FEDERAL HOME LOAN BANKS

2009
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 Agency or any State securities commission has approved or disapproved the consolidated obligations or has passed upon the accuracy or adequacy of any offering material.

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

Neither this Combined Financial Report nor any offering material provided by the Office of Finance on behalf of the Federal Home Loan Banks concerning any offering of consolidated obligations describes all the risks of investing in consolidated obligations. Investors should consult their financial and legal advisors about the risks of investing in any particular issue of consolidated obligations prior to investing in consolidated obligations. The combined financial reports of the Federal Home Loan Banks are intended to be used by investors who invest in the consolidated obligations of the Federal Home Loan Banks. Even though the consolidated obligations are the joint and several obligations of all of the Federal Home Loan Banks, each Federal Home Loan Bank is a separately chartered entity with its own board of directors and management. There is no centralized system-wide management or oversight by a single board of directors of the Federal Home Loan Banks. Please see "Explanatory Statement about Federal Home Loan Banks Combined Financial Report" on page 2 for important background information regarding the publication of this Combined Financial Report.

The financial information contained in this Combined Financial Report is as of and for periods ended on or before December 31, 2009. This document is available on the Federal Home Loan Banks Office of Finance web site at: www.fhlb-of.com.

Investors should direct questions about the Federal Home Loan Banks' combined financial reports to the Federal Home Loan Banks Office of Finance, Chief Accounting Officer & Senior Director of Accounting Policy & Financial Reporting. Investors should direct questions about the Federal Home Loan Banks' consolidated obligations to the Federal Home Loan Banks Office of Finance, Marketing & Corporate Communications Division. The address is Federal Home Loan Banks Office of Finance, 1818 Library Street, Suite 200, Reston, VA 20190, (703) 467-3600, and the web site is www.fhlb-of.com. The Office of Finance will provide additional copies of this Combined Financial Report upon request. Please contact the Office of Finance to receive subsequent annual and quarterly combined financial reports.

The financial condition of the Federal Home Loan Banks may have changed since December 31, 2009.

The date of this Combined Financial Report is March 30, 2010.

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

EXPLANATORY STATEMENT ABOUT FHLBANKS COMBINED FINANCIAL REPORT

The Federal Home Loan Banks Office of Finance (Office of Finance) assumed responsibility for the preparation of the combined financial reports of the Federal Home Loan Banks (FHLBanks) in 2001, which previously had been prepared by the Federal Housing Finance Board, the former regulator of the FHLBanks (Finance Board). As regulator of the FHLBanks, the Finance Board had, and the new regulator (the Federal Housing Finance Agency (Finance Agency)) has, access to different information about the FHLBanks than the Office of Finance. The Finance Agency, when referred to in its capacity as the regulator of the FHLBanks, is referred to herein as the "Regulator." See "Notes to Combined Financial Statements—Background Information" for more information regarding the change in the FHLBanks' regulator. In connection with its responsibilities in preparing combined financial reports, the Office of Finance is responsible for combining the financial information it receives from each of the FHLBanks. Each FHLBank is responsible for the financial information it provides to the Office of Finance and the underlying data it provides to the Office of Finance for inclusion in the combined financial reports.

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

Even though the consolidated obligations are the joint and several obligations of all of the FHLBanks, each FHLBank is a separately chartered cooperative with its own board of directors and management. As a cooperative, only members and former members own the capital stock in each of the FHLBanks. Each financial institution that becomes a member of an FHLBank may only be a member of one FHLBank, and generally may purchase capital stock only in the FHLBank whose district includes the state where the member's principal place of business is located. Some financial institution holding companies may have one or more affiliates, each of which may be a member of the same or a different FHLBank. There is no centralized system-wide management or oversight by a single board of directors of the FHLBanks. All FHLBanks are subject to regulations issued by the Regulator, which periodically examines each FHLBank's operations.

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

In addition, each FHLBank's board of directors and management is responsible for establishing its own accounting and financial reporting policies in accordance with accounting principles generally accepted in the United States of America (GAAP). The FHLBanks' accounting and financial reporting policies and practices are not necessarily always identical because alternative policies and/or presentations are permitted under GAAP in certain circumstances. However, all 12 FHLBanks' accounting and financial reporting policies conform to GAAP. The FHLBanks may use different pricing sources, models and assumptions in determining the fair values of their respective assets, liabilities and derivatives. The use of different models or assumptions by individual FHLBanks, as well as changes in market conditions, could result in materially different valuation estimates or other estimates even when similar or identical assets and liabilities are being measured, and could have materially different effects on the net income

and retained earnings of the respective FHLBanks. Statements in this report may be qualified by a term such as "generally," "primarily," "typically" or words of similar meaning to indicate that the statement is generally applicable to all FHLBanks or the kinds of transactions described but which may not be applicable to all 12 FHLBanks or all such transactions as a result of their differing business practices and accounting and financial reporting policies under GAAP.

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

An investor should review available information on individual FHLBanks to obtain more specific information on each FHLBank's business practices and accounting and financial reporting policies. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Critical Accounting Estimates—OTTI for Investment Securities" and "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Critical Accounting Estimates—Fair Value Methodology Used to Estimate the Fair Value of Private-Label MBS" for more information.)

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

The FHLBanks occasionally engage in transactions in which one FHLBank transfers its direct liability on outstanding consolidated obligations to another FHLBank that assumes the direct liability on those outstanding consolidated obligations. By engaging in these transactions, two FHLBanks are able to better match their funding needs. Excess funds held by one FHLBank are transferred to another FHLBank that needs those funds. These transfers generally result in costs for the FHLBank that assumes the liability for the debt that are equal to or lower than those available for a similarly-sized transaction in the capital markets at that time. Because the consolidated obligations are the joint and several obligation of all 12 FHLBanks, these interbank transactions have no effect on the holders of the consolidated obligations. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Combined Results of Operations—Interbank Transfers of Liability on Outstanding Consolidated Bonds and Their Effect on Combined Net Income" and Note 1 to the accompanying combined financial statements.)

AVAILABLE INFORMATION ON INDIVIDUAL FHLBANKS

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

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

Each FHLBank prepares financial reports containing financial information relating to its financial condition and results of operations and files this information annually with the SEC on Form 10-K and quarterly on Form 10-Q. Those reports contain information that is not contained in the combined financial reports, including in some cases, additional information relating to an FHLBank's exposure to OTTI losses from private-label MBS. All of this information is made available on the respective web site of each FHLBank. The web site of the Office of Finance is located at www.fhlb-of.com. This web site also contains links to the web sites of each FHLBank.

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

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

BUSINESS

General Information

The 12 FHLBanks are government-sponsored enterprises (GSEs) 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 predecessor of the Finance Board, the former regulator of the FHLBanks, 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, an independent agency in the executive branch of the U.S. government, supervised and regulated the FHLBanks and the Office of Finance through July 29, 2008. The Housing and Economic Recovery Act of 2008 (the Housing Act) established the Finance Agency, which became the new independent Federal Regulator of the FHLBanks and the Office of Finance, effective July 30, 2008. The Finance Board was merged into the Finance Agency on October 27, 2008.

The FHLBanks serve the general public by providing liquidity to members, thereby increasing the availability of credit for residential mortgages, community investments, and other services for housing and community development. The FHLBanks provide a readily available, low-cost source of funds to their members. In addition, some of the FHLBanks provide members with a means of enhancing liquidity by purchasing or funding home mortgages through mortgage programs developed for their members. Under these programs, the FHLBanks purchase mortgage loans from, and fund mortgage loans through, participating member institutions. 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, some of the FHLBanks offer their members a variety of services, including:

— correspondent banking, which includes security safekeeping, wire transfers and settlements;

— cash management;

— letters of credit; and

— derivative intermediation.

The following table presents the FHLBanks' asset composition at December 31, 2009 and 2008.

	December 31,	
	2009	2008
	Percentage of Total Assets	Percentage of Total Assets
Advances	62.1%	68.8%
Investments	28.0%	22.7%
Mortgage loans held for portfolio, net	7.0%	6.5%
Other assets	2.9%	2.0%
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 composition at December 31, 2009 and 2008.

	December 31,	
	2009	2008
	Percentage of Total Liabilities and Capital	Percentage of Total Liabilities and Capital
Total consolidated obligations, net	92.1%	93.3%
Deposits	1.6%	1.1%
Other liabilities	2.1%	1.8%
Total capital[1]	4.2%	3.8%
Total liabilities and capital	100.0%	100.0%

(1) The FHLBanks' combined regulatory capital-to-assets ratio was 5.92 percent at December 31, 2009 and 4.42 percent at December 31, 2008. See "Business—Capital, Capital Rules and Dividends" for details on regulatory capital requirements.

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, may receive dividends on their investment in capital stock from the earnings of their respective FHLBank. Membership is limited to regulated depositories, insurance companies, and community development financial institutions (CDFIs). Effective February 4, 2010, CDFIs that have been certified by the CDFI Fund of the U.S. Treasury, including community development loan funds, community development venture capital funds, and state-chartered credit unions without federal insurance, are eligible to become members of an FHLBank. A table identifying members of the FHLBanks by type of financial institution is included on page 185. 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 place of business is located. Some financial institution holding companies may have one or more affiliates, each of which may be a member of the same or a different FHLBank. Each FHLBank is privately-owned by its members and former members 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 purchased at then-current market-rates and all mortgage-backed securities are purchased through securities brokers or dealers. The FHLBanks are managed with the primary objectives of enhancing the value of membership for member institutions and fulfilling their public purpose. The value of membership may be derived from access to readily available credit and other services from the FHLBanks and the value of the cost differential between an FHLBank's advances and other potential sources of funds, as well as the potential for dividends paid on members' investment in an FHLBank's capital stock.

In keeping with their cooperative philosophy, the FHLBanks price their advances at relatively small mark-ups over their cost of funds and generally return the majority of their net income to their members in the form of dividends. Accordingly, the FHLBanks' income and balance of retained earnings are relatively small as they relate to total assets and total liabilities.

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, which are generally state or local housing finance agencies and tribal housing authorities. 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 of 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. Those 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 taxpayers of resolving failed thrift institutions, Congress restructured the home mortgage financing system in 1989 by passing the Financial Institutions Reform, Recovery and Enforcement Act. 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 non-member housing associates on the security of mortgages and other collateral pledged by the borrowing institutions. Advances are the largest category of assets of the FHLBanks on a combined basis, representing 62.1 percent of total assets at December 31, 2009 and 68.8 percent of total assets at December 31, 2008. 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. Each FHLBank offers a wide array of fixed- and variable-rate advances, with maturities ranging from one day to 30 years, consistent with the safe and sound operation of the FHLBank. The FHLBanks offer both standard and customized advance structures.

Standard Advances. The more standard types of advances include:

- *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. By regulation, for those advances that are putable by the FHLBanks, the FHLBanks are obligated to provide replacement financing to all creditworthy member borrowers. 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 ranging from less than 30 days to 10 years, where the interest rates reset periodically at a fixed spread to the London Interbank Offered Rate (LIBOR) or other specified standardized indices. Depending upon the advance selected, the member can have a cap or floor 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 ranging 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 ranging 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. 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.

Advances to Members and Non-Members. 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 or local housing agencies and tribal housing authorities). 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 are not required to purchase capital stock in an FHLBank. However, the same regulatory lending requirements generally apply to housing associates 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. In addition, an FHLBank may make commitments for advances to a member covering a pre-defined period. This program aids members and their FHLBank 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 home-ownership opportunities and for commercial and economic development activities that benefit very low- to moderate-income neighborhoods, thereby contributing to the revitalization of these communities.

Approximately $41.3 billion in FHLBank-supported lending for housing development has financed approximately 700 thousand housing units from the establishment of the CIP in 1990 and the establishment of CICA in 1998, through 2008, the latest information available on the Regulator's web site. In addition to housing developments, over $14.9 billion in FHLBank-supported community lending has helped finance thousands of local economic community development projects.

Since its inception in 1990, the AHP has provided significant resources for housing development across the 50 states and U.S. territories. From 1990 through June 30, 2009, the latest information available on the Regulator's web site, the FHLBanks have awarded approximately $3.7 billion in AHP subsidies to facilitate development of affordable housing projects designed to create over 674 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 15—Affordable Housing Program (AHP)" 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 may include:

— overnight Federal funds;

— term Federal funds;

— securities purchased under agreements to resell;

— interest-bearing certificates of deposits; and

— commercial paper.

The FHLBanks also enhance interest income by holding long-term investment securities. These include MBS issued by government-sponsored mortgage agencies and enterprises or those that carry the highest ratings from Moody's Investors Service, Inc. (Moody's), Standard & Poor's Ratings Services (S&P) or other financial rating sources as deemed appropriate 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. These long-term investment securities provide the FHLBanks with higher returns than those available in the short-term money markets. Total investments represented 28.0 percent of the FHLBanks' combined total assets at December 31, 2009 and 22.7 percent of the FHLBanks' combined total assets at December 31, 2008. In addition to the investments listed above, certain FHLBanks have invested in Temporary Liquidity Guarantee Program (TLGP) debt backed by the U.S. government. The TLGP is scheduled to expire on April 30, 2010.

Finance Agency 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).

The FHLBanks that are currently offering the MPF Program are the FHLBanks of Boston, Chicago, 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. The FHLBanks currently offering MPP are the FHLBanks of Cincinnati and Indianapolis. Several FHLBanks have made changes to their acquired member asset program(s) as follows:

- The FHLBank of Atlanta stopped accepting additional MPF master commitments as of February 4, 2008 and as of March 31, 2008 had ceased purchasing loans under the MPF Program. Early in the third quarter of 2008, the FHLBank of Atlanta suspended new acquisitions of mortgage loans under the MPP. The FHLBank of Atlanta plans to continue to support its existing portfolio of MPP and MPF Loans.

- The FHLBank of Chicago completed its obligations to purchase participation interests under pre-existing agreements with other FHLBanks in 2007 and no longer enters into agreements to purchase participation interests. In 2008, the FHLBank of Chicago ceased purchasing MPF loans as investments for its own balance sheet except for immaterial amounts of MPF loans to support affordable housing that are guaranteed by the Rural Housing Service of the Department of Agriculture (RHS) or insured by the Department of Housing and Urban Development (HUD). At that time, the FHLBank of Chicago introduced the MPF Xtra product under which it purchases MPF loans and concurrently sells them to Federal National Mortgage Association (Fannie Mae). The other FHLBanks participating in the MPF Program continue to have the ability to purchase and fund loans through the MPF infrastructure. The FHLBank of Chicago made this change in an effort to reposition its balance sheet and enhance risk management practices in a volatile environment. Unlike other MPF products, under the MPF Xtra product, PFIs are not required to provide credit enhancement and do not receive credit enhancement fees (CE Fees). In 2009, each of the FHLBanks of Boston, Pittsburgh and Des Moines began offering the MPF Xtra product to its members.

- The FHLBank of San Francisco ceased purchasing mortgage loans from its members under the MPF Program in 2007. The FHLBank of San Francisco plans to retain its existing portfolio of MPF loans.

- The FHLBank of Seattle, which previously offered the MPP to its members, is no longer accepting additional master commitments in the MPP, completed all of its delivery commitments in 2006 and is not purchasing additional mortgages. This change was part of the FHLBank of Seattle's 2005 three-year business and capital management plan submitted to the Finance Board in April 2005 to simplify the FHLBank of Seattle's business model, reduce interest-rate risk and improve the FHLBank of Seattle's profitability. In particular, the FHLBank of Seattle planned to focus more on its core advances lending business and develop an exit strategy for MPP.

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, FHLBanks principally invest in qualifying five-year to 30-year conventional conforming and government-guaranteed 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 PFIs. Government-guaranteed mortgage loans are mortgage loans insured or guaranteed by the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), RHS and/or HUD. Under the MPF Program, one or more MPF FHLBanks may acquire or participate in all or a portion of the acquired

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

mortgage loans obtained from a PFI of another MPF FHLBank. Mortgage loans held for portfolio represented 7.0 percent of the FHLBanks' combined total assets at December 31, 2009 and 6.5 percent of the FHLBanks' combined total assets at December 31, 2008. At December 31, 2009, 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, 2009.

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 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 CE 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 the MPP is included under "Risk Management—Credit Risk—Managing Credit Risk—Mortgage Loans Held for Portfolio" below and in "Supplemental Information—Additional Information on FHLBanks' Regulator and Business—Mortgage Partnership Finance® (MPF®) Program and Mortgage Purchase Program (MPP)."

MPF Shared Funding® 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. These securities are backed by pools of mortgage loans originated through the MPF Program and sold to a third-party sponsored trust. The trust is administered by an unrelated third party. The investments are classified as held-to-maturity securities and are reported at an amortized cost of $298 million at December 31, 2009 and $398 million at December 31, 2008. These securities, which are rated no lower than double-A, 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, investments and the mortgage programs. All consolidated obligations are issued through the Office of Finance on behalf of the 12 FHLBanks. The Office of Finance can issue consolidated obligations only when an FHLBank provides a request for and agrees to accept the funds. An FHLBank is generally prohibited by regulation from purchasing, directly or indirectly, a consolidated obligation as part of the consolidated obligation's initial issuance. The Finance Agency and the U.S. Secretary of the Treasury have oversight over the issuance of FHLBank debt through the Office of Finance.

Consolidated obligations represented 92.1 percent of the FHLBanks' combined total assets at December 31, 2009 and 93.3 percent of the FHLBanks' combined total assets at December 31, 2008. The capital markets have traditionally considered the FHLBanks' consolidated 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 issuance of consolidated obligations, using a variety of debt structures and maturities, 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 these Nationally Recognized Statistical Rating Organizations (NRSROs). These ratings indicate that the FHLBanks have an extremely strong capacity to meet their commitments to pay principal of and interest on consolidated obligations and that the consolidated obligations are judged to be of the highest quality with minimal credit risk. The ratings on the FHLBanks' consolidated obligations also reflect the FHLBank System's status as a GSE. These ratings have not been affected by rating actions taken with respect to individual FHLBanks. Investors should note that a rating issued by a 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. In certain cases these transactions are entered into by an FHLBank to create synthetically reconfigured funding terms and costs as a primary way to reconcile the demand of its members for various kinds of advances and the preferences of the capital market investors for the kinds of consolidated obligations in which they seek to invest. 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.

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 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 consolidated obligations. Under Finance Agency regulations, if the principal of or interest on any consolidated obligation 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 Agency, in its sole discretion, may require any FHLBank to make principal or interest payments due on any consolidated obligations, whether or not the primary obligor FHLBank has defaulted on the payment of that consolidated obligation.

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

Neither the Finance Agency nor any of its predecessors has ever required an FHLBank to repay obligations in excess of its participation nor has it allocated to any FHLBank any outstanding liability on any other FHLBank's consolidated obligations.

Finance Agency 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.

Any assets subject to a lien or pledge for the benefit of holders of any issue of consolidated obligations are treated as if they were free from lien or pledge for purposes of compliance with these regulations. In addition, each FHLBank must adhere to the leverage limits set by the FHLBank Act and regulatory limits set by the Regulator. At December 31, 2009, each FHLBank was in compliance with these requirements.

Consolidated Discount Notes. On a daily basis, FHLBanks may request that specific amounts of consolidated 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 maturities of four, nine, 13 and 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 regulatory capital relative to the regulatory capital of other FHLBanks offering discount notes.

These discount notes presently are available in maturities of one year or less. They are sold at a discount and mature at par.

Consolidated Bonds. Historically, consolidated bonds have been issued primarily to raise intermediate and long-term funds. During the recent credit crisis, consolidated bonds have primarily been used to raise additional short-term and intermediate 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 bonds, 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 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.

The FHLBanks also issue global consolidated bonds. Effective in January 2009, the FHLBanks and the Office of Finance implemented a debt issuance process to provide a scheduled monthly issuance of global bullet consolidated bonds. As part of this process, management from each of the FHLBanks will determine and communicate a firm commitment to the Office of Finance for an amount of scheduled global debt to be issued on its behalf. If the FHLBanks' orders do not meet the minimum debt issue size, each FHLBank receives an allocation of proceeds equal to the larger of the FHLBank's commitment or the ratio of the individual FHLBank's regulatory capital to total regulatory capital of all of the FHLBanks. If the FHLBanks' commitments exceed the minimum debt issue size, then the proceeds are allocated based on relative regulatory capital of the FHLBanks with the allocation limited to the lesser of the allocation amount or actual commitment amount. The FHLBanks can, however, pass on any scheduled calendar slot and decline to issue any global bullet consolidated bonds upon agreement of eight of the 12 FHLBanks.

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 Regulator. 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 1.6 percent of the FHLBanks' combined total assets at December 31, 2009 and 1.1 percent of the FHLBanks' combined total assets at December 31, 2008.

Capital, Capital Rules and Dividends

The capital stock and retained earnings of the FHLBanks are also a source of funding. At December 31, 2009, approximately 5.02 percent of the combined total assets of the FHLBanks were funded by GAAP capital stock and retained earnings. Total capital under GAAP, which also includes accumulated other comprehensive income (loss) (AOCI), represented 4.22 percent of the combined total assets of the FHLBanks at December 31, 2009.

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 FHLBank, except for the FHLBank of Chicago as further discussed below, implemented its respective new capital plan prior to 2009 and was in compliance with its respective capital plan as of the effective date of its plan. (See "Oversight, Audits and Examinations" and Note 18 to the accompanying combined financial statements.)

Pre-GLB Act Capital Structure. At December 31, 2009, only the FHLBank of Chicago had not yet implemented a new capital plan. 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. At the request of the Finance Board, on October 10, 2007, the FHLBank of Chicago entered into a Consent Cease and Desist Order, which was amended on July 24, 2008 (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, along with strategies for implementing the plan. As required by the C&D Order, the FHLBank of Chicago submitted to the Finance Board a capital plan and implementation strategies in February 2008. The FHLBank of Chicago has subsequently submitted revisions to the capital plan and implementation strategies to the Finance Agency as a result of ongoing discussions with the Finance Agency regarding the anticipated conversion of its capital stock under the GLB Act. (See "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, the pre-GLB Act capital rules remain in effect. In particular, the pre-GLB Act rules require a member to purchase capital stock equal to the greater of $500, one percent of its mortgage-related assets or five percent of its outstanding FHLBank advances.

FHLBank of Chicago 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 Deputy Director, Division of FHLBank Regulation of the Finance Agency (Deputy Director) has approved the redemption, as further discussed in "Business—Oversight, Audits and Examinations—Regulatory Developments at the FHLBank of Chicago." On July 24, 2008, the Finance Board amended the C&D Order to allow the FHLBank of Chicago to redeem a member's capital stock that becomes excess capital stock above a member's capital stock floor (the amount of capital stock a member held as of the close of business on July 23, 2008, plus any required adjustments related to annual membership stock recalculations by the FHLBank of Chicago) in connection with the repayment of advances, subject to certain conditions as further described in "Note 18—Capital—FHLBank of Chicago Regulatory Actions."

The FHLBank of Chicago's leverage limit is based on a ratio of assets to capital until it has implemented its new capital plan subject to any applicable transition provision. 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 Agency 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 Agency. 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, 2009, the FHLBank of Chicago's non-mortgage assets were above 11 percent on an average monthly basis, so it was subject to the 4.76 percent leverage ratio. At December 31, 2008, the FHLBank of Chicago's non-mortgage assets were below 11 percent on an average monthly basis, so it was subject to the 4.50 percent leverage ratio. The FHLBank of Chicago had an actual leverage ratio of 5.11 percent at December 31, 2009 and 4.70 percent at December 31, 2008. 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 percentage of the outstanding principal amount of the subordinated notes (Designated Amount) 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 of subordinated notes of at least $3.600 billion. At December 31, 2009, the FHLBank of Chicago had an aggregate amount of $3.794 billion of regulatory capital stock plus the Designated Amount of subordinated notes. (See Notes 17 and 18 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 capital stock (Class A stock) is redeemable on six months' written notice from a member and Class B capital stock (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 FHLBank on an uninterrupted basis. (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 capital stock, plus the amount of an FHLBank's retained earnings, as determined in accordance with GAAP. Mandatorily redeemable capital stock is considered capital for regulatory purposes. 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 capital stock;

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

— other amounts from sources determined by the Regulator 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. Under Finance Agency regulations, each FHLBank needs to ensure that it operates in a safe and sound manner, with sufficient permanent capital and reserves to support the risks that arise in the operations and management of that

FHLBank. 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 the Regulator's approval if the Regulator 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). In addition, some boards of directors and/or management teams of FHLBanks have agreed with the Regulator either to maintain higher total capital-to-assets ratios or limit dividend payments as part of their retained earnings policies.

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 Regulator has determined by regulation to be appropriate to include in determining total capital. All FHLBanks that were subject to these capital requirements at December 31, 2009 were in compliance at that date. (See Note 18 to the accompanying combined financial statements.)

Once an FHLBank implements a new capital plan under the GLB Act, it becomes subject to the Regulator'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 Regulator.

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 Regulator. 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 Regulator 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 Regulator can approve a reduction in this percentage.

For reasons of safety and soundness, the Regulator may also require an individual FHLBank to maintain greater permanent capital than is required by the risk-based capital requirements previously described.

Prompt Corrective Action Capital Classifications and Critical Capital Levels for the FHLBanks. The Finance Agency released a final rule, effective August 4, 2009, that, among other things, established criteria for capital classifications and critical capital levels for the FHLBanks for purposes of the Finance Agency's prompt corrective action authority over the FHLBanks (PCA rule). The PCA rule requires the

Director of the Finance Agency to determine the capital classification of each FHLBank no less often than once every quarter. The PCA rule makes clear, however, that the Director of the Finance Agency may make such a determination more often than once a quarter and that the Director of the Finance Agency can make a determination at any time for one or more FHLBanks without making a determination for all FHLBanks. The PCA rule also requires an FHLBank to provide written notification to the Finance Agency within ten calendar days of any event that causes its permanent or total capital to fall below the level necessary to maintain its assigned capital classification.

The PCA rule sets forth the criteria for classifying the FHLBanks as adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized as follows:

- *Adequately capitalized.* An FHLBank is adequately capitalized only if it holds sufficient capital to meet both its risk-based and minimum capital requirements.
- *Undercapitalized.* An FHLBank is undercapitalized if it fails to meet any one of its minimum or risk-based capital requirements, but such deficiency is not large enough to classify the FHLBank as significantly undercapitalized or critically undercapitalized.
- *Significantly undercapitalized.* An FHLBank is significantly undercapitalized if the amount of capital held by the FHLBank is less than 75 percent of the capital levels needed for the FHLBank to meet either its risk-based or minimum capital requirements.
- *Critically undercapitalized.* An FHLBank would be considered critically undercapitalized whenever its total capital is two percent or less of its total assets.

The PCA rule:

- requires an FHLBank that is classified as undercapitalized to submit a capital restoration plan that meets with the approval of the Director of the Finance Agency within 15 business days following notice from the Finance Agency, and carry out all commitments made in that plan;
- restricts an undercapitalized FHLBank's quarterly asset growth and its ability to engage in any new business activity or acquire any entity;
- prohibits an undercapitalized FHLBank from making any capital distribution that would cause it to become significantly or critically undercapitalized;
- prohibits an adequately capitalized FHLBank from making a capital distribution if, after doing so, the FHLBank would be undercapitalized; and
- prohibits an undercapitalized FHLBank from making any capital distribution that would violate any additional restrictions related to the payment of dividends or the repurchase or redemption of stock. Capital distributions for an FHLBank are defined to include dividends paid in the form of stock.

The Director of the Finance Agency can reclassify an FHLBank from one capital classification category to another upon a written determination that the FHLBank is engaging in conduct that could result in a rapid depletion of its capital, or that the value of collateral pledged to the FHLBank or the value of property subject to mortgages owned by the FHLBank has decreased significantly. The Director of the Finance Agency can also reclassify an FHLBank from one capital classification category to another if the Director of the Finance Agency determines that the FHLBank is in an unsafe and unsound condition. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Legislative and Regulatory Developments—Capital Classifications and Critical Capital Levels for the FHLBanks")

FHLBank of Seattle. In August 2009, following applicable notice and response, the FHLBank of Seattle received a capital classification of undercapitalized from the Finance Agency based primarily on the FHLBank of Seattle's failure to meet its risk-based capital requirement as of March 31, 2009 and June 30, 2009. An FHLBank with a final capital classification of undercapitalized is subject to a range of mandatory or discretionary restrictions. For example, an undercapitalized FHLBank must submit a

capital restoration plan to the Finance Agency, is subject to limitations on asset growth, and must receive approval by the Finance Agency before engaging in any new business activity. Although the FHLBank of Seattle has met all of its regulatory requirements (including the risk-based capital requirement) since September 30, 2009, the Finance Agency has continued to deem the FHLBank of Seattle as undercapitalized, due in part to the Finance Agency's concern that modest declines in the values of the FHLBank of Seattle's private-label MBS could cause its risk-based capital to fall below the required level as well as concern that the value of property subject to mortgages owned by the FHLBank of Seattle has decreased significantly. All mandatory actions and restrictions in place as a result of the undercapitalized classification remain in effect, including not redeeming or repurchasing capital stock or paying dividends without Finance Agency approval. The Finance Agency also indicated that it would not change the FHLBank of Seattle's capital classification to adequately capitalized until the Finance Agency believes that the FHLBank of Seattle has demonstrated sustained performance in line with an approved capital restoration plan. As such, the FHLBank of Seattle's capital classification will remain undercapitalized until the Finance Agency determines otherwise.

In accordance with the PCA provisions, the FHLBank of Seattle submitted a proposed capital restoration plan to the Finance Agency in August 2009. The Finance Agency determined that it was unable to approve the proposed plan and required the FHLBank of Seattle to submit a new plan by October 31, 2009. The FHLBank of Seattle subsequently requested an extension in order to prepare a revised capital restoration plan and the Finance Agency approved an extension to December 6, 2009. The FHLBank of Seattle's revised capital restoration plan was submitted on December 5, 2009 and deemed complete by the Finance Agency on January 27, 2010. On February 26, 2010, the Finance Agency notified the FHLBank of Seattle that it was extending its initial 30-day review period by an additional 30 days, as allowed by regulation. The FHLBank of Seattle expects to be notified by Finance Agency of its decision on the FHLBank of Seattle's revised capital restoration plan sometime during the second quarter of 2010. It is unknown whether the Finance Agency will accept the revised capital restoration plan. In addition, the Finance Agency could take other regulatory actions, including, among other things, limiting the increase or requiring a reduction in the FHLBank of Seattle's on- or off-balance sheet obligations, and requiring capital and retained earnings to be increased.

Description of FHLBanks' Capital Plan Structures Implemented Through 2009.

The following FHLBanks offer a single class of Class B stock. Upon five years' written notice, a member can elect to have the FHLBank redeem its Class B 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 of Capital Plan Structure
Boston	The FHLBank of Boston requires member institutions to maintain stock based on a percentage of the member's aggregate amount of assets eligible to secure advances as determined by the FHLBank of Boston and on a percentage of advances, standby letters of credit, intermediated derivative contracts, acquired member assets and certain commitments outstanding with the FHLBank of Boston.
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 of Pittsburgh and a specified percentage of the principal balance of residential mortgage loans previously sold to the FHLBank of Pittsburgh and still held by the FHLBank of Pittsburgh.

FHLBank	Description of Capital Plan Structure
Cincinnati	The FHLBank of Cincinnati requires institutions to maintain membership stock based on a percentage of the member's total assets subject to a minimum and maximum for each member. A member may be required to purchase and hold activity stock to capitalize its Mission Asset Activity. A member may not use the same stock for both membership and activity purposes. For purposes of the Capital Plan, Mission Asset Activity includes the principal balance of advances, guaranteed funds and rate advance commitments, and for the MPP, the principal balance of purchased loans and commitments that occurred after implementation of the Capital Plan.
Des Moines	The FHLBank of Des Moines requires institutions to maintain membership stock based on a percentage of the member's total assets. A member is required to repurchase and hold activity stock based on a percentage of advances, acquired member assets, and standby letters of credit with the FHLBank of Des Moines. A member may not use the same stock for both membership and activity purposes.
Dallas	The FHLBank of Dallas requires member institutions to maintain stock based on a percentage of the member's total assets subject to a minimum and maximum for each member, and on a percentage of advances outstanding with the FHLBank of Dallas.
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 of San Francisco.

The FHLBanks of New York, Atlanta and Indianapolis each offer two sub-classes of Class B 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 of Capital Plan Structure
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 of New York and certain commitments outstanding with the FHLBank of New York. 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 of Atlanta. 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 of Indianapolis. 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 stock and a single series of Class B stock. Upon six months' written notice, a member can elect to have the FHLBank of Topeka redeem its Class A stock, subject to certain conditions and limitations. Upon five years' written notice, a member can elect to have the FHLBank of Topeka redeem its Class B 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 of Capital Plan Structure
Topeka	Class A stock is used to meet a member's asset-based stock purchase requirement and Class B 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.

The FHLBank of Seattle offers a single series of Class A stock and a single series of Class B stock. Upon six months' written notice, a member can elect to have the FHLBank of Seattle redeem its Class A stock, subject to certain conditions and limitations. Upon five years' written notice, a member can elect to have the FHLBank of Seattle redeem its Class B stock, subject to certain conditions and limitations.

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.

On May 12, 2009, as part of the FHLBank of Seattle's efforts to correct its risk-based capital deficiency, the board of directors of the FHLBank of Seattle suspended the issuance of Class A stock to support new advances, effective June 1, 2009. New advances must be supported by Class B stock, which unlike Class A stock, can be used to increase the FHLBank of Seattle's permanent capital.

FHLBank	Description of Capital Plan Structure
Seattle	Class A stock may be issued, redeemed, repurchased, or transferred between members only at a par value of $100 per share. Class A stock may only be issued to satisfy a member's advance stock purchase requirement for a new advance or, historically, renewal of an existing advance initially supported by the excess stock pool. Class A stock is generally redeemable in cash on six months' written notice to the FHLBank of Seattle and can be repurchased by the FHLBank of Seattle, pursuant to the terms of its Capital Plan. The Board of Directors of the FHLBank of Seattle adopted a resolution limiting dividends on Class A stock, if any, to cash payments, subject to any applicable restrictions, and dividends on Class A stock will not necessarily be paid at the same rate as dividends, if any, on Class B stock. A member can only use Class A stock to meet its member advance stock purchase requirement and cannot use it to meet its other requirements relating to capital stockholders. Class B stock can be issued, redeemed, repurchased, or transferred between members only at a par value of $100 per share. Class B stock is generally redeemable five years after: (i) written notice from the member; (ii) consolidation or merger of a member with a non-member; or (iii) withdrawal or termination of membership. All stock redemptions are subject to restrictions set forth in the FHLBank Act, Finance Agency regulations, the FHLBank of Seattle's Capital Plan, and applicable resolutions, if any, adopted by its Board of Directors.

Mandatorily redeemable capital stock. An FHLBank reclassifies stock subject to redemption from equity to liabilities at fair value once a member submits a written redemption request, 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 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 dividends earned at the time of reclassification from equity to liabilities, until such amount is paid, and any subsequently declared stock dividends. The fair value of an FHLBank's stock for measurement purposes has been the par value because FHLBank stock can only be acquired by members (or transferred between members) at par value and redeemed at par value as mandated by each FHLBank's capital plan, subject to statutory and regulatory requirements. FHLBank stock is not traded and no market mechanism exists for the exchange of stock outside the cooperative structure.

Redemption Requests on Shares of Capital Stock Not Reclassified as Mandatorily Redeemable Capital Stock. At December 31, 2009 and 2008, certain members had outstanding redemption requests on shares of capital stock that have not been reclassified as mandatorily redeemable capital stock. These excess capital stock amounts were not classified as mandatorily redeemable capital stock because a requesting member may revoke its request, without substantive penalty, throughout the five-year waiting period, based on the terms of each FHLBank's capital plan.

	December 31, 2009		December 31, 2008	
(Dollar amounts in millions)	Number of Shareholders	Amount	Number of Shareholders	Amount
FHLBank of Indianapolis	8	$131	7	$ 40
FHLBank of Seattle	48	214	46	195
Total	56	$345	53	$235

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 Regulator 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 Agency regulations, or the FHLBank's capital plan. Also included in this final rule is a provision permitting the FHLBanks to declare and pay dividends only from previously retained earnings or current net earnings. The regulation also prohibits an FHLBank from declaring or paying a dividend if that FHLBank's total permanent capital is below the par value of its stock or is projected to be in this situation after payment of the dividend.

The board of directors of each FHLBank has adopted a retained earnings policy that includes a target amount of retained earnings as well as a plan that will enable the FHLBank to reach the targeted amount of retained earnings. A number of FHLBanks implemented actions related to suspensions of dividend payments and/or repurchases of excess capital stock in 2008 and/or 2009. These actions were implemented as a capital preservation measure and to reflect a conservative financial management approach during a period of severe market volatility and due to OTTI exposure on private-label MBS and home equity loan investments for certain FHLBanks as follows.

- Effective December 8, 2008, the FHLBank of Boston suspended the practice of repurchasing excess capital stock and on February 22, 2010 announced that its board of directors does not expect to declare any dividends until the FHLBank of Boston demonstrates a consistent pattern of positive net income, which will likely preclude a declaration of dividends for at least the first half of 2010 as the FHLBank of Boston continues to focus on building retained earnings. In addition, on September 18, 2009, the FHLBank of Boston adopted a new operating plan, which calls for enhanced product offerings, strategies to encourage membership growth, investment strategies that the FHLBank of Boston believes are prudent and profitable, potential flexibility in capital requirements to promote new credit activity, greater operational efficiencies, and expense reduction. Further, as part of the plan, the FHLBank of Boston has adopted a required minimum

capital level in excess of regulatory requirements, which provides that it will maintain a minimum capital level equal to four percent of its total assets plus its retained earnings target. Over time, the FHLBank of Boston expects this plan will help restore it to a position where it can once again repurchase excess stock, pay members a dividend, and fund its affordable housing program.

- The FHLBank of Pittsburgh suspended the practice of repurchasing excess capital stock and suspended dividend payments on December 23, 2008.
- On March 25, 2009, the FHLBank of Atlanta announced that due to the ongoing uncertainty in financial markets, it no longer would provide dividend guidance prior to the end of each quarter. The FHLBank of Atlanta expects to make any dividend determination after the end of each quarter and after quarterly results are known.
- The FHLBank of Chicago did not pay any dividends in either 2008 or 2009. Although the FHLBank of Chicago currently has a retained earnings policy in effect, the policy has been effectively superseded by its regulatory requirements. See "Oversight, Audits and Examinations—Regulatory Developments at the FHLBank of Chicago" for a description of the restrictions on the FHLBank of Chicago's dividends and repurchases and redemptions of capital stock.
- In late 2008, the FHLBank of Des Moines suspended the practice of repurchasing excess activity-based capital stock. Due to improved market conditions throughout the second half of 2009, the FHLBank of Des Moines terminated this temporary action during the fourth quarter of 2009 and resumed its normal practice of voluntarily repurchasing excess activity-based capital stock.
- Throughout 2009, in response to the possibility of future OTTI charges on its private-label residential MBS (RMBS) portfolio, the FHLBank of San Francisco focused on preserving capital by building retained earnings and suspending the repurchase of members' excess capital stock. As a result, the FHLBank of San Francisco did not pay a dividend for the first and third quarters of 2009, and the dividends for the second and fourth quarters of 2009 were small. The dividend for the fourth quarter of 2009 was declared by the FHLBank of San Francisco's board of directors on February 22, 2010, at an annualized rate of 0.27 percent. The FHLBank of San Francisco recorded and paid the fourth quarter dividend during the first quarter of 2010. Although the FHLBank of San Francisco did not repurchase excess capital stock during 2009, the five-year redemption period for $16 million in mandatorily redeemable capital stock expired, and the FHLBank of San Francisco redeemed the stock at its $100 par value on the relevant expiration dates. The FHLBank of San Francisco will continue to monitor the condition of its MBS portfolio, its overall financial performance and retained earnings, developments in the mortgage and credit markets, and other relevant information as the basis for determining the status of dividends and capital stock repurchases in future quarters.
- Generally, under the FHLBank of Seattle's capital plan, its board of directors can declare and pay dividends, in either cash or stock, from retained earnings or current net earnings. In addition, to meet the Finance Agency's conditions for the acceptance of the FHLBank of Seattle's business plan following execution of a written agreement with the Finance Agency in December 2004, its board of directors adopted a policy on May 18, 2005, suspending indefinitely the declaration or payment of any Class B dividends and providing that any future dividend declaration or payment generally may be made only after prior approval of the Finance Agency. In April 2008, the Finance Agency notified the FHLBank of Seattle of its decision to raise the ceiling on the FHLBank of Seattle's permissible dividend payments from 50 percent to 75 percent of year-to-date net income calculated in accordance with GAAP. The dividend limitations will remain in effect until the FHLBank of Seattle receives written approval from the Finance Agency removing such limitations.

  In June 2009, the FHLBank of Seattle's board of directors approved two new thresholds or policy indicators that must be met before the FHLBank of Seattle will consider the payment of dividends. The policy indicators include attainment of 85 percent of the FHLBank of Seattle's retained earnings target and attainment of an 85 percent market value of equity to book value of equity

ratio. Dividends will be unrestricted, restricted, or suspended depending on policy indicators, with the weakest indicator controlling this decision. These policy indicators overlay rather than replace the FHLBank of Seattle's existing dividend policy, but will be applied prior to any action taken pursuant to the dividend policy. There can be no assurance of when or if the FHLBank of Seattle's board of directors will declare dividends in the future.

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 descriptions of 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 AHP is a subsidy program that provides grants and interest-rate subsidies on loans to members.

- The CIP for housing is a lending program that allows members to 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 to obtain triple-A-rated letters of credit from the FHLBanks.

Funds from both of these programs can be used to purchase, construct or rehabilitate 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 AMI; 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 homeownership set-aside funds from the FHLBank and then use those funds 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, 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 that describes its program objectives for economic development. Approved housing associates 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. To retain access to long-term credit from an FHLBank, members are required to meet standards of community support activities and to submit a Community Support Statement to the Regulator approximately every two years that documents their satisfaction of those standards. These 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 and these derivative instruments significantly affect each FHLBank's financial statements. At December 31, 2009, the combined notional amount of interest-rate exchange agreements held by the FHLBanks was $975.1 billion. The FHLBanks play a critical role in the continuous flow of funds to the residential mortgage market by providing advances to their members. An FHLBank must have a ready supply of funds on hand at all times to meet member advance demand. The FHLBanks raise funds through the issuance of consolidated obligations in the capital markets. It is not possible for an FHLBank to consistently issue debt simultaneously with the issuance of an advance in the same amount and with the same terms as the advance, or to predict what types of advances members might need or what types of consolidated obligations investors might be willing to buy. Therefore, in order to intermediate the mismatches between advances and consolidated obligations, both with a wide range of terms, the FHLBanks typically convert both assets and liabilities to a variable-rate index such as LIBOR, and manage the interest spread between the pools of variable-rate assets and liabilities. The FHLBanks extensively use interest-rate exchange agreements to make this process of aligning the timing, structure, and amount of an FHLBank member's credit needs with the investment requirements of an FHLBank's creditors possible.

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 Agency regulation and each FHLBank's risk management policy prohibit trading in or the speculative use of these derivative instruments and limit credit risk arising from these instruments. Consistent with Finance Agency policy, each FHLBank may enter into derivatives to reduce funding costs for consolidated obligations, to manage the interest-rate risk exposures inherent in otherwise unhedged assets and funding positions, to achieve the FHLBank's risk management objectives and to act as an intermediary between its members and counterparties. 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. 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).

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

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

The FHLBanks make extensive use of derivatives, executed in conjunction with specific consolidated obligation debt issuances, to create synthetically reconfigured 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. 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. 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 "Note 11—Derivatives and Hedging Activities" to the accompanying combined financial statements.)

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. Historically, large members may also have had independent access to the national and global credit markets, including covered bonds. The recent credit crisis limited this access. The FHLBanks have faced competition from several government programs created in light of the credit crisis, which have provided competitive alternatives to their members, such as the Troubled Asset Relief Program (TARP), the Federal Reserve's Term Auction Facility, the TLGP, the Federal Reserve Discount Window, and the Federal Deposit Insurance Corporation (FDIC) deposit insurance limit increase. 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;

— availability of collateral; and

— new government programs or changes to existing ones.

Mortgage Loans Held for Portfolio. The activities of the FHLBanks' MPF Program 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 Fannie Mae and the Federal Home Loan Mortgage Corporation (Freddie Mac), as well as from large mortgage aggregators and private investors. These investors may seek to hold conventional, conforming fixed-rate mortgage loans. Some of these competitors have greater resources, larger volumes of business and longer operating histories. The FHLBanks primarily compete on the basis of transaction structure, price, products and services offered. 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 (including a number of U.S. government programs initiated during the recent credit crisis), 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. The increase in U.S. Treasury issuance also affects the FHLBanks' ability to raise funds as it provides alternative investment options. Further, a perceived or actual higher level of government support for other GSEs may increase demand for their debt securities relative to similar FHLBank securities. 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 necessarily 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 these markets will necessarily be sustained in the future.

Oversight, Audits and Examinations

The FHLBanks are supervised and regulated by the Finance Agency. The Finance Agency's mission with respect to the FHLBanks is to provide effective supervision, regulation and housing mission oversight of the FHLBanks to promote their safety and soundness, support housing finance and affordable housing, and support a stable and liquid mortgage market.

The Finance Agency also establishes regulations governing the operations of the FHLBanks. More detailed information relating to the Finance Agency 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.

As a supplement to the existing $4 billion limit, the Housing Act provided temporary authority to the U.S. Secretary of the Treasury to purchase obligations issued by FHLBanks in any amount deemed appropriate under certain conditions to provide stability to the financial markets; prevent disruptions in the availability of mortgage finance; and protect the taxpayer. This temporary authorization expired on December 31, 2009. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Liquidity.")

The U.S. Department of the Treasury receives the Finance Agency's annual report to the U.S. Congress, monthly reports reflecting securities transactions of the FHLBanks, and other reports reflecting the operations of the FHLBanks.

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 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 Agency, and the U.S. Congress all receive the audited financial statements. The FHLBanks must submit annual management reports to the President of the United States, the

U.S. 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 Regulator 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 U.S. 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. Under the Written Agreement, the FHLBank of Chicago agreed to implement changes to enhance its risk management, capital management, governance, and internal control practices. The Written Agreement was subsequently amended three times in order to adjust the FHLBank of Chicago's minimum regulatory capital requirements. The FHLBank of Chicago operated under the Written Agreement until the Finance Board terminated the agreement on October 10, 2007 as part of a consensual cease and desist order, the terms of which are discussed below.

The Written Agreement, as amended, ultimately 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.

C&D Order. At the request of the Finance Board, on October 10, 2007, the FHLBank of Chicago entered into the C&D Order with the Finance Board, which concurrently terminated the Written Agreement. On July 24, 2008, the Finance Board amended the C&D Order to allow the FHLBank of Chicago to redeem a member's capital stock which becomes excess capital stock above a member's capital stock floor (the amount of capital stock a member held as of the close of business at July 23, 2008, plus any required adjustments related to annual membership stock recalculations) in connection with the repayment of advances subject to certain conditions. 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 FHLBank of Chicago, stabilize its capital, and provide the FHLBank of Chicago 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 4.50 percent, and a minimum total amount of the sum of regulatory capital stock plus a Designated Amount of subordinated notes of $3.600 billion.

- The FHLBank of Chicago's capital stock repurchases and redemptions, including redemptions upon membership withdrawal or other membership termination but excluding certain redemptions of excess capital stock above a member's capital stock floor, require prior approval of the Deputy Director. The C&D Order provides that the Deputy Director may approve a written request by the FHLBank of Chicago for proposed redemptions or repurchases if the Deputy 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 Deputy Director.

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

- The FHLBank of Chicago was also 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. As required by the C&D Order, the FHLBank of Chicago submitted a capital plan and implementation strategies in February 2008. The FHLBank of Chicago has subsequently submitted revisions to its capital plan and implementation strategies to the Finance Agency as a result of ongoing discussions with the Finance Agency regarding the anticipated conversion of its capital stock under the GLB Act. The FHLBank of Chicago has not yet received a final decision on its capital plan from the Finance Agency. While the FHLBank of Chicago cannot predict when a plan may be approved, the FHLBank of Chicago believes that stabilization of its capital base through conversion of its capital stock is a fundamental step in remediating the FHLBank of Chicago and is committed to doing so as soon as it can.

- The FHLBank of Chicago was also 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 Deputy Director for non-objection prior to implementation. The FHLBank of Chicago has reviewed its market risk hedging policies, procedures and practices, and submitted revised policies and procedures to the Deputy Director. The FHLBank of Chicago received temporary approvals or non-objection notices regarding implementation of certain changes to its market risk management and hedging practices as further described in the "Risk Management—Quantitative and Qualitative Disclosures about Market Risk—Quantitative Disclosure about Market Risk" section.

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 FHLBank of Chicago, previously included in the Written Agreement, are now in the C&D Order modified as described above. The FHLBank of Chicago remains in compliance with the terms of the C&D Order, including the minimum capital and leverage requirements.

Tax Status

The FHLBanks are exempt from all corporate 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 net 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 net earnings (income before assessments and before interest expense related to mandatorily redeemable capital stock, but after the assessment for REFCORP). Assessments for REFCORP and AHP equate to an effective minimum income tax rate of 26.5 percent; however, this effective rate will be higher for those FHLBanks with interest expense for mandatorily redeemable capital stock and on a combined basis to the extent any individual FHLBank has a net loss before assessments. The combined REFCORP and AHP assessments were $830 million for the year ended December 31, 2009, $600 million for the year ended December 31, 2008, and $1.0 billion for the year ended December 31, 2007.

Cash dividends received by FHLBank members from the FHLBanks 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 Agency 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 Agency regulations. The Regulator requires consolidated obligations to 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 GSEs;
- 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.

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 principal place of business is 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, 2009, is as follows:

FHLBank Name and Address	States and Territories	Number of Members
FHLBank of Boston 111 Huntington Avenue, 24th Floor 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	462
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	331
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	316
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	1,195
FHLBank of Cincinnati 221 East Fourth Street 1000 Atrium Two Cincinnati, Ohio 45202 Business number: (513) 852-7500 The FHLBank of Cincinnati leases space at this property.	Kentucky, Ohio, Tennessee	735
FHLBank of Indianapolis 8250 Woodfield Crossing Boulevard Indianapolis, Indiana 46240 Business number: (317) 465-0200 The FHLBank of Indianapolis owns this property.	Indiana, Michigan	417
FHLBank of Chicago 200 East Randolph Drive Chicago, Illinois 60601 Business number: (312) 565-5700 The FHLBank of Chicago leases space at this property.	Illinois, Wisconsin	792

FHLBank Name and Address	States and Territories	Number of Members
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	1,226
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	923
FHLBank Topeka One 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	873
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	410
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	377
Federal Home Loan Banks Office of Finance 1818 Library Street, Suite 200 Reston, Virginia 20190 Business number: (703) 467-3600 The Office of Finance leases space at this property.		

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

See “Security Ownership of Certain Beneficial Owners” for more information on FHLBanks’ members.

Individual FHLBank web sites can be accessed from the external link at the Office of Finance web site (www.fhlb-of.com). 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, 2009 and 2008)

FHLBank	December 31, 2009 Employees Full-time	Part-time	Total	December 30, 2008 Employees Full-time	Part-time	Total	Full-time Employee (Decrease)/ Increase
Boston	185	1	186	205	2	207	(20)
New York	259	5	264	247	4	251	12
Pittsburgh	231	5	236	226	8	234	5
Atlanta	401	16	417	368	15	383	33
Cincinnati	196	5	201	189	6	195	7
Indianapolis	159	5	164	152	6	158	7
Chicago	320	9	329	313	8	321	7
Des Moines	217	6	223	211	7	218	6
Dallas	194		194	190		190	4
Topeka	185	8	193	176	9	185	9
San Francisco	304	7	311	276	8	284	28
Seattle	154		154	147	3	150	7
Office of Finance	86	2	88	72	2	74	14

The decrease in employees at the FHLBank of Boston is primarily related to an expense reduction initiative that resulted in the elimination of nine percent of the FHLBank of Boston's staff positions. The increase in employees at most of the other FHLBanks and Office of Finance is primarily the result of staffing additions to support risk management practices including increased regulatory requirements.

LEGAL PROCEEDINGS

Listed below are legal proceedings described in individual FHLBanks' 2009 SEC Form 10-Ks.

Legal Proceedings Relating to the Lehman Brothers Special Financing (LBSF) Bankruptcy

The FHLBank of New York filed a proof of claim as a creditor in connection with the bankruptcy proceedings.

The FHLBank of Pittsburgh filed a proof of claim as a creditor in connection with the bankruptcy proceedings. The FHLBank of Pittsburgh has also filed a complaint against Lehman Brothers Holding Inc., Lehman Brothers, Inc., Lehman Brothers Commercial Corporation, Woodlands Commercial Bank, formerly known as Lehman Brothers Commercial Bank, and Aurora Bank FSB (Aurora), formerly known as Lehman Brothers Bank FSB, alleging unjust enrichment, constructive trust, and conversion claims.

See the 2009 SEC Form 10-K for each of the FHLBanks of New York and Pittsburgh for information regarding its specific legal claims relating to the LBSF bankruptcy.

See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Combined Results of Operations" for discussion about LBSF and Lehman Brothers Holdings, Inc. (LBHI) with respect to derivative contracts with the FHLBanks of Atlanta and Pittsburgh.

Legal Proceedings Relating to the Purchase of Certain Private-Label MBS

The FHLBanks of Pittsburgh, San Francisco and Seattle have each filed complaints against various entities relating to its purchase of certain private-label MBS.

The FHLBank of Pittsburgh's complaints assert claims for fraud, negligent misrepresentation and violations of state and federal securities laws.

The FHLBank of San Francisco's complaints are actions for rescission and damages and assert claims for and violations of state and federal securities laws, negligent misrepresentation, and rescission of contract.

The FHLBank of Seattle's complaints under Washington State law requests rescission of its purchase of the private-label MBS and repurchase of the private-label MBS by the defendants.

See the 2009 SEC Form 10-K for each of the FHLBanks of Pittsburgh, San Francisco and Seattle for information regarding its specific legal proceedings relating to certain private-label MBS bonds purchased from various entities.

Defendants in these lawsuits include entities that buy, sell and/or distribute FHLBanks' consolidated obligations and their affiliates. Affiliates of the defendants may be members or former members of the plaintiff FHLBanks and/or other FHLBanks.

The FHLBanks are also subject to various pending legal proceedings arising in the normal course of business. The FHLBanks and the Office of Finance are not a party to, nor are they subject to, any pending legal proceeding where the ultimate liability of the FHLBanks, if any, arising out of these proceedings is likely to have a material effect on the results of operations or financial condition of the FHLBanks.

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

None.

MARKET FOR FHLBANKS' CAPITAL STOCK AND RELATED STOCKHOLDER MATTERS

As a cooperative, each FHLBank conducts its advances business and acquired member asset programs almost exclusively with its members. There is no established marketplace for the FHLBanks' stock and it is not publicly traded. FHLBank stock is purchased by members at the stated par value of $100 per share and may be redeemed at its stated par value of $100 per share upon the request of a member subject to applicable redemption periods and certain conditions and limitations. At December 31, 2009, the FHLBanks had 449 million shares of capital stock outstanding. The FHLBanks are not required to register their securities under the Securities Act of 1933 (as amended). Each FHLBank is an SEC registrant as required by the Housing Act and is subject to certain reporting requirements of the 1934 Act.

Voting Rights for Election of FHLBank Directors. Members holding capital stock on December 31 of the preceding year can participate in the annual election process for FHLBank directors. Eligible members may nominate and elect representatives from members in their state to serve as "member directors" on the board of directors of their FHLBank. For each member 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. Eligible members may elect independent directors from among eligible persons nominated by their FHLBank's board of directors after consultation with their FHLBank's Advisory Council. 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 member's state to be represented on that date (December 31). All directors will be elected for four-year terms, unless a shorter term is assigned to achieve statutorily-required staggering.

For a description of recent changes to the law regarding the composition of the boards of directors of the FHLBanks, see "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Legislative and Regulatory Developments—FHLBanks' Boards of Directors: Eligibility and Elections."

Regulatory Capital Stock. The information on capital stock presented in the following table is accumulated at the holding-company level. Holding company information was obtained from the Federal Reserve System's web site, the National Information Center (NIC) and/or SEC filings. The NIC is a central repository of data about banks and other institutions for which the Federal Reserve System has a supervisory, regulatory, or research interest, including both domestic and foreign banking organizations operating in the United States. The percentage of total regulatory capital stock identified in the table below for each holding company was computed by dividing all regulatory capital stock owned by subsidiaries of that holding company by total combined regulatory capital stock. These percentage concentrations do not represent ownership concentrations in any particular FHLBank. For information on the top five holders of regulatory capital stock of each FHLBank and their holdings at December 31, 2009, please refer to "Supplemental Information—Top 5 Regulatory Capital Stockholders by FHLBank."

Top 10 Regulatory Capital Stockholders by Holding Company at December 31, 2009 (Dollar amounts in millions)

Holding Company Name	Regulatory Capital Stock*	Percentage of Total Regulatory Capital Stock
Bank of America Corporation (1)	$ 4,945	9.3%
JPMorgan Chase & Co. (2)	4,182	7.9%
Citigroup Inc. (3)	4,081	7.7%
Wells Fargo & Company (4)	3,065	5.8%
The PNC Financial Services Group, Inc. (5)	1,113	2.1%
MetLife, Inc. (6)	963	1.8%
U.S. Bancorp (7)	963	1.8%
Hudson City Bancorp, Inc. (8)	875	1.6%
UK Financial Investments Limited (9)	783	1.5%
Banco Santander, S.A. (10)	725	1.4%
	$21,695	40.9%

* Includes FHLBank capital stock that is considered to be mandatorily redeemable, which is classified as a liability under GAAP.

(1) Bank of America Corporation had subsidiaries with regulatory capital stock holdings at December 31, 2009 in the following FHLBank districts: Boston, New York, Atlanta, Indianapolis, Chicago, San Francisco and Seattle.

(2) JPMorgan Chase & Co. had subsidiaries with regulatory capital stock holdings at December 31, 2009 in the following FHLBank districts: New York, Pittsburgh, Chicago, San Francisco and Seattle.

(3) Citigroup Inc. had subsidiaries with regulatory capital stock holdings at December 31, 2009 in the following FHLBank districts: New York, Pittsburgh, Des Moines, Dallas and San Francisco.

(4) Wells Fargo & Company had subsidiaries with regulatory capital stock holdings at December 31, 2009 in the following FHLBank districts: Atlanta, Des Moines, Dallas, San Francisco, and Seattle. On March 20, 2010, Wachovia Bank, National Association, a member of the FHLBank of Atlanta as of December 31, 2009 merged with and into Wells Fargo Bank, National Association, a non-member. Upon the merger, Wachovia Bank, National Association's membership automatically terminated under the FHLBank of Atlanta's capital plan, and the FHLBank of Atlanta reclassified $273.9 million in capital stock held by Wachovia Bank, National Association from capital to mandatorily redeemable capital stock upon termination of its membership with the FHLBank of Atlanta.

(5) The PNC Financial Services Group, Inc. had subsidiaries with regulatory capital stock holdings at December 31, 2009 in the following FHLBank districts: New York, Pittsburgh, Atlanta, Cincinnati, Indianapolis, Chicago and Des Moines.

(6) MetLife, Inc. had subsidiaries with regulatory capital stock holdings at December 31, 2009 in the following FHLBank districts: Boston, New York and Des Moines.

(7) U.S. Bancorp had subsidiaries with regulatory capital stock holdings at December 31, 2009 in the following FHLBank districts: Cincinnati, Chicago, Des Moines, San Francisco and Seattle.

(8) Hudson City Bancorp, Inc. had a subsidiary with regulatory capital stock holdings at December 31, 2009 in the FHLBank of New York district.

(9) UK Financial Investments Limited had subsidiaries with regulatory capital stock holdings at December 31, 2009 in the following FHLBank districts: Boston, New York, Pittsburgh and Cincinnati.

(10) Banco Santander, S.A. had subsidiaries with regulatory capital stock holdings at December 31, 2009 in the following FHLBank districts: Boston, New York and Pittsburgh.

RISK FACTORS

The following discussion summarizes certain risks and uncertainties facing the FHLBanks as they potentially affect investors in the FHLBanks' 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. If any of these risks or uncertainties, are realized, they could negatively affect the FHLBanks' financial condition and/or results of operations, which could reduce the value of FHLBank membership, such as by adversely affecting the ability of an FHLBank to pay dividends or redeem or repurchase capital stock. 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.") Discussions of additional risks and uncertainties are set forth in this Combined Financial Report in the sections entitled "Explanatory Statement about FHLBanks Combined Financial Report," "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations," "Controls and Procedures" and "OF Board 'Audit Committee' Report."

Continuing or broader economic downturns, including the downturn in the U.S. housing market 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 international, domestic and district-specific business and economic conditions. These conditions include short- and long-term interest rates, real estate values, residential mortgage originations, inflation, money supply, fluctuations in both debt and equity capital markets, and the strength of the foreign, domestic and local economies in which the FHLBanks conduct their business. If any of these conditions declines, the FHLBanks' businesses and results of operations, as well as the businesses and results of operations of the FHLBanks' counterparties and members, could be adversely affected. For example, a prolonged economic downturn could result in FHLBank members becoming delinquent or defaulting on their advances.

Therefore, the continued deterioration of the U.S. housing market and national decline in home prices beginning in 2007 remains a significant risk to the FHLBanks' members, particularly those members that have businesses concentrated in the mortgage industry. Additionally, the further weakening of real estate prices and adverse performance trends in the prime, Alt-A and subprime mortgage lending sector could further reduce the value of collateral securing member credit obligations to each FHLBank and the fair value of its MBS investments. This could increase the possibility of under-collateralization, increasing the risk of loss in case of a member's failure, and/or increase the risk of loss on the FHLBanks' MBS investments because of additional OTTI charges. The continuing deterioration in the mortgage markets could also negatively affect the value of the FHLBanks' MPF and/or MPP portfolios resulting in an increase in the allowance for loan losses on mortgage loans and possible additional realized losses should the FHLBanks be forced to liquidate their MPF and/or MPP Loan portfolios. In addition, the FHLBanks' businesses and results of operations are significantly affected by the fiscal and monetary policies of the U.S. 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. The FHLBanks are affected by the global economy through member ownership and investment patterns. Changes in perception regarding the value of the U.S. economy or the depletion of funds available for investment by participants in overseas capital markets could lead to changes in foreign interest in investing in, or supporting, U.S. financial institutions or holding FHLBank debt.

FHLBanks are governed by and subject to Federal laws and regulations and their members are governed by Federal and/or state 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 Agency, an independent agency within 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, such as through the enactment of the Housing Act in 2008. New or modified legislation enacted by Congress or regulations adopted by the Finance Agency could have a negative effect on the FHLBanks' ability to conduct business or their costs of doing business. Other Federal regulators, as well as state regulators, regulate FHLBank members, and the regulation of FHLBank members may also have a detrimental effect on the FHLBanks' operations if the regulations affect the relationship between the regulated member and its FHLBank.

In accordance with the Housing Act, the Finance Agency enacted a rule on capital classifications and critical capital levels for the FHLBanks, on January 30, 2009. The rule, among other things, established criteria for four capital classifications and corrective action requirements for FHLBanks that are classified in any capital classification other than adequately capitalized. The Finance Agency has discretion to re-classify an FHLBank and to modify or add to corrective action requirements for a particular capital classification. If an FHLBank becomes classified into a capital classification other than adequately capitalized, that FHLBank may be adversely affected by the corrective action requirements for that capital classification.

The Finance Agency's extensive statutory and regulatory authority over the FHLBanks includes, without limitation, the authority to liquidate, merge or consolidate, redistrict, and/or adjust capital among the FHLBanks. The Finance Agency also has authority over the scope of permissible FHLBank products and activities, including the authority to impose limits on those products and activities.

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 stock redemption and repurchase limits;
- permissible business activities;
- lending, investment or mortgage purchase program activities, including the size, scope or nature of these activities; and/or
- affordable housing support requirements.

These changes may also result in increased compliance costs. Changes that restrict dividend payments, the growth of the FHLBanks' current businesses, 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. Furthermore, 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. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Legislative and Regulatory Developments" for more information.)

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 FHLBanks, issue agency debt securities to fund their operations. Negative Fannie Mae and Freddie Mac announcements related to business developments, risk-management issues and regulatory enforcement actions, along with negative announcements related to OTTI and regulatory capital compliance by certain FHLBanks, have created pressure on debt

pricing, as investors have perceived GSE debt instruments as bearing increased risk. Furthermore, the FHLBanks' funding costs and access to funds could be adversely affected by changes in investors' perception of the risks associated with the housing GSEs. Additionally, investor concerns about U.S. agency debt may adversely affect the FHLBanks' competitive position and result in higher funding costs, which could negatively affect the FHLBanks' business and financial condition.

In September 2008, in response to investor and financial concerns, the Finance Agency placed Fannie Mae and Freddie Mac into conservatorship and the U.S. Treasury put in place a set of financing agreements to help those GSEs continue to meet their obligations to holders of their debt securities. These actions by the U.S. government initially resulted in Fannie Mae and Freddie Mac debt securities being more attractive to investors than FHLBank System debt. Recently, on December 24, 2009, the U.S. Treasury announced that the cap on its funding, in support of Fannie Mae and Freddie Mac, would increase as necessary to accommodate any cumulative reduction in the net worth of each of those GSEs through 2012. The future status of Fannie Mae and Freddie Mac, and the effect of their status on the FHLBanks, is uncertain.

As a result of these actions, the FHLBanks may have to pay a higher rate of interest on their consolidated obligations in order 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 the FHLBanks' net interest margins (the difference between the interest rate received on advances and the interest rate paid on consolidated obligations). If the FHLBanks change the pricing of their advances in response to this decrease in net interest margin, 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.

The FHLBanks' financial condition and results of operations, ability to pay dividends, and/or ability to redeem or repurchase FHLBank capital stock and the value of FHLBank membership, could be adversely affected by FHLBank exposure to credit risk.

Although the financial markets have stabilized somewhat in 2009 compared to 2008, many financial institutions continue to be under financial stress, thereby exposing the FHLBanks to increased member and counterparty risk, as well as the risk of default. During 2009, the financial services industry has continued to experience an increase in the number of both financial institution failures and the number of mergers and consolidations compared to prior years. If an FHLBank's member fails and the FDIC or the member (or another applicable entity) does not either (1) promptly repay all of the failed institution's obligations to that FHLBank or (2) assume the outstanding advances, that FHLBank may be required to liquidate the collateral pledged by the failed institution. The volatility of market prices and interest rates could affect the value of the collateral held by the FHLBank as security for the obligations of its members as well as the ability of the FHLBank to liquidate the collateral in the event of a default by the obligor. Volatility within collateral indices may affect the method used in determining collateral weightings, which would ultimately affect the eventual collateral value. The proceeds realized from the liquidation of pledged collateral may not be sufficient to fully satisfy the amount of the failed institution's obligations or the operational cost of liquidating the collateral.

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, and certain large members have affiliates that are members of other FHLBanks. If these members withdraw from membership in the FHLBank System, which could occur as a result of the failure of members or increased consolidation in the financial services industry, their withdrawal could result in a reduction of the FHLBanks' total combined assets, capital, and net income. The consolidation in the financial services industry could lead to the concentration of large members in some FHLBanks' districts and a related decrease in membership and significant loss of business for some FHLBanks. If advances are

concentrated in a smaller number of members, an FHLBank's risk of loss resulting from a single event (such as the loss of a member's business due to the member's acquisition by a non-member) would become proportionately greater. Industry consolidation could also cause an FHLBank to lose members whose business and stock investments are so substantial that their loss could threaten the viability of that FHLBank due to the loss of business and the potential negative effect on an FHLBank's financial condition and results of operations. In turn, an FHLBank might be forced to seek a merger with another FHLBank.

If one or more of the large members or groups of affiliated 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.

Furthermore, the reclassification of an FHLBank's large member into a non-member shareholder (which cannot take out new advances, and therefore is no longer able to enter into new borrowing arrangements with an FHLBank) and/or the combination of parent entities of other large members would significantly change the potential concentration of that FHLBank's advances among its members, particularly that FHLBank's largest borrowers. These changes may lead to adverse effects on that FHLBank's business, including lower advance balances and related interest income, and possibly, lower net income. Furthermore, the loss of an additional large member could have a significant adverse effect on that FHLBank's financial condition and its results of operations.

The continued deterioration of the U.S. housing market and national decline in home prices over the last few years may adversely affect the financial condition of the FHLBanks' members, particularly those whose businesses are concentrated in the real estate industry. One or more of an FHLBank's members may default in its obligations to an FHLBank for a number of reasons, such as changes in its financial condition, a reduction in liquidity, operational failures and/or insolvency. In addition, the value of residential mortgage loans and other collateral pledged by an FHLBank's members to that FHLBank as collateral may decrease. If a member defaulted, and an FHLBank were unable to obtain additional collateral to make up for the reduced value of such residential mortgage loan collateral, the FHLBank could incur losses. Default by a member with significant obligations to an FHLBank could result in significant financial losses, which would adversely affect the FHLBanks' results of operations and financial condition.

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. In 2009, the FHLBanks experienced a decrease in demand from members for advances, largely due to members' ability to access alternative funding sources, including the ability to issue senior unsecured debt under the TLGP and an increase in deposits from members' banking customers. These funding sources offered more favorable terms than the FHLBanks had on their advances, such as more flexible credit or collateral standards. Also, the FDIC's changes to the deposit insurance program, such as extending coverage for deposits up to $250,000, affected demand for advances by providing members with a cheaper source of funding. 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 or could become more attractive, such as covered bonds, may significantly decrease the demand for the FHLBanks' advances. Efforts to compete effectively with other suppliers of wholesale funding by changing the pricing of FHLBank advances 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.

Some 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.

Additionally, 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. 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. Increased competition could adversely affect the FHLBanks' ability to access funding, reduce the amount of funding available to the FHLBanks, or increase the FHLBanks' cost of funding. Any of these results could adversely affect the FHLBanks' financial condition, results of operations, ability to pay dividends, or ability to redeem or repurchase capital stock.

FHLBanks may fail to meet minimum regulatory capital requirements, which could affect the FHLBanks' ability to conduct business "as usual."

Each FHLBank that has converted to a new capital structure under the GLB Act is subject to certain minimum capital requirements, including a risk-based capital requirement that is the sum of an FHLBank's credit-risk, market-risk and operations-risk capital requirements. Only permanent capital, defined as retained earnings plus Class B stock, can satisfy the risk-based capital requirement. Each individual FHLBank's investments carries a credit-risk capital requirement that is based on the rating of the investment, and, for non-mortgage investments and advances, based on the term. The total credit-risk capital requirement is the sum of each investment's individual credit-risk capital requirement. Accordingly, ratings downgrades on individual investments cause the total credit-risk-based capital requirement to rise. As a result of the downgrades of a number of the FHLBanks' private-label MBS during 2009, the credit-risk component of some FHLBanks' risk-based capital increased significantly. One component of the market-risk capital requirement is that each FHLBank maintains capital equal to the amount by which the current market value of its total capital is less than 85 percent of the book value of total capital. Declines in the fair value of an FHLBank's investments below this level increase that FHLBank's market-risk capital requirement. The operations-risk capital requirement is affected by increases in credit-risk

and market-risk capital requirements because the operations-risk capital requirement is equal to 30 percent of the sum of the credit-risk and market-risk capital requirements.

A continued decline in the market value of private-label MBS may significantly increase an FHLBank's market-risk, credit-risk, and operations-risk capital requirements, which could lead to a risk-based capital deficiency. If an FHLBank is unable to satisfy its risk-based capital requirement, that FHLBank would be subject to certain capital restoration requirements and prohibited from paying dividends and redeeming or repurchasing capital stock without the prior approval of the Finance Agency, which could adversely affect a member's investment in FHLBank capital stock. Furthermore, any suspension of dividends and/or capital stock repurchases and redemptions could decrease FHLBank member confidence, which in turn could reduce advance demand and net income should that FHLBank's members elect to use alternative sources of wholesale funding. As a result of a risk-based capital shortfall, the NRSROs could perceive an increased level of risk or deterioration in the performance at an FHLBank, which could result in a downgrade in that FHLBank's outlook or short- or long-term credit ratings. (See Note 18—Capital for additional information on the FHLBanks' capital requirements.)

The FHLBanks may not be able to pay dividends or repurchase or redeem members' capital stock at rates consistent with past practices.

Under Finance Agency regulation, an FHLBank may pay dividends on its capital stock only out of previously retained earnings or current net income. The payment of dividends is subject to certain statutory and regulatory restrictions (including that an FHLBank is in compliance with all minimum capital requirements) and is highly dependent on an FHLBank's ability to continue to generate future net income and maintain adequate retained earnings and capital levels. Furthermore, events such as changes in the FHLBanks' market risk profile, credit quality of assets held and increased volatility of net income caused by the application of certain GAAP may affect the adequacy of the FHLBanks' retained earnings. These changes may require the FHLBanks to increase their target level of retained earnings and correspondingly reduce their dividends from historical dividend payout ratios in order to achieve and maintain the targeted amounts of retained earnings. These actions may cause a decline in the value of FHLBank membership and member activity with its FHLBank.

Compliance with regulatory contingency liquidity guidance could adversely affect the FHLBanks' earnings.

On March 6, 2009, the FHLBanks received final guidance from the Finance Agency that requires the FHLBanks to maintain sufficient liquidity through short-term investments in an amount at least equal to an FHLBank's cash outflows under two different scenarios as described in "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Liquidity." All FHLBanks are still required to maintain five calendar days of contingent liquidity under Finance Agency regulations. This Finance Agency's guidance is designed to protect against temporary disruptions in access to the FHLBank debt markets in response to a rise in capital markets volatility. To satisfy this additional requirement, the FHLBanks maintain balances in shorter-term investments, which may earn lower interest rates than alternate investment options and may, in turn, negatively affect net interest income. In certain circumstances, the FHLBanks may need to fund overnight or shorter-term advances with short-term discount notes that have maturities beyond the maturities of the related advances, thus increasing the FHLBanks' short-term advance pricing or reducing net income through lower net interest spread. To the extent these increased prices make FHLBank advances less competitive, advance levels and, therefore, the FHLBanks' net interest income may be negatively affected.

The FHLBanks' Affordable Housing Programs and other related community investment programs may become a larger proportional burden if the FHLBanks' annual net income is reduced or eliminated.

Each FHLBank is required to establish an Affordable Housing Program (AHP). Each FHLBank provides subsidies in the form of direct grants and/or below-market interest rate loans 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 net earnings, after the assessment for the REFCORP. As an FHLBank's net income is reduced, the amount of funding available through the AHP is also reduced, thus impairing the FHLBanks' ability to satisfy its mission. However, the FHLBanks must always set aside a minimum of $100 million per year in the aggregate, even if the FHLBanks are unprofitable.

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

Throughout 2009, the U.S. mortgage market generally continued to deteriorate, with delinquency and foreclosure rates on mortgage loans increasing nationwide. The private-label MBS market, which had for the most part ceased operating during much of 2008, continued to experience uncertainty over the effect of new or proposed governmental actions (including mortgage loan modification programs), further home-price deterioration, and changes in borrower, lender, and investor behavior which depressed and complicated the pricing of private-label MBS. The uncertainty as to the depth and duration of these trends has resulted in a change in the markets for private-label MBS, such that what had been generally functioning markets in early to mid-2007 became very illiquid markets, with prices reflecting a lack of dealer and investor sponsorship. Additionally, in 2009, the NRSROs downgraded a significant number of private-label MBS, including some owned by the FHLBanks. Over the past few years, these and other factors have led to the deterioration of the fair value of many of the FHLBanks' private-label MBS.

Generally, private-label MBS backed by subprime and Alt-A mortgage loans experienced increased delinquencies and loss severities over the past two years. In 2009, these factors have resulted in continued market uncertainty and illiquidity for those private-label MBS, causing the FHLBanks' to further reduce the fair value of their private-label MBS portfolios. Further declines in the fair value of the FHLBanks' private-label MBS portfolios, as well as increased loan default rates, loss severities and prepayment speeds, may result in additional material other-than-temporary impairments in future periods, which could materially adversely affect the FHLBanks' financial condition and operating results. Those FHLBanks may have more OTTI charges in the future, which will depend on many factors, including economic, financial market and housing market conditions and the actual and projected performance of the loan collateral underlying the FHLBanks' private-label MBS. (See "Critical Accounting Estimates—OTTI for Investment Securities" for more discussion about the FHLBanks' OTTI assessment and related assumptions, regarding the collateral backing their portfolio of private-label MBS.)

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 and/or financial condition.

The pace at which financial institutions (including FDIC-insured institutions) have moved from only having some financial difficulties to failure has increased dramatically. As a result, the FHLBanks face an increased risk that one or more of their institutional counterparties may fail to fulfill their contractual obligations to the FHLBanks, which could result in a financial loss to one or more of the FHLBanks. The primary exposures to institutional counterparty risk are with:

- mortgage servicers that service the loans the FHLBanks have as collateral on advances;
- third-party providers of credit enhancements on the MBS investments that the FHLBanks hold in their investment portfolios, including mortgage insurers, bond insurers and financial guarantors;
- third-party providers of 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.

In addition, the FHLBanks' ability to engage in routine derivatives, funding and other transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty and/or other relationships. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, could lead to market-wide disruptions in which it may be difficult for the FHLBanks to find counterparties for such transactions.

The FHLBanks' financial condition and results of operations, and the value of FHLBank membership, could be adversely affected by a failure in their 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 supplemental mortgage insurance (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.

Deterioration of economic conditions in 2008 led to a significant decrease in real estate property values in some parts of the country which continued throughout 2009. As a result, real estate collateral held by the FHLBanks from their members was also affected negatively. In order to remain fully collateralized, the FHLBanks required members to pledge additional collateral, when deemed necessary. This requirement may adversely affect those members that lack additional assets to pledge as collateral. If members are unable to secure their obligations with an FHLBank, that FHLBank's advance levels could decrease, negatively affecting its financial condition, results of operations, and 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 funding costs and interest-rate risk, 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 an FHLBank's 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.

If the global financial markets experience similar stress as in 2008, or to the extent the number of high-quality counterparties available for hedging transactions decreases, the FHLBanks may face a reduced or limited ability to enter into hedging transactions. As a result, the FHLBanks may not be able to effectively manage their interest-rate risk, which could negatively affect their results of operations and financial condition.

Changes in interest rates or an FHLBank's inability to successfully manage interest-rate risk could have a material adverse effect on 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. An FHLBank's ability to anticipate changes regarding the direction and speed of interest rate changes, or to hedge the related exposures, significantly affects the success of the asset and liability management activities and the level of net interest income. An FHLBank may use a number of measures to monitor and manage interest rate risk, including income simulations and duration/market value sensitivity analyses. Given the unpredictability of the financial markets, capturing all potential outcomes in these analyses is extremely difficult. Key assumptions include, but are not limited to, loan volumes and pricing, market conditions for an FHLBank's consolidated obligations, interest rate spreads and prepayment speeds and cash flows on mortgage-related assets. These assumptions are inherently uncertain and, as a result, the measures cannot precisely estimate net interest income or the market value of equity, nor can they precisely predict the effect of higher or lower interest rates on net interest income or the market value of equity. Actual results will differ from simulated results due to the timing, magnitude, and frequency of interest rate changes and changes in market conditions and management strategies, among other factors. The volatility and disruption in the credit markets during the past year have resulted in a higher level of volatility in the FHLBanks' interest-rate risk profile and could negatively affect the FHLBanks' ability to manage interest-rate risk effectively.

Although the FHLBanks use various methods and procedures to monitor and manage exposures due to changes in interest rates, 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 than expected at below-market yields when interest rates increase.

Fluctuations in interest rates affect profitability in several ways, including but not limited to the following:

- Increases in interest rates may reduce overall demand for loans and mortgages, thereby reducing the ability to originate new loans, the availability of mortgage loans to purchase and the volume of MBS acquired by the FHLBanks, which could have a material adverse effect on the FHLBanks' business, financial condition and profitability, and may increase the cost of funds.

- Decreases in interest rates typically cause mortgage prepayments to increase and may result in increased premium amortization expense and substandard performance in an FHLBank's mortgage portfolio as an FHLBank experiences a return of principal that it must re-invest in a lower rate environment, adversely affecting net interest income over time. While these prepayments would reduce the asset balance, the associated debt may remain outstanding.

- Decreases in short-term interest rates reduce the return the FHLBanks receive on their interest-earning deposits. Each FHLBank maintains a required level of liquidity, sufficient in part to support member borrowing demand. This liquidity may be invested in short-term or overnight investments, such as interest-earning deposits, resulting in lower profitability for an FHLBank in a low-rate environment.

- In the current economic recession, decreases in interest rates also reflect a significant decline in economic activity. This results in a weakening of the underlying credit of the collateral supporting the FHLBanks' advances and private-label MBS portfolios, increasing the potential for the FHLBanks to experience a credit loss.

The FHLBanks' funding, including the refinancing of outstanding consolidated obligations, depends on their ability to access the capital markets and disruptions in the capital markets could have a material adverse effect on the FHLBanks.

The FHLBanks' primary source of funds is the sale of 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. The severe financial and economic disruptions, and the U.S. government's dramatic measures enacted to mitigate their effects, have changed the traditional basis on which market participants value GSE debt securities and consequently have affected the FHLBanks' funding costs and practices. Each FHLBank's ability to operate its business, meet its obligations and generate net interest income depends primarily on the ability to issue large amounts of debt frequently to meet member demand and to refinance existing outstanding consolidated obligations when needed, with a variety of maturities and call features and at attractive rates. Generally, each FHLBank actively manages its liquidity position to maintain stable, reliable, and cost-effective sources of funds, while taking into account market conditions, member credit demand for short-and long-term loans, investment opportunities and the maturity profile of the FHLBank's assets and liabilities.

During 2009, the financial markets stabilized following more than a year of severe financial disruption within the financial services industry, including the U.S. government's actions that placed both Fannie Mae and Freddie Mac into conservatorship. Such actions affected the FHLBanks' funding costs and practices in 2008, and to a lesser degree, into the early part of 2009. During these periods of disruption, the FHLBanks' funding costs for long-term debt were more volatile and rose sharply compared to benchmark interest rates, although short-term funding levels were more favorable compared to LIBOR. The FHLBanks' exposure to liquidity risk eased during the first half of 2009. This improvement resulted from a reduction in funding costs, which were the lowest in more than twelve months. In addition, FHLBank member demand for advances declined in 2009. As a result, the FHLBanks' balance of consolidated obligations outstanding continued to contract as new issuances were outpaced by scheduled maturities and exercised calls.

Although the FHLBanks' long-term funding costs improved in 2009, the FHLBanks are still exposed to liquidity risks if there is any significant disruption in the short-term debt markets that could have a material adverse effect on the FHLBanks. If these conditions continued indefinitely, the FHLBanks may not be able to obtain funding on acceptable terms and the higher cost of longer-term liabilities would likely cause the FHLBanks to further increase advance rates, which could adversely affect demand for advances and, in turn, the FHLBanks' results of operations. Alternatively, continuing to fund longer-term assets with very short-term liabilities could adversely affect the FHLBanks' results of operations if the cost of those short-term liabilities rises to levels above the yields on the assets being funded. 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. (See "Financial Discussion and Analysis—Financial Trends" for more discussion on the FHLBanks' liquidity.)

The FHLBanks may not be able to meet their obligations as they come due or meet the credit and liquidity needs of their 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.

Each FHLBank relies on business and financial models to manage its market risk, to make business decisions and for financial accounting and reporting purposes. An FHLBank's business could be adversely affected if those models fail to produce reliable and useful results.

Each FHLBank makes significant use of business and financial models for managing risk. For example, each FHLBank uses models to measure and monitor exposures to interest rate and other market risks, as well as credit risk, including prepayment risk. Each FHLBank also uses models in determining the fair value of financial instruments for which independent price quotations are not available or reliable. The information provided by these models is also used in making business decisions relating to strategies, initiatives, transactions and products and in financial statement reporting.

The continued turmoil in the housing and credit markets increases risk regarding the reliability of internal models, particularly because each FHLBank is regularly adjusting its internal models in response to rapid changes in economic conditions. This may increase the risk that an FHLBank's internal models could produce unreliable results or estimates that vary widely or prove to be inaccurate. Models are inherently imperfect predictors of actual results because they are based on assumptions about future performance. An FHLBank's models could produce unreliable results for a number of reasons, including invalid or incorrect assumptions underlying the models and/or incorrect data being used by the models. The risk metrics, valuations and loan loss reserve estimations produced by an FHLBank's internal models may be different from actual results, which could adversely affect that FHLBank's business results, cash flows, fair value of net assets, business prospects and future earnings.

Changes in any models or in any of the assumptions, judgments or estimates used in the models may cause the results generated by the models to be materially different. If the models are not reliable, an FHLBank could make poor business decisions, including asset and liability management decisions, or other decisions, which could result in an adverse financial effect. Furthermore, any strategies that an FHLBank employs to attempt to manage the risks associated with the use of models may not be effective. The models used by each FHLBank to determine the fair values of its assets, liabilities and derivatives may differ from the models used by the other FHLBanks. The use of different models or assumptions by individual FHLBanks, as well as changes in market conditions, could result in materially different valuation estimates or other estimates even when similar or identical assets and liabilities are being measured, and could have materially different effects on the net income and retained earnings of each of the FHLBanks. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Critical Accounting Estimates" for more discussion about the FHLBanks' use of financial models.)

The FHLBanks rely heavily on information systems and other technology and the failure of that technology could disrupt business and result in harm to the financial condition of the FHLBanks.

Each FHLBank relies heavily on its information systems and other technology, together with the information systems and other technology used by the Office of Finance, to conduct and manage its business. A failure or interruption in any of these systems or other technology could prevent the FHLBanks from conducting and managing their business effectively, including, and without limitation, their advance business 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.

SELECTED FINANCIAL DATA
(Dollar amounts in millions)

	2009	2008	2007	2006	2005
Selected Statement of Condition Data at December 31,					
Investments (1)(2)	$ 284,351	$ 305,913	$ 297,058	$ 270,319	$265,393
Advances	631,159	928,638	875,061	640,681	619,860
Mortgage loans held for portfolio	71,469	87,376	91,618	97,983	105,250
Allowance for credit losses on mortgage loans	32	15	8	7	10
Total assets (2)	1,015,583	1,349,053	1,271,800	1,015,304	995,799
Consolidated obligations (3):					
Discount notes	198,532	439,895	376,342	157,549	179,694
Bonds	736,344	818,372	802,574	776,665	736,207
Total consolidated obligations	934,876	1,258,267	1,178,916	934,214	915,901
Mandatorily redeemable capital stock (7)	8,138	6,136	1,107	1,094	1,451
Subordinated notes (4)	1,000	1,000	1,000	1,000	
Total capital stock (6)(7):					
Capital stock—Class B putable (5)	42,227	46,413	46,701	38,882	37,786
Capital stock—Class A putable (5)	427	752	891	532	498
Capital stock-Preconversion putable (5)	2,328	2,386	2,661	2,587	3,759
Total capital stock	44,982	49,551	50,253	42,001	42,043
Retained earnings (3)(11)	6,033	2,936	3,689	3,144	2,601
Accumulated other comprehensive (loss) income (AOCI) (11)	(8,206)	(1,137)	(345)	(159)	(163)
Total capital (3)(6)	42,809	51,350	53,597	44,986	44,481
Selected Statement of Income Data for the year ended December 31,					
Net interest income (3)(7)	$ 5,432	$ 5,243	$ 4,517	$ 4,293	$ 4,207
Provision (reversal) for credit losses	18	11	3	(1)	1
Net interest income after provision (reversal) for credit losses (3)(7)	5,414	5,232	4,514	4,294	4,206
Total other (loss) income (3)(11)	(1,786)	(2,350)	127	3	(60)
Total other expense	(943)	(1,076)	(792)	(743)	(729)
Total assessments	(830)	(600)	(1,022)	(942)	(907)
Net income before change in accounting principles (3)(7)(11)	1,855	1,206	2,827	2,612	2,510
Cumulative effect of change in accounting principles before assessments (8)					15
Net income (3)(7)(8)(11)	$ 1,855	$ 1,206	$ 2,827	$ 2,612	$ 2,525
Selected other data for the year ended December 31,					
Cash and stock dividends (7)	$ 641	$ 1,975	$ 2,282	$ 2,069	$ 1,669
Dividend payout ratio (7)(12)	34.56%	163.76%	80.72%	79.21%	66.10%
Return on average equity (13)	3.95%	2.17%	6.01%	5.80%	5.84%
Return on average assets	0.16%	0.09%	0.26%	0.26%	0.26%
Average equity to average assets	4.00%	4.12%	4.29%	4.47%	4.53%
Net interest margin (7)(9)	0.46%	0.40%	0.42%	0.43%	0.44%
Selected other data at December 31,					
Total regulatory capital ratio (7)(10)	5.92%	4.42%	4.41%	4.65%	N/A

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

(2) Generally accepted accounting principles in the United States of America (GAAP) 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. Reflects the effect of

reclassifications of cash collateral under GAAP. (See Note 1—Summary of Significant Accounting Policies to the accompanying combined financial statements.)

(3) 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."

(4) On June 13, 2006, the FHLBank of Chicago issued $1.0 billion of subordinated notes that mature on June 13, 2016. The subordinated notes are not obligations of, and are not guaranteed by, the United States government or any of the FHLBanks other than the FHLBank of Chicago. (See Note 17—Subordinated Notes to the accompanying combined financial statements.)

(5) All FHLBanks, except for the FHLBank of Chicago, implemented its respective capital plan prior to 2006. The corresponding balances for capital stock—pre-conversion putable for years 2006 and beyond relate solely to the FHLBank of Chicago, which has not yet implemented its new capital plan. (See Note 18—Capital to the accompanying combined financial statements.)

(6) 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 18—Capital to the accompanying combined financial statements.)

(7) The FHLBanks classify certain outstanding capital stock as "mandatorily redeemable capital stock" and include it in the liability section of the Statement of Condition. For the years ended December 31, 2009, 2008, 2007, 2006, and 2005, dividends on mandatorily redeemable capital stock in the amounts of $40 million, $50 million, $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 18—Capital to the accompanying combined financial statements for information on the significant restrictions on stock redemption.)

(8) The FHLBanks of Atlanta, Boston, Dallas, Des Moines and New York changed their respective method of amortizing/accreting premiums/discounts and other nonrefundable fees on mortgage loans and/or mortgage-backed securities in 2005. (See Note 1—Summary of Significant Accounting Policies to the accompanying combined financial statements for the FHLBanks' amortization/accretion policies on mortgage loans.)

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

(10) The regulatory capital ratio is calculated based on the FHLBank's total regulatory capital as a percentage of total assets at period end. Total regulatory capital, under the GLB Act, is the defined as the sum of permanent capital, the amounts paid for Class A capital stock, any general allowance for losses and any other amount from sources available to absorb losses that the Finance Agency has determined by regulation to be appropriate to include in determining total capital. Total regulatory capital for the FHLBank of Chicago, which has not implemented a capital plan under the GLB Act, is defined as the sum of the paid-in value of capital stock and mandatorily redeemable capital stock plus retained earnings. The Finance Agency allows the FHLBank of Chicago to include a Designated Amount of subordinated notes in determining compliance with its regulatory capital ratio. For 2005, the FHLBanks were in various stages of transition to a new capital plan and the current regulatory capital ratio was not applicable for that year. (See "Business—Capital, Capital Rules and Dividends" and Note 18—Capital to the accompanying combined financial statements.)

(11) The FHLBanks adopted the amended OTTI guidance as of January 1, 2009 and recognized the cumulative effect of initially applying this guidance, totaling $1,883 million, as an adjustment to the retained earnings balance at January 1, 2009, with an offsetting adjustment to AOCI; this amount represents noncredit losses reported in AOCI related to the adoption of this guidance. Under the new guidance, if an impairment was determined to be other-than-temporary, the total other-than-temporary impairment losses net of the portion of impairment losses recognized in other comprehensive income is recognized in earnings as "Net other-than-temporary impairment losses." The Net other-than-temporary impairment losses for the year ended December 31, 2009 was $2,431 million. Prior to adoption of the current GAAP for OTTI on investment securities, if an impairment was determined to be other-than-temporary, an impairment loss was recognized in earnings as "Realized losses on other-than-temporary impaired securities." The Realized losses on other-than-temporary impaired securities was $2,025 million for the year ended December 31, 2008. (See to Note 1—Summary of Significant Accounting Policies and Note 8—Other-Than-Temporary Impairment Analysis to the accompanying combined financial statements.)

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

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

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

Investors should read this financial discussion and analysis of combined financial condition and combined results of operations together with the combined financial statements and the notes beginning on page 191 this Combined Financial Report. Each FHLBank discusses its financial condition and results of operations in its periodic reports filed with the SEC. Each FHLBank's Annual Report on Form 10-K and Quarterly Report on Form 10-Q filed with the SEC contains, as required by applicable SEC rules, a Management's Discussion and Analysis of Financial Condition and Results of Operations, commonly called MD&A. The SEC has noted that one of the principal objectives of MD&A is to provide a narrative explanation of a registrant's financial statements that enables investors to see the registrant through the eyes of its management and that "management has a unique perspective on its business that only it can present." Because there is no centralized management of the FHLBanks that can provide a system-wide "eyes of management" view of the FHLBanks as a whole, this Combined Financial Report does not contain a conventional MD&A. It includes, instead, a "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations" prepared by the Office of Finance using information provided by the individual FHLBanks. The Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations does not generally include a separate description of how each FHLBank's operations affect the combined financial condition and combined results of operations. That level of information about each of the FHLBanks is addressed in the respective FHLBank's periodic reports filed with the SEC. (See "Explanatory Statement about FHLBanks Combined Financial Report" on page 2, "Available Information on Individual FHLBanks" on page 4 and "Supplemental Information—Individual FHLBank Selected Financial Data and Financial Ratios on page 371.)

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

Forward-Looking Information

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

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

- changes in interest rates, housing prices, employment rates and the general economy;
- the size and volatility of the residential mortgage market;
- demand for FHLBank advances resulting from changes in FHLBank members' deposit flows and credit demands;
- volatility of market prices, rates, and indices or other factors that could affect the value of investments or collateral held by the FHLBanks as security for the obligations of FHLBank members and counterparties to interest-rate exchange agreements and similar agreements. This volatility could result from the effects of, and changes in, various monetary or fiscal policies and regulations, including those determined by the Federal Reserve Board and the FDIC, or a decline in liquidity in the financial markets;

- political events, including legislative, regulatory, judicial, or other developments that affect the FHLBanks, their members, counterparties and/or investors in the consolidated obligations of the FHLBanks, such as changes in the FHLBank Act, as amended, or regulations that affect FHLBank operations, and regulatory oversight (including the U.S. Secretary of the Treasury's authority relating to the issuance of consolidated obligations and the passage of the Housing Act);
- competitive forces, including other sources of funding available to FHLBank members, other entities borrowing funds in the capital markets, and the ability to attract and retain skilled individuals;
- the pace of technological change and the ability to develop and support technology and information systems sufficient to manage the risks of the FHLBanks' business effectively;
- loss of large members through mergers and similar activities;
- changes in domestic and foreign investor demand for consolidated obligations and/or the terms of interest-rate exchange agreements and similar agreements, including changes in the relative attractiveness of consolidated obligations as compared to other investment opportunities;
- the availability, from acceptable counterparties, of derivative financial instruments of the types and in the quantities needed for risk management purposes;
- timing and volume of market activity;
- volatility of reported results due to changes in the fair value of certain assets and liabilities;
- the ability to introduce new products and services and successfully manage the risks associated with those products and services, including new types of collateral used to secure advances;
- the FHLBanks' ability to identify, manage, mitigate and/or remedy internal control weaknesses and other operational risks;
- the FHLBanks' ability to implement business process improvements;
- risk of loss arising from litigation filed against one or more of the FHLBanks;
- significant business disruptions resulting from natural or other disasters, acts of war or terrorism;
- the effect of new accounting standards, including the development of supporting systems; and
- inflation/deflation.

Business Overview

Financial Performance. As cooperatives, the FHLBanks seek to maintain a balance between their public policy mission and their ability to provide adequate returns on the capital supplied by their members. The FHLBanks strive to achieve this balance by delivering low-cost financing to members to help them meet the credit needs of their communities and by paying dividends. In view of their status as cooperatives, the FHLBanks' financial strategies are designed to enable the FHLBanks to expand and contract in response to the credit needs of their members. As cooperatives, the FHLBanks balance the needs of their members and do not necessarily seek to maximize earnings.

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

Different FHLBank Business Strategies. Each FHLBank is operated as a separate entity with its own management, employees and board of directors but under the supervisory and regulatory framework of the Finance Agency in its capacity as the Regulator. However, the management and board of directors of each FHLBank determine the best approach for achieving that FHLBank's business objectives and serving the needs of its members, which may be different from other FHLBanks due to different markets and economic characteristics. As such, the management and board of directors of each FHLBank have developed their own business strategies and initiatives to fulfill that FHLBank's mission and they reevaluate these strategies and initiatives from time to time. For example, certain FHLBanks continue to offer the purchase of mortgage loans from their members through the acquired member asset programs; other FHLBanks have offered such programs to their members but do not actively market the programs to their members or have not invested significant resources to develop or expand the programs; and some FHLBanks no longer offer the programs. At December 31, 2009, mortgage loans purchased through the acquired member asset programs as a percentage of an individual FHLBank's total assets varied from a high of 27 percent for the FHLBank of Chicago to a low of less than one percent for the FHLBank of Dallas.

Comparative Highlights

	For the Years Ended December 31,			For the Year Ended 2009 vs. 2008		For the Year Ended 2008 vs. 2007	
				Increase		Increase (Decrease)	
(Dollar amounts in millions)	**2009**	**2008**	**2007**	**$**	**%**	**$**	**%**
Net interest income	$5,432	$5,243	$4,517	$189	3.6%	$ 726	16.1%
Net income	1,855	1,206	2,827	649	53.8%	(1,621)	(57.3)%

The decline in interest rates in 2009 compared to 2008 affected the change in the FHLBanks' net interest income, which increased for 2009 as the decrease in interest expense on consolidated obligations was greater than the decreases in interest income on advances, investments and mortgage loans. Net interest income increased modestly from 2008 to 2009 primarily due to the FHLBanks' replacement of a portion of longer-term, higher-rate debt through the issuance of new, shorter-term consolidated obligations at significantly lower interest rates. Also, during the first part of 2009, several FHLBanks experienced wider portfolio spreads on many of their short-term and adjustable-rate assets indexed to LIBOR relative to their short-term funding costs, which resulted from the financial market disruptions that began in 2008. This spread widening increased the cost of LIBOR relative to other short-term interest expense, including the FHLBanks' consolidated discount notes issuance. Net income for 2009 was reduced by credit-related OTTI charges of $2.4 billion on certain private-label residential mortgage-backed securities (RMBS) and home equity loan investments, compared to OTTI charges of $2.0 billion for 2008, which included non-credit-related charges of $1.9 billion. Net income for 2009 reflected the increase in net gains on derivatives and hedging activities and the decrease in provision for derivative counterparty credit losses as compared to 2008. These were partially offset by net losses on advances and consolidated bonds held at fair value and net losses on trading securities in 2009 compared to net gains on advances and consolidated bonds held at fair value and net gains on trading securities in 2008.

The decline in interest rates in 2008 compared to 2007 also affected the change in the FHLBanks' combined net interest income from 2007 to 2008, which increased as the decrease in interest expense on consolidated obligations was greater than the decreases in interest income on advances and investments. Although the decline in interest rates caused an overall decrease in interest income and interest expense, volumes on advances, investments and consolidated obligations were higher in 2008 compared to 2007. The decrease in net income for 2008 compared to 2007 can be primarily attributed to the realized losses on other-than-temporarily impaired securities, the increases in net losses on derivatives and hedging activities, and the provision for derivative counterparty credit losses due from LBSF, which were partially offset by the increases in net interest income and the net gains on advances and consolidated bonds held at fair value.

Total combined other (loss) income for 2009, 2008 and 2007 was the result of the following (dollar amounts in millions):

	For the Years Ended December 31,			For the Year Ended 2009 vs. 2008	For the Year Ended 2008 vs. 2007
	2009	2008	2007	(Decrease) Increase	(Decrease) Increase
OTHER (LOSS) INCOME					
Net other-than-temporary impairment losses	$(2,431)	$	$	$(2,431)	$
Realized losses on other-than-temporarily impaired securities		(2,025)		2,025	(2,025)
Net (losses) gains on trading securities	(140)	260	147	(400)	113
Net realized gains from sale of available-for-sale securities	7	9	1	(2)	8
Net realized gains (losses) from sale of held-to-maturity securities	17	4	(6)	13	10
Net (losses) gains on advances and consolidated bonds held at fair value	(457)	883		(1,340)	883
Net gains (losses) on derivatives and hedging activities	1,207	(1,559)	(53)	2,766	(1,506)
Service fees	32	29	29	3	
Other, net	(21)	49	9	(70)	40
Total other (loss) income	$(1,786)	$(2,350)	$127	$ 564	$(2,477)

In 2009, the FHLBanks incurred $2,431 million in net OTTI charges related to certain private-label RMBS and home equity loan investments that are recorded in "Net other-than-temporary impairment losses," which compares to $2,025 million recorded in "Realized losses on other-than-temporarily impaired securities" in 2008. The 2009 net OTTI charges amount was calculated under amended OTTI guidance issued by the Financial Accounting Standards Board (FASB). This amended OTTI guidance, which the FHLBanks early adopted during the first quarter of 2009, resulted in only the credit portion of FHLBank OTTI being recognized in earnings; the noncredit portion of FHLBank OTTI is recognized in AOCI. Prior to 2009, if an impairment was determined to be other-than-temporary, the impairment loss recognized in earnings was equal to the entire difference between the security's amortized cost basis and its fair value at the balance sheet date of the reporting period for which the impairment assessment was made. As a result of adopting this amended OTTI guidance, the FHLBanks recognized a cumulative effect adjustment totaling $1.9 billion, as a positive adjustment to the combined retained earnings balance at January 1, 2009, with an offsetting adjustment to combined AOCI. The credit portion of FHLBank OTTI charges for 2009 resulted primarily from an increase in projected losses on the collateral underlying certain of the FHLBanks' private-label RMBS and home equity loan investments. Each quarter, working with the FHLBank System OTTI Governance Committee, each FHLBank updates its OTTI analysis to reflect current loan performance and current housing market assumptions in its collateral loss projection models, which generate the projected losses. Several factors contributed to the increases in projected losses, including lower forecasted housing prices followed by slower housing price recovery, continued rising unemployment and limited refinancing opportunities for borrowers whose houses are now worth less than the balances on their mortgages. These trends led to lower projected prepayment rates, higher projected default rates and higher projected losses on defaulted loans.

The FHLBanks recorded $1,207 million of net gains on derivatives and hedging activities during 2009 and recorded $1,559 million and $53 million of net losses on derivatives and hedging activities during 2008 and 2007. The FHLBanks' costs of derivatives and hedging activities fluctuate with volatility in the overall interest rate environment, as FHLBanks hedge their asset risk exposures. Most income statement changes for derivatives and hedging activities represent unrealized market value adjustments on derivatives that result primarily from interest rate changes that affect the market values of

derivatives differently than the market values of the hedged risks. In general, derivatives and associated hedged instruments and certain assets and liabilities that are carried at fair value are held to the maturity, call, or put date. Therefore, for these financial instruments, nearly all of the cumulative net gains and losses that are unrealized gains or losses are either generally a matter of timing and will generally reverse over the remaining contractual terms or are the reversal of gains recognized in prior periods of the hedged financial instrument, associated interest-rate exchange agreement or financial instrument carried at fair value. However, there may be instances in which these instruments are terminated prior to maturity or prior to the call or put dates. Terminating the financial instrument or hedging relationship may result in a realized gain or loss. In addition, the FHLBanks may have instances in which they may sell securities prior to maturity, which may also result in a realized gain or loss. (See "Combined Results of Operations—Provision for Derivative Counterparty Credit Losses" for further discussion.)

(Dollar amounts in millions)	For the Years Ended December 31,			For the Year Ended 2009 vs. 2008 Increase		For the Year Ended 2008 vs. 2007 Increase	
	2009	2008	2007	$	%	$	%
Total operating expenses	$813	$732	$714	$81	11.1%	$18	2.5%

The increase in operating expenses for 2009 as compared to 2008, primarily relates to increases in pension plan costs and employee headcount as well as increases in professional and contract services. The increase in operating expenses for 2008 as compared to 2007 is primarily attributable to increases in professional and contract services and costs related to the termination of merger discussions between the FHLBanks of Chicago and Dallas that were expensed in the first quarter of 2008.

(Dollar amounts in millions)	For the Years Ended December 31,			For the Year Ended 2009 vs. 2008 Decrease		For the Year Ended 2008 vs. 2007 Increase	
	2009	2008	2007	$	%	$	%
Daily average total assets	$1,172,598	$1,348,370	$1,096,831	$(175,772)	(13.0)%	$251,539	22.9%

The decrease in average assets from 2008 to 2009 is primarily the result of the decline in the FHLBanks' advances and mortgage loans held for portfolio. The increase in average assets from 2007 to 2008 is primarily the result of the growth in the FHLBanks' advances and in investment portfolios.

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

	December 31, 2009		December 31, 2008		
	Amount	Percentage of Total Assets	Amount	Percentage of Total Assets	Decrease %
Advances	$ 631,159	62.1%	$ 928,638	68.8%	(32.0)%
Investments	284,351	28.0%	305,913	22.7%	(7.0)%
Mortgage loans held for portfolio, net	71,437	7.0%	87,361	6.5%	(18.2)%
Total assets	1,015,583		1,349,053		(24.7)%
Total consolidated obligations, net	934,876		1,258,267		(25.7)%
Total capital	42,809		51,350		(16.6)%

Advances to FHLBank members at December 31, 2009 were comparable to the pre-credit-crisis advance level of $640 billion at the end of the second quarter of 2007. The decrease in advances outstanding at December 31, 2009 as compared to December 31, 2008 was primarily attributable to a decline in member demand, which reflected increases in their level of deposits and reduced lending activity due to the economic recession, as well as the availability of federal government programs that provided members with more attractively priced sources of funding and liquidity and/or lower collateral

requirements than were available earlier in the credit crisis. In addition, the financial condition of certain members weakened in 2009, which reduced those members' borrowing capacity from FHLBanks due to tightened credit and collateral terms for advances, and there were more prepayments of advances as a result of member failures in 2009 compared to 2008. Mortgage loans held for portfolio decreased in absolute terms due to several FHLBanks no longer purchasing mortgage loans held for portfolio under the mortgage programs, the reduction of outstanding mortgage loan balances due to maturities and prepayments, and the continuing credit crisis in the housing market, as well as the FHLBank of Des Moines' sale of $2.1 billion of mortgage loans in the second quarter of 2009.

Investments and the composition of investments fluctuate due to changes in the amount of the FHLBanks' asset activity, anticipated asset activity and liquidity requirements and needs in light of current market conditions. Investments in securities purchases under agreements to resell, Federal funds sold and non-MBS investment securities increased $43.1 billion, while MBS investment securities and interest-bearing deposits decreased by $64.6 billion from December 31, 2008 to December 31, 2009.

Consolidated obligations are the principal source of funds used by the FHLBanks to make advances and purchase investments and mortgage loans. The decrease in the consolidated obligations balance paralleled the decrease in total assets during 2009. Generally, an FHLBank's capital stock level is primarily determined by member usage of advances. As advance usage declines, capital stock decreases; as advances go up, capital stock does as well. The decrease in the level of capital at December 31, 2009 compared to December 31, 2008 is primarily attributable to recognizing $6.4 billion in noncredit portion of net OTTI charges on certain private-label RMBS and home equity loan investments, the $6.7 billion repurchase/redemption of capital stock and an increase of $3.8 billion of reclassification of capital stock as mandatorily redeemable capital stock, partially offset by $5.8 billion in proceeds from sale of capital stock and by a $1.3 billion increase in retained earnings. The FHLBanks' combined regulatory capital-to-assets ratio at December 31, 2009 was 5.92 percent, up from 4.42 percent at December 31, 2008. The FHLBanks' combined GAAP capital-to-assets ratio at December 31, 2009 was 4.22 percent, up from 3.81 percent at December 31, 2008.

Key ratios are as follows:

	For the Years Ended December 31,		
	2009	2008	2007
Return on average assets (basis points)	16	9	26
Return on average equity	3.95%	2.17%	6.01%
Weighted average dividend rate	1.34%	3.80%	5.22%

The increases in return on average assets and return on average equity in 2009 compared to 2008 are due primarily to the increase in net income and the decreases in average assets. The decreases in return on average assets and return on average equity in 2008 compared to 2007 are due primarily to larger increases in the average total assets and average invested equity balances. The dividend rate has been influenced by each FHLBank's retained earnings policies, dividend policies, net income, interest rates, business strategies and Finance Agency guidance.

Financial Trends

Conditions in Financial Markets.

History may reflect on 2009 as a year of stabilization and healing for the capital markets. Government programs that were put in place the previous year worked to instill confidence in the credit markets and get capital flowing once again. As further evidence of the stabilization of the credit markets, some government programs expired during 2009 without significant effect on the markets. The FHLBanks' consolidated obligations shrank considerably during 2009—returning to levels comparable to the pre-credit-crisis levels last seen in the second quarter of 2007. Access to term funding increased during 2009 and after the first quarter, consolidated bond funding costs improved significantly relative to benchmark indices. In 2009, the FHLBanks implemented a calendar for its mandated Global bullet bond program—issuing a total of $39 billion in mandated Global bullet bonds during the year.

First Quarter 2009

During the second half of 2008, the credit markets tightened and, in November 2008, the FHLBanks were only able to price an unusually low $8.8 billion in consolidated bonds. However, following the turn of the year, the effect of government initiatives, in combination with other positive developments, resulted in improved investor demand for GSE bonds. Improved access to consolidated bond funding, plus falling demand for FHLBank advances, provided the FHLBanks with greater flexibility to access term funding.

On February 3, 2009, the Board of Governors of the Federal Reserve System announced the extension of multiple liquidity programs through October 30, 2009, which were previously scheduled to expire on April 30, 2009. These facilities included the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF), the Commercial Paper Funding Facility (CPFF), the Money Market Investor Funding Facility (MMIFF), the Primary Dealer Credit Facility (PDCF) and the Term Securities Lending Facility (TSLF).

On February 18, 2009, the U.S. Treasury announced the Homeowner Affordability and Stability Plan. As part of that plan, the U.S. Treasury amended the senior preferred stock purchase agreements with Fannie Mae and Freddie Mac to increase the U.S. Treasury's funding authority from $100 billion each to $200 billion each. In addition, the U.S. Treasury announced an increase in the investment portfolio caps of Fannie Mae and Freddie Mac from $850 billion to $900 billion.

On February 26, 2009, Fannie Mae announced a fourth quarter 2008 loss of $25.2 billion and the Director of the Finance Agency submitted a request for $15.2 billion from the U.S. Treasury on Fannie Mae's behalf under the terms of the Senior Preferred Stock Purchase Agreement in order to eliminate Fannie Mae's net worth deficit as of December 31, 2008. Similarly, on March 11, 2009, Freddie Mac announced a fourth quarter 2008 loss of $23.9 billion and the Director of the Finance Agency submitted a request on Freddie Mac's behalf for $30.8 billion from the U.S. Treasury to eliminate Freddie Mac's net worth deficit as of December 31, 2008.

On March 18, 2009, the Board of Governors of the Federal Reserve System announced that economic conditions had continued to deteriorate in the first quarter as indicated by job losses, declining equity and housing wealth, tight credit conditions and slumping U.S. exports. On this same day, to provide greater support to mortgage lending and the housing market, the Federal Reserve Board announced that it would purchase up to an additional $750 billion of agency mortgage-backed securities, increasing its total purchase authority to $1.25 trillion. Furthermore, the Federal Reserve Board announced that it would purchase up to an additional $100 billion in agency debt issued by Fannie Mae, Freddie Mac, and the FHLBanks, increasing its total purchase authority up $200 billion. Additionally, to help improve conditions in private credit markets, the Federal Reserve Board announced that it would purchase up to $300 billion of longer-term U.S. Treasury securities over the following six months.

During the first quarter of 2009, the Federal Reserve Bank of New York (FRBNY) continued to purchase both GSE term debt and agency MBS. Since the inception of the program through March 31, 2009, the FRBNY purchased approximately $53 billion in GSE term debt, including $12 billion in FHLBank mandated Global bullet bonds, and approximately $424 billion in gross GSE mortgage-backed securities—this includes approximately $121 billion in purchases related to dollar rolls, which, similar to repurchase agreements, provide holders of mortgage-backed securities with a form of short-term financing. Starting in late March, the FRBNY commenced purchasing U.S. Treasury securities. Through the end of the first quarter, the Federal Reserve purchased approximately $17.5 billion in securities with various maturities.

The FDIC's TLGP was established to unfreeze interbank lending, encourage lending more broadly and enhance confidence in the banking system. After slowing down in February 2009, TLGP issuance ramped up considerably during March as the FDIC announced plans to raise fees associated with the TLGP on April 1, 2009. Through March 31, 2009, approximately $230 billion in TLGP-wrapped bonds had been priced since inception. On January 16, 2009, the FDIC announced that it would expand the

TLGP to insure some assets for ten years, up from three years, in order to accommodate the longer maturities associated with covered bonds. On February 10, 2009, in a joint statement, the U.S. Treasury, the Board of Governors of the Federal Reserve System, the FDIC, the Comptroller of the Currency and the Office of Thrift Supervision announced the Capital Assistance Program, the Public-Private Investment Fund, a "dramatic" expansion of the Term Asset-Backed Securities Lending Facility (TALF) and the extension of the TLGP by four months to October 31, 2009. In order to gradually phase out the program, the FDIC announced that it would assess a surcharge on TLGP debt that is issued in the second quarter of 2009 with a maturity date of one year or longer. On March 19, 2009, the Federal Reserve Board announced that the range of eligible collateral for TALF funding commencing in April 2009 would be expanded to include asset-backed securities backed by mortgage servicing advances, loans or leases relating to business equipment, leases of vehicle fleets and floor-plan loans.

On March 23, 2009, the U.S. Treasury, Federal Reserve and FDIC announced a framework for the Public-Private Investment Program (PPIP). This two-part program was designed to remove "toxic" assets from bank balance sheets and improve credit availability to households and businesses. Part one, known as the legacy loan program, was designed to attract private capital to purchase troubled loans from banks. These transactions would be facilitated by FDIC guarantees and equity provided by the U.S. Treasury using TARP funds. Part two of the program was known as the legacy securities program and included (1) an expansion of the TALF to include legacy securitization assets and (2) Public-Private Investment Funds (PPIF) whereby pre-qualified fund managers would purchase legacy securities with a combination of private capital and U.S. Treasury funds.

During the first quarter of 2009, FHLBank bond retirements, resulting from both scheduled maturities of $133.6 billion and exercised calls of $76.3 billion, reached historically high levels, resulting in lower debt outstanding. The FHLBanks priced $62.8 billion in consolidated bonds in January 2009, which was up sharply relative to the monthly run rate of $18.8 billion during the fourth quarter of 2008. On January 14, 2009, the FHLBanks announced a mandated Global bullet bond issue under a new monthly calendar-date format. The inaugural issue was a $3.5 billion, two-year bullet bond. The volume of FHLBank consolidated bonds priced in February 2009 slowed from the January 2009 pace. The February 2009 calendar-date mandated Global bullet bond issue was a $3 billion, two-year bullet bond. The volume of FHLBank consolidated bonds priced in March 2009 was comparable to the volume priced in February 2009. The March 2009 calendar-date mandated Global bullet bond issue was a $3 billion, three-year bullet bond.

The volume of FHLBank consolidated bonds priced in the first quarter of 2009 was more than double the dollar volume priced during the fourth quarter of 2008. Volume increased in negotiated bullet bonds, auctioned callable bonds and floating-rate bonds. In the first quarter of 2009, the balance of consolidated bonds outstanding continued to decline, following a trend that commenced in the fall of 2008. Overall, FHLBank consolidated obligations outstanding continued to shrink during the first quarter of 2009, falling an additional $116 billion from year-end 2008 due to a sharp decline in consolidated bonds outstanding. Additionally, as FHLBank consolidated bond issuance did not keep pace with bond retirements, consolidated discount notes, as a percentage of total debt outstanding, increased from approximately 35 percent at year-end 2008 to approximately 36 percent at the end of March 2009.

Foreign official holdings of GSE debt and MBS securities, as reported by the Federal Reserve Board, stabilized during the first quarter of 2009 following a sharp and sustained decline during the second half of 2008. In addition, primary securities dealer inventories of agency debt securities, which declined sharply during the fourth quarter of 2008, stabilized during the first quarter of 2009 as reported by the FRBNY. Since late September 2008, money market funds, in aggregate, had been increasing their asset allocation to short-term GSE debt. During the first quarter of 2009, the rate of increase in that allocation declined.

Second Quarter 2009

As the U.S. government continued multiple programs designed to improve the credit markets, financial market conditions appeared to reflect greater strength during the second quarter of 2009. Financial services companies turned toward the equity markets in order to raise funds to pay off TARP borrowings and to raise additional capital required by the results of bank stress testing. During May 2009, the U.S. Treasury announced plans to inject TARP funds into several insurance companies. Furthermore, financial market participants and regulators turned their attention toward the safety and security of money market funds resulting in industry-wide recommendations and SEC-proposed rule changes. While economic data remained mixed during the second quarter of 2009, funding was both accessible and attractively priced for the housing GSEs.

During the second quarter of 2009, the FRBNY continued to support the capital markets through the purchase of GSE term debt, agency MBS, and U.S. Treasuries. As such, the FRBNY purchased approximately $44 billion in GSE term debt, including $10.3 billion of FHLBank mandated Global bullet bonds during the second quarter of 2009. By the end of June 2009, total FRBNY purchases of agency debt were up to $97 billion, or almost 50 percent of the $200 billion allocated to this program.

During the second quarter of 2009, the FRBNY purchased approximately $540 billion in GSE mortgage-backed securities. This included approximately $221 billion in purchases related to dollar rolls. FRBNY purchases of U.S. Treasury securities also continued, with the FRBNY buying an additional $170 billion in U.S. Treasury securities during the second quarter of 2009. Since inception of this program through June 30, 2009, the FRBNY purchased approximately $188 billion in U.S. Treasury securities, equal to 63 percent of the $300 billion committed under this program.

While the FDIC's TLGP continued to provide depository institutions with access to longer-term capital, issuance slowed significantly during the second quarter of 2009. On April 1, 2009, fees assessed for the TLGP increased, and only $39.5 billion in TLGP-wrapped bonds were priced during the second quarter of 2009. This compares to $125 billion in TLGP debt priced during the first quarter of 2009.

In mid-May 2009, Fannie Mae and Freddie Mac both announced first quarter 2009 financial results. Fannie Mae reported a first quarter 2009 loss of $23.2 billion and the Director of the Finance Agency submitted a request on Fannie Mae's behalf for an additional $19 billion from the U.S. Treasury. Freddie Mac reported a first quarter 2009 loss of $9.9 billion and the Director of the Finance Agency submitted a request on Freddie Mac's behalf for an additional $6.1 billion from the U.S. Treasury.

During the second quarter of 2009, as the aggregate liability for the FHLBanks continued to shrink, retirements from both scheduled maturities and exercised calls outpaced FHLBank debt issuance. Consolidated obligations outstanding declined an additional $79.5 billion during the second quarter of 2009, with consolidated discount notes decreasing more than consolidated bonds. Consolidated obligations outstanding closed the second quarter of 2009 at levels last seen in late August 2007.

While the volume of FHLBank consolidated bonds priced during the second quarter of 2009 was slightly less than during the first quarter of 2009, it was still more than double the volume of FHLBank consolidated bonds priced during the fourth quarter of 2008. As was the case during the first quarter of 2009, the FHLBanks, in aggregate, continued to rely on negotiated bullet bonds and floating-rate securities for more than 50 percent of FHLBank consolidated bond funding. However, for the first time since January 2009, the FHLBanks priced $30 million in auctioned bullet bonds (TAPs) in June 2009. TAP auction results were indicative of the willingness of securities dealers to take risk positions as an interim step in the bond distribution process. FHLBank bond funding costs improved significantly during the second quarter of 2009, as weighted-average consolidated bond funding costs in June 2009 were the lowest in more than twelve months. In April 2009, the FHLBanks priced $3 billion of a new, two-year mandated Global bullet bond, as well as a $750 million re-opening of a ten-year, mandated Global bullet bond with five years of remaining maturity at the time of pricing. The $750 million funding was the first re-opening by the FHLBanks that was completed through a Dutch auction process. In May 2009, the FHLBanks priced $3 billion of a new, three-year mandated Global bullet bond, and in June 2009, the FHLBanks priced $5 billion of a new, two-year mandated Global bullet bond.

Foreign official holdings of agency debt and MBS securities, as reported by the Federal Reserve Board, increased approximately $10 billion during late April 2009 and early May 2009. However, this trend reversed course and foreign holdings declined an additional $3.8 billion during the second quarter of 2009 to the lowest level since November 2007.

Primary securities dealer inventories of agency debt securities, as reported by the FRBNY, declined during the second quarter of 2009, with discount note inventories down $9.6 billion and bond inventories down $6.9 billion. Primary dealer inventories of total agency debt hit a two-year low at the end of June 2009. After stabilizing in the first quarter of 2009, taxable money market fund assets began to decline during the second quarter of 2009—falling $121 billion, with assets allocated to "U.S. other agency" securities dropping $94 billion. In March 2009, the money market fund industry adopted recommendations to be implemented by September 2009. These changes, along with rule changes by the SEC, could affect how these investors participate in the agency debt markets.

Third Quarter 2009

The FHLBanks continued to maintain access to debt funding at desirable levels during the third quarter of 2009. The FHLBanks had ready access to term debt-funding, pricing slightly fewer consolidated bonds than in the second quarter of 2009. However, the increase in TAP volume during the third quarter of 2009 demonstrated an increased willingness by dealers to assume risk positions in the sector. Meanwhile, agency discount note spreads deteriorated considerably during the quarter, making discount notes a less desirable funding option for the FHLBanks.

During the third quarter of 2009, the FRBNY continued to support the capital markets through the purchase of GSE term debt, agency MBS, and U.S. Treasuries. The Federal Reserve purchased approximately $34.3 billion in housing GSE term debt during the quarter, including $6 billion of FHLBank mandated Global bullet bonds. By the end of September 2009, total Federal Reserve purchases of GSE housing debt were up to $131.2 billion, or almost 66 percent of the $200 billion allocated to the program. During the third quarter of 2009, the Federal Reserve made two announcements regarding its agency purchase programs. First, it announced that on-the-run securities would be included in the list of CUSIPs eligible for purchase through the agency debt purchase program. Second, the Federal Reserve announced that it would slow the purchasing of agency debt and MBS, extending those operations into the first quarter of 2010.

From July 2, 2009 to September 30, 2009, the Federal Reserve purchased approximately $330.4 billion in gross agency mortgage-backed securities—this includes approximately $47.2 billion in purchases related to dollar rolls. Finally, Federal Reserve purchases of U.S. Treasury securities also continued, with the Federal Reserve buying an additional $105 billion in U.S. Treasuries during the third quarter of 2009. With the planned end date for the Federal Reserve's U.S. Treasury purchase program set for October 31, 2009, the Federal Reserve had purchased 98 percent of the $300 billion allocated to this program by the end of the third quarter of 2009.

In early August 2009, Fannie Mae and Freddie Mac both announced second quarter 2009 financial results. Fannie Mae reported a second quarter 2009 net loss of $14.8 billion and the Director of the Finance Agency submitted a request on Fannie Mae's behalf for an additional $10.7 billion from the U.S. Treasury. Freddie Mac reported a second quarter 2009 net gain of $768 million, and since Freddie Mac's net worth was positive as of June 30, 2009, it did not require additional funding from the U.S. Treasury.

During the third quarter of 2009, as the aggregate consolidated obligations for the FHLBanks continued to shrink, retirements resulting from both scheduled maturities and exercised calls outpaced issuance. Consolidated obligations outstanding dropped an additional $82 billion in the third quarter of 2009, with outstanding consolidated discount notes decreasing significantly more than consolidated bonds. Consolidated obligations outstanding closed the quarter at levels last seen in mid-2007.

The volume of FHLBank consolidated bonds priced in the third quarter of 2009 was slightly less than that of the second quarter of 2009. During the third quarter of 2009, the mix of consolidated bonds

priced by the FHLBanks changed slightly, with the FHLBanks relying less on negotiated bullet bonds and floating-rate securities and relying more on negotiated callable bonds and step-up bonds. Furthermore, TAP issuance rose in the third quarter of 2009 as the FHLBanks priced $4.1 billion in TAPs, compared to a mere $30 million in the second quarter of 2009. In terms of FHLBank bond funding costs, weighted-average bond funding costs during the third quarter of 2009 deteriorated slightly compared to those observed during the second quarter of 2009, but they were still above the average for the previous twelve months. In July 2009, the FHLBanks priced $4 billion of a new, three-year mandated Global bullet bond. In August 2009, the FHLBanks priced a $1.25 billion reopening of its most recent two-year, mandated Global bullet bond using a Dutch auction process. Finally, in September 2009, the FHLBanks priced $3 billion of a new, three-year mandated Global bullet bond.

Primary securities dealer inventories of agency debt securities, as reported by the FRBNY, were virtually unchanged at the close of the third quarter of 2009 when compared to levels at the end of the second quarter of 2009. However, the mix of securities within these inventories shifted dramatically from discount notes to bonds; discount note dealer inventories dropped $12.5 billion during the quarter, while agency bond inventories increased almost $12 billion.

Foreign official holdings of agency debt and MBS securities, as reported by the Federal Reserve Board, continued to fall during the third quarter of 2009—dropping $39 billion during the quarter to levels last seen in August 2007. Meanwhile, during the third quarter of 2009, taxable money market fund assets fell another $148 billion, with assets allocated to "U.S. Other Agency" securities dropping $49 billion. In September 2009, the Office of Finance submitted a comment letter to the SEC on proposed rule changes for money market funds that may be detrimental to discount note pricing.

Fourth Quarter 2009

Building on the third quarter of 2009, the credit markets remained stable in the fourth quarter of 2009 and the FHLBanks had ready access to capital. Adding further confidence to the credit markets, at the end of October 2009, the U.S. Department of Commerce estimated that the U.S. gross domestic product (GDP) grew at an annual rate of 3.5 percent during the third quarter of 2009 and later revised this number to a 2.2 percent annual growth rate, making the third quarter of 2009 the first report of positive quarterly GDP in over a year.

On December 24, 2009, the U.S. Treasury announced modifications to the Preferred Stock Purchase Agreements with Fannie Mae and Freddie Mac—including increased capacity to absorb losses from these housing GSEs beyond the original $200 billion per agency, and a portfolio cap of $900 billion for each institution that will shrink by 10 percent each year, as opposed to having to reduce actual portfolio amounts by 10% each year starting in 2010.

Federal Reserve purchases of agency securities continued during the fourth quarter of 2009; the FRBNY purchased $28.7 billion in debt issued by the housing GSEs, including $5.9 billion in FHLBank mandated Global bullet bonds. In early November 2009, as part of its statement following its Federal Open Market Committee (FOMC) meeting, the Federal Reserve announced that it would reduce its agency debt purchase commitment to approximately $175 billion, down from $200 billion. Through December 31, 2009, the FRBNY had purchased a total of $160 billion in GSE debt securities, or almost 91 percent of the $175 billion allocated to this program, including $34.4 billion in FHLBank mandated Global bullet bonds.

In addition to purchasing agency debt securities, from October 1, 2009 to December 30, 2009, the FRBNY purchased $307.3 billion in gross agency MBS, bringing total net purchases to $1.11 trillion, or approximately 89 percent of the $1.25 trillion committed to this program. Furthermore, the FRBNY purchased an additional $7.2 billion in U.S. Treasuries during October 2009, bringing total purchases to exactly $300 billion—the total committed to the program.

In early November 2009, Fannie Mae and Freddie Mac both announced third quarter 2009 financial results. Fannie Mae reported a third quarter 2009 net loss of $18.9 billion and the Director of the Finance Agency submitted a request on Fannie Mae's behalf for an additional $15 billion from the U.S. Treasury.

Freddie Mac reported a third quarter 2009 net loss of $5 billion, and since Freddie Mac's net worth was $10.4 billion as of September 30, 2009, it did not require additional funding from the U.S. Treasury.

During the fourth quarter of 2009, the FHLBanks priced almost $152 billion in consolidated bonds, representing the highest volume quarter during 2009 and a 34 percent increase over the third quarter of 2009. While the FHLBanks relied heavily on swapped negotiated callable bonds in October 2009 and December 2009, the FHLBanks relied more heavily on floating-rate bond issues in November 2009. TAP bullet bond issuance continued to gain traction during the fourth quarter of 2009 as monthly volume averaged $3.5 billion, compared to just $1.4 billion in the third quarter of 2009. In October 2009, the FHLBanks priced $3.5 billion of a new, three-year mandated Global bullet bond. In both November 2009 and December 2009, the FHLBanks priced $3 billion of a new mandated Global bullet bond offering—the November offering in the two-year sector and the December offering in the three-year sector.

FHLBank consolidated obligations outstanding continued to shrink during the fourth quarter 2009—dropping an additional $43 billion from the end of the third quarter of 2009. This reduction in consolidated obligations outstanding was driven by a significant drop in consolidated discount notes, which fell approximately $77 billion during the fourth quarter of 2009; consolidated bonds outstanding increased $34 billion during the fourth quarter of 2009 despite the fact that monthly bond call volume was on the rise at the end of 2009.

Primary dealer inventories of both agency discount notes and bonds dropped during the fourth quarter of 2009. While foreign investor holdings of agencies (both debt and MBS), as reported by the Federal Reserve System, increased slightly during the fourth quarter of 2009, they still closed 2009 down almost $56 billion from prior year levels.

Taxable money market fund assets continued to drop during the fourth quarter of 2009—falling an additional $135 billion. Taxable money market fund investments allocated to the "U.S. other agency" category also declined, dropping an additional $73 billion during the same period.

Review of Interest-Rate Levels and Volatility—General.

The primary external factors that affect net interest income are market interest rate levels and volatility, credit spreads and the general state of the economy.

Interest rates prevailing during any reporting period affect the FHLBanks' profitability for that reporting period, due primarily to the short-term structure of earning assets and the effect of interest rates on invested capital. At December 31, 2009 and 2008, the majority of investments, excluding mortgage-backed securities, and approximately 37 percent and 42 percent of the outstanding advances, had stated maturities of less than one year. Additionally, a significant portion of the FHLBanks' advances has been hedged with interest-rate exchange agreements in which a short-term, variable rate is received. The FHLBanks' profitability, as measured by net interest income and return on average equity, is affected by the demand for FHLBank debt, as well as current short-term interest rates, as represented, for example, by the overnight Federal funds target rate.

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

Certain capital markets developments may also affect the performance of the FHLBanks. Specifically, the pricing relationships between the mortgage, agency, and derivative markets and the level of

market price volatility may affect the attractiveness of mortgage products for the FHLBanks as well as the cost of FHLBank debt.

Review of Interest-Rate Levels—2009 Compared to 2008.

The following table presents information on key market interest rates at December 31, 2009 and 2008 and key average market interest rates for the years ended December 31, 2009 and 2008.

	Year-to-date December 31, 2009 12-Month Average	Year-to-date December 31, 2008 12-Month Average	December 31, 2009 Ending Rate	December 31, 2008 Ending Rate	Average Rate 2009 vs. 2008 Variance	Ending Rate 2009 vs. 2008 Variance
Federal Funds Target (1)	0.25%	2.08%	0.25%	0.25%	(1.83)%	0.00%
3-month LIBOR (1)	0.69%	2.93%	0.25%	1.43%	(2.24)%	(1.18)%
2-year LIBOR (1)	1.41%	2.94%	1.42%	1.48%	(1.53)%	(0.06)%
5-year LIBOR (1)	2.65%	3.69%	2.98%	2.13%	(1.04)%	0.85%
10-year LIBOR (1)	3.44%	4.24%	3.97%	2.56%	(0.80)%	1.41%
3-month U.S. Treasury (1)	0.15%	1.45%	0.05%	0.08%	(1.30)%	(0.03)%
2-year U.S. Treasury (1)	0.94%	2.00%	1.14%	0.77%	(1.06)%	0.37%
5-year U.S. Treasury (1)	2.18%	2.79%	2.68%	1.55%	(0.61)%	1.13%
10-year U.S. Treasury (1)	3.24%	3.64%	3.84%	2.21%	(0.40)%	1.63%
15-year residential mortgage note rate (2)	4.59%	5.59%	4.57%	4.80%	(1.00)%	(0.23)%
30-year residential mortgage note rate (2)	5.03%	6.02%	5.08%	5.03%	(0.99)%	0.05%

(1) Source: Bloomberg.

(2) Average rates calculated using Bloomberg. December 31, 2009 and December 31, 2008 ending rates are from the last week in December 31, 2009 and December 31, 2008.

During 2009, the Federal Reserve Board, through the FOMC, left the Federal funds rate unchanged from year-end 2008, at a level of between 0.00 percent and 0.25 percent.

Due to aggressive and unprecedented action by U.S. and foreign central banks to add liquidity to the money markets, the average three-month and two-year LIBOR rates decreased approximately 224 and 153 basis points from 2008 to 2009, while the average three-month and two-year U.S. Treasury rates for 2009 were approximately 130 and 106 basis points lower than the corresponding three-month and two-year U.S. Treasury rates during 2008. Average five-year and ten-year U.S. Treasury rates were lower by 61 and 40 basis points in 2009 compared to the same period in 2008, while average five-year and ten-year LIBOR rates were lower by 104 and 80 basis points over this time period.

Based on the data in the Securities Industry and Financial Markets Association's (SIFMA's) February 2010 "Research Quarterly," the latest date for which information is publicly available, securities issuance in 2009 reached $6.92 trillion, a 39.2 percent increase from the $4.97 trillion issued in 2008. As a result of agency support, total mortgage-related securities issuance increased 45.0 percent to $1.95 trillion in 2009 from $1.34 trillion in 2008. The shift toward GSE or agency mortgage financing led to higher agency debt issuance in 2009. Long-term federal agency debt issuance rose 13.5 percent from $984.4 billion in 2008 to $1.12 trillion in 2009. Consistent with the prior year, the FHLBanks' debt issuance accounted for almost half of total agency debt issuance during 2009.

The dollar amount of callable bonds redeemed prior to maturity in the fourth quarter of 2009 increased to $63 billion, compared to $56 billion during the fourth quarter of 2008. However, for 2009, consolidated bond call volume declined to $184 billion, compared to $283 billion during 2008. This decline was largely due to reduced call volume during the second and third quarters of 2009. Call volume may be driven by a variety of factors including, but not limited to, the following: 1) shifts in the interest

rate environment, 2) the amount of callable debt outstanding, 3) debt refunding costs, 4) FHLBank asset/liability management strategies and 5) the overall funding environment.

Macroeconomic Factors Affecting the FHLBanks—2009 Compared to 2008.

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

The FDIC's fourth quarter 2009 "Quarterly Banking Profile," the latest date for which information is publicly available, reported that the benefits of a recovering economy and stable financial markets resulted in FDIC-insured institutions reporting net income of $914 million in the fourth quarter of 2009, compared to a net loss of $37.8 billion in the fourth quarter of 2008. While much of the year-over-year earnings improvement was concentrated among the largest banks, there was also evidence of a broader improving trend. For the first time in three years, more than half of insured institutions reported year-over-year improvement in net income. During 2009, mergers absorbed 179 FDIC-insured institutions and failures claimed another 140 FDIC-insured institutions, the largest number of bank failures in a year since 1992. Total assets of all FDIC-insured institutions decreased 5.3 percent to $13.1 trillion at December 31, 2009, compared to $13.8 trillion at December 31, 2008, while total deposits for all FDIC-insured institutions increased to $9.2 trillion at December 31, 2009, representing a 2.1 percent increase over the corresponding balance of $9.0 trillion at December 31, 2008. While total loans and leases decreased 7.5 percent, from $7.9 trillion at December 31, 2008 to $7.3 trillion at December 31, 2009, total domestic office deposits increased from $7.5 trillion at December 31, 2008 to $7.7 trillion at December 31, 2009, representing a 2.7 percent increase. Over the past 12 months, the share of assets of FDIC-insured institutions funded by domestic deposits increased from 54.2 percent to 58.7 percent. By contrast, over the past 12 months, FHLBank advances as a percentage of asset funding of these institutions declined from 5.8 percent to 4.1 percent, the smallest percentage on record, dating to 2001. FDIC-insured institutions decreased their FHLBank borrowings during 2009 by $263.3 billion, or 33.1 percent, partly due to FDIC-insured institutions' increased participation in U.S. government programs initiated to provide capital and liquidity to the banking sector. For example, at December 31, 2009, 84 financial institutions, including 54 FDIC-insured institutions and 30 bank and thrift holding companies and nonbank affiliates, had $309 billion in government-guaranteed debt outstanding through the TLGP.

Conditions in Financial Markets Subsequent to the Fourth Quarter of 2009.

The agency debt markets functioned relatively well during the first quarter of 2010. However, market participants continued to await new developments related to GSE reform. As a result, they remained focused on the expiration of several important government programs, the effect of the SEC's money market reforms, and recent plans by Fannie Mae and Freddie Mac to purchase delinquent loans out of mortgage pools.

While the Federal Reserve's program to purchase agency securities is set to conclude at the end of the first quarter of 2010, purchases continued during the first quarter, albeit at a much slower pace. The FRBNY purchased $10.7 billion in debt issued by the housing GSEs from year-end 2009 through mid-March 2010. This amount included $2.8 billion in FHLBank mandated Global bullet bonds. From the inception of the program through mid-March 2010, the Federal Reserve's purchases of GSE debt securities have totaled approximately $171 billion, which includes $37 billion in FHLBank mandated Global bullet bonds. The Federal Reserve's program to purchase agency MBS is also set to end as of March 31, 2010. From December 31, 2009 through March 10, 2010, the FRBNY purchased $182.3 billion

in gross agency MBS, bringing total net purchases of agency MBS to approximately $1.23 trillion, or approximately 98 percent of the $1.25 trillion committed to this program.

In early February 2010, the FRBNY announced the scheduled expiration of several lending programs. These programs included the MMIFF which expired on October 30, 2009, as well as the CPFF, PDCF, and the TSLF, each of which expired on February 1, 2010. The expiration of these programs does not appear to have had a major effect on the agency debt markets.

Also in early February 2010, Fannie Mae and Freddie Mac announced plans to purchase loans that are 120 days or more delinquent out of mortgage pools. The initial purchases were slated to occur from February 2010 through May 2010, with additional delinquency purchases as needed thereafter. As Fannie Mae and Freddie Mac may need to raise additional funds for these loan purchases, funding costs in the short-end of the agency debt market may be affected.

Furthermore, in late February 2010, Fannie Mae and Freddie Mac announced fourth quarter 2009 and full-year 2009 financial results. Fannie Mae reported a net loss of $15.2 billion for the fourth quarter of 2009 and a net loss of $72 billion for full year 2009. As such, the Director of the Finance Agency submitted a request on Fannie Mae's behalf for an additional $15.3 billion from the U.S. Treasury. Freddie Mac reported a fourth quarter 2009 net loss of $6.5 billion and a full year 2009 net loss of $21.6 billion. Freddie Mac's net worth was positive as of December 31, 2009; therefore, no additional funding from the U.S. Treasury was required.

During the first two months of 2010, the FHLBanks priced a monthly average of $51.4 billion of consolidated bonds. This amount was $1.3 billion more than the corresponding monthly average over the last four months of 2009 when the volume of FHLBank consolidated bonds priced appears to have stabilized. Furthermore, during the first two weeks of March 2010, the FHLBanks priced $22.8 billion in consolidated bonds. Since December 2009, weighted-average bond funding costs have deteriorated as the FHLBanks have relied more heavily on floating-rate bonds. In 2010, the FHLBanks continued to use an issuance calendar for FHLBank mandated Global bullet bond pricing; as such, the FHLBanks priced a $1 billion reopening of the most recent two-year mandated Global bullet bond in January 2010, priced $3 billion of a new, three-year mandated Global bullet bond in February 2010, and priced $3 billion of a new, two-year mandated Global bullet bond in March 2010.

FHLBank debt outstanding continued to shrink during the first quarter of 2010. Although consolidated obligations outstanding increased slightly in early January 2010, they soon reversed course, and through March 15, 2010, have dropped almost $45 billion since year-end 2009. Contrary to the fourth quarter of 2009, the main driver of this decline was consolidated bonds outstanding, which fell almost $39 billion, while consolidated discount notes dropped $6 billion. This drop in consolidated bonds outstanding may be attributed in part to increased consolidated bond redemptions during the first quarter of 2010—consolidated bond maturities were $83 billion and consolidated bond calls were almost $40 billion in January 2010 and February 2010.

Overall, foreign investor holdings of agencies (both debt and MBS), as reported by the Federal Reserve System, rose slightly since year-end 2009—increasing over $5 billion for the most recent three weeks reported through March 10, 2010.

On March 4, 2010, the SEC published its final rule on money market fund reform which stipulated amendments to SEC Rule 2a-7. This rule will become effective on May 5, 2010, with certain aspects of the rule phased in over the remainder of 2010. In its final rule, the SEC included FHLBank consolidated discount notes with remaining maturities of 60 days or less in its definition of weekly liquid assets, which should help maintain investor demand for shorter-term FHLBank consolidated discount notes. However, this new rule and shrinking yields in the money market sector have driven investors to seek riskier investment categories that offer a higher rate of return. As such, taxable money market fund assets have declined $171 billion since year-end 2009. As a subset of those assets, taxable money market fund investments allocated to the "U.S. other agency" category have also declined, dropping an additional $57 billion since year-end 2009.

Review of Interest-Rate Levels—2008 Compared to 2007.

The following table presents information on key market interest rates at December 31, 2008 and 2007 and key average market interest rates for the years ended December 31, 2008 and 2007.

	Year-to-date December 31, 2008 12-Month Average	Year-to-date December 31, 2007 12-Month Average	December 31, 2008 Ending Rate	December 31, 2007 Ending Rate	Average Rate 2008 vs. 2007 Variance	Ending Rate 2008 vs. 2007 Variance
Federal Funds Target (1)	2.08%	5.05%	0.25%	4.25%	(2.97)%	(4.00)%
3-month LIBOR (1)	2.93%	5.30%	1.43%	4.70%	(2.37)%	(3.27)%
2-year LIBOR (1)	2.94%	4.91%	1.48%	3.81%	(1.97)%	(2.33)%
5-year LIBOR (1)	3.69%	5.01%	2.13%	4.18%	(1.32)%	(2.05)%
10-year LIBOR (1)	4.24%	5.24%	2.56%	4.67%	(1.00)%	(2.11)%
3-month U.S. Treasury (1)	1.45%	4.46%	0.08%	3.24%	(3.01)%	(3.16)%
2-year U.S. Treasury (1)	2.00%	4.36%	0.77%	3.05%	(2.36)%	(2.28)%
5-year U.S. Treasury (1)	2.79%	4.42%	1.55%	3.44%	(1.63)%	(1.89)%
10-year U.S. Treasury (1)	3.64%	4.63%	2.21%	4.03%	(0.99)%	(1.82)%
15-year residential mortgage note rate (2)	5.59%	5.94%	4.80%	5.60%	(0.35)%	(0.80)%
30-year residential mortgage note rate (2)	6.02%	6.27%	5.03%	6.05%	(0.25)%	(1.02)%

(1) Source: Bloomberg.

(2) Average rates calculated using Bloomberg. December 31, 2008 and December 31, 2007 ending rates are from the last week in December 2008 and December 2007.

The Federal Reserve Board, through the FOMC, lowered its target for the Federal funds rate by a total of 100 basis points during 2007. As of December 31, 2008, the FOMC had lowered the Federal funds rate seven more times during 2008, resulting in an additional 400-425 basis point reduction in the Federal funds rate to a level of between 0.00 and 0.25 percent.

Both short-term and long-term interest rates generally followed this downward trend in the Federal funds rate. For example, due to aggressive and unprecedented action by U.S. and foreign central banks to add liquidity to the money markets, the average three-month and two-year LIBOR rates decreased approximately 237 and 197 basis points from 2007 to 2008, while the average three-month and two-year U.S. Treasury rates for 2008 was approximately 301 and 236 basis points lower than the corresponding three-month and two-year U.S. Treasury rates during 2007. Average five-year and ten-year U.S. Treasury rates were lower by 163 and 99 basis points in 2008 compared to 2007, while average five-year and ten-year LIBOR rates were lower by 132 and 100 basis points over this time period.

The SIFMA's March 2009 "Research Quarterly" noted that capital markets issuance in 2008 reached $5.0 trillion, a 23.2 percent decrease from the $6.5 trillion issued in 2007. Mortgage-related securities issuance decreased 34.7 percent to $1,339.4 billion in 2008 from $2,050.3 billion in 2007, as this market was significantly influenced by the absence of activity of private-label issuers as well as tighter underwriting standards during 2008. The shift toward GSE or agency mortgage financing led to higher agency debt issuance in 2008. Despite a decline in long-term federal agency debt issuance during the fourth quarter of 2008, long-term federal agency debt issuance rose 17.7 percent from $941.8 billion in 2007 to $1,108.3 billion in 2008. The FHLBanks' $515.1 billion of long-term debt issuance accounted for almost half of total agency long-term debt issuance during 2008, an increase of 4.0 percent over the $495.2 billion issued by the FHLBanks in 2007.

During the fourth quarter of 2008, the dollar amount of callable FHLBank consolidated bonds redeemed prior to maturity (called) was 54 percent lower than during the fourth quarter of 2007.

However, during all of 2008, the dollar amount of bonds called was 18 percent higher than during all of 2007, as bond call volume was substantially higher during the first part of 2008.

Combined Statement of Condition

The following discussion contains information on the major categories of the FHLBanks' Combined Statement of Condition: advances, investments, mortgage loans held for portfolio, consolidated obligations and capital. In discussing changes in the Combined Statement of Condition at December 31, 2009 as compared to December 31, 2008, the fair value adjustments and basis adjustments for advances, available-for-sale securities, mortgage loans held for portfolio and consolidated obligations have been included. Assets and liabilities hedged with derivative instruments designated under fair value hedging relationships are required to be adjusted for changes in value attributable to the risk being hedged (e.g., benchmark interest-rate risk) even as other assets and liabilities continue to be carried on a historical cost basis. The fair value option provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments not previously carried at fair value. The following table summarizes the hedging and fair value option valuation adjustments for advances, available-for-sale securities, mortgage loans held for portfolio and consolidated obligations. All other hedging adjustments were less than one percent of the book value.

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

	December 31, 2009	December 31, 2008
Advances at pre-hedging adjustments and fair value option valuation adjustments	$615,898	$ 900,453
Hedging adjustments	14,644	26,885
Fair value option valuation adjustments (1)	617	1,300
Advances at carrying value	$631,159	$ 928,638
Available-for-sale securities at pre-hedging adjustments value (2)	$ 51,681	$ 13,969
Hedging adjustments	807	590
Available-for-sale securities at carrying value	$ 52,488	$ 14,559
Mortgage loans held for portfolio at pre-hedging adjustments value	$ 71,236	$ 87,065
Hedging adjustments	233	311
Mortgage loans held for portfolio at carrying value	$ 71,469	$ 87,376
Consolidated obligations at pre-hedging adjustments and fair value option valuation adjustments	$930,378	$1,247,606
Hedging adjustments	4,543	10,595
Fair value option valuation adjustments (1)	(45)	66
Consolidated obligations at carrying value	$934,876	$1,258,267

(1) See "Note 20—Fair Values" to the accompanying combined financial statements for discussion about financial instruments carried at fair value on the statement of condition by the FHLBanks.

(2) Book value includes fair value adjustments.

Advances. Generally, the growth or decline in advances is reflective of demand by members for both liquidity and funding, driven by economic factors such as the availability to members of alternative funding sources that are more attractive, the interest-rate environment and the outlook for the economy. Members generally decreased their use of FHLBank advances during 2009 for a variety of reasons,

including increase in their deposit levels, reduced lending activity due to the economic recession, and the availability of federal government programs, including TLGP, that provided members with more attractively priced sources of funding and liquidity and/or lower collateral requirements that were not available earlier in the credit crisis. In addition, the financial condition of certain members weakened in 2009, which reduced those members' borrowing capacity from FHLBanks due to tightened credit and collateral terms for advances, and there were more prepayment of advances as a result of member failures in 2009 compared to 2008.

The balance of advances also declined due to growth in demand for, and an increase in availability of, deposits to members, which allowed members the ability to prepay their advances. During 2009, the FHLBanks also experienced a substantial paydown of advances as a result of maturing advances. Advances to FHLBank members at December 31, 2009 were comparable to the pre-credit crisis advance level of $640 billion at the end of the second quarter of 2007.

At December 31, 2009 and 2008, the FHLBanks had $6.2 billion and $7.1 billion of CIP housing advances, and $2.8 billion and $2.7 billion of CIP commercial and economic development advances outstanding.

Advances by Contractual Maturity
(Dollar amounts in millions)

	December 31, 2009		December 31, 2008	
Redemption Term	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Overdrawn demand and overnight deposit accounts	$ 18		$ 30	
Due in 1 year or less	229,407	2.09%	382,493	2.44%
Due after 1 year through 2 years	99,684	2.73%	150,323	3.67%
Due after 2 years through 3 years	72,387	2.95%	94,086	3.53%
Due after 3 years through 4 years	60,363	2.41%	67,173	3.65%
Due after 4 years through 5 years	22,941	3.04%	58,127	3.13%
Thereafter	127,818	3.47%	144,578	3.78%
Index amortizing advances	3,282	4.53%	3,654	4.62%
Total par value	615,900	2.66%	900,464	3.12%
Commitment fees	(8)		(6)	
Discount on AHP advances	(64)		(68)	
Premiums	141		105	
Discounts	(71)		(42)	
Hedging adjustments	14,644		26,885	
Fair value option valuation adjustments	617		1,300	
Total	$631,159		$928,638	

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

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

Par amount of advances	December 31, 2009	Percentage of Total	December 31, 2008	Percentage of Total
Fixed-rate	$444,529	72.2%	$609,073	67.6%
Variable-rate	171,371	27.8%	291,391	32.4%
Total	$615,900	100.0%	$900,464	100.0%

Advance Originations
(Dollar amounts in millions)

	For the Years Ended December 31,			2009 vs. 2008 Decrease		2008 vs. 2007 Increase	
	2009	2008	2007	$	%	$	%
Advances originated	$3,046,597	$8,551,560	$7,564,733	$(5,504,963)	(64.4)%	$ 986,827	13.0%
Advances repaid	3,331,163	8,518,268	7,339,019	(5,187,105)	(60.9)%	1,179,249	16.1%
Net (decrease) increase	$ (284,566)	$ 33,292	$ 225,714				

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

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

	December 31, 2009		December 31, 2008		Decrease	
	Amount	Percentage of Total Par Value	Amount	Percentage of Total Par Value	$	%
Callable advances	$31,702	5.1%	$46,098	5.1%	$(14,396)	(31.2)%

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

Year of Contractual Maturity or Next Call Date	December 31, 2009	Percentage of Total	December 31, 2008	Percentage of Total
Overdrawn demand and overnight deposit accounts	$ 18	0.0%	$ 30	0.0%
Due in 1 year or less	254,272	41.3%	414,444	46.0%
Due after 1 year through 2 years	98,731	16.0%	148,674	16.5%
Due after 2 years through 3 years	67,971	11.0%	89,636	10.0%
Due after 3 years through 4 years	55,672	9.0%	62,615	7.0%
Due after 4 years through 5 years	20,433	3.3%	53,534	5.9%
Thereafter	115,521	18.8%	127,877	14.2%
Index amortizing advances	3,282	0.6%	3,654	0.4%
Total par value	$615,900	100.0%	$900,464	100.0%

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

interest rates increase, and the borrower may then apply for a new advance. If an FHLBank terminates a putable advance prior to the stated maturity date of such advance, the FHLBank shall offer to provide replacement funding to its member, provided the member is able to satisfy the FHLBank's normal credit and collateral requirements for the requested replacement funding.

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

	December 31, 2009		December 31, 2008	
	Amount	Percentage of Total Par Value	Amount	Percentage of Total Par Value
Convertible advances	$ 34,921	5.7%	$ 47,676	5.3%
Putable advances	87,605	14.2%	94,621	10.5%
Convertible and putable advances	$122,526	19.9%	$142,297	15.8%

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

Year of Contractual Maturity or Next Put/Convert Date	December 31, 2009	Percentage of Total	December 31, 2008	Percentage of Total
Overdrawn demand and overnight deposit accounts	$ 18	0.0%	$ 30	0.0%
Due in 1 year or less	319,469	51.9%	483,174	53.7%
Due after 1 year through 2 years	103,179	16.8%	151,648	16.8%
Due after 2 years through 3 years	59,195	9.6%	96,779	10.8%
Due after 3 years through 4 years	56,021	9.1%	51,820	5.8%
Due after 4 years through 5 years	20,263	3.3%	52,660	5.8%
Thereafter	54,473	8.8%	60,699	6.7%
Index amortizing advances	3,282	0.5%	3,654	0.4%
Total par value	$615,900	100.0%	$900,464	100.0%

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

The FHLBanks use short-term investments for liquidity management purposes and to manage their individual FHLBank's leverage ratio in response to fluctuations in other asset balances. The yield earned on such short-term investments is tied directly to short-term market interest rates. In 2009, the FHLBanks tended to maintain short-term investment balances at higher levels compared to historical trends, reflecting the FHLBanks' continuing strategy of maintaining a strong short-term liquidity position. This increase, which began in the fourth quarter of 2008, was due primarily to the ongoing financial crisis, which required the FHLBanks to increase liquidity, and was due secondarily to the decrease in advance balances. When advances decrease cyclically, for liquidity management purposes, the FHLBanks generally attempt to maintain total asset balances by increasing their short-term investment balances.

While short-term investment balances increased, long-term investments, which primarily consist of MBS, decreased during 2009. This decrease in MBS was driven primarily by principal repayments, maturities and write-downs in the carrying value of certain private-label RMBS and home equity loan investments due to OTTI, as well as the continued reduction in the FHLBanks' MBS purchases. The FHLBanks' MBS purchases during 2009 were concentrated primarily in agency MBS.

At December 31, 2009 82.4 percent of the total investment securities classified on the Combined Statement of Condition as held-to-maturity, available-for-sale or trading securities were rated in the two highest investment rating categories for long-term or short-term investments as defined by S&P, Moody's and/or Fitch Ratings (Fitch), compared to 91.1 percent at December 31, 2008. At December 31, 2009, approximately 4 percent of total investment securities were on negative watch. Of the 4 percent of securities on negative watch, approximately 2 percent of the total investment securities represented private-label residential MBS, manufactured housing loans and home equity loan investments, and the balance was related to certificates of deposit and state or local housing agency obligations. See "Risk Management—Credit Risk—Managing Credit Risk—Investments" for investment securities downgraded and/or placed on negative watch subsequent to December 31, 2009.

Investments
(Dollar amounts in millions)

	December 31, 2009	December 31, 2008	Decrease	
			$	%
Investments (excluding mortgage-backed securities)	$132,323	$136,743	$ (4,420)	(3.2)%
Mortgage-backed securities	152,028	169,170	(17,142)	(10.1)%
Total investments	$284,351	$305,913	$(21,562)	(7.0)%

Investments
(Dollar amounts in millions)

	December 31, 2009		December 31, 2008		(Decrease) Increase	
	Amount	Percentage of Total Investments	Amount	Percentage of Total Investments	$	%
Held-to-maturity securities	$147,833	52.0%	$184,524	60.3%	$(36,691)	(19.9)%
Available-for-sale securities	52,488	18.5%	14,559	4.8%	37,929	260.5%
Trading securities	22,247	7.8%	12,150	4.0%	10,097	83.1%
Total investment securities	222,568	78.3%	211,233	69.1%	11,335	5.4%
Interest-bearing deposits	11	0.0%	47,486	15.5%	(47,475)	(100.0)%
Securities purchased under agreements to resell	7,175	2.5%	6,895	2.2%	280	4.1%
Federal funds sold	54,597	19.2%	40,299	13.2%	14,298	35.5%
Total investments	$284,351	100.0%	$305,913	100.0%	$(21,562)	(7.0)%

Investment Securities
(Dollar amounts in millions)

	December 31, 2009	
	Amount	Percentage of Total Investment Securities
U.S. Treasury obligations	$ 1,029	0.5%
Commercial paper	3,690	1.6%
Certificates of deposit and bank notes (1)	25,733	11.6%
Other U.S. obligations (2)	1,236	0.6%
Government-sponsored enterprises and TVA (3)	15,424	6.9%
State or local housing agency obligations	2,799	1.2%
TLGP (4)	10,151	4.6%
FFELP ABS (5)	9,323	4.2%
Other	1,155	0.5%
	70,540	31.7%
Mortgage-backed securities:		
Other U.S. obligations residential MBS (2)	5,784	2.6%
Other U.S. obligations commercial MBS (2)	55	0.0%
Government-sponsored enterprises residential MBS (6)	96,632	43.4%
Government-sponsored enterprises commercial MBS (6)	1,489	0.7%
Private-label residential MBS	45,991	20.7%
Private-label commercial MBS	284	0.1%
Manufactured housing loans	224	0.1%
Home equity loans	1,271	0.6%
MPF Shared Funding Program mortgage-backed certificates	298	0.1%
	152,028	68.3%
Total investment securities	$222,568	100.0%

	December 31, 2008	
	Amount	Percentage of Total Investment Securities
Commercial paper	$ 1,945	0.9%
Certificates of deposits and bank notes (1)	21,011	10.0%
Other U.S. obligations (2)	737	0.4%
Government-sponsored enterprises (3)	11,497	5.4%
State or local housing agency obligations	2,985	1.4%
TLGP (4)	3,401	1.6%
Other	487	0.2%
	42,063	19.9%
Mortgage-backed securities:		
Other U.S. obligations (2)	565	0.3%
Government-sponsored enterprises (6)	95,561	45.2%
Other (7)	73,044	34.6%
	169,170	80.1%
Total investment securities	$211,233	100.0%

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

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

(3) Primarily consists of debt securities issued or guaranteed by Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae) and/or the Tennessee Valley Authority (TVA).

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

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

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

(7) 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, 2009		December 31, 2008	
	Carrying Value	Percentage of Total	Carrying Value	Percentage of Total
Government-sponsored enterprises residential MBS (1)	$ 96,632	63.6%	$ 95,561	56.5%
Private-label residential MBS	45,991	30.3%	69,498	41.1%
Other U.S. obligations residential MBS (2)	5,784	3.8%	565	0.3%
Government-sponsored enterprises commercial MBS (1)	1,489	1.0%		
Home equity loans	1,271	0.8%	1,959	1.2%
Private-label commercial MBS	284	0.2%	935	0.6%
MPF Shared Funding Program mortgage-backed certificates	298	0.2%	398	0.2%
Manufactured housing loans	224	0.1%	254	0.1%
Other U.S. obligations commercial MBS (2)	55	0.0%		
Total MBS	$152,028	100.0%	$169,170	100.0%

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

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

Regulator policy limits additional investments in 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 for certain kinds of mortgage-backed securities under certain conditions; this temporary increase is set to expire on March 31, 2010. The FHLBank of Chicago may include a Designated Amount of subordinated notes in calculating compliance with these limits. The MPF Shared Funding Program mortgage-backed certificates owned by the FHLBank, however, are not subject to these limits.

At December 31, 2009, the FHLBanks did not hold any collateralized debt obligation (CDO) securities.

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

	December 31, 2009	December 31, 2008	Decrease $	Decrease %
Mortgage-backed securities	$152,028	$169,170	$(17,142)	(10.1)%
Less: MPF Shared Funding Program	298	398	(100)	(25.1)%
Mortgage-backed securities (excluding MPF Shared Funding Program)	$151,730	$168,772	$(17,042)	(10.1)%
Total capital (1) and Designated Amount of subordinated notes	$ 51,947	$ 58,486	$ (6,539)	(11.2)%
Ratio of MBS (excluding MPF Shared Funding Program) to total capital (1) and Designated Amount of subordinated notes	2.92	2.89		

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

Historically, the FHLBanks have been one of the major providers of Federal funds, allowing the FHLBanks to warehouse and provide balance sheet liquidity to meet unexpected borrowing demands from members. The FHLBanks also invest in U.S. agency obligations, some of which are structured debt issued by other GSEs.

Trading Securities.

Trading Securities
(Dollar amounts in millions)

	December 31, 2009 Fair Value
U.S. Treasury obligations	$ 1,029
Commercial paper	2,590
Certificates of deposit and bank notes (1)	3,200
Government-sponsored enterprises (2)	9,452
State or local housing agency obligations	10
TLGP (3)	4,479
Other (4)	752
	21,512
Mortgage-backed securities:	
Other U.S. obligations residential MBS (5)	55
Government-sponsored enterprises residential MBS (6)	607
Government-sponsored enterprises commercial MBS (6)	73
Total mortgage-backed securities	735
Total	$22,247

	December 31, 2008
	Fair Value
Commercial paper	$ 673
Certificates of deposit (1)	2,072
Government-sponsored enterprises (2)	6,422
State or local housing agency obligations	14
TLGP (3)	2,151
Other	10
	11,342
Mortgage-backed securities:	
Other U.S. obligations (5)	60
Government-sponsored enterprises (6)	748
Total mortgage-backed securities	808
Total	$12,150

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

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

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

(4) Primarily consists of taxable municipal bonds.

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

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

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

	December 31, 2009		December 31, 2008	
Year of Maturity	Fair Value	Yield	Fair Value	Yield
Non-mortgage-backed securities				
Due in one year or less	$10,830	0.24%	$ 3,489	2.34%
Due after one year through five years	7,870	2.14%	5,255	3.37%
Due after five years through ten years	2,082	4.64%	2,598	4.66%
Due after ten years	730	4.98%		
Total	$21,512		$11,342	

Available-for-Sale Securities.

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

	December 31, 2009				
	Amortized Cost (1)	OTTI Recognized in AOCI*	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Certificates of deposit (2)	$ 9,270	$	$	$	$ 9,270
Other U.S. obligations (3)	752		10		762
Government-sponsored enterprises and TVA (4)	4,271		92	(53)	4,310
TLGP (5)	3,298		4	(3)	3,299
FFELP ABS (6)	8,790		534	(1)	9,323
Other (7)	432			(36)	396
	26,813		640	(93)	27,360
Mortgage-backed securities:					
Other U.S. obligations residential MBS (3)	1,579		44	(3)	1,620
Government-sponsored enterprises residential MBS (8)	17,533		102	(146)	17,489
Government-sponsored enterprises commercial MBS (8)	314			(4)	310
Private-label residential MBS	7,868	(2,750)	580	(3)	5,695
Home equity loans	27	(13)			14
Total mortgage-backed securities	27,321	(2,763)	726	(156)	25,128
Total	$54,134	$(2,763)	$1,366	$(249)	$52,488

	December 31, 2008			
	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Certificates of deposit and bank notes (2)	$ 2,512	$	$ (1)	$ 2,511
Government-sponsored enterprises and TVA (4)	2,711	177	(80)	2,808
State and local housing agency obligations	30			30
Other (7)	516		(46)	470
	5,769	177	(127)	5,819
Mortgage-backed securities:				
Government-sponsored enterprises (8)	8,766	36	(214)	8,588
Other (9)	208		(56)	152
Total mortgage-backed securities	8,974	36	(270)	8,740
Total	$14,743	$213	$(397)	$14,559

* See Note 6—Available-for-Sale Securities" to the accompanying combined financial statements for reconciliation of OTTI losses on available-for-sale securities recognized through AOCI to the total net noncredit portion of OTTI losses on available-for-sale securities in AOCI.

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

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

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

(4) Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae and/or Tennessee Valley Authority (TVA).

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

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

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

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

(9) Primarily consists of private-label mortgage-backed securities.

Gross unrealized losses on the FHLBanks' available-for-sale mortgage-backed securities increased $2,068 million from December 31, 2008 to December 31, 2009 as a result of the continued deterioration in the credit performance of mortgage loans and in home prices, compounded by the effect of forced portfolio liquidations by certain large investors as well as total OTTI losses relating to transfer of certain private-label RMBS and home equity loan investments from the held-to-maturity portfolio of each of the FHLBanks of Pittsburgh, Atlanta and Seattle to its respective available-for-sale portfolio. These factors resulted in temporary illiquidity in portions of the mortgage-backed securities market and extraordinarily wide mortgage asset spreads relative to historical averages. These market disruptions have caused the estimated fair values on mortgage-backed securities owned by the FHLBanks to fall below amortized cost on a large number of individual securities, particularly the private-label mortgage-backed securities.

Each FHLBank evaluates its individual available-for-sale investment securities holdings for OTTI on at least a quarterly basis. See "Critical Accounting Estimates—OTTI for Investment Securities," and "Note 8—Other-Than-Temporary-Impairment Analysis" to the accompanying combined financial statements for additional information regarding the FHLBanks' processes for evaluating available-for-sale securities for OTTI.

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

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

	December 31, 2009		December 31, 2008	
Year of Maturity	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 9,343	$ 9,341	$ 2,577	$ 2,573
Due after one year through five years	4,972	4,964	158	164
Due after five years through ten years	2,572	2,665	1,845	2,013
Due after ten years	9,926	10,390	1,189	1,069
	26,813	27,360	5,769	5,819
Mortgage-backed securities	27,321	25,128	8,974	8,740
Total	$54,134	$52,488	$14,743	$14,559

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

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

Year of Maturity	December 31, 2009	December 31, 2008
Non-mortgage-backed securities		
Due in one year or less	0.21%	0.76%
Due after one year through five years	0.93%	4.07%
Due after five years through ten years	4.34%	4.55%
Due after ten years	2.56%	6.39%

Held-to-Maturity Securities.

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

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

	December 31, 2008			
	Amortized Cost (1)	Gross Unrealized Gains (3)	Gross Unrealized Losses (3)	Fair Value
Commercial paper	$ 1,272	$ 2	$	$ 1,274
Certificates of deposit and bank notes (4)	16,428	6		16,434
Other U.S. obligations (5)	737	6	(2)	741
Government-sponsored enterprises and TVA (6)	2,267	90		2,357
State or local housing agency obligations	2,941	27	(194)	2,774
TLGP (7)	1,250	1		1,251
Other	7			7
	24,902	132	(196)	24,838
Mortgage-backed securities:				
Other U.S. obligations (5)	505	2	(4)	503
Government-sponsored enterprises (8)	86,225	1,292	(758)	86,759
Other (9)	72,892	7	(19,350)	53,549
Total mortgage-backed securities	159,622	1,301	(20,112)	140,811
Total	$184,524	$1,433	$(20,308)	$165,649

(1) Amortized cost of held-to-maturity securities includes adjustments made to the cost basis of an investment for accretion, amortization, collection of cash, and/or previous OTTIs recognized in earnings (excluding any cumulative-effect adjustments recognized in accordance with the transition provisions of the amended OTTI guidance). At December 31, 2008, carrying value equaled amortized cost.

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

(3) Gross unrecognized holding gains/(losses) represent the difference between fair value and carrying value, while gross unrealized gains/(losses) represent the difference between fair value and amortized cost.

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

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

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

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

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

(9) Primarily consists of private-label mortgage-backed securities.

Gross unrealized losses on the FHLBanks' held-to-maturity mortgage-backed securities at December 31, 2009 and December 31, 2008 resulted from ongoing market volatility, extraordinarily high investor yield requirements resulting from illiquidity in applicable market sectors, continued deterioration in the credit performance of mortgage loans and in home prices as well as uncertainty about the future condition of the economy. Gross unrealized losses on the FHLBanks' held-to-maturity mortgage-backed securities decreased $9,456 million from December 31, 2008 to December 31, 2009, which is partially a result of each of the FHLBanks of Pittsburgh, Atlanta and Seattle transferring certain private-label RMBS and/or home equity loan investments from its held-to-maturity portfolio to its available-for-sale portfolio.

Each FHLBank evaluates its individual held-to-maturity investment securities holdings for OTTI on at least a quarterly basis. See "Critical Accounting Estimates—OTTI for Investment Securities," and "Note 8—Other-Than-Temporary Impairment Analysis" to the accompanying combined financial statements for additional information regarding the FHLBanks' processes for evaluating held-to-maturity securities for OTTI.

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

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

	December 31, 2009			December 31, 2008	
Year of Maturity	Amortized Cost (1)	Carrying Value (1)	Fair Value	Amortized Cost (2)	Fair Value
Due in one year or less	$ 15,022	$ 15,022	$ 15,027	$ 19,866	$ 19,878
Due after one year through five years	3,546	3,546	3,627	2,052	2,152
Due after five years through ten years	352	352	352	341	337
Due after ten years	2,748	2,748	2,552	2,643	2,471
	21,668	21,668	21,558	24,902	24,838
Mortgage-backed securities	132,314	126,165	124,633	159,622	140,811
Total	$153,982	$147,833	$146,191	$184,524	$165,649

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

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

Year of Maturity	December 31, 2009	December 31, 2008
Non-mortgage-backed securities		
Due in one year or less	0.27%	1.32%
Due after one year through five years	1.96%	4.24%
Due after five years through ten years	3.65%	4.24%
Due after ten years	2.29%	3.80%

OTTI on Investment Securities.

As of December 31, 2009, approximately 83.0 percent, 16.5 percent and 0.5 percent of the FHLBanks' mortgage-backed securities are classified as held-to-maturity, available-for-sale and trading securities. For the held-to-maturity and available-for-sale securities, each of the FHLBanks does not intend to sell these securities and it is not more likely than not that the FHLBank will be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis. Each FHLBank actively monitors the credit quality of its mortgage-backed securities to evaluate its exposure to the risk of loss on these investments. During 2009, the FHLBanks of Boston, New York, Pittsburgh, Atlanta, Indianapolis, Chicago, Dallas, Topeka, San Francisco and Seattle recognized $11,197 million of combined total OTTI losses related to private-label RMBS and home equity loan investments classified as held-to-maturity securities and available-for-sale securities, after each of these FHLBanks determined that it was likely that it would not recover the entire amortized cost of each of these securities. Of the total OTTI losses recognized, $8,766 million was recognized in AOCI, resulting in net OTTI losses in earnings

of $2,431 million related to held-to-maturity securities and available-for-sale securities. If delinquency and/or loss rates on mortgages and/or home equity loans continue to increase, and/or a rapid decline in residential real estate values continues, the FHLBanks could experience further reduced yields or additional losses on their investment securities.

During 2009, each of the FHLBanks of Pittsburgh, Atlanta and Seattle transferred certain private-label RMBS and/or home equity loan investments from its held-to-maturity portfolio to its respective available-for-sale portfolio. Each of these FHLBanks recognized an OTTI loss on these private-label RMBS and/or home equity loan investment held-to-maturity securities, which each FHLBank believes is evidence of a significant decline in the issuer's creditworthiness. The objective of these transfers was to increase financial flexibility and allow management the option to choose to sell these securities prior to maturity in response to changes in interest rates, changes in prepayment risk or other factors, recognizing the management's intent to hold these securities for an indefinite period of time. During 2009, the FHLBanks of Pittsburgh, Atlanta and Seattle transferred certain private-label RMBS and/or home equity loan investments, with an aggregate amortized cost of $3,402 million, $3,443 million, and $1,739 million and fair value of $2,298 million, $2,318 million and $955 million, at the applicable transfer date, from its held-to-maturity portfolio to its available-for-sale portfolio. The FHLBanks have no current plans to sell these securities nor are they under any requirement to sell these securities.

The following table represents a comparison of the subprime, Alt-A and prime loans backing private-label MBS, manufactured housing loans and home equity loan investments owned by the FHLBanks at December 31, 2009, and OTTI charges taken on these securities during 2009.

OTTI of
Private-Label Mortgage-Backed Securities,
Manufactured Housing Loans
and Home Equity Loan Investments
by Year of Securitization
At December 31, 2009
(Dollar amounts in millions)

	Prime (1)					
	At December 31, 2009			Year-to-Date		
Year of Securitization	Amortized Cost	Gross Unrealized Losses (2)	Fair Value	Credit-Related OTTI Charge Taken	Noncredit-Related OTTI Charge Taken	Total OTTI Charge Taken
Private-label RMBS:						
2008	$ 687	$ (153)	$ 550	$ (4)	$ (99)	$ (103)
2007	4,910	(1,084)	3,877	(314)	(1,189)	(1,503)
2006	5,552	(1,224)	4,532	(318)	(1,116)	(1,434)
2005	5,420	(863)	4,566	(80)	(453)	(533)
2004 and prior	13,057	(989)	12,082	(2)	(27)	(29)
Total	29,626	(4,313)	25,607	(718)	(2,884)	(3,602)
Private-label CMBS:						
2004 and prior	284	(5)	283	—	—	—
Total	284	(5)	283	—	—	—
Manufactured housing loans:						
2004 and prior	—**	—**	—**	—	—	—
Total	—**	—**	—**	—	—	—
Total prime private-label RMBS and CMBS, manufactured housing loans and home equity loan investments	$29,910	$(4,318)	$25,890	$(718)	$(2,884)	$(3,602)

OTTI of
Private-Label Mortgage-Backed Securities,
Manufactured Housing Loans
and Home Equity Loan Investments
by Year of Securitization (continued)
At December 31, 2009
(Dollar amounts in millions)

	Alt-A (1)					
	At December 31, 2009			Year-to-Date		
Year of Securitization	Amortized Cost	Gross Unrealized Losses (2)	Fair Value	Credit-Related OTTI Charge Taken	Noncredit-Related OTTI Charge Taken	Total OTTI Charge Taken
Private-label RMBS:						
2008	$ 966	$ (391)	$ 575	$ (1)	$ (66)	$ (67)
2007	7,072	(2,782)	4,465	(620)	(2,576)	(3,196)
2006	4,368	(1,516)	2,939	(602)	(1,211)	(1,813)
2005	7,690	(2,449)	5,406	(284)	(1,631)	(1,915)
2004 and prior	4,171	(587)	3,585	(2)	(49)	(51)
Total	24,267	(7,725)	16,970	(1,509)	(5,533)	(7,042)
Home equity loan investments:						
2006	24	(12)	10			
2005	5	(3)	2			
2004 and prior	27	(13)	14	(7)	(10)	(17)
Total	56	(28)	26	(7)	(10)	(17)
Total Alt-A private-label RMBS and CMBS, manufactured housing loans and home equity loan investments	$24,323	$(7,753)	$16,996	$(1,516)	$(5,543)	$(7,059)

OTTI of
Private-Label Mortgage-Backed Securities,
Manufactured Housing Loans
and Home Equity Loan Investments
by Year of Securitization (continued)
At December 31, 2009
(Dollar amounts in millions)

	Subprime (1)					
	At December 31, 2009			Year-to-Date		
Year of Securitization	Amortized Cost	Gross Unrealized Losses (2)	Fair Value	Credit-Related OTTI Charge Taken	Noncredit-Related OTTI Charge Taken	Total OTTI Charge Taken
Private-label RMBS:						
2004 and prior	$ 13	$ (5)	$ 8	$ (1)	$ (1)	$ (2)
Total	13	(5)	8	(1)	(1)	(2)
Manufactured housing loans:						
2004 and prior	224	(43)	181			
Total	224	(43)	181			
Home equity loan investments:						
2007	40	(18)	23	(8)	(29)	(37)
2006	873	(323)	578	(160)	(183)	(343)
2005	127	(19)	110	(4)	(6)	(10)
2004 and prior	595	(172)	424	(24)	(120)	(144)
Total	1,635	(532)	1,135	(196)	(338)	(534)
Total subprime private-label RMBS and CMBS, manufactured housing loans and home equity loan investments	$ 1,872	$ (580)	$ 1,324	$ (197)	$ (339)	$ (536)
Total private-label RMBS and CMBS, manufactured housing loans and home equity loan investments	$56,105	$(12,651)	$44,210	$(2,431)	$(8,766)	$(11,197)

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

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

** Represents an amount less than $1 million.

The following table summarizes OTTI charges recorded by the FHLBanks during 2009, based on security classification and duration of credit-related and noncredit-related unrealized losses prior to impairment.

Summary of OTTIs Recorded by
Duration of Unrealized Losses Prior to Impairment (1)
For the Year Ended December 31, 2009
(Dollar amounts in millions)

	Credit-Related Gross Unrealized Losses (2)			Noncredit-Related Gross Unrealized Losses (3)			
	Less than 12 months	12 months or greater	Total	Less than 12 months	12 months or greater	Total	Total OTTI Losses Year-to-Date
Prime:							
Private-label RMBS	$ **	$ (718)	$ (718)	$(2)	$(2,882)	$(2,884)	$ (3,602)
Total prime	**	(718)	(718)	(2)	(2,882)	(2,884)	(3,602)
Alt-A:							
Private-label RMBS	(16)	(1,493)	(1,509)	(7)	(5,526)	(5,533)	(7,042)
Home equity loan investments		(7)	(7)		(10)	(10)	(17)
Total Alt-A	(16)	(1,500)	(1,516)	(7)	(5,536)	(5,543)	(7,059)
Subprime:							
Private-label RMBS		(1)	(1)		(1)	(1)	(2)
Home equity loan investments		(196)	(196)		(338)	(338)	(534)
Total subprime		(197)	(197)		(339)	(339)	(536)
Private-label MBS total	$(16)	$(2,415)	$(2,431)	$(9)	$(8,757)	$(8,766)	$(11,197)

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

(2) Credit losses were recognized in earnings upon OTTI during 2009.

(3) Noncredit losses were recognized in AOCI upon OTTI during 2009.

** Represents an amount less than $1 million.

The remainder of the FHLBanks' private-label RMBS and home equity loan investments portfolio has experienced net unrealized losses and a decrease in fair value due to interest rate volatility, illiquidity in the marketplace, and credit deterioration in the U.S. mortgage markets. However, these declines are considered temporary, as each of the FHLBanks expects to recover the entire amortized cost basis on the remaining securities in unrealized loss positions and neither intends to sell these securities, nor considers it more likely than not that it would be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis. See individual FHLBanks' 2009 SEC Form 10-Ks for FHLBank-specific information relating to OTTI. The FHLBanks' portfolio monitoring is ongoing, and further deterioration in delinquency and loss rates and real estate values may cause an additional increase in recognized losses on private-label RMBS and home equity loan investments. See "Critical Accounting Estimates—OTTI for Investment Securities," and "Note 8—Other-Than-Temporary-Impairment Analysis" to the accompanying combined financial statements for additional information regarding the FHLBanks' processes for evaluating investment securities for OTTI.

Mortgage Loans Held for Portfolio.

The factors that affect the volume of mortgage loans purchased from members include the general level of U.S. housing activity, the level of domestic refinancing activity and consumer product

preferences. Mortgage loan balances at December 31, 2009 decreased compared to the mortgage loan balances at December 31, 2008. In general, principal paydowns and maturities of mortgage loans held for portfolio have been greater than purchases and fundings of new mortgage loans held for portfolio. Significantly lower mortgage interest rates during 2009 and 2008 increased refinancing activity, which normally results in increased mortgage loan balances. Mortgage loan volumes also may have benefited from the financial difficulties and conservatorship of Fannie Mae and Freddie Mac. In addition, mortgage prepayments did not accelerate as much in 2009 as would normally have been the case given the lower mortgage rates. This was because of falling home prices, the recession and difficult mortgage refinancing conditions. However, the credit difficulties in the mortgage market coupled with the economic condition caused the continued run-off of mortgage loans held for portfolio to more than offset the new funding activity during 2009. The FHLBanks anticipate that their combined outstanding mortgage loans held for portfolio will continue to decrease due to several FHLBanks' discontinued participation in the MPF Program and/or MPP, the reduction of outstanding mortgage loan balances due to maturities and prepayments, and the continuing credit crisis in the housing market.

Mortgage Loans Held for Portfolio
(Dollar amounts in millions)

	December 31, 2009	Percentage of Total	December 31, 2008	Percentage of Total	(Decrease) Increase $	(Decrease) Increase %
Real Estate:						
Fixed-rate, medium-term* single-family mortgages	$16,826	23.7%	$20,913	24.1%	$ (4,087)	(19.5)%
Fixed-rate, long-term single-family mortgages	54,148	76.3%	65,846	75.9%	(11,698)	(17.8)%
Multifamily mortgages	26	0.0%	27	0.0%	(1)	(3.7)%
	71,000	100.0%	86,786	100.0%	(15,786)	(18.2)%
Premiums	460		516		(56)	(10.9)%
Discounts	(245)		(269)		24	8.9%
Deferred loan costs, net	21		32		(11)	(34.4)%
Hedging adjustments	233		311		(78)	(25.1)%
Total mortgage loans held for portfolio	$71,469		$87,376		$(15,907)	(18.2)%

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

On April 8, 2009, the FHLBank of Des Moines transferred $2.4 billion of mortgage loans from held for portfolio to held for sale as a result of its management identifying certain loans for which its intent to hold these loans for portfolio had changed. On June 24, 2009, in an effort to improve its risk position the FHLBank of Des Moines sold $2.1 billion of mortgage loans held for sale to the FHLBank of Chicago, which immediately resold these loans to Fannie Mae. The FHLBank of Des Moines recorded a net gain on sale of $1.8 million. This net gain on sale consisted of a $17.0 million gain on sale, partially offset by $15.2 million of CE Fees paid by the FHLBank of Des Moines to settle all future credit enhancement obligations on the sold loans with the PFI.

At December 31, 2009, the FHLBanks of Chicago (33 percent), Cincinnati (13 percent), Des Moines (11 percent) and Indianapolis (10 percent) held the largest percentage of the combined mortgage loans held for portfolio. No other FHLBank held 10 percent or more of the combined mortgage loans held for portfolio at December 31, 2009.

On September 23, 2008, the FHLBank of Chicago began offering the MPF Xtra product, which provides PFIs with a new secondary mortgage market alternative. Loans sold to the FHLBank of Chicago under the MPF Xtra product are concurrently sold to Fannie Mae, as a third party investor, and are not

held on each participating FHLBank's balance sheet. Unlike other conventional MPF products, under the MPF Xtra product PFIs are not required to provide credit enhancement and do not receive CE Fees. Additionally, at the present time, only PFIs that retain servicing may sell loans under the MPF Xtra product. During the first quarter of 2009, the FHLBanks of Boston, Pittsburgh and Des Moines began offering the MPF Xtra product to their members. The volume of MPF Loans purchased under the MPF Xtra product from the FHLBank of Chicago members and from the members of other FHLBanks since the product was introduced in the fourth quarter of 2008 is in excess of $3.4 billion. In connection with each sale, the FHLBank of Chicago makes certain customary representations and warranties to Fannie Mae regarding the eligibility of the mortgage loans. If an eligibility requirement or other representation or warranty were breached, Fannie Mae could require the FHLBank of Chicago to repurchase the MPF Loan. Such a breach would normally also be a breach of the selling PFI's representations and warranties to the FHLBank of Chicago, which in turn could require the PFI to repurchase that MPF Loan from the FHLBank. During 2009, the FHLBank of Chicago was required to repurchase $2 million in MPF Xtra Loans from Fannie Mae, which in turn were repurchased by the PFIs. The FHLBank of Chicago did not incur any losses on these repurchases.

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

	December 31, 2009		December 31, 2008		(Decrease) Increase	
	Amount	Percentage of Total	Amount	Percentage of Total	$	%
MPF, mortgage loans held for portfolio	$50,399	70.5%	$64,481	73.8%	$(14,082)	(21.8)%
MPP, mortgage loans held for portfolio	21,042	29.5%	22,867	26.2%	(1,825)	(8.0)%
Other mortgage loans	28	0.0%	28	0.0%		
Total mortgage loans held for portfolio	$71,469	100.0%	$87,376	100.0%	$(15,907)	(18.2)%
Allowance for credit losses—MPF	$ 29	90.6%	$ 14	93.3%	$ 15	107.1%
Allowance for credit losses—MPP	1	3.1%		0.0%	1	N/A
Allowance for credit losses—other	2	6.3%	1	6.7%	1	100.0%
Total allowance for credit losses	$ 32	100.0%	$ 15	100.0%	$ 17	113.3%
MPF, mortgage loans held for portfolio, net	$50,370	70.5%	$64,467	73.8%	$(14,097)	(21.9)%
MPP, mortgage loans held for portfolio, net	21,041	29.5%	22,867	26.2%	(1,826)	(8.0)%
Other mortgage loans, net	26	0.0%	27	0.0%	(1)	(3.7)%
Total mortgage loans held for portfolio, net	$71,437	100.0%	$87,361	100.0%	$(15,924)	(18.2)%

Loan Modification. In 2009, the MPF FHLBanks began to offer the temporary loan payment modification plan (the modification plan) for conventional MPF Loans, which will be available until December 21, 2011 unless further extended by the MPF Program. Borrowers with conventional loans secured by their primary residence that were originated prior to January 1, 2009 are eligible for the modification plan. This modification plan pertains to borrowers currently in default or in imminent danger of default. In addition, there are specific eligibility requirements that must be met and procedures that the PFIs must follow to modify loans under the modification plan.

The "Other mortgage loans, net" balances relate to the Affordable Multifamily Participation Program (AMPP) established by the FHLBank of Atlanta, and the Community Mortgage Asset (CMA) program held by the FHLBank of New York. Through AMPP, members sold participations

in loans on affordable multifamily rental properties to the FHLBank of Atlanta. These assets did not carry external credit enhancements. Through the CMA program, the FHLBank of New York participated in residential, multifamily and community economic development mortgage loans originated by its members. The FHLBank of Atlanta ceased acquisitions under AMPP in 2006. The FHLBank of New York suspended acquisitions under the CMA program in 2001.

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

	December 31, 2009	Percentage of Total	December 31, 2008	Percentage of Total	Decrease $	Decrease %
Conventional loans	$63,498	89.4%	$78,499	90.5%	$(15,001)	(19.1)%
Government-guaranteed or-insured loans	7,498	10.6%	8,283	9.5%	(785)	(9.5)%
Other loans	4	0.0%	4			
Total par value	$71,000	100.0%	$86,786	100.0%	$(15,786)	(18.2)%

Each of the FHLBanks has either established an appropriate allowance for credit losses for mortgage loan programs or has determined that no loan loss allowance is necessary, and the management of each FHLBank believes that it has the policies and procedures in place to manage appropriately the credit risk on its mortgage loan portfolio. The increase in the allowance for credit losses on mortgage loans was due to the continued deterioration in general economic and labor market conditions and the ongoing decline in home prices nationwide, which has resulted in a trend of increasing delinquencies and higher level of nonperforming loans in the FHLBanks' mortgage portfolios.

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

	2009	2008	2007	2006	2005
Balance, beginning of year	$15	$ 8	$7	$10	$10
Charge-offs	(1)	(1)			(1)
Recoveries					1
Net charge-offs	(1)	(1)			
Provision (reversal) for credit losses	18	8	1	(3)	
Balance, end of year	$32	$15	$8	$ 7	$10

Delinquent mortgage loans and real estate owned as compared to total mortgage loans held for portfolio, net are summarized below.

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

	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006	December 31, 2005
Mortgage loans held for portfolio, net	$71,437	$87,361	$91,610	$97,976	$105,240
Nonperforming mortgage loans held for portfolio (1)	372	165	86	66	87
Mortgage loans held for portfolio past due 30-90 days and still accruing interest (2)	1,736	1,819	1,394	1,556	1,711
Mortgage loans held for portfolio past due 90 days or more and still accruing interest (2)	773	501	356	348	386
Loans in foreclosure	540	164	115	79	73
Real estate owned	90	58	43	33	24

(1) Generally represents mortgage loans with contractual principal or interest payments 90 days or more past due and not accruing interest.

(2) Mortgage loans insured or guaranteed by the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), the RHS and/or HUD.

The FHLBanks' interest contractually due and actually received for nonperforming loans are as follows:

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

	2009	2008	2007	2006	2005
Interest contractually due during the period	$15.4	$6.4	$3.2	$2.5	$3.7
Interest actually received during the period	11.4	5.2	2.8	1.5	2.3
Shortfall	$ 4.0	$1.2	$0.4	$1.0	$1.4

Consolidated Obligations.

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

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

	2009	2008	2007	2009 vs. 2008 Decrease $	2009 vs. 2008 Decrease %	2008 vs. 2007 Increase $	2008 vs. 2007 Increase %
Overnight consolidated discount notes	$ 23,166	$ 31,953	$ 28,606	$ (8,787)	(27.5)%	$ 3,347	11.7%
Term consolidated discount notes	315,777	359,998	188,636	(44,221)	(12.3)%	171,362	90.8%
Total consolidated discount notes	338,943	391,951	217,242	(53,008)	(13.5)%	174,709	80.4%
Consolidated bonds	727,138	856,221	806,010	(129,083)	(15.1)%	50,211	6.2%
Total consolidated obligations	$1,066,081	$1,248,172	$1,023,252	$(182,091)	(14.6)%	$224,920	22.0%

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

	December 31, 2009		December 31, 2008	
	Amount	Percentage of Total Consolidated Obligations, Net	Amount	Percentage of Total Consolidated Obligations, Net
Consolidated discount notes	$198,532	21.2%	$ 439,895	35.0%
Consolidated bonds	736,344	78.8%	818,372	65.0%
Total consolidated obligations, net	$934,876	100.0%	$1,258,267	100.0%

The $323.4 billion decrease in total consolidated obligations from December 31, 2008 to December 31, 2009, primarily relates to the $241.4 billion decrease in consolidated discount notes and the $70.0 billion decrease in consolidated bonds maturing in one year or less, and $49.9 billion of decreases in long-term consolidated bonds for all maturity terms except for due after 1 year through 2 years, due after 2 years through 3 years and due after 3 years through 4 years.

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, 2009 and 2008, the FHLBanks' regulatory capital stock equaled 5.7 percent and 4.4 percent of the par value of consolidated obligations outstanding, and the required minimum pledged qualifying asset balance was less than $1 million for 2009 and 2008. Further, the resolution requiring the establishment of the SAA also requires 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 regulatory capital-to-assets ratio falls below two percent. At December 31, 2009 and 2008, no FHLBank had a regulatory capital-to-assets ratio of 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.

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

Year of Contractual Maturity	December 31, 2009		December 31, 2008	
	Amount	Weighted - Average Interest Rate	Amount	Weighted - Average Interest Rate
Due in 1 year or less	$336,359	1.40%	$406,355	2.62%
Due after 1 year through 2 years	139,782	2.13%	129,788	3.39%
Due after 2 years through 3 years	82,354	2.56%	68,554	4.16%
Due after 3 years through 4 years	54,103	3.58%	36,138	4.73%
Due after 4 years through 5 years	33,797	3.67%	56,818	4.24%
Thereafter	79,318	4.67%	104,405	5.18%
Index amortizing notes	5,978	5.07%	7,756	5.02%
Total par value	731,691	2.32%	809,814	3.43%
Premiums	910		719	
Discounts	(746)		(3,216)	
Hedging adjustments	4,534		10,989	
Fair value option valuation adjustments	(45)		66	
Total	$736,344		$818,372	

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

Year of Contractual Maturity or Next Call Date	December 31, 2009	December 31, 2008
Due in 1 year or less	$467,856	$511,099
Due after 1 year through 2 years	116,010	134,664
Due after 2 years through 3 years	46,537	52,644
Due after 3 years through 4 years	39,944	19,723
Due after 4 years through 5 years	14,091	33,591
Thereafter	41,275	50,337
Index amortizing notes	5,978	7,756
Total par value	$731,691	$809,814

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

Par values of consolidated bonds	December 31, 2009	December 31, 2008
Noncallable/nonputable	$565,840	$643,882
Callable	165,851	165,932
Total par value	$731,691	$809,814

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

	December 31, 2009		December 31, 2008	
	Amount	Percentage of Total	Amount	Percentage of Total
Fixed-rate, noncallable	$424,998	58.1%	$404,298	49.9%
Single-index, non-capped variable-rate	130,524	17.8%	223,895	27.6%
Fixed-rate, callable	120,545	16.5%	157,769	19.5%
Step-up/step-down	45,986	6.3%	9,058	1.1%
Amortizing prepayment linked securities	5,981	0.8%	7,762	1.0%
Conversion	2,325	0.3%	470	0.1%
Range	983	0.1%	2,848	0.3%
Zero-coupon, callable	450	0.1%	3,583	0.4%
Capped variable-rate	205	0.0%	485	0.1%
Other	44	0.0%	257	0.0%
Total	$732,041	100.0%	$810,425	100.0%

(1) Consolidated bonds outstanding have not been adjusted for interbank holdings of consolidated bonds totaling $350 million at December 31, 2009 and $611 million at December 31, 2008.

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

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

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

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

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

Debt Financing Activity. Historically, the FHLBanks have had diversified sources and channels of funding as the need for funding from the capital markets has grown. The Global Debt Program issued $209.2 billion and $234.7 billion at par in term funds during 2009 and 2008. The TAP Issue Program consolidates the issuance through daily auctions of bullet consolidated bonds of common maturities by re-opening previously issued consolidated bonds. TAP issues generally remain open for three months,

after which they are closed and a new series of TAP issues is opened to replace them. This program has reduced the number of separate bullet consolidated bonds issued, but more importantly has enhanced market awareness through increased issue size, secondary market activity, and utility, while providing enhanced funding diversification for the FHLBanks. Through this program, the Office of Finance seeks to enhance the liquidity of these issues. During 2009, $15.1 billion of consolidated bonds were issued through the TAP Issue Program. This issuance represents a decrease of $25.3 billion over 2008. During the first half of 2009, funding costs for TAP securities rose substantially compared to funding alternatives, making TAP securities less attractive to the FHLBanks. In early 2009, TAP securities were perceived as less liquid relative to other larger GSE securities and were excluded from the Federal Reserve's $175 billion GSE purchase program; therefore, dealers and investors demanded a higher yield for holding TAPs. However, this trend reversed during the second half of 2009, as enhanced TAP funding opportunities and improvement in the market for the FHLBanks' term funding products resulted in $14.6 billion of TAP issuance.

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

	Percent of Total Consolidated Obligations—Bonds Issued During		
	2009	2008	2007
Negotiated transactions	89.8%	85.5%	86.0%
Competitive bid	10.2%	14.5%	14.0%
Total	100.00%	100.00%	100.00%

	Percent of Total Consolidated Obligations—Bonds Issued During		
	2009	2008	2007
Fixed-rate, fixed-term, noncallable (bullet)	40.8%	40.0%	30.6%
Fixed-rate, callable	26.3%	26.5%	48.6%
Single-index, variable-rate	20.4%	31.3%	19.1%
Step-up/step-down	11.8%	1.5%	0.6%
Other	0.7%	0.7%	1.1%
Total	100.00%	100.00%	100.00%

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

	2009	2008	2007
Consolidated discount notes	$7,301,501	$10,857,293	$8,851,719
Consolidated bonds	506,355	554,731	495,208

Balances of the various types of consolidated obligations can fluctuate significantly based on comparative changes in their cost levels, supply and demand conditions, advance demand, money market investment balances, and the FHLBanks' individual balance sheet management strategies. The decrease in consolidated obligations outstanding corresponds to the decrease in advances during 2009. In 2009, the

average balance of consolidated discount notes decreased compared to the average balance for 2008 due to decrease in demand for advances by the FHLBanks' members during the year and the increase in liquidity from advance prepayments as a result of member failures As a result, the average balance of consolidated discount notes as a proportion of total average consolidated obligations outstanding decreased in 2009 compared to 2008.

The FHLBanks make use of callable debt. At December 31, 2009, $165.9 billion of callable debt at par was outstanding (excluding an interbank holding adjustment of $79 million). At December 31, 2009, callable consolidated bonds represented 22.7 percent of total consolidated bonds outstanding at par. The callable debt at par remained flat between 2009 and 2008, reflecting, in part, the stabilization and healing of the financial markets. (See "Financial Trends" for additional discussion.)

Consolidated discount notes accounted for 93.4 percent of the proceeds from the issuance of consolidated obligations during 2009, compared to 95.1 percent and 94.7 percent of the proceeds from the issuance of consolidated obligations during 2008 and 2007. Much of the consolidated discount note activity reflects the refinancing of overnight discount notes.

Deposits.

At December 31, 2009, deposits totaled $15,897 million, a decrease of $401 million or 2.6 percent from December 31, 2008. Factors that generally influence deposit levels include turnover in members' investment securities portfolios, changes in member demand for liquidity primarily due to member institution deposit growth, the slope of the yield curve and the FHLBanks' deposit pricing as compared to other short-term money market rates.

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

	December 31, 2009	December 31, 2008
3 months or less	$401	$1,152
Over 3 months through 6 months	352	489
Over 6 months through 12 months	149	210
Over 12 months	31	32
Total	$933	$1,883

Capital.

Total Capital
(Dollar amounts in millions)

December 31, 2009	December 31, 2008	Decrease $	Decrease %
$42,809	$51,350	$(8,541)	(16.6)%

The decrease in total capital was due primarily to:

- the decrease in AOCI due to $6.4 billion in net noncredit-related OTTI losses on held-to-maturity and available-for-sale securities (excluding the cumulative effect of adjustment relating to amended OTTI guidance); and
- the decrease in total capital stock attributable to the $6.7 billion of repurchase/redemption of capital stock and $3.8 billion of reclassification of capital stock as mandatorily redeemable capital stock, partially offset by the $5.8 billion of net proceeds from the sale of capital stock to support new advances during 2009,

- which was partially offset by a $1.3 billion increase in retained earnings (excluding the cumulative effect of adjustment relating to amended OTTI guidance and dividends on capital stock).

Over the same period, total capital decreased less than total assets as a percentage. This caused the FHLBanks' combined GAAP capital-to-assets ratio to increase to 4.22 percent at December 31, 2009, from 3.81 percent at December 31, 2008. During 2009, total regulatory capital increased 0.9 percent, whereas total assets decreased 24.7 percent. This caused the FHLBanks' combined regulatory capital-to-assets ratio to increase to 5.92 percent at December 31, 2009, from 4.42 percent at December 31, 2008. Each FHLBank, except the FHLBank of Chicago, had converted to its new capital plan at December 31, 2009.

Combined 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 related to consolidation under GAAP. (See discussions relating to "Interbank Transfers of Liability on Outstanding Consolidated Bonds and Their Effect on Combined Net Income" at the end of this section and in Note 1 to the accompanying combined financial statements.)

Net Interest Income.

Changes in Net Interest Income
(Dollar amounts in millions)

	For the Years Ended December 31,			For the Year Ended 2009 vs. 2008 (Decrease) Increase		For the Year Ended 2008 vs. 2007 (Decrease) Increase	
	2009	2008	2007	$	%	$	%
INTEREST INCOME							
Advances	$ 9,714	$29,643	$37,453	$(19,929)	(67.2)%	$ (7,810)	(20.9)%
Prepayment fees on advances	215	92	23	123	133.7%	69	300.0%
Mortgage loans held for portfolio	3,873	4,495	4,849	(622)	(13.8)%	(354)	(7.3)%
Investments and other	7,107	11,365	14,699	(4,258)	(37.5)%	(3,334)	(22.7)%
Total interest income	20,909	45,595	57,024	(24,686)	(54.1)%	(11,429)	(20.0)%
INTEREST EXPENSE							
Consolidated obligations	15,330	39,768	51,301	(24,438)	(61.5)%	(11,533)	(22.5)%
Other	147	584	1,206	(437)	(74.8)%	(622)	(51.6)%
Total interest expense	15,477	40,352	52,507	(24,875)	(61.6)%	(12,155)	(23.1)%
NET INTEREST INCOME	$ 5,432	$ 5,243	$ 4,517	$ 189	3.6%	$ 726	16.1%

Net interest income increased modestly from 2008 to 2009 primarily due to the FHLBanks' replacement of a portion of longer-term, higher-rate debt through the issuance of new, shorter-term consolidated obligations at significantly lower interest rates. As each FHLBank shifted its funding mix during 2009, it funded a significant percentage of its assets using consolidated discount notes and other short-term debt at advantageous spreads. However, there were also significant decreases in yields on advances, investments and to a lesser extent, mortgage loans. The average balances of the FHLBanks' combined statement of condition generally decreased significantly in 2009 compared to 2008, as the FHLBanks' advances to their member institutions declined. Lower average interest rates and a narrower average interest spread between the cost of the FHLBanks' short-term debt and the yield on assets in which those funds were invested adversely affected the growth of interest income during the first half of 2009, compared to the corresponding prior year period. The spread relationships between the yield on short-term assets and the cost of like-term consolidated discount notes continued to return closer to long-term historical norms during the second half of 2009. However, as interest rates continued to decrease, the

decline in the interest earned on the FHLBanks' assets was less than the decline in the interest paid on the FHLBanks' debt, resulting in slightly higher net interest income during 2009.

Net interest income increased from 2007 to 2008 due to the decline in interest rates, as the decrease in interest expense on consolidated obligations was greater than the decreases in interest income on advances and investments. This decrease in interest expense was primarily because the FHLBanks issued more short-term funding in 2008 because short-term funding rates decreased at a faster rate than long-term funding rates during the year and because investors preferred shorter-term debt during the latter part of 2008 due to all of the market uncertainties. Although the decline in interest rates caused an overall decrease in interest income and interest expense, volumes on advances, investments and consolidated obligations were higher in 2008 compared to 2007. The decrease in interest income on mortgage loans held for portfolio from 2007 to 2008 related primarily to the lower volume of outstanding mortgage loans held for portfolio, but was also affected by lower interest rates.

Earnings Analysis.

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

Spread and Yield Analysis
(Dollar amounts in millions)

	2009			2008			2007		
	Average Balance (1)	Interest (2)	Annualized Yield	Average Balance (1)	Interest (2)	Annualized Yield	Average Balance (1)	Interest (2)	Annualized Yield
Advances (3)	$ 754,264	$ 9,929	1.32%	$ 933,162	$29,735	3.19%	$ 706,785	$37,476	5.30%
Mortgage loans held for portfolio	78,605	3,873	4.93%	89,147	4,495	5.04%	94,440	4,849	5.13%
Investments:									
Interest-bearing deposits and other	29,162	70	0.24%	8,363	93	1.11%	506	32	6.32%
Securities purchased under agreements to resell	14,003	25	0.18%	3,683	47	1.28%	2,584	134	5.19%
Federal funds sold	71,264	134	0.19%	79,901	1,737	2.17%	86,248	4,465	5.18%
Trading securities	19,051	401	2.10%	8,215	406	4.94%	6,008	339	5.64%
Available-for-sale securities (4)	30,773	638	2.07%	9,936	338	3.40%	6,995	367	5.25%
Held-to-maturity securities (4)	170,450	5,839	3.43%	202,381	8,744	4.32%	181,073	9,362	5.17%
Total investments	334,703	7,107	2.12%	312,479	11,365	3.64%	283,414	14,699	5.19%
Total interest-earning assets	1,167,572	$20,909	1.79%	1,334,788	$45,595	3.42%	1,084,639	$57,024	5.26%
Non-interest earning assets	5,026			13,582			12,192		
Total assets	$1,172,598			$1,348,370			$1,096,831		
Consolidated obligations:									
Discount notes	$ 338,359	$ 1,936	0.57%	$ 390,111	$ 9,912	2.54%	$ 215,784	$10,720	4.97%
Bonds	733,571	13,394	1.83%	853,075	29,856	3.50%	792,620	40,581	5.12%
Interest-bearing deposits and other borrowings (5)	27,823	147	0.53%	26,973	584	2.17%	23,111	1,206	5.22%
Total interest-bearing liabilities	1,099,753	$15,477	1.41%	1,270,159	$40,352	3.18%	1,031,515	$52,507	5.09%
Non-interest-bearing liabilities	25,929			22,651			18,288		
Total liabilities	1,125,682			1,292,810			1,049,803		
Capital	46,916			55,560			47,028		
Total liabilities and capital	$1,172,598			$1,348,370			$1,096,831		
Spread on:									
Total interest-bearing liabilities			0.38%			0.24%			0.17%
Total funding (net interest margin) (6)			0.46%			0.40%			0.42%

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

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

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

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

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

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

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

During 2009, at the combined level, the spread between asset yields and interest-bearing liabilities and the net interest margin increased compared to 2008. During 2008, at a combined level, the spread between asset yields and interest-bearing liabilities increased while the net interest margin decreased compared to 2007. Each FHLBank's spread between asset yields interest-bearing liabilities and/or the net interest margin increased and/or decreased based on each FHLBank's investing, funding and hedging activities, among other things. See "Supplemental Information—Individual FHLBank Selected Financial Data and Financial Ratios" for individual FHLBank's spread between asset yields and interest-bearing liabilities and the net interest margin.

The increases in combined FHLBanks' net interest margin and spread between asset yields and interest-bearing liabilities during 2009 were generally related to lower funding costs and increased funding of investment portfolio with short-term consolidated obligations, particularly consolidated discount notes during most of 2009.

Items that increased the net interest margin and spread for the year ended December 31, 2009, compared to the prior year, included:

- an increase in the proportion of higher-earning assets to total assets as advance balances have declined;

- a reduction in the average funding costs of consolidated discount notes relative to the yield of short-term assets with comparable terms (e.g., advances and money market investments). In 2009, average spreads on many assets, especially short-term and variable-rate assets indexed to short-term LIBOR, continued to widen relative to their funding costs. This widening occurred during the first six months of 2009, because the financial crisis resulted in the rates on the FHLBanks' short-term funding sources, mostly consolidated discount notes, falling significantly more than the cost of interbank lending represented by short-term LIBOR. Early in the third quarter of 2009, the spreads between LIBOR and consolidated discount notes contracted from the wider spreads experienced during the financial crisis, causing the higher profits from this wider spread to dissipate during the third quarter;

- refinancing retired and called consolidated bonds at lower debt cost. The reduction in intermediate-and long-term interest rates enabled certain FHLBanks to retire (call) consolidated bonds before their final maturities and replace them with new debt (both consolidated bonds and discount notes) at significantly lower interest rates;

- the replacement of higher-costing debt supporting mortgage loans held for portfolio with lower-costing debt reflecting the current low interest-rate environment; and

- higher net interest spread on certain FHLBanks' fixed-rate advances accounted for in accordance with the fair value option and the fixed-rate mortgage portfolio resulting from the favorable impact of lower interest rates on the associated variable-rate funding.

Items that decreased the net interest margin and spread for applicable FHLBanks included but are not limited to:

- decrease in member demand for advances, which was partially offset by increases in prepayment fee income;
- a decline in average yield on interest-bearing assets funded by non-interest-bearing capital and spreads on non-MBS investments between periods due to low interest rate environment;
- the reinvestment spreads available on newly-issued, short-term debt declined sharply from the unusually high levels experienced in 2008, to levels that were closer to long-term historical norms;
- the effect of interest rate volatility on the FHLBanks' derivative and hedging activities;
- accelerated write-off of basis adjustments associated with hedging on prepaid advances reducing interest income as well as other hedging-related adjustments;
- an increase in funding options available to the FHLBanks' members through various U.S. government programs;
- the maturity of low-cost debt that was issued to fund low interest-rate mortgages and the replacement of such mortgages at lower net spreads; and
- an increase in the recognition of unamortized non-cash items associated with calling an increased amount of consolidated obligations for 2009.

Items that increased the net interest margin and spread for the year ended December 31, 2008, compared to the prior year, included:

- an increase in the volume of interest-earning assets (specifically, advances and agency MBS);
- a reduction in the average funding costs of consolidated discount notes relative to the yield of short-term assets with comparable terms (e.g., advances and money market investments);
- the replacement of higher-costing debt supporting mortgage loans held for portfolio with lower-costing debt reflecting the current low interest rate environment;
- the reinvestment of proceeds from maturing low-yield investments into higher-yield, market-rate investments; and
- increases in prepayment fee income.

Items that decreased the net interest margin and spread included but are not limited to:

- a decline in interest rates between periods;
- a sharp increase in long-term funding costs;
- the effect of the FHLBanks' replacement of short-term liabilities that were issued to fund overnight and short-term assets with newly-issued consolidated discount notes with extended maturities in order to ensure the FHLBanks' ability to provide liquidity to their members and meet their demand for advances, especially in the second half of the year;
- the effect of interest rate volatility on the FHLBanks' derivative and hedging activities;
- an increase in funding options available to the FHLBanks' members through various U.S. government programs;
- the maturity of low-cost debt that was issued to fund low interest rate mortgages and the replacement of such mortgages at lower net spreads; and
- an increase in the recognition of unamortized non-cash items associated with calling an increased amount of consolidated obligations for 2008.

For additional discussion related to an individual FHLBank's changes in net interest margin and spread, please refer to that FHLBank's periodic report filed with the SEC.

The net interest margin and spread between total earning assets and total interest-bearing liabilities are affected by the inclusion or exclusion of net interest income/expense associated with the FHLBanks' interest-rate exchange agreements. For example, if the interest-rate exchange agreements qualify for fair-value hedge accounting, the net interest income/expense associated with the derivative is included in the calculation of the spread between total earning assets and total interest-bearing liabilities and net interest margin. If the interest-rate exchange agreements do not qualify for fair-value hedge accounting (economic hedges) or if the FHLBanks have not designated it in such a qualifying hedge relationship, the net interest income/expense associated with the interest-rate exchange agreements is excluded from the calculation of the spread between total earning assets and total interest-bearing liabilities and net interest margin.

The downward trend in consolidated obligations outstanding continued during the fourth quarter of 2009. Consolidated obligations outstanding (par value) were $321 billion lower on December 31, 2009, compared to December 31, 2008, as a result of a $243 billion decline in consolidated discount notes (par value) and a $78 billion decline in consolidated bonds (par value). However, despite an overall $43 billion decrease in consolidated obligations outstanding (par value) during the fourth quarter of 2009, consolidated bonds (par value) outstanding recorded a $34 billion increase during the fourth quarter of 2009.

While total issuance of consolidated obligations during the fourth quarter of 2009 was three percent higher than in the fourth quarter of 2008, total issuance of consolidated obligations was 32 percent lower during 2009 compared to 2008. For the fourth quarter of 2009, aggregate weighted-average new-issue funding costs for FHLBank consolidated bonds improved significantly relative to benchmark market indices as compared to the fourth quarter of 2008. Overall funding costs for consolidated bonds were also more favorable in 2009 as compared to 2008.

Based on the average two-year to 10-year U.S. Treasury yield spread, the U.S. Treasury curve steepened slightly during the fourth quarter and full year of 2009. After trending upward around mid-year and then retreating, U.S. Treasury yields began to trend upward again toward the end of 2009. The average yield for the 10-year U.S. Treasury was higher for the fourth quarter of 2009 compared to the fourth quarter of 2008. Conversely, the average yield for the two-year U.S. Treasury declined over the same period. Overall, average yields were lower across the U.S. Treasury curve for 2009 when compared to 2008.

On the whole, the FHLBanks relied less on funding from variable-rate debt during 2009, such that variable-rate bonds represented 20 percent of consolidated bond issuance during 2009, compared to 31 percent in 2008. This trend intensified during the fourth quarter of 2009 when variable-rate bond volume declined, accounting for just 14 percent of consolidated bond issuance. Consolidated bonds with an embedded call option comprised 40 percent of consolidated bond issuance volume during the fourth quarter of 2009, compared with 31 percent in the fourth quarter of 2008. Callable bonds represented 26 percent of FHLBank consolidated bonds during both 2009 and 2008. The step-up/step-down and other bond categories increased to approximately 12 percent of consolidated bond issuance during 2009, compared to only approximately two percent of consolidated bond issuance during 2008. The majority of this category was comprised of callable step-up bonds. Issuance volume in this category was particularly high during the second half of 2009.

The dollar amount of callable bonds redeemed prior to maturity in the fourth quarter of 2009 increased to $63 billion, compared to $56 billion during the fourth quarter of 2008. However, for 2009, consolidated bond call volume declined to $184 billion, compared to $283 billion during 2008. This decline was largely due to reduced call volume during the second and third quarters of 2009. Call volume may be driven by a variety of factors including, but not limited to, the following: 1) shifts in the interest

rate environment, 2) the amount of callable debt outstanding, 3) debt refunding costs, 4) FHLBank asset/ liability management strategies and 5) the overall funding environment.

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 2009 and 2008 and between 2008 and 2007. Changes in interest income and interest expense not identifiable as either volume-related or rate-related, but rather equally attributable to both volume and rate changes, have been allocated to the volume and rate categories based upon the proportion of the absolute value of the volume and rate changes.

Rate and Volume Analysis
(Dollar amounts in millions)

	2009 vs. 2008			2008 vs. 2007		
	(Decrease) Increase Due to			Increase (Decrease) Due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest Income:						
Advances (1)	$(4,877)	$(14,929)	$(19,806)	$ 9,871	$(17,612)	$ (7,741)
Mortgage loans held for portfolio	(521)	(101)	(622)	(268)	(86)	(354)
Investments (2)	759	(5,017)	(4,258)	1,392	(4,726)	(3,334)
Total interest income	(4,639)	(20,047)	(24,686)	10,995	(22,424)	(11,429)
Interest Expense:						
Consolidated obligations	(4,874)	(19,564)	(24,438)	10,235	(21,768)	(11,533)
Deposits and other borrowings (2)(3)	18	(455)	(437)	175	(797)	(622)
Total interest expense	(4,856)	(20,019)	(24,875)	10,410	(22,565)	(12,155)
Changes in net interest income	$ 217	$ (28)	$ 189	$ 585	$ 141	$ 726

(1) Includes prepayment fees on advances, net.

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

(3) Calculations do not include the average balances of non-interest-bearing deposits and include cash and stock dividends on mandatorily redeemable capital stock as interest expense. Calculations also include the average balances of subordinated notes and related interest expense.

Net Income.

Changes in Net Income
(Dollar amounts in millions)

	For the Years Ended December 31,			For the Year Ended 2009 vs. 2008	For the Year Ended 2008 vs. 2007
	2009	2008	2007	Increase (Decrease)	Increase (Decrease)
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	$ 5,414	$ 5,232	$4,514	$ 182	$ 718
OTHER (LOSS) INCOME					
Net other-than-temporary impairment losses	(2,431)			(2,431)	
Realized losses on other-than-temporarily impaired securities		(2,025)		2,025	(2,025)
Net (losses) gains on trading securities	(140)	260	147	(400)	113
Net realized gains from sale of available-for-sale securities	7	9	1	(2)	8
Net realized gains (losses) from sale of held-to-maturity securities	17	4	(6)	13	10
Net (losses) gains on advances and consolidated bonds held at fair value	(457)	883		(1,340)	883
Net gains (losses) on derivatives and hedging activities	1,207	(1,559)	(53)	2,766	(1,506)
Service fees	32	29	29	3	
Other, net	(21)	49	9	(70)	40
Total other (loss) income	(1,786)	(2,350)	127	564	(2,477)
Total other expense	943	1,076	792	(133)	284
Total assessments	830	600	1,022	230	(422)
NET INCOME	$ 1,855	$ 1,206	$2,827	$ 649	$(1,621)

Combined net income for the year ended December 31, 2009 was $1.9 billion, a 54 percent increase from the $1.2 billion recorded in the same period of the previous year. The increase in net income for the year ended December 31, 2009 compared to the year ended December 31, 2008 can be primarily attributed to the net gains on derivatives and hedging activities for the year ended December 31, 2009, that resulted principally from favorable changes in interest rates and the reversal of prior period losses, which were partially offset by increased OTTI charges on certain private-label RMBS and home equity loan investments, and net losses on advances and consolidated bonds held at fair value, as well as net losses on trading securities.

Combined net income for the year ended December 31, 2009 was adversely affected by certain FHLBanks' net losses, as follows:

- the FHLBank of Boston's net loss of $187 million, which was primarily due to net credit-related OTTI losses of $444 million on its private-label RMBS and home equity loan investments, partially offset by net interest income;
- the FHLBank of Pittsburgh's net loss of $37 million, which was primarily due to net credit-related OTTI losses of $229 million on its private-label RMBS and home equity loan investments, partially offset by net interest income;
- the FHLBank of Chicago's net loss of $65 million, which was primarily due to net credit-related OTTI losses of $437 million on its private-label RMBS and home equity loan investments and losses on derivatives and hedging activities of $83 million, partially offset by net interest income; and

- the FHLBank of Seattle's net loss of $162 million, which was primarily due to net credit-related OTTI losses of $311 million on its investments in private-label RMBS, partially offset by net interest income.

Combined net income for the year ended December 31, 2008 was $1.2 billion, a 56 percent decrease from the $2.8 billion recorded in the same period of the previous year. The decrease in net income for the year ended December 31, 2008 compared to the year ended December 31, 2007 can be primarily attributed to the realized losses on other-than-temporarily impaired securities, the increases in net losses on derivatives and hedging activities, and the provision for derivative counterparty credit losses due from LBSF (included in Total other expense in the table noted above), which were partially offset by the increases in net interest income and the net gains on advances and consolidated bonds held at fair value.

Combined net income for the year ended December 31, 2008 was adversely affected by:

- the FHLBank of Boston's net loss of $116 million, which was primarily due to OTTI charges of $382 million on its held-to-maturity private-label MBS;
- the FHLBank of Chicago's net loss of $119 million, which was primarily due to reduced net interest income and OTTI charges of $292 million on certain private-label MBS, which were partially offset by gains on derivative and hedging activities;
- the FHLBank of Seattle's net loss of $199 million, which was primarily due to $304 million OTTI charges on the FHLBank of Seattle's held-to-maturity private-label MBS; and
- the $252 million in write-offs/reserves on receivables due from LBSF and LBHI relating to the FHLBanks of New York, Atlanta, Des Moines, Dallas and Seattle.

Other (Loss) Income.

The change in total other loss for 2009 compared to 2008 primarily relates to net gains on derivatives and hedging activities and realized losses on other-than-temporarily impaired securities recognized in earnings. The decrease in total other loss for 2009 compared to 2008 was partially offset by net OTTI losses, net losses on advances and consolidated bonds held at fair value and net losses on trading securities. The change in total other (loss) income for 2008 compared to 2007 relates primarily to the realized losses on other-than-temporarily-impaired securities and net losses on derivatives and hedging activities recognized in earnings, which are partially offset by the net gains on advances and consolidated bonds held at fair value.

The FHLBanks' net gains on derivatives and hedging activities for 2009 compared to net losses on derivatives and hedging activities for 2008 were due to favorable changes in interest rates, the reversal of prior period losses on derivatives and hedging activities and decrease in swaption volatilities. Most income statement changes for derivatives and hedging activities represent unrealized market value adjustments on derivatives that result primarily from interest rate changes that affect the market values of derivatives differently than the market values of the hedged risks.

Effective January 1, 2009, the FHLBanks early adopted the amended OTTI guidance, which resulted in only the credit portion of the OTTI incurred by the FHLBanks is recognized in earnings; the non-credit portion of the OTTI incurred by the FHLBanks is recognized in AOCI. Prior to 2009, if an impairment was determined to be other-than-temporary, the impairment loss recognized in earnings was equal to the entire difference between the security's amortized cost basis and its fair value at the balance sheet date of the reporting period for which the impairment assessment was made. As a result of adopting this amended OTTI guidance, the FHLBanks recognized a cumulative effect adjustment totaling $1.9 billion, as a positive adjustment to the combined retained earnings balance at January 1, 2009, with an offsetting adjustment to combined AOCI.

The credit-related portion of the OTTI losses on investments in private-label RMBS and home equity loan investments recognized in earnings for 2009 primarily resulted from an increase in projected losses on the collateral underlying these investments. Each FHLBank updates its OTTI analysis quarterly to reflect the current and anticipated housing market conditions and updated information on the loans

supporting an FHLBank's private-label RMBS and home equity loan investments and revises the assumptions in its collateral projection models based on more recent information. Several factors contributed to the increases in these projected losses for 2009, including further declines in housing prices followed by slower house price recovery, continued rising unemployment and limited refinancing opportunities for borrowers whose houses are now worth less than the balances of their mortgages. These trends led to lower projected prepayment rates, higher projected default rates, and higher projected losses on defaulted loans. The continued lack of liquidity in the private-label RMBS and home equity loan investment market adversely affected the valuation of certain private-label RMBS and home equity loan investments, contributing to the large non-credit-related OTTI charge recorded in AOCI.

For 2009, net losses on advances and consolidated bonds held at fair value compared to net gains on advances and consolidated bonds held at fair value for 2008, were primarily due to net losses on advances held at fair value. The unrealized net losses on advances held at fair value were driven by the increased long-term interest rate environment relative to the actual coupon rates on the FHLBank advances, partially offset by gains resulting from decreased swaption volatilities used in pricing fair value option putable advances during 2009. The unrealized net gains on consolidated bonds were primarily driven by the increased long-term interest rate environment relative to the actual coupon rates on the consolidated bonds, partially offset by losses resulting from lower swaption volatilities used in pricing fair value option callable bonds during 2009.

Furthermore, as the credit spreads were returning to more normal, historical relationships or levels during 2009, the FHLBanks recognized net losses on trading securities for 2009 compared to net gains on trading securities for 2008 that was partly due to an increase in long-term interest rates and steepening of the yield curve.

Net Other-Than-Temporary Losses on Investment Securities.

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

	For the Year Ended December 31, 2009
	Total
Total other-than-temporary impairment losses	$(11,197)
Portion of impairment losses recognized in other comprehensive income (loss)	8,766
Net other-than-temporary impairment losses	$ (2,431)

During 2009, other (loss) income was negatively affected by OTTI related to credit losses on certain held-to-maturity and available-for-sale private-label RMBS of $2,228 million and home equity loan on investments of $203 million.

	For the Year Ended December 31, 2009
	(Dollar amounts in millions)
	OTTI Related to Credit Losses
Boston	$ (444)
New York	(21)
Pittsburgh	(229)
Atlanta	(316)
Indianapolis	(60)
Chicago	(437)
Dallas	(4)
Topeka	(1)
San Francisco	(608)
Seattle	(311)
	$(2,431)

The following table presents the OTTI losses on securities newly impaired during 2009 and previously identified as other-than-temporarily impaired (dollar amounts in millions).

	For the Year Ended 2009		
	Credit Losses	Net Noncredit Losses	Total Losses
Securities newly impaired during the period	$(1,705)	$(8,983)	$(10,688)
Securities previously impaired prior to current period*	(726)	217	(509)
Total	$(2,431)	$(8,766)	$(11,197)

* For 2009, "securities previously impaired prior to current period" represents all securities that were also previously impaired prior to January 1, 2009.

The housing market continues to be depressed, with great variations in market performance from region to region throughout the country. Housing prices are low and still falling in many areas, although there are signs of increasing stability in other areas. Delinquency and foreclosure rates have continued to rise. While the agency MBS market is active in funding new mortgage originations, the private-label MBS market has not recovered. The commercial real estate market is still trending downward. If current conditions in the mortgage markets and general business and economic conditions continue or deteriorate further than currently anticipated the fair value of private-label RMBS and home equity loan investments may decline further and the FHLBanks may incur OTTI losses on additional private-label RMBS and home equity loan investments in future periods, as well as further impairment of those securities that were identified as other-than-temporarily impaired as of December 31, 2009.

Federal and state government authorities, as well as private entities, such as financial institutions and the servicers of residential mortgage loans, have begun or promoted implementation of programs designed to provide homeowners with assistance in avoiding residential mortgage loan foreclosures. These loan modification programs, as well as future legislative, regulatory, or other actions, including amendments to the bankruptcy laws, that result in the modification of outstanding mortgage loans, may adversely affect the value of, and the returns on, these mortgage loans or MBS related to these mortgage loans.

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

Derivatives and Hedging Activities and Fair Value Measurements. The FHLBanks are required to carry all of their derivative instruments on the Statement of Condition at fair value. If derivatives meet the hedging criteria, including effectiveness measures, changes in fair value of the associated hedged instruments attributable to the risk being hedged (e.g., benchmark interest-rate risk) may also be recorded so that some or all of the unrealized gains or losses recognized on the derivatives are offset by corresponding unrealized gains or losses on the associated hedged instruments. The unrealized gains or losses on the "ineffective" portion of all hedges, which represents the amounts by which the changes in the fair value of the derivatives differ from the changes in the values of the hedged items or the variability in the cash flows of the forecasted transactions, are recognized in current period earnings. In addition, certain derivatives are associated with assets or liabilities but do not qualify as fair-value or cash-flow hedges. These economic hedges are recorded on the Statement of Condition at fair value with the unrealized gains or losses recognized in current period earnings without any offsetting unrealized gains or losses from the associated asset or liability.

The FHLBank of San Francisco elected to carry certain advances and consolidated bonds at fair value at January 1, 2008. The FHLBanks of New York and Chicago elected the fair value option for certain newly acquired financial assets and/or financial liabilities during the three months ended September 30, 2008. During the first quarter of 2009, the FHLBank of Des Moines also elected the fair value option for certain newly acquired financial liabilities. The FHLBanks of New York, Chicago, Des Moines and San Francisco recognize changes in the unrealized gains and losses on these assets and liabilities in current period earnings. In general, the mark to market on the fair value option item is offset by the mark to market on an economic derivative.

In general, an FHLBank holds derivatives and associated hedged instruments, and certain assets and liabilities that are carried at fair value, to the maturity, call, or put date. Therefore, for these financial instruments nearly all of the cumulative net gains and losses that are unrealized gains or losses are primarily a matter of timing and will generally reverse over the remaining contractual terms of the hedged financial instrument, associated interest rate exchange agreement, or financial instrument carried at fair value. However, there may be instances in which an FHLBank terminates these instruments prior to maturity or prior to the call or put dates. Terminating the financial instrument or hedging relationship may result in a realized gain or loss. In addition, an FHLBank may have instances in which it sells trading securities prior to maturity, which may also result in a realized gain or loss.

Hedge ineffectiveness occurs when changes in the fair value of the derivative and the related hedged item do not perfectly offset each other. Hedge ineffectiveness is driven by changes in the benchmark interest rate and volatility. As the benchmark interest rate changes and the magnitude of that change intensifies, so will the effect on the FHLBanks' net gains (losses) on derivatives and hedging activities. Additionally, volatility in the marketplace may intensify this effect.

The increase in net gains on derivatives and hedging activities during 2009 compared to 2008 was primarily attributable to changes in interest rate spreads and a decrease in LIBOR. These movements in interest rate spreads resulted in favorable changes in the fair values of interest-rate exchange agreements used in both fair-value hedges and economic hedges. This was partially offset by higher costs incurred by certain FHLBanks related to hedging prepayment risk exposure on MPF mortgage loans. Additionally, narrowing spreads between interest rates on GSE debt securities and interest-rate swaps since year-end 2008 also resulted in net gains on derivatives and hedging activities.

The increase in net losses on derivatives and hedging activities during 2008 relative to 2007 primarily reflected the adverse changes in fair values on derivative instruments used in economic hedges during 2008 relative to 2007. In a declining interest rate environment at December 31, 2008, the fair values of economic hedges declined, contributing to the loss from hedging activities. The resulting negative fair value effect experienced in 2008 resulted primarily in net unrealized losses related to hedge ineffectiveness. These losses are either generally expected to reverse over the remaining term to maturity, through changes in future valuations and settlements of contractual interest cash flows, or are the reversal of gains recognized in prior periods. Unwinding of the derivative transactions between LBSF and

FHLBanks resulted in a one-time combined net gain of $343 million from derivatives and hedging activities for the year ended December 31, 2008.

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

Earnings Effect for the Year Ended December 31, 2009	Advances	Investments	MPF/ MPP Loans	COs- Bonds	COs- Discount Notes	Balance Sheet	Intermediary Positions	Total
Amortization/accretion of hedging activities in net margin	$ (741)	$	$ 4	$103	$ 3	$	$	$ (631)
Net gains (losses) on derivatives and hedging activities	303	238	(190)	470	205	181		1,207
Net losses on trading securities		(140)						(140)
Net (losses) gains on advances and consolidated bonds held at fair value	(573)			116				(457)
Total	$(1,011)	$ 98	$(186)	$689	$208	$181	$	$ (21)

Earnings Effect for the Year Ended December 31, 2008	Advances	Investments	MPF/ MPP Loans	COs- Bonds	COs- Discount Notes	Balance Sheet	Intermediary Positions/Other	Total
Amortization/accretion of hedging activities in net margin	$ (229)	$	$ (9)	$ 31	$ (5)	$	$	$ (212)
Net (losses) gains on derivatives and hedging activities	(1,127)	(684)	98	(311)	105	34	326	(1,559)
Net gains on trading securities		260						260
Net gains (losses) on advances and consolidated bonds held at fair value	915			(32)				883
Total	$ (441)	$(424)	$89	$(312)	$100	$34	$326	$ (628)

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)

Other Expense.

Operating Expenses
(Dollar amounts in millions)

	For the Years Ended December 31,			For the Year Ended December 31, 2009 vs. 2008 Increase		For the Years Ended December 31, 2008 vs. 2007 Increase (Decrease)	
	2009	2008	2007	$	%	$	%
Salaries and employee benefits	$486	$447	$445	$39	8.7%	$ 2	0.4%
Cost of quarters	42	37	38	5	13.5%	(1)	(2.6)%
Other	285	248	231	37	14.9%	17	7.4%
Total operating expenses	$813	$732	$714	$81	11.1%	$18	2.5%
Operating expenses as a percentage of average assets (basis points)	6.9%	5.4%	6.5%				

The increase in salaries and employee benefits reflects higher pension costs and staffing levels at several of the FHLBanks as well as annual merit increases, partially offset by decreased incentive compensation. The increase in other operating expense includes a general increase in consulting and professional fees.

Other Expenses
(Dollar amounts in millions)

	For the Years Ended December 31,			2009 vs. 2008 Increase (Decrease)		2008 vs. 2007 Increase	
	2009	2008	2007	$	%	$	%
Finance Agency/Finance Board expenses	$42	$ 41	$34	$ 1	2.4%	$ 7	20.6%
Office of Finance expenses	35	34	30	1	2.9%	4	13.3%
Provision for derivative counterparty credit losses	35	252		(217)	(86.1)%	252	
Other, net	18	17	14	1	5.9%	3	21.4%

Finance Agency/Finance Board Expenses. The FHLBanks funded the costs of operating the Finance Board, and fund a portion of the costs of operating the Finance Agency since it was created on July 30, 2008. These costs are under the sole control of the Regulator. Finance Board expenses were allocated among the FHLBanks based on each FHLBank's percentage of total combined regulatory capital stock plus retained earnings through July 29, 2008. Each FHLBank pays a pro-rata share of the Finance Agency's expenses and working capital fund through annual assessments based on the ratio between that FHLBank's minimum required regulatory capital and the aggregate minimum required regulatory capital of all FHLBanks. Each FHLBank must pay an amount equal to one-half of its annual assessment twice each year.

Office of Finance Expenses. The FHLBanks also fund the costs of the Office of Finance. The Office of Finance, a joint office of the FHLBanks, issues and services consolidated obligations, prepares the FHLBanks' combined quarterly and annual financial reports, and fulfills certain other functions. The expenses of the Office of Finance are generally allocated among the FHLBanks based on each FHLBank's percentage of total GAAP capital stock, percentage of consolidated obligations issued, and percentage of consolidated obligations outstanding.

Provision for Derivative Counterparty Credit Losses. The provision of $35.3 million for derivative counterparty credit losses reported in the "Total other expense" in the Combined Statement of Income for the year ended December 31, 2009 relates to FHLBank Pittsburgh's provision for its

outstanding receivable with LBSF. The FHLBank of Pittsburgh did not record a reserve with respect to the receivable of $41.5 million from LBSF as of December 31, 2008 because at that time the FHLBank of Pittsburgh was unable to reasonably estimate the amount of loss that had been incurred.

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

See "Legal Proceedings" for discussion about LBSF and LBHI with respect to derivative contracts with the other FHLBanks.

Affordable Housing Program (AHP). By regulation, the FHLBanks must set aside for the AHP annually the greater of $100 million or 10 percent of net earnings, after the assessment for the Resolution Funding Corporation (REFCORP). For purposes of the AHP calculation, net earnings is defined as net income before assessments, plus interest expense related to mandatorily redeemable capital stock, less the assessment for REFCORP. Any FHLBank with a net loss for a quarter is not required to pay the AHP assessment for that quarter. The Regulator requires each FHLBank to add back interest expense related to mandatorily redeemable capital stock before the calculation of its AHP assessment. The increase of $70 million in the AHP assessments for 2009 compared to 2008 reflects the overall trend of the FHLBanks' net income. AHP helps members provide subsidized and other low-cost funding as well as grants to create affordable rental and home ownership opportunities. All FHLBank operating costs for the AHP are included in operating expenses, so all AHP assessments go directly to support affordable housing projects. See "Note 15—Affordable Housing Program (AHP)" to the accompanying combined financial statements for further discussions regarding AHP.

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

As part of its overall asset/liability management strategy, an FHLBank may issue more debt than it needs at the time of issuance to fund its business. This allows the FHLBank to take advantage of favorable funding prices for large-size transactions in anticipation of using the proceeds at a later time to fund the acquisition of assets, such as advances or mortgages. In other cases, an FHLBank may have excess liquidity due to the prepayment of mortgages. Instead of continuing to retain the excess funds for use in its own business, an FHLBank may elect to transfer a portion of its liability to an FHLBank with more immediate funding needs. The funds are transferred to the assuming FHLBank together with the corresponding liability under the consolidated bonds. The assuming FHLBank assumes this liability at fair value which represents an all-in cost equal to or lower than it would have otherwise obtained for the same amount and maturity in the capital markets at that time. In this type of transaction, the FHLBank

that transfers a liability for the consolidated bond also unwinds the related portion of any hedge transactions it entered into when the consolidated bond was issued. It can also take other steps in order to manage its interest rate exposure on the debt transferred. For example, it can:

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

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

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

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

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

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

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

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

Total interbank consolidated bonds of $480 million, $1.5 billion and $1.3 billion at par value were transferred from one FHLBank to another FHLBank during 2009, 2008 and 2007. The amount of total interbank consolidated bonds transferred during a period depends on a variety of factors, such as 1) whether or not an assuming FHLBank can obtain equal or lower funding costs through interbank transfers as compared to issuing new debt, 2) an FHLBank's overall asset/liability management strategy and/or 3) current market conditions. The combining adjustments for 2009, 2008 and 2007 for the elimination of the transfers of interbank consolidated bond liabilities and interbank fees and commissions related to the MPF Program resulted in the following effect on the Combined Statement of Income:

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

	For the Year Ended December 31,			For the Year Ended 2009 vs. 2008	For the Year Ended 2008 vs. 2007
	2009	2008	2007	(Decrease) Increase	(Decrease)
Effect on:					
Net interest income	$(19)	$(7)	$	$(12)	$ (7)
Total other (loss) income	31	(5)	13	36	(18)
Total other expense	(6)	(5)	(5)	(1)	
Net income	18	(7)	18	25	(25)

REFCORP Payment

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

The REFCORP assessment of the FHLBanks was $138 million (cash payment of $105 million) for the fourth quarter of 2009 compared with a negative $99 million (cash payment of $35 million) for the fourth quarter of 2008. The REFCORP assessment of the FHLBanks was $572 million (cash payment of $578 million, which includes the application of certain credits due to FHLBanks that overpaid their 2008 annual REFCORP assessment) for 2009 and $412 million (cash payment of $611 million) for 2008. The cash payments are made based on preliminary GAAP net income amounts due to the timing requirement of the payment. Any FHLBank with a net loss for a quarter is not required to pay the REFCORP assessment for that quarter. As specified in the applicable regulation that implements section 607 of the Gramm-Leach-Bliley Act of 1999 (GLB Act), the amount by which the REFCORP payment for any quarter exceeds the $75 million benchmark payment is used to simulate the purchase of zero-coupon U.S. Treasury bonds to "defease" all or a portion of the most-distant remaining quarterly benchmark payment. The defeased benchmark payments (or portions thereof) can be reinstated if future actual REFCORP payments fall short of the $75 million benchmark in any quarter. The $30 million by which the fourth quarter 2009 REFCORP payment exceeded the $75 million quarterly benchmark, along with the $33 million of credits (based on preliminary GAAP net income amounts) due to FHLBanks that overpaid their 2009 annual REFCORP assessment, had the effect of reinstating $3 million of the earlier defeasance of the benchmark payment due on April 15, 2012.

As a result of both the $30 million by which the fourth quarter 2009 REFCORP payment exceeded the $75 million quarterly benchmark and the $33 million of credits due to FHLBanks that overpaid their 2009 annual REFCORP assessment, the overall period during which the FHLBanks must continue to make quarterly payments remained April 15, 2012, effective at December 31, 2009, unchanged from April 15, 2012, effective at September 30, 2009. This date assumes that the FHLBanks will pay exactly $300 million annually after December 31, 2009 (including the application of the credits referred to in the preceding paragraph) until the annuity is fully satisfied. This compares to the outside date of April 15, 2013, effective at December 31, 2008, based on REFCORP payments made through 2008 (including the application of the credits due to FHLBanks that overpaid their 2008 annual REFCORP assessment as referred to in the preceding paragraph).

For further discussion regarding how these FHLBanks will use their respective overpayments related to their 2008 REFCORP assessments, see "Note 16—Resolution Funding Corporation (REFCORP)" to the accompanying combined financial statements.

REFCORP Reinstatement Summary
For Fourth Quarter 2009 Payment
(Dollar amounts in millions)

Payment Due Date	Amount of Benchmark Payment Reinstated	Interest Rate Used to Discount the Future Benchmark Payment	Present Value of Benchmark Payment Reinstated
April 15, 2012 (most distant remaining payment)	$(3)	1.05%	$(3)

Capital Adequacy

The FHLBank Act prescribes minimum capital 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.

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

— parallel and non-parallel interest-rate shifts;

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

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

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

Some boards of directors and/or management teams of FHLBanks have agreed with the Regulator either to maintain higher total capital-to-assets ratios and/or to limit dividend payments as part of their retained earnings policies. These limitations may be revised from time to time. At December 31, 2009, each of the FHLBanks was in compliance with its statutory minimum capital requirements and any internally-established or supervisory limitations. (See "Business—Capital, Capital Rules and Dividends" and "Business—Oversight, Audits and Examinations" for more information.)

At December 31, 2009, 105.1 percent of the capital of the FHLBanks consisted of capital stock, while (5.1) percent consisted of retained earnings and AOCI. At December 31, 2009, the FHLBanks had a combined regulatory capital-to-assets ratio of 5.92 percent, up from 4.42 percent at December 31, 2008. At December 31, 2009, the FHLBanks had a combined GAAP capital-to-assets ratio of 4.22 percent, up from 3.81 percent at December 31, 2008. Following the passage of the Housing Act, the Director of the Finance Agency is responsible for setting the risk-based capital standards for the FHLBanks. (See "Business—Capital, Capital Rules and Dividends" and Note 18 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 at their discretion upon the request of a member or under an FHLBank's excess stock repurchase program.

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

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

In addition, under certain circumstances the U.S. Secretary of the Treasury may acquire up to $4 billion of consolidated obligations of the FHLBanks. As a supplement to the existing $4 billion limit, the Housing Act provided temporary authority to the U.S. Secretary of the Treasury to purchase obligations issued by FHLBanks in any amount deemed appropriate under certain conditions. Pursuant to that authority, during the third quarter of 2008, each FHLBank entered into a lending agreement with the U.S. Treasury in connection with the U.S. Treasury's establishment of the Government Sponsored Enterprise Credit Facility (GSECF), as authorized by the Housing Act. The GSECF was designed to serve as a contingent source of liquidity for the housing government-sponsored enterprises, including each of the 12 FHLBanks. The GSECF expired in accordance with its terms on December 31, 2009. No FHLBank drew on this available source of liquidity prior to expiration.

To protect the FHLBanks against temporary disruptions in access to the debt markets in response to a rise in capital markets volatility, effective March 6, 2009, the Finance Agency requires each FHLBank to maintain sufficient liquidity, through short-term investments, in an amount at least equal to an FHLBank's anticipated cash outflows under two different scenarios. One scenario assumes that an FHLBank cannot access the capital markets for a period of between 10 to 20 days, with initial guidance set at fifteen days, and that during that time members do not renew any maturing, prepaid and called advances. The second scenario assumes that an FHLBank cannot access the capital markets for a period

of between three to seven days, with initial guidance set at five days, and that during that period an FHLBank will automatically renew maturing and called advances for all members except very large members provided the member is well-rated by its primary Federal regulator or its state regulator equivalent for insurance companies; has a rating assigned by an NRSRO that is investment quality; and is well-rated by the individual FHLBank's internal credit rating system. The Finance Agency's formalized guidance revised and finalized guidance previously communicated to the FHLBanks early in the fourth quarter of 2008. See "Risk Factors—Compliance with regulatory contingency liquidity guidance could adversely affect the FHLBanks' earnings" for more information.

Each FHLBank also maintains a contingency liquidity plan designed to enable it to meet its obligations and the liquidity needs of members in the event of operational disruptions at the FHLBanks and/or the Office of Finance, or short-term capital market disruptions. (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, and may differ substantially, from the estimates, and other parties could arrive at different conclusions as to the likelihood of various default and severity outcomes.

Each individual FHLBank manages its operations independently and is responsible for establishing its own accounting and financial reporting policies in accordance with GAAP. An individual FHLBank's accounting and financial reporting policies and practices, including accounting estimates, are not always identical to those used by other FHLBanks because alternative policies and presentations are permitted under GAAP in certain circumstances. Among other things, the FHLBanks may not use the same models and assumptions in determining the fair values of their respective assets, liabilities and derivatives. The use of different models or assumptions by individual FHLBanks, as well as changes in market conditions, could result in materially different valuation estimates or other estimates even when similar or identical assets and liabilities are being measured, and could have materially different effects on the net income and retained earnings of the respective FHLBanks. While each of these methodologies is in compliance with GAAP, the FHLBanks and the Office of Finance recognize the importance of enhanced consistency in financial reporting. Working with the Finance Agency, the 12 FHLBanks developed a uniform framework for completing their OTTI analyses and a fair value methodology for MBS, manufactured housing loans and home equity loan investments.

The accounting estimates and assumptions discussed in this section are those generally considered by the management of each FHLBank to be the most critical to an understanding of its financial statements and the financial data it provides to the Office of Finance for these combined financial reports. These estimates require FHLBank management to make subjective or complex judgments about matters that are inherently uncertain. Investors are cautioned that future events rarely develop exactly as forecast, and the best estimates routinely require adjustments, which could be material.

Estimates and assumptions that are significant to the results of operations and financial condition of FHLBanks include those used in conjunction with OTTI determinations, fair value estimates, calculation of allowances for credit losses on advances, mortgage loans and private-label RMBS and home equity loan investment securities, and derivatives and hedge accounting. These estimates and assumptions are likely to change from period to period due to the inherent subjectivity of management judgments and assumptions about highly complex and uncertain matters. A change in an estimate or assumption could have a material effect on the FHLBank's reported results of operations or financial condition and differences between the assumptions and estimates used by individual FHLBanks could result in material differences in the reported results of operations and financial condition of those FHLBanks.

These policies and the judgments, estimates, and assumptions are also described in Note 1 to the accompanying combined financial statements.

OTTI for Investment Securities

OTTI Guidance. On April 9, 2009, FASB issued guidance which amended existing OTTI guidance in GAAP for debt securities in order to make its guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This OTTI guidance did not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities.

For debt securities in an unrealized loss position, an entity is required to assess whether (a) it has the intent to sell the debt security, or (b) it is more likely than not that it will be required to sell the debt security before the recovery of its amortized cost basis. If either of these conditions is met, an OTTI on the security must be recognized. For securities in an unrealized loss position that meet neither of these conditions, each FHLBank performs analysis to determine if any of these securities are other-than-temporarily impaired on at least a quarterly basis. Each FHLBank considers whether or not it will recover the entire amortized cost of the security by comparing its best estimate of the present value of the cash flows expected to be collected from the security with the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis of the security (that is, a credit loss exists), the entire amortized cost basis of the security will not be recovered, and an OTTI is considered to have occurred. In these instances, the impairment is separated into (a) the amount of the total impairment related to the credit loss, and (b) the amount of the total impairment related to all other factors. If an FHLBank determines that an OTTI exists, it accounts for the investment security as if it had been purchased on the measurement date of the OTTI at an amortized cost basis equal to the previous amortized cost basis, less the OTTI recognized in non-interest income. For investment securities classified as held-to-maturity, the difference between the new amortized cost basis and the cash flows expected to be collected is accreted into interest income prospectively over the remaining life of the investment security based on the amount and timing of future estimated cash flows (with no additional effect on earnings unless the security is subsequently sold or there are additional decreases in cash flows expected to be collected). Subsequent non-OTTI-related increases and decreases in the fair value of available-for-sale securities will be included in AOCI. See additional discussion regarding the recognition and presentation of OTTI in Note 2 to the accompanying combined financial statements and "Risk Management—Credit Risk—Investments."

Each FHLBank closely monitors the performance of its investment securities classified as available-for-sale or held-to-maturity on at least a quarterly basis (or more frequently if a loss-triggering event occurs, such as a material downgrade by a rating agency) to evaluate its exposure to the risk of loss on these investments in order to determine whether a loss is other-than-temporary. In doing so, an FHLBank considers many factors including, but not limited to: the credit ratings assigned to the securities by the NRSROs; other indicators of the credit quality of the issuer; the strength of the provider of any guarantees; the duration and magnitude of the unrealized loss; and whether the FHLBank has the intent to sell the security or more likely than not will be required to sell the security before the recovery of its amortized cost basis. In the case of its private-label RMBS and certain home equity loan investments, each FHLBank also considers prepayment speeds, the historical and projected performance of the underlying loans and the credit support provided by the subordinate securities.

Uniform OTTI Framework. Until the first quarter of 2009, each of the 12 FHLBanks had employed different methodologies and processes for making OTTI determinations on private-label RMBS and home equity loan investments. While each of these methodologies was in compliance with GAAP, the FHLBanks and the Office of Finance recognized the importance of enhanced consistency in financial reporting. Working with the Finance Agency, the 12 FHLBanks developed a uniform framework for completing their OTTI analyses, which was adopted in the first quarter of 2009, concurrent with FASB guidance on the recognition and presentation of OTTI in the financial statements. Implementation of this uniform OTTI analytical framework and adoption of FASB's guidance provided greater consistency

among the 12 FHLBanks regarding OTTI analyses, including the calculation of any expected credit losses for impaired securities.

Beginning in the first quarter of 2009, to ensure consistency in determination of the OTTI for private-label RMBS and certain home equity loan investments (including home equity asset-backed securities) among all FHLBanks, the FHLBanks used the same key modeling assumptions for purposes of their cash flow analyses for the majority of these securities. During the second quarter of 2009, the FHLBanks, consistent with the objectives of the guidance issued by the Finance Agency, enhanced their overall OTTI process by creating an OTTI Governance Committee. The OTTI Governance Committee charter was approved on June 11, 2009 and established a formal process by which the FHLBanks can provide input on and approve key OTTI assumptions. The OTTI Governance Committee is responsible for reviewing and approving these key OTTI assumptions, including interest rate and housing prices, along with related modeling inputs and methodologies to be used to generate cash flow projections.

Beginning with the third quarter of 2009, the OTTI process was changed to select 100 percent of the FHLBanks' private-label RMBS and certain home equity loan investments portfolios for purposes of OTTI cash flow analysis to be run using the FHLBanks' common framework and approved assumptions. However, most of the FHLBanks own certain private-label RMBS and home equity loan investments where underlying loan-level collateral data is not available using the third-party models approved by the OTTI Governance Committee. For private-label RMBS and home equity loan investments that could not be modeled under the FHLBanks' common framework, alternative procedures were determined and approved by the OTTI Governance Committee and considered by each applicable FHLBank to assess these securities for OTTI. These investments, which are backed by residential, home equity and commercial real estate loans, home equity lines of credit, and manufactured housing loans, represent less than three percent of the FHLBanks' total unpaid principal balance of private-label RMBS and CMBS, manufactured housing loans and home equity loan investments.

During the quarter ended December 31, 2009, certain FHLBanks changed their estimation technique used to determine the present value of estimated cash flows expected to be collected for their variable rate and hybrid private-label RMBS and home equity loan investments. Specifically, each of these FHLBanks employed a technique that allows an FHLBank to update the effective interest rate used in its present value calculation, which isolates the subsequent movements in the underlying interest rate indices from the FHLBank's measurement of credit loss. Prior to this change, each of these FHLBanks had determined the effective interest rate on each security prior to that security's first impairment, and continued to use this effective interest rate for calculating the present value of cash flows expected to be collected, even though the underlying interest rate indices changed over time. The FHLBanks recorded a total OTTI credit loss amount of $2,431 million for the year ended December 31, 2009, which incorporates the use of the revised present value estimation technique for their variable rate and hybrid private-label RMBS and home equity loan investments implemented during the quarter ended December 31, 2009. If the FHLBanks had continued to use the previous estimation technique, the total OTTI credit loss amount would have been $2,584 million for the year ended December 31, 2009. The credit losses would not have been materially different from those previously reported for the quarters ended March 31, June 30 and September 30, 2009 had the FHLBanks used the revised present value estimation technique.

Each FHLBank is responsible for making its own determination of impairment and the reasonableness of assumptions, inputs and methodologies used, as well as for performing the required present value calculations using appropriate historical cost bases and yields. Two or more FHLBanks that hold the same private-label RMBS or home equity loan investment are required to consult with one another to ensure any decision that a commonly-held private-label RMBS or home equity loan investment is other-than-temporarily impaired, including the determination of fair value and the credit loss component of the unrealized loss, is consistent among those FHLBanks. For additional details on the FHLBanks' process for determining OTTI with respect to private-label RMBS and home equity loan investments, see "Legislative and Regulatory Developments—Guidance for Determining Other-Than-Temporary Impairment."

In performing the cash flow analysis for private-label RMBS and certain home equity loan investments (including home equity asset-backed securities) under the common framework, each FHLBank uses two third-party models. The first model considers borrower characteristics and the particular attributes of the loans underlying an FHLBank's securities, in conjunction with assumptions about future changes in home prices and interest rates, to project prepayments, defaults and loss severities. A significant input to the first model is the forecast of future housing price changes for the relevant states and core based statistical areas (CBSAs), which are based upon an assessment of the individual housing markets. CBSA refers collectively to metropolitan and micropolitan statistical areas as defined by the United States Office of Management and Budget; as currently defined, a CBSA must contain at least one urban area with a population of 10,000 or more people. The FHLBanks' housing price forecast assumed CBSA level current-to-trough home price declines ranging from 0 percent to 15 percent over the next 9 to 15 months. Thereafter, home prices are projected to remain flat in the first six months, and to increase 0.5 percent in the next six months, 3 percent in the second year and 4 percent in each subsequent year.

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

Adverse Case Scenario. In addition to evaluating its private-label RMBS and certain home equity loan investments under a base case (or best estimate) scenario, each FHLBank performed a cash flow analysis for each of these securities under a more stressful housing price scenario. This more stressful scenario was based on a housing price forecast that was 5 percentage points lower at the trough than the base case scenario, followed by a flatter recovery path and had housing prices increase at a long-term annual rate of 3 percent, compared to 4 percent in the base case. Under this scenario, current-to-trough home price declines were projected to range from 5 percent to 20 percent over the next 9 to 15 months. Thereafter, home prices were projected to remain unchanged from trough levels in the first year, and to increase 1 percent in the second year, 2 percent in each of the third and fourth years and 3 percent in each subsequent year.

The following table shows combined credit loss and each individual FHLBank's credit losses under the base case and an adverse case scenario for each FHLBank that recognized OTTI of its private-label RMBS and/or home equity loan investments for the quarter ended December 31, 2009. The base case scenario represents actual OTTI-related credit losses recognized in earnings for the quarter ended December 31, 2009. The adverse case scenario estimated cash flows were generated to show what the OTTI charges could have been under the more stressful housing price scenario at December 31, 2009. The stress test scenario and associated results do not represent each FHLBank's current expectations, and therefore should not be construed as a prediction of each FHLBank's future results, market conditions or the actual performance of these securities. Rather, the results from this hypothetical stress test scenario provide a measure of the credit losses that the FHLBanks might incur if home price declines (and subsequent recoveries) are more adverse than those projected in each FHLBank's OTTI assessment.

Housing Price Scenarios
At December 31, 2009
(Dollar amounts in millions)

	Base Case**			Adverse Case		
	# of Securities	Unpaid Principal Balance	OTTI Related to Credit Loss	# of Securities	Unpaid Principal Balance	OTTI Related to Credit Loss
Total						
Private-label RMBS:						
Prime*	85	$ 7,507	$(129)	119	$ 9,904	$ (409)
Alt-A*	232	13,588	(258)	310	17,817	(895)
Subprime*	1	3	***	1	3	***
Total	318	$21,098	$(387)	430	$27,724	$(1,304)
Home equity loan investments:						
Alt-A*	5	$ 33	$ (7)	6	$ 39	$ (12)
Subprime*	39	926	(42)	43	1,055	(99)
Total	44	$ 959	$ (49)	49	$ 1,094	$ (111)
FHLBank of Boston						
Private-label RMBS						
Prime*	4	$ 73	$ (1)	4	$ 73	$ (3)
Alt-A*	90	2,302	(72)	104	2,488	(181)
Total	94	$ 2,375	$ (73)	108	$ 2,561	$ (184)
Home equity loan investments						
Subprime*	—	$ —	$ —	1	$ ***	$ ***
Total	—	$ —	$ —	1	$ ***	$ ***
FHLBank of New York						
Home equity loan investments						
Subprime*	8	$ 109	$ (7)	8	$ 109	$ (11)
Total	8	$ 109	$ (7)	8	$ 109	$ (11)
FHLBank of Pittsburgh						
Private-label RMBS						
Prime*	14	$ 1,638	$ (34)	18	$ 1,874	$ (71)
Alt-A*	18	1,214	(24)	20	1,392	(64)
Subprime*	1	3	***	1	3	***
Total	33	$ 2,855	$ (58)	39	$ 3,269	$ (135)
Home equity loan investments						
Alt-A*	5	$ 33	$ (7)	6	$ 39	$ (12)
Total	5	$ 33	$ (7)	6	$ 39	$ (12)
FHLBank of Atlanta						
Private-label RMBS						
Prime*	27	$ 2,677	$ (46)	37	$ 3,591	$ (169)
Alt-A*	3	485	(6)	3	485	(26)
Total	30	$ 3,162	$ (52)	40	$ 4,076	$ (195)

Housing Price Scenarios (continued)
At December 31, 2009
(Dollar amounts in millions)

	Base Case**			Adverse Case		
	# of Securities	Unpaid Principal Balance	OTTI Related to Credit Loss	# of Securities	Unpaid Principal Balance	OTTI Related to Credit Loss
FHLBank of Indianapolis						
Private-label RMBS						
Prime*	16	$ 1,016	$ (14)	22	$ 1,416	$ (42)
Alt-A*	1	46	(1)	2	70	(2)
Total	17	$ 1,062	$ (15)	24	$ 1,486	$ (44)
FHLBank of Chicago						
Private-label RMBS						
Prime*	13	$ 977	$ (18)	16	$ 1,334	$ (59)
Alt-A*	5	174	(5)	5	174	(14)
Total	18	$ 1,151	$ (23)	21	$ 1,508	$ (73)
Home equity loan investments						
Subprime*	31	$ 817	$ (35)	34	$ 946	$ (88)
Total	31	$ 817	$ (35)	34	$ 946	$ (88)
FHLBank of Dallas						
Private-label RMBS						
Prime*	3	$ 80	$ (1)	9	$ 138	$ (4)
Alt-A*	1	23	***	2	41	(2)
Total	4	$ 103	$ (1)	11	$ 179	$ (6)
FHLBank of Topeka						
Private-label RMBS						
Prime*		$	$	2	$ 18	$ ***
Alt-A*	1	9	(1)	3	53	(2)
Total	1	$ 9	$ (1)	5	$ 71	$ (2)
FHLBank of San Francisco						
Private-label RMBS						
Prime*	8	$ 1,046	$ (15)	11	$ 1,460	$ (61)
Alt-A*	80	7,142	(101)	126	10,156	(418)
Total	88	$ 8,188	$(116)	137	$11,616	$ (479)
FHLBank of Seattle						
Private-label RMBS						
Alt-A*	33	$ 2,193	$ (48)	45	$ 2,958	$ (186)
Total	33	$ 2,193	$ (48)	45	$ 2,958	$ (186)

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

** Represent securities and related OTTI credit losses for the fourth quarter of 2009.

*** Represents an amount less than $1 million.

Third-party Bond Insurers. Certain FHLBanks' investment securities are insured by third-party bond insurers (monoline insurers). The bond insurance on these investments guarantees the timely payments of principal and interest if these payments cannot be satisfied from the cash flows of the underlying mortgage pool(s). Private-label RMBS, manufactured housing loans and home equity loan investments insured by monoline insurers are cash flow tested for credit impairment. For private-label RMBS, manufactured housing loans and home equity loan investments protected by such third-party insurance, an FHLBank's OTTI analysis would look first to the performance of the underlying security, considering its embedded credit enhancements in the form of excess spread, overcollateralization and credit subordination, to determine the collectability of all amounts due. If these protections are deemed insufficient to make timely payment of all amounts due, then an FHLBank may consider the capacity of the third-party monoline insurer to cover any shortfalls.

In determining monoline insurer support, an FHLBank would consider the contractual terms of the insurance guarantee, and whether the credit protection under the terms of the agreement travels with the security if it is projected that the security would have to rely on insurance protection for cash flow sufficiency, either currently or in the future. FHLBanks that have investments insured by third-party bond insurers follow the guidelines provided by the FHLBank of New York when performing their OTTI analysis.

In estimating an insurer's capacity to provide credit protection in the future to cover any decrease in cash flows expected to be collected for securities deemed to be OTTI, the FHLBank of New York has developed a methodology to assess the ability of a monoline insurer to meet its future insurance obligations. The methodology establishes boundaries that can be used on a consistent basis, and includes both quantitative and qualitative factors. This methodology calculates the length of time that a monoline insurer is expected to remain financially viable in order to pay claims for insured securities and it primarily employs information that is publicly available to identify cash flows used up by a monoline insurer for insurance claims. Based on the monoline insurer's existing insurance reserves, the methodology attempts to predict the length of time over which the monoline insurer's claims-paying resources could sustain bond insurance losses and estimate a future point in time when the monoline insurer's claim-paying resources may be exhausted.

For insured securities that are deemed to be credit-impaired without insurer protection, this methodology compares the timing and the amount of cash flow shortfalls to the estimated timing for when a monoline insurer's claim-paying resources would be exhausted in order to quantify both the timing and the amount of cash flow shortfalls that the monoline insurer is unlikely to be able to cover. However, an FHLBank must use significant judgment and assumptions when estimating a monoline insurer's financial strength to remain viable over a long-term horizon, predicting when a monoline insurer may no longer have the ability to perform under its contractual agreement and comparing the timing and the amounts of cash flow shortfalls for securities that are credit-impaired without insurer protection. The results of the monoline insurer financial analysis, which projects the time horizon of credit protection provided by a monoline insurer as a function of claim-paying resources and anticipated claims in the future (monoline burn-out period), are incorporated as a key input in the third-party cash flow model. If this cash flow model projects cash flow shortfalls (credit impairment) on a monoline-insured security, the monoline "burn-out" date is then input into the cash flow model. That input then provides the necessary information to the cash flow model for the continuation of cash flows until the burn-out date. Any cash flow shortfalls beyond the "burn-out" date are deemed to be unrecoverable and the monoline-insured security will be credit impaired.

Fair Value Methodology Used to Estimate the Fair Value of MBS

During the quarter ended September 30, 2009, in an effort to achieve consistency among all the FHLBanks in determining the fair value of MBS, manufactured housing loans and home equity loan investments, the FHLBanks formed the FHLBank System MBS Pricing Governance Committee, which was responsible for developing a fair value methodology for these investment types. All FHLBanks adopted this fair value methodology for private-label MBS, manufactured housing loans and home equity loan investments during the third quarter of 2009. As of December 31, 2009, 10 FHLBanks adopted the common fair value methodology for all other MBS (U.S. obligations MBS and GSE MBS). The other two

FHLBanks expect to adopt the fair value methodology for all other MBS in the first quarter of 2010. To the extent that an FHLBank's existing MBS pricing methodology prior to the third quarter of 2009 was inconsistent with this fair value methodology, each of those FHLBanks changed its methodologies used to estimate the fair value of MBS to the methodology approved by the FHLBank System MBS Pricing Governance Committee during the quarter ended September 30, 2009.

Under this fair value methodology approved by the MBS Pricing Governance Committee, each FHLBank requests prices for either all MBS, or only for private-label MBS, manufactured housing loans and home equity loan investments, as applicable, from four specific third-party vendors and depending on the number of prices received for each security, selects a median or average price as defined by the fair value methodology. This methodology also incorporates variance thresholds to assist in identifying median or average prices that may require further review. In certain limited instances (i.e., a security's price is outside of established variance thresholds or the third-party vendors do not provide a price for a security), an FHLBank will obtain a price from securities dealers or internally model a price that is deemed most appropriate after consideration of relevant facts and circumstances that a market participant would consider. Prices for MBS held in common with other FHLBanks are reviewed for consistency. In adopting this common fair value methodology, each FHLBank remains responsible for the selection and application of its fair value methodology and the reasonableness of assumptions and inputs used.

Fair values play an important role in the valuation of certain of the assets, liabilities and hedging transactions of the FHLBanks. The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that are actively traded and have quoted market prices or parameters readily available, there is little to no subjectivity in determining fair value. If quoted market prices or market-based prices are not available, fair values are determined based on valuation models that use either:

- discounted cash flows, using market estimates of interest rates and volatility; or
- dealer prices and prices of similar instruments.

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

- discount rates;
- prepayments;
- market volatility; and
- other factors.

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

The valuation hierarchy is based upon the transparency (observable or unobservable) of inputs to the valuation of an asset or liability as of the measurement date. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect an FHLBank's market assumptions. The FHLBanks utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. For a discussion of an individual FHLBank's fair value measurement techniques, see that FHLBank's 2009 Form 10-K as filed with the SEC.

For further discussion regarding how the FHLBanks measure financial assets and financial liabilities at fair value, see "Note 20—Fair Values," to the accompanying combined financial statements.

Accounting for Derivatives

Accounting for Derivatives—General. GAAP 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. Under GAAP, 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 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 the current derivative accounting guidance. The FHLBanks have generally continued their practice of utilizing the most cost-efficient hedging techniques available.

An FHLBank may use derivative instruments to mitigate identifiable risks and reduce its cost of funds. A majority of the FHLBanks' derivatives are structured to offset some or all of the risk exposure inherent in its lending, mortgage purchase, investment and funding activities. 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.

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-Qualifying Hedge (Economic Hedges)	Does not meet 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.

Non-Qualifying Hedge (Economic Hedges). A non-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, but is an acceptable hedging strategy under the risk management policy of the FHLBank and regulatory requirements of the Finance Agency. 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 for accounting purposes. 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. 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. The result is that the derivative relationship has no effect on earnings or capital. Under the short-cut method, the FHLBanks periodically review each hedge to ensure that none of the critical terms of the hedging relationships have changed (e.g., the notional amount of the interest-rate swap matches the principal amount of the interest-bearing financial instrument being hedged; the fair value of the interest-rate swap at the inception of the hedging relationship is zero; the formula for computing net settlements under the interest-rate swap is the same for each net settlement; and the interest-bearing financial instrument is not prepayable). Provided that no terms changed, the entire change in fair value of the hedging instrument is considered to be effective at achieving offsetting changes in fair values or cash flows of the hedged asset or liability. If all the criteria are met, the FHLBanks apply the short-cut method to a qualifying fair value hedge when the relationship is designated on the trade date of both the hedging instrument and the hedged item (for example, advances or consolidated obligation bonds are issued), even though the hedged item is not recognized for accounting purposes until the transaction settles (that is, until its settlement date), provided that the period of time between the trade date and the settlement date of the hedged item is within established conventions for that marketplace. Although the hedged item will not be recognized in the financial statements until settlement date, in certain circumstances when the fair value of the hedging instrument is zero on the trade date, each FHLBank believes that it meets a condition of hedge accounting that allows the use of the short-cut method. The FHLBanks record the changes in fair value of the hedging instrument and the hedged item beginning on the trade date.

As of December 31, 2009, most of the FHLBanks, except for the FHLBanks of Atlanta, Cincinnati and Indianapolis, used both short-cut and long-haul accounting treatments for new derivative hedging relationships. The FHLBank of Atlanta discontinued use of the short-cut treatment for all new hedging relationships for periods after May 31, 2005. The FHLBank of Cincinnati elected to account for all new derivative hedging relationships using the long-haul treatment effective July 1, 2009. The FHLBank of Indianapolis stopped applying the short-cut method for all new hedging relationships beginning in the second quarter of 2008.

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 at least a quarterly 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 for effectiveness, and will be treated as not-highly-effective.

Not-Highly-Effective Treatment—Non-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. This relationship does not qualify for hedge accounting treatment 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.

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 current GAAP requirements. Where appropriate and allowed under GAAP, certain FHLBanks use estimates of prepayments and apply a level-yield calculation on a retrospective basis. The FHLBanks of Atlanta, 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. Except for the above situations when the contractual method is used, the FHLBanks currently apply the retrospective method on mortgage-backed securities and/or purchased mortgage loans for which prepayments reasonably can be expected and estimated.

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 Agency 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, 2009 and 2008, 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 MPF FHLBank that holds mortgage loans under the MPF Program has an allowance for credit losses on mortgage loans held or has determined that no loan loss allowance is necessary under that program. Each MPF FHLBank bases its allowance on its management's estimate of credit losses inherent in its mortgage loan portfolio at the balance sheet date. The estimate is either based on the individual MPF FHLBank's loan portfolio performance history or is based on analysis of industry statistics for similar mortgage loan portfolios. In determining the allowance for credit losses on mortgage loans under the MPF Program, management typically evaluates its FHLBank's exposure to credit loss by taking into consideration delinquency statistics, past performance, current performance, loan portfolio characteristics, collateral valuations, industry data, collectability of credit enhancements from PFIs or mortgage insurers (which includes credit enhancement protection amount, recoverability under primary mortgage insurance (PMI), FHA or HUD insurance, and VA or RHS guarantees) or from mortgage insurers, and prevailing economic conditions. Setting the level of reserves requires significant judgment and regular evaluation by management. The use of different estimates or assumptions as well as changes in external factors could produce materially different allowance levels. Management of each MPF FHLBank believes that adequate policies and procedures are in place to manage its MPF credit risk effectively.

MPF FHLBanks purchase both conventional mortgage loans and government mortgage loans under the MPF Program. Government loans are insured or guaranteed by federal agencies and, therefore, the FHLBanks have determined that no allowance for losses is necessary in connection with government loans. Conventional loans, in addition to having the related real estate as collateral, are also credit enhanced either by the PFI which is required to pledge qualified collateral to secure its credit

enhancement obligation, or by supplemental mortgage insurance (SMI) purchased by the PFI. The allowance for credit losses on mortgage loans held under the MPF Program is established at a level that each FHLBank's management believes to be adequate to absorb estimated credit losses related to specifically identified loans as well as estimated credit losses inherent in the total MPF Loan portfolio. The estimation of credit losses in the total MPF loan portfolio involves assessing the effect of current economic trends and specific events on the allowance for credit losses on mortgage loans. Furthermore, each FHLBank takes into consideration the following factors: (1) management's judgment as to the eligibility of PFIs to continue to service and credit-enhance the loans delivered to an MPF FHLBank, (2) evaluation of credit exposure on portfolio loans, (3) valuation of credit enhancements provided by PFIs, and (4) estimation of loss exposure and historical loss experience.

The MPF FHLBanks' review of specifically identified loans typically involves the identification of collateral-dependent loans. Collateral-dependent loans are treated separately from the remaining MPF loans because sufficient information exists to make a reasonable estimate of the inherent loss for such MPF loans on an individual loan basis. Certain FHLBanks apply migration analysis to MPF Loans that are delinquent. The allowance for credit losses for an FHLBank's conventional loan pools is based on an analysis of the migration of its delinquent loans to default since the inception of the MPF Program. An MPF FHLBank then analyzes the probable loss severity on that portion of the delinquent loans that the migration analysis indicates will default within one year. PMI and the credit enhancement protection amount provided by the PFI or by SMI are factored into the allowance for credit loss determination, provided collection from the PFI or insurance companies is determined to be probable. The combination of these factors, as well as an additional judgmental amount determined by management due to uncertainties inherent in the estimation process, represents the estimated credit losses from conventional MPF Loans. Any potential losses that would be recovered from the credit enhancement protection amount, as well as PMI, FHA and HUD insurance and VA and RHS guarantees, are not reserved for as part of the allowance for credit losses on mortgage loans.

Mortgage Loans—MPP. Each MPP FHLBank that has acquired mortgage loans under the MPP analyzes its MPP Loans on a quarterly basis by determining inherent losses, comparing these losses to credit enhancements, and establishing general or real estate owned specific reserves based on the results. Currently, each MPP FHLBank has either established a minimal provision for credit losses on mortgage loans acquired under the MPP or has determined that no such provision is required, due in part to the structure of the allocation of credit risk under that program. Management of each MPP FHLBank believes that adequate policies and procedures are in place to manage its MPP credit risk effectively. The determination of loan losses is based on managements' estimate of loan losses inherent in the MPP portfolio as of the balance sheet date. Any allowance for loan losses is reported as a separate line item in the statement of condition. The MPP FHLBank's analysis employs a consistently applied methodology to determine its best estimate of inherent credit losses. This analysis factors in the credit enhancements, including the recoverability of insurance.

MPP FHLBanks may acquire both FHA and conventional fixed-rate mortgage loans under the MPP. FHA mortgage loans are U.S. government insured and, therefore, the MPP FHLBanks have determined that they do not require a loan loss allowance. The FHLBanks are protected against credit losses on conventional mortgage loans by having the related real estate as collateral, which effectively includes the borrower's equity, and credit enhancements including primary mortgage insurance, if applicable, the member's LRA, and, with the exception of the FHLBank of Seattle, SMI. On April 25, 2008, after the credit downgrade of its SMI provider, the FHLBank of Seattle exercised its contractual right and cancelled its SMI policies.

For conventional loans, PMI, if applicable, covers losses or exposure down to approximately a loan-to-value ratio of between 65 and 80 percent based upon the original appraisal, depending on original loan-to-value ratios, term, amount of primary mortgage insurance coverage, and characteristics of the loans. Once the borrower's equity and primary insurance are exhausted, the LRA provides credit loss coverage for pools of conventional loans until it is exhausted. After the LRA is exhausted, the MPP FHLBanks with SMI coverage are protected against credit losses down to a loan-to-value ratio of approximately 50 percent (subject, in certain cases, to an aggregate stop-loss provision in the SMI

policy). The stop-loss is equal to the total initial principal balance of loans under the master commitment contract multiplied by the stop-loss percentage, currently in effect, and represents the maximum aggregate amount payable by the SMI provider under the SMI policy for that pool. The MPP FHLBanks would assume the credit exposure if the severity of losses were to exceed the SMI coverage, or in the case of the FHLBank of Seattle, the LRA coverage only.

The MPP FHLBanks have developed an approach for reviewing the adequacy of the allowance for credit losses. The key estimates and assumptions that affect the loan loss reserve analysis generally include: specific delinquent conventional loans outstanding under the MPP; evaluations of the overall delinquent loan portfolio through the use of trend analysis reviews; loss severity trends; historical default experience; collateral valuation; expected proceeds from credit enhancements; comparisons to industry reported data and current economic trends and conditions. In addition, management of the FHLBanks perform a review of the observable data used in its estimate to ensure it is representative of prevailing economic conditions or other events existing as of the statement of condition date. These estimates require significant judgments, especially considering the unprecedented deterioration in the national housing market, the inability to readily determine the fair value of all underlying properties and the uncertainty in other macroeconomic factors that make estimating defaults and severity increasingly imprecise.

The review of credit enhancements (in addition to any PMI, if applicable) includes the LRA and SMI policy, if applicable, as well as outstanding claims against such coverage. The conventional loans are associated with specific Master Commitment Contracts and their related LRAs and are considered in such groups when the FHLBanks evaluate credit quality.

SMI coverage, if applicable, is applied on a loan-by-loan basis. Two key factors contribute to the possibility of exceeding the SMI coverage: first, the severity of the loss and, secondly, beginning in the first half of 2005, the total of losses within a particular master commitment contract. Beginning in the first half of 2005, master commitment contracts issued in amounts greater than $35 million have a stop-loss feature as part of the SMI contract that limits the total dollar amount of insurance coverage provided by the insurer on each master commitment contract. The stop-loss is established at a level that permits the affected loan pools to attain an investment-grade double-A implied credit rating at the time of closing a master commitment contract.

As of December 31, 2009, each MPP FHLBank has either established a minimal provision for credit losses on mortgage loans acquired under its MPP or has determined that no such provision is required for the FHLBank's conventional mortgage loans purchased under its MPP. If the MPP FHLBanks had losses in excess of the estimated liquidation value of collateral held, PMI (if applicable), LRA, and SMI (if applicable), these would be recognized credit losses for financial reporting purposes.

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 "Supplemental Information."

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, 2009, the FHLBanks had $2.4 billion of commitments to extend advances and unused lines of credit, and $53.0 billion in standby letters of credit outstanding. The FHLBanks entered into $11.2 billion par value of consolidated bonds and $3.4 billion par value of consolidated discount notes that had traded but not yet settled at December 31, 2009.

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, 2009.

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	Total
Consolidated bonds (1)	$337,160	$224,556	$88,573	$81,402	$731,691
Capital lease obligations	7	12	1		20
Operating leases	21	48	30	94	193
Standby bond purchase agreements	902	750	1,090	724	3,466
Commitments to fund/purchase mortgage loans	261				261
Other unconditional purchase obligations	164	3	1		168
Unconditional purchase obligations	1,327	753	1,091	724	3,895
Subordinated notes				1,000	1,000
Mandatorily redeemable capital stock	586	563	6,956	33	8,138
Securities sold under agreements to repurchase		1,200			1,200
Total contractual obligations	$339,101	$227,132	$96,651	$83,253	$746,137

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

Legislative and Regulatory Developments

FHLBank Housing Associates, Core Mission Activities and Standby Letters of Credit. On February 24, 2010, the Finance Agency issued a final rule to officially transfer certain regulations of the former Finance Board to the Finance Agency's regulations. The Finance Agency did not make any substantive amendments to these regulations and only made those changes that were necessary to accomplish the transfer and to account for the fact that the Finance Agency has succeeded the Finance Board as the Regulator for the FHLBanks. The rule makes conforming changes to references to reflect new part numbers within the Finance Agency's regulations for FHLBank housing associates, the FHLBanks' core mission activities and the FHLBanks' issuance of standby letters of credit. This rule became effective on March 26, 2010.

Use of Community Development Loans by Community Financial Institutions to Secure FHLBank Advances. On February 23, 2010, the Finance Agency issued a proposed regulation to expand the types of eligible collateral that community financial institution (CFI) members may pledge to secure FHLBank advances to include secured loans for community development activities and to allow FHLBanks to make long-term advances to CFI members for purposes of financing community development activities. Section 1211 of the Housing Act further provides that the Finance Agency shall define the term "community development activities" by regulation. Consequently, the Finance Agency is proposing to amend the advances regulations to allow CFI members to pledge secured loans for community development activities as eligible collateral for advances, to provide that CFI members may use long-term advances to fund community development activities and to define "community development," "community development loan," and other related terms necessary to implement these provisions. The proposal would also transfer the advances and new business activities regulations from the Finance Board regulations to the Finance Agency regulations and make other conforming amendments. Finally, the proposed rule would also make a change to the advances regulations that would incorporate a long-

standing policy previously established by the Finance Board that any form of secured lending by an FHLBank to a member of the FHLBank System is deemed to be an advance. The proposed rule would extend that policy to cover secured lending transactions by an FHLBank to affiliates of their members. The Finance Agency will accept written comments on the proposed regulation on or before April 26, 2010.

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

Temporary Increase in Minimum Capital Levels. On February 8, 2010, the Finance Agency issued a proposed rule that would provide for a temporary increase in the minimum capital level for those entities that it regulates, including the FHLBanks. The proposed rule provides clarity regarding standards for imposing a temporary increase, for rescinding such an increase and a timeframe for review of such an increase. The Finance Agency will accept written comments on the proposed regulation on or before April 9, 2010.

Effect of Foreign Government Guarantees on Unsecured Credit Exposure. On February 3, 2010, the Finance Agency issued a regulatory interpretation regarding an FHLBank's limits on the amount of unsecured credit it may extend to any one counterparty. The purpose of the unsecured credit limits is to prevent undue concentrations of unsecured credit, which could harm an FHLBank if a counterparty were to come under financial stress. This regulatory interpretation focuses on an FHLBank's investment in unsecured debt instruments that are guaranteed by a foreign government under programs to promote market stability and whether FHLBanks must calculate their unsecured credit limits for such instruments based on the creditworthiness of the foreign government. The Finance Agency staff concluded that an FHLBank may invest in unsecured debt instruments that are guaranteed by a foreign government under such a program up to the regulatory limits applicable to the counterparty, rather than those applicable to the guarantor. This application is permitted if an FHLBank underwrites the extension of credit solely on the basis of the creditworthiness of the counterparty and not in reliance on the government guarantee.

Reporting of Fraudulent Financial Instruments. On January 27, 2010, the Finance Agency and the U.S. Department of Housing and Urban Development's Office of Federal Housing Enterprise Oversight issued a final regulation that requires Fannie Mae, Freddie Mac and the FHLBanks to submit a timely report to the Finance Agency upon discovery that it has purchased or sold a fraudulent loan or financial instrument, or suspects a possible fraud relating to the purchase or sale of any loan or financial instrument. The final regulation also requires the regulated entities to establish and maintain internal controls, policies, procedures, and operational training programs to ensure that any fraudulent loan or financial instrument or possible fraudulent loan or financial instrument is discovered and reported. This rule became effective on February 26, 2010.

Proposed Regulation for Minority and Women Inclusion. On January 11, 2010, the Finance Agency issued a proposed regulation to promote diversity and the inclusion of women and minorities in all activities of the Finance Agency, Fannie Mae and Freddie Mac, the FHLBanks and the Office of Finance. The proposal would require the FHLBanks and Office of Finance to: (1) establish and maintain an office of minority and women inclusion or designate an office to perform the responsibilities under the new regulation; (2) provide the new office or designated office with sufficient human, technological and

financial resources to comply with the rule; (3) publish annually a statement endorsed by the chief executive officer and approved by the board of directors confirming its commitment to the principles of equal opportunity in employment and in contracting regardless of race, color, national origin, sex, religion, age, disability status or genetic information; (4) establish and maintain certain policies to ensure, to the maximum extent possible, the inclusion and utilization of minorities, women, individuals with disabilities, as well as businesses owned by minorities, women, and individuals with disabilities, in all business and activities at all levels based on certain minimum requirements that would affect internal complaints of discrimination, external contracting, accommodations for individuals, and nominating or soliciting nominees for directorships; (5) establish certain outreach programs in contracting, including the requirement that diversity is considered in contracting; and (6) adhere to certain periodic reporting requirements pertaining to the rule. On March 8, 2010, the Finance Agency extended the comment period for this proposed rule from March 12, 2010 to April 26, 2010.

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

Pending Legislation on Financial System Reform. On December 11, 2009, the U.S. House of Representatives passed the Wall Street Reform and Consumer Protection Act (Reform Act), which, if passed by the U.S. Senate and signed into law by the President of the United States, would, among other things: (1) create a consumer financial protection agency; (2) create an inter-agency oversight council that will identify and regulate systemically-important financial institutions; (3) regulate the over-the-counter derivatives market; (4) reform the credit rating agencies; (5) provide shareholders with an advisory vote on the compensation practices of the entity in which they invest, including for executive compensation and golden parachutes; and (6) create a federal insurance office that will monitor the insurance industry.

On March 22, 2010, the Senate Committee on Banking, Housing, and Urban Affairs (Senate Banking Committee) approved the Restoring American Financial Stability Act of 2010 (Financial Stability Act). The Financial Stability Act, would, among other things: (1) create a consumer financial protection agency, housed within the Federal Reserve; (2) create an inter-agency oversight council that will identify and regulate systemically-important financial institutions; (3) end “too big to fail” by: creating a safe way to liquidate failed financial firms, imposing new capital and leverage requirements, updating the Federal Reserve’s authority to allow system-wide support but no longer prop up individual firms, and establishing rigorous standards and supervision to protect the economy and American consumers, investors and businesses; (4) eliminate loopholes and abusive practices for over-the-counter derivatives, asset-backed securities, hedge funds, mortgage brokers and payday lenders; (5) streamline bank supervision to create clarity and accountability, while protecting the dual banking system that supports community banks; (6) provide shareholders with a say on pay and corporate affairs with a non-binding vote on executive compensation; (7) provide for tougher rules for transparency and accountability for credit rating agencies to protect investors and businesses; and (8) strengthen regulatory oversight and empower regulators to aggressively pursue financial fraud, conflicts of interest and manipulation of the financial system.

Depending on whether the Reform Act, or similar legislation, is signed into law and the final content of any such legislation, the FHLBanks’ business operations, funding costs, rights, obligations, and/or the manner in which FHLBanks carry out their housing-finance mission may be affected. For example, regulations on the over-the-counter derivatives market that may be issued under the Reform Act could

materially affect an FHLBank's ability to hedge its interest-rate risk exposure from advances, achieve the FHLBank's risk management objectives, and act as an intermediary between its members and counterparties. However, FHLBanks cannot predict whether any such legislation will be enacted and what the content of any such legislation or regulations issued under any such legislation would be, and therefore, cannot predict the effects of the Reform Act or similar legislation.

Principles for Executive Compensation at the FHLBanks and Office of Finance. On October 27, 2009, the Finance Agency issued Advisory Bulletin 2009-AB-02, which became effective immediately, outlining five guiding principles for sound incentive compensation practices to which the FHLBanks and the Office of Finance should adhere in setting executive compensation policies and practices. These principles are: 1) executive compensation must be reasonable and comparable to that offered to executives in similar positions at other comparable financial institutions; 2) executive incentive compensation should be consistent with sound risk management and preservation of the par value of the FHLBank's capital stock; 3) a significant percentage of an executive's incentive-based compensation should be tied to longer-term performance and outcome-indicators; 4) a significant percentage of an executive's incentive-based compensation should be deferred and made contingent upon performance over several years; and 5) the board of directors of each FHLBank and the Office of Finance should promote accountability and transparency in the process of setting compensation. In evaluating compensation at the FHLBanks and the Office of Finance, the Finance Agency will consider the extent to which an executive's compensation is consistent with these principles.

FHLBank Directors' Compensation and Expenses. On October 23, 2009, the Finance Agency issued a proposed rule to implement Section 1202 of the Housing Act, allowing each FHLBank to pay its directors reasonable compensation and expenses, subject to the authority of the Director of the Finance Agency (Director) to object to, and to prohibit prospectively, compensation and/or expenses that the Director determines are not reasonable. The proposed rule would add Section 1261 to Title 12 of the Code of Federal Regulations, to articulate the general standard under which the FHLBanks may compensate their directors and to establish reporting requirements with respect to how the FHLBanks compensate their directors. Comments on this proposed regulation were due to the Finance Agency by December 7, 2009.

Temporary Liquidity Guarantee Program. On October 23, 2009, the FDIC published in the Federal Register a final rule concerning the termination of the Debt Guarantee Program (DGP), a component of the Temporary Liquidity Guarantee Program (TLGP). For most insured depository institutions and other entities participating in this program, the DGP concluded on October 31, 2009, with the FDIC's guarantee expiring no later than December 31, 2012. The final rule establishes a limited six-month emergency guarantee facility for entities that (following the termination of the DGP) become unable to issue non-guaranteed debt to replace maturing senior unsecured debt due to market disruptions or other circumstances beyond their control. This emergency guarantee facility is available to qualified entities on an application basis and is subject to such restrictions and conditions as the FDIC deems appropriate. If an entity's application is approved, the FDIC will guarantee the applicant's senior unsecured debt issued on or before April 20, 2010. The FDIC's guarantee of such debt will extend through the earliest of the mandatory conversion date (for mandatory convertible debt), the stated maturity date or December 31, 2012. Debt guaranteed under the emergency guarantee facility will be subject to an annualized assessment rate equal to a minimum of 300 basis points.

FHLBanks' Boards of Directors: Eligibility and Elections. On October 7, 2009, the Finance Agency adopted a final regulation, which became effective on November 6, 2009. The final regulation largely codified the interim final regulation previously issued by the Finance Agency on September 26, 2008. Changes in the final regulation included provisions: (1) requiring each FHLBank's board of directors to annually determine how many of its independent directors should be designated public interest directors (provided that each FHLBank at all times has at least two public interest directors); (2) stating that where an FHLBank's board of directors acts to fill a member director vacancy that occurs mid-term, that eligible candidates for such a position must be officers or directors of a member institution at the time the FHLBank board of directors acts, not as of the prior year-end; and (3) permitting an FHLBank that nominates more than one nominee for each open independent director position to declare

elected the nominee who receives the highest number of votes, even if the total votes received is less than 20 percent of the eligible votes.

Additionally, the Finance Agency issued a proposed regulation on December 1, 2009 to amend its regulations relating to the process by which successor directors are chosen after an FHLBank directorship is redesignated to a new state prior to the end of its term as a result of the annual designation of that FHLBank's directorships. The current rules deem the redesignation to create a vacancy on the board, which is filled by the remaining directors. The proposed amendment would deem the redesignation to cause the original directorship to terminate and a new directorship to be created, which would then be filled by an election of the members. Comments on this proposed regulation were due to the Finance Agency by December 31, 2009.

Statement of Policy on Qualifications for Failed Bank Acquisitions. On September 2, 2009, the FDIC issued a final statement of policy, which became effective on August 26, 2009 and provided guidance to private capital investors interested in acquiring or investing in failed insured depository institutions regarding the terms and conditions for such investments or acquisitions. This guidance applies to 1) private capital investors in certain companies that seek to assume deposit liabilities or both such deposit liabilities and assets from a failed insured depository institution and 2) private capital investors involved in applications for deposit insurance in conjunction with *de novo* charters issued in connection with the resolution of failed insured depository institutions. Additionally, this final statement of policy provides, among other measures, standards for capital support of an acquired depository institution; an agreement to a cross guarantee over substantially commonly-owned depository institutions; limits on transactions with affiliates; maintenance of continuity of ownership; and avoidance of secrecy law jurisdictions as investment channels, absent consolidated home country supervision.

Capital Classifications and Critical Capital Levels for the FHLBanks. The Finance Agency issued a final rule, which became effective on August 4, 2009 and implemented certain provisions of the Housing Act that require the Director of the Finance Agency to establish criteria based on the amount and type of capital held by an FHLBank for each of the following capital classifications: adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. This regulation defines critical capital levels for the FHLBanks, establishes the criteria for each of the capital classifications identified in the Housing Act and implements the Finance Agency's prompt corrective action authority over the FHLBanks. The Finance Agency may, in its discretion, otherwise determine to classify an FHLBank as less-than-adequately capitalized. On July 20, 2009, the Finance Agency published Advisory Bulletin 2009-AB-01, which identified preliminary FHLBank capital classifications as a form of supervisory correspondence that should be treated by an FHLBank as unpublished information. Under this Advisory Bulletin, preliminary FHLBank capital classifications should be publicly disclosed only if the information is material to that FHLBank's financial condition and business operations, provided that the disclosure is limited to a recital of the factual content of the unpublished information. (See Note 18—Capital for each FHLBank's compliance with the final rule requirements.)

Board of Directors of FHLBank System Office of Finance. On August 4, 2009, the Finance Agency issued a proposed rule related to the reconstitution and strengthening of the Office of Finance Board of Directors. To achieve this goal, the proposed regulation would increase the size of the Office of Finance Board of Directors, create a fully independent audit committee, provide for the creation of other committees and set a method for electing independent directors, along with setting qualifications for these directors. The Office of Finance is governed by a board of directors, the composition and functions of which are determined by the Finance Agency's regulations. Under existing Finance Agency regulation, the Office of Finance Board of Directors is made up of two FHLBank Presidents and one independent director. The Finance Agency has proposed that all twelve FHLBank Presidents be members of the Office of Finance Board of Directors, along with three to five independent directors. The independent directors would comprise the audit committee of the Office of Finance Board of Directors with oversight responsibility for the combined financial reports. Under the proposed rule, the audit committee of the Office of Finance would be responsible for ensuring that the FHLBanks adopt consistent accounting policies and procedures as they relate to the combined financial reports so that the combined financial reports will continue to be accurate and meaningful. On October 2, 2009, the

Finance Agency extended the comment period for this proposed rule from October 5, 2009 to November 4, 2009.

FHLBank Collateral for Advances and Interagency Guidance on Nontraditional Mortgage Products. On August 4, 2009, the Finance Agency issued a notice of study and recommendations related to the FHLBanks' advances collateral. The Housing Act requires the Director of the Finance Agency to conduct a study, which must be submitted to the U.S. Congress, on the extent to which loans and securities used as collateral to support FHLBank advances are consistent with the federal financial institution regulatory agencies' interagency guidance on nontraditional mortgage products and the Finance Agency also addressed their statement on subprime mortgage lending. Furthermore, the study must consider and recommend any additional regulations, guidance, advisory bulletins or other administrative actions necessary to ensure that the FHLBanks are not supporting loans with predatory characteristics. Comments on this study and recommendations were due to the Finance Agency by October 5, 2009.

Affordable Housing Program Amendments: FHLBank Mortgage Refinancing Authority. On August 4, 2009, the Finance Agency published a second interim final rule related to authorization for the FHLBanks to provide the existing AHP subsidy through their members to assist in the refinancing of low or moderate income households' mortgages under certain federal, state and local programs for targeted refinancing. The first interim final rule authorized such subsidies to those qualifying under the Hope for Homeowners Program. The second interim final rule expands the program to other government eligible programs, including the Making Home Affordable Refinancing program. The authority was provided in the Housing Act on a temporary basis until July 30, 2010. While this rule is effective immediately, the Finance Agency accepted public comments on the second interim final rule until October 5, 2009.

Record Retention. On August 4, 2009, the Finance Agency issued a proposed rule that would require Freddie Mac, Fannie Mae, the FHLBanks and the Office of Finance to establish and maintain a record retention program to ensure that records are readily accessible for examination and other supervisory purposes. This proposed regulation seeks to assure strong record maintenance and availability for the security of these entities and to facilitate effective supervision. Comments on this proposed rule were due to the Finance Agency by October 5, 2009.

Amendment to Reserve Requirements of Depository Institutions. On May 29, 2009, the Federal Reserve published a final rule amending Regulation D, which implements provisions of the Federal Reserve Act that impose reserve requirements on certain types of deposits and other liabilities of depository institutions. Under this final rule, any excess balance in the account of a correspondent that is not an eligible institution, as defined, will be attributable to the correspondent, and no earnings will be paid on the excess balance in that account. As such, this final rule amends the interim final rule published by the Federal Reserve on October 9, 2008, which deemed any excess balance held by a pass-through correspondent in the correspondent's account, when the correspondent was not itself an eligible institution, to be held on behalf of the pass-through correspondent's respondents. Furthermore, the interim final rule permitted, but did not require, pass-through correspondents to pass back to their respondents the interest paid on balances held on behalf of respondents. Accordingly, prior to the enactment of the final rule, FHLBanks had been earning interest at the targeted Federal funds rate on all excess balances deposited with the Federal Reserve Banks. The final rule became effective on July 2, 2009.

Guidance for Determining Other-Than-Temporary Impairment. On April 28, 2009 and May 7, 2009, the Finance Agency provided the FHLBanks with guidance on the process for determining OTTI with respect to the FHLBanks' holdings of private-label MBS and the FHLBanks' first quarter 2009 adoption of the new GAAP standard regarding OTTI on investment securities. The goal of this guidance was to promote consistency among all FHLBanks for determining OTTI for private-label MBS, based on the understanding that investors in the FHLBanks' consolidated obligations could better understand and utilize the information in the FHLBanks' combined financial reports if it is prepared on a more consistent basis. In order to achieve this goal and move to a common analytical framework, and recognizing that

several FHLBanks intended to early adopt the new GAAP standard regarding OTTI on investment securities, the Finance Agency guidance required all FHLBanks to early adopt this new accounting treatment effective January 1, 2009 and, for purposes of making OTTI determinations beginning with the first quarter of 2009, to use a consistent set of key modeling assumptions and specified third-party models. For a discussion of the FHLBanks' implementation of this OTTI guidance, see "Critical Accounting Estimates—OTTI for Investment Securities."

Regulation on Deposit Insurance Assessments. On March 4, 2009, the FDIC issued a final regulation on increases in deposit insurance premium assessments to restore the FDIC's Deposit Insurance Fund. The final regulation became effective on April 1, 2009. The assessments adopted by the FDIC are higher for institutions that use secured liabilities in excess of 25 percent of deposits. Secured liabilities are defined to include FHLBank advances. This rule may tend to decrease demand for the FHLBanks' advances to their members who are affected by the rule due to the increase in the effective all-in cost from the increased premium assessments.

Recent Rating Agency Actions

Federal Home Loan Banks
Long-Term and Short-Term Credit Ratings
At March 30, 2010

	S&P		Moody's	
	Long-Term/ Short-Term Rating	Outlook	Long-Term/ Short-Term Rating	Outlook
Atlanta	AAA/A-1+	Stable	Aaa/P-1	Stable
Boston	AAA/A-1+	Stable	Aaa/P-1	Stable
Chicago (1)	AA+/A-1+	Stable	Aaa/P-1	Stable
Cincinnati	AAA/A-1+	Stable	Aaa/P-1	Stable
Dallas	AAA/A-1+	Stable	Aaa/P-1	Stable
Des Moines	AAA/A-1+	Stable	Aaa/P-1	Stable
Indianapolis	AAA/A-1+	Stable	Aaa/P-1	Stable
New York	AAA/A-1+	Stable	Aaa/P-1	Stable
Pittsburgh	AAA/A-1+	Stable	Aaa/P-1	Stable
San Francisco	AAA/A-1+	Stable	Aaa/P-1	Stable
Seattle (2)	AA+/A-1+	Stable	Aaa/P-1	Stable
Topeka	AAA/A-1+	Stable	Aaa/P-1	Stable

(1) On July 1, 2009, S&P announced the long-term counterparty credit rating for the FHLBank of Chicago was upgraded to AA+ with a stable outlook.

(2) On July 1, 2009, S&P announced the FHLBank of Seattle's counterparty credit ratings of AA+/A1+ were affirmed and it was removed from CreditWatch negative.

RISK MANAGEMENT

The fundamental business of each FHLBank is to provide a readily available, competitively-priced source of funds in a wide range of maturities to meet the borrowing demands of its members and housing associates. The principal sources of funds for these activities are the proceeds from the issuance of consolidated obligations and, to a lesser extent, capital and deposits from members. Lending and investing funds, and engaging in interest-rate exchange agreements, can potentially expose the FHLBanks to a number of risks. These risks include credit risk and interest-rate risk. The FHLBanks are also subject to liquidity risk, operational risk and business risk. Each FHLBank has established policies and procedures to evaluate, manage and control these risks. The Finance Agency has established regulations governing the risk management practices of the FHLBanks. The FHLBanks must file

periodic compliance reports with the Finance Agency. The Finance Agency conducts an annual on-site examination of each FHLBank and the Office of Finance as well as off-site analyses.

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 Agency 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 and operating within an appropriate framework and limits. The FHLBanks generally approach managing interest-rate risk by acquiring and maintaining a portfolio of assets and liabilities and entering into related interest-rate exchange agreements to limit the expected mismatches in duration. The FHLBanks manage interest-rate risk in several different ways. The FHLBanks' more commonly used methods of measuring and monitoring interest rate-risk include the calculation of market value of equity, duration of equity and duration gap.

Market Value of Equity.

An FHLBank may analyze its interest-rate risk exposure by evaluating its theoretical market value of equity. Market value of equity may represent the difference between (1) the theoretical market value of total assets and (2) 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 FHLBank'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.

Duration of Equity and Duration Gap.

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 resulting from an increase or decrease in interest rates. Higher duration numbers, whether positive or negative, indicate greater volatility in the market value of equity in response to changing interest rates.

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 may cause the expected maturities of these investments to become shorter (prepay) or longer (extend). The rate and timing of unscheduled payments and collections of principal on mortgage loans are difficult to predict accurately and will be affected by a variety of factors. While the FHLBanks manage prepayment and extension risk by using a combination of debt and derivative financial instruments, if the level of actual prepayments is higher or lower than expected, the FHLBanks may incur additional costs to hedge the change in this market-risk exposure which would result in reduced earnings. Finance Agency regulation also 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 change 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

For a discussion of qualitative disclosure about market risk, including “Types of Interest-rate Exchange Agreements,” “Application of Interest-rate Exchange Agreements,” “Types of Assets and Liabilities Hedged,” and “Managing Credit Risk on Derivatives,” see “Note 11—Derivatives and Hedging Activities” to the accompanying combined financial statements.

Derivative Notional Amounts. The notional amount of derivatives serves as a factor in determining periodic interest payments or cash flows received and paid. The notional amount of derivatives represents neither the actual amounts exchanged nor the overall exposure of the FHLBanks to credit and market risk. The overall amount that could potentially be subject to credit loss is much smaller. Notional values are not meaningful measures of the risks associated with derivatives. The risks of derivatives can be measured meaningfully on a portfolio basis. This measurement must take into account the derivatives, the items being hedged and any offsets between the two. Each FHLBank maintains its own portfolio of derivatives and these portfolios are not managed on a combined basis.

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

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

	December 31, 2009		December 31, 2008	
	Total Notional	Total Estimated Fair Value (excludes collateral and accrued interest)	Total Notional	Total Estimated Fair Value (excludes collateral and accrued interest)
Advances				
Fair Value-existing cash item	$304,671	$(14,512)	$ 358,142	$(26,382)
Fair Value-firm commitments	108	2		
Cash Flow-existing cash item	2,175	170	2,675	338
Economic	28,920	(591)	58,233	(1,580)
Total	335,874	(14,931)	419,050	(27,624)
Investments				
Fair Value-existing cash item	4,656	(340)	2,572	(701)
Economic (includes trading securities hedges)	15,105	(278)	13,155	(717)
Total	19,761	(618)	15,727	(1,418)
MPF/MPP Loans Held for Portfolio				
Fair Value-existing cash item	6,614	(18)	8,452	(184)
Standalone-delivery commitments	329	(2)	2,174	7
Economic (including TBAs)	25,547	264	20,414	133
Total	32,490	244	31,040	(44)
Consolidated Bonds				
Fair Value-existing cash item	373,251	4,578	338,284	10,746
Economic	140,737	461	137,749	334
Total	513,988	5,039	476,033	11,080
Consolidated Discount Notes				
Fair Value-existing cash item	11,183	11	22,799	67
Cash Flow-anticipated transaction	8,772	(345)	6,447	(757)
Economic	24,420	66	88,698	84
Total	44,375	(268)	117,944	(606)
Deposits				
Fair Value	20	5	20	6
Total	20	5	20	6
Balance Sheet				
Economic	24,679	199	25,491	55
Total	24,679	199	25,491	55

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

	December 31, 2009		December 31, 2008	
	Total Notional	Total Estimated Fair Value (excludes collateral and accrued interest)	Total Notional	Total Estimated Fair Value (excludes collateral and accrued interest)
Intermediary Positions				
Intermediaries	3,921	1	4,146	1
Total	3,921	1	4,146	1
Total notional and estimated fair value	$975,108	$(10,329)	$1,089,451	$(18,550)
Total derivatives excluding collateral and accrued interest		$(10,329)		$(18,550)
Accrued interest		547		1,067
Net cash collateral and related accrued interest		5,228		10,653
Net derivative balances		$ (4,554)		$ (6,830)
Net derivative assets balances		$ 674		$ 902
Net derivative liabilities balances		(5,228)		(7,732)
Net derivative balances		$ (4,554)		$ (6,830)

At December 31, 2009, certain FHLBanks had full fair value hedges with a notional amount of $2.0 billion and an estimated fair value loss of $79 million for advances-existing cash item and had full fair value hedges with a notional amount $18.5 billion and an estimated fair value gain of $1.0 billion for consolidated obligations-bonds-existing cash item. The remaining fair value hedges at December 31, 2009 represent benchmark interest-rate hedges.

Each FHLBank classifies derivative assets and derivative liabilities according to the net fair value of derivatives with each of its counterparties because these swaps are covered by a master netting agreement. If the net fair value of derivatives with one of its counterparties is positive, it is classified as an asset by that FHLBank. If the net fair value of derivatives with one of its counterparties is negative, it is classified as a liability by that FHLBank. Each FHLBank also offsets cash collateral and related accrued interest against the net fair value of its derivatives. The $228 million decrease in combined derivative assets and the $2,504 million decrease in combined derivative liabilities from December 31, 2008 to December 31, 2009 are largely the result of changes in interest rates.

Quantitative Disclosure about Market Risk

Each FHLBank has an internal modeling system for measuring its duration of equity (to provide to the Regulator) and duration gap and, therefore, individual FHLBank measurements may not be directly comparable. Each FHLBank reports the results of its duration of equity calculations to the Regulator each quarter; however, each FHLBank that has converted to its new capital structure is no longer subject by regulation to the duration of equity requirements. Not all FHLBanks manage to the duration of equity risk measure. The capital adequacy rules of the Regulator require each FHLBank that has implemented a new capital plan to hold permanent capital in an amount sufficient to cover the sum of its credit, market and operational risk-based capital requirements, as these metrics are defined by applicable regulations. Each of these FHLBanks has developed a market risk model that calculates the market risk component of this requirement.

On February 20, 2009, the FHLBank of Chicago received a non-objection letter from the Finance Agency related to the FHLBank of Chicago's proposal to apply temporarily direct dollar limits on changes in fair value under parallel interest rate shocks instead of the duration and convexity limits that were applied in the past. As a result, the interest rate risk policy in effect as of December 31, 2009, places limits on fair value changes for all measured parallel interest rates scenarios between -200 basis points and +200 basis points. Some scenarios, however, may not be measured when swap rates are less than 2 percent. The following table shows the FHLBank of Chicago's fair value changes as of December 31, 2009 with respect to the interest-rate risk policy limits (dollar amounts in millions).

Scenario	Measured	Limit
−200 bp	$ *	$(185.0)
−100 bp	*	(77.5)
−50 bp	*	(30.0)
−25 bp	*	(12.5)
+25 bp	(9.8)	(25.0)
+50 bp	(23.6)	(60.0)
+100 bp	(85.7)	(155.0)
+200 bp	(280.8)	(370.0)

* Due to the low interest rate environment at December 31, 2009, these values cannot be calculated.

The interest-rate risk policy in effect on December 31, 2008 set dollar duration limits to which the FHLBank of Chicago was required to manage. The following table summarizes the FHLBank of Chicago's duration as of December 31, 2008.

		Duration Policy Limits	
Scenario	Actual Duration (whole $)	Market Value of Equity is Less Than $700 Million (in whole $)	Market Value of Equity Equals or Exceeds $700 Million (in years)
−200 bp	$ *	−$490,000	−7 years
−100 bp	*	−420,000	−6 years
Base case	−228,106	±350,000	±5 years
+100 bp	176,716	+420,000	+6 years
+200 bp	293,218	+490,000	+7 years

* Due to the low interest rate environment at December 31, 2008, these values cannot be calculated.

The FHLBank of Chicago continues to work with the Finance Agency to develop a set of interest-rate risk management policies and submitted revised policies to the Deputy Director on July 16, 2009 pursuant to the C&D Order.

The following table denotes which FHLBanks include quantitative market value of equity and duration of equity information in its individual 2009 SEC Form 10-K.

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

(1) The FHLBank of Pittsburgh's market value of equity volatility metrics are monitored, but have been discontinued as Board-approved metrics. In 2008, the FHLBank of Pittsburgh established a new capital adequacy metric described in its 2009 SEC Form 10-K and referred to as the Projected Capital Stock Price.

(2) The FHLBank of Chicago disclosed the dollar limits on changes in fair value under parallel interest rate shocks instead of the duration and convexity limits in its 2009 SEC Form 10-K, consistent with the information previously noted within this section.

(3) Although the FHLBank of Des Moines measures and monitors market value of equity and duration of equity, those measures are not disclosed as key market risk measures. The FHLBank of Des Moines discloses, in its 2009 SEC Form 10-K, market value of capital stock (MVCS) and economic value of capital stock (EVCS) as key risk measures. The FHLBank of Des Moines measures and limits movements in MVCS, where capital stock accounts for approximately 85 percent of total equity.

(4) The FHLBank of Topeka measures and monitors market value of equity (MVE); however, the FHLBank of Topeka measures market value risk in terms of its MVE in relation to its total regulatory capital stock outstanding instead of to its book value of equity. As described in its 2009 SEC Form 10-K, the FHLBank of Topeka believes this is a reasonable metric because as a cooperative, the metric reflects the market value of the FHLBank of Topeka relative to the book value of its capital stock.

The following table reflects the duration of equity reported by the FHLBanks to the Finance Agency in accordance with the Regulator's guidance.

Duration of Equity
(In Years)

	December 31, 2009			December 31, 2008		
FHLBank	Down*	Base	Up**	Down*	Base	Up**
Boston	4.6	4.7	6.9	(6.2)	(2.4)	3.8
New York	0.2	0.4	3.7	0.0	(2.1)	1.4
Pittsburgh	5.1	11.6	4.7	9.1	26.8	0.6
Atlanta	0.0	3.7	4.7	21.3	21.3	22.2
Cincinnati	(0.8)	0.6	4.1	(4.2)	(3.1)	6.4
Indianapolis	(4.0)	(1.2)	0.7	0.6	0.6	4.2
Des Moines	(17.1)	3.6	6.6	(96.5)	(23.8)	6.1
Dallas	1.7	3.7	7.9	6.4	6.4	14.4
Topeka	(1.3)	0.1	0.1	(0.3)	7.8	3.2
San Francisco	4.8	5.6	3.2	9.2	12.4	4.7
Seattle	3.7	0.3	1.5	0.0	23.6	60.3

* Applicable regulation restricts the down rate from assuming a negative interest rate. Therefore, each FHLBank adjusts the down rate accordingly.

** Up = 200 basis points

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

Duration Gap (1)
(In months)

FHLBank	December 31, 2009	December 31, 2008
Boston	2.6	(0.7)
New York	0.1	(1.2)
Pittsburgh	6.1	3.5
Atlanta	1.8	5.7
Cincinnati	0.0	(0.2)
Indianapolis	(1.8)	(0.2)
Chicago	1.0	(0.3)
Des Moines	1.2	(7.3)
Dallas	1.8	2.3
Topeka	0.0	2.9
San Francisco	3.7	3.4
Seattle	0.0	0.2

(1) Duration gap values include the effect of interest-rate exchange agreements.

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 Agency regulations set liquidity requirements for the FHLBanks. The board of directors of an individual FHLBank 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:

- obligations of the U.S. government;
- deposits in eligible banks or trust companies; or
- advances with a maturity that does not exceed five years.

In addition, to address contingency liquidity risk, Finance Agency 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. Each of the FHLBanks was in compliance with its respective regulatory liquidity requirements at December 31, 2009.

Furthermore, during the fourth quarter of 2008, the FHLBanks significantly increased their on-balance sheet liquidity in response to both member funding needs and liquidity guidance received from the Finance Agency in response to worsening credit market conditions. The Finance Agency provided final guidance, effective March 6, 2009, revising and formalizing requests made for additional increases in liquidity that were provided to the FHLBanks in the fourth quarter 2008. (See "Risk Factors" and

"Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Liquidity" for discussion on the effects of this guidance to the FHLBanks.)

The FHLBanks' primary sources of liquidity may include maturities of overnight and short-term money-market investments and advances and the issuance of consolidated discount notes and consolidated bonds. During 2009, the financial markets stabilized following more than a year of severe financial disruption within the financial services industry, including the U.S. government's actions that placed both Fannie Mae and Freddie Mac into conservatorship. Such actions affected the FHLBanks' funding costs and practices in 2008, and to a lesser degree, into the early part of 2009. During these periods of disruption, the FHLBanks' funding costs for long-term debt were more volatile and rose sharply compared to benchmark interest rates, although short-term funding levels were more favorable compared to LIBOR. The FHLBanks' exposure to liquidity risk eased during the first half of 2009. This improvement resulted in part from a reduction in funding costs, which were the lowest in more than twelve months. In addition, FHLBank member demand for advances declined in 2009 compared to prior years. As a result, the FHLBanks' balance of consolidated obligations outstanding continued to contract as new issuances were outpaced by scheduled maturities and exercised calls. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Financial Trends" for more discussion on the FHLBanks' liquidity.)

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 Regulator and its board of directors regarding unsecured extensions of credit, whether on- or off-balance sheet. Applicable regulation limits the amounts and terms of unsecured credit exposure to any counterparty other than the U.S. government. Unsecured credit exposure to any counterparty is limited by the credit quality and capital level of that counterparty and by the capital level of the FHLBank.

Managing Credit Risk

Advances. Each FHLBank manages its credit exposure to advances through an integrated approach that provides for the ongoing review of the financial condition of its borrowers coupled with conservative collateral/lending policies and procedures to limit its risk of loss while balancing its borrowers' needs for a reliable source of funding. The FHLBanks protect against credit risk on advances by collateralizing all advances. The FHLBank Act requires that FHLBanks obtain and maintain collateral from their borrowers to secure advances at the time the advances are originated or renewed. Collateral arrangements will vary depending upon borrower credit quality, financial condition and performance; borrowing capacity; collateral availability; and overall credit exposure to the borrower.

Each FHLBank establishes each borrower's borrowing capacity by determining the amount it will lend against each collateral type. Borrowers are also required to collateralize the face amount of any letters of credit issued for their benefit by an FHLBank. Each FHLBank can call for additional or substitute collateral during the life of an advance to protect its security interest.

Residential mortgage loans are the principal form of collateral for advances. As a matter of course and through different 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.

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.

The FHLBanks generally establish an overall FHLBank credit limit for each borrower, which caps the amount of FHLBank credit availability to such borrower. This limit is designed to mitigate the FHLBanks' credit exposure to an individual borrower, while encouraging borrowers to diversify their funding sources. A borrower's total credit limit with an FHLBank includes the face amount of outstanding letters of credit, the principal amount of outstanding advances, the total exposure of the FHLBank to the borrower under any derivative contract and credit enhancement obligation of the borrower on mortgage loans sold to the FHLBank (if any). Each FHLBank determines the credit limit of a borrower by evaluating a wide variety of factors, including, but not limited to, the borrower's overall creditworthiness and collateral management practices. Most of the FHLBanks impose borrowing limits on borrowers within a maximum range of between 30 to 55 percent of a borrower's total assets.

Based upon the financial condition of the member, most of the FHLBanks classify each member by the method of pledging collateral into one of three collateral categories: blanket lien status, listing (specific identification) pledge status, or delivery (possession) status. The assignment of a member to a collateral status category reflects an FHLBank's increasing level of control over the collateral pledged by the member as a member's financial condition deteriorates.

The least restrictive collateral status, and the most widely used by the FHLBanks' members, is the blanket lien status. This status is generally assigned to lower risk institutions pledging collateral. Under the blanket lien status, an individual FHLBank allows a member to retain possession of eligible collateral pledged to the FHLBank, provided the member executes a written security agreement and agrees to hold the collateral for the benefit of the FHLBank. Origination of new advances or renewal of advances must only be supported by certain eligible collateral categories. The blanket pledge is typically accepted by the FHLBanks only for loan collateral; most securities collateral must be delivered to the FHLBank or an FHLBank-approved third-party custodian and pledged for the benefit of the applicable FHLBank.

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

For members in delivery status, an FHLBank requires the member to place physical possession of eligible collateral with the FHLBank or a third-party custodian to sufficiently secure all outstanding obligations. Typically, an FHLBank would take physical possession/control of collateral if the financial condition of the member was deteriorating or if the member exceeded certain credit product usage triggers. Delivery of collateral may also be required if there is a regulatory action taken against the member by its regulator that would indicate inadequate controls or other conditions that would be of concern to the FHLBank.

At December 31, 2009, the FHLBanks had rights to collateral with an estimated value greater than the related outstanding advances. All borrower obligations to the FHLBanks are secured with eligible collateral, the value of which is discounted to protect the FHLBanks from default in adverse circumstances. Collateral discounts, or haircuts, used in determining lending values of the collateral are calculated to project that the lending value of collateral securing each borrower's obligations exceeds the amount the borrower may borrow from the FHLBanks. The collateral lending values for the blanket, listing and delivery methods of pledging collateral range across the 12 FHLBanks as shown below. Collateral lending values are determined by subtracting the collateral haircut from 100 percent. Certain collateral haircuts may also reflect haircuts applied to advances outstanding based upon members' actual financial performance.

	December 31, 2009 Range of Collateral Lending Values By Pledging Method		
Collateral Type	Blanket	Listing	Delivery
Single-family mortgage loans (1)	30%-93%	30%-88%	30%-90%
FHA/VA loans (2)	30%-93%	30%-91%	30%-93%
Multifamily mortgage loans (3)	33%-80%	28%-80%	37%-80%
U.S. government/U.S. Treasury securities (4)	95%-99%	N/A (6)	80%-99.5%
State and local government securities (5)	N/A (6)	N/A (6)	60%-90%
U.S. agency securities (excluding MBS) (7)	82%-97%	N/A (6)	80%-100%
U.S. agency MBS/CMOs (8)	65%-97%	N/A (6)	53%-98%
Non-agency MBS/CMOs (9)	50%-85%	N/A (6)	25%-98%
Other U.S. government-guaranteed mortgage loans (10)	30%-90%	30%-90%	30%-95%
Community financial institution (CFI) collateral—loans (e.g., small-business, small-farm, small-agribusiness loans) (11)	20%-67%	20%-67%	5%-67%
CFI collateral—securities (e.g., backed by small-business, small-farm, small-agribusiness loans) (12)	20%-67%	20%-67%	20%-95%
Other real estate related collateral—commercial real estate loans (13)	9%-67%	25%-67%	25%-80%
Other real estate related collateral—CMBS (14)	60%-65%	N/A (6)	49%-91%
Other real estate related collateral—home equity loans and lines of credit (15)	8%-77%	20%-77%	15%-69%
Other real estate related collateral—equity securities (16)	55%-60%	N/A (6)	55%-91%
Other real estate related collateral—other loans (e.g., construction loans) (17)	29%-80%	29%-80%	25%-71%
Other real estate related collateral—other securities (18)	N/A (6)	N/A (6)	25%-75%

(1) Most lending values of single-family mortgage loan collateral are in the 50 percent—92 percent range.

(2) Most lending values of FHA/VA loan collateral are in the 28 percent—93 percent range. The lower level of this range, compared to that noted above, reflects additional haircuts applied to advances outstanding based upon members' actual financial performance.

(3) Most lending values of multifamily mortgage loan collateral are in the 40 percent—80 percent range.

(4) Most lending values of U.S. government/U.S. Treasury securities collateral are in the 87 percent—99.5 percent range, with the lowest end of the range assigned to mixed-use municipal securities collateral where the majority of the proceeds are real estate related.

(5) Most lending values of state and local government securities collateral are in the 65 percent—90 percent range.

(6) Certain collateral types are not pledged using blanket and/or listing methods, based upon the FHLBanks' lending and collateral policies.

(7) Most lending values of U.S. agency securities collateral, excluding U.S. agency MBS, are in the 80 percent—99 percent range.

(8) Most lending values of U.S. agency MBS/CMO collateral are in the 55 percent—98 percent range.

(9) Most lending values of non-agency MBS/CMO collateral are in the 25 percent—95 percent range.

(10) Most lending values of other U.S. government-guaranteed mortgage loan collateral are in the 70 percent—95 percent range. However, certain pledged loans guaranteed by the Bureau of Indian Affairs are required to be delivered to an FHLBank; their collateral lending value is 27 percent, which reflects additional haircuts applied to outstanding advances that are collateralized by these loans.

(11) Most lending values of CFI collateral—loans are in the 15 percent—60 percent range.

(12) Most lending values of CFI collateral—securities are at 95 percent.

(13) Most lending values of other real estate related collateral—commercial real estate loans are in the 25 percent—80 percent range.

(14) Most lending values of other real estate related collateral—CMBS are in the 65 percent—91 percent range.

(15) Most lending values of other real estate related collateral—home equity loans and lines of credit are in the 12 percent—71 percent range.

(16) Most lending values of other real estate related collateral—equity securities are in the 60 percent—91 percent range.

(17) Most lending values of other real estate related collateral—other loans are in the 25 percent—70 percent range.

(18) All lending values of other real estate related collateral—other securities are in the 25 percent—75 percent range.

As of December 31, 2009, 74 individual FHLBank members and 11 non-member financial institutions held advance balances of at least $1 billion. When a non-member financial institution acquires some or all of the assets and liabilities of an FHLBank member, including outstanding advances and FHLBank capital stock, an FHLBank may allow those advances to remain outstanding to that non-member financial institution. The non-member borrower would be required to meet all of that FHLBank's credit and collateral requirements, including requirements regarding creditworthiness and collateral borrowing capacity. The advances to the 85 individual FHLBank borrowers (members and non-members) with at least $1 billion of advances outstanding represented approximately $407 billion, or 66 percent, of total advances outstanding at December 31, 2009.

In the aggregate, the advances to the 74 individual FHLBank members represented approximately $355 billion, or 58 percent, of total FHLBank advances outstanding at December 31, 2009, with a weighted-average collateralization ratio of 2.55 (i.e., the total of these 74 individual FHLBank members' eligible collateral divided by these members' advances outstanding at December 31, 2009). Collateral pledged by FHLBank members with at least $1 billion of outstanding advances represented approximately 49 percent of total collateral pledged by all FHLBank members with advances outstanding at December 31, 2009. Eligible collateral values include (a) market values for securities and (b) the unpaid principal balance for all other collateral pledged by delivery, listing or blanket lien. At December 31, 2009, approximately 46 percent of these 74 individual FHLBank members' eligible collateral was pledged by the listing method, with approximately 39 percent pledged in the form of a blanket lien and the remaining 15 percent pledged by the delivery method. On a combined basis, the eligible collateral securing these 74 individual FHLBank members' advances was comprised of the following collateral categories.

Collateral Type	December 31, 2009 Collateral Securing Advances of at Least $1 Billion By Pledging Method			
	Blanket	Listing	Delivery	Total
Single-family mortgage loans	19%	27%	2%	48%
Other real estate related collateral—home equity loans and lines of credit	8%	8%	**	16%
Other real estate related collateral—commercial real estate loans	7%	2%	1%	10%
U.S. agency MBS/CMOs	**	N/A	6%	6%
Multifamily mortgage loans	3%	3%	**	6%
FHA/VA loans	1%	4%	1%	6%
U.S. government/U.S. Treasury securities	**	2%	1%	3%
Non-agency MBS/CMOs	**	N/A	2%	2%
Other real estate related collateral—other loans	1%	**	1%	2%
Other real estate related securities collateral—CMBS	N/A	N/A	1%	1%

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

** Amount represents less than one percent of total.

The FHLBank Act permitted borrowers that qualify as a "community financial institution" (which is defined in the FHLBank Act as an FDIC-insured depository institution that had average assets for the past three calendar years totaling no more than $599 million during 2007 and $625 million during 2008, up until the passage of the Housing Act) also to pledge certain CFI-specific collateral, 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 Housing Act defined community financial institutions for 2008 as depository institutions insured by the FDIC with average total assets over the preceding three-year period of less than $1.0 billion (the average total asset cap), with the average total asset cap adjusted annually for inflation. As of January 1, 2009, the Finance Agency adjusted the average total asset cap to $1.011 billion. Effective January 1, 2010, the average total asset cap is adjusted to $1.029 billion. The FHLBanks that accept CFI-specific collateral mitigate the potential increased credit risk through higher haircuts (lower lending values) on such collateral.

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 listing 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 represented approximately $3.6 billion of the total $615.9 billion of advances outstanding at par value at December 31, 2009. Advances to housing associates represented $608 million of the total $615.9 billion of advances outstanding at par value at December 31, 2009.

During 2009, 127 of the 140 FDIC-insured institutions that failed were members of the FHLBanks. The total amount of advances outstanding to these 127 members at the time of their failure was approximately $20 billion, all of which were either assumed by another member or a non-member institution and/or repaid by the acquiring institution or the FDIC. From January 1, 2010 to March 15, 2010, 26 of the 30 FDIC-insured institutions that failed were members of the FHLBanks. The total amount of advances outstanding to these 26 members at the time of their failure was approximately $2 billion, all of which were either assumed by another member or a non-member institution and/or repaid by the acquiring institution or the FDIC. No FHLBank incurred any credit loss on any of the related advances outstanding. All extensions of credit by the FHLBanks to members are secured by eligible collateral. However, if a member were to default, and the value of the collateral pledged by the member declined to a point such that an FHLBank was unable to realize sufficient value from the pledged collateral to cover the member's obligations and an FHLBank was unable to obtain additional collateral to make up for the reduction in value of such collateral, that FHLBank could incur losses. A default by a member with significant obligations to an FHLBank could result in significant financial losses, which would adversely affect the FHLBank's results of operations and financial condition.

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

Investments. The FHLBanks are subject to credit risk on investments consisting of investment securities, interest-bearing deposits, securities purchased under agreements to resell and Federal funds sold. At December 31, 2009, the carrying value of the FHLBanks' investments was $284.4 billion, as compared to $305.9 billion at December 31, 2008.

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

- instruments, such as common stock, that represent an ownership in an entity, other than stock in small business investment companies, or certain investments targeted at low-income persons or communities;

- instruments issued by non-U.S. entities, other than those issued by U.S. branches and agency offices of foreign commercial banks (e.g., Federal funds);

- non-investment grade debt instruments, other than certain investments targeted at low-income persons or communities and instruments that were downgraded after their purchase by the FHLBank;

- whole mortgages or other whole loans, or interests in mortgages or loans, other than:

1) whole mortgages or loans acquired under an FHLBank's mortgage purchase program;

2) certain investments targeted to low-income persons or communities;

3) certain marketable direct obligations of state, local, or tribal government units or agencies, having at least the second-highest credit rating from an NRSRO;

4) mortgage-backed securities or asset-backed securities backed by manufactured housing loans, home equity loans, and pools of commercial and residential mortgage loans that are labeled as subprime or having certain subprime characteristics; and

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

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

The FHLBanks further mitigate credit risk on investment securities by investing in highly-rated investment securities. During 2009, the percent of mortgage-backed securities held by the FHLBanks that were rated triple-A decreased to 77.6 percent at December 31, 2009 from 93.0 percent at December 31, 2008. This decrease was primarily a result of the continued downgrades of private-label RMBS securities.

Investment Securities Ratings
(Dollar amounts in millions)

Investment Rating	December 31, 2009*		December 31, 2008**	
	Amount	Percentage of Total Investments	Amount	Percentage of Total Investments
Long-term rating				
Triple-A	$152,302	68.4%	$174,425	82.6%
Double-A	21,022	9.5%	12,619	6.0%
Single-A	14,476	6.5%	13,084	6.2%
Triple-B	4,384	2.0%	3,144	1.5%
Below investment grade				
Double-B	4,325	1.9%	1,576	0.8%
Single-B	4,408	2.0%	645	0.3%
Triple-C	8,732	3.9%	312	0.1%
Double-C	2,452	1.1%		
Single-C	393	0.2%		
Single-D	59	0.0%		
Short-term rating				
A-1 or higher/P-1	9,715	4.4%	5,372	2.5%
A-2/P-2	250	0.1%		
Unrated investment securities	50	0.0%	56	0.0%
Total	$222,568	100.0%	$211,233	100.0%

* This chart does not reflect any changes in rating, outlook or watch status occurring after December 31, 2009. These ratings represent the lowest NRSRO rating available for each security owned by each applicable FHLBank.

** This chart does not reflect any changes in rating, outlook or watch status occurring after December 31, 2008. These ratings represent the lowest NRSRO rating available for each security owned by each applicable FHLBank.

The following table represents rating agency actions taken with respect to the following categories of investment securities during the period from January 1, 2010 through March 15, 2010:

Investment Securities
Downgraded and/or Placed on Negative Watch (1)
from January 1, 2010 through March 15, 2010
(Dollar amounts in millions)

	Based on Carrying Values as of December 31, 2009		
	Downgraded and Stable	Downgraded and Placed on Negative Watch	Not Downgraded but Placed on Negative Watch
Private-label RMBS:			
Percentage of total private-label RMBS	9%	0%	17%
Amount of private-label RMBS rated below investment grade:			
Double-B	$ 204	$	$1,285
Single-B	783		1,286
Triple-C	1,807		1,529
Double-C	597		
Total	$3,391	$	$4,100
Private-label CMBS:			
Percentage of total private-label CMBS	0%	0%	0%
Total private-label CMBS rated below investment grade	$	$	$
Manufactured housing loan investments:			
Percentage of total manufactured housing loan investments	43%	0%	0%
Total manufactured housing loan investments rated below investment grade	$	$	$
Home equity loan investments:			
Percentage of total home equity loan investments	1%	0%	12%
Amount of home equity loan investments rated below investment grade:			
Double-B	$	$	$ 16
Single-B			35
Triple-C			65
Double-C	1		
Single-C			13
Total	$ 1	$	$ 129

Investment Securities
Downgraded and/or Placed on Negative Watch (1)
from January 1, 2010 through March 15, 2010 (continued)
(Dollar amounts in millions)

	Based on Carrying Values as of December 31, 2009		
	Downgraded and Stable	Downgraded and Placed on Negative Watch	Not Downgraded but Placed on Negative Watch
Total private-label RMBS and CMBS, manufactured housing loans and home equity loan investments:			
Percentage of total investment securities	3%	0%	5%
Amount of total private-label RMBS and CMBS, manufactured housing loans and home equity loan investments rated below investment grade:			
Double-B	$ 204	$	$1,301
Single-B	783		1,321
Triple-C	1,807		1,594
Double-C	598		
Single-C			13
Total	$3,392	$	$4,229
Total non-MBS:			
Percentage of total investment securities	3%	0%	0%
Amount of non-MBS investment securities rated below investment grade-total	$	$	$

(1) Represents the lowest rating available for each security based on NRSROs used by each FHLBank.

Mortgage-Backed Securities. The FHLBanks invest in and are subject to credit risk related to MBS issued by Federal agencies, GSEs and private-label issuers that are directly supported by underlying mortgage loans.

Private-label MBS. The FHLBanks classify private-label RMBS and CMBS, manufactured housing loans and home equity loan investments as prime, Alt-A or subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS. In some cases, the NRSROs may have changed their classification subsequent to origination, which would not necessarily be reflected in the tables noted on the following pages.

Unpaid Principal Balance of Private-Label Mortgage-Backed Securities Manufactured Housing Loans and Home Equity Loan Investments by Fixed Rate or Variable Rate (1) (Dollar amounts in millions)

	December 31, 2009			December 31, 2008		
	Fixed Rate	Variable Rate	Total	Fixed Rate	Variable Rate	Total
Private-label RMBS:						
Prime	$10,915	$19,559	$30,474	$18,307	$22,933	$41,240
Alt-A	9,908	15,923	25,831	13,480	16,788	30,268
Subprime		13	13		21	21
Total private-label RMBS	20,823	35,495	56,318	31,787	39,742	71,529
Private-label CMBS:						
Prime	274	10	284	924	10	934
Total private-label CMBS	274	10	284	924	10	934
Manufactured housing loans:						
Prime		**	**		1	1
Subprime	224		224	254		254
Total manufactured housing loans	224	**	224	254	1	255
Home equity loan investments:						
Prime		N/A	N/A		4	4
Alt-A		61	61		72	72
Subprime	454	1,441	1,895	521	1,632	2,153
Total home equity loan investments	454	1,502	1,956	521	1,708	2,229
Total private-label MBS, manufactured housing loans and home equity loan investments	$21,775	$37,007	$58,782	$33,486	$41,461	$74,947

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

N/A Not applicable as prime home equity loan investments were paid off during 2009 and are no longer outstanding as of December 31, 2009.

** Represents an amount less than $1 million.

At December 31, 2009, the carrying values of the private-label mortgage-backed securities, manufactured housing loans and home equity loan investments were as follows:

- combined private-label RMBS of $45,991 million;
- combined private-label CMBS of $284 million;
- combined manufactured housing loans of $224 million; and
- combined home equity loan investments of $1,271 million.

The following tables present credit ratings of private-label RMBS and CMBS, manufactured housing loans and home equity loan investments at December 31, 2009. Of the total unpaid principal balance of private-label RMBS and CMBS, manufactured housing loans and home equity loan investments, prime represented 52.3 percent, Alt-A represented 44.1 percent and subprime represented 3.6 percent. Of the $152.0 billion carrying value of total mortgage-backed securities investments held by the FHLBanks at December 31, 2009, less than 2 percent were categorized as subprime by the originator at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

**Unpaid Principal Balance of Private-Label Mortgage-Backed Securities,
Manufactured Housing Loans and Home Equity Loan Investments
By Year of Securitization*
At December 31, 2009
(Dollar amounts in millions)**

	Prime (1)						
Year of Securitization	Triple-A	Double-A	Single-A	Triple-B	Below Investment Grade	Unrated	Total
Private-label RMBS:							
2008	$	$	$ 91	$ 44	$ 555	$	$ 690
2007	182	64	89	209	4,699		5,243
2006	376	194	395	475	4,475		5,915
2005	498	532	1,377	599	2,515		5,521
2004 and prior	9,605	1,452	1,748	174	126		13,105
Total	10,661	2,242	3,700	1,501	12,370		30,474
Private-label CMBS:							
2004 and prior	284						284
Total	284						284
Manufactured housing loans:							
2004 and prior	**						**
Manufactured housing loan total	**						**
Total prime private-label RMBS and CMBS, manufactured housing loans and home equity loan investments	$10,945	$2,242	$3,700	$1,501	$12,370	$	$30,758

	Alt-A (1)						
Year of Securitization	Triple-A	Double-A	Single-A	Triple-B	Below Investment Grade	Unrated	Total
Private-label RMBS:							
2008	$ 314	$	$	$ 377	$ 277	$	$ 968
2007	24			67	7,630		7,721
2006	28		16	170	4,803		5,017
2005	123	510	1,044	2,097	4,196		7,970
2004 and prior	2,088	951	879	157	80		4,155
Total	2,577	1,461	1,939	2,868	16,986		25,831
Home equity loan investments:							
2006		23					23
2005			5				5
2004 and prior					33		33
Total		23	5		33		61
Total Alt-A private-label RMBS and CMBS, manufactured housing loans and home equity loan investments	$2,577	$1,484	$1,944	$2,868	$17,019	$	$25,892

Unpaid Principal Balance of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments By Year of Securitization* At December 31, 2009 (continued) (Dollar amounts in millions)

	Subprime (1)						
Year of Securitization	Triple-A	Double-A	Single-A	Triple-B	Below Investment Grade	Unrated	Total
Private-label RMBS:							
2004 and prior	$ 7	$	$ 2	$	$ 4	$	$ 13
Total	7		2		4		13
Manufactured housing loans:							
2004 and prior		224					224
Total		224					224
Home equity loan investments:							
2007					46		46
2006	28		20	66	979		1,093
2005	4	20	7	18	85		134
2004 and prior	244	98	50	44	181	5	622
Total	276	118	77	128	1,291	5	1,895
Total subprime private-label RMBS and CMBS, manufactured housing loans and home equity loan investments	$ 283	$ 342	$ 79	$ 128	$ 1,295	$5	$ 2,132
Total private-label RMBS and CMBS, manufactured housing loans and home equity loan investments	$13,805	$4,068	$5,723	$4,497	$30,684	$5	$58,782

* Represents the lowest ratings available for each security based on NRSROs used by each FHLBank.

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

** Represents an amount less than $1 million.

Credit Ratings of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments (1)
At December 31, 2009*
(Dollar amounts in millions)

	Unpaid Principal Balance	Amortized Cost	Gross Unrealized Losses	Weighted-Average Collateral Delinquency Percentage (2)
Private-label RMBS Triple-A:				
Prime	$10,661	$10,607	$ (607)	3%
Alt-A	2,577	2,580	(342)	9%
Subprime	7	7	(2)	36%
Total Private-label RMBS Triple-A	13,245	13,194	(951)	4%
Private-label RMBS Double-A:				
Prime	2,242	2,227	(266)	7%
Alt-A	1,461	1,467	(307)	13%
Total Private-label RMBS Double-A	3,703	3,694	(573)	9%
Private-label RMBS Single-A:				
Prime	3,700	3,687	(528)	8%
Alt-A	1,939	1,944	(475)	14%
Subprime	2	2	(1)	13%
Total Private-label RMBS Single-A	5,641	5,633	(1,004)	10%
Private-label RMBS Triple-B:				
Prime	1,501	1,488	(190)	9%
Alt-A	2,868	2,865	(847)	18%
Total Private-label RMBS Triple-B	4,369	4,353	(1,037)	15%
Private-label RMBS Below Investment Grade:				
Prime	12,370	11,617	(2,722)	16%
Alt-A	16,986	15,411	(5,754)	34%
Subprime	4	4	(2)	29%
Total Private-label RMBS Below Investment Grade	29,360	27,032	(8,478)	27%
Total Private-label RMBS prime	30,474	29,626	(4,313)	10%
Total Private-label RMBS Alt-A	25,831	24,267	(7,725)	27%
Total Private-label RMBS subprime	13	13	(5)	30%
Total Private-label RMBS	$56,318	$53,906	$(12,043)	18%

	Unpaid Principal Balance	Amortized Cost	Gross Unrealized Losses	Weighted-Average Collateral Delinquency Percentage (2)
Private-label CMBS Triple-A:				
Prime	$284	$284	$(5)	4%
Total Private-label CMBS Triple-A	284	284	(5)	4%
Total Private-label CMBS prime	284	284	(5)	4%
Total Private-label CMBS	$284	$284	$(5)	4%

Credit Ratings of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments (1) (continued)
At December 31, 2009*
(Dollar amounts in millions)

	Unpaid Principal Balance	Amortized Cost	Gross Unrealized Losses	Weighted-Average Collateral Delinquency Percentage (2)
Manufactured housing loans Triple-A:				
Prime	$ **	$ **	$ **	2%
Total Manufactured housing loans Triple-A	**	**	**	2%
Manufactured housing loans Double-A:				
Subprime	224	224	(43)	4%
Total manufactured housing loans Double-A	224	224	(43)	4%
Total manufactured housing loans prime	**	**	**	2%
Total manufactured housing loans subprime	224	224	(43)	4%
Total manufactured housing loans	$224	$224	$(43)	4%

	Unpaid Principal Balance	Amortized Cost	Gross Unrealized Losses	Weighted-Average Collateral Delinquency Percentage (2)
Home equity loan investments Triple-A:				
Subprime	$ 276	$ 272	$ (66)	23%
Total home equity investments Triple-A	276	272	(66)	23%
Home equity loan investments Double-A:				
Alt-A	23	24	(12)	3%
Subprime	118	116	(26)	17%
Total home equity investments Double-A	141	140	(38)	15%
Home equity loan investments Single-A:				
Alt-A	5	6	(3)	0%
Subprime	77	73	(18)	25%
Total home equity investments Single-A	82	79	(21)	23%
Home equity loan investments Triple-B:				
Subprime	128	123	(27)	33%
Total home equity investments Triple-B	128	123	(27)	33%
Home equity loan investments Below Investment Grade:				
Alt-A	33	26	(13)	12%
Subprime	1,291	1,045	(394)	48%
Total home equity investments Below Investment Grade	1,324	1,071	(407)	47%
Home equity loan investments Unrated:				
Subprime	5	6	(1)	0%
Total home equity investments Unrated	5	6	(1)	0%

Credit Ratings of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments (1) (continued)
At December 31, 2009*
(Dollar amounts in millions)

	Unpaid Principal Balance	Amortized Cost	Gross Unrealized Losses	Weighted-Average Collateral Delinquency Percentage (2)
Total Home equity loan investments Alt-A	$ 61	$ 56	$ (28)	7%
Total Home equity loan investments subprime	1,895	1,635	(532)	40%
Total Home equity loan investments	$1,956	$1,691	$(560)	39%

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

* Represents the lowest ratings available for each security based on NRSROs used by each FHLBank.

** Represents an amount less than $1 million.

(2) Weighted-average collateral delinquency rate is determined based on the underlying loans that are 60 days or more past due. The reported delinquency percentage represents the weighted-average based on the unpaid principal balance of the individual securities in the category and their respective delinquencies.

The following table summarizes rating agency actions on private-label MBS held by the FHLBanks subsequent to December 31, 2009.

Rating Agency Actions* on Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments from January 1, 2010 to March 15, 2010
(Dollar amounts in millions)

	Total Downgraded		Downgraded from AAA									
			To AA		To A		To BBB		To Below Investment Grade		Total Downgraded from AAA	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Private-label RMBS	$1,767	$1,534	$132	$122	$	$	$180	$122	$96	$89	$408	$333
Home equity loan investments	107	84	11	10							11	10
Total	$1,874	$1,618	$143	$132			$180	$122	$96	$89	$419	$343

	Downgraded from AA							
	To A		To BBB		To Below Investment Grade		Total Downgraded from AA	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Private-label RMBS	$	$	$358	$316	$	$	$358	$316
Home equity loan investments	96	74					96	74
Total	$96	$74	$358	$316	$	$	$454	$390

Rating Agency Actions* on Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments from January 1, 2010 to March 15, 2010 (continued)
(Dollar amounts in millions)

	Downgraded from A						Downgraded from BBB	
	To BBB		To Below Investment Grade		Total Downgraded from A		To Below Investment Grade	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Private-label RMBS	$258	$190	$12	$10	$270	$200	$731	$685
Total	$258	$190	$12	$10	$270	$200	$731	$685

* Represents the lowest ratings available for each security based on NRSROs used by each FHLBank.

Of the $222.6 billion of total investment securities held by the FHLBanks at December 31, 2009, a total of $21.2 billion of MBS investments was rated below investment grade as of March 15, 2010; $20.4 billion of this amount was rated below investment grade at December 31, 2009, and an additional $839 million was downgraded to below investment grade from January 1, 2010 through March 15, 2010.

The broad-based deterioration of credit performance related to residential mortgage loans and the accompanying decline in U.S. residential real estate values as well as increasing collateral delinquency rates have increased the level of credit risk to which the FHLBanks are exposed in their investments in mortgage-related securities. The estimated fair value of the FHLBanks' investments in private-label MBS, manufactured housing loans and home equity loan investments with a total carrying value of $47.8 billion, was $44.2 billion at December 31, 2009. The following table summarizes private-label RMBS and CMBS, manufactured housing loans and home equity loan investments fair values as a percentage of unpaid principal balances.

Private-Label Mortgage Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments Fair Value as a Percentage of Unpaid Principal Balance by Year of Securitization (1)

Year of Securitization	December 31, 2009	December 31, 2008
Private-label RMBS:		
Prime (1):		
2008	79.7%	67.9%
2007	74.0%	73.0%
2006	76.6%	70.7%
2005	82.7%	73.0%
2004 and earlier	92.2%	84.3%
Weighted-average of all prime	84.0%	77.8%
Alt-A (1):		
2008	59.5%	78.4%
2007	57.8%	53.2%
2006	58.6%	54.4%
2005	67.8%	63.4%
2004 and earlier	86.3%	80.3%
Weighted-average of all Alt-A	65.7%	62.2%
Subprime (1):		
2004 and earlier	61.2%	73.5%
Weighted-average of all subprime	61.2%	73.5%

Private-Label Mortgage Backed Securities,
Manufactured Housing Loans and Home Equity Loan Investments
Fair Value as a Percentage of Unpaid Principal Balance by Year of Securitization (1)
(continued)

Year of Securitization	December 31, 2009	December 31, 2008
Private-label CMBS		
Prime (1):		
2004 and earlier	99.6%	95.4%
Weighted-average of all prime	99.6%	95.4%

Year of Securitization	December 31, 2009	December 31, 2008
Manufactured Housing Loans:		
Prime (1):		
2004 and earlier	95.5%	98.1%
Weighted-average of all prime	95.5%	98.1%
Subprime (1):		
2004 and earlier	80.7%	66.9%
Weighted-average of all subprime	80.7%	66.9%

Year of Securitization	December 31, 2009	December 31, 2008
Home Equity Loan Investments:		
Prime (1):		
2004 and earlier	N/A	70.9%
Weighted-average of all prime	N/A	70.9%
Alt-A (1):		
2006	44.3%	59.3%
2005	43.2%	41.2%
2004 and earlier	42.8%	36.7%
Weighted-average of all Alt-A	43.4%	44.9%
Subprime (1):		
2007	49.9%	33.6%
2006	52.9%	52.8%
2005	82.8%	86.2%
2004 and earlier	68.2%	65.3%
Weighted-average of all subprime	59.9%	60.0%
Totals:		
Private-label RMBS:	75.6%	71.2%
Private-label CMBS	99.6%	95.4%
Manufactured Housing Loans:	80.7%	67.0%
Home Equity Loan Investments:	59.4%	59.6%
Grand total	75.2%	71.2%

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

N/A Not applicable as prime home equity loan investments were paid off during 2009 and are no longer outstanding as of December 31, 2009.

The table below summarizes, by loan type, characteristics of private-label RMBS and CMBS, home equity loan investments and manufactured housing loans in a gross unrealized loss position at December 31, 2009. The lowest ratings available for each security is reported as of March 15, 2010 based on the security's unpaid principal balance at December 31, 2009. The FHLBanks held a total of $6,134 million in Alt-A Option ARMs based on unpaid principal balance at December 31, 2009 as disclosed in the following table:

Private-Label Mortgage Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments in a Loss Position at December 31, 2009 and Credit Ratings as of March 15, 2010 (1) (Dollar amounts in millions)

	December 31, 2009					March 15, 2010 MBS Ratings Based on December 31, 2009 Unpaid Principal Balance (2)(3)			
	Unpaid Principal Balance	Amortized Cost	Gross Unrealized Losses	Weighted-Average Collateral Delinquency Rate(4)	Percentage Rated Triple-A	Percentage Rated Triple-A	Percentage Rated Investment Grade	Percentage Rated Below Investment Grade	Percentage on Watchlist
Private-label RMBS backed by:									
Prime loans:									
First lien	$29,450	$28,622	$ (4,313)	10%	33%	33%	24%	43%	21%
Total private-label RMBS backed by prime loans	29,450	28,622	(4,313)	10%	33%	33%	24%	43%	21%
Alt-A and other loans:									
Alt-A option arm	6,134	5,570	(2,527)	43%	0%	0%	4%	96%	39%
Alt-A other	19,652	18,661	(5,198)	22%	13%	11%	28%	61%	29%
Total private-label RMBS backed by Alt-A and other loans	25,786	24,231	(7,725)	27%	10%	8%	23%	69%	31%
Subprime loans:									
First lien	13	13	(5)	30%	51%	51%	17%	32%	50%
Total private-label RMBS backed by subprime loans	13	13	(5)	30%	51%	51%	17%	32%	50%
Private-label CMBS backed by:									
Prime loans:									
First lien	132	132	(5)	6%	100%	100%	0%	0%	0%
Total private-label CMBS backed by prime loans	132	132	(5)	6%	100%	100%	0%	0%	0%

Private-Label Mortgage Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments in a Loss Position at December 31, 2009 and Credit Ratings as of March 15, 2010 (1) (continued)
(Dollar amounts in millions)

	December 31, 2009					March 15, 2010 MBS Ratings Based on December 31, 2009 Unpaid Principal Balance (2)(3)			
	Unpaid Principal Balance	Amortized Cost	Gross Unrealized Losses	Weighted-Average Collateral Delinquency Rate(4)	Percentage Rated Triple-A	Percentage Rated Triple-A	Percentage Rated Investment Grade	Percentage Rated Below Investment Grade	Percentage on Watchlist
Manufactured housing loans backed by:									
Prime loans:									
First lien	**	**	**	2%	100%	100%	0%	0%	0%
Total manufactured housing loans backed by prime loans	**	**	**	2%	100%	100%	0%	0%	0%
Subprime loans:									
First lien	223	223	(43)	4%	0%	0%	100%	0%	0%
Total manufactured housing loans backed by subprime loans	223	223	(43)	4%	0%	0%	100%	0%	0%
Home equity loan investments backed by:									
Prime loans:									
Alt-A and other loans:									
Alt-A other	61	55	(28)	7%	0%	0%	46%	54%	0%
Total home equity loan investments backed by Alt-A loans	61	55	(28)	7%	0%	0%	46%	54%	0%
Subprime loans:									
First lien	1,522	1,287	(439)	46%	9%	8%	15%	77%	28%
Second lien	10	9	(4)	32%	8%	8%	0%	92%	0%
Total home equity loan investments backed by subprime loans	1,532	1,296	(443)	46%	9%	8%	15%	77%	28%
Other—Not Classified (5)	343	328	(89)	15%	42%	42%	31%	27%	0%
Total private-label RMBS, private-label CMBS, manufactured housing loans, home equity loan investments, and other—not classified	$57,540	$54,900	$(12,651)	19%	22%	21%	24%	55%	25%

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

(2) Excludes paydowns in full subsequent to December 31, 2009.

(3) Represents the lowest ratings available for each security based on NRSROs used by each FHLBank.

(4) Weighted-average credit support is based on the credit support as December 31, 2009. The reported credit support percentage represents the weighted-average based on the unpaid principal balance of the individual securities in the category and their respective credit support as of December 31, 2009.

(5) The FHLBank of New York owns certain private-label securities that were acquired prior to 2004 for which only the original lien information is available. The current lien information is not available. In certain instances, the servicer is no longer in business to provide this information. In other instances, the servicers were never required to track the information subsequent to origination. As a result, third-party providers of such information or existing servicers do not have current lien information.

** Represents an amount less than $1 million.

Other-Than-Temporarily Impaired Securities. The housing market continues to be depressed, with great variations in market performance from region to region throughout the country. Housing prices are low and still falling in many areas, although there are signs of increasing stability in other areas. Delinquency and foreclosure rates have continued to rise. While the agency MBS market is active in funding new mortgage originations, the private-label MBS market has not recovered. The commercial real estate market is still trending downward.

As a result of each FHLBank's evaluations, at December 31, 2009, the FHLBanks recognized OTTI losses related to an aggregate amount of $18,320 million of unpaid principal balance in held-to-maturity MBS investments and $8,696 million of unpaid principal balance related to available-for-sale securities, as described in Note 8—Other-Than-Temporary Impairment Analysis. The FHLBanks recognized total OTTI charges of $2,431 million during 2009 related to the credit losses on total MBS instruments and the impairment related to net noncredit portion of $8,766 million.

If current conditions in the mortgage markets and general business and economic conditions continue or deteriorate further than currently anticipated, the fair value of private-label MBS may decline further and the FHLBanks may incur OTTI losses on additional private-label MBS in future periods, as well as further impairment of those securities that were identified as other-than-temporarily impaired as of December 31, 2009. Furthermore, federal and state government authorities, as well as private entities, such as financial institutions and the servicers of residential mortgage loans, have begun or promoted implementation of programs designed to provide homeowners with assistance in avoiding residential mortgage loan foreclosures. These loan modification programs, as well as future legislative, regulatory, or other actions, including amendments to the bankruptcy laws, that result in the modification of outstanding mortgage loans, may adversely affect the value of, and the returns on, these mortgage loans or MBS related to these mortgage loans.

Private-label MBS Collateral Statistics. The FHLBanks generally purchase private-label MBS rated triple-A (or its equivalent) by an NRSRO, such as Moody's or S&P, at the time of purchase based on structural credit enhancements designed to withstand a significant increase in defaults combined with a sharp downturn in housing prices. Each FHLBank typically requires, at the time of purchase, credit enhancement that it believes to be above the amounts required for a triple-A credit rating by an NRSRO for non-agency mortgage-backed securities. Structural credit enhancements include subordination and over-collateralization that are designed to absorb losses before an FHLBank will incur a loss on a security. Credit enhancement achieved through senior-subordinated features results in the subordination of payments to junior classes to ensure cash flows are received by senior classes held by investors such as the FHLBanks. In addition, monoline financial guarantors provide credit protection on some of the FHLBanks' securities in a form of secondary guarantees based on certain performance triggers. See the "Monoline Insurance/Third-party Guarantors Credit Ratings and Outlook Table" for ratings and outlook status as of March 30, 2010. New loan modifications could affect the valuations and credit enhancements of the FHLBanks' mortgage-backed securities.

Credit Enhancement and Collateral Performance of Private-Label Mortgage Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments (1)

	Original Weighted-Average Credit Support (2)	Weighted-Average Credit Support at December 31, 2009 (3)	Weighted-Average Collateral Delinquency at December 31, 2009 (4)
Private-label RMBS by Year of Securitization			
Prime:			
2008	51%	24%	18%
2007	20%	12%	15%
2006	23%	9%	14%
2005	11%	9%	10%
2004 and earlier	25%	6%	4%
Total prime	22%	9%	10%
Alt-A:			
2008	39%	34%	25%
2007	49%	31%	36%
2006	41%	24%	39%
2005	57%	16%	21%
2004 and earlier	37%	10%	9%
Total Alt-A	48%	22%	27%
Subprime:			
2004 and earlier	33%	55%	30%
Total subprime	33%	55%	30%
Total private-label RMBS	34%	15%	18%

	Original Weighted-Average Credit Support (2)	Weighted-Average Credit Support at December 31, 2009 (3)	Weighted-Average Collateral Delinquency at December 31, 2009 (4)
Private-label CMBS by Year of Securitization			
Prime:			
2004 and earlier	22%	28%	4%
Total prime	22%	28%	4%
Total private-label CMBS	22%	28%	4%

Credit Enhancement and Collateral Performance of Private-Label Mortgage Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments (1) (continued)

	Original Weighted-Average Credit Support (2)	Weighted-Average Credit Support at December 31, 2009 (3)	Weighted-Average Collateral Delinquency at December 31, 2009 (4)
Manufactured housing loans by Year of Securitization			
Prime:			
2004 and earlier	22%	86%	2%
Total prime	22%	86%	2%
Subprime:			
2004 and earlier	55%	53%	4%
Total subprime	55%	53%	4%
Total manufactured housing loans	55%	53%	4%

	Original Weighted-Average Credit Support (2)	Weighted-Average Credit Support at December 31, 2009 (3)	Weighted-Average Collateral Delinquency at December 31, 2009 (4)
Home equity loan investments by Year of Securitization			
Alt-A:			
2006	0%	0%	3%
2005	3%	11%	0%
2004 and earlier	0%	3%	12%
Total Alt-A	0%	3%	7%
Subprime:			
2007	25%	37%	51%
2006	23%	31%	52%
2005	22%	48%	47%
2004 and earlier	55%	64%	18%
Total subprime	33%	43%	40%
Total home equity loan investments	32%	42%	39%

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

(2) Original weighted-average credit support is based on the credit support at the time of issuance. The reported original credit support percentage represents the weighted-average based on the unpaid principal balance of the individual securities in the category and their respective original credit support.

(3) Weighted-average credit support is based on the credit support as December 31, 2009. The reported credit support percentage represents the weighted-average based on the unpaid principal balance of the individual securities in the category and their respective credit support as of December 31, 2009.

(4) Weighted-average collateral delinquency rate is determined based on the underlying loans that are 60 days or more past due. The reported delinquency percentage represents the weighted-average based on the unpaid principal balance of the individual securities in the category and their respective delinquencies.

Monoline Insurance. Certain FHLBanks' investment securities portfolios include a limited number of investments which are insured by third-party monoline bond insurers/guarantors. The bond

insurance on these investments generally guarantees the timely payments of principal and interest if these payments cannot be satisfied from the cash flows of the underlying mortgage collateral. The affected FHLBanks closely monitor the financial condition of these bond insurers/guarantors on an ongoing basis.

The following table shows the FHLBanks' private-label RMBS and CMBS, manufactured housing loans, and home equity loan investments covered by monoline insurance and related gross unrealized losses.

Monoline Insurance Coverage and Related Unrealized Losses of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments By Year of Securitization At December 31, 2009 (1) (Dollar amounts in millions)

	Alt-A (2)									
	AMBAC Assurance Corp.		Assured Guaranty Municipal Corp. (3)		MBIA Insurance Corp.		Other		Total	
Year of Securitization	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses
Private-label RMBS:										
2007	$ 89	$(17)	$24	$ (3)	$	$	$	$	$113	(20)
2006	18	(8)							18	(8)
2005	37	(14)							37	(14)
2004 and prior	2								2	
Total	146	(39)	24	(3)					170	(42)
Private-label CMBS Total										
Manufactured housing loans Total										
Home equity loan investments:										
2006			23	(13)					23	(13)
2005	5	(3)							5	(3)
2004 and prior	12	(4)			18	(7)	4	(2)	34	(13)
Total	17	(7)	23	(13)	18	(7)	4	(2)	62	(29)
Total private-label MBS, manufactured housing loans and home equity loan investments	$163	$(46)	$47	$(16)	$18	$(7)	$4	$(2)	$232	$(71)

Monoline Insurance Coverage and Related Unrealized Losses of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments By Year of Securitization At December 31, 2009 (1) (continued) (Dollar amounts in millions)

	Subprime (2)									
	AMBAC Assurance Corp.		Assured Guaranty Municipal Corp. (3)		MBIA Insurance Corp.		Other		Total	
Year of Securitization	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses
Private-label RMBS:										
2004 and prior	$	$	$	$	$ 3	$ (2)	$	$	$ 3	$ (2)
Total					3	(2)			3	(2)
Private-label CMBS Total										
Manufactured housing loans:										
2004 and prior			202	(37)					202	(37)
Total			202	(37)					202	(37)
Home equity loan investments:										
2004 and prior	215	(64)	87	(19)	59	(19)	19	(4)	380	(106)
Total	215	(64)	87	(19)	59	(19)	19	(4)	380	(106)
Total private-label MBS, manufactured housing loans and home equity loan investments	$215	$(64)	$289	$(56)	$62	$(21)	$19	$(4)	$585	$(145)

Monoline Insurance Coverage and Related Unrealized Losses of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments By Year of Securitization At December 31, 2008 (Dollar amounts in millions)

	Prime (2)									
	AMBAC Assurance Corp.		Assured Guaranty Municipal Corp. (3)		MBIA Insurance Corp.		Other		Total	
Year of Securitization	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses
Private-label RMBS:										
2003 and prior	$1	$	$	$	$	$	$	$	$ 1	$
Total	1								1	
Private-label CMBS:										
2003 and prior					9				9	
Total					9				9	
Manufactured housing loans Total										
Home equity loan investments:										
2003 and prior	4	(1)			2	(1)	5		11	(2)
Total	4	(1)			2	(1)	5		11	(2)
Total private-label MBS, manufactured housing loans and home equity loan investments	$5	$(1)	$	$	$11	$(1)	$5	$	$21	$(2)

Monoline Insurance Coverage and Related Unrealized Losses of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments By Year of Securitization At December 31, 2008 (continued) (Dollar amounts in millions)

	Alt-A (2)									
	AMBAC Assurance Corp.		Assured Guaranty Municipal Corp. (3)		MBIA Insurance Corp.		Other		Total	
Year of Securitization	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses
Private-label RMBS:										
2007	$108	$(34)	$42	$ (8)	$ —	$ —	$ —	$ —	$150	$ (42)
2006	21	(4)							21	(4)
2005	44	(19)							44	(19)
2003 and prior	2	—	—	—	3	—	—	—	5	—
Total	175	(57)	42	(8)	3	—	—	—	220	(65)
Private-label CMBS Total	—	—	—	—	—	—	—	—	—	—
Manufactured housing loans Total	—	—	—	—	—	—	—	—	—	—
Home equity loan investments:										
2006			25	(10)					25	(10)
2005	6	(3)							6	(3)
2004	16	(10)	—	—	21	(14)	4	—	41	(24)
Total	22	(13)	25	(10)	21	(14)	4	—	72	(37)
Total private-label MBS, manufactured housing loans and home equity loan investments	$197	$(70)	$67	$(18)	$24	$(14)	$ 4	$ —	$292	$(102)

	Subprime (2)									
	AMBAC Assurance Corp.		Assured Guaranty Municipal Corp. (3)		MBIA Insurance Corp.		Other		Total	
Year of Securitization	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses
Private-label RMBS Total	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Private-label CMBS Total	—	—	—	—	—	—	—	—	—	—
Manufactured housing loans:										
2003 and prior	—	—	230	(75)	—	—	—	—	230	(75)
Total	—	—	230	(75)	—	—	—	—	230	(75)
Home equity loan investments:										
2004							10	(2)	10	(2)
2003 and prior	255	(105)	95	(30)	63	(20)	8	(1)	421	(156)
Total	255	(105)	95	(30)	63	(20)	18	(3)	431	(158)
Total private-label MBS, manufactured housing loans and home equity loan investments	$255	$(105)	$325	$(105)	$63	$(20)	$18	$ (3)	$661	$(233)

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(1) At December 31, 2009 the FHLBanks' private-label RMBS and CMBS, manufactured housing loans, and home equity loan investments covered by monoline insurance and related gross unrealized losses were less than $1 million.

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

(3) Formerly Financial Security Assurance, Inc.

The monoline bond insurers/guarantors have been subject to adverse ratings, rating downgrades and weakening financial performance measures. A rating downgrade implies an increased risk that the insurer/guarantor will fail to fulfill its obligations to reimburse the insured investor for claims made under the related insurance policies. The following table provides the credit ratings of these third-party insurers/guarantors. (Please see "Critical Accounting Estimates—OTTI for Investment Securities" for information regarding the FHLBanks' processes for evaluating monoline insurance for purposes of OTTI analysis.)

Monoline Insurance/Third-party Guarantors Credit Ratings and Outlook
As of March 30, 2010

	Moody's		S&P		Fitch	
	Credit Rating	Outlook	Credit Rating	Outlook	Credit Rating	Outlook
AMBAC Assurance Corporation (AMBAC)	Caa2	Under review	R(1)	R(1)	Not Rated	Not Rated
Assured Guaranty Municipal Corp. (formerly Financial Security Assurance, Inc.)	Aa3	Negative	AAA	Negative	Not Rated	Not Rated
MBIA Insurance Corporation	B3	Negative	BB+	Negative	Not Rated	Not Rated
XL Capital Assurance, Inc. (Syncora Guarantee Inc.)	Ca	Developing	R(2)	R(2)	Not Rated	Not Rated
Financial Guaranty Insurance Company (3)	Withdrawn	Withdrawn	Not Rated	Not Rated	Not Rated	Not Rated
Fannie Mae/Freddie Mac	Aaa	Stable	N/A(4)	N/A(4)	AAA	Stable

(1) AMBAC's regulatory rehabilitation proceedings commenced on March 24, 2010, due to its financial condition.

(2) Under regulatory supervision, as of April 27, 2009, due to its financial condition. During the pendency of the regulatory supervision, the regulators may have the power to favor one class of obligations over others or pay some obligations and not others.

(3) Ratings withdrawn by Moody's on April 14, 2009 and by S&P on April 22, 2009.

(4) Not applicable

Unsecured Credit Exposure
(Dollar amounts in billions)

	December 31, 2009	December 31, 2008	Increase	
			$	%
Unsecured credit exposure of FHLBanks to counterparties, excluding U.S. government, U.S. government agencies, and instrumentalities (1)	$84.0	$66.1	$17.9	27.1%
Maturities of unsecured credit exposure:				
Overnight	35.9%	40.7%		
2-30 days	46.4%	39.6%		
31-90 days	17.2%	14.3%		
91-270 days	0.5%	5.4%		

(1) Included in this total at December 31, 2009 is unsecured credit exposure of $90.0 million to Bank of America Corporation. In addition to the unsecured credit exposure included in the table above, Bank of America Corporation had advances totaling $61.0 billion at the holding-company level at December 31, 2009. See details in the table of "Top 10 Advance Holding Borrowers by Holding Company at Par Value at December 31, 2009" included in the "Security Ownership of Certain Beneficial Owners" section.

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

	December 31, 2009	December 31, 2008	Increase	
			$	%
Federal funds sold	$54,597	$40,299	$14,298	35.5%
Commercial paper	3,690	1,945	1,745	89.7%

At December 31, 2009, the FHLBanks had aggregate unsecured credit exposure of $1 billion or more to each of 30 counterparties. The aggregate unsecured credit exposure to these 30 counterparties represented 81.3 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 an FHLBank in loans either funded by that FHLBank through, or purchased directly from, members or housing associates called participating financial institutions, or 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 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, originally offered the MPF Program to their members. The FHLBank of San Francisco ceased purchasing mortgage loans from its members under the MPF Program (MPF Loans) in 2007 but it retains its existing portfolio of MPF Loans. The FHLBank of Chicago ceased purchasing participation interests from other FHLBanks in 2007 and ceased acquiring MPF Loans for its own balance sheet in 2008 except for immaterial amounts of MPF Loans to support affordable housing that are guaranteed by the Rural Housing Service of the Department of Agriculture (RHS) or insured by the Department of Housing and Urban Development (HUD). In 2008, the FHLBank of Chicago sold $565 million in 100 percent participations in MPF Loans to the FHLBanks of Des Moines, Pittsburgh, and Topeka. There were no sales of participations in MPF Loans in 2009. MPF Loans purchased by the FHLBank of Chicago under the MPF Xtra product commencing in October, 2008, are concurrently sold to Fannie Mae. The FHLBank of Atlanta ceased purchasing assets under the MPF Program in 2008. Early in the third quarter of 2008, the FHLBank of Atlanta suspended new acquisitions of mortgage loans under the MPP. The FHLBank of Atlanta plans to continue to support its existing portfolio of MPP and MPF Loans. The FHLBank of Chicago ceased acquiring MPF Loans from members of the FHLBank of Dallas in 2008.

Under these programs, the FHLBank purchases/funds mortgage assets from or through members or housing associates, for which the PFIs 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 percent 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 (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 credit enhancement amount. The credit enhancement 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

credit enhancement 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 CE 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 CE Fee for managing credit risk on the mortgage loans. In certain cases, the CE Fee 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. The PFI's credit enhancement 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 credit enhancement amount and initial FLA would be equivalent to losses experienced by an investor in a double-A rated mortgage-backed security. For a description of the credit enhancement amount calculation see "Supplemental Information—MPF Program—Setting Credit Enhancement Levels."

— *MPP Loans:* At the time the underlying conventional loan is funded, an LRA 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 LRA of the respective PFI that originated the MPP Loan. Generally, after five years, if the balance of the funds in the LRA 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 LRA. No LRA balance is required after 11 years. To cover losses that exceed the PMI and the balance in the LRA, 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 LRA, 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 Regulator'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. The FHLBank's relevant credit-risk exposure must be determined by a formal rating or a comparable methodology. The Regulator'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 or guaranteed were credit-enhanced by members to a level at least equivalent to an investment-grade rating. Each FHLBank that participates in these programs believes that its credit risk exposure to loan servicers is minimal.

MPF Credit Exposure. The FHLBanks are exposed to the risk of non-performance of mortgage insurers. Each MPF FHLBank has policies to limit its credit exposure to each mortgage insurance (MI) company based on certain criteria, including, but not limited to, the MI company's NRSRO ratings, or limiting its credit exposure to a certain percentage of the MI company's regulatory capital. Credit exposure is defined as the total of primary mortgage insurance (PMI) and supplemental mortgage insurance (SMI) coverage written by an MI company on MPF Loans held by the FHLBank that are more than 60 days delinquent. (See "Supplemental Information—MPF Program and MPP" for additional information).

The MI companies provide PMI on conventional MPF Loans with a loan-to-value ratio greater than 80 percent and SMI on the MPF Plus product. The MPF FHLBanks receive PMI coverage information only at acquisition of MPF Loans and do not receive notification of any subsequent changes in PMI coverage and therefore they can only estimate the amount of PMI in force at any time subsequent to acquisition. Historically, the MPF FHLBanks have depended on the PMI policies for loss coverage. No losses in excess of the policy deductible on the SMI policies have ever been claimed. If an MI company were to default on its insurance obligations and loan level losses for MPF Loans were to increase, an MPF FHLBank may experience increased credit losses. As of March 30, 2010, all of the FHLBanks' MI providers have had their external ratings for claims-paying ability or insurer financial strength downgraded below double-A-minus by one or more NRSROs. On October 28, 2009, S&P announced that all MI companies are being placed on watch. Rating downgrades imply an increased risk that the affected mortgage insurer(s) will fail to fulfill their obligations to reimburse the FHLBanks for claims under insurance policies. If a mortgage insurer fails to fulfill its obligations, the FHLBanks may bear any remaining loss of the borrower default on the related mortgage loans not covered by the member. The FHLBanks have analyzed their potential loss exposure to all MI providers and have not increased their loan loss reserves due to the aforementioned rating agency actions, but they will continue to monitor the financial condition of their MI providers. The following table summarizes the MPF FHLBanks' credit exposure (dollar amounts in millions) to their MI providers based upon PMI and SMI credit exposure as of December 31, 2009.

	MI Ratings (Moody's/S&P/Fitch) As of March 30, 2010	As of December 31, 2009				As of December 31, 2008			
		PMI	SMI	Total	Percentage of Total	PMI	SMI	Total	Percentage of Total
Mortgage Guaranty Insurance Co. (MGIC)	Ba3/B+/BB−	$267	$ 50	$ 317	26%	$ 314	$105	$ 419	24%
Genworth Mortgage Insurance (Genworth) (1)	Baa2/BBB−/NR	162	114	276	22%	200	231	431	25%
United Guaranty Residential Insurance (2)	A3/BBB/NR	130	84	214	17%	162	125	287	16%
Republic Mortgage Insurance Company (RMIC)	Ba1/BBB−/BBB−	108	42	150	12%	134	48	182	10%
PMI Mortgage Insurance Co. (3)	B2/NR/NR	101	24	125	10%	134	101	235	13%
Other		161	5	166	13%	197	9	206	12%
Total MPF MI Coverage		$929	$319	$1,248	100%	$1,141	$619	$1,760	100%

(1) On November 20, 2008, Fitch withdrew its rating of Genworth and will no longer provide ratings or analytical coverage of this insurer.

(2) On October 21, 2009, Fitch withdrew its rating of United Guaranty Residential Insurance and will no longer provide ratings or analytical coverage of this insurer.

(3) On May 12, 2009, Fitch withdrew its rating of PMI Mortgage Insurance Co. and will no longer provide ratings or analytical coverage of this insurer.

The FHLBank of Chicago acts as "MPF Provider" and provides programmatic and operational support to the MPF FHLBanks and their PFIs. The MPF Provider performs a quarterly analysis evaluating the financial condition and concentration risk regarding the MI companies. Based on an analysis using the latest available results as of December 31, 2009, none of the MI companies passed all of the primary early warning financial tests, which include rating level tests, ratings watch/outlook tests

and profitability tests. However, no claim has ever been filed under an SMI policy in the history of the MPF Program and no MI company that has issued an SMI policy has stopped paying claims. MPF FHLBanks expect that, based on each MI provider's public filings, each MI provider would pay the claims should they ever be filed under the SMI policies.

If a PMI provider is downgraded, an MPF FHLBank can request the servicer to obtain replacement PMI coverage with a different provider. However, it is possible that replacement coverage may be unavailable or result in additional cost to the MPF FHLBank. PMI for MPF Loans must be issued by an MI company on the approved MI company list whenever PMI coverage is required. However, no MI company on the approved MI company list currently has a double-A minus or better claims-paying ability rating from any NRSRO, so the current criteria for MI companies to remain on the approved MI company list at this time is acceptability for use in modeling software licensed from an NRSRO.

If an SMI provider fails to maintain a credit rating of at least double-A minus or its equivalent from an NRSRO under the MPF Plus product, the PFI has six months to either replace the SMI policy or provide at its own undertaking an equivalent to the SMI coverage, or it will forfeit its performance-based CE Fees. As a result, some PFIs have elected to not replace their SMI policies and some of the MPF FHLBanks have begun withholding performance-based CE Fees from these PFIs.

The table below 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, 2009, 2008 and 2007 (dollar amounts in millions). There were no PFIs that exceeded 10 percent for MPF Loan purchases and fundings by the MPF FHLBanks in 2009 and 2008.

	Loan Purchases and Funding Concentrations by PFI For the Years Ended December 31,					
	2009		2008		2007	
PFI	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Branch Banking & Trust Company	N/A	N/A	N/A	N/A	$ 551	15.7%
All Other Institutions	$3,719	100.0%	$6,060	100.0%	2,963	84.3%
Total	$3,719	100.0%	$6,060	100.0%	$3,514	100.0%

N/A Not applicable, as amount is less than ten percent.

The following table summarizes the property types of the underlying mortgage assets at December 31, 2009 and 2008:

	As of December 31,	
	2009	2008
Single-family residence	88.35%	88.70%
Planned unit development	5.66%	5.56%
Condominium	4.34%	4.29%
Two-to-four unit property	1.37%	1.21%
Manufactured housing	0.28%	0.24%
Total	100.00%	100.00%

Another indication of credit quality is data on actual delinquencies. An analysis of real estate mortgages past due 90 days or more and still accruing interest and the percentage of those loans to the total real estate mortgages outstanding as of December 31, 2009 and 2008 is presented below (dollar amounts in millions):

	December 31,	
	2009	2008
Total Conventional MPF Mortgage Loan Delinquencies, at par	$ 693	$ 399
Total Conventional MPF Mortgage Loans Outstanding, at par	$44,921	$58,097
Percentage of Delinquent MPF Conventional Loans	1.54%	0.69%
Total Conventional MPF Loans in Foreclosure	$ 278	$ 107
Percentage of Conventional MPF Loans in Foreclosure	0.62%	0.18%
Total Government-guaranteed MPF Mortgage Loan Delinquencies, at par	$ 457	$ 385
Total Government-guaranteed MPF Mortgage Loans Outstanding, at par	$ 5,221	$ 5,998
Percentage of Delinquent Government-guaranteed MPF Loans	8.75%	6.41%
Total Government-guaranteed MPF Loans in Foreclosure	$ 106	$ 58
Percentage of Government-guaranteed MPF Loans in Foreclosure	2.04%	0.97%

MPP Credit Exposure. The FHLBanks' MPPs also use MI companies to provide PMI and SMI. If a PMI provider is downgraded, an FHLBank may request that the servicer obtain replacement PMI coverage with a different provider. When SMI is used as a form of credit enhancement in conjunction with an Acquired Member Assets (AMA) program (such as MPP), Finance Agency regulations require the FHLBanks' members that sell loans to the FHLBanks through such a program to always maintain SMI with an insurer rated no lower than the second-highest rating category by any NRSRO. None of the mortgage insurers that currently underwrite SMI are currently rated in at least the second-highest rating category by any NRSRO. On August 6, 2009, the Director of the Finance Agency granted a temporary waiver of this requirement as follows.

With regard to any MPP Loans that are credit-enhanced with SMI and were purchased, or will be purchased, under master commitments that were executed on or before August 6, 2009, the requirement described above is waived for a period of one year, provided that an FHLBank must evaluate the claims-paying ability of its SMI providers, hold additional retained earnings and take any other steps necessary to mitigate any attendant risk associated with using an SMI provider having a rating below the regulatory standard. In addition, an FHLBank that relies on this waiver for existing business must, by April 8, 2010, submit to the Finance Agency a written analysis of credit enhancement alternatives that do not rely on SMI for existing pools of loans that presently rely upon SMI for credit enhancement. Such alternatives must consider requirements of the AMA regulation and existing AMA programs, as well as any accounting or other legal requirements.

With regard to new MPP business, the regulatory requirement is waived for a period of twelve months—the initial waiver of six months from August 6, 2009, in addition to a six-month extension—to allow FHLBanks to enter into new master commitments during the twelve-month period, assuming the other requirements of the existing program are met, and provided that an FHLBank must also evaluate the claims-paying ability of its SMI providers, hold additional retained earnings, and take any other steps necessary to mitigate any attendant risk associated with using an SMI provider having a rating below the regulatory standard.

To date, NRSRO downgrades have not had a material effect on any FHLBank's MPP. Each MPP FHLBank continues to closely monitor the financial condition of its mortgage insurers. The MPP FHLBanks have either discontinued obtaining coverage on new loans from the MI providers that have been downgraded below double A-minus or continue using the downgraded insurance providers in compliance with the temporary waiver issued by the Finance Agency while they evaluate the need for alternative credit enhancements for their mortgage loan portfolios. The FHLBank of Seattle cancelled its SMI policies in 2008 due to its SMI provider's rating downgrade below double A-minus. The FHLBank of Seattle is currently considering other credit enhancement options to achieve at least double-A-minus rating for its MPP Loans portfolio.

The following table summarizes the MPP FHLBanks' credit exposure (dollar amounts in millions) to their mortgage insurance providers based upon PMI and SMI credit exposure as of December 31, 2009 and December 31, 2008. Credit exposure is defined as the total of PMI and SMI coverage written by a mortgage insurance company on MPP Loans held by an MPP FHLBank that are more than 60 days delinquent. The MPP FHLBanks believe this is a conservative measure since most delinquent loans never go to claim and other credit protection layers (such as borrower equity and LRA) are called upon before insurance claims are made.

	MI Ratings (Moody's/S&P/Fitch) As of March 30, 2010	As of December 31, 2009				As of December 31, 2008			
		PMI	SMI	Total	Percentage of Total	PMI	SMI	Total	Percentage of Total
MGIC	Ba3/B+/BB−	$ 3	$53	$56	73%	$2	$29	$31	74%
Genworth (1)	Baa2/BBB−/NR	2	11	13	17%	1	5	6	14%
United Guaranty Residential Insurance (2)	A3/BBB/NR	2		2	2%	1		1	2%
Other		6		6	8%	4		4	10%
Total MPP MI Coverage		$13	$64	$77	100%	$8	$34	$42	100%

(1) On November 20, 2008, Fitch withdrew its ratings of Genworth and will no longer provide ratings or analytical coverage of this insurer.

(2) On October 21, 2009, Fitch withdrew its rating of United Guaranty Residential Insurance and will no longer provide ratings or analytical coverage of this insurer.

Each MPP FHLBank believes this level of supplemental insurance (if applicable) constitutes an acceptable amount of exposure for it under the very extreme scenario that all of the conventional loans more than 60 days late default and the SMI providers are financially unable to pay the resulting claims. Because the MPP FHLBanks have had only 302 claims paid through December 31, 2009 in the MPP out of 305,238 conventional loans purchased since its inception in 2000, all of which were primarily funded from the LRA and an insignificant amount by SMI providers, each FHLBank believes it is unlikely that its claims would rise to a significant level. Therefore, each MPP FHLBank believes it has a very small amount of credit exposure to its remaining SMI providers and that the downgrades discussed above will not affect the creditworthiness of the program.

The following table presents the property types of the underlying mortgage assets:

	As of December 31,	
	2009	2008
Single-family residence	85.93%	85.23%
Planned unit development	8.46%	9.07%
Condominium	4.88%	5.05%
Two-to-four unit property	0.61%	0.62%
Manufactured housing	0.12%	0.03%
Total	100.00%	100.00%

Another indication of credit quality is data on actual delinquencies. An analysis of real estate mortgages past due 90 days or more and still accruing interest and the percentage of those loans to the total real estate mortgages outstanding as of December 31, 2009 and 2008 is presented below (dollar amounts in millions):

	December 31,	
	2009	2008
Total Conventional MPP Mortgage Loan Delinquencies, at par	$ 104	$ 51
Total Conventional MPP Mortgage Loans Outstanding, at par	$18,640	$20,499
Percentage of Delinquent MPP Conventional Loans	0.56%	0.25%
Total Conventional MPP Loans in Foreclosure	$ 134	$ 56
Percentage of Conventional MPP Loans in Foreclosure	0.72%	0.27%
Total Government-guaranteed MPP Mortgage Loan Delinquencies, at par	$ 107	$ 80
Total Government-guaranteed MPP Mortgage Loans Outstanding, at par	$ 2,296	$ 2,301
Percentage of Delinquent Government-guaranteed MPP Loans	4.66%	3.48%
Total Government-guaranteed MPP Loans in Foreclosure	$ 53	$ 31
Percentage of Government-guaranteed MPP Loans in Foreclosure	2.31%	1.35%

The MPP Loans delinquency percentages are well below the comparable national averages, based on a nationally recognized delinquency survey.

A factor that affects the delinquency ratio is the age of MPP Loans. It is typical for mortgage delinquencies to increase during the first few years of a loan portfolio's life. Because the MPP FHLBanks purchase current mortgage loans only (zero delinquency ratio), the delinquency ratio increases as the loans age and the percentage of new loans decreases.

For government-guaranteed and government-insured mortgages, the delinquency rate is generally higher than for the conventional mortgages held in the MPP portfolio. The MPP FHLBanks rely on government insurance, which generally provides a 100 percent guarantee, as well as quality control processes, to maintain the credit quality of this portfolio.

Concentrations. The following tables set out the geographic concentration of mortgage loans held for portfolio by program. 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, 2009	December 31, 2008
Midwest	37%	35%
Northeast	17%	16%
Southeast	17%	19%
Southwest	16%	16%
West	13%	14%
Total	100%	100%

Geographic Concentration of MPP (1) (2)

	December 31, 2009	December 31, 2008
Midwest	44%	38%
Northeast	10%	11%
Southeast	19%	21%
Southwest	13%	14%
West	14%	16%
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 following tables provide the percentage of unpaid principal balance of conventional mortgage loans held for portfolio outstanding at December 31, 2009 for the ten largest state concentrations. These tables show the state concentration on an aggregated basis for all 12 FHLBanks that purchased or funded loans under the MPF Program and MPP. As a result, the tables do not necessarily reflect the actual state concentration with respect to each individual FHLBank.

State Concentration of MPF Program (1)
December 31, 2009

	Percentage of Conventional Loans - Unpaid Principal Balance
California	11%
Wisconsin	10%
Illinois	7%
Pennsylvania	5%
Minnesota	5%
New York	4%
Texas	4%
Massachusetts	4%
Florida	4%
Virginia	3%
All other	54%
	100%

State Concentration of MPP Program (1)
December 31, 2009

	Percentage of Conventional Loans - Unpaid Principal Balance
Ohio	22%
California	10%
Indiana	9%
Michigan	7%
Illinois	4%
Texas	4%
Kentucky	4%
Florida	4%
Georgia	3%
Pennsylvania	3%
All other	30%
	100%

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

The FHLBanks' MPF Loans held for portfolio are dispersed across all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. No single zip code represented more than one percent of MPF Loans outstanding at December 31, 2009. The median size of an MPF loan was approximately $101 thousand at December 31, 2009. The MPF loan statistics have been compiled and obtained from the FHLBank of Chicago and therefore do not reflect the concentration levels and mortgage loan portfolio information at individual MPF FHLBanks.

The FHLBanks' MPP mortgage loans held for portfolio are dispersed across all 50 states and the District of Columbia. No single zip code accounted for more than one percent of MPP Loans outstanding at December 31, 2009. The median size of an MPP Loan was approximately $139 thousand at December 31, 2009. 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 conventional loans outstanding:

	December 31, 2009		December 31, 2008	
	MPF	MPP	MPF	MPP
Weighted-average FICO® score at origination (1)	738	749	739	749
Weighted-average loan-to-value at origination	68%	69%	67%	69%

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

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

Derivatives and Counterparty Ratings. In addition to market risk, each FHLBank is subject to credit risk because of the potential non-performance by counterparties to derivative agreements. The amount of counterparty credit risk on derivatives depends on the extent to which netting procedures,

collateral requirements and other credit enhancements are used and are effective to mitigate the risk. Each FHLBank manages counterparty credit risk through credit analysis, collateral management and other credit enhancements. The FHLBanks are also required to follow the requirements set forth by applicable regulation. The FHLBanks require collateral on interest-rate exchange agreements. The amount of net unsecured credit exposure that is permissible with respect to each counterparty, before a collateral requirement is triggered, depends on the credit rating of that counterparty. A counterparty must deliver collateral to an FHLBank if the total market value of the FHLBank's exposure to that counterparty rises above a specific trigger point. As a result of these risk mitigation initiatives, the management of each FHLBank presently does not anticipate any credit losses on its interest-rate exchange agreements with counterparties as of December 31, 2009 except in connection with LBSF. For additional discussion regarding derivatives and counterparty ratings, please refer to the individual FHLBanks' periodic reports filed with the SEC. Also see "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Combined Results of Operations" for a discussion about LBSF and LBHI with respect to derivative contracts with the FHLBanks.

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

Derivative Counterparty Credit Exposure
(Dollar amounts in millions)
At December 31, 2009

Credit Rating *	Notional Amount	Total Net Exposure at Fair Value	Total Net Exposure Collateralized	Net Exposure After Collateral
Triple-A	$ 3,278	$	$	$
Double-A	336,988	1,297	1,212	85
Single-A	632,701	1,170	1,112	58
Triple-B	34			
Unrated (1)	41	1		1
	973,042	2,468	2,324	144
Intermediaries (2)	1,737	15	15	
Delivery commitments	329			
Total derivatives	$975,108	$2,483	$2,339	$144

At December 31, 2008

Credit Rating**	Notional Amount	Total Net Exposure at Fair Value	Total Net Exposure Collateralized	Net Exposure After Collateral
Triple-A	$ 16,509	$ 7	$	$ 7
Double-A	409,516	1,647	1,557	90
Single-A	659,451	1,985	1,821	164
Unrated (1)	78			
	1,085,554	3,639	3,378	261
Intermediaries (2)	1,723	21	21	
Delivery commitments	2,174	10	3	7
Total derivatives	$1,089,451	$3,670	$3,402	$268

* This chart does not reflect any changes in rating, outlook or watch status occurring after December 31, 2009. The ratings were obtained from S&P, Moody's and/or Fitch.

** This chart does not reflect any changes in rating, outlook or watch status occurring after December 31, 2008. The ratings were obtained from S&P, Moody's and/or Fitch.

(1) Represents one broker-dealer utilized to purchase or sell forward contracts relating to TBA MBS to hedge the market value of commitments on fixed-rate mortgage loans. All broker-dealer counterparties are subjected to thorough credit review procedures in accordance with an FHLBank's risk management policy. There was $1 million of exposure at December 31, 2009 and no exposure at December 31, 2008 related to this unrated counterparty.

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

Excluding fully collateralized interest-rate exchange agreements in which the FHLBanks are intermediaries for members, 99.992 percent of the notional amount of the FHLBanks' outstanding interest-rate exchange agreements at December 31, 2009 were with counterparties rated single-A or higher.

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. In addition, an individual FHLBank, at the discretion of its board of directors and/or management, could undertake the following capital preservation initiatives in order to meet internally established thresholds or meet its regulatory capital requirement: voluntarily reduce or eliminate the payment of dividends, suspend excess capital stock repurchases, and/or raise the capital stock holding requirements for members. As a result of these strategies, the FHLBanks have been able to achieve their mission by meeting member credit needs and managing 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.")

Selected Quarterly Combined Results of Operations (Unaudited)
(Dollar amounts in millions)

	2009 Quarter Ended			
	March 31	June 30	September 30	December 31
Income Statement				
Total interest income	$6,844	$5,553	$ 4,521	$3,991
Total interest expense	5,598	4,060	3,160	2,659
Net interest income	1,246	1,493	1,361	1,332
Provision for credit losses	4	6	4	4
Net interest income after provision for credit losses	1,242	1,487	1,357	1,328
Total other (loss) income:				
Net other-than temporary impairment losses (1)	(516)	(437)	(1,042)	(436)
Other non-interest income (loss)	47	682	(203)	119
Total other (loss) income	(469)	245	(1,245)	(317)
Total other expense	247	217	220	259
Total assessments	181	392	57	200
Net income (loss)	$ 345	$1,123	$ (165)	$ 552

	2008 Quarter Ended			
	March 31	June 30	September 30	December 31
Income Statement				
Total interest income	$13,475	$10,698	$10,773	$10,649
Total interest expense	12,280	9,354	9,351	9,367
Net interest income	1,195	1,344	1,422	1,282
Provision for credit losses	1	2	4	4
Net interest income after provision for credit losses	1,194	1,342	1,418	1,278
Total other (loss) income:				
Realized losses on other-than-temporarily impaired securities (1)	(33)	(30)	(149)	(1,813)
Other non-interest income (loss)	20	(109)	(133)	(103)
Total other loss	(13)	(139)	(282)	(1,916)
Total other expense	200	200	455	221
Total assessments	284	285	175	(144)
Net income (loss)	$ 697	$ 718	$ 506	$ (715)

(1) The “Net other-than-temporary impairment losses” amounts incurred in 2009 represent the credit portion of the FHLBank OTTI recognized in earnings as a result of the FHLBanks’ adoption of the amended OTTI guidance during the first quarter of 2009. The “Realized losses on other-than-temporarily impaired securities” amounts included in 2008 represent impairment losses calculated as the entire difference between a security’s amortized cost basis and its fair value at the balance sheet date of the reporting period for which the impairment assessment was made.

Combined net income for the fourth quarter ended December 31, 2009 was adversely affected by the fourth quarter net losses reported by the FHLBank of Pittsburgh ($5 million) and the FHLBank of Seattle ($18 million), which were primarily due to OTTI charges on held-to-maturity private-label MBS. As discussed under “Critical Accounting Estimates — OTTI for Investment Securities,” during the quarter ended December 31, 2009, all affected FHLBanks changed their estimation technique used to

determine the present value of estimated cash flows expected to be collected for their variable rate and hybrid private-label RMBS and home equity loan investments. If those FHLBanks had continued to use their previous estimation technique, the OTTI credit losses would have been approximately $153 million higher for the quarter ended December 31, 2009.

Combined net income for the fourth quarter ended December 31, 2008 was adversely affected by certain FHLBanks' net losses, as follows:

- the fourth quarter net loss reported by the FHLBank of Boston ($274 million), the FHLBank of Pittsburgh ($188 million), the FHLBank of San Francisco ($103 million), and the FHLBank of Seattle ($241 million), which were primarily due to OTTI charges on these FHLBanks' held-to-maturity private-label MBS;
- the fourth quarter net loss reported by the FHLBank of Dallas ($68 million), which was primarily due to losses on derivatives and hedging activities; and
- the fourth quarter net loss reported by the FHLBank of Topeka ($63 million), which was primarily due to losses on derivatives and hedging activities and OTTI charges on the FHLBank's held-to-maturity private-label MBS.

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

There were no changes in accountants or disagreements with accountants in the period covered by this Combined Financial Report. See the Office of Finance's website at www.fhlb-of.com for the Audit Committee Charter relating to the combined financial reports and audit fees.

CONTROLS AND PROCEDURES

FHLBanks

The management of each FHLBank is required under applicable laws and regulations to establish and maintain controls and procedures, which include disclosure controls and procedures as well as adequate internal control over financial reporting, as such controls and procedures and internal control over financial reporting relate to that FHLBank only. Each of the FHLBank's management had assessed the effectiveness of their individual internal control over financial reporting as of December 31, 2009, based on the framework established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on their assessment, each FHLBank's management concluded, as of December 31, 2009, that their individual internal control over financial reporting is effective based on the criteria established in *Internal Control—Integrated Framework.* Additionally, the independent registered public accounting firm of each FHLBank opined that the individual FHLBank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009.

See Item 9A—Controls and Procedures of each FHLBank's 2009 SEC Form 10-K for its "Report of Management on Internal Control over Financial Reporting."

Except for the remediation of the material weaknesses discussed below for the FHLBanks of Chicago and Seattle, each of the other FHLBanks indicated that there were no changes to its internal control over financial reporting during the fiscal quarter ended December 31, 2009 that have materially affected, or are reasonably likely to affect, its internal control over financial reporting.

FHLBank of Chicago's Change in Internal Control to Remediate the Material Weakness Identified in 2009

Subsequent to filing its SEC Form 10-Q for the quarter ended September 30, 2009, and as a result of ongoing enhancement to the FHLBank of Chicago's statement of cash flow preparation process, management became aware that the FHLBank of Chicago did not maintain effective controls over

the preparation and review of the FHLBank of Chicago's condensed statement of cash flows. This control deficiency resulted in an error in the FHLBank of Chicago's condensed statements of cash flows as originally reported for the quarters ended March 31, 2009, June 30, 2009 and September 30, 2009, which in turn required a restatement of the FHLBank of Chicago's condensed statement of cash flows for those periods. Specifically, the FHLBank of Chicago did not maintain effective control over the calculation and presentation of cash flows from certain derivative and investment activities, which led to the misclassification of cash flows primarily between operating activities and investing activities in the condensed statement of cash flows for the three months ended March 31, 2009, six months ended June 30, 2009 and nine months ended September 30, 2009. Accordingly, the FHLBank of Chicago's management determined that this control deficiency constituted a material weakness in internal control over financial reporting as of March 31, 2009, June 30, 2009 and September 30, 2009.

The FHLBank of Chicago has taken steps to remediate the material weakness noted above. Controls over the preparation of the FHLBank of Chicago's statement of cash flows have been enhanced through the implementation of improved procedural and review controls. The FHLBank of Chicago's management believes that this material weakness has been fully remediated as of December 31, 2009.

FHLBank of Seattle's Remediation Activities Relating to Previously Identified Material Weakness in 2008

At December 31, 2008, the FHLBank of Seattle had not maintained an effective control environment based on the criteria established in the COSO's *Internal Control—Integrated Framework*, and as of September 30, 2009, the FHLBank of Seattle had not fully remediated such control environment, specifically:

- The FHLBank of Seattle did not ensure adequate oversight over significant accounting estimates and assumptions given the current risks in its credit and investment portfolios and the rapidly changing market conditions. The FHLBank of Seattle's oversight over significant estimates and assumptions was not sufficiently independent and did not include input from key managers across the organization nor did the FHLBank of Seattle conduct timely benchmarking of assumptions to ensure they were still applicable during rapidly changing market conditions. In addition, ineffective flows of information and lines of communication among key functional areas, such as treasury and risk management, contributed to the FHLBank of Seattle's failure to detect or prevent risks to the financial reporting process from being appropriately addressed.
- The FHLBank of Seattle did not establish and maintain an adequate assignment of authority and segregation of duties among members of management. Specifically, a member of senior management and an analyst that participated in OTTI evaluation for private-label MBS were members of the department that was also responsible for the purchase of such securities.

During the fourth quarter of 2009, the FHLBank of Seattle tested and observed the operation of control enhancements it had made during the first three quarters of 2009 to its control environment and concluded that the material weakness related to its control environment (including the matters discussed above) had been remediated as of December 31, 2009.

Office of Finance Controls and Procedures over Combined Financial Reporting Combining Process

The Office of Finance is not responsible for the preparation, accuracy or adequacy of the information or financial data provided by the FHLBanks to the Office of Finance for use in preparing the combined financial reports, or for the quality or effectiveness of the disclosure controls and procedures or internal control over financial reporting of the FHLBanks as they relate to such information and financial data. Each FHLBank is responsible for establishing and maintaining those controls and procedures and internal control over financial reporting with respect to the information and financial data provided to the Office of Finance. Although the Office of Finance is not an SEC registrant, Finance Agency regulations require that the combined financial report form and content generally be consistent with SEC Regulations S-K and S-X, as interpreted by the Finance Agency. The Office of Finance is not required to establish and

maintain, and in light of the nature of its role has not established and maintained, disclosure controls and procedures and internal control over financial reporting at the FHLBank System level comparable to those maintained by each FHLBank with respect to its financial reporting. The Office of Finance has established procedures concerning the FHLBanks' submission of information and financial data to the Office of Finance, the process of combining the financial statements of the individual FHLBanks and the review of such information.

However, the Office of Finance does not have the authority to ensure consistency in the adoption or application of accounting policies by the FHLBanks or to verify independently the financial information submitted by each FHLBank, including the disclosures in the financial statements of the individual FHLBanks that comprise the combining schedules included in this Combined Financial Report. As a consequence of this lack of authority, the Office of Finance may be unable to detect or prevent a significant misstatement in the combining schedules included in this Combined Financial Report resulting from the inconsistent adoption or application of accounting policies by the individual FHLBanks, including the inconsistent application of accounting policies used to value private-label mortgage-backed securities or to calculate related credit losses.

DIRECTORS AND EXECUTIVE OFFICERS OF FHLBANKS

FHLBank Directors. A board of at least 13 directors, or such other number as the Finance Agency determines appropriate, governs each FHLBank. The members of each FHLBank elect all of the FHLBank's directors, each of whom is elected for a four-year term, unless otherwise adjusted by the Director of the Finance Agency in order to achieve an appropriate staggering of terms (with approximately one-fourth of the directors' terms expiring each year). Directors may not serve more than three consecutive full terms. An FHLBank's board of directors must be comprised of a majority of member directors, who are directors or officers of members, and a minority of non-member independent directors. Non-member independent directors must comprise not less than two-fifths of the members of the board of directors and two of these directors must hold public interest director positions.

To be eligible to serve as a member director, a candidate must be a citizen of the United States and be an officer or director of a member institution that is located in the state, and that meets all the minimum capital requirements established by its appropriate regulator. For member directors, each eligible institution may nominate representatives from member institutions in its respective state to serve on the board of the directors. After the slate of nominees is finalized, each eligible institution may vote for the number of open member director seats in the state in which its principal place of business is located.

To be eligible to serve as a non-member independent director, an individual must be a citizen of the United States and a *bona fide* resident of that FHLBank's district. A non-member independent director may not be an officer of any FHLBank, or an officer, director or employee of an FHLBank member on whose board the individual sits or of any recipient of advances from an FHLBank. Under the Housing Act, there are two types of non-member independent directors:

- *Public interest directors.* Each FHLBank is required to have at least two public interest directors. Before names are placed on the ballot, nominee eligibility will be verified through application and eligibility certification forms prescribed by the Finance Agency. Public interest directors must have more than four years' experience in representing consumer or community interests in banking services, credit needs, housing, or consumer financial protections. The Finance Agency will deem existing public interest directors who qualified and were designated under previous FHLBank Act provisions to be public interest directors for the remainder of their current terms.
- *Other independent directors.* Independent directors must have demonstrated knowledge or experience in auditing or accounting, derivatives, financial management, organizational management, project development or risk management practices, or other expertise established by Finance Agency regulations. In order for an independent director candidate to be elected, a candidate must receive at least 20 percent of the votes which are eligible to be cast unless there are

multiple nominees. The Finance Agency will impose the Housing Act's requirements on newly elected independent directors.

On October 7, 2009, the Finance Agency adopted a final regulation, which became effective on November 6, 2009, which codifies the interim final regulation previously issued by the Finance Agency on September 26, 2008. The final regulation included provisions:

- requiring each FHLBank's board of directors to annually determine how many of its independent directors should be designated public interest directors (provided that each FHLBank at all times has at least two public interest directors);
- stating that where an FHLBank's board of directors acts to fill a member director vacancy that occurs mid-term, that eligible candidates for such a position must be officers or directors of a member institution at the time the FHLBank board of directors acts, not as of the prior year-end; and
- permitting an FHLBank that nominates more than one nominee for each open independent director position to declare elected the nominee who receives the highest number of votes, even if the total votes received is less than 20 percent of the eligible votes.

For the election of both member directors and independent directors, each eligible institution is entitled to cast one vote for each share of stock that it was required to hold as of December 31 of the calendar year immediately preceding the election year (the record date). 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 member institutions located in the member's state on that date (December 31).

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 Agency regulations.

Compensation of Directors. Previously, the GLB Act limited the annual compensation of FHLBank directors and the Finance Agency adjusted these compensation amounts based on the percentage annual increase in the Consumer Price Index. Subsequently, the Housing Act removed the maximum statutory annual limit on director compensation. On October 23, 2009, the Finance Agency issued a proposed rule pursuant to the Housing Act, allowing each FHLBank to pay its directors reasonable compensation and expenses, subject to the authority of the Director of the Finance Agency to object to, and to prohibit prospectively, compensation and/or expenses that the Director determines are not reasonable. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Legislative and Regulatory Developments—FHLBank Directors' Compensation and Expenses.") (See "Supplemental Information—FHLBank Management and Compensation" for biographies.)

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 Agency.

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 CEO of the Office of Finance.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

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

Members.

Membership by Type of Member

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Total
December 31, 2009	5,706	1,139	1,003	209	8,057
December 31, 2008	5,849	1,167	952	184	8,152
December 31, 2007	5,818	1,198	907	152	8,075
December 31, 2006	5,871	1,245	875	134	8,125
December 31, 2005	5,916	1,276	846	111	8,149

Membership in an FHLBank is voluntary. A member must give notice of its intent to withdraw. The GLB Act permits each FHLBank to issue one or more of two classes of capital stock, each with sub-classes. Class A capital stock is redeemable on six months' written notice from a member and Class B capital stock is redeemable on five years' written notice from a member. Capital stock outstanding under the pre-GLB Act rules, which only applies to the FHLBank of Chicago at December 31, 2009, is redeemable at the option of a member upon six months' written notice of withdrawal from membership, provided that the FHLBank of Chicago is in compliance with its regulatory capital requirements and the Regulator has approved the redemption. See "Note 18—Capital" to the accompanying combined financial statements for discussions of restrictions placed on the redemption of the FHLBank of Chicago's capital stock. If a member withdraws its membership from an FHLBank, it may not acquire shares of any FHLBank for five years after the date on which its divestiture of capital stock is completed. This restriction does not apply if the member is transferring its membership on an uninterrupted basis from one FHLBank to another.

During the year ended December 31, 2009, 47 FHLBank members withdrew from membership for reasons other than merger or acquisition and 44 members gave notice of intent to withdraw from membership for reasons other than merger or acquisition. None of the affected FHLBanks expect these withdrawals to have a material adverse effect on its results of operations or financial condition.

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

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Other (1)	Total (2)
December 31, 2009	$29.2	$ 9.7	$2.8	$3.4	$8.0	$53.1
December 31, 2008	28.8	14.6	3.1	3.6	5.6	55.7
December 31, 2007	26.9	18.8	2.5	2.2	1.0	51.4
December 31, 2006	23.1	15.6	1.9	1.6	0.9	43.1
December 31, 2005	20.4	18.6	1.8	1.6	1.1	43.5

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

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

The holdings of commercial bank members and non-members at December 31, 2009 represented 55.0 percent of the total regulatory capital stock of the FHLBanks. The regulatory capital stock held by thrift institution members at December 31, 2009 represented 18.4 percent of the total regulatory capital stock of the FHLBanks.

Member Borrowers.

Member Borrowers

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Total
December 31, 2009	4,220	877	464	86	5,647
December 31, 2008	4,581	946	521	74	6,122
December 31, 2007	4,253	938	432	52	5,675
December 31, 2006	4,245	954	414	50	5,663
December 31, 2005	4,417	999	397	46	5,859

The percentage of total members borrowing decreased to 70.1 percent at December 31, 2009, as compared to 75.1 percent at December 31, 2008. The 85 borrowers with advance holdings of $1 billion or more at December 31, 2009 held 66.1 percent of total advances. The 110 borrowers with advance holdings of $1 billion or more at December 31, 2008 held 71.6 percent of total advances.

Advances at Par Value
(Dollar amounts in billions)

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Other (1)	Total (2)
December 31, 2009	$355.9	$126.1	$26.5	$48.3	$59.1	$615.9
December 31, 2008	464.4	247.1	40.6	54.9	93.5	900.5
December 31, 2007	455.5	338.7	32.3	28.7	12.0	867.2
December 31, 2006	339.2	256.7	18.9	14.2	12.6	641.6
December 31, 2005	270.0	307.8	14.6	11.5	16.5	620.4

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

(2) Total advance amounts are at par value and differ from that reported in the Combined Statement of Condition. The differences between the par value and book value amounts primarily relate to basis adjustments arising from hedging activities.

The information on advances presented in the following table is accumulated at the holding-company level. Holding company information was obtained from the Federal Reserve System's web site, the NIC and/or SEC filings. The NIC is a central repository of data about banks and other institutions for which the Federal Reserve System has a supervisory, regulatory, or research interest, including both domestic and foreign banking organizations operating in the United States. The percentage of total advances identified in the table below for each holding company was computed by dividing the par amount of advances by subsidiaries of that holding company by the total combined par amount of advances. These percentage concentrations do not represent borrowing concentrations in any particular FHLBank. For information on the top five advance holding borrowers of each FHLBank at December 31, 2009, please refer to "Supplemental Information—Top 5 Advance Holding Borrowers by FHLBank."

Top 10 Advance Holding Borrowers by Holding Company at Par Value at December 31, 2009*
(Dollar amounts in millions)

Holding Company Name	Advances	Percentage of Total Advances
Bank of America Corporation (1)	$ 61,032	9.9%
Citigroup Inc. (2)	47,146	7.7%
Wells Fargo & Company (3)	35,266	5.7%
JPMorgan Chase & Co. (4)	28,395	4.6%
Hudson City Bancorp, Inc. (5)	17,275	2.8%
MetLife, Inc. (6)	16,835	2.7%
UK Financial Investments Limited (7)	14,837	2.4%
Banco Santander, S.A. (8)	13,140	2.1%
U.S. Bancorp (9)	11,045	1.8%
The PNC Financial Services Group, Inc. (10)	10,726	1.7%
	$255,697	41.4%

* Member advance amounts and the total advance amount are at par value, and the total advance amount will differ from that reported in the Combined Statement of Condition. The differences between the par value and book value amounts primarily relate to basis adjustments arising from hedging activities.

(1) Bank of America Corporation had subsidiaries with advance borrowings at December 31, 2009 in the following FHLBank districts: Boston, New York, Atlanta, Indianapolis, Chicago, San Francisco and Seattle.

(2) Citigroup Inc. had subsidiaries with advance borrowings at December 31, 2009 in the following FHLBank districts: New York, Pittsburgh, Dallas and San Francisco.

(3) Wells Fargo & Company had subsidiaries with advance borrowings at December 31, 2009 in the following FHLBank districts: Des Moines, Dallas, and San Francisco.

(4) JPMorgan Chase & Co. had subsidiaries with advance borrowings at December 31, 2009 in the following FHLBank districts: New York, Chicago, San Francisco and Seattle.

(5) Hudson City Bancorp, Inc. had a subsidiary with advance borrowings at December 31, 2009 in the FHLBank of New York district.

(6) MetLife, Inc. had subsidiaries with advance borrowings at December 31, 2009 in the following FHLBank districts: Boston, New York and Des Moines.

(7) UK Financial Investments Limited had subsidiaries with advance borrowings at December 31, 2009 in the following FHLBank districts: Boston, New York, Pittsburgh and Cincinnati.

(8) Banco Santander, S.A. had subsidiaries with advance borrowings at December 31, 2009 in the following FHLBank districts: Boston, New York and Pittsburgh.

(9) U.S. Bancorp had subsidiaries with advance borrowings at December 31, 2009 in the following FHLBank districts: Cincinnati, Des Moines and San Francisco.

(10) The PNC Financial Services Group, Inc. had subsidiaries with advance borrowings at December 31, 2009 in the following FHLBank districts: New York, Pittsburgh, Atlanta, Cincinnati, Chicago and Des Moines.

Housing Associates. At December 31, 2009, the FHLBanks had $608 million in advances outstanding to 13 housing associates, down from $760 million to 20 housing associates at year-end 2008. Housing associates eligible to borrow include 43 state housing finance agencies, 10 county housing finance agencies, 4 housing development corporations, 3 city housing authorities, and 1 tribal housing corporation.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Each FHLBank is a member-owned cooperative, whose members elect a majority of that FHLBank's directors from among the officers and directors of its members. The FHLBanks conduct their advances and mortgage loan business almost exclusively with members. As a result, in the normal course of business, the FHLBanks regularly extend credit to members whose officers and/or directors may serve as directors of the FHLBanks. This credit is extended on market terms that are no more favorable to these "related" members than comparable transactions with other members of the same FHLBank. As of December 31, 2009, the FHLBanks had $109.2 billion of advances outstanding to members whose officers and/or directors were serving as directors of the FHLBanks. This represented 17.7 percent of total advances at par value at that date.

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

Recent Developments. The following is a discussion of recently announced transactions regarding certain significant FHLBank activities involving certain advance holders and stockholders as disclosed in each FHLBank's recent SEC filings.

FHLBank of Pittsburgh. On January 30, 2009, Banco Santander, S.A.'s acquisition of Sovereign Bancorp, the holding company of the FHLBank of Pittsburgh's largest member and borrower, Sovereign Bank, was completed. On June 1, 2009, General Motors (GM) filed for bankruptcy under Chapter 11 in the U.S. Bankruptcy Court in New York's Southern District. Ally Bank (formerly known as GMAC Bank) is a member and one of the top ten borrowers of the FHLBank of Pittsburgh. Ally Bank and its parent, GMAC, LLC Bank Holding Company (GMAC, LLC), were not part of the GM bankruptcy although GM holds a minority ownership interest in GMAC, LLC. On July 10, 2009, GM exited from bankruptcy protection. Additionally, during 2009, GMAC, LLC received capital infusions from the U.S. Treasury as part of the new Supervisory Capital Assessment Program, introduced in May 2009. The initial infusion occurred on May 21, 2009; the final infusion was on December 30, 2009. This final infusion involved various affiliate transactions, including the sale of delinquent and higher-risk loans from Ally Bank to GMAC, LLC. The sale resulted in a pre-tax loss which was covered by an equal amount cash capital infusion to maintain Ally Bank's capital ratios. The FHLBank of Pittsburgh cannot predict the effect on its outstanding loans to Sovereign Bank and Ally Bank as a result of these acquisitions and restructuring actions.

On November 6, 2009, the assets of National City Bank, N.A. were transferred to PNC Bank, National Association, the National City Bank, N.A. charter was terminated and National City Bank, N.A. was merged into PNC Bank, National Association. Previously, the PNC Financial Services Group, Inc., the holding company for PNC Bank, National Association had acquired National City Corporation, the holding company for National City Bank, N.A. National City Bank, N.A. had certain fully secured outstanding advances and other credit obligations with other FHLBanks, and PNC Bank, National Association, the FHLBank of Pittsburgh's member, is responsible for these obligations post-merger. The FHLBank of Pittsburgh has entered into an agreement to serve as the collateral agent for two other FHLBanks and, under the agreement, the FHLBank of Pittsburgh has subordinated its security interest in PNC Bank, National Association's collateral to these two FHLBanks. All of PNC's outstanding loans from and other credit obligations to the FHLBank of Pittsburgh remain fully secured by eligible collateral.

FHLBank of Atlanta. The FHLBank of Atlanta reclassified $1.8 billion in capital stock held by Countrywide Bank, FSB (Countrywide), from capital to mandatorily redeemable capital stock upon termination of its membership with the FHLBank of Atlanta during the first quarter of 2009. Bank of America Corporation converted Countrywide into a national bank and merged it into Bank of America, National Association, a member of the FHLBank of Atlanta, on April 27, 2009. Upon the merger, the mandatorily redeemable capital stock of the FHLBank of Atlanta owned by Countrywide was transferred to Bank of America, National Association under the FHLBank of Atlanta's capital plan and was reclassified from mandatorily redeemable capital stock to capital stock.

FHLBank of Cincinnati. On November 6, 2009, National City Bank, which was acquired in January 2009 by the PNC Financial Services Group, Inc., notified the FHLBank of Cincinnati of its decision to withdraw from membership in this FHLBank due to a charter consolidation with the PNC Financial Services Group, Inc, which is not a member of the FHLBank of Cincinnati. As of December 31, 2009, PNC Bank, National Association was the FHLBank of Cincinnati's second largest stockholder with $404 million of its capital stock, its second largest advance borrower with principal outstanding of $4,282 million, and its largest historical seller of loans in the Mortgage Purchase Program with unpaid principal balances of $3,608 million.

FHLBank of Dallas. Effective December 31, 2008, Wells Fargo & Company acquired Wachovia Corporation, the holding company for Wachovia Bank, FSB, the FHLBank of Dallas' largest borrower and shareholder. On November 1, 2009, Wachovia Bank, FSB's thrift charter was converted to a national bank charter with the name Wells Fargo Bank South, National Association. Wells Fargo & Company then merged Wells Fargo Bank South, National Association into an out-of-district national bank affiliate, Wells Fargo Bank South Central, National Association, which retained the main office of Wells Fargo Bank South, National Association in Houston, Texas as its main office. On November 2, 2009, Wells Fargo Bank South Central, National Association applied for membership in the FHLBank of Dallas and its application was approved on December 30, 2009. Wells Fargo Bank South Central, National Association had $18.2 billion of advances outstanding as of December 31, 2009, which represented 38.9 percent of the FHLBank of Dallas' total outstanding advances at that date. Wells Fargo Bank South Central, National Association's advances are scheduled to mature between March 2010 and October 2013. While Wells Fargo & Company has maintained a membership relationship with the FHLBank of Dallas, the FHLBank of Dallas is currently unable to predict whether Wells Fargo Bank South Central, National Association will alter its predecessor's borrowing relationship with the FHLBank of Dallas.

FHLBank of San Francisco. On July 11, 2008, the OTS closed IndyMac Bank, F.S.B., and appointed the FDIC as receiver for IndyMac Bank, F.S.B. In connection with the receivership, the OTS chartered IndyMac Federal Bank, FSB, and appointed the FDIC as conservator. IndyMac Federal Bank, FSB, assumed the obligations of IndyMac Bank, F.S.B., with respect to mortgage loans the FHLBank of San Francisco had purchased from IndyMac Bank, F.S.B. On March 19, 2009, OneWest Bank, FSB, became a member of the FHLBank of San Francisco, assumed the obligations of IndyMac Federal Bank, FSB, with respect to mortgage loans the FHLBank of San Francisco had purchased from IndyMac Bank, F.S.B., and agreed to fulfill its obligations to provide credit enhancement to the FHLBank of San Francisco and to service the mortgage loans as required. The FHLBank of San Francisco capital stock acquired by OneWest Bank, FSB, is no longer classified as mandatorily redeemable capital stock (a liability). However, the capital stock remaining with IndyMac Federal Bank, FSB, totaling $49 million, remains classified as mandatorily redeemable capital stock (a liability).

During 2008, JPMorgan Chase Bank, National Association, a non-member, assumed Washington Mutual Bank's outstanding FHLBank of San Francisco advances and acquired the associated FHLBank of San Francisco capital stock. JPMorgan Bank and Trust Company, National Association, an affiliate of JPMorgan Chase Bank, National Association, became a member of the FHLBank of San Francisco. During the first quarter of 2009, the FHLBank of San Francisco allowed the transfer of excess stock totaling $300 million from JPMorgan Chase Bank, National Association, to JPMorgan Bank and Trust Company, National Association, to enable JPMorgan Bank and Trust Company, National Association, to satisfy its activity-based stock requirement. The capital stock transferred is no longer classified as mandatorily redeemable capital stock (a liability). However, the residual capital stock remaining with

JPMorgan Chase Bank, National Association, totaling $2,695 million, remains classified as mandatorily redeemable capital stock (a liability).

On December 31, 2008, Wells Fargo & Company, a non-member, acquired Wachovia Corporation, the parent company of Wachovia Mortgage, FSB. Wachovia Mortgage, FSB, continued to operate as a separate entity and continued to be a member of the FHLBank of San Francisco until its merger into Wells Fargo Bank, N.A., a subsidiary of Wells Fargo & Company, on November 1, 2009. Effective November 1, 2009, Wells Fargo Financial National Bank, an affiliate of Wells Fargo & Company, became a member of the FHLBank of San Francisco, and the FHLBank of San Francisco allowed the transfer of excess capital stock totaling $5 million from Wachovia Mortgage, FSB, to Wells Fargo Financial National Bank to enable Wells Fargo Financial National Bank to satisfy its initial membership stock requirement. As a result of the merger, Wells Fargo Bank, N.A., assumed all outstanding FHLBank of San Francisco advances and the remaining FHLBank of San Francisco capital stock of Wachovia Mortgage, FSB. The FHLBank of San Francisco has reclassified the capital stock transferred to Wells Fargo Bank, N.A., of $1,567 million to mandatorily redeemable capital stock (a liability).

FHLBank of Seattle. In January 2009, Bank of America, National Association completed the acquisition of Merrill Lynch & Co. On July 1, 2009, the assets of Merrill Lynch Bank USA, previously a member of the FHLBank of Seattle, were transferred to Bank of America, National Association, a non-member, as part of its purchase of Merrill Lynch & Co. As part of this restructuring, outstanding advances of $411.2 million and Class B stock of $146.3 million held by Merrill Lynch Bank USA were transferred to Bank of America, National Association. Immediately subsequent to the asset transfer, Bank of America, National Association transferred substantially all of the Class B stock to its subsidiary, Bank of America Oregon, N.A., an FHLBank of Seattle member. Since that date, Bank of America Oregon, N.A. has begun utilizing the transferred Class B stock for new advances with the Seattle Bank.

In September 2008, in a transaction facilitated by the FDIC, Washington Mutual Bank, F.S.B. was acquired by JPMorgan Chase Bank, National Association, a non-member. In October 2008, JPMorgan Chase Bank, National Association notified the FHLBank of Seattle that it had merged Washington Mutual Bank, F.S.B. into a non-member entity, JPMorgan Chase Bank, National Association, that assumed the fully collateralized, related advances and capital stock of the FHLBank of Seattle. Effective October 7, 2008, FHLBank of Seattle reclassified the membership to that of a non-member shareholder that is no longer able to enter into new borrowing arrangements with the FHLBank of Seattle and transferred its Class A stock and Class B stock to mandatorily redeemable capital stock on the statement of condition. Per the FHLBank of Seattle's capital plan, Class A stock is redeemable six months after notification and Class B stock is redeemable five years after notification, subject to certain requirements. As a non-member, JPMorgan Chase Bank, National Association is not eligible to initiate new advances or renew maturing advances. As of December 31, 2009, FHLBank of Seattle had $2.2 billion in advances outstanding to JPMorgan Chase Bank, National Association, approximately 70 percent of which mature in the first quarter of 2010.

FEDERAL HOME LOAN BANKS
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OF BOARD "AUDIT COMMITTEE" REPORT

By Finance Agency 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 three-person OF Board is appointed by the Finance Agency and is comprised of two FHLBank presidents and one person not employed by an FHLBank or the Office of Finance who has a demonstrated expertise in financial markets. In connection with its duties as an "audit committee," the OF Board reviews the combined financial statements of the FHLBanks and has adopted a written charter, which has been posted on its web site. The OF Board members are not required to satisfy any express qualification or independence standards governing their service as an "audit committee" that are separate and distinct from their qualifications to serve as members of the OF Board. A majority of the OF Board has been, and unless and until the applicable Finance Agency regulations are modified, a majority of the OF Board will continue to be, comprised of directors who are not independent from the FHLBanks.

There is no system-wide centralized 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 Agency and the audit committee independence requirements set forth in Section 10A(m) of the Securities Exchange Act of 1934, but who may not be considered "independent" based on corporate governance standards of independence used by the FHLBanks for disclosure purposes as required under SEC rules and regulations. 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. 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 Agency, 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 (AICPA, *Professional Standards*, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in rule 3200T for communication with audit committees.

The OF Board has also received the written disclosures and the letter from the independent auditors required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has discussed with the independent accountants the accounting firm's independence.

Based on the review and discussions referred to above, the OF Board decided to include the combined audited financial statements in the FHLBanks' 2009 Combined Financial Report.

H Ronald Weissman, Chair
Terry Smith
Dean Schultz

March 30, 2010

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 operations, capital and cash flows present fairly, in all material respects, the combined financial position of the Federal Home Loan Banks (the "FHLBanks") at December 31, 2009 and 2008, and the combined results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, 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 combined financial statements in accordance with auditing standards generally accepted in the United States of America and the standards of the Public Company Accounting Oversight Board (United States). 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, effective January 1, 2009, the FHLBanks adopted guidance that revises the recognition and reporting requirements for other-than-temporary impairments of debt securities classified as either available-for-sale or held-to-maturity.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole; we have also audited each of the individual FHLBank's financial statements and have also issued separate reports on the financial statements of each of the FHLBanks. The combining information shown on pages 296 to 329 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.

PricewaterhouseCoopers LLP

McLean, Virginia
March 30, 2010

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CONDITION

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

	December 31, 2009	December 31, 2008
ASSETS		
Cash and due from banks (Note 3)	$ 24,330	$ 20,820
Interest-bearing deposits	11	47,486
Securities purchased under agreements to resell (Note 4)	7,175	6,895
Federal funds sold	54,597	40,299
Trading securities includes $188 and $1,865 pledged as collateral in 2009 and 2008 that may be repledged (Note 5)	22,247	12,150
Available-for-sale securities includes $738 and $690 pledged as collateral in 2009 and 2008 that may be repledged (Note 6)	52,488	14,559
Held-to-maturity securities includes $1,423 and $1,473 pledged as collateral in 2009 and 2008 that may be repledged (a) (Note 7)	147,833	184,524
Advances includes $21,620 and $38,774 at fair value under fair value option at December 31, 2009 and 2008 (Note 9)	631,159	928,638
Mortgage loans held for portfolio	71,469	87,376
Less: allowance for credit losses on mortgage loans	32	15
Mortgage loans held for portfolio, net (Note 10)	71,437	87,361
Accrued interest receivable	2,466	4,261
Premises, software, and equipment, net	208	199
Derivative assets (Note 11)	674	902
Other assets	958	959
Total assets	$1,015,583	$1,349,053
LIABILITIES		
Deposits (Note 12):		
Interest-bearing	$ 15,589	$ 15,183
Non-interest-bearing	308	313
Total deposits	15,897	15,496
Borrowings (Note 13):		
Securities sold under agreements to repurchase	1,200	1,200
Total borrowings	1,200	1,200
Consolidated obligations, net (Note 14):		
Discount notes	198,532	439,895
Bonds includes $53,805 and $31,285 at fair value under fair value option at December 31, 2009 and 2008	736,344	818,372
Total consolidated obligations, net	934,876	1,258,267
Mandatorily redeemable capital stock	8,138	6,136
Accrued interest payable	3,802	6,331
Affordable Housing Program payable (Note 15)	791	808
Payable to REFCORP (Note 16)	121	37
Derivative liabilities (Note 11)	5,228	7,732
Other liabilities	1,721	696
Subordinated notes (Note 17)	1,000	1,000
Total liabilities	972,774	1,297,703
Commitments and contingencies (Notes 21 and 22)		
CAPITAL (Note 18)		
Capital Stock:		
Capital stock Class B putable ($100 par value) issued and outstanding shares: 422,264 shares in 2009 and 464,136 shares in 2008	42,227	46,413
Capital stock Class A putable ($100 par value) issued and outstanding shares: 4,261 shares in 2009 and 7,518 shares in 2008	427	752
Capital stock Pre-conversion ($100 par value) issued and outstanding shares: 23,277 shares in 2009 and 23,860 shares in 2008	2,328	2,386
Total capital stock	44,982	49,551
Retained earnings	6,033	2,936
Accumulated other comprehensive income (loss):		
Net unrealized gains (losses) on available-for-sale securities (Note 6)	453	(410)
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities (Note 6)	(22)	(76)
Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities (Note 8)	(2,182)	
Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities (Note 8)	(6,149)	
Net unrealized losses relating to hedging activities (Note 11)	(267)	(612)
Pension and postretirement benefits (Note 19)	(39)	(39)
Total accumulated other comprehensive income (loss)	(8,206)	(1,137)
Total capital	42,809	51,350
Total liabilities and capital	$1,015,583	$1,349,053

(a) Fair values: $146,191 and $165,649 at December 31, 2009 and 2008.

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,		
	2009	2008	2007
INTEREST INCOME			
Advances	$ 9,714	$29,643	$37,453
Prepayment fees on advances, net	215	92	23
Interest-bearing deposits	67	90	27
Securities purchased under agreements to resell	25	47	134
Federal funds sold	134	1,737	4,465
Trading securities	401	406	339
Available-for-sale securities	638	338	367
Held-to-maturity securities	5,839	8,744	9,362
Mortgage loans held for portfolio	3,873	4,495	4,849
Other	3	3	5
Total interest income	20,909	45,595	57,024
INTEREST EXPENSE			
Consolidated obligations—Discount notes	1,936	9,912	10,720
Consolidated obligations—Bonds	13,394	29,856	40,581
Deposits	23	411	949
Securities sold under agreements to repurchase	26	64	139
Subordinated notes	57	57	57
Mandatorily redeemable capital stock	40	50	57
Other borrowings	1	2	4
Total interest expense	15,477	40,352	52,507
NET INTEREST INCOME	5,432	5,243	4,517
Provision for credit losses	18	11	3
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	5,414	5,232	4,514
OTHER (LOSS) INCOME			
Total other-than-temporary impairment losses	(11,197)		
Portion of impairment losses recognized in other comprehensive income (loss)	8,766		
Net other-than-temporary impairment losses	(2,431)		
Realized losses on other-than-temporarily impaired securities		(2,025)	
Net (losses) gains on trading securities	(140)	260	147
Net realized gains from sale of available-for-sale securities	7	9	1
Net realized gains (losses) from sale of held-to- maturity securities	17	4	(6)
Net (losses) gains on advances and consolidated bonds held at fair value	(457)	883	
Net gains (losses) on derivatives and hedging activities	1,207	(1,559)	(53)
Service fees	32	29	29
Other, net	(21)	49	9
Total other (loss) income	(1,786)	(2,350)	127
OTHER EXPENSE			
Operating	813	732	714
Finance Agency/Finance Board	42	41	34
Office of Finance	35	34	30
Provision for derivative counterparty credit losses	35	252	
Other, net	18	17	14
Total other expense	943	1,076	792
INCOME BEFORE ASSESSMENTS	2,685	1,806	3,849
Affordable Housing Program	258	188	318
REFCORP	572	412	704
Total assessments	830	600	1,022
NET INCOME	$ 1,855	$ 1,206	$ 2,827

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, 2009, 2008 AND 2007

(Dollar amounts and shares in millions)

	Capital Stock Class B*		Capital Stock Class A*		Capital Stock Pre-conversion*		Total Capital Stock*			Accumulated Other	
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value	Retained Earnings	Comprehensive Income (Loss)	Total Capital
BALANCE, DECEMBER 31, 2006	389	$ 38,882	5	$ 532	26	$2,587	420	$ 42,001	$ 3,144	$ (159)	$ 44,986
Proceeds from sale of capital stock	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)	(2,825)	(1)	(102)		(14)	(28)	(2,941)			(2,941)
Comprehensive income:											
Net income									2,827		2,827
Other comprehensive income (loss):											
Net unrealized gains (losses) on available-for-sale securities:											
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 gains (losses) on held-to-maturity securities transferred from available-for-sale securities:											
Unrealized losses on held-to-maturity securities transferred from available-for-sale securities										(138)	(138)
Reclassification adjustment for losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities											
Net unrealized gains (losses) relating to hedging activities:											
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	789					8	789	(790)		(1)
BALANCE, DECEMBER 31, 2007	468	46,701	9	891	27	2,661	504	50,253	3,689	(345)	53,597
Adjustment to opening balance relating to pension and postretirement benefits and fair value option guidance									16		16
Proceeds from sale of capital stock	295	29,484	6	614	1	115	302	30,213			30,213
Repurchase/redemption of capital stock	(232)	(23,216)	(6)	(615)			(238)	(23,831)			(23,831)
Net shares reclassified to mandatorily redeemable capital stock	(71)	(7,079)	(5)	(445)	(4)	(390)	(80)	(7,914)			(7,914)
Comprehensive income:											
Net income									1,206		1,206
Other comprehensive income (loss):											
Net unrealized gains (losses) on available-for-sale securities:											
Unrealized losses on available-for-sale securities										(422)	(422)
Reclassification adjustment for gains included in net income relating to available-for-sale securities										53	53
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities:											
Unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities											
Reclassification adjustment for losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities										62	62
Net unrealized gains (losses) relating to hedging activities:											
Unrealized losses relating to hedging activities										(532)	(532)
Reclassification adjustment for losses included in net income relating to hedging activities										57	57
Pension and postretirement benefits										(10)	(10)
Total comprehensive income											414
Transfer between Class B and Class A shares	(3)	(307)	3	307							
Dividends on capital stock:											
Cash									(1,144)		(1,144)
Stock	8	830					8	830	(831)		(1)

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CAPITAL (continued)
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Dollar amounts and shares in millions)

	Capital Stock Class B*		Capital Stock Class A*		Capital Stock Pre-conversion*		Total Capital Stock*			Accumulated Other	
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value	Retained Earnings	Comprehensive Income (Loss)	Total Capital
BALANCE, DECEMBER 31, 2008	465	46,413	7	752	24	2,386	496	49,551	2,936	(1,137)	51,350
Cumulative effect of adjustment relating to amended other-than-temporary impairment guidance									1,883	(1,883)	
Proceeds from sale of capital stock	56	5,689		27	1	102	57	5,818			5,818
Repurchase/redemption of capital stock	(66)	(6,559)	(1)	(118)			(67)	(6,677)			(6,677)
Net shares reclassified to mandatorily redeemable capital stock	(34)	(3,498)	(1)	(102)	(2)	(160)	(37)	(3,760)			(3,760)
Comprehensive income:											
Net income									1,855		1,855
Other comprehensive income (loss):											
Net unrealized gains (losses) on available-for-sale securities:											
Unrealized gains on available-for-sale securities										946	946
Reclassification adjustment for gains included in net income relating to available-for-sale securities										(83)	(83)
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities:											
Unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities											
Reclassification adjustment for losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities										54	54
Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities:											
Noncredit portion of impairment losses on available-for-sale securities, including noncredit impairment losses transferred from held-to maturity securities and subsequent fair value adjustments										(2,525)	(2,525)
Reclassification adjustment of noncredit portion of impairment losses included in net income relating to available-for-sale securities										402	402
Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities:											
Net noncredit portion of impairment losses on held-to-maturity securities										(10,220)	(10,220)
Reclassification adjustment of noncredit portion of impairment losses included in net income relating to held-to-maturity securities										1,352	1,352
Accretion of noncredit portion of impairment losses on held-to-maturity securities										1,293	1,293
Reclassification of noncredit portion of impairment losses from held-to-maturity securities to available-for-sale securities										3,250	3,250
Net unrealized gains (losses) relating to hedging activities:											
Unrealized gains relating to hedging activities										303	303
Reclassification adjustment for losses included in net income relating to hedging activities										42	42
Pension and postretirement benefits											
Total comprehensive loss											(3,331)
Transfer between Class B and Class A shares	1	132	(1)	(132)							
Dividends on capital stock:											
Cash									(591)		(591)
Stock		50						50	(50)		
BALANCE, DECEMBER 31, 2009	422	$ 42,227	4	$ 427	23	$2,328	449	$ 44,982	$ 6,033	$ (8,206)	$ 42,809

* 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,		
	2009	2008	2007
OPERATING ACTIVITIES			
Net income	$ 1,855	$ 1,206	$ 2,827
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	(1,481)	(423)	1,632
Change in net derivative and hedging activities	704	1,304	(463)
Other adjustments*	2,481	2,272	32
Net change in fair value adjustments on trading securities	169	(297)	(125)
Net change in fair value adjustments on advances and consolidated bonds held at fair value	457	(883)	
Net change in:			
Trading securities	(780)	(499)	184
Accrued interest receivable	1,746	1,183	(1,272)
Other assets	(85)	(265)	(91)
Accrued interest payable	(2,526)	(1,825)	(355)
Other liabilities**	173	(386)	174
Total adjustments	858	181	(284)
Net cash provided by operating activities	2,713	1,387	2,543
INVESTING ACTIVITIES			
Net change in:			
Interest-bearing deposits	53,809	(59,398)	(1,254)
Securities purchased under agreements to resell	(280)	(6,095)	4,105
Federal funds sold	(14,299)	45,519	(8,763)
Premises, software and equipment	(70)	(51)	(48)
Trading securities:			
Net increase in short-term	(7,343)	(2,242)	
Proceeds from long-term	3,697	3,554	903
Purchases of long-term	(5,602)	(6,767)	(2,064)
Available-for-sale securities:			
Net (increase) decrease in short-term	(6,758)	(2,294)	1,156
Proceeds from long-term	6,105	2,655	2,235
Purchases of long-term	(30,137)	(9,036)	(4,111)
Held-to-maturity securities:			
Net decrease (increase) in short-term	5,275	34,972	(12,799)
Proceeds from long-term	39,439	26,961	26,203
Purchases of long-term	(22,427)	(51,365)	(33,496)
Advances:			
Proceeds	3,331,163	8,518,268	7,339,019
Made	(3,046,597)	(8,551,560)	(7,564,733)
Mortgage loans held for portfolio:			
Principal collected	21,415	12,022	11,852
Purchases	(7,996)	(7,700)	(5,522)
Mortgage loans held for sale:			
Proceeds	2,124		
Principal collected	128		
Proceeds from sales of foreclosed assets	75	58	61
Principal collected on other loans	2	1	1
Net cash provided by (used in) investing activities	321,723	(52,498)	(247,255)

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CASH FLOWS (continued)
(Dollar amounts in millions)

	For The Years Ended December 31,		
	2009	2008	2007
FINANCING ACTIVITIES			
Net change in:			
Deposits and pass-through reserves	$ (137)	$ (3,826)	$ 3,123
Borrowings	(409)	166	(788)
Net (payments) proceeds on derivative contracts with financing element	(1,607)	1,665	
Net proceeds from issuance of consolidated obligations:			
Discount notes	7,200,128	10,848,109	8,839,550
Bonds	506,688	554,624	495,029
Payments for maturing and retiring consolidated obligations:			
Discount notes	(7,440,075)	(10,784,163)	(8,622,055)
Bonds	(582,306)	(547,180)	(476,151)
Proceeds from issuance of capital stock	5,818	30,213	28,288
Payments for repurchase/redemption of mandatorily redeemable capital stock	(1,758)	(2,912)	(2,945)
Payments for repurchase/redemption of capital stock	(6,677)	(23,831)	(17,884)
Cash dividends paid	(591)	(1,254)	(1,465)
Net cash (used in) provided by financing activities	(320,926)	71,611	244,702
Net increase (decrease) in cash and cash equivalents	3,510	20,500	(10)
Cash and cash equivalents at beginning of the period	20,820	320	330
Cash and cash equivalents at end of the period	$ 24,330	$ 20,820	$ 320
Supplemental Disclosures:			
Interest paid	$ 19,593	$ 41,073	$ 48,858
AHP payments, net	$ 277	$ 269	$ 229
REFCORP assessments paid	$ 407	$ 785	$ 656
Transfers of mortgage loans to real estate owned	$ 160	$ 99	$ 86
Mortgage loans held for portfolio transferred to mortgage loans held for sale	$ 2,414	$	$
Mortgage loans held for sale transferred to mortgage loans held for portfolio	$ 163	$	$
Non-cash transfer of other-than-temporarily impaired held-to-maturity securities to available-for-sale securities	$ 5,341	$	$

* Other adjustments primarily relate to the non-cash adjustments for 2009 "Net other-than-temporary impairment losses" of $2,431 million and 2008 "Realized losses on other-than-temporarily impaired securities" of $2,025 million as reported on the Combined Statement of Income.

** Other liabilities includes the net change in the REFCORP receivable/payable.

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

Federal Home Loan Banks

Notes to Combined Financial Statements

Background Information

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

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

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

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

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

Note 1—Summary of Significant Accounting Policies

Principles of Combination. The combined financial statements include the financial statements and records of the 12 FHLBanks. Material transactions among the FHLBanks have been eliminated in accordance with combination accounting principles similar to consolidation under generally accepted accounting principles in the United States of America (GAAP). The most significant transactions between the FHLBanks are: 1) transfers of direct liability on consolidated bonds between FHLBanks, which occur when consolidated bonds issued on behalf of one FHLBank and transferred to and assumed by another FHLBank and 2) purchases of consolidated bonds and discount notes, which occur when consolidated obligations issued on behalf of one FHLBank are purchased by another FHLBank in the open market.

Subsequent Events. For purposes of this combined financial report, subsequent events have been evaluated through March 30, 2010, the date of this Combined Financial Report.

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

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

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

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

Segment Reporting. Finance Agency regulations consider each FHLBank to be a segment.

Basis of Presentation and Use of Estimates. The FHLBanks' accounting and financial reporting policies conform to GAAP. The preparation of financial statements in accordance with GAAP requires each FHLBank's management to make subjective assumptions and estimates that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expense. The most significant of these estimates include the determination of other-than-temporary impairments of securities and fair value of derivatives, certain advances, certain investment securities and certain consolidated obligations that are reported at fair value in the Combined Statement of Condition. Actual results could differ from these estimates significantly.

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, acceptable GAAP alternatives.

Interest-Bearing Deposits, 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. The FHLBanks invest in certificates of deposit and bank notes not meeting the definition of a security that are recorded, at

amortized cost, as "Interest-bearing deposits". The FHLBanks also invest in certain certificates of deposit and bank notes that meet the definition of a security and are recorded as held-to-maturity, available-for-sale securities, or trading securities.

Investment Securities. The FHLBanks classify investments as trading, available-for-sale and held-to-maturity at the date of acquisition. Purchases and sales of securities are recorded on a trade date basis.

Securities classified as trading are held for liquidity purposes and carried 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 carry, at amortized 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. These investments are classified as "Held-to-maturity securities" on the Statement of Condition. Amortization of premiums and accretion of discounts are computed using a level-yield methodology.

Certain changes in circumstances may cause an FHLBank to change its intent to hold a 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, 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 classify certain investments that are not held-to-maturity or in trading as available-for-sale (AFS) and carry them at fair value. The change in fair value of the available-for-sale securities not being hedged by derivative instruments, or in an economic hedging relationship, 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 amortize purchased premiums and accrete purchased 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. 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, including adjustments for actual prepayment activities, 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 (loss).

Investment Securities—Other-than-Temporary Impairment. Each FHLBank evaluates its individual available for sale and held-to-maturity securities in unrealized loss positions for other-than-temporary impairment (OTTI) on a quarterly basis. An investment is considered impaired when its fair value is less than its amortized cost basis. An FHLBank considers an OTTI to have occurred under any of the following circumstances:

- If an FHLBank has an intent to sell the debt security;
- If, based on available evidence, an FHLBank believes it is more likely than not that it will be required to sell the debt security before the recovery of its amortized cost basis; or
- If an FHLBank does not expect to recover the entire amortized cost basis of the debt security.

If either of the first two conditions above is met, an FHLBank recognizes an OTTI charge in earnings equal to the entire difference between the security's amortized cost basis and its fair value as of the statement of condition date.

For securities in an unrealized loss position that meet neither of the first two conditions, each FHLBank performs cash flow analysis to determine if it will recover the entire amortized cost basis of each of these securities. The present value of the cash flows expected to be collected is compared to the amortized cost basis of the debt security to determine whether a credit loss exists. If there is a credit loss (the difference between the present value of the cash flows expected to be collected and the amortized cost basis of the debt security), the carrying value of the debt security is adjusted to its fair value. However, rather than recognizing the entire difference between the amortized cost basis and fair value in earnings, only the amount of the impairment representing the credit loss (i.e., the credit component) is recognized in earnings, while the amount related to all other factors (i.e., the non-credit component) is recognized in accumulated other comprehensive income (loss) (AOCI), which is a component of equity. The total OTTI is presented in the income statement with an offset for the amount of the total OTTI that is recognized in AOCI. Subsequent non-OTTI-related increases and decreases in the fair value of available-for-sale securities will be included in AOCI. The OTTI recognized in AOCI for debt securities classified as held-to-maturity will be accreted over the remaining life of the debt security as an increase in the carrying value of the security (with no effect on earnings unless the security is subsequently sold or there is additional OTTI related to credit loss recognized).

For subsequent accounting of other-than-temporarily impaired securities, if the present value of cash flows expected to be collected is less than the amortized cost basis, an FHLBank would record an additional OTTI. The amount of total OTTI for an available-for-sale or held-to-maturity security that was previously impaired is determined as the difference between its amortized cost less the amount of OTTI recognized in AOCI prior to the determination of OTTI and its fair value. For certain other-than-temporarily impaired securities that were previously impaired and have subsequently incurred additional credit losses during 2009, the additional credit losses, up to the amount in AOCI, were reclassified out of noncredit losses in AOCI and charged to earnings, while the amount of credit losses in excess of the amount in AOCI, if applicable, was charged to earnings.

There are two acceptable subsequent interest income recognition methods under GAAP. Upon subsequent evaluation of a debt security where there is no additional OTTI, all FHLBanks, except for the FHLBanks of Chicago and Topeka, adjust the accretable yield on a prospective basis if there is a significant increase in the security's expected cash flows. Regardless of whether such an increase is significant, an FHLBank may choose to update the yield each quarter. Each of the FHLBanks of Chicago and Topeka recognizes subsequent interest income in accordance with the method described in

accounting guidance for beneficial interests in securitized financial assets. As of the impairment measurement date, a new accretable yield is calculated for the impaired investment security. This is used to calculate the amount to be recognized into income over the remaining life of the security so as to match the amount and timing of future cash flows expected to be collected. Subsequent changes in estimated cash flows change the accretable yield on a prospective basis. For debt securities classified as held-to-maturity, the OTTI recognized in AOCI is accreted to the carrying value of each security on a prospective basis, based on the amount and timing of future estimated cash flows (with no effect on earnings unless the security is subsequently sold or there are additional decreases in cash flows expected to be collected). For debt securities classified as AFS, the FHLBanks do not accrete the OTTI recognized in AOCI because the subsequent measurement basis for these securities is fair value. The estimated cash flows and accretable yield are re-evaluated on a quarterly basis. Under both subsequent accounting methods described above, future estimated cash flows of impaired securities are updated on a regular basis (i.e., quarterly).

The FHLBanks only acquire private-label mortgage-backed securities (also referred to as MBS) that are believed to be of high credit quality at acquisition, and thus these investments are not initially subject to the incremental impairment guidance for certain beneficial interests in securitized financial assets, specifically those that are not of "high credit quality." Authoritative GAAP does not specifically address whether impairments or credit downgrades subsequent to acquisition require the application of the incremental impairment guidance to a beneficial interest that was not in scope at the time of purchase. Each FHLBank's management makes a policy choice when evaluating accounting models for securities that have been impaired or downgraded after acquisition.

Prior to adoption of current GAAP for OTTI on investment securities, in all cases, if an impairment was determined to be other-than-temporary, an impairment loss was recognized in earnings in an amount equal to the entire difference between the security's amortized cost basis and its fair value at the statement of condition date of the reporting period for which the assessment was made. An FHLBank would conclude that a loss was other-than-temporary if it was probable that the FHLBank would not receive all of the investment security's contractual cash flows. As part of this analysis, an FHLBank had to assess its intent and ability to hold a security until recovery of any unrealized losses. The FHLBanks adopted the current GAAP for OTTI as of January 1, 2009, and recognized the effects of adoption as a change in accounting principle. The FHLBanks recognized the $1,883 million cumulative effect of initial application as an adjustment to their retained earnings at January 1, 2009, with an offsetting adjustment to AOCI.

Advances. The FHLBanks report advances (loans to members or housing associates) either at amortized cost or fair value when the fair value option is elected. Advances carried at amortized cost are reported net of unearned commitment fees, discounts (including discounts related to Affordable Housing Program (AHP)), premiums and any hedging adjustments. The FHLBanks amortize the premiums and accrete the discounts on advances to interest income using a level-yield methodology. The FHLBanks record interest on advances to income as earned. Advances carried at fair value recognize contractual interest into interest income.

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 9 more fully describes, Community Financial Institutions (CFIs) (the purposes of advances to which have been redefined by the Housing Act to also include community development activities) are eligible to utilize expanded statutory collateral rules. 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. The FHLBanks have not experienced any credit losses on advances since they were founded in 1932 and, based on their credit extension and collateral policies, each FHLBank's management currently does not anticipate any credit losses on its FHLBank's advances. Accordingly, each FHLBank has not provided any allowance for losses on advances at December 31, 2009.

Commitment Fees. The FHLBanks defer commitment fees for advances and amortize them to interest income using a level-yield methodology once the advances are funded. Refundable fees are deferred until the commitment expires or until the advances are funded, at which time such fees become non-refundable. 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. Based upon past experience, management of each FHLBank believes that the likelihood of standby letters of credit being drawn upon is remote.

Prepayment Fees. The FHLBanks charge a borrower a prepayment fee when the borrower prepays certain advances before the original maturity. The FHLBanks record prepayment fees net of basis adjustments related to hedging activities included in the book basis of the advance as "Prepayment fees on advances, net" in the interest income section of the Combined 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 advance meets the accounting criteria to qualify as a modification of an existing advance or whether it constitutes a new advance. If the 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 prepaid advances that are hedged and meet hedge accounting requirements, 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, the modified advance 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 existing fees net of related hedging adjustments are recorded as "Prepayment fees on advances, net" in the interest income section of the Combined Statement of Income.

Mortgage Loans Held for Portfolio, Net. The FHLBanks 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. FHLBanks are authorized to hold acquired member assets, such as assets acquired under the MPF Program developed by the FHLBank of Chicago and the MPP developed by the FHLBanks of Cincinnati, Indianapolis and Seattle. Currently, the FHLBanks of Chicago, Atlanta, San Francisco and Seattle are not accepting additional master commitments and discontinued purchasing additional mortgages, except for immaterial amounts of MPF Loans to support affordable housing. Each of these FHLBanks plans to retain its existing portfolio of mortgage loans.

Under the MPP and the MPF program, an FHLBank may invest in government-guaranteed/insured mortgage loans (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) and conventional residential mortgage loans, which are either funded by the FHLBank, purchased from its participating members (PFIs), or are participations in pools of eligible mortgage loans purchased from other FHLBanks. A participating FHLBank manages the liquidity and interest-rate risk (including prepayment risk), and optionality of the loans, while its PFIs either retain or release the servicing rights. If the servicing rights are released, the PFI concurrently sells the servicing of the mortgage loans to an unrelated designated mortgage servicer. The FHLBank and its PFIs share the credit risk on the conventional loans. The PFI 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.)

On September 23, 2008, the FHLBank of Chicago announced the launch of the MPF Xtra product which provides PFIs with a secondary mortgage market alternative. Loans sold to the FHLBank of Chicago under the MPF Xtra product are concurrently sold to Fannie Mae, as a third party investor, and are not held on the participating FHLBank's statement of condition. Unlike other conventional MPF products, under the MPF Xtra product PFIs are not required to provide credit enhancement and do not receive credit enhancement fees (CE Fees).

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, hedging adjustments, and mark-to-market basis adjustments on loans initially classified as mortgage loan commitments. Each FHLBank has the intent and ability to hold these mortgage loans to maturity.

The FHLBanks defer and amortize deferred loan costs, premiums and discounts paid to and received by an FHLBank's PFIs, and basis adjustments as interest income using either the contractual method or the retrospective method. The FHLBank aggregates the mortgage loans by similar characteristics (type, maturity, note rate and acquisition date) in determining prepayment estimates for the retrospective method.

The FHLBanks record CE Fees paid to 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 PFI 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, these fees are recorded in other income. 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). 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. Generally, if the collection of the remaining principal amount due is considered doubtful then cash payments received would be applied first solely to principal until the remaining principal amount due is expected to be collected and then as a recovery of any charge-off, if applicable, followed by recording interest income. 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.

Accounting for Allowance for Loan Losses on Mortgage Loans. Each FHLBank performs periodic reviews of its mortgage loan portfolio to identify losses inherent within the portfolio at the statement of condition date 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, other collateral related characteristics, industry data, and prevailing economic conditions. The measurement of the allowance for loan losses may consist of (1) reviewing specifically identified loans; (2) reviewing homogeneous pools of residential mortgage loans; and/or (3) estimating credit losses in the remaining portfolio. The estimation of credit losses in the remaining mortgage loan portfolio involves assessing the effect of current economic

trends and specific events on the allowance for loan losses and assessing a factor for the margin for imprecision, if deemed necessary. The actual loss that may occur may be more or less than the estimated loss for a specific mortgage loan.

Primary mortgage insurance (PMI), First Loss Account (for MPF Loans), Lender Risk Account (LRA), (for MPP Loans) and any credit enhancement are factored into the allowance for loan loss determination, provided collection is determined to be probable. Any potential losses that would be recovered from the PMI and credit enhancements, as well as any FHA and HUD insurance and VA and RHS guarantees, are not reserved for as part of the allowance for loan losses. In such cases, each FHLBank does not record a charge-off to the allowance for loan losses when losses occur or record a recovery to the allowance for loan losses for any cash payments received as a result of the credit enhancements or amounts under PMI, FHA or HUD insurance, or under RHS or VA guarantees.

The MPP FHLBanks have determined that as of December 31, 2009, the combination of each member's obligation for losses, allowance for credit losses, if applicable, and the mortgage insurance coverage, if applicable, is sufficient to absorb expected credit losses in the MPP FHLBanks' mortgage loan portfolios. Accordingly, the combined financial statements reflect an aggregate allowance for loan losses with respect to MPP Loans in the amounts of $1 million at December 31, 2009. No or minimal allowance for loan losses was considered necessary for MPP Banks in 2008.

The allowance for loan losses on MPF Loans is established by each MPF FHLBank at a level that it believes is adequate to cover probable losses inherent in the MPF Loan portfolio. The combined financial statements reflect an aggregate allowance for loan losses with respect to MPF Loans and Other loans in the amounts of $31 million and $15 million at December 31, 2009 and 2008.

Mortgage loans are considered impaired when, based on current information and events, it is probable that an FHLBank will be unable to collect all amounts due according to the contractual terms of the mortgage loan agreement, with the exception of mortgage loans collectively evaluated for impairment.

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 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 credit enhancement, and/or the PFI may contract for a contingent performance-based CE Fee whereby such fees are reduced by losses up to a certain amount arising under the master commitment. The required PFI credit enhancement may vary depending on the MPF product alternatives selected. Under the Acquired Member Assets Regulation, any portion of the credit enhancement 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 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 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. Performance-based CE Fees are based on the unpaid balance and the actual performance of the MPF Loans in 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. An 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. Typically after five years, excess funds over required balances are distributed to the member in accordance with a

step-down schedule that is established at the time of a master commitment contract. As established by the MI providers, no LRA balance is required after eleven years based on the assumption that no loan losses are expected beyond eleven years due to principal paydowns and property value appreciation. The total balance of all LRAs is recorded in other liabilities and totaled $96 million and $91 million at December 31, 2009 and 2008.

In addition to the expected losses covered by the LRA, the member selling conventional loans also is required to provide additional credit enhancements that, combined with the LRA, effectively make the purchased mortgage loan portfolio to achieve an investment-grade rating equivalent to at least double-A-minus at the time of acquisition. This is generally accomplished by requiring a member 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, PMI (if applicable), the LRA and the SMI, is intended to provide, at a minimum, the equivalent to an investment-grade double-A rating under the rating methodology licensed from a Nationally Recognized Statistical Organization (NRSRO) (although the assets are not rated by any rating 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 double-A at the time of acquisition, 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 allowed mortgage loans originated through the MPF Program to be sold to a third party-sponsored trust and "pooled" into securities. The investments are classified as held-to-maturity securities and are reported at amortized cost of $298 million and $398 million at December 31, 2009 and 2008. These securities, which are rated double-A, are not publicly traded and are not guaranteed by any of the FHLBanks.

FHLBanks apply consolidation accounting principles to their investments in variable interest entities. Such investments in variable interest entities include MPF Shared Funding securities and investments in securitized beneficial interests (for example, mortgage-backed securities (MBS)). MPF Shared Funding securities, which are MBS secured by pools of mortgage loans that meet the eligibility requirements of the MPF Program, are acquired member assets under FHFA regulations. FHLBanks investing in the MPF Shared Funding Program are non-transferor investors in the MPF Shared Funding program in that the MPF Shared Funding securities do not contain any assets that were transferred by FHLBanks. MPF Shared Funding securities were issued by special purpose entities (SPEs) that were sponsored by One Mortgage Partners Corp., a subsidiary of JPMorgan Chase. FHLBanks do not act as servicer for the mortgage loans held by the SPEs. The MPF Shared Funding securities are classified as held-to-maturity and are not publicly traded or guaranteed by any FHLBank. FHLBanks do not provide any liquidity or credit support to their investments in MPF Shared Funding securities. An FHLBank's maximum loss exposure to these MPF Shared Funding securities is limited to the carrying value of these securities. FHLBanks do not consolidate any of their beneficial interests in the securitized mortgages since they hold senior interests, the MBS do not contain any assets transferred by FHLBanks, are not the sponsor, do not act as servicer, and do not provide any liquidity or credit support to these investments. FHLBanks' maximum loss exposure for these investments is limited to the carrying value.

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 $406 million and $347 million at December 31, 2009 and 2008. 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 $60 million, $55 million and $57 million for the years ended December 31, 2009, 2008 and 2007. 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 less than $1 million, $5 million and $1 million in 2009, 2008 and 2007.

The cost of computer software developed or obtained for internal use is capitalized and amortized over future periods. At December 31, 2009 and 2008, the FHLBanks had $106 million and $109 million in unamortized computer software costs. Amortization of computer software costs charged to expense was $41 million, $35 million and $37 million for the years ended December 31, 2009, 2008 and 2007.

Derivatives. All derivatives are recognized on the statement of condition at their fair values. The FHLBanks have elected to report derivative assets and derivative liabilities on the Combined Statement of Condition net of cash collateral and accrued interest from counterparties.

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 non-qualifying hedge of an asset or liability ("economic" hedge) for asset-liability management purposes; or

(4) 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 AOCI, a component of capital, until earnings are affected by the variability of the cash flows of the hedged transaction.

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 Agency regulatory requirements prohibiting speculative hedge transactions. An economic hedge by definition introduces the potential for earnings variability caused by the changes in fair value of the derivatives that are recorded in an FHLBank's income but that are 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 Combined Statement of Cash Flows unless the derivative meets the criteria to be a financing derivative.

The derivatives used in intermediary activities do not qualify for 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 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 hedge relationships 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, debt or purchased financial instrument (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" as well as hybrid financial instruments that are eligible for the fair value option), 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 Statement of Condition at fair value and no portion of the contract is designated as a hedging instrument.

If hedging relationships meet certain criteria including, but not limited to, formal documentation of the hedging relationship and an expectation to be highly effective, 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 at inception and 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 conditions for applying the shortcut method of hedge accounting, provided all the other conditions for applying the short-cut method of hedge accounting are also met.

An FHLBank discontinues 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 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 either terminates the derivative or 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 statement of condition 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 AOCI 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 AOCI 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 statement of condition at its fair value, removing from the statement of condition 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. Concessions are paid to dealers in connection with the issuance of certain 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. Concessions paid on consolidated obligations designated under the fair value option are expensed as incurred. Concessions paid on consolidated obligations not designated under the fair value option are deferred and amortized, using a level-yield methodology, over the terms to maturity or the estimated lives of the consolidated obligations. Unamortized concessions were $215 million and $246 million at December 31, 2009 and 2008 and are included in "Other assets." Amortization of such concessions is included in consolidated obligation interest expense and totaled $238 million, $270 million and $179 million in 2009, 2008, and 2007.

Discounts and Premiums on Consolidated Obligations. The FHLBanks expense the discounts on consolidated 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 bonds to interest expense using a level-yield methodology over the term to maturity or the estimated life of the corresponding consolidated bond.

Mandatorily Redeemable Capital Stock. 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 attains non-member status 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 are accrued at the expected dividend rate and reflected as interest expense in the Combined Statement of Income. The repurchase or redemption of these mandatorily redeemable financial instruments is reflected as a financing cash outflow in the Combined 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 liabilities to equity. After the reclassification, dividends on the capital stock will no longer be classified as interest expense.

Finance Agency/Finance Board Expenses. The FHLBanks funded the costs of operating the Finance Board, and fund a portion of the costs of operating the Finance Agency since it was created on July 30, 2008. The Finance Board allocated its operating and capital expenditures to the FHLBanks based on each FHLBank's percentage of total combined regulatory capital stock plus retained earnings through July 29, 2008. The portion of the Finance Agency's expenses and working capital fund paid by the FHLBanks are allocated among the FHLBanks based on the *pro rata* share of the annual assessments (which are based on the ratio between each FHLBank's minimum required regulatory capital and the aggregate minimum required regulatory capital of every FHLBank). Each FHLBank must pay an amount equal to one-half of its annual assessment twice each year.

Office of Finance Expenses. The FHLBanks are assessed for the costs of operating the Office of Finance. 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 15—Affordable Housing Program 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 be used to pay a portion of the interest on bonds that were issued by 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 16—Resolution Funding Corporation for more information.)

Fair Value. Some of the FHLBanks' financial instruments lack an available trading market characterized as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Therefore, the FHLBanks use pricing services and/or internal models employing significant estimates and present value calculations when disclosing fair value. Certain FHLBanks assume that book value approximates fair value for some financial instruments with three months or less to repricing or maturity. (See Note 20—Fair Value for more information.)

Cash Flows. In the Combined Statement of Cash Flows, the FHLBanks consider non-interest bearing cash and due from banks as cash and cash equivalents. Federal funds sold are not treated as cash equivalents for purposes of the Combined Statement of Cash Flows, but instead are treated as short-term investments and are reflected in the investing activities section of the Combined Statement of Cash Flows.

The FHLBank of New York reflects gains or losses on debt extinguishments in the operating activities section of its Statement of Cash Flows and reports 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 as "Other adjustments" on the Statement of Cash Flows for gains or losses on debt extinguishments. Both methodologies are acceptable under GAAP.

Reclassifications. Certain amounts in the 2008 and 2007 financial statements have been reclassified to conform to the 2009 presentation.

Correction of Error by the FHLBank of Chicago. Subsequent to filing its SEC Form 10-Q for the quarter ended September 30, 2009, and as a result of ongoing enhancement to its statement of cash flow preparation process, the FHLBank of Chicago became aware of calculation errors in the cash flows from certain derivative and investment activities in its condensed statements of cash flows for the quarters ended March 31, 2009, June 30, 2009 and September 30, 2009. These errors resulted in the misclassification of cash flows primarily between operating activities and investing activities. Following the FHLBank of Chicago's review and analysis, its management determined that the FHLBank of Chicago's financial statements for the three months ended March 31, 2009, six months ended June 30, 2009 and nine months ended September 30, 2009 should be restated to correct the misclassifications and should not be relied upon. At a meeting on February 12, 2010, the FHLBank of Chicago's management discussed the matter with the FHLBank of Chicago's Audit Committee, obtaining concurrence with management's assessment. The FHLBank of Chicago's management and its Audit Committee have discussed this matter with its external audit firm, PricewaterhouseCoopers LLP.

On February 16, 2010, the FHLBank of Chicago filed an amendment to its SEC quarterly reports on Form 10-Q/A for each of the quarters ended March 31, 2009, June 30, 2009 and September 30, 2009. The effect of the restatement on the FHLBank of Chicago's statement of cash flows for each of the quarters affected is as follows (dollar amounts in millions):

	As Reported	As Restated
Three months ended March 31, 2009:		
Net cash provided by operating activities	$ 104	$ 123
Net cash provided by investing activities	8,757	8,763
Net cash used in financing activities	(7,871)	(7,896)
Six months ended June 30, 2009:		
Net cash provided by (used in) operating activities	206	(68)
Net cash provided by investing activities	2,159	2,441
Net cash used in financing activities	(2,476)	(2,484)
Nine months ended September 30, 2009:		
Net cash provided by operating activities	448	99
Net cash provided by investing activities	5,939	6,288

Given the nature and structure of the FHLBank System as a whole, coupled with the results noted above, the FHLBank's Office of Finance concluded that the FHLBank of Chicago's misstatements in each corresponding period's combined statement of cash flows was not material to the FHLBank System.

While the effect of the FHLBank of Chicago's restatement on the combined statement of cash flows for each of the quarters ended March 31, 2009, June 30, 2009 and September 30, 2009 is immaterial, the amounts included in this 2009 Combined Financial Report's Combined Statement of Cash Flows for the year ended December 31, 2009 reflect the amounts as corrected by the FHLBank of Chicago.

For purposes of each of the 2010 First, Second and Third Quarter Combined Financial Report's combining statement of cash flows, the 2009 prior period amounts included for the FHLBank of Chicago will be labeled "as revised," consistent with past practices and will be accompanied with the appropriate related footnote disclosure.

Note 2—Recently Issued and Adopted Accounting Standards and Interpretations

Scope Exception Related to Embedded Credit Derivatives. On March 5, 2010, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify that the only type of embedded credit derivative feature related to the transfer of credit risk that is exempt from derivative bifurcation requirements is one that is in the form of subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination will need to assess those embedded credit derivatives to determine if bifurcation and

separate accounting as a derivative is required. This guidance is effective at the beginning of the first interim reporting period beginning after June 15, 2010 (July 1, 2010 for the FHLBanks). Early adoption is permitted at the beginning of an entity's first interim reporting period beginning after issuance of this guidance. Each FHLBank is currently evaluating the effect of the adoption of this guidance on its financial condition, results of operations and cash flows.

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

Fair Value Measurements and Disclosures—Measuring Liabilities at Fair Value. On August 28, 2009, the FASB issued amended guidance for the fair value measurement of liabilities. The update provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques: (1) a valuation technique that uses: (a) the quoted price of the identical liability when traded as an asset; or (b) quoted prices for similar liabilities or similar liabilities when traded as assets; and (2) another valuation technique that is consistent with the fair value measurement principles, such as the income approach, a present value measurement technique or a market approach. The fair value determined under these valuation techniques should reflect the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance is effective for the first reporting period (including interim periods) beginning after issuance (October 1, 2009 for the FHLBanks). Its adoption did not have a material effect on the FHLBanks' financial condition, results of operations or cash flows.

Codification of Accounting Standards. On June 29, 2009, the FASB established FASB's Accounting Standards Codification (Codification) as the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. SEC rules and interpretive releases are also sources of authoritative GAAP for SEC registrants. This guidance modifies the GAAP hierarchy to include only two levels of GAAP: authoritative and nonauthoritative. In addition, the FASB no longer will consider new accounting standards updates as authoritative in their own right. Instead, new accounting standards updates will serve only to update the Codification, provide background information about the guidance and provide the bases for conclusions regarding changes in the Codification. The Codification is effective for interim and annual periods ending after September 15, 2009. The FHLBanks adopted the Codification for the interim period ended September 30, 2009. As the Codification is not intended to change or alter previous GAAP, its adoption did not affect the FHLBanks' financial condition, results of operations or cash flows.

Accounting for the Consolidation of Variable Interest Entities. On June 12, 2009, the FASB issued guidance which is intended to improve financial reporting by enterprises involved with variable interest entities (VIEs) by providing more relevant and reliable information to users of financial statements. This guidance amends the manner in which entities evaluate whether consolidation is required for VIEs. An

entity must first perform a qualitative analysis in determining whether it must consolidate a VIE, and if the qualitative analysis is not determinative, the entity must perform a quantitative analysis. This guidance also requires that an entity continually evaluate VIEs for consolidation, rather than making such an assessment based upon the occurrence of triggering events. Additionally, the guidance requires enhanced disclosures about how an entity's involvement with a VIE affects its financial statements and its exposure to risks. This guidance is effective as of January 1, 2010 for the FHLBanks. Earlier application is prohibited. Based on each FHLBank's analysis as of December 31, 2009, the FHLBanks did not expect adoption of this guidance as of January 1, 2010 to have a material effect on their financial condition, results of operations and cash flows.

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

Subsequent Events. On May 28, 2009, the FASB issued guidance establishing general standards of accounting for and disclosure of events that occur after the balance sheet date, but before financial statements are issued or are available to be issued. On February 24, 2010, the FASB issued an amendment to the earlier guidance to clarify (1) which entities are required to evaluate subsequent events through the date the financial statements are issued, and (2) the scope of the disclosure requirements related to subsequent events.

The original guidance set forth: (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date, including disclosure of the date through which an entity has evaluated subsequent events and whether that represents the date the financial statements were issued or were available to be issued. This guidance does not apply to subsequent events or transactions that are within the scope of other applicable GAAP that provide different guidance on the accounting treatment for subsequent events or transactions. This guidance became effective for interim and annual financial periods ending after June 15, 2009. The FHLBanks adopted this guidance as of June 30, 2009. Its adoption resulted in increased interim financial statement disclosures, but did not affect either the FHLBanks' financial condition, results of operations or cash flows.

The amended guidance requires SEC filers, as defined, to evaluate subsequent events through the date the financial statements are issued; however, it exempts SEC filers from disclosing the date through which subsequent events have been evaluated. All entities other than SEC filers continue to be required to evaluate subsequent events through the date the financial statements are available to be issued and to disclose the date through which subsequent events have been evaluated. Additionally, the amended guidance defines the term "revised financial statements" as financial statements revised as a result of (1) correction of an error or (2) retrospective application of GAAP. Upon revising its financial statements, an entity is required to update its evaluation of subsequent events through the date the revised financial statements are issued or are available to be issued. The amended guidance also requires non-SEC filers to

disclose both the date that the financial statements were issued or available to be issued and the date the revised financial statements were issued or available to be issued if the financial statements have been revised.

For all entities, except conduit debt obligors, this amended guidance is effective immediately and should be applied prospectively. The FHLBanks adopted this guidance upon its issuance. Its adoption resulted in changes to financial statement disclosures, but did not affect either the FHLBanks' financial condition, results of operations or cash flows.

Recognition and Presentation of Other-Than-Temporary Impairments. On April 9, 2009, the FASB issued guidance amending the other-than-temporary impairment (OTTI) guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of OTTI on debt and equity securities in the financial statements. This OTTI guidance clarifies the interaction of the factors that should be considered when determining whether a debt security is other than temporarily impaired and changes the presentation and calculation of the OTTI on debt securities recognized in earnings in the financial statements. This guidance does not amend existing recognition and measurement guidance related to OTTI of equity securities. This guidance expands and increases the frequency of existing disclosures about OTTI for debt and equity securities and requires new disclosures to help users of financial statements understand the significant inputs used in determining a credit loss, as well as a rollforward of that amount each period.

The FHLBanks adopted this OTTI guidance as of January 1, 2009, and recognized the effects of adoption as a change in accounting principle. The FHLBanks recognized the $1,883 million cumulative effect of initial application as an adjustment to their retained earnings at January 1, 2009, with an offsetting adjustment to AOCI. This adjustment did not affect either the FHLBanks' AHP or REFCORP expense or accruals, as these assessments were calculated based on GAAP net income. Had the FHLBanks not adopted this OTTI guidance, the FHLBanks would have recognized approximately the entire OTTI amount in net income.

Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly. On April 9, 2009, the FASB issued guidance that clarifies the approach to, and provides additional factors to consider in estimating fair value when the volume and level of activity for the asset or liability have significantly decreased. It also includes guidance on identifying circumstances that indicate a transaction is not orderly. This guidance is effective and should be applied prospectively for financial statements issued for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for reporting periods ending after March 15, 2009. If an entity elected to early adopt this guidance, it must also have concurrently adopted the OTTI guidance. The FHLBanks elected to early adopt this guidance effective January 1, 2009. Its adoption did not have a material effect on the FHLBanks' financial condition, results of operations or cash flows.

Interim Disclosures about Fair Value of Financial Instruments. On April 9, 2009, the FASB issued guidance to require disclosures about the fair value of financial instruments, including disclosure of the method(s) and significant assumptions used to estimate the fair value of financial instruments, in interim financial statements as well as in annual financial statements. Previously, these disclosures were required only in annual financial statements. This guidance is effective and should be applied prospectively for financial statements issued for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for reporting periods ending after March 15, 2009. An entity may early adopt this guidance only if it also concurrently adopted guidance discussed in the previous paragraphs regarding fair value and the OTTI guidance. The FHLBanks elected to early adopt this guidance effective January 1, 2009. Its adoption resulted in increased interim financial statement disclosures, but did not affect the FHLBanks' financial condition, results of operations or cash flows.

Employers' Disclosures about Postretirement Benefit Plan Assets. On December 30, 2008, the FASB issued guidance requiring additional disclosures about plan assets of a defined benefit pension or other postretirement plan. This guidance requires more detailed disclosures about employers' plan assets, including employers' investment strategies, major categories of plan assets, concentration of risk within

plan assets, and valuation techniques used to measure the fair value of plan assets. This guidance is effective for fiscal years ending after December 15, 2009 (December 31, 2009 for the FHLBanks). In periods after initial adoption, this guidance requires comparative disclosures only for periods ending subsequent to initial adoption and does not require earlier periods to be disclosed for comparative purposes at initial adoption. Its adoption resulted in increased financial statement disclosures for the FHLBank of San Francisco (the only FHLBank with plan assets relating to a defined benefit pension or other postretirement plan), but did not affect this FHLBank's results of operations, financial condition, or cash flows.

Enhanced Disclosures about Derivative Instruments and Hedging Activities. On March 19, 2008, the FASB issued guidance which 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. This guidance is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption allowed. The FHLBanks adopted this guidance on January 1, 2009. Its adoption resulted in increased financial statement disclosures, but did not affect the FHLBanks' financial condition, results of operations or cash flows.

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, 2009 and 2008 were approximately $90 million and $32 million.

In addition, the majority of the FHLBanks maintained average required balances with various Federal Reserve Banks of approximately $65 million for the years ended December 31, 2009 and 2008. 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 $331 million and $52 million at December 31, 2009 and 2008.

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 Combined 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, remit an equivalent amount of cash 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 consolidated bonds totaling $353 million and $617 million, at December 31, 2009 and 2008 were as follows (dollar amounts in millions):

	December 31, 2009
	Fair Value
U.S. Treasury obligations	$ 1,029
Commercial paper	2,590
Certificates of deposit and bank notes (1)	3,200
Government-sponsored enterprises (2)	9,452
State or local housing agency obligations	10
TLGP (3)	4,479
Other (4)	752
	21,512
Mortgage-backed securities:	
Other U.S. obligations residential MBS (5)	55
Government-sponsored enterprises residential MBS (6)	607
Government-sponsored enterprises commercial MBS (6)	73
Total mortgage-backed securities	735
Total	$22,247

	December 31, 2008
	Fair Value
Commercial paper	$ 673
Certificates of deposit (1)	2,072
Government-sponsored enterprises (2)	6,422
State or local housing agency obligations	14
TLGP (3)	2,151
Other	10
	11,342
Mortgage-backed securities:	
Other U.S. obligations (5)	60
Government-sponsored enterprises (6)	748
Total mortgage-backed securities	808
Total	$12,150

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

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

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

(4) Primarily consists of taxable municipal bonds.

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

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

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

	2009	2008	2007
Net unrealized (losses) gains on trading securities of securities held at period end	$(136)	$271	$147
Net unrealized and realized losses on trading securities sold/matured during the year	(4)	(11)	
Net (losses) gains on trading securities	$(140)	$260	$147

Note 6—Available-for-Sale Securities

Major Security Types. Available-for-sale (or AFS) securities were as follows (dollar amounts in millions). There were no available-for-sale interbank holdings of consolidated bonds at December 31, 2009 and 2008.

	December 31, 2009				
	Amortized Cost (1)	OTTI Recognized in AOCI	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Certificates of deposit (2)	$ 9,270	$	$	$	$ 9,270
Other U.S. obligations (3)	752		10		762
Government-sponsored enterprises and TVA (4)	4,271		92	(53)	4,310
TLGP (5)	3,298		4	(3)	3,299
FFELP ABS (6)	8,790		534	(1)	9,323
Other (7)	432			(36)	396
	26,813		640	(93)	27,360
Mortgage-backed securities:					
Other U.S. obligations residential MBS (3)	1,579		44	(3)	1,620
Government-sponsored enterprises residential MBS (8)	17,533		102	(146)	17,489
Government-sponsored enterprises commercial MBS (8)	314			(4)	310
Private-label residential MBS	7,868	(2,750)	580	(3)	5,695
Home equity loans	27	(13)			14
Total mortgage-backed securities	27,321	(2,763)	726	(156)	25,128
Total	$54,134	$(2,763)	$1,366	$(249)	$52,488

	December 31, 2008			
	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Certificates of deposit and bank notes (2)	$ 2,512	$	$ (1)	$ 2,511
Government-sponsored enterprises and TVA (4)	2,711	177	(80)	2,808
State or local housing agency obligations	30			30
Other (7)	516		(46)	470
	5,769	177	(127)	5,819
Mortgage-backed securities:				
Government-sponsored enterprises (8)	8,766	36	(214)	8,588
Other (9)	208		(56)	152
Total mortgage-backed securities	8,974	36	(270)	8,740
Total	$14,743	$213	$(397)	$14,559

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

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

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

(4) Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae and/or Tennessee Valley Authority (TVA).

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

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

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

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

(9) Primarily consists of private-label mortgage-backed securities.

The following table presents a reconciliation of the available-for-sale OTTI losses recognized through AOCI to the total net noncredit portion of OTTI losses on available-for-sale securities in AOCI as of December 31, 2009 (dollar amounts in millions).

	December 31, 2009
Total other-than-temporary impairment loss recognized in AOCI	$(2,763)
Subsequent unrealized changes in fair value	581
Other-than-temporary impairment-related component of AOCI	$(2,182)

During 2009, each of the FHLBanks of Pittsburgh, Atlanta and Seattle transferred certain private-label RMBS and/or home equity loan investments from its held-to-maturity portfolio to its respective available-for-sale portfolio. Each of these FHLBanks recognized an OTTI credit loss on these private-label RMBS and/or home equity loan investments held-to-maturity securities, which each FHLBank believes is evidence of a significant decline in the issuers' creditworthiness. The decline in the issuers' creditworthiness is the basis for the transfers to available-for-sale securities. These transfers allow management the option to choose to sell these securities prior to maturity in response to changes in interest rates, changes in prepayment risk or other factors, while recognizing the management's intent to hold these securities for an indefinite period of time. The FHLBanks have no current plans to sell these securities nor are they under any requirement to sell these securities. See Note 8—Other-Than-Temporary-Impairment Analysis for additional information on these transfers.

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

	December 31, 2009					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses (7)
Government-sponsored enterprises and TVA (1)	$ 1,798	$ (11)	$ 319	$ (42)	$ 2,117	$ (53)
Other	1,582	(3)	381	(35)	1,963	(38)*
Mortgage-backed securities:						
Other U.S. Obligations residential MBS (2)	288	(3)			288	(3)
Government-sponsored enterprises residential MBS (3)	8,040	(102)	4,602	(44)	12,642	(146)
Government-sponsored enterprises commercial MBS (3)			254	(4)	254	(4)
Private-label residential MBS (4)			5,696	(2,172)	5,696	(2,172)
Home equity loans (4)			14	(13)	14	(13)
Total	$11,708	$(119)	$11,266	$(2,310)	$22,974	$(2,429)

	December 31, 2008					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Certificates of deposit and bank notes (5)	$2,012	$ (1)	$	$	$ 2,012	$ (1)
Government-sponsored enterprises and TVA (1)	324	(64)	70	(16)	394	(80)
Other	410	(38)	49	(5)	459	(43)*
Mortgage-backed securities:						
Government-sponsored enterprises (3)	4,196	(103)	2,859	(111)	7,055	(214)
Other (6)			87	(56)	87	(56)
Total	$6,942	$(206)	$3,065	$(188)	$10,007	$(394)

* Does not include $2 million and $3 million of unrealized losses in mutual funds in two grantor trusts designated as available-for-sale securities at December 31, 2009 and 2008.

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

(2) Primarily consists of Ginnie Mae.

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

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

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

(6) Primarily consists of private-label mortgage-backed securities.

(7) As a result of amended OTTI guidance (see Note 2—Recently Issued and Adopted Accounting Standards and Interpretations), the total unrealized losses amount in the above table will not agree to the total gross unrealized losses amount included in the December 31, 2009 major security types table. The total unrealized losses amounts in the table above include noncredit-related OTTI losses recorded in AOCI and subsequent unrealized changes in fair value related to other-than-temporarily impaired securities.

Redemption Terms. The amortized cost and fair value of available-for-sale securities by contractual maturity are shown below (dollar amounts in millions). Expected maturities of some 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, 2009		December 31, 2008	
Year of Maturity	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 9,343	$ 9,341	$ 2,577	$ 2,573
Due after one year through five years	4,972	4,964	158	164
Due after five years through ten years	2,572	2,665	1,845	2,013
Due after ten years	9,926	10,390	1,189	1,069
	26,813	27,360	5,769	5,819
Mortgage-backed securities	27,321	25,128	8,974	8,740
Total	$54,134	$52,488	$14,743	$14,559

At December 31, 2009, the amortized cost of the FHLBanks' mortgage-backed securities classified as available-for-sale included net purchased premiums, credit losses and OTTI related accretion adjustments of $831 million. At December 31, 2008, the amortized cost of the FHLBanks' mortgage-backed securities classified as available-for-sale includes net premiums $2 million, which only consists of net purchased premiums.

Interest-Rate Payment Terms. The following table details additional interest-rate payment terms for investment securities classified as available-for-sale (dollar amounts in millions):

	December 31, 2009	December 31, 2008
Amortized cost of available-for-sale securities other than mortgage-backed securities:		
Fixed-rate	$15,582	$ 5,729
Variable-rate	11,231	40
	26,813	5,769
Amortized cost of available-for-sale mortgage-backed securities:		
Pass-through securities:		
Fixed-rate	9,634	250
Variable-rate	2,063	1,239
Collateralized mortgage obligations:		
Fixed-rate	1,978	322
Variable-rate	13,646	7,163
	27,321	8,974
Total	$54,134	$14,743

Realized Gains and Losses. The FHLBanks received $3,400 million, $1,118 million and $108 million in proceeds from the sale of available-for-sale securities for 2009, 2008 and 2007. The FHLBanks realized $52 million, $12 million and $2 million in gross gains and $45 million, $4 million and $2 million in gross losses on the sale of available-for-sale securities in 2009, 2008 and 2007.

During the third quarter of 2008, the FHLBank of Boston sold available-for-sale mortgage-backed securities with a carrying value of $2.7 million and recognized a loss of $80 thousand on the sale of these

securities. These mortgage-backed securities had been pledged as collateral to LBSF on out-of-the-money derivative transactions. On September 15, 2008, LBHI announced it had filed a petition under Chapter 11 of the U.S. Bankruptcy Code with the United States Bankruptcy Court. This petition precipitated the termination of the FHLBank of Boston's derivative transactions with LBSF, and in connection with those terminations, the FHLBank of Boston requested a return of the related collateral from LBSF. However, LBSF did not honor this request. Accordingly, the FHLBank of Boston netted the value of the collateral with the amounts due to LBSF on those outstanding derivative transactions. This event was determined by the FHLBank of Boston to be isolated, nonrecurring and unusual and could not have been reasonably anticipated. As such, the sale does not affect the FHLBank of Boston's ability and intent to hold remaining available-for-sale securities that are in an unrealized loss position through to a recovery of fair value, which may be maturity. See "Note 11—Derivatives and Hedging Activities" for additional discussion relating to LBHI.

On December 27, 2007, the FHLBank of Chicago transferred certain privately issued investment grade collateralized mortgage obligations at fair value with $138 million of unrealized losses from the available-for-sale portfolio to the held-to-maturities portfolio. The transfer reflected a change in the FHLBank of Chicago's management's intent to hold these securities to maturity rather than as available for sale due to the illiquidity in the credit markets related to subprime investments at that time. The FHLBank of Chicago determined that there was no other-than-temporary impairment at the time of transfer. At December 31, 2009, $22 million of the original $138 million unrealized loss remained in AOCI and is being amortized over the remaining life of the securities as a yield adjustment, offset by the interest income accretion related to the discount on the transferred securities. During the year ended December 31, 2009, the FHLBank of Chicago recognized $54 million from AOCI into realized losses on held-to-maturity securities due to other-than-temporary impairment.

Note 7—Held-to-Maturity Securities

Major Security Types.

Held-to-maturity securities (or HTM) were as follows (dollar amounts in millions). There were no held-to-maturity interbank holdings of consolidated bonds at December 31, 2009 and 2008.

	December 31, 2009					
	Amortized Cost (1)	OTTI Recognized in AOCI (2)	Carrying Value (2)	Gross Unrecognized Holding Gains (3)	Gross Unrecognized Holding Losses (3)	Fair Value
Commercial paper	$ 1,100	$	$ 1,100	$	$	$ 1,100
Certificates of deposit (4)	13,263		13,263	1		13,264
Other U.S. obligations (5)	474		474	6	(2)	478
Government-sponsored enterprises and TVA (6)	1,662		1,662	72	(6)	1,728
State or local housing agency obligations	2,789		2,789	25	(213)	2,601
TLGP (7)	2,373		2,373	8	(1)	2,380
Other	7		7			7
	21,668		21,668	112	(222)	21,558
Mortgage-backed securities:						
Other U.S. obligations residential MBS (5)	4,109		4,109	9	(15)	4,103
Other U.S. obligations commercial MBS (5)	55		55			55
Government-sponsored enterprises residential MBS (8)	78,536		78,536	2,141	(171)	80,506
Government-sponsored enterprises commercial MBS (8)	1,106		1,106	66		1,172
Private-label residential MBS	46,038	(5,742)	40,296	916	(4,322)	36,890
Private-label commercial MBS	284		284	4	(5)	283
Manufactured housing loans	224		224		(43)	181

	December 31, 2009 (continued)					
	Amortized Cost (1)	OTTI Recognized in AOCI (2)	Carrying Value (2)	Gross Unrecognized Holding Gains (3)	Gross Unrecognized Holding Losses (3)	Fair Value
Home equity loans	1,664	(407)	1,257	48	(158)	1,147
MPF Shared Funding Program mortgage-backed certificates	298		298	2	(4)	296
Total mortgage-backed securities	132,314	(6,149)	126,165	3,186	(4,718)	124,633
Total	$153,982	$(6,149)	$147,833	$3,298	$(4,940)	$146,191

	December 31, 2008			
	Amortized Cost (1)	Gross Unrealized Gains (3)	Gross Unrealized Losses (3)	Fair Value
Commercial paper	$ 1,272	$ 2	$	$ 1,274
Certificates of deposit and bank notes (4)	16,428	6		16,434
Other U.S. obligations (5)	737	6	(2)	741
Government-sponsored enterprises and TVA (6)	2,267	90		2,357
State or local housing agency obligations	2,941	27	(194)	2,774
TLGP (7)	1,250	1		1,251
Other	7			7
	24,902	132	(196)	24,838
Mortgage-backed securities:				
Other U.S. obligations (5)	505	2	(4)	503
Government-sponsored enterprises (8)	86,225	1,292	(758)	86,759
Other (9)	72,892	7	(19,350)	53,549
Total mortgage-backed securities	159,622	1,301	(20,112)	140,811
Total	$184,524	$1,433	$(20,308)	$165,649

(1) Amortized cost of held-to-maturity securities includes adjustments made to the cost basis of an investment for accretion, amortization, collection of cash, and/or previous OTTIs recognized in earnings (excluding any cumulative-effect adjustments recognized in accordance with the transition provisions of the amended OTTI guidance). At December 31, 2008, carrying value equaled amortized cost.

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

(3) Gross unrecognized holding gains/(losses) represent the difference between fair value and carrying value, while gross unrealized gains/(losses) represent the difference between fair value and amortized cost.

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

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

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

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

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

(9) Primarily consists of private-label mortgage-backed securities.

During 2009, each of the FHLBanks of Pittsburgh, Atlanta and Seattle transferred certain private-label RMBS and/or home equity loan investments from its held-to-maturity portfolio to its respective available-for-sale portfolio. Each of these FHLBanks recognized an OTTI credit loss on these private-label RMBS and/or home equity loan investments held-to-maturity securities, which each FHLBank believes is evidence of a significant decline in the issuers' creditworthiness. The decline in the issuers' creditworthiness is the basis for the transfers to available-for-sale securities. These transfers allow

management the option to choose to sell these securities prior to maturity in response to changes in interest rates, changes in prepayment risk or other factors, while recognizing the management's intent to hold these securities for an indefinite period of time. The FHLBanks have no current plans to sell these securities nor are they under any requirement to sell these securities. See Note 8—Other-Than-Temporary-Impairment Analysis for additional information on these transfers.

The following tables summarize the held-to-maturity securities with unrealized losses, which are aggregated by major security type and length of time that individual securities have been in a continuous unrealized loss position (dollar amounts in millions). The unrealized losses include other-than-temporary impairments recognized in AOCI and gross unrecognized holding losses at December 31, 2009.

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

	December 31, 2008					
	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 (2)	$ 51	$ (2)	$	$	$ 51	$ (2)
State or local housing agency obligations	243	(23)	427	(171)	670	(194)
Mortgage-backed securities:						
Other U.S. obligations (4)	245	(3)	40	(1)	285	(4)
Government-sponsored enterprises (5)	18,220	(459)	7,512	(299)	25,732	(758)
Other (7)	17,973	(5,474)	33,058	(13,876)	51,031	(19,350)
Total temporarily impaired	$36,732	$(5,961)	$41,037	$(14,347)	$77,769	$(20,308)

(1) As a result of the amended OTTI guidance (see Note 2—Recently Issued and Adopted Accounting Standards and Interpretations) there are differences in the definitions of unrealized losses and unrecognized holding losses, total unrealized losses in the table above will not agree with total gross unrecognized holding losses in the December 31, 2009 major security types table as previously noted.

(2) Primarily consists of SBA investment pools.

(3) Primarily consists of Freddie Mac and TVA.

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

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

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

(7) Primarily consists of private-label mortgage-backed securities.

Redemption Terms. The amortized cost, carrying value and fair value of held-to-maturity securities by contractual maturity are shown below (dollar amounts in millions). Expected maturities of some 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, 2009			December 31, 2008	
Year of Maturity	Amortized Cost (1)	Carrying Value (1)	Fair Value	Amortized Cost (2)	Fair Value
Due in one year or less	$ 15,022	$ 15,022	$ 15,027	$ 19,866	$ 19,878
Due after one year through five years	3,546	3,546	3,627	2,052	2,152
Due after five years through ten years	352	352	352	341	337
Due after ten years	2,748	2,748	2,552	2,643	2,471
	21,668	21,668	21,558	24,902	24,838
Mortgage-backed securities	132,314	126,165	124,633	159,622	140,811
Total	$153,982	$147,833	$146,191	$184,524	$165,649

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

(2) At December 31, 2008, carrying value equaled amortized cost.

Interest-Rate Payment Terms. The following table details additional interest-rate payment terms for investment securities classified as held-to-maturity (dollar amounts in millions):

	December 31, 2009	December 31, 2008
Amortized cost of held-to-maturity securities other than mortgage-backed securities:		
Fixed-rate	$ 17,293	$ 22,481
Variable-rate	4,375	2,421
	21,668	24,902
Amortized cost of held-to-maturity mortgage-backed securities:		
Pass-through securities:		
Fixed-rate	25,724	29,792
Variable-rate	7,185	6,483
Collateralized mortgage obligations:		
Fixed-rate	39,820	61,870
Variable-rate	59,585	61,477
	132,314	159,622
Total	$153,982	$184,524

At December 31, 2009, the amortized cost of the FHLBanks' mortgage-backed securities classified as held-to-maturity includes net purchased discounts, credit losses and OTTI related accretion adjustments of $2,038 million. At December 31, 2008, the amortized cost of the FHLBanks' mortgage-backed securities classified as held-to-maturity includes net discounts of $2,127 million, which only consists of net purchased discounts.

Realized Gains and Losses. Certain FHLBanks each sold securities out of its held-to-maturity securities portfolio during the years ended December 31, 2009, 2008 and 2007 that were either within three months of maturity or had less than 15 percent of the acquired principal outstanding at the time of the sale. Such sales are considered as maturities for the purposes of security classification. These FHLBanks recognized $742 million, $659 million and $2,058 million in proceeds from the sale of

held-to-maturity securities during 2009, 2008 and 2007. The following table summarizes the gain (loss) on the sale of held-to-maturity securities for the years ended December 31, 2009, 2008 and 2007 (dollar amounts in millions).

	2009	2008	2007
Boston	$ 2	$ *	$
New York	***	1**	
Pittsburgh	2		
Atlanta		**	
Cincinnati	12		
Des Moines		2	1
Topeka		***	(1)
Seattle	1	1	(6)
	$ 17	$ 4	$ (6)

* During the third quarter of 2008, the FHLBank of Boston sold held-to-maturity mortgage-backed securities with a carrying value of $5.7 million and recognized a loss of $52 thousand on the sale of these securities. These mortgage-backed securities had been pledged as collateral to Lehman Brothers Special Financing, Inc. (LBSF) on out-of-the-money derivatives transactions. On September 15, 2008, Lehman Brothers Holding, Inc. (LBHI) announced it had filed a petition under Chapter 11 of the U.S. Bankruptcy Code with the United States Bankruptcy Court. This petition precipitated the termination of the FHLBank of Boston's derivative transactions with LBSF, and in connection with those terminations, the FHLBank of Boston requested a return of the related collateral. However, LBSF did not honor this request. Accordingly, the FHLBank of Boston netted the value of the collateral with the amounts due to LBSF on those outstanding derivative transactions. This event was determined by the FHLBank of Boston to be isolated, nonrecurring and unusual and could not have been reasonably anticipated. As such, the sale does not affect the FHLBank of Boston's ability and intent to hold the remaining investments classified as held-to-maturity through their stated maturity dates.

** Each of the FHLBanks of New York and Atlanta recognized a gain of $1 million or less during the year ended December 31, 2008 on a state or local housing agency bond that was redeemed by the issuer.

*** Represents an amount less than $1 million.

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

Note 8— Other-Than-Temporary-Impairment Analysis

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

The declines in market value of certain investment securities are not attributable to credit quality, and each FHLBank does not intend to sell these investments and it is not more likely than not that an FHLBank will be required to sell these investments before recovery of their amortized cost bases. As a

result, each FHLBank does not consider any of the following investments to be other-than-temporarily impaired at December 31, 2009:

- Certain FHLBanks invest in the state or local government bonds. Each of these FHLBanks has determined that, as of December 31, 2009, all of the gross unrealized losses on these bonds are temporary because the strength of the underlying collateral and credit enhancements was sufficient to protect an FHLBank from losses based on current expectations.
- Debentures issued by a supranational entity that were in an unrealized loss position as of December 31, 2009 are viewed as being likely to return contractual principal and interest because such supranational entity is rated the highest long-term rating by the three NRSROs used by the affected FHLBank. The decline in market value of these securities is largely attributable to illiquidity in the credit markets and not to deterioration in the fundamental credit quality of these securities.
- For its agency MBS, FFELP ABS and investments in corporate debentures issued under the TLGP, each FHLBank, as applicable, determined that the strength of the issuers' guarantees through direct obligations or support from the U.S. government is sufficient to protect an FHLBank from losses based on current expectations. As a result, each of these FHLBank has determined that, as of December 31, 2009, all of the gross unrealized losses on its agency MBS, FFELP ABS and TLGP investments are temporary.
- Based upon each FHLBank's assessment of the creditworthiness of the issuers of its private-label commercial MBS (CMBS), the credit ratings assigned by the NRSROs, and the performance of the underlying loans and the credit support provided by the subordinate securities, each FHLBank expects that its holdings of private-label CMBS would not be settled at an amount less than the amortized cost bases in these investments.

The FHLBanks' OTTI Governance Committee, which is comprised of representation from all twelve FHLBanks, was formed in the second quarter of 2009 and has responsibility for reviewing and approving the key modeling assumptions, inputs and methodologies to be used by the FHLBanks to generate cash flow projections used in analyzing credit losses and determining OTTI for private-label MBS. Beginning in the second quarter 2009 and continuing throughout 2009, to support consistency among the FHLBanks, each FHLBank has completed its OTTI analysis primarily using key modeling assumptions provided by the FHLBanks' OTTI Governance Committee for the majority of its private-label RMBS and certain home equity loan investments (including home equity asset-backed securities). Certain private-label MBS backed by multi-family and commercial real estate loans, home equity lines of credit and manufactured housing loans were outside of the scope of the FHLBanks' OTTI Governance Committee and were analyzed for OTTI by each individual FHLBank owning securities backed by such collateral.

Beginning with the third quarter of 2009, the process was changed by the FHLBanks' OTTI Governance Committee to select 100 percent of the FHLBanks' private-label RMBS and home equity loan investments' portfolios for purposes of OTTI cash flow analysis to be run using the FHLBanks' common platform and agreed-upon assumptions instead of screening for at-risk securities.

For certain private-label RMBS and home equity loan investments where underlying collateral data is not available, alternative procedures as determined by each FHLBank are used to assess these securities for OTTI.

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

expected to be collected. If this estimate results in a present value of expected cash flows (discounted at the security's effective yield) that is less than the amortized cost basis of a security (that is, a credit loss exists), an OTTI is considered to have occurred.

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

The first third-party model considers borrower characteristics and the particular attributes of the loans underlying an FHLBank's securities, in conjunction with assumptions about future changes in home prices and interest rates, to project prepayments, defaults and loss severities. A significant input to the first model is the forecast of future housing price changes for the relevant states and core based statistical areas (CBSAs), which are based upon an assessment of the individual housing markets. CBSA refers collectively to metropolitan and micropolitan statistical areas as defined by the United States Office of Management and Budget; as currently defined, a CBSA must contain at least one urban area with a population of 10,000 or more people. The FHLBanks' housing price forecast assumed CBSA level current-to-trough home price declines ranging from 0 percent to 15 percent over the next 9 to 15 months. Thereafter, home prices are projected to remain flat in the first six months, and to increase 0.5 percent in the next six months, 3 percent in the second year and 4 percent in each subsequent year.

The month-by-month projections of future loan performance derived from the first model, which reflect projected prepayments, defaults and loss severities, are then input into a second model that allocates the projected loan level cash flows and losses to the various security classes in the securitization structure in accordance with its prescribed cash flow and loss allocation rules. In a securitization in which the credit enhancement for the senior securities is derived from the presence of subordinate securities, losses are generally allocated first to the subordinate securities until their principal balance is reduced to zero. The projected cash flows are based on a number of assumptions and expectations, and the results of these models can vary significantly with changes in assumptions and expectations. Refer to individual FHLBanks' periodic reports filed with the SEC for summaries of significant inputs used to measure the amount of credit loss on other-than-temporarily impaired securities recognized in earnings during the year ended December 31, 2009. The scenario of cash flows determined based on the model approach described above reflects a best estimate scenario and includes a base case current to trough housing price forecast and a base case housing price recovery path described in the prior paragraph.

Certain private-label MBS owned by the FHLBanks are insured by third-party bond insurers ("monoline insurers"). The bond insurance on these investments guarantees the timely payments of principal and interest if these payments cannot be satisfied from the cash flows of the underlying mortgage pool. The cash flow analysis of the MBS protected by such third-party insurance looks first to the performance of the underlying security, considering its embedded credit enhancements in the form of excess spread, overcollateralization, and credit subordination, to determine the collectability of all amounts due. If these protections are deemed insufficient to make timely payment of all amounts due, then the FHLBanks consider the capacity of the third-party bond insurer to cover any shortfalls. Certain of the monoline insurers have been subject to adverse ratings, rating downgrades, and weakening financial performance measures. Accordingly, FHLBanks have performed analyses to assess the financial strength of these monoline insurers to establish an expected case regarding the time horizon of the bond insurers' ability to fulfil their financial obligations and provide credit support. The projected time horizon of credit protection provided by an insurer is a function of claim paying resources and anticipated claims in the future. This assumption is referred to as the "burn-out period" and is expressed in months. The results of the insurer financial analysis ("monoline burn-out period") are then incorporated in the third-party cash flow model as a key input. Any cash flow shortfalls that occur beyond the "burn-out" date are considered not recoverable and the insured security is then deemed to be credit impaired. This analysis is performed quarterly and the burn-out period is re-evaluated.

At each quarter end, each FHLBank compares the present value of the cash flows expected to be collected with respect to its private-label RMBS to the amortized cost basis of the security to determine whether a credit loss exists. For the FHLBank's variable rate and hybrid private-label RMBS, the FHLBank uses a forward interest rate curve to project the future estimated cash flows. The FHLBank

then uses the effective interest rate for the security prior to impairment for determining the present value of the future estimated cash flows. For securities previously identified as other-than-temporarily impaired, the FHLBank updates its estimate of future estimated cash flows on a quarterly basis.

During the quarter ended December 31, 2009, certain FHLBanks changed their estimation technique used to determine the present value of estimated cash flows expected to be collected for their variable rate and hybrid private-label RMBS and home equity loan investments. Specifically, each of these FHLBanks employed a technique that allows it to update the effective interest rate used in its present value calculation, which isolates the subsequent movements in the underlying interest rate indices from its measurement of credit loss. Prior to this change, each of these FHLBanks had determined the effective interest rate on each security prior to that security's first impairment, and continued to use this effective interest rate for calculating the present value of cash flows expected to be collected, even though the underlying interest rate indices changed over time.

The FHLBanks recorded a total OTTI credit loss amount of $2,431 million for the year ended December 31, 2009, which incorporates the use of the revised present value estimation technique for its variable rate and hybrid private-label RMBS and home equity loan investments implemented during the quarter ended December 31, 2009. If the FHLBanks had continued to use its previous estimation technique, the total OTTI credit loss amount would have been $2,584 million for the year ended December 31, 2009. The credit losses would not have been materially different from those previously reported for the quarters ended March 31, June 30 and September 30, 2009 had the FHLBanks used the revised present value estimation technique.

As a result of each FHLBank's evaluations, at December 31, 2009, the FHLBanks of Boston, New York, Indianapolis, Chicago, Dallas, Topeka, San Francisco and Seattle recognized OTTI credit losses related to an aggregate amount of $18,320 million of unpaid principal balance in held-to-maturity MBS investments, as further described in this footnote. Additionally, each of the FHLBanks of Pittsburgh, Atlanta, Chicago and Seattle determined that $8,696 million of unpaid principal balance related to available-for-sale securities, including those transferred from held-to-maturity securities during the year ended December 31, 2009, were other-than-temporarily impaired at December 31, 2009. Each of these FHLBanks determined that it was likely that it would not recover the entire amortized cost of each of these securities owned by it.

Because of continued credit deterioration in the private-label MBS market, an additional impairment related to credit loss and all other factors (noncredit losses) were recorded in 2009 on HTM and AFS private-label MBS previously identified as other-than-temporarily impaired by certain FHLBanks. Each of these FHLBanks does not intend to sell these securities and it is not more likely than not that the FHLBank will be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis. The FHLBanks recognized total OTTI charges of $2,431 million for the year ended December 31, 2009 related to the credit losses on MBS instruments, which are reported in the Combined Statement of Income as a part of the "Net other-than-temporary impairment losses," and the impairment related to net noncredit portion of $8,766 million is reflected in the Combined Statement of Condition as "Accumulated other comprehensive income (loss)—Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities" and "Accumulated other comprehensive income (loss)—Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities." Subsequent increases and decreases (if not an additional OTTI) in the fair value of available-for-sale securities and transfers are included in "Accumulated other comprehensive income (loss)." The OTTI recognized in AOCI related to held-to-maturity securities is accreted to the carrying value of each security on a prospective basis, over the remaining life of each security. That accretion increases the carrying value of each security and continues until this security is sold or matures, or there is an additional OTTI that is recognized in earnings. For the year ended December 31, 2009, the FHLBanks accreted $1,293 million of noncredit impairment from AOCI to the carrying value of held-to-maturity securities. For certain other-than-temporarily impaired securities that were previously impaired and have subsequently incurred additional credit losses during 2009, the additional credit losses, up to the amount in AOCI, were reclassified out of noncredit losses in AOCI and charged to earnings. This amount was $1,754 million for the year ended December 31, 2009.

For those securities for which an OTTI was determined to have occurred during the year ended December 31, 2009 (that is, securities for which each FHLBank determined that it was more likely than not that the entire amortized cost basis would not be recovered), the following tables present the significant inputs used to measure the amount of credit loss recognized in earnings during this period as well as related current credit enhancement for each of the applicable FHLBank. Credit enhancement is defined as the percentage of subordinated tranches and over-collateralization, if any, in a security structure that will generally absorb losses before each FHLBank will experience a loss on the security. The calculated averages represent the dollar-weighted averages of all the private-label RMBS and home equity loan investments in each category shown. The classification (prime, Alt-A and subprime) is based on the model used to run the estimated cash flows for the CUSIP, which may not necessarily be the same as the classification at the time of origination.

FHLBank of Boston

	Significant Inputs for OTTI Private-label RMBS						Current Credit Enhancement	
	Prepayment Rates		Default Rates		Loss Severities			
Year of Securitization	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %
Alt-A								
2007	8.3	2.4 - 21.1	75.7	21.7 - 92.7	46.0	33.2 - 55.0	22.2	0.0 - 48.9
2006	8.6	2.9 - 18.3	73.9	32.6 - 92.3	47.8	37.0 - 62.8	23.5	0.0 - 48.9
2005	12.0	6.5 - 20.5	51.8	21.0 - 78.5	45.0	33.0 - 57.1	18.9	6.6 - 53.1
2004 and prior	9.2	8.9 - 9.6	64.6	60.0 - 68.9	48.1	40.9 - 55.7	35.8	32.1 - 41.5
Total Alt-A	9.1	2.4 - 21.1	70.6	21.0 - 92.7	46.7	33.0 - 62.8	22.3	0.0 - 53.1
Total OTTI Private-label RMBS	9.1	2.4 - 21.1	70.6	21.0 - 92.7	46.7	33.0 - 62.8	22.3	0.0 - 53.1

	Significant Inputs for OTTI Home Equity Loans Investments *					
	Prepayment Rates		Default Rates		Loss Severities	
Year of Securitization	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %
Subprime						
2004 and prior	19.7	11.1 - 26.2	35.7	22.0 - 54.6	72.0	50.8 - 100.3
Total Subprime	19.7	11.1 - 26.2	35.7	22.0 - 54.6	72.0	50.8 - 100.3
Total OTTI Home equity loan investments	19.7	11.1 - 26.2	35.7	22.0 - 54.6	72.0	50.8 - 100.3

FHLBank of New York

Year of Securitization	Significant Inputs for OTTI Private-label RMBS						Current Credit Enhancement	
	Prepayment Rates		Default Rates		Loss Severities			
	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %
Prime								
2005	14.0	14.0 - 14.0	2.0	2.0 - 2.0	40.0	40.0 - 40.0	2.6	2.6 - 2.6
Total prime	14.0	14.0 - 14.0	2.0	2.0 - 2.0	40.0	40.0 - 40.0	2.6	2.6 - 2.6
Total OTTI Private-label RMBS	14.0	14.0 - 14.0	2.0	2.0 - 2.0	40.0	40.0 - 40.0	2.6	2.6 - 2.6

Year of Securitization	Significant Inputs for OTTI Home Equity Loans Investments *					
	Prepayment Rates		Default Rates		Loss Severities	
	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %
Subprime						
2004 and prior	6.3	2.0 - 16.8	7.7	3.6 - 16.8	86.8	51.1 - 100.0
Total Subprime	6.3	2.0 - 16.8	7.7	3.6 - 16.8	86.8	51.1 - 100.0
Total OTTI Home equity loan investments	6.3	2.0 - 16.8	7.7	3.6 - 16.8	86.8	51.1 - 100.0

FHLBank of Pittsburgh

Year of Securitization	Significant Inputs for OTTI Private-label RMBS						Current Credit Enhancement	
	Prepayment Rates		Default Rates		Loss Severities			
	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %
Prime								
2007	13.6	5.9 - 28.1	23.7	8.3 - 46.0	42.0	36.2 - 48.5	7.1	3.9 - 8.5
2006	8.6	5.9 - 12.6	12.9	6.1 - 26.6	40.4	27.7 - 54.1	7.0	1.5 - 14.5
2005	12.6	6.0 - 17.2	11.4	2.4 - 19.3	41.7	30.1 - 63.8	4.8	4.3 - 4.9
Total prime	12.3	5.9 - 28.1	20.0	2.4 - 46.0	41.6	27.7 - 63.8	6.9	1.5 - 14.5
Alt-A								
2007	12.2	8.2 - 17.1	42.5	12.0 - 57.2	41.2	30.9 - 50.8	10.2	4.4 - 16.8
2006	12.9	7.8 - 20.1	36.7	7.2 - 74.4	41.6	33.7 - 52.8	8.8	3.7 - 15.3
2005	11.9	8.4 - 16.9	28.5	19.0 - 43.8	36.8	27.6 - 49.6	7.0	4.9 - 10.1
2004 and prior	15.7	13.3 - 19.0	14.9	1.3 - 27.3	28.0	9.7 - 45.6	8.4	4.3 - 12.2
Total Alt-A	12.5	7.8 - 20.1	37.9	1.3 - 74.4	40.7	9.7 - 52.8	9.2	3.7 - 16.8
Subprime								
2004 and prior	13.6	10.1 - 18.1	28.3	9.1 - 40.1	75.6	56.4 - 89.7	17.5	16.1 - 18.4
Total Subprime	13.6	10.1 - 18.1	28.3	9.1 - 40.1	75.6	56.4 - 89.7	17.5	16.1 - 18.4
Total OTTI Private-label RMBS	12.4	5.9 - 28.1	31.0	1.3 - 74.4	41.1	9.7 - 89.7	8.3	1.5 - 18.4

Year of Securitization	Significant Inputs for OTTI Home Equity Loans Investments *					
	Prepayment Rates		Default Rates		Loss Severities	
	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %
Alt-A						
2004 and prior	13.2	11.4 - 14.4	12.0	7.5 - 19.9	100.0	n/a
Total Alt-A	13.2	11.4 - 14.4	12.0	7.5 - 19.9	100.0	n/a
Total OTTI Home equity loan investments	13.2	11.4 - 14.4	12.0	7.5 - 19.9	100.0	n/a

FHLBank of Atlanta

Year of Securitization	Significant Inputs for OTTI Private-label RMBS: Prepayment Rates Weighted-Average %	Prepayment Rates Range %	Default Rates Weighted-Average %	Default Rates Range %	Loss Severities Weighted-Average %	Loss Severities Range %	Current Credit Enhancement Weighted-Average %	Current Credit Enhancement Range %
Prime								
2006	8.0	6.7 - 9.4	17.0	10.7 - 29.3	42.3	37.7 - 46.1	6.2	3.7 - 8.6
2005	4.4	4.4 - 4.4	11.2	11.2 - 11.2	72.4	72.4 - 72.4	9.9	9.9 - 9.9
Total prime	7.5	4.4 - 9.4	16.3	10.7 - 29.3	46.3	37.7 - 72.4	6.7	3.7 - 9.9
Alt-A								
2007	11.1	7.2 - 17.0	47.6	36.8 - 65.2	41.7	33.1 - 50.6	14.5	7.6 - 19.8
2006	11.9	8.7 - 16.7	48.3	33.6 - 59.4	42.2	33.2 - 51.1	10.2	4.9 - 14.1
2005	11.9	5.5 - 19.4	48.3	19.8 - 83.1	43.9	30.3 - 56.2	18.2	4.5 - 46.4
2004 and prior	17.2	17.2 - 17.2	28.8	28.8 - 28.8	47.8	47.8 - 47.8	13.2	13.2 - 13.2
Total Alt-A	11.6	5.5 - 19.4	47.8	19.8 - 83.1	42.5	30.3 - 56.2	14.9	4.5 - 46.4
Total OTTI Private-label RMBS	11.4	4.4 - 19.4	46.4	10.7 - 83.1	42.7	30.3 - 72.4	13.8	3.7 - 46.4

FHLBank of Indianapolis

Year of Securitization	Significant Inputs for OTTI Private-label RMBS: Prepayment Rates Weighted-Average %	Prepayment Rates Range %	Default Rates Weighted-Average %	Default Rates Range %	Loss Severities Weighted-Average %	Loss Severities Range %	Current Credit Enhancement Weighted-Average %	Current Credit Enhancement Range %
Prime								
2007	8.9	5.7 - 16.1	22.8	14.3 - 40.6	41.9	38.5 - 47.5	4.9	3.3 - 12.8
2006	8.9	3.9 - 15.4	17.1	12.3 - 22.9	44.3	36.0 - 51.4	5.7	4.2 - 10.3
2005	11.3	10.9 - 11.6	22.5	21.5 - 24.4	44.3	42.4 - 45.2	9.9	9.3 - 10.5
Total prime	9.6	3.9 - 16.1	21.3	12.3 - 40.6	43.2	36.0 - 51.4	6.7	3.3 - 12.8
Alt-A								
2007	12.7	8.5 - 16.8	45.7	31.0 - 61.2	40.0	35.8 - 44.3	9.5	6.1 - 12.9
2006	10.7	10.7 - 10.7	19.9	19.9 - 19.9	39.5	39.5 - 39.5	4.6	4.6 - 4.6
2005	11.9	7.4 - 19.2	39.4	27.6 - 46.3	41.0	29.4 - 48.6	7.9	6.1 - 8.7
Total Alt-A	12.4	7.4 - 19.2	43.2	19.9 - 61.2	40.2	29.4 - 48.6	8.9	4.6 - 12.9
Total OTTI Private-label RMBS	11.1	3.9 - 19.2	32.9	12.3 - 61.2	41.6	29.4 - 51.4	7.8	3.3 - 12.9

FHLBank of Chicago

Year of Securitization	Significant Inputs for OTTI Private-label RMBS: Prepayment Rates Weighted-Average %	Prepayment Rates Range %	Default Rates Weighted-Average %	Default Rates Range %	Loss Severities Weighted-Average %	Loss Severities Range %	Current Credit Enhancement Weighted-Average %	Current Credit Enhancement Range %
Prime								
2006	13.3	6.1 - 22.2	18.7	6.5 - 46.8	44.5	34.5 - 49.2	9.1	7.9 - 18.1
2004 and prior	15.5	8.4 - 18.4	0.5	0.0 - 2.1	2.2	0.0 - 10.1	23.8	8.5 - 35.8
Total prime	13.4	6.1 - 22.2	17.8	0.0 - 46.8	42.4	0.0 - 49.2	9.9	7.9 - 35.8
Alt-A								
2006	14.2	4.8 - 20.7	45.5	24.3 - 83.5	42.2	32.3 - 59.8	12.9	6.2 - 25.1
2005	13.3	10.6 - 16.7	39.7	33.3 - 49.8	42.7	34.4 - 49.2	13.5	11.6 - 15.4
Total Alt-A	14.2	4.8 - 20.7	45.4	24.3 - 83.5	43.7	32.3 - 59.8	12.9	6.2 - 25.1
Total OTTI Private-label RMBS	14.1	4.8 - 22.2	42.9	0.0 - 83.5	42.2	0.0 - 59.8	12.6	6.2 - 35.8

Year of Securitization	Significant Inputs for OTTI Home Equity Loan Investments *: Prepayment Rates Weighted-Average %	Prepayment Rates Range %	Default Rates Weighted-Average %	Default Rates Range %	Loss Severities Weighted-Average %	Loss Severities Range %
Subprime						
2006	6.9	3.2 - 10.8	78.3	67.5 - 91.1	67.3	56.7 - 78.0
2005	6.1	4.6 - 8.1	78.8	72.1 - 83.3	64.6	49.5 - 72.0
2004 and prior	14.8	7.9 - 22.5	49.0	40.1 - 67.8	78.6	32.5 - 106.3
Total Subprime	6.9	3.2 - 22.5	78.2	40.1 - 91.1	67.3	32.5 - 106.3
Total OTTI Home equity loan investments	6.9	3.2 - 22.5	78.2	40.1 - 91.1	67.3	32.5 - 106.3

FHLBank of Dallas

Year of Securitization	Significant Inputs for OTTI Private-label RMBS: Prepayment Rates Weighted-Average %	Prepayment Rates Range %	Default Rates Weighted-Average %	Default Rates Range %	Loss Severities Weighted-Average %	Loss Severities Range %	Current Credit Enhancement Weighted-Average %	Current Credit Enhancement Range %
Alt-A								
2006	15.5	13.0 - 19.6	26.5	22.8 - 31.3	41.2	39.2 - 43.2	8.9	8.6 - 9.4
2005	8.9	6.4 - 12.2	67.1	52.0 - 77.1	44.0	38.1 - 51.3	44.7	30.1 - 52.5
2004 and prior	10.0	10.0 - 10.0	55.0	55.0 - 55.0	42.0	42.0 - 42.0	34.7	34.7 - 34.7
Total Alt-A	11.2	6.4 - 19.6	52.7	22.8 - 77.1	43.0	38.1 - 51.3	32.0	8.6 - 52.5
Total OTTI Private-label RMBS	11.2	6.4 - 19.6	52.7	22.8 - 77.1	43.0	38.1 - 51.3	32.0	8.6 - 52.5

FHLBank of Topeka

Year of Securitization	Significant Inputs for OTTI Private-label RMBS: Prepayment Rates Weighted-Average %	Prepayment Rates Range %	Default Rates Weighted-Average %	Default Rates Range %	Loss Severities Weighted-Average %	Loss Severities Range %	Current Credit Enhancement Weighted-Average %	Current Credit Enhancement Range %
Prime								
2005	7.2	7.2 - 7.2	2.0	2.0 - 2.0	44.2	44.2 - 44.2	4.2	4.2 - 4.2
Total prime	7.2	7.2 - 7.2	2.0	2.0 - 2.0	44.2	44.2 - 44.2	4.2	4.2 - 4.2
Alt-A								
2005	9.9	9.6 - 10.1	57.0	56.8 - 57.2	39.0	38.6 - 39.4	25.4	24.9 - 25.9
Total Alt-A	9.9	9.6 - 10.1	57.0	56.8 - 57.2	39.0	38.6 - 39.4	25.4	24.9 - 25.9
Total OTTI Private-label RMBS	8.7	7.2 - 10.1	32.7	2.0 - 57.2	41.3	38.6 - 44.2	16.1	4.2 - 25.9

Year of Securitization	Significant Inputs for OTTI Home Equity Loan Investments *: Prepayment Rates Weighted-Average %	Prepayment Rates Range %	Default Rates Weighted-Average %	Default Rates Range %	Loss Severities Weighted-Average %	Loss Severities Range %
Subprime						
2004 and prior	9.7	9.4 - 10.0	7.7	5.5 - 9.7	60.3	60.0 - 60.5
Total Subprime	9.7	9.4 - 10.0	7.7	5.5 - 9.7	60.3	60.0 - 60.5
Total OTTI Home equity loan investments	9.7	9.4 - 10.0	7.7	5.5 - 9.7	60.3	60.0 - 60.5

FHLBank of San Francisco

Year of Securitization	Significant Inputs for OTTI Private-label RMBS: Prepayment Rates Weighted-Average %	Prepayment Rates Range %	Default Rates Weighted-Average %	Default Rates Range %	Loss Severities Weighted-Average %	Loss Severities Range %	Current Credit Enhancement Weighted-Average %	Current Credit Enhancement Range %
Prime								
2006	6.5	6.2 - 7.2	21.5	19.6 - 25.3	45.1	43.7 - 48.2	8.9	8.7 - 8.9
2005	8.1	8.1 - 8.1	17.7	17.7 - 17.7	31.7	31.7 - 31.7	18.6	18.6 - 18.6
Total prime	7.0	6.2 - 8.1	20.4	17.7 - 25.3	41.3	31.7 - 48.2	11.6	8.7 - 18.6
Alt-A								
2008	14.1	10.5 - 17.4	42.9	35.7 - 49.2	38.9	35.6 - 41.7	31.2	31.1 - 31.3
2007	9.7	4.8 - 19.7	60.9	17.5 - 88.3	43.6	23.3 - 58.4	30.4	9.8 - 46.8
2006	10.6	2.8 - 18.6	51.1	23.6 - 89.2	43.9	29.2 - 59.2	24.3	11.1 - 44.5
2005	12.1	6.0 - 23.4	41.1	16.4 - 78.0	42.3	31.3 - 57.8	19.7	7.2 - 35.7
2004 and prior	14.7	10.5 - 18.2	34.5	3.4 - 52.6	37.8	11.2 - 49.9	21.1	14.4 - 30.7
Total Alt-A	10.7	2.8 - 23.4	52.6	3.4 - 89.2	43.2	11.2 - 59.2	26.0	7.2 - 46.8
Total OTTI Private-label RMBS	10.7	2.8 - 23.4	52.5	3.4 - 89.2	43.2	11.2 - 59.2	26.0	7.2 - 46.8

FHLBank of Seattle

	Significant Inputs for OTTI Private-label RMBS						Current Credit Enhancement	
	Prepayment Rates		Default Rates		Loss Severities			
Year of Securitization	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %
Alt-A								
2008	10.6	10.1 - 11.0	47.0	44.5 - 50.3	42.7	42.2 - 43.2	34.5	29.7 - 40.9
2007	14.9	5.1 - 69.7	72.4	23.8 - 87.0	47.7	38.6 - 59.2	35.1	10.2 - 46.4
2006	8.6	2.9 - 22.1	84.2	75.7 - 92.3	48.9	40.6 - 60.8	44.7	35.6 - 48.4
2005	12.5	4.2 - 54.1	71.4	40.0 - 81.6	45.8	21.7 - 53.8	33.7	4.6 - 51.5
Total Alt-A	12.4	2.9 - 69.7	76.1	23.8 - 92.3	48.0	21.7 - 60.8	38.6	4.6 - 51.5
Total OTTI Private-label RMBS	12.4	2.9 - 69.7	76.1	23.8 - 92.3	48.0	21.7 - 60.8	38.6	4.6 - 51.5

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

There are five monoline insurers that insure certain FHLBanks' private-label residential MBS, home equity investments and manufactured housing loans held by the applicable FHLBanks. Furthermore, Fannie Mae and Freddie Mac provide third-party guarantees on limited home equity loan investments; the financial guarantees from Fannie Mae and Freddie Mac are considered sufficient to protect an FHLBank from losses on these mortgage-backed securities based on current expectations. Of the five monoline insurers, the financial guarantees from Assured Guaranty Municipal Corp. are considered sufficient to cover all future claims and is, therefore, excluded from the burn-out analysis discussed above. Conversely, the key burn-out period is not considered applicable to Syncora Guarantee Inc (Syncora) and Financial Guarantee Insurance Corp. as these entities were ordered by the New York State Insurance Department to suspend all claim payments during 2009. For the remaining two monoline insurers, Ambac Assurance Corp (Ambac) and MBIA Insurance Corp (MBIA), the following table summarizes the key burn-out period assumptions used by those FHLBanks who have relied on credit protection from these insurers during the fourth quarter of 2009. The total number of other-than-temporarily impaired securities insured by Ambac relates to the FHLBanks of Boston, New York, Pittsburgh and Chicago. The total number of other-than-temporarily impaired securities insured by MBIA relate to the FHLBank of Pittsburgh.

	Protection time horizon calculation	
	Ambac	MBIA
Burn-out period (months)	18	18
Coverage ignore date	6/30/2011	6/30/2011
Number of other-than-temporarily impaired securities	10	2

During 2009, each of the FHLBanks of Pittsburgh, Atlanta and Seattle transferred certain private-label RMBS and/or home equity loan investments from its held-to-maturity portfolio to its respective available-for-sale portfolio. Each of these FHLBanks recognized an OTTI credit loss on these private-label RMBS and/or home equity loan investments held-to-maturity securities, which each FHLBank believes is evidence of a significant decline in the issuers' creditworthiness. The decline in the issuers' creditworthiness is the basis for the transfers to available-for-sale securities. These transfers allow management the option to choose to sell these securities prior to maturity in response to changes in interest rates, changes in prepayment risk or other factors, while recognizing the management's intent to hold these securities for an indefinite period of time. The FHLBanks have no current plans to sell these securities nor are they under any requirement to sell these securities. The following FHLBanks

transferred certain private-label RMBS and/or home equity loan investments from their respective held-to maturity portfolio to available-for-sale portfolio during 2009 (dollar amounts in millions):

	Unpaid Principal Balance at the Time of Transfer for 2009 Quarter Ended				
	March 31	June 30	September 30	December 31	Total
FHLBank of Pittsburgh	$	$2,109	$1,073	$327	$3,509
FHLBank of Atlanta	2,480	322	215	544	3,561
FHLBank of Seattle			1,447	574	2,021

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

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

The following FHLBanks recognized an OTTI charge on its held-to-maturity and/or available-for-sale securities during the year ended December 31, 2009, based on each individual FHLBank's impairment analysis of its investment portfolio at December 31, 2009, as follows (dollar amounts in millions).

	Held-to-Maturity Securities				Available-for-Sale Securities		
	At December 31, 2009 (1)						
	Unpaid Principal Balance	Amortized Cost	Carrying Value	Fair Value	Unpaid Principal Balance	Amortized Cost	Fair Value
Total							
Private-label RMBS:							
Prime	$ 4,908	$ 4,569	$ 3,171	$ 3,515	$4,729	$4,347	$3,419
Alt-A	12,586	11,529	7,221	7,778	3,931	3,426	2,218
Subprime					3	2	2
Total OTTI Private-label RMBS	17,494	16,098	10,392	11,293	8,663	7,775	5,639
Home equity loan investments:							
Alt-A					33	27	14
Subprime	826	724	423	459			
Total OTTI Home equity loan investments	826	724	423	459	33	27	14
Total OTTI investments	$18,320	$16,822	$10,815	$11,752	$8,696	$7,802	$5,653

	Held-to-Maturity Securities				Available-for-Sale Securities		
	At December 31, 2009 (1)						
	Unpaid Principal Balance	Amortized Cost	Carrying Value	Fair Value	Unpaid Principal Balance	Amortized Cost	Fair Value
FHLBank of Boston							
Private-label RMBS:							
Prime	$ 98	$ 93	$ 60	$ 65			
Alt-A	2,472	2,018	1,122	1,251			
Total OTTI Private-label RMBS	2,570	2,111	1,182	1,316			
Home equity loan investments:							
Subprime	3	2	2	2			
Total OTTI Home equity loan investments	3	2	2	2			
Total OTTI investments	$ 2,573	$ 2,113	$ 1,184	$ 1,318			
FHLBank of New York							
Private-label RMBS:							
Prime	$ 54	$ 53	$ 50	$ 52			
Total OTTI Private-label RMBS	54	53	50	52			
Home equity loan investments:							
Subprime	314	293	185	198			
Total OTTI Home equity loan investments	314	293	185	198			
Total OTTI investments	$ 368	$ 346	$ 235	$ 250			
FHLBank of Pittsburgh							
Private-label RMBS:							
Prime					$1,895	$1,797	$1,434
Alt-A					1,392	1,256	941
Subprime					3	2	2
Total OTTI Private-label RMBS					3,290	3,055	2,377
Home equity loan investments:							
Alt-A					33	27	14
Total OTTI Home equity loan investments					33	27	14
Total OTTI investments					$3,323	$3,082	$2,391
FHLBank of Atlanta							
Private-label RMBS:							
Prime					$2,834	$2,550	$1,985
Alt-A					485	445	271
Total OTTI Private-label RMBS					3,319	2,995	2,256
Total OTTI investments					$3,319	$2,995	$2,256

	Held-to-Maturity Securities				Available-for-Sale Securities		
	At December 31, 2009 (1)						
	Unpaid Principal Balance	Amortized Cost	Carrying Value	Fair Value	Unpaid Principal Balance	Amortized Cost	Fair Value
FHLBank of Indianapolis							
Private-label RMBS:							
Prime	$ 1,260	$ 1,197	$ 883	$ 937			
Alt-A	70	67	57	59			
Total OTTI Private-label RMBS	1,330	1,264	940	996			
Total OTTI investments	$ 1,330	$ 1,264	$ 940	$ 996			
FHLBank of Chicago							
Private-label RMBS:							
Prime	$ 1,984	$ 1,775	$ 1,181	$ 1,385	$	$	$
Alt-A					66	52	29
Total OTTI Private-label RMBS	1,984	1,775	1,181	1,385	66	52	29
Home equity loan investments:							
Subprime	507	428	235	258			
Total OTTI Home equity loan investments	507	428	235	258			
Total OTTI investments	$ 2,491	$ 2,203	$ 1,416	$ 1,643	$ 66	$ 52	$ 29
FHLBank of Dallas							
Private-label RMBS:							
Prime	$ 107	$ 105	$ 58	$ 66			
Alt-A	41	39	19	23			
Total OTTI Private-label RMBS	148	144	77	89			
Total OTTI investments	$ 148	$ 144	$ 77	$ 89			
FHLBank of Topeka							
Private-label RMBS:							
Prime	$ 13	$ 13	$ 12	$ 12			
Alt-A	9	8	4	4			
Total OTTI Private-label RMBS	22	21	16	16			
Home equity loan investments:							
Subprime	2	1	1	1			
Total OTTI Home equity loan investments	2	1	1	1			
Total OTTI investments	$ 24	$ 22	$ 17	$ 17			
FHLBank of San Francisco							
Private-label RMBS:							
Prime	$ 1,392	$ 1,333	$ 927	$ 998			
Alt-A	9,494	8,904	5,735	6,151			
Total OTTI Private-label RMBS	10,886	10,237	6,662	7,149			
Total OTTI investments	$10,886	$10,237	$ 6,662	$ 7,149			

	Held-to-Maturity Securities				Available-for-Sale Securities		
	At December 31, 2009 (1)						
	Unpaid Principal Balance	Amortized Cost	Carrying Value	Fair Value	Unpaid Principal Balance	Amortized Cost	Fair Value
FHLBank of Seattle							
Private-label RMBS:							
Alt-A	$ 500	$ 493	$ 284	$ 290	$1,988	$1,673	$ 977
Total OTTI Private-label RMBS	500	493	284	290	1,988	1,673	977
Total OTTI investments	$ 500	$ 493	$ 284	$ 290	$1,988	$1,673	$ 977

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

The following FHLBanks recognized an OTTI charge on its held-to-maturity and/or available-for-sale securities during the life of the security (which represent securities impaired prior to 2009 as well as during 2009) as of December 31, 2009, based on each individual FHLBank's impairment analysis of its investment portfolio as follows (dollar amounts in millions).

	Held-to-Maturity Securities				Available-for-Sale Securities		
	At December 31, 2009 (1)						
	Unpaid Principal Balance	Amortized Cost	Carrying Value	Fair Value	Unpaid Principal Balance	Amortized Cost	Fair Value
Total							
Private-label RMBS:							
Prime	$ 5,026	$ 4,663	$ 3,231	$ 3,581	$4,729	$ 4,347	$ 3,419
Alt-A	12,589	11,532	7,222	7,779	4,039	3,508	2,269
Subprime					3	2	2
Total OTTI Private-label RMBS	17,615	16,195	10,453	11,360	8,771	7,857	5,690
Home equity loan investments:							
Alt-A					33	27	14
Subprime	1,198	959	553	598			
Total OTTI Home equity loan investments	1,198	959	553	598	33	27	14
Total OTTI investments	$18,813	$ 17,154	$ 11,006	$ 11,958	$8,804	$ 7,884	$ 5,704
Total MBS*		$132,314	$126,165	$124,633		$27,321	$25,128
Total investment securities*		$153,982	$147,833	$146,191		$54,134	$52,488

	Held-to-Maturity Securities				Available-for-Sale Securities		
	At December 31, 2009 (1)						
	Unpaid Principal Balance	Amortized Cost	Carrying Value	Fair Value	Unpaid Principal Balance	Amortized Cost	Fair Value
FHLBank of Boston							
Private-label RMBS:							
Prime	$ 98	$ 93	$ 60	$ 65			
Alt-A	2,472	2,018	1,122	1,251			
Total OTTI Private-label RMBS	2,570	2,111	1,182	1,316			
Home equity loan investments:							
Subprime	3	3	2	2			
Total OTTI Home equity loan investments	3	3	2	2			
Total OTTI investments	$ 2,573	$ 2,114	$ 1,184	$ 1,318			
Total MBS		$ 8,061	$ 7,131	$ 7,156			
Total investment securities		$ 8,357	$ 7,427	$ 7,423			
FHLBank of New York							
Private-label RMBS:							
Prime	$ 54	$ 53	$ 50	$ 52			
Total OTTI Private-label RMBS	54	53	50	52			
Home equity loan investments:							
Subprime	314	293	185	198			
Total OTTI Home equity loan investments	314	293	185	198			
Total OTTI investments	$ 368	$ 346	$ 235	$ 250			
Total MBS		$ 9,878	$ 9,768	$ 9,925			
Total investment securities		$ 10,630	$ 10,519	$ 10,669			
FHLBank of Pittsburgh							
Private-label RMBS:							
Prime					$1,895	$ 1,797	$ 1,434
Alt-A					1,392	1,256	941
Subprime					3	2	2
Total OTTI Private-label RMBS					3,290	3,055	2,377
Home equity loan investments:							
Alt-A					33	27	14
Total OTTI Home equity loan investments					33	27	14
Total OTTI investments					$3,323	$ 3,082	$ 2,391
Total MBS						$ 3,089	$ 2,395
Total investment securities						$ 3,091	$ 2,397

	Held-to-Maturity Securities				Available-for-Sale Securities		
	At December 31, 2009 (1)						
	Unpaid Principal Balance	Amortized Cost	Carrying Value	Fair Value	Unpaid Principal Balance	Amortized Cost	Fair Value
FHLBank of Atlanta							
Private-label RMBS:							
Prime					$2,834	$ 2,550	$ 1,985
Alt-A					485	445	271
Total OTTI Private-label RMBS					3,319	2,995	2,256
Total OTTI investments					$3,319	$ 2,995	$ 2,256
Total MBS						$ 2,995	$ 2,256
Total investment securities						$ 2,995	$ 2,256
FHLBank of Indianapolis							
Private-label RMBS:							
Prime	$ 1,260	$ 1,197	$ 883	$ 937			
Alt-A	70	67	57	59			
Total OTTI Private-label RMBS	1,330	1,264	940	996			
Total OTTI investments	$ 1,330	$ 1,264	$ 940	$ 996			
Total MBS		$ 5,832	$ 5,508	$ 5,488			
Total investment securities		$ 8,025	$ 7,701	$ 7,690			
FHLBank of Chicago							
Private-label RMBS:							
Prime	$ 2,102	$ 1,869	$ 1,241	$ 1,451	$	$	$
Alt-A					174	134	80
Total OTTI Private-label RMBS	2,102	1,869	1,241	1,451	174	134	80
Home equity loan investments:							
Subprime	875	659	364	396			
Total OTTI Home equity loan investments	875	659	364	396			
Total OTTI investments	$ 2,977	$ 2,528	$ 1,605	$ 1,847	$ 174	$ 134	$ 80
Total MBS		$ 12,831	$ 11,908	$ 12,541		$ 9,771	$ 9,751
Total investment securities		$ 13,612	$ 12,689	$ 13,345		$19,495	$20,019
FHLBank of Dallas							
Private-label RMBS:							
Prime	$ 107	$ 105	$ 58	$ 66			
Alt-A	41	39	19	23			
Total OTTI Private-label RMBS	148	144	77	89			
Total OTTI investments	$ 148	$ 144	$ 77	$ 89			
Total MBS		$ 11,429	$ 11,363	$ 11,320			
Total investment securities		$ 11,491	$ 11,425	$ 11,382			

	Held-to-Maturity Securities				Available-for-Sale Securities		
	At December 31, 2009 (1)						
	Unpaid Principal Balance	Amortized Cost	Carrying Value	Fair Value	Unpaid Principal Balance	Amortized Cost	Fair Value
FHLBank of Topeka							
Private-label RMBS:							
Prime	$ 13	$ 13	$ 12	$ 12			
Alt-A	12	11	5	5			
Total OTTI Private-label RMBS	25	24	17	17			
Home equity loan investments:							
Subprime	6	4	2	2			
Total OTTI Home equity loan investments	6	4	2	2			
Total OTTI investments	$ 31	$ 28	$ 19	$ 19			
Total MBS		$ 7,284	$ 7,274	$ 7,077			
Total investment securities		$ 7,400	$ 7,390	$ 7,193			
FHLBank of San Francisco							
Private-label RMBS:							
Prime	$ 1,392	$ 1,333	$ 927	$ 998			
Alt-A	9,494	8,904	5,735	6,151			
Total OTTI Private-label RMBS	10,886	10,237	6,662	7,149			
Total OTTI investments	$10,886	$ 10,237	$ 6,662	$ 7,149			
Total MBS		$ 31,772	$ 28,197	$ 27,138			
Total investment securities		$ 40,455	$ 36,880	$ 35,682			
FHLBank of Seattle							
Private-label RMBS:							
Alt-A	$ 500	$ 493	$ 284	$ 290	$1,988	$ 1,673	$ 977
Total OTTI Private-label RMBS	500	493	284	290	1,988	1,673	977
Total OTTI investments	$ 500	$ 493	$ 284	$ 290	$1,988	$ 1,673	$ 977
Total MBS		$ 5,946	$ 5,737	$ 5,284		$ 1,673	$ 977
Total investment securities		$ 9,498	$ 9,289	$ 8,885		$ 1,673	$ 977

* Represents the FHLBanks' combined total.

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

The following FHLBanks recognized credit and noncredit OTTI losses on its securities for the year ended December 31, 2009 (dollar amounts in millions).

	2009 (1)		
	OTTI Related to Credit Loss	OTTI Related to Net Noncredit Loss	Total OTTI Losses
Total			
Private-label RMBS:			
Prime	$ (718)	$(2,884)	$ (3,602)
Alt-A	(1,509)	(5,533)	(7,042)
Subprime	(1)	(1)	(2)
Total OTTI Private-label RMBS	(2,228)	(8,418)	(10,646)
Home equity loan investments:			
Alt-A	(7)	(10)	(17)
Subprime	(196)	(338)	(534)
Total OTTI Home equity loan investments	(203)	(348)	(551)
Total	$(2,431)	$(8,766)	$(11,197)
FHLBank of Boston			
Private-label RMBS:			
Prime	$ (5)	$ (36)	$ (41)
Alt-A	(438)	(848)	(1,286)
Total OTTI Private-label RMBS	(443)	(884)	(1,327)
Home equity loan investments:			
Subprime	(1)	(1)	(2)
Total OTTI Home equity loan investments	(1)	(1)	(2)
Total	$ (444)	$ (885)	$ (1,329)
FHLBank of New York			
Private-label RMBS:			
Prime	$ (1)	$ (3)	$ (4)
Total OTTI Private-label RMBS	(1)	(3)	(4)
Home equity loan investments:			
Subprime	(20)	(117)	(137)
Total OTTI Home equity loan investments	(20)	(117)	(137)
Total	$ (21)	$ (120)	$ (141)
FHLBank of Pittsburgh			
Private-label RMBS:			
Prime	$ (95)	$ (511)	$ (606)
Alt-A	(126)	(293)	(419)
Subprime	(1)	(1)	(2)
Total OTTI Private-label RMBS	(222)	(805)	(1,027)
Home equity loan investments:			
Alt-A	(7)	(10)	(17)
Total OTTI Home equity loan investments	(7)	(10)	(17)
Total	$ (229)	$ (815)	$ (1,044)

	2009 (1)		
	OTTI Related to Credit Loss	OTTI Related to Net Noncredit Loss	Total OTTI Losses
FHLBank of Atlanta			
Private-label RMBS:			
Prime	$ (277)	$ (806)	$ (1,083)
Alt-A	(39)	(184)	(223)
Total OTTI Private-label RMBS	(316)	(990)	(1,306)
Total	$ (316)	$ (990)	$ (1,306)
FHLBank of Indianapolis			
Private-label RMBS:			
Prime	$ (57)	$ (341)	$ (398)
Alt-A	(3)	(12)	(15)
Total OTTI Private-label RMBS	(60)	(353)	(413)
Total	$ (60)	$ (353)	$ (413)
FHLBank of Chicago			
Private-label RMBS:			
Prime	$ (225)	$ (737)	$ (962)
Alt-A	(37)	(11)	(48)
Total OTTI Private-label RMBS	(262)	(748)	(1,010)
Home equity loan investments:			
Subprime	(175)	(219)	(394)
Total OTTI Home equity loan investments	(175)	(219)	(394)
Total	$ (437)	$ (967)	$ (1,404)
FHLBank of Dallas			
Private-label RMBS:			
Prime	$ (2)	$ (53)	$ (55)
Alt-A	(2)	(23)	(25)
Total OTTI Private-label RMBS	(4)	(76)	(80)
Total	$ (4)	$ (76)	$ (80)
FHLBank of Topeka			
Private-label RMBS:			
Prime	$ *	$ (1)	$ (1)
Alt-A	(1)	(6)	(7)
Total OTTI Private-label RMBS	(1)	(7)	(8)
Home equity loan investments:			
Subprime	*	(1)	(1)
Total OTTI Home equity loan investments	*	(1)	(1)
Total	$ (1)	$ (8)	$ (9)

	2009 (1)		
	OTTI Related to Credit Loss	OTTI Related to Net Noncredit Loss	Total OTTI Losses
FHLBank of San Francisco			
Private-label RMBS:			
Prime	$ (56)	$ (396)	$ (452)
Alt-A	(552)	(3,117)	(3,669)
Total OTTI Private-label RMBS	(608)	(3,513)	(4,121)
Total	$ (608)	$(3,513)	$ (4,121)
FHLBank of Seattle			
Private-label RMBS:			
Alt-A	$ (311)	$(1,039)	$ (1,350)
Total OTTI Private-label RMBS	(311)	(1,039)	(1,350)
Total	$ (311)	$(1,039)	$ (1,350)

* Represents an amount less than $1 million.

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

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

	2009
Balance, at beginning of period(1)	$ 131
Additions:	
Credit losses for which OTTI was not previously recognized	1,705
Additional OTTI credit losses for which an OTTI charge was previously recognized	726
Reductions:	
Securities sold, matured, paid down or prepaid during the period	(6)
Securities for which the amount previously recognized in AOCI was recognized in earnings because an FHLBank intends to sell the security or more likely than not it will be required to sell the security before the recovery of its amortized cost basis	
Increases in cash flows expected to be collected, recognized over the remaining life of the securities	(1)
Balance as of December 31, 2009	$ 2,555

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

Note 9—Advances

Redemption Terms. At December 31, 2009 and 2008, the FHLBanks had advances outstanding, including AHP advances (see Note 15—Affordable Housing Program (AHP)), at interest rates ranging from 0.00 percent to 9.75 percent, as summarized below (dollar amounts in millions). Advances with interest rates of 0.00 percent include AHP-subsidized advances and certain structured advances.

	December 31, 2009		December 31, 2008	
Redemption Term	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Overdrawn demand and overnight deposit accounts	$ 18		$ 30	
Due in 1 year or less	229,407	2.09%	382,493	2.44%
Due after 1 year through 2 years	99,684	2.73%	150,323	3.67%
Due after 2 years through 3 years	72,387	2.95%	94,086	3.53%
Due after 3 years through 4 years	60,363	2.41%	67,173	3.65%
Due after 4 years through 5 years	22,941	3.04%	58,127	3.13%
Thereafter	127,818	3.47%	144,578	3.78%
Index amortizing advances	3,282	4.53%	3,654	4.62%
Total par value	615,900	2.66%	900,464	3.12%
Commitment fees	(8)		(6)	
Discount on AHP advances	(64)		(68)	
Premiums	141		105	
Discounts	(71)		(42)	
Hedging adjustments	14,644		26,885	
Fair value option valuation adjustments	617		1,300	
Total	$631,159		$928,638	

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, 2009 and 2008, the FHLBanks had callable advances of $31,702 million and $46,098 million.

The following table summarizes advances 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, 2009	December 31, 2008
Overdrawn demand and overnight deposit accounts	$ 18	$ 30
Due in 1 year or less	254,272	414,444
Due after 1 year through 2 years	98,731	148,674
Due after 2 years through 3 years	67,971	89,636
Due after 3 years through 4 years	55,672	62,615
Due after 4 years through 5 years	20,433	53,534
Thereafter	115,521	127,877
Index amortizing advances	3,282	3,654
Total par value	$615,900	$900,464

The FHLBanks also offer putable and convertible advances. With a putable advance, an FHLBank has the right to terminate the advance at predetermined exercise dates, which the FHLBank typically would exercise when interest rates increase. At December 31, 2009 and 2008, the FHLBanks had putable advances outstanding totaling $87,605 million and $94,621 million.

Convertible advances allow the FHLBanks to convert to/from a fixed-rate advance to a variable-rate advance at the current market rate or another structure after an agreed-upon lockout period. At December 31, 2009 and 2008, the FHLBanks had convertible advances outstanding totaling $34,921 million and $47,676 million.

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

Year of Contractual Maturity or Next Put/Convert Date	December 31, 2009	December 31, 2008
Overdrawn demand and overnight deposit accounts	$ 18	$ 30
Due in 1 year or less	319,469	483,174
Due after 1 year through 2 years	103,179	151,648
Due after 2 years through 3 years	59,195	96,779
Due after 3 years through 4 years	56,021	51,820
Due after 4 years through 5 years	20,263	52,660
Thereafter	54,473	60,699
Index amortizing advances	3,282	3,654
Total par value	$615,900	$900,464

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 defined in the Housing Act as those institutions that have, as of the date of the transaction at issue, less than $1.0 billion in average total assets over the three years preceding that date (subject to annual adjustment by the Finance Agency director based on the consumer price index). 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. The Housing Act also adds secured loans for "community development activities" as a permitted purpose, and

as eligible collateral, for advances to CFIs. Effective February 4, 2010, community development financial institutions (CDFIs) were also considered eligible members of the FHLBanks. Because none of the newly-eligible CDFIs are insured by the FDIC, they cannot either pledge community development loans as collateral or obtain long-term advances to support community development purposes. 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, 2009 and 2008, the FHLBanks had rights to collateral with an estimated value greater than the related outstanding advances. The estimated value of the collateral required to secure each borrower's obligations is calculated by applying collateral discounts or haircuts. On the basis of the financial condition of the borrower, the type of security agreement, and other factors, each FHLBank requires a borrower to execute a written security agreement and imposes one of two requirements to protect its secured collateral:

- allowing the borrower to retain possession of the collateral assigned to the FHLBank while agreeing 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. The FHLBanks' potential credit risk from advances is concentrated in commercial banks and savings institutions. At December 31, 2009 and 2008, the FHLBanks had $407 billion and $645 billion of advances outstanding that were greater than or equal to $1 billion per borrower. These advances were made to 85 and 110 borrowers (members and non-members), respectively, representing 66.1 percent and 71.6 percent of total advances outstanding. The FHLBanks hold collateral to cover the advances to these institutions, and the FHLBanks do not expect to incur any credit losses on these advances. While the FHLBanks have not experienced a credit loss on an advance to a borrower, the expanded statutory collateral rules for CFIs and lending to non-member housing associates and CDFIs provide the potential for additional credit risk for the FHLBanks. The management of each FHLBank has the policies and procedures in place to manage credit risk appropriately, to include requirements for physical possession or control of pledged collateral, restrictions on borrowing, specific review of each advance request, verifications of collateral and continuous monitoring of borrowings and the member's financial condition. Each FHLBank continues to monitor the collateral and creditworthiness of its borrowers.

Based on the collateral pledged as security for advances, each FHLBank management's credit analyses of members' financial condition, and credit extension and collateral policies, each FHLBank expects to collect all amounts due according to the contractual terms of the advances. Accordingly, the FHLBanks have not provided any allowances for losses on advances.

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

	December 31, 2009	December 31, 2008
Par value of advances		
Fixed-rate	$444,529	$609,073
Variable-rate	171,371	291,391
Total	$615,900	$900,464

Prepayment Fees. The FHLBanks record prepayment fees received from members on prepaid advances net of any associated basis adjustments related to hedging activities on those advances and/or net of any deferrals on advance modifications.

The net amount of prepayment fees is reflected as interest income in the Combined Statement of Income. Gross advance prepayment fees received from members were $1,385 million, $322 million and $85 million for the years ended December 31, 2009, 2008 and 2007.

Note 10—Mortgage Loans Held for Portfolio, Net

Under two programs, the FHLBanks hold single-family mortgage loans that are funded through and primarily serviced by PFIs. These mortgage loans are guaranteed or insured by Federal agencies or are credit-enhanced by PFIs. Currently, the FHLBanks of Chicago, Atlanta, San Francisco and Seattle are not accepting additional master commitments and discontinued purchasing additional mortgages, except for immaterial amounts of MPF loans to support affordable housing. Each of these FHLBanks plans to retain its existing portfolio of mortgage loans. In addition to the MPP and the MPF Program, 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 FHLBanks of New York and Atlanta suspended acquisitions under these programs prior to 2007.

The FHLBank of Chicago ceased acquiring mortgage loans as investments for its own statement of condition, except for non-material amounts of MPF loans to support affordable housing that are guaranteed by the RHS or insured by the HUD. In 2008, the FHLBank of Chicago sold $565 million in 100 percent participations in MPF Loans to the FHLBanks of Des Moines, Pittsburgh and Topeka but had no sales of participations in 2009. The other FHLBanks participating in the MPF Program continue to have the ability to purchase and fund loans through the MPF infrastructure. On September 23, 2008, the FHLBank of Chicago announced the launch of the MPF Xtra product which provides PFIs with a new secondary mortgage market alternative. Loans sold to the FHLBank of Chicago through the MPF Xtra product are concurrently sold to Fannie Mae, as a third party investor, and are not held on each participating FHLBank's statement of condition. Unlike other conventional MPF products, under the MPF Xtra product PFIs are not required to provide credit enhancement and do not receive CE Fees.

The FHLBanks of Boston, Pittsburgh and Des Moines began offering the MPF Xtra product to their members in 2009. The volume of MPF Loans purchased under the MPF Xtra product from FHLBank of Chicago's members and from the members of other FHLBanks since this product was introduced in the fourth quarter of 2008 is in excess of $3.4 billion. In connection with each sale, the FHLBank of Chicago makes certain customary representations and warranties to Fannie Mae regarding the eligibility of the mortgage loans. If an eligibility requirement or other representation or warranty were breached, Fannie Mae could require the FHLBank of Chicago to repurchase the MPF Loan. Such a breach would normally also be a breach of the selling PFI's representations and warranties to the FHLBank of Chicago, which in turn could require the PFI to repurchase that MPF Loan from the FHLBank. During 2009, the FHLBank of Chicago was required to repurchase $2 million in MPF Xtra Loans from Fannie Mae, which in turn were repurchased by the PFIs. The FHLBank of Chicago did not incur any losses on these repurchases. During the second quarter of 2009, the FHLBank of Des Moines sold $2.1 billion mortgage loans held for sale to the FHLBank of Chicago, which immediately resold these loans to Fannie Mae.

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

	December 31, 2009	December 31, 2008
Real Estate:		
Fixed-rate, medium-term* single-family mortgages	$16,826	$20,913
Fixed-rate, long-term single-family mortgages	54,148	65,846
Multifamily mortgages	26	27
	71,000	86,786
Premiums	460	516
Discounts	(245)	(269)
Deferred loan costs, net	21	32
Hedging adjustments	233	311
Total mortgage loans held for portfolio	$71,469	$87,376

* 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 (dollar amounts in millions):

	December 31, 2009	December 31, 2008
Conventional loans	$63,498	$78,499
Government-guaranteed or-insured loans	7,498	8,283
Other loans	4	4
Total par value	$71,000	$86,786

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

	December 31, 2009	December 31, 2008	December 31, 2007
Balance, beginning of period	$15	$ 8	$7
Charge-offs	(1)	(1)	
Provision for credit losses	18	8	1
Balance, end of period	$32	$15	$8

At December 31, 2009 and 2008, the FHLBanks had $372 million and $165 million of nonaccrual loans.

At December 31, 2009 and 2008, the FHLBanks had recorded $63 million and $26 million of investments in impaired mortgage loans. Average impaired mortgage loans balances were $34 million, $17 million and $12 million during 2009, 2008 and 2007. The FHLBanks' interest income related to impaired loans was less than $1 million during 2009, 2008 and 2007.

The FHLBanks record CE Fees as a reduction to mortgage loan interest income. CE Fees totaled $59 million, $75 million and $82 million for the years ended December 31, 2009, 2008 and 2007.

The conventional mortgage loans are supported by primary and supplemental mortgage insurance and the LRA (see Note 1—Summary of Significant Accounting Policies) in addition to the associated

property as collateral. The following table presents changes in the MPP LRA (dollar amounts in millions).

	December 31, 2009	December 31, 2008
LRA at beginning of year	$ 91	$ 92
Additions	21	13
Claims	(5)	(3)
Scheduled distributions	(11)	(11)
LRA at end of year	$ 96	$ 91

Note 11—Derivatives and Hedging Activities

Nature of Business Activity

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

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

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

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

Types of Interest-Rate Exchange Agreements

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

Each FHLBank's risk management policy establishes guidelines for its use of interest-rate exchange agreements. The FHLBanks can use the following instruments to reduce funding costs and to manage

their exposure to interest-rate risks inherent in their normal course of business—lending, investment, and funding activities:

— interest-rate swaps;

— swaptions;

— interest-rate cap and floor agreements;

— calls;

— puts; and

— futures and forward contracts.

Interest-Rate Swaps. An interest-rate swap is an agreement between two entities to exchange cash flows in the future. The agreement sets the dates on which the cash flows will be paid and the manner in which the cash flows will be calculated. One of the simplest forms of an interest-rate swap involves the promise by one party to pay cash flows equivalent to the interest on a notional 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 the London Interbank Offered Rate (LIBOR).

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

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

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

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

Eurodollar futures contracts are based on three-month Eurodollar interest rates. All futures contracts are standardized, with specific value dates and fixed contract sizes. Eurodollar futures contracts are traded through the Chicago Mercantile Exchange. They provide for daily cash settlements in order to reduce the risk of default by a counterparty. At December 31, 2009, there were no outstanding Eurodollar futures contracts.

Application of Interest-Rate Exchange Agreements

General. The FHLBanks use these derivatives to adjust the effective maturity, repricing frequency or option characteristics of financial instruments in order to achieve their risk management and funding

objectives to reduce identified risks inherent in the normal course of business. Derivative financial instruments are used by the FHLBanks in three ways:

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

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

— by acting as an intermediary.

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

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

Types of Assets and Liabilities Hedged

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

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

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

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

Advances—The FHLBanks offer a wide array of advance structures to meet members' funding needs. These advances may have maturities up to 30 years with variable or fixed rates and may include early termination features or options. An FHLBank may use derivatives to adjust the repricing and/or

options characteristics of advances in order to match more closely the characteristics of that FHLBank's funding liabilities. In general, whenever a member executes a fixed-rate advance or a variable-rate advance with embedded options, the FHLBank will simultaneously execute a derivative with terms that offset the terms and embedded options, if any, in the advance. For example, the FHLBank may hedge a fixed-rate advance with an interest-rate swap where the FHLBank pays a fixed-rate coupon and receives a variable-rate coupon, effectively converting the fixed-rate advance to a variable-rate advance. This type of hedge is treated as a fair-value hedge.

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

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

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

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

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

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

The FHLBanks may also hedge a firm commitment for a forward starting advance through the use of an interest-rate swap. In this case, the swap will function as the hedging instrument for both the firm commitment and the subsequent advance. The basis movement associated with the firm commitment will be rolled into the basis of the advance at the time the commitment is terminated and the advance is issued. The basis adjustment will then be amortized into interest income over the life of the advance. In addition, if a hedged firm commitment no longer qualified as a fair value hedge, the hedge would be terminated and net gains and losses would be recognized in current-period earnings. There were no material amounts of gains and losses recognized due to disqualification of firm commitment hedges in 2009, 2008 and 2007.

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

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

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

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

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

Balance Sheet Management—From time to time, the FHLBanks may enter into interest-rate basis swaps to reduce their exposure to widening spreads between one-month and three-month LIBOR. In

addition, to reduce their exposure to reset risk, the FHLBanks may occasionally enter into forward rate agreements. These derivatives are treated as economic hedges.

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

Managing Credit Risk on Derivatives

The FHLBanks are subject to credit risk due to nonperformance by counterparties to the derivative agreements. The degree of counterparty risk depends on the extent to which master netting arrangements are included in such contracts to mitigate the risk. The FHLBanks manage counterparty credit risk through credit analysis, collateral requirements and adherence to the requirements set forth in FHLBank policies and regulations. Based on credit analyses and collateral requirements, the management of each FHLBank does not anticipate any credit losses on its derivative agreements except as reserved in connection with Lehman Brothers Special Financing, Inc. (LBSF) as discussed below. (See "Note 20—Fair Value" for discussion regarding the FHLBanks' fair value methodology for derivative assets/liabilities, including an evaluation of the potential for the fair value of these instruments to be affected by counterparty credit risk.)

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

At December 31, 2009 and 2008, the FHLBanks' maximum credit risk, as defined above, was approximately $2.5 billion and $3.7 billion. These totals include $768 million and $876 million of net accrued interest receivable. In determining maximum credit risk, the FHLBanks consider accrued interest receivables and payables, and the legal right to offset derivative assets and liabilities by counterparty. The FHLBanks held securities and cash with a fair value of $2.4 billion and $3.4 billion as collateral at December 31, 2009 and 2008 for net uncollateralized balances of $76 million and $240 million. Additionally, collateral related to derivatives with member institutions includes collateral assigned to an FHLBank, as evidenced by a written security agreement and held by the member institution for the benefit of the FHLBank.

Certain of the FHLBanks' derivative instruments contain provisions that require an FHLBank to post additional collateral with its counterparties if there is deterioration in that FHLBank's credit rating. If an FHLBank's credit rating is lowered by a major credit rating agency, that FHLBank would be required to deliver additional collateral on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position (before cash collateral and related accrued interest) at December 31, 2009 was $9,135 million for which the FHLBanks have posted collateral of $6,367 million in the normal course of business. If each of the FHLBanks' credit ratings had been lowered from its current rating to the next lower rating that would have triggered additional collateral to be delivered, the FHLBanks would have been required to deliver up to an additional $2,457 million of collateral (at fair value) to their derivatives

counterparties at December 31, 2009. None of the FHLBanks' senior credit ratings was lowered during the year ended December 31, 2009.

On September 15, 2008, Lehman Brothers Holdings, Inc. (LBHI), the parent company of LBSF and a guarantor of LBSF's obligations filed for protection under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court in the Southern District of New York. LBSF was a counterparty to FHLBanks on multiple derivative transactions under International Swap Dealers Association, Inc. master agreements with a total notional amount of $123 billion at the time of termination of the FHLBanks' derivative transactions with LBSF. As a result, each affected FHLBank notified LBSF of the FHLBank's intent to early terminate all outstanding derivative positions with LBSF. The provision for derivative counterparty credit losses in total other expense section of the Combined Statement of Income for the year ended December 31, 2008 relates to certain FHLBanks' provision for outstanding receivable with LBSF. Unwinding of the derivative transactions between LBSF and FHLBanks resulted in $343 million of net gains on derivatives and hedging activities during the third quarter 2008. In addition, upon unwinding of the derivative transactions between the FHLBanks and LBSF, the FHLBanks in a net receivable position netted the value of the collateral due to be returned to the FHLBanks with all other amounts due between the parties, which resulted in an establishment of a $312 million receivable from LBSF (before provision) included in "Other assets" in the Combined Statement of Condition and a $252 million provision for derivative counterparty credit losses in the Combined Statement of Income to the extent that the FHLBanks were able to reasonably estimate the amount of loss that has been occurred with respect to debt settlements of derivative transactions with LBSF. In the first quarter of 2009, management of the FHLBank of Pittsburgh estimated its amount of loss as $35.3 million and recorded a contingency reserve with respect to the receivable from LBSF based on the discovery phase of the adversary proceeding filed by the FHLBank of Pittsburgh in the fourth quarter of 2008. As of December 31, 2009, the FHLBank of Pittsburgh maintained a $35.3 million contingency reserve on this receivable as this remains the most probable estimated loss. This amount is recorded in other expense in the Combined Statement of Income and presented as "Provision for derivative counterparty credit losses."

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 21 discusses assets pledged by the FHLBanks to these counterparties. FHLBanks are not derivative dealers and thus do not trade derivatives for short-term profit.

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 $3,921 million and $4,146 million at December 31, 2009 and 2008.

Financial Statement Effect and Additional Financial Information

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

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

The following table summarizes the fair value of derivative instruments without the effect of netting arrangements or collateral at December 31, 2009 (dollar amounts in millions). For purposes of this disclosure, the derivative values include fair value of derivatives and related accrued interest.

	December 31, 2009		
	Notional Amount of Derivatives	Derivative Assets	Derivative Liabilities
Derivatives Designated as Hedging Instruments:			
Interest-rate swaps	$706,125	$ 7,519	$ 17,617
Interest-rate swaptions	2,855	67	
Interest-rate caps or floors	695	61	
Interest-rate futures/forwards	100	2	
Total derivatives in hedging relationships	709,775	7,649	17,617
Derivatives Not Designated as Hedging Instruments:			
Interest-rate swaps	226,186	1,151	1,628
Interest-rate swaptions	10,802	158	
Interest-rate caps or floors	27,222	572	67
Interest-rate futures/forwards	446	1	
Mortgage delivery commitments	329		2
Other	348	2	1
Total derivatives not designated as hedging instruments	265,333	1,884	1,698
Total derivatives before netting and collateral adjustments	$975,108	9,533	19,315
Netting adjustments		(6,993)	(6,993)
Cash collateral and related accrued interest		(1,866)	(7,094)
Total netting adjustments and cash collateral (1)		(8,859)	(14,087)
Derivative assets and derivative liabilities as reported on the statement of condition		$ 674	$ 5,228

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

The following table summarizes the fair value of derivative instruments, excluding collateral and accrued interest by category December 31, 2008 (dollar amounts in millions).

	December 31, 2008	
	Notional	**Estimated Fair Value**
Interest-rate Swaps:		
Fair Value	$ 725,044	$(16,631)
Cash Flow	6,447	(757)
Economic	313,681	(2,070)
Interest-rate Swaptions:		
Fair Value	3,930	181
Economic	10,797	272
Interest-rate Caps/Floors:		
Fair Value	296	
Cash Flow	2,675	338
Economic	21,894	115
Interest-rate Futures/Forwards:		
Fair Value	999	2
Economic	1,204	(7)
Mortgage Delivery Commitments:		
Economic	2,174	7
Other:		
Economic	310	
Total	$1,089,451	$(18,550)
Total derivatives excluding accrued interest		$(18,550)
Accrued interest		1,067
Net cash collateral and related accrued interest		10,653
Net derivative balances		$ (6,830)
Net derivative assets balances		$ 902
Net derivative liabilities balances		(7,732)
Net derivative balances		$ (6,830)

The following table presents the components of net gains (losses) on derivatives and hedging activities for 2009 as presented in the Combined Statement of Income (dollar amounts in millions).

	Year Ended December 31, 2009 Net Gains/(Losses)
Derivatives and Hedged Items in Fair-Value Hedging Relationships:	
Interest-rate swaps	$ 784
Other(1)	(10)
Total net gains related to fair-value hedge ineffectiveness	774
Total Net Gains Related to Cash-Flow Hedge Ineffectiveness	7
Derivatives Not Designated as Hedging Instruments:	
Economic hedges	
Interest-rate swaps	1,718
Interest-rate swaptions	(917)
Interest-rate caps/floors	174
Interest-rate futures/forwards	3
Net interest settlements	(552)
Other	1
Mortgage delivery commitments	(2)
Other	1
Total net gains related to derivatives not designated as hedging instruments	426
Net gains on derivatives and hedging activities	$1,207

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

The following table presents the components of net (losses) gains on derivatives and hedging activities for 2008 and 2007 as presented in the Combined Statement of Income (dollar amounts in millions).

	2008	2007
(Losses) gains related to fair-value hedge ineffectiveness	$ (128)	$ 12
Losses on economic hedges	(1,416)	(65)
Losses related to cash-flow hedge ineffectiveness	(15)	
Net losses on derivatives and hedging activities	$(1,559)	$(53)

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

	For the Year Ended December 31, 2009			
Hedged Item Type:	Gains/(Losses) on Derivative	(Losses)/Gains on Hedged Item	Net Fair-Value Hedge Ineffectiveness	Effect of Derivatives on Net Interest Income/Interest Expense (1)
Advances	$11,237	$(10,792)	$445	$(10,459)
Consolidated bonds	(5,870)	6,140	270	6,664
Consolidated discount notes	(59)	53	(6)	149
Available-for-sale securities	438	(352)	86	(141)
Mortgage loans held for portfolio	71	(92)	(21)	(79)
Deposits	(2)	2		1
Total	$ 5,815	$ (5,041)	$774	$ (3,865)

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

Effect of Cash-Flow Hedge Related Derivative Instruments for the Year Ended December 31, 2009 (Dollar amounts in millions)

	Year Ended December 31, 2009			
Derivatives and Hedged Items in Cash Flow Hedging Relationships:	Amount of Gains/(Losses) Recognized in AOCI on Derivative (Effective Portion)	Location of Losses Reclassified from AOCI into Income (Effective Portion)	Amount of Losses Reclassified from AOCI into Income (Effective Portion)	Amount of Gains Recognized in Net Gains/(Losses) on Derivatives and Hedging Activities (Ineffective Portion)
Interest rate swaps				
Consolidated bonds	$	Interest expense	$(16)	$
Consolidated discount notes	405	Interest expense	(4)	7
Interest rate caps or floors				
Advances	(109)	Interest income	(14)	
Consolidated discount notes		Interest expense	(15)	
Total	$ 296		$(49)	$7

There were no material amounts for the years ended December 31, 2009, 2008 and 2007 that were reclassified from AOCI into earnings as a result of the discontinuance of cash-flow hedges because the original forecasted transactions occurred by the end of the originally specified time period or within a two-month period thereafter. At December 31, 2009, the deferred net gains (losses) on derivative instruments in AOCI that are expected to be reclassified to earnings during the next twelve months are 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 six months. For the FHLBank of Chicago, the maximum length of time over which forecasted transactions are hedged is 10 years.

Note 12—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 2009 and 2008 were 0.11 percent and 1.74 percent.

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

	December 31, 2009	December 31, 2008
Interest-bearing:		
Demand and overnight	$14,559	$13,260
Term	936	1,885
Other	94	38
Total interest-bearing	15,589	15,183
Non-interest-bearing:		
Demand and overnight	113	129
Other	195	184
Total non-interest-bearing	308	313
Total deposits	$15,897	$15,496

The aggregate amount of time deposits with a denomination of $100 thousand or more was $933 million and $1,883 million as of December 31, 2009 and 2008.

Note 13—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 Combined 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 14—Consolidated Obligations

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

The Finance Agency and the U.S. Secretary of the Treasury have oversight over the issuance of FHLBank debt through the Office of Finance. Consolidated bonds are issued primarily to raise intermediate and long-term funds for the FHLBanks and are not subject to any statutory or regulatory limits on their maturity. Consolidated discount notes are issued primarily to raise short-term funds. 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 Agency, 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 Agency 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 Agency). If, however, the Finance Agency determines that the non-complying FHLBank is unable to satisfy its repayment obligations, then the Finance Agency 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 Agency 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 values of the 12 FHLBanks' outstanding consolidated obligations, including consolidated obligations held by other FHLBanks, were approximately $931 billion and $1.3 trillion at December 31, 2009 and 2008. 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. Any assets subject to a lien or pledge for the benefit of holders of any issue of consolidated obligations are treated as if they were free from lien or pledge for purposes of compliance with these regulations.

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 consolidated bonds and variable-rate consolidated 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 consolidated bond to those of a simple variable-rate consolidated bond or a fixed-rate consolidated 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 consolidated bonds* (index amortizing notes) repay principal according to predetermined amortization schedules that are linked to the level of a certain index. At December 31, 2009 and 2008, 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 consolidated 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 consolidated bond offerings.

With respect to interest payments, consolidated bonds may also have the following terms:

- *Step-up consolidated bonds* pay interest at increasing fixed rates for specified intervals over the life of the consolidated bond. These consolidated bonds generally contain provisions enabling the FHLBanks to call consolidated bonds at their option on the step-up dates;

- *Zero-coupon consolidated bonds* are 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 redeemed prior to maturity.
- *Range consolidated 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 consolidated bond issue, but the consolidated bond generally pays zero interest or a minimal rate if the specified index is outside the specified range;
- *Step-down consolidated bonds* pay interest at decreasing fixed rates for specified intervals over the life of the consolidated bond. These consolidated bonds generally contain provisions enabling the FHLBanks to call consolidated bonds at their option on the step-down dates;
- *Conversion consolidated bonds* have coupons that convert from fixed to variable, or variable to fixed, or from one index to another, on predetermined dates according to the terms of the consolidated bond offerings;
- *Inverse floating consolidated bonds* have coupons that increase as an index declines and decrease as an index rises; and
- *Comparative index consolidated bonds* have coupon rates determined by the difference between two or more market indices, typically CMT and LIBOR.

Interest-Rate Payment Terms. The following table details consolidated bonds by interest-rate payment type (dollar amounts in millions):

	December 31,	
	2009	2008
Par value of consolidated bonds		
Fixed rate	$551,742	$569,427
Simple variable-rate	130,699	224,352
Step-up	45,364	8,888
Range bonds	983	2,846
Fixed rate that converts to variable rate	915	30
Variable rate that converts to fixed rate	880	375
Step-down	600	163
Zero-coupon	452	3,675
Other	56	58
Total par value	$731,691	$809,814

Redemption Terms. The following is a summary of the FHLBanks' consolidated bonds outstanding, excluding interbank holding of $333 million and $577 million, at December 31, 2009 and 2008, by year of contractual maturity (dollar amounts in millions):

	December 31, 2009		December 31, 2008	
Year of Contractual Maturity	Amount	Weighted - Average Interest Rate	Amount	Weighted - Average Interest Rate
Due in 1 year or less	$336,359	1.40%	$406,355	2.62%
Due after 1 year through 2 years	139,782	2.13%	129,788	3.39%
Due after 2 years through 3 years	82,354	2.56%	68,554	4.16%
Due after 3 years through 4 years	54,103	3.58%	36,138	4.73%
Due after 4 years through 5 years	33,797	3.67%	56,818	4.24%
Thereafter	79,318	4.67%	104,405	5.18%
Index amortizing notes	5,978	5.07%	7,756	5.02%
Total par value	731,691	2.32%	809,814	3.43%
Premiums	910		719	
Discounts	(746)		(3,216)	
Hedging adjustments	4,534		10,989	
Fair value option valuation adjustments	(45)		66	
Total	$736,344		$818,372	

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

Par values of consolidated bonds	December 31, 2009	December 31, 2008
Noncallable/nonputable	$565,840	$643,882
Callable	165,851	165,932
Total par value	$731,691	$809,814

The following table summarizes consolidated bonds outstanding by year of contractual maturity or next call date (dollar amounts in millions):

Year of Contractual Maturity or Next Call Date	December 31, 2009	December 31, 2008
Due in 1 year or less	$467,856	$511,099
Due after 1 year through 2 years	116,010	134,664
Due after 2 years through 3 years	46,537	52,644
Due after 3 years through 4 years	39,944	19,723
Due after 4 years through 5 years	14,091	33,591
Thereafter	41,275	50,337
Index amortizing notes	5,978	7,756
Total par value	$731,691	$809,814

Consolidated 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 consolidated bonds denominated in foreign currencies outstanding at December 31, 2009 and 2008.

Consolidated Discount Notes. Consolidated discount notes are issued to raise short-term funds. Consolidated discount notes are consolidated obligations with original maturities of up to one year. These

consolidated discount 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 (1)
December 31, 2009	$198,532	$198,577	0.18%
December 31, 2008	$439,895	$441,118	1.34%

(1) Represents an implied rate.

Note 15—Affordable Housing Program (AHP)

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 net earnings (income before assessments and before interest expense related to mandatorily redeemable capital stock, but after the assessment for REFCORP). The exclusion of interest expense related to mandatorily redeemable capital stock is based on an advisory bulletin issued by the Regulator. The AHP and REFCORP assessments are calculated simultaneously because of their interdependence on each other. Each FHLBank accrues this expense monthly based on its net earnings. An FHLBank reduces its AHP liability as members use subsidies. Calculation of the REFCORP assessment is discussed in Note 16.

If an FHLBank experienced a net loss during a quarter, but still had net earnings for the year, the FHLBank's obligation to the AHP would be calculated based on the FHLBank's year-to-date net earnings. If the FHLBank had net earnings 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 the AHP for the year, because each FHLBank's required annual AHP contribution is limited to its annual net earnings. If the aggregate 10 percent calculation described above was less than $100 million for all 12 FHLBanks, each FHLBank would 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.

There was no shortfall, as described above, in 2009, 2008 or 2007. If an FHLBank finds that its required contributions are contributing to the financial instability of that FHLBank, it may apply to the Finance Agency for a temporary suspension of its contributions. The FHLBanks did not make any such applications in 2009, 2008 or 2007. The FHLBanks had outstanding principal in AHP-related advances of $347 million and $357 million at December 31, 2009 and 2008.

An analysis of the AHP liability is as follows (dollar amounts in millions):

	2009	2008	2007
Balance at beginning of year	$ 808	$ 893	$ 805
Expense	258	188	318
Subsidy usage, net (1)	(275)	(273)	(230)
Balance at end of year	$ 791	$ 808	$ 893

(1) Amounts do not agree to the "AHP payment, net" amounts per the Statement of Cash Flows for each applicable period due to rounding.

Note 16—Resolution Funding Corporation (REFCORP)

Each FHLBank is required to pay to REFCORP 20 percent of net 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 15. REFCORP has been designated as the calculation agent for AHP and REFCORP assessments. Each FHLBank provides its net income before AHP and REFCORP assessments 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 Finance Agency in consultation with the U.S. Secretary of the Treasury selects the appropriate discounting factors to be used in this annuity calculation. 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.

Due to certain FHLBanks overpaying their 2009 and/or 2008 REFCORP assessment, and as directed by the U.S. Treasury, these FHLBanks will use their respective overpayments as a credit against future REFCORP assessments (to the extent the FHLBank has positive net income in the future) over an indefinite period of time. These overpayments of $33 million and $198 million were recorded as deferred assets by the FHLBanks and reported in "Other assets" on the FHLBanks' Combined Statement of Condition at December 31, 2009 and 2008. The FHLBanks used $115 million of credits during the year ended December 31, 2009. No credits were used during the year ended December 31, 2008. Over time, as the FHLBanks use these credits against their future REFCORP assessments, each FHLBank's deferred asset will be reduced until the deferred asset has been exhausted. If any amount of an FHLBank's deferred asset still remains at the time that the REFCORP obligation for the FHLBank System as a whole is fully satisfied, REFCORP, in consultation with the U.S. Treasury, will implement a procedure so that each FHLBank with credits remaining would be able to collect on its remaining deferred asset.

An analysis of the REFCORP (asset)/liability is as follows (dollar amounts in millions):

	2009	2008
Net balance at beginning of year	$(161)	$ 212
Expense	572	412
Cash payment	(407)	(785)
Net balance at end of year	$ 4	$(161)

	December 31,	
	2009	2008
Deferred REFCORP asset	$(117)	$(198)
REFCORP liability	121	37
Net balance at end of year	$ 4	$(161)

The Finance Agency is required to extend the term of the FHLBanks' obligation to REFCORP for each calendar quarter in which the FHLBanks' quarterly payment falls short of $75 million.

The FHLBanks' aggregate payments through 2009 have exceeded the scheduled payments, effectively accelerating payment of the REFCORP obligation and shortening its remaining term to April 15, 2012, effective December 31, 2009. The FHLBanks' aggregate payments through 2009 have satisfied $2 million of the $75 million scheduled payment due on April 15, 2012 and all scheduled payments thereafter. This date assumes that the FHLBanks will pay exactly $300 million annually after December 31, 2009 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 U.S. Department of the Treasury.

Note 17—Subordinated Notes

The FHLBank of Chicago has $1.0 billion of subordinated notes outstanding that mature on June 13, 2016. The subordinated notes are not obligations of, and are not guaranteed by, the United States government or any of the FHLBanks other than the FHLBank of Chicago. 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, 2009, 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 Agency allows the FHLBank of Chicago to include a percentage of the outstanding principal amount of the subordinated notes (the Designated Amount) in determining compliance with its regulatory capital and minimum regulatory leverage ratio requirements 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 18—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, 2009, all of the FHLBanks, except for the FHLBank of Chicago, had implemented their respective capital plans. Each conversion was considered a capital transaction and was accounted for at par value. Each FHLBank that has converted to a new capital structure is subject to three capital requirements under its capital plan and the Finance Agency rules and regulations: (1) risk-based capital, (2) total capital and (3) leverage capital. First, under the risk-based capital requirement, each FHLBank must maintain at all times permanent capital, defined as Class B stock and retained earnings, in an amount at least equal to the sum of its credit risk, market risk, and operations risk capital requirements, all of which are calculated in accordance with the rules and regulations of the Finance Agency. The Finance Agency may require an FHLBank to maintain a greater amount of permanent capital than is required by the risk-based capital requirements as defined. Second, an FHLBank is required to maintain at all times a total capital-to-assets ratio of at least four percent. Total regulatory capital is the sum of permanent capital, Class A stock, any general loss allowance, if consistent with GAAP and not established for specific assets, and other amounts from sources determined by the Finance Agency as available to absorb losses. Third, each FHLBank is required to maintain at all times a leverage capital-to-assets ratio of at least five percent. Leverage capital is defined as the sum of (i) permanent capital weighted 1.5 times and (ii) all other capital without a weighting factor. Mandatorily redeemable capital stock is considered capital for determining an FHLBank's compliance with its regulatory requirements. If the FHLBank of Chicago is not in compliance with the capital requirements at the effective date of its capital conversion, it must come into compliance within a transition period of up to three years. During that period, the existing leverage limit established by Finance Agency regulations will continue to apply. For the 11 FHLBanks that have implemented their respective capital plans, each FHLBank was in compliance with these capital requirements at the effective date of its capital conversion.

The pre-GLB Act capital rules remain in effect until the FHLBank of Chicago implements its new capital plan. In particular, the pre-GLB Act rules require members to purchase capital stock equal to the greater of $500, 1 percent of its mortgage-related assets or 5 percent of its outstanding FHLBank advances.

At December 31, 2009, all of the FHLBanks that have implemented their respective capital plans were in compliance with their risk-based capital rules as follows (dollar amounts in millions):

Regulatory Capital Requirements

FHLBank*	Minimum Regulatory Capital Ratio Requirement	At December 31, 2009				
		Minimum Regulatory Capital Requirement	Actual Capital Ratio	Total Regulatory Capital (1)	Permanent Capital (2)	Required Risk-Based Capital
Boston	4.0%	$2,499	6.2%	$ 3,877	$ 3,877	$1,526
New York	4.0%	4,578	5.1%	5,879	5,874	607
Pittsburgh	4.0%	2,612	6.8%	4,415	4,415	2,827
Atlanta	4.0%	6,052	6.1%	9,185	9,185	3,010
Cincinnati	4.0%	2,855	5.8%	4,151	4,151	389
Indianapolis	4.0%	1,864	6.1%	2,831	2,831	889
Des Moines	4.0%	2,586	4.6%	2,953	2,953	827
Dallas	4.0%	2,604	4.5%	2,897	2,897	507
Topeka	4.0%	1,705	4.6%	1,980	1,668	647
San Francisco	4.0%	7,714	7.6%	14,657	14,657	6,207
Seattle	4.0%	2,044	5.6%	2,849	2,690	2,158

FHLBank*	Minimum Leverage Ratio Requirement	At December 31, 2009		
		Minimum Weighted Leverage Capital Requirement	Actual Leverage Ratio	Actual Weighted Leverage Capital
Boston	5.0%	$3,124	9.3%	$ 5,815
New York	5.0%	5,723	7.7%	8,816
Pittsburgh	5.0%	3,265	10.1%	6,623
Atlanta	5.0%	7,566	9.1%	13,777
Cincinnati	5.0%	3,569	8.7%	6,226
Indianapolis	5.0%	2,330	9.1%	4,246
Des Moines	5.0%	3,233	6.9%	4,429
Dallas	5.0%	3,255	6.7%	4,346
Topeka	5.0%	2,132	6.6%	2,814
San Francisco	5.0%	9,643	11.4%	21,984
Seattle	5.0%	2,555	8.2%	4,194

* Excludes the FHLBank of Chicago, which had not implemented a new capital plan as of December 31, 2009. See "FHLBank of Chicago Regulatory Actions" within this note for a description of 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 Agency 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.

The GLB Act made membership voluntary for all members. Members can redeem Class A stock by giving six months' written notice, and members can redeem Class B stock by giving five years' written notice, subject to certain restrictions. Any member that withdraws from membership may not be readmitted to membership in any FHLBank until five years from the divestiture date for all capital

stock that is held as a condition of membership, as that requirement is set out in an FHLBank's capital plan, unless the institution has cancelled its notice of withdrawal prior to that date, before being readmitted to membership in any FHLBank. This restriction does not apply if the member is transferring its membership from one FHLBank to another on an uninterrupted basis.

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

At December 31, 2009 the 10 largest holders of regulatory capital stock at the holding-company level held $21.7 billion of the regulatory capital stock of the FHLBanks. At December 31, 2009, the largest regulatory capital stockholder at the holding-company level, Bank of America Corporation, held $4.9 billion of the FHLBanks' regulatory capital stock.

At December 31, 2009, combined regulatory capital was $60.2 billion, compared to $59.6 billion at December 31, 2008. These amounts include $1.0 billion in subordinated notes Designated Amount, which the FHLBank of Chicago is allowed to include in determining compliance with its regulatory capital requirements, as further discussed below in this note. Combined regulatory capital does not include AOCI.

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

Each FHLBank is a cooperative whose member financial institutions and former members own all of the relevant FHLBank's capital stock. Member shares cannot be purchased or sold except between an FHLBank and its members at its $100 per share par value, as mandated by each FHLBank's capital plan or by regulation. If a member cancels its written notice of redemption or notice of withdrawal, the FHLBank will reclassify mandatorily redeemable capital stock from a liability to equity. After the reclassification, dividends on the capital stock would no longer be classified as interest expense. For the years ended December 31, 2009, 2008 and 2007, dividends on mandatorily redeemable capital stock in the amount of $40 million, $50 million and $57 million were recorded as interest expense.

At December 31, 2009 and 2008, the FHLBanks had $8.1 billion and $6.1 billion in capital stock subject to mandatory redemption with payment subject to each FHLBank's waiting period and the FHLBank continuing to meet its minimum regulatory capital requirements. These amounts have been classified as a liability in the Combined Statement of Condition.

The following table provides the related dollar amounts for activities recorded in "Mandatorily redeemable capital stock" (dollar amounts in millions):

	2009	2008	2007
Balance, beginning of year	$ 6,136	$ 1,107	$ 1,094
Capital stock subject to mandatory redemption reclassified from equity:			
Withdrawals	2,639	5,936	1,042
Other redemptions	4,042	1,978	1,938
Capital stock previously subject to mandatory redemption reclassified to equity:			
Withdrawals	(2,920)		
Other redemptions	(1)		(38)
Net redemption of mandatorily redeemable capital stock:			
Withdrawals	(146)	(796)	(962)
Other redemptions	(1,612)	(2,116)	(1,983)
Accrued dividend classified as mandatorily redeemable		27	16
Balance, end of year	$ 8,138	$ 6,136	$ 1,107

The number of stockholders holding the mandatorily redeemable capital stock was 286, 190 and 181 at December 31, 2009, 2008 and 2007.

At December 31, 2009 and 2008, certain members requested redemptions of capital stock that have not been reclassified as mandatorily redeemable capital stock. These excess capital stock amounts were not classified as mandatorily redeemable capital stock because the requesting member may revoke its request, without substantive penalty, throughout the five-year waiting period, based on each FHLBank's capital plan.

	December 31, 2009		December 31, 2008	
(Dollar amounts in millions)	Number of Shareholders	Amount	Number of Shareholders	Amount
FHLBank of Indianapolis	8	$131	7	$ 40
FHLBank of Seattle	48	214	46	195
Total	56	$345	53	$235

Certain FHLBanks have a grace period for capital stock redemption requests; capital stock not reclassified as mandatorily redeemable capital stock at December 31, 2009 represents requests where the grace period had not yet expired.

The following table shows the amount of mandatorily redeemable capital stock by year of redemption (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 the type of capital stock issuable under 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 Repurchase	2009	2008
Past redemption date (1)	$ 93	$
Year 1	101	147
Year 2	241	96
Year 3	268	246
Year 4	4,209	336
Year 5	2,733	4,879
Thereafter	27	31
Subtotal	7,672	5,735
FHLBank of Chicago (2)	466	401
Total	$8,138	$6,136

(1) Represents $89 million in FHLBank of Seattle's mandatorily redeemable capital stock that it was unable to redeem at the end of the statutory redemption period because of its risk-based capital deficiencies at March 31, 2009 and June 30, 2009 and its undercapitalized classification by the Finance Agency. Also represents $4 million in FHLBank of Boston mandatorily redeemable capital stock that has reached the end of the five-year redemption period but member-related activity remains outstanding. Accordingly, these shares of stock will not be redeemed until the activity is no longer outstanding.

(2) See "FHLBank of Chicago Regulatory Actions" within this note for discussion on the FHLBank of Chicago's mandatorily redeemable capital stock.

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.

Excess Capital Stock. Excess stock is defined as the amount of stock held by a member (or former member) in excess of that institution's minimum investment requirement. Finance Agency rules limit the ability of an FHLBank to create member excess stock under certain circumstances. An FHLBank may not pay dividends in the form of capital stock or issue new excess stock to members if that FHLBank's excess stock exceeds one percent of its total assets or if the issuance of excess stock would cause that FHLBank's excess stock to exceed one percent of its total assets. At December 31, 2009, each of the FHLBanks of Boston, Pittsburgh, Atlanta, Cincinnati, Indianapolis, Chicago, San Francisco and Seattle had excess capital stock outstanding totaling more than one percent of its total assets. At December 31, 2009, each of these FHLBanks was in compliance with the Finance Agency's excess stock rules.

Statutory and Regulatory Restrictions on Capital Stock Redemption. In accordance with the FHLBank 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, including 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 Agency). 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 Agency if either its board of directors, or the Finance Agency, 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 Regulatory Actions" within this note, the FHLBank of Chicago is prohibited from repurchasing and redeeming its capital stock, including upon

membership withdrawal or other termination, except for certain redemptions of excess stock above a member's capital stock floor, unless it has received the approval of the Deputy 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 Agency 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 Agency 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; or (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 Agency.

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 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 Chicago Regulatory Actions. On June 30, 2004, the FHLBank of Chicago entered into a Written Agreement with the Finance Board to address issues identified in their 2004 examination. The Written Agreement, which was amended three times to adjust the FHLBank of Chicago's minimum regulatory capital requirements, ultimately required it to maintain both:

- 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
- an aggregate amount of regulatory capital stock plus a Designated Amount of subordinated notes of at least $3.500 billion.

At the request of 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 Written Agreement. On July 24, 2008, the Finance Board amended the C&D Order to allow the FHLBank of Chicago to redeem a member's capital stock, which becomes excess capital stock above a member's capital stock floor (the amount of capital stock a member held as of the close of business on July 23, 2008 plus any required adjustments related to annual membership stock recalculations) in

connection with the repayment advances subject to certain conditions. The C&D Order places several requirements on the FHLBank of Chicago, including the following:

- 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 an aggregate amount of regulatory capital stock plus a Designated Amount of subordinated notes of $3.600 billion;
- capital stock repurchases and redemptions, including redemptions upon membership withdrawal or other membership termination, except for certain redemptions of excess stock above a member's capital stock floor, require prior approval of the Deputy Director. The C&D Order provides that the Deputy Director may approve a written request by the FHLBank of Chicago for proposed redemptions or repurchases if the Deputy 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 Deputy Director; and
- the C&D Order required the FHLBank of Chicago to submit a revised capital plan to the Finance Board, implementation strategies for the plan, and a revised market risk, management and hedging policies, procedures and practices.

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

During the year ended December 31, 2009, the FHLBank of Chicago redeemed $95 million in excess capital stock as permitted under the C&D Order, however; the Deputy Director has denied all other requests submitted to them to redeem mandatorily redeemable capital stock since April 28, 2008. The FHLBank of Chicago does not believe a denial of a stock redemption request by the Deputy Director affects the reclassification of mandatorily redeemable capital stock as a liability. Rather, this denial delays the timing of an eventual mandatory redemption.

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

As of December 31, 2009, the FHLBank of Chicago was in compliance with all of its minimum regulatory capital requirements. The following table summarizes the FHLBank of Chicago's regulatory capital requirements at December 31, 2009 as a percentage of its total assets (dollar amounts in millions):

Regulatory Capital (1)				
Non-Mortgage Asset Ratio	Requirement in effect		Actual	
	Ratio (2)	Amount	Ratio	Amount
16.68%	4.76%	$4,192	5.11%	$4,502

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

(2) The regulatory capital ratio required by Finance Agency regulations for the FHLBank of Chicago, which has not implemented a capital plan under the GLB Act, is 4.0 percent provided that its non-mortgage assets (defined as total assets less advances, acquired member assets, standby letters of credit, derivative contracts with members, certain MBS, and other investments specified by the Finance Agency) after deducting its amount of deposits and capital are not greater than 11 percent of the FHLBank of Chicago's total assets. If non-mortgage assets are greater than 11 percent of its total assets, the Finance Agency regulations require a regulatory capital ratio of 4.76 percent. The C&D Order includes an additional minimum regulatory capital ratio of 4.5 percent, which currently supersedes the 4.0 percent regulatory requirement discussed above. The FHLBank of Chicago's non-mortgage asset ratio on an average monthly basis was above 11 percent at December 31, 2009, thus it was subject to the 4.76 percent ratio at that date.

Under the C&D Order, the FHLBank of Chicago is required to maintain an aggregate amount of regulatory capital stock plus a Designated Amount of subordinated notes of at least $3.600 billion. At December 31, 2009, the FHLBank of Chicago had an aggregate amount of $3.794 billion of regulatory capital stock plus the Designated Amount of subordinated notes.

FHLBank of Seattle Capital Classification Determination. In August 2009, following applicable notice and response, the FHLBank of Seattle received a capital classification of undercapitalized from the Finance Agency based primarily on the FHLBank of Seattle's failure to meet its risk-based capital requirement as of March 31, 2009 and June 30, 2009. An FHLBank with a final capital classification of undercapitalized is subject to a range of mandatory or discretionary restrictions. For example, an undercapitalized FHLBank must submit a capital restoration plan to the Finance Agency, is subject to limitations on asset growth, and must receive approval by the Finance Agency before engaging in any new business activity. Although the FHLBank of Seattle has met all of its regulatory requirements (including the risk-based capital requirement) since September 30, 2009, the Finance Agency has continued to deem the FHLBank of Seattle as undercapitalized, due in part to the Finance Agency's concern that modest declines in the values of the FHLBank of Seattle's private-label MBS could cause its risk-based capital to fall below the required level as well as concern that the value of property subject to mortgages owned by the FHLBank of Seattle has decreased significantly. All mandatory actions and restrictions in place as a result of the undercapitalized classification remain in effect, including not redeeming or repurchasing capital stock or paying dividends without Finance Agency approval. The Finance Agency also indicated that it would not change the FHLBank of Seattle's capital classification to adequately capitalized until the Finance Agency believes that the FHLBank of Seattle has demonstrated sustained performance in line with an approved capital restoration plan. As such, the FHLBank of Seattle's capital classification will remain undercapitalized until the Finance Agency determines otherwise.

In accordance with the prompt corrective actions provisions, the FHLBank of Seattle submitted a proposed capital restoration plan to the Finance Agency in August 2009. The Finance Agency determined that it was unable to approve the proposed plan and required the FHLBank of Seattle to submit a new plan by October 31, 2009. The FHLBank of Seattle subsequently requested and an extension in order to prepare a revised capital restoration plan and the Finance Agency approved an extension to December 6, 2009. The FHLBank of Seattle's revised capital restoration plan was submitted on December 5, 2009 and deemed complete by the Finance Agency on January 27, 2010. On February 26, 2010, the Finance Agency notified the FHLBank of Seattle that it was extending its initial 30-day review period by an additional 30 days, as allowed by regulation. The FHLBank of Seattle expects to be notified by Finance Agency of its decision on the FHLBank of Seattle's revised capital restoration plan sometime during the second quarter of 2010. It is unknown whether the Finance Agency will accept the revised capital restoration plan. In addition, the Finance Agency could take other regulatory actions, including, among other things, limiting the increase or requiring a reduction in the FHLBank of Seattle's on- or off-balance sheet obligations, and requiring capital and retained earnings to be increased.

Note 19—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. The plan also covers new employees of the FHLBank of Dallas hired on or after January 1, 2007, provided that the new employee had prior service with a financial services institution that participated in the Pentegra Defined Benefit Plan, during which service the employee was covered by such plan. Funding and administrative costs of the Pentegra Defined Benefit Plan charged to other operating expenses were $64 million, $44 million and $55 million in 2009, 2008 and 2007. 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 because 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 $13 million, $11 million and $11 million in the years ended December 31, 2009, 2008 and 2007.

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.

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 were as follows (dollar amounts in millions):

	Supplemental Retirement Plans		Postretirement Benefit Plans	
	2009	2008	2009	2008
Change in benefit obligation				
Benefit obligation at beginning of year	$ 122	$ 110	$ 38	$ 36
Service cost	7	7	2	2
Interest cost	7	7	2	2
Amendments—changes in assumptions	1	2	(2)	
Actuarial loss (gain)	10	7	(1)	(1)
Benefits paid	(17)	(11)	(1)	(1)
Settlements and curtailments	1			
Benefit obligation at end of year	$ 131	$ 122	$ 38	$ 38
Change in plan assets				
Fair value of plan assets at beginning of the year	$ 12	$ 15	$	$
Actual return on plan assets	3	(4)		
Employer contributions	20	12	1	1
Benefits paid	(17)	(11)	(1)	(1)
Fair value of plan assets at end of the year	18	12		
Funded status	$(113)	$(110)	$(38)	$(38)

Amounts recognized in "Other liabilities" on the Combined Statement of Condition for the FHLBanks' supplemental retirement plans and postretirement benefit plans at December 31, 2009 and 2008 were $151 million and $148 million.

Amounts recognized in AOCI consisted of (dollar amounts in millions):

	Supplemental Retirement Plans		Postretirement Benefit Plans	
	2009	2008	2009	2008
Net actuarial loss	$41	$39	$ 5	$ 5
Prior service cost (benefit)	2	2	(10)	(8)
Transition obligation			1	1
	$43	$41	$ (4)	$(2)

The accumulated benefit obligation for the supplemental retirement plans was $112 million and $100 million at December 31, 2009 and 2008.

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 were (dollar amounts in millions):

	Supplemental Retirement Plans			Postretirement Benefit Plans		
Net Periodic Benefit Cost	2009	2008	2007	2009	2008	2007
Service cost	$ 7	$ 7	$ 6	$ 2	$ 2	$ 2
Interest cost	7	7	6	2	2	2
Expected return on plan assets	(1)	(1)	(1)			
Amortization of prior service cost				(2)	(2)	
Amortization of net loss (gain)	4	3	4		1	1
Settlement loss	3	1	4			
Net periodic benefit cost	20	17	19	2	3	5
Other Changes in Benefit Obligations Recognized in Other Comprehensive Income						
Net loss (gain)	6	13	2	(1)	(1)	(1)
Prior service cost (benefit)			1	(3)		(5)
Amortization of net (loss) gain	(4)	(3)	(4)		(1)	(1)
Amortization of prior service (cost) benefit				2	2	
Total recognized in other comprehensive income	2	10	(1)	(2)		(7)
Total recognized in net periodic benefit cost and other comprehensive income	$22	$27	$18	$	$ 3	$(2)

The estimated net actuarial loss and prior service benefit that will be amortized from AOCI into net periodic benefit cost over the next fiscal year are (dollar amounts in millions):

	Supplemental Retirement Plans	Postretirement Benefit Plans
Net actuarial loss	$4	$
Prior service benefit		(1)
	$4	$(1)

The measurement date used to determine the current year's benefit obligation was December 31, 2009. The FHLBank of San Francisco re-measured its plan assets and benefit obligations as of the beginning of 2008 and recognized an adjustment to the opening balance of its retained earnings. The

adoption of the change in the measurement date did not have a material effect on the FHLBank of San Francisco's financial condition, results of operations or cash flows.

Key assumptions used for the actuarial calculations to determine benefit obligations for the FHLBanks' supplemental retirement plans and postretirement benefit plans were (displayed as a range from low to high):

	Supplemental Retirement Plans		Postretirement Benefit Plans	
	2009	2008	2009	2008
Discount rate	5.30% - 6.10%	5.85% - 6.50%	5.72% - 6.15%	5.75% - 6.96%
Salary increases	4.50% - 5.50%	4.34% - 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 were (displayed as a range from low to high):

	Supplemental Retirement Plans			Postretirement Benefit Plans		
	2009	2008	2007	2009	2008	2007
Discount rate	5.58% - 6.50%	5.76% - 6.64%	5.50% - 6.13%	5.75% - 6.96%	6.00% - 6.60%	5.65% - 6.00%
Salary increases	4.34% - 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 were:

	2009	2008
Health care cost trend rates: *		
Assumed for next year	5.00% - 10.00%	5.00% - 11.00%
Ultimate rate	5.00% - 5.30%	5.00% - 5.50%
Year that ultimate rate is reached	2009 - 2023	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 less than $1 million and a decrease in APBO of $4 million.

The supplemental retirement plans and postretirement benefit plans are not funded; therefore, no contributions will be made in 2009 other than for the payment of benefits, except for the FHLBank of San Francisco, which expects to contribute $4 million to its supplemental retirement plans in 2010.

Estimated future benefit payments reflecting expected future services were as follows (dollar amounts in millions):

Years	Payments
2010	$ 9
2011	9
2012	12
2013	9
2014	11
2015-2019	69

FHLBank of San Francisco's Plan Assets.

The table below presents the fair values of the Cash Balance Plan's assets as of December 31, 2009, by asset category. See "Note 20—Fair Value" to the Combined Financial Statements for further information regarding the three levels of fair value measurement.

	Fair Value Measurement Using:			
	Level 1	Level 2	Level 3	Total
Asset Category:				
Cash and cash equivalents	$ 1	$	$	$ 1
Collective investment trust	2			2
Equity mutual funds	10			10
Fixed income mutual funds	4			4
Other	1			1
Total	$18	$	$	$18

The Cash Balance Plan is administered by the FHLBank of San Francisco's Retirement Committee, which establishes the plan's Statement of Investment Policy and Objectives. The Retirement Committee has adopted a strategic asset allocation that envisions a reasonably stable distribution of assets among major asset classes. These asset classes include domestic large-, mid-, and small-capitalization equities; international equity investments; and fixed income investments. The Retirement Committee has set the Cash Balance Plan's target allocation percentages for a mix range of 50-70 percent equities and 30-50 percent fixed income. The Retirement Committee reviews the performance of the Cash Balance Plan on a quarterly basis.

The weighted-average asset allocations for the FHLBank of San Francisco by asset category were as follows:

	Supplemental Retirement Plans	
Asset Category	2009	2008
Cash and cash equivalents	7%	5%
Collective investment trust	10%	
Equity mutual funds	57%	55%
Fixed income mutual funds	22%	38%
Other mutual funds	4%	2%
Total	100%	100%

Note 20—Fair Value

The FHLBanks record trading securities, available-for-sale securities, derivative assets, and derivative liabilities as well as certain advances and certain consolidated bonds at fair value. Fair value is a market-based measurement and is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The transaction to sell the asset or transfer the liability is a hypothetical transaction at the measurement date, considered from the perspective of a market participant that holds the asset or owes the liability. In general, the transaction price will equal the exit price and, therefore, represents the fair value of the asset or liability at initial recognition. In determining whether a transaction price represents the fair value of the asset or liability at initial recognition, each reporting entity is required to consider factors specific to the asset or liability, the principal or most advantageous market for the asset or liability, and market participants with whom the entity would transact in that market. 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.

Fair Value Option. The fair value option provides an irrevocable option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments not previously carried at fair value. It requires entities to display the fair value of those assets and liabilities for which the entity has chosen to use fair value on the face of the statement of condition. Fair value is used for both the initial and subsequent measurement of the designated assets, liabilities and commitments, with the changes in fair value recognized in net income. Interest income and interest expense carried on advances and consolidated bonds at fair value are recognized solely on the contractual amount of interest due or unpaid. Any transaction fees or costs are immediately recognized into other non-interest income or other non-interest expense. The FHLBanks adopted the fair value option on January 1, 2008. The FHLBank of San Francisco was the only FHLBank that elected the fair value option for certain financial assets and financial liabilities at the time of adoption. Upon adoption, the FHLBank of San Francisco elected certain advances and consolidated bonds that are economically hedged to transition to the fair value option. During the third quarter of 2008, the FHLBanks of New York and Chicago elected the fair value option for certain newly acquired financial assets and financial liabilities. During the first quarter of 2009, the FHLBank of Des Moines also elected the fair value option for certain newly acquired financial liabilities.

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

Fair Value Hierarchy. The fair value hierarchy is used to prioritize the inputs of valuation techniques used to measure fair value. The inputs are evaluated and an overall level for the fair value measurement is determined. This overall level is an indication of market observability of the fair value measurement for the asset or liability. Fair value is the price in an orderly transaction between market participants to sell an asset or transfer a liability in the principal (or most advantageous) market for the asset or liability at the measurement date (an exit price). In order to determine the fair value or the exit price, entities must determine the unit of account, highest and best use, principal market, and market participants. These determinations allow the reporting entity to define the inputs for fair value and level of hierarchy.

Outlined below is the application of the fair value hierarchy to the FHLBanks' financial assets and financial liabilities that are carried at fair value.

Level 1—defined as those instruments for which inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. An active market for the asset or liability is a market in which the transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The types of assets and liabilities carried at Level 1 fair value generally include certain types of derivative contracts that are traded in an open exchange market, investments such as U.S. Treasury securities and publicly-traded mutual funds.

Level 2—defined as those instruments for which inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. The types of assets and liabilities carried at Level 2 fair value generally include investment securities, including U.S. government, agency and private-label mortgage-backed securities, derivative contracts, certain advances and certain consolidated bonds.

Level 3—defined as those instruments for which inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs are supported by little or no market activity and reflect the entity's own assumptions. The types of assets and liabilities carried at Level 3 fair value generally include certain types of investment securities that are backed by non-traditional mortgage loans or certain state or local housing agency obligations and an inverse variable-rate consolidated bond along with the derivative asset hedging that consolidated bond.

The FHLBanks use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Fair value is first determined based on quoted market prices or market-based prices, where available. If quoted market prices or market-based prices are not available, fair value is determined based on valuation models that use market-based information available to the FHLBanks as inputs to the models. For a discussion of an individual FHLBank's fair value measurement techniques, see that FHLBank's periodic report filed with the SEC.

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

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

	Fair Value Measurements at December 31, 2008				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral (1)
Assets					
Trading securities	$ 12,150	$ 9	$ 12,141	$	$
Available-for-sale securities	14,559		14,436	123	
Advances (2)	41,800		41,800		
Derivative assets	902	1	12,366	46	(11,511)
Other assets	16	16			
Total assets at fair value	$ 69,427	$26	$ 80,743	$ 169	$(11,511)
Liabilities					
Consolidated bonds (3)	$(33,334)	$	$(33,243)	$ (91)	$
Derivative liabilities	(7,732)	(3)	(29,893)		22,164
Total liabilities at fair value	$(41,066)	$ (3)	$(63,136)	$ (91)	$ 22,164

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

(2) Includes $21,620 million and $38,774 million of advances recorded under the fair value option and $1,336 million and $3,026 million of hedged advances recorded at fair value at December 31, 2009 and December 31, 2008.

(3) Includes $53,805 million and $31,285 million of consolidated bonds recorded under the fair value option and $1,221 million and $2,049 million of hedged consolidated bonds recorded at fair value at December 31, 2009 and December 31, 2008.

For instruments carried at fair value, the FHLBanks review the fair value hierarchy classifications on a quarterly basis. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers in/out of Level 3 at fair value in the quarter in which the changes occur.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Available-for-Sale Securities			
	Private-label RMBS	Home equity loan investments	Derivative Assets	Consolidated Bonds
Balance at December 31, 2008	$ 117	$ 6	$ 46	$(91)
Total gains or losses (realized/unrealized):				
Included in net losses on sale of AFS securities	(2)			
Included in net (losses) gains on changes in fair value included in earnings	(377)*	(3)	(23)	20
Included in AOCI	640	7		
Purchases, issuances and settlements	(246)	(4)		
Transfers from held-to-maturity to available-for-sale securities (1)	5,563	8		
Balance at December 31, 2009	$5,695	$14	$ 23	$(71)
Total amount of (losses) gains for the period included in earnings attributable to the change in unrealized gains/losses relating to assets and liabilities still held at December 31, 2009	$ (377)*	$ (3)	$(23)	$ 20

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Available-for-Sale Securities	Derivative Assets	Consolidated Bonds
Balance at December 31, 2007	$247	$20	$(69)
Effect of fair value option guidance adoption			
Balance at January 1, 2008	247	20	(69)
Total gains or losses (realized/unrealized):			
Included in net (losses) gains on changes in fair value	(62)	26	(22)
Included in AOCI	(63)		
Purchases, issuances and settlements	(4)		
Transfers into Level 3	5		
Balance at December 31, 2008	$123	$46	$(91)
Total amount of (losses) gains for the period included in earnings attributable to the change in unrealized gains or losses relating to assets and liabilities still held at December 31, 2008	$ (62)	$26	$(22)

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

(1) During 2009, the FHLBanks of Atlanta, Pittsburgh and Seattle transferred certain private-label RMBS and home equity loan investments from their respective held-to-maturity portfolio to their available-for-sale portfolio with fair values at the date of transfer of $2,318 million, $2,298 million and $955 million, respectively. These securities represented private-label RMBS and home equity loan investments in each FHLBank's held-to-maturity portfolio for which an other-than-temporary impairment loss was recorded on the held-to-maturity securities that were subsequently transferred to available-for sale securities. As of December 31, 2009, the fair value of these securities continued to be determined using significant unobservable inputs (Level 3).

The following table summarizes the activity related to financial assets and liabilities for which certain FHLBanks elected the fair value option during 2009 and 2008 (dollars amounts in millions):

	2009		2008	
	Advances	Consolidated Bonds	Advances	Consolidated Bonds
Balance, beginning of the period	$ 38,774	$(31,285)	$15,985	$ (1,247)
New transactions elected for fair value option	516	(54,410)	27,897	(31,917)
Maturities and terminations	(17,023)	31,778	(6,090)	1,934
Net (losses) gains on instruments held at fair value	(573)	116	915	(32)
Change in accrued interest	(74)	(4)	67	(23)
Balance, end of the period	$ 21,620	$(53,805)	$38,774	$(31,285)

The following table presents the changes in fair values for items measured at fair value pursuant to the election of the fair value option (dollar amounts in millions):

	Interest Income/ (Interest Expense)	Net (Losses) Gains on Changes in Fair Value Under Fair Value Option	Total Changes in Fair Value Included in Current Period Earnings
For the year ended December 31, 2009:			
Advances	$1,084	$(573)	$ 511
Consolidated bonds	(236)	116	(120)
Total		$(457)	

	Interest Income/ (Interest Expense)	Net Gains (Losses) on Changes in Fair Value Under Fair Value Option	Total Changes in Fair Value Included in Current Period Earnings
For the year ended December 31, 2008:			
Advances	$1,003	$915	$1,918
Consolidated bonds	(461)	(32)	(493)
Total		$883	

For items recorded under the fair value option, the related contractual interest income and contractual interest expense is recorded as part of net interest income on the Combined Statement of Income. The remaining changes in fair value for instruments in which the fair value option has been elected is recorded as "Net (losses) gains on advances and consolidated bonds held at fair value" in the Combined Statement of Income. The change in fair value, as shown in the table above, does not include changes in instrument-specific credit risk. Each of the FHLBanks of New York, Chicago, Des Moines and San Francisco, which are the FHLBanks that have elected to record certain financial assets and financial liabilities at fair value in accordance with the fair value option as of December 31, 2009, determined that no adjustments to the fair values of its instruments recorded under the fair value option for instrument-specific credit risk were necessary.

The following table reflects the difference between the aggregate fair value and the aggregate remaining contractual principal balance outstanding for advances and consolidated bonds for which the fair value option has been elected (dollar amounts in millions):

At December 31, 2009:	Aggregate Unpaid Principal Balance	Aggregate Fair Value	Fair Value Over/(Under) Aggregate Unpaid Principal Balance
Advances (1)	$21,003	$21,620	$617
Consolidated bonds	53,850	53,805	(45)

At December 31, 2008:	Aggregate Unpaid Principal Balance	Aggregate Fair Value	Fair Value Over Aggregate Unpaid Principal Balance
Advances (1)	$37,474	$38,774	$1,300
Consolidated bonds	31,219	31,285	66

(1) At December 31, 2009 and 2008, none of these advances were 90 days or more past due or had been placed on nonaccrual status.

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

The following FHLBanks recorded certain held-to-maturity securities at fair value as of December 31, 2009 and recognized OTTI charges on those held-to-maturity securities during the three months ended December 31, 2009 (dollar amounts in millions).

	During the Three Months Ended December 31, 2009	
	Carrying Value Prior to Write-down*	Fair Value at Write-down*
Boston	$ 303	$ 255
New York	60	43
Indianapolis	670	513
Chicago	153	135
San Francisco	2,177	1,880
Seattle	304	194
	$3,667	$3,020

* This table excludes impaired securities with carrying values less than their fair values at December 31, 2009. Additionally, “Carrying Value Prior to Write-down” may not include certain adjustments related to previously impaired investment securities. This table also excludes certain private-label RMBS and home equity loan investments transferred from a held-to-maturity portfolio to an available-for-sale portfolio for which an other-than-temporary impairment loss was recorded on the held-to-maturity securities that were subsequently transferred to available-for sale as discussed earlier in this note.

The following table presents these investment securities, mortgage loans and real estate owned by level within the fair value hierarchy at December 31, 2009, for which a nonrecurring change in fair value has been recorded in the three months ended December 31, 2009 and the assets were recorded at fair value at December 31, 2009 (dollar amounts in millions):

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

Fair Value. The following 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, 2009 and 2008. 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 fair values are not necessarily indicative of the amounts that would be realized in current market transactions, although they do reflect the FHLBank's judgment of how a market participant would estimate the fair values. The Fair Value Summary Table included in this note does not represent an estimate of the overall market value of the FHLBanks as going concerns, which would take into account future business opportunities and the net profitability of assets versus liabilities.

Cash and due from banks. The fair value approximates the recorded book balance.

Interest-bearing deposits and investment securities. The fair value is determined based on each security's quoted price or prices obtained from pricing services, excluding accrued interest, at the last business day of the period for instruments with more than three months to maturity. When quoted prices are not available, the fair value is determined by calculating the present value of the expected future cash flows and reducing the amount for accrued interest receivable. For certain FHLBanks, the fair value approximates the recorded book balance for interest-bearing deposits with variable rates and fixed rates with three months or less to maturity or repricing.

During the quarter ended September 30, 2009, in an effort to achieve consistency among all the FHLBanks in determining the fair value of MBS, the FHLBanks formed the FHLBank System MBS Pricing Governance Committee, which was responsible for developing a fair value methodology for MBS. All FHLBanks adopted this fair value methodology for private-label MBS, manufactured housing loans and home equity loan investments during the third quarter of 2009. As of December 31, 2009, 10 FHLBanks adopted the common fair value methodology for all other MBS (U.S. obligations MBS and GSE MBS). The other two FHLBanks expect to adopt the fair value methodology for all other MBS in the first quarter of 2010. To the extent that an FHLBank's existing MBS pricing methodology prior to the third quarter of 2009 was inconsistent with this fair value methodology, each of those FHLBanks changed its methodologies used to estimate the fair value of MBS to the methodology approved by the FHLBank System MBS Pricing Governance Committee during the quarter ended September 30, 2009.

Under this fair value methodology approved by the MBS Pricing Governance Committee, each FHLBank requests prices for either all MBS, or only for private-label MBS, as applicable, from four specific third-party vendors and depending on the number of prices received for each security, selects a median or average price as defined by the fair value methodology. This methodology also incorporates

variance thresholds to assist in identifying median or average prices that may require further review. In certain limited instances (i.e., a security's price is outside of established variance thresholds or the third-party vendors do not provide a price for a security), an FHLBank will obtain a price from securities dealers or internally model a price that is deemed most appropriate after consideration of relevant facts and circumstances that a market participant would consider. Prices for MBS held in common with other FHLBanks are reviewed for consistency. In adopting this common fair value methodology, each FHLBank remains responsible for the selection and application of its fair value methodology and the reasonableness of assumptions and inputs used.

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

Federal funds sold. The fair value of overnight Federal funds approximates the recorded book balances. The fair value of term Federal funds 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.

Advances and other loans. The FHLBanks generally determine the 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 Agency's advances regulations, advances with a maturity or repricing period greater than nine months require a prepayment fee sufficient to make the FHLBanks financially indifferent to the borrower's decision to prepay the advances. Therefore, the fair value of advances does not assume prepayment risk.

Mortgage loans held for portfolio. The 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. These underlying prepayment assumptions are susceptible to material changes in the near term because they are made at a specific point in time.

Accrued interest receivable and payable. The fair value approximates the recorded book value.

Derivative assets/liabilities. The FHLBanks base the 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 FHLBanks are subject to credit risk in derivatives transactions due to potential nonperformance by the derivatives counterparties. To mitigate this risk, the FHLBanks enter into master netting agreements for interest-rate-exchange agreements with highly-rated institutions. In addition, each FHLBank has entered into bilateral security agreements with all of its active derivatives dealer counterparties that provide for delivery of collateral at specified levels tied to those counterparties' credit ratings to limit that FHLBank's net unsecured credit exposure to those counterparties. Each FHLBank has evaluated the potential for the fair value of the instruments to be affected by counterparty credit risk and has determined that no adjustments

were significant to the overall fair value measurements. If these netted amounts are positive, they are classified as an asset and if negative, they are classified as 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. For certain FHLBanks, the fair value approximates the recorded book balance for deposits with variable rates and fixed rates with three months or less to maturity or repricing.

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

Borrowings. The FHLBanks determine the 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 certain FHLBanks, borrowings with variable rates and fixed rates with three months or less to maturity or repricing, the 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 FHLBanks' internal valuation models determine fair values of consolidated bonds and consolidated discount notes without embedded options using market-based yield curve inputs obtained from the Office of Finance. For fair values of consolidated obligations with embedded options, the internal valuation models use market-based inputs obtained from the Office of Finance and derivative dealers. The fair value is then 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.

Adjustments may be necessary to reflect the FHLBanks' credit quality when valuing consolidated bonds measured at fair value. Due to the joint and several liability of consolidated obligations, each FHLBank monitors its own creditworthiness and the creditworthiness of the other FHLBanks to determine whether any credit adjustments are necessary in its fair value measurement of consolidated bonds. The credit ratings of the FHLBanks and any changes to these credit ratings are the basis for the FHLBanks to determine whether the fair values of consolidated bonds have been significantly affected during the reporting period by changes in the instrument-specific credit risk. For each applicable FHLBanks, either no adjustment or an immaterial adjustment was made during the periods ended December 31, 2009 and 2008, as deemed appropriate by that FHLBank.

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

Mandatorily redeemable capital stock. The fair value of capital 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 fair value of the FHLBanks' commitments to extend credit for advances, letters of credit, and standby bond purchase agreements was immaterial at December 31, 2009 and 2008.

Commitments to extend credit for mortgage loans. Certain mortgage loan purchase commitments are recorded as derivatives at their fair value.

The 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 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, 2009 and 2008.

Subjectivity of estimates. Estimates of the fair value of advances with options, mortgage instruments, derivatives with embedded options and consolidated bonds with options using the methods described above 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. These estimates are susceptible to material near term changes because they are made as of a specific point in time.

The carrying values and fair values of the FHLBanks' financial instruments were as follows (dollar amounts in millions):

FAIR VALUE SUMMARY TABLE

Financial Instruments	December 31, 2009		December 31, 2008	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Assets:				
Cash and due from banks	$ 24,330	$ 24,330	$ 20,820	$ 20,820
Interest-bearing deposits	11	11	47,486	47,488
Securities purchased under agreements to resell	7,175	7,175	6,895	6,895
Federal funds sold	54,597	54,597	40,299	40,300
Trading securities	22,247	22,247	12,150	12,150
Available-for-sale securities	52,488	52,488	14,559	14,559
Held-to-maturity securities	147,833	146,191	184,524	165,649
Advances	631,159	633,079	928,638	928,988
Mortgage loans held for portfolio, net	71,437	73,816	87,361	89,183
Accrued interest receivable	2,466	2,466	4,261	4,261
Derivative assets	674	674	902	902
Other assets	18	18	16	16
Liabilities:				
Deposits	(15,897)	(15,897)	(15,496)	(15,498)
Securities sold under repurchase agreements	(1,200)	(1,225)	(1,200)	(1,243)
Consolidated obligations:				
Discount notes	(198,532)	(198,544)	(439,895)	(440,888)
Bonds	(736,344)	(743,312)	(818,372)	(827,373)
Mandatorily redeemable capital stock	(8,138)	(8,138)	(6,136)	(6,136)
Accrued interest payable	(3,802)	(3,802)	(6,331)	(6,331)
Derivative liabilities	(5,228)	(5,228)	(7,732)	(7,732)
Subordinated notes	(1,000)	(1,011)	(1,000)	(1,083)

Note 21—Commitments and Contingencies

As previously described, consolidated obligations are backed only by the financial resources of the FHLBanks. The joint and several liability regulation of the Finance Agency authorizes it 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 ever been asked or required to repay the

principal or interest on any consolidated obligation on behalf of another FHLBank, and as of December 31, 2009, and through the filing date of this report, the FHLBanks do not believe that it is probable that they will be asked to do so.

The FHLBanks 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 because the joint and several obligations are mandated by Finance Agency 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. Accordingly, the FHLBanks have not recognized a liability for the joint and several obligations related to other FHLBanks' consolidated obligations at December 31, 2009 and 2008. The par values of the outstanding consolidated obligations for which the FHLBanks are jointly and severally liable were approximately $930.6 billion and $1.3 trillion at December 31, 2009 and 2008. In addition, the FHLBank of Chicago has $1 billion (par value) outstanding related to subordinated notes that are not the joint and several obligation of the other 11 FHLBanks (see Note 17—Subordinated Notes).

During the third quarter of 2008, each FHLBank entered into a Lending Agreement with the U.S. Treasury in connection with the U.S. Treasury's establishment of the Government Sponsored Enterprise Credit Facility (GSECF), as authorized by the Housing Act. The GSECF was designed to serve as a contingent source of liquidity for the housing government-sponsored enterprises, including each of the 12 FHLBanks. Any borrowings by one or more of the FHLBanks under the GSECF would have been considered consolidated obligations with the same joint and several liability as all other consolidated obligations. The terms of any borrowings would have been agreed to at the time of issuance. Loans under the Lending Agreement were to be secured by collateral acceptable to the U.S. Treasury, which consisted of FHLBank advances to members that had been collateralized in accordance with regulatory standards and mortgage-backed securities issued by Fannie Mae or Freddie Mac. Each FHLBank was required to submit to the Federal Reserve Bank of New York, acting as fiscal agent of the U.S. Treasury a list of eligible collateral updated on a weekly basis. The amount of collateral was subject to an increase or a decrease (subject to the approval of the U.S. Treasury) at any time through the delivery of an updated listing of collateral. The GSECF expired on December 31, 2009. No FHLBank drew on this available source of liquidity prior to expiration.

Commitments that legally bind the FHLBanks for additional advances totaled approximately $776 million and $1,806 million at December 31, 2009 and 2008. 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, the payment amount is converted into a collateralized advance to the member. Outstanding standby letters of credit at December 31 were as follows:

	2009	2008
Outstanding notional (in millions)	$53,043	$49,426
Original terms	less than one month to 20 years	
Final expiration year	2029	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 $133 million and $88 million at December 31, 2009 and 2008. 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 9—Advances).

The FHLBanks monitor the creditworthiness of its standby letters of credit based on an evaluation of its members. Each FHLBanks have established parameters for the measurement, review, classification, and monitoring of credit risk related to these standby letters of credit.

Certain FHLBanks have entered into standby bond purchase agreements with state housing authorities within their district whereby the FHLBank, for a fee, agrees as a liquidity provider if required, 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 7 years, currently no later than 2016, although some are renewable at the option of an FHLBank. Total commitments for standby bond purchases were $3,466 million at December 31, 2009, with twelve state housing authorities. Total commitments for standby bond purchases were $2,538 million at December 31, 2008, with twelve state housing authorities. During 2009, the FHLBanks were not required to purchase any bonds under these agreements. During 2008, the FHLBanks purchased $375 million of bonds under these agreements.

Commitments that unconditionally obligate the FHLBanks to fund or purchase mortgage loans totaled $261 million and $1,846 million at December 31, 2009 and 2008. Commitments are generally for periods not to exceed 365 days. Of these amounts, $259 million and $1,827 million at December 31, 2009 and 2008 represent commitments that obligate the FHLBanks to purchase closed mortgage loans from their members, as well as net delivery commitments related to the MPF Xtra product. These commitments are recorded at fair value as derivatives. Under the MPF Xtra product, the FHLBank of Chicago enters into delivery commitments to purchase MPF Xtra mortgage loans from the PFIs, and simultaneously enters into delivery commitments to resell these loans to Fannie Mae. The outstanding delivery commitments issued by the FHLBank of Chicago were $70 million and $347 million at December 31, 2009 and 2008. For derivative and hedging activities disclosure purposes, the delivery commitments issued by the FHLBank of Chicago and by Fannie Mae are considered separate derivatives (see Note 11—Derivatives and Hedging Activities). The remaining balances of $2 million and $19 million represent commitments that obligate the FHLBanks to table fund mortgage loans that are not considered derivatives.

Unused lines of credit and other commitments totaled $1,772 million at December 31, 2009.

The FHLBanks generally execute derivatives with large banks and major broker-dealers and generally enter into bilateral pledge (collateral) agreements. At December 31, 2009, the FHLBanks had pledged, as collateral, securities with a carrying value of $528 million, which cannot be sold or repledged, and securities with a carrying value of $1,064 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 $11,171 million (par value) of consolidated bonds of which $9,465 million were hedged with associated interest rate swaps, and $3,359 million (par value) of consolidated discount notes that had traded but not settled at December 31, 2009.

The FHLBanks charged to operating expenses net rental costs of approximately $30 million, $26 million and $26 million for the years ended December 31, 2009, 2008 and 2007. Future minimum rentals for operating leases are as follows (dollar amounts in millions):

Year	Premises	Equipment	Total
Year 1	$ 20	$1	$ 21
Year 2	22	1	23
Year 3	23	2	25
Year 4	17		17
Year 5	13		13
Thereafter	94	—	94
Total	$189	$4	$193

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.

Future minimum capital lease commitments at December 31, 2009 are $20 million.

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.

In early March 2010, the FHLBank of Cincinnati was advised by representatives of the LBHI bankruptcy estate that they believe the bankruptcy estate is entitled to the $43 million difference between the market value fee the FHLBank of Cincinnati paid LBHI in connection with the automatic termination of interest rate swap transactions resulting from LBHI bankruptcy filing in 2008 and the market value fee the FHLBank of Cincinnati received when replacing these swaps with new swaps transacted with other counterparties. The FHLBank of Cincinnati believes that its obligations to LBHI were fully satisfied in September 2008 and intends to vigorously dispute any claim for additional amounts.

Notes 1, 9, 11, 14, 15, 17, 18, 19, and 20 discuss other commitments and contingencies.

Note 22—Subsequent Events

For purposes of this combined financial report, subsequent events have been evaluated through March 30, 2010, the date of this Combined Financial Report. From December 31, 2009 through March 30, 2010, no significant subsequent events were identified, other than the event discussed below.

FHLBank of Atlanta. On March 20, 2010, Wachovia Bank, National Association merged with and into Wells Fargo Bank, National Association, a non-member. Upon the merger, Wachovia Bank, National Association's membership automatically terminated under the FHLBank of Atlanta's capital plan, and the FHLBank of Atlanta reclassified $273.9 million in capital stock held by Wachovia Bank, National Association from capital to mandatorily redeemable capital stock upon termination of its membership with the FHLBank of Atlanta.

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FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CONDITION
DECEMBER 31, 2009

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
ASSETS						
Cash and due from banks	$ 24,330	$	$ 191	$ 2,189	$ 1,419	$ 465
Interest-bearing deposits	11					
Deposits with other FHLBanks		(11)			8	3
Securities purchased under agreements to resell	7,175		1,250			
Federal funds sold	54,597		5,676	3,450	3,000	10,043
Trading securities	22,247	(353)	107		1,286	3,553
Available-for-sale securities	52,488		6,487	2,253	2,397	2,256
Held-to-maturity securities	147,833		7,427	10,519	10,482	17,085
Advances	631,159		37,591	94,349	41,177	114,580
Mortgage loans held for portfolio	71,469		3,508	1,322	5,165	2,523
Less: allowance for credit losses on mortgage loans	32		2	5	2	1
Mortgage loans held for portfolio, net	71,437		3,506	1,317	5,163	2,522
Accrued interest receivable	2,466	(3)	148	341	229	515
Premises, software, and equipment, net	208		6	15	22	34
Derivative assets	674		17	8	8	39
Other assets	958	3	81	20	100	216
Total assets	$1,015,583	$(364)	$62,487	$114,461	$65,291	$151,311
LIABILITIES						
Deposits:						
Interest-bearing:						
Demand and overnight	$ 14,559		$ 721	$ 2,556	$ 1,247	$ 2,989
Term	936		30	7	11	
Deposits from other FHLBanks		(11)				
Other	94		4	62		
Total interest-bearing	15,589	(11)	755	2,625	1,258	2,989
Non-interest-bearing:						
Demand and overnight	113			6	26	
Other	195		18			
Total non-interest-bearing	308		18	6	26	
Total deposits	15,897	(11)	773	2,631	1,284	2,989
Borrowings:						
Securities sold under agreements to repurchase	1,200					
Total borrowings	1,200					
Consolidated obligations, net:						
Discount notes	198,532		22,278	30,828	10,209	17,127
Bonds	736,344	(333)	35,409	74,008	49,104	121,450
Total consolidated obligations, net	934,876	(333)	57,687	104,836	59,313	138,577
Mandatorily redeemable capital stock	8,138		91	126	8	188
Accrued interest payable	3,802	(3)	178	278	301	612
Affordable Housing Program payable	791		24	144	25	125
Payable to REFCORP	121			24		21
Derivative liabilities	5,228		768	746	624	409
Other liabilities	1,721		202	73	23	137
Subordinated notes	1,000					
Total liabilities	972,774	(347)	59,723	108,858	61,578	143,058
CAPITAL						
Capital Stock:						
Capital stock Class B putable ($100 par value per share) issued and outstanding	42,227		3,643	5,059	4,018	8,124
Capital stock Class A putable ($100 par value per share) issued and outstanding	427					
Capital stock Pre-conversion putable ($100 par value per share) issued and outstanding	2,328					
Total capital stock	44,982		3,643	5,059	4,018	8,124
Retained earnings	6,033	(15)	142	689	389	873
Accumulated other comprehensive income (loss):						
Net unrealized gains (losses) on available-for-sale securities	453		(90)	(3)	(2)	
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities	(22)					
Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities	(2,182)				(691)	(739)
Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities	(6,149)		(929)	(111)		
Net unrealized losses relating to hedging activities	(267)	(2)		(23)		
Pension and postretirement benefits	(39)		(2)	(8)	(1)	(5)
Total accumulated other comprehensive loss	(8,206)	(2)	(1,021)	(145)	(694)	(744)
Total capital	42,809	(17)	2,764	5,603	3,713	8,253
Total liabilities and capital	$1,015,583	$(364)	$62,487	$114,461	$65,291	$151,311
Supplemental Disclosures:						
Advances held at fair value under fair value option included in Advances total	$ 21,620	$	$	$	$	$
Consolidated Bonds held at fair value under fair value option included in Consolidated Bonds total	$ 53,805	$	$	$ 6,036	$	$

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

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CONDITION
DECEMBER 31, 2008

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
ASSETS						
Cash and due from banks	$ 20,820	$ (3)	$ 6	$ 19	$ 68	$ 28
Interest-bearing deposits	47,486		3,279	12,169	5,101	
Deposits with other FHLBanks		(6)			3	3
Securities purchased under agreements to resell	6,895		2,500			
Federal funds sold	40,299		2,540		1,250	10,769
Trading securities	12,150	(617)	63		507	4,486
Available-for-sale securities	14,559		1,214	2,862	19	
Held-to-maturity securities	184,524		9,268	11,334	14,918	23,118
Advances	928,638		56,926	109,153	62,153	165,856
Mortgage loans held for portfolio	87,376		4,154	1,459	6,169	3,252
Less: allowance for credit losses on mortgage loans	15			2	4	1
Mortgage loans held for portfolio, net	87,361		4,154	1,457	6,165	3,251
Accrued interest receivable	4,261	(8)	289	493	434	775
Premises, software, and equipment, net	199		6	14	23	29
Derivative assets	902		29	20	29	91
Other assets	959	4	79	19	136	158
Total assets	$1,349,053	$(630)	$80,353	$137,540	$90,806	$208,564
LIABILITIES						
Deposits:						
Interest-bearing:						
Demand and overnight	$ 13,260	$	$ 529	$ 1,332	$ 1,452	$ 3,573
Term	1,885		67	117	16	
Deposits from other FHLBanks		(9)				
Other	38		4	2		
Total interest-bearing	15,183	(9)	600	1,451	1,468	3,573
Non-interest-bearing:						
Demand and overnight	129			1	19	
Other	184		11			
Total non-interest-bearing	313		11	1	19	
Total deposits	15,496	(9)	611	1,452	1,487	3,573
Borrowings:						
Securities sold under agreements to repurchase	1,200					
Total borrowings	1,200					
Consolidated obligations, net:						
Discount notes	439,895		42,472	46,330	22,864	55,195
Bonds	818,372	(577)	32,254	82,257	61,399	138,181
Total consolidated obligations, net	1,258,267	(577)	74,726	128,587	84,263	193,376
Mandatorily redeemable capital stock	6,136		93	143	4	44
Accrued interest payable	6,331	(8)	259	426	494	1,039
Affordable Housing Program payable	808		35	122	43	139
Payable to REFCORP	37			5		
Derivative liabilities	7,732		1,174	862	355	1,414
Other liabilities	696		25	76	25	86
Subordinated notes	1,000					
Total liabilities	1,297,703	(594)	76,923	131,673	86,671	199,671
CAPITAL						
Capital Stock:						
Capital stock Class B putable ($100 par value per share) issued and outstanding	46,413		3,585	5,585	3,982	8,463
Capital stock Class A putable ($100 par value per share) issued and outstanding	752					
Capital stock Pre-conversion putable ($100 par value per share) issued and outstanding	2,386					
Total capital stock	49,551		3,585	5,585	3,982	8,463
Retained earnings (accumulated deficit)	2,936	(33)	(20)	383	170	435
Accumulated other comprehensive income (loss):						
Net unrealized (losses) gains on available-for-sale securities	(410)		(131)	(64)	(14)	
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities	(76)					
Net unrealized losses relating to hedging activities	(612)	(3)		(30)	(1)	
Pension and postretirement benefits	(39)		(4)	(7)	(2)	(5)
Total accumulated other comprehensive loss	(1,137)	(3)	(135)	(101)	(17)	(5)
Total capital	51,350	(36)	3,430	5,867	4,135	8,893
Total liabilities and capital	$1,349,053	$(630)	$80,353	$137,540	$90,806	$208,564
Supplemental Disclosures:						
Advances held at fair value under fair value option included in Advances total	$ 38,774	$	$	$	$	$
Consolidated Bonds held at fair value under fair value option included in Consolidated Bonds total	$ 31,285	$	$	$ 999	$	$

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 3	$ 871	$ 130	$ 44	$ 21	$	$ 19,632	$ 1
19,906				3,683	3,348		
		495					3,900
	7,223	1,085	3,425	1,872	384	9,431	2,320
3		866	2,151	3	4,653	35	
2,512	1,842	2,142	3,840	128			
12,904	6,692	16,595	5,952	11,702	11,051	51,205	9,785
53,916	31,249	38,140	41,897	60,920	35,820	235,664	36,944
8,632	8,780	32,092	10,685	328	3,025	3,713	5,087
		5		1	1	1	
8,632	8,780	32,087	10,685	327	3,024	3,712	5,087
275	153	367	93	145	139	865	241
10	10	26	9	21	17	20	14
17	1	102	3	77	34	467	32
28	39	94	30	34	87	213	38
$98,206	$56,860	$92,129	$68,129	$78,933	$58,557	$321,244	$58,362
$ 1,074	$ 573	$ 564	$ 925	$ 1,239	$ 1,119	$ 491	$ 389
94	46	29	464	186	570	103	193
		9					
24						8	
1,192	619	602	1,389	1,425	1,689	602	582
		2	107				
1	2	153			15	2	
1	2	155	107		15	2	
1,193	621	757	1,496	1,425	1,704	604	582
		1,200					
		1,200					
49,336	23,466	29,466	20,061	16,746	26,261	91,819	15,879
42,393	28,697	55,305	42,723	56,614	27,422	213,114	38,590
91,729	52,163	84,771	62,784	73,360	53,683	304,933	54,469
111	539	401	11	90	35	3,747	918
394	284	567	320	514	254	1,451	337
103	36	23	40	43	28	180	16
14	17		1				
286	1,060	1,067	435	2	404	437	236
94	49	56	25	61	54	107	38
		1,000					
93,924	54,769	89,842	65,112	75,495	56,162	311,459	56,596
3,962	1,879		2,781	3,224	1,606	9,616	1,730
					634		118
		2,386					
3,962	1,879	2,386	2,781	3,224	2,240	9,616	1,848
326	283	540	382	216	157	176	(79)
	(67)	12	(144)	(2)			
		(76)					
		(577)				(1)	
(6)	(4)	2	(2)		(2)	(6)	(3)
(6)	(71)	(639)	(146)	(2)	(2)	(7)	(3)
4,282	2,091	2,287	3,017	3,438	2,395	9,785	1,766
$98,206	$56,860	$92,129	$68,129	$78,933	$58,557	$321,244	$58,362
$	$	$ 201	$	$	$	$ 38,573	$
$	$	$	$	$	$	$ 30,286	$

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2009

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$ 9,714	$	$ 665	$1,248	$ 607	$ 872
Prepayment fees on advances, net	215		13	23	5	16
Interest-bearing deposits	67		11	20	11	7
Securities purchased under agreements to resell	25		5			
Federal funds sold	134		9	3	3	22
Trading securities	401	(26)	3		14	197
Available-for-sale securities	638		15	29	71	104
Held-to-maturity securities	5,839		233	463	456	902
Mortgage loans held for portfolio	3,873		194	72	281	152
Other	3					
Total interest income	20,909	(26)	1,148	1,858	1,448	2,272
INTEREST EXPENSE						
Consolidated obligations — Discount notes	1,936		153	193	42	260
Consolidated obligations — Bonds	13,394	(7)	682	954	1,141	1,602
Deposits	23		1	2	1	4
Securities sold under agreements to repurchase	26					
Subordinated notes	57					
Mandatorily redeemable capital stock	40			8		2
Other borrowings	1					
Total interest expense	15,477	(7)	836	1,157	1,184	1,868
NET INTEREST INCOME	5,432	(19)	312	701	264	404
Provision (reversal) for credit losses	18		2	3	(2)	
NET INTEREST INCOME AFTER PROVISION (REVERSAL) FOR CREDIT LOSSES	5,414	(19)	310	698	266	404
OTHER (LOSS) INCOME						
Total other-than-temporary impairment losses	(11,197)		(1,329)	(141)	(1,044)	(1,306)
Portion of impairment losses recognized in other comprehensive income (loss)	8,766		885	120	815	990
Net other-than-temporary impairment losses	(2,431)		(444)	(21)	(229)	(316)
Net (losses) gains on trading securities	(140)		(1)		1	(135)
Net realized gains (losses) from sale of available-for-sale securities	7				(2)	
Net realized gains from sale of held-to-maturity securities	17		2		2	
Net (losses) gains on advances and consolidated bonds held at fair value	(457)			16		
Net gains (losses) on derivatives and hedging activities	1,207		2	165	12	543
Service fees	32		4	4	3	2
Other, net	(21)	31			8	1
Total other (loss) income	(1,786)	31	(437)	164	(205)	95
OTHER EXPENSE						
Operating	813		53	76	59	101
Finance Agency/Finance Board	42		3	4	2	6
Office of Finance	35		3	4	2	5
Provision for derivative counterparty credit losses	35				35	
Other, net	18	(6)	1			1
Total other expense	943	(6)	60	84	98	113
INCOME (LOSS) BEFORE ASSESSMENTS	2,685	18	(187)	778	(37)	386
Affordable Housing Program	258			64		32
REFCORP	572			143		71
Total assessments	830			207		103
NET INCOME (LOSS)	$ 1,855	$ 18	$ (187)	$ 571	$ (37)	$ 283

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 570	$ 393	$ 535	$ 658	$651	$336	$ 2,766	$ 413
8	6	66	10	14	12	34	8
9			1	1	7		
1		9	2				8
11	24	5	17	5	4	23	8
3		36	66		107	1	
18	18	320	62				1
578	272	721	174	150	205	1,480	205
484	414	1,264	444	16	160	157	235
					3		
1,682	1,127	2,956	1,434	837	834	4,461	878
112	85	138	132	207	74	472	68
1,172	755	2,154	1,101	553	494	2,199	594
2	1	1	3	1	5	1	1
		26					
		57					
9	13				1	7	
					1		
1,295	854	2,376	1,236	761	575	2,679	663
387	273	580	198	76	259	1,782	215
		10	2		1	1	1
387	273	570	196	76	258	1,781	214
	(413)	(1,404)		(80)	(9)	(4,121)	(1,350)
	353	967		76	8	3,513	1,039
	(60)	(437)		(4)	(1)	(608)	(311)
		(14)	19	1	(12)	1	
		19	(11)	1			
12							1
		2	(4)			(471)	
18	(1)	(83)	134	193	112	122	(10)
2	1	1	2	3	6	1	3
6	2	5	(84)	6	3	7	(6)
38	(58)	(507)	56	200	108	(948)	(323)
49	45	113	49	71	38	111	48
3	2	3	2	2	2	11	2
3	2	3	2	2	1	6	2
4	1	9			3	4	1
59	50	128	53	75	44	132	53
366	165	(65)	199	201	322	701	(162)
31	15		16	16	26	58	
67	30		37	37	59	128	
98	45		53	53	85	186	
$ 268	$ 120	$ (65)	$ 146	$148	$237	$ 515	$ (162)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2008

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$29,643	$	$1,980	$3,009	$2,141	$4,722
Prepayment fees (credits) on advances, net	92		5	22	10	7
Interest-bearing deposits	90			28	10	29
Securities purchased under agreements to resell	47		12			
Federal funds sold	1,737		34	78	77	239
Trading securities	406	(37)	5			284
Available-for-sale securities	338	(2)	32	81	1	
Held-to-maturity securities	8,744	(23)	443	763	797	1,169
Mortgage loans held for portfolio	4,495		209	78	316	183
Other	3					
Total interest income	45,595	(62)	2,720	4,059	3,352	6,633
INTEREST EXPENSE						
Consolidated obligations — Discount notes	9,912		1,154	698	686	988
Consolidated obligations — Bonds	29,856	(55)	1,214	2,620	2,349	4,686
Deposits	411		17	37	35	110
Securities sold under agreements to repurchase	64					2
Subordinated notes	57					
Mandatorily redeemable capital stock	50		1	9		2
Other borrowings	2		1			
Total interest expense	40,352	(55)	2,387	3,364	3,070	5,788
NET INTEREST INCOME	5,243	(7)	333	695	282	845
Provision for credit losses	11			1	7	
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	5,232	(7)	333	694	275	845
OTHER (LOSS) INCOME						
Realized losses on other-than-temporarily impaired securities	(2,025)		(382)		(266)	(186)
Net gains (losses) on trading securities	260		(1)		(1)	200
Net realized gains (losses) from sale of available-for-sale securities	9					
Net realized gains from sale of held-to-maturity securities	4			1		
Net gains (losses) on advances and consolidated bonds held at fair value	883			(8)		
Net (losses) gains on derivatives and hedging activities	(1,559)		(11)	(199)	66	(229)
Service fees	29		4	3	3	2
Other, net	49	(5)	(3)	2	5	(1)
Total other (loss) income	(2,350)	(5)	(393)	(201)	(193)	(214)
OTHER EXPENSE						
Operating	732		51	66	50	104
Finance Agency/Finance Board	41		2	4	3	6
Office of Finance	34		2	3	3	4
Provision for derivative counterparty credit losses	252			66		170
Other, net	17	(5)	1			2
Total other expense	1,076	(5)	56	139	56	286
INCOME (LOSS) BEFORE ASSESSMENTS	1,806	(7)	(116)	354	26	345
Affordable Housing Program	188			30	2	28
REFCORP	412			65	5	63
Total assessments	600			95	7	91
NET INCOME (LOSS)	$ 1,206	$ (7)	$ (116)	$ 259	$ 19	$ 254

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$1,893	$ 998	$1,147	$1,418	$1,810	$1,044	$ 8,186	$1,295
2		18	1	7	2	(4)	22
15				2	6		
14		2					19
145	271	139	72	96	73	318	195
		43	1		108	2	
1	30	52	133	10			
682	351	717	209	349	519	2,315	453
437	467	1,654	534	20	134	200	263
					3		
3,189	2,117	3,772	2,368	2,294	1,889	11,017	2,247
947	498	429	617	522	605	2,266	502
1,844	1,314	3,009	1,481	1,563	1,008	7,282	1,541
26	15	19	22	58	27	24	21
		56	2		1		3
		57					
8	12		1	1	1	14	1
					1		
2,825	1,839	3,570	2,123	2,144	1,643	9,586	2,068
364	278	202	245	150	246	1,431	179
		3					
364	278	199	245	150	246	1,431	179
		(292)			(5)	(590)	(304)
		18	1	(1)	45	(1)	
		10		(1)			
			2				1
		1				890	
2	12	45	(33)	7	(215)	(1,008)	4
1	1	1	2	4	5	1	2
6	2	25	5	15	2	18	(22)
9	15	(192)	(23)	24	(168)	(690)	(319)
39	36	112	40	61	34	95	44
3	2	3	2	2	2	10	2
3	2	2	2	2	2	7	2
			5	1			10
6	1	9			2		1
51	41	126	49	66	40	112	59
322	252	(119)	173	108	38	629	(199)
27	22		14	9	3	53	
59	46		32	20	7	115	
86	68		46	29	10	168	
$ 236	$ 184	$ (119)	$ 127	$ 79	$ 28	$ 461	$ (199)

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	27			4		9
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	9,362	(110)	522	1,005	876	996
Mortgage loans held for portfolio	4,849		218	79	338	176
Other	5					
Total interest income	57,024	(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	4,517		313	499	367	704
Provision for credit losses	3				2	
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	4,514		313	499	365	704
OTHER INCOME (LOSS)						
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)
Service fees	29		4	3	4	2
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 Agency/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	3,849	18	270	441	322	607
Affordable Housing Program	318		22	37	26	51
REFCORP	704		50	81	59	111
Total assessments	1,022		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
2			1	7	4		
37			12			13	13
309	486	571	189	277	347	660	336
		36		1	45	4	
36		144	111	27	2		
905	381	618	273	437	685	2,160	614
467	510	1,839	562	23	122	215	300
				1	4		
4,348	2,622	4,479	2,461	2,886	2,749	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	232	931	171
		1					
421	207	277	171	223	232	931	171
		22			18		
		1			(2)		
			1		(1)		(6)
(12)	(1)	(25)	4		(10)	52	(2)
1	1	1	2	4	4	1	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	205	888	97
31	14	12	12	15	17	73	8
67	31	28	26	32	38	163	18
98	45	40	38	47	55	236	26
$ 269	$ 122	$ 111	$ 101	$ 130	$ 150	$ 652	$ 71

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Shares in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK CLASS B PUTABLE SHARES						
BALANCE, DECEMBER 31, 2006	389		23	36	34	58
Proceeds from sale of capital stock	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
Proceeds from sale of capital stock	295		10	51	46	64
Repurchase/redemption of capital stock	(232)		(5)	(38)	(45)	(55)
Net shares reclassified to mandatorily redeemable capital stock	(71)		(1)	(1)	(1)	
Transfer between Class B and Class A shares	(3)					
Capital stock dividends	8	—	—	—	—	—
BALANCE, DECEMBER 31, 2008	465		36	56	40	85
Proceeds from sale of capital stock	56			32		9
Repurchase/redemption of capital stock	(66)			(37)		(11)
Net shares reclassified to mandatorily redeemable capital stock	(34)					(2)
Transfer between Class B and Class A shares	1					
Capital stock dividends		—	—	—	—	—
BALANCE, DECEMBER 31, 2009	422	—	36	51	40	81
CAPITAL STOCK CLASS A PUTABLE SHARES						
BALANCE, DECEMBER 31, 2006	5					
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					
Proceeds from sale of capital stock	6					
Repurchase/redemption of capital stock	(6)					
Net shares reclassified to mandatorily redeemable capital stock	(5)					
Transfer between Class B and Class A shares	3					
Capital stock dividends		—	—	—	—	—
BALANCE, DECEMBER 31, 2008	7					
Proceeds from sale of capital stock						
Repurchase/redemption of capital stock	(1)					
Net shares reclassified to mandatorily redeemable capital stock	(1)					
Transfer between Class B and Class A shares	(1)					
Capital stock dividends		—	—	—	—	—
BALANCE, DECEMBER 31, 2009	4	—	—	—	—	—

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
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
4	3		56	20	20	17	4
			(55)	(12)	(1)	(21)	
	(4)			(1)	(16)	(39)	(8)
					(3)		
1	—	—	—	1	1	5	—
40	19		28	32	16	96	17
1			3	6	4	1	
			(6)	(12)			
(10)	(2)			(1)	(8)	(11)	
					1		
31	17	—	25	25	13	86	17
					5		
							3
					(1)		
					2		
—	—	—	—	—	6	—	3
							6
							(6)
					(3)		(2)
					3		
—	—	—	—	—	6	—	1
					(1)		
					(1)		
					(1)		
—	—	—	—	—	3	—	1

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Shares in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK PRE-CONVERSION PUTABLE SHARES						
BALANCE, DECEMBER 31, 2006	26					
Proceeds from sale of capital stock	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					
Proceeds from sale of capital stock	1					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(4)					
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, DECEMBER 31, 2008	24					
Proceeds from sale of capital stock	1					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(2)					
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, DECEMBER 31, 2009	23					
TOTAL CAPITAL STOCK PUTABLE SHARES						
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
Proceeds from sale of capital stock	302		10	51	46	64
Repurchase/redemption of capital stock	(238)		(5)	(38)	(45)	(55)
Net shares reclassified to mandatorily redeemable capital stock	(80)		(1)	(1)	(1)	
Capital stock dividends	8					
BALANCE, DECEMBER 31, 2008	496		36	56	40	85
Proceeds from sale of capital stock	57			32		9
Repurchase/redemption of capital stock	(67)			(37)		(11)
Net shares reclassified to mandatorily redeemable capital stock	(37)					(2)
Capital stock dividends						
BALANCE, DECEMBER 31, 2009	449		36	51	40	81

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
		26					
		1					
		27					
		1					
		(4)					
		24					
		1					
		(2)					
		23					
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
4	3	1	56	20	20	17	10
			(55)	(12)	(1)	(21)	(6)
	(4)	(4)		(1)	(19)	(39)	(10)
1				1	1	5	
40	19	24	28	32	22	96	18
1		1	3	6	4	1	
			(6)	(12)	(1)		
(10)	(2)	(2)		(1)	(9)	(11)	
31	17	23	25	25	16	86	18

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK CLASS B PUTABLE PAR VALUE						
BALANCE, DECEMBER 31, 2006	$ 38,882	$	$2,343	$ 3,546	$ 3,384	$ 5,772
Proceeds from sale of capital stock	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	(2,825)		(36)	(187)		(91)
Transfer between Class B and Class A shares	(168)					
Capital stock dividends	789					
BALANCE, DECEMBER 31, 2007	46,701		3,164	4,368	3,995	7,556
Proceeds from sale of capital stock	29,484		965	5,131	4,547	6,411
Repurchase/redemption of capital stock	(23,216)		(456)	(3,849)	(4,506)	(5,455)
Net shares reclassified to mandatorily redeemable capital stock	(7,079)		(88)	(65)	(54)	(49)
Transfer between Class B and Class A shares	(307)					
Capital stock dividends	830					
BALANCE, DECEMBER 31, 2008	46,413		3,585	5,585	3,982	8,463
Proceeds from sale of capital stock	5,689		58	3,210	40	926
Repurchase/redemption of capital stock	(6,559)		(2)	(3,686)		(1,111)
Net shares reclassified to mandatorily redeemable capital stock	(3,498)		2	(50)	(4)	(154)
Transfer between Class B and Class A shares	132					
Capital stock dividends	50					
BALANCE, DECEMBER 31, 2009	$ 42,227	$	$3,643	$ 5,059	$ 4,018	$ 8,124
CAPITAL STOCK CLASS A PUTABLE PAR VALUE						
BALANCE, DECEMBER 31, 2006	$ 532	$	$	$	$	$
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					
Proceeds from sale of capital stock	614					
Repurchase/redemption of capital stock	(615)					
Net shares reclassified to mandatorily redeemable capital stock	(445)					
Transfer between Class B and Class A shares	307					
Capital stock dividends						
BALANCE, DECEMBER 31, 2008	752					
Proceeds from sale of capital stock	27					
Repurchase/redemption of capital stock	(118)					
Net shares reclassified to mandatorily redeemable capital stock	(102)					
Transfer between Class B and Class A shares	(132)					
Capital stock dividends						
BALANCE, DECEMBER 31, 2009	$ 427	$	$	$	$	$

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$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)	(1,747)	(148)	(13)
					(168)		
				107	114	568	
3,473	2,003		2,717	2,394	1,487	13,403	2,141
375	256		5,580	2,014	2,082	1,720	403
			(5,513)	(1,186)	(117)	(2,134)	
(33)	(380)		(3)	(73)	(1,619)	(3,901)	(814)
					(307)		
147				75	80	528	
3,962	1,879		2,781	3,224	1,606	9,616	1,730
92	72		269	578	362	71	11
	(5)		(570)	(1,171)	(14)		
(991)	(220)		(19)	(107)	(819)	(1,112)	(24)
					132		
				8	42		
$3,063	$1,726	$	$ 2,461	$ 2,532	$ 1,309	$ 8,575	$1,717
$	$	$	$	$	$ 532	$	$
					6		319
							(32)
					(102)		
					168		
					604		287
					4		610
							(615)
					(281)		(164)
					307		
					634		118
					7		20
					(118)		
					(97)		(5)
					(132)		
$	$	$	$	$	$ 294	$	$ 133

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK PRE-CONVERSION PUTABLE PAR VALUE						
BALANCE, DECEMBER 31, 2006	$ 2,587	$	$	$	$	$
Proceeds from sale of capital stock	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					
Proceeds from sale of capital stock	115					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(390)					
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, DECEMBER 31, 2008	2,386					
Proceeds from sale of capital stock	102					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(160)					
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, DECEMBER 31, 2009	$ 2,328	$	$	$	$	$
TOTAL CAPITAL STOCK PUTABLE PAR VALUE						
BALANCE, DECEMBER 31, 2006	$ 42,001	$	$2,343	$ 3,546	$ 3,384	$ 5,772
Proceeds from sale of capital stock	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	(2,941)		(36)	(187)		(91)
Capital stock dividends	789					
BALANCE, DECEMBER 31, 2007	50,253		3,164	4,368	3,995	7,556
Proceeds from sale of capital stock	30,213		965	5,131	4,547	6,411
Repurchase/redemption of capital stock	(23,831)		(456)	(3,849)	(4,506)	(5,455)
Net shares reclassified to mandatorily redeemable capital stock	(7,914)		(88)	(65)	(54)	(49)
Capital stock dividends	830					
BALANCE, DECEMBER 31, 2008	49,551		3,585	5,585	3,982	8,463
Proceeds from sale of capital stock	5,818		58	3,210	40	926
Repurchase/redemption of capital stock	(6,677)		(2)	(3,686)		(1,111)
Net shares reclassified to mandatorily redeemable capital stock	(3,760)		2	(50)	(4)	(154)
Capital stock dividends	50					
BALANCE, DECEMBER 31, 2009	$ 44,982	$	$3,643	$ 5,059	$ 4,018	$ 8,124

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$	$	$2,587	$	$	$	$	$
		88					
		(14)					
		2,661					
		115					
		(390)					
		2,386					
		102					
		(160)					
$	$	$2,328	$	$	$	$	$

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$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)	(1,849)	(148)	(13)
				107	114	568	
3,473	2,003	2,661	2,717	2,394	2,091	13,403	2,428
375	256	115	5,580	2,014	2,086	1,720	1,013
			(5,513)	(1,186)	(117)	(2,134)	(615)
(33)	(380)	(390)	(3)	(73)	(1,900)	(3,901)	(978)
147				75	80	528	
3,962	1,879	2,386	2,781	3,224	2,240	9,616	1,848
92	72	102	269	578	369	71	31
	(5)		(570)	(1,171)	(132)		
(991)	(220)	(160)	(19)	(107)	(916)	(1,112)	(29)
				8	42		
$3,063	$1,726	$2,328	$ 2,461	$ 2,532	$ 1,603	$ 8,575	$1,850

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
RETAINED EARNINGS						
BALANCE, DECEMBER 31, 2006	$ 3,144	$(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	(790)					
BALANCE, DECEMBER 31, 2007	3,689	(26)	226	418	296	469
Adjustment to opening balance relating to pension and postretirement benefits and fair value option guidance	16					
Net income (loss)	1,206	(7)	(116)	259	19	254
Dividends on capital stock:						
Cash	(1,144)		(130)	(294)	(145)	(288)
Stock	(831)					
BALANCE, DECEMBER 31, 2008	2,936	(33)	(20)	383	170	435
Retained earnings cumulative effect of adjustment relating to amended other-than-temporary impairment guidance	1,883		349		256	179
Net income (loss)	1,855	18	(187)	571	(37)	283
Dividends on capital stock:						
Cash	(591)			(265)		(24)
Stock	(50)					
BALANCE, DECEMBER 31, 2009	$ 6,033	$(15)	$ 142	$ 689	$ 389	$ 873
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)						
BALANCE, DECEMBER 31, 2006	$ (159)	$ (5)	$ 2	$ (10)	$ (5)	$ (5)
Net unrealized gains (losses) on available-for-sale securities:						
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 gains (losses) on held-to-maturity securities transferred from available-for-sale securities:						
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 gains (losses) relating to hedging securities:						
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)
Net unrealized gains (losses) on available-for-sale securities:						
Unrealized losses on available-for-sale securities	(422)		(131)	(64)	(15)	
Reclassification adjustment for losses included in net income relating to available-for-sale securities	53				3	
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities:						
Unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities						
Reclassification adjustment for losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities	62					
Net unrealized gains (losses) relating to hedging securities:						
Unrealized losses relating to hedging activities	(532)					
Reclassification adjustment for losses (gains) included in net income relating to hedging activities	57	1	(1)		2	
Pension and postretirement benefits	(10)		(1)	(2)	(1)	(2)
BALANCE, DECEMBER 31, 2008	(1,137)	(3)	(135)	(101)	(17)	(5)
Accumulated other comprehensive income cumulative effect of adjustment relating to amended other-than-temporary impairment guidance	(1,883)		(349)		(256)	(179)
Net unrealized gains (losses) on available-for-sale securities:						
Unrealized gains (losses) on available-for-sale securities	946		41	61	10	
Reclassification adjustment for (gains) losses included in net income relating to available-for-sale securities	(83)				2	
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities:						
Unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities						
Reclassification adjustment for losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities	54					
Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities:						
Noncredit portion of impairment losses on available-for-sale securities, including noncredit impairment losses transferred from held-to maturity securities and subsequent fair value adjustments	(2,525)				(821)	(945)
Reclassification adjustment of noncredit portion of impairment losses included in net income relating to available-for-sale securities	402				133	206
Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities:						
Net noncredit portion of impairment losses on held-to-maturity securities	(10,220)		(1,133)	(118)	(961)	(952)
Reclassification adjustment of noncredit portion of impairment losses included in net income relating to held-to-maturity securities	1,352		248		24	
Accretion of noncredit portion of impairment losses on held-to-maturity securities	1,293		305	7	31	
Reclassification of noncredit portion of impairment losses from held-to-maturity securities to available-for-sale securities	3,250				1,159	1,131
Net unrealized gains (losses) relating to hedging activities:						
Unrealized gains relating to hedging activities	303					
Reclassification adjustment for losses included in net income relating to hedging activities	42	1		7	1	
Pension and postretirement benefits			2	(1)	1	
BALANCE, DECEMBER 31, 2009	$ (8,206)	$ (2)	$(1,021)	$(145)	$ (694)	$ (744)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 256	$ 167	$ 606	$ 344	$ 190	$ 173	$ 143	$ 92
269	122	111	101	130	150	652	71
(238)	(87)	(58)	(84)				(14)
				(108)	(114)	(568)	
287	202	659	361	212	209	227	149
						16	
236	184	(119)	127	79	28	461	(199)
(49)	(103)		(106)				(29)
(148)				(75)	(80)	(528)	
326	283	540	382	216	157	176	(79)
		233			3	570	293
268	120	(65)	146	148	237	515	(162)
(182)	(54)		(44)			(22)	
				(8)	(42)		
$ 412	$ 349	$ 708	$ 484	$ 356	$ 355	$ 1,239	$ 52
$ (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)
	(67)	(24)	(119)	(2)			
		49		1			
		62					
		(532)					
		54				1	
(1)	2	3	(1)			(5)	(2)
(6)	(71)	(639)	(146)	(2)	(2)	(7)	(3)
		(233)			(3)	(570)	(293)
	69	587	176	3		(1)	
		(19)	(65)	(1)			
		54					
		(31)					(728)
		32					31
	(375)	(1,292)		(78)	(8)	(4,034)	(1,269)
	22	336		2		521	199
	28	210		9	1	508	194
							960
		303					
		33					
(2)	(2)	1	1	1		(1)	
$ (8)	$(329)	$ (658)	$ (34)	$ (66)	$ (12)	$(3,584)	$ (909)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
TOTAL CAPITAL						
BALANCE, DECEMBER 31, 2006	$ 44,986	$(49)	$ 2,532	$ 3,904	$ 3,634	$ 6,174
Proceeds from sale of capital stock	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	(2,941)		(36)	(187)		(91)
Comprehensive income:						
Net income	2,827	18	198	323	237	445
Other comprehensive (loss) income:						
Net unrealized gains (losses) on available-for-sale securities:						
Unrealized (losses) gains on available-for-sale securities	(32)		(3)		(2)	
Reclassification adjustment for (gains) losses included in net income relating to available-for-sale securities	(1)				(2)	
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities:						
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 gains (losses) relating to hedging activities:						
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 (loss)	2,641	19	194	298	236	447
Dividends on capital stock:						
Cash	(1,492)		(159)	(273)	(196)	(383)
Stock	(1)					
BALANCE, DECEMBER 31, 2007	53,597	(30)	3,388	4,751	4,285	8,022
Adjustment to opening balances relating to pension and postretirement benefits and fair value option guidance	16					
Proceeds from sale of capital stock	30,213		965	5,131	4,547	6,411
Repurchase/redemption of capital stock	(23,831)		(456)	(3,849)	(4,506)	(5,455)
Net shares reclassified to mandatorily redeemable capital stock	(7,914)		(88)	(65)	(54)	(49)
Comprehensive income:						
Net income (loss)	1,206	(7)	(116)	259	19	254
Other comprehensive (loss) income:						
Net unrealized gains (losses) on available-for-sale securities:						
Unrealized losses on available-for-sale securities	(422)		(131)	(64)	(15)	
Reclassification adjustment for losses included in net income relating to available-for-sale securities	53				3	
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities:						
Unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities						
Reclassification adjustment for losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities	62					
Net unrealized gains (losses) relating to hedging activities:						
Unrealized losses relating to hedging activities	(532)					
Reclassification adjustment for losses (gains) included in net income relating to hedging activities	57	1	(1)		2	
Pension and postretirement benefits	(10)		(1)	(2)	(1)	(2)
Total comprehensive income (loss)	414	(6)	(249)	193	8	252
Dividends on capital stock:						
Cash	(1,144)		(130)	(294)	(145)	(288)
Stock	(1)					
BALANCE, DECEMBER 31, 2008	51,350	(36)	3,430	5,867	4,135	8,893
Retained earnings cumulative effect of adjustment relating to amended other-than-temporary impairment guidance	1,883		349		256	179
Accumulated other comprehensive income cumulative effect of adjustment relating to amended other-than-temporary impairment guidance	(1,883)		(349)		(256)	(179)
Proceeds from sale of capital stock	5,818		58	3,210	40	926
Repurchase/redemption of capital stock	(6,677)		(2)	(3,686)		(1,111)
Net shares reclassified to mandatorily redeemable capital stock	(3,760)		2	(50)	(4)	(154)
Comprehensive income:						
Net income (loss)	1,855	18	(187)	571	(37)	283
Other comprehensive (loss) income:						
Net unrealized gains (losses) on available-for-sale securities:						
Unrealized gains (losses) on available-for-sale securities	946		41	61	10	
Reclassification adjustment for (gains) losses included in net income relating to available-for-sale securities	(83)				2	
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities:						
Unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities						
Reclassification adjustment for losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities	54					
Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities:						
Noncredit portion of impairment losses on available-for-sale securities, including noncredit impairment losses transferred from held-to maturity securities and subsequent fair value adjustments	(2,525)				(821)	(945)
Reclassification adjustment of noncredit portion of impairment losses included in net income relating to available-for-sale securities	402				133	206
Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities:						
Net noncredit portion of impairment losses on held-to-maturity securities	(10,220)		(1,133)	(118)	(961)	(952)
Reclassification adjustment of noncredit portion of impairment losses included in net income relating to held-to-maturity securities	1,352		248		24	
Accretion of noncredit portion of impairment losses on held-to-maturity securities	1,293		305	7	31	
Reclassification of noncredit portion of impairment losses from held-to-maturity securities to available-for-sale securities	3,250				1,159	1,131
Net unrealized gains (losses) relating to hedging activities:						
Unrealized gains relating to hedging activities	303					
Reclassification adjustment for losses included in net income relating to hedging activities	42	1		7	1	
Pension and postretirement benefits			2	(1)	1	
Total comprehensive (loss) income	(3,331)	19	(724)	527	(458)	(277)
Dividends on capital stock:						
Cash	(591)			(265)		(24)
BALANCE, DECEMBER 31, 2009	$ 42,809	$(17)	$ 2,764	$ 5,603	$ 3,713	$ 8,253

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$3,907	$1,955	$ 3,083	$ 2,249	$ 2,439	$ 2,173	$10,754	$ 2,231
356	222	88	2,004	1,025	1,893	5,342	332
			(1,211)	(918)	(74)	(2,975)	(32)
(541)	(12)	(14)	18	(68)	(1,849)	(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	2,298	13,627	2,576
						16	
375	256	115	5,580	2,014	2,086	1,720	1,013
			(5,513)	(1,186)	(117)	(2,134)	(615)
(33)	(380)	(390)	(3)	(73)	(1,900)	(3,901)	(978)
236	184	(119)	127	79	28	461	(199)
	(67)	(24)	(119)	(2)			
		49		1			
		62					
		(532)					
		54				1	
(1)	2	3	(1)			(5)	(2)
235	119	(507)	7	78	28	457	(201)
(49)	(103)		(106)				(29)
(1)							
4,282	2,091	2,287	3,017	3,438	2,395	9,785	1,766
		233			3	570	293
		(233)			(3)	(570)	(293)
92	72	102	269	578	369	71	31
	(5)		(570)	(1,171)	(132)		
(991)	(220)	(160)	(19)	(107)	(916)	(1,112)	(29)
268	120	(65)	146	148	237	515	(162)
	69	587	176	3		(1)	
		(19)	(65)	(1)			
		54					
		(31)					(728)
		32					31
	(375)	(1,292)		(78)	(8)	(4,034)	(1,269)
	22	336		2		521	199
	28	210		9	1	508	194
							960
		303					
		33					
(2)	(2)	1	1	1		(1)	
266	(138)	149	258	84	230	(2,492)	(775)
(182)	(54)		(44)			(22)	
$3,467	$1,746	$ 2,378	$ 2,911	$ 2,822	$ 1,946	$ 6,230	$ 993

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES:						
Net income (loss)	$ 1,855	$ 18	$ (187)	$ 571	$ (37)	$ 283
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	(1,481)	19	(251)	(108)	(235)	(248)
Change in net derivative and hedging activities	704		103	182	387	829
Other adjustments*	2,481	(37)	444	23	226	317
Net change in fair value adjustments on trading securities	169		1			162
Net change in fair value adjustments on advances and consolidated bonds held at fair value	457			(16)		
Net change in:						
Trading securities	(780)				(779)	
Accrued interest receivable	1,746	(5)	141	152	205	260
Other assets	(85)		6	1	38	(61)
Accrued interest payable	(2,526)	5	(80)	(153)	(194)	(427)
Other liabilities**	173		(18)	40	(19)	55
Total adjustments	858	(18)	346	121	(371)	887
Net cash provided by (used in) operating activities	2,713		159	692	(408)	1,170
INVESTING ACTIVITIES:						
Net change in:						
Interest-bearing deposits	53,809		3,279	13,768	6,039	2,783
Securities purchased under agreements to resell	(280)		1,250			
Federal funds sold	(14,299)		(3,136)	(3,450)	(1,750)	725
Deposits to other FHLBanks		5			(5)	
Premises, software and equipment	(70)		(2)	(6)	(5)	(15)
Trading securities:						
Net increase in short-term	(7,343)					
Proceeds from long-term	3,697	(34)	16			778
Purchases of long-term	(5,602)		(61)			
Available-for-sale securities:						
Net increase in short-term	(6,758)		(2,600)			
Proceeds from long-term	6,105		90	676	215	241
Purchases of long-term	(30,137)		(2,932)	(1)	(2)	
Held-to-maturity securities:						
Net decrease (increase) in short-term	5,275		565	1,203	(400)	(300)
Proceeds from long-term	39,439		1,883	2,997	3,417	4,954
Purchases of long-term	(22,427)		(1,433)	(3,511)	(1,792)	(1,983)
Advances:						
Proceeds	3,331,163		311,110	370,710	139,137	111,129
Made	(3,046,597)		(292,195)	(358,067)	(119,328)	(64,661)
Mortgage loans held for portfolio:						
Principal collected	21,415		969	286	1,414	730
Purchases	(7,996)		(338)	(150)	(427)	
Mortgage loans held for sale:						
Proceeds	2,124					
Principal collected	128					
Proceeds from sales of foreclosed assets	75		8			
Principal collected on other loans	2					
Net cash provided by (used in) investing activities	321,723	(29)	16,473	24,455	26,513	54,381

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 268	$ 120	$ (65)	$ 146	$ 148	$ 237	$ 515	$ (162)
(52)	(108)	241	(52)	(164)	(62)	(321)	(140)
145	202	(354)	(134)	11	(64)	(599)	(4)
(12)	57	432	101	3	2	609	316
		14	(19)		12	(1)	
		(2)	4			471	
				(1)			
124	38	(1)	11	84	36	583	118
(4)	(3)	(70)	1		(3)	10	
(85)	(73)	(183)	(73)	(335)	(100)	(699)	(129)
1	(7)	(2)	9	26	29	70	(11)
117	106	75	(152)	(376)	(150)	123	150
385	226	10	(6)	(228)	87	638	(12)
20,220	216		201	3,780	3,501		22
(100)		(1,830)					400
(2,150)	1,691	695	292	(191)	(561)	1,267	(7,731)
(3)	(2)	(10)	(2)	(10)	(2)	(9)	(4)
(3,797)					(3,546)		
		587	2,170		174	6	
		(1,107)	(4,434)				
(4,158)							
		1,151	3,569	130			33
		(17,904)	(7,367)			(1,931)	
(1)		236	385		1,496	3,744	(1,653)
4,153	2,280	3,096	1,352	3,182	2,263	7,659	2,203
(2,706)	(3,536)	(471)	(1,250)	(2,940)	(98)	(717)	(1,990)
391,630	29,836	212,174	43,592	440,103	261,528	963,054	57,160
(373,951)	(21,571)	(198,522)	(37,962)	(426,766)	(248,334)	(862,499)	(42,741)
2,937	2,095	8,130	2,266	67	880	666	975
(3,672)	(591)	(43)	(1,578)		(1,197)		
			2,124				
			128				
		51	16				
					2		
28,402	10,418	6,233	3,502	17,355	16,106	111,240	6,674

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS (continued) FOR THE YEAR ENDED DECEMBER 31, 2009

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
FINANCING ACTIVITIES:						
Net change in:						
Deposits and pass-through reserves	$ (137)	$	$ 127	$ 1,177	$ (212)	$ (561)
Deposits from other FHLBanks		(2)				
Borrowings	(409)			(404)		
Net (payments) proceeds on derivative contracts with financing element	(1,607)		(29)		(209)	(1,025)
Net proceeds from issuance of consolidated obligations:						
Discount notes	7,200,128	(25)	1,261,975	862,168	139,009	280,893
Bonds	506,688		26,770	54,502	26,224	95,580
Bonds transferred from other FHLBanks		(518)				518
Payments for maturing and retiring consolidated obligations:						
Discount notes	(7,440,075)	25	(1,282,007)	(877,587)	(151,629)	(318,693)
Bonds	(582,306)	34	(23,339)	(62,025)	(37,977)	(111,607)
Bonds transferred to other FHLBanks		518				
Proceeds from issuance of capital stock	5,818		58	3,210	40	926
Payments for repurchase/redemption of mandatorily redeemable capital stock	(1,758)			(67)		(10)
Payments for repurchase/redemption of capital stock	(6,677)		(2)	(3,686)		(1,111)
Cash dividends paid	(591)			(265)		(24)
Net cash (used in) provided by financing activities	(320,926)	32	(16,447)	(22,977)	(24,754)	(55,114)
Net increase (decrease) in cash and cash equivalents	3,510	3	185	2,170	1,351	437
Cash and cash equivalents at beginning of the period	20,820	(3)	6	19	68	28
Cash and cash equivalents at end of the period	$ 24,330	$	$ 191	$ 2,189	$ 1,419	$ 465
Supplemental Disclosures:						
Interest paid	$ 19,593	$	$ 1,096	$ 1,402	$ 1,554	$ 1,994
AHP payments, net	$ 277	$	$ 9	$ 42	$ 19	$ 46
REFCORP assessments paid	$ 407	$	$	$ 123	$	$ 36
Transfers of mortgage loans to real estate owned	$ 160	$	$ 9	$ 1	$ 19	$ 6
Mortgage loans held for portfolio transferred to mortgage loans held for sale	$ 2,414	$	$	$	$	$
Mortgage loans held for sale transferred to mortgage loans held for portfolio	$ 163	$	$	$	$	$
Non-cash transfer of other-than-temporarily impaired held-to-maturity securities to available-for-sale securities	$ 5,341	$	$	$	$ 2,244	$ 2,318

* Other adjustments primarily relate to the non-cash adjustments for "Net other-than-temporary impairment losses" as reported on the Combining Schedules—Statement of Income.

** Other liabilities includes the net change in REFCORP receivable/payable.

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 880	$ 203	$ 243	$ (268)	$ 136	$ (648)	$ (980)	$ (234)
		2					
					(5)		
(155)	(153)	(99)	(11)	55	(90)	109	
636,871	461,354	1,127,269	719,301	260,438	310,265	143,823	996,787
33,069	31,985	29,445	32,407	43,587	19,026	87,201	26,892
(662,946)	(478,494)	(1,134,591)	(729,868)	(268,298)	(324,865)	(217,086)	(994,036)
(34,185)	(24,697)	(25,715)	(24,028)	(48,377)	(18,689)	(136,330)	(35,371)
		(111)	(407)				
92	72	102	269	578	369	71	31
(426)	(4)	(95)	(22)	(188)	(929)	(16)	(1)
	(5)		(570)	(1,171)	(132)		
(182)	(54)		(44)			(22)	
(26,982)	(9,793)	(3,550)	(3,241)	(13,240)	(15,698)	(123,230)	(5,932)
1,805	851	2,693	255	3,887	495	(11,352)	730
3	871	130	44	21		19,632	1
$ 1,808	$ 1,722	$ 2,823	$ 299	$ 3,908	$ 495	$ 8,280	$ 731
$ 1,458	$ 924	$ 2,421	$ 2,062	$ 1,125	$ 716	$ 4,048	$ 793
$ 35	$ 14	$ 10	$ 16	$ 16	$ 10	$ 52	$ 8
$ 69	$ 41	$ 16	$ 27	$ 10	$ 32	$ 53	$
$	$	$ 94	$ 19	$	$ 5	$ 4	$ 3
$	$	$	$ 2,414	$	$	$	$
$	$	$	$ 163	$	$	$	$
$	$	$	$	$	$	$	$ 779

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2008

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES:						
Net income (loss)	$ 1,206	$ (7)	$ (116)	$ 259	$ 19	$ 254
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	(423)	7	(216)	(64)	(285)	407
Change in net derivative and hedging activities	1,304		120	(122)	28	254
Other adjustments*	2,272		385	64	273	356
Net change in fair value adjustments on trading securities	(297)		1			(236)
Net change in fair value adjustments on advances and consolidated bonds held at fair value	(883)			8		
Net change in:						
Trading securities	(499)				(499)	
Accrued interest receivable	1,183	(31)	169	69	95	43
Other assets	(265)		(8)	(67)	(46)	(25)
Accrued interest payable	(1,825)	31	(22)	(222)	(64)	(421)
Other liabilities**	(386)		(72)	(12)	(78)	(53)
Total adjustments	181	7	357	(346)	(576)	325
Net cash provided by (used in) operating activities	1,387		241	(87)	(557)	579
INVESTING ACTIVITIES:						
Net change in:						
Interest-bearing deposits	(59,398)		(3,279)	(15,609)	(6,473)	(5,533)
Securities purchased under agreements to resell	(6,095)		(2,000)			
Federal funds sold	45,519		368	4,381	3,475	4,066
Deposits to other FHLBanks		(3)			2	1
Loans to FHLBanks		(955)		55	500	
Premises, software and equipment	(51)		(1)	(6)	(3)	(8)
Trading securities:						
Net increase in short-term	(2,242)					
Proceeds from long-term	3,554	(19)	49			2,450
Purchases of long-term	(6,767)	113				(2,979)
Available-for-sale securities:						
Net (increase) decrease in short-term	(2,294)					
Proceeds from long-term	2,655	(42)	72	336	7	
Purchases of long-term	(9,036)		(92)	(3,244)		
Held-to-maturity securities:						
Net decrease (increase) in short-term	34,972		4,765	9,097	3,059	800
Proceeds from long-term	26,961	(2,525)	2,293	2,437	3,059	3,472
Purchases of long-term	(51,365)		(3,438)	(2,284)	(1,372)	(5,505)
Advances:						
Proceeds	8,518,268		955,150	596,335	1,382,585	218,998
Made	(8,551,560)		(955,595)	(619,123)	(1,374,295)	(235,046)
Mortgage loans held for portfolio:						
Principal collected	12,022		547	170	773	441
Purchases	(7,700)		(622)	(138)	(736)	(165)
Proceeds from sales of foreclosed assets	58		5			
Principal collected on other loans	1					
Net cash (used in) provided by investing activities	(52,498)	(3,431)	(1,778)	(27,593)	10,581	(19,008)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 236	$ 184	$ (119)	$ 127	$ 79	$ 28	$ 461	$ (199)
26	(21)	41	48	20	(75)	(279)	(32)
(133)	(70)	(30)	80	(136)	195	753	365
5		277	(3)	(6)	6	591	324
		(18)	(1)		(44)	1	
		(1)				(890)	
30	41	(8)	37	44	58	565	71
	3	(64)	(11)	1		(48)	
(37)	(34)	(39)	19	172	(68)	(954)	(186)
5	16	(30)	(7)	(29)	(21)	(76)	(29)
(104)	(65)	128	162	66	51	(337)	513
132	119	9	289	145	79	124	314
(20,490)	(297)		(268)	(3,804)	(3,563)		(82)
300		(495)					(3,900)
10,136	4,038	9,201	(1,620)	5,228	4,766	2,249	(769)
				400			
(4)	(1)	(7)	(3)	(2)	(2)	(10)	(4)
					(2,242)		
		838			214	22	
		(825)	(2,150)		(926)		
(2,512)			218				
29		954	521	582	194		2
(29)	(1,680)	(2,181)	(1,264)	(350)	(194)		(2)
2,065	1,660	1,114	(85)	992	5,765	6,988	(1,248)
2,127	1,669	1,553	704	1,679	1,082	5,827	3,584
(2,844)	(1,627)	(7,957)	(2,565)	(6,055)	(4,187)	(12,105)	(1,426)
1,576,272	57,373	276,114	329,770	897,403	586,006	1,486,351	155,911
(1,576,116)	(60,947)	(283,597)	(330,411)	(911,508)	(589,136)	(1,468,936)	(146,850)
1,299	1,099	5,031	1,295	54	322	427	564
(1,038)	(498)	(2,320)	(1,184)		(999)		
		41	12				
					1		
(10,805)	789	(2,536)	(7,030)	(15,381)	(2,899)	20,813	5,780

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS (continued) FOR THE YEAR ENDED DECEMBER 31, 2008

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
FINANCING ACTIVITIES:						
Net change in:						
Deposits and pass-through reserves	$ (3,826)	$	$ (119)	$ (142)	$ (952)	$ (3,493)
Borrowings	166			471		
Loans from FHLBanks		955				
Net proceeds (payments) on derivative contracts with financing element	1,665		35		278	832
Net proceeds from issuance of consolidated obligations:						
Discount notes	10,848,109		1,221,134	686,114	746,659	357,998
Bonds	554,624	(113)	23,756	62,036	32,261	118,775
Bonds transferred from other FHLBanks		(1,556)			314	613
Payments for maturing and retiring consolidated obligations:						
Discount notes	(10,784,163)		(1,221,517)	(674,496)	(758,394)	(331,324)
Bonds	(547,180)	2,579	(22,106)	(47,119)	(30,031)	(125,457)
Bonds transferred to other FHLBanks		1,563				
Proceeds from issuance of capital stock	30,213		965	5,131	4,547	6,411
Payments for redemption of mandatorily redeemable capital stock	(2,912)		(26)	(161)	(54)	(60)
Payments for repurchase/redemption of capital stock	(23,831)		(456)	(3,849)	(4,506)	(5,455)
Cash dividends paid	(1,254)		(130)	(294)	(145)	(402)
Net cash provided by (used in) financing activities	71,611	3,428	1,536	27,691	(10,023)	18,438
Net increase (decrease) in cash and cash equivalents	20,500	(3)	(1)	11	1	9
Cash and cash equivalents at beginning of the year	320		7	8	67	19
Cash and cash equivalents at end of the year	$ 20,820	$ (3)	$ 6	$ 19	$ 68	$ 28
Supplemental Disclosures:						
Interest paid	$ 41,073	$	$ 2,553	$ 2,821	$ 2,716	$ 5,184
AHP payments, net	$ 269	$	$ 11	$ 26	$ 19	$ 45
REFCORP assessments paid	$ 785	$	$ 57	$ 84	$ 61	$ 108
Transfers of mortgage loans to real estate owned	$ 99	$	$ 8	$ 1	$ 8	$ 2
Non-cash transfer of other-than-temporarily impaired held-to-maturity securities to available-for-sale securities	$	$	$	$	$	$

* Other adjustments primarily relate to the non-cash adjustments for "Realized losses on other-than-temporarily impaired securities" as reported on the Combining Schedules—Statement of Income.

** Other liabilities includes the net change in REFCORP receivable/payable.

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 183	$ 54	$ (330)	$ 603	$ (1,435)	$ 381	$ 1,840	$ (416)
			(200)		(5)	(100)	
						(955)	
214	168	116	25	10	118	(131)	
942,960	1,010,820	1,229,174	1,143,298	592,181	1,030,058	755,490	1,132,223
31,582	27,147	22,685	21,122	52,859	21,809	114,692	26,013
287	39			139		164	
(929,052)	(1,009,503)	(1,218,752)	(1,144,772)	(599,584)	(1,023,668)	(741,792)	(1,131,309)
(35,832)	(28,917)	(29,568)	(13,273)	(29,262)	(25,942)	(129,707)	(32,545)
		(789)		(487)			(287)
375	256	115	5,580	2,014	2,086	1,720	1,013
(45)	(9)	(11)	(38)	(67)	(1,902)	(397)	(142)
			(5,513)	(1,186)	(117)	(2,134)	(615)
(49)	(99)		(106)				(29)
10,623	(44)	2,640	6,726	15,182	2,818	(1,310)	(6,094)
(50)	864	113	(15)	(54)	(2)	19,627	
53	7	17	59	75	2	5	1
$ 3	$ 871	$ 130	$ 44	$ 21	$	$ 19,632	$ 1
$ 2,851	$ 1,364	$ 3,615	$ 2,061	$ 2,023	$ 1,774	$ 11,857	$ 2,254
$ 28	$ 16	$ 22	$ 17	$ 13	$ 17	$ 48	$ 7
$ 62	$ 38	$ 10	$ 38	$ 45	$ 34	$ 224	$ 24
$	$	$ 64	$ 12	$	$ 2	$ 2	$
$	$	$	$	$	$	$	$

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	1,632		290	124	111	141
Change in net derivative and hedging activities	(463)		(2)	56	10	(35)
Other adjustments	32	(13)	1			
Net change in fair value adjustments on trading securities	(125)					(107)
Net change in:						
Trading securities	184	193			(8)	
Accrued interest receivable	(1,272)	(20)	(243)	(156)	(113)	(136)
Other assets	(91)		(3)		4	(16)
Accrued interest payable	(355)	20	(77)	(79)	(8)	73
Other liabilities	174		14	5	15	61
Total adjustments	(284)	180	(20)	(50)	11	(19)
Net cash provided by (used in) operating activities	2,543	198	178	273	248	426
INVESTING ACTIVITIES:						
Net change in:						
Interest-bearing deposits	(1,254)			(397)	(61)	(717)
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		(3)			1	1
Loans to FHLBanks		955		(55)	(500)	
Premises, software and equipment	(48)		(2)	(6)	(8)	(5)
Trading securities:						
Proceeds from long-term	903		38			
Purchases of long-term	(2,064)					
Available-for-sale securities:						
Net decrease (increase) in short-term	1,156					
Proceeds from long-term	2,235	(15)	55		22	
Purchases of long-term	(4,111)		(97)	(14)		
Held-to-maturity securities:						
Net decrease (increase) in short-term	(12,799)		(4,390)	(4,709)	(1,804)	(92)
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	61		4			
Principal collected on other loans	1					
Net cash used in investing activities	(247,255)	(763)	(20,212)	(26,549)	(22,963)	(45,882)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 269	$ 122	$ 111	$ 101	$ 130	$ 150	$ 652	$ 71
42	66	23	71	80	69	521	94
56	29	(161)	(47)	69	(9)	(429)	
	1	(3)		5	6	7	28
					(18)		
				(1)			
(5)	(57)	18	(37)	(1)	(21)	(512)	11
(4)		(45)	(8)	(2)		(18)	1
(129)	(65)	(84)	1	(102)	(15)	154	(44)
19	5	(20)	(2)	10	8	55	4
(21)	(21)	(272)	(22)	58	20	(222)	94
248	101	(161)	79	188	170	430	165
(182)			11	55	37		
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)
1		701		22	122	19	
		(1,010)			(1,054)		
1,225			(69)				
		678	1,039	354	102		
		(135)	(3,865)				
4,464	(1,266)	343	1,020	(992)	(1,238)	(6,300)	2,165
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	10				
					1		
(6,066)	(8,777)	(2,105)	(18,241)	(7,575)	(2,329)	(75,255)	(10,538)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2007

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
FINANCING ACTIVITIES:						
Net change in:						
Deposits and pass-through reserves	$ 3,123	$	$ (351)	$ (684)	$ 1,022	$ 2,515
Deposits from other FHLBanks		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	244,702	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	$
Non-cash transfer of other-than-temporarily impaired held-to-maturity securities to available for-sale securities	$	$	$	$	$	$

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 127	$ (353)	$ (370)	$ (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	2,260	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
$	$	$	$	$	$	$	$

SUPPLEMENTAL INFORMATION

ADDITIONAL INFORMATION ON FHLBANKS' REGULATOR AND BUSINESS

FHLBanks' Regulator

Effective July 30, 2008, the Federal Home Loan Banks (FHLBanks) are supervised and regulated by the Federal Housing Finance Agency (Finance Agency). Prior to this date, the Federal Housing Finance Board (Finance Board) served as the FHLBanks' regulator. On July 30, 2008, the Housing Act was enacted and is designed to, among other things, address the current housing finance crisis, expand the Federal Housing Administration's (FHA) financing authority and address GSE reform issues. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Legislative and Regulatory Developments—Changes to Regulation of GSEs.")

The Finance Agency is headed by a single Director appointed by the President of the United States, by and with the advice and consent of the Senate, to serve a five-year term. The Director must have a demonstrated understanding of financial management or oversight, and have a demonstrated understanding of capital markets, including the mortgage securities markets and housing finance. Edward DeMarco is the acting Director of the Finance Agency.

The Federal Housing Finance Oversight Board advises the Director with respect to overall strategies and policies in carrying out the duties of the Director, including promotion of a stable and liquid mortgage market, affordable housing and community investment through safety and soundness oversight of Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac) and the FHLBanks. The Federal Housing Finance Oversight Board is comprised of four board members. The members of the board are the Secretary of Treasury, the Secretary of the U.S. Department of Housing and Urban Development (HUD), the Chairman of the Securities and Exchange Commission (SEC) and the Director, who serves as the Chairman of the board. The Finance Agency is financed by assessments from the regulated entities, including FHLBanks. No tax dollars or other appropriations support the operations of the Finance Agency or the FHLBanks. To assess the safety and soundness of the FHLBanks, the Finance Agency 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 Agency. This information is available to all FHLBanks.

The Finance Agency has broad regulatory authority over the FHLBanks. The Director may issue and serve a notice of charges upon any FHLBank or executive officer or director of an FHLBank under certain circumstances. The Director 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 Agency, or any written agreement entered into by the FHLBank with the Finance Agency. The Director may also issue any order requiring a regulated entity, executive officer, director, or entity-affiliated party to take affirmative action to correct or remedy any condition resulting from violations or practices with respect to which such order is issued.

The Director has the authority to:

- require a regulated entity to make restitution, or provide reimbursement, indemnification, or guarantee against loss, if such entity was unjustly enriched in connection with such practice or violation; or the violation or practice involved a reckless disregard for the law or any applicable regulations or prior order of the Director;
- require a regulated entity to seek restitution, or to obtain reimbursement, indemnification, or guarantee against loss;
- restrict the growth of the regulated entity;
- require the regulated entity to dispose of any loan or asset involved;
- require the regulated entity to rescind agreements or contracts;

- require the regulated entity to employ qualified officers or employees (who may be subject to approval by the Director at the direction of the Director); and
- require the regulated entity to take such other action as the Director determines appropriate.

The Finance Agency is located at 1700 G Street, N.W., 4th Floor, Washington, DC 20552, and its web site is www.fhfa.gov. This web site address is provided as a matter of convenience only, and its contents are not made part of this report and are not intended to be incorporated by reference into this report.

Mortgage Partnership Finance® (MPF®) Program[4] 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), which until the addition of the MPF Xtra product on September 23, 2008, had been retained in portfolio by the MPF FHLBanks. MPF Loans are conforming conventional and Government fixed-rate mortgage loans secured by one-to-four family residential properties with maturities ranging from five years to 30 years or participations in such mortgage loans.

The MPF Program portfolio products, which do not include MPF Xtra, are 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 originate MPF Loans, whether through retail or wholesale operations, and typically retain the servicing of MPF Loans, which functions most affect credit quality. The MPF FHLBanks manage the interest rate risk, prepayment risk, and liquidity risk associated with portfolio MPF Loans.

Different MPF Loan conventional portfolio products were developed for sharing the credit risk associated with MPF Loans with PFIs and to comply with the requirements of the Finance Agency's Acquired Member Assets (AMA) regulation. MPF Government Loans also qualify as AMA and are insured or guaranteed by one of the following government agencies: the FHA; the Department of Veterans Affairs (VA); the Rural Housing Service of the Department of Agriculture (RHS); or HUD.

There are currently five MPF portfolio products, in addition to the MPF Xtra product under which the mortgage loans are concurrently sold to Fannie Mae. Five of these products (Original MPF, MPF 125, MPF Plus, MPF Government and MPF Xtra) 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 and therefore the MPF FHLBank is considered the originator of the MPF Loan for accounting purposes. The PFI performs all the traditional loan origination functions under this and all other MPF products. (See MPF product table on page 339.)

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."

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 ceased purchasing participation interests in MPF Loans during 2007. The FHLBank of Chicago ceased acquiring MPF Loans for investment except for non-material amounts of MPF Loans that are

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

primarily guaranteed by RHS or insured by HUD. In 2008 the FHLBank of Chicago sold $565 million in 100 percent participations in MPF Loans to the FHLBanks of Des Moines, Pittsburgh, and Topeka. There were no sales of participations in MPF Loans in 2009. MPF Loans purchased by the FHLBank of Chicago under the MPF Xtra product commencing in October 2008, are concurrently sold to Fannie Mae. Unlike other conventional MPF products, under the MPF Xtra product PFIs are not required to provide credit enhancement and do not receive credit enhancement fees (CE Fees). In the first quarter of 2009, each of the FHLBanks of Boston, Pittsburgh and Des Moines began offering the MPF Xtra product to its members. The other FHLBanks participating in the MPF Program continue to have the ability to purchase and fund loans through the MPF infrastructure.

MPF Provider

In its role as MPF Provider, the FHLBank of Chicago establishes the structure of MPF Loan products, the eligibility rules for MPF Loans and 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. In addition, the MPF Provider maintains the infrastructure through which MPF FHLBanks acquire MPF Loans, including pricing, 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. 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 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.

PFI Responsibilities

For conventional portfolio MPF Loan products, PFIs assume or retain a portion of the credit risk on the MPF Loans acquired 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), which is a memo account used to track the MPF FHLBank's losses until the CE Amount starts covering losses. PFIs are paid a 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 PFI Agreement and the MPF Guides which include eligibility requirements for PFIs such as maintaining errors and omissions insurance and a fidelity bond; anti-predatory lending policies; loan eligibility and underwriting requirements; customary representations and warranties, 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.

Mortgage Standards

The current underwriting and eligibility guidelines under the MPF Guides with respect to MPF Loans, which may be waived for individual PFIs with respect to specified provisions of the MPF Guides, 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 Agency regulations, may not exceed the loan limits permitted to be set by the Finance Agency each year.
- *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 PMI from a mortgage guaranty insurance (MI) company acceptable for use in an NRSRO's modeling software which is used to calculate the PFI's CE Amount.
- *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, non-traditional or higher-priced mortgage loans.

MPF Loan Delivery Process

Outlined below is the MPF Loan delivery process:

- The PFI and its MPF FHLBank enter into a best effort Master Commitment which identifies the MPF product and provides the general terms for delivery of mortgage loans to an MPF FHLBank, including a maximum loan delivery amount, maximum credit enhancement obligation, if applicable, and expiration date.
- PFIs may then request one or more mandatory funding or purchase commitments (each, a Delivery Commitment), which specifies the interest rate, loan term and business days for delivery.
- 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, and a price adjustment fee assessed if the sum of MPF Loans delivered by the PFI under a Delivery Commitment exceeds the amount specified in the Delivery Commitment.
- 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.
- 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. 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. The MPF Provider does not currently conduct quality assurance reviews of MPF Government Loans. 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 affected by such failure if it cannot be cured. In all cases where a PFI was placed into receivership with the FDIC by the PFI's regulator and were resolved, all obligations were satisfied or were assumed by another institution.

MPF Loan Participations

The FHLBank of Chicago ceased purchasing participation interests in MPF Loans from other MPF FHLBanks in 2007. In 2008 the FHLBank of Chicago sold $565 million in 100 percent participations in MPF Loans to the FHLBanks of Des Moines, Pittsburgh and Topeka. The FHLBank of Chicago had no sales of participations in 2009. Participation percentages for MPF Loans may range from one percent to 100 percent 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:

- reporting to any participant MPF FHLBank initially, and at least annually thereafter on the credit-worthiness 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 based upon its 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, 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. 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 $100 million Master Commitment, the MPF FHLBank would share in 37.5 percent of the credit losses for that Master Commitment, while it would receive either 25 percent or 50 percent of the principal and interest payments depending on its percentage ownership of each MPF Loan.

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 percentage participations differ for various MPF Loans, each MPF FHLBank's percentage of the FLA will be affected 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 a given 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 such loss 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 property 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 property 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 and compliance with the MPF Guides. Upon liquidation of any MPF Loan, the master servicer reviews the realized loss calculation submitted by the PFI for conformity with the PMI requirements, if applicable, and conformity with the standards of the MPF Guides. If there is a loss on a conventional portfolio MPF Loan, the MPF Provider allocates the loss to the Master Commitment 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.

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. 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 generally retain servicing of the MPF Loans they deliver, 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 investments are classified as held-to-maturity securities and are reported at amortized cost on a combined basis of $298 million and $398 million at December 31, 2009 and 2008. These securities, which are rated double-A, 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 conventional MPF Loans held in portfolio by structuring potential losses into layers with respect to each Master Commitment. The MPF FHLBank is obligated to incur the first layer of credit losses, which is called the FLA and which varies by MPF product. Losses in excess of the FLA, up to the CE Amount, are covered by the PFI directly or indirectly The FLA is not a cash collateral account. For MPF products with performance based CE Fees, the MPF FHLBank may withhold CE Fees to recover losses at the FLA level, which results in the first layer of loss being allocated to the PFI.

The PFI's CE Amount represents either or both the PFI's 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 a portion of the credit losses arising from the Master Commitment. Losses generally classified as special hazard losses are either the PFI's direct liability or the MPF FHLBank's responsibility.

CE Fees are paid monthly based on the remaining unpaid principal balance of the MPF Loans under the Master Commitment. The CE Fees and CE Amount vary by MPF product selected. CE Fees, which are 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. To the extent that losses in the current month exceed performance CE Fees accrued, the remaining losses may be recovered by the MPF FHLBank by withholding future performance CE Fees.

Loss Allocation

Credit losses on conventional portfolio MPF Loans not absorbed by the borrower's equity in the mortgaged property, property insurance or PMI are allocated first*,* to the MPF FHLBank, up to the agreed upon amount of the FLA as follows:

Original MPF. The FLA starts out at zero 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 in the Master Commitment.

MPF 100 and MPF 125. The FLA is equal to one percent (100 basis points) of the aggregate principal balance of the MPF Loans delivered under the Master Commitment; however, the CE Fees are performance based, which allows the MPF FHLBank to recover a portion of losses incurred under the FLA.

MPF Plus. The FLA is equal to an agreed-upon percentage of the aggregate principal balance of the MPF Loans purchased under the Master Commitment but not less than the amount of expected losses on the Master Commitment. A portion of the CE Fees are performance based which allows the MPF FHLBank to recover a portion of losses incurred under the FLA.

For all MPF conventional portfolio products, losses in excess of the FLA and not covered by SMI are allocated to the PFI under its credit enhancement obligation, if any, up to the CE Amount. Any losses in excess of the CE Amount are absorbed by the MPF FHLBank.

With respect to participation interests, MPF Loan losses allocable to the MPF FHLBank are allocated among the participating MPF FHLBanks pro ratably based upon their respective participation interests in the related Master Commitment.

Setting Credit Enhancement Levels

An NRSRO model-based rating methodology is used to determine the required CE Amount, which is calculated to equal the difference between the amount needed for the Master Commitment to have a rating equivalent to a "double-A" 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 CE Fees that would be payable to the PFI.

In determining the rating equivalent 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 a "double-A" 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 CE Fees it is paid, 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 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 type of the CE Fee depends upon the product selected. For Original MPF, the PFI is paid a CE Fee between 0.07 percent and 0.11 percent (7 to 11 basis points) per annum, 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 performance CE Fee between 0.07 percent and 0.10 percent (7 and 10 basis points) per annum, paid monthly on the aggregate outstanding principal balance of the MPF Loans in the Master Commitment. The CE Fee is fixed for the first two or three years of each MPF 100 Master Commitment and thereafter it is performance based. The CE Fee for MPF 125 is performance based for the entire life of the Master Commitment.

For MPF Plus, the PFI is paid a 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 CE Fee is typically 0.07 percent (7 basis points) per annum paid monthly on the aggregate outstanding balance of the MPF Loans in the Master Commitment. The performance 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 paid monthly on the aggregate outstanding principal balance of the MPF Loans in the Master Commitment.

At December 31, 2009 and 2008, 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 $570 million and $571 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, 2009, 2008 and 2007, of the $61 million, $74 million and $79 million of total CE Fees paid by the MPF FHLBanks, $28 million, $34 million and $37 million were performance 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). The PFI is responsible for compliance with all government agency requirements. 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 is paid for all Government Master Commitments. PFIs must be licensed or qualified to originate and service MPF Government Loans to be 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 as well as the CE Amount (which is a direct liability to pay credit

losses or the requirement for the PFI to pay for an SMI policy insuring a portion of the credit losses). 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 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, 2009	December 31, 2008	December 31, 2007
Original MPF	1.92%	1.84%	1.80%
MPF 100	1.57%	1.57%	0.53%
MPF 125	2.38%	2.12%	0.95%
MPF Plus (1)	1.69%	1.69%	1.33%
MPF Government (2)	N/A	N/A	N/A
MPF Xtra	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 $47 billion, $56 billion and $58 billion at December 31, 2009, 2008 and 2007. 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 credit risk assumed by an MPF FHLBank is driven by its percentage interest in each Master Commitment.

See "Risk Management—Credit Risk—Mortgage Loans Held for Portfolio" for information on MI provider concentration.

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	CE Fee to PFI (1)	CE Fee Offset (2)	Servicing Fee to PFI
Original MPF	3 to 6 basis points/added each year based on the unpaid balance	Equivalent to "double-A"	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 "double-A"	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 "double-A"	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 SMI to "double-A"	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)
MPF Xtra (4)	N/A	N/A	N/A	N/A	N/A	25 basis points/year
MPP	30 to 50 basis points based on pool risk factors and expected losses	After First Loss Account to "double-A" 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, 2009

(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 CE 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.

(4) MPF Loans acquired by the FHLBank of Chicago under the MPF Xtra product are concurrently sold to Fannie Mae and are not held in the FHLBank of Chicago's retained portfolio.

Mortgage Purchase Program (MPP)

This description of the MPP was provided by the MPP FHLBanks.

Overview. MPP is currently offered by the FHLBanks of Cincinnati and Indianapolis. The FHLBank of Atlanta suspended acquisitions of mortgage loans under the MPP in 2008. MPP was also offered by the FHLBank of Seattle until early 2006. 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 JPMorgan Chase Bank 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 Office of Federal Housing Enterprise Oversight based on data published by the Finance Agency on average home prices, that amount was $417,000 in 2009 and 2010. Since early 2008, a series of legislative acts have temporarily increased the one-unit limit to up to $729,750 in certain high-cost areas in the contiguous United States. The high-cost areas are determined by the Finance Agency and these amounts remained the same during 2009 and 2010. 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.

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 FHLBanks currently offering MPP share the cost of system development and 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. Each FHLBank participating in the MPP is exposed to credit risk on loans purchased from members through its MPP. 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 "double-A" rated assets based upon an NRSRO model-based rating methodology at the time of purchase. The MPP mortgage loans are not, however, rated by any rating agency. The MPP FHLBanks' primary management of credit risk in MPP involves the mortgage assets

themselves (i.e., homeowners' equity) and additional layers of credit enhancements. In order of priority, credit enhancements include:

- *PMI* (when applicable).
- *Lender Risk Account* (LRA, as described further below for conventional loans only).
- *SMI.* The participating member's SMI, purchased by the PFI for conventional loans from a third party provider naming the FHLBank as the beneficiary, absorbs losses beyond the LRA and enhances the credit of the underlying pool of mortgages to an investment-grade equivalent. On April 25, 2008, after the credit downgrade of its SMI provider, the FHLBank of Seattle exercised its contractual right and cancelled its SMI policies. Currently, the FHLBank of Seattle is considering options to credit enhance its MPP Loans portfolio to effectively achieve a rating of double-A-minus.

As of December 31, 2009, ten percent of mortgage loans acquired through MPP are U.S. government-guaranteed or -insured; therefore, the MPP FHLBanks do not require either an LRA or SMI coverage for these loans.

For conventional loans, PMI, if applicable, covers losses or exposure down to approximately a loan-to-value ratio of between 65 and 80 percent based upon the original appraisal, original loan-to-value ratio, term, amount of PMI coverage, and characteristics of the loan.

The LRA is a key feature that helps protect the participating MPP FHLBanks against credit losses on conventional mortgage loans. Funds are available to cover credit losses in excess of the borrower's equity and PMI on any loans in the pool these FHLBanks have purchased. Generally, after five years, if the balance of the funds in the LRA exceeds the required balance, the excess amounts are distributed to the PFI based on a pre-determined schedule set forth in the Master Commitment contract that establishes the LRA. Once an MPP pool has been outstanding for more than 11 years, a balance is not required to be maintained in the LRA with respect to that pool.

After the LRA is exhausted, the FHLBanks with SMI coverage are protected against credit losses down to approximately a 50 percent loan-to-value level, subject, in certain cases, to an aggregate stop-loss feature in the SMI policy. The stop-loss is equal to the total initial principal balance of mortgage loans purchased under the Master Commitment contract multiplied by the stop-loss percentage, currently in effect, and represents the maximum aggregate amount payable by the SMI provider under the SMI policy for that pool. The FHLBanks would assume the credit exposure if the severity of losses were to exceed the SMI coverage, or in the case of the FHLBank of Seattle, the LRA coverage.

Since the inception of the MPP, the participating FHLBanks have experienced no significant credit losses ($177 thousand in total through December 31, 2009) on any purchased loan. In addition to the MPP FHLBanks' credit enhancements, the credit quality characteristics of the loans indicate a portfolio of high credit quality. Because of these factors, the participating MPP FHLBanks believe their exposure to credit risk on conventional loans is *de minimis* and that it is probable they will be able to collect all principal and interest amounts due according to contractual terms. Therefore, the FHLBanks believe they have no mortgage loans that should be considered to be impaired.

Under Finance Agency regulations, the combination of mortgage loan collateral and credit enhancements must be sufficient to raise the implied credit ratings on pools of conventional mortgage loans to at least an investment-grade rating of triple-B, although the MPP FHLBanks internally require an implied credit rating of double-A when each pool is closed. The MPP FHLBanks analyze all pools using a credit assessment model licensed from a Nationally Recognized Statistical Rating Organization (NRSRO) and each meets this requirement when the pool is closed. If the implied rating falls below double-A, regulations currently require that risk-based capital be held to help mitigate the perceived additional credit risk.

The participating MPP FHLBanks use an NRSRO model-based rating methodology to assign the LRA percentage to each Master Commitment and to manage the credit risk of committed and purchased conventional loans. This model evaluates the characteristics of the loans the PFIs commit to deliver and the loans actually delivered to the FHLBanks for the likelihood of timely payment of principal and interest. The NRSRO model results are based on numerous standard borrowers and loan attributes, such as the loan-to-value ratio,

loan purpose, such as purchase of home, refinance, or cash-out refinance, type of documentation, income and debt expense ratios, and credit scores.

In the current market, the FHLBanks generally consider a FICO® score of over 660, and a loan-to-value ratio of 80 percent or lower, as benchmarks indicating a lower amount of credit risk. As of December 31, 2009, outstanding conventional loans with FICO® scores at origination under 660 totaled $711 million (four percent of the portfolio). These measures have been relatively stable in the last two years. The MPP FHLBanks believe these measures are another indication that the MPP Loans have a decreased risk of default. Based on the available data, each MPP FHLBank believes it has very little exposure to loans in the MPP that are considered to have characteristics of subprime or Alt-A loans. Further, no MPP FHLBank knowingly purchases any loan that violates the terms of its Anti-Predatory Lending Policy. See “Risk Management—Credit Risk—Mortgage Loans Held for Portfolio” for information on the weighted-average FICO scores and LTV at origination for MPP Loans outstanding, geographic concentration and concentration by state of MPP Loans at December 31, 2009 and 2008.

In addition to the LRAs, the participating MPP FHLBanks with SMI coverage are protected from credit losses to approximately 50 percent of the property’s original value for conventional loans, in certain cases subject to an aggregate stop-loss provision in the SMI policy. The stop-loss is equal to the total initial principal balance of loans purchased under the Master Commitment contract multiplied by the stop-loss percentage, and represents the maximum aggregate amount payable by the SMI provider under the SMI policy for that pool. Even with the stop-loss provision, the aggregate of the LRA and the amount payable by the SMI provider under an SMI stop-loss contract will be equal to or greater than the amount of credit enhancement required for the pool to have an implied S&P credit rating of at least double-A at the time of purchase. See “Risk Management—Credit Risk—Mortgage Loans Held for Portfolio” for information on MI provider concentration. If an MPP FHLBank does not have SMI coverage for its MPP Loans, it would seek additional credit enhancements that, combined with the LRA, would make the purchased mortgage loan portfolio achieve a rating equivalent to at least double-A-minus at the time of acquisition.

The FHLBanks perform periodic reviews of their portfolio to identify the losses expected in the portfolio and to determine the likelihood of collection of loans in the portfolio. Based on the MPP FHLBanks’ analysis, and after consideration of LRA, SMI, if applicable, and other credit enhancements, allowance for credit losses on real estate mortgage loans was established at $1 million at December 31, 2009, and no allowance for credit losses on real estate mortgage loans was considered necessary in 2008. Should the MPP FHLBanks have expected losses in excess of the collateral held, PMI (if applicable), LRA and SMI (if applicable), these would be recognized as credit losses for financial reporting purposes.

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 Board of Directors. The following persons are currently serving as chair or vice chair of the FHLBanks:

Jan A. Miller, 59, has been elected to serve as chair of the board of the FHLBank of Boston in 2010, and his term as a director expires on December 31, 2013. Mr. Miller has served as a director since January 1, 2004. Mr. Miller serves as president, chief executive officer and director of Wainwright Bank & Trust Company, located in Boston, Massachusetts. He is also a director of Heritage Capital Management, Inc., a wholly owned subsidiary of Wainwright Bank & Trust Company. He became president and chief executive officer of Wainwright Bank & Trust Company in 1997. Prior to joining Wainwright Bank in 1994, he spent 19 years in various senior management positions at Shawmut Bank, N.A. Mr. Miller is past chairman of the Massachusetts Bankers Association, a member of the American Bankers Association Government Relations Council Administration Committee, and a member of the FDIC Advisory Committee on Community Banking.

Jay F. Malcynsky, 56, has been elected to serve as vice chair of the board of the FHLBank of Boston for 2010, and his current term as director expires on December 31, 2012. Mr. Malcynsky 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 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.

Michael M. Horn, 70, has served as chair of the board of directors of FHLBank of New York since May 13, 2008. Mr. Horn has been a partner in the law firm of McCarter & English, LLP since 1990. He has served as the Commissioner of Banking for the State of New Jersey and as the New Jersey State Treasurer. He was also a member of the New Jersey State Assembly and served as a member of the Assembly Banking Committee. In addition, Mr. Horn served on New Jersey's Executive Commission on Ethical Standards both as its vice chair and chairman, and was a member of the Municipal Securities Rulemaking Board. Mr. Horn is counsel to the New Jersey Bankers Association, chairman of the Bank Regulatory Committee of the Banking Law Section of the New Jersey State Bar Association, and a Fellow of the American Bar Foundation. He served as a director of Ryan Beck & Co. through February 27, 2007.

José Ramon González, 55, is serving as vice chair of the board of directors of the FHLBank of New York. His current term as vice chair began on January 1, 2009. Mr. González was president and chief executive officer of Santander BanCorp and Banco Santander Puerto Rico from October 2002 until August 2008. Since 2000, he has served as a director of Santander BanCorp and he has served as a director of Banco Santander Puerto Rico since 2002. Mr. González joined the Santander Group in August 1996 as president and chief executive officer of Santander Securities Corporation. He later served as executive vice president and chief financial officer of Santander BanCorp and in April 2002 was named president and chief operating officer. Mr. González is a past president of the Puerto Rico Bankers Association and a past president of the Securities Industry Association of Puerto Rico. Mr. González was at Credit Suisse First Boston from 1983 to 1986 as vice president of Investment Banking, and from 1989 to 1995 as president and chief executive officer of the firm's Puerto Rico subsidiary. From 1986 to 1989, Mr. González was president and chief executive officer of the Government Development Bank for Puerto Rico. From 1980 to 1983, he was in the private practice of law in San Juan, Puerto Rico with the law firm of O'Neill & Borges.

Dennis S. Marlo, 67, has served on the board of directors of the FHLBank of Pittsburgh since November 2002. Mr. Marlo is currently managing director of Sanctuary Group LTD, a financial and executive advisory firm located in Malvern, Pennsylvania. Mr. Marlo has served as a director on the board of NOVA Bank. In addition, he formerly was an executive vice president of Sovereign Bank, representing Sovereign Bank in various community, bank industry, and Sovereign 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, 46, joined the board of directors of the FHLBank of Pittsburgh in January 2002. He 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 a member of the boards of directors for Summit Financial Group and its banking subsidiary: Summit Community 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, 55, has served as vice president of Virginia Savings Bank, F.S.B since June 2009. Previously, he served as president and chief executive officer and as a director of Shore Bank from 1985 to June 2009. He served as president and chief executive officer of its parent, Shore Financial Corporation, from 1997 to 2008. Mr. Harvard served as a director and an executive vice president of Hampton Roads Bankshares from June 2008 to June 2009, Mr. Harvard has served as chairman of the board of the FHLBank of Atlanta since 2007. Mr. Harvard has expertise in community banking and corporate governance.

J. Thomas Johnson, 63, is chief executive officer of Citizens Building and Loan Association, a position he has held since May 2009. 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 1984 to 2004, Mr. Johnson was chief executive officer of Newberry Federal Savings Bank, and was chairman of the board of its holding company, Dutch Fork Bancshares, Inc., from its inception in 2000 until its acquisition by First Community Corporation in 2004. Mr. Johnson has 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. Mr. Johnson has served as vice chairman of the board of the FHLBank of Atlanta since 2008. Mr. Johnson has expertise in residential, commercial, and community development finance.

Carl F. Wick, 70, has served as chair of the FHLBank of Cincinnati since January 2007. Mr. Wick was previously vice chair of the FHLBank of Cincinnati board of directors since March 2005. He was employed by NCR Corporation (one of the two largest manufacturers and suppliers of computer banking systems in the world at the time) from 1966 to 1994 when he retired. He continued with NCR into 1997 on a contractual basis. Mr. Wick's work at NCR over the years included training and support for many NCR computer banking system installations; management of NCR customer support and education centers, including its central location in the U.S. for customer banking systems training; and serving as a director in NCR's R&D division where he was responsible for NCR's worldwide engineering human resources function. Mr. Wick is currently the owner of Wick and Associates, a business consulting firm. He also served as a member of the Ohio Board of Education for 8½ years chairing several key policy committees and serving as a member of the executive committee. He retired from the State Board in 2009. Mr. Wick's qualifications and insight provide valuable skills to the board, particularly in the important areas of technology, personnel matters and organizational development.

B. Proctor Caudill, Jr., 60, was elected vice chair of the FHLBank of Cincinnati effective January 1, 2009. Mr. Caudill has served on the FHLBank of Cincinnati board of directors since January 2004. He has been involved in banking for over 40 years. He served as president and chief executive officer of Peoples Bank, Morehead and Sandy Hook, Kentucky, from 1981 until July 2006. Since August 2006, Mr. Caudill has served as a director of Kentucky Bancshares, Inc. and its subsidiary, Kentucky Bank, of Paris, Kentucky.

Paul C. Clabuesch, 61, is chair of the FHLBank of Indianapolis and has served as a member of the board of directors since January 2003. He is the past 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 currently serves as chairman emeritus for Thumb National Bank and Trust. 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.

Jeffrey A. Poxon, 63, was elected vice chairman of the FHLBank of Indianapolis effective January 1, 2010. He serves as senior vice president-investments, chief investment officer of the Lafayette Life Insurance Company, Lafayette, Indiana. He also serves as a director of Lafayette Savings Bank.

P. David Kuhl, 60, has served as chair of the FHLBank of Chicago since January 1, 2007. Mr. Kuhl served as the vice chair of the FHLBank of Chicago during 2006. Mr. Kuhl has served as chairman, president, and CEO of Freestar Bank in Pontiac, Illinois since April 2009. He served as chairman of the board of Freestar Bank from September of 2007 to March 2009. 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 Busey Bank, Mr. Kuhl was executive vice president of First National Bank of Rantoul from 1973 to 1979. He was chairman of the Illinois Bankers Association from 2007 to 2008. He is currently a member of the American Bankers Association Government Relations Administrative Council.

Thomas L. Herlache, 67, was elected vice chair of FHLBank of Chicago effective January 1, 2010. Mr. Herlache serves as a director of the board for Baylake Bank and Baylake Corp., a one-bank holding company, in Sturgeon Bay, Wisconsin, and has served as chairman of the board from 2007 to 2009. From 1983 to 2007, Mr. Herlache served as president, CEO, and chairman of the board for Baylake Bank and Baylake Corp. Mr. Herlache currently serves as a director on the Door County Memorial Hospital Board and as a president of the Sturgeon Bay Waterfront Redevelopment Authority. He has previously served on the Door County Board of Supervisors Door County Chamber of Commerce board as well as on the Sturgeon Bay Utility Commission from 1981 to 1986. Mr. Herlache served as president for part of his tenure at the Sturgeon Bay Utility Commission. Mr. Herlache currently serves as a director of the Door County Memorial Hospital.

Michael K. Guttau, 63, was elected chair of the FHLBank of Des Moines effective January 1, 2008, He has served as president, chairman, and chief executive officer of Treynor State Bank in Treynor, Iowa, since 1978. Currently Mr. Guttau is serving on the Council of FHLBanks, which is the non-profit trade association for the twelve FHLBanks located in Washington, D.C. He is co-chair of fund raising for Southwest Iowa Hospice and serves on the Good News Jail and Prison Ministry, and chair of Deaf Missions. Mr. Guttau received the Allegiant Southwest Iowa Heritage Award for 2008. He has been actively involved with the American Bankers Association, Iowa Bankers Association, Community Bankers of Iowa, and served as the Iowa Superintendent of Banking from 1995 through 1999. Mr. Guttau serves on the following FHLBank of Des Moines committees: executive and governance committee (chair), risk management committee, and the human resources and compensation committee.

Dale E. Oberkfell, 54, was elected vice chair of the FHLBank of Des Moines effective January 1, 2008. He 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 of Reliance Bank in Des Peres, Missouri. Mr. Oberkfell also currently serves as executive vice president and chief financial officer of Reliance Bancshares, Inc. in Des Peres, Missouri, and as an executive officer 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 certified public accountant 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 FHLBank of Des Moines committees: executive and governance committee (vice chair), audit committee, business operations and technology committee (chair), and the finance and planning committee.

Lee R. Gibson, 53, 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 senior 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 senior executive vice president of Southside Bank since February 2009. From 1990 to February 2009, he served as executive vice president of Southside Bank. Mr. Gibson has served as senior executive vice president of Southside Bancshares, Inc. since February 2010. From 1990 to February 2010, he served as executive vice president of Southside Bancshares, Inc. Mr. Gibson has served as chief financial officer of both Southside Bank and Southside Bancshares, Inc. since 2000. He also serves as a director of Southside Bank. Before joining Southside Bank in 1984, Mr. Gibson served as an auditor for Ernst & Young. He currently serves as chairman of the Council of Federal Home Loan Banks and as president of the Executive Board of the East Texas Area Council of Boy Scouts. He also serves on the boards of directors of the TJC Foundation and the Foundation of the East Texas Boy Scouts. Mr. Gibson is chairman of the executive committee of the FHLBank of Dallas' board of directors. He is a Certified Public Accountant.

Mary E. Ceverha, 65, 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 remains active in the foundation's fundraising and government relations efforts. Previously, she served on the steering committee of the President's Research 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 and the Community Advisory Board of the Dallas Heart Disease Prevention Project. Ms. Ceverha is also 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 currently serves on the Council of Federal Home Loan Banks. She also serves as vice chairman of the executive committee of the FHLBank of Dallas' board of directors.

Ronald K. Wente, 59, was elected to a four-year member directorship for the FHLBank of Topeka commencing January 1, 2009. Prior to his election as a member director, Mr. Wente had served as an elected director of the FHLBank since January 1996. He currently serves as and has served as chairman of the FHLBank of Topeka's board of directors since 2000. Mr. Wente has been president and CEO of Golden Belt Bank, FSA, Ellis, Kansas, since 1974.

Lindel E. Pettigrew, 67, became an elected director of the FHLBank of Topeka in January 2002, was re-elected to a term commencing January 2005 through December 2007, and was re-elected again for a term commencing January 2008 through December 2010. He is currently serving as the vice chairman of the FHLBank of Topeka's board of directors commencing January 2007 through December 2008. Mr. Pettigrew has been president and CEO of Chickasha Bank and Trust Company, Chickasha, Oklahoma, since 1974.

Timothy R. Chrisman, 63, has been the chairman of the board of directors of the FHLBank of San Francisco since 2005 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 Bank, San Diego, 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 FHLBank System.

Scott C. Syphax, 46, has been president and chief executive officer of Nehemiah Corporation of America, a community development corporation, Sacramento, California, since 2001. From 1999 to 2001, Mr. Syphax was a manager of public affairs for Eli Lily & Company. He has been vice chairman of the FHLBank of San Francisco's board of directors since December 2009.

William V. Humphreys, 62 has served as a director of the FHLBank of Seattle since 2006 and as chair since January 2010. Mr. Humphreys has served as president and chief executive officer of Citizens Bank in Corvallis,

Oregon, a commercial banking services provider, since 1996 and as president and chief executive officer of Citizens Bancorp, a publicly traded bank holding company, since 1997. He serves as a director of Citizens Bancorp. Mr. Humphreys currently serves as one of three FHLBank of Seattle representatives on the Council of Federal Home Loan Banks.

Craig E. Dahl, 60, 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, a federally chartered savings bank.

FHLBank Presidents. The following persons are currently serving as presidents of the FHLBanks:

Edward A. Hjerpe III, 51, has been president and chief executive officer of the FHLBank of Boston since July 2009. Mr. Hjerpe came to the FHLBank of Boston from Strata Bank and Service Bancorp, Inc., where he was interim chief executive officer. Previously, he served as senior vice president of Webster Financial Corporation; president and chief operating officer of the Massachusetts and Rhode Island division of Webster Bank N.A.; and executive vice president, chief operating officer, and chief financial officer at Firstfed America Bancorp. Mr. Hjerpe also worked at the FHLBank of Boston from 1988 to 1997, first as senior vice president and director of financial analysis and economic research, and ultimately as executive vice president and chief financial officer. Mr. Hjerpe has been involved in numerous community, civic, industry, and nonprofit organizations over the course of his career. He currently serves as chair of the board of trustees of St. Anselm College in Manchester, New Hampshire, as well as on the board of Dental Services of Massachusetts. He also served on the board of the United Way of Fall River. Mr. Hjerpe earned a B.A. in business and economics from St. Anselm College, and an M.A. and Ph.D. in economics from the University of Notre Dame.

Alfred A. DelliBovi, 64, 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 the FHLBank of New York's member-lenders. Since 2005, Mr. DelliBovi has been a member of the board of directors of the Pentegra Defined Contribution Plan for Financial Institutions; he previously served on this board from 1994 through 2000. Since October 2009, he has served on the board of directors of the Pentegra Defined Benefit Plan for Financial Institutions; he previously served on this board from 2001 through 2003. In addition, Mr. DelliBovi was appointed by the U.S. Department of the Treasury in September 2006 to serve as a member of the Directorate of the Resolution Funding Corporation, and he was appointed chairman in September 2007; he served on this board until October 2009. In November 2009, Mr. DelliBovi was appointed to serve as chair of the board of the Financing Corporation. Mr. DelliBovi previously served on the Financing Corporation board as chair from November 2002 through November 2003, and he also served as vice chair of the Financing Corporation board from November 1996 to November 1997. Prior to joining the FHLBank of New York, 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, 71, 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, 64, began serving as president and CEO of the FHLBank of Atlanta on June 20, 2007. From 2005 to 2007, 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. 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, 61, 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 serves on the board of directors of the Resolution Funding Corporation (REFCORP). 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, 54, 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 FHLBank of Indianapolis in December 2006. Mr. Miller was appointed to the board of the Resolution 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.

Matthew R. Feldman, 56, became president and chief executive officer of the FHLBank of Chicago in May 2008, after serving as acting president from April 2008 until then. Mr. Feldman was executive vice president, operations and administration of the FHLBank of Chicago from 2006 to 2008, senior vice president, risk management from 2004 to 2006 and senior vice president, manager of operations analysis from 2003 to 2004. Prior to his employment with the FHLBank of Chicago, Mr. Feldman was founder and chief executive officer of Learning Insights, Inc. from 1996 to 2003. Mr. Feldman conceived, established, financed, and directed the operations of this privately held e-learning company of which he is still nonexecutive chairman. Mr. Feldman was president of Continental Trust Company, a wholly-owned subsidiary of Continental Bank from 1992 to 1995 and managing director-global Trading and Distribution of Continental Bank from 1988 to 1992.

Richard S. Swanson, 60, has been president and CEO of the FHLBank of Des Moines since June 2006. Prior to joining the FHLBank of Des Moines, 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. Previously, Mr. Swanson served as chairman and CEO of HomeStreet Bank in Seattle, Washington, and had served as its CEO since 1990. As a member director from HomeStreet Bank, Mr. Swanson served on the board of directors of the FHLBank of Seattle from 1998 to 2003, and served as the board's vice chair from 2002 to 2003. He also serves on the FHLBank Presidents' Conference for the twelve FHLBanks, as well as the Initiative for Global Development.

Terry Smith, 53, 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. He is

a current member and past 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 on the investment committee for the Pentegra Defined Benefit Plan for Financial Institutions.

Andrew J. Jetter, 54, 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 of Topeka 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, 63, has been president and chief executive officer of the FHLBank of San Francisco since April 1991. Mr. Schultz is a member of the board of directors of the Office of Finance, which issues and services debt for the FHLBanks. He is also 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, 52, 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. Mr. Riccobono is a certified public accountant and an attorney at law.

Chief Executive Officer, FHLBanks Office of Finance.

John D. Fisk, 53, 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 H Ronald Weissman, Terry Smith, the president of the FHLBank of Dallas, and Dean Schultz, the president of the FHLBank of San Francisco. Mr. Smith was reappointed to a three-year term in April 2009. Mr. Schultz was appointed to a three-year term in April 2008.

H Ronald Weissman, 65, was appointed to serve as the private citizen director on the Office of Finance board of directors on August 27, 2009 with a term that is scheduled to expire on March 31, 2010, but which may be automatically extended at the Regulator's discretion. As the private citizen member of the Office of Finance board of directors, he will serve as its chairman. Mr. Weissman is a designated financial expert of the Office of Finance board of directors. Previously, Mr. Weissman was a senior partner with Ernst & Young's Financial Services Office since 2002. He served as Global Managing Partner for several of the firm's most significant financial services clients and had assumed significant corporate and client responsibilities until his recent retirement. Prior to joining Ernst & Young, he was a partner with Arthur Andersen. Mr. Weissman, a certified public accountant, also holds an MBA from the Columbia University Graduate School of Business and a Bachelor of Art degree from Union College in Schenectady, New York.

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), and the Housing 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 Agency 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 Agency regulations require the Office of Finance board of directors to select, employ, determine the compensation for, and assign the duties of the 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.")

Overview and Objectives of FHLBank and Office of Finance Executive Compensation Programs

Each FHLBank strives to provide total compensation that promotes its mission. Compensation programs at each of the FHLBanks are generally intended to focus executives on achieving their individual FHLBank's mission and to associate executive pay with the FHLBank's corporate goals, performance targets, and strategic plan. Each FHLBank's board of directors determines total compensation for executives of that FHLBank, consisting of base salary, cash incentive compensation, and other benefits as described in the Summary Compensation Table.

The Office of Finance is only responsible for the compensation policies for its employees. The Office of Finance seeks 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. The objectives of the program are to communicate goals and standards of performance for the successful achievement of the Office of Finance's mission. Refer to "Compensation Program Overview (Philosophy and Objectives)" below.

The following information has been provided for each FHLBank primarily based on the presentation it used in its annual report on SEC Form 10-K for the year ended December 31, 2009, 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 CEO Summary Compensation Table

FHLBank Name	President/CEO Name	Year		Salary ($)	Bonus ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation * ($)	Total ($)
Boston	Edward A. Hjerpe III	2009	(1)	275,000			110,000	38,317	423,317
Boston	M. Susan Elliott	2009	(2)	294,000	25,000		364,000	23,847	706,847
Boston	Michael A. Jessee	2009	(3)	210,000			3,059,988	681,789	3,951,777
		2008		630,000			1,437,000	110,847	2,177,847
		2007		600,000	22,500	350,880	742,000	100,646	1,816,026
New York	Alfred A. DelliBovi	2009	(4)	649,494		503,592	1,010,379	72,917	2,236,382
		2008		615,634		379,938	1,092,000	76,327	2,163,899
		2007		583,539		421,964	479,000	75,855	1,560,358
Pittsburgh	John R. Price	2009	(5)	550,000		66,000	78,000	33,024	727,024
		2008		550,000			242,000	59,811	851,811
		2007		550,000		541,750	167,000	48,015	1,306,765
Atlanta	Richard A. Dorfman	2009	(6)	775,000	148	246,294	140,000	73,115	1,234,557
		2008		737,500	700,148	276,563	54,000	81,001	1,849,212

FHLBank Name	President/CEO Name	Year	Salary ($)	Bonus ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation * ($)	Total ($)
		2007	371,538	148			184,779	556,465
Cincinnati	David H. Hehman	2009 (7)	613,124		531,068	1,757,000	62,086	2,963,278
		2008	600,023		575,923	1,034,000	67,106	2,277,052
		2007	561,481		550,588	668,000	57,042	1,837,111
Indianapolis	Milton J. Miller, II	2009 (8)	538,461		228,242	1,275,000	22,265	2,063,968
		2008	500,006		350,004	748,000	32,390	1,630,400
		2007	176,928		80,957	1,358,000	81,889	1,697,774
Chicago	Matthew R. Feldman	2009 (9)	650,000			169,000	14,700	833,700
		2008	576,903			136,000	10,530	723,433
Des Moines	Richard S. Swanson	2009 (10)	584,100		440,604	234,000	46,624	1,305,328
		2008	584,100		416,172	182,000	41,627	1,223,899
		2007	561,600		278,460	69,000	227,638	1,136,698
Dallas	Terry Smith	2009 (11)	715,000		279,279	351,000	470,690	1,815,969
		2008	680,000		376,788	195,000	391,804	1,643,592
		2007	649,750		348,136	127,000	347,215	1,472,101
Topeka	Andrew J. Jetter	2009 (12)	595,805		429,908	725,000	63,794	1,814,507
		2008	584,255		482,010	584,383	49,241	1,699,889
		2007	560,269		278,815	152,048	53,514	1,044,646
San Francisco	Dean Schultz	2009 (13)	725,000	400,000	369,400	527,019	46,477	2,067,896
		2008 (13)	725,000	281,300	337,900	532,468	58,484	1,935,152
		2007 (13)	682,500	348,500	259,200	499,049	56,205	1,845,454
Seattle	Richard M. Riccobono	2009 (14)	514,100		317,125		52,740	883,965
		2008	514,100		192,857	318,593	37,502	1,063,052
		2007	445,251		341,688	251,581	37,275	1,075,795
Office of Finance	John D. Fisk	2009 (15)	561,600		560,099	169,000	28,641	1,319,340
		2008	540,000		505,863	147,000	23,829	1,216,692

* Compensation in this column is further described below in the "All Other Compensation Table."

(1) Mr. Hjerpe's 2009 compensation is reflective of his commencement of employment with the FHLBank of Boston on July 1, 2009. As an additional incentive to recruit Mr. Hjerpe as president and chief executive officer of the FHLBank of Boston, the board of directors caused the FHLBank of Boston to enter into a Change in Control agreement. FHLBank of Boston's board of directors had determined that having the Change in Control agreement in place would be an effective recruitment and retention tool since the events under which it provides payment to Mr. Hjerpe would provide a measure of protection to Mr. Hjerpe in the instance of the FHLBank of Boston's relocation in excess of fifty miles or his termination of employment or material diminution in duties or base compensation resulting from merger, consolidation, reorganization, sale of all or substantially all of the FHLBank of Boston's assets, or the liquidation or dissolution of the FHLBank of Boston. Under the terms of the Change in Control agreement, in the event that either:

- Mr. Hjerpe terminates his employment with the FHLBank of Boston for a good reason (as defined in the change in control agreement) that is not remedied within certain cure periods by the FHLBank of Boston; or
- the FHLBank of Boston (or the FHLBank of Boston's successor in the event of a reorganization) terminates Mr. Hjerpe without cause (as defined by the Change in Control agreement);

The FHLBank of Boston has agreed to pay Mr. Hjerpe an amount equal to his annualized base salary at the time of such termination to be paid in equal installments over the following 12 months according to the FHLBank of Boston's regular payroll cycle during such period. Notwithstanding the foregoing, the FHLBank of Boston's obligation to pay Mr. Hjerpe such amount will be subject to Mr. Hjerpe's execution of the FHLBank of Boston's standard release of claims agreement and the FHLBank of Boston's compliance with applicable statutory and regulatory requirements at the time such payment would otherwise be made. Payments to Mr. Hjerpe under the Change in Control agreement are in lieu of any severance payments that would be otherwise payable to him by the FHLBank of Boston.

(2) Ms. Elliott, executive vice president and chief business officer, was awarded a $25,000 bonus in recognition of her services and contributions during her term as interim president and chief executive officer of the FHLBank of Boston, which commenced on May 1, 2009, and concluded on June 30, 2009.

(3) Mr. Jessee's 2009 compensation was earned through April 30, 2009, the date of his retirement from the FHLBank of Boston. The Finance Agency ordered the FHLBank of Boston to limit the payment of salary-based severance to Michael A. Jessee, former president and chief executive officer of the FHLBank of Boston, to twelve months of such payments rather

than the awarded eighteen months following the date of his retirement. In accordance with that order, the FHLBank of Boston and Mr. Jessee entered into an amendment to the agreement that awarded such payments to limit such payments to twelve months following the date of his retirement, a reduction in compensation of $315,000. Amount shown for Mr. Jessee in 2007 represents a bonus in addition to the award he received for Executive Incentive Plan goal achievement in recognition of his integral role in the FHLBank of Boston's strong performance in 2007.

(4) 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, for exempt employees, "variable" or "at risk" short-term incentive compensation); (b) retirement-related benefits (i.e., qualified defined benefit plan; qualified defined contribution plan; and nonqualified defined benefit portion of the benefit equalization plan; and (c) health and welfare programs and other benefits. In addition, in the category of retirement-related benefits, the FHLBank of New York offered the nonqualified defined contribution portion of the benefits equalization plan, a nonqualified deferred compensation plan and a nonqualified profit sharing plan through and until November 10, 2009. 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, fitness club reimbursement and severance pay. An additional benefit offered to all officers, age 40 or greater, or who are at vice president rank or above, is a physical examination every 18 months.

(5) 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 an FHLBank of Pittsburgh merger. Benefits under the CIC Agreement for Mr. Price are as follows: two years base salary; two times the annual award payout amount 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.

(6) The FHLBank of Atlanta entered into an Employment Agreement with Mr. Dorfman in connection with his appointment as President and Chief Executive Officer. The Agreement contains a severance arrangement such that upon the termination of Mr. Dorfman by the FHLBank of Atlanta for any reason other than "cause," (as defined in the Agreement), or by Mr. Dorfman for "good reason," (as defined in the Agreement), 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 that 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.

(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 FHLBank of Indianapolis' Severance Pay Plan approved by the board on November 17, 2006. The Severance Pay Plan pays a senior officer at least 10 weeks' of base pay and 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, 2009, would be $533,335. The Severance Pay Plan may be amended or eliminated by the board at any time.

(9) In connection with his appointment to President and CEO, Mr. Feldman and the FHLBank of Chicago entered into an employment agreement on June 4, 2008, which canceled and superseded his prior employment agreement. The June 4, 2008 employment agreement provides for an employment term beginning on the effective date of May 5, 2008 and ending on May 31, 2011, unless terminated earlier as provided for in the agreement. The agreement provides for automatic one-year extensions until such date as the Board of Directors or Mr. Feldman gives notice and terminates the automatic extension provision. The agreement provides for an initial base salary of $650,000 effective retroactively to April 14, 2008, and may not be increased prior to June 1, 2011. Mr. Feldman is entitled to receive termination payments in the event that his employment with the FHLBank of Chicago is terminated either by him for good reason (as defined in the agreement) or by the FHLBank of Chicago other than for cause (as defined in the agreement) as follows: (1) all accrued and unpaid salary for time worked as of the date of termination; (2) all accrued but unutilized vacation time as of the date of termination; (3) salary continuation (at the base salary in effect at the time of termination) for a one year period beginning on the date of termination; and (4) continued participation in the FHLBank of Chicago's employee health care benefit plans in accordance with the terms of the FHLBank of Chicago's then-current severance plan that would be applicable to the executive if his employment had been terminated pursuant to such plan, provided that the FHLBank of Chicago will

continue paying the employer's portion of medical and/or dental insurance premiums for one year from the date of termination.

(10) Mr. Swanson's employment agreement will be terminated upon the occurrence of any one of the following events: death, incapacity due to illness, accident, or other disability, that leaves him 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, by Mr. Swanson for good reason, or as a result of a merger or change in control, Mr. Swanson is entitled to severance payments equal to two times his base salary. Assuming one or more of these triggering events for the receipt of severance payments occurred as of December 31, 2009, the total value of severance payable to Mr. Swanson would have been $1.8 million.

(11) 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.

(12) 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.

(13) Mr. Schultz's $400,000, $281,300 and $348,500 represent awards under the FHLBank of San Francisco annual short term cash incentive compensation plan and the $369,400, $337,900 and $259,200 represent awards under the FHLBank of San Francisco's long-term cash incentive compensation plan for 2009, 2008 and 2007, respectively. 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 of San Francisco's discretion, outplacement assistance.

(14) 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.

(15) Mr. Fisk's non-equity incentive compensation consists of $320,422 awarded under the Office of Finance's annual short-term incentive compensation and $239,677 awarded under the Office of Finance's long-term incentive plan for the three-year plan ended December 31, 2009, which were paid in February 2010.

All Other Compensation Table

FHLBank Name	President/CEO Name	Year		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	Edward A. Hjerpe III	2009	(1)		16,500			21,817		38,317
	M. Susan Elliott	2009			19,344	4,503				23,847
	Michael A. Jessee	2009	(2)	630,000	12,600	2,652		16,329	20,208	681,789
		2008			60,203	7,960		42,684		110,847
		2007			54,000	7,110		39,536		100,646
New York	Alfred A. DelliBovi	2009	(3)		35,421	13,188		24,308		72,917
		2008			36,183	12,754		27,390		76,327
		2007			34,985	12,403		28,467		75,855
Pittsburgh	John R. Price	2009			33,000				24	33,024
		2008	(4)		49,005			10,782	24	59,811
		2007			48,000				15	48,015
Atlanta	Richard A. Dorfman	2009	(5)		46,500			26,615		73,115
		2008			44,250			36,751		81,001
		2007			21,000			163,779		184,779
Cincinnati	David H. Hehman	2009			62,086					62,086
		2008			56,967			10,139		67,106
		2007			57,042					57,042
Indianapolis	Milton J. Miller, II	2009			22,050	215				22,265
		2008			30,000	200			2,190	32,390
		2007	(6)		10,615	71	819	68,984	1,400	81,889
Chicago	Matthew R. Feldman	2009			14,700					14,700
		2008			10,530					10,530
Des Moines	Richard S. Swanson	2009	(7)		34,124			12,500		46,624
		2008			25,627			16,000		41,627
		2007			9,828		77,635	140,175		227,638
Dallas	Terry Smith	2009	(8)		357,069		14,486	30,357	68,778	470,690
		2008			288,623		12,101	28,264	62,816	391,804
		2007			249,229		10,276	24,626	63,084	347,215
Topeka	Andrew J. Jetter	2009	(9)		47,469	1,971		13,048	1,306	63,794
		2008			29,784	1,830		16,243	1,384	49,241
		2007			36,181	1,697		14,463	1,173	53,514
San Francisco	Dean Schultz	2009	(10)		20,200	4,080		21,127	1,071	46,477
		2008			43,500	4,080		9,981	923	58,484
		2007			40,950	4,080		10,252	923	56,205
Seattle	Richard M. Riccobono	2009	(11)		35,665			17,075		52,740
		2008			37,502					37,502
		2007			37,275					37,275
Office of Finance	John D. Fisk	2009	(12)		14,700			13,941		28,641
		2008			14,850			8,979		23,829

* Only individual amounts greater than $25,000 are disclosed in the footnotes.

(1) Amount for Mr. Hjerpe includes the following perquisites: personal use of an FHLBank of Boston-owned vehicle, reimbursement for apartment expenses, parking, reimbursement for mass transportation, and spousal travel expenses.

(2) Amount for Mr. Jessee includes the following perquisites: financial planning services, personal use of an FHLBank of Boston-owned vehicles, an automobile allowance in lieu of the use of an FHLBank of Boston-owned vehicle, club memberships, spousal travel expenses and a personal computer.

(3) Perquisites and other benefits amount for 2009, 2008 and 2007 for Mr. DelliBovi includes the following: personal use of an FHLBank of New York-provided vehicle and payment of vision insurance premium.

(4) Perquisites and other benefits amount for 2008 for Mr. Price include parking benefits, spousal travel and child care expenses, personal miles on a company vehicle, financial planning/tax preparation benefits, and non-business travel expenses.

(5) Perquisites and other benefits amount for Mr. Dorfman includes the following: personal use of an FHLBank of Atlanta-provided vehicle, financial planning services, home office, and guest travel

(6) Perquisites and other benefits amount for 2007 for Mr. Miller includes a vacation payout.

(7) Perquisites and other benefits amount for 2009 for Mr. Swanson includes the following: personal use of an FHLBank of Des Moines-provided vehicle and financial planning allowance.

(8) Perquisites and other benefits amount for 2009 for Mr. Smith includes the following: personal use of FHLBank of Dallas-leased vehicle, and spousal travel and meal cost reimbursements in connection with board meetings. Other includes payouts for unused vacation and unused flex leave.

(9) All other compensation for Mr. Jetter includes $13,048 in perquisites and personal benefits consisting of an FHLBank of Topeka-provided automobile, financial and tax planning services and expenses for spousal travel for 2009.

(10) Perquisites and other benefits amount for 2009, 2008 and 2007 for Mr. Schultz includes the following: personal use of an FHLBank of San Francisco-provided vehicle, financial planning, health club membership dues and parking expenses.

(11) Perquisites and other benefits amount for 2009 for Mr. Riccobono includes $12,000 car allowance and $5,075 in other perquisites.

(12) Perquisites and other benefits amount for 2009 for Mr. Fisk includes the personal use of an OF-provided vehicle.

Grants of Plan Based Awards for Year 2009

FHLBank Name*	President/CEO Name		Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold ($)	Target ($)	Maximum ($)
New York	Alfred A. DelliBovi		3/18/2009	142,889	259,798	493,615
Pittsburgh	John R. Price	(1)				110,000
		(2)		660,000	880,000	1,100,000
Atlanta	Richard A. Dorfman	(1)	5/28/2009	232,500	348,750	503,750
Cincinnati	David H. Hehman		2/19/2009	146,738	322,823	440,213
			3/19/2009	79,238	176,085	290,540
Indianapolis	Milton J. Miller, II	(1)	1/23/2009	155,555	259,259	362,963
		(3)	1/23/2009	77,778	155,555	233,333
Chicago	Matthew R. Feldman	(4)	7/22/2009		390,000	650,000
		(5)			390,000	650,000
Des Moines	Richard S. Swanson		2/18/2010	146,025	219,038	292,050
			2/18/2010	73,013	146,025	219,038
Dallas	Terry Smith			203,775	364,650	429,000
Topeka	Andrew J. Jetter		1/01/2009	32,769	65,539	98,308
			4/01/2009	32,769	65,539	98,308
			7/01/2009	32,769	65,539	98,308
			10/01/2009	65,539	131,077	196,616
San Francisco	Dean Schultz	(6)	1/01/2009	181,250	362,500	725,000
Seattle	Richard M. Riccobono	(1)	1/01/2009	102,820	179,935	308,460
		(3)	1/01/2009	77,115	154,230	231,345
Office of Finance	John D. Fisk	(1)	2/04/2009	140,400	280,800	421,200
		(3)	2/04/2009	140,400	280,800	421,200

* The information provided is not applicable to the FHLBank of Boston; and as such the FHLBank of Boston has been excluded.

(1) Represents estimate of annual short-term incentive compensation for January 1, 2009 through December 31, 2009.

(2) Represents estimate of long-term incentive compensation for the three-year performance cycle beginning January 1, 2010 and ending December 31, 2012.

(3) Represents estimate of long-term incentive compensation for the three-year performance cycle beginning January 1, 2009 and ending December 31, 2011.

(4) Represents the potential payouts under the Mr. Feldman's Incentive Compensation Plan for the period from January 1, 2009 through December 31, 2009. Pursuant to Mr. Feldman's employment agreement, payments under this plan are subject to the further condition that the FHLBank of Chicago has (A) earned a net profit for the fiscal year and (B) has paid dividends on its capital stock for at least two consecutive quarters during that fiscal year.

(5) Represents the potential payout under the Key Employee Long Term Incentive Compensation for the period from January 1, 2009 to December 31, 2011. Pursuant to Mr. Feldman's employment agreement, payments under this plan are subject to the further condition that the FHLBank of Chicago has (A) earned a net profit for the fiscal year and (B) has paid dividends on its capital stock for at least two consecutive quarters during that fiscal year.

(6) Represents estimate of long-term incentive compensation effective January 1, 2009 for the three-year performance cycle beginning January 1, 2009 and ending December 31, 2011. No information is provided for the 2009 annual short-term incentive plan because the award range as a percentage of base salary was not included in this plan, and therefore, the estimated payout range of this plan is not available.

Pension Benefits for Year 2009

FHLBank Name	President/CEO Name		Plan Name *	Number of Years Credited Service	Present Value of Accumulated Benefit ($)	Payments During 2009 ($)
Boston	Edward A. Hjerpe III	(1)	Pentegra DBP	17.7	425,000	
			BEP	0.5	13,000	
	M. Susan Elliott		Pentegra DBP	27.6	978,000	
			BEP	28.1	857,000	
	Michael A. Jessee	(1)	Pentegra DBP	31.8		2,111,309
			BEP	32.3		8,100,679
New York	Alfred A. DelliBovi	(2)	Pentegra DBP	16.75	1,156,000	
			BEP	16.75	3,823,000	
Pittsburgh	John R. Price	(3)	Pentegra DBP	3.4	168,000	
			SERP	4.0	430,000	
Atlanta	Richard A. Dorfman	(4)	Pentegra DBP	1.5	60,000	
			BEP	1.5	134,000	
Cincinnati	David H. Hehman	(5)	Pentegra DBP	31.9	1,908,000	
			BEP	31.9	6,354,000	
Indianapolis	Milton J. Miller, II	(6)(7)	Pentegra DPB	32.0	229,000	
			SERP	32.0	2,323,000	
Chicago	Matthew R. Feldman	(8)	Pentegra DBP	5.75	224,000	
			BEP	5.75	252,000	
Des Moines	Richard S. Swanson		Pentegra DBP	2.6	136,000	
			BEP	2.6	349,000	
Dallas	Terry Smith	(9)	Pentegra DBP	24.0	1,522,000	
Topeka	Andrew J. Jetter	(10)	Pentegra DBP	21.6	705,000	
			BEP	21.6	2,115,000	
San Francisco	Dean Schultz	(11)	Cash Balance Plan	24.75	308,732	
			FIRF	11.0	472,202	
			BEP	24.75	2,264,628	
			Deferred Compensation Plan	24.75	52,674	
			SERP	7.0	991,013	
Seattle	Richard M. Riccobono	(12)	Pentegra DBP	23.6	723,000	
			BEP	23.6	1,075,353	
Office of Finance	John D. Fisk	(13)	Pentegra DPB	5.1	172,000	
			SERP	5.1	462,000	

* 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. Hjerpe's credited years of service for the Pentegra DBP includes 10.6 years of service at the FHLBank of Boston and 7.1 years of service at a previous employer that participated in the Pentegra DBP.

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. Mr. Jessee's credited years of service are through April 30, 2009.

(2) • Formula: 2.5 percent × years of benefit service (not to exceed 30) × highest consecutive three-year average earnings.

- Earnings are defined as base salary plus short-term incentives, and overtime, subject to the annual Internal Revenue Code limit.
- The normal form of payment is a life annuity with a 12 year guaranteed payment which means that if retiree dies prior to receiving 12 years of annuity payments, the retiree's beneficiary will receive a lump sum equal to the remaining unpaid payments in the 12 year period.

(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: 1.5 percent × years of service (not to exceed 30 years) × high consecutive five-year average compensation.

- Compensation used for retirement plan calculations includes the high consecutive five-year average of regular salary at January 1. Incentive compensation paid in the prior calendar year is not included in the calculation.
- 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 × highest three-year average compensation.

- Compensation 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 single-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) • 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 (except for Long-Term Incentive Plan), 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.

(8) • 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.

(9) • 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 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 2009 IRS limitation of $245,000 per year. For 2010, the IRS did not increase the maximum compensation limit.
- 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.

(10) • 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.

(11) ***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 six months of service, including the president. Each year, eligible employees accrue benefits equal to 6 percent of their total annual compensation (which includes base salary and short-term cash incentive compensation) plus interest equal to 6 percent 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 are fully vested after an employee completes 3 years of service. Vested amounts are generally payable in a lump sum or in an annuity when the employee leaves the FHLBank of San Francisco.

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 an unfunded and 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 under the Cash Balance Plan or the Savings Plan but for the limitations imposed on those plans under the IRC are credited as Supplemental Cash Balance Benefits under the Benefit Equalization Plan and the credits accrue interest at an annual rate of 6 percent until paid. 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 an unfunded and non-qualified plan, consisting of three components: (1) employee deferral of current compensation, short-term incentive and long-term incentive, when applicable; (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 an unfunded and 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.

(12) 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.

(13) • Formula: Starting April 2003—2.25 percent × years of benefit service × high three-year average compensation.

Non-Qualified Deferred Compensation for Year 2009

FHLBank Name	President/CEO Name	President/CEO Contributions ($)	FHLBank Contributions ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Earnings ($)	Aggregate Balance at 12/31/09 ($)
Boston	Edward A. Hjerpe III	8,250	1,800		535	10,585
	M. Susan Elliott	33,660	4,644	564,868	24,156	38,739
	Michael A. Jessee	6,300	378	1,264,035	26,968	
New York	Alfred A. DelliBovi	11,016	21,999		211,379	1,124,656
Pittsburgh	John R. Price	9,150	21,975		22,573	1,135,949
Atlanta	Richard A. Dorfman	24,500	31,800		25,657	140,207
Cincinnati	David H. Hehman	614,728	56,601		510,833	3,122,023
Indianapolis	Milton J. Miller, II	175,002	7,350	38,022	(52,841)	655,929
Chicago	Matthew R. Feldman	22,500			107	65,071
Des Moines	Richard S. Swanson	170,119	23,145		783	358,743
Dallas	Terry Smith	2,000	342,369	130,836	174,670	1,318,819
Topeka	Andrew J. Jetter	107,530	32,769		31,107	874,948
San Francisco	Dean Schultz				45,682	392,483
Seattle	Richard M. Riccobono	14,138	26,990		21,293	132,831
Office of Finance	John D. Fisk	47,548	50,065		108,696	599,912

Office of Finance CEO 2009 Compensation Discussion and Analysis

This compensation discussion and analysis provides information on the Office of Finance compensation program for John Fisk, CEO effective January 1, 2008. 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. To achieve this, the Office of Finance compensates the 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 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 Chief Human Resources Officer provides compensation data to the Office of Finance Board, which is responsible for approving all forms of compensation provided to the CEO and COO. Additionally, the Office of Finance Board reviews the CEO's decisions 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 CEO 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 considers the FHLBanks and other federal housing GSEs, as well as private sector financial institutions including both mortgage and commercial banks, as competitors for executive talent.

In determining market competitive compensation, the Office of Finance and the Office of Finance Board used a compensation study by McLagan Partners, a nationally recognized compensation consulting and benchmarking firm for the financial services industry. The Office of Finance and Office of Finance Board of Directors strive to create a program that generally delivers compensation for the CEO near the 75th percentile of the blended survey data when the Office of Finance meets or exceeds its performance goals. The McLagan survey covered three groups: corporate banking, fixed income originators (debt capital markets), and treasury & asset-liability management. In addition, the McLagan study for the Office of Finance includes the compensation of the 12 FHLBank Presidents. The McLagan study was comprised from data provided by over 60 companies.

Elements of Total Compensation Program

Salary.

Base salary is a key component the Office of Finance's total CEO compensation program. Factors affecting executive 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.

Effective January 1, 2009, the Office of Finance Board approved a 4 percent base salary increase to $561,600 for John Fisk commensurate with the CEO responsibilities and performance.

Short-Term Non-Equity Incentive Plan Compensation.

The Office of Finance's CEO 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 CEO goals were established for 2009 based on strategic Office of Finance initiatives:

- Balanced Scorecard (60 percent weight) consisted of a variety of cross-divisional metrics representing key facets of the Office of Finance's 2009 business plan,
- Accounting Disclosures (20 percent weight) consisted of developing two to four new combined financial report disclosures designed, in part, to increase investor confidence and sponsorship, and
- Investor Marketing Metrics (20 percent weight) consisted of a portfolio of metrics tracking targeted investor contact and investment activity.

The 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 2009 plan year was:

Level	% of Base Salary
Threshold	25%
Target	50%
Maximum	75%

The authorization for payment of ICP awards is generally provided following review of the year-end performance results by the Office of Finance Board at its first meeting subsequent to year end. The 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 February 2, 2010 meeting, the Office of Finance Board authorized an ICP distribution of $320,422 (57.06 percent) for John Fisk based on the following results:

- threshold-target performance on the Balanced Scorecard goal,
- maximum performance on the Accounting Disclosures goal, and
- maximum performance on the Investor Marketing Metrics 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 for the CEO 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 percent, 50 percent, 75 percent, respectively, for the 2007-2009 plan.

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 first meeting each subsequent year, new three-year performance periods were established. The Office of Finance expects to continue establishing a new three-year performance period commencing each January 1.

LTI incentive awards are 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 payment to John Fisk of $239,677 for the 2007-2009 Plan on February 26, 2010. The Office of Finance Board approved the payment based on results for the following goals:

- Cost of Funds (40% weight), which was evaluated based on four components for the 2007-2008 period (evaluated below threshold for discount notes and maximum for global bonds and callable bonds) and five components for the 2009 period (ranging from threshold to maximum performance);

- IT Effectiveness (20% weight), which was evaluated at target performance based on the improvement of Control Objectives for Information Technology (COBIT) maturity levels, and
- Transition of Executive Management (40% weight), which was evaluated at maximum for the 2007-2008 portion of the goal and at target for the 2009 portion.

Retirement Benefits.

The Office of Finance maintains a comprehensive retirement program for the 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 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 percent vested upon completion of six years of service. The pension benefits payable under the Pentegra DBP 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 an early retirement option. The benefit formula is 2.25 percent for each year of benefit service multiplied by the highest three-year average compensation.

Non-qualified Defined Benefit Pension Plan. The CEO is eligible to participate in the Supplemental Retirement Plan (SRP), an unfunded, non-qualified pension plan that mirrors the Pentegra DBP in all material respects. In the event that benefits payable from the Pentegra DB P have been reduced or otherwise limited, the executive's lost benefits are payable under the terms of the SRP. Because the SRP is a non-qualified 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.

Non-qualified Defined Contribution Plan. The CEO is eligible to participate in the Supplemental Thrift Plan (STP), an unfunded, non-qualified, 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 percent of incentive compensation on a pre-tax basis. As in the Pentegra DC plan, the employer match in the STP is tenure-based with a 6 percent maximum. 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 CEO's total compensation and are provided in accordance with market practices for executives in similar positions and with similar responsibilities. During 2009, the CEO was provided with an Office of Finance-owned vehicle for his business and personal use. The operating expenses associated with the vehicle were also provided. The CEO's personal use of the Office of Finance-owned vehicle, including use for the daily commute to and from work, is reported as a taxable fringe benefit.

Additionally, the CEO is eligible for annual reimbursement of personal financial counseling not to exceed $10,000.

Compensation of Directors

In accordance with the regulations of the Finance Agency, the GLB Act, and the Housing 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 were subject to an annual cap until the passage of the Housing Act on July 30, 2008. 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, which are not included in the table below. Total directors' fees and other travel expense paid by the FHLBanks during 2009, 2008 and 2007 were $10.9 million, $6.5 million, and $5.8 million.

Director Compensation for Year 2009

FHLBank Name	Director Name	Position		Fees Earned or Paid in Cash ($)	All Other Compensation ($)	Total ($)
Boston	Jan A. Miller	Chair		60,000		60,000
Boston	Jay. F. Malcynsky	Vice-chair		55,000		55,000
New York	Michael M. Horn	Chair		60,000		60,000
New York	Jose R. Gonzalez	Vice-chair		55,000		55,000
Pittsburgh	Dennis S. Marlo	Chair		60,000	24	60,024
Pittsburgh	H. Charles Maddy, III	Vice-chair		55,000	24	55,024
Atlanta	Scott C. Harvard	Chair		60,000		60,000
Atlanta	J. Thomas Johnson	Vice-chair		55,000		55,000
Cincinnati	Carl F. Wick	Chair		60,000	986	60,986
Cincinnati	B. Proctor Caudill, Jr.	Vice-chair		55,000	1,775	56,775
Indianapolis	Paul C. Clabuesch	Chair		65,000		65,000
Indianapolis	Charles L. Crow	Vice-chair		55,000		55,000
Chicago	P. David Kuhl	Chair		60,000		60,000
Chicago	James F. McKenna	Vice-chair		55,000		55,000
Des Moines	Michael K. Guttau	Chair		60,000		60,000
Des Moines	Dale E. Oberkfell	Vice-chair		55,000		55,000
Dallas	Lee R. Gibson	Chair		60,000	3,245	63,245
Dallas	Mary E. Ceverha	Vice-chair		55,000	1,953	56,953
Topeka	Ronald K. Wente	Chair		60,000		60,000
Topeka	Lindel E. Pettigrew	Vice-chair		55,000		55,000
San Francisco	Timothy R. Chrisman	Chair		60,000		60,000
San Francisco	Scott. C. Syphax	Vice-chair	(1)	50,397		50,397
San Francisco	James P. Giraldin	Vice-chair	(2)			
Seattle	Mike C. Daly	Chair		60,000		60,000
Seattle	Craig E. Dahl	Vice-chair		55,000		55,000
Office of Finance	H Ronald Weissman	Chair	(3)	10,000		10,000
	Charles Bowsher		(4)	15,000		15,000

(1) Scott C. Syphax became Vice Chairman of the FHLBank of San Francisco on December 4, 2009.

(2) In January 2009, James P. Giraldin elected to forego his director fees for 2009. Mr. Giraldin resigned as Vice Chairman and director of the FHLBank of San Francisco effective September 23, 2009.

(3) Mr. Weissman was appointed to serve as the private citizen director on the Office of Finance Board of Directors on August 27, 2009 with a term that is scheduled to expire on March 31, 2010, but which may be automatically extended at the Regulator's discretion.

(4) Mr. Bowsher resigned from the Office of Finance Board of Directors on March 23, 2009.

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, 2009. 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, 2009 (Dollar amounts in millions)

District	Name	Holding Company Name (1)	City	State	Capital Stock	Percent of FHLBank Capital Stock (2)
Boston	Bank of America Rhode Island, N.A.	Bank of America Corporation	Providence	RI	$1,085	29.0%
	RBS Citizens, N.A.*	UK Financial Investments Limited	Providence	RI	516	13.8%
	NewAlliance Bank	**	New Haven	CT	121	3.2%
	Webster Bank, National Association	**	Waterbury	CT	93	2.5%
	TD Bank, N.A. (3)	**	Wilmington	DE	86	2.3%
					$1,901	50.8%
New York	Hudson City Savings Bank *	Hudson City Bancorp, Inc	Paramus	NJ	$ 875	16.9%
	Metropolitan Life Insurance Company	MetLife, Inc.	New York	NY	742	14.3%
	New York Community Bank *	**	Westbury	NY	378	7.3%
	Manufacturers and Traders Trust Company	**	Buffalo	NY	295	5.7%
	The Prudential Insurance Co. of America	**	Newark	NJ	221	4.3%
					$2,511	48.5%
Pittsburgh	Sovereign Bank	Banco Santander, S.A.	Reading	PA	$ 644	16.0%
	Ally Bank	**	Horsham	PA	496	12.3%
	ING Bank, FSB *	**	Wilmington	DE	479	11.9%
	PNC Bank, National Association	The PNC Financial Services Group, Inc.	Pittsburgh	PA	442	11.0%
	Chase Bank USA, N.A.	JPMorgan Chase & Co.	Newark	DE	242	6.0%
					$2,303	57.2%
Atlanta	Bank of America, National Association	Bank of America Corporation	Charlotte	NC	$1,919	23.1%
	Branch Banking and Trust Company *	**	Winston Salem	NC	656	7.9%
	Regions Bank	**	Birmingham	AL	466	5.6%
	Navy Federal Credit Union	**	Vienna	VA	380	4.6%
	SunTrust Bank	**	Atlanta	GA	333	4.0%
					$3,754	45.2%

District	Name	Holding Company Name (1)	City	State	Capital Stock	Percent of FHLBank Capital Stock (2)
Cincinnati	U.S. Bank, N.A.	U.S. Bancorp	Cincinnati	OH	$ 591	15.8%
	PNC Bank, National Association	The PNC Financial Services Group, Inc.	Pittsburgh	PA	404	10.8%
	Fifth Third Bank	**	Cincinnati	OH	401	10.7%
	The Huntington National Bank	**	Columbus	OH	241	6.4%
	Keybank, NA	**	Brooklyn	OH	179	4.8%
					$1,816	48.5%
Indianapolis	Flagstar Bank, FSB *	**	Troy	MI	$ 373	15.0%
	LaSalle Bank Midwest NA (4)	Bank of America Corporation	Charlotte	NC	334	13.5%
	Fifth Third Bank	**	Cincinnati	OH	150	6.1%
	Citizens Bank	**	Flint	MI	123	5.0%
	Jackson National Life Insurance Co.	**	Lansing	MI	118	4.7%
					$1,098	44.3%
Chicago	Bank of America, National Association (5)	Bank of America Corporation	Chicago	IL	$ 230	8.2%
	One Mortgage Partners Corp.	JPMorgan Chase & Co.	Chicago	IL	172	6.2%
	M & I Marshall & Ilsley Bank	**	Milwaukee	WI	152	5.5%
	PNC Bank, National Association (6)	The PNC Financial Services Group, Inc.	Clarendon Hills	IL	146	5.2%
	Harris National Association	**	Chicago	IL	140	5.0%
					$ 840	30.1%
Des Moines	Superior Guaranty Insurance Company	Wells Fargo & Company	Minneapolis	MN	$ 269	10.9%
	Transamerica Life Insurance Company	**	Cedar Rapids	IA	253	10.2%
	Aviva Life and Annuity Company	**	Des Moines	IA	141	5.7%
	TCF National Bank (7)	**	Sioux Falls	SD	128	5.2%
	ING USA Annuity and Life Insurance Company	**	Des Moines	IA	68	2.8%
					$ 859	34.8%
Dallas	Wells Fargo Bank South Central, NA (8)	Wells Fargo & Company	Houston	TX	$ 799	31.4%
	Comerica Bank	**	Dallas	TX	271	10.7%
	International Bank of Commerce	**	Laredo	TX	62	2.4%
	Beal Bank Nevada (9)	**	Las Vegas	NV	42	1.7%
	Bank of Texas, N.A.	**	Dallas	TX	40	1.6%
					$1,214	47.8%
Topeka	MidFirst Bank	**	Oklahoma City	OK	$ 179	11.0%
	Capitol Federal Savings Bank	**	Topeka	KS	134	8.2%
	Pacific Life Insurance Company	**	Omaha	NE	76	4.7%
	Security Life of Denver Insurance	**	Denver	CO	76	4.6%
	Security Benefit Life	**	Topeka	KS	65	4.0%
					$ 530	32.5%
San Francisco	Citibank, NA *	Citigroup Inc.	Las Vegas	NV	$3,877	28.9%
	JPMorgan Chase Bank National Association	JPMorgan Chase & Co.	Columbus	OH	2,695	20.1%
	Wells Fargo Bank, NA (10)	Wells Fargo & Company	Sioux Falls	SD	1,567	11.7%
	Bank of America California, N.A.	Bank of America Corporation	San Francisco	CA	706	5.3%
	Bank of The West	**	San Francisco	CA	496	3.7%
					$9,341	69.7%
Seattle	JPMorgan Chase Bank, National Association (11)	JPMorgan Chase & Co.	Columbus	OH	$ 772	27.6%
	Bank of America Oregon, NA	Bank of America Corporation	Portland	OR	584	20.9%
	Washington Federal Savings and Loan Association	**	Seattle	WA	143	5.1%
	American Savings Bank, F.S.B.	**	Honolulu	HI	98	3.5%
	Sterling Savings Bank	**	Spokane	WA	89	3.2%
					$1,686	60.3%

* An asterisk indicates that an officer or director of the member was an FHLBank director at December 31, 2009.

** See note (1) as to which holding company names are listed.

(1) The holding company name is only shown for each Top 5 regulatory capital stockholder that has its holding company listed in the "Top 10 Regulatory Capital Stockholders by Holding Company" table.

(2) For consistency with the individual FHLBank's presentation of its top 5 capital stockholders at December 31, 2009, 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.

(3) TD Bank, N.A. classified as a non-member shareholder of the FHLBank of Boston.

(4) As of October 17, 2008, the North American bank holding company of the LaSalle Bank charter was consolidated into a Bank of America Corporation charter located in another FHLBank district. Therefore, Bank of America is a non-member borrower with respect to FHLBank of Indianapolis.

(5) On October 17, 2008, LaSalle Bank, N.A. was merged into Bank of America, National Association and became ineligible for membership in the FHLBank of Chicago because Bank of America, N.A. has its principal place of business in Charlotte, North Carolina, outside the FHLBank of Chicago's membership district.

(6) MidAmerica Bank, FSB became ineligible for membership in the FHLBank of Chicago due to an out-of-district merger with National City Bank, effective February 9, 2008. Its capital stock was reclassified to mandatorily redeemable capital stock at the time. Effective November 6, 2009, National City Bank merged into PNC Bank, National Association.

(7) Effective April 6, 2009, TCF National Bank relocated their charter from Wayzata, MN to Sioux Falls, SD.

(8) Wells Fargo Bank South Central, NA formerly Wachovia Bank, FSB

(9) Beal Bank Nevada is chartered in Las Vegas, NV, but maintains its home office in Plano, TX.

(10) On December 31, 2008, Wells Fargo & Company, a non-member, acquired Wachovia Corporation, the parent company of Wachovia Mortgage, FSB. Wachovia Mortgage, FSB, operated as a separate entity and continued to be a member of the FHL Bank of San Francisco until its merger into Wells Fargo Bank, N.A., a subsidiary of Wells Fargo & Company, on November 1, 2009. Effective November 1, 2009, Wells Fargo Financial National Bank, an affiliate of Wells Fargo & Company, became a member of the FHLBank of San Francisco, and the FHLBank of San Francisco allowed the transfer of excess capital stock totaling $5 million from Wachovia Mortgage, FSB, to Wells Fargo Financial National Bank to enable Wells Fargo Financial National Bank to satisfy its initial membership stock requirement. As a result of the merger, Wells Fargo Bank, N.A., assumed all outstanding FHLBank of San Francisco advances and the remaining FHLBank of San Francisco capital stock of Wachovia Mortgage, FSB. The FHLBank of San Francisco reclassified the capital stock transferred to Wells Fargo Bank, N.A., totaling $1.6 billion, to mandatorily redeemable capital stock (a liability).

(11) As of October 7, 2008, JPMorgan Chase Bank, N.A. (formerly Washington Mutual Bank, F.S.B.) was classified as a non-member shareholder and no longer could enter into new advances or renew existing advances with the FHLBank of Seattle.

Top 5 Advance Holding Borrowers by FHLBank at December 31, 2009 (Dollar amounts in millions)

District	Name	Holding Company Name (1)	City	State	Advances (2)	Percent of FHLBank Advances (3)
Boston	RBS Citizens, N.A. *	UK Financial Investments Limited	Providence	RI	$10,713	29.0%
	Bank of America Rhode Island, N.A.	Bank of America Corporation	Providence	RI	3,059	8.3%
	NewAlliance Bank	**	New Haven	CT	1,752	4.7%
	Salem Five Cents Savings Bank	**	Salem	MA	610	1.7%
	Washington Trust Company	**	Westerly	RI	607	1.6%
					$16,741	45.3%
New York	Hudson City Savings Bank *	Hudson City Bancorp, Inc	Paramus	NJ	$17,275	19.0%
	Metropolitan Life Insurance Company	MetLife, Inc.	New York	NY	13,680	15.1%
	New York Community Bank *	**	Westbury	NY	7,343	8.1%
	Manufacturers and Traders Trust Company	**	Buffalo	NY	5,006	5.5%
	The Prudential Insurance Co. of America	**	Newark	NJ	3,500	3.9%
					$46,804	51.6%
Pittsburgh	Sovereign Bank	Banco Santander, S.A.	Reading	PA	$11,595	29.2%
	Ally Bank (4)	**	Horsham	PA	5,133	12.9%
	PNC Bank, National Association	The PNC Financial Services Group, Inc.	Pittsburgh	PA	4,500	11.3%
	ING Bank, FSB *	**	Wilmington	DE	2,563	6.4%
	Citizens Bank of Pennsylvania	UK Financial Investments Limited	Philadelphia	PA	1,605	4.1%
					$25,396	63.9%

District	Name	Holding Company Name (1)	City	State	Advances (2)	Percent of FHLBank Advances (3)
Atlanta	Bank of America, National Association	Bank of America Corporation	Charlotte	NC	$37,363	34.0%
	Branch Banking and Trust Company *	**	Winston Salem	NC	10,687	9.7%
	Regions Bank	**	Birmingham	AL	8,284	7.5%
	Navy Federal Credit Union	**	Vienna	VA	6,843	6.2%
	Capital One, National Association	**	Mclean	VA	3,202	2.9%
					$66,379	60.3%
Cincinnati	U.S. Bank, N.A.	U.S. Bancorp	Cincinnati	OH	$ 9,315	26.5%
	PNC Bank, National Association (5)	The PNC Financial Services Group, Inc.	Pittsburgh	PA	4,282	12.2%
	Fifth Third Bank	**	Cincinnati	OH	2,538	7.2%
	New York Community Bank (6)	**	Westbury	NY	1,635	4.7%
	RBS Citizens, N.A. (7)	UK Financial Investments Limited	Providence	RI	1,269	3.6%
					$19,039	54.2%
Indianapolis	Flagstar Bank *	**	Troy	MI	$ 3,900	18.0%
	Jackson National Life Insurance Company	**	Lansing	MI	1,750	8.1%
	LaSalle Bank Midwest, N.A. (8)	Bank of America Corporation	Charlotte	NC	1,450	6.7%
	Citizens Bank	**	Flint	MI	1,280	5.9%
	First Indiana (9)	**	Milwaukee	WI	800	3.7%
					$ 9,180	42.4%
Chicago	Harris National Association	**	Chicago	IL	$ 2,375	9.9%
	Bank of America, National Association	Bank of America Corporation	Chicago	IL	2,251	9.4%
	M & I Marshall & Ilsley Bank	**	Milwaukee	WI	2,251	9.4%
	State Farm Bank, F.S.B	**	Bloomington	IL	1,400	5.9%
	PNC Bank, National Association	The PNC Financial Services Group, Inc.	Clarendon Hills	IL	1,310	5.5%
					$ 9,587	40.1%
Des Moines	Transamerica Life Insurance Company	**	Cedar Rapids	IA	$ 5,450	15.6%
	Aviva Life and Annuity Company (10)	**	Des Moines	IA	2,955	8.4%
	TCF National Bank (11)	**	Sioux Falls	SD	2,650	7.6%
	Superior Guaranty Insurance Company	Wells Fargo & Company	Minneapolis	MN	1,625	4.6%
	ING USA Annuity and Life Insurance Company	**	Des Moines	IA	1,304	3.7%
					$13,984	39.9%
Dallas	Wells Fargo Bank South Central, NA (12)	Wells Fargo & Company	Houston	TX	$18,247	38.9%
	Comerica Bank	**	Dallas	TX	6,000	12.8%
	International Bank of Commerce	**	Laredo	TX	1,244	2.7%
	Bank of Texas, N.A.	**	Dallas	TX	901	1.9%
	Southside Bank *	**	Tyler	TX	855	1.8%
					$27,247	58.1%
Topeka	MidFirst Bank	**	Oklahoma City	OK	$ 3,500	16.0%
	Capitol Federal Savings Bank	**	Topeka	KS	2,426	11.1%
	Pacific Life Insurance Co.	**	Omaha	NE	1,500	6.9%
	Security Life of Denver Insurance	**	Denver	CO	1,500	6.9%
	Security Benefit Life (13)	**	Topeka	KS	1,259	5.8%
					$10,185	46.7%
San Francisco	Citibank, NA *	Citigroup Inc.	Las Vegas	NV	$46,544	35.2%
	JPMorgan Chase Bank, National Association	JPMorgan Chase & Co.	Columbus	OH	20,622	15.6%
	Wells Fargo Bank, NA (14)	Wells Fargo & Company	Sioux Falls	SD	14,695	11.1%
	Bank of America California, NA	Bank of America Corporation	San Francisco	CA	9,304	7.0%
	Bank of the West	**	San Francisco	CA	6,805	5.1%
					$97,970	74.0%
Seattle	Bank of America Oregon, NA	Bank of America Corporation	Portland	OR	$ 6,861	31.4%
	JPMorgan Chase Bank, N.A. (15)	JPMorgan Chase & Co.	Columbus	OH	2,170	9.9%
	Washington Federal Savings and Loan Association	**	Seattle	WA	2,050	9.4%
	Capmark Bank	**	Midvale	UT	1,158	5.3%
	Sterling Savings Bank	**	Spokane	WA	1,155	5.3%
					$13,394	61.3%

* An asterisk indicates that an officer or director of the member was an FHLBank director at December 31, 2009.

** See note (1) below as to which holding company names are listed.

(1) The holding company name is only shown for each Top 5 regulatory capital stockholder that has its holding company listed in the "Top 10 Advance Holding Borrowers at Par Value by Holding Company" table.

(2) 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.

(3) For consistency with the individual FHLBank's presentation of its top 5 advance holders at December 31, 2009, 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.

(4) Ally Bank, formerly known as GMAC Bank. For FHLBank of Pittsburgh membership purposes, principal place of business is Horsham, PA.

(5) PNC Bank, National Association, formerly National City Bank.

(6) New York Community Bank assumed advances of AmTrust Bank during 2009.

(7) RBS Citizens, N.A., does not have a charter in the FHLBank of Cincinnati's district, and therefore is not a member.

(8) The parent company of Bank of America, National Association purchased FHLBank of Indianapolis member, La Salle Bank Midwest, N.A. on October 1, 2007. As of October 17, 2008, the North American bank holding company of the LaSalle Bank charter was consolidated into a Bank of America Corporation charter located in another FHLBank district. Therefore, Bank of America is a non-member borrower with respect to FHLBank of Indianapolis.

(9) On January 2, 2008, M&I acquired FHLBank of Indianapolis former member, First Indiana. M&I does not have a charter in its district and is not a member of FHLBank of Indianapolis.

(10) Transamerica Life Insurance Company and Aviva Life and Annuity Company have not signed new collateral maintenance agreements with the FHLBank of Des Moines and therefore cannot initiate new advances. At December 31, 2009 the remaining weighted average life of advances held by Transamerica Life Insurance Company and Aviva Life and Annuity Company was 5.00 years and 4.46 years. See additional discussion regarding the FHLBank of Des Moines collateral agreements in SEC Form 10-K "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Credit Risk—Advances."

(11) Effective April 6, 2009, TCF National Bank relocated their charter from Wayzata, MN to Sioux Falls, SD.

(12) Wells Fargo Bank South Central, NA was formerly Wachovia Bank, FSB.

(13) Security Benefit Life Insurance Co. has received the following rating downgrades: CCC by Fitch Ratings (Fitch) as of June 1, 2009; B by A.M. Best Company as of February 27, 2009; and BB by S&P as of February 24, 2009 (placed on CreditWatch Negative on June 9, 2009). Moody's downgraded Security Benefit Life Insurance Co. to Baa3 on October 8, 2008 and subsequently withdrew its rating. On February 16, 2010, subsequent to the announcement of the agreement for Guggenheim Partners, LLC to acquire Security Benefit Corporation, holding company for Security Benefit Life Insurance Co., S&P revised the CreditWatch status of its BB counterparty credit and financial strength ratings on Security Benefit Life Insurance Co. to positive from negative. On February 17, 2010, Fitch placed the CCC rating for Security Benefit Life Insurance Co. on Rating Watch Positive.

(14) On December 31, 2008, Wells Fargo & Company, a non-member, acquired Wachovia Corporation, the parent company of Wachovia Mortgage, FSB. Wachovia Mortgage, FSB, continued to operate as a separate entity and continued to be a member of the FHLBank of San Francisco until its merger into Wells Fargo Bank, N.A., a subsidiary of Wells Fargo & Company, on November 1, 2009. Effective November 1, 2009, Wells Fargo Financial National Bank, an affiliate of Wells Fargo & Company, became a member of the FHLBank of San Francisco, and the FHLBank of San Francisco allowed the transfer of excess capital stock totaling $5 million from Wachovia Mortgage, FSB, to Wells Fargo Financial National Bank to enable Wells Fargo Financial National Bank to satisfy its initial membership stock requirement. As a result of the merger, Wells Fargo Bank, N.A., assumed all outstanding FHLBank of San Francisco advances and the remaining FHLBank of San Francisco capital stock of Wachovia Mortgage, FSB. The FHLBank of San Francisco reclassified the capital stock transferred to Wells Fargo Bank, N.A., totaling $1.6 billion, to mandatorily redeemable capital stock (a liability).

(15) As of October 7, 2008, JPMorgan Chase Bank, N.A. (formerly Washington Mutual Bank, F.S.B.) was classified as a non-member shareholder and no longer could enter into new advances or renew existing advances with the FHLBank of Seattle.

AUDIT FEES

The following table sets forth the aggregate fees billed to the FHLBanks by their principal independent public accountant, PricewaterhouseCoopers LLP (dollar amounts in millions):

	2009	2008
Audit fees	$13.2	$12.6
Audit related fees	0.9	0.8
Tax fees	0.1	
All other fees	0.1	0.1
Total fees	$14.3	$13.5

The ***audit fees*** for the years ended December 31, 2009 and 2008 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' SEC filings.

The ***audit-related fees*** for the years ended December 31, 2009 and 2008 were for assurance and related services primarily related to accounting consultations, FHLBank capital plan conversions and internal control reviews.

The ***tax fees*** for the years ended December 31, 2009 were for consultation services primarily related to tax withholding matters.

All ***other fees*** for the years ended December 31, 2009 and 2008 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 AND FOR GENERAL OFFICE OF FINANCE OPERATIONS

The charter of the "audit committee" of the Office of Finance's board of directors is available on the Office of Finance's website at www.fhlb-of.com. This web site address is provided as a matter of convenience only, and its contents are not made part of this report and are not intended to be incorporated by reference into this report.

INDIVIDUAL FHLBANK SELECTED FINANCIAL DATA AND FINANCIAL RATIOS

The following individual FHLBank selected financial data and financial ratios are provided as a convenience to the reader. Each FHLBank provides the Office of Finance with its selected financial data and financial ratios, which may not be calculated on a consistent basis. Please refer to "Explanatory Statement about FHLBanks Combined Financial Report" and "Available Information on Individual FHLBanks," which discusses the independent management and operation of the FHLBanks and their use of different models or assumptions; identifies the availability of other information about the FHLBanks; and describes where to find the periodic reports and other information filed by each FHLBank with the SEC.

Individual FHLBank Selected Financial Data and Financial Ratios
(Dollar amounts in millions)

	Boston	New York	Pittsburgh	Atlanta
SELECTED STATEMENT OF CONDITION DATA				
At December 31, 2009				
Assets				
Advances	$37,591	$ 94,349	$41,177	$114,580
Mortgage loans, net	3,506	1,317	5,163	2,522
Investments, including MBS (1)	20,947	16,222	17,173	32,940
Other assets	443	2,573	1,778	1,269
Total assets	62,487	114,461	65,291	151,311
Total consolidated obligations	57,687	104,836	59,313	138,577
Retained earnings	142	689	389	873
Total capital stock	3,643	5,059	4,018	8,124
Asset composition (as a percentage of total assets):				
Advances	60.2%	82.4%	63.1%	75.7%
Mortgage loans, net	5.6%	1.2%	7.9%	1.7%
Investments, including MBS (1)	33.5%	14.2%	26.3%	21.8%
Other assets	0.7%	2.2%	2.7%	0.8%
Total assets	100.0%	100.0%	100.0%	100.0%
Retained earnings as a percentage of FHLBank's total assets	0.2%	0.6%	0.6%	0.6%
Bank's total assets as a percentage of FHLBank System's total assets	6.1%	11.3%	6.4%	14.9%
At December 31, 2008				
Assets				
Advances	$56,926	$109,153	$62,153	$165,856
Mortgage loans, net	4,154	1,457	6,165	3,251
Investments, including MBS (1)	18,864	26,365	21,798	38,376
Other assets	409	565	690	1,081
Total assets	80,353	137,540	90,806	208,564
Total consolidated obligations	74,726	128,587	84,263	193,376
Retained earnings	(20)	383	170	435
Total capital stock	3,585	5,585	3,982	8,463
Asset composition (as a percentage of total assets):				
Advances	70.8%	79.4%	68.4%	79.5%
Mortgage loans, net	5.2%	1.1%	6.8%	1.6%
Investments, including MBS(1)	23.5%	19.2%	24.0%	18.4%
Other assets	0.5%	0.3%	0.8%	0.5%
Total assets	100.0%	100.0%	100.0%	100.0%
Retained earnings as a percentage of FHLBank's total assets	0.0%	0.3%	0.2%	0.2%
Bank's total assets as a percentage of FHLBank System's total assets	6.0%	10.2%	6.7%	15.5%

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

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$35,818	$22,443	$24,148	$35,720	$47,263	$22,254	$133,559	$ 22,257
9,366	7,272	23,838	7,717	259	3,334	3,037	4,106
24,193	14,994	36,793	20,790	13,492	16,348	47,006	23,817
2,010	1,890	3,295	430	4,078	696	9,260	914
71,387	46,599	88,074	64,657	65,092	42,632	192,862	51,094
64,409	42,158	80,364	59,912	60,278	39,112	180,299	48,264
412	349	708	484	356	355	1,239	52
3,063	1,726	2,328	2,461	2,532	1,603	8,575	1,850
50.2%	48.2%	27.4%	55.2%	72.6%	52.2%	69.3%	43.6%
13.1%	15.6%	27.1%	11.9%	0.4%	7.8%	1.6%	8.0%
33.9%	32.2%	41.8%	32.2%	20.7%	38.3%	24.4%	46.6%
2.8%	4.0%	3.7%	0.7%	6.3%	1.7%	4.7%	1.8%
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
0.6%	0.7%	0.8%	0.7%	0.5%	0.8%	0.6%	0.1%
7.0%	4.6%	8.7%	6.4%	6.4%	4.2%	19.0%	5.0%
$53,916	$31,249	$38,140	$41,897	$60,920	$35,820	$235,664	$ 36,944
8,632	8,780	32,087	10,685	327	3,024	3,712	5,087
35,325	15,757	21,183	15,368	17,388	19,436	60,671	16,005
333	1,074	719	179	298	277	21,197	326
98,206	56,860	92,129	68,129	78,933	58,557	321,244	58,362
91,729	52,163	84,771	62,784	73,360	53,683	304,933	54,469
326	283	540	382	216	157	176	(79)
3,962	1,879	2,386	2,781	3,224	2,240	9,616	1,848
54.9%	55.0%	41.4%	61.5%	77.2%	61.2%	73.4%	63.3%
8.8%	15.4%	34.8%	15.7%	0.4%	5.2%	1.2%	8.7%
36.0%	27.7%	23.0%	22.6%	22.0%	33.2%	18.9%	27.4%
0.3%	1.9%	0.8%	0.2%	0.4%	0.4%	6.5%	0.6%
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
0.3%	0.5%	0.6%	0.6%	0.3%	0.3%	0.1%	(0.1)%
7.3%	4.2%	6.8%	5.0%	5.9%	4.3%	23.8%	4.3%

Individual FHLBank Selected Financial Data and Financial Ratios (continued)
(Dollar amounts in millions)

	Boston	New York	Pittsburgh	Atlanta
SELECTED OTHER DATA				
At December 31, 2009				
Advance concentrations (%): top five borrowers	45%	52%	64%	60%
Capital stock concentrations (%): top five stockholders	51%	48%	55%	45%
Regulatory capital ratio (%)	6.2%	5.1%	6.8%	6.1%
Cash and stock dividends				
2009	$	$ 265	$	$ 24
2008	130	294	145	288
2009 vs. 2008 (decrease) increase	(130)	(29)	(145)	(264)
2007	159	273	196	383
2008 vs. 2007 (decrease) increase	(29)	21	(51)	(95)
Weighted-average dividend rate				
2009	0.00%	5.60%	0.00%	0.31%
2008	3.86%	5.20%	3.64%	3.54%
2007	6.62%	7.86%	5.96%	5.98%
Return on average assets				
2009	(0.27)%	0.45%	(0.05)%	0.16%
2008	(0.14)%	0.22%	0.02%	0.13%
2007	0.30%	0.36%	0.29%	0.28%
Return on average equity				
2009	(6.49)%	10.02%	(0.98)%	3.58%
2008	(3.17)%	4.95%	0.45%	2.95%
2007	6.96%	7.85%	6.47%	6.47%
Net interest spread				
2009	0.36%	0.49%	0.26%	0.14%
2008	0.26%	0.41%	0.16%	0.24%
2009 vs. 2008 increase (decrease)	0.10%	0.08%	0.10%	(0.10)%
2007	0.26%	0.30%	0.25%	0.19%
2008 vs. 2007 increase (decrease)	0.00%	0.11%	(0.09)%	0.05%
Net interest income as a percentage of average earning assets (net interest margin)				
2009	0.44%	0.56%	0.36%	0.22%
2008	0.41%	0.59%	0.29%	0.42%
2009 vs. 2008 increase (decrease)	0.03%	(0.03)%	0.07%	(0.20)%
2007	0.48%	0.56%	0.45%	0.44%
2008 vs. 2007 (decrease) increase	(0.07)%	0.03%	(0.16)%	(0.02)%

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
54%	42%	40%	40%	58%	47%	74%	61%
49%	44%	30%	35%	48%	33%	70%	60%
5.8%	6.1%	5.1%	4.6%	4.5%	4.6%	7.6%	5.6%
$ 182	$ 54	$	$ 44	$ 8	$ 42	$ 22	$
197	103		106	75	80	528	29
(15)	(49)		(62)	(67)	(38)	(506)	(29)
238	87	58	84	108	114	568	14
(41)	16	(58)	22	(33)	(34)	(40)	15
4.63%	2.83%	0.00%	1.50%	0.28%	2.61%	0.21%	0.00%
5.31%	5.01%	0.00%	3.87%	2.58%	4.34%	3.93%	1.14%
6.59%	4.62%	2.18%	4.31%	5.17%	6.00%	5.20%	0.66%
0.32%	0.23%	(0.07)%	0.21%	0.21%	0.48%	0.21%	(0.30)%
0.25%	0.32%	(0.13)%	0.18%	0.11%	0.05%	0.14%	(0.29)%
0.32%	0.24%	0.11%	0.21%	0.24%	0.29%	0.25%	0.12%
6.38%	5.94%	(3.24)%	4.46%	4.92%	11.24%	5.83%	(13.94)%
5.73%	8.14%	(4.13)%	3.88%	2.52%	1.17%	3.54%	(7.84)%
6.87%	5.87%	3.10%	4.25%	5.58%	6.93%	5.80%	3.00%
0.36%	0.41%	0.55%	0.17%	0.06%	0.47%	0.68%	0.34%
0.22%	0.31%	0.10%	0.18%	0.06%	0.29%	0.33%	0.13%
0.14%	0.10%	0.45%	(0.01)%	0.00%	0.18%	0.35%	0.21%
0.24%	0.17%	0.11%	0.07%	0.16%	0.20%	0.12%	0.07%
(0.02)%	0.14%	(0.01)%	0.11%	(0.10)%	0.09%	0.21%	0.06%
0.46%	0.52%	0.65%	0.28%	0.11%	0.53%	0.73%	0.40%
0.39%	0.48%	0.22%	0.35%	0.20%	0.43%	0.44%	0.27%
0.07%	0.04%	0.43%	(0.07)%	(0.09)%	0.10%	0.29%	0.13%
0.50%	0.41%	0.30%	0.37%	0.40%	0.44%	0.36%	0.29%
(0.11)%	0.07%	(0.08)%	(0.02)%	(0.20)%	(0.01)%	0.08%	(0.02)%