | 6.8 | 13.9 | 13.9 | 41.6 | 41.6 | 3.3 | 3.3 |
| **Alt-A** | | | | | | | | |
| 2005 | 11.1 | 10.1 - 11.4 | 21.4 | 11.5 - 60.4 | 43.7 | 43.1 - 43.8 | 7.6 | 3.7 - 23.1 |
| Total Alt-A | 11.1 | 10.1 - 11.4 | 21.4 | 11.5 - 60.4 | 43.7 | 43.1 - 43.8 | 7.6 | 3.7 - 23.1 |
| Total OTTI Private-label RMBS | 10.3 | 6.8 - 11.4 | 20.0 | 11.5 - 60.4 | 43.3 | 41.6 - 43.8 | 6.8 | 3.3 - 23.1 |

| Year of Securitization | Prepayment Rates Weighted-Average % | Prepayment Rates Range % | Default Rates Weighted-Average % | Default Rates Range % | Loss Severities Weighted-Average % | Loss Severities Range % |
|---|---|---|---|---|---|---|
| | **Significant Inputs for OTTI Home Equity Loan Investments (1)** | | | | | |
| **Subprime** | | | | | | |
| 2004 and prior | 3.6 | 3.3 - 3.8 | 9.6 | 8.4 - 11.5 | 89.3 | 84.2 - 92.6 |
| Total Subprime | 3.6 | 3.3 - 3.8 | 9.6 | 8.4 - 11.5 | 89.3 | 84.2 - 92.6 |
| Total OTTI Home equity loan investments | 3.6 | 3.3 - 3.8 | 9.6 | 8.4 - 11.5 | 89.3 | 84.2 - 92.6 |

**FHLBank of San Francisco**

| Year of Securitization | Prepayment Rates Weighted-Average % | Prepayment Rates Range % | Default Rates Weighted-Average % | Default Rates Range % | Loss Severities Weighted-Average % | Loss Severities Range % | Current Credit Enhancement Weighted-Average % | Current Credit Enhancement Range % |
|---|---|---|---|---|---|---|---|---|
| | **Significant Inputs for OTTI Private-label RMBS** | | | | | | | |
| **Prime** | | | | | | | | |
| 2008 | 8.8 | 5.9 - 9.6 | 62.0 | 61.6 - 63.4 | 41.5 | 41.3 - 42.1 | 30.8 | 30.8 - 30.8 |
| 2006 | 6.7 | 6.1 - 7.5 | 19.9 | 18.7 - 23.5 | 35.8 | 33.9 - 41.0 | 7.6 | 7.1 - 9.3 |
| 2005 | 7.3 | 7.3 | 25.3 | 25.3 | 37.3 | 37.3 | 17.6 | 17.6 |
| 2004 and prior | 10.8 | 10.8 | 3.7 | 3.7 | 28.4 | 28.4 | 11.3 | 11.3 |
| Total prime | 8.2 | 5.9 - 10.8 | 44.9 | 3.7 - 63.4 | 38.9 | 28.4 - 42.1 | 22.2 | 7.1 - 30.8 |
| **Alt-A** | | | | | | | | |
| 2007 | 8.8 | 4.4 - 13.7 | 63.5 | 22.9 - 89.3 | 48.7 | 40.5 - 60.4 | 28.2 | 9.1 - 46.4 |
| 2006 | 10.2 | 5.3 - 13.7 | 52.0 | 28.5 - 88.4 | 49.0 | 39.4 - 62.0 | 24.8 | 10.0 - 40.5 |
| 2005 | 11.3 | 6.5 - 15.7 | 38.8 | 15.5 - 77.7 | 45.7 | 31.8 - 59.5 | 15.7 | 5.4 - 32.0 |
| 2004 and prior | 12.3 | 11.8 - 12.6 | 42.9 | 34.6 - 50.8 | 48.0 | 41.7 - 55.0 | 20.6 | 14.3 - 29.6 |
| Total Alt-A | 9.9 | 4.4 - 15.7 | 52.7 | 15.5 - 89.3 | 47.8 | 31.8 - 62.0 | 23.3 | 5.4 - 46.4 |
| Total OTTI Private-label RMBS | 9.8 | 4.4 - 15.7 | 52.3 | 3.7 - 89.3 | 47.3 | 28.4 - 62.0 | 23.2 | 5.4 - 46.4 |

**FHLBank of Seattle**

| Year of Securitization | Prepayment Rates Weighted-Average % | Prepayment Rates Range % | Default Rates Weighted-Average % | Default Rates Range % | Loss Severities Weighted-Average % | Loss Severities Range % | Current Credit Enhancement Weighted-Average % | Current Credit Enhancement Range % |
|---|---|---|---|---|---|---|---|---|
| | **Significant Inputs for OTTI Private-label RMBS** | | | | | | | |
| **Alt-A** | | | | | | | | |
| 2008 | 10.2 | 10.2 | 48.9 | 48.9 | 45.8 | 45.8 | 40.1 | 40.1 |
| 2007 | 7.2 | 4.7 - 13.8 | 79.0 | 35.4 - 89.5 | 53.4 | 45.6 - 61.1 | 37.8 | 7.3 - 44.9 |
| 2006 | 5.4 | 4.6 - 6.7 | 86.6 | 76.9 - 89.8 | 54.7 | 50.4 - 63.6 | 42.6 | 36.8 - 47.6 |
| 2005 | 8.3 | 7.3 - 10.6 | 72.8 | 56.4 - 79.4 | 49.9 | 42.7 - 56.7 | 30.9 | 0.0 - 50.4 |
| Total Alt-A | 6.8 | 4.6 - 13.8 | 80.3 | 35.4 - 89.8 | 53.4 | 42.7 - 63.6 | 39.1 | 0.0 - 50.4 |
| Total OTTI Private-label RMBS | 6.8 | 4.6 - 13.8 | 80.3 | 35.4 - 89.8 | 53.4 | 42.7 - 63.6 | 39.1 | 0.0 - 50.4 |

(1) Current credit enhancement weighted-average and range percentages are not considered meaningful for home equity loan investments, as the majority of these investments are third-party insured.

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

Certain private-label MBS owned by the FHLBanks are insured by third-party bond insurers ("monoline insurers"). The FHLBanks performed analyses to assess the financial strength of these monoline insurers to establish an expected case regarding the time horizon of the bond insurers' ability to fulfill their financial obligations and provide credit support. The projected time horizon of credit protection provided by an insurer is a function of claims paying resources and anticipated claims in the future. This assumption is referred to as the "burn-out period" and is expressed in months.

There are five monoline insurers that insure certain FHLBanks' private-label RMBS, manufactured housing loans and home equity investments held by the applicable FHLBanks. Furthermore, Fannie Mae and Freddie Mac provide third-party guarantees on limited home equity loan investments; the financial guarantees from Fannie Mae and Freddie Mac are considered sufficient to protect an FHLBank from losses on these mortgage-backed securities based on current expectations. Of the five monoline insurers, the financial guarantees from Assured Guaranty Municipal Corp. are considered sufficient to cover all future claims and are, therefore, excluded from the burn-out analysis discussed above. Conversely, the key burn-out period is not considered applicable to Syncora Guarantee Inc (Syncora), Financial Guarantee Insurance Corp. and Ambac Assurance Corp (Ambac) due to regulatory intervention that have suspended all claims payments to effectively zero. In the six months ended June 30, 2010, for the remaining monoline insurer, MBIA Insurance Corp (MBIA), the FHLBanks have established a 12-month burn-out period ending June 2011, and four securities guaranteed by MBIA were determined to have an other-than-temporary impairment credit loss due to expected losses beyond the burn-out period.

During the three months ended June 30, 2010, each of the FHLBanks of Pittsburgh and Atlanta elected to transfer all private-label RMBS that had credit-related other-than-temporary impairment recorded this period from its held-to-maturity portfolio to its available-for-sale portfolio, while the FHLBank of Seattle elected to transfer certain private-label RMBS that had credit-related other-than-temporary impairment recorded this period from its held-to-maturity portfolio to its available-for-sale portfolio. Each of these FHLBanks recognized an OTTI credit loss on these private-label RMBS held-to-maturity securities, which each FHLBank believes is evidence of a significant decline in the issuers' creditworthiness. The decline in the issuers' creditworthiness is the basis for the transfers to available-for-sale securities. These transfers allow management the option to choose to sell these securities prior to maturity in response to changes in interest rates, changes in prepayment risk or other factors, while recognizing the management's intent to hold these securities for an indefinite period of time. The FHLBanks have no current plans to sell these securities nor are they under any requirement to sell these securities. The following FHLBanks transferred all or certain private-label RMBS that had OTTI credit losses from their respective held-to maturity portfolio to available-for-sale portfolio at June 30, 2010 (dollar amounts in millions):

| | Unpaid Principal Balance at June 30, 2010 |
|---|---|
| FHLBank of Pittsburgh | $321 |
| FHLBank of Atlanta | 936 |
| FHLBank of Seattle | 221 |

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

The remainder of the FHLBanks' available-for-sale and held-to-maturity securities portfolio has experienced net unrealized losses and a decrease in fair value due to illiquidity in the marketplace, credit deterioration and interest rate volatility in the U.S. mortgage markets. However, the decline is considered temporary as each of the FHLBanks expects to recover the entire amortized cost basis on the remaining available-for-sale and held-to-maturity securities in unrealized loss position and neither intends to sell these securities nor considers it more likely than not that it will be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis.

The following FHLBanks recognized an OTTI charge on its held-to-maturity and/or available-for-sale securities during the three months ended June 30, 2010, based on each individual FHLBank's impairment analysis of its investment portfolio at June 30, 2010, as follows (dollar amounts in millions).

| | Held-to-Maturity Securities | | | | Available-for-Sale Securities | | |
|---|---|---|---|---|---|---|---|
| | At June 30, 2010 [a] | | | | | | |
| | Unpaid Principal Balance | Amortized Cost | Carrying Value | Fair Value | Unpaid Principal Balance | Amortized Cost | Fair Value |
| **Total** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Prime | $ 3,602 | $ 3,270 | $2,400 | $2,760 | $5,695 | $5,130 | $4,545 |
| Alt-A | 10,375 | 9,284 | 6,072 | 6,616 | 3,305 | 2,784 | 1,925 |
| Subprime | 307 | 248 | 167 | 172 | | | |
| Total OTTI Private-label RMBS | 14,284 | 12,802 | 8,639 | 9,548 | 9,000 | 7,914 | 6,470 |
| Home equity loan investments: | | | | | | | |
| Alt-A | | | | | 23 | 19 | 12 |
| Subprime | 60 | 49 | 29 | 33 | | | |
| Total OTTI Home equity loan investments | 60 | 49 | 29 | 33 | 23 | 19 | 12 |
| Total OTTI investments | $14,344 | $12,851 | $8,668 | $9,581 | $9,023 | $7,933 | $6,482 |
| **FHLBank of Boston** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Prime | $ 69 | $ 66 | $ 43 | $ 46 | | | |
| Alt-A | 1,824 | 1,426 | 855 | 927 | | | |
| Total OTTI Private-label RMBS | 1,893 | 1,492 | 898 | 973 | | | |
| Total OTTI investments | $ 1,893 | $ 1,492 | $ 898 | $ 973 | | | |
| **FHLBank of New York** | | | | | | | |
| Home equity loan investments: | | | | | | | |
| Subprime | $ 58 | $ 48 | $ 28 | $ 32 | | | |
| Total OTTI Home equity loan investments | 58 | 48 | 28 | 32 | | | |
| Total OTTI investments | $ 58 | $ 48 | $ 28 | $ 32 | | | |
| **FHLBank of Pittsburgh** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Prime | | | | | $2,054 | $1,848 | $1,692 |
| Alt-A | | | | | 972 | 831 | 682 |
| Total OTTI Private-label RMBS | | | | | 3,026 | 2,679 | 2,374 |
| Home equity loan investments: | | | | | | | |
| Alt-A | | | | | 23 | 19 | 12 |
| Total OTTI Home equity loan investments | | | | | 23 | 19 | 12 |
| Total OTTI investments | | | | | $3,049 | $2,698 | $2,386 |
| **FHLBank of Atlanta** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Prime | | | | | $3,641 | $3,282 | $2,853 |
| Alt-A | | | | | 259 | 237 | 154 |
| Total OTTI Private-label RMBS | | | | | 3,900 | 3,519 | 3,007 |
| Total OTTI investments | | | | | $3,900 | $3,519 | $3,007 |

| | Held-to-Maturity Securities | | | | Available-for-Sale Securities | | |
|---|---|---|---|---|---|---|---|
| | At June 30, 2010 (a) | | | | | | |
| | Unpaid Principal Balance | Amortized Cost | Carrying Value | Fair Value | Unpaid Principal Balance | Amortized Cost | Fair Value |
| **FHLBank of Indianapolis** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Prime | $ 1,312 | $ 1,181 | $ 947 | $1,060 | | | |
| Alt-A | 62 | 57 | 49 | 50 | | | |
| Total OTTI Private-label RMBS | 1,374 | 1,238 | 996 | 1,110 | | | |
| Total OTTI investments | $ 1,374 | $ 1,238 | $ 996 | $1,110 | | | |
| **FHLBank of Chicago** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Prime | $ 896 | $ 787 | $ 543 | $ 658 | $ | $ | $ |
| Alt-A | | | | | 96 | 72 | 43 |
| Subprime | 307 | 248 | 167 | 172 | | | |
| Total OTTI Private-label RMBS | 1,203 | 1,035 | 710 | 830 | 96 | 72 | 43 |
| Total OTTI investments | $ 1,203 | $ 1,035 | $ 710 | $ 830 | $ 96 | $ 72 | $ 43 |
| **FHLBank of Dallas** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Prime | $ 50 | $ 47 | $ 33 | $ 37 | | | |
| Alt-A | 39 | 37 | 20 | 23 | | | |
| Total OTTI Private-label RMBS | 89 | 84 | 53 | 60 | | | |
| Total OTTI investments | $ 89 | $ 84 | $ 53 | $ 60 | | | |
| **FHLBank of Topeka** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Prime | $ 10 | $ 9 | $ 9 | $ 9 | | | |
| Alt-A | 41 | 38 | 20 | 20 | | | |
| Total OTTI Private-label RMBS | 51 | 47 | 29 | 29 | | | |
| Home equity loan investments: | | | | | | | |
| Subprime | 2 | 1 | 1 | 1 | | | |
| Total OTTI Home equity loan investments | 2 | 1 | 1 | 1 | | | |
| Total OTTI investments | $ 53 | $ 48 | $ 30 | $ 30 | | | |
| **FHLBank of San Francisco** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Prime | $ 1,265 | $ 1,180 | $ 825 | $ 950 | | | |
| Alt-A | 8,143 | 7,463 | 4,980 | 5,447 | | | |
| Total OTTI Private-label RMBS | 9,408 | 8,643 | 5,805 | 6,397 | | | |
| Total OTTI investments | $ 9,408 | $ 8,643 | $5,805 | $6,397 | | | |
| **FHLBank of Seattle** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Alt-A | $ 266 | $ 263 | $ 148 | $ 149 | $1,978 | $1,644 | $1,046 |
| Total OTTI Private-label RMBS | 266 | 263 | 148 | 149 | 1,978 | 1,644 | 1,046 |
| Total OTTI investments | $ 266 | $ 263 | $ 148 | $ 149 | $1,978 | $1,644 | $1,046 |

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

The following FHLBanks recognized an OTTI charge on its held-to-maturity and/or available-for-sale securities during the life of the security at June 30, 2010, based on each individual FHLBank's impairment analysis of its investment portfolio as follows (dollar amounts in millions). Life of the security represents securities impaired prior to June 30, 2010 as well as at June 30, 2010.

| | Held-to-Maturity Securities | | | | Available-for-Sale Securities | | |
|---|---|---|---|---|---|---|---|
| | At June 30, 2010 [a] | | | | | | |
| | Unpaid Principal Balance | Amortized Cost | Carrying Value | Fair Value | Unpaid Principal Balance | Amortized Cost | Fair Value |
| **Total** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Prime | $ 5,067 | $ 4,540 | $ 3,314 | $ 3,853 | $ 6,129 | $ 5,515 | $ 4,892 |
| Alt-A | 12,793 | 11,520 | 7,635 | 8,365 | 4,158 | 3,516 | 2,465 |
| Subprime | 959 | 738 | 455 | 497 | 3 | 2 | 2 |
| Total OTTI Private-label RMBS | 18,819 | 16,798 | 11,404 | 12,715 | 10,290 | 9,033 | 7,359 |
| Home equity loan investments: | | | | | | | |
| Alt-A | | | | | 31 | 25 | 16 |
| Subprime | 303 | 275 | 174 | 211 | | | |
| Total OTTI Home equity loan investments | 303 | 275 | 174 | 211 | 31 | 25 | 16 |
| Total OTTI investments | $19,122 | $ 17,073 | $ 11,578 | $ 12,926 | $10,321 | $ 9,058 | $ 7,375 |
| Total MBS [1] | | $122,359 | $116,864 | $118,797 | | $33,977 | $33,030 |
| Total investment securities [1] | | $145,673 | $140,178 | $141,931 | | $65,813 | $65,631 |
| **FHLBank of Boston** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Prime | $ 92 | $ 85 | $ 57 | $ 65 | | | |
| Alt-A | 2,356 | 1,859 | 1,122 | 1,216 | | | |
| Total OTTI Private-label RMBS | 2,448 | 1,944 | 1,179 | 1,281 | | | |
| Home equity loan investments: | | | | | | | |
| Subprime | 3 | 2 | 2 | 1 | | | |
| Total OTTI Home equity loan investments | 3 | 2 | 2 | 1 | | | |
| Total OTTI investments | $ 2,451 | $ 1,946 | $ 1,181 | $ 1,282 | | | |
| Total MBS | | $ 7,141 | $ 6,376 | $ 6,514 | | | |
| Total investment securities | | $ 7,481 | $ 6,716 | $ 6,811 | | | |

| | Held-to-Maturity Securities | | | | Available-for-Sale Securities | | |
|---|---|---|---|---|---|---|---|
| | At June 30, 2010 [(a)] | | | | | | |
| | Unpaid Principal Balance | Amortized Cost | Carrying Value | Fair Value | Unpaid Principal Balance | Amortized Cost | Fair Value |
| **FHLBank of New York** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Prime | $ 49 | $ 47 | $ 45 | $ 46 | | | |
| Total OTTI Private-label RMBS | 49 | 47 | 45 | 46 | | | |
| Home equity loan investments: | | | | | | | |
| Subprime | 295 | 270 | 170 | 208 | | | |
| Total OTTI Home equity loan investments | 295 | 270 | 170 | 208 | | | |
| Total OTTI investments | $ 344 | $ 317 | $ 215 | $ 254 | | | |
| Total MBS | | $ 8,291 | $ 8,189 | $ 8,443 | | | |
| Total investment securities | | $ 9,033 | $ 8,931 | $ 9,104 | | | |
| **FHLBank of Pittsburgh** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Prime | | | | | $ 2,080 | $ 1,872 | $ 1,714 |
| Alt-A | | | | | 1,285 | 1,116 | 910 |
| Subprime | | | | | 3 | 2 | 2 |
| Total OTTI Private-label RMBS | | | | | 3,368 | 2,990 | 2,626 |
| Home equity loan investments: | | | | | | | |
| Alt-A | | | | | 31 | 25 | 16 |
| Total OTTI Home equity loan investments | | | | | 31 | 25 | 16 |
| Total OTTI investments | | | | | $ 3,399 | $ 3,015 | $ 2,642 |
| Total MBS | | | | | | $ 3,021 | $ 2,646 |
| Total investment securities | | | | | | $ 3,023 | $ 2,648 |
| **FHLBank of Atlanta** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Prime | | | | | $ 4,049 | $ 3,643 | $ 3,178 |
| Alt-A | | | | | 464 | 416 | 274 |
| Total OTTI Private-label RMBS | | | | | 4,513 | 4,059 | 3,452 |
| Total OTTI investments | | | | | $ 4,513 | $ 4,059 | $ 3,452 |
| Total MBS | | | | | | $ 4,059 | $ 3,452 |
| Total investment securities | | | | | | $ 4,059 | $ 3,452 |

| | Held-to-Maturity Securities | | | | Available-for-Sale Securities | | |
|---|---|---|---|---|---|---|---|
| | At June 30, 2010 [a] | | | | | | |
| | Unpaid Principal Balance | Amortized Cost | Carrying Value | Fair Value | Unpaid Principal Balance | Amortized Cost | Fair Value |
| **FHLBank of Indianapolis** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Prime | $ 1,372 | $ 1,239 | $ 997 | $ 1,115 | | | |
| Alt-A | 62 | 57 | 49 | 50 | | | |
| Total OTTI Private-label RMBS | 1,434 | 1,296 | 1,046 | 1,165 | | | |
| Total OTTI investments | $ 1,434 | $ 1,296 | $ 1,046 | $ 1,165 | | | |
| Total MBS | | $ 6,488 | $ 6,238 | $ 6,409 | | | |
| Total investment securities | | $ 8,785 | $ 8,535 | $ 8,716 | | | |
| **FHLBank of Chicago** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Prime | $ 1,976 | $ 1,688 | $ 1,171 | $ 1,440 | $ | $ | $ |
| Alt-A | | | | | 163 | 120 | 76 |
| Subprime | 959 | 738 | 455 | 497 | | | |
| Total OTTI Private-label RMBS | 2,935 | 2,426 | 1,626 | 1,937 | 163 | 120 | 76 |
| Total OTTI investments | $ 2,935 | $ 2,426 | $ 1,626 | $ 1,937 | $ 163 | $ 120 | $ 76 |
| Total MBS | | $ 11,371 | $ 10,572 | $ 11,424 | | $14,717 | $15,314 |
| Total investment securities | | $ 12,189 | $ 11,390 | $ 12,269 | | $24,412 | $25,580 |
| **FHLBank of Dallas** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Prime | $ 119 | $ 115 | $ 69 | $ 76 | | | |
| Alt-A | 39 | 37 | 20 | 23 | | | |
| Total OTTI Private-label RMBS | 158 | 152 | 89 | 99 | | | |
| Total OTTI investments | $ 158 | $ 152 | $ 89 | $ 99 | | | |
| Total MBS | | $ 10,102 | $ 10,039 | $ 10,113 | | | |
| Total investment securities | | $ 10,159 | $ 10,097 | $ 10,171 | | | |
| **FHLBank of Topeka** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Prime | $ 21 | $ 21 | $ 19 | $ 19 | | | |
| Alt-A | 44 | 41 | 22 | 22 | | | |
| Total OTTI Private-label RMBS | 65 | 62 | 41 | 41 | | | |
| Home equity loan investments: | | | | | | | |
| Subprime | 5 | 3 | 2 | 2 | | | |
| Total OTTI Home equity loan investments | 5 | 3 | 2 | 2 | | | |
| Total OTTI investments | $ 70 | $ 65 | $ 43 | $ 43 | | | |
| Total MBS | | $ 8,014 | $ 7,991 | $ 7,942 | | | |
| Total investment securities | | $ 8,118 | $ 8,096 | $ 8,024 | | | |

| | Held-to-Maturity Securities | | | | Available-for-Sale Securities | | |
|---|---|---|---|---|---|---|---|
| | At June 30, 2010 [(a)] | | | | | | |
| | Unpaid Principal Balance | Amortized Cost | Carrying Value | Fair Value | Unpaid Principal Balance | Amortized Cost | Fair Value |
| **FHLBank of San Francisco** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Prime | $ 1,438 | $ 1,345 | $ 956 | $ 1,092 | | | |
| Alt-A | 9,891 | 9,130 | 6,192 | 6,816 | | | |
| Total OTTI Private-label RMBS | 11,329 | 10,475 | 7,148 | 7,908 | | | |
| Total OTTI investments | $11,329 | $ 10,475 | $ 7,148 | $ 7,908 | | | |
| Total MBS | | $ 26,878 | $ 23,551 | $ 23,633 | | | |
| Total investment securities | | $ 36,890 | $ 33,563 | $ 33,503 | | | |
| **FHLBank of Seattle** | | | | | | | |
| Private-label RMBS: | | | | | | | |
| Alt-A | $ 401 | $ 396 | $ 230 | $ 238 | $ 2,246 | $ 1,864 | $ 1,205 |
| Total OTTI Private-label RMBS | 401 | 396 | 230 | 238 | 2,246 | 1,864 | 1,205 |
| Total OTTI investments | $ 401 | $ 396 | $ 230 | $ 238 | $ 2,246 | $ 1,864 | $ 1,205 |
| Total MBS | | $ 5,125 | $ 4,959 | $ 4,763 | | $ 1,864 | $ 1,205 |
| Total investment securities | | $ 7,383 | $ 7,217 | $ 7,069 | | $ 8,978 | $ 8,330 |

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

(1) Represents the FHLBanks' combined total.

The following FHLBanks recognized credit and noncredit OTTI losses on its securities for the three and six months ended June 30, 2010 (dollar amounts in millions).

| | Three Months Ended June 30, 2010 [(a)] | | | Six Months Ended June 30, 2010 [(a)] | | |
|---|---|---|---|---|---|---|
| | OTTI Related to Credit Loss | OTTI Related to Net Noncredit Loss | Total OTTI Losses | OTTI Related to Credit Loss | OTTI Related to Net Noncredit Loss | Total OTTI Losses |
| **Total** | | | | | | |
| Private-label RMBS: | | | | | | |
| Prime | $(276) | $109 | $(167) | $(374) | $ 63 | $(311) |
| Alt-A | (213) | (84) | (297) | (335) | (191) | (526) |
| Subprime | (4) | 1 | (3) | (12) | (20) | (32) |
| Total OTTI Private-label RMBS | (493) | 26 | (467) | (721) | (148) | (869) |
| Home equity loan investments: | | | | | | |
| Alt-A | * | * | | (1) | 1 | |
| Subprime | (2) | 1 | (1) | (6) | 1 | (5) |
| Total OTTI Home equity loan investments | (2) | 1 | (1) | (7) | 2 | (5) |
| Total | $(495) | $ 27 | $(468) | $(728) | $(146) | $(874) |

| | Three Months Ended June 30, 2010 [a] | | | Six Months Ended June 30, 2010 [a] | | |
|---|---|---|---|---|---|---|
| | OTTI Related to Credit Loss | OTTI Related to Net Noncredit Loss | Total OTTI Losses | OTTI Related to Credit Loss | OTTI Related to Net Noncredit Loss | Total OTTI Losses |
| **FHLBank of Boston** | | | | | | |
| Private-label RMBS: | | | | | | |
| Prime | $ (1) | $ 1 | $ | $ (1) | $ 1 | $ |
| Alt-A | (29) | 11 | (18) | (52) | 13 | (39) |
| Total OTTI Private-label RMBS | (30) | 12 | (18) | (53) | 14 | (39) |
| Total | $ (30) | $ 12 | $ (18) | $ (53) | $ 14 | $ (39) |
| **FHLBank of New York** | | | | | | |
| Home equity loan investments: | | | | | | |
| Subprime | $ (2) | $ 1 | $ (1) | $ (5) | $ 1 | $ (4) |
| Total OTTI Home equity loan investments | (2) | 1 | (1) | (5) | 1 | (4) |
| Total | $ (2) | $ 1 | $ (1) | $ (5) | $ 1 | $ (4) |
| **FHLBank of Pittsburgh** | | | | | | |
| Private-label RMBS: | | | | | | |
| Prime | $ (94) | $ 74 | $ (20) | $(107) | $ 85 | $ (22) |
| Alt-A | (17) | 16 | (1) | (31) | 30 | (1) |
| Subprime | | | | * | * | |
| Total OTTI Private-label RMBS | (111) | 90 | (21) | (138) | 115 | (23) |
| Home equity loan investments: | | | | | | |
| Alt-A | * | * | | (1) | 1 | |
| Total OTTI Home equity loan investments | * | * | | (1) | 1 | |
| Total | $(111) | $ 90 | $ (21) | $(139) | $ 116 | $ (23) |
| **FHLBank of Atlanta** | | | | | | |
| Private-label RMBS: | | | | | | |
| Prime | $ (70) | $ (61) | $(131) | $(110) | $ (83) | $(193) |
| Alt-A | (2) | 2 | | (8) | 6 | (2) |
| Total OTTI Private-label RMBS | (72) | (59) | (131) | (118) | (77) | (195) |
| Total | $ (72) | $ (59) | $(131) | $(118) | $ (77) | $(195) |
| **FHLBank of Indianapolis** | | | | | | |
| Private-label RMBS: | | | | | | |
| Prime | $ (60) | $ 53 | $ (7) | $ (66) | $ 45 | $ (21) |
| Alt-A | (2) | 1 | (1) | (2) | 1 | (1) |
| Total OTTI Private-label RMBS | (62) | 54 | (8) | (68) | 46 | (22) |
| Total | $ (62) | $ 54 | $ (8) | $ (68) | $ 46 | $ (22) |

| | Three Months Ended June 30, 2010 [(a)] | | | Six Months Ended June 30, 2010 [(a)] | | |
|---|---|---|---|---|---|---|
| | OTTI Related to Credit Loss | OTTI Related to Net Noncredit Loss | Total OTTI Losses | OTTI Related to Credit Loss | OTTI Related to Net Noncredit Loss | Total OTTI Losses |
| **FHLBank of Chicago** | | | | | | |
| Private-label RMBS: | | | | | | |
| Prime | $ (22) | $ 17 | $ (5) | $ (54) | $ 49 | $ (5) |
| Alt-A | (1) | 1 | | (5) | 5 | |
| Subprime | (4) | 1 | (3) | (12) | (20) | (32) |
| Total OTTI Private-label RMBS | (27) | 19 | (8) | (71) | 34 | (37) |
| Total | $ (27) | $ 19 | $ (8) | $ (71) | $ 34 | $ (37) |
| **FHLBank of Dallas** | | | | | | |
| Private-label RMBS: | | | | | | |
| Prime | $ (1) | $ 1 | $ | $ (2) | $ (5) | $ (7) |
| Alt-A | * | * | | * | * | |
| Total OTTI Private-label RMBS | (1) | 1 | | (2) | (5) | (7) |
| Total | $ (1) | $ 1 | $ | $ (2) | $ (5) | $ (7) |
| **FHLBank of Topeka** | | | | | | |
| Private-label RMBS: | | | | | | |
| Prime | $ * | $ | $ * | $ * | $ * | $ * |
| Alt-A | (2) | (1) | (3) | (3) | (16) | (19) |
| Total OTTI Private-label RMBS | (2) | (1) | (3) | (3) | (16) | (19) |
| Home equity loan investments: | | | | | | |
| Subprime | * | | * | (1) | | (1) |
| Total OTTI Home equity loan investments | * | | * | (1) | | (1) |
| Total | $ (2) | $ (1) | $ (3) | $ (4) | $ (16) | $ (20) |
| **FHLBank of San Francisco** | | | | | | |
| Private-label RMBS: | | | | | | |
| Prime | $ (28) | $ 24 | $ (4) | $ (34) | $ (29) | $ (63) |
| Alt-A | (114) | (72) | (186) | (168) | (151) | (319) |
| Total OTTI Private-label RMBS | (142) | (48) | (190) | (202) | (180) | (382) |
| Total | $(142) | $ (48) | $(190) | $(202) | $(180) | $(382) |
| **FHLBank of Seattle** | | | | | | |
| Private-label RMBS: | | | | | | |
| Alt-A | $ (46) | $ (42) | $ (88) | $ (66) | $ (79) | $(145) |
| Total OTTI Private-label RMBS | (46) | (42) | (88) | (66) | (79) | (145) |
| Total | $ (46) | $ (42) | $ (88) | $ (66) | $ (79) | $(145) |

* Represents an amount less than $1 million.

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

The following table presents the rollforward of the amounts related to credit losses recognized into earnings (dollar amounts in millions). The rollforward relates to the amount of credit losses on investment securities held by the FHLBanks for which a portion of the OTTI charges was recognized in AOCI.

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Balance, at beginning of period | $2,785 | $ 647 | $2,555 | $ 131[a] |
| Additions: | | | | |
| Credit losses for which OTTI was not previously recognized | 30 | 71 | 57 | 583 |
| Additional OTTI credit losses for which an OTTI charge was previously recognized [1] | 465 | 366 | 671 | 370 |
| Reductions: | | | | |
| Securities sold, matured, paid down or prepaid during the period | (7) | | (9) | |
| Securities for which the amount previously recognized in AOCI was recognized in earnings because an FHLBank intends to sell the security or more likely than not they will be required to sell the security before the recovery of its amortized cost basis | | | | |
| Increases in cash flows expected to be collected, recognized over the remaining life of the securities | (1) | | (2) | |
| Balance, at end of the period | $3,272 | $1,084 | $3,272 | $1,084 |

(a) The FHLBanks adopted the amended OTTI guidance as of January 1, 2009 and recognized the cumulative effect of initially applying this guidance, totaling $1,883 million, as an adjustment to the retained earnings balance at January 1, 2009, with an offsetting adjustment to AOCI; this amount represents noncredit losses reported in AOCI related to the adoption of this guidance.

(1) For the three months ended June 30, 2010 and 2009, "Additional OTTI credit losses for which an OTTI charge was previously recognized" relates to all securities that were also previously impaired prior to April 1, 2010 and 2009. For the six months ended June 30, 2010 and 2009, "Additional OTTI credit losses for which an OTTI change was previously recognized" relates to all securities that were also previously impaired prior to January 1, 2010 and 2009.

## Note 7—Advances

*Redemption Terms.* At June 30, 2010 and December 31, 2009, the FHLBanks had advances outstanding, as summarized below (dollar amounts in millions).

| Redemption Term | June 30, 2010 Amount | June 30, 2010 Weighted-Average Interest Rate | December 31, 2009 Amount | December 31, 2009 Weighted-Average Interest Rate |
|---|---|---|---|---|
| Overdrawn demand and overnight deposit accounts | $ 19 | | $ 18 | |
| Due in 1 year or less | 177,278 | 2.16% | 229,407 | 2.09% |
| Due after 1 year through 2 years | 84,971 | 2.36% | 99,684 | 2.73% |
| Due after 2 years through 3 years | 79,974 | 2.59% | 72,387 | 2.95% |
| Due after 3 years through 4 years | 34,511 | 3.03% | 60,363 | 2.41% |
| Due after 4 years through 5 years | 24,125 | 3.26% | 22,941 | 3.04% |
| Thereafter | 118,690 | 3.43% | 127,818 | 3.47% |
| Index amortizing advances | 3,057 | 4.51% | 3,282 | 4.53% |
| Total par value | 522,625 | 2.67% | 615,900 | 2.66% |
| Commitment fees | (7) | | (8) | |
| Discount on AHP advances | (63) | | (64) | |
| Premiums | 102 | | 141 | |
| Discounts | (81) | | (71) | |
| Hedging adjustments | 17,219 | | 14,644 | |
| Fair value option valuation adjustments | 523 | | 617 | |
| Total | $540,318 | | $631,159 | |

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

The FHLBanks offer callable advances to members that may be prepaid on certain dates (call dates) without incurring prepayment or termination fees. 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, 2010 and December 31, 2009, the FHLBanks had callable advances of $26,350 million and $31,702 million.

The following table summarizes advances at June 30, 2010 and December 31, 2009 by year of contractual maturity or next call date for callable advances (dollar amounts in millions):

| Year of Contractual Maturity or Next Call Date | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Overdrawn demand and overnight deposit accounts | $ 19 | $ 18 |
| Due in 1 year or less | 200,387 | 254,272 |
| Due after 1 year through 2 years | 84,353 | 98,731 |
| Due after 2 years through 3 years | 75,053 | 67,971 |
| Due after 3 years through 4 years | 33,388 | 55,672 |
| Due after 4 years through 5 years | 21,478 | 20,433 |
| Thereafter | 104,890 | 115,521 |
| Index amortizing advances | 3,057 | 3,282 |
| Total par value | $522,625 | $615,900 |

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. At June 30, 2010 and December 31, 2009, the FHLBanks had putable advances outstanding totaling $79,351 million and $87,605 million.

Convertible advances allow the FHLBanks to convert to/from a 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, 2010 and December 31, 2009, the FHLBanks had convertible advances outstanding totaling $30,124 million and $34,921 million.

The following table summarizes advances by year of contractual maturity or next put/convert date for putable/convertible advances (dollar amounts in millions):

| Year of Contractual Maturity or Next Put/Convert Date | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Overdrawn demand and overnight deposit accounts | $ 19 | $ 18 |
| Due in 1 year or less | 262,474 | 319,469 |
| Due after 1 year through 2 years | 82,251 | 103,179 |
| Due after 2 years through 3 years | 68,745 | 59,195 |
| Due after 3 years through 4 years | 32,620 | 56,021 |
| Due after 4 years through 5 years | 19,839 | 20,263 |
| Thereafter | 53,620 | 54,473 |
| Index amortizing advances | 3,057 | 3,282 |
| Total par value | $522,625 | $615,900 |

*Credit Risk.* Credit risk from advances is concentrated in commercial banks and savings institutions. The FHLBanks hold collateral to cover advances, and the FHLBanks do not expect to incur any credit losses on advances. Each FHLBank has policies and procedures in place to manage credit risk appropriately. These policies and procedures include requirements for physical possession or control of pledged collateral, restrictions on borrowing, specific review of each advance request, verifications of collateral and continuous monitoring of borrowings and the borrower's financial condition. Each FHLBank continually monitors the collateral and creditworthiness of its borrowers.

Based on the collateral pledged as security for advances, each FHLBank management's credit analyses of borrower's financial condition, and credit extension and collateral policies, each FHLBank expects to collect all amounts due according to the contractual terms of the advances. Accordingly, the

FHLBanks have not provided any allowances for losses on advances. To date, the FHLBanks have not experienced a credit loss on an advance to a borrower.

*Interest-Rate Payment Terms.* The following table details additional interest-rate payment terms for advances (dollar amounts in millions):

| Par amount of advances | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Fixed-rate | $386,196 | $444,529 |
| Variable-rate | 136,429 | 171,371 |
| Total | $522,625 | $615,900 |

## Note 8—Mortgage Loans Held for Portfolio, Net

The FHLBanks hold single-family mortgage loans that are funded through and primarily serviced by participating financial institutions (PFIs). These mortgage loans are guaranteed or insured by Federal agencies or are credit-enhanced by PFIs. Currently, the FHLBanks of Chicago, Atlanta, San Francisco, Dallas and Seattle are not accepting additional master commitments and discontinued purchasing additional mortgages. Each of these FHLBanks plans to retain its current portfolio of mortgage loans.

The following table presents information on mortgage loans held by all FHLBanks under all programs (dollar amounts in millions).

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Real Estate: | | |
| Fixed-rate, medium-term (1) single-family mortgages | $15,113 | $16,826 |
| Fixed-rate, long-term single-family mortgages | 51,218 | 54,148 |
| Multifamily mortgages | 26 | 26 |
| | 66,357 | 71,000 |
| Premiums | 406 | 460 |
| Discounts | (202) | (245) |
| Deferred loan costs, net | 19 | 21 |
| Hedging adjustments | 267 | 233 |
| Total mortgage loans held for portfolio | $66,847 | $71,469 |

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

The following table details the unpaid principal balance of mortgage loans held for portfolio outstanding (dollar amounts in millions):

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Conventional loans | $59,202 | $63,476 |
| Government-guaranteed or -insured loans | 7,129 | 7,498 |
| Other loans | 26 | 26 |
| Total unpaid principal balance | $66,357 | $71,000 |

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

| | As of June 30, 2010 | As of December 31, 2009 |
|---|---|---|
| Allowance for credit losses on mortgage loans, beginning of period | $32 | $15 |
| Charge-offs | (1) | (1) |
| Provision for credit losses | 21 | 18 |
| Allowance for credit losses on mortgage loans, end of period | $52 | $32 |

## Note 9—Derivatives and Hedging Activities

### *Nature of Business Activity*

The FHLBanks are exposed to interest-rate risk primarily from the effect of interest rate changes on their interest-earning assets and their funding sources that finance these assets.

Consistent with Finance Agency regulation, an FHLBank enters into derivatives to manage the interest-rate risk exposures inherent in otherwise unhedged assets and funding positions, to achieve the FHLBank's risk management objectives, and to act as an intermediary between its members and counterparties. Finance Agency regulation and each FHLBank's risk management policy prohibit trading in or the speculative use of these derivative instruments and limit credit risk arising from these instruments. The FHLBanks may only use derivatives to reduce funding costs for consolidated obligations; to manage their interest-rate risk, mortgage prepayment risk and foreign currency risk positions; and to act as an intermediary. Interest-rate exchange agreements (also referred to as derivatives) are an integral part of each FHLBank's financial management strategy.

The most common ways in which the FHLBanks use derivatives are to:

- reduce funding costs by combining a derivative with a consolidated obligation as the cost of a combined funding structure can be lower than the cost of a comparable consolidated bond;
- reduce the interest-rate sensitivity and repricing gaps of assets, liabilities, and interest-rate exchange agreements;
- preserve a favorable interest-rate spread between the yield of an asset (e.g., an advance) and the cost of the related liability (e.g., the consolidated bond used to fund the advance). Without the use of derivatives, this interest-rate spread could be reduced or eliminated when a change in the interest rate on the advance does not match a change in the interest rate on the bond;
- mitigate the adverse earnings effects of the shortening or extension of certain assets (e.g., advances or mortgage assets) and liabilities;
- protect the value of existing asset or liability positions or of anticipated transactions;
- manage embedded options in assets and liabilities; and
- manage its overall asset/liability management.

### *Types of Interest-Rate Exchange Agreements*

The goal of the FHLBanks' interest-rate risk management strategies is not to eliminate interest-rate risk, but to manage it within appropriate limits. To mitigate the risk of loss, each FHLBank has established policies and procedures, which include guidelines on the amount of exposure to interest rate changes it is willing to accept. In addition, each FHLBank monitors the risk to its revenue, net interest margin and average maturity of interest-earning assets and funding sources.

Each FHLBank's risk management policy establishes guidelines for its use of interest-rate exchange agreements. The FHLBanks can use the following instruments to reduce funding costs and to manage their exposure to interest-rate risks inherent in their normal course of business—lending, investment, and funding activities:

- interest-rate swaps;
- swaptions;
- interest-rate cap and floor agreements;
- calls;
- puts; and
- futures and forward contracts.

*Interest-Rate Swaps.* An interest-rate swap is an agreement between two entities to exchange cash flows in the future. The agreement sets the dates on which the cash flows will be paid and the manner in which the cash flows will be calculated. One of the simplest forms of an interest-rate swap involves the promise by one party to pay cash flows equivalent to the interest on a notional amount at a predetermined fixed rate for a given period of time. In return for this promise, this party receives cash flows equivalent to the interest on the same notional amount at a variable-rate index for the same period of time. The variable rate received by the FHLBanks in most interest-rate exchange agreements is the London Interbank Offered Rate (LIBOR).

*Swaptions.* A swaption is an option on a swap that gives the buyer the right to enter into a specified interest-rate swap at a certain time in the future. When used as a hedge, a swaption can protect an FHLBank that is planning to lend or borrow funds in the future against future interest rate changes. The FHLBanks purchase both payer swaptions and receiver swaptions. A payer swaption is the option to make fixed interest payments at a later date and a receiver swaption is the option to receive fixed interest payments at a later date.

*Interest-Rate Cap and Floor Agreements.* In an interest-rate cap agreement, a cash flow is generated if the price or rate of an underlying variable rises above a certain threshold (or "cap") price. In an interest-rate floor agreement, a cash flow is generated if the price or rate of an underlying variable falls below a certain threshold (or "floor") price. Caps may be used in conjunction with liabilities and floors may be used in conjunction with assets. Caps and floors are designed as protection against the interest rate on a variable-rate asset or liability rising above or falling below a certain level.

*Options.* An option is an agreement between two entities that conveys the right, but not the obligation, to engage in a future transaction on some underlying security or other financial asset at an agreed-upon price during a certain period of time or on a specific date. Premiums paid to acquire options in a fair-value hedge relationship are accounted for at the fair value of the derivative at inception of the hedge and are reported in derivative assets or derivative liabilities. Premiums paid are considered the fair value of the option at inception of the hedge.

*Futures.* The FHLBanks use futures contracts in order to hedge interest-rate risk. The benchmark interest rate, which may be the designated risk in a hedge of interest-rate risk, encompasses both U.S. Treasury rates and LIBOR. In order to hedge benchmark interest-rate risk, the FHLBanks enter into Eurodollar futures contracts that they can demonstrate are highly correlated to LIBOR.

Eurodollar futures contracts are based on three-month Eurodollar interest rates. All futures contracts are standardized, with specific value dates and fixed contract sizes. Eurodollar futures contracts are traded through the Chicago Mercantile Exchange. They provide for daily cash settlements in order to reduce the risk of default by a counterparty. At June 30, 2010, there were no outstanding Eurodollar futures contracts.

### *Application of Interest-Rate Exchange Agreements*

*General.* The FHLBanks use these derivatives to adjust the effective maturity, repricing frequency or option characteristics of financial instruments in order to achieve their risk management and funding objectives to reduce identified risks inherent in the normal course of business. Derivative financial instruments are used by the FHLBanks in three ways:

- by designating them as a fair-value or cash-flow hedge of an associated financial instrument, a firm commitment or an anticipated transaction;
- in asset/liability management (i.e., "economic" hedges); or
- by acting as an intermediary.

Each FHLBank reevaluates its hedging strategies from time to time and may change the hedging techniques it uses or adopt new strategies.

FHLBank management uses derivatives when they are considered to be the most cost-effective alternative to achieve the FHLBank's financial and risk management objectives. Accordingly, an FHLBank may enter into derivatives that do not necessarily qualify for hedge accounting (economic hedges).

### *Types of Assets and Liabilities Hedged*

Each FHLBank documents at inception all relationships between derivatives designated as hedging instruments and hedged items, its risk management objectives and strategies for undertaking various hedge transactions, and its method of assessing effectiveness. This process includes linking all derivatives that are designated as fair-value or cash-flow hedges to (1) assets and liabilities on the statement of condition, (2) firm commitments, or (3) forecasted transactions. An FHLBank also formally assesses (both at the hedge's inception and at least quarterly) whether the derivatives that it uses in hedging transactions have been effective in offsetting changes in the fair value or cash flows of hedged items and whether those derivatives may be expected to remain effective in future periods. Each FHLBank typically uses regression analyses or other statistical analyses to assess the effectiveness of its hedges.

*Consolidated Obligations*—While consolidated obligations are the joint and several obligations of the FHLBanks, each FHLBank has consolidated obligations for which it is the primary obligor. To date, no FHLBank has ever had to assume or pay the consolidated obligations of another FHLBank. Each FHLBank enters into derivatives to hedge the interest-rate risk associated with its specific debt issuances. An FHLBank manages the risk arising from changing market prices and volatility of a consolidated obligation by matching the cash inflow on the interest-rate exchange agreement with the cash outflow on the consolidated obligation. In addition, the FHLBanks require collateral on interest-rate exchange agreements at specified levels correlated to counterparty credit ratings.

For instance, in a typical transaction, fixed-rate consolidated obligations are issued for one or more FHLBanks, and each of those FHLBanks simultaneously enters into a matching derivative in which the counterparty pays fixed cash flows to the FHLBank designed to match in timing and amount the cash outflows the FHLBank pays on the consolidated obligation. The FHLBank pays a variable cash flow that closely matches the interest payments it receives on short-term or variable-rate advances (typically one- or three-month LIBOR). These transactions are treated as fair-value hedges. The FHLBanks may issue variable-rate consolidated bonds indexed to LIBOR, the U.S. Prime rate, or federal funds rate and simultaneously execute interest-rate swaps to hedge the basis risk of the variable-rate debt.

This strategy of issuing bonds while simultaneously entering into interest-rate exchange agreements enables an FHLBank to offer a wider range of attractively priced advances to its members and may allow an FHLBank to reduce its funding costs. The continued attractiveness of such debt depends on yield relationships between the bond and interest-rate exchange markets. If conditions in these markets change, an FHLBank may alter the types or terms of the bonds that it issues. By acting in both the capital and the swap markets, the FHLBanks can raise funds at lower costs than through the issuance of simple fixed- or variable-rate consolidated obligations in the capital markets alone.

*Advances*—The FHLBanks offer a wide array of advance structures to meet members' funding needs. These advances may have maturities up to 30 years with variable or fixed rates and may include early termination features or options. An FHLBank may use derivatives to adjust the repricing and/or options characteristics of advances in order to match more closely the characteristics of that FHLBank's funding liabilities. In general, whenever a member executes a fixed-rate advance or a variable-rate advance with embedded options, the FHLBank will simultaneously execute a derivative with terms that offset the terms and embedded options, if any, in the advance. For example, the FHLBank may hedge a fixed-rate advance with an interest-rate swap where the FHLBank pays a fixed-rate coupon and receives a variable-rate coupon, effectively converting the fixed-rate advance to a variable-rate advance. This type of hedge is treated as a fair-value hedge.

When issuing convertible advances, an FHLBank may purchase put options from a member that allow the FHLBank to convert the advance from a fixed rate to a variable rate if interest rates increase/decrease. A convertible advance carries an interest rate lower than a comparable-maturity fixed-rate advance that does not have the conversion feature. With a putable advance, an FHLBank effectively purchases a put option from the member that allows the FHLBank to put or extinguish the fixed-rate advance, which the FHLBank normally would exercise when interest rates increase. An FHLBank may hedge these advances by entering into a cancelable interest-rate exchange agreement.

*Mortgage Loans*—The FHLBanks invest in fixed-rate mortgage loans. The prepayment options embedded in mortgage loans can result in extensions or contractions in the expected repayment of these investments, depending on changes in estimated prepayment speeds. The FHLBanks manage the interest-rate and prepayment risks associated with mortgages through a combination of debt issuance and derivatives. The FHLBanks issue both callable and noncallable debt and prepayment-linked consolidated obligations to achieve cash flow patterns and liability durations similar to those expected on the mortgage loans. Interest-rate swaps, to the extent the payments on the mortgages result in simultaneous reduction of the notional amount on the swaps, may receive fair-value hedge accounting under which changes in the fair value of the swaps, and changes in the fair value of the mortgages that are attributable to the hedged risk, are recorded in current period earnings.

A combination of swaps and options, including futures, may be used as a portfolio of derivatives linked to a portfolio of mortgage loans. The portfolio of mortgage loans consists of one or more pools of similar assets, as determined by factors such as product type and coupon. As the portfolio of loans changes due to new loans, liquidations and payments, the derivative portfolio is modified accordingly to hedge the interest-rate and prepayment risks effectively. A new hedging relationship is created with each change to the loan and derivative portfolios; such relationship is treated as a fair-value hedge.

Options may also be used to hedge prepayment risk on the mortgages, many of which are not identified to specific mortgages and, therefore, do not receive fair-value or cash-flow hedge accounting treatment. The options are marked-to-market through current-period earnings and presented in the Combined Statement of Income as "Net (losses) gains on derivatives and hedging activities." The FHLBanks may also purchase interest-rate caps and floors, swaptions, callable swaps, calls, and puts to minimize the prepayment risk embedded in the mortgage loans. Although these derivatives are valid economic hedges against the prepayment risk of the loans, they are not specifically linked to individual loans and, therefore, do not receive either fair-value or cash-flow hedge accounting. The derivatives are marked-to-market through earnings.

*Anticipated Streams of Future Cash Flows*—The FHLBanks may enter into an option to hedge a specified future variable cash stream as a result of rolling over short-term, fixed-rate financial instruments such as LIBOR advances and consolidated discount notes. The option will effectively cap the variable cash stream at a predetermined target rate.

*Firm Commitment Strategies*—Certain mortgage purchase commitments are considered derivatives. The FHLBanks normally hedge these commitments by selling to be announced (TBA) mortgage-backed securities or other derivatives for forward settlement. A TBA represents a forward contract for the sale of mortgage-backed securities at a future agreed upon date for an established price. The mortgage purchase commitment and the TBA used in the firm commitment hedging strategy (economic hedge) are recorded as a derivative asset or derivative liability at fair value, with changes in fair value recognized in current-period earnings. When the mortgage purchase commitment derivative settles, the current market value of the commitment is included with the basis of the mortgage loan and amortized accordingly.

The FHLBanks may also hedge a firm commitment for a forward starting advance through the use of an interest-rate swap. In this case, the swap will function as the hedging instrument for both the firm commitment and the subsequent advance. The basis movement associated with the firm commitment will be rolled into the basis of the advance at the time the commitment is terminated and the advance is issued. The basis adjustment will then be amortized into interest income over the life of the advance. In addition, if a hedged firm commitment no longer qualified as a fair value hedge, the hedge would be terminated and net gains and losses would be recognized in current-period earnings. There were no material amounts of gains and losses recognized due to disqualification of firm commitment hedges for the six months ended June 30, 2010.

*Investments*—The FHLBanks primarily invest in mortgage-backed securities, U.S. agency obligations, certificates of deposit and the taxable portion of state or local housing finance agency obligations, which may be classified as held-to-maturity, available-for-sale or trading securities. The interest-rate and prepayment risks associated with these investment securities are managed through a combination of debt issuance and derivatives. The FHLBanks may manage the prepayment and interest-rate risks by funding investment securities with consolidated obligations that have call features or by hedging the prepayment risk with caps or floors, callable swaps or swaptions. The FHLBanks may manage prepayment and duration risk by funding investment securities with consolidated obligations that contain call features. The FHLBanks may also manage the risk arising from changing market prices and volatility of investment securities by matching the cash outflow on the interest-rate exchange agreements with the cash inflow on the investment securities. The derivatives held by the FHLBank that are currently associated with trading securities, carried at fair value, and held-to-maturity securities, carried at amortized cost, are designated as economic hedges. The changes in fair values of these derivatives are recorded in current-period earnings.

For available-for-sale securities that have been hedged and qualify as a fair-value hedge, the FHLBanks record the portion of the change in value related to the risk being hedged in other income as "Net (losses) gains on derivatives and hedging activities" together with the related change in the fair value of the derivative, and the remainder of the change in AOCI as "Net unrealized losses on available-for-sale securities." For available-for-sale securities that have been hedged and qualify as a cash-flow hedge, the FHLBanks record the effective portion of the change in value of the derivative related to the risk being hedged in AOCI as "Net unrealized losses relating to hedging activities." The ineffective portion is recorded in other income in the Combined Statement of Income and presented as "Net (losses) gains on derivatives and hedging activities."

The FHLBanks may also manage the risk arising from changing market prices or cash flows of investment securities classified as trading by entering into derivatives (economic hedges) that offset the changes in fair value or cash flows of the securities. The market value changes of both the trading securities and the associated derivatives are included in other income in the Combined Statement of Income and presented as part of the "Net gains (losses) on trading securities" and "Net (losses) gains on derivatives and hedging activities."

*Anticipated Debt Issuance*—Certain FHLBanks use derivatives to "lock-in" the cost of funding prior to an anticipated debt issuance. The portion of the change in fair value of the derivative deemed effective is reported in AOCI. The ineffective portion is recorded in other income. The derivative is terminated upon issuance of the debt instrument. Amounts reported in AOCI are reclassified to earnings in the periods in which earnings are affected by the variability of the cash flows of the debt that was issued.

*Variable Cash Streams*—Certain FHLBanks use derivatives to hedge the variability of cash flows over a specified period of time as a result of the issuances and maturities of short-term, fixed-rate instruments such as discount notes. The maturity dates of the cash flow streams are matched to the maturity dates of the derivatives. The change in the fair value of the derivatives is recorded in AOCI. If the derivatives are terminated prior to their maturity dates, the amount in AOCI is recognized over the remaining lives of the specified cash streams as unrealized gains or losses on hedging activities.

*Balance Sheet Management*—From time to time, an FHLBank may enter into interest-rate basis swaps to reduce its exposure to widening spreads between one-month and three-month LIBOR. In addition, to reduce its exposure to reset risk, an FHLBank may occasionally enter into forward rate agreements. These derivatives are treated as economic hedges.

*Intermediation*—To meet the asset/liability management needs of their members, the FHLBanks may enter into interest-rate exchange agreements with their members and offsetting interest-rate exchange agreements with other counterparties. Under these agreements, the FHLBank acts as an intermediary between members and other counterparties. This intermediation grants smaller members indirect access to the derivatives market. The derivatives used in intermediary activities do not receive hedge accounting treatment and are separately marked-to-market through earnings. The net result of the accounting for these derivatives does not significantly affect the operating results of the FHLBanks.

### *Managing Credit Risk on Derivatives*

The FHLBanks are subject to credit risk due to nonperformance by counterparties to the derivative agreements. The degree of counterparty risk depends on the extent to which master netting arrangements are included in such contracts to mitigate the risk. The FHLBanks manage counterparty credit risk through credit analysis, collateral requirements and adherence to the requirements set forth in FHLBank policies and regulations. Based on credit analyses and collateral requirements, the management of each FHLBank does not anticipate any credit losses on its derivative agreements. (See "Note 13—Fair Value" for discussion regarding the FHLBanks' fair value methodology for derivative assets/liabilities, including an evaluation of the potential for the fair value of these instruments to be affected by counterparty credit risk.)

The contractual or notional amount of derivatives reflects the involvement of the FHLBanks in the various classes of financial instruments. The notional amount of derivatives does not measure the credit risk exposure of the FHLBanks, and the maximum credit exposure of the FHLBanks is substantially less than the notional amount. The FHLBanks require collateral agreements on all derivatives that establish collateral delivery thresholds. The maximum credit risk is the estimated cost of replacing interest-rate swaps, forward interest-rate agreements, mandatory delivery contracts for mortgage loans, and purchased caps and floors that have a net positive market value, assuming the counterparty defaults and the related collateral, if any, is of no value to the FHLBanks. This collateral has not been sold or repledged. This calculation of maximum credit risk excludes circumstances where an FHLBank's pledged collateral to a counterparty exceeds the FHLBanks' net position.

At June 30, 2010 and December 31, 2009, the FHLBanks' maximum credit risk, as defined above, was approximately $2.6 billion and $2.5 billion. These totals include $637 million and $768 million of net accrued interest receivable. In determining maximum credit risk, the FHLBanks consider accrued interest receivables and payables, and the legal right to offset derivative assets and liabilities by counterparty. The FHLBanks held securities and cash with a fair value of $2.4 billion as collateral at both June 30, 2010 and December 31, 2009 for net uncollateralized balances of $240 million and $76 million. Additionally, collateral related to derivatives with member institutions includes collateral assigned to an FHLBank, as evidenced by a written security agreement and held by the member institution for the benefit of the FHLBank.

Certain of the FHLBanks' derivative instruments contain provisions that require an FHLBank to post additional collateral with its counterparties if there is deterioration in that FHLBank's credit rating. If an FHLBank's credit rating is lowered by a major credit rating agency, that FHLBank would be required to deliver additional collateral on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position (before cash collateral and related accrued interest) at June 30, 2010 was $10.5 billion for which the FHLBanks have posted collateral of $7.3 billion in the normal course of business. If each of the FHLBanks' credit ratings had been lowered from its current rating to the next lower rating that would have triggered additional collateral to be delivered, the FHLBanks would have been required to deliver up to an additional $2.8 billion of collateral (at fair value) to their derivatives counterparties at June 30, 2010. None of the FHLBanks' senior credit ratings was lowered during the twelve months ended June 30, 2010.

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

On September 15, 2008, Lehman Brothers Holdings, Inc. (LBHI), the parent company of Lehman Brothers Special Financing (LBSF) and a guarantor of LBSF's obligations filed for protection under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court in the Southern District of New York. LBSF was a counterparty to FHLBanks on multiple derivative transactions under International Swap Dealers Association, Inc. master agreements with a total notional amount of $123 billion at the time of termination of the FHLBanks' derivative transactions with LBSF. As a result, each affected FHLBank notified LBSF of the FHLBank's intent to early terminate all outstanding derivative positions with LBSF. Unwinding of the derivative transactions between LBSF and FHLBanks resulted in $343 million of net gains on derivatives and hedging activities during the third quarter of 2008. In addition, upon unwinding of the derivative transactions between the FHLBanks and LBSF, the FHLBanks in a net receivable position netted the value of the collateral due to be returned to the FHLBanks with all other amounts due between the parties, which resulted in an establishment of a $312 million receivable from LBSF (before provision) included in "Other assets" in the Combined Statement of Condition and a $252 million provision for derivative counterparty credit losses in the Combined Statement of Income to the extent that the FHLBanks were able to reasonably estimate the amount of loss that has been occurred with respect to debt settlements of derivative transactions with LBSF.

In the first quarter of 2009, management of the FHLBank of Pittsburgh estimated its amount of loss as $35.3 million as reported in "(Reversal) provision for derivative counterparty credit losses" on the Combined Statement of Income and recorded a contingency reserve related to the $41.5 million receivable from LBSF based on the discovery phase of the adversary proceeding filed by the FHLBank of Pittsburgh in the fourth quarter of 2008. As of June 30, 2010, the FHLBank of Pittsburgh maintained a $6.2 million net receivable balance with respect to LBSF.

During the second quarter of 2010, the FHLBank of Atlanta and management of the Lehman bankruptcy estate concluded that the agreed-upon amount of the FHLBank of Atlanta's claims on the Lehman estate is $175 million. Based on a financial disclosure report made available by the Lehman bankruptcy estate during the second quarter of 2010 and market prices for the sale of claims on the Lehman bankruptcy estate, the estimate by the FHLBank of Atlanta's management of the probable amount that will be realized is $68 million as of June 30, 2010. The FHLBank of Atlanta increased its estimate of the probable amount that will be realized related to the net receivable due from LBSF by $49 million, with a corresponding reduction to other expense as reported in "(Reversal) provision of derivative counterparty credit losses" on the Combined Statement of Income.

In addition, in June 2010, as a result of negotiations with the bankruptcy administrator for LBSF and market indications of sales of Lehman receivables to third parties, the FHLBank of Seattle reduced its provision for credit losses on receivables by $3.9 million as reported in "(Reversal) provision of derivative counterparty credit losses" on the Combined Statement of Income.

*Intermediation.* To assist its members in meeting their hedging needs, an FHLBank may act as an intermediary between the members and other counterparties by entering into offsetting derivatives. This intermediation allows smaller members indirect access to the derivatives market.

Derivatives in which an FHLBank is an intermediary may arise when the FHLBank: (1) enters into derivatives with members and offsetting derivatives with other counterparties to meet the needs of its members, and (2) enters into derivatives to offset the economic effect of other derivatives that are no longer designated to either advances, investments, or consolidated obligations.

Total notional amount of derivatives for the FHLBanks' intermediary positions was $4.1 billion and $3.9 billion at June 30, 2010 and December 31, 2009.

***Financial Statement Effect and Additional Financial Information***

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

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.

The following table summarizes the fair value of derivative instruments at June 30, 2010 (dollar amounts in millions). For purposes of this disclosure, the derivative values include fair value of derivatives and related accrued interest.

| | June 30, 2010 | | |
|---|---|---|---|
| | Notional Amount of Derivatives | Derivative Assets | Derivative Liabilities |
| Derivatives Designated as Hedging Instruments: | | | |
| Interest-rate swaps | $614,251 | $ 7,937 | $ 19,914 |
| Interest-rate swaptions | 1,010 | 41 | |
| Interest-rate caps or floors | 300 | 1 | 2 |
| Interest-rate futures/forwards | 5 | | |
| Total derivatives in hedging relationships | 615,566 | 7,979 | 19,916 |
| Derivatives Not Designated as Hedging Instruments: | | | |
| Interest-rate swaps | 191,416 | 1,050 | 2,102 |
| Interest-rate swaptions | 15,615 | 427 | |
| Interest-rate caps or floors | 34,184 | 593 | 59 |
| Interest-rate futures/forwards | 48 | | |
| Mortgage delivery commitments | 903 | 8 | 3 |
| Other | 568 | 6 | 7 |
| Total derivatives not designated as hedging instruments | 242,734 | 2,084 | 2,171 |
| Total derivatives before netting and collateral adjustments | $858,300 | 10,063 | 22,087 |
| Netting adjustments | | (7,472) | (7,472) |
| Cash collateral and related accrued interest | | (1,875) | (8,531) |
| Total netting adjustments and cash collateral [(1)] | | (9,347) | (16,003) |
| Derivative assets and derivative liabilities as reported on the statement of condition | | $ 716 | $ 6,084 |

| | December 31, 2009 | | |
|---|---|---|---|
| | Notional Amount of Derivatives | Derivative Assets | Derivative Liabilities |
| Derivatives Designated as Hedging Instruments: | | | |
| Interest-rate swaps | $706,125 | $ 7,519 | $ 17,617 |
| Interest-rate swaptions | 2,855 | 67 | |
| Interest-rate caps or floors | 2,370 | 178 | |
| Interest-rate futures/forwards | 100 | 2 | |
| Total derivatives in hedging relationships | 711,450 | 7,766 | 17,617 |
| Derivatives Not Designated as Hedging Instruments: | | | |
| Interest-rate swaps | 226,186 | 1,151 | 1,628 |
| Interest-rate swaptions | 10,802 | 158 | |
| Interest-rate caps or floors | 25,547 | 455 | 67 |
| Interest-rate futures/forwards | 446 | 1 | |
| Mortgage delivery commitments | 329 | | 2 |
| Other | 348 | 2 | 1 |
| Total derivatives not designated as hedging instruments | 263,658 | 1,767 | 1,698 |
| Total derivatives before netting and collateral adjustments | $975,108 | 9,533 | 19,315 |
| Netting adjustments [1] | | (6,993) | (6,993) |
| Cash collateral and related accrued interest | | (1,866) | (7,094) |
| Total netting adjustments and cash collateral | | (8,859) | (14,087) |
| Derivative assets and derivative liabilities as reported on the statement of condition | | $ 674 | $ 5,228 |

(1) Amounts represent the effect of legally enforceable master netting agreements that allow the FHLBank to settle positive and negative positions by counterparties.

The following table presents the components of net gains (losses) on derivatives and hedging activities for the three and six months ended June 30, 2010 and 2009 as presented in the Combined Statement of Income (dollar amounts in millions).

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Derivatives and Hedged Items in Fair-Value Hedging Relationships: | | | | |
| Interest-rate swaps | $ 44 | $ 321 | $ 110 | $ 516 |
| Other [(1)] | (5) | 3 | (1) | (11) |
| Total net gains related to fair-value hedge ineffectiveness | 39 | 324 | 109 | 505 |
| Total Net Gains Related to Cash-Flow Hedge Ineffectiveness: | 1 | 2 | 2 | 4 |
| Derivatives Not Designated as Hedging Instruments: | | | | |
| Economic hedges | | | | |
| Interest-rate swaps | (291) | 837 | (245) | 1,325 |
| Interest-rate swaptions | 10 | (116) | (177) | (427) |
| Interest-rate caps/floors | (58) | 103 | (199) | 107 |
| Interest-rate futures/forwards | 1 | 7 | (1) | 5 |
| Net interest settlements | (35) | (169) | (80) | (323) |
| Other | (5) | 3 | (5) | 3 |
| Mortgage delivery commitments | 14 | (12) | 18 | (13) |
| Other | | | | (7) |
| Total net (losses) gains related to derivatives not designated as hedging instruments | (364) | 653 | (689) | 670 |
| Net (losses) gains on derivatives and hedging activities | $(324) | $ 979 | $(578) | $1,179 |

(1) Includes derivatives designated by the FHLBank of Chicago as fair-value hedging instruments of MPF loan pools.

The following table presents, by type of hedged item, the (losses) gains on derivatives and the related hedged items in fair-value hedging relationships and the effect of those derivatives on the FHLBanks' net interest income (dollar amounts in millions).

| | For the Three Months Ended June 30, 2010 | | | |
|---|---|---|---|---|
| Hedged Item Type: | (Losses) Gains on Derivative | Gains (Losses) on Hedged Item | Net Fair Value Hedge Ineffectiveness | Effect of Derivatives on Net Interest Income/Interest Expense [(1)] |
| Advances | $(2,517) | $ 2,549 | $ 32 | $(2,401) |
| Consolidated bonds | 1,297 | (1,276) | 21 | 1,649 |
| Consolidated discount notes | (1) | 1 | | 1 |
| Available-for-sale securities | (392) | 382 | (10) | (62) |
| Mortgage loans held for portfolio | (16) | 12 | (4) | (16) |
| Total | $(1,629) | $ 1,668 | $ 39 | $ (829) |

| | For the Three Months Ended June 30, 2009 | | | |
|---|---|---|---|---|
| **Hedged Item Type:** | **Gains (Losses) on Derivative** | **(Losses) Gains on Hedged Item** | **Net Fair Value Hedge Ineffectiveness** | **Effect of Derivatives on Net Interest Income/Interest Expense (1)** |
| Advances | $ 5,785 | $(5,556) | $229 | $(2,568) |
| Consolidated bonds | (2,855) | 2,871 | 16 | 1,382 |
| Consolidated discount notes | 28 | (24) | 4 | 41 |
| Available-for-sale securities | 269 | (193) | 76 | (27) |
| Mortgage loans held for portfolio | 58 | (59) | (1) | (17) |
| Deposits | (1) | 1 | | 1 |
| Total | $ 3,284 | $(2,960) | $324 | $(1,188) |

| | For the Six Months Ended June 30, 2010 | | | |
|---|---|---|---|---|
| **Hedged Item Type:** | **(Losses) Gains on Derivative** | **Gains (Losses) on Hedged Item** | **Net Fair Value Hedge Ineffectiveness** | **Effect of Derivatives on Net Interest Income/Interest Expense (1)** |
| Advances | $(2,689) | $ 2,786 | $ 97 | $(5,024) |
| Consolidated bonds | 1,800 | (1,776) | 24 | 3,473 |
| Consolidated discount notes | (11) | 9 | (2) | 11 |
| Available-for-sale securities | (453) | 443 | (10) | (112) |
| Mortgage loans held for portfolio | (35) | 35 | | (42) |
| Deposits | | | | 1 |
| Total | $(1,388) | $ 1,497 | $109 | $(1,693) |

| | For the Six Months Ended June 30, 2009 | | | |
|---|---|---|---|---|
| **Hedged Item Type:** | **Gains (Losses) on Derivative** | **(Losses) Gains on Hedged Item** | **Net Fair Value Hedge Ineffectiveness** | **Effect of Derivatives on Net Interest Income/Interest Expense (1)** |
| Advances | $ 8,844 | $(8,628) | $216 | $(4,743) |
| Consolidated bonds | (4,410) | 4,638 | 228 | 2,928 |
| Consolidated discount notes | (6) | 10 | 4 | 55 |
| Available-for-sale securities | 356 | (283) | 73 | (49) |
| Mortgage loans held for portfolio | 59 | (75) | (16) | (35) |
| Deposits | (1) | 1 | | 1 |
| Total | $ 4,842 | $(4,337) | $505 | $(1,843) |

(1) The net interest on derivatives in fair-value hedge relationships is presented in the interest income/expense line item of the respective hedged item.

**Effect of Cash-Flow Hedge Related Derivative Instruments for the Three and Six Months Ended June 30, 2010 and 2009 (Dollar amounts in millions)**

| | Three Months Ended June 30, 2010 | | | | | |
|---|---|---|---|---|---|---|
| Derivatives and Hedged Items in Cash Flow Hedging Relationships: | Amount of (Losses)/Gains Recognized in AOCI on Derivative (Effective Portion) | | Location of (Losses) Gains Reclassified from AOCI into Income (Effective Portion) | Amount of (Losses) Gains Reclassified from AOCI into Income (Effective Portion) | | Amount of Gains Recognized in Net Gains/(Losses) on Derivatives and Hedging Activities (Ineffective Portion) |
| Interest rate swaps | | | | | | |
| Consolidated bonds | $ | (1) | Interest expense | $ | (3) | $ |
| Consolidated discount notes | | (359) | Interest expense | | (1) | 1 |
| Interest rate caps or floors | | | | | | |
| Advances | | 12 | Interest income | | 7 | |
| Consolidated discount notes | | | Interest expense | | (3) | |
| Total | $ | (348) | | $ | | $ 1 |

| | Three Months Ended June 30, 2009 | | | | | |
|---|---|---|---|---|---|---|
| Derivatives and Hedged Items in Cash Flow Hedging Relationships: | Amount of (Losses)/Gains Recognized in AOCI on Derivative (Effective Portion) | | Location of Losses Reclassified from AOCI into Income (Effective Portion) | Amount of Losses Reclassified from AOCI into Income (Effective Portion) | | Amount of Gains Recognized in Net Gains/(Losses) on Derivatives and Hedging Activities (Ineffective Portion) |
| Interest rate swaps | | | | | | |
| Consolidated bonds | $ | | Interest expense | $ | (4) | $ |
| Consolidated discount notes | | (210) | Interest expense | | (1) | 2 |
| Interest rate caps or floors | | | | | | |
| Advances | | 58 | Interest income | | (3) | |
| Consolidated discount notes | | | Interest expense | | (3) | |
| Total | $ | (152) | | $ | (11) | $ 2 |

| | Six Months Ended June 30, 2010 | | | | | |
|---|---|---|---|---|---|---|
| Derivatives and Hedged Items in Cash Flow Hedging Relationships: | Amount of (Losses)/Gains Recognized in AOCI on Derivative (Effective Portion) | | Location of (Losses) Gains Reclassified from AOCI into Income (Effective Portion) | Amount of (Losses) Gains Reclassified from AOCI into Income (Effective Portion) | | Amount of Gains Recognized in Net Gains/(Losses) on Derivatives and Hedging Activities (Ineffective Portion) |
| Interest rate swaps | | | | | | |
| Consolidated bonds | $ | (1) | Interest expense | $ | (7) | $ |
| Consolidated discount notes | | (467) | Interest expense | | (2) | 2 |
| Interest rate caps or floors | | | | | | |
| Advances | | 8 | Interest income | | 7 | |
| Consolidated discount notes | | | Interest expense | | (7) | |
| Total | $ | (460) | | $ | (9) | $ 2 |

| Derivatives and Hedged Items in Cash Flow Hedging Relationships: | Six Months Ended June 30, 2009 — Amount of (Losses)/Gains Recognized in AOCI on Derivative (Effective Portion) | Location of Losses Reclassified from AOCI into Income (Effective Portion) | Amount of Losses Reclassified from AOCI into Income (Effective Portion) | Amount of Gains Recognized in Net Gains/(Losses) on Derivatives and Hedging Activities (Ineffective Portion) |
|---|---|---|---|---|
| Interest rate swaps | | | | |
| Consolidated bonds | $ | Interest expense | $ (8) | $ |
| Consolidated discount notes | (330) | Interest expense | (2) | 4 |
| Interest rate caps or floors | | | | |
| Advances | 91 | Interest income | (6) | |
| Consolidated discount notes | | Interest expense | (8) | |
| Total | $ (239) | | $ (24) | $ 4 |

There were no material amounts for the six months ended June 30, 2010 that were reclassified from AOCI into earnings as a result of the discontinuance of cash-flow hedges because the original forecasted transactions occurred by the end of the originally specified time period or within a two-month period thereafter. At June 30, 2010, the deferred net gains on derivative instruments in AOCI that are expected to be reclassified to earnings during the next twelve months are $32 million. The maximum length of time over which the FHLBanks are hedging their exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, is generally no more than six months. For the FHLBank of Chicago, the maximum length of time over which forecasted transactions are hedged is 10 years.

## Note 10—Deposits

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

The following table details interest-bearing and non-interest-bearing deposits with the FHLBanks (dollar amounts in millions):

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Interest-bearing: | | |
| Demand and overnight | $16,519 | $14,559 |
| Term | 943 | 936 |
| Other | 70 | 94 |
| Total interest-bearing | 17,532 | 15,589 |
| Non-interest-bearing: | | |
| Demand and overnight | 100 | 113 |
| Other | 173 | 195 |
| Total non-interest-bearing | 273 | 308 |
| Total deposits | $17,805 | $15,897 |

The aggregate amount of time deposits with a denomination of $100 thousand or more was $939 million and $933 million as of June 30, 2010 and December 31, 2009.

## Note 11—Consolidated Obligations

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

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

*Redemption Terms.* The following is a summary of the FHLBanks' consolidated bonds outstanding, excluding interbank holding of $180 million and $333 million, at June 30, 2010 and December 31, 2009, by year of contractual maturity (dollar amounts in millions):

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| **Year of Contractual Maturity** | **Amount** | **Weighted - Average Interest Rate** | **Amount** | **Weighted - Average Interest Rate** |
| Due in 1 year or less | $271,338 | 1.36% | $336,359 | 1.40% |
| Due after 1 year through 2 years | 142,803 | 1.76% | 139,782 | 2.13% |
| Due after 2 years through 3 years | 91,707 | 2.40% | 82,354 | 2.56% |
| Due after 3 years through 4 years | 46,569 | 3.55% | 54,103 | 3.58% |
| Due after 4 years through 5 years | 32,411 | 3.26% | 33,797 | 3.67% |
| Thereafter | 74,003 | 4.53% | 79,318 | 4.67% |
| Index amortizing notes | 5,910 | 4.81% | 5,978 | 5.07% |
| Total par value | 664,741 | 2.22% | 731,691 | 2.32% |
| Premiums | 930 | | 910 | |
| Discounts | (496) | | (746) | |
| Hedging adjustments | 6,232 | | 4,534 | |
| Fair value option valuation adjustments | 60 | | (45) | |
| Total | $671,467 | | $736,344 | |

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

| **Par values of consolidated bonds** | **June 30, 2010** | **December 31, 2009** |
|---|---|---|
| Noncallable/nonputable | $499,780 | $565,840 |
| Callable | 164,961 | 165,851 |
| Total par value | $664,741 | $731,691 |

The following table summarizes 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, 2010 | December 31, 2009 |
|---|---|---|
| Due in 1 year or less | $379,434 | $467,856 |
| Due after 1 year through 2 years | 129,253 | 116,010 |
| Due after 2 years through 3 years | 62,311 | 46,537 |
| Due after 3 years through 4 years | 31,468 | 39,944 |
| Due after 4 years through 5 years | 15,852 | 14,091 |
| Thereafter | 40,513 | 41,275 |
| Index amortizing notes | 5,910 | 5,978 |
| Total par value | $664,741 | $731,691 |

## Note 12—Capital

The Gramm-Leach-Bliley Act of 1999 (GLB Act) required each FHLBank to adopt a capital plan and convert to a new capital structure. By July 18, 2002, the Finance Board had approved the capital structure plan of each FHLBank.

As of June 30, 2010, all of the FHLBanks, except for the FHLBank of Chicago, had implemented their respective capital plans. Each conversion was considered a capital transaction and was accounted for at par value. Each FHLBank that has converted to a new capital structure is subject to three capital requirements under its capital plan and the Finance Agency rules and regulations: (1) risk-based capital, (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 Agency. The Finance Agency may require an FHLBank to maintain a greater amount of permanent capital than is required by the risk-based capital requirements as defined. Second, an FHLBank is required to maintain at all times a total capital-to-assets ratio of at least four percent. Total regulatory capital is the sum of permanent capital, Class A stock, any general loss allowance, if consistent with GAAP and not established for specific assets, and other amounts from sources determined by the Finance Agency as available to absorb losses. 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 an FHLBank's compliance with its regulatory requirements. If the FHLBank of Chicago is not in compliance with the capital requirements at the effective date of its capital conversion, it must come into compliance within a transition period of up to three years. During that period, the existing leverage limit established by Finance Agency regulations will continue to apply.

The pre-GLB Act capital rules remain in effect until the FHLBank of Chicago implements its new capital plan. 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.

At June 30, 2010, all of the FHLBanks that have implemented their respective capital plans were in compliance with their risk-based capital rules as follows (dollar amounts in millions):

**Regulatory Capital Requirements**

| | | At June 30, 2010 | | | | |
|---|---|---|---|---|---|---|
| FHLBank [(1)] | Minimum Regulatory Capital Ratio Requirement | Minimum Regulatory Capital Requirement | Actual Capital Ratio | Total Regulatory Capital [(2)] | Permanent Capital [(3)] | Required Risk-Based Capital |
| Boston | 4.0% | $2,588 | 6.1% | $ 3,930 | $ 3,930 | $1,044 |
| New York | 4.0% | 4,207 | 5.2% | 5,431 | 5,426 | 498 |
| Pittsburgh | 4.0% | 2,425 | 7.2% | 4,379 | 4,379 | 2,056 |
| Atlanta | 4.0% | 5,624 | 6.7% | 9,349 | 9,349 | 2,220 |
| Cincinnati | 4.0% | 2,673 | 5.9% | 3,940 | 3,940 | 574 |
| Indianapolis | 4.0% | 1,826 | 6.3% | 2,863 | 2,863 | 795 |
| Des Moines | 4.0% | 2,378 | 4.7% | 2,815 | 2,815 | 617 |
| Dallas | 4.0% | 2,283 | 4.7% | 2,675 | 2,675 | 391 |
| Topeka | 4.0% | 1,729 | 4.5% | 1,928 | 1,607 | 360 |
| San Francisco | 4.0% | 6,328 | 9.1% | 14,320 | 14,320 | 5,468 |
| Seattle | 4.0% | 1,924 | 6.0% | 2,865 | 2,706 | 2,024 |

| | | At June 30, 2010 | | |
|---|---|---|---|---|
| FHLBank [(1)] | Minimum Leverage Ratio Requirement | Minimum Weighted Leverage Capital Requirement | Actual Leverage Ratio | Actual Weighted Leverage Capital |
| Boston | 5.0% | $3,235 | 9.1% | $ 5,895 |
| New York | 5.0% | 5,259 | 7.7% | 8,144 |
| Pittsburgh | 5.0% | 3,031 | 10.8% | 6,569 |
| Atlanta | 5.0% | 7,030 | 10.0% | 14,023 |
| Cincinnati | 5.0% | 3,341 | 8.9% | 5,911 |
| Indianapolis | 5.0% | 2,282 | 9.4% | 4,295 |
| Des Moines | 5.0% | 2,972 | 7.1% | 4,223 |
| Dallas | 5.0% | 2,853 | 7.0% | 4,013 |
| Topeka | 5.0% | 2,161 | 6.3% | 2,732 |
| San Francisco | 5.0% | 7,910 | 13.6% | 21,479 |
| Seattle | 5.0% | 2,405 | 8.8% | 4,218 |

(1) Excludes the FHLBank of Chicago, which had not implemented a new capital plan as of June 30, 2010, but was in compliance with all of its minimum regulatory capital requirements. See "FHLBank of Chicago Regulatory Actions" within this note for a description of this FHLBank's regulatory capital requirements.

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

(3) Permanent capital is defined as retained earnings and regulatory capital Class B stock. The 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 for all capital stock that is held as a condition of membership, as that requirement is set out in an FHLBank's capital plan, unless the institution has cancelled its notice of withdrawal prior to that date, before being readmitted to membership in any FHLBank. This restriction does not apply if the member is transferring its membership from one FHLBank to another on an uninterrupted basis.

An FHLBank's board of directors may declare and pay dividends in either cash or capital stock, assuming the FHLBank is in compliance with Finance Agency rules. Dividends declared by the board of directors of the FHLBank of Chicago are subject to the prior written approval of the Deputy Director, Division of FHLBank Regulation of the Finance Agency (Deputy Director).

At June 30, 2010, the 10 largest holders of regulatory capital stock at the holding-company level held $20.9 billion of the regulatory capital stock of the FHLBanks. At June 30, 2010, the largest regulatory capital stockholder at the holding-company level, Bank of America Corporation, held $4.9 billion of the FHLBanks' regulatory capital stock. (See "Market for FHLBanks' Capital Stock and Related Stockholder Matters—Top 10 Regulatory Capital Stockholders by Holding Company at June 30, 2010.")

At June 30, 2010, combined regulatory capital was $59.1 billion, compared to $60.2 billion at December 31, 2009. These amounts include $1.0 billion in subordinated notes, subject to 20 percent annual phase-outs (Designated Amount), which the FHLBank of Chicago is allowed to include in determining compliance with its regulatory capital requirements, as further discussed below in this note. Currently, 100 percent of the $1.0 billion outstanding subordinated notes are considered the Designated Amount, with the first 20 percent annual phase-out beginning on June 14, 2011. Combined regulatory capital does not include AOCI.

*Mandatorily Redeemable Capital Stock.* The FHLBanks reclassify capital stock subject to redemption from equity to liability once a member exercises a written redemption right, gives notice of intent to withdraw from membership, or attains non-member status by merger or acquisition, charter termination, or involuntary termination from membership. Shares of capital stock meeting these definitions are reclassified to a liability at fair value. Dividends related to capital stock classified as a liability are accrued at the expected dividend rate and reported as interest expense in the Combined Statement of Income. The repayment of these mandatorily redeemable financial instruments is reflected as a financing cash outflow in the Combined Statement of Cash Flows.

Each FHLBank is a cooperative whose member financial institutions and former members own all of the relevant FHLBank's capital stock. Member shares cannot be purchased or sold except between an FHLBank and its members at its $100 per share par value, as mandated by each FHLBank's capital plan or by regulation. If a member cancels its written notice of redemption or notice of withdrawal, the FHLBank will reclassify mandatorily redeemable capital stock from a liability to equity. After the reclassification, dividends on the capital stock would no longer be classified as interest expense. For the six months ended June 30, 2010 and 2009, dividends on mandatorily redeemable capital stock in the amount of $25 million and $15 million were recorded as interest expense.

At June 30, 2010 and December 31, 2009, the FHLBanks had $8.1 billion in capital stock subject to mandatory redemption with payment subject to each FHLBank's waiting period and the FHLBank continuing to meet its minimum regulatory capital requirements. These amounts have been classified as a liability in the Combined Statement of Condition.

*Excess Capital Stock.* Excess stock is defined as the amount of stock held by a member (or former member) in excess of that institution's minimum investment requirement. Finance Agency rules limit the ability of an FHLBank to create member excess stock under certain circumstances. An FHLBank may not pay dividends in the form of capital stock or issue new excess stock to members if that FHLBank's excess stock exceeds one percent of its total assets or if the issuance of excess stock would cause that FHLBank's excess stock to exceed one percent of its total assets. At June 30, 2010, each of the FHLBanks of Boston, Pittsburgh, Atlanta, Cincinnati, Indianapolis, Chicago, San Francisco and Seattle had excess capital stock outstanding totaling more than one percent of its total assets. At June 30, 2010, each of these FHLBanks was in compliance with the Finance Agency's excess stock rules.

*FHLBank of Chicago Regulatory Actions.* As required by the Consent Cease and Desist Order (C&D Order), the FHLBank of Chicago submitted to the Finance Board a capital plan and implementation strategies to provide for the conversion of its capital stock under the GLB Act. The FHLBank of Chicago has subsequently submitted revisions to the capital plan and implementation strategies to the Finance Agency as a result of on-going discussions with the Finance Agency regarding the FHLBank of Chicago's anticipated capital stock conversion. The FHLBank of Chicago has not yet received a final decision on its capital plan from the Finance Agency. Until such time as the FHLBank of Chicago fully implements a new capital plan, the minimum capital requirements described below remain in effect.

As of June 30, 2010, 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, 2010 as a percentage of its total assets (dollar amounts in millions):

| Regulatory Capital plus Designated Amount of Subordinated Notes (1) | | | | |
|---|---|---|---|---|
| Non-Mortgage Asset Ratio | Requirement in effect | | Actual | |
| | Ratio (2) | Amount | Ratio | Amount |
| 17.38% | 4.76% | $4,177 | 5.29% | $4,644 |

(1) Regulatory capital is defined as the sum of the paid-in value of capital stock and mandatorily redeemable capital stock (together defined as regulatory capital stock) plus retained earnings. The Finance Agency allows the FHLBank of Chicago to include a Designated Amount of subordinated notes in determining compliance with its regulatory capital ratio.

(2) The regulatory capital ratio required by Finance Agency regulations for the FHLBank of Chicago, which has not implemented a capital plan under the GLB Act, is 4.0 percent provided that its non-mortgage assets (defined as total assets less advances, acquired member assets, standby letters of credit, intermediary derivative contracts with members, certain MBS, and other investments specified by Finance Agency 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, Finance Agency 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 currently supersedes the 4.0 percent regulatory requirement discussed above. The FHLBank of Chicago's non-mortgage asset ratio on an average monthly basis was above 11 percent at June 30, 2010, thus it was subject to the 4.76 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 the Designated Amount of subordinated notes of at least $3.600 billion. At June 30, 2010, the FHLBank of Chicago had an aggregate amount of $3.819 billion of regulatory capital stock plus the Designated Amount of subordinated notes.

Effective with the July 24, 2008 amendment to the C&D Order, the FHLBank of Chicago is permitted to repurchase or redeem excess capital stock above a member's capital stock floor under the following conditions: (1) subsequent to the redemption or repurchase of stock, the FHLBank of Chicago remains in compliance with any applicable minimum capital requirements and (2) the redemption or repurchase does not otherwise cause the FHLBank of Chicago to violate a provision of the FHLBank Act. The Deputy Director may, however, direct the FHLBank of Chicago not to redeem or repurchase stock if, in its sole discretion, the continuation of such transactions would be inconsistent with maintaining the capital adequacy of the FHLBank of Chicago and its continued safe and sound operation.

During the six months ended June 30, 2010, the FHLBank of Chicago redeemed less than $1 million in excess capital stock as permitted under the C&D Order, however; the Deputy Director has denied all other requests submitted to them to redeem mandatorily redeemable capital stock since April 24, 2008. The FHLBank of Chicago does not believe the denial of stock redemption requests by the Deputy Director affects the reclassification of mandatorily redeemable capital stock as a liability. Rather, this denial delays the timing of an eventual mandatory redemption.

*FHLBank of Seattle Capital Classification Determination.* In August 2009, the FHLBank of Seattle received a capital classification of undercapitalized from the Finance Agency. In accordance with the prompt corrective action provisions, the FHLBank of Seattle submitted a capital restoration plan to the Finance Agency in August 2009. The Finance Agency determined that it was unable to approve the FHLBank of Seattle's plan and required it to submit a new plan by October 31, 2009. The FHLBank of

Seattle subsequently requested and received an extension to prepare a revised capital restoration plan. The FHLBank of Seattle's revised capital restoration plan was submitted on December 5, 2009 and then deemed complete, but not approved, by the Finance Agency. On February 26, 2010, the Finance Agency notified the FHLBank of Seattle that it was extending the time it wanted to review the plan by 30 days, as allowed by regulation. On March 24, 2010, the FHLBank of Seattle entered into an agreement with the Finance Agency to provide additional information to supplement its capital restoration plan submission. Following the FHLBank of Seattle's timely submission of this information, on April 19, 2010, the Finance Agency announced that it had requested, and the FHLBank of Seattle had agreed to provide within 120 days, a further supplement in the form of a business plan specifying steps the FHLBank of Seattle would take with the goal of resuming repurchases and redemptions of member capital stock in a timely manner. The FHLBank of Seattle expects to submit the business plan in mid-August 2010. It is unknown whether the Finance Agency will accept the FHLBank of Seattle's revised capital restoration plan as supplemented. Failure to obtain approval of its revised capital restoration plan could, among other actions, result in the appointment of a conservator or receiver by the Finance Agency.

Although the FHLBank of Seattle has met all of its regulatory capital requirements (including the risk-based capital requirement) since September 30, 2009, the Finance Agency has continued to deem the FHLBank of Seattle as undercapitalized, most recently by letter dated June 28, 2010, in which the Finance Agency gave as its reason that the value of property underlying the mortgages the FHLBank of Seattle owns has decreased significantly. All mandatory actions and restrictions in place as a result of the undercapitalized classification remain in effect, including the inability to redeem or repurchase capital stock or pay dividends without Finance Agency approval, limitations on asset growth, and the FHLBank of Seattle's need to obtain Finance Agency approval before engaging in any new business activity. The FHLBank of Seattle's capital classification will remain undercapitalized unless the Finance Agency determines otherwise.

**Note 13—Fair Value**

The fair value amounts, recorded on the Statement of Condition and presented in the note disclosures, have been determined by the FHLBanks using available market information and each FHLBank's best judgment of appropriate valuation methods. These estimates are based on pertinent information available to the FHLBanks at June 30, 2010 and December 31, 2009. Although an FHLBank uses its best judgment in estimating the fair value of these financial instruments, there are inherent limitations in any valuation technique. Therefore, these fair values may not be indicative of the amounts that would have been realized in market transactions at the reporting dates.

The Fair Value Summary Table included in this note does not represent an estimate of the overall market value of the FHLBanks as going concerns, which would take into account future business opportunities and the net profitability of assets versus liabilities.

The carrying values and fair values of the FHLBanks' financial instruments at June 30, 2010 and December 31, 2009 were as follows (dollar amounts in millions):

## FAIR VALUE SUMMARY TABLE

| Financial Instruments | June 30, 2010 Carrying Value | June 30, 2010 Fair Value | December 31, 2009 Carrying Value | December 31, 2009 Fair Value |
|---|---|---|---|---|
| **Assets:** | | | | |
| Cash and due from banks | $ 17,267 | $ 17,267 | $ 24,330 | $ 24,330 |
| Interest-bearing deposits | 12 | 12 | 11 | 11 |
| Securities purchased under agreements to resell | 14,975 | 14,975 | 7,175 | 7,175 |
| Federal funds sold | 69,982 | 69,982 | 54,597 | 54,597 |
| Trading securities | 17,923 | 17,923 | 22,247 | 22,247 |
| Available-for-sale securities | 65,631 | 65,631 | 52,488 | 52,488 |
| Held-to-maturity securities | 140,178 | 141,931 | 147,833 | 146,191 |
| Advances (1) | 540,318 | 543,691 | 631,159 | 633,079 |
| Mortgage loans held for portfolio, net | 66,795 | 70,831 | 71,437 | 73,816 |
| Accrued interest receivable | 2,127 | 2,127 | 2,466 | 2,466 |
| Derivative assets | 716 | 716 | 674 | 674 |
| Other assets | 17 | 17 | 18 | 18 |
| **Liabilities:** | | | | |
| Deposits | 17,805 | 17,805 | 15,897 | 15,897 |
| Securities sold under repurchase agreements | 1,200 | 1,220 | 1,200 | 1,225 |
| Consolidated obligations: | | | | |
| Discount notes (2) | 181,474 | 181,476 | 198,532 | 198,544 |
| Bonds (3) | 671,467 | 681,863 | 736,344 | 743,312 |
| Mandatorily redeemable capital stock | 8,051 | 8,051 | 8,138 | 8,138 |
| Accrued interest payable | 3,079 | 3,079 | 3,802 | 3,802 |
| Derivative liabilities | 6,084 | 6,084 | 5,228 | 5,228 |
| Subordinated notes | 1,000 | 1,118 | 1,000 | 1,011 |

(1) Includes $12,823 million and $21,620 million of advances recorded under the fair value option at June 30, 2010 and December 31, 2009.

(2) Includes $4,963 million of consolidated discount notes recorded under the fair value option at June 30, 2010.

(3) Includes $45,613 million and $53,805 million of consolidated bonds recorded under the fair value option at June 30, 2010 and December 31, 2009.

*Fair Value Hierarchy.* The FHLBanks record trading securities, available-for-sale securities, derivative assets, and derivative liabilities as well as certain advances and certain consolidated obligations at fair value. The fair value hierarchy is used to prioritize the fair value valuation techniques as well as the inputs to valuation techniques used to measure fair value for assets and liabilities that are carried at fair value, both on a recurring and non-recurring basis, on the Statement of Condition. The inputs are evaluated and an overall level for the fair value measurement is determined. This overall level is an indication of market observability of the fair value measurement for the asset or liability.

Outlined below is the application of the fair value hierarchy to the FHLBanks' financial assets and financial liabilities that are carried at fair value either on a recurring or non-recurring basis.

***Level 1***—defined as those instruments for which fair value is determined from quoted prices (unadjusted) for identical assets or liabilities in active markets. The types of assets and liabilities carried at Level 1 fair value generally include certain types of derivative contracts that are traded in an open exchange market, investments such as U.S. Treasury securities and publicly-traded mutual funds.

***Level 2***—defined as those instruments for which fair value is determined from quoted prices for similar assets and liabilities in active markets, or, if a valuation methodology is utilized, inputs are selected that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. The types of assets and liabilities carried at Level 2 fair value generally include trading and available-for-sale investment securities, including U.S. government and agency mortgage-backed securities, derivative contracts, certain advances and certain consolidated obligations elected to be carried at fair value.

***Level 3***—defined as those instruments for which inputs to the valuation methodology are unobservable and significant to the fair value measurement. The types of assets and liabilities that are either carried at Level 3 fair value on a recurring basis or measured at Level 3 fair value on a non-recurring basis generally include private-label RMBS and certain consolidated bonds along with the derivative instruments hedging those consolidated bonds.

For a discussion of an individual FHLBank's fair value measurement techniques, see that FHLBank's periodic report filed with the SEC.

For instruments that are 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. These reclassifications are reported as transfers in/out at fair value as of the beginning of the quarter in which the changes occur. There were no such transfers during the six months ended June 30, 2010 and 2009.

*Valuation Techniques and Significant Inputs.*

*Cash and due from banks.* The fair value equals the carrying value.

*Interest-bearing deposits.* The fair value is determined based on each security's quoted price or prices obtained from a pricing service for instruments with more than three months to maturity. When quoted prices are not available, the fair value is determined by calculating the present value of the expected future cash flows and reducing the amount for accrued interest receivable. For certain FHLBanks, the fair value approximates the carrying value for interest-bearing deposits with variable rates and fixed rates with three months or less to maturity or repricing.

*Securities purchased under agreements to resell.* The fair value is determined by calculating the present value of the future cash flows for instruments with more than three months to maturity. The discount rates used in these calculations are the rates for securities with similar terms. For certain FHLBanks, the fair value approximates the carrying value for securities purchased under agreements to resell with variable rates and fixed rates with three months or less to maturity or repricing.

*Federal funds sold.* The fair value of overnight Federal funds sold approximates the carrying value. The fair value of term Federal funds sold is determined by calculating the present value of the expected future cash flows for instruments with more than three months to maturity. The discount rates used in these calculations are the rates for Federal funds with similar terms.

*Investment securities—non-MBS.* The FHLBanks use either an income approach based on a market-observable interest rate curve adjusted for a spread, or prices received from pricing services to determine the estimated fair value of non-MBS investment securities. The FHLBanks believe that both methodologies result in fair values that are reasonable and similar in all material respects based on the nature of the financial instruments being measured. The significant inputs include either a market-observable interest rate curve and a discount spread, if applicable, or the price received from a pricing service. Differing spreads may be applied to distinct term points along the discount curve in determining the fair value of instruments with varying maturities; therefore, the spread adjustment is presented as a range in the table below.

The following table presents (for those fair value measurements that fell in either Level 2 or Level 3) the significant inputs used to measure fair value for each class of non-MBS investment securities that are carried at fair value as of June 30, 2010 (dollar amounts in millions):

| | Interest Rate Curve/ Pricing Services | Spread Range to the Interest Rate Curve (basis points) | Fair Value Levels 2 and 3 |
|---|---|---|---|
| U.S. Treasury obligations | Treasury | 0 | $ 1,030 |
| Commercial paper | LIBOR Swap Curve | (8) to (6) | 2,829 |
| Certificates of deposit | LIBOR Swap Curve | (7) to 0 | 5,860 |
| | Pricing Service | N/A | 3,899 |
| Total certificates of deposit | | | 9,759 |
| Other U.S. obligations | Pricing Service | N/A | 836 |
| Government-sponsored enterprises | Pricing Service | N/A | 16,108 |
| State or local housing agency obligations | Pricing Service | N/A | 10 |
| TLGP | LIBOR Swap Curve | (10) | 250 |
| | Pricing Service | N/A | 8,847 |
| Total TLGP | | | 9,097 |
| FFELP ABS | LIBOR Swap Curve | 59 to 99 | 5,547 |
| | Pricing Service | N/A | 3,579 |
| Total FFELP ABS | | | 9,126 |
| Other | Pricing Service | N/A | 891 |

*Investment securities—MBS.* The FHLBanks' valuation technique incorporates prices from up to four designated third-party pricing vendors, when available. These pricing vendors use methods that generally employ, but are not limited to benchmark yields, recent trades, dealer estimates, valuation models, benchmarking of like securities, sector groupings, and/or matrix pricing. Each FHLBank establishes a price for each of its MBS using a formula that is based upon the number of prices received. If four prices are received, the average of the middle two prices is used; if three prices are received, the middle price is used; if two prices are received, the average of the two prices is used; and if one price is received, it is used subject to some type of validation as described below. The computed prices are tested for reasonableness using specified tolerance thresholds. Computed prices within the established thresholds are generally accepted unless strong evidence suggests that using the formula-driven price would not be appropriate. Preliminary estimated fair values that are outside the tolerance thresholds, or that management believes may not be appropriate based on all available information (including those limited instances in which only one price is received), are subject to further analysis including, but not limited to, a comparison to the prices for similar securities and/or to non-binding dealer estimates or the use of an internal model that is deemed most appropriate after consideration of all relevant facts and circumstances that a market participant would consider. As of June 30, 2010, substantially all of the FHLBanks' MBS holdings were priced using this valuation technique. The relative lack of dispersion among the vendor prices received for each of the securities supports each FHLBank's conclusion that the final computed prices are reasonable estimates of fair value. Based on the current lack of significant market activity for private-label RMBS, the recurring and non-recurring fair value measurements for such securities as of June 30, 2010 fell within Level 3 of the fair value hierarchy.

*Advances.* The FHLBanks generally determine the fair value of advances by calculating the present value of expected future cash flows from the advances (excluding the amount of the accrued interest receivable). The discount rates used in these calculations are equivalent to the replacement advance rates for advances with similar terms. In accordance with the Finance Agency's advances regulations, advances with a maturity or repricing period greater than six months require a prepayment fee sufficient to make the FHLBanks financially indifferent to the borrower's decision to prepay the advances. Therefore, the fair value of advances does not assume prepayment risk.

The significant inputs used to determine fair value for those advances carried at fair value under the fair value option on the Combined Statement of Condition are as follows:

- *CO Curve.* The FHLBanks utilize the CO Curve as the input to fair value for advances because the FHLBanks price advances using the CO Curve as it represents the FHLBanks' cost of funds.

- *Volatility assumption.* Market-based expectations of future interest rate volatility implied from current market prices for similar options.

- *Spread assumption.* As of June 30, 2010, the spread adjustment to the CO Curve was 5 to 30 basis points for advances carried at fair value.

*Mortgage loans held for portfolio.* The fair values of mortgage loans are determined based on quoted market prices for similar mortgage loans, if available, or model prices. The modeled prices start with prices for new mortgage-backed securities issued by U.S. government-sponsored enterprises or similar new mortgage loans. Prices are then adjusted for differences in coupon, average loan rate, seasoning and cash flow remittance between the FHLBank's mortgage loans and the referenced mortgage-backed securities or mortgage loans. The prices of the referenced mortgage-backed securities and the mortgage loans are highly dependent upon the underlying prepayment assumptions. Changes in the prepayment rates often have a material effect on the fair value estimates. These underlying prepayment assumptions are susceptible to material changes in the near term because they are made at a specific point in time.

*Accrued interest receivable and payable.* The fair value approximates the carrying value.

*Derivative assets/liabilities.* The FHLBanks base the fair values of derivatives with similar terms on available market prices when available. However, active markets do not exist for many of the FHLBanks' derivatives. Consequently, fair values for these instruments are generally estimated using standard valuation techniques such as discounted cash-flow analysis and comparisons to similar instruments. Estimates developed using these methods are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows, volatility of interest rates, and the selection of discount rates that appropriately reflect market and credit risks. The use of different assumptions could have a material effect on the fair value estimates. Because these estimates are made at a specific point in time, they are susceptible to material near-term changes. The FHLBanks are subject to credit risk in derivatives transactions due to the potential nonperformance of their derivatives counterparties, which are generally highly rated institutions. To mitigate this risk, the FHLBanks have entered into master netting agreements for interest-rate exchange agreements with their derivative counterparties. In addition, each FHLBank has entered into bilateral security agreements with all of its active derivatives counterparties that provide for the delivery of collateral at specified levels tied to those counterparties' credit ratings to limit that FHLBank's net unsecured credit exposure to those counterparties. Each FHLBank has evaluated the potential for the fair value of the instruments to be affected by counterparty and our own credit risk and has determined that no adjustments were significant to the overall fair value measurements.

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

A discounted cash flow analysis utilizes market-observable inputs (inputs that are actively quoted and can be validated to external sources). Inputs by class of derivative are as follows:

Interest-rate related:

- LIBOR Swap Curve.
- *Volatility assumption.* Market-based expectations of future interest rate volatility implied from current market prices for similar options.
- Prepayment assumption, if applicable.
- In limited instances, fair value estimates for interest-rate related derivatives are obtained from dealers and are corroborated by the FHLBanks using a pricing model and observable market data (e.g., the LIBOR Swap Curve).

TBAs:

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

Mortgage delivery commitments:

- *TBA Securities prices.* Prices are then adjusted for differences in coupon, average loan rate and seasoning.

*Deposits.* The FHLBanks determine the fair values of deposits by calculating the present value of expected future cash flows from the deposits and reducing this amount for accrued interest payable. The discount rates used in these calculations are the cost of deposits with similar terms. For certain FHLBanks, the fair value equals the carrying value for deposits with variable rates and fixed rates with three months or less to maturity or repricing.

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

*Consolidated obligations.* The FHLBanks estimate fair values based on the cost of raising comparable term debt, independent market-based prices received from a third-party pricing service, or internal valuation models. The FHLBanks' internal valuation models use standard valuation techniques and estimate fair values based on the following inputs. The Office of Finance constructs a market-observable curve referred to as the CO Curve. This curve is constructed using the U.S. Treasury Curve as a base curve which is then adjusted by adding indicative spreads obtained largely from market observable sources. These market indications are generally derived from pricing indications from dealers, historical pricing relationships, recent GSE trades, and secondary market activity.

The FHLBanks' internal valuation models use standard valuation techniques and estimate fair values based on the following significant inputs for those consolidated obligations carried at fair value under the fair value option on the Combined Statement of Condition.

- CO Curve and LIBOR Swap Curve for certain callable consolidated obligations.
- *Volatility assumption.* Market-based expectations of future interest rate volatility implied from current market prices for similar options.
- *Spread assumption.* As of June 30, 2010, the spread adjustment to the LIBOR Swap Curve was (23) to (19) basis points for certain callable consolidated obligations carried at fair value for those FHLBanks using the LIBOR Swap Curve to value certain callable consolidated obligations. There

was no spread adjustment to the CO Curve used to value the non-callable consolidated obligations carried at fair value and certain callable consolidated obligations for those FHLBanks not using the LIBOR Swap Curve.

*Subordinated notes.* The FHLBank of Chicago determines the fair values based on internal valuation models which use market-based yield curve inputs obtained from a third party.

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

*Subjectivity of estimates.* Estimates of the fair value of advances with options, mortgage instruments, derivatives with embedded options and consolidated obligations with options using the methods described above are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows, prepayment speed assumptions, expected interest rate volatility, possible distributions of future interest rates used to value options, and the selection of discount rates that appropriately reflect market and credit risks. The use of different assumptions could have a material effect on the fair value estimates. These estimates are susceptible to material near term changes because they are made as of a specific point in time.

*Commitments.* The fair value of the FHLBanks' commitments to extend credit for advances, letters of credit and standby bond purchase agreements was immaterial at June 30, 2010 and December 31, 2009.

*Fair Value on a Recurring Basis.* The following tables present, for each hierarchy level, the FHLBanks' assets and liabilities that are measured at fair value on the Combined Statement of Condition (dollar amounts in millions):

| | Fair Value Measurements at June 30, 2010 | | | | |
|---|---|---|---|---|---|
| | **Total** | **Level 1** | **Level 2** | **Level 3** | **Netting Adjustment and Cash Collateral** [1] |
| **Assets** | | | | | |
| Trading securities: | | | | | |
| U.S. Treasury obligations | $ 1,030 | $ | $ 1,030 | $ | $ |
| Commercial paper | 2,829 | | 2,829 | | |
| Certificates of deposit | 4,065 | | 4,065 | | |
| Government-sponsored enterprises | 6,689 | | 6,689 | | |
| State or local housing agency obligations | 10 | | 10 | | |
| TLGP | 2,003 | | 2,003 | | |
| Other non-MBS | 472 | 11 | 461 | | |
| Other U.S. obligations RMBS | 52 | | 52 | | |
| Government-sponsored enterprises RMBS | 539 | | 539 | | |
| Government-sponsored enterprises CMBS | 234 | | 234 | | |
| Total trading securities | 17,923 | 11 | 17,912 | | |
| Available-for-sale securities: | | | | | |
| Certificates of deposit | 5,694 | | 5,694 | | |
| Other U.S. obligations | 836 | | 836 | | |
| Government-sponsored enterprises and TVA | 9,419 | | 9,419 | | |
| TLGP | 7,094 | | 7,094 | | |
| FFELP ABS | 9,126 | | 9,126 | | |
| Other non-MBS | 432 | 2 | 430 | | |
| Other U.S. obligations RMBS | 3,041 | | 3,041 | | |
| Government-sponsored enterprises RMBS | 22,299 | | 22,299 | | |
| Government-sponsored enterprises CMBS | 310 | | 310 | | |
| Private-label RMBS | 7,365 | | | 7,365 | |
| Home equity loans | 15 | | | 15 | |
| Total available-for-sale securities | 65,631 | 2 | 58,249 | 7,380 | |
| Advances [2] | 13,833 | | 13,833 | | |
| Derivative assets: | | | | | |
| Interest-rate related | 708 | | 10,023 | 32 | (9,347) |
| Mortgage delivery commitments | 8 | | 8 | | |
| Total derivative assets | 716 | | 10,031 | 32 | (9,347) |
| Other assets | 17 | 17 | | | |
| Total assets at fair value | $98,120 | $ 30 | $100,025 | $7,412 | $ (9,347) |
| **Liabilities** | | | | | |
| Consolidated Obligations: | | | | | |
| Discount notes [3] | $ 4,963 | $ | $ 4,963 | $ | $ |
| Bonds [4] | 46,217 | | 46,137 | 80 | |
| Derivative liabilities: | | | | | |
| Interest-rate related | 6,079 | | 22,082 | | (16,003) |
| TBAs | 2 | 2 | | | |
| Mortgage delivery commitments | 3 | | 3 | | |
| Total derivative liabilities | 6,084 | 2 | 22,085 | | (16,003) |
| Total liabilities at fair value | $57,264 | $ 2 | $ 73,185 | $ 80 | $(16,003) |

| | Fair Value Measurements at December 31, 2009 | | | | |
|---|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 | Netting Adjustment and Cash Collateral [1] |
| **Assets** | | | | | |
| Trading securities: | | | | | |
| U.S. Treasury obligations | $ 1,029 | $ | $ 1,029 | $ | $ |
| Commercial paper | 2,590 | | 2,590 | | |
| Certificates of deposit and bank notes | 3,200 | | 3,200 | | |
| Government-sponsored enterprises | 9,452 | | 9,452 | | |
| State or local housing agency obligations | 10 | | 10 | | |
| TLGP | 4,479 | | 4,479 | | |
| Other non-MBS | 752 | 11 | 741 | | |
| Other U.S. obligations RMBS | 55 | | 55 | | |
| Government-sponsored enterprises RMBS | 607 | | 607 | | |
| Government-sponsored enterprises CMBS | 73 | | 73 | | |
| Total trading securities | 22,247 | 11 | 22,236 | | |
| Available-for-sale securities: | | | | | |
| Certificates of deposit | 9,270 | | 9,270 | | |
| Other U.S. obligations | 762 | | 762 | | |
| Government-sponsored enterprises and TVA | 4,310 | | 4,310 | | |
| TLGP | 3,299 | | 3,299 | | |
| FFELP ABS | 9,323 | | 9,323 | | |
| Other non-MBS | 396 | 2 | 394 | | |
| Other U.S. obligations RMBS | 1,620 | | 1,620 | | |
| Government-sponsored enterprises RMBS | 17,489 | | 17,489 | | |
| Government-sponsored enterprises CMBS | 310 | | 310 | | |
| Private-label RMBS | 5,695 | | | 5,695 | |
| Home equity loans | 14 | | | 14 | |
| Total available-for-sale securities | 52,488 | 2 | 46,777 | 5,709 | |
| Advances [2] | 22,956 | | 22,956 | | |
| Derivative assets | 674 | 1 | 9,509 | 23 | (8,859) |
| Other assets | 18 | 18 | | | |
| Total assets at fair value | $98,383 | $ 32 | $101,478 | $5,732 | $ (8,859) |
| **Liabilities** | | | | | |
| Consolidated bonds [4] | $55,026 | $ | $ 54,955 | $ 71 | $ |
| Derivative liabilities | 5,228 | | 19,315 | | (14,087) |
| Total liabilities at fair value | $60,254 | $ | $ 74,270 | $ 71 | $(14,087) |

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

(2) Includes $12,823 million and $21,620 million of advances recorded under the fair value option and $1,010 million and $1,336 million of hedged advances recorded at fair value at June 30, 2010 and December 31, 2009.

(3) Includes $4,963 million of consolidated discount notes recorded under the fair value option.

(4) Includes $45,613 million and $53,805 million of consolidated bonds recorded under the fair value option and $604 million and $1,221 million of hedged consolidated bonds recorded at fair value at June 30, 2010 and December 31, 2009.

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

The following tables present a reconciliation of all assets and liabilities that are measured at fair value, on a recurring basis, within the Combined Statement of Condition using significant unobservable inputs (Level 3) (dollar amounts in millions):

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | | |
|---|---|---|---|---|
| | Available-for-Sale Securities | | Derivative Assets [2] | |
| | Private-label RMBS | Home equity loans | Interest rate related | Consolidated Bonds |
| Balance at December 31, 2009 | $5,695 | $14 | $23 | $(71) |
| Total gains or losses (realized/unrealized): | | | | |
| Included in net (losses) gains on changes in fair value included in earnings relating to assets and liabilities still held at period end | (286)[a] | (1) | 9 | (9) |
| Included in AOCI | 585 | 5 | | |
| Purchases, issuances and settlements | (366) | (3) | | |
| Transfers from held-to-maturity to available-for-sale securities [1] | 1,737 | | | |
| Balance at June 30, 2010 | $7,365 | $15 | $32 | $(80) |

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | | |
|---|---|---|---|---|
| | Available-for-Sale Securities | | | |
| | Private-label RMBS | Home equity loans | Derivative Assets [2] | Consolidated Bonds |
| Balance at December 31, 2008 | $ 117 | $ 6 | $ 46 | $(91) |
| Total gains or losses (realized/unrealized): | | | | |
| Included in net (losses) gains on changes in fair value included in earnings relating to assets and liabilities still held at period end | (37)[a] | | (19) | 16 |
| Included in AOCI | (198) | 2 | | |
| Purchases, issuances and settlements | (2) | (2) | | |
| Transfers from held-to-maturity to available-for-sale securities [1] | 2,997 | | | |
| Balance at June 30, 2009 | $2,877 | $ 6 | $ 27 | $(75) |

(a) Represents OTTI related to the credit loss recognized in earnings for available-for-sale securities previously transferred from held-to-maturity securities.

(1) At June 30, 2010, the FHLBanks of Atlanta, Pittsburgh and Seattle, and at June 30, 2009, the FHLBanks of Atlanta and Pittsburgh transferred all or certain private-label RMBS that had other-than-temporary impairment credit losses from their respective held-to-maturity portfolio to their available-for-sale portfolio. See "Note 6—Other-Than-Temporary Impairment Analysis" for additional information on these transfers. As of June 30, 2010 and 2009, the fair value of these securities continued to be determined using significant unobservable inputs (Level 3).

(2) Balances exclude netting adjustments and cash collateral.

*Fair Value on a Nonrecurring Basis.* The FHLBanks measure certain held-to-maturity securities, mortgage loans and real estate owned at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis, but are subject to fair value adjustments only in certain circumstances (i.e., when there is evidence of OTTI).

The following tables present those investment securities, mortgage loans and real estate owned by level within the fair value hierarchy at June 30, 2010 and December 31, 2009, which were recorded at fair value as the result of a nonrecurring change in fair value having been recorded in the three months ended June 30, 2010 and December 31, 2009 (dollar amounts in millions):

| | Fair Value Measurements at June 30, 2010 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Held-to-maturity securities | | | | |
| Private-label RMBS | $1,298 | $ | $ | $1,298 |
| Home equity loan investments | 11 | | | 11 |
| Total held-to-maturity securities | 1,309 | | | 1,309 |
| Mortgage loans held for portfolio | 80 | | | 80 |
| Real estate owned | 64 | | 2 | 62 |
| Total non-recurring assets at fair value | $1,453 | $ | $ 2 | $1,451 |

| | Fair Value Measurements at December 31, 2009 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Held-to-maturity securities | | | | |
| Private-label RMBS | $2,915 | $ | $ | $2,915 |
| Home equity loan investments | 105 | | | 105 |
| Total held-to-maturity securities | 3,020 | | | 3,020 |
| Mortgage loans held for portfolio | 17 | | | 17 |
| Real estate owned | 57 | | 2 | 55 |
| Total non-recurring assets at fair value | $3,094 | $ | $ 2 | $3,092 |

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

The FHLBanks of New York, Chicago, Des Moines and San Francisco (Electing FHLBanks) have elected the fair value option for certain additional categories for new transactions entered into after their respective election date, including, but not limited to, adjustable-rate credit advances, consolidated discount notes, fixed-rate, short term consolidated bonds and adjustable-rate consolidated bonds indexed to Federal funds, Treasury Bill, CMT, Constant Maturity Swap, 12-month Moving Treasury Average of a one-year CMT and Prime Rate. Each of the Electing FHLBanks has elected some or all of these items for the fair value option to allow it to fair value the financial asset or financial liability to assist in mitigating potential income statement volatility that can arise from economic hedging relationships. This risk associated with using fair value only for the derivative is the primary reason that the Electing FHLBanks have elected the fair value option for financial assets and financial liabilities that do not qualify for hedge accounting or for items that have not previously met or may be at risk for not meeting hedge effectiveness requirements.

The following tables summarize the activity related to financial assets and liabilities for which certain FHLBanks elected the fair value option during the three and six months ended June 30, 2010 and 2009 (dollars amounts in millions):

| | For the Three Months Ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2010 | | | 2009 | |
| | Advances | Consolidated Discount Notes | Consolidated Bonds | Advances | Consolidated Bonds |
| Balance, beginning of the period | $17,463 | $ | $(42,891) | $35,676 | $(38,185) |
| New transactions elected for fair value option | 127 | (4,960) | (23,294) | 149 | (9,985) |
| Maturities and terminations | (4,781) | | 20,635 | (825) | 6,100 |
| Net gains (losses) on instruments held at fair value | 36 | (2) | (72) | (131) | (58) |
| Change in accrued interest and other | (22) | (1) | 9 | | (1) |
| Balance, end of the period | $12,823 | $(4,963) | $(45,613) | $34,869 | $(42,129) |

| | For the Six Months Ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2010 | | | 2009 | |
| | Advances | Consolidated Discount Notes | Consolidated Bonds | Advances | Consolidated Bonds |
| Balance, beginning of the period | $21,620 | $ | $(53,805) | $38,774 | $(31,285) |
| New transactions elected for fair value option | 200 | (4,960) | (40,905) | 193 | (25,540) |
| Maturities and terminations | (8,915) | | 49,202 | (3,761) | 14,729 |
| Net losses on instruments held at fair value | (44) | (2) | (96) | (323) | (44) |
| Change in accrued interest and other | (38) | (1) | (9) | (14) | 11 |
| Balance, end of the period | $12,823 | $(4,963) | $(45,613) | $34,869 | $(42,129) |

For items recorded under the fair value option, the related contractual interest income and contractual interest expense is recorded as part of net interest income on the Combined Statement of Income. The remaining changes in fair value for instruments in which the fair value option has been elected is recorded as "Net losses on advances and consolidated obligations held at fair value" in the Combined Statement of Income. The change in fair value does not include changes in instrument-specific credit risk. Each of the Electing FHLBanks determined that no adjustments to the fair values of its instruments recorded under the fair value option for instrument-specific credit risk were necessary as of June 30, 2010.

The following table reflects the difference between the aggregate unpaid principal balance outstanding and the aggregate fair value for advances and consolidated obligations 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 |
|---|---|---|---|
| At June 30, 2010: | | | |
| Advances [1] | $12,300 | $12,823 | $523 |
| Consolidated discount notes | 4,968 | 4,963 | (5) |
| Consolidated bonds | 45,553 | 45,613 | 60 |
| At December 31, 2009: | | | |
| Advances [1] | $21,003 | $21,620 | $617 |
| Consolidated bonds | 53,850 | 53,805 | (45) |

(1) At June 30, 2010 and December 31, 2009, no advances were 90 days or more past due and none had been placed on nonaccrual status.

## Note 14—Subsequent Events

For purposes of this combined financial report, subsequent events have been evaluated through August 13, 2010, the date of this Combined Financial Report. From June 30, 2010 through August 13, 2010, no significant subsequent events were identified, other than the events discussed below.

*FHLBank of Atlanta.* On July 15, 2010, the FHLBank of Atlanta repurchased $272 million of subclass B2 activity-based excess capital stock based on the shareholders' total capital stock as of April 30, 2010.

On July 29, 2010, the FHLBank of Atlanta sent a notice to each current shareholder of the FHLBank of Atlanta announcing that it will repurchase up to $300 million of subclass B2 activity-based excess capital stock on August 17, 2010. The amount of activity-based excess stock to be repurchased from any individual shareholder will be based on the shareholder's total capital stock as of August 9, 2010.

*FHLBank of San Francisco.* On July 29, 2010, the FHLBank of San Francisco announced that it plans to repurchase up to $500 million in excess capital stock on August 13, 2010. The amount of excess capital stock to be repurchased from any FHLBank of San Francisco shareholder will be based on the shareholder's pro rata ownership share of total capital stock outstanding as of the repurchase date, up to the amount of the shareholder's excess capital stock.

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# FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF CONDITION
## JUNE 30, 2010

## (Dollar amounts in millions)
## (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and due from banks | $ 17,267 | $ – | $ 26 | $ 3,263 | $ 80 |
| Interest-bearing deposits | 12 | – | – | – | – |
| Deposits with other FHLBanks | – | (13) | – | – | 10 |
| Securities purchased under agreements to resell | 14,975 | – | 3,750 | – | – |
| Federal funds sold | 69,982 | – | 4,545 | 3,125 | 4,950 |
| Trading securities | 17,923 | (201) | 1,881 | – | 1,286 |
| Available-for-sale securities | 65,631 | – | 8,203 | 2,915 | 2,648 |
| Held-to-maturity securities | 140,178 | – | 6,716 | 8,931 | 10,352 |
| Advances | 540,318 | – | 36,016 | 85,286 | 36,058 |
| Mortgage loans held for portfolio | 66,847 | – | 3,319 | 1,288 | 4,899 |
| Less allowance for credit losses on mortgage loans | 52 | – | 2 | 6 | 3 |
| Mortgage loans held for portfolio, net | 66,795 | – | 3,317 | 1,282 | 4,896 |
| Loans to other FHLBanks | – | (15) | – | – | – |
| Accrued interest receivable | 2,127 | (3) | 150 | 311 | 199 |
| Premises, software, and equipment, net | 228 | – | 5 | 14 | 21 |
| Derivative assets | 716 | – | 22 | 39 | 33 |
| Other assets | 959 | 3 | 76 | 17 | 97 |
| Total assets | $937,111 | $(229) | $64,707 | $105,183 | $60,630 |
| **LIABILITIES** | | | | | |
| Deposits: | | | | | |
| Interest-bearing: | | | | | |
| Demand and overnight | $ 16,519 | $ – | $ 730 | $ 4,716 | $ 1,118 |
| Term | 943 | – | 30 | 32 | 1 |
| Deposits from other FHLBanks | – | (13) | – | – | – |
| Other | 70 | – | 4 | 41 | – |
| Total interest-bearing | 17,532 | (13) | 764 | 4,789 | 1,119 |
| Non-interest-bearing: | | | | | |
| Demand and overnight | 100 | – | – | 6 | 28 |
| Other | 173 | – | 16 | – | – |
| Total non-interest-bearing | 273 | – | 16 | 6 | 28 |
| Total deposits | 17,805 | (13) | 780 | 4,795 | 1,147 |
| Borrowings: | | | | | |
| Loans from other FHLBanks | – | (15) | – | – | – |
| Securities sold under agreements to repurchase | 1,200 | – | – | – | – |
| Total borrowings | 1,200 | (15) | – | – | – |
| Consolidated obligations, net: | | | | | |
| Discount notes | 181,474 | – | 21,635 | 27,481 | 12,118 |
| Bonds | 671,467 | (180) | 38,130 | 66,247 | 42,326 |
| Total consolidated obligations, net | 852,941 | (180) | 59,765 | 93,728 | 54,444 |
| Mandatorily redeemable capital stock | 8,051 | – | 87 | 69 | 36 |
| Accrued interest payable | 3,079 | (3) | 147 | 233 | 224 |
| Affordable Housing Program payable | 766 | – | 22 | 144 | 17 |
| Payable to REFCORP | 77 | – | – | 14 | – |
| Derivative liabilities | 6,084 | – | 850 | 869 | 720 |
| Other liabilities | 2,922 | – | 19 | 84 | 74 |
| Subordinated notes | 1,000 | – | – | – | – |
| Total liabilities | 893,925 | (211) | 61,670 | 99,936 | 56,662 |
| **CAPITAL** | | | | | |
| Capital stock: | | | | | |
| Capital stock Class B putable ($100 par value) issued and outstanding | 40,897 | – | 3,659 | 4,680 | 4,012 |
| Capital stock Class A putable ($100 par value) issued and outstanding | 440 | – | – | – | – |
| Capital stock Pre-conversion putable ($100 par value) issued and outstanding | 2,331 | – | – | – | – |
| Total capital stock | 43,668 | – | 3,659 | 4,680 | 4,012 |
| Retained earnings | 6,399 | (16) | 184 | 677 | 331 |
| Accumulated other comprehensive income (loss): | | | | | |
| Net unrealized gains (losses) on available-for-sale securities | 1,067 | – | (40) | 20 | (1) |
| Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities | (12) | – | – | – | – |
| Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities | (1,683) | – | – | – | (373) |
| Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities | (5,495) | – | (765) | (102) | – |
| Net unrealized losses relating to hedging activities | (720) | (2) | – | (20) | – |
| Pension and postretirement benefits | (38) | – | (1) | (8) | (1) |
| Total accumulated other comprehensive (loss) income | (6,881) | (2) | (806) | (110) | (375) |
| Total capital | 43,186 | (18) | 3,037 | 5,247 | 3,968 |
| Total liabilities and capital | $937,111 | $(229) | $64,707 | $105,183 | $60,630 |
| **Supplemental Disclosures:** | | | | | |
| Advances held at fair value under fair value option included in Advances total | $ 12,823 | $ – | $ – | $ – | $ – |
| Consolidated Discount Notes held at fair value under fair value option included in Consolidated Discount Notes total | $ 4,963 | $ – | $ – | $ 1,754 | $ – |
| Consolidated Bonds held at fair value under fair value option included in Consolidated Bonds total | $ 45,613 | $ – | $ – | $ 9,763 | $ – |

| Atlanta | Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|---|
| $ 41 | $ 3,185 | $ 7 | $ 458 | $ 97 | $ 2,449 | $ 29 | $ 7,631 | $ 1 |
| – | – | – | – | 12 | – | – | – | – |
| 2 | – | – | – | – | 1 | – | – | – |
| – | 1,500 | – | 3,225 | 250 | – | – | – | 6,250 |
| 14,840 | 5,385 | 8,349 | 2,620 | 2,080 | 2,712 | 2,984 | 14,470 | 3,922 |
| 3,436 | 3 | – | 1,364 | 1,678 | 4 | 7,313 | 1,159 | – |
| 3,452 | 3,899 | 1,850 | 25,580 | 6,822 | – | – | 1,932 | 8,330 |
| 15,669 | 11,275 | 8,535 | 11,390 | 8,337 | 10,097 | 8,096 | 33,563 | 7,217 |
| 100,087 | 32,603 | 19,989 | 21,103 | 32,491 | 41,454 | 21,017 | 95,747 | 18,467 |
| 2,314 | 8,790 | 6,749 | 21,591 | 7,537 | 236 | 3,570 | 2,792 | 3,762 |
| 1 | – | – | 24 | 6 | 1 | 3 | 4 | 2 |
| 2,313 | 8,790 | 6,749 | 21,567 | 7,531 | 235 | 3,567 | 2,788 | 3,760 |
| – | – | – | – | – | – | – | 15 | – |
| 435 | 139 | 105 | 214 | 88 | 54 | 97 | 251 | 87 |
| 34 | 10 | 10 | 51 | 9 | 25 | 13 | 22 | 14 |
| 20 | 3 | 1 | 43 | 11 | 14 | 41 | 476 | 13 |
| 262 | 28 | 44 | 128 | 36 | 18 | 63 | 144 | 43 |
| $140,591 | $66,820 | $45,639 | $87,743 | $59,442 | $57,063 | $43,220 | $158,198 | $48,104 |
| $ 3,171 | $ 1,332 | $ 605 | $ 743 | $ 714 | $ 926 | $ 1,994 | $ 144 | $ 326 |
| – | 254 | 15 | 11 | 519 | 35 | – | 29 | 17 |
| – | – | – | 13 | – | – | – | – | – |
| – | 22 | – | 1 | – | – | – | 2 | – |
| 3,171 | 1,608 | 620 | 768 | 1,233 | 961 | 1,994 | 175 | 343 |
| – | – | – | – | 66 | – | – | – | – |
| – | 7 | 4 | 119 | – | – | 24 | 3 | – |
| – | 7 | 4 | 119 | 66 | – | 24 | 3 | – |
| 3,171 | 1,615 | 624 | 887 | 1,299 | 961 | 2,018 | 178 | 343 |
| 15 | – | – | – | – | – | – | – | – |
| – | – | – | 1,200 | – | – | – | – | – |
| 15 | – | – | 1,200 | – | – | – | – | – |
| 16,519 | 25,520 | 7,434 | 18,458 | 3,485 | 6,070 | 15,607 | 15,788 | 11,359 |
| 110,949 | 35,088 | 33,616 | 60,586 | 51,075 | 46,956 | 23,217 | 129,524 | 33,933 |
| 127,468 | 60,608 | 41,050 | 79,044 | 54,560 | 53,026 | 38,824 | 145,312 | 45,292 |
| 508 | 396 | 781 | 488 | 7 | 8 | 28 | 4,690 | 953 |
| 465 | 231 | 160 | 330 | 236 | 123 | 146 | 616 | 171 |
| 127 | 94 | 34 | 27 | 39 | 41 | 40 | 174 | 7 |
| 19 | 10 | (2) | 13 | 4 | 10 | – | 9 | – |
| 448 | 239 | 865 | 1,090 | 351 | 9 | 256 | 173 | 214 |
| 141 | 90 | 309 | 1,075 | 35 | 280 | 32 | 748 | 35 |
| – | – | – | 1,000 | – | – | – | – | – |
| 132,362 | 63,283 | 43,821 | 85,154 | 56,531 | 54,458 | 41,344 | 151,900 | 47,015 |
| 7,856 | 3,121 | 1,731 | – | 2,307 | 2,261 | 1,278 | 8,280 | 1,712 |
| – | – | – | – | – | – | 307 | – | 133 |
| – | – | – | 2,331 | – | – | – | – | – |
| 7,856 | 3,121 | 1,731 | 2,331 | 2,307 | 2,261 | 1,585 | 8,280 | 1,845 |
| 985 | 423 | 351 | 825 | 501 | 407 | 315 | 1,350 | 66 |
| – | – | (7) | 982 | 104 | – | – | 3 | 6 |
| – | – | – | (12) | – | – | – | – | – |
| (607) | – | – | (44) | – | – | – | – | (659) |
| – | – | (251) | (799) | – | (63) | (22) | (3,327) | (166) |
| – | – | – | (697) | – | – | – | (1) | – |
| (5) | (7) | (6) | 3 | (1) | – | (2) | (7) | (3) |
| (612) | (7) | (264) | (567) | 103 | (63) | (24) | (3,332) | (822) |
| 8,229 | 3,537 | 1,818 | 2,589 | 2,911 | 2,605 | 1,876 | 6,298 | 1,089 |
| $140,591 | $66,820 | $45,639 | $87,743 | $59,442 | $57,063 | $43,220 | $158,198 | $48,104 |
| $ – | $ – | $ – | $ 4 | $ – | $ – | $ – | $ 12,819 | $ – |
| $ – | $ – | $ – | $ 3,209 | $ – | $ – | $ – | $ – | $ – |
| $ – | $ – | $ – | $10,520 | $ 4,182 | $ – | $ – | $ 21,148 | $ – |

# FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF CONDITION
## DECEMBER 31, 2009

## (Dollar amounts in millions)
## (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and due from banks | $ 24,330 | $ – | $ 191 | $ 2,189 | $ 1,419 |
| Interest-bearing deposits | 11 | – | – | – | – |
| Deposits with other FHLBanks | – | (11) | – | – | 8 |
| Securities purchased under agreements to resell | 7,175 | – | 1,250 | – | – |
| Federal funds sold | 54,597 | – | 5,676 | 3,450 | 3,000 |
| Trading securities | 22,247 | (353) | 107 | – | 1,286 |
| Available-for-sale securities | 52,488 | – | 6,487 | 2,253 | 2,397 |
| Held-to-maturity securities | 147,833 | – | 7,427 | 10,519 | 10,482 |
| Advances | 631,159 | – | 37,591 | 94,349 | 41,177 |
| Mortgage loans held for portfolio | 71,469 | – | 3,508 | 1,322 | 5,165 |
| Less allowance for credit losses on mortgage loans | 32 | – | 2 | 5 | 2 |
| Mortgage loans held for portfolio, net | 71,437 | – | 3,506 | 1,317 | 5,163 |
| Accrued interest receivable | 2,466 | (3) | 148 | 341 | 229 |
| Premises, software, and equipment, net | 208 | – | 6 | 15 | 22 |
| Derivative assets | 674 | – | 17 | 8 | 8 |
| Other assets | 958 | 3 | 81 | 20 | 100 |
| Total assets | $1,015,583 | $(364) | $62,487 | $114,461 | $65,291 |
| **LIABILITIES** | | | | | |
| Deposits: | | | | | |
| Interest-bearing: | | | | | |
| Demand and overnight | $ 14,559 | $ – | $ 721 | $ 2,556 | $ 1,247 |
| Term | 936 | – | 30 | 7 | 11 |
| Deposits from other FHLBanks | – | (11) | – | – | – |
| Other | 94 | – | 4 | 62 | – |
| Total interest-bearing | 15,589 | (11) | 755 | 2,625 | 1,258 |
| Non-interest-bearing: | | | | | |
| Demand and overnight | 113 | – | – | 6 | 26 |
| Other | 195 | – | 18 | – | – |
| Total non-interest-bearing | 308 | – | 18 | 6 | 26 |
| Total deposits | 15,897 | (11) | 773 | 2,631 | 1,284 |
| Borrowings: | | | | | |
| Securities sold under agreements to repurchase | 1,200 | – | – | – | – |
| Total borrowings | 1,200 | – | – | – | – |
| Consolidated obligations, net: | | | | | |
| Discount notes | 198,532 | – | 22,278 | 30,828 | 10,209 |
| Bonds | 736,344 | (333) | 35,409 | 74,008 | 49,104 |
| Total consolidated obligations, net | 934,876 | (333) | 57,687 | 104,836 | 59,313 |
| Mandatorily redeemable capital stock | 8,138 | – | 91 | 126 | 8 |
| Accrued interest payable | 3,802 | (3) | 178 | 278 | 301 |
| Affordable Housing Program payable | 791 | – | 24 | 144 | 25 |
| Payable to REFCORP | 121 | – | – | 24 | – |
| Derivative liabilities | 5,228 | – | 768 | 746 | 624 |
| Other liabilities | 1,721 | – | 202 | 73 | 23 |
| Subordinated notes | 1,000 | – | – | – | – |
| Total liabilities | 972,774 | (347) | 59,723 | 108,858 | 61,578 |
| **CAPITAL** | | | | | |
| Capital Stock: | | | | | |
| Capital stock Class B putable ($100 par value) issued and outstanding | 42,227 | – | 3,643 | 5,059 | 4,018 |
| Capital stock Class A putable ($100 par value) issued and outstanding | 427 | – | – | – | – |
| Capital stock Pre-conversion putable ($100 par value) issued and outstanding | 2,328 | – | – | – | – |
| Total capital stock | 44,982 | – | 3,643 | 5,059 | 4,018 |
| Retained earnings | 6,033 | (15) | 142 | 689 | 389 |
| Accumulated other comprehensive income (loss): | | | | | |
| Net unrealized gains (losses) on available-for-sale securities | 453 | – | (90) | (3) | (2) |
| Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities | (22) | – | – | – | – |
| Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities | (2,182) | – | – | – | (691) |
| Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities | (6,149) | – | (929) | (111) | – |
| Net unrealized losses relating to hedging activities | (267) | (2) | – | (23) | – |
| Pension and postretirement benefits | (39) | – | (2) | (8) | (1) |
| Total accumulated other comprehensive loss | (8,206) | (2) | (1,021) | (145) | (694) |
| Total capital | 42,809 | (17) | 2,764 | 5,603 | 3,713 |
| Total liabilities and capital | $1,015,583 | $(364) | $62,487 | $114,461 | $65,291 |
| **Supplemental Disclosures:** | | | | | |
| Advances held at fair value under fair value option included in Advances total | $ 21,620 | $ – | $ – | $ – | $ – |
| Consolidated Bonds held at fair value under fair value option included in Consolidated Bonds total | $ 53,805 | $ – | $ – | $ 6,036 | $ – |

| Atlanta | Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|---|
| $ 465 | $ 1,808 | $ 1,722 | $ 2,823 | $ 299 | $ 3,908 | $ 495 | $ 8,280 | $ 731 |
| – | – | – | – | 11 | – | – | – | – |
| 3 | – | – | – | – | – | – | – | – |
| – | 100 | – | 2,325 | – | – | – | – | 3,500 |
| 10,043 | 2,150 | 5,532 | 390 | 3,133 | 2,063 | 945 | 8,164 | 10,051 |
| 3,553 | 3,802 | – | 1,370 | 4,434 | 4 | 8,013 | 31 | – |
| 2,256 | 6,670 | 1,761 | 20,019 | 7,737 | – | – | 1,931 | 977 |
| 17,085 | 11,471 | 7,701 | 12,689 | 5,475 | 11,425 | 7,390 | 36,880 | 9,289 |
| 114,580 | 35,818 | 22,443 | 24,148 | 35,720 | 47,263 | 22,254 | 133,559 | 22,257 |
| 2,523 | 9,366 | 7,272 | 23,852 | 7,719 | 260 | 3,336 | 3,039 | 4,107 |
| 1 | – | – | 14 | 2 | 1 | 2 | 2 | 1 |
| 2,522 | 9,366 | 7,272 | 23,838 | 7,717 | 259 | 3,334 | 3,037 | 4,106 |
| 515 | 152 | 114 | 247 | 82 | 61 | 102 | 355 | 123 |
| 34 | 10 | 11 | 25 | 9 | 25 | 15 | 21 | 15 |
| 39 | 9 | 1 | 44 | 11 | 65 | 16 | 452 | 4 |
| 216 | 31 | 42 | 156 | 29 | 19 | 68 | 152 | 41 |
| $151,311 | $71,387 | $46,599 | $88,074 | $64,657 | $65,092 | $42,632 | $192,862 | $51,094 |
| | | | | | | | | |
| $ 2,989 | $ 1,970 | $ 806 | $ 828 | $ 660 | $ 1,306 | $ 1,021 | $ 192 | $ 263 |
| – | 80 | 15 | 15 | 484 | 156 | 32 | 29 | 77 |
| – | – | – | 11 | – | – | – | – | – |
| – | 27 | – | – | – | – | – | 1 | – |
| 2,989 | 2,077 | 821 | 854 | 1,144 | 1,462 | 1,053 | 222 | 340 |
| – | – | – | – | 81 | – | – | – | – |
| – | 8 | 4 | 148 | – | – | 15 | 2 | – |
| – | 8 | 4 | 148 | 81 | – | 15 | 2 | – |
| 2,989 | 2,085 | 825 | 1,002 | 1,225 | 1,462 | 1,068 | 224 | 340 |
| | | | | | | | | |
| – | – | – | 1,200 | – | – | – | – | – |
| – | – | – | 1,200 | – | – | – | – | – |
| 17,127 | 23,187 | 6,250 | 22,139 | 9,417 | 8,762 | 11,587 | 18,246 | 18,502 |
| 121,450 | 41,222 | 35,908 | 58,225 | 50,495 | 51,516 | 27,525 | 162,053 | 29,762 |
| 138,577 | 64,409 | 42,158 | 80,364 | 59,912 | 60,278 | 39,112 | 180,299 | 48,264 |
| 188 | 676 | 755 | 466 | 8 | 9 | 22 | 4,843 | 946 |
| 612 | 309 | 212 | 376 | 244 | 179 | 154 | 754 | 208 |
| 125 | 99 | 37 | 13 | 41 | 44 | 44 | 186 | 9 |
| 21 | 12 | 7 | – | 10 | 10 | 12 | 25 | – |
| 409 | 228 | 713 | 713 | 280 | 1 | 241 | 205 | 300 |
| 137 | 102 | 146 | 562 | 26 | 287 | 33 | 96 | 34 |
| – | – | – | 1,000 | – | – | – | – | – |
| 143,058 | 67,920 | 44,853 | 85,696 | 61,746 | 62,270 | 40,686 | 186,632 | 50,101 |
| | | | | | | | | |
| 8,124 | 3,063 | 1,726 | – | 2,461 | 2,532 | 1,309 | 8,575 | 1,717 |
| – | – | – | – | – | – | 294 | – | 133 |
| – | – | – | 2,328 | – | – | – | – | – |
| 8,124 | 3,063 | 1,726 | 2,328 | 2,461 | 2,532 | 1,603 | 8,575 | 1,850 |
| 873 | 412 | 349 | 708 | 484 | 356 | 355 | 1,239 | 52 |
| | | | | | | | | |
| – | – | 2 | 580 | (33) | – | – | (1) | – |
| – | – | – | (22) | – | – | – | – | – |
| (739) | – | – | (55) | – | – | – | – | (697) |
| – | – | (325) | (923) | – | (67) | (10) | (3,575) | (209) |
| – | – | – | (241) | – | – | – | (1) | – |
| (5) | (8) | (6) | 3 | (1) | 1 | (2) | (7) | (3) |
| (744) | (8) | (329) | (658) | (34) | (66) | (12) | (3,584) | (909) |
| 8,253 | 3,467 | 1,746 | 2,378 | 2,911 | 2,822 | 1,946 | 6,230 | 993 |
| $151,311 | $71,387 | $46,599 | $88,074 | $64,657 | $65,092 | $42,632 | $192,862 | $51,094 |
| | | | | | | | | |
| $ – | $ – | $ – | $ 4 | $ – | $ – | $ – | $ 21,616 | $ – |
| $ – | $ – | $ – | $ 4,749 | $ 5,998 | $ – | $ – | $ 37,022 | $ – |

# FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED JUNE 30, 2010

### (Dollar amounts in millions) (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh |
|---|---|---|---|---|---|
| **INTEREST INCOME** | | | | | |
| Advances | $1,167 | $ – | $105 | $149 | $ 80 |
| Prepayment fees on advances, net | 141 | – | 1 | 5 | 1 |
| Interest-bearing deposits | 4 | – | – | 1 | 1 |
| Securities purchased under agreements to resell | 9 | – | 1 | – | – |
| Federal funds sold | 43 | – | 4 | 3 | 2 |
| Trading securities | 79 | (5) | 3 | – | 1 |
| Available-for-sale securities | 317 | – | 20 | 10 | 41 |
| Held-to-maturity securities | 1,166 | – | 45 | 92 | 58 |
| Mortgage loans held for portfolio | 814 | – | 42 | 17 | 62 |
| Other | 1 | – | – | – | – |
| Total interest income | 3,741 | (5) | 221 | 277 | 246 |
| **INTEREST EXPENSE** | | | | | |
| Consolidated obligations—Discount notes | 168 | – | 9 | 12 | 5 |
| Consolidated obligations—Bonds | 2,212 | (5) | 137 | 146 | 181 |
| Deposits | 5 | – | – | 1 | – |
| Securities sold under agreements to repurchase | 5 | – | – | – | – |
| Subordinated notes | 14 | – | – | – | – |
| Mandatorily redeemable capital stock | 11 | – | – | 1 | – |
| Total interest expense | 2,415 | (5) | 146 | 160 | 186 |
| **NET INTEREST INCOME** | 1,326 | – | 75 | 117 | 60 |
| Provision (reversal) for credit losses | 11 | – | – | – | (1) |
| **NET INTEREST INCOME AFTER PROVISION (REVERSAL) FOR CREDIT LOSSES** | 1,315 | – | 75 | 117 | 61 |
| **OTHER (LOSS) INCOME** | | | | | |
| Total other-than-temporary impairment losses | (468) | – | (18) | (1) | (21) |
| Net amount of impairment losses reclassified (from)/to accumulated other comprehensive loss | (27) | – | (12) | (1) | (90) |
| Net other-than-temporary impairment losses | (495) | – | (30) | (2) | (111) |
| Net gains (losses) on trading securities | 157 | – | 8 | – | (1) |
| Net realized gains from sale of held-to-maturity securities | 6 | – | – | – | – |
| Net losses on advances and consolidated obligations held at fair value | (38) | – | – | (4) | – |
| Net (losses) gains on derivatives and hedging activities | (324) | – | (14) | (12) | (8) |
| Service fees | 8 | – | 1 | 1 | – |
| Other, net | 7 | (1) | – | – | 2 |
| Total other (loss) income | (679) | (1) | (35) | (17) | (118) |
| **OTHER EXPENSE** | | | | | |
| Operating | 201 | – | 12 | 21 | 14 |
| Finance Agency | 10 | – | 1 | 1 | 1 |
| Office of Finance | 7 | – | 1 | 1 | – |
| Reversal of derivative counterparty credit losses | (53) | – | – | – | – |
| Other, net | 8 | (1) | – | 1 | – |
| Total other expense | 173 | (1) | 14 | 24 | 15 |
| **INCOME (LOSS) BEFORE ASSESSMENTS** | 463 | – | 26 | 76 | (72) |
| Affordable Housing Program | 43 | – | 3 | 6 | (1) |
| REFCORP | 94 | – | 4 | 14 | (3) |
| Total assessments | 137 | – | 7 | 20 | (4) |
| **NET INCOME (LOSS)** | $ 326 | $ – | $ 19 | $ 56 | $ (68) |

| Atlanta | Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|---|
| $ 79 | $ 72 | $ 50 | $ 71 | $101 | $ 81 | $ 50 | $ 285 | $ 44 |
| 2 | 1 | 2 | 62 | 17 | 3 | 8 | 28 | 11 |
| 2 | – | – | – | – | – | – | – | – |
| – | 1 | 1 | 3 | 1 | – | – | – | 2 |
| 8 | 3 | 4 | 2 | 2 | 2 | 1 | 8 | 4 |
| 41 | – | – | 5 | 10 | – | 23 | 1 | – |
| 45 | 3 | 1 | 164 | 25 | – | – | 1 | 7 |
| 148 | 138 | 64 | 150 | 62 | 40 | 43 | 282 | 44 |
| 31 | 104 | 83 | 253 | 92 | 3 | 42 | 39 | 46 |
| – | – | – | – | – | – | 1 | – | – |
| 356 | 322 | 205 | 710 | 310 | 129 | 168 | 644 | 158 |
| | | | | | | | | |
| 6 | 10 | 5 | 97 | 1 | 2 | 6 | 9 | 6 |
| 213 | 244 | 141 | 401 | 235 | 58 | 89 | 269 | 103 |
| 1 | – | – | – | 1 | – | 2 | – | – |
| – | – | – | 5 | – | – | – | – | – |
| – | – | – | 14 | – | – | – | – | – |
| – | 4 | 3 | – | – | – | – | 3 | – |
| 220 | 258 | 149 | 517 | 237 | 60 | 97 | 281 | 109 |
| 136 | 64 | 56 | 193 | 73 | 69 | 71 | 363 | 49 |
| – | – | – | 5 | 4 | – | – | 2 | 1 |
| 136 | 64 | 56 | 188 | 69 | 69 | 71 | 361 | 48 |
| | | | | | | | | |
| (131) | – | (8) | (8) | – | – | (3) | (190) | (88) |
| 59 | – | (54) | (19) | – | (1) | 1 | 48 | 42 |
| (72) | – | (62) | (27) | – | (1) | (2) | (142) | (46) |
| 76 | – | – | (2) | 32 | – | 45 | (1) | – |
| – | 6 | – | – | – | – | – | – | – |
| – | – | – | (6) | (7) | – | – | (21) | – |
| (58) | (3) | (1) | 29 | (65) | 2 | (94) | (123) | 23 |
| 1 | 1 | 1 | – | 1 | – | 2 | – | – |
| – | – | – | 2 | 2 | 1 | 1 | 2 | (2) |
| (53) | 4 | (62) | (4) | (37) | 2 | (48) | (285) | (25) |
| | | | | | | | | |
| 27 | 11 | 10 | 23 | 12 | 17 | 10 | 29 | 15 |
| 2 | 1 | – | – | – | – | 1 | 3 | – |
| 1 | – | – | 1 | 1 | 1 | – | 1 | – |
| (49) | – | – | – | – | – | – | – | (4) |
| – | – | 1 | 2 | – | – | 2 | 2 | 1 |
| (19) | 12 | 11 | 26 | 13 | 18 | 13 | 35 | 12 |
| 102 | 56 | (17) | 158 | 19 | 53 | 10 | 41 | 11 |
| 8 | 5 | (1) | 13 | 2 | 4 | – | 3 | 1 |
| 19 | 10 | (3) | 29 | 3 | 10 | – | 9 | 2 |
| 27 | 15 | (4) | 42 | 5 | 14 | – | 12 | 3 |
| $ 75 | $ 41 | $ (13) | $116 | $ 14 | $ 39 | $ 10 | $ 29 | $ 8 |

## FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED JUNE 30, 2009

### (Dollar amounts in millions) (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh |
|---|---|---|---|---|---|
| **INTEREST INCOME** | | | | | |
| Advances | $ 2,675 | $ – | $ 167 | $350 | $ 168 |
| Prepayment fees on advances, net | 72 | – | 7 | 2 | 2 |
| Interest-bearing deposits | 29 | – | 9 | 9 | 4 |
| Securities purchased under agreements to resell | 5 | – | – | – | – |
| Federal funds sold | 37 | – | 1 | – | – |
| Trading securities | 109 | (7) | 1 | – | 5 |
| Available-for-sale securities | 136 | – | 2 | 7 | 1 |
| Held-to-maturity securities | 1,478 | – | 57 | 118 | 138 |
| Mortgage loans held for portfolio | 1,011 | – | 49 | 18 | 70 |
| Other | 1 | – | – | – | – |
| Total interest income | 5,553 | (7) | 293 | 504 | 388 |
| **INTEREST EXPENSE** | | | | | |
| Consolidated obligations—Discount notes | 557 | – | 31 | 53 | 8 |
| Consolidated obligations—Bonds | 3,467 | (2) | 177 | 248 | 304 |
| Deposits | 7 | – | – | – | 1 |
| Securities sold under agreements to repurchase | 7 | – | – | – | – |
| Subordinated notes | 14 | – | – | – | – |
| Mandatorily redeemable capital stock | 7 | – | – | 3 | – |
| Other borrowings | 1 | – | – | – | – |
| Total interest expense | 4,060 | (2) | 208 | 304 | 313 |
| **NET INTEREST INCOME (EXPENSE)** | 1,493 | (5) | 85 | 200 | 75 |
| Provision for credit losses | 6 | – | 1 | 1 | 1 |
| **NET INTEREST INCOME (EXPENSE) AFTER PROVISION FOR CREDIT LOSSES** | 1,487 | (5) | 84 | 199 | 74 |
| **OTHER INCOME (LOSS)** | | | | | |
| Total other-than-temporary impairment losses | (2,996) | – | (210) | (73) | (460) |
| Portion of impairment losses recognized in other comprehensive income | 2,559 | – | 140 | 68 | 421 |
| Net other-than-temporary impairment losses | (437) | – | (70) | (5) | (39) |
| Net (losses) gains on trading securities | (68) | – | – | – | – |
| Net realized losses from sale of available-for-sale securities | (43) | – | – | – | – |
| Net losses on advances and consolidated obligations held at fair value | (189) | – | – | – | – |
| Net gains (losses) on derivatives and hedging activities | 979 | – | (2) | 78 | 12 |
| Service fees | 9 | – | 1 | 2 | – |
| Other, net | (6) | 16 | – | – | 2 |
| Total other income (loss) | 245 | 16 | (71) | 75 | (25) |
| **OTHER EXPENSE** | | | | | |
| Operating | 196 | – | 15 | 18 | 15 |
| Finance Agency | 7 | – | 1 | 1 | – |
| Office of Finance | 9 | – | 1 | 1 | – |
| Other, net | 5 | (1) | 1 | – | – |
| Total other expense | 217 | (1) | 18 | 20 | 15 |
| **INCOME (LOSS) BEFORE ASSESSMENTS** | 1,515 | 12 | (5) | 254 | 34 |
| Affordable Housing Program | 120 | – | – | 20 | 1 |
| REFCORP | 272 | – | – | 47 | 2 |
| Total assessments | 392 | – | – | 67 | 3 |
| **NET INCOME (LOSS)** | $ 1,123 | $12 | $ (5) | $187 | $ 31 |

| Atlanta | Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|---|
| $ 271 | $157 | $107 | $ 146 | $177 | $179 | $ 89 | $ 754 | $ 110 |
| 7 | 1 | 2 | 11 | 1 | 10 | 9 | 18 | 2 |
| 2 | 1 | – | – | – | – | 4 | – | – |
| – | 1 | – | 2 | – | – | – | – | 2 |
| 6 | 3 | 7 | 2 | 7 | 2 | 1 | 6 | 2 |
| 50 | – | – | 12 | 21 | – | 26 | 1 | – |
| 35 | 5 | 5 | 70 | 11 | – | – | – | – |
| 225 | 135 | 68 | 187 | 46 | 37 | 54 | 369 | 44 |
| 40 | 135 | 111 | 323 | 123 | 4 | 39 | 36 | 63 |
| – | – | – | – | – | – | 1 | – | – |
| 636 | 438 | 300 | 753 | 386 | 232 | 223 | 1,184 | 223 |
| 75 | 27 | 17 | 90 | 39 | 68 | 15 | 112 | 22 |
| 455 | 300 | 199 | 482 | 284 | 149 | 131 | 588 | 152 |
| 1 | 1 | 1 | 1 | – | – | 1 | – | 1 |
| – | – | – | 7 | – | – | – | – | – |
| – | – | – | 14 | – | – | – | – | – |
| – | 1 | 3 | – | – | – | – | – | – |
| – | – | – | – | – | – | 1 | – | – |
| 531 | 329 | 220 | 594 | 323 | 217 | 148 | 700 | 175 |
| 105 | 109 | 80 | 159 | 63 | 15 | 75 | 484 | 48 |
| – | – | – | 2 | – | – | – | 1 | – |
| 105 | 109 | 80 | 157 | 63 | 15 | 75 | 483 | 48 |
| (404) | – | (36) | (244) | – | (26) | – | (1,283) | (260) |
| 358 | – | 33 | 120 | – | 25 | – | 1,195 | 199 |
| (46) | – | (3) | (124) | – | (1) | – | (88) | (61) |
| (74) | – | – | (2) | 34 | – | (26) | – | – |
| – | – | – | – | (43) | – | – | – | – |
| – | – | – | (1) | (10) | – | – | (178) | – |
| 305 | 4 | 4 | 122 | 104 | 34 | 102 | 224 | (8) |
| – | 1 | 1 | – | – | 1 | 2 | 1 | – |
| 1 | 1 | 1 | 3 | (34) | 2 | – | 2 | – |
| 186 | 6 | 3 | (2) | 51 | 36 | 78 | (39) | (69) |
| 27 | 11 | 9 | 26 | 12 | 15 | 8 | 28 | 12 |
| 1 | – | – | 1 | – | – | – | 2 | 1 |
| 1 | 1 | 1 | 1 | 1 | – | – | 1 | 1 |
| 1 | 1 | – | 1 | – | – | 2 | – | – |
| 30 | 13 | 10 | 29 | 13 | 15 | 10 | 31 | 14 |
| 261 | 102 | 73 | 126 | 101 | 36 | 143 | 413 | (35) |
| 21 | 9 | 6 | 7 | 8 | 3 | 11 | 34 | – |
| 48 | 18 | 14 | 16 | 17 | 7 | 27 | 76 | – |
| 69 | 27 | 20 | 23 | 25 | 10 | 38 | 110 | – |
| $ 192 | $ 75 | $ 53 | $ 103 | $ 76 | $ 26 | $105 | $ 303 | $ (35) |

# FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF INCOME

## FOR THE SIX MONTHS ENDED JUNE 30, 2010
## (Dollar amounts in millions)
## (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh |
|---|---|---|---|---|---|
| **INTEREST INCOME** | | | | | |
| Advances | $ 2,376 | $ – | $208 | $298 | $ 153 |
| Prepayment fees on advances, net | 176 | – | 2 | 6 | 2 |
| Interest-bearing deposits | 6 | – | – | 2 | 1 |
| Securities purchased under agreements to resell | 12 | – | 1 | – | – |
| Federal funds sold | 72 | – | 7 | 4 | 3 |
| Trading securities | 165 | (10) | 5 | – | 2 |
| Available-for-sale securities | 598 | – | 33 | 16 | 84 |
| Held-to-maturity securities | 2,350 | – | 91 | 191 | 121 |
| Mortgage loans held for portfolio | 1,659 | – | 85 | 33 | 126 |
| Other | 2 | – | – | – | – |
| Total interest income | 7,416 | (10) | 432 | 550 | 492 |
| **INTEREST EXPENSE** | | | | | |
| Consolidated obligations—Discount notes | 321 | – | 15 | 22 | 8 |
| Consolidated obligations—Bonds | 4,466 | (9) | 274 | 301 | 365 |
| Deposits | 6 | – | – | 2 | – |
| Securities sold under agreements to repurchase | 9 | – | – | – | – |
| Subordinated notes | 28 | – | – | – | – |
| Mandatorily redeemable capital stock | 25 | – | – | 2 | – |
| Total interest expense | 4,855 | (9) | 289 | 327 | 373 |
| **NET INTEREST INCOME** | 2,561 | (1) | 143 | 223 | 119 |
| Provision (reversal) for credit losses | 19 | – | – | 1 | (1) |
| **NET INTEREST INCOME AFTER PROVISION (REVERSAL) FOR CREDIT LOSSES** | 2,542 | (1) | 143 | 222 | 120 |
| **OTHER (LOSS) INCOME** | | | | | |
| Total other-than-temporary impairment losses | (874) | – | (39) | (4) | (23) |
| Net amount of impairment loss reclassified (from)/to accumulated other comprehensive loss | 146 | – | (14) | (1) | (116) |
| Net other-than-temporary impairment losses | (728) | – | (53) | (5) | (139) |
| Net gains (losses) on trading securities | 186 | – | 10 | – | (1) |
| Net realized gains from sale of held-to-maturity securities | 6 | – | – | – | – |
| Net losses on advances and consolidated obligations held at fair value | (142) | – | – | (12) | – |
| Net (losses) gains on derivatives and hedging activities | (578) | – | (17) | (12) | (12) |
| Service fees | 15 | – | 3 | 2 | 1 |
| Other, net | 13 | (3) | – | – | 4 |
| Total other (loss) income | (1,228) | (3) | (57) | (27) | (147) |
| **OTHER EXPENSE** | | | | | |
| Operating | 396 | – | 25 | 40 | 28 |
| Finance Agency | 24 | – | 2 | 2 | 2 |
| Office of Finance | 19 | – | 2 | 2 | 1 |
| Reversal of derivative counterparty credit losses | (53) | – | – | – | – |
| Other, net | 10 | (3) | – | 1 | – |
| Total other expense | 396 | (3) | 29 | 45 | 31 |
| **INCOME (LOSS) BEFORE ASSESSMENTS** | 918 | (1) | 57 | 150 | (58) |
| Affordable Housing Program | 83 | – | 5 | 12 | – |
| REFCORP | 184 | – | 10 | 28 | – |
| Total assessments | 267 | – | 15 | 40 | – |
| **NET INCOME (LOSS)** | $ 651 | $ (1) | $ 42 | $110 | $ (58) |

| Atlanta | Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|---|
| $ 148 | $143 | $100 | $ 161 | $208 | $162 | $ 99 | $ 606 | $ 90 |
| 5 | 3 | 3 | 70 | 19 | 6 | 8 | 39 | 13 |
| 3 | – | – | – | – | – | – | – | – |
| – | 1 | 1 | 4 | 1 | – | – | – | 4 |
| 13 | 6 | 7 | 3 | 3 | 3 | 2 | 13 | 8 |
| 83 | 1 | – | 11 | 26 | – | 46 | 1 | – |
| 84 | 6 | 3 | 309 | 50 | – | – | 2 | 11 |
| 320 | 272 | 127 | 308 | 104 | 78 | 84 | 570 | 84 |
| 63 | 216 | 174 | 516 | 184 | 7 | 84 | 75 | 96 |
| – | – | – | – | – | – | 2 | – | – |
| 719 | 648 | 415 | 1,382 | 595 | 256 | 325 | 1,306 | 306 |
| 9 | 17 | 7 | 191 | 4 | 6 | 10 | 22 | 10 |
| 420 | 489 | 283 | 819 | 465 | 117 | 179 | 558 | 205 |
| 1 | – | – | – | 1 | – | 2 | – | – |
| – | – | – | 9 | – | – | – | – | – |
| – | – | – | 28 | – | – | – | – | – |
| – | 10 | 7 | – | – | – | – | 6 | – |
| 430 | 516 | 297 | 1,047 | 470 | 123 | 191 | 586 | 215 |
| 289 | 132 | 118 | 335 | 125 | 133 | 134 | 720 | 91 |
| – | – | – | 11 | 4 | – | 1 | 2 | 1 |
| 289 | 132 | 118 | 324 | 121 | 133 | 133 | 718 | 90 |
| (195) | – | (22) | (37) | – | (7) | (20) | (382) | (145) |
| 77 | – | (46) | (34) | – | 5 | 16 | 180 | 79 |
| (118) | – | (68) | (71) | – | (2) | (4) | (202) | (66) |
| 80 | – | – | (3) | 53 | – | 48 | (1) | – |
| – | 6 | – | – | – | – | – | – | – |
| – | – | – | (8) | (1) | – | – | (121) | – |
| (75) | (1) | (2) | (34) | (89) | (25) | (179) | (159) | 27 |
| 1 | 1 | 1 | – | 1 | 1 | 3 | – | 1 |
| – | 2 | 1 | 6 | 1 | 3 | 2 | 3 | (6) |
| (112) | 8 | (68) | (110) | (35) | (23) | (130) | (480) | (44) |
| 52 | 22 | 20 | 47 | 24 | 33 | 19 | 58 | 28 |
| 4 | 2 | 1 | 1 | 1 | 1 | 1 | 6 | 1 |
| 3 | 1 | 1 | 2 | 1 | 1 | 1 | 3 | 1 |
| (49) | – | – | – | – | – | – | – | (4) |
| – | – | 1 | 4 | – | – | 2 | 4 | 1 |
| 10 | 25 | 23 | 54 | 26 | 35 | 23 | 71 | 27 |
| 167 | 115 | 27 | 160 | 60 | 75 | (20) | 167 | 19 |
| 13 | 10 | 3 | 13 | 5 | 6 | – | 14 | 2 |
| 31 | 21 | 5 | 30 | 11 | 14 | – | 31 | 3 |
| 44 | 31 | 8 | 43 | 16 | 20 | – | 45 | 5 |
| $ 123 | $ 84 | $ 19 | $ 117 | $ 44 | $ 55 | $ (20) | $ 122 | $ 14 |

## FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2009

### (Dollar amounts in millions) (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh |
|---|---|---|---|---|---|
| **INTEREST INCOME** | | | | | |
| Advances | $ 6,470 | $ – | $ 418 | $ 833 | $ 409 |
| Prepayment fees on advances, net | 113 | – | 8 | 21 | 3 |
| Interest-bearing deposits | 61 | – | 11 | 18 | 10 |
| Securities purchased under agreements to resell | 14 | – | 3 | – | – |
| Federal funds sold | 78 | – | 3 | – | – |
| Trading securities | 217 | (15) | 2 | – | 11 |
| Available-for-sale securities | 196 | – | 5 | 16 | 1 |
| Held-to-maturity securities | 3,167 | – | 118 | 245 | 285 |
| Mortgage loans held for portfolio | 2,079 | – | 102 | 37 | 147 |
| Other | 2 | – | – | – | – |
| Total interest income | 12,397 | (15) | 670 | 1,170 | 866 |
| **INTEREST EXPENSE** | | | | | |
| Consolidated obligations—Discount notes | 1,638 | – | 131 | 142 | 33 |
| Consolidated obligations—Bonds | 7,944 | (2) | 397 | 592 | 700 |
| Deposits | 15 | – | – | 1 | 1 |
| Securities sold under agreements to repurchase | 17 | – | – | – | – |
| Subordinated notes | 28 | – | – | – | – |
| Mandatorily redeemable capital stock | 15 | – | – | 4 | – |
| Other borrowings | 1 | – | – | – | – |
| Total interest expense | 9,658 | (2) | 528 | 739 | 734 |
| **NET INTEREST INCOME (EXPENSE)** | 2,739 | (13) | 142 | 431 | 132 |
| Provision for credit losses | 10 | – | 1 | 1 | 2 |
| **NET INTEREST INCOME (EXPENSE) AFTER PROVISION FOR CREDIT LOSSES** | 2,729 | (13) | 141 | 430 | 130 |
| **OTHER (LOSS) INCOME** | | | | | |
| Total other-than-temporary impairment losses | (8,196) | – | (1,105) | (88) | (785) |
| Portion of impairment losses recognized in other comprehensive income | 7,243 | – | 908 | 78 | 715 |
| Net other-than-temporary impairment losses | (953) | – | (197) | (10) | (70) |
| Net (losses) gains on trading securities | (79) | – | 1 | – | – |
| Net realized (losses) gains from sale of available-for-sale securities | (24) | – | – | – | – |
| Net realized gains from sale of held-to-maturity securities | 6 | – | – | – | – |
| Net (losses) gains on advances and consolidated obligations held at fair value | (367) | – | – | 8 | – |
| Net gains (losses) on derivatives and hedging activities | 1,179 | – | (2) | 65 | 11 |
| Service fees | 17 | – | 2 | 3 | 1 |
| Other, net | (3) | 34 | – | – | 4 |
| Total other (loss) income | (224) | 34 | (196) | 66 | (54) |
| **OTHER EXPENSE** | | | | | |
| Operating | 384 | – | 29 | 36 | 28 |
| Finance Agency | 20 | – | 1 | 2 | 1 |
| Office of Finance | 18 | – | 2 | 2 | 1 |
| Provision for derivative counterparty credit losses | 35 | – | – | – | 35 |
| Other, net | 7 | (3) | 1 | – | – |
| Total other expense | 464 | (3) | 33 | 40 | 65 |
| **INCOME (LOSS) BEFORE ASSESSMENTS** | 2,041 | 24 | (88) | 456 | 11 |
| Affordable Housing Program | 177 | – | – | 37 | 1 |
| REFCORP | 396 | – | – | 84 | 2 |
| Total assessments | 573 | – | – | 121 | 3 |
| **NET INCOME (LOSS)** | $ 1,468 | $ 24 | $ (88) | $ 335 | $ 8 |

| Atlanta | Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|---|
| $ 703 | $379 | $ 258 | $ 335 | $386 | $435 | $212 | $ 1,817 | $ 285 |
| 10 | 5 | 2 | 14 | 3 | 11 | 10 | 20 | 6 |
| 5 | 9 | – | – | – | 1 | 7 | – | – |
| – | 1 | – | 4 | 1 | – | – | – | 5 |
| 14 | 6 | 18 | 3 | 13 | 3 | 2 | 13 | 3 |
| 104 | – | – | 22 | 35 | – | 57 | 1 | – |
| 35 | 10 | 13 | 94 | 22 | – | – | – | – |
| 500 | 291 | 145 | 381 | 92 | 78 | 116 | 804 | 112 |
| 82 | 252 | 224 | 688 | 254 | 8 | 79 | 79 | 127 |
| – | – | – | – | – | – | 2 | – | – |
| 1,453 | 953 | 660 | 1,541 | 806 | 536 | 485 | 2,734 | 538 |
| 238 | 89 | 74 | 171 | 108 | 167 | 63 | 368 | 54 |
| 1,070 | 639 | 437 | 1,021 | 625 | 376 | 280 | 1,448 | 361 |
| 3 | 1 | 1 | 1 | 1 | 1 | 4 | – | 1 |
| – | – | – | 17 | – | – | – | – | – |
| – | – | – | 28 | – | – | – | – | – |
| 2 | 2 | 7 | – | – | – | – | – | – |
| – | – | – | – | – | – | 1 | – | – |
| 1,313 | 731 | 519 | 1,238 | 734 | 544 | 348 | 1,816 | 416 |
| 140 | 222 | 141 | 303 | 72 | (8) | 137 | 918 | 122 |
| – | – | – | 5 | – | – | – | 1 | – |
| 140 | 222 | 141 | 298 | 72 | (8) | 137 | 917 | 122 |
| (1,102) | – | (183) | (1,286) | – | (52) | (1) | (2,439) | (1,155) |
| 967 | – | 162 | 1,076 | – | 51 | 1 | 2,263 | 1,022 |
| (135) | – | (21) | (210) | – | (1) | – | (176) | (133) |
| (108) | – | – | (11) | 54 | – | (16) | 1 | – |
| – | – | – | 19 | (43) | – | – | – | – |
| – | 6 | – | – | – | – | – | – | – |
| – | – | – | (2) | (12) | – | – | (361) | – |
| 417 | 8 | 3 | 50 | 97 | 161 | 122 | 258 | (11) |
| 1 | 1 | 1 | – | 1 | 2 | 3 | 1 | 1 |
| 1 | 3 | 1 | 1 | (49) | 4 | 1 | 2 | (5) |
| 176 | 18 | (16) | (153) | 48 | 166 | 110 | (275) | (148) |
| 51 | 21 | 20 | 50 | 23 | 32 | 17 | 54 | 23 |
| 3 | 1 | 1 | 2 | 1 | 1 | 1 | 5 | 1 |
| 2 | 2 | 1 | 1 | 1 | 1 | 1 | 3 | 1 |
| – | – | – | – | – | – | – | – | – |
| 1 | 1 | – | 5 | – | – | 2 | – | – |
| 57 | 25 | 22 | 58 | 25 | 34 | 21 | 62 | 25 |
| 259 | 215 | 103 | 87 | 95 | 124 | 226 | 580 | (51) |
| 21 | 18 | 9 | 7 | 8 | 10 | 18 | 48 | – |
| 48 | 39 | 19 | 16 | 17 | 23 | 42 | 106 | – |
| 69 | 57 | 28 | 23 | 25 | 33 | 60 | 154 | – |
| $ 190 | $158 | $ 75 | $ 64 | $ 70 | $ 91 | $166 | $ 426 | $ (51) |

# FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF CAPITAL FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

### (Shares in millions) (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh |
|---|---|---|---|---|---|
| **CAPITAL STOCK CLASS B PUTABLE SHARES** | | | | | |
| **BALANCE, DECEMBER 31, 2008** | 465 | – | 36 | 56 | 40 |
| Proceeds from sale of capital stock | 35 | – | – | 20 | – |
| Repurchase/redemption of capital stock | (40) | – | – | (22) | – |
| Net shares reclassified to mandatorily redeemable capital stock | – | – | – | – | – |
| Transfer between Class B and Class A shares | 1 | – | – | – | – |
| Capital stock dividends | – | – | – | – | – |
| **BALANCE, JUNE 30, 2009** | 461 | – | 36 | 54 | 40 |
| **BALANCE, DECEMBER 31, 2009** | 422 | – | 36 | 51 | 40 |
| Proceeds from sale of capital stock | 16 | – | – | 9 | – |
| Repurchase/redemption of capital stock | (24) | – | – | (12) | – |
| Net shares reclassified to mandatorily redeemable capital stock | (4) | – | – | – | – |
| Transfer between Class B and Class A shares | – | – | – | – | – |
| Capital stock dividends | – | – | – | – | – |
| **BALANCE, JUNE 30, 2010** | 410 | – | 36 | 48 | 40 |
| **CAPITAL STOCK CLASS A PUTABLE SHARES** | | | | | |
| **BALANCE, DECEMBER 31, 2008** | 7 | – | – | – | – |
| Proceeds from sale of capital stock | – | – | – | – | – |
| Repurchase/redemption of capital stock | (1) | – | – | – | – |
| Net shares reclassified to mandatorily redeemable capital stock | (1) | – | – | – | – |
| Transfer between Class B and Class A shares | (1) | – | – | – | – |
| Capital stock dividends | – | – | – | – | – |
| **BALANCE, JUNE 30, 2009** | 4 | – | – | – | – |
| **BALANCE, DECEMBER 31, 2009** | 4 | – | – | – | – |
| Proceeds from sale of capital stock | – | – | – | – | – |
| Repurchase/redemption of capital stock | – | – | – | – | – |
| Net shares reclassified to mandatorily redeemable capital stock | – | – | – | – | – |
| Transfer between Class B and Class A shares | – | – | – | – | – |
| Capital stock dividends | – | – | – | – | – |
| **BALANCE, JUNE 30, 2010** | 4 | – | – | – | – |

| Atlanta | Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|---|
| 85 | 40 | 19 | – | 28 | 32 | 16 | 96 | 17 |
| 8 | – | – | – | 1 | 3 | 2 | 1 | – |
| (11) | – | – | – | – | (7) | – | – | – |
| (1) | – | – | – | – | – | (5) | 6 | – |
| – | – | – | – | – | – | 1 | – | – |
| – | – | – | – | – | – | – | – | – |
| 81 | 40 | 19 | – | 29 | 28 | 14 | 103 | 17 |
| 81 | 31 | 17 | – | 25 | 25 | 13 | 86 | 17 |
| 1 | 1 | – | – | 2 | 2 | 1 | – | – |
| – | – | – | – | (4) | (5) | – | (3) | – |
| (3) | – | – | – | – | – | (1) | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| 79 | 32 | 17 | – | 23 | 22 | 13 | 83 | 17 |
| | | | | | | | | |
| – | – | – | – | – | – | 6 | – | 1 |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | (1) | – | – |
| – | – | – | – | – | – | (1) | – | – |
| – | – | – | – | – | – | (1) | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | 3 | – | 1 |
| – | – | – | – | – | – | 3 | – | 1 |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | 3 | – | 1 |

## FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
## FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

### (Shares in millions)
### (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh |
|---|---|---|---|---|---|
| **CAPITAL STOCK PRE-CONVERSION PUTABLE SHARES** | | | | | |
| **BALANCE, DECEMBER 31, 2008** | 24 | – | – | – | – |
| Proceeds from sale of capital stock | 1 | – | – | – | – |
| Repurchase/redemption of capital stock | – | – | – | – | – |
| Net shares reclassified to mandatorily redeemable capital stock | (1) | – | – | – | – |
| Conversion to Class B or Class A shares | – | – | – | – | – |
| Capital stock dividends | – | – | – | – | – |
| **BALANCE, JUNE 30, 2009** | 24 | – | – | – | – |
| **BALANCE, DECEMBER 31, 2009** | 23 | – | – | – | – |
| 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, 2010** | 23 | – | – | – | – |
| **TOTAL CAPITAL STOCK PUTABLE SHARES** | | | | | |
| **BALANCE, DECEMBER 31, 2008** | 496 | – | 36 | 56 | 40 |
| Proceeds from sale of capital stock | 36 | – | – | 20 | – |
| Repurchase/redemption of capital stock | (41) | – | – | (22) | – |
| Net shares reclassified to mandatorily redeemable capital stock | (2) | – | – | – | – |
| Capital stock dividends | – | – | – | – | – |
| **BALANCE, JUNE 30, 2009** | 489 | – | 36 | 54 | 40 |
| **BALANCE, DECEMBER 31, 2009** | 449 | – | 36 | 51 | 40 |
| Proceeds from sale of capital stock | 16 | – | – | 9 | – |
| Repurchase/redemption of capital stock | (24) | – | – | (12) | – |
| Net shares reclassified to mandatorily redeemable capital stock | (4) | – | – | – | – |
| Capital stock dividends | – | – | – | – | – |
| **BALANCE, JUNE 30, 2010** | 437 | – | 36 | 48 | 40 |

| Atlanta | Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|---|
| – | – | – | 24 | – | – | – | – | – |
| – | – | – | 1 | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | (1) | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | 24 | – | – | – | – | – |
| – | – | – | 23 | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | 23 | – | – | – | – | – |
| | | | | | | | | |
| 85 | 40 | 19 | 24 | 28 | 32 | 22 | 96 | 18 |
| 8 | – | – | 1 | 1 | 3 | 2 | 1 | – |
| (11) | – | – | – | – | (7) | (1) | – | – |
| (1) | – | – | (1) | – | – | (6) | 6 | – |
| – | – | – | – | – | – | – | – | – |
| 81 | 40 | 19 | 24 | 29 | 28 | 17 | 103 | 18 |
| 81 | 31 | 17 | 23 | 25 | 25 | 16 | 86 | 18 |
| 1 | 1 | – | – | 2 | 2 | 1 | – | – |
| – | – | – | – | (4) | (5) | – | (3) | – |
| (3) | – | – | – | – | – | (1) | – | – |
| – | – | – | – | – | – | – | – | – |
| 79 | 32 | 17 | 23 | 23 | 22 | 16 | 83 | 18 |

# FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
## FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

### (Dollar amounts in millions)
### (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh |
|---|---|---|---|---|---|
| **CAPITAL STOCK CLASS B PUTABLE PAR VALUE** | | | | | |
| **BALANCE, DECEMBER 31, 2008** | $46,413 | $– | $3,585 | $ 5,585 | $3,982 |
| Proceeds from sale of capital stock | 3,746 | – | 30 | 2,040 | 29 |
| Repurchase/redemption of capital stock | (4,095) | – | (2) | (2,255) | – |
| Net shares reclassified to mandatorily redeemable capital stock | (60) | – | 2 | – | (4) |
| Transfer between Class B and Class A shares | 132 | – | – | – | – |
| Capital stock dividends | 26 | – | – | – | – |
| **BALANCE, JUNE 30, 2009** | $46,162 | $– | $3,615 | $ 5,370 | $4,007 |
| **BALANCE, DECEMBER 31, 2009** | $42,227 | $– | $3,643 | $ 5,059 | $4,018 |
| Proceeds from sale of capital stock | 1,621 | – | 16 | 859 | 25 |
| Repurchase/redemption of capital stock | (2,413) | – | – | (1,208) | – |
| Net shares reclassified to mandatorily redeemable capital stock | (551) | – | – | (30) | (31) |
| Transfer between Class B and Class A shares | (11) | – | – | – | – |
| Capital stock dividends | 24 | – | – | – | – |
| **BALANCE, JUNE 30, 2010** | $40,897 | $– | $3,659 | $ 4,680 | $4,012 |
| **CAPITAL STOCK CLASS A PUTABLE PAR VALUE** | | | | | |
| **BALANCE, DECEMBER 31, 2008** | $ 752 | $– | $ – | $ – | $ – |
| Proceeds from sale of capital stock | 24 | – | – | – | – |
| Repurchase/redemption of capital stock | (118) | – | – | – | – |
| Net shares reclassified to mandatorily redeemable capital stock | (97) | – | – | – | – |
| Transfer between Class B and Class A shares | (132) | – | – | – | – |
| Capital stock dividends | – | – | – | – | – |
| **BALANCE, JUNE 30, 2009** | $ 429 | $– | $ – | $ – | $ – |
| **BALANCE, DECEMBER 31, 2009** | $ 427 | $– | $ – | $ – | $ – |
| Proceeds from sale of capital stock | 3 | – | – | – | – |
| Repurchase/redemption of capital stock | – | – | – | – | – |
| Net shares reclassified to mandatorily redeemable capital stock | (1) | – | – | – | – |
| Transfer between Class B and Class A shares | 11 | – | – | – | – |
| Capital stock dividends | – | – | – | – | – |
| **BALANCE, JUNE 30, 2010** | $ 440 | $– | $ – | $ – | $ – |

| Atlanta | Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|---|
| $ 8,463 | $3,962 | $1,879 | $– | $2,781 | $3,224 | $1,606 | $ 9,616 | $1,730 |
| 839 | 62 | 52 | – | 143 | 308 | 180 | 55 | 8 |
| (1,111) | – | (5) | – | – | (708) | (14) | – | – |
| (72) | (24) | (18) | – | (1) | (2) | (520) | 582 | (3) |
| – | – | – | – | – | – | 132 | – | – |
| – | – | – | – | – | 6 | 20 | – | – |
| $ 8,119 | $4,000 | $1,908 | $– | $2,923 | $2,828 | $1,404 | $10,253 | $1,735 |
| $ 8,124 | $3,063 | $1,726 | $– | $2,461 | $2,532 | $1,309 | $ 8,575 | $1,717 |
| 56 | 65 | 34 | – | 228 | 240 | 54 | 42 | 2 |
| (4) | – | – | – | (379) | (515) | – | (307) | – |
| (320) | (7) | (29) | – | (3) | – | (94) | (30) | (7) |
| – | – | – | – | – | – | (11) | – | – |
| – | – | – | – | – | 4 | 20 | – | – |
| $ 7,856 | $3,121 | $1,731 | $– | $2,307 | $2,261 | $1,278 | $ 8,280 | $1,712 |
| | | | | | | | | |
| $ – | $ – | $ – | $– | $ – | $ – | $ 634 | $ – | $ 118 |
| – | – | – | – | – | – | 4 | – | 20 |
| – | – | – | – | – | – | (118) | – | – |
| – | – | – | – | – | – | (95) | – | (2) |
| – | – | – | – | – | – | (132) | – | – |
| – | – | – | – | – | – | – | – | – |
| $ – | $ – | $ – | $– | $ – | $ – | $ 293 | $ – | $ 136 |
| $ – | $ – | $ – | $– | $ – | $ – | $ 294 | $ – | $ 133 |
| – | – | – | – | – | – | 3 | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | (1) | – | – |
| – | – | – | – | – | – | 11 | – | – |
| – | – | – | – | – | – | – | – | – |
| $ – | $ – | $ – | $– | $ – | $ – | $ 307 | $ – | $ 133 |

## FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
## FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

### (Dollar amounts in millions)
### (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh |
|---|---|---|---|---|---|
| **CAPITAL STOCK PRE-CONVERSION PUTABLE PAR VALUE** | | | | | |
| **BALANCE, DECEMBER 31, 2008** | $ 2,386 | $ – | $ – | $ – | $ – |
| Proceeds from sale of capital stock | 100 | – | – | – | – |
| Repurchase/redemption of capital stock | – | – | – | – | – |
| Net shares reclassified to mandatorily redeemable capital stock | (111) | – | – | – | – |
| Conversion to Class B or Class A shares | – | – | – | – | – |
| Capital stock dividends | – | – | – | – | – |
| **BALANCE, JUNE 30, 2009** | $ 2,375 | $ – | $ – | $ – | $ – |
| **BALANCE, DECEMBER 31, 2009** | $ 2,328 | $ – | $ – | $ – | $ – |
| Proceeds from sale of capital stock | 25 | – | – | – | – |
| Repurchase/redemption of capital stock | – | – | – | – | – |
| Net shares reclassified to mandatorily redeemable capital stock | (22) | – | – | – | – |
| Conversion to Class B or Class A shares | – | – | – | – | – |
| Capital stock dividends | – | – | – | – | – |
| **BALANCE, JUNE 30, 2010** | $ 2,331 | $ – | $ – | $ – | $ – |
| **TOTAL CAPITAL STOCK PUTABLE PAR VALUE** | | | | | |
| **BALANCE, DECEMBER 31, 2008** | $49,551 | $ – | $3,585 | $ 5,585 | $3,982 |
| Proceeds from sale of capital stock | 3,870 | – | 30 | 2,040 | 29 |
| Repurchase/redemption of capital stock | (4,213) | – | (2) | (2,255) | – |
| Net shares reclassified to mandatorily redeemable capital stock | (268) | – | 2 | – | (4) |
| Capital stock dividends | 26 | – | – | – | – |
| **BALANCE, JUNE 30, 2009** | $48,966 | $ – | $3,615 | $ 5,370 | $4,007 |
| **BALANCE, DECEMBER 31, 2009** | $44,982 | $ – | $3,643 | $ 5,059 | $4,018 |
| Proceeds from sale of capital stock | 1,649 | – | 16 | 859 | 25 |
| Repurchase/redemption of capital stock | (2,413) | – | – | (1,208) | – |
| Net shares reclassified to mandatorily redeemable capital stock | (574) | – | – | (30) | (31) |
| Capital stock dividends | 24 | – | – | – | – |
| **BALANCE, JUNE 30, 2010** | $43,668 | $ – | $3,659 | $ 4,680 | $4,012 |
| **RETAINED EARNINGS** | | | | | |
| **BALANCE, DECEMBER 31, 2008** | $ 2,936 | $(33) | $ (20) | $ 383 | $ 170 |
| Retained earnings cumulative effect of adjustment relating to amended other-than-temporary impairment guidance | 1,883 | – | 349 | – | 256 |
| Net income (loss) | 1,468 | 24 | (88) | 335 | 8 |
| Dividends on capital stock: | | | | | |
| Cash | (252) | – | – | (118) | – |
| Stock | (26) | – | – | – | – |
| **BALANCE, JUNE 30, 2009** | $ 6,009 | $ (9) | $ 241 | $ 600 | $ 434 |
| **BALANCE, DECEMBER 31, 2009** | $ 6,033 | $(15) | $ 142 | $ 689 | $ 389 |
| Net income (loss) | 651 | (1) | 42 | 110 | (58) |
| Dividends on capital stock: | | | | | |
| Cash | (261) | – | – | (122) | – |
| Stock | (24) | – | – | – | – |
| **BALANCE, JUNE 30, 2010** | $ 6,399 | $(16) | $ 184 | $ 677 | $ 331 |

| Atlanta | Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|---|
| $ – | $ – | $ – | $2,386 | $ – | $ – | $ – | $ – | $ – |
| – | – | – | 100 | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | (111) | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| $ – | $ – | $ – | $2,375 | $ – | $ – | $ – | $ – | $ – |
| $ – | $ – | $ – | $2,328 | $ – | $ – | $ – | $ – | $ – |
| – | – | – | 25 | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | (22) | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| $ – | $ – | $ – | $2,331 | $ – | $ – | $ – | $ – | $ – |
| | | | | | | | | |
| $ 8,463 | $3,962 | $1,879 | $2,386 | $2,781 | $3,224 | $2,240 | $ 9,616 | $1,848 |
| 839 | 62 | 52 | 100 | 143 | 308 | 184 | 55 | 28 |
| (1,111) | – | (5) | – | – | (708) | (132) | – | – |
| (72) | (24) | (18) | (111) | (1) | (2) | (615) | 582 | (5) |
| – | – | – | – | – | 6 | 20 | – | – |
| $ 8,119 | $4,000 | $1,908 | $2,375 | $2,923 | $2,828 | $1,697 | $10,253 | $1,871 |
| $ 8,124 | $3,063 | $1,726 | $2,328 | $2,461 | $2,532 | $1,603 | $ 8,575 | $1,850 |
| 56 | 65 | 34 | 25 | 228 | 240 | 57 | 42 | 2 |
| (4) | – | – | – | (379) | (515) | – | (307) | – |
| (320) | (7) | (29) | (22) | (3) | – | (95) | (30) | (7) |
| – | – | – | – | – | 4 | 20 | – | – |
| $ 7,856 | $3,121 | $1,731 | $2,331 | $2,307 | $2,261 | $1,585 | $ 8,280 | $1,845 |
| | | | | | | | | |
| $ 435 | $ 326 | $ 283 | $ 540 | $ 382 | $ 216 | $ 157 | $ 176 | $ (79) |
| | | | | | | | | |
| 179 | – | – | 233 | – | – | 3 | 570 | 293 |
| 190 | 158 | 75 | 64 | 70 | 91 | 166 | 426 | (51) |
| | | | | | | | | |
| – | (89) | (30) | – | (15) | – | – | – | – |
| – | – | – | – | – | (6) | (20) | – | – |
| $ 804 | $ 395 | $ 328 | $ 837 | $ 437 | $ 301 | $ 306 | $ 1,172 | $ 163 |
| $ 873 | $ 412 | $ 349 | $ 708 | $ 484 | $ 356 | $ 355 | $ 1,239 | $ 52 |
| 123 | 84 | 19 | 117 | 44 | 55 | (20) | 122 | 14 |
| | | | | | | | | |
| (11) | (73) | (17) | – | (27) | – | – | (11) | – |
| – | – | – | – | – | (4) | (20) | – | – |
| $ 985 | $ 423 | $ 351 | $ 825 | $ 501 | $ 407 | $ 315 | $ 1,350 | $ 66 |

# FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued) FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

### (Dollar amounts in millions) (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh |
|---|---|---|---|---|---|
| **ACCUMULATED OTHER COMPREHENSIVE INCOME** | | | | | |
| **BALANCE, DECEMBER 31, 2008** | $(1,137) | $(3) | $ (135) | $(101) | $ (17) |
| Accumulated other comprehensive income cumulative effect of adjustment relating to amended other-than-temporary impairment guidance | (1,883) | – | (349) | – | (256) |
| Net unrealized gain (losses) on available-for-sale securities: | | | | | |
| Unrealized gains on available-for-sale securities | 281 | – | 4 | 54 | – |
| Reclassification adjustment for losses (gains) included in net income relating to available-for-sale securities | 7 | – | – | – | – |
| Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities: | | | | | |
| 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 noncredit portion of other-than-temporary impairment losses on available-for-sale securities: | | | | | |
| Noncredit portion of other-than-temporary impairment losses on available-for-sale securities | (1,922) | – | – | – | (797) |
| Reclassification adjustment of noncredit portion of impairment losses included in net income relating to available-for-sale securities | 51 | – | – | – | – |
| Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities: | | | | | |
| Noncredit portion of other-than-temporary impairment losses on held-to-maturity securities | (7,396) | – | (960) | (77) | (731) |
| Reclassification adjustment of noncredit portion of impairment losses included in net income relating to held-to-maturity securities | 382 | – | 52 | – | 16 |
| Accretion of noncredit portion of impairment losses on held-to-maturity securities | 453 | – | 128 | – | 27 |
| Reclassification of noncredit portion of other-than-temporary impairment losses from held-to-maturity securities to available-for-sale securities | 1,765 | – | – | – | 820 |
| Net unrealized gains (losses) relating to hedging activities: | | | | | |
| Unrealized gains relating to hedging activities | 239 | – | – | – | – |
| Reclassification adjustment for losses included in net income relating to hedging activities | 20 | – | – | 4 | 1 |
| Pension and postretirement benefits | 3 | – | 3 | – | – |
| **BALANCE, JUNE 30, 2009** | $(9,098) | $(3) | $(1,257) | $(120) | $(937) |
| **BALANCE, DECEMBER 31, 2009** | $(8,206) | $(2) | $(1,021) | $(145) | $(694) |
| Net unrealized gains (losses) on available-for-sale securities: | | | | | |
| Unrealized gains (losses) on available-for-sale securities | 614 | – | 50 | 23 | 1 |
| Reclassification adjustment for (gains) losses included in net income relating to available-for-sale securities | – | – | – | – | – |
| Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities: | | | | | |
| 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 | 10 | – | – | – | – |
| Net noncredit portion of other-than-temporary impairment losses on available for sale securities: | | | | | |
| Noncredit portion of impairment losses on available-for-sale securities, including noncredit impairment losses transferred from held-to-maturity securities and subsequent fair value adjustments | 223 | – | – | – | 183 |
| Reclassification adjustment of noncredit portion of impairment losses included in net income relating to available-for-sale securities | 276 | – | – | – | 135 |
| Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities: | | | | | |
| Noncredit portion of impairment losses on held-to-maturity securities | (807) | – | (31) | (2) | (20) |
| Reclassification adjustment of noncredit portion of impairment losses included in net income relating to held-to-maturity securities | 386 | – | 45 | 3 | – |
| Accretion of noncredit portion of impairment losses on held-to-maturity securities | 744 | – | 150 | 8 | – |
| Reclassification of noncredit portion of impairment losses from held-to-maturity securities to available-for-sale securities | 331 | – | – | – | 20 |
| Net unrealized gains (losses) relating to hedging activities: | | | | | |
| Unrealized losses relating to hedging activities | (460) | – | – | – | – |
| Reclassification adjustment for losses included in net income relating to hedging activities | 7 | – | – | 3 | – |
| Pension and postretirement benefits | 1 | – | 1 | – | – |
| **BALANCE, JUNE 30, 2010** | $(6,881) | $(2) | $ (806) | $(110) | $(375) |

| Atlanta | Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|---|
| $ (5) | $(6) | $ (71) | $ (639) | $(146) | $ (2) | $ (2) | $ (7) | $ (3) |
| (179) | – | – | (233) | – | – | (3) | (570) | (293) |
| – | – | 60 | 64 | 97 | 2 | – | – | – |
| – | – | – | (19) | 26 | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | 39 | – | – | – | – | – |
| (1,096) | – | – | (29) | – | – | – | – | – |
| 37 | – | – | 14 | – | – | – | – | – |
| (767) | – | (162) | (1,177) | – | (51) | (1) | (2,390) | (1,080) |
| – | – | – | 129 | – | – | – | 127 | 58 |
| – | – | 8 | 83 | – | 2 | 1 | 123 | 81 |
| 945 | – | – | – | – | – | – | – | – |
| – | – | – | 239 | – | – | – | – | – |
| – | – | – | 15 | – | – | – | – | – |
| – | – | – | – | 1 | – | – | – | (1) |
| $(1,065) | $(6) | $(165) | $(1,514) | $ (22) | $(49) | $ (5) | $(2,717) | $(1,238) |
| $ (744) | $(8) | $(329) | $ (658) | $ (34) | $(66) | $(12) | $(3,584) | $ (909) |
| – | – | (9) | 402 | 137 | – | – | 4 | 6 |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | 10 | – | – | – | – | – |
| 53 | – | – | 6 | – | – | – | – | (19) |
| 79 | – | – | 5 | – | – | – | – | 57 |
| (156) | – | (21) | (34) | – | (7) | (16) | (379) | (141) |
| – | – | 67 | 63 | – | 2 | 2 | 199 | 5 |
| – | – | 28 | 95 | – | 9 | 2 | 428 | 24 |
| 156 | – | – | – | – | – | – | – | 155 |
| – | – | – | (460) | – | – | – | – | – |
| – | – | – | 4 | – | – | – | – | – |
| – | 1 | – | – | – | (1) | – | – | – |
| $ (612) | $(7) | $(264) | $ (567) | $ 103 | $(63) | $(24) | $(3,332) | $ (822) |

# FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
## FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

### (Dollar amounts in millions)
### (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh |
|---|---|---|---|---|---|
| **TOTAL CAPITAL** | | | | | |
| **BALANCE, DECEMBER 31, 2008** | $51,350 | $(36) | $3,430 | $ 5,867 | $4,135 |
| Retained earnings cumulative effect of adjustment relating to amended other-than-temporary impairment guidance | 1,883 | – | 349 | – | 256 |
| Accumulated other comprehensive income cumulative effect of adjustment relating to amended other-than-temporary impairment guidance | (1,883) | – | (349) | – | (256) |
| Proceeds from sale of capital stock | 3,870 | – | 30 | 2,040 | 29 |
| Repurchase/redemption of capital stock | (4,213) | – | (2) | (2,255) | – |
| Net shares reclassified to mandatorily redeemable capital stock | (268) | – | 2 | – | (4) |
| Comprehensive income: | | | | | |
| Net income (loss) | 1,468 | 24 | (88) | 335 | 8 |
| Other comprehensive income (loss): | | | | | |
| Net unrealized gains (losses) on available-for-sale securities: | | | | | |
| Unrealized gains on available-for-sale securities | 281 | – | 4 | 54 | – |
| Reclassification adjustment for losses (gains) included in net income relating to available-for-sale securities | 7 | – | – | – | – |
| Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities | – | – | – | – | – |
| 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 noncredit portion of other-than-temporary losses on available-for-sale securities: | | | | | |
| Noncredit portion of other-than-temporary impairment losses on available-for-sale securities | (1,922) | – | – | – | (797) |
| Reclassification adjustment of noncredit portion of impairment losses included in net income relating to available-for-sale securities | 51 | – | – | – | – |
| Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities: | | | | | |
| Noncredit portion of other-than-temporary impairment losses on held-to-maturity securities | (7,396) | – | (960) | (77) | (731) |
| Reclassification adjustment of noncredit portion of impairment losses included in net income relating to held-to-maturity securities | 382 | – | 52 | – | 16 |
| Accretion of noncredit portion of impairment losses on held-to-maturity securities | 453 | – | 128 | – | 27 |
| Reclassification of noncredit portion of other-than-temporary impairment losses from held-to-maturity securities to available-for-sale securities | 1,765 | – | – | – | 820 |
| Net unrealized gains (losses) relating to hedging activities: | | | | | |
| Unrealized gains relating to hedging activities | 239 | – | – | – | – |
| Reclassification adjustment for losses included in net income relating to hedging activities | 20 | – | – | 4 | 1 |
| Pension and postretirement benefits | 3 | – | 3 | – | – |
| Total comprehensive income | (4,610) | 24 | (861) | 316 | (656) |
| Dividends on capital stock: | | | | | |
| Cash | (252) | – | – | (118) | – |
| **BALANCE, JUNE 30, 2009** | $45,877 | $(12) | $2,599 | $ 5,850 | $3,504 |
| **BALANCE, DECEMBER 31, 2009** | $42,809 | $(17) | $2,764 | $ 5,603 | $3,713 |
| Proceeds from sale of capital stock | 1,649 | – | 16 | 859 | 25 |
| Repurchase/redemption of capital stock | (2,413) | – | – | (1,208) | – |
| Net shares reclassified to mandatorily redeemable capital stock | (574) | – | – | (30) | (31) |
| Comprehensive income: | | | | | |
| Net income (loss) | 651 | (1) | 42 | 110 | (58) |
| Other comprehensive income (loss): | | | | | |
| Net unrealized gains (losses) on available-for-sale securities: | | | | | |
| Unrealized gains (losses) on available-for-sale securities | 614 | – | 50 | 23 | 1 |
| Reclassification adjustment for (gains) losses included in net income relating to available-for-sale securities | – | – | – | – | – |
| Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities: | | | | | |
| 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 | 10 | – | – | – | – |
| Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities: | | | | | |
| Noncredit portion of impairment losses on available-for-sale securities, including noncredit impairment losses transferred from held-to maturity securities and subsequent fair value adjustments | 223 | – | – | – | 183 |
| Reclassification adjustment of noncredit portion of impairment losses included in net income relating to available-for-sale securities | 276 | – | – | – | 135 |
| Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities: | | | | | |
| Noncredit portion of impairment losses on held-to-maturity securities | (807) | – | (31) | (2) | (20) |
| Reclassification adjustment of noncredit portion of impairment losses included in net income relating to held-to-maturity securities | 386 | – | 45 | 3 | – |
| Accretion of noncredit portion of impairment losses on held-to-maturity securities | 744 | – | 150 | 8 | – |
| Reclassification of noncredit portion of impairment losses from held-to-maturity securities to available-for-sale securities | 331 | – | – | – | 20 |
| Net unrealized gains (losses) relating to hedging activities: | | | | | |
| Unrealized losses relating to hedging activities | (460) | – | – | – | – |
| Reclassification adjustment for losses included in net income relating to hedging activities | 7 | – | – | 3 | – |
| Pension and postretirement benefits | 1 | – | 1 | – | – |
| Total comprehensive income (loss) | 1,976 | (1) | 257 | 145 | 261 |
| Dividends on capital stock: | | | | | |
| Cash | (261) | – | – | (122) | – |
| Stock | – | – | – | – | – |
| **BALANCE, JUNE 30, 2010** | $43,186 | $(18) | $3,037 | $ 5,247 | $3,968 |

| Atlanta | Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|---|
| $ 8,893 | $4,282 | $2,091 | $ 2,287 | $3,017 | $3,438 | $2,395 | $ 9,785 | $ 1,766 |
| 179 | – | – | 233 | – | – | 3 | 570 | 293 |
| (179) | – | – | (233) | – | – | (3) | (570) | (293) |
| 839 | 62 | 52 | 100 | 143 | 308 | 184 | 55 | 28 |
| (1,111) | – | (5) | – | – | (708) | (132) | – | – |
| (72) | (24) | (18) | (111) | (1) | (2) | (615) | 582 | (5) |
| 190 | 158 | 75 | 64 | 70 | 91 | 166 | 426 | (51) |
| – | – | 60 | 64 | 97 | 2 | – | – | – |
| – | – | – | (19) | 26 | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | 39 | – | – | – | – | – |
| (1,096) | – | – | (29) | – | – | – | – | – |
| 37 | – | – | 14 | – | – | – | – | – |
| (767) | – | (162) | (1,177) | – | (51) | (1) | (2,390) | (1,080) |
| – | – | – | 129 | – | – | – | 127 | 58 |
| – | – | 8 | 83 | – | 2 | 1 | 123 | 81 |
| 945 | – | – | – | – | – | – | – | – |
| – | – | – | 239 | – | – | – | – | – |
| – | – | – | 15 | – | – | – | – | – |
| – | – | – | – | 1 | – | – | – | (1) |
| (691) | 158 | (19) | (578) | 194 | 44 | 166 | (1,714) | (993) |
| – | (89) | (30) | – | (15) | – | – | – | – |
| $ 7,858 | $4,389 | $2,071 | $ 1,698 | $3,338 | $3,080 | $1,998 | $ 8,708 | $ 796 |
| $ 8,253 | $3,467 | $1,746 | $ 2,378 | $2,911 | $2,822 | $1,946 | $ 6,230 | $ 993 |
| 56 | 65 | 34 | 25 | 228 | 240 | 57 | 42 | 2 |
| (4) | – | – | – | (379) | (515) | – | (307) | – |
| (320) | (7) | (29) | (22) | (3) | – | (95) | (30) | (7) |
| 123 | 84 | 19 | 117 | 44 | 55 | (20) | 122 | 14 |
| – | – | (9) | 402 | 137 | – | – | 4 | 6 |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | 10 | – | – | – | – | – |
| 53 | – | – | 6 | – | – | – | – | (19) |
| 79 | – | – | 5 | – | – | – | – | 57 |
| (156) | – | (21) | (34) | – | (7) | (16) | (379) | (141) |
| – | – | 67 | 63 | – | 2 | 2 | 199 | 5 |
| – | – | 28 | 95 | – | 9 | 2 | 428 | 24 |
| 156 | – | – | – | – | – | – | – | 155 |
| – | – | – | (460) | – | – | – | – | – |
| – | – | – | 4 | – | – | – | – | – |
| – | 1 | – | – | – | (1) | – | – | – |
| 255 | 85 | 84 | 208 | 181 | 58 | (32) | 374 | 101 |
| (11) | (73) | (17) | – | (27) | – | – | (11) | – |
| – | – | – | – | – | – | – | – | – |
| $ 8,229 | $3,537 | $1,818 | $ 2,589 | $2,911 | $2,605 | $1,876 | $ 6,298 | $ 1,089 |

## FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2010

### (Dollar amounts in millions) (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh |
|---|---|---|---|---|---|
| **OPERATING ACTIVITIES:** | | | | | |
| Net income (loss) | $ 651 | $ (1) | $ 42 | $ 110 | $ (58) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Depreciation and amortization | (101) | 1 | 3 | (22) | 9 |
| Change in net derivative and hedging activities | 1,466 | – | 41 | 312 | 32 |
| Other adjustments [(1)] | 696 | – | 53 | 6 | 136 |
| Net change in fair value adjustments on trading securities | (187) | – | (10) | – | – |
| Net change in fair value adjustments on advances and consolidated obligations held at fair value | 142 | – | – | 12 | – |
| Net change in: | | | | | |
| Accrued interest receivable | 353 | – | (2) | 30 | 30 |
| Other assets | (45) | – | 2 | 2 | – |
| Accrued interest payable | (714) | – | (31) | (38) | (78) |
| Other liabilities [(2)] | 197 | – | 5 | (5) | (9) |
| Total adjustments | 1,807 | 1 | 61 | 297 | 120 |
| Net cash provided by (used in) operating activities | 2,458 | – | 103 | 407 | 62 |
| **INVESTING ACTIVITIES:** | | | | | |
| Net change in: | | | | | |
| Interest-bearing deposits | (1,405) | – | – | (829) | 67 |
| Securities purchased under agreements to resell | (7,800) | – | (2,500) | – | – |
| Federal funds sold | (15,385) | – | 1,131 | 325 | (1,950) |
| Deposits to other FHLBanks | – | 2 | – | – | (2) |
| Loans to FHLBanks | – | 15 | – | – | – |
| Premises, software and equipment | (25) | – | – | (2) | (2) |
| Trading securities: | | | | | |
| Net decrease (increase) in short-term | 2,696 | – | (1,615) | – | – |
| Proceeds from long-term | 3,100 | (154) | 2 | – | – |
| Purchases of long-term | (1,283) | – | (151) | – | – |
| Available-for-sale securities: | | | | | |
| Net decrease in short-term | 3,575 | – | 805 | – | – |
| Proceeds from long-term | 3,226 | – | 239 | 664 | 269 |
| Purchases of long-term | (16,316) | – | (2,632) | (1,296) | – |
| Held-to-maturity securities: | | | | | |
| Net (increase) decrease in short-term | (2,003) | – | – | – | (650) |
| Proceeds from long-term | 22,876 | – | 1,266 | 1,769 | 1,026 |
| Purchases of long-term | (14,266) | – | (628) | (174) | (523) |
| Advances: | | | | | |
| Proceeds | 745,463 | – | 80,659 | 116,284 | 52,283 |
| Made | (652,157) | – | (79,003) | (106,107) | (46,998) |
| Mortgage loans held for portfolio: | | | | | |
| Principal collected | 6,244 | – | 309 | 93 | 428 |
| Purchases | (1,672) | – | (127) | (59) | (165) |
| Proceeds from sales of foreclosed assets | 65 | – | 5 | – | – |
| Principal collected on other loans | 1 | – | – | – | – |
| Net cash provided by (used in) investing activities | 74,934 | (137) | (2,240) | 10,668 | 3,783 |

| Atlanta | Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|---|
| $ 123 | $ 84 | $ 19 | $ 117 | $ 44 | $ 55 | $ (20) | $ 122 | $ 14 |
| | | | | | | | | |
| (31) | 12 | (19) | 56 | 2 | (49) | 3 | (5) | (61) |
| 569 | 123 | 110 | – | 13 | 109 | 68 | 68 | 21 |
| 69 | (7) | 69 | 81 | 6 | 2 | 4 | 204 | 73 |
| (80) | – | – | 3 | (53) | – | (48) | 1 | – |
| | | | | | | | | |
| – | – | – | 8 | 1 | – | – | 121 | – |
| | | | | | | | | |
| 80 | 12 | 9 | 11 | (6) | 6 | 6 | 141 | 36 |
| (6) | 2 | – | (28) | (5) | (1) | (2) | (5) | (4) |
| (147) | (78) | (52) | (42) | (5) | (56) | (8) | (142) | (37) |
| 3 | (17) | (13) | 18 | 1 | (2) | (12) | 224 | 4 |
| 457 | 47 | 104 | 107 | (46) | 9 | 11 | 607 | 32 |
| 580 | 131 | 123 | 224 | (2) | 64 | (9) | 729 | 46 |
| | | | | | | | | |
| | | | | | | | | |
| (369) | (83) | (88) | – | (66) | (55) | (12) | – | 30 |
| – | (1,400) | – | (900) | (250) | – | – | – | (2,750) |
| (4,797) | (3,235) | (2,817) | (2,230) | 1,053 | (649) | (2,039) | (6,306) | 6,129 |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | (15) | – |
| (6) | (1) | – | (4) | (1) | (3) | (1) | (4) | (1) |
| | | | | | | | | |
| – | 3,800 | – | – | – | – | 511 | – | – |
| 200 | – | – | 2 | 2,810 | – | 237 | 3 | – |
| – | – | – | – | – | – | – | (1,132) | – |
| | | | | | | | | |
| – | 2,770 | – | – | – | – | – | – | – |
| 214 | – | – | 500 | 1,238 | – | – | – | 102 |
| – | – | – | (5,100) | (173) | – | – | – | (7,115) |
| | | | | | | | | |
| (1,150) | – | (105) | (40) | (300) | – | – | (940) | 1,182 |
| 2,700 | 1,951 | 959 | 1,663 | 1,343 | 2,441 | 1,660 | 5,109 | 989 |
| (1,530) | (1,744) | (1,491) | (1) | (3,904) | (1,079) | (2,375) | (412) | (405) |
| | | | | | | | | |
| 35,436 | 114,962 | 10,337 | 45,643 | 17,789 | 112,948 | 22,991 | 116,246 | 19,885 |
| (20,418) | (111,651) | (7,774) | (42,564) | (14,330) | (106,991) | (21,640) | (78,626) | (16,055) |
| | | | | | | | | |
| 210 | 817 | 674 | 2,282 | 574 | 24 | 246 | 249 | 338 |
| – | (251) | (158) | (24) | (406) | – | (482) | – | – |
| – | – | – | 44 | 12 | – | 4 | – | – |
| – | – | – | – | – | – | 1 | – | – |
| 10,490 | 5,935 | (463) | (729) | 5,389 | 6,636 | (899) | 34,172 | 2,329 |

## FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS (continued)
## FOR THE SIX MONTHS ENDED JUNE 30, 2010

### (Dollar amounts in millions)
### (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh | Atlanta |
|---|---|---|---|---|---|---|
| **FINANCING ACTIVITIES:** | | | | | | |
| Net change in: | | | | | | |
| Deposits and pass-through reserves | $ 1,741 | $ – | $ 7 | $ 2,170 | $ (131) | $ 162 |
| Deposits from other FHLBanks | – | (2) | – | – | – | – |
| Borrowings | (1) | – | – | 4 | – | – |
| Loans from FHLBanks | – | (15) | – | – | – | 15 |
| Net (payments) proceeds on derivative contracts with financing element | (984) | – | (20) | (224) | (80) | (400) |
| Net proceeds from issuance of consolidated obligations: | | | | | | |
| Discount notes | 3,282,644 | – | 617,934 | 62,940 | 30,783 | 500,654 |
| Bonds | 292,107 | – | 18,470 | 31,885 | 10,728 | 49,917 |
| Payments for maturing and retiring consolidated obligations: | | | | | | |
| Discount notes | (3,299,546) | – | (618,573) | (66,282) | (28,876) | (501,221) |
| Bonds | (358,730) | 154 | (15,858) | (39,936) | (17,630) | (60,662) |
| Proceeds from issuance of capital stock | 1,649 | – | 16 | 859 | 25 | 56 |
| Payments for repurchase/redemption of mandatorily redeemable capital stock | (661) | – | (4) | (87) | (3) | – |
| Payments for repurchase/redemption of capital stock | (2,413) | – | – | (1,208) | – | (4) |
| Cash dividends paid | (261) | – | – | (122) | – | (11) |
| Net cash (used in) provided by financing activities | (84,455) | 137 | 1,972 | (10,001) | (5,184) | (11,494) |
| Net (decrease) increase in cash and cash equivalents | (7,063) | – | (165) | 1,074 | (1,339) | (424) |
| Cash and cash equivalents at beginning of the period | 24,330 | – | 191 | 2,189 | 1,419 | 465 |
| Cash and cash equivalents at end of the period | $ 17,267 | $ – | $ 26 | $ 3,263 | $ 80 | $ 41 |
| **Supplemental Disclosures:** | | | | | | |
| Interest paid | $ 5,878 | $ – | $ 300 | $ 381 | $ 453 | $ 589 |
| AHP payments, net | $ 109 | $ – | $ 5 | $ 13 | $ 7 | $ 11 |
| REFCORP assessments paid | $ 199 | $ – | $ – | $ 38 | $ – | $ 33 |
| Transfers of mortgage loans to real estate owned | $ 118 | $ – | $ 5 | $ 1 | $ 11 | $ 12 |
| Mortgage loans held for portfolio transferred to mortgage loans held for sale | $ – | $ – | $ – | $ – | $ – | $ – |
| Mortgage loans held for sale transferred to mortgage loans held for portfolio | $ – | $ – | $ – | $ – | $ – | $ – |
| Non-cash transfer of other-than-temporarily impaired held-to-maturity securities to available-for-sale securities | $ 1,732 | $ – | $ – | $ – | $ 319 | $ 1,220 |

(1) Other adjustments primarily relate to the non-cash adjustments for "Net other-than-temporary impairment losses" as reported on the Combining Schedules—Statement of Income.
(2) Other liabilities includes the net change in REFCORP receivable/payable.

| | Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| | $ (500) | $ (197) | $ (117) | $ 107 | $ (620) | $ 948 | $ (107) | $ 19 |
| | – | – | 2 | – | – | – | – | – |
| | – | – | – | – | – | (5) | – | – |
| | – | – | – | – | – | – | – | – |
| | (85) | (82) | (69) | (5) | (9) | (53) | 33 | 10 |
| | 288,930 | 333,468 | 611,413 | 202,002 | 66,500 | 57,113 | 61,780 | 449,127 |
| | 10,668 | 19,678 | 24,180 | 21,599 | 21,766 | 9,686 | 49,510 | 24,020 |
| | | | | | | | | |
| | (286,598) | (332,285) | (615,082) | (207,929) | (69,182) | (53,093) | (64,200) | (456,225) |
| | (16,809) | (21,971) | (22,212) | (21,181) | (26,338) | (14,122) | (82,107) | (20,058) |
| | 65 | 34 | 25 | 228 | 240 | 57 | 42 | 2 |
| | (287) | (3) | – | (4) | (1) | (89) | (183) | – |
| | – | – | – | (379) | (515) | – | (307) | – |
| | (73) | (17) | – | (27) | – | – | (11) | – |
| | (4,689) | (1,375) | (1,860) | (5,589) | (8,159) | 442 | (35,550) | (3,105) |
| | 1,377 | (1,715) | (2,365) | (202) | (1,459) | (466) | (649) | (730) |
| | 1,808 | 1,722 | 2,823 | 299 | 3,908 | 495 | 8,280 | 731 |
| | $ 3,185 | $ 7 | $ 458 | $ 97 | $ 2,449 | $ 29 | $ 7,631 | $ 1 |
| | $ 543 | $ 349 | $ 1,083 | $ 931 | $ 145 | $ 197 | $ 655 | $ 252 |
| | $ 15 | $ 6 | $ 4 | $ 6 | $ 9 | $ 4 | $ 26 | $ 3 |
| | $ 23 | $ 14 | $ – | $ 18 | $ 14 | $ 12 | $ 47 | $ – |
| | $ – | $ – | $ 68 | $ 12 | $ – | $ 4 | $ 3 | $ 2 |
| | $ – | $ – | $ – | $ – | $ – | $ – | $ – | $ – |
| | $ – | $ – | $ – | $ – | $ – | $ – | $ – | $ – |
| | $ – | $ – | $ – | $ – | $ – | $ – | $ – | $ 193 |

## FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
## FOR THE SIX MONTHS ENDED JUNE 30, 2009

### (Dollar amounts in millions)
### (Unaudited)

| | Combined (As Revised) | Combining Adjustments | Boston | New York | Pittsburgh |
|---|---|---|---|---|---|
| **OPERATING ACTIVITIES:** | | | | | |
| Net income (loss) | $ 1,468 | $ 24 | $ (88) | $ 335 | $ 8 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Depreciation and amortization | (975) | – | (234) | (81) | (123) |
| Change in net derivative and hedging activities | 103 | 13 | 146 | 23 | 269 |
| Other adjustments [(1)] | 1,008 | (37) | 198 | 11 | 71 |
| Net change in fair value adjustments on trading securities | 106 | – | (1) | – | – |
| Change in fair value adjustments on advances and consolidated obligations held at fair value | 367 | – | – | (8) | – |
| Net change in: | | | | | |
| Trading securities | (428) | – | – | – | (428) |
| Accrued interest receivable | 1,273 | (2) | 119 | 125 | 96 |
| Other assets | 35 | – | 7 | 3 | 39 |
| Accrued interest payable | (2,224) | 2 | (86) | (153) | (194) |
| Other liabilities [(2)] | 266 | – | (14) | 55 | (10) |
| Total adjustments | (469) | (24) | 135 | (25) | (280) |
| Net cash provided by (used in) operating activities | 999 | – | 47 | 310 | (272) |
| **INVESTING ACTIVITIES:** | | | | | |
| Net change in: | | | | | |
| Interest-bearing deposits | 8,800 | – | (15,608) | (74) | (2,747) |
| Securities purchased under agreements to resell | (3,490) | – | 500 | – | – |
| Federal funds sold | (17,432) | – | 1,140 | – | 750 |
| Deposits to other FHLBanks | – | 2 | – | – | (1) |
| Premises, software and equipment | (31) | – | – | (3) | (2) |
| Trading securities: | | | | | |
| Net increase in short-term | (5,448) | – | – | – | – |
| Proceeds | 1,288 | (147) | 5 | – | – |
| Purchases | (4,774) | – | – | – | – |
| Available-for-sale securities: | | | | | |
| Net increase in short-term | (2,668) | – | (500) | – | – |
| Proceeds | 2,483 | – | 47 | 413 | 4 |
| Purchases | (10,429) | – | (63) | – | – |
| Held-to-maturity securities: | | | | | |
| Net decrease (increase) in short-term | 3,247 | – | 215 | 1,203 | (1,700) |
| Proceeds from long-term | 20,570 | – | 946 | 1,532 | 2,179 |
| Purchases of long-term | (10,334) | – | (177) | (1,957) | (475) |
| Advances: | | | | | |
| Proceeds | 2,123,098 | – | 212,418 | 244,562 | 91,396 |
| Made | (1,943,142) | – | (197,683) | (237,879) | (75,963) |
| Mortgage loans held for portfolio: | | | | | |
| Principal collected | 12,885 | – | 542 | 146 | 841 |
| Purchases | (5,681) | – | (239) | (72) | (293) |
| Mortgage loans held for sale: | | | | | |
| Proceeds | 2,124 | – | – | – | – |
| Principal collected | 128 | – | – | – | – |
| Proceeds from sales of foreclosed assets | 29 | – | 3 | – | – |
| Principal collected on other loans | 1 | – | – | – | – |
| Net cash provided by (used in) investing activities | 171,224 | (145) | 1,546 | 7,871 | 13,989 |

| Atlanta | Cincinnati | Indianapolis | Chicago (As Revised) | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|---|
| $ 190 | $ 158 | $ 75 | $ 64 | $ 70 | $ 91 | $ 166 | $ 426 | $ (51) |
| | | | | | | | | |
| (119) | (39) | (68) | 113 | (17) | (22) | (54) | (238) | (93) |
| 266 | 105 | 130 | (279) | (68) | 108 | (100) | (518) | 8 |
| 135 | (6) | 21 | 205 | 94 | – | – | 177 | 139 |
| 134 | – | – | 11 | (53) | – | 16 | (1) | – |
| – | – | – | 2 | 12 | – | – | 361 | – |
| – | – | – | – | – | – | – | – | – |
| 174 | 84 | 25 | 35 | 6 | 63 | 30 | 416 | 102 |
| (5) | 1 | (5) | (25) | 6 | 2 | 1 | 11 | – |
| (340) | (92) | (74) | (212) | (81) | (332) | (81) | (456) | (125) |
| 26 | 13 | (3) | 18 | 14 | 22 | 37 | 116 | (8) |
| 271 | 66 | 26 | (132) | (87) | (159) | (151) | (132) | 23 |
| 461 | 224 | 101 | (68) | (17) | (68) | 15 | 294 | (28) |
| | | | | | | | | |
| 2,154 | 20,149 | 156 | – | 197 | 1,527 | 3,022 | – | 24 |
| – | – | – | (3,890) | – | – | – | – | (100) |
| 2,567 | (6,380) | (290) | (3,320) | (1,189) | (1,464) | (1,301) | (7,227) | (718) |
| – | – | – | – | (1) | – | – | – | – |
| (5) | (2) | (1) | (4) | (1) | (6) | (1) | (3) | (3) |
| | | | | | | | | |
| – | (2,248) | – | – | – | – | (3,200) | – | – |
| 528 | – | – | 303 | 501 | – | 95 | 3 | – |
| – | – | – | (1,106) | (3,667) | – | – | – | – |
| | | | | | | | | |
| – | (2,168) | – | – | – | – | – | – | – |
| 67 | – | – | 645 | 1,181 | 126 | – | – | – |
| – | – | – | (7,778) | (2,588) | – | – | – | – |
| | | | | | | | | |
| – | 1 | (298) | 305 | (10) | – | 1,496 | 2,799 | (764) |
| 2,534 | 2,179 | 1,385 | 1,512 | 714 | 1,399 | 1,163 | 3,827 | 1,199 |
| (476) | (843) | (2,503) | (12) | (795) | (2,316) | – | – | (780) |
| | | | | | | | | |
| 67,116 | 241,937 | 17,525 | 170,563 | 29,312 | 255,601 | 155,101 | 596,074 | 41,493 |
| (39,322) | (233,230) | (12,686) | (159,811) | (25,045) | (248,402) | (144,141) | (535,969) | (33,011) |
| | | | | | | | | |
| 419 | 1,724 | 1,278 | 5,023 | 1,450 | 37 | 563 | 345 | 517 |
| – | (2,775) | (380) | (15) | (1,149) | – | (758) | – | – |
| | | | | | | | | |
| – | – | – | – | 2,124 | – | – | – | – |
| – | – | – | – | 128 | – | – | – | – |
| – | – | – | 26 | – | – | – | – | – |
| – | – | – | – | – | – | 1 | – | – |
| 35,582 | 18,344 | 4,186 | 2,441 | 1,162 | 6,502 | 12,040 | 59,849 | 7,857 |

# FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS (continued)
## FOR THE SIX MONTHS ENDED JUNE 30, 2009

### (Dollar amounts in millions)
### (Unaudited)

| | Combined (As Revised) | Combining Adjustments | Boston | New York | Pittsburgh |
|---|---|---|---|---|---|
| **FINANCING ACTIVITIES:** | | | | | |
| Net change in: | | | | | |
| Deposits and pass-through reserves | $ 2,188 | $ — | $ 314 | $ 874 | $ 644 |
| Deposits from other FHLBanks | — | 1 | — | — | — |
| Borrowings | (198) | — | — | (193) | — |
| Net (payments) proceeds on derivative contracts with financing element | (771) | — | (12) | — | (101) |
| Net proceeds from issuance of consolidated obligations: | | | | | |
| Discount notes | 3,872,929 | — | 691,152 | 736,175 | 88,991 |
| Bonds | 248,033 | — | 14,070 | 23,163 | 15,559 |
| Bonds transferred from other FHLBanks | — | (518) | — | — | — |
| Payments for maturing and retiring consolidated obligations: | | | | | |
| Discount notes | (3,969,632) | — | (691,653) | (735,161) | (96,284) |
| Bonds | (343,184) | 146 | (15,492) | (32,670) | (22,553) |
| Bonds transferred to other FHLBanks | — | 519 | — | — | — |
| Proceeds from issuance of capital stock | 3,870 | — | 30 | 2,040 | 29 |
| Payments for redemption of mandatorily redeemable capital stock | (776) | — | — | (15) | — |
| Payments for repurchase/redemption of capital stock | (4,213) | — | (2) | (2,255) | — |
| Cash dividends paid | (252) | — | — | (118) | — |
| Net cash (used in) provided by financing activities | (192,006) | 148 | (1,593) | (8,160) | (13,715) |
| Net (decrease) increase in cash and cash equivalents | (19,783) | 3 | — | 21 | 2 |
| Cash and cash equivalents at beginning of the period | 20,820 | (3) | 6 | 19 | 68 |
| Cash and cash equivalents at end of the period | $ 1,037 | $ — | $ 6 | $ 40 | $ 70 |
| **Supplemental Disclosures:** | | | | | |
| Interest paid | $ 12,675 | $ — | $ 758 | $ 972 | $ 1,001 |
| AHP payments, net | $ 129 | $ — | $ 4 | $ 20 | $ 12 |
| REFCORP assessments paid | $ 107 | $ — | $ — | $ 43 | $ — |
| Transfers of mortgage loans to real estate owned | $ 68 | $ — | $ 3 | $ — | $ 8 |
| Mortgage loans held for portfolio transferred to mortgage loans held for sale | $ 2,414 | $ — | $ — | $ — | $ — |
| Mortgage loans held for sale transferred to mortgage loans held for portfolio | $ 163 | $ — | $ — | $ — | $ — |
| Non-cash transfer of other-than-temporarily impaired held-to-maturity securities to available-for-sale securities | $ 2,975 | $ — | $ — | $ — | $ 1,215 |

(1) Other adjustments primarily relate to the non-cash adjustments for "Net other-than-temporary impairment losses" as reported on the Combining Schedules—Statements of Income.
(2) Other liabilities includes the net change in REFCORP receivable/payable.

| Atlanta | Cincinnati | Indianapolis | Chicago (As Revised) | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|---|
| $ 600 | $ 540 | $ 378 | $ 429 | $ (207) | $ (347) | $ (409) | $ (830) | $ 202 |
| — | — | — | (1) | — | — | — | — | — |
| — | — | — | — | — | — | (5) | — | — |
| (474) | (72) | (62) | (44) | (4) | 5 | (39) | 32 | — |
| 83,371 | 343,231 | 136,630 | 453,155 | 443,127 | 170,832 | 185,433 | 89,224 | 451,608 |
| 48,912 | 21,998 | 18,677 | 3,708 | 13,561 | 29,058 | 10,153 | 34,210 | 14,964 |
| 518 | — | — | — | — | — | — | — | — |
| (99,743) | (364,047) | (145,471) | (442,334) | (443,187) | (172,611) | (196,017) | (131,794) | (451,330) |
| (68,961) | (20,167) | (15,321) | (17,299) | (14,152) | (32,956) | (10,598) | (69,861) | (23,300) |
| — | — | — | (112) | (407) | — | — | — | — |
| 839 | 62 | 52 | 100 | 143 | 308 | 184 | 55 | 28 |
| (10) | (24) | (1) | (86) | — | (14) | (625) | — | (1) |
| (1,111) | — | (5) | — | — | (708) | (132) | — | — |
| — | (89) | (30) | — | (15) | — | — | — | — |
| (36,059) | (18,568) | (5,153) | (2,484) | (1,141) | (6,433) | (12,055) | (78,964) | (7,829) |
| (16) | — | (866) | (111) | 4 | 1 | — | (18,821) | — |
| 28 | 3 | 871 | 130 | 44 | 21 | — | 19,632 | 1 |
| $ 12 | $ 3 | $ 5 | $ 19 | $ 48 | $ 22 | $ — | $ 811 | $ 1 |
| $ 1,407 | $ 852 | $ 579 | $ 1,386 | $ 1,155 | $ 749 | $ 460 | $ 2,816 | $ 540 |
| $ 23 | $ 11 | $ 4 | $ 7 | $ 8 | $ 7 | $ 5 | $ 25 | $ 3 |
| $ 3 | $ 35 | $ 26 | $ — | $ — | $ — | $ — | $ — | $ — |
| $ 2 | $ — | $ — | $ 45 | $ 7 | $ — | $ 1 | $ 1 | $ 1 |
| $ — | $ — | $ — | $ — | $ 2,414 | $ — | $ — | $ — | $ — |
| $ — | $ — | $ — | $ — | $ 163 | $ — | $ — | $ — | $ — |
| $ 1,760 | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |

# SELECTED FINANCIAL DATA
## (Dollar amounts in millions)

| | 2010 | | 2009 | | |
|---|---|---|---|---|---|
| | June 30, | March 31, | December 31, | September 30, | June 30, |
| **Selected Statement of Condition Data at:** | | | | | |
| Investments (1) | $308,701 | $309,130 | $ 284,351 | $ 292,605 | $ 325,593 |
| Advances | 540,318 | 572,043 | 631,159 | 677,880 | 738,812 |
| Mortgage loans held for portfolio | 66,847 | 68,830 | 71,469 | 74,205 | 77,779 |
| Allowance for credit losses on mortgage loans | 52 | 40 | 32 | 28 | 24 |
| Total assets | 937,111 | 965,747 | 1,015,583 | 1,061,766 | 1,147,896 |
| Consolidated obligations (2): | | | | | |
| Discount notes | 181,474 | 188,167 | 198,532 | 275,111 | 342,259 |
| Bonds | 671,467 | 687,782 | 736,344 | 704,803 | 718,409 |
| Total consolidated obligations | 852,941 | 875,949 | 934,876 | 979,914 | 1,060,668 |
| Mandatorily redeemable capital stock (6) | 8,051 | 8,155 | 8,138 | 5,629 | 5,628 |
| Subordinated notes (3) | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Total capital stock (5)(6): | | | | | |
| Capital stock—Class B putable (4) | 40,897 | 41,423 | 42,227 | 45,317 | 46,162 |
| Capital stock—Class A putable (4) | 440 | 427 | 427 | 430 | 429 |
| Capital stock-Preconversion putable (4) | 2,331 | 2,332 | 2,328 | 2,364 | 2,375 |
| Total capital stock | 43,668 | 44,182 | 44,982 | 48,111 | 48,966 |
| Retained earnings (2) | 6,399 | 6,203 | 6,033 | 5,643 | 6,009 |
| Accumulated other comprehensive loss | (6,881) | (7,594) | (8,206) | (8,795) | (9,098) |
| Total capital (2)(5) | 43,186 | 42,791 | 42,809 | 44,959 | 45,877 |
| **Selected Statement of Income Data for the three months ended:** | | | | | |
| Net interest income (2)(6) | $ 1,326 | $ 1,235 | $ 1,332 | $ 1,361 | $ 1,493 |
| Provision for credit losses | 11 | 8 | 4 | 4 | 6 |
| Net interest income after provision for credit losses (2)(6) | 1,315 | 1,227 | 1,328 | 1,357 | 1,487 |
| Total other (loss) income (2) | (679) | (549) | (317) | (1,245) | 245 |
| Total other expense | (173) | (223) | (259) | (220) | (217) |
| Total assessments | (137) | (130) | (200) | (57) | (392) |
| Net income (loss) (2)(6) | $ 326 | $ 325 | $ 552 | $ (165) | $ 1,123 |
| **Selected other data for the three months ended:** | | | | | |
| Cash and stock dividends (6) | $ 130 | $ 155 | $ 162 | $ 201 | $ 151 |
| Dividend payout ratio (6)(9) | 39.88% | 47.69% | 29.35% | (121.82)% | 13.45% |
| Return on average equity (10) | 3.04% | 3.07% | 5.01% | (1.42)% | 9.57% |
| Return on average assets | 0.14% | 0.13% | 0.21% | (0.06)% | 0.37% |
| Average equity to average assets | 4.45% | 4.25% | 4.13% | 4.17% | 3.91% |
| Net interest margin (6)(7) | 0.55% | 0.49% | 0.49% | 0.49% | 0.50% |
| **Selected other data at:** | | | | | |
| Total regulatory capital ratio (6)(8) | 6.31% | 6.17% | 5.92% | 5.69% | 5.37% |

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

(2) See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Results of Operations—Interbank Transfers of Liabilities on Outstanding Consolidated Bonds and Their Effect on Combined Net Income" and "Explanatory Statement about FHLBanks Combined Financial Report."

(3) On June 13, 2006, the FHLBank of Chicago issued $1.0 billion of subordinated notes that mature on June 13, 2016. The subordinated notes are not obligations of, and are not guaranteed by, the United States government or any of the FHLBanks other than the FHLBank of Chicago.

(4) All FHLBanks, except for the FHLBank of Chicago, implemented its respective capital plan prior to 2006. The corresponding balances for capital stock—pre-conversion putable for years 2006 and beyond relate solely to the FHLBank of Chicago, which has not yet implemented its new capital plan. (See “Note 12—Capital” to the accompanying combined financial statements.)

(5) FHLBank capital stock is redeemable at the request of a member subject to the statutory redemption periods and other conditions and limitations. (See “Note 12—Capital” to the accompanying combined financial statements.)

(6) The FHLBanks classify certain outstanding capital stock as “mandatorily redeemable capital stock” and include it in the liability section of the Combined Statement of Condition. For the quarters ended June 30, 2010, March 31, 2010, December 31, 2009, September 30, 2009 and June 30, 2009, dividends on mandatorily redeemable capital stock in the amounts of $11 million, $14 million, $10 million, $15 million and $7 million were recorded as interest expense. Although the mandatorily redeemable capital stock is not included in capital for financial reporting purposes, it is considered capital for regulatory purposes. (See “Note 12—Capital” to the accompanying combined financial statements for information on the significant restrictions on stock redemption.)

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

(8) The regulatory capital ratio is calculated based on the FHLBank’s total regulatory capital as a percentage of total assets at period end. Total regulatory capital, under the GLB Act, is the defined as the sum of permanent capital, the amounts paid for Class A capital stock, any general allowance for losses and any other amount from sources available to absorb losses that the Finance Agency has determined by regulation to be appropriate to include in determining total capital. Total regulatory capital for the FHLBank of Chicago, which has not implemented a capital plan under the GLB Act, is defined as the sum of the paid-in value of capital stock and mandatorily redeemable capital stock plus retained earnings. The Finance Agency allows the FHLBank of Chicago to include a Designated Amount of subordinated notes in determining compliance with its regulatory capital ratio. (See “Note 12—Capital” to the accompanying combined financial statements.)

(9) Dividend payout ratio is dividends declared in the period expressed as a percent of net income in the period. This ratio may not be as relevant to the combined balances of the FHLBanks. Please refer to periodic reports and other information filed with the SEC by each of the FHLBanks.

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

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

Investors should read this financial discussion and analysis of combined financial condition and combined results of operations together with the combined financial statements and the notes beginning on page 4 in this Combined Financial Report. Each FHLBank discusses its financial condition and results of operations in its periodic reports filed with the SEC. Each FHLBank's Annual Report on Form 10-K and Quarterly Report on Form 10-Q filed with the SEC contains, as required by applicable SEC rules, Management's Discussion and Analysis of Financial Condition and Results of Operations, commonly called MD&A. The SEC has noted that one of the principal objectives of MD&A is to provide a narrative explanation of a registrant's financial statements that enables investors to see the registrant through the eyes of its management and that "management has a unique perspective on its business that only it can present." Because there is no centralized management of the FHLBanks that can provide a system-wide "eyes of management" view of the FHLBanks as a whole, this Combined Financial Report does not contain a conventional MD&A. It includes, instead, a "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations" prepared by the Office of Finance using information provided by the individual FHLBanks. The Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations does not generally include a separate description of how each FHLBank's operations affect the combined financial condition and combined results of operations. That level of information about each of the FHLBanks is addressed in the respective FHLBank's periodic reports filed with the SEC. (See "Explanatory Statement about FHLBanks Combined Financial Report" on page 1, "Available Information on Individual FHLBanks" on page 3 and "Supplemental Information—Individual FHLBank Selected Financial Data and Financial Ratios on pages 215-219.)

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

### Forward-Looking Information

Statements contained in this report, including statements describing the objectives, projections, estimates, or future predictions of the FHLBanks and Office of Finance, may be "forward-looking statements." These statements may use forward-looking terminology, such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or their negatives or other variations on these terms. Investors should note that, by their nature, forward-looking statements involve 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 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 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 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 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 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 strive to 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 status as cooperatives, the FHLBanks' financial strategies are designed to enable the FHLBanks to expand and contract in response to the credit needs of their members. As cooperatives, the FHLBanks balance the needs of their members and do not necessarily seek to maximize earnings.

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.

*Different FHLBank Business Strategies.* Each FHLBank is operated as a separate entity with its own management, employees and board of directors, but under the supervisory and regulatory framework of the Finance Agency in its capacity as the Regulator. However, the management and board of directors of each FHLBank determine the best approach for achieving that FHLBank's business objectives and serving the needs of its members, which may be different from 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 that FHLBank's mission and they reevaluate these strategies and initiatives from time to time. For example, certain FHLBanks continue to offer the purchase of mortgage loans from their members through the acquired member asset programs while some FHLBanks no longer offer the programs. At June 30, 2010, mortgage loans purchased through the acquired member asset programs as a percentage of an individual FHLBank's total assets varied from a high of 25 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, 2010 | For the Three Months Ended June 30, 2009 | For the Six Months Ended June 30, 2010 | For the Six Months Ended June 30, 2009 | For the Three Months Ended June 30, 2010 vs. 2009 Decrease $ | For the Three Months Ended June 30, 2010 vs. 2009 Decrease % | For the Six Months Ended June 30, 2010 vs. 2009 Decrease $ | For the Six Months Ended June 30, 2010 vs. 2009 Decrease % |
|---|---|---|---|---|---|---|---|---|
| Net interest income | $1,326 | $1,493 | $2,561 | $2,739 | $(167) | (11.2)% | $(178) | (6.5)% |
| Net income | 326 | 1,123 | 651 | 1,468 | (797) | (71.0)% | (817) | (55.7)% |

Net interest income decreased in the three and six months ended June 30, 2010 compared to the three and six months ended June 30, 2009 as the decrease in interest income on advances, investments and mortgage loans was greater than the decrease in interest expense on consolidated obligations. The decrease in net interest income was primarily due to the FHLBanks' lower advance rates and volumes and lower returns on invested capital. Also, during the three and six months ended June 30, 2010, several FHLBanks experienced narrower portfolio spreads on many of their short-term and adjustable-rate assets indexed to LIBOR relative to their short-term funding costs compared to the three and six months ended June 30, 2009.

The decrease in net income for the three months ended June 30, 2010 as compared to the same period in the previous year was primarily attributable to a decline in net interest income after the provision for credit losses, net losses on derivatives and hedging activities, and an increase in credit-related other-than-temporary impairment charges, which were partially offset by lower fair value net losses on those advances and consolidated obligations held at fair value, and net gains on trading securities.

The decrease in net income for the six months ended June 30, 2010 as compared to the same period in the previous year was primarily attributable to a decline in net interest income after the provision for credit losses and net losses on derivatives and hedging activities, which were partially offset by lower credit-related other-than-temporary impairment charges, lower fair value net losses on those advances and consolidated obligations held at fair value, and net gains on trading securities.

Total combined other (loss) income for the three and six months ended June 30, 2010 and 2009 was the result of the following (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, 2010 vs. 2009 | For the Six Months Ended June 30, 2010 vs. 2009 |
|---|---|---|---|---|---|---|
| | | | | | (Decrease) Increase | Increase (Decrease) |
| | 2010 | 2009 | 2010 | 2009 | $ | $ |
| Net other-than-temporary impairment losses | $(495) | $(437) | $ (728) | $ (953) | $ (58) | $ 225 |
| Net gains (losses) on trading securities | 157 | (68) | 186 | (79) | 225 | 265 |
| Net realized losses from sale of available-for-sale securities | | (43) | | (24) | 43 | 24 |
| Net realized gains from sale of held-to-maturity securities | 6 | | 6 | 6 | 6 | |
| Net losses on advances and consolidated obligations held at fair value | (38) | (189) | (142) | (367) | 151 | 225 |
| Net (losses) gains on derivatives and hedging activities | (324) | 979 | (578) | 1,179 | (1,303) | (1,757) |
| Service fees | 8 | 9 | 15 | 17 | (1) | (2) |
| Other, net | 7 | (6) | 13 | (3) | 13 | 16 |
| Total other (loss) income | $(679) | $ 245 | $(1,228) | $ (224) | $ (924) | $(1,004) |

In the three months ended June 30, 2010, the FHLBanks incurred $495 million in net OTTI charges related to certain private-label residential mortgage-backed securities (RMBS) and home equity loan investments that are recorded in "Net other-than-temporary impairment losses," which compares to $437 million recorded for the same period in 2009. Each quarter, working with the FHLBank System OTTI Governance Committee, each FHLBank updates its OTTI analysis to reflect loan performance and current housing market assumptions in its collateral loss models, which generate the projected losses. Several factors affected the projected losses. The net loss reflected for the three-month period ended June 30, 2010 was primarily driven by cash flow loss projections for prime and Alt-A loans underlying certain private-label MBS.

In the six months ended June 30, 2010, the FHLBanks incurred $728 million in net OTTI charges related to certain private-label RMBS and home equity loan investments that are recorded in "Net other-than-temporary impairment losses," which compares to $953 million recorded for the same period in 2009. The reduction in credit-related OTTI charges during the six-month period ended June 30, 2010 compared to the corresponding period in the prior year primarily reflects the slower pace of decline in certain factors, such as home prices and unemployment rates, which affected the expected performance of the mortgage loans underlying the FHLBanks' private-label MBS.

The FHLBanks recorded $324 million and $578 million of net losses on derivatives and hedging activities during the three and six months ended June 30, 2010 and recorded $979 million and $1.2 billion of net gains on derivatives and hedging activities during the three and six months ended June 30, 2009. The FHLBanks' costs of derivatives and hedging activities fluctuate with volatility in the overall interest rate environment, as FHLBanks hedge their asset risk exposures. Most income statement changes for derivatives and hedging activities represent unrealized market value adjustments on derivatives that result primarily from interest rate changes that affect the market values of derivatives differently than the market values of the hedged risks. 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 either generally a matter of timing and will generally reverse over the remaining contractual terms or are the reversal of gains or losses recognized in prior periods 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. (See "Combined Results of Operations—(Reversal) Provision for Derivative Counterparty Credit Losses" for a discussion of terminated derivative transactions related to the Lehman Brothers Holdings, Inc. (LBHI), the parent company of Lehman Brothers Special Financing (LBSF) bankruptcy proceedings and the effect on the Combined Statement of Income.)

The following table represents total operating expenses for the three and six months ended June 30, 2010 and 2009, as follows:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | | For the Three Months Ended June 30, 2010 vs. 2009 Increase | | For the Six Months Ended June 30, 2010 vs. 2009 Increase | |
|---|---|---|---|---|---|---|---|---|
| (Dollar amounts in millions) | 2010 | 2009 | 2010 | 2009 | $ | % | $ | % |
| Total operating expenses | $201 | $196 | $396 | $384 | $5 | 2.6% | $12 | 3.1% |

The increase in operating expenses for the three and six months ended June 30, 2010 as compared to the three and six months ended June 30, 2009 primarily relates to increases in salaries and benefits from additional employees at certain FHLBanks as well as increases in consulting and legal fees.

The decrease in average assets for the three and six months ended June 30, 2010 compared to the same periods in 2009, as summarized in the table below, is primarily the result of the decline in the average balances of the FHLBanks' advances and mortgage loans held for portfolio, and additionally, a decline in the average balance of investments for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009.

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | | For the Three Months Ended June 30, 2010 vs. 2009 Decrease | | For the Six Months Ended June 30, 2010 vs. 2009 Decrease | |
|---|---|---|---|---|---|---|---|---|
| (Dollar amounts in millions) | 2010 | 2009 | 2010 | 2009 | $ | % | $ | % |
| Daily average total assets | $966,811 | $1,204,797 | $989,034 | $1,262,635 | $(237,986) | (19.8)% | $(273,601) | (21.7)% |

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

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| | Amount | Percentage of Total Assets | Amount | Percentage of Total Assets |
| Advances | $540,318 | 57.7% | $ 631,159 | 62.1% |
| Investments | 308,701 | 32.9% | 284,351 | 28.0% |
| Mortgage loans held for portfolio, net | 66,795 | 7.1% | 71,437 | 7.0% |
| Total assets | 937,111 | | 1,015,583 | |
| Total consolidated obligations, net | 852,941 | | 934,876 | |
| Total capital | 43,186 | | 42,809 | |

The decrease in advances outstanding at June 30, 2010 as compared to December 31, 2009 was primarily attributable to the high deposit levels at member financial institutions, low loan demand by FHLBank members and continued availability of more attractively priced sources of funding and/or sources of liquidity with lower collateral requirements. Mortgage loans held for portfolio decreased due to the reduction of outstanding mortgage loan balances related to lower purchase volumes, maturities and prepayments, and the continued effects of the credit crisis on the U.S. housing market.

Investments and the composition of investments fluctuate due to changes in the amount of the FHLBanks' asset activity, anticipated asset activity and liquidity requirements and needs in light of current market conditions. The increase in investments is primarily attributable to growth in high-quality short-term investments and investments in other U.S. obligations and government-sponsored enterprises. Investments in Federal funds sold, securities purchased under agreements to resell, non-MBS investment securities, and interest-bearing deposits increased $25.7 billion, while total MBS investment securities decreased by $1.3 billion, primarily due to the decline in private-label MBS, from December 31, 2009 to June 30, 2010.

Consolidated obligations are the principal source of funds used by the FHLBanks to make advances and purchase investments and mortgages. The decrease in the consolidated obligations balance largely paralleled the decrease in total assets during the six months ended June 30, 2010.

Generally, an FHLBank's capital stock level is primarily determined by member usage of advances. As advance usage declines, capital stock generally decreases; as advances increase, capital stock generally does as well. The increase in the level of capital at June 30, 2010 compared to December 31, 2009 is primarily attributable to:

- $1.6 billion of net proceeds from the sale of capital stock to support new advances during the six months ended June 30, 2010, the $1.3 billion improvement in AOCI is primarily due to accretion of the noncredit portion of impairment losses on held-to-maturity securities, the reclassification of previous noncredit losses out of AOCI into credit losses and subsequent fair value adjustments on available-for-sale securities at June 30, 2010, and a $390 million increase in retained earnings (excluding stock dividends);

- which was partially offset by the decrease in total capital stock attributable to the $2.4 billion of repurchase/redemption of capital stock and the $574 million reclassification of capital stock as mandatorily redeemable capital stock.

The FHLBanks' combined regulatory capital-to-assets ratio at June 30, 2010 was 6.31 percent, up from 5.92 percent at December 31, 2009. Mandatorily redeemable capital stock is considered capital when calculating the regulatory capital-to-assets ratio. (See "Note 12—Capital" to the accompanying combined financial statements.) The FHLBanks' combined GAAP capital-to-assets ratio at June 30, 2010 was 4.61 percent, up from 4.22 percent at December 31, 2009.

Key annualized ratios are as follows:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Return on average assets (basis points) | 14 | 37 | 13 | 23 |
| Return on average equity | 3.04% | 9.57% | 3.05% | 6.05% |
| Weighted-average dividend rate | 1.19% | 1.25% | 1.30% | 1.16% |

The decreases in return on average assets and return on average equity for the three and six months ended June 30, 2010 are due primarily to decreases in net income that are larger than the decreases in average assets and average capital. The dividend rate has been influenced by each FHLBank's retained earnings policies, dividend policies, net income, interest rates, business strategies and Finance Agency guidance.

## Financial Trends

*Conditions in Financial Markets.*

During the second quarter of 2010, the FHLBanks continued to have sufficient access to debt funding. At the same time, there was an improvement in swapped funding costs. The market seemed little affected by the conclusion of the Federal Reserve's agency debt and agency mortgage-backed securities purchasing programs during the first quarter of 2010; instead, market participants focused on the sovereign debt crisis in Europe, high unemployment levels in the United States and pending financial regulatory reform. There was a flight to quality as investors turned to U.S. Treasury securities and agency securities as a relatively safe haven. Furthermore, fears associated with sovereign debt quality, combined with an increase in swapped corporate debt funding, drove swap rates higher, resulting in an improvement in agency swapped funding levels during the first quarter of 2010.

Over the course of the second quarter of 2010, the FHLBanks priced $138 billion of consolidated bonds, which was $16 billion less than during the first quarter of 2010. While weighted-average bond funding costs improved only slightly during the second quarter of 2010, the improvement was much more dramatic toward the end of the quarter as June's weighted-average bond funding spreads were the most favorable since October 2009. This improvement in swapped funding levels was largely driven by a widening in swap rates. During the second quarter of 2010, the FHLBanks relied heavily on negotiated bullet bonds and swapped callable bonds, including step-up callable bonds. Using the issuance calendar for FHLBank mandated Global bullet bond pricing, the FHLBanks priced $3 billion of a new, three-year mandated Global bullet bond in April 2010, auctioned a $1 billion reopening of the most recent two-year mandated Global bullet bond in May 2010, and priced $3 billion of a new, two-year mandated Global bullet bond in June 2010.

FHLBank debt outstanding continued to contract during the second quarter of 2010. Although consolidated obligations outstanding remained relatively stable during April and May, they fell almost $26 billion during the month of June to close the second quarter at $847 billion. This drop was driven primarily by a decline of almost $18 billion in consolidated bonds; consolidated discount notes dropped approximately $7 billion during the second quarter. The decline in consolidated bonds outstanding may be attributed in part to significant consolidated bond redemptions during the second quarter of 2010—consolidated bond maturities were $75 billion and consolidated bond calls were $85 billion during this period.

Compared to the end of the first quarter of 2010, primary dealer inventories of agency discount notes and bonds ended the second quarter mixed. During the second quarter, agency discount note inventories increased almost $21 billion, to $37 billion, and agency bond inventories decreased $5 billion, to $57 billion. Although dealer inventories did not close the second quarter at peak levels, as they did at the end of the previous two quarters, dealer inventories did not experience a significant decline as the second quarter came to a close.

Overall, foreign investor holdings of agencies (both debt and MBS), as reported by the Federal Reserve System, began increasing steadily during the second quarter of 2010. Foreign investor holdings closed the second quarter approximately $46 billion higher, reaching a quarterly peak of $827 billion on June 23—the highest reported level since December 18, 2008.

Taxable money market fund assets continued to decline during the second quarter of 2010, albeit at a slower pace than during the first quarter of 2010—declining $140 billion to $2.44 trillion. Likewise, the subset of taxable money market fund investments allocated to the "U.S. Other Agency" category also declined, dropping $11 billion during the second quarter of 2010. However, both asset categories saw an increase during June 2010, which may be attributed to investors' concerns about the European sovereign debt crisis and possible effects on the U.S. economy. Furthermore, with the implementation of SEC money market fund reforms in May 2010 (SEC Rule 2a-7), the weighted-average number of days to maturity of taxable money market funds contracted from 44 days to 36 days during the second quarter of 2010—the lowest level in more than 18 months.

*Review of Interest-Rate Levels and Volatility—Second Quarter of 2010 Compared to Second Quarter of 2009.*

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, 2010 and December 31, 2009, the majority of investments, excluding mortgage-backed securities, and approximately 34 percent and 37 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 FHLBanks' profitability, as measured by net interest income and return on average equity, is affected by the demand for FHLBank debt, as well as current short-term interest rates, as represented, for example, by the overnight Federal funds target rate.

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 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, 2010 and December 31, 2009 and key average market interest rates for the three and six months ended June 30, 2010 and 2009.

| | June 30, 2010 Ending Rate | December 31, 2009 Ending Rate | Second Quarter 2010 Three-Month Average | Second Quarter 2009 Three-Month Average | First Half 2010 Six-Month Average | First Half 2009 Six-Month Average |
|---|---|---|---|---|---|---|
| Federal Funds Target (1) | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% |
| 3-month LIBOR (1) | 0.53% | 0.25% | 0.44% | 0.84% | 0.35% | 1.04% |
| 2-year LIBOR (1) | 0.97% | 1.42% | 1.16% | 1.49% | 1.16% | 1.52% |
| 5-year LIBOR (1) | 2.05% | 2.98% | 2.49% | 2.73% | 2.59% | 2.55% |
| 10-year LIBOR (1) | 3.00% | 3.97% | 3.51% | 3.50% | 3.64% | 3.22% |
| 3-month U.S. Treasury (1) | 0.18% | 0.05% | 0.14% | 0.17% | 0.12% | 0.18% |
| 2-year U.S. Treasury (1) | 0.61% | 1.14% | 0.86% | 1.00% | 0.88% | 0.95% |
| 5-year U.S. Treasury (1) | 1.78% | 2.68% | 2.24% | 2.23% | 2.33% | 1.99% |
| 10-year U.S. Treasury (1) | 2.93% | 3.84% | 3.47% | 3.30% | 3.59% | 3.00% |
| 15-year residential mortgage note rate (2) | 4.06% | 4.57% | 4.29% | 4.65% | 4.32% | 4.69% |
| 30-year residential mortgage note rate (2) | 4.68% | 5.08% | 4.93% | 4.99% | 4.97% | 5.01% |

(1) Source: Bloomberg.

(2) Average rates calculated using Bloomberg. June 30, 2010 and December 31, 2009 ending rates are from the last week in June 2010 and December 2009.

During the first six months of 2010, the Federal Reserve Board, through the Federal Open Market Committee, left the Federal funds rate unchanged from year-end 2009, at a level of between 0.00 percent and 0.25 percent. The Federal funds rate was last changed in December 2008.

Due to continued efforts by U.S. and foreign central banks to add liquidity to the money markets over much of the past year, the average three-month and two-year LIBOR rates decreased approximately 40 and 33 basis points from the second quarter of 2009 to the second quarter of 2010. During the last year, the yield curve steepened as the spread between short-term and long-term rates widened. This steepening was evidenced by average three-month and two-year U.S. Treasury rates decreasing approximately three and 14 basis points from the second quarter of 2009 to the second quarter of 2010, while the average five-year and ten-year U.S. Treasury rates were higher by one and 17 basis points over this time period. Similar to steepening observed in long-term U.S. Treasury rates, the average five-year and ten-year LIBOR rates for the second quarter of 2010 were 24 basis points lower and one basis point higher than in the second quarter of 2009.

Based on the data in the Securities Industry and Financial Markets Association's May 2010 "Research Quarterly," the latest date for which information is publicly available, securities issuance in the first quarter of 2010 reached $1.79 trillion, a 10.5 percent increase from the $1.62 trillion issued in the first quarter of 2009. As a result of agency MBS support, total mortgage-related securities issuance increased 6.3 percent to $389.2 billion in the first quarter of 2010 from $366.3 billion in the first quarter of 2009. Even as agency MBS volume continued to dominate the mortgage-backed sector, long-term federal agency debt issuance remained in decline, falling 28.4 percent from $429.5 billion in the first quarter of 2009 to $307.6 billion in the first quarter of 2010. Continuing the trend observed in each of the prior two years, the FHLBanks' debt issuance accounted for almost half of total agency debt issuance during the first quarter of 2010.

During the three- and six-month periods ended June 30, 2010, the dollar amount of callable FHLBank consolidated bonds redeemed prior to maturity (called) increased compared to the corresponding prior-year periods. During the three-month period ended June 30, 2010, $85 billion of callable FHLBank consolidated bonds were redeemed prior to maturity, compared to $26 billion during the same period in 2009. During the six-month period ended June 30, 2010, $155 billion of callable FHLBank consolidated bonds were redeemed prior to maturity, compared to $102 billion during the same period in 2009. Call volume may be driven by a variety of factors, including but not limited to the following: 1) shifts in the interest rate environment, 2) the amount of callable debt outstanding, 3) debt refunding costs, 4) FHLBank asset/liability management strategies and 5) the overall funding environment.

The mortgage market continues to undergo a number of changes. Mortgage loan delinquencies and defaults have increased, particularly in the non-prime 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 and alternative documentation 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 due primarily to conservative underwriting policies.

The FDIC's first quarter 2010 "Quarterly Banking Profile," the latest date for which information is publicly available, reported that FDIC-insured institutions reported net income of $18.0 billion in the first quarter of 2010, compared to net income of $5.6 billion in the first quarter of 2009. New accounting rules had a major effect on several components of the banking industry's balance sheet and income statement; however, there was clear improvement in certain performance indicators. Lower provisions for loan losses and reduced expenses for goodwill impairment lifted the earnings of FDIC-insured institutions to their highest quarterly total since the first quarter of 2008. While much of the year-over-year earnings improvement was concentrated among the largest banks, there was also evidence of a broader improving trend, as 52 percent of FDIC-insured institutions reported year-over-year improvement in net income, the highest percentage since the third quarter of 2006. During the first quarter of 2010, failures claimed 41 FDIC-insured institutions and mergers absorbed another 37 FDIC-insured institutions. Total assets of all FDIC-insured institutions decreased 1.3 percent to $13.4 trillion at March 31, 2010, compared to $13.5 trillion at March 31, 2009, while total deposits for all FDIC-insured institutions increased to $9.2 trillion at March 31, 2010, representing a 2.7 percent increase over the corresponding balance of $9.0 trillion at March 31, 2009. While total loans and leases decreased 3.0 percent, from $7.7 trillion at March 31, 2009 to $7.5 trillion at March 31, 2010, total domestic office deposits increased from $7.5 trillion at March 31, 2009 to $7.7 trillion at March 31, 2010, representing a 2.0 percent increase. Over the past 12 months, the share of assets of FDIC-insured institutions funded by domestic deposits increased from 55.7 percent to 57.6 percent. By contrast, over the past 12 months, FHLBank advances as a percentage of asset funding of these institutions declined from 5.1 percent to 3.6 percent, the smallest percentage on record, dating to 2001. FDIC-insured institutions decreased their FHLBank borrowings during the first quarter of 2010 by $52.9 billion, or 9.9 percent, partly due to FDIC-insured institutions' increased participation in U.S. government programs initiated to provide capital and liquidity to the banking sector. For example, at March 31, 2010, 79 financial institutions, including 49 FDIC-insured institutions and 30 bank and thrift holding companies and nonbank affiliates, had $305 billion in government-guaranteed debt outstanding through the Temporary Liquidity Guarantee Program (TLGP).

*Conditions in Financial Markets Subsequent to the Second Quarter of 2010.*

While the FHLBanks maintained access to funding in July 2010, swapped funding costs deteriorated slightly during the month. This was driven in part by a tightening in the interest-rate swaps market due to economic stabilization in Europe. In late July, President Obama signed "The Dodd-Frank Wall Street Reform and Consumer Protection Act" into law. This legislation is likely to have a profound effect on the banking industry, as well as on the use of derivatives. Finally, economic data released at the end of July indicated that the U.S. economy continues to struggle, leading market participants to speculate that the Federal Reserve will continue to pursue policies that maintain low interest rates in the short- and medium-term.

During July 2010, the FHLBanks priced just over $43 billion in consolidated bonds—slightly less than the monthly average during the second quarter of 2010. Furthermore, during July, the FHLBanks relied heavily on negotiated bullet bonds, floating-rate bonds and auctioned callable bonds for consolidated bond funding. Interest in TAP bullet bond issuance continued to wane as the monthly volume of TAPs priced in July 2010 were at the lowest monthly level since July 2009. On a monthly basis, weighted-average consolidated bond funding costs increased in July 2010 when compared to each of the previous two months. However, they were still an improvement over the weighted-average consolidated bond funding costs for the entire second quarter of 2010. In July 2010, the FHLBanks auctioned a $1.25 billion reopening of its latest, three-year mandated Global bullet bond.

FHLBank consolidated obligations outstanding continued to trend lower during July 2010, dropping more than $17 billion to close the month at $829 billion. This decrease was driven by consolidated bonds outstanding, which fell just over $25 billion during the month, partially offset by consolidated discount notes outstanding, which increased almost $8 billion—the largest monthly increase since December 2008. Similar to the second quarter of 2010, the drop in consolidated bonds outstanding may be attributed in part to increased consolidated bond redemptions during the month. July's consolidated bond maturities were slightly below those of June, at just under $30 billion; however, July's consolidated bond call volume of almost $37 billion was the highest monthly call volume in 18 months.

Primary dealer inventories of both agency discount notes and bonds have increased since the end of the second quarter of 2010. Through July 21, 2010, agency discount note inventories increased $6 billion and agency bond inventories rose $14 billion. Despite two weeks of decreases around the end of the second quarter of 2010, foreign investor holdings of agencies (both debt and MBS), as reported by the Federal Reserve System, increased $5.1 billion from the end of the second quarter through July 28, 2010.

During July 2010, taxable money market fund assets continued to decrease, falling an additional $7 billion. Meanwhile, taxable money market fund investments allocated to the "U.S. other agency" category declined at a much quicker pace—falling almost $21 billion during the same period. After reaching a low of 35 days at the beginning of July 2010, the weighted-average days to maturity for taxable money market funds recovered slightly to close the month of July at 39 days.

## Combined Statement of Condition

The following discussion contains information on the major categories of the FHLBanks' Combined Statement of Condition: advances, investments, mortgage loans held for portfolio, consolidated obligations and capital. In discussing changes in the Combined Statement of Condition at June 30, 2010 as compared to December 31, 2009, the fair value adjustments and basis adjustments for advances, available-for-sale securities, mortgage loans held for portfolio and consolidated obligations have been included. Assets and liabilities hedged with derivative instruments designated under fair value hedging relationships are required to 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. The fair value option 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. The following table summarizes the hedging and fair value option valuation adjustments for advances, available-for-sale securities, mortgage loans held for portfolio and consolidated obligations. All other hedging adjustments were less than one percent of the book value.

**Hedging and Fair Value Option Valuation Adjustments**
**(Dollar amounts in millions)**

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Advances before hedging adjustments and fair value option valuation adjustments | $522,576 | $615,898 |
| Hedging adjustments | 17,219 | 14,644 |
| Fair value option valuation adjustments [1] | 523 | 617 |
| Advances at carrying value | $540,318 | $631,159 |
| Available-for-sale securities before hedging adjustments value [2] | $ 63,978 | $ 51,681 |
| Hedging adjustments | 1,653 | 807 |
| Available-for-sale securities at carrying value | $ 65,631 | $ 52,488 |
| Mortgage loans held for portfolio before hedging adjustments value | $ 66,580 | $ 71,236 |
| Hedging adjustments | 267 | 233 |
| Mortgage loans held for portfolio at carrying value | $ 66,847 | $ 71,469 |
| Consolidated obligations before hedging adjustments and fair value option valuation adjustments | $846,654 | $930,378 |
| Hedging adjustments | 6,232 | 4,543 |
| Fair value option valuation adjustments [1] | 55 | (45) |
| Consolidated obligations at carrying value | $852,941 | $934,876 |

(1) See "Note 13—Fair Value" to the accompanying combined financial statements for discussion about financial instruments carried at fair value on the Combined Statement of Condition by the FHLBanks.

(2) Book value includes fair value adjustments.

*Advances.* Generally, the growth or decline in advances reflects demand by members for liquidity and funding, driven by economic factors such as the availability to members of alternative funding, the interest-rate environment and the current state of the economy. Members generally continued to decrease their use of FHLBank advances for a variety of reasons, including high deposit levels at member financial institutions, low loan demand by FHLBank members and continued availability of more attractively priced sources of funding and/or source of liquidity with lower collateral requirements. In addition, the financial condition of certain FHLBank members weakened in the first six months of 2010, which reduced those members' borrowing capacity from FHLBanks due to tightened credit and collateral terms for advances. During the first six months of 2010, the FHLBanks also experienced paydown of advances as a result of maturing advances.

At June 30, 2010 and December 31, 2009, the FHLBanks had $2.8 billion of Community Investment Program (CIP) commercial and economic development advances outstanding and had $6.0 billion and $6.2 billion of CIP housing advances outstanding.

**Advances by Contractual Maturity**
**(Dollar amounts in millions)**

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| Redemption Term | Amount | Weighted-Average Interest Rate | Amount | Weighted-Average Interest Rate |
| Overdrawn demand and overnight deposit accounts | $ 19 | | $ 18 | |
| Due in 1 year or less | 177,278 | 2.16% | 229,407 | 2.09% |
| Due after 1 year through 2 years | 84,971 | 2.36% | 99,684 | 2.73% |
| Due after 2 years through 3 years | 79,974 | 2.59% | 72,387 | 2.95% |
| Due after 3 years through 4 years | 34,511 | 3.03% | 60,363 | 2.41% |
| Due after 4 years through 5 years | 24,125 | 3.26% | 22,941 | 3.04% |
| Thereafter | 118,690 | 3.43% | 127,818 | 3.47% |
| Index amortizing advances | 3,057 | 4.51% | 3,282 | 4.53% |
| Total par value | 522,625 | 2.67% | 615,900 | 2.66% |
| Commitment fees | (7) | | (8) | |
| Discount on AHP advances | (63) | | (64) | |
| Premiums | 102 | | 141 | |
| Discounts | (81) | | ( 71) | |
| Hedging adjustments | 17,219 | | 14,644 | |
| Fair value option valuation adjustments | 523 | | 617 | |
| Total | $540,318 | | $631,159 | |

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

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

| Par amount of advances | June 30, 2010 | Percentage of Total | December 31, 2009 | Percentage of Total |
|---|---|---|---|---|
| Fixed-rate | $386,196 | 73.9% | $444,529 | 72.2% |
| Variable-rate | 136,429 | 26.1% | 171,371 | 27.8% |
| Total | $522,625 | 100.0% | $615,900 | 100.0% |

**Advance Originations**
**(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, 2010 vs. 2009 Decrease | | For the Six Months Ended June 30, 2010 vs. 2009 (Decrease) | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | $ | % | $ | % |
| Advances originated | $301,394 | $771,186 | $652,157 | $1,943,142 | $(469,792) | (60.9)% | $(1,290,985) | (66.4)% |
| Advances repaid | 335,552 | 843,550 | 745,463 | 2,123,098 | (507,998) | (60.2)% | (1,377,635) | (64.9)% |
| Net decrease | $ (34,158) | $ (72,364) | $ (93,306) | $ (179,956) | | | | |

Some of the FHLBanks' advances are callable at the option of the member borrowing the advance. Although, the FHLBanks charge a prepayment fee when members terminate certain advances, members may repay other advances on specified dates without incurring prepayment fees (callable advances).

**Callable Advances Outstanding—Par Value**
**(Dollar amounts in millions)**

| | June 30, 2010 | | December 31, 2009 | | Decrease | |
|---|---|---|---|---|---|---|
| | Amount | Percentage of Total Par Value | Amount | Percentage of Total Par Value | $ | % |
| Callable advances | $26,350 | 5.0% | $31,702 | 5.1% | $(5,352) | (16.9)% |

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

| Year of Contractual Maturity or Next Call Date | June 30, 2010 | Percentage of Total | December 31, 2009 | Percentage of Total |
|---|---|---|---|---|
| Overdrawn demand and overnight deposit accounts | $ 19 | 0.0% | $ 18 | 0.0% |
| Due in 1 year or less | 200,387 | 38.3% | 254,272 | 41.3% |
| Due after 1 year through 2 years | 84,353 | 16.1% | 98,731 | 16.0% |
| Due after 2 years through 3 years | 75,053 | 14.4% | 67,971 | 11.0% |
| Due after 3 years through 4 years | 33,388 | 6.4% | 55,672 | 9.0% |
| Due after 4 years through 5 years | 21,478 | 4.1% | 20,433 | 3.3% |
| Thereafter | 104,890 | 20.1% | 115,521 | 18.8% |
| Index amortizing advances | 3,057 | 0.6% | 3,282 | 0.6% |
| Total par value | $522,625 | 100.0% | $615,900 | 100.0% |

The FHLBanks also offer convertible and putable advances. Convertible advances allow an FHLBank to convert a 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. If an FHLBank terminates a putable advance prior to the stated maturity date of such advance, the FHLBank shall offer to provide replacement funding at the current market rate, provided the member is able to satisfy the FHLBank's normal credit and collateral requirements for the requested replacement funding.

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

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| | Amount | Percentage of Total Par Value | Amount | Percentage of Total Par Value |
| Convertible advances | $ 30,124 | 5.8% | $ 34,921 | 5.7% |
| Putable advances | 79,351 | 15.2% | 87,605 | 14.2% |
| Convertible and putable advances | $109,475 | 21.0% | $122,526 | 19.9% |

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

| Year of Contractual Maturity or Next Put/Convert Date | June 30, 2010 | Percentage of Total | December 31, 2009 | Percentage of Total |
|---|---|---|---|---|
| Overdrawn demand and overnight deposit accounts | $ 19 | 0.0% | $ 18 | 0.0% |
| Due in 1 year or less | 262,474 | 50.2% | 319,469 | 51.9% |
| Due after 1 year through 2 years | 82,251 | 15.7% | 103,179 | 16.8% |
| Due after 2 years through 3 years | 68,745 | 13.2% | 59,195 | 9.6% |
| Due after 3 years through 4 years | 32,620 | 6.2% | 56,021 | 9.1% |
| Due after 4 years through 5 years | 19,839 | 3.8% | 20,263 | 3.3% |
| Thereafter | 53,620 | 10.3% | 54,473 | 8.8% |
| Index amortizing advances | 3,057 | 0.6% | 3,282 | 0.5% |
| Total par value | $522,625 | 100.0% | $615,900 | 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.

The FHLBanks use short-term investments for liquidity management purposes and to manage their individual FHLBank's leverage ratio in response to fluctuations in other asset balances. The yield earned on such short-term investments is tied directly to short-term market interest rates. During the six months ended June 30, 2010, the FHLBanks tended to maintain short-term investment balances at higher levels compared to historical trends, reflecting the FHLBanks' continuing strategy of maintaining a strong short-term liquidity position. This increase, which began in the fourth quarter of 2008, was due primarily to the ongoing financial crisis, which required the FHLBanks to increase liquidity, and was due secondarily to the decrease in advance balances. The demand for advances has continued to decline, which is a reflection of general economic conditions and conditions in the mortgage and credit markets. Member liquidity remained high and lending activity remained low.

At June 30, 2010, 82.8 percent of the total investment securities classified on the Combined 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 S&P, Moody's and/or Fitch Ratings (Fitch), compared to 82.4 percent at December 31, 2009. At June 30, 2010, approximately 5 percent of total investment securities were on negative watch, which consisted of private-label residential MBS, home equity loan investments, and state or local housing agency obligations. See "Risk Management—Credit Risk—Managing Credit Risk—Investments" for investment securities downgraded and/or placed on negative watch subsequent to June 30, 2010.

**Investments**
**(Dollar amounts in millions)**

| | June 30, 2010 | December 31, 2009 | Increase (Decrease) $ | Increase (Decrease) % |
|---|---|---|---|---|
| Investments (excluding mortgage-backed securities) | $157,982 | $132,323 | $25,659 | 19.4% |
| Mortgage-backed securities | 150,719 | 152,028 | (1,309) | (0.9)% |
| Total investments | $308,701 | $284,351 | $24,350 | 8.6% |

**Investments**
**(Dollar amounts in millions)**

| | June 30, 2010 | | December 31, 2009 | | (Decrease) Increase | |
|---|---|---|---|---|---|---|
| | Amount | Percentage of Total Investments | Amount | Percentage of Total Investments | $ | % |
| Held-to-maturity securities | $140,178 | 45.4% | $147,833 | 52.0% | $ (7,655) | (5.2)% |
| Available-for-sale securities | 65,631 | 21.3% | 52,488 | 18.5% | 13,143 | 25.0% |
| Trading securities | 17,923 | 5.8% | 22,247 | 7.8% | (4,324) | (19.4)% |
| Total investment securities | 223,732 | 72.5% | 222,568 | 78.3% | 1,164 | 0.5% |
| Interest-bearing deposits | 12 | 0.0% | 11 | 0.0% | 1 | 9.1% |
| Securities purchased under agreements to resell | 14,975 | 4.8% | 7,175 | 2.5% | 7,800 | 108.7% |
| Federal funds sold | 69,982 | 22.7% | 54,597 | 19.2% | 15,385 | 28.2% |
| Total investments | $308,701 | 100.0% | $284,351 | 100.0% | $24,350 | 8.6% |

**Investment Securities**
**(Dollar amounts in millions)**

| | June 30, 2010 | | December 31, 2009 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | Amount | Percentage of Total Investment Securities | Amount | Percentage of Total Investment Securities | $ | % |
| U.S. Treasury obligations | $ 1,057 | 0.5% | $ 1,029 | 0.5% | $ 28 | 2.7% |
| Commercial paper | 5,186 | 2.3% | 3,690 | 1.6% | 1,496 | 40.5% |
| Certificates of deposit and bank notes [(1)] | 23,679 | 10.6% | 25,733 | 11.6% | (2,054) | (8.0)% |
| Other U.S. obligations [(2)] | 1,336 | 0.6% | 1,236 | 0.6% | 100 | 8.1% |
| Government-sponsored enterprises [(3)] | 17,583 | 7.9% | 15,424 | 6.9% | 2,159 | 14.0% |
| State or local housing agency obligations | 2,668 | 1.2% | 2,799 | 1.2% | (131) | (4.7)% |
| TLGP [(4)] | 11,467 | 5.1% | 10,151 | 4.6% | 1,316 | 13.0% |
| FFELP ABS [(5)] | 9,126 | 4.1% | 9,323 | 4.2% | (197) | (2.1)% |
| Other | 911 | 0.4% | 1,155 | 0.5% | (244) | (21.1)% |
| | 73,013 | 32.7% | 70,540 | 31.7% | 2,473 | 3.5% |
| Mortgage-backed securities: | | | | | | |
| Other U.S. obligations residential MBS [(2)] | 8,511 | 3.8% | 5,784 | 2.6% | 2,727 | 47.1% |
| Other U.S. obligations commercial MBS [(2)] | 55 | 0.0% | 55 | 0.0% | | 0.0% |
| Government-sponsored enterprises residential MBS [(6)] | 97,428 | 43.6% | 96,632 | 43.4% | 796 | 0.8% |
| Government-sponsored enterprises commercial MBS [(6)] | 1,896 | 0.8% | 1,489 | 0.7% | 407 | 27.3% |
| Private-label residential MBS | 41,635 | 18.6% | 45,991 | 20.7% | (4,356) | (9.5)% |
| Private-label commercial MBS | 250 | 0.1% | 284 | 0.1% | (34) | (12.0)% |
| Manufactured housing loans | 209 | 0.1% | 224 | 0.1% | (15) | (6.7)% |
| Home equity loans | 463 | 0.2% | 1,271 | 0.6% | (808) | (63.6)% |
| MPF Shared Funding Program mortgage-backed certificates | 272 | 0.1% | 298 | 0.1% | (26) | (8.7)% |
| | 150,719 | 67.3% | 152,028 | 68.3% | (1,309) | (0.9)% |
| Total investment securities | $223,732 | 100.0% | $222,568 | 100.0% | $ 1,164 | 0.5% |

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

(2) Primarily consists of Government National Mortgage Association (Ginnie Mae) and/or Small Business Administration (SBA) investment pools.

(3) Primarily consists of debt securities issued or guaranteed by Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), Federal Farm Credit Bank (FFCB), Export-Import Bank of the U.S. (Ex-Im Bank) and/or the Tennessee Valley Authority (TVA).

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

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

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

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

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| | Carrying Value | Percentage of Total | Carrying Value | Percentage of Total |
| Government-sponsored enterprises residential MBS (1) | $ 97,428 | 64.6% | $ 96,632 | 63.6% |
| Private-label residential MBS | 41,635 | 27.6% | 45,991 | 30.3% |
| Other U.S. obligations residential MBS (2) | 8,511 | 5.7% | 5,784 | 3.8% |
| Government-sponsored enterprises commercial MBS (1) | 1,896 | 1.3% | 1,489 | 1.0% |
| Home equity loans | 463 | 0.3% | 1,271 | 0.8% |
| Private-label commercial MBS | 250 | 0.2% | 284 | 0.2% |
| MPF Shared Funding Program mortgage-backed certificates | 272 | 0.2% | 298 | 0.2% |
| Manufactured housing loans | 209 | 0.1% | 224 | 0.1% |
| Other U.S. obligations commercial MBS (2) | 55 | 0.0% | 55 | 0.0% |
| Total mortgage-backed securities | $150,719 | 100.0% | $152,028 | 100.0% |

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

(2) Primarily consists of Ginnie Mae and/or SBA investment pools.

Regulator policy limits additional investments in MBS if an FHLBank's investments in MBS exceed 300 percent of the sum of that FHLBank's previous month-end 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 for certain kinds of MBS under certain conditions; this temporary increase expired on March 31, 2010. At the time of its respective MBS purchases and as of June 30, 2010, each of the FHLBanks was in compliance with the applicable regulatory limit. While certain FHLBanks' investments in MBS exceeded the 300 percent threshold at June 30, 2010, these FHLBanks are not required to sell any MBS that were purchased in accordance with the terms of the temporary increase. For the purpose of calculating compliance with this regulatory limit, the FHLBank of Chicago may include a Designated Amount of subordinated notes. The MPF Shared Funding Program mortgage-backed certificates owned by the FHLBank, however, are not subject to this limit.

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

| | June 30, 2010 | December 31, 2009 | (Decrease) Increase $ | (Decrease) Increase % |
|---|---|---|---|---|
| Mortgage-backed securities | $150,719 | $152,028 | $(1,309) | (0.9)% |
| Less: MPF Shared Funding Program | 272 | 298 | (26) | (8.7)% |
| Mortgage-backed securities (excluding MPF Shared Funding Program) | $150,447 | $151,730 | $(1,283) | (0.8)% |
| Total capital [(1)] and Designated Amount of applicable subordinated notes | $ 52,237 | $ 51,947 | $ 290 | 0.6% |
| Ratio of MBS (excluding MPF Shared Funding Program) to total capital [(1)] and Designated Amount of applicable subordinated notes | 2.88 | 2.92 | | |

(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, 2010 Fair Value | December 31, 2009 Fair Value |
|---|---|---|
| U.S. Treasury obligations | $ 1,030 | $ 1,029 |
| Commercial paper | 2,829 | 2,590 |
| Certificates of deposit and bank notes [(1)] | 4,065 | 3,200 |
| Government-sponsored enterprises [(2)] | 6,689 | 9,452 |
| State or local housing agency obligations | 10 | 10 |
| TLGP [(3)] | 2,003 | 4,479 |
| Other [(4)] | 472 | 752 |
| | 17,098 | 21,512 |
| Mortgage-backed securities: | | |
| Other U.S. obligations residential MBS [(5)] | 52 | 55 |
| Government-sponsored enterprises residential MBS [(6)] | 539 | 607 |
| Government-sponsored enterprises commercial MBS [(6)] | 234 | 73 |
| Total mortgage-backed securities | 825 | 735 |
| Total | $17,923 | $22,247 |

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

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

(3) Represents corporate debentures issued or guaranteed by the FDIC under the TLGP.

(4) Primarily consists of taxable municipal bonds.

(5) Primarily consists of Ginnie Mae investment pools.

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

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

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| Year of Maturity | Fair Value | Yield | Fair Value | Yield |
| Due in one year or less | $ 9,387 | 0.61% | $10,830 | 0.24% |
| Due after one year through five years | 5,085 | 2.46% | 7,870 | 2.14% |
| Due after five years through ten years | 2,188 | 4.62% | 2,082 | 4.64% |
| Due after ten years | 438 | 4.86% | 730 | 4.98% |
| Total | $17,098 | | $21,512 | |

*Available-for-Sale Securities.*

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

| | June 30, 2010 | | | | |
|---|---|---|---|---|---|
| | Amortized Cost (1) | OTTI Recognized in AOCI (2) | Gross Unrealized Gains (3) | Gross Unrealized Losses | Fair Value |
| Certificates of deposit (4) | $ 5,695 | $ | $ | $ (1) | $ 5,694 |
| Other U.S. obligations (5) | 804 | | 32 | | 836 |
| Government-sponsored enterprises and TVA (6) | 9,200 | | 275 | (56) | 9,419 |
| TLGP (7) | 7,071 | | 24 | (1) | 7,094 |
| FFELP ABS (8) | 8,592 | | 556 | (22) | 9,126 |
| Other (9) | 474 | | | (42) | 432 |
| | 31,836 | | 887 | (122) | 32,601 |
| Mortgage-backed securities: | | | | | |
| Other U.S. obligations residential MBS (5) | 2,934 | | 108 | (1) | 3,041 |
| Government-sponsored enterprises residential MBS (10) | 21,664 | | 640 | (5) | 22,299 |
| Government-sponsored enterprises commercial MBS (10) | 312 | | | (2) | 310 |
| Private-label residential MBS | 9,042 | (2,605) | 930 | (2) | 7,365 |
| Home equity loans | 25 | (14) | 4 | | 15 |
| Total mortgage-backed securities | 33,977 | (2,619) | 1,682 | (10) | 33,030 |
| Total | $65,813 | $(2,619) | $2,569 | $(132) | $65,631 |

| | December 31, 2009 | | | | |
|---|---|---|---|---|---|
| | Amortized Cost (1) | OTTI Recognized in AOCI (2) | Gross Unrealized Gains (3) | Gross Unrealized Losses | Fair Value |
| Certificates of deposit (4) | $ 9,270 | $ | $ | $ | $ 9,270 |
| Other U.S. obligations (5) | 752 | | 10 | | 762 |
| Government-sponsored enterprises and TVA (6) | 4,271 | | 92 | (53) | 4,310 |
| TLGP (7) | 3,298 | | 4 | (3) | 3,299 |
| FFELP ABS (8) | 8,790 | | 534 | (1) | 9,323 |
| Other (9) | 432 | | | (36) | 396 |
| | 26,813 | | 640 | (93) | 27,360 |
| Mortgage-backed securities: | | | | | |
| Other U.S. obligations residential MBS (5) | 1,579 | | 44 | (3) | 1,620 |
| Government-sponsored enterprises residential MBS (10) | 17,533 | | 102 | (146) | 17,489 |
| Government-sponsored enterprises commercial MBS (10) | 314 | | | (4) | 310 |
| Private-label residential MBS | 7,868 | (2,762) | 592 | (3) | 5,695 |
| Home equity loans | 27 | (13) | | | 14 |
| Total mortgage-backed securities | 27,321 | (2,775) | 738 | (156) | 25,128 |
| Total | $54,134 | $(2,775) | $1,378 | $(249) | $52,488 |

(1) Amortized cost of available-for-sale securities includes adjustments made to the cost basis of an investment for accretion, amortization, collection of cash, previous OTTI recognized in earnings (excluding any cumulative-effect adjustments recognized in accordance with the transition provisions of the amended OTTI guidance), and/or fair value hedge accounting adjustments.

(2) OTTI recognized in AOCI does not include $936 million and $593 million in unrealized gains in fair value of previously impaired AFS securities at June 30, 2010 and December 31, 2009.

(3) Gross unrealized gains include $936 million and $593 million in unrealized gains in fair value of previously impaired AFS securities and $434 million and $83 million in hedging adjustments at June 30, 2010 and December 31, 2009.

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

(5) Other U.S. obligations primarily consist of SBA investment pools.

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

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

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

(9) Primarily consists of debentures issued by supranational entity.

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

Gross unrealized losses, including the net effect of noncredit related OTTI recognized in AOCI, on the FHLBanks' available-for-sale mortgage-backed securities decreased $644 million from December 31, 2009 to June 30, 2010. This decrease primarily reflects the slower pace of decline in certain factors, such as home prices and unemployment rates, which affected the expected performance of the mortgage loans underlying the FHLBanks' private-label MBS. However, despite some signs of economic recovery, the FHLBanks again increased the severity of their assumptions for the OTTI assessment of the first three months of 2010, based on trends affecting the underlying loans of certain private-label RMBS and home equity loan investments. The improvement in the AOCI net noncredit portion of OTTI losses on available-for-sale securities during the six-month period ended June 30, 2010 was due to the reclassification of previous noncredit losses out of AOCI into credit losses and subsequent fair value adjustments at June 30, 2010.

Each FHLBank evaluates its individual available-for-sale investment securities holdings for OTTI on at least a quarterly basis. See "Critical Accounting Estimates—OTTI for Investment Securities," and "Note 6—Other-Than-Temporary-Impairment Analysis" to the accompanying combined financial statements for additional information regarding the FHLBanks' processes for evaluating available-for-sale securities for OTTI.

If current conditions in the mortgage markets and general business and economic conditions continue or deteriorate further than currently anticipated, it is possible that the FHLBanks may experience additional OTTI in the value of their MBS investments. The FHLBanks could experience reduced yields or additional losses on their MBS instruments and cannot predict when or if such write-downs may occur or the size of any such write-downs if they do occur.

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

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

| Year of Maturity | June 30, 2010 Amortized Cost | June 30, 2010 Fair Value | December 31, 2009 Amortized Cost | December 31, 2009 Fair Value |
|---|---|---|---|---|
| Due in one year or less | $ 6,216 | $ 6,213 | $ 9,343 | $ 9,341 |
| Due after one year through five years | 13,039 | 13,111 | 4,972 | 4,964 |
| Due after five years through ten years | 2,473 | 2,698 | 2,506 | 2,599 |
| Due after ten years | 1,516 | 1,453 | 1,202 | 1,133 |
| FFELP ABS | 8,592 | 9,126 | 8,790 | 9,323 |
| | 31,836 | 32,601 | 26,813 | 27,360 |
| Mortgage-backed securities | 33,977 | 33,030 | 27,321 | 25,128 |
| Total | $65,813 | $65,631 | $54,134 | $52,488 |

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

| Year of Maturity (1) | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Due in one year or less | 0.30% | 0.21% |
| Due after one year through five years | 0.85% | 0.93% |
| Due after five years through ten years | 4.55% | 4.44% |
| Due after ten years | 5.46% | 5.45% |

(1) FFELP ABS is excluded as the expected maturities of these securities will likely differ from contractual maturities.

*Held-to-Maturity Securities.*

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

| | June 30, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | Amortized Cost (1) | OTTI Recognized in AOCI (2) | Carrying Value (2) | Gross Unrecognized Holding Gains (3) | Gross Unrecognized Holding Losses (3) | Fair Value |
| U.S. Treasury obligations | $ 27 | $ | $ 27 | $ | $ | $ 27 |
| Commercial paper | 2,357 | | 2,357 | | | 2,357 |
| Certificates of deposit (4) | 13,920 | | 13,920 | 1 | | 13,921 |
| Other U.S. obligations (5) | 500 | | 500 | 6 | (3) | 503 |
| Government-sponsored enterprises and TVA (6) | 1,475 | | 1,475 | 110 | | 1,585 |
| State or local housing agency obligations | 2,658 | | 2,658 | 25 | (329) | 2,354 |
| TLGP (7) | 2,370 | | 2,370 | 10 | | 2,380 |
| Other | 7 | | 7 | | | 7 |
| | 23,314 | | 23,314 | 152 | (332) | 23,134 |
| Mortgage-backed securities: | | | | | | |
| Other U.S. obligations residential MBS (5) | 5,418 | | 5,418 | 61 | (1) | 5,478 |
| Other U.S. obligations commercial MBS (5) | 55 | | 55 | 1 | | 56 |
| Government-sponsored enterprises residential MBS (8) | 74,590 | | 74,590 | 2,726 | (29) | 77,287 |
| Government-sponsored enterprises commercial MBS (8) | 1,352 | | 1,352 | 95 | | 1,447 |
| Private-label residential MBS | 39,663 | (5,393) | 34,270 | 1,352 | (2,227) | 33,395 |
| Private-label commercial MBS | 250 | | 250 | 5 | (2) | 253 |
| Manufactured housing loans | 209 | | 209 | | (29) | 180 |
| Home equity loans | 550 | (102) | 448 | 39 | (56) | 431 |
| MPF Shared Funding Program mortgage-backed certificates | 272 | | 272 | | (2) | 270 |
| Total mortgage-backed securities | 122,359 | (5,495) | 116,864 | 4,279 | (2,346) | 118,797 |
| Total | $145,673 | $(5,495) | $140,178 | $4,431 | $(2,678) | $141,931 |

| | December 31, 2009 | | | | | |
|---|---|---|---|---|---|---|
| | Amortized Cost (1) | OTTI Recognized in AOCI (2) | Carrying Value (2) | Gross Unrecognized Holding Gains (3) | Gross Unrecognized Holding Losses (3) | Fair Value |
| Commercial paper | $ 1,100 | $ | $ 1,100 | $ | $ | $ 1,100 |
| Certificates of deposit (4) | 13,263 | | 13,263 | 1 | | 13,264 |
| Other U.S. obligations (5) | 474 | | 474 | 6 | (2) | 478 |
| Government-sponsored enterprises and TVA (6) | 1,662 | | 1,662 | 72 | (6) | 1,728 |
| State or local housing agency obligations | 2,789 | | 2,789 | 25 | (213) | 2,601 |
| TLGP (7) | 2,373 | | 2,373 | 8 | (1) | 2,380 |
| Other | 7 | | 7 | | | 7 |
| | 21,668 | | 21,668 | 112 | (222) | 21,558 |
| Mortgage-backed securities: | | | | | | |
| Other U.S. obligations residential MBS (5) | 4,109 | | 4,109 | 9 | (15) | 4,103 |
| Other U.S. obligations commercial MBS (5) | 55 | | 55 | | | 55 |
| Government-sponsored enterprises residential MBS (8) | 78,536 | | 78,536 | 2,141 | (171) | 80,506 |
| Government-sponsored enterprises commercial MBS (8) | 1,106 | | 1,106 | 66 | | 1,172 |
| Private-label residential MBS | 46,038 | (5,742) | 40,296 | 916 | (4,322) | 36,890 |
| Private-label commercial MBS | 284 | | 284 | 4 | (5) | 283 |
| Manufactured housing loans | 224 | | 224 | | (43) | 181 |
| Home equity loans | 1,664 | (407) | 1,257 | 48 | (158) | 1,147 |
| MPF Shared Funding Program mortgage-backed certificates | 298 | | 298 | 2 | (4) | 296 |
| Total mortgage-backed securities | 132,314 | (6,149) | 126,165 | 3,186 | (4,718) | 124,633 |
| Total | $153,982 | $(6,149) | $147,833 | $3,298 | $(4,940) | $146,191 |

(1) Amortized cost of held-to-maturity securities includes adjustments made to the cost basis of an investment for accretion, amortization, collection of cash, and/or previous OTTIs recognized in earnings (excluding any cumulative-effect adjustments recognized in accordance with the transition provisions of the amended OTTI guidance).

(2) In accordance with the amended OTTI guidance, carrying value of held-to-maturity securities represents amortized cost after adjustment for noncredit-related impairment recognized in AOCI.

(3) Gross unrecognized holding gains represent the difference between fair value and carrying value.

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

(5) Primarily consists of Ginnie Mae and/or SBA investment pools.

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

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

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

Gross unrealized losses, including the net effect of noncredit related OTTI recognized in AOCI, on the FHLBanks' held-to-maturity mortgage-backed securities decreased $3,079 million from December 31, 2009 to June 30, 2010, which is partially a result of each of the FHLBanks of Pittsburgh and Atlanta election to transfer all private-label RMBS, that had credit-related other-than-temporary impairment recorded this period from its held-to-maturity portfolio to its available-for-sale portfolio, while the FHLBank of Seattle elected to transfer certain private-label RMBS that had credit-related other-than-temporary impairment recorded this period from its held-to-maturity portfolio to its available-for-sale portfolio. See "Note 5—Held-to-Maturity Securities" to the accompanying combined financial statements for additional information regarding gross unrealized losses on the FHLBanks' held-to-maturity mortgage-backed securities.

Each FHLBank evaluates its individual held-to-maturity investment securities holdings for OTTI on at least a quarterly basis. See "Critical Accounting Estimates—OTTI for Investment Securities," and "Note 6—Other-Than-Temporary Impairment Analysis" to the accompanying combined financial statements for additional information regarding the FHLBanks' processes for evaluating held-to-maturity securities for OTTI.

If the mortgage markets and general business and economic conditions continue or deteriorate further than currently anticipated, it is possible that the FHLBanks may experience additional OTTI in the value of their MBS investments. The FHLBanks could experience reduced yields or additional losses on their MBS instruments and cannot predict when or if such write-downs may occur or the size of any such write-downs if they do occur.

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

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

| Year of Maturity | June 30, 2010 Amortized Cost (1) | June 30, 2010 Carrying Value (1) | June 30, 2010 Fair Value | December 31, 2009 Amortized Cost (1) | December 31, 2009 Carrying Value (1) | December 31, 2009 Fair Value |
|---|---|---|---|---|---|---|
| Due in one year or less | $ 17,277 | $ 17,277 | $ 17,283 | $ 15,022 | $ 15,022 | $ 15,027 |
| Due after one year through five years | 3,036 | 3,036 | 3,123 | 3,546 | 3,546 | 3,627 |
| Due after five years through ten years | 332 | 332 | 330 | 352 | 352 | 352 |
| Due after ten years | 2,699 | 2,699 | 2,398 | 2,748 | 2,748 | 2,552 |
| | 23,314 | 23,314 | 23,134 | 21,668 | 21,668 | 21,558 |
| Mortgage-backed securities | 122,359 | 116,864 | 118,797 | 132,314 | 126,165 | 124,633 |
| Total | $145,673 | $140,178 | $141,931 | $153,982 | $147,833 | $146,191 |

(1) In accordance with amended OTTI guidance, carrying value of held-to-maturity securities represents amortized cost after an adjustment for noncredit-related impairment recognized in AOCI.

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

| Year of Maturity | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Due in one year or less | 0.36% | 0.27% |
| Due after one year through five years | 1.94% | 1.96% |
| Due after five years through ten years | 3.37% | 3.65% |
| Due after ten years | 2.34% | 2.29% |

*OTTI on Investment Securities.*

As of June 30, 2010, approximately 77.5 percent, 21.9 percent and 0.6 percent of the FHLBanks' mortgage-backed securities are classified as held-to-maturity, available-for-sale and trading securities. For the held-to-maturity and available-for-sale securities, each of the FHLBanks does not intend to sell these securities and it is not more likely than not that the FHLBank will be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis. Each FHLBank actively monitors the credit quality of its mortgage-backed securities to evaluate its exposure to the risk of loss on these investments. During the six-month period ended June 30, 2010, the FHLBanks of Boston, New York, Pittsburgh, Atlanta, Indianapolis, Chicago, Dallas, Topeka, San Francisco and Seattle recognized $874 million of combined total OTTI losses related to private-label RMBS and home equity loan investments classified as held-to-maturity securities and available-for-sale securities, after each of these FHLBanks determined that it was likely that it would not recover the entire amortized cost of each of these securities. If delinquency and/or loss rates on mortgages and/or home equity loans continue to increase, and/or a rapid decline in residential real estate values continues, the FHLBanks could experience further reduced yields or additional losses on their investment securities.

Of the combined total OTTI losses recognized, $146 million was recognized in AOCI, resulting in net OTTI losses in earnings of $728 million related to held-to-maturity securities and available-for-sale securities. During the six-month period ended June 30, 2010, the $1.3 billion improvement in AOCI is primarily due to accretion of noncredit portion of impairment losses on held-to-maturity securities, to the reclassification of previous noncredit losses out of AOCI into credit losses and to subsequent fair value adjustments on available-for-sale securities at June 30, 2010.

Additionally, during the three-month period ended June 30, 2010, the FHLBanks of Pittsburgh, Atlanta and Seattle transferred private-label RMBS that had OTTI credit losses with an aggregate amortized cost of $316 million, $908 million, and $212 million and fair value of $298 million, $811 million and $121 million, at the applicable transfer date, from its held-to-maturity portfolio to its available-for-sale portfolio. The FHLBanks have no current plans to sell these securities nor are they under any requirement to sell these securities. See "Note 6—Other-Than-Temporary Impairment Analysis" to the accompanying combined financial statements for additional information.

The following table represents a comparison of the prime, Alt-A and subprime loans backing private-label MBS, manufactured housing loans and home equity loan investments owned by the FHLBanks at June 30, 2010, and OTTI losses on these securities during the six-month period ended June 30, 2010.

**OTTI of**
**Private-Label Mortgage-Backed Securities,**
**Manufactured Housing Loans**
**and Home Equity Loan Investments**
**by Year of Securitization**
**(Dollar amounts in millions)**

| | Prime (1) | | | | | |
|---|---|---|---|---|---|---|
| | At June 30, 2010 | | | Year-To-Date | | |
| Year of Securitization | Amortized Cost | Gross Unrealized Losses (2) | Fair Value | Credit-Related OTTI Losses | Noncredit-Related OTTI Losses | Total OTTI Losses |
| Private-label RMBS: | | | | | | |
| 2008 | $ 599 | $ (101) | $ 533 | $ (31) | $ (9) | $ (40) |
| 2007 | 4,259 | (618) | 3,730 | (199) | 65 | (134) |
| 2006 | 4,775 | (796) | 4,245 | (96) | 38 | (58) |
| 2005 | 4,709 | (550) | 4,172 | (45) | (21) | (66) |
| 2004 and prior | 11,142 | (582) | 10,608 | (3) | (10) | (13) |
| Total | 25,484 | (2,647) | 23,288 | (374) | 63 | (311) |
| Private-label CMBS: | | | | | | |
| 2004 and prior | 250 | (2) | 253 | | | |
| Total | 250 | (2) | 253 | | | |
| Manufactured housing loans: | | | | | | |
| 2004 and prior | * | * | * | | | |
| Total | * | * | * | | | |
| Total prime private-label RMBS and CMBS, manufactured housing loans and home equity loan investments | $25,734 | $(2,649) | $23,541 | $(374) | $ 63 | $(311) |

**OTTI of**
**Private-Label Mortgage-Backed Securities,**
**Manufactured Housing Loans**
**and Home Equity Loan Investments**
**by Year of Securitization (continued)**
**(Dollar amounts in millions)**

| | Alt-A (1) | | | | | |
|---|---|---|---|---|---|---|
| | At June 30, 2010 | | | Year-To-Date | | |
| Year of Securitization | Amortized Cost | Gross Unrealized Losses (2) | Fair Value | Credit-Related OTTI Losses | Noncredit-Related OTTI Losses | Total OTTI Losses |
| Private-label RMBS: | | | | | | |
| 2008 | $ 875 | $ (263) | $ 618 | $ (1) | $ | $ (1) |
| 2007 | 6,480 | (2,281) | 4,463 | (142) | (98) | (240) |
| 2006 | 3,940 | (1,182) | 2,892 | (107) | 74 | (33) |
| 2005 | 7,121 | (2,001) | 5,342 | (83) | (151) | (234) |
| 2004 and prior | 3,775 | (381) | 3,402 | (2) | (16) | (18) |
| Total | 22,191 | (6,108) | 16,717 | (335) | (191) | (526) |
| Home equity loan investments: | | | | | | |
| 2006 | 22 | (6) | 16 | | | |
| 2005 | 5 | (3) | 2 | | | |
| 2004 and prior | 25 | (10) | 15 | (1) | 1 | |
| Total | 52 | (19) | 33 | (1) | 1 | |
| Total Alt-A private-label RMBS and CMBS, manufactured housing loans and home equity loan investments | $22,243 | $(6,127) | $16,750 | $(336) | $(190) | $(526) |

## OTTI of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments by Year of Securitization (continued) (Dollar amounts in millions)

| | Subprime (1) | | | | | |
|---|---|---|---|---|---|---|
| | At June 30, 2010 | | | Year-To-Date | | |
| Year of Securitization | Amortized Cost | Gross Unrealized Losses (2) | Fair Value | Credit-Related OTTI Losses | Noncredit-Related OTTI Losses | Total OTTI Losses |
| Private-label RMBS: | | | | | | |
| 2007 | $ 9 | $ (2) | $ 7 | $ | $ | $ |
| 2006 | 874 | (293) | 620 | (11) | (20) | (31) |
| 2005 | 108 | (14) | 95 | (1) | | (1) |
| 2004 and prior | 39 | (9) | 33 | | | |
| Total | 1,030 | (318) | 755 | (12) | (20) | (32) |
| Manufactured housing loans: | | | | | | |
| 2004 and prior | 209 | (29) | 180 | | | |
| Total | 209 | (29) | 180 | | | |
| Home equity loan investments: | | | | | | |
| 2004 and prior | 523 | (110) | 413 | (6) | 1 | (5) |
| Total | 523 | (110) | 413 | (6) | 1 | (5) |
| Total subprime private-label RMBS and CMBS, manufactured housing loans and home equity loan investments | $ 1,762 | $ (457) | $ 1,348 | $ (18) | $ (19) | $ (37) |
| Total private-label RMBS and CMBS, manufactured housing loans and home equity loan investments | $49,739 | $(9,233) | $41,639 | $(728) | $(146) | $(874) |

* Represents amounts less than $1 million.

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

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

The following table summarizes OTTI charges recorded by the FHLBanks during the six months ended June 30, 2010, based on security classification and duration of credit-related and noncredit-related unrealized losses prior to impairment.

**Summary of OTTIs Recorded by**
**Duration of Unrealized Losses Prior to Impairment (1)**
**For the Six Months Ended June 30, 2010**
**(Dollar amounts in millions)**

| | Credit-Related Gross Unrealized Losses (2) | | | Noncredit-Related Gross Unrealized Losses (3) | | | |
|---|---|---|---|---|---|---|---|
| | Less than 12 months | 12 months or greater | Total | Less than 12 months | 12 months or greater | Total | Total OTTI losses Year-to-Date |
| Prime: | | | | | | | |
| Private-label RMBS | $ — | $(374) | $(374) | $ — | $ 63 | $ 63 | $(311) |
| Total prime | — | (374) | (374) | — | 63 | 63 | (311) |
| Alt-A: | | | | | | | |
| Private-label RMBS | (7) | (328) | (335) | (73) | (118) | (191) | (526) |
| Home equity loan investments | — | (1) | (1) | — | 1 | 1 | — |
| Total Alt-A | (7) | (329) | (336) | (73) | (117) | (190) | (526) |
| Subprime: | | | | | | | |
| Private-label RMBS | | (12) | (12) | | (20) | (20) | (32) |
| Home equity loan investments | — | (6) | (6) | — | 1 | 1 | (5) |
| Total subprime | — | (18) | (18) | — | (19) | (19) | (37) |
| Private-label MBS total | $(7) | $(721) | $(728) | $(73) | $ (73) | $(146) | $(874) |

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

(2) Credit losses were recognized in earnings upon OTTI.

(3) Noncredit losses were recognized in AOCI upon OTTI.

The remainder of the FHLBanks' private-label RMBS and home equity loan investments portfolio has experienced net unrealized losses and a decrease in fair value due to interest rate volatility, illiquidity in the marketplace, and credit deterioration in the U.S. mortgage markets. However, these declines are considered temporary, as each of the FHLBanks expects to recover the entire amortized cost basis on the remaining securities in unrealized loss positions and neither intends to sell these securities, nor considers it more likely than not that it would be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis. See individual FHLBanks' SEC Form 10-Qs for FHLBank-specific information relating to OTTI. The FHLBanks' portfolio monitoring is ongoing, and further deterioration in delinquency and loss rates and real estate values may cause an additional increase in recognized losses on private-label RMBS and home equity loan investments. See "Critical Accounting Estimates—OTTI for Investment Securities," and "Note 6—Other-Than-Temporary-Impairment Analysis" to the accompanying combined financial statements for additional information regarding the FHLBanks' processes for evaluating investment securities for OTTI.

*Mortgage Loans Held for Portfolio.*

The factors that affect the volume of mortgage loans purchased from members include the general level of U.S. housing activity, the level of domestic refinancing activity and consumer product preferences. Mortgage loan balances at June 30, 2010 decreased compared to the mortgage loan balances at December 31, 2009. In general, principal paydowns and maturities of mortgage loans held for portfolio have been greater than purchases and fundings of new mortgage loans held for portfolio. Historically, a decline in interest rates has generally resulted in accelerated mortgage refinancing activity, thus increasing prepayments and thereby shortening the effective maturity of the mortgage-related assets. However, current economic and credit market conditions appear to have had a negative effect on mortgage prepayment activity, as borrowers may not be able to obtain new mortgage loans at current lower rates due to reductions in their incomes, declines in the values of their homes, tighter lending standards, a general lack of credit availability, and/or delays in obtaining approval of new loans. The FHLBanks anticipate that their combined outstanding mortgage loans held for portfolio will continue to decrease due to several FHLBanks' discontinued participation in the MPF Program and/or MPP, the reduction of outstanding mortgage loan balances due to maturities and prepayments, and the continuing credit crisis in the housing market.

At June 30, 2010, the FHLBanks of Chicago (33 percent), Cincinnati (13 percent), Des Moines (11 percent) and Indianapolis (10 percent) held the largest percentage 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, 2010.

The FHLBanks of Chicago, Boston, Pittsburgh, and Des Moines offer the MPF Xtra product. Loans sold to the FHLBank of Chicago under the MPF Xtra product are concurrently sold to Fannie Mae, as a third party investor, and are not held on each participating FHLBank's balance sheet. Unlike other conventional MPF products, under the MPF Xtra product Participating Financial Institutions (PFIs) are not required to provide credit enhancement and do not receive Credit Enhancement Fees (CE Fees). The volume of MPF Loans purchased under the MPF Xtra product from the FHLBank of Chicago members and from the members of other FHLBanks since the product was introduced in the fourth quarter of 2008 is in excess of $4.1 billion.

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 FHLBanks generally increased the allowance for credit losses on mortgage loans as home prices continued to be depressed nationwide and due to continued difficult credit and housing market conditions that have resulted in a trend of increasing delinquencies and higher level of nonperforming loans in the FHLBanks' mortgage portfolios.

The following table summarizes information related to the mortgage loan portfolio as of June 30, 2010 and December 31, 2009.

**Mortgage Loans Held for Portfolio**
**(Dollar amounts in millions)**

| | As of June 30, 2010 | As of December 31, 2009 |
|---|---|---|
| Total unpaid principal balance past due 90 days or more and still accruing interest | $969 | $946 |
| Nonaccrual loans, unpaid principal balance | 499 | 371 |
| Troubled debt restructurings (not included above) | 2 | * |
| Allowance for credit losses on mortgage loans, beginning of period | $ 32 | $ 15 |
| Charge-offs | (1) | (1) |
| Provision (reversal) for credit losses | 21 | 18 |
| Allowance for credit losses on mortgage loans, end of period | $ 52 | $ 32 |

* Represents an amount less than $1 million.

**Nonaccrual Loans and Loans Modified in Troubled Debt Restructurings**
**(Dollar amounts in millions)**

| | For the Six Months Ended June 30, 2010 | For the Six Months Ended June 30, 2009 |
|---|---|---|
| Gross amount of interest that would have been recorded based on original terms | $12 | $6 |
| Interest actually recognized in income during the period | 4 | 2 |
| Shortfall | $ 8 | $4 |

The table below provides an analysis of conventional loans delinquent or in foreclosure, as well as real estate owned inventory. The FHLBanks' conventional loan portfolio consists only of fixed-rate prime conventional mortgage loans and represents 90% of the total loan portfolio.

**Delinquent Mortgage Loans and Real Estate Owned**
**(Dollar amounts in millions)**

| | As of June 30, 2010 | As of December 31, 2009 |
|---|---|---|
| 30 to 59 days delinquent and not in foreclosure | $ 765 | $ 802 |
| 60 to 89 days delinquent and not in foreclosure | 239 | 272 |
| 90 days or more delinquent and not in foreclosure | 387 | 388 |
| In process of foreclosure | 520 | 446 |
| Real estate owned inventory (units) | 113 | 89 |
| Serious delinquency rate (1) | 1.53% | 1.31% |

(1) Conventional loans that are 90 days or more past due or in the process of foreclosure expressed as a percentage of the total conventional loan portfolio principal balance.

*Consolidated Obligations.*

*General.* Consolidated obligations issued through the Office of Finance are the principal source of funds used by the FHLBanks to make advances and investments and to purchase mortgages. Consolidated obligations consist of consolidated bonds and consolidated discount notes, which generally differ, among other ways, in their maturities and in some of the intended uses of the funds they provide. An FHLBank is generally 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, | | For the Six Months Ended June 30, | | For the Three Months Ended June 30, 2010 vs. 2009 Decrease | | For the Six Months Ended June 30, 2010 vs. 2009 Decrease | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | $ | % | $ | % |
| Overnight consolidated discount notes | $ 21,383 | $ 28,236 | $ 21,538 | $ 24,990 | $ (6,853) | (24.3)% | $ (3,452) | (13.8)% |
| Term consolidated discount notes | 163,113 | 356,548 | 170,466 | 383,430 | (193,435) | (54.3)% | (212,964) | (55.5)% |
| Total consolidated discount notes | 184,496 | 384,784 | 192,004 | 408,420 | (200,288) | (52.1)% | (216,416) | (53.0)% |
| Consolidated bonds | 683,622 | 710,897 | 698,066 | 743,172 | (27,275) | (3.8)% | (45,106) | (6.1)% |
| Total consolidated obligations | $868,118 | $1,095,681 | $890,070 | $1,151,592 | $(227,563) | (20.8)% | $(261,522) | (22.7)% |

## Total Outstanding Consolidated Obligations, at Carrying Value (Dollar amounts in millions)

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| | Amount | Percentage of Total Consolidated Obligations, Net | Amount | Percentage of Total Consolidated Obligations, Net |
| Consolidated discount notes | $181,474 | 21.3% | $198,532 | 21.2% |
| Consolidated bonds | 671,467 | 78.7% | 736,344 | 78.8% |
| Total consolidated obligations, net | $852,941 | 100.0% | $934,876 | 100.0% |

The $81.9 billion decrease in total consolidated obligations from December 31, 2009 to June 30, 2010, primarily relates to the $17.1 billion decrease in consolidated discount notes and the $65.0 billion decrease in consolidated bonds maturing in one year or less, and $14.3 billion of decreases in long-term consolidated bonds for all maturity terms except for due after 1 year through 2 years and due after 2 years through 3 years.

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

| Year of Contractual Maturity | June 30, 2010 Amount | June 30, 2010 Weighted - Average Interest Rate | December 31, 2009 Amount | December 31, 2009 Weighted - Average Interest Rate |
|---|---|---|---|---|
| Due in 1 year or less | $271,338 | 1.36% | $336,359 | 1.40% |
| Due after 1 year through 2 years | 142,803 | 1.76% | 139,782 | 2.13% |
| Due after 2 years through 3 years | 91,707 | 2.40% | 82,354 | 2.56% |
| Due after 3 years through 4 years | 46,569 | 3.55% | 54,103 | 3.58% |
| Due after 4 years through 5 years | 32,411 | 3.26% | 33,797 | 3.67% |
| Thereafter | 74,003 | 4.53% | 79,318 | 4.67% |
| Index amortizing notes | 5,910 | 4.81% | 5,978 | 5.07% |
| Total par value | 664,741 | 2.22% | 731,691 | 2.32% |
| Premiums | 930 | | 910 | |
| Discounts | (496) | | (746) | |
| Hedging adjustments | 6,232 | | 4,534 | |
| Fair value option valuation adjustments | 60 | | (45) | |
| Total | $671,467 | | $736,344 | |

**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, 2010 | December 31, 2009 |
|---|---|---|
| Due in 1 year or less | $379,434 | $467,856 |
| Due after 1 year through 2 years | 129,253 | 116,010 |
| Due after 2 years through 3 years | 62,311 | 46,537 |
| Due after 3 years through 4 years | 31,468 | 39,944 |
| Due after 4 years through 5 years | 15,852 | 14,091 |
| Thereafter | 40,513 | 41,275 |
| Index amortizing notes | 5,910 | 5,978 |
| Total par value | $664,741 | $731,691 |

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

| Par values of consolidated bonds | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Noncallable/nonputable | $499,780 | $565,840 |
| Callable | 164,961 | 165,851 |
| Total par value | $664,741 | $731,691 |

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

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| | Amount | Percentage of Total | Amount | Percentage of Total |
| Fixed-rate, noncallable | $378,245 | 56.9% | $424,998 | 58.1% |
| Fixed-rate, callable | 122,163 | 18.4% | 120,545 | 16.5% |
| Single-index, non-capped variable-rate | 112,660 | 16.9% | 130,524 | 17.8% |
| Step-up/step-down | 42,024 | 6.3% | 45,986 | 6.3% |
| Amortizing prepayment linked securities | 5,912 | 0.9% | 5,981 | 0.8% |
| Conversion | 2,202 | 0.3% | 2,325 | 0.3% |
| Range | 991 | 0.2% | 983 | 0.1% |
| Capped variable-rate | 535 | 0.1% | 205 | 0.0% |
| Zero-coupon, callable | 200 | 0.0% | 450 | 0.1% |
| Other | 8 | 0.0% | 44 | 0.0% |
| Total | $664,940 | 100.0% | $732,041 | 100.0% |

(1) Consolidated bonds outstanding in this table have not been adjusted for interbank holdings of consolidated bonds totaling $199 million at June 30, 2010 and $350 million at December 31, 2009.

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

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

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

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

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

*Debt Financing Activity.* Historically, the FHLBanks have had diversified sources and channels of funding as the need for funding from the capital markets has grown. The Global Debt Program issued $161.6 billion and $82.3 billion at par in term funds during the six months ended June 30, 2010 and 2009. The TAP Issue Program consolidates the issuance through daily auctions of bullet consolidated bonds of common maturities by re-opening previously issued consolidated bonds. TAP issues generally remain open for three months, after which they are closed and a new series of TAP issues is opened to replace them. This program has reduced the number of separate bullet consolidated bonds issued, but more importantly has enhanced market awareness through increased issue size, 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 six months ended June 30, 2010, $20.4 billion of consolidated bonds were issued through the TAP Issue Program. This issuance represents an increase of $19.8 billion over the six months ended June 30, 2009. During the six months ended June 30, 2009, funding costs for TAP securities rose substantially compared to funding alternatives, making TAP securities less attractive to the FHLBanks. TAP securities were perceived as less liquid relative to other larger GSE securities and were excluded from the Federal Reserve's $175 billion GSE purchase program; therefore, dealers and investors demanded a higher yield for holding TAPs. However, this trend reversed during the first six months of 2010, as enhanced TAP funding opportunities and improvement in the market for the FHLBanks' term funding products resulted in $20.4 billion of TAP issuance.

Consolidated bonds can be negotiated individually or auctioned competitively through approximately 75 underwriters. Consolidated bonds can be offered daily through auction and include fixed-rate bullets (through the TAP Issue Program discussed above) and American-style callables. 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 need for funds of a particular structure and size. Dealers are invited to bid and the trade is executed if the FHLBank's funding parameters are satisfied.

| | Percent of Total Consolidated Bonds Issued During Three Months Ended June 30, | | Percent of Total Consolidated Bonds Issued During Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Negotiated transactions | 85.3% | 94.4% | 85.5% | 91.9% |
| Competitive bid | 14.7% | 5.6% | 14.5% | 8.1% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

| | Percent of Total Consolidated Bonds Issued During Three Months Ended June 30, | | Percent of Total Consolidated Bonds Issued During Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Fixed-rate, fixed-term, noncallable (bullet) | 39.2% | 54.4% | 27.3% | 49.6% |
| Fixed-rate, callable | 34.7% | 13.2% | 38.2% | 15.0% |
| Step-up/step-down | 13.7% | 7.5% | 14.2% | 3.9% |
| Single-index, variable-rate | 10.4% | 24.8% | 18.9% | 31.1% |
| Other | 2.0% | 0.1% | 1.4% | 0.4% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

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

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Consolidated discount notes | $1,631,248 | $2,186,117 | $3,282,823 | $3,974,111 |
| Consolidated bonds | $ 143,551 | $ 120,718 | $ 291,992 | $ 247,912 |

Balances of the various types of consolidated obligations can fluctuate significantly based on comparative changes in their cost levels, supply and demand conditions, advance demand, money market investment balances, and the FHLBanks' individual balance sheet management strategies. The decrease in consolidated obligations outstanding corresponds to the decrease in advances during the first six months of 2010. In the six months ended June 30, 2010, the average balance of consolidated discount notes decreased compared to the average balance for the six months ended June 30, 2009 due to decrease in demand for advances by the FHLBanks' members during the year. As a result, the average balance of consolidated discount notes as a proportion of total average consolidated obligations outstanding decreased in the first six months of 2010 compared to the first six months of 2009.

The FHLBanks make use of callable debt. At June 30, 2010, $165.0 billion of callable debt at par was outstanding (excluding an interbank holding adjustment of $49.0 million). At June 30, 2010, callable consolidated bonds represented 24.8 percent of total consolidated bonds outstanding at par. This percentage has decreased slightly in 2010, which was largely driven by a widening in swap rates (See "Financial Trends" for additional discussion).

Consolidated discount notes accounted for 91.8 percent of the proceeds from the issuance of consolidated obligations during the six months ended June 30, 2010, compared to 94.0 percent of the proceeds from the issuance of consolidated obligations during the six months ended June 30, 2009. Much of the consolidated discount note activity reflects the refinancing of overnight discount notes.

*Deposits.*

At June 30, 2010, deposits totaled $17,805 million, an increase of $1,908 million or 12.0 percent from December 31, 2009. Factors that generally influence deposit levels include turnover in members' investment securities portfolios, changes in member demand for liquidity primarily due to member institution deposit growth, the slope of the yield curve and the FHLBanks' deposit pricing as compared to other short-term money market rates.

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

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| 3 months or less | $697 | $401 |
| Over 3 months through 6 months | 134 | 352 |
| Over 6 months through 12 months | 80 | 149 |
| Over 12 months | 28 | 31 |
| Total | $939 | $933 |

*Capital.*

**Total Capital**
**(Dollar amounts in millions)**

| June 30, 2010 | December 31, 2009 | Increase $ | Increase % |
|---|---|---|---|
| $43,186 | $42,809 | $377 | 0.9% |

The increase in total capital was due primarily to:

- $1.6 billion of net proceeds from the sale of capital stock to support new advances during the six months ended June 30, 2010, the $1.3 billion improvement in AOCI is primarily due to accretion of the noncredit portion of impairment losses on held-to-maturity securities, the reclassification of previous noncredit losses out of AOCI into credit losses and subsequent fair value adjustments on available-for-sale securities at June 30, 2010, and a $390 million increase in retained earnings (excluding stock dividends);
- which was partially offset by the decrease in total capital stock attributable to the $2.4 billion of repurchase/redemption of capital stock and the $574 million reclassification of capital stock as mandatorily redeemable capital stock.

Over the same period, while total capital increased, total assets decreased. This caused the FHLBanks' combined GAAP capital-to-assets ratio to increase to 4.61 percent at June 30, 2010, from 4.22 percent at December 31, 2009. During the six months ended June 30, 2010, total regulatory capital decreased 1.7 percent, whereas total assets decreased 7.7 percent. This caused the FHLBanks' combined regulatory capital-to-assets ratio to increase to 6.31 percent at June 30, 2010, from 5.92 percent at December 31, 2009. Mandatorily redeemable capital stock is considered capital when calculating the regulatory capital-to-assets ratio. (See "Note 12—Capital" to the accompanying combined financial statements.)

**Combined Results of Operations**

The combined financial statements include the financial positions and results of the 12 FHLBanks. Material transactions among the FHLBanks have been eliminated in accordance with combination accounting principles similar to consolidation under GAAP. (See discussions relating to "Interbank Transfers of Liability on Outstanding Consolidated Bonds and Their Effect on Combined Net Income" at the end of this section and in Note 1 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, 2010 vs. 2009 | For the Six Months Ended June 30, 2010 vs. 2009 |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | (Decrease) Increase | (Decrease) Increase |
| **INTEREST INCOME** | | | | | | |
| Advances | $1,167 | $2,675 | $2,376 | $ 6,470 | $(1,508) | $(4,094) |
| Prepayment fees on advances | 141 | 72 | 176 | 113 | 69 | 63 |
| Mortgage loans held for portfolio | 814 | 1,011 | 1,659 | 2,079 | (197) | (420) |
| Investments and other | 1,619 | 1,795 | 3,205 | 3,735 | (176) | (530) |
| Total interest income | 3,741 | 5,553 | 7,416 | 12,397 | (1,812) | (4,981) |
| **INTEREST EXPENSE** | | | | | | |
| Consolidated obligations | 2,380 | 4,024 | 4,787 | 9,582 | (1,644) | (4,795) |
| Other | 35 | 36 | 68 | 76 | (1) | (8) |
| Total interest expense | 2,415 | 4,060 | 4,855 | 9,658 | (1,645) | (4,803) |
| **NET INTEREST INCOME** | $1,326 | $1,493 | $2,561 | $ 2,739 | $ (167) | $ (178) |

During the three- and six-month periods ended June 30, 2010, the FHLBanks' combined net interest income decreased primarily due to lower advance rates and volumes and lower returns on invested capital. On a combined basis, the FHLBanks' average balance sheet has declined considerably in both the quarter-over-quarter and year-over-year comparisons. The FHLBanks continued to experience declines in interest-bearing assets, primarily advances, and declines in interest-bearing liabilities, primarily consolidated obligations, as members' needs for wholesale funding continued to fall. As interest rates remained low during the first six months of 2010, the interest earned on the FHLBanks' assets declined more than the interest paid on the FHLBanks' debt, resulting in lower net interest income during the three- and six- month periods ended June 30, 2010 compared to the same periods in 2009. The average balances of the FHLBanks' combined statement of condition and yields on interest-bearing assets generally decreased in the first six months of 2010 compared to the same period in 2009. Net interest income was positively affected by an increase in the proportion of higher-yielding assets (specifically, agency MBS) to total assets, lower funding costs, and an increase in advance prepayment fee income resulting from advance restructurings and member resolutions. The FHLBanks' funding costs improved due to lower market interest rates, active management of consolidated bonds used to fund long-term assets and improved spreads (relative to U.S. Treasuries and LIBOR) for consolidated bonds.

*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, 2010 | | | June 30, 2009 | | |
| | Average Balance [1] | Interest [2] | Annualized Yield | Average Balance [1] | Interest [2] | Annualized Yield |
| Advances [3] | $557,705 | $1,308 | 0.94% | $ 781,033 | $2,747 | 1.41% |
| Mortgage loans held for portfolio | 67,589 | 814 | 4.83% | 80,067 | 1,011 | 5.06% |
| Investments: | | | | | | |
| Interest-bearing deposits and other | 7,077 | 5 | 0.28% | 50,103 | 30 | 0.24% |
| Securities purchased under agreements to resell | 17,098 | 9 | 0.21% | 12,705 | 5 | 0.16% |
| Federal funds sold | 86,084 | 43 | 0.20% | 59,030 | 37 | 0.25% |
| Trading securities | 15,542 | 79 | 2.04% | 17,896 | 109 | 2.44% |
| Available-for-sale securities [4] | 63,369 | 317 | 2.01% | 25,965 | 136 | 2.10% |
| Held-to-maturity securities [4] | 151,846 | 1,166 | 3.08% | 172,237 | 1,478 | 3.44% |
| Total investments | 341,016 | 1,619 | 1.90% | 337,936 | 1,795 | 2.13% |
| Total interest-earning assets | 966,310 | $3,741 | 1.55% | 1,199,036 | $5,553 | 1.86% |
| Other [5] | 501 | | | 5,761 | | |
| Total assets | $966,811 | | | $1,204,797 | | |
| Consolidated obligations: | | | | | | |
| Discount notes | $184,560 | $ 168 | 0.37% | $ 383,401 | $ 557 | 0.58% |
| Bonds | 688,683 | 2,212 | 1.29% | 717,330 | 3,467 | 1.94% |
| Interest-bearing deposits and other borrowings [6] | 30,285 | 35 | 0.46% | 28,749 | 36 | 0.50% |
| Total interest-bearing liabilities | 903,528 | $2,415 | 1.07% | 1,129,480 | $4,060 | 1.44% |
| Non-interest-bearing liabilities | 20,233 | | | 28,261 | | |
| Total liabilities | 923,761 | | | 1,157,741 | | |
| Capital | 43,050 | | | 47,056 | | |
| Total liabilities and capital | $966,811 | | | $1,204,797 | | |
| Spread on: | | | | | | |
| Total interest-bearing liabilities (Net interest spread) [7] | | | 0.48% | | | 0.42% |
| Total funding (net interest margin) [8] | | | 0.55% | | | 0.50% |

| | For the Six Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | June 30, 2010 | | | June 30, 2009 | | |
| | Average Balance (1) | Interest (2) | Annualized Yield | Average Balance (1) | Interest (2) | Annualized Yield |
| Advances (3) | $582,211 | $2,552 | 0.88% | $ 828,706 | $ 6,583 | 1.60% |
| Mortgage loans held for portfolio | 68,715 | 1,659 | 4.87% | 83,142 | 2,079 | 5.04% |
| Investments: | | | | | | |
| Interest-bearing deposits and other | 7,160 | 8 | 0.23% | 50,514 | 63 | 0.25% |
| Securities purchased under agreements to resell | 15,213 | 12 | 0.16% | 13,748 | 14 | 0.21% |
| Federal funds sold | 84,902 | 72 | 0.17% | 63,942 | 78 | 0.25% |
| Trading securities | 17,796 | 165 | 1.87% | 16,541 | 217 | 2.65% |
| Available-for-sale securities (4) | 59,938 | 598 | 2.01% | 20,315 | 196 | 1.95% |
| Held-to-maturity securities (4) | 152,598 | 2,350 | 3.11% | 177,497 | 3,167 | 3.60% |
| Total investments | 337,607 | 3,205 | 1.91% | 342,557 | 3,735 | 2.20% |
| Total interest-earning assets | 988,533 | $7,416 | 1.51% | 1,254,405 | $12,397 | 1.99% |
| Other (5) | 501 | | | 8,230 | | |
| Total assets | $989,034 | | | $1,262,635 | | |
| Consolidated obligations: | | | | | | |
| Discount notes | $191,977 | $ 321 | 0.34% | $ 407,006 | $ 1,638 | 0.81% |
| Bonds | 703,165 | 4,466 | 1.28% | 749,792 | 7,944 | 2.14% |
| Interest-bearing deposits and other borrowings (6) | 30,250 | 68 | 0.45% | 28,647 | 76 | 0.53% |
| Total interest-bearing liabilities | 925,392 | $4,855 | 1.06% | 1,185,445 | $ 9,658 | 1.64% |
| Non-interest-bearing liabilities | 20,638 | | | 28,280 | | |
| Total liabilities | 946,030 | | | 1,213,725 | | |
| Capital | 43,004 | | | 48,910 | | |
| Total liabilities and capital | $989,034 | | | $1,262,635 | | |
| Spread on: | | | | | | |
| Total interest-bearing liabilities (Net interest spread) (7) | | | 0.45% | | | 0.35% |
| Total funding (net interest margin) (8) | | | 0.52% | | | 0.44% |

(1) Average balances do not reflect the effect of reclassifications of cash collateral related to derivatives.

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

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

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

(5) Other includes all non-interest earning assets, the effect of changes in fair value and the noncredit component of a previously recognized other-than-temporary impairment reflected in AOCI.

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

(7) Net interest spread is the difference between interest-earning assets and interest-bearing liabilities.

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

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-month periods ended June 30, 2010 and 2009. 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, 2010 vs. 2009 | | | For the Six Months Ended June 30, 2010 vs. 2009 | | |
|---|---|---|---|---|---|---|
| | (Decrease) Increase Due to | | | (Decrease) Increase Due to | | |
| | Volume | Rate | Total | Volume | Rate | Total |
| Interest Income: | | | | | | |
| Advances [1] | $(665) | $ (774) | $(1,439) | $(1,608) | $(2,423) | $(4,031) |
| Mortgage loans held for portfolio | (152) | (45) | (197) | (350) | (70) | (420) |
| Investments [2] | 16 | (192) | (176) | (53) | (477) | (530) |
| Total interest income | (801) | (1,011) | (1,812) | (2,011) | (2,970) | (4,981) |
| Interest Expense: | | | | | | |
| Consolidated obligations [2] | (737) | (907) | (1,644) | (1,868) | (2,927) | (4,795) |
| Deposits and other borrowings [2][3] | 2 | (3) | (1) | 4 | (12) | (8) |
| Total interest expense | (735) | (910) | (1,645) | (1,864) | (2,939) | (4,803) |
| Changes in net interest income | $ (66) | $ (101) | $ (167) | $ (147) | $ (31) | $ (178) |

(1) Includes prepayment fees on advances, net.

(2) Average balances used for this calculation do not reflect the effect of reclassifications of cash collateral. 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.

(3) Calculations also include the average balances of subordinated notes and related interest expense.

The FHLBanks generate net interest income from two components: 1) the net interest-rate spread and 2) funding interest-earning assets with interest-free capital. The sum of these two components, when expressed as a percentage of the average book balance of interest-earning assets, equals the net interest margin. A significant portion of net interest income results from earnings on assets funded by invested regulatory capital because of the FHLBanks' low net interest-rate spread compared to other financial institutions. Furthermore, net interest income is affected by changes in average asset and liability balances.

During the three- and six-month periods ended June 30, 2010, at the combined level, the spread between asset yields and interest-bearing liabilities and the net interest margin increased compared to the same period in 2009. Each FHLBank's spread between asset yields, interest-bearing liabilities and/or the net interest margin increased and/or decreased based on each FHLBank's investing, funding and hedging activities, among other things. See "Supplemental Information—Individual FHLBank Selected Financial Data and Financial Ratios" for each individual FHLBank's spread between asset yields and interest-bearing liabilities and the net interest margin for those periods.

At the combined level, the increases in the FHLBanks' net interest margin and spread between asset yields and interest-bearing liabilities during the three- and six-month periods ended June 30, 2010 were generally related to lower funding costs, increased funding of investment portfolios with short-term consolidated obligations and an increase in the average balances of certain short-term investments, agency MBS and advance prepayment fee income. The net interest margin improved for the three- and six-month periods ended June 30, 2010 as the continued low interest-rate environment resulted in a larger reduction on the rate paid for interest-bearing liabilities compared to the reduction in the yield earned on interest-earning assets.

Items that increased the net interest margin and spread between asset yields and interest-bearing liabilities for the three- and six-month periods ended June 30, 2010, compared to the same periods in 2009, included, but are not limited to:

- an increase in the proportion of higher-yielding assets to total assets as advance balances have declined;
- a reduction in the average funding costs of consolidated bonds and consolidated discount notes relative to the yield on interest-earning assets. In the first six months of 2010, average spreads on assets, whose average terms to repricing were longer than those of corresponding liabilities, widened relative to their funding costs;
- refinancing retired and called consolidated bonds at lower cost, reflecting the continued low interest-rate environment. The reduction in intermediate-and long-term interest rates enabled certain FHLBanks to retire (call) consolidated bonds before their final maturities and replace them with new debt (both consolidated bonds and discount notes) at significantly lower interest rates; and
- an increase in prepayment fee income on advances due to advance restructurings and member resolutions.

Items that decreased the net interest margin and spread between asset yields and interest-bearing liabilities for the three- and six-month periods ended June 30, 2010, compared to the same periods in 2009 included, but are not limited to:

- a decline in average yield on interest-earning assets funded by non-interest-bearing capital due to the continued low interest-rate environment, particularly in the short-end of the yield curve; and
- the reinvestment spreads available on newly-issued, short-term consolidated obligations continued to decline from the high levels experienced during the first half of 2009 to levels that were closer to long-term historical norms.

For additional discussion related to an individual FHLBank's changes 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 interest-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, 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 (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.

Consolidated obligations outstanding continued to contract during the three- and six-month periods ended June 30, 2010. Consolidated obligations outstanding (par value), before interbank elimination, were $209 billion lower on June 30, 2010 compared to June 30, 2009 as a result of a $161 billion decline in consolidated discount notes (par value) and a $48 billion decline in consolidated bonds (par value). Total consolidated obligations issuance was 23 percent and 15 percent lower during the three- and six-month periods ended June 30, 2010, than the corresponding periods in the previous year due to a decrease in consolidated discount note issuance. Aggregate weighted-average, new-issue funding costs for

FHLBank consolidated bonds increased relative to benchmark market indices for the three- and six-month periods ended June 30, 2010, as compared to the same periods in the previous year.

Based on the average two-year to 10-year spread, the U.S. Treasury curve steepened during the three- and six-month periods ended June 30, 2010 compared to the corresponding periods in 2009. Furthermore, U.S. Treasury yields trended downward during the three-month period ended June 30, 2010, particularly in the intermediate and longer end of the U.S. Treasury curve.

FHLBanks relied more on callable bond funding during the three- and six-month periods ended June 30, 2010, such that bonds with an embedded call option represented 35 percent of consolidated bond issuance during the three-month period ended June 30, 2010 compared to 13 percent during the comparable period in 2009, and 38 percent of consolidated bond issuance during the six-month period ended June 30, 2010 compared to 15 percent during the comparable period in 2009. Bullet bond issuance decreased, accounting for 39 percent of consolidated bond issuance during the three-month period ended June 30, 2010 compared to 54 percent during the comparable period in 2009, and 27 percent of consolidated bond issuance during the six-month period ended June 30, 2010 compared to 50 percent during the same period in 2009. Variable-rate consolidated bond issuance also diminished, accounting for 10 percent of consolidated bond issuance during the three-month period ended June 30, 2010 versus 25 percent during the comparable period in 2009, and 19 percent of consolidated bond issuance during the six-month period ended June 30, 2010 compared to 31 percent during the comparable period in 2009. In the three-month period ended June 30, 2010, the proportion of consolidated bonds issued in the step-up/step-down and other bond categories more than doubled when compared to the same period in 2009. These categories accounted for 16 percent of consolidated bond issuance during the three-month period ended June 30, 2010, compared to slightly less than eight percent of consolidated bond issuance during the same period in 2009. Similarly, during the six-month period ended June 30, 2010, these categories represented 16 percent of consolidated bond issuance compared to four percent during the same periods in 2009. The majority of these categories was comprised of callable step-up bonds.

During the three- and six-month periods ended June 30, 2010, the dollar amount of callable FHLBank consolidated bonds redeemed prior to maturity (called) increased compared to the corresponding prior-year periods. During the three-month period ended June 30, 2010, $85 billion of callable FHLBank consolidated bonds were redeemed prior to maturity, compared to $26 billion during the same period in 2009. During the six-month period ended June 30, 2010, $155 billion of callable FHLBank consolidated bonds were redeemed prior to maturity, compared to $102 billion during the same period in 2009. Call volume may be driven by a variety of factors, including but not limited to the following: 1) shifts in the interest rate environment, 2) the amount of callable debt outstanding, 3) debt refunding costs, 4) FHLBank asset/liability management strategies and 5) the overall funding environment.

*Net Income.*

**Changes in Net Income**
**(Dollar amounts in millions)**

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | | Three Months Ended June 30, 2010 vs. 2009 | Six Months Ended June 30, 2010 vs. 2009 |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | (Decrease) Increase | (Decrease) Increase |
| **NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES** | $1,315 | $1,487 | $ 2,542 | $2,729 | $ (172) | $ (187) |
| **OTHER (LOSS) INCOME** | | | | | | |
| Net other-than-temporary impairment losses | (495) | (437) | (728) | (953) | (58) | 225 |
| Net gains (losses) on trading securities | 157 | (68) | 186 | (79) | 225 | 265 |
| Net realized losses from sale of available-for-sale securities | | (43) | | (24) | 43 | 24 |
| Net realized gains from sale of held-to-maturity securities | 6 | | 6 | 6 | 6 | |
| Net losses on advances and consolidated obligations held at fair value | (38) | (189) | (142) | (367) | 151 | 225 |
| Net (losses) gains on derivatives and hedging activities | (324) | 979 | (578) | 1,179 | (1,303) | (1,757) |
| Service fees | 8 | 9 | 15 | 17 | (1) | (2) |
| Other, net | 7 | (6) | 13 | (3) | 13 | 16 |
| Total other (loss) income | (679) | 245 | (1,228) | (224) | (924) | (1,004) |
| Total other expense | 173 | 217 | 396 | 464 | (44) | (68) |
| Total assessments | 137 | 392 | 267 | 573 | (255) | (306) |
| **NET INCOME** | $ 326 | $1,123 | $ 651 | $1,468 | $ (797) | $ (817) |

Combined net income for the three-month period ended June 30, 2010 was $326 million, compared to combined net income of $1.123 billion recorded during the same period in the previous year. The $797 million decrease in combined net income was primarily attributable to net losses on derivatives and hedging activities, a decline in net interest income after provision for credit losses and an increase in credit-related OTTI charges, which were partially offset by net gains on trading securities and lower fair value net losses on those advances and consolidated obligations held at fair value. Combined net income for the six-month period ended June 30, 2010 was $651 million, compared to combined net income of $1.468 billion recorded during the same period in the previous year. The $817 million decrease in combined net income was primarily attributable to net losses on derivatives and hedging activities and a decline in net interest income after provision for credit losses, which were partially offset by net gains on trading securities, lower fair value net losses on those advances and consolidated obligations held at fair value and lower credit-related OTTI charges. The change in net (losses) gains on derivatives and hedging activities during the first three and six months of 2010 when compared to the same periods in 2009 was primarily due to changes in interest rates. The decline in net interest income after provision for credit losses during the three- and six-month periods ended June 30, 2010 was driven by lower advance volumes and rates and lower returns on invested capital. The increase in credit-related OTTI charges for the three-month period ended June 30, 2010, compared to the corresponding period in the prior year, was primarily driven by cash flow loss projections for prime and Alt-A loans underlying certain private-label MBS. The reduction in credit-related OTTI charges during the first six months of 2010 compared to the first six months of 2009 primarily reflects the slower pace of decline in certain factors, such as home prices and unemployment rates, which affected the expected performance of the mortgage loans underlying the FHLBanks' private-label MBS. The FHLBanks recognized net gains on trading securities for the first three and six months of 2010, compared to net losses on trading securities for the same periods in 2009, primarily due to an increase in the fair value of trading securities. Lower fair value net losses on those advances and consolidated obligations held at fair value for the three- and six-month periods ended June 30, 2010 were driven by the decreased long-term interest rate environment relative to the actual coupon rates on the FHLBanks' advances.

*Other (Loss) Income.*

Combined other loss for the three-month period ended June 30, 2010 was $679 million, compared to combined other income of $245 million recorded during the same period in the previous year. The combined other loss was primarily attributable to net losses on derivatives and hedging activities, which were partially offset by lower fair value net losses on those advances and consolidated obligations held at fair value and net gains on trading securities. Combined other loss for the six-month period ended June 30, 2010 was $1.228 billion, compared to combined other loss of $224 million recorded during the same period in the previous year. The combined other loss was primarily attributable to net losses on derivatives and hedging activities, which were partially offset by lower credit-related OTTI charges, lower fair value net losses on those advances and consolidated obligations held at fair value and net gains on trading securities.

The change in net (losses) gains on derivatives and hedging activities during the three- and six-month periods ended June 30, 2010 when compared to the same periods in 2009 was primarily due to changes in interest rates, the reversal of prior period net gains on derivatives and hedging activities and a decrease in swaption volatilities. Most income statement changes for derivatives and hedging activities during the three- and six-month periods ended June 30, 2010 when compared to the same periods in the previous year represent unrealized market value adjustments on derivatives that result primarily from interest rate changes that affect the market values of derivatives differently than the market values of the hedged risks.

The increase in credit-related OTTI charges for the three-month period ended June 30, 2010, compared to the corresponding period in the prior year, was primarily driven by cash flow loss projections for prime and Alt-A loans underlying certain private-label MBS. The reduction in credit-related OTTI charges during the six-month period ended June 30, 2010 compared to the corresponding period in the prior year primarily reflects the slower pace of decline in certain factors, such as home prices and unemployment rates, which affected the expected performance of the mortgage loans underlying the FHLBanks' private-label MBS.

The lower fair value net losses on those advances and consolidated obligations held at fair value during the three-month period ended June 30, 2010 when compared to the same period in the previous year were primarily due to net gains on advances held at fair value. The unrealized net gains on advances held at fair value were driven by the decreased long-term interest rate environment relative to the actual coupon rates on the FHLBanks' advances. The unrealized net losses on consolidated obligations held at fair value were primarily driven by the decreased long-term interest rate environment relative to the actual coupon rates on the consolidated obligations. The lower fair value net losses on those advances and consolidated obligations held at fair value during the six-month period ended June 30, 2010 when compared to the same period in the previous year were primarily due to lower net losses on advances held at fair value. The unrealized net losses on advances held at fair value were primarily driven by the increased short-term interest rate environment relative to the actual coupon rates on the FHLBank's advances. The unrealized net losses on consolidated obligations held at fair value were primarily driven by the decreased long-term interest rate environment relative to the actual coupon rates on the consolidated obligations.

The FHLBanks recognized net gains on trading securities during the three- and six-month periods of June 30, 2010 compared to net losses on trading securities during the same periods in 2009 was primarily due to an increase in the fair value of trading securities.

*Net Other-Than-Temporary Impairment Losses on Investment Securities.*

**Net Other-Than-Temporary Impairment Losses on Investment Securities (Dollar amounts in millions)**

| | For the Three Months Ended June 30, 2010 | For the Six Months Ended June 30, 2010 |
|---|---|---|
| | Total | Total |
| Total other-than-temporary impairment losses | $(468) | $(874) |
| Net amount of impairment losses reclassified (from)/to accumulated other comprehensive loss | (27) | 146 |
| Net other-than-temporary impairment losses | $(495) | $(728) |

During the three- and six-month periods ended June 30, 2010, other (loss) income was negatively affected by OTTI related to credit losses on certain held-to-maturity and available-for-sale private-label RMBS of $493 million and $721 million, and home equity loan on investments of $2 million and $7 million.

The following table presents the OTTI losses on securities newly impaired during the three and six months ended June 30, 2010 and previously identified as other-than-temporarily impaired (dollar amounts in millions).

| | For the Three Months Ended June 30, 2010 | | | For the Six Months Ended June 30, 2010 | | |
|---|---|---|---|---|---|---|
| | Credit Losses | Net Noncredit Losses | Total Losses | Credit Losses | Net Noncredit Losses | Total Losses |
| Securities newly impaired during the period | $ (30) | $(397) | $(427) | $ (57) | $(692) | $(749) |
| Securities previously impaired prior to current period [1] | (465) | 424 | (41) | (671) | 546 | (125) |
| Total | $(495) | $ 27 | $(468) | $(728) | $(146) | $(874) |

(1) For the three months ended June 30, 2010, "securities previously impaired prior to current period" represents all securities that were also previously impaired prior to April 1, 2010. For the six months ended June 30, 2010, "securities previously impaired prior to current period" represents all securities that were also previously impaired prior to January 1, 2010.

The net credit loss reflected the effect of additional projected credit losses on loan collateral and for the three-month period ended June 30, 2010, it was primarily driven by cash flow loss projections for prime and Alt-A loans underlying certain private-label MBS. This process includes updating key aspects of the FHLBanks' loss projection models. For the three-month ended June 30, 2010, the update reflected the ongoing pressure on housing prices from persistently high inventories of unsold properties and the effects on anticipated borrower behavior of continued high unemployment and the increased likelihood of default by borrowers with mortgage loan balances that exceed the value of their homes. Each FHLBank actively monitors the credit quality of its private-label MBS. It is not possible to predict whether the FHLBanks will have additional credit-related OTTI charges in the future because that will depend on many factors, including economic, financial market and housing market conditions and the actual and projected performance of the loan collateral underlying the FHLBanks' private-label MBS. If delinquency and/or loss rates on mortgages and/or home equity loans continue to increase, and/or there is a further decline in residential real estate values, the FHLBanks could experience reduced yields or additional credit-related losses on these investment securities.

For additional information on OTTI evaluations by the FHLBanks, please refer to each individual FHLBank's periodic reports filed with the SEC.

*Derivatives and Hedging Activities and Fair Value Measurements.* The FHLBanks are required to carry all of their derivative instruments on the Combined Statement of Condition at fair value. If derivatives meet the hedging criteria, including effectiveness measures, 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. These economic hedges are recorded on the Combined 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 unless the associated asset or liability is marked-to-market through earnings on a recurring basis (i.e., trading securities and assets and liabilities elected under the fair value option). The FHLBanks of New York, Chicago, Des Moines and San Francisco recognize changes in the unrealized gains and losses on the assets and liabilities elected under the fair value option in current period earnings.

In general, an FHLBank holds derivatives and associated hedged instruments, and certain assets and liabilities that are carried at fair value, to the maturity, call, or put date. Therefore, 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 an FHLBank terminates these instruments prior to maturity or prior to the call or put dates. Terminating the financial instrument or hedging relationship may result in a realized gain or loss. In addition, an FHLBank may have instances in which it sells 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.

The increase in net losses on derivatives and hedging activities during the first six months of 2010 compared to the net gains on derivatives and hedging activities during the first six months of 2009 was primarily attributable to changes in interest rate spreads and a decrease in LIBOR. Additionally, narrowing spreads between interest rates on GSE debt securities and interest-rate swaps also resulted in net gains on derivatives and hedging activities for the first six months of 2009.

**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, 2010 | Advances | Investments | MPF/ MPP Loans | COs- Bonds | COs- Discount Notes | Balance Sheet | Total |
|---|---|---|---|---|---|---|---|
| Amortization/accretion of derivatives and hedging activities in net margin | $(100) | $ | $(10) | $ 23 | $ 1 | $ | $ (86) |
| Net (losses) gains on derivatives and hedging activities | (136) | (272) | 33 | 128 | (47) | (30) | (324) |
| Net gains on trading securities | | 157 | | | | | 157 |
| Net gains (losses) on advances and consolidated obligations held at fair value | 36 | | | (72) | (2) | | (38) |
| Total | $(200) | $(115) | $ 23 | $ 79 | $(48) | $(30) | $(291) |

| Earnings Effect for the Three Months Ended June 30, 2009 | Advances | Investments | MPF/ MPP Loans | COs- Bonds | COs- Discount Notes | Balance Sheet | Total |
|---|---|---|---|---|---|---|---|
| Amortization/accretion of derivatives and hedging activities in net margin | $(191) | $ | $ 5 | $ 15 | $ | $ | $(171) |
| Net gains on derivatives and hedging activities | 287 | 273 | 89 | 176 | 113 | 41 | 979 |
| Net losses on trading securities | | (68) | | | | | (68) |
| Net losses on advances and consolidated bonds held at fair value | (131) | | | (58) | | | (189) |
| Total | $ (35) | $205 | $94 | $133 | $113 | $41 | $ 551 |

| Earnings Effect for the Six Months Ended June 30, 2010 | Advances | Investments | MPF/ MPP Loans | COs- Bonds | COs- Discount Notes | Balance Sheet | Total |
|---|---|---|---|---|---|---|---|
| Amortization/accretion of derivatives and hedging activities in net margin | $(193) | $ | $(10) | $ 40 | $ (9) | $ | $(172) |
| Net (losses) gains on derivatives and hedging activities | (175) | (457) | (45) | 292 | (88) | (105) | (578) |
| Net gains on trading securities | | 186 | | | | | 186 |
| Net losses on advances and consolidated obligations held at fair value | (44) | | | (96) | (2) | | (142) |
| Total | $(412) | $(271) | $(55) | $236 | $(99) | $(105) | $(706) |

| Earnings Effect for the Six Months Ended June 30, 2009 | Advances | Investments | MPF/ MPP Loans | COs- Bonds | COs- Discount Notes | Balance Sheet | Total |
|---|---|---|---|---|---|---|---|
| Amortization/accretion of derivatives and hedging activities in net margin | $(407) | $ | $ 7 | $ 35 | $ 2 | $ | $ (363) |
| Net gains on derivatives and hedging activities | 252 | 286 | 3 | 351 | 167 | 120 | 1,179 |
| Net losses on trading securities | | (79) | | | | | (79) |
| Net losses on advances and consolidated bonds held at fair value | (323) | | | (44) | | | (367) |
| Total | $(478) | $207 | $10 | $342 | $169 | $120 | $ 370 |

*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, 2010 vs. 2009 Increase (Decrease) | | For the Six Months Ended June 30, 2010 vs. 2009 Increase (Decrease) | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | $ | % | $ | % |
| Salaries and employee benefits | $120 | $116 | $241 | $234 | $ 4 | 3.4% | $ 7 | 3.0% |
| Cost of quarters | 9 | 10 | 18 | 19 | (1) | (10.0)% | (1) | (5.3)% |
| Other | 72 | 70 | 137 | 131 | 2 | 2.9% | 6 | 4.6% |
| Total operating expenses | $201 | $196 | $396 | $384 | $ 5 | 2.6% | $12 | 3.1% |
| Operating expenses as a percentage of average assets (basis points) | 8.3 | 6.5 | 8.1 | 6.1 | | | | |

The increase in operating expenses for the three and six months ended June 30, 2010, as compared to the three and six months ended June 30, 2009, primarily relates to increases in salaries and benefits from additional employees at certain FHLBanks as well as increases in consulting and legal fees.

**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, 2010 vs. 2009 Increase (Decrease) | | For the Six Months Ended June 30, 2010 vs. 2009 Increase (Decrease) | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | $ | % | $ | % |
| Finance Agency expenses | $ 10 | $7 | $ 24 | $20 | $ 3 | 42.9% | $ 4 | 20.0% |
| Office of Finance expenses | 7 | 9 | 19 | 18 | (2) | (22.2)% | 1 | 5.6% |
| (Reversal) provision for derivative counterparty credit losses | (53) | | (53) | 35 | (53) | | (88) | (251.4)% |
| Other, net | 8 | 5 | 10 | 7 | 3 | 60.0% | 3 | 42.9% |

*Finance Agency Expenses.* The FHLBanks fund 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. Each FHLBank pays a pro-rata share of the Finance Agency's expenses and working capital fund through annual assessments based on the ratio between that FHLBank's minimum required regulatory capital and the aggregate minimum required regulatory capital of all FHLBanks. Each FHLBank must pay an amount equal to one-half of its annual assessment twice each year.

*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 generally allocated among the FHLBanks based on each FHLBank's percentage of total GAAP capital stock, percentage of consolidated obligations issued, and percentage of consolidated obligations outstanding.

*(Reversal) Provision for Derivative Counterparty Credit Losses.* The FHLBanks are subject to credit risk due to nonperformance by counterparties to the derivative agreements. The degree of counterparty credit risk depends on the extent to which master netting arrangements are included in such contracts to mitigate the risk. The FHLBanks manage counterparty credit risk through credit analyses, collateral requirements, and adherence to the requirements set forth in FHLBanks policies and regulations. Based on credit analyses and collateral requirements, the FHLBanks do not anticipate any credit losses on their derivative agreements. Thus, no provision for derivative counterparty credit losses was reserved for the three and six months ended June 30, 2010.

However, during the second quarter of 2010, the FHLBank of Atlanta and management of the Lehman bankruptcy estate concluded that the agreed-upon amount of the FHLBank of Atlanta's claims on the Lehman estate is $175 million. Based on a financial disclosure report made available by the Lehman bankruptcy estate during the second quarter of 2010 and market prices for the sale of claims on the Lehman bankruptcy estate, the estimate by the FHLBank of Atlanta's management of the probable amount that will be realized is $68 million as of June 30, 2010. The FHLBank of Atlanta increased its estimate of the probable amount that will be realized related to the net receivable due from LBSF by $49 million, with a corresponding reduction to other expense as reported in "(Reversal) provision for derivative counterparty credit losses" on the Combined Statement of Income.

In addition, in June 2010, as a result of negotiations with the bankruptcy administrator for LBSF and market indications of sales of Lehman receivables to third parties, the FHLBank of Seattle reduced its provision for credit losses on receivables by $3.9 million as reported in "(Reversal) provision for derivative counterparty credit losses" on the Combined Statement of Income.

For the first six months of 2009, the provision of $35.3 million for derivative counterparty credit losses was recorded in "(Reversal) provision for derivative counterparty credit losses" in the Combined Statement of Income related to the FHLBank of Pittsburgh's provision for its outstanding receivable with LBSF. The FHLBank of Pittsburgh did not record a reserve with respect to the receivable of $41.5 million from LBSF as of December 31, 2008 because at that time the FHLBank of Pittsburgh was unable to reasonably estimate the amount of loss that had been incurred. As of June 30, 2010, the FHLBank of Pittsburgh maintained a $35.3 million reserve on this receivable as this remains the most probable estimated loss.

*Affordable Housing Program (AHP).*

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

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

| (Dollar amounts in millions) | For the Three Months Ended June 30, 2010 | For the Three Months Ended June 30, 2009 | For the Six Months Ended June 30, 2010 | For the Six Months Ended June 30, 2009 | For the Three Months Ended June 30, 2010 vs. 2009 Decrease $ | For the Three Months Ended June 30, 2010 vs. 2009 Decrease % | For the Six Months Ended June 30, 2010 vs. 2009 Decrease $ | For the Six Months Ended June 30, 2010 vs. 2009 Decrease % |
|---|---|---|---|---|---|---|---|---|
| Affordable Housing Program | $43 | $120 | $83 | $177 | $(77) | (64.2)% | $(94) | (53.1)% |

The decrease in AHP assessments reflects the fact that only FHLBanks with net income are required to make contributions to the AHP and the level of aggregate gross net income among the FHLBanks was lower during the three and six months ended June 30, 2010 compared to the three and six months ended June 30, 2009.

*Interbank Transfers of Liability on Outstanding Consolidated Bonds and Their Effect on Combined Net Income.* Combined net income of the FHLBanks is affected by interbank transfers of liability on outstanding consolidated bonds. These transactions arise when one FHLBank transfers its direct liability on outstanding consolidated bonds to another FHLBank. By engaging in these transactions, two FHLBanks are able to better match their funding needs by transferring funds held by one FHLBank to another FHLBank that needs funds. 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.

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 consolidated 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 consolidated 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 consolidated bonds by the assuming FHLBank are eliminated; and

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

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. (See "Note 1—Summary of Significant Accounting Policies" to the accompanying combined financial statements and the related FHLBanks combining schedules.)

Total interbank consolidated bonds of $480 million at par value were transferred from one FHLBank to another FHLBank during the six months ended June 30, 2009. There were no consolidated bonds transferred from one FHLBank to another FHLBank during the six months ended June 30, 2010. The amount of total interbank consolidated bonds transferred during a period depends on a variety of factors, such as 1) whether or not an assuming FHLBank can obtain equal or lower funding costs through interbank transfers as compared to issuing new debt, 2) an FHLBank's overall asset/liability management strategy and/or 3) current market conditions. The combining adjustments for the three and six months ended June 30, 2010 and 2009 for the elimination of the transfers of interbank consolidated bond liabilities and interbank fees and commissions related to the MPF Program resulted in the following effect on the Combined Statement of Income:

**Effect of Combining Adjustments on Combined Statement 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, 2010 vs. 2009 | For the Six Months Ended June 30, 2010 vs. 2009 |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | Increase (Decrease) | Increase (Decrease) |
| Effect on: | | | | | | |
| Net interest income | $ | $ (5) | $(1) | $(13) | $ 5 | $ 12 |
| Total other (loss) income | (1) | 16 | (3) | 34 | (17) | (37) |
| Total other expense | (1) | (1) | (3) | (3) | | |
| Net income | | 12 | (1) | 24 | (12) | (25) |

## 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 $94 million (cash payment of $98 million, which includes the application of certain credits due to FHLBanks that overpaid their annual REFCORP assessment in 2008 and/or 2009) compared with $272 million (cash payment of $287 million, which includes the application of certain credits due to FHLBanks that overpaid their annual REFCORP assessment in 2008) for the three-month periods ended June 30, 2010 and 2009. The REFCORP assessment of the FHLBanks was $184 million (cash payment of $199 million, which includes the application of certain credits due to FHLBanks that overpaid their annual REFCORP assessment in 2008 and/or 2009) compared with $396 million (cash payment of $394 million, which includes the application of certain credits due to FHLBanks that overpaid their annual REFCORP assessment in 2008) for the six-month periods ended June 30, 2010 and 2009. The cash payments are made based on preliminary GAAP net income amounts due to the timing requirement of the payment. Any FHLBank with a net loss for a quarter is not required to pay the REFCORP assessment for that quarter. As specified in the applicable regulation that implements section 607 of the Gramm-Leach-Bliley Act of 1999 (GLB Act), the amount by which the REFCORP payment for any quarter exceeds the $75 million benchmark payment is used to simulate the purchase of zero-coupon U.S. Treasury bonds to "defease" all or a portion of the most-distant remaining quarterly benchmark payment. The defeased benchmark payments (or portions thereof) can be reinstated if future actual REFCORP payments fall short of the $75 million benchmark in any quarter. The $23 million by which the second quarter 2010 REFCORP payment exceeded the $75 million quarterly benchmark had the effect of defeasing an additional $23 million of the benchmark payment due on April 15, 2012.

As a result of the REFCORP payments of $98 million made by the FHLBanks for the three-month period ended June 30, 2010, the overall period during which the FHLBanks must continue to make quarterly payments remained April 15, 2012, effective at June 30, 2010, unchanged from April 15, 2012, effective at December 31, 2009. This date assumes that the FHLBanks will pay exactly $300 million annually after June 30, 2010 (including the application of certain credits due to FHLBanks that overpaid their annual REFCORP assessment as referred to in the preceding paragraph) until the annuity is fully satisfied. This compares to the outside date of April 15, 2012, effective at June 30, 2009, based on REFCORP payments made through June 30, 2009 (including the application of certain credits due to FHLBanks that overpaid their annual REFCORP assessment as referred to in the preceding paragraph).

**REFCORP Defeasance Summary**
**For Second Quarter 2010 Payment**
**(Dollar amounts in millions)**

| Payment Due Date | Amount of Benchmark Payment Defeased [(1)] | Interest Rate Used to Discount the Future Benchmark Payment | Present Value of Benchmark Payment Defeased [(2)] |
|---|---|---|---|
| April 15, 2012 (most distant remaining payment) | $23 | 0.48% | $23 |

(1) Subject to possible subsequent reinstatement.

(2) Actual second quarter 2010 contribution of $98 million.

## Capital Adequacy

The FHLBank Act prescribes minimum capital requirements for the FHLBanks. (See "Note 12—Capital" to the accompanying combined financial statements for more information.) 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, or may limit dividend payments as part of their retained earnings policies.

Regulatory 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 ensure 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 and/or to limit dividend payments as part of their retained earnings policies. These limitations may be revised from time to time. At June 30, 2010, each of the FHLBanks was in compliance with its statutory minimum capital requirements and any internally-established or supervisory limitations. (See "Note 12—Capital" to the accompanying combined financial statements for more information.)

At June 30, 2010, 101.1 percent of the total capital of the FHLBanks consisted of capital stock, while (1.1) percent consisted of retained earnings and AOCI. At June 30, 2010, the FHLBanks had a combined regulatory capital-to-assets ratio of 6.31 percent, up from 5.92 percent at December 31, 2009. Mandatorily redeemable capital stock is considered capital when calculating the regulatory capital-to-assets ratio. At June 30, 2010, the FHLBanks had a combined GAAP capital-to-assets ratio of 4.61 percent, up from 4.22 percent at December 31, 2009. Following the passage of the Housing Act, the Director of the Finance Agency is responsible for setting the risk-based capital standards for the FHLBanks. (See "Note 12—Capital" to the accompanying combined financial statements.)

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

The board of directors of each FHLBank has adopted a retained earnings policy that includes a target amount of retained earnings as well as a plan that will enable the FHLBank to reach the targeted amount of retained earnings. A number of FHLBanks have implemented policies to suspend dividend payments and/or prohibit repurchases of excess capital stock. These actions were implemented as a capital preservation measure and to reflect a conservative financial management approach during a period of severe market volatility and due to OTTI exposure on private-label MBS and home equity loan investments for certain FHLBanks as follows.

- Effective December 8, 2008, the FHLBank of Boston suspended the practice of repurchasing excess capital stock. The FHLBank of Boston continues its moratorium on excess stock repurchases; accordingly, during the six months ended June 30, 2010, it did not repurchase excess capital stock. At June 30, 2010, the FHLBank of Boston had excess capital stock outstanding totaling $1.6 billion or 2.4 percent of its total assets.

  The FHLBank of Boston's retained earnings target is $925 million, a target adopted to preserve capital in light of the various challenges to the FHLBank of Boston, including the potential for additional losses from its investments in private-label MBS. At June 30, 2010, the FHLBank of Boston had retained earnings of $184 million.

The FHLBank of Boston has not declared any dividends since the fourth quarter of 2008. The FHLBank of Boston had previously adopted a dividend payout restriction under which it may only pay up to 50 percent of the prior quarter's net income while its retained earnings are less than its targeted retained earnings level. However, the FHLBank of Boston's board of directors has announced that it does not expect to declare any dividends until the FHLBank of Boston demonstrates a consistent pattern of positive net income as the FHLBank of Boston continues to focus on building retained earnings.

- The FHLBank of Pittsburgh temporarily suspended the practice of repurchasing excess capital stock on December 23, 2008. At June 30, 2010, excess capital stock held by the FHLBank of Pittsburgh's stockholders totaled $1.4 billion. The FHLBank of Pittsburgh's prior practice was to promptly repurchase the excess capital stock of its members upon their request (except with respect to directors' institutions during standard blackout periods). As long as it is not repurchasing excess capital stock, the FHLBank of Pittsburgh's capital and leverage ratios may be outside of normal operating ranges as evidenced by their levels through June 30, 2010.

  Through a notice dated May 21, 2010, the FHLBank of Pittsburgh informed its members that modifications to the FHLBank of Pittsburgh's capital plan had been approved and described the general effects of the modifications. The amended capital plan replaces the unused borrowing capacity membership stock purchase requirement, which was calculated quarterly and when a member borrowed from the FHLBank of Pittsburgh, with an annual membership asset value stock purchase requirement based on the member's prior December 31 call report data. This calculation is not affected by the amount the member borrows from the FHLBank of Pittsburgh. All members will be required to fully transition to the amended capital plan by the first membership asset value re-calculation date of April 10, 2011.

  On December 23, 2008, the FHLBank of Pittsburgh announced its voluntary decision to temporarily suspend payment of dividends until further notice. Therefore, there were no dividends declared or paid in the first six months of 2010 and 2009.

- The FHLBank of Chicago did not pay any dividends in the first six months of 2010 or 2009. Although the FHLBank of Chicago currently has a retained earnings and dividends policy in effect, the policy has been effectively superseded by its regulatory requirements. See "Note 12—Capital" to the accompanying combined financial statements for a description of the restrictions on the FHLBank of Chicago's dividends and repurchases and redemptions of capital stock.

- In August 2009, the FHLBank of Seattle received a capital classification of undercapitalized from the Finance Agency. All mandatory actions and restrictions in place as a result of the undercapitalized classification remain in effect, including the FHLBank of Seattle's inability to redeem or repurchase capital stock or pay dividends without Finance Agency approval. See "Note 12—Capital" to the accompanying combined financial statements for a description of the restrictions on the FHLBank of Seattle's dividends and repurchases and redemptions of capital stock.

**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.

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

Each FHLBank is required to maintain liquidity in accordance with the FHLBank Act and certain regulations and policies established by its management and board of directors. 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 obligations. Other short-term borrowings, such as Federal funds purchased, securities sold under agreements to repurchase, and loans from other FHLBanks, may also provide liquidity. In addition, under certain circumstances the U.S. Secretary of the Treasury may acquire up to $4 billion of consolidated obligations of the FHLBanks. 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 these NRSROs. 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 "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—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.

To protect the FHLBanks against temporary disruptions in access to the debt markets in response to a rise in capital markets volatility, effective March 6, 2009, the Finance Agency requires each FHLBank to maintain sufficient liquidity, through short-term investments, in an amount at least equal to an FHLBank's anticipated cash outflows under two different scenarios. One scenario assumes that an FHLBank cannot access the capital markets for a period of between 10 to 20 days, with initial guidance set at fifteen days, and that during that time members do not renew any maturing, prepaid and called advances. The second scenario assumes that an FHLBank cannot access the capital markets for a period of between three to seven days, with initial guidance set at five days, and that during that period an FHLBank will automatically renew maturing and called advances for all members except very large members provided the member is well-rated by its primary Federal regulator or its state regulator equivalent for insurance companies; has a rating assigned by an NRSRO that is investment quality; and is well-rated by the individual FHLBank's internal credit rating system.

Each FHLBank also maintains a contingency liquidity plan designed to enable it to meet its obligations and the liquidity needs of members in the event of operational disruptions at the FHLBanks and/or the Office of Finance, or short-term capital market disruptions. Each FHLBank was in compliance with its liquidity requirements at June 30, 2010.

### 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' 2009 Combined Financial Report. Other than the other-than-temporary impairment methodology 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' 2009 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.

***OTTI for Investment Securities***

Each FHLBank closely monitors the performance of its investment securities classified as available-for-sale or held-to-maturity on at least a quarterly basis (or more frequently if a loss-triggering event occurs, such as a material downgrade by a rating agency) to evaluate its exposure to the risk of loss on these investments in order to determine whether a loss is other-than-temporary. In doing so, an FHLBank considers many factors including, but not limited to: the credit ratings assigned to the securities by the NRSROs; other indicators of the credit quality of the issuer; the strength of the provider of any guarantees; the duration and magnitude of the unrealized loss; and whether the FHLBank has the intent to sell the security or more likely than not will be required to sell the security before the recovery of its amortized cost basis. In the case of its private-label RMBS and certain home equity loan investments, each FHLBank also considers prepayment speeds, the historical and projected performance of the underlying loans and the credit support provided by the subordinate securities. See additional discussion regarding the recognition and presentation of OTTI in "Note 6—Other-Than-Temporary Impairment Analysis" to the accompanying combined financial statements and "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Critical Accounting Estimates" in the Federal Home Loan Banks' 2009 Combined Financial Report.

Most of the FHLBanks select all of their private-label RMBS and certain home equity loan investments (including home equity ABS) for purposes of OTTI cash flow analysis to be run using the common framework developed by the 12 FHLBanks for the purpose of completing their OTTI analyses. In 2009, as part of ensuring consistency in determining the OTTI for private-label RMBS and certain home equity loan investments among all FHLBanks, the FHLBanks enhanced their overall OTTI process by creating an OTTI Governance Committee and established a formal process by which the FHLBanks can provide input on and approve key OTTI modeling assumptions used for purposes of their cash flow analyses for the majority of these securities. For additional discussion of the FHLBanks' uniform OTTI framework, see "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Critical Accounting Estimates" in the Federal Home Loan Banks' 2009 Combined Financial Report.

At June 30, 2010, seven FHLBanks own certain private-label MBS where underlying loan-level collateral data is not available using the third-party models approved by the OTTI Governance Committee. For the private-label MBS that could not be modeled under the FHLBanks' common framework, alternative procedures were determined and approved by the OTTI Governance Committee and considered by each applicable FHLBank to assess these securities for OTTI. These investments, which are backed by residential, home equity and commercial real estate loans, home equity lines of credit, and manufactured housing loans, represented approximately three percent of the FHLBanks' total unpaid principal balance of private-label RMBS and CMBS, manufactured housing loans and home equity loan investments as of June 30, 2010. Approximately 50 percent of the private-label MBS owned by the FHLBank of New York were outside the scope of the common framework because sufficient loan-level collateral data was not available for analysis under the common framework. The FHLBank of New York performed OTTI analysis by cash flow testing 100 percent of its private-label RMBS, home equity loan investments and manufactured housing loans using its own techniques and assumptions that were determined primarily using historical performance data for these securities. At June 30, 2010, the FHLBank of New York's assumptions and performance measures were benchmarked by comparing them to (1) performance parameters from market consensus, and (2) the assumptions and performance measures provided by the OTTI Governance Committee for the FHLBank's private-label MBS that were within the scope of the common framework. Please see each FHLBank's periodic reports filed with the SEC for additional details regarding its OTTI cash flow analysis.

In performing the cash flow analysis for private-label RMBS and certain home equity loan investments (including home equity asset-backed securities) under the common framework described above, each FHLBank uses two third-party models. The first model considers borrower characteristics and the particular attributes of the loans underlying an FHLBank's securities, in conjunction with assumptions about future changes in home prices and interest rates, to project prepayments, defaults and loss severities. A significant input to the first model is the forecast of future housing price changes for the relevant states and core based statistical areas (CBSAs), which are based upon an assessment of the individual housing markets. CBSA refers collectively to metropolitan and micropolitan statistical areas as defined by the United States Office of Management and Budget; as currently defined, a CBSA must contain at least one urban area with a population of 10,000 or more people. The FHLBanks' housing price forecast as of June 30, 2010 assumed CBSA level current-to-trough home price declines ranging from 0 percent to 12 percent over the 3- to 9-month period beginning April 1, 2010. Thereafter, home prices are projected to remain flat in the first six months, and to increase 0.5 percent in the next six months, 3 percent in the second year and 4 percent in each subsequent year.

The month-by-month projections of future loan performance derived from the first model, which reflect projected prepayments, defaults and loss severities, are then input into a second model that allocates the projected loan-level cash flows and losses to the various security classes in the securitization structure in accordance with its prescribed cash flow and loss allocation rules. In a securitization in which the credit enhancement for the senior securities is derived from the presence of subordinate securities, losses are generally allocated first to the subordinate securities until their principal balance is reduced to zero.

*Adverse Case Scenario.* In addition to evaluating its private-label RMBS and certain home equity loan investments under a base case (or best estimate) scenario, each FHLBank performed a cash flow analysis for each of these securities under a more stressful housing price scenario. This more stressful scenario was based on a housing price forecast that was 5 percentage points lower at the trough than the base case scenario, followed by a flatter recovery path and had housing prices increase at a long-term annual rate of 3 percent, compared to 4 percent in the base case. Under this scenario, current-to-trough home price declines were projected to range from 5 percent to 17 percent over the 3- to 9-month period beginning April 1, 2010. Thereafter, home prices were projected to remain unchanged from trough levels in the first year, and to increase 1 percent in the second year, 2 percent in each of the third and fourth years and 3 percent in each subsequent year.

The following table shows combined credit loss and each individual FHLBank's credit losses under the base case and an adverse case scenario for each FHLBank that recognized OTTI of its private-label RMBS and/or home equity loan investments for the three months ended June 30, 2010. The base case scenario represents actual OTTI-related credit losses recognized in earnings for the three months ended June 30, 2010. The adverse case scenario estimated cash flows were generated to show what the OTTI charges could have been under the more stressful housing price scenario at June 30, 2010. The stress test scenario and associated results do not represent each FHLBank's current expectations, and therefore should not be construed as a prediction of each FHLBank's future results, market conditions or the actual performance of these securities. Rather, the results from this hypothetical stress test scenario provide a measure of the credit losses that the FHLBanks might incur if home price declines (and subsequent recoveries) are more adverse than those projected in each FHLBank's OTTI assessment.

**Housing Price Scenarios**
**At June 30, 2010**
**(Dollar amounts in millions)**

| | Base Case [2] | | | Adverse Case | | |
|---|---|---|---|---|---|---|
| | # of Securities | Unpaid Principal Balance | OTTI Related to Credit Loss | # of Securities | Unpaid Principal Balance | OTTI Related to Credit Loss |
| **Total** | | | | | | |
| Private-label RMBS: | | | | | | |
| Prime [1] | 111 | $ 9,297 | $(276) | 159 | $11,607 | $ (662) |
| Alt-A [1] | 236 | 13,680 | (213) | 330 | 18,058 | (919) |
| Subprime [1] | 14 | 307 | (4) | 37 | 946 | (51) |
| Total Private-label RMBS | 361 | 23,284 | (493) | 526 | 30,611 | (1,632) |
| Home equity loan investments: | | | | | | |
| Alt-A [1] | 3 | $ 23 | $ * | 6 | $ 36 | $ (4) |
| Subprime [1] | 6 | 60 | (2) | 13 | 71 | (2) |
| Total Home equity loan investments | 9 | 83 | (2) | 19 | 107 | (6) |
| Total | 370 | $23,367 | $(495) | 545 | $30,718 | $(1,638) |
| **FHLBank of Boston** | | | | | | |
| Private-label RMBS: | | | | | | |
| Prime [1] | 4 | $ 69 | $ (1) | 6 | $ 109 | $ (5) |
| Alt-A [1] | 75 | 1,824 | (29) | 108 | 2,410 | (143) |
| Total | 79 | $ 1,893 | $ (30) | 114 | $ 2,519 | $ (148) |
| Home equity loan investments: | | | | | | |
| Subprime [1] | | $ | $ | 3 | $ 3 | $ * |
| Total | | $ | $ | 3 | $ 3 | $ * |
| **FHLBank of New York** | | | | | | |
| Private-label RMBS: | | | | | | |
| Prime [1] | | $ | $ | 1 | $ 31 | $ (1) |
| Total | | $ | $ | 1 | $ 31 | $ (1) |
| Home equity loan investments: | | | | | | |
| Subprime [1] | 4 | $ 58 | $ (2) | 5 | $ 63 | $ (2) |
| Total | 4 | $ 58 | $ (2) | 5 | $ 63 | $ (2) |
| **FHLBank of Pittsburgh** | | | | | | |
| Private-label RMBS: | | | | | | |
| Prime [1] | 23 | $ 2,054 | $ (94) | 25 | $ 2,109 | $ (153) |
| Alt-A [1] | 13 | 972 | (17) | 17 | 1,199 | (58) |
| Subprime [1] | | | | 1 | 3 | * |
| Total | 36 | $ 3,026 | $(111) | 43 | $ 3,311 | $ (211) |
| Home equity loan investments: | | | | | | |
| Alt-A [1] | 3 | $ 23 | $ * | 6 | $ 36 | $ (4) |
| Total | 3 | $ 23 | $ * | 6 | $ 36 | $ (4) |
| **FHLBank of Atlanta** | | | | | | |
| Private-label RMBS: | | | | | | |
| Prime [1] | 36 | $ 3,641 | $ (70) | 47 | $ 4,236 | $ (218) |
| Alt-A [1] | 2 | 259 | (2) | 3 | 464 | (22) |
| Total | 38 | $ 3,900 | $ (72) | 50 | $ 4,700 | $ (240) |

| | Base Case (2) | | | Adverse Case | | |
|---|---|---|---|---|---|---|
| | # of Securities | Unpaid Principal Balance | OTTI Related to Credit Loss | # of Securities | Unpaid Principal Balance | OTTI Related to Credit Loss |
| **FHLBank of Indianapolis** | | | | | | |
| Private-label RMBS: | | | | | | |
| Prime (1) | 21 | $ 1,312 | $ (60) | 23 | $ 1,372 | $ (107) |
| Alt-A (1) | 2 | 62 | (2) | 2 | 62 | (3) |
| Total | 23 | $ 1,374 | $ (62) | 25 | $ 1,434 | $ (110) |
| **FHLBank of Chicago** | | | | | | |
| Private-label RMBS: | | | | | | |
| Prime (1) | 15 | $ 896 | $ (22) | 26 | $ 1,924 | $ (86) |
| Alt-A (1) | 4 | 96 | (1) | 5 | 163 | (10) |
| Subprime (1) | 14 | 307 | (4) | 36 | 943 | (51) |
| Total | 33 | $ 1,299 | $ (27) | 67 | $ 3,030 | $ (147) |
| **FHLBank of Dallas** | | | | | | |
| Private-label RMBS: | | | | | | |
| Prime (1) | 2 | $ 50 | $ (1) | 10 | $ 157 | $ (4) |
| Alt-A (1) | 2 | 39 | * | 3 | 67 | (3) |
| Total | 4 | $ 89 | $ (1) | 13 | $ 224 | $ (7) |
| **FHLBank of Topeka** | | | | | | |
| Private-label RMBS: | | | | | | |
| Prime (1) | 1 | $ 10 | $ * | 6 | $ 96 | $ (2) |
| Alt-A (1) | 2 | 41 | (2) | 4 | 59 | (3) |
| Total | 3 | $ 51 | $ (2) | 10 | $ 155 | $ (5) |
| Home equity loan investments: | | | | | | |
| Subprime (1) | 2 | $ 2 | $ * | 5 | $ 5 | $ * |
| Total | 2 | $ 2 | $ * | 5 | $ 5 | $ * |
| **FHLBank of San Francisco** | | | | | | |
| Private-label RMBS: | | | | | | |
| Prime (1) | 9 | $ 1,265 | $ (28) | 15 | $ 1,573 | $ (86) |
| Alt-A (1) | 99 | 8,143 | (114) | 143 | 10,826 | (474) |
| Total | 108 | $ 9,408 | $(142) | 158 | $12,399 | $ (560) |
| **FHLBank of Seattle** | | | | | | |
| Private-label RMBS: | | | | | | |
| Alt-A (1) | 37 | $ 2,244 | $ (46) | 45 | $ 2,808 | $ (203) |
| Total | 37 | $ 2,244 | $ (46) | 45 | $ 2,808 | $ (203) |

* Represents an amount less than $1 million.

(1) Based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

(2) Represent securities and related OTTI credit losses for the three-month period ended June 30, 2010.

## Legislative and Regulatory Developments

### *Legislative Developments*

*Dodd-Frank Wall Street Reform and Consumer Protection Act.* On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) was signed into law. The Dodd-Frank Act, among other things: (1) creates a consumer financial protection agency; (2) creates an inter-agency oversight council that will identify and regulate systemically important financial institutions; (3) regulates the over-the-counter derivatives market; (4) reforms the credit rating agencies; (5) provides shareholders with an advisory vote on the compensation practices of entities that are subject to the proxy rules under the Securities Exchange Act of 1934, as amended, including executive compensation and golden parachutes; (6) establishes new requirements, including a risk-retention requirement, for MBS; (7) makes a number of changes to the federal deposit insurance system; and (8) creates a federal insurance office that will monitor the insurance industry.

The FHLBanks' business operations, funding costs, rights and obligations, and/or the manner in which the FHLBanks carry out their housing finance mission are all likely to be affected by the passage of the Dodd-Frank Act and implementing regulations. For example, under the derivatives regulation portion of the Dodd-Frank Act, if an FHLBank is considered to be a "major swap participant," it will be required to trade certain of its standardized derivatives transactions through an exchange and clear those transactions through a centralized clearing house, and it will be subject to additional swap-based capital and margin requirements. In addition, all derivatives transactions not subject to exchange trading or centralized clearing will also be subject to additional margin requirements, and all derivatives transactions will be subject to new reporting requirements. Such additional requirements will likely increase the cost of the FHLBanks' hedging activities and may adversely affect the FHLBanks' ability to hedge their interest rate risk exposure from advances, to achieve the FHLBanks' risk management objectives, and to act as an intermediary between the FHLBanks' members and counterparties.

In addition, if an FHLBank is identified as being a systemically important financial institution by the Federal Reserve, this FHLBank would be subject to heightened prudential standards established by the Federal Reserve. These standards could include risk-based capital, liquidity, and risk management requirements. Other standards could encompass such matters as a requirement to issue contingent capital instruments, additional required public disclosures, and limits on short-term debt. The Dodd-Frank Act also requires systemically important financial institutions to report to the Federal Reserve on the nature and extent of their credit exposures to other significant companies and to undergo semi-annual stress tests.

The Dodd-Frank Act also makes a number of changes to the federal deposit insurance program. First, it requires the FDIC to base future assessments for deposit insurance on the amount of assets held by an institution, instead of on the amount of deposits that institution holds. Second, it permanently increases deposit insurance coverage for insured banks, savings associations, and credit unions to $250,000. Third, it increases the reserve ratio for the FDIC insurance fund, which will cause an increase in the assessments imposed on federally-insured institutions. Fourth, it requires insured depository institutions with assets of $10 billion or more to pay an additional deposit insurance assessment. The Dodd-Frank Act may provide an incentive for some members of the FHLBanks to hold more deposits than they would if non-deposit liabilities were not a factor in determining an institution's deposit insurance assessments.

It is not possible to predict the exact effect of the legislation on the FHLBanks or their members until the implementing regulations are drafted and finalized.

***Regulatory Developments—Final***

*Board of Directors of the FHLBank System's Office of Finance.* On May 3, 2010, the Finance Agency issued a final rule which reconstituted the board of directors of the FHLBanks' Office of Finance and enhanced the responsibility of the Office of Finance's audit committee for the FHLBanks' combined financial reports. Under the new rule, the Office of Finance's board of directors expanded from three members to 17 members. The composition of the new board of directors includes the president of each FHLBank, as well as five independent directors. Each independent director must be a United States citizen and meet independence requirements set forth in, or adopted pursuant, to the final rule. The final rule also provides that the five independent directors will serve as the Office of Finance's audit committee. In addition, the Office of Finance's audit committee has more detailed responsibilities with respect to the form and content of the information that the FHLBanks provide to the Office of Finance for use in the combined financial reports. Also, the Office of Finance's audit committee will have the responsibility to ensure that the FHLBanks adopt consistent accounting policies and procedures to the extent necessary for information submitted by the FHLBanks to the Office of Finance to be combined to create accurate and meaningful combined financial reports.

This rule became effective on June 2, 2010 and provided a transitional period for the Office of Finance's new board of directors (the Board). Under this rule, the first meeting of the Board must be held within 45 calendar days of the date that the Finance Agency first appoints an independent director of the Board. The transition provisions of this rule also provide that the Office of Finance audit committee in existence immediately prior to the effective date of the rule can continue to have responsibility and oversight authority with regard to the preparation and publication of any combined financial report that covers a reporting period ending prior to July 1, 2010.

The Finance Agency appointed the following Independent Directors of the Board on July 9, 2010. As noted above, these individuals will serve as the Office of Finance's audit committee. Additionally, H Ronald Weissman was appointed Chair and Terry Smith, Chief Executive Officer and President of the Federal Home Loan Bank of Dallas, was appointed Vice-Chair of the Board.

*H Ronald Weissman*, 66, was appointed as an Independent Director for a five-year term ending in 2015 and was also appointed the Chair of the Board. Prior to the reconstitution of the Board, Mr. Weissman served as the private citizen member of the Office of Finance's Board of Directors and its designated financial expert. Mr. Weissman was a Senior Partner at Ernst & Young since 2002, served as Global Managing Partner for several of the firm's most significant financial services clients and had assumed significant corporate and client responsibilities until his recent retirement. Prior to joining Ernst & Young, he was a partner with Arthur Andersen. Mr. Weissman, a certified public accountant, also holds an MBA from the Columbia University Graduate School of Business and a Bachelor of Arts degree from Union College in Schenectady, New York.

*J. Michael Davis*, 71, was appointed as an Independent Director for a one-year term ending in 2011. Mr. Davis has over 40 years of experience within the financial services industry. He served on the board of the FHLBank of Topeka, including as a member of the Audit Committee. Mr. Davis held senior executive positions with several farm credit institutions within the Farm Credit System. He also has non-profit board of director experience as chair and treasurer.

*Kathleen C. McKinney*, 55, was appointed as an Independent Director for a two-year term ending in 2012. Ms. McKinney has over 32 years experience as bond counsel in the public finance and economic development sectors. She has served as president of the National Association of Bond Lawyers since 2009 and is a recognized speaker on public finance. She recently served as Chair of the Furman University Board of Trustees.

*Walter H. Morris, Jr.*, 58, was appointed as an Independent Director for a four-year term ending in 2014. Mr. Morris has more than 30 years of financial services experience, retiring recently from Ernst & Young after a 14-year career in advisory services working in real estate advisory, structured finance and fraud/dispute services. In addition, Mr. Morris has 20 years experience in commercial and mortgage banking, including international and capital markets functions. He also has non-profit board of director experience.

*Jonathan A. Scott, Ph.D.,* 61, was appointed as an Independent Director for a three-year term ending in 2013. Dr. Scott has been an Associate Professor of Finance at Temple University's Fox School of Business and Management since 1991. He also has six years experience in academic administration at Temple University and managed initiatives related to information technology, program cost analysis and performance metrics. Prior to joining the university, Dr. Scott was an executive for seven years at the FHLBank of Dallas, including service as the Chief Financial Officer in 1987-1988. Dr. Scott received a Ph.D. in economics from Purdue University.

The first meeting of the Office of Finance's new Board was held on July 20, 2010, and on this date, the Board approved an interim Audit Committee Charter to address the responsibilities of the Audit Committee under this Finance Agency rule. This interim charter is available on the Office of Finance's website under "Investor Relations—FHLBank Financial Data."

*Amendment of the Temporary Liquidity Guarantee Program.* On June 28, 2010, the FDIC issued a final rule, and made effective, the extension of the Transaction Account Guarantee (TAG) component of the Temporary Liquidity Guarantee Program through December 31, 2010, for insured depository institutions currently participating in the TAG program. An extension of another 12 months is possible without additional rulemaking upon a determination by the FDIC's Board of Directors that continuing economic difficulties warrant further extension. This rule did not change the existing tiered-pricing assessment, which ranges from 15 to 25 basis points based on the insured depository institution's deposit insurance risk profile.

In addition, the Dodd-Frank Act requires the FDIC and the National Credit Union Administration to provide unlimited deposit insurance for non-interest bearing transaction accounts. This Dodd-Frank Act requirement is effective for FDIC-insured institutions from December 31, 2010 until January 1, 2013 and for insured credit unions from the effective date of the Dodd-Frank Act until January 1, 2013. These TAG programs provide an alternative source of funds for many members of FHLBanks and therefore, compete with the FHLBanks' advance business.

*Affordable Housing Program Amendments: FHLBank Mortgage Refinancing Authority.* On May 28, 2010, the Finance Agency issued, and made effective, a final rule that adopts its interim final rule with certain changes regarding the FHLBanks' use of Affordable Housing Program (AHP) funds set aside to refinance low- or moderate-income households' mortgage loans. The final rule provides the FHLBanks with greater flexibility to manage the timing of the counseling required for households, and gives the FHLBanks discretion to permit their members to determine, prior to counseling, whether a household could qualify, in conjunction with AHP subsidy, for refinancing under an eligible targeted refinancing program, or to refer households directly to eligible targeted refinancing programs for such determinations. The final rule also permits an FHLBank, in its discretion, to allow members to enroll households in the AHP refinancing set-aside program prior to counseling. In all cases, the household must obtain the counseling prior to disbursement of the AHP subsidy on behalf of the household.

The final rule also permits an FHLBank to commit AHP subsidies under its set-aside refinancing program to members by the sunset date of July 30, 2010, where an FHLBank's set-aside operating procedure is to commit subsidies to members rather than directly to households. In order to accommodate this change as well as the earlier enrollment of, and commitment of AHP subsidy to, households, and determinations of whether households could qualify for an eligible targeted refinancing program, the final rule extends the date by which households must have submitted applications for refinancing to an eligible targeted refinancing program from July 30, 2010 to December 31, 2010, which are subsequently approved by the eligible targeted refinancing program. In addition, the final rule makes the payment of counseling costs for assisted households an eligible use of AHP subsidy under the set-aside refinancing program where the costs have not been covered by another source, including the counseling organization, a funding source, or the member.

*Correspondent Concentration Risks Guidance for Financial Institutions.* On May 4, 2010, the FDIC, Federal Reserve, Office of the Comptroller of the Currency, and Office of Thrift Supervision (the Agencies) issued final guidance on correspondent credit and funding concentration risks and due diligence that institutions should exercise to manage such exposures (CCR Guidance). The CCR Guidance is effective upon issuance. The CCR Guidance outlines the Agencies' expectations for financial institutions to identify, monitor, and manage credit and funding concentrations to other institutions on both a standalone and organization-wide basis. In addition, financial institutions need to take into account exposures to the correspondents' affiliates, as part of their prudent risk management practices. Institutions also should be aware of their affiliates' exposures to correspondents as well as the correspondents' subsidiaries and affiliates. Unless otherwise indicated, references to "correspondent" include the correspondent's holding company, subsidiaries, and affiliates. For purposes of this guidance, the term "total capital" means the total risk-based capital as reported for commercial banks and thrifts in the Report of Condition and the Thrift Financial Report, respectively.

The Agencies generally consider credit exposures arising from direct and indirect obligations in an amount equal to or greater than 25 percent of total capital as concentrations. While the Agencies have not established a funding concentration threshold, the CCR Guidance indicates that the Agencies have seen instances where funding exposures of five percent of an institution's liabilities have posed an elevated risk to the recipient, particularly when aggregated with other similar-sized funding concentrations. This guidance does not supplant or amend applicable regulations such as the Board's *Limitations on Interbank Liabilities* (Regulation F) which applies to all depository institutions insured by the FDIC. It is not clear that the CCR Guidance applies to the level of funding that a member institution obtains from an FHLBank, or what effect, if any, the CCR Guidance would have on FHLBank advance levels.

*FHLBank Directors' Eligibility, Elections, Compensation and Expenses.* On April 5, 2010, the Finance Agency issued a final rule that implements two separate proposed rules that relate to an FHLBank's election of directors and director compensation. Amendments to director elections relate to the process by which an FHLBank's successor directors are chosen after a directorship is redesignated to a new state prior to the end of the term as a result of the annual designation of an FHLBank's directorships. Under this rule, the redesignation causes the original directorship to terminate and creates a new directorship that will be filled by an election of the members. As to director compensation and expenses, Finance Agency is implementing section 1202 of the Housing Act by repealing the statutory caps on the annual compensation that can be paid to FHLBank directors. This amendment allows each FHLBank to pay its directors reasonable compensation and expenses, subject to the authority of the Director of the Finance Agency. As such, the Director of the Finance Agency may object to, and prohibit prospectively, compensation and/or expenses if determined to be unreasonable. This rule became effective on May 5, 2010.

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

*FHLBank Membership for Community Development Financial Institutions (CDFIs).* On January 5, 2010, the Finance Agency issued a final rule to amend its membership regulations to implement provisions of the Housing Act that authorized CDFIs that have been certified by the CDFI Fund of the U.S. Treasury Department to become members of an FHLBank. CDFIs are private institutions that provide financial services dedicated to economic development and community revitalization in underserved markets. The newly-eligible CDFIs include community development loan funds, venture capital funds, and State-chartered credit unions without Federal insurance. This final rule sets out the eligibility and procedural requirements that will enable CDFIs to become members of an FHLBank. The Finance Agency also amended its community support regulations to provide that certified CDFIs may be presumed to be in compliance with the statutory community support requirements by virtue of their certification by the CDFI Fund. This rule became effective on February 4, 2010.

### *Regulatory Developments—Proposed*

*Conservatorship and Receivership.* On July 9, 2010, the Finance Agency issued a proposed rule to establish a framework for conservatorship and receivership operations for Fannie Mae, Freddie Mac and the Federal Home Loan Banks (collectively, the regulated entities), as contemplated by the Housing Act with regard to Section 1367—*Authority Over Critically Undercapitalized Regulated Entities*. Among the key issues addressed in the proposed rule are: 1) the status and priority of claims, 2) the relationships among various classes of creditors and equity-holders, and 3) the priorities for contract parties and other claimants under conservatorships or receiverships. In particular, the proposed rule would clarify:

- that all claims arising from an equity interest in a regulated entity in receivership would be given the same treatment as the interests of shareholders;
- that claims by shareholders would receive the lowest priority in a receivership, behind administrative expenses of the receiver, general liabilities of the regulated entity and liabilities subordinated to those of general creditors;
- that the ability of a regulated entity to make capital distributions during a conservatorship would be restricted;
- that the powers of the conservator or receiver include continuing the missions of a regulated entity and ensuring that the operations of the regulated entity foster liquid, efficient, competitive and resilient national housing finance markets; and
- the status of claims against the conservator or receiver for breach of contract.

The Finance Agency will accept comments on this proposed rule on or before September 7, 2010.

*FHLBank Housing Goals.* On May 28, 2010, the Finance Agency issued a proposal to establish a framework for affordable housing goals for the twelve FHLBanks. The proposed rule implements the Housing Act provisions that require the Finance Agency to establish housing goals for the FHLBanks' purchases of mortgages consistent with the housing goals established for Fannie Mae and Freddie Mac, taking into account the unique mission and ownership structure of the FHLBanks. The Finance Agency is issuing and seeking comment on a proposed rule that would establish three single-family owner-occupied purchase money mortgage goals and one single-family refinancing mortgage goal applicable to the FHLBanks' purchases of mortgages under their Acquired Member Assets (AMA) programs. An FHLBank would be subject to the proposed housing goals if its AMA-approved mortgage purchases in a given year exceed a volume threshold of $2.5 billion. An FHLBank may participate in an AMA program at its discretion. To date, the Finance Agency has approved two AMA programs, the Mortgage Partnership Finance (MPF) program and the Mortgage Purchase Program (MPP). A majority of the FHLBanks have implemented AMA programs. Under the AMA programs, the FHLBanks are approved to purchase only single-family, fixed-rate mortgages below the conforming loan limit. Comments on this proposed rule were due to the Finance Agency by July 12, 2010.

*FHLBank Investments.* On May 4, 2010, the Finance Agency issued a proposed rule regarding FHLBank investments that would, among other things, incorporate certain current limitations regarding the level of an FHLBank's MBS investments that are applicable to an FHLBank as a matter of Finance Agency financial management policy and order, including without limitation, the provision limiting the level of an FHLBank's MBS investments to no more than 300 percent of that FHLBank's total capital, as defined. The proposal also requests comment on whether additional limitations on an FHLBank's MBS investments, including its private-label MBS investments, should be adopted as part of a final rule. In addition, comments are requested as to whether such limitations should be based on an FHLBank's level of retained earnings, some other basis or prohibited entirely. Comments on this proposed rule were due to the Finance Agency by July 6, 2010.

*FDIC Assessment System Applicable to Financial Institutions.* On May 3, 2010, the FDIC issued a proposed regulation to revise the assessment system applicable to financial institutions that would, among other things, revise the initial base assessment rates for all insured depository institutions. The FDIC's proposed regulation continues to classify FHLBank advances as secured liabilities and does not change their corresponding assessment rate unless an institution's secured liabilities exceed 25 percent of its domestic deposits. This proposed regulation, if enacted in its current form, may have a negative effect on the demand for the FHLBanks' advances to their members. Comments on this proposed regulation were due to the FDIC by July 2, 2010. (See further discussion about changes in the federal deposit insurance program under "Dodd-Frank Wall Street Reform and Consumer Protection Act.")

## Recent Rating Agency Actions

**Federal Home Loan Banks**
**Long-Term and Short-Term Credit Ratings**
**At August 13, 2010**

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

(1) On July 2, 2010, S&P announced that it affirmed both its long-term and short-term counterparty credit ratings for the FHLBank of Seattle, and revised the outlook to negative.

## RISK MANAGEMENT

For a discussion of "Risk Management," including "Quantitative and Qualitative Disclosures about Market Risk, Liquidity Risk, Credit Risk, Operational Risk and Business Risk," see "Risk Management" in the Federal Home Loan Banks' 2009 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' 2009 Combined Financial Report.

### Interest-Rate Exchange Agreements

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 Instruments by Product**
**(Dollar amounts in millions)**

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| | 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 | $268,245 | $(16,971) | $304,671 | $(14,512) |
| Fair Value-firm commitments | 430 | (5) | 108 | 2 |
| Cash Flow-existing cash item | | | 2,175 | 170 |
| Economic | 21,154 | (668) | 28,920 | (591) |
| Total | 289,829 | (17,644) | 335,874 | (14,931) |
| **Investments** | | | | |
| Fair Value-existing cash item | 6,810 | (801) | 4,656 | (340) |
| Economic (includes trading securities hedges) | 16,428 | (496) | 15,105 | (278) |
| Total | 23,238 | (1,297) | 19,761 | (618) |
| **MPF/MPP Loans Held for Portfolio** | | | | |
| Fair Value-existing cash item | 2,461 | (5) | 6,614 | (18) |
| Standalone-delivery commitments | 903 | 5 | 329 | (2) |
| Economic (including TBAs) | 38,220 | 579 | 25,547 | 264 |
| Total | 41,584 | 579 | 32,490 | 244 |
| **Consolidated Bonds** | | | | |
| Fair Value-existing cash item | 327,101 | 6,361 | 373,251 | 4,578 |
| Economic | 112,539 | 431 | 140,737 | 461 |
| Total | 439,640 | 6,792 | 513,988 | 5,039 |
| **Consolidated Discount Notes** | | | | |
| Fair Value-existing cash item | 1,476 | | 11,183 | 11 |
| Cash Flow-anticipated transaction | 9,023 | (813) | 8,772 | (345) |
| Economic | 22,829 | (6) | 24,420 | 66 |
| Total | 33,328 | (819) | 44,375 | (268) |
| **Deposits** | | | | |
| Fair Value | 20 | 5 | 20 | 5 |
| Total | 20 | 5 | 20 | 5 |
| **Balance Sheet** | | | | |
| Economic | 26,578 | 174 | 24,679 | 199 |
| Total | 26,578 | 174 | 24,679 | 199 |

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

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| | 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 | $ 4,083 | $ 1 | $ 3,921 | $ 1 |
| Total | 4,083 | 1 | 3,921 | 1 |
| **Total notional and estimated fair value** | $858,300 | $(12,209) | $975,108 | $(10,329) |
| Total derivatives excluding collateral and accrued interest | | $(12,209) | | $(10,329) |
| Accrued interest | | 185 | | 547 |
| Net cash collateral and related accrued interest | | 6,656 | | 5,228 |
| Net derivative balances | | $ (5,368) | | $ (4,554) |
| Net derivative assets balances | | $ 716 | | $ 674 |
| Net derivative liabilities balances | | (6,084) | | (5,228) |
| Net derivative balances | | $ (5,368) | | $ (4,554) |

At June 30, 2010, certain FHLBanks had full fair value hedges for advances-existing cash item, consolidated obligations-bonds-existing cash item and consolidated discount note-existing cash item. The notional amount for the advance-existing cash item is $1.5 billion with an estimated fair value loss of $57 million. The notional amount for the consolidated obligations-bonds-existing cash item and discount-note-existing cash item were $15.7 billion and $50 million at June 30, 2010 with estimated fair value gains of $924 million and $32 million. The remaining fair value hedges at June 30, 2010 represent benchmark interest-rate hedges.

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. Each FHLBank also offsets cash collateral and related accrued interest against the net fair value of its derivatives. The $42 million increase in combined derivative assets and the $856 million increase in combined derivative liabilities from December 31, 2009 to June 30, 2010 are largely the result of changes in interest rates.

### Quantitative Disclosure about Market Risk

Each FHLBank has an internal modeling system for measuring its duration of equity (to provide to the Regulator) and duration gap and, therefore, individual FHLBank measurements may not be directly comparable. 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. Not all FHLBanks manage to the duration of equity risk measure. 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.

On February 20, 2009, the FHLBank of Chicago received a non-objection letter from the Finance Agency related to the FHLBank of Chicago's proposal to apply temporarily direct dollar limits on changes in fair value under parallel interest-rate shocks instead of the duration and convexity limits that were applied in the past. The FHLBank of Chicago's interest rate risk policy in effect reflects this proposal and places direct dollar limits on fair value changes for select parallel interest rates scenarios between -200 and +200 basis points. Some scenarios will not be measured when swap rates are less than 2 percent. The following table shows the FHLBank of Chicago's fair value changes with respect to the interest-rate risk policy limits (dollar amounts in millions).

| | Change in Fair Value as of | | Change in Fair Value Greater Than |
|---|---|---|---|
| **Scenario** | **June 30, 2010** | **December 31, 2009** | |
| −200 bp | * | $ * | $(185.0) |
| −100 bp | * | * | (77.5) |
| −50 bp | * | * | (30.0) |
| −25 bp | 18.4 | * | (12.5) |
| +25 bp | (5.9) | (9.8) | (25.0) |
| +50 bp | (13.2) | (23.6) | (60.0) |
| +100 bp | (1.6) | (85.7) | (155.0) |
| +200 bp | 122.0 | (280.8) | (370.0) |

* Due to the low interest rate environment, these values cannot be calculated.

The FHLBank of Chicago continues to work with the Finance Agency to develop appropriate interest-rate risk policies and submitted revised policies to the Deputy Director on July 2, 2010.

The following table denotes which FHLBanks include quantitative market value of equity and duration of equity information in its individual 2010 Second Quarter SEC Form 10-Q.

| | Market and Interest Rate Risk Measurements | |
|---|---|---|
| **FHLBank** | **Market Value of Equity** | **Duration of Equity** |
| Boston | ✓ | ✓ |
| New York | ✓ | ✓ |
| Pittsburgh | ✓[1] | ✓ |
| Atlanta | ✓ | ✓ |
| Cincinnati | ✓ | ✓ |
| Indianapolis | ✓ | ✓ |
| Chicago | (2) | ✓ |
| Des Moines | (3) | (3) |
| Dallas | ✓ | ✓ |
| Topeka | ✓[4] | ✓ |
| San Francisco | ✓ | (5) |
| Seattle | ✓ | ✓ |

(1) The FHLBank of Pittsburgh's market value of equity volatility metrics are monitored. In the first quarter of 2010, the FHLBank of Pittsburgh transitioned from using the Projected Capital Stock Price metric described in its 2009 SEC Form 10-K and replaced it with a new key risk indicator, market value of equity to par value of capital stock (MV/CS), as described in its 2010 Second Quarter SEC Form 10-Q. The FHLBank of Pittsburgh also added and monitors the earned dividend spread (EDS) volatility metric relative to a predetermined EDS Floor, established and approved by its Board of Directors.

(2) The FHLBank of Chicago disclosed the dollar limits on changes in fair value under parallel interest rate shocks instead of the duration and convexity limits in its 2010 Second Quarter SEC Form 10-Q, consistent with the information previously noted within this section.

(3) Although the FHLBank of Des Moines measures and monitors market value of equity and duration of equity, those measures are not disclosed as key market risk measures. The FHLBank of Des Moines discloses, in its 2010 Second Quarter SEC Form 10-Q, market value of capital stock (MVCS) and economic value of capital stock (EVCS) as key

risk measures. The FHLBank of Des Moines measures and limits movements in MVCS, where capital stock accounts for approximately 79 percent of total equity.

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

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

The following table reflects the duration of equity reported by the FHLBanks to the Finance Agency in accordance with the Regulator's guidance.

**Duration of Equity**
**(In Years)**

| | June 30, 2010 | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|
| FHLBank | Down (1) | Base | Up (2) | Down (1) | Base | Up (2) |
| Boston | 3.1 | 2.1 | 4.1 | 4.6 | 4.7 | 6.9 |
| New York | 2.6 | (1.2) | 2.8 | 0.2 | 0.4 | 3.7 |
| Pittsburgh | 1.4 | 6.2 | 5.4 | 5.1 | 11.6 | 4.7 |
| Atlanta | 1.0 | 1.5 | 3.1 | 0.0 | 3.7 | 4.7 |
| Cincinnati | (2.3) | (5.2) | 3.7 | (0.8) | 0.6 | 4.1 |
| Indianapolis | (7.5) | (4.0) | (0.4) | (4.1) | (1.2) | 0.8 |
| Des Moines | (2.1) | (1.3) | 6.6 | (17.1) | 3.6 | 6.6 |
| Dallas | 2.4 | 3.4 | 6.3 | 1.7 | 3.7 | 7.9 |
| Topeka | (0.7) | 0.3 | (0.2) | (1.3) | 0.1 | 0.1 |
| San Francisco | 6.1 | 7.6 | 4.1 | 4.8 | 5.6 | 3.2 |
| Seattle | 0.7 | 2.6 | 4.6 | 3.7 | 0.3 | 1.5 |

(1) Applicable regulation restricts the down rate from assuming a negative interest rate. Therefore, each FHLBank adjusts the down rate accordingly.

(2) Up = 200 basis points.

Each FHLBank also calculates 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** [(1)]
**(In months)**

| FHLBank | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Boston | 1.3 | 2.6 |
| New York | (0.9) | 0.1 |
| Pittsburgh | 3.7 | 6.1 |
| Atlanta | 0.7 | 1.8 |
| Cincinnati | (0.4) | (0.0) |
| Indianapolis | (3.8) | (1.8) |
| Chicago | 0.7 | 1.0 |
| Des Moines | (1.1) | 1.2 |
| Dallas | 1.8 | 1.8 |
| Topeka | 0.2 | 0.0 |
| San Francisco | 5.8 | 3.7 |
| Seattle | (0.1) | 0.0 |

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

## Credit Risk

*General*

For a detailed discussion of the FHLBanks' credit risk management, see "Risk Management—Credit Risk" in the Federal Home Loan Banks' 2009 Combined Financial Report. There have been no substantial changes to the FHLBanks' credit risk management.

*Managing Credit Risk*

*Advances.* At June 30, 2010, the FHLBanks had rights to collateral with an estimated value greater than the related outstanding advances. All borrower obligations to the FHLBanks are secured with eligible collateral, the value of which is discounted to protect the FHLBanks from default in adverse circumstances. Collateral discounts, or haircuts, used in determining lending values of the collateral are calculated to project that the lending value of collateral securing each borrower's obligations exceeds the amount the borrower may borrow from the FHLBanks. The collateral lending values for the blanket, listing and delivery methods of pledging collateral range across the 12 FHLBanks as shown below. Collateral lending values are determined by subtracting the collateral haircut from 100 percent. Certain collateral haircuts may also reflect haircuts applied to advances outstanding based upon members' actual financial performance.

| Collateral Type | June 30, 2010 Range of Collateral Lending Values By Pledging Method Blanket | Listing | Delivery | June 30, 2010 Weighted-Average Collateral Lending Values |
|---|---|---|---|---|
| Single-family mortgage loans | 21%-95% | 31%-92% | 15%-90% | 67% |
| FHA/VA loans | 57%-95% | 60%-92% | 60%-93% | 71% |
| Multifamily mortgage loans | 33%-80% | 13%-80% | 8%-80% | 60% |
| U.S. government/U.S. Treasury securities | N/A | N/A | 80%-100% | 95% |
| State and local government securities | N/A | N/A | 60%-98% | 90% |
| U.S. agency securities (excluding MBS) | N/A | N/A | 76%-99% | 95% |
| U.S. agency MBS/CMOs | N/A | N/A | 53%-98% | 94% |
| Non-agency MBS/CMOs | N/A | N/A | 25%-98% | 82% |
| Other U.S. government-guaranteed mortgage loans | 50%-90% | 50%-90% | 40%-95% | 85% |
| Community financial institution (CFI) collateral—loans (e.g., small-business, small-farm, small-agribusiness loans) | 20%-69% | 20%-69% | 15%-69% | 42% |
| CFI collateral—securities (e.g., backed by small-business, small-farm, small-agribusiness loans) | N/A | N/A | 95% | 95% |
| Other real estate related collateral—commercial real estate loans | 11%-60% | 21%-70% | 12%-80% | 52% |
| Other real estate related collateral—CMBS | N/A | N/A | 49%-91% | 82% |
| Other real estate related collateral—home equity loans and lines of credit | 5%-77% | 13%-77% | 5%-69% | 36% |
| Other real estate related collateral—equity securities | N/A | N/A | 27%-90% | 55% |
| Other real estate related collateral—other loans (e.g., construction loans) | 35%-80% | 7%-80% | 23%-80% | 36% |
| Other real estate related collateral—other securities | N/A | N/A | 50%-91% | 58% |

N/A Certain collateral types are not pledged using blanket and/or listing methods, based upon the FHLBanks' lending and collateral policies.

As of June 30, 2010, 65 individual FHLBank members and 7 non-member financial institutions held advance balances of at least $1 billion. When a non-member financial institution acquires some or all of the assets and liabilities of an FHLBank member, including outstanding advances and FHLBank capital stock, an FHLBank may allow those advances to remain outstanding to that non-member financial institution. The non-member borrower would be required to meet all of that FHLBank's credit and collateral requirements, including requirements regarding creditworthiness and collateral borrowing capacity.

In the aggregate, the advances to the 72 individual FHLBank borrowers with advances of at least $1 billion represented approximately $332 billion, or 64 percent, of total FHLBank advances outstanding at June 30, 2010, while other credit products to these borrowers represented approximately $20 billion, or 36 percent, of total other credit obligations to the FHLBanks. A borrower's total credit obligation to an FHLBank includes outstanding advances, outstanding letters of credit, collateralized derivative contracts and credit enhancement obligation on mortgage loans sold to the FHLBank (if any). The weighted-average collateralization ratio was 2.4 at June 30, 2010 (i.e., the total of these 72 individual FHLBank borrowers' eligible collateral divided by these borrowers' advances and other credit products outstanding at June 30, 2010, although the borrowers' credit obligations to the FHLBanks are not cross-collateralized between borrowers). Collateral pledged by FHLBank borrowers with at least $1 billion of outstanding advances represented approximately 53 percent of total collateral pledged by all FHLBank borrowers with advances outstanding at June 30, 2010. Eligible collateral values include (a) market values for securities and (b) the unpaid principal balance for all other collateral pledged by delivery, listing or blanket lien. At June 30, 2010, approximately 55 percent of these 72 individual FHLBank borrowers' eligible collateral was pledged by the listing method, with approximately 29 percent pledged in the form of a blanket lien and the remaining 16 percent pledged by the delivery method. On a combined basis, the eligible collateral securing these 72 individual FHLBank borrowers' advances was comprised of the following collateral categories.

| | June 30, 2010 Collateral Securing Advances of at Least $1 Billion By Pledging Method | | | |
|---|---|---|---|---|
| Collateral Type | Blanket | Listing | Delivery | Total |
| Single-family mortgage loans | 13% | 36% | 3% | 52% |
| Other real estate related collateral—home equity loans and lines of credit | 6% | 11% | * | 17% |
| Other real estate related collateral—commercial real estate loans | 5% | 3% | 1% | 9% |
| Multifamily mortgage loans | 2% | 5% | * | 7% |
| U.S. government/U.S. Treasury securities | N/A | N/A | 5% | 5% |
| U.S. agency MBS/CMOs | N/A | N/A | 4% | 4% |
| Non-agency MBS/CMOs | N/A | N/A | 2% | 2% |
| FHA/VA loans | 1% | 1% | * | 2% |
| U.S. agency (excluding MBS) | N/A | N/A | 1% | 1% |
| Other real estate related securities collateral—CMBS | N/A | N/A | 1% | 1% |

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

* Amount represents less than one percent of total.

The FHLBank Act permitted borrowers that qualify as a "community financial institution" (which is defined in the FHLBank Act as an FDIC-insured depository institution that had average assets for the past three calendar years totaling no more than $599 million during 2007 and $625 million during 2008, up until the passage of the Housing Act) also to pledge certain CFI-specific collateral, that consists of small-business, small-farm, and small-agribusiness loans, to the extent that its FHLBank accepts such loans as collateral for advances. The Housing Act defined community financial institutions for 2008 as depository institutions insured by the FDIC with average total assets over the preceding three-year period of less than $1.0 billion (the average total asset cap), with the average total asset cap adjusted annually for inflation. As of January 1, 2009, the Finance Agency adjusted the average total asset cap to $1.011 billion. Effective January 1, 2010, the average total asset cap was adjusted to $1.029 billion. The FHLBanks that accept CFI-specific collateral mitigate the potential increased credit risk through higher haircuts (lower lending values) on such collateral. Advances to community financial institutions secured with expanded eligible collateral represented approximately $3.5 billion of the $522.6 billion of total advances outstanding at par value at June 30, 2010.

No FHLBank has ever experienced a credit loss on an advance. During the six months ended June 30, 2010, 77 of the 86 FDIC-insured institutions that failed were members of the FHLBanks. The total amount of advances outstanding to these 77 members at the time of their failure was approximately $8 billion, all of which were either assumed by another member or a non-member institution and/or repaid by the acquiring institution or the FDIC. For the month of July 2010, 21 of the 22 FDIC-insured institutions that failed were members of the FHLBanks. The total amount of advances outstanding to these 21 members at the time of their failure was less than $1 billion, all of which were either assumed by another member or a non-member institution and/or repaid by the acquiring institution or the FDIC. No FHLBank incurred any credit loss on any of the related advances outstanding. All extensions of credit by the FHLBanks to members are secured by eligible collateral. However, if a member were to default, and the value of the collateral pledged by the member declined to a point such that an FHLBank was unable to realize sufficient value from the pledged collateral to cover the member's obligations and an FHLBank was unable to obtain additional collateral to make up for the reduction in value of such collateral, that FHLBank could incur losses. A default by a member with significant obligations to an FHLBank could result in significant financial losses, which would adversely affect the FHLBank's results of operations and financial condition. In light of the deterioration in the housing and mortgage markets, the FHLBanks continue to evaluate and make changes to their collateral guidelines when reviewing their borrowers' financial condition to further mitigate the credit risk of advances. The management of each FHLBank believes it has adequate policies and procedures in place to manage its credit risk on advances effectively.

*Investments.* The FHLBanks are subject to credit risk on investments consisting of investment securities, interest-bearing deposits, securities purchased under agreements to resell and Federal funds sold. At June 30, 2010, the carrying value of the FHLBanks' investments was $308.7 billion, as compared to $284.4 billion at December 31, 2009.

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

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

The FHLBanks further mitigate credit risk on investment securities by investing in highly-rated investment securities. At June 30, 2010 and December 31, 2009, 82.8 percent and 82.4 percent of MBS held by FHLBanks were rated triple-A. During the six months ended June 30, 2010, most of the FHLBanks purchases of MBS were concentrated in GSE and U.S. obligations.

**Investment Securities Ratings**
**(Dollar amounts in millions)**

| Investment Rating | June 30, 2010 (1) Amount | June 30, 2010 (1) Percentage of Total Investments | December 31, 2009 (2) Amount | December 31, 2009 (2) Percentage of Total Investments |
|---|---|---|---|---|
| Long-term rating | | | | |
| Triple-A | $160,555 | 71.8% | $152,302 | 68.4% |
| Double-A | 17,639 | 7.9% | 21,022 | 9.5% |
| Single-A | 13,072 | 5.8% | 14,476 | 6.5% |
| Triple-B | 2,640 | 1.2% | 4,384 | 2.0% |
| Below investment grade | | | | |
| Double-B | 2,742 | 1.2% | 4,325 | 1.9% |
| Single-B | 5,005 | 2.2% | 4,408 | 2.0% |
| Triple-C | 11,547 | 5.2% | 8,732 | 3.9% |
| Double-C | 3,046 | 1.3% | 2,452 | 1.1% |
| Single-C | 413 | 0.2% | 393 | 0.2% |
| Single-D | 146 | 0.1% | 59 | 0.0% |
| Short-term rating | | | | 0.0% |
| A-1 or higher/P-1 | 6,729 | 3.0% | 9,715 | 4.4% |
| A-2/P-2 | 150 | 0.1% | 250 | 0.1% |
| Unrated investment securities | 48 | 0.0% | 50 | 0.0% |
| Total | $223,732 | 100.0% | $222,568 | 100.0% |

(1) This chart does not reflect any changes in rating, outlook or watch status occurring after June 30, 2010. These ratings represent the lowest NRSRO rating available for each security owned by each applicable FHLBank.

(2) This chart does not reflect any changes in rating, outlook or watch status occurring after December 31, 2009. These ratings represent the lowest NRSRO rating available for each security owned by each applicable FHLBank.

The following table represents rating agency actions taken with respect to the following categories of investment securities during the period from June 30, 2010 through July 31, 2010:

**Investment Securities**
**Downgraded and/or Placed on Negative Watch [1]**
**from June 30, 2010 through July 31, 2010**
**(Dollar amounts in millions)**

| | Based on Carrying Values as of June 30, 2010 | | |
|---|---|---|---|
| | 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 | 7% | 0% | 0% [a] |
| Amount of private-label RMBS rated below investment grade: | | | |
| Double-B | $ 52 | $ | $ |
| Triple-C | 291 | | |
| Double-C | 760 | | |
| Single-C | 1,356 | | |
| Total | $ 2,459 | $ | $ |
| Private-label commercial MBS (CMBS): | | | |
| Percentage of total private-label CMBS | 0% | 0% | 0% |
| Total private-label CMBS rated below investment grade | $ | $ | $ |
| Manufactured housing loan investments: | | | |
| Percentage of total manufactured housing loan investments | 0% | 0% | 0% |
| Total manufactured housing loan investments rated below investment grade | $ | $ | $ |
| Home equity loan investments: | | | |
| Percentage of total home equity loan investments | 0% | 0% | 0% |
| Total home equity loan investments rated below investment grade | $ | $ | $ |
| Total private-label RMBS and CMBS, manufactured housing loans and home equity loan investments: | | | |
| Percentage of total investment securities | 2% | 0% | 0% [a] |

**Investment Securities**
**Downgraded and/or Placed on Negative Watch [1]**
**from June 30, 2010 through July 31, 2010 (continued)**
**(Dollar amounts in millions)**

| | Based on Carrying Values as of June 30, 2010 | | |
|---|---|---|---|
| | Downgraded and Stable | Downgraded and Placed on Negative Watch | Not Downgraded but Placed on Negative Watch |
| Amount of total private-label RMBS and CMBS, manufactured housing loans and home equity loan investments rated below investment grade: | | | |
| Double-B | $ 52 | $ | $ |
| Triple-C | 291 | | |
| Double-C | 760 | | |
| Single-C | 1,356 | | |
| Total | $ 2,459 | $ | $ |
| Total non-MBS: | | | |
| Percentage of total investment securities | 0% | 0% | 0% |

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

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

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

*Private-label MBS.* The FHLBanks classify private-label RMBS and CMBS, manufactured housing loans and home equity loan investments as prime, Alt-A or subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS. In some cases, the NRSROs may have changed their classification subsequent to origination, which would not necessarily be reflected in the tables noted on the following pages.

**Unpaid Principal Balance of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments by Fixed Rate or Variable Rate (1)**
**(Dollar amounts in millions)**

| | June 30, 2010 | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|
| | Fixed Rate | Variable Rate | Total | Fixed Rate | Variable Rate | Total |
| Private-label RMBS: | | | | | | |
| Prime | $ 8,988 | $17,700 | $26,688 | $10,928 | $19,546 | $30,474 |
| Alt-A | 8,499 | 15,593 | 24,092 | 9,881 | 15,950 | 25,831 |
| Subprime | | 1,262 | 1,262 | | 1,320 | 1,320 |
| Total private-label RMBS | 17,487 | 34,555 | 52,042 | 20,809 | 36,816 | 57,625 |
| Private-label CMBS: | | | | | | |
| Prime | 132 | 118 | 250 | 152 | 132 | 284 |
| Total private-label CMBS | 132 | 118 | 250 | 152 | 132 | 284 |
| Manufactured housing loans: | | | | | | |
| Prime | | * | * | | * | * |
| Subprime | 209 | | 209 | 224 | | 224 |
| Total manufactured housing loans | 209 | * | 209 | 224 | * | 224 |
| Home equity loan investments: | | | | | | |
| Alt-A | | 58 | 58 | | 61 | 61 |
| Subprime | 413 | 138 | 551 | 437 | 151 | 588 |
| Total home equity loan investments | 413 | 196 | 609 | 437 | 212 | 649 |
| Total private-label MBS, manufactured housing loans and home equity loan investments | $18,241 | $34,869 | $53,110 | $21,622 | $37,160 | $58,782 |

* Represents an amount less than $1 million.

(1) The FHLBanks classify private-label MBS as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

At June 30, 2010, the carrying values of the private-label mortgage-backed securities, manufactured housing loans and home equity loan investments were as follows:

- combined private-label RMBS of $41,635 million;
- combined private-label CMBS of $250 million;
- combined manufactured housing loans of $209 million; and
- combined home equity loan investments of $463 million.

The following tables present credit ratings of private-label RMBS and CMBS, manufactured housing loans and home equity loan investments at June 30, 2010. Of the total unpaid principal balance of private-label RMBS and CMBS, manufactured housing loans and home equity loan investments, prime represented 50.7 percent, Alt-A represented 45.5 percent and subprime represented 3.8 percent. Of the $150.7 billion carrying value of total mortgage-backed securities investments held by the FHLBanks at

June 30, 2010, less than 2 percent were categorized as subprime by the originator at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

**Unpaid Principal Balance of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments By Year of Securitization [(1)] At June 30, 2010 (Dollar amounts in millions)**

| | Prime [(2)] | | | | | | |
|---|---|---|---|---|---|---|---|
| Year of Securitization | Triple-A | Double-A | Single-A | Triple-B | Below Investment Grade | Unrated | Total |
| Private-label RMBS: | | | | | | | |
| 2008 | $ | $ | $ | $ 40 | $ 593 | $ | $ 633 |
| 2007 | | 46 | | 180 | 4,568 | | 4,794 |
| 2006 | 222 | 53 | 196 | 117 | 4,639 | | 5,227 |
| 2005 | 308 | 312 | 407 | 361 | 3,464 | | 4,852 |
| 2004 and prior | 8,015 | 1,171 | 1,544 | 329 | 123 | | 11,182 |
| Total | 8,545 | 1,582 | 2,147 | 1,027 | 13,387 | | 26,688 |
| Private-label CMBS: | | | | | | | |
| 2004 and prior | 250 | | | | | | 250 |
| Total | 250 | | | | | | 250 |
| Manufactured housing loans: | | | | | | | |
| 2004 and prior | * | | | | | | * |
| Total | * | | | | | | * |
| Total prime private-label RMBS and CMBS, manufactured housing loans and home equity loan investments | $8,795 | $1,582 | $2,147 | $1,027 | $13,387 | $ | $26,938 |

**Unpaid Principal Balance of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments By Year of Securitization [1] (continued) At June 30, 2010 (Dollar amounts in millions)**

| | Alt-A [2] | | | | | | |
|---|---|---|---|---|---|---|---|
| Year of Securitization | Triple-A | Double-A | Single-A | Triple-B | Below Investment Grade | Unrated | Total |
| Private-label RMBS: | | | | | | | |
| 2008 | $ | $ | $ | $ 157 | $ 720 | $ | $ 877 |
| 2007 | 18 | | | | 7,251 | | 7,269 |
| 2006 | 25 | | | 110 | 4,558 | | 4,693 |
| 2005 | 39 | 262 | 367 | 1,045 | 5,776 | | 7,489 |
| 2004 and prior | 1,840 | 892 | 815 | 145 | 72 | | 3,764 |
| Total | 1,922 | 1,154 | 1,182 | 1,457 | 18,377 | | 24,092 |
| Home equity loan investments: | | | | | | | |
| 2006 | | 22 | | | | | 22 |
| 2005 | | | 5 | | | | 5 |
| 2004 and prior | | | | | 31 | | 31 |
| Total | | 22 | 5 | | 31 | | 58 |
| Total Alt-A private-label RMBS and CMBS, manufactured housing loans and home equity loan investments | $1,922 | $1,176 | $1,187 | $1,457 | $18,408 | $ | $24,150 |

**Unpaid Principal Balance of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments By Year of Securitization [1] (continued) At June 30, 2010 (Dollar amounts in millions)**

| | Subprime [2] | | | | | | |
|---|---|---|---|---|---|---|---|
| Year of Securitization | Triple-A | Double-A | Single-A | Triple-B | Below Investment Grade | Unrated | Total |
| Private-label RMBS: | | | | | | | |
| 2007 | $ | $ | $ | $ | $ 10 | $ | $ 10 |
| 2006 | 16 | 7 | | 82 | 989 | | 1,094 |
| 2005 | * | 3 | 9 | 6 | 95 | | 113 |
| 2004 and prior | 14 | 10 | 5 | 1 | 10 | 5 | 45 |
| Total | 30 | 20 | 14 | 89 | 1,104 | 5 | 1,262 |
| Manufactured housing loans: | | | | | | | |
| 2004 and prior | | 120 | 89 | | | | 209 |
| Total | | 120 | 89 | | | | 209 |
| Home equity loan investments: | | | | | | | |
| 2004 and prior | 208 | 93 | 45 | 40 | 165 | | 551 |
| Total | 208 | 93 | 45 | 40 | 165 | | 551 |
| Total subprime private-label RMBS and CMBS, manufactured housing loans and home equity loan investments | $ 238 | $ 233 | $ 148 | $ 129 | $ 1,269 | $ 5 | $ 2,022 |
| Total private-label RMBS and CMBS, manufactured housing loans and home equity loan investments | $10,955 | $2,991 | $3,482 | $2,613 | $33,064 | $ 5 | $53,110 |

* Represents an amount less than $1 million.

(1) Represents the lowest ratings available for each security based on NRSROs used by each FHLBank.

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

**Credit Ratings of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments [(1)]**
**At June 30, 2010 [(a)]**
**(Dollar amounts in millions)**

| | Unpaid Principal Balance | Amortized Cost | Gross Unrealized Losses | Weighted-Average Collateral Delinquency Percentage [(2)] |
|---|---|---|---|---|
| Private-label RMBS Triple-A: | | | | |
| Prime | $ 8,545 | 8,509 | $ (291) | 3% |
| Alt-A | 1,922 | 1,925 | (121) | 7% |
| Subprime | 30 | 29 | (3) | 30% |
| Total Private-label RMBS Triple-A | 10,497 | 10,463 | (415) | 4% |
| Private-label RMBS Double-A: | | | | |
| Prime | $ 1,582 | $ 1,575 | $ (135) | 8% |
| Alt-A | 1,154 | 1,160 | (196) | 14% |
| Subprime | 20 | 18 | (2) | 32% |
| Total Private-label RMBS Double-A | 2,756 | 2,753 | (333) | 11% |
| Private-label RMBS Single-A: | | | | |
| Prime | 2,147 | 2,137 | (187) | 10% |
| Alt-A | 1,182 | 1,185 | (192) | 14% |
| Subprime | 14 | 14 | (3) | 30% |
| Total Private-label RMBS Single-A | 3,343 | 3,336 | (382) | 11% |
| Private-label RMBS Triple-B: | | | | |
| Prime | 1,027 | 1,022 | (129) | 10% |
| Alt-A | 1,457 | 1,453 | (348) | 19% |
| Subprime | 89 | 85 | (5) | 40% |
| Total Private-label RMBS Triple-B | 2,573 | 2,560 | (482) | 16% |
| Private-label RMBS Below Investment Grade: | | | | |
| Prime | 13,387 | 12,241 | (1,905) | 17% |
| Alt-A | 18,377 | 16,468 | (5,251) | 34% |
| Subprime | 1,104 | 879 | (305) | 46% |
| Total Private-label RMBS Below Investment Grade | 32,868 | 29,588 | (7,461) | 27% |
| Private-label RMBS Unrated: | | | | |
| Subprime | 5 | 5 | | 0.0% |
| Total Private-label RMBS Unrated | 5 | 5 | | 0.0% |
| Total Private-label RMBS prime | 26,688 | 25,484 | (2,647) | 11% |
| Total Private-label RMBS Alt-A | 24,092 | 22,191 | (6,108) | 29% |
| Total Private-label RMBS subprime | 1,262 | 1,030 | (318) | 45% |
| Total Private-label RMBS | $52,042 | $48,705 | $(9,073) | 20% |

**Credit Ratings of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments [1] (continued)**
**At June 30, 2010 [a]**
**(Dollar amounts in millions)**

| | Unpaid Principal Balance | Amortized Cost | Gross Unrealized Losses | Weighted-Average Collateral Delinquency Percentage [2] |
|---|---|---|---|---|
| Private-label CMBS Triple-A: | | | | |
| Prime | $250 | $250 | $ (2) | 4% |
| Total Private-label CMBS Triple-A | 250 | 250 | (2) | 4% |
| Total Private-label CMBS prime | 250 | 250 | (2) | 4% |
| Total Private-label CMBS | $250 | $250 | $ (2) | 4% |
| Manufactured housing loans Triple-A: | | | | |
| Prime | $ * | $ * | $ * | 2% |
| Total Manufactured housing loans Triple-A | * | * | * | 2% |
| Manufactured housing loans Double-A: | | | | |
| Subprime | 120 | 120 | (18) | 2% |
| Total manufactured housing loans Double-A | 120 | 120 | (18) | 2% |
| Manufactured housing loans Single-A: | | | | |
| Subprime | 89 | 89 | (11) | 5% |
| Total manufactured housing loans Single-A | 89 | 89 | (11) | 5% |
| Total manufactured housing loans prime | * | * | * | 2% |
| Total manufactured housing loans subprime | 209 | 209 | (29) | 3% |
| Total manufactured housing loans | $209 | $209 | $ (29) | 3% |

**Credit Ratings of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments [1] (continued)**
**At June 30, 2010 [a]**
**(Dollar amounts in millions)**

| | Unpaid Principal Balance | Amortized Cost | Gross Unrealized Losses | Weighted-Average Collateral Delinquency Percentage [2] |
|---|---|---|---|---|
| Home equity loan investments Triple-A: | | | | |
| Subprime | $208 | $207 | $ (43) | 19% |
| Total home equity investments Triple-A | 208 | 207 | (43) | 19% |
| Home equity loan investments Double-A: | | | | |
| Alt-A | 22 | 22 | (6) | 3% |
| Subprime | 93 | 92 | (9) | 10% |
| Total home equity investments Double-A | 115 | 114 | (15) | 8% |
| Home equity loan investments Single-A: | | | | |
| Alt-A | 5 | 5 | (3) | 1% |
| Subprime | 45 | 43 | (9) | 16% |
| Total home equity investments Single-A | 50 | 48 | (12) | 14% |
| Home equity loan investments Triple-B: | | | | |
| Subprime | 40 | 38 | (11) | 13% |
| Total home equity investments Triple-B | 40 | 38 | (11) | 13% |
| Home equity loan investments Below Investment Grade: | | | | |
| Alt-A | 31 | 25 | (10) | 12% |
| Subprime | 165 | 143 | (38) | 22% |
| Total home equity investments Below Investment Grade | 196 | 168 | (48) | 20% |
| Total Home equity loan investments Alt-A | 58 | 52 | (19) | 7% |
| Total Home equity loan investments subprime | 551 | 523 | (110) | 17% |
| Total Home equity loan investments | $609 | $575 | $(129) | 16% |

* Represents an amount less than $1 million.

(a) Represents the lowest rating available for each security based on NRSROs used by each FHLBank.

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

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

The following table summarizes rating agency actions on private-label MBS held by the FHLBanks subsequent to June 30, 2010.

**Rating Agency Actions [1] on Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments from June 30, 2010 to July 31, 2010**
**(Dollar amounts in millions)**

| | Total Downgraded | | Downgraded from AAA | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | To AA | | To A | | To BBB | | Total Downgraded from AAA | |
| | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Private-label RMBS | $465 | $441 | $54 | $51 | $65 | $64 | $20 | $20 | $139 | $135 |
| Total | $465 | $441 | $54 | $51 | $65 | $64 | $20 | $20 | $139 | $135 |

| | Downgraded from AA | | | | | | Downgraded from BBB | |
|---|---|---|---|---|---|---|---|---|
| | To BBB | | To Below Investment Grade | | Total Downgraded from AA | | To Below Investment Grade | |
| | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Private-label RMBS | $126 | $116 | $11 | $16 | $137 | $132 | $189 | $174 |
| Total | $126 | $116 | $11 | $16 | $137 | $132 | $189 | $174 |

(1) Represents the lowest ratings available for each security based on NRSROs used by each FHLBank.

Of the $223.7 billion of total investment securities held by the FHLBanks at June 30, 2010, a total of $23.1 billion of MBS investments was rated below investment grade as of July 31, 2010; $22.9 billion of this amount was rated below investment grade at June 30, 2010, and an additional $0.2 billion was downgraded to below investment grade from June 30, 2010 through July 31, 2010.

The broad-based deterioration of credit performance related to residential mortgage loans and the accompanying decline in U.S. residential real estate values as well as increasing collateral delinquency rates have increased the level of credit risk to which the FHLBanks are exposed in their investments in mortgage-related securities. The FHLBanks' investments in private-label MBS, manufactured housing loans and home equity loan investments had a total carrying value of $42.6 billion, and the fair value was $41.6 billion at June 30, 2010. The following table summarizes private-label RMBS and CMBS, manufactured housing loans and home equity loan investments fair values as a percentage of unpaid principal balances.

**Private-Label Mortgage Backed Securities,**
**Manufactured Housing Loans and Home Equity Loan Investments**
**Fair Value as a Percentage of Unpaid Principal Balance by Year of Securitization [(1)]**

**Year of Securitization**

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Private-label RMBS: | | |
| Prime [(1)]: | | |
| 2008 | 84.2% | 79.7% |
| 2007 | 77.8% | 74.0% |
| 2006 | 81.2% | 76.6% |
| 2005 | 86.0% | 82.7% |
| 2004 and earlier | 94.9% | 92.2% |
| Weighted-average of all prime | 87.3% | 84.0% |
| Alt-A [(1)]: | | |
| 2008 | 70.5% | 59.5% |
| 2007 | 61.4% | 57.8% |
| 2006 | 61.6% | 58.6% |
| 2005 | 71.3% | 67.8% |
| 2004 and earlier | 90.4% | 86.3% |
| Weighted-average of all Alt-A | 69.4% | 65.7% |
| Subprime [(1)]: | | |
| 2007 | 67.3% | 49.9% |
| 2006 | 56.7% | 52.9% |
| 2005 | 83.8% | 82.8% |
| 2004 and earlier | 73.3% | 67.9% |
| Weighted-average of all subprime | 59.8% | 56.3% |
| Private-label CMBS | | |
| Prime [(1)]: | | |
| 2004 and earlier | 101.1% | 99.6% |
| Weighted-average of all prime | 101.1% | 99.6% |
| Manufactured Housing Loans: | | |
| Prime [(1)]: | | |
| 2004 and earlier | 97.4% | 95.5% |
| Weighted-average of all prime | 97.4% | 95.5% |
| Subprime [(1)]: | | |
| 2004 and earlier | 86.2% | 80.7% |
| Weighted-average of all subprime | 86.2% | 80.7% |

**Private-Label Mortgage Backed Securities,
Manufactured Housing Loans and Home Equity Loan Investments
Fair Value as a Percentage of Unpaid Principal Balance by Year of Securitization [1]
(continued)**

| Year of Securitization | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Home Equity Loan Investments: | | |
| Alt-A [1]: | | |
| 2006 | 71.5% | 44.3% |
| 2005 | 43.2% | 43.2% |
| 2004 and earlier | 50.3% | 42.8% |
| Weighted-average of all Alt-A | 57.7% | 43.4% |
| Subprime [1]: | | |
| 2004 and earlier | 75.0% | 68.1% |
| Weighted-average of all subprime | 75.0% | 68.1% |
| Totals: | | |
| Private-label RMBS: | 78.3% | 75.2% |
| Private-label CMBS | 101.1% | 99.6% |
| Manufactured Housing Loans: | 86.2% | 80.7% |
| Home Equity Loan Investments: | 73.4% | 65.7% |
| Grand total | 78.4% | 75.2% |

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

The table below summarizes, by loan type, characteristics of private-label RMBS and CMBS, home equity loan investments and manufactured housing loans in a gross unrealized loss position at June 30, 2010. The lowest ratings available for each security is reported as of July 31, 2010 based on the security's unpaid principal balance at June 30, 2010. The FHLBanks held a total of $5,803 million in Alt-A Option ARMs based on unpaid principal balance at June 30, 2010 as disclosed in the following table:

## Private-Label Mortgage Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments in a Loss Position at June 30, 2010 and Credit Ratings as of July 31, 2010 (1)
## (Dollar amounts in millions)

| | June 30, 2010 | | | | | July 31, 2010 MBS Ratings Based on June 30, 2010 Unpaid Principal Balance (2)(3) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Unpaid Principal Balance | Amortized Cost | Gross Unrealized Losses | Weighted-Average Collateral Delinquency Rate (4) | Percentage Rated Triple-A | Percentage Rated Triple-A | Percentage Rated Investment Grade | Percentage Rated Below Investment Grade | Percentage on Watchlist |
| Private-label RMBS backed by: | | | | | | | | | |
| Prime loans: | | | | | | | | | |
| First lien | $23,589 | $22,419 | $(2,647) | 11% | 24% | 24% | 20% | 56% | 28% |
| Total private-label RMBS backed by prime loans | 23,589 | 22,419 | (2,647) | 11% | 24% | 24% | 20% | 56% | 28% |
| Alt-A and other loans: | | | | | | | | | |
| Alt-A option arm | 5,803 | 5,102 | (2,034) | 45% | 0% | 0% | 4% | 96% | 38% |
| Alt-A other | 18,025 | 16,851 | (4,074) | 24% | 9% | 9% | 19% | 72% | 30% |
| Total private-label RMBS backed by Alt-A and other loans | 23,828 | 21,953 | (6,108) | 29% | 7% | 7% | 15% | 78% | 32% |
| Subprime loans: | | | | | | | | | |
| First lien | 1,248 | 1,023 | (318) | 45% | 2% | 2% | 10% | 88% | 5% |
| Total private-label RMBS backed by subprime loans | 1,248 | 1,023 | (318) | 45% | 2% | 2% | 10% | 88% | 5% |
| Private-label CMBS backed by: | | | | | | | | | |
| Prime loans: | | | | | | | | | |
| First lien | 118 | 118 | (2) | 4% | 100% | 100% | 0% | 0% | 0% |
| Total private-label CMBS backed by prime loans | 118 | 118 | (2) | 4% | 100% | 100% | 0% | 0% | 0% |
| Manufactured housing loans backed by: | | | | | | | | | |
| Prime loans: | | | | | | | | | |
| First lien | * | * | * | 2% | 100% | 100% | 0% | 0% | 0% |
| Total manufactured housing loans backed by prime loans | * | * | * | 2% | 100% | 100% | 0% | 0% | 0% |
| Subprime loans: | | | | | | | | | |
| First lien | 209 | 209 | (29) | 3% | 0% | 0% | 100% | 0% | 0% |
| Total manufactured housing loans backed by subprime loans | 209 | 209 | (29) | 3% | 0% | 0% | 100% | 0% | 0% |

## Private-Label Mortgage Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments in a Loss Position at June 30, 2010 and Credit Ratings as of July 31, 2010 (1) (continued)
## (Dollar amounts in millions)

| | June 30, 2010 | | | | | July 31, 2010 MBS Ratings Based on June 30, 2010 Unpaid Principal Balance (2)(3) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Unpaid Principal Balance | Amortized Cost | Gross Unrealized Losses | Weighted-Average Collateral Delinquency Rate (4) | Percentage Rated Triple-A | Percentage Rated Triple-A | Percentage Rated Investment Grade | Percentage Rated Below Investment Grade | Percentage on Watchlist |
| Home equity loan investments backed by: | | | | | | | | | |
| Alt-A and other loans: | | | | | | | | | |
| Alt-A other | $ 58 | $ 52 | $ (19) | 7% | 0% | 0% | 46% | 54% | 59% |
| Total home equity loan investments backed by Alt-A loans | 58 | 52 | (19) | 7% | 0% | 0% | 46% | 54% | 59% |
| Subprime loans: | | | | | | | | | |
| First lien | 217 | 208 | (52) | 20% | 35% | 35% | 34% | 31% | 56% |
| Second lien | 8 | 6 | (2) | 30% | 9% | 9% | 0% | 91% | 0% |
| Total home equity loan investments backed by subprime loans | 225 | 214 | (54) | 20% | 34% | 34% | 33% | 33% | 55% |
| Other—Not Classified (5) | 325 | 308 | (56) | 15% | 42% | 42% | 30% | 28% | 52% |
| Total private-label RMBS, private-label CMBS, manufactured housing loans, home equity loan investments, and other—not classified | $49,600 | $46,296 | $(9,233) | 21% | 15% | 15% | 18% | 67% | 29% |

* Represents an amount less than $1 million.

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

(2) The percentages include the effect of paydowns in full subsequent to June 30, 2010.

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

(4) Weighted-average credit support is based on the credit support as of June 30, 2010. The reported credit support percentage represents the weighted-average based on the unpaid principal balance of the individual securities in the category and their respective credit support as of June 30, 2010.

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

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

As a result of each FHLBank's evaluations, at June 30, 2010, the FHLBanks recognized OTTI losses related to an aggregate amount of $14,344 million of unpaid principal balance in held-to-maturity MBS investments and $9,023 million of unpaid principal balance related to available-for-sale securities, as described in "Note 6—Other-Than-Temporary Impairment Analysis" to the accompanying combined financial statements. The FHLBanks recognized total OTTI charges of $495 million and $728 million during the three and six months ended June 30, 2010 related to the credit losses on total MBS instruments and the net amount of impairment losses reclassified (from)/to accumulated other comprehensive loss of $(27) million and $146 million.

If current conditions in the mortgage markets and general business and economic conditions continue or deteriorate further than currently anticipated, the fair value of private-label MBS may decline further and the FHLBanks may incur OTTI losses on additional private-label MBS in future periods, as well as further impairment of those securities that were identified as other-than-temporarily impaired as of June 30, 2010. Furthermore, federal and state government authorities, as well as private entities, such as financial institutions and the servicers of residential mortgage loans, have begun or promoted implementation of programs designed to provide homeowners with assistance in avoiding residential mortgage loan foreclosures. These loan modification programs, as well as future legislative, regulatory, or other actions, including amendments to the bankruptcy laws, that result in the modification of outstanding mortgage loans, may adversely affect the value of, and the returns on, these mortgage loans or MBS related to these mortgage loans.

*Private-label MBS Collateral Statistics.* The FHLBanks generally purchase private-label MBS rated triple-A (or its equivalent) by an NRSRO, such as Moody's or S&P, at the time of purchase based on structural credit enhancements designed to withstand a significant increase in defaults combined with a sharp downturn in housing prices. Each FHLBank typically requires, at the time of purchase, credit enhancement that it believes to be above the amounts required for a triple-A credit rating by an NRSRO for non-agency mortgage-backed securities. Structural credit enhancements include subordination and over-collateralization that are designed to absorb losses before an FHLBank will incur a loss on a security. Credit enhancement achieved through senior-subordinated features results in the subordination of payments to junior classes to ensure cash flows are received by senior classes held by investors such as the FHLBanks. In addition, monoline financial guarantors provide credit protection on some of the FHLBanks' securities in a form of secondary guarantees based on certain performance triggers. See the "Monoline Insurance/Third-party Guarantors Credit Ratings and Outlook Table" for ratings and outlook status as of June 30, 2010. New loan modifications could affect the valuations and credit enhancements of the FHLBanks' mortgage-backed securities.

## Credit Enhancement and Collateral Performance of Private-Label Mortgage Backed Securities, Manufactured Housing Loans, and Home Equity Loan Investments [1]

| | At June 30, 2010 | | | At December 31, 2009 [5] | | |
|---|---|---|---|---|---|---|
| | Original Weighted-Average Credit Support [2] | Weighted-Average Credit Support [3] | Weighted-Average Collateral Delinquency [4] | Original Weighted-Average Credit Support [2] | Weighted-Average Credit Support [3] | Weighted-Average Collateral Delinquency [4] |
| Private-label RMBS by Year of Securitization | | | | | | |
| Prime: | | | | | | |
| 2008 | 24% | 24% | 22% | 24% | 25% | 18% |
| 2007 | 12% | 11% | 18% | 12% | 11% | 15% |
| 2006 | 9% | 8% | 16% | 9% | 9% | 14% |
| 2005 | 8% | 10% | 12% | 7% | 10% | 10% |
| 2004 and earlier | 4% | 8% | 5% | 3% | 7% | 4% |
| Total prime | 7% | 9% | 11% | 7% | 9% | 10% |
| Alt-A: | | | | | | |
| 2008 | 33% | 34% | 25% | 33% | 34% | 25% |
| 2007 | 32% | 29% | 38% | 32% | 31% | 36% |
| 2006 | 25% | 22% | 40% | 25% | 23% | 39% |
| 2005 | 16% | 18% | 22% | 16% | 19% | 21% |
| 2004 and earlier | 7% | 13% | 9% | 7% | 13% | 9% |
| Total Alt-A | 22% | 22% | 29% | 22% | 23% | 27% |
| Subprime: | | | | | | |
| 2007 | 23% | 39% | 39% | 25% | 37% | 51% |
| 2006 | 23% | 29% | 46% | 23% | 31% | 52% |
| 2005 | 22% | 48% | 45% | 22% | 48% | 47% |
| 2004 and earlier | 40% | 59% | 21% | 40% | 59% | 24% |
| Total subprime | 23% | 32% | 45% | 23% | 34% | 50% |
| Total private-label RMBS | 14% | 16% | 20% | 14% | 16% | 19% |
| Private-label CMBS by Year of Securitization | | | | | | |
| Prime: | | | | | | |
| 2004 and earlier | 22% | 29% | 4% | 22% | 28% | 4% |
| Total prime | 22% | 29% | 4% | 22% | 28% | 4% |
| Total private-label CMBS | 22% | 29% | 4% | 22% | 28% | 4% |

### Credit Enhancement and Collateral Performance of Private-Label Mortgage Backed Securities, Manufactured Housing Loans, and Home Equity Loan Investments (1) (continued)

| | At June 30, 2010 | | | At December 31, 2009 (5) | | |
|---|---|---|---|---|---|---|
| | Original Weighted-Average Credit Support (2) | Weighted-Average Credit Support (3) | Weighted-Average Collateral Delinquency (4) | Original Weighted-Average Credit Support (2) | Weighted-Average Credit Support (3) | Weighted-Average Collateral Delinquency (4) |
| Manufactured housing loans by Year of Securitization | | | | | | |
| Prime: | | | | | | |
| 2004 and earlier | 22% | 90% | 2% | 22% | 86% | 2% |
| Total prime | 22% | 90% | 2% | 22% | 86% | 2% |
| Subprime: | | | | | | |
| 2004 and earlier | 93% | 93% | 3% | 55% | 53% | 4% |
| Total subprime | 93% | 93% | 3% | 55% | 53% | 4% |
| Total manufactured housing loans | 93% | 93% | 3% | 55% | 53% | 4% |
| Home equity loan investments by Year of Securitization | | | | | | |
| Alt-A: | | | | | | |
| 2006 | 0% | 0% | 3% | 0% | 0% | 3% |
| 2005 | 3% | 13% | 1% | 3% | 11% | 0% |
| 2004 and earlier | 0% | 2% | 12% | 0% | 3% | 12% |
| Total Alt-A | 0% | 2% | 7% | 0% | 3% | 7% |
| Subprime: | | | | | | |
| 2004 and earlier | 55% | 64% | 17% | 55% | 64% | 18% |
| Total subprime | 55% | 64% | 17% | 55% | 64% | 18% |
| Total home equity loan investments | 50% | 58% | 16% | 50% | 58% | 17% |

(1) The FHLBanks classify private-label MBA as prime, Alt-A, and subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

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

(3) The reported weighted-average credit support percentage represents the weighted average based on the unpaid principal balance of the individual securities in the category and their respective credit support as of June 30, 2010 and December 31, 2009.

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

(5) The December 31, 2009 presentation has changed due to reclassifications and revisions.

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

The following table shows the FHLBanks' private-label RMBS and CMBS, manufactured housing loans, and home equity loan investments covered by monoline insurance and related gross unrealized losses.

**Monoline Insurance Coverage and Related Unrealized Losses of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments By Year of Securitization At June 30, 2010 (Dollar amounts in millions)**

| | Prime [1] | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | AMBAC Assurance Corp. | | Assured Guaranty Municipal Corp. [3] | | MBIA Insurance Corp. | | Other | | Total | |
| Year of Securitization | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses |
| Private-label RMBS: | | | | | | | | | | |
| 2004 and prior | $ | $ | $ | $ | $3 | $(1) | $ | $ | $3 | $(1) |
| Private-label RMBS total | | | | | 3 | (1) | | | 3 | (1) |

| | Alt-A [1] | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | AMBAC Assurance Corp. | | Assured Guaranty Municipal Corp. | | MBIA Insurance Corp. | | Other | | Total | |
| Year of Securitization | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses |
| Private-label RMBS: | | | | | | | | | | |
| 2007 | $ 80 | $(18) | $18 | $(1) | $ | $ | $ | $ | $ 98 | $(19) |
| 2006 | 17 | (8) | | | | | | | 17 | (8) |
| 2005 | 35 | (14) | | | | | | | 35 | (14) |
| 2004 and prior | 2 | * | | | | | | | 2 | * |
| Total | 134 | (40) | 18 | (1) | | | | | 152 | (41) |
| Home equity loan investments: | | | | | | | | | | |
| 2006 | | | 22 | (6) | | | | | 22 | (6) |
| 2005 | 5 | (3) | | | | | | | 5 | (3) |
| 2004 and prior | 11 | (3) | | | 16 | (6) | 3 | (1) | 30 | (10) |
| Total | 16 | (6) | 22 | (6) | 16 | (6) | 3 | (1) | 57 | (19) |
| Total private-label RMBS and home equity loan investments | $150 | $(46) | $40 | $(7) | $16 | $(6) | $3 | $(1) | $209 | $(60) |

## Monoline Insurance Coverage and Related Unrealized Losses of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments By Year of Securitization (continued) At June 30, 2010 (Dollar amounts in millions)

| | Subprime [1] | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | AMBAC Assurance Corp. | | Assured Guaranty Municipal Corp. | | MBIA Insurance Corp. | | Other | | Total | |
| Year of Securitization | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses |
| Private-label RMBS: | | | | | | | | | | |
| 2004 and prior | $ 3 | $ * | $ | $ | $ | $ | $ 8 | $ * | $ 11 | $ * |
| Total | 3 | | | | | | 8 | | 11 | |
| Manufactured housing loans: | | | | | | | | | | |
| 2004 and prior | | | 189 | (25) | | | | | 189 | (25) |
| Total | | | 189 | (25) | | | | | 189 | (25) |
| Home equity loan investments: | | | | | | | | | | |
| 2004 and prior | 198 | (42) | 86 | (7) | 56 | (17) | 10 | (3) | 350 | (69) |
| Total | 198 | (42) | 86 | (7) | 56 | (17) | 10 | (3) | 350 | (69) |
| Total private-label MBS, manufactured housing loans and home equity loan investments | $201 | $(42) | $275 | $(32) | $56 | $(17) | $18 | $(3) | $550 | $(94) |

* Represents an amount less than $1 million.

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

The monoline bond insurers/guarantors have been subject to adverse ratings, rating downgrades and weakening financial performance measures. A rating downgrade implies an increased risk that the insurer/guarantor will fail to fulfill its obligations to reimburse the insured investor for claims made under the related insurance policies. The following table provides the credit ratings of these third-party insurers/guarantors. (Please see "Critical Accounting Estimates—OTTI for Investment Securities" in the Federal Home Loan Banks' 2009 Combined Financial Report for information regarding the FHLBanks' processes for evaluating monoline insurance for purposes of OTTI analysis.)

## Monoline Insurance/Third-party Guarantors Credit Ratings and Outlook As of August 13, 2010

| | Moody's | | S&P | | Fitch | |
|---|---|---|---|---|---|---|
| | Credit Rating | Outlook | Credit Rating | Outlook | Credit Rating | Outlook |
| Ambac Assurance Corporation (Ambac) | Caa2 | Under review | R [1] | R [1] | Not Rated | Not Rated |
| Assured Guaranty Municipal Corp. | Aa3 | Negative | AAA | Negative | Not Rated | Not Rated |
| MBIA Insurance Corporation | B3 | Negative | BB+ | Negative | Not Rated | Not Rated |
| Syncora Guarantee Inc. [2] | Ca | Developing | Withdrawn | Withdrawn | Not Rated | Not Rated |
| Financial Guaranty Insurance Company [3] | Withdrawn | Withdrawn | Withdrawn | Withdrawn | Not Rated | Not Rated |
| Fannie Mae/Freddie Mac | Aaa | Stable | N/A [4] | N/A [4] | AAA | Stable |

(1) Ambac's regulatory rehabilitation proceedings commenced on March 24, 2010, due to its financial condition.

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

(3) Ratings withdrawn by Moody's on April 14, 2009 and by S&P on April 22, 2009.

(4) Not applicable.

**Unsecured Credit Exposure**
**(Dollar amounts in billions)**

| | June 30, 2010 | December 31, 2009 | Increase $ | Increase % |
|---|---|---|---|---|
| Unsecured credit exposure of FHLBanks to counterparties, excluding U.S. government, U.S. government agencies, and instrumentalities | $98.2 | $84.0 | $14.2 | 16.9% |
| Maturities of unsecured credit exposure: | | | | |
| Overnight | 53.5% | 35.9% | | |
| 2-30 days | 29.0% | 46.4% | | |
| 31-90 days | 17.5% | 17.2% | | |
| 91-270 days | 0.0% | 0.5% | | |

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

| | June 30, 2010 | December 31, 2009 | Increase $ | Increase % |
|---|---|---|---|---|
| Federal funds sold | $69,982 | $54,597 | $15,385 | 28.2% |
| Commercial paper | 5,186 | 3,690 | 1,496 | 40.5% |

At June 30, 2010, the FHLBanks had aggregate unsecured credit exposure of $1.0 billion or more to each of 31 counterparties. The aggregate unsecured credit exposure to these 31 counterparties represented 83.86 percent of the FHLBanks' unsecured credit exposure to non-government counterparties.

*Mortgage Loans Held for Portfolio.*

The FHLBanks are exposed to the risk of non-performance of mortgage insurers that provide primary mortgage insurance (PMI) and supplemental mortgage insurance (SMI) coverage on mortgage loans.

When SMI is used as a form of credit enhancement in conjunction with an Acquired Member Asset (AMA) program (such as the MPF Program and MPP), Finance Agency regulations require the FHLBanks' members that sell loans to the FHLBanks through such a program to always maintain SMI with an insurer rated no lower than the second-highest rating category by any NRSRO. Rating downgrades imply an increased risk that the affected mortgage insurer(s) will fail to fulfill their obligations to reimburse the FHLBanks for claims under insurance policies. If a mortgage insurer fails to fulfill its obligations, the FHLBanks may bear any remaining loss of the borrower default on the related mortgage loans not covered by the member. On August 6, 2009, the Director of the Finance Agency granted a temporary waiver of this requirement subject to certain conditions described below. On July 29, 2010, the Finance Agency extended the waiver granted by the Director of the Finance Agency on August 6, 2009 subject to the same conditions until such time as the AMA regulation has been amended or for an additional year, whichever comes sooner.

With regard to any MPF or MPP Loans that are credit-enhanced with SMI and were purchased, or will be purchased, under master commitments that were executed on or before August 6, 2009, the requirement to maintain SMI with an insurer rated no lower than the second-highest rating category by any NRSRO is waived for the period described above, provided that an FHLBank must evaluate the claims-paying ability of its SMI providers, hold additional retained earnings and take any other steps necessary to mitigate any attendant risk associated with using an SMI provider having a rating below the regulatory standard. The FHLBanks have evaluated the claims-paying ability of their SMI providers and either determined that it is not necessary to hold retained earnings to mitigate the risk of using these SMI providers or increased the amount of required risk-based capital as a result of assigning a higher risk weighting to the assets covered by a downgraded SMI provider under the credit risk-based capital calculations. In addition, an FHLBank that relies on this waiver for existing business was required, by

April 8, 2010, to submit to the Finance Agency a written analysis of credit enhancement alternatives that do not rely on SMI for existing pools of loans that presently rely upon SMI for credit enhancement. Such alternatives considered the requirements of the AMA regulation and existing AMA programs, as well as any accounting or other legal requirements. Consistent with the extended waiver granted by the Director of Finance Agency, the Finance Agency also agreed to consider a formal request to cancel SMI coverage related to existing pools that can achieve a triple-B rating without SMI. The Finance Agency will require those FHLBanks that wish to cancel and replace SMI with an alternative means of credit enhancement for existing pools of AMA to file a notice of new business activity.

With regard to new MPP business, the regulatory requirement is waived for a period of twelve months—the initial waiver of six months from August 6, 2009, in addition to a six-month extension—to allow FHLBanks to enter into new master commitments during the twelve-month period, assuming the other requirements of the existing program are met, and provided that an FHLBank must also evaluate the claims-paying ability of its SMI providers, hold additional retained earnings, and take any other steps necessary to mitigate any attendant risk associated with using an SMI provider having a rating below the regulatory standard.

As of August 13, 2010, all of the FHLBanks' mortgage insurance (MI) providers have had their external ratings for claims-paying ability or insurer financial strength downgraded below double-A-minus by all relevant NRSROs. Due to the aforementioned rating agency actions, certain MPF FHLBanks have increased their estimated allowance for credit losses on mortgage loans and discontinued paying the associated performance credit enhancement fees as the relevant PFIs have elected not to assume the credit enhancement obligations as their own. Other MPF FHLBanks have analyzed their potential loss exposure to all MI providers and have not increased their loan loss reserves, but they will continue to monitor the financial condition of their MI providers. The FHLBank of Topeka has discontinued obtaining coverage on new loans from SMI insurers that have an NRSRO rating below triple-B and fail the internal financial analysis whereby the FHLBank determines the viability of the MI company to pay claims beyond two years from the date of analysis. As of June 30, 2010, the FHLBank of Topeka has suspended acceptance of MI coverage from three SMI insurers that fail these tests. The MPP FHLBanks have either discontinued obtaining SMI on new loans from the MI providers that have been downgraded below double-A-minus or continue using the downgraded insurance providers in compliance with the temporary waiver issued by the Finance Agency while they evaluate the need for alternative credit enhancements for their mortgage loan portfolios. The Finance Agency approved notices of new business activity plan that will utilize an enhanced fixed LRA account for additional credit enhancement for new MPP business consistent with Finance Agency regulations for the FHLBank of Cincinnati on March 30, 2010 and for the FHLBank of Indianapolis on June 4, 2010. The FHLBank of Seattle cancelled its SMI policies in 2008 due to its SMI provider's rating downgrade below double-A-minus. The FHLBank of Seattle is currently considering other credit enhancement options to achieve at least double-A-minus rating for its conventional mortgage loans. To date, NRSRO downgrades have not had a material effect on any FHLBank's MPF Program or MPP.

*MPF Program.* Each MPF FHLBank has policies to limit its credit exposure to each MI company based on certain criteria, including, but not limited to, the MI company's NRSRO ratings, or limiting its credit exposure to a certain percentage of the MI company's regulatory capital. Credit exposure is defined as the total PMI coverage written by an MI company on all MPF Loans held by the FHLBank. The MI companies provide PMI on conventional MPF Loans with a loan-to-value ratio greater than 80 percent. The MPF FHLBanks receive PMI coverage information only at acquisition of MPF Loans and do not receive notification of any subsequent changes in PMI coverage and therefore they can only estimate the amount of PMI in force at any time subsequent to acquisition. Historically, the MPF FHLBanks have depended on the PMI policies for loss coverage. The following table summarizes the MPF FHLBanks' credit exposure (dollar amounts in millions) to their MI providers based upon PMI credit exposure as of June 30, 2010.

| | MI Ratings (Moody's/S&P/Fitch) As of August 13, 2010 | As of June 30, 2010 | |
|---|---|---|---|
| | | PMI | Percentage of Total |
| Mortgage Guaranty Insurance Co. (MGIC) | Ba3/B+/NR (1) | $253 | 29% |
| Genworth Mortgage Insurance (Genworth) | Baa2/BBB−/NR (1) | 157 | 18% |
| United Guaranty Residential Insurance | A3/BBB/NR (1) | 120 | 14% |
| Republic Mortgage Insurance Company (RMIC) | Ba1/BBB−/BBB− | 102 | 12% |
| PMI Mortgage Insurance Co. | B2/B+/NR (1) | 91 | 10% |
| Other | | 151 | 17% |
| Total MPF MI Coverage | | $874 | 100% |

(1) Not rated by Fitch.

If a PMI provider is downgraded, an MPF FHLBank can request the servicer to obtain replacement PMI coverage with a different provider. However, it is possible that replacement coverage may be unavailable or result in additional cost to the MPF FHLBank. PMI for MPF Loans must be issued by an MI company on the approved MI company list whenever PMI coverage is required. However, no MI company on the approved MI company list currently has a double-A minus or better claims-paying ability rating from any NRSRO, so the current criteria for MI companies to remain on the approved MI company list at this time is acceptability for use in modeling software licensed from an NRSRO.

Another indication of credit quality is data on actual delinquencies. The table below (dollar amounts in millions) provides an analysis of conventional MPF Loans delinquent or MPF Loans in foreclosure, as well as real estate owned inventory. The FHLBanks' conventional loan portfolio consists only of fixed-rate prime conventional mortgage loans.

| | As of June 30, 2010 | As of December 31, 2009 |
|---|---|---|
| 30 to 59 days delinquent and not in foreclosure | $ 590 | $ 621 |
| 60 to 89 days delinquent and not in foreclosure | 175 | 204 |
| 90 days or more delinquent and not in foreclosure | 297 | 285 |
| In process of foreclosure (1) | 376 | 314 |
| Real estate owned inventory (units) | 104 | 83 |
| Serious delinquency rate (2) | 1.61% | 1.34% |

(1) Includes loans where the decision of foreclosure or similar alternative such as pursuit of deed-in-lieu has been reported.

(2) Conventional loans that are 90 days or more past due or in the process of foreclosure expressed as a percentage of the total conventional loan portfolio principal balance.

*MPP.* The following table summarizes the MPP FHLBanks' credit exposure (dollar amounts in millions) to their mortgage insurance providers based upon PMI credit exposure as of June 30, 2010. Credit exposure is defined as the total PMI coverage written by a mortgage insurance company on MPP Loans held by an MPP FHLBank that are more than 60 days delinquent. The MPP FHLBanks believe this is a conservative measure since most delinquent loans never go to claim and other credit protection layers (such as borrower equity and LRA) are called upon before insurance claims are made.

| | MI Ratings (Moody's/S&P/Fitch) As of August 13, 2010 | As of June 30, 2010 | |
|---|---|---|---|
| | | PMI | Percentage of Total |
| MGIC | Ba3/B+/NR [(1)] | $ 3 | 25% |
| Genworth | Baa2/BBB−/NR [(1)] | 2 | 17% |
| United Guaranty Residential Insurance | A3/BBB/NR [(1)] | 2 | 17% |
| RMIC | Ba1/BBB−/BBB− | 2 | 17% |
| Other | | 3 | 24% |
| Total MPP MI Coverage | | $12 | 100% |

(1) Not rated by Fitch.

For a conventional loan, PMI, if applicable, covers losses or exposure down to approximately an LTV ratio of between 65 percent and 80 percent based upon the original appraisal, original LTV ratio, term, amount of PMI coverage, and characteristics of the loan. An MPP FHLBank is exposed to credit risk if a PMI provider fails to fulfill its claims payment obligations to that MPP FHLBank. As of June 30, 2010, the MPP FHLBanks have analyzed their potential loss exposure to all of the mortgage insurance companies and do not expect incremental losses due to the lower mortgage insurance company ratings. This expectation is based on the credit enhancement features of the MPP Loans master commitments (exclusive of mortgage insurance), the underwriting characteristics of the MPP Loans, the seasoning of the MPP Loans and the performance of these loans to date. The MPP FHLBanks closely monitor the financial conditions of these mortgage insurance companies.

Another indication of credit quality is data on actual delinquencies. The table below (dollar amounts in millions) provides an analysis of conventional loans delinquent or in foreclosure, as well as real estate owned inventory. The FHLBanks' conventional loan portfolio consists only of fixed-rate prime conventional mortgage loans.

| | As of June 30, 2010 | As of December 31, 2009 |
|---|---|---|
| 30 to 59 days delinquent and not in foreclosure | $ 176 | $ 182 |
| 60 to 89 days delinquent and not in foreclosure | 61 | 65 |
| 90 days or more delinquent and not in foreclosure | 91 | 102 |
| In process of foreclosure | 148 | 133 |
| Real estate owned inventory (units) | 2 | 3 |
| Serious delinquency rate [(1)] | 1.38% | 1.26% |

(1) Conventional loans that are 90 days or more past due or in the process of foreclosure expressed as a percentage of the total conventional loan portfolio principal balance.

The MPP Loans delinquency percentages are well below the comparable national averages, based on a nationally recognized delinquency survey.

For government-guaranteed and government-insured mortgages, the delinquency rate is generally higher than for the conventional mortgages held in the MPP portfolio. The MPP FHLBanks rely on government insurance, which generally provides a 100 percent guarantee, as well as quality control processes, to maintain the credit quality of this portfolio.

*Concentrations.* The following tables provide the percentage of unpaid principal balance of conventional mortgage loans held for portfolio outstanding at June 30, 2010 for the five largest state concentrations. These tables show the state concentration on an aggregated basis for all 12 FHLBanks that purchased or funded loans under the MPF Program and MPP. As a result, the tables do not necessarily reflect the actual state concentration with respect to each individual FHLBank.

**State Concentration of MPF Program (1)**
**June 30, 2010**

| | Percentage of Conventional Loans – Unpaid Principal Balance |
|---|---|
| California | 10% |
| Wisconsin | 9% |
| Illinois | 7% |
| Texas | 5% |
| Pennsylvania | 5% |
| All other | 64% |
| | 100% |

**State Concentration of MPP Program (1)**
**June 30, 2010**

| | Percentage of Conventional Loans - Unpaid Principal Balance |
|---|---|
| Ohio | 22% |
| California | 10% |
| Indiana | 9% |
| Michigan | 7% |
| Illinois | 4% |
| All other | 48% |
| | 100% |

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

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, 2010. 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 and the District of Columbia. No single zip code accounted for more than one percent of MPP Loans outstanding at June 30, 2010. The MPP mortgage loan statistics have been compiled on a combined basis by aggregating each participating FHLBank's information and therefore do not reflect the concentration levels and mortgage loan portfolio information at individual participating FHLBanks.

*Derivatives and Counterparty Ratings.* In addition to market risk, each FHLBank is subject to credit risk because of the potential non-performance by counterparties to derivative agreements. The amount of counterparty credit risk on derivatives depends on the extent to which netting procedures, collateral requirements and other credit enhancements are used and are effective to mitigate the risk. Each FHLBank manages counterparty credit risk through credit analysis, collateral management and other credit enhancements. The FHLBanks are also required to follow the requirements set forth by applicable regulation. The FHLBanks require collateral on interest-rate exchange agreements. The amount of net unsecured credit exposure that is permissible with respect to each counterparty, before a collateral requirement is triggered, depends on the credit rating of that counterparty. A counterparty must deliver collateral to an FHLBank if the total market value of the FHLBank's exposure to that counterparty rises above a specific trigger point. As a result of these risk mitigation initiatives, the management of each FHLBank presently does not anticipate any credit losses on its interest-rate exchange agreements with counterparties. For additional discussion regarding derivatives and counterparty ratings, please refer to the individual FHLBanks' periodic reports filed with the SEC.

The contractual or notional amount of interest-rate exchange agreements reflects the involvement of an FHLBank in the various classes of financial instruments. The maximum credit risk of an FHLBank with respect to interest-rate exchange agreements is the estimated cost of replacing interest-rate swaps, forward agreements and purchased caps and floors if the counterparty defaults, *minus* the value of any related collateral. In determining maximum credit risk, the FHLBanks consider, with respect to each counterparty, accrued interest receivables and payables as well as the legal right to offset assets and liabilities. This calculation of maximum credit risk excludes circumstances where an FHLBank's pledged collateral to a counterparty exceeds the FHLBanks' net position.

**Derivative Counterparty Credit Exposure**
**(Dollar amounts in millions)**
**At June 30, 2010**

| Credit Rating [1] | Notional Amount | Total Net Exposure at Fair Value | Total Net Exposure Collateralized | Net Exposure After Collateral |
|---|---|---|---|---|
| Triple-A | $ 2,791 | $ 2 | $ | $ 2 |
| Double-A | 309,793 | 1,509 | 1,331 | 178 |
| Single-A | 542,619 | 1,071 | 1,008 | 63 |
| Triple-B | 263 | | | |
| Unrated [3] | 43 | | | |
| | 855,509 | 2,582 | 2,339 | 243 |
| Intermediaries [4] | 1,888 | 17 | 17 | |
| Delivery commitments | 903 | 8 | 3 | 5 |
| Total derivatives | $858,300 | $2,607 | $2,359 | $248 |

**Derivative Counterparty Credit Exposure**
**(Dollar amounts in millions)**
**At December 31, 2009**

| Credit Rating [2] | Notional Amount | Total Net Exposure at Fair Value | Total Net Exposure Collateralized | Net Exposure After Collateral |
|---|---|---|---|---|
| Triple-A | $ 3,278 | $ | $ | $ |
| Double-A | 336,988 | 1,297 | 1,212 | 85 |
| Single-A | 632,701 | 1,170 | 1,112 | 58 |
| Triple-B | 34 | | | |
| Unrated [3] | 41 | 1 | | 1 |
| | 973,042 | 2,468 | 2,324 | 144 |
| Intermediaries [4] | 1,737 | 15 | 15 | |
| Delivery commitments | 329 | | | |
| Total derivatives | $975,108 | $2,483 | $2,339 | $144 |

(1) This chart does not reflect any changes in rating, outlook or watch status occurring after June 30, 2010. The ratings were obtained from S&P, Moody's and/or Fitch.

(2) This chart does not reflect any changes in rating, outlook or watch status occurring after December 31, 2009. The ratings were obtained from S&P, Moody's and/or Fitch.

(3) 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 $1 million of exposure at December 31, 2009 and there was no exposure at June 30, 2010 related to this unrated counterparty.

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

Excluding fully collateralized interest-rate exchange agreements in which the FHLBanks are intermediaries for members, 99.96 percent of the notional amount of the FHLBanks' outstanding interest-rate exchange agreements at June 30, 2010 were with counterparties rated single-A or higher.

## CONTROLS AND PROCEDURES

### FHLBanks

The management of each FHLBank is required under applicable laws and regulations to establish and maintain controls and procedures, which include disclosure controls and procedures as well as adequate internal control over financial reporting, as such controls and procedures and internal control over financial reporting relate to that FHLBank only. Each of the FHLBank's management had assessed the effectiveness of their individual internal control over financial reporting as of December 31, 2009, based on the framework established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on their assessment, each FHLBank's management concluded, as of December 31, 2009, that their individual internal control over financial reporting is effective based on the criteria established in *Internal Control—Integrated Framework.* Additionally, the independent registered public accounting firm of each FHLBank opined that the individual FHLBank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009.

See Item 9A—Controls and Procedures of each FHLBank's 2009 SEC Form 10-K for its "Report of Management on Internal Control over Financial Reporting."

Each of eleven FHLBanks indicated that there were no changes to its internal control over financial reporting during the fiscal quarter ended June 30, 2010 that have materially affected, or are reasonably likely to affect, its internal control over financial reporting. During the fiscal quarter ended June 30, 2010, the FHLBank of Chicago noted that it completed its implementation of a new core operating system. According to the FHLBank of Chicago, this system and the related process integration have increased the number of automated internal controls that the FHLBank of Chicago is able to rely on, and have improved the general internal control over its financial reporting environment. Additionally, management of each FHLBank concluded that its disclosure controls and procedures were effective at a reasonable assurance level as of the fiscal quarter ended June 30, 2010. See each FHLBank's Second Quarter 2010 SEC Form 10-Q "Part I, Item 4—Controls and Procedures" for more information regarding each FHLBank's evaluation of its disclosure controls and procedures.

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

The Office of Finance is not responsible for the preparation, accuracy or adequacy of the information or financial data provided by the FHLBanks to the Office of Finance for use in preparing the combined financial reports, or for the quality or effectiveness of the disclosure controls and procedures or internal control over financial reporting of the FHLBanks as they relate to such information and financial data. Each FHLBank is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting with respect to the information and financial data provided to the Office of Finance. Although the Office of Finance is not an SEC registrant, Finance Agency regulations require that the combined financial report form and content generally be consistent with SEC Regulations S-K and S-X, as interpreted by the Finance Agency. The Office of Finance is not required to establish and maintain, and in light of the nature of its role has not established and maintained, disclosure controls and procedures and internal control over financial reporting at the FHLBank System level comparable to those maintained by each FHLBank with respect to its financial reporting. The Office of Finance has established procedures and controls concerning the FHLBanks' submission of information and financial data to the Office of Finance, the process of combining the financial statements of the individual FHLBanks and the review of such information.

The Office of Finance does not verify independently the financial information submitted by each FHLBank, including the disclosures in the financial statements of the individual FHLBanks that comprise the combining schedules included in this Combined Financial Report. Therefore, the Office of Finance may be unable to detect or prevent a significant misstatement in the combining schedules included in this Combined Financial Report resulting from the inconsistent adoption or application of accounting policies by the individual FHLBanks, including the inconsistent application of accounting policies used to value private-label mortgage-backed securities or to calculate related credit losses.

In July 2010, the Office of Finance's audit committee was restructured to implement the Finance Agency's regulations, effective June 2, 2010, that reconstituted the board of directors of the FHLBanks' Office of Finance. See "Legislative and Regulatory Developments" for more discussion about the restructuring of the Office of Finance's board of directors and its audit committee.

## 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 where the ultimate liability of the FHLBanks, if any, arising out of these proceedings is likely to have a material effect on the results of operations or financial condition of the FHLBanks or that are otherwise material to the FHLBanks.

See the Federal Home Loan Banks' 2009 Combined Financial Report for discussion about legal proceedings filed by the FHLBanks of New York and Pittsburgh related to the LBSF bankruptcy and the legal proceedings filed by the FHLBanks of Pittsburgh, San Francisco and Seattle related to the purchase of certain private-label MBS. See the Second Quarter 2010 SEC Form 10-Q for each of the FHLBanks for updates to their legal proceedings.

## RISK FACTORS

There were no material changes to the risk factors disclosed in the Federal Home Loan Banks' 2009 Combined Financial Report. Each FHLBank describes risk factors it faces in its business in its periodic reports filed with the SEC. (See "Available Information on Individual FHLBanks.")

## 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 and certain conditions and limitations. At June 30, 2010, the FHLBanks had 437 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 1934 Act.

*Regulatory Capital Stock.* The information on capital stock presented in the following table is accumulated at the holding-company level. Holding company information was obtained from the Federal Reserve System's web site, the National Information Center (NIC) and/or SEC filings. The NIC is a central repository of data about banks and other institutions for which the Federal Reserve System has a supervisory, regulatory, or research interest, including both domestic and foreign banking organizations operating in the United States. The percentage of total regulatory capital stock identified in the table below for each holding company was computed by dividing all regulatory capital stock owned by subsidiaries of that holding company by total combined regulatory capital stock. These percentage concentrations do not represent ownership concentrations in any particular FHLBank. For information on the top five holders of regulatory stock of each FHLBank and their holdings at March 31, 2010, please refer to "Supplemental Information—Top 5 Regulatory Capital Stockholders by FHLBank" in the Federal Home Loan Banks' Quarterly Combined Financial Report For the Three Months Ended March 31, 2010.

**Top 10 Regulatory Capital Stockholders by Holding Company**
**at June 30, 2010**
**(Dollar amounts in millions)**

| Holding Company Name | Regulatory Capital Stock [(a)] | Percentage of Total Regulatory Capital Stock | Mandatorily Redeemable Capital Stock |
|---|---|---|---|
| Bank of America Corporation [(1)] | $ 4,908 | 9.5% | $ 640 |
| JPMorgan Chase & Co. [(2)] | 4,071 | 7.9% | 3,367 |
| Citigroup Inc. [(3)] | 3,937 | 7.6% | |
| Wells Fargo & Company [(4)] | 2,821 | 5.5% | 1,895 |
| The PNC Financial Services Group, Inc. [(5)] | 987 | 1.9% | 536 |
| MetLife, Inc. [(6)] | 957 | 1.9% | |
| U.S. Bancorp [(7)] | 928 | 1.8% | 322 |
| Hudson City Bancorp, Inc. [(8)] | 883 | 1.7% | |
| UK Financial Investment Limited [(9)] | 737 | 1.4% | 69 |
| Banco Santander, S.A. [(10)] | 713 | 1.4% | |
| | $20,942 | 40.6% | $6,829 |

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

(1) Bank of America Corporation had subsidiaries with regulatory capital stock holdings at June 30, 2010 in the following FHLBank districts: Boston, New York, Atlanta, Indianapolis, Chicago, San Francisco and Seattle.

(2) JPMorgan Chase & Co. had subsidiaries with regulatory capital stock holdings at June 30, 2010 in the following FHLBank districts: New York, Pittsburgh, Chicago, San Francisco and Seattle.

(3) Citigroup Inc. had subsidiaries with regulatory capital stock holdings at June 30, 2010 in the following FHLBank districts: New York, Pittsburgh, Des Moines, Dallas and San Francisco.

(4) Wells Fargo & Company had subsidiaries with regulatory capital stock holdings at June 30, 2010 in the following FHLBank districts: Atlanta, Des Moines, Dallas, Topeka, San Francisco, and Seattle.

(5) The PNC Financial Services Group, Inc. had subsidiaries with regulatory capital stock holdings at June 30, 2010 in the following FHLBank districts: New York, Pittsburgh, Atlanta, Cincinnati, Indianapolis, Chicago and Des Moines.

(6) MetLife, Inc. had subsidiaries with regulatory capital stock holdings at June 30, 2010 in the following FHLBank districts: Boston and New York.

(7) U.S. Bancorp had subsidiaries with regulatory capital stock holdings at June 30, 2010 in the following FHLBank districts: Cincinnati, Chicago, Des Moines, Dallas, San Francisco and Seattle.

(8) Hudson City Bancorp, Inc. had a subsidiary with regulatory capital stock holdings at June 30, 2010 in the FHLBank of New York district.

(9) UK Financial Investments Limited had subsidiaries with regulatory capital stock holdings at June 30, 2010 in the following FHLBank districts: Boston, New York, Pittsburgh and Cincinnati.

(10) Banco Santander, S.A. had subsidiaries with regulatory capital stock holdings at June 30, 2010 in the following FHLBank districts: New York and Pittsburgh.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

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

*Members.*

### Membership by Type of Members

| | Commercial Banks | Thrifts | Credit Unions | Insurance Companies | Total |
|---|---|---|---|---|---|
| June 30, 2010 | 5,602 | 1,121 | 1,013 | 218 | 7,954 |
| December 31, 2009 | 5,706 | 1,139 | 1,003 | 209 | 8,057 |

Membership in an FHLBank is voluntary. A member must give notice of its intent to withdraw. The GLB Act permits each FHLBank to issue one or more of two classes of capital stock, each with sub-classes. Class A capital stock is redeemable on six months' written notice from a member and Class B capital stock is redeemable on five years' written notice from a member. Capital stock outstanding under the pre-GLB Act rules, which only applies to the FHLBank of Chicago at June 30, 2010, 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. In addition, the Finance Agency has deemed the FHLBank of Seattle as undercapitalized at June 30, 2010. The FHLBank of Seattle has restrictions in place as a result of the undercapitalized classification, including the inability to redeem or repurchase capital stock or pay dividends without Finance Agency approval. See "Note 12—Capital" to the accompanying combined financial statements for discussions of restrictions placed on the redemption of the FHLBank of Chicago's and the FHLBank of Seattle'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 on an uninterrupted basis from one FHLBank to another.

During the six months ended June 30, 2010, 10 FHLBank members withdrew from membership for reasons other than merger or acquisition and 33 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 Members
### (Dollar amounts in billions)

| | Commercial Banks | Thrifts | Credit Unions | Insurance Companies | Other (1) | Total (2) |
|---|---|---|---|---|---|---|
| June 30, 2010 | $28.0 | $9.5 | $2.8 | $3.4 | $8.0 | $51.7 |
| December 31, 2009 | 29.2 | 9.7 | 2.8 | 3.4 | 8.0 | 53.1 |

(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 and non-members at June 30, 2010 represented 54.1 percent of the total regulatory capital stock of the FHLBanks. The regulatory capital stock held by thrift institution members at June 30, 2010 represented 18.4 percent of the total regulatory capital stock of the FHLBanks.

*Member Borrowers.*

**Member Borrowers**

| | Commercial Banks | Thrifts | Credit Unions | Insurance Companies | Total |
|---|---|---|---|---|---|
| June 30, 2010 | 4,001 | 854 | 433 | 92 | 5,380 |
| December 31, 2009 | 4,220 | 877 | 464 | 86 | 5,647 |

The percentage of total members borrowing decreased to 67.6 percent at June 30, 2010, as compared to 70.1 percent at December 31, 2009. The 72 borrowers with advance holdings of $1.0 billion or more at June 30, 2010 held 63.5 percent of total advances. The 85 borrowers with advance holdings of $1.0 billion or more at December 31, 2009 held 66.1 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, 2010 | $303.5 | $115.6 | $25.0 | $45.6 | $32.9 | $522.6 |
| December 31, 2009 | 355.9 | 126.1 | 26.5 | 48.3 | 59.1 | 615.9 |

(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 differ from that reported in the Combined Statement of Condition. The differences between the par value and book value amounts primarily relate to basis adjustments arising from hedging activities.

The information on advances presented in the following table is accumulated at the holding-company level. Holding company information was obtained from the Federal Reserve System's web site, the NIC and/or SEC filings. The NIC is a central repository of data about banks and other institutions for which the Federal Reserve System has a supervisory, regulatory, or research interest, including both domestic and foreign banking organizations operating in the United States. The percentage of total advances identified in the table below for each holding company was computed by dividing the par amount of advances by subsidiaries of that holding company by the total combined par amount of advances. These percentage concentrations do not represent borrowing concentrations in any particular FHLBank. For information on the top five advance holding borrowers of each FHLBank at March 31, 2010, please refer to "Supplemental Information—Top 5 Advance Holding Borrowers by FHLBank" in the Federal Home Loan Banks' Quarterly Combined Financial Report For the Three Months Ended March 31, 2010.

**Top 10 Advance Holding Borrowers by Holding Company at Par Value at June 30, 2010 (Dollar amounts in millions)**

| Holding Company Name | Advances [a] | Percent of Total Advances |
|---|---|---|
| Bank of America Corporation [1] | $ 62,418 | 11.9% |
| Citigroup Inc. [2] | 30,605 | 5.9% |
| Wells Fargo & Company [3] | 23,633 | 4.5% |
| Hudson City Bancorp, Inc. [4] | 17,275 | 3.3% |
| MetLife, Inc. [5] | 16,385 | 3.1% |
| JPMorgan Chase & Co. [6] | 14,263 | 2.7% |
| Banco Santander, S.A. [7] | 13,015 | 2.5% |
| UK Financial Investments Limited [8] | 11,526 | 2.2% |
| BB&T Corporation [9] | 10,665 | 2.0% |
| New York Community Bancorp, Inc. [10] | 8,501 | 1.6% |
| | $208,286 | 39.7% |

(a) Member advance amounts and the total advance amount are at par value, and the total advance amount will not agree to the Combined Statement of Condition. The differences between the par value and book value amounts primarily relate to basis adjustments arising from hedging activities.

(1) Bank of America Corporation had subsidiaries with advance borrowings at June 30, 2010 in the following FHLBank districts: Boston, New York, Atlanta, Indianapolis, Chicago, San Francisco and Seattle.

(2) Citigroup Inc. had subsidiaries with advance borrowings at June 30, 2010 in the following FHLBank districts: New York, Pittsburgh, Dallas and San Francisco.

(3) Wells Fargo & Company had subsidiaries with advance borrowings at June 30, 2010 in the following FHLBank districts: Des Moines, Dallas, and San Francisco.

(4) Hudson City Bancorp, Inc. had a subsidiary with advance borrowings at June 30, 2010 in the FHLBank of New York district.

(5) MetLife, Inc. had subsidiaries with advance borrowings at June 30, 2010 in the following FHLBank districts: Boston and New York.

(6) JPMorgan Chase & Co. had subsidiaries with advance borrowings at June 30, 2010 in the following FHLBank districts: New York, San Francisco and Seattle.

(7) Banco Santander, S.A. had subsidiaries with advance borrowings at June 30, 2010 in the following FHLBank districts: New York and Pittsburgh.

(8) UK Financial Investments Limited had subsidiaries with advance borrowings at June 30, 2010 in the following FHLBank districts: Boston, New York, Pittsburgh and Cincinnati.

(9) BB&T Corporation had a subsidiary with advance borrowings at June 30, 2010 in the FHLBank of Atlanta district.

(10) New York Community Bancorp, Inc. had subsidiaries with advance borrowings at June 30, 2010 in the following FHLBank districts: Cincinnati and New York.

*Housing Associates.* At June 30, 2010, the FHLBanks had $1.1 billion in advances outstanding to 25 housing associates, up from $608 million to 13 housing associates at year-end 2009. Housing associates eligible to borrow include 43 state housing finance agencies, 10 county housing finance agencies, 4 housing development corporations, 3 city housing authorities, and 1 tribal housing corporation.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Each FHLBank is a member-owned cooperative, whose members elect a majority of that FHLBank's directors from among the officers and directors of its members. The FHLBanks conduct their advances and mortgage loan business almost exclusively with members. As a result, in the normal course of business, the FHLBanks regularly extend credit to members whose officers and/or directors may serve as directors of the FHLBanks. This credit is extended on market terms that are no more favorable to these "related" members than comparable transactions with other members of the same FHLBank. As of June 30, 2010, the FHLBanks had $88.6 billion of advances outstanding to members whose officers and/or directors were serving as directors of the FHLBanks. This represented 17.0 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.

## SUPPLEMENTAL INFORMATION

## INDIVIDUAL FHLBANK SELECTED FINANCIAL DATA AND FINANCIAL RATIOS

The following individual FHLBank selected financial data and financial ratios are provided as a convenience to the reader. Each FHLBank provides the Office of Finance with its selected financial data and financial ratios, which may not be calculated on a consistent basis. Please refer to "Explanatory Statement about FHLBanks Combined Financial Report" and "Available Information on Individual FHLBanks," which discusses the independent management and operation of the FHLBanks and their use of different models or assumptions; identifies the availability of other information about the FHLBanks; and describes where to find the periodic reports and other information filed by each FHLBank with the SEC.

## Individual FHLBank Selected Financial Data and Financial Ratios
## (Dollar amounts in millions)

| | Boston | New York | Pittsburgh |
|---|---|---|---|
| **Selected Statement of Condition Data at June 30, 2010** | | | |
| Assets | | | |
| Investments, including MBS [1] | $25,095 | $ 14,971 | $19,246 |
| Advances | 36,016 | 85,286 | 36,058 |
| Mortgage loans held for portfolio | 3,319 | 1,288 | 4,899 |
| Allowance for credit losses on mortgage loans | 2 | 6 | 3 |
| Total assets | 64,707 | 105,183 | 60,630 |
| Consolidated obligations: [2] | | | |
| Discount notes | 21,635 | 27,481 | 12,118 |
| Bonds | 38,130 | 66,247 | 42,326 |
| Total consolidated obligations | 59,765 | 93,728 | 54,444 |
| Mandatorily redeemable capital stock | 87 | 69 | 36 |
| Subordinated notes [3] | | | |
| Total capital stock: [5] | | | |
| Capital stock-Class B putable [4] | 3,659 | 4,680 | 4,012 |
| Capital stock-Class A putable [4] | | | |
| Capital stock-Preconversion putable [4] | | | |
| Total capital stock | 3,659 | 4,680 | 4,012 |
| Retained earnings | 184 | 677 | 331 |
| Accumulated other comprehensive income (loss) (AOCI) | (806) | (110) | (375) |
| Total capital | 3,037 | 5,247 | 3,968 |
| Asset composition (as a percentage of the individual FHLBanks' total assets): | | | |
| Investments, including MBS [1] | 38.8% | 14.2% | 31.7% |
| Advances | 55.7% | 81.1% | 59.5% |
| Mortgage loans, net | 5.1% | 1.2% | 8.1% |
| Retained earnings as a percentage of FHLBank's total assets | 0.3% | 0.6% | 0.5% |
| FHLBanks' total assets as a percentage of FHLBank System's total assets | 6.9% | 11.2% | 6.5% |
| **Selected Statement of Condition Data at June 30, 2009:** | | | |
| Assets | | | |
| Investments, including MBS [1] | $32,106 | $ 26,843 | $24,445 |
| Advances | 41,854 | 100,458 | 45,799 |
| Mortgage loans held for portfolio | 3,844 | 1,384 | 5,614 |
| Allowance for credit losses on mortgage loans | 1 | 3 | 6 |
| Total assets | 78,087 | 129,129 | 76,402 |
| Consolidated obligations: [2] | | | |
| Discount notes | 41,827 | 47,276 | 15,538 |
| Bonds | 30,583 | 72,184 | 54,091 |
| Total consolidated obligations | 72,410 | 119,460 | 69,629 |
| Mandatorily redeemable capital stock | 91 | 128 | 8 |
| Subordinated notes [3] | | | |
| Total capital stock: [5] | | | |
| Capital stock-Class B putable [4] | 3,615 | 5,370 | 4,007 |
| Capital stock-Class A putable [4] | | | |
| Capital stock-Preconversion putable [4] | | | |
| Total capital stock | 3,615 | 5,370 | 4,007 |
| Retained earnings | 241 | 600 | 434 |
| Accumulated other comprehensive income (loss) (AOCI) | (1,257) | (120) | (937) |
| Total capital [5] | 2,599 | 5,850 | 3,504 |
| Asset composition (as a percentage of the individual FHLBanks' total assets): | | | |
| Investments, including MBS [1] | 41.1% | 20.8% | 32.0% |
| Advances | 53.6% | 77.8% | 59.9% |
| Mortgage loans, net | 4.9% | 1.1% | 7.3% |
| Retained earnings as a percentage of individual FHLBanks' total assets | 0.3% | 0.5% | 0.6% |
| FHLBanks' total assets as a percentage of FHLBank System's total assets | 6.8% | 11.2% | 6.7% |

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

(2) See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Results of Operations—Interbank Transfers of Liabilities on Outstanding Consolidated Bonds and Their Effect on Combined Net Income" and "Explanatory Statement about FHLBanks Combined Financial Report."

(3) On June 13, 2006, the FHLBank of Chicago issued $1.0 billion of subordinated notes that mature on June 13, 2016. The subordinated notes are not obligations of, and are not guaranteed by, the United States government or any of the FHLBanks other than the FHLBank of Chicago.

(4) All FHLBanks, except for the FHLBank of Chicago, implemented its respective capital plan prior to 2006. The corresponding balances for capital stock—pre-conversion putable for years 2006 and beyond relate solely to the FHLBank of Chicago, which has not yet implemented its new capital plan. (See "Note 12—Capital" to the accompanying combined financial statements.)

(5) FHLBank capital stock is redeemable at the request of a member subject to the statutory redemption periods and other conditions and limitations. (See "Note 12—Capital" to the accompanying combined financial statements.)

| Atlanta | Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|---|
| $ 37,399 | $22,062 | $18,734 | $44,179 | $19,179 | $12,814 | $18,393 | $ 51,139 | $25,719 |
| 100,087 | 32,603 | 19,989 | 21,103 | 32,491 | 41,454 | 21,017 | 95,747 | 18,467 |
| 2,314 | 8,790 | 6,749 | 21,591 | 7,537 | 236 | 3,570 | 2,792 | 3,762 |
| 1 | | | 24 | 6 | 1 | 3 | 4 | 2 |
| 140,591 | 66,820 | 45,639 | 87,743 | 59,442 | 57,063 | 43,220 | 158,198 | 48,104 |
| 16,519 | 25,520 | 7,434 | 18,458 | 3,485 | 6,070 | 15,607 | 15,788 | 11,359 |
| 110,949 | 35,088 | 33,616 | 60,586 | 51,075 | 46,956 | 23,217 | 129,524 | 33,933 |
| 127,468 | 60,608 | 41,050 | 79,044 | 54,560 | 53,026 | 38,824 | 145,312 | 45,292 |
| 508 | 396 | 781 | 488 | 7 | 8 | 28 | 4,690 | 953 |
| | | | 1,000 | | | | | |
| 7,856 | 3,121 | 1,731 | | 2,307 | 2,261 | 1,278 | 8,280 | 1,712 |
| | | | | | | 307 | | 133 |
| | | | 2,331 | | | | | |
| 7,856 | 3,121 | 1,731 | 2,331 | 2,307 | 2,261 | 1,585 | 8,280 | 1,845 |
| 985 | 423 | 351 | 825 | 501 | 407 | 315 | 1,350 | 66 |
| (612) | (7) | (264) | (567) | 103 | (63) | (24) | (3,332) | (822) |
| 8,229 | 3,537 | 1,818 | 2,589 | 2,911 | 2,605 | 1,876 | 6,298 | 1,089 |
| 26.6% | 33.0% | 41.0% | 50.4% | 32.3% | 22.5% | 42.6% | 32.3% | 53.5% |
| 71.2% | 48.8% | 43.8% | 24.1% | 54.7% | 72.6% | 48.6% | 60.5% | 38.4% |
| 1.6% | 13.2% | 14.8% | 24.6% | 12.7% | 0.4% | 8.3% | 1.8% | 7.8% |
| 0.7% | 0.6% | 0.8% | 0.9% | 0.8% | 0.7% | 0.7% | 0.9% | 0.1% |
| 15.0% | 7.1% | 4.9% | 9.4% | 6.3% | 6.1% | 4.6% | 16.9% | 5.1% |
| $ 32,016 | $24,883 | $17,219 | $35,199 | $21,576 | $18,162 | $18,311 | $ 58,933 | $16,358 |
| 134,503 | 44,865 | 25,987 | 27,192 | 37,165 | 53,470 | 24,530 | 174,732 | 28,257 |
| 2,834 | 9,690 | 7,885 | 26,973 | 8,120 | 290 | 3,215 | 3,359 | 4,571 |
| 1 | | | 9 | | 1 | 1 | 2 | |
| 170,206 | 79,677 | 51,276 | 89,870 | 67,032 | 72,096 | 46,274 | 238,924 | 49,384 |
| 38,672 | 28,469 | 14,557 | 40,286 | 19,967 | 14,962 | 15,618 | 49,009 | 16,078 |
| 117,756 | 44,182 | 31,960 | 40,999 | 41,599 | 52,492 | 26,815 | 176,200 | 29,983 |
| 156,428 | 72,651 | 46,517 | 81,285 | 61,566 | 67,454 | 42,433 | 225,209 | 46,061 |
| 106 | 111 | 556 | 426 | 12 | 78 | 25 | 3,165 | 922 |
| | | | 1,000 | | | | | |
| 8,119 | 4,000 | 1,908 | | 2,923 | 2,828 | 1,404 | 10,253 | 1,735 |
| | | | | | | 293 | | 136 |
| | | | 2,375 | | | | | |
| 8,119 | 4,000 | 1,908 | 2,375 | 2,923 | 2,828 | 1,697 | 10,253 | 1,871 |
| 804 | 395 | 328 | 837 | 437 | 301 | 306 | 1,172 | 163 |
| (1,065) | (6) | (165) | (1,514) | (22) | (49) | (5) | (2,717) | (1,238) |
| 7,858 | 4,389 | 2,071 | 1,698 | 3,338 | 3,080 | 1,998 | 8,708 | 796 |
| 18.8% | 31.2% | 33.6% | 39.2% | 32.2% | 25.2% | 39.6% | 24.7% | 33.1% |
| 79.0% | 56.3% | 50.7% | 30.2% | 55.4% | 74.2% | 53.0% | 73.1% | 57.2% |
| 1.7% | 12.2% | 15.4% | 30.0% | 12.1% | 0.4% | 6.9% | 1.4% | 9.3% |
| 0.5% | 0.5% | 0.6% | 0.9% | 0.7% | 0.4% | 0.7% | 0.5% | 0.3% |
| 14.8% | 6.9% | 4.5% | 7.8% | 5.8% | 6.3% | 4.0% | 20.8% | 4.3% |

## Individual FHLBank Selected Financial Data and Financial Ratios
## (Dollar amounts in millions) (continued)

| | Boston | New York | Pittsburgh |
|---|---|---|---|
| **Selected Other Data at June 30, 2010:** | | | |
| Advance concentrations(%): top five borrowers | 48% | 56% | 63% |
| Capital stock concentrations(%): top five stockholders | 51% | 52% | 57% |
| Regulatory capital ratio(%) (6) | 6.1% | 5.2% | 7.2% |
| Cash and stock dividends: | | | |
| Q2 2010 | $ | $ 51 | $ |
| Q2 2009 | | 76 | |
| Year-to-date June 30, 2010 | | 122 | |
| Year-to-date June 30, 2009 | | 118 | |
| Weighted average dividend rate: | | | |
| Q2 2010 | 0.00% | 4.25% | 0.00% |
| Q2 2009 | 0.00% | 5.60% | 0.00% |
| Year-to-date June 30, 2010 | 0.00% | 4.25% | 0.00% |
| Year-to-date June 30, 2009 | 0.00% | 5.60% | 0.00% |
| Return on average equity: (7) | | | |
| Q2 2010 | 2.54% | 4.32% | (7.01)% |
| Q2 2009 | (0.63)% | 13.00% | 3.31% |
| Year-to-date June 30, 2010 | 2.90% | 4.16% | (3.07)% |
| Year-to-date June 30, 2009 | (5.77)% | 11.69% | 0.42% |
| Return on average assets: | | | |
| Q2 2010 | 0.12% | 0.21% | (0.45)% |
| Q2 2009 | (0.02)% | 0.58% | 0.16% |
| Year-to-date June 30, 2010 | 0.13% | 0.20% | (0.19)% |
| Year-to-date June 30, 2009 | (0.23)% | 0.51% | 0.02% |
| Net interest margin: (8) | | | |
| Q2 2010 | 0.46% | 0.43% | 0.39% |
| Q2 2009 | 0.45% | 0.62% | 0.38% |
| Year-to-date June 30, 2010 | 0.45% | 0.41% | 0.38% |
| Year-to-date June 30, 2009 | 0.37% | 0.66% | 0.32% |
| Net interest spread (9) | | | |
| Q2 2010 | 0.40% | 0.38% | 0.27% |
| Q2 2009 | 0.38% | 0.55% | 0.26% |
| Year-to-date June 30, 2010 | 0.38% | 0.35% | 0.27% |
| Year-to-date June 30, 2009 | 0.28% | 0.58% | 0.19% |

(6) The regulatory capital ratio is calculated based on the FHLBank's total regulatory capital as a percentage of total assets at period end. Total regulatory capital, under the GLB Act, is the defined as the sum of permanent capital, the amounts paid for Class A capital stock, any general allowance for losses and any other amount from sources available to absorb losses that the Finance Agency has determined by regulation to be appropriate to include in determining total capital. Total regulatory capital for the FHLBank of Chicago, which has not implemented a capital plan under the GLB Act, is defined as the sum of the paid-in value of capital stock and mandatorily redeemable capital stock plus retained earnings. The Finance Agency allows the FHLBank of Chicago to include a Designated Amount of subordinated notes in determining compliance with its regulatory capital ratio. (See "Note 12—Capital" to the accompanying combined financial statements.)

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

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

(9) Net interest spread/income include effect of associated interest-rate exchange agreements that qualify for fair-value hedge accounting.

| Atlanta | Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|---|
| 60% | 51% | 42% | 44% | 41% | 58% | 47% | 69% | 64% |
| 45% | 46% | 44% | 31% | 33% | 46% | 33% | 69% | 61% |
| 6.7% | 5.9% | 6.3% | 5.3% | 4.7% | 4.7% | 4.5% | 9.1% | 6.0% |
| $ 6 | $ 34 | $ 9 | $ | $ 13 | $ 2 | $ 10 | $ 5 | $ |
| | 45 | 11 | | 7 | 2 | 10 | | |
| 11 | 73 | 17 | | 27 | 4 | 20 | 11 | |
| | 89 | 30 | | 15 | 6 | 20 | | |
| 0.26% | 4.50% | 2.00% | 0.00% | 2.00% | 0.38% | 2.87% | 0.44% | 0.00% |
| 0.00% | 4.50% | 2.23% | 0.00% | 1.00% | 0.18% | 2.33% | 0.84% | 0.00% |
| 0.27% | 4.50% | 2.00% | 0.00% | 2.00% | 0.38% | 2.87% | 0.35% | 0.00% |
| 0.00% | 4.50% | 3.06% | 0.00% | 1.00% | 0.34% | 2.32% | 0.42% | 0.00% |
| 3.64% | 4.66% | (2.90)% | 17.82% | 1.84% | 6.11% | 2.10% | 1.87% | 2.93% |
| 10.34% | 6.78% | 10.42% | 24.82% | 9.40% | 3.34% | 19.63% | 12.49% | (13.58)% |
| 3.00% | 4.82% | 2.19% | 9.31% | 3.04% | 4.16% | (2.04)% | 3.90% | 2.65% |
| 4.97% | 7.28% | 7.26% | 6.26% | 4.44% | 5.83% | 14.98% | 8.68% | (7.24)% |
| 0.20% | 0.24% | (0.11)% | 0.52% | 0.08% | 0.28% | 0.09% | 0.07% | 0.06% |
| 0.41% | 0.35% | 0.39% | 0.46% | 0.42% | 0.14% | 0.85% | 0.47% | (0.26)% |
| 0.17% | 0.24% | 0.08% | 0.26% | 0.14% | 0.19% | (0.09)% | 0.14% | 0.06% |
| 0.19% | 0.35% | 0.27% | 0.14% | 0.19% | 0.25% | 0.63% | 0.31% | (0.18)% |
| 0.38% | 0.38% | 0.47% | 0.88% | 0.46% | 0.48% | 0.66% | 0.87% | 0.39% |
| 0.23% | 0.51% | 0.60% | 0.70% | 0.35% | 0.08% | 0.60% | 0.76% | 0.37% |
| 0.39% | 0.38% | 0.50% | 0.77% | 0.39% | 0.45% | 0.62% | 0.82% | 0.36% |
| 0.14% | 0.50% | 0.51% | 0.67% | 0.20% | (0.03)% | 0.52% | 0.67% | 0.44% |
| 0.32% | 0.27% | 0.38% | 0.81% | 0.37% | 0.47% | 0.61% | 0.84% | 0.34% |
| 0.13% | 0.40% | 0.48% | 0.58% | 0.24% | 0.01% | 0.53% | 0.72% | 0.30% |
| 0.34% | 0.28% | 0.41% | 0.71% | 0.30% | 0.43% | 0.56% | 0.79% | 0.31% |
| 0.03% | 0.39% | 0.39% | 0.55% | 0.07% | (0.10)% | 0.45% | 0.63% | 0.37% |