FEDERAL HOME LOAN BANKS

Combined Financial Report for the Quarterly Period Ended March 31, 2013

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

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

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

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

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

The financial information contained in this Combined Financial Report is for the quarterly period ended March 31, 2013. This Combined Financial Report should be read in conjunction with the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2012, issued on March 29, 2013. Combined Financial Reports are available on the Federal Home Loan Banks Office of Finance web site at www.fhlb-of.com. This web site address is provided as a matter of convenience only, and its contents are not made part of this report and are not intended to be incorporated by reference into this report.

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

This Combined Financial Report was issued on May 14, 2013.

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

EXPLANATORY STATEMENT ABOUT
FEDERAL HOME LOAN BANKS COMBINED FINANCIAL REPORT

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

The FHLBanks Combined Financial Report is intended to be used by investors in consolidated obligations (consolidated bonds and consolidated discount notes) of the FHLBanks as these are the joint and several obligations of all 12 FHLBanks. This Combined Financial Report is provided using combination accounting principles generally accepted in the United States of America. This combined presentation in no way indicates that these assets and liabilities are under joint management and control as each individual FHLBank manages its operations independently.

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

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

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

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

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CONDITION
(Unaudited)

(dollars in millions, except par value)	March 31, 2013	December 31, 2012
Assets		
Cash and due from banks	$ 10,186	$ 18,560
Interest-bearing deposits	1,006	1,007
Securities purchased under agreements to resell	26,629	35,839
Federal funds sold	48,041	44,010
Investment securities		
Trading securities *(Note 3)*	12,493	11,133
Available-for-sale securities *(Note 4)*	66,529	65,733
Held-to-maturity securities fair value of $107,769 and $111,167 *(Note 5)*	104,754	108,103
Total investment securities	183,776	184,969
Advances, includes $7,897 and $7,900 at fair value held under fair value option *(Note 7)*	418,297	425,750
Mortgage loans held for portfolio, net		
Mortgage loans held for portfolio *(Note 8)*	48,076	49,557
Allowance for credit losses on mortgage loans *(Note 9)*	(123)	(132)
Total mortgage loans held for portfolio, net	47,953	49,425
Accrued interest receivable	1,235	1,255
Premises, software and equipment, net	222	213
Derivative assets, net *(Note 10)*	763	815
Other assets	598	611
Total assets	$ 738,706	$ 762,454
Liabilities		
Deposits *(Note 11)*		
Interest-bearing	$ 12,360	$ 12,159
Non-interest-bearing	1,016	1,562
Total deposits	13,376	13,721
Consolidated obligations *(Note 12)*		
Discount notes, includes $3,375 and $3,198 at fair value held under fair value option	192,977	216,282
Bonds, includes $41,135 and $47,645 at fair value held under fair value option	476,387	475,856
Total consolidated obligations	669,364	692,138
Mandatorily redeemable capital stock	6,070	6,929
Accrued interest payable	1,784	1,400
Affordable Housing Program payable	759	746
Derivative liabilities, net *(Note 10)*	2,362	2,544
Other liabilities	1,288	1,427
Subordinated notes	1,000	1,000
Total liabilities	696,003	719,905
Commitments and contingencies *(Note 16)*		
Capital *(Note 13)*		
Capital stock		
Class B putable ($100 par value) issued and outstanding shares	32,131	33,021
Class A putable ($100 par value) issued and outstanding shares	487	514
Total capital stock	32,618	33,535
Retained earnings		
Unrestricted	8,217	7,935
Restricted	2,699	2,589
Total retained earnings	10,916	10,524
Accumulated other comprehensive income (loss) *(Note 14)*	(831)	(1,510)
Total capital	42,703	42,549
Total liabilities and capital	$ 738,706	$ 762,454

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF INCOME
(Unaudited)

(dollars in millions)	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Interest income		
Advances	$ 645	$ 832
Prepayment fees on advances, net	30	89
Interest-bearing deposits	4	2
Securities purchased under agreements to resell	13	7
Federal funds sold	21	14
Trading securities	57	93
Available-for-sale securities	345	386
Held-to-maturity securities	558	697
Mortgage loans	493	590
Other	—	2
Total interest income	2,166	2,712
Interest expense		
Consolidated obligations - Discount notes	137	110
Consolidated obligations - Bonds	1,135	1,526
Deposits	—	1
Subordinated notes	14	14
Mandatorily redeemable capital stock	30	16
Total interest expense	1,316	1,667
Net interest income	850	1,045
Provision (reversal) for credit losses	(4)	12
Net interest income after provision (reversal) for credit losses	854	1,033
Non-interest income		
Other-than-temporary impairment losses		
Total other-than-temporary impairment losses	(5)	(25)
Net amount of impairment losses reclassified to/(from) accumulated other comprehensive income (loss)	—	(6)
Net other-than-temporary impairment losses	(5)	(31)
Net gains (losses) on trading securities	(48)	(74)
Net realized gains (losses) from sale of available-for-sale securities	1	—
Net gains (losses) on financial instruments held under fair value option	(4)	5
Net gains (losses) on derivatives and hedging activities	65	139
Other, net	19	(14)
Total non-interest income	28	25
Non-interest expense		
Compensation and benefits	126	131
Other operating expenses	77	75
Federal Housing Finance Agency	16	21
Office of Finance	13	11
Other	2	4
Total non-interest expense	234	242
Income before assessments	648	816
Assessments		
Affordable Housing Program	68	83
Total assessments	68	83
Net income	$ 580	$ 733

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

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

	Three Months Ended March 31,	
(dollars in millions)	2013	2012
Net income	$ 580	$ 733
Other comprehensive income		
Net unrealized gains/losses on available-for-sale securities		
Unrealized gains (losses)	(51)	(41)
Total net unrealized gains/losses on available-for-sale securities	(51)	(41)
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities		
Reclassification of (gains) losses included in net income	1	1
Total net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities	1	1
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities		
Non-credit portion other-than-temporary impairment losses transferred from held-to-maturity securities	(4)	(7)
Net change in fair value of other-than-temporary impaired securities	430	427
Reclassification of non-credit portion included in net income	4	18
Reclassification of (gains) losses included in net income	(1)	—
Unrealized gains (losses)	156	152
Total net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	585	590
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities		
Non-credit portion other-than-temporary impairment losses	(4)	(13)
Reclassification of non-credit portion included in net income	—	1
Accretion of non-credit portion	40	51
Transfer of non-credit portion from held-to-maturity securities to available-for-sale securities	4	7
Total net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	40	46
Net unrealized gains/losses relating to hedging activities		
Unrealized gains (losses)	105	66
Reclassification of (gains) losses included in net income	(2)	—
Total net unrealized gains/losses relating to hedging activities	103	66
Pension and postretirement benefits	1	—
Total other comprehensive income	679	662
Total comprehensive income	$ 1,259	$ 1,395

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CAPITAL
THREE MONTHS ENDED MARCH 31, 2013 AND 2012
(Unaudited)

	Capital Stock - Putable			
	Class B		Class A	
(dollars and shares in millions)	Shares	Par Value	Shares	Par Value
Balance, December 31, 2011	325	$ 32,485	6	$ 655
Proceeds from issuance of capital stock	15	1,555	—	—
Repurchase/redemption of capital stock	(21)	(2,084)	—	—
Net shares reclassified (to)/from mandatorily redeemable capital stock	(3)	(296)	—	(18)
Conversion to/transfer between Class B and Class A shares	24	2,355	—	47
Comprehensive income	—	—	—	—
Dividends on capital stock				
Cash	—	—	—	—
Stock	—	9	—	—
Balance, March 31, 2012	340	$ 34,024	6	$ 684
Balance, December 31, 2012	332	$ 33,021	5	$ 514
Proceeds from issuance of capital stock	28	2,984	—	—
Repurchase/redemption of capital stock	(37)	(3,691)	—	(51)
Net shares reclassified (to)/from mandatorily redeemable capital stock	—	(111)	—	(57)
Transfer between Class B and Class A shares	(1)	(81)	1	81
Comprehensive income	—	—	—	—
Dividends on capital stock				
Cash	—	—	—	—
Stock	—	9	—	—
Balance, March 31, 2013	322	$ 32,131	6	$ 487

Capital Stock - Putable				Retained Earnings			Accumulated Other Comprehensive Income (Loss)	Total Capital
Pre-conversion		Total						
Shares	Par Value	Shares	Par Value	Unrestricted	Restricted	Total		
24	$ 2,402	355	$ 35,542	$ 6,603	$ 1,974	$ 8,577	$ (4,298)	$ 39,821
—	—	15	1,555	—	—	—	—	1,555
—	—	(21)	(2,084)	—	—	—	—	(2,084)
—	—	(3)	(314)	—	—	—	—	(314)
(24)	(2,402)	—	—	—	—	—	—	—
—	—	—	—	461	272	733	662	1,395
—	—	—	—	(150)	—	(150)	—	(150)
—	—	—	9	(9)	—	(9)	—	—
—	$ —	346	$ 34,708	$ 6,905	$ 2,246	$ 9,151	$ (3,636)	$ 40,223
—	$ —	337	$ 33,535	$ 7,935	$ 2,589	$ 10,524	$ (1,510)	$ 42,549
—	—	28	2,984	—	—	—	—	2,984
—	—	(37)	(3,742)	—	—	—	—	(3,742)
—	—	—	(168)	—	—	—	—	(168)
—	—	—	—	—	—	—	—	—
—	—	—	—	470	110	580	679	1,259
—	—	—	—	(179)	—	(179)	—	(179)
—	—	—	9	(9)	—	(9)	—	—
—	$ —	328	$ 32,618	$ 8,217	$ 2,699	$ 10,916	$ (831)	$ 42,703

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

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

(dollars in millions)	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Operating activities		
Net income	$ 580	$ 733
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	8	421
Change in net derivatives and hedging activities	13	(292)
Net other-than-temporary impairment losses	5	31
Other adjustments	4	40
Net change in fair value adjustments on trading securities	48	75
Net change in fair value adjustments on financial instruments held under fair value option	4	(5)
Net change in		
Trading securities	150	—
Accrued interest receivable	21	70
Other assets	(6)	11
Accrued interest payable	383	332
Other liabilities	(43)	(28)
Total adjustments	587	655
Net cash provided by (used in) operating activities	1,167	1,388
Investing activities		
Net change in		
Interest-bearing deposits	755	959
Securities purchased under agreements to resell	9,210	(7,025)
Federal funds sold	(4,031)	(6,184)
Premises, software and equipment	(20)	(7)
Trading securities		
Net decrease (increase) in short-term	(415)	594
Proceeds from long-term	436	2,256
Purchases of long-term	(2,034)	(1,150)
Available-for-sale securities		
Net decrease (increase) in short-term	(500)	(91)
Proceeds from long-term	2,478	4,796
Purchases of long-term	(2,089)	(3,396)
Held-to-maturity securities		
Net decrease (increase) in short-term	1,928	2,292
Proceeds from long-term	7,029	7,431
Purchases of long-term	(5,581)	(6,045)
Advances		
Principal collected	747,388	594,873
Made	(741,179)	(572,224)
Mortgage loans held for portfolio		
Principal collected	3,563	3,608
Purchases	(2,146)	(2,897)
Proceeds from sales of foreclosed assets	38	31
Net cash provided by (used in) investing activities	14,830	17,821

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

(dollars in millions)	Three Months Ended March 31, 2013	2012
Financing activities		
Net change in		
Deposits and pass-through reserves	$ (321)	$ 4,385
Securities sold under agreements to repurchase and other borrowings	—	(434)
Net proceeds (payments) on derivative contracts with financing element	(205)	(282)
Net proceeds from issuance of consolidated obligations		
Discount notes	780,648	714,868
Bonds	76,434	99,360
Payments for maturing and retiring consolidated obligations		
Discount notes	(803,960)	(723,324)
Bonds	(75,003)	(124,776)
Proceeds from issuance of capital stock	2,984	1,555
Payments for repurchase/redemption of mandatorily redeemable capital stock	(1,027)	(418)
Payments for repurchase/redemption of capital stock	(3,742)	(2,084)
Cash dividends paid	(179)	(150)
Net cash provided by (used in) financing activities	(24,371)	(31,300)
Net increase (decrease) in cash and due from banks	(8,374)	(12,091)
Cash and due from banks at beginning of the period	18,560	20,182
Cash and due from banks at end of the period	$ 10,186	$ 8,091
Supplemental disclosures		
Interest paid	$ 1,102	$ 1,513
AHP payments, net	$ 52	$ 54
Transfers of mortgage loans to real estate owned	$ 48	$ 46
Transfers of other-than-temporarily impaired held-to-maturity securities to available-for-sale securities	$ 30	$ 53

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

NOTES TO COMBINED FINANCIAL STATEMENTS (Unaudited)

Background Information

These financial statements present the combined financial position and combined results of operations of the 12 Federal Home Loan Banks (FHLBanks). The FHLBanks are government-sponsored enterprises (GSEs) that serve the public by enhancing the availability of credit for residential mortgages and targeted community development. They are financial cooperatives that provide a readily available, competitively-priced source of funds to their member institutions. All members must purchase stock in their district's FHLBank. On a combined basis, member institutions own most of the FHLBanks' capital stock. Former members (including certain non-members that own FHLBank capital stock as a result of merger or acquisition, relocation, charter termination, or involuntary termination of an FHLBank member) own the remaining capital stock to support business transactions still carried on an FHLBank's statement of condition. All holders of an FHLBank's capital stock may, to the extent declared by that FHLBank's board of directors, receive dividends on their capital stock. Regulated financial depositories and insurance companies engaged in residential housing finance may apply for membership. Additionally, qualified community development financial institutions are eligible to be members of an FHLBank. Housing associates, including state and local housing authorities, that meet certain statutory and regulatory criteria may also borrow from the FHLBanks. While eligible to borrow, housing associates are not members of the FHLBanks and, as such, are not allowed to hold capital stock.

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

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

The Office of Finance is a joint office of the FHLBanks established to facilitate the issuance and servicing of the debt instruments of the FHLBanks, known as consolidated obligations (consolidated bonds and consolidated discount notes), and to prepare the combined quarterly and annual financial reports of the 12 FHLBanks. As provided by the Federal Home Loan Bank Act of 1932, as amended (FHLBank Act), and applicable regulations, consolidated obligations are backed only by the financial resources of the 12 FHLBanks. Consolidated obligations are the primary source of funds for the FHLBanks in addition to deposits, other borrowings and capital stock issued to members. Each FHLBank primarily uses these funds to provide advances to members. Certain FHLBanks also use these funds to acquire mortgage loans from members (acquired member assets) through their respective FHLBank's Mortgage Purchase Program (MPP) or the Mortgage Partnership Finance® (MPF) Program. "Mortgage Partnership Finance," "MPF," "MPF Shared Funding," "eMPF" and "MPF Xtra" are registered trademarks of the FHLBank of Chicago. In addition, some FHLBanks offer correspondent services to their member institutions, including wire transfer, security safekeeping, and settlement services.

Note 1 - Summary of Significant Accounting Policies

These unaudited quarterly combined financial statements do not include all disclosures associated with annual combined financial statements, and accordingly should be read in conjunction with the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2012.

Basis of Presentation

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

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

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

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

2. *Purchases of Consolidated Bonds.* These purchases occur when consolidated bonds issued on behalf of one FHLBank are purchased by another FHLBank in the open market. All purchase transactions occur at market prices with third parties and the purchasing FHLBanks treat these consolidated bonds as investments. Under combination accounting principles, the investment and the consolidated bonds and related contractual interest income and expense are eliminated in combination.

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

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

Reclassifications and Revisions to Prior Period Amounts. During the fourth quarter of 2012, the FHLBank of New York made a change to its accounting policy for the presentation of fair value hedging adjustments related to certain modified advances. As a result of this change, the Combined Statement of Income reflects an adjustment of $29 million, increasing interest income on advances, with an offsetting amount to net losses on derivatives and hedging activities for the three months ended March 31, 2012. Certain other amounts in the 2012 combined financial statements have been reclassified or revised to conform to the financial statement presentation for the three months ended March 31, 2013. Additionally, certain prior period amounts have been revised and may not agree to the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2012. These amounts were not deemed to be material.

Correction of Errors by the FHLBank of Seattle. Subsequent to filing its SEC Form 10-K for the year ended December 31, 2012, and as a result of ongoing enhancements to its statement of cash flows preparation process, the FHLBank of Seattle's management became aware of presentation errors in cash flows from certain financing and investment activities in its statement of cash flows. These errors affected the years ended December 31, 2012, 2011 and 2010; the three months ended March 31, 2012 and 2011; the six months ended June 30, 2012 and 2011; and the nine months ended September 30, 2012 and 2011. At a meeting on April 24, 2013, the FHLBank of Seattle's management discussed the matter with its Board's Audit and Compliance Committee and its independent registered public accounting firm. On April 25, 2013, the FHLBank of Seattle's management and its Board concluded that the referenced financial statements should not be relied upon. The FHLBank of Seattle plans to file an amendment for each of its affected SEC annual reports on Form 10-K/A and SEC quarterly reports on Form 10-Q/A.

The result of the FHLBank of Seattle's restatements will be provided as part of each of the 2013 quarterly and annual Combined Financial Reports. These restatements will be labeled "as restated" for the FHLBank of Seattle's statement of cash flows presented in the *Condensed Combining Schedule - Statements of Cash Flows* for the affected prior periods. Table 1.1 presents the effect of the FHLBank of Seattle's restatements by affected prior period and activity on its statement of cash flows as presented in the *Condensed Combining Schedule - Statements of Cash Flows*.

Table 1.1 - FHLBank of Seattle's Restatement of Prior Period Statements of Cash Flows
(dollars in millions)

	As Reported	As Restated
Year ended December 31, 2011		
Net cash provided by (used in) operating activities	$ 137	$ 148
Net cash provided by (used in) investing activities	7,115	7,113
Net cash provided by (used in) financing activities	(7,252)	(7,261)
Three months ended March 31, 2012		
Net cash provided by (used in) operating activities	20	22
Net cash provided by (used in) investing activities	4,099	4,099
Net cash provided by (used in) financing activities	(4,119)	(4,121)
Six months ended June 30, 2012		
Net cash provided by (used in) operating activities	68	76
Net cash provided by (used in) investing activities	4,022	4,019
Net cash provided by (used in) financing activities	(4,090)	(4,095)
Nine months ended September 30, 2012		
Net cash provided by (used in) operating activities	(27)	(12)
Net cash provided by (used in) investing activities	4,847	4,842
Net cash provided by (used in) financing activities	(4,821)	(4,831)
Year ended December 31, 2012		
Net cash provided by (used in) operating activities	(5)	18
Net cash provided by (used in) investing activities	5,107	5,099
Net cash provided by (used in) financing activities	(5,103)	(5,118)

Given the nature and structure of the FHLBank System as a whole, including the above analysis, the FHLBanks' Office of Finance concluded that the FHLBank of Seattle's presentation errors in each corresponding period's Combined Statement of Cash Flows were not material to the combined financial reports of the FHLBank System.

Subsequent Events. For purposes of this Combined Financial Report, subsequent events have been evaluated from April 1, 2013 through the time of publication. (See *Note 17 - Subsequent Events* for more information.)

Use of Estimates

The preparation of financial statements in accordance with GAAP requires each FHLBank's management to make subjective assumptions and estimates that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expense. The most significant of these estimates include the determination of other-than-temporary impairments of certain mortgage-backed securities (MBS) and fair value of derivatives, certain advances, certain investment securities and certain consolidated obligations that are reported at fair value in the Combined Statement of Condition. Actual results could differ from these estimates significantly.

Fair Value. The fair value amounts, recorded on the Combined Statement of Condition and in the note disclosures for the periods presented, have been determined by the FHLBanks using available market and other pertinent information, and reflect each FHLBank's best judgment of appropriate valuation methods. Although an FHLBank uses its best judgment in estimating the fair value of these financial instruments, there are inherent limitations in any valuation technique. Therefore, these fair values may not be indicative of the amounts that would have been realized in market transactions at the reporting dates. (See *Note 15 - Fair Value* for more information.)

Financial Instruments with Legal Right of Offset

The FHLBanks have certain financial instruments, including derivative instruments and securities purchased under agreements to resell, that are subject to enforceable master netting arrangements or similar agreements. Each of the affected FHLBanks has elected to offset its derivative asset and liability positions, as well as cash collateral received or pledged, when it has the legal right of offset under these master agreements. None of the affected FHLBanks had any offsetting liabilities related to its securities purchased under agreements to resell for the periods presented.

The net exposure for these financial instruments can change on a daily basis; therefore, there may be a delay between the time this exposure change is identified and additional collateral is requested, and the time when this collateral is received or pledged. Likewise, there may be a delay for excess collateral to be returned. For derivative instruments, any excess cash collateral received or pledged is recognized as a derivative liability or derivative asset based on the terms of the individual master agreement between an FHLBank and its derivative counterparty. (See *Note 10 - Derivatives and Hedging Activities* for additional information regarding these agreements.) Based on the fair value of the related collateral held, the securities purchased under agreements to resell were fully collateralized for the periods presented. Additional information about the FHLBanks' investments in securities purchased under agreements to resell is disclosed in *Note 1 - Summary of Significant Accounting Policies*, page F-12, of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2012.

Variable Interest Entities

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

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

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

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

Note 2 - Recently Issued and Adopted Accounting Guidance

Joint and Several Liability Arrangements

On February 28, 2013, the Financial Accounting Standards Board (FASB) issued guidance for the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date. This guidance requires an entity to measure these obligations as the sum of (1) the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (2) any additional amount the reporting entity expects to pay on behalf of its co-obligors. In addition, this guidance requires an entity to disclose the nature and amount of the obligations as well as other information about these obligations. This guidance is effective for interim and annual periods beginning on or after December 15, 2013 and should be applied retrospectively to obligations with joint and several liabilities existing at the beginning of an entity's fiscal year of adoption. This guidance is not expected to materially affect the FHLBanks' combined financial condition, combined results of operations or combined cash flows.

Framework for Adversely Classifying Certain Assets

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

Disclosures about Offsetting Assets and Liabilities

On December 16, 2011, the FASB and the International Accounting Standards Board issued common disclosure requirements intended to help investors and other financial statement users better assess the effect or potential effect of offsetting arrangements on a company's financial position, whether a company's financial statements are prepared on the basis of GAAP or International Financial Reporting Standards. This guidance was amended on January 31, 2013 to clarify that its scope includes only certain financial instruments that are either offset on the balance sheet or are subject to an enforceable master netting arrangement or similar agreement. The FHLBanks are required to disclose both gross and net information about derivative, repurchase and security lending instruments that meet these criteria. This guidance, as amended, became effective for the FHLBanks for interim and annual periods beginning on January 1, 2013 and was applied retrospectively for all comparative periods presented. The adoption of this guidance resulted in additional financial statement disclosures, but did not affect the FHLBanks' combined financial condition, combined results of operations or combined cash flows. (See *Note 1 - Summary of Significant Accounting Policies* and *Note 10 - Derivatives and Hedging Activities* for disclosures related to this accounting guidance.)

Presentation of Comprehensive Income

On February 5, 2013, the FASB issued guidance to improve the transparency of reporting reclassifications out of accumulated other comprehensive income (loss) (AOCI). This guidance does not change the current requirements for reporting net income or comprehensive income in financial statements. However, it requires the FHLBanks to provide information about the amounts reclassified out of AOCI by component. In addition, the FHLBanks are required to present significant amounts reclassified out of AOCI either on the face of the financial statement where net income is presented or in the footnotes. These amounts are presented based on the respective lines of net income only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, the FHLBanks are required to cross-reference to other required disclosures that provide additional detail about these other amounts. This guidance became effective for the FHLBanks for interim and annual periods beginning on January 1, 2013 and was applied prospectively. The adoption of this guidance resulted in additional financial statement disclosures, but did not affect the FHLBanks' combined financial condition, combined results of operations or combined cash flows. (See *Note 14 - Accumulated Other Comprehensive Income (Loss)* for disclosures related to this accounting guidance.)

Note 3 - Trading Securities

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

Fair Value	March 31, 2013	December 31, 2012
Non-mortgage-backed securities		
U.S. Treasury obligations	$ 1,854	$ 1,003
Commercial paper	425	60
Certificates of deposit	375	325
Other U.S. obligations	302	310
GSE and Tennessee Valley Authority obligations	8,135	7,983
State or local housing agency obligations	2	2
Other	307	306
Total non-mortgage-backed securities	11,400	9,989
Mortgage-backed securities		
Other U.S. obligations residential MBS	37	38
GSE residential MBS	811	854
GSE commercial MBS	245	252
Total mortgage-backed securities	1,093	1,144
Total	$ 12,493	$ 11,133

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

	Three Months Ended March 31,	
	2013	2012
Net unrealized gains (losses) on trading securities held at period-end	$ (46)	$ (23)
Net unrealized and realized gains (losses) on trading securities sold/matured during the year	(2)	(51)
Net gains (losses) on trading securities	$ (48)	$ (74)

Note 4 - Available-for-Sale Securities

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

	March 31, 2013				
	Amortized Cost(1)	OTTI Recognized in AOCI(2)	Gross Unrealized Gains(3)	Gross Unrealized Losses(3)	Fair Value
Non-mortgage-backed securities					
Certificates of deposit	$ 500	$ —	$ —	$ —	$ 500
Other U.S. obligations	2,475	—	81	—	2,556
GSE and Tennessee Valley Authority obligations	14,077	—	151	(49)	14,179
State and local housing agency obligations	19	—	—	—	19
Federal Family Education Loan Program ABS	6,794	—	509	(13)	7,290
Other	1,341	—	17	(26)	1,332
Total non-mortgage-backed securities	25,206	—	758	(88)	25,876
Mortgage-backed securities					
Other U.S. obligations residential MBS	3,517	—	185	(2)	3,700
GSE residential MBS	22,308	—	959	(49)	23,218
GSE commercial MBS	44	—	—	—	44
Private-label residential MBS	14,103	(777)	351	(1)	13,676
Home equity loan ABS	14	—	1	—	15
Total mortgage-backed securities	39,986	(777)	1,496	(52)	40,653
Total	$ 65,192	$ (777)	$ 2,254	$ (140)	$ 66,529

	December 31, 2012				
	Amortized Cost(1)	OTTI Recognized in AOCI(2)	Gross Unrealized Gains(3)	Gross Unrealized Losses(3)	Fair Value
Non-mortgage-backed securities					
Other U.S. obligations	$ 1,999	$ —	$ 80	$ —	$ 2,079
GSE and Tennessee Valley Authority obligations	14,136	—	119	(56)	14,199
State and local housing agency obligations	20	—	—	—	20
Federal Family Education Loan Program ABS	6,958	—	508	(14)	7,452
Other	1,362	—	10	(29)	1,343
Total non-mortgage-backed securities	24,475	—	717	(99)	25,093
Mortgage-backed securities					
Other U.S. obligations residential MBS	3,194	—	193	—	3,387
GSE residential MBS	22,394	—	1,058	(55)	23,397
GSE commercial MBS	147	—	—	—	147
Private-label residential MBS	14,706	(1,206)	196	(1)	13,695
Home equity loan ABS	14	(1)	1	—	14
Total mortgage-backed securities	40,455	(1,207)	1,448	(56)	40,640
Total	$ 64,930	$ (1,207)	$ 2,165	$ (155)	$ 65,733

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

(2) OTTI recognized in AOCI does not include $351 million and $196 million in subsequent unrealized gains (losses) in fair value of previously other-than-temporarily impaired AFS securities at March 31, 2013 and December 31, 2012, which is included in net non-credit portion of OTTI losses on AFS securities in *Note 14 - Accumulated Other Comprehensive Income (Loss)*.

(3) Gross unrealized gains and gross unrealized losses on AFS securities include $351 million and $196 million in subsequent unrealized gains (losses) in fair value of previously other-than-temporarily impaired AFS securities at March 31, 2013 and December 31, 2012, which is not included in net unrealized gains (losses) on AFS securities in *Note 14 - Accumulated Other Comprehensive Income (Loss)*.

At March 31, 2013 and December 31, 2012, the amortized cost of the FHLBanks' MBS classified as AFS included credit losses, OTTI-related accretion adjustments, and purchased premiums and discounts totaling $2,645 million and $2,749 million.

Table 4.2 presents the AFS securities with unrealized losses by major security type and length of time that individual securities have been in a continuous unrealized loss position.

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

	March 31, 2013					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses(1)
Non-mortgage-backed securities						
GSE and Tennessee Valley Authority obligations	$ 1,269	$ (2)	$ 505	$ (47)	$ 1,774	$ (49)
Federal Family Education Loan Program ABS	—	—	1,055	(13)	1,055	(13)
Other	14	—	471	(26)	485	(26)
Total non-mortgage-backed securities	1,283	(2)	2,031	(86)	3,314	(88)
Mortgage-backed securities						
Other U.S. Obligations residential MBS	458	(2)	—	—	458	(2)
GSE residential MBS	854	(2)	3,730	(47)	4,584	(49)
Private-label residential MBS	187	(1)	7,322	(777)	7,509	(778)
Total mortgage-backed securities	1,499	(5)	11,052	(824)	12,551	(829)
Total	$ 2,782	$ (7)	$ 13,083	$ (910)	$ 15,865	$ (917)

	December 31, 2012					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses(1)
Non-mortgage-backed securities						
GSE and Tennessee Valley Authority obligations	$ 1,704	$ (3)	$ 490	$ (53)	$ 2,194	$ (56)
Federal Family Education Loan Program ABS	—	—	1,079	(14)	1,079	(14)
Other	141	—	473	(29)	614	(29)
Total non-mortgage-backed securities	1,845	(3)	2,042	(96)	3,887	(99)
Mortgage-backed securities						
GSE residential MBS	268	(1)	3,798	(54)	4,066	(55)
Private-label residential MBS	360	(2)	9,323	(1,205)	9,683	(1,207)
Home equity loan ABS	—	—	3	(1)	3	(1)
Total mortgage-backed securities	628	(3)	13,124	(1,260)	13,752	(1,263)
Total	$ 2,473	$ (6)	$ 15,166	$ (1,356)	$ 17,639	$ (1,362)

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

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

	March 31, 2013		December 31, 2012	
Year of Maturity	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Non-mortgage-backed securities				
Due in one year or less	$ 2,836	$ 2,854	$ 2,054	$ 2,064
Due after one year through five years	7,727	7,781	7,799	7,860
Due after five years through ten years	4,388	4,487	4,667	4,736
Due after ten years	3,461	3,464	2,997	2,981
Federal Family Education Loan Program ABS(1)	6,794	7,290	6,958	7,452
Total non-mortgage-backed securities	25,206	25,876	24,475	25,093
Mortgage-backed securities(1)	39,986	40,653	40,455	40,640
Total	$ 65,192	$ 66,529	$ 64,930	$ 65,733

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

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

	Three Months Ended March 31,	
	2013	**2012**
Proceeds from sale of AFS securities	$ 42	$ —
Gross gains on sale of AFS securities	$ 1	$ —
Gross losses on sale of AFS securities	—	—
Net realized gains/(losses) from sale of AFS securities	$ 1 [a]	$ —

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

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

Note 5 - Held-to-Maturity Securities

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

	March 31, 2013					
	Amortized Cost(1)	OTTI Recognized in AOCI(2)	Carrying Value(2)	Gross Unrecognized Holding Gains(3)	Gross Unrecognized Holding Losses(3)	Fair Value
Non-mortgage-backed securities						
Certificates of deposit	$ 1,736	$ —	$ 1,736	$ —	$ —	$ 1,736
Other U.S. obligations	1,809	—	1,809	136	—	1,945
GSE and Tennessee Valley Authority obligations	2,827	—	2,827	86	—	2,913
State or local housing agency obligations	2,985	—	2,985	21	(201)	2,805
Other	2	—	2	—	—	2
Total non-mortgage-backed securities	9,359	—	9,359	243	(201)	9,401
Mortgage-backed securities						
Other U.S. obligations residential MBS	8,762	—	8,762	174	(3)	8,933
Other U.S. obligations commercial MBS	412	—	412	7	—	419
GSE residential MBS	69,014	—	69,014	1,817	(19)	70,812
GSE commercial MBS	6,212	—	6,212	339	—	6,551
Private-label residential MBS	11,380	(843)	10,537	779	(178)	11,138
Private-label commercial MBS	10	—	10	—	—	10
Manufactured housing loan ABS	142	—	142	4	(4)	142
Home equity loan ABS	368	(62)	306	73	(16)	363
Total mortgage-backed securities	96,300	(905)	95,395	3,193	(220)	98,368
Total	$ 105,659	$ (905)	$ 104,754	$ 3,436	$ (421)	$ 107,769

	December 31, 2012					
	Amortized Cost(1)	OTTI Recognized in AOCI(2)	Carrying Value(2)	Gross Unrecognized Holding Gains(3)	Gross Unrecognized Holding Losses(3)	Fair Value
Non-mortgage-backed securities						
Certificates of deposit	$ 2,958	$ —	$ 2,958	$ —	$ —	$ 2,958
Other U.S. obligations	2,561	—	2,561	141	—	2,702
GSE and Tennessee Valley Authority obligations	3,131	—	3,131	94	—	3,225
State or local housing agency obligations	2,713	—	2,713	23	(211)	2,525
Other	2	—	2	—	—	2
Total non-mortgage-backed securities	11,365	—	11,365	258	(211)	11,412
Mortgage-backed securities						
Other U.S. obligations residential MBS	9,109	—	9,109	177	(1)	9,285
Other U.S. obligations commercial MBS	457	—	457	8	—	465
GSE residential MBS	70,253	—	70,253	2,042	(11)	72,284
GSE commercial MBS	5,203	—	5,203	381	(1)	5,583
Private-label residential MBS	12,122	(881)	11,241	638	(264)	11,615
Private-label commercial MBS	10	—	10	—	—	10
Manufactured housing loan ABS	147	—	147	2	(4)	145
Home equity loan ABS	382	(64)	318	67	(17)	368
Total mortgage-backed securities	97,683	(945)	96,738	3,315	(298)	99,755
Total	$ 109,048	$ (945)	$ 108,103	$ 3,573	$ (509)	$ 111,167

(1) Amortized cost of HTM securities includes adjustments made to the cost basis of an investment for accretion, amortization, and/or previous OTTI recognized in earnings.
(2) Carrying value of HTM securities represents amortized cost after adjustment for the non-credit-related OTTI recognized in AOCI.
(3) Gross unrecognized holding gains (losses) represent the difference between fair value and carrying value.

At March 31, 2013 and December 31, 2012, the amortized cost of the FHLBanks' MBS classified as HTM included credit losses, OTTI-related accretion adjustments, and purchased premiums and discounts totaling $962 million and $986 million.

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

Table 5.2 - HTM Securities in a Continuous Unrealized Loss Position
(dollars in millions)

	March 31, 2013					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses(1)
Non-mortgage-backed securities						
State or local housing agency obligations	$ 322	$ —	$ 1,032	$ (201)	$ 1,354	$ (201)
Total non-mortgage-backed securities	322	—	1,032	(201)	1,354	(201)
Mortgage-backed securities						
Other U.S. obligations residential MBS	238	(1)	457	(2)	695	(3)
GSE residential MBS	2,602	(14)	781	(5)	3,383	(19)
Private-label residential MBS	351	(1)	6,671	(748)	7,022	(749)
Manufactured housing loan ABS	—	—	64	(4)	64	(4)
Home equity loan ABS	60	(2)	258	(16)	318	(18)
Total mortgage-backed securities	3,251	(18)	8,231	(775)	11,482	(793)
Total	$ 3,573	$ (18)	$ 9,263	$ (976)	$ 12,836	$ (994)

	December 31, 2012					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses(1)
Non-mortgage-backed securities						
State or local housing agency obligations	$ 1	$ —	$ 1,072	$ (211)	$ 1,073	$ (211)
Total non-mortgage-backed securities	1	—	1,072	(211)	1,073	(211)
Mortgage-backed securities						
Other U.S. obligations residential MBS	275	—	463	(1)	738	(1)
GSE residential MBS	1,278	(5)	847	(6)	2,125	(11)
GSE commercial MBS	296	(1)	—	—	296	(1)
Private-label residential MBS	96	(2)	7,733	(950)	7,829	(952)
Manufactured housing loan ABS	—	—	67	(4)	67	(4)
Home equity loan ABS	62	(1)	263	(23)	325	(24)
Total mortgage-backed securities	2,007	(9)	9,373	(984)	11,380	(993)
Total	$ 2,008	$ (9)	$ 10,445	$ (1,195)	$ 12,453	$ (1,204)

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

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

	March 31, 2013			December 31, 2012		
Year of Maturity	**Amortized Cost**	**Carrying Value(1)**	**Fair Value**	**Amortized Cost**	**Carrying Value(1)**	**Fair Value**
Non-mortgage-backed securities						
Due in one year or less	$ 2,429	$ 2,429	$ 2,430	$ 4,604	$ 4,604	$ 4,608
Due after one year through five years	2,247	2,247	2,252	2,285	2,285	2,290
Due after five years through ten years	819	819	843	820	820	840
Due after ten years	3,864	3,864	3,876	3,656	3,656	3,674
Total non-mortgage-backed securities	9,359	9,359	9,401	11,365	11,365	11,412
Mortgage-backed securities(2)	96,300	95,395	98,368	97,683	96,738	99,755
Total	$ 105,659	$ 104,754	$ 107,769	$ 109,048	$ 108,103	$ 111,167

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

Realized Gains and Losses

Certain FHLBanks sold securities out of their respective HTM portfolio that were either within three months of maturity or had less than 15% of the acquired principal outstanding at the time of the sale. These sales are considered maturities for purposes of security classification.

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

	Three Months Ended March 31,	
	2013	**2012**
Carrying value of HTM securities sold	$ —	$ 5
Net realized gains (losses) from sale of HTM securities	—	—
Proceeds from sale of HTM securities	$ —	$ 5

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

Note 6 - Other-than-Temporary Impairment Analysis

Each FHLBank evaluates its individual AFS and HTM investment securities holdings in an unrealized loss position for OTTI on a quarterly basis. As part of its evaluation of securities for OTTI, an FHLBank considers its intent to sell each debt security and whether it is more likely than not that it will be required to sell the security before its anticipated recovery. If either of these conditions is met, an FHLBank recognizes an OTTI charge to earnings equal to the entire difference between the security's amortized cost basis and its fair value at the statement of condition date. For securities in an unrealized loss position that meet neither of these conditions, each FHLBank performs a cash flow analysis to determine whether the entire amortized cost basis of these impaired securities, including all previously other-than-temporarily impaired securities, will be recovered. If the FHLBank does not expect to recover the entire amount, the unrealized loss position is considered to be other-than-temporarily impaired. The FHLBank evaluates the security's OTTI to determine the amount of credit loss recognized in earnings, which is limited to the amount of that security's unrealized loss.

The 12 FHLBanks have developed a uniform framework for completing their OTTI analyses in accordance with FASB guidance on the recognition and presentation of OTTI in the financial statements. To assess whether the entire amortized cost bases of its private-label residential MBS and home equity loan ABS would be recovered, each FHLBank performed a cash flow analysis using two third-party models for each such security where fair value was less than amortized cost as of the most recent balance sheet date, except for certain private-label residential MBS and home equity loan ABS where underlying loan-level collateral data were not available using the uniform OTTI modeling methodology under the FHLBanks' uniform framework. A description of the uniform framework and the two third-party models are disclosed in *Note 7 - Other-than-Temporary Impairment Analysis,* pages F-29 to F-30, of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2012.

Certain Private-label MBS

The FHLBanks' OTTI Governance Committee developed a housing price forecast with seven short-term projections with changes ranging from (4.0)% to 4.0% over the twelve month period beginning January 1, 2013. For the vast majority of markets, the short-term forecast has changes from (1.0)% to 1.0%. Thereafter, home prices were projected to recover using one of five different recovery paths.

Table 6.1 presents projected home price recovery by month at March 31, 2013.

Table 6.1 - Recovery Ranges of Housing Price Change

Months	Recovery Range % (Annualized Rates)		
1 - 6	0.0	—	3.0
7 - 12	1.0	—	4.0
13 - 18	2.0	—	4.0
19 - 30	2.0	—	5.0
31 - 42	2.0	—	6.0
43 - 54	2.0	—	6.0
Thereafter	2.3	—	5.6

Table 6.2 presents the significant inputs used to measure the amount of credit loss recognized in earnings during the three months ended March 31, 2013 for those securities for which an OTTI was determined to have occurred as well as related current credit enhancement for each applicable FHLBank. Credit enhancement is defined as the percentage of credit subordination, excess spread and over-collateralization, if any, in a security structure that will generally absorb losses before each FHLBank will experience a credit loss on the security. The calculated averages represent the dollar-weighted averages of all the private-label residential MBS and home equity loan ABS in each category shown.

Table 6.2 - Significant Inputs for OTTI

	Significant Inputs for OTTI Private-label Residential MBS(1)			
Year of Securitization	Weighted-Average Prepayment Rate % (2)	Weighted-Average Default Rate % (2)	Weighted-Average Loss Severity % (2)	Weighted-Average Current Credit Enhancement % (2)
Prime				
2006	11.7	25.7	45.4	0.0
2005	13.0	15.3	35.0	4.0
2004 and prior	9.1	13.8	38.8	12.1
Total prime	10.3	14.7	38.0	9.4
Alt-A				
2007	8.4	41.5	46.7	6.3
2006	6.7	51.9	52.5	6.5
2005	7.4	28.9	47.6	17.9
2004 and prior	10.5	15.7	38.0	14.3
Total Alt-A	8.1	38.1	47.1	9.6
Total OTTI Private-label residential MBS	8.1	37.9	47.0	9.6

Year of Securitization	Significant Inputs for OTTI Home Equity Loan ABS(1) Weighted-Average Prepayment Rate % (2)	Weighted-Average Default Rate % (2)	Weighted-Average Loss Severity % (2)	Weighted-Average Current Credit Enhancement % (2)
Alt-A				
2004 and prior	15.1	7.8	100.0	4.1
Total Alt-A	15.1	7.8	100.0	4.1
Subprime				
2004 and prior	1.1	5.4	94.1	12.4
Total subprime	1.1	5.4	94.1	12.4
Total OTTI Home equity loan ABS	14.6	7.7	99.8	4.3

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(1) 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.
(2) Weighted-average percentage is based on unpaid principal balance.

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

During the three months ended March 31, 2013 and 2012, certain FHLBanks elected to transfer from their respective HTM portfolio to their respective AFS portfolio private-label residential MBS that had credit-related OTTI recorded during the applicable period. Each of these FHLBanks recognized an OTTI credit loss on these HTM private-label residential MBS, which each FHLBank believes is evidence of a significant deterioration in the issuer's creditworthiness. This deterioration is the basis for the transfers to the AFS portfolio. These transfers allow management the option to decide to sell these securities prior to maturity in response to changes in interest rates, changes in prepayment risk, or other factors. On April 4, 2013, the FHLBank of Indianapolis sold six private-label residential MBS out of its AFS portfolio, only one of which was in an unrealized loss position. However, for the remaining AFS securities in an unrealized loss position, each of the affected FHLBanks asserted as of March 31, 2013 that it has no intent to sell and believes it is not more likely than not that it will be required to sell any security before its anticipated recovery of the remaining amortized cost basis.

Table 6.3 presents information on private-label residential MBS transferred during the three months ended March 31, 2013 and 2012. The amounts represent the values as of the transfer date.

Table 6.3 - HTM Securities Transferred to AFS Securities
(dollars in millions)

	Three Months Ended March 31, 2013				
	Amortized Cost	OTTI Recognized in AOCI	Carrying Value	Gross Unrecognized Holding Gains (Losses)	Fair Value
FHLBank of Atlanta(1)	$ 12	$ (1)	$ 11	$ —	$ 11
FHLBank of San Francisco(1)	22	(3)	19	—	19
Total	$ 34	$ (4)	$ 30	$ —	$ 30

	Three Months Ended March 31, 2012				
	Amortized Cost	OTTI Recognized in AOCI	Carrying Value	Gross Unrecognized Holding Gains (Losses)	Fair Value
FHLBank of Pittsburgh(1)	$ 12	$ (1)	$ 11	$ —	$ 11
FHLBank of Atlanta(1)	6	—	6	—	6
FHLBank of San Francisco(1)	42	(6)	36	—	36
Total	$ 60	$ (7)	$ 53	$ —	$ 53

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(1) Transfer included all private-label residential MBS that had credit-related OTTI recorded during the applicable period.

Table 6.4 presents the March 31, 2013 balance of the total HTM and AFS securities with OTTI charges during the life of the security (which represent securities impaired prior to and at March 31, 2013), based on each individual FHLBank's impairment analyses of its investment portfolio.

Table 6.4 - Total Securities Other-than-Temporarily Impaired during the Life of the Security
(dollars in millions)

	March 31, 2013 (1)						
	Held-to-Maturity Securities				Available-for-Sale Securities		
	Unpaid Principal Balance	Amortized Cost	Carrying Value	Fair Value	Unpaid Principal Balance	Amortized Cost	Fair Value
Private-label residential MBS(2)							
Prime	$ 1,543	$ 1,231	$ 925	$ 1,200	$ 5,195	$ 4,349	$ 4,485
Alt-A	2,114	1,628	1,197	1,493	11,686	9,747	9,184
Subprime	798	513	407	555	2	2	2
Total private-label residential MBS	4,455	3,372	2,529	3,248	16,883	14,098	13,671
Home equity loan ABS(2)							
Alt-A	—	—	—	—	20	14	15
Subprime	226	188	126	199	—	—	—
Total home equity loan ABS	226	188	126	199	20	14	15
Total	$ 4,681	$ 3,560	$ 2,655	$ 3,447	$ 16,903	$ 14,112	$ 13,686

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(1) Table 6.4 does not include all HTM and AFS securities that are in an unrealized loss position as of March 31, 2013. This table includes only those HTM and AFS securities with OTTI charges during the life of the security.
(2) The FHLBanks classify securities as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by a nationally recognized statistical rating organization upon issuance of the securities.

Table 6.5 presents a rollforward of the amounts related to credit losses recognized in earnings. The rollforward relates to the amount of credit losses on investment securities held by the FHLBanks for which a portion of OTTI losses were recognized in accumulated other comprehensive income (loss).

Table 6.5 - Rollforward of the Amounts Related to Credit Losses Recognized into Earnings
(dollars in millions)

	Three Months Ended March 31,	
	2013	2012
Balance, at beginning of period	$ 4,123	$ 4,201
Additions:		
Additional OTTI credit losses for securities upon which an OTTI charge was previously recognized(1)	5	31
Reductions:		
Securities sold, matured, paid down or prepaid during the period	(28)	(12)
Credit losses on securities that an FHLBank intends to sell before recovery of its amortized cost basis	(8)	—
Increases in cash flows expected to be collected that are recognized over the remaining life of the securities	(15)	(5)
Balance, at end of period	$ 4,077	$ 4,215

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(1) For the three months ended March 31, 2013, and 2012, additional OTTI credit losses for securities upon which an OTTI charge was previously recognized relates to all securities that were also previously impaired prior to January 1, 2013 and 2012.

All other AFS and HTM Investment Securities

At March 31, 2013, the FHLBanks held certain other AFS and HTM securities in unrealized loss positions. These unrealized losses are primarily due to illiquidity and interest rate volatility. These losses are considered temporary as each FHLBank expects to recover the entire amortized cost basis on its remaining AFS and HTM securities in unrealized loss positions and neither intends to sell these securities nor considers it more likely than not that it will be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis. As a result, each FHLBank does not consider these other AFS and HTM investments to be other-than-temporarily impaired at March 31, 2013.

Note 7 - Advances

The FHLBanks offer a wide range of fixed- and variable-rate advance products with different maturities, interest rates, payment characteristics and optionality. Fixed-rate advances generally have maturities ranging from one day to 30 years. Variable-rate advances generally have maturities ranging from less than 30 days to 20 years, where the interest rates reset periodically at a fixed spread to the London Interbank Offered Rate (LIBOR) or other specified index.

Table 7.1 - Advances Redemption Terms
(dollars in millions)

	March 31, 2013		December 31, 2012	
Redemption Term	**Amount**	**Weighted-Average Interest Rate**	**Amount**	**Weighted-Average Interest Rate**
Overdrawn demand and overnight deposit accounts	$ 15	2.94%	$ 38	2.27%
Due in 1 year or less	143,106	0.82%	165,019	0.82%
Due after 1 year through 2 years	48,014	1.46%	40,669	1.75%
Due after 2 years through 3 years	44,823	1.82%	41,153	1.94%
Due after 3 years through 4 years	44,704	2.25%	43,471	2.35%
Due after 4 years through 5 years	55,200	2.02%	52,663	2.20%
Thereafter	69,340	2.19%	68,267	2.35%
Index-amortizing advances(1)	2,209	3.91%	2,320	3.94%
Total par value	407,411	1.57%	413,600	1.63%
Commitment fees	(7)		(8)	
Discounts on AHP advances	(47)		(49)	
Premiums	254		256	
Discounts	(122)		(104)	
Hedging adjustments	10,546		11,766	
Fair value option valuation adjustments	262		289	
Total	$ 418,297		$ 425,750	

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

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

	Year of Contractual Maturity or Next Call Date		Year of Contractual Maturity or Next Put or Convert Date	
Redemption Term	**March 31, 2013**	**December 31, 2012**	**March 31, 2013**	**December 31, 2012**
Overdrawn demand and overnight deposit accounts	$ 15	$ 38	$ 15	$ 38
Due in 1 year or less	168,161	186,434	173,646	199,801
Due after 1 year through 2 years	43,258	39,050	47,096	39,779
Due after 2 years through 3 years	41,068	38,814	45,116	40,466
Due after 3 years through 4 years	41,617	39,793	40,830	39,214
Due after 4 years through 5 years	51,782	48,868	41,146	36,832
Thereafter	59,301	58,283	57,353	55,150
Index-amortizing advances	2,209	2,320	2,209	2,320
Total par value	$ 407,411	$ 413,600	$ 407,411	$ 413,600

The FHLBanks offer advances to members and eligible non-members that provide the right, based upon predetermined option exercise dates, to call the advance prior to maturity without incurring prepayment or termination fees (callable advances). In exchange for receiving the right to call the advance on a predetermined call schedule, the member pays a higher fixed rate for the advance relative to an equivalent maturity, non-callable, fixed-rate advance. If the call option is exercised, replacement funding may be available. Other advances may only be prepaid by paying a fee to the FHLBank (prepayment fee) that makes the FHLBank financially indifferent to the prepayment of the advance. At March 31, 2013 and December 31, 2012, the FHLBanks had callable advances of $32.0 billion and $34.2 billion.

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

With a putable advance to a member, an FHLBank effectively purchases a put option from the member that allows that FHLBank to put or extinguish the fixed-rate advance to the member on predetermined exercise dates, and offer, subject to certain conditions, replacement funding at prevailing market rates. Generally, these put options are exercised when interest rates increase. At March 31, 2013 and December 31, 2012, the FHLBanks had putable advances outstanding totaling $29.7 billion and $31.7 billion.

Convertible advances allow an FHLBank to convert an advance from one interest-payment term structure to another. When issuing convertible advances, an FHLBank may purchase put options from a member that allow that FHLBank to convert the fixed-rate advance to a variable-rate advance at the current market rate or another structure after an agreed-upon lockout period. A convertible advance carries a lower interest rate than a comparable-maturity fixed-rate advance without the conversion feature. Variable- to fixed-rate convertible advances have a defined lockout period during which the interest rates adjust based on a spread to LIBOR. At the end of the lockout period, these advances may convert to fixed-rate advances. The fixed rates on the converted advances are determined at origination. At March 31, 2013 and December 31, 2012, the FHLBanks had convertible advances outstanding totaling $9.1 billion and $9.9 billion.

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

	March 31, 2013	December 31, 2012
Total fixed-rate	$ 275,037	$ 294,371
Total variable-rate	132,374	119,229
Total par value	$ 407,411	$ 413,600

Credit Risk Exposure and Security Terms

The FHLBanks' potential credit risk from advances is concentrated in commercial banks and thrifts. The FHLBanks' advances outstanding that were greater than or equal to $1.0 billion per borrower were $274.3 billion and $273.1 billion at March 31, 2013 and December 31, 2012. These advances were made to 68 and 70 borrowers (members and non-members) at March 31, 2013 and December 31, 2012, which represented 67.3% and 66.0% of total advances outstanding at March 31, 2013 and December 31, 2012. (See *Note 9 - Allowance for Credit Losses* for information related to the FHLBanks' credit risk on advances and allowance methodology for credit losses.)

Note 8 - Mortgage Loans

Mortgage Loans Held for Portfolio

Mortgage loans held for portfolio consist of loans obtained through the MPP and MPF Program and are either conventional or government-guaranteed or -insured loans. The MPP and MPF Program involve the purchase by the FHLBanks of single-family mortgage loans that are originated or acquired by participating financial institutions. These mortgage loans are credit-enhanced by participating financial institutions or are guaranteed or insured by Federal agencies. The FHLBanks are authorized to hold acquired member assets, such as assets acquired under the MPP and MPF Program.

Currently, the FHLBanks of Atlanta, Chicago, Dallas, San Francisco, and Seattle are not accepting additional master commitments to acquire loans for their own portfolio or purchasing additional mortgage loans under either the MPP or MPF Program, except for certain FHLBanks' purchases of MPF Loans to support affordable housing. The remaining FHLBanks participating in the MPP and MPF Program continue to have the ability to purchase and fund both conventional and government-guaranteed or -insured loans.

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

	March 31, 2013	December 31, 2012
Fixed-rate, medium-term(1) single-family mortgage loans	$ 10,707	$ 11,157
Fixed-rate, long-term single-family mortgage loans	36,603	37,634
Multifamily mortgage loans	20	20
Total unpaid principal balance	47,330	48,811
Premiums	701	688
Discounts	(120)	(126)
Deferred loan costs, net	—	2
Hedging adjustments	165	182
Total mortgage loans held for portfolio	$ 48,076	$ 49,557

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

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

	March 31, 2013	December 31, 2012
Conventional mortgage loans	$ 41,207	$ 42,479
Government-guaranteed or -insured mortgage loans	6,103	6,312
Multifamily mortgage loans	20	20
Total unpaid principal balance	$ 47,330	$ 48,811

Note 9 - Allowance for Credit Losses

The FHLBanks have established an allowance methodology for each FHLBank's portfolio segments:

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

See *Note 1 - Summary of Significant Accounting Policies* and *Note 10 - Allowance for Credit Losses* on pages F-15 to F-16 and pages F-36 to F-44 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2012 for a description of allowance methodologies related to the FHLBanks' portfolio segments as well as the FHLBanks' policies for impairing financing receivables, placing them on non-accrual status and charging them off when necessary.

Credit Products

Using a risk-based approach and taking into consideration each borrower's financial strength, the FHLBanks consider the types and level of collateral to be the primary indicator of credit quality on their credit products. At March 31, 2013 and December 31, 2012, each FHLBank had rights to collateral on a borrower-by-borrower basis with an estimated value in excess of its outstanding extensions of credit.

Each FHLBank continues to evaluate and make changes to their collateral guidelines, as necessary, based on current market conditions. At March 31, 2013 and December 31, 2012, none of the FHLBanks had any credit products that were past due, on non-accrual status, or considered impaired. In addition, there were no troubled debt restructurings related to credit products at any of the FHLBanks during the three months ended March 31, 2013 and 2012.

Based on the collateral held as security, each FHLBank management's credit extension and collateral policies and repayment history on credit products, the FHLBanks have not incurred any losses on their credit products. Accordingly, at March 31, 2013 and December 31, 2012, the FHLBanks did not record any allowance for credit losses on these credit products, nor did they record any liability to reflect an allowance for credit losses for off-balance sheet credit exposures. (See *Note 16 - Commitments and Contingencies* for additional information on the FHLBanks' off-balance sheet credit exposure.)

Government-Guaranteed or -Insured Mortgage Loans Held for Portfolio

The FHLBanks invest in fixed-rate mortgage loans that are insured or guaranteed by the Federal Housing Administration, the Department of Veterans Affairs, the Rural Housing Service of the Department of Agriculture, and/or the Department of Housing and Urban Development. The servicer provides and maintains insurance or a guarantee from the applicable government agency. The servicer is responsible for compliance with all government agency requirements and for obtaining the benefit of the applicable guarantee or insurance with respect to defaulted government-guaranteed or -insured mortgage loans. Any losses incurred on such loans that are not recovered from the issuer or the guarantor are absorbed by the servicer. Therefore, the FHLBanks only have credit risk for these loans if the servicer fails to pay for losses not covered by the guarantee or insurance. Based on the FHLBanks' assessment of their servicers, the FHLBanks did not establish an allowance for credit losses for their government-guaranteed or -insured mortgage loan portfolios at March 31, 2013 and December 31, 2012. Furthermore, none of these mortgage loans have been placed on non-accrual status because of the U.S. government guarantee or insurance on these loans and the contractual obligation of the loan servicer to repurchase the loans when certain criteria are met.

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

Rollforward of Allowance for Credit Losses on Mortgage Loans. Each FHLBank established an allowance for credit losses on its conventional mortgage loans held for portfolio. Tables 9.1 and 9.2 present a rollforward of the allowance for credit losses on mortgage loans for the three months ended March 31, 2013 and 2012 and the recorded investment in mortgage loans by impairment methodology at March 31, 2013 and December 31, 2012. The recorded investment in a loan is the unpaid principal balance of the loan, adjusted for accrued interest, net deferred loan fees or costs, unamortized premiums or discounts, fair value hedge adjustments and direct write-downs. The recorded investment is not net of any valuation allowance.

Table 9.1 - Rollforward of Allowance for Credit Losses on Mortgage Loans
(dollars in millions)

	Three Months Ended March 31,							
	2013				2012			
	Conventional MPP	Conventional MPF	Other	Total	Conventional MPP	Conventional MPF	Other	Total
Balance, at beginning of period	$ 30	$ 101	$ 1	$ 132	$ 30	$ 107	$ 1	$ 138
Charge-offs	(1)	(4)	—	(5)	(1)	(4)	—	(5)
Provision (reversal) for credit losses(1)	(7)	3	—	(4)	2	10	—	12
Balance, at end of period	$ 22	$ 100	$ 1	$ 123	$ 31	$ 113	$ 1	$ 145

(1) The provision (reversal) for credit losses includes only the provision (reversal) related specifically to mortgage loans and does not include provision for credit losses related to Banking on Business loans specific to the FHLBank of Pittsburgh of less than $1 million for the three months ended March 31, 2013 and reversal of less than $1 million for the three months ended March 31, 2012.

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

	March 31, 2013				December 31, 2012			
	Conventional MPP	Conventional MPF	Other	Total	Conventional MPP	Conventional MPF	Other	Total
Allowances for credit losses, end of period								
Individually evaluated for impairment	$ 1	$ 51	$ —	$ 52	$ 1	$ 51	$ —	$ 52
Collectively evaluated for impairment	21	49	1	71	29	50	1	80
	$ 22	$ 100	$ 1	$ 123	$ 30	$ 101	$ 1	$ 132
Recorded investment, end of period(1)								
Individually evaluated for impairment								
Impaired, with or without a related allowance	$ 37	$ 363	$ 2	$ 402	$ 35	$ 380	$ —	$ 415
Not impaired, no related allowance	—	1,784	—	1,784	—	1,756	—	1,756
Total individually evaluated for impairment	37	2,147	2	2,186	35	2,136	—	2,171
Collectively evaluated for impairment	12,210	27,652	19	39,881	12,547	28,606	21	41,174
Total recorded investment	$ 12,247	$ 29,799	$ 21	$ 42,067	$ 12,582	$ 30,742	$ 21	$ 43,345

(1) Excludes government-guaranteed or -insured loans at March 31, 2013 and December 31, 2012.

Credit Quality Indicators. Key credit quality indicators for mortgage loans include the migration of past due loans, non-accrual loans, loans in process of foreclosure and impaired loans. Table 9.3 presents the FHLBanks' key credit quality indicators for mortgage loans at March 31, 2013 and December 31, 2012.

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

	March 31, 2013				
	Conventional MPP	Conventional MPF	Government-Guaranteed or -Insured	Other	Total
Past due 30-59 days	$ 148	$ 456	$ 298	$ —	$ 902
Past due 60-89 days	53	140	91	—	284
Past due 90 days or more	221	594	308	—	1,123
Total past due mortgage loans	422	1,190	697	—	2,309
Total current mortgage loans	11,825	28,609	5,539	21	45,994
Total mortgage loans(1)	$ 12,247	$ 29,799	$ 6,236	$ 21	$ 48,303
Other delinquency statistics					
In process of foreclosure, included above(2)	$ 164	$ 367	$ 111	$ —	$ 642
Serious delinquency rate(3)	1.81%	2.00%	4.94%	—	2.33%
Past due 90 days or more and still accruing interest	$ 173	$ 69	$ 308	$ —	$ 550
Loans on non-accrual status(4)	$ 56	$ 583	$ —	$ —	$ 639

	December 31, 2012				
	Conventional MPP	Conventional MPF	Government-Guaranteed or -Insured	Other	Total
Past due 30-59 days	$ 140	$ 444	$ 305	$ —	$ 889
Past due 60-89 days	53	140	101	—	294
Past due 90 days or more	233	614	318	—	1,165
Total past due mortgage loans	426	1,198	724	—	2,348
Total current mortgage loans	12,156	29,544	5,720	21	47,441
Total mortgage loans(1)	$ 12,582	$ 30,742	$ 6,444	$ 21	$ 49,789
Other delinquency statistics					
In process of foreclosure, included above(2)	$ 181	$ 392	$ 114	$ —	$ 687
Serious delinquency rate(3)	1.85%	2.01%	4.93%	—	2.35%
Past due 90 days or more and still accruing interest	$ 182	$ 67	$ 318	$ —	$ 567
Loans on non-accrual status(4)	$ 58	$ 606	$ —	$ —	$ 664

(1) The difference between the recorded investment and the carrying value of total mortgage loans of $227 million and $232 million at March 31, 2013 and December 31, 2012 primarily relates to accrued interest. (See *Note 8 - Mortgage Loans* for details on the carrying values of total mortgage loans.)
(2) Includes loans where the decision of foreclosure or a similar alternative, such as pursuit of deed-in-lieu has been reported. Loans in the process of foreclosure are included in past due or current loans depending on their delinquency status.
(3) Represents seriously delinquent loans as a percentage of total mortgage loans. Seriously delinquent loans are comprised of all loans past due 90 days or more delinquent or loans that are in the process of foreclosure (including past due or current loans in the process of foreclosure).
(4) Generally represents mortgage loans with contractual principal or interest payments 90 days or more past due and not accruing interest.

Individually Evaluated Impaired Loans. Tables 9.4 and 9.5 present the recorded investment, unpaid principal balance and related allowance of impaired loans individually assessed for impairment at March 31, 2013 and December 31, 2012, and the average recorded investment and related interest income recognized on these loans during the three months ended March 31, 2013 and 2012.

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

	March 31, 2013			December 31, 2012		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance						
Conventional MPP Loans	$ 32	$ 32	$ —	$ 31	$ 31	$ —
Conventional MPF Loans	34	34	—	32	32	—
With an allowance						
Conventional MPP Loans	5	5	—	4	4	—
Conventional MPF Loans	329	323	51	348	343	51
Other Loans	2	2	—	—	—	—
Total						
Conventional MPP Loans	$ 37	$ 37	$ —	$ 35	$ 35	$ —
Conventional MPF Loans	$ 363	$ 357	$ 51	$ 380	$ 375	$ 51
Other Loans	$ 2	$ 2	$ —	$ —	$ —	$ —

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

	Three Months Ended March 31,			
	2013		2012	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance				
Conventional MPP Loans	$ 31	$ —	$ 4	$ —
Conventional MPF Loans	35	—	29	—
With an allowance				
Conventional MPP Loans	5	—	3	—
Conventional MPF Loans	334	—	324	3
Other Loans	2	—	—	—
Total				
Conventional MPP Loans	$ 36	$ —	$ 7	$ —
Conventional MPF Loans	$ 369	$ —	$ 353	$ 3
Other Loans	$ 2	$ —	$ —	$ —

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

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

The First Loss Account represents the first layer or portion of credit losses that each MPF FHLBank is obligated to absorb with respect to its MPF Loans after considering the borrower's equity and primary mortgage insurance. The participating financial institution is required to cover the next layer of losses up to an agreed-upon credit enhancement obligation amount, which may consist of a direct liability of the participating financial institution to pay credit losses up to a specified amount, a contractual obligation of a participating financial institution to provide supplemental mortgage insurance or a combination of both. Any remaining unallocated losses are absorbed by the MPF FHLBank.

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

At March 31, 2013 and December 31, 2012, the amounts of First Loss Account remaining to cover the losses under the MPF program were $416 million and $446 million. This balance excludes amounts that may be recovered through the recapture of performance-based credit enhancement fees. The FHLBanks record credit enhancement fees paid to the participating financial institutions as a reduction to mortgage interest income. Credit enhancement fees totaled $5 million and $8 million for the three months ended March 31, 2013 and 2012.

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

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

Table 9.6 - Changes in the MPP Lender Risk Account
(dollars in millions)

	Three Months Ended March 31,	
	2013	2012
Lender Risk Account, at beginning of period	$ 138	$ 100
Additions	10	20
Claims	(3)	(4)
Scheduled distributions	(1)	(1)
Lender Risk Account, at end of period	$ 144	$ 115

Troubled debt restructurings. A troubled debt restructuring is considered to have occurred when a concession is granted to a borrower for economic or legal reasons related to the borrower's financial difficulties and that concession would not have been considered otherwise. Loans outstanding as of March 31, 2013 that are discharged in Chapter 7 bankruptcy and have not been reaffirmed by the borrowers are also considered to be troubled debt restructurings, except in cases where certain supplemental mortgage insurance policies are held or where all contractual amounts due are still expected to be collected as a result of certain credit enhancements or government guarantees.

The FHLBanks' MPF Loan troubled debt restructurings primarily involve modifying the borrower's monthly payment for a period of up to 36 months to achieve a housing expense ratio of no more than 31% of their qualifying monthly income. The outstanding principal balance is first re-amortized to reflect a principal and interest payment for a term not to exceed 40 years. This would result in a balloon payment at the original maturity date of the loan as the maturity date and the number of remaining monthly payments are not adjusted. If the 31% housing expense ratio is not achieved through re-amortization, the interest rate is reduced in 0.125% increments below the original note rate, to a floor rate of 3.00%, resulting in reduced principal and interest payments, for the temporary payment modification period of up to 36 months, until the desired 31% housing expense ratio is met.

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

An MPF or MPP Loan considered to be a troubled debt restructuring is individually evaluated for impairment when determining its related allowance for credit losses. Credit loss is measured by factoring in expected cash shortfalls (i.e., loss severity rate) incurred as of the reporting date as well as the economic loss attributable to delaying the original contractual principal and interest due dates, if applicable. Table 9.7 presents the recorded investment balances of performing and non-performing mortgage loans classified as troubled debt restructurings as of March 31, 2013 and December 31, 2012.

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

	March 31, 2013			December 31, 2012		
	Performing	Non-performing	Total	Performing	Non-performing	Total
Conventional MPP Loans	$ 22	$ 15	$ 37	$ 18	$ 17	$ 35
Conventional MPF Loans	48	28	76	43	14	57
Other loans	2	—	2	—	—	—
Total	$ 72	$ 43	$ 115	$ 61	$ 31	$ 92

During the three months ended March 31, 2013 and 2012, the FHLBanks had a limited number of troubled debt restructurings of mortgage loans. Table 9.8 presents the financial effect of the modifications for the three months ended March 31, 2013 and 2012. The post-modification amounts represent the recorded investment as of the date the troubled debt restructuring was executed.

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

	Three Months Ended March 31,	
Post-Modification(1)	**2013**	**2012**
Conventional MPP Loans	$ 4	$ 2
Conventional MPF Loans	22	4
Other loans	2	—
Total	$ 28	$ 6

(1) The pre-modification recorded investment in troubled debt restructurings was not materially different from post-modification amount as there were no write-offs either due to principal forgiveness or direct write-offs during the three months ended March 31, 2013 and 2012.

During the three months ended March 31, 2013 and 2012, certain conventional MPF and MPP Loans modified as troubled debt restructurings within the previous twelve months experienced a payment default. A borrower is considered to have defaulted on a troubled debt restructuring if their contractually due principal or interest is 60 days or more past due at any time during the period presented. Table 9.9 presents the amount of these MPF and MPP Loans that subsequently defaulted.

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

	Three Months Ended March 31,	
	2013	**2012**
Conventional MPP Loans	$ 1	$ 2
Conventional MPF Loans	11	2
Total	$ 12	$ 4

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

Real Estate Owned. The FHLBanks had $138 million of real estate owned recorded in other assets on the Combined Statement of Condition at both March 31, 2013 and December 31, 2012.

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

These investments are generally short-term and their recorded balance approximates fair value. The FHLBanks invest in Federal funds with investment-grade counterparties that are only evaluated for purposes of a reserve for credit losses if the investment is not paid when due. All investments in Federal funds sold are unsecured and were repaid or expected to be repaid according to the contractual terms as of March 31, 2013 and December 31, 2012. Securities purchased under agreements to resell are considered collateralized financing arrangements and effectively represent short-term loans with investment-grade counterparties. The terms of these loans are structured such that if the market value of the underlying securities decreases below the market value required as collateral, the counterparty must place an equivalent amount of additional securities as collateral or remit an equivalent amount of cash; otherwise the dollar value of the resale agreement will be decreased accordingly. If an agreement to resell is deemed to be impaired, the difference between the fair value of the collateral and the amortized cost of the agreement is charged to earnings. Based upon the collateral held as security, the FHLBanks determined that no allowance for credit losses was needed for the securities purchased under agreements to resell at March 31, 2013 and December 31, 2012.

Note 10 - Derivatives and Hedging Activities

Nature of Business Activity

The FHLBanks are exposed to interest-rate risk primarily from the effect of interest rate changes on their interest-earning assets and their funding sources that finance these assets. The goal of each FHLBank's interest-rate risk management strategy is not to eliminate interest-rate risk, but to manage it within appropriate limits. To mitigate the risk of loss, each FHLBank has established policies and procedures, which include guidelines on the amount of exposure to interest rate changes it is willing to accept. In addition, each FHLBank monitors the risk to its interest income, net interest margin and average maturity of interest-earning assets and funding sources. (See *Note 11 - Derivatives and Hedging Activities* on pages F-44 to F-52 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2012 for additional information on the FHLBanks' interest-rate exchange agreements and the use of these agreements.)

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

Financial Statement Effect and Additional Financial Information

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

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

Table 10.1 - Fair Value of Derivative Instruments
(dollars in millions)

	March 31, 2013		
	Notional Amount of Derivatives	Derivative Assets	Derivative Liabilities
Derivatives Designated as Hedging Instruments			
Interest-rate swaps	$ 412,132	$ 3,963	$ 14,567
Interest-rate caps or floors	285	—	4
Total derivatives in hedging relationships	412,417	3,963	14,571
Derivatives Not Designated as Hedging Instruments			
Interest-rate swaps	113,404	1,032	1,598
Interest-rate swaptions	5,510	138	—
Interest-rate caps or floors	31,795	283	33
Interest-rate futures or forwards	258	—	1
Mortgage delivery commitments	1,279	12	10
Other	530	6	6
Total derivatives not designated as hedging instruments	152,776	1,471	1,648
Total derivatives before netting and collateral adjustments	$ 565,193	5,434	16,219
Netting adjustments		(4,381)	(4,381)
Cash collateral and related accrued interest		(290)	(9,476)
Total netting adjustments and cash collateral(1)		(4,671)	(13,857)
Total derivative assets and total derivative liabilities		$ 763	$ 2,362

	December 31, 2012		
	Notional Amount of Derivatives	Derivative Assets	Derivative Liabilities
Derivatives Designated as Hedging Instruments			
Interest-rate swaps	$ 398,541	$ 4,352	$ 15,901
Interest-rate caps or floors	285	—	4
Total derivatives in hedging relationships	398,826	4,352	15,905
Derivatives Not Designated as Hedging Instruments			
Interest-rate swaps	133,510	1,128	1,808
Interest-rate swaptions	8,740	160	—
Interest-rate caps or floors	32,058	298	30
Interest-rate futures or forwards	250	1	—
Mortgage delivery commitments	1,566	16	16
Other	530	8	7
Total derivatives not designated as hedging instruments	176,654	1,611	1,861
Total derivatives before netting and collateral adjustments	$ 575,480	5,963	17,766
Netting adjustments		(4,874)	(4,874)
Cash collateral and related accrued interest		(274)	(10,348)
Total netting adjustments and cash collateral(1)		(5,148)	(15,222)
Total derivative assets and total derivative liabilities		$ 815	$ 2,544

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

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

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

	Three Months Ended March 31,	
	2013	2012
Derivatives and Hedged Items in Fair Value Hedging Relationships		
Interest-rate swaps	$ 36	$ 84
Other	—	1
Total net gains related to fair value hedge ineffectiveness	36	85
Total net gains related to cash flow hedge ineffectiveness	1	2
Derivatives Not Designated as Hedging Instruments		
Economic hedges		
Interest-rate swaps	51	113
Interest-rate swaptions	(6)	—
Interest-rate caps or floors	(20)	(16)
Interest-rate futures or forwards	1	(3)
Net interest settlements	4	(41)
Other	—	(1)
Mortgage delivery commitments	(2)	—
Total net gains (losses) related to derivatives not designated as hedging instruments	28	52
Net gains (losses) on derivatives and hedging activities	$ 65	$ 139

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

Table 10.3 - Effect of Fair Value Hedge-Related Derivative Instruments
(dollars in millions)

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

	Three Months Ended March 31, 2012			
Hedged Item Type	**Gains (Losses) on Derivatives**	**Gains (Losses) on Hedged Items**	**Net Fair Value Hedge Ineffectiveness**	**Net Effect of Derivatives on Net Interest Income(1)**
Advances	$ 1,095	$ (1,014)	$ 81	$ (1,236)
Consolidated bonds	(456)	441	(15)	649
Consolidated discount notes	1	(2)	(1)	—
Available-for-sale securities	150	(131)	19	(122)
Mortgage loans held for portfolio	(1)	2	1	(1)
Total	$ 789	$ (704)	$ 85	$ (710)

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(1) The net effect of derivatives on net interest income in fair value hedge relationships is included in the interest income or interest expense line item of the respective hedged item type. These amounts include the effect of net interest settlements attributable to designated fair value hedges but do not include $(10) million and $(391) million of amortization/accretion related to fair value hedging activities for the three months ended March 31, 2013 and 2012.

An FHLBank may also hedge a firm commitment for a forward-starting advance through the use of an interest-rate swap. In this case, the swap will function as the hedging instrument for both the firm commitment and the subsequent advance. The fair value change associated with the firm commitment will be 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 qualifies as a fair value hedge, the hedge would be terminated and net gains and losses would be recognized in current-period earnings. There were no material amounts of gains and losses recognized due to disqualification of firm commitment hedges during the three months ended March 31, 2013 and 2012.

Table 10.4 presents by type of hedged item in cash flow hedging relationships, the gains (losses) recognized in AOCI, the gains (losses) reclassified from AOCI into income, and the effect of those hedging activities on the FHLBanks' net gains (losses) on derivatives and hedging activities on the Combined Statement of Income. (See the *Combined Statement of Comprehensive Income* for more details on the effect of cash flow hedges on AOCI.)

Table 10.4 - Effect of Cash Flow Hedge-Related Derivative Instruments
(dollars in millions)

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

Derivatives and Hedged Items in Cash Flow Hedging Relationships(1)	Three Months Ended March 31, 2012 Amount of Gains (Losses) Recognized in AOCI on Derivative (Effective Portion)	Location of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)	Amount of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)	Amount of Gains Recognized in Net Gains (Losses) on Derivatives and Hedging Activities (Ineffective Portion)
Interest-rate swaps				
Consolidated bonds	$ (3)	Interest expense	$ (3)	$ —
Consolidated discount notes	69	Interest expense	(1)	2
Interest-rate caps or floors				
Advances	—	Interest income	4	—
Consolidated discount notes	—	Interest expense	(2)	—
Total	$ 66		$ (2)	$ 2

(1) Table 10.4 does not include $(74) million and $(73) million for the effect of net interest settlements attributable to open cash flow hedges on net interest income for the three months ended March 31, 2013 and 2012.

For the three months ended March 31, 2013 and 2012, no material amounts were reclassified from AOCI into earnings as a result of discontinued cash flow hedges because the original forecasted transactions occurred by the end of the originally specified time period or within a two-month period thereafter. At March 31, 2013, $7 million of deferred net gains on derivative instruments in AOCI is expected to be reclassified to earnings during the next twelve months. The maximum length of time over which the FHLBanks are hedging their exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, is generally no more than six months. However, certain FHLBanks hedge the risk of variability of cash flows associated with forecasted future consolidated obligation issuances up to a maximum of fifteen years.

Managing Credit Risk on Derivatives

Each FHLBank is subject to credit risk due to nonperformance by counterparties to interest-rate exchange agreements. The degree of counterparty risk depends on the extent to which master netting arrangements are included in such contracts to mitigate the risk. Each FHLBank manages counterparty credit risk through credit analysis, collateral requirements and adherence to the requirements set forth in its policies and FHFA regulations. Each FHLBank requires collateral agreements with collateral delivery thresholds on all derivatives. Additionally, collateral related to derivatives with member institutions includes collateral assigned to an FHLBank, as evidenced by a written security agreement and held by the member institution for the benefit of the FHLBank. Based on credit analyses and collateral requirements, the management of each FHLBank does not anticipate any credit losses on its derivative agreements. (See *Note 15 - Fair Value* for discussion regarding the FHLBanks' fair value methodology for derivative assets and liabilities, including an evaluation of the potential for the fair value of these instruments to be affected by counterparty credit risk.)

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 nationally recognized statistical rating organization, that FHLBank may 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 March 31, 2013 was $9.7 billion, for which the FHLBanks have posted collateral with a fair value of $8.5 billion in the normal course of business. If each FHLBank's credit rating had been lowered from its current rating to the next lower rating that would have triggered additional collateral to be delivered, the FHLBanks would have been required to deliver an additional $0.6 billion of collateral at fair value to their derivatives counterparties at March 31, 2013.

Offsetting of Derivative Assets and Derivative Liabilities

An FHLBank may enter into enforceable master netting arrangements for derivative instruments that contain provisions allowing the legal right of offset. Under these agreements, each of the affected FHLBanks has elected to offset at the individual master agreement level, the gross derivative assets and gross derivative liabilities, and the related received or pledged cash collateral and associated accrued interest.

Table 10.5 presents separately the fair value of derivative instruments with and without the legal right of offset, including the related collateral received from or pledged to counterparties, based on the terms of the FHLBanks' master netting arrangements or similar agreements.

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

	March 31, 2013		December 31, 2012	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Derivative instruments with legal right of offset				
Gross recognized amount	$ 5,422	$ 16,209	$ 5,947	$ 17,750
Gross amounts of netting adjustments and cash collateral	(4,671)	(13,857)	(5,148)	(15,222)
Net amounts after offsetting adjustments	751	2,352	799	2,528
Derivative instruments without legal right of offset(1)	12	10	16	16
Total derivative assets and total derivative liabilities	763	2,362	815	2,544
Non-cash collateral received or pledged not offset(2)				
Can be sold or repledged	548	272	525	116
Cannot be sold or repledged	123	592	129	909
Net unsecured amount(3)	$ 92	$ 1,498	$ 161	$ 1,519

(1) Includes mortgage delivery commitments and certain interest-rate futures or forwards.
(2) Non-cash collateral consists of investment securities and other non-cash collateral. Any overcollateralization at an individual master agreement level is not included in the determination of the net unsecured amount.
(3) At March 31, 2013 and December 31, 2012, the FHLBanks had additional net credit exposure of $10 million and $26 million due to instances where an FHLBank's pledged non-cash collateral to a counterparty exceeded the FHLBank's net derivative liability position.

Note 11 - Deposits

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

Table 11.1 - Deposits
(dollars in millions)

	March 31, 2013	December 31, 2012
Interest-bearing		
Demand and overnight	$ 11,456	$ 11,008
Term	510	712
Other	394	439
Total interest-bearing	12,360	12,159
Non-interest-bearing		
Demand and overnight	828	1,337
Other	188	225
Total non-interest-bearing	1,016	1,562
Total deposits	$ 13,376	$ 13,721

Note 12 - Consolidated Obligations

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

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

Table 12.1 - Consolidated Bonds Outstanding by Contractual Maturity
(dollars in millions)

	March 31, 2013		December 31, 2012	
Year of Contractual Maturity	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Due in 1 year or less	$ 229,690	0.88%	$ 238,921	0.96%
Due after 1 year through 2 years	63,360	1.79%	72,801	1.51%
Due after 2 years through 3 years	30,630	2.00%	34,192	2.02%
Due after 3 years through 4 years	24,459	3.16%	23,982	3.40%
Due after 4 years through 5 years	40,555	2.11%	30,038	2.46%
Thereafter	82,814	2.38%	70,069	2.54%
Index-amortizing notes	1,206	4.70%	1,362	4.68%
Total par value	472,714	1.57%	471,365	1.59%
Premiums	728		773	
Discounts	(121)		(134)	
Hedging adjustments	3,032		3,798	
Fair value option valuation adjustments	34		54	
Total	$ 476,387		$ 475,856	

Table 12.2 - Consolidated Discount Notes Outstanding
(dollars in millions)

	Book Value	Par Value	Weighted-Average Interest Rate(1)
March 31, 2013	$ 192,977	$ 193,014	0.12%
December 31, 2012	$ 216,282	$ 216,335	0.12%

(1) Represents yield to maturity excluding concession fees.

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

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

Par Values of Consolidated Bonds	March 31, 2013	December 31, 2012
Non-callable/non-putable	$ 372,968	$ 391,334
Callable	99,746	80,031
Total par value	$ 472,714	$ 471,365

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

Year of Contractual Maturity or Next Call Date	March 31, 2013	December 31, 2012
Due in 1 year or less	$ 322,713	$ 309,977
Due after 1 year through 2 years	61,480	68,872
Due after 2 years through 3 years	25,354	29,494
Due after 3 years through 4 years	19,973	21,145
Due after 4 years through 5 years	20,274	20,073
Thereafter	21,714	20,442
Index-amortizing notes	1,206	1,362
Total par value	$ 472,714	$ 471,365

Note 13 - Capital

The Gramm-Leach-Bliley Act of 1999 (GLB Act) amended the FHLBank Act to require each FHLBank to adopt a capital plan and convert to a new capital structure. As of March 31, 2013, all of the FHLBanks had implemented their respective capital plans. Each conversion was considered a capital transaction and was accounted for at par value. Each FHLBank is subject to three capital requirements under its capital plan and the FHFA rules and regulations. Regulatory capital does not include AOCI, but does include mandatorily redeemable capital stock.

1. Risk-based capital. Each FHLBank must maintain at all times permanent capital, defined as Class B stock and retained earnings, in an amount at least equal to the sum of its credit risk, market risk, and operations risk capital requirements, all of which are calculated in accordance with the rules and regulations of the FHFA.

2. Total regulatory capital. Each FHLBank is required to maintain at all times a total capital-to-assets ratio of at least four percent. Total regulatory capital is the sum of permanent capital, Class A stock, any general loss allowance, if consistent with GAAP and not established for specific assets, and other amounts from sources determined by the FHFA as available to absorb losses.

3. Leverage capital. Each FHLBank is required to maintain at all times a leverage capital-to-assets ratio of at least five percent. Leverage capital is defined as the sum of permanent capital weighted 1.5 times and all other capital without a weighting factor.

The FHFA may require an FHLBank to maintain greater minimum capital levels than is required based on FHFA rules and regulations.

At March 31, 2013, combined regulatory capital was $49.6 billion, compared to $51.0 billion at December 31, 2012. At March 31, 2013, each FHLBank was in compliance with its regulatory capital rules. On October 25, 2010, the FHLBank of Seattle entered into a Consent Arrangement with the FHFA, which will remain in effect until modified or terminated by the FHFA. (See *Note 17 - Capital* on pages F-62 to F-64 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2012 for additional information on the FHLBank of Seattle Capital Classification and Consent Arrangement.)

Table 13.1 - Risk-Based Capital Requirements at March 31, 2013
(dollars in millions)

FHLBank	Risk-Based Capital Requirement	Actual Risk-Based Capital
Boston	$ 706	$ 4,031
New York	569	5,564
Pittsburgh	1,053	3,787
Atlanta	1,783	5,891
Cincinnati	444	5,163
Indianapolis	687	2,455
Chicago	1,413	3,323
Des Moines	462	2,617
Dallas	412	1,702
Topeka	357	1,411
San Francisco	4,107	10,161
Seattle	1,295	2,852

Table 13.2 - Regulatory Capital Requirements at March 31, 2013
(dollars in millions)

FHLBank	Minimum Regulatory Capital Ratio Requirement	Minimum Regulatory Capital Requirement	Actual Regulatory Capital Ratio	Actual Regulatory Capital
Boston	4.0%	$ 1,477	10.9%	$ 4,031
New York	4.0%	4,077	5.5%	5,564
Pittsburgh	4.0%	2,405	6.3%	3,787
Atlanta	4.0%	4,462	5.3%	5,891
Cincinnati	4.0%	3,469	6.0%	5,163
Indianapolis	4.0%	1,588	6.2%	2,455
Chicago	4.0%	2,597	5.1%	3,323
Des Moines	4.0%	1,917	5.5%	2,617
Dallas	4.0%	1,241	5.5%	1,702
Topeka	4.0%	1,358	5.4%	1,848
San Francisco	4.0%	3,504	11.6%	10,161
Seattle	4.0%	1,463	8.1%	2,978

Table 13.3 - Leverage Capital Requirements at March 31, 2013
(dollars in millions)

FHLBank	Minimum Leverage Capital Ratio Requirement	Minimum Leverage Capital Requirement	Actual Leverage Capital Ratio	Actual Leverage Capital
Boston	5.0%	$ 1,847	16.4%	$ 6,046
New York	5.0%	5,096	8.2%	8,346
Pittsburgh	5.0%	3,007	9.4%	5,680
Atlanta	5.0%	5,577	7.9%	8,837
Cincinnati	5.0%	4,336	8.9%	7,745
Indianapolis	5.0%	1,985	9.3%	3,683
Chicago	5.0%	3,246	7.7%	4,984
Des Moines	5.0%	2,396	8.2%	3,925
Dallas	5.0%	1,552	8.2%	2,553
Topeka	5.0%	1,698	7.5%	2,553
San Francisco	5.0%	4,380	17.4%	15,242
Seattle	5.0%	1,828	12.0%	4,403

The GLB Act amendments made FHLBank membership voluntary for all members. Members can redeem Class A stock by giving six months written notice, and members can redeem Class B stock by giving five years written notice, subject to certain restrictions. Any member that withdraws from membership may not be readmitted to membership in any FHLBank until five years from the divestiture date for all capital stock that is held as a condition of membership, as that requirement is set out in an FHLBank's capital plan, unless the institution has canceled its notice of withdrawal prior to that date, 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 FHFA rules. Until the FHFA determines that the FHLBank of Seattle has met all requirements of the Consent Arrangement, the FHLBank of Seattle is required to obtain prior written approval from the FHFA for any dividends.

Restricted Retained Earnings

The Joint Capital Enhancement Agreement, as amended (Capital Agreement), is intended to enhance the capital position of each FHLBank. The Capital Agreement provides that each FHLBank will allocate 20% of its net income each quarter to a separate restricted retained earnings account until the balance of that account equals at least one percent of that FHLBank's average balance of outstanding consolidated obligations for the previous quarter. These restricted retained earnings are not available to pay dividends.

The FHLBank of San Francisco's retained earnings and dividend policy establishes amounts to be retained in restricted retained earnings, which are not made available for dividends in the current dividend period. These amounts are not related to the Capital Agreement; however, they are also classified as restricted retained earnings on the Combined Statement of Condition. The FHLBank of San Francisco retains in restricted retained earnings any cumulative net gains in earnings (net of applicable assessments) resulting from gains or losses on derivatives and associated hedged items and financial instruments carried at fair value (valuation adjustments). In addition to any cumulative net gains resulting from valuation adjustments, the FHLBank of San Francisco holds a targeted amount in restricted retained earnings intended to protect paid-in capital from the effects of an extremely adverse credit, operations risk or market event.

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

Table 13.4 - Retained Earnings
(dollars in millions)

	Unrestricted Retained Earnings	Capital Agreement Restricted Retained Earnings	Other Restricted Retained Earnings(1)	Total Restricted Retained Earnings	Total Retained Earnings
Balance, December 31, 2011	$ 6,603	$ 200	$ 1,774	$ 1,974	$ 8,577
Net income	461	146	126	272	733
Dividends on capital stock					
Cash	(150)	—	—	—	(150)
Stock	(9)	—	—	—	(9)
Balance, March 31, 2012	$ 6,905	$ 346	$ 1,900	$ 2,246	$ 9,151
Balance, December 31, 2012	$ 7,935	$ 716	$ 1,873	$ 2,589	$ 10,524
Net income	470	114	(4)	110	580
Dividends on capital stock					
Cash	(179)	—	—	—	(179)
Stock	(9)	—	—	—	(9)
Balance, March 31, 2013	$ 8,217	$ 830	$ 1,869	$ 2,699	$ 10,916

(1) Represents retained earnings restricted by the FHLBank of San Francisco's retained earnings and dividend policy related to valuation adjustments and the retained earnings targeted buildup.

Mandatorily Redeemable Capital Stock

Each FHLBank is a cooperative whose member financial institutions and former members own all of the FHLBank's capital stock. Shares of capital stock cannot be purchased or sold except between an FHLBank and its members at its $100 per share par value, as mandated by each FHLBank's capital plan.

An FHLBank generally reclassifies capital stock subject to redemption from capital to the mandatorily redeemable capital stock liability upon expiration of a grace period, if applicable, after a member exercises a written redemption right, or gives notice of intent to withdraw from membership, or attains non-member status by merger or acquisition, relocation, charter termination, or involuntary termination from membership. Shares of capital stock meeting these definitions are reclassified to mandatorily redeemable capital stock at fair value. Dividends related to capital stock classified as mandatorily redeemable capital stock are accrued at the expected dividend rate and reported as interest expense in the Combined Statement of Income. For the three months ended March 31, 2013 and 2012, dividends on mandatorily redeemable capital stock in the amount of $30 million and $16 million were recorded as interest expense.

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

Excess Capital Stock

Excess capital stock is defined as the amount of stock held by a member (or former member) in excess of that institution's minimum investment requirement. FHFA rules limit the ability of an FHLBank to create member excess capital stock under certain circumstances. An FHLBank may not pay dividends in the form of capital stock or issue new excess capital stock to members if that FHLBank's excess capital stock exceeds one percent of its total assets or if the issuance of excess capital stock would cause that FHLBank's excess capital stock to exceed one percent of its total assets. At March 31, 2013, each of the FHLBanks of Boston, Cincinnati, Indianapolis, San Francisco and Seattle had excess capital stock outstanding totaling more than one percent of its total assets. At March 31, 2013, each of these FHLBanks was in compliance with the FHFA's excess capital stock rules.

Capital Classification Determination

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

Note 14 - Accumulated Other Comprehensive Income (Loss)

Table 14.1 presents a summary of changes in accumulated other comprehensive income (loss) for the three months ended March 31, 2013 and 2012.

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

	Net Unrealized Gains (Losses) on AFS Securities (Note 4)	Net Unrealized Gains (Losses) on HTM Securities Transferred from AFS Securities	Net Non-Credit Portion of OTTI Losses on AFS Securities (Notes 4 and 6)	Net Non-Credit Portion of OTTI Losses on HTM Securities (Notes 5 and 6)	Net Unrealized Gains (Losses) Relating to Hedging Activities (Note 10)	Pension and Postretirement Benefits	Total Accumulated Other Comprehensive Income
Balance, December 31, 2011	$ 1,255	$ (5)	$ (3,157)	$ (1,125)	$ (1,196)	$ (70)	$ (4,298)
Other comprehensive income (loss)	(41)	1	590	46	66	—	662
Balance, March 31, 2012	$ 1,214	$ (4)	$ (2,567)	$ (1,079)	$ (1,130)	$ (70)	$ (3,636)
Balance, December 31, 2012	$ 1,814	$ (3)	$ (1,011)	$ (945)	$ (1,281)	$ (84)	$ (1,510)
Other comprehensive income (loss) before reclassification							
Net unrealized gains (losses)	(51)	—	156	—	105	—	210
Non-credit OTTI losses	—	—	—	(4)	—	—	(4)
Non-credit OTTI losses transferred	—	—	(4)	4	—	—	—
Net change in fair value	—	—	430	—	—	—	430
Accretion of non-credit loss	—	—	—	40	—	—	40
Reclassifications from other comprehensive income (loss) to net income							
Net gains (losses) on securities	—	1	(1)	—	—	—	—
Non-credit OTTI to credit OTTI	—	—	4	—	—	—	4
Amortization on hedging activities(1)	—	—	—	—	(2)	—	(2)
Amortization - pension and postretirement	—	—	—	—	—	1	1
Net current period other comprehensive income (loss)	(51)	1	585	40	103	1	679
Balance, March 31, 2013	$ 1,763	$ (2)	$ (426)	$ (905)	$ (1,178)	$ (83)	$ (831)

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

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

Note 15 - Fair Value

The fair value amounts recorded on the Combined Statement of Condition and presented in the note disclosures for the periods presented have been determined by the FHLBanks using available market and other pertinent information and reflect each FHLBank's best judgment of appropriate valuation methods. Although each FHLBank uses its best judgment in estimating the fair value of its financial instruments, there are inherent limitations in any valuation technique. Therefore, the fair values may not be indicative of the amounts that would have been realized in market transactions at March 31, 2013 and December 31, 2012.

Fair Value Hierarchy

The FHLBanks record trading securities, available-for-sale securities, derivative assets, derivative liabilities, certain advances, certain consolidated obligations and certain other assets and liabilities at fair value on a recurring basis and on occasion, certain private-label MBS and certain other assets on a non-recurring basis. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The inputs are evaluated and an overall level for the fair value measurement is determined. This overall level is an indication of market observability of the fair value measurement for the asset or liability. An entity must disclose the level within the fair value hierarchy in which the measurements are classified.

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

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

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

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

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

The FHLBank of Indianapolis classified six private-label residential MBS it sold on April 4, 2013 within the fair value hierarchy as Level 2, as of March 31, 2013, because the estimated fair values were derived from and corroborated by the sales prices in actual market transactions. The total fair value of these six private-label residential MBS that the FHLBank of Indianapolis transferred from Level 3 to Level 2 was $124 million as of January 1, 2013, the beginning of the quarter in which the transfer occurred. The FHLBanks had no other transfers of assets or liabilities recorded at fair value on a recurring basis during the three months ended March 31, 2013 or 2012.

Table 15.1 presents the carrying value, fair value and fair value hierarchy of financial assets and liabilities of the FHLBanks at March 31, 2013 and December 31, 2012. These values do not represent an estimate of the overall market value of the FHLBanks as going concerns, which would take into account future business opportunities and the net profitability of assets and liabilities.

Table 15.1 - Fair Value Summary
(dollars in millions)

	March 31, 2013					
		Fair Value				
Financial Instruments	Carrying Value	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Assets						
Cash and due from banks	$ 10,186	$ 10,186	$ 10,186	$ —	$ —	$ —
Interest-bearing deposits	1,006	1,006	—	1,006	—	—
Securities purchased under agreements to resell	26,629	26,629	—	26,629	—	—
Federal funds sold	48,041	48,041	—	48,041	—	—
Trading securities	12,493	12,493	12	12,481	—	—
Available-for-sale securities	66,529	66,529	12	52,957	13,560	—
Held-to-maturity securities	104,754	107,769	—	94,821	12,948	—
Advances(2)	418,297	420,229	—	420,229	—	—
Mortgage loans held for portfolio, net	47,953	50,629	—	50,263	366	—
Accrued interest receivable	1,235	1,235	—	1,235	—	—
Derivative assets, net	763	763	—	5,407	27	(4,671)
Other assets	63	63	60	3	—	—
Liabilities						
Deposits	13,376	13,376	—	13,376	—	—
Consolidated obligations						
Discount notes(3)	192,977	192,984	—	192,984	—	—
Bonds(4)	476,387	483,285	—	483,209	76	—
Total consolidated obligations	669,364	676,269	—	676,193	76	—
Mandatorily redeemable capital stock	6,070	6,070	6,070	—	—	—
Accrued interest payable	1,784	1,784	—	1,784	—	—
Derivative liabilities, net	2,362	2,362	—	16,219	—	(13,857)
Other liabilities	87	87	87	—	—	—
Subordinated notes	1,000	1,155	—	1,155	—	—

Financial Instruments	Carrying Value	Fair Value: Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
	December 31, 2012					
Assets						
Cash and due from banks	$ 18,560	$ 18,560	$ 18,560	$ —	$ —	$ —
Interest-bearing deposits	1,007	1,007	—	1,007	—	—
Securities purchased under agreements to resell	35,839	35,839	—	35,839	—	—
Federal funds sold	44,010	44,011	—	44,011	—	—
Trading securities	11,133	11,133	11	11,122	—	—
Available-for-sale securities	65,733	65,733	11	52,013	13,709	—
Held-to-maturity securities	108,103	111,167	—	97,692	13,475	—
Advances(2)	425,750	428,104	—	428,104	—	—
Mortgage loans held for portfolio, net	49,425	52,382	—	51,998	384	—
Accrued interest receivable	1,255	1,255	—	1,255	—	—
Derivative assets, net	815	815	—	5,930	33	(5,148)
Other assets	63	63	59	4	—	—
Liabilities						
Deposits	13,721	13,721	—	13,721	—	—
Consolidated obligations						
Discount notes(3)	216,282	216,298	—	216,298	—	—
Bonds(4)	475,856	483,640	—	483,558	82	—
Total consolidated obligations	692,138	699,938	—	699,856	82	—
Mandatorily redeemable capital stock	6,929	6,929	6,929	—	—	—
Accrued interest payable	1,400	1,400	—	1,400	—	—
Derivative liabilities, net	2,544	2,544	—	17,766	—	(15,222)
Other liabilities	85	85	85	—	—	—
Subordinated notes	1,000	1,162	—	1,162	—	—

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

(2) Includes $7,897 million and $7,900 million of advances recorded under the fair value option and $10 million of hedged advances recorded at fair value at March 31, 2013 and December 31, 2012.

(3) Includes $3,375 million and $3,198 million of consolidated discount notes recorded under the fair value option at March 31, 2013 and December 31, 2012.

(4) Includes $41,135 million and $47,645 million of consolidated bonds recorded under the fair value option and $76 million and $82 million of hedged consolidated bonds recorded at fair value at March 31, 2013 and December 31, 2012.

Summary of Valuation Methodologies and Primary Inputs

A description of the valuation methodologies and primary inputs is disclosed in *Note 20 - Fair Value,* pages F-72 to F-75, of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2012. There have been no significant changes in these valuation methodologies and primary inputs during the quarter ended March 31, 2013.

Fair Value Measurements

Table 15.2 presents the fair value of assets and liabilities that are recorded on a recurring or non-recurring basis at March 31, 2013 and December 31, 2012, by level within the fair value hierarchy. The FHLBanks measure certain held-to-maturity securities and mortgage loans at fair value on a non-recurring basis due to the recognition of a credit loss. Real estate owned is measured using fair value when the asset's fair value less costs to sell is lower than its carrying amount.

Table 15.2 - Fair Value Measurements
(dollars in millions)

	March 31, 2013				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Recurring Fair Value Measurements - Assets					
Trading securities					
U.S. Treasury obligations	$ 1,854	$ —	$ 1,854	$ —	$ —
Commercial paper	425	—	425	—	—
Certificates of deposit	375	—	375	—	—
Other U.S. obligations	302	—	302	—	—
GSE and Tennessee Valley Authority obligations	8,135	—	8,135	—	—
State or local housing agency obligations	2	—	2	—	—
Other non-MBS	307	12	295	—	—
Other U.S. obligations residential MBS	37	—	37	—	—
GSE residential MBS	811	—	811	—	—
GSE commercial MBS	245	—	245	—	—
Total trading securities	12,493	12	12,481	—	—
Available-for-sale securities					
Certificates of deposit	500	—	500	—	—
Other U.S. obligations	2,556	—	2,556	—	—
GSE and Tennessee Valley Authority obligations	14,179	—	14,179	—	—
State or local housing agency obligations	19	—	19	—	—
Federal Family Education Loan Program ABS	7,290	—	7,290	—	—
Other non-MBS	1,332	12	1,320	—	—
Other U.S. obligations residential MBS	3,700	—	3,700	—	—
GSE residential MBS	23,218	—	23,218	—	—
GSE commercial MBS	44	—	44	—	—
Private-label residential MBS	13,676	—	131	13,545	—
Home equity loan ABS	15	—	—	15	—
Total available-for-sale securities	66,529	12	52,957	13,560	—
Advances(2)	7,907	—	7,907	—	—
Derivative assets, net					
Interest-rate related	751	—	5,395	27	(4,671)
Mortgage delivery commitments	12	—	12	—	—
Total derivative assets, net	763	—	5,407	27	(4,671)
Other assets	63	60	3	—	—
Total recurring assets at fair value	$ 87,755	$ 84	$ 78,755	$ 13,587	$ (4,671)
Recurring Fair Value Measurements - Liabilities					
Consolidated Obligations					
Discount notes(3)	$ 3,375	$ —	$ 3,375	$ —	$ —
Bonds(4)	41,211	—	41,135	76	—
Total consolidated obligations	44,586	—	44,510	76	—
Derivative liabilities, net					
Interest-rate related	2,351	—	16,208	—	(13,857)
TBAs	1	—	1	—	—
Mortgage delivery commitments	10	—	10	—	—
Total derivative liabilities, net	2,362	—	16,219	—	(13,857)
Total recurring liabilities at fair value	$ 46,948	$ —	$ 60,729	$ 76	$ (13,857)
Non-Recurring Fair Value Measurements - Assets					
Mortgage loans held for portfolio	$ 248	$ —	$ 2	$ 246	
Real estate owned	20	—	1	19	
Total non-recurring assets at fair value	$ 268	$ —	$ 3	$ 265	

	December 31, 2012				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Recurring Fair Value Measurements - Assets					
Trading securities					
U.S. Treasury obligations	$ 1,003	$ —	$ 1,003	$ —	$ —
Commercial paper	60	—	60	—	—
Certificates of deposit	325	—	325	—	—
Other U.S. obligations	310	—	310	—	—
GSE and Tennessee Valley Authority obligations	7,983	—	7,983	—	—
State or local housing agency obligations	2	—	2	—	—
Other non-MBS	306	11	295	—	—
Other U.S. obligations residential MBS	38	—	38	—	—
GSE residential MBS	854	—	854	—	—
GSE commercial MBS	252	—	252	—	—
Total trading securities	11,133	11	11,122	—	—
Available-for-sale securities					
Other U.S. obligations	2,079	—	2,079	—	—
GSE and Tennessee Valley Authority obligations	14,199	—	14,199	—	—
State or local housing agency obligations	20	—	20	—	—
Federal Family Education Loan Program ABS	7,452	—	7,452	—	—
Other non-MBS	1,343	11	1,332	—	—
Other U.S. obligations residential MBS	3,387	—	3,387	—	—
GSE residential MBS	23,397	—	23,397	—	—
GSE commercial MBS	147	—	147	—	—
Private-label residential MBS	13,695	—	—	13,695	—
Home equity loan ABS	14	—	—	14	—
Total available-for-sale securities	65,733	11	52,013	13,709	—
Advances(2)	7,910	—	7,910	—	—
Derivative assets, net					
Interest-rate related	798	—	5,913	33	(5,148)
TBAs	1	—	1	—	—
Mortgage delivery commitments	16	—	16	—	—
Total derivative assets, net	815	—	5,930	33	(5,148)
Other assets	63	59	4	—	—
Total recurring assets at fair value	$ 85,654	$ 81	$ 76,979	$ 13,742	$ (5,148)
Recurring Fair Value Measurements - Liabilities					
Consolidated Obligations					
Discount notes(3)	$ 3,198	$ —	$ 3,198	$ —	$ —
Bonds(4)	47,727	—	47,645	82	—
Total consolidated obligations	50,925	—	50,843	82	—
Derivative liabilities, net					
Interest-rate related	2,528	—	17,750	—	(15,222)
Mortgage delivery commitments	16	—	16	—	—
Total derivative liabilities, net	2,544	—	17,766	—	(15,222)
Total recurring liabilities at fair value	$ 53,469	$ —	$ 68,609	$ 82	$ (15,222)
Non-Recurring Fair Value Measurements - Assets					
Held-to-maturity securities					
Private-label residential MBS	$ 65	$ —	$ —	$ 65	
Mortgage loans held for portfolio	261	—	—	261	
Real estate owned	26	—	3	23	
Total non-recurring assets at fair value	$ 352	$ —	$ 3	$ 349	

(1) Amounts represent the effect of legally enforceable master netting agreements that allow an FHLBank to net settle positive and negative positions and also cash collateral and related accrued interest held or placed with the same counterparties.
(2) Includes $7,897 million and $7,900 million of advances recorded under the fair value option and $10 million of hedged advances recorded at fair value at March 31, 2013 and December 31, 2012.
(3) Represents consolidated discount notes recorded under the fair value option at March 31, 2013 and December 31, 2012.

(4) Includes $41,135 million and $47,645 million of consolidated bonds recorded under the fair value option and $76 million and $82 million of hedged consolidated bonds recorded at fair value at March 31, 2013 and December 31, 2012.

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

Table 15.3 presents a rollforward of assets and liabilities measured at fair value on a recurring basis and classified as Level 3 during the three months ended March 31, 2013 and 2012.

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

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

	Three Months Ended March 31, 2012			
	Available-for-Sale Securities		Derivatives, Net(1)	
	Private-Label Residential MBS	Home Equity Loan ABS	Interest-Rate Related	Consolidated Bonds
Balance, at beginning of period	$ 14,195	$ 15	$ 37	$ (87)
Total gains or losses (realized/unrealized)				
Included in net gains (losses) on derivatives and hedging activities (4)	—	—	(5)	5
Net other-than-temporary impairment losses, credit portion(4)	(33)	(1)	—	—
Reclassification of non-credit portion included in net income (loss)	17	1	—	—
Included in net change in fair value on OTTI available-for-sale securities included in other comprehensive income	427	—	—	—
Included in unrealized gains (losses) on OTTI available-for-sale securities included in other comprehensive income	152	—	—	—
Purchases, issuances and settlements				
Settlements	(634)	—	—	—
Transfers from held-to-maturity to available-for-sale securities(3)	53	—	—	—
Balance, at end of period	$ 14,177	$ 15	$ 32	$ (82)

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(1) Balances exclude netting adjustments and cash collateral.
(2) Represents FHLBank of Indianapolis reclassification of six available-for-sale securities.
(3) During the three months ended March 31, 2013 and 2012, certain FHLBanks elected to transfer certain private-label residential MBS that had credit-related OTTI from their respective HTM portfolio to their respective AFS portfolio. (See *Note 6 - Other-Than-Temporary Impairment Analysis* for additional information on these transfers.) For the three months ended March 31, 2013 and 2012, the fair value of these securities continued to be determined using significant unobservable inputs (Level 3).
(4) Related to assets and liabilities still held at March 31, 2012.

Fair Value Option

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

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

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

	Three Months Ended March 31,						
	2013			2012			
	Advances	Consolidated Discount Notes	Consolidated Bonds	Advances	Consolidated Discount Notes	Consolidated Bonds	Other Liabilities
Balance, at beginning of period	$ 7,900	$ (3,198)	$ (47,645)	$ 8,693	$ (19,862)	$ (38,981)	$ (2)
New transactions elected for fair value option	156	(175)	(1,536)	226	(200)	(10,784)	—
Maturities and terminations	(133)	—	8,025	(970)	6,515	15,826	—
Net gains (losses) on financial instruments held under fair value option	(25)	—	21	(26)	4	26	1
Change in accrued interest and other	(1)	(2)	—	(3)	(2)	9	—
Balance, at end of period	$ 7,897	$ (3,375)	$ (41,135)	$ 7,920	$ (13,545)	$ (33,904)	$ (1)

For instruments for which the fair value option has been elected, the related contractual interest income, contractual interest expense and the discount amortization on fair value option discount notes are recorded as part of net interest income in the Combined Statement of Income. The remaining changes in fair value for instruments for which the fair value option has been elected are recorded as net gains (losses) on financial instruments held under fair value option in the Combined Statement of Income. The change in fair value does not include changes in instrument-specific credit risk. Each of the Electing FHLBanks determined that no adjustments to the fair values of its instruments recorded under the fair value option for instrument-specific credit risk were necessary during the three months ended March 31, 2013 and 2012.

Table 15.5 presents the difference between the aggregate unpaid balance outstanding and the aggregate fair value for advances and consolidated obligations for which the fair value option has been elected as of March 31, 2013 and December 31, 2012.

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

	March 31, 2013			December 31, 2012		
	Aggregate Unpaid Principal Balance	Aggregate Fair Value	Fair Value Over/(Under) Aggregate Unpaid Principal Balance	Aggregate Unpaid Principal Balance	Aggregate Fair Value	Fair Value Over/(Under) Aggregate Unpaid Principal Balance
Advances(1)	$ 7,635	$ 7,897	$ 262	$ 7,611	$ 7,900	$ 289
Consolidated discount notes	3,371	3,375	4	3,196	3,198	2
Consolidated bonds	41,101	41,135	34	47,591	47,645	54

(1) At March 31, 2013 and December 31, 2012, none of the advances were 90 days or more past due or had been placed on non-accrual status.

Note 16 - Commitments and Contingencies

Off-Balance Sheet Commitments

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

	March 31, 2013			December 31, 2012
Notional amount	**Expire Within One Year**	**Expire After One Year**	**Total**	**Total**
Standby letters of credit outstanding(1)	$ 44,930	$ 20,110	$ 65,040	$ 57,711
Commitments for standby bond purchases	1,246	1,802	3,048	3,248
Unused lines of credit - advances	2,055	—	2,055	1,995
Commitments to purchase mortgage loans	523	—	523	576
MPF Xtra mortgage purchase commitments	378	—	378	495
Repurchasable loans and indemnifications for MPF Xtra mortgage loans(2)	45	—	45	39
Commitments to fund additional advances	1,109	382	1,491	1,009
Unsettled consolidated bonds, at par(3)	18,734	—	18,734	6,609
Unsettled consolidated discount notes, at par	2,553	—	2,553	3,420

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(1) Excludes unconditional commitments to issue standby letters of credit of $485 million and $429 million at March 31, 2013 and December 31, 2012.

(2) The FHLBank of Chicago is exposed to mortgage repurchase liability in connection with its sale of MPF Loans to Fannie Mae under the MPF Xtra product. If a loan eligibility requirement or other warranty is breached, Fannie Mae could require the FHLBank of Chicago to repurchase an ineligible MPF Loan or provide an indemnity. If the participating financial institution from which the FHLBank of Chicago purchased an ineligible MPF Loan is viable, the FHLBank of Chicago can require the participating financial institution to repurchase that MPF Loan or indemnify the FHLBank of Chicago for related losses. The FHLBank of Chicago has disclosed information regarding its commitments and contingencies in its individual 2013 First Quarter SEC Form 10-Q. The FHLBank of Chicago's contingent repurchase requests and indemnifications are classified in the expire within one year category since repurchases and indemnifications are made upon request by Fannie Mae. However, these contingent repurchase requests and indemnifications do not have an expiration date and accordingly, the FHLBank of Chicago repurchases and indemnifications to Fannie Mae may occur after one year from the reporting date.

(3) Unsettled consolidated bonds of $14,313 million and $6,050 million were hedged with associated interest-rate swaps at March 31, 2013 and December 31, 2012.

Standby Letters of Credit. A standby letter of credit is a financing arrangement between an FHLBank and its member. Standby letters of credit are executed for members for a fee. If an FHLBank is required to make payment for a beneficiary's draw, the payment amount is converted into a collateralized advance to the member. The original terms of these standby letters of credit range from less than one month to 20 years, with a final expiration in 2031. The carrying value of guarantees related to standby letters of credit, recorded in other liabilities, were $108 million and $103 million at March 31, 2013 and December 31, 2012.

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

Standby Bond-Purchase Agreements. Certain FHLBanks have entered into standby bond-purchase agreements with state housing authorities within their district whereby these FHLBanks agree to provide liquidity for a fee. If required, the affected FHLBanks will purchase and hold the state housing authority's bonds until the designated marketing agent can find a suitable investor or the state housing authority repurchases the bond according to a schedule established by the standby bond-purchase agreement. Each standby bond-purchase agreement dictates the specific terms that would require the affected FHLBank to purchase the bond. The standby bond-purchase commitments entered into by these FHLBanks have original expiration periods of up to seven years. Currently, the standby bond-purchase commitments expire no later than 2016 and are renewable at the option of the affected FHLBank. At March 31, 2013 and December 31, 2012, the FHLBanks had standby bond-purchase commitments with 11 state housing authorities. During the three months ended March 31, 2013, the FHLBanks were not required to purchase any bonds under these agreements.

Commitments to Purchase Mortgage Loans. An FHLBank may enter into commitments that unconditionally obligate it to purchase mortgage loans from their members. Commitments are generally for periods not exceeding three months. Delivery commitments are recorded at fair value as derivative assets or derivative liabilities in the Combined Statement of Condition.

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

Pledged Collateral

The FHLBanks generally execute derivatives with large banks and major broker-dealers and generally enter into bilateral pledge (collateral) agreements. The FHLBanks had pledged securities, as collateral, to counterparties that have market risk exposure from the FHLBanks related to derivatives. (See *Note 10 - Derivatives and Hedging Activities* for additional information about the FHLBanks' pledged collateral and other credit-risk-related contingent features.)

Lehman Bankruptcy

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

Several FHLBanks received a derivatives alternative dispute resolution (ADR) notice and/or an adversary complaint from the LBHI bankruptcy estate relating to the unwinding of derivatives transactions between LBSF and individual FHLBanks in 2008. Under the derivatives ADR notice, an FHLBank may agree to the demand, deny the demand or make a counteroffer and ultimately arrive at a settlement of the demand. Under an adversary complaint, a declaratory judgment is being sought on the interpretation of certain provisions and the calculation of amounts due under the agreement governing the swap transaction. Some of these FHLBanks have settled their disputes with the LBHI bankruptcy estate. Each of the FHLBanks of New York and Cincinnati has disclosed information regarding its legal proceedings in connection with LBHI's insolvency in its individual 2013 First Quarter SEC Form 10-Q.

Other Legal Proceedings

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

Note 17 - Subsequent Events

Subsequent events have been evaluated from April 1, 2013 through the time of publication of this Combined Financial Report. No significant subsequent events were identified, except for the declaration of dividends or repurchase of excess capital stock, which generally occur in the normal course of business unless there are regulatory or self-imposed restrictions, and the event discussed below.

FHLBank of Chicago

As previously disclosed in the footnotes to the financial statements in the FHLBank of Chicago's 2012 and 2011 SEC Form 10-K, in December 2011, the FHLBank of Chicago's Board of Directors approved a plan to supplement its current affordable housing and community investment programs with $50 million of additional funds to promote affordable housing and economic development. Based on the underlying facts and circumstances known to the FHLBank of Chicago when it filed its 2011 Form 10-K, the FHLBank of Chicago recognized a one-time charge of $50 million, which was excluded from the calculation of affordable housing assessments, in the fourth quarter of 2011 related to its plan to fund affordable housing and economic development projects. This charge was recognized as non-interest expense in the Combined Statement of Income in the Combined Financial Report for the Year Ended December 31, 2011.

Subsequent to the filing of its 2011 SEC Form 10-K, the FHLBank of Chicago developed the Community First™ (a trademark of the FHLBank of Chicago) Fund, which is a framework for using these funds as part of a revolving loan fund, and submitted it to the FHFA for approval. In April 2013, the FHLBank of Chicago received a letter from the FHFA approving the Community First Fund, subject to certain supervisory conditions, and further approval by its Board of Directors. In April 2013, the FHLBank of Chicago's Board of Directors approved the implementation of the Community First Fund, which will result in the reversal of the $50 million charge into earnings. The $50 million reversal is not included in the calculation of affordable housing assessments and will be recognized through non-interest expense in the Combined Statement of Income in the Combined Financial Report for the Quarterly Period Ended June 30, 2013.

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

(dollars in millions, except par value)	Combined	Combining Adjustments	Boston	New York
Assets				
Cash and due from banks	$ 10,186	$ —	$ 369	$ 4,700
Investments	259,452	(255)	13,029	23,386
Advances	418,297	—	19,900	71,723
Mortgage loans held for portfolio, net	47,953	—	3,505	1,885
Other assets	2,818	—	132	229
Total assets	$ 738,706	$ (255)	$ 36,935	$ 101,923
Liabilities				
Deposits	$ 13,376	$ (9)	$ 663	$ 2,118
Consolidated obligations				
Discount notes	192,977	—	5,981	32,555
Bonds	476,387	(327)	25,722	61,014
Total consolidated obligations	669,364	(327)	31,703	93,569
Mandatorily redeemable capital stock	6,070	—	191	26
Other liabilities	7,193	(2)	1,006	852
Total liabilities	696,003	(338)	33,563	96,565
Capital				
Capital stock				
Class B putable ($100 par value) issued and outstanding	32,131	—	3,202	4,627
Class A putable ($100 par value) issued and outstanding	487	—	—	—
Total capital stock	32,618	—	3,202	4,627
Retained earnings				
Unrestricted	8,217	84	563	801
Restricted	2,699	—	75	110
Total retained earnings	10,916	84	638	911
Accumulated other comprehensive income (loss)	(831)	(1)	(468)	(180)
Total capital	42,703	83	3,372	5,358
Total liabilities and capital	$ 738,706	$ (255)	$ 36,935	$ 101,923

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 546	$ 23	$ 344	$ 37	$ 442	$ 330	$ 2,227	$ 94	$ 1,072	$ 2
15,956	29,697	20,772	14,463	40,138	15,895	12,843	10,225	37,861	25,442
39,994	80,260	58,282	18,950	14,403	24,802	15,722	17,582	46,713	9,966
3,483	1,154	7,213	6,094	9,653	6,771	113	5,924	1,173	985
158	413	118	149	286	128	129	133	774	169
$ 60,137	$ 111,547	$ 86,729	$ 39,693	$ 64,922	$ 47,926	$ 31,034	$ 33,958	$ 87,593	$ 36,564
$ 1,023	$ 2,037	$ 1,102	$ 1,445	$ 819	$ 1,099	$ 1,039	$ 1,347	$ 223	$ 470
18,301	20,040	34,076	7,938	24,292	5,326	4,558	9,204	12,829	17,877
36,496	82,858	45,937	27,416	34,751	38,146	23,606	21,320	64,296	15,152
54,797	102,898	80,013	35,354	59,043	43,472	28,164	30,524	77,125	33,029
369	34	134	161	4	11	4	4	3,907	1,225
451	698	462	396	1,607	591	122	262	537	211
56,640	105,667	81,711	37,356	61,473	45,173	29,329	32,137	81,792	34,935
2,832	4,380	4,466	1,678	1,549	1,970	1,109	913	3,951	1,454
—	—	—	—	—	—	—	432	—	55
2,832	4,380	4,466	1,678	1,549	1,970	1,109	1,345	3,951	1,509
550	1,390	492	567	1,647	602	563	466	290	202
36	87	71	49	123	34	26	33	2,013	42
586	1,477	563	616	1,770	636	589	499	2,303	244
79	23	(11)	43	130	147	7	(23)	(453)	(124)
3,497	5,880	5,018	2,337	3,449	2,753	1,705	1,821	5,801	1,629
$ 60,137	$ 111,547	$ 86,729	$ 39,693	$ 64,922	$ 47,926	$ 31,034	$ 33,958	$ 87,593	$ 36,564

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CONDITION
DECEMBER 31, 2012
(Unaudited)

(dollars in millions, except par value)	Combined	Combining Adjustments	Boston	New York
Assets				
Cash and due from banks	$ 18,560	$ —	$ 241	$ 7,553
Investments	265,825	(219)	15,554	17,459
Advances	425,750	—	20,790	75,888
Mortgage loans held for portfolio, net	49,425	—	3,479	1,843
Other assets	2,894	(2)	145	246
Total assets	$ 762,454	$ (221)	$ 40,209	$ 102,989
Liabilities				
Deposits	$ 13,721	$ (15)	$ 595	$ 2,055
Consolidated obligations				
Discount notes	216,282	—	8,639	29,780
Bonds	475,856	(278)	26,120	64,784
Total consolidated obligations	692,138	(278)	34,759	94,564
Mandatorily redeemable capital stock	6,929	—	216	23
Other liabilities	7,117	(4)	1,073	856
Total liabilities	719,905	(297)	36,643	97,498
Capital				
Capital stock				
Class B putable ($100 par value) issued and outstanding	33,021	—	3,455	4,797
Class A putable ($100 par value) issued and outstanding	514	—	—	—
Total capital stock	33,535	—	3,455	4,797
Retained earnings				
Unrestricted	7,935	77	524	798
Restricted	2,589	—	64	96
Total retained earnings	10,524	77	588	894
Accumulated other comprehensive income (loss)	(1,510)	(1)	(477)	(200)
Total capital	42,549	76	3,566	5,491
Total liabilities and capital	$ 762,454	$ (221)	$ 40,209	$ 102,989

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 1,351	$ 4,083	$ 16	$ 105	$ 3,564	$ 252	$ 921	$ 370	$ 104	$ —
19,057	30,454	19,950	16,845	40,750	13,433	16,200	10,775	40,528	25,039
40,498	87,503	53,944	18,130	14,530	26,614	18,395	16,573	43,750	9,135
3,533	1,244	7,530	6,001	10,432	6,952	121	5,941	1,289	1,060
177	421	122	147	308	116	118	160	750	186
$ 64,616	$ 123,705	$ 81,562	$ 41,228	$ 69,584	$ 47,367	$ 35,755	$ 33,819	$ 86,421	$ 35,420
$ 1,000	$ 2,094	$ 1,176	$ 1,787	$ 816	$ 1,085	$ 1,178	$ 1,182	$ 227	$ 541
24,148	31,737	30,840	8,924	31,260	8,675	6,984	8,669	5,209	21,417
35,136	82,947	44,346	27,408	32,569	34,345	25,698	21,974	70,310	10,497
59,284	114,684	75,186	36,332	63,829	43,020	32,682	30,643	75,519	31,914
432	40	211	451	6	9	5	6	4,343	1,187
472	612	452	442	1,485	419	119	267	719	205
61,188	117,430	77,025	39,012	66,136	44,533	33,984	32,098	80,808	33,847
2,815	4,898	4,010	1,634	1,650	2,063	1,217	859	4,160	1,463
—	—	—	—	—	—	—	405	—	109
2,815	4,898	4,010	1,634	1,650	2,063	1,217	1,264	4,160	1,572
529	1,362	479	550	1,584	593	550	454	246	189
30	73	59	41	107	29	22	28	2,001	39
559	1,435	538	591	1,691	622	572	482	2,247	228
54	(58)	(11)	(9)	107	149	(18)	(25)	(794)	(227)
3,428	6,275	4,537	2,216	3,448	2,834	1,771	1,721	5,613	1,573
$ 64,616	$ 123,705	$ 81,562	$ 41,228	$ 69,584	$ 47,367	$ 35,755	$ 33,819	$ 86,421	$ 35,420

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2013 and 2012
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
March 31, 2013				
Interest income				
Advances	$ 675	$ —	$ 71	$ 110
Investments	998	(4)	58	69
Mortgage loans	493	—	32	17
Total interest income	2,166	(4)	161	196
Interest expense				
Consolidated obligations - Discount notes	137	—	2	17
Consolidated obligations - Bonds	1,135	7	82	76
Other interest expense	44	—	—	—
Total interest expense	1,316	7	84	93
Net interest income	850	(11)	77	103
Provision (reversal) for credit losses	(4)	—	(1)	—
Net interest income after provision (reversal) for credit losses	854	(11)	78	103
Non-interest income (loss)				
Net other-than-temporary impairment losses	(5)	—	—	—
Other	33	17	(3)	(1)
Total non-interest income (loss)	28	17	(3)	(1)
Non-interest expense	234	(1)	16	24
Assessments	68	—	6	8
Net income (loss)	$ 580	$ 7	$ 53	$ 70
March 31, 2012				
Interest income				
Advances	$ 921	$ —	$ 84	$ 137
Investments	1,199	(4)	58	79
Mortgage loans	590	—	35	16
Other interest income	2	—	—	—
Total interest income	2,712	(4)	177	232
Interest expense				
Consolidated obligations - Discount notes	110	—	2	10
Consolidated obligations - Bonds	1,526	2	107	100
Other interest expense	31	—	—	1
Total interest expense	1,667	2	109	111
Net interest income	1,045	(6)	68	121
Provision (reversal) for credit losses	12	—	(1)	1
Net interest income after provision (reversal) for credit losses	1,033	(6)	69	120
Non-interest income (loss)				
Net other-than-temporary impairment losses	(31)	—	(3)	—
Other	56	(1)	2	18
Total non-interest income (loss)	25	(1)	(1)	18
Non-interest expense	242	(1)	16	25
Assessments	83	—	5	11
Net income (loss)	$ 733	$ (6)	$ 47	$ 102

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 58	$ 63	$ 71	$ 34	$ 41	$ 50	$ 38	$ 33	$ 89	$ 17
58	129	73	47	249	47	22	32	177	41
37	16	73	63	113	66	2	48	13	13
153	208	217	144	403	163	62	113	279	71
6	8	10	2	77	2	2	3	3	5
102	113	130	80	199	108	25	58	123	32
—	—	2	2	14	—	—	—	26	—
108	121	142	84	290	110	27	61	152	37
45	87	75	60	113	53	35	52	127	34
—	2	(3)	(4)	—	—	—	2	—	—
45	85	78	64	113	53	35	50	127	34
—	—	—	(2)	—	—	—	—	(3)	—
4	24	8	(3)	1	(9)	4	(10)	(1)	2
4	24	8	(5)	1	(9)	4	(10)	(4)	2
17	30	15	15	25	14	19	12	30	18
3	8	7	5	9	3	2	3	12	2
$ 29	$ 71	$ 64	$ 39	$ 80	$ 27	$ 18	$ 25	$ 81	$ 16
$ 70	$ 68	$ 63	$ 46	$ 74	$ 83	$ 52	$ 39	$ 177	$ 28
70	165	94	55	298	61	27	39	220	37
45	21	89	69	153	75	2	49	20	16
—	—	—	1	—	—	—	1	—	—
185	254	246	171	525	219	81	128	417	81
2	3	4	1	76	2	2	1	6	1
141	165	158	104	276	147	39	68	162	57
—	1	3	4	14	—	—	1	7	—
143	169	165	109	366	149	41	70	175	58
42	85	81	62	159	70	40	58	242	23
—	3	1	—	6	—	—	1	1	—
42	82	80	62	153	70	40	57	241	23
(6)	(7)	—	(3)	(1)	—	—	(1)	(9)	(1)
6	30	(1)	2	7	(5)	6	(8)	(11)	11
—	23	(1)	(1)	6	(5)	6	(9)	(20)	10
18	27	14	15	30	15	19	13	32	19
2	8	7	5	13	5	3	3	20	1
$ 22	$ 70	$ 58	$ 41	$ 116	$ 45	$ 24	$ 32	$ 169	$ 13

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2013 AND 2012
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
March 31, 2013				
Net income (loss)	$ 580	$ 7	$ 53	$ 70
Other comprehensive income (loss)				
Net unrealized gains/losses on available-for-sale securities	(51)	—	(7)	—
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities	1	—	—	—
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	585	—	—	—
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	40	—	15	3
Net unrealized gains/losses relating to hedging activities	103	—	1	17
Pension and postretirement benefits	1	—	—	—
Total other comprehensive income (loss)	679	—	9	20
Total comprehensive income (loss)	$ 1,259	$ 7	$ 62	$ 90
March 31, 2012				
Net income (loss)	$ 733	$ (6)	$ 47	$ 102
Other comprehensive income (loss)				
Net unrealized gains/losses on available-for-sale securities	(41)	—	1	—
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities	1	—	—	—
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	590	—	—	—
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	46	—	17	3
Net unrealized gains/losses relating to hedging activities	66	—	(3)	18
Total other comprehensive income (loss)	662	—	15	21
Total comprehensive income (loss)	$ 1,395	$ (6)	$ 62	$ 123

	Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
	$ 29	$ 71	$ 64	$ 39	$ 80	$ 27	$ 18	$ 25	$ 81	$ 16
	(4)	—	—	16	(85)	(2)	23	—	—	8
	—	—	—	—	1	—	—	—	—	—
	29	81	—	36	6	—	—	—	339	94
	—	—	—	—	15	—	2	2	2	1
	—	—	—	—	85	—	—	—	—	—
	—	—	—	—	1	—	—	—	—	—
	25	81	—	52	23	(2)	25	2	341	103
	$ 54	$ 152	$ 64	$ 91	$ 103	$ 25	$ 43	$ 27	$ 422	$ 119
	$ 22	$ 70	$ 58	$ 41	$ 116	$ 45	$ 24	$ 32	$ 169	$ 13
	—	—	1	(4)	(32)	(3)	3	—	—	(7)
	—	—	—	—	1	—	—	—	—	—
	61	126	—	34	5	—	—	—	263	101
	—	—	—	—	19	—	3	(2)	5	1
	—	—	—	—	51	—	—	—	—	—
	61	126	1	30	44	(3)	6	(2)	268	95
	$ 83	$ 196	$ 59	$ 71	$ 160	$ 42	$ 30	$ 30	$ 437	$ 108

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CAPITAL
THREE MONTHS ENDED MARCH 31, 2013 AND 2012
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Balance, December 31, 2011	$ 39,821	$ 54	$ 3,489	$ 5,046
Proceeds from issuance of capital stock	1,555	—	15	653
Repurchase/redemption of capital stock	(2,084)	—	(238)	(562)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(314)	—	—	—
Dividends of capital stock	9	—	—	—
Comprehensive income (loss)	1,395	(6)	62	123
Dividends				
Cash	(150)	—	(5)	(58)
Stock	(9)	—	—	—
Balance, March 31, 2012	$ 40,223	$ 48	$ 3,323	$ 5,202
Balance, December 31, 2012	$ 42,549	$ 76	$ 3,566	$ 5,491
Proceeds from issuance of capital stock	2,984	—	22	719
Repurchase/redemption of capital stock	(3,742)	—	(275)	(885)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(168)	—	—	(4)
Dividends of capital stock	9	—	—	—
Comprehensive income (loss)	1,259	7	62	90
Dividends				
Cash	(179)	—	(3)	(53)
Stock	(9)	—	—	—
Balance, March 31, 2013	$ 42,703	$ 83	$ 3,372	$ 5,358

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 3,663	$ 6,561	$ 3,559	$ 1,948	$ 3,292	$ 2,812	$ 1,705	$ 1,701	$ 4,705	$ 1,286
21	233	31	6	17	270	127	81	101	—
(154)	—	—	—	(499)	(304)	(138)	(10)	(179)	—
(159)	(52)	(16)	(4)	(12)	(1)	(1)	(69)	—	—
—	—	—	—	—	—	1	8	—	—
83	196	59	71	160	42	30	30	437	108
(1)	(18)	(35)	(11)	(1)	(15)	—	—	(6)	—
—	—	—	—	—	—	(1)	(8)	—	—
$ 3,453	$ 6,920	$ 3,598	$ 2,010	$ 2,957	$ 2,804	$ 1,723	$ 1,733	$ 5,058	$ 1,394
$ 3,428	$ 6,275	$ 4,537	$ 2,216	$ 3,448	$ 2,834	$ 1,771	$ 1,721	$ 5,613	$ 1,573
253	763	474	44	38	232	175	158	106	—
(236)	(1,277)	—	—	(96)	(317)	(284)	(48)	(314)	(10)
—	(4)	(18)	—	(43)	(8)	—	(37)	(1)	(53)
—	—	—	—	—	—	1	8	—	—
54	152	64	91	103	25	43	27	422	119
(2)	(29)	(39)	(14)	(1)	(13)	—	—	(25)	—
—	—	—	—	—	—	(1)	(8)	—	—
$ 3,497	$ 5,880	$ 5,018	$ 2,337	$ 3,449	$ 2,753	$ 1,705	$ 1,821	$ 5,801	$ 1,629

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

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

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

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2012
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Operating activities				
Net cash provided by (used in) operating activities	$ 1,388	$ —	$ 133	$ 172
Investing activities				
Net change/net proceeds and payment in				
Loans to FHLBanks	—	(35)	—	—
Premises, software and equipment	(7)	—	—	(1)
Investments	(5,563)	(11)	2,953	(7,054)
Advances	22,649	—	260	(1,434)
Mortgage loans held for portfolio	711	—	(62)	(75)
Proceeds from sales of foreclosed assets	31	—	2	—
Net cash provided by (used in) investing activities	17,821	(46)	3,153	(8,564)
Financing activities				
Net change in				
Deposits and pass-through reserves	4,385	11	88	1,396
Securities sold under agreements to repurchase and other borrowings	(434)	—	—	(29)
Loans from FHLBanks	—	35	—	—
Net proceeds (payments) on derivative contracts with financing element	(282)	—	(6)	(70)
Net proceeds from issuance of consolidated obligations				
Discount notes	714,868	—	34,738	36,973
Bonds	99,360	—	2,692	11,070
Payments for maturing and retiring consolidated obligations				
Discount notes	(723,324)	—	(36,556)	(34,582)
Bonds	(124,776)	—	(4,005)	(16,871)
Proceeds from issuance of capital stock	1,555	—	15	653
Payments for repurchase/redemption of mandatorily redeemable capital stock	(418)	—	(13)	(11)
Payments for repurchase/redemption of capital stock	(2,084)	—	(238)	(562)
Cash dividends paid	(150)	—	(5)	(58)
Net cash provided by (used in) financing activities	(31,300)	46	(3,290)	(2,091)
Net increase (decrease) in cash and due from banks	(12,091)	—	(4)	(10,483)
Cash and due from banks at beginning of the period	20,182	—	112	10,878
Cash and due from banks at end of the period	$ 8,091	$ —	$ 108	$ 395

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle (As Restated)
$ 71	$ 212	$ 98	$ 53	$ 339	$ 44	$ 54	$ 37	$ 153	$ 22
—	—	—	—	—	—	35	—	—	—
(1)	(1)	—	—	(2)	—	(1)	—	(1)	—
(752)	2,118	(4,419)	74	296	918	(5)	(269)	(1,510)	2,098
(944)	14,031	1,175	489	538	(381)	578	419	5,994	1,924
154	102	(365)	113	962	(29)	11	(319)	142	77
—	5	—	—	14	8	—	2	—	—
(1,543)	16,255	(3,609)	676	1,808	516	618	(167)	4,625	4,099
190	489	151	683	83	133	155	906	51	49
—	—	—	—	(400)	—	—	(5)	—	—
—	—	—	—	—	—	—	(35)	—	—
(16)	(115)	(44)	(21)	(20)	(3)	9	(25)	22	7
84,811	84,230	48,408	29,251	102,532	56,161	76,001	12,025	15,185	134,553
5,083	17,402	5,207	6,442	10,961	8,013	5,551	4,807	13,691	8,441
(83,939)	(92,383)	(47,469)	(29,819)	(105,514)	(57,244)	(77,235)	(12,089)	(11,017)	(135,477)
(4,949)	(26,296)	(4,743)	(7,472)	(9,779)	(7,509)	(4,022)	(5,073)	(22,363)	(11,694)
21	233	31	6	17	270	127	81	101	—
(10)	(10)	(21)	—	(2)	—	(11)	(69)	(271)	—
(154)	—	—	—	(499)	(304)	(138)	(10)	(179)	—
(1)	(18)	(35)	(11)	(1)	(15)	—	—	(6)	—
1,036	(16,468)	1,485	(941)	(2,622)	(498)	437	513	(4,786)	(4,121)
(436)	(1)	(2,026)	(212)	(475)	62	1,109	383	(8)	—
634	6	2,034	513	1,002	240	1,152	116	3,494	1
$ 198	$ 5	$ 8	$ 301	$ 527	$ 302	$ 2,261	$ 499	$ 3,486	$ 1

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SELECTED FINANCIAL DATA

	2013	2012			
(dollars in millions)	March 31,	December 31,	September 30,	June 30,	March 31,
Selected Statement of Condition Data at					
Investments(1)	$ 259,452	$ 265,825	$ 278,855	$ 281,521	$ 279,946
Advances	418,297	425,750	412,263	418,366	393,931
Mortgage loans held for portfolio	48,076	49,557	50,814	51,853	52,749
Allowance for credit losses on mortgage loans	(123)	(132)	(137)	(140)	(145)
Total assets	738,706	762,454	748,719	759,548	737,769
Consolidated obligations					
Discount notes	192,977	216,282	217,236	196,265	181,700
Bonds	476,387	475,856	462,212	493,961	481,099
Total consolidated obligations	669,364	692,138	679,448	690,226	662,799
Mandatorily redeemable capital stock	6,070	6,929	7,139	7,501	7,909
Subordinated notes(2)	1,000	1,000	1,000	1,000	1,000
Total capital stock(3)					
Class B putable	32,131	33,021	33,047	33,479	34,024
Class A putable	487	514	547	594	684
Total capital stock	32,618	33,535	33,594	34,073	34,708
Retained earnings	10,916	10,524	10,062	9,551	9,151
Accumulated other comprehensive income (loss)	(831)	(1,510)	(2,077)	(3,409)	(3,636)
Total capital	42,703	42,549	41,579	40,215	40,223
Selected Statement of Income Data for the quarter ended					
Net interest income	$ 850	$ 989	$ 1,015	$ 1,003	$ 1,045
Provision (reversal) for credit losses	(4)	2	6	1	12
Net interest income after provision (reversal) for credit losses	854	987	1,009	1,002	1,033
Non-interest income (loss)	28	(2)	(41)	(142)	25
Non-interest expense	234	249	235	243	242
Assessments	68	75	73	65	83
Net income	$ 580	$ 661	$ 660	$ 552	$ 733
Selected Other Data for the quarter ended					
Cash and stock dividends	$ 188	$ 199	$ 149	$ 152	$ 159
Dividend payout ratio(4)	32.41 %	30.11 %	22.58 %	27.54 %	21.69 %
Return on average equity(5)	5.40 %	6.34 %	6.57 %	5.52 %	7.44 %
Return on average assets	0.30 %	0.35 %	0.34 %	0.29 %	0.38 %
Average equity to average assets	5.63 %	5.49 %	5.21 %	5.21 %	5.17 %
Net interest margin(6)	0.46 %	0.52 %	0.53 %	0.53 %	0.55 %
Selected Other Data at					
Total GAAP capital-to-asset ratio	5.78 %	5.58 %	5.55 %	5.29 %	5.45 %
Combined regulatory capital-to-assets ratio(7)	6.71 %	6.69 %	6.78 %	6.73 %	7.02 %

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

(2) The 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 U.S. government or any of the FHLBanks other than the FHLBank of Chicago.

(3) FHLBank capital stock is redeemable at the request of a member subject to the statutory redemption periods and other conditions and limitations.

(4) Dividend payout ratio is equal to dividends declared in the period expressed as a percentage of net income (loss) in the period. This ratio may not be as relevant to the combined balances because there are no shareholders at the FHLBank System-wide level.

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

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

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

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

Investors should read this financial discussion and analysis of combined financial condition and combined results of operations together with the combined financial statements and the accompanying notes in this Combined Financial Report. Each FHLBank discusses its financial condition and results of operations in its periodic reports filed with the SEC. The results of operations for interim periods are not necessarily indicative of the results to be expected for the year ending December 31, 2013. The unaudited financial statements, included in this Combined Financial Report, should be read in conjunction with the audited combined financial statements for the year ended December 31, 2012, included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2012.

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

The combined financial statements include the financial records of the 12 FHLBanks. (See the *Condensed Combining Schedules* for information regarding each individual FHLBank's results.) Transactions among the FHLBanks have been eliminated in accordance with combination accounting principles related to consolidation under GAAP. (See *Interbank Transfers of Consolidated Bonds and Their Effect on Combined Net Income* and *Note 1 - Summary of Significant Accounting Policies* to the accompanying combined financial statements for more information.)

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

Forward-Looking Information

Statements contained in this report, including statements describing the objectives, projections, estimates, or future predictions of the FHLBanks and Office of Finance, may be "forward-looking statements." These statements may use forward-looking terminology, such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or their negatives or other variations on these terms. Investors should note that forward-looking statements, by their nature, involve risks or uncertainties, including those set forth in the *Risk Factors* section of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2012 along with any changes disclosed in this report. Therefore, the actual results could differ materially from those expressed or implied in these forward-looking statements or could affect the extent to which a particular objective, projection, estimate, or prediction is realized.

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

- changes in the general economy, money and capital markets, employment rates, housing market activity and housing prices, the size and volatility of the residential mortgage market, and uncertainty regarding the European sovereign debt crisis;
- volatility of market prices, interest rates, and indices or other factors that could affect the value of investments, including other-than-temporary impairment of private-label mortgage-backed securities, or collateral held by the FHLBanks resulting from the effects of, and changes in, various monetary or fiscal policies and regulations, including those determined by the Federal Reserve Board and the FDIC, or a decline in liquidity in the financial markets;

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

- competitive forces, including other sources of funding available to FHLBank members, and other entities borrowing funds in the capital markets;

- demand for FHLBank advances resulting from changes in FHLBank members' deposit flows and credit demands;

- loss of large members and repayment of advances made to those members due to institutional failures, consolidations or withdrawals from FHLBank membership;

- changes in domestic and foreign investor demand for consolidated obligations or the terms of interest-rate exchange agreements and similar agreements, including changes in the relative attractiveness of consolidated obligations as compared to other investment opportunities and changes resulting from any modification of credit ratings;

- the availability of acceptable institutional counterparties for business transactions, including derivative transactions used to manage interest-rate risk;

- the ability to introduce new products and services and successfully manage the risks associated with those products and services, including new types of collateral used to secure advances; and

- the effect of new accounting guidance, including the development of supporting systems and related internal controls.

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

Executive Summary

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

Overview

The FHLBanks are GSEs, federally-chartered but privately capitalized and independently managed. The 12 regional FHLBanks together with the Office of Finance, the fiscal agent of the FHLBanks, comprise the FHLBank System. All FHLBanks operate under the supervisory and regulatory framework of the FHFA.

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

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

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

Credit Ratings

The FHLBank System's ability to raise funds in the capital markets at narrow spreads to the U.S. Treasury yield curve is due largely to the FHLBanks' status as GSEs, which is reflected in its consolidated obligations receiving the same credit rating as the government bond credit rating of the United States even though the consolidated obligations are not obligations of the United States. In addition to ratings on the FHLBanks' consolidated obligations, each FHLBank is rated individually by Moody's Investors Service (Moody's) and Standard & Poor's Ratings Services (S&P). Investors should note that a rating issued by a rating agency is not a recommendation to buy, sell or hold securities and that the ratings may be revised or withdrawn by the rating agency at any time. Investors should evaluate the rating of each rating agency independently. FHLBank debt is neither the obligation of, nor is it guaranteed by, the United States or any government agency. Moody's, S&P or other rating organizations could downgrade the U.S. government and, in turn, GSEs, including the FHLBanks. Previous rating agency actions have not had a material adverse effect on the FHLBanks' operations, financial position, liquidity or funding costs. However, uncertainty remains regarding possible longer-term effects resulting from any previous or any future rating agency actions.

Business Environment

The primary external factors that affected the FHLBanks' combined financial condition and operating performance during the three months ended March 31, 2013 included: (1) the general state of the economy and financial markets; (2) the conditions in the housing markets; (3) interest rate levels and volatility; and (4) the legislative and regulatory environment. As a result of these factors, during the three months ended March 31, 2013, the FHLBanks continued to face challenges with respect to levels of advance demand from members that are below those of previous years and low yields on interest-earning assets in the current low interest-rate environment.

Economy and Financial Markets. As part of their overall business strategy, the FHLBanks' members typically use wholesale funding in the form of advances along with other sources of funding, such as retail deposits, as sources of liquidity to make residential mortgage loans. The FHLBanks' overall results of operations are influenced by the economic and financial markets and, in particular, FHLBanks' member demand for wholesale funding. The slow economic recovery along with high retail deposit levels and weak lending activity continues to dampen members' wholesale borrowing needs. However, the demand for advances has shown some signs of regional stabilization and certain FHLBank members have increased their use of advances.

During the three months ended March 31, 2013, the economy continued to recover from the economic downturn. Gross domestic product (GDP) has grown at an average annual rate of just over two percent during the last three and a half years and GDP has grown for 15 consecutive quarters. In addition, the labor market continues to improve since the trough of the labor market in February 2010, and the unemployment rate decreased to 7.6% in March 2013, a four-year low. There are potential challenges to the ongoing recovery due to uncertainty about the U.S. fiscal situation, including possible sequester-related fiscal tightening, a temporary extension to the U.S. debt ceiling by Congress that will have to be revisited later in 2013, and possible additional setbacks in Europe.

Financial markets were fairly stable during the three months ended March 31, 2013. As a result, investors moved into riskier assets in pursuit of higher returns. However, during the three months ended March 31, 2013, the FHLBank System maintained ready access to funding at attractive levels.

Conditions in Housing Markets. Conditions in the U.S. housing markets primarily affect the FHLBanks through the creation of demand for residential mortgage loans from members and the valuation of loan collateral underlying private-label mortgage-backed securities. During the three months ended March 31, 2013, the U.S. housing sector has shown some signs of stabilization and improvement. Housing starts, home sales and prices continued to trend higher during the three months ended March 31, 2013. Record or near-record low mortgage interest rates, a relatively high level of housing affordability, and improved household wealth helped to boost demand for residential housing and supported broad-based improvement in the housing market. However, improvements in the housing market face headwinds from tight mortgage lending standards, and limited housing inventory.

Interest Rate Levels and Volatility. Changes in short-term interest rates affect the FHLBanks' interest income and interest expense because a considerable portion of the FHLBanks' assets and liabilities are either directly or indirectly tied to short-term interest rates. Short-term interest rates also directly affect the FHLBanks through earnings on capital invested.

During the three months ended March 31, 2013 compared to the same period in 2012, interest rates have generally decreased. The declines in interest rates over the last several years negatively affected the FHLBanks' profitability by resulting in a lower return on interest-earning assets. In addition, these lower interest rates have also decreased the cost to issue FHLBank consolidated obligations and lowered the cost of long-term advances to members.

While consolidated obligations are primarily fixed-rate contracts, the effect of derivatives and hedging activities allow the cost of debt to track market interest rates for those instruments that are in a qualifying hedge relationship. The annualized yield on total interest-bearing liabilities for the three months ended March 31, 2013 was 76 basis points, 19 basis points lower than the three months ended March 31, 2012. The decrease in the annualized yield on total interest-bearing liabilities was consistent with interest rates generally decreasing during the three months ended March 31, 2013, compared to the same period in 2012. The decline in interest rates allowed the FHLBanks to continue retiring higher-cost debt and replacing it with lower-cost debt, contributing to the decrease in annualized yield on total interest-bearing liabilities.

The Federal Reserve Board, acting through its Federal Open Market Committee, indicated in May 2013 that it will maintain its target range for the federal funds rate at zero to a quarter percent and anticipates that this exceptionally low range for the federal funds target rate will be appropriate at least as long as the unemployment rate remains above six and a half percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Federal Open Market Committee's two percent longer-run goal, and longer-term inflation expectations continue to be well anchored. The Federal Reserve Board announced in May 2013 that it will continue to purchase $40 billion in agency mortgage backed securities (MBS) each month and that it will continue to purchase longer-term Treasury securities at a pace of $45 billion per month. The Federal Reserve Board also continued its existing policy to reinvest principal payments on its agency debt and agency MBS holdings back into agency MBS, and rolling over maturing Treasury securities at auction.

Legislative and Regulatory Environment. The FHLBanks' business operations, funding costs, rights or obligations, and the business environment in which the FHLBanks carry out their housing finance mission is affected by the legislative and regulatory environment. This environment for the FHLBank System has changed significantly over the past few years, starting with the Housing and Economic Recovery Act of 2008 (Housing Act) and continuing with financial regulators' issuance of proposed and/or final rules to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) enacted in July 2010 and deliberations by the U.S. Congress regarding housing finance and GSE reform. (See *Legislative and Regulatory Developments* for more information.)

FHLBanks' Financial Highlights

Financial Condition. Total assets were $738.7 billion at March 31, 2013, a decrease of 3.1% from $762.5 billion at December 31, 2012, comprised of declines in investments, advances, mortgage loans and cash and due from banks. Investments declined 2.4% to $259.5 billion due primarily to a decrease in securities purchased under agreements to resell and the runoff of residential mortgage-backed securities, partially offset by an increase in Federal funds sold. Advances decreased 1.8% to $418.3 billion due to high levels of deposits and low loan demand experienced at certain member institutions. Mortgage loans declined 3.0% to $48.0 billion as a result of principal repayments continuing to exceed purchases. Cash and due from banks decreased 45.1% to $10.2 billion.

FHLBank debt issuance is generally driven by members' needs for advances. During the three months ended March 31, 2013, the FHLBanks maintained continual access to funding and adapted their debt issuance to meet the needs of their members. Consolidated obligations declined 3.3% to $669.4 billion due to the reduction in funding needs resulting from the decline in total assets. This decline resulted from a decrease in consolidated discount notes.

Total GAAP capital was $42.7 billion at March 31, 2013, an increase of 0.4% from $42.5 billion at December 31, 2012, driven by an improvement in accumulated other comprehensive income (loss) and growth in retained earnings, partially offset by a reduction in capital stock outstanding. The total GAAP capital-to-assets ratio was 5.78% at March 31, 2013, an increase of 20 basis points from 5.58% at December 31, 2012. Total combined regulatory capital was $49.6 billion at March 31, 2013, a decrease of 2.7% from $51.0 billion at December 31, 2012, driven by reductions in capital stock and mandatorily redeemable capital stock outstanding, partially offset by growth in retained earnings. The combined regulatory capital-to-assets ratio was 6.71% at March 31, 2013, an increase of 2 basis points from 6.69% at December 31, 2012.

Operating Results. Net income for the three months ended March 31, 2013 was $580 million, a decrease of 20.9% compared to the same period in 2012. The decrease was driven primarily by lower net interest income, partially offset by lower assessments and non-interest expense.

Net interest income after provision for credit losses for the three months ended March 31, 2013 was $854 million, a decrease of 17.3% compared to the same period in 2012. Net interest margin for the three months ended March 31, 2013 was 0.46%, a decrease of 9 basis points compared to the same period in 2012. Interest income for the three months ended March 31, 2013 was $2,166 million, a decrease of 20.1% compared to the same period in 2012. The decrease was driven by lower yields on interest-earning assets and reductions in the average balances of investments and mortgage loans. Interest expense for the three months ended March 31, 2013 was $1,316 million, a decrease of 21.1% compared to the same period in 2012. The decrease was driven by lower funding costs that were partially attributable to the cumulative effect of redemptions and refinancings of higher-cost consolidated obligations in the prevailing low interest-rate environment, as well as reductions in the average balances of interest-bearing liabilities.

Non-interest income for the three months ended March 31, 2013 was $28 million, an improvement of 12.0% compared to the same period in 2012. The improvement was due primarily to lower losses on extinguishment of debt, reported in other; lower credit-related other-than-temporary impairment (OTTI) and lower losses on trading securities; partially offset by lower net gains on derivatives and hedging activities. Net OTTI losses for the three months ended March 31, 2013 were $5 million. The decrease of $26 million in net OTTI losses was due primarily to further stabilization of the housing and mortgage markets and to improved expectations for these markets in 2013 compared to 2012. Market value fluctuations contributed to the net gain in non-interest income for the three months ended March 31, 2013. During the three months ended March 31, 2013, the FHLBanks recorded net mark-to-market related gains on derivatives and hedging activities and losses on trading securities and financial instruments held under fair value option. Non-interest expense for the three months ended March 31, 2013 decreased 3.3% to $234 million.

Affordable Housing Program assessments for the three months ended March 31, 2013 were $68 million, a decrease of 18.1% compared to the same period in 2012. The decrease in Affordable Housing Program assessments was a result of the decrease in net income before assessments.

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

Combined Financial Condition

Total assets were $738.7 billion at March 31, 2013, a decrease of 3.1% from $762.5 billion at December 31, 2012, comprised of declines in investments, advances, mortgage loans and other assets. Total consolidated obligations were $669.4 billion at March 31, 2013, a decrease of 3.3% from $692.1 billion at December 31, 2012, due to the reduction in funding needs resulting from the decline in total assets. The following discussion contains information on the major categories of the FHLBanks' Combined Statement of Condition: advances, investments, mortgage loans, consolidated obligations, deposits and capital.

Advances

The FHLBanks provide liquidity to members and eligible non-members through secured loans (advances), which may be used for residential mortgages, community investments, and other services for housing and community development. Each FHLBank makes advances based on the security of mortgage loans and other types of eligible collateral pledged, and the creditworthiness and financial condition of the borrowing institutions.

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

Table 1 - Advances Outstanding by Product Type
(dollars in millions)

	March 31, 2013		December 31, 2012	
	Amount	Percentage of Total	Amount	Percentage of Total
Fixed-rate	$ 232,579	57.1%	$ 249,314	60.3%
Adjustable/variable-rate indexed	130,628	32.1%	117,394	28.4%
Hybrid(1)	22,679	5.6%	24,352	5.9%
Amortizing(2)/mortgage-matched	11,881	2.9%	12,060	2.9%
Convertible	9,070	2.2%	9,892	2.4%
Other advances	574	0.1%	588	0.1%
Total par value	407,411	100.0%	413,600	100.0%
Other(3)	10,886		12,150	
Total	$ 418,297		$ 425,750	

(1) A hybrid advance contains a one-time option to embed either a floor or cap at any time during the life of the advance. A hybrid advance may be either fixed- or variable-rate at the date of issuance.
(2) Amortizing advances include index-amortizing advances, which require repayment in accordance with predetermined amortization schedules linked to various indices. Generally, as market interest rates rise (fall), the maturity of an index-amortizing advance extends (contracts).
(3) Consists of hedging and fair value option valuation adjustments, unamortized premiums, discounts and commitment fees.

The outstanding carrying value of advances at March 31, 2013 declined $7.5 billion or 1.8% from December 31, 2012 to March 31, 2013. This reduction is due to high levels of deposits and low loan demand experienced at certain member institutions. The percentage of members with outstanding advances decreased to 55.0% at March 31, 2013 compared to 57.3% at December 31, 2012.

Table 2 presents cash flows related to advance originations and advance repayments. The increase in both advance originations and repayments during the three months ended March 31, 2013, compared to the same period in 2012, is due primarily to members electing to restructure certain outstanding advances to take advantage of the low interest-rate environment. In addition, the majority of the FHLBanks issued more short-term advances, many having overnight maturities, during the three months ended March 31, 2013, compared to the same period in 2012.

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

	Three Months Ended March 31,		
	2013	2012	Change
Advances originated	$ 741,179	$ 572,224	$ 168,955
Advances repaid	747,388	594,873	152,515
Net change	$ (6,209)	$ (22,649)	

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

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

	March 31, 2013		December 31, 2012	
	Par Value	Percentage of Total Par Value of Advances	Par Value	Percentage of Total Par Value of Advances
Commercial bank members	$ 235,373	57.8%	$ 232,825	56.3%
Thrift members	81,411	20.0%	85,762	20.7%
Insurance company members	52,885	12.9%	51,593	12.5%
Credit union members	22,217	5.5%	25,074	6.1%
Community development financial institution members	38	—	41	—
Total member advances	391,924	96.2%	395,295	95.6%
Non-member borrowers	15,155	3.7%	17,952	4.3%
Housing associates	332	0.1%	353	0.1%
Total par value	$ 407,411	100.0%	$ 413,600	100.0%

Table 4 - Member Borrowers by Type of Member

	March 31, 2013		December 31, 2012	
	Number	Percentage of Total Member Borrowers	Number	Percentage of Total Member Borrowers
Commercial banks	3,043	72.8%	3,206	73.2%
Thrifts	651	15.6%	668	15.3%
Credit unions	351	8.4%	385	8.8%
Insurance companies	129	3.1%	112	2.6%
Community development financial institutions	5	0.1%	5	0.1%
Total member borrowers	4,179	100.0%	4,376	100.0%
Total members	7,603		7,635	

Table 5 presents the FHLBanks' top 10 advance holding borrowers at the holding-company level on a combined basis based on advances outstanding at par at March 31, 2013. The percentage of total advances for each holding company was computed by dividing the par value of advances by subsidiaries of that holding company by the total combined par value of advances. These percentage concentrations do not represent borrowing concentrations in an individual FHLBank.

Table 5 - Top 10 Advance Holding Borrowers by Holding Company at March 31, 2013
(dollars in millions)

Holding Company Name(1)	FHLBank Districts(2)	Par Value	Percentage of Total Par Value of Advances
JPMorgan Chase & Co.	Pittsburgh, Cincinnati, San Francisco, Seattle	$ 55,992	13.7%
Bank of America Corporation	Boston, New York, Atlanta, Indianapolis, San Francisco, Seattle	25,953	6.4%
Citigroup Inc.	New York, Dallas, San Francisco	18,935	4.6%
Metlife, Inc.	Boston, New York, Pittsburgh, Des Moines	15,485	3.8%
Capital One Financial Corporation	Atlanta, Dallas	12,334	3.0%
Banco Santander, S.A.	Pittsburgh	12,265	3.0%
New York Community Bancorp, Inc.	New York, Cincinnati	8,773	2.2%
BB&T Corporation	Atlanta	8,547	2.1%
Navy Federal Credit Union	Atlanta	6,076	1.5%
Hudson City Bancorp, Inc.	New York	6,025	1.5%
		$ 170,385	41.8%

(1) Holding company information was obtained from the Federal Reserve System's website, the National Information Center (NIC) and SEC filings. The NIC is a central repository of data about banks and other institutions for which the Federal Reserve System has a supervisory, regulatory, or research interest, including both domestic and foreign banking organizations operating in the United States.
(2) At March 31, 2013, each holding company had subsidiaries with advance borrowings in these FHLBank districts.

Investments

The FHLBanks maintain investment portfolios for liquidity purposes, to use balance sheet capacity and to provide additional earnings. This investment income bolsters the FHLBanks' capacity to meet their commitments to affordable housing and community investment, and to support operating expenses. Table 6 presents the composition of investments and investment securities as of March 31, 2013 and December 31, 2012.

Table 6 - Total Investments
(dollars in millions)

Carrying Value	March 31, 2013	December 31, 2012	Change
Interest-bearing deposits	$ 1,006	$ 1,007	$ (1)
Securities purchased under agreements to resell	26,629	35,839	(9,210)
Federal funds sold	48,041	44,010	4,031
Total Investment Securities by Major Security Type			
Investment securities non-mortgage-backed securities			
U.S. Treasury obligations	1,854	1,003	851
Commercial paper	425	60	365
Certificates of deposit	2,611	3,283	(672)
Other U.S. obligations	4,667	4,950	(283)
GSE and Tennessee Valley Authority obligations	25,141	25,313	(172)
State or local housing agency obligations	3,006	2,735	271
Federal Family Education Loan Program ABS	7,290	7,452	(162)
Other	1,641	1,651	(10)
Total investment securities non-mortgage-backed securities	46,635	46,447	188
Investment securities mortgage-backed securities			
Other U.S. obligations residential MBS	12,499	12,534	(35)
Other U.S. obligations commercial MBS	412	457	(45)
GSE residential MBS	93,043	94,504	(1,461)
GSE commercial MBS	6,501	5,602	899
Private-label residential MBS	24,213	24,936	(723)
Private-label commercial MBS	10	10	—
Manufactured housing loan ABS	142	147	(5)
Home equity loan ABS	321	332	(11)
Total investment securities mortgage-backed securities	137,141	138,522	(1,381)
Total investment securities	183,776	184,969	(1,193)
Total investments	$ 259,452	$ 265,825	$ (6,373)

Total investments decreased by $6.4 billion from December 31, 2012 to March 31, 2013 due to a decrease in securities purchased under agreements to resell and the runoff of residential mortgage-backed securities, partially offset by an increase in Federal funds sold.

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

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

The yield earned on these short-term investments is tied directly to short-term market interest rates. At March 31, 2013, the FHLBanks continued to maintain significant short-term investment balances as part of their ongoing strategy and to satisfy regulatory liquidity requirements. (See *Liquidity* for further discussion related to liquidity management.)

Long-term Investments. The FHLBanks also enhance interest income and support operating expenses by holding long-term investments. These investments generally provide the FHLBanks with higher returns than those available on short-term investments.

Gross Unrealized Losses on Mortgage-Backed Securities. Gross unrealized losses, including the net effect of non-credit-related OTTI recognized in AOCI, on the FHLBanks' available-for-sale (AFS) MBS decreased $434 million from December 31, 2012 to March 31, 2013. This decline was primarily driven by an increase in the fair value of certain private-label residential MBS.

Gross unrealized losses, including the net effect of non-credit-related OTTI recognized in AOCI, on the FHLBanks' held-to-maturity (HTM) MBS decreased $200 million from December 31, 2012 to March 31, 2013. This decrease was primarily driven by an increase in the fair value of certain private-label residential MBS. However, the increase in the fair value of these securities is not recorded in the Combined Statement of Condition or in the Combined Statement of Comprehensive Income as these investments are held-to-maturity. Also contributing to the decrease was the accretion of the non-credit portion of OTTI losses, recorded in AOCI, on HTM securities that had experienced non-credit-related OTTI in previous periods. For these securities, the non-credit-related impairment is accreted prospectively, based on the amount and timing of future cash flows, over the remaining life of the security as an increase in its carrying value. There is no effect on earnings unless the security is subsequently sold or there are additional decreases in cash flows expected to be collected.

See *Note 4 - Available-for-Sale Securities* and *Note 5 - Held-to-Maturity Securities* to the accompanying combined financial statements for discussion of those securities with unrealized losses.

OTTI on Investment Securities. Each FHLBank evaluates its individual AFS and HTM investment securities holdings for OTTI on a quarterly basis. Private-label residential MBS, private-label commercial MBS, manufactured housing loan asset-backed securities (ABS) and home equity loan ABS (collectively referred to as private-label mortgage-backed securities) are those investment securities that generally carry the greatest risk of loss. For the three months ended March 31, 2013, affected FHLBanks recognized $5 million of net OTTI losses related to AFS and HTM private-label mortgage-backed securities. For the three months ended March 31, 2012, affected FHLBanks recognized $31 million of net OTTI losses related to AFS and HTM private-label mortgage-backed securities. The net OTTI losses related to AFS and HTM private-label mortgage-backed securities for the three months ended March 31, 2013 and 2012 were recognized after each of these FHLBanks determined that it was likely that it would not recover the entire amortized cost basis of each of these securities.

In addition to those securities with OTTI, the FHLBanks had certain private-label mortgage-backed securities in unrealized loss positions at March 31, 2013. On April 4, 2013, the FHLBank of Indianapolis sold six private-label residential mortgage-backed securities out of its AFS portfolio, only one of which was in an unrealized loss position. However, for the remaining private-label mortgage-backed securities in an unrealized loss position, each of the affected FHLBanks asserted as of March 31, 2013 that these declines are considered temporary. Each of these FHLBanks expects to recover the entire amortized cost basis on these securities and neither intends to sell these securities, nor considers it more likely than not that it would be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis. The FHLBanks' portfolio monitoring is ongoing, and further deterioration in delinquency rates, loss rates and real estate values may cause an increase in recognized losses on investment securities.

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

Mortgage-Backed Securities to Total Regulatory Capital Ratio. Current regulatory policy prohibits an FHLBank from purchasing MBS if its investment in MBS exceeds 300% of that FHLBank's previous month-end regulatory capital on the day it purchases the securities. On March 24, 2008, the Federal Housing Finance Board temporarily increased this limit from 300% to 600% for certain kinds of MBS under certain conditions; this temporary increase expired on March 31, 2010. At March 31, 2013, each of the FHLBanks of Chicago and Indianapolis had MBS holdings in excess of the current investment limit and are precluded from purchasing additional MBS investments until their respective MBS ratio declines below 300%. Each of these FHLBanks was not required to sell any previously purchased MBS. Each of the remaining FHLBanks was in compliance with the regulatory limit at the time of its respective MBS purchases and at March 31, 2013. The ratio of MBS (net of regulatory excluded MBS) to total regulatory capital for the FHLBanks on a combined basis at March 31, 2013 was 2.8.

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

See individual FHLBank 2012 SEC Forms 10-K for disclosures related to individual FHLBank investment holdings that exceed 10% of their respective total capital.

Mortgage Loans Held for Portfolio, Net

The FHLBanks purchase mortgage loans to support the FHLBanks' housing mission, diversify their investments and provide an additional source of liquidity to FHLBank members. The two primary programs are the Mortgage Purchase Program (MPP) and the Mortgage Partnership Finance® (MPF) Program. (See *Risk Management - Credit Risk - Mortgage Loans Held for Portfolio* for more information.)

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

	March 31, 2013	December 31, 2012	Change
Mortgage loans held for portfolio	$ 48,076	$ 49,557	$ (1,481)
Allowance for credit losses on mortgage loans	(123)	(132)	9
Total mortgage loans held for portfolio, net	$ 47,953	$ 49,425	$ (1,472)

Mortgage Loans Held for Portfolio. Mortgage loans were $48.1 billion at March 31, 2013, a decrease of 3.0% from $49.6 billion at December 31, 2012. The mortgage loans held for portfolio balance continued to decline from December 31, 2012, primarily due to principal paydowns continuing to exceed purchase volumes.

Allowance for Credit Losses on Mortgage Loans. Table 8 presents the characteristics and credit losses of mortgage loans held for portfolio. Periodically, each FHLBank evaluates the allowance for credit losses for its mortgage loans based on its policies and procedures to determine if an allowance for credit losses is necessary. The allowance for credit losses on mortgage loans decreased $9 million compared to the balance at December 31, 2012, primarily due to the reversal of credit losses and charge-offs by certain FHLBanks during the three months ended March 31, 2013. The reduction in the allowance for credit losses on mortgage loans was due primarily to improvements in the housing market, which resulted in the stabilization of loss severities and contributed to the decrease in the number of loans with incurred losses.

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

Unpaid Principal Balance	March 31, 2013	December 31, 2012
Total past due 90 days or more and still accruing interest	$ 543	$ 559
Non-accrual loans(1)	$ 628	$ 650
Troubled debt restructurings (not included above)(2)	$ 68	$ 61
	Three Months Ended March 31, 2013	**Year Ended December 31, 2012**
Allowance for credit losses, beginning of period	$ 132	$ 138
Charge-offs	(5)	(27)
Provision (reversal) for credit losses(3)	(4)	21
Allowance for credit losses, end of period	$ 123	$ 132

(1) Non-accrual mortgage loans are defined as conventional mortgage loans where either (a) the collection of interest or principal is doubtful, or (b) interest or principal is past due for 90 days or more, except when the loan is well secured and in the process of collection.
(2) Represents troubled debt restructured loans that are still performing as of the period-end presented.
(3) The provision (reversal) for credit losses includes only the provision (reversal) related specifically to mortgage loans and does not include provision for credit losses related to Banking on Business loans specific to the FHLBank of Pittsburgh of less than $1 million for the three months ended March 31, 2013 and reversal of less than $1 million for the three months ended March 31, 2012.

See *Note 9 - Allowance for Credit Losses* to the accompanying combined financial statements and *Combined Results of Operations - Net Interest Income after Provision (Reversal) for Credit Losses* for more information.

Consolidated Obligations

Consolidated obligations consist of consolidated bonds and consolidated discount notes, which are debt instruments issued through the Office of Finance. Consolidated obligations are the principal funding source used by the FHLBanks to make advances and to purchase mortgage loans and investments. At March 31, 2013, the carrying value of consolidated obligations was $669.4 billion, a decrease of 3.3% from $692.1 billion at December 31, 2012, due to the reduction in funding needs resulting from the decline in total assets. This decline resulted from a decrease in consolidated discount notes.

Consolidated bonds are issued primarily to raise intermediate- and long-term funds. Consolidated bonds generally carry fixed- or variable-rate payment terms and have maturities typically ranging from one month to 30 years. At March 31, 2013, the carrying value of consolidated bonds was $476.4 billion, an increase of 0.1% from $475.9 billion at December 31, 2012. Consolidated bonds represented 71.2% and 68.8% of total consolidated obligations outstanding at March 31, 2013 and December 31, 2012.

Consolidated discount notes are issued primarily to provide short-term funding. These consolidated discount notes currently have a maturity range of one day to one year, are sold at or below face value, and mature at par. Much of the consolidated discount note activity reflects the refinancing of overnight discount notes. At March 31, 2013, the carrying value of consolidated discount notes was $193.0 billion, a decrease of 10.8% from $216.3 billion at December 31, 2012. Consolidated discount notes represented 28.8% and 31.2% of total consolidated obligations outstanding at March 31, 2013 and December 31, 2012.

Table 9 - Consolidated Obligations Outstanding
(dollars in millions)

	March 31, 2013	December 31, 2012	Change
Par value of consolidated obligations due in 1 year or less			
Consolidated discount notes	$ 193,014	$ 216,335	$ (23,321)
Consolidated bonds	229,690	238,921	(9,231)
Total	422,704	455,256	(32,552)
Par value of long-term consolidated bonds(1)	243,024	232,444	10,580
Total par value	665,728	687,700	(21,972)
Other(2)	3,636	4,438	(802)
Total consolidated obligations	$ 669,364	$ 692,138	$ (22,774)

(1) Includes $1.2 billion and $1.4 billion of index-amortizing notes as of March 31, 2013 and December 31, 2012.
(2) Consists of hedging and fair value option valuation adjustments, and unamortized premiums and discounts.

Table 10 presents cash flows related to consolidated obligations, which illustrates the continued trend of payments exceeding proceeds, resulting in lower consolidated obligation balances. The change in the consolidated obligations mix is a result of shorter-term maturities having more attractive funding costs than longer-term maturities.

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

	Three Months Ended March 31,		
	2013	2012	Change
Net proceeds from issuance of consolidated obligations			
Discount notes	$ 780,648	$ 714,868	$ 65,780
Bonds	76,434	99,360	(22,926)
Net proceeds	857,082	814,228	$ 42,854
Net payments for maturing and retiring consolidated obligations			
Discount notes	803,960	723,324	$ 80,636
Bonds	75,003	124,776	(49,773)
Net payments	878,963	848,100	$ 30,863
Net change	$ (21,881)	$ (33,872)	

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

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

	March 31, 2013		December 31, 2012	
	Par Value(1)	Percentage of Total	Par Value(1)	Percentage of Total
Fixed-rate, noncallable	$ 295,658	62.5%	$ 309,065	65.6%
Single-index, non-capped variable-rate	73,728	15.6%	78,403	16.6%
Fixed-rate, callable	69,572	14.7%	57,971	12.3%
Step-up/step-down	30,680	6.5%	22,685	4.8%
Index-amortizing notes	1,206	0.3%	1,362	0.3%
Other(2)	2,117	0.4%	2,083	0.4%
Total	$ 472,961	100.0%	$ 471,569	100.0%

(1) Consolidated bonds outstanding have not been adjusted for interbank holdings totaling $247 million at March 31, 2013 and $204 million at December 31, 2012.
(2) Primarily consists of capped variable-rate and conversion consolidated bonds.

The types of consolidated bonds issued can fluctuate based on comparative changes in their cost levels, supply and demand conditions, advance demand and the FHLBanks' individual balance sheet management strategies. Table 12 presents the bond types the FHLBanks relied upon for their bond funding needs.

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

	Three Months Ended March 31,	
	2013	2012
Fixed-rate, fixed-term, noncallable (bullet)	45.5%	42.3%
Fixed-rate, callable	34.4%	44.9%
Step-up/step-down(1)	12.8%	10.7%
Single-index, variable-rate	7.2%	1.9%
Other	0.1%	0.2%
Total	100.0%	100.0%

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

Deposits

The FHLBanks offer demand, overnight and term deposit programs to their members and to qualifying non-members. At March 31, 2013, deposits totaled $13.4 billion, a decrease of $0.3 billion or 2.5% from December 31, 2012. These deposits represent a relatively small portion of the FHLBanks' funding. Deposits vary depending upon market factors, such as the attractiveness of the FHLBanks' deposit pricing relative to the rates available on alternative money market instruments, FHLBank members' investment preferences with respect to the maturity of their investments and FHLBank members' liquidity. Interest-bearing demand and overnight deposits represented 85.6% and 80.2% of deposits at March 31, 2013 and December 31, 2012, with the remaining deposits primarily being term deposits and non-interest bearing deposits.

Capital

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

	March 31, 2013	December 31, 2012	Change
Capital stock	$ 32,618	$ 33,535	$ (917)
Retained earnings	10,916	10,524	392
AOCI	(831)	(1,510)	679
Total GAAP capital	42,703	42,549	154
Exclude:			
AOCI	831	1,510	(679)
Add:			
Mandatorily redeemable capital stock	6,070	6,929	(859)
Other(1)	—	1	(1)
Total regulatory capital	$ 49,604	$ 50,989	$ (1,385)
Total assets	$ 738,706	$ 762,454	$ (23,748)
GAAP capital-to-assets ratio	5.78%	5.58%	
Regulatory capital-to-assets ratio	6.71%	6.69%	

(1) Represents rounding adjustments.

GAAP Capital. Total GAAP capital was $42.7 billion at March 31, 2013, an increase of 0.4% from $42.5 billion at December 31, 2012, driven by an improvement in AOCI and growth in retained earnings, partially offset by a reduction in capital stock outstanding. The total GAAP capital-to-assets ratio was 5.78% at March 31, 2013, an increase of 20 basis points from 5.58% at December 31, 2012.

Capital Stock. The decrease in capital stock outstanding was primarily the result of excess capital stock repurchases and redemptions, net of capital stock issuances of $758 million, which primarily result from a decline in borrowers' advances, and net shares reclassified to mandatorily redeemable capital stock of $168 million, driven by changes in membership composition, such as mergers, acquisitions and liquidations.

AOCI. The improvement in AOCI was primarily the result of $586 million in subsequent net fair value increases on previously other-than-temporarily impaired AFS securities. (See *Combined Results of Operations - Comprehensive Income* for more information.)

Retained Earnings. The increase in retained earnings was driven by net income of $580 million, partially offset by cash dividends of $179 million.

Regulatory Capital. Total combined regulatory capital was $49.6 billion at March 31, 2013, a decrease of 2.7% from $51.0 billion at December 31, 2012, driven by reductions in capital stock and mandatorily redeemable capital stock outstanding, partially offset by growth in retained earnings. The combined regulatory capital-to-assets ratio was 6.71% at March 31, 2013, an increase of 2 basis points from 6.69% at December 31, 2012.

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

	March 31, 2013	December 31, 2012
Capital stock	76.4 %	78.8 %
Retained earnings	25.6 %	24.7 %
AOCI	(2.0)%	(3.5)%
Total GAAP capital	100.0 %	100.0 %

Combined Results of Operations

Net Income

The primary source of each FHLBank's earnings is net interest income, which is the interest earned on advances, mortgage loans and investments, less the interest paid on consolidated obligations and other borrowings. Net income for the three months ended March 31, 2013 was $580 million, a decrease of 20.9% compared to the same period in 2012. This decrease was driven primarily by lower net interest income, partially offset by lower assessments and non-interest expense.

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

	Three Months Ended March 31,		
	2013	2012	Change
Net interest income after provision (reversal) for credit losses	$ 854	$ 1,033	$ (179)
Non-interest income	28	25	3
Non-interest expense	234	242	(8)
Assessments	68	83	(15)
Net income	$ 580	$ 733	$ (153)

Net Interest Income after Provision (Reversal) for Credit Losses

Net interest income after provision (reversal) for credit losses for the three months ended March 31, 2013 was $854 million, a decrease of 17.3% compared to the same period in 2012 resulting from lower net interest margin and lower average balances on interest-earning assets. The reversal for credit losses for the three months ended March 31, 2013 was $4 million, compared to a provision of $12 million during the same period in 2012, primarily because of improvements in the housing market and lower estimated loss severities.

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

	Three Months Ended March 31,		
	2013	2012	Change
Interest income			
Advances	$ 645	$ 832	$ (187)
Prepayment fees on advances, net	30	89	(59)
Interest-bearing deposits	4	2	2
Securities purchased under agreements to resell	13	7	6
Federal funds sold	21	14	7
Trading securities	57	93	(36)
Available-for-sale securities	345	386	(41)
Held-to-maturity securities	558	697	(139)
Mortgage loans	493	590	(97)
Other	—	2	(2)
Total interest income	2,166	2,712	(546)
Interest expense			
Consolidated obligations - Discount notes	137	110	27
Consolidated obligations - Bonds	1,135	1,526	(391)
Deposits	—	1	(1)
Subordinated notes	14	14	—
Mandatorily redeemable capital stock	30	16	14
Total interest expense	1,316	1,667	(351)
Net interest income	850	1,045	(195)
Provision (reversal) for credit losses	(4)	12	(16)
Net interest income after provision (reversal) for credit losses	$ 854	$ 1,033	$ (179)

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

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

	Three Months Ended March 31,					
	2013			2012		
	Average Balance	Interest	Annualized Yield	Average Balance	Interest	Annualized Yield
Advances(1)	$ 415,689	$ 675	0.66%	$ 406,404	$ 921	0.91%
Mortgage loans	48,691	493	4.11%	52,728	590	4.50%
Investments						
Interest-bearing deposits and other	10,384	4	0.16%	11,617	4	0.14%
Securities purchased under agreements to resell	34,331	13	0.15%	24,319	7	0.12%
Federal funds sold	59,872	21	0.14%	52,414	14	0.11%
Trading securities	12,438	57	1.86%	18,358	93	2.04%
Available-for-sale securities(2)	67,809	345	2.06%	80,882	386	1.92%
Held-to-maturity securities(2)	105,064	558	2.15%	119,105	697	2.35%
Total investments	289,898	998	1.40%	306,695	1,201	1.57%
Total interest-earning assets	754,278	2,166	1.16%	765,827	2,712	1.42%
Other non-interest-earning assets	4,804			5,755		
Fair-value adjustment on investment securities (2)	(477)			(4,360)		
Total assets	$ 758,605			$ 767,222		
Consolidated obligations						
Discount notes	$ 200,019	137	0.28%	$ 194,490	110	0.23%
Bonds	478,490	1,135	0.96%	489,778	1,526	1.25%
Interest-bearing deposits and other borrowings(3)	20,482	44	0.87%	24,988	31	0.50%
Total interest-bearing liabilities	698,991	1,316	0.76%	709,256	1,667	0.95%
Non-interest-bearing liabilities	16,895			18,315		
Total liabilities	715,886			727,571		
Capital	42,719			39,651		
Total liabilities and capital	$ 758,605			$ 767,222		
Net interest income		$ 850			$ 1,045	
Net interest spread			0.40%			0.47%
Net interest margin			0.46%			0.55%

(1) Interest income for advances includes prepayment fees on advances, net.
(2) The average balances of AFS securities and HTM securities are reflected at amortized cost; therefore, the resulting yields do not give effect to changes in fair value or the non-credit component of previously recognized OTTI reflected in AOCI.
(3) The balances do not include non-interest-bearing deposits, but do include the average balances and the related interest expense of mandatorily redeemable capital stock and subordinated notes.

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

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

	Three Months Ended March 31, 2013 vs. 2012		
	Volume	Rate	Total
Interest Income			
Advances(1)	$ 20	$ (266)	$ (246)
Mortgage loans	(43)	(54)	(97)
Investments	(66)	(137)	(203)
Total interest income	(89)	(457)	(546)
Interest Expense			
Consolidated obligations	(14)	(350)	(364)
Deposits and other borrowings(2)	(7)	20	13
Total interest expense	(21)	(330)	(351)
Changes in net interest income	$ (68)	$ (127)	$ (195)

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

Lower Average Balances. Total average interest-earning assets decreased 1.5% during the three months ended March 31, 2013 compared to the same period in 2012, negatively affecting net interest income. This decline was the result of a decrease of 7.7% in the average balance of mortgage loans and a decrease of 5.5% in the average balance of total investments, partially offset by an increase of 2.3% in the average balance of advances. The lower average balance of mortgage loans was the result of principal repayments continuing to exceed purchases. The lower average balance of total investments was driven by the maturity of Temporary Liquidity Guarantee Program securities and the runoff of residential mortgage-backed securities, partially offset by higher average balances of short-term investments. The higher average balance of advances for the three months ended March 31, 2013, compared to the same period in 2012, reflected the demand for advances that showed some signs of regional stabilization and that resulted in certain FHLBank members increasing their use of advances. However, high deposit levels and low loan demand has been experienced at member institutions. The average balance of consolidated obligations decreased 0.8% for the three months ended March 31, 2013 compared to the same period in 2012, as the decline in the average balance of interest-earning assets drove a corresponding reduction in funding needs. This reduction in funding needs resulted in a decrease of 2.3% in the average balance of consolidated bonds, partially offset by a 2.8% increase in the average balance of consolidated discount notes.

Lower Net Interest Margin. Net interest margin was 0.46% for the three months ended March 31, 2013, a decrease of 9 basis points compared to the same period in 2012 due primarily to lower net interest spreads. The yield on interest-earning assets was 1.16%, a decrease of 26 basis points, resulting from lower yields on mortgage loans, advances and investments. The yield on interest-bearing liabilities was 0.76%, a decrease of 19 basis points, primarily attributable to the issuance of new consolidated obligations, including the cumulative effect of redemptions and refinancings of higher-cost consolidated obligations, in a very low interest rate environment.

Non-Interest Income

Non-interest income for the three months ended March 31, 2013 was $28 million, an improvement of 12.0% compared to the same period in 2012. The improvement was due primarily to lower losses on extinguishment of debt, reported in other, net; lower net other-than-temporary impairment losses and lower losses on trading securities; partially offset by lower net gains on derivatives and hedging activities.

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

	Three Months Ended March 31,		
	2013	2012	Change
Net other-than-temporary impairment losses	$ (5)	$ (31)	$ 26
Net gains (losses) on trading securities	(48)	(74)	26
Net realized gains (losses) from sale of available-for-sale securities	1	—	1
Net gains (losses) on financial instruments held under fair value option	(4)	5	(9)
Net gains (losses) on derivatives and hedging activities	65	139	(74)
Other, net	19	(14)	33
Total non-interest income	$ 28	$ 25	$ 3

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

Net other-than-temporary impairment losses for the three months ended March 31, 2013 were $5 million, compared to $31 million in the same period in 2012. The decrease of $26 million in net other-than-temporary impairment losses was due primarily to further stabilization of the housing and mortgage markets and to improved expectations for these markets in 2013 compared to 2012.

Table 20 - Other-than-Temporary Impairment Losses
(dollars in millions)

	Three Months Ended March 31,					
	2013			2012		
	Total OTTI Losses	AOCI(1)	OTTI Related to Credit Losses	Total OTTI Losses	AOCI(1)	OTTI Related to Credit Losses
OTTI by Collateral Type(2)						
Private-label residential MBS						
Prime	$ —	$ —	$ —	$ (2)	$ (14)	$ (16)
Alt-A	(5)	—	(5)	(22)	8	(14)
Subprime	—	—	—	(1)	1	—
Total OTTI on private-label residential MBS	(5)	—	(5)	(25)	(5)	(30)
Home equity loan ABS						
Alt-A	—	—	—	—	(1)	(1)
Total OTTI on home equity loan ABS	—	—	—	—	(1)	(1)
Total	$ (5)	$ —	$ (5)	$ (25)	$ (6)	$ (31)
OTTI by Period						
Securities newly impaired during the period	$ (5)	$ 5	$ —	$ (12)	$ 12	$ —
Securities previously impaired prior to current period(3)	—	(5)	(5)	(13)	(18)	(31)
Total	$ (5)	$ —	$ (5)	$ (25)	$ (6)	$ (31)

(1) Represents the net amount of impairment losses reclassified to/(from) AOCI.
(2) The FHLBanks classify securities as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by a nationally recognized statistical rating organization upon issuance of the securities.
(3) For the three months ended March 31, 2013 and 2012, securities previously impaired prior to current period represent all securities that were impaired prior to January 1, 2013 and 2012.

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

Gains (Losses) on Trading Securities. The FHLBanks generally hold trading securities for liquidity purposes. Trading securities are recorded at fair value with changes in fair value reflected in non-interest income. There are a number of factors that can impact the value of a trading security, including movement in interest rates, changes in credit spreads, the passage of time and changes in volatility. Net losses on trading securities for the three months ended March 31, 2013 and 2012 were $48 million and $74 million.

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

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

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

	Three Months Ended March 31,		
	2013	2012	Change
Advances	$ (25)	$ (26)	$ 1
Consolidated obligations			
Discount notes	—	4	(4)
Bonds	21	26	(5)
Other liabilities(1)	—	1	(1)
Total net gains (losses) on financial instruments held under fair value option	$ (4)	$ 5	$ (9)

(1) Represents optional advance commitments.

Gains (Losses) on Derivatives and Hedging Activities. Fair value estimates for an FHLBank's derivatives and hedging positions fluctuate primarily with changes in the level and volatility of interest rates. In general, an FHLBank holds derivatives and associated hedged instruments to the maturity, call or put date. Therefore, as a matter of timing, nearly all of the cumulative net gains and losses for these financial instruments generally reverse over the remaining contractual terms of the hedged financial instruments. However, there may be instances in which an FHLBank terminates these instruments prior to maturity or prior to the call or put dates. Terminating the financial instrument or hedging relationship may result in a realized gain or loss.

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

	Three Months Ended March 31,		
	2013	2012	Change
Net gains (losses) related to fair value hedge ineffectiveness	$ 36	$ 85	$ (49)
Net gains (losses) related to cash flow hedge ineffectiveness	1	2	(1)
Net gains (losses) related to derivatives not designated as hedging instruments	28	52	(24)
Total net gains (losses) on derivatives and hedging activities	$ 65	$ 139	$ (74)

The net gains on derivatives and hedging activities for the three months ended March 31, 2013 and 2012 were $65 million and $139 million, driven by gains related to fair-value hedge ineffectiveness and gains on economic hedges. These gains were due primarily to mark-to-market activities resulting from changes in the benchmark interest rate and volatility. Hedge ineffectiveness occurs when changes in the fair value of the derivative and the associated hedged instrument do not perfectly offset. (See *Note 10 - Derivatives and Hedging Activities* to the accompanying combined financial statements for the earnings effect resulting from derivatives and hedging activities and *Quantitative and Qualitative Disclosures about Market Risk - Use of Derivatives to Manage Interest-Rate Risk*.)

Other, net. Other, net primarily includes income from various product and service fees, gains or losses on investments related to retirement plans and gains or losses on the extinguishment of debt. During the three months ended March 31, 2013 and 2012, certain FHLBanks recorded net losses of $8 million and $40 million on the extinguishment of debt.

Non-interest Expense

Non-interest expense for the three months ended March 31, 2013 was $234 million, a decrease of 3.3% compared to the same period in 2012.

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

	Three Months Ended March 31,		
	2013	2012	Change
Compensation and benefits	$ 126	$ 131	$ (5)
Other operating expenses	77	75	2
Federal Housing Finance Agency	16	21	(5)
Office of Finance	13	11	2
Other	2	4	(2)
Total non-interest expense	$ 234	$ 242	$ (8)

Compensation and Benefits. These expenses include costs for FHLBank employees, including salaries, incentives, and health and retirement benefits. For the three months ended March 31, 2013, compensation and benefits expense was $126 million, a decrease of 3.8% compared to the same period in 2012.

FHFA Expenses. The FHLBanks fund the portion of the FHFA's operating costs and working capital fund that relate to the FHLBanks, as determined by the FHFA. These costs are based on the FHFA's annual budget and are under the sole control of the FHFA. Each FHLBank pays its pro-rata share of FHFA expenses based on the ratio of each FHLBank's minimum required regulatory capital to the aggregate minimum required regulatory capital of all FHLBanks.

Office of Finance Expenses. The FHLBanks also fund the costs of the Office of Finance, a joint office of the FHLBanks that issues and services consolidated obligations, prepares the FHLBanks' combined quarterly and annual financial reports, and fulfills certain other functions.

Assessments

Affordable Housing Program (AHP) assessments for the three months ended March 31, 2013 were $68 million, a decrease of 18.1% compared to the same period in 2012. The decrease in AHP assessments was a result of the decrease in income before assessments.

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

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

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

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

Total consolidated bonds of $105 million at par value were transferred from an FHLBank to another FHLBank during the three months ended March 31, 2013. There were no interbank transfers of consolidated bonds during the three months ended March 31, 2012.

The amount of total interbank consolidated bonds transferred during a period depends on a variety of factors, such as (1) whether or not an assuming FHLBank can obtain equal or lower funding costs through interbank transfers as compared to issuing new debt, (2) an FHLBank's overall asset/liability management strategy and (3) current market conditions.

The transferring FHLBank treats the transfer as a debt extinguishment because that FHLBank has been released from being the primary obligor. The assuming FHLBank becomes the primary obligor because it now is directly responsible for repaying the debt. The assuming FHLBank records the fair value, including any premium or discount, as the initial carrying amount for the consolidated bond it received from the transferring FHLBank. However, under the principles of combination accounting, combining adjustments are required to reflect the transaction as if the transferring FHLBank still holds the consolidated bond for purposes of the FHLBanks' combined financial statements.

Table 24 presents the effect of combining adjustments on the Combined Statement of Income for the elimination of transfers of interbank consolidated bond liabilities and for offsetting interbank commissions, as well as fees related to the MPF Program that are eliminated in non-interest income and non-interest expense and have no effect on net income.

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

	Three Months Ended March 31,	
Effect on:	**2013**	**2012**
Net interest income	$ (11)	$ (6)
Non-interest income	17	(1)
Non-interest expense	(1)	(1)
Net income	$ 7	$ (6)

Comprehensive Income

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

Comprehensive income during the three months ended March 31, 2013 was $1,259 million, a decrease of $136 million compared to the same period in 2012, due primarily to a $153 million decrease in net income. The primary components of other comprehensive income include changes in fair value of AFS securities, changes in non-credit OTTI losses and net unrealized gains (losses) related to hedging activities. Fair value changes on AFS securities and the net change in non-credit OTTI losses are primarily related to certain private-label mortgage-backed securities. (See *Note 14 - Accumulated Other Comprehensive Income (Loss)* to the accompanying combined financial statements for a summary of changes in accumulated other comprehensive income (loss).)

Table 25 - Comprehensive Income
(dollars in millions)

	Three Months Ended March 31,		
	2013	2012	Change
Net Income	$ 580	$ 733	$ (153)
Other comprehensive income			
Changes in fair value of AFS securities			
Net unrealized gains (losses) on AFS securities	(51)	(41)	(10)
Net change in fair value of other-than-temporarily impaired AFS securities	586	579	7
Total changes in fair value of AFS securities	535	538	(3)
Changes in non-credit OTTI losses			
Reclassification of the non-credit portion of AFS securities included in net income	3	18	(15)
Non-credit portion of HTM securities	(4)	(12)	8
Accretion of non-credit portion on HTM securities	40	51	(11)
Total changes in non-credit OTTI losses	39	57	(18)
Net unrealized gains (losses) relating to hedging activities	103	66	37
Other	2	1	1
Total other comprehensive income	679	662	17
Total comprehensive income	$ 1,259	$ 1,395	$ (136)

Changes in Fair Value of AFS Securities. Changes in the fair value of AFS securities, which are primarily due to changes in interest rates, are recorded in other comprehensive income. The changes in fair value are classified into two separate components, the net change in unrealized gains (losses) on AFS securities that have not been other-than-temporarily impaired and the net change in the fair value of other-than-temporarily impaired AFS securities. The distinction between the two categories is whether the AFS security has incurred an OTTI loss.

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

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

Capital Adequacy

At March 31, 2013, each of the FHLBanks was in compliance with its statutory minimum capital requirements. (See *Note 13 - Capital* to the accompanying combined financial statements for more information on each FHLBank's minimum capital requirements.) Regulatory guidance requires each FHLBank to assess, at least once a year, the adequacy of its retained earnings under various future financial and economic scenarios, including:

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

Management and the board of directors of each FHLBank review the capital structure of that FHLBank on a periodic basis to ensure the capital structure supports the risk associated with its assets and addresses applicable regulatory and supervisory matters. In addition, an individual FHLBank may institute a higher capital requirement to meet internally-established thresholds or to address supervisory matters, or may limit dividend payments as part of its retained earnings policies. As of March 31, 2013, certain FHLBanks have limited dividend payments and/or restricted excess capital stock redemptions and repurchases. These limitations may be revised from time to time. (See *Dividend and Excess Stock Limitations* for more information on certain FHLBank limits on dividend payments and excess capital stock repurchases.)

Joint Capital Enhancement Agreement

The Joint Capital Enhancement Agreement, as amended (Capital Agreement), is intended to enhance the capital position of each FHLBank. The Capital Agreement provides that each FHLBank will allocate 20% of its net income each quarter to a separate restricted retained earnings account until the balance of that account equals at least one percent of that FHLBank's average balance of outstanding consolidated obligations for the previous quarter. These restricted retained earnings are not available to pay dividends. (See *Note 13 - Capital* - *Restricted Retained Earnings* to the accompanying combined financial statements for more information.)

Dividend and Excess Stock Limitations

Certain FHLBanks have implemented voluntary actions to suspend dividend payments and/or repurchases or redemptions of excess capital stock. These actions were implemented as a capital preservation measure and to reflect a conservative approach to financial management due to market volatility and impairment of certain private-label mortgage-backed securities. (See *Note 13 - Capital* - *Excess Capital Stock* to the accompanying combined financial statements for information on the regulatory restrictions related to excess capital stock.)

FHLBank of Boston. The FHLBank of Boston is continuing its moratorium on repurchases of excess capital stock, other than in limited, former member-related instances of insolvency. Although the FHLBank of Boston completed a partial repurchase of excess capital stock on each of March 11, 2013 and March 9, 2012, there are no plans to conduct another excess stock repurchase in 2013. Further, on January 25, 2013, the FHLBank of Boston's board of directors adopted a resolution that it will not conduct excess stock repurchases, other than in limited, former member-related instances of insolvency, without obtaining the FHFA's non-objection, which the FHLBank of Boston does not expect to pursue in 2013. The FHLBank of Boston will consider whether and how to conduct other repurchases of excess stock as part of its business planning process for 2014.

FHLBank of Pittsburgh. In December 2008, the FHLBank of Pittsburgh announced the voluntary suspensions of dividend payments until further notice. On February 22, 2013, the FHLBank of Pittsburgh paid an annualized dividend of 32 basis points per share, which was based on average 3-month LIBOR for the fourth quarter of 2012. On April 30, 2013, the FHLBank of Pittsburgh paid an annualized dividend of 29 basis points per share, which was based on average 3-month LIBOR for the first quarter of 2013.

The market value of equity to par value of capital stock ratio provides a current assessment of the liquidation value of the balance sheet and measures the FHLBank of Pittsburgh's current ability to honor the par put redemption feature of its capital stock. This is one of the risk metrics used to evaluate the adequacy of retained earnings and develop dividend payment and excess capital stock repurchase recommendations.

The FHLBank of Pittsburgh's market value of equity to par value of capital stock ratio was 118.0% and 115.1% at March 31, 2013 and December 31, 2012. The improvement in the market value of equity to par value of capital stock ratio during the first quarter of 2013 was due primarily to higher prices and principal paydowns on the private-label mortgage-backed securities portfolio and increased retained earnings. Because the market value of equity to par value of capital stock ratio was above the 90.0% floor at March 31, 2013, the FHLBank of Pittsburgh performed additional analysis of capital adequacy taking into consideration the impact of excess capital stock repurchases and dividend payouts to determine if any excess stock should be repurchased. As a result of this analysis, the FHLBank of Pittsburgh repurchased $400 million in excess capital stock on April 30, 2013. The FHLBank of Pittsburgh also executed partial repurchases in February 2013, which totaled $300 million. These repurchases were somewhat offset by member capital stock purchases associated with incremental advance borrowing during the first quarter of 2013. The effect of the net capital reduction was an additional improvement in the market value of equity to par value of capital stock ratio.

In making decisions regarding future repurchases of excess capital stock and payment of dividends, the FHLBank of Pittsburgh will continue to monitor the market value of equity to par value of capital stock ratio as well as the condition of its private-label mortgage-backed securities 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 excess capital stock repurchases in future periods.

FHLBank of Chicago. Although the FHLBank of Chicago's plan for repurchasing the excess capital stock of current members over time (Repurchase Plan) terminated by its terms in May 2012, pursuant to a resolution adopted by its board of directors, the FHLBank of Chicago continues to repurchase excess capital stock held by its members on a quarterly basis if it maintains compliance with the financial and capital thresholds set forth in the Repurchase Plan.

On April 15, 2013, following the FHLBank of Chicago's assessment that it met these thresholds for repurchase based on the financial results for the first quarter of 2013, the FHLBank of Chicago notified its members of another repurchase opportunity and the process for requesting repurchase. In accordance with that process, the FHLBank of Chicago announced its plan to repurchase excess capital stock of up to $200 million on May 15, 2013, which represents approximately all of the excess capital stock outstanding.

On April 23, 2013, the FHLBank of Chicago's board of directors declared a cash dividend at an annualized rate of 0.30% per share based on its preliminary financial results for the first quarter of 2013. Dividends paid by the FHLBank of Chicago for any given quarter of 2013 must not exceed the following rates on an annualized basis:

- the average of three-month LIBOR plus 350 basis points on Class B-1 capital stock; and
- the average of three-month LIBOR plus 100 basis points on Class B-2 capital stock.

The FHLBank of Chicago's board of directors has also resolved that payment of any dividend shall not result in its retained earnings falling below the level of retained earnings at the previous year-end. The FHLBank of Chicago's board of directors may not pay dividends above these limits or otherwise modify or terminate this resolution without written consent by the Director of the FHFA. Although the FHLBank of Chicago continues to work to build its financial strength to support a reasonable dividend, any future dividend determination by the FHLBank of Chicago's board of directors will be at its board of directors' sole discretion and it will depend on future operating results and any other factors the FHLBank of Chicago's board of directors determines to be relevant and be reviewed in accordance with its resolution and its retained earnings and dividend policy.

FHLBank of San Francisco. On a quarterly basis, the FHLBank of San Francisco determines whether it will repurchase excess capital stock. The FHLBank of San Francisco repurchased $750 million in excess capital stock in the first quarter of 2013, compared to $446 million in the first quarter of 2012.

During the first quarter of 2013, the five-year redemption period for $1 million in mandatorily redeemable capital stock expired, and the FHLBank of San Francisco redeemed the capital stock at its $100 par value on the relevant scheduled redemption dates.

On April 29, 2013, the FHLBank of San Francisco announced that it plans to repurchase up to $750 million in excess capital stock on May 17, 2013. The amount of excess capital stock to be repurchased from each shareholder will be based on the total amount of capital stock (including mandatorily redeemable capital stock) outstanding to all shareholders on the repurchase date. The FHLBank of San Francisco will repurchase an equal percentage of each shareholder's total capital stock to the extent that the shareholder has sufficient excess capital stock.

The FHLBank of San Francisco will continue to monitor the condition of its private-label residential mortgage-backed securities portfolio, the ratio of the estimated market value of its capital to the par value of its capital stock, its overall financial performance and retained earnings, developments in the mortgage and credit markets, and other relevant information as the basis for determining the status of dividends and capital stock repurchases in future quarters. (See *Note 13 - Capital - Restricted Retained Earnings* to the accompanying combined financial statements for more information on the FHLBank of San Francisco's retained earnings and dividend policy.)

FHLBank of Seattle. On October 25, 2010, the FHLBank of Seattle entered into a Consent Arrangement with the FHFA, which will remain in effect until modified or terminated by the FHFA. As a result of the Consent Arrangement, the FHLBank of Seattle is currently unable to declare or pay dividends, or redeem or repurchase capital stock, without prior approval of the FHFA. The Consent Arrangement provides that, once the FHLBank of Seattle reaches and maintains certain thresholds and with the FHFA approval, the FHLBank of Seattle may begin repurchasing its member capital stock at par value. With applicable FHFA approval, the FHLBank of Seattle implemented a modest quarterly excess capital stock repurchase program in September 2012 and repurchased $24.1 million of excess stock under the program in the first quarter of 2013, as well as $1.4 million of additional excess capital stock originally purchased on or after October 27, 2010 to support advance activity stock requirements.

Further, the FHLBank of Seattle may again be in position to redeem certain capital stock and begin paying dividends once the FHLBank of Seattle:

- achieves and maintains certain financial and operational metrics;
- remediates certain concerns regarding the FHLBank of Seattle's oversight and management, asset quality, capital adequacy and retained earnings, risk management, compensation practices, examination findings, and information technology; and
- returns to a safe and sound condition as determined by the FHFA.

The Consent Arrangement also requires the FHLBank of Seattle to meet and maintain certain minimum financial metrics at the end of each quarter. These financial metrics relate to its retained earnings, accumulated other comprehensive loss, and the ratio of market value of equity to par value of capital stock. With the exception of the retained earnings requirement under the Consent Arrangement as of June 30, 2011, the FHLBank of Seattle has met all minimum financial metrics since December 31, 2010. (See *Note 17 - Capital* on pages F-62 to F-64 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2012 for additional information on the FHLBank of Seattle Capital Classification and Consent Arrangement.)

Liquidity

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

The FHLBanks need liquidity to:

- satisfy their members' demand for short- and long-term funds;
- repay maturing consolidated obligations; and
- meet other obligations.

The FHLBanks also maintain liquidity to redeem or repurchase excess capital stock at their discretion upon the request of a member or under an FHLBank's capital plan. (See *Capital Adequacy - Dividend and Excess Stock Limitations* for a discussion of certain FHLBanks' dividend payment suspensions and/or excess stock purchase restrictions.)

The FHLBanks' primary sources of liquidity are the issuance of new consolidated obligations and holdings of investments that are primarily high-quality, short- and intermediate-term financial instruments. Historically, GSE status and favorable credit ratings have provided the FHLBanks with excellent access to capital markets. Consolidated obligations receive GSE status; however, they are not obligations of the United States and the United States does not guarantee them. The FHLBanks' consolidated obligations have historically received the same credit rating as the government bond credit rating of the United States even though the consolidated obligations are not obligations of the United States.

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

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

The FHLBanks may not be able to predict future trends in member credit needs because they are driven by complex interactions among a number of factors, including members' mortgage loan originations, other loan portfolio growth, deposit growth and the attractiveness of advances compared to other wholesale borrowing alternatives. Each FHLBank regularly monitors current trends and anticipates future debt issuance needs to be prepared to fund its members' credit needs and its investment opportunities.

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

Each FHLBank also maintains a contingency liquidity plan designed to enable it to meet its obligations and the liquidity needs of members in the event of operational disruptions at the FHLBanks and/or the Office of Finance, or short-term capital market disruptions. For instance, federal budget deficit and debt ceiling issues and any related rating downgrades could continue to cause adverse reactions in the financial markets, which could result in higher interest rates, higher FHLBank borrowing costs, greater demand for collateral from FHLBanks and/or difficulty accessing liquidity on acceptable terms. Therefore, the FHLBanks have taken actions, or continue to take actions, to bolster the amount of liquidity in the event their access to the debt markets is disrupted.

Critical Accounting Estimates

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

In the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2012, certain accounting estimates and assumptions were identified as critical because they are generally considered by each FHLBank's management to be the most critical to an understanding of its financial statements and the financial data it provides to the Office of Finance for preparing the combined financial report. These estimates and assumptions consist of those used in conjunction with (1) OTTI for investment securities; (2) fair value estimates; (3) derivative hedging relationships; (4) amortization of premiums and accretion of discounts on investment securities and purchased mortgage loans; and (5) calculation of allowance for credit losses for each identified portfolio segment of financing receivables. (See *Note 1 - Summary of Significant Accounting Policies* pages F-10 to F-20, of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2012 for a description of accounting policies related to these estimates and assumptions.)

For a detailed discussion of Critical Accounting Estimates, see *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations - Critical Accounting Estimates* in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2012. There have been no significant changes in the critical accounting estimates disclosed in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2012. Each FHLBank describes its critical accounting estimates in its Management's Discussion and Analysis of Financial Condition and Results of Operations in its periodic reports filed with the SEC. See below for additional information on OTTI methodology for investment securities.

OTTI for Investment Securities

Uniform OTTI Framework. The 12 FHLBanks have developed a uniform framework for completing their OTTI analyses in compliance with FASB guidance on the recognition and presentation of OTTI in the financial statements. To ensure consistency in determination of the OTTI for private-label MBS among all FHLBanks, the FHLBanks enhanced their overall OTTI process by implementing a system-wide governance committee and establishing a formal process to ensure consistency in key OTTI modeling assumptions used for purposes of their cash flow analyses for the majority of these securities. (See *Note 6 - Other-than-Temporary Impairment Analysis* to the accompanying combined financial statements for additional discussion regarding the recognition and presentation of OTTI.)

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

At March 31, 2013, seven FHLBanks owned certain private-label MBS where the underlying loan-level collateral data was not available. For private-label MBS that could not be modeled under the FHLBanks' uniform framework, alternative procedures were determined and approved by the system-wide governance committee. These alternative procedures established a formal process by which the FHLBanks could provide input on and approve key OTTI assumptions. Each affected FHLBank considered the approved alternative procedures to assess these securities for OTTI. These securities, which are backed by residential, home equity, manufactured housing, commercial real estate loans and/or home equity lines of credit, represented approximately 3% of the FHLBanks' total unpaid principal balance of private-label MBS at March 31, 2013.

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

The modeling assumptions, significant inputs and methodologies are material to an OTTI determination. Any changes to these assumptions, significant inputs or methodologies could result in materially different outcomes to this determination, including the realization of additional OTTI charges that may be substantial. Each FHLBank is responsible for making its own OTTI determination and assessing the reasonableness of assumptions, significant inputs and methodologies used, as well as for performing the required present value calculations using appropriate historical cost bases and yields. Two or more FHLBanks that hold the same private-label MBS are required to consult with one another to ensure they reach the same conclusion on any decision that a commonly-held private-label MBS is other-than-temporarily impaired. This includes the determination that the fair value and the credit loss component of the unrealized loss are consistent among those FHLBanks.

Table 26 presents the significant inputs used to assess private-label residential MBS and home equity loan ABS under the FHLBanks' uniform framework for OTTI as well as related current credit enhancements as of March 31, 2013. The calculated averages represent the dollar-weighted averages of all the private-label residential MBS and home equity loan ABS in each category shown.

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

		Significant Inputs for Private-label Residential MBS(1)			
Year of Securitization	Unpaid Principal Balance	Weighted-Average Prepayment Rate %	Weighted-Average Default Rate %	Weighted-Average Loss Severity %	Weighted-Average Current Credit Enhancement %
Prime					
2008	$ 775	13.2	29.1	36.0	15.4
2007	826	10.2	22.7	41.6	3.2
2006	1,722	9.5	24.7	41.3	2.3
2005	2,037	11.9	11.1	34.0	6.4
2004 and prior	4,089	15.8	9.3	36.1	11.9
Total prime	9,449	12.8	14.0	35.5	7.6
Alt-A					
2008	306	7.9	39.7	43.1	31.7
2007	5,789	6.4	54.8	48.3	15.0
2006	4,422	6.9	48.8	51.5	9.7
2005	5,848	8.3	30.7	46.5	11.3
2004 and prior	2,365	11.9	15.3	35.0	15.0
Total Alt-A	18,730	7.8	40.6	46.7	12.8
Subprime					
2007	10	4.0	65.2	65.8	43.6
2006	828	3.9	69.0	66.9	21.9
2005	50	4.5	63.0	63.7	45.5
2004 and prior	21	7.2	28.3	65.2	40.8
Total subprime	909	4.0	67.7	66.7	23.9
Total all private-label residential MBS	$ 29,088	9.3	32.8	43.7	11.5

		Significant Inputs for Home Equity Loan ABS(1)			
Year of Securitization	Unpaid Principal Balance	Weighted-Average Prepayment Rate %	Weighted-Average Default Rate %	Weighted-Average Loss Severity %	Weighted-Average Current Credit Enhancement %
Subprime					
2004 and prior	$ 24	7.4	27.0	65.4	40.3
Total all home equity loan ABS	$ 24	7.4	27.0	65.4	40.3

(1) The classification (prime, Alt-A and subprime) is based on the model used to run the estimated cash flows for the individual securities, which may not necessarily be the same as the classification at the time of origination.

Adverse Case Scenario. In addition to evaluating its private-label MBS under a base case (or best estimate) scenario as discussed in *Note 6 - Other-than-Temporary Impairment Analysis* to the accompanying combined financial statements, each FHLBank performed a cash flow analysis for each of these securities under a more stressful housing price scenario. This stress test or adverse case scenario was based on a housing price forecast that was decreased five percentage points followed by a recovery path that is 33.0% lower than the base case.

The adverse case scenario and associated results do not represent each FHLBank's current expectations, and therefore should not be construed as a prediction of each FHLBank's future results, market conditions or the actual performance of these securities. Rather, the results from this hypothetical adverse case scenario provide a measure of the credit losses that the FHLBanks might incur if home price declines (and subsequent recoveries) are more adverse than those projected in each FHLBank's base case OTTI assessment.

Table 27 presents the combined credit losses under the base case and adverse case scenario for other-than-temporarily impaired private-label MBS for the three months ended March 31, 2013. The base case scenario represents actual OTTI-related credit losses recognized in earnings for the three months ended March 31, 2013. The adverse case scenario's estimated cash flows were generated to show what the OTTI charges would have been under the more stressful housing price scenario at March 31, 2013.

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

	Three Months Ended March 31, 2013					
	Base Case			Adverse Case		
	Number of Securities	Unpaid Principal Balance	OTTI Related to Credit Loss	Number of Securities	Unpaid Principal Balance	OTTI Related to Credit Loss
Private-label residential MBS						
Prime(1)	5	$ 10	$ —	38	$ 970	$ (7)
Alt-A(1)	32	958	(3) [a]	140	5,612	(98)
Subprime(1)	—	—	—	10	115	(2)
Total private-label residential MBS	37	968	(3) [a]	188	6,697	(107)
Home equity loan ABS						
Alt-A(1)	1	2	—	3	14	(3)
Subprime(1)	1	—	—	4	2	—
Total home equity loan ABS	2	2	—	7	16	(3)
Total	39	$ 970	$ (3) [a]	195	$ 6,713	$ (110)

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(a) Excludes $2 million of net OTTI losses recognized in the Combined Statement of Income relating to an other-than-temporarily impaired available-for-sale security for which the FHLBank of Indianapolis changed its previous intention to hold until recovery. Therefore, $2 million represents the entire difference between the amortized cost and fair value of that security.
(1) Based on the originator's classification at the time of origination or based on classification by a nationally recognized statistical rating organization upon issuance of the MBS.

Recent Accounting Developments

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

Legislative and Regulatory Developments

Certain regulatory actions and developments since December 31, 2012 are summarized in this section. See *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations - Legislative and Regulatory Developments* in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2012 for a description of certain legislative and regulatory developments that occurred prior to the publication of that report.

Regulation of Systemically Important Nonbank Financial Companies

Final Rule and Guidance on the Supervision and Regulation of Certain Nonbank Financial Companies. The Financial Stability Oversight Council (the Oversight Council) issued a final rule and guidance effective May 11, 2012 on the standards and procedures the Oversight Council employs in determining whether to designate a nonbank financial company for supervision by the Federal Reserve Board and to be subject to certain prudential standards. The guidance issued with this final rule provides that the Oversight Council expects generally to follow a three-stage process in making its determinations consisting of:

- A first stage that will identify those nonbank financial companies that have $50 billion or more of total consolidated assets and exceed any one of five threshold indicators of interconnectedness or susceptibility to material financial distress, including whether a company has $20 billion or more in total debt outstanding;
- A second stage involving a robust analysis of the potential threat that the subject nonbank financial company could pose to U.S. financial stability based on additional quantitative and qualitative factors that are both industry and company specific; and
- A third stage analyzing the subject nonbank financial company using information collected directly from it.

The final rule provides that, in making its determinations, the Oversight Council will consider as one factor whether the nonbank financial company is subject to oversight by a primary financial regulatory agency (for the FHLBanks, the FHFA). A nonbank financial company that the Oversight Council proposes to designate for additional supervision (for example, periodic stress testing) and prudential standards (such as heightened liquidity or capital requirements) under this rule has the opportunity to contest the designation. If an FHLBank is designated by the Oversight Council for supervision by the Federal Reserve and subject to additional Federal Reserve prudential standards, then its operations and business could be adversely impacted by any resulting additional costs, liquidity or capital requirements, and/or restrictions on business activities.

On April 5, 2013, the Federal Reserve System published a final rule that establishes the requirements for determining when a company is "predominantly engaged in financial activities." The final rule provides that a company is "predominantly engaged in financial activities" and thus a "nonbank financial company" if:

- as determined in accordance with applicable accounting standards, (i) the consolidated annual gross financial revenues of the company in either of its two most recently completed fiscal years represent 85% or more of the company's consolidated annual gross revenues in that fiscal year, or (ii) the company's consolidated total financial assets as of the end of either of its two most recently completed fiscal years represent 85% or more of the company's consolidated total assets as of the end that fiscal year; or

- based on all the facts and circumstances, it is determined by the Oversight Council, with respect to the definition of a "nonbank financial company," or the Federal Reserve Board, with respect to the definition of a "significant nonbank financial company," that (i) the consolidated annual gross financial revenues of the company represent 85% or more of the company's consolidated annual gross revenues, or (ii) the consolidated total financial assets of the company represent 85% or more of the company's consolidated total assets.

Under the final rule, each FHLBank would likely be a nonbank financial company.

The final rule also defines the terms "significant nonbank financial company" to mean (i) any nonbank financial company supervised by the Federal Reserve Board; and (ii) any other nonbank financial company that had $50 billion or more in total consolidated assets as of the end of its most recently completed fiscal year; and "significant bank holding company" as "any bank holding company or company that is, or is treated in the United States as, a bank holding company, that had $50 billion or more in total consolidated assets as of the end of the most recently completed calendar year."

If an FHLBank is designated for supervision by the Federal Reserve Board (and therefore a significant nonbank financial company), the designated FHLBank would be subject to increased supervision and oversight.

Oversight Council Recommendations Regarding Money Market Mutual Fund (MMF) Reform. The Oversight Council requested comments on certain proposed recommendations for structural reforms of MMFs. The comment deadline was February 15, 2013. The Oversight Council stated that these reforms are intended to address the structural vulnerabilities of MMFs. The demand for FHLBank System consolidated obligations may be impacted by the structural reforms ultimately adopted. Accordingly, these reforms could cause the FHLBanks' funding costs to rise or otherwise adversely impact market access and, in turn, adversely impact the FHLBanks' results of operations.

Additional Developments

Consumer Financial Protection Bureau (CFPB) Final Qualified Mortgage Rule. In January 2013, the CFPB issued a final rule with an effective date of January 10, 2014, that establishes new standards for mortgage lenders to follow during the loan approval process to determine whether a borrower can afford to repay certain types of loans, including mortgages and other loans secured by a dwelling. The final rule provides for a rebuttable "safe harbor" from consumer claims that a lender did not adequately consider whether a consumer can afford to repay the lender's mortgage, provided that the mortgage meets the requirements of a Qualified Mortgage loan (QM). QMs are home loans that are either eligible for purchase by Fannie Mae or Freddie Mac or otherwise satisfy certain underwriting standards. On May 6, 2013, the FHFA announced that Fannie Mae and

Freddie Mac will limit their purchases of loans to QMs under those underwriting standards starting January 10, 2014. The underwriting standards require lenders to consider, among other factors, the borrower's current income, current employment status, credit history, monthly payment for mortgage, monthly payment for other loan obligations and the borrower's total debt-to-income ratio. Further, the QM underwriting standards generally prohibit loans with excessive points and fees, interest-only or negative-amortization features (subject to limited exceptions), or terms greater than 30 years. On the same date as it issued the final Ability to Repay/final QM standards, the CFPB also issued a proposal that would allow small creditors (generally those with assets under $2 billion) in rural or underserved areas to treat first lien balloon mortgage loans that they offer as QM mortgages. Comments were due by February 25, 2013.

The QM liability safe harbor could provide incentives to lenders, including the FHLBanks' members, to limit their mortgage lending to QMs or otherwise reduce their origination of mortgage loans that are not QMs. This approach could reduce the overall level of members' mortgage loan lending and, in turn, reduce demand for FHLBank advances. Additionally, the value and marketability of mortgage loans that are not QMs, including those pledged as collateral to secure member advances, may be adversely affected.

Basel Committee on Banking Supervision - Liquidity Framework. On January 6, 2013, the Basel Committee on Banking Supervision (the Basel Committee) announced amendments to the Basel liquidity standards, including the Liquidity Coverage Ratio. The amendments include the following: (1) revisions to the definition of high quality liquid assets and net cash outflows; (2) a timetable for phase-in of the standard; (3) a reaffirmation of the usability of the stock of liquid assets in periods of stress, including during the transition period; and (4) an agreement for the Basel Committee to conduct further work on the interaction between the Liquidity Coverage Ratio and the provision of central bank facilities. Under the amendment, the Liquidity Coverage Ratio buffer would be set at 60% of outflows over a 30-day period when the rule becomes effective in 2015, and then increase steadily until reaching 100% four years later. The definition of high quality liquid assets has been amended to expand the eligible assets, including residential mortgage assets. In late February, it was reported that the U.S. banking regulators expect to customize the Basel III liquidity rules and expect to issue their final rules later in 2013.

Recent Rating Agency Actions

Since January 1, 2013, no rating agency actions occurred with regard to the FHLBanks or their consolidated obligations. Table 28 presents each FHLBank's long-term credit rating, short-term credit rating and outlook at April 30, 2013.

Table 28 - FHLBanks' Long-Term Credit Ratings, Short-Term Credit Ratings and Outlook at April 30, 2013

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

Risk Management

The fundamental business of each FHLBank is to provide a readily available, competitively-priced source of funds in a wide range of maturities to meet the borrowing demands of its members and housing associates. The principal sources of funds for these activities are the proceeds from the issuance of consolidated obligations and, to a lesser extent, capital and deposits from members. Lending and investing funds, and engaging in interest-rate exchange agreements, can potentially expose the FHLBanks to a number of risks including market risk and credit risk. (See *Quantitative and Qualitative Disclosures about Market Risk* for a discussion of market risk). The FHLBanks are also subject to liquidity risk, operational risk and business risk. Each FHLBank has established policies and procedures to evaluate, manage and control these risks and must file periodic compliance reports with the FHFA. The FHFA has established regulations governing the risk management practices of the FHLBanks and conducts an annual on-site examination of each FHLBank and the Office of Finance as well as off-site analyses.

Credit Risk

Advances. An FHLBank endeavors to minimize credit risk on advances by monitoring the financial condition of its borrowers and by holding sufficient collateral to protect the FHLBank from losses. In response to conditions in the housing and mortgage markets, each FHLBank continues to evaluate and make changes to its collateral guidelines when reviewing its borrowers' financial condition to further mitigate the credit risk on advances. The management of each FHLBank believes that it has adequate policies and procedures in place to manage its credit risk on advances effectively. At March 31, 2013, each FHLBank had rights to collateral with an estimated value greater than the related outstanding advances. Advance and other credit product obligations to an FHLBank are fully secured with eligible collateral, the value of which is discounted to protect the FHLBank from credit losses.

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

Table 29 presents the range of collateral lending values for the blanket lien, listing and delivery methods of pledging collateral across the 12 FHLBanks. Under the blanket lien status, an individual FHLBank allows a borrower to retain possession of eligible collateral pledged to the FHLBank, provided the borrower executes a written security agreement and agrees to hold the collateral for the benefit of the FHLBank. A blanket lien is generally assigned to lower risk institutions pledging collateral. Under the listing status, the borrower retains physical possession of specific collateral pledged to an FHLBank, but the borrower provides listings of loans pledged to its FHLBank with detailed loan information, such as loan amount, payments, maturity date, interest rate, loan-to-value, collateral type and FICO® scores. Under the delivery status, an FHLBank requires the borrower to place physical possession of eligible collateral with the FHLBank or a third-party custodian to sufficiently secure all outstanding obligations. Typically, an FHLBank would take physical possession or control of collateral if the financial condition of the borrower was deteriorating or if the borrower exceeded certain credit product usage triggers. However, to ensure its position as a first-priority secured creditor, an FHLBank is generally more likely to take possession of collateral posted by insurance companies. Delivery of collateral may also be required if there is a regulatory action against the borrower by its regulator that would indicate inadequate controls or other conditions that would be of concern to that FHLBank.

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

Table 29 - Effective Lending Values by Type of Collateral for all Borrowers

	March 31, 2013	
Collateral Type	Effective Lending Values Applied to Collateral	Average Effective Lending Value
Blanket Lien		
Single-family mortgage loans	13%-93%	73%
Federal Housing Administration (FHA) and Department of Veterans Affairs (VA) loans	64%-94%	89%
Multifamily mortgage loans	25%-92%	65%
Other U.S. government-guaranteed loans	84%-94%	88%
Home equity loans and lines of credit	6%-87%	50%
CFI collateral	15%-82%	50%
Commercial real estate loans	20%-91%	63%
Other loan collateral	16%-75%	52%
Listing		
Single-family mortgage loans	3%-95%	72%
FHA and VA loans	39%-91%	76%
Multifamily mortgage loans	33%-87%	77%
Other U.S. government-guaranteed loans	94%	94%
Home equity loans and lines of credit	16%-89%	49%
CFI collateral	29%-74%	66%
Commercial real estate loans	20%-81%	65%
Other loan collateral	16%-74%	49%
Delivery		
Cash, U.S. government and U.S. Treasury securities	72%-100%	93%
State and local government securities	80%-91%	86%
U.S. agency securities	80%-99%	95%
U.S. agency MBS and collateralized mortgage obligations (CMOs)	55%-98%	94%
Private-label MBS and CMOs	25%-97%	87%
CFI securities	93%-94%	93%
Commercial MBS	53%-93%	78%
Other securities	70%-97%	76%
Single-family mortgage loans	1%-91%	62%
FHA and VA loans	69%-94%	75%
Multifamily mortgage loans	9%-87%	70%
Other U.S. government-guaranteed loans	74%-94%	74%
Home equity loans and lines of credit	8%-80%	42%
CFI collateral	15%-76%	48%
Commercial real estate loans	1%-91%	60%
Other loan collateral	1%-68%	39%
Student loan securities	93%-98%	96%

As of March 31, 2013, there were 68 individual FHLBank borrowers (65 FHLBank members and three non-member financial institutions) that each held advance balances of at least $1.0 billion. When a non-member financial institution acquires some or all of the assets and liabilities of an FHLBank member, including outstanding advances and FHLBank capital stock, an FHLBank may allow those advances to remain outstanding to that non-member financial institution. The non-member borrower would be required to meet all of that FHLBank's credit and collateral requirements, including requirements regarding creditworthiness and collateral borrowing capacity. A borrower's total credit obligation to an FHLBank could include outstanding advances, outstanding letters of credit, collateralized derivative contracts and credit enhanced obligations on mortgage loans sold to the FHLBank. Eligible collateral values include market values for securities and the unpaid principal balance for all other collateral pledged by the blanket lien, listing or delivery method. The collateralization ratio was 2.7 at March 31, 2013, which represents the total of these 68 individual FHLBank borrowers' eligible collateral divided by these borrowers' advances and other credit products outstanding at March 31, 2013; however, individual borrower credit obligations to the FHLBanks are not cross-collateralized between borrowers.

Table 30 presents advances, other credit products (which primarily includes letters of credit) and collateral outstanding for borrowers with at least $1.0 billion of advances outstanding as compared to all advance borrowers.

Table 30 - Advances, Other Credit Products and Collateral Outstanding
(dollars in millions)

	March 31, 2013		
	Borrowers with at Least $1.0 Billion of Advances Outstanding	All Borrowers	Percentage
Advances outstanding, at par	$ 274,306	$ 407,411	67.3%
Other credit products outstanding, at par	$ 34,165	$ 67,177	50.9%
Collateral outstanding	$ 824,817	$ 1,575,050	52.4%

Table 31 presents information on a combined basis regarding the type of collateral securing the advances to the 68 individual FHLBank borrowers with at least $1.0 billion of advances outstanding.

Table 31 - Type of Collateral Securing Advances to Borrowers with at Least $1.0 Billion of Advances Outstanding
(dollars in millions)

	March 31, 2013							
	Blanket Lien		Listing		Delivery		Total	
Collateral Type	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Single-family mortgage loans	$ 117,730	14.3%	$ 329,285	39.9%	$ 11,159	1.3%	$ 458,174	55.5%
Home equity loans and lines of credit	41,896	5.1%	67,414	8.2%	816	0.1%	110,126	13.4%
Commercial real estate loans	64,664	7.8%	21,632	2.6%	11,179	1.4%	97,475	11.8%
Multifamily mortgage loans	19,108	2.3%	47,798	5.8%	2,931	0.4%	69,837	8.5%
U.S. agency MBS and CMOs	—	N/A	—	N/A	41,651	5.0%	41,651	5.0%
Commercial MBS	—	N/A	—	N/A	17,753	2.2%	17,753	2.2%
FHA and VA loans	4,170	0.5%	6,880	0.8%	958	0.1%	12,008	1.4%
U.S. agency securities (excluding MBS)	—	N/A	—	N/A	6,474	0.8%	6,474	0.8%
Private-label MBS and CMOs	—	N/A	—	N/A	423	0.1%	423	0.1%
Other	1,242	0.2%	2,613	0.3%	7,041	0.8%	10,896	1.3%
Total collateral	$ 248,810	30.2%	$ 475,622	57.6%	$ 100,385	12.2%	$ 824,817	100.0%

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

Member Failures. The financial condition of all members and housing associates is closely monitored for compliance with financial criteria as set forth in each FHLBank's credit policies. During the three months ended March 31, 2013, no FHLBank incurred any credit loss on any of its advances, including advances to failed borrowers. During the same period, three of the four FDIC-insured institutions that failed were members of the FHLBanks with approximately $35 million of advances outstanding at the time of the failure, all of which were either assumed by another member or non-member institution or repaid by the acquiring institution or the FDIC. From April 1, 2013 to April 30, 2013, three of the six FDIC-insured institutions that failed were members of the FHLBanks with approximately $7 million of advances outstanding at the time of their failure, all of which were either assumed by another member or a non-member institution or repaid by the acquiring institution or the FDIC.

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

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

The FHLBanks also enhance interest income and meet operating expenses by holding long-term investments. Within this portfolio of long-term investments, the FHLBanks are primarily subject to credit risk related to private-label mortgage-backed securities that are either directly or indirectly supported by underlying mortgage loans.

Regulatory Restrictions on Investments. To minimize credit risk on investments, the FHLBanks are prohibited by FHFA regulations from investing in certain security types. (See *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations - Risk Management* on page 90 of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2012 for additional information regarding the regulatory restrictions on investments.)

Investment Ratings. The FHLBanks reduce the credit risk on investments by investing in highly-rated investments. Table 32 presents the credit rating of the investment securities held by the FHLBanks as of March 31, 2013 and December 31, 2012, using the lowest long-term ratings for each security owned by an individual FHLBank, based on the nationally recognized statistical rating organization(s) used by that FHLBank.

Table 32 - Investment Ratings
(dollars in millions)

	March 31, 2013 (1)(2)						
	Carrying Value						
	Investment Grade				Below Investment Grade	Unrated	Total
	Triple A	Double A	Single A	Triple B			
Interest-bearing deposits	$ —	$ 3	$ 1,003	$ —	$ —	$ —	$ 1,006
Securities purchased under agreements to resell	—	8,050	12,834	3,250	—	2,495	26,629
Federal funds sold	—	20,855	26,278	702	—	206	48,041
Investment securities							
Non-mortgage backed securities							
U.S. Treasury obligations	—	1,854	—	—	—	—	1,854
Commercial paper	—	425	—	—	—	—	425
Certificates of deposit	—	875	1,736	—	—	—	2,611
Other U.S. obligations	—	4,667	—	—	—	—	4,667
GSE and Tennessee Valley Authority obligations	—	25,141	—	—	—	—	25,141
State or local housing agency obligations	960	1,314	264	465	—	3	3,006
Federal Family Education Loan Program ABS	22	7,268	—	—	—	—	7,290
Other	838	778	—	—	—	25	1,641
Total non-mortgage-backed securities	1,820	42,322	2,000	465	—	28	46,635
Mortgage-backed securities							
Other U.S. obligations residential MBS	348	12,151	—	—	—	—	12,499
Other U.S. obligations commercial MBS	—	412	—	—	—	—	412
GSE residential MBS	—	92,976	41	—	26	—	93,043
GSE commercial MBS	—	6,501	—	—	—	—	6,501
Private-label residential MBS	35	478	1,044	2,234	20,405	17	24,213
Private-label commercial MBS	10	—	—	—	—	—	10
Manufactured housing loan ABS	—	—	142	—	—	—	142
Home equity loan ABS	7	15	146	38	115	—	321
Total mortgage-backed securities	400	112,533	1,373	2,272	20,546	17	137,141
Total investment securities	2,220	154,855	3,373	2,737	20,546	45	183,776
Total Investments	$ 2,220	$ 183,763	$ 43,488	$ 6,689	$ 20,546	$ 2,746	$ 259,452

	December 31, 2012 (2)(3)						
	Carrying Value						
	Investment Grade				Below Investment Grade	Unrated	Total
	Triple A	Double A	Single A	Triple B			
Interest-bearing deposits	$ —	$ 3	$ 1,004	$ —	$ —	$ —	$ 1,007
Securities purchased under agreements to resell	—	10,000	20,264	3,000	—	2,575	35,839
Federal funds sold	—	21,458	21,787	665	—	100	44,010
Investment securities							
Non-mortgage backed securities							
U.S. Treasury obligations	—	1,003	—	—	—	—	1,003
Commercial paper	—	60	—	—	—	—	60
Certificates of deposit	—	725	2,558	—	—	—	3,283
Other U.S. obligations	—	4,950	—	—	—	—	4,950
GSE and Tennessee Valley Authority obligations	—	25,313	—	—	—	—	25,313
State or local housing agency obligations	631	1,601	—	500	—	3	2,735
Federal Family Education Loan Program ABS	25	7,427	—	—	—	—	7,452
Other	847	779	—	—	—	25	1,651
Total non-mortgage-backed securities	1,503	41,858	2,558	500	—	28	46,447
Mortgage-backed securities							
Other U.S. obligations residential MBS	359	12,175	—	—	—	—	12,534
Other U.S. obligations commercial MBS	—	457	—	—	—	—	457
GSE residential MBS	—	94,428	47	—	29	—	94,504
GSE commercial MBS	—	5,602	—	—	—	—	5,602
Private-label residential MBS	95	539	1,128	2,459	20,705	10	24,936
Private-label commercial MBS	10	—	—	—	—	—	10
Manufactured housing loan ABS	—	132	15	—	—	—	147
Home equity loan ABS	7	103	63	39	120	—	332
Total mortgage-backed securities	471	113,436	1,253	2,498	20,854	10	138,522
Total investment securities	1,974	155,294	3,811	2,998	20,854	38	184,969
Total investments	$ 1,974	$ 186,755	$ 46,866	$ 6,663	$ 20,854	$ 2,713	$ 265,825

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

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

(3) Does not reflect any changes in ratings, outlook or watch status occurring after December 31, 2012. The ratings presented in this table represent the lowest long-term rating available for each security owned by an individual FHLBank, based on the nationally recognized statistical rating organization(s) used by that FHLBank. Although the FHLBanks' internal ratings are not presented in this table, the internal ratings of an individual FHLBank may differ from those obtained from the nationally recognized statistical rating organization(s) and other FHLBank internal ratings.

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

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

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

Table 33 presents collateral performance and credit enhancement information related to private-label mortgage-backed securities at March 31, 2013. No FHLBank has purchased private-label mortgage-backed securities since 2008.

Table 33 - Credit Ratings of Private-Label Mortgage-Backed Securities at March 31, 2013
(dollars in millions)

	Total by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
Unpaid Principal Balance (UPB) by credit rating(1)						
Triple-A	$ 51	$ —	$ —	$ —	$ 14	$ 37
Double-A	493	81	—	—	—	412
Single-A	1,340	—	—	81	93	1,166
Triple-B	2,290	—	—	8	262	2,020
Below investment grade						
Double-B	2,267	—	139	32	293	1,803
Single-B	2,966	204	222	167	1,086	1,287
Triple-C	9,222	385	3,147	1,800	3,405	485
Double-C	3,721	258	997	1,166	1,290	10
Single-C	2,329	—	941	863	525	—
Single-D	5,238	—	1,866	2,411	932	29
Unrated	18	—	—	—	—	18
Total	$ 29,935	$ 928	$ 7,312	$ 6,528	$ 7,900	$ 7,267
Amortized cost	$ 26,017	$ 867	$ 5,919	$ 4,962	$ 7,072	$ 7,197
Gross unrealized losses(2)	(1,549)	(49)	(427)	(479)	(443)	(151)
Fair value	25,344	835	5,653	5,001	6,719	7,136
Credit losses(3)						
Total OTTI	$ (5)	$ —	$ (1)	$ —	$ (3)	$ (1)
AOCI(4)	—	—	(2)	—	1	1
Credit losses	$ (5)	$ —	$ (3)	$ —	$ (2)	$ —
Fair value to UPB	84.7%	89.9%	77.3%	76.6%	85.0%	98.2%

	Prime(5) by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
UPB by credit rating(1)						
Triple-A	$ 13	$ —	$ —	$ —	$ —	$ 13
Double-A	334	—	—	—	—	334
Single-A	825	—	—	2	42	781
Triple-B	1,393	—	—	—	228	1,165
Below investment grade						
Double-B	1,508	—	21	32	269	1,186
Single-B	1,678	25	137	97	562	857
Triple-C	1,641	253	380	64	742	202
Double-C	971	100	293	263	315	—
Single-C	1,112	—	502	469	141	—
Single-D	2,783	—	857	1,662	264	—
Unrated	10	—	—	—	—	10
Total	$ 12,268	$ 378	$ 2,190	$ 2,589	$ 2,563	$ 4,548
Amortized cost	$ 11,100	$ 329	$ 1,753	$ 2,110	$ 2,381	$ 4,527
Gross unrealized losses(2)	(430)	—	(45)	(265)	(50)	(70)
Fair value	11,164	341	1,811	2,133	2,375	4,504
Credit losses(3)						
Total OTTI	$ —	$ —	$ —	$ —	$ —	$ —
AOCI(4)	—	—	—	—	—	—
Credit losses	$ —	$ —	$ —	$ —	$ —	$ —
Weighted-average percentage						
Fair value to UPB	91.0%	90.2%	82.7%	82.4%	92.6%	99.0%
Original credit support(6)	9.1%	24.7%	14.7%	10.6%	9.2%	4.2%
Credit support(7)	6.7%	14.5%	3.3%	1.4%	7.4%	10.2%
Collateral delinquency(8)	13.4%	20.6%	19.8%	17.1%	12.5%	8.0%

	Alt-A(5) by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
UPB by credit rating(1)						
Triple-A	$ 31	$ —	$ —	$ —	$ 14	$ 17
Double-A	145	81	—	—	—	64
Single-A	227	—	—	79	51	97
Triple-B	825	—	—	—	28	797
Below investment grade						
Double-B	725	—	118	—	23	584
Single-B	1,175	179	75	34	500	387
Triple-C	7,242	132	2,767	1,492	2,653	198
Double-C	2,342	158	704	510	964	6
Single-C	1,069	—	439	246	384	—
Single-D	2,426	—	1,009	749	668	—
Unrated	4	—	—	—	—	4
Total	$ 16,211	$ 550	$ 5,112	$ 3,110	$ 5,285	$ 2,154
Amortized cost	$ 13,789	$ 538	$ 4,157	$ 2,302	$ 4,645	$ 2,147
Gross unrealized losses(2)	(991)	(49)	(381)	(111)	(390)	(60)
Fair value	13,014	494	3,833	2,279	4,297	2,111
Credit losses(3)						
Total OTTI	$ (5)	$ —	$ (1)	$ —	$ (3)	$ (1)
AOCI(4)	—	—	(2)	—	1	1
Credit losses	$ (5)	$ —	$ (3)	$ —	$ (2)	$ —
Weighted-average percentage						
Fair value to UPB	80.3%	89.6%	75.0%	73.3%	81.3%	98.0%
Original credit support(6)	22.8%	34.1%	32.8%	25.9%	16.6%	7.2%
Credit support(7)	14.2%	28.9%	18.4%	9.5%	11.1%	14.8%
Collateral delinquency(8)	26.4%	20.7%	35.1%	33.3%	20.7%	11.2%

	Subprime (5) by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
UPB by credit rating(1)						
Triple-A	$ 7	$ —	$ —	$ —	$ —	$ 7
Double-A	14	—	—	—	—	14
Single-A	288	—	—	—	—	288
Triple-B	72	—	—	8	6	58
Below investment grade						
Double-B	34	—	—	—	1	33
Single-B	113	—	10	36	24	43
Triple-C	339	—	—	244	10	85
Double-C	408	—	—	393	11	4
Single-C	148	—	—	148	—	—
Single-D	29	—	—	—	—	29
Unrated	4	—	—	—	—	4
Total	$ 1,456	$ —	$ 10	$ 829	$ 52	$ 565
Amortized cost	$ 1,128	$ —	$ 9	$ 550	$ 46	$ 523
Gross unrealized losses(2)	(128)	—	(1)	(103)	(3)	(21)
Fair value	1,166	—	9	589	47	521
Credit losses(3)						
Total OTTI	$ —	$ —	$ —	$ —	$ —	$ —
AOCI(4)	—	—	—	—	—	—
Credit losses	$ —	$ —	$ —	$ —	$ —	$ —
Weighted-average percentage						
Fair value to UPB	80.1%	—	95.4%	71.1%	90.1%	92.1%
Original credit support(6)	38.6%	—	23.0%	22.9%	22.2%	63.4%
Credit support(7)	26.8%	—	43.6%	21.9%	45.6%	32.0%
Collateral delinquency(8)	29.7%	—	34.7%	38.9%	35.3%	15.6%

(1) Represents the lowest rating available for each security owned by an individual FHLBank based on the nationally recognized statistical rating organization(s) used by that FHLBank.
(2) Represents total gross unrealized losses including non-credit-related other-than-temporary impairment recognized in AOCI.
(3) The credit losses presented are for the three months ended March 31, 2013.
(4) Represents the net amount of other-than-temporary impairment losses reclassified to/(from) AOCI.
(5) The FHLBanks classify securities as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by a nationally recognized statistical rating organization(s) upon issuance of the securities.
(6) Original weighted-average credit support is based on the credit support at the time of issuance and is determined based on the unpaid principal balance of the individual securities in the category and their respective original credit support.
(7) Weighted-average credit support is based on the credit support as of March 31, 2013 and is determined based on the unpaid principal balance of the individual securities in the category and their respective credit support as of March 31, 2013.
(8) Weighted-average collateral delinquency rate is determined based on the underlying loans that are 60 days or more past due and is determined based on the unpaid principal balance of the individual securities in the category and their respective delinquencies.

Table 34 presents, by loan type, characteristics of private-label mortgage-backed securities in a gross unrealized loss position at March 31, 2013. The FHLBanks held a total of $4,112 million in Alt-A option ARMs, of which $3,623 million are in a gross unrealized loss position based on their unpaid principal balance at March 31, 2013, as presented in Table 34.

Table 34 - Private-Label Mortgage-Backed Securities in a Gross Unrealized Loss Position
(dollars in millions)

	March 31, 2013			
	Unpaid Principal Balance	Amortized Cost	Gross Unrealized Losses	Weighted-Average Collateral Delinquency Rate(1)
Private-label MBS backed by(2)				
Prime Loans				
First Lien	$ 5,765	$ 5,268	$ (430)	14.1%
Total private-label MBS backed prime loans	5,765	5,268	(430)	14.1%
Alt-A and other loans				
Alt-A option ARM	3,623	2,987	(391)	39.9%
Alt-A other	7,729	6,895	(600)	21.7%
Total private-label MBS backed by Alt-A and other loans	11,352	9,882	(991)	27.5%
Subprime loans				
First lien	1,156	863	(118)	31.5%
Second lien	3	3	—	26.6%
Total private-label MBS backed by subprime loans	1,159	866	(118)	31.5%
Other - Not Classified (3)	241	215	(10)	19.8%
Total	$ 18,517	$ 16,231	$ (1,549)	23.5%

(1) Weighted-average collateral delinquency rate is determined based on the underlying loans that are 60 days or more past due. The reported delinquency percentage represents the weighted-average based on the unpaid principal balance of the individual securities in the category and their respective delinquencies.
(2) The FHLBanks classify securities as prime, Alt-A and subprime based on the originator's classification at the time of origination(s) or based on classification by a nationally recognized statistical rating organization upon issuance of the securities.
(3) The FHLBank of New York owns certain private-label securities that were acquired prior to 2004 for which only the original lien information is available. The current lien information is not available. In certain instances, the servicer is no longer in business to provide this information. In other instances, the servicers were never required to track the information subsequent to origination.

Monoline Bond Insurance. Certain FHLBank investment securities portfolios include a limited number of investments that are insured by monoline bond insurers. The monoline bond insurance on these investments guarantees the timely payment of principal and interest if these payments cannot be satisfied from the cash flows of the underlying mortgage collateral.

The monoline bond insurers continue to be subject to adverse ratings, rating downgrades and weak financial performance measures. Below investment grade ratings or rating downgrades imply an increased risk that the monoline bond insurer will fail to fulfill its obligations to reimburse the insured investor for claims made under the related insurance policies. There are five monoline bond insurers that insure the affected FHLBanks' investment securities. Of the five monoline bond insurers, the financial guarantee from Assured Guaranty Municipal Corp. is considered sufficient to cover all future claims and therefore excluded from the burn-out period analysis. Conversely, the key burn-out period for monoline bond insurers Financial Guaranty Insurance Company and Syncora Guarantee Inc. are not considered applicable due to regulatory intervention that has suspended all claims, and the affected FHLBanks have placed no reliance on these monoline insurers. For the remaining monoline bond insurers MBIA Insurance Corp and Ambac Assurance Corp., the affected FHLBanks established a burn-out period ending on June 30, 2013. In addition, Ambac Assurance Corp. reimbursements are limited to 25 percent of claims during the burn-out period. The FHLBanks monitor the financial condition of these monoline bond insurers on an ongoing basis and as facts and circumstances change, the burn-out period could significantly change.

As of March 31, 2013, total monoline bond insurance coverage was $518 million, of which $329 million represents the FHLBanks' private-label MBS covered by the monoline bond insurance that the FHLBanks are relying on at March 31, 2013 for modeling cash flows. Of the $329 million, 14.1% represents Alt-A loans and 85.9% represents subprime loans.

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

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

- *Interest-bearing deposits.* Primarily consists of unsecured deposits that earn interest.
- *Federal funds sold.* Unsecured loans of reserve balances at the Federal Reserve Banks between financial institutions that are made on an overnight and term basis.
- *Commercial paper.* Unsecured debt issued by corporations, typically for the financing of accounts receivable, inventories and meeting short-term liabilities.
- *Certificates of deposit.* Unsecured negotiable promissory notes issued by banks and payable to the bearer on demand.

Table 35 presents the FHLBanks' unsecured credit exposure with private counterparties by investment type. At March 31, 2013, the FHLBanks had aggregate unsecured credit exposure from investments of $1 billion or more to each of 17 private counterparties. The aggregate unsecured credit exposure to these counterparties represented 85.4% of the FHLBanks' total unsecured investment credit exposure to private counterparties. The unsecured investment credit exposure presented in Table 35 does not reflect the average or maximum exposure during the period as the balances presented reflect the balances at period end.

Table 35 - Unsecured Credit Exposure by Investment Type
(dollars in millions)

Carrying Value(1)(2)	March 31, 2013	December 31, 2012
Interest-bearing deposits	$ 1,004	$ 1,004
Federal funds sold	48,041	44,010
Commercial paper	425	60
Certificates of deposit	2,611	3,283
Total	$ 52,081	$ 48,357

(1) Excludes unsecured investment credit exposure to U.S. government, U.S. government agencies and instrumentalities, government-sponsored enterprises and supranational entities and does not include related accrued interest as of March 31, 2013 and December 31, 2012.
(2) May include unsecured investment credit exposure to members. (See *Security Ownership of Certain Beneficial Owners and Certain Relationships and Related Transactions* for further discussion of related-party transactions.)

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

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

FHFA regulation also permits the FHLBanks to extend additional unsecured credit for overnight extensions of credit and for sales of Federal funds subject to continuing contracts that renew automatically. An FHLBank's total unsecured exposure to a counterparty may not exceed twice the regulatory limit for term exposures, or a total of 2% to 30% of the eligible amount of regulatory capital, based on the counterparty's credit rating. As of and for the three months ended March 31, 2013, each of the FHLBanks was in compliance with the regulatory limits established for unsecured credit.

The FHLBanks are prohibited by FHFA regulation from investing in financial instruments issued by non-U.S. entities other than those issued by U.S. branches and agency offices of foreign commercial banks. The FHLBanks' unsecured credit exposures to U.S. branches and agency offices of foreign commercial banks include the risk that, as a result of political or economic conditions in a country, the counterparty may be unable to meet its contractual repayment obligations. The FHLBanks' unsecured credit exposures to domestic counterparties and U.S. subsidiaries of foreign commercial banks include the risk that these counterparties have extended credit to foreign counterparties. The FHLBanks are in compliance with the regulation and did not own any financial instruments issued by foreign sovereign governments, including those countries that are members of the European Union, as of and for the three months ended March 31, 2013.

As of March 31, 2013, the FHLBanks' unsecured investment credit exposure to U.S. branches and agency offices of foreign commercial banks was comprised of Federal funds sold, commercial paper and certificates of deposit. As of March 31, 2013, 83.5%, 76.5% and 86.6% of the FHLBanks' unsecured investment credit exposure in Federal funds sold, commercial paper and certificates of deposit was to U.S. branches and agency offices of foreign commercial banks. Table 36 presents the lowest long-term credit ratings of the unsecured investment credit exposures presented by the domicile of the counterparty or the domicile of the counterparty's parent for U.S. branches and agency offices of foreign commercial banks based on the nationally recognized statistical rating organization(s) used by the individual FHLBank holding the investment. This table does not reflect the foreign sovereign government's credit rating. The FHLBanks reduce credit risk by generally investing in unsecured investments of highly-rated counterparties.

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

	March 31, 2013 (1)				
	Investment Grade				
Carrying Value(2)	**Double-A**	**Single-A**	**Triple-B**	**Unrated**	**Total**
Domestic	$ 531	$ 6,036	$ 537	$ 206	$ 7,310
U.S. subsidiaries of foreign commercial banks	100	1,824	165	—	2,089
Total domestic and U.S. subsidiaries of foreign commercial banks	631	7,860	702	206	9,399
U.S. branches and agency offices of foreign commercial banks					
Canada	3,122	11,142	—	—	14,264
Sweden	5,110	1,585	—	—	6,695
Australia	6,187	—	—	—	6,187
Netherlands	4,720	—	—	—	4,720
Norway	—	3,488	—	—	3,488
United Kingdom	—	3,026	—	—	3,026
Finland	2,385	—	—	—	2,385
Japan	—	1,649	—	—	1,649
Switzerland	—	268	—	—	268
Total U.S. branches and agency offices of foreign commercial banks	21,524	21,158	—	—	42,682
Total unsecured investment credit exposure	$ 22,155	$ 29,018	$ 702	$ 206	$ 52,081

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(1) Does not reflect any changes in ratings, outlook or watch status occurring after March 31, 2013. The ratings presented in this table represent the lowest long-term rating available for each security owned by an individual FHLBank, based on the nationally recognized statistical rating organization(s) used by that FHLBank. Although the FHLBanks' internal ratings are not presented in this table, the internal ratings of an individual FHLBank may differ from those obtained from the nationally recognized statistical rating organization(s) and other FHLBank internal ratings.
(2) Excludes unsecured investment credit exposure to U.S. government, U.S. government agencies and instrumentalities, government-sponsored enterprises and supranational entities and does not include related accrued interest.

Table 37 presents the contractual maturity of the FHLBanks' unsecured investment credit exposure by the domicile of the counterparty or the domicile of the counterparty's parent for U.S. branches and agency offices of foreign commercial banks. The FHLBanks also reduce the credit risk on investments by generally investing in investments that have short-term maturities. At March 31, 2013, 70.4% of the carrying value of the total unsecured investments held by the FHLBanks had overnight maturities.

Table 37 - Contractual Maturity of Unsecured Investment Credit Exposure by Domicile of Counterparty
(dollars in millions)

	March 31, 2013			
Carrying Value(1)	**Overnight**	**Due 2 days through 30 days**	**Due 31 days through 90 days**	**Total**
Domestic	$ 4,506	$ 2,604	$ 200	$ 7,310
U.S. subsidiaries of foreign commercial banks	1,620	269	200	2,089
Total domestic and U.S. subsidiaries of foreign commercial banks	6,126	2,873	400	9,399
U.S. branches and agency offices of foreign commercial banks				
Canada	9,026	3,702	1,536	14,264
Sweden	5,251	645	799	6,695
Australia	2,200	1,943	2,044	6,187
Netherlands	4,570	150	—	4,720
Norway	3,219	269	—	3,488
United Kingdom	3,026	—	—	3,026
Finland	2,385	—	—	2,385
Japan	850	799	—	1,649
Switzerland	—	—	268	268
Total U.S. branches and agency offices of foreign commercial banks	30,527	7,508	4,647	42,682
Total unsecured investment credit exposure	$ 36,653	$ 10,381	$ 5,047	$ 52,081

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

Mortgage Loans Held for Portfolio. The FHFA's Acquired Member Asset regulation permits the FHLBanks to purchase and hold specified mortgage loans from their members. All 12 FHLBanks have established or participated in the Acquired Member Asset programs such as the Mortgage Partnership Finance® (MPF) Program and Mortgage Purchase Program (MPP) as services to their members. Members and eligible housing associates may apply to become a participating financial institution (PFI) of their respective FHLBank. The mortgage loans purchased or funded under these programs may carry more credit risk than advances, even though the respective member or housing associate provides credit enhancement and continues to bear a portion of the credit risk.

Management at each FHLBank believes that it has adequate policies and procedures in place to manage credit risk on mortgage loans appropriately. All of the FHLBanks that are currently participating or previously participated in the Acquired Member Asset programs have established loan loss allowances under each program or have determined that no loan loss allowances are necessary. (See *Note 9 - Allowance for Credit Losses* to the accompanying combined financial statements for additional information about mortgage loan credit quality indicators, allowance for credit losses, and delinquency statistics by the Acquired Member Asset program and type of loans. See *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations - Risk Management - Credit Risk - Mortgage Loans Held for Portfolio* in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2012 for information on loss allocation structures for MPF and MPP loans.)

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

Primary Mortgage Insurance. Qualified mortgage insurance companies issue primary mortgage insurance for conventional mortgage loans with loan-to-value ratios greater than 80% to cover principally those losses incurred related to borrower default. Historically, the FHLBanks have depended on the primary mortgage insurance policies for loss coverage. An FHLBank may be exposed to credit risk if a primary mortgage insurance provider fails to fulfill its claims payment obligations to that FHLBank. Each FHLBank has policies to limit its credit exposure to each mortgage insurance company based on certain criteria including, but not limited to, the mortgage insurance company's rating by nationally recognized statistical rating organizations, or limit its credit exposure to a certain percentage of the mortgage insurance company's regulatory capital. The FHLBanks receive primary mortgage insurance coverage information at acquisition of the mortgage loans and generally do not receive notification of any subsequent changes in primary mortgage insurance coverage. As a result, they can only estimate the amount of primary mortgage insurance in force at any time subsequent to acquisition.

If a primary mortgage insurance provider is downgraded, an FHLBank may request that the servicer obtain replacement primary mortgage insurance coverage with a different provider. However, it is possible that replacement coverage may be unavailable or result in additional cost to the FHLBank. Primary mortgage insurance for conventional mortgage loans must be issued by a mortgage insurance company on that FHLBank's approved mortgage insurance company list whenever primary mortgage insurance coverage is required. In order for a mortgage insurance company to remain on the current approved mortgage insurance company list, the mortgage insurance company must be acceptable for use in that FHLBank's rating modeling software used to calculate the required amount of credit enhancement. In addition, many FHLBanks perform a quarterly analysis evaluating the financial condition and concentration risk regarding the primary mortgage insurance providers, which may include a review of rating levels, ratings watch and outlook, and profitability.

Tables 38 and 39 present the FHLBanks' primary mortgage insurance coverage for seriously delinquent loans (conventional loans 90 days or more delinquent or in the process of foreclosure) by MPF Program and MPP.

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

		March 31, 2013	
Insurance Provider	Credit Rating(1) by Moody's/S&P	Unpaid Principal Balance(2)	Maximum Coverage Outstanding(3)
Mortgage Guaranty Insurance Co.	B2/B	$ 39	$ 12
Genworth Mortgage Insurance	Ba2/B	23	6
Republic Mortgage Insurance	Not Rated	22	7
PMI Mortgage Insurance Co.	Caa3/Remove	18	5
United Guaranty Residential Insurance	Baa1/BBB	16	5
Radian Guaranty, Inc.	Ba3/B-	12	3
Other		13	3
Total		$ 143	$ 41

(1) Represents the credit rating as of April 30, 2013.
(2) Represents the unpaid principal balance of conventional loans 90 days or more delinquent or in the process of foreclosure. Assumes primary mortgage insurance is in effect at time of origination. Insurance coverage may be discontinued once a certain LTV ratio is met.
(3) Represents the estimated contractual limit for reimbursement of principal losses (i.e., risk in force) assuming the primary mortgage insurance at origination is still in effect. The amount of expected claims under these insurance contracts is substantially less than the contractual limit for reimbursement.

Table 39 - Seriously Delinquent Conventional MPP Loans with Primary Mortgage Insurance
(dollars in millions)

		March 31, 2013	
Insurance Provider	Credit Rating(1) by Moody's/S&P	Unpaid Principal Balance(2)	Maximum Coverage Outstanding(3)
Mortgage Guaranty Insurance Co.	B2/B	$ 10	$ 3
Genworth Mortgage Insurance	Ba2/B	7	2
Radian Guaranty, Inc.	Ba3/B-	6	2
Republic Mortgage Insurance	Not Rated	6	2
United Guaranty Residential Insurance	Baa1/BBB	5	1
PMI Mortgage Insurance Co.	Caa3/Remove	3	1
Other		1	—
Total		$ 38	$ 11

(1) Represents the credit rating as of April 30, 2013.
(2) Represents the unpaid principal balance of conventional loans 90 days or more delinquent or in the process of foreclosure. Assumes primary mortgage insurance in effect at time of origination. Insurance coverage may be discontinued once a certain LTV ratio is met.
(3) Represents the estimated contractual limit for reimbursement of principal losses (i.e., risk in force) assuming the primary mortgage insurance at origination is still in effect. The amount of expected claims under these insurance contracts is substantially less than the contractual limit for reimbursement.

Certain MPF FHLBanks have discontinued accepting new loans with primary mortgage insurance coverage from mortgage insurers that have a rating below triple-B as rated by any nationally recognized statistical rating organization or from mortgage insurers where the new coverage would exceed those FHLBanks' internal exposure limits. In addition, certain MPF FHLBanks have discontinued accepting new loans with primary mortgage insurance coverage from mortgage insurers that have been placed under the control or conservatorship of their state insurance regulators.

On October 20, 2011, the Arizona Department of Insurance took possession and control of PMI Mortgage Insurance Co. and beginning October 24, 2011, PMI Mortgage Insurance Co. has only been paying out 50% of claim amounts while the remainder of the claim amount owed is being deferred until the company is liquidated. On March 14, 2012, the court entered an Order for Appointment of Receiver and Injunction placing PMI Mortgage Insurance Co. into rehabilitation. On April 5, 2013, the cash percentage of the partial claim payment plan increased to 55%. The remaining 45% will be deferred based upon PMI's ability to pay additional amounts in the future. Additionally, all claims that have previously been settled at a 50% cash percentage were trued up (in a one-time payment) to the increased level of 55%. No affected FHLBank expects the seizure of PMI Mortgage Insurance Co. and its limitation on claim payments to have a material effect on its financial condition and results of operations.

Supplemental Mortgage Insurance. Certain FHLBanks use supplemental mortgage insurance as a credit enhancement to limit the loss exposure for their Acquired Member Asset programs. For MPF/MPP loans credit enhanced with supplemental mortgage insurance, the FHFA's regulations require the FHLBank members that sell loans to their respective FHLBanks to maintain supplemental mortgage insurance with an insurer rated no lower than the second-highest rating category by any nationally recognized statistical rating organization, unless this requirement is waived by the FHFA. 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 affected FHLBank(s) may bear any remaining loss of the borrower's default on the related mortgage loans not covered by the member.

On August 6, 2009, the Director of the FHFA granted a temporary waiver of this requirement subject to certain conditions. The waiver required the FHLBanks to evaluate the claims-paying ability of their supplemental mortgage insurance providers and hold retained earnings or take other steps necessary to mitigate any attendant risk associated with using a supplemental mortgage insurance provider having a rating below double-A. On July 29, 2010, the FHFA extended the waiver for an additional year and on July 31, 2011, the FHFA extended the waiver again until such time as the regulation is amended to revise or eliminate the supplemental mortgage insurance rating.

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

Each affected MPF FHLBank has evaluated the claims-paying ability of its supplemental mortgage insurance providers. As of March 31, 2013, due to previous rating agency actions, certain MPF FHLBanks either increased their estimated allowance for credit losses on mortgage loans, required the PFI to collateralize the credit enhancement obligation, or discontinued paying the associated performance credit enhancement fees as the relevant PFIs have elected not to assume the credit enhancement obligations as their own.

Certain MPP FHLBanks have either canceled their supplemental mortgage insurance policies or discontinued obtaining supplemental mortgage insurance on new loans as part of the approved new business activity plan and continue to use the downgraded insurance providers for existing loans in compliance with the temporary waiver issued by the FHFA. The FHFA approved notices of new business activity plans for certain MPP FHLBanks that use an enhanced Lender Risk Account, which is funded by an FHLBank upfront as a portion of the purchase proceeds, for additional credit enhancement for new MPP business, consistent with FHFA regulations.

Geographic Concentrations. Tables 40 and 41 provide the percentage of unpaid principal balance of conventional mortgage loans held for portfolio outstanding at March 31, 2013 for the five largest state concentrations, with comparable data at December 31, 2012. These tables show the state concentration on an aggregated basis for all 12 FHLBanks that purchased or funded loans under the MPF Program and MPP. As a result, these tables do not necessarily reflect the actual state concentration with respect to each individual FHLBank.

Table 40 - State Concentrations of MPF Program

	March 31, 2013	December 31, 2012(1)
California	7.6%	8.0%
Iowa	7.2%	7.1%
Kansas	6.4%	6.1%
Pennsylvania	6.0%	5.8%
New York	5.3%	5.2%
All other	67.5%	67.8%
Total	100.0%	100.0%

(1) Calculated percentage based on unpaid principal balance of conventional loans at the end of the period. The state concentrations reflect the top five states at March 31, 2013.

Table 41 - State Concentrations of MPP

	March 31, 2013	December 31, 2012(1)
Ohio	30.1%	30.3%
Indiana	16.9%	16.2%
Michigan	12.0%	11.4%
Kentucky	6.3%	6.1%
California	5.6%	5.8%
All other	29.1%	30.2%
Total	100.0%	100.0%

(1) Calculated percentage based on unpaid principal balance of conventional loans at the end of the period. The state concentrations reflect the top five states at March 31, 2013.

Derivatives and Counterparty Ratings. In addition to market risk, each FHLBank is subject to credit risk because of the potential non-performance by counterparties to interest-rate exchange agreements. The amount of counterparty credit risk on derivatives depends on the extent to which netting procedures, collateral requirements and other credit enhancements are used and are effective in mitigating the risk. Each FHLBank manages counterparty credit risk through credit analysis, collateral management and other credit enhancements. The FHLBanks are also required to follow the requirements set forth by applicable regulation. The FHLBanks require collateral on interest-rate exchange agreements. The amount of net unsecured credit exposure that is permissible with respect to each counterparty depends on the credit rating of that counterparty. A counterparty must deliver collateral to an FHLBank if the total market value of the FHLBank's exposure to that counterparty rises above a specific trigger point. As a result of these risk mitigation initiatives, the management of each FHLBank does not anticipate any credit losses on its interest-rate exchange agreements with counterparties as of March 31, 2013.

Each FHLBank actively monitors its counterparties' exposure to European sovereign debt and considers this exposure as a component of its credit risk review process. Due to the significant European sovereign credit concerns, certain FHLBanks suspended or reduced new derivatives transactions with certain European counterparties to reduce its exposure to these counterparties. An FHLBank may further suspend or limit derivatives transactions with other European counterparties in accordance with its risk management policies and regulatory requirements.

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, each FHLBank considers, with respect to each counterparty, accrued interest receivables and payables as well as the legal right to net assets and liabilities. Table 42 presents the derivative positions with non-member counterparties and member institutions to which the FHLBanks had credit exposure at March 31, 2013.

Table 42 - Derivative Counterparty Credit Exposure at March 31, 2013
(dollars in millions)

Credit Rating(1)	Notional Amount	Net Derivatives Fair Value Before Collateral	Cash Collateral Pledged To (From) Counterparty	Non-cash Collateral Pledged To (From) Counterparty	Net Credit Exposure to Counterparties
Non-member counterparties					
Asset positions with credit exposure					
Double-A	$ 7,855	$ 27	$ (2)	$ (3)	$ 22
Single-A	89,005	972	(271)	(659)	42
Cleared derivatives(2)	10	—	—	—	—
Liability positions with credit exposure					
Double-A	1,699	(40)	40	—	—
Single-A	33,662	(978)	817	179	18
Triple-B	2,730	(75)	76	—	1
Cleared derivatives(2)	118	—	—	—	—
Total derivative positions with credit exposure to non-member counterparties	135,079	(94)	660	(483)	83
Member institutions(3)	782	11	—	(1)	10
Total	$ 135,861	$ (83)	$ 660	$ (484)	$ 93

(1) This chart does not reflect any changes in rating, outlook or watch status occurring after March 31, 2013. The ratings presented in this table represent the lowest long-term counterparty credit rating available for each counterparty of an individual FHLBank, based on the nationally recognized statistical rating organization(s) used by that FHLBank.
(2) Represents derivative transactions cleared with a clearinghouse(s).
(3) Member institutions include mortgage delivery commitments and derivatives with members where an FHLBank is acting as an intermediary. Collateral held with respect to derivatives with member institutions where an FHLBank is acting as an intermediary represents the amount of eligible collateral physically held by or on behalf of the FHLBank or collateral assigned to the FHLBank, as evidenced by a written security agreement, and held by the member institution for the benefit of that FHLBank.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Each FHLBank is responsible for establishing its own risk management philosophies, practices and policies. Each FHLBank describes its risk management policies for its business, including quantitative and qualitative disclosures about its market risk, in its periodic reports filed with the SEC. (See *Explanatory Statement about Federal Home Loan Banks Combined Financial Report.*)

Each FHLBank has established policies and procedures to evaluate, manage and mitigate market risks. The FHFA has established regulations governing the risk management practices of the FHLBanks. The FHLBanks must file periodic compliance reports with the FHFA. The FHFA conducts an annual on-site examination of each FHLBank and the Office of Finance as well as off-site analyses.

Interest-Rate Risk

Interest-rate risk is the risk that relative and absolute changes in interest rates may adversely affect an institution's financial condition. The goal of an interest-rate risk management strategy is not necessarily to eliminate interest-rate risk, but to manage it by setting, and operating within, an appropriate framework and limits. The FHLBanks generally manage interest-rate risk by acquiring and maintaining a portfolio of assets and liabilities and entering into related interest-rate exchange agreements to limit the expected mismatches in duration. The FHLBanks measure and monitor interest rate-risk with commonly used methods, which include the calculations of market value of equity, duration of equity and duration gap. (See *Quantitative and Qualitative Disclosure about Market Risk* in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2012.)

Market Value of Equity and Duration of Equity

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

Table 43 presents each FHLBank that includes quantitative market value of equity and duration of equity information in its individual 2013 First Quarter SEC Form 10-Q.

Table 43 - Individual FHLBank's Market Value of Equity and Duration of Equity Disclosures

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

(1) The FHLBank of Pittsburgh's market value of equity volatility metrics are monitored. The FHLBank of Pittsburgh measures market value of equity to par value of capital stock, as described in its 2013 First Quarter SEC Form 10-Q. The FHLBank of Pittsburgh also monitors the earned dividend spread (EDS) volatility metric relative to a predetermined EDS floor, established and approved by its board of directors.

(2) The FHLBank of Chicago disclosed the dollar limits on changes in market value under parallel interest rate shocks in addition to duration of equity in its 2013 First Quarter SEC Form 10-Q.

(3) Although the FHLBank of Des Moines measures and monitors market value of equity and duration of equity, those measures are not disclosed as key market risk measures. The FHLBank of Des Moines disclosed, in its 2013 First Quarter SEC Form 10-Q, market value of capital stock (MVCS) and economic value of capital stock (EVCS) as key risk measures. The FHLBank of Des Moines measures and limits movements in MVCS.

(4) The FHLBank of Topeka measures and monitors market value of equity (MVE); however, the FHLBank of Topeka measures market value risk in terms of its MVE in relation to its total regulatory capital stock outstanding instead of to its book value of equity. As described in its 2013 First Quarter SEC Form 10-Q, the FHLBank of Topeka believes this is a reasonable metric because, as a cooperative, the metric reflects the market value of the FHLBank of Topeka relative to the book value of its capital stock.

(5) Although the FHLBank of San Francisco measures duration of equity, this measure is not disclosed as a key market risk measure.

Table 44 presents the duration of equity reported by each FHLBank to the FHFA in accordance with the FHFA's guidance, which prescribes that down and up interest-rate shocks equal 200 basis points. However, the applicable regulation restricts the down rate from assuming a negative interest rate. Therefore, each FHLBank adjusts the down rate accordingly in periods of very low levels of interest rates.

Table 44 - Duration of Equity
(in years)

	March 31, 2013			December 31, 2012		
FHLBank	**Down**	**Base**	**Up**	**Down**	**Base**	**Up**
Boston	0.3	0.2	2.9	0.5	0.3	3.1
New York	1.0	(0.1)	2.5	0.6	(1.5)	2.0
Pittsburgh	1.1	3.3	3.0	1.2	2.5	2.6
Atlanta	0.0	(1.8)	2.8	(0.9)	(0.8)	2.6
Cincinnati	0.7	3.0	3.1	1.8	1.9	4.1
Indianapolis	(4.5)	3.2	0.9	(4.2)	0.3	0.4
Chicago	2.4	(0.9)	(1.7)	2.4	0.8	(3.5)
Des Moines	(1.3)	(1.3)	6.0	(1.4)	(2.4)	7.2
Dallas	4.4	1.9	4.3	3.4	1.6	2.5
Topeka	(0.4)	(0.1)	1.2	(0.1)	(0.6)	0.3
San Francisco	1.4	1.3	2.3	(0.1)	(0.3)	1.2
Seattle	0.0	1.5	4.1	0.0	1.5	4.1

Duration Gap

A related measure of interest-rate risk is duration gap, which is the difference between the estimated durations (market value sensitivity) of assets and liabilities and reflects the extent to which estimated maturity and repricing cash flows for assets and liabilities are matched. Duration gap determines the sensitivity of assets and liabilities to interest-rate changes. Each FHLBank has an internal modeling system for measuring its duration gap; therefore, individual FHLBank measurements may not be directly comparable. Duration generally indicates the expected change in an instrument's market value resulting from an increase or a decrease in interest rates. Higher duration numbers, whether positive or negative, indicate greater volatility in the market value of equity in response to changing interest rates. Duration gap numbers in Table 45 include the effect of interest-rate exchange agreements.

Table 45 - Duration Gap
(in months)

FHLBank	March 31, 2013	December 31, 2012
Boston	0.3	0.4
New York	(0.4)	(1.4)
Pittsburgh	2.0	1.3
Atlanta	(1.6)	(0.7)
Cincinnati	0.2	0.1
Indianapolis	1.5	(0.7)
Chicago	(0.6)	0.4
Des Moines	(1.3)	(2.0)
Dallas	1.1	0.8
Topeka	(0.1)	(0.4)
San Francisco	0.9	(1.2)
Seattle	0.1	0.1

Use of Derivatives to Manage Interest-Rate Risk

An FHLBank enters into derivatives to manage interest-rate risk, prepayment risk and exposure inherent in otherwise unhedged assets and funding positions. An FHLBank attempts to use derivatives to reduce interest-rate exposure in the most cost-efficient manner. Derivatives are used to adjust the effective maturity, repricing frequency, or option characteristics of financial instruments to achieve risk-management objectives. (See *Note 10 - Derivatives and Hedging Activities* to the accompanying combined financial statements for a discussion of managing interest-rate risk exposure.)

Table 46 presents the effect of derivatives and hedging activities on net interest income and non-interest income resulting from the FHLBanks' hedging strategies.

Table 46 - Effect of Derivatives and Hedging Activities
(dollars in millions)

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

	Three Months Ended March 31, 2012							
	Advances	Investment Securities	Mortgage Loans	Consolidated Bonds	Consolidated Discount Notes	Balance Sheet	Optional Advance Commitments	Total
Net interest income								
Amortization and accretion of hedging activities in net interest income(1)	$ (442)	$ 28	$ (15)	$ 39	$ (3)	$ —	$ —	$ (393)
Net interest settlements included in net interest income(2)	(1,236)	(122)	(1)	649	(73)	—	—	(783)
Total effect on net interest income	$ (1,678)	$ (94)	$ (16)	$ 688	$ (76)	$ —	$ —	$ (1,176)
Net gains (losses) on derivatives and hedging activities								
Gains (losses) on fair value hedges	$ 81	$ 19	$ 1	$ (15)	$ (1)	$ —	$ —	$ 85
Gains (losses) on cash flow hedges	—	—	—	—	2	—	—	2
Gains (losses) on derivatives not receiving hedge accounting	(26)	(6)	(5)	72	11	7	(1)	52
Total net gains (losses) on derivatives and hedging activities	55	13	(4)	57	12	7	(1)	139
Net gains (losses) on trading securities(3)	—	(62)	—	—	—	—	—	(62)
Net gains (losses) on financial instruments held at fair value	(26)	—	—	26	4	—	1	5
Total effect on non-interest income	$ 29	$ (49)	$ (4)	$ 83	$ 16	$ 7	$ —	$ 82

(1) Represents amortization and accretion of hedging adjustments included in net interest income.
(2) Represents interest income or expense on derivatives included in net interest income.
(3) Includes only those gains or losses on trading securities that have an economic derivative "assigned;" therefore, this line item may not agree to the Combined Statement of Income.

CONTROLS AND PROCEDURES

FHLBanks

The management of each FHLBank is required under applicable laws and regulations to establish and maintain effective disclosure controls and procedures as well as effective internal control over financial reporting, as such disclosure controls and procedures and internal control over financial reporting relate to that FHLBank only. Each FHLBank's management assessed the effectiveness of its individual internal control over financial reporting as of December 31, 2012, 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 original assessment, each of the FHLBank's management concluded, as of December 31, 2012, that its individual internal control over financial reporting was effective based on the criteria established in *Internal Control-Integrated Framework.* Additionally, the independent registered public accounting firm of each FHLBank previously opined that these individual FHLBanks maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012. (See *Part II. Item 8 - Financial Statements and Supplementary Data* or *Item 9A - Controls and Procedures* of each FHLBank's 2012 SEC Form 10-K for its *Management's Report on Internal Control over Financial Reporting*.)

However, on April 25, 2013, the FHLBank of Seattle's management and its Board concluded that its financial statements for the years ended December 31, 2010 through December 31, 2012 and the quarterly periods within 2011 and 2012 (the referenced periods) should no longer be relied upon, due to the identification of material errors in the statements of cash flows. Further, the FHLBank of Seattle concluded that there was a material weakness in its internal control over financial reporting as of December 31, 2012 and for the other previous referenced periods. This material weakness is described below. As a result, the FHLBank of Seattle's management also concluded that its disclosure controls and procedures were not effective at a reasonable assurance level as of the quarter ended March 31, 2013. However, based on the supplemental procedures performed to prepare its restated statement of cash flows and reliance on existing controls not affected by the identified material weakness, the FHLBank of Seattle concluded that its financial statements included in its 2013 First Quarter SEC Form 10-Q are fairly presented, in all material respects, for the periods presented in conformity with GAAP.

Each of the other FHLBanks indicated that there were no changes to its internal control over financial reporting during the quarter ended March 31, 2013 that materially affected, or are reasonably likely to affect, its internal control over financial reporting. Additionally, management of each of the other FHLBanks concluded that its disclosure controls and procedures were effective at a reasonable assurance level as of the quarter ended March 31, 2013. (See *Part I. Item 4 - Controls and Procedures* of each FHLBank's 2013 First Quarter SEC Form 10-Q.)

FHLBank of Seattle's Material Weakness Relating to the Preparation and Review of its Statement of Cash Flows

As of March 31, 2013 and for the referenced periods, the FHLBank of Seattle did not maintain effective controls over the preparation and review of its statement of cash flows. These control deficiencies resulted in errors in the FHLBank of Seattle's statement of cash flows as originally reported, which in turn necessitated a restatement of its statement of cash flows for the referenced periods. Specifically, the FHLBank of Seattle did not maintain controls over the review of the classification and presentation of cash flows from certain financing and investing activities, which led to the misclassification of cash flows among operating activities, investing activities and financing activities in its statement of cash flows for the referenced periods. Accordingly, the FHLBank of Seattle's management determined that, when evaluated in the aggregate, the control deficiencies constituted a material weakness in internal control over financial reporting as of March 31, 2013 and for the referenced periods. (See *Note 1 - Summary of Significant Accounting Policies* to the accompanying combined financial statements for additional information about the FHLBank of Seattle's restatements.)

Office of Finance Controls and Procedures over the Combined Financial Reporting Combining Process

The Office of Finance is not responsible for the preparation, accuracy or adequacy of the information or financial data provided by the FHLBanks to the Office of Finance for use in preparing the combined financial reports, or for the quality or effectiveness of the disclosure controls and procedures or internal control over financial reporting of the FHLBanks as they relate to such information and financial data. Each FHLBank is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting with respect to the information and financial data provided to the Office of Finance. Although the Office of Finance is not an SEC registrant, FHFA regulations require that the combined financial report form and content generally be consistent with SEC Regulations S-K and S-X, as interpreted by the FHFA. The Office of Finance is not required to establish and maintain, and in light of the nature of its role has not established and maintained, disclosure controls and procedures and internal control over financial reporting at the FHLBank System level in the same manner as those maintained by each FHLBank. The Office of Finance has established procedures and controls concerning the FHLBanks' submission of information and financial data to the Office of Finance, the process of combining the financial statements and other financial information of the individual FHLBanks and the review of that information.

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

Audit Committee Charter

The charter of the audit committee of the Office of Finance's board of directors is available on the Office of Finance's 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.

LEGAL PROCEEDINGS

The FHLBanks are subject to various pending legal proceedings arising in the normal course of business. The FHLBanks and the Office of Finance are not a party to, nor are they subject to, any pending legal proceedings, except the following identified proceedings, where the ultimate liability of the FHLBanks, if any, arising out of these proceedings is likely to have a material effect on the results of operations, financial condition or liquidity of the FHLBanks or that are otherwise material to the FHLBanks. (See each FHLBank's 2013 First Quarter SEC Form 10-Q under *Part II. Item 1-Legal Proceedings* for additional information, including updates, to its legal proceedings.)

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

As of March 31, 2013, each of the FHLBanks of Boston, Pittsburgh, Atlanta, Indianapolis, Chicago, San Francisco and Seattle is a plaintiff in continued legal proceedings that relate to its purchases of certain private-label MBS. Defendants in these lawsuits include entities and affiliates that buy, sell or distribute the FHLBanks' consolidated obligations or are derivative counterparties. These defendants, and their affiliates, may be members or former members of the plaintiff FHLBanks or other FHLBanks. In addition, certain defendants in some of these legal proceedings currently issue credit ratings on the FHLBanks and the FHLBank System's consolidated obligations.

Legal Proceedings Relating to the Lehman Bankruptcy

See *Note 16 - Commitments and Contingencies* - *Lehman Bankruptcy* to the accompanying combined financial statements for information on legal proceedings relating to bankruptcy proceedings involving Lehman Brothers Holdings, Inc.

RISK FACTORS

There were no material changes to the risk factors disclosed in the Federal Home Loan Banks' 2012 Combined Financial Report. (See each FHLBank's 2013 First Quarter SEC Form 10-Q for any updates to risk factors included in its 2012 SEC Form 10-K under *Item 1A-Risk Factors*.)

MARKET FOR CAPITAL STOCK AND RELATED STOCKHOLDER MATTERS

As a cooperative, each FHLBank conducts its advances business and mortgage loan programs almost exclusively with its members. Members and former members own all of the FHLBanks' capital stock. There is no established marketplace for the FHLBanks' stock and it is not publicly traded. FHLBank stock is purchased by members at the stated par value of $100 per share and may be redeemed/repurchased at its stated par value of $100 per share, subject to applicable redemption periods and certain conditions and limitations. (See *Financial Discussion and Analysis - Capital Adequacy - Dividend and Excess Stock Limitations* for a discussion of certain FHLBank actions regarding dividends and excess capital stock.)

At March 31, 2013, the FHLBanks had 328 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 and is subject to certain reporting requirements of the Securities Exchange Act of 1934.

Table 47 presents combined regulatory capital stock, which includes mandatorily redeemable capital stock, held by type of member and Table 48 presents FHLBank membership by type of member.

Table 47 - Regulatory Capital Stock Held by Type of Member
(dollars in millions)

	March 31, 2013		December 31, 2012	
	Amount	Percentage of Regulatory Capital Stock	Amount	Percentage of Regulatory Capital Stock
Commercial banks	$ 20,551	53.1%	$ 21,023	52.0%
Thrifts	6,079	15.7%	6,352	15.7%
Insurance companies	3,504	9.1%	3,506	8.7%
Credit unions	2,480	6.4%	2,650	6.5%
Community development financial institutions	4	—	4	—
Total GAAP capital stock	32,618	84.3%	33,535	82.9%
Mandatorily redeemable capital stock	6,070	15.7%	6,929	17.1%
Total combined regulatory capital stock	$ 38,688	100.0%	$ 40,464	100.0%

Table 48 - Membership by Type of Member

	March 31, 2013		December 31, 2012	
	Number	Percentage of Total Members	Number	Percentage of Total Members
Commercial banks	5,174	68.1%	5,207	68.2%
Credit unions	1,186	15.6%	1,180	15.5%
Thrifts	961	12.6%	972	12.7%
Insurance companies	267	3.5%	263	3.4%
Community development financial institutions	15	0.2%	13	0.2%
Total	7,603	100.0%	7,635	100.0%

During the three months ended March 31, 2013, one FHLBank member withdrew from FHLBank membership for reasons other than merger or acquisition and 26 FHLBank members gave notice of intent to withdraw from FHLBank membership for reasons other than merger or acquisition.

The information on regulatory capital stock presented in Table 49 is accumulated at the holding-company level. The percentage of total regulatory capital stock identified in Table 49 for each holding company was computed by dividing all regulatory capital stock owned by subsidiaries of that holding company by total combined regulatory capital stock. These percentage concentrations do not represent ownership concentrations in an individual FHLBank.

Table 49 - Top 10 Regulatory Capital Stockholders by Holding Company at March 31, 2013
(dollars in millions)

Holding Company Name(1)	FHLBank Districts(2)	Regulatory Capital Stock(3)	Percentage of Total Regulatory Capital Stock	Mandatorily Redeemable Capital Stock
JPMorgan Chase & Co.	Pittsburgh, Cincinnati, Chicago, San Francisco, Seattle	$ 4,148	10.7%	$ 1,377
Citigroup Inc.	New York, Pittsburgh, Des Moines, Dallas, San Francisco	2,971	7.7%	2,117
Bank of America Corporation	Boston, New York, Atlanta, Indianapolis, San Francisco, Seattle	2,555	6.6%	17
Wells Fargo & Company	Des Moines, Dallas, Topeka, San Francisco, Seattle	979	2.5%	876
MetLife, Inc	Boston, New York, Pittsburgh, Des Moines	905	2.3%	4
Capital One Financial Corporation	Pittsburgh, Atlanta, Dallas	819	2.1%	225
U.S. Bancorp	Cincinnati, Des Moines, Dallas, Topeka, San Francisco, Seattle	768	2.0%	165
Banco Santander, S.A.	New York, Pittsburgh	615	1.6%	—
UK Financial Investments Limited	Boston, Pittsburgh, Cincinnati	499	1.3%	—
Fifth Third Bancorp	Cincinnati, Indianapolis	497	1.3%	97
		$ 14,756	38.1%	$ 4,878

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

(2) At March 31, 2013, each holding company had subsidiaries with regulatory capital stock holdings in these FHLBank districts.

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

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Each FHLBank is a member-owned cooperative, whose members elect a majority of that FHLBank's directors from among the officers and directors of its members. The FHLBanks conduct their advances and mortgage loan business primarily with members. As a result, in the normal course of business, the FHLBanks regularly extend credit to members whose officers and/or directors may serve as directors of the FHLBanks and members (or affiliates) owning more than 5% of an FHLBank's capital stock. This credit is extended on market terms that are no more favorable to these "related" members than comparable transactions with other members of the same FHLBank. As of March 31, 2013, the FHLBanks had $56.8 billion of advances outstanding to members whose officers and/or directors were serving as directors of the FHLBanks, which represented 13.9% of total advances at par value. (See *Market for Capital Stock and Related Stockholder Matters* and *Financial Discussion and Analysis - Combined Financial Condition - Advances* for additional information on FHLBank advances and membership.)

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

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

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

An FHLBank may also have deposits with members, sell Federal funds to members, and purchase short-term investments and mortgage-backed securities from members, some of whose officers and/or directors may serve as directors of their respective FHLBank. All investments are market-rate transactions and all mortgage-backed securities are purchased through securities brokers or dealers. (See each FHLBank's 2012 SEC Form 10-K under *Item 13—Certain Relationships and Related Transactions, and Director Independence* for additional information regarding related transactions with its members.)

SUPPLEMENTAL INFORMATION

Individual Federal Home Loan Bank Selected Financial Data and Financial Ratios

The following individual Federal Home Loan Bank (FHLBank) selected financial data and financial ratios are provided as a convenience to the reader. Please refer to *Explanatory Statement about Federal Home Loan Banks Combined Financial Report*, which discusses the independent management and operation of the FHLBanks; identifies the availability of other information about the FHLBanks; and describes where to find the periodic reports and other information filed by each FHLBank with the SEC.

Individual FHLBank Selected Financial Data and Financial Ratios

(dollars in millions)	Boston	New York	Pittsburgh
Selected Statement of Condition Data(1)			
At March 31, 2013			
Assets			
Investments(2)	$ 13,029	$ 23,386	$ 15,956
Advances	19,900	71,723	39,994
Mortgage loans held for portfolio	3,508	1,892	3,496
Allowance for credit losses on mortgage loans	(3)	(7)	(13)
Total assets	36,935	101,923	60,137
Consolidated obligations(3)			
Discount notes	5,981	32,555	18,301
Bonds	25,722	61,014	36,496
Total consolidated obligations	31,703	93,569	54,797
Mandatorily redeemable capital stock	191	26	369
Subordinated notes(4)	—	—	—
Total capital			
Capital stock(5)			
Class B putable	3,202	4,627	2,832
Class A putable	—	—	—
Total capital stock	3,202	4,627	2,832
Retained earnings	638	911	586
Accumulated other comprehensive income (loss)	(468)	(180)	79
Total capital	3,372	5,358	3,497
Asset composition (as a percentage of the individual FHLBank's total assets)			
Investments(2)	35.3%	22.9%	26.5%
Advances	53.9%	70.4%	66.5%
Mortgage loans, net	9.5%	1.8%	5.8%
Total retained earnings as a percentage of FHLBank's total assets	1.7%	0.9%	1.0%
FHLBank's total assets as a percentage of FHLBank System's total combined assets	5.0%	13.8%	8.1%
At March 31, 2012			
Assets			
Investments(2)	$ 18,590	$ 21,450	$ 17,694
Advances	24,892	72,093	31,446
Mortgage loans held for portfolio	3,173	1,489	3,741
Allowance for credit losses on mortgage loans	(7)	(7)	(14)
Total assets	46,912	95,704	53,291
Consolidated obligations(3)			
Discount notes	12,834	24,514	11,795
Bonds	28,534	61,530	35,709
Total consolidated obligations	41,368	86,044	47,504
Mandatorily redeemable capital stock	215	43	194
Subordinated notes(4)	—	—	—
Total capital			
Capital stock(5)			
Class B putable	3,403	4,582	3,097
Class A putable	—	—	—
Total capital stock	3,403	4,582	3,097
Retained earnings	440	790	456
Accumulated other comprehensive income (loss)	(520)	(170)	(100)
Total capital	3,323	5,202	3,453
Asset composition (as a percentage of the individual FHLBank's total assets)			
Investments(2)	39.6%	22.4%	33.2%
Advances	53.1%	75.3%	59.0%
Mortgage loans, net	6.7%	1.5%	7.0%
Total retained earnings as a percentage of individual FHLBank's total assets	0.9%	0.8%	0.9%
FHLBank's total assets as a percentage of FHLBank System's total combined assets	6.4%	13.0%	7.2%

(1) The sum or recalculation of individual FHLBank amounts may not agree or may not be recalculated from the Combined Statement of Condition amounts due to interbank combining adjustments.

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

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

Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 29,697	$ 20,772	$ 14,463	$ 40,138	$ 15,895	$ 12,843	$ 10,225	$ 37,861	$ 25,442
80,260	58,282	18,950	14,403	24,802	15,722	17,582	46,713	9,966
1,167	7,228	6,099	9,693	6,786	113	5,931	1,176	987
(13)	(15)	(5)	(40)	(15)	—	(7)	(3)	(2)
111,547	86,729	39,693	64,922	47,926	31,034	33,958	87,593	36,564
20,040	34,076	7,938	24,292	5,326	4,558	9,204	12,829	17,877
82,858	45,937	27,416	34,751	38,146	23,606	21,320	64,296	15,152
102,898	80,013	35,354	59,043	43,472	28,164	30,524	77,125	33,029
34	134	161	4	11	4	4	3,907	1,225
—	—	—	1,000	—	—	—	—	—
4,380	4,466	1,678	1,549	1,970	1,109	913	3,951	1,454
—	—	—	—	—	—	432	—	55
4,380	4,466	1,678	1,549	1,970	1,109	1,345	3,951	1,509
1,477	563	616	1,770	636	589	499	2,303	244
23	(11)	43	130	147	7	(23)	(453)	(124)
5,880	5,018	2,337	3,449	2,753	1,705	1,821	5,801	1,629
26.6%	24.0%	36.4%	61.8%	33.2%	41.4%	30.1%	43.2%	69.6%
72.0%	67.2%	47.7%	22.2%	51.8%	50.7%	51.8%	53.3%	27.3%
1.0%	8.3%	15.4%	14.9%	14.1%	0.4%	17.4%	1.3%	2.7%
1.3%	0.6%	1.6%	2.7%	1.3%	1.9%	1.5%	2.6%	0.7%
15.1%	11.7%	5.4%	8.8%	6.5%	4.2%	4.6%	11.9%	4.9%
$ 34,536	$ 26,419	$ 15,149	$ 40,182	$ 14,146	$ 13,462	$ 10,857	$ 42,177	$ 25,500
72,441	27,177	18,042	14,739	26,608	18,172	16,938	62,040	9,343
1,534	8,237	5,844	13,181	7,173	152	5,250	1,692	1,283
(9)	(21)	(4)	(49)	(18)	—	(4)	(6)	(6)
109,137	61,976	39,469	68,908	48,345	34,190	33,693	110,087	36,273
16,178	27,076	5,969	22,424	5,727	8,565	10,188	23,318	13,112
81,719	29,317	29,337	41,048	38,482	21,570	19,598	74,579	19,928
97,897	56,393	35,306	63,472	44,209	30,135	29,786	97,897	33,040
328	270	457	14	7	5	8	5,307	1,061
—	—	—	1,000	—	—	—	—	—
5,899	3,141	1,565	1,908	2,074	1,245	772	4,717	1,621
—	—	—	—	—	—	565	—	119
5,899	3,141	1,565	1,908	2,074	1,245	1,337	4,717	1,740
1,306	467	527	1,436	599	518	426	1,966	170
(285)	(10)	(82)	(387)	131	(40)	(30)	(1,625)	(516)
6,920	3,598	2,010	2,957	2,804	1,723	1,733	5,058	1,394
31.6%	42.6%	38.4%	58.3%	29.3%	39.4%	32.2%	38.3%	70.3%
66.4%	43.9%	45.7%	21.4%	55.0%	53.2%	50.3%	56.4%	25.8%
1.4%	13.3%	14.8%	19.1%	14.8%	0.4%	15.6%	1.5%	3.5%
1.2%	0.8%	1.3%	2.1%	1.2%	1.5%	1.3%	1.8%	0.5%
14.8%	8.4%	5.3%	9.3%	6.6%	4.6%	4.6%	14.9%	4.9%

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(4) 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 U.S. government or any of the FHLBanks other than the FHLBank of Chicago.

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

Individual FHLBank Selected Financial Data and Financial Ratios (continued)

(dollars in millions)	Boston	New York	Pittsburgh
Selected Other Data			
March 31, 2013			
Advance concentrations - top five borrowers	24%	60%	80%
Capital stock concentrations - top five stockholders	46%	54%	58%
Regulatory capital-to-assets ratio(6)	10.9%	5.5%	6.3%
Cash and stock dividends			
Q1 2013	$ 3	$ 53	$ 2
Q1 2012	$ 5	$ 58	$ 1
Weighted average dividend rate			
Q1 2013	0.37%	4.00%	0.32%
Q1 2012	0.49%	4.50%	0.10%
Return on average equity(7)			
Q1 2013	6.10%	5.28%	3.39%
Q1 2012	5.44%	8.17%	2.51%
Return on average assets			
Q1 2013	0.56%	0.27%	0.20%
Q1 2012	0.38%	0.42%	0.16%
Net interest margin(8)			
Q1 2013	0.80%	0.40%	0.31%
Q1 2012	0.56%	0.50%	0.32%
Net interest spread			
Q1 2013	0.69%	0.38%	0.26%
Q1 2012	0.47%	0.46%	0.22%

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

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

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

Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
59%	79%	49%	53%	39%	30%	55%	67%	75%
49%	58%	38%	36%	24%	22%	36%	61%	62%
5.3%	6.0%	6.2%	5.1%	5.5%	5.5%	5.4%	11.6%	8.1%
$ 29	$ 39	$ 14	$ 1	$ 13	$ 1	$ 8	$ 25	$ —
$ 18	$ 35	$ 11	$ 1	$ 15	$ 1	$ 8	$ 6	$ —
2.32%	4.25%	3.50%	0.15%	2.60%	0.38%	2.39%	2.30%	—
1.23%	4.50%	3.00%	0.08%	3.00%	0.38%	2.12%	0.48%	—
4.65%	5.49%	7.07%	9.36%	3.98%	4.33%	5.57%	5.59%	3.90%
4.18%	6.50%	8.42%	15.93%	6.52%	5.79%	7.31%	13.99%	3.89%
0.24%	0.31%	0.40%	0.46%	0.23%	0.22%	0.29%	0.37%	0.18%
0.23%	0.37%	0.41%	0.66%	0.36%	0.28%	0.38%	0.62%	0.14%
0.30%	0.36%	0.61%	0.67%	0.44%	0.42%	0.62%	0.59%	0.39%
0.28%	0.52%	0.62%	0.91%	0.55%	0.48%	0.70%	0.88%	0.25%
0.27%	0.32%	0.51%	0.61%	0.37%	0.38%	0.56%	0.55%	0.36%
0.23%	0.44%	0.54%	0.83%	0.48%	0.43%	0.64%	0.84%	0.21%

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