FEDERAL HOME LOAN BANKS

Combined Financial Report
for the Quarterly Period Ended March 31, 2014

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 bonds and consolidated 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, nor 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 Reports. 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 March 31, 2014. This Combined Financial Report should be read in conjunction with the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013, issued on March 28, 2014. Combined Financial Reports are available on the Federal Home Loan Banks Office of Finance web site at www.fhlb-of.com. 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 Report to the Federal Home Loan Banks Office of Finance at (703) 467-3600.

This Combined Financial Report was issued on May 14, 2014.

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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 obligations (consolidated bonds and consolidated discount notes) of the FHLBanks as these are the joint and several obligations of all 12 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.

Each FHLBank is a separately chartered cooperative with its own board 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). Although the FHLBanks work together in an effort to achieve consistency on significant accounting policies, 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 the 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 an annual financial report, filed on SEC Form 10-K, and quarterly financial reports, filed on SEC Form 10-Q. Those reports contain additional information that is not contained in this Combined Financial 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. FHLBank financial reports are made available on the web site of each FHLBank and on the SEC's web site at www.sec.gov. 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.

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CONDITION
(Unaudited)

(dollars in millions, except par value)	March 31, 2014	December 31, 2013
Assets		
Cash and due from banks	$ 17,163	$ 45,773
Interest-bearing deposits	1,567	1,007
Securities purchased under agreements to resell	32,240	20,350
Federal funds sold	45,516	29,500
Investment securities		
Trading securities *(Note 3)*	12,094	11,666
Available-for-sale securities *(Note 4)*	70,040	69,005
Held-to-maturity securities, fair value of $112,678 and $112,257 *(Note 5)*	111,365	111,335
Total investment securities	193,499	192,006
Advances, includes $26,173 and $26,305 at fair value held under fair value option *(Note 7)*	484,442	498,599
Mortgage loans held for portfolio, net		
Mortgage loans held for portfolio *(Note 8)*	43,732	44,530
Allowance for credit losses on mortgage loans *(Note 9)*	(71)	(88)
Total mortgage loans held for portfolio, net	43,661	44,442
Accrued interest receivable	1,101	1,144
Premises, software, and equipment, net	224	229
Derivative assets, net *(Note 10)*	581	513
Other assets	591	637
Total assets	$ 820,585	$ 834,200
Liabilities		
Deposits *(Note 11)*	$ 10,438	$ 10,555
Consolidated obligations *(Note 12)*		
Discount notes, includes $6,961 and $5,336 at fair value held under fair value option	267,560	293,296
Bonds, includes $32,941 and $38,573 at fair value held under fair value option	487,166	473,845
Total consolidated obligations	754,726	767,141
Mandatorily redeemable capital stock	4,486	4,998
Accrued interest payable	1,470	1,156
Affordable Housing Program payable	809	788
Derivative liabilities, net *(Note 10)*	1,704	1,913
Other liabilities	1,962	1,635
Subordinated notes	944	944
Total liabilities	776,539	789,130
Commitments and contingencies *(Note 16)*		
Capital *(Note 13)*		
Capital stock		
Class B putable ($100 par value) issued and outstanding shares	31,321	32,900
Class A putable ($100 par value) issued and outstanding shares	452	475
Total capital stock	31,773	33,375
Retained earnings		
Unrestricted	9,265	9,099
Restricted	3,202	3,107
Total retained earnings	12,467	12,206
Accumulated other comprehensive income (loss) *(Note 14)*	(194)	(511)
Total capital	44,046	45,070
Total liabilities and capital	$ 820,585	$ 834,200

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF INCOME
(Unaudited)

(dollars in millions)	Three Months Ended March 31, 2014	2013
Interest income		
Advances	$ 635	$ 645
Prepayment fees on advances, net	11	30
Interest-bearing deposits	2	4
Securities purchased under agreements to resell	3	13
Federal funds sold	12	21
Trading securities	49	57
Available-for-sale securities	346	345
Held-to-maturity securities	531	558
Mortgage loans held for portfolio	437	493
Other	1	—
Total interest income	2,027	2,166
Interest expense		
Consolidated obligations - Discount notes	132	137
Consolidated obligations - Bonds	978	1,135
Deposits	1	—
Subordinated notes	14	14
Mandatorily redeemable capital stock	46	30
Total interest expense	1,171	1,316
Net interest income	856	850
Provision (reversal) for credit losses	(11)	(4)
Net interest income after provision (reversal) for credit losses	867	854
Non-interest income		
Other-than-temporary impairment losses		
Total other-than-temporary impairment losses	(1)	(5)
Net amount of impairment losses reclassified to/(from) accumulated other comprehensive income (loss)	(1)	—
Net other-than-temporary impairment losses	(2)	(5)
Net gains (losses) on trading securities	10	(48)
Net realized gains (losses) from sale of available-for-sale securities	1	1
Net gains (losses) on financial instruments held under fair value option	(33)	(4)
Net gains (losses) on derivatives and hedging activities	(58)	65
Gains on litigation settlements, net	43	—
Net gains (losses) on debt extinguishments	13	(8)
Other, net	32	27
Total non-interest income (loss)	6	28
Non-interest expense		
Compensation and benefits	137	126
Other operating expenses	82	77
Federal Housing Finance Agency	16	16
Office of Finance	12	13
Other	3	2
Total non-interest expense	250	234
Net income before assessments	623	648
Affordable Housing Program assessments	68	68
Net income	$ 555	$ 580

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

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

(dollars in millions)	Three Months Ended March 31, 2014	2013
Net income	$ 555	$ 580
Other comprehensive income		
Net unrealized gains/losses on available-for-sale securities		
Unrealized gains (losses)	158	(51)
Reclassification of realized net (gains) losses included in net income	(1)	—
Total net unrealized gains/losses on available-for-sale securities	157	(51)
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities		
Reclassification of (gains) losses included in net income	—	1
Total net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities	—	1
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities		
Non-credit portion of other-than-temporary impairment losses transferred from held-to-maturity securities	—	(4)
Net change in fair value of other-than-temporarily impaired securities	34	430
Reclassification of non-credit portion included in net income	—	4
Reclassification of (gains) losses included in net income	—	(1)
Unrealized gains (losses)	88	156
Total net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	122	585
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities		
Non-credit portion of other-than-temporary impairment losses	—	(4)
Reclassification of non-credit portion included in net income	1	—
Accretion of non-credit portion	33	40
Transfer of non-credit portion from held-to-maturity securities to available-for-sale securities	—	4
Total net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	34	40
Net unrealized gains/losses relating to hedging activities		
Unrealized gains (losses)	(2)	105
Reclassification of (gains) losses included in net income	(3)	(2)
Total net unrealized gains/losses relating to hedging activities	(5)	103
Pension and postretirement benefits	9	1
Total other comprehensive income (loss)	317	679
Comprehensive income	$ 872	$ 1,259

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CAPITAL
THREE MONTHS ENDED MARCH 31, 2014 AND 2013
(Unaudited)

	Capital Stock - Putable					
	Class B			Class A		
(dollars and shares in millions)	Shares	Par Value		Shares	Par Value	
Balance, December 31, 2012	332	$	33,021	5	$	514
Proceeds from issuance of capital stock	28		2,984	—		—
Repurchases/redemptions of capital stock	(37)		(3,691)	—		(51)
Net shares reclassified (to)/from mandatorily redeemable capital stock	—		(111)	—		(57)
Transfers between Class B and Class A shares	(1)		(81)	1		81
Comprehensive income	—		—	—		—
Dividends on capital stock						
Cash	—		—	—		—
Stock	—		9	—		—
Balance, March 31, 2013	322	$	32,131	6	$	487
Balance, December 31, 2013	330	$	32,900	5	$	475
Proceeds from issuance of capital stock	32		3,158	—		—
Repurchases/redemptions of capital stock	(46)		(4,589)	(1)		(84)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(1)		(91)	—		(5)
Transfers between Class B and Class A shares	(1)		(66)	1		66
Comprehensive income	—		—	—		—
Dividends on capital stock						
Cash	—		—	—		—
Stock	—		9	—		—
Balance, March 31, 2014	314	$	31,321	5	$	452

Capital Stock - Putable							
Total		Retained Earnings			Accumulated Other Comprehensive Income (Loss)	Total Capital
Shares	Par Value	Unrestricted	Restricted	Total		
337	$ 33,535	$ 7,933	$ 2,589	$ 10,522	$ (1,510)	$ 42,547
28	2,984	—	—	—	—	2,984
(37)	(3,742)	—	—	—	—	(3,742)
—	(168)	—	—	—	—	(168)
—	—	—	—	—	—	—
—	—	470	110	580	679	1,259
—	—	(179)	—	(179)	—	(179)
—	9	(9)	—	(9)	—	—
328	$ 32,618	$ 8,215	$ 2,699	$ 10,914	$ (831)	$ 42,701
335	$ 33,375	$ 9,099	$ 3,107	$ 12,206	$ (511)	$ 45,070
32	3,158	—	—	—	—	3,158
(47)	(4,673)	—	—	—	—	(4,673)
(1)	(96)	—	—	—	—	(96)
—	—	—	—	—	—	—
—	—	460	95	555	317	872
—	—	(285)	—	(285)	—	(285)
—	9	(9)	—	(9)	—	—
319	$ 31,773	$ 9,265	$ 3,202	$ 12,467	$ (194)	$ 44,046

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

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

	Three Months Ended March 31,	
(dollars in millions)	2014	2013
Operating activities		
Net income	$ 555	$ 580
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	(70)	8
Change in net derivatives and hedging activities	126	13
Net other-than-temporary impairment losses	2	5
Other adjustments	(27)	4
Net change in fair value adjustments on trading securities	—	48
Net change in fair value adjustments on financial instruments held under fair value option	33	4
Net change in		
Trading securities	(30)	150
Accrued interest receivable	44	21
Other assets	31	(6)
Accrued interest payable	315	383
Other liabilities	(378)	(43)
Total adjustments	46	587
Net cash provided by (used in) operating activities	601	1,167
Investing activities		
Net change in		
Interest-bearing deposits	(374)	755
Securities purchased under agreements to resell	(11,890)	9,210
Federal funds sold	(16,016)	(4,031)
Premises, software, and equipment	(9)	(20)
Trading securities		
Net decrease (increase) in short-term	60	(415)
Proceeds from long-term	1,380	436
Purchases of long-term	(1,812)	(2,034)
Available-for-sale securities		
Net decrease (increase) in short-term	(355)	(500)
Proceeds from long-term	3,203	2,478
Purchases of long-term	(2,820)	(2,089)
Held-to-maturity securities		
Net decrease (increase) in short-term	(1,204)	1,928
Proceeds from long-term	3,626	7,029
Purchases of long-term	(2,275)	(5,581)
Advances		
Principal collected	1,019,686	747,388
Made	(1,005,662)	(741,179)
Mortgage loans held for portfolio		
Principal collected	1,560	3,563
Purchases	(805)	(2,146)
Proceeds from sales of foreclosed assets	31	38
Principal collected on other loans	1	—
Net cash provided by (used in) investing activities	(13,675)	14,830

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

	Three Months Ended March 31,	
(dollars in millions)	2014	2013
Financing activities		
Net change in		
Deposits and pass-through reserves	$ (69)	$ (321)
Net proceeds (payments) on derivative contracts with financing element	(216)	(205)
Net proceeds from issuance of consolidated obligations		
Discount notes	704,582	780,648
Bonds	89,113	76,434
Payments for maturing and retiring consolidated obligations		
Discount notes	(730,323)	(803,960)
Bonds	(76,213)	(75,003)
Proceeds from issuance of capital stock	3,158	2,984
Payments for repurchases/redemptions of mandatorily redeemable capital stock	(610)	(1,027)
Payments for repurchases/redemptions of capital stock	(4,673)	(3,742)
Cash dividends paid	(285)	(179)
Net cash provided by (used in) financing activities	(15,536)	(24,371)
Net increase (decrease) in cash and due from banks	(28,610)	(8,374)
Cash and due from banks at beginning of the period	45,773	18,560
Cash and due from banks at end of the period	$ 17,163	$ 10,186
Supplemental disclosures		
Interest paid	$ 1,082	$ 1,102
AHP payments, net	$ 46	$ 52
Transfers of mortgage loans to real estate owned	$ 36	$ 48
Transfers of other-than-temporarily impaired held-to-maturity securities to available-for-sale securities	$ —	$ 30

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

NOTES TO COMBINED FINANCIAL STATEMENTS (Unaudited)

Background Information

These financial statements present the combined financial position and combined results of operations of the 12 Federal Home Loan Banks (FHLBanks). The FHLBanks are government-sponsored enterprises (GSEs) that 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. On a combined basis, member institutions own most of the FHLBanks' capital stock. Former members (including certain non-members that own FHLBank capital stock as a result of merger or acquisition, relocation, charter termination, or involuntary termination of an FHLBank member) own the remaining capital stock to support business transactions still carried on an FHLBank's 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, qualified community development financial institutions are eligible to be members of an FHLBank. Housing associates, including 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 therefore 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 (FHFA) was established and became the independent Federal 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 Director of the FHFA, any court of competent jurisdiction, or operation of law. The FHFA's stated mission is to ensure that the housing GSEs operate in a safe and sound manner so they serve as a reliable source of liquidity and funding for housing finance and community investment.

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 (consolidated bonds and consolidated discount notes), and to prepare the combined quarterly and annual financial reports of the 12 FHLBanks. As provided by the Federal Home Loan Bank Act of 1932, as 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. The FHLBanks primarily use 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) Program. "Mortgage Partnership Finance," "MPF," and "MPF Xtra" are registered trademarks of the FHLBank of Chicago. In addition, some FHLBanks offer correspondent services to their member institutions, including wire transfer, security safekeeping, and settlement services.

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

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 therefore should be read in conjunction with the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013. In addition, the results of operations for interim periods are not necessarily indicative of the results to be expected for the year ending December 31, 2014, or for other interim periods.

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.

Principles of Combination. Transactions between 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 Bonds between FHLBanks.* These transfers occur when the primary obligation under 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 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 in the combined financial statements represent those of the transferring FHLBank.

2. *Purchases of Consolidated Bonds.* These purchases occur when consolidated bonds 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 as investments. Under combination accounting principles, the investment and the consolidated bonds, and related contractual interest income and expense, are eliminated in combination.

No other transactions among the FHLBanks had a material effect on operating results. (See the *Condensed Combining Schedules* for the combining adjustments made to the combined financial statements.)

Segment Reporting. FHFA regulations consider each FHLBank to be a segment. However, there is no single chief operating decision maker because there is no centralized, system-wide management or centralized board of director oversight of the individual FHLBanks. (See the *Condensed Combining Schedules* for segment information.)

Reclassifications and Revisions to Prior Period Amounts. Certain amounts in the 2013 combined financial statements have been reclassified or revised to conform to the financial statement presentation for the three months ended March 31, 2014. Additionally, certain other 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, 2013. These amounts were not deemed to be material.

Subsequent Events. For purposes of this Combined Financial Report, subsequent events have been evaluated from April 1, 2014, through the time of publication. (See *Note 17 - Subsequent Events* 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 certain mortgage-backed securities (MBS) 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.

Fair Value. The fair value amounts, recorded on the Combined Statement of Condition and in the footnotes for the periods presented, have been determined by the FHLBanks using available market and other pertinent information, and reflect each FHLBank's best judgment of appropriate valuation methods. 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 15 - Fair Value* for more information.)

Financial Instruments Meeting Netting Requirements

The FHLBanks present certain financial instruments on a net basis when they have a legal right of offset and all other requirements for netting are met (collectively referred to as the netting requirements). For these financial instruments, each of the affected FHLBanks has elected to offset its asset and liability positions, as well as cash collateral received or pledged, when it has met the netting requirements.

The net exposure for these financial instruments can change on a daily basis; therefore, there may be a delay between the time when this exposure change is identified and additional collateral is requested, and the time when this collateral is received or pledged. Likewise, there may be a delay for excess collateral to be returned. For derivative instruments that meet the netting requirements, any excess cash collateral received or pledged is recognized as a derivative liability or derivative asset. (See *Note 10 - Derivatives and Hedging Activities* for additional information regarding these agreements.)

At March 31, 2014 and December 31, 2013, the FHLBanks had $32,240 million and $20,350 million in securities purchased under agreements to resell. Based on the fair value of the related collateral held, the securities purchased under agreements to resell were fully collateralized for the periods presented. There were no offsetting liabilities related to these securities at March 31, 2014 and December 31, 2013.

Variable Interest Entities

Certain FHLBanks have investments in variable interest entities (VIEs) that include, but are not limited to, senior interests in private-label 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 of 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 these characteristics, each affected FHLBank has determined that consolidation is not required for its VIEs for the periods presented. In addition, each of these FHLBanks has not provided financial or other support (explicitly or implicitly) during the periods presented. Furthermore, each affected FHLBank was not previously contractually required to provide, nor does it intend to provide, that support in the future.

Note 2 - Recently Issued and Adopted Accounting Guidance

Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure

On January 17, 2014, the Financial Accounting Standards Board (FASB) issued guidance clarifying when consumer mortgage loans collateralized by real estate should be reclassified to real estate owned (REO). Specifically, these collateralized mortgage loans should be reclassified to REO when either the creditor obtains legal title to the residential real estate property upon completion of a foreclosure, or the borrower conveys all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. This guidance is effective for interim and annual periods beginning on or after December 15, 2014, and may be adopted under either the modified retrospective transition method or the prospective transition method. The FHLBanks are in the process of evaluating this guidance, but its effect on the FHLBanks' combined financial condition, combined results of operations, and combined cash flows is not expected to be material.

Joint and Several Liability Arrangements

On February 28, 2013, the FASB issued guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date. This guidance requires an entity to measure these obligations as the sum of (1) the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (2) any additional amount the reporting entity expects to pay on behalf of its co-obligors. In addition, this guidance requires an entity to disclose the nature and amount of the obligations as well as other information about these obligations. This guidance became effective for the FHLBanks beginning on January 1, 2014, and was applied retrospectively to obligations with joint and several liabilities existing at January 1, 2014. However, this guidance had no effect on the FHLBanks' combined financial condition, combined results of operations, or combined cash flows.

Framework for Adversely Classifying Certain Assets

On April 9, 2012, the FHFA issued an advisory bulletin that establishes a standard and uniform methodology for adversely classifying loans, other real estate owned, and certain other assets (excluding investment securities), and prescribes the timing of asset charge-offs based on these classifications. This guidance is generally consistent with the *Uniform Retail Credit Classification and Account Management Policy* issued by the federal banking regulators in June 2000. The adverse classification requirements were implemented as of January 1, 2014; this implementation did not have a material effect on the FHLBanks' combined financial condition, combined results of operations, and combined cash flows. The charge-off requirements should be implemented no later than January 1, 2015; the effect on the FHLBanks' combined financial condition, combined results of operations, and combined cash flows as a result of adopting these requirements has not yet been determined.

Note 3 - Trading Securities

Table 3.1 - Trading Securities by Major Security Type
(dollars in millions)

Fair Value	March 31, 2014	December 31, 2013
Non-mortgage-backed securities		
U.S. Treasury obligations	$ 4,094	$ 2,847
Commercial paper	50	—
Certificates of deposit	150	260
Other U.S. obligations	264	267
GSE and Tennessee Valley Authority obligations	6,312	7,072
State or local housing agency obligations	1	1
Other	283	276
Total non-mortgage-backed securities	11,154	10,723
Mortgage-backed securities		
Other U.S. obligations residential MBS	31	33
GSE residential MBS	679	681
GSE commercial MBS	230	229
Total mortgage-backed securities	940	943
Total	$ 12,094	$ 11,666

Table 3.2 - Net Gains (Losses) on Trading Securities
(dollars in millions)

	Three Months Ended March 31,	
	2014	2013
Net unrealized gains (losses) on trading securities held at period-end	$ 11	$ (46)
Net unrealized and realized gains (losses) on trading securities sold/matured during the period	(1)	(2)
Net gains (losses) on trading securities	$ 10	$ (48)

Note 4 - Available-for-Sale Securities

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

	March 31, 2014				
	Amortized Cost(1)	OTTI Recognized in AOCI(2)	Gross Unrealized Gains(3)	Gross Unrealized Losses(3)	Fair Value
Non-mortgage-backed securities					
Certificates of deposit	$ 2,540	$ —	$ —	$ —	$ 2,540
Other U.S. obligations	4,274	—	42	(5)	4,311
GSE and Tennessee Valley Authority obligations	13,663	—	80	(59)	13,684
State or local housing agency obligations	41	—	—	(2)	39
Federal Family Education Loan Program ABS	6,272	—	446	(6)	6,712
Other	1,063	—	11	(26)	1,048
Total non-mortgage-backed securities	27,853	—	579	(98)	28,334
Mortgage-backed securities					
Other U.S. obligations residential MBS	3,190	—	115	(4)	3,301
Other U.S. obligations commercial MBS	626	—	—	(4)	622
GSE residential MBS	25,118	—	642	(72)	25,688
GSE commercial MBS	43	—	—	—	43
Private-label residential MBS	11,840	(364)	566	(4)	12,038
Home equity loan ABS	11	—	3	—	14
Total mortgage-backed securities	40,828	(364)	1,326	(84)	41,706
Total	$ 68,681	$ (364)	$ 1,905	$ (182)	$ 70,040

	December 31, 2013				
	Amortized Cost(1)	OTTI Recognized in AOCI(2)	Gross Unrealized Gains(3)	Gross Unrealized Losses(3)	Fair Value
Non-mortgage-backed securities					
Certificates of deposit	$ 2,185	$ —	$ —	$ —	$ 2,185
Other U.S. obligations	4,128	—	46	(14)	4,160
GSE and Tennessee Valley Authority obligations	14,503	—	46	(84)	14,465
State or local housing agency obligations	40	—	—	(3)	37
Federal Family Education Loan Program ABS	6,396	—	426	(18)	6,804
Other	1,144	—	8	(25)	1,127
Total non-mortgage-backed securities	28,396	—	526	(144)	28,778
Mortgage-backed securities					
Other U.S. obligations residential MBS	3,272	—	119	(3)	3,388
Other U.S. obligations commercial MBS	309	—	—	—	309
GSE residential MBS	23,678	—	613	(109)	24,182
GSE commercial MBS	43	—	—	—	43
Private-label residential MBS	12,215	(418)	501	(8)	12,290
Home equity loan ABS	12	—	3	—	15
Total mortgage-backed securities	39,529	(418)	1,236	(120)	40,227
Total	$ 67,925	$ (418)	$ 1,762	$ (264)	$ 69,005

(1) 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.

(2) OTTI recognized in AOCI does not include $561 million and $493 million in subsequent unrealized gains (losses) in fair value of previously other-than-temporarily impaired AFS securities at March 31, 2014 and December 31, 2013, which is included in net non-credit portion of OTTI losses on AFS securities in *Note 14 - Accumulated Other Comprehensive Income (Loss)*.

(3) Gross unrealized gains and gross unrealized losses on AFS securities include $561 million and $493 million in subsequent unrealized gains (losses) in fair value of previously other-than-temporarily impaired AFS securities at March 31, 2014 and December 31, 2013, which is not included in net unrealized gains (losses) on AFS securities in *Note 14 - Accumulated Other Comprehensive Income (Loss)*.

Table 4.2 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 4.2 - AFS Securities in a Continuous Unrealized Loss Position
(dollars in millions)

	March 31, 2014					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses(1)
Non-mortgage-backed securities						
Other U.S. Obligations	$ 1,822	$ (5)	$ 44	$ —	$ 1,866	$ (5)
GSE and Tennessee Valley Authority obligations	1,881	(13)	550	(46)	2,431	(59)
State or local housing agency obligations	22	(1)	15	(1)	37	(2)
Federal Family Education Loan Program ABS	4	—	963	(6)	967	(6)
Other	91	—	440	(26)	531	(26)
Total non-mortgage-backed securities	3,820	(19)	2,012	(79)	5,832	(98)
Mortgage-backed securities						
Other U.S. Obligations residential MBS	281	(1)	299	(3)	580	(4)
Other U.S. Obligations commercial MBS	572	(4)	—	—	572	(4)
GSE residential MBS	4,447	(54)	3,510	(18)	7,957	(72)
Private-label residential MBS	558	(9)	3,951	(359)	4,509	(368)
Total mortgage-backed securities	5,858	(68)	7,760	(380)	13,618	(448)
Total	$ 9,678	$ (87)	$ 9,772	$ (459)	$ 19,450	$ (546)

	December 31, 2013					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses(1)
Non-mortgage-backed securities						
Other U.S. Obligations	$ 1,447	$ (14)	$ —	$ —	$ 1,447	$ (14)
GSE and Tennessee Valley Authority obligations	5,323	(37)	403	(47)	5,726	(84)
State or local housing agency obligations	27	(2)	9	(1)	36	(3)
Federal Family Education Loan Program ABS	22	—	969	(18)	991	(18)
Other	203	(1)	430	(24)	633	(25)
Total non-mortgage-backed securities	7,022	(54)	1,811	(90)	8,833	(144)
Mortgage-backed securities						
Other U.S. Obligations residential MBS	528	(3)	29	—	557	(3)
GSE residential MBS	4,788	(83)	3,622	(26)	8,410	(109)
Private-label residential MBS	921	(13)	4,352	(413)	5,273	(426)
Total mortgage-backed securities	6,237	(99)	8,003	(439)	14,240	(538)
Total	$ 13,259	$ (153)	$ 9,814	$ (529)	$ 23,073	$ (682)

(1) Total unrealized losses in Table 4.2 will not agree to total gross unrealized losses in Table 4.1. Total unrealized losses in Table 4.2 includes non-credit-related OTTI recognized in AOCI.

Table 4.3 - AFS Securities by Contractual Maturity
(dollars in millions)

	March 31, 2014		December 31, 2013	
Year of Maturity	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Non-mortgage-backed securities				
Due in one year or less	$ 2,963	$ 2,965	$ 3,259	$ 3,263
Due after one year through five years	9,309	9,362	9,181	9,217
Due after five years through ten years	5,003	5,029	4,529	4,525
Due after ten years	4,306	4,266	5,031	4,969
Federal Family Education Loan Program ABS(1)	6,272	6,712	6,396	6,804
Total non-mortgage-backed securities	27,853	28,334	28,396	28,778
Mortgage-backed securities(1)	40,828	41,706	39,529	40,227
Total	$ 68,681	$ 70,040	$ 67,925	$ 69,005

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

Table 4.4 - Proceeds from Sale and Gross Gains and Losses on AFS Securities
(dollars in millions)

	Three Months Ended March 31,	
	2014	2013
Proceeds from sale of AFS securities	$ 97	$ 42
Gross gains on sale of AFS securities	$ 1	$ 1
Gross losses on sale of AFS securities	—	—
Net realized gains/(losses) from sale of AFS securities	$ 1	$ 1 [(a)]

(a) Consists of net realized gains relating to sales of previously other-than-temporarily impaired securities.

See *Note 6 - Other-than-Temporary Impairment Analysis* for analysis related to OTTI and information on the transfers of securities between the AFS portfolio and the held-to-maturity (HTM) portfolio.

Note 5 - Held-to-Maturity Securities

Table 5.1 - HTM Securities by Major Security Type
(dollars in millions)

	March 31, 2014					
	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						
U.S. Treasury obligations	$ 26	$ —	$ 26	$ —	$ —	$ 26
Certificates of deposit	3,686	—	3,686	—	—	3,686
Other U.S. obligations	1,707	—	1,707	56	(1)	1,762
GSE and Tennessee Valley Authority obligations	5,275	—	5,275	46	(19)	5,302
State or local housing agency obligations	3,460	—	3,460	13	(186)	3,287
Other	1	—	1	—	—	1
Total non-mortgage-backed securities	14,155	—	14,155	115	(206)	14,064
Mortgage-backed securities						
Other U.S. obligations residential MBS	10,243	—	10,243	98	(66)	10,275
Other U.S. obligations commercial MBS	198	—	198	1	—	199
GSE residential MBS	70,583	—	70,583	983	(511)	71,055
GSE commercial MBS	7,618	—	7,618	166	(56)	7,728
Private-label residential MBS	8,892	(703)	8,189	844	(132)	8,901
Manufactured housing loan ABS	120	—	120	3	(1)	122
Home equity loan ABS	311	(52)	259	80	(5)	334
Total mortgage-backed securities	97,965	(755)	97,210	2,175	(771)	98,614
Total	$ 112,120	$ (755)	$ 111,365	$ 2,290	$ (977)	$ 112,678

	December 31, 2013					
	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						
Certificates of deposit	$ 1,926	$ —	$ 1,926	$ —	$ —	$ 1,926
Other U.S. obligations	2,319	—	2,319	44	(1)	2,362
GSE and Tennessee Valley Authority obligations	4,425	—	4,425	33	(24)	4,434
State or local housing agency obligations	3,525	—	3,525	10	(202)	3,333
Other	1	—	1	—	—	1
Total non-mortgage-backed securities	12,196	—	12,196	87	(227)	12,056
Mortgage-backed securities						
Other U.S. obligations residential MBS	10,017	—	10,017	101	(79)	10,039
Other U.S. obligations commercial MBS	215	—	215	1	—	216
GSE residential MBS	72,302	—	72,302	948	(717)	72,533
GSE commercial MBS	7,656	—	7,656	140	(93)	7,703
Private-label residential MBS	9,284	(735)	8,549	838	(152)	9,235
Manufactured housing loan ABS	125	—	125	3	(2)	126
Home equity loan ABS	329	(54)	275	80	(6)	349
Total mortgage-backed securities	99,928	(789)	99,139	2,111	(1,049)	100,201
Total	$ 112,124	$ (789)	$ 111,335	$ 2,198	$ (1,276)	$ 112,257

(1) 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.
(2) Carrying value of HTM securities represents amortized cost after adjustment for the non-credit-related OTTI recognized in AOCI.
(3) Gross unrecognized holding gains (losses) represent the difference between fair value and carrying value.

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)

	March 31, 2014					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses(1)
Non-mortgage-backed securities						
Other U.S. obligations	$ 19	$ (1)	$ 19	$ —	$ 38	$ (1)
GSE and Tennessee Valley Authority obligations	1,975	(19)	—	—	1,975	(19)
State or local housing agency obligations	353	(4)	900	(182)	1,253	(186)
Total non-mortgage-backed securities	2,347	(24)	919	(182)	3,266	(206)
Mortgage-backed securities						
Other U.S. obligations residential MBS	3,278	(58)	714	(8)	3,992	(66)
GSE residential MBS	23,889	(472)	1,853	(39)	25,742	(511)
GSE commercial MBS	2,636	(56)	89	—	2,725	(56)
Private-label residential MBS	1,406	(16)	4,768	(516)	6,174	(532)
Manufactured housing loan ABS	—	—	11	(1)	11	(1)
Home equity loan ABS	—	—	94	(5)	94	(5)
Total mortgage-backed securities	31,209	(602)	7,529	(569)	38,738	(1,171)
Total	$ 33,556	$ (626)	$ 8,448	$ (751)	$ 42,004	$ (1,377)

	December 31, 2013					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses(1)
Non-mortgage-backed securities						
Other U.S. obligations	$ 85	$ (1)	$ 17	$ —	$ 102	$ (1)
GSE and Tennessee Valley Authority obligations	1,970	(24)	—	—	1,970	(24)
State or local housing agency obligations	565	(9)	928	(193)	1,493	(202)
Total non-mortgage-backed securities	2,620	(34)	945	(193)	3,565	(227)
Mortgage-backed securities						
Other U.S. obligations residential MBS	3,008	(75)	549	(4)	3,557	(79)
GSE residential MBS	26,740	(690)	1,129	(27)	27,869	(717)
GSE commercial MBS	3,951	(93)	—	—	3,951	(93)
Private-label residential MBS	1,920	(25)	5,044	(565)	6,964	(590)
Manufactured housing loan ABS	—	—	11	(2)	11	(2)
Home equity loan ABS	—	—	243	(6)	243	(6)
Total mortgage-backed securities	35,619	(883)	6,976	(604)	42,595	(1,487)
Total	$ 38,239	$ (917)	$ 7,921	$ (797)	$ 46,160	$ (1,714)

(1) Total unrealized losses in Table 5.2 will not agree to total gross unrecognized holding losses in Table 5.1. Total unrealized losses in Table 5.2 includes non-credit-related OTTI recognized in AOCI and gross unrecognized holding gains on previously other-than-temporarily impaired securities.

Table 5.3 - HTM Securities by Contractual Maturity
(dollars in millions)

	March 31, 2014			December 31, 2013		
Year of Maturity	Amortized Cost	Carrying Value(1)	Fair Value	Amortized Cost	Carrying Value(1)	Fair Value
Non-mortgage-backed securities						
Due in one year or less	$ 4,677	$ 4,677	$ 4,678	$ 3,151	$ 3,151	$ 3,152
Due after one year through five years	4,597	4,597	4,581	4,055	4,055	4,033
Due after five years through ten years	954	954	956	991	991	992
Due after ten years	3,927	3,927	3,849	3,999	3,999	3,879
Total non-mortgage-backed securities	14,155	14,155	14,064	12,196	12,196	12,056
Mortgage-backed securities(2)	97,965	97,210	98,614	99,928	99,139	100,201
Total	$ 112,120	$ 111,365	$ 112,678	$ 112,124	$ 111,335	$ 112,257

(1) Carrying value of HTM securities represents amortized cost after adjustment for non-credit-related OTTI recognized in AOCI.
(2) MBS are not presented by contractual maturity because their expected maturities will likely differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

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 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 statement of condition date. For securities in an unrealized loss position that meet neither of these conditions, each FHLBank performs a cash flow analysis to determine whether the entire amortized cost basis of these impaired securities, including all previously other-than-temporarily impaired securities, will be recovered. If the FHLBank does not expect to recover the entire amount, the unrealized loss position is considered to be other-than-temporarily impaired. The FHLBank evaluates the security's OTTI to determine the amount of credit loss recognized in earnings, which is limited to the amount of that security's unrealized loss.

The 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 its private-label residential MBS and home equity loan ABS would be recovered, each FHLBank 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 statement of condition date, except for certain private-label residential MBS and home equity loan ABS where underlying loan-level collateral data were not available using the uniform OTTI modeling methodology under the FHLBanks' uniform framework. A description of the uniform framework and the two third-party models are disclosed in *Note 7 - Other-than-Temporary Impairment Analysis,* pages F-30 to F-31, of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013.

Certain Private-label MBS

The FHLBanks' OTTI Governance Committee developed a short-term housing price forecast with projected changes ranging from a decrease of 3.0% to an increase of 9.0% over the twelve month period beginning January 1, 2014. For the vast majority of markets, the projected short-term housing price changes range from a decrease of 1.0% to an increase of 4.0%. Thereafter, home prices were projected to recover using one of five different recovery paths. Table 6.1 presents projected home price recovery by months following the short-term housing price forecast.

Table 6.1 - Recovery Ranges of Housing Price Change

Months	Recovery Range (Annualized Rates)		
1 - 6	0.0%	—	3.0%
7 - 12	1.0%	—	4.0%
13 - 18	2.0%	—	4.0%
19 - 30	2.0%	—	5.0%
31 - 54	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 March 31, 2014, for those securities for which an OTTI was determined to have occurred as well as related current credit enhancement for each applicable FHLBank. Credit enhancement is defined as the percentage of credit subordination, excess spread and over-collateralization, if any, in a security structure that will generally absorb losses before each FHLBank will experience a credit loss on the security. The calculated averages represent the dollar-weighted averages of all the private-label residential MBS and home equity loan ABS in each category shown.

Table 6.2 - Significant Inputs for OTTI

	Significant Inputs for OTTI Private-label Residential MBS(1)			Current Credit Enhancement
	Prepayment Rates	Default Rates	Loss Severities	
Year of Securitization	Weighted-Average(2)	Weighted-Average(2)	Weighted-Average(2)	Weighted-Average(2)
Prime				
2006	11.2%	14.3%	39.4%	—
Total prime	11.2%	14.3%	39.4%	—
Alt-A				
2007	9.0%	38.9%	44.1%	8.6%
2006	9.5%	40.3%	46.4%	—
2005	10.2%	23.9%	43.5%	0.5%
2004 and prior	12.3%	7.6%	38.1%	13.3%
Total Alt-A	9.7%	32.5%	43.7%	6.0%
Total OTTI private-label residential MBS	9.8%	31.7%	43.5%	5.7%

(1) The classification (prime, Alt-A, and subprime) in this table is based on the model used to run the estimated cash flows for the CUSIP, which may not necessarily be the same as the classification at the time of origination.
(2) Weighted-average percentage is based on unpaid principal balance.

HTM Securities Transferred to AFS Securities. 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. Thus, 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 its original classification. Additionally, other events that are isolated, nonrecurring, 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 March 31, 2014, there were no transfers of securities from HTM to AFS. During the three months ended March 31, 2013, the FHLBanks of San Francisco and Atlanta elected to transfer private-label residential MBS, with fair values of $19 million and $11 million that experienced credit-related OTTI during the period, from their respective HTM portfolio to their respective AFS portfolio. Each of these FHLBanks recognized an OTTI credit loss on these HTM private-label residential MBS, which that FHLBank believes is evidence of a significant deterioration in the issuer's creditworthiness. This deterioration 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 the affected FHLBanks asserted as of March 31, 2014, that it has no intent to sell and believes it is not more likely than not that it will be required to sell any security before its anticipated recovery of the remaining amortized cost basis.

Table 6.3 presents the March 31, 2014 balance of the total HTM and AFS MBS with OTTI charges during the life of the security (which represent securities other-than-temporarily impaired prior to and at March 31, 2014), based on each individual FHLBank's impairment analyses of its investment portfolio.

Table 6.3 - Total MBS Other-than-Temporarily Impaired during the Life of the Security
(dollars in millions)

	March 31, 2014(1)						
	Held-to-Maturity Securities				Available-for-Sale Securities		
	Unpaid Principal Balance	Amortized Cost	Carrying Value	Fair Value	Unpaid Principal Balance	Amortized Cost	Fair Value
Private-label residential MBS(2)							
Prime	$ 1,313	$ 1,053	$ 793	$ 1,100	$ 4,076	$ 3,361	$ 3,599
Alt-A	1,868	1,434	1,075	1,430	10,221	8,472	8,432
Subprime	696	435	351	504	2	1	2
Total private-label residential MBS	3,877	2,922	2,219	3,034	14,299	11,834	12,033
Home equity loan ABS(2)							
Alt-A	—	—	—	—	16	11	14
Subprime	197	159	107	183	—	—	—
Total home equity loan ABS	197	159	107	183	16	11	14
Total	$ 4,074	$ 3,081	$ 2,326	$ 3,217	$ 14,315	$ 11,845	$ 12,047

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(1) Table 6.3 does not include all HTM and AFS securities that are in an unrealized loss position as of March 31, 2014. This table includes only HTM and AFS MBS with OTTI charges during the life of the security.
(2) The FHLBanks classify securities 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 securities.

Table 6.4 presents a rollforward of the amounts related to credit losses recognized in earnings. The rollforward relates to the amount of credit losses on investment securities held by the FHLBanks for which a portion of OTTI losses was recognized in accumulated other comprehensive income (loss).

Table 6.4 - Rollforward of the Amounts Related to Credit Losses Recognized into Earnings
(dollars in millions)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Balance, at beginning of period	$ 4,075	$ 4,260
Additions		
Additional OTTI credit losses for securities upon which an OTTI charge was previously recognized (1)	2	5
Reductions		
Securities sold or matured during the period(2)	—	(19)
Credit losses on securities that an FHLBank intends to sell before recovery of its amortized cost basis	—	(8)
Increases in cash flows expected to be collected that are recognized over the remaining life of the securities	(60)	(18)
Balance, at end of period	$ 4,017	$ 4,220

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(1) For the three months ended March 31, 2014 and 2013, additional OTTI credit losses for securities upon which an OTTI charge was previously recognized relates to all securities that were also previously impaired prior to January 1, 2014 and 2013.

(2) Represents reductions related to securities sold or having reached final maturity during the period, and therefore are no longer held by the FHLBanks at the end of the period.

All other AFS and HTM Investment Securities

At March 31, 2014, the FHLBanks held certain other AFS and HTM securities in unrealized loss positions. These unrealized losses are due primarily to illiquidity and interest rate volatility. These losses are considered temporary as each FHLBank expects to recover the entire amortized cost basis on its 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. As a result, each FHLBank does not consider these other AFS and HTM investments to be other-than-temporarily impaired at March 31, 2014.

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 20 years, where the interest rates reset periodically at a fixed spread to LIBOR or other specified index.

Table 7.1 - Advances Redemption Terms
(dollars in millions)

	March 31, 2014		December 31, 2013	
Redemption Term	**Amount**	**Weighted-Average Interest Rate**	**Amount**	**Weighted-Average Interest Rate**
Overdrawn demand and overnight deposit accounts	$ 10	0.50%	$ 16	2.05%
Due in 1 year or less	186,064	0.55%	206,928	0.52%
Due after 1 year through 2 years	60,881	1.21%	54,952	1.40%
Due after 2 years through 3 years	54,684	1.80%	55,827	1.77%
Due after 3 years through 4 years	59,573	1.85%	52,298	1.89%
Due after 4 years through 5 years	63,479	1.07%	64,748	1.23%
Thereafter	51,909	2.41%	55,793	2.24%
Index-amortizing advances(1)	1,940	3.60%	1,997	3.64%
Total par value	478,540	1.22%	492,559	1.21%
Commitment fees	(6)		(7)	
Discounts on AHP advances	(40)		(41)	
Premiums	107		118	
Discounts	(99)		(110)	
Hedging adjustments	5,813		5,961	
Fair value option valuation adjustments	127		119	
Total	$ 484,442		$ 498,599	

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

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

Redemption Term	Year of Contractual Maturity or Next Call Date: March 31, 2014	Year of Contractual Maturity or Next Call Date: December 31, 2013	Year of Contractual Maturity or Next Put or Convert Date: March 31, 2014	Year of Contractual Maturity or Next Put or Convert Date: December 31, 2013
Overdrawn demand and overnight deposit accounts	$ 10	$ 16	$ 10	$ 16
Due in 1 year or less	226,411	248,642	210,390	231,878
Due after 1 year through 2 years	58,139	51,856	61,612	55,174
Due after 2 years through 3 years	51,689	52,358	51,720	53,096
Due after 3 years through 4 years	56,153	48,422	49,320	44,029
Due after 4 years through 5 years	41,804	45,294	60,118	59,138
Thereafter	42,394	43,974	43,430	47,231
Index-amortizing advances	1,940	1,997	1,940	1,997
Total par value	$ 478,540	$ 492,559	$ 478,540	$ 492,559

The FHLBanks offer advances to members and eligible non-members that provide 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 March 31, 2014 and December 31, 2013, the FHLBanks had callable advances outstanding totaling $50.9 billion and $52.5 billion.

Some advances contain embedded options allowing an FHLBank to offer putable and convertible advances. A member either can sell an embedded option to an FHLBank or 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, these put options are exercised when interest rates increase. At March 31, 2014 and December 31, 2013, the FHLBanks had putable advances outstanding totaling $26.1 billion and $26.3 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 March 31, 2014 and December 31, 2013, the FHLBanks had convertible advances outstanding totaling $7.2 billion and $7.5 billion.

Table 7.3 - Advances by Current Interest Rate Terms
(dollars in millions)

	March 31, 2014	December 31, 2013
Total fixed-rate	$ 287,420	$ 315,280
Total variable-rate	191,120	177,279
Total par value	$ 478,540	$ 492,559

Credit Risk Exposure and Security Terms

The FHLBanks' potential credit risk from advances is concentrated in commercial banks and thrifts. The FHLBanks' advances outstanding that were greater than or equal to $1.0 billion per borrower were $325.2 billion and $335.6 billion at March 31, 2014 and December 31, 2013. These advances were made to 72 and 73 borrowers (members and non-members) at March 31, 2014 and December 31, 2013, which represented 68.0% and 68.1% of total advances outstanding at March 31, 2014 and

December 31, 2013. (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 consist of loans obtained through the MPP and MPF Program and are either conventional or government-guaranteed or -insured mortgage 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. These mortgage loans are credit-enhanced by participating financial institutions or are guaranteed or insured by Federal agencies. The FHLBanks are authorized to hold acquired member assets, such as assets acquired under the MPP and MPF Program.

Table 8.1 - Mortgage Loans Held for Portfolio
(dollars in millions)

	March 31, 2014	December 31, 2013
Fixed-rate, long-term single-family mortgage loans	$ 33,997	$ 34,393
Fixed-rate, medium-term(1) single-family mortgage loans	9,036	9,429
Total unpaid principal balance	43,033	43,822
Premiums	682	694
Discounts	(96)	(103)
Hedging adjustments	113	117
Total mortgage loans held for portfolio	$ 43,732	$ 44,530

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

Table 8.2 - Mortgage Loans Held for Portfolio by Collateral/Guarantee Type
(dollars in millions)

	March 31, 2014	December 31, 2013
Conventional mortgage loans	$ 37,670	$ 38,327
Government-guaranteed or -insured mortgage loans	5,363	5,495
Total unpaid principal balance	$ 43,033	$ 43,822

Note 9 - Allowance for Credit Losses

Each FHLBank has established an allowance methodology for its applicable portfolio segments:

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

See *Note 1 - Summary of Significant Accounting Policies* and *Note 10 - Allowance for Credit Losses* on pages F-16 to F-17 and pages F-38 to F-45 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013, for a description of allowance methodologies related to the FHLBanks' portfolio segments as well as the FHLBanks' policies for impairing financing receivables, placing them on non-accrual status, and charging them off when necessary.

Credit Products

Using a risk-based approach and taking into consideration each borrower's financial strength, the FHLBanks consider the types and level of collateral to be the primary indicator of credit quality on their credit products. At March 31, 2014 and December 31, 2013, each FHLBank had rights to collateral on a borrower-by-borrower basis with an estimated value equal to, or greater than, its outstanding extensions of credit.

Each FHLBank continues to evaluate and make changes to its collateral guidelines, as necessary, based on current market conditions. At March 31, 2014 and December 31, 2013, 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 FHLBank during the three months ended March 31, 2014 and 2013.

Based on the collateral held as security, each FHLBank management's credit extension and collateral policies and repayment history on credit products, no FHLBank has incurred any losses on its credit products. Accordingly, at March 31, 2014 and December 31, 2013, no FHLBank recorded any allowance for credit losses on these credit products, and no FHLBank recorded any liability to reflect an allowance for credit losses for off-balance sheet credit exposures. (See *Note 16 - Commitments and Contingencies* for additional information on the FHLBanks' off-balance sheet credit exposure.)

Government-Guaranteed or -Insured Mortgage Loans Held for Portfolio

An FHLBank invests in fixed-rate mortgage loans that 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 the Department of Housing and Urban Development. The servicer provides and maintains insurance or a guarantee from the applicable government agency. The servicer is responsible for compliance with all government agency requirements and for obtaining the benefit of the applicable guarantee or insurance with respect to defaulted government-guaranteed or -insured mortgage loans. Any losses incurred on these loans that are not recovered from the issuer or the guarantor are absorbed by the servicer. Therefore, each FHLBank only has credit risk for these loans if the servicer fails to pay for losses not covered by the guarantee or insurance. Based on each FHLBank's assessment of its servicers, no FHLBank established an allowance for credit losses for its government-guaranteed or -insured mortgage loan portfolio at March 31, 2014 and December 31, 2013. Furthermore, none of these mortgage loans have been placed on non-accrual status because of the U.S. government guarantee or insurance on these loans and the contractual obligation of the loan servicer to repurchase the loans when certain criteria are met.

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

Rollforward of Allowance for Credit Losses on Mortgage Loans. Each FHLBank established an allowance for credit losses on its conventional mortgage loans held for portfolio. Table 9.1 presents a rollforward of the allowance for credit losses on mortgage loans for the three months ended March 31, 2014 and 2013, and Table 9.2 presents the recorded investment in mortgage loans by impairment methodology at March 31, 2014 and December 31, 2013. 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
(dollars in millions)

	Three Months Ended March 31,							
	2014				2013			
	Conventional MPP	Conventional MPF	Other	Total	Conventional MPP	Conventional MPF	Other	Total
Balance, at beginning of period	$ 13	$ 75	$ —	$ 88	$ 30	$ 101	$ 1	$ 132
Charge-offs	(1)	(5)	—	(6)	(1)	(4)	—	(5)
Provision (reversal) for credit losses(1)	—	(11)	—	(11)	(7)	3	—	(4)
Balance, at end of period	$ 12	$ 59	$ —	$ 71	$ 22	$ 100	$ 1	$ 123

(1) The provision (reversal) for credit losses includes only the provision (reversal) related specifically to mortgage loans and does not include provision or reversal for credit losses related to Banking on Business loans specific to the FHLBank of Pittsburgh of $1 million or less for the periods presented.

Table 9.2 - Allowance for Credit Losses and Recorded Investment by Impairment Methodology
(dollars in millions)

	March 31, 2014				December 31, 2013			
	Conventional MPP	Conventional MPF	Other	Total	Conventional MPP	Conventional MPF	Other	Total
Allowances for credit losses, end of period								
Individually evaluated for impairment	$ 1	$ 37	$ —	$ 38	$ 1	$ 35	$ —	$ 36
Collectively evaluated for impairment	11	22	—	33	12	40	—	52
	$ 12	$ 59	$ —	$ 71	$ 13	$ 75	$ —	$ 88
Recorded investment, end of period(1)								
Individually evaluated for impairment								
Impaired, with or without a related allowance	$ 42	$ 412	$ —	$ 454	$ 39	$ 348	$ —	$ 387
Not impaired, no related allowance	—	1,787	—	1,787	—	1,795	—	1,795
Total individually evaluated for impairment	42	2,199	—	2,241	39	2,143	—	2,182
Collectively evaluated for impairment	11,671	24,537	—	36,208	11,795	25,140	—	36,935
Total recorded investment	$ 11,713	$ 26,736	$ —	$ 38,449	$ 11,834	$ 27,283	$ —	$ 39,117

(1) Excludes government-guaranteed or -insured mortgage loans at March 31, 2014 and December 31, 2013.

Credit Quality Indicators. 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. Table 9.3 presents the FHLBanks' key credit quality indicators for mortgage loans at March 31, 2014 and December 31, 2013.

Table 9.3 - Recorded Investment in Delinquent Mortgage Loans
(dollars in millions)

	March 31, 2014				
	Conventional MPP	Conventional MPF	Government-Guaranteed or -Insured	Other	Total
Past due 30-59 days	$ 118	$ 364	$ 228	$ —	$ 710
Past due 60-89 days	31	111	72	—	214
Past due 90 days or more	158	464	246	—	868
Total past due mortgage loans	307	939	546	—	1,792
Total current mortgage loans	11,406	25,797	4,941	—	42,144
Total mortgage loans(1)	$ 11,713	$ 26,736	$ 5,487	$ —	$ 43,936
Other delinquency statistics					
In process of foreclosure, included above(2)	$ 117	$ 260	$ 95	$ —	$ 472
Serious delinquency rate(3)	1.35%	1.75%	4.48%	—	1.98%
Past due 90 days or more and still accruing interest	$ 119	$ 26	$ 246	$ —	$ 391
Loans on non-accrual status(4)	$ 42	$ 489	$ —	$ —	$ 531

	December 31, 2013				
	Conventional MPP	Conventional MPF	Government-Guaranteed or -Insured	Other	Total
Past due 30-59 days	$ 128	$ 418	$ 296	$ —	$ 842
Past due 60-89 days	40	123	89	—	252
Past due 90 days or more	172	491	256	—	919
Total past due mortgage loans	340	1,032	641	—	2,013
Total current mortgage loans	11,494	26,251	4,980	—	42,725
Total mortgage loans(1)	$ 11,834	$ 27,283	$ 5,621	$ —	$ 44,738
Other delinquency statistics					
In process of foreclosure, included above(2)	$ 123	$ 283	$ 87	$ —	$ 493
Serious delinquency rate(3)	1.45%	1.69%	4.09%	—	1.93%
Past due 90 days or more and still accruing interest	$ 134	$ 27	$ 256	$ —	$ 417
Loans on non-accrual status(4)	$ 45	$ 518	$ —	$ —	$ 563

(1) The difference between the recorded investment and the carrying value of total mortgage loans of $204 million and $208 million at March 31, 2014 and December 31, 2013, primarily relates to accrued interest. (See *Note 8 - Mortgage Loans* for details on the carrying values of total mortgage loans.)
(2) Includes loans where the decision of foreclosure or a similar alternative, such as pursuit of deed-in-lieu has been reported. Loans in the process of foreclosure are included in past due or current loans depending on their delinquency status.
(3) Represents seriously delinquent loans as a percentage of total mortgage loans. Seriously delinquent loans are comprised of all loans past due 90 days or more delinquent or loans that are in the process of foreclosure (including past due or current loans in the process of foreclosure).
(4) Generally represents mortgage loans with contractual principal or interest payments 90 days or more past due and not accruing interest.

Individually Evaluated Impaired Loans. Certain conventional mortgage loans, primarily impaired mortgage loans that are considered collateral dependent, may be specifically identified for purposes of calculating the allowance for credit losses. The estimated credit losses on impaired collateral-dependent loans may be separately determined because sufficient information exists to make a reasonable estimate of the inherent loss on these loans on an individual loan basis. Each FHLBank estimates the fair value of this collateral by applying an appropriate loss severity rate or using valuation model(s).

Table 9.4 presents the recorded investment, unpaid principal balance, and related allowance of impaired loans individually assessed for impairment at March 31, 2014 and December 31, 2013, and Table 9.5 presents the average recorded investment and related interest income recognized on these loans during the three months ended March 31, 2014 and 2013.

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

	March 31, 2014			December 31, 2013		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance						
Conventional MPP loans	$ 38	$ 37	$ —	$ 35	$ 35	$ —
Conventional MPF loans	111	110	—	54	54	—
With an allowance						
Conventional MPP loans	4	4	—	4	4	—
Conventional MPF loans	301	299	37	294	289	35
Total						
Conventional MPP loans	$ 42	$ 41	$ —	$ 39	$ 39	$ —
Conventional MPF loans	$ 412	$ 409	$ 37	$ 348	$ 343	$ 35

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

	Three Months Ended March 31,			
	2014		2013	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance				
Conventional MPP loans	$ 36	$ —	$ 31	$ —
Conventional MPF loans	106	—	35	—
With an allowance				
Conventional MPP loans	4	—	5	—
Conventional MPF loans	305	—	334	—
Other loans	—	—	2	—
Total				
Conventional MPP loans	$ 40	$ —	$ 36	$ —
Conventional MPF loans	$ 411	$ —	$ 369	$ —
Other loans	$ —	$ —	$ 2	$ —

Credit Enhancements. An FHLBank's allowance for credit losses considers the credit enhancements associated with conventional mortgage loans under the MPF Program and MPP. These credit enhancements apply after a homeowner's equity is exhausted. Credit enhancements may include primary mortgage insurance, supplemental mortgage insurance, the credit enhancement amount plus any performance-based credit enhancement fees (for MPF loans), and Lender Risk Account (for MPP loans). The amount of credit enhancements estimated to protect an FHLBank against credit losses is determined through the use of a model. Any incurred losses that would be recovered from the credit enhancements are not reserved as part of an FHLBank's allowance for credit losses on mortgage loans.

Mortgage Partnership Finance Program. The conventional MPF loans are required to be credit enhanced so that the risk of loss is limited to the losses equivalent to an investor in a double-A rated mortgage-backed security at the time of purchase. Each MPF FHLBank and its participating financial institution share the risk of credit losses on conventional MPF loan products, excluding the MPF Xtra product, by structuring potential losses on conventional MPF loans into layers with respect to each master commitment. Each MPF FHLBank analyzes the risk characteristics of its MPF loans using a model from a nationally recognized statistical rating organization or an equivalent model using a comparable methodology to determine the amount of credit enhancement at the time of purchase. This credit enhancement amount is broken into a First Loss Account and a credit enhancement obligation of a participating financial institution, which is calculated based on the risk analysis to equal the difference between the amounts needed for the master commitment to have a rating equivalent to a double-A rated mortgage-backed security and an MPF FHLBank's initial First Loss Account exposure.

The First Loss Account represents the first layer or portion of credit losses that each MPF FHLBank is obligated to absorb with respect to its MPF loans after considering the borrower's equity and primary mortgage insurance. The participating financial institution is required to cover the next layer of losses up to an agreed-upon credit enhancement obligation amount, which 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 the MPF FHLBank.

Participating financial institutions are paid a credit enhancement fee for assuming credit risk, and in some instances all or a portion of the credit enhancement fee may be performance-based. An MPF FHLBank's losses incurred under the First Loss Account may be recovered by withholding future performance credit enhancement fees otherwise payable to the participating financial institutions. If at any time an MPF FHLBank cancels all or a portion of its supplemental mortgage insurance policies, the participating financial institution no longer retains the portion of credit risk on the related mortgage loans purchased by an MPF FHLBank. In those instances, an MPF FHLBank holds additional retained earnings to protect against losses and no credit enhancement fees are paid to the participating financial institution.

At March 31, 2014 and December 31, 2013, the amounts of First Loss Account remaining to cover the losses under the MPF program were $398 million and $403 million. This balance excludes amounts that may be recovered through the recapture of performance-based credit enhancement fees. An FHLBank records credit enhancement fees paid to the participating financial institutions as a reduction to mortgage interest income. Credit enhancement fees totaled $5 million for each of the three months ended March 31, 2014 and 2013.

Unlike other MPF products, under the MPF Xtra product participating financial institutions are not required to provide credit enhancement and do not receive credit enhancement fees. Loans sold to the FHLBank of Chicago under the MPF Xtra product are concurrently sold to Fannie Mae, as a third-party investor, and are not held on the participating MPF FHLBank's statement of condition. (See *Note 16 - Commitments and Contingencies* for additional information.)

Mortgage Purchase Program. 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 MPP 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 MPP 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. To the extent available, Lender Risk Account funds are used to offset any losses that 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 upon execution 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
(dollars in millions)

	Three Months Ended March 31,	
	2014	2013
Balance, at beginning of period	$ 161	$ 138
Additions	4	10
Claims	(2)	(3)
Scheduled distributions	(1)	(1)
Balance, at end of period	$ 162	$ 144

Troubled debt restructurings. 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. An FHLBank has granted a concession when it does not expect to collect all amounts due to the FHLBank under the original contract as a result of the restructuring. Loans outstanding as of March 31, 2014 and December 31, 2013, that are discharged in Chapter 7 bankruptcy and have not been reaffirmed by the borrowers are also considered to be troubled debt restructurings, except in cases where certain supplemental mortgage insurance policies are held or where all contractual amounts due are still expected to be collected as a result of certain credit enhancements or government guarantees.

An FHLBank's MPF loan troubled debt restructurings primarily involve modifying the borrower's monthly payment for a period of up to 36 months to achieve a housing expense ratio of no more than 31% of their qualifying monthly income. The outstanding principal balance is first 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 the number of remaining monthly payments are not adjusted. If the 31% housing expense ratio is not achieved through re-amortization, the interest rate is reduced in 0.125% increments below the original note rate, to a floor rate of 3.00%, resulting in reduced principal and interest payments, for the temporary payment modification period of up to 36 months, until the desired 31% housing expense ratio is met.

An FHLBank's MPP loan 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 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 presents the recorded investment balances of performing and non-performing mortgage loans classified as troubled debt restructurings as of March 31, 2014 and December 31, 2013.

Table 9.7 - Performing and Non-Performing Troubled Debt Restructurings
(dollars in millions)

	March 31, 2014			December 31, 2013		
	Performing	Non-performing	Total	Performing	Non-performing	Total
Conventional MPP loans	$ 29	$ 13	$ 42	$ 28	$ 10	$ 38
Conventional MPF loans	69	39	108	50	59	109
Total	$ 98	$ 52	$ 150	$ 78	$ 69	$ 147

During the three months ended March 31, 2014 and 2013, the FHLBanks had a limited number of troubled debt restructurings of mortgage loans. Table 9.8 presents the financial effect of the modifications during the three months ended March 31, 2014 and 2013. The post-modification amounts represent the recorded investment as of the date the troubled debt restructuring was executed.

Table 9.8 - Troubled Debt Restructurings - Recorded Investment Balance at Modification Date
(dollars in millions)

	Three Months Ended March 31,	
Post-Modification(1)	2014	2013
Conventional MPP loans	$ 5	$ 4
Conventional MPF loans	12	22
Other loans	—	2
Total	$ 17	$ 28

(1) The pre-modification recorded investment in troubled debt restructurings was not materially different from the post-modification amount as there were no direct write-offs or write-offs due to principal forgiveness during the three months ended March 31, 2014 and 2013.

During the three months ended March 31, 2014 and 2013, certain conventional MPF and MPP loans modified as troubled debt restructurings within the previous twelve months experienced a payment default. A borrower is considered to have defaulted on a troubled debt restructuring if the borrower's contractually due principal or interest is 60 days or more past due at any time during the period presented. Table 9.9 presents the amount of these MPF and MPP loans that subsequently defaulted.

Table 9.9 - Recorded Investment of Troubled Debt Restructurings that Subsequently Defaulted(1)
(dollars in millions)

	Three Months Ended March 31,	
	2014	2013
Conventional MPP loans	$ —	$ 1
Conventional MPF loans	20	11
Total	$ 20	$ 12

(1) For the purpose of this disclosure, only the initial default was included in Table 9.9; however, a loan can experience another payment default in a subsequent period.

Real Estate Owned. The FHLBanks had $99 million and $102 million of real estate owned recorded in other assets on the Combined Statement of Condition at March 31, 2014 and December 31, 2013.

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

These investments are generally short-term and their recorded balance approximates fair value. An FHLBank invests in federal funds with investment-grade counterparties that are only evaluated for purposes of a reserve for credit losses if the investment is not paid when due. All investments in federal funds sold are unsecured and were repaid or expected to be repaid according to the contractual terms as of March 31, 2014 and December 31, 2013. 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 decreases 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. 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, each FHLBank determined that no allowance for credit losses was needed for its securities purchased under agreements to resell at March 31, 2014 and December 31, 2013.

Note 10 - Derivatives and Hedging Activities

Nature of Business Activity

The FHLBanks are exposed to interest-rate risk primarily from the effect of interest rate changes on their interest-earning assets and their funding sources that finance these assets. The goal of each FHLBank's interest-rate risk management strategy 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. (See *Note 11 - Derivatives and Hedging Activities* on pages F-45 to F-54 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013, for additional information on the FHLBanks' derivative transactions.)

Derivative financial instruments are used by an FHLBank when they are considered to be the most cost-effective alternative to achieve the FHLBank's financial and risk management objectives. Each FHLBank reevaluates its hedging strategies from time to time and may change the hedging techniques it uses or may adopt new strategies.

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. Derivative transactions may be either executed with a counterparty (bilateral derivatives) or cleared through a Futures Commission Merchant (i.e., clearing agent) with a Derivative Clearing Organization (cleared derivatives).

Once a derivative transaction has been accepted for clearing by a Derivative Clearing Organization (Clearinghouse), the derivative transaction is novated and the executing counterparty is replaced with the Clearinghouse. The Clearinghouse notifies the clearing agent of the required initial and variation margin and the clearing agent notifies the FHLBank of the required initial and variation margin. (See *Managing Credit Risk on Derivatives* for a more detailed discussion of cleared derivatives.) FHLBanks are not derivative dealers and do not trade derivatives for short-term profit.

Financial Statement Effect and Additional Financial Information

Derivative Notional Amounts. The notional amount of derivatives serves as a factor in determining periodic interest payments or cash flows received and paid. However, the notional amount of derivatives reflects the FHLBanks' involvement in the various classes of financial instruments and represents neither the actual amounts exchanged nor the overall exposure of the FHLBanks to credit and market risk; the overall risk is much smaller. The risks of derivatives can be measured meaningfully on a portfolio basis that takes into account the counterparties, the types of derivatives, the items being hedged, and any offsets between the derivatives and the items being hedged.

Table 10.1 presents the fair value of derivative instruments, including the effect of netting adjustments and cash collateral. 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
(dollars in millions)

	March 31, 2014			December 31, 2013		
	Notional Amount of Derivatives	Derivative Assets	Derivative Liabilities	Notional Amount of Derivatives	Derivative Assets	Derivative Liabilities
Derivatives designated as hedging instruments						
Interest-rate swaps	$ 389,283	$ 2,776	$ 9,823	$ 374,229	$ 3,031	$ 10,688
Interest-rate caps or floors	282	—	2	282	—	3
Total derivatives in hedging relationships	389,565	2,776	9,825	374,511	3,031	10,691
Derivatives not designated as hedging instruments						
Interest-rate swaps	118,086	720	985	131,690	786	1,064
Interest-rate swaptions	4,120	55	1	4,905	64	1
Interest-rate caps or floors	28,630	244	24	27,367	270	36
Interest-rate futures or forwards	235	1	—	120	1	—
Mortgage delivery commitments	601	2	4	425	3	4
Other	260	3	3	260	3	3
Total derivatives not designated as hedging instruments	151,932	1,025	1,017	164,767	1,127	1,108
Total derivatives before netting and collateral adjustments	$ 541,497	3,801	10,842	$ 539,278	4,158	11,799
Netting adjustments		(2,767)	(2,767)		(3,171)	(3,171)
Cash collateral and related accrued interest		(453)	(6,371)		(474)	(6,715)
Total netting adjustments and cash collateral(1)		(3,220)	(9,138)		(3,645)	(9,886)
Total derivative assets and total derivative liabilities		$ 581	$ 1,704		$ 513	$ 1,913

(1) Amounts represent the application of the netting requirements that allow an FHLBank to settle positive and negative positions and also cash collateral and related accrued interest held or placed by that FHLBank with the same clearing agent and/or counterparty.

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 Ended March 31,	
	2014	2013
Derivatives designated as hedging instruments		
Interest-rate swaps	$ 11	$ 36
Total net gains related to fair value hedge ineffectiveness	11	36
Total net gains related to cash flow hedge ineffectiveness	—	1
Derivatives not designated as hedging instruments		
Economic hedges		
Interest-rate swaps	11	51
Interest-rate swaptions	(16)	(6)
Interest-rate caps or floors	(39)	(20)
Interest-rate futures or forwards	(2)	1
Net interest settlements	(26)	4
Mortgage delivery commitments	2	(2)
Intermediary transactions		
Interest-rate swaps	1	—
Total net gains (losses) related to derivatives not designated as hedging instruments	(69)	28
Net gains (losses) on derivatives and hedging activities	$ (58)	$ 65

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
(dollars in millions)

	Three Months Ended March 31, 2014			
Hedged Item Type	Gains (Losses) on Derivatives	Gains (Losses) on Hedged Items	Net Fair Value Hedge Ineffectiveness	Net Effect of Derivatives on Net Interest Income(1)
Advances	$ 127	$ (99)	$ 28	$ (799)
Consolidated bonds	438	(444)	(6)	496
Available-for-sale securities	(189)	178	(11)	(159)
Total	$ 376	$ (365)	$ 11	$ (462)

	Three Months Ended March 31, 2013			
Hedged Item Type	Gains (Losses) on Derivatives	Gains (Losses) on Hedged Items	Net Fair Value Hedge Ineffectiveness	Net Effect of Derivatives on Net Interest Income(1)
Advances	$ 1,108	$ (1,056)	$ 52	$ (918)
Consolidated bonds	(739)	720	(19)	622
Available-for-sale securities	161	(158)	3	(127)
Total	$ 530	$ (494)	$ 36	$ (423)

(1) The net effect of derivatives, in fair value hedge relationships, on net interest income is included in the interest income or interest expense line item of the respective hedged item type. These amounts include the effect of net interest settlements attributable to designated fair value hedges but do not include $(13) million and $(10) million of amortization/accretion related to fair value hedging activities for the three months ended March 31, 2014 and 2013.

An FHLBank may also hedge a firm commitment for a forward-starting advance through the use of an interest-rate swap. In this case, the swap will function as the hedging instrument for both the firm commitment and the subsequent advance. The fair value change associated with the firm commitment will be recorded as a basis adjustment of the advance at the time the commitment is terminated and the advance is issued. The basis adjustment will then be amortized into interest income over the life of the advance. In addition, if a hedged firm commitment no longer qualifies as a fair value hedge, the hedge would be terminated and net gains and losses would be recognized in current-period earnings. There were no material amounts of gains and losses recognized due to disqualification of firm commitment hedges during the three months ended March 31, 2014 and 2013.

Table 10.4 presents by type of hedged item in cash flow hedging relationships, the gains (losses) recognized in AOCI, the gains (losses) 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 *Note 14 - Accumulated Other Comprehensive Income (Loss)* 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)

	Three Months Ended March 31, 2014			
Derivatives and Hedged Items in Cash Flow Hedging Relationships(1)	Amount of Gains (Losses) Recognized in AOCI on Derivatives (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 of Gains Recognized in Net Gains (Losses) on Derivatives and Hedging Activities (Ineffective Portion)
Interest-rate swaps				
Consolidated bonds	$ (6)	Interest expense	$ (1)	$ —
Consolidated discount notes	4	Interest expense	—	—
Interest-rate caps or floors				
Advances	—	Interest income	4	—
Total	$ (2)		$ 3	$ —

Derivatives and Hedged Items in Cash Flow Hedging Relationships(1)	Three Months Ended March 31, 2013 Amount of Gains (Losses) Recognized in AOCI on Derivatives (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 of Gains Recognized in Net Gains (Losses) on Derivatives and Hedging Activities (Ineffective Portion)
Interest-rate swaps				
Consolidated bonds	$ —	Interest expense	$ (1)	$ —
Consolidated discount notes	105	Interest expense	(1)	1
Interest-rate caps or floors				
Advances	—	Interest income	3	—
Total	$ 105		$ 1	$ 1

(1) Table 10.4 does not include $(70) million and $(74) million for the effect of net interest settlements attributable to open cash flow hedges on net interest income for the three months ended March 31, 2014 and 2013.

For the three months ended March 31, 2014 and 2013, 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 March 31, 2014, $7 million of deferred net losses on derivative instruments in AOCI is expected to be reclassified to earnings during the next twelve months. At March 31, 2014, the maximum length of time over which an FHLBank is hedging its 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 fifteen years.

Managing Credit Risk on Derivatives

Each FHLBank is subject to credit risk due to the risk of nonperformance by counterparties to its derivative transactions, and manages credit risk through credit analysis, collateral requirements, and adherence to the requirements set forth in its policies, U.S. Commodity Futures Trading Commission regulations, and FHFA regulations. For bilateral derivatives, the degree of credit risk depends on the extent to which master netting arrangements are included in these contracts to mitigate the risk. Each FHLBank requires collateral agreements with collateral delivery thresholds on the majority of its bilateral derivatives. 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 that FHLBank.

For cleared derivatives, the Clearinghouse is an FHLBank's counterparty. The requirement that an FHLBank post initial and variation margin through the clearing agent, to the Clearinghouse, exposes an FHLBank to credit risk if the clearing agent or the Clearinghouse fails to meet its obligations. The use of cleared derivatives is intended to mitigate credit risk exposure because a central counterparty is substituted for individual counterparties and collateral is posted daily through a clearing agent, for changes in the value of cleared derivatives.

Each FHLBank has analyzed the enforceability of offsetting rights incorporated in its cleared derivative transactions and determined that the exercise of those offsetting rights by a non-defaulting party under these transactions should be upheld under applicable law upon an event of default including a bankruptcy, insolvency, or similar proceeding involving the Clearinghouse or that FHLBank's clearing agent, or both. Based on this analysis, each FHLBank presents a net derivative receivable or payable for all of its transactions through a particular clearing agent with a particular Clearinghouse.

Certain of the FHLBanks' bilateral 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 nationally recognized statistical rating organization, that FHLBank may be required to deliver additional collateral on bilateral derivative instruments in net liability positions. The aggregate fair value of all bilateral derivative instruments with credit-risk-related contingent features that were in a net liability position (before cash collateral and related accrued interest) at March 31, 2014, was $5.3 billion, for which the FHLBanks have posted collateral with a fair value of $4.3 billion in the normal course of business. If each FHLBank's credit rating 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 an additional $0.5 billion of collateral at fair value to their bilateral derivatives counterparties at March 31, 2014.

For cleared derivatives, the Clearinghouse determines initial margin requirements and generally credit ratings are not factored into the initial margin. However, clearing agents may require additional initial margin to be posted based on credit considerations, including, but not limited to, credit rating downgrades. None of the FHLBanks were required to post additional initial margin by its clearing agents at March 31, 2014.

Offsetting of Derivative Assets and Derivative Liabilities

An FHLBank presents derivative instruments, related cash collateral, including initial and variation margin, received or pledged, and associated accrued interest, on a net basis by clearing agent and/or by counterparty when it has met the netting requirements.

Table 10.5 presents separately the fair value of derivative instruments meeting or not meeting netting requirements, with and without the legal right of offset, including the related collateral received from or pledged to counterparties.

Table 10.5 - Offsetting of Derivative Assets and Derivative Liabilities
(dollars in millions)

	March 31, 2014		December 31, 2013	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Derivative instruments meeting netting requirements				
Gross recognized amount				
Bilateral derivatives	$ 3,662	$ 10,346	$ 3,939	$ 11,571
Cleared derivatives	137	492	216	224
Total gross recognized amount	3,799	10,838	4,155	11,795
Gross amounts of netting adjustments and cash collateral				
Bilateral derivatives	(3,430)	(8,646)	(3,699)	(9,662)
Cleared derivatives	210	(492)	54	(224)
Total gross amounts of netting adjustments and cash collateral	(3,220)	(9,138)	(3,645)	(9,886)
Net amounts after netting adjustments and cash collateral				
Bilateral derivatives	232	1,700	240	1,909
Cleared derivatives	347	—	270	—
Total net amounts after netting adjustments and cash collateral	579	1,700	510	1,909
Derivative instruments not meeting netting requirements(1)				
Bilateral derivatives	2	4	3	4
Total derivative instruments not meeting netting requirements(1)	2	4	3	4
Total derivative assets and total derivative liabilities				
Bilateral derivatives	234	1,704	243	1,913
Cleared derivatives	347	—	270	—
Total derivative assets and total derivative liabilities presented in the Combined Statement of Condition	581	1,704	513	1,913
Non-cash collateral received or pledged not offset				
Can be sold or repledged				
Bilateral derivatives	105	66	102	150
Total can be sold or repledged	105	66	102	150
Cannot be sold or repledged				
Bilateral derivatives	58	417	55	421
Total cannot be sold or repledged	58	417	55	421
Net amount(2)				
Bilateral derivatives	71	1,221	86	1,342
Cleared derivatives	347	—	270	—
Total net amount(2)	$ 418	$ 1,221	$ 356	$ 1,342

(1) Represents derivatives that are not subject to an enforceable netting agreement (e.g., mortgage delivery commitments and certain interest-rate futures or forwards).
(2) Any overcollateralization at an FHLBank's individual clearing agent and/or counterparty level is not included in the determination of the net amount. At March 31, 2014 and December 31, 2013, the FHLBanks had additional net credit exposure of $6 million and $7 million due to instances where an FHLBank's non-cash collateral to a counterparty exceeded the FHLBank's net derivative liability position.

Note 11 - Deposits

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

Table 11.1 - Deposits
(dollars in millions)

	March 31, 2014	December 31, 2013
Interest-bearing		
Demand and overnight	$ 9,001	$ 9,081
Term	497	421
Other	390	378
Total interest-bearing	9,888	9,880
Non-interest-bearing		
Demand and overnight	433	546
Other	117	129
Total non-interest-bearing	550	675
Total deposits	$ 10,438	$ 10,555

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, an 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 records as a liability its specific portion of consolidated obligations for which it is the primary obligor.

The FHFA and the U.S. Secretary of the Treasury oversee 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 and have original maturities of up to one year. These notes generally sell at or below their face value and are redeemed at par when they mature.

Table 12.1 - Consolidated Discount Notes Outstanding
(dollars in millions)

	Book Value	Par Value	Weighted-Average Interest Rate(1)
March 31, 2014	$ 267,560	$ 267,597	0.08%
December 31, 2013	$ 293,296	$ 293,342	0.09%

(1) Represents yield to maturity excluding concession fees.

Table 12.2 - Consolidated Bonds Outstanding by Contractual Maturity
(dollars in millions)

	March 31, 2014		December 31, 2013	
Year of Contractual Maturity	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Due in 1 year or less	$ 222,319	0.60%	$ 230,021	0.56%
Due after 1 year through 2 years	60,938	1.12%	57,445	1.29%
Due after 2 years through 3 years	47,855	1.94%	38,317	2.28%
Due after 3 years through 4 years	38,126	2.15%	30,083	2.39%
Due after 4 years through 5 years	32,601	1.62%	31,461	1.62%
Thereafter	83,447	2.39%	84,960	2.36%
Index-amortizing notes	766	4.68%	882	4.72%
Total par value	486,052	1.30%	473,169	1.30%
Net premiums	508		537	
Hedging adjustments	665		241	
Fair value option valuation adjustments	(59)		(102)	
Total	$ 487,166		$ 473,845	

Consolidated obligations outstanding were issued with either fixed-rate coupon payment terms or variable-rate coupon payment terms that may use a variety of indices for interest-rate resets, including the federal funds effective rate, LIBOR, and others. To meet the 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 options. When these consolidated obligations are issued, an FHLBank typically enters into derivatives containing features that offset the terms and embedded options, if any, of the consolidated bond obligations.

Table 12.3 - Consolidated Bonds Outstanding by Call Features
(dollars in millions)

Par Values of Consolidated Bonds	March 31, 2014	December 31, 2013
Non-callable/non-putable	$ 347,231	$ 350,655
Callable	138,821	122,514
Total par value	$ 486,052	$ 473,169

Table 12.4 - Consolidated Bonds Outstanding by Contractual Maturity or Next Call Date
(dollars in millions)

Year of Contractual Maturity or Next Call Date	March 31, 2014	December 31, 2013
Due in 1 year or less	$ 341,606	$ 331,170
Due after 1 year through 2 years	59,235	55,029
Due after 2 years through 3 years	28,521	30,986
Due after 3 years through 4 years	22,452	21,669
Due after 4 years through 5 years	10,039	10,102
Thereafter	23,433	23,331
Index-amortizing notes	766	882
Total par value	$ 486,052	$ 473,169

Note 13 - Capital

The Gramm-Leach-Bliley Act of 1999 (GLB Act) amended the FHLBank Act to require each FHLBank to adopt a capital plan and convert to a new capital structure. Each conversion was considered a capital transaction and was accounted for at par value. Each FHLBank is subject to three capital requirements under its capital plan and the FHFA rules and regulations. Regulatory capital does not include AOCI, but does include mandatorily redeemable capital stock.

1. Risk-based capital. 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 FHFA.

2. Total regulatory capital. 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 FHFA as available to absorb losses.

3. Leverage capital. 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 FHFA may require an FHLBank to maintain greater minimum capital levels than is required based on FHFA rules and regulation.

At March 31, 2014, combined regulatory capital was $48.7 billion compared to $50.6 billion at December 31, 2013. At March 31, 2014, each FHLBank was in compliance with its regulatory capital rules. Effective November 22, 2013, the FHLBank of Seattle entered into a Stipulation and Consent to the Issuance of a Consent Order with the FHFA (together, with related understandings with the FHFA, the Amended Consent Arrangement), which superseded the previous Stipulation and Consent to the Issuance of a Consent Order and related understandings put in place in October 2010 (2010 Consent Arrangement), which will remain in effect until modified or terminated by the FHFA. (See *Note 17 - Capital* on page F-65 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013 for additional information on the FHLBank of Seattle Capital Classification and Consent Arrangement.)

Table 13.1 - Risk-Based Capital Requirements at March 31, 2014
(dollars in millions)

	Risk-Based Capital	
FHLBank	Minimum Requirement	Actual
Boston	$ 690	$ 4,356
New York	594	6,471
Pittsburgh	986	3,432
Atlanta	2,070	6,125
Cincinnati	528	4,945
Indianapolis	697	2,396
Chicago	1,291	3,817
Des Moines	613	3,375
Dallas	393	1,755
Topeka	401	1,337
San Francisco	3,735	7,350
Seattle	1,334	2,769

Table 13.2 - Regulatory Capital Requirements at March 31, 2014
(dollars in millions)

FHLBank	Regulatory Capital Ratio: Minimum Requirement	Regulatory Capital Ratio: Actual	Regulatory Capital: Minimum Requirement	Regulatory Capital: Actual
Boston	4.0%	8.7%	$ 2,002	$ 4,356
New York	4.0%	5.4%	4,779	6,471
Pittsburgh	4.0%	5.3%	2,582	3,432
Atlanta	4.0%	5.1%	4,779	6,125
Cincinnati	4.0%	4.9%	4,036	4,945
Indianapolis	4.0%	6.6%	1,461	2,396
Chicago	4.0%	5.3%	2,882	3,817
Des Moines	4.0%	4.6%	2,916	3,375
Dallas	4.0%	5.7%	1,225	1,755
Topeka	4.0%	5.5%	1,284	1,752
San Francisco	4.0%	8.5%	3,447	7,350
Seattle	4.0%	8.0%	1,442	2,873

Table 13.3 - Leverage Capital Requirements at March 31, 2014
(dollars in millions)

FHLBank	Leverage Capital Ratio: Minimum Requirement	Leverage Capital Ratio: Actual	Leverage Capital: Minimum Requirement	Leverage Capital: Actual
Boston	5.0%	13.1%	$ 2,503	$ 6,534
New York	5.0%	8.1%	5,974	9,707
Pittsburgh	5.0%	8.0%	3,228	5,148
Atlanta	5.0%	7.7%	5,973	9,187
Cincinnati	5.0%	7.4%	5,045	7,418
Indianapolis	5.0%	9.8%	1,826	3,594
Chicago	5.0%	8.0%	3,602	5,725
Des Moines	5.0%	7.0%	3,644	5,063
Dallas	5.0%	8.6%	1,532	2,633
Topeka	5.0%	7.5%	1,605	2,420
San Francisco	5.0%	12.8%	4,309	11,024
Seattle	5.0%	11.8%	1,803	4,257

The GLB Act amendments made FHLBank 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. 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 FHFA rules. Until the FHFA determines that the FHLBank of Seattle has met all requirements of the Consent Arrangement, the FHLBank of Seattle is required to obtain prior written approval from the FHFA for any dividends.

Restricted Retained Earnings

The Joint Capital Enhancement Agreement, as amended (Capital Agreement), is intended to enhance the capital position of each FHLBank. The Capital Agreement provides that each FHLBank will allocate 20% of its net income each quarter to a separate 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.

The FHLBank of San Francisco's Excess Stock Repurchase, Retained Earnings, and Dividend Framework establishes amounts to be retained in restricted retained earnings, which are not made available for dividends in the current dividend 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. 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). In addition to any cumulative net gains resulting from valuation adjustments, the FHLBank of San Francisco holds a targeted amount in restricted retained earnings intended to protect paid-in capital from the effects of an extremely adverse credit, operations risk, or market event.

Table 13.4 presents the components of retained earnings, including the restricted amounts related to the Capital Agreement and the restricted amounts related to the FHLBank of San Francisco's Excess Stock Repurchase, Retained Earnings, and Dividend Framework.

Table 13.4 - Retained Earnings
(dollars in millions)

	Unrestricted Retained Earnings	Capital Agreement Restricted Retained Earnings	Other Restricted Retained Earnings(1)	Total Restricted Retained Earnings	Total Retained Earnings
Balance, December 31, 2012	$ 7,933	$ 716	$ 1,873	$ 2,589	$ 10,522
Net income	470	114	(4)	110	580
Dividends on capital stock					
Cash	(179)	—	—	—	(179)
Stock	(9)	—	—	—	(9)
Balance, March 31, 2013	$ 8,215	$ 830	$ 1,869	$ 2,699	$ 10,914
Balance, December 31, 2013	$ 9,099	$ 1,219	$ 1,888	$ 3,107	$ 12,206
Net income	460	112	(17)	95	555
Dividends on capital stock					
Cash	(285)	—	—	—	(285)
Stock	(9)	—	—	—	(9)
Balance, March 31, 2014	$ 9,265	$ 1,331	$ 1,871	$ 3,202	$ 12,467

(1) Represents retained earnings restricted by the FHLBank of San Francisco's Excess Stock Repurchase, Retained Earnings, and Dividend Framework related to valuation adjustments and the retained earnings targeted buildup.

Mandatorily Redeemable Capital Stock

Each FHLBank is a cooperative whose member financial institutions and former members own all of the FHLBank's capital stock. Shares of capital stock 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.

An FHLBank generally reclassifies capital stock subject to redemption from capital to the mandatorily redeemable capital stock liability upon expiration of a grace period, if applicable, after a member exercises a written redemption right, or gives notice of intent to withdraw from membership, or attains non-member status by merger or acquisition, relocation, charter termination, or involuntary termination from membership. Shares of capital stock meeting these definitions are reclassified to mandatorily redeemable capital stock at fair value. Dividends related to capital stock classified as mandatorily redeemable capital stock are accrued at the expected dividend rate and reported as interest expense in the Combined Statement of Income. For the three months ended March 31, 2014 and 2013, dividends on mandatorily redeemable capital stock in the amount of $46 million and $30 million were recorded as interest expense.

A member may cancel or revoke its written notice of redemption or its notice of withdrawal from membership prior to the end of the applicable redemption period. Each FHLBank's capital plan provides the terms for cancellation fees that may be incurred by the member upon cancellation.

Excess Capital Stock

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. FHFA 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 March 31, 2014, each of the FHLBanks of Boston, Cincinnati, Indianapolis, San Francisco, and Seattle had excess capital stock outstanding totaling more than one percent of its total assets. For the three months ended March 31, 2014, each of these FHLBanks complied with the excess capital stock rule.

Capital Classification Determination

The FHFA has implemented the prompt corrective action provisions of the Housing Act. The FHFA rule defined four capital classifications for the FHLBanks: adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, and the FHFA issued a regulation implementing the prompt corrective action provisions that apply to FHLBanks that are not deemed to be adequately capitalized. The FHFA determines each FHLBank's capital classification on at least a quarterly basis. If an FHLBank is determined to be other than adequately capitalized, that FHLBank becomes subject to additional supervisory authority by the FHFA. Before implementing a reclassification, the Director of the FHFA is required to provide that FHLBank with written notice of the proposed action and an opportunity to submit a response. Each FHLBank is classified by the FHFA as adequately capitalized as of the date of the FHFA's most recent notification to each FHLBank.

Note 14 - Accumulated Other Comprehensive Income (Loss)

Table 14.1 presents a summary of changes in accumulated other comprehensive income (loss) for the three months ended March 31, 2014 and 2013.

Table 14.1 - Accumulated Other Comprehensive Income (Loss)
(dollars in millions)

	Net Unrealized Gains (Losses) on AFS Securities (Note 4)	Net Unrealized Gains (Losses) on HTM Securities Transferred from AFS Securities	Net Non-Credit Portion of OTTI Losses on AFS Securities (Note 4 and 6)	Net Non-Credit Portion of OTTI Losses on HTM Securities (Note 5 and 6)	Net Unrealized Gains (Losses) Relating to Hedging Activities (Note 10)	Pension and Postretirement Benefits	Total Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2012	$ 1,814	$ (3)	$ (1,011)	$ (945)	$ (1,281)	$ (84)	$ (1,510)
Other comprehensive income before reclassification							
Net unrealized gains (losses)	(51)	—	156	—	105	—	210
Non-credit OTTI losses	—	—	—	(4)	—	—	(4)
Non-credit OTTI losses transferred	—	—	(4)	4	—	—	—
Net change in fair value	—	—	430	—	—	—	430
Accretion of non-credit loss	—	—	—	40	—	—	40
Reclassifications from other comprehensive income to net income							
Net gains (losses) on securities	—	1	(1)	—	—	—	—
Non-credit OTTI to credit OTTI	—	—	4	—	—	—	4
Amortization on hedging activities(1)	—	—	—	—	(2)	—	(2)
Amortization - pension and postretirement	—	—	—	—	—	1	1
Net current period other comprehensive income (loss)	(51)	1	585	40	103	1	679
Balance, March 31, 2013	$ 1,763	$ (2)	$ (426)	$ (905)	$ (1,178)	$ (83)	$ (831)

	Net Unrealized Gains (Losses) on AFS Securities (Note 4)	Net Unrealized Gains (Losses) on HTM Securities Transferred from AFS Securities	Net Non-Credit Portion of OTTI Losses on AFS Securities (Note 4 and 6)	Net Non-Credit Portion of OTTI Losses on HTM Securities (Note 5 and 6)	Net Unrealized Gains (Losses) Relating to Hedging Activities (Note 10)	Pension and Postretirement Benefits	Total Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2013	$ 1,005	$ (1)	$ 75	$ (789)	$ (748)	$ (53)	$ (511)
Other comprehensive income before reclassifications							
Net unrealized gains (losses)	158	—	88	—	(2)	—	244
Net change in fair value	—	—	34	—	—	—	34
Accretion of non-credit loss	—	—	—	33	—	—	33
Reclassifications from other comprehensive income to net income							
Net gains (losses) on securities	(1)	—	—	—	—	—	(1)
Non-credit OTTI to credit OTTI	—	—	—	1	—	—	1
Amortization on hedging activities(1)	—	—	—	—	(3)	—	(3)
Amortization - pension and postretirement	—	—	—	—	—	9	9
Net current period other comprehensive income (loss)	157	—	122	34	(5)	9	317
Balance, March 31, 2014	$ 1,162	$ (1)	$ 197	$ (755)	$ (753)	$ (44)	$ (194)

(1) Amortization on hedging activities consists of amortization to:

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Interest income - Advances	$ 4	$ 3
Interest expense - Consolidated bonds	(1)	(1)
Interest expense - Consolidated discount notes	—	(1)
Net gains (losses) on derivatives and hedging activities	—	1
Total amortization on hedging activities	$ 3	$ 2

Note 15 - Fair Value

The fair value amounts recorded on the Combined Statement of Condition and presented in the note disclosures for the periods presented have been determined by the FHLBanks using available market and other pertinent information and reflect each FHLBank's best judgment of appropriate valuation methods. Although each FHLBank uses its best judgment in estimating the fair value of its financial instruments, there are inherent limitations in any valuation technique. Therefore, the fair values may not be indicative of the amounts that would have been realized in market transactions at March 31, 2014 and December 31, 2013.

Fair Value Hierarchy

The FHLBanks record trading securities, available-for-sale securities, derivative assets, derivative liabilities, certain advances, certain consolidated obligations, and certain other assets at fair value on a recurring basis and on occasion, certain private-label MBS and certain other assets on a non-recurring basis. U.S. GAAP establishes a fair value hierarchy and requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. 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. An entity must disclose the level within the fair value hierarchy in which the measurements are classified.

The fair value hierarchy prioritizes the inputs used to measure fair value into three broad levels:

- Level 1 Inputs. Quoted prices (unadjusted) for identical assets or liabilities in an active market that the reporting entity can access on the measurement date.

- Level 2 Inputs. Inputs other than quoted prices within Level 1, that are observable inputs for the asset or liability, either directly or indirectly. If the asset or liability has a specified or contractual term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following: (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in markets that are not active; (3) inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates and yield curves that are observable at commonly quoted intervals, and implied volatilities); and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 Inputs. Unobservable inputs for the asset or liability.

Each FHLBank reviews its fair value hierarchy classifications on a quarterly basis. Changes in the observability of the valuation inputs may result in a reclassification of certain assets or liabilities. These reclassifications are reported as transfers in/out at fair value at the beginning of the quarter in which the changes occur.

The FHLBank of Indianapolis classified six private-label residential MBS it sold on April 4, 2013, within the fair value hierarchy as Level 2, as of March 31, 2013, because the estimated fair values were derived from and corroborated by the sales prices in actual market transactions. The total fair value of these six private-label residential MBS that the FHLBank of Indianapolis transferred from Level 3 to Level 2 was $124 million at January 1, 2013, the beginning of the quarter in which the transfer occurred. The FHLBanks had no other transfers of assets or liabilities recorded at fair value on a recurring basis during the three months ended March 31, 2014 or 2013.

Table 15.1 presents the carrying value, fair value, and fair value hierarchy of financial assets and liabilities of the FHLBanks at March 31, 2014 and December 31, 2013. These values do 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 15.1 - Fair Value Summary
(dollars in millions)

	March 31, 2014					
		Fair Value				
Financial Instruments	**Carrying Value**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Netting Adjustment and Cash Collateral(1)**
Assets						
Cash and due from banks	$ 17,163	$ 17,163	$ 17,163	$ —	$ —	$ —
Interest-bearing deposits	1,567	1,567	560	1,007	—	—
Securities purchased under agreements to resell	32,240	32,240	—	32,240	—	—
Federal funds sold	45,516	45,517	—	45,517	—	—
Trading securities	12,094	12,094	13	12,081	—	—
Available-for-sale securities	70,040	70,040	12	57,976	12,052	—
Held-to-maturity securities	111,365	112,678	—	102,152	10,526	—
Advances(2)	484,442	485,251	—	485,251	—	—
Mortgage loans held for portfolio, net	43,661	45,063	—	44,714	349	—
Accrued interest receivable	1,101	1,101	—	1,101	—	—
Derivative assets, net	581	581	—	3,785	16	(3,220)
Other assets	70	70	64	6	—	—
Liabilities						
Deposits	10,438	10,438	—	10,438	—	—
Consolidated obligations						
Discount notes(3)	267,560	267,562	—	267,562	—	—
Bonds(4)	487,166	488,884	—	488,818	66	—
Total consolidated obligations	754,726	756,446	—	756,380	66	—
Mandatorily redeemable capital stock	4,486	4,486	4,486	—	—	—
Accrued interest payable	1,470	1,470	—	1,470	—	—
Derivative liabilities, net	1,704	1,704	—	10,842	—	(9,138)
Other liabilities	72	72	72	—	—	—
Subordinated notes	944	1,045	—	1,045	—	—

Financial Instruments	Carrying Value	Fair Value: Total	Fair Value: Level 1	Fair Value: Level 2	Fair Value: Level 3	Fair Value: Netting Adjustment and Cash Collateral(1)
	December 31, 2013					
Assets						
Cash and due from banks	$ 45,773	$ 45,773	$ 45,773	$ —	$ —	$ —
Interest-bearing deposits	1,007	1,007	—	1,007	—	—
Securities purchased under agreements to resell	20,350	20,350	—	20,350	—	—
Federal funds sold	29,500	29,500	—	29,500	—	—
Trading securities	11,666	11,666	13	11,653	—	—
Available-for-sale securities	69,005	69,005	12	56,688	12,305	—
Held-to-maturity securities	111,335	112,257	—	101,350	10,907	—
Advances(2)	498,599	498,822	—	498,822	—	—
Mortgage loans held for portfolio, net	44,442	45,625	—	45,290	335	—
Accrued interest receivable	1,144	1,144	—	1,144	—	—
Derivative assets, net	513	513	—	4,139	19	(3,645)
Other assets	67	67	62	5	—	—
Liabilities						
Deposits	10,555	10,555	—	10,555	—	—
Consolidated obligations						
Discount notes(3)	293,296	293,299	—	293,299	—	—
Bonds(4)	473,845	474,421	—	474,353	68	—
Total consolidated obligations	767,141	767,720	—	767,652	68	—
Mandatorily redeemable capital stock	4,998	4,998	4,998	—	—	—
Accrued interest payable	1,156	1,156	—	1,156	—	—
Derivative liabilities, net	1,913	1,913	—	11,799	—	(9,886)
Other liabilities	76	76	76	—	—	—
Subordinated notes	944	1,055	—	1,055	—	—

(1) Amounts represent the application of the netting requirements that allow an FHLBank to settle positive and negative positions and also cash collateral and related accrued interest held or placed by that FHLBank with the same clearing agent and/or counterparty.
(2) Includes $26,173 million and $26,305 million of advances recorded under the fair value option at March 31, 2014 and December 31, 2013.
(3) Includes $6,961 million and $5,336 million of consolidated discount notes recorded under the fair value option at March 31, 2014 and December 31, 2013.
(4) Includes $32,941 million and $38,573 million of consolidated bonds recorded under the fair value option and $66 million and $68 million of consolidated bonds that are carried at fair value under a fair value hedge strategy at March 31, 2014 and December 31, 2013.

Summary of Valuation Methodologies and Primary Inputs

A description of the valuation methodologies and primary inputs is disclosed in *Note 20 - Fair Value*, pages F-75 to F-78, of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013. There have been no significant changes in these valuation methodologies and primary inputs during the three months ended March 31, 2014.

Fair Value Measurements

Table 15.2 presents the fair value of assets and liabilities that are recorded on a recurring or non-recurring basis at March 31, 2014 and December 31, 2013, by level within the fair value hierarchy. The FHLBanks measure certain held-to-maturity securities and mortgage loans at fair value on a non-recurring basis due to the recognition of a credit loss. Real estate owned is measured using fair value when the asset's fair value less costs to sell is lower than its carrying amount.

Table 15.2 - Fair Value Measurements
(dollars in millions)

	March 31, 2014				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Recurring fair value measurements - Assets					
Trading securities					
U.S. Treasury obligations	$ 4,094	$ —	$ 4,094	$ —	$ —
Commercial paper	50	—	50	—	—
Certificates of deposit	150	—	150	—	—
Other U.S. obligations	264	—	264	—	—
GSE and Tennessee Valley Authority obligations	6,312	—	6,312	—	—
State or local housing agency obligations	1	—	1	—	—
Other non-MBS	283	13	270	—	—
Other U.S. obligations residential MBS	31	—	31	—	—
GSE residential MBS	679	—	679	—	—
GSE commercial MBS	230	—	230	—	—
Total trading securities	12,094	13	12,081	—	—
Available-for-sale securities					
Certificates of deposit	2,540	—	2,540	—	—
Other U.S. obligations	4,311	—	4,311	—	—
GSE and Tennessee Valley Authority obligations	13,684	—	13,684	—	—
State or local housing agency obligations	39	—	39	—	—
Federal Family Education Loan Program ABS	6,712	—	6,712	—	—
Other non-MBS	1,048	12	1,036	—	—
Other U.S. obligations residential MBS	3,301	—	3,301	—	—
Other U.S. obligations commercial MBS	622	—	622	—	—
GSE residential MBS	25,688	—	25,688	—	—
GSE commercial MBS	43	—	43	—	—
Private-label residential MBS	12,038	—	—	12,038	—
Home equity loan ABS	14	—	—	14	—
Total available-for-sale securities	70,040	12	57,976	12,052	—
Advances(2)	26,173	—	26,173	—	—
Derivative assets, net					
Interest-rate related	578	—	3,782	16	(3,220)
TBAs	1	—	1	—	—
Mortgage delivery commitments	2	—	2	—	—
Total derivative assets, net	581	—	3,785	16	(3,220)
Other assets	70	64	6	—	—
Total recurring assets at fair value	$ 108,958	$ 89	$ 100,021	$ 12,068	$ (3,220)
Recurring fair value measurements - Liabilities					
Consolidated Obligations					
Discount notes(3)	$ 6,961	$ —	$ 6,961	$ —	$ —
Bonds(4)	33,007	—	32,941	66	—
Total consolidated obligations	39,968	—	39,902	66	—
Derivative liabilities, net					
Interest-rate related	1,700	—	10,838	—	(9,138)
Mortgage delivery commitments	4	—	4	—	—
Total derivative liabilities, net	1,704	—	10,842	—	(9,138)
Total recurring liabilities at fair value	$ 41,672	$ —	$ 50,744	$ 66	$ (9,138)
Non-recurring fair value measurements - Assets					
Mortgage loans held for portfolio	$ 209	$ —	$ 1	$ 208	
Real estate owned	27	—	—	27	
Total non-recurring assets at fair value	$ 236	$ —	$ 1	$ 235	

	December 31, 2013				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Recurring fair value measurements - Assets					
Trading securities					
U.S. Treasury obligations	$ 2,847	$ —	$ 2,847	$ —	$ —
Certificates of deposit	260	—	260	—	—
Other U.S. obligations	267	—	267	—	—
GSE and Tennessee Valley Authority obligations	7,072	—	7,072	—	—
State or local housing agency obligations	1	—	1	—	—
Other non-MBS	276	13	263	—	—
Other U.S. obligations residential MBS	33	—	33	—	—
GSE residential MBS	681	—	681	—	—
GSE commercial MBS	229	—	229	—	—
Total trading securities	11,666	13	11,653	—	—
Available-for-sale securities					
Certificates of deposit	2,185	—	2,185	—	—
Other U.S. obligations	4,160	—	4,160	—	—
GSE and Tennessee Valley Authority obligations	14,465	—	14,465	—	—
State or local housing agency obligations	37	—	37	—	—
Federal Family Education Loan Program ABS	6,804	—	6,804	—	—
Other non-MBS	1,127	12	1,115	—	—
Other U.S. obligations residential MBS	3,388	—	3,388	—	—
Other U.S. obligations commercial MBS	309	—	309	—	—
GSE residential MBS	24,182	—	24,182	—	—
GSE commercial MBS	43	—	43	—	—
Private-label residential MBS	12,290	—	—	12,290	—
Home equity loan ABS	15	—	—	15	—
Total available-for-sale securities	69,005	12	56,688	12,305	—
Advances(2)	26,305	—	26,305	—	—
Derivative assets, net					
Interest-rate related	509	—	4,135	19	(3,645)
TBAs	1	—	1	—	—
Mortgage delivery commitments	3	—	3	—	—
Total derivative assets, net	513	—	4,139	19	(3,645)
Other assets	67	62	5	—	—
Total recurring assets at fair value	$ 107,556	$ 87	$ 98,790	$ 12,324	$ (3,645)
Recurring fair value measurements - Liabilities					
Consolidated Obligations					
Discount notes(3)	$ 5,336	$ —	$ 5,336	$ —	$ —
Bonds(4)	38,641	—	38,573	68	—
Total consolidated obligations	43,977	—	43,909	68	—
Derivative liabilities, net					
Interest-rate related	1,909	—	11,795	—	(9,886)
Mortgage delivery commitments	4	—	4	—	—
Total derivative liabilities, net	1,913	—	11,799	—	(9,886)
Total recurring liabilities at fair value	$ 45,890	$ —	$ 55,708	$ 68	$ (9,886)
Non-recurring fair value measurements - Assets					
Mortgage loans held for portfolio	$ 237	$ —	$ —	$ 237	
Real estate owned	26	—	—	26	
Total non-recurring assets at fair value	$ 263	$ —	$ —	$ 263	

(1) Amounts represent the application of the netting requirements that allow an FHLBank to settle positive and negative positions and also cash collateral and related accrued interest held or placed by that FHLBank with the same clearing agent and/or counterparty.
(2) Represents advances recorded under the fair value option at March 31, 2014 and December 31, 2013.
(3) Represents consolidated discount notes recorded under the fair value option at March 31, 2014 and December 31, 2013.
(4) Includes $32,941 million and $38,573 million of consolidated bonds recorded under the fair value option and $66 million and $68 million of consolidated bonds that are carried at fair value under a fair value hedge strategy at March 31, 2014 and December 31, 2013.

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

Table 15.3 presents a rollforward of assets and liabilities measured at fair value on a recurring basis and classified as Level 3 during the three months ended March 31, 2014 and 2013.

Table 15.3 - Rollforward of Level 3 Assets and Liabilities
(dollars in millions)

	Three Months Ended March 31, 2014			
	Available-for-Sale Securities		Derivative Assets(1)	
	Private-Label Residential MBS	Home Equity Loan ABS	Interest-Rate Related	Consolidated Bonds
Balance, at beginning of period	$ 12,290	$ 15	$ 19	$ (68)
Total gains or losses (realized/unrealized) included in				
Net gains (losses) on derivatives and hedging activities	—	—	(3)	2
Interest income	32	—	—	—
Net other-than-temporary impairment losses, credit portion	(1)	—	—	—
Net unrealized gains (losses) on available-for-sale securities in other comprehensive income	2	—	—	—
Net change in fair value on OTTI available-for-sale securities included in other comprehensive income	33	—	—	—
Unrealized gains (losses) on OTTI available-for-sale securities included in other comprehensive income	88	—	—	—
Purchases, issuances, sales, and settlements				
Settlements	(406)	(1)	—	—
Balance, at end of period	$ 12,038	$ 14	$ 16	$ (66)
Total amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains/losses relating to assets and liabilities held at end of the period	$ 18	$ —	$ —	$ 3

	Three Months Ended March 31, 2013			
	Available-for-Sale Securities		Derivative Assets(1)	
	Private-Label Residential MBS	Home Equity Loan ABS	Interest-Rate Related	Consolidated Bonds
Balance, at beginning of period	$ 13,695	$ 14	$ 33	$ (82)
Total gains or losses (realized/unrealized) included in				
Net gains (losses) on sale of available-for-sale securities	1	—	—	—
Net gains (losses) on derivatives and hedging activities	—	—	(6)	6
Interest income	3	1	—	—
Net other-than-temporary impairment losses, credit portion	(4)	—	—	—
Reclassification of non-credit portion included in net income	3	1	—	—
Net change in fair value on OTTI available-for-sale securities included in other comprehensive income	423	—	—	—
Unrealized gains (losses) on OTTI available-for-sale securities included in other comprehensive income	147	—	—	—
Purchases, issuances, sales, and settlements				
Sales	(42)	—	—	—
Settlements	(587)	(1)	—	—
Transfers from Level 3 to Level 2	(124)	—	—	—
Transfers from held-to-maturity to available-for-sale securities(2)	30	—	—	—
Balance, at end of period	$ 13,545	$ 15	$ 27	$ (76)
Total amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains/losses relating to assets and liabilities held at end of the period	$ (3)	$ —	$ —	$ 5

(1) Balances exclude netting adjustments and cash collateral.
(2) During the three months ended March 31, 2013, certain FHLBanks elected to transfer certain private-label residential MBS that had credit-related OTTI from their respective held-to-maturity portfolio to their respective available-for-sale portfolio. (See *Note 6 - Other-than-Temporary Impairment Analysis* for additional information on these transfers.) For the three months ended March 31, 2013, 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 on advances and consolidated obligations at fair value are recognized solely on the contractual amount of interest due or unpaid. Any transaction fees or costs are immediately recognized into non-interest income or non-interest expense.

The FHLBanks of New York, Cincinnati, Chicago, Des Moines, San Francisco, and Seattle (Electing FHLBanks) have each elected the fair value option for certain advances and/or certain consolidated obligations that either do not qualify for hedge accounting or may be at risk for not meeting hedge effectiveness requirements. These fair value elections were made primarily in an effort to mitigate the potential income statement volatility that can arise from economic hedging relationships in which the carrying value of the hedged item is not adjusted for changes in fair value.

Table 15.4 - Fair Value Option - Financial Assets and Liabilities
(dollars in millions)

	Three Months Ended March 31,					
	2014			2013		
	Advances	Consolidated Discount Notes	Consolidated Bonds	Advances	Consolidated Discount Notes	Consolidated Bonds
Balance, at beginning of period	$ 26,305	$ (5,336)	$ (38,573)	$ 7,900	$ (3,198)	$ (47,645)
New transactions elected for fair value option	5,588	(2,698)	(10,010)	156	(175)	(1,536)
Maturities and terminations	(5,729)	1,075	15,685	(133)	—	8,025
Net gains (losses) on financial instruments held under fair value option	9	—	(42)	(25)	—	21
Change in accrued interest and other	—	(2)	(1)	(1)	(2)	—
Balance, at end of period	$ 26,173	$ (6,961)	$ (32,941)	$ 7,897	$ (3,375)	$ (41,135)

For instruments for which the fair value option has been elected, 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 in the Combined Statement of Income. The remaining changes in fair value for instruments for which the fair value option has been elected are recorded as 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 during the three months ended March 31, 2014 and 2013.

Table 15.5 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 March 31, 2014 and December 31, 2013.

Table 15.5 - Aggregate Unpaid Balance and Aggregate Fair Value
(dollars in millions)

	March 31, 2014			December 31, 2013		
	Aggregate Unpaid Principal Balance	Aggregate Fair Value	Aggregate Fair Value Over/(Under) Aggregate Unpaid Principal Balance	Aggregate Unpaid Principal Balance	Aggregate Fair Value	Aggregate Fair Value Over/(Under) Aggregate Unpaid Principal Balance
Advances(1)	$ 26,046	$ 26,173	$ 127	$ 26,186	$ 26,305	$ 119
Consolidated discount notes	6,958	6,961	3	5,334	5,336	2
Consolidated bonds	33,000	32,941	(59)	38,675	38,573	(102)

(1) At March 31, 2014 and December 31, 2013, none of the advances were 90 days or more past due or had been placed on non-accrual status.

Note 16 - Commitments and Contingencies

Off-Balance Sheet Commitments

Table 16.1 - Off-Balance Sheet Commitments
(dollars in millions)

	March 31, 2014			December 31, 2013
Notional amount	**Expire Within One Year**	**Expire After One Year**	**Total**	**Total**
Standby letters of credit outstanding(1)	$ 53,227	$ 32,822	$ 86,049	$ 83,850
Commitments for standby bond purchases	795	2,046	2,841	2,968
Unused lines of credit - advances	6,165	—	6,165	2,084
Commitments to purchase mortgage loans	391	—	391	223
MPF Xtra mortgage purchase commitments	105	—	105	101
Unresolved repurchasable loans and indemnifications for MPF Xtra mortgage loans(2)	74	—	74	56
Commitments to fund additional advances	660	155	815	1,385
Commitments to purchase investment securities (not yet traded)	—	—	—	152
Unsettled consolidated bonds, at par(3)	9,028	—	9,028	2,927
Unsettled consolidated discount notes, at par	1,565	—	1,565	6,871

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(1) Excludes unconditional commitments to issue standby letters of credit of $436 million and $180 million at March 31, 2014 and December 31, 2013.

(2) The FHLBank of Chicago is exposed to mortgage repurchase liability in connection with its sale of MPF Xtra Loans to Fannie Mae under the MPF Xtra product. The amount presented includes only mortgage loans for which (1) a breach of an eligibility requirement or other warranty has been specifically identified and (2) the FHLBank of Chicago believes Fannie Mae will request the FHLBank of Chicago to repurchase or provide an indemnity. Accordingly, these unresolved repurchase requests are classified in the "expire within one year" category. However, these unresolved repurchase requests may occur after one year from the reporting date since they do not have an expiration date. If the participating financial institution from which the FHLBank of Chicago purchased an ineligible MPF Xtra loan is viable, the FHLBank of Chicago may require the participating financial institution to repurchase that loan or indemnify the FHLBank of Chicago for related losses. Since the FHLBank of Chicago deems it probable that it will recover any losses from the participating financial institutions, no loss was recognized related to MPF Xtra loan repurchase or indemnification risk to Fannie Mae.

(3) Unsettled consolidated bonds of $7,010 million and $2,205 million were hedged with associated interest-rate swaps at March 31, 2014 and December 31, 2013.

Standby Letters of Credit. A standby letter of credit is a financing arrangement between an FHLBank and its member. Standby letters of credit are executed for members for a fee. If an FHLBank is required to make payment for a beneficiary's draw, the payment amount is converted into a collateralized advance to the member. Substantially all of these standby letters of credit range from less than one month to 20 years. The carrying value of guarantees related to standby letters of credit are recorded in other liabilities and were $160 million and $168 million at March 31, 2014 and December 31, 2013.

Each FHLBank monitors the creditworthiness of its members that have standby letters of credit. In addition, standby letters of credit are fully collateralized at the time of issuance. As a result, each FHLBank has deemed it unnecessary to record any additional liability on these commitments.

Standby Bond-Purchase Agreements. Certain FHLBanks have entered into standby bond-purchase agreements with state housing authorities within their district whereby these FHLBanks agree to provide liquidity for a fee. If required, the affected 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 bond-purchase agreement dictates the specific terms that would require the affected FHLBank to purchase the bond. The standby bond-purchase commitments entered into by these FHLBanks have original expiration periods of up to seven years, currently expiring no later than 2019, although some are renewable at the option of the affected FHLBank. At March 31, 2014 and December 31, 2013, the FHLBanks had standby bond-purchase commitments with 11 state housing authorities. During the three months ended March 31, 2014 and 2013, the FHLBanks were not required to purchase any bonds under these agreements.

Commitments to Purchase Mortgage Loans. An FHLBank may enter into commitments that unconditionally obligate it to purchase mortgage loans from their members. Commitments are generally for periods not exceeding three months. Delivery commitments are recorded at fair value as derivative assets or derivative liabilities in the Combined Statement of Condition. (See *Note 10 - Derivatives and Hedging Activities* for additional information about the FHLBanks' mortgage delivery commitments.)

MPF Xtra Mortgage Purchase Commitments. Under the MPF Xtra product, the FHLBank of Chicago enters into delivery commitments to purchase MPF Xtra mortgage loans from the participating financial institutions and simultaneously enters into delivery commitments to resell these loans to Fannie Mae. For derivatives and hedging activities disclosure purposes, the delivery commitments issued by the FHLBank of Chicago and by Fannie Mae are considered separate derivatives.

Pledged Collateral

Certain FHLBanks pledged securities, as collateral, related to derivatives. (See *Note 10 - Derivatives and Hedging Activities* for additional information about the FHLBanks' pledged collateral and other credit-risk-related contingent features.)

Lehman Bankruptcy

On September 15, 2008, Lehman Brothers Holdings, Inc. (LBHI), the parent company of Lehman Brothers Special Financing (LBSF) and a guarantor of LBSF's obligations, 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.

Several FHLBanks 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. Some of these FHLBanks have settled their disputes with the LBHI bankruptcy estate. Each of the FHLBanks of New York and Cincinnati has disclosed information regarding its legal proceedings in connection with LBHI's insolvency in its individual 2014 First 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, results of operations, or cash flows.

Note 17 - Subsequent Events

Subsequent events have been evaluated from April 1, 2014 through the time of publication of this Combined Financial Report. 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.

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CONDITION
MARCH 31, 2014
(Unaudited)

(dollars in millions, except par value)	Combined	Combining Adjustments	Boston	New York
Assets				
Cash and due from banks	$ 17,163	$ (2)	$ 17	$ 5,535
Investments	272,822	(301)	16,878	24,096
Advances	484,442	(1)	29,700	87,677
Mortgage loans held for portfolio, net	43,661	(1)	3,348	1,931
Other assets	2,497	(3)	118	244
Total assets	$ 820,585	$ (308)	$ 50,061	$ 119,483
Liabilities				
Deposits	$ 10,438	$ (11)	$ 522	$ 1,730
Consolidated obligations				
Discount notes	267,560	(1)	20,248	35,650
Bonds	487,166	(371)	24,478	74,993
Total consolidated obligations	754,726	(372)	44,726	110,643
Mandatorily redeemable capital stock	4,486	—	977	24
Other liabilities	6,889	(4)	927	734
Total liabilities	776,539	(387)	47,152	113,131
Capital				
Capital stock				
Class B putable ($100 par value) issued and outstanding	31,321	—	2,563	5,439
Class A putable ($100 par value) issued and outstanding	452	(1)	—	—
Total capital stock	31,773	(1)	2,563	5,439
Retained earnings				
Unrestricted	9,265	79	702	836
Restricted	3,202	(1)	114	172
Total retained earnings	12,467	78	816	1,008
Accumulated other comprehensive income (loss)	(194)	2	(470)	(95)
Total capital	44,046	79	2,909	6,352
Total liabilities and capital	$ 820,585	$ (308)	$ 50,061	$ 119,483

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 1,141	$ 1,722	$ 129	$ 961	$ 726	$ 361	$ 1,694	$ 338	$ 4,541	$ —
13,977	32,206	28,418	12,107	41,414	20,885	13,387	9,524	34,918	25,313
46,064	84,166	65,545	17,129	22,372	44,924	15,341	16,113	45,552	9,860
3,175	879	6,691	6,175	7,294	6,485	86	5,985	852	761
199	494	119	150	233	234	127	139	322	121
$ 64,556	$ 119,467	$ 100,902	$ 36,522	$ 72,039	$ 72,889	$ 30,635	$ 32,099	$ 86,185	$ 36,055
$ 780	$ 1,465	$ 883	$ 1,169	$ 560	$ 756	$ 841	$ 1,021	$ 275	$ 447
21,942	22,801	33,225	6,418	26,889	42,816	7,798	9,357	24,863	15,554
37,902	88,276	61,413	26,190	39,183	25,225	20,147	19,766	53,184	16,780
59,844	111,077	94,638	32,608	66,072	68,041	27,945	29,123	78,047	32,334
2	23	115	17	5	8	4	5	1,644	1,662
430	683	444	311	1,432	610	99	220	577	426
61,056	113,248	96,080	34,105	68,069	69,415	28,889	30,369	80,543	34,869
2,681	4,412	4,199	1,616	1,705	2,670	1,084	755	3,325	872
—	—	—	—	—	—	—	411	—	42
2,681	4,412	4,199	1,616	1,705	2,670	1,084	1,166	3,325	914
673	1,534	509	671	1,915	639	625	525	312	245
76	156	122	92	192	58	43	56	2,069	53
749	1,690	631	763	2,107	697	668	581	2,381	298
70	117	(8)	38	158	107	(6)	(17)	(64)	(26)
3,500	6,219	4,822	2,417	3,970	3,474	1,746	1,730	5,642	1,186
$ 64,556	$ 119,467	$ 100,902	$ 36,522	$ 72,039	$ 72,889	$ 30,635	$ 32,099	$ 86,185	$ 36,055

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CONDITION
DECEMBER 31, 2013
(Unaudited)

(dollars in millions, except par value)	Combined	Combining Adjustments	Boston	New York
Assets				
Cash and due from banks	$ 45,773	$ —	$ 641	$ 15,310
Investments	242,863	(342)	12,981	20,085
Advances	498,599	2	27,517	90,765
Mortgage loans held for portfolio, net	44,442	1	3,368	1,927
Other assets	2,523	(3)	131	246
Total assets	$ 834,200	$ (342)	$ 44,638	$ 128,333
Liabilities				
Deposits	$ 10,555	$ (12)	$ 518	$ 1,929
Consolidated obligations				
Discount notes	293,296	(2)	16,061	45,870
Bonds	473,845	(417)	23,466	73,276
Total consolidated obligations	767,141	(419)	39,527	119,146
Mandatorily redeemable capital stock	4,998	(1)	977	24
Other liabilities	6,436	(1)	779	749
Total liabilities	789,130	(433)	41,801	121,848
Capital				
Capital stock				
Class B putable ($100 par value) issued and outstanding	32,900	—	2,530	5,571
Class A putable ($100 par value) issued and outstanding	475	—	—	—
Total capital stock	33,375	—	2,530	5,571
Retained earnings				
Unrestricted	9,099	91	682	842
Restricted	3,107	—	107	157
Total retained earnings	12,206	91	789	999
Accumulated other comprehensive income (loss)	(511)	—	(482)	(85)
Total capital	45,070	91	2,837	6,485
Total liabilities and capital	$ 834,200	$ (342)	$ 44,638	$ 128,333

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 3,121	$ 4,374	$ 8,599	$ 3,319	$ 971	$ 448	$ 911	$ 1,714	$ 4,906	$ 1,459
13,876	26,944	22,364	10,780	36,402	20,131	13,131	8,705	35,260	22,546
50,247	89,588	65,270	17,337	23,489	45,650	15,979	17,425	44,395	10,935
3,224	918	6,819	6,190	7,695	6,557	91	5,949	905	798
203	492	129	160	240	218	110	157	308	132
$ 70,671	$ 122,316	$ 103,181	$ 37,786	$ 68,797	$ 73,004	$ 30,222	$ 33,950	$ 85,774	$ 35,870
$ 694	$ 1,752	$ 914	$ 1,066	$ 544	$ 699	$ 886	$ 962	$ 193	$ 410
28,237	32,202	38,210	7,435	31,089	38,137	5,984	10,890	24,194	14,989
37,698	80,728	58,163	26,584	31,987	30,195	21,487	20,057	53,207	17,414
65,935	112,930	96,373	34,019	63,076	68,332	27,471	30,947	77,401	32,403
—	24	116	17	5	9	3	5	2,071	1,748
349	958	468	300	1,407	507	115	234	400	171
66,978	115,664	97,871	35,402	65,032	69,547	28,475	32,148	80,065	34,732
2,962	4,883	4,698	1,610	1,670	2,692	1,124	822	3,460	878
—	—	—	—	—	—	—	430	—	45
2,962	4,883	4,698	1,610	1,670	2,692	1,124	1,252	3,460	923
626	1,516	510	667	1,853	627	616	516	317	236
60	141	111	85	175	51	40	52	2,077	51
686	1,657	621	752	2,028	678	656	568	2,394	287
45	112	(9)	22	67	87	(33)	(18)	(145)	(72)
3,693	6,652	5,310	2,384	3,765	3,457	1,747	1,802	5,709	1,138
$ 70,671	$ 122,316	$ 103,181	$ 37,786	$ 68,797	$ 73,004	$ 30,222	$ 33,950	$ 85,774	$ 35,870

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2014 AND 2013
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
March 31, 2014				
Interest income				
Advances	$ 646	$ —	$ 58	$ 114
Investments	943	(7)	47	72
Mortgage loans held for portfolio	437	2	32	17
Other interest income	1	1	—	—
Total interest income	2,027	(4)	137	203
Interest expense				
Consolidated obligations - Discount notes	132	(1)	3	18
Consolidated obligations - Bonds	978	8	75	77
Other interest expense	61	1	4	—
Total interest expense	1,171	8	82	95
Net interest income	856	(12)	55	108
Provision (reversal) for credit losses	(11)	—	—	—
Net interest income after provision (reversal) for credit losses	867	(12)	55	108
Non-interest income				
Net other-than-temporary impairment losses	(2)	(1)	—	—
Other	8	(3)	2	1
Total non-interest income (loss)	6	(4)	2	1
Non-interest expense	250	(3)	17	25
Affordable Housing Program assessments	68	—	4	9
Net income	$ 555	$ (13)	$ 36	$ 75
March 31, 2013				
Interest income				
Advances	$ 675	$ —	$ 71	$ 110
Investments	998	(4)	58	69
Mortgage loans held for portfolio	493	—	32	17
Total interest income	2,166	(4)	161	196
Interest expense				
Consolidated obligations - Discount notes	137	—	2	17
Consolidated obligations - Bonds	1,135	7	82	76
Other interest expense	44	—	—	—
Total interest expense	1,316	7	84	93
Net interest income	850	(11)	77	103
Provision (reversal) for credit losses	(4)	—	(1)	—
Net interest income after provision (reversal) for credit losses	854	(11)	78	103
Non-interest income				
Net other-than-temporary impairment losses	(5)	—	—	—
Other	33	16	(3)	(1)
Total non-interest income (loss)	28	16	(3)	(1)
Non-interest expense	234	(2)	16	24
Affordable Housing Program assessments	68	—	6	8
Net income	$ 580	$ 7	$ 53	$ 70

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 63	$ 57	$ 77	$ 29	$ 39	$ 53	$ 32	$ 29	$ 79	$ 16
56	116	92	39	228	45	17	25	171	42
33	13	60	57	88	62	1	51	11	10
—	—	—	—	—	—	—	—	—	—
152	186	229	125	355	160	50	105	261	68
6	8	9	1	67	9	2	2	6	2
84	88	142	76	147	98	19	49	81	34
—	—	1	1	14	—	—	—	39	1
90	96	152	78	228	107	21	51	126	37
62	90	77	47	127	53	29	54	135	31
(4)	(4)	—	(1)	(3)	—	—	—	1	—
66	94	77	48	130	53	29	54	134	31
—	(1)	—	—	—	—	—	—	—	—
42	24	4	6	(10)	3	3	(16)	(48)	—
42	23	4	6	(10)	3	3	(16)	(48)	—
19	31	17	16	30	15	18	14	32	19
9	9	7	4	9	4	1	2	9	1
$ 80	$ 77	$ 57	$ 34	$ 81	$ 37	$ 13	$ 22	$ 45	$ 11
$ 58	$ 63	$ 71	$ 34	$ 41	$ 50	$ 38	$ 33	$ 89	$ 17
58	129	73	47	249	47	22	32	177	41
37	16	73	63	113	66	2	48	13	13
153	208	217	144	403	163	62	113	279	71
6	8	10	2	77	2	2	3	3	5
102	113	130	80	199	108	25	58	123	32
—	—	2	2	14	—	—	—	26	—
108	121	142	84	290	110	27	61	152	37
45	87	75	60	113	53	35	52	127	34
—	2	(3)	(4)	—	—	—	2	—	—
45	85	78	64	113	53	35	50	127	34
—	—	—	(2)	—	—	—	—	(3)	—
4	24	8	(3)	1	(8)	4	(10)	(1)	2
4	24	8	(5)	1	(8)	4	(10)	(4)	2
17	30	15	15	25	15	19	12	30	18
3	8	7	5	9	3	2	3	12	2
$ 29	$ 71	$ 64	$ 39	$ 80	$ 27	$ 18	$ 25	$ 81	$ 16

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2014 AND 2013
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
March 31, 2014				
Net income	$ 555	$ (13)	$ 36	$ 75
Other comprehensive income				
Net unrealized gains/losses on available-for-sale securities	157	1	5	—
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	122	1	—	—
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	34	—	13	3
Net unrealized gains/losses relating to hedging activities	(5)	—	(6)	(20)
Pension and postretirement benefits	9	—	—	7
Total other comprehensive income (loss)	317	2	12	(10)
Comprehensive income	$ 872	$ (11)	$ 48	$ 65
March 31, 2013				
Net income	$ 580	$ 7	$ 53	$ 70
Other comprehensive income				
Net unrealized gains/losses on available-for-sale securities	(51)	—	(7)	—
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities	1	—	—	—
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	585	—	—	—
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	40	—	15	3
Net unrealized gains/losses relating to hedging activities	103	—	1	17
Pension and postretirement benefits	1	—	—	—
Total other comprehensive income (loss)	679	—	9	20
Comprehensive income	$ 1,259	$ 7	$ 62	$ 90

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 80	$ 77	$ 57	$ 34	$ 81	$ 37	$ 13	$ 22	$ 45	$ 11
24	—	—	12	55	20	25	—	—	15
1	5	—	4	—	—	—	—	80	31
—	—	—	—	14	—	2	1	1	—
—	—	—	—	21	—	—	—	—	—
—	—	1	—	1	—	—	—	—	—
25	5	1	16	91	20	27	1	81	46
$ 105	$ 82	$ 58	$ 50	$ 172	$ 57	$ 40	$ 23	$ 126	$ 57
$ 29	$ 71	$ 64	$ 39	$ 80	$ 27	$ 18	$ 25	$ 81	$ 16
(4)	—	—	16	(85)	(2)	23	—	—	8
—	—	—	—	1	—	—	—	—	—
29	81	—	36	6	—	—	—	339	94
—	—	—	—	15	—	2	2	2	1
—	—	—	—	85	—	—	—	—	—
—	—	—	—	1	—	—	—	—	—
25	81	—	52	23	(2)	25	2	341	103
$ 54	$ 152	$ 64	$ 91	$ 103	$ 25	$ 43	$ 27	$ 422	$ 119

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CAPITAL
THREE MONTHS ENDED MARCH 31, 2014 AND 2013
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Balance, December 31, 2012	$ 42,547	$ 76	$ 3,566	$ 5,491
Proceeds from issuance of capital stock	2,984	—	22	719
Repurchases/redemptions of capital stock	(3,742)	—	(275)	(885)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(168)	—	—	(4)
Dividends of capital stock	9	—	—	—
Comprehensive income	1,259	7	62	90
Dividends				
Cash	(179)	—	(3)	(53)
Stock	(9)	—	—	—
Balance, March 31, 2013	$ 42,701	$ 83	$ 3,372	$ 5,358
Balance, December 31, 2013	$ 45,070	$ 91	$ 2,837	$ 6,485
Proceeds from issuance of capital stock	3,158	(1)	33	840
Repurchases/redemptions of capital stock	(4,673)	(1)	—	(972)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(96)	1	—	—
Dividends of capital stock	9	—	—	—
Comprehensive income	872	(11)	48	65
Dividends				
Cash	(285)	—	(9)	(66)
Stock	(9)	—	—	—
Balance, March 31, 2014	$ 44,046	$ 79	$ 2,909	$ 6,352

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 3,428	$ 6,275	$ 4,537	$ 2,216	$ 3,448	$ 2,834	$ 1,771	$ 1,721	$ 5,613	$ 1,571
253	763	474	44	38	232	175	158	106	—
(236)	(1,277)	—	—	(96)	(317)	(284)	(48)	(314)	(10)
—	(4)	(18)	—	(43)	(8)	—	(37)	(1)	(53)
—	—	—	—	—	—	1	8	—	—
54	152	64	91	103	25	43	27	422	119
(2)	(29)	(39)	(14)	(1)	(13)	—	—	(25)	—
—	—	—	—	—	—	(1)	(8)	—	—
$ 3,497	$ 5,880	$ 5,018	$ 2,337	$ 3,449	$ 2,753	$ 1,705	$ 1,821	$ 5,801	$ 1,627
$ 3,693	$ 6,652	$ 5,310	$ 2,384	$ 3,765	$ 3,457	$ 1,747	$ 1,802	$ 5,709	$ 1,138
349	1,023	10	5	85	327	225	61	197	4
(628)	(1,492)	(498)	—	(50)	(348)	(265)	(84)	(331)	(4)
(2)	(2)	(11)	—	—	—	(1)	(71)	(1)	(9)
—	—	—	—	—	—	1	8	—	—
105	82	58	50	172	57	40	23	126	57
(17)	(44)	(47)	(22)	(2)	(19)	—	(1)	(58)	—
—	—	—	—	—	—	(1)	(8)	—	—
$ 3,500	$ 6,219	$ 4,822	$ 2,417	$ 3,970	$ 3,474	$ 1,746	$ 1,730	$ 5,642	$ 1,186

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2014
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Operating activities				
Net cash provided by (used in) operating activities	$ 601	$ (2)	$ 37	$ 144
Investing activities				
Net change/net proceeds and payments in				
Premises, software, and equipment	(9)	—	—	(1)
Investments	(28,477)	(5)	(3,704)	(3,875)
Advances	14,024	1	(2,207)	2,977
Mortgage loans held for portfolio	755	2	16	(5)
Proceeds from sales of foreclosed assets	31	—	2	1
Principal collected on other loans	1	—	—	—
Net cash provided by (used in) investing activities	(13,675)	(2)	(5,893)	(903)
Financing activities				
Net change in				
Deposits and pass-through reserves	(69)	3	5	(200)
Net proceeds (payments) on derivative contracts with financing element	(216)	—	(5)	(59)
Net proceeds from issuance of consolidated obligations				
Discount notes	704,582	—	31,786	42,332
Bonds	89,113	1	3,190	16,218
Payments for maturing and retiring consolidated obligations				
Discount notes	(730,323)	—	(27,599)	(52,554)
Bonds	(76,213)	—	(2,169)	(14,555)
Proceeds from issuance of capital stock	3,158	(1)	33	840
Payments for repurchases/redemptions of mandatorily redeemable capital stock	(610)	—	—	—
Payments for repurchases/redemptions of capital stock	(4,673)	(1)	—	(972)
Cash dividends paid	(285)	—	(9)	(66)
Net cash provided by (used in) financing activities	(15,536)	2	5,232	(9,016)
Net increase (decrease) in cash and due from banks	(28,610)	(2)	(624)	(9,775)
Cash and due from banks at beginning of the period	45,773	—	641	15,310
Cash and due from banks at end of the period	$ 17,163	$ (2)	$ 17	$ 5,535

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 79	$ (227)	$ 71	$ 67	$ 257	$ 42	$ 35	$ 70	$ 26	$ 2
—	(1)	—	(1)	(2)	(1)	(1)	—	(1)	(1)
78	(5,226)	(6,049)	(1,273)	(4,950)	(574)	(201)	(785)	495	(2,408)
4,134	5,513	(292)	203	1,148	712	632	1,293	(1,163)	1,073
53	38	119	12	399	68	5	(40)	52	36
—	7	—	—	14	5	—	1	1	—
—	—	—	—	—	—	—	1	—	—
4,265	331	(6,222)	(1,059)	(3,391)	210	435	470	(616)	(1,300)
101	(280)	(43)	101	16	3	(47)	62	189	21
(8)	(22)	(8)	(16)	(15)	(2)	(36)	(36)	(1)	(8)
20,905	115,260	35,297	9,328	218,709	36,784	24,172	10,693	17,912	141,404
3,292	18,943	14,942	3,178	8,425	4,021	3,679	2,449	8,377	2,398
(27,200)	(124,663)	(40,283)	(10,344)	(222,910)	(32,106)	(22,358)	(12,225)	(17,242)	(140,839)
(3,118)	(11,478)	(11,677)	(3,596)	(1,369)	(8,998)	(5,057)	(2,764)	(8,390)	(3,042)
349	1,023	10	5	85	327	225	61	197	4
—	(3)	(12)	—	—	(1)	—	(71)	(428)	(95)
(628)	(1,492)	(498)	—	(50)	(348)	(265)	(84)	(331)	(4)
(17)	(44)	(47)	(22)	(2)	(19)	—	(1)	(58)	—
(6,324)	(2,756)	(2,319)	(1,366)	2,889	(339)	313	(1,916)	225	(161)
(1,980)	(2,652)	(8,470)	(2,358)	(245)	(87)	783	(1,376)	(365)	(1,459)
3,121	4,374	8,599	3,319	971	448	911	1,714	4,906	1,459
$ 1,141	$ 1,722	$ 129	$ 961	$ 726	$ 361	$ 1,694	$ 338	$ 4,541	$ —

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2013
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Operating activities				
Net cash provided by (used in) operating activities	$ 1,167	$ —	$ 55	$ 141
Investing activities				
Net change/net proceeds and payment in				
Premises, software, and equipment	(20)	—	—	(2)
Investments	7,186	(6)	2,496	(5,677)
Advances	6,209	—	833	3,804
Mortgage loans held for portfolio	1,417	—	(30)	(45)
Proceeds from sales of foreclosed assets	38	—	4	—
Net cash provided by (used in) investing activities	14,830	(6)	3,303	(1,920)
Financing activities				
Net change in				
Deposits and pass-through reserves	(321)	6	68	63
Net proceeds (payments) on derivative contracts with financing element	(205)	—	(5)	(57)
Net proceeds from issuance of consolidated obligations				
Discount notes	780,648	—	11,135	31,928
Bonds	76,434	—	1,495	8,777
Bonds transferred from other FHLBanks	—	(122)	—	—
Payments for maturing and retiring consolidated obligations				
Discount notes	(803,960)	—	(13,793)	(29,153)
Bonds	(75,003)	—	(1,849)	(12,383)
Bonds transferred to other FHLBanks	—	122	—	(29)
Proceeds from issuance of capital stock	2,984	—	22	719
Payments for repurchases/redemptions of mandatorily redeemable capital stock	(1,027)	—	(25)	(1)
Payments for repurchases/redemptions of capital stock	(3,742)	—	(275)	(885)
Cash dividends paid	(179)	—	(3)	(53)
Net cash provided by (used in) financing activities	(24,371)	6	(3,230)	(1,074)
Net increase (decrease) in cash and due from banks	(8,374)	—	128	(2,853)
Cash and due from banks at beginning of the period	18,560	—	241	7,553
Cash and due from banks at end of the period	$ 10,186	$ —	$ 369	$ 4,700

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 196	$ 115	$ 92	$ 60	$ 311	$ 40	$ 39	$ 36	$ 56	$ 26
(1)	(1)	(1)	(3)	(1)	(3)	(1)	(1)	(2)	(4)
2,966	1,104	(791)	2,434	493	(2,276)	3,394	587	2,746	(284)
441	6,854	(4,375)	(904)	103	1,756	2,628	(1,047)	(3,029)	(855)
50	80	312	(90)	773	168	8	5	113	73
—	2	—	—	25	7	—	—	—	—
3,456	8,039	(4,855)	1,437	1,393	(348)	6,029	(456)	(172)	(1,070)
19	(25)	(76)	(342)	3	16	(139)	182	(25)	(71)
(8)	(42)	(11)	(20)	(18)	(2)	(37)	(23)	26	(8)
92,668	46,061	47,053	23,049	199,066	20,614	53,353	21,020	19,784	214,917
6,680	17,634	5,368	6,494	4,453	11,575	2,024	1,815	3,875	6,244
—	—	—	—	—	—	—	—	122	—
(98,515)	(57,759)	(43,821)	(24,036)	(206,037)	(23,960)	(55,780)	(20,484)	(12,166)	(218,456)
(5,253)	(17,530)	(3,762)	(6,450)	(2,189)	(7,660)	(4,073)	(2,437)	(9,862)	(1,555)
—	—	—	—	—	(93)	—	—	—	—
253	763	474	44	38	232	175	158	106	—
(63)	(10)	(95)	(290)	(45)	(6)	(1)	(39)	(437)	(15)
(236)	(1,277)	—	—	(96)	(317)	(284)	(48)	(314)	(10)
(2)	(29)	(39)	(14)	(1)	(13)	—	—	(25)	—
(4,457)	(12,214)	5,091	(1,565)	(4,826)	386	(4,762)	144	1,084	1,046
(805)	(4,060)	328	(68)	(3,122)	78	1,306	(276)	968	2
1,351	4,083	16	105	3,564	252	921	370	104	—
$ 546	$ 23	$ 344	$ 37	$ 442	$ 330	$ 2,227	$ 94	$ 1,072	$ 2

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SELECTED FINANCIAL DATA

	2014	2013			
(dollars in millions)	March 31,	December 31,	September 30,	June 30,	March 31,
Selected Statement of Condition Data at					
Investments(1)	$ 272,822	$ 242,863	$ 242,327	$ 256,660	$ 259,452
Advances	484,442	498,599	465,110	458,461	418,297
Mortgage loans held for portfolio	43,732	44,530	45,267	46,737	48,074
Allowance for credit losses on mortgage loans	(71)	(88)	(99)	(107)	(123)
Total assets	820,585	834,200	789,102	774,981	738,704
Consolidated obligations					
Discount notes	267,560	293,296	235,180	221,411	192,977
Bonds	487,166	473,845	486,548	484,095	476,387
Total consolidated obligations	754,726	767,141	721,728	705,506	669,364
Mandatorily redeemable capital stock	4,486	4,998	5,812	6,947	6,070
Subordinated notes(2)	944	944	1,000	1,000	1,000
Capital					
Total capital stock(3)	31,773	33,375	32,285	32,680	32,618
Retained earnings	12,467	12,206	11,764	11,450	10,914
Accumulated other comprehensive income (loss)	(194)	(511)	(801)	(894)	(831)
Total capital	44,046	45,070	43,248	43,236	42,701
Selected Statement of Income Data for the quarter ended					
Net interest income	$ 856	$ 888	$ 845	$ 832	$ 850
Provision (reversal) for credit losses	(11)	(6)	(3)	(6)	(4)
Net interest income after provision (reversal) for credit losses	867	894	848	838	854
Non-interest income	6	150	(5)	156	28
Non-interest expense	250	280	241	188	234
Affordable Housing Program assessments	68	84	65	76	68
Net income	$ 555	$ 680	$ 537	$ 730	$ 580
Selected Other Data for the quarter ended					
Cash and stock dividends	$ 294	$ 238	$ 223	$ 194	$ 188
Dividend payout ratio(4)	52.97 %	35.00 %	41.53 %	26.58 %	32.41 %
Return on average equity(5)	5.01 %	6.15 %	4.95 %	6.93 %	5.51 %
Return on average assets	0.27 %	0.33 %	0.27 %	0.38 %	0.31 %
Average equity to average assets	5.38 %	5.36 %	5.52 %	5.52 %	5.63 %
Net interest margin(6)	0.42 %	0.43 %	0.43 %	0.44 %	0.46 %
Selected Other Data at					
Total GAAP capital-to-assets ratio	5.37 %	5.40 %	5.48 %	5.58 %	5.78 %
Combined regulatory capital-to-assets ratio(7)	5.94 %	6.06 %	6.32 %	6.59 %	6.71 %

(1) Investments consist of interest-bearing deposits, securities purchased under agreements to resell, federal funds sold, trading securities, available-for-sale securities, and held-to-maturity securities.
(2) The subordinated notes outstanding, issued by the FHLBank of Chicago, mature on June 13, 2016. The subordinated notes are not obligations of, and are not guaranteed by, the U. S. government or any of the FHLBanks other than the FHLBank of Chicago.
(3) FHLBank capital stock is redeemable at the request of a member subject to the statutory redemption periods and other conditions and limitations.
(4) 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.
(5) Return on average equity is equal to net income expressed as a percentage of average total capital.
(6) Net interest margin is equal to net interest income represented as a percentage of average interest-earning assets.
(7) The regulatory capital-to-assets ratio is calculated based on the FHLBanks' combined regulatory capital as a percentage of total assets. (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 of the 12 Federal Home Loan Banks (FHLBanks). Each FHLBank discusses its financial condition and results of operations in its periodic reports filed with the Securities Exchange Commission (SEC). The results of operations for interim periods are not necessarily indicative of the results to be expected for the year ending December 31, 2014, or for other interim periods. The unaudited financial statements, included in this Combined Financial Report, should be read in conjunction with the audited combined financial statements for the year ended December 31, 2013, included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013.

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 Federal Home Loan Banks 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 *Condensed Combining Schedules* for information regarding each individual FHLBank's results.) Transactions among the FHLBanks have been eliminated in accordance with combination accounting principles related to consolidation under GAAP. (See *Interbank Transfers of Consolidated Bonds and Their Effect on Combined Net Income* and *Note 1 - Summary of Significant Accounting Policies* to the accompanying combined financial statements for more information.)

Unless otherwise stated, amounts disclosed in this Combined Financial Report represent values rounded to the nearest million. 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 forward-looking statements, by their nature, involve risks or uncertainties, including those set forth in *Risk Factors* on pages 20 to 28 of the Federal Home Loan Bank Combined Financial Report for the year ended December 31, 2013, 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, money and capital markets, employment rates, housing market activity and housing prices, the size and volatility of the residential mortgage market, and uncertainty regarding the global economy;
- 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 Federal Deposit Insurance Corporation (FDIC), or a decline in liquidity in the financial markets;

- political events, including legislative, regulatory, judicial, or other developments that affect the FHLBanks, their members, counterparties, or investors in the consolidated obligations of the FHLBanks, including changes in the Federal Home Loan Bank Act of 1932, as amended (FHLBank Act), housing finance and government-sponsored enterprise (GSE) reform, Federal Housing Finance Agency (FHFA) 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, consolidations, or withdrawals from FHLBank membership;

- changes in domestic and foreign investor demand for consolidated obligations or the terms of derivative transactions and similar transactions, 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 of acceptable institutional counterparties for business transactions, including derivative transactions used to manage interest-rate risk;

- 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 Combined Financial 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 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 FHFA.

The FHLBanks are cooperative institutions, meaning 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 generally 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 secured loans, known as advances. Each FHLBank's principal funding is obtained from consolidated obligations issued through the Office of Finance on behalf of the FHLBanks. Consolidated obligations are the joint and several obligation of each FHLBank.

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, other services and dividend payments. The interest spread between the cost of each FHLBank's liabilities and the yield on its assets, and the earnings on its capital invested, 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.

Credit Ratings

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 FHLBanks' status as GSEs, 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 Moody's Investors Service (Moody's) and Standard & Poor's Ratings Services (S&P). 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 neither the obligation of, nor is it guaranteed by, the United States or any government agency. Moody's, S&P, or other rating organizations could downgrade or upgrade the credit rating of the U.S. government and, in turn, GSEs, including the FHLBanks.

Business Environment

The primary external factors that affect the FHLBanks' combined financial condition and operating performance include (1) the general state of the economy and financial markets; (2) the conditions in the housing markets; (3) interest rate levels and volatility; and (4) the legislative and regulatory environment.

Economy and Financial Markets. As part of their overall business strategy, the FHLBanks' members typically use wholesale funding in the form of advances along with other sources of funding, such as retail deposits, as sources of liquidity to make residential mortgage loans. The FHLBanks' overall results of operations are influenced by the economy and financial markets, and, in particular, FHLBanks' member demand for wholesale funding. Advances outstanding decreased during the three months ended March 31, 2014, due to reduced member demand, particularly by large-asset members.

During the three months ended March 31, 2014, the economy continued its slow recovery from the economic downturn. Gross domestic product continued to grow during that period, and has grown for 19 consecutive quarters. In addition, conditions in the labor market continued to improve, and the unemployment rate stood at 6.3% in April 2014. There continue to be challenges to the ongoing recovery due to uncertainty about the U.S. fiscal situation, including the unemployment rate being above a level that is consistent with maximum employment, continued reductions in quantitative easing by the Federal Reserve, and uncertainty regarding the global economy.

Financial markets stabilized during the three months ended March 31, 2014, due to a negotiated federal budget deal, the extension of the debt ceiling, and market participants gaining more clarity into the tapering of quantitative easing by the Federal Reserve Board. During that period, the FHLBank System maintained ready access to funding at relatively attractive levels.

Conditions in Housing Markets. Conditions in the U.S. housing markets primarily affect the FHLBanks through the creation of demand for residential mortgage loans from members and the valuation of private-label mortgage-backed securities. During the three months ended March 31, 2014, existing-home sales were essentially flat, while U.S. home price appreciation moderated. The continued rise in homes prices has reduced the number of homeowners whose mortgage loan balances exceed the fair market value of their homes and the number of distressed homes being sold, improving the valuation of private-label mortgage-backed securities held by the FHLBanks. However, improvements in the housing market continue to face headwinds from mortgage credit lending standards and limited housing inventory.

Interest Rate Levels and Volatility. The level and volatility of interest rates affect FHLBank member demand for wholesale funding. They also impact the FHLBanks' combined results of operations primarily through the net spreads between the yield on assets and the cost of liabilities and the valuation of certain assets and liabilities. During the three months ended March 31, 2014, compared to the three months ended March 31, 2013, average short-term interest rates have generally decreased, and average intermediate- and long-term rates have generally increased.

The Federal Reserve Board, acting through its Federal Open Market Committee, indicated in April 2014 that it will maintain its target range for the federal funds rate at zero to one quarter percent. In determining how long to maintain this target range, the Federal Open Market Committee will assess progress, both realized and expected, toward its objectives of maximum employment and two percent inflation. The Federal Open Market Committee continues to anticipate, based on an assessment of a wide range of information, that it likely will be appropriate to maintain the current target range for the federal funds rate for a considerable time after the asset purchase program ends, especially if projected inflation continues to run below the Federal Open Market Committee's two percent longer-run goal, and provided that longer-term inflation expectations remain well anchored. In light of the cumulative progress toward maximum employment and the improvement in the outlook for labor market conditions, in April 2014 the Federal Market Open Committee decided to make a further measured reduction in the pace of its asset purchases, otherwise known as quantitative easing. Beginning in May 2014, it will purchase $20 billion in agency MBS per month (these purchases were reduced from $40 billion to $35 billion in January 2014, from $35 billion to $30 billion in February 2014, and then further reduced from $30 billion to $25 billion in April 2014) and it will purchase longer-term Treasury securities at a pace of $25 billion per month (these purchases were reduced from $45 billion to $40 billion in January 2014, from $40 billion to $35 billion in February 2014, and then further reduced from $35 billion to $30 billion in April 2014). The Federal Reserve Board also continued its existing policy of reinvesting principal payments on its agency debt and agency MBS holdings back into agency MBS, and of rolling over maturing Treasury securities at auction.

Legislative and Regulatory Environment. The legislative and regulatory environment in which each FHLBank and its members operate continues to evolve as a result of regulations enacted pursuant to the Housing and Economic Recovery Act of 2008, as amended, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and deliberations by the U.S. Congress regarding housing finance and GSE reform. The FHLBanks' business operations, funding costs, rights, obligations, and/or the environment in which the FHLBanks carry out their housing finance mission are likely to continue to be significantly impacted by these changes. (See *Legislative and Regulatory Developments* for more information.)

FHLBanks' Financial Highlights

Combined Financial Condition. Total assets were $820.6 billion at March 31, 2014, a decrease of 1.6% from $834.2 billion at December 31, 2013. Advances were $484.4 billion, a decrease of 2.8% due to reduced member demand, particularly by large-asset members. Investment balances were $272.8 billion, an increase of 12.3% due primarily to the purchase of additional short-term investments, largely as a result of investing cash held at year-end. Mortgage loans were $43.7 billion, a decrease of 1.8% resulting from principal repayments continuing to exceed purchases.

FHLBank debt issuance is generally driven by members' needs for advances. During the three months ended March 31, 2014, the FHLBanks maintained continual access to funding and adapted their debt issuance to meet the needs of their members. Total liabilities were $776.5 billion at March 31, 2014, a decrease of 1.6% from $789.1 billion at December 31, 2013, due primarily to a decrease in consolidated obligations. This decrease in consolidated obligations resulted from reduced funding needs related to the decline in advances and consisted of a decline in consolidated discount notes, partially offset by an increase in consolidated bonds.

Total GAAP capital was $44.0 billion at March 31, 2014, a decrease of 2.3% from $45.1 billion at December 31, 2013. This decrease is the result of a decline in capital stock outstanding, partially offset by growth in retained earnings and an improvement in accumulated other comprehensive income (loss). Capital stock declined 4.8% as repurchases and redemptions of capital stock exceeded new issuances. Retained earnings grew 2.1% due to net income of $555 million, offset by dividends of $294 million.

Combined Results of Operations. Net income for the three months ended March 31, 2014, was $555 million, a decrease of 4.3% compared to the same period in 2013, resulting primarily from a decline in non-interest income and an increase in non-interest expense, partially offset by an increase in net interest income.

Net interest income after provision (reversal) for credit losses for the three months ended March 31, 2014, was $867 million, an increase of 1.5% compared to the same period in 2013. Net interest margin for the three months ended March 31, 2014, was 0.42%, a decrease of 4 basis points compared to the same period in 2013. Interest income was $2,027 million for the three months ended March 31, 2014, a decrease of 6.4% compared to the same period in 2013. This decrease was due to lower yields on interest-earning assets, which included lower prepayment fees, and a decrease in the average balance of mortgage loans, partially offset by increases in the average balances of advances and investments. Interest expense was

$1,171 million for the three months ended March 31, 2014, a decrease of 11.0% compared to the same period in 2013. This decrease was driven by lower yields on consolidated obligations, including the cumulative effect of redemptions and refinancings of higher-cost consolidated obligations, partially offset by an increase in the average balance of consolidated obligations.

Non-interest income for the three months ended March 31, 2014, was $6 million, a decline of $22 million compared to the same period in 2013. The decline was due primarily to net losses on derivatives and hedging activities, partially offset by net gains on trading securities and gains on litigation settlements. Non-interest expense for the three months ended March 31, 2014, was $250 million, an increase of 6.8% compared to the same period in 2013.

Affordable Housing Program assessments for the three months ended March 31, 2014, were $68 million, which is unchanged compared to the same period in 2013. Affordable Housing Program assessments result from individual FHLBank income subject to assessments.

See *Combined Financial Condition* and *Combined Results of Operations* for further information.

Combined Financial Condition

Total assets were $820.6 billion at March 31, 2014, a decrease of 1.6% from $834.2 billion at December 31, 2013, led by decreases in advances and mortgage loans, partially offset by an increase in investments. Total consolidated obligations were $754.7 billion at March 31, 2014, a decrease of 1.6% from $767.1 billion at December 31, 2013, resulting from reduced funding needs related to the decline in advances. The following discussion contains information on the major categories of the FHLBanks' Combined Statement of Condition: advances, investments, mortgage loans, consolidated obligations, deposits, and capital.

Advances

The FHLBanks provide liquidity to members and eligible non-members through secured loans (advances), which may be used 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 types of eligible collateral pledged, and the creditworthiness and financial condition of 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 either can sell an embedded option to an FHLBank or can purchase an embedded option from an FHLBank. (See *Note 7 - Advances* 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)

	March 31, 2014		December 31, 2013	
	Amount	Percentage of Total	Amount	Percentage of Total
Fixed-rate	$ 249,862	52.2%	$ 277,858	56.5%
Adjustable/variable-rate indexed	189,088	39.5%	174,939	35.5%
Hybrid(1)	20,546	4.3%	20,334	4.1%
Amortizing(2)/mortgage-matched	11,294	2.4%	11,395	2.3%
Convertible	7,177	1.5%	7,460	1.5%
Other advances	573	0.1%	573	0.1%
Total par value	478,540	100.0%	492,559	100.0%
Other(3)	5,902		6,040	
Total	$ 484,442		$ 498,599	

(1) 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.
(2) Amortizing advances include index-amortizing advances, which require repayment in accordance with predetermined amortization schedules linked to various indices. Generally, as market interest rates rise (fall), the maturity of an index-amortizing advance extends (contracts).
(3) Consists of hedging and fair value option valuation adjustments, unamortized premiums, discounts, and commitment fees.

The outstanding carrying value of advances was $484.4 billion at March 31, 2014, a decline of $14.2 billion or 2.8% from $498.6 billion at December 31, 2013. This decrease was due to reduced member demand, particularly by large-asset members. The percentage of members with outstanding advances was 55.8% at March 31, 2014, compared to 57.4% at December 31, 2013.

Table 2 presents cash flows related to advance originations and advance repayments, which illustrates advance repayments exceeding originations during the three months ended March 31, 2014 and 2013, resulting in a decline in advances during those periods. The increase in both advance originations and advance repayments during the three months ended March 31, 2014, as compared to the three months ended March 31, 2013, was driven primarily by members electing to restructure certain outstanding advances to take advantage of the low interest-rate environment. In addition, most of the FHLBanks issued more short-term advances during the three months ended March 31, 2014, many having overnight maturities.

Table 2 - Advance Originations and Repayments
(dollars in millions)

	Three Months Ended March 31,		
	2014	2013	Change
Advances originated	$ 1,005,662	$ 741,179	$ 264,483
Advances repaid	1,019,686	747,388	272,298
Net change	$ (14,024)	$ (6,209)	

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

Table 3 - Advances at Par Value by Type of Borrower
(dollars in millions)

	March 31, 2014		December 31, 2013	
	Par Value	Percentage of Total Par Value of Advances	Par Value	Percentage of Total Par Value of Advances
Commercial bank members	$ 306,242	64.0%	$ 315,649	64.1%
Thrift members	72,864	15.2%	79,064	16.0%
Insurance company members	61,304	12.8%	59,391	12.1%
Credit union members	27,407	5.7%	26,990	5.4%
Community development financial institution members	60	—	59	—
Total member advances	467,877	97.7%	481,153	97.6%
Non-member borrowers	10,359	2.2%	11,092	2.3%
Housing associates	304	0.1%	314	0.1%
Total par value	$ 478,540	100.0%	$ 492,559	100.0%

Table 4 - Member Borrowers by Type of Member

	March 31, 2014		December 31, 2013	
	Number	Percentage of Total Member Borrowers	Number	Percentage of Total Member Borrowers
Commercial banks	2,988	71.7%	3,109	72.1%
Thrifts	634	15.2%	641	14.9%
Credit unions	393	9.4%	436	10.1%
Insurance companies	143	3.5%	118	2.8%
Community development financial institutions	7	0.2%	6	0.1%
Total member borrowers	4,165	100.0%	4,310	100.0%
Total members	7,460		7,504	

Table 5 presents the FHLBanks' top 10 advance holding borrowers at the holding-company level on a combined basis based on advances outstanding at par at March 31, 2014. The percentage of total advances for each holding company was computed by dividing the par value of advances by subsidiaries of that holding company by the total combined par value of advances. These percentage concentrations do not represent borrowing concentrations in an individual FHLBank.

Table 5 - Top 10 Advance Holding Borrowers by Holding Company at March 31, 2014
(dollars in millions)

Holding Company Name(1)	FHLBank Districts(2)	Par Value	Percentage of Total Par Value of Advances
JPMorgan Chase & Co.	Pittsburgh, Cincinnati, Chicago, San Francisco, Seattle	$ 61,822	12.9%
Bank of America Corporation	Boston, New York, Atlanta, San Francisco, Seattle	38,946	8.1%
Citigroup Inc.	New York, Dallas, San Francisco	25,201	5.3%
Wells Fargo & Company	Des Moines, San Francisco	19,134	4.0%
MetLife, Inc.	Boston, New York, Pittsburgh, Des Moines	15,150	3.2%
The PNC Financial Services Group, Inc.	New York, Pittsburgh, Atlanta, Cincinnati	13,906	2.9%
New York Community Bancorp, Inc.	New York, Cincinnati	10,728	2.2%
BB&T Corporation	Atlanta	7,661	1.6%
Navy Federal Credit Union	Atlanta	7,343	1.5%
Banco Santander, S.A.	Pittsburgh	6,955	1.5%
		$ 206,846	43.2%

(1) Holding company information was obtained from the Federal Reserve System's web site, 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.
(2) At March 31, 2014, each holding company had subsidiaries with advance borrowings in these FHLBank districts.

Investments

The FHLBanks maintain investment portfolios for liquidity purposes, to use balance sheet capacity, and to generate additional earnings. This investment income bolsters the FHLBanks' capacity to meet their commitments to affordable housing and community investment. Table 6 presents the composition of investments and investment securities as of March 31, 2014 and December 31, 2013.

Table 6 - Total Investments
(dollars in millions)

Carrying Value	March 31, 2014	December 31, 2013	Change
Interest-bearing deposits	$ 1,567	$ 1,007	$ 560
Securities purchased under agreements to resell	32,240	20,350	11,890
Federal funds sold	45,516	29,500	16,016
Total investment securities by major security type			
Investment securities non-mortgage-backed securities			
U.S. Treasury obligations	4,120	2,847	1,273
Commercial paper	50	—	50
Certificates of deposit	6,376	4,371	2,005
Other U.S. obligations	6,282	6,746	(464)
GSE and Tennessee Valley Authority obligations	25,271	25,962	(691)
State or local housing agency obligations	3,500	3,563	(63)
Federal Family Education Loan Program ABS	6,712	6,804	(92)
Other	1,332	1,404	(72)
Total investment securities non-mortgage-backed securities	53,643	51,697	1,946
Investment securities mortgage-backed securities			
Other U.S. obligations residential MBS	13,575	13,438	137
Other U.S. obligations commercial MBS	820	524	296
GSE residential MBS	96,950	97,165	(215)
GSE commercial MBS	7,891	7,928	(37)
Private-label residential MBS	20,227	20,839	(612)
Manufactured housing loan ABS	120	125	(5)
Home equity loan ABS	273	290	(17)
Total investment securities mortgage-backed securities	139,856	140,309	(453)
Total investment securities	193,499	192,006	1,493
Total investments	$ 272,822	$ 242,863	$ 29,959

Total investments were $272.8 billion at March 31, 2014, an increase of $30.0 billion or 12.3% from $242.9 billion at December 31, 2013, due primarily to the purchase of additional short-term investments, largely as a result of investing cash held at year-end.

Amortized Cost. The amortized cost of available-for-sale (AFS) and held-to-maturity (HTM) securities includes adjustments made to the cost basis. At March 31, 2014 and December 31, 2013, the amortized cost of the FHLBanks' AFS securities included credit losses, accretion adjustments related to other-than-temporary impairment (OTTI), and purchased premiums and discounts totaling $2,444 million and $2,463 million. At March 31, 2014 and December 31, 2013, the amortized cost of the FHLBanks' HTM securities included credit losses, accretion adjustments related to OTTI, and purchased premiums and discounts totaling $883 million and $912 million.

See *Note 4 - Available-for-Sale Securities* and *Note 5 - Held-to-Maturity Securities* to the accompanying combined financial statements for additional information.

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

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

The yield earned on these short-term investments is tied directly to short-term market interest rates. At March 31, 2014, the FHLBanks continued to maintain significant short-term investment balances as part of their ongoing strategy and to satisfy regulatory liquidity requirements. (See *Liquidity* for further discussion related to liquidity management.)

Long-term Investments. The FHLBanks maintain long-term investment portfolios primarily to use balance sheet capacity and to earn interest income. These investments generally provide the FHLBanks with higher returns than those available on short-term investments.

Unrealized Losses on Mortgage-Backed Securities. Unrealized losses, including the net effect of non-credit-related OTTI recognized in AOCI, on the FHLBanks' AFS MBS, decreased $90 million from December 31, 2013 to March 31, 2014. This decline was primarily driven by an increase in the fair value of certain private-label residential MBS.

Unrealized losses, including the net effect of non-credit-related OTTI recognized in AOCI, on the FHLBanks' HTM MBS decreased $316 million from December 31, 2013 to March 31, 2014. The decrease in unrealized losses was primarily related to an increase in fair value of certain government-sponsored enterprise MBS, which was due primarily to changes in interest rates. However, this increase in fair value of HTM MBS is not recorded in the Combined Statement of Condition or in the Combined Statement of Comprehensive Income, as these investments are held-to-maturity. Also contributing to the decrease in unrealized losses was the accretion of the non-credit portion of OTTI losses, recorded in AOCI, on HTM securities that had experienced non-credit-related OTTI in previous periods. 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 *Note 4 - Available-for-Sale Securities* and *Note 5 - Held-to-Maturity Securities* 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 a quarterly basis. Private-label residential MBS, 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) are those investment securities that generally carry the greatest risk of loss. For the three months ended March 31, 2014, affected FHLBanks recognized $2 million of net OTTI losses related to AFS and HTM private-label mortgage-backed securities. For the three months ended March 31, 2013, affected FHLBanks recognized $5 million of net OTTI losses related to AFS and HTM private-label mortgage-backed securities. The net OTTI losses related to AFS and HTM private-label mortgage-backed securities for the three months ended March 31, 2014 and 2013, were recognized 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 had certain other AFS and HTM securities in unrealized loss positions at March 31, 2014. However, these declines are considered temporary, as each of the affected FHLBanks asserted as of March 31, 2014, that it has no intent to sell and believes it is not more likely than not that it will be required to sell any security before its anticipated recovery of the 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 increase in recognized losses on investment securities.

See *Critical Accounting Estimates - OTTI for Investment Securities*, *Risk Management - Credit Risk - Investments*, and *Note 6 - Other-than-Temporary Impairment Analysis* 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. At March 31, 2014, each of the FHLBanks of Atlanta, Cincinnati, Chicago, Topeka, and San Francisco 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. Each of the FHLBanks was in compliance with the regulatory limit at the time of its respective MBS purchases. The ratio of MBS (net of regulatory excluded MBS) to total regulatory capital for the FHLBanks on a combined basis at March 31, 2014, was 2.9.

In addition to this limitation, the FHLBank of Chicago's board of directors passed a resolution requiring that the FHLBank of Chicago obtain FHFA approval for any new investments that have a term to maturity in excess of 270 days, until such time as the FHLBank of Chicago's MBS portfolio is less than three times its total regulatory capital and its advances represent more than 50% of its total assets.

See individual FHLBank 2013 SEC Forms 10-K for disclosures related to individual FHLBank investment holdings that exceed 10% of their respective total capital.

Mortgage Loans Held for Portfolio, Net

An FHLBank may purchase mortgage loans to support the FHLBank's housing mission, diversify its 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 *Risk Management - Credit Risk - Mortgage Loans Held for Portfolio* for more information.)

Table 7 - Mortgage Loans Held for Portfolio, Net
(dollars in millions)

	March 31, 2014	December 31, 2013	Change
Mortgage loans held for portfolio	$ 43,732	$ 44,530	$ (798)
Allowance for credit losses on mortgage loans	(71)	(88)	17
Total mortgage loans held for portfolio, net	$ 43,661	$ 44,442	$ (781)

Mortgage Loans Held for Portfolio. Mortgage loans were $43.7 billion at March 31, 2014, a decrease of 1.8% from $44.5 billion at December 31, 2013. The mortgage loans held for portfolio balance continued to decline from December 31, 2013, due to principal repayments continuing to exceed purchases.

As of March 31, 2014, the FHLBanks of Atlanta, Chicago, Dallas, San Francisco, and Seattle were not accepting additional master commitments to acquire loans for their own portfolio or purchasing additional mortgage loans under either the MPP or MPF Program, except for certain FHLBanks' purchases of MPF loans to support affordable housing. However, during 2014, the FHLBank of San Francisco plans to begin purchasing conventional, conforming, fixed-rate mortgage loans, and Federal Housing Administration/Department of Veterans Affairs-insured mortgage loans from members for its own portfolio under the MPF Original and MPF Government products. The remaining FHLBanks participating in the MPP and MPF Program continue to have the ability to purchase and fund both conventional and government-guaranteed or -insured mortgage loans.

Allowance for Credit Losses on Mortgage Loans. Table 8 presents the characteristics and credit losses of mortgage loans held for portfolio. 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 was $71 million at March 31, 2014, a decrease of $17 million or 19.3% from $88 million at December 31, 2013, due to a net reversal of credit losses, and charge-offs, during the three months ended March 31, 2014. The reversal of credit losses was due primarily to improvements in the housing market and reductions in loan delinquencies and loss severity estimates.

Table 8 - Mortgage Loans Held for Portfolio - Characteristics and Credit Losses
(dollars in millions)

Unpaid Principal Balance	**March 31, 2014**	**December 31, 2013**
Total past due 90 days or more and still accruing interest	$ 385	$ 410
Non-accrual loans(1)	$ 522	$ 552
Troubled debt restructurings (not included above)(2)	$ 98	$ 78
	Three Months Ended March 31, 2014	**Year Ended December 31, 2013**
Allowance for credit losses, beginning of period	$ 88	$ 132
Charge-offs and recoveries	(6)	(25)
Provision (reversal) for credit losses(3)	(11)	(19)
Allowance for credit losses, end of period	$ 71	$ 88

(1) 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.
(2) Represents troubled debt restructured loans that are still performing as of the period-end presented.
(3) The provision (reversal) for credit losses includes only the provision (reversal) related specifically to mortgage loans and does not include the provision (reversal) for credit losses related to Banking on Business loans specific to the FHLBank of Pittsburgh of $1 million or less for the periods presented.

See *Note 9 - Allowance for Credit Losses* to the accompanying combined financial statements for more information.

Consolidated Obligations

Consolidated obligations consist of consolidated bonds and 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. The carrying value of consolidated obligations was $754.7 billion at March 31, 2014, a decrease of $12.4 billion or 1.6% from $767.1 billion at December 31, 2013, resulting from reduced funding needs related to the decline in advances and consisted of a decline in consolidated discount notes.

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. The carrying value of consolidated bonds was $487.2 billion at March 31, 2014, an increase of $13.3 billion or 2.8% from $473.8 billion at December 31, 2013. Consolidated bonds represented 64.5% and 61.8% of total consolidated obligations outstanding at March 31, 2014 and December 31, 2013.

Consolidated discount notes are issued primarily to provide short-term funding. These consolidated discount notes have a maturity range of one day to one year, are generally issued at or below par, and mature at par. A significant portion of consolidated discount note activity typically results from the refinancing of overnight discount notes. The carrying value of consolidated discount notes was $267.6 billion at March 31, 2014, a decrease of $25.7 billion or 8.8% from $293.3 billion at December 31, 2013. Consolidated discount notes represented 35.5% and 38.2% of total consolidated obligations outstanding at March 31, 2014 and December 31, 2013.

Table 9 - Consolidated Obligations Outstanding
(dollars in millions)

	March 31, 2014	December 31, 2013	Change
Par value of consolidated obligations due in 1 year or less			
Consolidated discount notes	$ 267,597	$ 293,342	$ (25,745)
Consolidated bonds	222,319	230,021	(7,702)
Total	489,916	523,363	(33,447)
Par value of long-term consolidated bonds(1)	263,733	243,148	20,585
Total par value	753,649	766,511	(12,862)
Other(2)	1,077	630	447
Total consolidated obligations	$ 754,726	$ 767,141	$ (12,415)

(1) Includes $766 million and $882 million of index-amortizing notes as of March 31, 2014 and December 31, 2013.
(2) Consists of hedging and fair value option valuation adjustments, and unamortized premiums and discounts.

Table 10 presents cash flows related to consolidated obligations, which illustrates payments exceeding proceeds for the three months ended March 31, 2014 and 2013, resulting in lower consolidated obligation balances. However, the volume of net proceeds and net payments decreased for the three months ended March 31, 2014, compared to the same period in 2013, due to lower transaction volumes for consolidated discount notes.

Table 10 - Net Proceeds and Payments for Consolidated Obligations
(dollars in millions)

	Three Months Ended March 31,		
	2014	2013	Change
Net proceeds from issuance of consolidated obligations			
Discount notes	$ 704,582	$ 780,648	$ (76,066)
Bonds	89,113	76,434	12,679
Net proceeds	793,695	857,082	$ (63,387)
Net payments for maturing and retiring consolidated obligations			
Discount notes	730,323	803,960	$ (73,637)
Bonds	76,213	75,003	1,210
Net payments	806,536	878,963	$ (72,427)
Net change	$ (12,841)	$ (21,881)	

Consolidated Bonds. Consolidated bonds often have investor-determined features. The decision to issue a consolidated bond using a particular structure is based on 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-executed derivative transaction usually results in a funding vehicle with a lower cost than an FHLBank could otherwise achieve. The continued attractiveness of these debt/swap transactions depends on pricing relationships in both the consolidated bond and interest-rate exchange markets. If conditions in these markets change, the FHLBanks may alter the types or terms of the bonds issued. The increase in funding alternatives available to the FHLBanks through negotiated debt/swap transactions is beneficial to the FHLBanks because it may diversify the investor base, reduce funding costs, and/or provide additional asset/liability management tools.

Table 11 - Par Value of Consolidated Bonds Outstanding by Payment Terms
(dollars in millions)

	March 31, 2014		December 31, 2013	
	Par Value(1)	Percentage of Total	Par Value(1)	Percentage of Total
Fixed-rate, noncallable	$ 255,806	52.6%	$ 261,907	55.3%
Fixed-rate, callable	99,403	20.4%	86,908	18.4%
Single-index, non-capped variable-rate	88,074	18.1%	85,664	18.1%
Step-up/step-down	39,688	8.2%	35,611	7.5%
Index-amortizing notes	766	0.2%	882	0.2%
Other(2)	2,607	0.5%	2,523	0.5%
Total	$ 486,344	100.0%	$ 473,495	100.0%

(1) Consolidated bonds outstanding have not been adjusted for interbank holdings totaling $292 million at March 31, 2014, and $326 million at December 31, 2013.
(2) Primarily consists of capped variable-rate and conversion consolidated bonds.

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. Table 12 presents the bond types the FHLBanks relied on for their bond funding needs.

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

	Three Months Ended March 31,	
	2014	2013
Fixed-rate, fixed-term, noncallable (bullet)	40.4%	45.5%
Fixed-rate, callable	29.0%	34.4%
Single-index, variable-rate	23.7%	7.2%
Step-up/step-down(1)	6.8%	12.8%
Other	0.1%	0.1%
Total	100.0%	100.0%

(1) Primarily consists of callable step-up bonds.

Deposits

The FHLBanks offer demand and overnight deposit programs to members and qualifying non-members. In addition, certain FHLBanks offer short-term interest-bearing deposit programs to members and, in certain cases, qualifying non-members. At March 31, 2014, deposits totaled $10.4 billion, a decrease of $0.1 billion or 1.1% from December 31, 2013. These deposits represent a relatively small portion of the FHLBanks' funding. Deposits vary depending on 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 represented 86.2% and 86.0% of deposits at March 31, 2014 and December 31, 2013, with the remaining deposits primarily being term deposits and non-interest bearing deposits.

Capital

Table 13 - Total Capital and Capital-to-Assets Ratios
(dollars in millions)

	March 31, 2014	December 31, 2013	Change
Capital stock	$ 31,773	$ 33,375	$ (1,602)
Retained earnings	12,467	12,206	261
AOCI	(194)	(511)	317
Total GAAP capital	44,046	45,070	(1,024)
Exclude: AOCI	194	511	(317)
Add: Mandatorily redeemable capital stock	4,486	4,998	(512)
Other(1)	(1)	(1)	—
Total regulatory capital(2)	$ 48,725	$ 50,578	$ (1,853)
Total assets	$ 820,585	$ 834,200	$ (13,615)
GAAP capital-to-assets ratio	5.37%	5.40%	
Regulatory capital-to-assets ratio	5.94%	6.06%	

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(1) Represents rounding adjustments.
(2) Regulatory capital requirements apply to individual FHLBanks, and the combined amounts are for analysis only. The sum of the individual FHLBank regulatory capital amounts does not agree to the combined regulatory capital due to combining adjustments.

GAAP Capital. Total GAAP capital was $44.0 billion at March 31, 2014, a decrease of 2.3% from $45.1 billion at December 31, 2013. This decrease was the result of a decline in capital stock outstanding, partially offset by growth in retained earnings and an improvement in AOCI. The total GAAP capital-to-assets ratio was 5.37% at March 31, 2014, a decrease of 3 basis points from 5.40% at December 31, 2013.

Capital Stock. Capital stock declined 4.8% as repurchases and redemptions of capital stock exceeded new issuances.

Accumulated Other Comprehensive Income (Loss). The improvement in AOCI of $317 million was primarily affected by:

- fair value improvements of $122 million related to other-than-temporarily impaired available-for-sale private-label mortgage-backed securities, driven by increased housing prices and an improved economic outlook; and
- net fair value increases of $157 million on all other investment securities classified as available-for-sale, due primarily to changes in interest rates, credit spreads, and volatility. (See *Combined Results of Operations - Comprehensive Income* for more information.)

Retained Earnings. Retained earnings grew 2.1% due to net income of $555 million, offset by dividends of $294 million.

Regulatory Capital. Total combined regulatory capital was $48.7 billion at March 31, 2014, a decrease of 3.7% from $50.6 billion at December 31, 2013. This decrease is the result of a decline in regulatory stock outstanding, which consists of capital stock and mandatorily redeemable capital stock, partially offset by growth in retained earnings.

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

	March 31, 2014	December 31, 2013
Capital stock	72.1 %	74.0 %
Retained earnings	28.3 %	27.1 %
AOCI	(0.4)%	(1.1)%
Total GAAP capital	100.0 %	100.0 %

Combined Results of Operations

Net Income

Net income for the three months ended March 31, 2014, was $555 million, a decrease of 4.3% compared to the same period in 2013. This decrease resulted primarily from a decline in non-interest income and an increase in non-interest expense, partially offset by an increase in net interest income.

Table 15 - Changes in Net Income
(dollars in millions)

	Three Months Ended March 31, 2014	2013	Change
Net interest income after provision (reversal) for credit losses	$ 867	$ 854	$ 13
Non-interest income	6	28	(22)
Non-interest expense	250	234	16
Affordable Housing Program assessments	68	68	—
Net income	$ 555	$ 580	$ (25)

Net Interest Income after Provision (Reversal) for Credit Losses

The primary source of each FHLBank's earnings is net interest income, which is the interest earned on advances, mortgage loans, and investments, less the interest paid on consolidated obligations and other borrowings. Net interest income after provision (reversal) for credit losses for the three months ended March 31, 2014, was $867 million, an increase of 1.5% compared to the same period in 2013. Net interest margin for the three months ended March 31, 2014, was 0.42%, a decrease of 4 basis points compared to the same period in 2013.

Interest income was $2,027 million for the three months ended March 31, 2014, a decrease of 6.4% compared to the same period in 2013. This decrease was due to lower yields on interest-earning assets, which included lower prepayment fees, and a decrease in the average balance of mortgage loans, partially offset by increases in the average balances of advances and investments.

Interest expense was $1,171 million for the three months ended March 31, 2014, a decrease of 11.0% compared to the same period in 2013. This decrease was driven by lower yields on consolidated obligations, including the cumulative effect of redemptions and refinancings of higher cost consolidated obligations, partially offset by an increase in the average balance of consolidated obligations.

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

	Three Months Ended March 31, 2014	2013	Change
Interest income			
Advances	$ 635	$ 645	$ (10)
Prepayment fees on advances, net	11	30	(19)
Mortgage loans held for portfolio	437	493	(56)
Investments and other	944	998	(54)
Total interest income	2,027	2,166	(139)
Interest expense			
Consolidated obligations - Discount notes	132	137	(5)
Consolidated obligations - Bonds	978	1,135	(157)
Other borrowings	61	44	17
Total interest expense	1,171	1,316	(145)
Net interest income	856	850	6
Provision (reversal) for credit losses	(11)	(4)	(7)
Net interest income after provision (reversal) for credit losses	$ 867	$ 854	$ 13

Table 17 presents average balances and yields of the major categories of interest-earning assets and interest-bearing liabilities; net interest spread, which is the difference between the annualized yield on total interest-earning assets and the annualized cost on total interest-bearing liabilities; and net interest margin, which is net interest income expressed as a percentage of the average balance of total interest-earning assets. 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.

Table 17 - Spread and Yield Analysis
(dollars in millions)

	Three Months Ended March 31,					
	2014			2013		
	Average Balance	Interest	Annualized Yield	Average Balance	Interest	Annualized Yield
Advances(1)	$ 491,313	$ 646	0.53%	$ 415,689	$ 675	0.66%
Mortgage loans	44,058	437	4.02%	48,689	493	4.11%
Investments						
Interest-bearing deposits and other	8,102	3	0.15%	10,384	4	0.16%
Securities purchased under agreements to resell	25,670	3	0.05%	34,331	13	0.15%
Federal funds sold	67,832	12	0.07%	59,872	21	0.14%
Trading securities	12,187	49	1.63%	12,438	57	1.86%
Available-for-sale securities(2)	67,664	346	2.07%	67,809	345	2.06%
Held-to-maturity securities(2)	112,576	531	1.91%	105,064	558	2.15%
Total investments and other interest income	294,031	944	1.30%	289,898	998	1.40%
Total interest-earning assets	829,402	2,027	0.99%	754,276	2,166	1.16%
Other non-interest-earning assets	5,438			4,804		
Fair-value adjustment on investment securities(2)	318			(477)		
Total assets	$ 835,158			$ 758,603		
Consolidated obligations						
Discount notes	$ 281,621	132	0.19%	$ 200,019	137	0.28%
Bonds	480,611	978	0.83%	478,490	1,135	0.96%
Other borrowings(3)	16,031	61	1.54%	20,482	44	0.87%
Total interest-bearing liabilities	778,263	1,171	0.61%	698,991	1,316	0.76%
Non-interest-bearing liabilities	11,966			16,895		
Total liabilities	790,229			715,886		
Capital	44,929			42,717		
Total liabilities and capital	$ 835,158			$ 758,603		
Net interest income		$ 856			$ 850	
Net interest spread			0.38%			0.40%
Net interest margin			0.42%			0.46%

(1) Interest income for advances includes prepayment fees on advances, net.
(2) The average balances of AFS securities and HTM 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 previously recognized OTTI reflected in AOCI.
(3) The average balances do not include non-interest-bearing deposits, but do include the average balances and the related interest expense of mandatorily redeemable capital stock and subordinated notes.

Changes in both 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 on the proportion of the absolute value of the volume and rate changes.

Table 18 - Rate and Volume Analysis
(dollars in millions)

	Three Months Ended March 31, 2014 vs. 2013		
	Volume	Rate	Total
Interest Income			
Advances(1)	$ 114	$ (143)	$ (29)
Mortgage loans	(45)	(11)	(56)
Investments and other	14	(68)	(54)
Total interest income	83	(222)	(139)
Interest Expense			
Consolidated obligations	145	(307)	(162)
Interest-bearing deposits and other borrowings(2)	(12)	29	17
Total interest expense	133	(278)	(145)
Changes in net interest income	$ (50)	$ 56	$ 6

(1) Includes prepayment fees on advances, net.
(2) The average balances do not include non-interest-bearing deposits, but do include the average balances and the related interest expense of mandatorily redeemable capital stock and subordinated notes.

The increase in net interest income for the three months ended March 31, 2014, compared to the same period in 2013, resulted from the combination of higher average balances of, and lower yields on, interest-earning assets and interest-bearing liabilities.

Higher Average Balances. Higher average balances of interest-earning assets and interest-bearing liabilities drove increases in both interest income and interest expense for the three months ended March 31, 2014, compared to the same period in 2013. The average balance of interest-earning assets increased 10.0% for the three months ended March 31, 2014, compared to the same period in 2013, consisting primarily of increases in the average balances of advances and investments, partially offset by a decrease in the average balance of mortgage loans. The average balance of interest-bearing liabilities increased 11.3% for the three months ended March 31, 2014, compared to the same period in 2013, consisting primarily of an increase in the average balance of consolidated obligations.

The average balance of advances increased 18.2% for the three months ended March 31, 2014, compared to the same period in 2013. Although the average balance of advances increased compared to the same period in 2013, the increase was generally in lower-yielding advances, which contributed to the decline in interest income. However, many member institutions continue to experience high deposit levels and low loan demand.

The average balance of investments increased 1.4% for the three months ended March 31, 2014, compared to the same period in 2013. The higher average balance of investments was driven by higher average balances of federal funds sold and agency mortgage-backed securities, partially offset by decreases in the average balances of securities purchased under agreements to resell and private-label residential mortgage-backed securities.

The average balance of mortgage loans decreased 9.5% for the three months ended March 31, 2014, compared to the same period in 2013, resulting from principal repayments continuing to exceed purchases.

The average balance of consolidated obligations increased 12.3% for the three months ended March 31, 2014, compared to the same period in 2013, driven by an increase of 40.8% in the average balance of consolidated discount notes.

Lower Yields. Lower yields on interest-earning assets and interest-bearing liabilities drove decreases in both interest income and interest expense for the three months ended March 31, 2014, compared to the same period in 2013.

The yield on interest-earning assets for the three months ended March 31, 2014, was 0.99%, a decrease of 17 basis points compared to the same period in 2013, resulting from lower yields on advances, investments, and mortgage loans. The yield on interest-bearing liabilities was 0.61%, a decrease of 15 basis points, primarily attributable to lower yields on consolidated obligations, including the cumulative effect of redemptions and refinancings of higher-cost consolidated obligations. The net effect of the lower yields on interest-earning assets and interest-bearing liabilities was a reduction of net interest spread to 0.38% for the three months ended March 31, 2014, from 0.40% for the three months ended March 31, 2013.

See *Note 10 - Derivatives and Hedging Activities* to the accompanying combined financial statements and *Quantitative and Qualitative Disclosures about Market Risk - Use of Derivatives to Manage Interest-Rate Risk* for information on the effect of derivatives and hedging activities on net interest income.

Non-Interest Income

Non-interest income for the three months ended March 31, 2014, was $6 million, a decline of $22 million compared to the same period in 2013. This decline was due primarily to net losses on derivatives and hedging activities, partially offset by net gains on trading securities, and gains on litigation settlements.

Table 19 - Changes in Non-Interest Income
(dollars in millions)

	Three Months Ended March 31,		
	2014	2013	Change
Net other-than-temporary impairment losses	$ (2)	$ (5)	$ 3
Net gains (losses) on trading securities	10	(48)	58
Net realized gains (losses) from sale of available-for-sale securities	1	1	—
Net gains (losses) on financial instruments held under fair value option	(33)	(4)	(29)
Net gains (losses) on derivatives and hedging activities	(58)	65	(123)
Gains on litigation settlements, net	43	—	43
Net gains (losses) on debt extinguishments	13	(8)	21
Other, net	32	27	5
Total non-interest income (loss)	$ 6	$ 28	$ (22)

Other-than-Temporary Impairment Losses. The FHLBanks update their other-than-temporary impairment analysis each quarter to reflect current housing market conditions, changes in anticipated housing market conditions, observed and anticipated borrower behavior, and updated information on collateral underlying private-label mortgage-backed securities. This process includes updating key aspects of the FHLBanks' loss projection models.

For the three months ended March 31, 2014, the net other-than-temporary impairment loss was $2 million compared to $5 million for the same period in 2013. The decrease in net other-than-temporary impairment loss was due primarily to improvements in housing prices and the improved economic outlook.

Table 20 - Other-than-Temporary Impairment Losses of Private-Label Mortgage-Backed Securities
(dollars in millions)

	Three Months Ended March 31,					
	2014			2013		
	Total OTTI Losses	AOCI(1)	OTTI Related to Credit Losses	Total OTTI Losses	AOCI(1)	OTTI Related to Credit Losses
OTTI by Collateral Type(2)						
Private-label residential MBS						
Prime	$ —	$ (1)	$ (1)	$ —	$ —	$ —
Alt-A	(1)	—	(1)	(5)	—	(5)
Total	$ (1)	$ (1)	$ (2)	$ (5)	$ —	$ (5)
OTTI by Period						
Securities newly impaired during the period	$ —	$ —	$ —	$ (5)	$ 5	$ —
Securities previously impaired prior to current period(3)	(1)	(1)	(2)	—	(5)	(5)
Total	$ (1)	$ (1)	$ (2)	$ (5)	$ —	$ (5)

(1) Represents the net amount of other-than-temporary impairment losses reclassified to/(from) AOCI.
(2) The FHLBanks classify securities 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 on issuance of the securities.
(3) For the three months ended March 31, 2014 and 2013, securities previously other-than-temporarily impaired prior to current period represents all securities that were other-than-temporarily impaired prior to January 1, 2014 and 2013.

See *Note 6 - Other-than-Temporary Impairment Analysis* to the accompanying combined financial statements and *Critical Accounting Estimates - OTTI for Investment Securities* for additional information.

Gains (Losses) on Trading Securities. The FHLBanks generally hold trading securities for liquidity purposes. Trading securities are recorded at fair value with changes in fair value reflected in non-interest income. There are a number of factors that affect the value of a trading security, including changes in interest rates, credit spreads, and volatility. The net gain on trading securities for the three months ended March 31, 2014, was $10 million and the net loss on trading securities for the three months ended March 31, 2013, was $48 million. (See *Note 3 - Trading Securities* to the accompanying combined financial statements for additional information.)

Gains (Losses) on Financial Instruments Held under Fair Value Option. Certain FHLBanks elected the fair value option for certain financial assets and certain financial liabilities and recognize the changes in fair value on these assets and liabilities as 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.

Fair values of advances and consolidated bonds held under fair value option vary from period to period based on changes in a wide range of market factors, including the current and projected levels of interest rates, credit spreads, and volatility. The significant inputs used by the FHLBanks to determine the fair value of advances and consolidated bonds are the Consolidated Obligation Curve, LIBOR Swap Curve, volatility assumptions, and spread assumptions. Additionally, net gains and losses are affected by changes in the composition of the financial instruments held under fair value option. Table 21 presents the net gains and losses on financial instruments held under fair value option.

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

	Three Months Ended March 31,		
	2014	2013	Change
Advances	$ 9	$ (25)	$ 34
Consolidated bonds	(42)	21	(63)
Total net gains (losses) on financial instruments held under fair value option	$ (33)	$ (4)	$ (29)

Gains (Losses) on Derivatives and Hedging Activities. Fair value estimates for an FHLBank's derivatives and hedging positions fluctuate with changes in market conditions. 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 generally reverse over the remaining contractual terms of the hedged financial instruments. However, there may be instances when 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 presents the net gains and losses on derivatives and hedging activities.

Table 22 - Net Gains (Losses) on Derivatives and Hedging Activities
(dollars in millions)

	Three Months Ended March 31,		
	2014	2013	Change
Net gains (losses) related to fair value hedge ineffectiveness	$ 11	$ 36	$ (25)
Net gains (losses) related to cash flow hedge ineffectiveness	—	1	(1)
Net gains (losses) related to derivatives not designated as hedging instruments	(69)	28	(97)
Total net gains (losses) on derivatives and hedging activities	$ (58)	$ 65	$ (123)

The net loss on derivatives and hedging activities for the three months ended March 31, 2014, was $58 million due primarily to changes in the fair value and net interest settlements of derivatives not designated as qualifying accounting hedges. The net gain on derivatives and hedging activities for the three months ended March 31, 2013, was $65 million due primarily to hedge ineffectiveness and to changes in the fair value of derivatives not designated as qualifying accounting hedges. The fair values are based on a wide range of factors, including current and projected levels of interest rates, credit spreads, and volatility. Hedge ineffectiveness occurs when changes in the fair value of the derivative and the associated hedged instrument do not perfectly offset. (See *Note 10 - Derivatives and Hedging Activities* to the accompanying combined financial statements and

Quantitative and Qualitative Disclosures about Market Risk - Use of Derivatives to Manage Interest-Rate Risk for additional information on the effect of derivatives and hedging activities on non-interest income**.**)

Gains on Litigation Settlements, Net. During the three months ended March 31, 2014, certain FHLBanks agreed with certain of their defendants to settle claims against them arising from certain investments in private-label MBS. As a result of these settlement agreements, these FHLBanks recorded gains on litigation settlements totaling $43 million, which is net of legal fees and expenses.

Non-interest Expense

Non-interest expense for the three months ended March 31, 2014, was $250 million, an increase of 6.8% compared to the same period in 2013.

Table 23 - Changes in Non-Interest Expense
(dollars in millions)

	Three Months Ended March 31,		
	2014	2013	Change
Compensation and benefits	$ 137	$ 126	$ 11
Other operating expenses	82	77	5
Federal Housing Finance Agency	16	16	—
Office of Finance	12	13	(1)
Other	3	2	1
Total non-interest expense	$ 250	$ 234	$ 16

Compensation and Benefits. These expenses include costs for FHLBank employees, including salaries, incentives, and health and retirement benefits. For the three months ended March 31, 2014, compensation and benefits expense was $137 million, an increase of 8.7% compared to the same period in 2013. This increase was due primarily to staffing increases, annual merit increases, and voluntary pension plan contributions at certain FHLBanks.

Affordable Housing Program Assessments

Affordable Housing Program (AHP) assessments for the three months ended March 31, 2014, were $68 million, which is unchanged compared to the same period in 2013. Affordable Housing Program assessments result from individual FHLBank income subject to assessments.

By regulation, the FHLBanks must annually set aside for the AHP the greater of the aggregate of $100 million or 10% of the individual FHLBank's income subject to assessment. For purposes of the AHP calculation, each FHLBank's income subject to assessment is defined as the individual FHLBank's net income before assessments, plus interest expense related to mandatorily redeemable capital stock.

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.

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

Combined net income of the FHLBanks is affected by interbank transfers of the 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.

There were no interbank transfers of consolidated bonds during the three months ended March 31, 2014. Total consolidated bonds of $105 million at par value were transferred from an FHLBank to another FHLBank during the three months ended March 31, 2013. 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 transferring FHLBank treats the transfer as a debt extinguishment because that FHLBank has been released from being the primary obligor. The transferring FHLBank records a gain or loss on the debt transferred to the assuming FHLBank based on the difference between the fair value and the carrying value of the consolidated bonds, including any unamortized premiums or discounts. The assuming FHLBank becomes the primary obligor because it now is directly responsible for repaying the debt. The assuming FHLBank records the fair value, including any premium or discount, as the initial carrying amount for the consolidated bond it received from the transferring FHLBank. However, under the principles of combination accounting, combining adjustments are required to reflect the transaction as if the transferring FHLBank continues to hold the consolidated bond for purposes of the FHLBanks' combined financial statements.

Table 24 presents the effect of interbank and rounding adjustments (collectively referred to as combining adjustments) on the Combined Statement of Income. Interbank adjustments include the elimination of:

- transfers of interbank consolidated bond liabilities;
- interest on purchased consolidated bonds that is eliminated in interest income and interest expense; and
- fees related to the MPF Program that are eliminated in non-interest income and non-interest expense.

Table 24 - Effect of Combining Adjustments on Combined Statement of Income
(dollars in millions)

	Three Months Ended March 31,	
Effect on	**2014**	**2013**
Total interest income	$ (4)	$ (4)
Total interest expense	8	7
Net interest income after provision (reversal) for credit losses	(12)	(11)
Non-interest income	(4)	16
Non-interest expense	(3)	(2)
Net income	$ (13)	$ 7

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income. Other comprehensive income is reported in the Combined Statement of Comprehensive Income and presents the net change in the accumulated other comprehensive income (loss) balances.

Other comprehensive income for the three months ended March 31, 2014, was $317 million, a decrease of 53.3% compared to the same period in 2013. For the three months ended March 31, 2014, other comprehensive income primarily consisted of fair value gains on AFS securities. For the three months ended March 31, 2013, other comprehensive income primarily consisted of fair value gains on other-than-temporarily impaired private-label MBS classified as AFS, and net unrealized gains relating to cash flow hedging activities.

Table 25 - Comprehensive Income
(dollars in millions)

	Three Months Ended March 31,		
	2014	2013	Change
Net income	$ 555	$ 580	$ (25)
Other comprehensive income			
Changes in fair value of AFS securities			
Net unrealized gains (losses) on AFS securities	157	(51)	208
Net change in fair value of other-than-temporarily impaired AFS securities	122	586	(464)
Total changes in fair value of AFS securities	279	535	(256)
Changes in non-credit OTTI losses			
Reclassification of the non-credit portion of AFS and HTM securities included in net income	1	3	(2)
Non-credit portion of HTM securities	—	(4)	4
Accretion of non-credit portion on HTM securities	33	40	(7)
Total changes in non-credit OTTI losses	34	39	(5)
Net unrealized gains (losses) relating to hedging activities	(5)	103	(108)
Other	9	2	7
Total other comprehensive income (loss)	317	679	(362)
Comprehensive income	$ 872	$ 1,259	$ (387)

Changes in Fair Value of AFS securities. Changes in the fair value of AFS securities are recorded in other comprehensive income. The net change in unrealized gains (losses) on AFS securities, which have not been other-than-temporarily impaired, was due primarily to changes in interest rates, credit spreads, and volatility. The net change in the fair value of other-than-temporarily impaired AFS securities was driven largely by housing prices and the economic outlook. The distinction between the two categories is whether the AFS security has incurred an OTTI loss.

Changes in Non-Credit OTTI Losses. Changes in non-credit OTTI losses are comprised of the accretion of the non-credit portion of HTM securities, the net non-credit portion of OTTI on AFS and HTM securities, and the reclassification of the non-credit portion of AFS and HTM securities included in net income.

Net Unrealized Gains (Losses) Relating to Hedging Activities. Net unrealized gains (losses) relating to hedging activities is comprised of changes in the fair value of a derivative that is designated and qualifies as a cash flow hedge, to the extent that the hedge is effective, until earnings are affected by the variability of the cash flows of the hedged transaction and the amounts are reclassified to non-interest income. The FHLBanks' gains (losses) on hedging activities fluctuate with volatility in the overall interest-rate environment and with the positions taken by the FHLBanks to hedge their risk exposure using cash flow hedges.

Capital Adequacy

At March 31, 2014, each of the FHLBanks was in compliance with its statutory minimum capital requirements. (See *Note 13 - Capital* to the accompanying combined financial statements for more information on each FHLBank's minimum capital requirements.) 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 interest-rate 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 its 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 March 31, 2014, certain FHLBanks have limited dividend payments and/or restricted excess capital stock redemptions and repurchases. These limitations may be revised from time to time.

Dividend and Excess Stock Limitations

Certain FHLBanks have implemented voluntary actions to suspend 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 due to market volatility and impairment of certain private-label MBS. (See *Note 13 - Capital - Excess Capital Stock* to the accompanying combined financial statements for information on the regulatory restrictions related to excess capital stock.)

FHLBank of Boston. The FHLBank of Boston may repurchase excess stock in its sole discretion, although it is continuing its moratorium on repurchases of excess capital stock, other than in limited, former member-related instances of insolvency. Notwithstanding the moratorium, the FHLBank of Boston has conducted and expects to continue to conduct partial repurchases of excess stock. The FHLBank of Boston repurchased $500 million of excess stock on May 1, 2014.

FHLBank of Pittsburgh. The FHLBank of Pittsburgh's management monitors capital adequacy, including the level of retained earnings, through the evaluation of the market value of equity to par value of capital stock. The market value of equity to par value of capital stock ratio provides a current assessment of the liquidation value of the balance sheet and measures the FHLBank of Pittsburgh's current ability to honor the par put redemption feature of its capital stock. This is one of the risk metrics used to evaluate the adequacy of retained earnings and develop dividend payment and excess capital stock repurchase recommendations. The FHLBank of Pittsburgh's market value of equity to par value of capital stock was 135.7% at March 31, 2014, and 128.0% at December 31, 2013. This improvement was due primarily to increased retained earnings and a lower capital stock balance.

FHLBank of San Francisco. On a quarterly basis, the FHLBank of San Francisco determines whether it will repurchase excess capital stock. The FHLBank of San Francisco repurchased $750 million in excess capital stock in each of the first quarters of 2014 and 2013. On April 28, 2014, the FHLBank of San Francisco announced that it plans to repurchase $750 million of excess capital stock on May 16, 2014. The amount of excess capital stock to be repurchased from each shareholder will be based on the total amount of capital stock (including mandatorily redeemable capital stock) outstanding to all shareholders on the repurchase date. The FHLBank of San Francisco will repurchase an equal percentage of each shareholder's total capital stock to the extent that the shareholder has sufficient excess capital stock.

FHLBank of Seattle. In September 2012, the FHFA approved the FHLBank of Seattle's proposal for an excess capital stock repurchase program and granted the FHLBank of Seattle the authority to repurchase up to $25 million of excess capital stock per quarter, provided:

- the FHLBank of Seattle's financial condition, measured primarily by the market value of equity to par value of capital stock ratio, does not deteriorate;
- the excess capital stock repurchases from the FHLBank of Seattle's shareholders are handled on a pro-rata basis; and
- the FHLBank of Seattle receives a non-objection for each quarter's repurchase from the FHFA.

The Amended Consent Arrangement requires that the FHLBank of Seattle request and obtain FHFA non-objection to repurchases and redemptions of capital stock and prescribes the contents of the requests. Under this authority, in the first quarter of 2014, the FHLBank of Seattle repurchased or redeemed $99 million of excess capital stock and has repurchased or redeemed a total of $244 million of excess capital stock since implementing this program. In addition, the FHLBank of Seattle also repurchased $3 million, including $1 million in first quarter of 2014, of excess Class B stock, which had been purchased by members on or after October 27, 2010 for activity purposes. The FHLBank of Seattle's ability to repurchase excess capital stock meeting these criteria could increase the likelihood that members will purchase incremental capital stock to support new advances.

In addition, in April 2014, following the FHFA's non-objection, the FHLBank of Seattle announced that it will repurchase up to $100 million of excess capital stock during the second quarter of 2014. The FHLBank of Seattle will repurchase, on a pro-rata basis, up to $25 million of excess capital stock from across its shareholder base and redeem up to $75 million of excess capital stock on which the redemption waiting period has been satisfied. (See *Note 17 - Capital* on page F-65 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013 for additional information on the FHLBank of Seattle Capital Classification and Consent Arrangement.)

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 and to meet all current and future financial commitments 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.

The FHLBanks also maintain liquidity to redeem or repurchase excess capital stock at their discretion upon the request of a member or under an FHLBank's capital plan. (See *Capital Adequacy* - *Dividend and Excess Stock Limitations* for a discussion of certain FHLBanks' 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 investments that are primarily high-quality, short-, and intermediate-term financial instruments. Historically, 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.

Other short-term borrowings, such as member deposits and securities sold under agreements to repurchase, may also provide liquidity. In addition, by law, the Secretary of the Treasury may acquire up to $4 billion of consolidated obligations of the FHLBanks. This authority may be exercised only if alternative means cannot be effectively employed to permit the FHLBanks to continue to supply reasonable amounts of funds to the mortgage market, and the ability to supply such funds is substantially impaired because of monetary stringency and a high level of interest rates. Any funds borrowed shall be repaid by the FHLBanks at the earliest practicable date.

An FHLBank manages its balance sheet and corresponding liquidity requirements in response to its members' credit needs. In response to reduced member 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, deposit growth, and 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 FHFA requires each FHLBank to: (1) maintain contingent liquidity sufficient to meet liquidity needs that shall, at a minimum, cover five calendar days of inability to access consolidated obligations in the debt markets; (2) have available at all times an amount greater than or equal to its members' current deposits invested in advances with maturities not to exceed five years, deposits in banks or trust companies, and obligations of the U.S. Treasury; (3) maintain, in the aggregate, unpledged qualifying assets in an amount at least equal to the amount of its participation in total consolidated obligations outstanding; and (4) maintain, through short-term investments, an amount at least equal to its anticipated cash outflows under two hypothetical scenarios.

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/or difficulty accessing liquidity on acceptable terms.

Therefore, the FHLBanks have taken actions, or continue to take actions, to bolster the amount of liquidity in the event their access to the debt markets is disrupted.

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 its 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 from these estimates.

In the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013, 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 consist of those used in conjunction with (1) OTTI for investment securities; (2) fair value estimates; (3) derivative hedging relationships; (4) amortization of premiums and accretion of discounts on investment securities and purchased mortgage loans; and (5) calculation of allowance for credit losses for each identified portfolio segment of financing receivables. For a description of accounting policies related to these estimates and assumptions see *Note 1 - Summary of Significant Accounting Policies* on pages F-11 to F-22 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013.

There have been no significant changes to the critical accounting estimates disclosed in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013. 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* on pages 69 to 78 of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013. Each FHLBank describes its critical accounting estimates in its periodic reports filed with the SEC.

See the following for information relating to OTTI for investment securities at and for the three months ended March 31, 2014.

OTTI for Investment Securities

Uniform OTTI Framework. The 12 FHLBanks have developed a uniform framework for completing their OTTI analyses in compliance with accounting guidance on the recognition and presentation of OTTI in the financial statements. To ensure consistency in the determination of OTTI for private-label MBS among all FHLBanks, the FHLBanks use a system-wide governance committee and a formal process to ensure consistency in key OTTI modeling assumptions used for purposes of their cash flow analyses for the majority of these securities.

To assess whether the entire amortized cost bases of the FHLBanks' private-label MBS will be recovered, the FHLBanks performed a cash flow analysis, using the uniform OTTI modeling methodology under the FHLBanks' uniform framework, 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. For private-label MBS where underlying loan-level collateral data is not available, alternative procedures, as determined and approved by the system-wide governance committee, are used to assess these securities for OTTI. At March 31, 2014, seven FHLBanks owned certain private-label MBS where the underlying loan-level collateral data was not available, which represented approximately 2% of the FHLBanks' total unpaid principal balance of private-label MBS.

In performing the cash flow analysis for the private-label MBS under the uniform framework, each FHLBank uses two third-party models. The first model forecasts loan-level prepayment, default, and severity behavior. The second model is used to determine the resulting cash flows. The modeling assumptions, significant inputs, and methodologies are material to an OTTI determination. Any changes to these assumptions, significant inputs, or methodologies could result in materially different outcomes to this determination, including the realization of additional OTTI charges that may be substantial. Each FHLBank is responsible for making its own OTTI determination and assessing the reasonableness of assumptions, significant inputs, and methodologies used, as well as for performing the required present value calculations using appropriate historical cost bases and yields. Two or more FHLBanks that hold the same private-label MBS are required to consult with one another to ensure they reach the same conclusion on any decision that a commonly-held private-label MBS is other-than-temporarily impaired.

This includes the determination that the fair value and the credit loss component of the unrealized loss are consistent among those FHLBanks.

For a detailed discussion of the FHLBanks' uniform OTTI frameworks, including alternative procedures and approved key assumptions, see *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations - Critical Accounting Estimates* on pages 69 to 72 of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013. Also, see *Note 6 - Other-than-Temporary Impairment Analysis* to the accompanying combined financial statements for additional information relating to OTTI, including the recognition and presentation of OTTI.

Table 26 presents the unpaid principal balances and the significant inputs used to assess private-label residential MBS and home equity loan ABS under the FHLBanks' uniform framework for OTTI, as well as related current credit enhancements as of March 31, 2014. The calculated averages represent the dollar-weighted averages of all the private-label residential MBS and home equity loan ABS in each category shown.

Table 26 - Significant Inputs for Private-Label Residential MBS and Home Equity Loan ABS
(dollars in millions)

	March 31, 2014				
		Significant Inputs for All Private-label Residential MBS(1)			Current Credit Enhancement
		Prepayment Rates	Default Rates	Loss Severities	
Year of Securitization	Unpaid Principal Balance	Weighted-Average	Weighted-Average	Weighted-Average	Weighted-Average
Prime					
2008	$ 520	12.4%	15.4%	35.9%	16.5%
2007	662	11.4%	13.1%	37.0%	2.5%
2006	1,367	11.2%	15.7%	36.9%	1.4%
2005	1,527	13.5%	5.9%	32.4%	6.2%
2004 and prior	3,012	14.6%	5.2%	31.8%	10.6%
Total prime	7,088	13.2%	8.9%	33.7%	7.6%
Alt-A					
2008	270	10.8%	30.8%	42.4%	27.2%
2007	5,062	8.9%	39.0%	42.9%	11.5%
2006	3,842	9.3%	34.7%	44.4%	7.2%
2005	5,056	10.2%	20.7%	40.5%	9.3%
2004 and prior	1,874	13.1%	11.1%	33.1%	15.9%
Total Alt-A	16,104	9.9%	28.8%	41.4%	10.6%
Subprime					
2007	7	5.3%	55.3%	59.8%	44.2%
2006	711	5.8%	54.8%	60.2%	20.6%
2005	37	6.7%	48.8%	56.5%	42.2%
2004 and prior	20	8.4%	22.2%	59.7%	38.3%
Total subprime	775	5.9%	53.7%	60.0%	22.3%
Total all private-label residential MBS	$ 23,967	10.8%	23.7%	39.7%	10.1%

	March 31, 2014				
		Significant Inputs for All Home Equity Loan ABS(1)			Current Credit Enhancement
		Prepayment Rates	Default Rates	Loss Severities	
Year of Securitization	Unpaid Principal Balance	Weighted-Average	Weighted-Average	Weighted-Average	Weighted-Average
Subprime					
2004 and prior	$ 121	10.2%	10.2%	53.3%	35.0%
Total all home equity loan ABS	$ 121	10.2%	10.2%	53.3%	35.0%

(1) The classification (prime, Alt-A, and subprime) in this table 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.

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, or adverse case scenario. This adverse case scenario was primarily based on a short-term housing price forecast, which was decreased five percentage points relative to the base case, followed by a recovery path that is 33% lower than the base case.

The adverse case 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 adverse case 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 base case OTTI assessment.

Table 27 presents the combined credit losses under the base case and adverse case scenario for other-than-temporarily impaired private-label MBS for the three months ended March 31, 2014. The base case scenario represents actual OTTI-related credit losses recognized in earnings for the three months ended March 31, 2014. The adverse case scenario's estimated cash flows were generated to show what the OTTI charges would have been under the more stressful scenario for the three months ended March 31, 2014.

Table 27 - Base Case and Adverse Case Scenarios
(dollars in millions)

	Three Months Ended March 31, 2014					
	Base Case			Adverse Case		
	Number of Securities	Unpaid Principal Balance	OTTI Related to Credit Loss	Number of Securities	Unpaid Principal Balance	OTTI Related to Credit Loss
Private-label residential MBS						
Prime(1)	5	$ 53	$ (1)	8	$ 61	$ (2)
Alt-A(1)	13	223	(1)	40	938	(11)
Subprime(1)	—	—	—	1	—	—
Total private-label residential MBS	18	276	(2)	49	999	(13)
Home equity loan ABS						
Alt-A(1)	—	—	—	1	2	—
Subprime(1)	1	—	—	7	50	(4)
Total home equity loan ABS	1	—	—	8	52	(4)
Total	19	$ 276	$ (2)	57	$ 1,051	$ (17)

(1) 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.

Recent Accounting Developments

See *Note 2 - Recently Issued and Adopted Accounting Guidance* to the accompanying combined financial statements for a discussion regarding the effect of recently issued accounting guidance on the FHLBanks' combined financial condition, combined results of operations, or combined cash flows.

Legislative and Regulatory Developments

The legislative and regulatory environment in which each FHLBank and its members operate continues to evolve as a result of regulations enacted pursuant to the Housing and Economic Recovery Act of 2008, as amended (Housing Act) and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). The FHLBanks' business operations, funding costs, rights, obligations, and/or the environment in which the FHLBanks carry out their housing finance mission are likely to continue to be significantly impacted by these changes.

Certain regulatory actions and developments since December 31, 2013 are summarized in this section. 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, 2013 for a description of certain legislative and regulatory developments that occurred prior to the publication of that report.

FHFA Proposed Rule on Responsibilities of Boards of Directors; Corporate Practices and Corporate Governance Matters. On January 28, 2014, the FHFA published a proposed rule to relocate and consolidate existing Federal Housing Finance Board and Office of Federal Housing Enterprise Oversight regulations pertaining to director responsibilities, corporate practices, and corporate governance matters for Fannie Mae, Freddie Mac, and the FHLBanks (each, a "regulated entity"). In addition, the proposed rule would make certain amendments or additions to the corporate governance rules currently applicable to the FHLBanks, including provisions to:

- Revise existing risk management provisions to better align them with more recent proposals of the Federal Reserve Board, including requirements that each regulated entity adopts an enterprise wide risk management program and appoints a chief risk officer with certain enumerated responsibilities;

- Require each regulated entity to maintain a compliance program headed by a compliance officer who reports directly to the chief executive officer and must regularly report to the board of directors (or a board committee);

- Require each regulated entity's board to establish committees specifically responsible for the following matters: (a) risk management; (b) audit; (c) compensation; and (d) corporate governance; and

- Require each FHLBank to designate in its bylaws a body of law to follow for its corporate governance practices and procedures that may arise for which no federal law controls, choosing from (a) the law of the jurisdiction in which the FHLBank maintains its principal office; (b) the Delaware General Corporation Law; or (c) the Revised Model Business Corporation Act. The proposed rule states that the FHFA has the authority to review a regulated entity's indemnification policies, procedures and practices and may limit or prohibit indemnification payments in support of the safe and sound operations of the regulated entity.

Comments on the proposed rule are due by May 15, 2014.

FHFA Final Rule on Executive Compensation. On January 28, 2014, the FHFA issued a final rule setting forth requirements and processes with respect to compensation provided to executive officers by FHLBanks and the Office of Finance. The final rule addresses the authority of the Director of the FHFA to review the compensation arrangements of executive officers of the FHLBanks and the Office of Finance and to prohibit an FHLBank or the Office of Finance from providing compensation to any executive officer that the Director of the FHFA determines is not reasonable and comparable with compensation for employment in other similar businesses involving similar duties and responsibilities.

The final rule also addresses the Director's authority to approve, in advance, agreements or contracts of executive officers that provide compensation in connection with termination of employment. The final rule became effective on February 27, 2014.

FHFA Final Rule on Golden Parachute Payments. On January 28, 2014, the FHFA issued a final rule setting forth the standards that the Director of the FHFA will take into consideration when determining whether to limit or prohibit golden parachute payments. The primary impact of this final rule is to better conform existing FHFA regulations on golden parachutes with FDIC golden parachute regulations and to further limit golden parachute payments made by an FHLBank or the Office of Finance that is assigned a less than satisfactory composite FHFA examination rating. The final rule became effective on February 27, 2014.

Recent Rating Agency Actions

Since January 1, 2014, no rating agency actions occurred with regard to the FHLBanks or their consolidated obligations. Table 28 presents each FHLBank's long-term credit rating, short-term credit rating, and outlook at April 30, 2014.

Table 28 - FHLBanks' Long-Term Credit Ratings, Short-Term Credit Ratings, and Outlook at April 30, 2014

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

Risk Management

The fundamental business of each FHLBank is to provide a readily available, competitively-priced source of funds, in a wide range of maturities, to meet the 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 derivative transactions, 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. Each FHLBank has established policies and procedures to evaluate, manage, and control these risks and must file periodic compliance reports with the FHFA. The FHFA has established regulations governing the risk management practices of the FHLBanks and conducts an annual on-site examination of each FHLBank and the Office of Finance as well as off-site analyses.

Credit Risk

Advances. Each FHLBank manages its credit exposure to advances through an integrated approach that provides for the ongoing review of the financial condition of its borrowers coupled with conservative collateral and lending policies and procedures to limit its risk of loss while balancing its borrowers' needs for a reliable source of funding. In response to conditions in the housing and mortgage markets, each FHLBank continues to evaluate and make changes to its collateral guidelines when reviewing its borrowers' financial condition to further mitigate the credit risk on advances. As of March 31, 2014, the management of each FHLBank believed it had adequate policies and procedures in place to manage its credit risk on advances effectively.

Advances and other credit product obligations to an FHLBank are fully secured with eligible collateral, the value of which is discounted to protect the FHLBanks from credit loss. At March 31, 2014, each FHLBank had rights to collateral with an estimated value greater than the related outstanding advances. (See *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations - Risk Management - Credit Risk - Advances*, pages 83 to 87 of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013, for information on eligible collateral and effective lending values.)

As of March 31, 2014, there were 72 individual FHLBank borrowers (69 FHLBank members and three 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 collateral requirements, including requirements regarding creditworthiness and collateral borrowing capacity. A borrower's total credit obligation to an FHLBank could include outstanding advances, outstanding letters of credit, collateralized derivative contracts, and credit enhanced 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 2.5 at March 31, 2014, which represents the total of these 72 individual FHLBank borrowers' eligible collateral divided by these borrowers' advances and other credit products outstanding at March 31, 2014; however, individual borrower credit obligations to the FHLBanks are not cross-collateralized between borrowers.

Table 29 presents advances, other credit products (which primarily includes letters of credit), and collateral outstanding for borrowers with at least $1.0 billion of advances outstanding as compared to all borrowers.

Table 29 - Advances, Other Credit Products, and Collateral Outstanding
(dollars in millions)

	March 31, 2014		
	Borrowers with at Least $1.0 Billion of Advances Outstanding	All Borrowers	Percentage
Advances outstanding, at par	$ 325,180	$ 478,540	68.0%
Other credit products outstanding, at par	$ 51,392	$ 86,271	59.6%
Collateral outstanding	$ 937,668	$ 1,837,687	51.0%

Based on the financial condition of the borrower, each FHLBank classifies each borrower by the method of pledging collateral into one of three collateral categories: (1) blanket lien status; (2) listing (specific identification) status; or (3) delivery (possession) status. The blanket lien status is the least restrictive collateral status, and is generally assigned to lower risk institutions pledging collateral. Under the blanket lien status, an individual FHLBank allows a borrower to retain possession of eligible collateral pledged to that FHLBank, provided the borrower executes a written security agreement and agrees to hold the collateral for the benefit of that FHLBank. Origination of new advances or renewal of advances must only be supported by certain eligible collateral categories. The blanket lien is typically accepted by the FHLBanks only for loan collateral; most securities collateral must be delivered to an FHLBank, or an FHLBank-approved third-party custodian, and pledged for the benefit of the applicable FHLBank.

An FHLBank may require borrowers to provide a detailed listing of eligible advance collateral being pledged to the FHLBank due to their high usage of FHLBank credit products, the type of assets being pledged, or the credit condition of the borrower. Under the listing status, the borrower retains physical possession of specific collateral pledged to an FHLBank, but the borrower provides listings of loans pledged to its FHLBank with detailed loan information, such as loan amount, payments, maturity date, interest rate, loan-to-value, collateral type, and FICO® scores. From a borrower's perspective, the benefit of listing collateral in lieu of a blanket lien security agreement is that, in some cases, the discount or haircut applicable to that collateral may be lower than that for blanket lien collateral. From an FHLBank's perspective, the benefit of listing collateral is that it provides more detailed loan information to arrive at a more precise valuation.

Under the delivery 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. Typically, an FHLBank would take physical possession or control of collateral if the financial condition of the borrower was deteriorating or if the borrower exceeded certain credit product usage triggers. However, to ensure its position as a first-priority secured creditor, an FHLBank will generally require insurance company borrowers to place physical possession of all pledged eligible collateral with the FHLBank or deposit it with a custodian or control agent. Delivery of collateral may also be required if there is a regulatory action against the borrower by its regulator that would indicate inadequate controls or other conditions that would be of concern to that FHLBank.

Table 30 presents information on a combined basis regarding the type of collateral securing the advances to the 72 individual FHLBank borrowers with at least $1.0 billion of advances outstanding.

Table 30 - Type of Collateral Securing Advances to Borrowers with at Least $1.0 Billion of Advances Outstanding
(dollars in millions)

	March 31, 2014							
	Blanket Lien		Listing		Delivery		Total	
Collateral Type	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Single-family mortgage loans (1)	$ 112,893	12.0%	$ 451,008	48.1%	$ 11,258	1.2%	$ 575,159	61.3%
Home equity loans and lines of credit	39,300	4.2%	57,940	6.2%	679	0.1%	97,919	10.5%
Commercial real estate loans	63,535	6.8%	27,786	3.0%	11,697	1.2%	103,018	11.0%
Multifamily mortgage loans	15,387	1.6%	66,361	7.0%	3,510	0.4%	85,258	9.0%
U.S. agency MBS and CMOs	—	N/A	—	N/A	38,262	4.1%	38,262	4.1%
Commercial MBS	—	N/A	—	N/A	19,684	2.1%	19,684	2.1%
U.S. agency securities (excluding MBS)	—	N/A	—	N/A	7,572	0.8%	7,572	0.8%
Private-label MBS and CMOs	—	N/A	—	N/A	68	—	68	—
Other	1,472	0.2%	2,367	0.3%	6,889	0.7%	10,728	1.2%
Total collateral	$ 232,587	24.8%	$ 605,462	64.6%	$ 99,619	10.6%	$ 937,668	100.0%

(1) Includes Federal Housing Administration and Department of Veterans Affairs loans.
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 three months ended March 31, 2014, no FHLBank incurred any credit loss on any of its advances, including advances to failed borrowers. During the same period, all five of the FDIC-insured institutions that failed were members of the FHLBanks with approximately $15 million 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.

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

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

The FHLBanks maintain long-term investment portfolios primarily to use balance sheet capacity and to earn interest income. These investments generally provide the FHLBanks with higher returns than those available on short-term investments. Within this 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.

Regulatory Restrictions on Investments. To minimize credit risk on investments, the FHLBanks are prohibited by FHFA regulations from investing in certain security types. (See *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations - Risk Management* on pages 87 to 88 of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013, for additional information regarding the regulatory restrictions on investments.)

On November 8, 2013, the FHFA issued a final rule implementing Section 939A of the Dodd-Frank Act, which requires Federal agencies to remove provisions from their regulations that require the use of ratings issued by nationally recognized statistical rating organizations. The final rule requires each FHLBank to make its own determination of credit quality with respect to its investments, but does not prevent the FHLBanks from using nationally recognized statistical rating organization ratings or other third party analysis in their credit determinations. The final rule became effective on May 7, 2014.

Investment Ratings. The FHLBanks reduce the credit risk on investments by investing in highly-rated investments. Table 31 presents the credit rating of the investment securities held by the FHLBanks as of March 31, 2014 and December 31, 2013, using the lowest long-term ratings for each security owned by an individual FHLBank, based on the nationally recognized statistical rating organization(s) used by that FHLBank.

Table 31 - Investment Ratings
(dollars in millions)

	March 31, 2014(1)(2)						
Carrying Value	**Triple-A**	**Double-A**	**Single-A**	**Triple-B**	**Below Triple-B**	**Unrated**	**Total**
Interest-bearing deposits	$ —	$ 1	$ 1,566	$ —	$ —	$ —	$ 1,567
Securities purchased under agreements to resell	2,915	15,350	7,575	4,000	—	2,400	32,240
Federal funds sold	—	24,000	18,881	2,527	—	108	45,516
Total investment securities by major security type							
Investment securities non-mortgage-backed securities							
U.S. Treasury obligations	—	4,120	—	—	—	—	4,120
Commercial paper	—	50	—	—	—	—	50
Certificates of deposit	—	2,847	3,529	—	—	—	6,376
Other U.S. obligations	—	6,282	—	—	—	—	6,282
GSE and Tennessee Valley Authority obligations	—	25,271	—	—	—	—	25,271
State or local housing agency obligations	1,475	1,474	194	355	—	2	3,500
Federal Family Education Loan Program ABS	16	6,696	—	—	—	—	6,712
Other	767	539	—	—	—	26	1,332
Total investment securities non-mortgage-backed securities	2,258	47,279	3,723	355	—	28	53,643
Investment securities mortgage-backed securities							
Other U.S. obligations residential MBS	308	13,267	—	—	—	—	13,575
Other U.S. obligations commercial MBS	—	820	—	—	—	—	820
GSE residential MBS	466	96,443	25	—	16	—	96,950
GSE commercial MBS	—	7,891	—	—	—	—	7,891
Private-label residential MBS	23	177	461	1,966	17,571	29	20,227
Manufactured housing loan ABS	—	—	120	—	—	—	120
Home equity loan ABS	2	9	121	38	100	3	273
Total investment securities mortgage-backed securities	799	118,607	727	2,004	17,687	32	139,856
Total investment securities	3,057	165,886	4,450	2,359	17,687	60	193,499
Total investments	$ 5,972	$ 205,237	$ 32,472	$ 8,886	$ 17,687	$ 2,568	$ 272,822

Carrying Value	December 31, 2013(2)(3) Triple-A	Double-A	Single-A	Triple-B	Below Triple-B	Unrated	Total
Interest-bearing deposits	$ —	$ 1	$ 1,006	$ —	$ —	$ —	$ 1,007
Securities purchased under agreements to resell	—	10,550	6,400	1,500	—	1,900	20,350
Federal funds sold	—	11,916	15,697	1,787	—	100	29,500
Total investment securities by major security type							
Investment securities non-mortgage-backed securities							
U.S. Treasury obligations	—	2,847	—	—	—	—	2,847
Certificates of deposit	—	2,420	1,951	—	—	—	4,371
Other U.S. obligations	—	6,746	—	—	—	—	6,746
GSE and Tennessee Valley Authority obligations	—	25,962	—	—	—	—	25,962
State or local housing agency obligations	1,488	1,477	204	392	—	2	3,563
Federal family education loan program ABS	18	6,786	—	—	—	—	6,804
Other	746	632	—	—	—	26	1,404
Total investment securities non-mortgage-backed securities	2,252	46,870	2,155	392	—	28	51,697
Investment securities mortgage-backed securities							
Other U.S. obligations residential MBS	318	13,120	—	—	—	—	13,438
Other U.S. obligations commercial MBS	—	524	—	—	—	—	524
GSE residential MBS	466	96,655	27	—	17	—	97,165
GSE commercial MBS	—	7,928	—	—	—	—	7,928
Private-label residential MBS	26	215	480	2,125	17,963	30	20,839
Manufactured housing loan ABS	—	—	125	—	—	—	125
Home equity loan ABS	2	10	133	38	104	3	290
Total investment securities mortgage-backed securities	812	118,452	765	2,163	18,084	33	140,309
Total investment securities	3,064	165,322	2,920	2,555	18,084	61	192,006
Total investments	$ 3,064	$ 187,789	$ 26,023	$ 5,842	$ 18,084	$ 2,061	$ 242,863

(1) Does not reflect any changes in ratings, outlook, or watch status occurring after March 31, 2014. The ratings presented in this table represent the lowest long-term rating available for each security owned by an individual FHLBank, based on the nationally recognized statistical rating organization(s) used by that FHLBank. Although the FHLBanks' internal ratings are not presented in this table, the internal ratings of an individual FHLBank may differ from those obtained from the nationally recognized statistical rating organization(s) and other FHLBank internal ratings.

(2) Investment amounts represent the carrying value and do not include related accrued interest.

(3) Does not reflect any changes in ratings, outlook, or watch status occurring after December 31, 2013. The ratings presented in this table represent the lowest long-term rating available for each security owned by an individual FHLBank, based on the nationally recognized statistical rating organization(s) used by that FHLBank. Although the FHLBanks' internal ratings are not presented in this table, the internal ratings of an individual FHLBank may differ from those obtained from the nationally recognized statistical rating organization(s) and other FHLBank internal ratings.

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 consist of private-label residential MBS and private-label commercial MBS, manufactured housing loan ABS, and home equity loan ABS. 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 support cash flows received by senior classes held by investors such as the FHLBanks.

Although the FHLBanks invested in private-label mortgage-backed securities that at the date of purchase were substantially all rated triple-A, many of these securities have incurred credit losses based on economic conditions and housing market trends.

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 on 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 32 presents collateral performance and credit enhancement information related to private-label mortgage-backed securities at March 31, 2014. No FHLBank has purchased private-label mortgage-backed securities since 2008.

Table 32 - Credit Ratings of Private-Label Mortgage-Backed Securities at March 31, 2014
(dollars in millions)

	Total by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
Unpaid Principal Balance (UPB) by credit rating(1)						
Triple-A	$ 25	$ —	$ —	$ —	$ 9	$ 16
Double-A	192	67	—	—	—	125
Single-A	709	—	—	47	61	601
Triple-B	2,008	—	—	5	238	1,765
Double-B	1,811	—	12	14	223	1,562
Single-B	2,314	152	285	158	714	1,005
Triple-C	7,939	314	2,664	1,568	2,970	423
Double-C	2,402	175	638	775	807	7
Single-C	1,459	82	583	431	363	—
Single-D	5,741	—	2,019	2,497	1,201	24
Unrated	37	—	—	14	—	23
Total	$ 24,637	$ 790	$ 6,201	$ 5,509	$ 6,586	$ 5,551
Amortized cost	$ 21,174	$ 731	$ 4,995	$ 4,136	$ 5,827	$ 5,485
Gross unrealized losses(2)	(906)	(26)	(205)	(339)	(237)	(99)
Fair value	21,409	734	5,036	4,433	5,743	5,463
Credit losses(3)						
Total OTTI	$ (1)	$ —	$ 1	$ —	$ (2)	$ —
AOCI(4)	(1)	—	(2)	—	1	—
Credit losses	$ (2)	$ —	$ (1)	$ —	$ (1)	$ —
Fair value to UPB	86.9%	92.9%	81.2%	80.5%	87.2%	98.4%

	Prime(5) by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
UPB by credit rating(1)						
Double-A	$ 110	$ —	$ —	$ —	$ —	$ 110
Single-A	270	—	—	—	11	259
Triple-B	1,387	—	—	—	218	1,169
Double-B	1,259	—	12	14	182	1,051
Single-B	1,192	—	117	63	392	620
Triple-C	971	196	54	50	493	178
Double-C	493	33	148	104	208	—
Single-C	690	82	238	269	101	—
Single-D	3,087	—	1,095	1,588	404	—
Unrated	27	—	—	14	—	13
Total	$ 9,486	$ 311	$ 1,664	$ 2,102	$ 2,009	$ 3,400
Amortized cost	$ 8,505	$ 266	$ 1,312	$ 1,702	$ 1,842	$ 3,383
Gross unrealized losses(2)	(322)	—	(22)	(219)	(28)	(53)
Fair value	8,738	287	1,405	1,818	1,877	3,351
Credit losses(3)						
Total OTTI	$ —	$ —	$ —	$ —	$ —	$ —
AOCI(4)	(1)	—	(1)	—	—	—
Credit losses	$ (1)	$ —	$ (1)	$ —	$ —	$ —
Weighted-average percentage						
Fair value to UPB	92.1%	92.0%	84.4%	86.5%	93.4%	98.5%
Original credit support(6)	10.7%	24.7%	15.3%	10.8%	9.8%	7.6%
Credit support(7)	10.0%	11.9%	2.2%	0.7%	7.1%	21.2%
Collateral delinquency(8)	15.0%	16.1%	18.1%	15.7%	10.9%	15.3%

	Alt-A(5) by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
UPB by credit rating(1)						
Triple-A	$ 23	$ —	$ —	$ —	$ 9	$ 14
Double-A	73	67	—	—	—	6
Single-A	187	—	—	47	49	91
Triple-B	558	—	—	—	18	540
Double-B	507	—	—	—	38	469
Single-B	1,003	152	161	22	308	360
Triple-C	6,733	118	2,610	1,366	2,469	170
Double-C	1,553	142	490	328	589	4
Single-C	639	—	345	32	262	—
Single-D	2,622	—	924	901	797	—
Unrated	4	—	—	—	—	4
Total	$ 13,902	$ 479	$ 4,530	$ 2,696	$ 4,539	$ 1,658
Amortized cost	$ 11,720	$ 465	$ 3,676	$ 1,977	$ 3,953	$ 1,649
Gross unrealized losses(2)	(491)	(26)	(182)	(38)	(207)	(38)
Fair value	11,630	447	3,624	2,092	3,833	1,634
Credit losses(3)						
Total OTTI	$ (1)	$ —	$ 1	$ —	$ (2)	$ —
AOCI(4)	—	—	(1)	—	1	—
Credit losses	$ (1)	$ —	$ —	$ —	$ (1)	$ —
Weighted-average percentage						
Fair value to UPB	83.6%	93.4%	80.0%	77.6%	84.4%	98.5%
Original credit support(6)	23.6%	34.2%	33.2%	26.5%	17.0%	7.5%
Credit support(7)	11.7%	25.6%	14.4%	6.5%	9.2%	15.8%
Collateral delinquency(8)	23.2%	17.2%	29.5%	29.3%	18.3%	10.9%

	Subprime (5) by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
UPB by credit rating(1)						
Triple-A	$ 2	$ —	$ —	$ —	$ —	$ 2
Double-A	9	—	—	—	—	9
Single-A	252	—	—	—	1	251
Triple-B	63	—	—	5	2	56
Double-B	45	—	—	—	3	42
Single-B	119	—	7	73	14	25
Triple-C	235	—	—	152	8	75
Double-C	356	—	—	343	10	3
Single-C	130	—	—	130	—	—
Single-D	32	—	—	8	—	24
Unrated	6	—	—	—	—	6
Total	$ 1,249	$ —	$ 7	$ 711	$ 38	$ 493
Amortized cost	$ 949	$ —	$ 7	$ 457	$ 32	$ 453
Gross unrealized losses(2)	(93)	—	(1)	(82)	(2)	(8)
Fair value	1,041	—	7	523	33	478
Credit losses(3)						
Total OTTI	$ —	$ —	$ —	$ —	$ —	$ —
AOCI(4)	—	—	—	—	—	—
Credit losses	$ —	$ —	$ —	$ —	$ —	$ —
Weighted-average percentage						
Fair value to UPB	83.3%	—	97.8%	73.6%	88.7%	96.9%
Original credit support(6)	38.6%	—	23.0%	22.7%	21.9%	62.9%
Credit support(7)	26.6%	—	44.2%	20.6%	42.4%	33.6%
Collateral delinquency(8)	27.9%	—	33.1%	36.0%	32.7%	15.8%

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(1) 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.
(2) Represents total gross unrealized losses including non-credit-related other-than-temporary impairment recognized in AOCI.
(3) The credit losses presented are for the three months ended March 31, 2014.
(4) Represents the net amount of other-than-temporary impairment losses reclassified to/(from) AOCI.
(5) The FHLBanks classify securities 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 securities.
(6) 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.
(7) Weighted-average credit support is based on the credit support as of March 31, 2014, and is determined based on the unpaid principal balance of the individual securities in the category and their respective credit support as of March 31, 2014.
(8) 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.

Table 33 presents, by loan type, characteristics of private-label mortgage-backed securities in a gross unrealized loss position at March 31, 2014. The FHLBanks held a total of $3,418 million in Alt-A option adjustable-rate mortgages (ARMs), of which $1,996 million are in a gross unrealized loss position based on their unpaid principal balance at March 31, 2014, as presented in Table 33.

Table 33 - Private-Label Mortgage-Backed Securities in a Gross Unrealized Loss Position
(dollars in millions)

	March 31, 2014			
	Unpaid Principal Balance	Amortized Cost	Gross Unrealized Losses	Weighted-Average Collateral Delinquency Rate(1)
Private-label MBS backed by(2)				
Prime loans				
First lien	$ 4,489	$ 4,166	$ (322)	12.2%
Total private-label MBS backed by prime loans	4,489	4,166	(322)	12.2%
Alt-A and other loans				
Alt-A option ARM	1,996	1,758	(157)	31.2%
Alt-A other	5,112	4,751	(334)	17.5%
Total private-label MBS backed by Alt-A and other loans	7,108	6,509	(491)	21.4%
Subprime loans				
First lien	990	722	(90)	29.2%
Second lien	2	2	—	20.6%
Total private-label MBS backed by subprime loans	992	724	(90)	29.2%
Other - Not Classified(3)	217	191	(3)	20.6%
Total	$ 12,806	$ 11,590	$ (906)	18.8%

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(1) 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.

(2) The FHLBanks classify securities 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 securities.

(3) 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.

Monoline Bond Insurance. Certain FHLBank investment securities portfolios include a limited number of 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 monoline bond insurers continue to be subject to adverse ratings, rating downgrades, and weak financial performance measures. Adverse ratings or rating downgrades imply 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. There are five monoline bond insurers that insure the affected FHLBanks' investment securities. Of the five monoline bond insurers, the financial guarantee from Assured Guaranty Municipal Corp. is considered sufficient to cover all future claims and therefore excluded from the burn-out period analysis. Conversely, the key burn-out period for monoline bond insurers Financial Guaranty Insurance Company and Syncora Guarantee Inc. are not considered applicable due to regulatory intervention that has suspended all claims, and the affected FHLBanks have placed no reliance on these monoline insurers. For the remaining monoline bond insurers, MBIA Insurance Corp and Ambac Assurance Corp., the affected FHLBanks established a burn-out period ending on March 31, 2015. In addition, Ambac Assurance Corp. reimbursements are limited to 25% of new claims during the burn-out period. The FHLBanks monitor the financial condition of these monoline bond insurers on an ongoing basis, and, as facts and circumstances change, the burn-out period could significantly change.

As of March 31, 2014, total monoline bond insurance coverage was $443 million, of which $278 million represents the FHLBanks' private-label MBS covered by the monoline bond insurance that the FHLBanks were relying on at March 31, 2014, for modeling cash flows. Of the $278 million, 89.3% represents subprime loans and 10.7% represents Alt-A loans. The FHLBanks classify securities 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 securities.

Short-term Investments. The FHLBanks maintain short-term investment portfolios, which may provide funds to meet the credit needs of their members and to maintain liquidity. The FHLBank Act and FHFA regulations set liquidity requirements for the FHLBanks, and an individual FHLBank's board of directors may also adopt additional liquidity policies. In addition, each FHLBank maintains a contingency liquidity plan in the event of operational disruptions at either the FHLBanks or the Office of Finance. (See *Liquidity* for a discussion of the FHLBanks' liquidity management.)

Within the portfolio of short-term investments, the FHLBanks are subject to credit risk from unsecured credit exposures with private counterparties. Each FHLBank manages its own credit risk independently. The FHLBanks' unsecured credit investments have maturities ranging between overnight and nine months and include the following types:

- *Interest-bearing deposits.* Primarily consists of unsecured deposits that earn interest.

- *Federal funds sold.* Unsecured loans of reserve balances at the Federal Reserve Banks between financial institutions that are made on an overnight and term basis.

- *Commercial paper.* Unsecured debt issued by corporations, typically for the financing of accounts receivable, inventories, and meeting short-term liabilities.

- *Certificates of deposit.* Unsecured negotiable promissory notes issued by banks and payable to the bearer on demand.

Table 34 presents the FHLBanks' unsecured credit exposure with private counterparties by investment type. At March 31, 2014, the FHLBanks had aggregate unsecured credit exposure from investments of $1 billion or more to each of 15 private counterparties. The aggregate unsecured credit exposure to these counterparties represented 83.8% of the FHLBanks' total unsecured investment credit exposure to private counterparties. The unsecured investment credit exposure presented in Table 34 does not reflect the average or maximum exposure during the period, as the balances presented reflect the balances at period end.

Table 34 - Unsecured Credit Exposure by Investment Type
(dollars in millions)

Carrying Value(1)(2)	March 31, 2014	December 31, 2013
Interest-bearing deposits	$ 1,567	$ 1,006
Federal funds sold	45,516	29,500
Commercial paper	50	—
Certificates of deposit	6,376	4,371
Total	$ 53,509	$ 34,877

(1) Excludes unsecured investment credit exposure to U.S. government, U.S. government agencies and instrumentalities, government-sponsored enterprises, and supranational entities and does not include related accrued interest as of March 31, 2014 and December 31, 2013.
(2) May include unsecured investment credit exposure to members. (See *Security Ownership of Certain Beneficial Owners and Certain Relationships and Related Transactions* for further discussion of related-party transactions.)

Each FHLBank actively monitors its credit exposures and the credit quality of its counterparties, including an assessment of each counterparty's financial performance, capital adequacy, sovereign support, and the current market perceptions of the counterparties. General macroeconomic, political, and market conditions may also be considered when deciding on unsecured exposure. As a result, the FHLBanks may limit or suspend existing exposures.

FHFA regulations include limits on the amount of unsecured credit an individual FHLBank may extend to a counterparty or to a group of affiliated counterparties. This limit is based on a percentage of eligible capital and the counterparty's overall credit rating. Under these regulations, the level of eligible capital is determined as the lesser of an individual FHLBank's total regulatory capital or the eligible amount of Tier 1 capital or regulatory capital of the counterparty. The eligible amount of capital is then multiplied by a stated percentage. The percentage that an FHLBank may offer for term extensions of unsecured credit ranges from 1% to 15% based on the counterparty's credit rating. The calculation of term extensions of unsecured credit includes on-balance sheet transactions, off-balance sheet commitments, and derivative transactions. (See *Credit Risk - Derivative Counterparties* for additional information related to derivatives exposure.)

FHFA regulation also permits the FHLBanks to extend additional unsecured credit for sales of federal funds with a maturity of one day or less and sales of federal funds subject to a continuing contract that renews automatically. An FHLBank's total unsecured exposure to a counterparty may not exceed twice the regulatory limit for term exposures, or a total of 2% to 30% of the eligible amount of capital, based on the counterparty's credit rating. As of March 31, 2014, each of the FHLBanks was in compliance with the regulatory limits established for unsecured credit.

The FHLBanks are prohibited by FHFA regulation from investing in financial instruments issued by non-U.S. entities other than those issued by U.S. branches and agency offices of foreign commercial banks. The FHLBanks' unsecured credit exposures to U.S. branches and agency offices of foreign commercial banks include the risk that, as a result of political or economic conditions in a country, the counterparty may be unable to meet its contractual repayment obligations. The FHLBanks' unsecured credit exposures to domestic counterparties and U.S. subsidiaries of foreign commercial banks include the risk that these counterparties have extended credit to foreign counterparties. The FHLBanks are in compliance with the regulation and did not own any financial instruments issued by non-U.S. entities other than those issued by U.S. branches and agency offices of foreign commercial banks as of March 31, 2014.

As of March 31, 2014, the FHLBanks' unsecured investment credit exposure to U.S. branches and agency offices of foreign commercial banks was comprised of federal funds sold and certificates of deposit. As of March 31, 2014, 77.9% and 41.6% of the FHLBanks' unsecured investment credit exposure in federal funds sold and certificates of deposit was to U.S. branches and agency offices of foreign commercial banks.

Table 35 presents the lowest long-term credit ratings of the unsecured investment credit exposures presented by the domicile of the counterparty or the domicile of the counterparty's immediate parent for U.S. branches and agency offices of foreign commercial banks based on the nationally recognized statistical rating organization(s) used by the individual FHLBank holding the investment. This table does not reflect the foreign sovereign government's credit rating. The FHLBanks reduce credit risk by generally investing in unsecured investments of highly-rated counterparties.

Table 35 - Ratings of Unsecured Investment Credit Exposure by Domicile of Counterparty
(dollars in millions)

	March 31, 2014(1)				
Carrying Value(2)	**Double-A**	**Single-A**	**Triple-B**	**Unrated**	**Total**
Domestic	$ 4,088	$ 6,648	$ 2,175	$ 108	$ 13,019
U.S. subsidiaries of foreign commercial banks	50	2,000	352	—	2,402
Total domestic and U.S. subsidiaries of foreign commercial banks	4,138	8,648	2,527	108	15,421
U.S. branches and agency offices of foreign commercial banks					
Canada	2,816	11,389	—	—	14,205
Australia	7,478	—	—	—	7,478
Netherlands	5,738	—	—	—	5,738
Finland	5,478	—	—	—	5,478
Japan	—	1,271	—	—	1,271
Sweden	1,250	—	—	—	1,250
Norway	—	1,142	—	—	1,142
United Kingdom	—	760	—	—	760
Austria	—	500	—	—	500
Switzerland	—	266	—	—	266
Total U.S. branches and agency offices of foreign commercial banks	22,760	15,328	—	—	38,088
Total unsecured investment credit exposure	$ 26,898	$ 23,976	$ 2,527	$ 108	$ 53,509

(1) Does not reflect any changes in ratings, outlook, or watch status occurring after March 31, 2014. The ratings presented in this table represent the lowest long-term rating available for each security owned by an individual FHLBank, based on the nationally recognized statistical rating organization(s) used by that FHLBank. Although the FHLBanks' internal ratings are not presented in this table, the internal ratings of an individual FHLBank may differ from those obtained from the nationally recognized statistical rating organization(s) and other FHLBank internal ratings.

(2) Excludes unsecured investment credit exposure to U.S. government, U.S. government agencies and instrumentalities, government-sponsored enterprises, and supranational entities and does not include related accrued interest.

Table 36 presents the contractual maturity of the FHLBanks' unsecured investment credit exposure by the domicile of the counterparty or the domicile of the counterparty's immediate parent for U.S. branches and agency offices of foreign commercial banks. The FHLBanks also reduce the credit risk on investments by generally investing in investments that have short-term maturities. At March 31, 2014, 71.9% of the carrying value of the total unsecured investments held by the FHLBanks had overnight maturities.

Table 36 - Contractual Maturity of Unsecured Investment Credit Exposure by Domicile of Counterparty
(dollars in millions)

	March 31, 2014				
Carrying Value(1)	**Overnight**	**Due 2 days through 30 days**	**Due 31 days through 90 days**	**Due 91 days through 180 days**	**Total**
Domestic	$ 9,535	$ 2,349	$ 1,135	$ —	$ 13,019
U.S. subsidiaries of foreign commercial banks	2,113	289	—	—	2,402
Total domestic and U.S. subsidiaries of foreign commercial banks	11,648	2,638	1,135	—	15,421
U.S. branches and agency offices of foreign commercial banks					
Canada	9,115	1,343	3,747	—	14,205
Australia	4,353	1,657	1,068	400	7,478
Netherlands	4,953	785	—	—	5,738
Finland	5,478	—	—	—	5,478
Japan	—	1,271	—	—	1,271
Sweden	785	50	415	—	1,250
Norway	876	266	—	—	1,142
United Kingdom	760	—	—	—	760
Austria	500	—	—	—	500
Switzerland	—	200	66	—	266
Total U.S. branches and agency offices of foreign commercial banks	26,820	5,572	5,296	400	38,088
Total unsecured investment credit exposure	$ 38,468	$ 8,210	$ 6,431	$ 400	$ 53,509

(1) Excludes unsecured investment credit exposure to U.S. government, U.S. government agencies and instrumentalities, government-sponsored enterprises, and supranational entities and does not include related accrued interest.

Mortgage Loans Held for Portfolio. The FHFA's Acquired Member Asset regulation permits the FHLBanks to purchase and hold specified mortgage loans from their members. Each FHLBank has established or participated in the Acquired Member Asset programs such as the Mortgage Partnership Finance® (MPF) Program and Mortgage Purchase Program (MPP) as services to their members. Members and eligible housing associates may apply to become a participating financial institution (PFI) of their respective FHLBank. 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 bears a portion of the credit risk at the time of purchase.

Management at each FHLBank believes that it has adequate policies and procedures in place to manage credit risk on mortgage loans appropriately. At March 31, 2014 and December 31, 2013, each FHLBank that is currently participating or previously participated in the Acquired Member Asset programs has established loan loss allowances under each program or has determined that no loan loss allowances are necessary. (See *Note 9 - Allowance for Credit Losses* to the accompanying combined financial statements for additional information about mortgage loan credit quality indicators, allowance for credit losses, and delinquency statistics by the Acquired Member Asset program and type of loan.)

Credit Exposure to Insurance Providers. 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. (See *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations - Risk Management - Credit Risk - Mortgage Loans Held for Portfolio*, pages 98 to 105 of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013, for information on loss allocation structures and mortgage insurance for MPF and MPP loans.)

As of April 30, 2014, all of the FHLBanks' primary mortgage insurance providers were rated from double-B minus to single-A minus, or were not rated by one or more nationally recognized statistical rating organization for their claims-paying ability or insurer financial strength. As of March 31, 2014, the total unpaid principal balances and maximum coverage outstanding for seriously delinquent loans (90 days or more delinquent or in the process of foreclosure) with primary mortgage insurance were $108 million and $33 million for MPF loans, and $32 million and $8 million for MPP loans.

Each MPF FHLBank evaluates the claims-paying ability of its supplemental mortgage insurance providers. Due to previous rating agency actions, certain MPF FHLBanks have increased their estimated allowance for credit losses on mortgage loans, required the PFI to collateralize the credit enhancement obligation, or have discontinued paying the associated performance credit enhancement fees as the relevant PFIs have elected not to assume the credit enhancement obligations as their own.

Each MPP FHLBank evaluates the claims-paying ability of its supplemental mortgage insurance providers. These MPP FHLBanks determined that it is not necessary to increase the amount of required risk-based capital as a result of assigning a higher risk weighting to the assets covered by a downgraded supplemental mortgage insurance provider under the credit risk-based capital calculations.

Geographic Concentrations. Tables 37 and 38 provide the percentage of unpaid principal balance of conventional mortgage loans held for portfolio outstanding at March 31, 2014, for the five largest state concentrations, with comparable data at December 31, 2013. 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 37 - State Concentrations of MPF Program

	March 31, 2014	December 31, 2013(1)
Iowa	8.3%	8.1%
Kansas	7.5%	7.3%
Pennsylvania	6.6%	6.4%
California	6.3%	6.5%
New York	5.5%	5.5%
All other	65.8%	66.2%
Total	100.0%	100.0%

(1) Calculated percentage based on unpaid principal balance of conventional loans at the end of the period. The state concentrations reflect the top five states at March 31, 2014.

Table 38 - State Concentrations of MPP

	March 31, 2014	December 31, 2013(1)
Ohio	31.2%	31.1%
Indiana	19.1%	18.8%
Michigan	13.3%	13.0%
Kentucky	6.8%	6.8%
California	4.6%	4.7%
All other	25.0%	25.6%
Total	100.0%	100.0%

(1) Calculated percentage based on unpaid principal balance of conventional loans at the end of the period. The state concentrations reflect the top five states at March 31, 2014.

Derivative Counterparties. Each FHLBank transacts most of its derivatives with large banks and major broker-dealers. Derivative transactions may be either executed with a counterparty (bilateral derivatives) or cleared through a Futures Commission Merchant (i.e., clearing agent) with a Derivative Clearing Organization (cleared derivatives).

Each FHLBank is subject to credit risk due to the risk of nonperformance by counterparties to its derivative transactions. The amount of 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 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.

Bilateral Derivatives. Each FHLBank is subject to the risk of non-performance by the counterparties to its bilateral derivative transactions. An FHLBank generally requires collateral on bilateral derivative transactions. 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 generally 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 did not anticipate any credit losses on its bilateral derivative transactions as of March 31, 2014.

Cleared Derivatives. Each FHLBank is subject to the risk of nonperformance by the Derivative Clearing Organization(s) (Clearinghouse) and the clearing agents. The requirement that an FHLBank posts initial and variation margin through the clearing agent, to the Clearinghouse, exposes an FHLBank to credit risk in the event that the clearing agent or the Clearinghouse fails to meet its obligations. However, the use of cleared derivatives is intended to mitigate an FHLBank's overall credit risk exposure because a central counterparty is substituted for individual counterparties and collateral is posted daily for changes in the value of cleared derivatives through a clearing agent. The management of each FHLBank did not anticipate any credit losses on its cleared derivatives as of March 31, 2014.

The contractual or notional amount of derivative transactions reflects the involvement of an FHLBank in the various classes of financial instruments. The maximum credit risk of an FHLBank with respect to derivative transactions is the estimated cost of replacing the derivative transactions if there is a default, minus the value of any related collateral, including initial and variation margin. In determining maximum credit risk, each FHLBank considers accrued interest receivables and payables as well as the netting requirements to net assets and liabilities. Table 39 presents the derivative positions with non-member counterparties and member institutions to which the FHLBanks had credit exposure at March 31, 2014.

Table 39 - Derivative Counterparty Credit Exposure at March 31, 2014
(dollars in millions)

Credit Rating(1)	Notional Amount	Net Derivatives Fair Value Before Collateral	Cash Collateral Pledged To (From) Counterparties	Non-cash Collateral Pledged To (From) Counterparties	Net Credit Exposure to Counterparties
Non-member counterparties					
Asset positions with credit exposure					
Bilateral derivatives					
Double-A	$ 3,529	$ 19	$ (8)	$ —	$ 11
Single-A	51,433	584	(427)	(111)	46
Triple-B	655	14	(13)	—	1
Cleared derivatives(2)	60,350	21	101	—	122
Liability positions with credit exposure					
Bilateral derivatives					
Double-A	1,238	(21)	23	—	2
Single-A	23,421	(463)	407	65	9
Triple-B	10,810	(569)	510	65	6
Cleared derivatives(2)	88,401	(376)	601	—	225
Total derivative positions with credit exposure to non-member counterparties	239,837	(791)	1,194	19	422
Member institutions(3)	445	7	—	(5)	2
Total	$ 240,282	$ (784)	$ 1,194	$ 14	$ 424

(1) This chart does not reflect any changes in rating, outlook, or watch status occurring after March 31, 2014. The ratings presented in this table represent the lowest long-term counterparty credit rating available for each counterparty of an individual FHLBank, based on the nationally recognized statistical rating organization(s) used by that FHLBank.
(2) Represents derivative transactions cleared with Clearinghouses, which are not rated.
(3) 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.

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 *Explanatory Statement about Federal Home Loan Banks Combined Financial Report.*)

Each FHLBank has established policies and procedures to evaluate, manage, and mitigate market risks. The FHFA has established regulations governing the risk management practices of the FHLBanks. The FHLBanks must file periodic compliance reports with the FHFA. The FHFA 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 manage interest-rate risk by acquiring and maintaining a portfolio of assets and liabilities and entering into related derivative transactions to limit the expected mismatches in duration. The FHLBanks measure and monitor interest rate-risk with commonly used methods, which include the calculations of market value of equity, duration of equity, and duration gap. (See *Quantitative and Qualitative Disclosure about Market Risk*, pages 109 to 115 of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013, for additional information.)

Market Value of Equity and Duration of Equity

Each FHLBank has an internal modeling system for measuring its duration of equity; therefore, individual FHLBank measurements may not be directly comparable. Each FHLBank reports the results of its duration of equity calculations to the FHFA each quarter. However, not all FHLBanks manage to the duration of equity risk measure. The capital adequacy rules of the FHFA require each FHLBank to hold permanent capital in an amount sufficient to cover the sum of its credit, market, and operations risk-based capital requirements, which are defined by applicable regulations. Each FHLBank has developed a market-risk model that calculates the market-risk component of this requirement.

Table 40 presents each FHLBank that includes quantitative market value of equity and duration of equity information in its individual 2014 First Quarter SEC Form 10-Q.

Table 40 - Individual FHLBank's Market Value of Equity and Duration of Equity Disclosures

FHLBank	Market Value of Equity	Duration of Equity
Boston	✓	✓
New York	✓	✓
Pittsburgh	(1)	✓
Atlanta	✓	✓
Cincinnati	✓	✓
Indianapolis	✓	✓
Chicago	✓	(2)
Des Moines	(3)	(3)
Dallas	✓	✓
Topeka	(4)	✓
San Francisco	✓	(5)
Seattle	✓	✓

(1) The FHLBank of Pittsburgh's market value of equity volatility metrics are monitored. The FHLBank of Pittsburgh measures market value of equity to par value of capital stock, as described in its 2014 First 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.

(2) The FHLBank of Chicago disclosed the dollar limits on changes in market value under parallel interest rate shocks in addition to duration of equity in its 2014 First Quarter SEC Form 10-Q.

(3) Although the FHLBank of Des Moines measures and monitors market value of equity and duration of equity, those measures are not disclosed as key market risk measures. The FHLBank of Des Moines disclosed, in its 2014 First 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.

(4) The FHLBank of Topeka measures and monitors market value of equity (MVE); however, the FHLBank of Topeka measures market value risk in terms of its MVE in relation to its total regulatory capital stock outstanding instead of to its book value of equity. As described in its 2014 First Quarter SEC Form 10-Q, the FHLBank of Topeka believes this is a reasonable metric because, as a cooperative, the metric reflects the market value of the FHLBank of Topeka relative to the book value of its capital stock.

(5) The FHLBank of San Francisco does not disclose duration of equity, rather it discloses comparable metrics, "Market Value of Capital Sensitivity" and "Net Portfolio Value of Capital Sensitivity" as key market risk measures.

Table 41 presents the duration of equity reported by each FHLBank to the FHFA in accordance with the FHFA's guidance, which prescribes that down and up interest-rate shocks equal 200 basis points. However, the 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.

Table 41 - Duration of Equity
(in years)

	March 31, 2014			December 31, 2013		
FHLBank	**Down**	**Base**	**Up**	**Down**	**Base**	**Up**
Boston	(0.5)	(0.6)	1.2	0.1	0.9	2.5
New York	0.5	(0.1)	1.3	0.4	0.6	1.5
Pittsburgh	(0.8)	1.4	2.4	(0.9)	1.2	2.0
Atlanta	(0.6)	(0.4)	5.2	(1.4)	0.3	5.2
Cincinnati	(1.5)	2.1	2.8	1.0	2.5	2.3
Indianapolis	(0.6)	(1.9)	1.8	0.6	(2.0)	2.1
Chicago	5.1	0.5	(0.3)	5.9	1.0	(0.9)
Des Moines	(4.5)	(0.1)	2.6	(4.8)	1.0	3.2
Dallas	5.0	2.2	6.1	5.8	4.3	8.2
Topeka	0.4	0.1	2.7	0.3	(0.2)	2.1
San Francisco	1.6	1.5	2.1	1.7	1.6	2.2
Seattle	(1.7)	(0.2)	2.5	(1.9)	0.0	2.9

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. Each FHLBank has an internal modeling system for measuring its duration gap; 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 42 include the effect of derivative transactions.

Table 42 - Duration Gap
(in months)

FHLBank	March 31, 2014	December 31, 2013
Boston	(0.6)	1.0
New York	(0.5)	0.0
Pittsburgh	0.6	0.4
Atlanta	(0.6)	(0.1)
Cincinnati	0.1	0.1
Indianapolis	(3.1)	(3.3)
Chicago	0.4	0.7
Des Moines	(0.4)	0.2
Dallas	1.3	3.1
Topeka	0.1	(0.2)
San Francisco	0.8	1.0
Seattle	(0.1)	0.0

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. (See *Note 10 - Derivatives and Hedging Activities* to the accompanying combined financial statements for a discussion of managing interest-rate risk exposure.)

Table 43 presents the effect of derivatives and hedging activities on net interest income and non-interest income resulting from the FHLBanks' hedging strategies.

Table 43 - Effect of Derivatives and Hedging Activities
(dollars in millions)

	Three Months Ended March 31, 2014							
	Advances	Investment Securities	Mortgage Loans	Consolidated Bonds	Consolidated Discount Notes	Balance Sheet	Intermediary Positions and Other	Total
Net interest income								
Amortization and accretion of hedging activities in net interest income(1)	$ (56)	$ 31	$ (7)	$ 22	$ —	$ —	$ —	$ (10)
Net interest settlements included in net interest income(2)	(799)	(159)	—	496	(70)	—	—	(532)
Total effect on net interest income	$ (855)	$ (128)	$ (7)	$ 518	$ (70)	$ —	$ —	$ (542)
Net gains (losses) on derivatives and hedging activities								
Gains (losses) on fair value hedges	$ 28	$ (11)	$ —	$ (6)	$ —	$ —	$ —	$ 11
Gains (losses) on cash flow hedges	—	—	—	—	—	—	—	—
Gains (losses) on derivatives not receiving hedge accounting	(26)	(74)	(12)	67	(9)	(16)	1	(69)
Total net gains (losses) on derivatives and hedging activities	2	(85)	(12)	61	(9)	(16)	1	(58)
Net gains (losses) on trading securities(3)	—	15	—	—	—	—	—	15
Net gains (losses) on financial instruments held at fair value	9	—	—	(42)	—	—	—	(33)
Total effect on non-interest income	$ 11	$ (70)	$ (12)	$ 19	$ (9)	$ (16)	$ 1	$ (76)

	Three Months Ended March 31, 2013							
	Advances	Investment Securities	Mortgage Loans	Consolidated Bonds	Consolidated Discount Notes	Balance Sheet	Intermediary Positions and Other	Total
Net interest income								
Amortization and accretion of hedging activities in net interest income(1)	$ (73)	$ 29	$ (14)	$ 50	$ (1)	$ —	$ —	$ (9)
Net interest settlements included in net interest income(2)	(918)	(127)	—	622	(74)	—	—	(497)
Total effect on net interest income	$ (991)	$ (98)	$ (14)	$ 672	$ (75)	$ —	$ —	$ (506)
Net gains (losses) on derivatives and hedging activities								
Gains (losses) on fair value hedges	$ 52	$ 3	$ —	$ (19)	$ —	$ —	$ —	$ 36
Gains (losses) on cash flow hedges	—	—	—	—	1	—	—	1
Gains (losses) on derivatives not receiving hedge accounting	14	14	(2)	(1)	1	2	—	28
Total net gains (losses) on derivatives and hedging activities	66	17	(2)	(20)	2	2	—	65
Net gains (losses) on trading securities(3)	—	(45)	—	—	—	—	—	(45)
Net gains (losses) on financial instruments held at fair value	(25)	—	—	21	—	—	—	(4)
Total effect on non-interest income	$ 41	$ (28)	$ (2)	$ 1	$ 2	$ 2	$ —	$ 16

(1) Represents amortization and accretion of hedging adjustments included in net interest income.
(2) Represents interest income or expense on derivatives included in net interest income.
(3) Includes only those gains or losses on trading securities that have an assigned economic derivative; 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, 2013, based on the criteria established in *Internal Control-Integrated Framework (1992)* 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, 2013, that its individual internal control over financial reporting is effective based on the criteria established in *Internal Control-Integrated Framework (1992).* 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, 2013. (See *Part II. Item 8 - Financial Statements and Supplementary Data* or *Item 9A - Controls and Procedures* of each FHLBank's 2013 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 quarter ended March 31, 2014 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 quarter ended March 31, 2014. (See *Part I. Item 4 - Controls and Procedures* of each FHLBank's 2014 First Quarter SEC Form 10-Q.)

Office of Finance Controls and Procedures over the 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, FHFA 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 FHFA. 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 in the same manner as those maintained by each FHLBank. The Office of Finance has established controls and procedures concerning the FHLBanks' submission of information and financial data to the Office of Finance, the process of combining the financial statements and other financial information of the individual FHLBanks, and the review of that information.

The Office of Finance does not independently verify the financial information submitted by each FHLBank that comprise the combined financial statements, the condensed combining schedules, and other disclosures included in this Combined Financial Report. Instead, the Office of Finance relies on each FHLBank management's certification and representation regarding the accuracy and completeness, in all material respects, of its data submitted to the Office of Finance for use in preparing this Combined Financial Report.

Audit Committee Charter

The charter of the audit committee of the Office of Finance's board of directors is available on the Office of Finance's web site at www.fhlb-of.com. 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 the following identified proceedings, 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 2014 First 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 March 31, 2014, each of the FHLBanks of Boston, Pittsburgh, Indianapolis, Chicago, San Francisco, and Seattle is a plaintiff in continued legal proceedings that relate to its purchases 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. These defendants and their affiliates may be members or former members of the plaintiff FHLBanks or other FHLBanks. In addition, certain defendants in some of these legal proceedings currently issue credit ratings on the FHLBanks and the FHLBank System's consolidated obligations.

Legal Proceedings Relating to the Lehman Bankruptcy

See *Note 16 - Commitments and Contingencies* - *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 Combined Financial Report for the year ended December 31, 2013. (See each FHLBank's 2014 First Quarter SEC Form 10-Q for any updates to risk factors included in its 2013 SEC Form 10-K under *Part I. Item 1A - Risk Factors*.)

MARKET FOR CAPITAL STOCK AND RELATED STOCKHOLDER MATTERS

As a cooperative, each FHLBank conducts its advances business and mortgage loan programs almost exclusively with its members. Members and former 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/repurchased at its stated par value of $100 per share, 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 March 31, 2014, the FHLBanks had 319 million shares of capital stock outstanding. The FHLBanks are not required to register their securities under the Securities Act of 1933 (as amended); however, each FHLBank is required to register a class of its stock under the Securities Exchange Act of 1934.

Table 44 presents combined regulatory capital stock, which includes mandatorily redeemable capital stock, held by type of member and Table 45 presents FHLBank membership by type of member.

Table 44 - Regulatory Capital Stock Held by Type of Member
(dollars in millions)

	March 31, 2014		December 31, 2013	
	Amount	Percentage of Regulatory Capital Stock	Amount	Percentage of Regulatory Capital Stock
Commercial banks	$ 20,151	55.6%	$ 21,472	56.0%
Thrifts	5,225	14.4%	5,543	14.4%
Insurance companies	3,692	10.2%	3,650	9.5%
Credit unions	2,700	7.4%	2,705	7.0%
Community development financial institutions	5	—	5	—
Total GAAP capital stock	31,773	87.6%	33,375	86.9%
Mandatorily redeemable capital stock	4,486	12.4%	4,998	13.1%
Total combined regulatory capital stock	$ 36,259	100.0%	$ 38,373	100.0%

Table 45 - Membership by Type of Member

	March 31, 2014		December 31, 2013	
	Number	Percentage of Total Members	Number	Percentage of Total Members
Commercial banks	4,998	67.0%	5,052	67.3%
Credit unions	1,233	16.5%	1,218	16.2%
Thrifts	921	12.3%	933	12.4%
Insurance companies	286	3.8%	283	3.8%
Community development financial institutions	22	0.4%	18	0.3%
Total	7,460	100.0%	7,504	100.0%

The information on regulatory capital stock presented in Table 46 is accumulated at the holding-company level. The percentage of total regulatory capital stock identified in Table 46 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 46 - Top 10 Regulatory Capital Stockholders by Holding Company at March 31, 2014
(dollars in millions)

Holding Company Name(1)	FHLBank Districts(2)	Regulatory Capital Stock(3)	Percentage of Total Regulatory Capital Stock	Mandatorily Redeemable Capital Stock
JPMorgan Chase & Co.	Pittsburgh, Cincinnati, Chicago, San Francisco, Seattle	$ 3,322	9.2%	$ 748
Bank of America Corporation	Boston, New York, Atlanta, San Francisco, Seattle	3,067	8.5%	1,423
Citigroup Inc.	New York, Dallas, San Francisco	2,396	6.6%	1,010
Wells Fargo & Company	Des Moines, Dallas, Topeka, San Francisco, Seattle	1,300	3.6%	461
MetLife, Inc.	Boston, New York, Pittsburgh, Des Moines	868	2.4%	4
The PNC Financial Services Group, Inc.	New York, Pittsburgh, Atlanta, Cincinnati	695	1.9%	107
New York Community Bancorp, Inc.	New York, Cincinnati, San Francisco	545	1.5%	24
U.S. Bancorp	Cincinnati, Des Moines, Topeka, San Francisco, Seattle	512	1.4%	37
UK Financial Investments Limited	Boston, Pittsburgh, Cincinnati	467	1.3%	—
BB&T Corporation	Atlanta	360	1.0%	—
		$ 13,532	37.4%	$ 3,814

(1) Holding company information was obtained from the Federal Reserve System's web site, 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.
(2) At March 31, 2014, each holding company had subsidiaries with regulatory capital stock holdings in these FHLBank districts.
(3) Includes FHLBank capital stock that is considered to be mandatorily redeemable, which is classified as a liability under GAAP.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND 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 the FHLBanks and members (or affiliates) owning more than 5% of an FHLBank's capital stock. This credit is extended on market terms that are no more favorable to these "related" members than comparable transactions with other members of the same FHLBank. As of March 31, 2014, the FHLBanks had $56.0 billion of advances outstanding to members whose officers and/or directors were serving as directors of the FHLBanks, which represented 11.7% of total advances at par value. (See *Market for Capital Stock and Related Stockholder Matters* and *Financial Discussion and Analysis - Combined Financial Condition - Advances* for additional information on FHLBank advances and membership.)

An FHLBank provides Affordable Housing Program subsidies in the form of direct grants and below-market interest rate advances to members, which use the funds to assist in the purchase, construction, or rehabilitation of housing for very low-, low-, and moderate-income households. Only FHLBank members, along with their non-member Affordable Housing Program project sponsors, may submit Affordable Housing Program applications. All Affordable Housing Program subsidies are made in the normal course of business.

An FHLBank also provides subsidies in the form of grants and below-market interest rate advances or standby letters of credit to members for community lending and economic development projects under the Community Investment Program and Community Investment Cash Advance programs. Only FHLBank members may submit applications for these credit program subsidies. These subsidies are made in the normal course of business.

In instances where an Affordable Housing Program, Community Investment Program, or Community Investment Cash Advance transaction involves a member (or its affiliate) owning more than 5% of an FHLBank's capital stock, a member with an officer or director who serves as a director of an FHLBank, or an entity with an officer, director or general partner who serves as a director of an FHLBank (and has a direct or indirect interest in the subsidy), the transaction is subject to the same eligibility and other program criteria and requirements as all other transactions, and the regulations governing the operations of the relevant program.

An FHLBank may also have investments in interest-bearing deposits, securities purchased under agreements to resell, federal funds sold, commercial paper, and certificates of deposit, and may also execute mortgage-backed securities and derivative transactions, with members or their affiliates, some of whose officers and/or directors may serve as directors of their respective FHLBank. All investments are transacted at then-current market prices without preference to the status of the counterparty or the issuer of the investment as a member, non-member, or affiliate. (See each FHLBank's 2013 SEC Form 10-K under *Item 13—Certain Relationships and Related Transactions, and Director Independence* for additional information regarding related transactions with its members.)

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 *Explanatory Statement about Federal Home Loan Banks Combined Financial Report*, 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)	Boston	New York	Pittsburgh
Selected Statement of Condition Data(1)			
At March 31, 2014			
Assets			
Investments(2)	$ 16,878	$ 24,096	$ 13,977
Advances	29,700	87,677	46,064
Mortgage loans held for portfolio	3,350	1,937	3,182
Allowance for credit losses on mortgage loans	(2)	(6)	(7)
Total assets	50,061	119,483	64,556
Consolidated obligations(3)			
Discount notes	20,248	35,650	21,942
Bonds	24,478	74,993	37,902
Total consolidated obligations	44,726	110,643	59,844
Mandatorily redeemable capital stock	977	24	2
Subordinated notes(4)	—	—	—
Total capital			
Capital stock(5)	2,563	5,439	2,681
Retained earnings	816	1,008	749
Accumulated other comprehensive income (loss)	(470)	(95)	70
Total capital	2,909	6,352	3,500
Asset composition (as a percentage of the individual FHLBank's total assets)			
Investments(2)	33.7%	20.2%	21.7%
Advances	59.3%	73.4%	71.4%
Mortgage loans, net	6.7%	1.6%	4.9%
Total retained earnings as a percentage of FHLBank's total assets	1.6%	0.8%	1.2%
FHLBank's total assets as a percentage of FHLBank System's total assets	6.1%	14.6%	7.9%
At March 31, 2013			
Assets			
Investments(2)	$ 13,029	$ 23,386	$ 15,956
Advances	19,900	71,723	39,994
Mortgage loans held for portfolio	3,508	1,892	3,496
Allowance for credit losses on mortgage loans	(3)	(7)	(13)
Total assets	36,935	101,923	60,137
Consolidated obligations(3)			
Discount notes	5,981	32,555	18,301
Bonds	25,722	61,014	36,496
Total consolidated obligations	31,703	93,569	54,797
Mandatorily redeemable capital stock	191	26	369
Subordinated notes(4)	—	—	—
Total capital			
Capital stock(5)	3,202	4,627	2,832
Retained earnings	638	911	586
Accumulated other comprehensive income (loss)	(468)	(180)	79
Total capital	3,372	5,358	3,497
Asset composition (as a percentage of the individual FHLBank's total assets)			
Investments(2)	35.3%	22.9%	26.5%
Advances	53.9%	70.4%	66.5%
Mortgage loans, net	9.5%	1.8%	5.8%
Total retained earnings as a percentage of individual FHLBank's total assets	1.7%	0.9%	1.0%
FHLBank's total assets as a percentage of FHLBank System's total assets	5.0%	13.8%	8.1%

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(1) 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 combining adjustments.

(2) 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, and held-to-maturity securities.

(3) See *Financial Discussion and Analysis - Combined Results of Operations - Interbank Transfers of Consolidated Bonds and Their Effect on Combined Net Income*.

Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 32,206	$ 28,418	$ 12,107	$ 41,414	$ 20,885	$ 13,387	$ 9,524	$ 34,918	$ 25,313
84,166	65,545	17,129	22,372	44,924	15,341	16,113	45,552	9,860
883	6,698	6,179	7,318	6,492	86	5,992	854	762
(4)	(7)	(4)	(24)	(7)	—	(7)	(2)	(1)
119,467	100,902	36,522	72,039	72,889	30,635	32,099	86,185	36,055
22,801	33,225	6,418	26,889	42,816	7,798	9,357	24,863	15,554
88,276	61,413	26,190	39,183	25,225	20,147	19,766	53,184	16,780
111,077	94,638	32,608	66,072	68,041	27,945	29,123	78,047	32,334
23	115	17	5	8	4	5	1,644	1,662
—	—	—	944	—	—	—	—	—
4,412	4,199	1,616	1,705	2,670	1,084	1,166	3,325	914
1,690	631	763	2,107	697	668	581	2,381	298
117	(8)	38	158	107	(6)	(17)	(64)	(26)
6,219	4,822	2,417	3,970	3,474	1,746	1,730	5,642	1,186
27.0%	28.2%	33.1%	57.5%	28.7%	43.7%	29.7%	40.5%	70.2%
70.5%	65.0%	46.9%	31.1%	61.6%	50.1%	50.2%	52.9%	27.4%
0.7%	6.6%	16.9%	10.1%	8.9%	0.3%	18.6%	1.0%	2.1%
1.4%	0.6%	2.1%	2.9%	1.0%	2.2%	1.8%	2.8%	0.8%
14.6%	12.3%	4.5%	8.8%	8.9%	3.7%	3.9%	10.5%	4.4%
$ 29,697	$ 20,772	$ 14,463	$ 40,138	$ 15,895	$ 12,843	$ 10,225	$ 37,861	$ 25,442
80,260	58,282	18,950	14,403	24,802	15,722	17,582	46,713	9,966
1,167	7,228	6,099	9,693	6,786	113	5,931	1,176	985
(13)	(15)	(5)	(40)	(15)	—	(7)	(3)	(2)
111,547	86,729	39,693	64,922	47,926	31,034	33,958	87,593	36,562
20,040	34,076	7,938	24,292	5,326	4,558	9,204	12,829	17,877
82,858	45,937	27,416	34,751	38,146	23,606	21,320	64,296	15,152
102,898	80,013	35,354	59,043	43,472	28,164	30,524	77,125	33,029
34	134	161	4	11	4	4	3,907	1,225
—	—	—	1,000	—	—	—	—	—
4,380	4,466	1,678	1,549	1,970	1,109	1,345	3,951	1,509
1,477	563	616	1,770	636	589	499	2,303	242
23	(11)	43	130	147	7	(23)	(453)	(124)
5,880	5,018	2,337	3,449	2,753	1,705	1,821	5,801	1,627
26.6%	24.0%	36.4%	61.8%	33.2%	41.4%	30.1%	43.2%	69.6%
72.0%	67.2%	47.7%	22.2%	51.8%	50.7%	51.8%	53.3%	27.3%
1.0%	8.3%	15.4%	14.9%	14.1%	0.4%	17.4%	1.3%	2.7%
1.3%	0.6%	1.6%	2.7%	1.3%	1.9%	1.5%	2.6%	0.7%
15.1%	11.7%	5.4%	8.8%	6.5%	4.2%	4.6%	11.9%	4.9%

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(4) The subordinated notes outstanding, issued by the FHLBank of Chicago, mature on June 13, 2016. The subordinated notes are not obligations of, and are not guaranteed by, the U.S. government or any of the FHLBanks other than the FHLBank of Chicago.

(5) FHLBank capital stock is redeemable at the request of a member subject to the statutory redemption periods and other conditions and limitations. (See *Note 13 - Capital* to the accompanying combined financial statements.)

Individual FHLBank Selected Financial Data and Financial Ratios (continued)

(dollars in millions)	Boston	New York	Pittsburgh
Selected Other Data			
March 31, 2014			
Advance concentrations - top five borrowers	38%	63%	75%
Capital stock concentrations - top five stockholders	47%	57%	62%
Regulatory capital-to-assets ratio(6)	8.7%	5.4%	5.3%
Cash and stock dividends			
Quarter-to-date March 31, 2014	$ 9	$ 66	$ 17
Quarter-to-date March 31, 2013	$ 3	$ 53	$ 2
Weighted-average dividend rate			
Quarter-to-date March 31, 2014	1.49%	4.00%	2.50%
Quarter-to-date March 31, 2013	0.37%	4.00%	0.32%
Return on average equity(7)			
Quarter-to-date March 31, 2014	5.10%	4.79%	8.76%
Quarter-to-date March 31, 2013	6.10%	5.28%	3.39%
Return on average assets			
Quarter-to-date March 31, 2014	0.31%	0.25%	0.48%
Quarter-to-date March 31, 2013	0.56%	0.27%	0.20%
Net interest margin(8)			
Quarter-to-date March 31, 2014	0.46%	0.36%	0.37%
Quarter-to-date March 31, 2013	0.80%	0.40%	0.31%
Net interest spread			
Quarter-to-date March 31, 2014	0.41%	0.34%	0.34%
Quarter-to-date March 31, 2013	0.69%	0.38%	0.26%

(6) The regulatory capital ratio is calculated based on the FHLBank's total regulatory capital as a percentage of total assets held at period-end. (See *Note 13 - Capital* to the accompanying combined financial statements.)

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

(8) Net interest margin is equal to net interest income represented as a percentage of average interest-earning assets.

Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
62 %	77 %	44 %	60 %	60 %	26 %	47 %	62 %	72 %
53 %	59 %	35 %	37 %	41 %	17 %	33 %	53 %	61 %
5.1 %	4.9 %	6.6 %	5.3 %	4.6 %	5.7 %	5.5 %	8.5 %	8.0 %
$ 44	$ 47	$ 22	$ 2	$ 19	$ 1	$ 9	$ 58	$ —
$ 29	$ 39	$ 14	$ 1	$ 13	$ 1	$ 8	$ 25	$ —
3.74 %	4.00 %	5.50 %	0.62 %	2.80 %	0.38 %	2.60 %	6.67 %	0.10 %
2.32 %	4.25 %	3.50 %	0.30 %	2.60 %	0.38 %	2.39 %	2.30 %	—
4.75 %	4.51 %	5.40 %	8.46 %	4.37 %	3.08 %	4.91 %	3.11 %	3.69 %
4.65 %	5.49 %	7.07 %	9.36 %	3.98 %	4.33 %	5.57 %	5.59 %	3.97 %
0.25 %	0.23 %	0.35 %	0.46 %	0.21 %	0.17 %	0.27 %	0.21 %	0.12 %
0.24 %	0.31 %	0.40 %	0.46 %	0.23 %	0.22 %	0.29 %	0.37 %	0.18 %
0.29 %	0.31 %	0.51 %	0.74 %	0.30 %	0.37 %	0.67 %	0.64 %	0.35 %
0.30 %	0.36 %	0.61 %	0.67 %	0.44 %	0.42 %	0.62 %	0.59 %	0.39 %
0.27 %	0.27 %	0.44 %	0.67 %	0.26 %	0.34 %	0.62 %	0.60 %	0.33 %
0.27 %	0.32 %	0.51 %	0.61 %	0.37 %	0.38 %	0.56 %	0.55 %	0.36 %

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