FEDERAL HOME LOAN BANKS

2007

COMBINED FINANCIAL REPORT

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

The Securities Act of 1933, as amended, does not require the registration of consolidated obligations. No registration statement has been filed with the Securities and Exchange Commission with respect to the consolidated obligations. None of the Securities and Exchange Commission, the Federal Housing Finance Board, or any State securities commission has approved or disapproved the consolidated obligations or has passed upon the accuracy or adequacy of any offering material.

The consolidated obligations are not obligations of the United States and are not guaranteed by the United States.

Neither this Combined Financial Report nor any offering material provided by the Office of Finance on behalf of the Federal Home Loan Banks concerning any offering of consolidated obligations describes all the risks of investing in consolidated obligations. Prior to investing in consolidated obligations investors should consult their financial and legal advisors about the risks of investing in any particular issue of consolidated obligations.

The financial information contained in this Combined Financial Report is as of and for periods ended on or before December 31, 2007. This document is available on the Federal Home Loan Banks' Office of Finance web site at: www.fhlb-of.com.

Investors should direct questions about the Federal Home Loan Banks' Combined Financial Report to the Federal Home Loan Banks Office of Finance, Senior Director of Accounting Policy & Financial Reporting. Investors should direct questions about the Federal Home Loan Banks' consolidated obligations to the Federal Home Loan Banks Office of Finance, Marketing & Corporate Communications Division. The address is Federal Home Loan Banks Office of Finance, 11921 Freedom Drive, Suite 1000, Reston, VA 20190, (703) 467-3600, and the web site is www.fhlb-of.com. The Office of Finance will provide additional copies of this Combined Financial Report upon request. Please contact the Office of Finance to receive subsequent annual and quarterly financial reports.

Investors should not assume, based on the delivery of this Combined Financial Report, that there has been no change in the financial condition of the Federal Home Loan Banks since December 31, 2007.

The date of this Combined Financial Report is March 31, 2008.

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

EXPLANATORY STATEMENT ABOUT FHLBANKS COMBINED FINANCIAL REPORT

The Federal Home Loan Banks Office of Finance (Office of Finance) assumed responsibility for the preparation of the combined financial reports of the Federal Home Loan Banks (FHLBanks) in 2001, which previously had been prepared by the Federal Housing Finance Board (Finance Board). The Office of Finance does not have the same access to information about the FHLBanks as the Finance Board does in its capacity as regulator of the FHLBanks. In connection with its responsibilities in preparing combined financial reports, the Office of Finance is responsible for combining the financial information it receives from each of the FHLBanks. Each FHLBank is responsible for the financial information it provides to the Office of Finance and the underlying data it provides to the Office of Finance for inclusion in the combined financial reports.

The combined financial reports of the FHLBanks are intended to be used by investors who invest in the consolidated bonds and consolidated discount notes of the FHLBanks. These consolidated obligations are the joint and several obligations of the FHLBanks. This means that each individual FHLBank is responsible to the registered holders of the consolidated obligations for the payment of principal of and interest on all consolidated obligations issued by the FHLBanks.

Even though the consolidated obligations are the joint and several obligations of all of the FHLBanks, each FHLBank is a separately chartered entity. Each has its own board of directors and management. This is the case even though some financial institution holding companies may have one or more affiliates, each of which may be a member of one or more different FHLBanks. There is no system-wide central management of the FHLBanks. All FHLBanks are subject to regulations issued by the Finance Board, which periodically examines each FHLBank's operations.

Although each FHLBank has publicly available financial information, the financial information relating to the FHLBanks is presented to investors in consolidated obligations on a "combined" basis in this report because this is considered more convenient for investors than providing financial information on each FHLBank on a stand-alone basis only. Investors should note, however, that this combined presentation describes a combination of assets and liabilities for this purpose only. This combined presentation in no way indicates that these assets and liabilities are under joint management and control. Each individual FHLBank manages its operations independently and with only minimal consideration as to how the transactions it enters into might affect the combined financial results.

In addition, each FHLBank's board of directors and management is responsible for establishing its own accounting and financial reporting policies in accordance with accounting principles generally accepted in the United States of America (GAAP). The FHLBanks' accounting and financial reporting policies and practices are not necessarily always identical because different policies and/or presentations are permitted under GAAP in certain circumstances. However, all 12 FHLBanks' accounting and financial reporting policies conform to GAAP. Statements in this report may be qualified by a term such as "generally", "primarily", "typically" or words of similar meaning to indicate that the statement is generally applicable to all FHLBanks or the kinds of transactions described but which may not be applicable to all 12 FHLBanks as a result of their differing business practices and accounting and financial reporting policies under GAAP. An investor should review available information on individual FHLBanks to obtain more specific information on each FHLBank's business practices and accounting and financial reporting policies.

The FHLBanks occasionally engage in transactions in which one FHLBank transfers its direct liability on outstanding consolidated obligations to another FHLBank that assumes the direct liability on those outstanding consolidated obligations. By engaging in these transactions, two FHLBanks are able to better match their funding needs. Excess funds held by one FHLBank are transferred to another FHLBank that needs them. These transfers generally result in costs for the FHLBank that assumes the liability for the debt that are equal to or lower than those available for a similarly-sized transaction in the capital markets at that time. Because the consolidated obligations are the joint and several obligation of all 12 FHLBanks, these interbank transactions have no effect

on the holders of the consolidated obligations. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Results of Operations—Interbank Transfers of Liability on Outstanding Consolidated Bonds and Their Effect on Combined Net Income" and Note 1 to the accompanying combined financial statements.)

AVAILABLE INFORMATION ON INDIVIDUAL FHLBANKS

The FHLBanks provide information on their operations on an ongoing basis.

Pursuant to a Finance Board regulation, each FHLBank is subject to certain reporting requirements of the Securities Exchange Act of 1934, as amended (1934 Act) and must file certain periodic reports and other information with the U.S. Securities and Exchange Commission (SEC). These periodic reports and other information filed pursuant to the 1934 Act, including each FHLBank's description of the risk factors applicable to that FHLBank, may be inspected without charge and copied at prescribed rates at the public reference facilities of the SEC's principal office at 100 F Street, N.E., Washington, D.C. 20549. Investors may obtain information on the operation of the SEC's public reference facilities by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site at: www.sec.gov that will contain the periodic reports and other information filed by the FHLBanks with the SEC.

Each FHLBank prepares financial reports containing financial information relating to its financial condition and results of operations and files this information annually with the SEC on Form 10-K and quarterly on Form 10-Q. All of this information is made available on the respective web site of each FHLBank. The web site of the Office of Finance is located at www.fhlb-of.com. This site also contains links to the web sites of each individual FHLBank.

Please note that we are providing all of the web site addresses and the identification of available information above solely as a matter of convenience. These web site addresses are not intended to be active links and their contents and the other available information are not a part of this report and are not intended to be incorporated by reference into this report.

BUSINESS

General Information

The 12 FHLBanks are government-sponsored enterprises of the United States of America, organized under the authority of the Federal Home Loan Bank Act of 1932, as amended (FHLBank Act). The Office of Finance is a joint office of the FHLBanks established by the Finance Board to facilitate the issuance and servicing of the consolidated obligations of the FHLBanks and to prepare the quarterly and annual combined financial reports of the FHLBanks. The Finance Board is an independent agency within the executive branch of the U.S. government charged with the regulation of the FHLBanks and the Office of Finance.

The primary purpose of the FHLBanks is to enable their member financial institutions (members) to assure the flow of credit and other services for housing and community development. The FHLBanks serve the general public by providing liquidity to members, thereby increasing the availability of credit for residential mortgages and community investments. The FHLBanks provide a readily available, low-cost source of funds to their members. In addition, most of the FHLBanks provide members with a means of enhancing liquidity by purchasing or funding member home mortgages through mortgage programs developed for their members. Under these programs, members are offered the opportunity to sell qualifying mortgages to, or fund them through, an FHLBank. Members can also borrow from an FHLBank to fund low-income housing, helping the members satisfy their regulatory requirements under the Community Reinvestment Act (CRA). Finally, the FHLBanks offer their members a variety of services such as: correspondent banking; cash management; security safekeeping; wire transfers; letters of credit; derivative intermediation and settlements.

The following table presents the FHLBanks' asset mix at December 31, 2007 and 2006.

	December 31, 2007	December 31, 2006
	Percentage of Total Assets	Percentage of Total Assets
Advances	68.7%	63.0%
Investments	23.4%	26.6%
Mortgage loans held for portfolio, net	7.2%	9.6%
Other assets	0.7%	0.8%
Total assets	100.0%	100.0%

The FHLBanks fund their assets and operations principally through the sale of debt instruments to the public, known as consolidated obligations, through the Office of Finance. Each FHLBank is jointly and severally liable with the other FHLBanks for all consolidated obligations issued. Consolidated obligations are not obligations of the United States, and the U.S. government does not guarantee them. Additional funds are provided by:

— deposits;

— other borrowings; and

— the issuance of capital stock.

The following table presents the FHLBanks' liability and capital mix at December 31, 2007 and 2006.

	December 31, 2007	December 31, 2006
	Percentage of Total Liabilities and Capital	Percentage of Total Liabilities and Capital
Total consolidated obligations, net	92.5%	91.9%
Deposits	1.7%	1.9%
Other liabilities	1.6%	1.8%
Total capital	4.2%	4.4%
Total liabilities and capital	100.0%	100.0%

The FHLBanks are cooperatives, which means that only members and former members own the capital stock in each of the FHLBanks and, to the extent declared by an FHLBank's board of directors, receive dividends on their investment in capital stock from the earnings of their respective FHLBank. Membership is limited to regulated depositories and insurance companies engaged in housing finance. A table identifying members of the FHLBanks by type of financial institution is included on page 113. Each FHLBank operates as a separate entity within a defined geographic region of the country, known as its "district." Each financial institution that becomes a member of an FHLBank may only be a member of one FHLBank, and generally may purchase capital stock only in the FHLBank whose district includes the state where the member's principal corporate offices are located. Some financial institution holding companies may have one or more affiliates, each of which may be a member of one or more different FHLBanks. Each FHLBank is privately-owned and has its own board of directors, management and employees. Membership is voluntary.

As a member-owned cooperative, each FHLBank conducts the majority of its credit and mortgage program businesses almost exclusively with members. An FHLBank may also purchase short-term investments, Federal funds and mortgage-backed securities from members, or their affiliates. All investments are market rate transactions and all mortgage-backed securities are purchased through securities brokers or dealers.

The major source of revenue for the FHLBanks is interest income earned on advances, investments and mortgage loans held for portfolio. The major items of expense for the FHLBanks are interest paid on consolidated obligations and member deposits; Resolution Funding Corporation (REFCORP) and Affordable Housing Program (AHP) assessments; and employee salaries and benefits. A key driver of net interest income and net income is the return the FHLBanks receive on invested capital because there is no related interest expense.

Historical Perspective

The fundamental business of the FHLBanks is to provide a readily available, low-cost source of funds in a wide range of maturities to meet the demands of members and non-member housing associates. Congress created the FHLBanks in 1932 to improve the availability of funds to support home ownership. Although the FHLBanks were initially capitalized with government funds, their members have provided all the FHLBanks' capital for over 50 years.

Congress originally granted access to advances only to those institutions with the potential to make and hold long-term, amortizing home mortgage loans. Such institutions were primarily Federally- and state-chartered savings and loan associations, cooperative banks, and state-chartered savings banks (thrift institutions). As a result, FHLBanks and their member thrift institutions became an integral part of the home mortgage financing system in the United States. However, a variety of factors, including a severe recession, record-high interest rates, and unsafe and unsound practices following thrift deregulation, resulted in significant losses for thrift institutions in the 1980s. In reaction to the significant cost to the American taxpayer of resolving failed thrift

institutions, Congress restructured the home mortgage financing system in 1989 by passing the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA). Congress reaffirmed the housing finance mission of the FHLBanks, and expanded membership eligibility in the FHLBanks to include commercial banks and credit unions with a commitment to housing finance.

Advances

The FHLBanks make loans, called "advances," to their members and eligible housing associates on the security of mortgages and other collateral pledged by the borrowing member or housing associate. Advances are the largest category of assets of the FHLBanks on a combined basis, representing 68.7 percent of total assets at December 31, 2007 and 63.0 percent of total assets at December 31, 2006. Advances generally are collateralized by mortgages held in member portfolios. Because portfolio lenders may originate loans that they are unwilling or unable to sell in the secondary mortgage market, FHLBank advances can serve as a funding source for a variety of conforming and nonconforming mortgages. FHLBank advances support important housing markets, including those focused on low- and moderate-income households. For those members that choose to sell or securitize their mortgages, FHLBank advances can provide interim funding.

Each FHLBank develops its program of advances to meet the particular needs of its members. The FHLBanks offer a wide array of fixed- and variable-rate advances, with maturities ranging from one day to 30 years. The FHLBanks offer both standard and customized advance structures. The more standard advances include the following:

- *Fixed-Rate Advances.* Fixed-rate advances have maturities ranging from one day to 30 years. The FHLBanks also offer convertible fixed-rate advances, which allow the FHLBanks to convert to open-line advances or other structures after an agreed upon lockout period. In addition, the FHLBanks offer putable fixed-rate advances, which allow FHLBanks to put or extinguish their fixed-rate advances and borrowers to enter into new advances. Maturities of convertible and putable fixed-rate advances generally range from one month to 15 years.

- *Variable-Rate Advances.* Variable-rate advances include advances with maturities less than 30 days to 10 years, where the interest rates reset periodically at a fixed spread to the London Interbank Offered Rate (LIBOR) or other specified standardized indices. Depending upon the advance selected, the member can have a cap on the interest rate or prepay the advance with or without a prepayment fee.

- *Fixed-Rate Amortizing Advances.* Fixed-rate amortizing advances have final maturities that range from one year to 30 years, with the principal repaid over the term of the advances with monthly, quarterly, semi-annual or annual amortization periods. Amortizing advances may be fully amortizing to the maturity date, or may have a balloon payment at maturity.

- *Variable- to Fixed-Rate Convertible Advances.* Variable- to fixed-rate convertible advances have maturities that range from two years to 10 years, with 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.

- *Open-Line Advances.* Open-line advances are designed to provide flexible funding to meet borrowers' daily liquidity needs and can be drawn for one day. These advances are automatically renewed until the member pays down the advances. Interest rates are set daily.

Customized advances may include:

— advances with non-standard interest rate indices;

— advances with standardized interest rate indices that are averaged;

— advances with embedded optionality (such as interest rate caps, floors and collars, and call and put options); and

— advances with partial prepayment symmetry. Partial prepayment symmetry means that the FHLBank may charge the member a prepayment fee or pay the member a prepayment fee, depending on certain factors such as changes in interest rates, when the advance is prepaid.

Pursuant to the FHLBank Act, the FHLBanks are permitted to make advances to non-members that are approved mortgagees under Title II of the National Housing Act (housing associates, which are generally state and local housing agencies). In addition, to be eligible for advances from an FHLBank, housing associates must also:

— be chartered under law and have succession;

— be subject to inspection and supervision by some governmental agency; and

— lend their own funds as their principal activity in the mortgage field.

Housing associates are not subject to certain provisions applicable to members under the FHLBank Act. For example, they do not purchase capital stock in an FHLBank. However, the same regulatory lending requirements generally apply to them as apply to members.

FHLBank advances can also provide funding to smaller lenders that lack diverse funding sources. Smaller community lenders very often do not have access to many of the funding alternatives available to larger financial entities, including repurchase agreements, commercial paper and brokered deposits. The FHLBanks give these lenders access to wholesale funding at competitive prices.

FHLBank credit products also help members in the management of their assets and liabilities. The FHLBanks can offer advances that are matched to the maturity and prepayment characteristics of mortgage loans. These advances can reduce a member's interest-rate risk associated with holding long-term, fixed-rate mortgages. Alternatively, members can also enter into interest-rate exchange agreements directly with an FHLBank to reduce their exposure to interest-rate risk. In addition, an FHLBank may make commitments for advances to a member covering a pre-defined period. This program aids members and the FHLBanks in their cash flow planning and enables members to reduce their funding risk.

The FHLBanks help members meet their responsibilities under the CRA. Through the AHP, the Community Investment Program (CIP) and the Community Investment Cash Advance (CICA) programs, members have access to subsidized and other low-cost funding to create affordable rental and homeownership opportunities and for commercial and economic development activities that benefit very low- to moderate-income neighborhoods, thereby contributing to the revitalization of these communities.

From the establishment of the CIP in 1990 and the establishment of CICA in 1998, through 2006, the latest information available on the Finance Board's web site, approximately $36.3 billion in FHLBank-supported lending for housing development has financed over 633 thousand housing units. In addition to housing developments, over $10.9 billion in FHLBank-supported community lending has helped finance thousands of local economic community development projects.

For 15 years, the AHP has provided significant resources for housing development across the 50 states and U.S. territories. The FHLBanks awarded AHP subsidies of $315 million in 2006, the latest information available on the Finance Board's web site, for projects designed to provide approximately 49 thousand housing units. From the inception of the AHP in 1990 through 2006, the latest information available on the Finance Board's web site, the FHLBanks have awarded over $2.9 billion in AHP subsidies to facilitate development of affordable housing projects designed to create approximately 576 thousand units for very low- to moderate-income families. The FHLBanks are one of the largest sources of private funding for affordable housing in the nation. (See Note 14 to the accompanying combined financial statements.)

The FHLBanks serve as a source of liquidity for their members. Access to FHLBank advances can reduce the amount of low-yielding liquid assets a member would otherwise need to hold to ensure the same amount of liquidity. The FHLBanks' members are required to pledge collateral to secure their advances, which is described in more detail in "Risk Management—Credit Risk—Managing Credit Risk—Advances."

Investments

The FHLBanks maintain portfolios of investments for liquidity purposes, to manage capital stock repurchases and redemptions and to provide additional earnings. This investment income also bolsters the FHLBanks' capacity to meet their commitments to affordable housing and community investment, to cover operating expenses and to satisfy the REFCORP assessment, as discussed in more detail in the "Business—Tax Status" section. To ensure the availability of funds to meet the credit needs of their members, the FHLBanks maintain portfolios of short-term investments issued by highly-rated institutions, which include:

— overnight Federal funds;

— term Federal funds;

— interest-bearing certificates of deposits; and

— commercial paper.

The FHLBanks also enhance interest income by maintaining longer-term investment portfolios. These include mortgage-backed securities (MBS) issued by government-sponsored mortgage agencies and enterprises or those that carry the highest ratings from Moody's Investors Service, Inc. (Moody's) or Standard & Poor's Ratings Services (S&P) at the time of purchase, securities issued by U.S. government-sponsored agencies and instrumentalities, and securities issued by state or local housing finance agencies. The long-term investment portfolios provide the FHLBanks with higher returns than those available in the short-term money markets. Investments represented 23.4 percent of the FHLBanks' combined total assets at December 31, 2007 and 26.6 percent of the FHLBanks' combined total assets at December 31, 2006.

Finance Board regulations prohibit the FHLBanks from investing in certain types of securities and limit the FHLBanks' investment in MBS and asset-backed securities. These restrictions and limitations are set out in more detail in "Risk Management—Credit Risk—Managing Credit Risk—Investments."

Acquired Member Asset Programs—Mortgage Loans Held for Portfolio

The FHLBanks have programs to purchase mortgage loans from, and fund mortgage loans through, Participating Financial Institutions (PFIs). The primary programs are the Mortgage Partnership Finance (MPF®) Program[1] and the Mortgage Purchase Program (MPP). Under the MPF Program, loans are funded through or purchased from PFIs.

The current MPF FHLBanks are the FHLBanks of Boston, Chicago, Dallas, Des Moines, New York, Pittsburgh, and Topeka. The FHLBank of Chicago acts as "MPF Provider" and provides programmatic and operational support to the MPF FHLBanks and their PFIs. On October 6, 2006, the FHLBank of San Francisco announced that it would no longer offer new commitments to purchase mortgage loans from its members under the MPF Program, but that it would retain its existing portfolio of mortgage loans. The commitment of the FHLBank of San Francisco to purchase mortgage loans under its last outstanding Master Commitment expired on February 14, 2007. The FHLBank of Atlanta stopped accepting additional Master Commitments under MPF as

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

of February 4, 2008 and will purchase loans under existing MPF Master Commitments through December 31, 2008. The FHLBank of Atlanta plans to retain its existing portfolio of MPF loans.

The current MPP FHLBanks are Atlanta, Cincinnati and Indianapolis. The FHLBank of Seattle, which previously offered the MPP to its members, is no longer accepting additional Master Commitments in the MPP, completed all of its delivery commitments in early 2006 and is not purchasing additional mortgages.

MPF Loans and MPP Loans. Many members who originate mortgage loans choose to sell those loans into the secondary market rather than hold them in their own portfolios. Under the MPF Program and MPP, the FHLBanks principally invest in qualifying five-year to 30-year conventional conforming and government-guaranteed (mortgage loans insured or guaranteed by the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), the Rural Housing Service of the Department of Agriculture (RHS) and/or the Department of Housing and Urban Development (HUD)) fixed-rate mortgage loans and participations in pools of such mortgage loans, secured by one-to-four family residential properties, by purchasing them from or funding them through participating members. Under the MPF Program, one or more MPF FHLBanks may acquire or participate in all or a portion of the acquired mortgage loans obtained from a PFI of another MPF FHLBank. Mortgage loans held for portfolio represented 7.2 percent of the FHLBanks' combined total assets at December 31, 2007 and 9.6 percent of the FHLBanks' combined total assets at December 31, 2006. At December 31, 2007, the FHLBanks had invested in MPF loans and MPP loans in all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands. No single zip code represented more than one percent of either MPF loans or MPP loans outstanding at December 31, 2007.

Under these mortgage programs, each FHLBank manages the interest-rate risk, prepayment option risk and liquidity risk of the fixed-rate mortgage loans in which it holds an interest, while the corresponding member, referred to as a PFI, manages the origination and servicing activities. Each FHLBank holding an interest in a mortgage loan, and the PFI selling or originating the mortgage loan, share in the credit risk of conventional mortgage loans pursuant to a master agreement and master commitment contract. Under these programs, the PFI provides a measure of credit-loss protection to the FHLBank(s) holding interests in loans generated by the PFI. In the case of the MPF Program, the selling or originating PFI receives a credit-enhancement fee, and in the case of MPP, the selling PFI benefits from the Lender Risk Account (LRA). In the case of the MPF Program, all loss allocations to a PFI and its FHLBank are covered by each master commitment contract between that PFI and its FHLBank. In the case of MPP, all loss allocations to a PFI and its FHLBank are based upon individual pools of loans covered by each master commitment contract between that PFI and its FHLBank.

A more detailed discussion of the credit enhancement and risk-sharing arrangements and loan product information for the MPF Program and MPP is included under "Risk Management—Credit Risk—Managing Credit Risk—Mortgage Loans Held for Portfolio" below and in the "Supplemental Information" section.

MPF Product Information/MPP Product Information. A variety of MPF products have been developed to meet the differing needs of PFIs, but they are all premised on the same risk-sharing concept. The MPP operates with a single structure but also includes FHA-insured mortgage loans.

PRODUCT COMPARISON CHART
MPF PROGRAM AND MPP*

Product Name	FHLBank First Loss Account Size	PFI Credit Enhancement Description	Average Credit Enhancement Amount	Credit Enhancement Fee to PFI(1)	Credit Enhancement Fee Offset(2)	Servicing Fee to PFI
Original MPF	3 to 6 basis points/added each year based on the unpaid balance	Equivalent to "AA"	1.76%	7 to 11 basis points/year—paid monthly	No	25 basis points/year
MPF 100	100 basis points fixed based on the size of the loan pool at closing	After First Loss Account to "AA"	1.52%	7 to 10 basis points/year—paid monthly; performance-based after 2 or 3 years	Yes—after first 2 to 3 years	25 basis points/year
MPF 125	100 basis points fixed based on the size of the loan pool at closing	After First Loss Account to "AA"	1.91%	7 to 10 basis points/year—paid monthly; performance-based	Yes	25 basis points/year
MPF Plus	An agreed upon amount not less than expected losses	0 to 20 basis points after First Loss Account and Supplemental Mortgage Insurance (SMI) to "AA"	1.70%	13 to 14 basis points/year in total, with a varying split between performance-based (delayed for 1 year) and a fixed rate; all fees paid monthly	Yes	25 basis points/year
MPF Government(3)	N/A	N/A (Unreimbursed servicing expenses)	N/A	N/A	N/A	44 basis points/year plus 2 basis points/year—paid monthly (U.S. Government loan fee)
MPP	30 to 50 basis points based on pool risk factors and expected losses	After First Loss Account to "AA" using SMI	N/A	N/A	N/A	25 basis points/year
MPP FHA	N/A	Unreimbursed servicing expenses	N/A	N/A	N/A	44 basis points/year

* Current as of December 31, 2007

(1) For the FHLBank of Des Moines, the CE fees on certain MPF products differ from those listed above as follows:

- Original MPF: 8 to 11 basis points/year—paid monthly
- MPF 100: 7 to 11 basis points/year—paid monthly; performance-based after 3 years
- MPF Plus: 6.5 to 8.5 basis points/year—plus 8 to 10 basis points/year performance-based (delayed for one year); all fees are paid monthly

(2) Future payouts of performance-based credit enhancement fees are reduced when losses are allocated to the First Loss Account.

(3) Formerly called Original MPF for FHA/VA. For Master Commitments issued prior to February 2, 2007, the PFI is paid a monthly government loan fee equal to 0.02 percent (2 basis points) per annum based on the month-end outstanding aggregate principal balance of the Master Commitment, which is in addition to the customary 0.44 percent (44 basis points) per annum servicing fee that continues to apply for Master Commitments issued after February 1, 2007, and that is retained by the PFI on a monthly basis, based on the outstanding aggregate principal balance of the MPF Government loans.

MPF Shared Funding Program. The MPF Shared Funding Program, which is administered by an unrelated third party, allows mortgage loans originated through the MPF Program to be sold to a third party-sponsored trust and "pooled" into securities. The FHLBank of Chicago purchased MPF Shared Funding securities in two transactions in 2003 and sold a portion of the MPF Shared Funding securities to two other FHLBanks at the original transaction closing. The investments are classified as held-to-maturity securities and are reported at amortized cost of $439 million and $489 million at December 31, 2007 and 2006. These securities, which are rated no lower than AA, are not publicly traded and are not guaranteed by any of the FHLBanks.

Debt Financing—Consolidated Obligations

Consolidated obligations, consisting of bonds and discount notes, are the principal funding source for the FHLBanks and are the joint and several obligations of the 12 FHLBanks. Consolidated obligations represent the primary source of liabilities used by the FHLBanks to fund advances, the mortgage programs and investments. All consolidated obligations are issued through the Office of Finance on behalf of the 12 FHLBanks. Regardless of the method of issuance, the Office of Finance can issue consolidated obligations only when an FHLBank provides a request for and agrees to accept the funds.

Consolidated obligations represented an amount equal to 92.5 percent of the FHLBanks' combined total assets at December 31, 2007 and 91.9 percent of the FHLBanks' combined total assets at December 31, 2006. The capital markets have traditionally considered the FHLBanks' obligations as being equivalent to "Federal agency" debt. As a result, although the U.S. government does not guarantee the FHLBanks' debt, the FHLBanks have traditionally had ready access to funding at relatively favorable rates. The FHLBanks' ability to access the capital markets through the sale of consolidated obligations, across the entire maturity spectrum and through a variety of debt structures, allows the FHLBanks to manage their balance sheets effectively and efficiently.

Consolidated obligations are currently rated Aaa/P-1 by Moody's and AAA/ A-1+ by S&P. These are the highest ratings available for such debt from a Nationally Recognized Statistical Rating Organization (NRSRO). These ratings indicate that the FHLBanks have an extremely strong capacity to meet their commitments to pay principal of and interest on consolidated obligations and that the consolidated obligations are judged to be of the highest quality with minimal credit risk. The ratings on the FHLBanks' consolidated obligations also reflect the FHLBank System's status as a government-sponsored enterprise (GSE). These ratings have not been affected by rating actions taken with respect to individual FHLBanks. Investors should note that a rating issued by an NRSRO is not a recommendation to buy, sell or hold securities and that the ratings may be revised or withdrawn by the NRSRO at any time. Investors should evaluate the rating of each NRSRO independently.

Consolidated obligations are generally issued with either fixed-rate coupon payment terms or variable-rate coupon payment terms that use a variety of indices to reset interest rates. The interest-rate indices on variable-rate consolidated obligations typically include:

— LIBOR;

— the Treasury Bills (T-Bills);

— the Constant Maturity Treasury (CMT);

— Federal funds rate; and

— the Prime rate.

In connection with the sale of any particular issue of consolidated obligations, any FHLBank receiving the proceeds may enter into interest-rate exchange agreements or other transactions with or arranged by the applicable securities dealer or bank or their affiliate, or an unaffiliated third party. Certain securities dealers and banks and their affiliates also engage in other transactions with and perform services for the FHLBanks. These services include the purchase and sale of investment

securities. In some cases, some or all of the net proceeds from an issue of consolidated obligations may be loaned to a member that is affiliated with the securities dealer involved in underwriting that issue.

Although each FHLBank is primarily liable for the portion of consolidated obligations (COs) corresponding to the proceeds received by that FHLBank, each FHLBank is also jointly and severally liable with the other 11 FHLBanks for the payment of principal of and interest on all COs. Under Finance Board regulations, if the principal of or interest on any CO issued on behalf of one of the FHLBanks is not paid in full when due, the FHLBank responsible for the payment may not pay dividends to, or redeem or repurchase shares of capital stock from, any member of that FHLBank. The Finance Board, in its sole discretion, may require any FHLBank to make principal or interest payments due on any COs, whether or not the primary obligor FHLBank has defaulted on the payment of that obligation.

To the extent that an FHLBank makes any payment on a CO on behalf of another FHLBank, the paying FHLBank shall be entitled to reimbursement from the FHLBank otherwise responsible for the payment. However, if the Finance Board determines that an FHLBank is unable to satisfy its obligations, then the Finance Board may allocate the outstanding liability among the remaining FHLBanks on a pro-rata basis in proportion to each FHLBank's participation in all COs outstanding, or on any other basis that the Finance Board may determine.

The Finance Board has never required an FHLBank to repay obligations in excess of its participation nor have they allocated to any FHLBank any outstanding liability on any other FHLBank's COs.

Finance Board regulations require that each FHLBank maintain the following types of assets, free from any lien or pledge, in an amount at least equal to the amount of that FHLBank's participation in consolidated obligations outstanding:

— cash;

— obligations of, or fully guaranteed by, the United States;

— secured advances;

— mortgages, which have any guaranty, insurance or commitment from the United States or any agency of the United States;

— investments described in Section 16(a) of the FHLBank Act (e.g., securities that a fiduciary or trust fund may purchase under the laws of the state in which the FHLBank is located); and

— other securities that are assigned a rating or assessment by an NRSRO that is equivalent or higher than the rating or assessment assigned by that NRSRO to consolidated obligations.

In addition, each FHLBank must adhere to the leverage limits set by the FHLBank Act and regulatory limits set by the Finance Board. At December 31, 2007, each FHLBank was in compliance with these requirements.

Discount Notes. On a daily basis, FHLBanks may request that specific amounts of discount notes with specific maturity dates be offered by the Office of Finance for sale through certain securities dealers. The Office of Finance commits to issue discount notes on behalf of the requesting FHLBanks when dealers submit orders for the specific discount notes offered for sale. The FHLBanks receive funding based on the time of their request, the rate requested for issuance, the trade date, the settlement date and the maturity date. If all terms of the request are the same except for the time of the request, then the FHLBank may receive from zero to 100 percent of the proceeds of the sale of the discount notes issued depending on the time of the request, the maximum costs the FHLBank or other FHLBanks, if any, participating in the same issuance of discount notes are willing to pay for the discount notes, and the amount of orders for the discount notes submitted by dealers.

Twice weekly, FHLBanks may also request that specific amounts of discount notes with fixed maturity dates ranging from four to 26 weeks be offered by the Office of Finance through competitive auctions conducted with securities dealers in the discount note selling group. One or more of the FHLBanks may also request that amounts of those same discount notes be offered for sale for their benefit through the same auction. The discount notes offered for sale through competitive auction are not subject to a limit on the maximum costs the FHLBanks are willing to pay. The FHLBanks receive funding based on their requests at a weighted-average rate of the winning bids from the dealers. If the bids submitted are less than the total of the FHLBanks' requests, an FHLBank receives funding based on that FHLBank's capital relative to the capital of other FHLBanks offering discount notes.

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

Consolidated Bonds. Consolidated bonds are issued primarily to raise intermediate and long-term funds. They can be issued and distributed through negotiated or competitively bid transactions with approved underwriters or selling group members. Consolidated bonds generally carry fixed- or variable-rate payment terms and have maturities ranging from one month to 30 years, although there is no statutory or regulatory limitation as to their maturity.

To meet the specific needs of certain investors in consolidated obligations, both fixed-rate bonds and variable-rate bonds issued by the FHLBanks may contain certain embedded features, which can result in complex coupon payment terms and call features. When consolidated obligation bonds with these kinds of features are issued, the FHLBank concurrently enters into interest-rate exchange agreements that contain offsetting features, which effectively alter the terms of the bonds to straight-forward variable-rate bonds tied to an index.

The FHLBanks also use the TAP Issue Program to issue fixed-rate, noncallable (bullet) bonds. This program uses specific maturities that may be reopened daily during a three-month period through competitive auctions. The goal of the TAP Issue Program is to aggregate frequent smaller bond issues into a larger bond issue that may have greater market liquidity.

Debt Financing—Subordinated Notes

Under Section 11(a) of the FHLBank Act, no FHLBank is permitted to issue individual debt unless it has received approval from the Finance Board. As approved by the Finance Board, on June 13, 2006, the FHLBank of Chicago issued $1.0 billion of 10-year subordinated notes. These subordinated notes are the sole obligation of the FHLBank of Chicago and are not consolidated obligations. No other FHLBank has subordinated notes outstanding.

Deposits

The FHLBanks offer demand, overnight and term deposit programs to their members and to qualifying non-members. The FHLBank Act allows each FHLBank to accept deposits from:

— its members;

— any institution for which it is providing correspondent services;

— other FHLBanks; or

— other U.S. government instrumentalities.

Deposit programs, although not as significant as other funding sources, provide some of the funding resources for the FHLBanks. To a much lesser extent than consolidated obligations, deposits also provide funding for advances and investments. At the same time, they offer members a low-risk earning asset that satisfies their regulatory liquidity requirements. Deposits represented an amount equal to 1.7 percent of the FHLBanks' combined total assets at December 31, 2007 and 1.9 percent of the FHLBanks' combined total assets at December 31, 2006.

The following table presents term deposits issued in amounts of $100,000 or more at December 31, 2007 (dollar amounts in millions):

	December 31, 2007
3 months or less	$710
Over 3 months through 6 months	30
Over 6 months through 12 months	12
Over 12 months	26
Total	$778

Capital, Capital Rules and Dividends

The capital stock and retained earnings of the FHLBanks are also a source of funding. At December 31, 2007, approximately 4.23 percent of the combined total assets of the FHLBanks were funded by capital stock and retained earnings. Total capital under GAAP, which also includes accumulated other comprehensive income, represented an amount equal to 4.21 percent of the combined total assets of the FHLBanks at December 31, 2007.

Post-Gramm-Leach-Bliley Act (GLB Act) Capital Structure. In January 2001, the Finance Board published a final rule implementing a new capital structure for the FHLBanks, as required by the GLB Act. The Finance Board's final rule implementing a new capital structure for the FHLBanks had the following effects:

— it established risk-based and leverage capital requirements for the FHLBanks;

— it permitted the FHLBanks to issue different classes of stock with different rights and preferences; and

— it required each FHLBank to submit, by October 29, 2001, a capital plan for approval by the Finance Board.

As of July 18, 2002, the Finance Board had approved a capital structure plan for each FHLBank. The capital rule provides a transition period that grants each FHLBank up to three years from the effective date of its capital plan to comply with its new capital structure. Each of the FHLBanks of Cincinnati, Pittsburgh and Seattle implemented its respective new capital plan during 2002. Each of the FHLBanks of Indianapolis, Des Moines and Dallas implemented its respective new capital plan during 2003. Each of the FHLBanks of Atlanta, Boston, San Francisco and Topeka implemented its respective new capital plan during 2004. The FHLBank of New York implemented its new capital plan during 2005. Each of these FHLBanks was in compliance with its capital plan as of the effective date of its plan. The FHLBank of Chicago has not yet implemented a new capital plan as further discussed below. (See "Business—Oversight, Audits and Examinations" and Note 17 to the accompanying combined financial statements.)

Pre-GLB Act Capital Structure. At December 31, 2007, only the FHLBank of Chicago had not yet implemented a new capital plan. While under a Written Agreement with the Finance Board, the FHLBank of Chicago delayed implementation of a new capital plan until a time mutually agreed upon with the Finance Board. On October 10, 2007, the FHLBank of Chicago entered into a Consent Cease and Desist Order (C&D Order) with the Finance Board, which concurrently terminated the prior Written Agreement. The C&D Order required the FHLBank of Chicago to submit a capital plan consistent with the GLB Act to the Finance Board within 120 days of its effective date, along with strategies for implementing the plan. On February 6, 2008, the FHLBank of Chicago submitted to the Finance Board a capital plan and implementation strategies to provide for the conversion of the FHLBank of Chicago's capital stock under the GLB Act. (See "Business—Oversight, Audits and Examinations—Regulatory Developments at the FHLBank of Chicago" for a further description of the requirements under the C&D Order.)

Until the FHLBank of Chicago implements its new capital plan and subject to any applicable transition provision, the pre-GLB Act capital rules will remain in effect, as modified by the C&D Order. Under these pre-GLB Act rules, each member is required to purchase capital stock equal to the greater of $500, one percent of its mortgage-related assets at the most recent calendar year end or five percent of its outstanding FHLBank advances. A member could, at the discretion of the FHLBank, redeem at par value any capital stock greater than its statutory requirement or sell this capital stock to other members of the FHLBank at par value. In addition, capital stock outstanding under the pre-GLB Act rules is redeemable at the option of a member upon six-months' written notice of withdrawal from membership from the FHLBank of Chicago, provided that the FHLBank of Chicago is in compliance with its regulatory capital requirements and the Director of the Office of Supervision of the Finance Board (OS Director) has approved the redemption, as further discussed in "Business—Oversight, Audits and Examinations—Regulatory Developments at the FHLBank of Chicago". Prior to the C&D Order, the FHLBank of Chicago's policy since May 2006 had been to redeem voluntary capital stock during announced redemption windows authorized by the Finance Board, in accordance with FHLBank of Chicago's capital stock redemption guidelines and subject to meeting its minimum regulatory capital requirements. Voluntary capital stock is capital stock held by members in excess of their statutory requirement.

Effective July 1, 2000, until the FHLBank of Chicago has implemented its new capital plan subject to any applicable transition provision, its leverage limit is based on a ratio of assets to capital, pursuant to a final rule issued by the Finance Board. Effective January 1, 2004, capital for the leverage ratio calculation is based on capital as determined under GAAP plus mandatorily redeemable capital stock. Under Finance Board regulations, the FHLBank of Chicago is currently subject to a leverage limit that provides that its total assets may not exceed 25 times its total regulatory capital stock, retained earnings and reserves, provided that non-mortgage assets (after deducting the amounts of deposits and capital) do not exceed 11 percent of such total assets. For purposes of this regulation, non-mortgage assets means total assets less advances, acquired member assets, standby letters of credit, derivative contracts with members, certain mortgage-backed securities, and other investments specified by the Finance Board. This requirement may also be viewed as a percentage regulatory capital ratio where the FHLBank of Chicago's total regulatory capital stock, retained earnings and reserves must be at least 4 percent of the FHLBank of Chicago's total assets. This 4 percent leverage limit is currently superseded by the 4.5 percent leverage ratio required by the C&D Order. If the FHLBank of Chicago is unable to meet the foregoing requirement based on its asset composition, it would still be able to remain in compliance with the leverage requirement so long as its total assets did not exceed 21 times total regulatory capital stock, retained earnings and reserves (that is, the FHLBank of Chicago's total regulatory capital stock, retained earnings and reserves must be at least 4.76 percent of its total assets). At December 31, 2007, the FHLBank of Chicago's non-mortgage assets were 9.2 percent on an average monthly basis, so it was subject to the 4.5 percent leverage ratio. The FHLBank of Chicago had an actual leverage ratio of 4.9 percent at December 31, 2007. In connection with the FHLBank of Chicago's issuance of subordinated notes, the Finance Board granted approvals and waivers to allow it to include a designated amount of the outstanding principal amount of the subordinated notes in determining compliance with its regulatory capital and minimum regulatory ratio requirements. Under the C&D Order, the FHLBank of Chicago is also required to maintain an aggregate amount of regulatory capital stock plus a designated amount subordinated notes of at least $3.6 billion. At December 31, 2007, the FHLBank of Chicago had an aggregate amount of $3.683 billion of regulatory capital stock plus the designated amount of subordinated notes. (See Notes 16 and 17 to the accompanying combined financial statements.)

Capital Adequacy and Structure under the GLB Act. The GLB Act permits each FHLBank to issue one or more of two classes of stock, each with sub-classes. Class A stock is redeemable on six months' written notice from a member and Class B stock is redeemable on five years' written notice from a member. Each class of stock is subject to certain conditions and limitations that may limit the ability of an FHLBank to effect these redemptions. Under the GLB Act, membership in an FHLBank became voluntary for all members. If a member withdraws its membership from an

FHLBank, it may not acquire shares of any FHLBank for five years after the date on which its divestiture of capital stock is completed. This restriction does not apply if the member is transferring its membership from one FHLBank to another. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Capital Adequacy.")

The GLB Act defines "permanent capital" for each FHLBank as the amount paid-in for Class B stock, plus the amount of an FHLBank's retained earnings, as determined in accordance with GAAP. Under the GLB Act and the final rule implementing it, "total capital" for regulatory capital adequacy purposes for each FHLBank operating under a new capital plan is defined as the sum of the FHLBank's permanent capital; *plus*

— the amounts paid-in by its members for Class A stock;

— any general loss allowance, if consistent with GAAP and not established for specific assets; and

— other amounts from sources determined by the Finance Board as available to absorb losses.

Under the GLB Act and the implementing final rule, an FHLBank is subject to risk-based capital rules under its new capital structure plan once the plan is fully implemented. Only permanent capital (as previously defined) can satisfy the risk-based capital requirement. In addition, the GLB Act specifies a five percent minimum leverage ratio based on total capital, which includes a 1.5 weighting factor applicable to permanent capital, and a four percent minimum total capital ratio that does not include the 1.5 weighting factor applicable to permanent capital. An FHLBank may not redeem or repurchase any of its capital stock without Finance Board approval if the Finance Board or that FHLBank's board of directors determines that the FHLBank has incurred or is likely to incur losses that result in or are likely to result in charges against the capital of that FHLBank. This applies even if that FHLBank is in compliance with its minimum capital requirements. As a result, whether or not a member may have its capital stock in an FHLBank repurchased (at an FHLBank's discretion at any time before the end of the redemption period) or redeemed (at a member's request, completed at the end of a redemption period) at any given time will depend on whether the FHLBank is in compliance with its three regulatory capital requirements (leverage ratio, total capital ratio and risk-based capital). At December 31, 2006, the FHLBank of Seattle, as a result of its supervisory agreement with the Finance Board, was operating under certain restrictions, including a 4.25 percent minimum regulatory capital ratio requirement. The Finance Board terminated this supervisory agreement on January 11, 2007. On January 26, 2007, the FHLBank of Seattle's board of directors approved a minimum regulatory capital ratio requirement of 4.05 percent. Some boards of directors and/or management teams of FHLBanks have agreed to maintain higher total capital-to-assets ratios or limit dividend payments as part of their retained earnings policies. As these limitations may be revised from time to time, they are more flexible than the minimum requirements prescribed by statute.

For purposes of compliance with the regulatory minimum total capital ratio and leverage ratio, capital includes all of the FHLBank members' capital stock and retained earnings, and allowance for losses and any other amount from sources available to absorb losses that the Finance Board has determined by regulation to be appropriate to include in determining total capital. All FHLBanks that were subject to these requirements at December 31, 2007 were in compliance at that date. (See Note 17 to the accompanying combined financial statements.)

Once an FHLBank implements a new capital plan under the GLB Act, it becomes subject to the Finance Board's risk-based capital regulations. This regulatory framework requires each FHLBank to maintain sufficient permanent capital to meet its combined credit risk, market risk and operations risk components.

The credit risk component of the risk-based capital requirement of an FHLBank is determined by adding together the credit risk capital charges computed for assets, off-balance sheet items and derivative contracts. These computations are based on, among other things, the credit risk percentages assigned to each item as required by the Finance Board.

The market risk component of the risk-based capital requirement of an FHLBank is the sum of:

(1) the market value of its portfolio at risk from movements in interest rates that could occur during times of market stress; plus

(2) any amount by which the current market value of its total capital falls short of 85 percent of book value.

Each FHLBank must calculate the market value of its portfolio at risk and the current market value of its total capital by using either an internal market risk model or internal cash flow model approved by the Finance Board. The Finance Board has approved the models used by the 11 FHLBanks that have implemented their new capital plans. Although each FHLBank models its own market risk, the Finance Board has reviewed and approved the modeling approach and underlying assumptions used by each FHLBank. The Finance Board reviews these modeling approaches on an ongoing basis.

The operational risk component of the risk-based capital requirement of an FHLBank is equal to 30 percent of the sum of its credit risk and market risk components of the risk-based capital requirement. The Finance Board can approve a reduction in this percentage. For reasons of safety and soundness, the Finance Board may also require an individual FHLBank to maintain greater permanent capital than is required by the risk-based capital requirements previously described.

Description of FHLBanks Capital Plans Implemented Through 2007.

The following FHLBanks offer a single class of Class B capital stock. Upon five years' written notice, a member can elect to have the FHLBank redeem its capital stock, subject to certain conditions and limitations. Each FHLBank can repurchase a member's excess capital stock at its discretion at any time prior to the end of the redemption period, provided that FHLBank will continue to meet its regulatory capital requirements after the repurchase.

FHLBank	Description
Boston	The FHLBank of Boston requires member institutions to maintain stock based on a percentage of the member's Membership Stock Investment Base and on a percentage of advances, standby letters of credit, intermediated derivative contracts, acquired member assets and certain commitments outstanding with the FHLBank.
San Francisco	The FHLBank of San Francisco requires member institutions to maintain stock based on the greater of a percentage of the member's membership asset value or a percentage of advances outstanding plus a percentage of any portion of mortgage loans purchased and held by the FHLBank.
Dallas	The FHLBank of Dallas requires member institutions to maintain stock based on a percentage of the member's total assets and on a percentage of advances and acquired member assets outstanding with the FHLBank.
Des Moines	The FHLBank of Des Moines requires member institutions to maintain stock based on a percentage of the member's total assets and on a percentage of advances, mortgage loans, standby letters of credit, and certain commitments outstanding with the FHLBank.
Cincinnati	The FHLBank of Cincinnati requires member institutions to maintain stock based on a percentage of the member's total assets and on a percentage of advances and acquired member assets outstanding with the FHLBank.
Pittsburgh	The FHLBank of Pittsburgh requires member institutions to maintain stock based on a percentage of their outstanding FHLBank borrowings, a percentage of their unused borrowing capacity with the FHLBank and a specified percentage of the principal balance of residential mortgage loans previously sold to the FHLBank and still held by the FHLBank.

The FHLBanks of New York, Atlanta and Indianapolis each offer two sub-classes of Class B capital stock, Class B1 and Class B2. Upon five years' written notice, a member can elect to have the FHLBank redeem its capital stock, subject to certain conditions and limitations. The FHLBanks of New York, Atlanta and Indianapolis can repurchase excess stock of both sub-classes at their discretion at any time prior to the end of the redemption period, provided that FHLBank will continue to meet its regulatory capital requirements after the repurchase.

FHLBank	Description
New York	On December 12, 2007, the Finance Board approved amendments to the FHLBank of New York's capital plan. The amendments would allow the FHLBank of New York to recalculate the membership stock purchase requirement any time after 30 days subsequent to the merger of a member with a non-member. The amendments also would expressly permit the FHLBank of New York to use a zero mortgage asset base in performing the calculation, which recognizes the fact that the corporate entity that was once its member no longer exists. As a result of these amendments, the FHLBank of New York could determine that all of the membership stock formerly held by the member becomes excess stock, which would give the FHLBank of New York the discretion, but not the obligation, to repurchase that stock prior to the expiration of the five-year notice period. Class B1 stock is issued to meet membership stock purchase requirements. Class B2 stock is issued to meet activity-based requirements. The FHLBank of New York requires member institutions to maintain Class B1 stock based on a percentage of the member's mortgage-related assets and Class B2 stock-based on a percentage of advances and acquired member assets outstanding with the FHLBank and certain commitments outstanding with the FHLBank. Class B1 and Class B2 stockholders have the same voting rights and dividend rates.
Atlanta	Class B1 stock is issued to meet membership stock purchase requirements. The FHLBank of Atlanta requires member institutions to maintain stock based on a percentage of the member's total assets. Each member is required to maintain a minimum investment in Class B2 shares to meet its activity-based stock requirement. A member's activity-based requirement is based on a percentage of outstanding advances, acquired member assets and any targeted debt/equity investment sold by the member to the FHLBank. Class B1 and Class B2 stockholders have the same voting rights and dividend rates.
Indianapolis	Class B1 stock is issued to meet membership and activity stock purchase requirements. The FHLBank of Indianapolis requires member institutions to maintain stock based on a percentage of the member's total assets and on a percentage of advances and acquired member assets outstanding with the FHLBank. Class B1 stock is converted into shares of Class B2 stock in the event that a member withdraws from membership; a member is the non-surviving entity in a merger; if a financial institution's membership is terminated involuntarily or as a result of a relocation; or if the stock becomes subject to a redemption request by a member; while the stock is needed to meet the member's stock requirement. Class B1 and Class B2 stockholders have the same voting rights. The only difference between the Class B1 stock and Class B2 stock is that the dividend rate for the Class B2 stock is lower than the dividend rate for the Class B1 stock.

The FHLBank of Topeka offers a single series of Class A capital stock and a single series of Class B capital stock. Upon six months' written notice, a member can elect to have the FHLBank redeem its Class A capital stock, subject to certain conditions and limitations. Upon five years' written notice, a member can elect to have the FHLBank redeem its Class B capital stock, subject to certain conditions and limitations. The FHLBank of Topeka can repurchase any excess capital stock at its discretion at any time prior to the end of the redemption period, provided that it will continue to meet its regulatory capital requirements after the repurchase.

FHLBank	Description
Topeka	Class A stock is used to meet a member's asset-based stock purchase requirement and Class B capital stock is used to meet a member's activity-based stock purchase requirement. Class A and Class B stock share in dividends equally up to the dividend parity threshold, then the dividend rate for Class B stock can exceed the rate for Class A stock, but the Class A stock dividend rate can never exceed the Class B stock dividend rate. Class A and Class B stockholders have the same voting rights.

On February 20, 2008, the Finance Board approved the change to FHLBank of Seattle's capital plan to allow the transfer of excess stock between unaffiliated members pursuant to the requirements of the capital plan and increased the range within which its board of directors can set the member advance stock purchase requirement between 2.50 percent and 6.00 percent of a member's outstanding principal balance of advances. The additional ability to transfer excess stock between unaffiliated members was designed to provide flexibility to members with excess stock, given the existing restrictions on repurchases of Class B stock.

Prior to October 2006, the FHLBank of Seattle offered two sub-classes of Class B capital stock, Class B1 and Class B2. Upon five years' written notice, a member could elect to have the FHLBank redeem its capital stock, subject to certain conditions and limitations. The FHLBank of Seattle could repurchase excess stock of both sub-classes at its discretion at any time prior to the end of the redemption period, provided that it continued to meet its regulatory capital requirements after the repurchase. However, in May 2005, the board of directors of the FHLBank of Seattle adopted a resolution prohibiting the repurchase of stock prior to the end of five-year redemption period unless the prior approval of the OS Director was obtained.

FHLBank	Description
Seattle	In October 2006, the Finance Board approved a number of changes to the FHLBank of Seattle's capital plan including the consolidation of Class B1 and Class B2 stock into a single Class B stock and the creation of a new Class A stock with a six-month redemption period. The dividend rate that may be declared on Class A stock can differ from the dividend rate declared on Class B stock. Class A and B stockholders have the same voting rights. Another feature of the FHLBank of Seattle's updated capital plan is the use of an excess stock pool through October 1, 2008. Members that have fully utilized all of their existing capital stock are able to obtain advances with maturities up to one year without purchasing additional FHLBank of Seattle stock, subject to certain restrictions. On December 31, 2007, the FHLBank of Seattle suspended access to the excess stock pool due to a number of factors, including a substantial decline in the overall amount of excess stock, favorable member response to the use of Class A stock to capitalize advances growth, and the need to insure that the FHLBank of Seattle had sufficient available funds to meet potential additional demand for advances. The excess stock pool is scheduled to expire on October 1, 2008, unless the FHLBank of Seattle's Board of Directors and the Director of the Office of Supervision approve an extension. During 2005 and 2006, Class B1 stock was issued to meet membership and activity stock purchase requirements. The FHLBank of Seattle requires member institutions to maintain stock based on a percentage of a member's home mortgage loans and on a percentage of any outstanding balances of advances and acquired member assets with the FHLBank. Excess Class B1 stock above the lesser of $50 million or the total stock purchase requirement converted to Class B2 stock. Class B1 and Class B2 stockholders had the same voting rights. Dividends on Class B1 stock could not exceed the sum of (1) the FHLBank's earnings for that quarter plus (2) net earnings previously retained, less (3) the amount of any dividends that the FHLBank's Board of Directors declares on Class B2 stock. Dividends on Class B2 stock could be declared only at a rate equal to the lower of (A) the Class B1 stock dividend or (B) 73.47 percent times the sum of the daily average of three-month LIBOR during the quarter minus 0.25 percent. Any dividends declared had to be paid equally to the Class B1 and Class B2 stock, up to the maximum dividends permitted on the Class B2 stock, after which dividends could be paid solely to the Class B1 stockholders.

Dividends and Retained Earnings. The board of directors of each FHLBank may declare and pay dividends in either cash or capital stock. The Finance Board issued a final rule that became effective on January 29, 2007, which prohibits an FHLBank from issuing additional excess stock, including through the issuance of stock dividends, if the amount of excess stock exceeds one percent of the FHLBank's total assets. Excess stock is defined by the Finance Board in the final rule as any FHLBank stock owned by a member or other institution in excess of that member's or other institution's minimum investment in capital stock required under the FHLBank Act, Finance Board regulations, or the FHLBank's capital plan. Also included in this final rule is a provision requiring the FHLBanks to declare and pay dividends only after net income for each quarterly period has been determined. As the result of a resolution passed by the FHLBank of Seattle's board of directors, the FHLBank of Seattle may only pay cash dividends in an amount up to 50 percent of its calendar year-to-date earnings. Dividends declared by the board of directors of the FHLBank of Chicago are subject to the prior written approval of the OS Director. The board of directors of each FHLBank has adopted a retained earnings policy that includes a target amount of retained earnings as well as a plan that will enable the FHLBank to reach the target amount of retained earnings. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Legislative and Regulatory Developments—Finance Board Adopts Final Rule Limiting Excess Stock".)

Other Mission-Related Activities

In addition to supporting residential mortgage lending, one of the core missions of the FHLBanks is to support community development through affordable housing and community investment. Set forth below are a number of programs administered by the FHLBanks targeted to fulfill that mission. These programs have provided affordable home ownership and rental opportunities for hundreds of thousands of very low- to moderate-income families and have strengthened communities across the U.S. and its territories.

Housing Programs. There are two key FHLBank housing programs that provide members with grants and other low-cost funds to finance housing.

- The Affordable Housing Program is a subsidy program that provides grants and interest-rate subsidies on loans to members.
- The Community Investment Program for housing is a lending program through which members may borrow advances, for households with incomes at or below 115 percent of the area median income (AMI), at an FHLBank's cost of funds, plus reasonable administrative costs, or may obtain triple-A-rated letters of credit from the FHLBanks.

Funds from both of these programs can be used for the purchase, construction or rehabilitation of owner-occupied or rental housing.

The AHP subsidizes the cost of owner-occupied housing for individuals and families with incomes at or below 80 percent of the area median income; and rental housing in which at least 20 percent of the units are reserved for households with incomes at or below 50 percent of AMI. The subsidy may be in the form of a grant or a below-cost or subsidized interest rate on an advance. AHP funds are primarily available through a competitive application program at each of the FHLBanks.

In the competitive AHP application program, members submit applications on behalf of one or more sponsors of eligible housing projects. Projects must meet certain eligibility requirements and prescriptively score successfully in order to obtain funding under the AHP competitive application program. AHP funds are also awarded through the homeownership set-aside program. Under this program, an FHLBank may set aside up to the greater of $4.5 million or 35 percent of its AHP funds each year to assist low- and moderate-income households purchase homes, provided that at least one-third of the FHLBank's set-aside allocation is made available to assist first-time homebuyers. Members obtain the AHP set-aside funds from the FHLBank and then use them as grants to eligible households. Set-aside funds may be used for down-payment, closing costs, counseling or rehabilitation assistance in connection with the household's purchase or rehabilitation of an owner-occupied unit. Each FHLBank sets its own maximum grant amount, which may not exceed $15,000 per household. All 12 of the FHLBanks have AHP homeownership set-aside programs.

Economic Community Development Programs. In addition to housing, the CIP can be used for economic development in low- to-moderate income neighborhoods. The FHLBanks also offer long-term advances, often at below-market interest rates, through other CICA programs.

CICA programs provide financing for projects that are targeted to certain economic development activities. Economic development projects include commercial, industrial, manufacturing, social service, infrastructure projects, and public facility projects and activities. CICA lending is targeted to specific beneficiaries, including small businesses and certain geographic areas. Two types of CICA programs benefit households at specified income levels. These are:

- *Rural Development Funding:* Projects in rural areas for beneficiaries with incomes at or below 115 percent of the AMI; and
- *Urban Development Funding Program:* Projects in urban areas for targeted beneficiaries with incomes at or below 100 percent of the AMI.

Currently, all of the FHLBanks offer the CIP and one or more other types of CICA programs for economic development. Members may use the proceeds of CICA funding to finance targeted economic development projects directly (loan originations and purchases) or indirectly (lending to other lenders for eligible purposes). Each FHLBank has a Community Lending Plan, in which its program objectives for economic development are described. Approved "housing associates" (non-member lenders such as state housing finance agencies and tribal housing authorities) may use certain CICA programs. Some FHLBanks have additional community lending programs designed to retain or create jobs or otherwise improve the economic status of communities.

Community Support Program. Members are required to meet standards of community support activities, which they document by submitting a Community Support Statement to the Finance Board approximately every two years to retain access to long-term credit from an FHLBank. The standards take into account each member's performance under the Community Reinvestment Act of 1977, and the member's record of lending to first-time homebuyers.

Use of Interest-Rate Exchange Agreements

Interest-rate exchange agreements (also referred to as derivatives) are an integral part of each FHLBank's financial management strategy.

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

— interest-rate swaps;

— swaptions;

— interest-rate cap and floor agreements;

— calls;

— puts; and

— futures and forward contracts.

Finance Board regulation and each FHLBank's risk management policy prohibit trading in or the speculative use of these derivative instruments and limit credit risk arising from these instruments. The FHLBanks may only use derivatives to reduce funding costs for consolidated obligations and to manage their interest-rate risk, mortgage prepayment risk and foreign currency risk positions.

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

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

- manage embedded options in assets and liabilities; and
- as part of its overall asset/liability management.

The FHLBanks make extensive use of derivatives, executed in conjunction with specific consolidated obligation debt issuances, to reconfigure synthetically funding terms and costs as a primary way to reconcile the demand of its members for various kinds of advances (generally shorter-term or adjustable-rate advances) and the preferences of the capital market investors for the kinds of consolidated obligations in which they seek to invest (generally long-term, fixed-rate debt). For example, if an FHLBank member needs a variable-rate advance and investors desire a fixed-rate consolidated obligation, the FHLBank will provide the requested advance to the member and issue consolidated obligation debt to the investors, and, to protect its position against changes in interest rates, will enter into an interest-rate exchange agreement to convert the consolidated obligation's fixed rate to the same variable-rate index of the advance being funded by the consolidated obligation.

Because it is not possible for an FHLBank to consistently issue debt simultaneously with the issuance of an advance to a member in the same amount and with the same terms as the advance, or to predict ahead of time what types of advances members might need or what types of consolidated obligations investors might be willing to buy on any particular day, an FHLBank must have a ready supply of funds on hand at all times to meet member advance demand. Therefore, in order to intermediate the mismatches between advances with a wide range of terms on the one hand, and consolidated obligations with an equally wide range of terms on the other, an FHLBank typically converts both assets and liabilities to a variable-rate index such as LIBOR, and attempts to manage the interest spread between the pools of variable-rate assets and liabilities. This process of intermediating the timing, structure, and amount of an FHLBank member's credit needs with the investment requirements of an FHLBank's creditors is made possible by the extensive use of interest-rate exchange agreements.

An FHLBank may also use derivatives to reduce funding costs. In a typical transaction, upon issuance of a fixed-rate consolidated obligation, the FHLBank simultaneously enters into a matching interest-rate exchange agreement in which the counterparty pays the FHLBank fixed cash flows designed to mirror the timing, optionality, and amount of the cash outflows paid by the FHLBank on the consolidated obligation. In this typical transaction, the FHLBank pays a variable cash flow that closely matches the interest payments the FHLBank receives on short-term or variable-rate assets, such as a variable-rate advance. This allows the FHLBank to create synthetic variable-rate debt at a cost that is lower than the cost of a variable-rate consolidated obligation issued directly by the FHLBank. This intermediation between the capital and derivative markets permits an FHLBank to raise funds at lower all-in costs than would otherwise be available through the issuance of variable consolidated obligations in the capital markets and enables the FHLBank to offer a wider range of attractively-priced advances to its members. The continued attractiveness of such debt depends on yield relationships between the bond and the interest-rate exchange markets. If conditions in these markets change, an FHLBank may alter the types and/or the terms of consolidated obligations it issues. The FHLBanks may enter into interest-rate exchange agreements and/or other transactions with (or arranged by) the applicable securities dealers, banks, or one or more of their affiliates, or an unaffiliated third party. Substantially all of the counterparties to FHLBank interest-rate exchange agreements are companies in the financial services business, such as large banks and major broker-dealers.

(See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Critical Accounting Estimates—Accounting for Derivatives" and "Risk Management—Quantitative and Qualitative Disclosures about Market Risk—Qualitative Disclosures about Market Risk—Interest-Rate Exchange Agreements.")

Competition

Advances. Demand for FHLBank advances is affected by, among other things, the cost of other sources of liquidity available to FHLBank members, including deposits. Each FHLBank individually competes with its members' depositors as well as suppliers of secured and unsecured wholesale funding. These competitors may include investment banks, commercial banks and, in certain circumstances, one or more other FHLBanks, when one or more affiliates of their members are members of other FHLBanks. Smaller members may have access to alternative funding sources only through sales of securities under agreements to resell, while larger members may have access to all of the alternatives previously listed. Large members may also have independent access to the national and global credit markets, including covered bonds. The availability of alternative funding sources to members can significantly influence the demand for FHLBank advances and this availability can vary as a result of a variety of factors such as:

— market conditions;

— products;

— structures;

— members' creditworthiness; and

— availability of collateral.

Mortgage Loans Held for Portfolio. The activities of the FHLBanks' MPF and MPP business are subject to significant competition in purchasing conventional, conforming fixed-rate mortgage and government-guaranteed/insured loans. The FHLBanks face competition in customer service, the prices paid for these assets, and in ancillary services such as automated underwriting. The most direct competition for mortgages comes from other housing GSEs that also purchase conventional, conforming fixed-rate mortgage loans, specifically the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), as well as from other investors. These investors may seek to hold conventional, conforming fixed-rate mortgage loans. The volume of conventional, conforming fixed-rate mortgages declined in 2007 with the rise in interest rates and competitive products, such as hybrid adjustable-rate mortgages, which the FHLBanks do not purchase. This trend may or may not continue and the demand for MPF and MPP products could diminish. In general, this competitive environment may present a challenge for certain FHLBanks in the achievement of their financial goals. The FHLBanks continuously reassess their potential for success in attracting and retaining customers for their products and services.

Debt Issuance. Each FHLBank also competes with the U.S. government, Fannie Mae, Freddie Mac and other GSEs, as well as corporate, sovereign and supranational entities, for funds raised through the issuance of unsecured debt in the national and global debt markets. If the supply of competing debt products increases without a corresponding increase in demand, or if certain investors change their view of investing in FHLBank debt, debt costs may rise or less debt may be issued at the same cost than would otherwise be the case. In addition, regulatory initiatives, which tend to reduce investments by certain depository institutions in unsecured debt with greater price volatility or interest-rate sensitivity than fixed-rate, fixed-maturity instruments of the same maturity, may adversely affect the availability and cost of funds raised through the issuance of certain types of unsecured debt. Although the available supply of funds has kept pace with the funding needs of the FHLBanks' members (as expressed through FHLBank debt issuance), investors should not rely on the belief that this will continue to be the case in the future.

Interest-Rate Exchange Agreements. The sale of callable debt and the simultaneous execution of callable interest-rate exchange agreements that mirror the debt sold has been an important source of competitive funding for the FHLBanks. As such, the availability of markets for callable debt and interest-rate exchange agreements may be an important factor in determining the FHLBanks' relative cost of funds. There is considerable competition in the markets for callable debt and for

interest-rate exchange agreements among issuers of high credit quality. Investors should not rely on the belief that the current breadth and depth of these markets will be sustained in the future.

Oversight, Audits and Examinations

The FHLBanks are supervised and regulated by the Finance Board. The Finance Board ensures that the FHLBanks:

— operate in a safe and sound manner;

— remain adequately capitalized and able to raise funds in the capital markets; and

— carry out their housing and community development finance mission.

The Finance Board also establishes regulations governing the operations of the FHLBanks. More detailed information relating to the Finance Board is contained in "Supplemental Information—FHLBanks' Regulator."

The Government Corporation Control Act provides that, before a government corporation issues and offers obligations to the public, the U.S. Secretary of the Treasury shall prescribe the form, denomination, maturity, interest rate, and conditions of the obligations; the way and time issued; and the selling price. The FHLBanks meet the definition of government corporations under the Government Corporation Control Act. The FHLBank Act also authorizes the U.S. Secretary of the Treasury, at his or her discretion, to purchase consolidated obligations up to an aggregate principal amount of $4 billion. There have been no borrowings outstanding under this authority since 1977. The U.S. Department of the Treasury receives the Finance Board's annual report to Congress, weekly reports reflecting securities transactions of the FHLBanks, and other reports reflecting the operations of the FHLBanks. The U.S. Department of the Treasury is reviewing the procedures under which the GSEs issue debt.

Each FHLBank and the Office of Finance has an internal audit department and the board of directors of each FHLBank has an audit committee. An independent registered public accounting firm audits the annual financial statements of each FHLBank and the annual combined financial statements of the FHLBanks prepared by the Office of Finance. The independent registered public accounting firm conducts these audits following auditing standards of the Public Company Accounting Oversight Board (United States) and *Government Auditing Standards* issued by the Comptroller General of the United States. The FHLBanks, the Finance Board, and Congress all receive the audited financial statements. The FHLBanks must submit annual management reports to the President of the United States, the Congress, the Office of Management and Budget, and the Comptroller General of the United States. These reports include:

— a statement of financial condition;

— a statement of operations;

— a statement of capital;

— a statement of cash flows;

— a statement of internal accounting and administrative control systems; and

— the report of the independent registered public accounting firm on the financial statements.

The Comptroller General of the United States has the authority under the FHLBank Act to audit or examine the Finance Board and the FHLBanks and to decide the extent to which they fairly and effectively fulfill the purposes of the FHLBank Act. Furthermore, the Government Corporation Control Act provides that the Comptroller General of the United States may review any audit of the financial statements conducted by an independent registered public accounting firm. If the Comptroller General of the United States conducts such a review, he or she must report the results and provide his or her recommendations to the Congress, the Office of Management and Budget,

and the FHLBank under review. The Comptroller General of the United States may also conduct his or her own audit of any financial statements of any FHLBank.

Regulatory Developments at the FHLBank of Chicago.

Written Agreement. On June 30, 2004, the FHLBank of Chicago entered into a Written Agreement with the Finance Board to address issues identified in the Finance Board's 2004 examination of the FHLBank of Chicago. The Written Agreement was subsequently amended three times in order to adjust the FHLBank of Chicago's minimum regulatory capital requirements as further described below. The FHLBank of Chicago operated under the Written Agreement until the Finance Board terminated the agreement on October 10, 2007 as part of a C&D Order, the terms of which are discussed below.

Under the Written Agreement the FHLBank of Chicago agreed to implement changes to enhance its risk management, capital management, governance, and internal control practices, and to submit a business and capital plan to the Finance Board. In addition, the Written Agreement, as amended, required the FHLBank of Chicago to:

- limit increases in the aggregate net book value of its acquired member assets (i.e., mortgage loans) under the MPF Program to no greater than 10 percent per annum;
- maintain a ratio of regulatory capital stock, plus retained earnings, plus a designated amount of its subordinated notes to total assets of at least 4.5 percent; and
- maintain an aggregate amount of outstanding regulatory capital stock plus a designated amount of its subordinated notes of at least $3.5 billion.

While under the Written Agreement, the FHLBank of Chicago worked with the Finance Board to develop strategic and operational alternatives to strengthen its capital base and transition to a more traditional FHLBank structure, including the following:

- adopting a new retained earnings and dividends policy in April 2006;
- changing the structure of its balance sheet by not replacing most of its MPF Program assets as they paid down while continuing to serve its members with this product;
- exploring alternative methods of capitalizing and funding acquired member assets under the MPF Program;
- reducing outstanding voluntary capital;
- implementing expense reduction initiatives, including a reduction-in-force on May 1, 2007;
- reviewing its expense structure and focusing on ways to enhance efficiency;
- refocusing on its core advances business; and
- exploring other methods to increase its net income, including balance sheet restructuring alternatives.

C&D Order. On October 10, 2007, the FHLBank of Chicago entered into a C&D Order with the Finance Board. The C&D Order states that the Finance Board has determined that requiring the FHLBank of Chicago to take the actions specified in the C&D Order will "improve the condition and practices at the Bank, stabilize its capital, and provide the Bank an opportunity to address the principal supervisory concerns identified by the Finance Board."

The C&D Order places several requirements on the FHLBank of Chicago:

- The FHLBank of Chicago must maintain a ratio of regulatory capital stock, plus retained earnings, plus a designated amount of subordinated notes to total assets of at least 4.5 percent, and a minimum total amount of the sum of regulatory capital stock plus a designated amount of subordinated notes of $3.6 billion.

- The FHLBank of Chicago's capital stock repurchases and redemptions, including redemptions upon membership withdrawal or other membership termination, require prior approval of the OS Director. The C&D Order provides that the OS Director may approve a written request by the FHLBank of Chicago for proposed redemptions or repurchases if the OS Director determines that allowing the redemption or repurchase would be consistent with maintaining the capital adequacy of the FHLBank of Chicago and its continued safe and sound operations.
- Dividend declarations are subject to the prior written approval of the OS Director.
- Within 120 days of the effective date of the C&D Order, the FHLBank of Chicago was required to submit a capital plan to the Finance Board consistent with the requirements of the GLB Act and Finance Board regulations, along with strategies for implementing the plan.
- The FHLBank of Chicago was required to review and revise its market risk management and hedging policies, procedures and practices to address issues identified in the Finance Board's 2007 examination of the FHLBank of Chicago, and within 90 days of the effective date of the C&D Order submit revised policies and procedures to the OS Director for non-objection prior to implementation.

The FHLBank of Chicago's Written Agreement with the Finance Board was terminated under the terms of the C&D Order and the minimum capital and leverage requirements for the Bank, previously included in the Written Agreement, are now in the C&D Order modified as described above.

The FHLBank of Chicago intends to fully comply with the C&D Order, and has already taken actions to meet many of the requirements, including:

- The FHLBank of Chicago reviewed its market risk hedging policies, procedures and practices, and submitted revised policies and procedures to the OS Director on January 7, 2008. The FHLBank of Chicago has received preliminary feedback on its submission and is working to respond to questions and comments raised by the Office of Supervision staff.
- On February 6, 2008, the FHLBank of Chicago submitted a capital plan and implementation strategies to the Finance Board to provide for the conversion of its capital stock under the GLB Act, and is awaiting a response.
- The FHLBank of Chicago remains in compliance with the minimum capital and leverage requirements under the C&D Order.

FHLBank of Chicago's Earnings Outlook. The FHLBank of Chicago expects to incur net losses beginning in the first quarter of 2008 and that those losses will continue for some period of time. See the FHLBank of Chicago's Earnings Outlook disclosure in its Form 10-K filed on March 19, 2008 for more information.

Tax Status

The FHLBanks are exempt from all Federal, state, and local taxation, except for local real estate tax. However, they are required to make payments to REFCORP in the amount equal to 20 percent of income calculated in accordance with GAAP after the assessment for AHP, but before the assessment for REFCORP. In addition, each year the FHLBanks must set aside for the AHP the greater of $100 million or 10 percent of their current year's regulatory income after REFCORP. Assessments for REFCORP and AHP equate to an effective minimum income tax rate of 26.5 percent; this effective rate will be higher for those FHLBanks with interest expense for mandatorily redeemable capital stock. The combined REFCORP and AHP assessments were $1.0 billion, $942 million and $907 million for the years ended December 31, 2007, 2006 and 2005.

Cash dividends received by FHLBank members are taxable and do not benefit from the exclusion for corporate dividends received.

Office of Finance

The consolidated obligations of the FHLBanks are issued through the Office of Finance. In addition to facilitating and executing the issuance of the consolidated obligations, the Office of Finance also:

— services all outstanding debt;

— prepares the FHLBanks' quarterly and annual combined financial reports;

— serves as a source of information for the FHLBanks on capital markets developments;

— administers REFCORP and the Financing Corporation (FICO); and

— manages relationships of the FHLBanks with the rating agencies and U.S. Treasury as they relate to the consolidated obligations.

Pursuant to Finance Board regulations, the Office of Finance, often in conjunction with the FHLBanks, has adopted policies and procedures for consolidated obligations that may be issued by the FHLBanks. The policies and procedures relate to the frequency and timing of issuance of consolidated obligations, issue size, minimum denomination, selling concessions, underwriter qualifications and selection, currency of issuance, coupon features, call or put features, principal amortization features, and selection of outside counsel. The Office of Finance has responsibility for facilitating and approving the issuance of the consolidated obligations in accordance with these policies and procedures. In addition, the Office of Finance has the authority to redirect, limit or prohibit the FHLBanks' requests to issue consolidated obligations if it determines that the action is inconsistent with Finance Board regulations. The Finance Board requires that consolidated obligations shall be issued efficiently and at the lowest all-in funding cost over time, consistent with:

- prudent risk-management practices, prudential debt parameters, short- and long-term market conditions, and the FHLBanks' role as government-sponsored enterprises;
- maintaining reliable access to the short-term and long-term capital markets; and
- positioning the issuance of debt to take advantage of current and future capital market opportunities.

In 2007, the Office of Finance's authority to redirect, limit or prohibit the FHLBank's requests for issuance of consolidated obligations was not exercised.

PROPERTIES AND GEOGRAPHIC DISTRIBUTION

The FHLBanks operate in all 50 states, the District of Columbia and U.S. territories. Each FHLBank generally serves members whose headquarters are located in its specifically-defined geographic district. Each FHLBank's name and address, the states and territories comprising each district, and its number of members, at December 31, 2007, is as follows:

FHLBank Name and Address	States and Territories	Number of Members
FHLBank of Boston 111 Huntington Avenue Boston, MA 02199 Business number: (617) 292-9600 The FHLBank of Boston leases space at this property.	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	457
FHLBank of New York 101 Park Avenue New York, NY 10178-0599 Business number: (212) 681-6000 The FHLBank of New York leases space at this property.	New Jersey, New York, Puerto Rico, Virgin Islands	291
FHLBank of Pittsburgh 601 Grant Street Pittsburgh, Pennsylvania 15219 Business number: (412) 288-3400 The FHLBank of Pittsburgh leases space at this property.	Delaware, Pennsylvania, West Virginia	332
FHLBank of Atlanta 1475 Peachtree Street, N.E. Atlanta, Georgia 30309 Business number: (404) 888-8000 The FHLBank of Atlanta owns this property.	Alabama, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia	1,217
FHLBank of Cincinnati Atrium Two, Suite 1000 221 East Fourth Street Cincinnati, Ohio 45202 Business number: (513) 852-7500 The FHLBank of Cincinnati leases space at this property.	Kentucky, Ohio, Tennessee	725
FHLBank of Indianapolis 8250 Woodfield Crossing Boulevard Indianapolis, Indiana 46240 Business number: (317) 465-0200 The FHLBank of Indianapolis owns this property.	Indiana, Michigan	421

FHLBank Name and Address	States and Territories	Number of Members
FHLBank of Chicago 111 East Wacker Drive, Suite 800 Chicago, Illinois 60601 Business number: (312) 565-5700 The FHLBank of Chicago leases space at this property.	Illinois, Wisconsin	841
FHLBank of Des Moines Skywalk Level 801 Walnut Street, Suite 200 Des Moines, Iowa 50309 Business number: (515) 281-1000 The FHLBank of Des Moines leases space at this property.	Iowa, Minnesota, Missouri, North Dakota, South Dakota	1,243
FHLBank of Dallas 8500 Freeport Parkway South, Suite 600 Irving, Texas 75063 Business number: (214) 441-8500 The FHLBank of Dallas owns this property.	Arkansas, Louisiana, Mississippi, New Mexico, Texas	886
FHLBank Topeka One SW Security Benefit Place Suite 100 Topeka, Kansas 66606 Business number: (785) 233-0507 The FHLBank Topeka leases space at this property.	Colorado, Kansas, Nebraska, Oklahoma	877
FHLBank of San Francisco 600 California Street San Francisco, California 94108 Business number: (415) 616-1000 The FHLBank of San Francisco leases space at this property.	Arizona, California, Nevada	405
FHLBank of Seattle 1501 Fourth Avenue, Suite 1800 Seattle, Washington 98101 Business number: (206) 340-2300 The FHLBank of Seattle leases space at this property.	Alaska, American Samoa, Guam, Hawaii, Idaho, Montana, Northern Mariana Islands, Oregon, Utah, Washington, Wyoming	380
Federal Home Loan Banks Office of Finance 11921 Freedom Drive, Suite 1000 Reston, Virginia 20190 Business number: (703) 467-3600 *www.fhlb-of.com* The Office of Finance leases space at this property.		

The FHLBanks and the Office of Finance maintain leased, off-site, back-up facilities.

Individual FHLBank web sites can be accessed from the external link at the Office of Finance web site. All of these web site addresses are provided as a matter of convenience only, and their contents are not made part of this report and are not intended to be incorporated by reference into this report.

EMPLOYEES
(at December 31, 2007 and 2006)

	December 31, 2007			December 31, 2006			Full-time Employee
	Employees			Employees			Increase
FHLBank	Full-time	Part-time	Total	Full-time	Part-time	Total	(Decrease)
Boston	198	2	200	189	2	191	9
New York	238	8	246	225	7	232	13
Pittsburgh	233	6	239	239	7	246	(6)
Atlanta	348	14	362	338	11	349	10
Cincinnati	184	7	191	174	4	178	10
Indianapolis	144	7	151	147	9	156	(3)
Chicago	337	6	343	450	9	459	(113)
Des Moines	182	9	191	177	12	189	5
Dallas	176		176	168		168	8
Topeka	169	6	175	162	5	167	7
San Francisco	265	5	270	248	6	254	17
Seattle	135		135	118		118	17
Office of Finance	72	2	74	71	2	73	1

The decrease in employees at the FHLBank of Chicago primarily relates to its reduction-in-force during the second quarter of 2007 as part of its expense reduction initiatives. The increase in employees at most FHLBanks is primarily the result of staffing additions to support increased regulatory requirements for risk management, SEC registration and filings, and preparation for compliance with Sarbanes-Oxley requirements.

LEGAL PROCEEDINGS

The FHLBanks are subject to various pending legal proceedings arising in the normal course of business. The FHLBanks and the Office of Finance are not a party to, nor are they subject to, any pending legal proceeding that is likely to have a material adverse effect on the results of operations or financial condition of the FHLBanks or that is otherwise material to the FHLBanks.

SUBMISSION OF MATTERS TO VOTE OF CAPITAL STOCKHOLDERS OTHER THAN ELECTION OF DIRECTORS

None.

MARKET FOR FHLBANKS' CAPITAL STOCK AND RELATED STOCKHOLDER MATTERS

As a cooperative, each FHLBank conducts its advances business and acquired member asset programs almost exclusively with its members. There is no established marketplace for the FHLBanks' stock and it is not publicly traded. FHLBank stock is purchased by members at the stated par value of $100 and may be redeemed at its stated par value of $100 per share upon the

request of a member subject to applicable redemption periods as well as certain conditions and limitations. At December 31, 2007, the FHLBanks had 504 million shares of capital stock outstanding. The FHLBanks are not required to register their securities under the Securities Act of 1933 (as amended). Pursuant to a Finance Board regulation, each FHLBank has become an effective SEC registrant and is subject to certain reporting requirements of the 1934 Act.

Voting Rights. Members holding capital stock on December 31 of the preceding year can participate in the annual election process for FHLBank directors. Eligible members may nominate and elect representatives from members in their state to serve three-year terms on the board of directors of their FHLBank. For each directorship to be filled in an election, each member institution that is located in the state to be represented by the directorship is entitled to cast one vote for each share of stock that the member was required to hold at December 31 of the calendar year immediately preceding the election year; provided, however, that the number of votes that any member may cast for any one directorship shall not exceed the average number of shares of stock that were required to be held by all members located in the state to be represented on that date.

Regulatory Capital Stock. The information on capital stock presented in the table is for individual FHLBank members. The information is not aggregated to the holding-company level of those members. Some of the institutions listed are affiliates of the same holding company and some of the institutions listed have affiliates that are members but that are not listed in the tables.

Top 10 Regulatory Capital Stock Holding Members at December 31, 2007
(Dollar amounts in millions)

Name	City	State	Capital Stock
Citibank, N.A.*(1)	Las Vegas	NV	$ 4,899
Washington Mutual Bank*(2)	Henderson	NV	2,742
Countrywide Bank, FSB	Alexandria	VA	2,170
Wachovia Mortgage, FSB*(3)	North Las Vegas	NV	1,153
Bank of America Rhode Island, NA	Providence	RI	1,057
Sovereign Bank*(4)	Reading	PA	942
Bank of America California, N.A.	San Francisco	CA	747
Wachovia Bank, FSB(3)	Houston	TX	732
Hudson City Savings Bank*	Paramus	NJ	695
U.S. Bank, NA(5)	Cincinnati	OH	691
			$15,828

* Indicates that an officer or director of the member was an FHLBank director at December 31, 2007.

(1) On October 1, 2006, Citibank (West), FSB, (the FHLBank of San Francisco's member) was reorganized into its affiliate Citibank, N.A. and Citibank, N.A., assumed the outstanding capital stock of Citibank (West), FSB. Includes de minimus amounts of regulatory capital stock of the FHLBanks of New York and Dallas from acquisition of former members of these FHLBanks.

(2) Includes $15 million in FHLBank of Dallas capital stock from the acquisition of Bank United, a former member of the FHLBank of Dallas and $5 million in FHLBank of New York capital stock from the acquisition of Dime Savings Bank of New York, FSB, a former member of the FHLBank of New York.

(3) On October 1, 2006, Golden West Financial Corporation, the parent company of World Savings Bank, FSB (the FHLBank of San Francisco's member) and World Savings Bank, FSB (Texas) (the FHLBank of Dallas' member) merged with Wachovia Corporation. World Savings Bank, FSB, and World Savings Bank, FSB (Texas) have remained members of the FHLBanks of San Francisco and Dallas after the merger. Effective December 31, 2007, World Savings Bank, FSB, changed its legal name to Wachovia Mortgage, FSB and World Savings Bank, FSB (Texas) changed its legal name to Wachovia Bank, FSB.

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

(5) Includes $12 million in FHLBank of Des Moines capital stock acquired through a merger with former member of the FHLBank of Des Moines and $4 million in FHLBank of Seattle capital stock acquired through a merger with former member of the FHLBank of Seattle.

Regulatory capital stock includes all FHLBank members' capital stock plus mandatorily redeemable capital stock, which is reclassified as a liability in accordance with SFAS 150. (See Note 17 to the accompanying combined financial statements.)

For information on the top five holders of capital stock of each FHLBank and their holdings at December 31, 2007, please refer to "Supplemental Information—Top 5 Regulatory Capital Stockholders by FHLBank."

RISK FACTORS

The following discussion summarizes certain of the risks and uncertainties facing the FHLBanks as they potentially affect investors in the consolidated obligations. The list is not exhaustive and there may be other risks and uncertainties that are not described below that may also affect the FHLBanks' businesses. Any of these risks or uncertainties, if realized, could negatively affect the FHLBanks' financial condition or results of operations, which in turn could reduce the value of FHLBank membership. Each FHLBank describes the risk factors it faces in its business in its periodic reports filed with the SEC. (See "Available Information on Individual FHLBanks.")

The FHLBanks' funding depends on their ability to access the capital markets.

The FHLBanks' primary source of funds is the sale of FHLBank System consolidated obligations in the capital markets, including the short-term discount note market. The FHLBanks' ability to obtain funds through the sale of consolidated obligations depends in part on prevailing conditions in the capital markets (including investor demand), such as the effects of the reduction of liquidity in financial markets, which are beyond the FHLBanks' control. Accordingly, the FHLBanks may not be able to obtain funding on acceptable terms, if at all. If the FHLBanks cannot access funding when needed on acceptable terms, their ability to support and continue their operations could be adversely affected, which could negatively affect their financial condition and results of operations, and the value of FHLBank membership.

Changes in the credit ratings on FHLBank System consolidated obligations may adversely affect the cost of consolidated obligations, which could adversely affect an FHLBank's financial condition and results of operations and the value of FHLBank membership.

FHLBank System consolidated obligations have been assigned Aaa/P-1 and AAA/A-1+ ratings by Moody's and S&P. Rating agencies may from time to time change a rating or issue negative reports, which may adversely affect the cost of funds of one or more FHLBanks and the ability to issue consolidated obligations on acceptable terms. A higher cost of funds or the impairment of the ability to issue consolidated obligations on acceptable terms could also adversely affect the FHLBanks' financial condition and results of operations and the value of FHLBank membership.

The FHLBanks rely upon derivative instrument transactions to reduce their interest-rate risk and funding costs, and changes in their credit ratings may adversely affect their ability to enter into derivative instrument transactions on acceptable terms.

Each FHLBank's financial strategies are highly dependent on its ability to enter into derivative instrument transactions on acceptable terms to reduce its interest-rate risk and funding costs. Rating agencies may from time to time change a rating or issue negative reports, which may adversely affect an FHLBank's ability to enter into derivative instrument transactions with acceptable parties on satisfactory terms in the quantities necessary to manage its interest-rate risk and funding costs on consolidated obligations. This could negatively affect the FHLBanks' financial condition and results of operations and the value of FHLBank membership.

The FHLBanks are governed by Federal laws and regulations, which could change or be applied in a manner detrimental to the FHLBanks' operations.

The FHLBanks are GSEs, organized under the authority of the FHLBank Act, and, as such, are governed by Federal laws and regulations of the Finance Board, an independent agency in the executive branch of the federal government. From time to time, Congress has amended the FHLBank Act in ways that have significantly affected the FHLBanks and the manner in which the FHLBanks carry out their housing finance mission and business operations. New or modified legislation enacted by Congress or regulations adopted by the Finance Board could have a negative effect on the FHLBanks' ability to conduct business or their costs of doing business.

Changes in regulatory or statutory requirements or in their application could result in, among other things, changes in the FHLBanks' cost of funds, retained earnings requirements, debt issuance, dividend payment limits, form of dividend payments, capital redemption and repurchase limits, permissible business activities, the size, scope, or nature of the FHLBanks' lending, investment, or mortgage purchase program activities, or increased compliance costs. Changes that restrict dividend payments, the growth of the FHLBanks' current business, or the creation of new products or services could negatively affect the FHLBanks' results of operations or financial condition, or the value of FHLBank membership. Further, the regulatory environment affecting members could be changed in a manner that would negatively affect their ability to acquire or own an FHLBank's capital stock or take advantage of an FHLBank's products and services.

Changes in the regulation of GSEs or the FHLBanks' status as GSEs may adversely affect the FHLBanks' business activities, future advance balances, the cost of debt issuance, and the value of FHLBank membership.

GSEs, such as Fannie Mae, Freddie Mac, and the FHLBank System, have grown significantly in recent years. As a result of this growth, these GSEs have actively issued debt securities to fund their operations. In addition, negative accounting and other announcements by Fannie Mae and Freddie Mac have created pressure on debt pricing, as investors have perceived their debt instruments as bearing increased risk.

As a result of these factors, the FHLBank System may have to pay a higher rate of interest on consolidated obligations to make them attractive to investors. If the FHLBanks maintain their existing pricing on advances, the resulting increase in the cost of issuing consolidated obligations could cause the FHLBanks' advances to be less profitable and reduce their net interest margins (the difference between the interest rate received on advances and the interest rate paid on consolidated obligations). If, in response to this decrease in net interest margin, the FHLBanks change the pricing of their advances, the advances may no longer be attractive to their members, and outstanding advances balances may decrease. In either case, the increased cost of issuing consolidated obligations could negatively affect the FHLBanks' financial condition and results of operations, and the value of FHLBank membership.

Changes in interest rates could significantly affect the FHLBanks' financial condition, results of operations, and the value of FHLBank membership.

The FHLBanks realize income primarily from the spread between interest earned on their outstanding advances and investments and interest paid on their consolidated obligations and other liabilities. The FHLBanks may experience instances when either their interest-bearing liabilities will be more sensitive to changes in interest rates than their interest-earning assets, or vice versa. In either case, interest-rate movements contrary to the FHLBanks' position could negatively affect their financial condition, results of operations, and the value of FHLBank membership. Moreover, the effect of changes in interest rates can be exacerbated by prepayment and extension risk, which is the risk that mortgage-related assets will be refinanced by the mortgagor in low interest-rate environments or will remain outstanding longer then expected at below-market yields when interest rates increase.

A loss or change of business activities with large members could adversely affect the FHLBanks' results of operations, financial condition, and the value of FHLBank membership.

Some FHLBanks have a high concentration of advances and capital with certain members. If these members withdraw from membership in the FHLBank System, which could occur as a result of increased consolidation in the financial services industry, their withdrawal could result in a reduction of the FHLBanks' total combined assets, capital, and net income. If one or more of these members were to prepay its advances or repay the advances as they mature, and no other advances were made to replace them, it could result in a reduction of the FHLBanks' total combined assets, capital, and net income. The timing and magnitude of the effect of a reduction in the amount of advances would depend on a number of factors, including the:

— amount and period over which the advances were prepaid or repaid;

— amount and timing of any corresponding decreases in activity-based capital;

— profitability of the advances;

— size and profitability of the FHLBanks' short- and long-term investments; and

— extent to which consolidated obligations matured as the advances were prepaid or repaid.

The FHLBanks' financial condition and results of operations, and the value of FHLBank membership, could be adversely affected by FHLBank exposure to credit risk.

The FHLBanks have exposure to credit risk in that the market value of an obligation may decline as a result of deterioration in the creditworthiness of the obligor or the credit quality of a security instrument. In addition, the FHLBanks assume secured and unsecured credit risk exposure associated with the risk that a borrower or counterparty could default and an FHLBank could suffer a loss if it could not fully recover amounts owed to it on a timely basis. The FHLBanks have a high concentration of credit risk exposure to financial institutions, which recently have been perceived to present a higher degree of risk than they were perceived to present in the past due to the reduction of liquidity in financial markets and due to the recent housing market crisis, resulting in increased foreclosures and mortgage payment delinquencies. A credit loss, if material, could have an adverse effect on the FHLBanks' financial condition and results of operations, and the value of FHLBank membership.

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

Some FHLBanks invest in MBS backed by subprime and Alt-A mortgage loans. In recent months, delinquencies and losses with respect to residential mortgage loans generally have increased, particularly in the subprime sector. In addition, residential property values in many states have declined or remained stable, after extended periods during which those values appreciated. If delinquency and loss rates on subprime and Alt-A mortgages continue to increase, or there is a rapid decline in residential real estate values, some FHLBanks could experience reduced yields or losses on their MBS investments. In addition, the fair value of the related MBS investments may be adversely affected. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Legislative and Regulatory Developments—Finance Board Issues Advisory Bulletin on Nontraditional and Subprime Residential Mortgage Loans" on page 86 for more information.)

The FHLBanks depend upon institutional counterparties that are critical to their business. Defaults by one or more of these institutional counterparties on its obligations to the FHLBanks could adversely affect their results of operations or financial condition.

An FHLBank faces the risk that one or more of its institutional counterparties may fail to fulfill their contractual obligations to it. The primary exposures to institutional counterparty risk are with: obligations of mortgage servicers that service the loans the FHLBank has as collateral on advances; third-party providers of credit enhancements on the MBS investments that the FHLBank holds in its investment portfolio, including mortgage insurers, bond insurers and financial guarantors; third-party providers of supplemental mortgage insurance for mortgage loans purchased under the MPF and MPP programs; and derivative counterparties. The liquidity and financial condition of some of the FHLBanks' counterparties have been adversely affected by the reduction of liquidity in the financial markets and the housing market crisis, including mortgage insurers and bond insurers. A default by a counterparty with significant obligations to an FHLBank could adversely affect that FHLBank's ability to conduct its operations efficiently and at cost-effective rates, which in turn could adversely affect that FHLBank's results of operations or financial condition.

An FHLBank's financial condition and results of operations, and the value of FHLBank membership, could be adversely affected by a failure in its pledged collateral protection.

The FHLBanks require that all outstanding advances to their borrowers be fully collateralized. In addition, for mortgage loans purchased under the MPF and MPP programs, the FHLBanks require that the outstanding credit enhancement obligations of their borrowers not covered through the purchase of SMI be fully collateralized. The FHLBanks evaluate the types of collateral pledged by their borrowers and assign a borrowing capacity to the collateral, generally based on a percentage of its market value. The devaluation or inability to liquidate the collateral in the event of a default by the obligor, due to a reduction in liquidity in the financial markets or otherwise, could cause an FHLBank to incur a credit loss and adversely affect the financial condition and results of operations of one or more FHLBanks, and the value of FHLBank membership.

An FHLBank may not be able to meet its obligations as they come due or meet the credit and liquidity needs of its members in a timely and cost-effective manner.

The FHLBanks seek to be in a position to meet their members' credit and liquidity needs and pay their obligations without maintaining excessive holdings of low-yielding liquid investments or being forced to incur unnecessarily high borrowing costs. In addition, each FHLBank 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 or short-term disruptions in the capital markets. An FHLBank's inability to manage its liquidity position or its contingency liquidity plan in a manner to meet its obligations and the credit and liquidity needs of its members could affect adversely the FHLBanks' financial condition and results of operations, and the value of FHLBank membership.

The FHLBanks face competition for advances, loan purchases, and access to funding, which could adversely affect their businesses, and the FHLBanks' efforts to make advance pricing attractive to their members may affect earnings.

The FHLBanks' primary business is making advances to their members. Each FHLBank competes with other suppliers of wholesale funding, both secured and unsecured, including investment banks, commercial banks and, in certain circumstances, other FHLBanks. The FHLBanks' members have access to alternative funding sources, which may offer more favorable terms than the FHLBanks do on their advances, including more flexible credit or collateral standards. The FHLBanks may make changes in policies, programs, and agreements affecting members from time to time, including, without limitation, policies, programs, and agreements affecting the availability of and conditions for access to advances and other credit products, the mortgage purchase programs, the AHP, and other programs, products, and services that could cause

members to obtain financing from alternative sources. In addition, many competitors are not subject to the same regulations, which may enable those competitors to offer products and terms that the FHLBanks are not able to offer.

The availability to the FHLBanks' members of alternative funding sources that are more attractive may significantly decrease the demand for the FHLBanks' advances. Lowering the interest rates charged on the FHLBanks' advances to compete with these alternative funding sources may decrease the profitability of the FHLBanks' advances. A decrease in the demand for the FHLBanks' advances or a decrease in the FHLBanks' profitability on advances could adversely affect the FHLBanks' financial condition and results of operations and may adversely affect the value of FHLBank membership.

Most of the FHLBanks also compete, primarily with Fannie Mae and Freddie Mac, for the purchase of mortgage loans from members. Some FHLBanks may also compete with other FHLBanks with which their members have a relationship through affiliates. Some of the FHLBanks offer the MPF Program to their members, and some offer a similar program known as the MPP. Competition among FHLBanks for MPF Program business may be affected by the requirement that a member and its affiliates can sell loans into the MPF Program through only one FHLBank relationship at a time. Increased competition may result in a reduction in the amount of mortgage loans the FHLBanks are able to purchase and, therefore, lower income from this part of their businesses. Each FHLBank also competes with the U.S. Department of the Treasury, Fannie Mae, Freddie Mac, and other GSEs, as well as corporate, sovereign, and supranational entities, for funds raised through the issuance of unsecured debt in the national and global debt markets. Increases in the supply of competing debt products may, in the absence of increases in demand, result in higher debt costs or lower amounts of debt issued at the same cost than otherwise would be the case. Increased competition could adversely affect the FHLBanks' ability to have access to funding, reduce the amount of funding available to the FHLBanks, or increase the cost of funding available to the FHLBanks. Any of these effects could adversely affect the FHLBanks' financial condition and results of operations, and the value of FHLBank membership.

The FHLBanks rely heavily on information systems and other technology.

Each FHLBank relies heavily on its information systems and other technology to conduct and manage its business, as well as the information systems and other technology used by the Office of Finance. If they were to experience a failure or interruption in any of these systems or other technology, the FHLBanks may be unable to conduct and manage their business effectively, including, without limitation, their advance and hedging activities. Although each of the FHLBanks and the Office of Finance has implemented a business resumption plan, it may not be able to prevent, timely and adequately address, or mitigate the negative effects of any failure or interruption. Any failure or interruption could adversely affect its member relations, risk management, and profitability, which could negatively affect the FHLBanks' financial condition, and results of operations, and the value of FHLBank membership.

Economic downturns and changes in Federal monetary policy could have an adverse effect on the FHLBanks' business and their results of operations.

The FHLBanks' businesses and results of operations are sensitive to general business and economic conditions. These conditions include short- and long-term interest rates, inflation, money supply, fluctuations in both debt and equity capital markets, and the strength of the United States economy and the local economies in which the FHLBanks conduct their business. If any of these conditions decline, the FHLBanks' businesses and results of operations could be adversely affected. For example, a prolonged economic downturn could result in members becoming delinquent or defaulting on their advances. In addition, the FHLBanks' business and results of operations are significantly affected by the fiscal and monetary policies of the federal government and its agencies, including the Federal Reserve Board, which regulates the supply of money and credit in the United States. The Federal Reserve Board's policies directly and indirectly influence the yield on interest-earning assets and the cost of interest-bearing liabilities and the demand for FHLBank debt.

SELECTED FINANCIAL DATA
(Dollar amounts in millions)

	2007	2006	2005	2004	2003
Selected Statement of Condition Data at December 31,					
Advances	$ 875,061	$ 640,681	$619,860	$581,216	$514,037
Mortgage loans held for portfolio, net	91,607	97,974	105,240	113,922	113,438
Investments(1)	298,659	270,663	266,454	224,911	189,561
Total assets	1,274,497	1,016,469	997,389	924,751	822,418
Deposits and borrowings	23,573	21,172	21,758	21,174	23,260
Consolidated obligations, net(2)	1,178,916	934,214	915,901	845,738	740,721
Mandatorily redeemable capital stock	1,107	1,094	1,451	1,153	
Subordinated notes(3)	1,000	1,000			
Capital stock-Class B putable(4)	46,701	38,882	37,786	31,819	15,082
Capital stock-Class A putable(4)	891	532	498	326	
Capital stock-Preconversion putable(4)	2,661	2,587	3,759	7,947	22,621
Total capital stock putable(5)(6)	50,253	42,001	42,043	40,092	37,703
Retained earnings(2)	3,687	3,143	2,600	1,744	1,098
Total capital(5)	53,595	44,985	44,480	41,863	38,980
Selected Statement of Income Data for the year ended December 31,					
Total interest income(7)	$ 57,023	$ 50,567	$ 35,420	$ 21,925	$ 19,076
Total interest expense(6)	52,507	46,274	31,213	17,754	15,199
Net interest income	4,516	4,293	4,207	4,171	3,877
Provision (reversal) for credit losses	3	(1)	1	(5)	(4)
Net interest income after loss provision	4,513	4,294	4,206	4,176	3,881
Total other income (loss)(7)	127	3	(60)	(890)	(781)
Total other expense	792	743	729	612	507
Affordable Housing Program	318	295	282	225	218
REFCORP	703	647	625	505	490
Total assessments	1,021	942	907	730	708
Cumulative effect of change in accounting principles before assessments(6)(8)			15	50	
Net income(2)(6)	$ 2,827	$ 2,612	$ 2,525	$ 1,994	$ 1,885
Selected other data for the year ended December 31,					
Cash and stock dividends(6)	$ 2,283	$ 2,069	$ 1,669	$ 1,348	$ 1,503
Weighted-average dividend rate(6)(9)	5.22%	4.91%	4.06%	3.47%	4.10%
Return on average equity	6.01%	5.80%	5.84%	4.93%	4.97%
Return on average assets	0.26%	0.26%	0.26%	0.23%	0.24%
Net interest margin(6)(7)(10)	0.42%	0.43%	0.44%	0.48%	0.50%
Selected other data at December 31,					
Total capital ratio(6)(11)	4.21%	4.43%	4.46%	4.53%	4.74%

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

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

(3) On June 13, 2006, the FHLBank of Chicago issued $1.0 billion of subordinated notes that mature on June 13, 2016. Moody's and Standard and Poor's rated the subordinated notes Aa2 and AA-. The subordinated notes are not obligations of, and are not guaranteed by, the United States government or any of the FHLBanks other than the FHLBank of Chicago. (See Note 16 to the accompanying combined financial statements.)

(4) The FHLBanks of Cincinnati, Pittsburgh and Seattle each implemented its respective capital plan during 2002. The FHLBanks of Indianapolis, Des Moines and Dallas each implemented its respective capital plan during 2003. The FHLBanks of Atlanta, Boston, San Francisco and Topeka each implemented its respective capital plan during 2004. The FHLBank of New York implemented its capital plan in 2005. For 2006 and 2007, the corresponding balances for capital stock—preconversion putable relate solely to the FHLBank of Chicago. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Legislative and Regulatory Developments" and Note 17 to the accompanying combined financial statements.)

(5) FHLBank capital stock is redeemable at the request of a member subject to the statutory redemption periods and other conditions and limitations. (See "Business—Capital, Capital Rules and Dividends" and Note 17 to the accompanying combined financial statements.)

(6) Effective January 1, 2004, the FHLBanks reclassified $946 million of their outstanding capital stock to "mandatorily redeemable capital stock" in the liability section of the Statement of Condition as a result of adopting Statement of Financial Accounting Standards (SFAS) No. 150, *Accounting for Certain Financial Instruments and Characteristics of both Liabilities and Equity* (SFAS 150). Upon adoption, the FHLBanks also recorded estimated dividends earned as a part of the carrying value of the mandatorily redeemable capital stock. The difference between the prior carrying amount and the mandatorily redeemable capital stock of $1 million was recorded as a cumulative effect of a change in accounting principle in the Statement of Income. For the years ended December 31, 2007, 2006 and 2005, dividends on mandatorily redeemable capital stock in the amounts of $57 million, $60 million and $48 million were recorded as interest expense. Although the mandatorily redeemable capital stock is not included in capital for financial reporting purposes, it is considered capital for regulatory purposes. (See Note 17 to the accompanying combined financial statements for information on the significant restrictions on stock redemption.)

(7) For the year ended December 31, 2003, the FHLBanks reclassified prepayment fee income from other income to net interest income to be consistent with the current presentation.

(8) The FHLBanks of Chicago, Pittsburgh, Atlanta, Boston, Dallas, Des Moines and New York changed their method of accounting per SFAS No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating and Acquiring Loans and Initial Direct Costs of Leases,* in 2004 and 2005. (See Note 2 to the accompanying combined financial statements.)

(9) Weighted average dividend rates are cash and stock dividends divided by the average of capital stock eligible for dividends.

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

(11) Total capital ratio is capital stock plus retained earnings and accumulated other comprehensive income, represented as a percentage of total assets at period end. This capital ratio is computed in accordance with Generally Accepted Accounting Principles in the United States of America.

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

Investors should read this financial discussion and analysis of combined financial condition and combined results of operations together with the combined financial statements and the notes beginning on page 117 of this Combined Financial Report. Each FHLBank addresses its financial condition and results of operations in its periodic reports filed with the SEC. A financial discussion and analysis of the combined financial condition and combined results of operations is provided in this report for investors because this is considered more convenient than providing each FHLBank's management discussion and analysis of financial condition and results of operations on a stand-alone basis only. There is no system-wide central management of the FHLBanks, and each FHLBank manages its operations independently and with only minimal consideration as to how transactions it enters into might affect the combined financial results. The financial discussion and analysis of combined financial condition and combined results of operations does not generally include a description of how each FHLBank's operations affect the combined financial condition and combined results of operations. This level of information about each of the FHLBanks is addressed in that FHLBank's periodic reports filed with the SEC. (See "Explanatory Statement about FHLBanks Combined Financial Report" on page 2 and "Available Information on Individual FHLBanks" on page 3.)

Forward-Looking Information

Statements contained in this report, including statements describing the objectives, projections, estimates, or future predictions of the FHLBanks and the Office of Finance may be "forward-looking statements." These statements may use forward-looking terminology, such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or their negatives or other variations on these terms. Investors should note that, by their nature, forward-looking statements involve risk or uncertainty and that actual results could differ materially from those expressed or implied in these forward-looking statements or could affect the extent to which a particular objective, projection, estimate, or prediction is realized.

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

- changes in interest rates, housing prices, employment rates and the general economy;
- the size and volatility of the residential mortgage market;
- demand for FHLBank advances resulting from changes in FHLBank members' deposit flows and credit demands;
- volatility of market prices, rates, and indices or other factors that could affect the value of investments or collateral held by the FHLBanks as security for the obligations of FHLBank members and counterparties to interest-rate exchange agreements and similar agreements. This volatility could result from the effects of, and changes in, various monetary or fiscal policies and regulations, including those determined by the Federal Reserve Board and the Federal Deposit Insurance Corporation, or a decline in liquidity in the financial markets;
- political events, including legislative, regulatory, judicial, or other developments that affect the FHLBanks, their members, counterparties and/or investors in the consolidated obligations of the FHLBanks, such as changes in the FHLBank Act or Finance Board regulations that affect FHLBank operations, and regulatory oversight (including the U.S. Secretary of the Treasury's authority relating to the issuance of consolidated obligations);
- competitive forces, including other sources of funding available to FHLBank members, other entities borrowing funds in the capital markets, and the ability to attract and retain skilled individuals;

- the pace of technological change and the ability to develop and support technology and information systems, including the Internet, sufficient to manage the risks of the FHLBanks' business effectively;
- loss of large members through mergers and similar activities;
- changes in domestic and foreign investor demand for consolidated obligations and/or the terms of interest-rate exchange agreements and similar agreements, including changes in the relative attractiveness of consolidated obligations as compared to other investment opportunities;
- the availability, from acceptable counterparties, of derivative financial instruments of the types and in the quantities needed for risk management purposes;
- timing and volume of market activity;
- volatility of reported results due to changes in the fair value of certain instruments/assets;
- the ability to introduce new FHLBank products and services and successfully manage the risks associated with those products and services, including new types of collateral used to secure advances;
- the FHLBanks' ability to identify, manage, mitigate and/or remedy internal control weaknesses and other operational risks;
- the FHLBanks' ability to implement business process improvements;
- risk of loss arising from litigation filed against one or more of the FHLBanks;
- significant business disruptions resulting from natural or other disasters, acts of war or terrorism;
- the effect of new accounting standards, including the development of supporting systems; and
- inflation/deflation.

Business Overview

Financial Performance. As cooperatives, the FHLBanks seek to maintain a balance between their public policy mission and their ability to provide adequate returns on the capital supplied by their members. The FHLBanks achieve this balance by delivering low-cost financing to members to help them meet the credit needs of their communities and by paying dividends. In view of their cooperative nature, the FHLBanks' financial strategies are designed to enable the FHLBanks to expand and contract in response to the credit needs of their members.

Each FHLBank invests its capital in primarily high-quality, short- and intermediate-term financial instruments. This strategy allows the FHLBanks to maintain liquidity to satisfy member demand for short- and long-term funds, repay maturing consolidated obligations, and meet other obligations. This strategy also reduces the risk of loss when investments are liquidated if an FHLBank elects to repurchase excess capital stock. The dividends paid by an FHLBank are largely the result of the FHLBank's earnings on invested member capital, net earnings on advances to members and investment returns on mortgage loans and investments. These are offset by the FHLBank's operating expenses and assessments. The board of directors and management of each FHLBank determine the pricing of member credit and the FHLBank's dividend policies based on the needs of its members.

Different FHLBank Business Strategies. Each FHLBank is operated as a separate entity with its own management, employees and board of directors but under the supervisory and regulatory framework of the Finance Board. However, the management and board of directors of each FHLBank determine the best approach for meeting the FHLBank's business objectives and serving the needs of its members, which may not be the same as other FHLBanks due to different markets

and economic characteristics. As such, the management and board of directors of each FHLBank have developed their own business strategies and initiatives to fulfill the FHLBank's mission and they reevaluate these strategies and initiatives from time to time. For example, some FHLBanks have actively pursued the purchase of mortgage loans from their members through the acquired member asset programs, while other FHLBanks have offered a program to their members but have not actively marketed the program or their members have not invested significant resources to develop or expand the programs. At December 31, 2007, mortgage loans purchased through the acquired member asset programs as a percentage of an individual FHLBank's total assets varied from a high of 39 percent for the FHLBank of Chicago to a low of less than one percent for the FHLBank of Dallas.

Comparative Highlights

Financial Highlights.

(Dollar amounts in millions)	For the Years Ended December 31,			2007 vs. 2006 Increase		2006 vs. 2005 Increase	
	2007	2006	2005	$	%	$	%
Net interest income	$4,516	$4,293	$4,207	$223	5.2%	$ 86	2.0%
Net income	2,827	2,612	2,525	215	8.2%	87	3.4%

Net interest income increased in 2007 compared to 2006, due to growth in advance and investment interest income as a result of primarily higher volumes of advances and investments during the second half of 2007 and higher interest rates during 2007, mainly in the first half of 2007. The increases were partially offset by growth in consolidated obligation interest expense due to higher volumes and the higher interest-rate environment on consolidated obligation bonds, as well as lower interest income on mortgage loans held for portfolio, generally as a result of decreased volume. Additionally, net interest income was negatively affected by the flat to, at times, slightly inverted yield curve primarily during the first half of 2007. Net income increased in 2007 compared to 2006 primarily due to the increase in net interest income and gains on trading securities, partially offset by increases in other expenses and assessments.

Net interest income increased in 2006 over 2005 due to higher interest income on advances and investments as a result of the effect of higher yields on advances and investments and increases in advances outstanding and investments. The increase in advances outstanding was driven by member demand. The yield on advances was higher due to the increase in short- and long-term interest rates during 2005 that continued until mid-2006. Interest income on investments also increased primarily due to higher interest rates. The increase in net income was primarily caused by increases in net interest income and total other income, partially offset by increases in other expenses and assessments. The change in total other income resulted from lower net losses on trading securities and net gains on derivatives and hedging activities.

(Dollar amounts in millions)	For the Years Ended December 31,			2007 vs. 2006 Increase		2006 vs. 2005 Increase	
	2007	2006	2005	$	%	$	%
Total operating expenses	$714	$671	$657	$43	6.4%	$14	2.1%

Operating expenses increased in 2007 and 2006 primarily as a result of a general increases in pay and benefits.

(Dollar amounts in millions)	For the Years Ended December 31, 2007	2006	Increase %
Daily average total assets	$1,096,833	$1,007,703	8.8%

The increase in average assets is primarily the result of the growth in the FHLBanks' advances outstanding and investment portfolios.

The FHLBanks' hedge accounting strategies and trading securities activities resulted in the following (dollar amounts in millions):

	For the Years Ended December 31,			2007 vs. 2006 Increase (Decrease)		2006 vs. 2005 Increase	
	2007	2006	2005	$	%	$	%
Net gains (losses) on trading securities	$ 147	$(127)	$(304)	$274	215.7%	$ 177	58.2%
Net (losses) gains on derivatives and hedging activities	(53)	83	(23)	(136)	(163.9)%	106	460.9%

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

	December 31, 2007		December 31, 2006		
	Amount	Percentage of Total Assets	Amount	Percentage of Total Assets	Increase (Decrease) %
Advances	$ 875,061	68.7%	$ 640,681	63.0%	36.6%
Investments	298,659	23.4%	270,663	26.6%	10.3%
Mortgage loans held for portfolio, net	91,607	7.2%	97,974	9.6%	(6.5)%
Total assets	1,274,497		1,016,469		25.4%
Total consolidated obligations, net	1,178,916		934,214		26.2%
Total capital	53,595		44,985		19.1%

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

The growth in the FHLBanks' advances outstanding balance from December 31, 2006 to December 31, 2007 reflects demand by members for wholesale funding primarily due to the extraordinary events affecting the credit markets during the second half of 2007. Some of the advances growth over the past several years has been attributable to convertible and putable advances. Convertible advances feature one or more put option(s) sold by a member to an FHLBank that allows the FHLBank to convert the advance from fixed-rate to variable-rate. A convertible advance carries an interest rate lower than a comparable-maturity advance that does not have the conversion feature. When an FHLBank makes a putable advance, it has the right to terminate the fixed-rate advance at its discretion, which the FHLBank normally would exercise when interest rates increase. If an FHLBank elects to terminate the advance, the member may apply for a new advance at the then-current advance rates, subject to all applicable credit requirements. In addition, some members have taken advantage of the still relatively low interest-rate environment, increasing their demand for advances. Some FHLBanks have also experienced growth in advances as a result of large member demand for short-term or adjustable-rate advances. Mortgage loans held for portfolio decreased as a result of market conditions including higher long-term interest rates, and lower origination and refinancing volumes.

The absolute increase in the level of capital in 2007 is attributable to a number of factors including: the requirement that each new member must purchase stock in its FHLBank based on each FHLBank's capital stock purchase requirements, increases in advances, the accumulation of retained earnings, and the payment and use of stock dividends instead of cash dividends. A number of FHLBanks have increased their accumulated retained earnings as a result of regulatory requirements and to offset the possible effect of temporary income volatility associated with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended by SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities—Deferral of Effective Date of FASB Statement No. 133*, SFAS No. 138, *Accounting for Certain Derivative Instruments*

and Certain Hedging Activities, SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* and SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments, an Amendment of FASB Statements No. 133 and 140* (SFAS 133). The FHLBanks' GAAP capital-to-assets ratio was 4.21 percent at December 31, 2007, compared with 4.43 percent at December 31, 2006.

The return on average assets was 26 basis points in 2007 and 2006. The return on average equity was 6.01 percent in 2007, which is 21 basis points higher than in 2006. The increase in return on average equity is due primarily to the higher percentage increase in net income in comparison to the average invested equity balance. The weighted-average dividend rate was 5.22 percent in 2007, compared with 4.91 percent one year earlier. The dividend rate has been affected by each FHLBank's respective retained earnings policies.

Financial Trends

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

Interest rates during a reporting period affect the FHLBanks' profitability, due primarily to the short-term structure of earning assets and the effect of higher interest rates on invested capital. At December 31, 2007 and 2006, the majority of investments, excluding mortgage-backed securities, and approximately 33 percent of the outstanding advances, had stated maturities of less than one year. Additionally, a significant portion of the FHLBanks' fixed-rate advances has been hedged with interest-rate exchange agreements in which a floating rate is received. The demand for FHLBank debt, as well as current short-term interest rates, as represented, for example, by the overnight Federal funds target rate, has an effect on the FHLBanks' profitability as measured by net interest income and return on average equity.

Interest rates also directly affect the FHLBanks through earnings on invested capital. Generally due to the FHLBanks' cooperative structures, the FHLBanks earn relatively narrow net spreads between the yield on assets and the cost of corresponding liabilities. As a result, compared with other financial institutions, a relatively higher proportion of FHLBank income is generated from the investment of member-supplied capital at the average asset yield. Consequently, changes in asset yields tend to have a greater effect on FHLBank profitability than on the profitability of financial institutions in general. Most FHLBanks' return on capital follows short-term rates such as the Federal funds or 3-Month LIBOR rates, while certain FHLBank average asset yields and corresponding returns on capital are driven by longer-term assets, such as mortgage loans purchased through the mortgage purchase programs and MBS and collateralized mortgage obligations (CMO)-related investment holdings.

Certain capital markets developments may also affect the performance of the FHLBanks. Specifically, the pricing relationships between the mortgage, agency, and derivatives markets and the level of market price volatility may affect the attractiveness of mortgage products for the FHLBanks, as well as the cost of FHLBank debt.

2007 Compared to 2006. The following table presents information on key average market interest rates for the years ended December 31, 2007 and 2006 and key market interest rates at December 31, 2007 and 2006.

	Year-to-date December 31, 2007 12-Month Average	Year-to-date December 31, 2006 12-Month Average	December 31, 2007 Ending Rate	December 31, 2006 Ending Rate	Average Rate 2007 vs. 2006 Variance	Ending Rate 2007 vs. 2006 Variance
Federal Funds Target(1)	5.05%	4.96%	4.25%	5.25%	0.09%	(1.00)%
3-month LIBOR(1)	5.30%	5.20%	4.70%	5.36%	0.10%	(0.66)%
2-year LIBOR(1)	4.91%	5.23%	3.81%	5.17%	(0.32)%	(1.36)%
5-year LIBOR(1)	5.01%	5.23%	4.18%	5.09%	(0.22)%	(0.91)%
10-year LIBOR(1)	5.24%	5.32%	4.67%	5.18%	(0.08)%	(0.51)%
2-year U.S. Treasury(1)	4.36%	4.82%	3.05%	4.81%	(0.46)%	(1.76)%
5-year U.S. Treasury(1)	4.42%	4.75%	3.44%	4.70%	(0.33)%	(1.26)%
10-year U.S. Treasury(1)	4.63%	4.79%	4.03%	4.70%	(0.16)%	(0.67)%
15-year residential mortgage note rate(2)	5.94%	6.03%	5.60%	5.93%	(0.09)%	(0.33)%
30-year residential mortgage note rate(2)	6.27%	6.38%	6.05%	6.22%	(0.11)%	(0.17)%

(1) Source: Bloomberg.

(2) Average calculated using "The Mortgage Bankers Association Weekly Application Survey." December 31, 2007 ending rate is from the last week in December 2007 and December 31, 2006 ending rate is from the last week in December 2006.

The Federal Reserve Board, through its Federal Open Market Committee, kept the Federal funds rate unchanged during the first and second quarters of 2007 at 5.25 percent. On September 18, 2007, the Federal Reserve reduced its Federal funds rate target for the first time in four years from 5.25 percent to 4.75 percent. In anticipation of further slowing in economic activity, on October 31, 2007 and December 11, 2007, the Federal Open Market Committee lowered its target for the Federal funds rate a total of 50 basis points to 4.25 percent.

Both short-term and long-term interest rates generally followed this downward trend in the Federal funds rate. For example, the 2007 average two-year LIBOR rate was 32 basis points lower compared with the 2006 average, while the average two-year U.S. Treasury rate was 46 basis points lower. However, the average three-month LIBOR rate was ten basis points higher, partially driven by the extreme illiquidity affecting the credit markets during the third and fourth quarters of 2007. Although the average three-month LIBOR rate was higher for 2007, a significant decline in this rate in the latter part of 2007, due to aggressive action by U.S. and foreign central banks to add liquidity to the money markets, resulted in a rate that was 66 basis points lower at year-end 2007 compared to year-end 2006. Average five-year and ten-year U.S. Treasury rates were lower by 33 and 16 basis points in 2007, while average five-year and ten-year LIBOR rates were lower by 22 and 8 basis points over this time period.

The Securities Industry and Financial Markets Association's February 2008 "Research Quarterly" noted that securities issuance totaled $6.44 trillion during 2007, virtually unchanged from the $6.47 trillion issued during 2006. However, the effect of the credit market turbulence contributed to a 27 percent decline in securities issuance volume during the second half of 2007 compared to securities issuance volume during the first half of 2007. During 2007, agency debt and mortgage-backed securities issue volume rose as a result of the substantial funding cost difference between the agency and non-agency mortgage markets. Federal agency new securities issuance during 2007 totaled $940.7 billion, an increase of 25.9 percent compared to the corresponding new issuance volume during 2006. This increase reflected the demand for conventional mortgage financing due to a pricing and underwriting driven slowdown of activity in the non-agency mortgage-

backed securities market. Issuance of mortgage-related securities totaled $2.04 trillion in 2007, compared to $1.99 trillion in 2006. Issuance peaked at $618.5 billion in the second quarter of 2007, with the volume in the second half of the year 25.1 percent lower than in the first half of the year. The weakened housing market, declines in home prices, tighter underwriting practices and the virtual disappearance of subprime originations, combined with credit market turmoil and diminished liquidity, led to the lower mortgage-related issuance activity in the second half of 2007. Agency long-term bond issuance volume in 2007 totaled $941.7 billion, up 26.0 percent from the $747.3 billion issued during 2006. Included in this number is the FHLBanks' bond issuance of $495.2 billion, a 53.6 percent increase compared to 2006, which was due to the rise in demand for FHLBank funding from member financial institutions and a historically high volume of bonds called prior to maturity. In the fourth quarter of 2007, FHLBank issuance reached its highest level of the year at $152.6 billion, compared to an average of approximately $114 billion for the first three quarters of 2007.

During the first half of 2007, the issuance of callable FHLBank consolidated obligations increased, as callable debt continued to be a core component of the FHLBanks' interest-rate risk management strategy. During the second half of 2007, the callable bond proportion of total bonds issued declined and the proportion of bonds issued with floating-rate coupons rose sharply. In addition, the dollar amount of callable bonds redeemed prior to maturity was substantially higher in 2007 compared to the prior year. Bond call volume increased sharply during the fourth quarter of 2007 as market interest rates declined.

The mortgage market continues to undergo a number of changes. Mortgage loan delinquencies and defaults have increased in 2007 over 2006, particularly in the subprime sector, reflecting the combination of a softening residential real estate market in many areas of the nation, the effect of less rigorous loan underwriting standards and interest rate resets on variable-rate loans. In addition, mortgage originators and investors incurred significant markdowns on the value of subprime loans and securities backed by subprime loans. As a result, a number of high profile originators have exited subprime lending, shed assets or filed for bankruptcy as warehouse lenders invoked lending covenants and seized collateral. The FHLBanks have not experienced significant losses from their holdings of mortgage loans or MBS, due primarily to conservative underwriting and investment policies.

On the mortgage market supply side, during 2007, the overall interest rate environment provided incentive for many borrowers to avoid variable-rate mortgages and refinance into fixed-rate mortgages. During the year, both Fannie Mae and Freddie Mac operated under a regulator-imposed retained portfolio growth limit and surplus capital requirement. As such, their historical ability to act as large investors in mortgages and MBS was blocked. As a result, other domestic and international investors, including foreign central banks, provided the bulk of the demand for the mortgages and MBS originated in 2007. Dislocations in the credit market during the second half of 2007 created calls for an expanded role in the mortgage market for Fannie Mae and Freddie Mac in the form of greater on balance sheet growth and/or authority to purchase higher balance loans. On February 27, 2008, the Office of Federal Housing Enterprise Oversight (OFHEO) announced that it would remove the portfolio growth caps for both companies on March 1, 2008 and commence a dialogue with each firm's management about reducing the excess capital requirement. On March 19, 2008, OFHEO reduced the excess capital requirement from 30 percent to 20 percent.

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

non-agency mortgage securitization market, may lower the future demand for advances from the FHLBanks.

2006 Compared to 2005. The following table presents information on key average market interest rates for the years ended December 31, 2006 and 2005 and key market interest rates at December 31, 2006 and 2005.

	Year-to-date December 31, 2006 12-Month Average	Year-to-date December 31, 2005 12-Month Average	December 31, 2006 Ending Rate	December 31, 2005 Ending Rate	YTD Average 2006 vs. 2005 Variance	Ending 2006 vs. 2005 Variance
Federal funds rate(1)	4.96%	3.19%	5.25%	4.25%	1.77	1.00
3-month LIBOR(1)	5.20%	3.57%	5.36%	4.54%	1.63	0.82
2-year LIBOR(1)	5.23%	4.24%	5.17%	4.85%	0.99	0.32
5-year LIBOR(1)	5.23%	4.48%	5.09%	4.88%	0.75	0.21
10-year LIBOR(1)	5.32%	4.73%	5.18%	4.94%	0.59	0.24
2-year U.S. Treasury(1)	4.82%	3.84%	4.81%	4.40%	0.98	0.41
5-year U.S. Treasury(1)	4.75%	4.04%	4.70%	4.35%	0.71	0.35
10-year U.S. Treasury(1)	4.79%	4.28%	4.70%	4.39%	0.51	0.31
15-year residential mortgage note rate(2)	6.03%	5.41%	5.93%	5.74%	0.62	0.19
30-year residential mortgage note rate(2)	6.38%	5.85%	6.22%	6.15%	0.53	0.07

(1) Sources: Bloomberg and Lehman Brothers.

(2) Average calculated using "The Mortgage Bankers Association Weekly Application Survey." December 31, 2006 ending rate is from the last week in December 2006 and December 31, 2005 ending rate is from the last week in December 2005.

The Federal Reserve Board, through its Federal Open Market Committee, increased the Federal funds rate by 25 basis points four times during 2006. This resulted in a 100 basis point increase in the Federal funds rate to 5.25 percent. Other short-term interest rates followed the upward trend of the Federal funds rate. For example, the average three-month LIBOR rate increased approximately 163 basis points from 2005 to 2006. Additionally, the spread between long-term and short-term rates continued to narrow, causing additional flattening, and at times, inversion, of the yield curve. This flattening was evidenced by average Treasury rates for two-year obligations increasing 98 basis points, while five-year and 10-year obligations increased 71 basis points and 51 basis points. The average interest rate on the 15-year, fixed-rate residential mortgage loan rose to 6.03 percent in 2006, an increase of 62 basis points from the corresponding average interest rate in 2005, while the average interest rate on the 30-year, fixed-rate residential mortgage loan rose to 6.38 percent during 2006, an increase of 53 basis points from the corresponding average interest rate in 2005.

The Securities Industry and Financial Markets Association's February 2007 "Research Quarterly" noted that new issuance volume in the U.S. bond market totaled $6.13 trillion during 2006, an increase of 11.1 percent from the $5.52 trillion issued during 2005, and the second highest issuance year ever. The housing sector correction, coupled with growth in the issuance of non-agency mortgage-backed securities, contributed to a 6.9 percent decrease in agency mortgage-backed securities issuance during this 12-month period. The Securities Industry and Financial Markets Association's February 2007 "Research Quarterly" noted that agency long-term bond issuance volume in 2006 totaled $744.1 billion, up 11.2 percent from the $669.0 billion issued during 2005. Included in this number is the FHLBanks' long-term bond issuance of $322.5 billion, a 9.2 percent increase from 2005.

During 2006, the issuance of callable FHLBank consolidated obligations increased, as callable debt has become a core component of the FHLBanks' interest-rate risk management strategy. During the second half of 2006, as rates fell and volatility remained at historically low levels, investors increased demand for callable bonds in an effort to maintain yield. In addition, with the yield curve providing little incentive to extend maturities, investor demand for short-term debt was strong.

The mortgage market continues to undergo a number of changes. On the supply side, during 2006, despite slightly higher interest rates on fixed-rate mortgages, the flat to slightly inverted yield curve provided incentive for many borrowers to shy away from variable-rate and/or interest-only mortgages and refinance into 30-year, fixed-rate mortgages. In addition, mortgage originations and refinancing volumes were down. On the demand side, domestic commercial banks and overseas investors have continued to increase mortgage purchases. While Fannie Mae and Freddie Mac increased their mortgage purchases in 2006, they have not approached their mortgage portfolio growth rates from the early part of this decade. These trends are due in part to continuing regulatory mandates, such as temporary retained portfolio growth limits and excess capital requirements, as well as continuing legislative uncertainty. In addition, growing demand for agency mortgage-backed securities by the U.S. dollar portfolios of foreign central banks reduced the number of mortgage investment opportunities for Fannie Mae and Freddie Mac. During 2006, Fannie Mae and Freddie Mac reported no growth in their combined retained portfolios, producing little incremental debt funding demand. The resulting supply reduction, coupled with continuing growth in demand for GSE debt by foreign central banks that continue to experience significant growth in reserves, allowed the FHLBanks to issue debt at more attractive rates than might otherwise have been possible.

For the year ended December 31, 2006, FDIC reported that total assets and deposits of all FDIC-insured institutions increased compared to the year ended December 31, 2005. Total assets for all FDIC-insured institutions increased 9.0 percent. Total domestic deposits for all FDIC-insured institutions were $6.63 trillion, a 6.6 percent gain over year-end 2005 balances, while total loans increased 7.7 percent over the same period. The growth in deposits, if sustained, may lower the future demand for advances from the FHLBanks.

Combined Statement of Condition

SFAS 133. SFAS 133 requires that assets and liabilities hedged with derivative instruments designated under fair value hedging relationships be adjusted for changes in fair value even as other assets and liabilities continue to be carried on a historical cost basis. In discussing changes in the Combined Statement of Condition for 2007 compared to 2006, the SFAS 133 fair value adjustments and basis adjustments for advances, available-for-sale securities, mortgage loans held for portfolio and consolidated obligations have been included. All other SFAS 133 hedging adjustments were less than one percent of the book value. The SFAS 133 hedging adjustments for advances, available-for-sale securities, mortgage loans held for portfolio and consolidated obligations are as follows.

SFAS 133 Hedging Adjustments
(Dollar amounts in millions)

	December 31, 2007	December 31, 2006
Advances at pre-SFAS 133 value	$ 867,144	$641,386
SFAS 133 hedging adjustments	7,917	(705)
Advances at carrying value	$ 875,061	$640,681
Available-for-sale securities at pre-SFAS 133 value(1)	$ 5,710	$ 6,592
SFAS 133 hedging adjustments	103	69
Available-for-sale securities at carrying value	$ 5,813	$ 6,661
Mortgage loans held for portfolio at pre-SFAS 133 value	$ 91,500	$ 97,921
SFAS 133 hedging adjustments	115	60
Mortgage loans held for portfolio at carrying value	$ 91,615	$ 97,981
Consolidated obligations at pre-SFAS 133 value	$1,176,111	$938,060
SFAS 133 hedging adjustments	2,805	(3,846)
Consolidated obligations at carrying value	$1,178,916	$934,214

(1) Book value includes fair value adjustments under SFAS No. 115.

The following discussion contains additional information on the major categories of the FHLBanks' Statement of Condition: advances, investments, mortgage loans held for portfolio, consolidated obligations and capital.

Advances. Even with improved liquidity of FHLBank members resulting from increases in deposits, advances have been increasing in recent years, reflecting the use of advances by commercial bank members to fund asset growth in excess of deposit growth and the development of advance products tailored to specific member funding needs. The extraordinary events affecting the credit markets during the second half of 2007 resulted in members significantly increasing their level of borrowing in FHLBanks' advances.

At December 31, 2007, the FHLBanks had $7.7 billion of CIP housing advances and $1.7 billion of CIP commercial and economic development advances outstanding.

Advances by Redemption Terms
(Dollar amounts in millions)

Redemption Term	December 31, 2007 Amount	December 31, 2007 Weighted-Average Interest Rate	December 31, 2006 Amount	December 31, 2006 Weighted-Average Interest Rate
Overdrawn demand and overnight deposit accounts	$ 86		$ 22	
Due in 1 year or less	288,696	4.51%	252,399	5.06%
Due after 1 year through 2 years	174,061	4.82%	113,971	4.98%
Due after 2 years through 3 years	124,529	4.96%	80,728	5.07%
Due after 3 years through 4 years	82,819	5.10%	46,978	5.13%
Due after 4 years through 5 years	67,280	4.86%	48,158	5.19%
Thereafter	126,363	4.57%	94,650	4.55%
Index amortizing advances	3,415	4.71%	4,645	4.47%
Total par value	867,249	4.73%	641,551	4.98%
Commitment fees	(4)		(3)	
Discount on AHP advances	(68)		(63)	
Premiums	30		18	
Discounts	(63)		(117)	
SFAS 133 hedging adjustments	7,917		(705)	
Total	$875,061		$640,681	

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

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

	December 31, 2007 Amount	December 31, 2007 Percentage of Total	December 31, 2006 Amount	December 31, 2006 Percentage of Total
Par amount of advances				
Fixed-rate	$506,639	58%	$354,742	55%
Variable-rate	360,610	42%	286,809	45%
Total	$867,249	100%	$641,551	100%

Advance Originations
(Dollar amounts in millions)

	For the Years Ended December 31,			2007 vs. 2006 Increase		2006 vs. 2005 Decrease	
	2007	2006	2005	$	%	$	%
Advances originated	$7,564,733	$7,284,963	$8,373,547	$279,770	3.8%	$(1,088,584)	(13.0)%

This generally reflected a significant increase in demand by members for short- and longer-term advances as a result of the interest-rate environment and heavy refinancing activity in advances. (See Note 8 to the accompanying combined financial statements.)

The FHLBanks may use interest-rate exchange agreements to adjust the effective maturity, repricing frequency, or option characteristics of advances to achieve risk management objectives. (See "Business—Use of Interest-Rate Exchange Agreements.")

Many of the FHLBanks' advances are callable at the option of a member. However, the FHLBanks charge a prepayment fee when members terminate certain advances. Members may repay other advances on specified dates (call dates) without incurring prepayment fees (callable advances).

Callable Advances Outstanding Par Value
(Dollar amounts in millions)

	December 31, 2007		December 31, 2006		Increase	
	Amount	Percentage of Par Value	Amount	Percentage of Par Value	$	%
Callable advances	$ 34,270	4.0%	$ 29,659	4.6%	$4,611	15.5%

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

	December 31, 2007	Percentage of Total	December 31, 2006	Percentage of Total
Overdrawn demand and overnight deposit accounts	$ 86	0.0%	$ 22	0.0%
Due in 1 year or less	316,830	36.6%	276,108	43.0%
Due after 1 year through 2 years	169,570	19.6%	111,674	17.4%
Due after 2 years through 3 years	121,340	14.0%	74,404	11.6%
Due after 3 years through 4 years	78,372	9.0%	42,999	6.7%
Due after 4 years through 5 years	62,813	7.2%	43,350	6.8%
Thereafter	114,823	13.2%	88,349	13.8%
Index amortizing advances	3,415	0.4%	4,645	0.7%
Total par value	$867,249	100.0%	$641,551	100.0%

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

	December 31, 2007		December 31, 2006	
	Amount	Percentage of Par Value	Amount	Percentage of Par Value
Convertible advances	$ 49,055	5.7%	$41,885	6.5%
Putable advances	82,845	9.6%	55,428	8.6%
Convertible and putable advances	$131,900	15.3%	$97,313	15.1%

The FHLBanks also offer convertible and putable advances. Convertible advances allow an FHLBank to convert the fixed-rate advance to an open-line advance or other structure after an agreed-upon lockout period. A convertible advance carries an interest rate lower than a comparable-maturity advance that does not have a conversion feature. With a putable advance, an FHLBank has the right to terminate the advance at its discretion, which the FHLBank normally would exercise when interest rates increase, and the borrower may apply for a new advance.

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

	December 31, 2007	Percentage of Total	December 31, 2006	Percentage of Total
Overdrawn demand and overnight deposit accounts	$ 86	0.0%	$ 22	0.0%
Due in 1 year or less	376,111	43.3%	317,728	49.5%
Due after 1 year through 2 years	190,760	22.0%	120,530	18.9%
Due after 2 years through 3 years	116,883	13.5%	82,973	12.9%
Due after 3 years through 4 years	78,721	9.1%	35,447	5.5%
Due after 4 years through 5 years	49,378	5.7%	41,394	6.5%
Thereafter	51,895	6.0%	38,812	6.0%
Index amortizing advances	3,415	0.4%	4,645	0.7%
Total par value	$867,249	100.0%	$641,551	100.0%

Investments. All securities are held by the FHLBanks for investment liquidity or asset-liability management purposes. Certain investment securities are classified as trading for liquidity or asset-liability management purposes. Finance Board regulations do not expressly prohibit the FHLBanks from trading in investments, but none of the FHLBanks currently operates security-trading accounts for speculative purposes.

At December 31, 2007 and 2006, 99.95 percent of the total investments classified on the Statement of Condition as held-to-maturity, available-for-sale or trading securities were rated in the two highest investment rating categories for long-term or short-term investments.

The FHLBanks use interest-rate exchange agreements to manage their exposure to interest rate risks inherent in their normal course of business, including investment activities. (See "Business—Use of Interest-Rate Exchange Agreements.")

Investments
(Dollar amounts in millions)

	December 31, 2007	December 31, 2006	Increase	
			$	%
Investments (excluding mortgage-backed securities)	$155,146	$140,435	$14,711	10.5%
Mortgage-backed securities	143,513	130,228	13,285	10.2%
Total investments	$298,659	$270,663	$27,996	10.3%

Investments
(Dollar amounts in millions)

	December 31, 2007		December 31, 2006		Increase (Decrease)	
	Amount	Percentage of Total Investments	Amount	Percentage of Total Investments	$	%
Held-to-maturity securities	$151,176	50.6%	$142,482	52.6%	$ 8,694	6.1%
Available-for-sale securities	5,813	1.9%	6,661	2.5%	(848)	(12.7)%
Trading securities	6,809	2.3%	5,687	2.1%	1,122	19.7%
Total investment securities	163,798	54.8%	154,830	57.2%	8,968	5.8%
Interest-bearing deposits	48,243	16.2%	33,872	12.5%	14,371	42.4%
Securities purchased under agreements to resell	800	0.3%	4,905	1.8%	(4,105)	(83.7)%
Federal funds sold	85,818	28.7%	77,056	28.5%	8,762	11.4%
Total investments	$298,659	100.0%	$270,663	100.0%	$27,996	10.3%

Investment Securities
(Dollar amounts in millions)

	December 31, 2007		December 31, 2006	
	Amount	Percentage of Total Investment Securities	Amount	Percentage of Total Investment Securities
U.S. Treasury obligations	$	0.0%	$ 102	0.1%
Commercial paper	7,197	4.4%	8,220	5.3%
Other U.S. obligations*	725	0.4%	953	0.6%
Government-sponsored enterprises**	8,874	5.4%	11,690	7.5%
State or local housing agency obligations	2,977	1.8%	3,240	2.1%
Other	512	0.3%	397	0.3%
	20,285	12.3%	24,602	15.9%
Mortgage-backed securities:				
Other U.S. obligations*	430	0.3%	538	0.3%
Government-sponsored enterprises***	55,098	33.6%	44,897	29.0%
Other****	87,985	53.8%	84,793	54.8%
	143,513	87.7%	130,228	84.1%
Total investment securities	$163,798	100.0%	$154,830	100.0%

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

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

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

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

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

	December 31, 2007		December 31, 2006	
	Amount	Percentage of Total	Amount	Percentage of Total
Private-label residential mortgage-backed securities	$ 82,038	57.2%	$ 76,874	58.9%
Government-sponsored enterprises residential mortgage-backed securities*	55,098	38.4%	44,897	34.5%
Private-label commercial mortgage-backed securities	2,757	1.9%	3,863	3.0%
Home equity loans	2,462	1.7%	3,228	2.5%
Shared Funding Program mortgage-backed certificates	439	0.3%	489	0.4%
Other U.S. obligations residential mortgage-backed securities**	430	0.3%	538	0.4%
Manufactured housing loans	289	0.2%	339	0.3%
Total mortgage-backed securities	$143,513	100.0%	$130,228	100.0%

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

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

Finance Board policy limits additional investments in mortgage-backed securities if an FHLBank's investments in mortgage-backed securities exceed 300 percent of the sum of that FHLBank's previous month-end capital plus its mandatorily redeemable capital stock on the day it purchases the securities. On March 24, 2008, the Finance Board temporarily increased this limit from 300 percent to 600 percent. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Legislative and Regulatory Developments—Finance Board's Temporary Increase in Authority to Purchase Mortgage—Backed Securities.") The FHLBank of Chicago may include a designated amount of subordinated notes in calculating compliance with this requirement. The Shared Funding Program mortgage-backed certificates, however, are not subject to this 300 percent limit.

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

	December 31, 2007	December 31, 2006	Increase (Decrease) $	Increase (Decrease) %
Mortgage-backed securities	$143,513	$130,228	$13,285	10.2%
Shared Funding Program	439	489	(50)	(10.2)%
Mortgage-backed securities (excluding Shared Funding Program)	$143,074	$129,739	$13,335	10.3%
Total capital (including mandatorily redeemable capital stock) (1) and designated amount of applicable subordinated notes	$ 55,702	$ 47,079	$ 8,623	18.3%
Ratio of mortgage-backed securities (excluding Shared Funding Program) to total capital(1) and designated amount of applicable subordinated notes	2.57	2.76		

(1) Represents the sum of the total capital and mandatorily redeemable capital stock, which is considered capital for regulatory purposes.

Historically, the FHLBanks have been one of the major providers of Federal funds, allowing the FHLBanks to warehouse and provide balance sheet liquidity to meet unexpected borrowing demands from members. The FHLBanks also invest in U.S. agency obligations, some of which are structured debt issued by other GSEs. The FHLBanks use interest-rate exchange agreements to hedge the interest-rate risk associated with a portion of the investments in debt and to alter the cash flows on certain investment securities. (See Notes 5, 6 and 7 to the accompanying combined financial statements.)

Trading Securities.

Trading Securities
(Dollar amounts in millions)

	December 31, 2007 Estimated Fair Value	December 31, 2006 Estimated Fair Value
Government-sponsored enterprises**	$5,717	$5,307
State or local housing agency obligations	60	60
Other	11	2
	5,788	5,369
Mortgage-backed securities:		
Other U.S. obligations*	74	95
Government-sponsored enterprises***	912	158
Other****	35	65
	1,021	318
Total	$6,809	$5,687

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

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

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

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

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

Year of Maturity	December 31, 2007 Estimated Fair Value	December 31, 2007 Yield	December 31, 2006 Estimated Fair Value	December 31, 2006 Yield
Non-mortgage-backed securities				
Due in one year or less	$ 211	4.30%	$ 78	6.59%
Due after one year through five years	4,671	4.74%	3,334	3.74%
Due after five years through ten years	881	4.69%	1,908	3.69%
Due after ten years	25	6.72%	49	6.68%
Total	$5,788		$5,369	

Available-for-Sale Securities.

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

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

	December 31, 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury obligations	$ 106	$	$ (4)	$ 102
Commercial paper	1,189		(1)	1,188
Government-sponsored enterprises*	2,041	1	(8)	2,034
Other	384	3		387
	3,720	4	(13)	3,711
Mortgage-backed securities:				
Government-sponsored enterprises**	675	2	(5)	672
Other***	2,274	4		2,278
	2,949	6	(5)	2,950
Total	$6,669	$10	$(18)	$6,661

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

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

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

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

Year of Maturity	December 31, 2007 Amortized Cost	December 31, 2007 Estimated Fair Value	December 31, 2006 Amortized Cost	December 31, 2006 Estimated Fair Value
Due in one year or less	$ 697	$ 696	$2,262	$2,261
Due after one year through five years	187	190	681	671
Due after five through ten years	60	62	23	23
Due after ten years	788	791	754	756
	1,732	1,739	3,720	3,711
Mortgage-backed securities	4,124	4,074	2,949	2,950
Total	$5,856	$5,813	$6,669	$6,661

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

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

Year of Maturity	December 31, 2007	December 31, 2006
Non-mortgage-backed securities		
Due in one year or less	4.48%	5.06%
Due after one year through five years	4.37%	4.44%
Due after five years through ten years	4.83%	5.85%
Due after ten years	6.57%	7.34%

Held-to-Maturity Securities.

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

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

	December 31, 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	$ 7,032	$	$	$ 7,032
Other U.S. obligations*	953	4	(1)	956
Government-sponsored enterprises**	4,349	22	(42)	4,329
State or local housing agency obligations	3,180	28	(11)	3,197
Other	8			8
	15,522	54	(54)	15,522
Mortgage-backed securities:				
Other U.S. obligations*	443	3	(4)	442
Government-sponsored enterprises***	44,067	89	(740)	43,416
Other****	82,450	170	(1,020)	81,600
	126,960	262	(1,764)	125,458
Total	$142,482	$316	$(1,818)	$140,980

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

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

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

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

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

	December 31, 2007		December 31, 2006	
Year of Maturity	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 8,397	$ 8,399	$ 10,215	$ 10,202
Due after one year through five years	1,330	1,348	1,847	1,834
Due after five through ten years	572	603	641	657
Due after ten years	2,459	2,454	2,819	2,829
	12,758	12,804	15,522	15,522
Mortgage-backed securities	138,418	136,320	126,960	125,458
Total	$151,176	$149,124	$142,482	$140,980

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

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

Year of Maturity	December 31, 2007	December 31, 2006
Non-mortgage-backed securities		
Due in one year or less	4.92%	4.83%
Due after one year through five years	4.72%	4.69%
Due after five years through ten years	5.32%	5.45%
Due after ten years	5.50%	5.75%

Mortgage Loans Held for Portfolio.

Mortgage Loans Held for Portfolio
(Dollar amounts in millions)

	December 31, 2007	Percentage of Total	December 31, 2006	Percentage of Total	(Decrease) Increase $	(Decrease) Increase %
Real Estate:						
Fixed-rate, medium-term* single-family mortgages	$23,280	25.6%	$ 26,715	27.4%	$(3,435)	(12.9)%
Fixed-rate, long-term single-family mortgages	67,848	74.4%	70,748	72.6%	(2,900)	(4.1)%
Multifamily mortgages	27	0.0%	29	0.0%	(2)	(6.9)%
	91,155	100.0%	97,492	100.0%	(6,337)	(6.5)%
Premiums	592		693		(101)	(14.6)%
Discounts	(284)		(307)		23	7.5%
Deferred loan costs, net	37		43		(6)	(14.0)%
SFAS 133 hedging adjustments	115		60		55	91.7%
Total mortgage loans held for portfolio	$91,615		$ 97,981		$(6,366)	(6.5)%

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

In 2007 and 2006, for most FHLBanks principal pay downs and maturities of mortgage loans held for portfolio have been greater than new mortgage loans held for portfolio purchases and fundings. Also, in 2007, the FHLBank of Chicago completed its obligations to purchase participation interests under pre-existing agreements with other FHLBanks and no longer enters into agreements to purchase participation interests in new Master Commitments with other FHLBanks. This has reduced the FHLBank of Chicago's level of purchases and fundings compared to prior years. In 2006, the mortgage loans held for portfolio decreased as a result of higher mortgage interest rates and member preference to issue variable-rate and interest-only mortgages that the FHLBanks do not purchase through their mortgage purchase programs.

At December 31, 2007, the FHLBanks of Chicago, Des Moines and Indianapolis held the largest percentage of the mortgage loans held for portfolio balances with 38 percent, 12 percent and 10 percent of the combined mortgage loans held for portfolio balance. No other FHLBank held 10 percent or more of the combined mortgage loans held for portfolio balance at December 31, 2007. The FHLBank of Seattle, which previously offered the MPP to its members, is no longer accepting additional Master Commitments in the MPP, completed all of its delivery commitments in early 2006 and is not purchasing additional mortgages. On October 6, 2006, the FHLBank of San Francisco announced that it would no longer offer new commitments to purchase mortgage loans from its members under the MPF Program, but that it would retain its existing portfolio of mortgage loans. The commitment of the FHLBank of San Francisco to purchase mortgage loans under its last outstanding Master Commitment expired on February 14, 2007. The FHLBank of Atlanta stopped accepting additional MPF Master Commitments as of February 4, 2008 and will purchase loans under existing MPF Master Commitments through December 31, 2008. The FHLBank of Atlanta plans to retain its existing portfolio of MPF loans and plans to continue to offer MPP.

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

	December 31, 2007		December 31, 2006		(Decrease) Increase	
	Amount	Percentage of Total Loans	Amount	Percentage of Total Loans	$	%
MPF, mortgage loans held for portfolio	$67,270	73.5%	$72,781	74.3%	$(5,511)	(7.6)%
MPP, mortgage loans held for portfolio	24,316	26.5%	25,169	25.7%	(853)	(3.4)%
Other mortgage loans	29	0.0%	31	0.0%	(2)	(6.5)%
Total mortgage loans held for portfolio	$91,615	100.0%	$97,981	100.0%	$(6,366)	(6.5)%
Allowance for credit losses—MPF	$ 7	87.5%	$ 6	85.7%	$ 1	16.7%
Allowance for credit losses—MPP		0.0%		0.0%		0.0%
Allowance for credit losses-other	1	12.5%	1	14.3%		0.0%
Total allowance for credit losses	$ 8	100.0%	$ 7	100.0%	$ 1	14.3%
MPF, mortgage loans held for portfolio, net	$67,263	73.4%	$72,775	74.3%	$(5,512)	(7.6)%
MPP, mortgage loans held for portfolio, net	24,316	26.6%	25,169	25.7%	(853)	(3.4)%
Other mortgage loans, net	28	0.0%	30	0.0%	(2)	(6.7)%
Total mortgage loans held for portfolio, net	$91,607	100.0%	$97,974	100.0%	$(6,367)	(6.5)%

Each of the FHLBanks has established an appropriate allowance for credit losses for mortgage loan programs or has determined that no loan loss allowances is necessary, and the management of each FHLBank believes that it has the policies and procedures in place to appropriately manage its mortgage loan credit risk.

The other "Mortgage loans held for portfolio, net" balances relate to the Affordable Multifamily Participation Program (AMPP) established by the FHLBank of Atlanta, and the Community Mortgage Asset (CMA) program balance held by the FHLBank of New York. Through AMPP, members sold to the FHLBank of Atlanta participations in loans on affordable multifamily rental properties. These assets did not carry external credit enhancements. Through the CMA program, the FHLBank of New York participates in residential, multifamily and community economic development mortgage loans originated by its members. The FHLBank of Atlanta suspended acquisitions under AMPP in 2006. The FHLBank of New York suspended acquisitions under the CMA program in late 2001.

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

	December 31, 2007	Percentage of Total	December 31, 2006	Percentage of Total	Decrease $	Decrease %
Government-insured loans	$ 8,899	9.8%	$10,024	10.3%	$(1,125)	(11.2)%
Conventional loans	82,252	90.2%	87,463	89.7%	(5,211)	(6.0)%
Other loans	4	0.0%	5	0.0%	(1)	(20.0)%
Total par value	$91,155	100.0%	$97,492	100.0%	$(6,337)	(6.5)%

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

	2007	2006	2005	2004	2003
Balance, beginning of year	$7	$10	$10	$15	$12
Charge-offs			(1)	(1)	
Recoveries	—	—	1	1	—
Net charge-offs					
Provision (reversal) for credit losses	1	(3)	—	(5)	3
Balance, end of year	$8	$ 7	$10	$10	$15

The FHLBanks' outstanding net mortgage loans held for portfolio, nonperforming loans, loans 90 days or more past due and accruing interest, loans in foreclosure and real estate owned at December 31, 2007, 2006, 2005, 2004 and 2003 are as follows (dollar amounts in millions):

	December 31, 2007	2006	2005	2004	2003
Mortgage loans held for portfolio, net	$91,607	$97,974	$105,240	$113,922	$113,438
Nonperforming mortgage loans held for portfolio	86	66	87	50	80
Mortgage loans held for portfolio past due 90 days or more and still accruing interest(1)	398	372	411	290	289
Loans in foreclosure	73	51	48	42	36
Real estate owned	43	33	24	25	16

(1) Mortgage loans insured or guaranteed by FHA, VA, RHS and HUD.

The FHLBanks' interest contractually due and actually received for nonperforming loans during the period for the year ended December 31, 2007, 2006, 2005, 2004 and 2003 are as follows (dollar amounts in millions):

	2007	2006	2005	2004	2003
Interest contractually due during the period	$3.2	$2.5	$3.7	$6.1	$5.2
Interest actually received during the period	2.8	1.5	2.3	3.5	2.0
Shortfall	$0.4	$1.0	$1.4	$2.6	$3.2

Realized losses on mortgage loans were less than $1 million for 2007 and 2005. There was no realized loss on mortgage loans in 2006.

Consolidated Obligations.

General. Consolidated obligations issued through the Office of Finance are the principal source of funds used by the FHLBanks to make advances, purchase mortgages and make investments. Consolidated obligations consist of consolidated bonds and consolidated discount notes, which differ, among other ways, in their maturities and in some of the intended uses of the funds they provide. Finance Board regulation prohibits an FHLBank from purchasing directly or indirectly a consolidated obligation as part of the consolidated obligation's initial issuance.

The FHLBanks may use interest-rate exchange agreements to adjust the effective maturity, repricing frequency, or option characteristics of consolidated obligations to achieve risk management objectives. (See "Business—Use of Interest-Rate Exchange Agreements.")

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

	2007	2006	Increase $	Increase %
Overnight discount notes	$ 28,606	$ 23,026	$ 5,580	24.2%
Term discount notes	188,636	137,002	51,634	37.7%
Total discount notes	217,242	160,028	57,214	35.8%
Bonds	806,010	784,966	21,044	2.7%
Total consolidated obligations	$1,023,252	$944,994	$78,258	8.3%

Consolidated Obligations Outstanding (Dollar amounts in millions)

	December 31, 2007		December 31, 2006	
	Amount	Percentage of Total Consolidated Obligations, Net	Amount	Percentage of Total Consolidated Obligations, Net
Discount notes	$ 376,342	31.9%	$157,549	16.9%
Bonds	802,574	68.1%	776,665	83.1%
Total consolidated obligations, net	$1,178,916	100.0%	$934,214	100.0%

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

Year of Contractual Maturity	December 31, 2007 Amount	December 31, 2007 Weighted-Average Interest Rate	December 31, 2006 Amount	December 31, 2006 Weighted-Average Interest Rate
Due in 1 year or less	$287,781	4.51%	$241,542	4.24%
Due after 1 year through 2 years	176,493	4.71%	200,601	4.48%
Due after 2 years through 3 years	82,969	4.67%	92,331	4.65%
Due after 3 years through 4 years	49,500	5.02%	58,984	4.69%
Due after 4 years through 5 years	51,812	5.08%	48,989	5.03%
Thereafter	151,887	5.10%	140,244	4.88%
Index amortizing notes	7,835	5.02%	6,555	4.94%
Total par value	808,277	4.75%	789,246	4.55%
Premiums	395		347	
Discounts	(8,894)		(9,078)	
SFAS 133 hedging adjustments	2,801		(3,845)	
Subtotal	802,579		776,670	
Bonds held in treasury	(5)		(5)	
Total	$802,574		$776,665	

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

Year of Contractual Maturity or Next Call Date	December 31, 2007	December 31, 2006
Due in 1 year or less	$489,504	$476,381
Due after 1 year through 2 years	149,459	143,599
Due after 2 years through 3 years	55,577	49,843
Due after 3 years through 4 years	27,096	30,166
Due after 4 years through 5 years	17,549	25,033
Thereafter	61,257	57,669
Index amortizing notes	7,835	6,555
Total par value	$808,277	$789,246

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

Par amount of consolidated bonds	December 31, 2007	December 31, 2006
Noncallable/nonputable	$496,085	$414,542
Callable	312,192	374,302
Putable		402
Total par value	$808,277	$789,246

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

	December 31, 2007		December 31, 2006	
	Amount	Percentage of Total	Amount	Percentage of Total
Fixed-rate, noncallable	$358,962	44.2%	$329,084	41.5%
Fixed-rate, callable	290,062	35.8%	350,699	44.2%
Single-index, non-capped variable-rate	106,200	13.1%	25,749	3.2%
Step-up/step-down	26,272	3.2%	51,141	6.4%
Zero-coupon, callable	11,004	1.4%	10,954	1.4%
Amortizing prepayment linked securities	8,142	1.0%	6,901	0.9%
Range variable-rate	5,930	0.7%	7,056	0.9%
Capped variable-rate	2,476	0.3%	6,700	0.8%
Conversion	1,632	0.2%	3,602	0.5%
Other	674	0.1%	1,983	0.2%
Total	$811,354	100.0%	$793,869	100.0%

(1) Not adjusted for interbank holdings of consolidated obligations totaling $3,077 million at December 31, 2007 and $4,623 million at December 31, 2006.

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

— diversifies the investor base;

— reduces funding costs; and

— provides additional asset/liability management tools.

(See Notes 10 and 13 to the accompanying combined financial statements.)

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

- advances with short maturities or repricing intervals due to seasonal and cyclical fluctuations in the flow of savings and mortgage financings;
- convertible advances or callable/putable advance programs;
- variable-rate advance programs; or
- money-market investments.

These discount notes presently have a maturity range of up to 365 days. They are sold at a discount and mature at par.

Debt Financing Activity. The growth in the FHLBanks' assets in 2007 was primarily financed by a 26.2 percent increase in consolidated obligations of $244.7 billion. (See Notes 10 and 13 to the accompanying financial statements.)

The FHLBanks have diversified sources and channels of funding as the need for funding from the capital markets has grown. The Global Debt Program issued $269.1 billion and $134.0 billion at par in term funds in 2007 and 2006. In mid-1999, the Office of Finance implemented the TAP Issue Program. This program consolidates the issuance through daily auctions of domestic bullet bonds of common maturities by re-opening previously issued bonds. TAP issues generally remain open for three months, after which they are closed and a new series of TAP issues is opened to replace them. This Program has reduced the number of separate bullet bonds issued, but more importantly has enhanced market awareness through increased issue size, secondary market activity, and utility, while providing enhanced funding diversification for the FHLBanks. Through this program, the Office of Finance seeks to enhance the liquidity of these issues. In 2007, $39.8 billion of bonds were issued through the TAP Issue Program. This represents an increase of $5.8 billion from 2006. The FHLBanks continue to issue debt that is both competitive and attractive in the marketplace. In addition, the FHLBanks continuously monitor and evaluate their debt issuance practices to ensure that consolidated obligations are efficiently and competitively priced.

Bonds can be negotiated individually or auctioned competitively through approximately 100 underwriters. Bonds offered daily via auction include fixed-rate bullets (through the TAP Issue Program discussed above) and American-style callables. Underwriters may contact the Office of Finance if there is a structure/dollar target they need to meet investor demand, although many times they negotiate directly with the FHLBanks. In either case, dealers receive rapid response to their inquiries, as well as fast execution. Competitively bid transactions are generally initiated by an FHLBank funding need of a particular structure and size. Dealers are invited to bid and the trade is executed.

	Percent of Total Issued During	
	2007	2006
Negotiated transactions	85.97%	84.14%
Competitive bid	14.03%	15.86%
Total	100.00%	100.00%

	Percent of Total Issued During	
	2007	2006
Fixed-rate, callable	48.55%	45.53%
Fixed-rate, fixed-term, noncallable (bullet)	30.63%	46.00%
Single-index, variable-rate	19.14%	5.05%
Step-up/step-down	0.61%	1.92%
Other	1.07%	1.50%
Total	100.00%	100.00%

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

	2007	2006
Discount Notes	$8,851,719	$7,046,048
Bonds	$ 495,208	$ 322,484

The increase in consolidated discount notes relates primarily to the extraordinary events affecting the credit markets during the second half of 2007, which resulted in members significantly increasing their level of borrowing in FHLBanks' advances leading to a corresponding increase in consolidated obligations outstanding. In addition, many investors viewed the FHLBanks consolidated obligations as a "safe haven" during the market turmoil, which resulted in reduced funding

costs for consolidated obligations relative to LIBOR, especially on the discount notes. The increase in consolidated bonds issued at par value occurred primarily because of the increase in bond calls during 2007. The FHLBanks make extensive use of callable debt. At December 31, 2007, $313.4 billion of callable debt at par was outstanding (before an interbank holding adjustment of $1.2 billion). Callable bonds represented 39 percent of total bonds outstanding at par.

Consolidated discount notes accounted for 94.7 percent of the proceeds from the sale of consolidated obligations in 2007. Much of the discount note activity reflects the refinancing of overnight discount notes.

Capital.

Total Capital
(Dollar amounts in millions)

December 31, 2007	December 31, 2006	Increase	
		$	%
$53,595	$44,985	$8,610	19.1%

The growth in total capital was due primarily to:

— increase in advances;

— the accumulation of retained earnings to absorb temporary earnings volatility attributable to hedge ineffectiveness or potential unrealized losses on trading securities; and

— the payment and use of stock dividends instead of cash dividends by the FHLBanks of Dallas, Topeka and San Francisco.

Over the same period, total assets grew faster than total capital. This caused the FHLBanks' GAAP capital-to-assets ratio to decrease to 4.21 percent at year-end 2007, from 4.43 percent at year-end 2006. All but the FHLBank of Chicago have converted to their new capital structures before year-end 2007. These conversions were treated as capital transactions and were accounted for at par value. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Legislative and Regulatory Developments" and Note 17 to the accompanying combined financial statements.)

Results of Operations

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

Net Interest Income.

Changes in Net Interest Income
(Dollar amounts in millions)

	For the Years Ended December 31,			2007 vs. 2006 Increase (Decrease)		2006 vs. 2005 Increase (Decrease)	
	2007	2006	2005	$	%	$	%
Interest Income							
Advances	$37,453	$32,411	$20,782	$ 5,042	15.6%	$11,629	56.0%
Prepayment fees on advances	23	44	75	(21)	(47.7)%	(31)	(41.3)%
Mortgage loans held for portfolio	4,849	5,155	5,416	(306)	(5.9)%	(261)	(4.8)%
Investments and other	14,698	12,957	9,147	1,741	13.4%	3,810	41.7%
Total interest income	57,023	50,567	35,420	6,456	12.8%	15,147	42.8%
Interest Expense							
Consolidated obligations	51,301	45,214	30,516	6,087	13.5%	14,698	48.2%
Other	1,206	1,060	697	146	13.8%	363	52.1%
Total interest expense	52,507	46,274	31,213	6,233	13.5%	15,061	48.3%
Net Interest Income	$ 4,516	$ 4,293	$ 4,207	$ 223	5.2%	$ 86	2.0%

Net interest income increased from 2006 to 2007 primarily due to growth in advance and investment interest income as a result of primarily higher volumes during the second half of 2007 and higher interest rates during the first half of 2007. The increases were partially offset by growth in consolidated obligation interest expense due to higher volumes and the higher interest-rate environment on consolidated obligation bonds, as well as lower interest income on mortgage loans held for portfolio, generally as a result of decreased volume. Additionally, net interest income was negatively affected by the flat to, at times, slightly inverted yield curve, primarily during the first half of 2007.

Net interest income increased from 2005 to 2006 due to growth in advance and investment income as a result of primarily higher interest rates and slightly higher volumes.

The decrease in mortgage loans held for portfolio income from 2005 to 2006 and from 2006 to 2007 relates primarily to the lower volume of outstanding mortgage loans held for portfolio, partially offset by higher interest rates.

Earnings Analysis.

Change in Earnings Components
(Dollar amounts in millions)

Income Statement	2007 vs. 2006 $	2007 vs. 2006 %	2006 vs. 2005 $	2006 vs. 2005 %
Increase in interest income	$6,456	12.8%	$15,147	42.8%
Increase in total interest expense	6,233	13.5%	15,061	48.3%
Increase in net interest income	223	5.2%	86	2.0%
Change in provision (reversal) for credit losses	4	400.0%	(2)	(200.0)%
Increase in net interest income after provision (reversal) for credit losses	219	5.1%	88	2.1%
Increase in net gains (losses) on trading securities	274	215.7%	177	58.2%
(Decrease) increase in net (losses) gains on derivatives and hedging activities	(136)	(163.9)%	106	460.9%
Decrease in other non-interest income, net	(14)	(29.8)%	(220)	(82.4)%
Increase in total non-interest income (loss)	124	4133.3%	63	105.0%
Increase in total other expense	49	6.6%	14	1.9%
Increase in Affordable Housing Program	23	7.8%	13	4.6%
Increase in REFCORP	56	8.7%	22	3.5%
Increase in total assessments	79	8.4%	35	3.9%
Change in cumulative effect of change in accounting principles before assessments			(15)	(100.0)%
Increase in net income	$ 215	8.2%	$ 87	3.4%

The following table presents average balances and yields of major earning asset categories and the funding sources for those earning assets. It also presents spreads between yields on total earning assets and the cost of interest-bearing liabilities and spreads between yields on total earning assets and the cost of total funding sources (i.e., interest-bearing liabilities plus capital plus other interest-free liabilities funding earning assets). The primary source of FHLBank earnings is net interest income. This is the interest earned on advances, mortgages, investments and invested capital, *minus* interest paid on consolidated obligations, deposits and other borrowings.

Spread and Yield Analysis
(Dollar amounts in millions)

	2007			2006			2005		
	Average Balance	Interest(1)	Annualized Yield	Average Balance	Interest(1)	Annualized Yield	Average Balance	Interest(1)	Annualized Yield
Earning assets:									
Advances(2)	$ 706,785	$37,476	5.30%	$638,656	$32,455	5.08%	$607,581	$20,857	3.43%
Mortgage loans held for portfolio	94,438	4,849	5.13%	101,375	5,155	5.09%	109,951	5,416	4.93%
Investments:									
Interest-bearing deposits and other	40,711	2,158	5.30%	35,128	1,782	5.07%	25,057	836	3.34%
Securities purchased under agreements to resell	2,584	134	5.19%	3,942	197	5.00%	3,413	115	3.37%
Federal funds sold	86,248	4,465	5.18%	68,719	3,456	5.03%	57,509	1,915	3.33%
Trading securities	6,008	339	5.64%	6,498	365	5.62%	8,016	438	5.46%
Available-for-sale securities(3)	6,995	367	5.25%	6,051	298	4.92%	9,852	346	3.51%
Held-to-maturity securities	140,870	7,235	5.14%	137,503	6,859	4.99%	125,717	5,497	4.37%
Total investments	283,416	14,698	5.19%	257,841	12,957	5.03%	229,564	9,147	3.98%
Total earning assets	$1,084,639	$57,023	5.26%	$997,872	$50,567	5.07%	$947,096	$35,420	3.74%
Funded by:									
Consolidated obligations	$1,008,404	$51,301	5.09%	$924,204	$45,214	4.89%	873,519	$30,516	3.49%
Interest-bearing deposits and other borrowings(4)	23,111	1,206	5.22%	20,690	1,060	5.12%	21,218	697	3.28%
Total interest-bearing liabilities	1,031,515	52,507	5.09%	944,894	46,274	4.90%	894,737	31,213	3.49%
Capital and other non-interest-bearing funds	53,124			52,978			52,359		
Total funding	$1,084,639	$52,507	4.84%	$997,872	$46,274	4.64%	$947,096	$31,213	3.30%
Spread on:									
Total interest-bearing liabilities			0.17%			0.17%			0.25%
Total funding (net interest margin)(5)			0.42%			0.43%			0.44%

(1) Interest income/expense and annualized yield include the effect of associated interest-rate exchange agreements.

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

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

(4) The balances do not include non-interest bearing deposits and include mandatorily redeemable capital stock balances and related interest expenses. The 2007 and 2006 average balance includes subordinated notes and related interest expenses.

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

The combined spread between asset yields and interest-bearing liability costs remained flat and the combined net interest margin decreased 1 basis point from 2006 to 2007. The combined decrease generally reflects lower profit spreads on the mortgage loan and mortgage-backed securities portfolio, partially offset by a higher yield on invested capital, a higher net interest spread on non-mortgage-backed securities investments and a higher net interest spread on advances during the second half of 2007.

A significant portion of net interest income results from earnings on assets funded by non-interest-bearing capital. This source of net interest income increased primarily because short-term interest rates rose, on average, in 2006 over 2005. The 2006 increase in net interest income from this source more than offset the lower net interest income caused by a decrease of 8 basis points in the spread between asset yields and interest-bearing liability costs.

This decrease in the combined spread on total interest-bearing liabilities from 2005 to 2006 is generally due to FHLBanks that experienced:

- lower average mortgage loans held for portfolio, which generally had higher spreads than advances and investments, and new mortgage assets having narrower spreads,
- increased volume of lower spread advances relative to the overall asset mix,
- loss of hedge accounting under SFAS 133, and
- higher cost of funds attributable to the flattening of the yield curve.

The net interest margin and spread on interest-bearing liabilities are affected by the inclusion or exclusion of net interest income/expense associated with the FHLBanks' interest-rate exchange agreements. For example, if the interest-rate exchange agreements qualify for fair-value hedge accounting under SFAS 133, the net interest income/expense associated with the derivative is included in the calculation of the spread on interest-bearing liabilities and net interest margin. If the interest-rate exchange agreements do not qualify for fair-value hedge accounting under SFAS 133 ("economic hedges"), the net interest income/expense associated with the interest-exchange agreements is excluded from the calculation of the spread on interest-bearing liabilities and net interest margin.

During 2007, combined consolidated bond and discount note issuance was 27% higher than the previous year due to increased issuance of both bonds and discount notes. Consolidated obligations outstanding rose by $237.9 billion—bonds increased by $17.7 billion and discount notes increased by $220.2 billion. The escalation in debt issuance and growth in debt outstanding began in August 2007 with the commencement of the tumultuous events in the credit markets that unfolded during the latter part of the year. Compared to the prior year, aggregate weighted-average new-issue funding costs for FHLBank bonds and auctioned discount notes improved significantly relative to benchmark market indices.

During the second half of 2007, amid the credit-market turmoil, the pricing relationship between FHLBank bond yields and pricing benchmarks was unusually volatile, in part, due to changing investor perceptions about the creditworthiness of securities issuers, securities guarantors and trade counterparties, as well as U.S. and foreign central bank action to add liquidity to the short-term credit markets. During this same period, discount note spreads to pricing benchmarks were unusually volatile as well.

During the first half of 2007, short-term yields for Treasury securities generally remained above yields for intermediate- and long-term securities, a trend that began in the second half of 2006. In the second half of 2007, Treasury securities yields declined and the yields on short-maturity instruments declined relative to longer-term instruments. The resulting shape of the yield curve produced a positive slope with longer-term yields higher than short-term yields. This trend accelerated during the fourth quarter of 2007.

During the first half of 2007, a large proportion of the FHLBank bonds issued were callable. During the second half of 2007, the callable bond share declined and the proportion of bonds issued with floating-rate coupons rose sharply. Compared to 2006, the 2007 proportion of bullet bond issuance declined and the proportions of callable and floating-rate coupon bond issuance increased.

The dollar amount of callable bonds redeemed prior to maturity was substantially higher in 2007 compared with the prior year. Call volume increased sharply during the fourth quarter of 2007 as market interest rates declined.

During 2006, consolidated bond and discount note issuance was four percent lower than the previous year due to decreased issuance of discount notes. The par value of consolidated obligations outstanding rose by $14.3 billion—bonds increased by $36.5 billion and discount notes decreased by $22.2 billion. Fannie Mae and Freddie Mac did not report any growth in the firms' combined retained portfolios during 2006, producing little incremental debt funding demand. Compared to the

prior year, aggregate weighted-average, new-issue funding costs for FHLBank bonds and auctioned discount notes improved relative to benchmark market indices. Rising dollar reserves held by foreign central banks increased demand for U.S. dollar-denominated securities.

In the second half of 2006, short-term yields for Treasury securities rose above yields for intermediate- and long-term securities. This condition developed, in part, due to policy actions by the Federal Reserve Board. In this environment, which did not offer investors a yield premium to purchase longer-dated maturities, a large proportion of FHLBank bonds was issued with short-term maturity dates. In addition, 2006 was characterized by historically low levels of fixed-income market volatility. In this environment, a large proportion of FHLBank bonds were issued with an embedded call option. The dollar amount of callable bonds redeemed prior to maturity was higher in 2006 compared with the prior year. The dollar volume of FHLBank bonds called prior to maturity increased in the fourth quarter of the year.

Changes in both volume and interest rates have a direct influence on changes in net interest income and net interest margin. The following table summarizes changes in interest income and interest expense between 2007 and 2006 and between 2006 and 2005. Changes in interest income and interest expense not identifiable as either volume-related or rate-related, but rather equally attributable to both volume and rate changes, have been allocated to the volume and rate categories based upon the proportion of the absolute value of the volume and rate changes.

Rate and Volume Analysis
(Dollar amounts in millions)

	2007 vs. 2006 Increase (Decrease) Due to			2006 vs. 2005 Increase (Decrease) Due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest Income:						
Advances(1)	$3,569	$1,452	$5,021	$1,116	$10,482	$11,598
Mortgage loans held for portfolio	(356)	50	(306)	(432)	171	(261)
Investments	1,316	425	1,741	1,221	2,589	3,810
Total interest income	4,529	1,927	6,456	1,905	13,242	15,147
Interest Expense:						
Consolidated obligations	4,234	1,853	6,087	1,860	12,838	14,698
Deposits and other borrowings(2)	126	20	146	(18)	381	363
Total interest expense	4,360	1,873	6,233	1,842	13,219	15,061
Changes in net interest income	$ 169	$ 54	$ 223	$ 63	$ 23	$ 86

(1) Includes prepayment fees on advances, net.

(2) The average balances used for the calculation do not include non-interest bearing deposits and include cash and stock dividends on mandatorily redeemable capital stock as interest expense. The average balance used for the 2007 and 2006 calculation includes subordinated notes and related interest expenses.

Net Income.

Changes in Income Before Cumulative Effect of Change in Accounting Principles
(Dollar amounts in millions)

	For the Years Ended December 31,			2007 vs. 2006 Increase (Decrease)		2006 vs. 2005 Increase (Decrease)	
	2007	2006	2005	$	%	$	%
NET INTEREST INCOME AFTER PROVISION (REVERSAL) FOR CREDIT LOSSES	$ 4,513	$4,294	$4,206	$219	5.1%	$ 88	2.1%
OTHER INCOME (LOSS)							
Net gains (losses) on trading securities	147	(127)	(304)	274	215.7%	177	58.2%
Net realized gains (losses) from sale of available-for-sale securities	1	(3)	267	4	133.3%	(270)	(101.1)%
Net (losses) gains on derivatives and hedging activities	(53)	83	(23)	(136)	(163.9)%	106	460.9%
Other	32	50		(18)	(36.0)%	50	
Total other income (loss)	127	3	(60)	124	4133.3%	63	105.0%
Total other expense	792	743	729	49	6.6%	14	1.9%
Total assessments	1,021	942	907	79	8.4%	35	3.9%
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES	$ 2,827	$2,612	$2,510	$215	8.2%	$ 102	4.1%

The increase in net income for 2007 compared to 2006 can be primarily attributed to higher volumes of advances and investments and the effect of higher interest rates when compared to 2006 and an increase in other income, which was partially offset by increases in other expense and assessments.

The increase in net income for 2006 compared to 2005 can be primarily attributed to the effect of higher interest rates when compared to 2005 and an increase in other income, which was partially offset by increases in other expense and assessments.

Other Income (Loss). The changes in total other loss from 2007 to 2006 and 2006 to 2005 relate primarily to the change in derivatives and hedging activities and changes in gains (losses) on investment securities. During 2005, the FHLBank of Dallas sold certain available-for-sale securities, resulting in net realized gains of $245 million.

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

Earnings Effect For the Year Ended December 31, 2007	Advances	Investments	MPF/ MPP Loans	COs- Bonds	COs- Discount Notes	Balance Sheet	Intermediary Positions	Total
Amortization/accretion of hedging activities in net margin	$(72)	$	$ (3)	$(68)	$ (4)	$	$	$(147)
Net gains (losses) on derivatives and hedging activities	29	(145)	(7)	84	(10)	(4)		(53)
Net gains on trading securities		147						147
Total	$(43)	$ 2	$(10)	$ 16	$(14)	$(4)	$	$ (53)

Earnings Effect For the Year Ended December 31, 2006	Advances	Investments	MPF/ MPP Loans	COs-Bonds	COs-Discount Notes	Balance Sheet	Intermediary Positions	Total
Amortization/accretion of hedging activities in net margin	$(76)	$ 2	$ 9	$(83)	$(15)	$	$	$(163)
Net gains (losses) on derivatives and hedging activities	51	95	(58)	(2)	7	(9)	(1)	83
Net losses on trading securities		(127)						(127)
Total	$(25)	$ (30)	$(49)	$(85)	$ (8)	$(9)	$(1)	$(207)

Earnings Effect For the Year Ended December 31, 2005	Advances	Investments	MPF/ MPP Loans	COs-Bonds	COs-Discount Notes	Balance Sheet	Intermediary Positions	Total
Amortization/accretion of hedging activities in net margin	$(116)	$ (2)	$ (8)	$ (5)	$(21)	$	$	$(152)
Net gains (losses) on derivatives and hedging activities	77	60	(43)	(103)	12	(26)		(23)
Net losses on trading securities		(304)						(304)
Total	$ (39)	$(246)	$(51)	$(108)	$ (9)	$(26)	$	$(479)

Other Expense.

Operating Expenses
(Dollar amounts in millions)

	For the Years Ended December 31,			2007 vs. 2006 Increase		2006 vs. 2005 Increase (Decrease)	
	2007	2006	2005	$	%	$	%
Salaries and employee benefits	$445	$407	$368	$38	9.3%	$39	10.6%
Cost of quarters	38	35	43	3	8.6%	(8)	(18.6)%
Other	231	229	246	2	0.9%	(17)	(6.9)%
Total operating expenses	$714	$671	$657	$43	6.4%	$14	2.1%
Operating expenses as a percentage of average assets (basis points)	6.5	6.7	6.9				

The increases in salaries and benefits in 2007, 2006 and 2005 primarily reflect the following:

— higher staffing levels across the majority of the FHLBanks to support increased regulatory requirements for risk management, SEC registration and filings and preparations for compliance with Sarbanes-Oxley requirements;

— general increases in pay and benefits; and

— for 2007 reduction-in-force charges of $7 million recorded by the FHLBank of Chicago.

The decrease in cost of quarters in 2006 was primarily due to the FHLBank of Seattle realizing $5.4 million of abandonment cost in 2005. The FHLBank of Seattle vacated leased office space to align with the reduction in staff, primarily due to the FHLBank of Seattle exiting the MPP. The other expenses include the administrative and operating costs of providing advances, and managing the investment portfolios and mortgage purchase programs, as well as member correspondent services.

Other Expenses
(Dollar amounts in millions)

	For the Years Ended December 31,			2007 vs. 2006 Increase (Decrease)		2006 vs. 2005 Increase (Decrease)	
	2007	2006	2005	$	%	$	%
Finance Board expenses	$34	$32	$32	$2	6.3%	$	0.0%
Office of Finance expenses	30	25	24	5	20.0%	1	4.2%
Other, net	14	15	16	(1)	(6.7)%	(1)	(6.3)%
Affordable Housing Program expenses	318	295	282	23	7.8%	13	4.6%

Finance Board Expenses. The FHLBanks fund the costs of operating the Finance Board. These costs are under the sole control of the Finance Board. Finance Board expenses are allocated among the FHLBanks based on each FHLBank's percentage of total combined regulatory capital stock plus retained earnings.

Office of Finance Expenses. The FHLBanks also fund the costs of the Office of Finance. The Office of Finance, a joint office of the FHLBanks, issues and services consolidated obligations, prepares the FHLBanks' combined quarterly and annual financial reports, and fulfills certain other functions. The expenses of the Office of Finance are allocated among the FHLBanks based on each FHLBank's percentage of total capital stock, percentage of consolidated obligations issued, and percentage of consolidated obligations outstanding. The 2007, 2006 and 2005 expenses have increased primarily due to increased salaries and benefits, and resources to meet various FHLBank and regulatory initiatives.

Other. Other expenses are excluded from operating expenses. The other expenses for 2007, 2006 and 2005 include approximately $14 million, $15 million and $16 million of certain MPF and/or MPP master servicing and custodial fees.

Affordable Housing Program. Annually, the FHLBanks must set aside for the AHP the greater of $100 million or 10 percent of regulatory income, after the assessment for REFCORP. Regulatory income is income before assessments, plus interest expense related to mandatorily redeemable capital stock under SFAS 150, less the assessment for REFCORP. The Finance Board requires each FHLBank to add back interest expense related to mandatorily redeemable capital stock before the calculation of its AHP assessment. Changes in the AHP assessments for 2007, 2006 and 2005 reflect the overall trend of the FHLBanks' net income. AHP helps members provide subsidized and other low-cost funding to create affordable rental and home ownership opportunities. All FHLBank operating costs for the AHP are included in operating expenses, so all AHP assessments go directly to support affordable housing projects.

Cumulative Effect of Change in Accounting Principles. Effective January 1, 2005, the FHLBanks of Boston, Dallas, Des Moines and New York each changed its method of accounting for premiums and discounts and other deferred loan origination fees under SFAS No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases* (SFAS 91) on mortgage loans held for portfolio. In addition, the FHLBanks of Atlanta and Des Moines changed their method of accounting for premiums and discounts and other deferred loan origination fees under SFAS 91 on mortgage-backed securities. As a result of implementing the change in accounting for amortization and accretion from the retrospective method to the contractual method, the FHLBanks recorded a cumulative effect of a change in accounting principle effective January 1, 2005 resulting in a decrease to income before assessments of $3 million for the FHLBank of Atlanta, an increase to income before assessments of $7 million for the FHLBank of Boston, an increase to income before assessments of $1 million for the FHLBank of Dallas, an increase to income before assessments of $9 million for the FHLBank of Des Moines and an increase to income before assessments of $1 million for the FHLBank of New York. (See Note 2 to the accompanying combined financial statements.)

Interbank Transfers of Liability on Outstanding Consolidated Bonds and Their Effect on Combined Net Income. Combined net income of the FHLBanks was affected by interbank transfers of liability on outstanding consolidated bonds. These transactions arise when one FHLBank transfers its direct liability on outstanding consolidated bonds to another FHLBank that assumes the direct liability on those outstanding consolidated bonds. By engaging in these transactions, two FHLBanks are able to better match their funding needs by transferring excess funds held by one FHLBank to another FHLBank that needs funds. Transfer transactions allow the assuming FHLBank to achieve equal or lower funding costs than would be available to it for a similarly sized transaction in the capital markets at the time of the transfer. Because the consolidated bonds are the joint and several obligation of all 12 FHLBanks, these interbank transactions have no effect on the holders of the consolidated bonds.

Description of the Transactions. As part of its overall asset/liability management strategy, an FHLBank may issue more debt than it needs at the time of issuance to fund its business. This allows the FHLBank to take advantage of favorable funding prices for large-size transactions in anticipation of using the proceeds at a later time to fund the acquisition of assets, such as mortgages or advances. In other cases, an FHLBank may have excess liquidity due to the prepayment of mortgages. Instead of continuing to retain the excess funds for use in its own business, an FHLBank may elect to transfer a portion of its liability to an FHLBank with more immediate funding needs. The funds are transferred to the assuming FHLBank together with the corresponding liability under the consolidated bonds. The assuming FHLBank assumes this liability at fair value which represents an all-in cost equal to or lower than it would have otherwise obtained for the same amount and maturity in the capital markets at that time. In this type of transaction, the FHLBank that transfers a liability for the consolidated bond also unwinds the related portion of any hedge transactions it entered into when the consolidated bond was issued. It can also take other steps in order to manage its interest rate exposure on the debt transferred. For example, it can:

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

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

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

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

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

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

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

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

Total interbank consolidated bonds of $1.3 billion, $1.4 billion and $1.4 billion at par value were transferred from an FHLBank to another FHLBank during 2007, 2006 and 2005. The combining adjustments for 2007, 2006 and 2005 for the elimination of the transfers of interbank consolidated bond liabilities and interbank fees and commissions related to the MPF Program resulted in the following effect on the Statements of Income:

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

	For the Years Ended December 31,		
	2007	2006	2005
	Increase (Decrease)		
Net interest income	$	$ 7	$24
Total other income	13	16	3
Total other expense	(5)	(4)	(3)
Net income	$18	$27	$30

REFCORP Payment

Each FHLBank is required to make payments to REFCORP (20 percent of annual GAAP net income after payment of AHP assessments) until the total amount of payments actually made is equivalent to a $300 million annual annuity whose final maturity date is April 15, 2030. The Finance Board will shorten or lengthen the period during which the FHLBanks must make payments to REFCORP depending on actual payments relative to the referenced annuity. In addition, the Finance Board, in consultation with the Secretary of the Treasury, selects the appropriate discounting factors used in calculating the annuity.

The REFCORP assessment and cash payment of the FHLBanks was $209 million for the fourth quarter of 2007 and $703 million for the year 2007. As specified in the Finance Board regulation that implements section 607 of the GLB Act, the amount by which the REFCORP payment for any quarter exceeds the $75 million benchmark payment is used to simulate the purchase of zero-coupon Treasury bonds to "defease" all or a portion of the most-distant remaining quarterly benchmark payment. The $134 million by which the fourth-quarter REFCORP payment exceeded the $75 million quarterly benchmark will fully defease the remaining $64 million portion of the benchmark payment due on April 15, 2014, the benchmark payment due on January 15, 2014, and defease $24 million of the $75 million benchmark payment due on October 15, 2013. The defeased benchmark payments (or portions thereof) can be reinstated if future actual REFCORP payments fall short of the $75 million benchmark in any quarter.

As a result of the REFCORP payments of $703 million made by the FHLBanks in 2007, the overall period during which the FHLBanks must continue to make quarterly payments was shortened to October 15, 2013, effective at December 31, 2007. This date assumes that the FHLBanks will pay exactly $300 million annually after December 31, 2007 until the annuity is fully satisfied. This compares to the outside date of July 15, 2015, effective at December 31, 2006, based on REFCORP payments made through 2006.

REFCORP Defeasance Summary
For Fourth Quarter 2007 Payment
(Dollar amounts in millions)

Payment Due Date	Amount of Benchmark Payment Defeased*	Interest Rate Used to Discount the Future Benchmark Payment	Present Value of Benchmark Payment Defeased**
April 15, 2014 (most distant remaining payment)	$ 64	3.28%	$ 52
January 15, 2014	75	3.24%	62
October 15, 2013	24	3.13%	20
Total	$163		$134

* Subject to possible subsequent reinstatement.

** Actual cash payment of $209 million made based on estimated net income.

Capital Adequacy

The FHLBank Act prescribes minimum capital stock requirements for the FHLBanks. (See "Business—Capital, Capital Rules and Dividends" for a detailed explanation of these requirements.) In addition, an individual FHLBank, at the discretion of its board of directors and/or management, may institute a higher capital requirement in order to meet internally-established thresholds or to address supervisory matters, or may limit dividend payments as part of their retained earnings policies. At December 31, 2007, each of the FHLBanks was in compliance with its statutory minimum capital requirements and any internally-established or supervisory limitations. (See "Business—Oversight, Audits and Examinations" for more information on the FHLBank of Chicago's minimum capital requirements.)

In 2003, the Finance Board issued guidance calling for each FHLBank to assess, at least once a year, the adequacy of its retained earnings under various future financial and economic scenarios, including:

— parallel and non-parallel interest-rate shifts;

— changes in the basis relationship between different yield curves; and

— changes in the credit quality of the FHLBank's assets.

Management and the board of directors of each FHLBank review the capital structure of that FHLBank (including retained earnings) on a periodic basis to make sure the capital structure supports the risk associated with its assets and addresses applicable regulatory and supervisory matters.

At December 31, 2007, 93.8 percent of the capital of the FHLBanks consisted of capital stock, while 6.2 percent consisted of retained earnings and accumulated other comprehensive income. At December 31, 2007, the FHLBanks had an aggregate GAAP capital-to-assets ratio of 4.21 percent. This compares with a GAAP capital-to-assets ratio of 4.43 percent at December 31, 2006. (See "Business—Capital, Capital Rules and Dividends" and Note 17 to the accompanying combined financial statements.)

Liquidity

The FHLBanks need liquidity to:

- satisfy their members' demand for short- and long-term funds;
- repay maturing consolidated obligations; and
- meet other obligations, including any mandatory redemptions of capital stock.

The FHLBanks also maintain liquidity to repurchase excess capital stock in their discretion upon the request of a member.

Each FHLBank is required to maintain liquidity in accordance with the FHLBank Act, certain Finance Board regulations and with policies established by its management and board of directors. The FHLBanks seek to be in a position to meet the credit and liquidity needs of their members without maintaining excessive holdings of low-yielding liquid investments or being forced to incur unnecessarily high borrowing costs. The FHLBanks' primary sources of liquidity are short-term investments and the issuance of new consolidated obligation bonds and discount notes. The GSE status and rating have historically provided the FHLBanks with excellent access to capital markets. Consolidated obligations enjoy GSE status; however, they are not obligations of the United States and the United States does not guarantee them. The FHLBanks' consolidated obligations are rated Aaa/P-1 by Moody's and AAA/A-1+ by S&P. These are the highest ratings available for such debt from an NRSRO. These ratings indicate that the FHLBanks have an extremely strong capacity to meet their commitments to pay principal of and interest on consolidated obligations and that the consolidated obligations are judged to be of the highest quality with minimal credit risk. The ratings also reflect the FHLBanks' status as GSEs. These ratings were not affected by rating actions taken with respect to individual FHLBanks in 2006 and 2007. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Recent Rating Agency Actions.") Investors should note that a rating issued by an NRSRO is not a recommendation to buy, sell or hold securities and that the ratings may be revised or withdrawn by the NRSRO at any time. Investors should evaluate the rating of each NRSRO independently.

In addition, under certain circumstances the U.S. Secretary of the Treasury may acquire up to $4 billion of consolidated obligations of the FHLBanks. (See "Business—Oversight, Audits and Examinations.") Other short-term borrowings, such as Federal funds purchased, securities sold under agreements to repurchase, and loans from other FHLBanks, also provide liquidity.

Each FHLBank also maintains a contingency liquidity plan designed to enable it to meet its obligations and the liquidity needs of members in the event of operational disruptions at the FHLBanks or the Office of Finance, or short-term capital market disruptions. (See "Risk Management—Liquidity Risk.")

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires management of each FHLBank to make a number of judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities (if applicable), and the reported amounts of income and expense during the reported periods. Although management of each FHLBank believes that these judgments, estimates and assumptions are reasonably accurate, actual results may differ.

The accounting estimates and assumptions discussed in this section are those that management of each FHLBank generally considers to be the most critical to an understanding of these combined financial statements because they inherently involve significant judgments and uncertainties. For all of these estimates, investors are cautioned that future events rarely develop exactly as forecast, and the best estimates routinely require adjustment.

Accounting for Derivatives. The FHLBanks adopted SFAS 133 on January 1, 2001. SFAS 133 requires that all derivative instruments be recorded on the statement of condition at their fair values. Changes in fair value of derivatives are recorded each period in current-period earnings or accumulated other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. SFAS 133 has led to more volatility in the statement of income because of changes in market prices and interest rates.

As noted under "Risk Management—Quantitative and Qualitative Disclosures about Market Risk—Qualitative Disclosures about Market Risk—Interest-Rate Exchange Agreements," by

regulation, an FHLBank may use derivative instruments only to mitigate identifiable risks. All of the derivatives of an FHLBank are positioned to offset some or all of the risk exposure inherent in its member lending, investment, or funding activities. Under SFAS 133, an FHLBank is required to recognize unrealized losses or gains on derivative positions regardless of whether offsetting gains or losses on the underlying assets or liabilities being hedged are permitted to be recognized in a symmetrical manner. Therefore, the accounting framework imposed by SFAS 133 introduces the potential for a considerable mismatch between the timing of income and expense recognition from assets or liabilities and the income effects of hedge instruments positioned to mitigate market risk and cash-flow variability. Therefore, during periods of significant changes in interest rates, an FHLBank's reported GAAP earnings may exhibit considerably greater variability than had been reported prior to the full implementation of SFAS 133. The FHLBanks have generally continued their practice of utilizing the most cost-efficient hedging techniques available. The FHLBanks generally view the accounting consequences resulting from the choice of a particular hedging technique as an important but secondary consideration. The FHLBanks anticipate that this approach will result in enhanced long-term performance, while recognizing the potential for increased variability in quarterly earnings as reported under the requirements of SFAS 133. Because the FHLBanks generally manage their derivatives positions with primary emphasis on economic cost-effectiveness as opposed to symmetrical accounting results, SFAS 133 has led to more volatility in the reported earnings for the FHLBanks due to changes in market prices and interest rates.

From time to time, the FHLBanks may serve as intermediaries for their member institutions by entering into offsetting interest-rate exchange agreements between their members and other counterparties. This intermediation allows smaller members access to the derivatives market. The derivatives used in intermediary activities do not qualify for hedge accounting treatment and are separately marked-to-market through other income in "Net gains (losses) on derivatives and hedging activities." The net result of the accounting for these derivatives does not significantly affect the operating results of the FHLBanks. All derivative contracts that an FHLBank enters into with a member for this purpose are generally accompanied by counterparty trades that offset the member trade except for a negligible spread that the FHLBank receives as compensation for this member service. Generally, no fees are charged to members for this type of transaction.

SFAS 133: Accounting for Derivative Hedging Relationships.

Accounting for a hedging relationship depends on the characteristics of the derivative and hedged item and their correlation to one another. A hedge relationship is created from the documented designation of a derivative financial instrument as hedging the FHLBank's exposure either to changes in the fair value of a financial instrument or to a change in future cash flows attributable to an on-balance sheet financial instrument or for an anticipated transaction. The accounting the FHLBanks use for typical hedge transactions can be summarized as follows:

Hedge Type	Hedged Item	Accounting Recognition
Fair-Value	Recognized asset or liability or unrecognized firm commitment	Changes in fair values of derivative and hedged item (related to the risk being hedged) are recognized in current-period earnings
Cash-Flow	Anticipated transaction (including those from recognized asset or liability with variable cash flows)	Effective portion of fair value of derivative is deferred in accumulated other comprehensive income and recognized in earnings when the related forecasted transaction affects earnings (Any ineffectiveness is recognized in current-period earnings.)
Non-SFAS 133 Qualifying Hedge (Economic Hedges)	Does not meet SFAS 133 hedge criteria (economic hedge of an identified risk)	Fair value of derivative is recognized in current-period earnings

The following is a more detailed discussion of the FHLBanks' accounting for hedge transactions:

Fair-Value Hedges. A fair-value hedge hedges the exposure to changes in the fair value of an asset or liability that is attributed to a particular risk. There are four specific risks that a fair-value hedge can mitigate, namely changes to:

(1) the overall fair value of the hedged item;

(2) the fair value attributable to changes in the designated benchmark interest rate;

(3) the fair value attributable to changes in the related foreign currency exchange rates; and

(4) the fair value attributable to changes in credit risk.

If the risk designated as being hedged is not the risk under (1) above, two or more of the other risks may simultaneously be selected as being hedged.

Changes in the fair value of a derivative that is effective as a fair-value hedge (and that is designated as and qualifies as a fair-value hedge), along with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk (including changes that reflect losses or gains on firm commitments), are recorded in current-period earnings. Any ineffectiveness of a hedge (which represents the amount by which the change in the fair value of the derivative differs from the change in the fair value of the hedged item) is also recorded in current-period earnings.

Cash-Flow Hedges. A cash-flow hedge hedges the exposure to variability in expected future cash flows. There are four specific risks that a cash-flow hedge can mitigate, namely changes in:

(1) the overall hedged cash flows;

(2) cash flows due to changes in the designated benchmark interest rates (interest-rate risk);

(3) functional currency cash flows due to foreign exchange risk; and

(4) cash flows due to credit risk.

Changes in the fair value of a derivative that is effective as a cash-flow hedge (and that is designated as and qualifies as a cash-flow hedge), to the extent that the hedge is effective, are recorded in accumulated other comprehensive income, until earnings are affected by the variability of cash flows of the hedged transaction. Any ineffectiveness of the hedge (which represents the amount by which the offsetting change in the fair value of the derivative differs from the change in the variability in the cash flows of the anticipated transaction) is recorded in current-period earnings.

Foreign Currency Hedge. Changes in the fair value of a foreign currency hedge are recorded in either current-period earnings or accumulated other comprehensive income, depending on whether the hedging relationship satisfies the criteria for a fair-value hedge or cash-flow hedge.

Non-SFAS 133 Qualifying Hedge (Economic Hedges). A non-SFAS 133 qualifying hedge (a so-called "economic hedge") is an interest-rate exchange agreement hedging specific or non-specific underlying assets, liabilities or firm commitments that does not qualify for hedge accounting under the rules of SFAS 133, but is an acceptable hedging strategy under the risk management policy of the FHLBank and regulatory requirements of the Finance Board. An economic hedge, by definition, introduces the potential for earnings variability due to the change in fair value recorded on the interest-rate exchange agreement(s) that is not offset by corresponding changes in the value of the economically hedged assets, liabilities, or firm commitments. The fair value of this derivative is recognized in current-period earnings.

The following paragraphs summarize the applicable accounting treatments (hedge indicators) for fair-value and cash-flow hedging relationships under SFAS 133. These are:

— the short-cut treatment;

— the highly-effective treatment (also known as the "long-haul" method of accounting); and

— the not-highly-effective treatment (also known as "economic hedges").

Short-cut Treatment. A short-cut hedging relationship implies that the hedge between an interest-rate swap and an interest-bearing financial instrument is considered to be perfectly correlated. Therefore, changes in the fair value of the interest-rate swap and the interest-bearing financial instrument will perfectly offset one another, as a short-cut relationship assumes no ineffectiveness. To qualify for short-cut accounting treatment, a number of restrictive conditions must be met.

Highly-Effective Treatment (Long-haul Method). A highly-effective hedging relationship indicates that the FHLBank assesses, prospectively and retrospectively, whether the derivative and hedged item will be highly effective in offsetting changes in fair value attributable to the hedged risk. The changes in fair value for the derivative and the hedged item may or may not perfectly offset one another. Any difference in the change of fair value between the two will be recognized as a net gain or loss in the statement of income. To maintain the highly-effective relationship, this testing of the effectiveness of the hedge is performed at the inception of the hedge and on an ongoing basis. Typically, the FHLBanks perform dollar- offset prospective testing at the inception of the hedge and calculate retrospective regressions after a sufficient number of data points have been accumulated to render a statistically significant result. Alternatively, FHLBanks may employ regression-based testing prospectively based on simulated valuations derived from historical market data. If during this testing of effectiveness the hedge fails to maintain effectiveness at any point, the hedge relationship will be deemed ineffective. As a result, the hedged item's changes in fair value will no longer be evaluated under SFAS 133, and will be treated as not-highly-effective.

Not-Highly-Effective Treatment—Non-SFAS 133 Qualifying Hedge (Economic Hedges). A not-highly-effective hedging relationship indicates that, although an offsetting relationship between fair values or cash flows of the hedge and hedged items may be demonstrated, the relationship is not considered highly effective in accordance with the requirements of SFAS 133. This relationship does not qualify for hedge accounting treatment under SFAS 133 and, therefore, the hedged item's changes in fair value are not evaluated. Changes in the fair value of such economic hedges of assets or liabilities for asset/liability management are recorded in current-period earnings.

Fair Values. At December 31, 2007, certain of the assets and liabilities of the FHLBanks, including investments classified as available-for-sale and trading, as well as all derivatives, and mandatorily redeemable capital stock are presented in the Combined Statement of Condition at fair value. Under existing GAAP, the fair value of an asset or liability is the amount at which that asset

could be bought or sold, or that liability could be incurred or settled, in a current transaction between willing parties, other than in liquidation.

Fair values play an important role in the valuation of certain of the assets, liabilities and hedging transactions of the FHLBanks. Management of each FHLBank also assigns or estimates the value of collateral that its members pledge against advance borrowings, to confirm that the FHLBank has sufficient collateral to meet regulatory requirements and to protect it from a loss. Fair values are based on quoted market prices or market-based prices, if such prices are available. If quoted market prices or market-based prices are not available, fair values are determined based on valuation models that use either:

— discounted cash flows, using market estimates of interest rates and volatility; or

— dealer prices and prices of similar instruments.

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

— discount rates;

— prepayments;

— market volatility; and

— other factors.

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

Amortization of Premium and Accretion of Discount on Investment Securities and Purchased Mortgage Loans. When an FHLBank purchases investment assets and mortgage loans under the MPF Program or MPP, it may not pay the seller the exact amount of the unpaid principal balance. If an FHLBank pays more than the unpaid principal balance, and purchases the assets at a premium, the premium reduces the yield the FHLBank recognizes on the assets below the coupon amount. Conversely, if the FHLBank pays less than the unpaid principal balance and purchases the asset at a discount, the discount increases the yield above the coupon amount.

The FHLBanks amortize premiums and accrete discounts in accordance with the requirements of SFAS 91. Where appropriate and allowed under SFAS 91, certain FHLBanks use estimates of prepayments and apply a level-yield calculation on a retrospective basis. The FHLBanks of Des Moines and Pittsburgh apply a level-yield methodology over the contractual life of their mortgage-backed securities and purchased mortgage loans. The FHLBanks of Boston, Chicago and Dallas apply a level-yield methodology over the contractual life of their purchased mortgage loans. The FHLBank of Atlanta applies a level-yield methodology over the contractual life of its mortgage-backed securities. The remaining FHLBanks currently apply the retrospective method on mortgage-backed securities and/or purchased mortgage loans for which prepayments reasonably can be expected and estimated. Use of the retrospective method may increase volatility of reported earnings during periods of changing interest rates.

Provision for Credit Losses.

Advances. Since their inception, none of the FHLBanks has experienced a credit loss on advances. None of the FHLBanks' management anticipates any credit loss on advances. The FHLBanks are required by Finance Board regulation to obtain sufficient collateral on advances to

protect against losses. They are permitted to accept only certain collateral on their advances, such as:

— U.S. government or government-agency securities;

— residential mortgage loans;

— deposits in the FHLBank; and

— other real estate-related assets.

Each FHLBank may require additional collateral (whether or not that additional collateral meets the eligibility criteria set forth above) or require that the borrower substitute existing collateral at any time. The FHLBank also has a statutory lien upon each member's FHLBank stock as additional security for the indebtedness of that member. At December 31, 2007 and 2006, the rights to collateral (either loans or securities), on a member-by-member basis, held by the FHLBanks had an estimated fair value that exceeded the outstanding advances. Management of each FHLBank believes that adequate policies and procedures are in place to effectively manage that FHLBank's respective credit risk.

Mortgage Loans—MPF. Each FHLBank that holds mortgage loans under the MPF Program has a provision for credit losses on mortgage loans held or has determined that no loan loss allowance is necessary under that program. Each FHLBank bases its allowance on its management's estimate of credit losses inherent in its mortgage loan portfolio at the balance sheet date. These losses are estimated net of recoveries under the credit enhancement obligation of the corresponding PFI. The estimate is either based on the individual FHLBank's loan portfolio performance history or is based on analysis of industry statistics for similar mortgage loan portfolios.

Management of each FHLBank believes that adequate policies and procedures are in place to manage its MPF credit risk effectively.

Mortgage Loans—MPP. Each FHLBank that has acquired mortgage loans under MPP has either a minimal provision for credit losses on mortgage loans acquired under MPP or no such provision at all, due in part to the structure of the allocation of credit risk under that program. Credit losses are provided for by a combination of LRA and PMI.

Management of each FHLBank believes that adequate policies and procedures are in place to manage its MPP credit risk effectively.

A more detailed description of how the FHLBanks manage their credit risk with respect to MPF and MPP loans is included in "Risk Management—Credit Risk—Managing Credit Risk—Mortgage Loans Held for Portfolio" and in the "Supplemental Information."

REFCORP Payments. The Statement of Condition does not set forth a liability for the mandatory REFCORP payments of the FHLBanks. No liability is recorded because each FHLBank must pay 20 percent of its GAAP net income (after payment of its AHP obligation) to REFCORP to support the payment of part of the interest on the bonds issued by REFCORP. The future payments of each FHLBank are contingent upon future earnings that cannot be estimated under SFAS No. 5, *Accounting for Contingencies.* As a result, the REFCORP payments are disclosed as a long-term statutory payment requirement and are treated similar to a tax for accounting purposes.

Off-Balance Sheet Arrangements and Other Commitments

In the ordinary course of business, the FHLBanks engage in financial transactions that, in accordance with GAAP, are not recorded on the FHLBanks' Statement of Condition or may be recorded on the FHLBanks' Statement of Condition in amounts that are different from the full contract or notional amount of the transactions. The FHLBanks routinely enter into commitments to extend advances, issue standby letters of credit and/or fund unused lines of credit. These commitments and standby letters of credit may not necessarily represent future cash requirements of

the FHLBanks. Some of these commitments are expected to expire without being drawn upon. At December 31, 2007, the FHLBanks had $28.9 billion of commitments to extend advances, letters of credit and fund unused lines of credit, and $29.2 billion in standby letters of credit outstanding. The FHLBanks entered into $2.7 billion par value of consolidated bonds and $6.2 billion par value of consolidated discount notes that had traded but not yet settled at December 31, 2007.

Contractual Obligations

In the ordinary course of operations, the FHLBanks enter into certain contractual obligations. The following table summarizes the FHLBanks' significant contractual obligations at December 31, 2007.

Payments Due or Expiration Terms by Type of Contractual Obligation
(Dollar amounts in millions)

	Payments due or expiration terms by period				
	< 1 Year	1 to <3 Years	3 to <5 Years	5 years and >	Total
Consolidated bonds(1)	$287,879	$260,976	$104,649	$154,773	$808,277
Capital lease obligations	6	12	11		29
Operating leases	25	45	33	50	153
Standby bond purchase agreements	819	607	462	94	1,982
Commitments to fund/purchase mortgage loans	240				240
Other unconditional purchase obligations	1	1	1	1	4
Unconditional purchase obligations	1,060	608	463	95	2,226
Subordinated notes				1,000	1,000
Mandatorily redeemable capital stock	87	174	814	32	1,107
Securities sold under agreements to repurchase	200		1,200		1,400
Total contractual obligations	$289,257	$261,815	$107,170	$155,950	$814,192

(1) Does not include discount notes and is based on contractual maturities; the actual timing of payments could be affected by factors affecting redemptions.

Legislative and Regulatory Developments

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

Finance Board Adopts Final Rule Clarifying Financial Interests of Appointive FHLBank Directors. On June 13, 2007, the Finance Board adopted a final rule clarifying the types of financial interests that an appointive FHLBank director may have with a member of the FHLBank on whose board the director serves. Under this rule, which became effective on July 19, 2007,

financial interests in an FHLBank member resulting from ownership of shares of a diversified mutual fund are permissible holdings for an appointive director. The rule also extends the rationale for permitting mutual fund investments to other types of investment vehicles and accounts that share certain key features of mutual funds that make them unlikely to pose a risk of conflict of interest for an appointive director. Finally, the rule sets forth additional criteria to define when owning shares of a holding company of a member, serving as an officer or director of a holding company of a member, or having other types of financial interests in a member, would be permissible for an appointive director.

Finance Board Issues Advisory Bulletin on Nontraditional and Subprime Residential Mortgage Loans. On April 12, 2007, the Finance Board issued Advisory Bulletin 2007-AB-01 (Advisory Bulletin) on nontraditional and subprime residential mortgage loans. The Advisory Bulletin provided that by June 30, 2007, each FHLBank's board of directors should review its existing credit risk management policies and adopt any necessary additional policies related to nontraditional and subprime residential mortgage products. The Advisory Bulletin also states that the Finance Board may require periodic reporting of volumes, policies, procedures and risk management practices related to these types of residential mortgages. Additionally, each FHLBank should require periodic confirmation from each of its members that is subject to federal or state regulatory oversight that the member is complying with nontraditional residential mortgage and subprime mortgage lending guidance. Each FHLBank's board of directors has completed its review of its existing policies and adopted any necessary additional policies as required by this Advisory Bulletin. In addition, each FHLBank's management believes its FHLBank has limited exposure to subprime loans due to its business model, conservative policies pertaining to advances collateral and investments, and low credit risk due to the design of its mortgage loan program(s).

Finance Board Adopts Process for Appointing Directors. On March 27, 2007, the Finance Board issued a final rule establishing procedures for the selection of appointive directors to the boards of the FHLBanks. Under the rule, the FHLBanks are responsible for identifying potential directors, conducting a preliminary assessment of their eligibility and qualifications, and sending up to two nominees for each vacant appointive directorship to the Finance Board for its consideration. The nominations must be accompanied by a completed eligibility form that demonstrates the qualifications of each nominee to serve on the board of an FHLBank. The Finance Board will review each nomination and decide whether to appoint directors from the submitted list of nominees. If the Finance Board declines to appoint any of the nominees, it may require the FHLBank to submit additional nominees for consideration.

Finance Board Adopts Final Rule Limiting Excess Stock. On December 22, 2006, the Finance Board adopted a final rule prohibiting FHLBanks from issuing new excess stock if the amount of excess stock exceeds one percent of the FHLBank's assets. The final rule became effective on January 29, 2007. Under the rule, any FHLBank with excess stock greater than one percent of its total assets will be prevented from further increasing excess stock by paying stock dividends or otherwise issuing new excess stock. Also included in the final rule is a provision requiring the FHLBanks to declare and pay dividends only out of previously retained earnings or current net earnings. At December 31, 2007, the FHLBank of Indianapolis had excess stock outstanding greater than one percent of total assets, while the remaining FHLBanks did not have excess stock outstanding greater than one percent of total assets. Most of the FHLBanks pay cash, rather than stock dividends. The FHLBanks of Dallas, Topeka, and San Francisco paid stock dividends during 2007. As a result of this final rule, during the second quarter of 2007, the FHLBank Topeka changed how it manages excess stock to address the new limit on the amount of excess stock that may be outstanding. Under the change in its procedures, the FHLBank Topeka implemented: (1) an exchange of all excess Class B Common Stock to Class A Common Stock on May 31, 2007, thus causing each stockholder to start at the same point with no excess Class B Common Stock, and (2) an exchange of all Class B Common Stock in excess of $50,000 to Class A Common Stock on each Wednesday (or following business day if a holiday) beginning in July 2007. In addition, at the end of each quarter the FHLBank Topeka may exercise its rights under the

capital plan to execute a mandatory repurchase of excess stock if there is a risk of exceeding the one percent of FHLBank Topeka assets limitation on excess stock established by the Finance Board that would prevent the FHLBank Topeka from paying its quarterly dividend in the form of capital stock.

Finance Board Adopts Final Rule Modifying Calculations for Required Annual AHP Contributions. On September 13, 2006, the Finance Board adopted a final rule modifying the calculations for the FHLBanks' required annual AHP contributions. Under the final rule, which became effective on January 1, 2007, each FHLBank's required annual AHP contribution is limited to its annual net earnings. By existing regulation, each FHLBank contributes annually to its AHP Program the greater of ten percent of its annual net earnings or its pro-rata share of an aggregate of $100 million contributed by all of the FHLBanks, such pro ration being made on the basis of each FHLBank's annual net earnings in relation to all FHLBanks' annual net earnings.

FHLBank of Chicago Consent C&D Order. (See "Business—Oversight, Audits and Examinations—Regulatory Developments at the FHLBank of Chicago.")

Proposed Changes to GSE Regulation. Congress is considering proposed legislation that is designed to strengthen the regulation of Fannie Mae, Freddie Mac and the FHLBanks and to address other GSE reform issues. On May 22, 2007, the House of Representatives passed GSE regulatory reform bill (H.R. 1427), which would, among other things, establish a new regulator for the housing GSEs. The Senate Banking Committee has not held a hearing or passed GSE reform legislation at this time. It is impossible to predict whether any provisions relating to the Finance Board and the FHLBanks will be included in any such legislation and what such provisions may be. It is further impossible to predict whether the Senate will approve such legislation and whether any such change in regulatory structure will be signed into law. Finally, it is impossible to predict when any such change would go into effect if it were to be enacted, and what effect the legislation would ultimately have on the Finance Board or the FHLBanks.

U.S. Department of the Treasury to Review GSE Debt Issuance Approval Process. The U.S. Department of the Treasury has announced that it is reviewing its process for approving the GSEs' debt issuance. This review is being undertaken in order to ensure that, in light of current circumstances, the Treasury continues to act as an appropriate custodian of the powers the Congress granted to it when the GSE charters were created. Under their charters, GSEs are permitted to issue debt only upon the approval of the Secretary of the Treasury. Although the approval process has changed in the past from time to time, approvals have been routinely and cooperatively granted. As a result of this review, the approval process could change again, which could affect the amount, timing, structures and interest costs of the FHLBank System's consolidated obligation issuances and which, in turn, could affect the FHLBanks' ability to continue to achieve its mission and corporate objectives. At this time, the FHLBanks cannot predict what effects, if any, will result from actions taken as a result of the U.S. Department of the Treasury's review.

Recent Rating Agency Actions

Federal Home Loan Banks
Long-Term and Short-Term Credit Ratings
At March 28, 2008

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

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 demands of its members and housing associates. The principal sources of funds for these activities are consolidated obligations and, to a lesser extent, capital and deposits from members. Lending and investing funds, and engaging in interest-rate exchange agreements, can potentially expose the FHLBanks to a number of risks. These risks include credit risk and interest-rate risk. The FHLBanks are also subject to liquidity risk, operational risk and business risk. To control these risks, each FHLBank has established policies and practices to evaluate and manage its credit, interest-rate, liquidity, operational and business risk positions. The Finance Board has established regulations governing the risk management practices of the FHLBanks. The FHLBanks must file periodic compliance reports with the Finance Board. The Finance Board conducts an annual on-site examination of each FHLBank and the Office of Finance as well as off-site analyses.

The FHLBanks do not have any special purpose entities or any other types of off-balance sheet conduits. All derivatives are recorded in the Statement of Condition at fair value. Finance Board regulation prohibits the speculative use of interest-rate exchange agreements. The FHLBanks do not trade derivatives for short-term profit.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Each FHLBank's board of directors and management 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 "Available Information on Individual FHLBanks.")

Managing 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 appropriate limits. The FHLBanks generally approach managing interest-rate risk by acquiring and maintaining a portfolio of assets and liabilities and entering into related interest-rate exchange agreements to limit the expected mismatches in duration. The FHLBanks manage interest-rate risk in several different ways, which are more fully discussed below.

The FHLBanks may measure interest-rate risk exposure by various methods. The more commonly used methods by the FHLBanks include the calculation of market value of equity, duration of equity and duration gap.

An FHLBank may analyze its interest-rate risk exposure by evaluating its theoretical market value of equity. Market value of equity represents the difference between the theoretical market value of total assets less the theoretical market value of total liabilities, including off-balance sheet items. It measures, in present value terms, the long-term economic value of current capital and the long-term level and volatility of net interest income. Generally, an FHLBank analyzes the sensitivity of the market value of equity to changes in interest rates, prepayment speeds, options prices, mortgage and debt spreads, interest rate volatility, and other market variables. As such, theoretical market values can be calculated under various interest rate scenarios, and the resulting changes in net equity can provide an indicator of the exposure of the Bank's market value of equity to market volatility. However, market value of equity should not be considered indicative of the market value of an FHLBank as a going concern or the value of an FHLBank in a liquidation scenario because it does not consider future new business activity, risk management strategies, or the net profitability of assets after funding costs are subtracted.

Another measure of interest-rate risk is duration of equity, which measures how sensitive a theoretical market value of equity is to changes in interest rates. Duration of equity equals the market value weighted duration of assets minus the market value weighted duration of liabilities, divided by the market value of equity. A related measure of interest-rate risk is duration gap, which measures the difference between the combined durations of total assets and total liabilities, adjusted for the effect of derivatives. Duration gap determines the sensitivity of assets and liabilities to interest rate changes and reflects the extent to which estimated maturity and repricing cash flows for assets and liabilities are matched. Duration generally indicates the expected change in an instrument's market value from a small movement 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.

The optionality embedded in certain financial instruments held by the FHLBanks can create interest-rate risk. For example, when a member prepays an advance, this can lead to lower future income for the FHLBank. If the principal portion of the advance being prepaid is reinvested in assets yielding a lower return, but that principal amount continues to be funded by the original (higher-cost) debt, the FHLBank can suffer lower net returns. To protect against this risk, each FHLBank generally charges members a prepayment fee to compensate the FHLBank for this potential loss, making it financially indifferent to the prepayment. When an FHLBank offers advances (other than short-term advances) that a member may prepay without a prepayment fee, it usually finances these advances with callable debt or otherwise hedges this option.

The FHLBanks hold mortgage-related investments, such as mortgage loans and mortgage-backed securities. Because mortgage-related investments contain prepayment options, changes in interest rates cause the expected maturities of these investments to become shorter or longer. Finance Board regulation limits this source of interest-rate risk by restricting the types of mortgage-backed securities the FHLBanks may own. FHLBanks may own only those mortgage-backed securities whose changes in average life under certain interest-rate shock scenarios are limited. The FHLBanks may hedge against this contraction risk by funding some mortgage-related investments

with consolidated obligations that have call features. In addition, the FHLBanks may use caps, floors and other interest-rate exchange agreements to manage the extension and contraction variability of mortgage-related investments. The FHLBanks may also use interest-rate exchange agreements to transform the characteristics of investment securities other than mortgage-backed securities to match the cash flow characteristics and/or market value of the hedged item.

Qualitative Disclosures about Market Risk

Interest-Rate Exchange Agreements

Types of Interest-Rate Exchange Agreements

General. To manage their exposure to changes in interest rates, the FHLBanks enter into the following kinds of derivatives (which are also referred to in this Combined Financial Report as "interest-rate exchange agreements"):

— interest-rate swaps;

— options;

— swaptions;

— interest-rate caps and floors; and

— futures and forward contracts.

Consistent with Finance Board policy, an FHLBank enters into derivatives only to manage the interest-rate risk exposures inherent in otherwise unhedged assets and funding positions, and to achieve the FHLBank's risk management objectives. An FHLBank may also enter into a derivative contract with its members to facilitate the members' asset/liability management strategies, where the FHLBank passes through the risk by entering into an offsetting position with an approved counterparty. Management of an FHLBank utilizes interest-rate exchange agreements in the most cost-efficient strategy and may enter into interest-rate exchange agreements that do not necessarily qualify for hedge accounting under SFAS 133 accounting rules. As a result, for these economic hedges the FHLBanks recognize only the change in fair value and interest income or expense related to these interest-rate exchange agreements in other income. They are recognized as net realized and unrealized gains (losses) on derivatives and hedging activities. No fair value adjustments of the economically hedged asset, liability or firm commitment are recorded to offset these changes.

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

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

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

swaption is the option to make fixed interest payments at a later date and a receiver swaption is the option to receive fixed interest payments at a later date.

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

Futures. The FHLBanks use futures contracts in order to hedge interest-rate risk. SFAS 133 permits the benchmark interest rate to be the designated risk in a hedge of interest-rate risk. The benchmark interest rate encompasses both U.S. Treasury rates and LIBOR. In order to hedge benchmark interest-rate risk, the FHLBanks enter into Eurodollar futures contracts that they can demonstrate are highly correlated to LIBOR.

Eurodollar futures contracts are based on three-month Eurodollar interest rates. All futures contracts are standardized, with specific value dates and fixed contract sizes. Eurodollar futures contracts are traded through the Chicago Mercantile Exchange. They provide for daily cash settlements in order to reduce the risk of default by a counterparty.

Foreign Currencies. At times, the FHLBanks have issued some consolidated obligations denominated in currencies other than U.S. dollars. The FHLBanks use forward exchange contracts to hedge currency risk on such consolidated obligations. These contracts exchange different currencies at specified rates on specified dates in the future. These contracts effectively simulate the conversion of consolidated obligations denominated in foreign currencies into ones denominated in U.S. dollars. At December 31, 2007, there were no outstanding consolidated obligations denominated in foreign currencies.

Application of Interest-Rate Exchange Agreements

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

— by designating them as a fair-value or cash-flow hedge of an associated financial instrument, a firm commitment or an anticipated transaction;

— in asset/liability management (i.e., non-SFAS 133 "economic" hedges); or

— by acting as an intermediary.

For example, the FHLBanks use interest-rate exchange agreements in their overall interest-rate risk management to effectively adjust the interest-rate sensitivity of consolidated obligations to match more closely the interest-rate sensitivity of assets (i.e., advances, investments and mortgage loans). These derivatives are also used to effectively adjust the interest-rate sensitivity of assets to match more closely the interest-rate sensitivity of liabilities. In addition to using interest-rate exchange agreements to manage mismatches of interest rates between assets and liabilities, the FHLBanks also use interest-rate exchange agreements for the following purposes:

— to reduce funding costs;

— to preserve a favorable interest-rate spread between the yield of an asset and the cost of the supporting liability;

— to reduce the interest rate sensitivity and repricing gaps of assets, liabilities, and interest rate exchange agreements;

— to mitigate the adverse earnings effects of the shortening or extension of certain assets (e.g., advances or mortgage assets) and liabilities;

— to protect the value of existing asset or liability positions or of anticipated transactions; and

— to manage embedded options in assets and liabilities.

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

Consolidated Obligations. An FHLBank manages the risk arising from changing market prices and volatility of a consolidated obligation by matching the cash inflow on the interest-rate exchange agreement with the cash outflow on the consolidated obligation. In addition, the FHLBanks require collateral on interest-rate exchange agreements at specified levels correlated to counterparty credit ratings. Although consolidated obligations are the joint and several obligations of the FHLBanks, one or more of the FHLBanks may act individually as a counterparty to interest-rate exchange agreements associated with specific debt issues.

In a typical transaction of this kind, an FHLBank issues a fixed-rate consolidated obligation and simultaneously enters into a matching interest-rate exchange agreement. The counterparty in this interest-rate exchange agreement pays the issuing FHLBank a fixed cash flow that is designed to mirror (both in timing and amount) the cash outflow the issuing FHLBank must pay on the consolidated obligation. In return, the FHLBank pays a variable cash flow that matches the interest payments it receives on short-term or variable-rate advances, which reduces the FHLBank's exposure to fixed interest rates. Such transactions are treated as fair-value hedges under SFAS 133. This strategy of issuing bonds while simultaneously entering into interest rate exchange agreements enables an FHLBank to offer a wider range of attractively priced advances to its members and may allow an FHLBank to reduce its funding costs. The continued attractiveness of such debt depends on yield relationships between the bond and interest rate exchange markets. If conditions in these markets change, an FHLBank may alter the types or terms of the bonds that it issues. By acting in both the capital and the swap markets, the FHLBanks can raise funds at lower costs than through the issuance of simple fixed- or variable-rate consolidated obligations in the capital markets alone.

Advances. When a member executes a fixed-rate advance or a variable-rate advance with embedded options, an FHLBank may simultaneously execute a derivative with terms that offset the terms and embedded options, if any, in the advance. For example, an FHLBank may hedge a fixed-rate advance with an interest-rate swap where the FHLBank pays a fixed-rate coupon and receives a floating-rate coupon, effectively converting the fixed-rate advance to a floating-rate advance.

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

Mortgage Loans Held for Portfolio. The prepayment options embedded in mortgage assets held by the FHLBanks can reduce or extend the expected maturities of these investments if prepayments occur earlier or later than originally estimated. In addition, to the extent the FHLBanks purchase mortgage assets at premiums or discounts, net income could be affected by such changes in the expected maturity. Net income could be reduced if the FHLBanks replace the mortgages with lower-yielding assets without reducing higher funding costs at the same time.

Swaps, futures and other options may be combined into a portfolio of derivatives that is linked to a portfolio of mortgage loans. The portfolio of mortgage loans consists of one or more pools of similar assets. Similar assets are designated by factors such as product type and coupon. As the

portfolio of loans changes due to new loans, liquidations and payments, the derivative portfolio is modified accordingly to hedge the interest-rate and prepayment risks effectively. A new hedging relationship is created with each change to the loan portfolio.

Options may also be used to hedge embedded prepayment risk on the mortgages. Many of these hedges are not tied to a specific mortgage. To manage the prepayment risk embedded in the mortgage loans, the FHLBanks also purchase derivatives such as:

— interest-rate caps and floors;

— swaptions;

— cancelable swaps;

— calls; and

— puts.

Although these derivatives are valid economic hedges against the prepayment risk of the loans, they are not specifically linked to individual loans.

The FHLBanks analyze the risk of their mortgage portfolios on a regular basis and consider the interest-rate environment under various rate scenarios. They also perform analyses of the duration and convexity of their portfolios.

Commitment Strategies. The FHLBanks economically hedge the market value of commitments to purchase fixed-rate mortgage loans by using derivatives that have similar market value characteristics. These mortgage purchase commitments are considered derivatives. The FHLBanks normally hedge these commitments by selling mortgage-backed securities to be announced (TBA MBS) or other derivatives for forward settlement.

The FHLBanks may also hedge a firm commitment for a forward-starting advance through the use of an interest-rate swap. In this case, the swap functions as the hedging instrument for both the firm commitment and the subsequent advance. The basis movement associated with the firm commitment will be included 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.

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

For available-for-sale securities that have been hedged and qualify as a fair-value hedge, the FHLBanks record the portion of the change in value related to the risk being hedged in other income as net gains (losses) on derivatives and hedging activities, together with the related change in the fair value of the related interest-rate exchange agreements. The amount of the change in fair value of the investment securities related to the unhedged risk is recorded in accumulated other comprehensive income as an unrealized gain or loss on available-for-sale securities. For available-for-sale securities that have been hedged and qualify as a cash-flow hedge, the FHLBanks record the effective portion of the change in value of the interest-rate exchange agreements related to the risk being hedged in accumulated other comprehensive income as unrealized gains or losses on hedging activities. The ineffective portion is recorded in other income.

Finance Board policies also limit the FHLBanks' exposure to interest rate and prepayment risks from investments in mortgage-backed and asset-backed securities. Under these policies, the total book value of mortgage-backed securities owned by an FHLBank may not exceed 300 percent of the FHLBank's previous month-end regulatory capital plus its mandatorily redeemable capital stock on the day it purchases the securities. The FHLBank of Chicago may include a designated amount of subordinated notes in calculating compliance with this requirement. The Shared Funding Program mortgage-backed certificates, however, are not subject to this 300 percent limit.

In addition, the FHLBanks are prohibited from purchasing:

- interest-only or principal-only stripped mortgage-backed securities;
- residual-interest or interest-only classes of CMOs or real-estate mortgage investment conduits (REMICs); and
- both variable-rate mortgage-backed securities with rates at their contractual cap on the trade date and fixed-rate mortgage-backed securities that have average lives that vary more than six years under an assumed instantaneous interest rate change of 300 basis points.

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

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

Intermediation. To meet the asset/liability management needs of their members, the FHLBanks may enter into interest-rate exchange agreements with their members and offsetting interest-rate exchange agreements with other counterparties. Under these agreements, the FHLBanks act as an intermediary between members and other counterparties. This intermediation grants smaller members indirect access to the derivatives market. The derivatives used in intermediary activities do not receive SFAS 133 hedge accounting treatment and are separately marked-to-market through earnings. The net result of the accounting for these derivatives does not significantly affect the operating results of the FHLBanks.

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

The following table categorizes the estimated fair value of derivative financial instruments, excluding accrued interest by product, and type of accounting treatment. The categories "Fair Value" and "Cash Flow" represent hedge strategies for which hedge accounting is achieved. The category "Economic" represents hedge strategies for which hedge accounting is not achieved.

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

	December 31, 2007		December 31, 2006	
	Total Notional	Total Estimated Fair Value (excludes accrued interest)	Total Notional	Total Estimated Fair Value (excludes accrued interest)
Advances				
Fair Value-existing cash item	$342,624	$(7,918)	$235,567	$ 717
Fair Value-firm commitments	2,093	(3)	53	
Cash Flow-existing cash item	3,375	161	1,925	20
Economic	13,504	(17)	7,349	3
Total	361,596	(7,777)	244,894	740
Investments				
Fair Value-existing cash item	1,251	(172)	1,560	(134)
Economic (includes trading securities hedges)	13,520	(229)	12,043	(121)
Total	14,771	(401)	13,603	(255)
MPF/MPP Loans Held for Portfolio				
Fair Value-existing cash item	13,959	(51)	33,115	26
Standalone-delivery commitments	214	1	221	
Economic (including TBAs)	7,260	19	16,053	2
Total	21,433	(31)	49,389	28
Consolidated Obligations — Bonds				
Fair Value-existing cash item	446,273	3,568	506,990	(3,187)
Cash Flow-anticipated transaction	537	(7)		
Economic	70,952	75	65,768	(53)
Total	517,762	3,636	572,758	(3,240)
Consolidated Obligations — Discount Notes				
Fair Value-existing cash item	2,172	4	2,146	(1)
Economic	22,705	14	15,520	42
Total	24,877	18	17,666	41
Deposits				
Fair Value	20	4	20	4
Total	20	4	20	4
Balance Sheet				
Economic	15,359	9	7,242	3
Total	15,359	9	7,242	3
Intermediary Positions				
Intermediaries	3,344	1	2,874	1
Total	3,344	1	2,874	1
Total notional and estimated fair value	$959,162	$(4,541)	$908,446	$(2,678)

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

	December 31, 2007		December 31, 2006	
	Total Notional	Total Estimated Fair Value (excludes accrued interest)	Total Notional	Total Estimated Fair Value (excludes accrued interest)
Total derivatives excluding accrued interest		$(4,541)		$(2,678)
Accrued interest		1,639		1,418
Net derivative balances		$(2,902)		$(1,260)
Net derivative assets balances		$ 2,401		$ 1,626
Net derivative liabilities balances		(5,303)		(2,886)
Net derivative balances		$(2,902)		$(1,260)

The notional amount of derivatives represents neither the actual amounts exchanged nor the overall exposure of the FHLBanks to credit and market risk. The overall amount that could potentially be subject to credit loss is much smaller. Notional values are not meaningful measures of the risks associated with derivatives. The risks of derivatives can be measured meaningfully on a portfolio basis. This measurement must take into account the derivatives, the item being hedged and any offsets between the two.

In accordance with SFAS 133, each FHLBank classifies derivative assets and derivative liabilities according to the net fair value of derivatives with each of its counterparties when these derivatives are covered by a master netting agreement. If the net fair value of derivatives with one of its counterparties is positive, it is classified as an asset by that FHLBank. If the net fair value of derivatives with one of its counterparties is negative, it is classified as a liability by that FHLBank. The $0.8 billion increase in combined derivative assets and the $2.4 billion increase in combined derivative liabilities from December 31, 2006 to December 31, 2007 is largely the result of interest rate changes.

Quantitative Disclosures about Market Risk

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

Under the Finance Board regulations, the FHLBank of Chicago, which has not yet converted to its new capital plan, must ensure that its duration of equity stays within a range of +5 to -5 years, based on current interest rates using the consolidated obligation cost curve or an appropriate discounting methodology. If one assumes an instantaneous parallel interest rate shifts of +/-200 basis points, the duration of equity of this FHLBank must stay within a range of +7 to -7 years. Each FHLBank reports the results of its duration of equity calculations to the Finance Board each quarter; however, each FHLBank that has converted to its new capital structure is no longer subject by regulation to the duration of equity requirements. The capital adequacy rules of the Finance Board require each FHLBank that has implemented a new capital plan to hold permanent capital in an amount sufficient to cover the sum of its credit, market and operational risk-based capital requirements, as these metrics are defined by Finance Board regulations. Each of these FHLBanks has developed a market risk model that calculates the market risk component of this requirement.

The table below reflects measurements by the FHLBank of Chicago of its exposure to interest-rate risk in accordance with Finance Board policy. The table summarizes the interest-rate risk associated with all instruments entered into by the FHLBank of Chicago.

Duration of Equity
(In years)

December 31, 2007			December 31, 2006		
- 200 basis point change*	Base	+ 200 basis point change	- 200 basis point change*	Base	+ 200 basis point change
1.8	(0.1)	(2.7)	1.4	3.1	0.0

* The Finance Board regulation restricts the down rate from assuming a negative interest rate. Therefore, the FHLBank of Chicago adjusts the down rate accordingly.

Each FHLBank also calculates and measures its duration gap. The duration gap is the difference between the estimated durations (market value sensitivity) of assets and liabilities (including the effect of interest-rate exchange agreements) and reflects the extent to which estimated maturity and repricing cash flows for assets and liabilities are matched.

Duration Gap
(In months)

FHLBank	December 31, 2007	December 31, 2006
Boston	0.5	0.2
New York	(0.6)	0.3
Pittsburgh	1.6	0.7
Atlanta	0.4	0.8
Cincinnati	0.4	1.0
Indianapolis	1.2	1.6
Chicago	0.0	0.9
Des Moines	(1.4)	0.0
Dallas	0.9	0.2
Topeka	1.4	1.3
San Francisco	1.5	0.7
Seattle	0.0	0.0

As discussed earlier, the FHLBanks use various methods to measure their market and interest rate risk exposure. The more commonly used methods include market value of equity and duration of equity. The following table denotes which FHLBanks include quantitative market value of equity and duration of equity information in its individual FHLBank 2007 Form 10-K.

	Market and Interest Rate Risk Measurements	
	Market Value of Equity	**Duration of Equity**
FHLBank:		
Boston	√	√
New York	√	√
Pittsburgh	√	√
Atlanta	√	√
Cincinnati	√	√
Indianapolis	√	√
Chicago	√	√
Des Moines	√*	
Dallas	√	√
Topeka	√	√
San Francisco	√	
Seattle	√	√

* Although the FHLBank of Des Moines measures and monitors market value of equity and duration of equity, those measures are not disclosed as key market risk measures. The FHLBank of Des Moines discloses, in its Form 10-K, market value of capital stock (MVCS) and economic capital ratio (ECR) as key market risk measures. The FHLBank of Des Moines measures and limits movements in MVCS, where capital stock accounts for approximately 89 percent of total equity, and ECR, which is the ratio of market value of equity to total assets.

LIQUIDITY RISK

Liquidity risk is the risk that an FHLBank will be unable to meet its financial obligations as they come due or meet the funding needs of its members in a timely, cost-effective manner. There are two types of liquidity risk that affect the FHLBanks:

1. *Operational Liquidity Risk:* the potential inability of an FHLBank to meet its deposit liquidity requirements to fund the anticipated (or unanticipated) day-to-day needs through its normal sources of funding, including the short-term discount note market; and
2. *Contingency Liquidity Risk:* the potential inability of an FHLBank to meet its liquidity needs due to an unanticipated increase in borrowing requests from its members or in the event it cannot access the capital markets, including the short-term discount note market, for a period of time due to a contingency such as a market disruption, operational failure or problems with its credit quality.

To address liquidity risk, the FHLBank Act and Finance Board regulations set liquidity requirements for the FHLBanks. The board of directors of the individual FHLBanks may also set additional liquidity policies.

Under the FHLBank Act, to cover its operational liquidity risk each FHLBank must have an amount equal to its current deposits invested in:

- investments in obligations of the U.S. government and its agencies;
- deposits in eligible banks or trust companies; or
- advances with a maturities that do not exceed five years.

In addition, to address contingency liquidity risk, Finance Board regulations require each FHLBank to have sources of funding on hand to ensure its normal operational requirements for a period of up to five business days, in the event it is unable to access the consolidated obligation debt markets.

The FHLBanks' primary sources of liquidity are maturities of short-term money-market investments and advances and the issuance of consolidated obligation bonds and discount notes. Each of the FHLBanks was in compliance with its respective liquidity requirements at December 31, 2007.

CREDIT RISK

General

Credit risk is the risk of loss due to default or non-performance of an obligor or counterparty. The FHLBanks are subject to credit risk on advances, investments (including mortgage-backed securities), mortgage loans held for portfolio and interest-rate exchange agreements. Each FHLBank follows guidelines established by the Finance Board and its board of directors regarding unsecured extensions of credit, whether on- or off-balance sheet. Finance Board regulation limits the amounts and terms of unsecured credit exposure to any counterparty other than the U.S. government. Unsecured credit exposure to any counterparty is limited by the credit quality and capital level of that counterparty and by the capital level of the FHLBank.

Managing Credit Risk

Advances. Each FHLBank manages its credit exposure to advances through an integrated approach that provides for the ongoing review of the financial condition of its borrowers coupled with conservative collateral/lending policies and procedures to limit its risk of loss while balancing its borrowers' needs for a reliable source of funding. The FHLBanks protect against credit risk on advances by collateralizing all advances. The FHLBank Act requires that FHLBanks obtain and maintain from their borrowers collateral to secure advances at the time the advances are originated or renewed. Collateral arrangements will vary depending upon borrower credit quality, financial condition and performance; borrowing capacity; collateral availability; and overall credit exposure to the borrower. Each FHLBank establishes each borrower's borrowing capacity by determining the amount it will lend against each collateral type. Borrowers are also required to collateralize the face amount of any letters of credit issued for their benefit by an FHLBank. Each FHLBank can call for additional or substitute collateral during the life of an advance to protect its security interest.

Collateral eligible to secure new or renewed advances includes:

1) one-to-four family and multifamily mortgage loans (delinquent for no more than 90 days) and securities representing such mortgages;
2) securities issued, insured or guaranteed by the U.S. government or any U.S. government agency (for example, mortgage-backed securities issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae);
3) cash or deposits in the FHLBank;
4) certain other collateral that is real estate-related, provided that the collateral has a readily ascertainable value and that the FHLBank can perfect a security interest in it; and
5) certain qualifying securities representing undivided equity interests in eligible advances collateral.

All borrower obligations to the FHLBanks are secured with eligible collateral, the value of which is discounted to protect the FHLBanks from default in adverse circumstances. Collateral discounts, or haircuts, used in determining lending values of the collateral are calculated to estimate that the lending value of collateral securing each borrower's obligations exceeds the amount the

borrower may borrow from the FHLBanks. The following collateral lending values have been combined for the 12 FHLBanks as shown below. Collateral lending values are determined by subtracting the collateral haircut from 100 percent.

Collateral Type	December 31, 2007 Range of Collateral Lending Values
Single-family mortgage loans	50-91%(1)
FHA/VA loans	51-91%(2)
Multifamily mortgage loans	40-90%(3)
U.S. government/Treasury securities	87-99.5%(4)
U.S. agency securities (including MBS)	55-99%(5)
Non-agency MBS/CMOs	25-95%(6)
Other U.S. government-guaranteed mortgage loans	45-85%(7)
Community financial institution (CFI) collateral (e.g., small-business, small-farm, small-agribusiness loans)	20-80%(8)
Other real estate related collateral (e.g., commercial real estate, construction loans, home equity lines of credit)	20-95%(9)

(1) Most single-family mortgage loan collateral is discounted in the 67%-85% range.

(2) Most FHA/VA loan collateral is discounted in the 67%-87% range.

(3) Most multifamily mortgage loan collateral is discounted in the 45%-83% range.

(4) Most U.S. government/Treasury securities collateral is discounted in the 87%-98% range.

(5) Most U.S. agency securities collateral is discounted in the 83%-98% range.

(6) Most non-agency MBS/CMO collateral is discounted in the 67%-95% range, with the highest end of the range assigned to AAA-rated securities.

(7) Most other U.S. government-guaranteed mortgage loan collateral is discounted in the 50%-85% range.

(8) Most CFI collateral is discounted in the 25%-80% range.

(9) Most other real estate related collateral is discounted in the 33%-69% range.

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

The FHLBank Act permits borrowers that qualify as a "community financial institution" (which is defined in the FHLBank Act as an FDIC-insured depository institution that had average assets for the past three calendar years totaling no more than $587 million during 2006, $599 million during 2007 and $625 million during 2008) also to pledge certain CFI-specific collateral, which consists of small-business, small-farm, and small-agribusiness loans, to the extent that its FHLBank accepts such loans as collateral for advances. The potential increased credit risk from CFI collateral is mitigated by the FHLBanks that accept this collateral through higher haircuts (lower lending values) on such collateral.

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

FHLBanks impose borrowing limits on borrowers within a maximum range of 35 to 55 percent of a borrower's total assets.

Under the FHLBank Act, an FHLBank has a statutory lien on that FHLBank's capital stock held by its members, which serves as further collateral for the indebtedness of these members to the FHLBank. The FHLBank Act also allows FHLBanks to further protect their security position with respect to advances by allowing them to require the posting of additional collateral, whether or not such additional collateral is eligible to originate or renew an advance. In order to borrow from its FHLBank, a borrower must pledge collateral using a blanket lien or specific identification method, or, if required, deliver such collateral to the FHLBank or its agent (acceptable third party). The FHLBanks perfect their security interests by filing applicable financing statements or taking delivery of collateral. In addition, under the FHLBank Act, a security interest granted to an FHLBank by a member, or any affiliate of the member to an FHLBank, is entitled to a priority over the claims and rights of any party (including any receiver, conservator, trustee or similar lien creditor), except the claims and rights of a party that would be entitled to priority under otherwise applicable law and is an actual *bona fide* purchaser for value of such collateral or is an actual secured party whose security interest in such collateral is perfected in accordance with applicable state law.

No FHLBank has ever experienced a credit loss on an advance. However, the expanded eligible collateral for community financial institutions and lending to non-member housing associates increases the credit risk to the FHLBanks. Advances to community financial institutions secured with expanded eligible collateral represent approximately $8 billion of the total $867 billion of advances outstanding at par value at December 31, 2007. Advances to housing associates represent $149 million of the total $867 billion of advances outstanding at par value at December 31, 2007.

In light of the deterioration in the housing and mortgage markets, the FHLBanks continue to evaluate and make changes to their collateral guidelines when reviewing their borrowers' financial condition to further mitigate the credit risk of advances. The management of each FHLBank believes it has adequate policies and procedures in place to manage its credit risk on advances effectively.

Investments. In order to minimize credit risk on investments, the FHLBanks are required to operate within certain statutory and regulatory limits. Under Finance Board regulations, the FHLBanks are prohibited from investing in certain types of securities, which include:

- instruments, such as common stock, that represent an ownership in an entity, other than stock in small business investment companies, or certain investments targeted at low-income persons or communities;
- instruments issued by non-U.S. entities, other than those issued by U.S. branches and agency offices of foreign commercial banks (e.g., Federal funds);
- non-investment grade debt instruments, other than certain investments targeted at low-income persons or communities and instruments that were downgraded after their purchase by the FHLBank;
- whole mortgages or other whole loans, other than:
  1) whole mortgages or loans acquired under an FHLBank's mortgage purchase program;
  2) certain investments targeted to low-income persons or communities;
  3) certain marketable direct obligations of state, local, or tribal government units or agencies, having at least the second-highest credit rating from an NRSRO;
  4) mortgage-backed securities or asset-backed securities backed by manufactured housing loans, home equity loans, and pools of commercial and residential mortgage loans that are labeled as subprime or having certain subprime characteristics; and

5) certain foreign housing loans authorized under section 12(b) of the FHLBank Act; and

- non-U.S. dollar-denominated securities.

The FHLBanks further mitigate credit risk on investment securities by investing in highly-rated investment securities. At December 31, 2007 and 2006, 99.96 percent of all investments by the FHLBanks in mortgage-backed securities were rated triple-A. Of the $143.5 billion in mortgage-backed securities investments held by the FHLBanks at year-end, as of March 27, 2008, less than one-half of one percent had been downgraded with a stable outlook, less than one-tenth of one percent had been downgraded and are on negative watch (all are still investment grade), and less than 4 percent are on negative watch but not downgraded. These rating actions primarily relate to private-label mortgage-backed securities and home equity loans investments. As of March 27, 2008, less than 1 percent of the $82.0 billion of private-label mortgage-backed securities investments had been downgraded with stable outlook from triple-A, all of which are still investment grade, and less than 6 percent are on negative watch but not downgraded. As of March 27, 2008, approximately 13 percent of the $2.5 billion home equity loans had been downgraded with stable outlook and 3 percent are downgraded and on negative watch but all are still investment grade, and approximately 14 percent are on negative watch but not downgraded.

Investment Securities Ratings
(Dollar amounts in millions)

	December 31, 2007*		December 31, 2006**	
Investment Rating	Amount	Percentage of Total Investments	Amount	Percentage of Total Investments
Long-term rating				
Triple-A	$155,222	94.7%	$144,944	93.6%
Double-A	965	0.6%	1,002	0.6%
Short-term rating				
A-1 or higher/P-1	7,526	4.6%	8,674	5.6%
A-2/P-2		0.0%	133	0.1%
Unrated investment securities	85	0.1%	77	0.1%
Total	$163,798	100.0%	$154,830	100.0%

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

** This chart does not reflect changes in any rating, outlook or watch status after December 31, 2006. The ratings were obtained from S&P, Moody's and/or Fitch.

At December 31, 2007, the carrying values of the FHLBanks' total private-label residential mortgage-backed securities and home equity loans reported on the combined Statement of Condition were $82.0 billion and $2.5 billion. The following table presented at par value includes classification by the originator at the time of origination. Of the total private-label residential mortgage-backed securities and home equity loans at par value, prime represented 58 percent, Alt-A represented 39 percent and subprime represented 3 percent. Of the $143.5 billion in mortgage-backed securities investments held by the FHLBanks at December 31, 2007, less than 2 percent were categorized as subprime by the originator at the time of origination.

Private-Label Residential Mortgage-Backed Securities and Home Equity Loans
By Year of Securitization at Par Value
At December 31, 2007
(Dollar amounts in millions)

	Prime	Alt-A	Subprime		
Year of Securitization	Triple-A	Triple-A	Triple-A	Double-A	Unrated
Private-label residential mortgage-backed securities (RMBS):					
2007	$ 6,947	$ 9,642	$	$	$
2006	8,767	6,823			
2005	8,505	10,442			
2004	12,010	2,798			
2003 and Prior	12,439	3,245	12	—	—
Total	48,668	32,950	12	—	—
Home equity loans:					
2007			10		
2006		27	1,262	8	
2005		7	308		
2004		52	17		4
2003 and Prior	14		879	—	3
Total	14	86	2,476	8	7
Total private-label RMBS and home equity loans	$48,682	$33,036	$2,488	$8	$7

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

Unsecured Credit Exposure
(Dollar amounts in millions)

	December 31, 2007	December 31, 2006	Increase $	Increase %
Unsecured credit exposure of FHLBanks to counterparties, excluding U.S. government, U.S. government agencies, and instrumentalities(1)	$139,895	$119,108	$20,787	17.5%
Maturities of unsecured credit exposure:				
Overnight	46.4%	43.8%		
2-30 days	27.3%	38.0%		
31-90 days	24.0%	17.5%		
91-270 days	2.3%	0.7%		

(1) Included in this total at December 31, 2007 is unsecured credit of $3.0 billion to Citibank, N.A., a member of the FHLBank of San Francisco. In addition to the unsecured credit exposure included in the table above, Citibank, N.A. had advances totaling $95.9 billion from the FHLBanks of San Francisco, New York and Dallas at December 31, 2007.

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

	December 31, 2007	December 31, 2006	Increase (Decrease) $	Increase (Decrease) %
Federal funds sold	$85,818	$77,056	$8,762	11.4%
Commercial paper	7,197	8,220	(1,023)	(12.4)%

At December 31, 2007, the FHLBanks had aggregate unsecured credit exposure of $1 billion or more to each of 53 counterparties. The aggregate unsecured credit exposure to these 53 counterparties represented 82 percent of the FHLBanks' unsecured credit exposure to non-government counterparties.

Mortgage Loans Held for Portfolio. All 12 FHLBanks have established or participated in mortgage purchase programs as services to their members. All of the programs involve the investment by each FHLBank in loans either funded by the FHLBank through, or purchased directly from, PFIs, or participations in such loans acquired from other FHLBanks. The Finance Board authorized all of the FHLBanks to hold acquired member assets, such as assets acquired under the MPF Program developed by the FHLBank of Chicago and assets acquired under the MPP program developed by the FHLBanks of Cincinnati, Indianapolis and Seattle. The FHLBank of Seattle, which previously offered the MPP to its members, is no longer accepting additional Master Commitments in the MPP, completed all of its delivery commitments in early 2006 and is not purchasing additional mortgages. All of the FHLBanks except Cincinnati and Seattle offered the MPF Program to their members. On October 6, 2006, the FHLBank of San Francisco announced that it would no longer offer new commitments to purchase mortgage loans from its members under the MPF Program but that it would retain its existing portfolio of mortgage loans. The commitment of the FHLBank of San Francisco to purchase mortgage loans under its last outstanding Master Commitment expired on February 14, 2007. The FHLBank of Atlanta stopped accepting additional Master Commitments under MPF as of February 4, 2008 and will purchase loans under existing MPF Master Commitments through December 31, 2008. The FHLBank of Atlanta plans to continue to offer MPP.

Under these programs, the FHLBank purchases/funds mortgage assets from or through members or housing associates, for which the members or housing associates continue to bear a portion of the credit risk. The mortgage loans purchased/funded under these programs may carry

more credit risk than advances, even though the respective member or housing associate provides credit enhancement. The credit risk under these programs is managed as follows:

— *MPF Loans:* Credit losses on conventional MPF Loans not absorbed by the borrower's equity in the mortgaged property, property insurance or PMI (primary mortgage insurance issued by qualified companies for mortgage loans with loan-to-value ratios (LTVs) greater than 80% which covers all types of losses except those generally classified as special hazard losses) are allocated for each Master Commitment between the MPF FHLBank and PFI as follows:

  — First, to the MPF FHLBank, up to an agreed-upon amount, called a "First Loss Account" or "FLA."

  — Second, to the PFI under its credit enhancement obligation, losses for each Master Commitment in excess of the FLA, if any, up to the CE Amount. The CE Amount may consist of a direct liability of the PFI to pay credit losses up to a specified amount, a contractual obligation of the PFI to provide SMI or a combination of both. For a description of the CE Amount calculation see "Supplemental Information—MPF Program—Setting Credit Enhancement Levels."

  — Third, any remaining unallocated losses are absorbed by the MPF FHLBank.

  — The FLA is structured by the MPF FHLBank as a memo account to track losses not covered by the credit enhancement amount provided by the PFI (or not yet recovered by the withholding of performance-based credit enhancement fees). The amount of the FLA varies by product. It may be set as a specified number of basis points of the outstanding principal balance of mortgage loans delivered by the PFI or it may initially be set at zero and increased on a monthly basis thereafter. The FLA is not a cash collateral account, and it does not give an MPF FHLBank any right/obligation to receive/pay cash or any other collateral. The PFI is paid a monthly credit enhancement fee for managing credit risk on the mortgage loans. In certain cases, the credit enhancement fees are performance-based, which provides incentive to the PFI to minimize credit losses on MPF Loans. These fees may be withheld to recover losses incurred by the MPF FHLBank for each Master Commitment, if any, up to the FLA. Losses incurred by the FHLBank for each Master Commitment, in excess of the FLA, are covered by the PFI's CE amount. The PFI's CE amount is sized using the MPF Program Methodology to equal the amount of losses in excess of, or including, the FLA (depending on the MPF product) that would need to be paid so that any losses in excess of the CE Amount and initial FLA would be equivalent to losses experienced by an investor in a double-A rated mortgage-backed security. The PFI may procure SMI to cover losses equal to all or a portion of the credit enhancement amount (except that losses generally classified as special hazard losses are covered by the portion of the credit enhancement amount covered by the PFI or by the MPF FHLBank and not by SMI). For a description of the CE Amount calculation see "Supplemental Information—MPF Program—Setting Credit Enhancement Levels."

— *MPP Loans:* At the time the underlying conventional loan is funded, a "Lender Risk Account" is established by the FHLBank for each PFI selling an MPP loan. The "second layer" of losses that exceed coverage of the PMI are absorbed by the Lender Risk Account of the respective PFI that originated the MPP loan. After five years, if the balance of the funds in the Lender Risk Account exceeds the required balance, the excess amounts are distributed to the PFI based on a step-schedule set forth in the master commitment contract that establishes the Lender Risk Account. Once an MPP loan has been outstanding for more than 11 years, a balance is not required to be maintained in the Lender Risk Account with respect to that loan. To cover losses that exceed the PMI and the balance in the Lender Risk Account, each PFI is required to provide SMI, adding an additional layer of credit support to the MPP loan. This insurance reduces the overall loss exposure to

approximately 50 percent of the property value at the time of the loan origination, subject, in certain cases, to an aggregate stop-loss provision in the SMI policy. If any loss extends beyond the insurance coverage and the balance held in the Lender Risk Account, the FHLBank(s) holding the interest(s) in the affected MPP loan would be responsible for absorbing this remaining loss.

All of the FHLBanks participating in these programs have established appropriate loan loss allowances or have determined that no loan loss allowances are necessary. Management at each FHLBank believes that it has adequate policies and procedures in place to manage this credit risk appropriately. Neither the PFI credit enhancements nor the mortgage loans are rated. An FHLBank must hold risk-based capital against acquired member assets or pools of assets that have an implied credit rating less than double-A. The Finance Board's acquired member asset regulation specifies that assets must consist of either:

— whole loans eligible to secure advances (excluding mortgages above the conforming loan limit);

— whole loans secured by manufactured housing; or

— state and local housing finance agency bonds.

In addition, this regulation mandates that the FHLBank must have a nexus with the member or housing associate. All pools of acquired member assets must have a credit-risk-sharing arrangement with a member, housing associate or third-party mortgage insurer that limits the credit-risk exposure of the FHLBank to not less than an investment-grade rating. The relevant credit-risk exposure must be determined by a formal rating or a comparable methodology. The Finance Board's acquired member asset regulation also applies to securities created under the MPF Shared Funding® Program. All of the mortgage loans acquired under these programs that were not government-insured were credit-enhanced by members to a level at least equivalent to an investment-grade rating. FHLBanks that participate in these programs believe that credit risk exposure to loan servicers is minimal.

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

Geographic Concentration of MPF Program(1) (2)

	December 31, 2007	December 31, 2006
Midwest	33%	32%
Northeast	16%	16%
Southeast	20%	20%
Southwest	16%	16%
West	15%	16%
Total	100%	100%

Geographic Concentration of MPP(1) (2)

	December 31, 2007	December 31, 2006
Midwest	35%	33%
Northeast	12%	12%
Southeast	21%	21%
Southwest	15%	16%
West	17%	18%
Total	100%	100%

(1) Calculated percentage based on unpaid principal at the end of each period.

(2) Midwest consists of IA, IL, IN, MI, MN, ND, NE, OH, SD and WI.
Northeast consists of CT, DE, MA, ME, NH, NJ, NY, PA, PR, RI, VI and VT.
Southeast consists of AL, DC, FL, GA, KY, MD, MS, NC, SC, TN, VA and WV.
Southwest consists of AR, AZ, CO, KS, LA, MO, NM, OK, TX and UT.
West consists of AK, CA, GU, HI, ID, MT, NV, OR, WA and WY.

The FHLBanks' MPF loans held for portfolio are dispersed across all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. No single zip code represented more than one percent of MPF loans outstanding at December 31, 2007. The median size of an MPF loan was approximately $112 thousand at December 31, 2007. The MPF loan statistics have been compiled and obtained from the FHLBank of Chicago and therefore do not reflect the concentration levels and mortgage loan portfolio information at individual MPF FHLBanks.

The FHLBanks' MPP mortgage loans held for portfolio are dispersed across all 50 states, the District of Columbia and the U.S. Virgin Islands. No single zip code accounted for more than one percent of MPP loans outstanding at December 31, 2007. The median size of an MPP loan was approximately $142 thousand at December 31, 2007. The MPP mortgage loan statistics have been compiled on a combined basis by aggregating each participating FHLBank's information and therefore do not reflect the concentration levels and mortgage loan portfolio information at individual participating FHLBanks.

The following table provides the weighted-average FICO® scores and weighted-average loan-to-value ratios at origination for MPF loans and MPP loans outstanding at December 31, 2007 and 2006:

	December 31, 2007		December 31, 2006	
	MPF	MPP	MPF	MPP
Weighted-average FICO® score at origination(1)	738	749	734	746
Weighted-average loan-to-value at origination	67%	71%	68%	69%

(1) FICO® score is a widely-used credit industry model developed by Fair, Isaac and Company, Inc. to assess borrower credit quality with scores ranging from 150 to 950.

The MPF loan statistics were compiled and obtained from the FHLBank of Chicago and MPP mortgage loan statistics were compiled on a combining basis by aggregating each participating MPP FHLBank's information; therefore, they do not reflect the weighted-average FICO® score and weighted-average loan-to-value at origination at individual participating FHLBanks.

Derivatives and Counterparty Ratings. In addition to market risk, each FHLBank is subject to credit risk because of the potential non-performance by counterparties to derivative agreements. The amount of counterparty risk on derivatives depends on the extent to which netting procedures, collateral requirements and other credit enhancements are used to mitigate the risk. At December 31, 2007, five counterparties represented approximately 55 percent of the total notional amount of outstanding derivative transactions and each had a credit rating of single-A or better. For the year ended December 31, 2007, two of these counterparties represented more than 10 percent of the

FHLBanks' net exposure after collateral, with one counterparty representing 18 percent and one counterparty representing 15 percent. From year-end 2006 to year-end 2007, interest rates decreased, causing interest-rate swaps in which certain FHLBanks are net receivers of fixed interest rates to increase in value. As a result of increased volume of derivative transactions and interest rates decline, both the gross and net credit exposure of these FHLBanks grew, as their net receivable position increased. Additional collateral to reduce the net credit exposure was delivered subsequent to December 31, 2007.

Each FHLBank manages counterparty credit risk through credit analysis, collateral management and other credit enhancements. The FHLBanks are also required to follow the requirements set forth by Finance Board regulation. The FHLBanks require collateral on interest-rate exchange agreements. The amount of net unsecured credit exposure that is permissible with respect to each counterparty, before a collateral requirement is triggered, depends on the credit rating of that counterparty. A counterparty must deliver collateral to an FHLBank if the total market value of the FHLBank's exposure to that counterparty rises above a specific trigger point. As a result of these risk mitigation initiatives, the management of each FHLBank does not anticipate any credit losses on its interest-rate exchange agreements.

The contractual or notional amount of interest-rate exchange agreements reflects the involvement of an FHLBank in the various classes of financial instruments. The maximum credit risk of an FHLBank with respect to interest-rate exchange agreements is the estimated cost of replacing favorable interest-rate swaps, forward agreements and purchased caps and floors if the counterparty defaults, *minus* the value of any related collateral. In determining maximum credit risk, the FHLBanks consider, with respect to each counterparty, accrued interest receivables and payables as well as the legal right to offset assets and liabilities.

Derivative Counterparty Credit Exposure
(Dollar amounts in millions)
At December 31, 2007

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

At December 31, 2006

Credit Rating **	Notional Amount	Total Net Exposure at Fair Value	Total Net Exposure Collateralized	Net Exposure After Collateral
Triple-A	$ 15,938	$ 9	$	$ 9
Double-A	591,210	1,112	581	531
Single-A	299,505	483	385	98
Triple-B	9			
Unrated(1)	374	1		1
	907,036	1,605	966	639
Intermediaries(2)	1,189	22	22	
Delivery commitments	221	1	1	
Total derivatives	$908,446	$1,628	$989	$639

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

** This chart does not reflect changes in any rating, outlook or watch status after December 31, 2006. The ratings were obtained from S&P, Moody's and/or Fitch.

(1) Unrated counterparties represent broker-dealers utilized to purchase or sell forward contracts relating to TBA MBS to hedge the market value of commitments on fixed-rate mortgage loans. All broker-dealer counterparties are subjected to thorough credit review procedures in accordance with an FHLBank's risk management policy. There was no exposure at December 31, 2007 and $1 million of exposure at December 31, 2006 related to these unrated counterparties.

(2) Collateral held with respect to interest-rate exchange agreements with member institutions represents either collateral physically held by or on behalf of the FHLBank or collateral pledged to the FHLBank under a blanket lien or by specific identification, as evidenced by a written security agreement, and held by the member institution for the benefit of that FHLBank.

Excluding fully collateralized interest-rate exchange agreements in which the FHLBanks are intermediaries for members, 99.995 percent of the notional amount of the FHLBanks' outstanding interest-rate exchange agreements are with counterparties rated single-A or higher. At December 31, 2007, 30 counterparties represented 99.97 percent of the total notional amount of the FHLBanks' outstanding interest-rate exchange agreements excluding agreements in which the FHLBanks are intermediaries. Approximately 67 percent of these agreements are with 19 counterparties that are rated double-A or higher. Approximately 33 percent of these agreements are with 11 counterparties that are rated single-A.

OPERATIONAL RISK

Operational risk is the risk of potential loss due to:

— human error;

— systems malfunctions;

— man-made or natural disasters;

— fraud; or

— circumvention or failure of internal controls.

The FHLBanks have established comprehensive risk assessments, as well as financial and operating policies and procedures, to mitigate the likelihood of such occurrences and the potential for damage that could result from them. They have also instituted appropriate insurance coverage for such risks. The policies and procedures of the FHLBanks include controls to ensure that system-generated data are reconciled to source documentation on a regular basis. The internal audit department of each FHLBank, which reports directly to the audit committee of the individual

FHLBank, regularly monitors compliance by the FHLBank with established policies and procedures. In addition, each FHLBank has a disaster recovery plan that is designed to restore critical business processes and systems in the event of a disaster. Some of the operational risks of the FHLBanks, however, are beyond their control. Furthermore, the failure of other parties to address their operational risk adequately could adversely affect the FHLBanks.

BUSINESS RISK

Business risk is the risk of an adverse effect on the profitability of an FHLBank as a result of external factors. These external factors may occur in both the short- and long-term. Business risk includes political, strategic, reputation and/or regulatory events that are beyond the control of the individual FHLBank. From time to time, proposals or changes in laws and regulations are made or considered, which could affect the status of the FHLBanks and their costs of doing business.

The board of directors and management of each FHLBank try to mitigate these business risks through long-term strategic planning and by continually monitoring economic indicators and their external environment.

FHLBank Member Concentration Risk. A number of FHLBanks also have member concentration risk. An FHLBank's financial strategies are generally designed to enable it to safely expand and contract its assets, liabilities and capital in response to changes in its member base and in its members' credit needs. An FHLBank's capital generally grows when members are required to purchase additional capital stock as they increase their advances borrowings or other business activities with their FHLBank. Some FHLBanks may also repurchase excess capital stock from members as business activities with those members decline. As a result of these strategies, the FHLBanks have been able to achieve their mission by meeting member credit needs and paying dividends while sometimes managing significant fluctuations in assets, liabilities and/or capital.

A number of FHLBanks have concentrations in advances and therefore analyze the implications for their financial management and profitability if they were to lose the advances business of one or more of these members.

If an FHLBank loses one or more large borrowers that represent a significant portion of its business, the FHLBank could, depending on the magnitude of the effect, compensate for the loss by lowering dividend rates, raising advances rates, attempting to reduce operating expenses, or by undertaking some combination of these actions. The magnitude of the effect would depend, in part, on the FHLBank's size and profitability at the time the institution ceases to be a borrower.

Each FHLBank describes its risk management policies, including disclosures about its concentration risk, if any, in its periodic reports filed with the SEC. (See "Available Information on Individual FHLBanks.")

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Selected Quarterly Results of Operations (Unaudited)

(Dollar amounts in millions)

	2007 Quarter Ended			
	March 31	June 30	September 30	December 31
Income Statement				
Total interest income	$13,164	$13,301	$14,757	$15,801
Total interest expense	12,140	12,251	13,577	14,539
Net interest income	1,024	1,050	1,180	1,262
Provision (reversal) for credit losses	2		(1)	2
Net interest income after provision (reversal) for credit losses	1,022	1,050	1,181	1,260
Total non-interest income (loss)	12	(1)	7	109
Total other expense	190	193	189	220
Total assessments	223	228	267	303
Net income	$ 621	$ 628	$ 732	$ 846

	2006 Quarter Ended			
	March 31	June 30	September 30	December 31
Income Statement				
Total interest income	$11,360	$12,261	$13,406	$13,540
Total interest expense	10,317	11,192	12,321	12,444
Net interest income	1,043	1,069	1,085	1,096
Provision (reversal) for credit losses	1		(1)	(1)
Net interest income after provision (reversal) for credit losses	1,042	1,069	1,086	1,097
Total non-interest (loss) income	(14)	(1)	(2)	20
Total other expense	184	189	177	193
Total assessments	225	233	242	242
Net income	$ 619	$ 646	$ 665	$ 682

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON COMBINED ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in accountants or disagreements with accountants in the period covered by this Combined Financial Report. See the Supplemental Information section of this report for the Audit Committee Charter relating to the combined financial reports and audit fees.

DIRECTORS AND EXECUTIVE OFFICERS OF FHLBANKS

FHLBank Directors. The FHLBank Act provides for a board of at least 14 directors to govern each FHLBank. The members of each FHLBank elect a majority of the FHLBank's directors, each of whom is elected for a three-year term. The FHLBank Act requires the Finance Board to appoint at least six directors to each FHLBank's board. Each appointed director is generally appointed for a three-year term; however, in late 2006 the Finance Board appointed two directors to the board of directors of each FHLBank to serve the final year of vacancies in three-year terms that would have begun on January 1, 2005. Previously the Finance Board had not appointed directors to fill terms

beginning in 2005 and 2006. According to the FHLBank Act, at least two of the directors of each FHLBank appointed by the Finance Board must come from organizations with more than a two-year history of representing consumer or community interests in banking services, credit needs, housing, or financial consumer protections.

On March 27, 2007, the Finance Board adopted a final rule establishing procedures for the selection of appointed directors to the boards of the FHLBanks. Under the final rule, each FHLBank is responsible for identifying potential directors, conducting a preliminary assessment of their eligibility and qualifications, and sending up to two nominees for each of its vacant appointive directorships to the Finance Board for its consideration. The nominations must be accompanied by a completed eligibility form that demonstrates the qualifications of each nominee to serve on the board of an FHLBank. The Finance Board will review each nomination and decide whether to appoint directors from the submitted list of nominees. If the Finance Board declines to appoint any of the nominees, it may require the FHLBank to submit additional nominees for consideration.

On June 13, 2007, the Finance Board adopted a final rule clarifying the types of financial interests that an appointive FHLBank director may have with a member of the FHLBank on whose board the director serves. Under this rule, which became effective on July 19, 2007, financial interests in an FHLBank member resulting from ownership of shares of a diversified mutual fund are permissible holdings for an appointive director. The rule also extends the rationale for permitting mutual fund investments to other types of investment vehicles and accounts that share certain key features of mutual funds that make them unlikely to pose a risk of conflict of interest for an appointive director. Finally, the rule sets forth additional criteria to define when owning shares of a holding company of a member, serving as an officer or director of a holding company of a member, or having other types of financial interests in a member, would be permissible for an appointive director.

The board of directors of each FHLBank has the responsibility to establish policies and programs that carry out the FHLBank's housing finance mission. Each board of directors adopts and reviews policies governing the FHLBank's credit, investment, and funding activities, and oversees the implementation of these policies. The directors also must adopt policies to manage the FHLBank's exposure to credit, liquidity, and interest-rate risk. In addition, each board of directors is responsible for monitoring that FHLBank's compliance with Finance Board regulations.

Compensation of Directors. The GLB Act limits the annual compensation of FHLBank directors. The Finance Board adjusts these compensation amounts based on the percentage annual increase in the Consumer Price Index. The compensation limits for 2007 were $29,944 for a chair, $23,955 for a vice chair and $17,967 for all other directors.

In addition, the FHLBanks reimburse directors for necessary and reasonable travel, subsistence and other related expenses incurred in connection with their official duties.

FHLBank President. Each FHLBank president reports to the board of directors of the respective FHLBank. The responsibilities of the president include:

— management of the FHLBank;

— administration of the programs of the FHLBank; and

— compliance with the regulations and policies of the Finance Board.

Each FHLBank president participates in regular meetings with the presidents of the other FHLBanks.

(See "Supplemental Information—FHLBank Management and Compensation" for biographies.)

EXECUTIVE COMPENSATION

See "Supplemental Information—FHLBank Management and Compensation" for the compensation of the FHLBank presidents and managing director and CEO of the Office of Finance.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Each FHLBank is a cooperative. The members own all the stock of the FHLBanks, the majority of the directors of each FHLBank is elected by and from the membership, and the FHLBanks conduct their advances almost exclusively with members.

Members.

Membership by Type of Member

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Total
December 31, 2003	5,946	1,344	729	82	8,101
December 31, 2004	5,936	1,292	801	92	8,121
December 31, 2005	5,916	1,276	846	111	8,149
December 31, 2006	5,871	1,245	875	134	8,125
December 31, 2007	5,818	1,198	907	152	8,075

Membership in an FHLBank is voluntary. A member must give notice of its intent to withdraw. The GLB Act permits each FHLBank to issue one or more of two classes of stock, each with subclasses. Class A stock is redeemable on six months written notice from a member and Class B stock is redeemable on five years written notice from a member. Capital stock outstanding under the pre-GLB Act rules, which only applies to the FHLBank of Chicago at December 31, 2007, is redeemable at the option of a member upon six months written notice of withdrawal from membership, provided that the FHLBank of Chicago is in compliance with its regulatory capital requirements and the OS Director has approved the redemption, as further discussed in "Business—Oversight, Audits and Examinations—Regulatory Developments at the FHLBank of Chicago". If a member withdraws its membership from an FHLBank, it may not acquire shares of any FHLBank for 5 years after the date on which its divestiture of capital stock is completed. This restriction does not apply if the member is transferring its membership from one FHLBank to another.

Between January 1, 1993 and December 31, 2007, 116 FHLBank members withdrew for reasons other than merger or acquisition. During 2007, 22 members gave notice to withdraw for reasons other than merger or acquisition. The affected FHLBanks do not expect these withdrawals to have a material adverse effect on their results of operations or financial condition.

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

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Other(1)	Total
December 31, 2003	$20.5	$13.8	$1.4	$1.1	$0.9	$37.7
December 31, 2004(2)	19.5	17.4	1.8	1.6	0.9	41.2
December 31, 2005(2)	20.4	18.6	1.8	1.6	1.1	43.5
December 31, 2006(2)	23.1	15.6	1.9	1.6	0.9	43.1
December 31, 2007(2)	26.9	18.8	2.5	2.2	1.0	51.4

(1) The other category includes capital stock of members involved in mergers with non-members. Advances to a member involved in a merger must be repaid before or at maturity, if the surviving institution is a non-member

institution. Until these advances are repaid, the former member must continue to hold capital stock to support the advances.

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

The holdings of commercial bank members at December 31, 2007 represent 52.3 percent of the total regulatory capital stock of the FHLBanks. The regulatory capital stock held by thrift institution members at December 31, 2007 represented 36.6 percent of the total regulatory capital stock of the FHLBanks.

Member Borrowers.

Member Borrowers

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Total
December 31, 2003	4,282	970	272	42	5,566
December 31, 2004	4,492	962	328	43	5,825
December 31, 2005	4,417	999	397	46	5,859
December 31, 2006	4,245	954	414	50	5,663
December 31, 2007	4,253	938	432	52	5,675

The percentage of total members borrowing increased to 70.3 percent at December 31, 2007, as compared to 69.7 percent at December 31, 2006. The 101 borrowers with advance holdings of $1 billion or more at December 31, 2007, held 74.2 percent of total advances. The 83 borrowers with advance holdings of $1 billion or more at December 31, 2006 held 69.0 percent of total advances.

Advances
(Dollar amounts in billions)

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Other(1)	Total(2)
December 31, 2003	$274.0	$192.5	$9.1	$8.0	$18.0	$501.6
December 31, 2004	254.7	278.9	11.4	11.1	20.0	576.1
December 31, 2005	270.0	307.8	14.6	11.5	16.5	620.4
December 31, 2006	339.2	256.7	18.9	14.2	12.6	641.6
December 31, 2007	455.5	338.7	32.3	28.7	12.0	867.2

(1) The other category includes advances to housing associates and members involved in mergers with a non-member. Advances to a member involved in a merger must be repaid before or at maturity, if the surviving institution is a non-member institution.

(2) Total advance amounts are at par value and will not agree to the Statement of Condition. The differences between the par and book value amounts primarily relate to basis adjustments arising from hedges under SFAS 133 for book purposes.

Top 10 Member Holding Advances
at December 31, 2007
(Dollar amounts in millions)

The information presented on advances in the table is for individual FHLBank members. The data are not aggregated to the holding-company level. Some of the institutions listed are affiliates of the same holding company, and some of the institutions listed have affiliates that are members but that are not listed in the tables.

Name	City	State	Advances(1)	Percentage of Total Advances
Citibank, N.A.*(2)(3)	Las Vegas	NV	$ 95,881	11.1%
Washington Mutual Bank*(4)	Henderson	NV	54,521	6.3%
Countrywide Bank, FSB	Alexandria	VA	47,675	5.5%
Wachovia Mortgage, FSB*(5)	North Las Vegas	NV	24,110	2.8%
Bank of America Rhode Island, NA	Providence	RI	23,773	2.7%
Sovereign Bank*(6)	Reading	PA	19,708	2.3%
Wachovia Bank, FSB(5)	Houston	TX	17,262	2.0%
U.S. Bank, NA(7)	Cincinnati	OH	17,137	2.0%
Hudson City Savings Bank*	Paramus	NJ	14,191	1.6%
Bank of America California, N.A.	San Francisco	CA	12,500	1.4%
			$326,758	37.7%

* An asterisk indicates that an officer or director of the member was an FHLBank director at December 31, 2007.

(1) Member advance amounts and the total advance amounts are at par value, and the total advance amount will not agree to the Statement of Condition. The difference between the par and book value amounts primarily relates to basis adjustments arising from hedges under SFAS 133 for book purposes.

(2) On October 1, 2006, Citibank (West), FSB, (the FHLBank of San Francisco's member) was reorganized into its affiliate Citibank, N.A., and Citibank, N.A., assumed the outstanding advances of Citibank (West), FSB.

(3) Includes $1 million in FHLBank of New York advances from acquisition of former member of the FHLBank of New York and $1 million in FHLBank of Dallas advances from acquisition of former member of the FHLBank of Dallas.

(4) Includes $368 million in FHLBank of Dallas advances from the acquisition of Bank United, a former member of the FHLBank of Dallas and $103 million in FHLBank of New York advances from the acquisition of Dime Savings Bank of New York, FSB, a former member of the FHLBank of New York.

(5) On October 1, 2006, Golden West Financial Corporation, the parent company of World Savings Bank, FSB (the FHLBank of San Francisco's member) and World Savings Bank, FSB (Texas) (the FHLBank of Dallas' member) merged with Wachovia Corporation. World Savings Bank, FSB, and World Savings Bank, FSB (Texas) have remained members of the FHLBanks of San Francisco and Dallas after the merger. Effective December 31, 2007, World Savings Bank, FSB, changes its legal name to Wachovia Mortgage, FSB and World Savings Bank, FSB (Texas) changed its legal name to Wachovia Bank, FSB.

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

(7) Includes $264 million in FHLBank of Des Moines advances from acquisition of former member of the FHLBank of Des Moines and $17 million in FHLBank of Seattle advances from acquisition of former member of the FHLBank of Seattle.

For information on the top five largest borrowers by each FHLBank at December 31, 2007, please refer to "Supplemental Information—Top 5 Advance Holding Borrowers by FHLBank."

Housing Associates. At year-end 2007, the FHLBanks had $149 million in advances outstanding to 15 housing associates, up from $131 million at year-end 2006. Housing associates eligible to borrow include 43 state housing finance agencies, 9 county housing finance agencies, 3 city housing authorities, 3 housing development corporations, and 1 tribal housing corporation.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Each FHLBank is a member-owned cooperative, whose members elect a majority of that FHLBank's directors from among the members. The FHLBanks conduct their advances and mortgage loan business almost exclusively with members. As a result, in the normal course of business, the FHLBanks regularly extend credit to members whose officers and directors may serve as directors of the FHLBanks. This credit is extended on market terms that are no more favorable to these "related" members than comparable transactions with other members of the same FHLBank. As of December 31, 2007, the FHLBanks had $248 billion of advances outstanding to members whose officers were serving as directors of the FHLBanks. This amounted to 28.6 percent of total advances at par.

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

FHLBanks of Chicago and Dallas Preliminary Combination Discussions

On August 8, 2007, the FHLBanks of Chicago and Dallas announced their discussions regarding the possible benefits and feasibility of a merger and those discussions are continuing. The Boards and management of the FHLBanks of Chicago and Dallas have been engaged in detailed negotiations and extensive due diligence regarding various business, regulatory, financial, operational, accounting, and governance issues related to a possible merger of these two FHLBanks. The FHLBanks of Chicago and Dallas have not reached an agreement and it is possible that these FHLBanks will not finalize any agreement to combine these FHLBanks.

FEDERAL HOME LOAN BANKS
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AUDIT COMMITTEE REPORT

By Finance Board regulation, the Office of Finance (OF) Board performs the duties of an audit committee in connection with the oversight of the preparation of the Federal Home Loan Banks' (FHLBanks) annual combined financial report, which includes the combined financial statements of the FHLBanks. The OF Board is appointed by the Finance Board and is comprised of two FHLBank presidents and an appointee with demonstrated expertise in financial markets. The outside director was appointed to serve in April 2007. In connection with its duties as an audit committee, the OF Board reviews the combined financial statement of the FHLBanks and has adopted a written charter, which is presented on page 260. The OF Board members are not required to satisfy any express qualification or independence standards governing their service as an "audit committee."

There is no system-wide central management of the FHLBanks. Each FHLBank is a separately chartered entity. Each has its own board of directors and management. Each FHLBank's board of directors has established an audit committee, the members of which are required to meet express qualification and independence standards established by the Finance Board, but who may not be considered "independent" based on corporate governance standards of independence that are not applicable to the FHLBanks. In addition, each FHLBank's board of directors and management is responsible for establishing its own accounting and financial reporting policies in accordance with U.S. generally accepted accounting principles. Each FHLBank is subject to certain reporting requirements of the Securities Exchange Act of 1934 and must file periodic reports and other information including annual audited financial statements with the Securities and Exchange Commission. (See "Available Information on Individual FHLBanks.")

In connection with its responsibilities in preparing combined financial reports and combined financial statements, the OF is responsible for combining the financial information it receives from each of the FHLBanks. Each FHLBank is responsible for the financial information it provides to the OF and the underlying data it provides to the OF for inclusion in the combined financial reports and combined financial statements. Based on guidance provided by the Finance Board, the OF Board's audit committee responsibilities are limited to a review of the audit of the combination aspects of the FHLBanks' combined financial reports and not the underlying financial statements of each FHLBank; the OF Board has no authority independently to verify the financial information submitted by each FHLBank.

The OF Board has reviewed and discussed the audited financial statements with senior management of the OF, and discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as amended.

The OF Board has also received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, and has discussed with the independent auditors the independent auditors' independence.

Based on the review and discussions referred to above, the OF Board decided to include the combined audited financial statements in the FHLBanks' 2007 Combined Financial Report.

Terry Smith, Chair
Charles Bowsher
David Hehman
March 28, 2008

Report of Independent Auditors

To the Shareholders of the Federal Home Loan Banks and
the Board of Directors of the Federal Home Loan Banks Office of Finance:

In our opinion, the accompanying combined statements of condition and the related combined statements of income, capital and of cash flows present fairly, in all material respects, the combined financial position of the Federal Home Loan Banks (the "FHLBanks") at December 31, 2007 and 2006 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. These combined financial statements are the responsibility of the management of the FHLBanks Office of Finance and the FHLBanks. Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2, certain FHLBanks changed their method of accounting for amortization and accretion of deferred premiums and discounts on mortgage loans held for portfolio and mortgage-backed securities.

Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole; we have also audited each of the individual FHLBanks' financial statements. The combining information shown on pages 184 to 215 is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual FHLBanks. However, the combining information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

McLean, Virginia
March 31, 2008

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CONDITION

(Dollar amounts in millions and capital stock shares in thousands)

	December 31, 2007	December 31, 2006
ASSETS		
Cash and due from banks (Note 3)	$ 320	$ 330
Interest-bearing deposits	48,243	33,872
Securities purchased under agreements to resell (Note 4)	800	4,905
Federal funds sold	85,818	77,056
Trading securities includes $1,349 and $524 pledged as collateral in 2007 and 2006 that may be repledged (Note 5)	6,809	5,687
Available-for-sale securities includes $857 and $1,393 pledged as collateral in 2007 and 2006 that may be repledged (Note 6)	5,813	6,661
Held-to-maturity securities includes $203 and $883 pledged as collateral in 2007 and 2006 that may be repledged(a) (Note 7)	151,176	142,482
Advances (Note 8)	875,061	640,681
Mortgage loans held for portfolio	91,615	97,981
Less: allowance for credit losses on mortgage loans	8	7
Mortgage loans held for portfolio, net (Note 9)	91,607	97,974
Accrued interest receivable	5,618	4,344
Premises, software, and equipment, net	208	217
Derivative assets (Note 10)	2,401	1,626
Other assets	623	634
Total assets	$1,274,497	$1,016,469
LIABILITIES		
Deposits (Note 11):		
Interest-bearing	$ 21,865	$ 18,748
Non-interest-bearing	208	224
Total deposits	22,073	18,972
Borrowings (Note 12):		
Securities sold under agreements to repurchase	1,400	2,200
Other	100	
Total borrowings	1,500	2,200
Consolidated obligations, net (Note 13):		
Discount notes	376,342	157,549
Bonds	802,574	776,665
Total consolidated obligations, net	1,178,916	934,214
Mandatorily redeemable capital stock	1,107	1,094
Accrued interest payable	8,193	8,549
Affordable Housing Program (Note 14)	892	805
Payable to REFCORP (Note 15)	212	165
Derivative liabilities (Note 10)	5,303	2,886
Other liabilities	1,706	1,599
Subordinated notes (Note 16)	1,000	1,000
Total liabilities	1,220,902	971,484
Commitments and contingencies		
CAPITAL (Note 17)		
Capital Stock:		
Capital stock Class B putable ($100 par value) issued and outstanding shares: 467,014 shares in 2007 and 388,819 shares in 2006	46,701	38,882
Capital stock Class A putable ($100 par value) issued and outstanding shares: 8,916 shares in 2007 and 5,323 shares in 2006	891	532
Capital stock Pre-conversion ($100 par value) issued and outstanding shares: 26,613 shares in 2007 and 25,870 shares in 2006	2,661	2,587
Total capital stock	50,253	42,001
Retained earnings	3,687	3,143
Accumulated other comprehensive income:		
Net unrealized losses on available-for-sale securities (Note 6)	(41)	(8)
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities (Note 6)	(138)	
Net unrealized losses relating to hedging activities (Note 10)	(137)	(114)
Pension and postretirement benefits (Note 18)	(29)	(37)
Total capital	53,595	44,985
Total liabilities and capital	$1,274,497	$1,016,469

(a) Fair values: $149,124 and $140,980 at December 31, 2007 and 2006.

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

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF INCOME

(Dollar amounts in millions)

	For the Years Ended December 31,		
	2007	2006	2005
INTEREST INCOME			
Advances	$37,453	$32,411	$20,782
Prepayment fees on advances, net	23	44	75
Interest-bearing deposits	2,153	1,777	830
Securities purchased under agreements to resell	134	197	115
Federal funds sold	4,465	3,456	1,915
Trading securities	339	365	438
Available-for-sale securities	367	298	346
Held-to-maturity securities	7,235	6,859	5,497
Mortgage loans held for portfolio	4,849	5,155	5,416
Other	5	5	6
Total interest income	57,023	50,567	35,420
INTEREST EXPENSE			
Consolidated obligations—Discount notes	10,720	7,873	5,309
Consolidated obligations—Bonds	40,581	37,341	25,207
Deposits	949	813	523
Securities sold under agreements to repurchase	139	152	123
Subordinated notes	57	31	
Mandatorily redeemable capital stock	57	60	48
Other borrowings	4	4	3
Total interest expense	52,507	46,274	31,213
NET INTEREST INCOME	4,516	4,293	4,207
Provision (reversal) for credit losses	3	(1)	1
NET INTEREST INCOME AFTER PROVISION (REVERSAL) FOR CREDIT LOSSES	4,513	4,294	4,206
OTHER INCOME (LOSS)			
Service fees	29	28	29
Net gains (losses) on trading securities	147	(127)	(304)
Net realized gains (losses) from sale of available-for-sale securities	1	(3)	267
Net realized losses from sale of held-to-maturity securities	(6)	(6)	(1)
Net (losses) gains on derivatives and hedging activities	(53)	83	(23)
Other, net	9	28	(28)
Total other income (loss)	127	3	(60)
OTHER EXPENSE			
Operating	714	671	657
Finance Board	34	32	32
Office of Finance	30	25	24
Other, net	14	15	16
Total other expense	792	743	729
INCOME BEFORE ASSESSMENTS	3,848	3,554	3,417
Affordable Housing Program	318	295	282
REFCORP	703	647	625
Total assessments	1,021	942	907
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES	2,827	2,612	2,510
Cumulative effect of change in accounting principles before assessments (Note 2)			15
NET INCOME	$ 2,827	$ 2,612	$ 2,525

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

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006, AND 2005

(Dollar amounts and shares in millions)

	Capital Stock Class B*		Capital Stock Class A*		Capital Stock Pre-conversion*		Total Capital Stock*		Retained Earnings	Accumulated Other Comprehensive Income	Total Capital
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value			
BALANCE, DECEMBER 31, 2004	318	$31,819	3	$326	80	$ 7,947	401	$40,092	$1,744	$ 27	$41,863
Proceeds from sale of capital stock	175	17,622		7	32	3,332	207	20,961			20,961
Repurchase/redemption of capital stock	(148)	(14,799)			(23)	(2,299)	(171)	(17,098)			(17,098)
Net shares reclassified to mandatorily redeemable capital stock	(10)	(996)	(2)	(221)	(16)	(1,682)	(28)	(2,899)			(2,899)
Comprehensive income:											
Net income									2,525		2,525
Other comprehensive income:											
Net unrealized gains on available-for-sale securities										65	65
Reclassification adjustment for gains included in net income relating to available-for-sale securities										(267)	(267)
Net unrealized gains relating to hedging activities										16	16
Reclassification adjustment for gains included in net income relating to hedging activities										(3)	(3)
Pension and postretirement benefits										(1)	(1)
Total comprehensive income											2,335
Conversion to Class B or Class A shares	37	3,747			(37)	(3,747)					
Transfer between Class B and Class A shares	(4)	(386)	4	386							
Dividends on capital stock:											
Cash									(677)		(677)
Stock	9	779			2	208	11	987	(992)		(5)
BALANCE, DECEMBER 31, 2005	377	37,786	5	498	38	3,759	420	42,043	2,600	(163)	44,480
Proceeds from sale of capital stock	185	18,372		6		34	185	18,412			18,412
Repurchase/redemption of capital stock	(168)	(16,826)					(168)	(16,826)			(16,826)
Net shares reclassified to mandatorily redeemable capital stock	(13)	(1,273)	(1)	(99)	(12)	(1,206)	(26)	(2,578)			(2,578)
Comprehensive income:											
Net income									2,612		2,612
Other comprehensive income:											
Net unrealized losses on available-for-sale securities										(4)	(4)
Reclassification adjustment for losses included in net income relating to available-for-sale securities										2	2
Net unrealized gains relating to hedging activities										28	28
Reclassification adjustment for losses included in net income relating to hedging activities										3	3
Pension and postretirement benefits										2	2
Total comprehensive income											2,643
Adjustment to initially apply SFAS 158										(27)	(27)
Transfer between Class B and Class A shares	(1)	(127)	1	127							
Dividends on capital stock:											
Cash									(1,122)		(1,122)
Stock	9	950					9	950	(947)		3
BALANCE, DECEMBER 31, 2006	389	38,882	5	532	26	2,587	420	42,001	3,143	(159)	44,985

	Capital Stock Class B*		Capital Stock Class A*		Capital Stock Pre-conversion*		Total Capital Stock*		Retained Earnings	Accumulated Other Comprehensive Income	Total Capital
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value			
Proceeds from sale of capital stock	279	27,875	3	325	1	88	283	28,288			28,288
Repurchase/redemption of capital stock	(179)	(17,852)		(32)			(179)	(17,884)			(17,884)
Net shares reclassified to mandatorily redeemable capital stock	(27)	(2,826)	(1)	(102)		(14)	(28)	(2,942)			(2,942)
Comprehensive income:											
Net income									2,827		2,827
Other comprehensive income:											
Net unrealized losses on available-for-sale securities										(32)	(32)
Reclassification adjustment for gains included in net income relating to available-for-sale securities										(1)	(1)
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities										(138)	(138)
Reclassification adjustment for (gains) losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities											
Net unrealized losses relating to hedging activities										(36)	(36)
Reclassification adjustment for losses included in net income relating to hedging activities										13	13
Pension and postretirement benefits										8	8
Total comprehensive income											2,641
Transfer between Class B and Class A shares	(2)	(168)	2	168							
Dividends on capital stock:											
Cash									(1,492)		(1,492)
Stock	8	790					8	790	(791)		(1)
BALANCE, DECEMBER 31, 2007	468	$46,701	9	$891	27	$ 2,661	504	$50,253	$3,687	$(345)	$53,595

* Putable

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

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CASH FLOWS

(Dollar amounts in millions)

	For the Years Ended December 31,		
	2007	2006	2005
OPERATING ACTIVITIES			
Net income	$ 2,827	$ 2,612	$ 2,525
Cumulative effect of change in accounting principle before assessments			(15)
Income before cumulative effect of change in accounting principle	2,827	2,612	2,510
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,633	443	601
Change in net fair value adjustment on derivative and hedging activities	(500)	(658)	(802)
Other adjustments	32	27	(194)
Net change in:			
Trading securities	(1,102)	1,114	1,098
Accrued interest receivable	(1,272)	(621)	(898)
Other assets	(82)	(74)	(71)
Accrued interest payable	(355)	2,231	1,491
Other liabilities	174	71	217
Total adjustments	(1,472)	2,533	1,442
Net cash provided by operating activities	1,355	5,145	3,952
INVESTING ACTIVITIES			
Net change in:			
Interest-bearing deposits	(14,370)	1,470	(12,053)
Securities purchased under agreements to resell	4,105	(1,610)	(400)
Federal funds sold	(8,763)	3,502	(25,960)
Premises, software and equipment	(48)	(63)	(59)
Available-for-sale securities:			
Proceeds	44,912	111,513	106,274
Purchases	(45,632)	(112,557)	(99,510)
Held-to-maturity securities:			
Net increase in short-term	317	(1,983)	(1,492)
Proceeds from long-term	26,203	26,799	36,107
Purchases of long-term	(33,496)	(31,824)	(45,627)
Advances:			
Proceeds	7,339,019	7,263,818	8,329,280
Made	(7,564,733)	(7,284,963)	(8,373,547)
Mortgage loans held for portfolio:			
Principal collected	11,852	13,505	22,786
Purchases	(5,522)	(6,297)	(14,356)
Proceeds from sales of foreclosed assets	51	60	62
Principal collected on other loans	1	1	1
Net cash used in investing activities	(246,104)	(18,629)	(78,494)

	For the Years Ended December 31,		
	2007	2006	2005
FINANCING ACTIVITIES			
Net change in:			
Deposits and pass-through reserves	$ 3,160	$ (301)	$ 733
Borrowings	(788)	(282)	(295)
Net proceeds from issuance of consolidated obligations:			
Discount notes	8,839,550	7,038,295	7,378,761
Bonds	495,029	323,228	296,094
Payments for maturing and retiring consolidated obligations:			
Discount notes	(8,622,055)	(7,060,577)	(7,367,338)
Bonds	(476,151)	(285,365)	(234,075)
Net proceeds from issuance of subordinated notes		994	
Proceeds from issuance of capital stock	28,288	18,412	20,961
Payments for redemption of mandatorily redeemable capital stock	(2,945)	(2,965)	(2,632)
Payments for repurchase/redemption of capital stock	(17,884)	(16,826)	(16,989)
Cash dividends paid	(1,465)	(1,155)	(642)
Net cash provided by financing activities	244,739	13,458	74,578
Net (decrease) increase in cash and cash equivalents	(10)	(26)	36
Cash and cash equivalents at beginning of the period	330	356	320
Cash and cash equivalents at end of the period	$ 320	$ 330	$ 356
Supplemental Disclosures:			
Interest paid	$ 48,858	$ 39,999	$ 26,903
AHP payments, net	$ 229	$ 226	$ 209
REFCORP assessments paid	$ 656	$ 675	$ 535
Transfers of mortgage loans to real estate owned	$ 86	$ 62	$ 48

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

Federal Home Loan Banks

Notes to Combined Financial Statements

Background Information

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

The Federal Housing Finance Board (Finance Board), an independent agency in the executive branch of the U.S. government, supervises and regulates the FHLBanks and the Federal Home Loan Banks' Office of Finance (Office of Finance). The Office of Finance is a joint office of the FHLBanks established by the Finance Board to facilitate the issuance and servicing of the consolidated obligations of the FHLBanks and to prepare the combined quarterly and annual financial reports of all 12 FHLBanks. The Finance Board's principal purpose is to ensure that the FHLBanks operate in a safe and sound manner. In addition, the Finance Board ensures that the FHLBanks carry out their housing finance mission, remain adequately capitalized, and are able to raise funds in the capital markets. Also, the Finance Board establishes policies and regulations governing the operations of the FHLBanks. Each FHLBank operates as a separate entity with its own management, employees and board of directors. The FHLBanks do not have any special purpose entities or any other type of off-balance sheet conduits.

As provided by the Federal Home Loan Bank Act of 1932 (FHLBank Act), as amended, or Finance Board regulation, the FHLBanks' debt instruments, known as consolidated obligations, are backed only by the financial resources of all 12 FHLBanks and are the primary source of funds for the FHLBanks. Deposits, other borrowings and capital stock issued to members provide other funds. Each FHLBank primarily uses these funds to provide advances to members and to purchase loans from members through its Mortgage Purchase Program (MPP)/Mortgage Partnership Finance (MPF®) Program. Some FHLBanks also offer their member institutions correspondent services, such as wire transfer, security safekeeping, and settlement services.

Note 1—Summary of Significant Accounting Policies

Principles of Combination. The combined financial statements include the financial records of the 12 FHLBanks. Material transactions among the FHLBanks have been eliminated in accordance with combination accounting principles under generally accepted accounting principles in the United States of America (GAAP), including Accounting Research Bulletin No. 51, *Consolidated Financial Statements*. The significant transactions of this sort between the FHLBanks are: 1) transfers of direct liability on bonds between FHLBanks—consolidated obligations issued on behalf of one FHLBank and transferred to and assumed by another FHLBank and 2) purchases of bonds—consolidated obligations issued on behalf of one FHLBank and purchased by another FHLBank in the open market.

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

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

The FHLBank assuming the consolidated bond liability accounts for the bond at its historical cost with the initial carrying amount being the amount paid to the transferring FHLBank by the assuming FHLBank in exchange for the assumption, including any premium or discount. There have not been any transactions with a third party independent of the FHLBanks under the transfer scenario. Under combination accounting principles, combining adjustments are required to reflect the transaction as if the transferring FHLBank still held the bond for purposes of the FHLBanks' combined financial statements. The debt extinguishment transaction, including any gain or loss, is eliminated, all balance sheet and income statement effects related to the assuming FHLBank's premium or discount related to the purchase of the bonds are eliminated and the transferring FHLBank's original premium or discount, concession fees and Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended by SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities—Deferral of Effective Date of FASB Statement No. 133*, SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities,* SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* and SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments, an Amendment of FASB Statements No. 133 and 140* (SFAS 133) basis adjustments are reinstated and amortized over the life of the bond.

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

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

Segment Reporting. For the purposes of SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information,* the Finance Board regulations consider each FHLBank to be a segment.

Basis of Presentation and Use of Estimates. The FHLBanks' accounting and financial reporting policies conform to GAAP. The preparation of financial statements in accordance with GAAP requires each FHLBank's management to make subjective assumptions and estimates that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expense. The most significant of these estimates includes the fair value of derivatives. Actual results could differ from these estimates significantly.

Additionally, the preparation of combined financial statements in accordance with GAAP requires management to make subjective assumptions and estimates that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expense. The most significant of these estimates includes the fair value of derivatives. Actual results could differ from these estimates significantly.

The following summary of significant accounting policies has been compiled from the 12 FHLBanks' individual summaries of significant accounting policies. While the 12 FHLBanks' accounting and financial reporting policies are not necessarily always the same, each FHLBank is responsible for establishing its own accounting and financial reporting policies in accordance with

GAAP. The following paragraphs describe the more significant accounting policies followed by the FHLBanks, including the more notable GAAP differences.

Interest-Bearing Deposits in Banks, Securities Purchased Under Agreements to Resell, and Federal Funds Sold. These investments provide short-term liquidity and are carried at cost. The FHLBanks treat securities purchased under agreements to resell as collateralized financings.

Investment Securities. The FHLBanks classify certain investments acquired for purposes of liquidity and asset/liability management as trading and carry them at fair value. The FHLBanks record changes in the fair value of these investments through other income as "Net gains (losses) on trading securities." However, the FHLBanks do not participate in speculative trading practices and hold these investments indefinitely as each FHLBank's management periodically evaluates its liquidity needs.

The FHLBanks classify certain investments that they may sell before maturity as available-for-sale and carry them at fair value. The change in value of the available-for-sale securities not being hedged by derivative instruments is recorded in other comprehensive income as "Net unrealized gains (losses) on available-for-sale securities." For available-for-sale securities that have been hedged and qualify as a fair-value hedge, the FHLBanks record the portion of the change in value related to the risk being hedged in other income as "Net gains (losses) on derivatives and hedging activities" together with the related change in the fair value of the derivative, and record the remainder of the change in the fair value of the investment in other comprehensive income as "Net unrealized gains (losses) on available-for-sale securities." For available-for-sale securities that have been hedged and qualify as a cash-flow hedge, the FHLBanks record the effective portion of the change in value of the derivative related to the risk being hedged in other comprehensive income as "Net unrealized gains (losses) relating to hedging activities." The ineffective portion is recorded in other income and presented as "Net gains (losses) on derivatives and hedging activities."

The FHLBanks carry, at cost, certain investments for which they have both the ability and intent to hold to maturity, adjusted for periodic principal repayments, amortization of premiums and accretion of discounts. Amortization of premiums and accretion of discounts are computed using a level-yield methodology.

Under SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (SFAS 115), changes in circumstances may cause an FHLBank to change its intent to hold a certain security to maturity without calling into question its intent to hold other debt securities to maturity in the future. Thus, the sale or transfer of a held-to-maturity security due to certain changes in circumstances, such as evidence of significant deterioration in the issuer's creditworthiness or changes in regulatory requirements, is not considered to be inconsistent with its original classification. Other events that are isolated, nonrecurring, and unusual for the FHLBanks that could not have been reasonably anticipated may cause an FHLBank to sell or transfer a held-to-maturity security without necessarily calling into question its intent to hold other debt securities to maturity.

In addition, in accordance with SFAS 115, sales of debt securities that meet either of the following two conditions may be considered as maturities for purposes of the classification of securities: 1) the sale occurs near enough to its maturity date (or call date if exercise of the call is probable) that interest-rate risk is substantially eliminated as a pricing factor and the changes in market interest rates would not have a significant effect on the security's fair value, or 2) the sale of a security occurs after the FHLBank has already collected a substantial portion (at least 85 percent) of the principal outstanding at acquisition due either to prepayments on the debt security or to scheduled payments on a debt security payable in equal installments (both principal and interest) over its term.

The FHLBanks amortize premiums and accrete discounts on investment securities using either the contractual level-yield method (contractual method) or the retrospective level-yield method (retrospective method) over the estimated cash flows of the securities. As discussed in Note 2, the

contractual method recognizes the income effects of premiums and discounts over the contractual life of the securities based on the actual behavior of the underlying assets and reflects the contractual terms of the securities without regard to changes in estimated prepayments based on assumptions about future borrower behavior. The retrospective method requires that an FHLBank estimate prepayments over the estimated life of the securities and make a retrospective adjustment of the effective yield each time that FHLBank changes the estimated life as if the new estimate had been known since the original acquisition date of the securities.

The FHLBanks compute gains and losses on sales of investment securities using the specific identification method and include these gains and losses in other income.

Each FHLBank regularly evaluates outstanding available-for-sale and held-to-maturity investments for impairment and records impairment loss when a decline in fair value is deemed to be other than temporary. An investment is deemed impaired if the fair value of the investment is less than its amortized cost. After the investment is determined to be impaired, an FHLBank evaluates whether this decline in value is other than temporary. When evaluating whether the impairment is other than temporary, an FHLBank takes into consideration whether or not it is going to receive all of the investment's contractual cash flows based on factors that include, but are not limited to: the creditworthiness of the issuer (rating agency actions) and the underlying collateral; the length of time and extent that fair value has been less than amortized cost; and the FHLBank's intent and ability to hold the investment for a sufficient amount of time to recover the unrealized losses. An FHLBank may also evaluate the issuer's business and financial outlook as well as broader industry and sector performance indicators.

If there is an other-than-temporary impairment in the value of an investment, the decline in value is recognized as a loss and presented in the Statement of Income as other expense. The FHLBanks have not experienced any other-than-temporary impairment in the value of their investments during 2007, 2006 or 2005.

Advances. The FHLBanks report advances (loans to members or housing associates) net of unearned commitment fees, discounts and premiums on advances and discounts on advances related to the Affordable Housing Program (AHP), as discussed below. The FHLBanks amortize the premiums and accrete the discounts on advances to interest income using a level-yield methodology. The FHLBanks credit interest on advances to income as earned. Following the requirements of the FHLBank Act, each FHLBank obtains sufficient collateral on advances to protect it from losses. The FHLBank Act limits eligible collateral to certain investment securities, residential mortgage loans, cash or deposits with the FHLBanks, and other eligible real estate-related assets. As Note 8 more fully describes, CFIs(Federal Deposit Insurance Corporation (FDIC)-insured institutions with average assets over the preceding three-year period of $599 million or less during 2007) are eligible to utilize expanded statutory collateral rules that include secured small business and agricultural loans, and securities representing a whole interest in such secured loans. The FHLBanks have not incurred any credit losses on advances since their inception. Each FHLBank evaluates the creditworthiness of its members and non-member borrowers on an ongoing basis and classifies as impaired any advance with respect to which management believes it is probable that all principal and interest due will not be collected according to its contractual terms. Impaired advances are valued using the present value of expected future cash flows discounted at the advance's effective interest rate, the advance's observable market price or, if collateral dependent, the fair value of the advance's underlying collateral. When an advance is classified as impaired, the accrual of interest is discontinued and unpaid accrued interest is reversed. Advances do not return to accrual status until brought current with respect to both principal and interest and if management believes future principal payments are no longer in doubt. Based upon the collateral held as security for its advances and the repayment history of the FHLBanks' advances, management of each FHLBank believes that an allowance for credit losses on its advances is unnecessary.

Commitment Fees. The FHLBanks defer commitment fees for advances and amortize them to interest income using a level-yield methodology. Refundable fees are deferred until the commitment expires or until the advances are made. The FHLBanks record commitment fees for standby letters of credit as a deferred credit when they receive the fees and accrete them using the straight-line method over the term of the standby letter of credit.

Prepayment Fees. The FHLBanks charge a member a prepayment fee when the member prepays certain advances before the original maturity. The FHLBanks record prepayment fees net of SFAS 133 basis adjustments included in the book basis of the advance as "Prepayment fees on advances, net" in the interest income section of the Statement of Income. In cases in which the FHLBank funds a new advance concurrent with or within a short period of time after the prepayment of an existing advance, the FHLBank evaluates whether the new advance meets the accounting criteria to qualify as a modification of an existing advance or as a new advance in accordance with EITF Issue No. 01-7, *Creditor's Accounting for a Modification or Exchange of Debt Instruments,* and SFAS No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating and Acquiring Loans and Initial Direct Costs of Leases* (SFAS 91). If the new advance qualifies as a modification of the existing advance, the net prepayment fee on the prepaid advance is deferred, recorded in the basis of the modified advance and amortized over the life of the modified advance using a level-yield methodology. This amortization is recorded in advance interest income.

For modified prepaid advances that are hedged and meet the hedge accounting requirements of SFAS 133, the FHLBank terminates the hedging relationship upon prepayment and records the associated fair value gains and losses, adjusted for the prepayment fees, in interest income. If the FHLBank funds a new advance to a member concurrent with or within a short period of time after the prepayment of a previous advance to that member, the FHLBank evaluates whether the new advance qualifies as a modification of the original hedged advance. If the new advance qualifies as a modification of the original hedged advance, the fair value gains or losses of the advance and the prepayment fees are included in the carrying amount of the modified advance, and gains or losses and prepayment fees are amortized in interest income over the life of the modified advance using a level-yield methodology. If the modified advance is also hedged and the hedge meets the hedging criteria in accordance with SFAS 133, it is marked to fair value after the modification, and subsequent fair value changes are recorded in other income.

If the FHLBank determines that the transaction does not qualify as a modification of an existing advance, it is treated as an advance termination with subsequent funding of a new advance and the net fees are recorded as "Prepayment fees on advances, net" in the interest income section of the Statement of Income.

Mortgage Loans Held for Portfolio. All 12 FHLBanks have established member mortgage purchase asset programs as services to their members. The programs involve the investment by an FHLBank in loans created or acquired by members. The Finance Board authorized all of the FHLBanks to hold acquired member assets, such as assets acquired under the MPF Program developed by the FHLBank of Chicago and the MPP developed by the FHLBanks of Cincinnati, Indianapolis and Seattle. The FHLBank of Seattle, which previously offered the MPP to its members, is no longer accepting additional Master Commitments in the MPP, completed all of its delivery commitments in early 2006 and is not purchasing additional mortgages. On October 6, 2006, the FHLBank of San Francisco announced that it would no longer offer new commitments to purchase mortgage loans from its members under the MPF Program, but that it would retain its existing portfolio of mortgage loans. The commitment of the FHLBank of San Francisco to purchase mortgage loans under its last outstanding Master Commitment expired on February 14, 2007. The FHLBank of Atlanta stopped accepting additional Master Commitments under MPF as of February 4, 2008 and will purchase loans under existing MPF Master Commitments through December 31, 2008. The FHLBank of Atlanta plans to retain its existing portfolio of MPF loans and will continue to offer MPP.

Under these programs, an FHLBank invests in government-guaranteed/insured (mortgage loans insured or guaranteed by the Federal Housing Administration, the Department of Veterans Affairs, the Rural Housing Service of the Department of Agriculture (RHS) and/or the Department of Housing and Urban Development (HUD)) and conventional residential mortgage loans, which are either funded by the FHLBank, purchased from its participating members, or participations in pools of eligible mortgage loans purchased from other FHLBanks. The FHLBank manages the liquidity and interest-rate risk, and optionality of the loans, while its participating members either retain or release the servicing activities. If participating in the servicing released program, the member concurrently sells the servicing of the mortgage loans to an unrelated designated mortgage service provider. The FHLBank and its participating members share the credit risk on the conventional loans. The member assumes credit losses up to a contractually specified credit enhancement obligation amount. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Risk Management—Credit Risk—Managing Credit Risk—Mortgage Loans Held for Portfolio" for further discussion about MPF and MPP loss allocations.)

Accounting for Mortgage Loans Held in Portfolio. The FHLBanks classify mortgage loans as held for portfolio and, accordingly, report them at their principal amount outstanding, net of deferred loan costs, unamortized premiums and unaccreted discounts, SFAS 133 hedging adjustments, and mark-to-market basis adjustments on loans initially classified as mortgage loan commitments.

The FHLBanks defer and amortize deferred loan costs, premiums and discounts paid to and received by an FHLBank's participating member, and basis adjustments as interest income using either the contractual method or the retrospective method. Under the retrospective method, actual prepayment experience and estimates of future principal prepayments are used in calculating the estimated lives of the mortgage loans. The FHLBank aggregates the mortgage loans by similar characteristics (type, maturity, note rate and acquisition date) in determining prepayment estimates. The retrospective method requires a retrospective adjustment each time the FHLBank changes the estimated amounts as if the new estimate had been known since the original acquisition date of the assets. The contractual method recognizes the income effects of premiums and discounts based on the actual behavior of the underlying assets and reflects the contractual terms of the assets without regard to changes in estimates based on assumptions about future borrower behavior. As discussed in Note 2 to these financial statements, certain FHLBanks use the contractual method and other FHLBanks use the retrospective method.

The FHLBanks record credit enhancement fees paid to Participating Financial Institutions (PFIs) as a reduction to mortgage loan interest income. The FHLBanks may receive other non-origination fees, such as delivery commitment extension fees, pair-off fees and price adjustment fees. Extension fees are received when a member requests to extend the period of the delivery commitment beyond the original stated maturity and are recorded in other income as received. Pair-off fees represent a make-whole provision and are received when the amount funded is less than a specific percentage of the delivery commitment amount and price adjustment fees are received when the amount funded is greater than a specified percentage of the delivery commitment amount. To the extent that pair-off fees relate to under-deliveries of loans, they are included in the mark-to-market of the related delivery commitment derivative, which is recorded in "Net gains (losses) on derivatives and hedging activities." Fees related to over-deliveries represent purchase price adjustments to the related loans acquired and are recorded as part of the loan basis.

The FHLBanks place a conventional mortgage loan on nonaccrual status when the collection of the contractual principal or interest is 90 days or more past due. However, there may be exceptions, such as when a loan is well-secured and in the process of collection (e.g., through credit enhancements), or when an FHLBank's agreements with its PFIs include monthly settlement on a schedule/scheduled basis. Monthly settlement on a schedule/scheduled basis means that the PFI is obligated to remit the contractual mortgage payments on mortgage loans sold to the FHLBank, regardless of whether or not the PFI received payment from the mortgagor. For those mortgage

loans placed on nonaccrual status, accrued but uncollected interest is reversed against interest income. The FHLBanks generally record cash payments received on nonaccrual loans first as interest income and then as a reduction of principal as specified in the contractual agreement, unless the collection of the remaining principal amount due is considered doubtful. A government-guaranteed/insured loan is not placed on nonaccrual status when the collection of the contractual principal or interest is 90 days or more past due because of the (1) U.S. government guarantee of the loan and (2) contractual obligation of the loan servicer.

An FHLBank bases the allowance for credit losses on its management's estimate of credit losses inherent in the FHLBank's mortgage loan portfolio at the Statement of Condition date. Actual losses greater than defined levels are offset by the member's credit enhancement. An FHLBank performs periodic reviews of its portfolio to identify the losses inherent within the portfolio and to determine the likelihood of collection of the portfolio. The overall allowance is determined by an analysis that includes consideration of various data observations such as past performance, current performance, loan portfolio characteristics, collateral valuations, industry data, and prevailing economic conditions. As a result of this analysis, the MPP FHLBanks have determined that each member's obligation for losses and the mortgage insurance coverage exceeds the inherent loss in the portfolio. Accordingly, no allowance for loan losses is considered necessary. As a result of this analysis, the combined financial statements reflect an aggregate allowance for loan losses with respect to MPF loans in the amounts of $8 million and $7 million at December 31, 2007 and 2006.

MPF Credit Enhancement. For conventional MPF Loan products, PFIs assume or retain a portion of the credit risk on the MPF Loans that are funded by, or sold to, a participating FHLBank by providing credit enhancement (CE Amount) either through a direct liability to pay credit losses up to a specified amount or through a contractual obligation to provide supplemental mortgage guaranty insurance (SMI).

Under the MPF Program, the PFI's credit enhancement protection level (CEP Amount) may take the form of the CE Amount, and/or the PFI may contract for a contingent performance-based credit enhancement fee whereby such fees are reduced by losses up to a certain amount arising under the Master Commitment. The required PFI CE Amount may vary depending on the MPF product alternatives selected. Under the AMA Regulation, any portion of the CE Amount that is a PFI's direct liability must be collateralized by the PFI in the same way that advances from the MPF FHLBank are collateralized. All of the PFI's obligations under the PFI Agreement are secured under its regular advances agreement with the MPF FHLBank. The MPF FHLBank may request additional collateral to secure the PFI's obligations.

PFIs are paid a credit enhancement fee (CE Fee) for managing credit risk and in some instances, all or a portion of the CE Fee may be performance-based. CE Fees are paid monthly and are determined based on the remaining unpaid principal balance of the MPF Loans. CE Fees, payable to a PFI as compensation for assuming credit risk, are recorded as an offset to mortgage loan interest income. The MPF FHLBank also pays performance-based CE Fees which are based on actual performance of the pool of MPF Loans under each individual master commitment. To the extent that losses in the current month exceed performance-based CE Fees accrued, the remaining losses may be recovered from future performance CE Fees payable to the PFI.

MPP Credit Enhancement. A lender risk account (LRA) is funded by an FHLBank either up front as a portion of the purchase proceeds or through a portion of the net interest remitted monthly by the member. The LRA is a lender-specific account funded by the FHLBank in an amount approximately sufficient to cover expected losses on the pool of mortgages. The LRA funds are used to offset any losses that may occur. After five years, excess funds over required balances are distributed to the member in accordance with a step-down schedule that is established at the time of a master commitment contract. No LRA balance is required after eleven years. The total balance of all LRAs is recorded in other liabilities and totaled $92 million and $84 million at December 31, 2007 and 2006.

In addition to the expected losses covered by the LRA, the member selling conventional loans is required to purchase SMI as an enhancement to cover losses over and above losses covered by the LRA. The FHLBank is listed as the insured and this coverage serves to further limit the exposure to losses. The total credit enhancement, which includes borrower's equity, primary mortgage insurance (if applicable), the LRA and the SMI are intended to provide, at a minimum, the equivalent to an investment-grade "AA" rating under the Standard & Poor's Ratings Services (S&P) LEVELS® rating methodology (although the assets are not rated by S&P or any other agency). In the event the LRA and the standard SMI policy do not provide sufficient loss protection to support the equivalent investment-grade rating, additional mortgage insurance coverage called SMI Plus also must be purchased by the member. This policy covers the expected losses to achieve an investment-grade rating equivalent to "AA" over and above the LRA and SMI.

MPF Shared Funding Program. Several FHLBanks participate in the MPF Shared Funding Program, which is administered by an unrelated third party. This program allows mortgage loans originated through the MPF Program to be sold to a third party-sponsored trust and "pooled" into securities. The FHLBank of Chicago purchased MPF Shared Funding securities in two transactions in 2003 and sold a portion of the MPF Shared Funding to other FHLBanks at the original transaction closing. The investments are classified as held-to-maturity securities and are reported at amortized cost of $439 million and $489 million at December 31, 2007 and 2006. These securities, which are rated AA, are not publicly traded and are not guaranteed by any of the FHLBanks.

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46), a new interpretation on consolidation accounting. In December 2003, the FASB issued a revision to FIN 46 (FIN 46-R) to address various technical corrections and implementation issues that had arisen since the issuance of FIN 46. Application of FIN 46-R to the FHLBanks is limited to the MPF Shared Funding securities and certain investments in mortgage-backed securities. With regard to the Shared Funding Program, certain of the FHLBanks currently hold MPF Shared Funding securities which they believe were issued by qualifying special purpose entities (QSPEs) that are sponsored by One Mortgage Partners Corporation, a subsidiary of JPMorgan Chase. A QSPE generally can be described as an entity whose permitted activities are limited to passively holding financial assets and distributing cash flows to investors based on pre-set terms. A QSPE must meet certain criteria in SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities—a replacement of FASB Statement 125* (SFAS 140) to be considered a QSPE. FIN 46-R does not require an investor to consolidate a QSPE, as long as the investor does not have the unilateral ability to liquidate the QSPE or cause it to no longer meet the QSPE criteria. The affected FHLBanks meet this scope exception for QSPEs under FIN 46-R, and accordingly do not consolidate their investments in the MPF Shared Funding securities. Further, even if the special purpose entities were not QSPEs, these FHLBanks would not consolidate under FIN 46-R because they holds the senior interest, rather than the residual interest, in these securities.

Premises, Software, and Equipment. The FHLBanks record premises, software and equipment at cost less accumulated depreciation and amortization. The FHLBanks' accumulated depreciation and amortization related to premises, software and equipment was $295 million and $250 million at December 31, 2007 and 2006. The FHLBanks compute depreciation on the straight-line method over the estimated useful lives of relevant assets ranging from 1 to 40 years. They amortize leasehold improvements on the straight-line basis over the shorter of the estimated useful life of the improvement or the remaining term of the lease. The FHLBanks capitalize improvements and major renewals but expense ordinary maintenance and repairs when incurred. Depreciation and amortization expense for premises, software and equipment was $57 million, $48 million and $44 million for the years ended December 31, 2007, 2006 and 2005. The FHLBanks include gains and losses on the disposal of premises, software and equipment in other income. The net realized loss on disposal of premises, software and equipment was $1 million, less than $1 million and $12 million in 2007, 2006 and 2005.

The cost of computer software developed or obtained for internal use is accounted for in accordance with Statement of Position No. 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* (SOP 98-1). SOP 98-1 requires the cost of purchased software and certain costs incurred in developing computer software for internal use to be capitalized and amortized over future periods. At December 31, 2007 and 2006, the FHLBanks had $106 million and $114 million in unamortized computer software costs. Amortization of computer software costs charged to expense was $37 million, $30 million and $29 million for the years ended December 31, 2007, 2006 and 2005.

Derivatives. Accounting for derivatives is addressed in SFAS 133. All derivatives are recognized on the balance sheet at their fair values.

In accordance with SFAS 133 each derivative is designated as one of the following:

(1) a hedge of the fair value of a recognized asset or liability or an unrecognized firm commitment (a "fair-value" hedge);

(2) a hedge of a forecasted transaction or the variability of cash flows that are to be received or paid in connection with a recognized asset or liability (a "cash-flow" hedge);

(3) a hedge of the foreign currency component of a hedged item in a fair-value or cash-flow hedge;

(4) a non-qualifying hedge of an asset or liability ("economic" hedge) for asset-liability management purposes; or

(5) a non-qualifying hedge of another derivative (an "intermediation" hedge) that is offered as a product to members or used to offset other derivatives with non-member counterparties.

Changes in the fair value of a derivative that is designated and qualifies as a fair-value hedge, along with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk (including changes that reflect losses or gains on firm commitments), are recorded in other income as "Net gains (losses) on derivatives and hedging activities."

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, are recorded in other comprehensive income, a component of capital, until earnings are affected by the variability of the cash flows of the hedged transaction.

Changes in the fair value of a derivative that is designated and qualifies as a foreign currency hedge are recorded in either current-period earnings, if the hedging relationship satisfies the criteria for a fair-value hedge or in other comprehensive income if the hedging relationship satisfies the criteria for a cash-flow hedge.

For both fair-value and cash-flow hedges, any hedge ineffectiveness (which represents the amount by which the change in the fair value of the derivative differs from the change in the fair value of the hedged item or the variability in the cash flows of the forecasted transaction) is recorded in other income as "Net gains (losses) on derivatives and hedging activities."

An economic hedge is defined as a derivative hedging specific or non-specific underlying assets, liabilities, or firm commitments that does not qualify or was not designated for hedge accounting, but is an acceptable hedging strategy under an FHLBank's risk management program. These economic hedging strategies also comply with Finance Board regulatory requirements prohibiting speculative hedge transactions. An economic hedge by definition introduces the potential for earnings variability caused by the changes in fair value on the derivatives that are recorded in an FHLBank's income but not offset by corresponding changes in the value of the economically hedged assets, liabilities, or firm commitments. As a result, an FHLBank recognizes only the net interest and the change in fair value of these derivatives in other income as "Net gains (losses) on derivatives and hedging activities" with no offsetting fair value adjustments for the assets, liabilities, or firm commitments. Cash flows associated with such stand-alone derivatives (derivatives not

qualifying as a hedge) are reflected as cash flows from operating activities in the Statement of Cash Flows.

The derivatives used in intermediary activities do not qualify for SFAS 133 hedge accounting treatment and are separately marked-to-market through earnings. The net result of the accounting for these derivatives does not significantly affect the operating results of the FHLBanks. These amounts are recorded in other income and presented as "Net gains (losses) on derivatives and hedging activities."

The differentials between accruals of interest receivables and payables on derivatives designated as fair-value or cash-flow hedges are recognized as adjustments to the income or expense of the designated underlying investment securities, advances, consolidated obligations or other financial instruments. The differentials between accruals of interest receivables and payables on intermediated derivatives for members and other economic hedges are recognized in other income as "Net gains (losses) on derivatives and hedging activities."

The FHLBanks may issue debt, make advances, or purchase financial instruments in which a derivative instrument is "embedded." Upon execution of these transactions, the FHLBank assesses whether the economic characteristics of the embedded derivative are clearly and closely related to the economic characteristics of the remaining component of the advance or debt (the host contract) and whether a separate, non-embedded instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument. When the FHLBank determines that (1) the embedded derivative has economic characteristics that are not clearly and closely related to the economic characteristics of the host contract and (2) a separate, stand-alone instrument with the same terms would qualify as a derivative instrument, the embedded derivative is separated from the host contract, carried at fair value, and designated as a stand-alone derivative instrument pursuant to an economic hedge. However, if the entire contract (the host contract and the embedded derivative) is to be measured at fair value, with changes in fair value reported in current-period earnings (such as an investment security classified as "trading" under SFAS 115 as well as hybrid financial instruments accounted for under SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments, an Amendment of FASB Statements No. 133 and 140* (SFAS 155), or if the FHLBank cannot reliably identify and measure the embedded derivative for purposes of separating that derivative from its host contract, the entire contract is carried on the balance sheet at fair value and no portion of the contract is designated as a hedging instrument.

If hedging relationships meet certain criteria specified in SFAS 133, they are eligible for hedge accounting and the offsetting changes in fair value of the hedged items may be recorded in earnings. The application of hedge accounting generally requires an FHLBank to evaluate the effectiveness of the hedging relationships on an ongoing basis and to calculate the changes in fair value of the derivatives and related hedged items independently. This is known as the "long-haul" method of accounting. Transactions that meet more stringent criteria qualify for the "short-cut" method of hedge accounting in which an assumption can be made that the change in fair value of a hedged item exactly offsets the change in fair value of the related derivative.

Derivatives are typically executed at the same time as the hedged advances or consolidated obligations, and the FHLBanks designate the hedged item in a qualifying hedge relationship at the trade date. In many hedging relationships, the FHLBank may designate the hedging relationship upon its commitment to disburse an advance or trade a consolidated obligation in which settlement occurs within the shortest period of time possible for the type of instrument based on market settlement conventions. The FHLBank defines market settlement conventions for advances to be five business days or less and for consolidated obligations to be thirty calendar days or less, using a next business day convention. The FHLBank then records the changes in fair value of the derivative and the hedged item beginning on the trade date. When the hedging relationship is designated on the trade date and the fair value of the derivative is zero on that date, the hedge meets the criteria within SFAS 133 for applying the short-cut method provided all the other criteria of paragraph 68 of SFAS 133 are also met.

The FHLBanks discontinue hedge accounting prospectively when: (1) it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including hedged items such as firm commitments or forecasted transactions); (2) the derivative and/or the hedged item expires or is sold, terminated, or exercised; (3) it is no longer probable that the forecasted transaction will occur in the originally expected period; (4) a hedged firm commitment no longer meets the definition of a firm commitment; or (5) management determines that designating the derivative as a hedging instrument in accordance with SFAS 133 is no longer appropriate.

When hedge accounting is discontinued because the FHLBank determines that the derivative no longer qualifies as an effective fair-value hedge of an existing hedged item, the FHLBank continues to carry the derivative on the Statement of Condition at its fair value, ceases to adjust the hedged asset or liability for changes in fair value, and amortizes the cumulative basis adjustment on the hedged item into earnings over the remaining life of the hedged item using a level-yield methodology.

When hedge accounting is discontinued because the FHLBank determines that the derivative no longer qualifies as an effective cash-flow hedge of an existing hedged item, the FHLBank continues to carry the derivative on the balance sheet at its fair value and reclassifies the cumulative other comprehensive income adjustment into earnings when earnings are affected by the existing hedge item (i.e., the original forecasted transaction).

Under limited circumstances, when the FHLBank discontinues cash-flow hedge accounting because it is no longer probable that the forecasted transaction will occur by the end of the originally specified time period, or within the following two months, but it is probable the transaction will still occur in the future, the gain or loss on the derivative remains in accumulated other comprehensive income and is recognized as earnings when the forecasted transaction affects earnings. However, if it is probable that a forecasted transaction will not occur by the end of the originally specified time period or within the following two months, the gains and losses that were accumulated in other comprehensive income are recognized immediately in earnings.

When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, the FHLBank continues to carry the derivative on the balance sheet at its fair value, removing from the balance sheet any asset or liability that was recorded to recognize the firm commitment and recording it as a gain or loss in current-period earnings.

Concessions on Consolidated Obligations. The FHLBanks defer and amortize, using a level-yield methodology, the amounts paid to dealers in connection with the sale of consolidated obligations over the terms or the estimated lives of the consolidated obligations. The Office of Finance prorates the amount of the concession to each FHLBank based upon the percentage of the debt issued that is assumed by the FHLBank. Unamortized concessions were $285 million and $328 million at December 31, 2007 and 2006 and are included in "Other assets." Amortization of such concessions is included in consolidated obligation interest expense and totaled $179 million, $143 million and $134 million in 2007, 2006, and 2005.

Discounts and Premiums on Consolidated Obligations. The FHLBanks expense the discounts on consolidated obligation discount notes using a level-yield methodology over the term of the related notes due to their short-term nature. They accrete the discounts and amortize the premiums on consolidated obligation bonds to interest expense using a level-yield methodology over the term to maturity or the estimated life of the corresponding consolidated obligation bond.

Mandatorily Redeemable Capital Stock. In accordance with SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity* (SFAS 150), the FHLBanks reclassify stock subject to redemption from equity to a liability after a member provides written notice of redemption, gives notice of intention to withdraw from membership, or withdraws from membership by merger or acquisition, charter termination, or other involuntary termination from membership, because the member's shares will then meet the definition of a mandatorily

redeemable financial instrument. Shares meeting this definition are reclassified to a liability at fair value. Dividends declared on shares classified as a liability in accordance with SFAS 150 are accrued at the expected dividend rate and reflected as interest expense in the Statement of Income. Once redeemed, the repayment of these mandatorily redeemable financial instruments (by repurchase or redemption of the shares) is reflected as a financing cash outflow in the Statement of Cash Flows.

If a member cancels its written notice of redemption or notice of withdrawal, the FHLBank will reclassify mandatorily redeemable capital stock from a liability to equity in accordance with SFAS 150. After the reclassification, dividends on the capital stock will no longer be classified as interest expense.

Finance Board Expenses. The FHLBanks are assessed for the costs of operating the Finance Board, the FHLBanks' primary regulator. The Finance Board allocates its operating and capital expenditures to the FHLBanks based on each FHLBank's percentage of total combined regulatory capital stock plus retained earnings.

Office of Finance Expenses. The FHLBanks are assessed for the costs of operating the Office of Finance, which manages the sale of consolidated obligations. The Office of Finance allocates its operating and capital expenditures based equally on each FHLBank's percentage of capital stock, percentage of consolidated obligations issued and percentage of consolidated obligations outstanding.

Affordable Housing Program. The FHLBank Act requires each FHLBank to establish and fund an AHP. The FHLBank charges the required funding for AHP to earnings and establishes a liability. The AHP funds provide subsidies to members to assist in the purchase, construction, or rehabilitation of housing for very low-, low-, and moderate-income households. The FHLBank issues AHP advances at interest rates below the customary interest rate for non-subsidized advances. When the FHLBank makes an AHP advance, the present value of the variation in the cash flow caused by the difference in the interest rate between the AHP advance rate and the FHLBank's related cost of funds for comparable maturity funding is charged against the AHP liability and recorded as a discount on the AHP advance. As an alternative, the FHLBank has the authority to make the AHP subsidy available to members as a grant. The discount on AHP advances is accreted to interest income on advances using a level-yield methodology over the life of the advance. (See Note 14 for more information.)

Resolution Funding Corporation (REFCORP). Although the FHLBanks are exempt from ordinary Federal, State, and local taxation, except for local real estate tax, they are required to make quarterly payments to REFCORP to pay toward interest on bonds issued by the REFCORP. REFCORP is a corporation established by Congress in 1989 to provide funding for the resolution and disposition of insolvent savings institutions. Officers, employees, and agents of the Office of Finance are authorized to act for and on behalf of REFCORP to carry out the functions of REFCORP. (See Note 15 for more information.)

Estimated Fair Values. Some of the FHLBanks' financial instruments lack an available trading market characterized by transactions between a willing buyer and a willing seller engaging in an exchange transaction. Therefore, the FHLBanks use pricing services and/or internal models employing significant estimates and present value calculations when disclosing estimated fair values. The FHLBanks assume that book value approximates fair value for financial instruments with three months or less to repricing or maturity. Note 19 details the estimated fair values of the FHLBanks' financial instruments.

Cash Flows. In the Statement of Cash Flows, the FHLBanks consider cash and due from banks as cash and cash equivalents. Federal funds sold are not treated as cash equivalents for purposes of the Statement of Cash Flows, but instead are treated as short-term investments and are reflected in the investing activities section of the Statement of Cash Flows.

In 2005, the FHLBank of New York adopted an accounting policy to reflect gains/losses on debt extinguishments in the operating activities section of its Statement of Cash Flows and to report the cash payments from the early retirement of debt net of these amounts in the financing activities section of its Statement of Cash Flows. The remaining 11 FHLBanks report an operating adjustment on the Statement of Cash Flows for gains or losses on debt extinguishments.

Third Quarter 2007 Cumulative Adjustment for FHLBank of Chicago's Restatement. In the third quarter of 2007, the FHLBank of Chicago identified an accounting error related to certain SFAS 133 long-haul fair value hedge relationships of advances and consolidated obligations that were hedged at values other than par at hedge inception. The FHLBank of Chicago determined that correcting the accounting error, on a cumulative basis, was material for its three-month and nine-month periods ended September 30, 2007, but was not material to its previously issued financial statements. Accordingly, the FHLBank of Chicago corrected the effect of this error by restating previously issued annual financial statements; however, because the effect of the error was not material to any previously issued financial statements, the FHLBank of Chicago will correct previously issued interim quarterly financial statements the next time it files them. As each subsequent SEC filing is made in the future, the previous period financial statements affected by the original error will be restated. Specifically, the FHLBank of Chicago restated its 2006 and 2005 financial statements and recognized a $9 million cumulative adjustment to increase 2004 ending retained earnings, reflecting the cumulative effect of the error on periods prior to 2005.

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

Reclassifications. Certain amounts in the 2006 and 2005 financial statements have been reclassified to conform to the 2007 presentation.

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

Change in Amortization and Accretion Method of Deferred Premiums and Discounts on Mortgage Loans Held for Portfolio and Mortgage-Backed Securities. Certain FHLBanks have changed their method of accounting for premiums and discounts and other deferred loan origination fees on mortgage loans. In addition, certain FHLBanks have changed their method of accounting for premiums and discounts and other deferred loan origination fees under SFAS 91 on mortgage-backed securities. Historically, each FHLBank deferred and amortized agent fees and premiums and discounts paid to and received by its members as interest income over the estimated lives of the related mortgage loans (the "retrospective method"). Actual prepayment experience and estimates of future principal repayments were used in calculating such estimated lives.

Effective January 1, 2005, the FHLBank of Atlanta changed its method of accounting for deferred premiums and discounts on mortgage-backed securities under SFAS 91 to the contractual method. The FHLBank of Atlanta believes that the contractual method is preferable to the retrospective method because, under the contractual method, the income effects of premiums and discounts are recognized in a manner that reflects the actual behavior of the underlying assets during the period in which the behavior occurs, while also reflecting the contractual terms of the assets without regard to changes in estimates based on assumptions about future borrower behavior.

As a result of implementing this change in accounting under SFAS 91, the FHLBank of Atlanta recorded a cumulative effect of a change in accounting principle, effective January 1, 2005. This change resulted in a decrease to retained earnings of $3 million.

Effective January 1, 2005, the FHLBank of Boston changed its method of accounting for premiums and discounts on MPF mortgage loans under SFAS 91 to the contractual method. The

FHLBank of Boston believes that the contractual method is preferable to the retrospective method because under the contractual method, the income effects of premiums and discounts are recognized in a manner that is reflective of the actual behavior of the underlying assets during the period in which the behavior occurs while also reflecting the contractual terms of the assets without regard to changes in estimated prepayments based on assumptions about future borrower behavior.

As a result of implementing the change in accounting principle for amortization and accretion from the retrospective method to the contractual method, the FHLBank of Boston recorded a cumulative effect of a change in accounting principle effective January 1, 2005, that resulted in an increase to income before AHP and REFCORP assessments of $7 million.

Effective January 1, 2005, the FHLBank of Dallas changed its method of accounting for the amortization and accretion of mortgage loan premiums and discounts under SFAS 91 to the contractual method. The FHLBank believes that the contractual method is preferable to the retrospective method because, under the contractual method, the income effects of premiums and discounts are recognized in a manner that is reflective of the actual behavior of the mortgage loans during the period in which the behavior occurs while also reflecting the contractual terms of the assets without regard to changes in estimated prepayments based upon assumptions about future borrower behavior.

As a result of the change in method of amortizing premiums and accreting discounts on mortgage loans, the FHLBank of Dallas recorded a cumulative effect of a change in accounting principle effective January 1, 2005. Net of assessments, this change increased net income for the year ended December 31, 2005 by $1 million. If the contractual method had been used to amortize premiums and accrete discounts in prior years, the FHLBank's net income would not have been materially different from the reported amounts.

Effective January 1, 2005, the FHLBank of Des Moines changed its method of amortizing and accreting premiums, discounts, and other nonrefundable fees on mortgage loans and mortgage-backed securities to the contractual method. The FHLBank believes the contractual method is preferable to the retrospective method because under the contractual method, the income effects of premiums, discounts, and other nonrefundable fees are recognized in a manner that is reflective of the actual behavior of the underlying assets during the period in which the behavior occurs while also reflecting the contractual terms of the assets without regard to changes in estimated prepayments based on assumptions about future borrower behavior.

As a result of implementing this change, the FHLBank of Des Moines recorded a $9 million cumulative effect of a change in accounting principle in the statement of income (before assessments) for the year ended December 31, 2005.

Effective January 1, 2005, the FHLBank of New York changed its method of amortizing and accreting premiums and discounts on mortgage loans to the contractual method, in accordance with SFAS 91. The FHLBank believes that the contractual method is preferable because under the contractual method, the income effects of premiums and discounts are recognized in a manner that is reflective of the actual behavior of the mortgage loans during the period in which the behavior occurs without regard to changes in estimates based on assumptions about future borrower behavior.

As a result of the change in accounting principle, income of $1 million, before assessments, was recorded on January 1, 2005 as a cumulative effect of change in accounting principle.

Recently Issued Accounting Standards and Interpretations.

SFAS 155. On February 16, 2006, the FASB issued SFAS 155, which resolves issues addressed in Statement 133 Implementation Issue No. D1, *Application of Statement 133 to Beneficial Interests in Securitized Financial Assets* (DIG Issue D1). SFAS 155 amends SFAS 133 to simplify the accounting for certain derivatives embedded in other financial instruments (hybrid financial instruments) by permitting fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise required bifurcation, provided that the entire

hybrid financial instrument is accounted for on a fair value basis. SFAS 155 also establishes the requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, which replaces the interim guidance in DIG Issue D1. SFAS 155 amends SFAS 140 to allow a qualifying special-purpose entity to hold a derivative financial instrument that pertains to beneficial interests other than another derivative financial instrument. The FHLBanks' adoption of FAS 155 at January 1, 2007 (January 1, 2006 for the FHLBank of Dallas) did not have a material effect on their financial condition, results of operations or cash flows.

DIG Issue B40. On December 20, 2006, the FASB issued Derivatives Implementation Group (DIG) Issue No. B40, *Application of Paragraph 13(b) to Securitized Interest in Prepayable Financial Assets* (DIG Issue B40). DIG Issue B40 clarifies when a securitized interest in prepayable financial assets is subject to the conditions in paragraph 13(b) of SFAS 133. The FHLBanks' adoption of DIG Issue B40 at January 1, 2007 (October 1, 2006 for the FHLBank of Dallas) did not have a material effect on their financial condition, results of operations or cash flows.

SFAS 157. On September 15, 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). In defining fair value, SFAS 157 retains the exchange price notion in earlier definitions of fair value. However, the definition of fair value under SFAS 157 focuses on the price that would be received to sell an asset or paid to transfer a liability (an exit price), not the price that would be paid to acquire the asset or received to assume the liability (an entry price). SFAS 157 applies whenever other accounting pronouncements require or permit assets or liabilities to be measured at fair value. Accordingly, SFAS 157 does not expand the use of fair value in any new circumstances. SFAS 157 also establishes a fair value hierarchy that prioritizes the information used to develop assumptions used to determine the exit price. SFAS 157 establishes valuation techniques that are used to measure fair value. To increase consistency and comparability in fair value measurements and related disclosures, the fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1—quoted prices in active markets for identical assets or liabilities,
- Level 2—directly or indirectly observable inputs other than quoted prices, and
- Level 3—unobservable inputs.

SFAS 157 requires disclosures detailing (1) the extent to which companies measure assets and liabilities at fair value, (2) the methods and assumptions used to measure fair value, and (3) the effect of fair value measurements on earnings, as applicable. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 (January 1, 2008 for the FHLBanks) and interim periods within those fiscal years, with early adoption permitted provided the entity has not yet issued financial statements for that fiscal year, including financial statements for an interim period within that fiscal year. The effect of adopting SFAS 157 was immaterial to the FHLBanks' retained earnings balance at January 1, 2008.

SFAS 159. On February 15, 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 creates a fair value option allowing, but not requiring, an entity to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and financial liabilities, with changes in fair value recognized in earnings as they occur. It requires entities to separately display the fair value of those assets and liabilities for which the company has chosen to use fair value on the face of the balance sheet. Additionally, SFAS 159 requires an entity to provide information that would allow users to understand the effect on earnings of changes in the fair value on those instruments selected for the fair value election. SFAS 159 is effective at the beginning of an entity's first fiscal year beginning after November 15, 2007 (January 1, 2008 for the FHLBanks). Early adoption is permitted at the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of SFAS 157. As a result of adopting SFAS 159, only the FHLBank of

San Francisco elected to record certain financial assets and financial liabilities at fair value. The effect of adopting SFAS 159 was a $15.7 million increase to the FHLBanks' retained earnings balance at January 1, 2008.

FASB Staff Position No. FIN 39-1. On April 30, 2007, the FASB issued FASB Staff Position No. FIN 39-1, *Amendment of FASB Interpretation No. 39* (FSP FIN 39-1). FSP FIN 39-1 permits an entity to offset fair value amounts recognized for derivative instruments and fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from derivative instruments recognized at fair value executed with the same counterparty under a master netting arrangement. Under FSP FIN 39-1, the receivable or payable related to cash collateral may not be offset if the amount recognized does not represent or approximate fair value or arises from instruments in a master netting arrangement that are not eligible to be offset. The decision whether to offset such fair value amounts represents an elective accounting policy decision that, once elected, must be applied consistently. FSP FIN 39-1 is effective for fiscal years beginning after November 15, 2007 (January 1, 2008 for the FHLBanks), with earlier application permitted. An entity should recognize the effects of applying FSP FIN 39-1 as a change in accounting principle through retrospective application for all financial statements presented unless it is impracticable to do so. Upon adoption of FSP FIN 39-1, an entity is permitted to change its accounting policy to offset or not offset fair value amounts recognized for derivative instruments under master netting arrangements. The FHLBanks adopted FSP FIN 39-1 on January 1, 2008. The adoption of FSP FIN 39-1 did not have a material effect on their financial condition, results of operations or cash flows.

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

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

Note 3—Cash and Due from Banks

The FHLBanks maintain collected cash balances with commercial banks in return for certain services. These agreements contain no legal restrictions on the withdrawal of funds. The average collected cash balances for the years ended December 31, 2007 and 2006 were approximately $21 million and $27 million.

In addition, the FHLBanks maintained average required balances with various Federal Reserve Banks of approximately $131 million and $126 million for the years ended December 31, 2007 and 2006. These represent average balances required to be maintained over each 14-day reporting cycle; however, the FHLBanks may use earnings credits on these balances to pay for services received from the Federal Reserve Banks.

Pass-through Deposit Reserves. The FHLBanks act as pass-through correspondents for member institutions required to deposit reserves with the Federal Reserve Banks. The amount

shown as cash and due from banks includes pass-through reserves deposited with the Federal Reserve Banks of approximately $124 million and $160 million at December 31, 2007 and 2006.

Note 4—Securities Purchased Under Agreements to Resell

The FHLBanks periodically hold securities purchased under agreements to resell those securities. These amounts represent short-term loans and are classified as assets in the Statement of Condition. These securities purchased under agreements to resell are held in safekeeping in the name of the relevant FHLBank by third-party custodians approved by the FHLBank. Should the market value of the underlying securities decrease below the market value required as collateral, the counterparty must place an equivalent amount of additional securities in safekeeping in the name of the FHLBank or the dollar value of the resale agreement will be decreased accordingly.

Note 5—Trading Securities

Major Security Types. Trading securities, excluding interbank holdings of $522 million and $321 million, at December 31, 2007 and 2006 were as follows (dollar amounts in millions):

	December 31,	
	2007 Estimated Fair Value	2006 Estimated Fair Value
Government-sponsored enterprises**	$5,717	$5,307
State or local housing agency obligations	60	60
Other	11	2
	5,788	5,369
Mortgage-backed securities:		
Other U.S. obligations*	74	95
Government-sponsored enterprises***	912	158
Other****	35	65
	1,021	318
Total	$6,809	$5,687

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

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

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

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

Net losses on trading securities during the years ended December 31, 2007, 2006 and 2005, includes a change in net unrealized holding losses of $147 million, $92 million and $295 million for securities held on December 31, 2007, 2006 and 2005.

Note 6—Available-for-Sale Securities

Major Security Types. Available-for-sale securities, excluding interbank holdings of $42 million and $57 million, at December 31, 2007 and 2006 were as follows (dollar amounts in millions):

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

	December 31, 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury obligations	$ 106	$	$ (4)	$ 102
Commercial paper	1,189		(1)	1,188
Government-sponsored enterprises*	2,041	1	(8)	2,034
Other	384	3		387
	3,720	4	(13)	3,711
Mortgage-backed securities:				
Government-sponsored enterprises**	675	2	(5)	672
Other***	2,274	4		2,278
	2,949	6	(5)	2,950
Total	$6,669	$10	$(18)	$6,661

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

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

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

The FHLBanks have reviewed their available-for-sale investment security holdings at December 31, 2007 and have determined that all unrealized losses reflected below are temporary, based in part on the creditworthiness of the issuers as well as the underlying collateral, if applicable. The FHLBanks believe that it is probable that they will be able to collect all amounts due according to the contractual terms of the individual securities. Based upon the creditworthiness of the issuers and because the FHLBanks have the ability and the intent to hold such securities through to recovery of the unrealized losses, they do not consider the investments to be other-than-temporarily impaired at December 31, 2007.

The following tables summarize the available-for-sale securities with unrealized losses at December 31, 2007 and 2006. The unrealized losses are aggregated by major security type and

length of time that individual securities have been in a continuous unrealized loss position (dollar amounts in millions).

	December 31, 2007					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government-sponsored enterprises*	$ 57	$	$ 366	$ (1)	$ 423	$ (1)
Other	80	(1)			80	(1)
Mortgage-backed securities:						
Government-sponsored enterprises**	2,984	(30)	215	(3)	3,199	(33)
Other***	321	(18)	37		358	(18)
Total temporarily impaired	$3,442	$(49)	$ 618	$ (4)	$4,060	$(53)

	December 31, 2006					
	Less than 12 Months		12 months or more		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. Treasury obligations	$	$	$ 102	$ (4)	$ 102	$ (4)
Commercial Paper	1,188	(1)			1,188	(1)
Government-sponsored enterprises*	651	(4)	572	(4)	1,223	(8)
Mortgage-backed securities:						
Government-sponsored enterprises**			437	(5)	437	(5)
Total temporarily impaired	$1,839	$ (5)	$1,111	$(13)	$2,950	$(18)

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

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

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

Redemption Terms. The amortized cost and estimated fair value of available-for-sale securities at December 31, 2007 and 2006 by contractual maturity are shown below (dollar amounts in millions). Expected maturities of some securities and mortgage-backed securities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

	December 31, 2007		December 31, 2006	
Year of Maturity	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 697	$ 696	$2,262	$2,261
Due after one year through five years	187	190	681	671
Due after five through ten years	60	62	23	23
Due after ten years	788	791	754	756
	1,732	1,739	3,720	3,711
Mortgage-backed securities	4,124	4,074	2,949	2,950
Total	$5,856	$5,813	$6,669	$6,661

The amortized cost of the FHLBanks' mortgage-backed securities classified as available-for-sale includes net discounts of $4 million at December 31, 2007 and net premiums of $4 million at December 31, 2006.

Interest-Rate Payment Terms. The following table details additional interest-rate payment terms for investment securities classified as available-for-sale at December 31, 2007 and 2006 (dollar amounts in millions):

	December 31, 2007	December 31, 2006
Amortized cost of available-for-sale securities other than mortgage-backed securities:		
Fixed-rate	$1,723	$3,716
Variable-rate	9	4
	1,732	3,720
Amortized cost of available-for-sale mortgage-backed securities:		
Pass-through securities:		
Fixed-rate	315	661
Variable-rate	1	3
Collateralized mortgage obligations:		
Fixed-rate	287	203
Variable-rate	3,521	2,082
	4,124	2,949
Total	$5,856	$6,669

Gains and Losses. The FHLBanks realized $2 million, $3 million and $298 million in gross gains on the sale of available-for-sale securities for 2007, 2006 and 2005. The FHLBanks realized $2 million, $6 million and $8 million in gross losses on the sale of available-for-sale securities in 2007, 2006 and 2005.

The FHLBank of Chicago transferred certain privately issued investment grade collateralized mortgage obligations, with $138 million of unrealized losses from the available-for-sale portfolio to the held-to-maturities portfolio, which was recorded at fair value. The objective of the transfer was to recognize a change in the FHLBank of Chicago's management's intent to hold these securities to maturity due to the current illiquidity in the credit markets related to subprime investments. At the time of transfer, the fair value of these securities ranged from 63 percent to 100 percent of their amortized cost bases, of which the weighted-average fair value was 91 percent of the amortized cost bases. There were 74 securities that were transferred, of which two securities were in an unrealized loss position for greater than 12 months. The FHLBank of Chicago performed an impairment analysis of this portfolio at December 31, 2007 to determine the recoverability of all principal and interest contractually due based on the securities' underlying collateral, delinquency and default rates and expected loss severities. Based on this analysis, the FHLBank of Chicago determined that there was no other-than-temporary impairment.

Note 7—Held-to-Maturity Securities

Major Security Types.

Held-to-maturity securities, excluding interbank holdings of $2.5 billion and $4.2 billion, at December 31, 2007 and 2006 were as follows (dollar amounts in millions):

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

	December 31, 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	$ 7,032	$	$	$ 7,032
Other U.S. obligations*	953	4	(1)	956
Government-sponsored enterprises**	4,349	22	(42)	4,329
State or local housing agency obligations	3,180	28	(11)	3,197
Other	8			8
	15,522	54	(54)	15,522
Mortgage-backed securities:				
Other U.S. obligations*	443	3	(4)	442
Government-sponsored enterprises***	44,067	89	(740)	43,416
Other****	82,450	170	(1,020)	81,600
	126,960	262	(1,764)	125,458
Total	$142,482	$316	$(1,818)	$140,980

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

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

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

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

The FHLBanks have reviewed their held-to-maturity investments at December 31, 2007 and have determined that all unrealized losses reflected below are temporary based on the creditworthiness of the issuers as well as the underlying collateral, if applicable. The FHLBanks believe it is probable that they will be able to collect all amounts due according to the contractual terms of the individual securities. Additionally, because the FHLBanks have the ability and the intent to hold

such securities through to recovery of the unrealized losses, they do not consider the investments to be other-than-temporarily impaired at December 31, 2007.

The following tables summarize the held-to-maturity securities with unrealized losses at December 31, 2007 and 2006. The unrealized losses are aggregated by major security type and length of time that individual securities have been in a continuous unrealized loss position (dollar amounts in millions).

	December 31, 2007					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Other U.S. obligations*	$ 51	$ (1)	$	$	$ 51	$ (1)
Government-sponsored enterprises**			608	(5)	608	(5)
State or local housing agency obligations	1,320	(26)	92	(3)	1,412	(29)
Mortgage-backed securities:						
Other U.S. obligations*	26		86	(2)	112	(2)
Government-sponsored enterprises***	13,649	(68)	15,895	(322)	29,544	(390)
Other****	39,585	(1,004)	36,821	(1,122)	76,406	(2,126)
Total temporarily impaired	$54,631	$(1,099)	$53,502	$(1,454)	$108,133	$(2,553)

	December 31, 2006					
	Less than 12 Months		12 months or more		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Other U.S. obligations*	$ 35	$	$ 168	$ (1)	$ 203	$ (1)
Government-sponsored enterprises**	777	(8)	2,370	(34)	3,147	(42)
State or local housing agency obligations	1,375	(7)	191	(4)	1,566	(11)
Mortgage-backed securities:						
Other U.S. obligations*	18		127	(4)	145	(4)
Government-sponsored enterprises***	7,856	(27)	24,408	(713)	32,264	(740)
Other****	15,339	(27)	43,765	(993)	59,104	(1,020)
Total temporarily impaired	$25,400	$(69)	$71,029	$(1,749)	$96,429	$(1,818)

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

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

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

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

Redemption Terms. The amortized cost and estimated fair value of held-to-maturity securities at December 31, 2007 and 2006 by contractual maturity are shown below (dollar amounts in millions). Expected maturities of some securities and mortgage-backed securities may differ from

contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

Year of Maturity	December 31, 2007 Amortized Cost	December 31, 2007 Estimated Fair Value	December 31, 2006 Amortized Cost	December 31, 2006 Estimated Fair Value
Due in one year or less	$ 8,397	$ 8,399	$ 10,215	$ 10,202
Due after one year through five years	1,330	1,348	1,847	1,834
Due after five through ten years	572	603	641	657
Due after ten years	2,459	2,454	2,819	2,829
	12,758	12,804	15,522	15,522
Mortgage-backed securities	138,418	136,320	126,960	125,458
Total	$151,176	$149,124	$142,482	$140,980

The amortized cost of the FHLBanks' mortgage-backed securities classified as held-to-maturity includes net discounts of $448 million and $206 million at December 31, 2007 and 2006.

Interest-Rate Payment Terms. The following table details additional interest-rate payment terms for investment securities classified as held-to-maturity at December 31, 2007 and 2006 (dollar amounts in millions):

	December 31, 2007	December 31, 2006
Amortized cost of held-to-maturity securities other than mortgage-backed securities:		
Fixed-rate	$ 10,643	$ 13,095
Variable-rate	2,115	2,427
	12,758	15,522
Amortized cost of held-to-maturity mortgage-backed securities:		
Pass-through securities:		
Fixed-rate	26,405	21,040
Variable-rate	1,475	1,421
Collateralized mortgage obligations:		
Fixed-rate	64,132	65,329
Variable-rate	46,406	39,170
	138,418	126,960
Total	$151,176	$142,482

Gains and Losses. The FHLBanks realized $1 million for 2007 and less than $1 million for 2006 and 2005 in gross gains on the sale of held-to-maturity securities. The FHLBanks realized $7 million, $6 million and $1 million for 2007, 2006 and 2005 in gross losses on the sale of held-to-maturity securities. These sales of held-to-maturity securities portfolio were either within three months of maturity or had less than 15 percent of the acquired principal outstanding. In accordance with SFAS 115, such sales are considered as maturities for the purposes of security classification.

See Note 6 regarding the FHLBank of Chicago's transfer between available-for-sale securities and held-to-maturity securities during 2007.

Under SFAS 115, changes in circumstances may cause an FHLBank to change its intent to hold a certain security to maturity without calling into question its intent to hold other debt securities to maturity in the future. Thus, the sale or transfer of a held-to-maturity security due to

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

Note 8—Advances

Redemption Terms. At December 31, 2007 and 2006, the FHLBanks had advances outstanding, including AHP advances (see Note 14), at interest rates ranging from 0 percent to 9.75 percent, as summarized below (dollar amounts in millions). Advances with interest rates of 0 percent are AHP-subsidized advances.

	December 31, 2007		December 31, 2006	
Redemption Term	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Overdrawn demand and overnight deposit accounts	$ 86		$ 22	
Due in 1 year or less	288,696	4.51%	252,399	5.06%
Due after 1 year through 2 years	174,061	4.82%	113,971	4.98%
Due after 2 years through 3 years	124,529	4.96%	80,728	5.07%
Due after 3 years through 4 years	82,819	5.10%	46,978	5.13%
Due after 4 years through 5 years	67,280	4.86%	48,158	5.19%
Thereafter	126,363	4.57%	94,650	4.55%
Index amortizing advances	3,415	4.71%	4,645	4.47%
Total par value	867,249	4.73%	641,551	4.98%
Commitment fees	(4)		(3)	
Discount on AHP advances	(68)		(63)	
Premiums	30		18	
Discounts	(63)		(117)	
SFAS 133 hedging adjustments	7,917		(705)	
Total	$875,061		$640,681	

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

The FHLBanks offer advances to members that may be prepaid on pertinent dates (call dates) without incurring prepayment or termination fees (callable advances). Other advances may only be prepaid by paying a fee to the FHLBank (prepayment fee) that makes the FHLBank financially indifferent to the prepayment of the advance. At December 31, 2007 and 2006, the FHLBanks had callable advances of $34,270 million and $29,659 million.

The following table summarizes advances at December 31, 2007 and 2006, by year of contractual maturity or next call date for callable advances (dollar amounts in millions):

Year of Contractual Maturity or Next Call Date	December 31, 2007	December 31, 2006
Overdrawn demand and overnight deposit accounts	$ 86	$ 22
Due in 1 year or less	316,830	276,108
Due after 1 year through 2 years	169,570	111,674
Due after 2 years through 3 years	121,340	74,404
Due after 3 years through 4 years	78,372	42,999
Due after 4 years through 5 years	62,813	43,350
Thereafter	114,823	88,349
Index amortizing advances	3,415	4,645
Total par value	$867,249	$641,551

The FHLBanks also offer putable and convertible advances. With a putable advance, an FHLBank has the right to terminate the advance at predetermined exercise dates, which the FHLBank typically would exercise when interest rates increase, and the borrower may then apply for a new advance at the prevailing market rate. At December 31, 2007 and 2006, the FHLBanks had putable advances outstanding totaling $82,845 million and $55,428 million.

Convertible advances allow the FHLBanks to convert the fixed-rate advance to a variable-rate advance at the current market rate or another structure after an agreed-upon lockout period. At December 31, 2007 and 2006, the FHLBanks had convertible advances outstanding totaling $49,055 million and $41,885 million.

The following table summarizes advances at December 31, 2007 and 2006, by year of contractual maturity or next put/convert date for putable/convertible advances (dollar amounts in millions):

Year of Contractual Maturity or Next Put/Convert Date	December 31, 2007	December 31, 2006
Overdrawn demand and overnight deposit accounts	$ 86	$ 22
Due in 1 year or less	376,111	317,728
Due after 1 year through 2 years	190,760	120,530
Due after 2 years through 3 years	116,883	82,973
Due after 3 years through 4 years	78,721	35,447
Due after 4 years through 5 years	49,378	41,394
Thereafter	51,895	38,812
Index amortizing advances	3,415	4,645
Total par value	$867,249	$641,551

Security Terms. The FHLBanks lend to financial institutions involved in housing finance within their districts according to Federal statutes, including the FHLBank Act. The FHLBank Act requires each FHLBank to obtain sufficient collateral on advances to protect against losses and permits each FHLBank to accept the following as eligible collateral on such advances: residential mortgage loans, certain U.S. government or government agency securities, cash or deposits, and other eligible real estate-related assets. The capital stock of the FHLBanks owned by each borrowing member is pledged as additional collateral for the member's indebtedness to the FHLBank. CFIs are eligible under expanded statutory collateral rules to pledge as collateral for advances small-business, small- farm and small-agribusiness loans fully secured by collateral other than real estate, or securities representing a whole interest in such secured loans. Since the FHLBank of Chicago has not yet converted to a new capital plan, the FHLBank Act requires that

total advances from the FHLBank of Chicago to a member may not exceed 20 times the member's capital stock in the FHLBank of Chicago.

At December 31, 2007 and 2006, the FHLBanks had rights to collateral with an estimated value greater than the related outstanding advances. On the basis of the financial condition of the borrower, the type of security agreement, and other factors, each FHLBank imposes one of two requirements to protect its secured collateral:

- Requiring a borrower to execute a written security agreement whereby the borrower retains possession of the collateral assigned to the FHLBank and agrees to hold such collateral for the benefit of the FHLBank; or
- Requiring the borrower specifically to assign or place physical possession of such collateral with the FHLBank or a third-party custodian approved by the FHLBank.

Beyond these provisions, Section 10(e) of the FHLBank Act affords any security interest granted by a member or any affiliate of the member to an FHLBank priority over the claims and rights of any other party except those claims that would be entitled to priority under otherwise applicable law and that are held by bona fide purchasers for value or by secured parties with perfected security interests.

Credit Risk. While the FHLBanks have never experienced a credit loss on an advance to a member, the expansion of collateral for CFIs provides the potential for additional credit risk for the FHLBanks. The management of each FHLBank has the policies and procedures in place to appropriately manage this credit risk. Accordingly, the FHLBanks have not provided any allowances for losses on advances.

The FHLBanks' potential credit risk from advances is concentrated in commercial banks and savings institutions. At December 31, 2007 and 2006, the FHLBanks had $643 billion and $443 billion of advances outstanding that were greater than or equal to $1 billion per borrower. These advances were made to 101 and 83 borrowers, respectively, representing 74.2 percent and 69.0 percent of total advances outstanding. The FHLBanks hold sufficient collateral to cover the advances to these institutions, and the FHLBanks do not expect to incur any credit losses on these advances.

Interest-Rate Payment Terms. The following table details additional interest-rate payment terms for advances at December 31, 2007 and 2006 (dollar amounts in millions):

	December 31, 2007	December 31, 2006
Par amount of advances:		
Fixed-rate	$506,639	$354,742
Variable-rate	360,610	286,809
Total	$867,249	$641,551

Prepayment Fees. The FHLBanks record prepayment fees received from members on prepaid advances net of any associated SFAS 133 hedging fair-value adjustments on those advances.

The net amount of prepayment fees is reflected as interest income in the Statement of Income. Gross advance prepayment fees received from members were $85 million, $133 million and $168 million for the three years ended December 31, 2007, 2006 and 2005.

Note 9—Mortgage Loans Held for Portfolio

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

The following table presents information at December 31, 2007 and 2006 on mortgage loans held by all FHLBanks under all programs (dollar amounts in millions):

	December 31, 2007	December 31, 2006
Real Estate:		
Fixed-rate, medium-term* single-family mortgages	$23,280	$26,715
Fixed-rate, long-term single-family mortgages	67,848	70,748
Multifamily mortgages	27	29
	91,155	97,492
Premiums	592	693
Discounts	(284)	(307)
Deferred loan costs, net	37	43
SFAS 133 hedging adjustments	115	60
Total mortgage loans held for portfolio	$91,615	$97,981

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

The following table details the par value of mortgage loans held for portfolio outstanding at December 31, 2007 and 2006 (dollar amounts in millions):

	December 31, 2007	December 31, 2006
Government-insured loans	$ 8,899	$10,024
Conventional loans	82,252	87,463
Other loans	4	5
Total par value	$91,155	$97,492

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

	2007	2006	2005
Balance, beginning of year	$7	$10	$10
Charge-offs			(1)
Recoveries			1
Net charge-offs			
Provision (reversal) for credit losses	1	(3)	
Balance, end of year	$8	$ 7	$10

At December 31, 2007 and 2006, the FHLBanks had $86 million and $66 million of nonaccrual loans.

Mortgage loans, other than those included in large groups of smaller-balance homogeneous loans, are considered impaired when, based on current information and events, it is probable that the FHLBank will be unable to collect all principal and interest amounts due according to the contractual terms of the mortgage loan agreement. At December 31, 2007 and 2006, the FHLBanks had recorded $17 million and $9 million of investments in impaired mortgage loans. Average impaired mortgage loans balances were $12 million, $10 million and $9 million during 2007, 2006 and 2005. The FHLBanks recognized less than $1 million in interest income related to impaired loans during 2007, 2006 and 2005.

The FHLBanks record credit enhancement fees as a reduction to mortgage loan interest income. Credit enhancement fees totaled $82 million, $90 million and $100 million for the years ended December 31, 2007, 2006 and 2005.

The following table presents changes in the Lender Risk Account for the years ended December 31, 2007 and 2006 (dollar amounts in millions):

	2007	2006
Lender Risk Account at beginning of year	$84	$72
Additions	16	15
Claims	(1)	(1)
Scheduled distributions	(7)	(2)
Lender Risk Account at end of year	$92	$84

Note 10—Derivatives and Hedging Activities

Nature of Business Activity

The FHLBanks may enter into interest-rate swaps (including callable and putable swaps), swaptions, interest-rate cap and floor agreements, calls, puts, and futures and forward contracts (collectively, derivatives) to manage its exposure to changes in interest rates.

The FHLBanks may use these instruments to adjust the effective maturity, repricing frequency, or option characteristics of financial instruments to achieve risk management objectives. The FHLBanks use derivatives in several ways: by designating them as either a fair-value or cash-flow hedge of an underlying financial instrument or a forecasted transaction, by acting as an intermediary, or in asset-liability management (i.e., an economic hedge). For example, the FHLBanks use derivatives in its overall interest-rate risk management to adjust the interest-rate sensitivity of consolidated obligations to approximate more closely the interest-rate sensitivity of assets (advances, investments, and mortgage loans), and/or to adjust the interest-rate sensitivity of advances, investments, or mortgage loans to approximate more closely the interest-rate sensitivity of liabilities.

In addition to using derivatives to manage mismatches of interest rates between assets and liabilities, the FHLBanks also use derivatives as follows: (1) to manage embedded options in assets and liabilities, (2) to hedge the market value of existing assets and liabilities and anticipated transactions, (3) to hedge the duration risk of prepayable instruments, (4) to exactly offset other derivatives executed with members (when an FHLBank serves as an intermediary) and (5) to reduce funding costs.

Consistent with Finance Board regulation, an FHLBank enters into derivatives only to reduce the interest-rate risk exposures inherent in otherwise unhedged assets and funding positions, to achieve the FHLBank's risk management objectives, and to act as an intermediary between its members and counterparties. FHLBank management uses derivatives when they are considered to be the most cost-effective alternative to achieve the FHLBank's financial and risk management objectives. Accordingly, an FHLBank may enter into derivatives that do not necessarily qualify for hedge accounting (economic hedges).

Types of Assets and Liabilities Hedged.

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

Consolidated Obligations—While consolidated obligations are the joint and several obligations of the FHLBanks, each FHLBank has consolidated obligations for which it is the primary obligor. Each FHLBank enters into derivatives to hedge the interest rate risk associated with its specific debt issuances.

For instance, in a typical transaction, fixed-rate consolidated obligations are issued for one or more FHLBanks, and each FHLBank simultaneously enters into a matching derivative in which the counterparty pays fixed cash flows to the FHLBank designed to mirror in timing and amount the cash outflows the FHLBank pays on the consolidated obligation. The FHLBank pays a variable cash flow that closely matches the interest payments it receives on short-term or variable-rate advances (typically one- or three-month the London Interbank Offered Rate (LIBOR)). These transactions are treated as fair-value hedges under SFAS 133. This intermediation between the capital and derivatives markets permits the FHLBanks to raise funds at lower costs than would otherwise be available through the issuance of simple fixed- or variable-rate consolidated obligations in the capital markets.

Advances—The FHLBanks offer a wide array of advance structures to meet members' funding needs. These advances may have maturities up to 30 years with variable or fixed rates and may include early termination features or options. An FHLBank may use derivatives to adjust the repricing and/or options characteristics of advances in order to more closely match the characteristics of that FHLBank's funding liabilities. In general, whenever a member executes a fixed-rate advance or a variable-rate advance with embedded options, the FHLBank will simultaneously execute a derivative with terms that offset the terms and embedded options, if any, in the advance. For example, the FHLBank may hedge a fixed-rate advance with an interest-rate swap where the FHLBank pays a fixed-rate coupon and receives a floating-rate coupon, effectively converting the fixed-rate advance to a floating-rate advance. This type of hedge is treated as a fair-value hedge under SFAS 133.

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

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

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

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

Firm Commitment Strategies—In accordance with SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* (SFAS 149), certain mortgage purchase commitments are considered derivatives. The FHLBanks normally hedge these commitments by selling to be announced (TBA) mortgage-backed securities or other derivatives for forward settlement. A TBA represents a forward contract for the sale of mortgage-backed securities at a future agreed upon date for an established price. The mortgage purchase commitment and the TBA used in the firm commitment hedging strategy (economic hedge) are recorded as a derivative asset or derivative liability at fair value, with changes in fair value recognized in current-period earnings. When the mortgage purchase commitment derivative settles, the current market value of the commitment is included with the basis of the mortgage loan and amortized accordingly.

The FHLBanks may also hedge a firm commitment for a forward starting advance through the use of an interest-rate swap. In this case, the swap will function as the hedging instrument for both the firm commitment and the subsequent advance. The basis movement associated with the firm commitment will be rolled into the basis of the advance at the time the commitment is terminated and the advance is issued. The basis adjustment will then be amortized into interest income over the life of the advance.

Investments—The FHLBanks invest in U.S. agency obligations, mortgage-backed securities, and the taxable portion of state or local housing finance agency obligations, which may be classified as held-to-maturity, available-for-sale or trading securities. The interest-rate and prepayment risks associated with these investment securities is managed through a combination of debt issuance and derivatives. The FHLBanks may manage the prepayment and interest rate risks by funding investment securities with consolidated obligations that have call features or by hedging the prepayment risk with caps or floors, callable swaps or swaptions.

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

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

Anticipated Debt Issuance—The FHLBanks may enter into interest-rate swaps for the anticipated issuance of fixed-rate bonds to lock in the cost of funding. The interest-rate swap is terminated upon issuance of the fixed-rate bond, with the realized gain or loss on the interest-rate swap recorded in other comprehensive income. Realized gains and losses reported in accumulated other comprehensive income are recognized as earnings in the periods in which earnings are affected by the cash flows of the fixed rate bonds.

Managing Credit Risk on Derivatives

The FHLBanks are subject to credit risk due to the risk of nonperformance by counterparties to the derivative agreements. The degree of counterparty risk depends on the extent to which master netting arrangements are included in such contracts to mitigate the risk. The FHLBanks manage counterparty credit risk through credit analysis, collateral requirements and adherence to the requirements set forth in FHLBank policies and Finance Board regulations. Based on credit analyses and collateral requirements, the management of each FHLBank does not anticipate any credit losses on its derivative agreements.

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

At December 31, 2007 and 2006, the FHLBanks' maximum credit risk, as defined above, was approximately $2,411 million and $1,628 million. These totals include $988 million and $1,102 million of net accrued interest receivable. In determining maximum credit risk, the FHLBanks consider accrued interest receivables and payables, and the legal right to offset derivative assets and liabilities by counterparty. The FHLBanks held securities and cash with a fair value of $1,773 million and $1,003 million as collateral at December 31, 2007 and 2006. Additionally, collateral with respect to derivatives with member institutions includes collateral assigned to an FHLBank, as evidenced by a written security agreement and held by the member institution for the benefit of the FHLBank.

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. Note 20 discusses assets pledged by the FHLBanks to these counterparties. FHLBanks are not derivative dealers and thus do not trade derivatives for short-term profit.

The FHLBanks have issued some consolidated obligations denominated in currencies other than U.S. dollars, and the FHLBanks use forward exchange contracts to hedge foreign currency risk. These contracts are agreements to exchange different currencies at specified future dates and at specified rates. The use of these contracts effectively simulates the conversion of these consolidated obligations denominated in foreign currencies to ones denominated in U.S. dollars. Such transactions are treated as foreign currency fair-value hedges under SFAS 133, whereby the fair value changes of the foreign-currency-denominated obligation and the forward contract are recorded in current-period earnings. At December 31, 2007 and 2006, there were no consolidated obligations denominated in foreign currencies. The FHLBanks are not exposed to any amounts of foreign currency risk.

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

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

Total notional principal of derivatives for the FHLBanks' intermediary positions was $3,344 million and $2,874 million at December 31, 2007 and 2006.

Financial Statement Effect and Additional Financial Information

Net (losses) gains on derivatives and hedging activities for the years ended December 31, 2007, 2006 and 2005 are as follows:

Net (Losses) Gains on Derivatives and Hedging Activities
(Dollar amounts in millions)

	For the Years Ended December 31,		
	2007	2006	2005
Gains (losses) related to fair-value hedge ineffectiveness	$ 12	$21	$(25)
(Losses) gains on economic hedges	(65)	63	2
Losses related to cash-flow hedge ineffectiveness		(1)	
Net (losses) gains on derivatives and hedging activities	$(53)	$83	$(23)

There were no material amounts for the years ended December 31, 2007, 2006 and 2005 that were reclassified into earnings as a result of the discontinuance of cash-flow hedges because it became probable that the original forecasted transactions would not occur by the end of the originally specified time period or within a two-month period thereafter. At December 31, 2007, the deferred net gains (losses) on derivative instruments accumulated in other comprehensive income expected to be reclassified to earnings during the next twelve months is not material. The maximum length of time over which the FHLBanks are hedging their exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, is generally no more than three months. For the FHLBank of Chicago, the maximum length of time over which forecasted transactions are hedged is six years.

The following table represents outstanding notional balances and estimated fair values of the derivatives outstanding at December 31, 2007 and 2006 (dollar amounts in millions):

	December 31, 2007		December 31, 2006	
Interest-rate Swaps:	Notional	Estimated Fair Value	Notional	Estimated Fair Value
Fair Value	$796,542	$(4,629)	$757,782	$(2,681)
Cash Flow	537	(7)		
Economic	112,460	(253)	103,088	(161)
Interest-rate Swaptions:				
Fair Value	4,113	70	4,990	36
Economic	16,465	72	11,314	19
Interest-rate Caps/Floors:				
Fair Value	4,433	(3)	10,217	71
Cash Flow	3,375	161	1,925	20
Economic	17,542	53	12,261	18
Interest-rate Futures/Forwards:				
Fair Value	3,304	(6)	6,462	
Economic	87		116	
Mortgage Delivery Commitments:				
Economic	214	1	221	
Other:				
Economic	90		70	
Total	$959,162	$(4,541)	$908,446	$(2,678)
Total derivatives excluding accrued interest		$(4,541)		$(2,678)
Accrued interest		1,639		1,418
Net derivative balances		$(2,902)		$(1,260)
Net derivative assets balances		$ 2,401		$ 1,626
Net derivative liabilities balances		(5,303)		(2,886)
Net derivative balances		$(2,902)		$(1,260)

Note 11—Deposits

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

Deposits classified as demand, overnight and other, pay interest based on a daily interest rate. Term deposits pay interest based on a fixed rate determined at the issuance of the deposit. The average interest rates paid on average deposits during 2007 and 2006 were 4.90 percent and 4.82 percent.

The following table details deposits with the FHLBanks that are interest-bearing and non-interest-bearing at December 31, 2007 and 2006 (in millions):

	December 31,	
	2007	2006
Interest-bearing:		
Demand and overnight	$19,972	$17,512
Term	780	441
Other	1,113	795
Total interest-bearing	21,865	18,748
Non-interest-bearing:		
Demand and overnight	84	103
Other	124	121
Total non-interest-bearing	208	224
Total deposits	$22,073	$18,972

The aggregate amount of time deposits with a denomination of $100 thousand or more was $778 million and $441 million as of December 31, 2007 and 2006.

Note 12—Borrowings

Securities Sold Under Agreements to Repurchase. Certain FHLBanks have sold securities under repurchase agreements. The amounts received under these agreements represent short-term borrowings and are classified as liabilities on the Statement of Condition. These FHLBanks have delivered securities sold under agreements to repurchase to the primary dealer. Should the market value of the underlying securities fall below the market value required as collateral, the relevant FHLBank must deliver additional securities to the dealer.

Note 13—Consolidated Obligations

Consolidated obligations consist of consolidated bonds and discount notes and as provided by the FHLBank Act or Finance Board regulation, are backed only by the financial resources of the FHLBanks. The FHLBanks issue consolidated obligations through the Office of Finance as their agent. In connection with each debt issuance, each FHLBank specifies the amount of debt it wants issued on its behalf. The Office of Finance tracks the amount of debt issued on behalf of each FHLBank. In addition, each FHLBank separately tracks and records as a liability its specific portion of consolidated obligations for which it is the primary obligor. The Finance Board and the U.S. Secretary of the Treasury have oversight over the issuance of FHLBank debt through the Office of Finance. Consolidated bonds are issued primarily to raise intermediate and long-term funds for the FHLBanks and are not subject to any statutory or regulatory limits on their maturity. Consolidated discount notes are issued primarily to raise short-term funds. These notes sell at less than their face amount and are redeemed at par value when they mature.

Although each FHLBank is primarily liable for its portion of consolidated obligations (i.e., those issued on its behalf), each FHLBank is also jointly and severally liable with the other 11 FHLBanks for the payment of principal and interest on all consolidated obligations of each of the FHLBanks. The Finance Board, at its discretion, may require any FHLBank to make principal or interest payments due on any consolidated obligation whether or not the consolidated obligation represents a primary liability of such FHLBank. Although it has never occurred, to the extent that an FHLBank makes any payment on a consolidated obligation on behalf of another FHLBank that is primarily liable for such consolidated obligation, Finance Board regulations provide that the paying FHLBank is entitled to reimbursement from the non-complying FHLBank for any payments made on its behalf and other associated costs (including interest to be determined by the Finance

Board). If, however, the Finance Board determines that the non-complying FHLBank is unable to satisfy its repayment obligations, then the Finance Board may allocate the outstanding liabilities of the non-complying FHLBank among the remaining FHLBanks on a pro-rata basis in proportion to each FHLBank's participation in all consolidated obligations outstanding. The Finance Board reserves the right to allocate the outstanding liabilities for the consolidated obligations between the FHLBanks in any other manner it may determine to ensure that the FHLBanks operate in a safe and sound manner.

The par amounts of the 12 FHLBanks' outstanding consolidated obligations, including consolidated obligations held by other FHLBanks, were approximately $1.2 trillion and $952 billion at December 31, 2007 and 2006. Regulations require each FHLBank to maintain unpledged qualifying assets equal to its participation in the consolidated obligations outstanding. Qualifying assets are defined as cash; secured advances; assets with an assessment or rating at least equivalent to the current assessment or rating of the consolidated obligations; obligations of or fully guaranteed by the United States, obligations, participations or other instruments of or issued by Fannie Mae or Ginnie Mae; mortgages, obligations or other securities which are or have ever been sold by Freddie Mac under the FHLBank Act; and such securities as fiduciary and trust funds may invest in under the laws of the state in which an FHLBank is located.

To provide the holders of consolidated obligations issued before January 29, 1993 (prior bondholders) the protection equivalent to that provided under the FHLBanks' previous leverage limit of 12 times FHLBanks' regulatory capital stock, prior bondholders have a claim on a certain amount of the qualifying assets (Special Asset Account or SAA) if regulatory capital stock is less than 8.33 percent of consolidated obligations. Mandatorily redeemable capital stock is considered capital stock for determining the FHLBanks' compliance with this requirement. At December 31, 2007 and 2006, the FHLBanks' regulatory capital stock equaled 4.3 percent and 4.5 percent of the par value of consolidated obligations outstanding, and the required minimum pledged qualifying asset balance was less than $1 million for both periods. Further, the regulations require each FHLBank to transfer qualifying assets in the amount of its allocated share of the FHLBanks' SAA to a trust for the benefit of the prior bondholders if its capital-to-assets ratio falls below two percent. At December 31, 2007 and 2006, no FHLBank had a capital-to-assets ratio less than two percent; therefore, no assets were being held in a trust. In addition, no trust has ever been established as a result of this regulation, as the ratio has never fallen below two percent.

General Terms. Consolidated obligations are issued with either fixed-rate coupon payment terms or variable-rate coupon payment terms that use a variety of indices for interest-rate resets including the LIBOR, Constant Maturity Treasury (CMT), Treasury Bills (T-Bills), the Prime rate, and others. To meet the expected specific needs of certain investors in consolidated obligations, both fixed-rate bonds and variable-rate bonds may contain features, which may result in complex coupon payment terms and call or put options. When such consolidated obligations are issued, the FHLBanks enter into derivatives containing offsetting features that effectively convert the terms of the bond to those of a simple variable-rate bond or a fixed-rate bond.

These consolidated obligations, beyond having fixed-rate or simple variable-rate coupon payment terms, may also have the following broad terms regarding either principal repayment or coupon payment terms:

- *Indexed principal redemption bonds* (index amortizing notes) repay principal according to predetermined amortization schedules that are linked to the level of a certain index. At December 31, 2007 and 2006, most of the index amortizing notes had fixed-rate coupon payment terms. Usually, as market interest rates rise (fall), the maturity of the index amortizing notes extends (contracts); and
- *Optional principal redemption bonds* (callable bonds) that an FHLBank may redeem in whole or in part at its discretion on predetermined call dates according to the terms of the bond offerings.

With respect to interest payments, consolidated bonds may also have the following terms:

- *Step-up bonds* generally pay interest at increasing fixed rates for specified intervals over the life of the bond. These bonds generally contain provisions enabling the FHLBanks to call bonds at their option on the step-up dates;
- *Zero-coupon bonds* are long-term, discounted instruments that earn a fixed yield to maturity or the optional principal redemption date. All principal and interest are paid at maturity or on the optional principal redemption date, if exercised prior to maturity.
- *Range bonds* pay interest based on the number of days a specified index is within/outside of a specified range. The computation of the variable interest rate differs for each bond issue, but the bond generally pays zero interest or a minimal rate if the specified index is outside the specified range;
- *Step-down bonds* generally pay interest at decreasing fixed rates for specified intervals over the life of the bond. These bonds generally contain provisions enabling the FHLBanks to call bonds at their option on the step-down dates;
- *Conversion bonds* have coupons that an FHLBank may convert from fixed to variable, or variable to fixed, or from one U.S. or other currency index to another, at its discretion on predetermined dates according to the terms of the bond offerings;
- *Inverse floating bonds* have coupons that increase as an index declines and decrease as an index rises;
- *Comparative index bonds* have coupon rates determined by the difference between two or more market indices, typically CMT and LIBOR; and

Interest-Rate Payment Terms. The following table details consolidated bonds by interest-rate payment type at December 31, 2007 and 2006 (dollar amounts in millions):

	2007	2006
Par value of consolidated bonds		
Fixed-rate	$654,723	$683,144
Simple variable-rate	108,723	33,162
Step-up	25,490	50,525
Zero-coupon	11,127	11,443
Range bonds	5,908	7,015
Variable rate that converts to fixed rate	971	721
Step-down	593	229
Fixed rate that converts to variable rate	480	2,731
Other	262	276
Total par value	$808,277	$789,246

Redemption Terms. The following is a summary of the FHLBanks' consolidated bonds outstanding, excluding interbank holding of $3.1 billion and $4.5 billion, at December 31, 2007 and 2006, by year of contractual maturity (dollar amounts in millions):

	December 31, 2007		December 31, 2006	
Year of Contractual Maturity	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Due in 1 year or less	$287,781	4.51%	$241,542	4.24%
Due after 1 year through 2 years	176,493	4.71%	200,601	4.48%
Due after 2 years through 3 years	82,969	4.67%	92,331	4.65%
Due after 3 years through 4 years	49,500	5.02%	58,984	4.69%
Due after 4 years through 5 years	51,812	5.08%	48,989	5.03%
Thereafter	151,887	5.10%	140,244	4.88%
Index amortizing notes	7,835	5.02%	6,555	4.94%
Total par value	808,277	4.75%	789,246	4.55%
Premiums	395		347	
Discounts	(8,894)		(9,078)	
SFAS 133 hedging adjustments	2,801		(3,845)	
Subtotal	802,579		776,670	
Bonds held in treasury	(5)		(5)	
Total	$802,574		$776,665	

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

Par amount of consolidated bonds	December 31, 2007	December 31, 2006
Noncallable/nonputable	$496,085	$414,542
Callable	312,192	374,302
Putable		402
Total par value	$808,277	$789,246

The following table summarizes consolidated bonds outstanding at December 31, 2007 and 2006, by year of contractual maturity or next call date (dollar amounts in millions):

Year of Contractual Maturity or Next Call Date	December 31, 2007	December 31, 2006
Due in 1 year or less	$489,504	$476,381
Due after 1 year through 2 years	149,459	143,599
Due after 2 years through 3 years	55,577	49,843
Due after 3 years through 4 years	27,096	30,166
Due after 4 years through 5 years	17,549	25,033
Thereafter	61,257	57,669
Index amortizing notes	7,835	6,555
Total par value	$808,277	$789,246

Bonds Denominated in Foreign Currencies. Consolidated bonds issued can be denominated in foreign currencies. Concurrent with these issuances, the FHLBanks exchange the interest and principal payment obligations related to the issues for equivalent amounts denominated in U.S. dollars. There were no bonds denominated in foreign currencies at December 31, 2007 and 2006.

Consolidated Discount Notes. Consolidated discount notes are issued to raise short-term funds. Discount notes are consolidated obligations with original maturities of up to 365 days. These notes are issued at less than their face amount and redeemed at par value when they mature.

The FHLBanks' participation in consolidated discount notes, all of which are due within one year, was as follows (dollar amounts in millions):

	Book Value	Par Value	Weighted-Average Interest Rate
December 31, 2007	$376,342	$378,352	4.24%
December 31, 2006	$157,549	$158,122	5.13%

* The consolidated discount notes weighted-average interest rate represents an implied rate.

Note 14—Affordable Housing Program (AHP)

Section 10(j) of the FHLBank Act requires each FHLBank to establish an AHP. Each FHLBank provides subsidies in the form of direct grants and below-market interest rate advances to members who use the funds to assist in the purchase, construction, or rehabilitation of housing for very low-, low-, and moderate-income households. Annually, the FHLBanks must set aside for the AHP the greater of $100 million or 10 percent of regulatory income. Regulatory income is income before assessments, and before interest expense related to mandatorily redeemable capital stock under SFAS 150, but after the assessment for REFCORP. The exclusion of interest expense related to mandatorily redeemable capital stock is a regulatory interpretation of the Finance Board. The AHP and REFCORP assessments are calculated simultaneously because of their interdependence on each other. Each FHLBank accrues this expense monthly based on its income before assessments. An FHLBank reduces its AHP liability as members use subsidies. Calculation of the REFCORP assessment is discussed in Note 15.

If an FHLBank experienced a regulatory loss during a quarter, but still had regulatory income for the year, the FHLBank's obligation to the AHP would be calculated based on the FHLBank's year-to-date regulatory income. If the FHLBank had regulatory income in subsequent quarters, it would be required to contribute additional amounts to meet its calculated annual obligation. If the FHLBank experienced a regulatory loss for a full year, the FHLBank would have no obligation to the AHP for the year except in the following circumstance. If the result of the aggregate 10 percent calculation described above is less than $100 million for all 12 FHLBanks, then the FHLBank Act requires that each FHLBank contribute such prorated sums as may be required to assure that the aggregate contribution of the FHLBanks equals $100 million. The pro ration would be made on the basis of an FHLBank's income in relation to the income of all FHLBanks for the previous year. Each FHLBank's required annual AHP contribution is limited to its annual net earnings.

There was no shortfall, as described above, in 2007, 2006 or 2005. If an FHLBank finds that its required contributions are contributing to the financial instability of that FHLBank, it may apply to the Finance Board for a temporary suspension of its contributions. The FHLBanks did not make any such applications in 2007, 2006 or 2005. The FHLBanks had outstanding principal in AHP-related advances of $350 million and $326 million at December 31, 2007 and 2006.

An analysis of the AHP liability as reported on the Statement of Condition for the years ended December 31, 2007, 2006 and 2005 is as follows (dollar amounts in millions):

	2007	2006	2005
Balance at beginning of year	$805	$739	$668
Expense	318	295	282
Subsidy usage, net	(231)	(229)	(211)
Balance at end of year	$892	$805	$739

Note 15—Resolution Funding Corporation (REFCORP)

Each FHLBank is required to pay to REFCORP 20 percent of income calculated in accordance with GAAP after the assessment for AHP, but before the assessment for REFCORP. The AHP and REFCORP assessments are calculated simultaneously because of their interdependence on each other. Each FHLBank accrues its REFCORP assessment on a monthly basis. Calculation of the AHP assessment is discussed in Note 14. REFCORP has been designated as the calculation agent for AHP and REFCORP assessments. Each FHLBank provides its net income before AHP and REFCORP to REFCORP, which then performs the calculations for each quarter end.

The FHLBanks will continue to be obligated to pay these amounts until the aggregate amounts actually paid by all 12 FHLBanks are equivalent to a $300 million annual annuity (or a scheduled payment of $75 million per quarter) whose final maturity date is April 15, 2030, at which point the required payment of each FHLBank to REFCORP will be fully satisfied. The cumulative amount to be paid to REFCORP by each FHLBank is not determinable at this time because it depends on the future earnings of all FHLBanks and interest rates. If an FHLBank experienced a net loss during a quarter, but still had net income for the year, the FHLBank's obligation to REFCORP would be calculated based on the FHLBank's year-to-date GAAP net income. The FHLBank would be entitled to a refund of amounts paid for the full year that were in excess of its calculated annual obligation. If the FHLBank had net income in subsequent quarters, it would be required to contribute additional amounts to meet its calculated annual obligation. If the FHLBank experienced a net loss for a full year, the FHLBank would have no obligation to REFCORP for the year.

The Finance Board is required to extend the term of the FHLBanks' obligation to REFCORP for each calendar quarter in which there is a deficit quarterly payment. A deficit quarterly payment is the amount by which the FHLBanks' actual quarterly payment falls short of $75 million.

The FHLBanks' aggregate payments through 2007 have exceeded the scheduled payments, effectively accelerating payment of the REFCORP obligation and shortening its remaining term to October 15, 2013, effective December 31, 2007. The FHLBanks' aggregate payments through 2007 have satisfied $24 million of the $75 million scheduled payment due on October 15, 2013 and all scheduled payments thereafter. This date assumes that the FHLBanks will pay exactly $300 million annually after December 31, 2007 until the annuity is satisfied.

The benchmark payments or portions of them could be reinstated if the actual REFCORP payments of the FHLBanks fall short of $75 million in a quarter. The maturity date of the REFCORP obligation may be extended beyond April 15, 2030 if such extension is necessary to ensure that the value of the aggregate amounts paid by the FHLBanks exactly equals a $300 million annual annuity. Any payment beyond April 15, 2030 will be paid to the Department of the Treasury.

Note 16—Subordinated Notes

On June 13, 2006, the FHLBank of Chicago issued $1.0 billion of subordinated notes that mature on June 13, 2016. Moody's Investors Service, Inc. and S&P rated these subordinated notes Aa2 and AA-. The subordinated notes are not obligations of, and are not guaranteed by, the United States government or any of the FHLBanks other than the FHLBank of Chicago. The subordinated notes are unsecured obligations and rank junior in priority of payment to the FHLBank of Chicago's "senior liabilities." Senior liabilities include all of the existing and future liabilities, such as deposits, consolidated obligations for which the FHLBank of Chicago is the primary obligor, and consolidated obligations of the other FHLBanks for which the FHLBank of Chicago is jointly and severally liable.

Senior liabilities do not include the FHLBank of Chicago's existing and future liabilities related to payments of "junior equity claims" (all such payments to, and redemptions of shares from, holders of its capital stock being referred to as "junior equity claims") and payments to, or redemption of shares from, any holder of its capital stock that is barred or required to be deferred for

any reason, such as noncompliance with any minimum regulatory capital requirement applicable to the FHLBank of Chicago. Also, senior liabilities do not include any liability that, by its terms, expressly ranks equal with or junior to the subordinated notes. Pursuant to an order of the Finance Board, the FHLBank of Chicago will not make any payment to, or redeem shares from, any holder of capital stock which it is obligated to make, on or after any applicable interest payment date or the maturity date of the subordinated notes unless it has paid, in full, all interest and principal due in respect of the subordinated notes on a particular date.

The subordinated notes may not be redeemed, in whole or in part, prior to maturity. These notes do not contain any provisions permitting holders to accelerate the maturity thereof on the occurrence of any default or other event. The subordinated notes were issued at par, and accrue interest at a rate of 5.625% per annum. Interest is payable semi-annually in arrears on each June 13 and December 13, commencing December 13, 2006. The FHLBank of Chicago will defer interest payments if five business days prior to any interest payment date it does not satisfy any minimum regulatory leverage ratio then applicable to it.

The FHLBank of Chicago may not defer interest on the subordinated notes for more than five consecutive years and in no event beyond their maturity date. If the FHLBank of Chicago defers interest payments on the subordinated notes, interest will continue to accrue and will compound at a rate of 5.625% per annum. Any interest deferral period ends when the FHLBank of Chicago satisfies all minimum regulatory leverage ratios to which it is subject, after taking into account all deferred interest and interest on such deferred interest. During the periods when interest payments are deferred, the FHLBank of Chicago may not declare or pay dividends on, or redeem, repurchase or acquire its capital stock (including mandatorily redeemable capital stock). At December 31, 2007, the FHLBank of Chicago satisfied the minimum regulatory leverage ratios applicable to the FHLBank of Chicago, and it had not deferred any interest payments.

The Finance Board allows the FHLBank of Chicago to include a percentage of the outstanding principal amount of the subordinated notes (Designated Amount) in determining compliance with its regulatory capital and minimum regulatory leverage ratio requirements and in calculating its maximum permissible holdings of mortgage-backed securities and unsecured credit, subject to 20% annual phase-outs beginning in the sixth year following issuance, as follows (dollar amounts in millions):

Time Period	Percentage of Designated Amount	Designated Amount Included
Issuance through June 13, 2011	100%	$1,000
June 14, 2011 through June 13, 2012	80%	800
June 14, 2012 through June 13, 2013	60%	600
June 14, 2013 through June 13, 2014	40%	400
June 14, 2014 through June 13, 2015	20%	200
June 14, 2015 through June 13, 2016	0%	

Note 17—Capital

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

As of December 31, 2007, all but the FHLBank of Chicago had implemented their respective capital plans. Each conversion was considered a capital transaction and was accounted for at par value. Each FHLBank that has converted to a new capital structure is subject to three capital requirements under its Capital Plan and the Finance Board rules and regulations: (1) risk-based capital, (2) total capital and (3) leverage capital. First, under the risk-based capital requirement, an FHLBank must maintain at all times permanent capital defined as Class B stock and retained earnings in an amount at least equal to the sum of its credit risk, market risk, and operations risk

capital requirements, all of which are calculated in accordance with the rules and regulations of the Finance Board. The Finance Board may require an FHLBank to maintain a greater amount of permanent capital than is required by the risk-based capital requirements as defined. Second, an FHLBank is required to maintain at all times a total capital-to-assets ratio of at least four percent. Total capital is the sum of permanent capital, Class A stock, any general loss allowance, if consistent with GAAP and not established for specific assets, and other amounts from sources determined by the Finance Board as available to absorb losses. Third, an FHLBank is required to maintain at all times a leverage capital-to-assets ratio of at least five percent. Leverage capital is defined as the sum of (i) permanent capital weighted 1.5 times and (ii) all other capital without a weighting factor. Mandatorily redeemable capital stock is considered capital for determining the FHLBank's compliance with its regulatory requirements. If an FHLBank is not in compliance with the capital requirements at the effective date, it must come into compliance within a transition period of up to three years. During that period, the existing leverage limit established by Finance Board regulations will continue to apply.

Until the FHLBank of Chicago implements its new capital plan, the pre-GLB Act capital rules remain in effect. In particular, the pre-GLB Act rules require members to purchase capital stock equal to the greater of $500, 1 percent of its mortgage-related assets at the most recent calendar year end or 5 percent of its outstanding FHLBank advances. Capital stock outstanding under the pre-GLB Act rules is redeemable at the option of a member upon six-months' written notice of withdrawal from membership from the FHLBank of Chicago, provided that the FHLBank of Chicago is in compliance with its regulatory capital requirements and the Director of the Office of Supervision of the Finance Board (OS Director) has approved the redemption, as further discussed in "FHLBank of Chicago Consent Cease and Desist Order with the Finance Board" within this note. As required by the Consent Cease and Desist Order, on February 6, 2008 the FHLBank of Chicago submitted a capital plan to the Finance Board to provide for the conversion of its capital stock under the GLB Act and is awaiting a response.

At December 31, 2007, all of the FHLBanks were in compliance with their risk-based capital rules as follows (dollar amounts in millions):

Regulatory Capital Requirements

		At December 31, 2007				
FHLBank*	Minimum Regulatory Capital Ratio Requirement	Minimum Regulatory Capital Requirement	Actual Capital Ratio	Total Regulatory Capital(1)	Permanent Capital(2)	Required Risk-Based Capital
Boston	4.0%	$3,130	4.4%	$3,422	$3,422	$ 364
New York	4.0%	4,387	4.6%	5,025	5,025	579
Pittsburgh	4.0%	4,048	4.3%	4,303	4,295	647
Atlanta	4.0%	7,590	4.3%	8,080	8,080	979
Cincinnati	4.0%	3,501	4.4%	3,877	3,877	611
Indianapolis	4.0%	2,242	4.2%	2,368	2,368	440
Des Moines	4.0%	2,431	5.1%	3,125	3,125	578
Dallas	4.0%	2,545	4.2%	2,688	2,688	438
Topeka	4.0%	2,216	4.2%	2,334	1,694	666
San Francisco	4.0%	12,920	4.3%	13,859	13,859	1,578
Seattle	4.0%(3)	2,570	4.1%	2,660	2,372	800

FHLBank*	Minimum Leverage Ratio Requirement	At December 31, 2007 Minimum Weighted Leverage Capital Requirement	Actual Leverage Ratio	Actual Weighted Leverage Capital
Boston	5.0%	$3,913	6.6%	$5,132
New York	5.0%	5,484	6.9%	7,538
Pittsburgh	5.0%	5,060	6.4%	6,450
Atlanta	5.0%	9,487	6.4%	12,120
Cincinnati	5.0%	4,377	6.6%	5,816
Indianapolis	5.0%	2,803	6.3%	3,553
Des Moines	5.0%	3,038	7.7%	4,687
Dallas	5.0%	3,182	6.3%	4,032
Topeka	5.0%	2,770	5.7%	3,181
San Francisco	5.0%	16,150	6.4%	20,789
Seattle	5.0%	3,212	6.0%	3,846

* Excludes the FHLBank of Chicago, which had not implemented a new capital plan as of December 31, 2007. See "FHLBank of Chicago Consent Cease and Desist Order with the Finance Board" within this note for this FHLBank's regulatory capital requirements.

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

(2) Permanent capital is defined as retained earnings and regulatory capital Class B stock. The mandatorily redeemable capital stock is considered capital for regulatory purposes.

(3) On January 11, 2007, the Finance Board terminated the Written Agreement between the FHLBank of Seattle and the Finance Board dated December 10, 2004. Subsequently, on January 26, 2007, due to the termination of the Written Agreement, the FHLBank of Seattle's board authorized the FHLBank of Seattle to lower the minimum capital-to-assets ratio from 4.25 percent to 4.05 percent. Prior to the termination of the Written Agreement, the FHLBank of Seattle maintained a minimum supervisory capital-to-assets ratio of 4.25 percent which was required under its business plan submitted to the Finance Board in April 2005 and accepted by the Finance Board in May 2005.

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

An FHLBank's board of directors may declare and pay dividends in either cash or capital stock, assuming the FHLBank is in compliance with Finance Board rules. Dividends declared by the board of directors of the FHLBank of Chicago are subject to the prior written approval of the OS Director of the Finance Board, as further discussed in "FHLBank of Chicago Consent Cease and Desist Order with the Finance Board" within this note.

At December 31, 2007 and 2006, the 10 largest holders of capital stock held $15.8 billion and $12.1 billion of the aggregate capital stock of the FHLBanks. At December 31, 2007 and 2006, Citibank, N.A. held $4.9 billion and $3.4 billion of the FHLBanks' capital stock.

Mandatorily Redeemable Capital Stock. In accordance with SFAS 150 the FHLBanks reclassify capital stock subject to redemption from equity to liability once a member exercises a written redemption right, gives notice of intent to withdraw from membership, or attains non-

member status by merger or acquisition, charter termination, or involuntary termination from membership. The FHLBank of Chicago, which has not yet converted to its new capital structure, will reclassify stock subject to redemption from equity to liability once the six-month notification period has expired. Shares of capital stock meeting these definitions are reclassified to a liability at fair value. Dividends related to capital stock classified as a liability are accrued at the expected dividend rate and reported as interest expense in the Statement of Income. The repayment of these mandatorily redeemable financial instruments is reflected as a financing cash outflow in the Statement of Cash Flows.

Each FHLBank is a cooperative whose member financial institutions and former members own all of the relevant FHLBank's capital stock. Member shares cannot be purchased or sold except between an FHLBank and its members at its $100 per share par value. If a member cancels its written notice of redemption or notice of withdrawal, the FHLBank will reclassify mandatorily redeemable capital stock from a liability to equity in accordance with SFAS 150. After the reclassification, dividends on the capital stock would no longer be classified as interest expense. For the years ended December 31, 2007, 2006 and 2005, dividends on mandatorily redeemable capital stock in the amount of $57 million, $60 million and $48 million were recorded as interest expense.

At December 31, 2007 and 2006, the FHLBanks had $1.1 billion in capital stock subject to mandatory redemption with payment subject to each FHLBank's waiting period and the FHLBank continuing to meet its minimum regulatory capital requirements. These amounts have been classified as a liability in the Statement of Condition in accordance with SFAS 150.

The following table provides the number of stockholders and the related dollar amounts for activities recorded in "Mandatorily redeemable capital stock" during 2007, 2006 and 2005:

	2007		2006		2005	
	Number of Stockholders(1)	Amount	Number of Stockholders(1)	Amount	Number of Stockholders(1)	Amount
Balance, beginning of year	154	$1,094	128	$1,451	86	$1,153
Capital stock subject to mandatory redemption reclassified from equity:						
Withdrawals	80	1,042	80	528	83	620
Other redemptions	156	1,938	640	2,050	176	2,346
Capital stock previously subject to mandatory redemption reclassified to equity:						
Other redemptions	(12)	(38)				(66)
Net redemption of mandatorily redeemable capital stock:						
Withdrawals	(33)	(962)	(65)	(1,095)	(42)	(228)
Other redemptions	(164)	(1,983)	(629)	(1,870)	(175)	(2,405)
Accrued dividend classified as mandatorily redeemable		16		30		31
Balance, end of year	181	$1,107	154	$1,094	128	$1,451

(1) Number of stockholders represents:

a. total number of stockholders that notified the FHLBanks to voluntarily redeem their capital stock, and

b. withdrawal and redemption notices redeemed, cancelled or transferred in their entirety.

At December 31, 2007, 65 members and former members requested redemptions of capital stock that have not been reclassified as mandatorily redeemable capital stock due to the terms of the affected FHLBanks' capital plan requirements.

The following table shows the amount of mandatorily redeemable capital stock by year of redemption at December 31, 2007 and 2006 (dollar amounts in millions). The year of redemption in the table is the later of the end of the appropriate redemption period applicable to each FHLBank's

capital plan, or the maturity date of the activity the stock is related to, if the capital stock represents the activity-based stock purchase requirement of a non-member (former member that withdrew from membership, merged into a non-member or was otherwise acquired by a non-member). An FHLBank is not required to redeem membership stock until either five years or six months, depending on its capital plan, after the membership is terminated or the FHLBank receives notice of withdrawal. However, if membership is terminated due to merger or consolidation, the FHLBank may recalculate the disappearing institution's membership stock requirement following such termination and the stock may be deemed excess stock subject to repurchase at the FHLBank's discretion. The FHLBanks are not required to redeem activity-based stock until the later of the expiration of the notice of redemption or until the activity to which the capital stock relates no longer remains outstanding. If activity-based stock becomes excess stock as a result of an activity no longer remaining outstanding, the FHLBanks may repurchase such shares, in their sole discretion, subject to the statutory and regulatory restrictions on capital stock redemption discussed below.

Contractual Year of Redemption	2007	2006
Year 1	$ 87	$ 242
Year 2	125	211
Year 3	49	143
Year 4	274	91
Year 5	541	388
Thereafter	31	19
Total	$1,107	$1,094

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

Statutory and Regulatory Restrictions on Capital Stock Redemption. In accordance with the FHLB Act, each class of FHLBank stock is considered putable by the member. However, there are significant statutory and regulatory restrictions on the obligation, or right, to redeem the outstanding stock. Statutory and regulatory restrictions on the redemption of FHLBank stock include the following:

- An FHLBank may not redeem any capital stock if, following such redemption, the FHLBank would fail to satisfy any of its minimum capital requirements (i.e., a capital/asset ratio requirement and a risk-based capital/asset ratio requirement established by the Finance Board). By law, no FHLBank stock may be redeemed if the FHLBank becomes undercapitalized so only a minimal portion of outstanding stock qualifies for redemption consideration.
- An FHLBank may not redeem any capital stock without approval of the Finance Board if either its board of directors, or the Finance Board, determines that it has incurred, or is likely to incur, losses resulting, or expected to result, in a charge against capital while such charges are continuing or expected to continue.

In addition, as discussed in the "FHLBank of Chicago Consent Cease and Desist Order with the Finance Board" within this note, the FHLBank of Chicago is prohibited from repurchasing and redeeming its capital stock, including upon membership withdrawal or other termination, unless it has received the approval of the OS Director.

Additionally, an FHLBank may not redeem or repurchase shares of capital stock from any member of the FHLBank if (1) the principal or interest due on any consolidated obligation has not been paid in full; (2) the FHLBank fails to certify in writing to the Finance Board that it will remain in compliance with its liquidity requirements and will remain capable of making full and timely payment of all of its current obligations; (3) the FHLBank notifies the Finance Board that it cannot provide the foregoing certification, projects it will fail to comply with statutory or regulatory liquidity

requirements or will be unable to timely and fully meet all of its obligations; (4) the FHLBank actually fails to comply with statutory or regulatory liquidity requirements or to timely and fully meet all of its current obligations, or enters or negotiates to enter into an agreement with one or more FHLBank to obtain financial assistance to meet its current obligations.

If the FHLBank is liquidated, after payment in full to the FHLBank's creditors, the FHLBank's stockholders will be entitled to receive the par value of their capital stock. In addition, the FHLBank's Class B stockholders will be entitled to any retained earnings in an amount proportional to the stockholder's share of the total shares of capital stock. In the event of a merger or consolidation, the board of directors shall determine the rights and preferences of the FHLBank's stockholders, subject to any terms and conditions imposed by the Finance Board.

In addition to possessing the authority to prohibit stock redemptions, an FHLBank's board of directors has the right to call for the FHLBank's members, as a condition of membership, to make additional capital stock purchases as needed to satisfy statutory and regulatory capital requirements under the GLB Act.

Each FHLBank's board of directors has a statutory obligation to review and adjust member capital stock requirements in order to comply with the FHLBank's minimum capital requirements, and each member must comply promptly with any such requirement. However a member could reduce its outstanding business with the FHLBank as an alternative to purchasing stock.

If, during the period between receipt of a stock redemption notification from a member and the actual redemption (which may last indefinitely if an FHLBank is undercapitalized, does not have the required credit rating, etc.), an FHLBank is either liquidated or forced to merge with another FHLBank, the redemption value of the stock will be established after the settlement at par of all senior claims. Generally, no claims would be subordinated to the rights of FHLBank stockholders.

The GLB Act states that an FHLBank may repurchase, in its sole discretion, any member's stock investments that exceed the required minimum amount.

FHLBank of New York Capital Plan Amendments. On December 12, 2007, the Finance Board approved amendments to the FHLBank of New York's capital plan. The amendments would allow the FHLBank of New York to recalculate the membership stock purchase requirement any time after 30 days subsequent to the merger of a member with a non-member. The amendments also would expressly permit the FHLBank of New York to use a zero mortgage asset base in performing the calculation, which recognizes the fact that the corporate entity that was once its member no longer exists. As a result of these amendments, the FHLBank of New York could determine that all of the membership stock formerly held by the member becomes excess stock, which would give the FHLBank of New York the discretion, but not the obligation, to repurchase that stock prior to the expiration of the five-year notice period.

Finance Board Adopts Final Rule Limiting Excess Stock. On December 22, 2006, the Finance Board adopted a final rule prohibiting FHLBanks from issuing new excess stock if the amount of excess stock exceeds one percent of the FHLBank's assets. The final rule became effective on January 29, 2007. Under the rule, any FHLBank with excess stock greater than one percent of its total assets will be prevented from further increasing member excess stock by paying stock dividends or otherwise issuing new excess stock. Also included in the final rule is a provision requiring the FHLBanks to declare and pay dividends only out of known income. At December 31, 2007, the FHLBank of Indianapolis had excess stock outstanding greater than one percent of total assets, while the remaining FHLBanks did not have excess stock outstanding greater than one percent of total assets. Most of the FHLBanks pay cash, rather than stock dividends. The FHLBanks of Dallas, Topeka and San Francisco paid stock dividends during 2007. No FHLBank believes the final rule will have a material effect on its results of operations or financial condition. Previously, the Finance Board had issued a proposed rule that would have established minimum amounts of retained earnings for the FHLBanks. While the provisions regarding minimum amounts

of retained earnings were not carried forward into the final rule, it is possible that the Finance Board may take up the matter in a subsequent rulemaking.

FHLBank of Chicago Consent Cease and Desist Order with the Finance Board. On October 10, 2007, the FHLBank of Chicago entered into a Consent Cease and Desist Order (C&D Order) with the Finance Board. The C&D Order states that the Finance Board has determined that requiring the FHLBank of Chicago to take the actions specified in the order will "improve the condition and practices at the Bank, stabilize its capital, and provide the Bank an opportunity to address the principal supervisory concerns identified by the Finance Board."

The C&D Order places several requirements on the FHLBank of Chicago:

- The FHLBank of Chicago must maintain a ratio of regulatory capital stock, plus retained earnings, plus a designated amount of subordinated notes to total assets of at least 4.5 percent, and a minimum total amount of the sum of regulatory capital stock plus a designated amount of subordinated notes of $3.6 billion.

- The FHLBank of Chicago's capital stock repurchases and redemptions, including redemptions upon membership withdrawal or other membership termination, require prior approval of the OS Director. The C&D Order provides that the OS Director may approve a written request by the FHLBank of Chicago for proposed redemptions or repurchases if the OS Director determines that allowing the redemption or repurchase would be consistent with maintaining the capital adequacy of the FHLBank of Chicago and its continued safe and sound operations.

- Dividend declarations are subject to the prior written approval of the OS Director.

- Within 120 days of the effective date of the C&D Order, the FHLBank of Chicago was required to submit a capital plan to the Finance Board consistent with the requirements of the GLB Act and Finance Board regulations, along with strategies for implementing the plan.

- The FHLBank of Chicago was required to review and revise its market risk management and hedging policies, procedures and practices to address issues identified in the Finance Board's 2007 examination of the FHLBank of Chicago, and within 90 days of the effective date of the C&D Order submit revised policies and procedures to the OS Director for non-objection prior to implementation.

The FHLBank of Chicago's Written Agreement with the Finance Board was terminated under the terms of the C&D Order and the minimum capital and leverage requirements for the Bank, previously included in the Written Agreement, are now in the C&D Order modified as described above.

The FHLBank of Chicago intends to fully comply with the C&D Order, and has already taken actions to meet many of the requirements, including:

- The FHLBank of Chicago has reviewed its market risk hedging policies, procedures and practices, and submitted revised policies and procedures to the OS Director on January 7, 2008; and

- On February 6, 2008, the FHLBank of Chicago submitted a capital plan and implementation strategies to the Finance Board for its approval to provide for the conversion of its capital stock under the GLB Act; and

- The FHLBank of Chicago remains in compliance with its minimum capital and leverage requirements under the C&D Order.

The following table summarizes the FHLBank of Chicago's regulatory capital requirements as a percentage of its total assets at December 31, 2007 (dollar amounts in millions):

Regulatory Capital(1)			
Requirement		Actual	
Ratio(2)	Amount	Ratio	Amount
4.50%	$4,009	4.87%	$4,342

(1) Regulatory capital is defined as the sum of the paid-in value of capital stock and mandatorily redeemable capital stock (together defined as regulatory capital stock) plus retained earnings. The Finance Board granted approvals and waivers to the FHLBank of Chicago to allow it to include a designated amount of subordinated notes in determining compliance with its regulatory capital ratio.

(2) The regulatory capital ratio required by Finance Board regulations for the FHLBank of Chicago, which has not implemented a capital plan under the GLB Act, is 4.0 percent provided that its non-mortgage assets (defined as total assets less advances, acquired member assets, standby letters of credit, intermediary derivative contracts, certain mortgage-backed securities, and other investments specified by Finance Board regulation) after deducting its amount of deposits and capital are not greater than 11 percent of the FHLBank of Chicago's total assets. This 4.0 percent minimum regulatory capital ratio is currently superseded by the 4.5 percent minimum regulatory capital ratio required by the C&D Order. If non-mortgage assets are greater than 11 percent of its total assets, the Finance Board regulations require a regulatory capital ratio of 4.76 percent. As of December 31, 2007, the FHLBank of Chicago's non-mortgage assets were 9.2 percent on an average monthly basis, so it was subject to the 4.5 percent ratio.

Under the order, the FHLBank of Chicago is also required to maintain an aggregate amount of regulatory capital stock plus a designated amount of subordinated notes of at least $3.6 billion. At December 31, 2007, the FHLBank of Chicago had an aggregate amount of $3.683 billion of regulatory capital stock plus the designated amount of subordinated notes.

FHLBank of Seattle Agreement with the Finance Board. On January 11, 2007, the Finance Board terminated the Written Agreement between the FHLBank of Seattle and the Finance Board, dated December 10, 2004. Subsequently, on January 26, 2007 due to the termination of the Written Agreement, the FHLBank of Seattle's board authorized the FHLBank of Seattle to lower the minimum capital-to-assets ratio from 4.25 percent to 4.05 percent. Prior to the termination of the Written Agreement, the FHLBank of Seattle maintained a minimum supervisory capital-to-assets ratio of 4.25 percent which was required under its business plan submitted to the Finance Board in April 2005 and accepted by the Finance Board in May 2005. The FHLBank of Seattle was in compliance with the applicable regulatory and supervisory capital requirements at all times during 2007 and 2006.

On February 20, 2008, the Finance Board approved the change to the FHLBank of Seattle's capital plan to allow the transfer of excess stock between unaffiliated members pursuant to the requirements of the capital plan and increased the range within which its board of directors can set the member advance stock purchase requirement between 2.50 percent and 6.00 percent of a member's outstanding principal balance of advances. The additional ability to transfer excess stock between unaffiliated members was designed to provide flexibility to members with excess stock, given the existing restrictions on repurchases of Class B stock.

Note 18—Employee Retirement Plans

The FHLBanks, except for the FHLBank of San Francisco, participate in the Pentegra Defined Benefit Plan for Financial Institutions (Pentegra Defined Benefit Plan), a tax-qualified defined-benefit pension plan. The plan covers substantially all officers and employees of the FHLBanks. However, only FHLBank of Dallas employees hired before January 1, 2007 and FHLBank of Seattle employees hired before January 1, 2004 participate in the Pentegra Defined Benefit Plan. Funding and administrative costs of the Pentegra Defined Benefit Plan charged to other operating expenses were $55 million, $50 million and $42 million in 2007, 2006 and 2005. The Pentegra Defined Benefit Plan is a multi-employer plan in which assets contributed by one participating employer may be used to provide benefits to employees of other participating employers since assets

contributed by an employer are not segregated in a separate account or restricted to provide benefits only to employees of that employer. As a result, disclosure of the accumulated benefit obligations, plan assets, and the components of annual pension expense attributable to the FHLBanks are not presented herein.

The FHLBanks, except for the FHLBanks of Atlanta, San Francisco and Seattle, also participate in the Pentegra Defined Contribution Plan for Financial Institutions, a tax-qualified, defined-contribution pension plan. The FHLBanks of Atlanta, San Francisco and Seattle have similar defined-contribution plans. The FHLBanks contribute a percentage of the participants' compensation by making a matching contribution equal to a percentage of voluntary employee contributions, subject to certain limitations. The FHLBanks contributed $11 million, $9 million and $8 million in the years ended December 31, 2007, 2006 and 2005.

In addition, several FHLBanks maintain deferred compensation plans, available to all or select employees and directors, depending on the terms of each FHLBank's plan. The plans' liabilities consist of the accumulated compensation deferrals and accrued earnings on the deferrals. The FHLBanks' minimum obligations for these plans at December 31, 2007 and 2006 were $79 million and $73 million. Operating expense includes deferred compensation and accrued earnings of $4 million, $6 million and $6 million in the years ended December 31, 2007, 2006, and 2005.

Certain FHLBanks offer supplemental retirement and postretirement benefit plans to retirees. There are no funded plan assets that have been designated to provide postretirement benefits. The obligations and funding status of the FHLBanks' supplemental retirement plans and postretirement benefit plans at December 31, 2007 and 2006 were as follows (dollar amounts in millions):

	Supplemental Retirement Plans		Postretirement Benefit Plans	
	2007	2006	2007	2006
Change in benefit obligation				
Benefit obligation at beginning of year	$105	$ 97	$ 38	$ 39
Service cost	6	6	2	3
Interest cost	6	5	2	2
Amendments—changes in assumptions	(1)		(4)	(3)
Actuarial loss (gain)	4	2		(2)
Benefits paid	(13)	(6)	(1)	(1)
Settlements and curtailments	3	1	(1)	
Benefit obligation at end of year	110	105	36	38
Change in plan assets				
Fair value of plan assets at beginning of the year	11	10		
Actual return on plan assets	2	1		
Employer contributions	7	6	1	1
Benefits paid	(5)	(5)	(1)	(1)
Settlements and curtailments		(1)		
Fair value of plan assets at end of the year	15	11		
Funded status	$(95)	$(94)	$(36)	$(38)

Amounts recognized in "Other liabilities" on the Statements of Condition for the FHLBanks' supplemental retirement plans and postretirement benefit plans at December 31, 2007 and 2006 were $131 million and $132 million.

Amounts recognized in accumulated other comprehensive income at December 31, 2007 and 2006 consist of (dollar amounts in millions):

	Supplemental Retirement Plans		Postretirement Benefit Plans	
	2007	2006	2007	2006
Net actuarial loss	$30	$26	$ 6	$ 9
Prior service cost (benefit)	1	1	(9)	(5)
Transition obligation		5	1	1
	$31	$32	$(2)	$ 5

The accumulated benefit obligation for the supplemental retirement plans was $81 million and $50 million at December 31, 2007 and 2006.

Components of the net periodic benefit cost and other amounts recognized in other comprehensive income for the FHLBanks' supplemental retirement plans and postretirement benefit plans for the years ended December 31, 2007, 2006 and 2005 were (dollar amounts in millions):

	Supplemental Retirement Plans			Postretirement Benefit Plans		
	2007	2006	2005	2007	2006	2005
Net Periodic Benefit Cost						
Service cost	$ 6	$ 6	$ 5	$ 2	$3	$2
Interest cost	6	5	5	2	2	2
Expected return on plan assets	(1)	(1)	(1)			
Amortization of net loss	4	4	5	1	1	1
Settlement loss	4	4				
Net periodic benefit cost	19	$18	$14	5	$6	$5
Other Changes in Benefit Obligations Recognized in Other Comprehensive Income						
Net actuarial gain (loss)	2			(1)		
Prior service benefit (cost)	1			(5)		
Amortization of net loss	(4)			(1)		
Total recognized in other comprehensive income	(1)			(7)		
Total recognized in net periodic benefit cost and other comprehensive income	$18			$(2)		

The estimated net actuarial loss and prior service benefit that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are (dollar amounts in millions):

	Supplemental Retirement Plans	Postretirement Benefit Plans
Net actuarial loss	$3	$
Prior service benefit		(1)
	$3	$(1)

The measurement date used to determine the current year's benefit obligation was December 31, 2007, except for the FHLBank of San Francisco, which used a measurement date of September 30, 2007. The FHLBank of San Francisco plans to adopt a December 31 measurement date on December 31, 2008.

Key assumptions used for the actuarial calculations to determine benefit obligations for the FHLBanks' supplemental retirement plans and postretirement benefit plans for the years ended December 31, 2007 and 2006 were (displayed as a range from low to high):

	Supplemental Retirement Plans		Postretirement Benefit Plans	
	2007	2006	2007	2006
Discount rate	5.76% – 6.64%	5.50% – 5.75%	6.00% – 6.60%	5.65% – 6.00%
Salary increases	4.50% – 5.50%	4.50% – 5.50%		

Key assumptions used for the actuarial calculations to determine net periodic benefit cost for the FHLBanks' supplemental retirement plans and postretirement benefit plans for the years ended December 31, 2007, 2006 and 2005 were (displayed as a range from low to high):

	Supplemental Retirement Plans			Postretirement Benefit Plans		
	2007	2006	2005	2007	2006	2005
Discount rate	5.50% – 6.13%	5.50% – 5.75%	5.50% – 7.50%	5.65% – 6.60%	5.50% – 5.75%	5.50% – 6.00%
Salary increases	4.50% – 5.50%	4.50% – 5.50%	4.50% – 5.50%			
Expected return on plan assets	8.00%	8.00%	8.00%			

Assumed health care cost trend rates for the FHLBanks' postretirement benefit plans at December 31, 2007 and 2006 were:

	2007	2006
Health care cost trend rates:*		
Assumed for next year	6.00% – 11.00%	7.00% – 13.00%
Ultimate rate	4.50% – 5.50%	4.50% – 5.25%
Year that ultimate rate is reached	2009-2017	2009-2017

* Table excludes certain postretirement health benefit plan assumptions for the FHLBank of San Francisco because this plan's costs are capped at 1998 levels. As a result, changes in the health care cost trend rates will have no effect on the FHLBank of San Francisco's accumulated postretirement benefit obligation or service or interest costs.

The effect of a percentage point increase in the assumed healthcare cost trend rates would be an increase in postretirement benefit expense of $1 million and an increase in accumulated postretirement benefit obligation (APBO) of $5 million. The effect of a percentage point decrease in the assumed healthcare trend cost rates would be a decrease in postretirement benefit expense of $1 million and a decrease in APBO of $5 million.

The supplemental retirement plans and postretirement benefit plans are not funded; therefore, no contributions will be made in 2008 except for the payment of benefits, except for the FHLBank of San Francisco, which expects to contribute $2 million to its supplemental retirement plan.

The weighted-average asset allocations at December 31, 2007 and 2006 for the FHLBank of San Francisco by asset category are as follows:

	Supplemental Retirement Plans	
	2007	2006
Cash and cash equivalents	6%	2%
Equities mutual funds	62%	60%
Fixed-income mutual funds	32%	38%
Total	100%	100%

Estimated future benefit payments reflecting expected future services for the years ended after December 31, 2007 were as follows (dollar amounts in millions):

Years	Payments
2008	$ 7
2009	7
2010	8
2011	10
2012	13
2013-2017	63

Note 19—Estimated Fair Values

The following estimated fair value amounts have been determined by the FHLBanks using available market information and each FHLBank's best judgment of appropriate valuation methods. These estimates are based on pertinent information available to the FHLBanks at December 31, 2007 and 2006. Although an FHLBank uses its best judgment in estimating the fair value of these financial instruments, there are inherent limitations in any estimation technique or valuation methodology. For example, because an active secondary market does not exist for a portion of the FHLBanks' financial instruments, in certain cases, fair values are not subject to precise quantification or verification and may change as economic and market factors and evaluation of those factors change. Therefore, these estimated fair values are not necessarily indicative of the amounts that would be realized in current market transactions. The Fair Value Summary Tables 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 versus liabilities.

Subjectivity of estimates. Estimates of the fair value of advances with options, mortgage instruments, derivatives with embedded options and bonds with options using the methods described below and other methods are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows, prepayment speed assumptions, expected interest rate volatility, methods to determine possible distributions of future interest rates used to value options, and the selection of discount rates that appropriately reflect market and credit risks. Changes in these judgments often have a material effect on the fair value estimates. Since these estimates are made as of a specific point in time, they are susceptible to material near term changes.

Cash and due from banks. The estimated fair value approximates the recorded book balance.

Interest-bearing deposits and investment securities. The estimated fair value is determined based on each security's quoted price or prices obtained from a pricing services, excluding accrued interest, at the last business day of the year for instruments with more than three months to maturity. When quoted prices are not available, the estimated fair value is determined by calculating the present value of the expected future cash flows and reducing the amount for accrued interest receivable. For instruments with three months or less to maturity, the recorded book balance approximates the estimated fair value.

Securities purchased under agreements to resell. The estimated fair value is determined by calculating the present value of the future cash flows for instruments with more than three months to maturity. The discount rates used in these calculations are the rates for securities with similar terms. For instruments with three months or less to maturity, the recorded book balance approximates the estimated fair value.

Federal funds sold. The estimated fair value is determined by calculating the present value of the expected future cash flows for instruments with more than three months to maturity. The discount rates used in these calculations are the rates for Federal funds with similar terms. The estimated fair value approximates the recorded book balance of Federal funds with three months or less to maturity.

Advances and other loans. The FHLBanks determine the estimated fair value of advances by calculating the present value of expected future cash flows from the advances and excluding the amount of the accrued interest receivable. The discount rates used in these calculations are the replacement advance rates for advances with similar terms. In accordance with the Finance Board's advances regulations, advances with a maturity or repricing period greater than six months require a prepayment fee sufficient to make the FHLBanks financially indifferent to the borrower's decision to prepay the advances. Therefore, the estimated fair value of advances does not assume prepayment risk. The estimated fair value approximates the recorded book balance of advances with variable rates and fixed rates with three months or less to maturity or repricing.

Effective December 12, 2007, the FHLBank of Chicago changed the interest rate curve used to discount the future cash flows for advances to be more consistent with its pricing methodology. Currently, the FHLBank of Chicago use four internally constructed curves based on the consolidated obligations curve and a spread, which differs based on the advance size. Previously, the FHLBank of Chicago used a default-adjusted, AAA-rated, corporate debt curve. This change increased the FHLBank of Chicago's unrecognized gain by $307 million.

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

Accrued interest receivable and payable. The estimated fair value approximates the recorded book value.

Derivative assets/liabilities. The FHLBanks base the estimated fair values of derivatives with similar terms on available market prices including accrued interest receivable and payable. However, active markets do not exist for certain types of financial instruments. Consequently, fair values for these instruments must be estimated using techniques such as discounted cash-flow analysis and comparisons to similar instruments. Estimates developed using these methods are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows, volatility of interest rates, and the selection of discount rates that appropriately reflect market and credit risks. Changes in these judgments often have a material effect on the fair value estimates. Because these estimates are made at a specific point in time, they are susceptible to material near-term changes. The fair values are netted by counterparty where such legal right of offset exists. If these netted amounts are positive, they are classified as an asset and if negative, a liability.

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

Borrowings. The FHLBanks determine the estimated fair value of borrowings by calculating the present value of expected future cash flows from the borrowings and reducing this amount for accrued interest payable. The discount rates used in these calculations are the cost of borrowings with similar terms. For borrowings with variable rates and fixed rates with three months or less to maturity or repricing, the estimated fair value approximates the recorded book balance.

Consolidated obligations. The FHLBanks estimate fair values based on: the cost of raising comparable term debt, independent market-based prices received from a third-party pricing service, or internal valuation models. The estimated cost of issuing debt includes non-interest selling costs.

Effective August 24, 2007, the FHLBank of Chicago changed its methodology for determining the estimated fair values of consolidated obligations. Fair values of consolidated obligations and discount notes without embedded options are determined based on internal valuation models which use market-based yield curve inputs obtained from the Office of Finance and provided to all FHLBanks. Fair values of consolidated obligations with embedded options are determined based on internal valuation models with market-based inputs obtained from the Office of Finance and derivative dealers. The FHLBank of Chicago's fair value is estimated by calculating the present value of expected cash flows using discount rates that are based on replacement funding rates for liabilities with similar terms. Prior to that date, the FHLBank of Chicago's fair values were determined using independent market-based prices from a third party pricing service. Under the prior methodology, the related prices were no longer considered reliable or accurate as the third party prices could no longer be corroborated against actual issuances or replacement fundings. This change in methodology reduced the FHLBank of Chicago's unrecognized loss by $285 million.

Subordinated notes. Effective August 24, 2007, the FHLBank of Chicago changed its methodology for determining estimated fair values of subordinated notes concurrent with its methodology change for consolidated obligations. Fair values are determined based on internal valuation models which use market-based yield curve inputs obtained from the Office of Finance and provided to all FHLBanks. This change increased the unrecognized loss by $11 million. Previously, fair value was determined based on independent market-based prices received from a third-party pricing service.

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

Commitments. The estimated fair value of the FHLBanks' commitments to extend credit for advances, letters of credit, and standby bond purchase agreements was immaterial at December 31, 2007 and 2006.

Commitments to extend credit for mortgage loans. Certain mortgage loan purchase commitments are recorded as derivatives at their fair value.

The estimated fair value of the FHLBanks' commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. The estimated fair value of these fixed-rate loan commitments also takes into account the difference between current and committed interest rate and was immaterial at December 31, 2007 and 2006.

The carrying values and estimated fair values of the FHLBanks' financial instruments at December 31, 2007 and 2006 are as follows (dollar amounts in millions):

2007 FAIR VALUE SUMMARY TABLE

Financial Instruments	2007		
	Carrying Value	Net Unrealized Gains/(Losses)	Estimated Fair Value
Assets:			
Cash and due from banks	$ 320	$	$ 320
Interest-bearing deposits	48,243	12	48,255
Securities purchased under agreements to resell	800		800
Federal funds sold	85,818	5	85,823
Trading securities	6,809		6,809
Available-for-sale securities	5,813		5,813
Held-to-maturity securities	151,176	(2,052)	149,124
Advances	875,061	1,212	876,273
Mortgage loans held for portfolio, net	91,607	(923)	90,684
Accrued interest receivable	5,618		5,618
Derivative assets	2,401		2,401
Liabilities:			
Deposits	(22,073)	1	(22,072)
Securities sold under repurchase agreements	(1,400)	(72)	(1,472)
Other borrowings	(100)		(100)
Consolidated obligations:			
Discount notes	(376,342)	(25)	(376,367)
Bonds	(802,574)	(3,460)	(806,034)
Mandatorily redeemable capital stock	(1,107)		(1,107)
Accrued interest payable	(8,193)		(8,193)
Derivative liabilities	(5,303)		(5,303)
Subordinated notes	(1,000)	(75)	(1,075)

2006 FAIR VALUE SUMMARY TABLE

Financial Instruments	2006 Carrying Value	2006 Net Unrealized (Losses)/Gains	2006 Estimated Fair Value
Assets:			
Cash and due from banks	$ 330	$	$ 330
Interest-bearing deposits	33,872	(1)	33,871
Securities purchased under agreements to resell	4,905		4,905
Federal funds sold	77,056	87	77,143
Trading securities	5,687		5,687
Available-for-sale securities	6,661		6,661
Held-to-maturity securities	142,482	(1,502)	140,980
Advances	640,681	(267)	640,414
Mortgage loans held for portfolio, net	97,974	(2,293)	95,681
Accrued interest receivable	4,344		4,344
Derivative assets	1,626		1,626
Liabilities:			
Deposits	(18,972)	7	(18,965)
Securities sold under repurchase agreements	(2,200)	(109)	(2,309)
Consolidated obligations:			
Discount notes	(157,549)	18	(157,531)
Bonds	(776,665)	2,210	(774,455)
Mandatorily redeemable capital stock	(1,094)		(1,094)
Accrued interest payable	(8,549)		(8,549)
Derivative liabilities	(2,886)		(2,886)
Subordinated notes	(1,000)	(29)	(1,029)

Note 20—Commitments and Contingencies

As described in Note 13, as provided by the FHLBank Act or Finance Board regulation, consolidated obligations are backed only by the financial resources of the FHLBanks. The joint and several liability regulation of the Finance Board authorizes the Finance Board to require any FHLBank to repay all or a portion of the principal and interest on consolidated obligations for which another FHLBank is the primary obligor. No FHLBank has had to assume or pay the consolidated obligation of another FHLBank.

The FHLBanks considered the guidance under FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others—an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34* (FIN 45), and determined it was not necessary to recognize a liability for the fair value of the FHLBanks' joint and several liability for all of the consolidated obligations. The joint and several obligations are mandated by Finance Board regulations and are not the result of arms-length transactions among the FHLBanks. The FHLBanks have no control over the amount of the guaranty or the determination of how each FHLBank would perform under the joint and several obligations. Because the FHLBanks are subject to the authority of the Finance Board as it relates to decisions involving the allocation of the joint and several liability for the FHLBanks' consolidated obligations, the FHLBanks' joint and several obligation is excluded from the initial recognition and measurement provisions of FIN 45. Accordingly, the FHLBanks have not recognized a liability for the joint and several obligations related to other FHLBanks' consolidated obligations at December 31, 2007 and 2006. The par amounts of the outstanding consolidated obligations for which the

FHLBanks are jointly and severally liable were approximately $1.2 trillion and $952 billion at December 31, 2007 and 2006. In addition, the FHLBank of Chicago has $1 billion (par amount) outstanding related to subordinated notes that are not the joint and several obligation of the other 11 FHLBanks (see Note 16).

Commitments that legally bind and unconditionally obligate the FHLBanks for additional advances totaled approximately $7,730 million and $3,587 million at December 31, 2007 and 2006. Commitments generally are for periods up to 12 months. Standby letters of credit are executed for members for a fee. A standby letter of credit is a short-term financing arrangement between the FHLBank and its member. If the FHLBank is required to make payment for a beneficiary's draw, these amounts are converted into a collateralized advance to the member. Outstanding standby letters of credit were as follows:

	2007	2006
Outstanding notional (in millions)	$29,168	$20,068
Original terms	less than one month to 20 years	
Final expiration year	2024	2024

Unearned fees for transactions prior to 2003, as well as the value of the guarantees related to standby letters of credit entered into after 2002, are recorded in other liabilities and amount to $35 million and $16 million at December 31, 2007 and 2006. Based on credit analyses performed by each FHLBank's management as well as collateral requirements, the FHLBanks have not deemed it necessary to record any additional liability on these commitments. Commitments are fully collateralized at the time of issuance (see Note 8). The estimated fair values of commitments at December 31, 2007 and 2006 are reported in Note 19.

Certain FHLBanks have entered into standby bond purchase agreements with state housing authorities within their district whereby the FHLBank, for a fee, agrees to purchase and hold the authorities' bonds until the designated marketing agent can find a suitable investor or the housing authority repurchases the bond according to a schedule established by the standby agreement. Each standby agreement dictates the specific terms that would require the FHLBank to purchase the bond. The bond purchase commitments entered into by these FHLBanks have expiration periods up to seven years, currently no later than 2014, though some are renewable at the option of an FHLBank. Total commitments for standby bond purchases were $1,982 million at December 31, 2007, with eight state housing authorities. Total commitments for standby bond purchases were $1,835 million at December 31, 2006, with nine state housing authorities. During 2007 and 2006, the FHLBanks were not required to purchase any bonds under these agreements. The estimated fair values of standby bond purchase agreements as of December 31, 2007 and 2006 are reported in Note 19.

Commitments that unconditionally obligate the FHLBanks to fund or purchase mortgage loans totaled $240 million and $242 million at December 31, 2007 and 2006. Commitments are generally for periods not to exceed 365 days. Of these amounts, $214 million and $221 million at December 31, 2007 and 2006 represent commitments that obligate the FHLBanks to purchase closed mortgage loans from their members, which are recorded at fair value as derivatives under SFAS 149 (see Note 10). Commitments that obligate the FHLBanks to table fund mortgage loans are not considered derivatives under SFAS 149. Unused lines of credit and other commitments totaled $21,151 million and $22,857 million at December 31, 2007 and 2006.

The FHLBanks generally execute derivatives with large banks and major broker-dealers and generally enter into bilateral collateral agreements. At December 31, 2007, the FHLBanks had pledged, as collateral, securities with a carrying value of $2,409 million, which can be sold or repledged to counterparties who have market risk exposure from the FHLBanks related to derivatives.

The FHLBanks committed to issue $2,748 million (par value) of consolidated bonds of which $845 were hedged with associated interest rate swaps, and $6,226 million (par value) of consolidated discount notes that had traded but not settled at December 31, 2007.

The FHLBanks charged to operating expenses net rental costs of approximately $26 million for the years ended December 31, 2007, 2006 and 2005. Future minimum rentals at December 31, 2007, are as follows (dollar amounts in millions):

Year	Premises	Equipment	Total
Year 1	$ 23	$2	$ 25
Year 2	22	1	23
Year 3	21	1	22
Year 4	18		18
Year 5	15		15
Thereafter	50	—	50
Total	$149	$4	$153

Lease agreements for FHLBank premises generally provide for increases in the basic rentals resulting from increases in property taxes and maintenance expenses. Such increases are not expected to have a material effect on the FHLBanks.

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

Notes 1, 8, 10, 13, 14, 16, 17 and 19 discuss other commitments and contingencies.

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FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CONDITION
DECEMBER 31, 2007

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
ASSETS						
Cash and due from banks	$ 320	$	$ 7	$ 8	$ 67	$ 19
Interest-bearing deposits	48,243		5,330	10,697	5,736	1,605
Deposits with other FHLBanks for mortgage loan programs		(9)			4	4
Securities purchased under agreements to resell	800		500			
Federal funds sold	85,818		2,908	4,381	4,725	14,835
Trading securities	6,809	(522)	113		8	4,628
Available-for-sale securities	5,813	(42)	1,064	13	42	
Held-to-maturity securities	151,176	(2,525)	7,948	10,285	14,237	21,260
Advances	875,061		55,680	82,090	68,798	142,867
Mortgage loans held for portfolio	91,615		4,091	1,493	6,221	3,527
Less: allowance for credit losses on mortgages loans	8			1	1	1
Mortgage loans held for portfolio, net	91,607		4,091	1,492	6,220	3,526
Loans to other FHLBanks		(955)		55	500	
Accrued interest receivable	5,618	(39)	457	562	529	828
Premises, software, and equipment, net	208		6	13	25	31
Derivative assets	2,401		118	70	240	43
Other assets	623	4	29	17	59	100
Total assets	$1,274,497	$(4,088)	$78,251	$109,683	$101,190	$189,746
LIABILITIES						
Deposits:						
Interest-bearing:						
Demand and overnight	$ 19,972	$	$ 734	$ 1,584	$ 2,235	$ 7,115
Term	780		31	17		
Deposits from other FHLBanks for mortgage loan programs		(9)				
Other	1,113		3	43	193	
Total interest-bearing	21,865	(9)	768	1,644	2,428	7,115
Non-interest-bearing:						
Demand and overnight	84			3	21	20
Other	124		6			
Total non-interest-bearing	208		6	3	21	20
Total deposits	22,073	(9)	774	1,647	2,449	7,135
Borrowings:						
Loans from other FHLBanks		(955)				
Securities sold under agreements to repurchase	1,400					
Other	100					
Total borrowings	1,500	(955)				
Consolidated obligations, net:						
Discount notes	376,342		42,988	34,791	34,685	28,348
Bonds	802,574	(3,055)	30,422	66,326	58,613	142,237
Total consolidated obligations, net	1,178,916	(3,055)	73,410	101,117	93,298	170,585
Mandatorily redeemable capital stock	1,107		31	239	4	55
Accrued interest payable	8,193	(39)	281	656	558	1,460
Affordable Housing Program	892		49	119	60	156
Payable to REFCORP	212		16	24	16	31
Derivative liabilities	5,303		276	1,069	491	2,114
Other liabilities	1,706		26	61	29	188
Subordinated notes	1,000					
Total liabilities	1,220,902	(4,058)	74,863	104,932	96,905	181,724
CAPITAL						
Capital Stock:						
Capital stock Class B putable ($100 par value) issued and outstanding	46,701		3,164	4,368	3,995	7,556
Capital stock Class A putable ($100 par value) issued and outstanding	891					
Capital stock Pre-conversion putable ($100 par value) issued and outstanding	2,661					
Total capital stock	50,253		3,164	4,368	3,995	7,556
Retained earnings	3,687	(26)	226	418	296	469
Accumulated other comprehensive income:						
Net unrealized losses on available-for-sale securities	(41)				(2)	
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities	(138)					
Net unrealized (losses) gains relating to hedging activities	(137)	(4)	1	(30)	(3)	
Pension and postretirement benefits	(29)		(3)	(5)	(1)	(3)
Total capital	53,595	(30)	3,388	4,751	4,285	8,022
Total liabilities and capital	$1,274,497	$(4,088)	$78,251	$109,683	$101,190	$189,746

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 53	$ 7	$ 17	$ 59	$ 75	$ 2	$ 5	$ 1
2,253	1,660		100	119	6,153	14,590	
				1			
300							
10,136	11,261	10,286	1,805	7,100	5,150	11,680	1,551
4		863		3	1,654	58	
		941	3,433	362			
12,173	6,715	11,481	3,905	8,535	7,590	38,585	10,987
53,310	26,770	30,221	40,412	46,298	32,057	251,034	45,524
8,928	9,397	34,625	10,802	382	2,350	4,133	5,666
		2		1	1	1	
8,928	9,397	34,623	10,802	381	2,349	4,132	5,666
				400			
306	193	364	130	189	197	1,590	312
8	9	40	7	23	18	16	12
36	4	177	92	123	137	1,195	166
25	40	80	22	26	85	114	22
$87,532	$56,056	$89,093	$60,767	$63,635	$55,392	$322,999	$64,241
$ 911	$ 556	$ 840	$ 802	$ 2,877	$ 1,333	$ 223	$ 762
117		114	71	211	1	16	202
		9					
26	10	67		104	59	574	34
1,054	566	1,030	873	3,192	1,393	813	998
		19	21				
	1	107			7	3	
	1	126	21		7	3	
1,054	567	1,156	894	3,192	1,400	816	998
						955	
		1,200	200				
						100	
		1,200	200			1,055	
35,437	22,171	19,057	21,501	24,120	19,896	78,368	14,980
46,179	30,254	62,642	34,564	32,855	31,213	225,328	44,996
81,616	52,425	81,699	56,065	56,975	51,109	303,696	59,976
118	163	22	46	82	36	229	82
431	319	605	301	342	322	2,434	523
103	30	45	43	48	41	175	23
17	10	10	6	8	11	58	5
350	296	231	138	95	139	81	23
88	47	56	22	288	38	828	35
		1,000					
83,777	53,857	86,024	57,715	61,030	53,096	309,372	61,665
3,473	2,003		2,717	2,394	1,487	13,403	2,141
					604		287
		2,661					
3,473	2,003	2,661	2,717	2,394	2,091	13,403	2,428
287	202	659	361	212	207	227	149
		(13)	(25)	(1)			
		(138)					
		(99)				(2)	
(5)	(6)	(1)	(1)		(2)	(1)	(1)
3,755	2,199	3,069	3,052	2,605	2,296	13,627	2,576
$87,532	$56,056	$89,093	$60,767	$63,635	$55,392	$322,999	$64,241

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CONDITION DECEMBER 31, 2006

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
ASSETS						
Cash and due from banks	$ 330	$	$ 8	$ 39	$ 78	$ 29
Interest-bearing deposits	33,872		940	5,591	3,615	796
Deposits with other FHLBanks for mortgage loan programs		(12)			5	5
Securities purchased under agreements to resell	4,905		3,250			
Federal funds sold	77,056		2,607	3,661	3,370	10,532
Trading securities	5,687	(321)	151			4,515
Available-for-sale securities	6,661	(57)	988		66	
Held-to-maturity securities	142,482	(4,225)	7,306	11,251	12,939	19,330
Advances	640,681		37,342	59,013	49,335	101,476
Mortgage loans held for portfolio	97,981		4,502	1,484	6,967	3,004
Less: allowance for credit losses on mortgages loans	7			1	1	1
Mortgage loans held for portfolio, net	97,974		4,502	1,483	6,966	3,003
Accrued interest receivable	4,344	(59)	214	406	417	692
Premises, software, and equipment, net	217		6	11	22	31
Derivative assets	1,626		129	225	499	259
Other assets	634	6	27	23	64	90
Total assets	$1,016,469	$(4,668)	$57,470	$81,703	$77,376	$140,758
LIABILITIES						
Deposits:						
Interest-bearing:						
Demand and overnight	$ 17,512	$	$ 1,087	$ 2,182	$ 1,056	$ 4,445
Term	441		29	80	1	13
Deposits from other FHLBanks for mortgage loan programs		(12)				
Other	795		3	126	352	142
Total interest-bearing	18,748	(12)	1,119	2,388	1,409	4,600
Non-interest-bearing:						
Demand and overnight	103			2	17	20
Other	121		5			
Total non-interest-bearing	224		5	2	17	20
Total deposits	18,972	(12)	1,124	2,390	1,426	4,620
Borrowings:						
Securities sold under agreements to repurchase	2,200					500
Total borrowings	2,200					500
Consolidated obligations, net:						
Discount notes	157,549		17,724	12,191	17,845	4,934
Bonds	776,665	(4,548)	35,518	62,043	53,627	122,068
Total consolidated obligations, net	934,214	(4,548)	53,242	74,234	71,472	127,002
Mandatorily redeemable capital stock	1,094		12	110	8	216
Accrued interest payable	8,549	(59)	358	735	566	1,387
Affordable Housing Program	805		45	102	49	130
Payable to REFCORP	165		13	17	15	23
Derivative liabilities	2,886		121	108	144	570
Other liabilities	1,599		23	103	62	136
Subordinated notes	1,000					
Total liabilities	971,484	(4,619)	54,938	77,799	73,742	134,584
CAPITAL						
Capital Stock:						
Capital stock Class B putable ($100 par value) issued and outstanding	38,882		2,343	3,546	3,384	5,772
Capital stock Class A putable ($100 par value) issued and outstanding	532					
Capital stock Pre-conversion putable ($100 par value) issued and outstanding	2,587					
Total capital stock	42,001		2,343	3,546	3,384	5,772
Retained earnings	3,143	(44)	187	368	255	407
Accumulated other comprehensive income:						
Net unrealized (losses) gains on available-for-sale securities	(8)		3		2	
Net unrealized (losses) gains relating to hedging activities	(114)	(5)	2	(5)	(5)	
Other	(37)		(3)	(5)	(2)	(5)
Total capital	44,985	(49)	2,532	3,904	3,634	6,174
Total liabilities and capital	$1,016,469	$(4,668)	$57,470	$81,703	$77,376	$140,758

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 4	$ 15	$ 23	$ 30	$ 96	$	$ 7	$ 1
6,536	394		11	174	4,327	9,323	2,165
				1		1	
1,150			305			200	
9,642	7,324	6,470	1,625	5,495	8,055	15,443	2,832
5		532		24	704	77	
1,188		3,097	562	715	102		
12,099	6,545	11,915	5,715	7,194	8,377	30,348	13,688
41,956	22,282	26,179	21,855	41,168	28,445	183,669	27,961
8,461	10,021	37,945	11,775	450	2,374	4,631	6,367
		1		1	1	1	
8,461	10,021	37,944	11,775	449	2,373	4,630	6,367
301	136	379	93	188	176	1,078	323
8	11	51	7	25	20	12	13
13	99	41	36	91	67	20	147
24	42	83	27	30	93	107	18
$81,387	$46,869	$86,714	$42,041	$55,650	$52,739	$244,915	$53,515
$ 827	$ 847	$ 1,242	$ 879	$ 2,326	$ 1,108	$ 587	$ 926
88		95	20	45	1	5	64
		12					
12	61	30		53	1	2	13
927	908	1,379	899	2,424	1,110	594	1,003
		22	42				
	12	92			8	4	
	12	114	42		8	4	
927	920	1,493	941	2,424	1,118	598	1,003
		1,200	500				
		1,200	500				
21,947	10,471	11,166	4,685	8,226	16,736	30,128	1,496
53,239	32,844	67,744	33,066	41,684	32,039	199,300	48,041
75,186	43,315	78,910	37,751	49,910	48,775	229,428	49,537
137	151	14	65	160	46	106	69
559	384	690	300	444	337	2,280	568
96	26	63	45	43	36	147	23
17	7	9	6	8	9	39	2
108	63	195	163	168	204	995	47
450	48	57	21	54	42	568	35
		1,000					
77,480	44,914	83,631	39,792	53,211	50,567	234,161	51,284
3,658	1,793		1,906	2,248	1,475	10,616	2,141
					532		
		2,587					
3,658	1,793	2,587	1,906	2,248	2,007	10,616	2,141
256	167	606	344	190	172	143	92
(1)		(8)			(4)		
		(99)				(2)	
(6)	(5)	(3)	(1)	1	(3)	(3)	(2)
3,907	1,955	3,083	2,249	2,439	2,172	10,754	2,231
$81,387	$46,869	$86,714	$42,041	$55,650	$52,739	$244,915	$53,515

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2007

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$37,453	$	$ 2,304	$ 3,491	$ 2,864	$ 6,270
Prepayment fees on advances, net	23		3	4	2	2
Interest-bearing deposits	2,153		114	412	237	51
Securities purchased under agreements to resell	134		59			
Federal funds sold	4,465		205	193	195	697
Trading securities	339	(21)	8			266
Available-for-sale securities	367	(3)	47		3	
Held-to-maturity securities	7,235	(110)	408	597	639	954
Mortgage loans held for portfolio	4,849		218	79	338	176
Other	5					
Total interest income	57,023	(134)	3,366	4,776	4,278	8,416
INTEREST EXPENSE						
Consolidated obligations — Discount notes	10,720		1,280	938	1,106	671
Consolidated obligations — Bonds	40,581	(134)	1,731	3,216	2,728	6,748
Deposits	949		41	111	75	267
Securities sold under agreements to repurchase	139				2	14
Subordinated notes	57					
Mandatorily redeemable capital stock	57		1	12		11
Other borrowings	4					1
Total interest expense	52,507	(134)	3,053	4,277	3,911	7,712
NET INTEREST INCOME	4,516		313	499	367	704
Provision for credit losses	3				2	
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	4,513		313	499	365	704
OTHER INCOME (LOSS)						
Service fees	29		4	3	4	2
Net gains on trading securities	147					107
Net realized gains (losses) from sale of available-for-sale securities	1				2	
Net realized (losses) gains from sale of held-to-maturity securities	(6)					
Net (losses) gains on derivatives and hedging activities	(53)		8	19	11	(97)
Other, net	9	13	(1)	(8)	1	1
Total other income (loss)	127	13	11	14	18	13
OTHER EXPENSE						
Operating	714		49	67	56	98
Finance Board	34		2	3	2	5
Office of Finance	30		2	2	3	4
Other, net	14	(5)	1			3
Total other expense	792	(5)	54	72	61	110
INCOME BEFORE ASSESSMENTS	3,848	18	270	441	322	607
Affordable Housing Program	318		22	37	26	51
REFCORP	703		50	81	59	111
Total assessments	1,021		72	118	85	162
NET INCOME	$ 2,827	$ 18	$ 198	$ 323	$ 237	$ 445

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$2,589	$1,243	$1,271	$1,312	$2,111	$1,540	$10,718	$1,740
3	2		1	2		1	3
325	74		3	7	255	569	106
37			12			13	13
309	486	571	189	277	347	660	336
		36		1	45	4	
36		144	111	27	2		
582	307	618	271	437	433	1,591	508
467	510	1,839	562	23	122	215	300
				1	4		
4,348	2,622	4,479	2,461	2,886	2,748	13,771	3,006
1,235	675	704	424	556	784	2,038	309
2,632	1,690	3,295	1,786	1,958	1,681	10,772	2,478
51	43	47	52	144	48	22	48
		98	25				
		57					
9	7		3	5	2	7	
					2	1	
3,927	2,415	4,201	2,290	2,663	2,517	12,840	2,835
421	207	278	171	223	231	931	171
		1					
421	207	277	171	223	231	931	171
1	1	1	2	4	4	1	2
		22			18		
		1			(2)		
			1		(1)		(6)
(12)	(1)	(25)	4		(10)	52	(2)
5	2	6	3	6	1	2	(22)
(6)	2	5	10	10	10	55	(28)
38	37	120	39	52	32	84	42
3	1	3	2	2	1	8	2
3	2	2	1	2	2	6	1
4	2	6			2		1
48	42	131	42	56	37	98	46
367	167	151	139	177	204	888	97
31	14	12	12	15	17	73	8
67	31	28	26	32	37	163	18
98	45	40	38	47	54	236	26
$ 269	$ 122	$ 111	$ 101	$ 130	$ 150	$ 652	$ 71

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2006

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$32,411	$	$1,990	$3,283	$2,434	$5,254
Prepayment fees on advances, net	44		1	19	1	1
Interest-bearing deposits	1,777		85	301	178	34
Deposits with other FHLBanks for mortgage loan programs		(1)				1
Securities purchased under agreements to resell	197		66			
Federal funds sold	3,456		160	145	219	535
Trading securities	365	(20)	11			283
Available-for-sale securities	298	(3)	45		7	
Held-to-maturity securities	6,859	(141)	370	580	551	927
Mortgage loans held for portfolio	5,155		238	76	373	152
Loans to other FHLBanks		(1)				
Other	5					
Total interest income	50,567	(166)	2,966	4,404	3,763	7,187
INTEREST EXPENSE						
Consolidated obligations — Discount notes	7,873		1,177	902	655	353
Consolidated obligations — Bonds	37,341	(171)	1,457	2,944	2,703	5,911
Deposits	813		28	85	58	219
Deposits from other FHLBanks for mortgage loan programs		(1)				
Borrowings from other FHLBanks		(1)	1			
Securities sold under agreements to repurchase	152				1	23
Subordinated notes	31					
Mandatorily redeemable capital stock	60		1	3	2	9
Other borrowings	4					1
Total interest expense	46,274	(173)	2,664	3,934	3,419	6,516
NET INTEREST INCOME	4,293	7	302	470	344	671
(Reversal) provision for credit losses	(1)		(2)		2	
NET INTEREST INCOME AFTER (REVERSAL) PROVISION FOR CREDIT LOSSES	4,294	7	304	470	342	671
OTHER INCOME (LOSS)						
Service fees	28		3	3	5	2
Net losses on trading securities	(127)		(2)			(99)
Net realized losses from sale of available-for-sale securities	(3)					
Net realized losses from sale of held-to-maturity securities	(6)					
Net gains (losses) on derivatives and hedging activities	83		11	10	7	91
Other, net	28	16		(26)	2	2
Total other income (loss)	3	16	12	(13)	14	(4)
OTHER EXPENSE						
Operating	671		45	63	57	92
Finance Board	32		1	3	2	4
Office of Finance	25		2	3	2	3
Other	15	(4)	1			3
Total other expense	743	(4)	49	69	61	102
INCOME BEFORE ASSESSMENTS	3,554	27	267	388	295	565
Affordable Housing Program	295		22	32	25	47
REFCORP	647		49	71	54	104
Total assessments	942		71	103	79	151
NET INCOME	$ 2,612	$ 27	$ 196	$ 285	$ 216	$ 414

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$2,290	$1,175	$1,189	$1,136	$2,182	$1,413	$8,776	$1,289
6	3	8		2	1	1	1
234	49		11	18	249	558	60
54		15	15			35	12
309	337	428	139	197	217	522	248
	1	45		2	37	6	
60		122	22	42	3		
549	311	536	273	417	407	1,500	579
430	510	2,023	615	28	123	243	344
1							
				1	4		
3,933	2,386	4,366	2,211	2,889	2,454	11,641	2,533
925	439	745	269	390	671	980	367
2,566	1,682	3,034	1,721	2,124	1,525	9,799	2,046
43	56	52	35	146	38	18	35
		1					
		91	29				8
		31					
13	4	5	3	13	3	4	
					2	1	
3,547	2,181	3,959	2,057	2,673	2,239	10,802	2,456
386	205	407	154	216	215	839	77
			(1)				
386	205	407	155	216	215	839	77
1	1	1	2	3	4	1	2
	(1)	(17)		(1)	(7)		
		(3)					
							(6)
2	(4)	(28)	2	(5)	11	(14)	
3	2	14	5	4	(4)	3	7
6	(2)	(33)	9	1	4	(10)	3
36	38	109	39	46	28	78	40
3	2	3	2	2	1	7	2
2	1	2	1	1	2	5	1
5	2	4			2		2
46	43	118	42	49	33	90	45
346	160	256	122	168	186	739	35
30	13	21	10	15	16	61	3
63	29	47	23	31	34	136	6
93	42	68	33	46	50	197	9
$ 253	$ 118	$ 188	$ 89	$ 122	$ 136	$ 542	$ 26

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2005

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$20,782	$	$1,093	$2,168	$1,527	$3,437
Prepayment fees on advances	75		9	7	2	2
Interest-bearing deposits	830		64	194	61	31
Securities purchased under agreements to resell	115		30			
Federal funds sold	1,915		123	98	57	240
Trading securities	438	(25)	14		3	317
Available-for-sale securities	346	(18)	29	19	17	
Held-to-maturity securities	5,497	(227)	288	566	383	848
Mortgage loans held for portfolio	5,416	1	211	69	402	132
Loans to other FHLBanks		(1)				
Other	6					
Total interest income	35,420	(270)	1,861	3,121	2,452	5,007
INTEREST EXPENSE						
Consolidated obligations—Discount notes	5,309		570	659	528	224
Consolidated obligations—Bonds	25,207	(293)	1,017	2,002	1,580	3,958
Deposits	523		18	62	31	153
Borrowings from other FHLBanks		(1)			1	
Securities sold under agreements to repurchase	123					29
Mandatorily redeemable capital stock	48		2	3	1	9
Other borrowings	3				1	
Total interest expense	31,213	(294)	1,607	2,726	2,142	4,373
NET INTEREST INCOME	4,207	24	254	395	310	634
Provision (reversal) for credit losses	1		1		2	
NET INTEREST INCOME AFTER PROVISION (REVERSAL) FOR CREDIT LOSSES	4,206	24	253	395	308	634
OTHER INCOME (LOSS)						
Service fees	29		2	5	4	3
Net (losses) gains on trading securities	(304)		(7)		(1)	(215)
Net realized gains (losses) from sale of available-for-sale securities	267			2		
Net realized loss from sale of held-to-maturity securities	(1)					
Net (losses) gains on derivatives and hedging activities	(23)	6	(11)	(10)	4	137
Other, net	(28)	(3)	(14)	(15)		1
Total other (loss) income	(60)	3	(30)	(18)	7	(74)
OTHER EXPENSE						
Operating	657		42	59	50	76
Finance Board	32		1	4	2	4
Office of Finance	24		2	2	2	3
Other	16	(3)	1			3
Total other expense	729	(3)	46	65	54	86
INCOME BEFORE ASSESSMENTS	3,417	30	177	312	261	474
Affordable Housing Program	282		15	26	21	40
REFCORP	625		34	57	48	87
Total assessments	907		49	83	69	127
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES	2,510	30	128	229	192	347
Cumulative effect of change in accounting principles before assessments	15		7	1		(3)
NET INCOME	$ 2,525	$ 30	$ 135	$ 230	$ 192	$ 344

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$1,527	$ 942	$ 804	$ 901	$1,642	$961	$5,091	$ 689
	2	1		3	43	1	5
152	13		12	14	115	151	23
22		12	10			37	4
225	87	216	53	132	142	424	118
	4	53	1	6	37	15	13
46	32	47	18	153	3		
536	279	250	194	308	297	1,112	663
428	441	2,160	689	34	123	280	446
1							
				1	5		
2,937	1,800	3,543	1,878	2,293	1,726	7,111	1,961
677	278	540	160	270	433	700	270
1,878	1,266	2,404	1,378	1,718	1,038	5,709	1,552
29	31	36	24	70	26	16	27
		57	20		2		15
13	2	2	2	12		2	
	(1)				2	1	
2,597	1,576	3,039	1,584	2,070	1,501	6,428	1,864
340	224	504	294	223	225	683	97
		(3)			1		
340	224	507	294	223	224	683	97
2	1	1	2	3	3	1	2
	(5)	(37)		(4)	(23)	(14)	2
	20	(3)	3	245			
							(1)
(1)	7	(16)	39	(91)	29	(89)	(27)
3	2	13	2	4	(19)	2	(4)
4	25	(42)	46	157	(10)	(100)	(28)
34	36	121	36	46	25	70	62
3	2	3	2	2	1	6	2
2	1	2	1	2	1	5	1
4	2	6			2		1
43	41	132	39	50	29	81	66
301	208	333	301	330	185	502	3
26	17	28	25	28	15	41	
55	38	61	57	61	34	92	1
81	55	89	82	89	49	133	1
220	153	244	219	241	136	369	2
			9	1			
$ 220	$ 153	$ 244	$ 228	$ 242	$136	$ 369	$ 2

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

(Shares and dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK CLASS B PUTABLE SHARES						
BALANCE, DECEMBER 31, 2004	318		21		27	52
Proceeds from sale of capital stock	175		8	3	84	40
Repurchase/redemption of capital stock	(148)		(4)	(4)	(80)	(34)
Net shares reclassified to mandatorily redeemable capital stock	(10)					(1)
Conversion to Class B or Class A shares	37			37		
Transfer between Class B and Class A shares	(4)					
Capital stock dividends	9					
BALANCE, DECEMBER 31, 2005	377		25	36	31	57
Proceeds from sale of capital stock	185		5	35	49	41
Repurchase/redemption of capital stock	(168)		(7)	(33)	(45)	(39)
Net shares reclassified to mandatorily redeemable capital stock	(13)			(2)	(1)	(1)
Transfer between Class B and Class A shares	(1)					
Capital stock dividends	9					
BALANCE, DECEMBER 31, 2006	389		23	36	34	58
CAPITAL STOCK CLASS B PUTABLE SHARES						
Proceeds from sale of capital stock	279		12	33	65	61
Repurchase/redemption of capital stock	(179)		(3)	(23)	(59)	(42)
Net shares reclassified to mandatorily redeemable capital stock	(27)			(2)		(1)
Transfer between Class B and Class A shares	(2)					
Capital stock dividends	8					
BALANCE, DECEMBER 31, 2007	468		32	44	40	76
CAPITAL STOCK CLASS A PUTABLE SHARES						
BALANCE, DECEMBER 31, 2004	3					
Proceeds from sale of capital stock						
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(2)					
Transfer between Class B and Class A shares	4					
Capital stock dividends						
BALANCE, DECEMBER 31, 2005	5					
Proceeds from sale of capital stock						
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(1)					
Transfer between Class B and Class A shares	1					
Capital stock dividends						
BALANCE, DECEMBER 31, 2006	5					
CAPITAL STOCK CLASS A PUTABLE SHARES						
Proceeds from sale of capital stock	3					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(1)					
Transfer between Class B and Class A shares	2					
Capital stock dividends						
BALANCE, DECEMBER 31, 2007	9					

	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
	38	20		22	25	15	78	20
		1		8	4	5	21	1
				(11)	(7)		(8)	
	(5)					(4)		
						(4)		
	2	1	—	—	1	1	4	—
	35	22		19	23	13	95	21
	1	1		7	4	7	35	
		(3)		(7)	(6)		(28)	
	(1)	(2)				(5)	(1)	
						(1)		
	2	—	—	—	1	1	5	—
	37	18		19	22	15	106	21
	4	2		20	10	19	53	
				(12)	(9)	(1)	(30)	
	(6)					(17)	(1)	
						(2)		
	—	—	—	—	1	1	6	—
	35	20	—	27	24	15	134	21
						3		
						(2)		
						4		
	—	—	—	—	—	—	—	—
						5		
						(1)		
						1		
	—	—	—	—	—	—	—	—
						5		
								3
						(1)		
						2		
	—	—	—	—	—	—	—	—
	—	—	—	—	—	6	—	3

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued) FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

(Shares and dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK PRE-CONVERSION PUTABLE SHARES						
BALANCE, DECEMBER 31, 2004	80			37		
Proceeds from sale of capital stock	32			23		
Repurchase/redemption of capital stock	(23)			(23)		
Net shares reclassified to mandatorily redeemable capital stock	(16)					
Conversion to Class B or Class A shares	(37)			(37)		
Capital stock dividends	2					
BALANCE, DECEMBER 31, 2005	38					
Proceeds from sale of capital stock						
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(12)					
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, DECEMBER 31, 2006	26					
Proceeds from sale of capital stock	1					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock						
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, DECEMBER 31, 2007	27					
TOTAL CAPITAL STOCK PUTABLE SHARES						
BALANCE, DECEMBER 31, 2004	401		21	37	27	52
Proceeds from sale of capital stock	207		8	26	84	40
Repurchase/redemption of capital stock	(171)		(4)	(27)	(80)	(34)
Net shares reclassified to mandatorily redeemable capital stock	(28)					(1)
Capital stock dividends	11					
BALANCE, DECEMBER 31, 2005	420		25	36	31	57
Proceeds from sale of capital stock	185		5	35	49	41
Repurchase/redemption of capital stock	(168)		(7)	(33)	(45)	(39)
Net shares reclassified to mandatorily redeemable capital stock	(26)			(2)	(1)	(1)
Capital stock dividends	9					
BALANCE, DECEMBER 31, 2006	420		23	36	34	58
Proceeds from sale of capital stock	283		12	33	65	61
Repurchase/redemption of capital stock	(179)		(3)	(23)	(59)	(42)
Net shares reclassified to mandatorily redeemable capital stock	(28)			(2)		(1)
Capital stock dividends	8					
BALANCE, DECEMBER 31, 2007	504		32	44	40	76

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
		43					
		9					
		(16)					
		2					
		38					
		(12)					
		26					
		1					
		27					
38	20	43	22	25	18	78	20
	1	9	8	4	5	21	1
			(11)	(7)		(8)	
(5)		(16)			(6)		
2	1	2		1	1	4	
35	22	38	19	23	18	95	21
1	1		7	4	7	35	
	(3)		(7)	(6)		(28)	
(1)	(2)	(12)			(6)	(1)	
2				1	1	5	
37	18	26	19	22	20	106	21
4	2	1	20	10	19	53	3
			(12)	(9)	(1)	(30)	
(6)					(18)	(1)	
				1	1	6	
35	20	27	27	24	21	134	24

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

(Shares and dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK CLASS B PUTABLE PAR VALUE						
BALANCE, DECEMBER 31, 2004	$ 31,819	$	$2,086	$	$ 2,696	$ 5,225
Proceeds from sale of capital stock	17,622		802	276	8,398	3,962
Repurchase/redemption of capital stock	(14,799)		(356)	(433)	(8,012)	(3,382)
Net shares reclassified to mandatorily redeemable capital stock	(996)				(3)	(52)
Conversion to Class B or Class A shares	3,747			3,747		
Transfer between Class B and Class A shares	(386)					
Capital stock dividends	779					
BALANCE, DECEMBER 31, 2005	37,786		2,532	3,590	3,079	5,753
Proceeds from sale of capital stock	18,372		540	3,470	4,877	4,060
Repurchase/redemption of capital stock	(16,826)		(722)	(3,283)	(4,540)	(3,894)
Net shares reclassified to mandatorily redeemable capital stock	(1,273)		(7)	(231)	(32)	(147)
Transfer between Class B and Class A shares	(127)					
Capital stock dividends	950					
BALANCE, DECEMBER 31, 2006	38,882		2,343	3,546	3,384	5,772
CAPITAL STOCK CLASS B PUTABLE PAR VALUE						
Proceeds from sale of capital stock	27,875		1,130	3,254	6,522	6,120
Repurchase/redemption of capital stock	(17,852)		(273)	(2,245)	(5,911)	(4,245)
Net shares reclassified to mandatorily redeemable capital stock	(2,826)		(36)	(187)		(91)
Transfer between Class B and Class A shares	(168)					
Capital stock dividends	790					
BALANCE, DECEMBER 31, 2007	$ 46,701	$	$3,164	$4,368	$ 3,995	$ 7,556
CAPITAL STOCK CLASS A PUTABLE PAR VALUE						
BALANCE, DECEMBER 31, 2004	$ 326	$	$	$	$	$
Proceeds from sale of capital stock	7					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(221)					
Transfer between Class B and Class A shares	386					
Capital stock dividends						
BALANCE, DECEMBER 31, 2005	498					
Proceeds from sale of capital stock	6					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(99)					
Transfer between Class B and Class A shares	127					
Capital stock dividends						
BALANCE, DECEMBER 31, 2006	532					
CAPITAL STOCK CLASS A PUTABLE PAR VALUE						
Proceeds from sale of capital stock	325					
Repurchase/redemption of capital stock	(32)					
Net shares reclassified to mandatorily redeemable capital stock	(102)					
Transfer between Class B and Class A shares	168					
Capital stock dividends						
BALANCE, DECEMBER 31, 2007	$ 891	$	$	$	$	$

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$3,799	$2,017	$	$2,232	$2,493	$1,479	$ 7,765	$2,027
25	125		858	419	492	2,155	110
	(16)		(1,120)	(695)	(3)	(771)	(11)
(497)	(13)		(38)	(8)	(377)	(6)	(2)
					(386)		
176	43			90	85	377	8
3,503	2,156		1,932	2,299	1,290	9,520	2,132
38	54		680	457	673	3,511	12
	(252)		(703)	(609)	(31)	(2,792)	
(92)	(165)		(3)	(9)	(431)	(153)	(3)
					(127)		
209				110	101	530	
3,658	1,793		1,906	2,248	1,475	10,616	2,141
356	222		2,004	1,025	1,887	5,342	13
			(1,211)	(918)	(74)	(2,975)	
(541)	(12)		18	(68)	(1,748)	(148)	(13)
					(168)		
				107	115	568	
$3,473	$2,003	$	$2,717	$2,394	$1,487	$13,403	$2,141
$	$	$	$	$	$ 326	$	$
					7		
					(221)		
					386		
					498		
					6		
					(99)		
					127		
					532		
					6		319
							(32)
					(102)		
					168		
$	$	$	$	$	$ 604	$	$ 287

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued) FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

(Shares and dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK PRE-CONVERSION PUTABLE PAR VALUE						
BALANCE, DECEMBER 31, 2004	$ 7,947	$	$	$ 3,655	$	$
Proceeds from sale of capital stock	3,332			2,391		
Repurchase/redemption of capital stock	(2,299)			(2,299)		
Net shares reclassified to mandatorily redeemable capital stock	(1,682)					
Conversion to Class B or Class A shares	(3,747)			(3,747)		
Capital stock dividends	208					
BALANCE, DECEMBER 31, 2005	3,759					
Proceeds from sale of capital stock	34					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(1,206)					
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, DECEMBER 31, 2006	2,587					
CAPITAL STOCK PRE-CONVERSION PUTABLE PAR VALUE						
Proceeds from sale of capital stock	88					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(14)					
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, DECEMBER 31, 2007	$ 2,661	$	$	$	$	$
TOTAL CAPITAL STOCK PUTABLE PAR VALUE						
BALANCE, DECEMBER 31, 2004	$ 40,092	$	$ 2,086	$ 3,655	$ 2,696	$ 5,225
Proceeds from sale of capital stock	20,961		802	2,667	8,398	3,962
Repurchase/redemption of capital stock	(17,098)		(356)	(2,732)	(8,012)	(3,382)
Net shares reclassified to mandatorily redeemable capital stock	(2,899)				(3)	(52)
Capital stock dividends	987					
BALANCE, DECEMBER 31, 2005	42,043		2,532	3,590	3,079	5,753
Proceeds from sale of capital stock	18,412		540	3,470	4,877	4,060
Repurchase/redemption of capital stock	(16,826)		(722)	(3,283)	(4,540)	(3,894)
Net shares reclassified to mandatorily redeemable capital stock	(2,578)		(7)	(231)	(32)	(147)
Capital stock dividends	950					
BALANCE, DECEMBER 31, 2006	42,001		2,343	3,546	3,384	5,772
TOTAL CAPITAL STOCK PUTABLE PAR VALUE						
Proceeds from sale of capital stock	28,288		1,130	3,254	6,522	6,120
Repurchase/redemption of capital stock	(17,884)		(273)	(2,245)	(5,911)	(4,245)
Net shares reclassified to mandatorily redeemable capital stock	(2,942)		(36)	(187)		(91)
Capital stock dividends	790					
BALANCE, DECEMBER 31, 2007	$ 50,253	$	$ 3,164	$ 4,368	$ 3,995	$ 7,556

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$	$	$ 4,292	$	$	$	$	$
		941					
		(1,682)					
		208					
		3,759					
		34					
		(1,206)					
		2,587					
		88					
		(14)					
		$ 2,661					
$3,799	$2,017	$ 4,292	$ 2,232	$2,493	$ 1,805	$ 7,765	$2,027
25	125	941	858	419	499	2,155	110
	(16)		(1,120)	(695)	(3)	(771)	(11)
(497)	(13)	(1,682)	(38)	(8)	(598)	(6)	(2)
176	43	208		90	85	377	8
3,503	2,156	3,759	1,932	2,299	1,788	9,520	2,132
38	54	34	680	457	679	3,511	12
	(252)		(703)	(609)	(31)	(2,792)	
(92)	(165)	(1,206)	(3)	(9)	(530)	(153)	(3)
209				110	101	530	
3,658	1,793	2,587	1,906	2,248	2,007	10,616	2,141
356	222	88	2,004	1,025	1,893	5,342	332
			(1,211)	(918)	(74)	(2,975)	(32)
(541)	(12)	(14)	18	(68)	(1,850)	(148)	(13)
				107	115	568	
$3,473	$2,003	$ 2,661	$ 2,717	$2,394	$ 2,091	$13,403	$2,428

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

(Shares and dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
RETAINED EARNINGS						
BALANCE, DECEMBER 31, 2004	$ 1,744	$ (101)	$ 96	$ 223	$ 77	$ 217
Net income	2,525	30	135	230	192	344
Dividends on capital stock:						
Cash	(677)		(96)	(162)	(80)	(232)
Stock	(992)					
BALANCE, DECEMBER 31, 2005	2,600	(71)	135	291	189	329
Net income	2,612	27	196	285	216	414
Dividends on capital stock:						
Cash	(1,122)		(144)	(208)	(150)	(336)
Stock	(947)					
BALANCE, DECEMBER 31, 2006	3,143	(44)	187	368	255	407
Net income	2,827	18	198	323	237	445
Dividends on capital stock:						
Cash	(1,492)		(159)	(273)	(196)	(383)
Stock	(791)					
BALANCE, DECEMBER 31, 2007	$ 3,687	$ (26)	$ 226	$ 418	$ 296	$ 469
ACCUMULATED OTHER COMPREHENSIVE INCOME						
BALANCE, DECEMBER 31, 2004	$ 27	$	$ (3)	$ 1	$ (12)	$
Net unrealized gains (losses) on available-for-sale securities	65		16			
Reclassification adjustment for losses (gains) included in net income relating to available-for-sale securities	(267)			(2)		
Net unrealized gains (losses) relating to hedging activities	16		1	6		
Reclassification adjustment for (gains) losses included in net income relating to hedging activities	(3)	(6)	(2)	(2)	4	
Other	(1)		(1)	1		
BALANCE, DECEMBER 31, 2005	(163)	(6)	11	4	(8)	
Net unrealized (losses) gains on available-for-sale securities	(4)		(5)		1	
Reclassification adjustment for losses included in net income relating to available-for-sale securities	2					
Net unrealized gains (losses) relating to hedging activities	28			(10)		
Reclassification adjustment for losses (gains) included in net income relating to hedging activities	3	1	(2)		3	
Other	2			2	1	
Adjustment to initially apply SFAS 158	(27)		(2)	(6)	(2)	(5)
BALANCE, DECEMBER 31, 2006	(159)	(5)	2	(10)	(5)	(5)
Net unrealized (losses) gains on available-for-sale securities	(32)		(3)		(2)	
Reclassification adjustment for gains included in net income relating to available-for-sale securities	(1)				(2)	
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities	(138)					
Reclassification adjustment for (gains) losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities						
Net unrealized losses relating to hedging activities	(36)			(25)		
Reclassification adjustment for losses (gains) included in net income relating to hedging activities	13	1	(1)		2	
Pension and postretirement benefits	8				1	2
BALANCE, DECEMBER 31, 2007	$ (345)	$ (4)	$ (2)	$ (35)	$ (6)	$ (3)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 168	$ 85	$ 489	$163	$ 26	$ 87	$ 139	$ 75
220	153	244	228	242	136	369	2
	(46)		(61)				
(180)	(43)	(208)		(90)	(86)	(377)	(8)
208	149	525	330	178	137	131	69
253	118	188	89	122	136	542	26
	(99)	(107)	(75)				(3)
(205)	(1)			(110)	(101)	(530)	
256	167	606	344	190	172	143	92
269	122	111	101	130	150	652	71
(238)	(87)	(58)	(84)				(14)
				(108)	(115)	(568)	
$ 287	$202	$ 659	$361	$ 212	$ 207	$ 227	$ 149
$ (4)	$ 41	$(155)	$ (1)	$ 169	$ (5)	$ (4)	$
2	(23)	(5)	3	73	(1)		
	(20)	3	(3)	(245)			
		9					
		2				1	
					(1)		
(2)	(2)	(146)	(1)	(3)	(7)	(3)	
(3)		(1)		3	1		
		2					
		38					
						1	
	(1)						
(2)	(2)	(3)		1	(1)	(3)	(2)
(7)	(5)	(110)	(1)	1	(7)	(5)	(2)
1		(4)	(25)	(1)	2		
		(1)			2		
		(138)					
		(11)					
		11					
1	(1)	2		(1)	1	2	1
$ (5)	$ (6)	$(251)	$(26)	$ (1)	$ (2)	$ (3)	$ (1)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

(Shares and dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
TOTAL CAPITAL						
BALANCE, DECEMBER 31, 2004	$ 41,863	$(101)	$2,179	$ 3,879	$ 2,761	$ 5,442
Proceeds from sale of capital stock	20,961		802	2,667	8,398	3,962
Repurchase/redemption of capital stock	(17,098)		(356)	(2,732)	(8,012)	(3,382)
Net shares reclassified to mandatorily redeemable capital stock	(2,899)				(3)	(52)
Comprehensive income:						
Net income	2,525	30	135	230	192	344
Other comprehensive income:						
Net unrealized gains (losses) on available-for-sale securities	65		16			
Reclassification adjustment for (gains) losses included in net income relating to available-for-sale securities	(267)			(2)		
Net unrealized gains (losses) relating to hedging activities	16		1	6		
Reclassification adjustment for (gains) losses included in net income relating to hedging activities	(3)	(6)	(2)	(2)	4	
Pension and postretirement benefits	(1)		(1)	1		
Total comprehensive income	2,335	24	149	233	196	344
Dividends on capital stock:						
Cash	(677)		(96)	(162)	(80)	(232)
Stock	(5)					
BALANCE, DECEMBER 31, 2005	44,480	(77)	2,678	3,885	3,260	6,082
Proceeds from sale of capital stock	18,412		540	3,470	4,877	4,060
Repurchase/redemption of capital stock	(16,826)		(722)	(3,283)	(4,540)	(3,894)
Net shares reclassified to mandatorily redeemable capital stock	(2,578)		(7)	(231)	(32)	(147)
Comprehensive income:						
Net income	2,612	27	196	285	216	414
Other comprehensive income:						
Net unrealized (losses) gains on available-for-sale securities	(4)		(5)		1	
Reclassification adjustment for losses included in net income relating to available-for-sale securities	2					
Net unrealized gains (losses) relating to hedging activities	28			(10)		
Reclassification adjustment for losses (gains) included in net income relating to hedging activities	3	1	(2)		3	
Pension and postretirement benefits	2			2	1	
Total comprehensive income	2,643	28	189	277	221	414
Adjustment to initially apply SFAS 158	(27)		(2)	(6)	(2)	(5)
Dividends on capital stock:						
Cash	(1,122)		(144)	(208)	(150)	(336)
Stock	3					
BALANCE, DECEMBER 31, 2006	44,985	(49)	2,532	3,904	3,634	6,174
Proceeds from sale of capital stock	28,288		1,130	3,254	6,522	6,120
Repurchase/redemption of capital stock	(17,884)		(273)	(2,245)	(5,911)	(4,245)
Net shares reclassified to mandatorily redeemable capital stock	(2,942)		(36)	(187)		(91)
Comprehensive income:						
Net income	2,827	18	198	323	237	445
Other comprehensive income:						
Net unrealized (losses) gains on available-for-sale securities	(32)		(3)		(2)	
Reclassification adjustment for gains included in net income relating to available-for-sale securities	(1)				(2)	
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities	(138)					
Reclassification adjustment for (gains) losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities						
Net unrealized losses relating to hedging activities	(36)			(25)		
Reclassification adjustment for losses (gains) included in net income relating to hedging activities	13	1	(1)		2	
Pension and postretirement benefits	8				1	2
Total comprehensive income	2,641	19	194	298	236	447
Dividends on capital stock:						
Cash	(1,492)		(159)	(273)	(196)	(383)
Stock	(1)					
BALANCE, DECEMBER 31, 2007	$ 53,595	$ (30)	$3,388	$ 4,751	$ 4,285	$ 8,022

	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
	$3,963	$2,143	$ 4,626	$ 2,394	$2,688	$1,887	$ 7,900	$2,102
	25	125	941	858	419	499	2,155	110
		(16)		(1,120)	(695)	(3)	(771)	(11)
	(497)	(13)	(1,682)	(38)	(8)	(598)	(6)	(2)
	220	153	244	228	242	136	369	2
	2	(23)	(5)	3	73	(1)		
		(20)	3	(3)	(245)			
			9					
			2				1	
						(1)		
	222	110	253	228	70	134	370	2
		(46)		(61)				
	(4)					(1)		
	3,709	2,303	4,138	2,261	2,474	1,918	9,648	2,201
	38	54	34	680	457	679	3,511	12
		(252)		(703)	(609)	(31)	(2,792)	
	(92)	(165)	(1,206)	(3)	(9)	(530)	(153)	(3)
	253	118	188	89	122	136	542	26
	(3)		(1)		3	1		
			2					
			38					
							1	
		(1)						
	250	117	227	89	125	137	543	26
	(2)	(2)	(3)		1	(1)	(3)	(2)
		(99)	(107)	(75)				(3)
	4	(1)						
	3,907	1,955	3,083	2,249	2,439	2,172	10,754	2,231
	356	222	88	2,004	1,025	1,893	5,342	332
				(1,211)	(918)	(74)	(2,975)	(32)
	(541)	(12)	(14)	18	(68)	(1,850)	(148)	(13)
	269	122	111	101	130	150	652	71
	1		(4)	(25)	(1)	2		
			(1)			2		
			(138)					
			(11)					
			11					
	1	(1)	2		(1)	1	2	1
	271	121	(30)	76	128	155	654	72
	(238)	(87)	(58)	(84)				(14)
					(1)			
	$3,755	$2,199	$ 3,069	$ 3,052	$2,605	$2,296	$13,627	$2,576

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2007

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES						
Net income	$ 2,827	$ 18	$ 198	$ 323	$ 237	$ 445
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization	1,633		290	124	111	141
Change in net fair value adjustment on derivative and hedging activities	(500)		(2)	56	10	(35)
Other adjustments	32	(13)	1			
Net change in:						
Trading securities	(1,102)	193	38		(8)	(107)
Accrued interest receivable	(1,272)	(20)	(243)	(156)	(113)	(136)
Other assets	(82)		(3)		4	(16)
Accrued interest payable	(355)	20	(77)	(79)	(8)	73
Other liabilities	174		14	5	15	61
Total adjustments	(1,472)	180	18	(50)	11	(19)
Net cash provided by (used in) operating activities	1,355	198	216	273	248	426
INVESTING ACTIVITIES						
Net change in:						
Interest-bearing deposits	(14,370)		(4,390)	(5,106)	(2,121)	(809)
Securities purchased under agreements to resell	4,105		2,750			
Federal funds sold	(8,763)		(302)	(720)	(1,355)	(4,303)
Deposits to other FHLBanks for mortgage loan programs		(3)			1	1
Loans to FHLBanks		955		(55)	(500)	
Premises, software and equipment	(48)		(2)	(6)	(8)	(5)
Available-for-sale securities:						
Proceeds	44,912	(15)	55		22	
Purchases	(45,632)		(97)	(14)		
Held-to-maturity securities:						
Net increase (decrease) in short-term	317				256	
Proceeds from long-term	26,203	(1,700)	2,382	2,045	2,391	2,709
Purchases of long-term	(33,496)		(3,024)	(1,080)	(3,920)	(4,638)
Advances:						
Proceeds	7,339,019		725,395	397,682	854,663	183,072
Made	(7,564,733)		(743,421)	(419,285)	(873,125)	(221,387)
Mortgage loans held for portfolio:						
Principal collected	11,852		574	165	867	388
Purchases	(5,522)		(174)	(175)	(134)	(910)
Proceeds from sales of foreclosed assets	51		4			
Principal collected on other loans	1					
Net cash used in investing activities	(246,104)	(763)	(20,250)	(26,549)	(22,963)	(45,882)
FINANCING ACTIVITIES						
Net change in:						
Deposits and pass-through reserves	$ 3,160	$	$ (351)	$ (684)	$ 1,022	$ 2,515
Deposits from other FHLBanks for mortgage loan programs		3				
Borrowings	(788)			(83)		(500)
Loans from FHLBanks		(955)				
Net proceeds from issuance of consolidated obligations:						
Discount notes	8,839,550		1,091,339	441,179	610,513	711,091
Bonds	495,029	(209)	24,817	42,535	30,474	126,663
Bonds transferred from other FHLBanks		(1,271)				
Payments for maturing and retiring consolidated obligations:						
Discount notes	(8,622,055)		(1,066,286)	(418,708)	(593,701)	(687,797)
Bonds	(476,151)	1,723	(30,167)	(38,181)	(26,015)	(107,793)
Bonds transferred to other FHLBanks		1,274		(491)		
Proceeds from issuance of capital stock	28,288		1,130	3,254	6,522	6,120
Payments for redemption of mandatorily redeemable capital stock	(2,945)		(17)	(58)	(4)	(252)
Payments for repurchase/redemption of capital stock	(17,884)		(273)	(2,245)	(5,911)	(4,245)
Cash dividends paid	(1,465)		(159)	(273)	(196)	(356)
Net cash provided by financing activities	244,739	565	20,033	26,245	22,704	45,446
Net (decrease) increase in cash and cash equivalents	(10)		(1)	(31)	(11)	(10)
Cash and cash equivalents at beginning of the year	330		8	39	78	29
Cash and cash equivalents at end of the year	$ 320	$	$ 7	$ 8	$ 67	$ 19
Supplemental Disclosures:						
Interest paid	$ 48,858	$	$ 2,851	$ 3,419	$ 2,753	$ 6,899
AHP payments, net	$ 229	$	$ 13	$ 20	$ 16	$ 25
REFCORP assessments paid	$ 656	$	$ 47	$ 74	$ 57	$ 104
Transfers of mortgage loans to real estate owned	$ 86	$	$ 5	$	$ 6	$

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 269	$ 122	$ 111	$ 101	$ 130	$ 150	$ 652	$ 71
42	66	23	71	80	70	521	94
56	29	(198)	(47)	69	(9)	(429)	
	1	(3)		5	6	7	28
1		(309)		21	(950)	19	
(5)	(57)	18	(37)	(1)	(21)	(512)	11
(4)		(45)	1	(2)		(18)	1
(129)	(65)	(84)	1	(102)	(15)	154	(44)
19	5	(20)	(1)	10	7	55	4
(20)	(21)	(618)	(12)	80	(912)	(203)	94
249	101	(507)	89	210	(762)	449	165
4,283	(1,266)		(89)	55	(1,825)	(5,267)	2,165
850			305			200	
(494)	(3,937)	(3,816)	(180)	(1,605)	2,905	3,763	1,281
						1	
				(400)			
(3)		(8)	(2)	(2)	(2)	(8)	(2)
37,981		678	5,735	354	102		
(36,756)		(135)	(8,630)				
(1)		343	1,120	(992)	624	(1,033)	
2,089	993	1,578	762	1,242	1,365	5,430	4,917
(2,528)	(1,152)	(16)	(70)	(1,363)	(1,203)	(12,277)	(2,225)
1,732,023	80,015	255,253	93,836	510,505	514,730	1,910,806	81,039
(1,743,033)	(84,049)	(259,057)	(112,007)	(515,458)	(518,117)	(1,977,387)	(98,407)
1,027	1,087	4,867	1,340	67	278	498	694
(1,505)	(468)	(1,530)	(371)		(255)		
		47					
					1		
(6,067)	(8,777)	(1,796)	(18,251)	(7,597)	(1,397)	(75,274)	(10,538)
$ 127	$ (353)	$ (333)	$ (48)	$ 771	$ 282	$ 218	$ (6)
		(3)					
			(300)		(5)	100	
						955	
625,424	992,129	1,185,970	619,804	885,769	865,622	303,381	507,329
34,774	18,524	18,902	8,682	22,143	20,561	110,375	36,788
120				326		732	93
(611,987)	(980,496)	(1,178,070)	(603,019)	(869,943)	(862,495)	(255,637)	(493,916)
(42,149)	(21,271)	(24,108)	(7,636)	(31,192)	(21,761)	(87,636)	(39,965)
		(85)		(462)			(236)
356	222	88	2,004	1,025	1,893	5,342	332
(560)		(6)	(1)	(153)	(1,862)	(32)	
			(1,211)	(918)	(74)	(2,975)	(32)
(238)	(87)	(58)	(84)				(14)
5,867	8,668	2,297	18,191	7,366	2,161	74,823	10,373
49	(8)	(6)	29	(21)	2	(2)	
4	15	23	30	96		7	1
$ 53	$ 7	$ 17	$ 59	$ 75	$ 2	$ 5	$ 1
$ 3,938	$ 1,824	$ 4,210	$ 2,240	$ 2,627	$ 2,488	$ 12,730	$ 2,879
$ 24	$ 10	$ 30	$ 14	$ 11	$ 13	$ 45	$ 8
$ 68	$ 28	$ 26	$ 25	$ 32	$ 36	$ 144	$ 15
$	$	$ 61	$ 9	$	$ 2	$ 2	$ 1

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2006

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES						
Net income	$ 2,612	$ 27	$ 196	$ 285	$ 216	$ 414
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization	443	(7)	100	(36)	137	52
Change in net fair value adjustment on derivative and hedging activities	(658)		(101)	(173)	(145)	(150)
Other adjustments	27	5	(1)		2	
Net change in:						
Trading securities	1,114	(365)	65			750
Accrued interest receivable	(621)	(9)	(24)	(29)	(112)	(71)
Other assets	(74)		2			(4)
Accrued interest payable	2,231	9	81	237	130	320
Other liabilities	71		12	28	11	37
Total adjustments	2,533	(367)	134	27	23	934
Net cash provided by (used in) operating activities	5,145	(340)	330	312	239	1,348
INVESTING ACTIVITIES						
Net change in:						
Interest-bearing deposits	1,470		1,190	3,108	(361)	(547)
Securities purchased under agreements to resell	(1,610)		(3,250)			
Federal funds sold	3,502		2,169	(736)	(1,050)	2,497
Deposits to other FHLBanks for mortgage loan programs		(1)			1	
Premises, software and equipment	(63)		(2)	(4)	(9)	(5)
Available-for-sale securities:						
Proceeds	111,513				266	
Purchases	(112,557)					
Held-to-maturity securities:						
Net (increase) decrease in short-term	(1,983)				(171)	
Proceeds from long-term	26,799	(1,050)	2,460	2,311	1,611	3,769
Purchases of long-term	(31,824)		(3,440)	(4,000)	(3,326)	(3,473)
Advances:						
Proceeds	7,263,818		695,115	580,752	652,740	174,424
Made	(7,284,963)		(694,425)	(578,048)	(654,623)	(174,662)
Mortgage loans held for portfolio:						
Principal collected	13,505		637	167	1,048	356
Purchases	(6,297)		(261)	(185)	(383)	(500)
Proceeds from sales of foreclosed assets	60		1			
Principal collected on other loans	1					
Net cash (used in) provided by investing activities	(18,629)	(1,051)	194	3,365	(4,257)	1,859

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 253	$ 118	$ 188	$ 89	$ 122	$ 136	$ 542	$ 26
(36)	16	118	54	38	34	(2)	(25)
(75)	(17)	286	(20)	(103)	(76)	98	(182)
13		(10)	(1)	10	8	2	(1)
2	43	528	9	21	10	51	
(62)	(17)	(41)	7	3	(25)	(169)	(72)
(2)	(5)	(59)			(1)	(6)	1
122	55	137	(16)	47	86	832	191
18	(7)	(18)	(49)	4	2	40	(7)
(20)	68	941	(16)	20	38	846	(95)
233	186	1,129	73	142	174	1,388	(69)
(252)	520		689	210	72	(2,424)	(735)
(150)		390				550	850
(2,154)	(2,669)	85	1,360	2,401	(3,551)	1,554	3,596
(2)	(1)	(19)	(5)	(4)	(4)	(6)	(2)
108,395		1,692	875	285			
(108,375)		(2,993)	(1,189)				
(6)		131	(278)		(936)	(917)	194
2,142	1,032	1,231	1,047	1,585	1,360	6,674	2,627
(1,576)	(743)	(5,391)	(495)	(575)	(1,345)	(5,822)	(1,638)
1,974,813	89,061	93,520	96,519	508,840	444,820	1,854,536	98,678
(1,976,598)	(85,521)	(94,810)	(96,139)	(503,538)	(446,209)	(1,875,178)	(105,212)
1,106	1,138	5,641	1,596	92	276	603	845
(1,164)	(1,633)	(1,565)	(359)		(229)	(18)	
		59					
					1		
(3,821)	1,184	(2,029)	3,621	9,296	(5,745)	(20,448)	(797)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2006

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
FINANCING ACTIVITIES						
Net change in:						
Deposits and pass-through reserves	$ (301)	$	$ 523	$ (389)	$ 343	$ (614)
Deposits from other FHL Banks for mortgage loan programs		1				
Borrowings	(282)			117		
Net proceeds from issuance of consolidated obligations:						
Discount notes	7,038,295		729,039	592,280	158,314	493,373
Bonds	323,228	(134)	17,116	32,547	19,054	55,097
Bonds transferred from other FHLBanks		(1,453)	20			68
Payments for maturing and retiring consolidated obligations:						
Discount notes	(7,060,577)		(735,686)	(600,579)	(155,108)	(498,049)
Bonds	(285,365)	1,530	(11,179)	(26,696)	(18,744)	(52,842)
Bonds transferred to other FHLBanks		1,447		(780)		
Net proceeds from issuance of subordinated notes	994					
Proceeds from issuance of capital stock	18,412		540	3,470	4,877	4,060
Payments for redemption of mandatorily redeemable capital stock	(2,965)		(3)	(139)	(41)	(74)
Payments for repurchase/redemption of capital stock	(16,826)		(722)	(3,283)	(4,540)	(3,894)
Cash dividends paid	(1,155)		(174)	(208)	(174)	(316)
Net cash provided by (used in) financing activities	13,458	1,391	(526)	(3,660)	3,981	(3,191)
Net (decrease) increase in cash and cash equivalents	(26)		(2)	17	(37)	16
Cash and cash equivalents at beginning of the year	356		10	22	115	13
Cash and cash equivalents at end of the year	$ 330	$	$ 8	$ 39	$ 78	$ 29
Supplemental Disclosures:						
Interest paid	$ 39,999	$	$ 2,584	$ 2,643	$ 2,326	$ 5,791
AHP payments, net	$ 226	$	$ 11	$ 21	$ 12	$ 23
REFCORP assessments paid	$ 675	$	$ 49	$ 68	$ 54	$ 101
Transfers of mortgage loans to real estate owned	$ 62	$	$ 2	$	$ 6	$ 1

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 17	$ 120	$ 437	$ 76	$ (1,388)	$ 217	$ 154	$ 203
		(1)					
					(5)		(394)
821,870	852,748	701,308	738,751	572,533	824,872	202,008	351,199
20,411	7,699	21,696	5,858	13,808	10,959	93,614	25,503
		562				803	
(817,495)	(851,664)	(706,911)	(738,144)	(575,554)	(821,606)	(199,490)	(360,291)
(20,870)	(9,941)	(15,041)	(10,126)	(18,471)	(8,963)	(78,655)	(15,367)
		(667)					
		994					
38	54	34	680	457	679	3,511	12
(384)	(58)	(1,414)	(23)	(180)	(551)	(98)	
	(252)		(703)	(609)	(31)	(2,792)	
	(99)	(107)	(75)				(2)
3,587	(1,393)	890	(3,706)	(9,404)	5,571	19,055	863
(1)	(23)	(10)	(12)	34		(5)	(3)
5	38	33	42	62		12	4
$ 4	$ 15	$ 23	$ 30	$ 96	$	$ 7	$ 1
$ 3,467	$ 1,654	$ 3,820	$ 2,017	$ 2,643	$ 2,044	$ 8,744	$ 2,266
$ 24	$ 14	$ 36	$ 12	$ 11	$ 11	$ 40	$ 11
$ 62	$ 30	$ 50	$ 67	$ 30	$ 38	$ 124	$ 2
$	$	$ 40	$ 10	$ 1	$ 2	$	$

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2005

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES						
Net income	$ 2,525	$ 30	$ 135	$ 230	$ 192	$ 344
Cumulative effect of change in accounting principle before assessments	(15)		(7)	(1)		3
Income before cumulative effect of change in accounting principle	2,510	30	128	229	192	347
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization	601	(23)	31	32	68	62
Change in net fair value adjustment on derivative and hedging activities	(802)	(6)	4	(68)	(118)	(324)
Other adjustments	(194)	6	14	(2)	3	(1)
Net change in:						
Trading securities	1,098		79		89	445
Accrued interest receivable	(898)	(11)	(49)	(61)	(92)	(95)
Other assets	(71)		(2)	1		(5)
Accrued interest payable	1,491	11	53	61	136	322
Other liabilities*	217		15	21	30	40
Total adjustments	1,442	(23)	145	(16)	116	444
Net cash provided by (used in) operating activities	3,952	7	273	213	308	791
INVESTING ACTIVITIES						
Net change in:						
Interest-bearing deposits	(12,053)		525	(5,892)	(1,913)	522
Securities purchased under agreements to resell	(400)		1,500			
Federal funds sold	(25,960)		812	47	(65)	(1,832)
Deposits to other FHLBanks for mortgage loan programs		(2)				
Premises, software and equipment	(59)		(1)	(2)	(9)	(10)
Available-for-sale securities:						
Proceeds	106,274			1,736	300	
Purchases	(99,510)			(1,020)		
Held-to-maturity securities:						
Net (increase) decrease in short-term	(1,492)				(76)	
Proceeds from long-term	36,107	(2,750)	2,609	3,015	2,210	4,796
Purchases of long-term	(45,627)		(2,854)	(708)	(4,540)	(7,020)
Advances:						
Proceeds	8,329,280		724,533	434,148	2,304,901	135,145
Made	(8,373,547)		(732,635)	(428,577)	(2,314,105)	(141,936)
Mortgage loans held for portfolio:						
Principal collected	22,786		868	161	1,903	370
Purchases	(14,356)		(1,753)	(451)	(951)	(1,016)
Proceeds from sales of foreclosed assets	62		1			
Principal collected on other loans	1					
Net cash (used in) provided by investing activities	(78,494)	(2,752)	(6,395)	2,457	(12,345)	(10,981)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 220	$ 153	$ 244	$ 228	$ 242	$ 136	$ 369	$ 2
			(9)	(1)			
220	153	244	219	241	136	369	2
(16)	(6)	205	21	11	33	135	48
	(96)	(47)	27	(364)	(33)	298	(75)
13	(19)	3	(3)	(235)	21	2	4
2	45	(359)	8	33	26	474	256
(53)	(9)	(24)	(2)	17	(19)	(511)	11
1		(53)	(5)	1	1	(10)	
48	84	35	26	66	8	639	2
19	22	(45)	56	51	8	7	(7)
14	21	(285)	128	(420)	45	1,034	239
234	174	(41)	347	(179)	181	1,403	241
(503)	(404)		(481)	246	(1,275)	(1,648)	(1,230)
(300)						(750)	(850)
55	(1,375)	(1,817)	(2,410)	(5,216)	(874)	(8,536)	(4,749)
				2			
(3)	(1)	(14)	(1)	(3)	(3)	(5)	(7)
96,736	1,081	1,038	613	4,770			
(96,929)		(1,308)	(253)				
(3)		(729)	456		(219)	(728)	(193)
2,757	1,465	1,361	957	1,717	2,312	8,580	7,078
(3,320)	(2,205)	(1,967)	(2,657)	(2,658)	(2,238)	(13,991)	(1,469)
2,261,563	48,593	22,126	107,756	509,753	353,713	1,348,109	78,940
(2,260,801)	(49,576)	(23,109)	(103,157)	(509,223)	(353,732)	(1,371,065)	(85,631)
1,695	1,543	8,913	2,634	162	339	894	3,304
(1,760)	(3,321)	(4,150)	(466)		(328)	(70)	(90)
		61					
					1		
(813)	(4,200)	405	2,991	(450)	(2,304)	(39,210)	(4,897)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2005

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
FINANCING ACTIVITIES						
Net change in:						
Deposits and pass-through reserves	$ 733	$	$ (287)	$ 347	$ 34	$ (178)
Deposits from other FHLBanks for mortgage loan programs		2				
Borrowings	(295)			(102)		(500)
Net proceeds from issuance of consolidated obligations:						
Discount notes	7,378,761		670,612	671,632	1,046,171	346,184
Bonds	296,094	(5)	11,713	23,380	25,638	49,401
Bonds transferred from other FHLBanks		(1,384)		6	66	308
Payments for maturing and retiring consolidated obligations:						
Discount notes	(7,367,338)		(666,419)	(670,836)	(1,046,770)	(349,655)
Bonds	(234,075)	2,734	(9,812)	(26,641)	(13,337)	(35,580)
Bonds transferred to other FHLBanks		1,398		(230)	(50)	
Proceeds from issuance of capital stock	20,961		802	2,667	8,398	3,962
Payments for redemption of mandatorily redeemable capital stock	(2,632)		(50)	(108)	(5)	(148)
Payments for repurchase/redemption of capital stock	(16,989)		(356)	(2,623)	(8,012)	(3,382)
Cash dividends paid	(642)		(83)	(162)	(73)	(217)
Net cash provided by (used in) financing activities	74,578	2,745	6,120	(2,670)	12,060	10,195
Net increase (decrease) in cash and cash equivalents	36		(2)		23	5
Cash and cash equivalents at beginning of the year	320		12	22	92	8
Cash and cash equivalents at end of the year	$ 356	$	$ 10	$ 22	$ 115	$ 13
Supplemental Disclosures:						
Interest paid	$ 26,903	$	$ 1,522	$ 1,944	$ 1,405	$ 3,804
AHP payments, net	$ 209	$	$ 10	$ 16	$ 6	$ 20
REFCORP assessments paid	$ 535	$	$ 26	$ 53	$ 36	$ 75
Transfers of mortgage loans to real estate owned	$ 48	$	$ 1	$	$ 5	$

* Other liabilities includes the net change in the REFCORP receivable/payable.

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ (130)	$ (79)	$ (164)	$ 60	$ 1,818	$ 15	$ (491)	$ (212)
		(2)					
					(7)		314
951,365	756,512	429,961	532,070	445,221	848,802	229,517	450,714
16,613	11,252	17,255	10,573	18,597	8,288	93,719	9,670
86		81		427	75	242	93
(952,424)	(757,768)	(430,062)	(533,006)	(441,078)	(848,151)	(228,242)	(442,927)
(14,832)	(5,961)	(15,773)	(12,701)	(24,035)	(6,731)	(58,310)	(13,096)
		(1,118)					
25	125	941	858	419	499	2,155	110
(130)		(1,471)	(12)	(27)	(665)	(16)	
	(16)		(1,120)	(695)	(3)	(771)	(11)
	(46)		(61)				
573	4,019	(352)	(3,339)	647	2,122	37,803	4,655
(6)	(7)	12	(1)	18	(1)	(4)	(1)
11	45	21	43	44	1	16	5
$ 5	$ 38	$ 33	$ 42	$ 62	$	$ 12	$ 4
$ 2,502	$ 1,183	$ 3,006	$ 1,477	$ 1,956	$ 1,440	$ 4,802	$ 1,862
$ 24	$ 13	$ 32	$ 8	$ 10	$ 10	$ 47	$ 13
$ 54	$ 31	$ 92	$ 20	$ 28	$ 28	$ 85	$ 7
$	$	$ 28	$ 11	$ 1	$ 1	$ 1	$

SUPPLEMENTAL INFORMATION

ADDITIONAL INFORMATION ON FHLBANKS' REGULATOR AND BUSINESS

FHLBanks' Regulator

The FHLBanks are supervised and regulated by the Finance Board. The Finance Board is comprised of five board members. Four board members are appointed by the President of the United States, with the advice and consent of the Senate, to serve seven-year terms. The fifth member of the board is the Secretary of the U.S. Department of Housing and Urban Development (HUD), or such other person as the Secretary may designate. The Finance Board is financed by assessments from the FHLBanks. No tax dollars or other appropriations support the operations of the Finance Board or the FHLBanks. To assess the safety and soundness of the FHLBanks, the Finance Board conducts annual on-site examinations of each FHLBank and the Office of Finance, as well as periodic off-site reviews. In addition, each FHLBank is required to submit monthly financial information on its financial condition and results of operations to the Finance Board. This information is available to all FHLBanks.

The President designates one of the four appointed directors to serve as chairman of the Finance Board. Each of the four appointed directors must have experience or training in housing finance or a commitment to providing specialized housing credit. Not more than three directors may be members of the same political party. At least one director must come from an organization with more than a two-year history of representing consumer or community interests in banking services, credit needs, housing or financial consumer protections. The directors serve on a full-time basis.

At December 31, 2007, the directors of the Finance Board were:

- Ronald A. Rosenfeld, Chairman;
- Alphonso Jackson (HUD Secretary);
- Geoffrey S. Bacino
- Alicia R. Castaneda; and
- Allan I. Mendelowitz.

The Finance Board has broad regulatory authority over the FHLBanks. The Finance Board may issue and serve a notice of charges upon any FHLBank or executive officer or director of an FHLBank under certain circumstances. The Finance Board may take such action if it determines that the FHLBank, executive officer or director is engaging or has engaged in an unsafe or unsound practice in conducting the business of that FHLBank, or in any conduct that violates any provision of the FHLBank Act or any law, order, rule or regulation or any written condition imposed by the Finance Board, or any written agreement entered into by the FHLBank with the Finance Board. The Finance Board may also issue an order requiring a party to take affirmative action to correct conditions resulting from violations or practices or to limit activities of an FHLBank or any executive officer or director of an FHLBank to the same extent as appropriate Federal banking agencies may take with respect to insured depository institutions.

The Finance Board is located at 1625 Eye Street, N.W., Washington, DC, 20006 and its web site is www.FHFB.gov.

Mortgage Partnership Finance® (MPF®) Program[1] and Mortgage Purchase Program (MPP)

MPF Program

This description of the MPF Program was provided by the FHLBank of Chicago.

Introduction

The MPF Program is a secondary mortgage market structure under which the MPF FHLBanks purchase and fund eligible mortgage loans from or through participating financial institution members (PFIs) and purchase participations in pools of eligible mortgage loans from other FHLBanks (collectively, MPF Loans). MPF Loans are conforming conventional and Government fixed-rate mortgage loans secured by one-to-four family residential properties with maturities ranging from 5 years to 30 years or participations in such mortgage loans.

The MPF Program is designed to allocate the risks of MPF Loans among the MPF FHLBanks and PFIs and to take advantage of their respective strengths in managing these risks. PFIs have direct knowledge of their mortgage markets and have developed expertise in underwriting and servicing residential mortgage loans. By allowing PFIs to originate MPF Loans, whether through retail or wholesale operations, and to retain or acquire servicing of MPF Loans, the MPF Program gives control of those functions that most affect credit quality to PFIs. The MPF FHLBanks are responsible for managing the interest rate risk, prepayment risk, and liquidity risk associated with owning MPF Loans.

Finance Board regulations define the acquisition of Acquired Member Assets (AMA) as a core mission activity of the FHLBanks. In order for conventional MPF Loans to meet the AMA requirements, different MPF Loan products were developed for sharing the credit risk associated with MPF Loans with PFIs. MPF Government Loans also qualify as AMA and are insured or guaranteed by one of the following government agencies: the Federal Housing Administration (FHA); the Department of Veterans Affairs (VA); the Rural Housing Service of the Department of Agriculture (RHS); or HUD.

PFIs may currently choose from five MPF Loan products. Four of these products (Original MPF, MPF 125, MPF Plus and MPF Government) are closed loan products in which the MPF FHLBank purchases loans that have been acquired or have already been closed by the PFI with its own funds. However, under the MPF 100 product, the MPF FHLBank "table funds" MPF Loans; that is, the MPF FHLBank provides the funds for the PFI as its agent to make the MPF Loan to the borrower. The PFI performs all the traditional retail loan origination functions under this and all other MPF products. With respect to the MPF 100 product, the MPF FHLBank is considered the originator of the MPF Loan for accounting purposes since the PFI is acting as its agent when originating the MPF Loan.

The FHLBank of Chicago has entered into agreements with other MPF FHLBanks under which they acquire MPF Loans from their member PFIs and the FHLBank of Chicago provides programmatic and operational support to the other MPF FHLBanks and their PFIs in its role as "MPF Provider." The current MPF FHLBanks are the FHLBanks of Boston, Chicago, Dallas, Des Moines, New York, Pittsburgh and Topeka.

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[1] "Mortgage Partnership Finance," "MPF," "MPF Shared Funding" and "eMPF" are registered trademarks of the Federal Home Loan Bank of Chicago.

MPF FHLBanks generally acquire whole loans from their respective PFIs but may also acquire them from a member PFI of another MPF FHLBank with permission of the PFI's respective MPF FHLBank. Alternatively, they may acquire participations from another MPF FHLBank.

In connection with the FHLBank of Chicago's current business strategy to reduce its on-balance sheet MPF Loan portfolio, it no longer enters into new agreements to purchase participation interests in new Master Commitments from other MPF FHLBanks. Further, during 2007 the FHLBank of Chicago completed the purchase of participation interests under its existing agreements. The FHLBank of Chicago currently purchases MPF Loans directly from PFIs of the FHLBank of Dallas and pays the FHLBank of Dallas a fee for acting as its marketing agent.

MPF Provider

In its role as MPF Provider, the FHLBank of Chicago establishes the eligibility standards under which an MPF FHLBank member may become a PFI, the structure of MPF Loan products and the eligibility rules for MPF Loans. In addition, the MPF Provider manages the pricing and delivery mechanism for MPF Loans and the back-office processing of MPF Loans in its role as master servicer and master custodian. The MPF Provider has engaged Wells Fargo Bank N.A. as its vendor for master servicing and as the primary custodian for the MPF Program. The MPF Provider has also contracted with other custodians meeting MPF Program eligibility standards at the request of certain PFIs. These other custodians are typically affiliates of PFIs and in some cases a PFI acts as self-custodian.

The MPF Provider publishes and maintains the MPF Origination Guide and MPF Servicing Guide (together MPF Guides), which detail the requirements PFIs must follow in originating or selling and servicing MPF Loans. The MPF Provider maintains the infrastructure through which MPF FHLBanks may fund or purchase MPF Loans through their PFIs. This infrastructure includes both a telephonic delivery system and a web-based delivery system accessed through the eMPF® website. In exchange for providing these services, the MPF Provider receives a fee from each of the other MPF FHLBanks.

PFI Eligibility

Members and eligible housing associates may apply to become a PFI of their respective MPF FHLBank. If a member is an affiliate of a holding company which has another affiliate that is an active PFI, the member is only eligible to become a PFI if it is a member of the same MPF FHLBank as the existing PFI. The MPF FHLBank reviews the general eligibility of the member, its servicing qualifications and ability to supply documents, data and reports required to be delivered by PFIs under the MPF Program. The member and its MPF FHLBank sign an MPF Program Participating Financial Institution Agreement (PFI Agreement) that provides the terms and conditions for the sale or funding of MPF Loans, including required credit enhancement, and establishes the terms and conditions for servicing MPF Loans. All of the PFI's obligations under the PFI Agreement are secured in the same manner as the other obligations of the PFI under its regular advances agreement with the MPF FHLBank. The MPF FHLBank has the right under the PFI Agreement to request additional collateral to secure the PFI's obligations.

PFI Responsibilities

For conventional MPF Loan products, PFIs assume or retain a portion of the credit risk on the MPF Loans funded or purchased by MPF FHLBanks by providing credit enhancement (CE Amount) either through a direct liability to pay credit losses up to a specified amount or through a contractual obligation to provide supplemental mortgage guaranty insurance (SMI). The PFI's CE Amount covers losses for MPF Loans under a Master Commitment in excess of the MPF FHLBank's first loss account (FLA). The FLA is a memo account used to track the MPF FHLBank's exposure to losses until the CE Amount is available to cover losses. PFIs are paid a credit enhancement fee (CE Fee) for managing credit risk and in some instances, all or a portion of

the CE Fee may be performance based.

PFIs are required to comply with the MPF Program policies contained in the MPF Guides which include eligibility requirements for PFIs; anti-predatory lending policies; loan eligibility and underwriting requirements; loan documentation; and custodian requirements. The MPF Guides also detail the PFI's servicing duties and responsibilities for reporting, remittances, default management, and disposition of properties acquired by foreclosure or deed in lieu of foreclosure.

In connection with each sale to, or funding by, an MPF FHLBank, the PFI makes customary representations and warranties in the PFI Agreement and under the MPF Guides. These representations and warranties include eligibility and conformance of the MPF Loans with the requirements in the MPF Guides, compliance with predatory lending laws, and the integrity of the data transmitted to the MPF Provider.

In addition, the MPF Guides require each PFI to maintain errors and omissions insurance and a fidelity bond and to provide an annual certification with respect to its insurance and its compliance with the MPF Program requirements.

Mortgage Standards

PFIs are required to deliver mortgage loans that meet the underwriting and eligibility requirements in the MPF Guides, which may be amended for individual PFIs by waivers that exempt a PFI from complying with specified provisions of the MPF Guides. PFIs may utilize an approved automated underwriting system or underwrite MPF Loans manually. The current underwriting and eligibility guidelines under the MPF Guides with respect to MPF Loans are broadly summarized as follows:

- *Mortgage characteristics.* MPF Loans must be qualifying 5-year to 30-year conforming conventional or Government fixed-rate, fully amortizing mortgage loans, secured by first liens on owner-occupied one-to-four unit single-family residential properties and single unit second homes. Conforming loan size, which is established annually as required by Finance Board regulations, may not exceed the loan limits permitted to be set by the Office of Federal Housing Enterprise Oversight (OFHEO) each year. Condominium, planned unit development and manufactured homes are acceptable property types as are mortgages on leasehold estates (though manufactured homes must be on land owned in fee simple by the borrower).

- *Loan-to-Value (LTV) Ratio and Primary Mortgage Insurance.* The maximum LTV for conventional MPF Loans must not exceed 95 percent, though FHLBank AHP mortgage loans may have LTVs up to 100 percent (but may not exceed 105 percent total LTV, which compares the property value to the total amount of all mortgages outstanding against a property). Government MPF Loans may not exceed the LTV limits set by the applicable government agency. Conventional MPF Loans with LTVs greater than 80 percent require certain amounts of primary mortgage insurance (PMI) from a mortgage guaranty insurance (MI) company rated at least "AA" or "Aa" and acceptable for use in S&P LEVELS® modeling software which calculates the PFI's required CE Amount for MPF Loans.

- *Documentation and Compliance with Applicable Law.* The mortgage documents and mortgage transaction must comply with all applicable laws and mortgage loans must be documented using standard Federal National Mortgage Association (Fannie Mae)/Federal Home Loan Mortgage Corporation (Freddie Mac) Uniform Instruments.

- *Ineligible Mortgage Loans.* The following types of mortgage loans are not eligible for delivery under the MPF Program: (1) mortgage loans which must be excluded from securities rated by S&P; (2) mortgage loans not meeting the MPF Program eligibility requirements as set forth in the MPF Guides and agreements; (3) mortgage loans that are classified as high cost, high rate, high risk, Home Ownership and Equity Protection Act

(HOEPA) loans or loans in similar categories defined under predatory lending or abusive lending laws, and (4) subprime or non-traditional mortgage loans.

MPF Loan Delivery Process

Outlined below is the MPF Loan delivery process:

- The PFI enters into a best efforts Master Commitment with its MPF FHLBank in order to deliver mortgage loans under the MPF Program. The Master Commitment provides the general terms under which the PFI will deliver mortgage loans to an MPF FHLBank, including a maximum loan delivery amount, maximum credit enhancement obligation and expiration date.
- PFIs may then request one or more mandatory funding or purchase commitments (each, a Delivery Commitment), which is a mandatory commitment of the PFI to sell or originate eligible mortgage loans.
- Each MPF Loan delivered must conform to specified ranges of interest rates, maturity terms and business days for delivery (which may be extended for a fee) detailed in the Delivery Commitment or it will be rejected by the MPF Provider.
- Each MPF Loan under a Delivery Commitment is linked to a Master Commitment so that the cumulative CE Amount can be determined for each Master Commitment. The sum of MPF Loans delivered by the PFI under a specific Delivery Commitment cannot exceed the amount specified in the Delivery Commitment without the assessment of a price adjustment fee.
- Delivery Commitments that are not fully funded by their expiration dates are subject to pair-off or extension fees. Pair-off fees are charged to a PFI for failing to deliver the amount of loans specified in a Delivery Commitment and extension fees are charged to a PFI for extending the time deadline to deliver loans on a Delivery Commitment. Such fees are designed to protect the MPF FHLBank against changes in market prices.
- Once an MPF Loan is funded or purchased, the PFI must deliver a qualifying promissory note and certain other required documents to the designated custodian, who reports to the MPF Provider whether the documentation package matches the funding information transmitted to the MPF Provider and otherwise meets MPF Program requirements.

Quality Assurance Process

The MPF Provider conducts an initial quality assurance review of a selected sample of conventional MPF Loans from each PFI's initial MPF Loan delivery. The MPF Provider does not currently conduct quality assurance reviews of MPF Government Loans. Subsequently, the MPF Provider performs periodic reviews of a sample of conventional MPF Loans to determine whether the reviewed MPF Loans complied with the MPF Program requirements at the time of acquisition.

- Any exception that indicates a negative trend in compliance is discussed with the PFI and can result in the suspension or termination of a PFI's ability to deliver new MPF Loans if the concern is not adequately addressed.
- When a PFI fails to comply with the requirements of the PFI Agreement, MPF Guides, including servicing breaches, applicable law or terms of mortgage documents, the PFI may be required to provide an indemnification covering related losses or to repurchase the MPF Loans which are impacted by such failure if it cannot be cured.

MPF Products

A variety of MPF Loan products have been developed to meet the differing needs of PFIs. There are currently five MPF products that PFIs may choose from: Original MPF, MPF 100, MPF

125, MPF Plus and MPF Government. The products have different credit risk sharing characteristics based upon the amount of the FLA, the CE Amount and whether the CE Fees are performance based, fixed or both. (See MPF product table on page 10.)

MPF Loan Participations

The FHLBank of Chicago completed purchasing participation interests in MPF Loans from other MPF FHLBanks in 2007 and is no longer purchasing participation interests.. Participation percentages for MPF Loans may range from 1% to 100% and the participation percentages in MPF Loans may vary by each Master Commitment, by agreement of the MPF FHLBank selling the participation interests (the Owner Bank), the FHLBank of Chicago, in its role as MPF Provider, and other MPF FHLBanks purchasing a participation interest.

The Owner Bank is responsible for the following:

- evaluating and monitoring the creditworthiness of each PFI;
- reporting to any participant MPF FHLBank initially, and at least annually thereafter on the creditworthiness of the PFI;
- ensuring that adequate collateral is available from each of its PFIs to secure any direct obligation portion of the PFI's CE Amount; and
- enforcing the PFI's obligations under its PFI Agreement

The risk sharing and rights of the Owner Bank and participating MPF FHLBank(s) are as follows:

- each pays its respective pro rata share of each MPF Loan acquired under a Delivery Commitment and related Master Commitment based upon a specified participation percentage;
- each receives its respective pro rata share of principal and interest payments and is responsible for CE Fees based upon its participation percentage for each MPF Loan under the related Delivery Commitment, and for the Original MPF product, each is responsible for monthly allocations to the FLA based upon the unpaid principal balance of, and its participation percentage for, each MPF Loan;
- each is responsible for its respective pro rata share of FLA exposure and losses incurred with respect to the Master Commitment based upon the overall risk sharing percentage for the Master Commitment, except that for the Original MPF product, each shares in exposure to loss based on its respective percentage of the FLA at the time the loss is allocated; and
- each may economically hedge its share of Delivery Commitments as they are issued under a Master Commitment.

The FLA and CE Amount apply to all the MPF Loans in a Master Commitment regardless of participation arrangements, so an MPF FHLBank's share of credit losses is based on its respective participation interest in the entire Master Commitment. For example, assume an MPF FHLBank's specified participation percentage was 25 percent under a $100 million Master Commitment and that no changes were made to the Master Commitment. The MPF FHLBank risk sharing percentage of credit losses would be 25 percent. In the case where an MPF FHLBank changes its initial percentage in the Master Commitment, the risk sharing percentage will also change. For example, if an MPF FHLBank were to acquire 25 percent of the first $50 million and 50 percent of the second $50 million of MPF Loans delivered under a Master Commitment, the MPF FHLBank would share in 37.5 percent of the credit losses in that $100 million Master Commitment, while it would receive principal and interest payments on the individual MPF Loans that remain outstanding in a given month, some in which it may own a 25 percent interest and the others in which it may own a 50 percent interest.

The arrangement is slightly different for the Original MPF product because each MPF FHLBank's participation percentage in the FLA is based upon its share of each MPF Loan as the FLA increases over time. If the participation percentage never changes over the life of a Master Commitment, then the risk of loss is based on the MPF FHLBank's respective investment percentage in the Master Commitment. If the percentage participations differ for various MPF Loans, each MPF FHLBank's percentage of the FLA will be impacted by those differences because MPF Loans are acquired and repaid at different times. For example, if a Master Commitment had a total FLA of $100,000 (as of the date of the loss), and one participant MPF FHLBank's FLA is $25,000 and the other MPF FHLBank's FLA is $75,000, then the first MPF FHLBank would incur 25 percent of the loss incurred at such time and the other MPF FHLBank would incur 75 percent.

MPF Servicing

The PFI or its servicing affiliate generally retains the right and responsibility for servicing MPF Loans it delivers. The PFI is responsible for collecting the borrower's monthly payments and otherwise dealing with the borrower with respect to the MPF Loan and the mortgaged property. Based on monthly reports the PFI is required to provide the master servicer, appropriate withdrawals are made from the PFI's deposit account with the applicable MPF FHLBank. In some cases, the PFI has agreed to advance principal and interest payments on the scheduled remittance date when the borrower has failed to pay, provided that the collateral securing the MPF Loan is sufficient to reimburse the PFI for advanced amounts. The PFI recovers the advanced amounts either from future collections or upon the liquidation of the collateral securing the MPF Loans.

If an MPF Loan becomes delinquent, the PFI is required to contact the borrower to determine the cause of the delinquency and whether the borrower will be able to cure the default. The MPF Guides permit certain types of forbearance plans. Upon any MPF Loan becoming 90 days or more delinquent, the master servicer monitors and reviews the PFI's default management activities for that MPF Loan, including timeliness of notices to the mortgagor, forbearance proposals, property protection activities, and foreclosure referrals, all in accordance with the MPF Guides. Upon liquidation of any MPF Loan and submission of each realized loss calculation from the PFI, the master servicer reviews the realized loss calculation for conformity with the primary mortgage insurance requirements, if applicable, and conformity to the cost and timeliness standards of the MPF Guides. The master servicer disallows the reimbursement to the PFI of any servicing advances related to the PFI's failure to perform in accordance with the MPF Guides. If there is a loss on a conventional MPF Loan, the loss is allocated to the Master Commitment and shared in accordance with the risk sharing structure for that particular Master Commitment. The servicer pays any gain on sale of real-estate owned property to the MPF FHLBank, or in the case of a participation, the gain is paid to the MPF FHLBanks based upon their respective interest in the MPF Loan. However, the amount of the gain is available to reduce subsequent losses incurred under the Master Commitment before such losses are allocated between the MPF FHLBank and the PFI.

The MPF Provider monitors the PFI's compliance with MPF Program requirements throughout the servicing process, and the MPF Provider brings any material concerns to the attention of the MPF FHLBank. Minor lapses in servicing are charged to the PFI. Major lapses in servicing could result in a PFI's servicing rights being terminated for cause and the servicing of the particular MPF Loans being transferred to a new, qualified servicing PFI. Although PFIs or their servicing affiliates generally service the MPF Loans delivered by the PFI, certain PFIs choose to sell the servicing rights on a concurrent basis (servicing released) or in a bulk transfer to another PFI which is permitted with the consent of the MPF FHLBank(s) involved. One PFI has been designated to acquire servicing under the MPF Program's concurrent sale of servicing option. In addition, several PFIs have acquired servicing rights on a concurrent servicing released basis or bulk transfer basis without the direct support from the MPF Program.

MPF Shared Funding® Program

In 2003, the FHLBank of Chicago invested in AMA eligible securities through the MPF Shared Funding program and concurrently sold some of the securities to two other FHLBanks. No residual interest is created or retained on the FHLBank of Chicago's balance sheet.

The FHLBank of Chicago has not completed any MPF Shared Funding transactions since June 2003. The investments are classified as held-to-maturity securities and are reported at amortized cost of $439 million and $489 million at December 31, 2007 and 2006. These securities, which are rated AA, are not publicly traded and are not guaranteed by any of the FHLBanks.

Credit Enhancement Structure

Overview

The MPF FHLBank and PFI share the risk of credit losses on MPF Loans by structuring potential losses on conventional MPF Loans into layers with respect to each Master Commitment. The MPF FHLBank is obligated to incur the first layer or portion of credit losses not absorbed by the borrower's equity and after any PMI, which is called the FLA. The FLA functions as a tracking mechanism for determining the point after which the PFI, in its role as credit enhancer, would be required to cover losses. The FLA varies based upon the MPF product selected. The FLA is not a cash collateral account, and does not give an MPF FHLBank any right or obligation to receive or pay cash or any other collateral. For MPF products with performance based CE Fees, the MPF FHLBank may withhold CE Fees to recover losses at the FLA level, essentially transferring a portion of the first layer risk of credit loss to the PFI.

The portion of credit losses that a PFI is potentially obligated to incur is referred to as its CE Amount. The PFI's CE Amount represents a direct liability to pay credit losses incurred with respect to a Master Commitment or the requirement of the PFI to obtain and pay for an SMI policy insuring the MPF FHLBank for a portion of the credit losses arising from the Master Commitment. The PFI may procure SMI to cover losses equal to all or a portion of the CE Amount (except that losses generally classified as special hazard losses are covered by the PFI's direct liability or the MPF FHLBank, not by SMI). The final CE Amount is determined once the Master Commitment is closed (i.e., when the maximum amount of MPF Loans are delivered or the expiration date has occurred).

The PFI receives a CE Fee in exchange for providing the CE Amount which may be used to pay for SMI. CE Fees are paid monthly and are determined based on the remaining unpaid principal balance of the MPF Loans under the Master Commitment. The CE Fee and CE Amount may vary depending on the MPF product selected. CE Fees payable to a PFI as compensation for assuming credit risk are recorded as an offset to MPF Loan interest income when paid by the MPF FHLBank. The MPF FHLBank also pays performance CE Fees which are based on actual performance of the MPF Loans in each Master Commitment. To the extent that losses in the current month exceed performance CE Fees accrued, the remaining losses may be recovered from withholding future performance CE Fees payable to the PFI.

Loss Allocation

Credit losses on conventional MPF Loans not absorbed by the borrower's equity in the mortgaged property, property insurance or primary mortgage insurance are allocated between the MPF FHLBank and PFI as follows:

- *First,* to the MPF FHLBank, up to an agreed upon amount, called a First Loss Account (FLA).

  Original MPF. The FLA starts out at zero on the day the first MPF Loan under a Master Commitment is purchased but increases monthly over the life of the Master Commitment at a rate that ranges from 0.03 percent to 0.05 percent (3 to 5 basis points) per annum based on

the month-end outstanding aggregate principal balance of the MPF Loans purchased under the Master Commitment. The FLA is structured so that over time, it should cover expected losses on a Master Commitment, though losses early in the life of the Master Commitment could exceed the FLA and be charged in part to the PFI's CE Amount.

MPF 100 and MPF 125. The FLA is equal to one percent (100 basis points) of the aggregate principal balance of the MPF Loans funded or purchased under the Master Commitment. Once the Master Commitment is fully funded, the FLA is expected to cover expected losses on that Master Commitment, although the MPF FHLBank may economically recover a portion of losses incurred under the FLA by withholding performance CE Fees payable to the PFI.

MPF Plus. The FLA is equal to an agreed-upon number of basis points of the aggregate principal balance of the MPF Loans purchased under the Master Commitment that is not less than the amount of expected losses on the Master Commitment. Once the Master Commitment is fully funded, the FLA is expected to cover expected losses on that Master Commitment, although the MPF FHLBank may economically recover a portion of losses incurred under the FLA by withholding performance CE Fees payable to the PFI.

- *Second,* to the PFI under its credit enhancement obligation, losses for each Master Commitment in excess of the FLA, if any, up to the CE Amount. The CE Amount may consist of a direct liability of the PFI to pay credit losses up to a specified amount, a contractual obligation of the PFI to provide SMI or a combination of both.
- *Third,* any remaining unallocated losses are absorbed by the MPF FHLBank.

With respect to participation interests, MPF Loan losses allocable to the MPF FHLBank are allocated amongst the participating MPF FHLBanks pro ratably based upon their respective participation interests in the related Master Commitment.

Setting Credit Enhancement Levels

Finance Board regulations require that MPF Loans be sufficiently credit enhanced so that an MPF FHLBank's risk of loss is limited to the losses of an investor in an "AA" rated mortgage-backed security, unless it maintains additional retained earnings or risk based capital, as applicable, in addition to a general allowance for losses.

In its role as MPF Provider, the FHLBank of Chicago analyzes the risk characteristics of each MPF Loan (as provided by the PFI) using S&P LEVELS® model in order to determine the required CE Amount for a loan to be acquired by an MPF FHLBank (MPF Program Methodology). The PFI's CE Amount is calculated using the MPF Program Methodology to equal the difference between the amount needed for the Master Commitment to have a rating equivalent to a "AA" rated mortgage-backed security and an MPF FHLBank's initial FLA exposure (which is zero for the Original MPF product). An MPF FHLBank determines its FLA exposure by taking the initial FLA and reducing it by the estimated value of any performance-based CE Fees that would be payable to the PFI.

In determining the estimated rating for Master Commitments with an FLA equal to 100 basis points (all MPF 100, MPF 125 and some MPF Plus Master Commitments), the MPF FHLBank only partially relies on its ability to reduce performance based CE Fees when measuring the effective FLA exposure. As a result, an MPF FHLBank can either hold additional risk-based capital or in the case of the FHLBank of Chicago, additional retained earnings against the related Master Commitments in accordance with the AMA regulations, or purchase SMI to upgrade the estimated rating of the Master Commitment to the equivalent of an "AA" rated mortgage-backed security.

For MPF Plus, the PFI is required to provide an SMI policy covering the MPF Loans in the Master Commitment and having a deductible initially equal to the FLA. Depending upon the

amount of the SMI policy (determined in part by the amount of the CE Fees paid to the PFI), the PFI may or may not have any direct liability on the CE Amount.

An MPF FHLBank is required to recalculate the estimated credit rating of a Master Commitment if there is evidence of a decline in credit quality of the related MPF Loans.

The MPF Products were designed to allow for periodic resets of the CE Amount for each Master Commitment because the balance of MPF Loans is reduced over time due to amortization and repayment and because credit risk diminishes as LTVs decrease with amortization and with property appreciation. The amount of credit enhancement necessary to maintain the MPF FHLBank's risk of loss equivalent to the losses of an investor in an "AA" rated mortgage-backed security for any Master Commitment is less both when the outstanding balance of the MPF Loans are reduced, e.g., less credit enhancement is required for the $10 million remaining in a $100 million Master Commitment than is initially required for that Master Commitment, and the borrowers' equity grows in the MPF Loans remaining in a Master Commitment over time. Original MPF, MPF 100 and MPF 125 products are initially reset 10 years from the date of the Master Commitment, while the SMI policy for the MPF Plus product is reset after five years and annually thereafter, with any PFI direct CE Amount reset at the same time or starting five years after the date of the Master Commitment. In addition to scheduled resets, a PFI's CE Amount may be reduced to equal the balance of the MPF Loans in a Master Commitment if the balance of the MPF Loans equals or is less than the CE Amount.

Credit Enhancement Fees

The structure of the CE Fee payable to the PFI depends upon the product type selected. For Original MPF, the PFI is paid a monthly CE Fee between 0.07 percent and 0.11 percent (7 to 11 basis points) per annum and paid monthly based on the aggregate outstanding principal balance of the MPF Loans in the Master Commitment.

For MPF 100 and MPF 125, the PFI is paid a monthly CE Fee between 0.07 percent and 0.10 percent (7 and 10 basis points) per annum and paid monthly on the aggregate outstanding principal balance of the MPF Loans in the Master Commitment. The PFI's monthly CE Fee is performance based in that it is reduced by losses charged to the FLA. For MPF 100, the CE Fee is fixed for the first two or three years of a Master Commitment and thereafter becomes performance based. For MPF 125, the CE Fee is performance based for the entire life of the Master Commitment.

For MPF Plus, the PFI is paid a monthly CE Fee of 0.13 percent or 0.14 percent (13 or 14 basis points) per annum, which is split into fixed and performance based portions. The performance-based portion of the CE Fee is typically 0.07 percent (7 basis points) per annum and paid monthly on the aggregate outstanding balance of the MPF Loans in the Master Commitment. The performance based CE Fee is reduced by losses charged to the FLA and is paid one year after accrued based on monthly outstanding balances. The fixed portion of the CE Fee is typically between 0.06 percent and 0.07 percent (6 and 7 basis points) per annum and paid monthly on the aggregate outstanding principal balance of the MPF Loans in the Master Commitment. The performance CE Fee is lower for Master Commitments without a direct PFI CE Amount.

At December 31, 2007 and 2006, the amount of FLA remaining for losses for all MPF FHLBanks, excluding amounts that may be recovered by the withholding of performance CE Fees, was $549 million and $548 million, respectively. Except with respect to Original MPF, an MPF FHLBank's losses incurred under the FLA can be recovered by withholding future performance CE Fees otherwise paid to its PFIs. For the years ended December 31, 2007, 2006 and 2005, of the $59 million, $87 million and $95 million of total CE Fees paid by the MPF FHLBanks, $37 million, $44 million and $48 million were performance-based CE Fees.

For MPF Government Loans, the PFI provides and maintains insurance or a guaranty from the applicable government agency (i.e., the FHA, VA, RHS or HUD) for MPF Government Loans.

The PFI is responsible for compliance with all government agency requirements and for obtaining the benefit of the applicable insurance or guaranty with respect to defaulted MPF Government Loans. For Master Commitments issued prior to February 2, 2007, the PFI is paid a monthly government loan fee equal to 0.02 percent (2 basis points) per annum based on the month end outstanding aggregate principal balance of the Master Commitment. This amount is in addition to the customary 0.44 percent (44 basis points) per annum servicing fee that continues to apply for Master Commitments issued after February 2, 2007, and that is retained by the PFI on a monthly basis, based on the outstanding aggregate principal balance of the MPF Government Loans. Only PFIs that are licensed or qualified to originate and service MPF Government Loans by the applicable government agency or agencies and that maintain a mortgage loan delinquency ratio that is acceptable to the MPF Provider and that is comparable to the national average and/or regional delinquency rates as published by the Mortgage Bankers Association are eligible to sell and service MPF Government Loans under the MPF Program.

Credit Risk Exposure on MPF Loans

An MPF FHLBank's credit risk on MPF Loans is the potential for financial loss due to borrower default or depreciation in the value of the real estate collateral securing the MPF Loan, offset by the PFI's credit enhancement protection (CEP Amount). Under the MPF Program, the PFI's CEP Amount may take the form of a contingent performance based CE Fee whereby such fees are reduced by losses up to a certain amount arising under the Master Commitment and the CE Amount (which represents a direct liability to pay credit losses incurred with respect to that Master Commitment or may require the PFI to obtain and pay for an SMI policy insuring the MPF FHLBank for a portion of the credit losses arising from the Master Commitment). Under the AMA Regulation, any portion of the CE Amount that is a PFI's direct liability must be collateralized by the PFI in the same way that advances are collateralized. The PFI Agreement provides that the PFI's obligations under the PFI Agreement are secured along with other obligations of the PFI under its regular advances agreement and further, that the MPF FHLBank may request additional collateral to secure the PFI's obligations. The PFI Agreement requires any portion of the CE Amount that is a PFI's direct liability to be collateralized and provides for all obligations arising under the PFI Agreement to be secured under the PFI's regular advances agreement.

The table below summarizes the average PFI CE Amount of all Master Commitments funded or purchased by the MPF FHLBanks for each MPF Product:

Average PFI CE Amount by Product as a Percentage of Master Commitments Funded or Purchased by the MPF FHLBanks

	December 31, 2007	December 31, 2006	December 31, 2005
Original MPF	1.80%	1.76%	1.80%
MPF 100	0.53%	0.52%	0.50%
MPF 125	0.95%	0.91%	0.92%
MPF Plus(1)	1.33%	1.33%	1.34%
MPF Government(2)	N/A	N/A	N/A

(1) CE amount includes SMI policy coverage.

(2) Formerly called Original MPF for FHA/VA.

The MPF FHLBanks also face credit risk of loss on MPF Loans to the extent such losses are not recoverable from PMI, from the PFI either directly or indirectly through the CEP Amount, and with respect to MPF Government Loans, amounts not recoverable from the applicable government agency with respect to MPF Government Loans (including servicer paid losses not covered by the applicable federal agency. The outstanding balance of MPF Loans exposed to credit losses not recoverable from these sources was approximately $58 billion, $63 billion and $68 billion at December 31, 2007, 2006 and 2005. The MPF FHLBanks' actual credit exposure is significantly

less than these amounts because the borrower's equity, which represents the fair value of underlying property in excess of the outstanding MPF Loan balance, has not been considered because the fair value of all underlying properties is not readily determinable. However, because the typical MPF Loan-to-value ratio is less than 100 percent and PMI covers loan-to-value ratios in excess of 80 percent, a significant decline in value of the underlying property would have to occur before the MPF FHLBanks are exposed to credit losses.

The risk-sharing of credit losses between MPF FHLBanks for participations is based on each MPF FHLBank's percentage interest in the Master Commitment. Accordingly, the credit risk assumed by an MPF FHLBank is driven by its percentage interest in each Master Commitment.

MI Provider Concentration

The MPF FHLBanks are exposed to the performance of mortgage insurers. Each MPF FHLBank's policy is to limit its credit exposure to each MI company to 10 percent of its regulatory capital. Credit exposure is defined as the total of PMI and SMI coverage written by an MI company on MPF Loans held by an MPF FHLBank that is more than 60 days delinquent. The risk of loss with respect to SMI is more remote than for PMI due to the deductible for an SMI policy being equal to the expected losses for the Master Commitment. A company that reaches the 10 percent limit will be deemed ineligible to provide further SMI coverage on MPF Loans until an MPF FHLBank's exposure falls below the 10 percent limit again. Insurance coverage already in place will not be affected.

The MPF FHLBanks receive PMI coverage information only at acquisition of MPF Loans and do not receive notification of any subsequent changes in PMI coverage.

The following table summarizes insurers that provided 10 percent or more of the total outstanding MI to the MPF FHLBanks as of December 31, 2007 (dollar amounts in millions):

	PMI	SMI	Total	% of Total
Mortgage Guaranty Insurance Co.	$ 320	$379	$ 699	32%
Genworth Mortgage Insurance Co.	192	305	497	23%
United Guaranty Residential Insurance	172	126	298	14%
PMI Mortgage Insurance Co.	149	101	250	12%
All others	338	74	412	19%
Total MPF MI Coverage	$1,171	$985	$2,156	100%

Historically, the MPF FHLBanks have not claimed any losses in excess of the SMI policy deductible against an MI company. If an MI company was to default on its insurance obligations and loan level losses for MPF Loans were to increase, an MPF FHLBank may experience increased credit losses. The MPF Provider performs a quarterly analysis evaluating the financial condition of, and the MPF FHLBanks' concentration risk with, the MI companies. Based on a fourth quarter 2007 analysis, all of the MI companies remain profitable, pass all early warning financial tests formulated by the MPF Provider, and maintain outstanding claims paying ability. However, on January 24, 2008, S&P placed the insurance financial strength rating of Mortgage Guaranty Insurance Company, (MGIC) on negative watch due to MGIC's projections for losses in 2007 and 2008. MGIC is currently rated AA- by S&P, the lowest permitted MPF rating. MGIC is also rated Aa2 with negative watch by Moody's Investors Service, Inc. and AA with a negative outlook by Fitch. As of December 31, 2007, the MPF FHLBanks' exposure to MGIC totaled $699 million.

If a PMI provider is downgraded, the MPF FHLBank may request the servicer to obtain replacement PMI coverage with a different provider. However, it is possible that replacement coverage may be unavailable or result in additional cost to the MPF FHLBank. If an SMI provider is downgraded below an "AA-" rating under the MPF Plus product, the PFI has six months to

either replace the SMI policy or provide its own undertaking; or it will forfeit its performance based CE Fees.

The following table summarizes the par value of combined MPF Loans outstanding according to the ten largest state concentrations (dollar amounts in millions):

	December 31, 2007		December 31, 2006	
	Par Value	Percentage of Total	Par Value	Percentage of Total
Wisconsin	$ 7,426	11.1%	$ 7,482	10.3%
California	7,159	10.7%	8,146	11.3%
Illinois	5,179	7.7%	5,363	7.4%
Texas	3,647	5.4%	4,076	5.6%
Minnesota	2,669	4.0%	2,847	3.9%
Pennsylvania	2,626	3.9%	2,802	3.9%
New York	2,585	3.9%	2,799	3.9%
Florida	2,487	3.7%	2,614	3.6%
Virginia	2,132	3.2%	2,353	3.3%
Maryland	1,959	2.9%	2,177	3.0%
All other states	29,065	43.5%	31,664	43.8%
Total par value of MPF Loans	$66,934	100.0%	$72,323	100.0%

The following table presents MPF loan concentrations by PFI for MPF Loan purchases and fundings by the MPF FHLBanks that exceeded 10 percent of all MPF Loan purchases and fundings for the years ended December 31, 2007, 2006 and 2005 (dollar amounts in millions):

	Loan Purchases and Funding Concentrations by PFI For the Years Ended December 31,					
	2007		2006		2005	
PFI	Amount	% of Total	Amount	% of Total	Amount	% of Total
Branch Banking & Trust Company	$ 551	15.7%	361	10.5%	N/A	N/A
National City Bank	N/A	N/A	$ 396	11.5%	$1,092	12.1%
Balboa Reinsurance Company	N/A	N/A	N/A	N/A	3,109	34.4%
LaSalle Bank, N.A	N/A	N/A	N/A	N/A	N/A	N/A
All Other Institutions	2,963	84.3%	2,674	78.0%	4,829	53.5%
Total	$3,514	100.0%	$3,431	100.0%	$9,030	100.0%

N/A — not applicable, as amount is less than ten percent.

Mortgage Purchase Program (MPP)

This description of the MPP was provided by the MPP FHLBanks.

Overview. MPP is offered by the FHLBanks of Atlanta, Cincinnati, and Indianapolis and was also offered by the FHLBank of Seattle in 2004. MPP, which was introduced in 2000, enables these FHLBanks to purchase directly from members both their qualifying conforming fixed-rate conventional one-to-four family mortgages and residential mortgages insured by the FHA. Each MPP FHLBank has approved members, known as PFIs, which sell them mortgage loans. A PFI may also be a third-party servicer (subject to MPP FHLBank approval) of loans sold to an MPP FHLBank by other member PFIs. The PFIs may retain or sell servicing to third parties. The MPP FHLBanks do not service the loans, nor do they own any servicing rights. The MPP FHLBank must approve any servicer, including a member-servicer, and any transfers of servicing to third parties. The PFIs

or servicers are responsible for servicing loans, for which they receive a servicing fee, in accordance with the MPP guide. The MPP FHLBanks have engaged Washington Mutual Mortgage Securities Corp. as the MPP master servicer.

A "conforming" mortgage refers to the maximum amount permissible to be lent as a regular prime (i.e., non-jumbo, non-subprime) mortgage. Established each year by OFHEO based on data published by the Finance Board on average home prices, that amount was $417,000 in 2007. A "conventional" mortgage refers to non- government-guaranteed/insured mortgages. The FHLBanks are permitted to purchase qualifying mortgage loans within any state or territory of the United States. The FHLBanks do not use any trust or intermediary to purchase mortgage loans from members under this program.

Each MPP FHLBank holds purchased mortgage loans on their balance sheet. Finance Board regulations do not specifically authorize these FHLBanks to sell loans purchased in the MPP, either directly or by securitization, or to purchase any mortgage loans other than those identified in the paragraph above. Prior to engaging in any such business, an FHLBank would need to obtain Finance Board approval of the new business activity. While the FHLBanks have considered the feasibility and economic benefits of selling mortgage loan assets from time to time to third parties as a risk management tool, they have no plans to request the authority to sell or securitize their mortgage loan portfolio.

MPP directly supports the FHLBanks' public policy mission of supporting housing finance. By selling mortgage loans to these FHLBanks, members increase their balance sheet liquidity and remove from their balance sheet assets that carry interest rate and prepayment risk. The MPP FHLBanks believe the MPP, along with the similar programs at other FHLBanks, promotes a greater degree of competition among mortgage investors, which should benefit households. A primary reason these FHLBanks established the MPP was to enable small- and medium-sized community-based financial institutions to participate more effectively in the secondary mortgage market. Secondarily, these FHLBanks believe the MPP enhances their long-term profitability on a risk-adjusted basis which should augment the return on stockholders' capital investment in the MPP FHLBanks.

The four MPP FHLBanks had agreed to share the cost of system development and will share the cost for maintaining the computer systems that support loan acquisition. Each MPP FHLBank is responsible for operating its own program, for marketing the program to its members and for funding and hedging any loans acquired through the program. Each MPP FHLBank is responsible for the development and maintenance of the program guide governing origination, underwriting and servicing of the loans sold to it through its MPP, and each MPP FHLBank establishes its own origination, underwriting and servicing criteria, including eligibility standards for loans that may be sold to it, as well as other requirements for its MPP. Each MPP FHLBank provides the systems and back office support for its program, including transaction processing. In some circumstances, an MPP FHLBank may grant its PFI a waiver exempting it from complying with specified provisions of the MPP FHLBank's program requirements.

Management of Credit Risk. Like the MPF Program, MPP is governed by the AMA Regulation, and mortgage loans purchased from PFIs under the program also carry sufficient credit enhancements to give them a quasi-credit risk exposure equivalent to "AA" rated assets based upon the S&P LEVELS® rating methodology. The MPP mortgage loans are not, however, rated by S&P or any other rating agency.

Under MPP, the FHLBank assumes the interest-rate risk associated with the acquired mortgage assets, while the PFI manages the credit risk. A PFI is compensated for sharing in a portion of the risk associated with the loans sold to the MPP FHLBank by receiving funds from an LRA. This risk-sharing relationship recognizes the individual strengths of the MPP FHLBank and the PFI.

The credit enhancement layers in MPP consist of the borrower's equity, PMI (if applicable), the LRA, and SMI. The LRA is a lender-specific account funded by the MPP FHLBank in an amount approximately sufficient to cover expected losses based on the S&P LEVELS® rating methodology. The PFI's recourse is limited to this predetermined LRA amount, so that the PFI has no further obligation to make additional contributions to the LRA, regardless of any losses or deterioration of the mortgage pool exceeding such amount in the LRA. The LRA is funded either initially as a portion of the purchase price (a Fixed LRA), or over time as a portion of interest paid (a Spread LRA). The LRA typically ranges between 30 to 50 basis points of the outstanding principal balance of the mortgage loans. The cost of the LRA is factored into determining a purchase price for loans under MPP. If, for example, the MPP FHLBank has to set aside seven basis points annually to cover the funding of the LRA, the purchase price would be set under the assumption that seven basis points of coupon flow was not available to the MPP FHLBank. The exact amount of the LRA is determined in conjunction with the SMI provider, and the final pricing received on the SMI may be affected by the amount of the LRA. Once the LRA has reached the required amount, but typically not before five years in the case of the Fixed LRA, the MPP FHLBank will pay to the PFI on an annual basis any unused funds in the LRA that are no longer required to cover expected losses. Eleven years after the closing of the mortgage pool, the MPP FHLBank extinguishes the LRA and pays any remaining funds to the PFI.

In MPP, SMI generally covers mortgages with an LTV of 50 percent or greater. The specified LTV may change in the future. In addition, the MPP FHLBanks anticipate that SMI policies will contain an aggregate loss limit whereby the total amount payable by the SMI provider under the policy will be less than the total unpaid principal balances on the insured loans.

The MPP FHLBanks are exposed to the performance of mortgage insurers. Credit exposure is defined as the total of PMI and SMI coverage written by an MI company on MPP Loans held by the MPP FHLBank that are more than 60 days delinquent. This is a conservative measure since most delinquent loans never go to claim and other credit protection layers (such as borrower equity and LRA) are called upon before insurance claims are made. The following table summarizes insurers that provided PMI and SMI to the MPP FHLBanks as of December 31, 2007 (dollar amounts in millions):

	PMI	SMI	Total	% of Total
Mortgage Guaranty Insurance Co. (MGIC)	$1	$17	$18	78%
Genworth Mortgage Insurance Co.	1	1	2	9%
United Guaranty Residential Insurance	1		1	4%
All others	2		2	9%
Total MPP MI Coverage	$5	$18	$23	100%

The MPP FHLBanks subject SMI providers to the standard credit underwriting analysis and estimate their potential exposure based on historically high industry loss rate factors. If either SMI provider were to be assigned a ratings downgrade below AA-, the mortgage pools covered by that provider would be reassessed to determine if additional credit enhancements would be required to maintain the AA pool rating as required by the Finance Board regulation. Alternatively, an MPP FHLBank could seek regulatory forbearance if such alternative insurance is unavailable.

Current SMI providers include MGIC and Genworth Residential Mortgage Insurance Corporation of North Carolina (Genworth). MGIC and Genworth S&P credit ratings at December 31, 2007 were AA- and AA respectively. On January 24, 2008 and on February 13, 2008, S&P placed the insurance financial strength rating of MGIC and Genworth respectively, on negative watch.

FHA-backed mortgage loans have a 100 percent U.S. government guarantee and, therefore, these FHLBanks believe that they have no credit risk exposure from these loans.

MPP Credit Risk Structure

Homeowner's Equity	• Homeowner's equity provides an initial cushion against potential credit losses.
Primary Mortgage Insurance	• Primary mortgage insurance is required on loans with a loan-to-value ratio in excess of 80%, and mitigates credit risk by absorbing part of any actual losses.
Lender Risk Account	• The participating member's lender risk account absorbs losses beyond homeowner's equity and primary mortgage insurance. Lender risk account balances not used to cover losses are returned to the member over time.
Supplemental Mortgage Insurance	• The participating member's supplemental mortgage insurance absorbs losses beyond the lender risk account and enhances the credit of the underlying pool of mortgages to an investment-grade equivalent.
MPP FHLBanks	• The MPP FHLBanks would assume potential losses in excess of the combined value of the homeowner's equity, primary mortgage insurance, lender risk amount, and supplemental mortgage insurance.

Earnings from the Mortgage Purchase Program. Earnings from the MPP come from monthly interest payments due to the MPP FHLBank. Reported interest income on each loan is computed as the mortgage note rate multiplied by the loan's principal balance outstanding, adjusted for the following:

- minus servicing costs;
- minus the cost of SMI (required for conventional loans only);
- plus the net amortization of purchase premiums or accretion of purchase discounts; and
- plus the net amortization or accretion of fair value adjustments for purchase commitments.

These FHLBanks consider the cost of the LRA and SMI when they establish prices of conventional loans. Each of these credit enhancement structures is accounted for in the valuation of an FHLBank's expected return on acquired mortgage loans and in a credit risk review performed during the pooling process at which time the dollar amount specified in the PFI's Master Commitment Contract is fulfilled and the commitment is closed. The pricing of each structure depends on a number of factors and is PFI-specific. These FHLBanks do not receive any guarantee or other fees for retaining the risk of losses in excess of the LRA and SMI.

FHLBANK MANAGEMENT AND COMPENSATION

FHLBank Directors. The following persons are currently serving as chair or vice chair of the FHLBanks:

Robert F. Verdonck, 62, has served as a director of the FHLBank of Boston since January 1, 1998, and his term as a director will expire on December 31, 2008. Mr. Verdonck has served as chair of the board in 2004, 2005, 2006 and 2007, and has been elected to serve as chair of the board through 2008. Mr. Verdonck is president and chief executive officer of East Boston Savings Bank, located in Peabody, Massachusetts. He also serves as president of Meridian Financial Services, Inc., holding company for East Boston Savings Bank and Hampshire First Bank. He has held various positions at East Boston Savings Bank for the past 24 years. Mr. Verdonck serves as a director of

The Savings Bank Life Insurance Company of Massachusetts and Hampshire First Bank, which are members of the FHLBank of Boston.

Jay F. Malcynsky, 54, was appointed to serve as a director of the FHLBank of Boston on March 30, 2007, and he had previously served as a director from 2002 to 2004. Mr. Malcynsky's current term as a director will expire on December 31, 2008, and he has been elected to serve a vice chair of the board for 2008. Mr. Malcynsky serves as president and managing partner of Gaffney, Bennett and Associates, Inc., a Connecticut-based corporation specializing in government relations and political consulting. Mr. Malcynsky is also a practicing lawyer in Connecticut and Washington D.C., specializing in administrative law and regulatory compliance.

David W. Lindstrom, 68, was elected chair of the FHLBank of New York board of directors effective January 1, 2008, previously serving as the vice chair. Mr. Lindstrom has been President, Chief Executive Officer, and Director of Franklin Bank of Woodstown, New Jersey since 1985. He has served on the New Jersey League of Community Banker's (New Jersey League) Board of Governors and as its chair. He is currently a member of the New Jersey League's Legislative and Regulatory Affairs Committee, and is a director of the League's subsidiary Banker's Cooperative Group, Inc. Mr. Lindstrom has served as a member of the board of directors of the Pentegra Defined Benefit Plan for Financial Institutions since 2005. He has also served on the board of directors of Pentegra Services, Inc. since 2005 and was the chair of that Board from 2005 through 2007. He also served on the board of the Pentegra Defined Contribution Plan for Financial Institutions from 1991 through 2004; he was the chair of that board from 1997 to 1998 and again from 2001 to 2004. In addition, he has served as a director and chairman of the Philadelphia Federal Reserve Thrift Council. Mr. Lindstrom is a member of the American Bankers Association (ABA) Government Relations Summit and also serves as chair of the ABA's Directors Publication Advisory Group.

Michael M. Horn, 68, was elected vice chair of the FHLBank of New York board of directors effective January 1, 2008. Mr. Horn has been a partner in the law firm of McCarter & English, LLP since 1990. He was a member of the New Jersey State Assembly, a member of the Assembly Banking Committee, Commissioner of Banking, New Jersey State Treasurer, on the Executive Commission on Ethical Standards both as its vice chair and chairman, appointed as a State Advisory Member of the Federal Financial Institutions Examination Council, and a member of the Municipal Securities Rulemaking Board. Mr. Horn is counsel to the New Jersey League of Community Bankers, Inc., chairman of the Bank Regulatory Committee of the Banking Law Section of the New Jersey State Bar Association, a member of the Board of Directors of the Community Foundation of New Jersey, and a Fellow of the American Bar Foundation.

Dennis S. Marlo, 65, has served on the board of directors of the FHLBank of Pittsburgh since November 2002 and currently serves as its chairman. Dennis S. Marlo is currently Managing Director of Sanctuary Group LTD, a financial and executive advisory firm located in Malvern, Pennsylvania. In addition, he is an Executive Vice President of Sovereign Bank (Bank), representing the Bank in various community, bank industry and Bank related activities. Prior to that, he was employed for 25 years at KPMG Peat Marwick and its predecessor organizations, where he retired as a partner in the firm. A graduate of LaSalle University and a Certified Public Accountant (CPA), Mr. Marlo also completed studies at the Graduate School of Community Bank Management, University of Texas/Austin. He is currently a member of the Board of Trustees of Harcum College in Bryn Mawr, Pennsylvania; the Board of Directors of EnerSys in Reading, Pennsylvania; the Board of Directors of Main Line Health Real Estate, LP; the Lankenau Hospital Foundation Board of Trustees in Wynnewood, Pennsylvania; and the Council of President's Associates of LaSalle University in Philadelphia. He is also a member of both the American and Pennsylvania Institutes of Certified Public Accountants and the Financial Managers Society, having served on its national board of directors.

H. Charles Maddy, III, 44, joined the board of directors of the FHLBank of Pittsburgh in January 2002 and currently serves as its vice chairman. Mr. Maddy is president and chief executive

officer of Summit Financial Group, Inc. in Moorefield, West Virginia. He is also a member of the boards of directors for Summit Financial Group and its banking subsidiaries: Summit Community Bank and Shenandoah Valley National Bank. Mr. Maddy is also a director for the West Virginia Bankers Association and the Hardy County Child Care Center. He is a past president and past director of the West Virginia Association of Community Bankers, and a CPA certified by the West Virginia Board of Accountancy. Mr. Maddy graduated magna cum laude from Concord College in Athens, West Virginia, earning a bachelor of science degree in business administration with a concentration in accounting.

Scott C. Harvard, 53, was elected chair of FHLBank of Atlanta effective January 1, 2007. He previously served as vice chair from January 1, 2005 through December 31, 2006. Mr. Harvard has served as president and chief executive officer and a director of Shore Financial Corporation, a publicly-traded bank holding company with headquarters in Onley, Va., since 1997. He has served as president and chief executive officer of its subsidiary, Shore Bank, since 1985.

J. Thomas Johnson, 61, was elected vice chair of FHLBank of Atlanta effective January 1, 2008. Mr. Johnson is vice chairman of the board of First Community Bank, N.A., of Lexington, South Carolina, a position he has held since October 2004. From 2000 to 2004, Mr. Johnson was chairman, and from 1984 to 2004 was chief executive officer, of Newberry Federal Savings Bank in Newberry, South Carolina, which merged with First Community Bank in 2004. Mr. Johnson had been with Newberry Federal since 1977. Mr. Johnson is chairman of Business Carolina Inc., a statewide economic development lender, and has served on the boards of the South Carolina Bankers Association and a number of other civic and professional organizations.

Carl F. Wick, 68, was elected chair of the FHLBank of Cincinnati effective January 2007. Mr. Wick was previously vice chair of the FHLBank of Cincinnati board of directors since March 2005. Mr. Wick was employed by NCR Corporation from 1966 to 1994, when he retired. He currently is the owner of Wick and Associates, a business consulting firm, and is a member of the Ohio Board of Education.

Richard C. Baylor, 53, was elected vice chair of the FHLBank of Cincinnati board of directors effective January 2007. Mr. Baylor has been Chairman of Camco Financial Corporation, a financial holding company, and its subsidiary, Advantage Bank, Cambridge, Ohio, since November 2006. He also has been President of Camco Financial Corporation since 2000 and Chief Executive Officer of Camco Financial, as well as President and Chief Executive Officer of Advantage Bank, since 2001. Mr. Baylor has been a director of Camco Financial Corporation since 2001.

Paul C. Clabuesch, 59, is chair of the FHLBank of Indianapolis and has served as a member of the board of directors since January 2003. He is the chairman, president and chief executive officer of Thumb Bancorp, Inc., a bank holding company, and Thumb National Bank and Trust, located in Pigeon, Michigan. Mr. Clabuesch also serves as the chairman of the board of trustees of Scheurer Hospital, in Pigeon, Michigan, and has served on that board since 1975.

Charles L. Crow, 64, is vice chair of the FHLBank of Indianapolis and has served as a member of the board of directors since January 2002. He is the chairman, president and chief executive officer of Community Bank, in Noblesville, Indiana and chairman of Community Bancshares, Inc. a bank holding company in Noblesville, Indiana.

P. David Kuhl, 58, was elected chair of the FHLBank of Chicago on December 12, 2006, and has served in that capacity since January 1, 2007. Mr. Kuhl served as vice chair of the FHLBank of Chicago during 2006. Mr. Kuhl has served as a Chairman of the Board of Freestar Bank in Pontiac, Illinois since September of 2007. From 1979 to 2007, he held numerous positions with Busey Bank in Urbana, Illinois. From September 2006 to September 2007, Mr. Kuhl served as director of Busey Bank and also served as a director for First Busey Securities Inc. and First Busey Trust and Investment Company. From 2001 to 2006, Mr. Kuhl served as Chairman of the Board and CEO of Busey Bank. From 1993 to 2001 he served as President, CEO and Director and from 1979 to 1993 as Executive Vice President. Mr. Kuhl previously served as a director for First Busey Corporation,

First Busey Insurance Services and First Busey Resources. First Busey Corporation is the holding company for Busey Bank, First Busey Securities and First Busey Trust and Investment Company. Prior to his employment with First Busey Bank, Mr. Kuhl was Executive Vice President of First National Bank of Rantoul from 1973 to 1979. He currently is the Chairman of the Illinois Bankers Association.

James F. McKenna, 63, was elected vice chair of the FHLBank of Chicago on December 12, 2006, and has served in that capacity since January 1, 2007 Mr. McKenna joined North Shore Bank in 1970 and has served as President and Chief Executive Officer since 1975. He previously served as Chairman of the Wisconsin League of Financial Institutions. Mr. McKenna served as a Director of the FHLBank of Chicago from 1986 to 1991. He served as a member of the Thrift Institution Advisory Committee to the Federal Reserve Board from 2001 to 2002. Locally, Mr. McKenna has served as Chairman of the Zoological Society of Milwaukee County, Chairman of the Milwaukee Public Museum, and Chairman of the Junior Achievement of Wisconsin. He presently is a member of the Greater Milwaukee Committee. Nationally, he has served as a Director of the America's Community Bankers and chaired many of its committees. He presently serves as a Director of the American Bankers Association.

Michael K. Guttau, 61, the chair of the board of directors of the FHLBank of Des Moines, has served as president, chairman, and chief executive officer (CEO) of Treynor State Bank in Treynor, Iowa, since 1978. Mr. Guttau was recently elected to serve as chairman of the FHLBank Council for 2008. He has been actively involved with the American Bankers Association, Iowa Bankers Association, Iowa Independent Bankers, and served as the Iowa Superintendent of Banking from 1995 through 1999. Currently, Mr. Guttau is president of the Treynor Foundation Corporation. Mr. Guttau serves on the following Bank committees: Executive and Governance Committee (chair), Risk Management Committee, Finance and Planning Committee, and the Human Resources and Compensation Committee (Compensation Committee).

Dale E. Oberkfell, 52, the vice chair of the board of directors of the FHLBank of Des Moines, has served in a variety of banking positions during his nearly 30 years in the financial services industry. Since May 2005, Mr. Oberkfell has served as the president and chief operating officer (COO) of Reliance Bank in Des Peres, Missouri. Mr. Oberkfell also currently serves as executive vice president of Reliance Bancshares, Inc. in Des Peres, Missouri, and as senior vice president of Reliance Bank, FSB in Fort Myers, Florida. Prior to joining Reliance Bank, Mr. Oberkfell was a partner at the Certified Public Accounting firm of Cummings, Oberkfell & Ristau, P.C. in St. Louis, Missouri. Mr. Oberkfell is a licensed CPA and is active in the American Institute of Certified Public Accountants. Mr. Oberkfell has held board positions for several organizations, including the West County YMCA, St. Louis Children's Choir, and Young Audiences. Mr. Oberkfell serves on the following Bank committees: Executive and Governance Committee (vice chair), Audit Committee, and the Finance and Planning Committee (chair).

Lee R. Gibson, 51, is Chairman of the Board of Directors of the FHLBank of Dallas and has served in that capacity since January 1, 2007. Mr. Gibson serves as Executive Vice President and Chief Financial Officer of Southside Bank (a member of the FHLBank of Dallas) and its publicly traded holding company, Southside Bancshares, Inc. (Tyler, Texas). He has served as Executive Vice President since 1990 and as Chief Financial Officer since 2000. Mr. Gibson also serves as a director of Southside Bank and Fort Worth National Bank, a member of the FHLBank of Dallas, which was acquired by Southside Bancshares, Inc. in October 2007. Before joining Southside Bank in 1984, Mr. Gibson served as an auditor for Ernst & Young. He currently serves on the Council of Federal Home Loan Banks and the Executive Board of the East Texas Area Council of Boy Scouts. Mr. Gibson also serves as Chairman of the Executive Committee of the FHLBank of Dallas' Board of Directors. He is a Certified Public Accountant.

Mary E. Ceverha, 63, is vice chairman of the board of directors of the FHLBank of Dallas and has served in that capacity since December 2005. From January 2005 to December 2005, she served as acting vice chairman of the board of directors of the FHLBank of Dallas. From 2001 to 2005,

Ms. Ceverha served as a director and president of Trinity Commons, Inc. From 2001 to 2004, she also served as a director and president of Trinity Commons Foundation, Inc. Founded by Ms. Ceverha in 2001, these not-for-profit enterprises were organized to coordinate fundraising and other activities relating to the construction of the Trinity River Project in Dallas, Texas. She currently serves as Vice Chair of the foundation's Government Relations Committee and remains active in its fundraising efforts. Ms. Ceverha also serves on the Council of Federal Home Loan Banks and on the Community Advisory Board of the Dallas Heart Disease Prevention Project. Until recently, she served on the steering committee of the President's Council for the University of Texas Southwestern Medical Center, which raises funds for medical research, and as a member of the Greater Dallas Planning Council. Ms. Ceverha is a former board member and president of Friends of Fair Park, a non-profit citizens group dedicated to the preservation of Fair Park, a national historic landmark in Dallas, Texas. From 1995 to 2004, she served on the Texas State Board of Health. Ms. Ceverha also serves as Vice Chairman of the Executive Committee of the FHLBank of Dallas' board of directors.

Ronald K. Wente, 57, is chair of the FHLBank of Topeka and has served in that position since 2000. He has been president and chief executive officer of Golden Belt Bank, Hays, Kansas since 1974.

Lindel E. Pettigrew, 65, is vice chairman of the FHLBank of Topeka and has served in that position since January 2007. He has been president of Chickasha Bank & Trust, Chickasha, Oklahoma since 1973.

Timothy R. Chrisman, 61, is the chairman of the board of directors of the FHLBank of San Francisco and was vice chairman of the board of directors of the FHLBank of San Francisco in 2004. Mr. Chrisman has been an officer of Pacific Western National Bank, Santa Monica, California, since March 2005. Prior to that, he was a director of Commercial Capital Bank and Commercial Capital Bancorp, based in Irvine, California, from June 2004 to March 2005. In 2004, Commercial Capital Bancorp acquired Hawthorne Savings, Hawthorne, California, where Mr. Chrisman was chairman of the board of directors from 1995 to 2004. Mr. Chrisman is also the chief executive officer of Chrisman & Company, Inc., a retained executive search firm he founded in 1980. From 2005 through February 2008, he served as chairman of the Council of Federal Home Loan Banks. Since 2005, he has served as chairman of the chair-vice chair committee of the Federal Home Loan Bank System.

James P. Giraldin, 55, has served as the vice chairman of the board of directors of the FHLBank of San Francisco since January 2006. Mr. Giraldin has been chief operating officer of First Federal Bank of California, Santa Monica, California, since 1997 and president since 2002. He joined the company in 1992 as executive vice president and chief financial officer. Prior to joining First Federal Bank of California, Mr. Giraldin served as chief executive officer of Irvine City Bank, Irvine, California, for five years. He previously served as chief financial officer for two other savings and loan associations and was a certified public accountant with KPMG LLP.

Mike C. Daly, 56, has served as a director of the FHLBank of Seattle since 2002 and as chairman since 2005. In 1981, Mr. Daly opened First State Bank in Wheatland, Wyoming, an independent community bank, where he serves as chairman. Since 1985, Mr. Daly has served as chairman and chief executive officer of Wheatland Bankshares, Inc., a single bank holding company that owns 100% of First State Bank. Mr. Daly currently serves as one of three FHLBank of Seattle representatives on the Council of Federal Home Loan Banks.

Craig E. Dahl, 58, has served as a director of the FHLBank of Seattle since 2004 and as vice chair since 2005. Since 1996, Mr. Dahl has served as president, chief executive officer, and a director of Alaska Pacific Bancshares, Inc. and its wholly-owned subsidiary, Alaska Pacific Bank, federally chartered savings banks.

FHLBank Presidents. The following persons are currently serving as presidents of the FHLBanks:

Michael A. Jessee, 61, has been president and chief executive officer of the FHLBank of Boston since May 1989. Before that, he served 12 years with the FHLBank of San Francisco as executive vice president and chief operating officer; executive vice president, economics and corporate policy; senior vice president and chief economist; and assistant vice president and director of research. Mr. Jessee also worked as an economist with the Federal Reserve Bank of New York and in corporate planning and correspondent banking with the Bank of Virginia. He currently serves as chairman, board of trustees, State Street Navigator Securities Lending Trust; trustee, Randolph-Macon College; and director, Pentegra Defined Benefit Plan for Financial Institutions. He holds a PhD., M.A. and M.B.A. from The Wharton School at the University of Pennsylvania, and a B.A. from Randolph-Macon College.

Alfred A. DelliBovi, 61, was elected president of the FHLBank of New York in November 1992. As president, he serves as the chief executive officer and directs the FHLBank of New York's overall operations to facilitate the extension of credit products and services to 293 neighborhood-based lenders. Mr. DelliBovi is a member of the Pentegra Group Defined Contribution Plan Board of Directors. Previously, Mr. DelliBovi served as Deputy Secretary of the U.S. Department of Housing and Urban Development, from 1989 until 1992. In May 1992, President Bush appointed Mr. DelliBovi Co-Chairman of the Presidential Task Force on Recovery in Los Angeles. Mr. DelliBovi served as a senior official at the U.S. Department of Transportation in the Reagan Administration, was elected to four terms in the New York State Assembly, and earned a Master of Public Administration degree from Bernard M. Baruch College, City University of New York.

John R. Price, 69, became president and chief executive officer of the FHLBank of Pittsburgh on January 2, 2006. Prior to joining the FHLBank of Pittsburgh, Mr. Price was a senior advisor to the Institute of International Finance. Mr. Price also held several senior-level positions at JP Morgan Chase & Co. in New York (formerly Manufacturers Hanover Trust Co. which later merged into Chemical Bank and Chase Manhattan Bank). Mr. Price was responsible for the mortgage banking and consumer finance subsidiaries; led the team advising the U.S. government on the securitization on $5 billion of community development and rural low-income housing loans, and earlier served as corporate secretary. Mr. Price graduated from Grinnell College in Iowa, was named a Rhodes Scholar, earned advanced degrees in Development Economics and Diplomatic History from Queens College at Oxford University and received his law degree from Harvard Law School. Mr. Price was a member of the board and chair of the audit committee of the Principal Financial Corporation, is a life trustee of Grinnell College and was the founding chairman of Americans for Oxford. Mr. Price also served as president of the Bankers Association for Finance and Trade.

Richard A. Dorfman, 62, began serving as president and CEO of the FHLBank of Atlanta on June 20, 2007. Before coming to the FHLBank of Atlanta, he served as an independent consultant, providing strategic and operational consulting and advisory work to several organizations, including certain other FHLBanks and the Office of Finance, from 2005 to 2007. Prior to that time, he was the Managing Director and Head of U.S. Agencies and Mortgages at ABN Amro, Inc. from 1997 until 2005. He held a succession of senior positions in the mortgage and GSE businesses as a managing director of Lehman Brothers from 1983 to 1997, and was president of Columbia Group Advisors from 1981 to 1983. He holds a J.D. from Syracuse University and B.A. in European History from Hofstra University.

David H. Hehman, 59, is president and chief executive officer of the FHLBank of Cincinnati. He was named president and chief executive officer in 2003, following a 25-year career at the FHLBank of Cincinnati during which he held positions including chief financial officer and executive vice president. In addition to his duties at the FHLBank of Cincinnati, Mr. Hehman represents the FHLBank of Cincinnati on Pentegra's Retirement Fund, and was appointed by the Finance Board as an FHLBank president member of the Office of Finance board of directors. Outside the FHLBank of Cincinnati, Mr. Hehman also serves on the board of directors of Brighton

Properties, Inc., a nonprofit affordable housing and social services agency in Newport, Kentucky, and the Economic Advisory Committee for the Greater Cincinnati Chamber of Commerce.

Milton J. Miller, II, 52, was selected by the FHLBank of Indianapolis' board of directors to serve as president and CEO of the FHLBank of Indianapolis effective July 16, 2007. Mr. Miller began his career at the FHLBank of Indianapolis in 1978 and held various positions, until his appointment as CFO in 1985, a position he held until he accepted early retirement from the bank in December 2006. Mr. Miller was appointed to the board of the Resolution of Funding Corporation on September 12, 2007, and was appointed to the board of Pentegra Retirement Services on January 15, 2008. Pentegra Retirement Services is a not-for-profit cooperative that is a national provider of full-service community bank retirement programs, including those provided to the employees of the FHLBank of Indianapolis. Mr. Miller received a BS in Management and Administration in 1977 and an MBA in Finance in 1981, both from Indiana University, Bloomington. He received his Chartered Financial Analyst (CFA) designation in 1986.

J. Mikesell Thomas, 57, has been president and chief executive officer of the FHLBank of Chicago since August 2004. Prior to his employment with the FHLBank of Chicago, Mr. Thomas served as an independent financial advisor to companies on a range of financial and strategic issues from April 2001 to August 2004. Mr. Thomas was a managing director of Lazard Freres & Company, where he was responsible for advising management and boards of client companies on strategic transactions from January 1995 to March 2001. He held positions of increasing responsibility at First Chicago Corporation, including chief financial officer and later, executive vice president and co-head of corporate and institutional banking, from 1973 to 1995. Mr. Thomas is trustee and chair of the audit committee for the following trusts: The UBS Funds, UBS Relationship Funds and SMA Relationship Trust. He is a trustee and a member of the audit committee of UBS Private Portfolios Trust and director and chair of the audit committee of Fort Dearborn Income Securities, Inc.

Richard S. Swanson, 58, was elected by the board of directors to the position of president and chief executive officer of the FHLBank of Des Moines on June 1, 2006. Prior to joining the Bank, Mr. Swanson was a principal of the Seattle law firm of Hillis, Clark, Martin and Peterson for two years where he provided counsel in the areas of finance, banking law, and SEC regulation. From 2000 to 2003, Mr. Swanson served as chairman and chief executive officer of HomeStreet Bank in Seattle, Washington, and had served as its chief executive officer since 1990. As an industry-elected director from HomeStreet Bank, Mr. Swanson served on the board of directors of the FHLBank of Seattle from 2000 to 2003, and served as the board's vice chair from 2002 to 2003. He currently serves as a director of Triad Guaranty, Inc. and Alaska Growth Capital.

Terry Smith, 51, serves as president and chief executive officer of the FHLBank of Dallas and has served in such capacity since August 2000. Prior to that, he served as executive vice president and chief operating officer of the FHLBank of Dallas, responsible for the financial and risk management, credit and collateral, financial services, accounting, and information systems functions. Mr. Smith joined the FHLBank of Dallas in January 1986 to coordinate the hedging and asset/liability management functions, and was promoted to chief financial officer in 1988. He served in that capacity until his appointment as chief operating officer in 1991. Mr. Smith currently serves as vice chairman of the board of directors of the FHLBanks Office of Finance and as chairman of the audit committee of the FHLBanks Office of Finance. He also serves on the Council of Federal Home Loan Banks and the board of directors of the Pentegra Defined Benefit Plan for Financial Institutions. Mr. Smith currently serves as Chairman of the Investment Committee for the Pentegra Defined Benefit Plan for Financial Institutions.

Andrew J. Jetter, 52, became president and chief executive officer of FHLBank of Topeka in September 2002. He also served as executive vice president and chief operating officer from January 1998 to September 2002. He joined the FHLBank in 1987 as an attorney and was promoted to general counsel in 1989, vice president in 1993, and senior vice president in 1996.

Dean Schultz, 61, has been president and chief executive officer of the FHLBank of San Francisco since April 1991. Mr. Schultz is a director of Social Compact, an organization dedicated to increasing business leadership for and investment in lower-income communities. Prior to joining the FHLBank of San Francisco, he was executive vice president of the FHLBank of New York, where he had also served as senior vice president and general counsel. From 1980 to 1984, he was senior vice president and general counsel with First Federal Savings and Loan Association of Rochester, New York. He previously was a partner in a Rochester law firm.

Richard M. Riccobono, 50, has served as president and chief executive officer of the FHLBank of Seattle since May 2007. From August 2005 until May 2007, Mr. Riccobono served as executive vice president, chief operating officer of the FHLBank of Seattle. From 1989 until July 2005, Mr. Riccobono served at the Office of Thrift Supervision (OTS) including as deputy director from 1998 until July 2005. Prior to his tenure at the OTS, he served in various positions at the FHLBank of Atlanta and FHLBank of Boston.

Chief Executive Officer, FHLBanks Office of Finance.

John D. Fisk, 51, began serving as chief executive officer of the Office of Finance on January 1, 2008. Mr. Fisk has more than 20 years of experience in the fixed-income and mortgage markets. Prior to joining the Office of Finance in 2004, he was executive vice-president for strategic planning at MGIC, the nation's largest private mortgage insurer. Previously, Mr. Fisk held a series of increasingly responsible capital market and mortgage positions in 17 years at Freddie Mac. These included leading the securities sales & trading group and the REMIC Program. By the time of his departure in 2000, he was executive vice-president, responsible for all single-family mortgage business. A 1978 graduate of Yale University, Mr. Fisk earned his MBA from the Wharton School at the University of Pennsylvania in 1982.

FHLBanks Office of Finance Board of Directors. The current directors of the FHLBanks Office of Finance are Charles A. Bowsher, Terry Smith, the president of the FHLBank of Dallas, and David H. Hehman, the president of the FHLBank of Cincinnati. Mr. Hehman's term expires on March 31, 2008. The board of directors of the Finance Board appointed Dean Schultz, the president of the FHLBank of San Francisco, to serve as a director on the Office of Finance board for a three-year term that expires on March 31, 2011.

Charles A. Bowsher, 76, was appointed to serve as the private citizen director on the Office of Finance Board of Directors on April 11, 2007. Mr. Bowsher will serve as chairman of the board and was appointed to fill a three-year term that expires on March 31, 2010. After a distinguished career at Arthur Andersen, and as Assistant Secretary for Financial Management for the U.S. Navy, Mr. Bowsher was appointed Comptroller General of the United States by President Reagan in 1981. Following his 15-year term, he has worked on a number of corporate boards, and currently serves on the advisory board of the Public Company Accounting Oversight Board and Glass Lewis & Company.

Regulations Governing the Selection and Compensation of FHLBank and Office of Finance Employees

As specified in the Gramm-Leach-Bliley Act of 1999 (GLB Act), the selection and compensation of FHLBank officers and employees are subject to the approval of the board of directors and management of each individual FHLBank. The Finance Board exercises similar supervisory and examination authority over the Office of Finance and its board of directors as it exercises over an FHLBank and its board of directors. Finance Board regulations require the Office of Finance board of directors to select, employ, determine the compensation for, and assign the duties of the managing director/chief executive officer.

Compensation Discussion and Analysis. Each FHLBank's board of directors and management are responsible for establishing that FHLBank's compensation philosophy and objectives, and each FHLBank includes a compensation discussion and analysis relating to all material elements of

the compensation of its named executive officers in its annual report on Form 10-K filed with the SEC. (See "Available Information on Individual FHLBanks.") The following information has been provided for each FHLBank primarily based on the presentation it used in its annual report Form 10-K for the year ended December 31, 2007, which in each case provides detail about the FHLBank's compensation philosophy and objectives. The presentations may not be consistent due to differing FHLBank practices and application and interpretation of the rules.

FHLBank Presidents and Office of Finance Managing Director and CEO

Summary Compensation Table

FHLBank Name	President/Managing Director and CEO Name	Year		Salary ($)	Bonus ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation* ($)	Total ($)
Boston	Michael A. Jessee	2007	(1)	600,000	22,500	350,880	742,000	100,646	1,816,026
		2006		569,250	38,045	261,955	539,000	98,043	1,506,293
New York	Alfred A. DelliBovi	2007	(2)	583,539		421,964	479,000	75,855	1,560,358
		2006		560,018		349,364	294,000	73,047	1,276,429
Pittsburgh	John R. Price	2007	(3)	550,000		541,750	167,000	48,015	1,306,765
		2006		500,004		250,001	111,000	499,005	1,360,010
Atlanta	Richard A. Dorfman	2007	(4)	371,538	148			183,605	555,291
Atlanta	William H. Ott, Jr.	2007	(5)	860,891				311,250	1,172,141
Atlanta	Raymond R. Christman	2007	(6)	73,062			327,867	896,001	1,296,930
		2006		562,825			190,267	71,220	824,312
Cincinnati	David H. Hehman	2007	(7)	561,481		550,588	668,000	57,042	1,837,111
		2006		530,266	50,000	339,219	744,000	50,354	1,713,839
Indianapolis	Milton J. Miller, II	2007	(8)	176,928		80,957	1,566,000	1,632,402	3,456,287
Indianapolis	Brian K. Fike	2007	(9)	315,550		66,302	170,000	19,059	570,911
		2006		202,020		35,354	129,000	12,202	378,576
Chicago	J. Mikesell Thomas	2007	(10)	703,040		300,000	225,000	48,499	1,276,539
		2006		676,000		676,000	281,000	41,215	1,674,215
Des Moines	Richard S. Swanson	2007	(11)	561,600		278,460	69,000	227,638	1,136,698
		2006		315,000	118,125			35,606	468,731
Dallas	Terry Smith	2007	(12)	649,750		348,136	127,000	347,215	1,472,101
		2006		565,000		118,090	111,000	244,192	1,038,282
Topeka	Andrew J. Jetter	2007	(13)	560,269		278,815	152,048	53,514	1,044,646
		2006		533,750		285,347	371,117	59,859	1,250,073
San Francisco	Dean Schultz	2007	(14)	682,500	348,500	259,200	499,049	56,205	1,845,454
		2006		650,000	329,500	244,200	407,092	53,952	1,684,744
Seattle	Richard M. Riccobono	2007	(15)	445,251		341,688	73,631	37,275	897,845
Seattle	James E. Gilleran	2007	(16)	189,262				13,024	202,286
		2006		542,769		271,385		26,812	840,966
Office of Finance	John K. Darr	2007	(17)	582,400		612,113	2,034,000	24,298	3,252,811
		2006		560,000	377,854	237,350	1,056,000	27,787	2,258,991

* Compensation in this column is further described below in the "All Other Compensation Table."

(1) The FHLBank of Boston does not have any arrangements that provide for payments upon termination or a change in control. There is a severance policy where all employees are eligible. Under the severance policy if Mr. Jessee's employment is terminated, either involuntarily or by mutual agreement, for reasons other than "cause" (for example poor performance, poor attendance, insubordination), Mr. Jessee is entitled to receive an amount equal to one year's salary. The severance policy does not constitute a contractual relationship between the FHLBank of Boston and Mr. Jessee, and the FHLBank of Boston reserves the right to modify, revoke, suspend, terminate, or change the severance policy at any time without notice.

(2) The FHLBank of New York is an "at will" employer and does not provide written employment agreements to any of its employees. However, employees, including the president, receive (a) cash compensation (i.e., base salary and a "variable" or "at-risk" short-term incentive compensation plan), (b) retirement related benefits (i.e., defined benefit and defined contribution plans) and (c) other benefits. Other benefits, which are available to all regular employees, include medical, dental, vision care, life, business travel accident, and short and long term disability insurance, flexible spending accounts, an employee assistance program, educational development assistance, voluntary life insurance, long term care insurance and fitness center reimbursement. An additional benefit offered to all officers, age 40 or greater, or who are at VP level or above, is a physical examination every 18 months.

(3) In the event of a merger of the FHLBank of Pittsburgh with another FHLBank, where the merger results in the termination of employment (including resignation for "good reason" as defined under the Change in Control (CIC) agreement) for the CEO, Mr. Price is eligible for severance payments under his CIC Agreement. Such severance is in lieu of severance under the Severance Policy. Mr. Price's separate severance agreement continues to apply to employment terminations excluding those resulting from a FHLBank of Pittsburgh merger. Benefits under the CIC Agreement for Mr. Price are as follows: two years base salary; two times the VIP award payout eligibility at target in the year of separation from service; FHLBank of Pittsburgh contributions for medical insurance for the benefits continuation period of 18 months at the same level that the FHLBank of Pittsburgh contributes to medical insurance for its then-active employees; individualized outplacement for up to 12 months; payment equal to the additional benefit amount Mr. Price would receive for 2 additional years of credited service under the qualified and nonqualified defined benefit plans; and payment equal to two times 6 percent of his annual compensation in the year of separation from service. This amount is intended to replace the FHLBank of Pittsburgh matching contribution under the FHLBank of Pittsburgh's qualified and nonqualified defined contribution plans. The CIC agreement was executed in November 2007.

(4) The FHLBank of Atlanta entered into an Employment Agreement with Mr. Dorfman in connection with his appointment as President and Chief Operating Officer. The Agreement contains a severance arrangement such that upon the termination of Mr. Dorfman for any reason other than "cause," (as defined in the Agreement) or if Mr. Dorfman terminates employment for "good reason," (as defined in the Agreement) then the FHLBank of Atlanta is required to pay a total of the base salary in effect at the date of termination plus an amount equal to the amount which would have been payable pursuant to Mr. Dorfman's short-term incentive compensation award for the year in which the date of termination occurs, payable at the time such incentive compensation awards are paid to other executives.

(5) The FHLBank of Atlanta entered into a Consulting Agreement with PEAC Ventures, Inc., a corporate advisory firm of which Mr. Ott was president, in connection with Mr. Ott's appointment as interim President and Chief Executive Officer. Under this Agreement, termination of the Agreement by the FHLBank of Atlanta for any reason other than cause required the FHLBank of Atlanta to pay PEAC an amount equal to two times the compensation due for the thirty days immediately preceding the date of termination, but not less than $120,000.

(6) In connection with Mr. Christman's retirement, the FHLBank of Atlanta and Mr. Christman entered into an Agreement and Release of All Claims. The Agreement provided for: (a) aggregate severance payment of $730,000; (b) aggregate payment of $120,000 for consulting services that Mr. Christman agreed to provide to the FHLBank of Atlanta; and (c) at the FHLBank of Atlanta's expense, medical insurance coverage for Mr. Christman in coordination with COBRA for a period up to 18 months beginning February 1, 2007. In addition, the Agreement contains a general release by Mr. Christman in favor of the FHLBank of Atlanta.

(7) Other than normal pension benefits and eligibility to participate in the FHLBank of Cincinnati's retiree medical and retiree life insurance programs, no perquisites or other special benefits are provided to the president in the event of a change in control, resignation, retirement or other termination of employment.

(8) Mr. Miller was named President—CEO of the FHLBank of Indianapolis effective July 16, 2007. Mr. Miller, in the absence of a key employee severance agreement, would receive severance under the Bank's Severance Pay Plan approved by the board on November 17, 2006. The Severance Pay Plan pays a senior officer up to a maximum 52 weeks of base pay computed at the rate of four weeks of severance pay for each year of service. In addition, the plan pays a lump sum payment equal to the employee's cost to maintain health insurance coverage under the Consolidated Omnibus Budget Reconciliation Act ("COBRA") for the time period applicable under the severance pay schedule. Mr. Miller would receive the maximum payout of 52 weeks of base pay and twelve months of COBRA. The benefit of this severance to Mr. Miller, if triggered as of December 31, 2007, would be $416,122. The Severance Pay Plan may be amended or eliminated by the board at any time.

(9) Mr. Fike served as interim president and chief executive officer of the FHLBank of Indianapolis from December 30, 2006 through July 15, 2007. The FHLBank of Indianapolis maintained a key employee severance agreement for its interim president until his term ended on July 15, 2007. Under the terms of the agreement, if a termination occurs under certain circumstances, the interim president was entitled to 2.99 times the average of the three preceding years' base salary, bonus, and other cash compensation, salary deferrals and matching contributions to the qualified and non-qualified plans, compensation for the loss of the use of a company vehicle, continued medical and dental plan coverage for 36 months, a gross up amount to

cover the increased tax liability, and an additional three years credit to age and years of service for the DB plan and the supplemental executive retirement plan.

(10) The FHLBank of Chicago's president has a separate severance benefit under his employment agreement. If Mr. Thomas' employment agreement is terminated by the FHLBank of Chicago without cause or by Mr. Thomas with good reason, Mr. Thomas is entitled to receive an amount equal to two times the sum of his base salary at the date of termination plus his minimum total incentive compensation at such date. The base salary amounts are payable within 10 days of the date a release is executed and 50% of the total incentive compensation amount is payable on each of the first two anniversaries of the termination date. No severance is payable in connection with a non-renewal of the employment agreement.

(11) Mr. Swanson's employment agreement will be terminated upon the occurrence of any one of the following events: his death, he is incapacitated from illness, accident, or other disability, and is unable to perform his normal duties for a period of ninety consecutive days, upon 30 days' written notice, or the expiration of the term of the employment agreement, or any extension or renewal thereof. Additionally, Mr. Swanson's employment agreement may be terminated by the FHLBank of Des Moines for cause or by Mr. Swanson for good reason, or by the FHLBank of Des Moines or Mr. Swanson without cause upon thirty days written notice to the other party. If Mr. Swanson's employment is terminated by the FHLBank of Des Moines without cause or by Mr. Swanson with good reason, he shall be entitled to (1) severance payments equal to two times his base salary for the calendar year in which the termination occurs, (2) the minimum total incentive compensation for the calendar year in which the termination occurs prorated as of such date, and (3) the benefit to which he would be entitled to receive beginning June 1, 2009 under the benefit equalization plan, which shall automatically vest. No severance shall be paid in connection with the expiration or non-renewal of the employment agreement. The total value of the change in control provisions at December 31, 2007 was $1.3 million.

(12) On November 20, 2007 (Effective Date), the FHLBank of Dallas entered into an employment agreement with Mr. Smith. The employment agreement provides that Mr. Smith's employment will continue for three years from the Effective Date unless terminated earlier for any of the following reasons: (1) death; (2) disability; (3) termination by the FHLBank of Dallas for cause; (4) termination by the FHLBank of Dallas for other than cause; or (5) termination by Mr. Smith with good reason. As of each anniversary of the Effective Date, an additional year is automatically added to the unexpired term of the employment agreement unless either the FHLBank of Dallas or Mr. Smith gives a notice of non-renewal.

In the event that Mr. Smith's employment with the FHLBank of Dallas is terminated either by him for good reason or by the FHLBank of Dallas other than for cause, or in the event that either the FHLBank of Dallas or Mr. Smith gives notice of non-renewal and the FHLBank of Dallas relieves him of his duties, Mr. Smith shall be entitled to receive base salary continuation (at the base salary in effect at the time of termination) from the termination date through the end of the remaining term of the employment agreement; continued participation in any incentive compensation plan in existence as of the termination date, provided that all other eligibility and performance objectives are met, as if he had continued employment through December 31 of the year in which the termination occurs (Mr. Smith will not be eligible for incentive compensation with respect to any year following the year of termination); continuation of any elective health care benefits that are being provided to him as of his termination date for one year; and a lump sum payment equal to the cost of COBRA Continuation Coverage under the health care benefits plan of the kind Mr. Smith then subscribes to for the number of months for which base salary is payable in excess of one year.

(13) The FHLBank Topeka does not have a separate employment agreement with its president. The FHLBank Topeka provides severance benefits to its executive officers pursuant to the FHLBank Topeka's Officer Severance Policy. The policy's primary objective is to provide a level of protection to officers, including the president, from loss of income during a period of unemployment. An officer of the FHLBank Topeka is eligible to receive severance pay under the policy if the FHLBank Topeka terminates the officer's employment with or without cause, subject to certain limitations. Provided the requirements of the policy are met and the president provides the FHLBank Topeka an enforceable release, the president will receive severance pay equal to 52 weeks of the president's final base salary.

(14) Mr. Schultz's $348,500 amount represents awards made under the FHLBank of San Francisco annual short-term cash incentive compensation plan and the $259,200 amount represents awards made under the FHLBank of San Francisco's long-term cash incentive compensation plan. The FHLBank of San Francisco president is employed on an at-will basis. Mr. Schultz may receive severance benefits in the event that Mr. Schultz's employment is terminated because the job or position is eliminated or substantially modified, equal to the greater of: (i) 12 weeks of the president's base salary, or (ii) the sum of three weeks of the president's base salary plus three weeks of the president's base salary for each full year of service and three weeks of base salary prorated for each partial year of service at the FHLBank of San Francisco to a maximum of 52 weeks. The FHLBank of San Francisco's current severance policy also provides one month of continued health and life insurance benefits and, at the FHLBank's discretion, outplacement assistance.

(15) If Mr. Riccobono's employment is terminated as a result of a change of control due to the merger or consolidation of the FHLBank of Seattle with or into another FHLBank, or the liquidation of the FHLBank

of Seattle, Mr. Riccobono will be entitled to receive a lump sum severance payment in an amount equal to 24 months of his then-current base salary. In addition, the FHLBank of Seattle would pay Mr. Riccobono's premiums for continued health insurance benefits for a period of 18 months. No other named executive officers have change in control arrangements with the FHLBank of Seattle.

(16) Mr. Gilleran resigned from the FHLBank of Seattle effective May 1, 2007. Under his prior contract, if Mr. Gilleran's employment had been terminated without cause, he was entitled to receive continuing payments of severance pay at a rate equal to his then-current base salary, for a period of 12 months from the date of such termination. If his employment had been terminated as a result of a change of control, Mr. Gilleran was entitled to receive a lump sum severance payment in an amount equal to 24 months of his then-current salary. In addition, the FHLBank of Seattle would pay Mr. Gilleran's premiums for continued health insurance benefits for a period of 18 months.

(17) Mr. Darr's non-equity incentive compensation consists of $409,136 awarded under the Office of Finance's annual short-term incentive compensation and $202,977 awarded under the Office of Finance's long-term incentive plan. Mr. Darr retired from the Office of Finance effective December 31, 2007.

All Other Compensation Table

FHLBank Name	President/Managing Director and CEO Name		Termination of employment or change of control if triggered ($)	Contribution or other allocations made by the FHLBank to vested and/or unvested defined contribution plans ($)	Dollar value of any insurance premiums paid by the FHLBank with respect to life insurance for the benefit of the president ($)	Gross-ups or other amounts reimbursed for the payment of taxes ($)	Perquisites and Other Personal Benefits* ($)	Other ($)	Total ($)
Boston	Michael A. Jessee	2007 (1)		54,000	7,110		39,536		100,646
		2006		38,634	6,510		39,279	13,620	98,043
New York	Alfred A. DelliBovi	2007 (2)		34,985	12,403		28,467		75,855
		2006		33,600	12,102		12,432	14,913	73,047
Pittsburgh	John R. Price	2007		48,000				15	48,015
		2006 (3)		30,000		201,732	267,273		499,005
Atlanta	Richard A. Dorfman	2007 (4)		21,000			162,605		183,605
Atlanta	William H. Ott, Jr.	2007	311,250						311,250
Atlanta	Raymond R. Christman	2007 (5)	730,000	2,814			43,187	120,000	896,001
		2006		33,768	23,000		14,452		71,220
Cincinnati	David H. Hehman	2007		57,042					57,042
		2006		50,354					50,354
Indianapolis	Milton J. Miller, II	2007 (6)		10,615	71	819	68,984	1,551,913	1,632,402
Indianapolis	Brian K. Fike	2007		18,933	126				19,059
		2006		12,121	81				12,202
Chicago	J. Mikesell Thomas	2007 (7)					43,098	5,401	48,499
		2006					41,215		41,215
Des Moines	Richard S. Swanson	2007 (8)		9,828		77,635	140,175		227,638
		2006					35,606		35,606
Dallas	Terry Smith	2007 (9)		249,229		10,276	24,626	63,084	347,215
		2006		154,544		10,249	24,666	54,733	244,192
Topeka	Andrew J. Jetter	2007 (10)		36,181	1,697		14,463	1,173	53,514
		2006		43,643	1,606		13,379	1,231	59,859
San Francisco	Dean Schultz	2007 (11)		40,950	4,080		10,252	923	56,205
		2006		39,000	3,727		10,075	1,150	53,952
Seattle	Richard M. Riccobono	2007		37,275					37,275
Seattle	James E. Gilleran	2007		13,024					13,024
		2006		26,812					26,812
Office of Finance	John K. Darr	2007 (12)		3,174			20,053	1,071	24,298
		2006		5,425	2,195		19,286	881	27,787

* Only individual amounts greater than $25,000 are disclosed in the footnotes.

(1) Perquisites and other benefits amount for 2007 and 2006 for Mr. Jessee includes the following: financial planning services, personal use of FHLBank-provided vehicle, club membership dues, medical expense reimbursements and spousal travel expenses.

(2) Perquisites and other benefits amount for 2007 for Mr. DelliBovi includes the following: personal use of FHLBank-provided vehicle and payment of vision insurance premium and for 2006 include the personal use of FHLBank-provided vehicle.

(3) Perquisites and other benefits amount for 2006 for Mr. Price includes the following: $258,000 for relocation assistance, and other personal benefits.

(4) Perquisites and other benefits amount for Mr. Dorfman includes the following: relocation assistance and other personal benefits.

(5) Perquisites and other benefits amount for 2007 for Mr. Christman includes the following: personal use of FHLBank-provided vehicle, financial planning services, club membership dues and other personal benefits. Perquisites and other benefits amount for 2006 for Mr. Christman includes the following: personal use of FHLBank-provided vehicle, club membership dues and other personal benefits.

(6) Perquisites and other benefits amount for Mr. Miller includes a vacation payout. Other includes a payout from the SERP of $1,550,513 and other de minimus benefits.

(7) Perquisites and other benefits amount for 2007 for Mr. Thomas includes the following: $38,728 for reimbursement of independent medical plan premiums, and the remainder for commuting expenses.

Perquisites and other benefits amount for 2006 for Mr. Thomas includes the following: $37,625 for reimbursement of independent medical plan premiums, and the remainder for commuting expenses.

(8) Perquisites and other benefits amount for 2007 for Mr. Swanson includes the following: $131,175 in relocation expenses and a car allowance. Perquisites and other benefits amount for 2006 for Mr. Swanson includes the following: personal use of FHLBank-provided vehicle, and $30,356 for housing and other living expenses including relocation assistance and payments for the president to stay at his personal residence.

(9) Perquisites and other benefits amount for 2007 for Mr. Smith includes the following: personal use of FHLBank-provided vehicle and spousal travel expenses. Perquisites and other benefits amount for 2006 for Mr. Smith includes the following: personal use of FHLBank-provided vehicle, use of FHLBank-owned computer and spousal travel expenses.

(10) Perquisites and other benefits amount for 2007 and 2006 for Mr. Jetter includes the following: personal use of FHLBank-provided vehicle, club membership and spousal travel expenses.

(11) Perquisites and other benefits amount for 2007 and 2006 for Mr. Schultz includes the following: personal use of FHLBank-provided vehicle, health club membership dues and commuting expenses.

(12) Perquisites and other benefits amount for 2007 and 2006 for Mr. Darr includes the following: financial planning services, personal use of OF-provided vehicle and health club membership dues.

Grants of Plan Based Awards for Year 2007

FHLBank Name	President/Managing Director and CEO Name		Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		
				Threshold ($)	Target ($)	Maximum ($)
Boston	Michael A. Jessee			150,000	300,000	450,000
New York	Alfred A. DelliBovi		1/18/07	128,379	233,416	443,490
Pittsburgh	John R. Price			178,750	302,500	550,000
Atlanta	Richard A. Dorfman	(1)	6/13/07		700,000	
		(3)	6/13/07	88,577	177,154	294,075
Atlanta	Raymond R. Christman	(2)	1/25/07	168,848	253,271	365,836
		(3)	1/25/07	84,424	168,848	281,413
Cincinnati	David H. Hehman		1/18/2007	133,750	294,250	401,250
			2/18/2007	72,228	160,500	264,825
Indianapolis	Milton J. Miller, II		1/26/2007	25,001	50,001	100,003
Indianapolis	Brian K. Fike		1/26/2007	20,475	40,950	81,900
Chicago	J. Mikesell Thomas	(4)	1/01/2007	703,040	703,040	878,800
Des Moines	Richard S. Swanson		12/31/2007	140,400	210,600	280,800
Dallas	Terry Smith			185,179	331,373	389,850
Topeka	Andrew J. Jetter		1/01/2007		59,402	85,539
			4/01/2007		62,372	89,816
			7/01/2007		62,372	89,816
			10/01/2007		124,002	178,563
San Francisco	Dean Schultz	(2)	2/01/2007	102,400	204,800	409,500
		(3)	2/01/2007	102,400	204,800	409,500
Seattle	Richard M. Riccobono			81,629	148,417	252,309
			1/01/2007	69,747	139,493	209,240
Seattle	James E. Gilleran	(5)		108,150	189,263	324,450
		(5)	1/01/2007	81,113	162,225	243,338
Office of Finance	John K. Darr	(2)	1/23/2007	145,600	291,200	436,800
		(6)	1/23/2007	145,600	291,200	436,800

(1) Mr. Dorfman's agreement provides for a short-term incentive opportunity for the 12 months ending June 30, 2008, up to or equal to 100 percent of his base salary, based upon the discretion of the FHLBank of Atlanta's board of directors.

(2) Represents estimate of annual short-term incentive compensation for January 1, 2007 through December 31, 2007.

(3) Represents estimate of long-term incentive compensation for the three-year performance cycle beginning January 1, 2007 and ending December 31, 2009.

(4) Mr. Thomas' employment agreement was amended on January 29, 2007 to provide for a reduction in the payment of his calendar year 2007 incentive compensation from $703,040 to $300,000.

On December 18, 2007, the FHLBank of Chicago's Board of Directors terminated the existing Long Term Incentive Compensation Plan effective December 31, 2007. In connection with terminating the Long Term Incentive Compensation Plan, the FHLBank of Chicago's Board of Directors approved refunding plan participants their contribution for purchased performance units covering outstanding performance periods with accrued interest at the ninety day FHLBank System discount note rate from the date of purchase through the refund date. Mr. Thomas received his refund on January 31, 2008, which included $5,401 of accrued interest.

(5) As a result of Mr. Gilleran's resignation effective April 30, 2007, he will not receive his long-term cash-based incentive compensation awards for the 2005-2007 and 2006-2008 performance plans. The threshold, target and maximum amounts awarded to Mr. Gilleran had he remained under the employ of the FHLBank of Seattle at the time the plan award payments are made for the 2005-2007 performance plan would have been $26,250, $52,500 an $78,750 and for the 2006-2008 performance plan would have been $27,038, $54,075, and $81,113.

(6) Represents estimate of long-term incentive compensation for the three-year performance cycle beginning January 1, 2007 and ending December 31, 2009, which will be pro-rated due to Mr. Darr's retirement on December 31, 2007.

Pension Benefits for Year 2007

FHLBank Name	President/Managing Director and CEO Name		Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit ($)	Payments During 2007 ($)
Boston	Michael A. Jessee	(1)	Pentegra DBP	30.3	1,248,000	
			BEP	30.9	4,467,000	
New York	Alfred A. DelliBovi	(2)	Pentegra DBP	14.75	781,000	
			BEP	14.75	2,307,000	
Pittsburgh	John R. Price	(3)	Pentegra DBP	1.4	68,000	
			SERP	2.0	210,000	
Atlanta	Raymond R. Christman	(4)	Pentegra DBP	7.9		415,000
			BEP	7.9	928,000	31,000
Cincinnati	David H. Hehman	(5)	Pentegra DBP	29.9	1,291,000	
			BEP	29.9	4,180,000	
Indianapolis	Milton J. Miller	(6) (8)	Pentegra DPB	30.0	14,000	1,230,601
			SERP	30.0	723,000	1,550,513
Indianapolis	Brian K. Fike	(7) (8)	Pentegra DPB	25.0	593,000	
			SERP	25.0	317,000	
Chicago	J. Mikesell Thomas	(9)	Pentegra DBP	2.8	93,000	
			BEP	2.8	436,000	
Des Moines	Richard S. Swanson		Pentegra DBP	0.6	20,000	
			BEP	0.6	49,000	
Dallas	Terry Smith	(10)	Pentegra DBP	22.0	976,000	
Topeka	Andrew J. Jetter	(11)	Pentegra DBP	19.6	407,000	
			BEP	19.6	1,170,000	
San Francisco	Dean Schultz	(12)	Cash Balance Plan	22.75	216,475	
			FIRF	11.0	407,218	
			BEP	22.75	1,774,108	
			Deferred Compensation Plan	22.75	46,203	
			SERP	5.0	585,758	
Seattle	Richard M. Riccobono	(13)	Pentegra DBP	21.6	403,000	
			BEP	21.6	579,009	
Office of Finance	John K. Darr	(14)	Pentegra DPB	15.8	829,000	
			SERP	20.5	5,581,000	

* Pentegra DBP = Pentegra Defined Benefit Plan for Financial Institutions
BEP = Benefit Equalization Plan
SERP = Supplemental Executive Retirement Plan
FIRF = Financial Institutions Retirement Fund

(1) • Formula: 2.375 percent × high three-year average compensation × credited years of service, subject to a maximum annual benefit amount not to exceed 80 percent of high three-year average compensation.

- Compensation is the highest three-year compensation (salary and incentive) paid in the year.
- The regular form of retirement benefits is a straight-life annuity including a lump-sum retirement death benefit.

Mr. Jessee's credited years of service for the Pentegra DBP includes 11.8 years of service at a previous employer that participated in the Pentegra DBP, and the credited years of service for the Pension BEP includes 12.4 years of service at that previous employer.

(2) • Formula: 2.5 percent × years of benefit service (not to exceed 30) × high three-year average compensation.

- Three-year average compensation is comprised of salary and incentive payments as such terms are used in the Summary Compensation table. The benefit calculation is based on the average annual compensation for the three consecutive years of highest compensation during the years of credited service.
- The regular form of the retirement benefit is a straight-life annuity with a death benefit equal to 12 times the annual benefit less the amount of benefits paid before death.

(3) • Formula: 2 percent × years of benefit service × high three-year average compensation.

- Compensation covered for the Pentegra Defined Benefit Plan includes annual base salary, subject to IRS limitations. Compensation covered for the SERP includes annual base salary and annual incentive compensation, without regard to IRS limitations.
- The regular form of retirement benefits provides a single life annuity; a lump sum option is also available.

(4) • Formula: 2.5 percent × years of service (not to exceed 30 years) × high three-year average compensation.

- Compensation used for retirement plan calculations includes the high three-year average of regular salary at January 1 and incentive compensation paid in the prior calendar year as reported in the Summary Compensation table above.
- The regular form of all retirement benefits provides for an annual retirement benefit, expressed as a single, straight life annuity, plus a death benefit.

(5) • Formula: 2.5 percent × years of benefit service × high three-year average salary.

- Salary is defined as Salary, Bonus and the amount included in the Non-Equity Incentive Compensation Plan column for the short-term incentive plan as reported in the Summary Compensation Table.
- The regular form of retirement benefits is a straight-life annuity including a lump-sum retirement death benefit.

(6) The years of credited service for Mr. Miller in the table above have been increased by three years as a result of the terms of the early retirement incentive package. The early retirement incentive was offered to all employees age 50 or older with 10 or more years of service as of December 15, 2006.

(7) Mr. Fike's credited years of service include 23 years as an employee of the FHLBank of Indianapolis and two years of service with a prior employer that participated in the Pentegra DBP. The additional two years of benefit service with the previous employer increased the present value of Mr. Fike's overall benefit by approximately $48,000 for the Pentegra DBP and $26,000 for the SERP.

(8) • Formula: 2.5 percent × years of benefit service × high three-year average compensation plus, at age 66, an annual retiree cost of living adjustment of three percent without regard to the IRS limits.

- The remuneration covered includes salary, bonus, and any other compensation, that is reflected on the Internal Revenue Service Form W-2 (exclusive of any compensation deferred from a prior year).
- The regular form of retirement benefits provides for a lump sum payment or annual installments up to 20 years or a combination of lump sum and annual payments.
- Benefit payments commencing before age 65 are reduced by applying an early retirement factor based on the employee's age when payments begin. The allowance payable at age 65 would be reduced by 3 percent for each year under age 65. If the sum of the age and years of vesting service at termination of employment is at least 70, the retirement allowance would be reduced by 1.5 percent for each year under age 65.

(9) • Formula: 2.25 percent × the number of years credit service × highest five-year average salary.

- Compensation is the average annual salary (base and short-term incentive compensation) for the five consecutive years of highest salary during the benefit service.
- The regular form of retirement benefits is an annuity or a lump-sum retirement death benefit.

(10) • Formula: (3 percent × years of service credited prior to July 1, 2003 × high three-year average compensation (consecutive years)) plus (2 percent × years of service credited on or after July 1, 2003 × high three-year average compensation (consecutive years))

- The pension plan limits the maximum years of benefit service (both prior to July 1, 2003 and on or after July 1, 2003) to 30 years. Compensation covered by the plan includes taxable compensation as reported on Mr. Smith's W-2 (exclusive of any compensation deferred from a prior year) plus any pre-tax contributions to the FHLBank of Dallas' Section 401(k) plan and/or Section 125 cafeteria plan, subject to the 2007 IRS limitation of $225,000 per year. For 2008, the IRS increased the maximum compensation limit to $230,000 per year.
- The regular form of retirement benefit is a single life annuity that includes a lump-sum death benefit. The normal retirement age is 65, but Mr. Smith is eligible to receive an unreduced retirement benefit beginning at age 60. The FHLBank of Dallas does not have a supplemental defined benefit plan that covers compensation in excess of the IRS maximum limit; accordingly, the above table reflects the estimated pension benefits payable to Mr. Smith based solely on the IRS compensation limit as his compensation exceeded such limit.

(11) • Formula: Starting September 2003 Pentegra Defined Plan Benefit = 2.0 percent × years of benefit service (not to exceed 30 years) × high three-year average compensation. Benefit service begins one year after employment.

Prior to September 2003 FIRF Benefit = 2.25 percent × years of benefit service (not to exceed 30 years) × high three-year average compensation. Benefit service begins one year after employment.

- Compensation covered includes annual base salary plus incentive compensation without regard to IRS limitations.
- The regular form of retirement benefits provides a straight-life annuity with 10 years certain.

(12) ***Cash Balance Plan and the Financial Institutions Retirement Fund***

The FHLBank of San Francisco began offering benefits under the Cash Balance Plan on January 1, 1996. The Cash Balance Plan is a tax-qualified defined benefit pension plan that covers employees who have completed a minimum of six months of service, including the president. Each year, eligible employees accrue benefits equal to 6% of their total annual compensation (which includes base salary and short-term cash incentive compensation) plus interest equal to 6% of their account balances accrued through the prior year, referred to as the annual benefit component of the Cash Balance Plan.

The benefits under the Cash Balance Plan annual benefit component vest 20% per year and are fully vested after an employee completes 5 years of service (beginning in 2008, participants will fully vest after 3 years of service). Vested amounts are generally payable in a lump sum or in an annuity when the employee leaves the Bank.

Prior to offering benefits under the Cash Balance Plan, the FHLBank of San Francisco participated in the Financial Institutions Retirement Fund, or the FIRF. The FIRF is a multiple-employer tax-qualified defined benefit pension plan. The FHLBank of San Francisco withdrew from the FIRF on December 31, 1995.

When the FHLBank of San Francisco withdrew from the FIRF, benefits earned under the FIRF as of December 31, 1995, were fully vested and the value of those benefits was then frozen. As of December 31, 1995, the FHLBank of San Francisco calculated each participant's FIRF benefit based on the participant's then-highest three consecutive years' average pay multiplied by the participant's years of service multiplied by two percent, referred to as the frozen FIRF benefit. Upon retirement, participants will be eligible to receive their frozen FIRF benefits.

In addition, to preserve the value of the participant's frozen FIRF benefit, the FHLBank of San Francisco maintains the ratio of each participant's frozen FIRF annuity payments to the participant's highest three consecutive years' average pay as of December 31, 1995 (annuity ratio), which is referred to as the net transition benefit component of the Cash Balance Plan. Upon retirement, each participant with a frozen FIRF benefit will receive a net transition benefit under the Cash Balance Plan that equals his or her highest three consecutive years' average pay at retirement multiplied by his or her annuity ratio minus the frozen FIRF benefit.

- ***Benefit Equalization Plan***

The Benefit Equalization Plan is a non-qualified plan that is designed to restore retirement benefits lost under the Cash Balance Plan and the FHLBank of San Francisco's Savings Plan (a defined contribution plan) because of compensation and benefits limitations imposed on the Cash Balance Plan and the Savings Plan under the Internal Revenue Code (IRC). An employee's benefits that would have been credited or accrued under the Cash Balance Plan or the Savings Plan but for the limitations imposed on those plans under the IRC are credited or accrued under the Benefit Equalization Plan. The amounts credited or accrued under the Benefit Equalization Plan vest according to the corresponding provisions of the Cash Balance Plan and the Savings Plan.

- ***Deferred Compensation Plan***

The FHLBank of San Francisco's Deferred Compensation Plan is a non-qualified plan, consisting of three components: (1) employee deferral of current compensation; (2) make-up matching contributions that would have been made by the FHLBank of San Francisco under the Savings Plan had the base salary compensation not been deferred; and (3) make-up pension benefits that would have been earned under the Cash Balance Plan had total annual compensation (base salary and short-term cash incentive compensation) not been deferred.

- ***Supplemental Executive Retirement Plan***

Effective January 1, 2003, the FHLBank of San Francisco began providing a Supplemental Executive Retirement Plan to the FHLBank of San Francisco's senior officers, including the president. This plan is a non-qualified retirement benefit plan that provides a cash balance benefit to the FHLBank of San Francisco's senior officers that is in addition to the Cash Balance Plan benefits. The Supplemental Executive Retirement Plan supplements the Cash Balance Plan benefits to provide a competitive postretirement compensation package that is intended to help the FHLBank of San Francisco attract and retain key senior officers who are critical to the success of the FHLBank of San Francisco.

(13) Mr. Riccobono was entitled to carry his years of credited service earned at other employers that participate in the Pentegra DBP over to the BEP. Mr. Riccobono joined the BEP on January 1, 2006.

(14) • Formula: Starting April 2003 — 2.25 percent × years of benefit service × high three-year average compensation.

Prior to April 2003 — 2.50 percent x years of benefit service x high three-year average compensation.

- Compensation includes base salary and incentive compensation.
- The regular form of retirement benefit is a straight-life annuity including a lump-sum retirement death benefit.

Non-Qualified Deferred Compensation for Year 2007

FHLBank Name	President/Managing Director and CEO Name	President/ Managing Director Contributions ($)	FHLBank Contributions ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Earnings ($)	Aggregate Balance at 12/31/07 ($)
Boston	Michael A. Jessee	216,000	40,500		56,327	1,370,855
New York	Alfred A. DelliBovi	37,809	22,839		50,158	1,164,139
Pittsburgh	John R. Price	404,501	48,000		36,149	707,455
Atlanta	Richard A. Dorfman	7,500	7,500		(21)	14,979
Atlanta	Raymond R. Christman			467,859	7,706	
Cincinnati	David H. Hehman	389,881	52,565		92,218	2,150,215
Indianapolis	Milton J. Miller, II	152,800	9,168	275,088	26,126	623,284
Indianapolis	Brian K. Fike	15,600	12,411		4,464	113,112
Chicago	J. Mikesell Thomas				5,401	5,401
Des Moines	Richard S. Swanson	79,778	9,828		1,136	90,742
Dallas	Terry Smith	40,000	235,729	70,002	39,188	808,266
Topeka	Andrew J. Jetter	11,340	22,681		39,173	630,970
San Francisco	Dean Schultz				27,131	505,219
Seattle	Richard M. Riccobono	11,529	19,400		986	51,931
Seattle	James E. Gilleran	115,162	7,395	40,855	20,514	256,196
Office of Finance	John K. Darr	312,612	68,682		304,928	2,836,380

Office of Finance Managing Director and CEO 2007 Compensation Discussion and Analysis

This compensation discussion and analysis provides information on the Office of Finance compensation program for John K. Darr, Managing Director and CEO. The information describes, among other things, the objectives of the Office of Finance's compensation program and the elements of compensation provided by the Office of Finance.

Compensation Program Overview (Philosophy and Objectives)

The Office of Finance's Board of Directors (Office of Finance Board) is responsible for determining the philosophy and objectives of the Office of Finance's compensation program. The philosophy of the compensation program is to provide a flexible and market-based approach to compensation that attracts, retains and motivates high performing, accomplished financial services executives who, by their individual and collective performance, achieve the Office of Finance's strategic business initiatives and thereby the mission of the FHLBank System. To achieve this, the Office of Finance compensates its Managing Director and CEO using a total compensation program approach that combines base salary, short and long-term variable (incentive-based) compensation, retirement benefits and modest fringe benefits. The objectives of the program are to communicate short- and long-term goals and standards of performance for the successful achievement of Office of Finance's mission and to recognize, motivate and reward the Managing Director and CEO commensurate with his contribution.

The Office of Finance Board believes that its compensation philosophy, as expressed through the program, is objective and non-discriminatory in theory, application and practice and that the program is effective in attracting, retaining and motivating a highly qualified individual. The Office of Finance Board annually reviews the compensation program to insure that it is consistent with and supports the Office of Finance's business strategies and objectives.

The Office of Finance Human Resources Director provides compensation data to the Office of Finance Board, which is responsible for approving all forms of compensation provided to the Managing Director and CEO. Additionally, the Office of Finance Board reviews the Managing Director and CEO's recommendations for compensation of the senior executive officers of the Office of Finance. To insure the independence of Office of Finance's Internal Audit function, the Office of Finance Board is responsible for reviewing and approving all forms of compensation for the Director of Internal Audit.

Because individuals are not permitted to own FHLBank capital stock, all compensation is paid in cash and the Office of Finance has no equity compensation plans or arrangements.

Competition and Compensation Benchmarking

The Office of Finance's compensation program is designed to provide market competitive compensation, comparable to the compensation opportunity found at those financial institutions from which the Office of Finance expects to recruit executive officers. The Office of Finance competes with the FHLBanks and other federal housing GSEs, as well as private sector financial institutions including both mortgage and commercial banks for executive talent.

In determining market competitive compensation, the Office of Finance and the Office of Finance Board utilize nationally recognized, professionally published compensation survey sources and strive to create a program that generally delivers compensation for the Managing Director and CEO near the 75th percentile of the blended survey data when the Office of Finance meets or exceeds its performance goals.

Elements of Total Compensation Program

Salary

Base salary is a key component the Office of Finance's total compensation program. Factors affecting executive officer base salary include length of time in position or experience, individual achievement, and the scope of assigned responsibilities. Base salary increases are traditionally granted by the Office of Finance Board at the beginning of each calendar year and are based on a review of the individual's performance and contributions to the achievement of the Office of Finance's annual business plan goals and strategic long-term objectives and changes in the cost of living.

In January 2007, the Office of Finance Board approved a 4% base salary increase to $582,400 for John K. Darr, consistent with the average merit/cost of living increase for all OF employees.

Short-Term Non-Equity Incentive Plan Compensation

The Office of Finance's Management Incentive Compensation Plan (ICP) is an annual cash-based incentive compensation plan designed to promote and reward high levels of performance for accomplishing Office of Finance Board-approved goals. The annual goals reflect desired performance and the Office of Finance mission. Each goal is assigned a weight reflecting its relative importance and potential impact on the Office of Finance's strategic initiatives and annual business plan, and each is assigned a quantitative threshold, target and maximum level of performance.

When establishing the annual Office of Finance goals, corresponding performance levels and difficulty of achieving each goal, the Office of Finance Board anticipates that the Office of Finance will successfully achieve threshold level of performance the majority of the time. The target level is aligned with expected performance and is anticipated to be reasonably achievable. The maximum level is designed to be an overall stretch goal. Three goals based on Customer Service (40%), Cost of Funds (40%), and the Office of Finance relocation (20%) were established for 2007. The basis for the Customer Service goal is an annual survey distributed to the 12 FHLBanks eliciting input on the performance of each of Office of Finance's functions. The cost of funds goal is a four-segment measurement of the price of FHLBank debt as compared to the market. The relocation goal consisted of developing an Office of Finance Board-approved plan and budget to facilitate the relocation of the Office of Finance in mid-2008.

The Managing Director and CEO is assigned an annual incentive award opportunity, stated as a percentage of base salary, which corresponds to the level of organizational responsibility and ability to contribute to and influence overall Office of Finance performance. The incentive award opportunity for the 2007 plan year was: Threshold 25%, Target 50% and Maximum 75%.

The authorization for payment of ICP awards is generally provided following certification of the year-end performance results by the Office of Finance Board at its January meeting. The annual cash incentive payments are determined based on the actual performance in comparison with the performance levels established for each goal. If actual performance falls below the threshold level of performance no payment is made for that goal. If actual performance exceeds the maximum level only the value assigned as the performance maximum is paid. When actual performance falls between the assigned threshold, target and maximum performance levels, an interpolation is calculated for that goal. The achievement level for each goal is then multiplied by the corresponding incentive weight assigned to that goal and the results for each goal are summed to arrive at the final incentive award payable to the executive.

At its January 24, 2008 meeting, the Office of Finance Board authorized an ICP distribution of $409,136 (70.25%) for John K. Darr based on the following results: maximum performance on the FHLBank Survey goal, target/maximum performance on the four-segment funding cost goal, and maximum performance on the Office of Finance relocation goal.

Long-Term Non-Equity Incentive Plan Compensation

The Office of Finance's Long-Term Incentive Compensation Plan (LTI), is a cash-based, performance plan designed to promote high levels of performance, to create long-term ties between key employees and the Office of Finance, to establish a career orientation within the Office of Finance and to ensure retention of talent. The Office of Finance Board approves LTI goals that reflect desired performance, operational and public mission objectives for the Office of Finance as measured over a three-year performance period. Each approved LTI goal is assigned an incentive weight reflecting its relative importance and potential impact on the strategic long-term initiatives, and each is assigned a quantitative threshold, target and maximum level of performance 25%, 50%, 75% respectively for 2007.

The LTI Plan was initially established in 2004 with a performance period of January 1, 2004 through December 31, 2006. At the Office of Finance Board's January meeting in 2005, 2006, 2007, and 2008 new three-year performance periods were established. The Office of Finance currently expects to continue establishing a new three-year performance period commencing each January 1.

LTI incentive awards will be calculated based on the actual performance or achievement level for each LTI goal at the end of each three-year performance period, with interpolations made for results between achievement levels. The achievement level for each LTI goal is multiplied by the corresponding incentive weight assigned to that goal, the results are summed and then calculated as a percentage of base salary effective at the beginning of the three-year period.

The Office of Finance made an LTI Plan payment of $220,851 (41.67%) for the 2005-2007 Plan on February 15, 2008, as approved by the Office of Finance Board. Additionally, the Office of Finance Board approved a pro-rated partial payment of the 2007-2009 Plan of $87,360 due to Mr. Darr's retirement on December 31, 2007. Mr. Darr is eligible for two additional pro-rated LTI payments at the conclusion of the plan years ending 2008 and 2009, not to exceed $280,000 and $58,242, respectively.

Retirement Benefits

The Office of Finance maintains a comprehensive retirement program for the Managing Director and CEO comprised of a combination of two IRS qualified plans and two non-qualified plans, designed to restore benefits limited by IRS regulation. The following narrative describes the four plans:

Qualified Defined Benefit Pension Plan. The Pentegra Defined Benefit Plan for Financial Institutions (Pentegra DBP) is a funded tax-qualified plan that is maintained on a non-contributory basis, i.e., no employee contributions. Participants' pension benefits are 100% vested upon completion of six years of service. The pension benefits payable under the Pentegra DBP plan are

determined under a pre-established formula that provides a single life annuity payable monthly at normal retirement (age 65), or other actuarially equivalent forms of benefit payments including a limited lump sum distribution feature and early retirement options. The benefit formula is 2.25% for each year of benefit service multiplied by the highest three-year average compensation, plus a frozen add-on benefit of $4,874 (representing protected benefits from an accrual rate decrease effective April 2003).

Nonqualified Defined Benefit Pension Plan. The Managing Director and CEO is eligible to participate in the Supplemental Executive Retirement Plan (SERP), an unfunded, nonqualified pension plan that mirrors the Pentegra DBP plan in all material respects. In the event that benefits payable from the Pentegra DBP plan have been reduced or otherwise limited, the executive's lost benefits are payable under the terms of the SERP, including a $20,806 frozen add-on benefit (representing protected benefits from an accrual rate decrease effective April 2003). Because the SERP is a nonqualified plan, the benefits received from this plan do not receive the same tax treatment and funding protection associated with the qualified plan.

Qualified Defined Contribution Plan. The Pentegra Defined Contribution Plan for Financial Institutions (Pentegra DC) is a tax-qualified defined contribution plan to which the Office of Finance makes tenure-based matching contributions. The matching contribution begins upon completion of one year of employment and subsequently increases based on length of employment to a maximum of six percent of base salary. Under the Pentegra DC plan, a participant may elect to contribute up to 50 percent of base salary on either a before-tax, i.e., 401(k), or after-tax basis. The plan permits participants to self-direct investment elections into one or more investment funds, which may be changed daily by the participants. A participant may withdraw vested account balances while employed, subject to certain IRS and plan limitations.

Nonqualified Defined Contribution Plan. The Managing Director and CEO is eligible to participate in the Supplemental Thrift Plan (STP), an unfunded, nonqualified, contributory pension plan that mirrors the Pentegra DC plan. The STP restores benefits that participants would have received absent IRS limits on contributions to the Pentegra DC Plan. The STP mirrors the Pentegra DC plan in all material respects. Under the STP, participants may elect to contribute up to 50 percent of base salary and up to 100% of incentive compensation on a pre-tax basis. The STP permits participants to self-direct investment elections into a choice of ten investment funds.

Perquisites

The perquisites provided by the Office of Finance represent a small fraction of the Managing Director and CEO's total compensation and are provided in accordance with market practices for executives in similar positions and with similar responsibilities. During 2007, the Managing Director and CEO was provided with an Office of Finance-leased vehicle for his business and personal use. The operating expenses associated with the vehicle were also provided. The Managing Director and CEO's personal use of the Office of Finance-leased vehicle, including use for the daily commute to and from work, is reported as a taxable fringe benefit.

Additionally, the Managing Director and CEO is provided with an annual fitness club membership and is reimbursed for personal financial counseling not to exceed $5,000.

Compensation of Directors

In accordance with the regulations of the Finance Board and the GLB Act, the FHLBanks have established formal policies governing the compensation and travel reimbursement provided their directors. The goal of the policies is to compensate members of the board of directors for work performed on behalf of the FHLBanks. Under these policies, compensation consists of per-meeting fees, which are subject to an annual cap. The fees compensate directors for:

- time spent reviewing materials sent to them on a periodic basis by the FHLBanks;
- preparation for meetings;

• participation in any other activities for the FHLBanks; and

• actual time spent attending the meetings of the board or its committee.

Directors are also reimbursed for reasonable FHLBank-related travel expenses. The compensation limits for 2007 were $29,944 for a chairperson, $23,955 for a vice chairperson and $17,967 for all other directors. Total directors' fees and other travel expense paid by the FHLBanks during 2007, 2006 and 2005 were $5.8 million, $4.6 million, and $5.5 million.

Director Compensation for Year 2007

FHLBank Name	Director Name	Position	Fees Earned or Paid in Cash ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Boston	Robert F. Verdonck	Chair	29,944			29,944
Boston	Joyce H. Errecart	Vice-chair	23,955			23,955
New York	George L. Engelke, Jr	Chair	29,944			29,944
New York	David W. Lindstrom	Vice-chair	23,955			23,955
Pittsburgh	Marvin N. Schoenhals	Chair	25,500		15	25,515
Pittsburgh	Dennis S. Marlo	Vice-chair	23,955		15	23,970
Atlanta	Scott C. Harvard	Chair	29,944			29,944
Atlanta	Jerry J. Williams	Vice-chair	23,955			23,955
Cincinnati	Carl F. Wick	Chair	29,944			29,944
Cincinnati	Richard C. Baylor	Vice-chair	23,955			23,955
Indianapolis	Paul C. Clabuesch	Chair	29,744			29,744
Indianapolis	Charles L. Crow	Vice-chair	23,855			23,855
Chicago	P. David Kuhl	Chair	29,944			29,944
Chicago	James F. McKenna	Vice-chair	23,955			23,955
Des Moines	Randy L. Newman	Chair	29,944			29,944
Des Moines	Michael K. Guttau	Vice-chair	23,955			23,955
Dallas	Lee R. Gibson	Chair	29,944			29,944
Dallas	Mary E. Ceverha	Vice-chair	23,955			23,955
Topeka	Ronald K. Wente	Chair	29,944	3,715	5,000	38,659
Topeka	Lindel E. Pettigrew	Vice-chair	23,955			23,955
San Francisco	Timothy R. Chrisman	Chair	29,944			29,944
San Francisco	James P. Giraldin	Vice-chair	23,955			23,955
Seattle	Mike C. Daly	Chair	29,944			29,944
Seattle	Craig E. Dahl	Vice-chair	23,955			23,955
Office of Finance	Charles A. Bowsher	Chair (1)	18,750		1,549	20,299
Office of Finance	L. Parker Harrell, Jr	Chair (2)	11,250			11,250

(1) Currently serving as chair effective April 11, 2007.

(2) Served as chair through March 31, 2007.

FIVE LARGEST REGULATORY CAPITAL STOCKHOLDERS OF AND BORROWERS FROM EACH FHLBANK

Each FHLBank describes its risk management policies, including disclosures about its concentration risk, if any, in its periodic reports filed with the SEC. (See "Available Information on Individual FHLBanks.")

The following table presents information on the five largest regulatory capital stockholders by FHLBank at December 31, 2007. The information presented on capital stock in the table is for individual FHLBank members. The data is not aggregated to the holding-company level. Some of

the institutions listed are affiliates of the same holding company, and some of the institutions listed may have affiliates that are members but that are not listed in the tables.

Top 5 Regulatory Capital Stockholders by FHLBank
at December 31, 2007
(Dollar amounts in millions)

District	Name	City	State	Capital Stock	Percent of FHLBank Capital Stock (1)
Boston	Bank of America Rhode Island, NA	Providence	RI	$ 1,057	33.1%
	RBS Citizens NA	Providence	RI	345	10.8%
	New Alliance Bank	New Haven	CT	114	3.6%
	T.D Banknorth, Inc	Portland	ME	84	2.6%
	MetLife Insurance Company of CT	Hartford	CT	70	2.2%
				$ 1,670	52.3%
New York	Hudson City Savings Bank*	Paramus	NJ	$ 695	15.1%
	New York Community Bank*	Westbury	NY	412	8.9%
	HSBC Bank USA, NA	New York	NY	373	8.1%
	Manufacturers and Traders Trust Company	Buffalo	NY	365	7.9%
	Metropolitan Life Insurance Comp	New York	NY	339	7.4%
				$ 2,184	47.4%
Pittsburgh	Sovereign Bank*	Reading	PA	$ 894	22.4%
	ING Bank, FSB	Wilmington	DE	614	15.4%
	GMAC Bank (2)	Midvale	UT	533	13.3%
	PNC Bank, NA	Pittsburgh	PA	336	8.4%
	Citicorp Trust Bank, FSB	Newark	DE	290	7.2%
				$ 2,667	66.7%
Atlanta	Countrywide Bank FSB	Alexandria	VA	$ 2,170	28.5%
	SunTrust Bank, Atlanta	Atlanta	GA	434	5.7%
	Branch Banking and Trust Company	Winston Salem	NC	365	4.8%
	E*Trade Bank	Arlington	VA	339	4.4%
	Capital One National Association (3)	McLean	VA	295	3.9%
				$ 3,603	47.3%
Cincinnati	U.S. Bank, NA	Cincinnati	OH	$ 675	18.8%
	Fifth Third Bank	Cincinnati	OH	368	10.2%
	National City Bank	Cleveland	OH	327	9.1%
	The Huntington National Bank	Columbus	OH	231	6.4%
	AmTrust Bank	Cleveland	OH	214	6.0%
				$ 1,815	50.5%

District	Name	City	State	Capital Stock	Percent of FHLBank Capital Stock (1)
Indianapolis	Flagstar Bank, FSB	Troy	MI	$ 349	16.1%
	LaSalle Bank Midwest NA	Troy	MI	334	15.4%
	Fifth Third Bank	Grand Rapids	MI	150	6.9%
	Citizens Bank (4)	Flint	MI	123	5.7%
	National City Bank, Cleveland (5)	Cleveland	OH	91	4.2%
				$ 1,047	48.3%
Chicago	Lasalle National Bank	Chicago	IL	$ 230	8.6%
	One Mortgage Partners Corp./JPMorgan Chase	Chicago	IL	172	6.4%
	Mid America Bank, FSB (8)	Clarendon Hills	IL	146	5.5%
	M&I Marshall and Ilsley Bank	Milwaukee	WI	135	5.0%
	Associated Bank, NA	Green Bay	WI	121	4.5%
				$ 804	30.0%
Des Moines	Wells Fargo Bank, N.A.	Sioux Falls	SD	$ 513	18.6%
	Superior Guaranty Insurance Company	Minneapolis	MN	447	16.2%
	ING USA Annuity and Life Insurance Company	Des Moines	IA	138	5.0%
	TCF National Bank	Wayzata	MN	116	4.2%
	Transamerica Occidental Life Insurance Company	Cedar Rapids	IA	109	3.9%
				$ 1,323	47.9%
Dallas	Wachovia Bank, FSB (6)	Houston	TX	$ 732	29.6%
	Guaranty Bank	Austin	TX	256	10.3%
	Franklin Bank, SSB	Austin	TX	91	3.7%
	Southwest Corporate FCU	Plano	TX	85	3.4%
	Capital One, National Association (3)	McLean	VA	61	2.5%
				$ 1,225	49.5%
Topeka	Midfirst Bank	Oklahoma City	OK	$ 299	14.1%
	US Central Credit Union	Lenexa	KS	193	9.1%
	Security Life of Denver Insurance	Denver	CO	156	7.3%
	Capitol Federal Savings Bank	Topeka	KS	139	6.6%
	Pacific Life Insurance Company	Omaha	NE	84	3.9%
				$ 871	41.0%
San Francisco	Citibank, N.A.* (7)	Las Vegas	NV	$ 4,899	35.9%
	Washington Mutual Bank*	Henderson	NV	2,722	20.0%
	Wachovia Mortgage, FSB* (6)	North Las Vegas	NV	1,153	8.5%
	Bank of America California, N.A.	San Francisco	CA	747	5.5%
	IndyMac Bank, F.S.B	Pasadena	CA	676	5.0%
				$10,197	74.9%

District	Name	City	State	Capital Stock	Percent of FHLBank Capital Stock (1)
Seattle	Washington Mutual Bank FSB*	Salt Lake City	UT	$ 609	24.2%
	Merrill Lynch Bank USA	Salt Lake City	UT	373	14.8%
	Bank of America Oregon, NA	Portland	OR	249	9.9%
	Washington FS & LA	Seattle	WA	129	5.2%
	American Savings Bank, FSB*	Honolulu	HI	98	3.9%
				$ 1,458	58.0%

* An asterisk indicates that an officer or director of the member was an FHLBank director at December 31, 2007.

(1) For consistency with the individual FHLBank's presentation of its top 5 capital stockholders at December 31, 2007, amounts used to calculate percentages of FHLBank regulatory capital stock are based on numbers in thousands. Accordingly, recalculations using the amounts in millions as disclosed in this report may not produce the same results.

(2) Formerly known as GMAC Automotive Bank. For FHLBank membership purposes, its principal place of business is Horsham, PA.

(3) The amount relates to the outstanding regulatory capital of Hibernia National Bank, a former member of the FHLBank of Dallas, which was acquired by Capital One National Association, a member of the FHLBank of Atlanta.

(4) Republic Bancorp, Inc., the parent company of Republic Bank, and Citizens Banking Corporation, the parent company of Citizens Bank, merged effective December 29, 2006 to become Citizens Republic Bancorp. The amount represents regulatory capital stock relating to both Republic Bank and Citizens Bank, which remains a member of the FHLBank of Indianapolis after the merger.

(5) On July 24, 2006, National City Corporation completed the consolidation of its subsidiary banks under a single national bank charter outside the FHLBank of Indianapolis' district, thereby terminating their membership in the FHLBank of Indianapolis. At December 31, 2007, such entities had $91 million of mandatorily redeemable capital stock outstanding.

(6) On October 1, 2006, Golden West Financial Corporation, the parent company of World Savings Bank, FSB (the FHLBank of San Francisco's member) and World Savings Bank, FSB (Texas) (the FHLBank of Dallas' member) merged with Wachovia Corporation. World Savings Bank, FSB, and World Savings Bank, FSB (Texas) have remained members of the FHLBanks of San Francisco and Dallas after the merger. Effective December 31, 2007 World Savings Bank, FSB, changed its legal name to Wachovia Mortgage, FSB and World Savings Bank, FSB (Texas) changed its legal name to Wachovia Bank, FSB.

(7) On October 1, 2006, Citibank (West), FSB, (the FHLBank of San Francisco's member) was reorganized into its affiliate Citibank, N.A., and Citibank, N.A., assumed the outstanding capital stock of Citibank (West), FSB.

(8) Mid America Bank, FSB became ineligible for membership with the FHLBank of Chicago due to an out-of-district merger with National City Bank, effective on February 9, 2008. Their capital stock subsequently has been reclassified to mandatorily redeemable capital stock.

Top 5 Advance Holding Borrowers by FHLBank at December 31, 2007 (Dollar amounts in millions)

District	Name	City	State	Advances (1)	Percent of FHLBank Advances (2)
Boston	Bank of America Rhode Island, NA	Providence	RI	$ 23,773	42.9%
	RBS Citizens NA	Providence	RI	6,242	11.3%
	NewAlliance Bank	New Haven	CT	2,127	3.8%
	Webster Bank, NA	Waterbury	CT	1,044	1.9%
	MetLife Insurance Company of CT	Hartford	CT	725	1.3%
				$ 33,911	61.2%
New York	Hudson City Savings Bank*	Paramus	NJ	$ 14,191	17.6%
	New York Community Bank*	Westbury	NY	8,139	10.1%
	Manufacturers and Traders Trust Co	Buffalo	NY	6,506	8.1%
	HSBC Bank USA, N.A.	New York	NY	5,509	6.8%
	Metropolitan Life Insurance Comp	New York	NY	4,555	5.7%
				$ 38,900	48.3%
Pittsburgh	Sovereign Bank*	Reading	PA	$ 18,657	27.5%
	GMAC Bank (3)	Midvale	UT	11,349	16.7%
	ING Bank, FSB	Wilmington	DE	6,768	10.0%
	PNC Bank, NA	Pittsburgh	PA	6,750	9.9%
	Citicorp Trust Bank, FSB	Newark	DE	5,517	8.1%
				$ 49,041	72.2%
Atlanta	Countrywide Bank FSB	Alexandria	VA	$ 47,675	34.0%
	SunTrust Bank	Atlanta	GA	9,078	6.5%
	Branch Banking and Trust Company	Winston-Salem	NC	7,545	5.4%
	E*Trade Bank	Arlington	VA	6,968	5.0%
	Capital One National Association (4)	McLean	VA	6,000	4.3%
				$ 77,266	55.2%
Cincinnati	U.S. Bank, NA	Cincinnati	OH	$ 16,856	31.8%
	Fifth Third Bank	Cincinnati	OH	5,539	10.5%
	National City Bank	Cleveland	OH	4,696	8.9%
	The Huntington National Bank	Columbus	OH	3,085	5.8%
	KeyBank, National Association	Cleveland	OH	2,609	4.9%
				$ 32,785	61.9%
Indianapolis	Flagstar Bank, FSB	Troy	MI	$ 6,301	23.9%
	LaSalle Bank Midwest, NA	Troy	MI	4,300	16.3%
	Citizens Bank (5)	Flint	MI	2,307	8.7%
	Jackson National Life Insurance Co	Lansing	MI	1,650	6.2%
	Standard Life Insurance Company	Indianapolis	IN	550	2.1%
				$ 15,108	57.2%

District	Name	City	State	Advances (1)	Percent of FHLBank Advances (2)
Chicago	LaSalle, NA	Chicago	IL	$ 4,116	13.7%
	M&I Marshall and Ilsley Bank	Milwaukee	WI	2,694	9.0%
	State Farm, F.S.B.	Bloomington	IL	2,175	7.2%
	Harris National Association	Chicago	IL	2,000	6.7%
	One Mortgage Partners Corp./JPMorgan Chase	Chicago	IL	1,650	5.5%
				$ 12,635	42.1%
Des Moines	Wells Fargo Bank, N.A.	Sioux Falls	SD	$ 11,300	28.2%
	ING USA Annuity and Life Insurance Company	Des Moines	IA	2,884	7.2%
	TCF National Bank	Wayzata	MN	2,375	5.9%
	Transamerica Occidental Life Insurance Company	Cedar Rapids	IA	2,225	5.6%
	Aviva Life and Annuity Company	Des Moines	IA	1,863	4.7%
				$ 20,647	51.6%
Dallas	Wachovia Bank, FSB (6)	Houston	TX	$ 17,262	37.4%
	Guaranty Bank	Austin	TX	5,743	12.4%
	Franklin Bank, SSB	Austin	TX	2,101	4.6%
	International Bank of Commerce	Laredo	TX	1,140	2.5%
	Capital One, National Association (4)	McLean	VA	841	1.8%
				$ 27,087	58.7%
Topeka	Midfirst Bank	Oklahoma City	OK	$ 5,741	18.0%
	US Central Credit Union	Lenexa	KS	3,750	11.8%
	Security Life of Denver Insurance	Denver	CO	3,075	9.7%
	Capitol Federal Savings Bank	Topeka	KS	2,746	8.6%
	Pacific Life Insurance Company	Omaha	NE	1,650	5.2%
				$ 16,962	53.3%
San Francisco	Citibank, N.A.* (7)	Las Vegas	NV	$ 95,879	38.3%
	Washington Mutual Bank*	Henderson	NV	54,050	21.6%
	Wachovia Mortgage, FSB* (6)	North Las Vegas	NV	24,110	9.6%
	Bank of America California, N.A.	San Francisco	CA	12,500	5.0%
	IndyMac Bank, F.S.B.	Pasadena	CA	11,189	4.5%
				$197,728	79.0%
Seattle	Bank of America Oregon, NA	Portland	OR	$ 10,552	23.3%
	Washington Mutual Bank FSB*	Salt Lake City	UT	9,330	20.6%
	Merrill Lynch Bank USA	Salt Lake City	UT	8,700	19.2%
	Washington Federal Savings	Seattle	WA	1,850	4.1%
	Sterling Savings Bank*	Spokane	WA	1,518	3.3%
				$ 31,950	70.5%

* An asterisk indicates that an officer or director of the member was an FHLBank director at December 31, 2007.

(1) Member advance amounts and the total advance amounts are at par value, and the total advance amount will not agree to the combined Statement of Condition. The difference between the par and book value amounts primarily relates to basis adjustments arising from hedges under SFAS 133 for book purposes.

(2) For consistency with the individual FHLBank's presentation of its top 5 advance holders at December 31, 2007, amounts used to calculate percentages of FHLBank advances are based on numbers in thousands. Accordingly, recalculations using the amounts in millions as disclosed in this report may not produce the same results.

(3) Formerly known as GMAC Automotive Bank. For FHLBank membership purposes, its principal place of business is Horsham, PA.

(4) The amount relates to the outstanding advances of Hibernia National Bank, a former member of the FHLBank of Dallas, which was acquired by Capital One National Association, a member of the FHLBank of Atlanta.

(5) Republic Bancorp, Inc., the parent company of Republic Bank, and Citizens Banking Corporation, the parent company of Citizens Bank, merged effective December 29, 2006 to become Citizens Republic Bancorp. The amount represents advances to both Republic Bank and Citizens Bank, which remains a member of the FHLBank of Indianapolis after the merger.

(6) On October 1, 2006, Golden West Financial Corporation, the parent company of World Savings Bank, FSB (the FHLBank of San Francisco's member) and World Savings Bank, FSB (Texas) (the FHLBank of Dallas' member) merged with Wachovia Corporation. World Savings Bank, FSB, and World Savings Bank, FSB (Texas) have remained members of the FHLBanks of San Francisco and Dallas after the merger. Effective December 31, 2007 World Savings Bank, FSB, changed its legal name to Wachovia Mortgage, FSB and World Savings Bank, FSB (Texas) changed its legal name to Wachovia Bank, FSB.

(7) On October 1, 2006, Citibank (West), FSB, (the FHLBank of San Francisco's member) was reorganized into its affiliate Citibank, N.A., and Citibank, N.A., assumed the outstanding advances of Citibank (West), FSB.

AUDIT FEES

The following table sets forth the aggregate fees billed to the FHLBanks for the years ended December 31, 2007 and 2006 by their principal independent public accountant, PricewaterhouseCoopers LLP (dollar amounts in millions):

	2007	2006
Audit fees	$ 9.9	$10.7
Audit related fees	1.7	1.8
All other fees	0.1	0.1
Total fees	$11.7	$12.6

The ***audit fees*** for the years ended December 31, 2007 and 2006 were for professional services rendered for the annual audits and quarterly reviews of the individual and combined financial statements of the FHLBanks, and for review of financial information related to the FHLBanks' Securities and Exchange Commission (SEC) registration process and subsequent SEC filings.

The ***audit related fees*** for the years ended December 31, 2007 and 2006 were for assurance and related services primarily related to accounting consultations, FHLBank capital plan conversions and internal control reviews.

All ***other fees*** for the years ended December 31, 2007 and 2006 were for services rendered for non-financial information system related consulting. No fees were paid to the principal independent public accountant for financial information system design and implementation.

The FHLBanks' audit committees and the board of directors of the Office of Finance, acting as the audit committee for the combined financial reports, pre-approve audit and non-audit services provided by the principal independent public accountant. Also, they annually consider whether the services identified under the caption "all other fees" are compatible with maintaining the principal accountants' independence.

AUDIT COMMITTEE CHARTER, COMBINED FINANCIAL REPORTS

Mission Statement

The Office of Finance (OF) Board acts as an audit committee in connection with the oversight of the preparation of the FHLBanks' annual and quarterly combined financial reports, which shall include the combined financial statements of the FHLBanks. In that role, the OF Board shall review the combined financial statements. To achieve this objective, the OF Board will direct senior management of the Office of Finance to maintain the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the OF.

In accordance with guidance from the Federal Housing Finance Board, the OF Board shall not be responsible for the underlying financial statements and other data of the FHLBanks contained in the combined financial reports, and is entitled to rely on those financial statements and other data as submitted by the individual FHLBanks. Furthermore, the combined financial reports and combined financial statements are the responsibility of the OF and its senior management and the OF Board can only review the material in an oversight capacity.

Roles and Responsibilities

In connection with the financial reports and consistent with Finance Board guidance, the OF Board is responsible for:

- Reviewing the FHLBanks' combined financial statements, the external auditor's opinion on the annual combined financial statements, and the combined annual and quarterly financial reports, including the nature and extent of any significant changes in accounting principles or the application thereof.
- Ensuring that policies are in place that are reasonably designed to achieve disclosure and transparency regarding the FHLBanks' financial performance on a combined basis.
- Reviewing the scope of audit services required, significant accounting policies, significant risks and exposures, audit activities and audit findings with respect to the combined financial statements of the FHLBanks.
- Reviewing the activities and organizational structure of the OF's Department of Accounting Policy & Financial Reporting.
- Monitoring the accomplishments of the Senior Director, Accounting Policy & Financial Reporting's goals and objectives.
- Approving the external auditor's annual engagement letter, which shall require the external auditor to review the FHLBanks' combined financial statements prior to their inclusion in the FHLBanks' quarterly and annual combined financial reports.
- Reviewing and approving audit plans of the external auditors relating to the combined financial statements.
- Reviewing the performance of the FHLBanks' external auditor.
- Making determinations regarding the appointment, renewal, or termination of the external auditor.
- Providing an independent, direct communication channel between the OF Board and the OF's Director, Internal Audit, the FHLBanks' external auditors and Finance Board examiners.
- Conducting or authorizing investigations into any matters within the OF Board's scope or responsibilities as it relates to the FHLBanks' combined financial reports.

- Reviewing the programs and policies of the OF designed to ensure compliance with applicable laws, regulations and policies relating to the disclosure process supporting the FHLBanks' joint debt issuance programs and monitoring the results of these compliance efforts.
- Determining that no restrictions are imposed on combined audit scope.
- Determining the extent to which internal auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a systems breakdown.
- Obtaining reasonable assurance that significant findings and recommendations made by the Director, Internal Audit and external auditors relating to the FHLBanks' combined financial reports are received and discussed on a timely basis, including evaluating management's response to the findings and reports.
- Coordinating the OF's response to Finance Board examination reports as they relate to the FHLBanks' combined financial reports.
- Considering such other matters in relation to the preparation and publication of the FHLBanks' combined financial reports as the OF Board may, in its discretion, determine to be advisable.
- Prepare a report for inclusion in the FHLBanks' combined annual financial report describing the discharge of its responsibilities in this capacity, to the extent required by law.

Interaction with External Auditors

The continued independence of the independent auditors in accordance with professional auditing standards and SEC requirements, as practicable, shall be reviewed periodically with management, as well as with the external auditors. The Committee shall require annually the written statement and letter from the external auditors disclosing relationships between the system and the external auditors, consistent with Independence Standards Board Standard No. 1, and shall discuss with the external auditors their independence in fact, as well as consulting and other non-audit services provided by the external auditors, to determine any potential effect on independence.

Subsequent to each audit, the OF Board shall meet with the external auditors to review and discuss accounting and audit matters, including, but not limited to:

- Significant auditing or accounting areas of concern,
- New or unusual transactions, balances or financial statement disclosures of significance,
- The external auditors' judgments about the quality of the FHLBanks' combined accounting principles as applied,
- The representation letters provided to the external auditors by the FHLBanks,
- The level of support provided by each FHLBank's management, accounting and internal audit personnel, and
- Any other matters required to be discussed by Statement of Auditing Standards (SAS) 61 (as amended) and other concerns the external auditors have with respect to positions taken in the combined financial statements.

The OF Board shall also review and discuss any matters that the external auditors are required under professional auditing standards to communicate to the OF Board, such as:

- Significant audit adjustments,
- Disagreements with management, and
- Any irregularities or illegal acts detected during the audit.

The OF Board will also review the responses of management with regard to these matters.

Prior to release to the public, the annual combined audited financial statements of the FHLBanks shall be reviewed by the OF Board and discussed with management and the external auditors. The purpose of the review shall be to determine whether to accept the audited financial statements presented to it for publication in the annual financial report. The OF Board shall inquire about the following:

- Significant variations in financial information between reporting periods.
- Consistency of the Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations section of the annual combined financial report.
- Changes or proposed changes in accounting standards or rules issued by the Financial Accounting Standards Board or the SEC or the Finance Board that have an effect on the financial statements.
- Significant reporting or operational issues affecting the combined financial statements.
- Accounting accruals, reserves and estimates made by management of the FHLBanks having a material impact on the financial statements.

The above responsibilities of the OF Board will be discharged through review of combined audit reports and discussions with the external auditors, and the Senior Director, Accounting Policy & Financial Reporting. The Director, Internal Audit and external auditors shall have access to the OF Board on matters concerning the financial reports without the need for any prior management knowledge or approval.

Charters

The OF Board shall review, assess the adequacy of, and, where appropriate, amend the Charter of the OF Board acting as "Audit Committee" in connection with the financial report function on an annual basis. Amendments to the Charter can be adopted and approved at any time. This Charter shall be re-adopted and re-approved not less often than every three years.

Meetings

The OF Board shall meet at least twice annually with the OF's Senior Director, Accounting Policy & Financial Reporting. The OF Board shall meet in executive session with each of the Director, Internal Audit, and the external auditors at least annually to review the matters which are the subject of this charter. The OF Board shall have unrestricted access to the Senior Director, Accounting Policy & Financial Reporting, without the need for any prior management knowledge or approval and can meet in executive session with the Senior Director, Accounting Policy & Financial Reporting and other senior management of the OF as needed. Written minutes shall be prepared for each meeting. The OF Board, or its chairman, shall also meet with the external auditors, the Senior Director, Accounting Policy & Financial Reporting, and other senior management of the OF quarterly to review each quarterly financial report prior to its publication.