#### FEDERAL HOME LOAN BANKS

## Combined Financial Report For the Quarterly Period Ended September 30, 2011

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

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

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

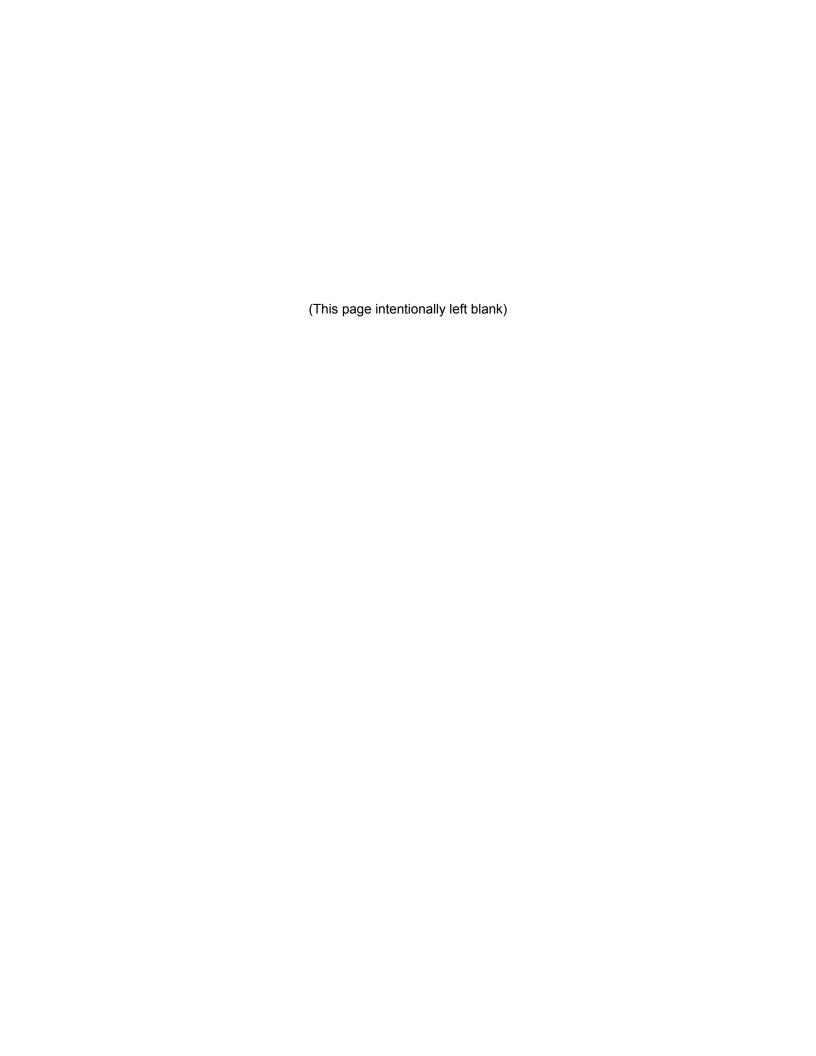
The Securities Act of 1933 does not require the registration of consolidated obligations; therefore, no registration statement has been filed with the U.S. Securities and Exchange Commission. Neither the U.S. Securities and Exchange Commission, the Federal Housing Finance Agency nor any state securities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

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

The financial information contained in this Combined Financial Report is for the quarterly period ended September 30, 2011. This Combined Financial Report should be read in conjunction with the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010, issued on March 30, 2011. Combined financial reports are available on the Federal Home Loan Banks Office of Finance web site at <a href="https://www.fhlb-of.com">www.fhlb-of.com</a>. This web site address is provided as a matter of convenience only, and its contents are not made part of this report and are not intended to be incorporated by reference into this report.

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

This Combined Financial Report was issued on November 14, 2011.



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

### EXPLANATORY STATEMENT ABOUT FEDERAL HOME LOAN BANKS COMBINED FINANCIAL REPORT

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

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

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

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

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

Each FHLBank is subject to reporting requirements of the Securities Exchange Act of 1934 as amended, and must file periodic reports and other information with the SEC. Each FHLBank prepares financial reports containing financial information annually with the SEC on Form 10-K and quarterly on Form 10-Q. Those reports contain additional information that is not contained in the combined financial report. FHLBank financial reports are made available on the web site of each FHLBank and on the SEC's web site at <a href="www.sec.gov">www.sec.gov</a>. This web site address is provided as a matter of convenience only, and its contents are not made part of this report and are not intended to be incorporated by reference into this report.

An investor should review available information on individual FHLBanks to obtain additional detail on each FHLBank's business, risk profile, and accounting and financial reporting policies.

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## FEDERAL HOME LOAN BANKS COMBINED STATEMENT OF CONDITION (Unaudited)

(dollars in millions)	Se	otember 30, 2011	De	cember 31, 2010
Assets				
Cash and due from banks	\$	14,251	\$	3,801
Interest-bearing deposits		1,307		9
Securities purchased under agreements to resell		12,350		16,400
Federal funds sold		55,941		75,855
Investment securities				
Trading securities		23,887		28,291
Available-for-sale securities		75,356		71,459
Held-to-maturity securities, fair value of \$123,201 and \$140,266		121,405		138,456
Total investment securities		220,648		238,206
Advances, includes \$9,177 and \$10,494 at fair value under fair value option		415,379		478,589
Mortgage loans held for portfolio, net		== 000		04.077
Mortgage loans held for portfolio		55,290		61,277
Allowance for credit losses on mortgage loans		(118)		(86)
Total mortgage loans held for portfolio, net		55,172		61,191
Accrued interest receivable		1,612		1,921
Premises, software and equipment, net		218		229
Derivative assets, net		654		897
Other assets		720		1,011
Total assets	\$	778,252	\$	878,109
Liabilities				
Deposits				
Interest-bearing	\$	15,893	\$	13,980
Non-interest-bearing		371		421
Total deposits		16,264		14,401
Securities sold under agreements to repurchase		1,200		1,200
Consolidated obligations				
Discount notes, includes \$13,115 and \$5,820 at fair value under fair value option		172,269		194,431
Bonds, includes \$43,849 and \$47,395 at fair value under fair value option		530,260		606,567
Total consolidated obligations		702,529		800,998
Mandatorily redeemable capital stock		8,934		7,066
Accrued interest payable		2,416		2,471
Affordable Housing Program payable		725		773
Payable to REFCORP		_		159
Derivative liabilities, net		2,942		5,467
Other liabilities, includes \$4 and \$11 at fair value under fair value option		1,938		833
Subordinated notes		1,000		1,000
Total liabilities		737,948		834,368
Commitments and contingencies (Note 15)				
Capital				
Capital stock				
Class B putable (\$100 par value) issued and outstanding		32,881		38,683
Class A putable (\$100 par value) issued and outstanding		713		719
Pre-conversion putable (\$100 par value) issued and outstanding		2,390		2,333
Total capital stock		35,984		41,735
Retained earnings				
Unrestricted		6,410		5,943
Restricted		1,783		1,609
Total retained earnings		8,193		7,552
Accumulated other comprehensive income (loss)				
Net unrealized gains (losses) on available-for-sale securities		1,344		837
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities		(5)		(8)
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities		(2,736)		(1,306)
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities		(1,233)		(4,441)
Net unrealized gains (losses) relating to hedging activities		(1,197)		(579
Pension and postretirement benefits		(46)		(49
Total accumulated other comprehensive income (loss)		(3,873)		(5,546
Total capital		40,304		43,741
Total liabilities and capital	\$	778,252	\$	878,109
Total Indontation until dupitur	Ψ	110,202	Ψ	370,10

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

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

	Three Mor Septen	iths Ended iber 30,	Nine Months Ended September 30,			
(dollars in millions)	2011	2010	2011	2010		
Interest income						
Advances	\$ 764	\$ 1,223	\$ 2,495	\$ 3,617		
Prepayment fees on advances, net	66	219	169	377		
Interest-bearing deposits	1	4	5	10		
Securities purchased under agreements to resell	1	15	12	27		
Federal funds sold	21	37	84	109		
Trading securities	102	88	303	253		
Available-for-sale securities	370	341	1,066	939		
Held-to-maturity securities	780	1,039	2,525	3,389		
Mortgage loans	646	785	2,031	2,444		
Other		2	2	4		
Total interest income	2,751	3,753	8,692	11,169		
Interest expense						
Consolidated obligations — Discount notes	126	174	420	495		
Consolidated obligations — Bonds	1,592	2,132	5,105	6,598		
Deposits	3	6	6	12		
Securities sold under agreements to repurchase	4	4	13	13		
Subordinated notes	15	15	43	43		
Mandatorily redeemable capital stock	11	14	37	39		
Other borrowings	_	1	_	1		
Total interest expense	1,751	2,346	5,624	7,201		
Net interest income	1,000	1,407	3,068	3,968		
Provision (reversal) for credit losses	12	14	43	33		
Net interest income after provision (reversal) for credit losses	988	1,393	3,025	3,935		
Other non-interest income (loss)						
Total other-than-temporary impairment losses	(177)	(159)	(468)	(1,031		
Net amount of impairment losses reclassified to/(from) accumulated other comprehensive loss	18	(19)	(307)	125		
Net other-than-temporary impairment losses	(159)	(178)	(775)	(906		
Net gains (losses) on trading securities	82	79	46	265		
Net realized gains (losses) from sale of available-for-sale securities	6	9	24	9		
Net realized gains (losses) from sale of held-to-maturity securities	9	2	19	8		
Net gains (losses) on financial instruments held under fair value option	70	67	34	(75		
Net gains (losses) on derivatives and hedging activities	(319)	(128)	(346)	(706		
Service fees	13	8	27	23		
Other, net	66	(68)	45	(55		
Total other non-interest income (loss)	(232)	(209)	(926)	(1,437		
Other expense						
Compensation and benefits	126	128	408	369		
Other operating expenses	77	78	225	233		
Finance Agency	15	15	56	39		
Office of Finance	11	6	32	25		
Provision (reversal) of derivative counterparty credit losses	(2)	(2)	(2)	(55		
Other	10	3	19	13		
Total other expense	237	228	738	624		
Income (loss) before assessments	519	956	1,361	1,874		
Assessments			.,	.,211		
Affordable Housing Program	50	70	123	153		
REFCORP	_	154	160	338		
Total assessments	50	224	283	491		
Net income (loss)	\$ 469	\$ 732	\$ 1,078	\$ 1,383		

# FEDERAL HOME LOAN BANKS COMBINED STATEMENT OF CAPITAL NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010 (Unaudited)

Capital Stock<sup>(1)</sup>

	Capital Stock <sup>17</sup>										
	Clas	is B	Clas	ss A							
(dollars and shares in millions)	Shares	Par Value	Shares	Par Value							
Balance, December 31, 2009	422	\$ 42,227	4	\$ 427							
Adjustment for cumulative effect of accounting change - fair value option guidance for scope exception related to embedded credit derivatives	_	_	_	_							
Proceeds from sale of capital stock	27	2,683	_	4							
Repurchase/redemption of capital stock	(44)	(4,442)	_	_							
Net shares reclassified to mandatorily redeemable capital stock	4	219	(1)	(87)							
Comprehensive income (loss)											
Net income (loss)	_	_	_	_							
Other comprehensive income (loss) adjustments											
Net unrealized gains/losses on available-for-sale securities											
Unrealized gains (losses)	_	_	_	_							
Reclassification of losses (gains) included in net income (loss)	_	_	_	_							
Net unrealized gains/losses on held-to-maturity securities transferred from available- for-sale securities											
Reclassification of losses (gains) included in net income (loss)	_	_	_	_							
Net non-credit portion of other-than-temporary impairment losses on available-for- sale securities											
Non-credit portion and net change in fair value, including losses transferred from held-to-maturity securities	_	_	_	_							
Reclassification of losses (gains) included in net income (loss)	_	_	_	_							
Reclassification of non-credit portion included in net income (loss)	_	_	_	_							
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities											
Non-credit portion	_	_	_	_							
Reclassification of non-credit portion included in net income (loss)	_	_	_	_							
Accretion of non-credit portion	_	_	_	_							
Reclassification of non-credit portion from held-to-maturity securities to available- for-sale securities	_	_	_	_							
Net unrealized gains/losses relating to hedging activities											
Unrealized gains (losses)	_	_	_	_							
Reclassification of losses (gains) included in net income (loss)	_	_	_	_							
Pension and postretirement benefits	_	_	_	_							
Total other comprehensive income (loss) adjustments											
Total comprehensive income (loss)											
Transfer between Class B and Class A shares	(4)	(364)	4	364							
Dividends on capital stock											
Cash	_	_	_	_							
Stock		36									
Balance, September 30, 2010	405	\$ 40,359	7	\$ 708							

<sup>(1)</sup> Putable

		Ca	pital	Stock <sup>(1)</sup>							Accumulated .			
Pre-	conv	version			otal				Retained Earnings		Accumulated Other Comprehensive		Total	
Shares	_	Par Value		Shares	_	Par Value	Unrestricted	_	Restricted		Total	Income (Loss)		Capital
2	23	\$ 2,3	328	449	\$	44,982	\$ 4,7	94	\$ 1,239	,	\$ 6,033	\$ (8,206)	\$	42,809
-	_		_	_		_		25	_		25	_		25
-	_		35	27		2,722		_	_		_	_		2,722
-	_		_	(44)		(4,442)		_	_		_	_		(4,442)
-	_	(	(45)	3		87		_	_		_	_		87
-	_		_	_		_	1,1	44	239	ı	1,383	_		1,383
-	_		_	_		_		_	_		_	954		954
-	_		_	_		_		_	_		_	(1)		(1)
-	_		_	_		_		_	_		_	12		12
			_	_		_		_	_		_	508		508
			_	_		_		_	_		_	(8)		(8)
-	_		_	_		_		_	_		_	310		310
-	_		_	_		_		_	_		_	(962)		(962
-	_		_	_		_		_	_		_	526		526
-	_		_	_		_		_	_	•	_	1,102		1,102
-	_		_	_		_		_	_		_	409		409
-	_		_	_		_		_	_		_	(697)		(697)
-	_		_	_		_		_	_		_	(3)		(3)
			_	_		_		_	_		_	(1)		(1)
													_	2,149 3,532
	_		_	_		_		_	_		_	_		3,33 <u>2</u>
-	_		_	_		_	(3	85)	_		(385)	_		(385
-	_		_		_	36		36)			(36)		_	
2	23	\$ 2,3	318	435	\$	43,385	\$ 5,5	42	\$ 1,478	_ :	\$ 7,020	\$ (6,057)	\$	44,348

# FEDERAL HOME LOAN BANKS COMBINED STATEMENT OF CAPITAL (continued) NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010 (Unaudited)

Capital Stock<sup>(1)</sup>

	Capital Stock <sup>1)</sup>										
	Class	s B	Class A								
(dollars and shares in millions)	Shares	Par Value	Shares	Par Value							
Balance, December 31, 2010	387	\$ 38,683	7	\$ 719							
Proceeds from sale of capital stock	30	3,070	_	6							
Repurchase/redemption of capital stock	(56)	(5,668)	_	_							
Net shares reclassified to mandatorily redeemable capital stock	(31)	(3,097)	(1)	(144)							
Comprehensive income (loss)											
Net income (loss)	_	_	_	_							
Other comprehensive income (loss) adjustments											
Net unrealized gains/losses on available-for-sale securities											
Unrealized gains (losses)	_	_	_	_							
Reclassification of losses (gains) included in net income (loss)	_	_	_	_							
Net unrealized gains/losses on held-to-maturity securities transferred from available- for-sale securities											
Reclassification of losses (gains) included in net income (loss)	_	_	_	_							
Net non-credit portion of other-than-temporary impairment losses on available-for- sale securities											
Non-credit portion and net change in fair value, including losses transferred from held-to-maturity securities	_	_	_	_							
Reclassification of losses (gains) included in net income (loss)	_	_	_	_							
Reclassification of non-credit portion included in net income (loss)	_	_	_	_							
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities											
Non-credit portion	_	_	_	_							
Reclassification of non-credit portion included in net income (loss)	_	_	_	_							
Accretion of non-credit portion	_	_	_	_							
Reclassification of non-credit portion from held-to-maturity securities to available- for-sale securities	_	_	_	_							
Net unrealized gains/losses relating to hedging activities											
Unrealized gains (losses)	_	_	_	_							
Reclassification of losses (gains) included in net income (loss)	_	_	_	_							
Pension and postretirement benefits	_	_	_	_							
Total other comprehensive income (loss) adjustments											
Total comprehensive income (loss)											
Transfer between Class B and Class A shares	(1)	(132)	1	132							
Dividends on capital stock											
Cash	_	_	_	_							
Stock		25	_								
Balance, September 30, 2011	329	\$ 32,881	7	\$ 713							

<sup>(1)</sup> Putable

		Capital	Stock <sup>(1)</sup>									Accumulated		
Pre-co	onve	ersion	То	tal				Re	etained Earnings			Accumulated Other Comprehensive Income (Loss)		Total
Shares		Par Value	Shares	_	Par Value		Inrestricted		Restricted		Total			Total Capital
	;		417	9		\$	5,943	\$	1,609	\$	7,552	\$ (5,546)	\$	43,741
1		61	31		3,137		_		_		_	_		3,137
_	•	_	(56)		(5,668)		_		_		_	_		(5,668)
_	•	(4)	(32)		(3,245)		_		_		_	_		(3,245)
_	•	_	_		_		904		174		1,078	_		1,078
_	•	_	_		_		_		_		_	520		520
_	•	_	_		_		_		_		_	(13)		(13)
		_	<u> </u>		_		_		_		_	3		3
		_	_		_		_		_		_	(1,733)		(1,733)
_		<u>_</u>	<u>_</u>		_		_		_		_	(1,700)		(1,700)
		_	_		_		_		_		_	314		314
												<b></b>		0
_	•	_	_		_		_		_		_	(279)		(279)
_	•	_	_		_		_		_		_	275		275
_	•	_	_		_		_		_		_	524		524
												2,688		2,688
_	•	_	_		_		_		_		_	2,000		2,000
			_		_		_		_			(574)		(574)
		_										(44)		(44)
		_	_		_		_					3		3
		_	_		_		_		_		_	3	_	1,673
														2,751
_		_	_		_		_		_		_	_		2,751
_		_	_		_		_		_		<del>-</del>	_		_
		_			_		(412)		_		(412)			(412)
_					25		(25)				(25)			(412) —
24		\$ 2,390	360	-9		\$	6,410	\$	1,783	\$	8,193	\$ (3,873)	\$	40,304
	= =	2,090	300	=	, JJ,JO4	Ψ_	0,710	φ =	1,700	Ψ_	0,193	ψ (3,073)	Ψ	70,004

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

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

Departing activities		Nine Mon Septen	nths Ended mber 30,
Net income (loss)   \$ 1,076   \$ 1,326   Adjustments to reconcile net income (loss) to net cash provided by operating activities   C22	(dollars in millions)	2011	2010
Adjustments to reconcile net income (loss) to net cash provided by operating activities  Depreciation and amortization  Case (192)  Change in net devirative and hedging activities  Net other-than-temporary impairment losses  Other adjustments  Change in fair devite adjustments on trading securities  Net change in fair value adjustments on trading securities  Net change in fair value adjustments on trading securities  Net change in fair value adjustments on financial instruments held under fair value option  Net change in fair value adjustments on financial instruments held under fair value option  Net change in fair value adjustments on financial instruments held under fair value option  Net change in fair value adjustments on financial instruments held under fair value option  Net change in fair value adjustments on financial instruments held under fair value option  Trading securities  Accorded interest receivable  Accorded interest receivable  Accorded interest receivable  Accorded interest payable  (62)  (62)  (62)  (62)  (62)  (62)  (62)  (63)  (63)  (64)  (63)  (64)  (63)  (64)  (64)  (65)  (64)  (65)  (65)  (67)  (65)  (67)  (65)  (67)  (65)  (67)  (65)  (67)  (6	· · · · · ·		
Depreciation and amortization         (22)         (6           Change in net derivative and hedging activities         492         1.76           Net other-than-tipmorary impairment losses         775         50           Other adjustments         (58)         6.6           Net change in fair value adjustments on trading securities         4(6)         7.7           Net change in fair value adjustments on financial instruments held under fair value option         340         7.7           Net change in fair value adjustments on financial instruments held under fair value option         340         7.7           Net change in fair value adjustments on trading securities         4152         4.4           Accrued interest receivable         288         4.4           Other assets         37         (6           Accrued interest receivable         288         4.4           Other assets         37         (6           Accrued interest receivable         288         4.4           Other assets         37         (6           Accrued interest receivable         38         4.6           Other assets         37         (6           Accrued interest receivable         37         (2,6           Other assets         37         (6         (2		\$ 1,078	\$ 1,383
Change in net derivative and hedging activities         492         1,75           Net other-than-temporary impairment losses         775         90           Net change in fair value adjustments on trading securities         (68)         6           Net change in fair value adjustments on financial instruments held under fair value option         33         7           Net change in fair value adjustments on financial instruments held under fair value option         80         2           Net change in fair value adjustments on financial instruments held under fair value option         31         2         4           Accrued interest receivable         226         4			
Net other-than-temporary impairment losses         775         00           Other adjustments         (86)         (86)         (26)           Net change in fair value adjustments on financial instruments held under fair value option         (34)         77           Net change in fair value adjustments on financial instruments held under fair value option         826         44           Net change in fair value adjustments on financial instruments held under fair value option         152         14           Accured inferest receivable         286         44           Accured inferest spable         (62)         (66)           Other assets         37         46           Accured inferest spable         (62)         (66)           Other assets and provided by (used in) operating activities         1,370         2,42           Net cash provided by (used in) operating activities         8,360         (72)           Net cash provided by (used in) operating activities         (5,207)         (2,97)           Securities purchased under agreements to resell         9,000         (72)           Interest-bearing deposits         (5,207)         (2,97)           Securities purchased under agreements to resell         7,672         6           Prederal funds sold         3,65         3,62 <td< td=""><td>Depreciation and amortization</td><td></td><td></td></td<>	Depreciation and amortization		
Other adjustments         (58)         6.66           Net change in fair value adjustments on trading securities         (46)         (26)           Net change in fair value adjustments on financial instruments held under fair value option         (34)         (27)           Net change in         152         (44)         (45)         (45)         (46)         (	Change in net derivative and hedging activities	492	1,786
Net change in fair value adjustments on trading securities         (46)         (26)           Net change in fair value adjustments on financial instruments held under fair value option         (34)         7           Net change in fair value adjustments on financial instruments held under fair value option         (34)         7           Net change in fair value adjustments on financial instruments held under fair value option         36         1           Trading securities         152         14           Accrued interest receivable         28         37         (6           Other assets         37         (6         66           Other assets         3,130         2,43         3,82           Total adjustments         4,150         1,27         1,24           Net decase provided by (used in) operating activities         4,50         1,27           Interest-bearing deposits         5,20         1,22           Recurrities purchased under agreements to reseal         4,50         1,22           Recursting	Net other-than-temporary impairment losses	775	906
Net change in fiar value adjustments on financial instruments held under fair value option         (34)         7           Net change in         152         14           Trading securities         152         24           Accrued interest receivable         286         44           Other assets         37         (6           Accrued interest payable         (62)         (66           Other liabilities (1)         (150)         3           Total adjustments         1,370         2,48           Net cash provided by (used in) operating activities         4,48         3,88           Investing activities         4,40         3,88           Net derange in Interest-bearing deposits         (5,207)         (2,97           Securities purchased under agreements to resell         4,050         (17,27           Federal funds sold         19,914         (20,56           Federal funds sold in short-term         7,672         66           Trading securities         7,672         66           Trading securities         1,772         66           Proceeds from long-term         6,528         1,73           Available-for-sale securities         4,24         3,48         5,06           Purchases of long-term	Other adjustments	(58)	
Net change in         152         14           Trading securities         286         44           Accrued interest receivable         286         44           Other assets         37         (6           Accrued interest payable         (50)         3           Other liabilities (1)         (150)         3           Total adjustments         1,370         2.44           Net cash provided by (used in) operating activities         2448         3.88           Interest-bearing deposits         (5,207)         (2,97           Securities purchased under agreements to reseil         (5,207)         (2,97           Securities purchased under agreements to reseil         19,914         (20,56)           Proceads from long-term (5)         (5,207)         (2,97           Securities purchased under agreements to reseil         19,914         (20,56)           Premises, software and equipment         (39)         (3           Trading securities         7,672         6           Net decrease (increase) in short-term         7,672         6           Proceeds from long-term         2,170         3,41           Proceeds from long-term         2,170         3,41           Proceeds from long-term         2,175	Net change in fair value adjustments on trading securities	(46)	
Trading securities         152         14           Accrued interest receivable         286         44           Other assets         37         (6           Accrued interest payable         (65)         (65)           Other (Isabilities(f))         (150)         2.4           Total adjustments         1,370         2.44           Net cash provided by (used in) operating activities         2,448         3.60           Interest-bearing activities         (5,207)         (2,97)           Securities purchased under agreements to resell         4,050         (17,22           Securities purchased under agreements to resell         4,050         (17,22           Federal funds soid         19,914         (2,05           Premises, software and equipment         (39)         (3           Tedding securities         7672         66           Proceeds from long-term         (6,528)         (1,73           Validable-for-sale securities         2,17         3,44           Validable-for-sale securities         2,17         3,44           Proceeds from long-term         9,688         5,00           Purchases of long-term         8,345         1,03           Net decrease (increase) in short-term         8,345	Net change in fair value adjustments on financial instruments held under fair value option	(34)	75
Accrued interest receivable         286         44           Other assets         37         (6           Accrued interest payable         (62)         (65           Other liabilities(f)         (150)         3           Total adjustments         1,370         2,44           Net cash provided by (used in) operating activities         3,80           Interest-bearing deposits         (5,207)         (2,97           Recurrities purchased under agreements to resell         4,950         (7,22           Federal funds sold         19,914         (20,56           Premises, software and equipment         (39)         (3           Trading securities         7,672         6           Net decrease (increase) in short-term         (6,528)         (1,73           Proceads from long-term         (6,528)         (1,73           Available-for-sale securities         1,00         3,44           Proceads from long-term         4,960         (22,68           Held-to-maturity securities         3,40         1,00           Held-to-maturity securities         3,20         1,00           Proceeds from long-term         2,276         3,20           Proceeds from long-term         2,276         3,20	Net change in		
Other assets         37         66           Accord Interest payable         (62)         (66           Other liabilities(1)         (150)         3           Total adjustments         1,370         2,44           Net cash provided by (used in) operating activities         3,80           Interest-bearing activities         5,241         3,80           Interest-bearing deposits         (5,207)         (2,97           Securities purchased under agreements to resell         4,950         (17,22           Federal funds sold         4,950         (17,22           Federal funds sold in short-term         (39)         (3           Trading securities         7,672         66           Proceeds (increase) in short-term         3,165         3,33           Purchases of long-term         (6,52)         1,73           Available-for-sale securities         2,170         3,41           Proceeds from long-term         9,688         5,06           Purchases of long-term         4,996         22,68           Held-for-maturity securities         8,345         1,03           Proceeds from long-term         2,170         3,41           Proceeds from long-term         2,276         3,20           M	Trading securities	152	149
Accrued interest payable         (62)         (65)           Other liabilities(1)         (150)         2.4           Total adjustments         1,370         2,42           Net cash provided by (used in) operating activities         2,448         3,80           Investing activities         5,207         2,293           Vet change in         (5,207)         2,297           Securities purchased under agreements to resell         4,050         (17,27)           Federal funds sold         19,914         (20,56)           Fermises, software and equipment         30         3           Trading securities         7,672         65           Proceeds from long-term         3,165         3,36           Proceeds from long-term         6,652         1,75           Available-for-sale securities         2,170         3,44           Proceads from long-term         2,170         3,44           Proceads from long-term         8,35         1,03           Proceads from long-term         8,35         1,03           Proceads from long-term         8,35         1,03           Net decrease (increase) in short-term         8,35         1,03           Proceeds from long-term         2,2,76         3,20	Accrued interest receivable	286	443
Other liabilities(1)         (150)         3           Total adjustments         1,370         2,42           Net cash provided by (used in) operating activities         2,48         3,80           Investing activities         3         6           Net change in         5,207         (2,97           Interest-bearing deposits         (5,207)         (2,97           Securities purchased under agreements to resell         4,00         (17,27           Federal funds sold         19,914         (20,56           Premises, software and equipment         (39)         (3           Trading securities         7,672         6           Proceeds from long-term         3,165         3,36           Proceeds from long-term         6,529         1,73           Validable-for-sale securities         2,170         3,44           Proceeds from long-term         9,688         5,06           Purchases of long-term         4,969         22,68           Purchases of long-term         8,345         1,00           Proceeds from long-term         2,276         3,24           Advances         2,276         3,24           Advances         1,160,39         1,19,36         1,19,36	Other assets	37	(57
Total adjustments         1,370         2,424           Net cash provided by (used in) operating activities         2,448         3,80           Investing activities         3,80         3,80           Net change in         5,2071         (2,97           Securities purchased under agreements to resell         4,050         (17,27           Federal funds sold         19,914         (20,50           Fremises, software and equipment         39         (3           Trading securities         3,165         3,36           Proceeds from long-term         1,672         65           Proceeds from long-term         6,528         1,73           Available-for-sale securities         2,170         3,41           Proceeds from long-term         9,688         5,06           Purchases of long-term         9,688         5,06           Purchases of long-term         8,345         1,03           Proceeds from long-term         8,345         1,03           Proceeds from long-term         8,345         1,03           Proceeds from long-term         2,766         32,0           Proceeds from long-term         3,310         1,916         32,0           Mortgage loans held for portfolio         1,05,34 <t< td=""><td>Accrued interest payable</td><td>(62)</td><td>(650</td></t<>	Accrued interest payable	(62)	(650
Net cash provided by (used in) operating activities         2,448         3,800           Investing activities         Control of the part of the	Other liabilities(1)	(150)	37
Net change in	Total adjustments	1,370	2,424
Net change in         Common to the selection of the select	Net cash provided by (used in) operating activities	2,448	3,807
Interest-bearing deposits         (5,207)         (2,97)           Securities purchased under agreements to resell         4,050         (17,27)           Federal funds sold         (39)         (3           Trading securities         (39)         (3           Trading securities         7,672         66           Proceeds from long-term         3,165         3,36           Purchases of long-term         (6,528)         1,73           Available-for-sale securities         2,170         3,41           Proceeds from long-term         9,688         5,06           Available-for-sale securities         1,03         1,03           Proceeds from long-term         4,996         22,68           Held-to-maturity securities         8,345         1,03           Net decrease (increase) in short-term         8,345         1,03           Proceeds from long-term         22,766         32,04           Purchases of long-term         (21,512)         (22,11           Avaries         1,60,393         1,191,60           Proceeds from long-term         (21,512)         (22,11           Avaries         1,60,393         1,191,60           Avaries         1,60,393         1,191,60           Pro	Investing activities		
Securities purchased under agreements to resell         4,050         (17,27)           Federal funds sold         19,914         (20,56)           Premises, software and equipment         (39)         (3           Trading securities         Trading securities           Net decrease (increase) in short-term         7,672         66           Proceeds from long-term         (6,528)         (1,73           Purchases of long-term         (6,528)         (1,73           Available-for-sale securities         2,170         3,41           Proceeds from long-term         9,688         5,06           Purchases of long-term         9,688         5,06           Purchases of long-term         8,345         1,03           Proceeds from long-term         22,766         32,04           Proceeds from long-term         22,766         32,04           Proceeds         1,160,333         1,191,62           Advances         1,160,333         1,191,62           Proceeds         1,160,333         1,191,62           Made         (1,095,218)         (1,055,34           Mortgage loans held for portfolio         9,310         10,54           Proceeds         9,401         1,53           Mortgage loans hel	Net change in		
Federal funds sold         19,914         (20,506)           Premises, software and equipment         (39)         (33)           Trading securities         7,672         60           Net decrease (increase) in short-term         3,165         3,365           Proceeds from long-term         (6,528)         1,772           Available-for-sale securities         4,700         3,41           Proceeds from long-term         9,688         5,00           Purchases of long-term         4,996         22,85           Held-to-maturity securities         4,996         22,85           Net decrease (increase) in short-term         8,345         1,03           Proceeds from long-term         2,766         32,04           Proceeds from long-term         2,766         32,04           Proceeds         1,160,393         1,191,62           Advances         1,160,393         1,191,62           Proceeds         1,160,393         1,054,35           Mortgage loans held for portfolio         9,310         10,54           Proceeds         9,310         10,54           Proceeds         1,435         1,435           Proceeds from sales of foreclosed assets         1,02         1,435         1,435	Interest-bearing deposits	(5,207)	(2,975
Premises, software and equipment         (39)         (37)           Trading securities         7,672         66           Net decrease (increase) in short-term         3,165         3,36           Proceeds from long-term         (6,528)         (1,73           Available-for-sale securities         2,170         3,41           Net decrease (increase) in short-term         9,688         5,06           Purchases of long-term         (4,996)         (22,68           Held-to-maturity securities         3,345         1,03           Proceeds from long-term         8,345         1,03           Proceeds from long-term         2,766         32,04           Purchases of long-term         2,766         32,04           Avances         2,110,03         1,191,62           Avances         1,160,393         1,191,62           Mortgage loans held for portfolio         9,310         10,54           Proceeds         9,310         10,54           Purchases         4,691         3,53           Mortgage loans held for sale         9,310         10,54           Proceeds         1,435         -           Proceeds from sales of foreclosed assets         1,435         -           Proceeds from	Securities purchased under agreements to resell	4,050	(17,275
Trading securities         7,672         65           Proceeds from long-term         3,165         3,36           Purchases of long-term         (6,528)         (1,73           Available-for-sale securities	Federal funds sold	19,914	(20,565
Net decrease (increase) in short-term         7,672         66           Proceeds from long-term         3,165         3,36           Purchases of long-term         (6,528)         (1,73           Available-for-sale securities         ************************************	Premises, software and equipment	(39)	(39
Proceeds from long-term         3,165         3,365           Purchases of long-term         (6,528)         (1,73           Available-for-sale securities         2,170         3,41           Net decrease (increase) in short-term         9,688         5,06           Purchases of long-term         (4,996)         (22,68           Held-to-maturity securities         8,345         1,03           Proceeds from long-term         22,766         32,04           Proceeds from long-term         22,766         32,04           Purchases of long-term         (21,512)         (22,11           Advances         1,160,393         1,191,62           Proceeds         1,160,393         1,191,62           Mortgage loans held for portfolio         9,310         10,55,34           Principal collected         9,310         10,55,34           Mortgage loans held for sale         9,310         10,55           Proceeds         1,435            Proceeds from sales of foreclosed assets         1,435            Proceeds from sales of foreclosed assets         1,435	Trading securities		
Purchases of long-term         (6,528)         (1,73)           Available-for-sale securities         2,170         3,41           Net decrease (increase) in short-term         9,688         5,06           Purchases of long-term         (4,996)         (22,69           Held-to-maturity securities         8,345         1,03           Proceeds from long-term         22,766         32,04           Purchases of long-term         (21,512)         (22,11           Advances         1,160,393         1,191,62           Proceeds         1,160,393         1,191,62           Mortgage loans held for portfolio         (1,095,218)         (1,055,34           Mortgage loans held for portfolio         9,310         10,54           Purchases         (4,691)         (3,53)           Mortgage loans held for sale         1,435         1-           Proceeds         1,435         1-           Proceeds from sales of foreclosed assets         108         10           Principal collected on other loans         10         10	Net decrease (increase) in short-term	7,672	692
Available-for-sale securities       2,170       3,41         Proceeds from long-term       9,688       5,06         Purchases of long-term       (4,996)       (22,68         Held-to-maturity securities       8,345       1,03         Net decrease (increase) in short-term       22,766       32,04         Purchases of long-term       (21,512)       (22,11         Advances         Proceeds       1,160,393       1,191,62         Made       (1,095,218)       (1,055,34         Mortgage loans held for portfolio       9,310       10,54         Principal collected       9,310       10,54         Purchases       (4,691)       (3,53         Mortgage loans held for sale       1,435          Proceeds       1,435          Proceeds from sales of foreclosed assets       108       10         Principal collected on other loans       10	Proceeds from long-term	3,165	3,362
Net decrease (increase) in short-term         2,170         3,41           Proceeds from long-term         9,688         5,06           Purchases of long-term         (4,996)         (22,68           Held-to-maturity securities         8,345         1,03           Net decrease (increase) in short-term         22,766         32,04           Purchases of long-term         (21,512)         (22,11           Advances         7         1,160,393         1,191,62           Made         (1,095,218)         (1,055,34           Mortgage loans held for portfolio         9,310         10,54           Purchases         (4,691)         (3,53           Mortgage loans held for sale         1,435            Proceeds from sales of foreclosed assets         10,8         1,0           Proceeds from sales of foreclosed assets         10,8         1,0	Purchases of long-term	(6,528)	(1,737
Proceeds from long-term         9,688         5,06           Purchases of long-term         (4,996)         (22,68           Held-to-maturity securities         8,345         1,03           Net decrease (increase) in short-term         8,345         1,03           Proceeds from long-term         22,766         32,04           Purchases of long-term         (21,512)         (22,11           Advances         1,160,393         1,191,62           Mortgage loans held for portfolio         (1,095,218)         (1,055,34           Mortgage loans held for portfolio         9,310         10,54           Purchases         (4,691)         (3,53           Mortgage loans held for sale         1,435         -           Proceeds         1,435         -           Proceeds from sales of foreclosed assets         108         10           Principal collected on other loans         1         -	Available-for-sale securities		
Purchases of long-term       (4,996)       (22,696)         Held-to-maturity securities       8,345       1,03         Net decrease (increase) in short-term       8,345       1,03         Proceeds from long-term       22,766       32,04         Purchases of long-term       (21,512)       (22,11         Advances       1,160,393       1,191,62         Proceeds       1,160,393       1,191,62         Mortgage loans held for portfolio       9,310       10,54         Purchases       (4,691)       (3,53         Mortgage loans held for sale       1,435       -         Proceeds       1,435       -         Proceeds from sales of foreclosed assets       108       10         Principal collected on other loans       1       -	Net decrease (increase) in short-term	2,170	3,415
Held-to-maturity securities         Net decrease (increase) in short-term       8,345       1,03         Proceeds from long-term       22,766       32,04         Purchases of long-term       (21,512)       (22,11         Advances       1,160,393       1,191,62         Made       (1,095,218)       (1,055,34         Mortgage loans held for portfolio       9,310       10,54         Purchases       (4,691)       (3,53         Mortgage loans held for sale       1,435          Proceeds from sales of foreclosed assets       108       10         Principal collected on other loans       1	Proceeds from long-term	9,688	5,069
Net decrease (increase) in short-term       8,345       1,03         Proceeds from long-term       22,766       32,04         Purchases of long-term       (21,512)       (22,11         Advances       1,160,393       1,191,62         Made       (1,095,218)       (1,055,34         Mortgage loans held for portfolio       9,310       10,54         Purchases       (4,691)       (3,53         Mortgage loans held for sale       1,435       -         Proceeds from sales of foreclosed assets       108       10         Principal collected on other loans       1       -	Purchases of long-term	(4,996)	(22,695
Proceeds from long-term         22,766         32,04           Purchases of long-term         (21,512)         (22,11           Advances         Proceeds         1,160,393         1,191,62           Made         (1,095,218)         (1,055,34           Mortgage loans held for portfolio         Principal collected         9,310         10,54           Purchases         (4,691)         (3,53           Mortgage loans held for sale         Proceeds         1,435         -           Proceeds from sales of foreclosed assets         108         10           Principal collected on other loans         1         -	Held-to-maturity securities		
Purchases of long-term       (21,512)       (22,112)         Advances       1,160,393       1,191,62         Made       (1,095,218)       (1,055,34         Mortgage loans held for portfolio       9,310       10,54         Purchases       (4,691)       (3,53         Mortgage loans held for sale       1,435       -         Proceeds       108       10         Proceeds from sales of foreclosed assets       1       10         Principal collected on other loans       1       1	Net decrease (increase) in short-term	8,345	1,032
Advances       Advances         Proceeds       1,160,393       1,191,62         Made       (1,095,218)       (1,055,34         Mortgage loans held for portfolio       9,310       10,54         Purchases       (4,691)       (3,53         Mortgage loans held for sale       1,435       -         Proceeds       108       10         Principal collected on other loans       1       -	Proceeds from long-term	22,766	32,046
Advances       Advances         Proceeds       1,160,393       1,191,62         Made       (1,095,218)       (1,055,34         Mortgage loans held for portfolio       9,310       10,54         Purchases       (4,691)       (3,53         Mortgage loans held for sale       1,435       -         Proceeds       108       10         Principal collected on other loans       1       -	Purchases of long-term	(21,512)	(22,116
Made         (1,095,218)         (1,055,34)           Mortgage loans held for portfolio         9,310         10,54           Purchases         (4,691)         (3,53)           Mortgage loans held for sale         1,435         -           Proceeds from sales of foreclosed assets         108         10           Principal collected on other loans         1         -	Advances		
Made         (1,095,218)         (1,055,34)           Mortgage loans held for portfolio         9,310         10,54           Purchases         (4,691)         (3,53)           Mortgage loans held for sale         1,435         -           Proceeds from sales of foreclosed assets         108         10           Principal collected on other loans         1         -	Proceeds	1,160,393	1,191,627
Mortgage loans held for portfolio       9,310       10,54         Purchases       (4,691)       (3,53         Mortgage loans held for sale       Proceeds         Proceeds from sales of foreclosed assets       1,435       -         Principal collected on other loans       108       10	Made		(1,055,340
Principal collected         9,310         10,54           Purchases         (4,691)         (3,53           Mortgage loans held for sale         1,435         -           Proceeds         108         10           Principal collected on other loans         1         1	Mortgage loans held for portfolio		, , , ,
Purchases         (4,691)         (3,53)           Mortgage loans held for sale         1,435         -           Proceeds         108         10           Principal collected on other loans         1         1		9,310	10,548
Mortgage loans held for sale         1,435         -           Proceeds         108         10           Proceeds from sales of foreclosed assets         108         10           Principal collected on other loans         1         1	·		
Proceeds         1,435         -           Proceeds from sales of foreclosed assets         108         10           Principal collected on other loans         1         1		( ) )	, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Proceeds from sales of foreclosed assets 108 10  Principal collected on other loans 11	~ -	1,435	_
Principal collected on other loans1			108
			1
	Net cash provided by (used in) investing activities	110,826	101,623

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

Nine Months Ended September 30, (dollars in millions) 2011 2010 Financing activities Net change in 1,877 3,405 Deposits and pass-through reserves \$ 142 49 Borrowings Net (payments) proceeds on derivative contracts with financing element (988) (1,294)Net proceeds from issuance of consolidated obligations 3,741,045 5,010,636 Discount notes 320,797 408,072 Bonds Payments for maturing and retiring consolidated obligations Discount notes (3,763,178) (5,024,726) Bonds (398, 199)(517,756)Proceeds from sale of capital stock 3,137 2,722 Payments for repurchase/redemption of mandatorily redeemable capital stock (1,377)(1,039)(4,442)Payments for repurchase/redemption of capital stock (5,668)Cash dividends paid (412)(385)Net cash used in financing activities (102,824)(124,758)Net increase (decrease) in cash and due from banks 10,450 (19,328) Cash and due from banks at beginning of the period 3,801 24,330 \$ 14,251 5,002 Cash and due from banks at end of the period \$ Supplemental disclosures Interest paid 6,289 8,346 182 171 AHP payments, net \$ REFCORP assessments, net 305 251 \$ Transfers of mortgage loans to real estate owned \$ 130 173 \$ Transfers of mortgage loans held for portfolio to mortgage loans held for sale 1,324 Transfers of other-than-temporarily impaired held-to-maturity securities to available-for-sale securities 8,270 1,937 \$ Transfers of held-to-maturity securities to trading securities 390

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

<sup>(1)</sup> Other liabilities includes the net change in the REFCORP receivable/payable.

#### **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 substantially all of the capital stock of each FHLBank. Former members<sup>(1)</sup> 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 that FHLBank's board of directors, receive dividends on their capital stock. Regulated financial depositories and insurance companies engaged in residential housing finance may apply for membership. Additionally, 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.

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

The Federal Housing Finance Agency (Finance Agency) was established and became the independent Federal regulator (the Regulator) of the FHLBanks, Federal Home Loan Mortgage Corporation (Freddie Mac) and Federal National Mortgage Association (Fannie Mae), effective July 30, 2008 with the passage of the "Housing and Economic Recovery Act of 2008" (the Housing Act). Pursuant to the Housing Act, all regulations, orders, determinations, and resolutions that were issued, made, prescribed, or allowed to become effective by the former Federal Housing Finance Board will remain in effect until modified, terminated, set aside, or superseded by the Finance Agency Director, any court of competent jurisdiction, or operation of law. The Finance Agency's stated mission with respect to the FHLBanks is to provide effective supervision, regulation and housing mission oversight of the FHLBanks to promote their safety and soundness, support housing finance and affordable housing, and support a stable and liquid mortgage market.

The Office of Finance is a joint office of the FHLBanks established to facilitate the issuance and servicing of the debt instruments of the FHLBanks, known as consolidated obligations, and to prepare the combined quarterly and annual financial reports of the 12 FHLBanks. As provided by the amended FHLBank Act and applicable regulations, consolidated obligations are backed only by the financial resources of the 12 FHLBanks. Consolidated obligations are the primary source of funds for the FHLBanks in addition to deposits, other borrowings and capital stock issued to members. Each FHLBank primarily uses these funds to provide advances to members. Certain FHLBanks also use these funds to acquire mortgage loans from members (acquired member assets) through their respective FHLBank's Mortgage Purchase Program (MPP) or the Mortgage Partnership Finance (MPF®)<sup>(2)</sup> Program. In addition, some FHLBanks offer their member institutions correspondent services, such as wire transfer, security safekeeping, and settlement services.

#### Note 1—Summary of Significant Accounting Policies

These unaudited quarterly combined financial statements do not include all disclosures associated with annual combined financial statements, and accordingly, should be read in conjunction with the audited combined financial statements for the year ended December 31, 2010 included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010.

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

<sup>(2) &</sup>quot;Mortgage Partnership Finance," "MPF," "MPF Shared Funding," "eMPF," and "MPF Xtra" are registered trademarks of the FHLBank of Chicago.

#### **Basis of Presentation**

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

<u>Principles of Combination.</u> Transactions among the FHLBanks have been eliminated in accordance with combination accounting principles similar to consolidation under GAAP. The most significant transactions between the FHLBanks are:

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

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

2. Purchases of Consolidated Obligations. These purchases occur when consolidated obligations issued on behalf of one FHLBank are purchased by another FHLBank in the open market. All purchase transactions occur at market prices with third parties, and the purchasing FHLBanks treat these consolidated bonds and consolidated obligation discount notes (consolidated 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. (See the FHLBanks' *Combining Schedules* for the combining adjustments made to the combined financial statements.)

<u>Segment Reporting.</u> Finance Agency regulations consider each FHLBank to be a segment. (See the FHLBanks' <u>Combining Schedules</u> for segment information.)

Reclassifications and Revisions to Prior Period Amounts. The Combined Statement of Condition as of December 31, 2010 reflects a reclassification of \$1,609 million from retained earnings to restricted retained earnings related to a change in presentation that is consistent with the FHLBank of San Francisco's presentation of restricted retained earnings as of December 31, 2010. (See Note 13-Capital-Restricted Retained Earnings for additional information.) Certain other amounts in the 2010 financial statements have been reclassified to conform to the financial statement presentation for the three and nine months ended September 30, 2011. Additionally, certain prior period amounts have been revised and may not agree to the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010. These amounts were not deemed to be material.

<u>Subsequent Events.</u> For purposes of this Combined Financial Report, subsequent events have been evaluated through the time of publication of this Combined Financial Report. (See <u>Note 16-Subsequent Events</u> for more information.)

#### **Use of Estimates**

The preparation of financial statements in accordance with GAAP requires each FHLBank's management to make subjective assumptions and estimates that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expense. The most significant of these estimates include the determination of other-than-temporary impairments of 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.

<u>Fair Value.</u> The fair value amounts, recorded on the Combined 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 September 30, 2011 and December 31, 2010. Although an FHLBank uses its best judgment in estimating the fair value of these financial instruments, there are inherent limitations in any valuation technique. Therefore, these fair values may not be indicative of the amounts that would have been realized in market transactions at the reporting dates. (See *Note 14-Fair Value* for more information.)

#### **Variable Interest Entities**

Certain FHLBanks have investments in variable interest entities (VIEs) that include, but are not limited to, senior interests in private-label mortgage-backed securities (MBS) and asset-backed securities (ABS). The carrying amounts and classification of the assets that relate to the FHLBanks' investments in VIEs are included in investment securities on the Combined Statement of Condition. The affected FHLBanks have no liabilities related to these VIEs. The maximum loss exposure for these VIEs is limited to the carrying value of the FHLBanks' investments in the VIEs.

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

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

Based on an evaluation of the above characteristics, each affected FHLBank has determined that consolidation is not required for its VIEs as of September 30, 2011. In addition, each of these FHLBanks has not provided financial or other support (explicitly or implicitly) to its VIEs during the nine months ended September 30, 2011. Furthermore, each affected FHLBank was not previously contractually required to provide, nor does it intend to provide, such support in the future.

#### **Restricted Retained Earnings**

In 2011, the 12 FHLBanks entered into a Joint Capital Enhancement Agreement (Capital Agreement), as amended. Under the Capital Agreement, beginning in the third quarter of 2011, each FHLBank contributes 20% of its quarterly net income to a separate restricted retained earnings account at that FHLBank until the account balance equals at least one percent of that FHLBank's average balance of outstanding consolidated obligations for the previous quarter. These restricted retained earnings are not available to pay dividends and are presented separately on the Combined Statement of Condition. (See <a href="Note 13-Capital-Restricted Retained Earnings">Note 13-Capital-Restricted Retained Earnings</a> for more information.)

#### Office of Finance Expenses

As approved by the Office of Finance Board of Directors, effective January 1, 2011, each FHLBank's proportionate share of Office of Finance operating and capital expenditures is calculated using a formula that is

based upon the following components: (1) two-thirds based upon each FHLBank's share of total consolidated obligations outstanding and (2) one-third based upon an equal pro-rata allocation.

Prior to January 1, 2011, the FHLBanks were assessed for Office of Finance operating and capital expenditures based equally on each FHLBank's percentage of the following components: (1) percentage of capital stock, (2) percentage of consolidated obligations issued and (3) percentage of consolidated obligations outstanding.

#### Note 2—Recently Issued and Adopted Accounting Guidance

#### Disclosures about an Employer's Participation in a Multiemployer Plan

On September 21, 2011, the Financial Accounting Standards Board (FASB) issued guidance to enhance disclosures about an employer's participation in a multiemployer pension plan. These disclosures will provide users with the following: (1) additional administrative information about an employer's participation in significant multiemployer plans; (2) an employer's participation level in these plans, including contributions made and whether contributions exceed five percent of total contributions made to a plan; (3) the financial health of these plans, including information about funded status and funding improvement plans, as applicable; and (4) the nature of employer commitments to the plan, including expiration dates of collective bargaining agreements and whether such agreements require minimum plan contributions. Previously, disclosures were limited primarily to the historical contributions made to all multiemployer pension plans. This guidance is effective beginning with annual periods ending on December 31, 2011 and should be applied retrospectively for all prior periods presented. Most FHLBanks participate in a multiple employer pension plan and follow disclosure requirements for multiemployer pension plans. The adoption of this guidance may result in increased annual financial statement disclosures, but will not affect the FHLBanks' combined financial condition, combined results of operations or combined cash flows.

#### **Presentation of Comprehensive Income**

On June 16, 2011, the FASB issued guidance to increase the prominence of other comprehensive income in financial statements. This guidance requires an entity that reports items of other comprehensive income to present comprehensive income in either a single financial statement or in two consecutive financial statements. In a single continuous statement, an entity is required to present the components of net income and total net income, the components of other comprehensive income and a total for other comprehensive income, as well as a total for comprehensive income. In a two-statement approach, an entity is required to present the components of net income and total net income in its statement of net income. The statement of other comprehensive income should follow immediately and include the components of other comprehensive income as well as totals for both other comprehensive income and comprehensive income. This guidance eliminates the option to present other comprehensive income in the statement of changes in stockholders' equity. This guidance is effective for the FHLBanks for interim and annual periods beginning on January 1, 2012 and should be applied retrospectively for all periods presented. Early adoption is permitted. Each FHLBank plans to elect the two-statement approach beginning on January 1, 2012. The adoption of this guidance is limited to the presentation of the FHLBanks' annual and interim financial statements and will not affect the FHLBanks' combined financial condition, combined results of operations or combined cash flows.

#### **Fair Value Measurements and Disclosures**

On January 21, 2010, the FASB issued amended guidance for fair value measurements and disclosures. The FHLBanks adopted this amended guidance as of January 1, 2010, except for required disclosures about purchases, sales, issuances, and settlements in the rollforward of activity for Level 3 fair value measurements; the related guidance on these required disclosures was adopted as of January 1, 2011. In the period of initial adoption, entities are not required to provide the amended disclosures for any previous periods presented for comparative purposes. The adoption of this amended guidance resulted in increased annual and interim financial statement disclosures, but did not affect the FHLBanks' combined financial condition, combined results of operations or combined cash flows.

On May 12, 2011, the FASB and the International Accounting Standards Board issued substantially converged guidance on fair value measurement and disclosure requirements. This guidance clarifies how fair value accounting should be applied where its use is already required or permitted by other guidance within GAAP or International

Financial Reporting Standards; these amendments do not require additional fair value measurements. This guidance generally represents clarifications to the application of existing fair value measurement and disclosure requirements, as well as some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This guidance is effective for the FHLBanks for interim and annual periods beginning on January 1, 2012 and should be applied prospectively. Early adoption is not permitted. The adoption of this guidance may result in increased annual and interim financial statement disclosures, but is not expected to have a material effect on the FHLBanks' combined financial condition, combined results of operations or combined cash flows.

#### **Reconsideration of Effective Control for Repurchase Agreements**

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

#### A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring

On January 19, 2011, the FASB issued guidance to defer temporarily the effective date of disclosures about troubled debt restructurings required by the amended guidance on disclosures about the credit quality of financing receivables and the allowance for credit losses. The effective date for these new disclosures was deferred in order to be coordinated with the effective date of the guidance for determining what constitutes a troubled debt restructuring.

On April 5, 2011, the FASB issued guidance to clarify which debt modifications constitute troubled debt restructurings. It is intended to help creditors determine whether a modification of the terms of a receivable meets the criteria to be considered a troubled debt restructuring, both for purposes of recording an impairment loss and for presenting previously deferred disclosures related to troubled debt restructurings. This guidance became effective for the FHLBanks for interim and annual periods beginning on July 1, 2011. As required, the FHLBanks applied the new guidance to troubled debt restructurings that occurred on or after January 1, 2011. The adoption of this guidance resulted in increased annual and interim financial statement disclosures, but did not have a material effect on the FHLBanks' combined financial condition, combined results of operations or combined cash flows.

#### Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

On July 21, 2010, the FASB issued amended guidance to enhance disclosures about an entity's allowance for credit losses and the credit quality of its financing receivables. The required disclosures as of the end of a reporting period became effective for interim and annual reporting periods as of December 31, 2010. The required disclosures about activity that occurs during a reporting period became effective for interim and annual reporting periods as of January 1, 2011. The adoption of this amended guidance resulted in increased annual and interim financial statement disclosures, but did not affect the FHLBanks' combined financial condition, combined results of operations or combined cash flows.

#### **Note 3—Trading Securities**

**Table 3.1 - Trading Securities by Major Security Type** 

(dollars in millions)

		mber 30, 011	Dec	ember 31, 2010
	Fair	Value	Fa	ir Value
Non-mortgage-backed securities				
U.S. Treasury obligations	\$	1,453	\$	3,068
Commercial paper		1,970		2,349
Certificates of deposit		1,545		7,075
Other U.S. obligations		206		_
Government-sponsored enterprise obligations		10,809		12,355
State or local housing agency obligations		3		3
Temporary Liquidity Guarantee Program debentures and promissory notes		6,712		2,126
Other(1)		296		271
Total non-mortgage-backed securities		22,994		27,247
Mortgage-backed securities				
Other U.S. obligations residential MBS(2)		45		49
Government-sponsored enterprise residential MBS		601		765
Government-sponsored enterprise commercial MBS		247		230
Total mortgage-backed securities		893		1,044
Total	\$	23,887	\$	28,291

At September 30, 2011 and December 31, 2010, 47.1% and 27.1% of the FHLBanks' fixed-rate trading securities were swapped to a variable rate and 46.7% and 46.0% of the FHLBanks' variable-rate trading securities were swapped to a different variable-rate index.

Table 3.2 - Net Gains (Losses) on Trading Securities

(dollars in millions)

	Three Months Ended September 30,					Nine Months Ended September 30,			
	2	2011		2010		2011		2010	
Net unrealized gains (losses) on trading securities held at periodend	\$	85	\$	81	\$	61	\$	234	
Net unrealized and realized gains (losses) on trading securities sold/matured during the period		(3)		(2)		(15)		31	
Net gains (losses) on trading securities	\$	82	\$	79	\$	46	\$	265	

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

#### Note 4—Available-for-Sale Securities

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

(dollars in millions)

				September 30, 201	l		
	mortized Cost(1)	OTTI Recognized in AOCI		Gross Unrealized Gains	Gros Unreali Losse	zed	Fair Value
Non-mortgage-backed securities							
Commercial paper	\$ 300	\$	_	\$ —	\$	_	\$ 300
Certificates of deposit	3,245		_	_		(1)	3,244
Other U.S. obligations(2)	1,059		_	60		_	1,119
Government-sponsored enterprise and Tennessee Valley Authority obligations	11,485		_	400		(74)	11,811
Temporary Liquidity Guarantee Program debentures and promissory notes	9,817		_	21		_	9,838
Federal Family Education Loan Program ABS	7,927		_	480		(17)	8,390
Other(3)	811		_	17		(34)	794
Total non-mortgage-backed securities	34,644		_	978		(126)	35,496
Mortgage-backed securities							
Other U.S. obligations residential MBS(4)	3,004		_	145		(1)	3,148
Government-sponsored enterprise residential MBS	20,868		_	768		(100)	21,536
Government-sponsored enterprise commercial MBS	219		_	_		(1)	218
Private-label residential MBS	17,676	(2	2,622)	28		(140)	14,942
Home equity loan ABS	19		(3)			_	16
Total mortgage-backed securities	41,786	(2	2,625)	941		(242)	39,860
Total	\$ 76,430	\$ (2	2,625)	\$ 1,919	\$	(368)	\$ 75,356

				December 31, 2010	)	
	nortized Cost(1)	Rec	OTTI cognized in AOCI	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Non-mortgage-backed securities						
Certificates of deposit	\$ 5,790	\$	_	\$ —	\$ —	\$ 5,790
Other U.S. obligations(2)	955		_	31	(2)	984
Government-sponsored enterprise and Tennessee Valley Authority obligations	10,980		_	253	(56)	11,177
Temporary Liquidity Guarantee Program debentures and promissory notes	10,560		_	18	(2)	10,576
Federal Family Education Loan Program ABS	8,310		_	505	(16)	8,799
Other(3)	623		_	1	(47)	577
Total non-mortgage-backed securities	37,218		_	808	(123)	37,903
Mortgage-backed securities						
Other U.S. obligations residential MBS(4)	3,101		_	83	(5)	3,179
Government-sponsored enterprise residential MBS	21,612		_	408	(8)	22,012
Government-sponsored enterprise commercial MBS	304		_	_	(1)	303
Private-label residential MBS	9,347		(1,311)	14	(3)	8,047
Home equity loan ABS	22		(7)	_	_	15
Total mortgage-backed securities	34,386		(1,318)	505	(17)	33,556
Total	\$ 71,604	\$	(1,318)	\$ 1,313	\$ (140)	\$ 71,459

<sup>(1)</sup> Amortized cost of AFS securities includes adjustments made to the cost basis of an investment for accretion, amortization, previous other-than-temporary impairment (OTTI) recognized in earnings, and/or fair-value hedge accounting adjustments.

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

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

Primarily consists of MBS issued or guaranteed by Ginnie Mae.

At September 30, 2011 and December 31, 2010, the amortized cost of the FHLBanks' MBS classified as AFS included credit losses, OTTI-related accretion adjustments, and purchase premiums and discounts totaling \$2,814 million and \$1,244 million.

Subsequent unrealized gains and losses of other-than-temporarily impaired securities as presented in Table 4.1 are not netted against OTTI recognized in accumulated other comprehensive income (loss) (AOCI). However, in the Combined Statement of Condition the subsequent unrealized gains and losses of other-than-temporarily impaired securities are netted against OTTI recognized in AOCI in the line item net non-credit portion of OTTI losses on AFS securities. Table 4.2 reconciles the net non-credit portion of OTTI losses on AFS securities per the Combined Statement of Condition to the OTTI recognized in AOCI in Table 4.1. Table 4.3 reconciles the gross unrealized gains and losses recognized in Table 4.1 to the net unrealized gains (losses) on AFS securities per the Combined Statement of Condition.

Table 4.2 - Reconciliation of Net Non-credit Portion of OTTI Losses on AFS Securities to Table 4.1

(dollars in millions)

	Se	eptember 30, 2011	December 31, 2010
OTTI loss recognized in AOCI (Table 4.1)	\$	(2,625)	\$ (1,318)
Subsequent unrealized gains (losses) in fair value of previously other-than-temporarily impaired securities		(111)	12
Net non-credit portion of OTTI losses on AFS securities	\$	(2,736)	\$ (1,306)

Table 4.3 - Reconciliation of Net Unrealized Gains on AFS Securities to Table 4.1

(dollars in millions)

	ember 30, 2011	mber 31, 2010
Gross unrealized gains on AFS securities (Table 4.1)	\$ 1,919	\$ 1,313
Gross unrealized losses on AFS securities (Table 4.1)	(368)	(140)
Less:		
Subsequent unrealized gains (losses) in fair value of previously other-than-temporarily impaired securities	(111)	12
Net hedging gains on AFS securities	 318	324
Net unrealized gains (losses) on AFS securities recognized in AOCI	\$ 1,344	\$ 837

Table 4.4 presents the AFS securities with unrealized losses by major security type and length of time that individual securities have been in a continuous unrealized loss position.

Table 4.4 - AFS Securities in a Continuous Unrealized Loss Position

(dollars in millions)

September 30, 2011

	September 30, 2011											
	Less than 12 Months					12 month	s or	more		То	tal	
	Fa	ir Value		realized osses	F	air Value		nrealized Losses	F	air Value		nrealized .osses(1)
Non-mortgage-backed securities												
Certificates of deposit	\$	3,244	\$	(1)	\$	_	\$	_	\$	3,244	\$	(1)
Government-sponsored enterprise and Tennessee Valley Authority obligations		2,695		(7)		405		(67)		3,100		(74)
Federal Family Education Loan Program ABS		183		_		1,259		(17)		1,442		(17)
Other(2)		75		_		470		(34)		545		(34)
Total non-mortgage-backed securities		6,197		(8)		2,134		(118)		8,331		(126)
Mortgage-backed securities												
Other U.S. Obligations residential MBS(3)		182		(1)		_		_		182		(1)
Government-sponsored enterprise residential MBS		5,451		(97)		432		(3)		5,883		(100)
Government-sponsored enterprise commercial MBS		50		_		168		(1)		218		(1)
Private-label residential MBS(4)		687		(17)		13,147		(2,745)		13,834		(2,762)
Home equity loan ABS(4)		_		_		14		(3)		14		(3)
Total mortgage-backed securities		6,370		(115)		13,761		(2,752)		20,131		(2,867)
Total	\$	12,567	\$	(123)	\$	15,895	\$	(2,870)	\$	28,462	\$	(2,993)

December	31.	2010
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than 1	2 Months Unrealized Losses	12 month	Unrealized Losses		otal Unrealized
ie		Fair Value			Unrealized
			LUSSES	Fair Value	Losses(1)
161	\$ (2)	\$ —	\$ —	\$ 161	\$ (2)
242	(13)	341	(43)	3,583	(56)
572	(2)	_	_	4,572	(2)
332	(16)	10	_	1,342	(16)
149	(9)	401	(37)	550	(46) <sup>(a</sup>
456	(42)	752	(80)	10,208	(122)
126	(5)	_	_	1,126	(5)
979	(5)	506	(3)	1,485	(8)
50	_	227	(1)	277	(1)
17	(1)	7,321	(1,313)	7,338	(1,314)
_	_	15	(7)	15	(7)
172	(11)	8,069	(1,324)	10,241	(1,335)
628	\$ (53)	\$ 8,821	\$ (1,404)	\$ 20,449	\$ (1,457)
		242 (13) 572 (2) 332 (16) 149 (9) 456 (42) 126 (5) 979 (5) 50 — 17 (1) — 172 (11)	242     (13)     341       572     (2)     —       332     (16)     10       149     (9)     401       456     (42)     752       126     (5)     —       979     (5)     506       50     —     227       17     (1)     7,321       —     —     15       172     (11)     8,069	242     (13)     341     (43)       572     (2)     —     —       332     (16)     10     —       149     (9)     401     (37)       456     (42)     752     (80)       126     (5)     —     —       979     (5)     506     (3)       50     —     227     (1)       17     (1)     7,321     (1,313)       —     —     15     (7)       172     (11)     8,069     (1,324)	242     (13)     341     (43)     3,583       572     (2)     —     —     4,572       332     (16)     10     —     1,342       149     (9)     401     (37)     550       456     (42)     752     (80)     10,208       126     (5)     —     —     1,126       979     (5)     506     (3)     1,485       50     —     227     (1)     277       17     (1)     7,321     (1,313)     7,338       —     —     15     (7)     15       172     (11)     8,069     (1,324)     10,241

Does not include \$1 million of unrealized losses in mutual funds in two grantor trusts designated as AFS securities at December 31, 2010.

Total unrealized losses in Table 4.4 will not agree to total gross unrealized losses in Table 4.1. Total unrealized losses in Table 4.4 include non-credit-related OTTI losses recorded in AOCI.

<sup>(2)</sup> Primarily consists of taxable municipal bonds, debentures issued by IDB and debt securities issued by IBRD.

Primarily consists of mortgage-backed securities issued or guaranteed by Ginnie Mae. Includes investments for which a portion of OTTI has been recognized in AOCI. Primarily consists of debt securities issued or guaranteed by SBA and Ex-Im Bank. (3)

<sup>(4)</sup> 

Table 4.5 - AFS Securities by Contractual Maturity

(dollars in millions)

		Septembe	er 30, 2	011	December 31, 2010					
Year of Maturity	Amor	mortized Cost		air Value	Amo	rtized Cost		Fair Value		
Non-mortgage-backed securities										
Due in one year or less	\$	13,884	\$	13,894	\$	8,384	\$	8,393		
Due after one year through five years		7,203		7,367		16,162		16,220		
Due after five years through ten years		3,670		3,915		2,640		2,840		
Due after ten years		1,960		1,930		1,722		1,651		
Federal Family Education Loan Program ABS(1)		7,927		8,390		8,310		8,799		
Total non-mortgage-backed securities		34,644		35,496		37,218		37,903		
Mortgage-backed securities(1)		41,786		39,860		34,386		33,556		
Total	\$	76,430	\$	75,356	\$	71,604	\$	71,459		

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

At September 30, 2011 and December 31, 2010, 35.7% and 29.6% of the FHLBanks' fixed-rate AFS securities were swapped to a variable rate. At September 30, 2011, 0.1% of the FHLBanks' variable-rate AFS securities were swapped to a different variable-rate index and at December 31, 2010, none of the variable-rate AFS securities were swapped to a different variable-rate index.

Table 4.6 - Proceeds from Sale and Gross Gains and Losses on AFS Securities

(dollars in millions)

	Three Mor Septen			Nine Mon Septen	
	2011	2010		2011	2010
Proceeds from sale of long-term AFS securities	\$ 229	\$ 223	\$ 2,424		\$ 359
Gross gains on sale of AFS securities	\$ 6	\$ 9	\$	28	\$ 9
Gross losses on sale of AFS securities	_	_		(4)	_
Net realized gains (losses) from sale of AFS securities	\$ 6 <sup>(a)</sup>	\$ 9 <sup>(b)</sup>	\$	24 <sup>(a)</sup>	\$ 9 <sup>(b)</sup>

<sup>(</sup>a) The three months and nine months ended September 30, 2011 include \$6 million and \$11 million of net realized gains relating to sales of previously other-than-temporarily impaired securities.

See <u>Note 6-Other-Than-Temporary Impairment Analysis</u> for information on the transfers of securities between the AFS portfolio and the held-to-maturity (HTM) portfolio.

<sup>(</sup>b) The three months and nine months ended September 30, 2010 include \$8 million of net realized gains relating to sales of previously other-than-temporarily impaired securities.

#### Note 5—Held-to-Maturity Securities

Table 5.1 - HTM Securities by Major Security Type

(dollars in millions)

			Septembe	er 30, 2011		
	Amortized Cost(1)	OTTI Recognized in AOCI(2)	Carrying Value(2)	Gross Unrecognized Holding Gains(3)	Gross Unrecognized Holding Losses(3)	Fair Value
Non-mortgage-backed securities						
Commercial paper	\$ 2,100	\$ —	\$ 2,100	\$ —	\$ —	\$ 2,100
Certificates of deposit	5,575	_	5,575	_	_	5,575
Other U.S. obligations(4)	1,987	_	1,987	88	_	2,075
Government-sponsored enterprise and Tennessee Valley Authority obligations	2,613	_	2,613	119	(1)	2,731
State or local housing agency obligations	2,314	_	2,314	14	(322)	2,006
Temporary Liquidity Guarantee Program debentures and promissory notes	3,060	_	3,060	2	_	3,062
Other	2		2			2
Total non-mortgage-backed securities	17,651		17,651	223	(323)	17,551
Mortgage-backed securities						
Other U.S. obligations residential MBS(5)	9,589	_	9,589	105	(10)	9,684
Other U.S. obligations commercial MBS(5)	531	_	531	7	_	538
Government-sponsored enterprise residential MBS	73,971	_	73,971	2,423	(29)	76,365
Government-sponsored enterprise commercial MBS	3,007	_	3,007	213	_	3,220
Private-label residential MBS	17,198	(1,151)	16,047	328	(1,143)	15,232
Private-label commercial MBS	62	_	62	1	_	63
Manufactured housing loan ABS	177	_	177	_	(11)	166
Home equity loan ABS	452	(82)	370	48	(36)	382
Total mortgage-backed securities	104,987	(1,233)	103,754	3,125	(1,229)	105,650
Total	\$ 122,638	\$ (1,233)	\$ 121,405	\$ 3,348	\$ (1,552)	\$ 123,201

	ortized ost(1)	Red	OTTI cognized AOCI(2)	Carrying Value(2)	Gross Unrecognized Holding Gains(3)		Gross Unrecognized Holding Losses(3)		F	air Value
Non-mortgage-backed securities										
Commercial paper	\$ 2,500	\$	_	\$ 2,500	\$	_	\$	_	\$	2,500
Certificates of deposit	13,176		_	13,176		_		_		13,176
Other U.S. obligations(4)	1,468		_	1,468		6		(13)		1,461
Government-sponsored enterprise and Tennessee Valley Authority obligations	3,171		_	3,171		94		(5)		3,260
State or local housing agency obligations	2,477		_	2,477		7		(297)		2,187
Temporary Liquidity Guarantee Program debentures and promissory notes	3,379		_	3,379		5		_		3,384
Other	4		_	4		_		_		4
Total non-mortgage-backed securities	26,175		_	26,175		112		(315)		25,972
Mortgage-backed securities										
Other U.S. obligations residential MBS(5)	8,547		_	8,547		64		(29)		8,582
Other U.S. obligations commercial MBS(5)	53		_	53		2		_		55
Government-sponsored enterprise residential MBS	72,361		_	72,361		2,050		(195)		74,216
Government-sponsored enterprise commercial MBS	1,780		_	1,780		77		(17)		1,840
Private-label residential MBS	33,124		(4,348)	28,776		1,476		(1,410)		28,842
Private-label commercial MBS	160		_	160		4		_		164
Manufactured housing loan ABS	196		_	196		_		(23)		173
Home equity loan ABS	501		(93)	408		54		(40)		422
Total mortgage-backed securities	116,722		(4,441)	112,281		3,727		(1,714)		114,294
Total	\$ 142,897	\$	(4,441)	\$ 138,456	\$	3,839	\$	(2,029)	\$	140,266

December 31, 2010

At September 30, 2011 and December 31, 2010, the amortized cost of the FHLBanks' MBS classified as HTM included credit losses, OTTI-related accretion adjustments, and purchase premiums and discounts totaling \$1,148 million and \$2,171 million.

<sup>(1)</sup> Amortized cost of HTM securities includes adjustments made to the cost basis of an investment for accretion, amortization, and/or previous OTTI recognized in earnings.

<sup>(2)</sup> Carrying value of HTM securities represents amortized cost after adjustment for the non-credit-related impairment recognized in AOCI.

 <sup>(3)</sup> Gross unrecognized holding gains (losses) represent the difference between fair value and carrying value.
 (4) Primarily consists of debt securities issued or guaranteed by SBA and National Credit Union Administration (NCUA).

<sup>(5)</sup> Primarily consists of mortgage-backed securities issued or guaranteed by Ginnie Mae, NCUA, and SBA.

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

Table 5.2 - HTM Securities in a Continuous Unrealized Loss Position

(dollars in millions)

September 30, 2011 Less than 12 Months 12 months or more Total Unrealized Unrealized Unrealized Fair Value Fair Value Fair Value Losses(1) Losses Losses Non-mortgage-backed securities Government-sponsored enterprises and \$ 317 \$ (1) \$ \$ 317 \$ (1) Tennessee Valley Authority State or local housing agency obligations 24 (5) 1,195 (317)1,219 (322)Total non-mortgage-backed securities 341 (6) 1.195 (317)1.536 (323)Mortgage-backed securities Other U.S. obligations residential MBS(2) 1,409 (7) 460 (3) 1,869 (10)Government-sponsored enterprise residential MBS 4,896 (13)3,052 (16)7,948 (29)Private-label residential MBS(3) 1,240 (23)10,627 (2,230)11,867 (2,253)Manufactured housing loan ABS 166 (11)166 (11)Home equity loan ABS(3) 2 380 382 (72)(72)22,232 (2,375) Total mortgage-backed securities 7,547 (43)14,685 (2,332)Total \$ 7,888 (49) 15,880 (2,649)23,768 (2,698)

						December	r <b>31</b>	, 2010				
		Less than	12 N	Months		12 months	s or	more		То	tal	
	Fai	r Value	ı	Unrealized Losses		Fair Value		Jnrealized Losses	Fair Value			nrealized osses(1)
Non-mortgage-backed securities												
Other U.S. Obligations(4)	\$	555	\$	(13)	\$	_	\$	_	\$	555	\$	(13)
Government-sponsored enterprise and Tennessee Valley Authority obligations		1,809		(5)		_		_		1,809		(5)
State or local housing agency obligations		150		(16)		1,295		(281)		1,445		(297)
Total non-mortgage-backed securities		2,514		(34)		1,295		(281)		3,809		(315)
Mortgage-backed securities							_					
Other U.S. obligations residential MBS(2)		4,075		(29)		5		_		4,080		(29)
Government-sponsored enterprise residential MBS		10,603		(184)		2,133		(11)		12,736		(195)
Government-sponsored enterprise commercial MBS		468		(17)		_		_		468		(17)
Private-label residential MBS(3)		913		(8)		23,158		(5,625)		24,071		(5,633)
Manufactured housing loan ABS		_		_		173		(23)		173		(23)
Home equity loan ABS(3)		2		_		418		(78)		420		(78)
Total mortgage-backed securities		16,061		(238)		25,887		(5,737)		41,948		(5,975)
Total	\$	18,575	\$	(272)	\$	27,182	\$	(6,018)	\$	45,757	\$	(6,290)

<sup>(1)</sup> Total unrealized losses in Table 5.2 represent the difference between fair value and amortized cost. Gross unrecognized holding gains and (losses) in Table 5.1 represent the difference between fair value and carrying value. The difference in the definitions of total unrealized losses per Table 5.2 and unrecognized holding losses per Table 5.1 results in differences between the tables.

<sup>(2)</sup> Primarily consists of mortgage-backed securities issued or guaranteed by Ginnie Mae, NCUA, and SBA.

<sup>(3)</sup> Includes investments for which a portion of an OTTI has been recognized in AOCI.

<sup>(4)</sup> Primarily consists of debt securities issued or guaranteed by SBA and NCUA.

Table 5.3 - HTM Securities by Contractual Maturity

(dollars in millions)

	S	Septe	mber 30, 201	1		December 31, 2010						
Year of Maturity	Amortized Carrying Amortize Cost Value(1) Fair Value Cost		Amortized Cost	d Carrying Value(1)			air Value					
Non-mortgage-backed securities												
Due in one year or less	\$	10,987	\$	10,987	\$	10,992	\$	17,930	\$	17,930	\$	17,932
Due after one year through five years		2,278		2,278		2,325		4,745		4,745		4,813
Due after five years through ten years		725		725		736		545		545		539
Due after ten years		3,661		3,661		3,498		2,955		2,955		2,688
Total non-mortgage-backed securities		17,651		17,651		17,551		26,175		26,175		25,972
Mortgage-backed securities(2)		104,987		103,754		105,650		116,722		112,281		114,294
Total	\$	122,638	\$	121,405	\$	123,201	\$	142,897	\$	138,456	\$	140,266
							_					

In accordance with the amended OTTI guidance, carrying value of HTM securities represents amortized cost after adjustment for non-credit-related impairment recognized in AOCI.

<u>Realized Gains and Losses.</u> Certain FHLBanks each sold securities out of its respective HTM securities portfolio that were either within three months of maturity or had less than 15% of the acquired principal outstanding at the time of the sale. These sales are considered maturities for the purposes of security classification.

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

(dollars in millions)

	Three Mon Septem			nded 80,		
	 2011	2010		2011		2010
Proceeds from sale of long-term HTM securities	\$ 209	\$ 111	\$	582	\$	325
Net realized gains (losses) from sale of HTM securities	9	2		19		8

See <u>Note 6-Other-Than-Temporary Impairment Analysis</u> for information on the transfers of securities between the AFS portfolio and HTM portfolio.

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

Each FHLBank evaluates its individual AFS and HTM investment securities holdings in an unrealized loss position for OTTI on at least a quarterly basis. As part of its evaluation of securities for OTTI, an FHLBank considers its intent to sell each debt security and whether it is more likely than not that it will be required to sell the security before its anticipated recovery. If either of these conditions is met, an FHLBank recognizes an OTTI charge to earnings equal to the entire difference between the security's amortized cost basis and its fair value at the 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, including all previously other-than-temporarily impaired securities, are other-than-temporarily impaired.

The 12 FHLBanks have developed a uniform framework for completing their OTTI analyses in accordance with FASB guidance on the recognition and presentation of OTTI in the financial statements. To assess whether the entire amortized cost bases of each of the FHLBanks' private-label RMBS and certain home equity loan ABS would be recovered, the FHLBanks performed a cash flow analysis using two third-party models for each such security where fair value was less than amortized cost as of the most recent balance sheet date, except for certain private-label RMBS and home equity loan ABS where underlying loan-level collateral data was not available using the uniform OTTI modeling methodology under the FHLBanks' common framework. A description of the uniform framework and the two third-party models are disclosed in *Note 8-Other-Than-Temporary Impairment Analysis*, pages F-32 to F-33, of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010.

<sup>(2)</sup> MBS are not presented by contractual maturity because their expected maturities will likely differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

#### Certain private-label MBS

The FHLBanks invested in certain private-label MBS, which at the date of purchase were substantially all rated triple-A. Each private-label MBS may contain one or more forms of credit protection/enhancements, including but not limited to guarantee of principal and interest, subordination, over-collateralization and excess interest, and insurance wrap.

The FHLBanks' housing price forecast as of September 30, 2011 assumed current-to-trough home price declines ranging from 0.0% (for those housing markets that are believed to have reached their trough) to 8.0%. For those markets where further home price declines are anticipated, the declines were projected to occur over the 3- to 9-month period beginning July 1, 2011. From the trough, home prices were projected to recover using one of five different recovery paths that vary by housing market. Table 6.1 presents projected home price recovery ranges by year at September 30, 2011.

Table 6.1 - Recovery Ranges of Housing Price Change

	Recovery Range %
Year 1	0.0 - 2.8
Year 2	0.0 - 3.0
Year 3	1.5 - 4.0
Year 4	2.0 - 5.0
Years 5 and 6	2.0 - 6.0
Thereafter	2.3 - 5.6

Table 6.2 presents the significant inputs used to measure the amount of credit loss recognized in earnings during the three months ended September 30, 2011 for those securities for which an OTTI was determined to have occurred as well as the related current credit enhancement. Credit enhancement is defined as the percentage of subordinated tranches, excess spread and over-collateralization, if any, in a security structure that will generally absorb losses before each affected 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 ABS in each category shown. The classification of prime, Alt-A and subprime is based on the model used to run the estimated cash flows for the security, which may not necessarily be the same as the classification at the time of origination.

Table 6.2 - Significant Inputs for OTTI

Significant Inputs for OTTI Private-label RMBS

	Prepaym	Prepayment Rates		It Rates	Loss S	everities	Current Credit Enhancement			
Year of Securitization	Weighted- Average %	Range %	Weighted- Average %	Range %	Weighted- Average %	Range %	Weighted- Average %	Range %		
Prime										
2008	8.0	8.0	51.1	51.1	53.4	53.4	28.2	28.2		
2007	8.0	7.4 - 9.1	34.1	9.5 - 53.6	47.3	38.4 - 52.1	6.4	3.9 - 9.8		
2006	8.3	5.5 - 21.3	27.2	2.0 - 44.0	50.8	40.2 - 73.7	6.3	0.0 - 20.2		
2005	8.8	6.3 - 10.6	31.6	14.7 - 37.2	44.5	40.9 - 50.5	8.1	2.3 - 9.7		
2004 and prior	9.6	7.0 - 37.2	26.0	0.0 - 34.5	41.9	0.0 - 45.2	9.5	4.0 - 41.3		
Total prime	8.6	5.5 - 37.2	30.1	0.0 - 53.6	47.4	0.0 - 73.7	7.8	0.0 - 41.3		
Alt-A										
2008	6.6	4.9 - 8.6	52.7	43.0 - 59.4	44.2	43.1 - 48.3	32.8	23.9 - 36.9		
2007	5.2	1.4 - 8.7	65.8	31.6 - 91.5	51.6	45.3 - 64.3	21.8	0.0 - 44.5		
2006	5.7	1.7 - 11.1	57.9	19.1 - 87.8	51.8	39.1 - 68.4	22.1	0.0 - 45.1		
2005	7.5	2.0 - 11.4	35.3	15.8 - 80.6	47.8	36.1 - 60.3	12.3	0.0 - 45.6		
2004 and prior	7.8	4.1 - 9.9	32.2	19.6 - 65.3	43.6	38.3 - 47.9	14.7	7.1 - 37.9		
Total Alt-A	7.0	1.4 - 11.4	51.0	15.8 - 91.5	49.8	36.1 - 68.4	18.3	0.0 - 45.6		
Subprime										
2006	4.7	4.0 - 5.5	82.3	76.9 - 88.3	73.7	70.5 - 76.9	15.1	(8.1) - 32.7 <sup>(a</sup>		
2005	4.8	4.8	80.6	80.6	71.2	71.2	24.9	24.9		
2004 and prior	14.9	14.9	22.6	22.6	70.6	70.6	77.5	77.5		
Total subprime	4.8	4.0 - 14.9	82.1	22.6 - 88.3	73.5	70.5 - 76.9	15.9	(8.1) - 77.5 <sup>(a</sup>		
Total OTTI Private- label RMBS	6.7	1.4 - 37.2	47.6	0.0 - 91.5	49.7	0.0 - 76.9	16.3	(8.1) - 77.5 <sup>(a</sup>		

Significant Inputs for OTTI Home Equity Loan ABS

	Prepaym	ent Rates	Defaul	t Rates	Loss S	everities	Current Cre	edit Enhancement
Year of Securitization	Weighted- Average %	Range %	Weighted- Average %	Range %	Weighted- Average %	Range %	Weighted- Average %	Range %
Alt-A								
2004 and prior	10.0	8.8 - 13.6	3.6	0.9 - 8.2	100.0	100.0	1.8	0.0 - 3.6
Total Alt-A	10.0	8.8 - 13.6	3.6	0.9 - 8.2	100.0	100.0	1.8	0.0 - 3.6
Subprime								
2004 and prior	2.2	1.2 - 9.9	7.0	5.0 - 43.8	93.6	83.6 - 126.8 <sup>(b)</sup>	55.0	12.8 - 100.0
Total subprime	2.2	1.2 - 9.9	7.0	5.0 - 43.8	93.6	83.6 - 126.8 <sup>(b)</sup>	55.0	12.8 - 100.0
Total OTTI Home equity loan ABS	4.8	1.2 - 13.6	5.9	0.9 - 43.8	95.8	83.6 - 126.8 <sup>(b)</sup>	37.1	0.0 - 100.0

<sup>(</sup>a) A negative current credit enhancement exists when the remaining principal balance on the supporting collateral is less than the remaining principal balance of the security.

Certain private-label MBS owned by the FHLBanks are insured by monoline bond insurers. The FHLBanks performed analyses to assess the financial strength of these monoline bond insurers to establish an expected case regarding the time horizon of the monoline bond insurers' ability to fulfill their financial obligations and provide credit support. The projected time horizon of credit protection provided by an insurer is a function of claims-paying resources and anticipated claims in the future. This assumption is referred to as the "burn-out period" and is expressed in months. Of the five monoline bond insurers, the financial guarantees from Assured Guaranty Municipal Corp. are considered sufficient to cover all future claims. This monoline bond insurer is, therefore, excluded from the burn-out analysis discussed above. Conversely, the key burn-out period for three monoline bond insurers, Syncora Guarantee Inc. (Syncora), Financial Guaranty Insurance Corp. (FGIC) and Ambac Assurance

<sup>(</sup>b) Although investment losses cannot exceed 100%, the loss severity of the underlying collateral can exceed 100% as a result of extended periods in foreclosure that result in an accumulation of taxes, insurance, maintenance and other fees.

Corp. (Ambac), are not considered applicable due to regulatory intervention that has suspended all claims payments. For the remaining monoline bond insurer, MBIA Insurance Corp. (MBIA), Table 6.3 presents the key burn-out period assumptions used by those FHLBanks that have relied on credit protection from this insurer during the three months ended September 30, 2011.

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

(dollars in millions)

	Protection time norizon calculation
Burn-out period (months)	3
Coverage ignore date	December 31, 2011
Total unpaid principal balance of other-than-temporarily impaired securities	\$32

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

During the three months ended September 30, 2011, each of the FHLBanks of Atlanta, Indianapolis and San Francisco elected to transfer from their respective HTM portfolio to their respective AFS portfolio all private-label RMBS that had credit-related OTTI. During the three months ended September 30, 2010, the FHLBank of Atlanta elected to transfer from its HTM portfolio to its AFS portfolio all private-label RMBS that had credit-related OTTI, while the FHLBank of Seattle elected to transfer certain private-label RMBS that had credit-related OTTI.

During the nine months ended September 30, 2011, each of the FHLBanks of Pittsburgh, Atlanta, Indianapolis and San Francisco elected to transfer from their respective HTM portfolio to their respective AFS portfolio all private-label RMBS that had credit-related OTTI, while the FHLBank of Seattle elected to transfer certain private-label RMBS that had credit-related OTTI. During the nine months ended September 30, 2010, the FHLBanks of Pittsburgh and Atlanta elected to transfer from their respective HTM portfolio to their respective AFS portfolio all private-label RMBS that had credit-related OTTI, while the FHLBank of Seattle elected to transfer certain private-label RMBS that had credit-related OTTI.

Each of these FHLBanks recognized an OTTI credit loss on these private-label HTM RMBS, which each FHLBank believes is evidence of a significant decline in issuer creditworthiness. The decline in the issuers' creditworthiness is the basis for the transfers to the AFS portfolio. These transfers allow management the option to decide to sell these securities prior to maturity in response to changes in interest rates, changes in prepayment risk, or other factors. For the AFS securities in an unrealized loss position, each of these FHLBanks asserted, as of September 30, 2011, that it has no intent to sell and believes it is not more likely than not that it will be required to sell any of the affected securities before its anticipated recovery of the remaining security's amortized cost basis.

**Table 6.4 - HTM Securities Transferred to AFS Securities** 

(dollars in millions)

Three Months Ended September 30,

		2011								2010							
	Aı	nortized Cost	Reco	OTTI ognized in AOCI	Ho	Gross precognized olding Gains (Losses)	F	air Value	A	mortized Cost	Red	OTTI cognized in AOCI	Uni Hol	Gross recognized ding Gains Losses)	Fair	r Value	
FHLBank of Atlanta	\$	23	\$	(2)	\$		\$	21	\$	83	\$	(5)	\$	_	\$	78	
FHLBank of Indianapolis		18		(1)		_		17		_		_		_		_	
FHLBank of San Francisco		721		(148)		30		603		_		_		_		_	
FHLBank of Seattle		_		_		_		_		199		(73)		10		136	
Total	\$	762	\$	(151)	\$	30	\$	641	\$	282	\$	(78)	\$	10	\$	214	

Nine Months Ended Septembe	er 30.	er 30.	otembe	Sen	ded	Er	nths	Mο	Nine	
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				20	11							20	10			
	A	mortized Cost	Rec	OTTI cognized in AOCI	Unre Holdi	iross cognized ng Gains osses)	Fa	air Value	Aı	mortized Cost	Rec	OTTI ognized in AOCI	Unre Hold	Gross ecognized ing Gains osses)	Fa	ir Value
FHLBank of Pittsburgh	\$	94	\$	(3)	\$		\$	91	\$	339	\$	(20)	\$		\$	319
FHLBank of Atlanta		397		(28)		_		369		1,458		(160)		_		1,298
FHLBank of Indianapolis		18		(1)		_		17		_		_		_		_
FHLBank of San Francisco		10,437		(2,649)		887		8,675		_		_		_		_
FHLBank of Seattle		13		(5)		1		9		547		(228)		15		334
Total	\$	10,959	\$	(2,686)	\$	888	\$	9,161	\$	2,344	\$	(408)	\$	15	\$	1,951

Table 6.5 presents the balance of the total HTM and AFS securities with OTTI charges during the three months ended September 30, 2011 based on each individual FHLBank's impairment analyses of its investment portfolio at September 30, 2011.

Table 6.5 - Total Securities Other-than-Temporarily Impaired at September 30, 2011

(dollars in millions)

September 30, 2011

		He	Held-to-Maturity Securities					Available-for-Sale Securities															
P	Unpaid Principal Balance		Principal		Principal		Principal		Principal		Principal		Principal Amortized			Carrying Value Fair Value		Pr	incipal			Fair Value	
\$	653	\$	523	\$	391	\$	459	\$	2,871	\$	2,528	\$	2,267										
	573		510		350		356		5,709		5,199		4,361										
	198		116		93		95		_		_		_										
	1,424		1,149		834		910		8,580		7,727		6,628										
	_		_		_		_		20		15		12										
	39		30		19		24		_		_		_										
	39		30		19		24		20		15		12										
\$	1,463	\$	1,179	\$	853	\$	934	\$	8,600	\$	7,742	\$	6,640										
	Pi B	## Principal Balance  \$ 653	## Unpaid Principal Balance   Ar	Unpaid Principal Balance         Amortized Cost           \$ 653         \$ 523           573         510           198         116           1,424         1,149           —         —           39         30           39         30	Unpaid Principal Balance         Amortized Cost         C           \$ 653         \$ 523         \$           573         510         16           198         116         1,149           —         —         —           39         30         30           39         30         30	Unpaid Principal Balance         Amortized Cost         Carrying Value           \$ 653         \$ 523         \$ 391           573         510         350           198         116         93           1,424         1,149         834           —         —         —           39         30         19           39         30         19	Unpaid Principal Balance         Amortized Cost         Carrying Value         Fair           \$ 653         \$ 523         \$ 391         \$ 573         \$ 510         350         \$ 350	Unpaid Principal Balance         Amortized Cost         Carrying Value         Fair Value           \$ 653         \$ 523         \$ 391         \$ 459           573         510         350         356           198         116         93         95           1,424         1,149         834         910           —         —         —         —           39         30         19         24           39         30         19         24	Unpaid Principal Balance         Amortized Cost         Carrying Value         Fair Value         Upper Bair Value           \$ 653         \$ 523         \$ 391         \$ 459         \$ 573         \$ 510         350         356         356         356         459         \$ 573         \$ 116         93         95         95         95         95         1424         1,149         834         910         910         93         95         95         96 <td< td=""><td>Unpaid Principal Balance         Amortized Cost         Carrying Value         Fair Value         Unpaid Principal Balance           \$ 653         \$ 523         \$ 391         \$ 459         \$ 2,871           573         510         350         356         5,709           198         116         93         95         —           1,424         1,149         834         910         8,580           —         —         —         20           39         30         19         24         —           39         30         19         24         20</td><td>Unpaid Principal Balance         Amortized Cost         Carrying Value         Fair Value         Unpaid Principal Balance         Amortized Principal Balance           \$ 653         \$ 523         \$ 391         \$ 459         \$ 2,871         \$           573         510         350         356         5,709           198         116         93         95         —           1,424         1,149         834         910         8,580           —         —         —         20           39         30         19         24         —           39         30         19         24         20</td><td>Unpaid Principal Balance         Amortized Cost         Carrying Value         Fair Value         Unpaid Principal Balance         Amortized Cost           \$ 653         \$ 523         \$ 391         \$ 459         \$ 2,871         \$ 2,528           573         510         350         356         5,709         5,199           198         116         93         95         —         —           1,424         1,149         834         910         8,580         7,727           —         —         —         —         20         15           39         30         19         24         —         —           39         30         19         24         20         15</td><td>Unpaid Principal Balance         Amortized Cost         Carrying Value         Fair Value         Unpaid Principal Balance         Amortized Cost         Fair Value           \$ 653         \$ 523         \$ 391         \$ 459         \$ 2,871         \$ 2,528         \$ 573           573         510         350         356         5,709         5,199           198         116         93         95         —         —           1,424         1,149         834         910         8,580         7,727           —         —         —         —         —           39         30         19         24         —         —           39         30         19         24         20         15</td></td<>	Unpaid Principal Balance         Amortized Cost         Carrying Value         Fair Value         Unpaid Principal Balance           \$ 653         \$ 523         \$ 391         \$ 459         \$ 2,871           573         510         350         356         5,709           198         116         93         95         —           1,424         1,149         834         910         8,580           —         —         —         20           39         30         19         24         —           39         30         19         24         20	Unpaid Principal Balance         Amortized Cost         Carrying Value         Fair Value         Unpaid Principal Balance         Amortized Principal Balance           \$ 653         \$ 523         \$ 391         \$ 459         \$ 2,871         \$           573         510         350         356         5,709           198         116         93         95         —           1,424         1,149         834         910         8,580           —         —         —         20           39         30         19         24         —           39         30         19         24         20	Unpaid Principal Balance         Amortized Cost         Carrying Value         Fair Value         Unpaid Principal Balance         Amortized Cost           \$ 653         \$ 523         \$ 391         \$ 459         \$ 2,871         \$ 2,528           573         510         350         356         5,709         5,199           198         116         93         95         —         —           1,424         1,149         834         910         8,580         7,727           —         —         —         —         20         15           39         30         19         24         —         —           39         30         19         24         20         15	Unpaid Principal Balance         Amortized Cost         Carrying Value         Fair Value         Unpaid Principal Balance         Amortized Cost         Fair Value           \$ 653         \$ 523         \$ 391         \$ 459         \$ 2,871         \$ 2,528         \$ 573           573         510         350         356         5,709         5,199           198         116         93         95         —         —           1,424         1,149         834         910         8,580         7,727           —         —         —         —         —           39         30         19         24         —         —           39         30         19         24         20         15										

<sup>(1)</sup> The FHLBanks classify as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by a nationally recognized statistical rating organization upon issuance of the MBS.

Table 6.6 presents the balance of the total HTM and AFS securities with OTTI charges during the life of the security (which represent securities impaired prior to and at September 30, 2011), based on each individual FHLBank's impairment analyses of its investment portfolio.

Table 6.6 - Total Securities Other-than-Temporarily Impaired during the Life of the Security (dollars in millions)

September 30, 2011 **Held-to-Maturity Securities Available-for-Sale Securities** Unpaid Unpaid Principal Carrying Value Principal Amortized Amortized Balance Cost Fair Value Balance Cost Fair Value Private-label RMBS(1) Prime \$ 1,996 \$ 1,649 \$ 1,232 \$ 1,442 \$ 6,712 \$ 5,828 \$ 5,380 Alt-A 2.600 2.040 1.467 13.902 11.838 9.556 1.451 Subprime 909 599 454 466 3 2 1 5,505 3,137 3,375 20,617 17,668 14,937 Total OTTI Private-label RMBS 4,288 Home equity loan ABS(1) Alt-A 25 19 16 Subprime 266 234 150 199 25 19 16 Total OTTI Home equity loan ABS 266 234 150 199 Total OTTI investments 5,771 4,522 3,287 3,574 14,953 \$ 20,642 17,687

Table 6.7 presents the credit losses and net amount of impairment losses reclassified to/(from) AOCI during the three and nine months ended September 30, 2011.

Table 6.7 - Credit Losses and Net Amount of Impairment Losses

(dollars in millions)

	Three Mon	ths Ended Septem	ber 30, 2011	Nine Mont	hs Ended Septemb	er 30, 2011
	Total OTTI Losses	AOCI(1)	OTTI Related to Credit Loss	Total OTTI Losses	AOCI(1)	OTTI Related to Credit Loss
Private-label RMBS(2)						
Prime	\$ (23)	\$ (17)	\$ (40)	\$ (78)	\$ (117)	\$ (195)
Alt-A	(148)	33	(115)	(373)	(189)	(562)
Subprime	(6)	4	(2)	(16)	_	(16)
Total OTTI Private-label RMBS	(177)	20	(157)	(467)	(306)	(773)
Home equity loan ABS(2)						
Alt-A	_	(1)	(1)	_	(1)	(1)
Subprime	_	(1)	(1)	(1)	_	(1)
Total OTTI Home equity loan ABS	_	(2)	(2)	(1)	(1)	(2)
Total	\$ (177)	\$ 18	\$ (159)	\$ (468)	\$ (307)	\$ (775)

<sup>(1)</sup> Represents the net amount of impairment losses reclassified to/(from) AOCI.

<sup>(1)</sup> The FHLBanks classify as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by a nationally recognized statistical rating organization upon issuance of the MBS.

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

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

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

(dollars in millions)

Three Months Ended			eptember 30,	Nin	e Months End	ed September 30,		
	2011		2010		2011		2010	
\$	4,018	\$	3,272	\$	3,487	\$	2,555	
	2		_		25		69	
	157		178		750		837	
	(31)		(83)		(104)		(92)	
	(5)		(2)		(17)		(4)	
\$	4,141	\$	3,365	\$	4,141	\$	3,365	
		2011 \$ 4,018 2 157 (31) (5)	2011 \$ 4,018 \$  2  157  (31)  (5)	\$ 4,018 \$ 3,272  2 — 157 178  (31) (83)  (5) (2)	2011     2010       \$ 4,018     \$ 3,272       2     —       157     178       (31)     (83)       (5)     (2)	2011         2010         2011           \$ 4,018         \$ 3,272         \$ 3,487           2         —         25           157         178         750           (31)         (83)         (104)           (5)         (2)         (17)	2011     2010     2011       \$ 4,018     \$ 3,272     \$ 3,487     \$       2     —     25       157     178     750       (31)     (83)     (104)       (5)     (2)     (17)	

<sup>(1)</sup> For the three months ended September 30, 2011 and 2010, "Additional OTTI credit losses for which an OTTI charge was previously recognized" relates to all securities that were also previously impaired prior to July 1, 2011 and 2010. For the nine months ended September 30, 2011 and 2010, the "Additional OTTI credit losses for which an OTTI charge was previously recognized" relates to all securities that were previously impaired prior to January 1, 2011 and 2010.

#### All other AFS and HTM Investments

At September 30, 2011, the FHLBanks held certain AFS and HTM securities in unrealized loss positions. These unrealized losses are primarily due to illiquidity and interest rate volatility. These losses are considered temporary as each of the FHLBanks expects to recover the entire amortized cost basis on the remaining AFS and HTM securities in unrealized loss positions and neither intends to sell these securities nor considers it more likely than not that it will be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis.

Each FHLBank does not consider any of the following investments to be other-than-temporarily impaired at September 30, 2011 due to the strength of the underlying collateral, credit enhancement structures or the strength of the issuers' guarantees:

- <u>State and local housing agency obligations.</u> Certain FHLBanks invest in state or local government bonds. Each of these FHLBanks has determined that, as of September 30, 2011, all of the gross unrealized losses on these bonds owned by it are temporary because the strength of the underlying collateral and credit enhancements were sufficient to protect it from losses based on current expectations.
- <u>Certificates of deposit.</u> Each affected FHLBank has determined that, as of September 30, 2011, all of the
  gross unrealized losses on these investments are considered temporary based on the creditworthiness of the
  issuers.
- <u>Debentures issued by a supranational entity.</u> Debentures issued by a supranational entity that were in an
  unrealized loss position as of September 30, 2011 are expected to return contractual principal and interest,
  and such supranational entity was rated triple-A by each of three nationally recognized statistical rating
  organizations used by the affected FHLBank. The affected FHLBank has determined that the decline in
  market value of these securities was largely attributable to illiquidity in the credit markets and not to
  deterioration in the fundamental credit quality of these securities.

- Other U.S. obligations, Government-sponsored enterprises (GSE) obligations, Tennessee Valley Authority
  (TVA) obligations, Manufactured housing loan ABS, Federal Family Education Loan program (FFELP) ABS
  and Temporary Liquidity Guarantee Program (TLGP) debentures and promissory notes. Each FHLBank, as
  applicable, has determined that the strength of the issuers' guarantees through direct obligations or support
  from the U.S. government were sufficient to protect that FHLBank from losses based on current expectations.
  As a result, each of these FHLBanks has determined that, as of September 30, 2011, all of its gross
  unrealized losses were temporary.
- <u>Private-label commercial MBS (CMBS)</u>. Each FHLBank expects that its holdings of private-label CMBS would not be settled at an amount less than the amortized cost of these investments, based upon each FHLBank's assessment of the creditworthiness of the issuers of its private-label CMBS, the credit ratings assigned by the nationally recognized statistical rating organizations and the performance of the underlying loans and the credit support provided by the subordinate securities.

For additional detailed discussion related to each FHLBank's considerations for purposes of OTTI analysis of these investments, see *Note 8-Other-Than-Temporary Impairment Analysis*, pages F-37 to F-38, of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010.

#### Note 7—Advances

The FHLBanks offer a wide range of fixed- and variable-rate advance products with different maturities, interest rates, payment characteristics and optionality. Fixed-rate advances generally have maturities ranging from one day to 30 years. Variable-rate advances generally have maturities ranging from less than 30 days to 10 years, where the interest rates reset periodically at a fixed spread to the London Interbank Offered Rate (LIBOR) or other specified index.

**Table 7.1 - Advances Redemption Terms** 

(dollars in millions)

	Septembe	r 30, 2011	December 31, 2010			
Redemption Term	Amount	Weighted- Average Interest Rate	Amount	Weighted- Average Interest Rate		
Overdrawn demand and overnight deposit accounts	\$ 28	0.44%	\$ 7	1.48%		
Due in 1 year or less	125,055	1.40%	158,293	1.60%		
Due after 1 year through 2 years	69,825	2.03%	64,723	2.88%		
Due after 2 years through 3 years	40,715	2.38%	65,617	2.28%		
Due after 3 years through 4 years	32,670	2.71%	27,273	2.88%		
Due after 4 years through 5 years	38,193	3.24%	31,141	2.96%		
Thereafter	89,775	3.20%	114,219	3.29%		
Index-amortizing advances(1)	2,589	4.24%	2,713	4.40%		
Total par value	398,850	2.32%	463,986	2.47%		
Commitment fees	(8)		(8)			
Discount on AHP advances	(56)		(61)			
Premiums	240		214			
Discounts	(113)		(130)			
Hedging adjustments	16,030		14,261			
Fair value option valuation adjustments	436		327			
Total	\$ 415,379		\$ 478,589			

<sup>(1)</sup> 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).

Table 7.2 - Advances by Year of Contractual Maturity, Next Call Date, or Next Put or Convert Date (dollars in millions)

	Year of	f Contractu Call		ırity or Next	Year of Contractual Maturity or Next Put or Convert Date				
Redemption Term		September 30, 2011		cember 31, 2010	Sep	tember 30, 2011	December 31, 2010		
Overdrawn demand and overnight deposit accounts	\$	28	\$	7	\$	28	\$	7	
Due in 1 year or less		147,314		181,195		178,082		235,562	
Due after 1 year through 2 years		66,867		63,788		69,282		56,119	
Due after 2 years through 3 years		39,705		61,793		39,155		63,330	
Due after 3 years through 4 years		30,044		25,762		29,645		25,149	
Due after 4 years through 5 years		34,596		29,281		28,955		24,705	
Thereafter		77,707		99,447		51,114		56,401	
Index-amortizing advances		2,589		2,713		2,589		2,713	
Total par value	\$	398,850	\$	463,986	\$	398,850	\$	463,986	

The FHLBanks offer advances to members that provide a member the right, based upon predetermined option exercise dates, to call the advance prior to maturity without incurring prepayment or termination fees (callable advances). In exchange for receiving the right to call the advance on a predetermined call schedule, the member pays a higher fixed rate for the advance relative to an equivalent maturity, non-callable, fixed-rate advance. If the call option is exercised, replacement funding may be available. Other advances may only be prepaid by paying a fee to the FHLBank (prepayment fee) that makes the FHLBank financially indifferent to the prepayment of the advance. At September 30, 2011 and December 31, 2010, the FHLBanks had callable advances of \$27.4 billion and \$27.8 billion.

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

With a putable advance to a member, an FHLBank effectively purchases a put option from the member that allows that FHLBank to put or extinguish the fixed-rate advance to the member on predetermined exercise dates, and offer, subject to certain conditions, replacement funding at prevailing market rates. Generally, such put options are exercised when interest rates increase. At September 30, 2011 and December 31, 2010, the FHLBanks had putable advances outstanding totaling \$46.8 billion and \$64.9 billion.

Convertible advances allow an FHLBank to convert an advance from one interest-payment term structure to another. When issuing convertible advances, an FHLBank may purchase put options from a member that allow that FHLBank to convert the fixed-rate advance to a variable-rate advance at the current market rate or another structure after an agreed-upon lockout period. A convertible advance carries a lower interest rate than a comparable-maturity fixed-rate advance without the conversion feature. Variable- to fixed-rate convertible advances have a defined lockout period during which the interest rates adjust based on a spread to LIBOR. At the end of the lockout period, these advances may convert to fixed-rate advances. The fixed rates on the converted advances are determined at origination. At September 30, 2011 and December 31, 2010, the FHLBanks had convertible advances outstanding totaling \$18.1 billion and \$22.8 billion.

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

Table 7.3 - Advances by Interest Rate Characteristics

(dollars in millions)

		September 30, 2011					December 31, 2010				
	Par Value		Amount Swapped (Par Value)		Percentage Swapped	Par Value		Amount Swapped (Par Value)		Percentage Swapped	
Total fixed-rate	\$	296,007	\$	206,768	69.9%	\$	341,484	\$	243,536	71.3%	
Total variable-rate		102,843		1,668	1.6%		122,502		3,471	2.8%	
Total par value	\$	398,850	\$	208,436	52.3%	\$	463,986	\$	247,007	53.2%	

#### **Credit Risk Exposure and Security Terms**

The FHLBanks' potential credit risk from advances is concentrated in commercial banks and savings institutions. The FHLBanks' advances outstanding that were greater than or equal to \$1.0 billion per borrower were \$245.9 billion and \$291.8 billion at September 30, 2011 and December 31, 2010. These advances were made to 65 and 68 borrowers (members and non-members), which represented 61.6% and 62.9% of total advances outstanding at September 30, 2011 and December 31, 2010.

The FHLBanks lend to financial institutions within their districts according to Federal statutes, including the FHLBank Act. The FHLBank Act requires each FHLBank to hold, or have access to, collateral to secure their advances, and the FHLBanks do not expect to incur any credit losses on advances. The management of each FHLBank believes that it has policies and procedures in place to manage its credit risk, including requirements for physical possession or control of pledged collateral, restrictions on borrowing, verifications of collateral, and continuous monitoring of borrowings and the member's financial condition. Each FHLBank continues to monitor the collateral and creditworthiness of its borrowers. Based on the collateral pledged as security for advances and each FHLBank management's credit analyses of its members' financial condition and its credit extension and collateral policies, each FHLBank expects to collect all amounts due according to the contractual terms of its advances. (See Note 9-Allowance for Credit Losses for information related to the FHLBanks' credit risk on advances and allowance methodology for credit losses.)

#### Note 8—Mortgage Loans

Mortgage Loans Held for Portfolio. Mortgage loans held for portfolio primarily consist of loans obtained through the MPP and MPF Program and are conforming conventional and government-guaranteed or -insured loans. The MPP and MPF Program involve the purchase by the FHLBanks of single-family mortgage loans that are originated or acquired by participating financial institutions (PFIs). These mortgage loans are credit-enhanced by PFIs or are guaranteed or insured by Federal agencies. FHLBanks are authorized to hold acquired member assets, such as assets acquired under the MPF Program developed by the FHLBank of Chicago and the MPP developed by the FHLBanks of Cincinnati, Indianapolis and Seattle.

Currently, the FHLBanks of Atlanta, Chicago, Dallas, San Francisco and Seattle are not accepting additional Master Commitments or purchasing additional mortgage loans under either the MPP or MPF Program, except in certain cases for immaterial amounts of MPF Loans to support affordable housing. The remaining FHLBanks participating in the MPF Program and MPP continue to have the ability to purchase and fund mortgage loans.

Table 8.1 - Mortgage Loans Held for Portfolio

	Septem 20		De	ecember 31, 2010
Fixed-rate, medium-term(1) single-family mortgages	\$	12,399	\$	13,873
Fixed-rate, long-term single-family mortgages		42,326		46,858
Multifamily mortgages		21		25
Total unpaid principal balance		54,746		60,756
Premiums		445		471
Discounts		(130)		(198)
Deferred loan costs, net		11		15
Hedging adjustments		218		233
Total mortgage loans held for portfolio	\$	55,290	\$	61,277

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

At September 30, 2011 and December 31, 2010, 38.4% and 19.0% of the FHLBanks' fixed-rate mortgage loans were swapped to a variable rate.

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

(dollars in millions)

	September 30, 2011						
Conventional loans	\$	47,769	\$	53,449			
Government-guaranteed or-insured loans		6,956		7,282			
Multifamily mortgages		21		25			
Total unpaid principal balance	\$	54,746	\$	60,756			

See <u>Note 9-Allowance for Credit Losses</u> for information related to FHLBanks' credit risk on mortgage loans and allowance methodology for credit losses.

Mortgage Loans Held for Sale. On June 30, 2011, the FHLBank of Seattle entered into an agreement to sell \$1.3 billion of mortgage loans previously held for portfolio. The transaction settled on July 26, 2011, resulting in a gain of approximately \$74 million in the third quarter of 2011, reported in other non-interest income - other, net on the Combined Statement of Income.

On December 31, 2010, \$121 million of mortgage loans were classified as held for sale by the FHLBank of Topeka. On May 6, 2011 the FHLBank of Topeka sold all of its mortgage loans held for sale, resulting in a gain of approximately \$4 million in the second quarter of 2011, reported in other non-interest income - other, net on the Combined Statement of Income.

#### Note 9—Allowance for Credit Losses

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

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

See Note 1-Summary of Significant Accounting Policies and Note 11-Allowance for Credit Losses, pages F-11 to F-20 and pages F-41 to F-46, of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010 for a description of allowance

methodologies related to the FHLBanks' portfolio segments as well as the FHLBanks' policies for placing financing receivables on non-accrual status, the charge-off policies and impairment methodologies for financing receivables.

#### **Credit Products**

Using a risk-based approach and taking into consideration each borrower's financial strength, each FHLBank considers the types and level of collateral to be the primary tool for managing its credit products. At September 30, 2011, each of the FHLBanks had rights to collateral on a borrower-by-borrower basis with an estimated value in excess of its outstanding extensions of credit.

At September 30, 2011 and December 31, 2010, none of the FHLBanks had any credit products that were past due, on non-accrual status or considered impaired. In addition, there were no troubled debt restructurings related to credit products at any of the FHLBanks during the three and nine months ended September 30, 2011 and 2010.

Based upon the collateral held as security, their credit extension and collateral policies, management's credit analysis and the repayment history on credit products, the FHLBanks have not recorded any allowance for credit losses on credit products at September 30, 2011 and December 31, 2010. At September 30, 2011 and December 31, 2010, no liability to reflect an allowance for credit losses for off-balance sheet credit exposures was recorded. (See <u>Note 15-Commitments and Contingencies</u> for additional information on the FHLBanks' off-balance sheet credit exposure.)

#### **Government Mortgage Loans**

The FHLBanks invest in fixed-rate government mortgage loans which are insured or guaranteed by the Federal Housing Administration, the Department of Veterans Affairs, the Rural Housing Service of the Department of Agriculture, and/or by the Department of Housing and Urban Development. The servicer provides and maintains insurance or a guarantee from the applicable government agencies. The servicer is responsible for compliance with all government agency requirements and for obtaining the benefit of the applicable insurance or guarantee with respect to defaulted government mortgage loans. Any losses incurred on such loans that are not recovered from the issuer or the guarantor are absorbed by the servicer. Therefore, FHLBanks only have credit risk for these loans if the servicer fails to pay for losses not covered by insurance or guarantees. Based on the FHLBanks' assessment of their servicers, the FHLBanks did not establish an allowance for credit losses for their government mortgage loan portfolio as of September 30, 2011 and December 31, 2010. Furthermore, due to the government guarantee or insurance, none of these mortgage loans have been placed on non-accrual status.

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

Rollforward of Allowance for Credit Losses on Mortgage Loans. The FHLBanks established an allowance for credit losses on their conventional mortgage loans held for portfolio. Tables 9.1 and 9.2 present a rollforward of the allowance for credit losses on mortgage loans for the three and nine months ended September 30, 2011 and 2010 and the recorded investment in mortgage loans by impairment methodology at September 30, 2011 and December 31, 2010. The recorded investment in a loan is the unpaid principal balance of the loan, adjusted for accrued interest, net deferred loan fees or costs, unamortized premiums or discounts, fair value hedge adjustments and direct write-downs. The recorded investment is not net of any valuation allowance.

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

	Three Months Ended September 30,												
				201	11					2010			
	Convent		Conventional MPF		Other		Total			Total			
Balance, at beginning of period	\$	19	\$	88	\$	1	\$	108	\$	52			
Charge-offs		(1)		(2)		_		(3)		(4)			
Provision (reversal) for credit losses(1)		5		8		_		13		16			
Balance, at end of period	\$	23	\$	94	\$	1	\$	118	\$	64			

Nine	Months	Ended	Septembe	r 30

		2011											
	Conventional MPP		Conventional MPF			Other		Total		Total			
Balance, at beginning of period	\$	15	\$	70	\$	1	\$	86	\$	32			
Charge-offs		(3)		(11)		_		(14)		(5)			
Provision (reversal) for credit losses(1)		11		35		_		46		37			
Balance, at end of period	\$	23	\$	94	\$	1	\$	118	\$	64			

<sup>(1)</sup> The provision for credit losses includes only the provision related specifically to mortgage loans and does not include the reversal for credit losses related to Banking on Business loans specific to the FHLBank of Pittsburgh of \$1 million and \$3 million for the three and nine months ended September 30, 2011 and \$2 million and \$4 million for the three and nine months ended September 30, 2010.

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

			D	ecember 31, 2010						
	Conventional (		Co	Conventional MPF		Other		Total		Total
Allowances for credit losses, end of period										
Individually evaluated for impairment	\$		\$	24	\$		\$	24	\$	17
Collectively evaluated for impairment	\$	23	\$	70	\$	1	\$	94	\$	69
Recorded investment, end of period										
Individually evaluated for impairment										
Impaired, with or without a related allowance	\$	3	\$	166	\$	_	\$	169	\$	138
Not impaired, no related allowance		_		1,328		_		1,328		1,246
Total individually evaluated for impairment		3		1,494		_		1,497		1,384
Collectively evaluated for impairment		13,194		33,774		22		46,990		52,796
Total recorded investment	\$	13,197	\$	35,268	\$	22	\$	48,487	\$	54,180

<u>Credit Quality Indicators.</u> Key credit quality indicators for mortgage loans include the migration of past due loans, non-accrual loans, loans in process of foreclosure and impaired loans. Tables 9.3, 9.4 and 9.5 present the FHLBanks' key credit quality indicators for mortgage loans.

Table 9.3 - Recorded Investment in Delinquent Mortgage Loans

,					Septer	mber 30, 2011			
	Co	Conventional MPP		onventional MPF	Government		Other		Total
Past due 30-59 days delinquent	\$	175	\$	521	\$	385	\$		\$ 1,081
Past due 60-89 days delinquent		61		176		130		_	367
Past due 90 days or more delinquent		261		670		360		_	1,291
Total past due mortgage loans		497		1,367		875			2,739
Total current mortgage loans		12,700		33,901		6,197		22	52,820
Total mortgage loans	\$	13,197	\$	35,268	\$	7,072	\$	22	\$ 55,559
Other delinquency statistics									
In process of foreclosure, included above(1)	\$	204	\$	452	\$	121	\$	_	\$ 777
Serious delinquency rate(2)		1.98%		1.92%		5.11%		_	2.28%
Past due 90 days or more and still accruing interest	\$	231	\$	169	\$	360	\$	_	\$ 760
Loans on non-accrual status(3)	\$	31	\$	538	\$		\$	_	\$ 569

	December 31, 2010											
	Со	Conventional MPP		onventional MPF	Government			Other	Total			
Past due 30-59 days delinquent	\$	197	\$	584	\$	423	\$		\$	1,204		
Past due 60-89 days delinquent		69		204		154		_		427		
Past due 90 days or more delinquent		255		698		386		_		1,339		
Total past due mortgage loans		521		1,486		963		_		2,970		
Total current mortgage loans		14,868		37,277		6,437		28		58,610		
Total mortgage loans	\$	15,389	\$	38,763	\$	7,400	\$	28	\$	61,580		
Other delinquency statistics												
In process of foreclosure, included above(1)	\$	178	\$	447	\$	133	\$		\$	758		
Serious delinquency rate(2)		1.66%		1.82%		5.23%		_		2.19%		
Past due 90 days or more and still accruing interest	\$	240	\$	219	\$	386	\$	_	\$	845		
Loans on non-accrual status(3)	\$	15	\$	502	\$		\$	_	\$	517		

<sup>(1)</sup> Includes loans where the decision of foreclosure or a similar alternative such as pursuit of deed-in-lieu has been reported. Loans in process of foreclosure are included in past due or current loans dependent on their delinquency status.

<u>Individually Evaluated Impaired Loans.</u> At September 30, 2011 and December 31, 2010, certain conventional loans individually evaluated for impairment were considered impaired. Table 9.4 presents the recorded investment, unpaid principal balance and related allowance for credit losses associated with these loans. Table 9.5 presents the average recorded investment of individually impaired loans and related interest income recognized.

**Table 9.4 - Individually Evaluated Impaired Loan Statistics by Product Class Level** *(dollars in millions)* 

						Septemb	er 3	0, 2011							
	 Conventional MPP Loans								Conventional MPF Loans						
	Recorded Principal Investment Balance		Principal	al Allowance for		Allowance for Recorded		Unpaid Principal Balance			Related Illowance for redit Losses				
Loans without allowance for credit losses	\$ 2	\$		2	\$		\$	5	\$	5	\$	_			
Loans with allowance for credit losses	1			1		_		161		160		24			
Total individually impaired loans	\$ 3	\$		3	\$		\$	166	\$	165	\$	24			

			Dec	ember 31, 2010				
	_	Conventional MPF Loans						
	_	Recorded Investment		Unpaid Principal Balance	Allowa	lated ance for Losses		
Loans without allowance for credit losses	\$	6	\$	6	\$	_		
Loans with allowance for credit losses		132		131		17		
Total individually impaired loans	\$	138	\$	137	\$	17		

<sup>(2)</sup> Loans that are 90 days or more past due or in process of foreclosure expressed as a percentage of the total loan portfolio class recorded investment amount for those FHLBanks with such loans.

<sup>(3)</sup> Generally represents mortgage loans with contractual principal or interest payments 90 days or more past due and not accruing interest.

Table 9.5 - Average Recorded Investment of Individually Impaired Loans and Related Interest Income Recognized (dollars in millions)

	Three Months Ended September 30,									
	20	11		2010						
Rec	Average Recorded Interest Income Investment Recognized			R	ecorded	Interest I Recog				
\$	3	\$	_	\$	_	\$	_			
	167		2		107		1			
\$	170	\$	2	\$	107	\$	1			
	Rec	Average Recorded Investment  \$ 3 167	Average Recorded Investment Recorded 167	2011           Average Recorded Investment         Interest Income Recognized           \$ 3         \$ —           167         2	2011   Average   Recorded   Interest Income   Recognized   Interest Income   Inte	Average Recorded Investment Recognized Recorded Investment  \$ 3 \$ — \$ —  167 2 107	2011         2010           Average Recorded Investment         Interest Income Recognized         Average Recorded Investment         Interest Recognized           \$ 3 \$ — \$ — \$         \$ — \$           167         2         107			

	Nine Months Ended September 30,									
	2011					2010				
	Re	Average Recorded Investment		st Income ognized				st Income ognized		
Conventional MPP Loans	\$	2	\$		\$		\$	_		
Conventional MPF Loans		165		5		89		3		
Total individually impaired loans	\$	167	\$	5	\$	89	\$	3		

<u>Credit Enhancements.</u> The FHLBanks' allowance for credit losses considers the credit enhancements associated with conventional mortgage loans under the MPF Program and MPP. Credit enhancements considered include primary mortgage insurance, supplemental mortgage insurance, Credit Enhancement Amount (for MPF Loans) and Lender Risk Account (for MPP Loans). Any incurred losses that would be recovered from the credit enhancements are not reserved as part of the FHLBanks' allowance for credit losses on mortgage loans. In such cases, a receivable is generally established to reflect the expected recovery from credit enhancements.

Each MPF FHLBank and its participating financial institutions share the risk of credit losses on conventional MPF Loan products, other than the MPF Xtra product, by structuring potential losses on conventional MPF Loans into layers with respect to each Master Commitment. Each MPF FHLBank is obligated to incur the first layer or portion of credit losses (which is called the First Loss Account) that is not absorbed by borrower's equity after any primary mortgage insurance. The First Loss Account functions as a tracking mechanism for determining the point after which the participating financial institution is required to cover the next layer of losses up to an agreed-upon Credit Enhancement Amount. The Credit Enhancement Amount may consist of a direct liability of the participating financial institution to pay credit losses up to a specified amount, a contractual obligation of a participating financial institution to provide supplemental mortgage insurance or a combination of both. Any remaining unallocated losses are absorbed by an MPF FHLBank.

An MPF FHLBank's losses incurred under the First Loss Account may be recovered by withholding future performance credit enhancement fees otherwise paid to the participating financial institutions. At September 30, 2011 and December 31, 2010, the amounts of First Loss Account remaining for losses under MPF Program, excluding amounts that may be recovered through performance-based credit enhancement fees, were \$515 million and \$517 million. The FHLBanks record credit enhancement fees paid to the participating members as a reduction to mortgage interest income. Credit enhancement fees totaled \$8 million and \$11 million for the three months ended September 30, 2011 and 2010, and \$25 million and \$34 million for the nine months ended September 30, 2011 and 2010.

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

Table 9.6 - Changes in the MPP Lender Risk Account

	Amount
Lender Risk Account at December 31, 2010	\$ 78
Additions	27
Claims	(19)
Scheduled distributions	(3)
Lender Risk Account at September 30, 2011	\$ 83

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

The FHLBanks' MPF Loan troubled debt restructurings primarily involve modifying the borrower's monthly payment for a period of up to 36 months to no more than a housing expense ratio of 38% of their monthly income. The outstanding principal balance is re-amortized to reflect a principal and interest payment for a term not to exceed 40 years. This would result in a balloon payment at the original maturity date of the loan as the maturity date and number of remaining monthly payments is unchanged. If the 38% housing expense ratio is still not met, the interest rate is reduced for up to 36 months in 0.125% increments below the original note rate, to a floor rate of 3.00%, resulting in reduced principal and interest payments, until the target 38% housing expense ratio is met.

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

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

Table 9.7 - Performing and Non-performing Troubled Debt Restructurings

(dollars in millions)

	September 30, 2011					December 31, 2010						
	Perfori	ming(1)	Non-pe	erforming		Total	Perfo	rming(1)	Non-pe	erforming		Total
Conventional MPP Loans	\$	3	\$	1	\$	4	\$	1	\$		\$	1
Conventional MPF Loans		13		5		18		5		1		6
Total	\$	16	\$	6	\$	22	\$	6	\$	1	\$	7

<sup>(1)</sup> Represents loans on accrual status.

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

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

	Three Months Ended				Nine Months Ended				
	September 30, 2011								
	Pre-Modification		Post-Modification		Pre-Modification		Post-Modification		
Conventional MPP Loans	\$	3	\$	3	\$	3	\$	3	
Conventional MPF Loans		5		5		12		12	
Total	\$	8	\$	8	\$	15	\$	15	

Certain conventional MPF and MPP Loans modified and considered troubled debt restructurings for the previous 12 months had experienced a payment default during the three and nine months ended September 30, 2011. The recorded investment of MPF Loans modified and considered troubled debt restructurings that experienced a payment default during the three and nine months ended September 30, 2011 was \$2 million and \$3 million. The recorded investment of MPP Loans modified and considered troubled debt restructurings that experienced a payment default during the three and nine months ended September 30, 2011 was less than \$1 million.

As a result of adopting the new accounting guidance on a creditor's determination of whether a restructuring is a troubled debt restructuring, discussed in *Note 2-Recently Issued and Adopted Accounting Guidance*, the FHLBanks reassessed all restructurings that occurred on or after January 1, 2011 for possible identification as troubled debt restructurings. As a result, the FHLBanks identified certain loans as troubled debt restructurings. The allowance for credit losses on these loans had previously been measured under the collective evaluation methodology. Upon identifying those loans as troubled debt restructurings, the FHLBanks identified them as impaired and applied the impairment measurement guidance for those loans prospectively. As of September 30, 2011, \$2 million of conventional MPP Loans were identified as newly impaired and an allowance for credit losses of less than \$1 million was recorded on these loans.

<u>Real estate owned.</u> At September 30, 2011 and December 31, 2010, the FHLBanks had \$114 million and \$119 million of real estate owned recorded in other assets in the Combined Statement of Condition.

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

These investments are generally short-term and the recorded balance approximates fair value. The FHLBanks invest in Federal funds with investment-grade counterparties and are only evaluated for purposes of an allowance for credit losses if the investment is not paid when due. All investments in Federal funds as of September 30, 2011 and December 31, 2010 were repaid or expected to repay according to the contractual terms. Securities purchased under agreements to resell are considered collateralized financing arrangements and effectively represent short-term loans with investment-grade counterparties. The terms of these loans are structured such that if the market value of the underlying securities decrease below the market value required as collateral, the counterparty must place an equivalent amount of additional securities as collateral or remit an equivalent amount of cash, or the dollar value of the resale agreement will be decreased accordingly. If an agreement to resell is deemed to be impaired, the difference between the fair value of the collateral and the amortized cost of the agreement is charged to earnings. Based upon the collateral held as security, the FHLBanks determined that no allowance for credit losses was needed for the securities purchased under agreements to resell at September 30, 2011 and December 31, 2010.

#### Note 10—Derivatives and Hedging Activities

The FHLBanks are exposed to interest-rate risk primarily from the effect of interest rate changes on their interest-earning assets and their funding sources that finance these assets. The goal of each FHLBank's interest-rate risk management strategies is not to eliminate interest-rate risk, but to manage it within appropriate limits. To mitigate the risk of loss, each FHLBank has established policies and procedures, which include guidelines on the amount of exposure to interest rate changes it is willing to accept. In addition, each FHLBank monitors the risk to its interest income, net interest margin and average maturity of interest-earning assets and funding sources. For additional information on the FHLBanks' interest-rate exchange agreements and the use of these agreements, see *Note 12-Derivative and Hedging Activities* on pages F-46 to F-50 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010.

#### **Combined Financial Statement Effect and Additional Financial Information**

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 therefore do not trade derivatives for short-term profit.

Table 10.1 presents the notional amount and fair value of the FHLBanks' derivative instruments. For purposes of this disclosure, the derivative values include the fair value of derivatives and the related accrued interest.

**Table 10.1 - Fair Value of Derivative Instruments** 

(donars in minoris)						
	Notional Amount of Derivatives(1)		Derivative Assets			Derivative Liabilities
Derivatives Designated as Hedging Instruments						
Interest-rate swaps	\$	512,376	\$	6,555	\$	19,551
Interest-rate swaptions		355		18		_
Interest-rate caps or floors		285		_		5
Interest-rate futures or forwards		700		_		27
Total derivatives in hedging relationships		513,716		6,573		19,583
Derivatives Not Designated as Hedging Instruments						
Interest-rate swaps		177,201		1,356		2,261
Interest-rate swaptions		6,435		290		_
Interest-rate caps or floors		34,244		428		54
Interest-rate futures or forwards		257		_		3
Mortgage delivery commitments		1,769		12		7
Other		706		11		11
Total derivatives not designated as hedging instruments		220,612		2,097		2,336
Total derivatives before netting and collateral adjustments	\$	734,328		8,670		21,919
Netting adjustments				(6,686)		(6,686)
Cash collateral and related accrued interest				(1,330)		(12,291)
Total netting adjustments and cash collateral(2)				(8,016)		(18,977)
Derivative assets and derivative liabilities as reported on the combined statement of condition			\$	654	\$	2,942

	December 31, 2010					
	Notional Amount of Derivatives(1)			Derivative Assets		Derivative Liabilities
Derivatives Designated as Hedging Instruments						
Interest-rate swaps	\$	548,259	\$	6,562	\$	17,379
Interest-rate swaptions		870		29		_
Interest-rate caps or floors		292		1		2
Total derivatives in hedging relationships		549,421		6,592	92 17,3	
Derivatives Not Designated as Hedging Instruments						
Interest-rate swaps		192,019		1,031		1,592
Interest-rate swaptions		9,570		227		_
Interest-rate caps or floors		34,592		610		63
Interest-rate futures or forwards		166		_		1
Mortgage delivery commitments		750		2		4
Other		646		7		6
Total derivatives not designated as hedging instruments		237,743		1,877		1,666
Total derivatives before netting and collateral adjustments	\$	787,164		8,469		19,047
Netting adjustments				(6,411)		(6,411)
Cash collateral and related accrued interest				(1,161)		(7,169)
Total netting adjustments and cash collateral(2)				(7,572)		(13,580)
Derivative assets and derivative liabilities as reported on the combined statement of condition			\$	897	\$	5,467

<sup>(1)</sup> 

The notional amount of derivatives serves as a factor in determining periodic interest payments or cash flow received and paid. It represents neither the actual amounts exchanged nor the overall exposure of the FHLBanks to credit or market risk.

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

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

**Table 10.2 - Net Gains (Losses) on Derivatives and Hedging Activities** *(dollars in millions)* 

	Three Months En	ded September 30,	Nine Months Ended September 30,			
	2011 2010		2011	2010		
Derivatives and Hedged Items in Fair-Value Hedging Relationships						
Interest-rate swaps	\$ 30	\$ 43	\$ 214	\$ 153		
Interest-rate caps or floors	(1)	(1)	(1)	(1)		
Other	2	1	(6)	_		
Total net gains related to fair-value hedge ineffectiveness	31	43	207	152		
Net Gains Related to Cash-Flow Hedge Ineffectiveness	26	1	40	3		
Derivatives Not Designated as Hedging Instruments						
Economic hedges						
Interest-rate swaps	(468)	(119)	(485)	(289)		
Interest-rate swaptions	195	17	132	(160)		
Interest-rate caps or floors	(89)	(18)	(174)	(220)		
Interest-rate futures or forwards	(16)	(2)	(21)	(3)		
Net interest settlements	(26)	(59)	(77)	(211)		
Other	(6)	(4)	(9)	(9)		
Mortgage delivery commitments	34	11	41	29		
Intermediary transactions						
Interest-rate swaps	_	1	_	1		
Other	_	1	_	1		
Total net gains (losses) related to derivatives not designated as hedging instruments	(376)	(172)	(593)	(861)		
Net gains (losses) on derivatives and hedging activities	\$ (319)	\$ (128)	\$ (346)	\$ (706)		

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

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

		Three Months Ended September 30, 2011									
Hedged Item Type	Gains (Losses) on Derivative	Gains (Losses) on Hedged Item	Net Fair-Value Hedge Ineffectiveness	Net Effect of Derivatives on Net Interest Income(1)							
Advances	\$ (3,045)	\$ 3,079	\$ 34	\$ (1,600)							
Consolidated bonds	1,286	(1,286)	_	1,031							
Consolidated discount notes	(1)	1	_	1							
Available-for-sale securities	(644)	638	(6)	(91)							
Mortgage loans held for portfolio	4	(1)	3	(4)							
Total	\$ (2,400)	\$ 2,431	\$ 31	\$ (663)							

	Three Months Ended		
ses) ive	Gains (Losses) on Hedged Item	Net Fair-Value Hedge Ineffectiveness	Net Effect of Derivatives of Net Interes Income(1)

Hedged Item Type	ains (Losses) on Derivative	Gains (Losses) on Hedged Item	Hedge Ineffectiveness	Net Interest Income(1)
Advances	\$ (2,220)	\$ 2,308	\$ 88	\$ (2,120)
Consolidated bonds	1,212	(1,256)	(44)	1,313
Consolidated discount notes	5	(6)	(1)	2
Available-for-sale securities	(254)	254	_	(65)
Mortgage loans held for portfolio	(4)	4	_	(6)
Deposits	 1	(1)		
Total	\$ (1,260)	\$ 1,303	\$ 43	\$ (876)

#### Nine Months Ended September 30, 2011

Hedged Item Type		(Losses) erivative	Gains (Losses) on Hedged Item		Net Fair-Value Hedge Ineffectiveness		Net Effect of Derivatives on Net Interest Income(1)	
Advances	\$	(2,450)	\$	2,644	\$	194	\$	(5,049)
Consolidated bonds		1,182		(1,182)		_		3,364
Consolidated discount notes		(4)		4		_		5
Available-for-sale securities		(733)		751		18		(259)
Mortgage loans held for portfolio		(2)		(3)		(5)		(10)
Deposits		_		_		_		1
Total	\$	(2,007)	\$	2,214	\$	207	\$	(1,948)

#### Nine Months Ended September 30, 2010

Hedged Item Type	Gains (Losses) on Derivative			(Losses) dged Item	Net Fair-Value Hedge Ineffectiveness		Net Effect of Derivatives on Net Interest Income(1)	
Advances	\$	(4,909)	\$	5,094	\$ 185	\$	(7,144)	
Consolidated bonds		3,012		(3,032)	(20)		4,786	
Consolidated discount notes		(6)		3	(3)		13	
Available-for-sale securities		(707)		697	(10)		(177)	
Mortgage loans held for portfolio		(39)		39	_		(48)	
Deposits		1		(1)	_		1	
Total	\$	(2,648)	\$	2,800	\$ 152	\$	(2,569)	

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

The FHLBanks may also hedge a firm commitment for a forward-starting advance through the use of an interestrate swap. 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. No material amounts of gains and losses were recognized due to disqualification of firm commitment hedges for the three and nine months ended September 30, 2011 and 2010. Table 10.4 presents, by type of hedged item in cash-flow hedging relationships, the gains (losses) recognized in AOCI, reclassified from AOCI into income, and the effect of those hedging activities on the FHLBanks' net gains (losses) on derivatives and hedging activities in the Combined Statement of Income. (See the <u>Combined Statement of Capital</u> for more details on the effect of cash-flow hedges on AOCI.)

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

(dollars in millions)

Consolidated bonds

Total

(dollars in millions)											
	Three Months Ended September 30, 2011										
Derivatives and Hedged Items in Cash-Flow Hedging Relationships	(Lo Recogniz on De	t of Gains esses) zed in AOCI erivative ve Portion)	Location of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)	(Lo Reclass AOCI in	t of Gains sses) ified from to Income re Portion)	Recogni Gains (L Derivat Hedging	of Gains zed in Net osses) on ives and Activities ve Portion)				
Interest-rate swaps											
Consolidated bonds	\$	(6)	Interest expense	\$	(3)	\$	_				
Consolidated discount notes		(479)	Interest expense		(2)		1				
Interest-rate caps or floors											
Advances		25	Interest income		4		25				
Consolidated discount notes		_	Interest expense		(3)		_				
Interest-rate futures or forwards											
Consolidated bonds		(25)	Interest expense		_		_				
Total	\$	(485)		\$	(4)	\$	26				
			Three Months Ende	d Septembe	r 30, 2010						
Derivatives and Hedged Items in Cash-Flow Hedging	(Lo Recogniz on De	t of Gains esses) zed in AOCI erivative	Location of Gains (Losses) Reclassified from AOCI into Income	(Lo Reclass AOCI in	t of Gains sses) ified from to Income	Recogni Gains (L Derivat Hedging	of Gains zed in Net osses) on ives and Activities				
Relationships	(Effective	/e Portion)	(Effective Portion)	(Effectiv	re Portion)	(Ineffective	ve Portion)				
Interest-rate swaps	•	4		•	(0)						
Consolidated bonds	\$	1	Interest expense	\$	(3)	\$	_				
Consolidated discount notes		(235)	Interest expense		(1)		1				
Interest-rate caps or floors					40						
Advances		_	Interest income		16		_				
Consolidated discount notes			Interest expense		(3)	_					
Total	\$	(234)		\$	9	\$	1				
			Nine Months Ende	d September	30, 2011						
Derivatives and Hedged Items in Cash-Flow Hedging Relationships	(Lo Recogniz on De	t of Gains esses) zed in AOCI erivative ve Portion)	Location of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)	(Lo Reclass AOCI in	t of Gains sses) ified from to Income re Portion)	Recogni Gains (L Derivat Hedging	of Gains zed in Net osses) on ives and Activities ve Portion)				
Interest-rate swaps											
Consolidated bonds	\$	(2)	Interest expense	\$	(7)	\$	_				
Consolidated discount notes		(542)	Interest expense		(4)		3				
Interest-rate caps or floors											
Advances		37	Interest income		26		37				
Consolidated discount notes		_	Interest expense		(11)		_				
Interest-rate futures or forwards											
Canadidated bands		(27)	Interest expense								

(27)

(534)

Interest expense

40

4 \$

	Nine Months Ended September 30, 2010								
Derivatives and Hedged Items in Cash-Flow Hedging Relationships	Amount of Gains (Losses) Recognized in AOCI on Derivative (Effective Portion)		Location of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)	Amount of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)		Amount Recogniz Gains (Lo Derivativ Hedging A	ed in Net esses) on ves and Activities		
Interest-rate swaps									
Consolidated bonds	\$	_	Interest expense	\$	(10)	\$	_		
Consolidated discount notes		(702)	Interest expense		(3)		3		
Interest-rate caps or floors									
Advances		8	Interest income		23		_		
Consolidated discount notes		_	Interest expense		(10)		_		
Total	\$	(694)		\$		\$	3		

For the three and nine months ended September 30, 2011 and 2010, no material amounts were reclassified from AOCI into earnings as a result of discontinued cash-flow hedges because the original forecasted transactions occurred by the end of the originally specified time period or within a two-month period thereafter. At September 30, 2011, no material amount of deferred net gains on derivative instruments in AOCI is expected to be reclassified to earnings during the next twelve months. The maximum length of time over which the FHLBanks are hedging their exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, is generally no more than six months. However, certain FHLBanks hedge the risk of variability of cash flows associated with forecasted future consolidated obligation issuances generally up to a maximum of 10 years.

#### **Managing Credit Risk on Derivatives**

Each FHLBank is subject to credit risk due to nonperformance by counterparties to interest-rate exchange agreements. The degree of counterparty risk depends on the extent to which master netting arrangements are included in such contracts to mitigate the risk. Each FHLBank manages counterparty credit risk through credit analysis, collateral requirements and adherence to the requirements set forth in its policies and Finance Agency regulations. Each FHLBank requires collateral agreements on all derivatives that establish collateral delivery thresholds. Additionally, collateral related to derivatives with member institutions includes collateral assigned to an FHLBank, as evidenced by a written security agreement and held by the member institution for the benefit of the FHLBank. Based on credit analyses and collateral requirements, the management of each FHLBank does not anticipate any credit losses on its interest-rate exchange agreements. (See <u>Note 14-Fair Value</u> for discussion regarding the FHLBanks' fair value methodology for derivative assets and liabilities, including an evaluation of the potential for the fair value of these instruments to be affected by counterparty credit risk.)

Table 10.5 presents credit risk exposure on derivative instruments, excluding circumstances where a counterparty's pledged collateral to an FHLBank exceeds the FHLBank's net position.

Table 10.5 - Credit Risk Exposure

(dollars in millions)

	ember 30, 2011	mber 31, 2010
Total net exposure at fair value(1)	\$ 1,972	\$ 2,055
Cash collateral held	1,327	1,164
Net exposure after cash collateral	 645	891
Other collateral held	420	721
Net exposure after collateral	\$ 225	\$ 170

<sup>(1)</sup> Includes net accrued interest receivable of \$454 million and \$376 million at September 30, 2011 and December 31, 2010.

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 September 30, 2011 was \$12.7 billion, for which the FHLBanks have posted collateral of \$11.3 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 \$0.7 billion of collateral to their derivatives counterparties at September 30, 2011.

On August 5, 2011, S&P lowered its long-term credit rating on the United States from AAA to AA+ with a negative outlook. S&P has indicated that its ratings of the FHLBanks and the FHLBank System are constrained by the long-term credit rating of the United States. On August 8, 2011, S&P downgraded the long-term credit ratings on the senior unsecured debt issues of the FHLBank System and 10 of the 12 FHLBanks from AAA to AA+. The FHLBanks of Chicago and Seattle were already rated AA+ prior to the United States downgrade. S&P's outlook for the FHLBank System's senior unsecured debt and all 12 FHLBanks is negative. However, S&P's actions did not affect the short-term A-1+ ratings of the FHLBanks and the FHLBank System's short-term debt issues.

On August 2, 2011, Moody's confirmed the long-term Aaa rating on the senior unsecured debt issues of the FHLBank System and the 12 FHLBanks. In conjunction with the revision of the U.S. government outlook to negative, Moody's rating outlook for the FHLBank System and the 12 FHLBanks was also revised to negative.

# Note 11—Deposits

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

Table 11.1 - Deposits

(dollars in millions)

	Sep	September 30, 2011		ember 31, 2010
Interest-bearing				
Demand and overnight	\$	15,270	\$	12,776
Term		493		1,129
Other		130		75
Total interest-bearing		15,893		13,980
Non-interest-bearing				
Demand and overnight		174		160
Other		197		261
Total non-interest-bearing		371		421
Total deposits	\$	16,264	\$	14,401

# Note 12—Consolidated Obligations

Consolidated obligations consist of consolidated bonds and consolidated discount notes. The FHLBanks issue consolidated obligations through the Office of Finance as their agent. In connection with each debt issuance, 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 for the FHLBanks. These notes sell at less than their face amount and are redeemed at par value when they mature.

Table 12.1 - Consolidated Bonds Outstanding by Contractual Maturity

	September 30, 2011			December 31, 2010				
Year of Contractual Maturity	_	Amount	Weighted- Average Interest Rate	Amount	Weighted- Average Interest Rate			
Due in 1 year or less	-	\$ 227,442	0.89%	\$ 264	479 1.21%			
Due after 1 year through 2 years		97,314	2.14%	102	481 1.74%			
Due after 2 years through 3 years		60,433	2.42%	80	387 2.60%			
Due after 3 years through 4 years		30,236	2.42%	34	203 3.04%			
Due after 4 years through 5 years		33,644	2.78%	38	750 2.40%			
Thereafter		71,389	3.77%	76	864 4.01%			
Index-amortizing notes		3,638	4.81%	4	539 4.82%			
Total par value	_	524,096	1.93%	601	703 2.05%			
Premiums		848			761			
Discounts		(210)		(	(278)			
Hedging adjustments		5,495		4	489			
Fair value option valuation adjustments		31			(108)			
Total	5	530,260		\$ 606	567			

**Table 12.2 - Consolidated Discount Notes Outstanding** 

(dollars in millions)

	Вс	ook Value	Par Value	Average Interest Rate(1)
September 30, 2011	\$	172,269	\$ 172,300	0.07%
December 31, 2010	\$	194,431	\$ 194,478	0.15%

Waightad

Consolidated obligations are issued with either fixed-rate coupon payment terms or variable-rate coupon payment terms that use a variety of indices for interest-rate resets including LIBOR, Treasury Bills, Prime rate and others. To meet the expected specific needs of certain investors in consolidated obligations, both fixed-rate consolidated bonds and variable-rate consolidated bonds may contain features that result in complex coupon payment terms and call or put options. When such consolidated obligations are issued, the FHLBanks typically enter into derivatives containing offsetting features that effectively convert the terms of the consolidated bond to those of a simple variable-rate consolidated bond or a fixed-rate consolidated bond. At September 30, 2011 and December 31, 2010, 69.6% and 67.2% of the FHLBanks' fixed-rate consolidated bonds were swapped to a variable rate and 59.2% and 43.5% of the FHLBanks' variable-rate consolidated bonds were swapped to a different variable-rate index. At September 30, 2011 and December 31, 2010, 24.1% and 11.5% of the FHLBanks' fixed-rate consolidated discount notes were swapped to a variable rate.

Table 12.3 - Consolidated Bonds Outstanding by Call Features

Par Values of Consolidated Bonds	September 30, 2011		December 31, 2010		
Noncallable/nonputable	\$	396,044	\$	455,512	
Callable		128,052		146,191	
Total par value	\$	524,096	\$	601,703	

<sup>(1)</sup> Represents yield to maturity excluding concession fees.

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

Year of Contractual Maturity or Next Call Date	Se	September 30, 2011		cember 31, 2010
Due in 1 year or less	\$	318,715	\$	369,833
Due after 1 year through 2 years		94,051		92,154
Due after 2 years through 3 years		37,676		59,638
Due after 3 years through 4 years		19,434		20,423
Due after 4 years through 5 years		17,699		17,173
Thereafter		32,883		37,943
Index-amortizing notes		3,638		4,539
Total par value	\$	524,096	\$	601,703

## Note 13—Capital

The Gramm-Leach-Bliley Act of 1999 (GLB Act) required each FHLBank to adopt a capital plan and convert to a new capital structure. As of September 30, 2011, all of the FHLBanks, except for the FHLBank of Chicago, had implemented their respective capital plans. (See *FHLBank of Chicago Regulatory Actions* for information on the FHLBank of Chicago's approved capital plan, which will be implemented on January 1, 2012.) 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's rules and regulations:

- 1. <u>Risk-based capital.</u> 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. Mandatorily redeemable capital stock is considered capital for determining an FHLBank's compliance with its regulatory requirements.
- 2. <u>Total regulatory capital.</u> Each FHLBank is required to maintain at all times a total capital-to-assets ratio of at least four percent. Total regulatory capital is the sum of permanent capital, Class A stock, any general loss allowance, if consistent with GAAP and not established for specific assets, and other amounts from sources determined by the Finance Agency as available to absorb losses.
- 3. <u>Leverage capital.</u> Each FHLBank is required to maintain at all times a leverage capital-to-assets ratio of at least five percent. Leverage capital is defined as the sum of permanent capital weighted 1.5 times and all other capital without a weighting factor.

The pre-GLB Act capital rules will remain in effect through December 31, 2011, but will not be in effect after January 1, 2012 when the FHLBank of Chicago implements its new capital plan. The pre-GLB Act rules require members to purchase capital stock equal to the greater of \$500, one percent of its mortgage-related assets or five percent of its outstanding FHLBank advances.

At September 30, 2011, all of the FHLBanks that have implemented their respective capital plans under the GLB Act were in compliance with their regulatory capital rules. (See *FHLBank of Seattle Capital Classification and Consent Arrangement* within this note for a description of this FHLBank's agreement with the Finance Agency.)

Table 13.1 - Risk-Based Capital Requirements as of September 30, 2011

FHLBank(1)	Risk-Based Capital Requirement	ctual Risk- sed Capital
Boston	\$ 851	\$ 4,147
New York	521	5,338
Pittsburgh	1,199	3,956
Atlanta	2,155	7,432
Cincinnati	396	3,873
Indianapolis	651	2,508
Des Moines	418	2,666
Dallas	284	1,730
Topeka	237	1,146
San Francisco	4,461	12,482
Seattle	1,854	2,785

Table 13.2 - Regulatory Capital Requirements as of September 30, 2011

(dollars in millions)

FHLBank(1)	Minimum Regulatory Capital Ratio Requirement	Minimum Regulatory Capital Requirement	Actual Regulatory Capital Ratio	Actual Regulatory Capital
Boston	4.0%	\$ 1,943	8.5%	\$ 4,147
New York	4.0%	3,893	5.5%	5,338
Pittsburgh	4.0%	1,873	8.5%	3,956
Atlanta	4.0%	4,754	6.3%	7,432
Cincinnati	4.0%	2,677	5.8%	3,873
Indianapolis	4.0%	1,638	6.1%	2,508
Des Moines	4.0%	1,982	5.4%	2,666
Dallas	4.0%	1,257	5.5%	1,730
Topeka	4.0%	1,444	4.8%	1,747
San Francisco	4.0%	5,132	9.7%	12,482
Seattle	4.0%	1,615	7.3%	2,944

Table 13.3 - Leverage Capital Requirements as of September 30, 2011

FHLBank(1)	Minimum Leverage Capital Ratio Requirement	Minimum Leverage Capital Requirement	Actual Leverage Capital Ratio	Actual Leverage Capital
Boston	5.0%	\$ 2,429	12.8%	\$ 6,221
New York	5.0%	4,867	8.2%	8,008
Pittsburgh	5.0%	2,341	12.7%	5,934
Atlanta	5.0%	5,943	9.4%	11,148
Cincinnati	5.0%	3,346	8.7%	5,809
Indianapolis	5.0%	2,047	9.2%	3,762
Des Moines	5.0%	2,478	8.1%	3,998
Dallas	5.0%	1,571	8.3%	2,594
Topeka	5.0%	1,804	6.4%	2,319
San Francisco	5.0%	6,415	14.6%	18,723
Seattle	5.0%	2,019	10.7%	4,336

<sup>(1)</sup> Excludes the FHLBank of Chicago, which had not implemented a new capital plan as of September 30, 2011, 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 its regulatory capital requirements.)

The GLB Act made membership voluntary for all members. Members can redeem Class A stock by giving six months written notice, and members can redeem Class B stock by giving five years written notice, subject to certain restrictions. Any member that withdraws from membership may not be readmitted to membership in any FHLBank until five years from the divestiture date for all capital stock that is held as a condition of membership, as that requirement is set out in an FHLBank's capital plan, unless the institution has canceled its notice of withdrawal prior to that date, before being readmitted to membership in any FHLBank. This restriction does not apply if the member is transferring its membership from one FHLBank to another on an uninterrupted basis.

An FHLBank's board of directors may declare and pay dividends in either cash or capital stock, assuming the FHLBank is in compliance with 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). The FHLBank of Seattle will not pay dividends except upon compliance with capital restoration and retained earnings plans approved by the Finance Agency and prior written approval of the Finance Agency.

At September 30, 2011, combined regulatory capital was \$53.9 billion compared to \$57.4 billion at December 31, 2010. These amounts include the Designated Amount of subordinated notes of \$800 million as of September 30, 2011 and \$1.0 billion as of December 31, 2010, which the FHLBank of Chicago is allowed to include in determining compliance with its regulatory capital requirements, as further discussed in this note. The FHLBank of Chicago will no longer include the Designated Amount of subordinated notes in determining compliance with its minimum regulatory capital requirements after it converts its capital stock as of January 1, 2012, and becomes subject to the post-conversion capital requirements. Combined regulatory capital does not include AOCI, but does include mandatorily redeemable capital stock.

#### **Restricted Retained Earnings**

The Joint Capital Enhancement Agreement (Capital Agreement), as amended, is intended to enhance the capital position of each FHLBank. The intent of the Capital Agreement is to allocate that portion of each FHLBank's earnings historically paid to satisfy its REFCORP obligation to a separate retained earnings account at that FHLBank.

Each FHLBank had been required to contribute 20% of its earnings toward payment of the interest on REFCORP bonds until satisfaction of its REFCORP obligation, as certified by the Finance Agency on August 5, 2011. The Capital Agreement provides that, upon full satisfaction of the REFCORP obligation, each FHLBank will contribute 20% of its net income each quarter to a restricted retained earnings account until the balance of that account equals at least one percent of that FHLBank's average balance of outstanding consolidated obligations for the previous quarter. These restricted retained earnings are not available to pay dividends.

Each FHLBank subsequently amended its capital plan or capital plan submission, as applicable, to implement the provisions of the Capital Agreement, and the Finance Agency approved the capital plan amendments on August 5, 2011. In accordance with the Capital Agreement, starting in the third quarter of 2011, each FHLBank contributes 20% of its net income to a separate restricted retained earnings account.

The FHLBank of San Francisco's retained earnings and dividend policy establishes amounts to be retained in restricted retained earnings, which are not made available for dividends in the current period. These amounts are not related to the Capital Agreement; however, they are also classified as restricted retained earnings on the Combined Statement of Condition. These amounts relate to:

• Retained Earnings Related to Valuation Adjustments. The FHLBank of San Francisco retains in restricted retained earnings any cumulative net gains in earnings (net of applicable assessments) resulting from gains or losses on derivatives and associated hedged items and financial instruments carried at fair value (valuation adjustments). As the cumulative net gains are reversed by periodic net losses and settlements of contractual interest cash flows, the amount of cumulative net gains decreases. The amount of retained earnings required by this provision of the policy is therefore decreased, and that portion of the previously restricted retained earnings becomes unrestricted and may be made available for dividends.

Other Retained Earnings - Targeted Buildup. In addition to any cumulative net gains resulting from valuation adjustments, the FHLBank of San Francisco holds an additional amount in restricted retained earnings intended to protect members' paid-in capital from the effects of an extremely adverse credit event, an extremely adverse operations risk event, an extremely high level of quarterly losses related to the FHLBank of San Francisco's derivatives and associated hedged items and financial instruments carried at fair value, the risk of an extremely adverse change in the market value of the FHLBank of San Francisco's capital, and the risk of a significant amount of additional credit-related OTTI on private-label RMBS, especially in periods of extremely low net income resulting from an adverse interest-rate environment.

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

Table 13.4 - Restricted Retained Earnings

(dollars in millions)

	Unrestricted Retained Earnings		Capital Agreement Restricted Retained Earnings		Other Restricted Retained Earnings(1)	Te	otal Restricted Retained Earnings	т	otal Retained Earnings
Balance, December 31, 2010	\$ 5,94	3	\$ -		\$ 1,609	\$	1,609	\$	7,552
Net income	90	4	95	5	79		174		1,078
Dividends on capital stock									
Cash	(41	2)	_	-	_		_		(412)
Stock	(2	(5)	_	-	_		_		(25)
Balance, September 30, 2011	\$ 6,41	0	\$ 95	<u> </u>	\$ 1,688	\$	1,783	\$	8,193

<sup>(1)</sup> Represents retained earnings restricted by the FHLBank of San Francisco's retained earnings and dividend policy.

#### **Mandatorily Redeemable Capital Stock**

Each FHLBank is a cooperative whose member financial institutions and former members own all of the 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.

An FHLBank reclassifies 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.

At September 30, 2011 and December 31, 2010, the FHLBanks had \$8.9 billion and \$7.1 billion in capital stock subject to mandatory redemption with payment subject to each FHLBank's waiting period and capital plan terms, 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. For the three months ended September 30, 2011 and 2010, dividends on mandatorily redeemable capital stock in the amount of \$11 million and \$14 million were recorded as interest expense. For the nine months ended September 30, 2011 and 2010, dividends on mandatorily redeemable capital stock in the amount of \$37 million and \$39 million were recorded as interest expense.

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 capital according to the terms of its capital plan. After the reclassification, dividends on the capital stock would no longer be classified as interest expense.

<u>Excess Capital Stock Regulation.</u> Excess capital stock is defined as the amount of stock held by a member (or former member) in excess of that institution's minimum investment requirement. Finance Agency rules limit the ability of an FHLBank to create member excess capital stock under certain circumstances. An FHLBank may not pay dividends in the form of capital stock or issue new excess capital stock to members if that FHLBank's excess

capital stock exceeds one percent of its total assets or if the issuance of excess capital stock would cause that FHLBank's excess capital stock to exceed one percent of its total assets. At September 30, 2011, 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 September 30, 2011, each of these FHLBanks was in compliance with the Finance Agency's excess stock rules.

#### **Capital Classification Determination**

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

### **FHLBank of Chicago Regulatory Actions**

On September 30, 2011, the FHLBank of Chicago received approval from the Finance Agency to implement its new capital plan as of January 1, 2012. Under the new capital plan, the FHLBank of Chicago's stock will consist of two sub-classes of stock, Class B-1 stock and Class B-2 stock (together, Class B stock), both with a par value of \$100 and redeemable on five years written notice, subject to certain conditions.

On January 1, 2012, most of the outstanding shares of the FHLBank of Chicago's existing stock will automatically be exchanged for Class B-2 stock. "Activity-based" stock purchased since July 23, 2008, will be converted to Class B-1 stock to the extent it exceeds a member's capital stock "floor" (the amount of capital stock held by a member as of the close of business at July 23, 2008, plus any required increases related to annual membership stock recalculations).

The FHLBank of Chicago's capital plan provides that any member may opt out of the conversion and have its existing capital stock redeemed. However, the FHLBank of Chicago will remain subject to that portion of the Consent Cease and Desist Order (C&D Order) it entered into with the Finance Board on October 10, 2007 that restricts redemptions and repurchases of capital stock without prior approval of the Deputy Director, other than certain permitted repurchases of Class B-1 stock above a member's capital stock "floor." Because the Deputy Director has not approved any redemptions or repurchases of existing capital stock since April 24, 2008, the FHLBank of Chicago expects that all shares of existing capital stock will be exchanged for Class B stock on January 1, 2012.

Under the new capital plan, each member will be required to own capital stock in an amount equal to the greater of a membership stock requirement or an activity stock requirement. A member's membership stock requirement is equal to the greater of one percent of the member's mortgage assets or \$10 thousand, subject to a cap equal to 9.9% of the FHLBank of Chicago's total capital stock outstanding as of the prior December 31. Each member's activity stock requirement is equal to five percent of the member's outstanding advances. Membership stock requirements will continue to be recalculated annually, whereas the activity stock requirement will apply on a continuing basis.

As of September 30, 2011, the FHLBank of Chicago was in compliance with all of its minimum regulatory capital requirements. Table 13.5 presents the FHLBank of Chicago's regulatory capital requirements at September 30, 2011, as a percentage of its total assets.

#### Table 13.5 - FHLBank of Chicago Regulatory Capital Requirements

(dollars in millions)

#### Regulatory Capital plus Designated Amount of Subordinated Notes(1)

	Requireme	nt in Effect	Acti	ual
Non-Mortgage Asset Ratio	Ratio(2)	Amount	Ratio	Amount
20.19%	4.76%	\$3,487	6.86%	\$5,025

- (1) The FHLBank of Chicago remains subject to the minimum regulatory leverage and other regulatory capital requirements pursuant to the Finance Agency regulations and the C&D Order until it completes its capital stock conversion. 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 currently allows the FHLBank of Chicago to include a percentage of the outstanding principal amount of the subordinated notes (the Designated Amount) in determining compliance with its regulatory capital and minimum regulatory leverage ratio requirements, subject to 20% annual phase-outs. As of June 14, 2011, the Designated Amount of subordinated notes was reduced to \$800 million.
- (2) The regulatory capital ratio currently required by Finance Agency regulations for the FHLBank of Chicago, which has not implemented a capital plan under the GLB Act, is 4.0%. The C&D Order includes a minimum regulatory capital ratio of 4.5%, which currently supersedes the 4.0% regulatory requirement. These ratios apply to the FHLBank of Chicago when 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 the amount of deposits and capital are not greater than 11% of the FHLBank of Chicago's total assets. If the non-mortgage asset ratio is greater than 11% of its total assets, the Finance Agency regulations require a regulatory capital ratio of 4.76%. The FHLBank of Chicago's non-mortgage asset ratio on an average monthly basis was above 11% at September 30, 2011, thus it was subject to the 4.76% ratio at that date.

Under the C&D Order, the FHLBank of Chicago is also currently required to maintain an aggregate amount of regulatory capital stock plus the Designated Amount of subordinated notes of at least \$3.600 billion. At September 30, 2011, the FHLBank of Chicago had an aggregate amount of \$3.720 billion of regulatory capital stock plus the Designated Amount of subordinated notes.

After the FHLBank of Chicago implements its new capital plan, the regulatory capital ratios discussed above will no longer apply and instead the FHLBank of Chicago will be required to maintain the risk-based capital, total regulatory capital and leverage capital requirements under the GLB Act. Permanent capital will include the FHLBank of Chicago's retained earnings plus the amount paid in for Class B stock, including Class B stock classified as mandatorily redeemable.

The Finance Agency notice approving the FHLBank of Chicago's capital plan terminates Article I of the C&D Order as of the effective date of its capital plan, which means that as of January 1, 2012, the FHLBank of Chicago will no longer be required to comply with the 4.5% capital (including the Designated Amount of subordinated notes) to asset ratio and the capital (including the Designated Amount of subordinated notes) floor requirement of \$3.600 billion imposed by the C&D Order.

#### **FHLBank of Seattle Capital Classification and Consent Arrangement**

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

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

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

The Consent Arrangement also provides for a Stabilization Period (defined as the period commencing on the date of the Consent Order and continuing through the August 11, 2011 filing of the FHLBank of Seattle's 2011 Second Quarter SEC Form 10-Q). The Consent Arrangement requires the FHLBank of Seattle to meet certain minimum financial metrics by the end of the Stabilization Period and maintain them for each quarter-end thereafter. These financial metrics relate to retained earnings, AOCL and the MVE to PVCS ratio.

With the exception of the retained earnings requirement under the Consent Arrangement as of June 30, 2011, the FHLBank of Seattle has met all minimum financial metrics at each quarter-end during the Stabilization Period and as of the quarter ended September 30, 2011. In addition, the FHLBank of Seattle has continued taking the specified actions noted in the Consent Arrangement and is working toward meeting the agreed-upon milestones and timelines for completing its plans to address the requirements for asset composition, capital management, and other operational and risk management objectives.

The Consent Arrangement clarifies, among other things, the steps the FHLBank of Seattle must take to stabilize its business, improve its capital classification, and return to normal operations. The FHLBank of Seattle has coordinated, and will continue coordinating, with the Finance Agency so that its plans and actions are aligned with the Finance Agency's expectations. However, there is a risk that the FHLBank of Seattle's implementation of approved plans, policies, and procedures designed to enhance the FHLBank of Seattle 's safety and soundness may, to varying degrees, reduce its flexibility in managing the FHLBank of Seattle, negatively affecting its advance volumes, its cost of funds, and its net income, which may have a material adverse consequence to its business, including its financial condition and results of operations. In addition, the FHLBank of Seattle cannot predict whether it will be able to develop and execute plans acceptable to the Finance Agency, meet and maintain the minimum financial metrics during the post-Stabilization Period, or meet the requirements for asset composition, capital management, and other operational and risk management objectives pursuant to the Consent Arrangement. Failure to successfully develop and execute such plans, meet and maintain such metrics, or meet such requirements could result in additional actions under the prompt corrective action provisions or imposition of additional requirements or conditions by the Finance Agency, which could also have a material adverse consequence to the FHLBank of Seattle's business, including its financial condition and results of operations.

The Consent Arrangement will remain in effect until modified or terminated by the Finance Agency and does not prevent the Finance Agency from taking any other action affecting the FHLBank of Seattle that, at the sole discretion of the Finance Agency, it deems appropriate in fulfilling its supervisory responsibilities. Until the Finance Agency determines that the FHLBank of Seattle has met the requirements of the Consent Arrangement, the FHLBank of Seattle expects that it will remain classified as "undercapitalized" and, as such, restricted from redeeming or repurchasing capital stock without Finance Agency approval.

#### Note 14—Fair Value

The fair value amounts, recorded on the Combined 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 September 30, 2011 and December 31, 2010. Although each 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 September 30, 2011 and December 31, 2010.

Table 14.1 presents the carrying value and estimated fair value of financial assets and liabilities of the FHLBanks. This table 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 and liabilities.

Table 14.1 - Fair Value Summary

	Septembe	er 30, 2011		Decembe	r 31,	2010
Financial Instruments	 arrying Value	Fair Va	lue	 arrying Value		Fair Value
Assets						
Cash and due from banks	\$ 14,251	\$	14,251	\$ 3,801	\$	3,801
Interest-bearing deposits	1,307		1,307	9		9
Securities purchased under agreements to resell	12,350		12,350	16,400		16,400
Federal funds sold	55,941		55,941	75,855		75,855
Trading securities	23,887		23,887	28,291		28,291
Available-for-sale securities	75,356		75,356	71,459		71,459
Held-to-maturity securities	121,405	1:	23,201	138,456		140,266
Advances(1)	415,379	4	18,216	478,589		480,420
Mortgage loans held for portfolio, net	55,172		58,873	61,191		64,289
Accrued interest receivable	1,612		1,612	1,921		1,921
Derivative assets, net	654		654	897		897
Other assets(2)	14		14	134		143
Liabilities						
Deposits	16,264		16,264	14,401		14,401
Securities sold under repurchase agreements	1,200		1,203	1,200		1,213
Consolidated obligations						
Discount notes(3)	172,269	1	72,279	194,431		194,435
Bonds(4)	530,260	5	39,774	606,567		613,573
Total consolidated obligations	702,529	7	12,053	800,998		808,008
Mandatorily redeemable capital stock	8,934		8,934	7,066		7,066
Accrued interest payable	2,416		2,416	2,471		2,471
Derivative liabilities, net	2,942		2,942	5,467		5,467
Optional advance commitments(5)	4		4	11		11
Subordinated notes	1,000		1,127	1,000		1,065

<sup>(1)</sup> Includes \$9,177 million and \$10,494 million of advances recorded under the fair value option and \$171 million and \$807 million of hedged advances recorded at fair value at September 30, 2011 and December 31, 2010.

#### **Fair Value Hierarchy**

The FHLBanks record trading securities, available-for-sale securities, derivative assets, derivative liabilities, certain advances, certain consolidated obligations and certain other liabilities at fair value on a recurring basis and on occasion, certain private-label MBS and other financial assets on a non-recurring basis. The fair value hierarchy is used to prioritize the fair value methodologies and valuation techniques, as well as the inputs to the 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 Combined 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. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

A description of the application of the fair value hierarchy is disclosed in *Note 21-Fair Value*, pages F-76 to F-77, of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010. For instruments that are carried at fair value, each FHLBank reviews its fair

<sup>(2)</sup> At December 31, 2010, other assets primarily includes mortgage loans held for sale.

<sup>(3)</sup> Includes \$13,115 million and \$5,820 million of consolidated obligation discount notes recorded under the fair value option at September 30, 2011 and December 31, 2010.

<sup>(4)</sup> Includes \$43,849 million and \$47,395 million of consolidated obligation bonds recorded under the fair value option and \$85 million and \$591 million of hedged consolidated bonds recorded at fair value at September 30, 2011 and December 31, 2010.

<sup>(5)</sup> Recorded in other liabilities under the fair value option at September 30, 2011 and December 31, 2010.

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 three and nine months ended September 30, 2011 and 2010.

# **Valuation Techniques and Significant Inputs**

A description of the valuation techniques and significant inputs is disclosed in *Note 21-Fair Value*, pages F-77 to F-81, of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010. There have been no significant changes in these valuation techniques and significant inputs, except as disclosed in Table 14.2.

Table 14.2 - Significant Inputs for Certain Financial Assets and Liabilities at September 30, 2011 (dollars in millions)

	Interest Rate Curve/ Pricing Services	Spread Range to the Interest Rate Curve (basis points)	lue Levels and 3
U.S. Treasury obligations	Treasury		\$ 1,453
Commercial paper	LIBOR Swap Curve	(8)	1,970
	Pricing Service	N/A	300
	Total		2,270
Certificates of deposit	LIBOR Swap Curve	(4) to (5)	1,545
	Pricing Service	N/A	3,244
	Total		4,789
Other U.S. obligations (non-MBS)	Pricing Service	N/A	 1,325
Government-sponsored enterprise and Tennessee Valley	LIBOR Swap Curve	63	 83
Authority obligations (non-MBS)	Agency Discount Note Curve	_	3,662
	Pricing Service	N/A	18,375
	CO Curve	_	500
	Total		22,620
State or local housing agency obligations	Pricing Service	N/A	3
Temporary Liquidity Guarantee Program debentures and	LIBOR Swap Curve	(5)	250
promissory notes	Pricing Service	N/A	 16,300
	Total		16,550
Federal Family Education Loan Program ABS	LIBOR Swap Curve	57 to 77	3,050
	Pricing Service	N/A	 5,340
	Total		8,390
Other	Pricing Service	N/A	1,078
Advances carried at fair value	CO Curve	11 to 20	9,348
Consolidated obligations - callable carried at fair value	LIBOR Swap Curve	(40) to 20	 4,972
	CO Curve	_	51,992
	Total		56,964
Consolidated obligations - non-callable carried at fair value	CO Curve	_	85

#### Fair Value on a Recurring Basis

Table 14.3 presents the fair value of financial assets and liabilities by level within the fair value hierarchy, which are recorded on a recurring basis at September 30, 2011 and December 31, 2010.

Table 14.3 - Hierarchy Level for Financial Assets and Liabilities - Recurring

September 30, 2011

			OOP	tember 30, 2011		
	Total	Level 1		Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Assets						
Trading securities						
U.S. Treasury obligations	\$ 1,453	\$ _	\$	1,453	\$ _	\$ _
Commercial paper	1,970	_		1,970	_	_
Certificates of deposit	1,545	_		1,545	_	_
Other U.S. obligations	206	_		206	_	_
Government-sponsored enterprise obligations	10,809	_		10,809	_	_
State or local housing agency obligations	3	_		3	_	_
Temporary Liquidity Guarantee Program debentures and promissory notes	6,712	_		6,712	_	_
Other non-MBS	296	10		286	_	_
Other U.S. obligations RMBS	45	_		45	_	_
Government-sponsored enterprise RMBS	601	_		601	_	_
Government-sponsored enterprise CMBS	247	_		247	_	_
Total trading securities	23,887	10		23,877	_	_
Available-for-sale securities						
Commercial paper	300	_		300	_	_
Certificates of deposit	3,244	_		3,244	_	_
Other U.S. obligations	1,119	_		1,119	_	_
Government-sponsored enterprise and Tennessee Valley Authority obligations	11,811	_		11,811	_	_
Temporary Liquidity Guarantee Program debentures and promissory notes	9,838	_		9,838	_	_
Federal Family Education Loan Program ABS	8,390	_		8,390	_	_
Other non-MBS	794	2		792	_	_
Other U.S. obligations RMBS	3,148	_		3,148	_	_
Government-sponsored enterprise RMBS	21,536	_		21,536	_	_
Government-sponsored enterprise CMBS	218	_		218	_	_
Private-label RMBS	14,942	_		_	14,942	_
Home equity loan ABS	 16				16	_
Total available-for-sale securities	75,356	2		60,396	14,958	
Advances(2)	 9,348	 		9,348	 	
Derivative assets, net						
Interest-rate related	642	_		8,622	36	(8,016)
TBAs	_	_		_	_	_
Mortgage delivery commitments	12	_		12	_	_
Total derivative assets, net	654	_		8,634	36	(8,016)
Other assets	14	14		_	_	_
Total assets at fair value	\$ 109,259	\$ 26	\$	102,255	\$ 14,994	\$ (8,016)

September 30, 2011

	Total	Level 1	 Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Liabilities					
Consolidated Obligations					
Discount notes(3)	\$ 13,115	\$ _	\$ 13,115	\$ _	\$ _
Bonds(4)	43,934	_	43,849	85	_
Total consolidated obligations	57,049		56,964	85	_
Derivative liabilities, net			_		
Interest-rate related	2,932	_	21,909	_	(18,977)
TBAs	3	_	3	_	_
Mortgage delivery commitments	7	_	7	_	_
Total derivative liabilities, net	2,942	_	21,919		(18,977)
Option advance commitments(5)	4		4		_
Total liabilities at fair value	\$ 59,995	\$ 	\$ 78,887	\$ 85	\$ (18,977)

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	Total	Level 1	Lev	vel 2	ı	Level 3		Netting Adjustment and Cash Collateral(1)
Assets		 						` '
Trading securities								
U.S. Treasury obligations	\$ 3,068	\$ _	\$	3,068	\$	_	\$	_
Commercial paper	2,349	_		2,349		_		_
Certificates of deposit	7,075	_		7,075		_		_
Government-sponsored enterprise obligations	12,355	_		12,355		_		_
State or local housing agency obligations	3	_		3		_		_
Temporary Liquidity Guarantee Program debentures and promissory notes	2,126	_		2,126		_		_
Other non-MBS	271	11		260		_		_
Other U.S. obligations RMBS	49	_		49		_		_
Government-sponsored enterprise RMBS	765	_		765		_		_
Government-sponsored enterprise CMBS	230	 		230				
Total trading securities	28,291	11		28,280		_		_
Available-for-sale securities								
Certificates of deposit	5,790	_		5,790		_		_
Other U.S. obligations	984	_		984		_		_
Government-sponsored enterprise and Tennessee Valley Authority obligations	11,177	_		11,177		_		_
Temporary Liquidity Guarantee Program debentures and promissory notes	10,576	_		10,576		_		_
Federal Family Education Loan Program ABS	8,799	_		8,799		_		_
Other non-MBS	577	2		575		_		_
Other U.S. obligations RMBS	3,179	_		3,179		_		_
Government-sponsored enterprise RMBS	22,012	_		22,012		_		_
Government-sponsored enterprise CMBS	303	_		303		_		_
Private-label RMBS	8,047	_		_		8,047		_
Home equity loan ABS	15	 <u> </u>				15		_
Total available-for-sale securities	71,459	 2		63,395		8,062		
Advances(2)	11,301	 		11,301				_
Derivative assets, net								
Interest-rate related	894	_		8,437		29		(7,572)
TBAs	1	1		_		_		
Mortgage delivery commitments	2	 		2				
Total derivative assets, net	897	 1		8,439		29		(7,572)
Other assets	13	 13					_	<u> </u>
Total assets at fair value	\$ 111,961	\$ 27	\$	111,415	\$	8,091	\$	(7,572)

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	Total	Level 1	Level 2	Level 3		Netting Adjustment and Cash Collateral(1)
Liabilities						
Consolidated Obligations						
Discount notes(3)	\$ 5,820	\$ _	\$ 5,820	\$ _	\$	_
Bonds(4)	47,986	_	47,908	78		_
Total consolidated obligations	53,806		53,728	78	_	_
Derivative liabilities, net						
Interest-rate related	5,462	_	19,042	_		(13,580)
TBAs	1	_	1	_		_
Mortgage delivery commitments	4	_	4	_		_
Total derivative liabilities, net	5,467	_	19,047			(13,580)
Optional advance commitments(5)	11	_	11	_		_
Total liabilities at fair value	\$ 59,284	\$ _	\$ 72,786	\$ 78	\$	(13,580)

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

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

Table 14.4 presents a reconciliation of assets and liabilities measured at fair value on a recurring basis which used Level 3 significant inputs during the nine months ended September 30, 2011 and 2010.

Table 14.4 - Reconciliation of Level 3 Assets and Liabilities

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)								
	Available-for-Sale Securities				Derivatives, Net(1)				
	Pr	ivate-Label RMBS		Equity n ABS		rest-Rate elated		solidated Bonds	
Balance, December 31, 2010	\$	8,047	\$	15	\$	29	\$	(78)	
Total gains or losses (realized/unrealized)									
Included in net gains (losses) on sale of AFS securities		12		_		_		_	
Included in net gains (losses) on changes in fair value included in earnings		(458) <sup>(a)</sup>		(1)		7		(7)	
Included in AOCI		1,241		5		_		_	
Purchases, issuances, sales and settlements									
Sales		(294)		_		_		_	
Settlements		(1,881)		(3)		_		_	
Transfers from held-to-maturity to available-for-sale securities(2)		8,275		_		_		_	
Balance, September 30, 2011	\$	14,942	\$	16	\$	36	\$	(85)	
Total amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains/losses relating to assets and liabilities still held at September 30, 2011	\$	(456)	\$	(1)	\$	7	\$	(7)	

<sup>(2)</sup> Includes \$9,177 million and \$10,494 million of advances recorded under the fair value option and \$171 million and \$807 million of hedged advances recorded at fair value at September 30, 2011 and December 31, 2010.

<sup>(3)</sup> Represents consolidated obligation discount notes recorded under the fair value option at September 30, 2011 and December 31, 2010.

<sup>(4)</sup> Includes \$43,849 million and \$47,395 million of consolidated obligation bonds recorded under the fair value option and \$85 million and \$591 million of hedged consolidated bonds recorded at fair value at September 30, 2011 and December 31, 2010.

<sup>(5)</sup> Recorded in other liabilities under the fair value option at September 30, 2011 and December 31, 2010.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)								
		Available-for-	Sale Secu	urities	Derivatives, Net(1)				
	Pı	rivate-Label RMBS			Interest-Rate Related		Consolidated Bonds		
Balance, December 31, 2009	\$	5,695	\$	14	\$	23	\$	(71)	
Total gains or losses (realized/unrealized)									
Included in net gains (losses) on sale of AFS securities		8		_		_		_	
Included in net gains (losses) on changes in fair value included in earnings		(318) <sup>(a)</sup>		(1)		13		(14)	
Included in AOCI		1,172		6		_		_	
Purchases, issuances and settlements		(1,222)		(3)		_		_	
Transfers from held-to-maturity to available-for-sale securities(2)		1,950		_		_		_	
Balance, September 30, 2010	\$	7,285	\$	16	\$	36	\$	(85)	
Total amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains/losses relating to assets and liabilities still held at September 30, 2010	\$	(287)	\$	(1)	\$	13	\$	(14)	

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

### Fair Value on a Non-Recurring Basis

The FHLBanks measure certain held-to-maturity securities, mortgage loans and real estate owned at fair value on a non-recurring 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).

Table 14.5 presents the fair value of financial assets and liabilities by level within the fair value hierarchy that are recorded on a non-recurring basis at September 30, 2011 and December 31, 2010.

Table 14.5 - Hierarchy Level for Financial Assets and Liabilities - Non-Recurring

	September 30, 2011								
		Total		Level 1		Level 2		Level 3	
Held-to-maturity securities									
Private-label RMBS	\$	392	\$	_	\$	_	\$	392	
Total held-to-maturity securities		392						392	
Mortgage loans held for portfolio		119		_		_		119	
Real estate owned		28		_		4		24	
Total non-recurring assets at fair value	\$	539	\$		\$	4	\$	535	

		December 31, 2010									
		Total		Level 1		Level 2		Level 3			
Held-to-maturity securities	_										
Private-label RMBS	\$	738	\$	_	\$	_	\$	738			
Total held-to-maturity securities	_	738		_		_		738			
Mortgage loans held for portfolio		96		_		_		96			
Real estate owned		22		_		2		20			
Total non-recurring assets at fair value	\$	856	\$	_	\$	2	\$	854			

<sup>(1)</sup> Balances exclude netting adjustments and cash collateral.

<sup>(2)</sup> During the nine months ended September 30, 2011, each of the FHLBanks of Pittsburgh, Atlanta, Indianapolis and San Francisco elected to transfer from their respective HTM portfolio to their respective AFS portfolio all private-label RMBS that had credit-related OTTI. During the nine months ended September 30, 2010, each of the FHLBanks of Pittsburgh and Atlanta elected to transfer all private-label RMBS that had credit-related OTTI from their respective HTM portfolio to their respective AFS portfolio. The FHLBank of Seattle elected to transfer certain private-label RMBS that had credit-related OTTI during the nine months ended September 30, 2011 and 2010 from their HTM portfolio to their AFS portfolio. (See Note 6- Other-Than-Temporary Impairment Analysis for additional information on these transfers.) As of September 30, 2011 and 2010, the fair value of these securities continued to be determined using significant unobservable inputs (Level 3).

#### **Fair Value Option**

The fair value option provides an irrevocable option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments and written loan commitments not previously carried at fair value. It requires entities to display the fair value of those assets and liabilities for which the entity has chosen to use fair value on the face of the statement of condition. Fair value is used for both the initial and subsequent measurement of the designated assets, liabilities and commitments, with the changes in fair value recognized in net income. Interest income and interest expense 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.

Each of the FHLBanks of New York, Cincinnati, Chicago, Des Moines, Dallas, and San Francisco (Electing FHLBanks) has elected the fair value option for certain advances, certain optional advance commitments and/or certain consolidated obligations transactions. Each of the Electing FHLBanks has elected one or more 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.

Table 14.6 - Fair Value Option Financial Assets and Liabilities

(dollars in millions)

Three Months	Ended	September	· 30,
--------------	-------	-----------	-------

		2011								2010								
	Advances		Consolidated Discount rances Notes		Co	onsolidated Bonds		Other Liabilities		Advances	Consolidated Discount Notes		Consolidated Bonds		L	Other iabilities		
Balance, at beginning of period	\$	\$ 9,236		(2,356)	\$	(34,554)	\$	(10)	\$	12,823	\$	(4,963)	\$	(45,613)	\$	_		
New transactions elected for fair value option		229		(10,854)		(24,998)		_		3,152		(2,002)		(14,019)		(2)		
Maturities and terminations	(403)		101		15,758			_		(4,934)		_		22,188		_		
Net gains (losses) on financial instruments held under fair value option		116		(2)		(50)		6		64		(2)		5		_		
Change in accrued interest and other		(1)		(4)		(5)		_		(11)		(1)		16		_		
Balance, at end of period	\$	9,177	\$	(13,115)	\$	(43,849)	\$	(4)	\$	11,094	\$	(6,968)	\$	(37,423)	\$	(2)		

#### Nine Months Ended September 30,

		2011							2010							
	Advances		Consolidated Discount Notes		Consolidated Bonds		Other Liabilities		Advances		Consolidated Discount Notes		Consolidated Bonds		Other Liabilities	
Balance, at beginning of period	\$ 10,494		\$	(5,820)	\$	(47,395)	\$	(11)	\$	21,620	\$ —		\$	(53,805)	\$	_
New transactions elected for fair value option		1,751		(12,058)		(57,338)		(3)		3,352		(6,962)		(54,924)		(2)
Maturities and terminations		(3,231)		4,770		61,023		_		(13,849)		_	71,390			_
Net gains (losses) on financial instruments held under fair value option		170		(1)		(145)		10		20		(4)		(91)		_
Change in accrued interest and other		(7)		(6)		6		_		(49)		(2)		7		_
Balance, at end of period	\$	9,177	\$	(13,115)	\$	(43,849)	\$	(4)	\$	11,094	\$	(6,968)	\$	(37,423)	\$	(2)

For items recorded under the fair value option, the related contractual interest income, contractual interest expense and the discount amortization on fair value option discount notes are recorded as part of net interest income on the Combined Statement of Income. The remaining changes in fair value for instruments in which the fair value option has been elected are recorded in net gains (losses) on financial instruments held under fair value option in the Combined Statement of Income. The change in fair value does not include changes in instrument-specific credit risk. Each of the Electing FHLBanks determined that no adjustments to the fair values of its instruments recorded under the fair value option for instrument-specific credit risk were necessary as of September 30, 2011 and December 31, 2010.

Table 14.7 presents the difference between the aggregate unpaid balance outstanding and the aggregate fair value for advances and consolidated obligations for which the fair value option has been elected as of September 30, 2011 and December 31, 2010.

Table 14.7 - Aggregate Unpaid Balance and Aggregate Fair Value

(dollars in millions)

		September 30, 2011							December 31, 2010								
	Unpa	gregate d Principal alance	ncipal Aggregate Fair			ue Over/ ider) regate Principal ance	Unpa	ggregate iid Principal Balance	Agg	regate Fair Value	Fair Value Ov (Under) Aggregate air Unpaid Princ Balance						
Advances(1)	\$	8,741	\$	9,177	\$	436	\$	10,167	\$	10,494	\$	327					
Consolidated discount notes		13,114		13,115		1		5,816		5,820		4					
Consolidated bonds		43,818		43,849		31		47,503		47,395		(108)					

<sup>(1)</sup> At September 30, 2011 and December 31, 2010, none of the advances were 90 days or more past due or had been placed on non-accrual status.

#### Note 15—Commitments and Contingencies

#### **Off-Balance-Sheet Commitments**

Table 15.1 - Off-Balance-Sheet Commitments

(dollars in millions)

		De	ecember 31, 2010					
Notional amount	Expire Within Expire After One One Year Year					Total		Total
Standby letters of credit outstanding(1)	\$	31,972	\$	21,783	\$	53,755	\$	63,098
Commitments for standby bond purchases		326		2,863		3,189		3,475
Unused lines of credit		2,080		_		2,080		2,098
Commitments to fund additional advances		923		162		1,085		2,182
Unsettled consolidated bonds, at par(2)		14,538		_		14,538		2,619
Unsettled consolidated discount notes, at par		44		_		44		42

<sup>(1)</sup> Excludes unconditional commitments to issue standby letters of credit of \$371 million and \$503 million at September 30, 2011 and December 31, 2010.

<u>Commitments to Extend Credit.</u> A standby letter of credit is a financing arrangement between the FHLBank and its member. Standby letters of credit are executed for members for a fee. If the FHLBank is required to make payment for a beneficiary's draw, the payment amount is converted into a collateralized advance to the member. The original terms of these standby letters of credit, including related commitments, range from less than one month to 20 years, including a final expiration in 2030. The carrying value of guarantees related to standby letters of credit are recorded in other liabilities and were \$98 million and \$138 million at September 30, 2011 and December 31, 2010.

<sup>(2)</sup> Unsettled consolidated bonds of \$11,688 million and \$1,758 million were hedged with associated interest-rate swaps at September 30, 2011 and December 31, 2010

Each FHLBank monitors the creditworthiness of its members that have standby letters of credit agreements outstanding based on an evaluation of the financial condition of those members. Each of the FHLBanks has established parameters for the measurement, review, classification and monitoring of credit risk related to these standby letters of credit. Based on credit analyses performed by each FHLBank's management as well as collateral requirements, the FHLBanks have not deemed it necessary to record any additional liability on these commitments. Commitments to extend credit are fully collateralized at the time of issuance.

Standby Bond-Purchase Agreements. Certain FHLBanks have entered into standby bond-purchase agreements with state housing authorities within their district whereby the FHLBanks agree to provide liquidity for a fee. If required, these FHLBanks will purchase and hold the state housing authority's bonds until the designated marketing agent can find a suitable investor or the state housing authority repurchases the bond according to a schedule established by the standby bond-purchase agreement. Each standby agreement dictates the specific terms that would require the FHLBank to purchase the bond. The standby bond-purchase commitments entered into by these FHLBanks have expiration periods of up to seven years, currently expiring no later than 2016, although some are renewable at the option of an FHLBank. At September 30, 2011, the FHLBanks had standby bond-purchase commitments with 10 state housing authorities. During the nine months ended September 30, 2011, the FHLBanks were not required to purchase any bonds under these agreements.

Commitments to Fund or Purchase Mortgage Loans. The FHLBanks enter into commitments that unconditionally obligate them to fund or purchase mortgage loans. Commitments are generally for periods not to exceed 365 days. Of these outstanding commitments, \$1,263 million and \$610 million at September 30, 2011 and December 31, 2010 represent commitments that obligate the FHLBanks to purchase closed mortgage loans from their members, as well as net delivery commitments related to the MPF Xtra product. In addition, \$5 million of commitments that obligate the FHLBanks to table fund mortgage loans that are not considered derivatives were outstanding at December 31, 2010. There were no commitments that obligate the FHLBanks to table fund mortgage loans at September 30, 2011.

Delivery commitments are recorded at fair value as derivatives. Under the MPF Xtra product, the FHLBank of Chicago enters into delivery commitments to purchase MPF Xtra mortgage loans from the PFIs, and simultaneously enters into delivery commitments to resell these loans to Fannie Mae. The outstanding delivery commitments issued by the FHLBank of Chicago were \$506 million and \$140 million at September 30, 2011 and December 31, 2010. For derivative and hedging activities disclosure purposes, the delivery commitments issued by the FHLBank of Chicago and by Fannie Mae are considered separate derivatives.

#### **Pledged Collateral**

The FHLBanks generally execute derivatives with large banks and major broker-dealers and generally enter into bilateral pledge (collateral) agreements. At September 30, 2011, the FHLBanks had pledged, as collateral, securities with a carrying value of \$981 million, which cannot be sold or repledged, and securities with a carrying value of \$361 million, which can be sold or repledged to counterparties who have market risk exposure from the FHLBanks related to derivatives.

#### **Lehman Bankruptcy**

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

Additionally, a number of FHLBanks, including the FHLBanks of New York, Cincinnati, Indianapolis and Topeka, have received a derivatives alternative dispute resolution (ADR) notice from the LBHI bankruptcy estate relating to the unwinding of derivatives transactions between LBSF and individual FHLBanks in 2008. Under the derivatives ADR notice, an FHLBank may agree to the demand, deny the demand or make a counteroffer and ultimately arrive at a settlement of the demand.

During the third quarter of 2011, the FHLBank of Pittsburgh and the management of the Lehman bankruptcy estate entered into a termination agreement concluding on the stipulated amount of the FHLBank of Pittsburgh's claim on the Lehman bankruptcy estate. Also during the same period, the FHLBank of Topeka settled its dispute with LBSF. Each of the FHLBanks of New York, Pittsburgh, Cincinnati, Indianapolis and Topeka has disclosed information regarding certain legal proceedings in connection with LBHI's insolvency in its individual 2011 Third Quarter SEC Form 10-Q.

# **Other Legal Proceedings**

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

Further discussion and additional information for the above and other commitments and contingencies are provided in <u>Note 7-Advances</u>; <u>Note 10-Derivatives and Hedging Activities</u>; <u>Note 12-Consolidated Obligations</u>; <u>Note 13-Capital</u>; and <u>Note 14-Fair Value</u>.

## Note 16—Subsequent Events

Subsequent events have been evaluated through the time of publication of this Combined Financial Report. From October 1 to November 14, 2011, no significant subsequent events were identified, except for the declaration of dividends or repurchase of excess capital stock, which generally occur in the normal course of business unless there are regulatory or self-imposed restrictions.

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# FEDERAL HOME LOAN BANKS **COMBINING SCHEDULES—STATEMENTS OF CONDITION** SEPTEMBER 30, 2011 (Unaudited)

Assets Cash and due from banks Interest-bearing deposits Deposits with other FHLBanks Securities purchased under agreements to resell Federal funds sold Investment securities Trading securities Available-for-sale securities Held-to-maturity securities Total investment securities Advances Mortgage loans held for portfolio, net	\$	14,251 1,307 — 12,350 55,941	\$	— — (16)	\$	339	\$	4,744
Interest-bearing deposits  Deposits with other FHLBanks  Securities purchased under agreements to resell  Federal funds sold  Investment securities  Trading securities  Available-for-sale securities  Held-to-maturity securities  Total investment securities  Advances	\$	1,307 — 12,350	\$	_ _ (16)	\$	339	\$	4 744
Deposits with other FHLBanks Securities purchased under agreements to resell Federal funds sold Investment securities Trading securities Available-for-sale securities Held-to-maturity securities Total investment securities Advances		12,350		(16)				.,
Securities purchased under agreements to resell Federal funds sold Investment securities Trading securities Available-for-sale securities Held-to-maturity securities Total investment securities Advances				(16)		_		_
Federal funds sold Investment securities Trading securities Available-for-sale securities Held-to-maturity securities Total investment securities Advances				(10)		_		_
Investment securities Trading securities Available-for-sale securities Held-to-maturity securities Total investment securities Advances		55,941		_		3,500		_
Trading securities Available-for-sale securities Held-to-maturity securities Total investment securities Advances				_		3,380		4,964
Available-for-sale securities Held-to-maturity securities Total investment securities Advances								
Held-to-maturity securities  Total investment securities  Advances		23,887		(210)		274		_
Total investment securities Advances		75,356		_		5,433		3,345
Advances		121,405				7,329		8,821
		220,648		(210)		13,036		12,166
Mortgage loans held for portfolio, net		415,379				25,025		73,779
Mortgage loans held for portfolio		55,290		_		3,136		1,364
Allowance for credit losses on mortgage loans		(118)		_		(7)		(7)
Total mortgage loans held for portfolio, net		55,172				3,129		1,357
Accrued interest receivable		1,612		(2)		110		243
Premises, software and equipment, net		218				5		14
Derivative assets, net		654		_		16		54
Other assets		720		2		34		13
Total assets	\$	778.252	\$	(226)	\$	48.574	\$	97.334
Liabilities		110,202		(220)		40,014		37,004
Deposits								
Interest-bearing	\$	15,893	\$	(16)	\$	721	\$	2,515
Non-interest-bearing	Ψ	371	φ	(10)	Ψ	20	φ	2,313
Total deposits	_		-	(16)		741	_	
·		16,264		(16)		741	_	2,521
Securities sold under agreements to repurchase		1,200					_	_
Consolidated obligations		470.000				40.070		00.500
Discount notes		172,269		<u> </u>		10,673		22,539
Bonds		530,260		(269)		32,447		66,281
Total consolidated obligations		702,529		(269)		43,120		88,820
Mandatorily redeemable capital stock		8,934				228		58
Accrued interest payable		2,416		(2)		143		191
Affordable Housing Program payable		725				29		130
Derivative liabilities, net		2,942		_		896		399
Other liabilities		1,938				14		119
Subordinated notes		1,000						_
Total liabilities		737,948	_	(287)		45,171		92,238
Capital								
Capital stock								
Class B putable (\$100 par value) issued and outstanding		32,881		_		3,584		4,572
Class A putable (\$100 par value) issued and outstanding		713		_		_		_
Pre-conversion putable (\$100 par value) issued and outstanding		2,390		_		_		_
Total capital stock		35,984				3,584		4,572
Retained earnings								
Unrestricted		6,410		63		326		700
Restricted		1,783		_		10		8
Total retained earnings		8,193		63		336		708
Accumulated other comprehensive income (loss)		0,100						700
Net unrealized gains (losses) on available-for-sale securities		1,344				(34)		16
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities						(34)		10
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities		(5)				_		_
Net non-credit portion of other-than-temporary impairment losses on available-in-sale securities		(2,736)				(AEE)		(0.0
		(1,233)		(2)		(455)		(82)
Net unrealized gains (losses) relating to hedging activities		(1,197)		(2)		(27)		(106
Pension and postretirement benefits		(46)				(1)	_	(12
Total accumulated other comprehensive income (loss)		(3,873)		(2)		(517)	_	(184)
Total capital	_	40,304	_	61		3,403	_	5,096
Total liabilities and capital	\$	778,252	\$	(226)	\$	48,574	<u>\$</u>	97,334
Supplemental Disclosures								
Advances held at fair value under fair value option	\$	9,177	\$		\$		\$	
Consolidated discount notes held at fair value under fair value option	\$	13,115	\$		\$		\$	4,125
Consolidated bonds held at fair value under fair value option	\$	43,849	\$		\$		\$	14,341
Other liabilities held at fair value under fair value option	\$	4	\$		\$		\$	

Pit	tsburgh		Atlanta	Ci	ncinnati	Indianapo	olis		hicago	De	es Moines		Dallas		opeka	San	Francisco		Seattle
\$	196	\$	4	\$	2,385	\$	316	\$	275	\$	316	\$	1,232	\$	1,797	\$	2,646	\$	1
Ť	_		1,300	Ť		•	_	Ť		Ť	7		_	Ť	_				_
	13		2		_		_		_				1		_		_		
	500		16 440		1,900	2	500		650		1,500 690		500		700		40 224		3,300
	2,030		16,440		3,690	3	470		1,960		690		1,825		700		10,331		6,461
	984		3,137		4,387		_		4,214		1,358		6		6,193		3,544		_
	3,342		3,102		3,619	3	013		24,626		5,673		2,057		_		9,924		11,222
	9,657		17,223		12,458		845		11,692		5,468		6,862		5,409		20,808		6,833
	13,983		23,462		20,464		858		40,532		12,499		8,925		11,602		34,276		18,055
	25,839		75,363		30,345	10	564		14,294		27,069		18,649		17,018		78,462		10,972
	4,043		1,743		7,889	6	110		15,246		7,351		173		4,798		1,995		1,442
	(12)		(1)		(15)		(3)		(41)		(20)				(4)		(5)		(3)
	4,031		1,742		7,874	6	107		15,205		7,331		173		4,794		1,990		1,439
	137 17		318 33		126 9		90 12		163 37		83 12		51 23		80 11		139 28		74 17
	35		33		5		2		35		11		33		29		347		54
	48		155		123		31		100		39		15		58		89		13
\$	46,829	\$		\$	66,921	\$ 40		\$	73,251	\$		\$	31,427	\$	36,089	\$	128,308	\$	40,386
\$	1,191	\$	3,170	\$	1,275	\$ 1.	232	\$	606	\$	779	\$	1,695	\$	2,164	\$	196	\$	365
	32				15		14		110		136				36		2		_
	1,223		3,170		1,290	1	246		716		915		1,695		2,200		198		365
		_							1,200			_				_			
	7,466		16,057		33,339	6	981		19,830		5,672		7,978		11,506		17,390		12,838
	33,657		91,720		27,511		854		45,880		39,782		19,424		20,380		99,118		24,475
	41,123		107,777		60,850	36	835		65,710		45,454		27,402		31,886		116,508		37,313
	48		319		331		483		530		7		8		10		5,853		1,059
	169		340		153		112 32		396		186		96		104		434		94
	13 462		115 206		76 100		140		61 220		39 129		33 2		30 114		155 123		12 151
	20		129		587		162		96		33		527		34		180		37
									1,000										_
	43,058		112,056		63,387	39	010		69,929		46,763		29,763		34,378		123,451		39,031
	3,484		5,910		3,106	1.	553		_		2,107		1,244		766		4,934		1,621
	· —		´ —		´ —		_		_		´ —		´ —		593		´ —		120
									2,390										_
	3,484		5,910		3,106	1	553		2,390		2,107		1,244		1,359		4,934		1,741
	422		1,197		432		466		1,277		552		476		377		_		122
	2		6		4		6		28				2				1,695		22
	424		1,203		436		472		1,305		552		478		377		1,695		144
	•				(4)		2		4.040		400		(0)				4		40
	3		_		(1)		3		1,216 (5)		136		(6)		_		1		10
	(140)		(307)		_		(81)		(26)		_		_		_		(1,705)		(477)
	`		` _		_		`—		(499)				(53)		(22)		(60)		(62)
			_		_		_		(1,061)		_						(1)		_
	(407)		(10)		(7)		(7)		(272)		(1)		(50)		(3)	_	(1 772)	_	(1)
	(137) 3,771		(317) 6,796		(8) 3,534	1	(85) 940		(373) 3,322		135 2,794		(58) 1,664		(25) 1,711		(1,772) 4,857		(530) 1,355
\$	46,829	\$	118,852	\$	66,921		950	\$	73,251	\$	49,557	\$	31,427	\$	36,089	\$	128,308	\$	40,386
\$		\$		\$		\$	_	\$	6.603	\$	2,387	\$		\$		\$	9,168 —	\$	
\$	_=	\$		\$	4.107	\$	=	\$	4.812	\$	1.642	\$		\$		\$	18.947	\$	
\$		\$		\$		\$		\$		\$		\$	4	\$		\$		\$	_

# FEDERAL HOME LOAN BANKS **COMBINING SCHEDULES—STATEMENTS OF CONDITION** DECEMBER 31, 2010 (Unaudited)

Cash and due from banks         \$ 3,801         \$ — \$ 6         \$ 661           Interest-bearing deposits         9         — — — —         —           Deposits with other FHLBanks         — (13)         — —         —           Securities purchased under agreements to resell         16,400         — 2,175         —           Federal funds sold         75,855         — 5,585         4,988	(dollars in millions)	[	Combined	Comb Adjust	oining tments	Boston	New York
Immers betaining deposeds   9	Assets						
Depoise with other FH. Banks	Cash and due from banks	\$	3,801	\$	_	\$ 6	\$ 661
Securities purchased under agreements to reself feches and under agreements to reself feches and under agreements to reself feches and under securities   7,685   - 6,855   - 6,885   - 6,885   - 6,885   - 6,885   - 6,885   - 6,885   - 6,885   - 6,885   - 6,885   - 6,885   - 6,885   - 6,885   -	Interest-bearing deposits		9		_	_	_
Propose   Prop	Deposits with other FHLBanks		_		(13)	_	_
Investment securities	Securities purchased under agreements to resell		16,400		_	2,175	_
Trading sounties	Federal funds sold		75,855		_	5,585	4,988
Available-for-carle securities	Investment securities						
Pebel-Portaluthy securities   138,456	Trading securities		28,291		(195)	5,580	
Total investments securities   238,206   1195   19,274   11,761   10,764   12,805					_		3,990
Advances (	· · · · · · · · · · · · · · · · · · ·	_					
Mortagage loans field for portfolio   61,277		-			(195 <u>)</u>		
Mortgage baras held for portfolio			478,589			28,035	81,200
Moname for credit losses on mortgage loans and for portfolio, net   61,191     3,246   1,266   1,261     3,261   1,262     5     1,262     1,262     1,262     1,263   .							
Total case i la							
	• •	-					
Pemises, software and equipment, net   1228   15   15   15   15   15   15   15   1							
Bern   Bern   Ser   Se					(3)		
Differ seases							
Total assets					_		
Disposition   Programme   Pr		_   _		_			
Interest-bearing		<u>\$</u>	878,109	<u>\$</u>	(208)	\$ 58,647	<u>\$ 100,212</u>
Interest-bearing							
Non-interest-bearing	•		40.000		(40)		
Total deposits Securities sold under agreements to repurchase 1,200 —	Interest-bearing	\$	13,980	\$	(13)	\$ 711	\$ 2,445
Securities sold under agreements to repurchase   1,200	Non-interest-bearing		421				
Consolidated obligations   194,431	Total deposits				(13)	745	2,455
Discount notes   194,431	Securities sold under agreements to repurchase		1,200				
Bonds         606,567         (254)         35,103         71,743           Total consolidated obligations         800,998         (254)         53,628         91,134           Mandatorily redeemable capital stock         7,066         — 90         63           Accrued interest payable         2,471         (3)         141         197           Affordatel Housing Program payable         773         — 23         138           Payable to REFCORP         159         — 72         22           Derivative liabilities, net         5,467         — 729         955           Other liabilities         833         — 159         — 72         22           Subordinated notes         1,000         — 72         72         95.08           Capital Stock         33,688         2,70         55,371         95,086           Capital Stock         38,683         — 3,665         4,529           Class A putable (\$100 par value) issued and outstanding         719         — 7         — 7           Class A putable (\$100 par value) issued and outstanding         2,333         — 7         3,665         4,529           Class A putable (\$100 par value) issued and outstanding         5,943         64         249         712	Consolidated obligations						
Total consolidated obligations			194,431		_		19,391
Mandatorily redeemable capital stock         7,066         —         90         63           Accrued interest payable         2,471         (3)         141         197           Affordable Housing Program payable         773         —         23         138           Payable to REFCORP         159         —         —         22           Dervalvate liabilities, et         5,467         —         729         955           Other liabilities         833         —         15         104           Subordinated notes         1,000         —         —         —         —           Total liabilities         834,368         (270)         55,371         95,688           Capital         —		_					
Accrued interest payable         2,471         (3)         141         197           Affordable Housing Program payable         773         —         23         138           Apyable to REFCORP         159         —         —         22           Dervative liabilities, net         5,467         —         729         955           Other liabilities         833         —         15         104           Subordinated notes         1,000         —         —         —           Total liabilities         834,368         (270)         55,371         95,068           Capital         —         —         —         —           Capital Stock         —         —         —         —           Class B putable (\$100 par value) issued and outstanding         38,683         —         3,665         4,529           Class A putable (\$100 par value) issued and outstanding         2,333         —         3,665         4,529           Total capital stock         41,735         —         3,665         4,529           Retained earnings         —         —         —         —           Unrestricted         5,943         64         249         712           Restric	•				(254)		
Affordable Housing Program payable         773         —         23         138           Payable to REFCORP         159         —         —         225           Derivative liabilities, net         5.467         —         729         955           Other liabilities         833         —         15         104           Subordinated notes         1,000         —         —         —           Total liabilities         834,368         (270)         55,371         95,068           Capital         834,368         (270)         55,371         95,068           Capital Stock         —         —         —         —           Class A putable (\$100 par value) issued and outstanding         779         —         —         —           Pre-conversion putable (\$100 par value) issued and outstanding         2,333         —         —         —         —           Total capital stock         41,735         —         3,665         4,529         —							
Payable to REFCORP         159         —         —         22           Derivative liabilities, net         5,467         —         729         955           Other liabilities         833         —         15         104           Subordinated notes         1,000         —         —         —         —           Capital         —         —         55,371         95,068           Capital         —         —         —         —         —           Capital Stock         —					(3)		
Derivative liabilities, net         5,467         — 729         955           Other liabilities         833         — 15         104           Subordinated notes         1,000         — — — — — — — — — — — — — — — — — — —						23	
Other liabilities         833         —         15         104           Subordinated notes         1,000         —         —         —         —         —         5,371         95,068           Capital         Capital Stock         Capital Stock         Capital Stock         Capital Stock         Capital Stock         Capital Stock         —         3,665         4,529           Class A putable (\$100 par value) issued and outstanding         719         —	•				_		
Subordinated notes							
Total liabilities 834,368 (270) 55,371 95,068 Capital Capital Stock  Class B putable (\$100 par value) issued and outstanding 38,683 — 3,665 4,529 Class A putable (\$100 par value) issued and outstanding 719 — — — — — — — — — — — — — — — — — — —					_	15	104
Capital         Capital Stock         Capital Stock         Class B putable (\$100 par value) issued and outstanding         38,683         — 3,665         4,529           Class A putable (\$100 par value) issued and outstanding         719         — — — — — — — — — — — — — — — — — — —		_					
Capital Stock         38,683         — 3,665         4,529           Class A putable (\$100 par value) issued and outstanding         719         — — — — — — — — — — — — — — — — — — —		_   _	834,368		(270)	55,371	95,068
Class B putable (\$100 par value) issued and outstanding         38,683         — 3,665         4,529           Class A putable (\$100 par value) issued and outstanding         719         — — — — — — — — — — — — — — — — — — —							
Class A putable (\$100 par value) issued and outstanding   719   2,333   3	•						. ===
Pre-conversion putable (\$100 par value) issued and outstanding						3,665	4,529
Total capital stock   41,735					_	_	_
Retained earnings							
Unrestricted   5,943   64   249   712	•		41,735			3,665	4,529
Restricted   1,609   —   —   —   —   —   —   —   —   —			<b>5</b> 0 10			0.40	710
Total retained earnings  Accumulated other comprehensive income (loss)  Net unrealized gains (losses) on available-for-sale securities  Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities  Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities  Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities  Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities  Net unrealized losses relating to hedging activities  Net unrealized losses relating to hedging activities  Pension and postretirement benefits  Total accumulated other comprehensive income (loss)  Total accumulated other comprehensive income (loss)  Total capital  Total liabilities and capital  Supplemental Disclosures  Advances held at fair value under fair value option  Consolidated Bonds held at fair value under fair value option  Consolidated Bonds held at fair value under fair value option  Total capital sin value under fair value option  Supplemental Disclosures  Activated at fair value under fair value option  Supplemental Disclosures  Activated at fair value under fair value option  Supplemental Supplemental Supplementa					64	249	712
Accumulated other comprehensive income (loss)  Net unrealized gains (losses) on available-for-sale securities  Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities  Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities  Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities  Net unrealized losses relating to hedging activities  Net unrealized losses relating to hedging activities  Pension and postretirement benefits  (4,441)  (622)  (93)  Net unrealized losses relating to hedging activities  (579)  (2)  (1)  (12)  Total accumulated other comprehensive income (loss)  Total accumulated other comprehensive income (loss)  (5,546)  (2)  (638)  (97)  Total labilities and capital  \$878.109  \$288.109  \$290  Advances held at fair value under fair value option  Consolidated discount notes held at fair value under fair value option  Consolidated Bonds held at fair value under fair value option  Consolidated Bonds held at fair value under fair value option							
Net unrealized gains (losses) on available-for-sale securities  Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities  Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities  Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities  Net unrealized losses relating to hedging activities  Net unrea	•		7,552		64	249	/12
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities  Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities  Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities  Net unrealized losses relating to hedging activities  Net unrealized losses relating to hedging activities  (4,441) — (622) (93)  Net unrealized losses relating to hedging activities  (579) (2) — (15)  Pension and postretirement benefits  (49) — (1) (12)  Total accumulated other comprehensive income (loss)  Total capital  Total liabilities and capital  Supplemental Disclosures  Advances held at fair value under fair value option  Consolidated discount notes held at fair value under fair value option  Consolidated Bonds held at fair value under fair value option  Consolidated Bonds held at fair value under fair value option			007			(4.5)	00
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities  Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities  Net unrealized losses relating to hedging activities  Pension and postretirement benefits  Total accumulated other comprehensive income (loss)  Total capital  Total liabilities and capital  Supplemental Disclosures  Advances held at fair value under fair value option  Consolidated Bonds held at fair value under fair value option  Consolidated Bonds held at fair value under fair value option  Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities  (1,306)  — — — — — — — — — — — — — — — — — — —					_	(15)	23
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities       (4,441)       — (622)       (93)         Net unrealized losses relating to hedging activities       (579)       (2)       — (15)         Pension and postretirement benefits       (49)       — (1)       (12)         Total accumulated other comprehensive income (loss)       (5,546)       (2)       (638)       (97)         Total capital       43,741       62       3,276       5,144         Total liabilities and capital       \$878,109       \$ (208)       \$58,647       \$ 100,212         Supplemental Disclosures         Advances held at fair value under fair value option       \$ 10,494       \$ - \$ - \$ - \$ - \$       \$ - \$	·				_	_	_
Net unrealized losses relating to hedging activities         (579)         (2)         —         (15)           Pension and postretirement benefits         (49)         —         (1)         (12)           Total accumulated other comprehensive income (loss)         (5,546)         (2)         (638)         (97)           Total capital         43,741         62         3,276         5,144           Total liabilities and capital         \$878,109         \$(208)         \$58,647         \$100,212           Supplemental Disclosures         ***					_	(000)	(00)
Pension and postretirement benefits         (49)         —         (1)         (12)           Total accumulated other comprehensive income (loss)         (5,546)         (2)         (638)         (97)           Total capital         43,741         62         3,276         5,144           Total liabilities and capital         \$878,109         (208)         \$58,647         \$100,212           Supplemental Disclosures           Advances held at fair value under fair value option         \$10,494         \$-							
Total accumulated other comprehensive income (loss)         (5,546)         (2)         (638)         (97)           Total capital         43,741         62         3,276         5,144           Total liabilities and capital         \$878.109         (208)         \$58.647         \$100.212           Supplemental Disclosures         *** </td <td></td> <td></td> <td>, ,</td> <td></td> <td>(2)</td> <td></td> <td></td>			, ,		(2)		
Total capital         43,741         62         3,276         5,144           Total liabilities and capital         \$878.109         \$(208)         \$58.647         \$100.212           Supplemental Disclosures           Advances held at fair value under fair value option         \$10.494         \$-\$-\$-\$-         \$-\$-<					<u></u>		
Total liabilities and capital         \$ 878.109         \$ (208)         \$ 58.647         \$ 100.212           Supplemental Disclosures         Supp	• • • • • • • • • • • • • • • • • • • •	1—					
Supplemental Disclosures       Advances held at fair value under fair value option     \$ 10.494     \$ - \$ - \$       Consolidated discount notes held at fair value under fair value option     \$ 5.820     \$ - \$ 956       Consolidated Bonds held at fair value under fair value option     \$ 47.395     \$ - \$ 14.281				_			
Advances held at fair value under fair value option  Consolidated discount notes held at fair value under fair value option  Consolidated Bonds held at fair value under fair value option  Solvent So	·	3_	878,109	3	(∠∪8)	<u>58.64/</u>	<u>5 100.212</u>
Consolidated discount notes held at fair value under fair value option  S 5.820  S - S 956  Consolidated Bonds held at fair value under fair value option  S 47.395	•••		10 404	œ.		œ.	¢.
Consolidated Bonds held at fair value under fair value option \$ 47.395 \$ \$ 14.281	·	3		<u>\$</u>		2 —	<u> </u>
	·	<del> </del>		<u>\$</u>	_=	<u>p</u>	
Other habilities held at fall value under fall value option	•	3	47.395	<u>\$</u>		2 —	<u>5 14.281</u>
	Outer naminues field at fair value under fair value option	_ <u>\$</u>		<u> </u>		<u> </u>	<u> </u>

Pit	tsburgh		Atlanta	Ci	incinnati	India	napolis		hicago	De	s Moines		Dallas		Topeka	San	Francisco	s	Seattle
\$	143	\$	5	\$	198	\$	12	\$	282	\$	106	\$	1,632	\$	_	\$	755	\$	1
	_		_		_		_		_		9		_		_		_		_
	10		2		2,950				<u> </u>		 1,550		1		_				4,750
	3,330		15,701		5,480		7,325		3,018		2,025		3,767		1,755		16,312		6,569
	0,000				0, .00		.,020		0,0.0		_,0_0		0,. 0.		.,. 00		.0,0.12		0,000
	1,136		3,383		6,403		_		1,652		1,473		5		6,335		2,519		_
	2,218		3,319		5,790		3,238		24,567		6,357		_		_		1,927		12,718
	12,058		17,474		12,691		8,472		12,777		7,226		8,496		6,756		31,824		6,462
	15,412		24,176	_	24,884		11,710		38,996	_	15,056	_	8,501		13,091	_	36,270		19,180
	29,708		89,258		30,181		18,275		18,901		29,253		25,456		19,368		95,599		13,355
	4,486		2,040		7,782		6,703		18,327		7,434		207		4,176		2,384		3,211
	(3)		(1)		(12)		(1)		(33)		(13)				(3)		(3)		(2)
	4,483		2,039		7,770		6,702		18,294		7,421		207		4,173		2,381		3,209
	154		388		132		99		189		79		43		93		228		86
	19		35		11		11		45		9		25		13		25		16
	23		5		2		6		16		12		39		26		718		13
\$	105 53,387	\$	189 131,798	\$	71.631	\$	40 44.930	\$	150 84.116	\$	55.569	\$	19 39,690	\$	187 38.706	\$	135 152,423	\$	29 47.208
<u> </u>	33,307		131,730		7 1,031		44,330		04,110		33,303		33,030		30,700		132,723		77,200
\$	1,128	\$	3,093	\$	1,438	\$	575	\$	655	\$	1,070	\$	1,070	\$	1,177	\$	128	\$	503
	39				14		10		164		111				33		6		
	1,167		3,093	_	1,452		585		819		1,181	_	1,070		1,210	_	134		503
				_		_			1,200			_		_		_		_	
	13,082		23,915		35,003		8,925		18,421		7,208		5,132		13,705		19,527		11,597
	34,129		95,198		30,697		31,875		57,849		43,791		31,316		21,521		121,120		32,479
	47,211		119,113		65,700		40,800		76,270		50,999		36,448		35,226		140,647		44,076
	34		529		357		658		530		7		8		19		3,749		1,022
	168		357		190		134		281		187		94		129		467		129
	14		126		88		36		44		45		41		39		174		5
	_		20		11		10		33		12		6		8		37		_
	608 24		455		228 82		657 103		883 107		278 30		1 32		256		163 104		254 37
			159		02		103		1,000		30		32		36		104		31
	49,226		123,852		68,108		42,983	_	81,167		52,739		37,700	_	36,923		145,475		46,026
			-,				,		, ,		,		,						
	3,986		7,224		3,092		1,610		_		2,183		1,601		861		8,282		1,650
	_		_		_		_		2 222		_		_		593		_		126
	3,986		7,224	_	3,092		1,610	_	2,333		2,183	_	1,601	_	1,454	_	8,282		1,776
	3,300	_	1,227	_	3,032		1,010		2,000		2,100	_	1,001		1,707	_	0,202		1,770
	397		1,124		438		427		1,099		556		452		352		_		73
																	1,609		
	397		1,124		438		427		1,099		556	_	452		352		1,609		73
	(4)						(4)		740		00						(4)		(5)
	(1)		_		_		(4)		748 (8)		92		_		_		(1)		(5)
	(221)		(392)		_		(69)		(34)										(590)
	(221)		(002)		_		(7)		(630)		_		(64)		(20)		(2,934)		(71)
	_		_		_				(561)		_		_				(1)		
			(10)		(7)		(10)		2		(1)		1		(3)		(7)		(1)
	(222)		(402)		(7)		(90)		(483)		91		(63)		(23)		(2,943)		(667)
•	4,161	Φ.	7,946	_	3,523	•	1,947	-	2,949	_	2,830	Φ.	1,990	_	1,783	_	6,948	•	1,182
5	53,387	3	131,798	\$	71,631	5	44,930	3	84,116	5	55,569	\$	39,690	5	38,706	5	152,423	5	47,208
\$		_\$		_\$		\$_		_\$	4_	\$		_\$		_\$		_\$	10.490	\$	_
\$		\$		\$		\$		\$	4.864	\$		\$		\$		\$		\$	
\$		\$		\$		\$		\$	9,425	\$	2,817	\$		\$		\$	20,872	\$	
\$		\$		\$		\$		\$		\$		\$	11	\$		\$		\$	

#### FEDERAL HOME LOAN BANKS COMBINING SCHEDULES—STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011 (Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Interest income				
Advances	\$ 764	\$ —	\$ 80	\$ 82
Prepayment fees on advances, net	66	_	9	3
Interest-bearing deposits	1	_	_	_
Securities purchased under agreements to resell	1	_	1	_
Federal funds sold	21	_	2	2
Trading securities	102	(3)	3	_
Available-for-sale securities	370	_	15	7
Held-to-maturity securities	780	_	44	70
Mortgage loans	646	_	38	16
Other	_	_	_	_
Total interest income	2,751	(3)	192	180
Interest expense				
Consolidated obligations — Discount notes	126	_	1	10
Consolidated obligations — Bonds	1,592	3	109	93
Deposits	3	_	_	_
Securities sold under agreements to repurchase	4	_	_	_
Subordinated notes	15	_	_	_
Mandatorily redeemable capital stock	11	_	1	1
Total interest expense	1,751	3	111	104
Net interest income	1,000	(6)	81	76
Provision (reversal) for credit losses	12	(6)	_	_
Net interest income after provision (reversal) for credit losses	988	(6)	81	76
Other non-interest income (loss)		(0)		
Total other-than-temporary impairment losses	(177)	_	(9)	_
Net amount of impairment losses reclassified to/(from) accumulated other comprehensive loss	18	_	1	(1
Net other-than-temporary impairment losses	(159)	l — —	(8)	(1
Net gains (losses) on trading securities	82		14	
Net realized gains (losses) from sale of available-for-sale securities	6	_		
Net realized gains (losses) from sale of held-to-maturity securities	9	_	_	_
Net gains (losses) on financial instruments held under fair value option	70	_	_	(6
Net gains (losses) on derivatives and hedging activities	(319)	_	(18)	(8
Service fees	13	_	3	2
Other, net	66	(2)	_	(1
Total other non-interest income (loss)	(232)		(9)	(14
Other expense	(202)	(2)	(9)	(14
Compensation and benefits	126		8	12
Other operating expenses	77	_	6	7
	15	_	2	2
Finance Agency Office of Finance	11	_	2	1
		_	_	
Provision (reversal) of derivative counterparty credit losses	(2)		_	_
Other Total other expense.	10	(2)		
Total other expense	237	(2)	16	22
Income (loss) before assessments	519	(6)	56	40
Assessments Affordable Hausing Program	50			
Affordable Housing Program	50	_	6	4
REFCORP				
Total assessments	50		6	4
Net income (loss)	\$ 469	\$ (6)	\$ 50	\$ 36

Pittsb	ourgh		Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
\$	60	\$	57	\$ 54	\$ 39	\$ 53	\$ 62	\$ 50	\$ 37	\$ 165	\$ 25
	3	•	2	3	4	15	2	3	7	2	13
	_		1	_	_	_	_	_	_	_	_
	_		_	_	_	_	_	_	_	_	_
	_		6	1	1	1	_	_	_	5	3
	_		37	10	_	22	7	_	19	7	_
	31		42	1	11	162	20	1	_	81	(1)
	43		95	85	44	125	44	19	24	153	34
	50 —		24 —	77	72	181	82 —	3	50 1	31	22 —
	187	_	264	231	(1) 170	<u> </u>	217	76	138	444	96
	107		204	231	170	339	217	70	130		90
	1		4	6	2	88	2	1	2	8	1
	148		144	178	109	318	149	40	74	166	61
	1		_	_	_	_	1	_	1	_	_
	_		_	_	_	4	_	_	_	_	_
	_		_	_	_	15	_	_	_	_	_
			1	3	3					2	
	150		149	187	114	425	152	41	77	176	62
	37		115	44	56	134	65	35	61	268	34
	2			2	2	3	2				1
	35	_	115	42	54	131	63	35	61	268	33
			(0)		(2)	(7)		(2)	(6)	(130)	<b>(F)</b>
	— (7)		(8) (11)	_	(2)	(7) (7)	_	(2)	(6)	(138) 37	(5) 5
	(7)	_	(11)		(5)	(14)		(1)	(3)	(101)	
			36	(8)	<del>-</del>	(18)	36	— (· <i>)</i>	25	(3)	_
	_		_	_	6	_	_	_	_	_	_
	_		_	3	_	_	6	_	_	_	_
	_		_	_	_	_	(3)	7	_	72	_
	(5)		(67)	(3)	(7)	95	(90)	(10)	(75)	(165)	34
	1		_	_	1	1	_	1	2	1	1
	2			1		(3)	1	1	1	(1)	67
	(9)		(50)	(7)	(5)	61	(50)	(2)	(50)	(197)	102
					10	10		40	_		_
	6		15	8	10	18	8	10	7	17	7
	6 1		10	4	4	8	5	8	3	9	7
	1		1	1	1	1	_	1	1	2	1
	(2)				<u>.</u>		_			_	<u>.</u>
	<del>-</del>		1	_	_	7	1	_	1	2	_
	12		29	14	16	36	14	20	13	31	16
	14		36	21	33	156	(1)	13	(2)	40	119
	2		4	3	3	15	_	1	_	4	8
	2		4	3	3	15		1		4	8
\$	12	\$	32	\$ 18	\$ 30	\$ 141	\$ (1)	\$ 12	\$ (2)	\$ 36	\$ 111

#### FEDERAL HOME LOAN BANKS COMBINING SCHEDULES—STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010 (Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Interest Income				
Advances	\$ 1,223	_	\$ 106	\$ 170
Prepayment fees on advances, net	219	_	5	4
Interest-bearing deposits	4	_	_	2
Securities purchased under agreements to resell	15	_	3	_
Federal funds sold	37	_	2	3
Trading securities	88	(3)	5	_
Available-for-sale securities	341	(1)	20	7
Held-to-maturity securities	1,039	(· <i>)</i>	40	83
Mortgage loans	785	_	42	17
Other	2	_		_
Total interest income	3,753	(4)	223	286
Interest expense				
Consolidated obligations — Discount notes	174	_	8	11
Consolidated obligations — Bonds	2,132	(4)	139	148
Deposits	6	(4)	1	1
Securities sold under agreements to repurchase	4	_		
Subordinated notes	15			
Mandatorily redeemable capital stock	14	_		1
Other borrowings	1	_	_	'
Total interest expense	2,346		148	161
Net interest income	1,407	(4)	75	125
		_		125
Provision (reversal) for credit losses	14		74	405
Net interest income after provision (reversal) for credit losses	1,393			125
Other non-interest income (loss)	(450)		(0)	(4)
Total other-than-temporary impairment losses	(159)	_	(2)	(1)
Net amount of impairment losses reclassified to/(from) accumulated other comprehensive loss	(19)		(4)	(2)
Net other-than-temporary impairment losses	(178)	_	(6)	(3)
Net gains (losses) on trading securities	79	_	9	_
Net realized gains (losses) from sale of available-for-sale securities	9	_	_	1
Net realized gains (losses) from sale of held-to-maturity securities	2	_	_	_
Net gains (losses) on financial instruments held under fair value option	67	_	_	(1)
Net gains (losses) on derivatives and hedging activities	(128)	_	(9)	9
Service fees	8	_	2	1
Other, net	(68)	52		(1)
Total other non-interest income (loss)	(209)	52	(4)	6
Other expense				
Compensation and benefits	128	_	8	16
Other operating expenses	78	_	4	6
Finance Agency	15	_	1	1
Office of Finance	6	_	_	1
Provision (reversal) of derivative counterparty credit losses	(2)	_	_	_
Other	3	(2)	1	(1)
Total other expense	228	(2)	14	23
Income (loss) before assessments	956	54	56	108
Assessments				
Affordable Housing Program	70	_	4	9
REFCORP	154	_	11	20
Total assessments	224	_	15	29
Net income (loss)	\$ 732	\$ 54	\$ 41	\$ 79

Pittsbi	urgh	Atlanta	<u> </u>	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
\$	86	\$	107	\$ 77	\$ 52	\$ 89	\$ 100	\$ 87	\$ 51	\$ 255	\$ 43
<b>*</b>	_	Ψ	2	1	13	41	133	4	4	11	1
	_		2	_	_	_	_	_	_	_	_
	_		_	1	2	4	_	_	_	_	5
	2		9	3	3	2	1	1	1	8	2
	1		42	_	_	11	7	_	23	2	_
	42		50	3	3	181	24	_	_	2	10
	54		130	125	62	137	63	30	32	249	34
	60		30	94	90	235	89	3	44	33	48
	245		372	304	226	700	417	125	156	560	143
	245		3/2	304		700	417	125	156	560	143
	5		10	11	4	98	3	3	6	8	7
	189		222	227	138	370	210	67	91	241	94
	1		1	1	_	_	_	1	_		_
	_		_	_	_	4	_	_	_	_	_
	_		_	_	_	15	_	_	_	_	_
	_		1	5	2	_	_	_	_	5	_
									1		
	195		234	244	144	487	213	71	98	254	101
	50		138	60	82	213	204	54	58	306	42
	(2)			4		9	2				
	52		138	56	82	204	202	54	58	306	42
			(5)			(0)				(07)	(00)
			(5)	_		(2)	_		_	(87)	(62) 46
	(7)		(9)			(74)				(56)	(16)
	1		38			(5)	9	_	27	(30)	
	8		_	_	_	(e) —	_	_	_	_	_
	_		_	2	_	_	_	_	_	_	_
	_		_	_	_	(1)	3	_	_	66	_
	4		(30)	4	2	62	(24)	(3)	(53)	(98)	8
	1		_	_	_	1	_	1	1	_	1
	2		1	2	(1)	2	(125)	2	1	2	(5)
	9		(5)	8	1	(17)	(137)		(24)	(86)	(12)
	9		18	7	9	14	8	9	7	16	7
	5		12	4	4	10	3	7	3	12	8
	1		2	1	1	2	1	1		3	1
	1		1	1	_	_	_	_	_	1	1
	_		(2) 1	1	<u> </u>	2	_		1	1	(1)
	16		32	14	14	28	12	17	11	33	16
	45	_	101	50	69	159	53	37	23	187	14
						.30					
	_		9	5	6	13	4	3	_	16	1
	_		18	9	12	29	10	7	1	34	3
			27	14	18	42	14	10	1	50	4
\$	45	\$	74	\$ 36	\$ 51	\$ 117	\$ 39	\$ 27	\$ 22	\$ 137	\$ 10

#### FEDERAL HOME LOAN BANKS COMBINING SCHEDULES—STATEMENTS OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 (Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York	
Interest Income					
Advances	\$ 2,495	\$ —	\$ 250	\$ 304	
Prepayment fees on advances, net	169	_	20	56	
Interest-bearing deposits	5	_	_	2	
Securities purchased under agreements to resell	12	_	2	_	
Federal funds sold	84	_	6	6	
Trading securities	303	(10)	13	_	
Available-for-sale securities	1,066	_	49	23	
Held-to-maturity securities	2,525	_	125	210	
Mortgage loans held	2,031	_	114	47	
Other	2	_	_	_	
Total interest income	8,692	(10)	579	648	
Interest expense					
Consolidated obligations — Discount notes	420	_	9	25	
Consolidated obligations — Bonds	5,105	8	345	310	
Deposits	6	_	_	1	
Securities sold under agreements to repurchase	13	_	_	_	
Subordinated notes	43	_	_	_	
Mandatorily redeemable capital stock	37	_	1	2	
Total interest expense	5,624	8	355	338	
Net interest income	3,068	(18)	224	310	
Provision (reversal) for credit losses	43	_	(2)	3	
Net interest income after provision (reversal) for credit losses	3,025	(18)	226	307	
Other non-interest income (loss)					
Total other-than-temporary impairment losses	(468)	_	(32)	_	
Net amount of impairment losses reclassified to/(from) accumulated other comprehensive loss	(307)	_	(42)	(1)	
Net other-than-temporary impairment losses	(775)	_	(74)	(1)	
Net gains (losses) on trading securities	46	_	18	_	
Net realized gains (losses) from sale of available-for-sale securities	24	_	13	_	
Net realized gains (losses) from sale of held-to-maturity securities	19	_	_	_	
Net gains (losses) on financial instruments held under fair value option	34	_	_	(11)	
Net gains (losses) on derivatives and hedging activities	(346)	_	(24)	63	
Service fees	27	_	7	4	
Other, net	45	11		(56)	
Total other non-interest income (loss)	(926)	11	(60)	(1)	
Other expense					
Compensation and benefits	408	_	24	65	
Other operating expenses	225	_	15	22	
Finance Agency	56	_	4	6	
Office of Finance	32	_	2	3	
Provision (reversal) of derivative counterparty credit losses	(2)	_	_	_	
Other	19	(6)	4	1	
Total other expense	738	(6)	49	97	
Income (loss) before assessments	1,361	(1)	117	209	
Assessments					
Affordable Housing Program	123	_	11	18	
REFCORP	160	_	11	31	
Total assessments	283	_	22	49	
Net income (loss)	\$ 1,078	\$ (1)	\$ 95	\$ 160	

Pittsl	burgh	Atlanta	a	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
\$	185	\$	195	\$ 173	\$ 119	\$ 183	\$ 197	\$ 163	\$ 117	\$ 527	\$ 82
·	3	•	7	4	5	20	9	8	9	12	16
	_		3	_	_	_	_	_	_	_	_
	_		_	2	1	4	1	_	_	_	2
	3		18	4	6	3	2	2	2	19	13
	1		118	29	_	53	19	_	61	19	_
	100		131	7	39	489	76	1	_	154	(3)
	143		309	299	135	390	143	64	78	546	83
	154		75	253	229	572	248	8	147	87	97
	<u> </u>		<del>-</del>	<u> </u>	534	1,714	695	246	416	1,364	
	309		000		334	1,714	093	240	410	1,304	290
	10		15	24	7	278	5	2	9	28	8
	466		472	555	343	991	513	129	230	540	203
	1		1	_	_	<u> </u>	1	_	2	_	_
	_		_	_	_	13	_	_	_	_	_
	_		_	_	_	43	_	_	_	_	_
	_		3	11	12	_	_	_	_	8	_
	477		491	590	362	1,325	519	131	241	576	211
	112		365	181	172	389	176	115	175	788	79
	6			6	4	12	9		1	3	1
	106		365	175	168	377	167	115	174	785	78
	(3)		(45)	_	(5)	(16)	_	(8)	(10)	(342)	(7)
	(35)		(63)		(21)	(41)		3	5	(31)	(81)
	(38)		(108)	_	(26)	(57)	_	(5)	(5)	(373)	(88)
	_		22	(18)		(40)	40	_	28	(4)	_
	7		_	_	4	_	_	_	_	_	_
	<u> </u>		_	9	_	(42)	6		_	 F0	4
			<u> </u>	(1)	(14)	(13)	(4)	11	(105)	52 (236)	— 68
	(5) 2		(41)	2	(11) 1	77 1	(104) 1	(30)	(105) 4	(230)	2
	6		1	4	1	3	(3)	4	8	2	64
	(28)		(125)	(3)	(31)	(29)	(64)	(18)	(70)	(558)	50
	(==)		( /	(-)	(0.1)	(=1)	(3.1)	(12)	(12)	(111)	
	24		50	24	27	47	24	32	22	49	20
	16		29	11	10	25	13	21	10	30	23
	4		8	3	3	8	3	4	3	6	4
	2		4	3	2	3	2	2	2	5	2
	(2)		_	_	_	_	_	_	_	_	_
			(8)	1	1	18	1		4	3	
	44		83	42	43	101	43	59	41	93	49
	34		157	130	94	247	60	38	63	134	79
	^		4.4	40		00	_		_	40	
	3		14	13	9	22	5	3	5	12 17	8
	7		22 36	19 32	<u>11</u> 20	39	11	<u> 5</u>	12	29	8
\$	27	\$	121					\$ 30			
Ψ		Ψ	121	<del></del>	74	200	<del></del>	30	<del></del>	<del>-</del> 103	<u> </u>

#### FEDERAL HOME LOAN BANKS COMBINING SCHEDULES—STATEMENTS OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 (Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Interest income				
Advances	\$ 3,617	\$ —	\$ 314	\$ 468
Prepayment fees on advances, net	377	_	7	10
Interest-bearing deposits	10	_	_	4
Securities purchased under agreements to resell	27	_	4	_
Federal funds sold	109	_	9	7
Trading securities	253	(13)	10	_
Available-for-sale securities	939	(1)	53	23
Held-to-maturity securities	3,389	_	131	274
Mortgage loans	2,444	_	127	50
Other	4	_	_	_
Total interest income	11,169	(14)	655	836
Interest expense				
Consolidated obligations — Discount notes	495	_	23	33
Consolidated obligations — Bonds	6,598	(13)	413	449
Deposits	12	_	1	3
Securities sold under agreements to repurchase	13	_	_	_
Subordinated notes	43	_	_	_
Mandatorily redeemable capital stock	39	_	_	3
Other borrowings	1	_	_	_
Total interest expense	7,201	(13)	437	488
Net interest income	3,968	(1)	218	348
Provision (reversal) for credit losses	33	_	1	1
Net interest income after provision (reversal) for credit losses	3,935	(1)	217	347
Other non-interest income (loss)				
Total other-than-temporary impairment losses	(1,031)	_	(41)	(5
Net amount of impairment losses reclassified to/(from) accumulated other comprehensive loss	125	_	(18)	(3
Net other-than-temporary impairment losses	(906)		(59)	(8)
Net gains (losses) on trading securities	265	_	19	— (O
Net realized gains (losses) from sale of available-for-sale securities	9	_	-	1
Net realized gains (losses) from sale of held-to-maturity securities	8	_		_
Net gains (losses) on financial instruments held under fair value option	(75)			(13
Net gains (losses) on derivatives and hedging activities	(706)	_	(26)	(3
Service fees	23		5	3
Other, net	(55)	49	3	(1)
Total other non-interest income (loss)	(1,437)	49	(61)	(21
Other expense	(1,437)		(01)	(21
Compensation and benefits	369		24	42
•	233	<del>_</del>	13	20
Other operating expenses		_		
Finance Agency	39	_	3	3
Office of Finance	25	_	2	3
Provision (reversal) of derivative counterparty credit losses	(55)		_	_
Other	13	(5)	1	
Total other expense	624	(5)	43	68
Income (loss) before assessments	1,874	53	113	258
Assessments Afficiently I leave in December 1	450			24
Affordable Housing Program	153	_	9	21
REFCORP	338		21	48
Total assessments	491		30	69
Net income (loss)	\$ 1,383	\$ 53	\$ 83	\$ 189

Pittst	ourgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
\$	239	\$ 255	\$ 220	\$ 152	\$ 268	\$ 308	\$ 249	\$ 150	\$ 861	\$ 133
ų.	2	7	4	16	93	152	10	12	50	14
	1	5	<u> </u>	_	_	<u> </u>	<u> </u>	<u> </u>	_	_
	_	_	2	3	8	1	_	_	_	9
	5	22	9	10	5	4	4	3	21	10
	3	125	1	_	22	33	_	69	3	_
	126	134	9	6	490	74	_	_	4	21
	175	450	397	189	445	167	108	116	819	118
	186	93	310	264	751	273	10	128	108	144
	727			1				3	1 966	
	737	1,091	952	641	2,082	1,012	381	481	1,866	449
	13	19	28	11	289	7	9	16	30	17
	554	642	716	421	1,189	675	184	270	799	299
	1	2	1			1	1	2	_	_
	_	_	_	_	13	_	_	_	_	_
	_	<u> </u>	<u> </u>	_	43	<u> </u>	_	_	_	_
	_	1	15	9	_	_	_	_	11	_
	_	_	_	_	_	_	_	1	_	_
	568	664	760	441	1,534	683	194	289	840	316
	169	427	192	200	548	329	187	192	1,026	133
	(3)		4		20	6		1	2	1
	172	427	188	200	528	323	187	191	1,024	132
	(00)	(000)		(00)	(00)		(=)	(40)	(400)	(007)
	(23)	(200)	_	(22)	(39)	_	(7)	(18)	(469)	(207)
	(123)	(132)		(46)	(108)		(2)	(4)	(258)	(82)
	(140)	118		(00)	(8)	62	(2) —	75	(1)	(62) —
	8	_	_	_	(b) —	_	_	_	(1) —	_
	_	_	8	_	_	_	_	_	_	_
	_	_	_	_	(9)	2	_	_	(55)	_
	(8)	(105)	3	_	28	(113)	(28)	(232)	(257)	35
	2	1	1	1	1	1	2	4	_	2
	6	1	4		8	(124)	5	3	5	(11)
	(138)	(117)	16	(67)	(127)	(172)	(23)	(154)	(566)	(56)
	26	47	22	23	43	23	29	19	49	22
	16	35	11	10	28	12	20	10	37	21
	3	6	3	2	3	2	2	1	9	2
	2	4	2	1	2	1	1	1	4	2
	_	(51 <u>)</u> 1		_ 1	 6	_	_	_	 5	(4)
	47	42	39	37	82	38	52	3 34	104	43
	(13)	268	165	96	319	113	112	3	354	33
	(10)		103			113	112			
	_	22	15	9	26	9	9	_	30	3
		49	30	17	59	21	21	1	65	6
		71	45	26	85	30	30	1	95	9
\$	(13)	\$ 197	\$ 120	\$ 70	\$ 234	\$ 83	\$ 82	\$ 2	\$ 259	

(shares in millions)	Combined	Combining Adjustments	Boston	New York
Capital stock Class B putable shares				
Balance, December 31, 2009	422	_	36	51
Proceeds from sale of capital stock	27	_	_	14
Repurchase/redemption of capital stock	(44)	_	_	(18)
Net shares reclassified to mandatorily redeemable capital stock	4	_	_	_
Transfer between Class B and Class A shares	(4)	_	_	_
Capital stock dividends	_	_	_	_
Balance, September 30, 2010	405	_	36	47
Balance, December 31, 2010	387	_	36	46
Proceeds from sale of capital stock	30	_	1	17
Repurchase/redemption of capital stock	(56)	_	_	(17)
Net shares reclassified to mandatorily redeemable capital stock	(31)	_	(1)	_
Transfer between Class B and Class A shares	(1)	_	_	_
Capital stock dividends	_	_	_	_
Balance, September 30, 2011	329	_	36	46
Capital stock Class A putable shares				
Balance, December 31, 2009	4	_	_	_
Proceeds from sale of capital stock	_	_	_	_
Repurchase/redemption of capital stock	_	_	_	_
Net shares reclassified to mandatorily redeemable capital stock	(1)	_	_	_
Transfer between Class B and Class A shares	4	_	_	_
Capital stock dividends	_	_	_	_
Balance, September 30, 2010	7	_	_	_
Balance, December 31, 2010	7	_	_	_
Proceeds from sale of capital stock	_	_	_	_
Repurchase/redemption of capital stock	_	_	_	_
Net shares reclassified to mandatorily redeemable capital stock	(1)	_	_	_
Transfer between Class B and Class A shares	1	_	_	_
Capital stock dividends	_	_	_	_
Balance, September 30, 2011	7	T -		_
		J ———		

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
40	81	31	17	_	25	25	13	86	17
2	2	1	_	_	4	3	1	_	_
_	(5)	_	_	_	(5)	(10)	_	(6)	
_	(3)	_	_	_	_	_	(1)	9	(1)
_	_	_	_	_	_	_	(4)	_	_
<u> </u>			<u> </u>						_
42	75	32	17		24	18	9	89	16
40	72	31	16	_	22	16	9	83	16
_	2	_	1	_	3	3	1	2	_
(5)	(14)	_	(1)	_	(4)	(6)	_	(9)	_
_	(1)	_	_	_	_	(1)	(1)	(27)	_
_	_	_	_	_	_	_	(1)	_	_
_	_	_	_	_	_	_	_	_	_
35	59	31	16		21	12	8	49	16
_	_	_	_	_	_	_	3	_	1
_	_	_	_	_	_	_	_	_	_
_	_	_	_	_	_	_	_	_	_
_	_	_	_	_	_	_	(1)	_	_
_	_	_	_	_	_	_	4	_	_
_	_	_	_	_	_	_	_	_	_
	_					_	6		1
_	_	_	_	_	_	_	6	_	1
_	_	_	_	_	_	_	_	_	_
_	_	_	_	_	_	_	_	_	_
_	_	_	_	_	_	_	(1)	_	_
_	_	_	_	_	_	_	1	_	_
_	_	_	_	_	_	_	_	_	_
_							6		1

(shares in millions)	Combined	Combining Adjustments	Boston	New York
Capital stock pre-conversion putable shares				
Balance, December 31, 2009	23	_	_	_
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, September 30, 2010	23			
Balance, December 31, 2010	23	_	_	_
Proceeds from sale of capital stock	1	_	_	_
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, September 30, 2011	24			
Total capital stock putable shares				
Balance, December 31, 2009	449	_	36	51
Proceeds from sale of capital stock	27	_	_	14
Repurchase/redemption of capital stock	(44)	_	_	(18)
Net shares reclassified to mandatorily redeemable capital stock	3	_	_	_
Transfer between Class B and Class A shares	_	_	_	_
Capital stock dividends	_	_	_	_
Balance, September 30, 2010	435	_	36	47
Balance, December 31, 2010	417	_	36	46
Proceeds from sale of capital stock	31	_	1	17
Repurchase/redemption of capital stock	(56)	_	_	(17)
Net shares reclassified to mandatorily redeemable capital stock	(32)	_	(1)	_
Transfer between Class B and Class A shares	_	_	_	_
Capital stock dividends	_	_	_	_
Balance, September 30, 2011	360		36	46
		J — — —		

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
	_	_	_	23	_	_	_	_	
_	_	_	_	_	_	_	_	_	_
_	_								_
_	_	_	_	_	_	_	_	_	_
_									_
				23					
_	_	_	_	23	_	_	_	_	_
_	_	_	_	1	_	_	_	_	_
_	_	_	_	_	_	_	_	_	_
_	_	_	_	_	_	_	_	_	_
_	_	_	_	_	_	_	_	_	_
_	_	_	_	_	_	_	_	_	_
				24					
40	81	31	17	23	25	25	16	86	18
2	2	1	_	_	4	3	1	_	_
_	(5)	_	_	_	(5)	(10)		(6)	_
_	(3)	_	_	_	_	_	(2)	9	(1)
_	_	_	_	_	_	_	_ _	_	_
42	75	32	17		24	18	15	89	17
72	73								
40	72	31	16	23	22	16	15	83	17
_	2	_	1	1	3	3	1	2	_
(5)	(14)	_	(1)	_	(4)	(6)	_	(9)	_
_	(1)	_	_	_	_	(1)	(2)	(27)	_
_	<u> </u>	_	_	_	_				_
35	59	31	16	24	21	12	14	49	17

Proceeds from sale of capital stock  Repurchase/redemption 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, September 30, 2010  Salance, December 31, 2010  Proceeds from sale of capital stock  Repurchase/redemption of capital stock  Net shares reclassified to mandatorily redeemable capital stock  Net shares reclassified to mandatorily redeemable capital stock  Transfer between Class B and Class A shares  Capital stock dividends	3,643 19 — —	\$	5,059
Proceeds from sale of capital stock         2,683         —           Repurchase/redemption of capital stock         (4,442)         —           Net shares reclassified to mandatorily redeemable capital stock         219         —           Transfer between Class B and Class A shares         (364)         —           Capital stock dividends         36         —           Balance, September 30, 2010         \$ 40,359         \$ —         \$           Balance, December 31, 2010         \$ 38,683         \$ —         \$           Proceeds from sale of capital stock         3,070         —         —           Repurchase/redemption of capital stock         (5,668)         —         —           Net shares reclassified to mandatorily redeemable capital stock         (3,097)         —         —           Transfer between Class B and Class A shares         (132)         —         —           Capital stock dividends         25         —         —           Balance, September 30, 2011         \$ 32,881         \$ —         \$           Capital stock class A putable par value         Balance, December 31, 2009         \$ 427         \$ —         \$           Proceeds from sale of capital stock         —         —         —         —           Repurchase/redem		\$	
Repurchase/redemption of capital stock	19 — —		4 202
Net shares reclassified to mandatorily redeemable capital stock         219         —           Transfer between Class B and Class A shares         (364)         —           Capital stock dividends         36         —           Balance, September 30, 2010         \$ 40,359         \$ —           Balance, December 31, 2010         \$ 38,683         \$ —           Proceeds from sale of capital stock         3,070         —           Repurchase/redemption of capital stock         (5,668)         —           Net shares reclassified to mandatorily redeemable capital stock         (3,097)         —           Transfer between Class B and Class A shares         (132)         —           Capital stock dividends         25         —           Balance, September 30, 2011         \$ 32,881         \$ —         \$           Capital stock class A putable par value         \$         \$         \$           Balance, December 31, 2009         \$ 427         —         \$           Proceeds from sale of capital stock         4         —           Repurchase/redemption of capital stock         (87)         —           Net shares reclassified to mandatorily redeemable capital stock         (87)         —           Transfer between Class B and Class A shares         364         —	_ _ _		1,390
Transfer between Class B and Class A shares         (364)         —           Capital stock dividends         36         —           Balance, September 30, 2010         \$ 40,359         \$ —         \$           Balance, December 31, 2010         \$ 38,683         \$ —         \$           Proceeds from sale of capital stock         3,070         —           Repurchase/redemption of capital stock         (5,668)         —           Net shares reclassified to mandatorily redeemable capital stock         (3,097)         —           Transfer between Class B and Class A shares         (132)         —           Capital stock dividends         25         —           Balance, September 30, 2011         \$ 32,881         \$ —         \$           Capital stock class A putable par value         \$         427         \$ —         \$           Balance, December 31, 2009         \$ 427         \$ —         \$           Proceeds from sale of capital stock         4         —         —           Repurchase/redemption of capital stock         (87)         —           Net shares reclassified to mandatorily redeemable capital stock         (87)         —           Transfer between Class B and Class A shares         364         —           Capital stock dividends <td>_ _</td> <td></td> <td>(1,755)</td>	_ _		(1,755)
Capital stock dividends         36         —           Balance, September 30, 2010         \$ 40,359         \$ —         \$           Balance, December 31, 2010         \$ 38,683         \$ —         \$           Proceeds from sale of capital stock         3,070         —         —           Repurchase/redemption of capital stock         (5,668)         —         —           Net shares reclassified to mandatorily redeemable capital stock         (3,097)         —         —           Transfer between Class B and Class A shares         (132)         —         —           Capital stock dividends         25         —         —         —           Balance, September 30, 2011         \$ 32,881         \$ —         \$           Capital stock class A putable par value         \$         4         —           Balance, December 31, 2009         \$ 427         \$ —         \$           Proceeds from sale of capital stock         4         —           Repurchase/redemption of capital stock         (87)         —           Net shares reclassified to mandatorily redeemable capital stock         (87)         —           Transfer between Class B and Class A shares         364         —           Capital stock dividends         —         — <t< td=""><td>_</td><td></td><td>(30)</td></t<>	_		(30)
Balance, September 30, 2010         \$ 40,359         \$ —         \$           Balance, December 31, 2010         \$ 38,683         \$ —         \$           Proceeds from sale of capital stock         3,070         —           Repurchase/redemption of capital stock         (5,668)         —           Net shares reclassified to mandatorily redeemable capital stock         (3,097)         —           Transfer between Class B and Class A shares         (132)         —           Capital stock dividends         25         —           Balance, September 30, 2011         \$ 32,881         \$ —           Capital stock class A putable par value         \$         \$           Balance, December 31, 2009         \$ 427         \$ —         \$           Proceeds from sale of capital stock         4         —         —           Repurchase/redemption of capital stock         —         —         —           Net shares reclassified to mandatorily redeemable capital stock         (87)         —           Transfer between Class B and Class A shares         364         —           Capital stock dividends         —         —         —			_
Balance, December 31, 2010 \$ 38,683 \$ — \$  Proceeds from sale of capital stock 3,070 —  Repurchase/redemption of capital stock (5,668) —  Net shares reclassified to mandatorily redeemable capital stock (3,097) —  Transfer between Class B and Class A shares (132) —  Capital stock dividends 25 —  Balance, September 30, 2011 \$ 32,881 \$ — \$  Capital stock class A putable par value  Balance, December 31, 2009 \$ 427 \$ — \$  Proceeds from sale of capital stock 4 —  Repurchase/redemption of capital stock — —  Net shares reclassified to mandatorily redeemable capital stock (87) —  Transfer between Class B and Class A shares 364 —  Capital stock dividends — — —	_		_
Proceeds from sale of capital stock         3,070         —           Repurchase/redemption of capital stock         (5,668)         —           Net shares reclassified to mandatorily redeemable capital stock         (3,097)         —           Transfer between Class B and Class A shares         (132)         —           Capital stock dividends         25         —           Balance, September 30, 2011         \$ 32,881         \$ —         \$           Capital stock class A putable par value         —         \$           Balance, December 31, 2009         \$ 427         \$ —         \$           Proceeds from sale of capital stock         4         —         —           Repurchase/redemption of capital stock         (87)         —         —           Net shares reclassified to mandatorily redeemable capital stock         (87)         —         —           Transfer between Class B and Class A shares         364         —         —         —           Capital stock dividends         —         —         —         —         —	3,662	\$	4,664
Proceeds from sale of capital stock         3,070         —           Repurchase/redemption of capital stock         (5,668)         —           Net shares reclassified to mandatorily redeemable capital stock         (3,097)         —           Transfer between Class B and Class A shares         (132)         —           Capital stock dividends         25         —           Balance, September 30, 2011         \$ 32,881         \$ —         \$           Capital stock class A putable par value         **         **         **         **         **           Balance, December 31, 2009         \$ 427         \$ —         \$         **	3,665	\$	4,529
Repurchase/redemption of capital stock  Net shares reclassified to mandatorily redeemable capital stock  (3,097) —  Transfer between Class B and Class A shares  (132) —  Capital stock dividends  Ealance, September 30, 2011  Capital stock class A putable par value  Balance, December 31, 2009  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  (5,668) —  (3,097) —  (132) —  \$  Capital stock dividends  \$  \$  \$  \$  \$  \$  \$  \$  \$  \$  \$  \$  \$	60		1,749
Net shares reclassified to mandatorily redeemable capital stock  (3,097) —  Transfer between Class B and Class A shares  (132) —  Capital stock dividends  Ealance, September 30, 2011  Capital stock class A putable par value  Balance, December 31, 2009  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  (3,097) —  (132) —  \$ 25 —  \$ 32,881 \$ — \$  \$ 4 27 \$ — \$  — \$  Capital stock dividends	_		(1,703)
Transfer between Class B and Class A shares         (132)         —           Capital stock dividends         25         —           Balance, September 30, 2011         \$ 32,881         \$ —         \$           Capital stock class A putable par value         *** <t< td=""><td>(141)</td><td>)</td><td>(3)</td></t<>	(141)	)	(3)
Balance, September 30, 2011         \$ 32,881         \$ —         \$           Capital stock class A putable par value         Balance, December 31, 2009         \$ 427         \$ —         \$           Proceeds from sale of capital stock         4         —         —           Repurchase/redemption of capital stock         —         —         —           Net shares reclassified to mandatorily redeemable capital stock         (87)         —           Transfer between Class B and Class A shares         364         —           Capital stock dividends         —         —	_		_
Capital stock class A putable par value  Balance, December 31, 2009 \$ 427 \$ — \$  Proceeds from sale of capital stock 4 —  Repurchase/redemption of capital stock — — —  Net shares reclassified to mandatorily redeemable capital stock (87) —  Transfer between Class B and Class A shares 364 —  Capital stock dividends — — —	_		_
Balance, December 31, 2009     \$ 427     \$ — \$       Proceeds from sale of capital stock     4     —       Repurchase/redemption of capital stock     —     —       Net shares reclassified to mandatorily redeemable capital stock     (87)     —       Transfer between Class B and Class A shares     364     —       Capital stock dividends     —     —	3,584	\$	4,572
Balance, December 31, 2009     \$ 427     \$ — \$       Proceeds from sale of capital stock     4     —       Repurchase/redemption of capital stock     —     —       Net shares reclassified to mandatorily redeemable capital stock     (87)     —       Transfer between Class B and Class A shares     364     —       Capital stock dividends     —     —			
Proceeds from sale of capital stock  Repurchase/redemption of capital stock  Net shares reclassified to mandatorily redeemable capital stock  (87) —  Transfer between Class B and Class A shares  Capital stock dividends  4 —  (87) —  1 —  1 —  1 —  1 —  1 —  1 —  1 —		\$	
Repurchase/redemption of capital stock — — — — Net shares reclassified to mandatorily redeemable capital stock (87) — — — — — — — — — — — — — — — — — — —		Ψ	_
Net shares reclassified to mandatorily redeemable capital stock     (87)     —       Transfer between Class B and Class A shares     364     —       Capital stock dividends     —     —	ā		
Transfer between Class B and Class A shares 364 — Capital stock dividends — — —			
Capital stock dividends			
·	_		_
	_	\$	_
Balance, December 31, 2010 \$ 719 \$ — \$	_	\$	_
Proceeds from sale of capital stock 6 —	_		_
Repurchase/redemption of capital stock — — —	_		_
Net shares reclassified to mandatorily redeemable capital stock (144) —	_		_
Transfer between Class B and Class A shares 132 —	_		_
Capital stock dividends			
Balance, September 30, 2011 \$ - \$		\$	_

Pi	ittsburgh	Atlanta	c	incinnati	In	dianapolis	Chicago	Des	s Moines	Dallas		Topeka	Sa	n Francisco	Seattle
\$	4,018	\$ 8,124	\$	3,063	\$	1,726	\$ _	\$	2,461	\$ 2,532	\$	1,309	\$	8,575	\$ 1,717
	161	203		66		37	_		363	326		62		54	2
	_	(507)		_		_	_		(523)	(1,028)		(11)		(618)	_
	(32)	(340)		(20)		(30)	_		(5)	_		(136)		864	(52)
	_	_		_		_	_		_	_		(364)		_	_
										6		30			_
\$	4,147	\$ 7,480	\$	3,109	\$	1,733	\$ 	\$	2,296	\$ 1,836	\$	890	\$	8,875	\$ 1,667
\$	3,986	\$ 7,224	\$	3,092	\$	1,610	\$ _	\$	2,183	\$ 1,601	\$	861	\$	8,282	\$ 1,650
	56	173		27		107	_		307	307		100		182	2
	(538)	(1,440)		_		(150)	_		(382)	(607)		(4)		(844)	_
	(20)	(47)		(13)		(14)	_		(1)	(61)		(80)		(2,686)	(31)
	_	_		_		_	_		_	_		(132)		_	_
										4		21			_
\$	3,484	\$ 5,910	\$	3,106	\$	1,553	\$ 	\$	2,107	\$ 1,244	\$	766	\$	4,934	\$ 1,621
\$	_	\$ _	\$	_	\$	_	\$ _	\$	_	\$ _	\$	294	\$	_	\$ 133
	_	_		_		_	_		_	_		4		_	_
	_	_		_		_	_		_	_		_		_	_
	_	_		_		_	_		_	_		(81)		_	(6)
	_	_		_		_	_		_	_		364		_	_
											_		_		
\$		\$ 	\$		\$		\$ 	\$		\$ 	\$	581	\$		\$ 127
\$	_	\$ _	\$	_	\$	_	\$ _	\$	_	\$ _	\$	593	\$	_	\$ 126
	_	_		_		_	_		_	_		6		_	_
	_	_		_		_	_		_	_		_		_	_
	_	_		_		_	_		_	_		(138)		_	(6)
	_	_		_		_	_		_	_		132		_	_
\$		\$ 	\$		\$		\$ 	\$		\$ 	\$	593	\$		\$ 120

(dollars in millions)	С	ombined	Com Adjus	bining stments	E	Boston	Ne	ew York
Capital stock pre-conversion putable par value						,		
Balance, December 31, 2009	\$	2,328	\$	_	\$	_	\$	_
Proceeds from sale of capital stock		35		_		_		_
Repurchase/redemption of capital stock		_		_		_		_
Net shares reclassified to mandatorily redeemable capital stock		(45)		_		_		_
Transfer between Class B and Class A shares		_		_		_		_
Capital stock dividends		_		_		_		_
Balance, September 30, 2010	\$	2,318	\$		\$		\$	
Balance, December 31, 2010	\$	2,333	\$		\$		\$	
Proceeds from sale of capital stock	Ф	2,333	φ	_	Ф	_	Φ	_
Repurchase/redemption of capital stock		01		_		_		_
Net shares reclassified to mandatorily redeemable capital stock		(4)		_				
Conversion to Class B or Class A shares		(·/ —		_		_		_
Capital stock dividends		_		_		_		_
Balance, September 30, 2011	\$	2,390	\$		\$		\$	
Total capital stock putable par value								
Balance, December 31, 2009	\$	44,982	\$	_	\$	3,643	\$	5,059
Proceeds from sale of capital stock		2,722		_		19		1,390
Repurchase/redemption of capital stock		(4,442)		_		_		(1,755)
Net shares reclassified to mandatorily redeemable capital stock		87		_		_		(30)
Capital stock dividends		36		_		_		_
Balance, September 30, 2010	\$	43,385	\$		\$	3,662	\$	4,664
Balance, December 31, 2010	\$	41,735	\$	_	\$	3,665	\$	4,529
Proceeds from sale of capital stock		3,137		_		60		1,749
Repurchase/redemption of capital stock		(5,668)		_		_		(1,703)
Net shares reclassified to mandatorily redeemable capital stock		(3,245)		_		(141)		(3)
Capital stock dividends		25						
Balance, September 30, 2011	\$	35,984	\$		\$	3,584	\$	4,572

161       203       66       37       35       363       326       66       54         —       (507)       —       —       —       (523)       (1,028)       (11)       (618)       —         (32)       (340)       (20)       (30)       (45)       (5)       —       (217)       864       (5)         —       —       —       —       —       6       30       —       —       —         \$ 4,147       \$ 7,480       \$ 3,109       \$ 1,733       \$ 2,318       \$ 2,296       \$ 1,836       \$ 1,471       \$ 8,875       \$ 1,79         \$ 3,986       \$ 7,224       \$ 3,092       \$ 1,610       \$ 2,333       \$ 2,183       \$ 1,601       \$ 1,454       \$ 8,282       \$ 1,77	Pitts	burgh		Atlanta	С	incinnati	Ind	ianapolis		Chicago		Des Moines		Dallas		Topeka	San	Francisco	. ;	Seattle
-       -	\$	_	\$	_	\$	_	\$	_	\$	2,328	\$	_	\$	_	\$	_	\$	_	\$	_
-         -		_		_		_		_		35		_		_		_		_		_
\$ - \$ - \$ - \$ - \$ - \$ 2,318 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$		_		_		_		_		_		_		_		_		_		_
S         S         S         S         S         2,318         S <td></td> <td>_</td> <td></td> <td>_</td> <td></td> <td>_</td> <td></td> <td>_</td> <td></td> <td>(45)</td> <td></td> <td>_</td> <td></td> <td>_</td> <td></td> <td>_</td> <td></td> <td>_</td> <td></td> <td>_</td>		_		_		_		_		(45)		_		_		_		_		_
\$ - \$ - \$ - \$ - \$ 2,318 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$		_		_		_		_		_		_		_		_		_		_
\$ - \$ - \$ - \$ - \$ - \$ 2,333 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -																				_
-       -       -       -       61       -	\$		\$		\$		\$		\$	2,318	\$		\$		\$		\$		\$	
-       -       -       -       61       -										0.000										
<td< td=""><td>\$</td><td>_</td><td>\$</td><td>_</td><td>\$</td><td>_</td><td>\$</td><td>_</td><td>\$</td><td></td><td>\$</td><td>_</td><td>\$</td><td>_</td><td>\$</td><td>_</td><td>\$</td><td>_</td><td>\$</td><td>_</td></td<>	\$	_	\$	_	\$	_	\$	_	\$		\$	_	\$	_	\$	_	\$	_	\$	_
-       -		_		_		_		_				_		_		_		_		_
-       -				_								_				_				_
-       -		_		_		_		_				_		_		_		_		_
\$ 4,018 \$ 8,124 \$ 3,063 \$ 1,726 \$ 2,328 \$ 2,461 \$ 2,532 \$ 1,603 \$ 8,575 \$ 1,85   161 203 66 37 35 363 326 66 54   (507) (523) (1,028) (11) (618) (32) (340) (20) (30) (45) (5) (217) 864 (55    6 30    \$ 4,147 \$ 7,480 \$ 3,109 \$ 1,733 \$ 2,318 \$ 2,296 \$ 1,836 \$ 1,471 \$ 8,875 \$ 1,79    \$ 3,986 \$ 7,224 \$ 3,092 \$ 1,610 \$ 2,333 \$ 2,183 \$ 1,601 \$ 1,454 \$ 8,282 \$ 1,77		_		_		_		_		_		_		_		_		_		_
\$ 4,018 \$ 8,124 \$ 3,063 \$ 1,726 \$ 2,328 \$ 2,461 \$ 2,532 \$ 1,603 \$ 8,575 \$ 1,85   161 203 66 37 35 363 326 66 54   — (507) — — — (523) (1,028) (11) (618) — (32) (340) (20) (30) (45) (5) — (217) 864 (5   — — — — — — — — 6 30 — — — — (523) (1,471 \$ 7,480 \$ 3,109 \$ 1,733 \$ 2,318 \$ 2,296 \$ 1,836 \$ 1,471 \$ 8,875 \$ 1,79	2		<u> </u>		•		•		<u> </u>	2 300	_		Φ.		<u> </u>		_		•	
161       203       66       37       35       363       326       66       54         —       (507)       —       —       —       (523)       (1,028)       (11)       (618)       —         (32)       (340)       (20)       (30)       (45)       (5)       —       (217)       864       (5         —       —       —       —       —       6       30       —       —         \$ 4,147       \$ 7,480       \$ 3,109       \$ 1,733       \$ 2,318       \$ 2,296       \$ 1,836       \$ 1,471       \$ 8,875       \$ 1,79         \$ 3,986       \$ 7,224       \$ 3,092       \$ 1,610       \$ 2,333       \$ 2,183       \$ 1,601       \$ 1,454       \$ 8,282       \$ 1,77	<u> </u>		<u> </u>		<u> </u>		<u> </u>		Ť	2,000	<u></u>		<u> </u>		Ť		<u></u>		<u> </u>	
161       203       66       37       35       363       326       66       54         —       (507)       —       —       —       (523)       (1,028)       (11)       (618)       —         (32)       (340)       (20)       (30)       (45)       (5)       —       (217)       864       (5         —       —       —       —       —       6       30       —       —         \$ 4,147       \$ 7,480       \$ 3,109       \$ 1,733       \$ 2,318       \$ 2,296       \$ 1,836       \$ 1,471       \$ 8,875       \$ 1,79         \$ 3,986       \$ 7,224       \$ 3,092       \$ 1,610       \$ 2,333       \$ 2,183       \$ 1,601       \$ 1,454       \$ 8,282       \$ 1,77																				
161       203       66       37       35       363       326       66       54         —       (507)       —       —       —       (523)       (1,028)       (11)       (618)       —         (32)       (340)       (20)       (30)       (45)       (5)       —       (217)       864       (5         —       —       —       —       —       6       30       —       —         \$ 4,147       \$ 7,480       \$ 3,109       \$ 1,733       \$ 2,318       \$ 2,296       \$ 1,836       \$ 1,471       \$ 8,875       \$ 1,79         \$ 3,986       \$ 7,224       \$ 3,092       \$ 1,610       \$ 2,333       \$ 2,183       \$ 1,601       \$ 1,454       \$ 8,282       \$ 1,77	\$	4,018	\$	8,124	\$	3,063	\$	1,726	\$	2,328	\$	2,461	\$	2,532	\$	1,603	\$	8,575	\$	1,850
(32)     (340)     (20)     (30)     (45)     (5)     —     (217)     864     (5       —     —     —     —     —     —     6     30     —     —       \$ 4,147     \$ 7,480     \$ 3,109     \$ 1,733     \$ 2,318     \$ 2,296     \$ 1,836     \$ 1,471     \$ 8,875     \$ 1,79       \$ 3,986     \$ 7,224     \$ 3,092     \$ 1,610     \$ 2,333     \$ 2,183     \$ 1,601     \$ 1,454     \$ 8,282     \$ 1,77	•		·	203													•			2
-     -     -     -     -     -     -     -     -       \$ 4,147     \$ 7,480     \$ 3,109     \$ 1,733     \$ 2,318     \$ 2,296     \$ 1,836     \$ 1,471     \$ 8,875     \$ 1,79       \$ 3,986     \$ 7,224     \$ 3,092     \$ 1,610     \$ 2,333     \$ 2,183     \$ 1,601     \$ 1,454     \$ 8,282     \$ 1,77		_		(507)		_		_		_		(523)		(1,028)		(11)		(618)		_
-     -     -     -     -     6     30     -     -       \$ 4,147     \$ 7,480     \$ 3,109     \$ 1,733     \$ 2,318     \$ 2,296     \$ 1,836     \$ 1,471     \$ 8,875     \$ 1,79       \$ 3,986     \$ 7,224     \$ 3,092     \$ 1,610     \$ 2,333     \$ 2,183     \$ 1,601     \$ 1,454     \$ 8,282     \$ 1,77		(32)		(340)		(20)		(30)		(45)		(5)		_		(217)		864		(58)
\$ 3,986 \$ 7,224 \$ 3,092 \$ 1,610 \$ 2,333 \$ 2,183 \$ 1,601 \$ 1,454 \$ 8,282 \$ 1,77		_		_		_		_		_		_		6		30		_		_
	\$	4,147	\$	7,480	\$	3,109	\$	1,733	\$	2,318	\$	2,296	\$	1,836	\$	1,471	\$	8,875	\$	1,794
56 173 27 107 61 307 307 106 182	\$		\$		\$		\$		\$	2,333	\$		\$	1,601	\$	1,454	\$		\$	1,776
		56		173		27		107		61		307		307		106		182		2
(538) (1,440) — (150) — (382) (607) (4) (844) —		٠, ,						, ,						` '				, ,		_
		(20)		(47)		(13)		(14)		(4)		(1)						(2,686)		(37)
<u> </u>			_								_				_		_			
\$ 3,484 \\$ 5,910 \\$ 3,106 \\$ 1,553 \\$ 2,390 \\$ 2,107 \\$ 1,244 \\$ 1,359 \\$ 4,934 \\$ 1,74	\$	3,484	\$	5,910	\$	3,106	\$	1,553	\$	2,390	\$	2,107	\$	1,244	\$	1,359	\$	4,934	\$	1,741

(dollars in millions)		Combined		nbining stments		Boston	Ne	w York
Unrestricted retained earnings								
Balance, December 31, 2009	\$	4,794	\$	(15)	\$	142	\$	689
Adjustment for cumulative effect of accounting change - fair value option guidance for scope exception related to embedded credit derivatives		25		_		_		_
Net income (loss)		1,144		53		83		189
Dividends on capital stock								
Cash		(385)		_		_		(177)
Stock		(36)		_		_		_
Balance, September 30, 2010	\$	5,542	\$	38	\$	225	\$	701
Balance, December 31, 2010	\$	5.943	\$	64	\$	249	\$	712
Net income (loss)		904		(1)	•	85	•	152
Dividends on capital stock		30.		(.)				.02
Cash		(412)		_		(8)		(164)
Stock		(25)		_		_		_
Balance, September 30, 2011	\$	6,410	\$	63	\$	326	\$	700
Postulated estaland assulance								
Restricted retained earnings	\$	1,239	\$		\$		\$	
Balance, December 31, 2009 Net income (loss)	Þ	239	Ф		Ф	_	Ф	
• •	\$	1,478	\$		\$		\$	
Balance, September 30, 2010	1=	1,470	<b>a</b>		<u> </u>		<u> </u>	
Balance, December 31, 2010	\$	1,609	\$	_	\$	_	\$	_
Net income (loss)		174		_		10		8
Balance, September 30, 2011	\$	1,783	\$		\$	10	\$	8
Total retained earnings				44-5			_	
Balance, December 31, 2009  Adjustment for cumulative effect of accounting change - fair value option guidance for scope exception	\$	6,033	\$	(15)	\$	142	\$	689
related to embedded credit derivatives		25		_		_		_
Net income (loss)		1,383		53		83		189
Dividends on capital stock								
Cash		(385)		_		_		(177)
Stock		(36)						
Balance, September 30, 2010	\$	7,020	\$	38	\$	225	\$	701
Balance, December 31, 2010	\$	7,552	\$	64	\$	249	\$	712
Net income (loss)		1,078		(1)		95		160
Dividends on capital stock								
Cash		(412)		_		(8)		(164)
Stock		(25)		_		_		
Balance, September 30, 2011	\$	8,193	\$	63	\$	336	\$	708

Pitts	burgh		Atlanta	_	Cincinnati	Ind	ianapolis	_	Chicago	D	es Moines		Dallas	_	Topeka	Sa	n Francisco		Seattle
\$	389	\$	873	\$	412	\$	349	\$	708	\$	484	\$	356	\$	355	\$		\$	52
Ψ	303	φ	073	φ	412	φ	349	φ		Ψ	404	φ	330	φ	333	Ψ	_	Ψ	32
	- (40)		_		_		_		25		_		_		_		_		_
	(13)		197		120		70		234		83		82		2		20		24
	_		(19)		(107)		(24)		_		(38)		_		_		(20)		_
	_		_		_		_		_		_		(6)		(30)		_		_
\$	376	\$	1,051	\$	425	\$	395	\$	967	\$	529	\$	432	\$	327	\$		\$	76
\$	397	\$	1,124	\$	438	\$	427	\$	1,099	\$	556	\$	452	\$	352	\$	_	\$	73
	25		115		94		68		180		44		28		46		19		49
	_		(42)		(100)		(29)		(2)		(48)		_		_		(19)		_
	_		_		_		_		(= <i>)</i>		_		(4)		(21)		_		_
\$	422	\$	1,197	\$	432	\$	466	\$	1,277	\$	552	\$		\$	377	\$	_	\$	122
														_					
\$	_	\$		\$	_	\$		\$		\$	_	\$	_	\$	_	\$	1,239 239	\$	_
\$		\$		\$		\$		\$		\$		\$		\$		\$	1,478	\$	<u> </u>
<u> </u>		Ť		Ť		Ť		Ť		Ť		Ť		Ť		Ť	.,	Ť	
\$	_	\$	_	\$	_	\$	_	\$	_	\$	_	\$	_	\$	_	\$	1,609	\$	_
	2		6		4		6		28				2				86		22
\$	2	\$	6	\$	4	\$	6	\$	28	\$		\$	2	\$		\$	1,695	\$	22
\$	389	\$	873	\$	412	\$	349	\$	708	\$	484	\$	356	\$	355	\$	1,239	\$	52
•	000	Ψ		Ψ		Ψ	0.0	•		•		*		*	000	Ψ	,,200	Ţ	02
	(42)		407		_				25		_		_		_		_		
	(13)		197		120		70		234		83		82		2		259		24
	_		(19)		(107)		(24)		_		(38)		_		_		(20)		_
	_		_		_		_		_		_		(6)		(30)		_		_
\$	376	\$	1,051	\$	425	\$	395	\$	967	\$	529	\$	432	\$	327	\$	1,478	\$	76
\$	397	\$	1,124	\$	438	\$	427	\$	1,099	\$	556	\$	452	\$	352	\$	1,609	\$	73
	27		121		98		74		208		44		30		46		105		71
			(42)		(100)		(29)		(2)		(48)		_		_		(19)		_
	_		_		_		_		_		_		(4)		(21)		_		_
\$	424	\$	1,203	\$	436	\$	472	\$	1,305	\$	552	\$	478	\$	377	\$	1,695	\$	144

(dollars in millions)	Cd	ombined	Combi Adjustr	ning nents	Boston	New York
Accumulated other comprehensive income (loss)						
Balance, December 31, 2009	\$	(8,206)	\$	(2)	\$ (1,021)	\$ (145)
Net unrealized gains/losses on available-for-sale securities						
Unrealized gains (losses)		954		_	75	28
Reclassification of losses (gains) included in net income (loss)		(1)		_	_	(1)
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities						
Reclassification of losses (gains) included in net income (loss)		12		_	_	_
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities						
Non-credit portion and net change in fair value, including losses transferred from held-to-maturity securities		508		_	_	_
Reclassification of losses (gains) included in net income (loss)		(8)		_	_	_
Reclassification of non-credit portion losses included in net income (loss)		310		_	_	_
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities						
Non-credit portion		(962)		_	(32)	(2)
Reclassification of non-credit portion included in net income (loss)		526		_	50	5
Accretion of non-credit portion		1,102		_	215	12
Reclassification of non-credit portion from held-to-maturity securities to available-for-sale securities		409		_		_
Net unrealized gains/losses relating to hedging activities		100				
Unrealized gains (losses)		(697)				
Reclassification of losses (gains) included in net income (loss)		` ′			_	5
Pension and postretirement benefits		(3)		_	1	5
•	\$	(1)	<u></u>	(2)	\$ (712)	\$ (98)
Balance, September 30, 2010	<del>-</del>	(6,057)	\$	(2)	<del>Φ</del> (712)	\$ (98)
Balance, December 31, 2010	\$	(5,546)	\$	(2)	\$ (638)	\$ (97)
Net unrealized gains/losses on available-for-sale securities						
Unrealized gains (losses)		520		_	(6)	(7)
Reclassification of (gains) losses included in net income (loss)		(13)		_	(13)	_
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities						
Reclassification of (gains) losses included in net income (loss)		3		_	_	_
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities						
Non-credit portion and net change in fair value, including losses transferred from held-to-maturity securities		(1,733)		_	_	_
Reclassification of (gains) losses included in net income (loss)		(11)		_	_	_
Reclassification of non-credit portion included in net income (loss)		314		_	_	_
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities						
Non-credit portion		(279)		_	(17)	_
Reclassification of non-credit portion included in net income (loss)		275		_	59	1
Accretion of non-credit portion		524		_	125	10
Reclassification of non-credit portion from held-to-maturity securities to available-for-sale securities		2.688		_	_	
Net unrealized gains/losses relating to hedging activities		2,000				
Unrealized gains (losses)		(574)			(27)	(94)
Reclassification of (gains) losses included in net income (loss)		(44)			(21)	(94)
Pension and postretirement benefits		3			<u> </u>	
	_		_	(0)	e (E47)	\$ (184)
Balance, September 30, 2011	\$	(3,873)	\$	(2)	\$ (517)	\$ (184

Pittsl	burgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
•	(604)	(744)	<b>(0)</b>	r (200)	¢ (050)	r (24)	r (00)	<b>(40)</b>	r (2.504)	r (000)
\$	(694)	\$ (744)	\$ (8)	\$ (329)	\$ (658)	\$ (34)	\$ (66)	\$ (12)	\$ (3,584)	\$ (909)
	1	_	(1)	(9)	673	181	<u> </u>	_	2	4
	_	_	_	_	_	_	_	_	_	_
	_	_	_	_	12	_	_	_	_	_
	300	200	_	_	11	_	_	_	_	(3)
	(8)	_	_	<u> </u>	_	_	<u> </u>	_	_	<del>-</del>
	142	93	_	_	6	_	_	_	_	69
	(20)	(161)		(21)	(34)	_	(7)	(16)	(466)	(203)
		_	_	67 41	136 141	_	2 14	2	255 641	9 35
	20	161	_	41 —	141 —	_	14 —	_	- 041 	228
	_	_	_	_	(697)	_	_	_	_	_
	_	_	_	_	(8)	_	_	_	_	_
			1	(3)			(1)	1		
\$	(259)	\$ (451)	\$ (8)	\$ (254)	\$ (418)	\$ 147	\$ (58)	\$ (22)	\$ (3,152)	\$ (770)
\$	(222)	\$ (402)	\$ (7)	\$ (90)	\$ (483)	\$ 91	\$ (63)	\$ (23)	\$ (2,943)	\$ (667)
•	,	( - )	. ( )	()	(	•	()	, (-)	, ,	, ,
	4	_	(1)	7	468	44	(6)	_	2	15
	_	_	_	_	_	_	_	_	_	_
					3					
	_	_	_	_	3	_	_	_	_	_
	51	(6)	_	(33)	2	_	_	_	(1,773)	26
	(7)	_	_	(4)	_	_	_	_		_
	37	91	_	25	6	_	_	_	68	87
	(3)	(28)	_	_	(16)	_	(7)	(8)	(193)	(7)
	_	_	_	3	51	_	4	3	156 263	1 10
	3	 28	_	4	96 —	_	14 —	- -	2,648	5
	•			7					2,010	
	_	_	_	_	(453)	_	_	_	_	_
	_	_	_	_	(47)	_	_	_	_	_
				3						
\$	(137)	\$ (317)	\$ (8)	\$ (85)	\$ (373)	\$ 135	\$ (58)	\$ (25)	\$ (1,772)	\$ (530)

(dollars in millions)		ombined	ibining stments	Во	ston	Ne	w York
Total capital							
Balance, December 31, 2009	\$	42,809	\$ (17)	\$	2,764	\$	5,603
Adjustment for cumulative effect of accounting change - fair value option guidance for scope exception related to embedded credit derivatives		25	_		_		_
Proceeds from sale of capital stock		2,722	_		19		1,390
Repurchase/redemption of capital stock		(4,442)	_		_		(1,755
Net shares reclassified to mandatorily redeemable capital stock		87	_		_		(30
Comprehensive income (loss)							
Net income (loss)		1,383	53		83		189
Other comprehensive income (loss) adjustments							
Net unrealized gains/losses on available-for-sale securities							
Unrealized gains (losses)		954	_		75		28
Reclassification of losses (gains) included in net income (loss)		(1)	_		_		(1
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities							
Reclassification of losses (gains) included in net income (loss)		12	_		_		_
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities							
Non-credit portion and net change in fair value, including losses transferred from held-to-maturity securities		508	_		_		_
Reclassification of losses (gains) included in net income (loss)		(8)	_		_		_
Reclassification of non-credit portion included in net income (loss)		310	_		_		_
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities							
Non-credit portion		(962)	_		(32)		(2
Reclassification of non-credit portion included in net income (loss)		526	_		50		5
Accretion of non-credit portion		1,102	_		215		12
Reclassification of non-credit portion from held-to-maturity securities to available-for-sale securities		409	_		_		_
Net unrealized gains/losses relating to hedging activities							
Unrealized gains (losses)		(697)	_		_		_
Reclassification of losses (gains) included in net income (loss)		(3)	_		_		5
Pension and postretirement benefits		(1)	_		1		_
Total other comprehensive income (loss) adjustments	I	2,149			309		47
Total comprehensive income (loss)	1	3,532	53		392		236
Dividends on capital stock							
Cash		(385)	_		_		(177
Balance, September 30, 2010	\$	44,348	\$ 36	\$	3,175	\$	5,267

Pitt	sburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
\$	3,713	\$ 8,253	\$ 3,467	\$ 1,746	\$ 2,378	\$ 2,911	\$ 2,822	\$ 1,946	\$ 6,230	\$ 993
φ	3,713	Φ 0,233	φ 3,407	ψ 1,740		φ 2,911	φ 2,022	φ 1,540	φ 0,230	ψ <del>33</del> 3
	_	_	_	_	25		_	_	_	_
	161	203	66	37	35	363	326	66	54	2
	— (22)	(507)	(20)	(20)	(45)	(523)	(1,028)	(11)	(618)	— (E9)
	(32)	(340)	(20)	(30)	(45)	(5)	_	(217)	864	(58)
	(13)	197	120	70	234	83	82	2	259	24
	1	_	(1)	(9)	673	181	_	_	2	4
	_	_	_	_	_	_	_	_	_	_
		_		_	12	_	_	_	_	_
	300	200	_	_	11	_	_	_	_	(3)
	(8)	_	_	_	_	_	_	_	_	_
	142	93	_	_	6	_	_	_	_	69
	(20)	(161)		(21)	(34)	_	(7)	(16)	(466)	(203)
	_	_	_	67 41	136 141	_	2 14	2	255 641	9
	20	— 161		41	141 —		14	3	— 04 I	228
	20	101	_		_	_	_	_	_	220
	_	_	_	_	(697)	_	_	_	_	_
	_	_	_	_	(8)	_	_	_	_	_
	_	_	1	(3)	_	_	(1)	1	_	_
	435	293		75	240	181	8	(10)	432	139
	422	490	120	145	474	264	90	(8)	691	163
		(19)				(38)			(20)	
\$	4,264	\$ 8,080	\$ 3,526	\$ 1,874	\$ 2,867	\$ 2,972	\$ 2,210	\$ 1,776	\$ 7,201	\$ 1,100

(dollars in millions)	С	ombined	Comb Adjust		В	oston	New York
Total capital							
Balance, December 31, 2010	\$	43,741	\$	62	\$	3,276	\$ 5,144
Proceeds from sale of capital stock	l	3,137		_		60	1,749
Repurchase/redemption of capital stock		(5,668)		_		_	(1,703)
Net shares reclassified to mandatorily redeemable capital stock		(3,245)		_		(141)	(3)
Comprehensive income (loss)							
Net income (loss)		1,078		(1)		95	160
Other comprehensive income (loss) adjustments	l						
Net unrealized gains/losses on available-for-sale securities							
Unrealized gains (losses)		520		_		(6)	(7)
Reclassification of losses (gains) included in net income (loss)	l	(13)		_		(13)	_
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities	l						
Reclassification of losses (gains) included in net income (loss)		3		_		_	_
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	ı						
Non-credit portion and net change in fair value, including losses transferred from held-to-maturity securities		(1,733)		_		_	_
Reclassification of losses (gains) included in net income (loss)		(11)		_		_	_
Reclassification of non-credit portion included in net income (loss)	l	314		_		_	_
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	ı						
Non-credit portion		(279)		_		(17)	_
Reclassification of non-credit portion included in net income (loss)		275		_		59	1
Accretion of non-credit portion		524		_		125	10
Reclassification of non-credit portion from held-to-maturity securities to available-for-sale securities		2,688		_		_	_
Net unrealized gains/losses relating to hedging activities							
Unrealized gains (losses)		(574)		_		(27)	(94)
Reclassification of losses (gains) included in net income (loss)	l	(44)		_		_	3
Pension and postretirement benefits	ı	3		_		_	_
Total other comprehensive income (loss) adjustments	I	1,673		_		121	(87)
Total comprehensive income (loss)	I	2,751		(1)		216	73
Dividends on capital stock	l						
Cash		(412)		_		(8)	(164)
Balance, September 30, 2011	\$	40,304	\$	61	\$	3,403	\$ 5,096

Pitt	tsburgh	 tlanta	Ci	ncinnati	Indianapol	s	Chicago	Des	Moines	Dallas	_	Topeka	San Fra	ncisco	 Seattle
\$	4,161	\$ 7,946	\$	3,523	\$ 1,9	47	\$ 2,949	\$	2,830	\$ 1,990	\$	1,783	\$	6,948	\$ 1,182
·	56	173		27		07	61		307	307		106		182	2
	(538)	(1,440)		_	(1	50)	_		(382)	(607)		(4)		(844)	_
	(20)	(47)		(13)	(	14)	(4)		(1)	(61)		(218)		(2,686)	(37)
	27	121		98		74	208		44	30		46		105	71
				(4)		_	100		4.4	(0)				•	45
	4	_		(1) —		7 —	468 —		44 —	(6) —		_		2 —	15 —
	_	_		_		_	3		_	_		_		_	_
	51	(6)		_	(	33)	2		_	_		_		(1,773)	26
	(7)	_		_		(4)	_		_	_		_		_	_
	37	91		_		25	6		_	_		_		68	87
	(3)	(28)		_		_	(16)		_	(7)		(8)		(193)	(7)
	_	_		_		_	51		_	4		3		156	1
	_	_		_		3	96		_	14		3		263	10
	3	28		_		4	_		_	_		_		2,648	5
	_	_		_		_	(453)		_	_		_		_	_
	_	_		_		_	(47)		_	_		_		_	_
						3									_
	85	85		(1)		5	110		44	5		(2)		1,171	137
	112	206		97		79	318		88	35		44		1,276	208
		(42)		(100)	(	29)	(2)		(48)					(19)	_
\$	3,771	\$ 6,796	\$	3,534	\$ 1,9	40	\$ 3,322	\$	2,794	\$ 1,664	\$	1,711	\$	4,857	\$ 1,355

#### FEDERAL HOME LOAN BANKS COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 (Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Operating activities				
Net income (loss)	\$ 1,078	\$ (1)	\$ 95	\$ 160
Adjustments to reconcile net income (loss) to net cash provided by operating activities				
Depreciation and amortization	(22)	18	(3)	(130)
Change in net derivative and hedging activities	492	_	62	420
Net other-than-temporary impairment losses	775	_	74	1
Other adjustments	(58)	(17)	(15)	58
Net change in fair value adjustments on trading securities	(46)	_	(18)	_
Net change in fair value adjustments on financial instruments held under fair value option	(34)	_	_	11
Net change in				
Trading securities	152	_	_	_
Accrued interest receivable	286	(1)	35	44
Other assets	37	_	2	5
Accrued interest payable	(62)	1	2	(11)
Other liabilities(1)	(150)	_	18	(30)
Total adjustments	1,370	1	157	368
Net cash provided by (used in) operating activities	2,448	_	252	528
Investing activities				
Net change in				
Interest-bearing deposits	(5,207)	_	_	(890)
Securities purchased under agreements to resell	4,050	_	(1,325)	` <u>-</u>
Federal funds sold	19,914	_	2,205	24
Deposits to other FHLBanks	_	3	· <u>-</u>	_
Premises, software and equipment	(39)	_	(2)	(3)
Trading securities	· í		. , ,	` `
Net decrease (increase) in short-term	7,672	_	5,320	_
Proceeds from long-term	3,165	_	3	_
Purchases of long-term	(6,528)	_	_	_
Available-for-sale securities				
Net decrease (increase) in short-term	2,170	_	_	_
Proceeds from long-term	9,688	_	2,510	1,735
Purchases of long-term	(4,996)	_	(492)	(1,095)
Held-to-maturity securities				
Net decrease (increase) in short-term	8,345	_	_	_
Proceeds from long-term	22,766	_	1,046	1,770
Purchases of long-term	(21,512)	_	(1,814)	(2,815)
Advances			,	
Proceeds	1,160,393	_	101,597	203,976
Made	(1,095,218)	_	(98,567)	(196,098)
Mortgage loans held for portfolio	( , , , , , , , , , , , , , , , , , , ,		(,,	(,,
Principal collected	9,310	_	460	174
Purchases	(4,691)	_	(352)	(269)
Mortgage loans held for sale	(1,201)		()	( 32)
Proceeds	1,435	_	_	_
Proceeds from sales of foreclosed assets	108	_	9	1
Principal collected on other loans	1	_	_	_
Net cash provided by (used in) investing activities	110,826	3	10,598	6,510
The bash provided by (about in) introduing deterior	110,020		10,090	0,510

Pit	tsburgh	A	tlanta	Cincinn	ati	Indianapolis	Chicago		Des Moines		Dallas		opeka	San Fran	cisco	 Seattle
\$	27	\$	121	\$	98	\$ 74	\$ 208	В \$	s 44	\$	30	\$	46	\$	105	\$ 71
			(0.1)					_			(0.0)		(4=)		(0.5)	
	4		(24)		39	36	143		2		(36)		(15)		(65)	9
	78 38		376 108		122	80 26	(1,21) 57		260 —		87 5		114 5		109 373	1 88
	(3)		_		(3)	(60)	49		1		_		(4)		3	(67)
	<del>-</del>		(22)		18	— (66 <i>)</i>	4(		(40)		_		(28)		4	(O1)
	_		_		1	_	13		4		(11)		_		(52)	_
											( /				(- )	
	152		_		_	_	-	_	_		_		_		_	_
	17		70		7	31	(27	7)	(4)		(8)		14		96	12
	4		31		4	5	(55	5)	12		3		1		25	_
	1		(17)		(36)	(22)	115	5	(4)		2		(25)		(33)	(35)
	33		(62)		32	(17)	(26		(15)		(8)		(15)		(82)	22
	324		460		184	79	(908		216		34		47		378	30
	351		581		282	153	(700	0)	260	_	64		93		483	101
	(240)		(1,910)		(128)	(773)	_	_	(584)		(421)		(275)		_	14
	(500)		_	1	,050	250	3,575	5	50		(500)		_		_	1,450
	1,300		(739)	1	,790	3,855	1,058	3	1,335		1,942		1,055		5,981	108
	(3)		_		_	_	_		_		_		_		_	_
	(1)		(4)		(1)	(2)	(4	4)	(4)		(4)		(1)		(9)	(4)
	_		_	2	,005	_	_	_	_		_		347		_	_
	_		272		_	_	1,820		211		_		855		4	_
	_		_		_	_	(4,407	7)	(56)		_		(1,032)	(	1,033)	_
				0	470											
	<del>-</del> 599		— 589		,170 —	304	89		907		_		_		525	1,628
	(1,576)				_	J04 —	(70		(143)		(1,509)		_		J23 —	(111)
	(1,070)						(7)	<i>J</i> ,	(140)		(1,000)					(111)
	1,350		90		(126)	_	467	7	335		_		_		5,737	492
	1,789		3,394		,801	1,021	1,78	5	1,431		1,659		1,347	;	3,598	1,125
	(815)		(3,634)	(2	,118)	(1,370)	(1,042	2)	_		_		_	(	5,921)	(1,983)
	56,867		54,701	155	,553	14,743	71,676	3	29,860		231,246		23,868	19	0,048	26,258
	(52,884)		(40,277)	(155	,728)	(14,818)	(67,079	9)	(27,458)		(224,291)		(21,386)	(17.	2,822)	(23,810)
	633		284	1	,238	944	3,066	3	1,043		33		524		398	513
	(192)		_	(1	,357)	(357)	(40	0)	(988)		_		(1,136)		_	_
																4 :
	_		_		_	_	-		_		_		111		_	1,324
	_		12		_	_	52		29		_		5 1		_	_
	6,327		12,778	7	,149	3,797	11,748		5,968		8,155		4,283	2	5,506	7,004
			,		,		,,,,,				3,.00	_	.,200		,,,,,,,	.,00.

(dollars in millions)				bining tments	Boston	New York	
Financing activities	i —				,		
Net change in							
Deposits and pass-through reserves	\$	1,877	\$	_	\$ 5	\$	81
Deposits from other FHLBanks		_		(3)	_		_
Borrowings		142		_	_		147
Net (payments) proceeds on derivative contracts with financing element		(988)		_	(30)		(287)
Net proceeds from issuance of consolidated obligations							
Discount notes		3,741,045		_	439,183		126,916
Bonds		320,797		_	11,234		47,000
Bonds transferred from other FHLBanks		_		(182)	_		_
Payments for maturing and retiring consolidated obligations							
Discount notes		(3,763,178)		_	(447,033)		(123,767)
Bonds		(398,199)		_	(13,925)		(52,752)
Bonds transferred to other FHLBanks		_		182	_		(167)
Proceeds from sale of capital stock		3,137		_	60		1,749
Payments for repurchase/redemption of mandatorily redeemable capital stock		(1,377)		_	(3)		(8)
Payments for repurchase/redemption of capital stock		(5,668)		_	_		(1,703)
Cash dividends paid		(412)		_	(8)		(164)
Net cash provided by (used in) financing activities		(102,824)		(3)	(10,517)		(2,955)
Net increase (decrease) in cash and due from banks		10,450			333		4,083
Cash and due from banks at beginning of the period		3,801		_	6		661
Cash and due from banks at end of the period	\$	14,251	\$	_	\$ 339	\$	4,744
Supplemental disclosures			-				
Interest paid	\$	6,289	\$		\$ 391	\$	400
AHP payments, net	\$	171	\$		\$ 5	\$	27
REFCORP assessments, net	\$	251	\$		\$ (3)	\$	52
Transfers of mortgage loans to real estate owned	\$	130	\$		\$ 9	\$	1
Transfers of mortgage loans held for portfolio to mortgage loans held for sale	\$	1,324	\$		\$ 	\$	
Transfers of other-than-temporarily impaired held-to-maturity securities to available-for-sale securities	\$	8,270	\$	_	\$	\$	_

<sup>(1)</sup> Other liabilities includes the net change in REFCORP receivable/payable.

Pit	ttsburgh		Atlanta	_	Cincinnati	In	dianapolis		Chicago		Des Moines		Dallas		Topeka	Sa	n Francisco		Seattle
\$	00	æ	20	<b>ው</b>	(404)	Φ.	055	æ	(404)	•	(004)	Φ.	F74	•	000	Ф.	124	Φ.	(400)
<b>\$</b>	68	\$	39	\$	(164)	\$	655	\$	(104)	\$	(264)	Ъ	571	\$	986	\$	124	\$	(120)
									_						(5)				_
	(58)		(379)		(128)		(77)		(100)		(8)		152		(62)		26		(37)
	(00)		(0.0)		(120)		(,		(100)		(0)		.02		(02)				(0.)
	74,493		780,776		376,085		278,663		616,603		297,671		125,726		52,166		44,866		527,897
	14,398		61,612		13,374		21,168		30,246		28,623		6,285		10,071		48,439		28,347
	_		_		_		_		_		_		167		_		15		_
	(80,107)		(788,638)		(377,750)		(280,607)		(615,186)		(299,208)		(122,879)		(54,360)		(47,001)		(526,642)
	(14,931)		(65,204)		(16,549)		(23,187)		(42,572)		(32,708)		(18,265)		(11,250)		(70,304)		(36,552)
	_		_		_		_		_		_		(15)		_		_		_
	56		173		27		107		61		307		307		106		182		2
	(6)		(257)		(39)		(189)		(4)		(1)		(61)		(227)		(582)		_
	(538)		(1,440)		_		(150)		_		(382)		(607)		(4)		(844)		_
			(42)		(100)		(29)		(2)		(48)						(19)		
	(6,625)		(13,360)		(5,244)		(3,646)		(11,055)		(6,018)		(8,619)		(2,579)		(25,098)		(7,105)
	53		(1)		2,187		304		(7)		210		(400)		1,797		1,891		_
	143	_	5		198		12	_	282		106	_	1,632				755	_	1
\$	196	\$	4	\$	2,385	\$	316	\$	275	\$	316	\$	1,232	\$	1,797	\$	2,646	\$	1
\$	509	\$	536	\$	622	\$	380	\$	1,139	\$		\$	119	\$	274	\$	591	\$	246
\$	4		24	\$	24	\$	13		6	\$		\$	11		15	\$	31	\$	1 (4.5)
\$	(34)	\$	13	\$	31	\$	21	\$	49	\$	24	\$	10	\$	<u>20</u>	\$	54	\$	(15)
\$	13	=	13	=				\$	54	\$		\$	1	\$		÷	5	\$	3
\$	<u> </u>	\$		\$		\$		_		\$		\$		_		\$	7 700	\$	1,324
\$	91	\$	369	\$		\$	14	\$		\$		\$		\$		\$	7,788	\$	8

#### FEDERAL HOME LOAN BANKS COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 (Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Operating activities				
Net income (loss)	\$ 1,383	\$ 53	\$ 83	\$ 189
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	(62)	1	7	(32
Change in net derivative and hedging activities	1,786	_	29	408
Net other-than-temporarily impairment losses	906	_	59	8
Other adjustments	62	(54)	1	_
Net change in fair value adjustments on trading securities	(265)	_	(19)	_
Net change in fair value adjustments on financial instruments held under fair value option	75	_	_	13
Net change in				
Trading securities	149	_	_	_
Accrued interest receivable	443	(1)	3	35
Other assets	(57)	_	3	3
Accrued interest payable	(650)	1	(8)	3
Other liabilities(1)	37	_	21	(2
Total adjustments	2,424	(53)	96	436
Net cash provided by (used in) operating activities	3,807		179	625
Investing activities				
Net change in				
Interest-bearing deposits	(2,975)	_	_	(1,607
Securities purchased under agreements to resell	(17,275)	_	(3,950)	` _
Federal funds sold	(20,565)	_	1,236	(645
Deposits to other FHLBanks	` _	4		`_
Loans to FHLBanks	_	120	_	_
Premises, software and equipment	(39)	_	_	(4
Trading securities	,			,
Net decrease (increase) in short-term	692	_	(4,210)	_
Proceeds from long-term	3,362	(154)	4	_
Purchases of long-term	(1,737)		(151)	_
Available-for-sale securities			,	
Net decrease (increase) in short-term	3,415	_	2,600	_
Proceeds from long-term	5,069	_	370	871
Purchases of long-term	(22,695)	_	(3,827)	(1,958
Held-to-maturity securities			,	•
Net decrease (increase) in short-term	1,032	_	_	_
Proceeds from long-term	32,046	_	1,694	2,483
Purchases of long-term	(22,116)	_	(812)	(174
Advances			,	•
Proceeds	1,191,627	_	114,511	165,793
Made	(1,055,340)	_	(106,953)	(155,158
Mortgage loans held for portfolio	, , , , ,		, , , ,	, , ,
Principal collected	10,548	_	495	156
Purchases	(3,535)	_	(276)	(107
Proceeds from sales of foreclosed assets	108	_	7	_
Principal collected on other loans	1	_	_	_
Net cash provided by (used in) investing activities	101,623	(30)	738	9,650
,, , , ,		J ———(30)		

Pit	tsburgh	Atlanta		Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
\$	(13)	\$ 19	7	\$ 120	\$ 70	\$ 234	\$ 83	\$ 82	\$ 2	\$ 259	\$ 24
	47	(4	(F)	20	(20)	00	27	(71)	4	(7)	(60)
	17 37	76	(5)	29 165	(29) 125	99 (55)	37 (39)	(71) 124	130	(7) 59	(69) 38
	146	13		—	68	147	(53)	2	4	258	82
	(12)		51)	(4)	3	28	135	_	1	2	13
	`_	(11		_	_	8	(62)	_	(75)	1	_
	_	-	-	_	_	9	(2)	_	_	55	_
	150	-	_	_	_	_	_	(1)	_	_	_
	42	10		14	(11)	(6)	(7)	15	22	206	26
	1		(4)	4	3	(55)	1	(10)	(2)	_	(1)
	(93)	(14		(101)	(50)	67	(9)	(40)	(22)	(169)	(81)
	(10)		6	(26)	6	45	5		(13)	(5)	10
	278	64		81	115	287	59	19	46	400	18
	265	83	9	201	185	521	142	101	48	659	42
	22	(75	52)	(144)	(150)	_	(126)	(110)	(108)	_	_
	_	-	_	(2,400)	(1,250)	(2,175)	(2,250)	_	_	_	(5,250)
	(810)	(5,73	32)	(3,815)	(1,145)	(4,832)	1,097	(3,997)	(924)	(7,837)	6,839
	(4)	-	_	-	_	_	_	_	_	_	_
	_		_	_	_	_	_	_	_	(120)	_
	(3)		(8)	(2)	(1)	(4)	(2)	(5)	(1)	(7)	(2)
	_		_	2,093	_	_	_	(1,000)	3,809	_	
		20		2,095	_	34	2,999	(1,000)	268	4	_
	_		_	_	_	_		_	_	(1,586)	_
										( )	
	_	-	_	815	_	_	_	_	_	_	_
	660	40	)7	_	_	781	1,590	_	_	_	390
	_	-	_	_	(318)	(5,865)	(190)	_	-	_	(10,537)
	50	(1,35	(0)	(1)	_	196	(335)	_	_	1,239	1,233
	1,481	3,90		3,024	1,369	2,398	1,819	3,231	2,266	6,857	1,520
	(2,270)	(3,33		(2,610)	(2,643)	(1,394)	(3,904)	(1,079)	(2,375)	(520)	(1,002)
	75,396	51,65	54	250,313	16,227	66,170	30,921	202,765	32,429	159,970	25,478
	(65,528)	(35,41	7)	(244,702)	(12,532)	(60,735)	(26,860)	(182,589)	(30,454)	(115,894)	(18,518)
	691	32	29	1,528	1,113	3,695	1,062	37	473	415	554
	(275)		_	(514)	(330)	(36)	(920)	_	(1,077)	_	_
	_	-	_	_	_	77	17	_	7	_	_
									1		
	9,410	9,90	9	3,585	340	(1,690)	4,918	17,253	4,314	42,521	705

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Financing activities				
Net change in				
Deposits and pass-through reserves	\$ 3,405	\$ —	\$ (17)	\$ 1,121
Deposits from other FHLBanks	_	(4)	_	_
Borrowings	49	_	_	54
Loans from FHLBanks	_	(120)	_	_
Net proceeds (payments) on derivative contracts with financing element	(1,294)	_	(29)	(330)
Net proceeds from issuance of consolidated obligations				
Discount notes	5,010,636	_	939,739	89,819
Bonds	408,072	_	26,304	52,284
Bonds transferred from other FHLBanks	_	(502)	115	225
Payments for maturing and retiring consolidated obligations				
Discount notes	(5,024,726)	_	(944,261)	(102,849)
Bonds	(517,756)	154	(22,968)	(52,088)
Bonds transferred to other FHLBanks	_	502	_	_
Proceeds from issuance of capital stock	2,722	_	19	1,390
Payments for repurchase/redemption of mandatorily redeemable capital stock	(1,039)	_	(4)	(89)
Payments for repurchase/redemption of capital stock	(4,442)	_	_	(1,755)
Cash dividends paid	(385)	_	_	(177)
Net cash provided by (used in) financing activities	(124,758)	30	(1,102)	(12,395)
Net increase (decrease) in cash and due from banks	(19,328)	_	(185)	(2,120)
Cash and due from banks at beginning of the period	24,330	_	191	2,189
Cash and due from banks at end of the period	\$ 5,002	\$ —	\$ 6	\$ 69
Supplemental disclosures				
Interest paid	\$ 8,346	\$	\$ 439	\$ 493
AHP payments, net	\$ 182	\$ —	\$ 8	\$ 28
REFCORP assessments paid	\$ 305	\$ —	\$ —	\$ 51
Transfers of mortgage loans to real estate owned	\$ 173	\$ —	\$ 10	\$ 1
Transfers of other-than-temporarily impaired held-to-maturity securities to available-for-sale securities	\$ 1,937	\$ —	\$ —	\$ —
Transfers of held-to-maturity securities to trading securities	\$ 390	\$ —	\$ —	\$ —
		J <del></del>		

<sup>(1)</sup> Other liabilities includes the net change in REFCORP receivable/payable.

Pit	ttsburgh		Atlanta	_	incinnati	Inc	dianapolis		Chicago		Des Moines		Dallas		Topeka	Sa	an Francisco		Seattle
\$	(91)	Ф	3,167	\$	(587)	\$	(229)	\$	(5)	\$	337	\$	(889)	\$	710	\$	(118)	Ф	6
Ψ	(31)	Ψ	3,107	Ψ	(307)	Ψ	(223)	Ψ	4	Ψ		Ψ	(003)	Ψ	7 10 —	Ψ	(110)	Ψ	_
	_		_		_		_		_		_		_		(5)		_		_
	_		_		_		_		_		_		_		120		_		_
	(113)		(556)		(132)		(111)		(95)		21		(15)		(80)		64		82
	47,116		792,078		447,681		520,524		951,770		247,310		100,424		74,034		69,708		730,433
	12,493		69,127		14,427		25,459		35,959		31,277		23,190		15,598		65,299		36,655
	_		162		_		_		_		_		_		_		_		_
	(45.070)		(704 575)		(440,405)		(547.045)		(040,050)		(040.054)		(405.077)		(75,005)		(70.704)		(704.074)
	(45,076)		(781,575)		(442,405)		(517,045)		(949,650)		(249,251)		(105,877)		(75,085)		(76,781)		(734,871)
	(25,419)		(93,247)		(24,170)		(30,843)		(39,650)		(34,239)		(32,818)		(19,990)		(108,694)		(33,784)
	161		203		66		37		35		363		326		66		<u> </u>		2
	(4)		(36)		(328)		(3)		_		(8)		(2)		(213)		(352)		_
	_		(507)		_		<del>-</del>		_		(523)		(1,028)		(11)		(618)		_
	_		(19)		(107)		(24)		_		(38)		_		_		(20)		_
	(10,933)	_	(11,203)	_	(5,555)	_	(2,235)		(1,632)		(5,253)		(16,689)	_	(4,856)	_	(51,458)	_	(1,477)
	(1,258)		(455)		(1,769)		(1,710)		(2,801)		(193)		665		(494)		(8,278)		(730)
	1,419		465		1,808		1,722		2,823		299		3,908		495		8,280		731
\$	161	\$	10	\$	39	\$	12	\$	22	\$	106	\$	4,573	\$	1	\$	2	\$	1
\$	668	\$	827	\$	800	\$	485	\$	1,436	\$		\$	195	\$	302	\$	938	\$	397
\$	9	\$	<u>20</u> 51	\$	25 33	\$	11	\$	43	\$		\$	12	\$	12	\$	56	\$	4
\$	<u> </u>	\$	13	\$	33	\$	14	\$	100	\$		\$		\$	5	\$	4	\$	
\$	319	\$	1,298	\$		\$		\$	100	\$		\$	<del>_</del>	\$		\$	4	\$	320
\$	319	\$	1,290	\$		\$		\$	390	\$		\$		\$		\$		\$	320
Ψ		Ψ		<b>—</b>		<u>Ψ</u>		Ψ_		=		Ψ		Ψ		Ψ		<u>Ψ</u>	

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#### **SELECTED FINANCIAL DATA**

			2011		2010				
(dollars in millions)	Se	ptember 30,	June 30,		March 31,	De	cember 31,	September 3	
Selected Combined Statement of Condition Data at									
Investments(1)	\$	290,246	\$ 295,794	\$	328,456	\$	330,470	\$	330,758
Advances		415,379	428,460		445,090		478,589		499,616
Mortgage loans held for portfolio		55,290	55,970		58,530		61,277		64,365
Allowance for credit losses on mortgage loans		(118)	(108)		(104)		(86)		(64)
Total assets		778,252	809,219		848,743		878,109		903,574
Consolidated obligations									
Discount notes		172,269	180,960		184,325		194,431		184,303
Bonds		530,260	551,198		585,221		606,567		629,635
Total consolidated obligations		702,529	732,158	_	769,546		800,998		813,938
Mandatorily redeemable capital stock		8,934	9,290		6,427		7,066		7,012
Subordinated notes(2)		1,000	1,000		1,000		1,000		1,000
Total capital stock(3)									
Capital stock-Class B putable		32,881	33,726		38,220		38,683		40,359
Capital stock-Class A putable		713	717		726		719		708
Capital stock-Pre-conversion putable		2,390	2,352		2,332		2,333		2,318
Total capital stock		35,984	36,795		41,278		41,735		43,385
Retained earnings - Total		8,193	7,859		7,749		7,552		7,020
Accumulated other comprehensive income (loss)		(3,873)	(3,560)		(4,223)		(5,546)		(6,057)
Total capital(3)		40,304	41,094		44,804		43,741		44,348
Selected Combined Statement of Income Data for the quarter ended									
Net interest income	\$	1,000	\$ 1,006	\$	1,062	\$	1,266	\$	1,407
Provision (reversal) for credit losses		12	10		21		25		14
Net interest income after provision (reversal) for credit losses		988	996		1,041		1,241		1,393
Other non-interest income (loss)		(232)	(404)		(290)		1		(209)
Other expense		237	240		261		308		228
Assessments		50	101		132		236		224
Net income (loss)	\$	469	\$ 251	\$	358	\$	698	\$	732
Selected Other Data for the quarter ended	_								
Cash and stock dividends	\$	135	\$ 141	\$	161	\$	166	\$	136
Dividend payout ratio(4)		28.78%	56.18%		44.97%		23.78%		18.58%
Return on average equity(5)		4.55%	2.28%		3.29%		6.38%		6.70%
Return on average assets		0.23%	0.12%		0.17%		0.31%		0.31%
Average equity to average assets		5.02%	5.28%		5.08%		4.82%		4.68%
Net interest margin(6)		0.49%	0.49%		0.49%		0.56%		0.60%
Selected Other Data at									
Total regulatory capital ratio(7)		6.93%	6.77%		6.65%		6.53%		6.47%

<sup>(1)</sup> 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.

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.

FHLBank capital stock is redeemable at the request of a member subject to the statutory redemption periods and other conditions and limitations. Each of the FHLBanks, except for the FHLBank of Chicago, implemented its respective capital plan prior to 2006. The corresponding balances for capital stock-preconversion putable relate solely to the FHLBank of Chicago. (See Note 13-Capital to the accompanying combined financial statements.)

Dividend payout ratio is equal to dividends declared in the period expressed as a percentage of net income in the period. This ratio may not be as relevant to

the combined balances because there are no shareholders at the FHLBank system-wide level.

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

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

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

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

Investors should read this financial discussion and analysis of combined financial condition and combined results of operations together with the combined financial statements and the accompanying notes in this Combined Financial Report. Each FHLBank discusses its financial condition and results of operations in its periodic reports filed with the SEC. The results of operations for interim periods are not necessarily indicative of the results to be expected for the year ending December 31, 2011. The unaudited financial statements should be read in conjunction with the FHLBanks' audited financial statements and related notes to the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010.

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

The combined financial statements include the financial records of the 12 FHLBanks. (See the FHLBanks' <u>Combining Schedules</u> for information regarding each individual FHLBank's results.) Material transactions among the FHLBanks have been eliminated in accordance with combination accounting principles related to consolidation under GAAP. (See <u>Interbank Transfers of Consolidated Bonds and Their Effect on Combined Net Income.</u>)

Unless otherwise stated, amounts disclosed in this Combined Financial Report represent values rounded to the nearest million; as such, amounts less than one million may not be reflected in this Combined Financial Report.

#### **Forward-Looking Information**

Statements contained in this report, including statements describing the objectives, projections, estimates, or future predictions of the FHLBanks and Office of Finance, may be "forward-looking statements." These statements may use forward-looking terminology, such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or their negatives or other variations on these terms. Investors should note that, by their nature, forward-looking statements involve risks or uncertainties, including those set forth in the *Risk Factors* section of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010 along with any changes disclosed in this report. Therefore, the actual results could differ materially from those expressed or implied in these forward-looking statements or could affect the extent to which a particular objective, projection, estimate, or prediction is realized.

These forward-looking statements involve risks and uncertainties including, but not limited to, the following:

- changes in the general economy, employment rates, housing market activity and housing prices, and the size and volatility of the residential mortgage market;
- volatility of market prices, interest rates, and indices or other factors that could affect the value of investments
  or collateral held by the FHLBanks resulting from the effects of, and changes in, various monetary or fiscal
  policies and regulations, including those determined by the Federal Reserve Board and the FDIC, or a
  decline in liquidity in the financial markets;
- political events, including legislative, regulatory, judicial, or other developments that affect the FHLBanks,

their members, counterparties or investors in the consolidated obligations of the FHLBanks, including changes in the FHLBank Act, housing GSE reform, Finance Agency actions or regulations that affect FHLBank operations, and regulatory oversight;

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

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

### **Executive Summary**

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

# Overview

The FHLBanks are government-sponsored enterprises (GSEs), federally-chartered but privately capitalized and independently managed. The 12 regional FHLBanks together with the Office of Finance, the fiscal agent of the FHLBanks, comprise the FHLBank System. All FHLBanks operate under the supervisory and regulatory framework of the Federal Housing Finance Agency (Finance Agency or Regulator). The Finance Agency's stated mission with respect to the FHLBanks is to provide effective supervision, regulation and housing mission oversight of the FHLBanks to promote their safety and soundness, support housing finance and affordable housing, and support a stable and liquid mortgage market.

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

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

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

The FHLBank System's ability to raise funds in the capital markets at narrow spreads to the U.S. Treasury yield curve is due largely to the FHLBank System's GSE status, which is reflected in its consolidated obligations receiving the same credit rating as the government bond credit rating of the United States even though the consolidated obligations are not obligations of the United States. In addition to ratings on the FHLBanks' consolidated obligations, each FHLBank is rated individually by Standard & Poor's Ratings Services (S&P) and Moody's Investors Service (Moody's). Investors should note that a rating issued by a rating agency is not a recommendation to buy, sell or hold securities and that the ratings may be revised or withdrawn by the rating agency at any time. Investors should evaluate the rating of each rating agency independently. FHLBank debt is not guaranteed by, nor is it the obligation of, the United States or any government agency.

On August 5, 2011, S&P lowered its long-term credit rating on the United States from AAA to AA+ with a negative outlook. S&P has indicated that its ratings of the FHLBanks and the FHLBank System are constrained by the long-term credit rating of the United States. On August 8, 2011, S&P downgraded the long-term credit ratings on the senior unsecured debt issues of the FHLBank System and 10 of the 12 FHLBanks from AAA to AA+. The FHLBanks of Chicago and Seattle were already rated AA+ prior to the United States downgrade. S&P's outlook for the FHLBank System's senior unsecured debt and all 12 FHLBanks is negative. However, S&P's actions did not affect the short-term A-1+ ratings of the FHLBanks and the FHLBank System's short-term debt issues.

On August 2, 2011, Moody's confirmed the Aaa bond rating of the U.S. government following the raising of the U.S. statutory debt limit on August 2, 2011 and changed the rating outlook of the U.S. government to negative. Moody's also confirmed the long-term Aaa rating on the senior unsecured debt issues of the FHLBank System, the 12 FHLBanks, and other ratings Moody's considers directly linked to the U.S. government. Additionally, in conjunction with the revision of the U.S. government outlook to negative, the rating outlook for the FHLBank System and the 12 FHLBanks was also revised to negative.

In connection with the U.S. debt ceiling and related deficit, S&P or other rating organizations could further downgrade the U.S. government and, in turn, government-related and government-sponsored entities, including the FHLBanks. (See *Recent Rating Agency Actions* for additional information.) These recent credit rating actions have not had a material adverse effect on the FHLBanks' operations, financial position, liquidity or funding costs. However, uncertainty remains regarding possible longer-term effects resulting from these or any future rating agency actions. Any future downgrades in credit ratings and outlook could result in higher funding costs or disruptions in the FHLBanks' access to capital markets, including additional collateral posting requirements under certain derivative instrument agreements (see *Note 10-Derivatives and Hedging Activities-Managing Credit Risk on Derivatives*). Furthermore, member demand for certain FHLBank products could weaken. To the extent that the FHLBanks cannot access funding when needed on acceptable terms to effectively manage their cost of funds, their financial condition and results of operations and the value of FHLBank membership may be negatively affected.

### **Business Environment**

The primary external factors that affected the FHLBanks' combined financial condition and performance during the three and nine months ended September 30, 2011 included: (1) the general state of the economy and financial markets; (2) the conditions in the housing market; (3) interest-rate levels and volatility; and (4) the legislative and regulatory environment. During the three and nine months ended September 30, 2011, the FHLBanks continued to face challenges with respect to decreasing advance portfolios, low yields on interest-earning assets in the current low interest-rate environment, and the ongoing effect of other-than-temporary impairment (OTTI) related to the FHLBanks' private-label mortgage-backed securities.

<u>Economy and Financial Markets.</u> During the first nine months of 2011, the domestic economy continued its slow recovery from the recent financial crisis. The economic recovery was supported by growth in exports of U.S.-manufactured goods, an increase in automobile production and sales, and growth in business investment in equipment and software. Businesses reported improved profits, reflecting a decline in labor costs and increased efficiency. Conditions in the financial markets improved reflecting the improved capital and liquidity positions of the banking industry. Inflation rates dropped as commodity and energy prices declined from their peaks at the beginning of 2011.

In the third quarter of 2011, the economy was negatively affected by a lack of consumer, business and investor confidence. This was reflected in the lack of employment growth and a national unemployment rate that remained above 9%. Negative economic data, concerns about European sovereign and bank debt, and fears of a longer term global economic slowdown or recession had adverse effects on consumer and business confidence. The lack of business confidence is further delaying hiring in spite of strong corporate profits, while the lack of consumer confidence is adding to the depression in housing. The controversy during the debt ceiling debate and S&P's downgrade of the U.S. government's credit rating to AA+ resulted in significant volatility in the financial markets.

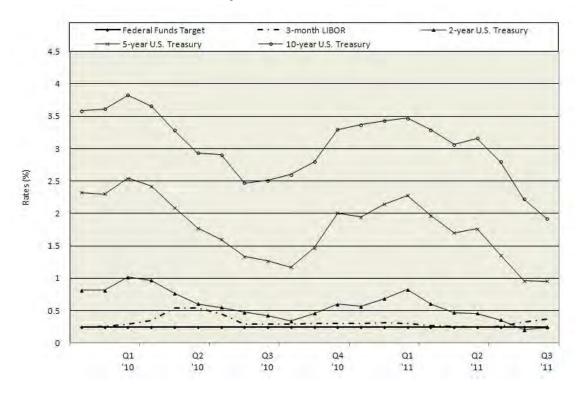
Financial market volatility increased in the third quarter of 2011, triggering a flight-to-quality rally in the capital markets as investors moved away from risky assets in favor of assets like short-term U.S. Treasuries and agency debt securities. This risk aversion in the financial markets resulted in lower equity prices and wider spreads on certain debt instruments. This, in combination with the European debt crisis and reduced funding needs by the FHLBanks, enabled the FHLBank System to maintain ready access to capital at attractive funding costs.

The FHLBanks' overall results are dependent on the economic and financial market environment and, in particular, their members' demand for wholesale funding. The slow economic recovery continues to reduce depository members' wholesale borrowing needs. As part of their overall business strategy, the FHLBanks' depository members typically use wholesale funding, in the form of advances, along with other sources of funding, such as retail deposits, as a source of liquidity and to fund residential mortgage loans in their portfolio. In an effort to strengthen their capital positions, many of these institutions have reduced the size of their balance sheets, which, along with high retail deposit levels and weak lending activity, has reduced demand for wholesale funding, including FHLBank advances. In addition, member mergers, acquisitions or resolutions resulted in paydowns of advances during the nine months ended September 30, 2011.

Conditions in Housing Market. During the nine months ended September 30, 2011, the housing sector continued to be another source of weakness and vulnerability in the economy. Home prices continued to be depressed as housing supply remained very high, housing demand was weak, and loan originations and sales volumes were down. Sales of distressed properties, such as foreclosures, real estate owned by financial institutions, and short sales by borrowers behind on their mortgage payments, remained as major dampening factors in the market. Widespread negative equity in many local real estate markets was also another factor reducing consumer confidence. Foreclosure workout times have increased dramatically and the current outlook for resolving the backlog of foreclosed properties remains uncertain. Credit availability remained tight for households and residential and commercial builders as a result of tight credit policies and concerns about future returns. Consumer fears were discouraging factors for discretionary home purchases. Housing market conditions continued to suppress FHLBank members' lending activities and negatively affect their demand for advances. The FHLBanks also continued to face uncertainty with respect to certain of their private-label MBS as a result of actual and projected performance of the loan collateral underlying those securities.

<u>Interest Rates.</u> The following chart presents key market interest rates from the first quarter of 2010 through the third quarter of 2011.

# **Key Market Interest Rates**



Source: Bloomberg.

Changes in short-term interest rates affect the FHLBanks' interest income and interest expense because a considerable portion of the FHLBanks' assets and liabilities are either directly or indirectly tied to short-term interest rates such as the federal funds or three-month LIBOR rates. Short-term interest rates also directly affect the FHLBanks through earnings on invested capital. During the nine months ended September 30, 2011, short-term interest rates remained at historic lows while intermediate- and long-term rates showed a generally modest upward trend during the first quarter of 2011 and a downward trend during the second and third quarters of 2011.

The Federal Reserve Board, acting through its Federal Open Market Committee, indicated that it will maintain its target range for the federal funds rate at 0.00% to 0.25%, as it continues to anticipate that economic conditions, including low rates of resource utilization and a subdued outlook for inflation over the medium term, are likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013. Furthermore, on September 21, 2011, the Federal Reserve announced "Operation Twist", which was intended to drive down longer-term interest rates by purchasing longer-dated assets and selling shorter-dated assets. While these measures could lower market yields on FHLBanks' investments and increase investment prepayment speeds, the FHLBanks could also experience increased demand for advances if these measures result in increased business activity with associated demand for loans from members that choose to fund such loans with advances.

Levels of other short-term interest rates remained very low during the nine months ended September 30, 2011, and, on average, were consistent with their historical relationship to federal funds target rates. On a weighted-average basis, when compared to three-month LIBOR, monthly consolidated bond funding costs improved during the three and nine months ended September 30, 2011, as compared to the same periods in 2010.

Market interest rate levels and volatility and credit spreads significantly affect the FHLBanks' profitability. The spread between 2-year and 10-year U.S. Treasuries remained wide, reflecting the uncertain path of the domestic economic expansion as the economy continued to recover following its emergence from the recent recession. Flattening of the yield curve tends to compress an FHLBank's net interest margin, while steepening of the yield

curve offers better opportunities to purchase assets with wider net interest spreads. A steep yield curve allowed the FHLBanks to continue retiring higher-cost, longer-term consolidated bonds before their final maturities and replacing them with lower cost debt. However, the interest-rate environment over the last several years negatively affected the FHLBanks' profitability by resulting in a lower return on interest-earning assets. Based on the average 2-year to 10-year spread, the U.S. Treasury curve slightly flattened during the third quarter of 2011 compared to the third quarter of 2010. The FHLBanks' net interest margin for the three and nine months ended September 30, 2011 was 49 basis points, 11 basis points and 5 basis points lower than the net interest margin for the three and nine months ended September 30, 2010.

On average, U.S. Treasury yields trended lower during the three and nine months ended September 30, 2011. As the FHLBanks issue debt at spreads above U.S. Treasuries, these lower interest rates decrease the cost of issuing FHLBank consolidated obligations, and therefore decrease the cost of long-term advances to members. The persistence of low interest rates and concerns around the debt ceiling discussions played a role in the sustained decrease in money market funds through early August. Taxable money market fund assets declined through early August 2011, but recovered somewhat during the remainder of the third quarter of 2011. As a subset of those assets, taxable money market fund investments allocated to the "U.S. Other Agency" category were generally higher in the third quarter of 2011.

<u>Legislative and Regulatory Environment.</u> As part of the quantitative easing initiative that will run through June 2012, the Federal Reserve decided on September 21, 2011 to extend the average maturity of its securities holdings and replace U.S. Treasury securities with maturities of three years or less with U.S. Treasury securities with maturities of six to 30 years. The Federal Reserve also announced plans to reinvest principal payments on its agency debt and MBS holdings back into agency MBS instead of U.S. Treasury securities.

On August 5, 2011, the Finance Agency certified that the FHLBanks had fully satisfied their REFCORP obligation. The FHLBanks entered into a Joint Capital Enhancement Agreement, as amended, which requires each FHLBank to allocate 20% of its net income to a separate restricted retained earnings account, beginning in the third quarter of 2011. (See <u>Note 13-Capital-Restricted Retained Earnings</u> to the accompanying combined financial statements for more information on the Joint Capital Enhancement Agreement.)

# **FHLBanks' Financial Highlights**

<u>Financial Condition.</u> At September 30, 2011, the FHLBanks' total assets were \$778.3 billion, a decrease of 11.4% from \$878.1 billion at December 31, 2010, primarily driven by a \$63.2 billion decline in advances and a \$40.2 billion decline in investments. Advances declined 13.2% during the nine months ended September 30, 2011 because of the sustained high level of liquidity in the market and low loan demand experienced at FHLBank member institutions. Investments declined primarily because of reductions in Federal funds sold and certificates of deposit. The mortgage loan portfolio continued to decline as a result of low purchase volumes, principal repayments and the sale of mortgage loans.

FHLBank debt issuance is generally driven by members' needs for advances. During the nine months ended September 30, 2011, the FHLBanks maintained continual access to funding and adapted their debt issuance to meet the needs of market participants. At September 30, 2011, the FHLBanks' total consolidated obligations outstanding were \$702.5 billion, a decline of 12.3% from \$801.0 billion at December 31, 2010. The decline in consolidated obligations was consistent with the decline in total assets. During the nine months ended September 30, 2011, consolidated bonds and consolidated discount notes declined \$76.3 billion and \$22.2 billion. The decline in consolidated obligations outstanding may be attributed in part to consolidated bond call volume, which had been elevated since May 2011. During the third quarter of 2011, interest rates continued to drop and consolidated bond call volume totaled \$85 billion.

Total combined GAAP capital was \$40.3 billion at September 30, 2011, a decrease of 7.9% from \$43.7 billion at December 31, 2010, as a result of a decrease in capital stock largely due to the repayment of advances. An FHLBank member's capital stock requirement is generally based on its use of FHLBank products, including advances. This decrease was partially offset by an improvement in accumulated other comprehensive income (loss) (AOCI) and growth in retained earnings. Total combined regulatory capital decreased \$3.4 billion, or 6.0%, to \$53.9 billion during the nine months ended September 30, 2011, primarily because of a decrease in capital stock outstanding, partially offset by an increase in mandatorily redeemable capital stock (MRCS) and growth in retained

earnings. The difference between GAAP capital and regulatory capital relates primarily to AOCI, which is excluded from regulatory capital, and MRCS, which is included in regulatory capital.

<u>Operating Results.</u> Combined net income for the three and nine months ended September 30, 2011 was \$469 million and \$1,078 million, which represented decreases of \$263 million and \$305 million compared to the same periods in 2010. Changes in net income were primarily driven by lower net interest income, partially offset by lower assessments.

Net interest income after provision for credit losses for the three and nine months ended September 30, 2011 was \$988 million and \$3,025 million. During the three and nine months ended September 30, 2011, the FHLBanks experienced declines in both interest income and interest expense compared to the same periods in 2010, leading to an overall decrease in net interest income after provision for credit losses of \$405 million and \$910 million. The decreases in net interest income for the three and nine months ended September 30, 2011 were driven by lower yields on interest-earning assets, reductions in average advance balances, run-off of higher yielding investments and mortgage loans, and lower prepayment fees on advances. Interest expense also continued to decline, driven by lower interest rates on newer debt issuances, repurchases of higher cost consolidated bonds prior to maturity and lower average balances.

The FHLBanks recognized losses of \$232 million and \$926 million in other non-interest income (loss) during the three and nine months ended September 30, 2011, compared to losses of \$209 million and \$1,437 million for the same periods in 2010. The increase in other non-interest losses for the three months ended September 30, 2011 compared to the same period in 2010 was driven by higher net losses on derivatives and hedging activities, offset by a gain on the sale of mortgage loans and lower losses on the extinguishment of debt. The improvement in other non-interest income (loss) during the nine months ended September 30, 2011 was primarily the result of lower net losses on derivatives and hedging activities, a gain on the sale of mortgage loans, lower losses on the extinguishment of debt, lower net other-than-temporary impairment losses and net gains on financial instruments held under fair value option, offset by less favorable mark-to-market adjustments on trading securities.

Included in other non-interest income (loss), the FHLBanks recognized \$159 million and \$775 million of credit-related OTTI charges on private-label MBS during the three and nine months ended September 30, 2011 compared to \$178 million and \$906 million of credit-related OTTI losses for the same periods in 2010. Uncertainty about the pace of the economic recovery and the future condition of the U.S. housing markets, as well as ongoing deterioration in the expected credit performance of mortgage loan collateral, resulted in credit-related OTTI losses on private-label mortgage-backed securities during the three and nine months ended September 30, 2011. Assumptions regarding collateral performance included higher projected loss severities, reflecting anticipated price declines in certain housing markets, and expected increases in foreclosure and liquidation costs.

### **Business Outlook**

The FHLBanks' combined net income for the three and nine months ended September 30, 2011 reflects consistent performance in the FHLBanks' core lending activities and continued strength and stability, despite the slow economic recovery and weak housing market fundamentals that adversely affected advance demand. Another ongoing challenge is uncertainty with respect to the FHLBanks' private-label mortgage-backed securities, which continue to experience credit-related OTTI losses. Furthermore, as the FHLBanks are governed by Federal laws and Finance Agency regulations, changes in regulatory or statutory requirements, or in their application, and the current fiscal and political challenges regarding the federal budget deficit and debt ceiling could negatively affect the FHLBanks' ability to conduct business or their cost of doing business. Each of the FHLBanks continues to follow a conservative capital and financial management approach in light of these challenges.

# **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, deposits and capital.

#### **Advances**

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

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

Table 1 - Advances Outstanding by Product Type

(dollars in millions)

		Septembe	r 30, 2011	December 31, 2010			
		Amount	Percentage of Total	Amount	Percentage of Total		
Fixed-rate	\$	241,187	60.5%	\$ 269,387	58.1%		
Adjustable/variable-rate indexed		101,488	25.5%	119,955	25.8%		
Hybrid(1)		25,627	6.4%	39,414	8.5%		
Convertible		18,123	4.5%	22,881	4.9%		
Amortizing(2)/mortgage-matched		11,833	3.0%	12,334	2.7%		
Other advances		592	0.1%	15	_		
Total par value	_	398,850	100.0%	463,986	100.0%		
Other(3)		16,529		14,603			
Total	\$	415,379		\$ 478,589			
	_						

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

The outstanding carrying value of advances declined \$63.2 billion or 13.2% from December 31, 2010 to September 30, 2011. This reduction is attributable primarily to decreased member demand, scheduled maturities and continuing prepayments. The percentage of members with outstanding advances decreased to 61.9% at September 30, 2011 compared to 64.9% at December 31, 2010. Advance demand remained weak because of high deposit levels and low demand for loans at member institutions. Additionally, uncertainty about the economic recovery, high unemployment and the weak housing market have contributed to the continuing decline in advance balances.

Table 2 presents cash flows related to advances, which illustrates the continued trend of advance repayments exceeding new advance originations, resulting in lower advance balances.

Table 2 - Advance Originations and Repayments

									Cna	nge		
Thi	ee Months End	ded S	Three Months Ended September 30, Nine Months Ended September 30, September 30,						Ended	Nine Months Ended September 30,		
	2011		2010		2011	2011 2010		2011 vs. 2010		2011 vs. 2010		
\$	355,148	\$	403,183	\$	1,095,218	\$	1,055,340	\$	(48,035)	\$	39,878	
	371,445		446,164		1,160,393		1,191,627		(74,719)		(31,234)	
\$	(16,297)	\$	(42,981)	\$	(65,175)	\$	(136,287)					
		<b>2011</b> \$ 355,148 371,445	<b>2011</b> \$ 355,148 \$ 371,445	\$ 355,148 \$ 403,183 371,445 446,164	2011     2010       \$ 355,148     \$ 403,183       371,445     446,164	2011         2010         2011           \$ 355,148         \$ 403,183         \$ 1,095,218           371,445         446,164         1,160,393	2011         2010         2011           \$ 355,148         \$ 403,183         \$ 1,095,218         \$ 371,445           \$ 446,164         1,160,393	2011         2010         2011         2010           \$ 355,148         \$ 403,183         \$ 1,095,218         \$ 1,055,340           371,445         446,164         1,160,393         1,191,627	Three Months Ended September 30,         Nine Months Ended September 30,         September 30,           2011         2010         2011         2010         201           \$ 355,148         \$ 403,183         \$ 1,095,218         \$ 1,055,340         \$ 371,445           \$ 446,164         1,160,393         1,191,627         \$ 1,055,340         \$ 1,055,340	Three Months Ended September 30,         Nine Months Ended September 30,         September 30,         Three Months Ended September 30,           2011         2010         2011         2010         2011 vs. 2010           \$ 355,148         403,183         1,095,218         1,055,340         (48,035)           371,445         446,164         1,160,393         1,191,627         (74,719)	Three Months Ended September 30,         Nine Months Ended September 30,         2011<	

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

<sup>(3)</sup> Includes hedging and fair value option valuation adjustments, unamortized premiums, discounts and commitment fees.

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

Table 3 - Advances at Par Value by Type of Borrower

(dollars in millions)

	Septembe	er 30, 2011	Decembe	r 31, 2010
	Par Value	Percentage of Total Par Value of Advances	Par Value	Percentage of Total Par Value of Advances
Commercial bank members	\$ 203,239	51.0%	\$ 263,635	56.8%
Thrift members	90,597	22.7%	107,367	23.2%
Insurance company members	46,371	11.6%	45,090	9.7%
Credit union members	23,746	6.0%	26,105	5.6%
Community development financial institution members	18	_	_	_
Total member advances	363,971	91.3%	442,197	95.3%
Non-member borrowers	33,539	8.4%	20,672	4.5%
Housing associates	1,340	0.3%	1,117	0.2%
Total par value	\$ 398,850	100.0%	\$ 463,986	100.0%

Table 4 - Member Borrowers by Type of Member

Number	Percentage of Total Member Borrowers	Number	Percentage of Total Member Borrowers
3,537	73.5%	3,796	74.5%
776	16.1%	797	15.6%
399	8.3%	413	8.1%
99	2.0%	90	1.8%
3	0.1%	_	_
4,814	100.0%	5,096	100.0%
7,781		7,849	
	3,537 776 399 99 3 4,814	Number         Total Member Borrowers           3,537         73.5%           776         16.1%           399         8.3%           99         2.0%           3         0.1%           4,814         100.0%	Number         Total Member Borrowers         Number           3,537         73.5%         3,796           776         16.1%         797           399         8.3%         413           99         2.0%         90           3         0.1%         —           4,814         100.0%         5,096

Table 5 presents the FHLBanks' top ten borrowers at the holding-company level on a combined basis based on advances outstanding at par at September 30, 2011. The percentage of total advances 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 an individual FHLBank.

Table 5 - Top 10 Advance Holding Borrowers by Holding Company

Holding Company Name(1)	Advances	Percentage of Total Advances	
Bank of America Corporation	Boston, New York, Atlanta, Indianapolis, San Francisco, Seattle	\$ 26,433	6.6%
JPMorgan Chase & Co.	San Francisco, Seattle	24,372	6.1%
MetLife, Inc.	Boston, New York, Des Moines	17,515	4.4%
Citigroup Inc.	Dallas, San Francisco	17,379	4.4%
Hudson City Bancorp, Inc.	New York	13,725	3.4%
Banco Santander, S.A.	New York, Pittsburgh	9,645	2.4%
BB&T Corporation	Atlanta	9,424	2.4%
New York Community Bancorp, Inc.	New York, Cincinnati	8,451	2.1%
U.S. Bancorp	Cincinnati, Des Moines, Dallas, Topeka, San Francisco	8,048	2.0%
UK Financial Investments Limited	Boston, New York, Pittsburgh, Cincinnati	6,977	1.7%
		\$ 141,969	35.5%

#### **Investments**

The FHLBanks maintain investment portfolios for liquidity purposes, to manage capital stock repurchases and redemptions and to provide additional earnings. This investment income bolsters the FHLBanks' capacity to meet their commitments to affordable housing and community investment, and to cover operating expenses. Table 6 presents the composition of investments and investment securities as of September 30, 2011 and December 31, 2010.

**Table 6 - Total Investments** 

	Car		
	September 30 2011	December 31, 2010	Change
Interest-bearing deposits(1)	\$ 1,30	)7 \$ 9	\$ 1,298
Securities purchased under agreements to resell	12,35	16,400	(4,050)
Federal funds sold	55,94	11 75,855	(19,914)
Investment securities			
Non-mortgage-backed securities			
U.S. Treasury obligations	1,45	3,068	(1,615)
Commercial paper	4,37	70 4,849	(479)
Certificates of deposit	10,36	34 26,041	(15,677)
Other U.S. obligations(2)	3,3	12 2,452	860
Government-sponsored enterprise and Tennessee Valley Authority obligations	25,23	33 26,703	(1,470)
State or local housing agency obligations	2,3	17 2,480	(163)
Temporary Liquidity Guarantee Program debentures and promissory notes	19,6	16,081	3,529
Federal Family Education Loan Program ABS	8,39	90 8,799	(409)
Other(3)	1,09	92 852	240
Total non-mortgage-backed securities	76,14	91,325	(15,184)
Mortgage-backed securities			
Other U.S. obligations residential MBS(4)	12,78	32 11,775	1,007
Other U.S. obligations commercial MBS(4)	50	31 53	478
Government-sponsored enterprise residential MBS	96,10	95,138	970
Government-sponsored enterprise commercial MBS	3,47	72 2,313	1,159
Private-label residential MBS	30,98	36,823	(5,834)
Private-label commercial MBS	(	62 160	(98)
Manufactured housing loan ABS	17	77 196	(19)
Home equity loan ABS	38	36 423	(37)
Total mortgage-backed securities	144,50	)7 146,881	(2,374)
Total investment securities	220,64	18 238,206	(17,558)
Total investments	\$ 290,24	\$ 330,470	\$ (40,224)

<sup>(1)</sup> Primarily consists of deposits with Branch Banking and Trust Company by the FHLBank of Atlanta at September 30, 2011. Branch Banking and Trust Company was one of the top ten borrowers of the FHLBank of Atlanta and the FHLBank System. One of the FHLBank of Atlanta's member directors is a senior executive vice president of Branch Banking and Trust Company.

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

<sup>(2)</sup> Each holding company had subsidiaries with advance borrowings at September 30, 2011 in these FHLBank districts.

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

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

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

Total investments decreased by \$40.2 billion from December 31, 2010 to September 30, 2011 due to a net decrease of \$17.6 billion in investment securities and a net \$22.7 billion decrease in interest-bearing deposits, securities purchased under agreements to resell and Federal funds sold. The decline in total investments was consistent with the decline in total assets.

<u>Short-term Investments.</u> The FHLBanks maintain short-term investment portfolios, which may provide funds to meet the credit needs of their members. These portfolios may include:

- interest-bearing deposits;
- securities purchased under agreements to resell;
- Federal funds sold;
- · U.S. Treasury obligations;
- commercial paper; and
- certificates of deposit.

The yield earned on these short-term investments is tied directly to short-term market interest rates. At September 30, 2011, the FHLBanks continued to maintain significant short-term investment balances as part of their ongoing strategy and to satisfy regulatory liquidity requirements.

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

Gross Unrealized Losses on Mortgage-Backed Securities. Gross unrealized losses, including the net effect of non-credit-related OTTI recognized in AOCI, on the FHLBanks' available-for-sale (AFS) MBS increased \$1.5 billion from December 31, 2010 to September 30, 2011, of which \$1.4 billion related to private-label residential MBS and private-label commercial MBS, manufactured housing loan asset-backed securities (ABS) and home equity loan ABS (collectively referred to as private-label mortgage-backed securities). This increase was primarily driven by the transfers of certain private-label residential MBS that had OTTI losses recorded during the nine months ended September 30, 2011 from each affected FHLBank's held-to-maturity (HTM) portfolio to its AFS portfolio. These transfers allow management the option to decide to sell these securities prior to maturity in response to changes in interest rates, changes in prepayment risk or other factors, while recognizing management's intent to hold these securities for an indefinite period of time.

Gross unrealized losses, including the net effect of non-credit-related OTTI recognized in AOCI, on the FHLBanks' HTM MBS decreased \$3.6 billion from December 31, 2010 to September 30, 2011, of which \$3.4 billion related to private-label mortgage-backed securities. This decrease is primarily a result of transfers of certain private-label residential MBS that had OTTI losses from each affected FHLBank's HTM portfolio to its AFS portfolio. Contributing to the decrease was the accretion of the non-credit portion of impairment losses of HTM securities that had experienced non-credit-related OTTI in previous quarters. For these securities, the non-credit-related impairment is accreted prospectively, based on the amount and timing of future cash flows, over the remaining life of the security as an increase in its carrying value. There is no effect on earnings unless the security is subsequently sold or there are additional decreases in cash flows expected to be collected. (See <u>Note 4-Available-for-Sale Securities</u> and <u>Note 5-Held-to-Maturity Securities</u> to the accompanying combined financial statements for discussion of those securities with unrealized losses.)

OTTI on Investment Securities. Each FHLBank evaluates its individual AFS and HTM investment securities holdings for OTTI on at least a quarterly basis. Private-label mortgage-backed securities are those investment securities that generally carry the greatest risk of loss. For the three and nine months ended September 30, 2011, affected FHLBanks recognized \$159 million and \$775 million of net OTTI losses related to AFS and HTM private-label mortgage-backed securities. For the three and nine months ended September 30, 2010, affected FHLBanks recognized \$178 million and \$906 million of net OTTI losses related to AFS and HTM private-label mortgage-backed securities, after each of these FHLBanks determined that it was likely that it would not recover the entire amortized cost basis of each of these securities.

In addition to those securities with OTTI, the FHLBanks have certain private-label mortgage-backed securities in unrealized loss positions at September 30, 2011. However, these declines are considered temporary, as each of the

affected FHLBanks expects to recover the entire amortized cost basis on the remaining securities and neither intends to sell these securities, nor considers it more likely than not that it would be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis. The FHLBanks' portfolio monitoring is ongoing, and further deterioration in delinquency rates, loss rates and real estate values may cause an additional increase in recognized losses on investment securities. (See <u>Critical Accounting Estimates-OTTI for Investment Securities, Financial Discussion and Analysis-Risk Management-Credit Risk-Investments</u>, and <u>Note 6-Other-Than-Temporary Impairment Analysis</u> to the accompanying combined financial statements for additional information.)

Mortgage-Backed Securities to Total Regulatory Capital Ratio. Current regulatory policy prohibits an FHLBank from purchasing MBS if its investment in MBS exceeds 300% of that FHLBank's previous month-end regulatory capital on the day it purchases the securities. On March 24, 2008, the Finance Board temporarily increased this limit from 300% to 600% for certain kinds of MBS under certain conditions; this temporary increase expired on March 31, 2010. At September 30, 2011, each of the FHLBanks of Chicago, Des Moines, Dallas and Topeka had MBS holdings in excess of the current investment limit and are precluded from purchasing additional MBS investments until their respective MBS ratio declines below 300%. Each of these FHLBanks was not required to sell any previously purchased MBS that were in compliance with the applicable limit at the time of purchase. Each of the remaining FHLBanks was in compliance with the regulatory limit at the time of its respective MBS purchases and at September 30, 2011. The ratio of MBS (net of regulatory excluded MBS) to total regulatory capital and the Designated Amount of subordinated notes for the FHLBanks on a combined basis at September 30, 2011 was 2.7.

# Mortgage Loans Held for Portfolio, Net

The FHLBanks purchase mortgage loans to support the FHLBanks' housing mission, diversify their investments and provide an additional source of liquidity to FHLBank members. The two primary programs are the Mortgage Purchase Program (MPP) and the Mortgage Partnership Finance (MPF) Program. (See *Supplemental Information* in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010 for more information.)

Table 7 - Mortgage Loans Held for Portfolio, Net

(dollars in millions)

	ember 30, 2011	De	ecember 31, 2010	Change
Mortgage loans held for portfolio	\$ 55,290	\$	61,277	\$ (5,987)
Allowance for credit losses on mortgage loans	(118)		(86)	(32)
Total mortgage loans held for portfolio, net	\$ 55,172	\$	61,191	\$ (6,019)

<u>Mortgage Loans Held for Portfolio.</u> The mortgage loans held for portfolio balance continues to decline from December 31, 2010 primarily due to the following:

- ongoing difficulties in the housing and mortgage markets, which negatively affected the volume of originations and refinancings of mortgage loans purchased from the FHLBank members;
- certain FHLBanks no longer accepting additional Master Commitments or purchasing additional mortgage loans (See <u>Note 8-Mortgage Loans</u> to the accompanying combined financial statements for more information);
- normal maturities and principal paydowns of the mortgage loans, which outpaced the new purchases; and
- the FHLBank of Seattle's transfer from mortgage loans held for portfolio to mortgage loans held for sale and subsequent sale of \$1.3 billion of mortgage loans on July 26, 2011. (See <u>Note 8-Mortgage Loans</u> to the accompanying combined financial statements for more information.)

Allowance for Credit Losses on Mortgage Loans. Periodically, each FHLBank evaluates the allowance for credit losses for its mortgage loans based on its policies and procedures to determine if an allowance for credit losses is necessary. The allowance for credit losses on mortgage loans increased \$32 million to \$118 million at

September 30, 2011 from \$86 million at December 31, 2010. The FHLBanks generally increased their individual allowance for credit losses on mortgage loans during 2011 primarily in response to ongoing deterioration in home prices nationwide, the cost associated with the delay in foreclosure proceedings and the increase in loan foreclosures in many areas of the country.

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

(dollars in millions)

	ember 30, 011 (1)	ember 31, 2010 (1)
Total past due 90 days or more and still accruing interest	\$ 751	\$ 820
Non-accrual loans(2)	\$ 564	\$ 535
Troubled debt restructurings (not included above)	\$ 16	\$ 6

	nths Ended ber 30, 2011	Ended er 31, 2010
Allowance for credit losses, beginning of period	\$ 86	\$ 32
Charge-offs	(14)	(6)
Provision for credit losses(3)	46	60
Allowance for credit losses, end of period	\$ 118	\$ 86

<sup>(1)</sup> Balances reflect unpaid principal balance.

See <u>Note 9-Allowance for Credit Losses</u> to the accompanying combined financial statements and *Net Interest Income after Provision for Credit Losses* for more information.

#### **Consolidated Obligations**

Consolidated obligations consist of consolidated obligation bonds (consolidated bonds) and consolidated obligation discount notes (consolidated discount notes), which are debt instruments issued through the Office of Finance. Consolidated obligations are the principal funding source used by the FHLBanks to make advances and to purchase mortgage loans and investments.

Consolidated bonds are issued primarily to raise intermediate- and long-term funds. Consolidated bonds generally carry fixed- or variable-rate payment terms and have maturities typically ranging from one month to 30 years. Consolidated discount notes are issued primarily to provide short-term funding. These consolidated discount notes presently have a maturity range of one day through one year, are sold at a discount and mature at par. Much of the consolidated discount note activity reflects the refinancing of overnight discount notes.

Table 9 - Consolidated Obligations Outstanding

	Sep	tember 30, 2011	De	ecember 31, 2010	Change
Par value of consolidated obligations due in 1 year or less					
Consolidated discount notes	\$	172,300	\$	194,478	\$ (22,178)
Consolidated bonds		227,442		264,479	(37,037)
Total	'	399,742		458,957	(59,215)
Par value of long-term consolidated bonds(1)		296,654		337,224	(40,570)
Total par value		696,396		796,181	(99,785)
Other(2)		6,133		4,817	1,316
Total consolidated obligations	\$	702,529	\$	800,998	\$ (98,469)

<sup>(2)</sup> Non-accrual mortgage loans are defined as conventional mortgage loans where either (a) the collection of interest or principal is doubtful, or (b) interest or principal is past due for 90 days or more, except when the loan is well secured and in the process of collection.

<sup>(3)</sup> The provision for credit losses includes only the provision related specifically to mortgage loans and does not include the reversal for credit losses related to Banking on Business loans specific to the FHLBank of Pittsburgh of \$3 million for the nine months ended September 30, 2011 and \$2 million for the year ended December 31, 2010.

Table 10 presents cash flows related to consolidated obligations, which illustrates the continued trend of payments exceeding proceeds, resulting in lower consolidated obligation balances.

Table 10 - Net Proceeds and Payments for Consolidated Obligations

(dollars in millions)

							Change				
	Three Mon Septem			Nine Months Ended September 30,			Three Months Ended September 30,			line Months Ended eptember 30,	
	2011	2010		2011		2010	2	011 vs. 2010	2	011 vs. 2010	
Net proceeds from issuance of consolidated obligations											
Discount notes	\$ 690,771	\$ 1,727,992	\$	3,741,045	\$	5,010,636	\$	(1,037,221)	\$	(1,269,591)	
Bonds	149,746	115,965		320,797		408,072		33,781		(87,275)	
Net proceeds	840,517	1,843,957		4,061,842		5,418,708	\$	(1,003,440)	\$	(1,356,866)	
Net payments for maturing and retiring consolidated obligations											
Discount notes	699,461	1,725,180		3,763,178		5,024,726	\$	(1,025,719)	\$	(1,261,548)	
Bonds	171,932	159,026		398,199		517,756		12,906		(119,557)	
Net payments	871,393	1,884,206		4,161,377		5,542,482	\$	(1,012,813)	\$	(1,381,105)	
Net decrease	\$ (30,876)	\$ (40,249)	\$	(99,535)	\$	(123,774)					
			_		_						

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

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

(dollars in millions)

	September 30, 2011				December 31, 2010			
	Α	mount(1)	Percentage of Total		Amount(1)	Percentage of Total		
Fixed-rate, noncallable	\$	331,333	63.2%	\$	354,082	58.7%		
Fixed-rate, callable		92,097	17.6%		109,687	18.2%		
Single-index, non-capped variable-rate		56,965	10.9%		94,957	15.8%		
Step-up/step-down		36,394	6.9%		36,507	6.1%		
Amortizing prepayment linked securities		3,640	0.7%		4,540	0.8%		
Other(2)		3,876	0.7%		2,123	0.4%		
Total	\$	524,305	100.0%	\$	601,896	100.0%		

<sup>(1)</sup> Consolidated bonds outstanding have not been adjusted for interbank holdings totaling \$209 million at September 30, 2011 and \$193 million at December 31, 2010

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

<sup>(1)</sup> Includes \$3.6 billion and \$4.5 billion of index-amortizing notes as of September 30, 2011 and December 31, 2010.

<sup>(2)</sup> Includes hedging and fair value option valuation adjustments and unamortized premiums and discounts.

<sup>(2)</sup> Primarily consists of conversion, capped variable-rate and range consolidated bonds.

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

	Three Montl Septemb		Nine Mont Septem	
	2011	2010	2011	2010
Fixed-rate, fixed-term, noncallable (bullet)	38.8%	26.9%	33.2%	27.2%
Fixed-rate, callable	35.8%	41.2%	43.2%	39.1%
Step-up/step-down	13.4%	13.3%	14.0%	13.9%
Single-index, variable-rate	10.9%	17.9%	8.5%	18.7%
Other	1.1%	0.7%	1.1%	1.1%
Total	100.0%	100.0%	100.0%	100.0%

# **Deposits**

The FHLBanks offer demand, overnight and term deposit programs to their members and to qualifying non-members. At September 30, 2011, deposits totaled \$16.3 billion, an increase of \$1.9 billion or 12.9% from December 31, 2010. These deposits represent a relatively small portion of the FHLBanks' funding. Deposits vary depending upon market factors, such as the attractiveness of the FHLBanks' deposit pricing relative to the rates available on alternative money market instruments, FHLBank members' investment preferences with respect to the maturity of their investments and FHLBank members' liquidity. Interest-bearing demand and overnight deposits comprised 93.9% and 88.7% of deposits at September 30, 2011 and December 31, 2010, with the remaining deposits primarily being term deposits.

### Capital

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

(dollars in millions)

		September 30, 2011			ecember 31, 2010	Change
Capital stock	3	\$	35,984	\$	41,735	\$ (5,751)
Retained earnings			8,193		7,552	641
AOCI			(3,873)		(5,546)	1,673
Total GAAP capital			40,304		43,741	(3,437)
Exclude:						
AOCI			3,873		5,546	(1,673)
Add:						
Mandatorily redeemable capital stock			8,934		7,066	1,868
Subordinated notes(1)			800		1,000	(200)
General loss allowance(2)			_		3	(3)
Total regulatory capital	3	\$	53,911	\$	57,356	\$ (3,445)
Total assets	=	\$	778,252	\$	878,109	\$ (99,857)
GAAP capital-to-assets ratio	=		5.18%		4.98%	
Regulatory capital-to-assets ratio			6.93%		6.53%	

<sup>(1)</sup> Consists of the Designated Amount of subordinated notes of \$800 million as of September 30, 2011 and \$1.0 billion as of December 31, 2010, which the FHLBank of Chicago was allowed to include in determining compliance with its regulatory capital requirements. (See <u>Note 13-Capital</u> to the accompanying combined financial statements for information on regulatory capital requirements.)

Total GAAP capital decreased from December 31, 2010 to September 30, 2011, due primarily to a decrease in total capital stock outstanding, partially offset by an improvement in AOCI and an increase in retained earnings.

<u>Capital Stock.</u> The decrease in total capital stock outstanding was driven primarily by capital stock repurchases/ redemptions of \$5,668 million, largely due to the repayment of advances because an FHLBank member's capital stock requirement is generally based on its use of FHLBank products, including advances, and net shares

<sup>(2)</sup> Includes rounding adjustments.

reclassified to mandatorily redeemable capital stock of \$3,245 million, partially offset by capital stock issuances of \$3,137 million.

AOCI. The improvement in AOCI was driven primarily by \$676 million in subsequent fair value changes on previously other-than-temporarily impaired AFS securities and the non-credit portion of OTTI losses on HTM and AFS securities, \$589 million in reclassification of previous non-credit OTTI losses on HTM and AFS securities from AOCI into credit losses and \$524 million in accretion of the non-credit portion of OTTI losses on HTM securities.

<u>Retained Earnings.</u> The increase in retained earnings was driven by net income of \$1,078 million, partially offset by cash dividends of \$412 million.

Although total GAAP capital decreased 7.9% from December 31, 2010 to September 30, 2011, total assets decreased by 11.4%. The decrease in total assets was the primary driver of the increase in the FHLBanks' combined GAAP capital-to-assets ratio at September 30, 2011, when compared to December 31, 2010. Over the same period, total regulatory capital decreased 6.0%. However, the FHLBanks' combined regulatory capital-to-assets ratio increased because, on a percentage basis, total assets decreased more than total regulatory capital.

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

	September 30, 2011	December 31, 2010
Capital stock	89.3 %	95.4 %
Retained earnings	20.3 %	17.3 %
AOCI	(9.6)%	(12.7)%
Total GAAP capital	100.0 %	100.0 %

# **Combined Results of Operations**

### **Net Income**

The primary source of each FHLBank's earnings is net interest income, which is the interest earned on advances, investments and mortgage loans, less the interest paid on consolidated obligations, deposits and other borrowings. Net income for the three months ended September 30, 2011 decreased 35.9% compared to the prior period to \$469 million driven by lower net interest income, partially offset by lower assessments. For the nine months ended September 30, 2011, net income decreased 22.1% compared to the prior period to \$1,078 million resulting from lower net interest income, partially offset by lower other non-interest losses and lower assessments.

Table 15 - Changes in Net Income

									Cha	inge			
Three Months Ended September 30,									Ended	Nine Months Ended September 30,			
	2011		2010		2011		2010	201	l1 vs. 2010	2011	vs. 2010		
\$	988	\$	1,393	\$	3,025	\$	3,935	\$	(405)	\$	(910)		
	(232)		(209)		(926)		(1,437)		(23)		511		
	237		228		738		624		9		114		
	50		224		283		491		(174)		(208)		
\$	469	\$	732	\$	1,078	\$	1,383	\$	(263)	\$	(305)		
	\$	\$ 988 (232) 237 50	\$ 988 \$ (232) 237 50	September 30,           2011         2010           \$ 988         \$ 1,393           (232)         (209)           237         228           50         224	September 30,       2011     2010       \$ 988     1,393       (232)     (209)       237     228       50     224	September 30,         Septembe	September 30,         September           2011         2010         2011           \$ 988         1,393         \$ 3,025         \$           (232)         (209)         (926)           237         228         738           50         224         283	September 30,         September 30,           2011         2010         2011         2010           \$ 988         1,393         3,025         3,935           (232)         (209)         (926)         (1,437)           237         228         738         624           50         224         283         491	Three Months Ended September 30,         Nine Months Ended September 30,         September 30,         September 30,         September 30,         September 30,         September 30,         2010         2011         2010         2011         2010         2011         2010         2011         2010         2011	Three Months Ended September 30,         Nine Months Ended September 30,         Three Months Ended September 30,           2011         2010         2011         2010         2011 vs. 2010           \$ 988         \$ 1,393         \$ 3,025         \$ 3,935         \$ (405)           (232)         (209)         (926)         (1,437)         (23)           237         228         738         624         9           50         224         283         491         (174)	Three Months Ended September 30,         Nine Months Ended September 30,         Ended September 30,		

# Net Interest Income after Provision (Reversal) for Credit Losses

Net interest income after provision for credit losses for the three and nine months ended September 30, 2011 decreased 29.1% and 23.1% to \$988 million and \$3,025 million resulting from lower net interest margins and lower average balances.

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

							Change				
	Thi	ree Mor Septem			Nine Mon		En	Months ided inber 30,		ne Months Ended otember 30,	
	2011			2010	2011	2010	2011 v	/s. 2010	20	11 vs. 2010	
Interest income											
Advances	\$	764	\$	1,223	\$ 2,495	\$ 3,617	\$	(459)	\$	(1,122)	
Prepayment fees on advances, net		66		219	169	377		(153)		(208)	
Interest-bearing deposits		1		4	5	10		(3)		(5)	
Securities purchased under agreements to resell		1		15	12	27		(14)		(15)	
Federal funds sold		21		37	84	109		(16)		(25)	
Trading securities		102		88	303	253		14		50	
Available-for-sale securities		370		341	1,066	939		29		127	
Held-to-maturity securities		780		1,039	2,525	3,389		(259)		(864)	
Mortgage loans		646		785	2,031	2,444		(139)		(413)	
Other		_		2	2	4		(2)		(2)	
Total interest income		2,751		3,753	8,692	11,169		(1,002)		(2,477)	
Interest expense											
Consolidated obligations — Discount notes		126		174	420	495		(48)		(75)	
Consolidated obligations — Bonds		1,592		2,132	5,105	6,598		(540)		(1,493)	
Deposits		3		6	6	12		(3)		(6)	
Securities sold under agreements to repurchase		4		4	13	13		_		_	
Subordinated notes		15		15	43	43		_		_	
Mandatorily redeemable capital stock		11		14	37	39		(3)		(2)	
Other borrowings		_		1	_	1		(1)		(1)	
Total interest expense		1,751		2,346	5,624	7,201		(595)		(1,577)	
Net interest income		1,000		1,407	3,068	3,968		(407)		(900)	
Provision (reversal) for credit losses		12		14	43	33	_	(2)		10	
Net interest income after provision (reversal) for credit losses	\$	988	\$	1,393	\$ 3,025	\$ 3,935	\$	(405)	\$	(910)	

Table 17 presents average balances and yields of the major categories of interest-earning assets and interest-bearing liabilities. It also presents spreads between yields on total interest-earning assets and the cost of interest-bearing liabilities and spreads between yields on total earning assets and the cost of total funding sources (interest-bearing liabilities, plus capital, plus other interest-free liabilities). Net interest income when expressed as a percentage of the average balance of interest-earning assets equals the net interest margin. Net interest spread, when expressed as a percentage, is the difference between the annualized yield on interest-earning assets and the annualized yield on interest-bearing liabilities.

Table 17 - Spread and Yield Analysis

	Three Months Ended September 30,										
				2011					2010		
		Average Balance		Interest	Annualized Yield		Average Balance		Interest	Annualized Yield	
Advances(1)	\$	421,724	\$	830	0.78%	\$	522,675	\$	1,442	1.09%	
Mortgage loans		55,877		646	4.59%		65,511		785	4.75%	
Investments											
Interest-bearing deposits and other		10,800		1	0.04%		9,076		6	0.26%	
Securities purchased under agreements to resell		10,053		1	0.04%		29,413		15	0.20%	
Federal funds sold		80,743		21	0.10%		68,494		37	0.21%	
Trading securities		25,808		102	1.57%		19,421		88	1.80%	
Available-for-sale securities(2)		77,394		370	1.90%		69,205		341	1.95%	
Held-to-maturity securities(2)		126,049		780	2.46%		141,978		1,039	2.90%	
Total investments		330,847		1,275	1.53%		337,587		1,526	1.79%	
Total interest-earning assets		808,448		2,751	1.35%		925,773		3,753	1.61%	
Other non-interest-earning assets		9,360					7,747				
Fair-value adjustment on investment securities(2)		(3,263)					(7,799)				
Total assets	\$	814,543				\$	925,721				
Consolidated obligations											
Discount notes	\$	180,353		126	0.28%	\$	186,573		174	0.37%	
Bonds		547,322		1,592	1.15%		643,492		2,132	1.31%	
Interest-bearing deposits and other borrowings(3)		27,652		33	0.47%		30,495		40	0.52%	
Total interest-bearing liabilities		755,327		1,751	0.92%		860,560		2,346	1.08%	
Non-interest-bearing liabilities		18,293					21,835				
Total liabilities		773,620					882,395				
Capital		40,923					43,326				
Total liabilities and capital	\$	814,543				\$	925,721				
Net interest income			\$	1,000				\$	1,407		
Net interest spread					0.43%					0.53%	
Net interest margin					0.49%					0.60%	

Nine Months Ended September 30,

	2011					-	2010		
		Average Balance		Interest	Annualized Yield	Average Balance	Interest	Annualized Yield	
Advances(1)	\$	439,402	\$	2,664	0.81%	\$ 562,148	\$ 3,994	0.95%	
Mortgage loans		57,766		2,031	4.70%	67,635	2,444	4.83%	
Investments									
Interest-bearing deposits and other		7,825		7	0.12%	7,805	14	0.24%	
Securities purchased under agreements to resell		13,708		12	0.12%	19,998	27	0.18%	
Federal funds sold		82,441		84	0.14%	79,373	109	0.18%	
Trading securities		28,250		303	1.43%	18,343	253	1.84%	
Available-for-sale securities(2)		74,762		1,066	1.91%	63,061	939	1.99%	
Held-to-maturity securities(2)		131,849		2,525	2.56%	149,019	3,389	3.04%	
Total investments		338,835		3,997	1.58%	337,599	4,731	1.87%	
Total interest-earning assets		836,003		8,692	1.39%	967,382	11,169	1.54%	
Other non-interest-earning assets		7,648				8,780			
Fair-value adjustment on investment securities(2)		(3,674)				(8,464)			
Total assets	\$	839,977				\$ 967,698			
Consolidated obligations									
Discount notes	\$	182,833		420	0.31%	\$ 190,155	495	0.35%	
Bonds		571,156		5,105	1.20%	683,055	6,598	1.29%	
Interest-bearing deposits and other borrowings(3)		25,305		99	0.52%	30,333	108	0.48%	
Total interest-bearing liabilities		779,294		5,624	0.96%	903,543	7,201	1.07%	
Non-interest-bearing liabilities		17,605				21,042			
Total liabilities		796,899				924,585			
Capital		43,078				43,113			
Total liabilities and capital	\$	839,977				\$ 967,698			
Net interest income			\$	3,068			\$ 3,968		
Net interest spread					0.43%			0.47%	
Net interest margin					0.49%			0.54%	

<sup>(1)</sup> Interest income for advances includes prepayment fees on advances, net.

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

<sup>(2)</sup> The average balances of HTM securities and AFS securities are reflected at amortized cost; therefore, the resulting yields do not give effect to changes in fair value or the non-credit component of a previously recognized OTTI reflected in AOCI.

<sup>(3)</sup> The balances do not include non-interest-bearing deposits, but do include the average balances of mandatorily redeemable capital stock and subordinated notes and the related interest expense.

Table 18 - Rate and Volume Analysis

(dollars in millions)

	Three Months I	Ended September 30	0, 2011 vs. 2010	Nine Months Ended September 30, 2011 vs. 2010					
	Volume	Rate	Total	Volume	Rate	Total			
Interest Income									
Advances(1)	\$ (246)	\$ (366)	\$ (612)	\$ (796)	\$ (534)	\$ (1,330)			
Mortgage loans	(112)	(27)	(139)	(349)	(64)	(413)			
Investments	(30)	(221)	(251)	17	(751)	(734)			
Total interest income	(388)	(614)	(1,002)	(1,128)	(1,349)	(2,477)			
Interest Expense									
Consolidated obligations	(265)	(323)	(588)	(913)	(655)	(1,568)			
Deposits and other borrowings (2)	(4)	(3)	(7)	(19)	10	(9)			
Total interest expense	(269)	(326)	(595)	(932)	(645)	(1,577)			
Changes in net interest income	\$ (119)	\$ (288)	\$ (407)	\$ (196)	\$ (704)	\$ (900)			

<sup>1)</sup> Includes prepayment fees on advances, net.

<u>Lower Net Interest Margins.</u> The yield on interest-earning assets continued to decline, driven by lower yields on new advances and investments, lower prepayment fees on advances and run-off of higher yielding investments and mortgage loans. The yield on interest-bearing liabilities also continued to decline, driven by lower interest rates on newer debt issuances and repurchases of higher cost consolidated obligations prior to maturity. Lower net interest spreads, together with lower earnings on invested capital, resulted in decreases in net interest margin for the three and nine months ended September 30, 2011 when compared to the same periods in 2010.

Lower Average Balances. Total average interest-earning assets declined 12.7% and 13.6% during the three and nine months ended September 30, 2011 when compared to the same periods in 2010, negatively affecting net interest income. These declines were primarily due to decreases of 19.3% and 21.8% in the average balance of advances and decreases of 14.7% and 14.6% in the average balance of mortgage loans. Advances decreased because of the high level of liquidity in the market and low demand at FHLBank member institutions. Mortgage loans decreased as a result of low purchase volumes, principal repayments and the sale of mortgage loans. The average balance of consolidated obligations decreased 12.3% and 13.7% for the three and nine months ended September 30, 2011, consistent with the declines in the average balance of total interest-earning assets.

### Other Non-Interest Income (Loss)

Losses recorded in other non-interest income (loss) increased \$23 million to \$232 million for the three months ended September 30, 2011 compared to the same period in the previous year driven by higher net losses on derivatives and hedging activities, offset by a gain on the sale of mortgage loans and lower losses on the extinguishment of debt.

Losses recorded in other non-interest income (loss) decreased \$511 million to \$926 million for the nine months ended September 30, 2011 compared to the same period in the previous year resulting from lower net losses on derivatives and hedging activities, lower net OTTI losses, net gains on financial instruments held under fair value option and gain on the sale of mortgage loans, offset by less favorable mark-to-market adjustments on trading securities.

<sup>(2)</sup> The balances do not include non-interest-bearing deposits, but do include the average balances of mandatorily redeemable capital stock and subordinated notes and the related interest expense.

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

(dollars in millions)

									Change				
	Three Months Ended September 30,					Nine Mont Septem		Three Months Ended September 30,			ine Months Ended ptember 30,		
		2011		2010		2011		2010	2011 vs. 2010		20	)11 vs. 2010	
Net other-than-temporary impairment losses	\$	(159)	\$	(178)	\$	(775)	\$	(906)	\$	19	\$	131	
Net gains (losses) on trading securities		82		79		46		265		3		(219)	
Net realized gains (losses) from sale of available-for-sale securities		6		9		24		9		(3)		15	
Net realized gains (losses) from sale of held-to-maturity securities		9		2		19		8		7		11	
Net gains (losses) on financial instruments held under fair value option		70		67		34		(75)		3		109	
Net gains (losses) on derivatives and hedging activities		(319)		(128)		(346)		(706)		(191)		360	
Service fees		13		8		27		23		5		4	
Other, net		66		(68)		45		(55)		134		100	
Total other non-interest income (loss)	\$	(232)	\$	(209)	\$	(926)	\$	(1,437)	\$	(23)	\$	511	

Other-Than-Temporary Impairment Losses. Credit-related OTTI losses continued during the three and nine months ended September 30, 2011 because of continued uncertainty about the future condition of the U.S. housing markets and the domestic economy, as well as ongoing deterioration in the collateral underlying certain private-label MBS. Assumptions regarding collateral performance for the three and nine months ended September 30, 2011 included higher projected loss severities compared to prior quarters and anticipated increases in foreclosure and liquidation costs.

Table 20 - Other-Than-Temporary Impairment Losses

		Three Months Ended September 30,											
				2011						2010			
	Total	Losses		AOCI(1)		Credit Loss		Total Losses		AOCI(1)		Credit Loss	
OTTI by Collateral type(2)													
Private-label RMBS													
Prime	\$	(23)	\$	(17)	\$	(40)	\$	(5)	\$	(22)	\$	(27)	
Alt-A		(148)		33		(115)		(151)		74		(77)	
Subprime		(6)		4		(2)		(2)		(68)		(70)	
Total OTTI Private-label RMBS		(177)		20		(157)		(158)		(16)		(174)	
Home equity loan ABS													
Alt-A		_		(1)		(1)		_		(1)		(1)	
Subprime		_		(1)		(1)		(1)		(2)		(3)	
Total OTTI Home equity loan ABS		_		(2)		(2)		(1)		(3)		(4)	
Total	\$	(177)	\$	18	\$	(159)	\$	(159)	\$	(19)	\$	(178)	
OTTI by Period													
Securities newly impaired during the period	\$	(71)	\$	69	\$	(2)	\$	(148)	\$	148	\$	_	
Securities previously impaired prior to current period(3)		(106)		(51)		(157)		(11)		(167)		(178)	
Total	\$	(177)	\$	18	\$	(159)	\$	(159)	\$	(19)	\$	(178)	

		Nine Months Ended September 30,											
				2011						2010			
	Total Losse	s		AOCI(1)		Credit Loss		Total Losses		AOCI(1)	-	Credit Loss	
OTTI by Collateral type(2)													
Private-label RMBS													
Prime	\$	(78)	\$	(117)	\$	(195)	\$	(316)	\$	(86)	\$	(402)	
Alt-A	(3	373)		(189)		(562)		(675)		264		(411)	
Subprime	(	(16)		_		(16)		(35)		(48)		(83)	
Total OTTI Private-label RMBS	(4	167)		(306)		(773)		(1,026)		130		(896)	
Home equity loan ABS													
Alt-A		_		(1)		(1)		<u> </u>		(1)		(1)	
Subprime		(1)		_		(1)		(5)		(4)		(9)	
Total OTTI Home equity loan ABS		(1)		(1)		(2)		(5)		(5)		(10)	
Total	\$ (4	168)	\$	(307)	\$	(775)	\$	(1,031)	\$	125	\$	(906)	
OTTI by Period					_								
Securities newly impaired during the period	\$ (2	273)	\$	248	\$	(25)	\$	(899)	\$	830	\$	(69)	
Securities previously impaired prior to current period(3)	(1	195)		(555)		(750)		(132)		(705)		(837)	
Total	\$ (4	168)	\$	(307)	\$	(775)	\$	(1,031)	\$	125	\$	(906)	

<sup>1)</sup> Represents the net amount of impairment losses reclassified to/(from) AOCI.

See <u>Note 6-Other-Than-Temporary Impairment Analysis</u> to the accompanying combined financial statements and <u>Critical Accounting Estimates-OTTI for Investment Securities</u> for additional information.

<u>Gains (Losses) on Trading Securities.</u> The FHLBanks carry trading securities at fair value. The net gains on trading securities for the three and nine months ended September 30, 2011 and 2010 were generally due to decreases in interest rates, which drove increases in fair values. The change in interest rates was more dramatic in the prior year, resulting in a larger gain for the nine months ended September 30, 2010.

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

Table 21 - Gains (Losses) on Financial Instruments Held under Fair Value Option (dollars in millions)

									Cha	nge	
		Three Mon Septem		ed		Nine Mont Septem		E	e Months Ended ember 30,	E	Months nded ember 30,
	2	011	2	010		2011	2010	2011	vs. 2010	2011	vs. 2010
Advances	\$	116	\$	64	\$	170	\$ 20	\$	52	\$	150
Consolidated obligations											
Discount notes		(2)		(2)		(1)	(4)		_		3
Bonds		(50)		5		(145)	(91)		(55)		(54)
Other liabilities(1)		6		_		10	_		6		10
Total	\$	70	\$	67	\$	34	\$ (75)	\$	3	\$	109

<sup>(1)</sup> Represents optional advance commitments.

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

<sup>(3)</sup> For the three months ended September 30, 2011 and 2010, "securities previously impaired prior to current period" represents all securities that were impaired prior to July 1, 2011 and 2010. For the nine months ended September 30, 2011 and 2010, "securities previously impaired prior to current period" represents all securities that were impaired prior to January 1, 2011 and 2010.

During the three and nine months ended September 30, 2011, net unrealized fair value gains on advances of \$116 million and \$170 million were driven primarily by the lower interest-rate environment relative to the actual rates on the FHLBanks' advances. Net unrealized fair value losses on consolidated bonds of \$50 million and \$145 million were driven primarily by the lower interest-rate environment relative to the actual rates on consolidated bonds.

<u>Gains (Losses) on Derivatives and Hedging Activities.</u> The FHLBanks' derivatives and hedging positions fluctuate due to volatility in the overall interest-rate environment, as FHLBanks hedge their asset risk exposures. In general, an FHLBank holds derivatives and associated hedged instruments to the maturity, call or put date. Therefore, as a matter of timing, nearly all of the cumulative net gains and losses for these financial instruments will generally reverse over the remaining contractual terms of the hedged financial instruments. However, there may be instances in which an FHLBank terminates these instruments prior to maturity or prior to the call or put dates. Terminating the financial instrument or hedging relationship may result in a realized gain or loss.

Table 22 - Gains (Losses) on Derivatives and Hedging Activities

(dollars in millions)

								Change				
		Three Mon Septem			Nine Months Ended September 30,				Three Months Ended September 30,		ne Months Ended otember 30,	
		2011		2010		2011		2010	2011 vs. 2010		2011 vs. 2010	
Net gains (losses) on derivatives and hedging activities												
Gains (losses) on fair-value hedges	\$	31	\$	43	\$	207	\$	152	\$	(12)	\$	55
Gains (losses) on cash-flow hedges		26		1		40		3		25		37
Gains (losses) on derivatives not receiving hedge accounting (includes economic hedges)		(376)		(172)		(593)		(861)		(204)		268
Total net losses on derivatives and hedging activities	\$	(319)	\$	(128)	\$	(346)	\$	(706)	\$	(191)	\$	360

The net losses on derivatives and hedging activities during the three and nine months ended September 30, 2011 compared to the net losses in the prior periods were due primarily to losses from economic hedging and gains resulting from fair-value hedge ineffectiveness. During the three and nine months ended September 30, 2011, the net losses on economic hedges were primarily associated with the effects of changes in interest rates. The gains resulting from fair-value hedge ineffectiveness during the three and nine months ended September 30, 2011 were due primarily to normal mark-to-market activities resulting from changes in benchmark interest rates and volatility. Hedge ineffectiveness occurs when changes in the fair value of the derivative and the associated hedged financial instrument do not perfectly match each other. (See <u>Note 10-Derivative and Hedging Activities</u> to the accompanying combined financial statements for the earnings effect resulting from derivatives and hedging activities and <u>Quantitative and Qualitative Disclosures About Market Risk-</u>Use of Derivatives to Manage Interest-Rate Risk.)

Other, net. Other, net includes any gains or losses on the sale of mortgage loans and any gains or losses on the extinguishment of debt. During the three and nine months ended September 30, 2011, certain FHLBanks recorded gains of \$74 million and \$78 million on the sale of mortgage loans. There were no such sales in the comparable periods in 2010. During the three and nine months ended September 30, 2011, certain FHLBanks recorded net losses of \$27 million and \$73 million on the extinguishment of debt, compared to \$81 million and \$91 million for the same periods in 2010.

# Other Expense

Table 23 presents the components and changes in other expense for the three and nine months ended September 30, 2011 and 2010. For the nine months ended September 30, 2011, other expense increased when compared to the same period in 2010, due primarily to the reversal of the provision for derivative counterparty credit losses in 2010 and increases in compensation and benefits as well as Finance Agency expenses.

Table 23 - Changes in Other Expense

(dollars in millions)

								Cha	ınge		
			Nine Months Ended September 30,				Three Months Ended September 30,		Nine Months Ended September 30,		
2011		2010		2011		2010	2011	2011 vs. 2010		2011 vs. 2010	
\$ 126	\$	128	\$	408	\$	369	\$	(2)	\$	39	
77		78		225		233		(1)		(8)	
15		15		56		39		_		17	
11		6		32		25		5		7	
(2)		(2)		(2)		(55)		_		53	
10		3		19		13		7		6	
\$ 237	\$	228	\$	738	\$	624	\$	9	\$	114	
\$	\$ 126 77 15 11 (2)	\$ 2011 \$ 126 \$ 77 15 11 (2)	\$ 126 \$ 128 77 78 15 15 11 6 (2) (2) 10 3	September 30,       2011     2010       \$ 126     \$ 128       77     78       15     15       11     6       (2)     (2)       10     3	September 30,         Septembe	September 30,         September           2011         2010         2011           \$ 126         \$ 128         \$ 408         \$           77         78         225           15         15         56         32           (2)         (2)         (2)         (2)           10         3         19	September 30,           2011         2010         2011         2010           \$ 126         \$ 128         \$ 408         \$ 369           77         78         225         233           15         15         56         39           11         6         32         25           (2)         (2)         (2)         (55)           10         3         19         13	Three Months Ended September 30,         Nine Months Ended September 30,         September 30,         September 30,         September 30,         2010         2011         2010         2011         2010         2011         2010         2011         2010         2011         2010         2011         2010         2011         2010         2011         2010         2011         2010         2011         2010         2011<	Three Months Ended September 30,         Nine Months Ended September 30,         Three Months Ended September 30,           2011         2010         2011         2010         2011 vs. 2010           \$ 126         \$ 128         \$ 408         \$ 369         \$ (2)           77         78         225         233         (1)           15         15         56         39         —           11         6         32         25         5           (2)         (2)         (2)         (55)         —           10         3         19         13         7	Three Months Ended September 30,         Nine Months Ended September 30,         Ended September 30,         Ended September 30,         September 30,           2011         2010         2011         2010         2011 vs. 2010         2011           \$ 126         \$ 128         \$ 408         \$ 369         \$ (2)         \$           77         78         225         233         (1)           15         15         56         39         —           11         6         32         25         5           (2)         (2)         (2)         (55)         —           10         3         19         13         7	

<u>Compensation and Benefits.</u> These expenses include costs for FHLBank employees, including salaries, incentives, and health and retirement benefits. For the nine months ended September 30, 2011, compensation and benefits expenses increased 10.6% when compared to the same period in 2010, due primarily to additional pension fund contributions to eliminate a funding shortfall, which were expensed in the current period.

<u>Finance Agency Expenses.</u> The FHLBanks fund the portion of the Finance Agency's operating costs and working capital fund that relate to the FHLBanks, as determined by the Finance Agency. These costs are based on the Finance Agency's annual budget and are under the sole control of the Finance Agency. Each FHLBank pays its prorata share of Finance Agency expenses based on the ratio of each FHLBank's minimum required regulatory capital to the aggregate minimum required regulatory capital of all FHLBanks. Finance Agency expenses increased for the nine months ended September 30, 2011, primarily as a result of incremental expenses for the Finance Agency's Office of the Inspector General.

Office of Finance Expenses. The FHLBanks also fund the costs of the Office of Finance, a joint office of the FHLBanks that issues and services consolidated obligations, prepares the FHLBanks' combined quarterly and annual financial reports, and fulfills certain other functions. The increase in Office of Finance expenses for the nine months ended September 30, 2011 compared to the same period in 2010 was due primarily to increases in Office of Finance compensation and benefit expenses related to additional staffing to support business initiatives and increased regulatory requirements.

Provision (Reversal) of Derivative Counterparty Credit Losses. The FHLBanks are exposed to credit risk due to the possibility of counterparties' nonperformance on interest-rate exchange agreements. The \$2 million gain recorded during the nine months ended September 30, 2011 and the \$55 million gain recorded during the nine months ended September 30, 2010 represent the reversal of provisions for derivative counterparty credit losses from the FHLBank of Pittsburgh (\$2 million) during 2011, and from the FHLBank of Atlanta (\$51 million) and the FHLBank of Seattle (\$4 million) during 2010. The reversal of the previously established provisions is due to an increase in the estimate of the expected amount to be realized related to sales of the net receivables due from Lehman Brothers Special Financing, Inc. to a third party.

Each FHLBank manages counterparty credit risk through credit analyses, collateral requirements and adherence to the requirements set forth in that FHLBank's policies and Finance Agency regulations. Based on credit analyses and collateral requirements, the FHLBanks did not anticipate any credit losses on their interest-rate exchange agreements. Therefore, no provision for derivative counterparty credit losses was recorded for the nine months ended September 30, 2011.

#### **Assessments**

#### Table 24 - Assessments

(dollars in millions)

								Change			
	Three Mon Septem			Nine Months Ended September 30,				Three Months Ended September 30,		Nine Months Ended September 30,	
	 2011 2010 2011			2010	2011 vs. 2010		2011 vs. 2010				
Affordable Housing Program	\$ 50	\$	70	\$	123	\$	153	\$	(20)	\$	(30)
REFCORP	_		154		160		338		(154)		(178)
Total assessments	\$ 50	\$	224	\$	283	\$	491	\$	(174)	\$	(208)

Affordable Housing Program (AHP). By regulation, the FHLBanks must annually set aside for the AHP the greater of the aggregate of \$100 million or 10% of net earnings, after any assessment for the Resolution Funding Corporation (REFCORP). For purposes of the AHP calculation, net earnings is defined as net income before assessments, plus interest expense related to mandatorily redeemable capital stock, less the assessment for REFCORP. Any FHLBank with a net loss for a quarter is not required to pay the AHP assessment for that quarter.

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

<u>REFCORP Payment.</u> On August 5, 2011, the Finance Agency certified that the FHLBanks had fully satisfied their REFCORP obligation. The FHLBanks entered into a Joint Capital Enhancement Agreement, as amended, which requires each FHLBank to allocate 20% of its net income to a separate restricted retained earnings account, beginning in the third quarter of 2011. (See <u>Note 13-Capital</u> and <u>Capital Adequacy</u>-Joint Capital Enhancement Agreement and REFCORP Certification for further discussion.)

Prior to the satisfaction of the FHLBanks' REFCORP obligation, each FHLBank was required to make payments to REFCORP (20% of annual GAAP net income before REFCORP assessments and after payment of AHP assessments) until the total amount of payments actually made was equivalent to a \$300 million annual annuity with a final maturity date of April 15, 2030. The Regulator shortened or lengthened the period during which the FHLBanks were required to make payments to REFCORP depending on actual payments made relative to the referenced annuity. The Regulator, in consultation with the U.S. Secretary of the Treasury, selected the appropriate discounting factors used in calculating the annuity.

As a result of fully satisfying their REFCORP obligation, the FHLBanks did not record a REFCORP assessment for the three months ended September 30, 2011. The FHLBanks recorded a REFCORP assessment of \$154 million (cash payment of \$152 million, which includes the application of certain credits due to FHLBanks that overpaid their annual assessments in prior periods) for the three months ended September 30, 2010. The REFCORP assessment of the FHLBanks was \$160 million (cash payment of \$162 million, which includes the application of certain credits due to FHLBanks that overpaid their annual assessments in prior periods) for the nine months ended September 30, 2011, compared with \$338 million (cash payment of \$351 million, which includes the application of certain credits due to FHLBanks that overpaid their annual assessments in prior periods) for the nine months ended September 30, 2010. The cash payments were 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 was not required to pay the REFCORP assessment for that quarter.

### Interbank Transfers of Consolidated Bonds and Their Effect on Combined Net Income

Combined net income of the FHLBanks is affected by interbank transfers of liability on outstanding consolidated bonds. These transactions arise when one FHLBank transfers its direct liability on outstanding consolidated bonds to another FHLBank. By engaging in these transactions, two FHLBanks are able to better match their funding needs by transferring funds held by one FHLBank to another FHLBank that needs funds. Because the consolidated bonds are the joint and several obligation of all 12 FHLBanks, these interbank transactions have no effect on the holders of the consolidated bonds.

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 advances and 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 may also unwind the related portion of any hedge transactions it entered into when the consolidated bond was issued.

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 initial carrying amount for the consolidated bond is the amount (including any premium or discount) the assuming FHLBank received from 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. 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. The following 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:

- 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
- 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.

Total interbank consolidated bonds of \$165 million and \$434 million at par value were transferred from an FHLBank to another FHLBank during the nine months ended September 30, 2011 and 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 3) current market conditions.

The combining adjustments 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.

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

(dollars in millions)

								Change			
Three Months Ended September 30,							Three Months Ended September 30,	Nine Months Ended September 30,			
2011			2010		2011	2010		2011 vs. 2010	2011 vs. 2010		
\$	(6)	\$		\$	(18)	\$	(1)	\$ (6)	\$	(17)	
	(2)		52		11		49	(54)		(38)	
	(2)		(2)		(6)		(5)	_		(1)	
	(6)		54		(1)		53	(60)		(54)	
	\$	\$ (6) (2)	September 3	September 30,       2011     2010       \$ (6)     \$       (2)     52       (2)     (2)	September 30,	September 30,         Septembe	September 30,         September 3           2011         2010         2011           \$ (6)         \$ -         \$ (18)         \$           (2)         52         11         -           (2)         (2)         (6)         -         -         (6)         -	September 30,         September 30,           2011         2010         2011         2010           \$ (6)         \$ -         \$ (18)         \$ (1)           (2)         52         11         49           (2)         (2)         (6)         (5)	Three Months Ended September 30,         Nine Months Ended September 30,         Three Months Ended September 30,           2011         2010         2011         2010         2011 vs. 2010           \$ (6)         \$ —         \$ (18)         \$ (1)         \$ (6)           (2)         52         11         49         (54)           (2)         (2)         (2)         (6)         (5)         —	Three Months Ended September 30,         Nine Months Ended September 30,         Ended September 30,         September 30,	

# **Capital Adequacy**

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

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

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

Management and the board of directors of each FHLBank review the capital structure of that FHLBank on a periodic basis to ensure the capital structure supports the risk associated with its assets and addresses applicable regulatory and supervisory matters. In addition, an individual FHLBank may institute a higher capital requirement to meet internally-established thresholds or to address supervisory matters, or may limit dividend payments as part of its retained earnings policies. As of September 30, 2011, some FHLBanks have limited dividend payments and/or restricted excess capital stock redemptions and repurchases. These limitations may be revised from time to time. (See *Dividend and Excess Stock Limitations* for more information on certain FHLBank limits on dividend payments and excess capital stock repurchases.)

# **Joint Capital Enhancement Agreement**

The Joint Capital Enhancement Agreement (Capital Agreement), as amended, is intended to enhance the capital position of each FHLBank. The intent of the Capital Agreement is to allocate that portion of each FHLBank's earnings historically paid to satisfy its REFCORP obligation to a separate retained earnings account at that FHLBank.

Each FHLBank had been required to contribute 20% of its earnings toward payment of the interest on REFCORP bonds until satisfaction of its REFCORP obligation, as certified by the Finance Agency on August 5, 2011. The Capital Agreement provides that, upon full satisfaction of the REFCORP obligation, each FHLBank will contribute 20% of its net income each quarter to a restricted retained earnings account until the balance of that account equals at least one percent of that FHLBank's average balance of outstanding consolidated obligations for the previous quarter. These restricted retained earnings are not available to pay dividends.

Each FHLBank subsequently amended its capital plan or capital plan submission, as applicable, to implement the provisions of the Capital Agreement, and the Finance Agency approved the capital plan amendments on August 5, 2011. In accordance with the Capital Agreement, starting in the third quarter of 2011, each FHLBank contributes

20% of its net income to a separate restricted retained earnings account. (See <u>Note 13-Capital</u>-Restricted Retained Earnings to the accompanying combined financial statements for more information.)

#### **Dividend and Excess Stock Limitations**

Certain FHLBanks have implemented voluntary actions related to suspensions of dividend payments and/or repurchases or redemptions of excess capital stock. These actions were implemented as a capital preservation measure and to reflect a conservative approach to financial management during a period of severe market volatility and due to impairment of private-label MBS. (See <u>Note 13-Capital-Excess Capital Stock</u> to the accompanying combined financial statements for information on the regulatory restrictions related to excess capital stock.)

<u>FHLBank of Boston</u>. Effective December 8, 2008, the FHLBank of Boston suspended the practice of repurchasing excess capital stock, except in limited instances of former member insolvency. The FHLBank of Boston continues its moratorium on excess stock repurchases. At September 30, 2011 and December 31, 2010, members and non-members of the FHLBank of Boston with capital stock outstanding held \$2.1 billion and \$1.9 billion in excess capital stock.

<u>FHLBank of Pittsburgh.</u> On December 23, 2008, the FHLBank of Pittsburgh announced its voluntary decision to temporarily suspend payment of dividends until further notice. There were no dividends declared or paid in 2010 or in the first nine months of 2011.

Effective for the second quarter of 2011, an updated floor of 87.5% was established for the Market Value of Equity to Par Value of Common Stock Ratio (MV/CS), demonstrating the FHLBank of Pittsburgh's board of directors' commitment to move the FHLBank of Pittsburgh toward par value capital stock. When MV/CS is below the established floor at the end of a quarter, excess capital stock repurchases and dividend payouts will be restricted. When MV/CS is above the established floor, additional analysis of the adequacy of retained earnings will be performed, taking into consideration the impact of excess capital stock repurchases and/or dividend payouts. The FHLBank of Pittsburgh's board of directors will re-evaluate the floor at least annually, with the objective of moving it to 95% over time.

The MV/CS ratio was 96.0% at September 30, 2011 and 93.3% at December 31, 2010. The improvement in the MV/CS ratio was primarily due to principal paydowns on the private-label MBS portfolio and increased retained earnings which more than offset a decline in private-label MBS prices. Because the MV/CS ratio was above 87.5% at September 30, 2011, the FHLBank of Pittsburgh performed additional analysis of capital adequacy taking into consideration the effect of potential excess capital stock repurchases. As a result of this analysis, the FHLBank of Pittsburgh executed a partial repurchase of excess capital stock on October 28, 2011. The amount of excess capital stock repurchased from any member was the lesser of five percent of the member's total capital stock outstanding or its excess capital stock outstanding on October 27, 2011. This was the FHLBank of Pittsburgh's fifth consecutive quarter of excess capital stock repurchases. The FHLBank of Pittsburgh also executed partial repurchases in February, April and July 2011. The effect of these repurchases was a minor reduction in the MV/CS ratio, which was more than offset by the factors noted above that drove the overall improvement in the ratio from year-end.

Decisions regarding any future repurchases of excess capital stock or dividend payouts will be made on a quarterly basis. The FHLBank of Pittsburgh will continue to monitor the MV/CS ratio as well as the condition of its private-label MBS portfolio, its overall financial performance and retained earnings (including its newly implemented retained earnings framework), developments in the mortgage and credit markets and other relevant information as the basis for determining the status of dividends and excess capital stock repurchases in future quarters.

<u>FHLBank of Chicago.</u> Under the terms of the Consent Cease and Desist Order (C&D Order), the FHLBank of Chicago's dividend declarations and capital stock repurchases and redemptions are subject to the prior written approval of the Deputy Director, Division of FHLBank Regulation of the Finance Agency (Deputy Director). In addition to the restrictions under the C&D Order, the FHLBank of Chicago may not pay dividends if it fails to satisfy its minimum capital and liquidity requirements under the FHLBank Act and Finance Agency regulations.

The FHLBank of Chicago's board of directors paid cash dividends at an annualized rate of 0.10% in each quarter of 2011 to date based on the previous quarter's earnings. Total cash paid to shareholders for the nine months through September 30, 2011, was \$2.1 million, of which \$1.7 million was recorded as a dividend and \$366 thousand

was recorded as interest expense related to MRCS. On October 25, 2011, the FHLBank of Chicago's board also declared a cash dividend at an annualized rate of 0.10% per share based on its preliminary financial results for the third quarter of 2011. Although the FHLBank of Chicago's board's decision to restore a dividend considered the importance of sustaining a dividend, any future dividend determination by the FHLBank of Chicago's board will depend on future operating results and be reviewed in accordance with its retained earnings and dividend policy, as well as remain subject to prior written approval of the Deputy Director under the terms of the C&D Order. (See <u>Note 13-Capital</u>-FHLBank of Chicago Regulatory Actions to the accompanying combined financial statements for more information on the FHLBank of Chicago's restricted dividends and repurchases and redemptions of capital stock.)

FHLBank of San Francisco. On a quarterly basis, the FHLBank of San Francisco determines whether it will repurchase excess capital stock, including surplus capital stock, which is defined as any stock holdings in excess of 115% of the member's minimum capital stock requirement. Because of a decision to preserve capital in view of the possibility of future OTTI charges on the FHLBank of San Francisco's private-label RMBS portfolio, the FHLBank of San Francisco did not fully repurchase excess stock created by declining advance balances in 2010 and during the first nine months of 2011. The FHLBank of San Francisco opted to maintain its strong regulatory capital position, while repurchasing \$445 million, \$471 million and \$460 million in excess capital stock in the first, second and third quarters of 2011. The FHLBank of San Francisco did not repurchase excess capital stock in the first quarter of 2010 and repurchased excess capital stock totaling \$487 million, \$478 million and \$479 million in the second, third and fourth quarters of 2010. Also, during the third quarter of 2011, the five-year redemption period for \$25 million in mandatorily redeemable capital stock expired, and the FHLBank of San Francisco redeemed the stock at its \$100 par value on the relevant expiration dates.

On October 27, 2011, the FHLBank of San Francisco announced that it plans to repurchase up to \$500 million in excess capital stock on November 14, 2011. The amount of excess capital stock to be repurchased from any shareholder will be based on the shareholder's pro-rata ownership share of total capital stock outstanding as of the repurchase date, up to the amount of the shareholder's excess capital stock.

The FHLBank of San Francisco paid dividends (including dividends on mandatorily redeemable capital stock) totaling \$8 million at an annualized rate of 0.26% in the third quarter of 2011, and \$14 million at an annualized rate of 0.44% in the third quarter of 2010. The FHLBank of San Francisco paid dividends (including dividends on mandatorily redeemable capital stock) totaling \$27 million at an annualized rate of 0.29% in the first nine months of 2011, and \$31 million at an annualized rate of 0.32% in the first nine months of 2010. On October 27, 2011, the FHLBank of San Francisco's board of directors declared a cash dividend for the third quarter of 2011 at an annualized dividend rate of 0.30%. The FHLBank of San Francisco recorded the third quarter dividend on October 27, 2011, the day it was declared by the board of directors. The FHLBank of San Francisco paid the third quarter dividend (including dividends on mandatorily redeemable capital stock), totaling \$8 million, on November 10, 2011. (See Note 13-Capital-Restricted Retained Earnings to the accompanying combined financial statements for more information on the FHLBank of San Francisco's retained earnings and dividend policy.)

The FHLBank of San Francisco will continue to monitor the condition of its private-label RMBS portfolio, the ratio of the estimated market value of its capital to the par value of its capital stock, its overall financial performance and retained earnings, developments in the mortgage and credit markets, and other relevant information as the basis for determining the status of dividends and capital stock repurchases in future quarters.

FHLBank of Seattle. As a result of its undercapitalized classification and the Consent Arrangement, the FHLBank of Seattle is currently unable to declare or pay dividends, or redeem or repurchase capital stock, without prior approval of the Finance Agency. The FHLBank of Seattle has been unable to redeem Class A or Class B capital stock at the end of the statutory six-month or five-year redemption period since March 2009. Also, there can be no assurance of when or if the FHLBank of Seattle board of directors will declare dividends in the future. (See <a href="Note 13-Capital-FHLBank">Note 13-Capital-FHLBank</a> of Seattle Capital Classification and Consent Arrangement to the accompanying combined financial statements for a description of the FHLBank of Seattle's Consent Arrangement with the Finance Agency.)

# **Liquidity**

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

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 capital plan. (See <u>Capital Adequacy</u>-Dividend and Excess Stock Limitations for a discussion of certain FHLBank dividend payment suspensions and/or excess stock purchase restrictions.)

The FHLBanks' primary sources of liquidity are the issuance of new consolidated obligations and holdings of short-term investments. Historically, the GSE status and favorable credit ratings have provided the FHLBanks with excellent access to capital markets. Consolidated obligations enjoy GSE status; however, they are not obligations of the United States and the United States does not guarantee them. The FHLBanks' consolidated obligations have historically received the same credit rating as the government bond credit rating of the United States even though the consolidated obligations are not obligations of the United States. The ratings also reflect the FHLBanks' status as GSEs. The FHLBanks' consolidated obligations' ratings have not been affected by rating actions taken with respect to individual FHLBanks.

On August 5, 2011, S&P lowered its long-term credit rating on the United States from AAA to AA+ with a negative outlook. S&P has indicated that its ratings of the FHLBanks and the FHLBank System are constrained by the long-term credit rating of the United States. On August 8, 2011, S&P downgraded the long-term credit ratings on the senior unsecured debt issues of the FHLBank System and 10 of the 12 FHLBanks from AAA to AA+. The FHLBanks of Chicago and Seattle were already rated AA+ prior to the United States downgrade. S&P's outlook for the FHLBank System's senior unsecured debt and all 12 FHLBanks is negative. However, S&P's actions did not affect the short-term A-1+ ratings of the FHLBanks and the FHLBank System's short-term debt issues.

On August 2, 2011, Moody's confirmed the Aaa bond rating of the U.S. government following the raising of the U.S. statutory debt limit on August 2, 2011 and changed the rating outlook of the U.S. government to negative. Moody's also confirmed the long-term Aaa rating on the senior unsecured debt issues of the FHLBank System, the 12 FHLBanks, and other ratings Moody's considers directly linked to the U.S. government. Additionally, in conjunction with the revision of the U.S. government outlook to negative, the rating outlook for the FHLBank System and the 12 FHLBanks was also revised to negative. (See <u>Recent Rating Agency Actions</u> and <u>Risk Factors</u>-Market Risk.)

Investors should note that a rating issued by a nationally recognized statistical rating organization is not a recommendation to buy, sell or hold securities and that the ratings may be revised or withdrawn by the nationally recognized statistical rating organization at any time. Investors should evaluate the rating of each nationally recognized statistical rating organization independently.

Other short-term borrowings, such as member deposits and securities sold under agreements to repurchase, may also provide liquidity. In addition, by regulation, under certain circumstances the U.S. Secretary of the Treasury may acquire up to \$4 billion of consolidated obligations of the FHLBanks.

For liquidity purposes, each FHLBank holds investments that are 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.

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

The FHLBanks may not be able to predict future trends in member credit needs because they are driven by complex interactions among a number of factors, including members' mortgage loan originations, other loan portfolio growth, 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 to be prepared to fund its members' credit needs and its investment opportunities.

To protect the FHLBanks against temporary disruptions in access to the debt markets in response to a rise in capital markets volatility, the 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 or 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 a nationally recognized statistical rating organization 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. For instance, federal budget deficit and debt ceiling issues and any related rating downgrades could continue to cause adverse reactions in the financial markets, which could result in higher interest rates, higher FHLBank borrowing costs, greater demand for collateral from FHLBanks and difficulty accessing liquidity on acceptable terms. Therefore, the FHLBanks have taken actions to bolster the amount of liquidity in the event access to the debt markets is disrupted.

# **Risk Management**

The fundamental business of each FHLBank is to provide a readily available, competitively-priced source of funds in a wide range of maturities to meet the borrowing demands of its members and housing associates. The principal sources of funds for these activities are the proceeds from the issuance of consolidated obligations and, to a lesser extent, capital and deposits from members. Lending and investing funds, and engaging in interest-rate exchange agreements, can potentially expose the FHLBanks to a number of risks, including market risk and credit risk. (See *Quantitative and Qualitative Disclosures About Market Risk* for a discussion of market risk). The FHLBanks are also subject to liquidity risk, operational risk and business risk. For a detailed discussion of the FHLBanks' risk management practices, see *Risk Management* in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010.

### **Credit Risk**

Advances. The FHLBanks endeavor to minimize credit risk on advances by monitoring the financial condition of their borrowers by holding sufficient collateral to protect themselves from losses. In light of the deterioration in the housing and mortgage markets, each FHLBank continues to evaluate its borrowers' financial condition and make changes to its collateral guidelines to further mitigate the credit risk of advances. The management of each FHLBank believes that it has adequate policies and procedures in place to manage its credit risk on advances effectively. At September 30, 2011, each FHLBank had rights to collateral with an estimated value greater than the related outstanding advances. Advance and other credit product obligations to the FHLBanks are secured with eligible collateral, the value of which is discounted to protect the FHLBanks from default in adverse circumstances.

Collateral lending values are determined by subtracting the collateral haircut from 100%. Certain collateral haircuts may also reflect haircuts applied to advances outstanding based upon the borrowers' actual financial performance. The FHLBanks that accept Community Financial Institution (CFI)-specific collateral mitigate the potential increased credit risk through higher haircuts (lower lending values) on such collateral. CFI-specific collateral consists of small business, small farm, and small agri-business loans.

Table 26 presents the range of collateral lending values for the blanket lien, listing and delivery methods of pledging collateral across the 12 FHLBanks. Under the blanket lien collateral pledge status, an individual FHLBank allows a borrower to retain possession of eligible collateral pledged to the FHLBank, provided the borrower executes a written security agreement and agrees to hold the collateral for the benefit of the FHLBank. A blanket lien is generally assigned to lower risk institutions pledging collateral. Under the listing pledge status, the borrower retains physical possession of the specific collateral pledged to an FHLBank, but the borrower provides listings of loans pledged to the FHLBank with detailed loan amounts, payments, maturity date, interest rate, loan-to-value, collateral type, FICO scores, etc. For borrowers in delivery pledge status, an FHLBank requires the borrower to place physical possession of eligible collateral with the FHLBank or a third-party custodian to sufficiently secure all outstanding obligations. An FHLBank generally takes control of the collateral received from insurance companies in order to ensure its position as a first-priority secured creditor, and due to greater procedural uncertainties related to an insurance company insolvency proceeding compared with the resolution of an FDIC-insured institution.

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

Table 26 - Lending Values by Type of Collateral for all Borrowers

	Septembe	er 30, 2011
Collateral Type	Effective Lending Values Applied to Collateral	Average Effective Lending Value
Blanket Lien		
Single-family mortgage loans	20%-99%	73%
FHA(1) and VA(2) loans	61%-93%	85%
Multifamily mortgage loans	5%-75%	60%
Other U.S. government-guaranteed mortgage loans	90%-93%	91%
Home equity loans and lines of credit	5%-87%	43%
CFI collateral	9%-78%	48%
Commercial loans	14%-70%	54%
Other loan collateral	24%-74%	48%
Listing		
Single-family mortgage loans	2%-94%	68%
FHA(1) and VA(2) loans	66%-91%	71%
Multifamily mortgage loans	21%-75%	65%
Other U.S. government-guaranteed mortgage loans	79%-92%	92%
Home equity loans and lines of credit	15%-73%	32%
CFI collateral	10%-67%	46%
Commercial loans	22%-70%	59%
Other loan collateral	17%-74%	28%
Delivery		
Cash, U.S. government and U.S. Treasury securities	81%-100%	96%
State and local government securities	75%-92%	85%
U.S. agency securities	80%-99%	95%
U.S. agency MBS and CMOs(3)	55%-98%	94%
Private-label MBS and CMOs(3)	25%-98%	86%
CFI securities	95%	95%
Commercial MBS	53%-89%	82%
Equity securities	76%-97%	81%
Other securities	74%-90%	79%
Single-family mortgage loans	2%-90%	63%
FHA(1) and VA(2) loans	14%-93%	81%
Multifamily mortgage loans	11%-75%	58%
Other U.S. government-guaranteed mortgage loans	76%-93%	77%
Home equity loans and lines of credit	4%-69%	51%
CFI collateral	3%-68%	46%
Commercial loans	2%-71%	51%
Other loan collateral	5%-67%	45%

<sup>(1)</sup> FHA - Federal Housing Administration.

As of September 30, 2011, there were 65 individual FHLBank borrowers (59 FHLBank members and 6 non-member financial institutions) that each held advance balances of at least \$1.0 billion. When a non-member financial institution acquires some or all of the assets and liabilities of an FHLBank member, including outstanding advances and FHLBank capital stock, an FHLBank may allow those advances to remain outstanding to that non-member financial institution. The non-member borrower would be required to meet all of that FHLBank's credit and

<sup>(2)</sup> VA - Department of Veterans Affairs.

<sup>(3)</sup> CMOs - Collateralized mortgage obligations.

collateral requirements, including requirements regarding creditworthiness and collateral borrowing capacity. A borrower's total credit obligation to an FHLBank includes outstanding advances, outstanding letters of credit, collateralized derivative contracts and credit enhancement obligations on mortgage loans sold to the FHLBank. Eligible collateral values include market values for securities and the unpaid principal balance for all other collateral pledged by the blanket lien, listing or delivery method. The collateralization ratio was 2.6 at September 30, 2011, which represents the total of these 65 individual FHLBank borrowers' eligible collateral divided by these borrowers' advances and other credit products outstanding at September 30, 2011.

Table 27 presents advances, other credit products and collateral outstanding for borrowers with at least \$1.0 billion of advances outstanding as compared to all advance borrowers.

Table 27 - Advances, Other Credit Products and Collateral Outstanding

(dollars in millions)

			Septe	mber 30, 2011		
	at A	rowers with Least \$1.0 Billion of Advances utstanding	All	Borrowers	Percentage	
Advances outstanding, at par	\$	245,860	\$	398,850	61.6%	
Other credit products outstanding, at par		26,899		53,869	49.9%	
Collateral outstanding		721,309		1,375,809	52.4%	

Table 28 presents information on a combined basis regarding the type of collateral securing the advances to the 65 individual FHLBank borrowers with at least \$1.0 billion of advances outstanding.

Table 28 - Type of Collateral Securing Advances to Borrowers with at least \$1.0 Billion of Advances Outstanding (dollars in millions)

	September 30, 2011													
	Blanke	et Lien	Lis	ting	Deli	very	To	otal						
Collateral Type	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage						
Single-family mortgage loans	\$ 106,313	14.8%	\$ 224,738	31.2%	\$ 18,986	2.6%	\$ 350,037	48.6%						
Home equity loans and lines of credit	52,295	7.2%	95,383	13.2%	2,537	0.4%	150,215	20.8%						
Commercial real estate loans	49,901	6.9%	22,385	3.1%	8,712	1.2%	80,998	11.2%						
Multifamily mortgage loans	16,587	2.3%	38,398	5.3%	2,355	0.3%	57,340	7.9%						
U.S. agency MBS and CMOs	_	N/A	_	N/A	46,493	6.4%	46,493	6.4%						
CMBS	_	N/A	_	N/A	13,664	1.9%	13,664	1.9%						
U.S. agency securities (excluding MBS)	_	N/A	_	N/A	6,511	0.9%	6,511	0.9%						
FHA and VA loans	3,722	0.5%	536	0.1%	430	0.1%	4,688	0.7%						
Private-label MBS and CMOs	_	N/A	_	N/A	2,039	0.3%	2,039	0.3%						
Other	1,460	0.2%	1,351	0.2%	6,513	0.9%	9,324	1.3%						
Total Collateral	\$ 230,278	31.9%	\$ 382,791	53.1%	\$ 108,240	15.0%	\$ 721,309	100.0%						

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

Member Failures. The financial condition of all members and housing associates is closely monitored for compliance with financial criteria as set forth in each FHLBank's credit policies. During the nine months ended September 30, 2011, no FHLBank incurred any credit loss on any of its advances, including advances to failed borrowers. During the same period, 71 of the 74 FDIC-insured institutions that failed were members of the FHLBanks with approximately \$10.4 billion of advances outstanding at the time of the failure, all of which were either assumed by another member or non-member institution or repaid by the acquiring institution or the FDIC. From October 1, 2011 to October 31, 2011, 10 of the 11 FDIC-insured institutions that failed were members of the

FHLBanks. All \$150 million of advances outstanding to these members at the time of their failure were either assumed by another member or a non-member institution or repaid by the acquiring institution or the FDIC.

For a detailed discussion of the FHLBanks' credit risk management, see *Risk Management-Credit Risk* in the Federal Home Loan Banks Combined Financial Report for the year ended, December 31, 2010. There have been no material changes to each FHLBank's credit risk management since December 31, 2010.

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

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

The FHLBanks also enhance interest income and meet operating expenses by holding long-term investments. Within this portfolio of long-term investments, the FHLBanks are primarily subject to credit risk related to private-label RMBS and CMBS, manufactured housing loan ABS and home equity loan ABS (collectively referred to as private-label mortgage-backed securities) that are either directly or indirectly supported by underlying mortgage loans.

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

- instruments, such as common stock, that represent an ownership interest in an entity, other than stock in small business investment companies, or certain investments targeted at low-income persons or communities;
- instruments issued by non-U.S. entities, other than those issued by U.S. branches and agency offices of foreign commercial banks (e.g., Federal funds);
- non-investment grade debt instruments, other than certain investments targeted at low-income persons or communities and instruments that were downgraded after their purchase by the FHLBank;
- whole mortgages or other whole loans, or interests in mortgages or loans, other than:
  - whole mortgages or loans acquired under an FHLBank's Acquired Member Asset program;
  - certain investments targeted to low-income persons or communities;
  - certain marketable direct obligations of state, local, or tribal government units or agencies, having at least the second-highest credit rating from a nationally recognized statistical rating organization;
  - mortgage-backed securities (which include agency and private-label pools of commercial and residential mortgage loans), or asset-backed securities collateralized by manufactured housing loans or home equity loans, that meet the definition of the term "securities" under the Securities Act of 1933; and
  - certain foreign housing loans authorized under section 12(b) of the FHLBank Act;
- residual interest and interest accrual classes of securities;
- interest-only and principal-only securities;
- mortgage-backed securities or eligible asset-backed securities that on the trade date are at rates equal to their contractual cap, with average lives that vary more than six years under an assumed instantaneous rate change of 300 basis points, unless the instrument qualifies as an Acquired Member Asset; and
- foreign currency or commodity positions.

Investment Ratings. The FHLBanks mitigate the credit risk on investments by investing in highly-rated investments. At September 30, 2011 and December 31, 2010, 85.2% and 85.3% of the carrying value of total investment securities held by the FHLBanks were rated in the two highest investment rating categories by a nationally recognized statistical rating organization(s) for long-term and short-term investments.

**Table 29 - Investment Ratings** 

						September 3	0, 2011 (1)(2)							
	Carrying Value													
		Investmen	t Grade(3)			E	Below Investr	ment Grade(3	3)					
	Triple-A	Double-A	Single-A	Triple-B	Double-B	Single-B	Triple-C	Double-C	Single C	Single-D	Unrated	Total		
	A-1 or higher Rating/P-1	A-2/P-2	A-3/P-3		B-1	B-2	B-3	С		D				
Interest-bearing deposits(4)	\$ —	\$ 7	\$ 1,300	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,307		
Securities purchased under agreements to resell	1,500	2,500	4,600	3,000	_	_	_	_	_	_	750	12,350		
Federal funds sold	8,234	27,018	20,166	490	_	_	_	_	_	_	33	55,941		
Investment securities														
Non-mortgage backed securities														
U.S. Treasury obligations	_	1,453	_	_	_	_	_	_	_	_	_	1,453		
Commercial paper	3,970	300	100	_	_	_	_	_	_	_	_	4,370		
Certificates of deposit	3,745	2,481	4,138	_	_	_	_	_	_	_	_	10,364		
Other U.S. obligations(5)	_	3,312	_	_	_	_	_	_	_	-	_	3,312		
Government-sponsored enterprise and Tennessee Valley Authority obligations	_	25,221	_	_	_	_	_	_	_	_	12	25,233		
State or local housing agency obligations	133	1,566	2	614	_	_	_	_	_	_	2	2,317		
Temporary Liquidity Guarantee Program debentures and promissory notes	_	19,610	_	_	_	_	_	_	_	_	_	19,610		
Federal Family Education Loan Program ABS	8,390	_	_	_	_	_	_	_	_	_	_	8,390		
Other(6)	902	168	_	_	_	_	_	_	_	_	22	1,092		
Total non-mortgage- backed securities	17,140	54,111	4,240	614			_	_			36	76,141		
Mortgage-backed securities														
Other U.S. obligations residential MBS(7)	338	12,444	_	_	_	_	_	_	_	_	_	12,782		
Other U.S. obligations commercial MBS(7)	_	531	_	_	_	_	_	_	_	_	_	531		
Government-sponsored enterprise residential MBS	_	96,108	_	_	_	_	_	_	_	_	_	96,108		
Government-sponsored enterprise commercial MBS	_	3,472	_	_	_	_	_	_	_	_	_	3,472		
Private-label residential MBS	2,493	1,064	1,931	3,134	2,486	3,445	9,701	3,861	2,312	558	4	30,989		
Private-label commercial MBS	62	_	_	_	_	_	_	_	_	_	_	62		
Manufactured housing loan ABS	_	177	_	_	_	_	_	_	-	_	_	177		
Home equity loan ABS	25	110	83	35	5	69	43	7		9		386		
Total mortgage-backed securities	2,918	113,906	2,014	3,169	2,491	3,514	9,744	3,868	2,312	567	4	144,507		
Total investment securities	20,058	168,017	6,254	3,783	2,491	3,514	9,744	3,868	2,312	567	40	220,648		
Total Investments	\$ 29,792	\$ 197,542	\$ 32,320	\$ 7,273	\$ 2,491	\$ 3,514	\$ 9,744	\$ 3,868	\$ 2,312	\$ 567	\$ 823	\$ 290,246		

December 31, 2010 (2)(8)

Securities purchased under agreements to resell 6,02 Federal funds sold 10,83 Investment Securities Non-mortgage backed	A-2/P-2  \$ —  5 225  3 36,354	***	Triple-B  \$ — 4,750 326	B-1		g Value Below Investr Triple-C  B-3  \$ —	Double-C C S	Single C	Single-D D	Unrated	Total
A-1 or higher Rating/P-1 Interest-bearing deposits \$ Securities purchased under agreements to resell 6,02 Federal funds sold 10,83 Investment Securities Non-mortgage backed	A-2/P-2  \$ —  5 225  3 36,354	A-3/P-3 \$ — 1,500	\$ — 4,750	B-1	B-2	B-3	С		D	Unrated	Total
Interest-bearing deposits Securities purchased under agreements to resell Federal funds sold Investment Securities Non-mortgage backed	225 36,354	\$ — 1,500	4,750					¢			
Securities purchased under agreements to resell 6,02 Federal funds sold 10,83 Investment Securities Non-mortgage backed	36 225 36,354	1,500	4,750	\$ — —	\$ —	\$ —	<u>s</u> –	s _			
agreements to resell 6,02 Federal funds sold 10,83 Investment Securities Non-mortgage backed	36,354			_			*	Ψ —	\$ —	\$ —	\$ 9
Investment Securities Non-mortgage backed		28,313	326	_	_	_	_	_	_	3,900	16,400
Non-mortgage backed					_	_	_	_	_	29	75,855
Non-mortgage backed											
securities	1										
U.S. Treasury obligations 3,06	, –	_	_	_	_	_	_	_	_	_	3,068
Commercial paper 4,84	· –	_	_	_	_	_	_	_	_	_	4,849
Certificates of deposit 5,64	12,597	7,804	_	_	_	_	_	_	_	_	26,041
Other U.S. obligations(5) 2,43	· –	_	_	_	_	_	_	_	_	13	2,452
Government-sponsored enterprise and Tennessee Valley Authority obligations 26,67	3 25	_	_	_	_	_	_	_	_	_	26,703
State or local housing agency Obligations 29	1,444	547	190	_	_	_	_	_	_	2	2,480
Temporary Liquidity Guarantee Program debentures and promissory notes 16,08	_	_	_	_	_	_	_	_	_	_	16,081
Federal Family Education Loan Program ABS 8,79	) <u> </u>	_	_	_	_	_	_	_	_	_	8,799
Other(6) 71	114	_	_	_	_	_	_	_	_	27	852
Total non-mortgage- backed securities 68,56	2 14,180	8,351	190	_	_	_				42	91,325
Mortgage-backed securities											
Other U.S. obligations residential MBS(7) 11,77	. –	_	_	_	_	_	_	_	_	_	11,775
Other U.S. obligations commercial MBS(7) 5	3 —	_	_	_	_	_	_	_	_	_	53
Government-sponsored enterprise residential MBS 95,13	-	_	_	_	_	_	_	_	_	_	95,138
Government-sponsored enterprise commercial MBS 2,31	-	_	_	_	_	_	_	_	_	_	2,313
Private-label residential MBS 8,04	2,517	2,829	1,566	1,579	4,076	9,993	3,871	2,020	327	4	36,823
Private-label commercial MBS 16	_	_	_	_	_	_	_	_	_	_	160
Manufactured housing loan ABS -	- 196	_	_	_	_	_	_	_	_	_	196
Home equity loan ABS 12	104	74	17	14	38	34	7		11		423
Total mortgage-backed securities 117,60	2,817	2,903	1,583	1,593	4,114	10,027	3,878	2,020	338	4	146,881
Total investment securities 186,16	16,997	11,254	1,773	1,593	4,114	10,027	3,878	2,020	338	46	238,206
Total investments \$ 203,03	\$ 53,576	\$ 41,067	\$ 6,849	\$ 1,593	\$ 4,114	\$ 10,027	\$ 3,878	\$ 2,020	\$ 338	\$ 3,975	\$ 330,470

Does not reflect any changes in ratings, outlook or watch status occurring after September 30, 2011. These ratings represent the lowest rating available for each (1) security owned by an individual FHLBank, based on the nationally recognized statistical rating organization(s) used by that FHLBank.

Investment amounts noted in the above table represent the carrying value and do not include related accrued interest.

Dollar amounts include both short-term and long-term ratings.

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

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

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

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

Does not reflect any changes in ratings, outlook or watch status occurring after December 31, 2010. These ratings represent the lowest rating available for each security owned by an individual FHLBank based on the nationally recognized statistical rating organization(s) used by that FHLBank.

On August 5, 2011, S&P lowered its long-term credit rating on the United States from AAA to AA+ with a negative outlook. As a result, on August 8, 2011, S&P lowered the long-term issuer credit ratings and related issue ratings on select government-related entities from AAA to AA+ with a negative outlook, including Fannie Mae, Freddie Mac, the Farm Credit System and Tennessee Valley Authority. In addition, S&P also lowered the ratings from AAA to AA+ on 126 Federal Deposit Insurance Corporation-guaranteed debt issues from 30 financial institutions under the Temporary Liquidity Guarantee Program and four National Credit Union Association-guaranteed debt issues from two corporate credit unions under the Temporary Corporate Credit Union Guarantee Program, which reflects their direct credit support from the U.S. Treasury for timely and ultimate repayment.

Of the \$290.2 billion of total investments held by the FHLBanks at September 30, 2011, \$22.5 billion (based on carrying value) of this amount was rated below investment grade. An additional \$125 million (based on carrying value) of total investments was downgraded to below investment grade from October 1, 2011 through October 31, 2011 by a nationally recognized statistical rating organization(s) as presented in Table 30.

Table 30 - Subsequent Downgrades

(dollars in millions)

Investm	nent Ratings(1)	Downgrades - Balances Based on Values at September 30, 2011 (2)										
At September 30, 2011	At October 31, 2011	Private-	Label RMBS	Non-MBS								
From	То	Carrying Value	Fair Value	Carrying Value	Fair Value							
Triple-A	Double-A	\$ 235	\$ 225	\$ 7,023	\$ 7,023							
	Single-A	105	98	_	_							
	Double-B	2	2 2	_	_							
Double-A	Single-A	-	7 6	1,000	1,000							
	Triple-B	56	52	_	_							
	Double-B	19	) 19	_	_							
Single-A	Triple-B	4	3	_	_							
	Triple-C	43	3 43	_	_							
Triple-B	Double-B	29	27	_	_							
	Single-B	32	2 30	_	_							
Double-B	Single-B	169	167	_	_							
Single-B	Triple-C	319	291	_	_							
	Double-C	169	169	_	_							
	Single-C	46	3 46	_	_							
Triple-C	Double-C	773	786	_	_							
	Single-C	215	215	_	_							
Double-C	Single-C	1,197	1,304	_	_							
	Single-D	10	) 12	_	_							
Total		\$ 3,430	\$ 3,495	\$ 8,023	\$ 8,023							

<sup>(1)</sup> Represents the lowest rating available for each security owned by an individual FHLBank based on the nationally recognized statistical rating organization(s) used by that FHLBank.

At September 30, 2011, 4.8% of total investments were on negative watch by S&P, Moody's and/or Fitch. Table 31 presents investments on negative watch at October 31, 2011. The carrying value and fair value of the investments on negative watch at October 31, 2011 are based on September 30, 2011 balances.

<sup>(2)</sup> Represents investment amounts at September 30, 2011 that were subsequently downgraded during the period from October 1, 2011 through October 31, 2011.

**Table 31 - Investments on Negative Watch** 

(dollars in millions)

	Pr	ivate-La	bel RMI	BS		anufactured Housing Loan ABS			Home Equity Loan ABS			Non-MBS			
Investment Ratings(1)	Carr Vai		Fair	Value	Carrying Value	Fai	r Value		Carrying Value	Fai	r Value		arrying Value	Fai	r Value
Triple-A	\$	3	\$	3	\$ 	\$		\$	_	\$		\$	135	\$	129
Double-A		4		4	159		151		84		75		926		895
Single-A		_		_	_		_		_		_		2		2
Single-B		_		_	_		_		7		7		_		_
Total	\$	7	\$	7	\$ 159	\$	151	\$	91	\$	82	\$	1,063	\$	1,026

<sup>(1)</sup> Represents the lowest rating available for each security owned by an individual FHLBank based on nationally recognized statistical rating organization(s) used by that FHLBank.

Short-term Investments. Within the portfolio of short-term investments, the FHLBanks' primary credit risk is related to unsecured credit exposure on certain investments. Table 32 presents the FHLBanks' unsecured credit exposure of investments with private counterparties that have maturities generally ranging between overnight and nine months. At September 30, 2011, the FHLBanks had aggregate unsecured credit exposure of \$1 billion or more to each of 24 private counterparties. The aggregate unsecured credit exposure to these counterparties represented 86.4% of the FHLBanks' total unsecured credit exposure to private counterparties.

**Table 32 - Unsecured Credit Exposure** 

(dollars in millions)

	Sept	ember 30, 2011		ember 31, 2010
	Carryi	ng Value(1)	Carryi	ng Value(1)
Interest-bearing deposits(2)	\$	1,301	\$	_
Federal funds sold		55,941		75,855
Commercial paper		4,370		4,849
Certificates of deposit		10,364		26,041
Other(3)		545		401
Total	\$	72,521	\$	107,146

<sup>(1)</sup> Excludes unsecured credit exposure to U.S. government and U.S. government agencies and instrumentalities, and does not include related accrued interest.

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

Although the FHLBanks invested in private-label mortgage-backed securities, which at the date of purchase were substantially all rated triple-A, many of these securities are projected to sustain credit losses based on current economic conditions and housing market trends. The domestic housing market continues to be depressed, with significant variations in regional market performance. Housing prices remain low, and delinquency and foreclosure rates have continued to rise.

As a result of each affected FHLBank's evaluation of its portfolio during the three months ended September 30, 2011, the FHLBanks recognized OTTI losses related to \$1,463 million (unpaid principal balance) of HTM securities

<sup>(2)</sup> Primarily consists of deposits with Branch Banking and Trust Company by the FHLBank of Atlanta at September 30, 2011. Branch Banking and Trust Company was one of the top ten borrowers of the FHLBank of Atlanta and the FHLBank System. One of the FHLBank of Atlanta's member directors is a senior executive vice president of Branch Banking and Trust Company.

<sup>(3)</sup> Primarily consists of debentures issued by IDB and debt securities issued by IBRD.

and \$8,600 million (unpaid principal balance) of AFS securities. The FHLBanks recognized total credit-related OTTI charges on MBS instruments of \$159 million during the three months ended September 30, 2011 and the net amount of impairment losses reclassified to accumulated other comprehensive loss was \$18 million, which related to non-credit OTTI charges.

The FHLBanks classify private-label mortgage-backed securities as prime, Alt-A, or subprime based on the classification by a nationally recognized statistical rating organization upon issuance of the security. Although there is no universally accepted definition of Alt-A, loans with credit characteristics that range between prime and subprime are generally classified as Alt-A. Participants in the mortgage market have used the Alt-A classification principally to describe loans for which the underwriting process has been streamlined in order to reduce the documentation requirements of the borrower or allow alternative documentation.

As presented in Table 33, of the total unpaid principal balance of private-label mortgage-backed securities, prime represented 44.7%, Alt-A represented 50.9% and subprime represented 4.4%. Of the \$144.5 billion carrying value of total MBS held by the FHLBanks at September 30, 2011, less than 2.0% were categorized as subprime by the originator at the time of origination or based on classification by a nationally recognized statistical rating organization(s) upon issuance of the security. No FHLBank has purchased private-label MBS since 2008. Table 33 presents collateral performance and credit enhancement information related to private-label mortgage-backed securities at September 30, 2011.

Table 33 - Credit Ratings of Private-Label Mortgage-Backed Securities at September 30, 2011 (dollars in millions)

	Total by Year of Securitization											
		Total		2008		2007	2006		2005		200	4 and Prior
Unpaid Principal Balance (UPB) by credit rating(1)												
Triple-A	\$	2,590	\$	_	\$	_	\$	81	\$	123	\$	2,386
Double-A		1,354		_		4		96		41		1,213
Single-A		2,033		_		_		_		331		1,702
Triple-B		3,200		146		143		98		152		2,661
Below investment grade												
Double-B		2,528		_		268		294		627		1,339
Single-B		3,858		286		271		414		1,684		1,203
Triple-C		13,684		610		4,942		2,948		4,994		190
Double-C		6,012		127		1,534		2,622		1,713		16
Single-C		3,426		_		1,647		1,453		323		3
Triple-D		1		_		_		_		_		1
Single-D		1,122		_		426		632		44		20
Unrated		4		_		_		_		_		4
Total	\$	39,812	\$	1,169	\$	9,235	\$	8,638	\$	10,032	\$	10,738
Amortized cost	\$	35,584	\$	1,116	\$	7,742	\$	6,870	\$	9,186	\$	10,670
Gross unrealized losses(2)		(5,101)		(194)		(1,392)		(1,164)		(1,550)		(801)
Fair value (FV)		30,801		925		6,379		5,927		7,642		9,928
Credit losses(3)												
Total OTTI	\$	(468)	\$	(46)	\$	(39)	\$	(57)	\$	(261)	\$	(65)
AOCI(4)		(307)		33		(180)		(189)		(17)		46
Credit losses	\$	(775)	\$	(13)	\$	(219)	\$	(246)	\$	(278)	\$	(19)
FV to UPB												
Private-label RMBS		77.3%		79.1%		69.1%		68.6%		76.2%		93.1%
Private-label CMBS		102.2%		_		_		_		_		102.2%
Manufactured housing loan ABS		93.5%		_		_		_		_		93.5%
Home equity loan ABS		77.9%		_		_		72.3%		92.4%		78.0%
Total		77.4%		79.1%		69.1%		68.6%		76.2%		92.5%

		Total		2008		2007		2006		2005		1 and Drian
Drivete label DMDC		lotai		2008		2007		2006	_	2005	2002	and Prior
Private-label RMBS												
UPB by credit rating(1)	Φ.	0.044	Φ.		Φ.		•	00	Φ.	400	•	0.054
Triple-A	\$	2,214	\$	_	\$	_	\$	63	\$	100	\$	2,051
Double-A		700		_		_		_		40		660
Single-A		1,344		_		_		_		247		1,097
Triple-B		1,733		31		143		85		100		1,374
Below investment grade												4 000
Double-B		1,909		_		107		226		513		1,063
Single-B		2,009		61		117		347		736		748
Triple-C		3,633		394		1,215		490		1,469		65
Double-C		2,881		_		933		1,633		315		_
Single-C		1,030		_		444		563		23		
Single-D		261				28		233				
Total	\$	17,714	\$	486	\$	2,987	\$	3,640	\$	3,543	\$	7,058
Amortized cost	\$	16,456	\$	442	\$	2,524	\$	3,119	\$	3,343	\$	7,028
Gross unrealized losses(2)		(1,479)		(23)		(211)		(416)		(358)		(471)
Fair value (FV)		15,232		422		2,327		2,895		2,988		6,600
Credit losses(3)												
Total OTTI	\$	(78)	\$	_	\$	(9)	\$	(11)	\$	(11)	\$	(47)
AOCI(4)		(117)		(9)		(43)		(58)		(43)		36
Credit losses	\$	(195)	\$	(9)	\$	(52)	\$	(69)	\$	(54)	\$	(11)
Weighted-average percentage												
FV to UPB		86.0%		86.8%		77.9%		79.5%		84.3%		93.5%
Original credit support(6)		8.3%		24.4%		14.0%		10.1%		8.4%		3.8%
Credit support(7)		8.7%		22.4%		8.4%		5.0%		9.4%		9.3%
Collateral delinquency(8)		13.6%		24.2%		21.0%		18.3%		14.0%		7.1%
Private-label CMBS												
UPB by credit rating(1)												
Triple-A	\$	62	\$	_	\$	_	\$	_	\$	_	\$	62
Total	\$	62	\$	_	\$	_	\$	_	\$	_	\$	62
Amortized cost	\$	62	\$		\$		\$	_	\$	_	\$	62
Fair value		63		_		_		_		_		63
Weighted-average percentage												
FV to UPB		102.2%		_		_		_		_		102.2%
Original credit support(6)		20.2%		_		_		_		_		20.2%
Credit support(7)		26.8%		_		_		_		_		26.8%
Collateral delinquency(8)		2.4%		_		_		_		_		2.4%

Prime(5) by Year of Securitization

		Total		2008	Ait	2007	01 00	2006		2005	200	4 and Prior
Private-label RMBS	_	Total							_			7 4114 1 1101
UPB by credit rating(1)												
Triple-A	\$	288	\$	_	\$	_	\$	18	\$	23	\$	247
Double-A	•	359	т.	<u> </u>	т.	4	т	80		_	*	275
Single-A		590		_		_		_		79		511
Triple-B		1,395		115		_		_		52		1,228
Below investment grade		,										
Double-B		507		_		161		_		78		268
Single-B		1,721		225		154		58		939		345
Triple-C		9,598		216		3,717		2,122		3,504		39
Double-C		2,649		127		601		535		1,386		_
Single-C		2,279		_		1,203		776		300		_
Single-D		841		_		398		399		44		_
Total	\$	20,227	\$	683	\$	6,238	\$	3,988	\$	6,405	\$	2,913
Amortized cost	\$	17,615	\$	674	\$	5,209	\$	3,044	\$	5,768	\$	2,920
Gross unrealized losses(2)		(3,358)		(171)		(1,179)		(581)		(1,183)		(244)
Fair value		14,296		503		4,045		2,473		4,587		2,688
Credit losses(3)												
Total OTTI	\$	(373)	\$	(46)	\$	(29)	\$	(32)	\$	(249)	\$	(17)
AOCI(4)		(189)		42		(137)		(130)		25		11
Credit losses	\$	(562)	\$	(4)	\$	(166)	\$	(162)	\$	(224)	\$	(6)
Weighted-average percentage												
FV to UPB		70.7%		73.6%		64.8%		62.0%		71.6%		92.3%
Original credit support(6)		22.6%		33.6%		32.6%		26.5%		16.2%		6.9%
Credit support(7)		19.5%		31.4%		25.9%		17.5%		15.7%		14.0%
Collateral delinquency(8)		29.3%		20.8%		39.1%		39.8%		22.9%		9.9%
Home equity loan ABS												
UPB by credit rating(1)												
Double-A	\$	16	\$	_	\$	_	\$	16	\$	_	\$	_
Single-A		3		_		_		_		3		_
Below investment grade												
Single-B		13		_		_		_		_		13
Triple-C		8		_		_		_		_		8
Double-C		4								_		4
Total	\$	44	\$		\$		\$	16	\$	3	\$	25
Amortized cost	\$	38	\$	_	\$	_	\$	16	\$	3	\$	19
Gross unrealized losses(2)		(8)		_		_		(5)		_		(3)
Fair value		29		_		_		11		2		16
Credit losses(3)												
Total OTTI	\$	_	\$	_	\$	_	\$	_	\$	_	\$	_
AOCI(4)		(1)	_				_			_		(1)
Credit losses	\$	(1)	\$		\$		\$		\$		\$	(1)
Weighted-average percentage												
FV to UPB		68.3%		_		_		72.3%		92.4%		63.3%
Original credit support(6)(9)		(0.7%)		_		_		_		3.1%		(1.5%)
Credit support(7)		4.4%		_		_				49.0%		2.7%
Collateral delinquency(8)		8.7%		_		_		4.6%		0.4%		12.2%

Alt-A(5) by Year of Securitization

	-	Total		2008	иорі	2007	 2006	<u>''</u>	2005	2004	and Prior
Private-label RMBS		Total								200-	- una i rioi
UPB by credit rating(1)											
Triple-A	\$	1	\$	_	\$	_	\$ _	\$	_	\$	1
Double-A		9	·	_		_	_	•	1		8
Single-A		6		_		_	_		2		4
Triple-B		19		_		_	13		_		6
Below investment grade											
Double-B		106		_		_	68		36		2
Single-B		20		_		_	9		9		2
Triple-C		369		_		10	336		21		2
Double-C		470		_		_	454		12		4
Single-C		117		_		_	114		_		3
Unrated		4		_		_	_		_		4
Total	\$	1,121	\$		\$	10	\$ 994	\$	81	\$	36
Amortized cost	\$	803	\$		\$	9	\$ 691	\$	72	\$	31
Gross unrealized losses(2)		(178)		_		(2)	(162)		(9)		(5)
Fair value		646		_		7	548		65		26
Credit losses(3)											
Total OTTI	\$	(16)	\$	_	\$	(1)	\$ (15)	\$	_	\$	_
AOCI(4)		_		_		_	1		(1)		_
Credit losses	\$	(16)	\$	_	\$	(1)	\$ (14)	\$	(1)	\$	_
Weighted-average percentage											<u></u>
FV to UPB		57.8%		_		69.4%	55.1%		81.6%		75.5%
Original credit support(6)		22.9%		_		23.0%	22.5%		22.1%		34.8%
Credit support(7)		27.7%		_		40.7%	25.5%		48.1%		41.6%
Collateral delinquency(8)		40.4%		_		38.2%	41.0%		41.5%		21.4%
Manufactured housing loan ABS											
UPB by credit rating(1)											
Double-A	\$	177	\$	_	\$	_	\$ _	\$	_	\$	177
Total	\$	177	\$	_	\$		\$ _	\$		\$	177
Amortized cost	\$	177	\$		\$		\$ 	\$		\$	177
Gross unrealized losses(2)		(11)		_		_	_		_		(11)
Fair value		166		_		_	_		_		166
Weighted-average percentage											
FV to UPB		93.5%		_		_	_		_		93.5%
Original credit support(6)		92.9%		_		_	_		_		92.9%
Credit support(7)		27.8%		_		_	_		_		27.8%
Collateral delinquency(8)		3.1%		_		_	_		_		3.1%

Subprime(5) by Year of Securitization

			Subprii	me(5) by Ye	ar of				
	 Total		2008		2007		2006	2005	2004 and Prior
Home equity loan ABS									
UPB by credit rating(1)									
Triple-A	\$ 25	\$	_	\$	_	\$	_	\$ _	\$ 25
Double-A	93		_		_		_	_	93
Single-A	90		_		_		_	_	90
Triple-B	53		_		_		_	_	53
Below investment grade									
Double-B	6		_		_		_	_	6
Single-B	95		_		_		_	_	95
Triple-C	76		_		_		_	_	76
Double-C	8		_		_		_	_	8
Triple-D	1		_		_		_	_	1
Single-D	 20		<u> </u>				_		20
Total	\$ 467	\$		\$		\$	_	\$ 	\$ 467
Amortized cost	\$ 433	\$	_	\$	_	\$	_	\$ _	\$ 433
Gross unrealized losses(2)	(67)		_		_		_	_	(67)
Fair value	369		_		_		_	_	369
Credit losses(3)									
Total OTTI	\$ (1)	\$	_	\$	_	\$	_	\$ _	\$ (1)
AOCI(4)	 _						_		
Credit losses	\$ (1)	\$		\$		\$		\$ 	\$ (1)
Weighted-average percentage									
FV to UPB	78.8%		_		_		_	_	78.8%
Original credit support(6)	54.6%		_		_		_	_	54.6%
Credit support(7)	32.8%		_		_		_	_	32.8%
Collateral delinquency(8)	16.9%		_		_		_	_	16.9%

Subprime(5) by Vear of Securitization

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

Table 34 presents, by loan type, characteristics of private-label mortgage-backed securities in a gross unrealized loss position at September 30, 2011. The lowest ratings available used by that FHLBank for each security is reported as of October 31, 2011 based on the security's unpaid principal balance at September 30, 2011. The FHLBanks held a total of \$5,179 million in Alt-A option ARMs, of which \$5,111 million are in a gross unrealized loss position based on their unpaid principal balance at September 30, 2011, as presented in Table 34.

<sup>(1)</sup> Represents the lowest rating available for each security owned by an individual FHLBank based on the nationally recognized statistical rating organization(s) used by that FHLBank.

<sup>(2)</sup> Represents total gross unrealized losses including non-credit-related impairment recognized in AOCI.

 <sup>(3)</sup> The credit losses presented are for the nine months ended September 30, 2011.
 (4) Represents the net amount of impairment losses reclassified to/(from) AOCI.

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

<sup>(6)</sup> Original weighted-average credit support is based on the credit support at the time of issuance and is determined based on the unpaid principal balance of the individual securities in the category and their respective original credit support.

<sup>(7)</sup> Weighted-average credit support is based on the credit support as of September 30, 2011 and is determined based on the unpaid principal balance of the individual securities in the category and their respective credit support as of September 30, 2011.

<sup>(8)</sup> Weighted-average collateral delinquency rate is determined based on the underlying loans that are 60 days or more past due and is determined based on the unpaid principal balance of the individual securities in the category and their respective delinquencies.

<sup>(9)</sup> Negative original credit enhancement exists due to over-collateralization and excess spread.

Table 34 - Private-Label Mortgage-Backed Securities in a Loss Position

(dollars in millions)

September 30, 2011

October 31, 2011 MBS Ratings Based on September 30, 2011 Unpaid Principal Balance(1)(2)

		Se	ptember 30, 20	711		September 30, 2011 Unpaid Principal Balance(1)(2)						
	Unpaid Principal Balance	Amortized Cost	Gross Unrealized Losses	Weighted- Average Collateral Delinquency Rate(3)	Percentage Rated Triple-A(2)	Percentage Rated Triple-A	Percentage Rated Investment Grade(4)	Percentage Rated Below Investment Grade	Percentage on Watchlist			
Private-label RMBS backed by(5)												
Prime loans												
First lien	\$ 14,212	\$ 13,163	\$ (1,479)	15.0%	5.2%	3.0%	22.7%	74.3%	_			
Total private-label RMBS backed by prime loans	14,212	13,163	(1,479)	15.0%	5.2%	3.0%	22.7%	74.3%	_			
Alt-A and other loans												
Alt-A option ARM	5,111	4,154	(1,240)	47.3%	_	_	_	100.0%	_			
Alt-A other	13,962	12,414	(2,118)	23.9%	0.9%	0.9%	12.3%	86.9%	_			
Total private-label RMBS backed by Alt-A and other loans	19,073	16,568	(3,358)	30.2%	0.6%	0.6%	9.0%	90.4%	_			
Subprime loans												
First lien	1,089	785	(178)	40.2%	0.1%	0.1%	2.9%	96.6%	0.1%			
Total private-label RMBS backed by subprime loans	1,089	785	(178)	40.2%	0.1%	0.1%	2.9%	96.6%	0.1%			
Manufactured housing loan ABS backed by(5)												
Subprime loans												
First lien	177	177	(11)	3.1%	_	_	100.0%	_	90.2%			
Total manufactured housing loan ABS backed by subprime loans	177	177	(11)	3.1%	_	_	100.0%	_	90.2%			
Home equity loan ABS backed by(5)												
Alt-A and other loans												
Alt-A other	40	36	(8)	8.0%	_	_	46.8%	53.2%	65.9%			
Total home equity loan ABS backed by Alt-A loans	40	36	(8)	8.0%	_	_	46.8%	53.2%	65.9%			
Subprime loans												
First lien	178	170	(35)	18.6%	13.1%	13.1%	34.3%	52.6%	0.2%			
Second lien	4	4	(1)	30.9%	12.2%	12.2%	_	87.8%	_			
Total home equity loan ABS backed by subprime loans	182	174	(36)	18.9%	13.1%	13.1%	33.5%	53.4%	0.2%			
Other - Not Classified(6)	248	229	(31)	_	_	1.1%	72.1%	41.8%	_			
Total	\$ 35,021	\$ 31,132	\$ (5,101)	23.9%	2.5%	1.6%	15.4%	83.0%	0.5%			

<sup>(1)</sup> The percentages include the effect of paydowns in full subsequent to September 30, 2011.

Monoline Bond Insurance. Certain FHLBanks' investment securities portfolios include a limited number of

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

<sup>(3)</sup> 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.

<sup>(4)</sup> Represents investment grade from double-A to triple-B.

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

<sup>(6)</sup> 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.

investments that are insured by monoline bond insurers. The monoline bond insurance on these investments guarantees the timely payment of principal and interest if these payments cannot be satisfied from the cash flows of the underlying mortgage collateral. The affected FHLBanks closely monitor the financial condition of these monoline bond insurers on an ongoing basis.

The monoline bond insurers continue to be subject to adverse ratings, rating downgrades and weakening financial performance measures. A rating downgrade implies an increased risk that the monoline bond insurer will fail to fulfill its obligations to reimburse the insured investor for claims made under the related insurance policies. Table 35 presents the financial strength ratings of monoline bond insurers that provide monoline bond insurance coverage for the FHLBanks' private-label RMBS, manufactured housing loan ABS and home equity loan ABS. (See <a href="Critical Accounting Estimates-OTTI for Investment Securities">Critical Accounting Estimates-OTTI for Investment Securities</a> for information regarding the FHLBanks' processes for evaluating monoline bond insurance for purposes of OTTI analysis.)

Table 35 - Monoline Bond Insurers' Financial Strength Ratings as of October 31, 2011

	Moody's Credit Rating	S&P Credit Rating
Assured Guaranty Municipal Corp.	Aa3	AA+
MBIA Insurance Corp.	В3	В
AMBAC Assurance Corp. (Ambac)	Withdrawn	Not Rated
Financial Guaranty Insurance Company	Withdrawn	Not Rated
Syncora Guarantee Inc.	Ca	Not Rated

As of September 30, 2011, total monoline bond insurance coverage was \$629 million, of which \$327 million represents the FHLBanks' private-label RMBS, manufactured housing loan ABS and home equity loan ABS covered by the monoline bond insurance that the FHLBanks are relying on at September 30, 2011 for modeling the cash flows, as presented in Table 36.

Table 36 - Monoline Bond Insurance Coverage and Related Unrealized Losses of Certain MBS

(dollars in millions)

	As of September 30, 2011													
	Assure		anty Mu rp.	ınicipal		MBIA Insura	nce Co	p.(1)	Total					
Year of Securitization		Insurance Coverage		Gross Unrealized Losses		Insurance Coverage		Gross Unrealized Losses		rance erage	Gross Unrealized Losses			
Private-label RMBS(2)														
Alt-A loans														
2007	\$	5	\$	_	\$	_	\$	_	\$	5	\$	_		
Subprime loans														
2004 and prior		1		_		_		_		1		_		
Total private-label RMBS		6		_		_		_		6				
Manufactured housing loans ABS(2)														
Subprime loans														
2004 and prior		159		(9)		_		_		159		(9)		
Total manufactured housing loans ABS		159		(9)		_		_		159		(9)		
Home equity loan ABS(2)														
Alt-A loans														
2006		16		(5)		_		_		16		(5)		
2004 and prior		_		_		13		(3)		13		(3)		
Total Alt-A loans		16		(5)		13		(3)		29		(8)		
Subprime loans														
2004 and prior		83		(7)		50		(7)		133		(14)		
Total home equity loan ABS		99		(12)		63		(10)		162		(22)		
Total	\$	264	\$	(21)	\$	63	\$	(10)	\$	327	\$	(31)		

Mortgage Loans Held for Portfolio. All 12 FHLBanks have established or participated in Acquired Member Asset programs such as the Mortgage Partnership Finance (MPF) Program and Mortgage Purchase Program (MPP) as services to their members. The mortgage loans purchased or funded under these programs may carry more credit risk than advances, even though the respective member or housing associate provides credit enhancement and continues to bear a portion of the credit risk.

Management at each FHLBank believes that it has adequate policies and procedures in place to manage credit risk on mortgage loans appropriately. All of the FHLBanks participating in MPF Program or MPP have established loan loss allowances under each program or have determined that no loan loss allowances are necessary. (See Note 9-Allowance for Credit Losses to the accompanying combined financial statements for information on credit risk associated with mortgage loans, including information on mortgage loans credit quality indicators, allowance for credit losses, and delinquency statistics by Acquired Member Asset program and type of loan. See Risk Management-Credit Risk-Mortgage Loans Held for Portfolio of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010 for information on loss allocation structures for MPF and MPP Loans.)

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

Primary mortgage insurance is issued by qualified companies for conventional mortgage loans with LTVs greater than 80% and covers all types of losses except those generally classified as special hazard losses. When supplemental mortgage insurance is used as a form of credit enhancement in conjunction with an Acquired Member Asset program, Finance Agency regulations require the FHLBanks' members that sell loans to the FHLBanks to maintain supplemental mortgage insurance with an insurer rated no lower than the second-highest rating category by any nationally recognized statistical rating organization, unless this requirement is waived by the Finance Agency.

As of October 31, 2011, all of the FHLBanks' mortgage insurance providers have had their external ratings for claims-paying ability or insurer financial strength downgraded below AA- by all relevant nationally recognized statistical rating organizations. Due to the rating agency actions, certain MPF FHLBanks increased their estimated allowance for credit losses on mortgage loans and discontinued paying the associated performance credit enhancement fees as the relevant participating financial institutions have elected not to assume the credit enhancement obligations as their own. Certain MPF FHLBanks discontinued obtaining coverage on new loans from mortgage insurers that have a nationally recognized statistical rating organization rating below BBB and exceed those FHLBanks' internal exposure limits.

The FHLBank of Seattle canceled its supplemental mortgage insurance policies and was exploring options to credit enhance its conventional MPP Loans to achieve the minimum level of portfolio credit protection specified by the Finance Agency. The other MPP FHLBanks discontinued obtaining supplemental mortgage insurance on new loans from the mortgage insurance providers downgraded below AA- as part of the approved new business activity plan and continue to use the downgraded insurance providers for existing loans in compliance with the temporary waiver issued by the Finance Agency (discussed in detail in *Risk Management-Credit Risk-Mortgage Loans Held for Portfolio* section of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010). The Finance Agency approved notices of new business activity plans for certain MPP FHLBanks that use an enhanced Lender Risk Account, which is funded by an FHLBank upfront as a portion of the purchase proceeds, for additional credit enhancement for new MPP business, consistent with Finance Agency regulations. At this time, the MPP FHLBanks expect each of the supplemental mortgage insurance providers to fulfill their obligations provided in the mortgage insurance contracts.

For a conventional loan, primary mortgage insurance, if applicable, covers losses or exposure down to a certain

<sup>(1)</sup> MBIA Insurance Corp.'s burn-out period ends on December 31, 2011. (See <u>Note 6-Other-Than-Temporary Impairment Analysis</u> to the accompanying combined financial statements.)

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

level of coverage based upon the original LTV, term and characteristics of the loan. An FHLBank is exposed to credit risk if a primary mortgage insurance provider fails to fulfill its claims payment obligations to that FHLBank. Each FHLBank has policies to limit its credit exposure to each mortgage insurance company based on certain criteria, including, but not limited to, the mortgage insurance company's nationally recognized statistical rating organization's ratings, or limiting its credit exposure to a certain percentage of the mortgage insurance company's regulatory capital. The FHLBanks receive primary mortgage insurance coverage information only at acquisition of mortgage loans and generally do not receive notification of any subsequent changes in primary mortgage insurance coverage, and therefore they can only estimate the amount of primary mortgage insurance in force at any time subsequent to acquisition. Historically, FHLBanks have depended on the primary mortgage insurance policies for loss coverage. Tables 37 and 38 present the FHLBanks' primary mortgage insurance coverage for seriously delinquent loans (conventional loans 90 days or more delinquent or in the process of foreclosure) by MPF Program and MPP.

Table 37 - Seriously Delinquent Conventional MPF Loans with Primary Mortgage Insurance (dollars in millions)

		Septembe	er 30, 2011		
Insurance Provider	Credit Rating(1) by Moody's/S&P	Principal nce(2)	Maximum Coverage Outstanding(3)		
Mortgage Guaranty Insurance Co.	Ba3/B+	\$ 49	\$	14	
Genworth Mortgage Insurance	Ba1/BB-	32		9	
United Guaranty Residential Insurance	Baa1/BBB	28		8	
Republic Mortgage Insurance	B1/CC	26		8	
PMI Mortgage Insurance Co.(4)	Caa3/R	23		7	
Radian Guaranty, Inc.	Ba3/B+	18		5	
Other		21		6	
Total		\$ 197	\$	57	

Table 38 - Seriously Delinquent Conventional MPP Loans with Primary Mortgage Insurance (dollars in millions)

		September 30, 2011			
Insurance Provider	Credit Rating(1) by Moody's/S&P	Unpaid Principal Balance(2)		Maximum Coverage Outstanding(3)	
Mortgage Guaranty Insurance Co.	Ba3/B+	\$	12	\$	3
Republic Mortgage Insurance	B1/CC		8		2
Radian Guaranty, Inc.	Ba3/B+		8		2
Genworth Mortgage Insurance	Ba1/BB-		7		1
United Guaranty Residential Insurance	Baa1/BBB		6		2
PMI Mortgage Insurance Co.(4)	Caa3/R		4		1
Other			1		_
Total		\$	46	\$	11

<sup>(1)</sup> Represents the credit rating as of October 31, 2011.

If a primary mortgage insurance provider is downgraded, an MPF FHLBank can request the servicer to obtain replacement primary mortgage insurance coverage with a different provider. However, it is possible that replacement coverage may be unavailable or result in additional cost to the MPF FHLBank. Primary mortgage insurance for MPF Loans must be issued by an mortgage insurance company on the approved mortgage insurance

<sup>(2)</sup> Represents the unpaid principal balance of conventional loans 90 days or more delinquent or in the process of foreclosure. Assumes primary mortgage insurance in effect at time of origination. Insurance coverage may be discontinued once a certain LTV ratio is met.

<sup>(3)</sup> Represents the estimated contractual limit for reimbursement of principal losses (i.e., risk in force) assuming the primary mortgage insurance at origination is still in effect. The amount of expected claims under these insurance contracts is substantially less than the contractual limit for reimbursement.

<sup>(4)</sup> On October 20, 2011, the Arizona Department of Insurance took possession and control of PMI Mortgage Insurance Co. and beginning October 24, 2011, PMI Mortgage Insurance Co. has been directed to only pay out 50% of the claim amounts with the remaining claim amounts being deferred until the company is liquidated.

company list whenever primary mortgage insurance coverage is required. In order for a mortgage insurance company to remain on the current approved mortgage insurance company list, the mortgage insurance company must be acceptable for use in the nationally recognized statistical rating organization modeling software used to calculate the required amount of credit enhancement. In addition, many MPF FHLBanks perform a quarterly analysis evaluating the financial condition and concentration risk regarding the primary mortgage insurance providers, which may include review of rating levels, ratings watch and outlook, and profitability.

As of September 30, 2011, the MPP FHLBanks had analyzed their potential loss exposure to all of the mortgage insurance companies and did not expect material incremental losses. This expectation is based on the credit enhancement features of MPP Loans, their underwriting characteristics, the seasoning and the performance of these loans to date. The MPP FHLBanks monitor the financial condition of each of these mortgage insurance companies.

Geographic Concentrations. Tables 39 and 40 provide the percentage of unpaid principal balance of conventional mortgage loans held for portfolio outstanding at September 30, 2011 and December 31, 2010 for the five largest state concentrations as of September 30, 2011. These tables show the state concentration on an aggregated basis for all 12 FHLBanks that purchased or funded loans under the MPF Program and MPP. As a result, these tables do not necessarily reflect the actual state concentration with respect to each individual FHLBank.

Table 39 - State Concentration of MPF Program

	September 30, 2011	December 31, 2010
California	9.4%	9.2%
Wisconsin	7.4%	7.6%
Illinois	5.9%	6.1%
lowa	5.9%	4.5%
Pennsylvania	5.4%	5.0%
All other	66.0%	67.6%
Total	100.0%	100.0%

**Table 40 - State Concentration of MPP** 

	September 30, 2011	December 31, 2010
Ohio	26.8%	21.2%
Indiana	11.9%	9.8%
Michigan	9.4%	8.4%
California	7.2%	10.2%
Kentucky	5.3%	4.0%
All other	39.4%	46.4%
Total	100.0%	100.0%

Derivatives and Counterparty Ratings. In addition to market risk, each FHLBank is subject to credit risk because of the potential non-performance by counterparties to interest-rate exchange agreements. The amount of counterparty credit risk on derivatives depends on the extent to which netting procedures, collateral requirements and other credit enhancements are used and are effective in mitigating the risk. Each FHLBank manages counterparty credit risk through credit analysis, collateral management and other credit enhancements. The FHLBanks are also required to follow the requirements set forth by applicable regulation. The FHLBanks require collateral on interest-rate exchange agreements. The amount of net unsecured credit exposure that is permissible with respect to each counterparty depends on the credit rating of that counterparty. A counterparty must deliver collateral to an FHLBank if the total market value of the FHLBank's exposure to that counterparty rises above a specific trigger point. As a result of these risk mitigation initiatives, the management of each FHLBank does not anticipate any credit losses on its interest-rate exchange agreements with counterparties as of September 30, 2011. For additional discussion regarding derivatives and counterparty ratings, please refer to each individual FHLBank's 2011 Third Quarter SEC Form 10-Q.

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 a counterparty's pledged collateral to an FHLBank exceeds the FHLBank's net position.

Table 41 - Derivative Counterparty Credit Exposure at September 30, 2011

(dollars in millions)

Credit Rating(1)		Notional Amount	Credit Exposure Net of Cash Collateral	Other Collateral Held	Net Exposure After Collateral
Triple-A	\$	36	\$ 1	\$ —	\$ 1
Double-A		260,818	330	222	108
Single-A		460,816	277	172	105
Triple-B		9,814	_	_	_
Unrated(2)		117	_	_	_
	_	731,601	608	394	214
Member institutions(3)		2,727	37	26	11
Total derivatives	\$	734,328	\$ 645	\$ 420	\$ 225

<sup>(1)</sup> This chart does not reflect any changes in rating, outlook or watch status occurring after September 30, 2011. The ratings were obtained from S&P, Moody's and/or Fitch.

Excluding fully collateralized interest-rate exchange agreements in which the FHLBanks are intermediaries for members, 98.6% of the notional amount of the FHLBanks' outstanding interest-rate exchange agreements at September 30, 2011 were with counterparties rated single-A or higher.

## **Critical Accounting Estimates**

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

In the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010, certain accounting estimates and assumptions were identified as critical because they are generally considered by each FHLBank's management to be the most critical to an understanding of its financial statements and the financial data it provides to the Office of Finance for preparing the combined financial report. These estimates and assumptions include those used in conjunction with: (1) OTTI determinations; (2) fair value estimates; (3) derivative hedging relationships; (4) amortization of premium and accretion of discount on investment securities and purchased mortgage loans; and (5) calculation of allowances for credit losses on advances and mortgage loans.

For a detailed discussion of Critical Accounting Estimates, see *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations-Critical Accounting Estimates* in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010. Other than the OTTI methodology for investment securities discussed below, there have been no significant changes in the critical accounting estimates disclosed in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010.

<sup>(2)</sup> Represents one broker-dealer used 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 subject to thorough credit review procedures in accordance with an FHLBank's risk management policy. There was no exposure at September 30, 2011 related to this unrated counterparty.

<sup>(3)</sup> Member institutions include mortgage delivery commitments and derivatives with members where an FHLBank is acting as an intermediary. Collateral held with respect to derivatives with member institutions where an FHLBank is acting as an intermediary represents the amount of eligible collateral physically held by or on behalf of the FHLBank or collateral assigned to the FHLBank, as evidenced by a written security agreement, and held by the member institution for the benefit of that FHLBank.

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**

<u>Uniform OTTI Framework.</u> The 12 FHLBanks have developed a uniform framework for completing their OTTI analyses in compliance with FASB guidance on the recognition and presentation of OTTI in the financial statements. (See <u>Note 6-Other-Than-Temporary Impairment Analysis</u> to the accompanying combined financial statements for additional discussion regarding the recognition and presentation of OTTI.)

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

At September 30, 2011, nine FHLBanks owned certain private-label MBS where the underlying loan-level collateral data was not available. For private-label MBS that could not be modeled under the FHLBanks' common framework, alternative procedures were determined and approved by the OTTI Governance Committee. These alternative procedures established a formal process by which the FHLBanks could provide input on and approve key OTTI assumptions. Each affected FHLBank considered the approved alternative procedures to assess these securities for OTTI. These securities, which are backed by residential, home equity, manufactured housing, and commercial real estate loans and/or home equity lines of credit represented approximately 3% of the FHLBanks' total unpaid principal balance of private-label MBS at September 30, 2011.

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

Table 42 presents the significant inputs used to assess private-label MBS under the FHLBanks' common framework for OTTI as well as related current credit enhancements as of September 30, 2011. Credit enhancement is defined as the percentage of subordinated tranches, excess spread and over-collateralization, if any, in a security structure that will generally absorb losses before each FHLBank will experience a loss on the security. The calculated averages represent the dollar-weighted averages of all the private-label MBS 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 individual securities, which may not necessarily be the same as the classification at the time of origination.

Table 42 - Significant Inputs for Private-label MBS

(dollars in millions)

Significant Inputs for All Private-label RMBS

	Unpaid	Prepaym	ent Rates	Defaul	t Rates	Loss	Severities	Current Credit Enhanceme	
Year of Securitization	Principal Balance	Weighted- Average %	Range %	Weighted- Average %	Range %	Weighted- Average %	Range %	Weighted- Average %	Range %
Prime									
2008	\$ 797	8.5	5.3 - 10.6	43.5	19.3 - 59.9	47.8	44.2 - 56.4	24.5	13.2 - 43.9
2007	1,449	8.7	6.0 - 23.0	25.9	0.7 - 58.9	41.9	19.9 - 52.1	5.5	1.4 - 21.1
2006	2,505	8.6	5.5 - 21.3	21.2	2.0 - 51.7	47.9	29.2 - 73.7	5.6	0.0 - 20.2
2005	2,873	9.6	4.7 - 38.2	14.8	0.0 - 39.8	37.4	0.0 - 55.8	7.5	0.0 - 28.9
2004 and prior	6,518	15.2	0.5 - 42.0	8.4	0.0 - 47.5	30.2	0.0 - 110.0 <sup>(a)</sup>	8.7	2.3 - 99.2
Total prime	14,142	11.8	0.5 - 42.0	15.7	0.0 - 59.9	37.0	0.0 - 110.0 <sup>(a)</sup>	8.5	0.0 - 99.2
Alt-A									
2008	373	4.5	4.9 - 8.6	36.5	43.0 - 59.4	30.6	43.1 - 48.3	34.5	23.9 - 38.1
2007	7,135	5.1	1.1 - 9.1	66.3	31.6 - 92.1	51.4	33.9 - 64.5	22.2	0.0 - 50.4
2006	5,662	5.3	1.7 - 13.0	62.0	2.0 - 91.0	51.7	17.7 - 68.4	16.4	0.0 - 60.7
2005	7,159	7.1	2.0 - 14.0	41.1	12.0 - 80.6	47.0	24.6 - 62.8	15.9	0.0 - 83.9
2004 and prior	3,245	10.0	2.0 - 16.8	16.0	0.0 - 65.3	33.6	0.0 - 87.3	14.8	3.4 - 86.8
Total Alt-A	23,574	6.4	1.1 - 16.8	50.2	0.0 - 92.1	47.4	0.0 - 87.3	18.1	0.0 - 86.8
Subprime									
2007	10	6.0	6.0	76.5	76.5	71.0	71.0	40.7	40.7
2006	994	5.5	4.0 - 8.6	77.4	25.9 - 88.3	71.6	26.3 - 80.3	25.5	(21.2) - 106.9 <sup>(2</sup>
2005	77	5.0	2.7 - 6.6	78.1	63.8 - 90.7	67.7	62.4 - 72.4	48.0	14.7 - 83.0
2004 and prior	25	11.8	6.5 - 14.9	37.9	22.6 - 63.6	81.6	67.8 - 96.6	40.6	(7.6) - 100.0
Total subprime	1,106	5.6	2.7 - 14.9	76.6	22.6 - 90.7	71.6	26.3 - 96.6	27.5	(21.2) - 106.9 <sup>(2</sup>
Total all private-label RMBS	\$ 38,822	8.4	0.5 - 42.0	38.4	0.0 - 92.1	44.3	0.0 - 110.0 <sup>(a)</sup>	14.8	(21.2) - 106.9 <sup>(4</sup>

Significant Inputs for All Home Equity Loan ABS

	Unpaid -		Prepayment Rates		Default	Default Rates		Loss Severities		edit Enhancement
Year of Securitization	Prin	ncipal ance	Weighted- Average %	Range %	Weighted- Average %	Range %	Weighted- Average %	Range %	Weighted- Average %	Range %
Alt-A										
2006	\$	16	14.6	14.6	6.3	6.3	100.0	100.0	0.0	0.0
2005		3	10.6	10.6	0.4	0.4	100.0	100.0	49.0	49.0
2004 and prior		25	10.5	8.8 - 13.6	4.0	0.9 - 8.2	100.0	100.0	2.7	0.0 - 6.1
Total Alt-A		44	12.0	8.8 - 14.6	4.6	0.4 - 8.2	100.0	100.0	4.4	0.0 - 49.0
Subprime										
2004 and prior		467	4.1	0.0 - 17.6	5.9	1.0 - 48.3	73.9	30.0 - 126.8 <sup>(a)</sup>	32.8	0.0 - 100.0
Total subprime		467	4.1	0.0 - 17.6	5.9	1.0 - 48.3	73.9	30.0 - 126.8 <sup>(a)</sup>	32.8	0.0 - 100.0
Total all home equity loan ABS	\$	511	4.8	0.0 - 17.6	5.8	0.4 - 48.3	76.2	30.0 - 126.8 <sup>(a)</sup>	32.8	0.0 - 100.0

<sup>(</sup>a) Although investment losses cannot exceed 100%, the loss severity of the underlying collateral can exceed 100% as a result of extended periods in foreclosure which result in an accumulation of taxes, insurance, maintenance and other fees.

Adverse Case Scenario. In addition to evaluating its private-label MBS under a base case (or best estimate) scenario as discussed in *Note 6-Other-Than-Temporary Impairment Analysis* to the accompanying combined financial statements, each FHLBank performed a cash flow analysis for each of these securities under a more stressful housing price scenario. This more stressful scenario was based on a housing price forecast that was 5 percentage points lower at the trough than the base case scenario, followed by a flatter recovery path. Under this scenario, current-to-trough home price declines were projected to range from 5.0% to 13.0% over the 3- to 9-month period beginning July 1, 2011. From the trough, home prices were projected to recover using one of five different recovery paths that vary by housing market. Table 43 presents projected home price recovery ranges by year under the adverse case scenario.

<sup>(</sup>b) A negative current credit enhancement exists when the remaining principal balance on the supporting collateral is less than the remaining principal balance of the security.

Table 43 - Adverse Case Scenario Recovery Ranges of Housing Price Change

	Recovery Range %
Year 1	0.0 - 1.9
Year 2	0.0 - 2.0
Year 3	1.0 - 2.7
Year 4	1.3 - 3.4
Years 5 and 6	1.3 - 4.0
Thereafter	1.5 - 3.8

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

Table 44 presents the combined credit losses under the base case and adverse case scenario for other-thantemporarily impaired private-label MBS for the three months ended September 30, 2011. The base case scenario represents actual OTTI-related credit losses recognized in earnings for the three months ended September 30, 2011. The adverse case scenario's estimated cash flows were generated to show what the OTTI charges could have been under the more stressful housing price scenario at September 30, 2011.

Table 44 - Base Case and Adverse Case Scenarios

(dollars in millions)

	September 30, 2011								
		Base Case(1)			Adverse Case				
	Unpaid Number of Principal O Securities Balance		OTTI Related to Credit Loss Number of Securities		Unpaid Principal Balance	OTTI Related to Credit Loss			
Private-label RMBS									
Prime(2)	62	\$ 3,524	\$ (40)	143	\$ 7,406	\$ (240)			
Alt-A(2)	126	6,282	(115)	278	12,697	(423)			
Subprime(2)	11	198	(2)	21	296	(11)			
Total private-label RMBS	199	10,004	(157)	442	20,399	(674)			
Home equity loan ABS									
Alt-A(2)	4	20	(2)	5	25	(3)			
Subprime(2)	4	39		5	40	(2)			
Total home equity loan ABS	8	59	(2)	10	65	(5)			
Total	207	\$ 10,063	\$ (159)	452	\$ 20,464	\$ (679)			

<sup>(1)</sup> Represents securities and related OTTI credit losses for the three months ended September 30, 2011.

#### **Legislative and Regulatory Developments**

The legislative and regulatory environment for the FHLBanks continues to change as financial regulators issue proposed and/or final rules to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and Congress continues to debate proposals for housing finance and GSE reform.

See Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations-Legislative and Regulatory Developments in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010 for a description of certain legislative and regulatory developments that occurred prior to the publication of that report.

<sup>(2)</sup> Based on the originator's classification at the time of origination or based on classification by a nationally recognized statistical rating organization upon issuance of the MBS.

#### **Dodd-Frank Act**

As discussed under *Legislative and Regulatory Developments* in the Federal Home Loan Banks Combined Financial Reports for the quarterly period ended June 30, 2011 and for the year ended December 31, 2010, the Dodd-Frank Act will likely affect the FHLBanks' business operations, funding costs, rights, obligations, and/or the environment in which the FHLBanks carry out their mission. Certain regulatory actions resulting from the Dodd-Frank Act that may have an important effect on the FHLBanks are summarized below, although the full effect of the Dodd-Frank Act will become known only after the required regulations, studies, and reports are issued and finalized.

#### New Requirements for the FHLBanks' Derivative Transactions.

The Dodd-Frank Act provides for new statutory and regulatory requirements for derivative transactions, including those used by each FHLBank to hedge its interest-rate risk and other risks. As a result of these requirements, certain derivative transactions will be required to be cleared through a third-party central clearinghouse, via clearing members who are permitted to process, clear and settle swap trades through that clearinghouse, and traded on regulated exchanges or new swap execution facilities.

Mandatory Clearing of Derivative Transactions. The Commodity Futures Trading Commission (CFTC) has issued a final rule regarding the process to determine which swaps will require mandatory clearing, but these determinations have not been made yet. The CFTC has also proposed a rule setting forth an implementation schedule for effectiveness of its mandatory clearing determinations. Pursuant to this proposed rule, the mandatory clearing would not take effect until certain rules being promulgated by the CFTC and the SEC under the Dodd-Frank Act have been finalized, regardless of when the CFTC determines that a type of swap is required to be cleared. In addition, the proposed rule provides that each time the CFTC determines that a certain swap requires mandatory clearing, the CFTC would have the option to implement that requirement in three phases. Under the proposed rule, each FHLBank would be a "category 2 entity" and would have to comply with mandatory clearing requirements for a particular swap during phase 2 (within 180 days of the CFTC's issuance of the requirements). Based on the CFTC's proposed implementation schedule and the time periods set forth in the rule for CFTC determinations regarding mandatory clearing, the FHLBanks may be required to begin mandatory clearing as early as the third quarter of 2012.

Collateral Requirements for Cleared Swaps. Cleared swaps will be subject to initial and variation margin requirements established by the clearinghouse and its clearing members. While clearing swaps may reduce counterparty credit risk, the margin requirements for cleared swaps have the potential of making derivative transactions more costly. In addition, mandatory swap clearing will require each FHLBank to enter into new relationships and accompanying documentation with its clearing members and additional documentation with its swap counterparties.

The CFTC has issued a proposed rule requiring that collateral posted by swap customers to a clearinghouse in connection with cleared swaps be legally segregated on a customer-by-customer basis. However, in connection with this proposed rule, the CFTC has left open the possibility that customer collateral would not have to be legally segregated, but could instead be commingled with all collateral posted by other customers of an FHLBank's clearing member. Commingling would put that FHLBank's collateral at risk in the event of a default by another customer of its clearing member. To the extent the CFTC's final rule places an FHLBank's posted collateral at greater risk of loss in the clearing structure than under the current over-the-counter market structure, that FHLBank may be adversely affected.

Definition of Certain Terms under New Derivatives Requirements. The Dodd-Frank Act will require swap dealers and certain other large users of derivatives to register as "swap dealers" or "major swap participants" with the CFTC and/or the SEC. Based on the definitions in the proposed rules jointly issued by the CFTC and SEC, it does not appear likely that any FHLBank will be required to register as a "major swap participant," although this remains a possibility. Also, based on the definitions in the proposed rules, it does not appear likely that any FHLBank will be required to register as a "swap dealer" for the derivative transactions that an FHLBank enters into with dealer counterparties for the purpose of hedging and managing its interest-rate risk.

It is also unclear how the final rule will treat the embedded call and put options in certain advances to an FHLBank's members. The CFTC and SEC have issued joint proposed rules further defining the term "swap" under

the Dodd-Frank Act. These proposed rules and accompanying interpretive guidance attempt to clarify what products will and will not be regulated as "swaps." While it is unlikely that advance transactions between an FHLBank and its member customers will be treated as "swaps," the proposed rules and accompanying interpretive guidance are not entirely clear on this issue.

Depending on how the terms "swap" and "swap dealer" are defined in the final regulations, each FHLBank may be faced with the business decision of whether to continue to offer certain types of advance products to its member customers if those transactions would require that FHLBank to register as a swap dealer. Designation as a swap dealer would subject an FHLBank to significant additional regulation and cost including, without limitation, registration with the CFTC, new internal and external business conduct standards, additional reporting requirements, and additional swap-based capital and margin requirements. Even if an FHLBank is designated as a swap dealer as a result of its advance activities, the proposed regulations would permit that FHLBank to apply to the CFTC to limit that designation to those specified activities for which it is acting as a swap dealer. Upon that designation, that FHLBank's hedging activities would not be subject to the full requirements generally imposed on traditional swap dealers.

Uncleared Derivative Transactions. The Dodd-Frank Act will also change the regulatory landscape for derivative transactions that are not subject to mandatory clearing requirements (uncleared trades). While each FHLBank expects to continue to enter into uncleared trades on a bilateral basis, those trades will be subject to new regulatory requirements, including mandatory reporting, documentation, and minimum margin and capital requirements. Under the proposed margin rules, each FHLBank will have to post both initial margin and variation margin to its swap dealer counterparties, but may be eligible in both instances for modest unsecured thresholds as "low-risk financial end users." Pursuant to additional Finance Agency provisions, each FHLBank will be required to collect both initial margin and variation margin from its swap dealer counterparties, without any unsecured thresholds. These margin requirements and any related capital requirements could adversely affect the liquidity and pricing of certain uncleared derivative transactions entered into by an FHLBank, making those trades more costly.

The CFTC has proposed a rule setting forth an implementation schedule for the effectiveness of the new margin and documentation requirements for uncleared swaps. Pursuant to the proposed rule, regardless of when the final rules regarding these requirements are issued, those rules would not take effect until (1) certain other rules being promulgated under the Dodd-Frank Act take effect and (2) a certain additional time period has elapsed. The length of this additional time period depends on the type of entity entering into the uncleared swaps. Each FHLBank would be a "category 2 entity" and would therefore have to comply with the new requirements during phase 2 (within 180 days of the effectiveness of the final applicable rulemaking). Accordingly, the FHLBanks may be required to comply with the new margin and documentation requirements as early as the third quarter of 2012.

Temporary Exemption from Certain Provisions. While certain provisions of the Dodd-Frank Act took effect on July 16, 2011, the CFTC has issued an order temporarily exempting persons or entities with respect to provisions of Title VII of the Dodd-Frank Act that reference "swap dealer," "major swap participant," "eligible contract participant," and "swap." These exemptions will expire upon the earlier of: (1) the effective date of the applicable final rule further defining the relevant terms or (2) December 31, 2011. The CFTC has recently proposed an amendment to this order that would extend the exemptions contain in the existing order until the earlier or (1) the effective date of the applicable final rules further defining the relevant terms or (2) July 16, 2012. In addition, the provisions of the Dodd-Frank Act that will have the most effect on each FHLBank did not take effect on July 16, 2011, but will take effect no less than 60 days after the CFTC publishes final regulations implementing these provisions. The CFTC expects to publish these final regulations during the fourth quarter of 2011 or the first quarter of 2012, resulting in final regulations that may not be effective until the first or second quarter of 2012, and delays beyond that time are possible. In addition, as discussed above, mandatory clearing requirements and new margin and documentation requirements for uncleared swaps may be subject to additional implementation schedules, further delaying the effective dates of these requirements.

The FHLBanks are actively participating in the regulatory process regarding the Dodd-Frank Act by formally commenting to the regulators regarding a variety of rulemakings that could affect the FHLBanks. The FHLBanks are also working with the other FHLBanks to implement the processes and documentation necessary to comply with the Dodd-Frank Act's new requirements for derivatives.

## Other Banking Regulatory Action.

Payment of Interest on Demand Deposit Accounts. The Dodd-Frank Act repealed the statutory prohibition against the payment of interest on demand deposits, effective July 21, 2011. To conform their regulations to this provision, the FDIC and the Federal Reserve Board issued separate final rules in July 2011 to rescind their regulations that prohibit paying interest on demand deposits. FHLBank members' ability to pay interest on their customers' demand deposit accounts may increase their ability to attract or retain customer deposits, which could reduce their funding needs from the FHLBanks. Each of these final rules became effective on July 21, 2011.

#### Joint Regulatory Action.

Authority to Require Supervision and Regulation of Certain Nonbank Financial Companies. On October 18, 2011, the Financial Stability Oversight Council (Oversight Council) issued a second notice of proposed rulemaking to provide guidance regarding the standards and procedures that it will consider in designating nonbank financial companies for heightened prudential supervision and oversight by the Federal Reserve Board. This notice rescinds the prior proposal on these designations and proposes a three-stage process that includes a six-category framework for evaluating a nonbank financial company. Under the proposed designation process, the Oversight Council will first identify those U.S. nonbank financial companies that have \$50 billion or more of total consolidated assets and exceed any one of five threshold indicators of interconnectedness or susceptibility to material financial distress. One threshold indicator of significance to FHLBanks is whether a company has \$20 billion or more of borrowing outstanding, including bonds issued, or in this case, an FHLBank's consolidated obligations. If an FHLBank is designated by the Oversight Council for supervision and oversight by the Federal Reserve Board, then that FHLBank's operations and business may be adversely affected by additional costs and restrictions to certain business activities resulting from that oversight. Comments on this proposed rule are due by December 19, 2011.

## **Housing Finance and GSE Reform**

On February 11, 2011, the U.S. Treasury and HUD issued a report to Congress entitled *Reforming America's Housing Finance Market: A Report to Congress*. The report's primary focus is to provide options for Congressional consideration regarding the long-term structure of housing finance, including reforms specific to Fannie Mae and Freddie Mac. In addition, the Administration of the U.S. President Obama noted it would work, in consultation with the Finance Agency and Congress, to restrict the areas of mortgage finance in which Fannie Mae, Freddie Mac and the FHLBanks operate so that overall government support of the mortgage market will be substantially reduced over time.

Although the FHLBanks are not the primary focus of this report, they are recognized as playing a vital role in helping smaller financial institutions access liquidity and capital to compete in an increasingly competitive marketplace. The report also supports exploring additional means to provide funding to housing lenders, including potentially the development of a covered bond market.

Congress continues to consider various proposals to reform the U.S. housing finance system, including specific reforms relating to Fannie Mae and Freddie Mac. GSE reform has not progressed significantly to date, but it is expected that GSE legislative activity will continue. While none of the legislation introduced so far proposes specific changes to the FHLBanks, the FHLBanks could nonetheless be affected in numerous ways by changes to the U.S. housing finance structure and to Fannie Mae and Freddie Mac. The ultimate effects of housing finance and GSE reform or any other legislation, including legislation to address the debt limit or federal deficit, on the FHLBanks is unknown at this time and will depend on the legislation or regulations, if any, that are finally enacted.

## **Finance Agency Actions**

Home Affordable Refinance Program Changes. The Finance Agency, along with Fannie Mae and Freddie Mac, have announced a series of changes to the Home Affordable Refinance Program that are intended to help more eligible borrowers benefit from refinancing their home mortgages. The changes include lowering or eliminating certain risk-based fees, removing the current 125% loan-to-value ceiling on fixed-rate mortgages backed by Fannie Mae and Freddie Mac, waiving certain representations and warranties typically made by lenders who make loans owned or guaranteed by Fannie Mae and Freddie Mac, eliminating the need for a new property appraisal where there is a reliable automated valuation model estimate provided by Fannie Mae or Freddie Mac, and extending the

end date for the program until December 31, 2013 for loans originally sold to Fannie Mae or Freddie Mac on or before May 31, 2009. If the program results in prepayments on mortgage loans underlying FHLBank investments in agency MBS, these investments may be paid off in advance of the expectations of the FHLBank holding the affected investments, subjecting that FHLBank to associated reinvestment risk.

<u>Final Rule on Conservatorship and Receivership.</u> On June 20, 2011, the Finance Agency issued a final conservatorship and receivership rule for the FHLBanks. The final rule addresses the nature of a conservatorship or receivership and provides greater specificity on their operations, in line with procedures set forth in similar regulatory frameworks (for example, the FDIC's receivership authorities). The rule clarifies the relationship among various classes of creditors and equity holders under a conservatorship or receivership and the priorities for contract parties and other claimants in receivership. The Finance Agency explained its general approach in adopting the final regulation was to set out the basic general framework for conservatorships and receiverships. This rule became effective on July 20, 2011. (See *Legislative and Regulatory Developments* in the Federal Home Loan Banks Combined Financial Report for the six months ended June 30, 2011 for additional information regarding this final rule.)

## **Recent Rating Agency Actions**

Table 45 - FHLBanks' Long-Term and Short-Term Credit Ratings at October 31, 2011

	S8	S&P		dy's
	Long-Term/ Short-Term Rating	Outlook	Long-Term/ Short-Term Rating	Outlook
Atlanta	AA+/A-1+	Negative	Aaa/P-1	Negative
Boston	AA+/A-1+	Negative	Aaa/P-1	Negative
Chicago	AA+/A-1+	Negative	Aaa/P-1	Negative
Cincinnati	AA+/A-1+	Negative	Aaa/P-1	Negative
Dallas	AA+/A-1+	Negative	Aaa/P-1	Negative
Des Moines	AA+/A-1+	Negative	Aaa/P-1	Negative
ndianapolis	AA+/A-1+	Negative	Aaa/P-1	Negative
New York	AA+/A-1+	Negative	Aaa/P-1	Negative
Pittsburgh	AA+/A-1+	Negative	Aaa/P-1	Negative
San Francisco	AA+/A-1+	Negative	Aaa/P-1	Negative
Seattle	AA+/A-1+	Negative	Aaa/P-1	Negative
Topeka	AA+/A-1+	Negative	Aaa/P-1	Negative

#### **S&P Recent Rating Actions**

On August 5, 2011, S&P lowered its long-term credit rating on the United States from AAA to AA+ with a negative outlook. S&P has indicated that its ratings of the FHLBanks and the FHLBank System are constrained by the long-term credit rating of the United States. On August 8, 2011, S&P downgraded the long-term credit ratings on the senior unsecured debt issues of the FHLBank System and 10 of the 12 FHLBanks from AAA to AA+. The FHLBanks of Chicago and Seattle were already rated AA+ prior to the United States downgrade. S&P's outlook for the FHLBank System's senior unsecured debt and all 12 FHLBanks is negative. However, S&P's actions did not affect the short-term A-1+ ratings of the FHLBanks and the FHLBank System's short-term debt issues.

#### Moody's Recent Rating Actions

On August 2, 2011, Moody's confirmed the Aaa bond rating of the U.S. government following the raising of the U.S. statutory debt limit on August 2, 2011 and changed the rating outlook of the U.S. government to negative. Moody's also confirmed the long-term Aaa rating on the senior unsecured debt issues of the FHLBank System, the 12 FHLBanks, and other ratings Moody's considers directly linked to the U.S. government. Additionally, in conjunction with the revision of the U.S. government outlook to negative, the rating outlook for the FHLBank System and the 12 FHLBanks was also revised to negative.

#### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Each FHLBank is responsible for establishing its own risk management philosophies, practices and policies. Each FHLBank describes its risk management policies for its business, including quantitative and qualitative disclosures about its market risk, in its periodic reports filed with the SEC. (See <u>Explanatory Statement about FHLBanks Combined Financial Report.</u>)

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

## **Interest-Rate Risk**

Interest-rate risk is the risk that relative and absolute changes in interest rates may adversely affect an institution's financial condition. The goal of an interest-rate risk management strategy is not necessarily to eliminate interest-rate risk, but to manage it by setting, and operating within, an appropriate framework and limits. The FHLBanks generally approach managing interest-rate risk by acquiring and maintaining a portfolio of assets and liabilities and entering into related interest-rate exchange agreements to limit the expected mismatches in duration. The FHLBanks manage interest-rate risk with commonly used methods of measuring and monitoring interest rate-risk, which include the calculation of market value of equity, duration of equity and duration gap. For a discussion of managing interest-rate risk exposure, see *Risk Management-Market Risk-Interest-Rate Risk* in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010.

## Market Value of Equity and Duration of Equity

Each FHLBank has an internal modeling system for measuring its duration of equity, and therefore individual FHLBank measurements may not be directly comparable. Each FHLBank reports the results of its duration of equity calculations to the Finance Agency each quarter. However, not all FHLBanks manage to the duration of equity risk measure. The capital adequacy rules of the Regulator require each FHLBank (except for the FHLBank of Chicago) to hold permanent capital in an amount sufficient to cover the sum of its credit, market and operational risk-based capital requirements, which are defined by applicable regulations. Each of these FHLBanks has developed a market risk model that calculates the market risk component of this requirement. (See FHLBank of Chicago's Fair Value Changes for its regulatory measurement of market changes.)

Table 46 presents each FHLBank that includes quantitative market value of equity and duration of equity information in its individual 2011 Third Quarter SEC Form 10-Q.

Table 46 - Individual FHLBank's Market Value of Equity and Duration of Equity Disclosure

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

Table 47 presents the duration of equity reported by each FHLBank to the Finance Agency in accordance with the Regulator's guidance, which prescribes that down and up rates equal 200 basis points. However, applicable regulation restricts the down rate from assuming a negative interest rate. Therefore, each FHLBank adjusts the down rate accordingly in periods of very low levels of interest rates. (See Table 46 for each FHLBank's market and interest-rate risk measurement disclosure in its individual 2011 Third Quarter SEC Form 10-Q.)

Table 47 - Duration of Equity

(in years)

	September 30, 2011			December 31, 2010			
FHLBank	Down	Base	Up	Down	Base	Up	
Boston	1.5	0.1	2.9	2.6	1.6	4.8	
New York	2.1	(1.2)	1.5	2.2	(1.1)	2.9	
Pittsburgh	1.1	2.1	3.7	1.8	3.0	4.5	
Atlanta	0.0	(0.2)	2.6	(1.0)	0.2	3.2	
Cincinnati	(0.9)	(3.9)	4.3	(1.2)	1.7	6.5	
Indianapolis	(9.5)	(0.9)	2.1	(1.0)	0.6	2.9	
Des Moines	(2.4)	(3.3)	8.5	(12.7)	0.0	2.9	
Dallas	4.0	0.0	3.4	3.6	3.6	5.8	
Topeka	1.5	(0.4)	(0.5)	(1.0)	(1.7)	1.4	
San Francisco	0.0	(0.2)	1.5	1.9	2.0	1.7	
Seattle	1.0	1.1	4.4	1.2	1.3	5.6	

## **Duration Gap**

A related measure of interest-rate risk is duration gap, which is the difference between the estimated durations (market value sensitivity) of assets and liabilities and reflects the extent to which estimated maturity and repricing cash flows for assets and liabilities are matched. Duration gap determines the sensitivity of assets and liabilities to interest rate changes, however, each FHLBank has an internal modeling system for measuring its duration gap and therefore, individual FHLBank measurements may not be directly comparable. Duration generally indicates the expected change in an instrument's market value resulting from an increase or a decrease in interest rates. Higher duration numbers, whether positive or negative, indicate greater volatility in the market value of equity in response to changing interest rates. Duration gap numbers in Table 48 include the effect of interest-rate exchange agreements.

<sup>(1)</sup> The FHLBank of Pittsburgh's market value of equity volatility metrics are monitored. The FHLBank of Pittsburgh measures market value of equity to par value of capital stock (MV/CS), as described in its 2011 Third Quarter SEC Form 10-Q. The FHLBank of Pittsburgh also monitors the earned dividend spread (EDS) volatility metric relative to a predetermined EDS floor, established and approved by its board of directors.

<sup>(2)</sup> 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 2011 Third Quarter SEC Form 10-Q, as presented in Table 49.

<sup>(3)</sup> Although the FHLBank of Des Moines measures and monitors market value of equity and duration of equity, those measures are not disclosed as key market risk measures. The FHLBank of Des Moines disclosed, in its 2011 Third 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.

<sup>(4)</sup> 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 2011 Third 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.

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

**Table 48 - Duration Gap** 

(in months)

FHLBank	September 30, 2011	December 31, 2010
Boston	0.1	1.1
New York	(1.1)	(0.9)
Pittsburgh	1.0	1.7
Atlanta	(0.5)	(0.2)
Cincinnati	(0.3)	0.1
Indianapolis	(1.7)	(0.6)
Chicago	1.3	0.0
Des Moines	(2.4)	(0.6)
Dallas	1.3	2.0
Topeka	(0.2)	(1.0)
San Francisco	(0.6)	1.4
Seattle	0.0	0.0

# FHLBank of Chicago's Fair Value Changes

The FHLBank of Chicago's Asset/Liability Management Committee provides oversight of its risk management practices and policies. This includes routine reporting to the FHLBank of Chicago's senior management and its board of directors, as well as maintaining the market risk policy, which defines its interest-rate risk limits. Table 49 presents the change in market risk limits under the market risk policy. Some scenarios will not be measured when swap rates are less than two percent.

Table 49 - FHLBank of Chicago's Changes in Market Value of Equity

(dollars in millions)

	Septembe	December 31, 2010				
Scenario	e in Market of Equity	Limit	Change in Market Value of Equity	Limit		
-200 bp	\$ 202.8	\$ (185.0)	\$ (a)	\$	(185.0)	
-100 bp	121.7	(77.5)	(a)		(77.5)	
-50 bp	72.5	(30.0)	(a)		(30.0)	
-25 bp	31.1	(15.0)	0.7		(15.0)	
+25 bp	(14.3)	(30.0)	2.0		(30.0)	
+50 bp	(21.3)	(60.0)	2.0		(60.0)	
+100 bp	(25.6)	(155.0)	(22.7)		(155.0)	
+200 bp	(30.6)	(370.0)	(173.2)		(370.0)	

<sup>(</sup>a) Due to the low interest-rate environment, these values were not calculated.

## Use of Derivatives to Manage Interest-Rate Risk

An FHLBank enters into derivatives to manage interest-rate risk, prepayment risk and exposure inherent in otherwise unhedged assets and funding positions. An FHLBank attempts to use derivatives to reduce interest-rate exposure in the most cost-efficient manner. Derivatives are used to adjust the effective maturity, repricing frequency, or option characteristics of financial instruments to achieve risk-management objectives. For a discussion of managing interest-rate risk exposure, see *Risk Management-Market Risk-Use of Derivatives to Manage Interest-Rate Risk* in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010 and see *Note 10-Derivatives and Hedging Activities* to the accompanying combined financial statements. Table 50 presents the net effect of derivatives and hedging activities on the Combined Statement of Income resulting from applying different hedging strategies.

Table 50 - Net Effect of Derivatives and Hedging Activities

(dollars in millions)

Net Effect of Derivatives and Hedging Advances   Investments   Mortgage   Loans   Deposits   CO   Bonds   CO   DNs   Balance   Advance   Positions   Advance   Positions   Advance   Positions   Advance   Positions   Advance   Positions   Advance   Positions   Positions   Advance   Positions   Advance   Positions   P	(120) (718) (838) 31 26
Amortization and accretion of hedging activities in net interest income(1) \$ (149) \$ 9 \$ (16) \$ - \$ 41 \$ (5) \$ - \$ - \$ - \$ \$  Net interest settlements included in net interest income(2) (1,573) (99) (2) 1 1,038 (83)  Total net interest income (1,722) (90) (18) 1 1,079 (88)  Net gains (losses) on derivatives and hedging activities  Gains (losses) on fair-value hedges 34 (6) 2 1  Gains (losses) on cash-flow hedges 25 1  Gains (losses) on derivatives not receiving hedge accounting (204) (232) 85 - 110 (50) (78) (7) -	(718) (838) 31
hedging activities in net interest income(1)         \$ (149)         \$ 9         \$ (16)         \$ -         \$ 41         \$ (5)         \$ - <t< th=""><th>(718) (838) 31</th></t<>	(718) (838) 31
net interest income(2)         (1,573)         (99)         (2)         1         1,038         (83)         —         —         —         —           Total net interest income         (1,722)         (90)         (18)         1         1,079         (88)         —         —         —         —           Net gains (losses) on derivatives and hedging activities         Sains (losses) on fair-value hedges         34         (6)         2         —         —         1         —         —         —           Gains (losses) on cash-flow hedges         25         —         —         —         1         —         —         —           Gains (losses) on derivatives not receiving hedge accounting         (204)         (232)         85         —         110         (50)         (78)         (7)         —	(838)
Net gains (losses) on derivatives and hedging activities  Gains (losses) on fair-value hedges 34 (6) 2 — 1 — — —  Gains (losses) on cash-flow hedges 25 — — — 1 — — —  Gains (losses) on derivatives not receiving hedge accounting (204) (232) 85 — 110 (50) (78) (7) —	31
Gains (losses) on fair-value hedges   34   (6)   2   -	
hedges       34       (6)       2       —       —       1       —       —       —         Gains (losses) on cash-flow hedges       25       —       —       —       1       —       —       —         Gains (losses) on derivatives not receiving hedge accounting       (204)       (232)       85       —       110       (50)       (78)       (7)       —	
hedges       25       —       —       —       1       —       —       —         Gains (losses) on derivatives not receiving hedge accounting       (204)       (232)       85       —       110       (50)       (78)       (7)       —	26
receiving hedge accounting (204) (232) 85 — 110 (50) (78) (7) —	
Total net gains (losses) on	(376)
derivatives and hedging activities         (145)         (238)         87         —         110         (48)         (78)         —	(319)
Subtotal (1,867) (328) 69 1 1,189 (136) (78) (7) —	(1,157)
Net gains (losses) on trading securities(3)       96       —       —       —       —       —	96
Net gains (losses) on financial instruments held at fair value       116       —       —       —       (50)       (2)       —       6       —	70
Total net effect of derivatives and hedging activities \$ (1,751) \$ (232) \$ 69 \$ 1 \$1,139 \$(138) \$ (78) \$ (10) \$ — \$	(991)
There Months Field Continues 20, 0040	
Three Months Ended September 30, 2010 Optional Intermediary	
Net Effect of Derivatives and Hedging Mortgage CO CO Balance Advance Positions	Total
Net interest income	
Amortization and accretion of hedging activities in net interest income(1) \$ (120) \$ 3 \$ (13) \$ \$ 48 \$ (4) \$ \$ \$ \$	(86)
Net interest settlements included in net interest income(2) (2,119) (69) (3) 1 1,320 (78) — — — —	(948)
Total net interest income (2,239) (66) (16) 1 1,368 (82) — — —	(1,034)
Net gains (losses) on derivatives and hedging activities	
Gains (losses) on fair-value hedges 88 — 1 — (45) (1) — — —	43
Gains (losses) on cash-flow hedges — — — — — — 1 — — — — —	1
Gains (losses) on derivatives not receiving hedge accounting       (184)       (172)       51       —       147       —       (15)       —       1	(172)
Total net gains (losses) on derivatives and hedging activities (96) (172) 52 — 102 — (15) — 1	(128)
Subtotal (2,335) (238) 36 1 1,470 (82) (15) — 1	(1,162)
Net gains (losses) on trading securities(3)       78       —       —       —       —	78
Net gains (losses) on financial instruments held at fair value 64 — — 5 (2) — — —	67

1 \$ 1,475 \$ (84) \$

(160) \$

\$ (2,271) \$

Total net effect of derivatives and hedging activities

	Nine Months	<b>Ended Se</b>	ptember 3	30, 2011
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Net Effect of Derivatives and Hedging Activities	Advances	Investments	Mortgage Loans	Deposits	CO Bonds	CO DNs	Balance Sheet	Optional Advance Commitments	Intermediary Positions and Other	Total
Net interest income										
Amortization and accretion of hedging activities in net interest income(1)	\$ (317)	\$ 16	\$ (42)	\$ —	\$ 121	\$ (15)	\$ —	\$ —	\$ —	\$ (237)
Net interest settlements included in net interest income (2)	(5,001)	(274)	(7)	1	3,387	(242)	_	_	_	(2,136)
Total net interest income	(5,318)	(258)	(49)	1	3,508	(257)		_		(2,373)
Net gains (losses) on derivatives and hedging activities										
Gains (losses) on fair-value hedges	194	18	(6)	_	_	1	_	_	_	207
Gains (losses) on cash-flow hedges	37	_	_	_	_	3	_	_	_	40
Gains (losses) on derivatives not receiving hedge accounting	(367)	(365)	32		317	(80)	(119)	(11)		(593)
Total net gains (losses) on derivatives and hedging activities	(136)	(347)	26		317	(76)	(119)	(11)		(346)
Subtotal	(5,454)	(605)	(23)	1	3,825	(333)	(119)	(11)		(2,719)
Net gains (losses) on trading securities(3)		74	_	_	_					74
Net gains (losses) on financial instruments held at fair value	170				(145)	(1)		10		34
Total net effect of derivatives and hedging activities	\$ (5,284)	\$ (531)	\$ (23)	\$ 1	\$ 3,680	\$ (334)	\$ (119)	\$ (1)	\$ _	\$ (2,611)
				Nine N	lonthe Endor	l Septembe	- 30 2010			
				141116 11	ioninis Ended	Ochteiline	30, 2010			
Net Effect of Derivatives and Hedging Activities	Advances	Investments	Mortgage Loans	Deposits	CO Bonds	CO DNs	Balance Sheet	Optional Advance Commitments	Intermediary Positions and Other	Total
	Advances	Investments	Mortgage Loans	-	со	со	Balance	Advance	Positions	Total
Activities	Advances \$ (344)		Mortgage Loans	-	со	со	Balance	Advance	Positions	Total \$ (234)
Activities  Net interest income  Amortization and accretion of hedging activities in net interest			Loans	Deposits	CO Bonds	CO DNs	Balance Sheet	Advance Commitments	Positions and Other	
Activities  Net interest income  Amortization and accretion of hedging activities in net interest income (1)  Net interest settlements included	\$ (344)	\$ 8	\$ (23)	Deposits	CO Bonds	CO DNs \$ (13)	Balance Sheet	Advance Commitments	Positions and Other	\$ (234)
Activities  Net interest income  Amortization and accretion of hedging activities in net interest income (1)  Net interest settlements included in net interest income (2)	\$ (344) (7,109)	\$ 8 (185)	\$ (23) (45)	Deposits \$ —	CO Bonds \$ 138 4,807	CO DNs \$ (13) (231)	Balance Sheet	Advance Commitments	Positions and Other	\$ (234) (2,762)
Activities  Net interest income  Amortization and accretion of hedging activities in net interest income (1)  Net interest settlements included in net interest income (2)  Total net interest income  Net gains (losses) on derivatives	\$ (344) (7,109)	\$ 8 (185)	\$ (23) (45)	Deposits \$ —	CO Bonds \$ 138 4,807	CO DNs \$ (13) (231)	Balance Sheet	Advance Commitments	Positions and Other	\$ (234) (2,762)
Activities  Net interest income  Amortization and accretion of hedging activities in net interest income (1)  Net interest settlements included in net interest income (2)  Total net interest income  Net gains (losses) on derivatives and hedging activities  Gains (losses) on fair-value	\$ (344) (7,109) (7,453)	\$ 8 (185) (177)	\$ (23) (45)	Deposits \$ —	\$ 138 4,807 4,945	\$ (13) (231) (244)	Balance Sheet	Advance Commitments	Positions and Other	\$ (234) (2,762) (2,996)
Activities  Net interest income  Amortization and accretion of hedging activities in net interest income (1)  Net interest settlements included in net interest income (2)  Total net interest income  Net gains (losses) on derivatives and hedging activities  Gains (losses) on fair-value hedges  Gains (losses) on cash-flow	\$ (344) (7,109) (7,453)	\$ 8 (185) (177)	\$ (23) (45)	Deposits \$ —	\$ 138 4,807 4,945	\$ (13) (231) (244)	Balance Sheet	Advance Commitments	Positions and Other	\$ (234) (2,762) (2,996)
Activities  Net interest income  Amortization and accretion of hedging activities in net interest income (1)  Net interest settlements included in net interest income (2)  Total net interest income  Net gains (losses) on derivatives and hedging activities  Gains (losses) on fair-value hedges  Gains (losses) on cash-flow hedges  Gains (losses) on derivatives not	\$ (344) (7,109) (7,453)	\$ 8 (185) (177) (10)	\$ (23) (45) (68)	Deposits \$ —	\$ 138 4,807 4,945	\$ (13) (231) (244)	\$ —	Advance Commitments	\$ — ———————————————————————————————————	\$ (234) (2,762) (2,996) 152
Activities  Net interest income  Amortization and accretion of hedging activities in net interest income (1)  Net interest settlements included in net interest income (2)  Total net interest income  Net gains (losses) on derivatives and hedging activities  Gains (losses) on fair-value hedges  Gains (losses) on cash-flow hedges  Gains (losses) on derivatives not receiving hedge accounting  Total net gains (losses) on	\$ (344) (7,109) (7,453) 185 — (456)	\$ 8 (185) (177) (10) — (655)	\$ (23) (45) (68)	Deposits \$ —	\$ 138 4,807 4,945 (20) —	\$ (13) (231) (244) (3) 3 (94)	\$ — ———————————————————————————————————	Advance Commitments	\$ — ———————————————————————————————————	\$ (234) (2,762) (2,996) 152 3 (861)
Activities  Net interest income  Amortization and accretion of hedging activities in net interest income (1)  Net interest settlements included in net interest income (2)  Total net interest income  Net gains (losses) on derivatives and hedging activities  Gains (losses) on fair-value hedges  Gains (losses) on cash-flow hedges  Gains (losses) on derivatives not receiving hedge accounting  Total net gains (losses) on derivatives and hedging activities	\$ (344) (7,109) (7,453) 185 — (456) (271)	\$ 8 (185) (177) (10) — (655) (665)	\$ (23) (45) (68) ————————————————————————————————————	\$ —  1 1	\$ 138 4,807 4,945 (20) ————————————————————————————————————	\$ (13) (231) (244) (3) 3 (94) (94)	\$ — ———————————————————————————————————	Advance Commitments	\$ —	\$ (234) (2,762) (2,996) 152 3 (861) (706)
Activities  Net interest income  Amortization and accretion of hedging activities in net interest income (1)  Net interest settlements included in net interest income (2)  Total net interest income  Net gains (losses) on derivatives and hedging activities  Gains (losses) on fair-value hedges  Gains (losses) on cash-flow hedges  Gains (losses) on derivatives not receiving hedge accounting  Total net gains (losses) on derivatives and hedging activities  Subtotal  Net gains (losses) on trading	\$ (344) (7,109) (7,453) 185 — (456) (271)	\$ 8 (185) (177) (10) — (655) (665) (842)	\$ (23) (45) (68) ————————————————————————————————————	\$ —  1 1	\$ 138 4,807 4,945 (20) ————————————————————————————————————	\$ (13) (231) (244) (3) 3 (94) (94) (338)	\$ — ———————————————————————————————————	Advance Commitments	\$ —	\$ (234) (2,762) (2,996) 152 3 (861) (706) (3,702)
Activities  Net interest income  Amortization and accretion of hedging activities in net interest income (1)  Net interest settlements included in net interest income (2)  Total net interest income  Net gains (losses) on derivatives and hedging activities  Gains (losses) on fair-value hedges  Gains (losses) on cash-flow hedges  Gains (losses) on derivatives not receiving hedge accounting  Total net gains (losses) on derivatives and hedging activities  Subtotal  Net gains (losses) on trading securities(3)  Net gains (losses) on financial	\$ (344) (7,109) (7,453) 185 ———————————————————————————————————	\$ 8 (185) (177) (10) ————————————————————————————————————	\$ (23) (45) (68) ————————————————————————————————————	\$ —  1 1 1 1	\$ 138 4,807 4,945 (20) ————————————————————————————————————	\$ (13) (231) (244) (3) (94) (94) (338)	\$ — ———————————————————————————————————	\$	Positions and Other	\$ (234) (2,762) (2,996) 152 3 (861) (706) (3,702) 254

<sup>(1)</sup> Represents the amortization and accretion of hedging fair-value adjustments for both open and closed hedge positions, which includes hedges previously terminated and those currently failing effectiveness testing.

At September 30, 2011, certain FHLBanks had full fair-value hedges of advances with a notional amount of \$486 million and an estimated fair value loss of \$16 million, and had full fair-value hedges of consolidated bonds with a notional amount of \$6.2 billion and an estimated fair value gain of \$570 million. The remaining fair-value hedges at September 30, 2011 represent benchmark interest-rate hedges.

<sup>(2)</sup> Represents interest income or expense on derivatives included in net interest income.

<sup>(3)</sup> Includes only those gains or losses on trading securities that have an economic derivative "assigned;" therefore, this line item may not agree to the Combined Statement of Income.

#### **CONTROLS AND PROCEDURES**

#### **FHLBanks**

The management of each FHLBank is required under applicable laws and regulations to establish and maintain effective disclosure controls and procedures as well as effective internal control over financial reporting, as such disclosure controls and procedures and internal control over financial reporting relate to that FHLBank only. Each FHLBank's management assessed the effectiveness of its individual internal control over financial reporting as of December 31, 2010, based on the framework established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, each FHLBank's management concluded, as of December 31, 2010, that its individual internal control over financial reporting is effective based on the criteria established in *Internal Control-Integrated Framework*. Additionally, the independent registered public accounting firm of each FHLBank opined that the individual FHLBank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010. (See *Item 8-Financial Statements and Supplementary Data* or *Item 9A-Controls and Procedures* of each FHLBank's 2010 SEC Form 10-K for its *Management's Report on Internal Control over Financial Reporting*.)

Each of the FHLBanks indicated that there were no changes to its internal control over financial reporting during the fiscal quarter ended September 30, 2011 that materially affected, or are reasonably likely to affect, its internal control over financial reporting. Additionally, management of each FHLBank concluded that its disclosure controls and procedures were effective at a reasonable assurance level as of the fiscal quarter ended September 30, 2011. (See *Part I. Item 4-Controls and Procedures* of each FHLBank's 2011 Third Quarter SEC Form 10-Q.)

## 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. The Office of Finance has established procedures and controls concerning the FHLBanks' submission of information and financial data to the Office of Finance, the process of combining the financial statements of the individual FHLBanks and the review of such information.

The Office of Finance does not independently verify the financial information submitted by each FHLBank, 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 this Combined Financial Report.

#### Audit Committee Charter, Combined Financial Reports and General Office of Finance Operations

In July 2010, the Office of Finance's audit committee was restructured to implement the Finance Agency's regulations affecting the Office of Finance's board of directors that were effective June 2, 2010. The charter of the audit committee of the Office of Finance's board of directors is available on the Office of Finance's website at <a href="https://www.fhlb-of.com">www.fhlb-of.com</a>. This web site address is provided as a matter of convenience only, and its contents are not made part of this report and are not intended to be incorporated by reference into this report.

#### **LEGAL PROCEEDINGS**

The FHLBanks are subject to various pending legal proceedings arising in the normal course of business. The FHLBanks and the Office of Finance are not a party to, nor are they subject to, any pending legal proceedings, except those proceedings noted below, where the ultimate liability of the FHLBanks, if any, arising out of these proceedings is likely to have a material effect on the results of operations, financial condition or liquidity of the FHLBanks or that are otherwise material to the FHLBanks. (See each FHLBank's 2011 Third Quarter SEC Form 10-Q under *Part II. Item 1-Legal Proceedings* for additional information, including updates, to its legal proceedings.)

#### Legal Proceedings Relating to the Purchase of Certain Private-Label MBS

As of September 30, 2011, each of the FHLBanks of Boston, Pittsburgh, Atlanta, Indianapolis, Chicago, San Francisco and Seattle continued legal proceedings that relate to the purchase of certain private-label MBS. Defendants in these lawsuits include entities and affiliates that buy, sell or distribute the FHLBanks' consolidated obligations or are derivative counterparties. Affiliates of these defendants may be members or former members of the plaintiff FHLBanks or other FHLBanks.

## Legal Proceedings Relating to the Lehman Bankruptcy

See <u>Note 15-Commitments and Contingencies</u>-Lehman Bankruptcy to the accompanying combined financial statements for information on legal proceedings relating to bankruptcy proceedings involving Lehman Brothers Holdings, Inc.

#### **RISK FACTORS**

There were no material changes to the risk factors disclosed in the Federal Home Loan Banks' 2010 Combined Financial Report except for the following risk factor. (See each FHLBank's 2011 Third Quarter SEC Form 10-Q for updates to risk factors included in its 2010 SEC Form 10-K under *Item 1A-Risk Factors*.)

#### **Market Risk**

The FHLBanks' ability to access the capital markets, as their primary source of funding, on acceptable terms may be adversely affected by any market disruptions that could occur if credit ratings on FHLBank System consolidated obligations change.

In August 2011, S&P and Moody's each took various actions regarding credit ratings on the FHLBanks and the FHLBank System's consolidated obligations based on the implied linkage between the FHLBanks, and the FHLBank System's consolidated obligations, to the U.S. government.

On August 5, 2011, S&P lowered its long-term credit rating on the United States from AAA to AA+ with a negative outlook. S&P has indicated that its ratings of the FHLBanks and the FHLBank System are constrained by the long-term credit rating of the United States. On August 8, 2011, S&P downgraded the long-term credit ratings on the senior unsecured debt issues of the FHLBank System and 10 of the 12 FHLBanks from AAA to AA+. The FHLBanks of Chicago and Seattle were already rated AA+ prior to the United States downgrade. S&P's outlook for the FHLBank System's senior unsecured debt and all 12 FHLBanks is negative. However, S&P's actions did not affect the short-term A-1+ ratings of the FHLBanks and the FHLBank System's short-term debt issues.

On August 2, 2011, Moody's confirmed the Aaa bond rating of the U.S. government following the raising of the U.S. statutory debt limit on August 2, 2011 and changed the rating outlook of the U.S. government to negative. Moody's also confirmed the long-term Aaa rating on the senior unsecured debt issues of the FHLBank System, the 12 FHLBanks, and other ratings Moody's considers directly linked to the U.S. government. Additionally, in conjunction with the revision of the U.S. government outlook to negative, the rating outlook for the FHLBank System and the 12 FHLBanks was also revised to negative.

Both S&P's and Moody's credit ratings for the U.S. government have a negative outlook. In assigning a negative outlook to the U.S. government's long-term credit rating, S&P noted that a higher public debt trajectory than is currently assumed by S&P could lead it to lower the U.S. government's long-term rating again. In addition, the proposal of the Congressional Joint Select Committee on Deficit Reduction to address the U.S. deficit, including the Congressional process to enact this Committee's proposed recommendations, may further weaken perceptions of the U.S. government's commitment to satisfy its obligations. As a result, a further downgrade to the U.S. government's credit rating may occur and, in turn, result in a downgrade in the credit ratings on the FHLBanks and the FHLBank System's consolidated obligations even though they are not obligations of the United States.

Although these recent credit rating actions have not yet had a material effect on the FHLBanks' funding costs, uncertainty still remains regarding possible longer-term effects resulting from these downgrades. Any future downgrades in credit ratings and outlook could result in higher funding costs or disruptions in the FHLBanks' access to capital markets, including additional collateral posting requirements under certain derivative instrument agreements (see *Note 10-Derivatives and Hedging Activities*-Managing Credit Risk on Derivatives). Furthermore, member demand for certain FHLBank products could weaken. To the extent that the FHLBanks cannot access funding when needed on acceptable terms to effectively manage their cost of funds, their financial condition and results of operations and the value of FHLBank membership may be negatively affected.

# MARKET FOR CAPITAL STOCK, SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND RELATED STOCKHOLDER MATTERS

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

At September 30, 2011, the FHLBanks had 360 million shares of capital stock outstanding. The FHLBanks are not required to register their securities under the Securities Act of 1933 (as amended). Each FHLBank is an SEC registrant as required by the Housing Act and is subject to certain reporting requirements of the Securities Exchange Act of 1934.

Table 51 presents regulatory capital stock, which includes mandatorily redeemable capital stock, held by type of member and Table 52 presents FHLBank membership by type of member.

Table 51 - Regulatory Capital Stock Held by Type of Member

(dollars in millions)

		September 30, 2011				
	_	Amount	Percentage of Regulatory Capital Stock			
Commercial banks	\$	22,094	49.2%			
Thrifts		7,968	17.7%			
Insurance companies		3,381	7.5%			
Credit unions		2,538	5.7%			
Community development financial institutions		3	_			
Total GAAP capital stock		35,984	80.1%			
Mandatorily redeemable capital stock		8,934	19.9%			
Total regulatory capital stock	\$	44,918	100.0%			

Table 52 - Membership by Type of Member

	Septemb	er 30, 2011
	Number	Percentage of Total Members
Commercial banks	5,377	69.1%
Credit unions	1,093	14.0%
Thrifts	1,063	13.7%
Insurance companies	240	3.1%
Community development financial institutions	8	0.1%
Total	7,781	100.0%

During the nine months ended September 30, 2011, 19 FHLBank members withdrew from FHLBank membership for reasons other than merger or acquisition and 28 FHLBank members gave notice of intent to withdraw from FHLBank membership for reasons other than merger or acquisition.

The information on regulatory capital stock presented in Table 53 is accumulated at the holding-company level. The percentage of total regulatory capital stock identified in Table 53 for each holding company was computed by dividing all regulatory capital stock owned by subsidiaries of that holding company by total combined regulatory capital stock. These percentage concentrations do not represent ownership concentrations in an individual FHLBank.

Table 53 - Top 10 Regulatory Capital Stockholders by Holding Company at September 30, 2011

Holding Company Name(1)	FHLBank Districts(2)	Regulatory Capital Stock(3	Percentage of Total Regulatory ) Capital Stock	Mandatorily Redeemable Capital Stock
Bank of America Corporation	Boston, New York, Atlanta, Indianapolis, Chicago, San Francisco, Seattle	\$ 3,97	72 8.8%	\$ 481
Citigroup Inc.	New York, Pittsburgh, Des Moines, Dallas, San Francisco	3,5	7.9%	3,024
JPMorgan Chase & Co.	Pittsburgh, Chicago, San Francisco, Seattle	3,48	32 7.8%	1,708
Wells Fargo & Company	Atlanta, Des Moines, Dallas, Topeka, San Francisco, Seattle	1,58	3.5%	1,421
MetLife, Inc.	Boston, New York, Des Moines	1,0	1 2.3%	_
U.S. Bancorp	Cincinnati, Chicago, Des Moines, Dallas, Topeka, San Francisco, Seattle	87	73 1.9%	269
The PNC Financial Services Group, Inc.	New York, Pittsburgh, Atlanta, Cincinnati, Chicago, Des Moines	78	31 1.7%	420
Hudson City Bancorp, Inc.	New York	72	27 1.6%	_
UK Financial Investments Limited	Boston, New York, Pittsburgh, Cincinnati	70	1.6%	71
Banco Santander, S.A.	New York, Pittsburgh	54	1.2%	_
		\$ 17,23	38.3%	\$ 7,394

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

Each holding company had subsidiaries with regulatory capital stock holdings at September 30, 2011 in these FHLBank districts. Includes FHLBank capital stock that is considered to be mandatorily redeemable, which is classified as a liability under GAAP.

#### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Each FHLBank is a member-owned cooperative, whose members elect a majority of that FHLBank's directors from among the officers and directors of its members. The FHLBanks conduct their advances and mortgage loan business primarily with members. As a result, in the normal course of business, the FHLBanks regularly extend credit to members whose officers and/or directors may serve as directors of their respective FHLBank. 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 September 30, 2011, the FHLBanks had \$39.3 billion of advances outstanding to members whose officers and/or directors were serving as directors of the FHLBanks, which represented 9.9% of total advances at par value.

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

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## **SUPPLEMENTAL INFORMATION**

# Individual Federal Home Loan Bank Selected Financial Data and Financial Ratios

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

## Individual FHLBank Selected Financial Data and Financial Ratios

(dollars in millions)  Solocted Statement of Condition Data(4)		Boston		New York		ittsburgh
Selected Statement of Condition Data(1)						
At September 30, 2011						
Assets	\$	19,916	æ	17 120	Ф	16,526
Investments(2) Advances	Ф	25,025	\$	17,130 73,779	\$	25,839
		3,136		1,364		
Mortgage loans held for portfolio						4,043
Allowance for credit losses on mortgage loans  Total assets		(7) 48,574		(7) 97,334		(12) 46,829
Consolidated obligations(3)		40,374		91,334		40,029
Discount notes		10,673		22,539		7,466
Bonds		32,447		66,281		33,657
Total consolidated obligations		43,120	_	88,820		41,123
Mandatorily redeemable capital stock		228	_	58		41,123
Subordinated notes(4)		220				40
Total capital		_		_		_
Total capital stock(5)						
Class B putable		3,584		4,572		3,484
Class A putable		3,304		4,572		5,707
Preconversion putable(6)		_		_		_
Total capital stock		3,584		4,572		3,484
Total retained earnings		336		708		424
ŭ						
Accumulated other comprehensive income (loss)		(517) 3,403		(184) 5,096		(137) 3,771
Total capital		3,403	-	5,090		3,771
Asset composition (as a percentage of the individual FHLBanks' total assets)		44.00/		17.60/		25.20
Investments(2) Advances		41.0%		17.6%		35.39
		51.5%		75.8%		55.29
Mortgage loans, net		6.4%		1.4%		8.69
Total retained earnings as a percentage of FHLBank's total assets		0.7%		0.7%		0.99
FHLBanks' total assets as a percentage of FHLBank System's total assets		6.2%		12.5%		6.0%
At September 30, 2010						
Assets (2)		00.000	•	45.004	•	40.000
Investments(2)	\$	28,283	\$	15,691	\$	18,299
Advances		30,205		85,697		31,595
Mortgage loans held for portfolio		3,277		1,274		4,744
Allowance for credit losses on mortgage loans		(3)		(6)		(3)
Total assets		62,003		103,094		55,140
Consolidated obligations(3)		4===4		4= =00		40.050
Discount notes		17,751		17,788		12,252
Bonds		39,032		74,919		36,401
Total consolidated obligations		56,783		92,707		48,653
Mandatorily redeemable capital stock		87		67		36
Subordinated notes(4)		_		_		_
Total capital						
Total capital stock(5)						
Class B putable		3,662		4,664		4,147
Class A putable		_		_		_
Preconversion putable(6)				_		_
Total capital stock		3,662		4,664		4,147
Total retained earnings		225		701		376
Accumulated other comprehensive income (loss)		(712)		(98)		(259)
Total capital		3,175		5,267		4,264
Asset composition (as a percentage of the individual FHLBanks' total assets)						
Investments(2)		45.6%		15.2%		33.29
Advances		48.7%		83.1%		57.39
Mortgage loans, net		5.3%		1.2%		8.69
Total retained earnings as a percentage of individual FHLBanks' total assets		0.4%		0.7%		0.79
		6.9%		11.4%		6.19

The sum or recalculation of individual FHLBank amounts may not agree or may not be recalculated from the Combined Statement of Condition amounts due to interbank combining adjustments.

Investments consist of interest-bearing deposits, deposits with other FHLBanks, securities purchased under agreements to resell, Federal funds sold, trading securities, available-for-sale securities, held-to-maturity securities and loans to other FHLBanks.

See Financial Discussion and Analysis—Results of Operations—Interbank Transfers of Consolidated Bonds and Their Effect on Combined Net Income.

Atlanta		Cincinnati		dianapolis	Chicago		es Moines	 Dallas		Topeka	Sa	n Francisco		Seattle
41,204	\$	26,054	\$	15,828	\$ 43,142	\$	14,696	\$ 11,251	\$	12,302	\$	44,607	\$	27,816
75,363		30,345		18,564	14,294		27,069	18,649		17,018		78,462		10,972
1,743		7,889		6,110	15,246		7,351	173		4,798		1,995		1,442
(1)		(15)		(3)	(41)		(20)	_		(4)		(5)		(3
118,852		66,921		40,950	73,251		49,557	31,427		36,089		128,308		40,386
16,057		33,339		6,981	19,830		5,672	7,978		11,506		17,390		12,83
91,720		27,511		29,854	 45,880		39,782	19,424		20,380		99,118		24,47
107,777		60,850		36,835	 65,710		45,454	 27,402		31,886		116,508		37,31
319		331		483	530		7	8		10		5,853		1,05
_		_		_	1,000		_	_		_		_		_
5,910		3,106		1,553	_		2,107	1,244		766		4,934		1,62
3,910				1,000	_		2,107	,		593				1,02
_		_		_	2,390		_	_				_		-
5,910		3,106		1,553	2,390	_	2,107	1,244	_	1,359	_	4,934	_	1,74
1,203		436		472	1,305		552	478		377		1,695		1,74
(317)		(8)		(85)	(373)		135	(58)		(25)		(1,772)		(53
6,796		3,534		1,940	3,322		2,794	1,664		1,711		4,857		1,35
34.7%		38.9%		38.7%	58.9%		29.7%	35.8%		34.1%		34.8%		68
63.4%		45.3%		45.3%	19.5%		54.6%	59.3%		47.2%		61.2%		27
1.5%		11.8%		14.9%	20.8%		14.8%	0.6%		13.3%		1.6%		3
1.0%		0.7%		1.2%	1.8%		1.1%	1.5%		1.0%		1.3%		0
15.3%		8.6%		5.3%	9.4%		6.4%	4.0%		4.6%		16.5%		5
10.070		0.070		0.070	0.170		0.170	1.0 /0		1.070		10.070		
39,126	\$	27,462	\$	19,294	\$ 49,264	\$	20,240	\$ 19,386	\$	13,371	\$	49,889	\$	30,79
99,425		30,375		18,914	18,803		32,014	27,341		20,506		89,327		15,41
2,195		8,331		6,487	20,166		7,556	222		3,940		2,627		3,54
(1)		(3)		_	(32)		(7)	_		(3)		(4)		
141,492		66,379		44,862	88,626		60,068	51,644		38,001		142,695		49,91
27,599		28,468		9,728	24,254		7,471	3,301		10,538		11,138		14,01
97,942		31,504		30,548	55,077		47,518	41,920		23,292		118,764		32,96
125,541		59,972		40,276	79,331		54,989	45,221		33,830		129,902		46,97
492		368		782	511		5	7		26		3,627		1,00
_		_		_	1,000		_	_		_		_		-
7,480		3,109		1,733	_		2,296	1,836		890		8,875		1,60
-,-00		J, 109			_		_,200	-,000		581		0,075 —		1,00
_		_		_	2,318		_	_		_		_		
7,480	_	3,109		1,733	2,318	_	2,296	1,836		1,471		8,875		1,79
1,051		425		395	967		529	432		327		1,478		7,76
(451)		(8)		(254)	(418)		147	(58)		(22)		(3,152)		(77
8,080		3,526		1,874	2,867		2,972	2,210		1,776		7,201		1,10
67.7				40.004	== 0°.		CO 751	0= ==:		0= 001		0= 001		
27.7%		41.4%		43.0%	55.6%		33.7%	37.5%		35.2%		35.0%		61
70.3%		45.8%		42.2%	21.2%		53.3%	52.9%		54.0%		62.6%		30
1.6%		12.5%		14.5%	22.7%		12.6%	0.4%		10.4%		1.8%		7
0.7%		0.6%		0.9%	1.1%		0.9%	0.8%		0.9%		1.0%		0 5
15.7%		7.3%		5.0%	9.8%		6.6%	5.7%		4.2%		15.8%		

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.

FHLBank capital stock is redeemable at the request of a member subject to the statutory redemption periods and other conditions and limitations. (See

Note 13-Capital to the accompanying combined financial statements.)

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 13-Capital to the accompanying combined financial statements.)

# Individual FHLBank Selected Financial Data and Financial Ratios (continued)

At Varior Concentrations (%): top five borrowers 35% 58% 58% 55% 55% 55% 65% 62% 62% 62% 62% 62% 62% 62% 62% 62% 62	(dollars in millions)	Bostor	1	Ne	ew York	Pittsburgh		
Advance concentrations (%): top five borrowers         35%         58%         65 %           Capital stock concentrations (%): top five stockholders         5.5%         5.5%         8.5%           Regulatory capital ratio (%)(7)         8.5%         5.5%         8.5%           Cash and stock dividends         8.3%         49         \$ —           Quarter-to-date September 30, 2011         8         164         —           Year-to-date September 30, 2011         8         164         —           Year-to-date September 30, 2011         8         164         —           Weighted-average dividend rate         —         5.5%         —           Quarter-to-date September 30, 2011         0.27%         3.50%         —           Quarter-to-date September 30, 2011         0.27%         3.50%         —           Year-to-date September 30, 2011         0.29%         4.17%         —           Year-to-date September 30, 2011         5.8%         2.7%         1.28           Quarter-to-date September 30, 2011         5.8%         2.7%         1.28           Quarter-to-date September 30, 2011         5.8%         2.7%         1.28           Year-to-date September 30, 2011         3.5%         4.0%         0.5%           Ye	Selected Other Data(1)							
Capital stock concentrations (%): top five stockholders         50%         52%         53 %           Regulatory capital ratio (%)(7)         8.5%         5.5%         8.5%           Cash and stock dividends         3         \$ 49         \$ -           Quarter-to-date September 30, 2011         \$ 3         \$ 149         \$ -           Quarter-to-date September 30, 2011         8         164         —           Year-to-date September 30, 2011         0         3         5.0%         —           Year-to-date September 30, 2011         0.27%         3.50%         —           Quarter-to-date September 30, 2011         0.27%         3.50%         —           Year-to-date September 30, 2011         0.29%         4.17%         —           Year-to-date September 30, 2011         0.29%         4.17%         —           Year-to-date September 30, 2010         5.84%         2.72%         1.23%           Quarter-to-date September 30, 2011         5.84%         2.72%         1.23%           Quarter-to-date September 30, 2010         5.84%         2.72%         1.23%           Year-to-date September 30, 2011         3.79%         4.24%         0.91%           Year-to-date September 30, 2011         0.39%         0.14%         0.05%	At September 30, 2011							
Regulatory capital ratio (%)(7)         8.5%         5.5%         8.5%           Cash and stock dividends         3         \$ 49         \$ —           Quarter-to-date September 30, 2010         —         55         —           Year-to-date September 30, 2011         —         177         —           Year-to-date September 30, 2011         —         177         —           Weighted-average dividend rate         —         6.50%         —           Quarter-to-date September 30, 2011         —         6.50%         —           Year-to-date September 30, 2010         —         6.50%         —           Year-to-date September 30, 2011         —         6.50%         —           Year-to-date September 30, 2010         —         6.50%         —           Year-to-date September 30, 2011         5.4%         2.7%         1.23%           Quarter-to-date September 30, 2011         5.4%         2.7%         1.23%           Quarter-to-date September 30, 2011         5.3%         6.03%         4.39           Year-to-date September 30, 2011         5.3%         6.03%         4.77         0.45%           Return on average assets         —         —         0.26%         0.29         0.31%         0.25         <	Advance concentrations (%): top five borrowers		35%		58%	65 %		
Cash and stock dividends         \$ 3 \$ 49 \$ —           Quarter-to-date September 30, 2011         8 3 \$ 164 —           Year-to-date September 30, 2011         8 164 —           Year-to-date September 30, 2010         177 —           Weighted-average dividend rate	Capital stock concentrations (%): top five stockholders		50%		52%	53 %		
Quarter-to-date September 30, 2011         \$ 3 \$ 49 \$ —           Quarter-to-date September 30, 2010         —         55 —           Year-to-date September 30, 2011         8 164 —         —           Year-to-date September 30, 2010         —         177 —         —           Weighted-average dividend rate         —         6.50% —         —           Quarter-to-date September 30, 2011         —         6.50% —         —           Year-to-date September 30, 2010         —         5.12% —         —           Year-to-date September 30, 2010         —         5.12% —         —           Return on average equity(8)         —         7         5.12% —         —           Quarter-to-date September 30, 2010         5.84% —         2.72% —         1.23 %           Quarter-to-date September 30, 2011         5.84% —         2.72% —         1.23 %           Year-to-date September 30, 2010         5.30% —         6.03% —         4.39 %           Year-to-date September 30, 2011         3.79% —         4.24% —         0.91 %           Quarter-to-date September 30, 2011         0.39% —         0.14% —         0.09 %           Quarter-to-date September 30, 2011         0.39% —         0.24% —         0.21% —         0.07 %           Year-to-	Regulatory capital ratio (%)(7)		8.5%		5.5%	8.5 %		
Quarter-to-date September 30, 2010         — 55         — 65           Year-to-date September 30, 2010         — 177         — 177           Weighted-average dividend rate         — 177         — 177           Quarter-to-date September 30, 2011         0.27%         3.50%         — 6.50%           Quarter-to-date September 30, 2010         — 6.50%         — 6.50%         — 6.50%           Year-to-date September 30, 2011         0.29%         4.17%         — 6.50%         — 6.512%         — 6.50%         — 6.512%         — 6.50%         — 6.50%         — 6.512%         — 6.50%         — 6.50%         — 6.512%         — 6.50%         — 6.50%         — 6.50%         — 6.50%         — 6.512%         — 6.512%         — 6.512%         — 6.512%         — 6.512%         — 6.512%         — 6.512%         — 6.512%         — 6.512%         — 6.512%         — 6.512%         — 6.512%         — 6.50%         — 6.512%         — 6.512%         — 6.512%         — 6.512%         — 6	Cash and stock dividends							
Year-to-date September 30, 2011         8         164         —           Year-to-date September 30, 2010         —         177         —           Weighted-average dividend rate         —         0.27%         3.50%         —           Quarter-to-date September 30, 2011         0.29%         4.17%         —           Year-to-date September 30, 2010         —         6.50%         —           Year-to-date September 30, 2010         —         6.51%         —           Return on average equity(8)         —         —         6.50%         —           Quarter-to-date September 30, 2011         5.84%         2.72%         1.23 %           Quarter-to-date September 30, 2011         5.84%         2.72%         1.23 %           Quarter-to-date September 30, 2011         3.79%         4.24%         0.91 %           Year-to-date September 30, 2011         3.79%         4.24%         0.91 %           Year-to-date September 30, 2011         0.39%         0.14%         0.09 %           Quarter-to-date September 30, 2011         0.39%         0.14%         0.09 %           Year-to-date September 30, 2010         0.26%         0.29%         0.31 %           Year-to-date September 30, 2011         0.63%         0.30         0.03 % </td <td>Quarter-to-date September 30, 2011</td> <td>\$</td> <td>3</td> <td>\$</td> <td>49</td> <td>\$ —</td>	Quarter-to-date September 30, 2011	\$	3	\$	49	\$ —		
Year-to-date September 30, 2010         —         177         —           Weighted-average dividend rate         —         3.50%         —           Quarter-to-date September 30, 2010         —         6.50%         —           Year-to-date September 30, 2011         0.29%         4.17%         —           Year-to-date September 30, 2010         —         5.12%         —           Return on average equity(8)         —         Varies of the september 30, 2011         5.84%         2.72%         1.23           Quarter-to-date September 30, 2011         5.80%         6.03%         4.39         4.24%         0.91 %           Year-to-date September 30, 2010         3.75%         4.77%         (0.45)%           Return on average assets         —         —         —         (0.45)%           Return on average assets         —         —         —         (0.45)%         (0.45)%           Return on average assets         —         —         —         —         (0.45)%         (0.45)%         (0.45)%         (0.45)%         (0.45)%         (0.45)%         (0.45)%         (0.45)%         (0.45)%         (0.45)%         (0.45)%         (0.45)%         (0.45)%         (0.45)%         (0.45)%         (0.45)%         (0.45)%	Quarter-to-date September 30, 2010		_		55	_		
Weighted-average dividend rate         Quarter-to-date September 30, 2011       0.27%       3.50%       —         Quarter-to-date September 30, 2010       —       6.50%       —         Year-to-date September 30, 2011       0.29%       4.17%       —         Year-to-date September 30, 2010       —       5.12%       —         Return on average equity(8)       —       5.84%       2.72%       1.23 %         Quarter-to-date September 30, 2011       5.30%       6.03%       4.39 %         Year-to-date September 30, 2011       3.79%       4.24%       0.91 %         Year-to-date September 30, 2010       3.75%       4.77%       (0.45)%         Return on average assets       —         Quarter-to-date September 30, 2011       0.39%       0.14%       0.09 %         Year-to-date September 30, 2011       0.26%       0.29%       0.31 %         Year-to-date September 30, 2010       0.26%       0.29%       0.31 %         Year-to-date September 30, 2010       0.17%       0.23%       0.03%         Net interest margin(9)       0.26%       0.29%       0.31 %         Quarter-to-date September 30, 2010       0.48%       0.47%       0.35 %         Year-to-date September 30, 2011       0.63%	Year-to-date September 30, 2011		8		164	_		
Quarter-to-date September 30, 2011       0.27%       3.50%       —         Quarter-to-date September 30, 2010       —       6.50%       —         Year-to-date September 30, 2011       0.29%       4.17%       —         Year-to-date September 30, 2010       —       5.12%       —         Return on average equity(8)       Unarter-to-date September 30, 2011       5.84%       2.72%       1.23%         Quarter-to-date September 30, 2010       5.30%       6.03%       4.39%         Year-to-date September 30, 2011       3.79%       4.24%       0.91%         Year-to-date September 30, 2010       3.75%       4.77%       (0.45)%         Return on average assets       Unarter-to-date September 30, 2011       0.39%       0.14%       0.09%         Quarter-to-date September 30, 2011       0.39%       0.14%       0.09%       0.31%         Year-to-date September 30, 2010       0.26%       0.29%       0.31%         Year-to-date September 30, 2011       0.24%       0.21%       0.07%         Year-to-date September 30, 2010       0.17%       0.23%       0.03%         Net interest margin(9)       0.06%       0.30%       0.30%       0.30%         Quarter-to-date September 30, 2011       0.63%       0.04%       0.47%	Year-to-date September 30, 2010		_		177	_		
Quarter-to-date September 30, 2010       — 6.50%       — 7         Year-to-date September 30, 2010       — 5.12%       — 7         Return on average equity(8)       — 7       5.12%       — 7         Quarter-to-date September 30, 2011       5.84%       2.72%       1.23 %         Quarter-to-date September 30, 2010       5.30%       6.03%       4.39 %         Year-to-date September 30, 2011       3.79%       4.24%       0.91 %         Year-to-date September 30, 2010       3.75%       4.77%       (0.45)%         Return on average assets       — 7       0.26%       0.29%       0.31 %         Quarter-to-date September 30, 2011       0.39%       0.14%       0.09 %         Quarter-to-date September 30, 2011       0.26%       0.29%       0.31 %         Year-to-date September 30, 2011       0.26%       0.29%       0.31 %         Year-to-date September 30, 2011       0.26%       0.29%       0.03 %         Net interest margin(9)       — 7       0.26%       0.29%       0.03 %         Quarter-to-date September 30, 2011       0.63%       0.30%       0.30 %         Quarter-to-date September 30, 2011       0.63%       0.40%       0.43 %       0.29 %         Year-to-date September 30, 2011       0.60%	Weighted-average dividend rate							
Year-to-date September 30, 2011         0.29%         4.17%         —           Year-to-date September 30, 2010         —         5.12%         —           Return on average equity(8)         —         S.84%         2.72%         1.23 %           Quarter-to-date September 30, 2011         5.30%         6.03%         4.39 %           Quarter-to-date September 30, 2011         3.79%         4.24%         0.91 %           Year-to-date September 30, 2010         3.75%         4.77%         (0.45)%           Return on average assets         Outlet-to-date September 30, 2011         0.39%         0.14%         0.09 %           Quarter-to-date September 30, 2011         0.26%         0.29%         0.31 %           Year-to-date September 30, 2011         0.24%         0.21%         0.07 %           Year-to-date September 30, 2011         0.24%         0.21%         0.07 %           Year-to-date September 30, 2010         0.17%         0.28%         0.03%         0.03%           Net interest margin(9)         0.63%         0.30%         0.30 %         0.30 %         0.30 %         0.30 %         0.30 %         0.30 %         0.30 %         0.30 %         0.30 %         0.30 %         0.30 %         0.30 %         0.30 %         0.30 %         0.30 %	Quarter-to-date September 30, 2011	(	).27%		3.50%	_		
Year-to-date September 30, 2010         —         5.12%         —           Return on average equity(8)         —         5.84%         2.72%         1.23 %           Quarter-to-date September 30, 2010         5.30%         6.03%         4.39 %           Year-to-date September 30, 2011         3.79%         4.24%         0.91 %           Year-to-date September 30, 2010         3.75%         4.7%         (0.45)%           Return on average assets         —	Quarter-to-date September 30, 2010		_		6.50%	_		
Return on average equity(8)  Quarter-to-date September 30, 2011 Quarter-to-date September 30, 2010 Year-to-date September 30, 2011 Year-to-date September 30, 2011 Year-to-date September 30, 2010 Year-to-date September 30, 2010 Return on average assets Quarter-to-date September 30, 2011 Quarter-to-date September 30, 2011 Quarter-to-date September 30, 2011 Quarter-to-date September 30, 2010 Year-to-date September 30, 2010 Year-to-date September 30, 2010 Quarter-to-date September 30, 2010 Year-to-date September 30, 2010 Net interest margin(9) Quarter-to-date September 30, 2011 Vear-to-date September 30, 2011 Quarter-to-date September 30, 2010 Net interest margin(9) Vear-to-date September 30, 2010 Vear-to-date September 30, 2010 Quarter-to-date September 30, 2010 Net interest spread Quarter-to-date September 30, 2010 Quarter-to-date September 30, 2010 Quarter-to-date September 30, 2010 Net interest spread Quarter-to-date September 30, 2010 Quarter-to-date September 30, 2010 Quarter-to-date September 30, 2010 Quarter-to-date September 30, 2011 Quarter-to-	Year-to-date September 30, 2011	(	.29%		4.17%	_		
Quarter-to-date September 30, 2011       5.84%       2.72%       1.23 %         Quarter-to-date September 30, 2010       5.30%       6.03%       4.39 %         Year-to-date September 30, 2011       3.79%       4.24%       0.91 %         Year-to-date September 30, 2010       3.75%       4.77%       (0.45)%         Return on average assets       User-to-date September 30, 2011       0.39%       0.14%       0.09 %         Quarter-to-date September 30, 2010       0.26%       0.29%       0.31 %         Year-to-date September 30, 2011       0.24%       0.21%       0.07 %         Year-to-date September 30, 2010       0.17%       0.23%       (0.03)%         Net interest margin(9)       0.48%       0.47%       0.35 %         Quarter-to-date September 30, 2011       0.63%       0.30%       0.30 %         Year-to-date September 30, 2011       0.63%       0.48%       0.47%       0.35 %         Year-to-date September 30, 2011       0.56%       0.41%       0.29 %         Year-to-date September 30, 2011       0.56%       0.41%       0.29 %         Net interest spread       0.46%       0.43%       0.37 %         Quarter-to-date September 30, 2011       0.55%       0.26%       0.17 %         Quarter-	Year-to-date September 30, 2010		_		5.12%	_		
Quarter-to-date September 30, 2010       5.30%       6.03%       4.39 %         Year-to-date September 30, 2011       3.79%       4.24%       0.91 %         Year-to-date September 30, 2010       3.75%       4.77%       (0.45)%         Return on average assets       Uarter-to-date September 30, 2011       0.39%       0.14%       0.09 %         Quarter-to-date September 30, 2010       0.26%       0.29%       0.31 %         Year-to-date September 30, 2011       0.24%       0.21%       0.07 %         Year-to-date September 30, 2010       0.17%       0.23%       (0.03)%         Net interest margin(9)       0.41%       0.48%       0.47%       0.35 %         Quarter-to-date September 30, 2011       0.63%       0.30%       0.30 %         Year-to-date September 30, 2011       0.56%       0.41%       0.29 %         Year-to-date September 30, 2011       0.56%       0.41%       0.29 %         Year-to-date September 30, 2011       0.56%       0.41%       0.29 %         Vear-to-date September 30, 2010       0.46%       0.43%       0.37 %         Net interest spread       0.00       0.00       0.00       0.00       0.00       0.00       0.00       0.00       0.00       0.00       0.00       0.00<	Return on average equity(8)							
Year-to-date September 30, 2011       3.79%       4.24%       0.91 %         Year-to-date September 30, 2010       3.75%       4.77%       (0.45)%         Return on average assets       Uarter-to-date September 30, 2011       0.39%       0.14%       0.09 %         Quarter-to-date September 30, 2010       0.26%       0.29%       0.31 %         Year-to-date September 30, 2011       0.24%       0.21%       0.07 %         Year-to-date September 30, 2010       0.17%       0.23%       (0.03)%         Net interest margin(9)       0.63%       0.30%       0.30 %         Quarter-to-date September 30, 2011       0.63%       0.30%       0.30 %         Year-to-date September 30, 2010       0.48%       0.47%       0.35 %         Year-to-date September 30, 2011       0.56%       0.41%       0.29 %         Year-to-date September 30, 2010       0.46%       0.43%       0.37 %         Net interest spread       0.00%	Quarter-to-date September 30, 2011	5	5.84%		2.72%	1.23 %		
Year-to-date September 30, 2010       3.75%       4.77%       (0.45)%         Return on average assets         Quarter-to-date September 30, 2011       0.39%       0.14%       0.09 %         Quarter-to-date September 30, 2010       0.26%       0.29%       0.31 %         Year-to-date September 30, 2011       0.24%       0.21%       0.07 %         Year-to-date September 30, 2010       0.17%       0.23%       (0.03)%         Net interest margin(9)         Quarter-to-date September 30, 2011       0.63%       0.30%       0.30 %         Quarter-to-date September 30, 2010       0.48%       0.47%       0.35 %         Year-to-date September 30, 2011       0.56%       0.41%       0.29 %         Year-to-date September 30, 2010       0.46%       0.43%       0.37 %         Net interest spread         Quarter-to-date September 30, 2011       0.55%       0.26%       0.17 %         Quarter-to-date September 30, 2011       0.55%       0.26%       0.17 %         Quarter-to-date September 30, 2010       0.41%       0.41%       0.21 %         Year-to-date September 30, 2011       0.41%       0.41%       0.21 %         Year-to-date September 30, 2011       0.41%       0.41%       0.21 %         Ye	Quarter-to-date September 30, 2010	5	5.30%		6.03%	4.39 %		
Return on average assets  Quarter-to-date September 30, 2011 Quarter-to-date September 30, 2010 Year-to-date September 30, 2010 Year-to-date September 30, 2011 Quarter-to-date September 30, 2010 Net interest margin(9) Quarter-to-date September 30, 2011 Quarter-to-date September 30, 2011 Quarter-to-date September 30, 2011 Quarter-to-date September 30, 2010 Quarter-to-date September 30, 2011 Quarter-to-date September 30, 2010 Quarter-to-date September 30, 2010 Quarter-to-date September 30, 2010 Quarter-to-date September 30, 2010 Quarter-to-date September 30, 2011 Quarter-to-date September 30, 2011 Quarter-to-date September 30, 2010 Quarter-to-date September 30, 2011	Year-to-date September 30, 2011	3	3.79%		4.24%	0.91 %		
Quarter-to-date September 30, 2011       0.39%       0.14%       0.09 %         Quarter-to-date September 30, 2010       0.26%       0.29%       0.31 %         Year-to-date September 30, 2011       0.24%       0.21%       0.07 %         Year-to-date September 30, 2010       0.17%       0.23%       (0.03)%         Net interest margin(9)       0.63%       0.30%       0.30%       0.30 %         Quarter-to-date September 30, 2011       0.63%       0.47%       0.35 %         Year-to-date September 30, 2010       0.48%       0.47%       0.29 %         Year-to-date September 30, 2010       0.46%       0.43%       0.37 %         Net interest spread       0.207       0.25%       0.26%       0.17 %         Quarter-to-date September 30, 2011       0.55%       0.26%       0.17 %         Quarter-to-date September 30, 2011       0.41%       0.41%       0.21 %         Year-to-date September 30, 2011       0.41%       0.41%       0.21 %         Year-to-date September 30, 2011       0.41%       0.41%       0.21 %         Year-to-date September 30, 2011       0.48%       0.38%       0.16 %	Year-to-date September 30, 2010	3	3.75%		4.77%	(0.45)%		
Quarter-to-date September 30, 2010       0.26%       0.29%       0.31 %         Year-to-date September 30, 2011       0.24%       0.21%       0.07 %         Year-to-date September 30, 2010       0.17%       0.23%       (0.03)%         Net interest margin(9)       Quarter-to-date September 30, 2011       0.63%       0.30%       0.30%       0.30 %         Quarter-to-date September 30, 2010       0.48%       0.47%       0.35 %         Year-to-date September 30, 2011       0.56%       0.41%       0.29 %         Year-to-date September 30, 2010       0.46%       0.43%       0.37 %         Net interest spread       Quarter-to-date September 30, 2011       0.55%       0.26%       0.17 %         Quarter-to-date September 30, 2011       0.41%       0.41%       0.21 %         Year-to-date September 30, 2010       0.41%       0.41%       0.21 %         Year-to-date September 30, 2011       0.48%       0.38%       0.16 %	Return on average assets							
Year-to-date September 30, 2011       0.24%       0.21%       0.07 %         Year-to-date September 30, 2010       0.17%       0.23%       (0.03)%         Net interest margin(9)       0.63%       0.30%       0.30%       0.30 %         Quarter-to-date September 30, 2011       0.63%       0.47%       0.35 %         Year-to-date September 30, 2010       0.48%       0.47%       0.29 %         Year-to-date September 30, 2010       0.46%       0.43%       0.37 %         Net interest spread       0.204       0.55%       0.26%       0.17 %         Quarter-to-date September 30, 2011       0.55%       0.26%       0.17 %         Quarter-to-date September 30, 2010       0.41%       0.41%       0.21 %         Year-to-date September 30, 2011       0.41%       0.41%       0.21 %	Quarter-to-date September 30, 2011	(	.39%		0.14%	0.09 %		
Year-to-date September 30, 2010       0.17%       0.23%       (0.03)%         Net interest margin(9)       0.63%       0.30%       0.30%       0.30%         Quarter-to-date September 30, 2011       0.63%       0.47%       0.35 %         Year-to-date September 30, 2010       0.48%       0.47%       0.29 %         Year-to-date September 30, 2011       0.56%       0.41%       0.29 %         Net interest spread       0.46%       0.43%       0.37 %         Quarter-to-date September 30, 2011       0.55%       0.26%       0.17 %         Quarter-to-date September 30, 2010       0.41%       0.41%       0.21 %         Year-to-date September 30, 2011       0.48%       0.38%       0.16 %	Quarter-to-date September 30, 2010	(	0.26%		0.29%	0.31 %		
Net interest margin(9)  Quarter-to-date September 30, 2011 Quarter-to-date September 30, 2010 Quarter-to-date September 30, 2010 Year-to-date September 30, 2011 Year-to-date September 30, 2010 Net interest spread Quarter-to-date September 30, 2011 Quarter-to-date September 30, 2011 Quarter-to-date September 30, 2011 Quarter-to-date September 30, 2011 Quarter-to-date September 30, 2010 Year-to-date September 30, 2010 Quarter-to-date September 30, 2010 Quarter-to-date September 30, 2010 Quarter-to-date September 30, 2011	Year-to-date September 30, 2011	(	.24%		0.21%	0.07 %		
Quarter-to-date September 30, 2011       0.63%       0.30%       0.30 %         Quarter-to-date September 30, 2010       0.48%       0.47%       0.35 %         Year-to-date September 30, 2011       0.56%       0.41%       0.29 %         Year-to-date September 30, 2010       0.46%       0.43%       0.37 %         Net interest spread       0.55%       0.26%       0.17 %         Quarter-to-date September 30, 2011       0.55%       0.26%       0.17 %         Quarter-to-date September 30, 2010       0.41%       0.41%       0.21 %         Year-to-date September 30, 2011       0.48%       0.38%       0.16 %	Year-to-date September 30, 2010	(	).17%		0.23%	(0.03)%		
Quarter-to-date September 30, 2010       0.48%       0.47%       0.35 %         Year-to-date September 30, 2011       0.56%       0.41%       0.29 %         Year-to-date September 30, 2010       0.46%       0.43%       0.37 %         Net interest spread       Vaurter-to-date September 30, 2011       0.55%       0.26%       0.17 %         Quarter-to-date September 30, 2010       0.41%       0.41%       0.21 %         Year-to-date September 30, 2011       0.48%       0.38%       0.16 %	Net interest margin(9)							
Year-to-date September 30, 2011       0.56%       0.41%       0.29 %         Year-to-date September 30, 2010       0.46%       0.43%       0.37 %         Net interest spread       0.26%       0.17 %         Quarter-to-date September 30, 2011       0.55%       0.26%       0.17 %         Quarter-to-date September 30, 2010       0.41%       0.41%       0.21 %         Year-to-date September 30, 2011       0.48%       0.38%       0.16 %	Quarter-to-date September 30, 2011	(	0.63%		0.30%	0.30 %		
Year-to-date September 30, 2010       0.46%       0.43%       0.37 %         Net interest spread         Quarter-to-date September 30, 2011       0.55%       0.26%       0.17 %         Quarter-to-date September 30, 2010       0.41%       0.41%       0.21 %         Year-to-date September 30, 2011       0.48%       0.38%       0.16 %	Quarter-to-date September 30, 2010	(	0.48%		0.47%	0.35 %		
Net interest spread         Quarter-to-date September 30, 2011       0.55%       0.26%       0.17 %         Quarter-to-date September 30, 2010       0.41%       0.41%       0.21 %         Year-to-date September 30, 2011       0.48%       0.38%       0.16 %	Year-to-date September 30, 2011	(	0.56%		0.41%	0.29 %		
Quarter-to-date September 30, 2011       0.55%       0.26%       0.17 %         Quarter-to-date September 30, 2010       0.41%       0.41%       0.21 %         Year-to-date September 30, 2011       0.48%       0.38%       0.16 %	Year-to-date September 30, 2010	(	0.46%		0.43%	0.37 %		
Quarter-to-date September 30, 2010       0.41%       0.41%       0.21 %         Year-to-date September 30, 2011       0.48%       0.38%       0.16 %	Net interest spread							
Year-to-date September 30, 2011 0.48% 0.38% 0.16 %	Quarter-to-date September 30, 2011	(	).55%		0.26%	0.17 %		
	Quarter-to-date September 30, 2010		).41%		0.41%	0.21 %		
Year-to-date September 30, 2010 0.39% 0.38% 0.25 %	Year-to-date September 30, 2011	(	0.48%		0.38%	0.16 %		
	Year-to-date September 30, 2010	(	0.39%		0.38%	0.25 %		

<sup>(7)</sup> The regulatory capital ratio is calculated based on the FHLBank's total regulatory capital as a percentage of total assets held at period-end. Total regulatory capital is defined under the GLB Act except for the FHLBank of Chicago's regulatory capital, which has not implemented a capital plan under the GLB Act, and is the sum of the paid-in value of capital stock and mandatorily redeemable capital stock plus retained earnings. (See <a href="Note">Note 13</a>—Capital</a> to the accompanying combined financial statements.)
Return on average equity is net income expressed as a percentage of average total capital.

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

А	tlanta	Cincinnati		Indianapolis		Chicago Des Moines		 Dallas	Topeka		San Francisco		Seattle	
	53%		58%	47%	,	46%		44 %	29%	52 %		75%		64%
	42%		46%	41%		34%		29 %	20%	32 %		70%		61%
	6.3%		5.8%	6.1%		6.9%		5.4 %	5.5%	4.8 %		9.7%		7.3%
	0.070	`	0.070	0.170	,	0.070		0.1 70	0.070	1.0 /0		0.1 70		7.070
\$	13	\$	30	\$ 9	\$	1	\$	15	\$ 1	\$ 8	\$	6	\$	_
	8		34	7		_		11	2	10		9		_
	42	1	00	29		2		48	4	21		19		_
	19	1	07	24		_		38	6	30		20		_
	0.76%	4.	.00%	2.50%	)	0.07%		3.00 %	0.38%	2.10 %		0.26%		_
	0.44%	4.	.50%	1.50%	)	_		2.00 %	0.38%	2.33 %		0.44%		_
	0.83%	4.	.33%	2.50%	)	0.08%		3.00 %	0.38%	1.95 %		0.29%		_
	0.33%	4.	.50%	1.83%	)	_		2.00 %	0.38%	2.50 %		0.32%		_
	1.78%	2.	.07%	6.19%	)	17.45%		(0.09)%	2.78%	(0.52)%		2.81%		32.52%
	3.71%	4.	.11%	10.96%	)	17.61%		5.32 %	4.28%	4.62 %		8.38%		3.44%
	2.13%	3.	.70%	5.07%	)	8.92%		2.13 %	2.26%	3.46 %		2.06%		7.20%
	3.23%	4.	.58%	5.22%	)	12.17%		3.82 %	4.20%	0.14 %		5.44%		2.92%
	0.10%	0.	.11%	0.29%	)	0.75%		_	0.14%	(0.02)%		0.10%		1.01%
	0.21%		.22%	0.45%		0.52%		0.26 %	0.21%	0.21 %		0.36%		0.07%
	0.13%	0.	.19%	0.23%	)	0.34%		0.11 %	0.12%	0.16 %		0.10%		0.21%
	0.18%	0.	.23%	0.20%	)	0.35%		0.18 %	0.19%	0.01 %		0.21%		0.06%
	0.38%	0.	.27%	0.54%		0.73%		0.50 %	0.43%	0.66 %		0.77%		0.32%
	0.39%		.36%	0.72%		0.97%		1.35 %	0.42%	0.56 %		0.81%		0.33%
	0.40%		.36%	0.54%		0.65%		0.44 %	0.46%	0.62 %		0.73%		0.24%
	0.39%	0.	.37%	0.57%	)	0.83%		0.70 %	0.44%	0.60 %		0.82%		0.35%
	0.33%		.20%	0.46%		0.65%		0.42 %	0.42%	0.60 %		0.75%		0.28%
	0.32%		.25%	0.61%		0.90%		1.27 %	0.39%	0.50 %		0.76%		0.29%
	0.35%		.28%	0.46%		0.58%		0.36 %	0.43%	0.57 %		0.69%		0.20%
	0.33%	0.	.27%	0.47%	)	0.77%		0.61 %	0.41%	0.55 %		0.79%		0.31%

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