FEDERAL HOME LOAN BANKS

Combined Financial Report
for the Quarterly Period Ended September 30, 2014

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

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

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

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

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

The financial information contained in this Combined Financial Report is for the quarterly period ended September 30, 2014. This Combined Financial Report should be read in conjunction with the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013, issued on March 28, 2014. Combined Financial Reports are available on the Federal Home Loan Banks Office of Finance web site at www.fhlb-of.com. This web site address is provided as a matter of convenience only, and its contents are not made part of this report and are not intended to be incorporated by reference into this report.

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

This Combined Financial Report was issued on November 13, 2014.

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

EXPLANATORY STATEMENT ABOUT FEDERAL HOME LOAN BANKS COMBINED FINANCIAL REPORT

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

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

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

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

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

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CONDITION
(Unaudited)

(dollars in millions, except par value)	September 30, 2014	December 31, 2013
Assets		
Cash and due from banks	$ 53,488	$ 45,773
Interest-bearing deposits	1,569	1,007
Securities purchased under agreements to resell	8,590	20,350
Federal funds sold	39,848	29,500
Investment securities		
Trading securities *(Note 3)*	9,090	11,666
Available-for-sale securities *(Note 4)*	74,307	69,005
Held-to-maturity securities, fair value of $107,612 and $112,257 *(Note 5)*	105,891	111,335
Total investment securities	189,288	192,006
Advances, includes $25,446 and $26,305 at fair value held under fair value option *(Note 7)*	544,568	498,599
Mortgage loans held for portfolio, net		
Mortgage loans held for portfolio *(Note 8)*	43,401	44,530
Allowance for credit losses on mortgage loans *(Note 9)*	(56)	(88)
Total mortgage loans held for portfolio, net	43,345	44,442
Accrued interest receivable	1,091	1,144
Premises, software, and equipment, net	223	229
Derivative assets, net *(Note 10)*	530	513
Other assets	521	637
Total assets	$ 883,061	$ 834,200
Liabilities		
Deposits *(Note 11)*	$ 9,312	$ 10,555
Consolidated obligations *(Note 12)*		
Discount notes, includes $8,932 and $5,336 at fair value held under fair value option	327,636	293,296
Bonds, includes $37,138 and $38,573 at fair value held under fair value option	490,063	473,845
Total consolidated obligations	817,699	767,141
Mandatorily redeemable capital stock	3,051	4,998
Accrued interest payable	1,371	1,156
Affordable Housing Program payable	793	788
Derivative liabilities, net *(Note 10)*	1,513	1,913
Other liabilities	1,661	1,635
Subordinated notes	944	944
Total liabilities	836,344	789,130
Commitments and contingencies *(Note 16)*		
Capital *(Note 13)*		
Capital stock		
Class B putable ($100 par value) issued and outstanding shares	33,252	32,900
Class A putable ($100 par value) issued and outstanding shares	187	475
Total capital stock	33,439	33,375
Retained earnings		
Unrestricted	9,610	9,099
Restricted	3,419	3,107
Total retained earnings	13,029	12,206
Accumulated other comprehensive income (loss) *(Note 14)*	249	(511)
Total capital	46,717	45,070
Total liabilities and capital	$ 883,061	$ 834,200

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF INCOME
(Unaudited)

(dollars in millions)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Interest income				
Advances	$ 608	$ 641	$ 1,869	$ 1,918
Prepayment fees on advances, net	16	37	48	101
Interest-bearing deposits	3	2	7	8
Securities purchased under agreements to resell	4	2	11	20
Federal funds sold	17	14	43	55
Trading securities	48	51	146	158
Available-for-sale securities	348	342	1,039	1,026
Held-to-maturity securities	502	537	1,551	1,624
Mortgage loans held for portfolio	426	450	1,292	1,419
Other	1	—	2	2
Total interest income	1,973	2,076	6,008	6,331
Interest expense				
Consolidated obligations - Discount notes	138	120	398	385
Consolidated obligations - Bonds	924	1,045	2,871	3,251
Deposits	1	—	2	2
Subordinated notes	14	13	41	42
Mandatorily redeemable capital stock	30	53	114	124
Total interest expense	1,107	1,231	3,426	3,804
Net interest income	866	845	2,582	2,527
Provision (reversal) for credit losses	(5)	(3)	(20)	(13)
Net interest income after provision (reversal) for credit losses	871	848	2,602	2,540
Non-interest income				
Other-than-temporary impairment losses				
Total other-than-temporary impairment losses	(1)	(6)	(5)	(15)
Net amount of impairment losses reclassified to/(from) accumulated other comprehensive income (loss)	(4)	(1)	(6)	2
Net other-than-temporary impairment losses	(5)	(7)	(11)	(13)
Net gains (losses) on trading securities	(38)	(33)	(22)	(225)
Net realized gains (losses) from sale of available-for-sale securities	—	1	1	21
Net realized gains (losses) from sale of held-to-maturity securities	7	—	9	—
Net gains (losses) on financial instruments held under fair value option	(1)	(26)	(66)	—
Net gains (losses) on derivatives and hedging activities	62	12	(52)	305
Gains on litigation settlements, net	43	1	107	4
Net gains (losses) on debt extinguishments	(10)	22	—	10
Other, net	30	25	93	77
Total non-interest income (loss)	88	(5)	59	179
Non-interest expense				
Compensation and benefits	140	134	410	388
Other operating expenses	92	83	268	245
Federal Housing Finance Agency	12	12	41	37
Office of Finance	11	9	33	32
Other	3	3	8	(39)
Total non-interest expense	258	241	760	663
Net income before assessments	701	602	1,901	2,056
Affordable Housing Program assessments	74	65	205	209
Net income	$ 627	$ 537	$ 1,696	$ 1,847

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 September 30,		Nine Months Ended September 30,	
(dollars in millions)	2014	2013	2014	2013
Net income	$ 627	$ 537	$ 1,696	$ 1,847
Other comprehensive income				
Net unrealized gains/losses on available-for-sale securities				
Unrealized gains (losses)	(76)	(64)	265	(712)
Reclassification of realized net (gains) losses included in net income	—	(1)	(1)	(3)
Total net unrealized gains/losses on available-for-sale securities	(76)	(65)	264	(715)
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities				
Reclassification of (gains) losses included in net income	—	1	—	2
Total net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities	—	1	—	2
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities				
Non-credit portion of other-than-temporary impairment losses transferred from held-to-maturity securities	—	(1)	—	(5)
Net change in fair value of other-than-temporarily impaired securities	57	71	171	684
Reclassification of non-credit portion included in net income	3	1	4	1
Reclassification of (gains) losses included in net income	—	—	—	(18)
Unrealized gains (losses)	13	28	163	206
Total net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	73	99	338	868
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities				
Non-credit portion of other-than-temporary impairment losses	—	(1)	—	(5)
Reclassification of non-credit portion included in net income	1	1	2	2
Accretion of non-credit portion	34	37	102	117
Transfer of non-credit portion from held-to-maturity securities to available-for-sale securities	—	1	—	5
Total net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	35	38	104	119
Net unrealized gains/losses relating to hedging activities				
Unrealized gains (losses)	94	16	44	434
Reclassification of (gains) losses included in net income	2	(1)	—	(6)
Total net unrealized gains/losses relating to hedging activities	96	15	44	428
Pension and postretirement benefits	—	5	10	7
Total other comprehensive income	128	93	760	709
Comprehensive income	$ 755	$ 630	$ 2,456	$ 2,556

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENT OF CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(Unaudited)

	Capital Stock - Putable			
	Class B		Class A	
(dollars and shares in millions)	Shares	Par Value	Shares	Par Value
Balance, December 31, 2012	332	$ 33,021	5	$ 514
Proceeds from issuance of capital stock	117	12,123	—	—
Repurchases/redemptions of capital stock	(112)	(11,298)	(2)	(171)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(19)	(1,854)	—	(78)
Transfers between Class B and Class A shares	(2)	(210)	2	210
Comprehensive income	—	—	—	—
Dividends on capital stock				
Cash	—	—	—	—
Stock	—	28	—	—
Balance, September 30, 2013	316	$ 31,810	5	$ 475
Balance, December 31, 2013	330	$ 32,900	5	$ 475
Proceeds from issuance of capital stock	126	12,570	—	1
Repurchases/redemptions of capital stock	(116)	(11,605)	(6)	(590)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(3)	(335)	—	(12)
Transfers between Class B and Class A shares	(3)	(313)	3	313
Comprehensive income	—	—	—	—
Dividends on capital stock				
Cash	—	—	—	—
Stock	—	35	—	—
Balance, September 30, 2014	334	$ 33,252	2	$ 187

Capital Stock - Putable						
Total		Retained Earnings			Accumulated Other Comprehensive Income (Loss)	Total Capital
Shares	Par Value	Unrestricted	Restricted	Total		
337	$ 33,535	$ 7,933	$ 2,589	$ 10,522	$ (1,510)	$ 42,547
117	12,123	—	—	—	—	12,123
(114)	(11,469)	—	—	—	—	(11,469)
(19)	(1,932)	—	—	—	—	(1,932)
—	—	—	—	—	—	—
—	—	1,475	372	1,847	709	2,556
—	—	(577)	—	(577)	—	(577)
—	28	(28)	—	(28)	—	—
321	$ 32,285	$ 8,803	$ 2,961	$ 11,764	$ (801)	$ 43,248
335	$ 33,375	$ 9,099	$ 3,107	$ 12,206	$ (511)	$ 45,070
126	12,571	—	—	—	—	12,571
(122)	(12,195)	—	—	—	—	(12,195)
(3)	(347)	—	—	—	—	(347)
—	—	—	—	—	—	—
—	—	1,384	312	1,696	760	2,456
—	—	(838)	—	(838)	—	(838)
—	35	(35)	—	(35)	—	—
336	$ 33,439	$ 9,610	$ 3,419	$ 13,029	$ 249	$ 46,717

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)	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Operating activities		
Net income	$ 1,696	$ 1,847
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	(138)	(24)
Net change in derivatives and hedging activities	642	446
Net other-than-temporary impairment losses	11	13
Other adjustments	(41)	(13)
Net change in fair value adjustments on trading securities	39	225
Net change in fair value adjustments on financial instruments held under fair value option	66	—
Net change in		
Trading securities	(47)	331
Accrued interest receivable	53	115
Other assets	24	(53)
Accrued interest payable	225	218
Other liabilities	(46)	(24)
Total adjustments	788	1,234
Net cash provided by (used in) operating activities	2,484	3,081
Investing activities		
Net change in		
Interest-bearing deposits	156	2,495
Securities purchased under agreements to resell	11,760	18,239
Federal funds sold	(10,348)	11,278
Premises, software, and equipment	(35)	(54)
Trading securities		
Net decrease (increase) in short-term	809	(1,238)
Proceeds from long-term	4,368	2,966
Purchases of long-term	(2,562)	(2,530)
Available-for-sale securities		
Net decrease (increase) in short-term	40	(1,835)
Proceeds from long-term	7,067	7,668
Purchases of long-term	(11,618)	(7,701)
Held-to-maturity securities		
Net decrease (increase) in short-term	668	(621)
Proceeds from long-term	11,988	19,660
Purchases of long-term	(6,907)	(22,635)
Advances		
Principal collected	3,454,466	2,524,330
Made	(3,501,688)	(2,568,364)
Mortgage loans held for portfolio		
Principal collected	5,227	9,706
Purchases	(4,199)	(5,601)
Proceeds from sales of foreclosed assets	138	131
Principal collected on other loans	2	1
Net cash provided by (used in) investing activities	(40,668)	(14,105)

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

	Nine Months Ended September 30,	
(dollars in millions)	2014	2013
Financing activities		
Net change in		
Deposits and pass-through reserves	$ (981)	$ (2,926)
Net proceeds (payments) on derivative contracts with financing element	(589)	(601)
Net proceeds from issuance of consolidated obligations		
Discount notes	2,909,303	2,385,053
Bonds	285,864	271,578
Payments for maturing and retiring consolidated obligations		
Discount notes	(2,874,974)	(2,366,154)
Bonds	(269,967)	(257,420)
Proceeds from issuance of capital stock	12,571	12,123
Payments for repurchases/redemptions of mandatorily redeemable capital stock	(2,295)	(3,049)
Payments for repurchases/redemptions of capital stock	(12,195)	(11,469)
Cash dividends paid	(838)	(577)
Net cash provided by (used in) financing activities	45,899	26,558
Net increase (decrease) in cash and due from banks	7,715	15,534
Cash and due from banks at beginning of the period	45,773	18,560
Cash and due from banks at end of the period	$ 53,488	$ 34,094
Supplemental disclosures		
Interest paid	$ 3,663	$ 3,998
AHP payments, net	$ 200	$ 183
Transfers of mortgage loans to real estate owned	$ 102	$ 132
Transfers of other-than-temporarily impaired held-to-maturity securities to available-for-sale securities	$ —	$ 67

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

NOTES TO COMBINED FINANCIAL STATEMENTS (Unaudited)

Background Information

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

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

The Federal Housing Finance Agency (FHFA) was established and became the independent Federal regulator of the FHLBanks, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae), effective July 30, 2008 with the passage of the Housing and Economic Recovery Act of 2008 (the Housing Act). Pursuant to the Housing Act, all regulations, orders, determinations, and resolutions that were issued, made, prescribed, or allowed to become effective by the former Federal Housing Finance Board will remain in effect until modified, terminated, set aside, or superseded by the Director of the FHFA, any court of competent jurisdiction, or operation of law. The FHFA's stated mission is to ensure that the housing GSEs operate in a safe and sound manner so that they serve as a reliable source of liquidity and funding for housing finance and community investment.

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

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

Potential Merger

On July 31, 2014, the FHLBanks of Des Moines and Seattle announced that they had entered into an exclusivity arrangement regarding a potential merger of these two FHLBanks. A detailed due diligence process was completed by both FHLBanks throughout the third quarter of 2014 for the purpose of weighing the long-term benefits and impact of a potential merger. On September 25, 2014, the boards of both FHLBanks unanimously approved, and these FHLBanks executed, a definitive merger agreement. The closing of the merger is subject to certain closing conditions, including approval by the FHFA and ratification by the member-owners of both FHLBanks. A merger application was sent to the FHFA for approval on October 31, 2014. The resulting combined FHLBank is currently expected to be headquartered in Des Moines.

Note 1 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

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

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

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

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

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

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

Reclassifications and Revisions to Prior Period Amounts. Certain amounts in the 2013 combined financial statements have been reclassified or revised to conform to the financial statement presentation for the three and nine months ended September 30, 2014. Additionally, certain other prior period amounts have been revised and may not agree to the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013. These amounts were not deemed to be material.

During the three months ended September 30, 2014, the FHLBank of Atlanta identified a classification error in its previously reported Statements of Cash Flows for the three months ended March 31, 2014 and the six months ended June 30, 2014, contained in its respective 2014 SEC Forms 10-Q. After evaluating the quantitative and qualitative aspects of the classification error, the FHLBank of Atlanta determined that the error was not material to the previously issued Statements of Cash Flows of the FHLBank of Atlanta and the Office of Finance determined that the error was not material to the previously issued combined financial reports. Accordingly, the classification error has been corrected in Combined Statements of Cash Flow for the nine months ended September 30, 2014.

Table 1.1 presents the effect of the FHLBank of Atlanta's revisions on the Combined Statements of Cash Flows for the affected prior periods.

Table 1.1 - Effect of FHLBank of Atlanta's Correction on Prior Period Combined Statements of Cash Flows
(dollars in millions)

	Three Months Ended March 31, 2014		Six Months Ended June 30, 2014	
	As Reported	As Revised	As Reported	As Revised
Operating activities				
Net change in				
Other liabilities	$ (378)	$ (69)	$ (353)	$ (44)
Total adjustments	46	355	97	406
Net cash provided by (used in) operating activities	601	910	1,166	1,475
Investing activities				
Held-to-maturity securities				
Purchases of long-term	(2,275)	(2,584)	(4,231)	(4,540)
Net cash provided by (used in) investing activities	(13,675)	(13,984)	(55,371)	(55,680)

Subsequent Events. For purposes of this Combined Financial Report, subsequent events have been evaluated from October 1, 2014, through the time of publication. (See *Note 17 - Subsequent Events* for more information.)

Use of Estimates

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

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

Financial Instruments Meeting Netting Requirements

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

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

At September 30, 2014 and December 31, 2013, the FHLBanks had $8,590 million and $20,350 million in securities purchased under agreements to resell. Based on the fair value of the related collateral held, the securities purchased under agreements to resell were fully collateralized for the periods presented. There were no offsetting liabilities related to these securities at September 30, 2014 and December 31, 2013.

Note 2 - Recently Issued and Adopted Accounting Guidance

Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern

On August 27, 2014, the Financial Accounting Standards Board (FASB) issued guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This guidance requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year after the date the financial statements are issued or within one year after the financial statements are available to be issued, when applicable. Substantial doubt exists if it is probable that the entity will be unable to meet its obligations for the assessed period. The guidance becomes effective for the FHLBanks for the interim and annual periods ending after December 15, 2016, and early application is permitted. The guidance is not expected to affect the FHLBanks' combined financial condition, combined results of operations, or combined cash flows.

Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure

On August 8, 2014, the FASB issued amended guidance relating to the classification and measurement of certain government-guaranteed mortgage loans upon foreclosure. The amendments in this guidance require that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if certain conditions are met. This guidance becomes effective for the FHLBanks for the interim and annual periods beginning after December 15, 2014, and may be adopted using either the modified retrospective transition method or the prospective transition method. The FHLBanks are in the process of evaluating this guidance, but its effect on the FHLBanks' combined financial condition, combined results of operations, and combined cash flows is not expected to be material.

Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures

On June 12, 2014, the FASB issued amended guidance for repurchase-to-maturity transactions and repurchase agreements executed as repurchase financings. This amendment requires secured borrowing accounting treatment for repurchase-to-maturity transactions and provides guidance on accounting for repurchase financing arrangements. In addition, this guidance requires additional disclosures, particularly on transfers accounted for as sales that are economically similar to repurchase agreements and on the nature of collateral pledged in repurchase agreements accounted for as secured borrowings. This guidance becomes effective for the FHLBanks for the first interim or annual period beginning after December 15, 2014, and early adoption is prohibited. The changes in accounting for transactions outstanding on the effective date are required to be presented as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The FHLBanks are in the process of evaluating this guidance, but its effect on the FHLBanks' combined financial condition, combined results of operations, and combined cash flows is not expected to be material.

Revenue from Contracts with Customers

On May 28, 2014, the FASB issued its guidance on revenue from contracts with customers. This guidance outlines a comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. In addition, this guidance amends the existing requirements for the recognition of a gain or loss on the transfer of non-financial assets that are not in a contract with a customer. This guidance applies to all contracts with customers except those that are within the scope of certain other standards, such as financial instruments, certain guarantees, insurance contracts, or lease contracts. This guidance becomes effective for the FHLBanks for the interim and annual reporting periods beginning after December 15, 2016, and early application is not permitted. The guidance provides the entities with the option of using the following two methods upon adoption: a full retrospective method, retrospectively to each prior reporting period presented; or a transition method, retrospectively with the cumulative effect of initially applying this guidance recognized at the date of initial application. The FHLBanks are in the process of evaluating this guidance and its effect on the FHLBanks' combined financial condition, combined results of operations, and combined cash flows has not yet been determined.

Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure

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

Joint and Several Liability Arrangements

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

Framework for Adversely Classifying Certain Assets

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

Note 3 - Trading Securities

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

Fair Value	September 30, 2014	December 31, 2013
Non-mortgage-backed securities		
U.S. Treasury obligations	$ 1,229	$ 2,847
Certificates of deposit	—	260
Other U.S. obligations	259	267
GSE and Tennessee Valley Authority obligations	6,388	7,072
State or local housing agency obligations	1	1
Other	289	276
Total non-mortgage-backed securities	8,166	10,723
Mortgage-backed securities		
Other U.S. obligations residential MBS	29	33
GSE residential MBS	665	681
GSE commercial MBS	230	229
Total mortgage-backed securities	924	943
Total	$ 9,090	$ 11,666

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net unrealized gains (losses) on trading securities held at period-end	$ (26)	$ (32)	$ (7)	$ (221)
Net unrealized and realized gains (losses) on trading securities sold/ matured during the period	(12)	(1)	(15)	(4)
Net gains (losses) on trading securities	$ (38)	$ (33)	$ (22)	$ (225)

Note 4 - Available-for-Sale Securities

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

	September 30, 2014				
	Amortized Cost(1)	OTTI Recognized in AOCI(2)	Gross Unrealized Gains(3)	Gross Unrealized Losses(3)	Fair Value
Non-mortgage-backed securities					
Certificates of deposit	$ 2,145	$ —	$ —	$ —	$ 2,145
Other U.S. obligations	4,706	—	42	(5)	4,743
GSE and Tennessee Valley Authority obligations	14,889	—	121	(49)	14,961
State or local housing agency obligations	87	—	—	(2)	85
Federal Family Education Loan Program ABS	6,019	—	435	(10)	6,444
Other	1,074	—	14	(22)	1,066
Total non-mortgage-backed securities	28,920	—	612	(88)	29,444
Mortgage-backed securities					
Other U.S. obligations residential MBS	4,319	—	109	(1)	4,427
Other U.S. obligations commercial MBS	794	—	—	(4)	790
GSE residential MBS	26,811	—	686	(44)	27,453
GSE commercial MBS	711	—	—	(7)	704
Private-label residential MBS	11,060	(243)	659	—	11,476
Home equity loan ABS	10	—	3	—	13
Total mortgage-backed securities	43,705	(243)	1,457	(56)	44,863
Total	$ 72,625	$ (243)	$ 2,069	$ (144)	$ 74,307

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

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

(2) OTTI recognized in AOCI does not include $656 million and $493 million in subsequent unrealized gains (losses) in fair value of previously other-than-temporarily impaired AFS securities at September 30, 2014 and December 31, 2013, which is included in net non-credit portion of OTTI losses on AFS securities in *Note 14 - Accumulated Other Comprehensive Income (Loss)*.

(3) Gross unrealized gains and gross unrealized losses on AFS securities include $656 million and $493 million in subsequent unrealized gains (losses) in fair value of previously other-than-temporarily impaired AFS securities at September 30, 2014 and December 31, 2013, which is not included in net unrealized gains (losses) on AFS securities in *Note 14 - Accumulated Other Comprehensive Income (Loss)*.

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

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

	September 30, 2014					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses(1)
Non-mortgage-backed securities						
Other U.S. Obligations	$ 1,461	$ (4)	$ 709	$ (1)	$ 2,170	$ (5)
GSE and Tennessee Valley Authority obligations	2,247	(5)	755	(44)	3,002	(49)
State or local housing agency obligations	10	—	35	(2)	45	(2)
Federal Family Education Loan Program ABS	3	—	921	(10)	924	(10)
Other	23	—	435	(22)	458	(22)
Total non-mortgage-backed securities	3,744	(9)	2,855	(79)	6,599	(88)
Mortgage-backed securities						
Other U.S. Obligations residential MBS	—	—	305	(1)	305	(1)
Other U.S. Obligations commercial MBS	701	(4)	—	—	701	(4)
GSE residential MBS	2,038	(8)	3,733	(36)	5,771	(44)
GSE commercial MBS	662	(7)	—	—	662	(7)
Private-label residential MBS	554	(10)	3,174	(233)	3,728	(243)
Total mortgage-backed securities	3,955	(29)	7,212	(270)	11,167	(299)
Total	$ 7,699	$ (38)	$ 10,067	$ (349)	$ 17,766	$ (387)

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

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

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

	September 30, 2014		December 31, 2013	
Year of Maturity	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Non-mortgage-backed securities				
Due in one year or less	$ 2,613	$ 2,615	$ 3,259	$ 3,263
Due after one year through five years	10,970	11,030	9,181	9,217
Due after five years through ten years	5,260	5,313	4,529	4,525
Due after ten years	4,058	4,042	5,031	4,969
Federal Family Education Loan Program ABS(1)	6,019	6,444	6,396	6,804
Total non-mortgage-backed securities	28,920	29,444	28,396	28,778
Mortgage-backed securities(1)	43,705	44,863	39,529	40,227
Total	$ 72,625	$ 74,307	$ 67,925	$ 69,005

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Proceeds from sale of AFS securities	$ —	$ 237	$ 98	$ 421
Gross gains on sale of AFS securities	$ —	$ 1	$ 1	$ 21
Gross losses on sale of AFS securities	—	—	—	—
Net realized gains (losses) from sale of AFS securities	$ —	$ 1	$ 1	$ 21 [(a)]

(a) The nine months ended September 30, 2013 include $18 million 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)

	September 30, 2014					
	Amortized Cost(1)	OTTI Recognized in AOCI(2)	Carrying Value(2)	Gross Unrecognized Holding Gains(3)	Gross Unrecognized Holding Losses(3)	Fair Value
Non-mortgage-backed securities						
Commercial paper	$ 38	$ —	$ 38	$ —	$ —	$ 38
Certificates of deposit	1,724	—	1,724	—	—	1,724
Other U.S. obligations	1,670	—	1,670	65	(1)	1,734
GSE and Tennessee Valley Authority obligations	5,527	—	5,527	61	(15)	5,573
State or local housing agency obligations	3,886	—	3,886	15	(142)	3,759
Total non-mortgage-backed securities	12,845	—	12,845	141	(158)	12,828
Mortgage-backed securities						
Other U.S. obligations residential MBS	9,688	—	9,688	96	(25)	9,759
Other U.S. obligations commercial MBS	149	—	149	—	—	149
GSE residential MBS	66,830	—	66,830	1,043	(362)	67,511
GSE commercial MBS	8,637	—	8,637	178	(27)	8,788
Private-label residential MBS	8,028	(638)	7,390	863	(104)	8,149
Manufactured housing loan ABS	110	—	110	3	(1)	112
Home equity loan ABS	289	(47)	242	78	(4)	316
Total mortgage-backed securities	93,731	(685)	93,046	2,261	(523)	94,784
Total	$ 106,576	$ (685)	$ 105,891	$ 2,402	$ (681)	$ 107,612

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

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

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

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

	September 30, 2014					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses(1)
Non-mortgage-backed securities						
Other U.S. obligations	$ 14	$ (1)	$ 5	$ —	$ 19	$ (1)
GSE and Tennessee Valley Authority obligations	399	(1)	1,129	(14)	1,528	(15)
State or local housing agency obligations	160	—	1,121	(142)	1,281	(142)
Total non-mortgage-backed securities	573	(2)	2,255	(156)	2,828	(158)
Mortgage-backed securities						
Other U.S. obligations residential MBS	1,773	(18)	995	(7)	2,768	(25)
GSE residential MBS	3,494	(25)	14,075	(337)	17,569	(362)
GSE commercial MBS	1,457	(4)	928	(23)	2,385	(27)
Private-label residential MBS	621	(3)	4,714	(449)	5,335	(452)
Manufactured housing loan ABS	—	—	10	(1)	10	(1)
Home equity loan ABS	—	—	77	(4)	77	(4)
Total mortgage-backed securities	7,345	(50)	20,799	(821)	28,144	(871)
Total	$ 7,918	$ (52)	$ 23,054	$ (977)	$ 30,972	$ (1,029)

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

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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 includes non-credit-related OTTI recognized in AOCI and gross unrecognized holding gains on previously other-than-temporarily impaired securities.

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

	September 30, 2014			December 31, 2013		
Year of Maturity	**Amortized Cost**	**Carrying Value(1)**	**Fair Value**	**Amortized Cost**	**Carrying Value(1)**	**Fair Value**
Non-mortgage-backed securities						
Due in one year or less	$ 2,744	$ 2,744	$ 2,744	$ 3,151	$ 3,151	$ 3,152
Due after one year through five years	4,907	4,907	4,896	4,055	4,055	4,033
Due after five years through ten years	1,003	1,003	1,010	991	991	992
Due after ten years	4,191	4,191	4,178	3,999	3,999	3,879
Total non-mortgage-backed securities	12,845	12,845	12,828	12,196	12,196	12,056
Mortgage-backed securities(2)	93,731	93,046	94,784	99,928	99,139	100,201
Total	$ 106,576	$ 105,891	$ 107,612	$ 112,124	$ 111,335	$ 112,257

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

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 sale. These sales are considered maturities for purposes of security classification.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
Proceeds from sale of HTM securities	$ 52	$ —	$ 75	$ —
Carrying value of HTM securities sold	45	—	66	—
Net realized gains (losses) from sale of HTM securities	$ 7	$ —	$ 9	$ —

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. A description of the OTTI evaluation process is disclosed in *Note 1 - Summary of Significant Accounting Policies*, pages F-14 to F-15, of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013. The FHLBanks' uniform framework is disclosed in *Note 7 - Other-than-Temporary Impairment Analysis*, pages F-30 to F-31, of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013.

Certain Private-label MBS

The FHLBanks' OTTI Governance Committee developed a short-term housing price forecast with projected changes ranging from a decrease of 3.0% to an increase of 9.0% over the twelve month period beginning July 1, 2014. For the vast majority of markets, the projected short-term housing price changes range from 0.0% to an increase of 6.0%. Thereafter, a unique path is projected for each geographic area based on an internally developed framework derived from historical data.

Table 6.1 presents the significant inputs used to measure the amount of credit loss recognized in earnings during the three months ended September 30, 2014, for those securities for which an OTTI was determined to have occurred as well as related current credit enhancement for each affected 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 an FHLBank will experience a credit loss on the security. The calculated averages represent the dollar-weighted averages for OTTI private-label residential MBS in the category shown.

Table 6.1 - Significant Inputs for OTTI

	Significant Inputs for OTTI Private-label Residential MBS(1)			
Year of Securitization	**Prepayment Rates Weighted-Average(2)**	**Default Rates Weighted-Average(2)**	**Loss Severities Weighted-Average(2)**	**Current Credit Enhancement Weighted-Average(2)**
Prime				
2007	12.7%	4.2%	31.3%	19.2%
2006	15.6%	16.3%	40.2%	0.2%
2005	15.8%	8.0%	32.8%	0.2%
2004 and prior	16.1%	10.4%	30.8%	27.4%
Total prime	7.5%	4.4%	18.8%	7.4%
Alt-A				
2007	12.3%	29.9%	38.7%	9.1%
2006	5.0%	50.2%	40.9%	12.6%
2005	11.1%	23.1%	39.1%	8.5%
2004 and prior	15.8%	9.2%	31.5%	13.1%
Total Alt-A	9.9%	26.5%	33.5%	11.2%
Total OTTI private-label residential MBS	9.7%	24.4%	32.1%	10.9%

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

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

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

During the three and nine months ended September 30, 2014, there were no transfers of securities from HTM to AFS. During the three months ended September 30, 2013, the FHLBank of San Francisco elected to transfer private-label residential MBS, with fair values of $36 million that experienced credit-related OTTI during the period, from its HTM portfolio to its AFS portfolio. During the nine months ended September 30, 2013, the FHLBanks of San Francisco and Atlanta elected to transfer private-label residential MBS, with fair values of $56 million and $11 million that experienced credit-related OTTI during the period, from their respective HTM portfolio to their respective AFS portfolio. Each of these FHLBanks recognized an OTTI credit loss on these HTM private-label residential MBS, which that FHLBank believes is evidence of a significant deterioration in the issuer's creditworthiness. This deterioration is the basis for the transfers to the AFS portfolio. These transfers allow management the option to decide to sell these securities prior to maturity in response to changes in interest rates, changes in prepayment risk, or other factors. For the AFS securities in an unrealized loss position, each of the affected FHLBanks asserted as of September 30, 2014, that it has no intent to sell and believes it is not more likely than not that it will be required to sell any security before its anticipated recovery of the remaining amortized cost basis.

Table 6.2 presents the September 30, 2014 balance of the total HTM and AFS MBS with OTTI charges during the life of the security (which represent securities other-than-temporarily impaired prior to and at September 30, 2014), based on each individual FHLBank's impairment analyses of its investment portfolio.

Table 6.2 - Total MBS Other-than-Temporarily Impaired during the Life of the Security
(dollars in millions)

	September 30, 2014(1)						
	Held-to-Maturity Securities				Available-for-Sale Securities		
	Unpaid Principal Balance	Amortized Cost	Carrying Value	Fair Value	Unpaid Principal Balance	Amortized Cost	Fair Value
Private-label residential MBS(2)							
Prime	$ 1,229	$ 986	$ 750	$ 1,053	$ 3,684	$ 3,078	$ 3,351
Alt-A	1,774	1,364	1,036	1,403	9,634	7,975	8,119
Subprime	652	407	333	500	2	1	1
Total private-label residential MBS	3,655	2,757	2,119	2,956	13,320	11,054	11,471
Home equity loan ABS(2)							
Alt-A	—	—	—	—	14	10	12
Subprime	183	146	99	172	—	—	—
Total home equity loan ABS	183	146	99	172	14	10	12
Total	$ 3,838	$ 2,903	$ 2,218	$ 3,128	$ 13,334	$ 11,064	$ 11,483

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(1) Table 6.2 does not include all HTM and AFS securities that are in an unrealized loss position as of September 30, 2014. This table includes only HTM and AFS MBS with OTTI charges during the life of the security.

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

Table 6.3 presents a rollforward of the amounts related to credit losses recognized in earnings. The rollforward relates to the amount of credit losses on investment securities held by the FHLBanks for which a portion of OTTI losses was recognized in accumulated other comprehensive income (loss).

Table 6.3 - Rollforward of the Amounts Related to Credit Losses Recognized into Earnings
(dollars in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Balance, at beginning of period	$ 3,960	$ 4,155	$ 4,075	$ 4,260
Additions				
Additional OTTI credit losses for securities upon which an OTTI charge was previously recognized(1)(2)	5	6	11	12
Reductions				
Securities sold or matured during the period(3)	—	—	—	(60)
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 applicable securities(4)	(63)	(39)	(184)	(82)
Balance, at end of period	$ 3,902	$ 4,122	$ 3,902	$ 4,122

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(1) Table 6.3 does not include $1 million of OTTI charges related to an AFS non-mortgage-backed security for the three and nine months ended September 30, 2013, that the FHLBank of Des Moines intended to sell.

(2) For the three months ended September 30, 2014 and 2013, additional OTTI credit losses for securities upon which an OTTI charge was previously recognized relates to all securities that were also previously impaired prior to July 1, 2014 and 2013. For the nine months ended September 30, 2014 and 2013, additional OTTI credit losses for securities upon which an OTTI charge was previously recognized relates to all securities that were also previously impaired prior to January 1, 2014 and 2013.

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

(4) Represents amounts accreted as interest income over the remaining life of the applicable securities.

All other AFS and HTM Investment Securities

At September 30, 2014, the FHLBanks held certain other AFS and HTM securities in unrealized loss positions. These unrealized losses are due primarily to interest rate volatility and/or illiquidity. 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 investment securities to be other-than-temporarily impaired at September 30, 2014.

Note 7 - Advances

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

Table 7.1 - Advances Redemption Terms
(dollars in millions)

	September 30, 2014		December 31, 2013	
Redemption Term	**Amount**	**Weighted-Average Interest Rate**	**Amount**	**Weighted-Average Interest Rate**
Overdrawn demand and overnight deposit accounts	$ 22	2.27%	$ 16	2.05%
Due in 1 year or less	219,702	0.49%	206,928	0.52%
Due after 1 year through 2 years	69,400	1.39%	54,952	1.40%
Due after 2 years through 3 years	67,485	1.61%	55,827	1.77%
Due after 3 years through 4 years	70,502	1.44%	52,298	1.89%
Due after 4 years through 5 years	56,484	0.76%	64,748	1.23%
Thereafter	54,408	2.20%	55,793	2.24%
Index-amortizing advances(1)	1,787	3.48%	1,997	3.64%
Total par value	539,790	1.08%	492,559	1.21%
Commitment fees	(5)		(7)	
Discounts on AHP advances	(38)		(41)	
Premiums	88		118	
Discounts	(89)		(110)	
Hedging adjustments	4,718		5,961	
Fair value option valuation adjustments	104		119	
Total	$ 544,568		$ 498,599	

(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	**September 30, 2014**	**December 31, 2013**	**September 30, 2014**	**December 31, 2013**
Overdrawn demand and overnight deposit accounts	$ 22	$ 16	$ 22	$ 16
Due in 1 year or less	277,465	248,642	243,052	231,878
Due after 1 year through 2 years	68,930	51,856	68,179	55,174
Due after 2 years through 3 years	61,212	52,358	61,632	53,096
Due after 3 years through 4 years	53,777	48,422	63,266	44,029
Due after 4 years through 5 years	37,012	45,294	55,871	59,138
Thereafter	39,585	43,974	45,981	47,231
Index-amortizing advances	1,787	1,997	1,787	1,997
Total par value	$ 539,790	$ 492,559	$ 539,790	$ 492,559

The FHLBanks offer advances to members and eligible non-members that provide the right, based upon predetermined option exercise dates, to call the advance prior to maturity without incurring prepayment or termination fees (callable advances). In exchange for receiving the right to call the advance on a predetermined call schedule, the member pays a higher fixed rate for the advance relative to an equivalent maturity, non-callable, fixed-rate advance. If the call option is exercised, replacement funding may be available. Other advances may only be prepaid by paying a fee to the FHLBank (prepayment fee) that makes the FHLBank financially indifferent to the prepayment of the advance. At September 30, 2014 and December 31, 2013, the FHLBanks had callable advances outstanding totaling $67.8 billion and $52.5 billion.

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

With a putable advance to a member, an FHLBank effectively purchases a put option from the member that allows that FHLBank to put or extinguish the fixed-rate advance to the member on predetermined exercise dates, and offer, subject to certain conditions, replacement funding at prevailing market rates. Generally, these put options are exercised when interest rates increase. At September 30, 2014 and December 31, 2013, the FHLBanks had putable advances outstanding totaling $25.1 billion and $26.4 billion.

Convertible advances allow an FHLBank to convert an advance from one interest-payment term structure to another. When issuing convertible advances, an FHLBank may purchase put options from a member that allow that FHLBank to convert the fixed-rate advance to a variable-rate advance at the current market rate or another structure after an agreed-upon lockout period. A convertible advance carries a lower interest rate than a comparable-maturity fixed-rate advance without the conversion feature. Variable- to fixed-rate convertible advances have a defined lockout period during which the interest rates adjust based on a spread to LIBOR. At the end of the lockout period, these advances may convert to fixed-rate advances. The fixed rates on the converted advances are determined at origination. At September 30, 2014 and December 31, 2013, the FHLBanks had convertible advances outstanding totaling $6.9 billion and $7.5 billion.

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

	September 30, 2014	December 31, 2013
Total fixed-rate	$ 306,470	$ 315,280
Total variable-rate	233,320	177,279
Total par value	$ 539,790	$ 492,559

Credit Risk Exposure and Security Terms

The FHLBanks' potential credit risk from advances is concentrated in commercial banks and thrifts. The FHLBanks' advances outstanding that were greater than or equal to $1.0 billion per borrower were $368.9 billion and $335.6 billion at September 30, 2014 and December 31, 2013. These advances were made to 80 and 73 borrowers (members and non-members) at September 30, 2014 and December 31, 2013, which represented 68.3% and 68.1% of total advances outstanding at September 30, 2014 and December 31, 2013. (See *Note 9 - Allowance for Credit Losses* for information related to the FHLBanks' credit risk on advances and allowance methodology for credit losses.)

Note 8 - Mortgage Loans

Mortgage Loans Held for Portfolio

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

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

	September 30, 2014	December 31, 2013
Fixed-rate, long-term single-family mortgage loans	$ 34,272	$ 34,393
Fixed-rate, medium-term(1) single-family mortgage loans	8,392	9,429
Total unpaid principal balance	42,664	43,822
Premiums	704	694
Discounts	(82)	(103)
Deferred loan fees, net	(1)	—
Hedging adjustments	116	117
Total mortgage loans held for portfolio	$ 43,401	$ 44,530

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

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

	September 30, 2014	December 31, 2013
Conventional mortgage loans	$ 37,632	$ 38,327
Government-guaranteed or -insured mortgage loans	5,032	5,495
Total unpaid principal balance	$ 42,664	$ 43,822

Note 9 - Allowance for Credit Losses

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

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

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

Credit Products

Using a risk-based approach and taking into consideration each borrower's financial strength, the FHLBanks consider the types and level of collateral to be the primary indicator of credit quality on their credit products. At September 30, 2014 and December 31, 2013, each FHLBank had rights to collateral on a borrower-by-borrower basis with an estimated value equal to, or greater than, its outstanding extensions of credit.

Each FHLBank continues to evaluate and make changes to its collateral guidelines, as necessary, based on current market conditions. At September 30, 2014 and December 31, 2013, none of the FHLBanks had any credit products that were past due, on non-accrual status, or considered impaired. In addition, there were no troubled debt restructurings related to credit products at any FHLBank during the nine months ended September 30, 2014 and 2013.

Based on the collateral held as security, each FHLBank management's credit extension and collateral policies and repayment history on credit products, no FHLBank has incurred any losses on its credit products. Accordingly, at September 30, 2014 and December 31, 2013, no FHLBank recorded any allowance for credit losses on these credit products, and no FHLBank recorded any liability to reflect an allowance for credit losses for off-balance sheet credit exposures. (See *Note 16 - Commitments and Contingencies* for additional information on the FHLBanks' off-balance sheet credit exposure.)

Government-Guaranteed or -Insured Mortgage Loans Held for Portfolio

An FHLBank invests in fixed-rate mortgage loans that are insured or guaranteed by the Federal Housing Administration, the Department of Veterans Affairs, the Rural Housing Service of the Department of Agriculture, and/or the Department of Housing and Urban Development. The servicer provides and maintains insurance or a guarantee from the applicable government agency. The servicer is responsible for compliance with all government agency requirements and for obtaining the benefit of the applicable guarantee or insurance with respect to defaulted government-guaranteed or -insured mortgage loans. Any losses incurred on these loans that are not recovered from the issuer or the guarantor are absorbed by the servicer. Therefore, each FHLBank only has credit risk for these loans if the servicer fails to pay for losses not covered by the guarantee or insurance. Based on each FHLBank's assessment of its servicers, no FHLBank established an allowance for credit losses for its government-guaranteed or -insured mortgage loan portfolio at September 30, 2014 and December 31, 2013. Furthermore, none of these mortgage loans have been placed on non-accrual status because of the U.S. government guarantee or insurance on these loans and the contractual obligation of the loan servicer to repurchase the loans when certain criteria are met.

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

Rollforward of Allowance for Credit Losses on Mortgage Loans. Each FHLBank established an allowance for credit losses on its conventional mortgage loans held for portfolio. Table 9.1 presents a rollforward of the allowance for credit losses on mortgage loans for the three and nine months ended September 30, 2014 and 2013, and Table 9.2 presents the recorded investment in mortgage loans by impairment methodology at September 30, 2014 and December 31, 2013. The recorded investment in a loan is the unpaid principal balance of the loan, adjusted for accrued interest, net deferred loan fees or costs, unamortized premiums or discounts, fair value hedge adjustments, and direct write-downs. The recorded investment is not net of any valuation allowance.

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

	Three Months Ended September 30,							
	2014				2013			
	Conventional MPP	Conventional MPF	Other	Total	Conventional MPP	Conventional MPF	Other	Total
Balance, at beginning of period	$ 10	$ 53	$ —	$ 63	$ 16	$ 90	$ 1	$ 107
Charge-offs, net of recoveries	—	(2)	—	(2)	—	(4)	(1)	(5)
Provision (reversal) for credit losses(1)	—	(5)	—	(5)	(3)	—	—	(3)
Balance, at end of period	$ 10	$ 46	$ —	$ 56	$ 13	$ 86	$ —	$ 99

	Nine Months Ended September 30,							
	2014				2013			
	Conventional MPP	Conventional MPF	Other	Total	Conventional MPP	Conventional MPF	Other	Total
Balance, at beginning of period	$ 13	$ 75	$ —	$ 88	$ 30	$ 101	$ 1	$ 132
Charge-offs, net of recoveries	(2)	(10)	—	(12)	(4)	(15)	(1)	(20)
Provision (reversal) for credit losses(1)	(1)	(19)	—	(20)	(13)	—	—	(13)
Balance, at end of period	$ 10	$ 46	$ —	$ 56	$ 13	$ 86	$ —	$ 99

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

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

	September 30, 2014			December 31, 2013		
	Conventional MPP	Conventional MPF	Total	Conventional MPP	Conventional MPF	Total
Allowances for credit losses, end of period						
Individually evaluated for impairment	$ 1	$ 30	$ 31	$ 1	$ 35	$ 36
Collectively evaluated for impairment	9	16	25	12	40	52
	$ 10	$ 46	$ 56	$ 13	$ 75	$ 88
Recorded investment, end of period(1)						
Individually evaluated for impairment						
Impaired, with or without a related allowance	$ 46	$ 366	$ 412	$ 39	$ 348	$ 387
Not impaired, no related allowance	—	1,872	1,872	—	1,795	1,795
Total individually evaluated for impairment	46	2,238	2,284	39	2,143	2,182
Collectively evaluated for impairment	12,262	23,905	36,167	11,795	25,140	36,935
Total recorded investment	$ 12,308	$ 26,143	$ 38,451	$ 11,834	$ 27,283	$ 39,117

(1) Excludes government-guaranteed or -insured mortgage loans at September 30, 2014 and December 31, 2013.

Credit Quality Indicators. Key credit quality indicators for mortgage loans include the migration of past due loans, non-accrual loans, loans in process of foreclosure, and impaired loans. Table 9.3 presents the FHLBanks' key credit quality indicators for mortgage loans at September 30, 2014 and December 31, 2013.

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

	September 30, 2014			
	Conventional MPP	Conventional MPF	Government-Guaranteed or -Insured	Total
Past due 30-59 days	$ 122	$ 379	$ 257	$ 758
Past due 60-89 days	38	104	70	212
Past due 90 days or more	131	396	114	641
Total past due mortgage loans	291	879	441	1,611
Total current mortgage loans	12,017	25,264	4,710	41,991
Total mortgage loans(1)	$ 12,308	$ 26,143	$ 5,151	$ 43,602
Other delinquency statistics				
In process of foreclosure, included above(2)	$ 100	$ 205	$ 38	$ 343
Serious delinquency rate(3)	1.06%	1.53%	2.21%	1.48%
Past due 90 days or more and still accruing interest	$ 97	$ 25	$ 114	$ 236
Loans on non-accrual status(4)	$ 36	$ 421	$ —	$ 457

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

(1) The difference between the recorded investment and the carrying value of total mortgage loans of $201 million and $208 million at September 30, 2014 and December 31, 2013, primarily relates to accrued interest. (See *Note 8 - Mortgage Loans* for details on the carrying values of total mortgage loans.)

(2) Includes loans where the decision of foreclosure or a similar alternative, such as pursuit of deed-in-lieu, has been reported. Loans in the process of foreclosure are included in past due or current loans depending on their delinquency status.

(3) Represents seriously delinquent loans as a percentage of total mortgage loans. Seriously delinquent loans are comprised of all loans past due 90 days or more delinquent or loans that are in the process of foreclosure (including past due or current loans in the process of foreclosure).

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

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

Table 9.4 presents the recorded investment, unpaid principal balance, and related allowance of impaired loans individually assessed for impairment at September 30, 2014 and December 31, 2013, and Table 9.5 presents the average recorded investment and related interest income recognized on these loans during the three and nine months ended September 30, 2014 and 2013.

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

	September 30, 2014			December 31, 2013		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance						
Conventional MPP loans	$ 42	$ 42	$ —	$ 35	$ 35	$ —
Conventional MPF loans	101	101	—	54	54	—
With an allowance						
Conventional MPP loans	4	4	—	4	4	—
Conventional MPF loans	265	263	30	294	289	35
Total						
Conventional MPP loans	$ 46	$ 46	$ —	$ 39	$ 39	$ —
Conventional MPF loans	$ 366	$ 364	$ 30	$ 348	$ 343	$ 35

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

	Three Months Ended September 30,			
	2014		2013	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance				
Conventional MPP loans	$ 42	$ —	$ 35	$ —
Conventional MPF loans	103	—	35	—
With an allowance				
Conventional MPP loans	4	—	4	—
Conventional MPF loans	272	—	327	—
Total				
Conventional MPP loans	$ 46	$ —	$ 39	$ —
Conventional MPF loans	$ 375	$ —	$ 362	$ —

	Nine Months Ended September 30,			
	2014		2013	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance				
Conventional MPP loans	$ 40	$ 1	$ 34	$ 1
Conventional MPF loans	102	1	35	—
With an allowance				
Conventional MPP loans	4	—	3	—
Conventional MPF loans	287	1	329	1
Total				
Conventional MPP loans	$ 44	$ 1	$ 37	$ 1
Conventional MPF loans	$ 389	$ 2	$ 364	$ 1

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

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

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

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

At September 30, 2014 and December 31, 2013, the amounts of First Loss Account remaining to cover the losses under the MPF program were $390 million and $403 million. This balance excludes amounts that may be recovered through the recapture of performance-based credit enhancement fees. An FHLBank records credit enhancement fees paid to the participating financial institutions as a reduction to mortgage interest income. Credit enhancement fees totaled $5 million and $6 million for the three months ended September 30, 2014 and 2013, and $16 million and $17 million for the nine months ended September 30, 2014 and 2013.

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Balance, at beginning of period	$ 167	$ 151	$ 161	$ 138
Additions	14	8	26	28
Claims	(1)	(3)	(5)	(8)
Scheduled distributions	(1)	(1)	(3)	(3)
Balance, at end of period	$ 179	$ 155	$ 179	$ 155

Troubled debt restructurings. A troubled debt restructuring is considered to have occurred when a concession is granted to a borrower for economic or legal reasons related to the borrower's financial difficulties and that concession would not have been considered otherwise. An FHLBank has granted a concession when it does not expect to collect all amounts due to the FHLBank under the original contract as a result of the restructuring. Loans outstanding as of September 30, 2014 and December 31, 2013, that are discharged in Chapter 7 bankruptcy and have not been reaffirmed by the borrowers are also considered to be troubled debt restructurings, except in certain cases where supplemental mortgage insurance policies are held or where all contractual amounts due are still expected to be collected as a result of certain credit enhancements or government guarantees.

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

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

An MPF or MPP loan considered to be a troubled debt restructuring is individually evaluated for impairment when determining its related allowance for credit losses. Credit loss is measured by factoring in expected cash shortfalls (i.e., loss severity rate) incurred as of the reporting date as well as the economic loss attributable to delaying the original contractual principal and interest due dates, if applicable. Table 9.7 presents the recorded investment balances of performing and non-performing mortgage loans classified as troubled debt restructurings as of September 30, 2014 and December 31, 2013.

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

	September 30, 2014			December 31, 2013		
	Performing	Non-performing	Total	Performing	Non-performing	Total
Conventional MPP loans	$ 35	$ 12	$ 47	$ 28	$ 10	$ 38
Conventional MPF loans	81	48	129	50	59	109
Total	$ 116	$ 60	$ 176	$ 78	$ 69	$ 147

During the three and nine months ended September 30, 2014 and 2013, the FHLBanks had a limited number of troubled debt restructurings of mortgage loans. Table 9.8 presents the financial effect of the modifications during the three and nine months ended September 30, 2014 and 2013. The post-modification amounts represent the recorded investment as of the date the troubled debt restructuring was executed.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
Post-Modification(1)	2014	2013	2014	2013
Conventional MPP loans	$ 3	$ 2	$ 12	$ 10
Conventional MPF loans	16	15	42	43
Total	$ 19	$ 17	$ 54	$ 53

(1) The pre-modification recorded investment in troubled debt restructurings was not materially different from the post-modification amount as there were no direct write-offs or write-offs due to principal forgiveness during the three and nine months ended September 30, 2014 and 2013.

During the nine months ended September 30, 2014 and 2013, certain conventional MPF and MPP loans modified as troubled debt restructurings within the previous twelve months experienced a payment default. A borrower is considered to have defaulted on a troubled debt restructuring if the borrower's contractually due principal or interest is 60 days or more past due at any time during the period presented. Table 9.9 presents the amount of these MPF and MPP loans that subsequently defaulted.

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

	Nine Months Ended September 30,	
	2014	2013
Conventional MPP loans	$ 5	$ 2
Conventional MPF loans	24	25
Total	$ 29	$ 27

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

Real Estate Owned. The FHLBanks had $71 million and $102 million of real estate owned recorded in other assets on the Combined Statement of Condition at September 30, 2014 and December 31, 2013.

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

These investments are generally short-term, their recorded balance approximates fair value, and they are generally transacted with counterparties that are considered by an individual FHLBank to be of investment quality. FHLBank investments in federal funds are evaluated for purposes of a reserve for credit losses only 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 September 30, 2014 and December 31, 2013. Securities purchased under agreements to resell are considered collateralized financing arrangements and effectively represent short-term loans. The terms of these loans are structured such that if the market value of the underlying securities decreases below the market value required as collateral, the counterparty must place an equivalent amount of additional securities as collateral or remit an equivalent amount of cash. If an agreement to resell is deemed to be impaired, the difference between the fair value of the collateral and the amortized cost of the agreement is charged to earnings. Based upon the collateral held as security, each FHLBank determined that no allowance for credit losses was needed for its securities purchased under agreements to resell at September 30, 2014 and December 31, 2013.

Note 10 - Derivatives and Hedging Activities

Nature of Business Activity

The FHLBanks are exposed to interest-rate risk primarily from the effect of interest rate changes on their interest-earning assets and their funding sources that finance these assets. The goal of each FHLBank's interest-rate risk management strategy is not to eliminate interest-rate risk, but to manage it within appropriate limits. To mitigate the risk of loss, each FHLBank has established policies and procedures, which include guidelines on the amount of exposure to interest rate changes it is willing to accept. In addition, each FHLBank monitors the risk to its interest income, net interest margin and average maturity of interest-earning assets, and funding sources. (See *Note 11 - Derivatives and Hedging Activities* on pages F-45 to F-54 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013, for additional information on the FHLBanks' derivative transactions.)

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

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

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

Financial Statement Effect and Additional Financial Information

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

Table 10.1 presents the fair value of derivative instruments, including the effect of netting adjustments and cash collateral. For purposes of this disclosure, the derivative values include the fair value of derivatives and the related accrued interest.

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

	September 30, 2014			December 31, 2013		
	Notional Amount of Derivatives	Derivative Assets	Derivative Liabilities	Notional Amount of Derivatives	Derivative Assets	Derivative Liabilities
Derivatives designated as hedging instruments						
Interest-rate swaps	$ 407,254	$ 2,275	$ 8,333	$ 374,229	$ 3,031	$ 10,688
Interest-rate caps or floors	282	—	1	282	—	3
Total derivatives in hedging relationships	407,536	2,275	8,334	374,511	3,031	10,691
Derivatives not designated as hedging instruments						
Interest-rate swaps	120,420	668	814	131,690	786	1,064
Interest-rate swaptions	2,780	49	—	4,905	64	1
Interest-rate caps or floors	32,114	181	20	27,367	270	36
Interest-rate futures or forwards	497	—	1	120	1	—
Mortgage delivery commitments	937	6	4	425	3	4
Other	260	2	2	260	3	3
Total derivatives not designated as hedging instruments	157,008	906	841	164,767	1,127	1,108
Total derivatives before netting and collateral adjustments	$ 564,544	3,181	9,175	$ 539,278	4,158	11,799
Netting adjustments		(2,264)	(2,264)		(3,171)	(3,171)
Cash collateral and related accrued interest		(387)	(5,398)		(474)	(6,715)
Total netting adjustments and cash collateral(1)		(2,651)	(7,662)		(3,645)	(9,886)
Total derivative assets and total derivative liabilities		$ 530	$ 1,513		$ 513	$ 1,913

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Derivatives designated as hedging instruments				
Net gains related to fair value hedge ineffectiveness(1)	$ 66	$ 34	$ 85	$ 174
Net gains related to cash flow hedge ineffectiveness	—	1	1	4
Derivatives not designated as hedging instruments				
Economic hedges				
Interest-rate swaps	41	21	38	222
Interest-rate swaptions	(2)	(19)	(21)	(36)
Interest-rate caps or floors	(35)	(18)	(108)	(47)
Interest-rate futures or forwards	(1)	(2)	(14)	9
Net interest settlements	(12)	(11)	(59)	(4)
Mortgage delivery commitments	5	6	25	(17)
Intermediary transactions				
Interest-rate swaps	—	—	1	—
Total net gains (losses) related to derivatives not designated as hedging instruments	(4)	(23)	(138)	127
Net gains (losses) on derivatives and hedging activities	$ 62	$ 12	$ (52)	$ 305

(1) Consists of interest-rate swaps.

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 September 30, 2014			
Hedged Item Type	Gains (Losses) on Derivatives	Gains (Losses) on Hedged Items	Net Fair Value Hedge Ineffectiveness	Net Effect of Derivatives on Net Interest Income(1)
Advances	$ 1,146	$ (1,064)	$ 82	$ (806)
Consolidated bonds	(539)	539	—	503
Available-for-sale securities	126	(142)	(16)	(167)
Total	$ 733	$ (667)	$ 66	$ (470)

	Three Months Ended September 30, 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	$ 215	$ (180)	$ 35	$ (870)
Consolidated bonds	55	(63)	(8)	581
Available-for-sale securities	7	—	7	(141)
Total	$ 277	$ (243)	$ 34	$ (430)

	Nine Months Ended September 30, 2014			
Hedged Item Type	Gains (Losses) on Derivatives	Gains (Losses) on Hedged Items	Net Fair Value Hedge Ineffectiveness	Net Effect of Derivatives on Net Interest Income(1)
Advances	$ 1,052	$ (913)	$ 139	$ (2,405)
Consolidated bonds	438	(450)	(12)	1,529
Available-for-sale securities	(309)	267	(42)	(488)
Deposits	(1)	1	—	1
Total	$ 1,180	$ (1,095)	$ 85	$ (1,363)

	Nine Months Ended September 30, 2013			
Hedged Item Type	Gains (Losses) on Derivative	Gains (Losses) on Hedged Item	Net Fair Value Hedge Ineffectiveness	Net Effect of Derivatives on Net Interest Income(1)
Advances	$ 4,231	$ (4,049)	$ 182	$ (2,674)
Consolidated bonds	(2,837)	2,800	(37)	1,818
Available-for-sale securities	825	(796)	29	(398)
Deposits	(1)	1	—	1
Total	$ 2,218	$ (2,044)	$ 174	$ (1,253)

(1) The net effect of derivatives, in fair value hedge relationships, on net interest income is included in the interest income or interest expense line item of the respective hedged item type. These amounts include the effect of net interest settlements attributable to designated fair value hedges but do not include $(63) million and $(3) million of amortization/accretion related to fair value hedging activities for the three months ended September 30, 2014 and 2013 and $(108) million and $(26) million for the nine months ended September 30, 2014 and 2013.

An FHLBank may also hedge a firm commitment for a forward-starting advance through the use of an interest-rate swap. In this case, the swap will function as the hedging instrument for both the firm commitment and the subsequent advance. The fair value change associated with the firm commitment will be recorded as a basis adjustment of the advance at the time the commitment is terminated and the advance is issued. The basis adjustment will then be amortized into interest income over the life of the advance. In addition, if a hedged firm commitment no longer qualifies as a fair value hedge, the hedge would be terminated and net gains and losses would be recognized in current-period earnings. There were no material amounts of gains and losses recognized due to disqualification of firm commitment hedges during the three and nine months ended September 30, 2014 and 2013.

Table 10.4 presents by type of hedged item in cash flow hedging relationships, the gains (losses) recognized in AOCI, the gains (losses) reclassified from AOCI into income, and the effect of those hedging activities on the FHLBanks' net gains (losses) on derivatives and hedging activities in the Combined Statement of Income. (See *Note 14 - Accumulated Other Comprehensive Income (Loss)* for more details on the effect of cash flow hedges on AOCI.)

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

Derivatives and Hedged Items in Cash Flow Hedging Relationships(1)	Three Months Ended September 30, 2014 — Amount of Gains (Losses) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)	Amount of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)	Amount of Gains Recognized in Net Gains (Losses) on Derivatives and Hedging Activities (Ineffective Portion)
Interest-rate swaps				
Consolidated bonds	$ (1)	Interest expense	$ (5)	$ —
Consolidated discount notes	95	Interest expense	—	—
Interest-rate caps or floors				
Advances	—	Interest income	3	—
Total	$ 94		$ (2)	$ —

Derivatives and Hedged Items in Cash Flow Hedging Relationships(1)	Three Months Ended September 30, 2013 — Amount of Gains (Losses) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)	Amount of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)	Amount of Gains Recognized in Net Gains (Losses) on Derivatives and Hedging Activities (Ineffective Portion)
Interest-rate swaps				
Consolidated bonds	$ (7)	Interest expense	$ (1)	$ —
Consolidated discount notes	23	Interest expense	(1)	1
Interest-rate caps or floors				
Advances	—	Interest income	2	—
Total	$ 16		$ —	$ 1

Derivatives and Hedged Items in Cash Flow Hedging Relationships(1)	Nine Months Ended September 30, 2014 — Amount of Gains (Losses) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)	Amount of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)	Amount of Gains Recognized in Net Gains (Losses) on Derivatives and Hedging Activities (Ineffective Portion)
Interest-rate swaps				
Consolidated bonds	$ (21)	Interest expense	$ (8)	$ —
Consolidated discount notes	65	Interest expense	(1)	1
Interest-rate caps or floors				
Advances	—	Interest income	8	—
Total	$ 44		$ (1)	$ 1

Derivatives and Hedged Items in Cash-Flow Hedging Relationships(1)	Nine Months Ended September 30, 2013 — Amount of Gains (Losses) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)	Amount of Gains (Losses) Reclassified from AOCI into Income (Effective Portion)	Amount of Gains Recognized in Net Gains (Losses) on Derivatives and Hedging Activities (Ineffective Portion)
Interest-rate swaps				
Consolidated bonds	$ 11	Interest expense	$ (4)	$ —
Consolidated discount notes	423	Interest expense	(2)	4
Interest-rate caps or floors				
Advances	—	Interest income	9	—
Consolidated discount notes	—	Interest expense	(1)	—
Total	$ 434		$ 2	$ 4

(1) Table 10.4 does not include $(70) million and $(74) million for the effect of net interest settlements attributable to open cash flow hedges on net interest income for the three months ended September 30, 2014 and 2013 and $(210) million and $(223) million for the nine months ended September 30, 2014 and 2013.

For the three and nine months ended September 30, 2014 and 2013, no material amounts were reclassified from AOCI into earnings as a result of discontinued cash flow hedges because the original forecasted transactions occurred by the end of the originally specified time period or within a two-month period thereafter. At September 30, 2014, $15 million of deferred net losses on derivative instruments in AOCI is expected to be reclassified to earnings during the next twelve months. At September 30, 2014, the maximum length of time over which an FHLBank is hedging its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, is fifteen years.

Managing Credit Risk on Derivatives

Each FHLBank is subject to credit risk due to the risk of non-performance by counterparties to its derivative transactions, and manages credit risk through credit analysis, collateral requirements, and adherence to the requirements set forth in its policies, U.S. Commodity Futures Trading Commission regulations, and FHFA regulations. For bilateral derivatives, the degree of credit risk depends on the extent to which master netting arrangements are included in these contracts to mitigate the risk. Each FHLBank requires collateral agreements with collateral delivery thresholds on the majority of its bilateral derivatives. Additionally, collateral related to derivatives with member institutions includes collateral assigned to an FHLBank, as evidenced by a written security agreement and held by the member institution for the benefit of that FHLBank.

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

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

Certain of the FHLBanks' bilateral derivative instruments contain provisions that require an FHLBank to post additional collateral with its counterparties if there is deterioration in that FHLBank's credit rating. If an FHLBank's credit rating is lowered by a nationally recognized statistical rating organization, that FHLBank may be required to deliver additional collateral on bilateral derivative instruments in net liability positions. The aggregate fair value of all bilateral derivative instruments with credit-risk-related contingent features that were in a net liability position (before cash collateral and related accrued interest) at September 30, 2014, was $4.3 billion, for which the FHLBanks have posted collateral with a fair value of $3.4 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 $0.4 billion of collateral at fair value to their bilateral derivatives counterparties at September 30, 2014.

For cleared derivatives, the Clearinghouse determines initial margin requirements and generally credit ratings are not factored into the initial margin. However, clearing agents may require additional initial margin to be posted based on credit considerations, including, but not limited to, credit rating downgrades. None of the FHLBanks were required to post additional initial margin by its clearing agents, based on credit considerations, at September 30, 2014.

Offsetting of Derivative Assets and Derivative Liabilities

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

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

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

	September 30, 2014		December 31, 2013	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Derivative instruments meeting netting requirements				
Gross recognized amount				
Bilateral derivatives	$ 2,705	$ 8,260	$ 3,939	$ 11,571
Cleared derivatives	470	910	216	224
Total gross recognized amount	3,175	9,170	4,155	11,795
Gross amounts of netting adjustments and cash collateral				
Bilateral derivatives	(2,561)	(6,752)	(3,699)	(9,662)
Cleared derivatives	(90)	(910)	54	(224)
Total gross amounts of netting adjustments and cash collateral	(2,651)	(7,662)	(3,645)	(9,886)
Net amounts after netting adjustments and cash collateral				
Bilateral derivatives	144	1,508	240	1,909
Cleared derivatives	380	—	270	—
Total net amounts after netting adjustments and cash collateral	524	1,508	510	1,909
Derivative instruments not meeting netting requirements(1)				
Bilateral derivatives	6	5	3	4
Total derivative instruments not meeting netting requirements(1)	6	5	3	4
Total derivative assets and total derivative liabilities				
Bilateral derivatives	150	1,513	243	1,913
Cleared derivatives	380	—	270	—
Total derivative assets and total derivative liabilities presented in the Combined Statement of Condition	530	1,513	513	1,913
Cash collateral received or pledged not offset				
Cleared derivatives	(1)	—	—	—
Total cash collateral received or pledged not offset	(1)	—	—	—
Non-cash collateral received or pledged not offset				
Can be sold or repledged				
Bilateral derivatives	45	72	102	150
Total can be sold or repledged	45	72	102	150
Cannot be sold or repledged				
Bilateral derivatives	53	352	55	421
Cleared derivatives(2)	(54)	—	—	—
Total cannot be sold or repledged	(1)	352	55	421
Net amount(3)				
Bilateral derivatives	52	1,089	86	1,342
Cleared derivatives	435	—	270	—
Total net amount(3)	$ 487	$ 1,089	$ 356	$ 1,342

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(1) Represents derivatives that are not subject to an enforceable netting agreement (e.g., mortgage delivery commitments and certain interest-rate futures or forwards).
(2) The $54 million represents non-cash collateral pledged for initial margin for cleared derivatives.
(3) Any overcollateralization at an FHLBank's individual clearing agent and/or counterparty level is not included in the determination of the net amount. At September 30, 2014 and December 31, 2013, the FHLBanks had additional net credit exposure of $33 million and $39 million due to instances where an FHLBank's non-cash collateral to a counterparty exceeded the FHLBank's net derivative liability position.

Note 11 - Deposits

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

Table 11.1 - Deposits
(dollars in millions)

	September 30, 2014	December 31, 2013
Interest-bearing		
Demand and overnight	$ 7,778	$ 9,081
Term	382	421
Other	529	378
Total interest-bearing	8,689	9,880
Non-interest-bearing		
Demand and overnight	492	546
Other	131	129
Total non-interest-bearing	623	675
Total deposits	$ 9,312	$ 10,555

Note 12 - Consolidated Obligations

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

The FHFA and the U.S. Secretary of the Treasury oversee the issuance of FHLBank debt through the Office of Finance. Consolidated bonds are issued primarily to raise intermediate- and long-term funds for the FHLBanks and are not subject to any statutory or regulatory limits on their maturity. Consolidated discount notes are issued primarily to raise short-term funds and have original maturities of up to one year. These notes generally sell at or below their face value and are redeemed at par when they mature.

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

	Book Value	Par Value	Weighted-Average Interest Rate(1)
September 30, 2014	$ 327,636	$ 327,680	0.07%
December 31, 2013	$ 293,296	$ 293,342	0.09%

(1) Represents yield to maturity excluding concession fees.

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

	September 30, 2014		December 31, 2013	
Year of Contractual Maturity	**Amount**	**Weighted-Average Interest Rate**	**Amount**	**Weighted-Average Interest Rate**
Due in 1 year or less	$ 206,079	0.43%	$ 230,021	0.56%
Due after 1 year through 2 years	83,054	1.12%	57,445	1.29%
Due after 2 years through 3 years	54,580	1.81%	38,317	2.28%
Due after 3 years through 4 years	39,300	1.87%	30,083	2.39%
Due after 4 years through 5 years	29,019	1.74%	31,461	1.62%
Thereafter	76,391	2.44%	84,960	2.36%
Index-amortizing notes	559	4.53%	882	4.72%
Total par value	488,982	1.21%	473,169	1.30%
Net premiums	465		537	
Hedging adjustments	635		241	
Fair value option valuation adjustments	(19)		(102)	
Total	$ 490,063		$ 473,845	

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

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

Par Values of Consolidated Bonds	September 30, 2014	December 31, 2013
Non-callable/non-putable	$ 340,830	$ 350,655
Callable	148,152	122,514
Total par value	$ 488,982	$ 473,169

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

Year of Contractual Maturity or Next Call Date	September 30, 2014	December 31, 2013
Due in 1 year or less	$ 337,760	$ 331,170
Due after 1 year through 2 years	69,489	55,029
Due after 2 years through 3 years	32,099	30,986
Due after 3 years through 4 years	17,332	21,669
Due after 4 years through 5 years	9,777	10,102
Thereafter	21,966	23,331
Index-amortizing notes	559	882
Total par value	$ 488,982	$ 473,169

Note 13 - Capital

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

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

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

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

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

At September 30, 2014, combined regulatory capital was $49.5 billion compared to $50.6 billion at December 31, 2013. At September 30, 2014, each FHLBank was in compliance with its regulatory capital rules. Effective November 22, 2013, the FHLBank of Seattle entered into a Stipulation and Consent to the Issuance of a Consent Order with the FHFA (together, with related understandings with the FHFA, the Amended Consent Arrangement), which superseded the previous Stipulation and Consent to the Issuance of a Consent Order and related understandings put in place in October 2010 (2010 Consent Arrangement), which will remain in effect until modified or terminated by the FHFA. (See *Note 17 - Capital* on page F-65 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013 for additional information on the FHLBank of Seattle Capital Classification and Consent Arrangement.)

Table 13.1 - Risk-Based Capital Requirements at September 30, 2014
(dollars in millions)

FHLBank	Risk-Based Capital Minimum Requirement	Risk-Based Capital Actual
Boston	$ 686	$ 3,514
New York	612	6,680
Pittsburgh	882	3,884
Atlanta	1,789	6,412
Cincinnati	555	5,008
Indianapolis	625	2,542
Chicago	1,184	4,110
Des Moines	594	4,176
Dallas	391	1,936
Topeka	376	1,554
San Francisco	3,425	6,762
Seattle	1,256	2,640

Table 13.2 - Regulatory Capital Requirements at September 30, 2014
(dollars in millions)

	Regulatory Capital Ratio		Regulatory Capital	
FHLBank	Minimum Requirement	Actual	Minimum Requirement	Actual
Boston	4.0%	6.8%	$ 2,076	$ 3,514
New York	4.0%	5.3%	5,015	6,680
Pittsburgh	4.0%	5.1%	3,056	3,884
Atlanta	4.0%	5.2%	4,977	6,412
Cincinnati	4.0%	5.0%	3,999	5,008
Indianapolis	4.0%	6.2%	1,642	2,542
Chicago	4.0%	5.7%	2,881	4,110
Des Moines	4.0%	4.2%	3,936	4,176
Dallas	4.0%	5.2%	1,499	1,936
Topeka	4.0%	4.4%	1,541	1,710
San Francisco	4.0%	8.2%	3,312	6,762
Seattle	4.0%	7.8%	1,401	2,729

Table 13.3 - Leverage Capital Requirements at September 30, 2014
(dollars in millions)

	Leverage Capital Ratio		Leverage Capital	
FHLBank	Minimum Requirement	Actual	Minimum Requirement	Actual
Boston	5.0%	10.2%	$ 2,595	$ 5,271
New York	5.0%	8.0%	6,268	10,020
Pittsburgh	5.0%	7.6%	3,820	5,826
Atlanta	5.0%	7.7%	6,222	9,618
Cincinnati	5.0%	7.5%	4,998	7,513
Indianapolis	5.0%	9.3%	2,052	3,813
Chicago	5.0%	8.6%	3,602	6,164
Des Moines	5.0%	6.4%	4,920	6,265
Dallas	5.0%	7.7%	1,874	2,904
Topeka	5.0%	6.5%	1,926	2,487
San Francisco	5.0%	12.3%	4,139	10,143
Seattle	5.0%	11.6%	1,751	4,050

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

An FHLBank's board of directors may declare and pay dividends in either cash or capital stock, assuming the FHLBank is in compliance with FHFA rules. Until the FHFA determines that the FHLBank of Seattle has met all requirements of the Amended Consent Arrangement, the FHLBank of Seattle is required to obtain prior written non-objection from the FHFA for any dividends.

Restricted Retained Earnings

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

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

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

Table 13.4 - Retained Earnings
(dollars in millions)

	Unrestricted Retained Earnings	Capital Agreement Restricted Retained Earnings	Other Restricted Retained Earnings(1)	Total Restricted Retained Earnings	Total Retained Earnings
Balance, December 31, 2012	$ 7,933	$ 716	$ 1,873	$ 2,589	$ 10,522
Net income	1,475	363	9	372	1,847
Dividends on capital stock					
Cash	(577)	—	—	—	(577)
Stock	(28)	—	—	—	(28)
Balance, September 30, 2013	$ 8,803	$ 1,079	$ 1,882	$ 2,961	$ 11,764
Balance, December 31, 2013	$ 9,099	$ 1,219	$ 1,888	$ 3,107	$ 12,206
Net income	1,384	348	(36)	312	1,696
Dividends on capital stock					
Cash	(838)	—	—	—	(838)
Stock	(35)	—	—	—	(35)
Balance, September 30, 2014	$ 9,610	$ 1,567	$ 1,852	$ 3,419	$ 13,029

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

Mandatorily Redeemable Capital Stock

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

An FHLBank generally reclassifies capital stock subject to redemption from capital to the mandatorily redeemable capital stock liability upon expiration of a grace period, if applicable, after a member exercises a written redemption right, or gives notice of intent to withdraw from membership, or attains non-member status by merger or acquisition, relocation, charter termination, or involuntary termination from membership. Shares of capital stock meeting these definitions are reclassified to mandatorily redeemable capital stock at fair value. Dividends related to capital stock classified as mandatorily redeemable capital stock are accrued at the expected dividend rate and reported as interest expense in the Combined Statement of Income. For the three months ended September 30, 2014 and 2013, dividends on mandatorily redeemable capital stock in the amount of $30 million and $53 million were recorded as interest expense. For the nine months ended September 30, 2014 and 2013, dividends on mandatorily redeemable capital stock in the amount of $114 million and $124 million were recorded as interest expense.

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

Excess Capital Stock

Excess capital stock is defined as the amount of stock held by a member (or former member) in excess of that institution's minimum investment requirement. FHFA rules limit the ability of an FHLBank to create member excess capital stock under certain circumstances. An FHLBank may not pay dividends in the form of capital stock or issue new excess capital stock to members if that FHLBank's excess capital stock exceeds one percent of its total assets or if the issuance of excess capital stock would cause that FHLBank's excess capital stock to exceed one percent of its total assets. At September 30, 2014, each of the FHLBanks of Boston, Indianapolis, San Francisco, and Seattle had excess capital stock outstanding totaling more than one percent of its total assets. During the nine months ended September 30, 2014, each of these FHLBanks was in compliance with the excess capital stock rule.

Capital Classification Determination

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

Note 14 - Accumulated Other Comprehensive Income (Loss)

Table 14.1 presents a summary of changes in accumulated other comprehensive income (loss) for the three and nine months ended September 30, 2014 and 2013.

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

	Three Months Ended September 30,						
	Net Unrealized Gains (Losses) on AFS Securities (Note 4)	Net Unrealized Gains (Losses) on HTM Securities Transferred from AFS Securities	Net Non-Credit Portion of OTTI Losses on AFS Securities (Note 4 and 6)	Net Non-Credit Portion of OTTI Losses on HTM Securities (Note 5 and 6)	Net Unrealized Gains (Losses) Relating to Hedging Activities (Note 10)	Pension and Postretirement Benefits	Total Accumulated Other Comprehensive Income (Loss)
Balance, June 30, 2013	$ 1,164	$ (2)	$ (242)	$ (864)	$ (868)	$ (82)	$ (894)
Other comprehensive income before reclassifications							
Net unrealized gains (losses)	(64)	—	28	—	16	—	(20)
Non-credit OTTI losses	—	—	—	(1)	—	—	(1)
Non-credit OTTI losses transferred	—	—	(1)	1	—	—	—
Net change in fair value	—	—	71	—	—	—	71
Accretion of non-credit loss	—	—	—	37	—	—	37
Reclassifications from other comprehensive income to net income							
Net gains (losses) on securities	(1)	1	—	—	—	—	—
Non-credit OTTI (to)/from credit OTTI	—	—	1	1	—	—	2
Amortization on hedging activities(1)	—	—	—	—	(1)	—	(1)
Amortization - pension and postretirement	—	—	—	—	—	5	5
Net current period other comprehensive income (loss)	(65)	1	99	38	15	5	93
Balance, September 30, 2013	$ 1,099	$ (1)	$ (143)	$ (826)	$ (853)	$ (77)	$ (801)
Balance, June 30, 2014	$ 1,345	$ (1)	$ 340	$ (720)	$ (800)	$ (43)	$ 121
Other comprehensive income before reclassifications							
Net unrealized gains (losses)	(76)	—	13	—	94	—	31
Net change in fair value	—	—	57	—	—	—	57
Accretion of non-credit loss	—	—	—	34	—	—	34
Reclassifications from other comprehensive income to net income							
Non-credit OTTI (to)/from credit OTTI	—	—	3	1	—	—	4
Amortization on hedging activities(1)	—	—	—	—	2	—	2
Net current period other comprehensive income (loss)	(76)	—	73	35	96	—	128
Balance, September 30, 2014	$ 1,269	$ (1)	$ 413	$ (685)	$ (704)	$ (43)	$ 249

	Nine Months Ended September 30,						
	Net Unrealized Gains (Losses) on AFS Securities (Note 4)	Net Unrealized Gains (Losses) on HTM Securities Transferred from AFS Securities	Net Non-Credit Portion of OTTI Losses on AFS Securities (Note 4 and 6)	Net Non-Credit Portion of OTTI Losses on HTM Securities (Note 5 and 6)	Net Unrealized Gains (Losses) Relating to Hedging Activities (Note 10)	Pension and Postretirement Benefits	Total Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2012	$ 1,814	$ (3)	$ (1,011)	$ (945)	$ (1,281)	$ (84)	$ (1,510)
Other comprehensive income before reclassifications							
Net unrealized gains (losses)	(712)	—	206	—	434	—	(72)
Non-credit OTTI losses	—	—	—	(5)	—	—	(5)
Non-credit OTTI losses transferred	—	—	(5)	5	—	—	—
Net change in fair value	—	—	684	—	—	—	684
Accretion of non-credit loss	—	—	—	117	—	—	117
Reclassifications from other comprehensive income to net income							
Net gains (losses) on securities	(3)	2	(18)	—	—	—	(19)
Non-credit OTTI (to)/from credit OTTI	—	—	1	2	—	—	3
Amortization on hedging activities(1)	—	—	—	—	(6)	—	(6)
Amortization - pension and postretirement	—	—	—	—	—	7	7
Net current period other comprehensive income (loss)	(715)	2	868	119	428	7	709
Balance, September 30, 2013	$ 1,099	$ (1)	$ (143)	$ (826)	$ (853)	$ (77)	$ (801)
Balance, December 31, 2013	$ 1,005	$ (1)	$ 75	$ (789)	$ (748)	$ (53)	$ (511)
Other comprehensive income (loss) before reclassifications							
Net unrealized gains (losses)	265	—	163	—	44	—	472
Net change in fair value	—	—	171	—	—	—	171
Accretion of non-credit loss	—	—	—	102	—	—	102
Reclassifications from other comprehensive income (loss) to net income							
Net gains (losses) on securities	(1)	—	—	—	—	—	(1)
Non-credit OTTI (to)/from credit OTTI	—	—	4	2	—	—	6
Amortization on hedging activities(1)	—	—	—	—	—	—	—
Amortization - pension and postretirement	—	—	—	—	—	10	10
Net current period other comprehensive income (loss)	264	—	338	104	44	10	760
Balance, September 30, 2014	$ 1,269	$ (1)	$ 413	$ (685)	$ (704)	$ (43)	$ 249

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Interest income - Advances	$ 3	$ 2	$ 8	$ 9
Interest expense - Consolidated bonds	(5)	(1)	(8)	(4)
Interest expense - Consolidated discount notes	—	(1)	(1)	(3)
Net gains (losses) on derivatives and hedging activities	—	1	1	4
Total amortization on hedging activities	$ (2)	$ 1	$ —	$ 6

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 September 30, 2014 and December 31, 2013.

Fair Value Hierarchy

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

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

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

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

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

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

The FHLBank of Indianapolis classified six private-label residential MBS it sold on April 4, 2013, within the fair value hierarchy as Level 2, as of March 31, 2013, because the estimated fair values were derived from and corroborated by the sales prices in actual market transactions. The total fair value of these six private-label residential MBS that the FHLBank of Indianapolis transferred from Level 3 to Level 2 was $124 million at January 1, 2013, the beginning of the quarter in which the transfer occurred. The FHLBanks had no other transfers of assets or liabilities recorded at fair value on a recurring basis during the three and nine months ended September 30, 2014 or 2013.

Table 15.1 presents the carrying value, fair value, and fair value hierarchy of financial assets and liabilities of the FHLBanks at September 30, 2014 and December 31, 2013. These values do not represent an estimate of the overall market value of the FHLBanks as going concerns, which would take into account future business opportunities and the net profitability of assets and liabilities.

Table 15.1 - Fair Value Summary
(dollars in millions)

	September 30, 2014					
		Fair Value				
Financial Instruments	**Carrying Value**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Netting Adjustment and Cash Collateral(1)**
Assets						
Cash and due from banks	$ 53,488	$ 53,488	$ 53,488	$ —	$ —	$ —
Interest-bearing deposits	1,569	1,569	560	1,009	—	—
Securities purchased under agreements to resell	8,590	8,590	—	8,590	—	—
Federal funds sold	39,848	39,848	—	39,848	—	—
Trading securities	9,090	9,090	14	9,076	—	—
Available-for-sale securities	74,307	74,307	16	62,802	11,489	—
Held-to-maturity securities	105,891	107,612	—	97,716	9,896	—
Advances(2)	544,568	545,569	—	545,569	—	—
Mortgage loans held for portfolio, net	43,345	45,151	—	44,837	314	—
Accrued interest receivable	1,091	1,091	—	1,091	—	—
Derivative assets, net	530	530	—	3,169	12	(2,651)
Other assets	74	74	68	6	—	—
Liabilities						
Deposits	9,312	9,312	—	9,312	—	—
Consolidated obligations						
Discount notes(3)	327,636	327,637	—	327,637	—	—
Bonds(4)	490,063	492,237	—	492,175	62	—
Total consolidated obligations	817,699	819,874	—	819,812	62	—
Mandatorily redeemable capital stock	3,051	3,051	3,051	—	—	—
Accrued interest payable	1,371	1,371	—	1,371	—	—
Derivative liabilities, net	1,513	1,513	—	9,175	—	(7,662)
Other liabilities	71	71	71	—	—	—
Subordinated notes	944	1,026	—	1,026	—	—

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

(1) Amounts represent the application of the netting requirements that allow an FHLBank to settle positive and negative positions and also cash collateral and related accrued interest held or placed by that FHLBank with the same clearing agent and/or counterparty.
(2) Includes $25,446 million and $26,305 million of advances recorded under fair value option at September 30, 2014 and December 31, 2013.
(3) Includes $8,932 million and $5,336 million of consolidated discount notes recorded under fair value option at September 30, 2014 and December 31, 2013.
(4) Includes $37,138 million and $38,573 million of consolidated bonds recorded under fair value option and $62 million and $68 million of consolidated bonds that are carried at fair value under a fair value hedge strategy at September 30, 2014 and December 31, 2013.

Summary of Valuation Methodologies and Primary Inputs

A description of the valuation methodologies and primary inputs is disclosed in *Note 20 - Fair Value*, pages F-75 to F-78, of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013. There have been no significant changes in these valuation methodologies and primary inputs during the three and nine months ended September 30, 2014.

Fair Value Measurements

Table 15.2 presents the fair value of assets and liabilities that are recorded on a recurring or non-recurring basis at September 30, 2014 and December 31, 2013, by level within the fair value hierarchy. The FHLBanks measure certain held-to-maturity securities and mortgage loans at fair value on a non-recurring basis due to the recognition of a credit loss. Real estate owned is measured using fair value when the asset's fair value less costs to sell is lower than its carrying amount.

Table 15.2 - Fair Value Measurements
(dollars in millions)

	September 30, 2014				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Recurring fair value measurements - Assets					
Trading securities					
U.S. Treasury obligations	$ 1,229	$ —	$ 1,229	$ —	$ —
Other U.S. obligations	259	—	259	—	—
GSE and Tennessee Valley Authority obligations	6,388	—	6,388	—	—
State or local housing agency obligations	1	—	1	—	—
Other non-MBS	289	14	275	—	—
Other U.S. obligations residential MBS	29	—	29	—	—
GSE residential MBS	665	—	665	—	—
GSE commercial MBS	230	—	230	—	—
Total trading securities	9,090	14	9,076	—	—
Available-for-sale securities					
Certificates of deposit	2,145	—	2,145	—	—
Other U.S. obligations	4,743	—	4,743	—	—
GSE and Tennessee Valley Authority obligations	14,961	—	14,961	—	—
State or local housing agency obligations	85	—	85	—	—
Federal Family Education Loan Program ABS	6,444	—	6,444	—	—
Other non-MBS	1,066	16	1,050	—	—
Other U.S. obligations residential MBS	4,427	—	4,427	—	—
Other U.S. obligations commercial MBS	790	—	790	—	—
GSE residential MBS	27,453	—	27,453	—	—
GSE commercial MBS	704	—	704	—	—
Private-label residential MBS	11,476	—	—	11,476	—
Home equity loan ABS	13	—	—	13	—
Total available-for-sale securities	74,307	16	62,802	11,489	—
Advances(2)	25,446	—	25,446	—	—
Derivative assets, net					
Interest-rate related	524	—	3,163	12	(2,651)
Mortgage delivery commitments	6	—	6	—	—
Total derivative assets, net	530	—	3,169	12	(2,651)
Other assets	74	68	6	—	—
Total recurring assets at fair value	$ 109,447	$ 98	$ 100,499	$ 11,501	$ (2,651)
Recurring fair value measurements - Liabilities					
Consolidated Obligations					
Discount notes(3)	$ 8,932	$ —	$ 8,932	$ —	$ —
Bonds(4)	37,200	—	37,138	62	—
Total consolidated obligations	46,132	—	46,070	62	—
Derivative liabilities, net					
Interest-rate related	1,509	—	9,171	—	(7,662)
Mortgage delivery commitments	4	—	4	—	—
Total derivative liabilities, net	1,513	—	9,175	—	(7,662)
Total recurring liabilities at fair value	$ 47,645	$ —	$ 55,245	$ 62	$ (7,662)
Non-recurring fair value measurements - Assets					
Held-to-maturity securities					
Private-label residential MBS	$ 10	$ —	$ —	$ 10	
Mortgage loans held for portfolio	181	—	1	180	
Real estate owned	21	—	—	21	
Total non-recurring assets at fair value	$ 212	$ —	$ 1	$ 211	

	December 31, 2013				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral(1)
Recurring fair value measurements - Assets					
Trading securities					
U.S. Treasury obligations	$ 2,847	$ —	$ 2,847	$ —	$ —
Certificates of deposit	260	—	260	—	—
Other U.S. obligations	267	—	267	—	—
GSE and Tennessee Valley Authority obligations	7,072	—	7,072	—	—
State or local housing agency obligations	1	—	1	—	—
Other non-MBS	276	13	263	—	—
Other U.S. obligations residential MBS	33	—	33	—	—
GSE residential MBS	681	—	681	—	—
GSE commercial MBS	229	—	229	—	—
Total trading securities	11,666	13	11,653	—	—
Available-for-sale securities					
Certificates of deposit	2,185	—	2,185	—	—
Other U.S. obligations	4,160	—	4,160	—	—
GSE and Tennessee Valley Authority obligations	14,465	—	14,465	—	—
State or local housing agency obligations	37	—	37	—	—
Federal Family Education Loan Program ABS	6,804	—	6,804	—	—
Other non-MBS	1,127	12	1,115	—	—
Other U.S. obligations residential MBS	3,388	—	3,388	—	—
Other U.S. obligations commercial MBS	309	—	309	—	—
GSE residential MBS	24,182	—	24,182	—	—
GSE commercial MBS	43	—	43	—	—
Private-label residential MBS	12,290	—	—	12,290	—
Home equity loan ABS	15	—	—	15	—
Total available-for-sale securities	69,005	12	56,688	12,305	—
Advances(2)	26,305	—	26,305	—	—
Derivative assets, net					
Interest-rate related	510	—	4,136	19	(3,645)
Mortgage delivery commitments	3	—	3	—	—
Total derivative assets, net	513	—	4,139	19	(3,645)
Other assets	67	62	5	—	—
Total recurring assets at fair value	$ 107,556	$ 87	$ 98,790	$ 12,324	$ (3,645)
Recurring fair value measurements - Liabilities					
Consolidated Obligations					
Discount notes(3)	$ 5,336	$ —	$ 5,336	$ —	$ —
Bonds(4)	38,641	—	38,573	68	—
Total consolidated obligations	43,977	—	43,909	68	—
Derivative liabilities, net					
Interest-rate related	1,909	—	11,795	—	(9,886)
Mortgage delivery commitments	4	—	4	—	—
Total derivative liabilities, net	1,913	—	11,799	—	(9,886)
Total recurring liabilities at fair value	$ 45,890	$ —	$ 55,708	$ 68	$ (9,886)
Non-recurring fair value measurements - Assets					
Mortgage loans held for portfolio	$ 237	$ —	$ —	$ 237	
Real estate owned	26	—	—	26	
Total non-recurring assets at fair value	$ 263	$ —	$ —	$ 263	

(1) Amounts represent the application of the netting requirements that allow an FHLBank to settle positive and negative positions and also cash collateral and related accrued interest held or placed by that FHLBank with the same clearing agent and/or counterparty.
(2) Represents advances recorded under fair value option at September 30, 2014 and December 31, 2013.
(3) Represents consolidated discount notes recorded under fair value option at September 30, 2014 and December 31, 2013.
(4) Represents $37,138 million and $38,573 million of consolidated bonds recorded under fair value option and $62 million and $68 million of consolidated bonds that are carried at fair value under a fair value hedge strategy at September 30, 2014 and December 31, 2013.

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

Table 15.3 presents a rollforward of assets and liabilities measured at fair value on a recurring basis and classified as Level 3 during the three and nine months ended September 30, 2014 and 2013.

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

	Three Months Ended September 30, 2014			
	Available-for-Sale Securities		Derivative Assets(1)	
	Private-Label Residential MBS	Home Equity Loan ABS	Interest-Rate Related	Consolidated Bonds
Balance, at beginning of period	$ 11,799	$ 13	$ 16	$ (67)
Total gains or losses (realized/unrealized) included in				
Net gains (losses) on derivatives and hedging activities	—	—	(4)	5
Interest income	38	1	—	—
Net other-than-temporary impairment losses, credit portion	(5)	—	—	—
Net unrealized gains (losses) on available-for-sale securities included in other comprehensive income	2	—	—	—
Reclassification of non-credit portion included in net income	3	—	—	—
Net change in fair value on OTTI available-for-sale securities included in other comprehensive income	57	—	—	—
Unrealized gains (losses) on OTTI available-for-sale securities included in other comprehensive income	13	—	—	—
Purchases, issuances, sales, and settlements				
Settlements	(431)	(1)	—	—
Balance, at end of period	$ 11,476	$ 13	$ 12	$ (62)
Total amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains/losses relating to assets and liabilities held at end of the period	$ 18	$ —	$ —	$ 5

	Three Months Ended September 30, 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	$ 13,101	$ 15	$ 24	$ (73)
Total gains or losses (realized/unrealized) included in				
Net gains (losses) on derivatives and hedging activities	—	—	(5)	4
Interest income	18	1	—	—
Net other-than-temporary impairment losses, credit portion	(5)	—	—	—
Net unrealized gains (losses) on available-for-sale securities included in other comprehensive income	1	—	—	—
Reclassification of non-credit portion included in net income	1	—	—	—
Net change in fair value on OTTI available-for-sale securities included in other comprehensive income	68	1	—	—
Unrealized gains (losses) on OTTI available-for-sale securities included in other comprehensive income	27	—	—	—
Purchases, issuances, sales, and settlements				
Settlements	(672)	(1)	—	—
Transfers from held-to-maturity to available-for-sale securities(2)	36	—	—	—
Balance, at end of period	$ 12,575	$ 16	$ 19	$ (69)
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	$ 4	$ —	$ —	$ 5

	Nine Months Ended September 30, 2014			
	Available-for-Sale Securities		Derivative Assets(1)	
	Private-Label Residential MBS	Home Equity Loan ABS	Interest-Rate Related	Consolidated Bonds
Balance, at beginning of period	$ 12,290	$ 15	$ 19	$ (68)
Total gains or losses (realized/unrealized) included in				
Net gains (losses) on derivatives and hedging activities	—	—	(7)	6
Interest income	105	1	—	—
Net other-than-temporary impairment losses, credit portion	(10)	—	—	—
Net unrealized gains (losses) on available-for-sale securities included in other comprehensive income	4	—	—	—
Reclassification of non-credit portion included in net income	4	—	—	—
Net change in fair value on OTTI available-for-sale securities included in other comprehensive income	171	—	—	—
Unrealized gains (losses) on OTTI available-for-sale securities included in other comprehensive income	163	—	—	—
Purchases, issuances, sales, and settlements				
Settlements	(1,251)	(3)	—	—
Balance, at end of period	$ 11,476	$ 13	$ 12	$ (62)
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	$ 55	$ 1	$ —	$ 7

	Nine Months Ended September 30, 2013			
	Available-for-Sale Securities		Derivative Assets(1)	
	Private-Label Residential MBS	Home Equity Loan ABS	Interest-Rate Related	Consolidated Bonds
Balance, at beginning of period	$ 13,695	$ 14	$ 33	$ (82)
Total gains or losses (realized/unrealized) included in				
Net gains (losses) on sale of available-for-sale securities	1	—	—	—
Net gains (losses) on derivatives and hedging activities	—	—	(14)	13
Interest income	28	1	—	—
Net other-than-temporary impairment losses, credit portion	(9)	—	—	—
Net unrealized gains (losses) on available-for-sale securities included in other comprehensive income	1	—	—	—
Reclassification of non-credit portion included in net income	—	1	—	—
Net change in fair value on OTTI available-for-sale securities included in other comprehensive income	661	1	—	—
Unrealized gains (losses) on OTTI available-for-sale securities included in other comprehensive income	213	2	—	—
Purchases, issuances, sales, and settlements				
Sales	(42)	—	—	—
Settlements	(1,916)	(3)	—	—
Transfers from Level 3 to Level 2	(124)	—	—	—
Transfers from held-to-maturity to available-for-sale securities(2)	67	—	—	—
Balance, at end of period	$ 12,575	$ 16	$ 19	$ (69)
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	$ 5	$ —	$ —	$ 13

(1) Balances exclude netting adjustments and cash collateral.
(2) During the three and nine months ended September 30, 2013, certain FHLBanks elected to transfer certain private-label residential MBS that had credit-related OTTI from their respective held-to-maturity portfolio to their respective available-for-sale portfolio. (See *Note 6 - Other-than-Temporary Impairment Analysis* for additional information on these transfers.) For the three and nine months ended September 30, 2013, the fair value of these securities were determined using significant unobservable inputs (Level 3).

Fair Value Option

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

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

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

	Three Months Ended September 30,					
	2014			2013		
	Advances	Consolidated Discount Notes	Consolidated Bonds	Advances	Consolidated Discount Notes	Consolidated Bonds
Balance, at beginning of period	$ 25,039	$ (4,649)	$ (32,683)	$ 19,168	$ (1,388)	$ (47,095)
New transactions elected for fair value option	5,325	(6,981)	(15,232)	6,103	(1,000)	(11,220)
Maturities and terminations	(4,898)	2,699	10,768	(616)	462	13,910
Net gains (losses) on financial instruments held under fair value option	(18)	(1)	18	(6)	—	(20)
Change in accrued interest and other	(2)	—	(9)	2	1	—
Balance, at end of period	$ 25,446	$ (8,932)	$ (37,138)	$ 24,651	$ (1,925)	$ (44,425)

	Nine Months Ended September 30,					
	2014			2013		
	Advances	Consolidated Discount Notes	Consolidated Bonds	Advances	Consolidated Discount Notes	Consolidated Bonds
Balance, at beginning of period	$ 26,305	$ (5,336)	$ (38,573)	$ 7,900	$ (3,198)	$ (47,645)
New transactions elected for fair value option	15,583	(11,628)	(36,215)	17,690	(2,024)	(31,640)
Maturities and terminations	(16,436)	8,033	37,723	(804)	3,295	34,718
Net gains (losses) on financial instruments held under fair value option	(3)	(1)	(62)	(139)	—	139
Change in accrued interest and other	(3)	—	(11)	4	2	3
Balance, at end of period	$ 25,446	$ (8,932)	$ (37,138)	$ 24,651	$ (1,925)	$ (44,425)

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 fair value option for instrument-specific credit risk were necessary during the three and nine months ended September 30, 2014 and 2013.

Table 15.5 presents the difference between the aggregate unpaid balance outstanding and the aggregate fair value for advances and consolidated obligations for which the fair value option has been elected as of September 30, 2014 and December 31, 2013.

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

	September 30, 2014			December 31, 2013		
	Aggregate Fair Value	Aggregate Unpaid Principal Balance	Aggregate Fair Value Over/(Under) Aggregate Unpaid Principal Balance	Aggregate Fair Value	Aggregate Unpaid Principal Balance	Aggregate Fair Value Over/(Under) Aggregate Unpaid Principal Balance
Advances(1)	$ 25,446	$ 25,342	$ 104	$ 26,305	$ 26,186	$ 119
Consolidated discount notes	8,932	8,929	3	5,336	5,334	2
Consolidated bonds	37,138	37,157	(19)	38,573	38,675	(102)

(1) At September 30, 2014 and December 31, 2013, none of the advances were 90 days or more past due or had been placed on non-accrual status.

Note 16 - Commitments and Contingencies

Off-Balance Sheet Commitments

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

	September 30, 2014			December 31, 2013
Notional amount	Expire Within One Year	Expire After One Year	Total	Total
Standby letters of credit outstanding(1)	$ 58,565	$ 31,819	$ 90,384	$ 83,850
Commitments for standby bond purchases	992	1,736	2,728	2,968
Unused lines of credit - advances	6,099	—	6,099	2,084
Commitments to purchase mortgage loans	637	—	637	223
MPF Xtra mortgage purchase commitments	150	—	150	101
Unresolved repurchasable loans and indemnifications for MPF Xtra mortgage loans	59	1	60	56
Commitments to fund additional advances	1,246	401	1,647	1,385
Commitments to purchase investments (not yet traded)	590	—	590	152
Unsettled consolidated bonds, at par(2)	4,188	—	4,188	2,927
Unsettled consolidated discount notes, at par	10,605	—	10,605	7,521

(1) Excludes unconditional commitments to issue standby letters of credit of $208 million and $180 million at September 30, 2014 and December 31, 2013.
(2) Unsettled consolidated bonds of $3,846 million and $2,205 million were hedged with associated interest-rate swaps at September 30, 2014 and December 31, 2013.

Standby Letters of Credit. A standby letter of credit is a financing arrangement between an FHLBank and its member. Standby letters of credit are executed for members for a fee. If an FHLBank is required to make payment for a beneficiary's draw, the payment amount is converted into a collateralized advance to the member. Substantially all of these standby letters of credit range from less than one month to 20 years. The carrying value of guarantees related to standby letters of credit are recorded in other liabilities and were $128 million and $168 million at September 30, 2014 and December 31, 2013.

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

Standby Bond-Purchase Agreements. Certain FHLBanks have entered into standby bond-purchase agreements with state housing authorities within their district whereby these FHLBanks agree to provide liquidity for a fee. If required, the affected FHLBanks will purchase and hold the state housing authority's bonds until the designated marketing agent can find a suitable investor or the state housing authority repurchases the bond according to a schedule established by the standby bond-purchase agreement. Each standby bond-purchase agreement dictates the specific terms that would require the affected FHLBank to purchase the bond. The standby bond-purchase commitments entered into by these FHLBanks have original expiration periods of up to seven years, currently expiring no later than 2019, although some are renewable at the option of the affected FHLBank. At September 30, 2014 and December 31, 2013, the FHLBanks had standby bond-purchase commitments with 11 state housing authorities. During the nine months ended September 30, 2014 and 2013, the FHLBanks were not required to purchase any bonds under these agreements.

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

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

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

Pledged Collateral

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

Lehman Bankruptcy

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

Several FHLBanks received a derivatives alternative dispute resolution (ADR) notice from the LBHI bankruptcy estate relating to the unwinding of derivatives transactions between LBSF and individual FHLBanks in 2008. Under the derivatives ADR notice, an FHLBank may agree to the demand, deny the demand, or make a counteroffer and ultimately arrive at a settlement of the demand. Some of these FHLBanks have settled their disputes with the LBHI bankruptcy estate. Each of the FHLBanks of New York and Cincinnati has disclosed information regarding its legal proceedings in connection with LBHI's insolvency in its individual 2014 Third Quarter SEC Form 10-Q.

Other Legal Proceedings

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

Note 17 - Subsequent Events

Subsequent events have been evaluated from October 1, 2014 through the time of publication of this Combined Financial Report. No significant subsequent events were identified, except for the declaration of dividends, or the repurchase or redemption of excess capital stock, which generally occur in the normal course of business unless there are regulatory or self-imposed restrictions.

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FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CONDITION
SEPTEMBER 30, 2014
(Unaudited)

(dollars in millions, except par value)	Combined	Combining Adjustments	Boston	New York
Assets				
Cash and due from banks	$ 53,488	$ (1)	$ 1,800	$ 3,663
Investments	239,295	(297)	15,165	19,879
Advances	544,568	—	31,410	99,550
Mortgage loans held for portfolio, net	43,345	(3)	3,404	2,038
Other assets	2,365	(2)	126	238
Total assets	$ 883,061	$ (303)	$ 51,905	$ 125,368
Liabilities				
Deposits	$ 9,312	$ (10)	$ 521	$ 2,112
Consolidated obligations				
Discount notes	327,636	(2)	22,560	36,067
Bonds	490,063	(342)	25,011	79,920
Total consolidated obligations	817,699	(344)	47,571	115,987
Mandatorily redeemable capital stock	3,051	—	244	19
Other liabilities	6,282	(5)	740	688
Total liabilities	836,344	(359)	49,076	118,806
Capital				
Capital stock				
Class B putable ($100 par value) issued and outstanding	33,252	—	2,394	5,598
Class A putable ($100 par value) issued and outstanding	187	—	—	—
Total capital stock	33,439	—	2,394	5,598
Retained earnings				
Unrestricted	9,610	56	746	858
Restricted	3,419	—	130	205
Total retained earnings	13,029	56	876	1,063
Accumulated other comprehensive income (loss)	249	—	(441)	(99)
Total capital	46,717	56	2,829	6,562
Total liabilities and capital	$ 883,061	$ (303)	$ 51,905	$ 125,368

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 5,508	$ 4,386	$ 861	$ 4,445	$ 8,413	$ 9,478	$ 3,319	$ 2,571	$ 8,002	$ 1,043
14,538	30,143	20,641	10,647	30,229	17,948	15,218	9,075	33,164	22,945
53,054	88,627	71,442	19,325	26,766	64,220	18,758	20,575	40,615	10,226
3,116	788	6,904	6,472	6,422	6,524	76	6,165	754	685
184	493	119	149	201	229	114	142	254	118
$ 76,400	$ 124,437	$ 99,967	$ 41,038	$ 72,031	$ 98,399	$ 37,485	$ 38,528	$ 82,789	$ 35,017
$ 666	$ 1,271	$ 767	$ 1,020	$ 530	$ 471	$ 623	$ 677	$ 202	$ 462
31,537	26,055	36,880	10,106	30,507	62,803	17,434	15,948	24,431	13,310
39,889	89,670	56,881	26,914	35,239	30,387	17,356	20,025	50,871	18,242
71,426	115,725	93,761	37,020	65,746	93,190	34,790	35,973	75,302	31,552
1	19	110	16	5	8	5	4	1,076	1,544
316	902	438	399	1,406	410	128	184	427	249
72,409	117,917	95,076	38,455	67,687	94,079	35,546	36,838	77,007	33,807
3,079	4,654	4,231	1,726	1,801	3,456	1,241	939	3,310	823
—	—	—	—	—	—	—	151	—	36
3,079	4,654	4,231	1,726	1,801	3,456	1,241	1,090	3,310	859
705	1,555	520	694	2,072	643	643	547	303	268
99	184	147	106	232	69	47	68	2,073	59
804	1,739	667	800	2,304	712	690	615	2,376	327
108	127	(7)	57	239	152	8	(15)	96	24
3,991	6,520	4,891	2,583	4,344	4,320	1,939	1,690	5,782	1,210
$ 76,400	$ 124,437	$ 99,967	$ 41,038	$ 72,031	$ 98,399	$ 37,485	$ 38,528	$ 82,789	$ 35,017

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

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

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

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF INCOME
THREE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
September 30, 2014				
Interest income				
Advances	$ 624	$ 2	$ 59	$ 127
Investments	922	(4)	50	73
Mortgage loans held for portfolio	426	1	31	18
Other interest income	1	—	—	—
Total interest income	1,973	(1)	140	218
Interest expense				
Consolidated obligations - Discount notes	138	—	5	19
Consolidated obligations - Bonds	924	7	82	82
Other interest expense	45	—	2	—
Total interest expense	1,107	7	89	101
Net interest income	866	(8)	51	117
Provision (reversal) for credit losses	(5)	3	—	—
Net interest income after provision (reversal) for credit losses	871	(11)	51	117
Non-interest income				
Net other-than-temporary impairment losses	(5)	(1)	—	—
Other	93	(6)	18	5
Total non-interest income (loss)	88	(7)	18	5
Non-interest expense	258	(2)	15	26
Affordable Housing Program assessments	74	(4)	6	10
Net income	$ 627	$ (12)	$ 48	$ 86
September 30, 2013				
Interest income				
Advances	$ 678	$ —	$ 59	$ 113
Investments	948	(4)	50	68
Mortgage loans held for portfolio	450	—	31	17
Total interest income	2,076	(4)	140	198
Interest expense				
Consolidated obligations - Discount notes	120	—	2	18
Consolidated obligations - Bonds	1,045	9	78	73
Other interest expense	66	—	1	1
Total interest expense	1,231	9	81	92
Net interest income	845	(13)	59	106
Provision (reversal) for credit losses	(3)	—	—	—
Net interest income after provision (reversal) for credit losses	848	(13)	59	106
Non-interest income				
Net other-than-temporary impairment losses	(7)	—	(1)	—
Other	2	(1)	—	(15)
Total non-interest income (loss)	(5)	(1)	(1)	(15)
Non-interest expense	241	(2)	16	22
Affordable Housing Program assessments	65	—	4	7
Net income	$ 537	$ (12)	$ 38	$ 62

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 67	$ 11	$ 79	$ 27	$ 39	$ 60	$ 31	$ 31	$ 75	$ 16
55	111	86	40	216	48	15	25	162	45
32	12	63	58	78	60	2	51	10	10
—	—	—	1	—	—	—	—	—	—
154	134	228	126	333	168	48	107	247	71
6	8	6	2	68	13	3	2	4	2
76	80	137	77	114	91	18	48	84	28
—	—	2	—	13	—	—	1	26	1
82	88	145	79	195	104	21	51	114	31
72	46	83	47	138	64	27	56	133	40
(1)	(2)	—	—	(2)	(2)	—	—	(1)	—
73	48	83	47	140	66	27	56	134	40
—	(2)	—	—	—	—	—	—	(1)	(1)
20	69	4	7	11	(18)	3	(10)	(11)	1
20	67	4	7	11	(18)	3	(10)	(12)	—
19	32	17	16	28	18	18	15	34	22
7	9	8	4	13	3	1	3	12	2
$ 67	$ 74	$ 62	$ 34	$ 110	$ 27	$ 11	$ 28	$ 76	$ 16
$ 56	$ 55	$ 79	$ 31	$ 54	$ 48	$ 45	$ 32	$ 84	$ 22
53	127	85	43	227	43	19	28	171	38
34	14	66	60	92	62	2	49	12	11
143	196	230	134	373	153	66	109	267	71
3	5	8	2	71	2	1	2	4	2
93	104	131	78	170	100	22	52	102	33
—	1	1	2	13	—	—	—	47	—
96	110	140	82	254	102	23	54	153	35
47	86	90	52	119	51	43	55	114	36
(1)	1	(2)	—	—	—	—	—	—	(1)
48	85	92	52	119	51	43	55	114	37
—	—	—	—	—	(1)	—	—	(3)	(2)
18	25	4	—	(10)	(3)	7	(10)	(19)	6
18	25	4	—	(10)	(4)	7	(10)	(22)	4
18	31	16	20	26	14	17	13	32	18
5	8	8	3	8	3	3	3	11	2
$ 43	$ 71	$ 72	$ 29	$ 75	$ 30	$ 30	$ 29	$ 49	$ 21

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
September 30, 2014				
Interest income				
Advances	$ 1,917	$ 1	$ 175	$ 354
Investments	2,797	(12)	145	215
Mortgage loans held for portfolio	1,292	—	94	53
Other interest income	2	—	—	—
Total interest income	6,008	(11)	414	622
Interest expense				
Consolidated obligations - Discount notes	398	(2)	12	53
Consolidated obligations - Bonds	2,871	25	238	237
Other interest expense	157	—	8	1
Total interest expense	3,426	23	258	291
Net interest income	2,582	(34)	156	331
Provision (reversal) for credit losses	(20)	2	—	—
Net interest income after provision (reversal) for credit losses	2,602	(36)	156	331
Non-interest income				
Net other-than-temporary impairment losses	(11)	(1)	(1)	—
Other	70	(11)	23	8
Total non-interest income (loss)	59	(12)	22	8
Non-interest expense	760	(9)	49	74
Affordable Housing Program assessments	205	(2)	14	27
Net income	$ 1,696	$ (37)	$ 115	$ 238
September 30, 2013				
Interest income				
Advances	$ 2,019	$ —	$ 191	$ 324
Investments	2,891	(12)	159	203
Mortgage loans held for portfolio	1,419	—	96	51
Other interest income	2	—	—	—
Total interest income	6,331	(12)	446	578
Interest expense				
Consolidated obligations - Discount notes	385	—	5	52
Consolidated obligations - Bonds	3,251	(10)	243	221
Other interest expense	168	—	2	1
Total interest expense	3,804	(10)	250	274
Net interest income	2,527	(2)	196	304
Provision (reversal) for credit losses	(13)	—	(2)	—
Net interest income after provision (reversal) for credit losses	2,540	(2)	198	304
Non-interest income				
Net other-than-temporary impairment losses	(13)	—	(2)	—
Other	192	22	(8)	6
Total non-interest income (loss)	179	22	(10)	6
Non-interest expense	663	(7)	47	70
Affordable Housing Program assessments	209	—	14	24
Net income	$ 1,847	$ 27	$ 127	$ 216

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 194	$ 120	$ 234	$ 81	$ 116	$ 170	$ 98	$ 90	$ 234	$ 50
168	340	268	117	665	138	48	75	502	128
98	38	181	173	252	184	4	153	32	30
—	—	—	1	—	—	—	1	—	—
460	498	683	372	1,033	492	150	319	768	208
18	22	21	5	201	32	7	6	16	7
242	247	421	229	408	283	55	145	247	94
—	1	4	1	40	—	—	1	99	2
260	270	446	235	649	315	62	152	362	103
200	228	237	137	384	177	88	167	406	105
(4)	(4)	(1)	(1)	(8)	(2)	—	(2)	—	—
204	232	238	138	392	179	88	169	406	105
—	(3)	—	—	—	—	—	—	(3)	(3)
64	103	14	23	12	(29)	9	(40)	(111)	5
64	100	14	23	12	(29)	9	(40)	(114)	2
55	95	51	49	87	49	55	41	103	61
21	24	21	11	32	10	4	9	29	5
$ 192	$ 213	$ 180	$ 101	$ 285	$ 91	$ 38	$ 79	$ 160	$ 41
$ 170	$ 180	$ 229	$ 102	$ 137	$ 145	$ 122	$ 98	$ 262	$ 59
168	377	235	132	711	135	62	88	517	116
107	47	207	187	308	191	5	145	38	37
—	—	—	1	—	—	—	1	—	—
445	604	671	422	1,156	471	189	332	817	212
13	19	29	6	222	6	5	7	11	10
296	325	393	236	562	310	70	165	342	98
1	1	4	7	42	—	—	1	109	—
310	345	426	249	826	316	75	173	462	108
135	259	245	173	330	155	114	159	355	104
(2)	4	(8)	(4)	(2)	—	—	2	—	(1)
137	255	253	177	332	155	114	157	355	105
—	—	—	(2)	—	(1)	—	—	(6)	(2)
33	90	13	30	26	(30)	16	(28)	16	6
33	90	13	28	26	(31)	16	(28)	10	4
54	92	47	51	26	43	52	38	93	57
12	25	22	16	28	8	8	9	38	5
$ 104	$ 228	$ 197	$ 138	$ 304	$ 73	$ 70	$ 82	$ 234	$ 47

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
September 30, 2014				
Net income	$ 627	$ (12)	$ 48	$ 86
Other comprehensive income				
Net unrealized gains/losses on available-for-sale securities	(76)	1	(10)	1
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	73	3	—	—
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	35	(1)	12	3
Net unrealized gains/losses relating to hedging activities	96	—	2	9
Pension and postretirement benefits	—	(2)	—	—
Total other comprehensive income (loss)	128	1	4	13
Comprehensive income	$ 755	$ (11)	$ 52	$ 99
September 30, 2013				
Net income	$ 537	$ (12)	$ 38	$ 62
Other comprehensive income				
Net unrealized gains/losses on available-for-sale securities	(65)	—	(17)	(6)
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	99	—	—	—
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	38	—	16	2
Net unrealized gains/losses relating to hedging activities	15	—	(6)	2
Pension and postretirement benefits	5	—	(1)	1
Total other comprehensive income (loss)	93	—	(8)	(1)
Comprehensive income (loss)	$ 630	$ (12)	$ 30	$ 61

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 67	$ 74	$ 62	$ 34	$ 110	$ 27	$ 11	$ 28	$ 76	$ 16
(6)	—	—	10	(99)	18	5	—	—	4
(5)	(3)	—	—	—	—	—	—	77	1
—	—	—	—	15	—	2	1	2	1
—	—	—	—	85	—	—	—	—	—
—	—	2	—	(2)	—	—	—	1	1
(11)	(3)	2	10	(1)	18	7	1	80	7
$ 56	$ 71	$ 64	$ 44	$ 109	$ 45	$ 18	$ 29	$ 156	$ 23
$ 43	$ 71	$ 72	$ 29	$ 75	$ 30	$ 30	$ 29	$ 49	$ 21
(8)	—	—	3	(13)	(14)	(5)	—	—	(5)
—	—	—	—	1	—	—	—	—	—
4	16	—	3	—	—	—	—	80	(4)
—	—	—	—	15	—	2	1	1	1
—	—	—	—	19	—	—	—	—	—
—	—	1	6	(1)	1	—	—	(2)	—
(4)	16	1	12	21	(13)	(3)	1	79	(8)
$ 39	$ 87	$ 73	$ 41	$ 96	$ 17	$ 27	$ 30	$ 128	$ 13

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
September 30, 2014				
Net income	$ 1,696	$ (37)	$ 115	$ 238
Other comprehensive income				
Net unrealized gains/losses on available-for-sale securities	264	2	20	1
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	338	2	—	—
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	104	(1)	38	8
Net unrealized gains/losses relating to hedging activities	44	—	(17)	(30)
Pension and postretirement benefits	10	(3)	—	7
Total other comprehensive income (loss)	760	—	41	(14)
Comprehensive income	$ 2,456	$ (37)	$ 156	$ 224
September 30, 2013				
Net income	$ 1,847	$ 27	$ 127	$ 216
Other comprehensive income				
Net unrealized gains/losses on available-for-sale securities	(715)	—	(61)	(8)
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities	2	—	—	—
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	868	—	—	—
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	119	—	46	8
Net unrealized gains/losses relating to hedging activities	428	—	11	78
Pension and postretirement benefits	7	—	(1)	1
Total other comprehensive income (loss)	709	—	(5)	79
Comprehensive income (loss)	$ 2,556	$ 27	$ 122	$ 295

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 192	$ 213	$ 180	$ 101	$ 285	$ 91	$ 38	$ 79	$ 160	$ 41
49	—	—	22	37	65	35	—	—	33
14	14	—	13	—	—	—	—	235	60
—	—	—	—	43	—	6	3	5	2
—	—	—	—	91	—	—	—	—	—
—	1	2	—	1	—	—	—	1	1
63	15	2	35	172	65	41	3	241	96
$ 255	$ 228	$ 182	$ 136	$ 457	$ 156	$ 79	$ 82	$ 401	$ 137
$ 104	$ 228	$ 197	$ 138	$ 304	$ 73	$ 70	$ 82	$ 234	$ 47
(59)	—	—	(10)	(450)	(77)	(25)	—	—	(25)
—	—	—	—	2	—	—	—	—	—
48	140	—	28	8	—	—	—	515	129
—	—	—	—	46	—	7	4	5	3
—	—	—	—	339	—	—	—	—	—
—	1	1	6	—	1	(1)	—	(1)	—
(11)	141	1	24	(55)	(76)	(19)	4	519	107
$ 93	$ 369	$ 198	$ 162	$ 249	$ (3)	$ 51	$ 86	$ 753	$ 154

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Balance, December 31, 2012	$ 42,547	$ 76	$ 3,566	$ 5,491
Proceeds from issuance of capital stock	12,123	—	120	3,192
Repurchases/redemptions of capital stock	(11,469)	—	(275)	(2,502)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(1,932)	—	(859)	(4)
Dividends of capital stock	28	—	—	—
Comprehensive income	2,556	27	122	295
Dividends				
Cash	(577)	—	(9)	(146)
Stock	(28)	—	—	—
Balance, September 30, 2013	$ 43,248	$ 103	$ 2,665	$ 6,326
Balance, December 31, 2013	$ 45,070	$ 91	$ 2,837	$ 6,485
Proceeds from issuance of capital stock	12,571	—	130	3,063
Repurchases/redemptions of capital stock	(12,195)	—	(266)	(3,036)
Net shares reclassified (to)/from mandatorily redeemable capital stock	(347)	(1)	—	—
Dividends of capital stock	35	1	—	—
Comprehensive income	2,456	(37)	156	224
Dividends				
Cash	(838)	3	(28)	(174)
Stock	(35)	(1)	—	—
Balance, September 30, 2014	$ 46,717	$ 56	$ 2,829	$ 6,562

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 3,428	$ 6,275	$ 4,537	$ 2,216	$ 3,448	$ 2,834	$ 1,771	$ 1,721	$ 5,613	$ 1,571
935	3,427	710	145	224	1,960	717	386	298	9
(1,261)	(3,966)	—	—	(253)	(1,313)	(771)	(172)	(929)	(27)
(1)	(8)	(19)	(95)	(58)	(20)	(26)	(208)	(3)	(631)
—	—	—	—	—	—	3	25	—	—
93	369	198	162	249	(3)	51	86	753	154
(11)	(84)	(131)	(43)	(4)	(39)	(1)	—	(109)	—
—	—	—	—	—	—	(3)	(25)	—	—
$ 3,183	$ 6,013	$ 5,295	$ 2,385	$ 3,606	$ 3,419	$ 1,741	$ 1,813	$ 5,623	$ 1,076
$ 3,693	$ 6,652	$ 5,310	$ 2,384	$ 3,765	$ 3,457	$ 1,747	$ 1,802	$ 5,709	$ 1,138
1,355	3,415	48	116	277	2,029	857	629	624	28
(1,230)	(3,640)	(498)	—	(146)	(1,260)	(740)	(594)	(771)	(14)
(8)	(4)	(17)	—	—	(5)	(3)	(228)	(3)	(78)
—	—	—	—	—	—	3	31	—	—
255	228	182	136	457	156	79	82	401	137
(74)	(131)	(134)	(53)	(9)	(57)	(1)	(1)	(178)	(1)
—	—	—	—	—	—	(3)	(31)	—	—
$ 3,991	$ 6,520	$ 4,891	$ 2,583	$ 4,344	$ 4,320	$ 1,939	$ 1,690	$ 5,782	$ 1,210

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2014
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Operating activities				
Net cash provided by (used in) operating activities	$ 2,484	$ (2)	$ 40	$ 445
Investing activities				
Net change/net proceeds and payments in				
Premises, software, and equipment	(35)	1	(1)	(2)
Investments	5,421	—	(2,050)	573
Advances	(47,222)	—	(3,977)	(9,280)
Mortgage loans held for portfolio	1,028	(2)	(48)	(115)
Proceeds from sales of foreclosed assets	138	—	7	2
Principal collected on other loans	2	—	—	—
Net cash provided by (used in) investing activities	(40,668)	(1)	(6,069)	(8,822)
Financing activities				
Net change in				
Deposits and pass-through reserves	(981)	1	4	274
Net proceeds (payments) on derivative contracts with financing element	(589)	(1)	(13)	(178)
Net proceeds from issuance of consolidated obligations				
Discount notes	2,909,303	2	97,204	142,137
Bonds	285,864	1	9,192	51,924
Payments for maturing and retiring consolidated obligations				
Discount notes	(2,874,974)	—	(90,706)	(151,941)
Bonds	(269,967)	(1)	(7,596)	(45,334)
Proceeds from issuance of capital stock	12,571	—	130	3,063
Payments for repurchases/redemptions of mandatorily redeemable capital stock	(2,295)	(3)	(733)	(5)
Payments for repurchases/redemptions of capital stock	(12,195)	—	(266)	(3,036)
Cash dividends paid	(838)	3	(28)	(174)
Net cash provided by (used in) financing activities	45,899	2	7,188	(3,270)
Net increase (decrease) in cash and due from banks	7,715	(1)	1,159	(11,647)
Cash and due from banks at beginning of the period	45,773	—	641	15,310
Cash and due from banks at end of the period	$ 53,488	$ (1)	$ 1,800	$ 3,663

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 188	$ 247	$ 208	$ 188	$ 592	$ 123	$ 142	$ 152	$ 124	$ 37
(2)	(3)	(1)	(4)	(8)	(3)	(2)	(1)	(8)	(1)
(455)	(3,001)	1,750	339	6,235	2,291	(1,927)	(330)	2,146	(150)
(2,959)	797	(6,229)	(2,044)	(3,224)	(18,660)	(2,820)	(3,218)	3,707	685
99	119	(100)	(285)	1,289	21	15	(227)	151	111
14	19	—	—	76	13	—	4	3	—
—	—	—	—	—	—	—	2	—	—
(3,303)	(2,069)	(4,580)	(1,994)	4,368	(16,338)	(4,734)	(3,770)	5,999	645
(18)	(491)	(163)	(47)	(14)	(297)	(265)	(283)	288	30
(25)	(72)	(23)	(46)	(46)	(6)	(126)	(49)	6	(10)
91,600	353,466	208,015	35,623	924,591	159,080	190,366	41,056	83,632	582,531
14,441	64,255	35,648	15,948	16,891	21,537	9,754	7,182	28,729	10,362
(88,300)	(359,620)	(209,344)	(32,952)	(925,174)	(134,416)	(178,918)	(35,999)	(83,393)	(584,211)
(12,240)	(55,339)	(36,892)	(15,656)	(13,888)	(21,361)	(13,926)	(7,237)	(30,966)	(9,531)
1,355	3,415	48	116	277	2,029	857	629	624	28
(7)	(9)	(23)	(1)	—	(4)	(1)	(229)	(998)	(282)
(1,230)	(3,640)	(498)	—	(146)	(1,260)	(740)	(594)	(771)	(14)
(74)	(131)	(134)	(53)	(9)	(57)	(1)	(1)	(178)	(1)
5,502	1,834	(3,366)	2,932	2,482	25,245	7,000	4,475	(3,027)	(1,098)
2,387	12	(7,738)	1,126	7,442	9,030	2,408	857	3,096	(416)
3,121	4,374	8,599	3,319	971	448	911	1,714	4,906	1,459
$ 5,508	$ 4,386	$ 861	$ 4,445	$ 8,413	$ 9,478	$ 3,319	$ 2,571	$ 8,002	$ 1,043

FEDERAL HOME LOAN BANKS
CONDENSED COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2013
(Unaudited)

(dollars in millions)	Combined	Combining Adjustments	Boston	New York
Operating activities				
Net cash provided by (used in) operating activities	$ 3,081	$ —	$ 126	$ 391
Investing activities				
Net change/net proceeds and payment in				
Premises, software, and equipment	(54)	—	(1)	(3)
Investments	25,746	(5)	4,931	(269)
Advances	(44,034)	—	(1,937)	(14,469)
Mortgage loans held for portfolio	4,105	—	61	(100)
Proceeds from sales of foreclosed assets	131	—	9	1
Principal collected on other loans	1	—	—	—
Net cash provided by (used in) investing activities	(14,105)	(5)	3,063	(14,840)
Financing activities				
Net change in				
Deposits and pass-through reserves	(2,926)	5	(23)	(462)
Net proceeds (payments) on derivative contracts with financing element	(601)	—	(14)	(176)
Net proceeds from issuance of consolidated obligations				
Discount notes	2,385,053	—	40,912	128,770
Bonds	271,578	—	4,802	49,700
Bonds transferred from other FHLBanks	—	(202)	80	—
Payments for maturing and retiring consolidated obligations				
Discount notes	(2,366,154)	—	(39,075)	(116,284)
Bonds	(257,420)	—	(6,677)	(43,643)
Bonds transferred to other FHLBanks	—	202	—	(29)
Proceeds from issuance of capital stock	12,123	—	120	3,192
Payments for repurchases/redemptions of mandatorily redeemable capital stock	(3,049)	—	(98)	(3)
Payments for repurchases/redemptions of capital stock	(11,469)	—	(275)	(2,502)
Cash dividends paid	(577)	—	(9)	(146)
Net cash provided by (used in) financing activities	26,558	5	(257)	18,417
Net increase (decrease) in cash and due from banks	15,534	—	2,932	3,968
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	$ 34,094	$ —	$ 3,173	$ 11,521

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 427	$ 290	$ 237	$ 246	$ 702	$ 99	$ 152	$ 133	$ 183	$ 95
(2)	(2)	(3)	(8)	(9)	(6)	(1)	(4)	(6)	(9)
3,054	2,549	(2,592)	3,030	7,409	1,113	2,715	569	3,397	(155)
768	7,794	(12,023)	(984)	(404)	(19,384)	1,518	(2,377)	(757)	(1,779)
258	246	685	(168)	2,242	327	25	(2)	317	214
—	19	—	—	75	20	—	4	3	—
—	—	—	—	—	—	—	1	—	—
4,078	10,606	(13,933)	1,870	9,313	(17,930)	4,257	(1,809)	2,954	(1,729)
(243)	(199)	(265)	(672)	(218)	(399)	(301)	(419)	347	(77)
(24)	(121)	(29)	(54)	(53)	(6)	(151)	(50)	59	18
194,551	197,301	124,098	52,000	526,897	90,857	138,036	72,658	91,095	727,878
21,153	62,917	26,659	16,351	14,397	30,390	5,671	6,362	19,103	14,073
—	—	—	—	—	—	—	—	122	—
(196,716)	(212,758)	(121,399)	(53,119)	(538,635)	(71,313)	(138,504)	(69,142)	(74,487)	(734,722)
(20,744)	(57,996)	(14,711)	(16,024)	(10,760)	(32,186)	(9,142)	(7,145)	(32,922)	(5,470)
—	—	—	—	—	(173)	—	—	—	—
935	3,427	710	145	224	1,960	717	386	298	9
(433)	(24)	(109)	(291)	(59)	(16)	(1)	(209)	(1,758)	(48)
(1,261)	(3,966)	—	—	(253)	(1,313)	(771)	(172)	(929)	(27)
(11)	(84)	(131)	(43)	(4)	(39)	(1)	—	(109)	—
(2,793)	(11,503)	14,823	(1,707)	(8,464)	17,762	(4,447)	2,269	819	1,634
1,712	(607)	1,127	409	1,551	(69)	(38)	593	3,956	—
1,351	4,083	16	105	3,564	252	921	370	104	—
$ 3,063	$ 3,476	$ 1,143	$ 514	$ 5,115	$ 183	$ 883	$ 963	$ 4,060	$ —

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SELECTED FINANCIAL DATA

(dollars in millions)	2014 September 30,	2014 June 30,	2014 March 31,	2013 December 31,	2013 September 30,
Selected Statement of Condition Data at					
Investments(1)	$ 239,295	$ 262,475	$ 272,822	$ 242,863	$ 242,327
Advances	544,568	536,634	484,442	498,599	465,110
Mortgage loans held for portfolio	43,401	43,377	43,732	44,530	45,267
Allowance for credit losses on mortgage loans	(56)	(63)	(71)	(88)	(99)
Total assets	883,061	865,891	820,585	834,200	789,102
Consolidated obligations					
Discount notes	327,636	322,832	267,560	293,296	235,180
Bonds	490,063	478,448	487,166	473,845	486,548
Total consolidated obligations	817,699	801,280	754,726	767,141	721,728
Mandatorily redeemable capital stock	3,051	3,614	4,486	4,998	5,812
Subordinated notes(2)	944	944	944	944	1,000
Capital					
Total capital stock(3)	33,439	33,268	31,773	33,375	32,285
Retained earnings	13,029	12,695	12,467	12,206	11,764
Accumulated other comprehensive income (loss)	249	121	(194)	(511)	(801)
Total capital	46,717	46,084	44,046	45,070	43,248
Selected Statement of Income Data for the quarter ended					
Net interest income	$ 866	$ 860	$ 856	$ 888	$ 845
Provision (reversal) for credit losses	(5)	(4)	(11)	(6)	(3)
Net interest income after provision (reversal) for credit losses	871	864	867	894	848
Non-interest income	88	(35)	6	150	(5)
Non-interest expense	258	252	250	280	241
Affordable Housing Program assessments	74	63	68	84	65
Net income	$ 627	$ 514	$ 555	$ 680	$ 537
Selected Other Data for the quarter ended					
Cash and stock dividends	$ 293	$ 286	$ 294	$ 238	$ 223
Dividend payout ratio(4)	46.73 %	55.64 %	52.97 %	35.00 %	41.53 %
Return on average equity(5)	5.39 %	4.61 %	5.01 %	6.15 %	4.95 %
Return on average assets	0.28 %	0.24 %	0.27 %	0.33 %	0.27 %
Average equity to average assets	5.22 %	5.27 %	5.38 %	5.36 %	5.52 %
Net interest margin(6)	0.39 %	0.41 %	0.42 %	0.43 %	0.43 %
Selected Other Data at					
Total GAAP capital-to-assets ratio	5.29 %	5.32 %	5.37 %	5.40 %	5.48 %
Combined regulatory capital-to-assets ratio(7)	5.61 %	5.73 %	5.94 %	6.06 %	6.32 %

(1) Investments consist of interest-bearing deposits, securities purchased under agreements to resell, federal funds sold, trading securities, available-for-sale securities, and held-to-maturity securities.
(2) The subordinated notes outstanding, issued by the FHLBank of Chicago, mature on June 13, 2016. The subordinated notes are not obligations of, and are not guaranteed by, the U.S. government or any of the FHLBanks other than the FHLBank of Chicago.
(3) FHLBank capital stock is redeemable at the request of a member subject to the statutory redemption periods and other conditions and limitations. (See *Note 13 - Capital* to the accompanying combined financial statements for additional information on the statutory redemption periods and other conditions and limitations.)
(4) Dividend payout ratio is equal to dividends declared in the period expressed as a percentage of net income in the period. This ratio may not be as relevant to the combined balances because there are no shareholders at the FHLBank System-wide level.
(5) Return on average equity is equal to net income expressed as a percentage of average total capital.
(6) Net interest margin is equal to net interest income represented as a percentage of average interest-earning assets.
(7) The combined regulatory capital-to-assets ratio is calculated based on each FHLBank's regulatory capital as a percentage of combined total assets. (See *Note 13 - Capital* to the accompanying combined financial statements for a definition and discussion of regulatory capital.)

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

Investors should read this financial discussion and analysis of combined financial condition and combined results of operations together with the combined financial statements and the accompanying notes in this Combined Financial Report of the 12 Federal Home Loan Banks (FHLBanks). Each FHLBank discusses its financial condition and results of operations in its periodic reports filed with the Securities Exchange Commission (SEC). The results of operations for interim periods are not necessarily indicative of the results to be expected for the year ending December 31, 2014, or for other interim periods. The unaudited financial statements, included in this Combined Financial Report, should be read in conjunction with the audited combined financial statements for the year ended December 31, 2013, included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013.

Each FHLBank's Annual Report on Form 10-K and Quarterly Report on Form 10-Q filed with the SEC contains, as required by applicable SEC rules, a "Management's Discussion and Analysis of Financial Condition and Results of Operations," commonly called MD&A. The SEC notes that one of the principal objectives of MD&A is "to provide a narrative explanation of a company's financial statements that enables investors to see the company through the eyes of management." 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. Instead, a "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations" is 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 accounting principles generally accepted in the United States of America (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, dollar amounts disclosed in this Combined Financial Report represent values rounded to the nearest million. Dollar amounts less than one million are not reflected in this Combined Financial Report.

Forward-Looking Information

Statements contained in this report, including statements describing the objectives, projections, estimates, or future predictions of the FHLBanks and Office of Finance, may be "forward-looking statements." These statements may use forward-looking terminology, such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or their negatives or other variations on these terms. Investors should note that forward-looking statements, by their nature, involve risks or uncertainties, including those set forth in *Risk Factors* on pages 20 to 28 of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013, along with any changes disclosed in this report. Therefore, the actual results could differ materially from those expressed or implied in these forward-looking statements or could affect the extent to which a particular objective, projection, estimate, or prediction is realized.

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

- changes in the general economy, money and capital markets, the rate of inflation (or deflation), employment rates, housing market activity and housing prices, the size and volatility of the residential mortgage market, and uncertainty regarding the global economy;
- volatility of market prices, interest rates, and indices or other factors that could affect the value of investments or collateral held by the FHLBanks resulting from the effects of, and changes in, various monetary or fiscal policies and regulations, including those determined by the Federal Reserve Board and the Federal Deposit Insurance Corporation (FDIC), or a decline in liquidity in the financial markets;

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

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

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

- loss of members and repayment of advances made to those members due to institutional failures, consolidations, or withdrawals from FHLBank membership, and changes in the financial health of members;

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

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

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

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

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

Executive Summary

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

Overview

The FHLBanks are GSEs, federally-chartered, but privately capitalized and independently managed. The 12 FHLBanks together with the Office of Finance, the fiscal agent of the FHLBanks, comprise the FHLBank System. All FHLBanks and the Office of Finance 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 the stated 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 strive to achieve this balance by providing value to their members through advances, other services, and dividend payments. The net interest spread between the annualized yield on total interest-earning assets and the annualized yield on total interest-bearing liabilities is the FHLBanks' primary source of earnings. However, due to the FHLBanks' cooperative structures, the FHLBanks generally earn a narrow net interest spread.

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 consolidated obligations receiving the same credit rating as the government bond credit rating of the United States, even though the consolidated obligations are not obligations of the United States. In addition to ratings on the FHLBanks' consolidated obligations, each FHLBank is rated individually by Moody's Investors Service (Moody's) and Standard & Poor's Ratings Services (S&P). Investors should note that a rating issued by a rating agency is not a recommendation to buy, sell, or hold securities, and that the ratings may be revised or withdrawn by the rating agency at any time. Investors should evaluate the rating of each rating agency independently. FHLBank debt is neither the obligation of, nor is it guaranteed by, the United States or any government agency. Moody's, S&P, or other rating organizations could downgrade or upgrade the credit rating of the U.S. government and, in turn, GSEs, including the FHLBanks.

Business Environment

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

Economy and Financial Markets. As part of their overall business strategy, the FHLBanks' members typically use wholesale funding in the form of advances along with other sources of funding, such as retail deposits, as sources of liquidity to make residential mortgage loans. The FHLBanks' overall results of operations are influenced by the economy and financial markets, and, in particular, by the FHLBanks' member demand for wholesale funding. Advances outstanding increased at September 30, 2014, compared to December 31, 2013, driven by higher member demand, particularly by large-asset members.

During the three and nine months ended September 30, 2014, economic activity has rebounded as reflected by the lower unemployment rate, rising household spending, and growth in business investments in fixed capital. Conditions in the labor market continued to improve, and the unemployment rate stood at 5.9% in September 2014. U.S. gross domestic product increased at an annual rate of 4.6% and 3.5% in the second and third quarters of 2014, after a decrease of 2.1% in the first quarter of 2014, according to estimates released by the Bureau of Economic Analysis.

Financial markets continued to stabilize during the three and nine months ended September 30, 2014. In October 2014, the Federal Open Market Committee expressed its view on the substantial improvement in the outlook for the labor market and the underlying strength in the broader economy to support ongoing progress toward maximum employment. Therefore, the Federal Open Market Committee decided to conclude its asset purchase program, otherwise known as quantitative easing. However, the Federal Open Market Committee is maintaining its existing policy of reinvesting principal payments from its agency debt and agency mortgage-backed securities (MBS) holdings back into agency MBS and of rolling over maturing Treasury securities at auction.

Conditions in Housing Markets. Conditions in the U.S. housing markets primarily affect the FHLBanks through the creation of demand for, and yield on, advances and mortgage loans, as well as the yield on investments in mortgage-backed securities. In general, the housing market continues to stabilize, as prices have moderated and inventory levels have improved, but it continues to face ongoing challenges such as lack of real wage growth and tight credit standards, which deter potential buyers from taking advantage of low interest rates. The overall rise in housing prices has reduced the number of homeowners whose mortgage loan balances exceed the fair market value of their homes and has reduced the number of distressed homes being sold.

Interest Rate Levels and Volatility. The level and volatility of interest rates affect FHLBank member demand for wholesale funding. They also impact the FHLBanks' combined results of operations primarily through net interest income and the valuation of certain assets and liabilities. During the nine months ended September 30, 2014, compared to the nine months ended September 30, 2013, average short-term interest rates have generally decreased, and average intermediate- and long-term rates have generally increased. However, volatility on Treasury rates was generally low, resulting in a fairly stable environment for debt issuance. During the three and nine months ended September 30, 2014, the FHLBank System maintained sufficient access to funding at relatively attractive levels.

The Federal Reserve Board, acting through its Federal Open Market Committee, indicated in October 2014, that it will maintain its target range for the federal funds rate at zero to one quarter percent. In determining how long to maintain this target range, the Federal Open Market Committee will assess progress, both realized and expected, toward its objectives of maximum employment and two percent inflation. The Federal Open Market Committee stated that it anticipates, based on its current assessment of a wide range of information, that it likely will be appropriate to maintain the current target range for the federal funds rate for a considerable time following the end of its asset purchase program in October 2014, especially if projected inflation continues to run below the Federal Open Market Committee's two percent longer-run goal, and provided that longer-term inflation expectations remain well anchored.

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

FHLBanks of Des Moines and Seattle Announce Merger Discussions

On July 31, 2014, the FHLBanks of Des Moines and Seattle announced that they had entered into an exclusivity arrangement regarding a potential merger of these two FHLBanks. A detailed due diligence process was completed by both FHLBanks throughout the third quarter of 2014 for the purpose of weighing the long-term benefits and impact of a potential merger. On September 25, 2014, the boards of both FHLBanks unanimously approved, and these FHLBanks executed, a definitive merger agreement. The closing of the merger is subject to certain closing conditions, including approval by the FHFA and ratification by the member-owners of both FHLBanks. A merger application was sent to the FHFA for approval on October 31, 2014. The resulting combined FHLBank is currently expected to be headquartered in Des Moines.

FHLBanks' Financial Highlights

Combined Financial Condition. Total assets were $883.1 billion at September 30, 2014, an increase of 5.9% from $834.2 billion at December 31, 2013. Advances were $544.6 billion, an increase of 9.2% driven by higher member demand, particularly by large-asset members. Investments were $239.3 billion, a decrease of 1.5% due primarily to decreases in securities purchased under agreements to resell and investment securities, partially offset by an increase in federal funds sold. Mortgage loans were $43.3 billion, a decrease of 2.5% resulting from principal repayments continuing to exceed purchases.

FHLBank debt issuance is generally driven by members' needs for advances. During the three and nine months ended September 30, 2014, the FHLBanks maintained continual access to funding and adapted their debt issuance to meet the needs of their members. Total liabilities were $836.3 billion at September 30, 2014, an increase of 6.0% from $789.1 billion at December 31, 2013, driven by a 6.6% increase in consolidated obligations. This increase in consolidated obligations, primarily consisting of an increase in discount notes, was driven by funding needs related to the growth in advances.

Total GAAP capital was $46.7 billion at September 30, 2014, an increase of 3.7% from $45.1 billion at December 31, 2013. This increase was primarily the result of growth in retained earnings and an improvement in accumulated other comprehensive income (loss). Retained earnings grew 6.7% due to net income of $1,696 million, offset by dividends of $873 million.

Combined Results of Operations. Net income for the three months ended September 30, 2014, was $627 million, an increase of 16.8% compared to the same period in 2013. This increase resulted primarily from increases in non-interest income and net interest income, partially offset by an increase in non-interest expense. Net income for the nine months ended September 30, 2014, was $1,696 million, a decrease of 8.2% compared to the same period in 2013. This decrease resulted primarily from a decline in non-interest income and an increase in non-interest expense, partially offset by an increase in net interest income.

Net interest income after provision (reversal) for credit losses for the three and nine months ended September 30, 2014, was $871 million and $2,602 million, increases of 2.7% and 2.4% compared to the same periods in 2013. Net interest margin for the three and nine months ended September 30, 2014, was 0.39% and 0.41%, decreases of 4 and 3 basis points compared to the same periods in 2013. Interest income was $1,973 million and $6,008 million for the three and nine months ended September 30, 2014, decreases of 5.0% and 5.1% compared to the same periods in 2013. These decreases were due to lower yields on interest-earning assets and decreases in the average balances of mortgage loans, partially offset by increases in the average balances of advances and investments, and accretion of prior credit impairments into interest income over the remaining lives of certain other-than-temporarily impaired private-label mortgage-backed securities. Interest expense was $1,107 million and $3,426 million for the three and nine months ended September 30, 2014, decreases of 10.1% and 9.9% compared to the same periods in 2013. These decreases were driven by lower yields on consolidated obligations, including the cumulative effect of redemptions and refinancings of higher-cost consolidated obligations, partially offset by increases in the average balances of consolidated obligations.

Non-interest income for the three months ended September 30, 2014, was $88 million, an increase of $93 million compared to the same period in 2013. This increase was due primarily to net gains on derivatives and hedging activities, gains on litigation settlements, and lower net losses on financial instruments held under fair value option, partially offset by net losses on debt extinguishments. Non-interest income for the nine months ended September 30, 2014, was $59 million, a decrease of $120 million compared to the same period in 2013. This decrease was due to net losses on derivatives and hedging activities and net losses on financial instruments held under fair value option, partially offset by lower net losses on trading securities and gains on litigation settlements.

Non-interest expense for the three and nine months ended September 30, 2014, was $258 million and $760 million, increases of 7.1% and 14.6% compared to the same periods in 2013.

Affordable Housing Program assessments for the three months ended September 30, 2014, were $74 million, an increase of 13.8% compared to the same period in 2013. Affordable Housing Program assessments for the nine months ended September 30, 2014, were $205 million, a decrease of 1.9% compared to the same period in 2013.

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

Combined Financial Condition

Total assets were $883.1 billion at September 30, 2014, an increase of 5.9% from $834.2 billion at December 31, 2013, led by increases in advances and cash, partially offset by decreases in investments and mortgage loans. Total consolidated obligations were $817.7 billion at September 30, 2014, an increase of 6.6% from $767.1 billion at December 31, 2013, due to funding needs related to the growth in advances. The following discussion contains information on the major categories of the FHLBanks' Combined Statement of Condition: advances, investments, mortgage loans, consolidated obligations, deposits, and capital.

Advances

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

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

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

	September 30, 2014		December 31, 2013	
	Amount	Percentage of Total	Amount	Percentage of Total
Fixed-rate	$ 271,733	50.3%	$ 277,858	56.5%
Adjustable/variable-rate indexed	230,987	42.8%	174,939	35.5%
Hybrid(1)	18,185	3.4%	20,334	4.1%
Amortizing(2)/mortgage-matched	11,376	2.1%	11,395	2.3%
Convertible	6,865	1.3%	7,460	1.5%
Other advances	644	0.1%	573	0.1%
Total par value	539,790	100.0%	492,559	100.0%
Other(3)	4,778		6,040	
Total	$ 544,568		$ 498,599	

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

The outstanding carrying value of advances was $544.6 billion at September 30, 2014, an increase of $46.0 billion or 9.2% from $498.6 billion at December 31, 2013. This increase was driven by higher member demand, particularly by large-asset members. The percentage of members with outstanding advances was 58.9% at September 30, 2014, compared to 57.4% at December 31, 2013.

Table 2 presents cash flows related to advance originations and repayments, which illustrates advance originations exceeding repayments during the three and nine months ended September 30, 2014 and 2013, resulting in growth in advances during those periods. Contributing to the increase in both advance originations and advance repayments during the three and nine months ended September 30, 2014, compared to the same periods in 2013, was members electing to restructure high-yielding advances in the current low interest-rate environment. In addition, during the three and nine months ended September 30, 2014, certain of the FHLBanks issued more short-term advances, many having overnight maturities, compared to the same periods in 2013.

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
Advances originated	$ 1,302,529	$ 911,151	$ 391,378	$ 3,501,688	$ 2,568,364	$ 933,324
Advances repaid	1,293,307	904,191	389,116	3,454,466	2,524,330	930,136
Net change	$ 9,222	$ 6,960		$ 47,222	$ 44,034	

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

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

	September 30, 2014		December 31, 2013	
	Par Value	Percentage of Total Par Value of Advances	Par Value	Percentage of Total Par Value of Advances
Commercial bank members	$ 351,657	65.1%	$ 317,579	64.5%
Thrift members	77,651	14.4%	77,134	15.6%
Insurance company members	66,750	12.4%	59,391	12.1%
Credit union members	33,143	6.1%	26,990	5.4%
Community development financial institution members	68	—	59	—
Total member advances	529,269	98.0%	481,153	97.6%
Non-member borrowers	10,190	1.9%	11,092	2.3%
Housing associates	331	0.1%	314	0.1%
Total par value	$ 539,790	100.0%	$ 492,559	100.0%

Table 4 - Member Borrowers by Type of Member

	September 30, 2014		December 31, 2013	
	Number	Percentage of Total Member Borrowers	Number	Percentage of Total Member Borrowers
Commercial banks	3,108	71.4%	3,110	72.2%
Thrifts	622	14.3%	640	14.8%
Credit unions	487	11.2%	436	10.1%
Insurance companies	129	3.0%	118	2.8%
Community development financial institutions	8	0.1%	6	0.1%
Total member borrowers	4,354	100.0%	4,310	100.0%
Total members	7,393		7,504	

Table 5 presents the FHLBanks' top 10 advance holding borrowers at the holding-company level based on advances outstanding at par at September 30, 2014. The percentage of total advances for each holding company was computed by dividing the par value of advances by subsidiaries of that holding company by the total combined par value of advances. These percentage concentrations do not represent borrower concentrations at an individual FHLBank.

Table 5 - Top 10 Advance Holding Borrowers by Holding Company at September 30, 2014
(dollars in millions)

Holding Company Name(1)	FHLBank Districts(2)	Par Value	Percentage of Total Par Value of Advances
JPMorgan Chase & Co.	Pittsburgh, Cincinnati, Chicago, San Francisco, Seattle	$ 59,957	11.1%
Citigroup Inc.	New York, Dallas, San Francisco	34,501	6.4%
Wells Fargo & Company	Des Moines, San Francisco	34,115	6.3%
Bank of America Corporation	Boston, New York, Atlanta, San Francisco, Seattle	25,935	4.8%
The PNC Financial Services Group, Inc.	New York, Pittsburgh, Atlanta, Cincinnati	16,468	3.1%
MetLife, Inc.	Boston, New York, Pittsburgh, Des Moines	14,985	2.8%
Capital One Financial Corporation	Atlanta, Dallas	10,870	2.0%
New York Community Bancorp, Inc.	New York, Cincinnati	10,528	2.0%
SunTrust Banks, Inc.	Atlanta	9,012	1.7%
Banco Santander, S.A.	Pittsburgh	8,105	1.5%
		$ 224,476	41.7%

(1) Holding company information was obtained from the Federal Reserve System's web site, the National Information Center (NIC), and SEC filings. The NIC is a central repository of data about banks and other institutions for which the Federal Reserve System has a supervisory, regulatory, or research interest, including both domestic and foreign banking organizations operating in the United States.
(2) At September 30, 2014, each holding company had subsidiaries with advance borrowings in these FHLBank districts.

Investments

The FHLBanks maintain investment portfolios for liquidity purposes, to use balance sheet capacity, and to generate additional earnings. This investment income bolsters the FHLBanks' capacity to meet their commitments to affordable housing and community investment. Table 6 presents the composition of investments and investment securities as of September 30, 2014 and December 31, 2013.

Table 6 - Total Investments
(dollars in millions)

Carrying Value	September 30, 2014	December 31, 2013	Change
Interest-bearing deposits	$ 1,569	$ 1,007	$ 562
Securities purchased under agreements to resell	8,590	20,350	(11,760)
Federal funds sold	39,848	29,500	10,348
Total investment securities by major security type			
Non-mortgage-backed securities			
U.S. Treasury obligations	1,229	2,847	(1,618)
Commercial paper	38	—	38
Certificates of deposit	3,869	4,371	(502)
Other U.S. obligations	6,672	6,746	(74)
GSE and Tennessee Valley Authority obligations	26,876	25,962	914
State or local housing agency obligations	3,972	3,563	409
Federal Family Education Loan Program ABS	6,444	6,804	(360)
Other	1,355	1,404	(49)
Total non-mortgage-backed securities	50,455	51,697	(1,242)
Mortgage-backed securities			
Other U.S. obligations residential MBS	14,144	13,438	706
Other U.S. obligations commercial MBS	939	524	415
GSE residential MBS	94,948	97,165	(2,217)
GSE commercial MBS	9,571	7,928	1,643
Private-label residential MBS	18,866	20,839	(1,973)
Manufactured housing loan ABS	110	125	(15)
Home equity loan ABS	255	290	(35)
Total mortgage-backed securities	138,833	140,309	(1,476)
Total investment securities	189,288	192,006	(2,718)
Total investments	$ 239,295	$ 242,863	$ (3,568)

Total investments were $239.3 billion at September 30, 2014, a decrease of $3.6 billion or 1.5% from $242.9 billion at December 31, 2013, due primarily to decreases in securities purchased under agreements to resell and investment securities, partially offset by an increase in federal funds sold.

Amortized Cost. The amortized cost of available-for-sale (AFS) and held-to-maturity (HTM) securities includes adjustments made to the cost basis. At September 30, 2014 and December 31, 2013, the amortized cost of the FHLBanks' AFS MBS included credit losses, accretion adjustments related to other-than-temporary impairment (OTTI), and purchased premiums and discounts totaling $2,217 million and $2,463 million. At September 30, 2014 and December 31, 2013, the amortized cost of the FHLBanks' HTM MBS included credit losses, accretion adjustments related to OTTI, and purchased premiums and discounts totaling $819 million and $912 million.

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

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

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

The yield earned on these short-term investments is tied directly to short-term market interest rates. At September 30, 2014, the FHLBanks continued to maintain significant short-term investment balances as part of their ongoing strategies and to satisfy regulatory liquidity requirements. (See *Liquidity* for further discussion related to liquidity management.)

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

Unrealized Losses on Mortgage-Backed Securities. Unrealized losses, including the net effect of non-credit-related OTTI recognized in AOCI, on the FHLBanks' AFS MBS decreased $239 million from December 31, 2013, to September 30, 2014. This decline was primarily driven by an increase in the fair value of certain private-label residential MBS.

Unrealized losses, including the net effect of non-credit-related OTTI recognized in AOCI, on the FHLBanks' HTM MBS decreased $616 million from December 31, 2013, to September 30, 2014. The decrease in unrealized losses was primarily related to an increase in fair value of certain government-sponsored enterprise MBS, which was due primarily to changes in interest rates. However, this increase in fair value of HTM MBS is not recorded in the Combined Statement of Condition or in the Combined Statement of Comprehensive Income, as these investments are held-to-maturity. Also contributing to the decrease in unrealized losses was the accretion of the non-credit portion of OTTI losses, recorded in AOCI, on HTM securities that had experienced non-credit-related OTTI in previous periods. For these securities, the non-credit-related impairment is accreted prospectively, based on the amount and timing of future cash flows, over the remaining life of the security as an increase in its carrying value. There is no effect on earnings unless the security is subsequently sold or there are additional decreases in cash flows expected to be collected.

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

OTTI on Investment Securities. Each FHLBank evaluates its individual AFS and HTM investment securities holdings for OTTI on a quarterly basis. Private-label residential MBS, private-label commercial MBS, manufactured housing loan asset-backed securities (ABS), and home equity loan ABS (collectively referred to as private-label mortgage-backed securities) are those investment securities that generally carry the greatest risk of loss. For the three and nine months ended September 30, 2014, affected FHLBanks recognized $5 million and $11 million of net OTTI losses related to AFS and HTM private-label mortgage-backed securities. For the three and nine months ended September 30, 2013, affected FHLBanks recognized $6 million and $12 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 and nine months ended September 30, 2014 and 2013, were recognized after each of these FHLBanks determined that it was likely that it would not recover the entire amortized cost basis of each of these securities.

In addition to those securities with OTTI, the FHLBanks had certain other AFS and HTM securities in unrealized loss positions at September 30, 2014. However, these declines are considered temporary, as each of the affected FHLBanks asserted as of September 30, 2014, that it has no intent to sell and believes it is not more likely than not that it will be required to sell any security before its anticipated recovery of the remaining amortized cost basis. The FHLBanks' portfolio monitoring is ongoing, and further deterioration in delinquency rates, loss rates, and real estate values may cause an increase in recognized losses on investment securities.

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

Mortgage-Backed Securities to Total Regulatory Capital Limit. Current regulatory policy prohibits an FHLBank from purchasing MBS if its investment in MBS exceeds 300% of that FHLBank's previous month-end regulatory capital on the day it purchases the securities. At September 30, 2014, each of the FHLBanks of Cincinnati, Chicago, and San Francisco are precluded from purchasing additional MBS investments until their respective MBS to total regulatory capital percentage declines below 300%. Each of these FHLBanks was not required to sell any previously purchased MBS. Each of the FHLBanks was in compliance with the regulatory limit at the time of its respective MBS purchases. On a combined basis, at September 30, 2014, the FHLBanks percentage of MBS (net of regulatory excluded MBS) was 279% of total regulatory capital.

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.

For disclosures related to an individual FHLBank's investment holdings that exceed 10% of their respective total capital, see that FHLBank's 2013 SEC Form 10-K or its 2014 Third Quarter SEC Form 10-Q for any updates.

Mortgage Loans Held for Portfolio, Net

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

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

	September 30, 2014	December 31, 2013	Change
Mortgage loans held for portfolio	$ 43,401	$ 44,530	$ (1,129)
Allowance for credit losses on mortgage loans	(56)	(88)	32
Total mortgage loans held for portfolio, net	$ 43,345	$ 44,442	$ (1,097)

Mortgage Loans Held for Portfolio. Mortgage loans were $43.4 billion at September 30, 2014, a decrease of 2.5% from $44.5 billion at December 31, 2013. The mortgage loans held for portfolio balance continued to decline from December 31, 2013, due to principal repayments continuing to exceed purchases.

As of September 30, 2014, the FHLBanks of Atlanta, Chicago, Dallas, and Seattle were not accepting additional master commitments to acquire loans for their own portfolio or purchasing additional mortgage loans under either the MPP or MPF Program, except for certain FHLBanks' purchases of MPF loans to support affordable housing. The remaining FHLBanks participating in the MPP and MPF Program continue to have the ability to purchase and fund both conventional and government-guaranteed or -insured mortgage loans.

Allowance for Credit Losses on Mortgage Loans. Table 8 presents the characteristics and credit losses of mortgage loans held for portfolio. Periodically, each FHLBank evaluates the allowance for credit losses for its mortgage loans based on its policies and procedures to determine if an allowance for credit losses is necessary. The allowance for credit losses on mortgage loans was $56 million at September 30, 2014, a decrease of $32 million or 36.4% from $88 million at December 31, 2013, due to a net reversal of credit losses, as well as net charge-offs, during the nine months ended September 30, 2014. The reversal of credit losses was due primarily to improvements in the housing market and reductions in loan delinquencies and loss severity estimates.

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

Unpaid Principal Balance	September 30, 2014	December 31, 2013
Total past due 90 days or more and still accruing interest	$ 231	$ 410
Non-accrual loans(1)	$ 450	$ 552
Troubled debt restructurings (not included above)(2)	$ 114	$ 78

	Nine Months Ended September 30, 2014	Year Ended December 31, 2013
Allowance for credit losses, beginning of period	$ 88	$ 132
Charge-offs, net of recoveries	(12)	(25)
Provision (reversal) for credit losses(3)	(20)	(19)
Allowance for credit losses, end of period	$ 56	$ 88

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

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

Consolidated Obligations

Consolidated obligations consist of consolidated bonds and consolidated discount notes, which are debt instruments issued through the Office of Finance. Consolidated obligations are the principal funding source used by the FHLBanks to make advances and to purchase mortgage loans and investments. The carrying value of consolidated obligations was $817.7 billion at September 30, 2014, an increase of $50.6 billion or 6.6% from $767.1 billion at December 31, 2013, primarily consisting of an increase in discount notes, driven by funding needs related to the growth in advances.

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 ranging from one month to 30 years. The carrying value of consolidated bonds was $490.1 billion at September 30, 2014, an increase of $16.2 billion or 3.4% from $473.8 billion at December 31, 2013. Consolidated bonds represented 59.9% and 61.8% of total consolidated obligations outstanding at September 30, 2014 and December 31, 2013.

Consolidated discount notes are issued primarily to provide short-term funding. These consolidated discount notes have a maturity range of one day to one year, are generally issued at or below par, and mature at par. A significant portion of consolidated discount note activity typically results from the refinancing of overnight discount notes. The carrying value of consolidated discount notes was $327.6 billion at September 30, 2014, an increase of $34.3 billion or 11.7% from $293.3 billion at December 31, 2013. Consolidated discount notes represented 40.1% and 38.2% of total consolidated obligations outstanding at September 30, 2014 and December 31, 2013.

Table 9 - Consolidated Obligations Outstanding
(dollars in millions)

	September 30, 2014	December 31, 2013	Change
Par value of consolidated obligations due in 1 year or less			
Consolidated discount notes	$ 327,680	$ 293,342	$ 34,338
Consolidated bonds	206,079	230,021	(23,942)
Total	533,759	523,363	10,396
Par value of long-term consolidated bonds(1)	282,903	243,148	39,755
Total par value	816,662	766,511	50,151
Other(2)	1,037	630	407
Total consolidated obligations	$ 817,699	$ 767,141	$ 50,558

(1) Includes $559 million and $882 million of index-amortizing notes as of September 30, 2014 and December 31, 2013.
(2) Consists of hedging and fair value option valuation adjustments, and unamortized premiums and discounts.

Table 10 presents cash flows related to consolidated obligations, which illustrates proceeds exceeding payments for the three and nine months ended September 30, 2014 and 2013, resulting in higher consolidated obligation balances. The increase in net proceeds from issuance of consolidated discount notes, as compared to net proceeds from the issuance of consolidated bonds, for the three and nine months ended September 30, 2014 and 2013, resulted from increased demand for advances maturing within one year, driving higher consolidated discount note transaction volumes.

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
Net proceeds from issuance of consolidated obligations						
Discount notes	$ 1,135,172	$ 715,715	$ 419,457	$ 2,909,303	$ 2,385,053	$ 524,250
Bonds	100,206	83,929	16,277	285,864	271,578	14,286
Net proceeds	1,235,378	799,644	$ 435,734	3,195,167	2,656,631	$ 538,536
Net payments for maturing and retiring consolidated obligations						
Discount notes	1,130,375	701,950	$ 428,425	2,874,974	2,366,154	$ 508,820
Bonds	87,987	81,327	6,660	269,967	257,420	12,547
Net payments	1,218,362	783,277	$ 435,085	3,144,941	2,623,574	$ 521,367
Net change	$ 17,016	$ 16,367		$ 50,226	$ 33,057	

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

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

	September 30, 2014		December 31, 2013	
	Par Value(1)	Percentage of Total	Par Value(1)	Percentage of Total
Fixed-rate, noncallable	$ 270,308	55.2%	$ 261,907	55.3%
Fixed-rate, callable	106,182	21.7%	86,908	18.4%
Single-index, non-capped variable-rate	66,186	13.5%	85,664	18.1%
Step-up/step-down	42,228	8.7%	35,611	7.5%
Index-amortizing notes	559	0.1%	882	0.2%
Other(2)	3,807	0.8%	2,523	0.5%
Total	$ 489,270	100.0%	$ 473,495	100.0%

(1) Consolidated bonds outstanding have not been adjusted for interbank holdings totaling $288 million at September 30, 2014, and $326 million at December 31, 2013.
(2) Primarily consists of capped variable-rate and conversion consolidated bonds.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Fixed-rate, fixed-term, noncallable (bullet)	62.6%	61.7%	51.7%	48.9%
Fixed-rate, callable	26.7%	15.1%	25.2%	27.1%
Single-index, variable-rate	3.7%	19.9%	15.2%	15.7%
Step-up/step-down(1)	5.8%	3.1%	7.3%	8.1%
Other	1.2%	0.2%	0.6%	0.2%
Total	100.0%	100.0%	100.0%	100.0%

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

Deposits

The FHLBanks offer demand and overnight deposit programs to members and qualifying non-members. In addition, certain FHLBanks offer short-term interest-bearing deposit programs to members and, in certain cases, qualifying non-members. At September 30, 2014, deposits totaled $9.3 billion, a decrease of $1.2 billion or 11.8% from December 31, 2013. These deposits represent a relatively small portion of the FHLBanks' funding. Deposits vary depending on market factors, such as the attractiveness of the FHLBanks' deposit pricing relative to the rates available on alternative money market instruments, FHLBank members' investment preferences with respect to the maturity of their investments, and FHLBank members' liquidity. Interest-bearing demand and overnight deposits represented 83.5% and 86.0% of deposits at September 30, 2014 and December 31, 2013, with the remaining deposits primarily being term deposits and non-interest bearing deposits.

Capital

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

	September 30, 2014	December 31, 2013	Change
Capital stock	$ 33,439	$ 33,375	$ 64
Retained earnings	13,029	12,206	823
AOCI	249	(511)	760
Total GAAP capital	46,717	45,070	1,647
Exclude: AOCI	(249)	511	(760)
Add: Mandatorily redeemable capital stock	3,051	4,998	(1,947)
Other(1)	—	(1)	1
Total regulatory capital(2)	$ 49,519	$ 50,578	$ (1,059)
Total assets	$ 883,061	$ 834,200	$ 48,861
Total GAAP capital-to-assets ratio	5.29%	5.40%	
Combined regulatory capital-to-assets ratio(3)	5.61%	6.06%	

(1) Represents rounding adjustments.
(2) Regulatory capital requirements apply to individual FHLBanks, and the combined amounts are for analysis only. The sum of the individual FHLBank regulatory capital amounts does not agree to the combined regulatory capital due to combining adjustments.
(3) The combined regulatory capital-to-assets ratio is calculated based on each FHLBank's regulatory capital as a percentage of combined total assets. (See *Note 13 - Capital* to the accompanying combined financial statements for a definition and discussion of regulatory capital.)

GAAP Capital. Total GAAP capital was $46.7 billion at September 30, 2014, an increase of 3.7% from $45.1 billion at December 31, 2013. This increase was primarily the result of growth in retained earnings and an improvement in accumulated other comprehensive income (loss). The total GAAP capital-to-assets ratio was 5.29% at September 30, 2014, a decrease of 11 basis points from 5.40% at December 31, 2013.

Capital Stock. Capital stock increased 0.2% as a result of net capital stock issuances and stock dividends, partially offset by net shares reclassified to mandatorily redeemable capital stock.

Accumulated Other Comprehensive Income (Loss). The improvement in AOCI of $760 million resulted primarily from:

- fair value improvements of $334 million related to other-than-temporarily impaired available-for-sale private-label mortgage-backed securities, driven by increased housing prices and an improved economic outlook, as well as changes in interest rates, credit spreads, and volatility; and

- net fair value increases of $264 million on all other investment securities classified as available-for-sale, due primarily to changes in interest rates, credit spreads, and volatility. (See *Combined Results of Operations - Comprehensive Income* for more information.)

Retained Earnings. Retained earnings grew 6.7% due to net income of $1,696 million, offset by dividends of $873 million. Unrestricted retained earnings was $9.6 billion at September 30, 2014, an increase of 5.6% from $9.1 billion at December 31, 2013. Restricted retained earnings was $3.4 billion at September 30, 2014, an increase of 10.0% from $3.1 billion at December 31, 2013.

Regulatory Capital. Total combined regulatory capital was $49.5 billion at September 30, 2014, a decrease of 2.1% from $50.6 billion at December 31, 2013. This decrease is the result of a decline in regulatory stock outstanding, which consists of capital stock and mandatorily redeemable capital stock, partially offset by growth in retained earnings.

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

	September 30, 2014	December 31, 2013
Capital stock	71.6%	74.0 %
Retained earnings	27.9%	27.1 %
AOCI	0.5%	(1.1)%
Total GAAP capital	100.0%	100.0 %

Combined Results of Operations

Net Income

Net income for the three months ended September 30, 2014, was $627 million, an increase of 16.8% compared to the same period in 2013. This increase resulted primarily from increases in non-interest income and net interest income, partially offset by an increase in non-interest expense.

Net income for the nine months ended September 30, 2014, was $1,696 million, a decrease of 8.2% compared to the same period in 2013. This decrease resulted primarily from a decline in non-interest income and an increase in non-interest expense, partially offset by an increase in net interest income.

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
Net interest income after provision (reversal) for credit losses	$ 871	$ 848	$ 23	$ 2,602	$ 2,540	$ 62
Non-interest income	88	(5)	93	59	179	(120)
Non-interest expense	258	241	17	760	663	97
Affordable Housing Program assessments	74	65	9	205	209	(4)
Net income	$ 627	$ 537	$ 90	$ 1,696	$ 1,847	$ (151)

Net Interest Income after Provision (Reversal) for Credit Losses

The primary source of each FHLBank's earnings is net interest income, which is the interest income on advances, mortgage loans, and investments, less the interest expense on consolidated obligations and other borrowings. Net interest income after provision (reversal) for credit losses for the three and nine months ended September 30, 2014, was $871 million and $2,602 million, increases of 2.7% and 2.4% compared to the same periods in 2013. Net interest margin for the three and nine months ended September 30, 2014, was 0.39% and 0.41%, decreases of 4 and 3 basis points compared to the same periods in 2013.

Interest income for the three and nine months ended September 30, 2014, was $1,973 million and $6,008 million, decreases of 5.0% and 5.1% compared to the same periods in 2013. These decreases were due to lower yields on interest-earning assets and decreases in the average balances of mortgage loans, partially offset by increases in the average balances of advances and investments, and accretion of prior credit impairments into interest income over the remaining lives of certain other-than-temporarily impaired private-label mortgage-backed securities.

Interest expense for the three and nine months ended September 30, 2014, was $1,107 million and $3,426 million, decreases of 10.1% and 9.9% compared to the same periods in 2013. These decreases were driven by lower yields on consolidated obligations, including the cumulative effect of redemptions and refinancings of higher-yield consolidated obligations in the current low interest-rate environment, partially offset by increases in the average balances of consolidated obligations.

The net effect of the lower yields on interest-earning assets and interest-bearing liabilities was a reduction of net interest spread to 0.36% and 0.37% for the three and nine months ended September 30, 2014, from 0.40% and 0.39% for the three and nine months ended September 30, 2013.

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
Interest income						
Advances	$ 608	$ 641	$ (33)	$ 1,869	$ 1,918	$ (49)
Prepayment fees on advances, net	16	37	(21)	48	101	(53)
Mortgage loans held for portfolio	426	450	(24)	1,292	1,419	(127)
Investments and other	923	948	(25)	2,799	2,893	(94)
Total interest income	1,973	2,076	(103)	6,008	6,331	(323)
Interest expense						
Consolidated obligations - Discount notes	138	120	18	398	385	13
Consolidated obligations - Bonds	924	1,045	(121)	2,871	3,251	(380)
Other borrowings	45	66	(21)	157	168	(11)
Total interest expense	1,107	1,231	(124)	3,426	3,804	(378)
Net interest income	866	845	21	2,582	2,527	55
Provision (reversal) for credit losses	(5)	(3)	(2)	(20)	(13)	(7)
Net interest income after provision (reversal) for credit losses	$ 871	$ 848	$ 23	$ 2,602	$ 2,540	$ 62

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 yield on total interest-bearing liabilities; and net interest margin, which is net interest income expressed as a percentage of the average balance of total interest-earning assets. Due to the FHLBanks' cooperative structures, the FHLBanks generally earn narrow net spreads between the yield on assets and the yield on liabilities incurred to fund those assets.

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

	Three Months Ended September 30,					
	2014			2013		
	Average Balance	Interest	Annualized Yield	Average Balance	Interest	Annualized Yield
Advances(1)	$ 533,055	$ 624	0.46%	$ 456,143	$ 678	0.59%
Mortgage loans	43,303	426	3.90%	45,931	450	3.89%
Investments						
Interest-bearing deposits and other	7,843	4	0.20%	8,309	2	0.10%
Securities purchased under agreements to resell	30,158	4	0.05%	16,143	2	0.05%
Federal funds sold	74,789	17	0.09%	63,529	14	0.09%
Trading securities	10,389	48	1.83%	10,660	51	1.90%
Available-for-sale securities(2)	71,556	348	1.93%	65,211	342	2.08%
Held-to-maturity securities(2)	107,559	502	1.85%	107,243	537	1.99%
Total investments and other interest income	302,294	923	1.21%	271,095	948	1.39%
Total interest-earning assets	878,652	1,973	0.89%	773,169	2,076	1.07%
Other non-interest-earning assets	4,877			5,419		
Fair-value adjustment on investment securities(2)	890			2,225		
Total assets	$ 884,419			$ 780,813		
Consolidated obligations						
Discount notes	$ 333,468	138	0.16%	$ 217,216	120	0.22%
Bonds	479,600	924	0.76%	487,668	1,045	0.85%
Other borrowings(3)	13,680	45	1.31%	18,940	66	1.38%
Total interest-bearing liabilities	826,748	1,107	0.53%	723,824	1,231	0.67%
Non-interest-bearing liabilities	11,532			13,929		
Total liabilities	838,280			737,753		
Capital	46,139			43,060		
Total liabilities and capital	$ 884,419			$ 780,813		
Net interest income		$ 866			$ 845	
Net interest spread			0.36%			0.40%
Net interest margin			0.39%			0.43%

	Nine Months Ended September 30,					
	2014			2013		
	Average Balance	Interest	Annualized Yield	Average Balance	Interest	Annualized Yield
Advances(1)	$ 510,597	$ 1,917	0.50%	$ 435,115	$ 2,019	0.62%
Mortgage loans	43,595	1,292	3.96%	47,320	1,419	4.01%
Investments						
Interest-bearing deposits and other	8,015	9	0.15%	9,518	10	0.14%
Securities purchased under agreements to resell	27,519	11	0.05%	25,756	20	0.10%
Federal funds sold	70,026	43	0.08%	61,227	55	0.12%
Trading securities	11,253	146	1.73%	11,222	158	1.88%
Available-for-sale securities(2)	69,534	1,039	2.00%	66,999	1,026	2.05%
Held-to-maturity securities(2)	110,477	1,551	1.88%	105,041	1,624	2.07%
Total investments and other interest income	296,824	2,799	1.26%	279,763	2,893	1.38%
Total interest-earning assets	851,016	6,008	0.94%	762,198	6,331	1.11%
Other non-interest-earning assets	4,969			5,007		
Fair-value adjustment on investment securities(2)	608			1,011		
Total assets	$ 856,593			$ 768,216		
Consolidated obligations						
Discount notes	$ 301,367	398	0.18%	$ 206,782	385	0.25%
Bonds	483,270	2,871	0.79%	483,212	3,251	0.90%
Other borrowings(3)	14,950	157	1.40%	19,968	168	1.12%
Total interest-bearing liabilities	799,587	3,426	0.57%	709,962	3,804	0.72%
Non-interest-bearing liabilities	11,725			15,573		
Total liabilities	811,312			725,535		
Capital	45,281			42,681		
Total liabilities and capital	$ 856,593			$ 768,216		
Net interest income		$ 2,582			$ 2,527	
Net interest spread			0.37%			0.39%
Net interest margin			0.41%			0.44%

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

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

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014 vs. 2013			2014 vs. 2013		
	Volume	Rate	Total	Volume	Rate	Total
Interest Income						
Advances(1)	$ 106	$ (160)	$ (54)	$ 321	$ (423)	$ (102)
Mortgage loans	(25)	1	(24)	(109)	(18)	(127)
Investments and other	104	(129)	(25)	168	(262)	(94)
Total interest income	185	(288)	(103)	380	(703)	(323)
Interest Expense						
Consolidated obligations	166	(269)	(103)	457	(824)	(367)
Other borrowings(2)	(18)	(3)	(21)	(48)	37	(11)
Total interest expense	148	(272)	(124)	409	(787)	(378)
Changes in net interest income	$ 37	$ (16)	$ 21	$ (29)	$ 84	$ 55

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

The increases in net interest income for the three and nine months ended September 30, 2014, compared to the same periods in 2013, resulted from the combination of higher average balances of interest-earning assets, and lower yields on interest-bearing liabilities, partially offset by lower yields on interest-earning assets and higher average balances of interest bearing-liabilities.

Factors Positively Affecting Net Interest Income.

Average Balance of Interest-Earning Assets. The average balance of interest-earning assets increased 13.6% and 11.7% for the three and nine months ended September 30, 2014, compared to the same periods in 2013, consisting primarily of increases in the average balances of advances and investments, partially offset by decreases in the average balance of mortgage loans.

- The average balance of advances increased 16.9% and 17.3% for the three and nine months ended September 30, 2014, compared to the same periods in 2013, driven by higher member demand, particularly by large-asset members.

- The average balance of investments increased 11.5% and 6.1% for the three and nine months ended September 30, 2014, compared to the same periods in 2013. These increases were driven by higher average balances of federal funds sold, securities purchased under agreements to resell, agency mortgage-backed securities, and agency non-mortgage-backed securities, partially offset by decreases in the average balance of private-label residential mortgage-backed securities.

- Partially offsetting the increases in the average balances of advances and investments, the average balance of mortgage loans decreased 5.7% and 7.9% for the three and nine months ended September 30, 2014, compared to the same periods in 2013, resulting from principal repayments continuing to exceed purchases.

Yield on Interest-Bearing Liabilities. The yield on interest-bearing liabilities for the three and nine months ended September 30, 2014, was 0.53% and 0.57%, decreases of 14 and 15 basis points compared to the same periods in 2013, primarily attributable to consolidated obligations, including a shift from consolidated bonds to consolidated discount notes and the cumulative effect of redemptions and refinancings of higher-yield consolidated obligations in the current low interest-rate environment.

Factors Negatively Affecting Net Interest Income.

Yield on Interest-Earning Assets. The yield on interest-earning assets for the three and nine months ended September 30, 2014, was 0.89% and 0.94%, decreases of 18 and 17 basis points compared to the same periods in 2013, resulting primarily from lower yields on advances and investments.

- The yield on advances for the three and nine months ended September 30, 2014, was 0.46% and 0.50%, decreases of 13 and 12 basis points compared to the same periods in 2013, resulting from new advance originations, including the cumulative effect of members electing to restructure higher-yield advances in the current low interest-rate environment, and lower prepayment fees.

- The yield on investments for the three and nine months ended September 30, 2014, was 1.21% and 1.26%, decreases of 18 and 12 basis points compared to the same periods in 2013, resulting primarily from the runoff of higher-yield investments and reinvestment in the current low interest-rate environment. Partially offsetting these decreases was the accretion of prior credit impairments into interest income over the remaining lives of certain other-than-temporarily impaired private-label mortgage-backed securities, resulting from improvements in expected cash flows. (See *Note 6 - Other-than-Temporary Impairment Analysis* to the accompanying combined financial statements for information on other-than-temporary impairment.)

Average Balance of Interest-Bearing Liabilities. The average balance of interest-bearing liabilities increased 14.2% and 12.6% for the three and nine months ended September 30, 2014, compared to the same periods in 2013, consisting primarily of increases in the average balance of consolidated obligations. The average balance of consolidated obligations increased 15.3% and 13.7% for the three and nine months ended September 30, 2014, compared to the same periods in 2013, driven by increases of 53.5% and 45.7% in the average balance of consolidated discount notes for the three and nine months ended September 30, 2014, compared to the same periods in 2013.

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

Non-Interest Income

Non-interest income for the three months ended September 30, 2014, was $88 million, an increase of $93 million compared to the same period in 2013. This increase was due primarily to net gains on derivatives and hedging activities, gains on litigation settlements, and lower net losses on financial instruments held under fair value option, partially offset by net losses on debt extinguishments.

Non-interest income for the nine months ended September 30, 2014, was $59 million, a decrease of $120 million compared to the same period in 2013. This decrease was due primarily to net losses on derivatives and hedging activities and net losses on financial instruments held under fair value option, partially offset by lower net losses on trading securities and higher gains on litigation settlements.

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
Net other-than-temporary impairment losses	$ (5)	$ (7)	$ 2	$ (11)	$ (13)	$ 2
Net gains (losses) on trading securities	(38)	(33)	(5)	(22)	(225)	203
Net realized gains (losses) from sale of available-for-sale securities	—	1	(1)	1	21	(20)
Net realized gains (losses) from sale of held-to-maturity securities	7	—	7	9	—	9
Net gains (losses) on financial instruments held under fair value option	(1)	(26)	25	(66)	—	(66)
Net gains (losses) on derivatives and hedging activities	62	12	50	(52)	305	(357)
Gains on litigation settlements, net	43	1	42	107	4	103
Net gains (losses) on debt extinguishments	(10)	22	(32)	—	10	(10)
Other, net	30	25	5	93	77	16
Total non-interest income (loss)	$ 88	$ (5)	$ 93	$ 59	$ 179	$ (120)

Other-than-Temporary Impairment Losses. The FHLBanks update their other-than-temporary impairment analysis each quarter to reflect current housing market conditions, changes in anticipated housing market conditions, observed and anticipated borrower behavior, and updated information on collateral underlying private-label mortgage-backed securities. This process includes updating key aspects of the FHLBanks' loss projection models. For the three and nine months ended September 30, 2014, net other-than-temporary impairment losses were $5 million and $11 million compared to $7 million and $13 million in the same periods in 2013. (See *Note 6 - Other-than-Temporary Impairment Analysis* to the accompanying combined financial statements, *Critical Accounting Estimates - OTTI for Investment Securities*, and *Risk Management - Credit Risk - Investments* for additional information.)

Gains (Losses) on Trading Securities. The FHLBanks generally hold trading securities for liquidity purposes. Trading securities are recorded at fair value, with changes in fair value reflected in non-interest income. There are a number of factors that affect the fair value of a trading security, including changes in interest rates, credit spreads, and volatility. Net losses on trading securities for the three and nine months ended September 30, 2014, were $38 million and $22 million, compared to net losses of $33 million and $225 million in the same periods in 2013. Gains (losses) on trading securities are generally offset by the change in fair value of associated derivatives economically hedging those securities.

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

Fair values of advances and consolidated obligations held under fair value option vary from period to period based on changes in a wide range of market factors, including the current and projected levels of interest rates, credit spreads, and volatility. The significant inputs used by the FHLBanks to determine the fair value of advances and consolidated obligations are the consolidated obligation curve, LIBOR swap curve, volatility assumptions, and spread assumptions. Additionally, net gains and losses are affected by changes in the composition of the financial instruments held under fair value option. Table 20 presents the net gains and losses on financial instruments held under fair value option.

Table 20 - Gains (Losses) on Financial Instruments Held Under Fair Value Option
(dollars in millions)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
Advances	$ (18)	$ (6)	$ (12)	$ (3)	$ (139)	$ 136
Consolidated discount notes	(1)	—	(1)	(1)	—	(1)
Consolidated bonds	18	(20)	38	(62)	139	(201)
Total net gains (losses) on financial instruments held under fair value option	$ (1)	$ (26)	$ 25	$ (66)	$ —	$ (66)

Gains (Losses) on Derivatives and Hedging Activities. Fair value estimates for an FHLBank's derivatives and hedging positions fluctuate with changes in market conditions. In general, an FHLBank holds derivatives and associated hedged instruments to the maturity, call, or put date. Therefore, as a matter of timing, nearly all of the cumulative net gains and losses for these financial instruments generally reverse over the remaining contractual terms of the hedged financial instruments. However, there may be instances when an FHLBank terminates these instruments prior to maturity or prior to the call or put dates. Terminating the financial instrument or hedging relationship may result in a realized gain or loss. Table 21 presents the net gains and losses on derivatives and hedging activities.

Table 21 - Net Gains (Losses) on Derivatives and Hedging Activities
(dollars in millions)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
Net gains (losses) related to fair value hedge ineffectiveness	$ 66	$ 34	$ 32	$ 85	$ 174	$ (89)
Net gains (losses) related to cash flow hedge ineffectiveness	—	1	(1)	1	4	(3)
Net gains (losses) related to derivatives not designated as hedging instruments	(4)	(23)	19	(138)	127	(265)
Total net gains (losses) on derivatives and hedging activities	$ 62	$ 12	$ 50	$ (52)	$ 305	$ (357)

The net gain on derivatives and hedging activities of $62 million for the three months ended September 30, 2014, was due primarily to hedge ineffectiveness related to fair value derivatives designated as qualifying accounting hedges. The net loss on derivatives and hedging activities of $52 million for the nine months ended September 30, 2014, was due primarily to changes in the fair value of derivatives not designated as qualifying accounting hedges. Net gains from derivatives and hedging activities of $12 million and $305 million for the three and nine months ended September 30, 2013, were due primarily to hedge ineffectiveness related to fair value derivatives designated as qualifying accounting hedges. The fair values are based on a wide range of factors, including current and projected levels of interest rates, credit spreads, and volatility. Hedge ineffectiveness occurs when changes in the fair value of the derivative and the associated hedged instrument do not perfectly offset. (See *Note 10 - Derivatives and Hedging Activities* to the accompanying combined financial statements and *Quantitative and Qualitative Disclosures about Market Risk - Use of Derivatives to Manage Interest-Rate Risk* for additional information on the effect of derivatives and hedging activities on non-interest income.)

Gains on Litigation Settlements, Net. Several of the FHLBanks agreed to settle certain claims arising from investments in private-label mortgage-backed securities. As a result of these settlement agreements, these FHLBanks recorded gains on litigation settlements, which are net of legal fees and expenses, totaling $43 million and $107 million for the three and nine months ended September 30, 2014, compared to $1 million and $4 million for the three and nine months ended September 30, 2013.

Non-interest Expense

Non-interest expense for the three and nine months ended September 30, 2014, was $258 million and $760 million, increases of 7.1% and 14.6% compared to the same periods in 2013. The increase for the nine months ended September 30, 2014, was due primarily to the 2013 second quarter reversal into other expense of a one-time, $50 million charge originally recorded in 2011 by the FHLBank of Chicago.

Table 22 - Changes in Non-Interest Expense
(dollars in millions)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
Compensation and benefits	$ 140	$ 134	$ 6	$ 410	$ 388	$ 22
Other operating expenses	92	83	9	268	245	23
Federal Housing Finance Agency	12	12	—	41	37	4
Office of Finance	11	9	2	33	32	1
Other	3	3	—	8	(39)	47
Total non-interest expense	$ 258	$ 241	$ 17	$ 760	$ 663	$ 97

Compensation and Benefits. These expenses include costs for FHLBank employees, including salaries, incentives, and health and retirement benefits. For the three and nine months ended September 30, 2014, compensation and benefits expense was $140 million and $410 million, increases of 4.5% and 5.7% compared to the same periods in 2013. These increases were due primarily to staffing increases and annual merit increases at certain FHLBanks.

Affordable Housing Program Assessments

Affordable Housing Program (AHP) assessments for the three months ended September 30, 2014, were $74 million, an increase of 13.8% compared to the same period in 2013. AHP assessments for the nine months ended September 30, 2014, were $205 million, a decrease of 1.9% compared to the same period in 2013. AHP assessments result from individual FHLBank's income subject to assessments.

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

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

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

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

There were no interbank transfers of consolidated bonds during the nine months ended September 30, 2014. Total consolidated bonds of $175 million at par value were transferred from an FHLBank to another FHLBank during the nine months ended September 30, 2013. The amount of total interbank consolidated bonds transferred during a period depends on a variety of factors, such as (1) whether or not an assuming FHLBank can obtain equal or lower funding costs through interbank transfers as compared to issuing new debt, (2) an FHLBank's overall asset/liability management strategy, and (3) current market conditions.

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

Table 23 presents the effect of interbank and rounding adjustments (collectively referred to as combining adjustments) on the Combined Statement of Income. Interbank adjustments include the elimination of:

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

Table 23 - Effect of Combining Adjustments on Combined Statement of Income
(dollars in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
Effect on	**2014**	**2013**	**2014**	**2013**
Interest income	$ (1)	$ (4)	$ (11)	$ (12)
Interest expense	7	9	23	(10)
Provision (reversal) for credit losses	3	—	2	—
Net interest income after provision (reversal) for credit losses	(11)	(13)	(36)	(2)
Non-interest income	(7)	(1)	(12)	22
Non-interest expense	(2)	(2)	(9)	(7)
Assessments	(4)	—	(2)	—
Net income	$ (12)	$ (12)	$ (37)	$ 27

Comprehensive Income

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

Other comprehensive income for the three and nine months ended September 30, 2014, was $128 million and $760 million, increases of $35 million and $51 million compared to the same periods in 2013. For the three months ended September 30, 2014, other comprehensive income primarily consisted of net unrealized gains relating to cash flow hedging activities. For the nine months ended September 30, 2014, other comprehensive income primarily consisted of fair value gains on AFS securities.

For the three months ended September 30, 2013, other comprehensive income primarily consisted of accretion of the non-credit portion of previously other-than-temporarily impaired HTM private-label mortgage-backed securities and fair value gains on AFS securities. For the nine months ended September 30, 2013, other comprehensive income primarily consisted of net unrealized gains relating to cash flow hedging activities and fair value gains on AFS securities.

Table 24 - Comprehensive Income
(dollars in millions)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
Net income	$ 627	$ 537	$ 90	$ 1,696	$ 1,847	$ (151)
Other comprehensive income						
Changes in fair value of AFS securities						
Net unrealized gains (losses) on AFS securities	(76)	(65)	(11)	264	(715)	979
Net change in fair value of other-than-temporarily impaired AFS securities	70	99	(29)	334	890	(556)
Total changes in fair value of AFS securities	(6)	34	(40)	598	175	423
Changes in non-credit OTTI losses						
Reclassification of the non-credit portion of AFS and HTM securities included in net income	4	2	2	6	(15)	21
Non-credit portion of HTM securities	—	(1)	1	—	(5)	5
Accretion of non-credit portion on HTM securities	34	37	(3)	102	117	(15)
Total changes in non-credit OTTI losses	38	38	—	108	97	11
Net unrealized gains (losses) relating to hedging activities	96	15	81	44	428	(384)
Other	—	6	(6)	10	9	1
Total other comprehensive income	128	93	35	760	709	51
Comprehensive income	$ 755	$ 630	$ 125	$ 2,456	$ 2,556	$ (100)

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

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

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

Capital Adequacy

At September 30, 2014, each of the FHLBanks was in compliance with its statutory minimum capital requirements. (See *Note 13 - Capital* to the accompanying combined financial statements for more information on each FHLBank's minimum capital requirements.) Regulatory guidance requires each FHLBank to assess, at least once a year, the adequacy of its retained earnings under various future financial and economic scenarios, including:

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

Management and the board of directors of each FHLBank review the capital structure of that FHLBank on a periodic basis to ensure its capital structure supports the risk associated with its assets and addresses applicable regulatory and supervisory matters. In addition, an individual FHLBank may institute a higher capital requirement to meet internally-established thresholds or to address supervisory matters, or may limit dividend payments as part of its retained earnings policies. As of September 30, 2014, certain FHLBanks have limited dividend payments and/or restricted excess capital stock redemptions and repurchases. These limitations may be revised from time to time.

Dividend and Excess Stock Limitations

FHLBanks may implement voluntary actions to suspend dividend payments and repurchases or redemptions of excess capital stock. In addition, one FHLBank is subject to a consent agreement imposing limitations on the repurchase of excess capital stock. (See *Note 13 - Capital* - *Excess Capital Stock* to the accompanying combined financial statements for information on the regulatory restrictions related to excess capital stock.)

FHLBank of Boston. The FHLBank of Boston may repurchase excess stock in its sole discretion, although it is continuing its moratorium on repurchases of excess capital stock at the member's request other than in limited, former member-related instances of insolvency. Notwithstanding the moratorium, the FHLBank of Boston repurchased $500 million of excess stock on each of May 1, 2014 and July 31, 2014.

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

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

In February 2014, the FHLBank of Seattle implemented a separate excess capital stock redemption program, with FHFA non-objection, to redeem up to $75 million per quarter of excess capital stock on which the redemption waiting period has been satisfied.

The Amended Consent Arrangement requires that the FHLBank of Seattle request and obtain FHFA non-objection to repurchases and redemptions of capital stock and prescribes the contents of the requests. Under this authority, in the first nine months of 2014, the FHLBank of Seattle repurchased $296 million, including repurchases of $71 million and redemptions of $224 million, of excess capital stock. Since implementing the programs, the FHLBank of Seattle has repurchased a total of $440 million of excess capital stock. In addition, the FHLBank of Seattle also repurchased $3 million, including $1 million in first nine months of 2014, of excess Class B stock, which had been purchased by members on or after October 27, 2010 for activity purposes (these represent the type of repurchases that the FHLBank of Seattle is not limited in amount to repurchase).

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

Liquidity

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

The FHLBanks need liquidity to:

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

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

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

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

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

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

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

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

Critical Accounting Estimates

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

In the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013, certain accounting estimates and assumptions were identified as critical because they are generally considered by each FHLBank's management to be the most critical to an understanding of its financial statements and the financial data it provides to the Office of Finance for preparing the combined financial report. These estimates and assumptions consist of those used in conjunction with (1) OTTI for investment securities; (2) fair value estimates; (3) derivative hedging relationships; (4) amortization of premiums and accretion of discounts on investment securities and purchased mortgage loans; and (5) calculation of allowance for credit losses for each identified portfolio segment of financing receivables. For a description of accounting policies related to these estimates and assumptions, see *Note 1 - Summary of Significant Accounting Policies* on pages F-11 to F-22 of the audited combined financial statements included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013.

There have been no significant changes to the critical accounting estimates disclosed in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013. For a detailed discussion of Critical Accounting Estimates, see *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations - Critical Accounting Estimates* on pages 69 to 78 of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013. Each FHLBank describes its critical accounting estimates in its periodic reports filed with the SEC.

See the following for information relating to OTTI for investment securities at and for the three months ended September 30, 2014.

OTTI for Investment Securities

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

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

Table 25 presents the unpaid principal balances and the significant inputs used to assess private-label residential MBS and home equity loan ABS under the FHLBanks' uniform framework for OTTI, as well as related current credit enhancements as of September 30, 2014. The calculated averages represent the dollar-weighted averages of all the private-label residential MBS and home equity loan ABS in each category shown.

Table 25 - Significant Inputs for Private-Label Residential MBS and Home Equity Loan ABS
(dollars in millions)

	September 30, 2014				
		Significant Inputs for All Private-label MBS(1)			Current Credit Enhancement
	Unpaid Principal Balance	Prepayment Rates	Default Rates	Loss Severities	
		Weighted-Average	Weighted-Average	Weighted-Average	Weighted-Average
Prime	$ 6,341	15.5%	7.8%	33.0%	8.0%
Alt-A	15,089	11.9%	26.6%	38.5%	9.7%
Subprime	716	5.9%	49.9%	59.5%	21.7%
Total all private-label residential MBS	$ 22,146	12.7%	22.0%	37.6%	9.6%
Subprime	$ 110	8.1%	5.3%	52.2%	36.5%
Total all home equity loan ABS	$ 110	8.1%	5.3%	52.2%	36.5%

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

Adverse Case Scenario. In addition to evaluating its private-label MBS under a base case (or best estimate) scenario as discussed in *Note 6 - Other-than-Temporary Impairment Analysis* to the accompanying combined financial statements, each FHLBank performed a cash flow analysis for each of these securities under a more stressful, or adverse case scenario. This adverse case scenario was primarily based on a short-term housing price forecast, which was five percentage points lower than the base case, followed by a recovery path with annual rates of housing price growth that were 33% lower than the base case. The three months ended September 30, 2014 base case and adverse case scenarios for credit losses on all other-than-temporarily impaired private-label MBS were $5 million and $10 million.

The base case scenario represents actual OTTI-related credit losses recognized in earnings for the three months ended September 30, 2014. The estimated cash flows of the adverse case scenario were generated to estimate what the OTTI charges would have been under a more stressful scenario for the three months ended September 30, 2014. 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.

Recent Accounting Developments

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

Legislative and Regulatory Developments

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

Certain regulatory actions and developments since June 30, 2014 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 Reports for the year ended December 31, 2013 and the quarterly periods ended March 31, 2014 and June 30, 2014 for a description of certain legislative and regulatory developments that occurred prior to the publication of those reports.

Joint Final Rule on Credit Risk Retention for Asset-backed Securities. On October 22, 2014, the FHFA and other U.S. federal regulators jointly approved a final rule requiring sponsors of asset-backed securities to retain credit risk in those transactions. The final rule largely retains the risk retention framework contained in the proposal issued by the agencies in August 2013, and generally requires sponsors of asset-backed securities to retain a minimum 5% economic interest in a portion of the credit risk of the assets collateralizing the asset-backed securities, unless all the securitized assets satisfy specified qualifications. The final rule specifies criteria for qualified residential mortgage (QRM), commercial real estate, auto, and commercial loans that would make them exempt from the risk retention requirement. The definition of QRM is aligned with the definition of "qualified mortgage" (QM) as provided in Section 129C of the Truth in Lending Act, and its implementing regulations, as adopted by the Consumer Financial Protection Bureau. The QM definition requires, among other things, full documentation and verification of consumers' debt and income and a debt-to-income ratio that does not exceed 43%; and restricts the use of certain product features, such as negative amortization and interest-only and balloon payments.

Other exemptions from the credit risk requirement include certain owner-occupied mortgage loans secured by three-to-four unit residential properties that meet the criteria for QM and certain types of community-focused residential mortgages (including extensions of credit made by community development financial institutions). The final rule also includes a provision that requires the agencies to periodically review the definition of QRM, the exemption for certain community-focused residential mortgages, and the exemption for certain three-to-four unit residential mortgage loans and consider whether they should be modified.

The final rule exempts agency mortgage-backed securities from the risk retention requirements as long as the sponsoring agency is operating under the conservatorship or receivership of the FHFA and fully guarantees the timely payment of principal and interest on all assets in the issued security. Further, mortgage-backed securities issued by any limited-life regulated entity succeeding to either Fannie Mae or Freddie Mac operating with capital support from the United States would be exempt from the risk retention requirements. Each FHLBank is currently assessing the impact of the final rule and has not yet determined the effect, if any, that this rule, may have on its operations. The final rule will be effective one year after publication in the Federal Register for residential mortgage-backed securitizations and two years after publication for all other securitization types.

FHFA Proposed Rule on FHLBank Capital Stock and Capital Plans. On October 8, 2014, the FHFA issued a proposed rule that would transfer existing parts 931 and 933 of the Federal Housing Finance Board regulations, which address requirements for FHLBanks' capital stock and capital plans, to new Part 1277 of the FHFA regulations (Capital Proposed Rule). The Capital Proposed Rule would not make any substantive changes to these requirements, but would delete certain provisions that applied only to the one-time conversion of FHLBank capital stock to the new capital structure required by the Gramm-Leach-Bliley Act. The Capital Proposed Rule would also make certain clarifying changes so that the rules would more precisely reflect long-standing practices and requirements with regard to transactions in FHLBank capital stock. The Capital Proposed Rule would add appropriate references to ''former members'' to clarify when a former FHLBank member can be required to maintain its investment in FHLBank capital stock after withdrawal from an FHLBank. The FHLBanks are currently evaluating the Capital Proposed Rule. Comments on the Capital Proposed Rule are due by December 8, 2014.

FHFA Proposed Rule on FHLBank Membership. On September 12, 2014, the FHFA issued a proposed rule that would:

- Impose a new test on all FHLBank members that requires them to maintain at least 1% of their assets in first-lien home mortgage loans, including mortgage-backed securities, on an ongoing basis, with maturities of five years or more to maintain their membership in their respective FHLBank. The proposal also suggests the possibility of a 2% or a 5% test as options.

- Require all insured depository members (other than FDIC-insured depositories with less than $1.1 billion in assets) to maintain, on an ongoing basis, at least 10% of their assets in a broader range of residential mortgage loans, including those secured by junior liens and mortgage-backed securities, in order to maintain their membership in their respective FHLBank.

- Eliminate all currently eligible captive insurance companies from FHLBank membership. Current captive insurance company members would have their memberships terminated five years after this rule is finalized. There would be restrictions on the level and maturity of advances that FHLBanks could make to these members during the sunset period. Under the proposed rule, a "captive" insurance company is a company that is authorized under state law to conduct an insurance business but whose primary business is not the underwriting of insurance for nonaffiliated persons or entities.

- Clarify how an FHLBank should determine the principal place of business of certain insurance companies or community development financial institutions for purposes of membership. The proposed rule would also change the way the principal place of business is determined for an institution that becomes a member of an FHLBank after issuance of a final rule. Current rules define an institution's "principal place of business" as the state in which it maintains its home office. The proposal would add a second component requiring an institution to conduct business operations from the home office for that state to be considered its principal place of business. The changes would apply prospectively.

The FHLBanks are in the process of evaluating this proposed rule, and its effect on the FHLBanks' combined financial condition, combined results of operations, and combined cash flows has not yet been determined. Comments on the proposed rule are due by January 12, 2015.

Basel Committee on Bank Supervision Final Rule on Liquidity Coverage Ratio. On September 3, 2014, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the FDIC finalized the liquidity coverage ratio (the LCR) rule, applicable to: (i) U.S. banking organizations with $250 billion or more in total consolidated assets or $10 billion or more in total consolidated on-balance sheet foreign exposure, and their consolidated subsidiary depository institutions with $10 billion or more in total consolidated assets; and (ii) certain other U.S. bank or savings and loan holding companies having at least $50 billion in total consolidated assets (which will be subject to less stringent requirements under the LCR rule). The LCR rule requires such covered companies to maintain an amount of high-quality liquid assets that is no less than 100% of their total net cash outflows over a prospective 30-day stress period. Among other things, the final rule defines the various categories of high-quality liquid assets, called Levels 1, 2A, or 2B. The treatment of high-quality liquid assets for the LCR is most favorable under the Level 1 category, less favorable under the Level 2A category, and least favorable under the Level 2B category.

Under the final rule, collateral pledged to the FHLBanks but not securing existing borrowings may be considered eligible high-quality liquid assets to the extent the collateral itself qualifies as eligible high-quality liquid assets; qualifying FHLBank System consolidated obligations are categorized as Level 2A high-quality liquid assets; and the amount of a covered company's funding that is assumed to run off includes 25% of FHLBank advances maturing within 30 days, to the extent such advances are not secured by level 1 or level 2A high-quality liquid assets, where 0% and 15% run-off assumptions apply, respectively. At this time, the impact of the final rule is uncertain. The final rule requires that all covered companies be fully compliant by January 1, 2017.

Joint Proposed Rule on Margin and Capital Requirements for Covered Swap Entities. On September 3, 2014, the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the FDIC, the Farm Credit Administration, and the FHFA (collectively, the Agencies) jointly proposed a rule to establish minimum margin and capital requirements for registered swap dealers, major swap participants, security-based swap dealers, and major security-based swap participants (collectively, Swap Entities) that are subject to the jurisdiction of one of the Agencies (the Proposed Rule). In addition, the Proposed Rule affords the Agencies discretion to subject other persons to the Proposed Rule's requirements (such persons, together with Swap Entities, Covered Swap Entities). Comments on the Proposed Rule are due by November 24, 2014.

In addition, on September 17, 2014, the Commodity Futures Trading Commission (CFTC) adopted its version of the Proposed Rule (CFTC Proposed Rule) that generally mirrors the Proposed Rule. The CFTC Proposed Rule will only apply to a limited number of registered swap dealers and major swap participants that are not subject to the jurisdiction of one of the Agencies. Comments on the CFTC Proposed Rule are due by December 2, 2014.

The Proposed Rule would subject non-cleared swaps and non-cleared security-based swaps between Covered Swap Entities, and between Covered Swap Entities and financial end users that have material swaps exposure (i.e., an average daily aggregate notional of $3 billion or more in uncleared swaps), to a mandatory two-way initial margin requirement. The amount of initial margin required to be posted or collected would be either the amount calculated using a standardized schedule set forth in the Proposed Rule, which provides the gross initial margin (as a percentage of total notional exposure) for certain asset classes, or an internal margin model conforming to the requirements of the Proposed Rule that is approved by the applicable Agency. The Proposed Rule specifies the types of collateral that may be posted by either side as initial margin (generally, cash, certain government securities, certain liquid debt, certain equity securities and gold); and sets forth haircuts for certain collateral asset classes. Initial margin must be segregated with an independent, third-party custodian and may not be rehypothecated.

The Proposed Rule would require variation margin to be exchanged daily for non-cleared swaps and non-cleared security-based swaps between Covered Swap Entities and between Covered Swap Entities and all financial end users (without regard to the swaps exposure of the particular financial end-user). The variation margin amount is the daily mark-to-market change in the value of the swap to the Covered Swap Entity, taking into account variation margin previously paid or collected. Variation margin may only be paid or collected in cash, is not required to be segregated with an independent, third-party custodian, and may, if permitted by contract, be rehypothecated.

Under the Proposed Rule, the variation margin requirement would become effective on December 1, 2015, and the initial margin requirement would be phased in over a four-year period commencing on that date. For entities that have less than a $1 trillion notional amount of non-cleared derivatives, the Proposed Rule’s initial margin requirement would not come into effect until December 1, 2019.

No FHLBank is a Covered Swap Entity under the Proposed Rule, although the FHFA has discretion to designate an FHLBank as a Covered Swap Entity. Rather, FHLBanks are financial end-users under the Proposed Rule, and are likely to have material swaps exposure upon the effective date of the Proposed Rule’s initial margin requirement.

Because each FHLBank currently posts and collects variation margin on its non-cleared swaps, it is not anticipated that the Proposed Rule’s variation margin requirement, if adopted, would have a material impact on an FHLBank's costs. However, if the Proposed Rule’s initial margin requirement is adopted, it is anticipated that each FHLBank's cost of engaging in non-cleared swaps would increase.

<u>SEC Final Regulations on Money Market Mutual Fund Reform.</u> On June 19, 2013, the SEC proposed two alternatives for amending rules that govern money market mutual funds under the Investment Company Act of 1940. On July 23, 2014, the SEC approved final regulations governing money market mutual funds. The final regulations, among other things, will:

- require institutional prime money market funds (including institutional municipal money market funds) to sell and redeem shares based on their floating net asset value, which would result in the daily share prices of these money market funds fluctuating along with changes in the market-based value of the funds’ investments;

- allow money market fund boards of directors to directly address a run on a fund by imposing liquidity fees or suspending redemptions temporarily; and

- include enhanced diversification, disclosure and stress testing-requirements, as well as provide updated reporting by money market funds and private funds that operate like money market funds.

The final regulations do not change the existing regulatory treatment of FHLBank consolidated obligations as liquid assets. FHLBank consolidated discount notes continue to be included in the definition of “daily liquid assets,” and the definition of “weekly liquid assets” continues to include FHLBank consolidated discount notes with a remaining maturity up to 60 days. At this time, the future impact of these regulations on demand for FHLBank consolidated obligations is unknown.

Recent Rating Agency Actions

Since January 1, 2014, no rating agency actions occurred with regard to the FHLBanks or their consolidated obligations. Consolidated obligations are currently rated Aaa/P-1 by Moody's and AA+/A-1+ by S&P. Table 26 presents each FHLBank's long-term credit rating, short-term credit rating, and outlook at October 31, 2014.

Table 26 - FHLBanks' Long-Term Credit Ratings, Short-Term Credit Ratings, and Outlook at October 31, 2014

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

Risk Management

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

Credit Risk

Advances. Each FHLBank manages its credit exposure to advances through an integrated approach that provides for the ongoing review of the financial condition of its borrowers coupled with conservative collateral and lending policies and procedures to limit its risk of loss while balancing its borrowers' needs for a reliable source of funding. Each FHLBank uses a methodology to evaluate its member and non-member borrowers, based on financial, regulatory and other qualitative information, including examination reports. Each FHLBank reviews its borrowers' financial condition on an ongoing basis using current information and makes changes to its collateral guidelines to further mitigate the credit risk on advances. As of September 30, 2014, the management of each FHLBank believed it had adequate policies and procedures in place to manage its credit risk on advances effectively.

Advances and other credit product obligations to an FHLBank are fully secured with eligible collateral, the value of which is discounted to protect the FHLBanks from credit loss. Eligible collateral values are determined by the market value for securities collateral, and the market value or unpaid principal balance for all loan collateral. Collateral verifications and on-site reviews are performed by the FHLBanks based on the risk profile of the borrower. At September 30, 2014, each FHLBank had rights to collateral with an estimated value greater than the related outstanding advances. (See *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations - Risk Management - Credit Risk - Advances*, pages 83 to 87 of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013, for information on eligible collateral and effective lending values.)

As of September 30, 2014, there were 80 individual FHLBank borrowers (77 FHLBank members and three non-member financial institutions) that each held advance balances of at least $1.0 billion. The collateralization ratio was 2.4 at September 30, 2014, which represents the total of these 80 individual FHLBank borrowers' eligible collateral divided by these borrowers' advances and other credit products outstanding. The collateralization ratio for all borrowers was 3.0 at September 30, 2014; however, individual borrower credit obligations to the FHLBanks are not cross-collateralized between borrowers. A borrower's total credit obligation to an FHLBank could include outstanding advances, outstanding letters of credit, collateralized derivative contracts, and credit enhancement obligations on mortgage loans sold to the FHLBank.

Table 27 presents advances, other credit products (which primarily consists of letters of credit), and collateral outstanding for borrowers with at least $1.0 billion of advances outstanding as compared to all borrowers.

Table 27 - Advances, Other Credit Products, and Collateral Outstanding
(dollars in millions)

	September 30, 2014		
	Borrowers with at Least $1.0 Billion of Advances Outstanding	All Borrowers	Percentage
Advances outstanding, at par	$ 368,884	$ 539,790	68.3%
Other credit products outstanding, at par	$ 57,750	$ 88,923	64.9%
Collateral outstanding	$ 1,034,605	$ 1,868,063	55.4%

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

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

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

Table 28 presents information on a combined basis regarding the type of collateral securing advances and other credit products outstanding.

Table 28 - Type of Collateral Securing Advances and Other Credit Products Outstanding
(dollars in millions)

	September 30, 2014							
	Blanket Lien		Listing		Delivery		Total	
Collateral Type	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
Single-family mortgage loans (1)	$ 382,431	20.5%	$ 612,087	32.8%	$ 18,202	1.0%	$ 1,012,720	54.3%
Commercial real estate loans	225,423	12.1%	69,924	3.7%	21,707	1.2%	317,054	17.0%
Home equity loans and lines of credit	79,588	4.3%	78,477	4.2%	995	0.1%	159,060	8.6%
Multifamily mortgage loans	48,478	2.6%	87,582	4.7%	6,263	0.3%	142,323	7.6%
U.S. agency MBS and CMOs	—	N/A	—	N/A	97,786	5.2%	97,786	5.2%
Community Financial Institutions (CFI) loans	33,676	1.8%	1,767	0.1%	281	—%	35,724	1.9%
Commercial MBS	—	N/A	—	N/A	27,583	1.5%	27,583	1.5%
U.S. agency securities (excluding MBS)	—	N/A	—	N/A	19,146	1.0%	19,146	1.0%
Private-label MBS and CMOs	—	N/A	—	N/A	1,815	0.1%	1,815	0.1%
Other	28,949	1.5%	3,715	0.2%	22,188	1.1%	54,852	2.8%
Total collateral	$ 798,545	42.8%	$ 853,552	45.7%	$ 215,966	11.5%	$ 1,868,063	100.0%

(1) Includes Federal Housing Administration and Department of Veterans Affairs loans.
N/A Collateral is not pledged using this pledging method.

Member Failures. The financial condition of all members and housing associates is closely monitored for compliance with financial criteria as set forth in each FHLBank's credit policies. During the nine months ended September 30, 2014, no FHLBank incurred any credit loss on any of its advances, including advances to failed borrowers. During the same period, 11 of the 14 FDIC-insured institutions that failed were members of the FHLBanks with approximately $121 million of advances outstanding at the time of the failure, all of which were either assumed by another member or non-member institution, or repaid by the acquiring institution or the FDIC.

Investments. The FHLBanks are subject to credit risk on investments consisting of investment securities, interest-bearing deposits, securities purchased under agreements to resell, and federal funds sold. These investments are generally transacted with government agencies and large financial institutions that are considered by an individual FHLBank to be of investment quality. The FHFA defines investment quality as a security with adequate financial backing so that full and timely payment of principal and interest on such a security is expected, and there is minimal risk that the timely payment of principal and interest would not occur because of adverse changes in economic and financial conditions during the projected life of the security.

The FHLBanks maintain short-term investment portfolios, which may provide funds to meet the credit needs of their members and to maintain liquidity. Within this portfolio of short-term investments, the FHLBanks have unsecured credit exposure on certain investments.

The FHLBanks maintain long-term investment portfolios primarily to use balance sheet capacity and to earn interest income. These investments generally provide the FHLBanks with higher returns than those available on short-term investments. Within this portfolio of long-term investments, the FHLBanks are primarily subject to credit risk related to private-label mortgage-backed securities that are either directly or indirectly supported by underlying mortgage loans.

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

To minimize credit risk on investments, the FHLBanks are prohibited by FHFA regulations from investing in any of the following security types:

- instruments, such as common stock that represent an ownership interest in an entity, other than stock in small business investment companies or certain investments targeted at low-income persons or communities;

- instruments issued by non-U.S. entities, other than those issued by U.S. branches and agency offices of foreign commercial banks (e.g., federal funds);

- debt instruments that are not investment quality, other than certain investments targeted at low-income persons or communities and instruments that became less than investment quality after their purchase by the FHLBank;

- whole mortgages or other whole loans, or interests in mortgages or loans, other than:

    - whole mortgages or loans acquired under an FHLBank's Acquired Member Asset program;
    - certain investments targeted to low-income persons or communities;
    - certain marketable direct obligations of state, local, or tribal government units or agencies that are investment quality;
    - mortgage-backed securities (which include agency and private-label pools of commercial and residential mortgage loans), or asset-backed securities collateralized by manufactured housing loans or home equity loans that meet the definition of the term "securities" under the Securities Act of 1933; and
    - certain foreign housing loans authorized under section 12(b) of the FHLBank Act;

- residual interest and interest accrual classes of securities;

- interest-only and principal-only securities;

- mortgage-backed securities or eligible asset-backed securities that on the trade date are at rates equal to their contractual cap, with average lives that vary more than six years under an assumed instantaneous rate change of 300 basis points, unless the instrument qualifies as an Acquired Member Asset; and

- foreign currency or commodity positions.

Investment Quality and Ratings. The FHLBanks reduce the credit risk on investments by investing in investment quality securities. The FHLBanks consider a variety of credit quality factors when analyzing potential investments, including collateral performance, marketability, asset class or sector considerations, local and regional economic conditions, credit ratings based on the nationally recognized statistical rating organization(s), and/or the financial health of the underlying issuer. Table 29 presents the credit rating of the investment securities held by the FHLBanks as of September 30, 2014 and December 31, 2013, using the lowest long-term credit rating for each security owned by an individual FHLBank based on the nationally recognized statistical rating organization(s) used by that FHLBank. 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.

Table 29 - Investment Ratings
(dollars in millions)

	September 30, 2014(1)(2)						
Carrying Value	**Triple-A**	**Double-A**	**Single-A**	**Triple-B**	**Below Triple-B**	**Unrated**	**Total**
Interest-bearing deposits	$ —	$ 1	$ 1,568	$ —	$ —	$ —	$ 1,569
Securities purchased under agreements to resell	—	2,000	3,800	—	455	2,335	8,590
Federal funds sold	—	15,952	21,025	2,563	—	308	39,848
Total investment securities by major security type							
Non-mortgage-backed securities							
U.S. Treasury obligations	—	1,229	—	—	—	—	1,229
Commercial paper	—	—	38	—	—	—	38
Certificates of deposit	—	1,573	2,296	—	—	—	3,869
Other U.S. obligations	—	6,672	—	—	—	—	6,672
GSE and Tennessee Valley Authority obligations	—	26,876	—	—	—	—	26,876
State or local housing agency obligations	1,757	1,702	471	40	—	2	3,972
Federal Family Education Loan Program ABS	15	6,429	—	—	—	—	6,444
Other	787	538	—	—	—	30	1,355
Total non-mortgage-backed securities	2,559	45,019	2,805	40	—	32	50,455
Mortgage-backed securities							
Other U.S. obligations residential MBS	292	13,852	—	—	—	—	14,144
Other U.S. obligations commercial MBS	—	939	—	—	—	—	939
GSE residential MBS	466	94,448	21	—	13	—	94,948
GSE commercial MBS	—	9,571	—	—	—	—	9,571
Private-label residential MBS	20	143	379	1,691	16,605	28	18,866
Manufactured housing loan ABS	—	—	110	—	—	—	110
Home equity loan ABS	1	8	113	36	92	5	255
Total mortgage-backed securities	779	118,961	623	1,727	16,710	33	138,833
Total investment securities	3,338	163,980	3,428	1,767	16,710	65	189,288
Total investments	$ 3,338	$ 181,933	$ 29,821	$ 4,330	$ 17,165	$ 2,708	$ 239,295

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

(1) Does not reflect any changes in ratings, outlook, or watch status occurring after September 30, 2014.
(2) Investment amounts represent the carrying value and do not include related accrued interest.
(3) Does not reflect any changes in ratings, outlook, or watch status occurring after December 31, 2013.

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

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

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

Table 30 presents collateral performance and credit enhancement information related to private-label mortgage-backed securities at September 30, 2014. No FHLBank has purchased private-label mortgage-backed securities since 2008.

Table 30 - Credit Ratings of Private-Label Mortgage-Backed Securities at September 30, 2014
(dollars in millions)

	Total by Year of Securitization					
	Total	**2008**	**2007**	**2006**	**2005**	**2004 and Prior**
Unpaid Principal Balance (UPB) by credit rating(1)						
Triple-A	$ 22	$ —	$ —	$ —	$ 8	$ 14
Double-A	152	62	—	—	—	90
Single-A	608	—	—	38	56	514
Triple-B	1,739	—	—	3	218	1,518
Double-B	1,774	—	8	11	301	1,454
Single-B	2,003	145	262	138	568	890
Triple-C	8,209	295	2,961	1,514	3,065	374
Double-C	1,926	166	493	716	524	27
Single-C	1,315	77	591	307	340	—
Single-D	4,975	—	1,530	2,399	1,023	23
Unrated	36	—	—	14	—	22
Total	$ 22,759	$ 745	$ 5,845	$ 5,140	$ 6,103	$ 4,926
Amortized cost	$ 19,497	$ 689	$ 4,718	$ 3,851	$ 5,380	$ 4,859
Gross unrealized losses(2)	(700)	(23)	(123)	(297)	(178)	(79)
Fair value	20,066	690	4,879	4,230	5,409	4,858
Credit losses(3)						
Total OTTI	$ (5)	$ —	$ (3)	$ (1)	$ (1)	$ —
AOCI(4)	(6)	—	(2)	(4)	—	—
Credit losses	$ (11)	$ —	$ (5)	$ (5)	$ (1)	$ —
Fair value to UPB	88.2%	92.4%	83.5%	82.3%	88.6%	98.7%

	Prime(5) by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
UPB by credit rating(1)						
Double-A	$ 78	$ —	$ —	$ —	$ —	$ 78
Single-A	223	—	—	—	10	213
Triple-B	1,198	—	—	—	192	1,006
Double-B	1,239	—	8	11	214	1,006
Single-B	975	—	110	50	306	509
Triple-C	1,438	185	410	37	641	165
Double-C	470	31	139	96	204	—
Single-C	515	77	222	151	65	—
Single-D	2,410	—	655	1,571	184	—
Unrated	26	—	—	14	—	12
Total	$ 8,572	$ 293	$ 1,544	$ 1,930	$ 1,816	$ 2,989
Amortized cost	$ 7,661	$ 250	$ 1,219	$ 1,561	$ 1,660	$ 2,971
Gross unrealized losses(2)	(271)	—	(8)	(201)	(20)	(42)
Fair value	7,965	267	1,336	1,693	1,717	2,952
Credit losses(3)						
Total OTTI	$ (2)	$ —	$ (1)	$ (1)	$ —	$ —
AOCI(4)	(3)	—	(2)	—	(1)	—
Credit losses	$ (5)	$ —	$ (3)	$ (1)	$ (1)	$ —
Weighted-average percentage						
Fair value to UPB	92.9%	90.8%	86.5%	87.8%	94.5%	98.8%
Original credit support(6)	9.7%	24.7%	15.4%	10.9%	10.0%	4.5%
Credit support(7)	6.6%	11.2%	1.9%	0.6%	7.7%	11.7%
Collateral delinquency(8)	12.0%	15.3%	16.4%	14.8%	10.6%	8.4%

	Alt-A(5)(9) by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
UPB by credit rating(1)						
Triple-A	$ 21	$ —	$ —	$ —	$ 8	$ 13
Double-A	66	62	—	—	—	4
Single-A	151	—	—	38	45	68
Triple-B	484	—	—	—	24	460
Double-B	495	—	—	—	87	408
Single-B	915	145	146	16	251	357
Triple-C	6,587	110	2,551	1,349	2,417	160
Double-C	1,110	135	354	307	310	4
Single-C	675	—	369	31	275	—
Single-D	2,524	—	875	810	839	—
Unrated	3	—	—	—	—	3
Total	$ 13,031	$ 452	$ 4,295	$ 2,551	$ 4,256	$ 1,477
Amortized cost	$ 10,963	$ 439	$ 3,493	$ 1,869	$ 3,694	$ 1,468
Gross unrealized losses(2)	(349)	(23)	(115)	(25)	(156)	(30)
Fair value	11,107	423	3,537	2,026	3,664	1,457
Credit losses(3)						
Total OTTI	$ (3)	$ —	$ (2)	$ —	$ (1)	$ —
AOCI(4)	(3)	—	—	(4)	1	—
Credit losses	$ (6)	$ —	$ (2)	$ (4)	$ —	$ —
Weighted-average percentage						
Fair value to UPB	85.2%	93.5%	82.3%	79.4%	86.1%	98.7%
Original credit support(6)	23.8%	34.3%	33.3%	26.7%	17.1%	7.6%
Credit support(7)	10.9%	24.7%	12.9%	5.6%	8.7%	16.4%
Collateral delinquency(8)	21.9%	15.2%	27.3%	27.3%	17.4%	11.5%

	Subprime (5) by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
UPB by credit rating(1)						
Triple-A	$ 1	$ —	$ —	$ —	$ —	$ 1
Double-A	8	—	—	—	—	8
Single-A	234	—	—	—	1	233
Triple-B	57	—	—	3	2	52
Double-B	40	—	—	—	—	40
Single-B	113	—	6	72	11	24
Triple-C	184	—	—	128	7	49
Double-C	346	—	—	313	10	23
Single-C	125	—	—	125	—	—
Single-D	41	—	—	18	—	23
Unrated	7	—	—	—	—	7
Total	$ 1,156	$ —	$ 6	$ 659	$ 31	$ 460
Amortized cost	$ 873	$ —	$ 6	$ 421	$ 26	$ 420
Gross unrealized losses(2)	(80)	—	—	(71)	(2)	(7)
Fair value	994	—	6	511	28	449
Credit losses(3)						
Total OTTI	$ —	$ —	$ —	$ —	$ —	$ —
AOCI(4)	—	—	—	—	—	—
Credit losses	$ —	$ —	$ —	$ —	$ —	$ —
Weighted-average percentage						
Fair value to UPB	85.8%	—	98.3%	77.4%	89.6%	97.5%
Original credit support(6)	38.5%	—	23.0%	22.7%	21.8%	62.7%
Credit support(7)	26.4%	—	45.6%	20.3%	39.2%	34.0%
Collateral delinquency(8)	26.6%	—	34.8%	34.2%	30.5%	15.3%

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(1) Represents the lowest rating available for each security owned by an individual FHLBank based on the nationally recognized statistical rating organization(s) used by that FHLBank. 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) Represents total gross unrealized losses including non-credit-related other-than-temporary impairment recognized in AOCI. The unpaid principal balance and amortized cost of private-label mortgage-backed securities in a gross unrealized loss position was $10,743 million and $9,722 million at September 30, 2014.

(3) The credit losses presented are for the nine months ended September 30, 2014.

(4) Represents the net amount of other-than-temporary impairment losses reclassified to/(from) AOCI.

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

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

(7) Weighted-average credit support is based on the credit support as of September 30, 2014, and is determined based on the unpaid principal balance of the individual securities in the category and their respective credit support as of September 30, 2014.

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

(9) The FHLBanks held a total of $3,166 million in Alt-A option adjustable-rate mortgages, of which $1,730 million are in a gross unrealized loss position based on their unpaid principal balance at September 30, 2014.

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

The monoline bond insurers continue to be subject to adverse ratings, rating downgrades, and weak financial performance measures. Adverse ratings or rating downgrades imply an increased risk that the monoline bond insurer will fail to fulfill its obligations to reimburse the insured investor for claims made under the related insurance policies. There are five monoline bond insurers that insure the affected FHLBanks' investment securities. Of the five monoline bond insurers, the financial guarantee from Assured Guaranty Municipal Corp. is considered sufficient to cover all future claims and therefore excluded from the burnout period analysis. Conversely, the key burnout 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, the affected FHLBanks established burnout periods ending on September 30, 2015, for MBIA Insurance Corp., and on September 30, 2016, for Ambac Assurance Corp. In addition, Ambac Assurance Corp. reimbursements are limited to 45% of new claims during the burnout period. The FHLBanks monitor the financial condition of these monoline bond insurers on an ongoing basis, and, as facts and circumstances change, the burnout period could significantly change.

As of September 30, 2014, total monoline bond insurance coverage was $412 million, of which $297 million represents the FHLBanks' private-label MBS covered by the monoline bond insurance that the FHLBanks were relying on at September 30, 2014, for modeling cash flows. Of the $297 million, 85.8% represents subprime loans and 14.2% represents Alt-A loans. The FHLBanks classify securities as prime, Alt-A, and subprime based on the originator's classification at the time of origination or based on classification by a nationally recognized statistical rating organization upon issuance of the securities.

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

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

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

Table 31 presents the FHLBanks' unsecured credit exposure with private counterparties by investment type. At September 30, 2014, the FHLBanks had aggregate unsecured credit exposure from investments of $1 billion or more to each of 16 private counterparties. The aggregate unsecured credit exposure to these counterparties represented 84.2% of the FHLBanks' total unsecured investment credit exposure to private counterparties. The unsecured investment credit exposure presented in Table 31 does not reflect the average or maximum exposure during the period, as the balances presented reflect the balances at period end.

Table 31 - Unsecured Credit Exposure by Investment Type
(dollars in millions)

Carrying Value(1)(2)	September 30, 2014	December 31, 2013
Interest-bearing deposits	$ 1,568	$ 1,006
Federal funds sold	39,848	29,500
Commercial paper	38	—
Certificates of deposit	3,869	4,371
Total	$ 45,323	$ 34,877

(1) Excludes unsecured investment credit exposure to U.S. government, U.S. government agencies, government instrumentalities, government-sponsored enterprises, and supranational entities and does not include related accrued interest as of September 30, 2014 and December 31, 2013.
(2) May include unsecured investment credit exposure to members. (See *Security Ownership of Certain Beneficial Owners and Certain Relationships and Related Transactions* for further discussion of related-party transactions.)

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

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

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

The FHLBanks are prohibited by FHFA regulation from investing in financial instruments issued by non-U.S. entities, other than those issued by U.S. branches and agency offices of foreign commercial banks. The FHLBanks' unsecured credit exposures to U.S. branches and agency offices of foreign commercial banks include the risk that, as a result of political or economic conditions in a country, the counterparty may be unable to meet its contractual repayment obligations. The FHLBanks' unsecured credit exposures to domestic counterparties and U.S. subsidiaries of foreign commercial banks include the risk that these counterparties have extended credit to foreign counterparties. The FHLBanks are in compliance with the regulation and did not own any financial instruments issued by non-U.S. entities other than those issued by U.S. branches and agency offices of foreign commercial banks as of September 30, 2014.

As of September 30, 2014, the FHLBanks' unsecured investment credit exposure to U.S. branches and agency offices of foreign commercial banks was comprised of federal funds sold and certificates of deposit. As of September 30, 2014, 86.6% of the FHLBanks' unsecured investments in federal funds sold and 45.3% of the FHLBanks' unsecured investments in certificates of deposit were to U.S. branches and agency offices of foreign commercial banks.

Table 32 presents the lowest long-term credit ratings of the unsecured investment credit exposures presented by the domicile of the counterparty or the domicile of the counterparty's immediate parent for U.S. branches and agency offices of foreign commercial banks based on the nationally recognized statistical rating organization(s) used by the individual FHLBank holding the investment. This table does not reflect the foreign sovereign government's credit rating.

Table 32 - Ratings of Unsecured Investment Credit Exposure by Domicile of Counterparty
(dollars in millions)

	September 30, 2014(1)				
Carrying Value(2)	**Double-A**	**Single-A**	**Triple-B**	**Unrated**	**Total**
Domestic	$ 1,163	$ 4,454	$ 2,563	$ 308	$ 8,488
U.S. subsidiaries of foreign commercial banks	—	590	—	—	590
Total domestic and U.S. subsidiaries of foreign commercial banks	1,163	5,044	2,563	308	9,078
U.S. branches and agency offices of foreign commercial banks					
Canada	1,720	12,089	—	—	13,809
Australia	6,030	—	—	—	6,030
Netherlands	5,726	—	—	—	5,726
Finland	1,765	200	—	—	1,965
Germany	—	1,910	—	—	1,910
Japan	—	1,644	—	—	1,644
Sweden	1,121	252	—	—	1,373
Switzerland	—	1,208	—	—	1,208
United Kingdom	—	1,000	—	—	1,000
Norway	—	942	—	—	942
France	—	638	—	—	638
Total U.S. branches and agency offices of foreign commercial banks	16,362	19,883	—	—	36,245
Total unsecured investment credit exposure	$ 17,525	$ 24,927	$ 2,563	$ 308	$ 45,323

(1) Does not reflect any changes in ratings, outlook, or watch status occurring after September 30, 2014. The ratings presented in this table represent the lowest long-term rating available for each security owned by an individual FHLBank based on the nationally recognized statistical rating organization(s) used by that FHLBank. 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, government instrumentalities, government-sponsored enterprises, and supranational entities and does not include related accrued interest.

Table 33 presents the contractual maturity of the FHLBanks' unsecured investment credit exposure by the domicile of the counterparty or the domicile of the counterparty's immediate parent for U.S. branches and agency offices of foreign commercial banks. The FHLBanks also reduce the credit risk on investments by generally investing in investments that have short-term maturities. At September 30, 2014, 65.1% of the carrying value of the total unsecured investments held by the FHLBanks had overnight maturities.

Table 33 - Contractual Maturity of Unsecured Investment Credit Exposure by Domicile of Counterparty
(dollars in millions)

	September 30, 2014				
Carrying Value(1)	**Overnight**	**Due 2 days through 30 days**	**Due 31 days through 90 days**	**Due 91 days through 180 days**	**Total**
Domestic	$ 5,790	$ 943	$ 1,675	$ 80	$ 8,488
U.S. subsidiaries of foreign commercial banks	300	38	252	—	590
Total domestic and U.S. subsidiaries of foreign commercial banks	6,090	981	1,927	80	9,078
U.S. branches and agency offices of foreign commercial banks					
Canada	9,302	1,250	2,875	382	13,809
Australia	3,021	695	2,314	—	6,030
Netherlands	4,497	1,229	—	—	5,726
Finland	1,765	—	200	—	1,965
Germany	1,810	100	—	—	1,910
Japan	708	936	—	—	1,644
Sweden	—	769	604	—	1,373
Switzerland	—	—	1,208	—	1,208
United Kingdom	1,000	—	—	—	1,000
Norway	688	—	254	—	942
France	638	—	—	—	638
Total U.S. branches and agency offices of foreign commercial banks	23,429	4,979	7,455	382	36,245
Total unsecured investment credit exposure	$ 29,519	$ 5,960	$ 9,382	$ 462	$ 45,323

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

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

Management at each FHLBank believes that it has adequate policies and procedures in place to manage credit risk on mortgage loans appropriately. (See *Note 9 - Allowance for Credit Losses* to the accompanying combined financial statements for additional information about mortgage loan credit quality indicators, allowance for credit losses, and delinquency statistics by the Acquired Member Asset program and type of loan.)

Credit Exposure to Insurance Providers. In addition to credit risk associated with mortgage loans purchased or funded through the Acquired Member Asset programs, the FHLBanks are exposed to the risk of non-performance of mortgage insurers that provide primary mortgage insurance and supplemental mortgage insurance coverage on mortgage loans. (See *Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations - Risk Management - Credit Risk - Mortgage Loans Held for Portfolio*, pages 98 to 105 of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013, for information on loss allocation structures and mortgage insurance for MPF and MPP loans.)

As of October 31, 2014, all of the FHLBanks' primary mortgage insurance providers were rated from double-B minus to single-A minus, or were not rated by one or more nationally recognized statistical rating organization(s) for their claims-paying ability or insurer financial strength. As of September 30, 2014, the total unpaid principal balances and maximum coverage outstanding for seriously delinquent loans (90 days or more delinquent or in the process of foreclosure) with primary mortgage insurance were $91 million and $28 million for MPF loans, and $24 million and $7 million for MPP loans.

Each MPF FHLBank evaluates the claims-paying ability of its supplemental mortgage insurance providers. As a result of losses experienced in the mortgage markets, supplemental mortgage insurance providers may no longer meet the program's required credit standards. If a supplemental mortgage insurance provider no longer qualifies, the PFI must either replace the supplemental mortgage insurance policy or agree to act as a surety for any losses that would have been covered by the policy. If a PFI neither replaces the policy nor agrees to act as a surety, its MPF FHLBank would no longer pay the PFI credit enhancement fees. If a PFI agrees to act as a surety, it would continue to receive performance credit enhancement fees and its MPF FHLBank would require the PFI to collateralize its obligation to act as surety.

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

Geographic Concentrations. Tables 34 and 35 provide the percentage of unpaid principal balance of conventional mortgage loans held for portfolio outstanding at September 30, 2014, for the five largest state concentrations, with comparable data at December 31, 2013. These tables show the state concentration on an aggregated basis for all 12 FHLBanks that purchased or funded loans under the MPF Program and MPP. As a result, these tables do not necessarily reflect the actual state concentration with respect to each individual FHLBank.

Table 34 - State Concentrations of MPF Program

	September 30, 2014	December 31, 2013(1)
Iowa	8.7%	8.1%
Kansas	8.0%	7.3%
Pennsylvania	6.9%	6.4%
California	5.8%	6.5%
Nebraska	5.7%	5.3%
All other	64.9%	66.4%
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 September 30, 2014.

Table 35 - State Concentrations of MPP

	September 30, 2014	December 31, 2013(1)
Ohio	31.9%	31.1%
Indiana	19.7%	18.8%
Michigan	13.6%	13.0%
Kentucky	7.0%	6.8%
California	5.0%	4.7%
All other	22.8%	25.6%
Total	100.0%	100.0%

(1) Calculated percentage based on unpaid principal balance of conventional loans at the end of the period. The state concentrations reflect the top five states at September 30, 2014.

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

Each FHLBank is subject to credit risk due to the risk of non-performance by counterparties to its derivative transactions. The amount of credit risk on derivatives depends on the extent to which netting procedures, collateral requirements, and other credit enhancements are used and are effective in mitigating the risk. Each FHLBank manages credit risk through credit analysis, collateral management, and other credit enhancements. The FHLBanks are also required to follow the requirements set forth by applicable regulation.

Bilateral Derivatives. Each FHLBank is subject to the risk of non-performance by the counterparties to its bilateral derivative transactions. An FHLBank generally requires collateral on bilateral derivative transactions. Unless the collateral delivery threshold is set to zero, the amount of net unsecured credit exposure that is permissible with respect to each counterparty depends on the credit rating of that counterparty. A counterparty generally must deliver collateral if the total market value of the FHLBank's exposure to that counterparty rises above a specific trigger point. As a result of these risk mitigation initiatives, the management of each FHLBank did not anticipate any credit losses on its bilateral derivative transactions as of September 30, 2014.

Cleared Derivatives. Each FHLBank is subject to the risk of non-performance by the Derivative Clearing Organization(s) (Clearinghouse) and the clearing agents. The requirement that an FHLBank posts initial and variation margin through the clearing agent, to the Clearinghouse, exposes an FHLBank to credit risk in the event that the clearing agent or the Clearinghouse fails to meet its obligations. However, the use of cleared derivatives is intended to mitigate an FHLBank's overall credit risk exposure because a central counterparty is substituted for individual counterparties and collateral is posted daily for changes in the value of cleared derivatives through a clearing agent. The management of each FHLBank did not anticipate any credit losses on its cleared derivatives as of September 30, 2014.

The contractual or notional amount of derivative transactions reflects the involvement of an FHLBank in the various classes of financial instruments. The maximum credit risk of an FHLBank with respect to derivative transactions is the estimated cost of replacing the derivative transactions if there is a default, minus the value of any related collateral, including initial and variation margin. In determining maximum credit risk, each FHLBank considers accrued interest receivables and payables as well as the netting requirements to net assets and liabilities. Table 36 presents the derivative positions with non-member counterparties and member institutions to which the FHLBanks had credit exposure at September 30, 2014.

Table 36 - Derivative Counterparty Credit Exposure at September 30, 2014
(dollars in millions)

Credit Rating(1)	Notional Amount	Net Derivatives Fair Value Before Collateral	Cash Collateral Pledged To (From) Counterparties	Non-cash Collateral Pledged To (From) Counterparties	Net Credit Exposure to Counterparties
Non-member counterparties					
Asset positions with credit exposure					
Bilateral derivatives					
Double-A	$ 3,378	$ 6	$ —	$ 2	$ 8
Single-A	34,362	131	(79)	(19)	33
Cleared derivatives(2)	104,683	182	(107)	4	79
Liability positions with credit exposure					
Bilateral derivatives					
Double-A	262	(13)	13	—	—
Single-A	21,447	(341)	288	59	6
Triple-B	8,159	(221)	184	40	3
Cleared derivatives(2)	108,228	(624)	930	79	385
Total derivative positions with credit exposure to non-member counterparties	280,519	(880)	1,229	165	514
Member institutions(3)	585	6	—	—	6
Total	$ 281,104	$ (874)	$ 1,229	$ 165	$ 520

(1) This chart does not reflect any changes in rating, outlook, or watch status occurring after September 30, 2014. The ratings presented in this table represent the lowest long-term counterparty credit rating available for each counterparty of an individual FHLBank based on the nationally recognized statistical rating organization(s) used by that FHLBank.

(2) Represents derivative transactions cleared with Clearinghouses, which are not rated.

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

Interest-Rate Risk

Interest-rate risk is the risk that relative and absolute changes in interest rates may adversely affect an institution's financial condition. The goal of an interest-rate risk management strategy is not necessarily to eliminate interest-rate risk, but to manage it by setting, and operating within, an appropriate framework and limits. The FHLBanks generally manage interest-rate risk by acquiring and maintaining a portfolio of assets and liabilities and entering into related derivative transactions to limit the expected mismatches in duration. The FHLBanks measure and monitor interest rate-risk with commonly used methods, which include the calculations of market value of equity, duration of equity, and duration gap. (See *Quantitative and Qualitative Disclosure about Market Risk*, pages 109 to 115, of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013, for additional information.)

Market Value of Equity and Duration of Equity

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

Table 37 presents each FHLBank that includes quantitative market value of equity and duration of equity information in its individual 2014 Third Quarter SEC Form 10-Q.

Table 37 - Individual FHLBank's Market Value of Equity and Duration of Equity Disclosures

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

(1) The FHLBank of Pittsburgh's market value of equity volatility metrics are monitored. The FHLBank of Pittsburgh measures market value of equity to par value of capital stock, as described in its 2014 Third Quarter SEC Form 10-Q. The FHLBank of Pittsburgh also monitors the earned dividend spread (EDS) volatility metric relative to a predetermined EDS floor, established and approved by its board of directors.

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

(3) Although the FHLBank of Des Moines measures and monitors market value of equity and duration of equity, those measures are not disclosed as key market risk measures. The FHLBank of Des Moines disclosed, in its 2014 Third Quarter SEC Form 10-Q, market value of capital stock (MVCS) and economic value of capital stock (EVCS) as key risk measures. The FHLBank of Des Moines measures and limits movements in MVCS.

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

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

Table 38 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 guidance 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 38 - Duration of Equity
(in years)

	September 30, 2014			December 31, 2013		
FHLBank	**Down**	**Base**	**Up**	**Down**	**Base**	**Up**
Boston	(1.3)	0.1	3.4	0.1	0.9	2.5
New York	0.6	(0.4)	1.1	0.4	0.6	1.5
Pittsburgh	0.0	1.0	1.8	(0.9)	1.2	2.0
Atlanta	(0.4)	(0.7)	3.8	(1.4)	0.3	5.2
Cincinnati	(1.6)	2.2	3.9	1.0	2.5	2.3
Indianapolis	(3.4)	(0.1)	2.4	0.6	(2.0)	2.1
Chicago	3.5	(0.3)	(0.4)	5.9	1.0	(0.9)
Des Moines	(3.0)	0.1	2.7	(4.8)	1.0	3.2
Dallas	4.6	1.8	4.8	5.8	4.3	8.2
Topeka	1.4	(0.7)	1.3	0.3	(0.2)	2.1
San Francisco	1.3	1.3	2.0	1.7	1.6	2.2
Seattle	(1.0)	0.0	2.3	(1.9)	0.0	2.9

Duration Gap

A related measure of interest-rate risk is duration gap, which is the difference between the estimated durations (market value sensitivity) of assets and liabilities and reflects the extent to which estimated maturity and repricing cash flows for assets and liabilities are matched. Duration gap determines the sensitivity of assets and liabilities to interest-rate changes. Each FHLBank has an internal modeling system for measuring its duration gap; therefore, individual FHLBank measurements may not be directly comparable. Duration generally indicates the expected change in an instrument's market value resulting from an increase or a decrease in interest rates. Higher duration numbers, whether positive or negative, indicate greater volatility in the market value of equity in response to changing interest rates. Duration gap numbers in Table 39 include the effect of derivative transactions.

Table 39 - Duration Gap
(in months)

FHLBank	September 30, 2014	December 31, 2013
Boston	0.1	1.0
New York	(0.6)	0.0
Pittsburgh	0.4	0.4
Atlanta	(0.7)	(0.1)
Cincinnati	0.1	0.1
Indianapolis	(1.1)	(3.3)
Chicago	(0.2)	0.7
Des Moines	(0.2)	0.2
Dallas	1.0	3.1
Topeka	(0.4)	(0.2)
San Francisco	0.6	1.0
Seattle	0.0	0.0

Use of Derivatives to Manage Interest-Rate Risk

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

Table 40 presents the effect of derivatives and hedging activities on net interest income and non-interest income resulting from the FHLBanks' hedging strategies.

Table 40 - Effect of Derivatives and Hedging Activities
(dollars in millions)

	Three Months Ended September 30, 2014								
	Advances	Investment Securities	Mortgage Loans	Deposits	Consolidated Bonds	Consolidated Discount Notes	Balance Sheet	Intermediary Positions and Other	Total
Net interest income									
Amortization and accretion of hedging activities in net interest income(1)	$ (105)	$ 30	$ (7)	$ —	$ 18	$ (1)	$ —	$ —	$ (65)
Net interest settlements included in net interest income(2)	(806)	(167)	—	—	503	(70)	—	—	(540)
Total effect on net interest income	$ (911)	$ (137)	$ (7)	$ —	$ 521	$ (71)	$ —	$ —	$ (605)
Net gains (losses) on derivatives and hedging activities									
Gains (losses) on fair value hedges	$ 82	$ (16)	$ —	$ —	$ —	$ —	$ —	$ —	$ 66
Gains (losses) on cash flow hedges	—	—	—	—	—	—	—	—	—
Gains (losses) on derivatives not receiving hedge accounting	10	(12)	4	—	4	(4)	(6)	—	(4)
Total net gains (losses) on derivatives and hedging activities	92	(28)	4	—	4	(4)	(6)	—	62
Net gains (losses) on trading securities(3)	—	(33)	—	—	—	—	—	—	(33)
Net gains (losses) on financial instruments held at fair value	(18)	—	—	—	18	(1)	—	—	(1)
Total effect on non-interest income	$ 74	$ (61)	$ 4	$ —	$ 22	$ (5)	$ (6)	$ —	$ 28

	Three Months Ended September 30, 2013								
	Advances	Investment Securities	Mortgage Loans	Deposits	Consolidated Bonds	Consolidated Discount Notes	Balance Sheet	Intermediary Positions and Other	Total
Net interest income									
Amortization and accretion of hedging activities in net interest income(1)	$ (60)	$ 29	$ (11)	$ —	$ 39	$ —	$ —	$ —	$ (3)
Net interest settlements included in net interest income(2)	(870)	(141)	—	—	581	(74)	—	—	(504)
Total effect on net interest income	$ (930)	$ (112)	$ (11)	$ —	$ 620	$ (74)	$ —	$ —	$ (507)
Net gains (losses) on derivatives and hedging activities									
Gains (losses) on fair value hedges	$ 35	$ 7	$ —	$ —	$ (8)	$ —	$ —	$ —	$ 34
Gains (losses) on cash flow hedges	—	—	—	—	—	1	—	—	1
Gains (losses) on derivatives not receiving hedge accounting	(29)	(26)	(12)	—	50	—	(6)	—	(23)
Total net gains (losses) on derivatives and hedging activities	6	(19)	(12)	—	42	1	(6)	—	12
Net gains (losses) on trading securities(3)	—	(31)	—	—	—	—	—	—	(31)
Net gains (losses) on financial instruments held at fair value	(6)	—	—	—	(20)	—	—	—	(26)
Total effect on non-interest income	$ —	$ (50)	$ (12)	$ —	$ 22	$ 1	$ (6)	$ —	$ (45)

Nine Months Ended September 30, 2014	Advances	Investment Securities	Mortgage Loans	Deposits	Consolidated Bonds	Consolidated Discount Notes	Balance Sheet	Intermediary Positions and Other	Total
Net interest income									
Amortization and accretion of hedging activities in net interest income(1)	$ (235)	$ 90	$ (22)	$ —	$ 60	$ (2)	$ —	$ —	$ (109)
Net interest settlements included in net interest income(2)	(2,405)	(488)	—	1	1,529	(210)	—	—	(1,573)
Total effect on net interest income	$ (2,640)	$ (398)	$ (22)	$ 1	$ 1,589	$ (212)	$ —	$ —	$ (1,682)
Net gains (losses) on derivatives and hedging activities									
Gains (losses) on fair value hedges	$ 139	$ (42)	$ —	$ —	$ (12)	$ —	$ —	$ —	$ 85
Gains (losses) on cash flow hedges	—	—	—	—	—	1	—	—	1
Gains (losses) on derivatives not receiving hedge accounting	(51)	(170)	(9)	—	153	(29)	(33)	1	(138)
Total net gains (losses) on derivatives and hedging activities	88	(212)	(9)	—	141	(28)	(33)	1	(52)
Net gains (losses) on trading securities(3)	—	(5)	—	—	—	—	—	—	(5)
Net gains (losses) on financial instruments held at fair value	(3)	—	—	—	(62)	(1)	—	—	(66)
Total effect on non-interest income	$ 85	$ (217)	$ (9)	$ —	$ 79	$ (29)	$ (33)	$ 1	$ (123)

Nine Months Ended September 30, 2013	Advances	Investment Securities	Mortgage Loans	Deposits	Consolidated Bonds	Consolidated Discount Notes	Balance Sheet	Intermediary Positions and Other	Total
Net interest income									
Amortization and accretion of hedging activities in net interest income(1)	$ (210)	$ 88	$ (38)	$ —	$ 138	$ (2)	$ —	$ —	$ (24)
Net interest settlements included in net interest income(2)	(2,674)	(398)	—	1	1,818	(223)	—	—	(1,476)
Total effect on net interest income	$ (2,884)	$ (310)	$ (38)	$ 1	$ 1,956	$ (225)	$ —	$ —	$ (1,500)
Net gains (losses) on derivatives and hedging activities									
Gains (losses) on fair value hedges	$ 182	$ 29	$ —	$ —	$ (37)	$ —	$ —	$ —	$ 174
Gains (losses) on cash flow hedges	—	—	—	—	—	4	—	—	4
Gains (losses) on derivatives not receiving hedge accounting	48	93	—	—	(40)	11	15	—	127
Total net gains (losses) on derivatives and hedging activities	230	122	—	—	(77)	15	15	—	305
Net gains (losses) on trading securities(3)	—	(219)	—	—	—	—	—	—	(219)
Net gains (losses) on financial instruments held at fair value	(139)	—	—	—	139	—	—	—	—
Total effect on non-interest income	$ 91	$ (97)	$ —	$ —	$ 62	$ 15	$ 15	$ —	$ 86

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

CONTROLS AND PROCEDURES

FHLBanks

The management of each FHLBank is required under applicable laws and regulations to establish and maintain effective disclosure controls and procedures as well as effective internal control over financial reporting, as such disclosure controls and procedures and internal control over financial reporting relate to that FHLBank only. Each FHLBank's management assessed the effectiveness of its individual internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control-Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, each FHLBank's management concluded, as of December 31, 2013, that its individual internal control over financial reporting is effective based on the criteria established in *Internal Control-Integrated Framework (1992).* Additionally, the independent registered public accounting firm of each FHLBank opined that the individual FHLBank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013. (See *Part II. Item 8 - Financial Statements and Supplementary Data* or *Item 9A - Controls and Procedures* of each FHLBank's 2013 SEC Form 10-K for its *Management's Report on Internal Control over Financial Reporting*.)

Each of the FHLBanks indicated that there were no changes to its internal control over financial reporting during the quarter ended September 30, 2014 that materially affected, or are reasonably likely to affect, its internal control over financial reporting. Additionally, management of each FHLBank concluded that its disclosure controls and procedures were effective at a reasonable assurance level as of the quarter ended September 30, 2014. (See *Part I. Item 4 - Controls and Procedures* of each FHLBank's 2014 Third Quarter SEC Form 10-Q.)

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

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

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

Audit Committee Charter

The charter of the audit committee of the Office of Finance's board of directors is available on the Office of Finance's web site at www.fhlb-of.com. This web site address is provided as a matter of convenience only, and its contents are not made part of this report and are not intended to be incorporated by reference into this report.

LEGAL PROCEEDINGS

The FHLBanks are subject to various pending legal proceedings arising in the normal course of business. The FHLBanks and the Office of Finance are not a party to, nor are they subject to, any pending legal proceedings, except the following identified proceedings, where the ultimate liability of the FHLBanks, if any, arising out of these proceedings is likely to have a material effect on the results of operations, financial condition, or liquidity of the FHLBanks or that are otherwise material to the FHLBanks. (See each FHLBank's 2014 Third Quarter SEC Form 10-Q under *Part II. Item 1 - Legal Proceedings* for additional information, including updates, to its legal proceedings.)

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

As of September 30, 2014, each of the FHLBanks of Boston, Pittsburgh, Indianapolis, Chicago, San Francisco, and Seattle is a plaintiff in continued legal proceedings that relate to its purchases of certain private-label MBS. Defendants in these lawsuits include entities and their affiliates that buy, sell, or distribute the FHLBanks' consolidated obligations or are derivative counterparties. These defendants and their affiliates may be members or former members of the plaintiff FHLBanks or other FHLBanks. In addition, certain defendants in some of these legal proceedings currently issue credit ratings on the FHLBanks and the FHLBank System's consolidated obligations.

Legal Proceedings Relating to the Lehman Bankruptcy

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

RISK FACTORS

There were no material changes to the risk factors disclosed in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2013. (See each FHLBank's 2014 Third Quarter SEC Form 10-Q for any updates to risk factors included in its 2013 SEC Form 10-K under *Part I. Item 1A - Risk Factors*.)

MARKET FOR CAPITAL STOCK AND RELATED STOCKHOLDER MATTERS

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

At September 30, 2014, the FHLBanks had 336 million shares of capital stock outstanding. The FHLBanks are not required to register their securities under the Securities Act of 1933 (as amended); however, each FHLBank is required to register a class of its stock under the Securities Exchange Act of 1934.

Table 41 presents combined regulatory capital stock, which includes mandatorily redeemable capital stock, held by type of member and Table 42 presents FHLBank membership by type of member.

Table 41 - Regulatory Capital Stock Held by Type of Member
(dollars in millions)

	September 30, 2014		December 31, 2013	
	Amount	Percentage of Regulatory Capital Stock	Amount	Percentage of Regulatory Capital Stock
Commercial banks	$ 21,334	58.5%	$ 21,577	56.2%
Thrifts	5,286	14.5%	5,438	14.2%
Insurance companies	3,810	10.4%	3,650	9.5%
Credit unions	3,003	8.2%	2,705	7.0%
Community development financial institutions	6	—	5	—
Total GAAP capital stock	33,439	91.6%	33,375	86.9%
Mandatorily redeemable capital stock	3,051	8.4%	4,998	13.1%
Total combined regulatory capital stock	$ 36,490	100.0%	$ 38,373	100.0%

Table 42 - Membership by Type of Member

	September 30, 2014		December 31, 2013	
	Number	Percentage of Total Members	Number	Percentage of Total Members
Commercial banks	4,922	66.6%	5,053	67.3%
Credit unions	1,257	17.0%	1,218	16.2%
Thrifts	892	12.1%	932	12.4%
Insurance companies	295	4.0%	283	3.8%
Community development financial institutions	27	0.3%	18	0.3%
Total	7,393	100.0%	7,504	100.0%

The information on regulatory capital stock presented in Table 43 is accumulated at the holding-company level. The percentage of total regulatory capital stock identified in Table 43 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 43 - Top 10 Regulatory Capital Stockholders by Holding Company at September 30, 2014
(dollars in millions)

Holding Company Name(1)	FHLBank Districts(2)	Regulatory Capital Stock(3)	Percentage of Total Regulatory Capital Stock	Mandatorily Redeemable Capital Stock
JPMorgan Chase & Co.	Pittsburgh, Cincinnati, Chicago, San Francisco, Seattle	$ 3,055	8.4%	$ 632
Citigroup Inc.	New York, Dallas, San Francisco	2,326	6.4%	648
Bank of America Corporation	Boston, New York, Atlanta, San Francisco, Seattle	1,947	5.3%	771
Wells Fargo & Company	Des Moines, Dallas, Topeka, San Francisco, Seattle	1,738	4.8%	306
MetLife, Inc.	Boston, New York, Pittsburgh, Des Moines	827	2.3%	—
The PNC Financial Services Group, Inc.	New York, Pittsburgh, Atlanta, Cincinnati	793	2.2%	98
New York Community Bancorp, Inc.	New York, Cincinnati, San Francisco	520	1.4%	24
Capital One Financial Corporation	Atlanta, Dallas	519	1.4%	—
U.S. Bancorp	Cincinnati, Des Moines, Topeka, San Francisco, Seattle	481	1.3%	6
SunTrust Banks, Inc.	Atlanta	421	1.2%	—
		$ 12,627	34.7%	$ 2,485

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

(2) At September 30, 2014, each holding company had subsidiaries with regulatory capital stock holdings in these FHLBank districts.

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

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

Each FHLBank is a member-owned cooperative, whose members elect a majority of that FHLBank's directors from among the officers and directors of its members. The FHLBanks conduct their advances and mortgage loan business primarily with members. As a result, in the normal course of business, the FHLBanks regularly extend credit to members whose officers and/or directors may serve as directors of the FHLBanks and members (or affiliates) owning more than 5% of an FHLBank's capital stock. This credit is extended on market terms that are no more favorable to these "related" members than comparable transactions with other members of the same FHLBank. As of September 30, 2014, the FHLBanks had $59.7 billion of advances outstanding to members whose officers and/or directors were serving as directors of the FHLBanks, which represented 11.1% of total advances at par value. (See *Market for Capital Stock and Related Stockholder Matters* and *Financial Discussion and Analysis - Combined Financial Condition - Advances* for additional information on FHLBank advances and membership.)

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

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

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

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

SUPPLEMENTAL INFORMATION

Individual Federal Home Loan Bank Selected Financial Data and Financial Ratios

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

Individual FHLBank Selected Financial Data and Financial Ratios

(dollars in millions)	Boston	New York	Pittsburgh
Selected Statement of Condition Data(1)			
At September 30, 2014			
Assets			
Investments(2)	$ 15,165	$ 19,879	$ 14,538
Advances	31,410	99,550	53,054
Mortgage loans held for portfolio	3,406	2,043	3,124
Allowance for credit losses on mortgage loans	(2)	(5)	(8)
Total assets	51,905	125,368	76,400
Consolidated obligations(3)			
Discount notes	22,560	36,067	31,537
Bonds	25,011	79,920	39,889
Total consolidated obligations	47,571	115,987	71,426
Mandatorily redeemable capital stock	244	19	1
Subordinated notes(4)	—	—	—
Total capital			
Capital stock(5)	2,394	5,598	3,079
Retained earnings	876	1,063	804
Accumulated other comprehensive income (loss)	(441)	(99)	108
Total capital	2,829	6,562	3,991
Asset composition (as a percentage of the individual FHLBank's total assets)			
Investments(2)	29.2%	15.9%	19.0%
Advances	60.5%	79.4%	69.4%
Mortgage loans, net	6.6%	1.6%	4.1%
Total retained earnings as a percentage of FHLBank's total assets	1.7%	0.8%	1.1%
FHLBank's total assets as a percentage of FHLBank System's total assets	5.9%	14.2%	8.7%
At September 30, 2013			
Assets			
Investments(2)	$ 10,472	$ 18,570	$ 15,532
Advances	22,555	89,121	39,506
Mortgage loans held for portfolio	3,403	1,939	3,289
Allowance for credit losses on mortgage loans	(2)	(6)	(11)
Total assets	39,721	121,386	61,563
Consolidated obligations(3)			
Discount notes	10,476	42,262	21,983
Bonds	24,202	70,361	35,225
Total consolidated obligations	34,678	112,623	57,208
Mandatorily redeemable capital stock	977	24	—
Subordinated notes(4)	—	—	—
Total capital			
Capital stock(5)	2,441	5,483	2,488
Retained earnings	706	964	652
Accumulated other comprehensive income (loss)	(482)	(121)	43
Total capital	2,665	6,326	3,183
Asset composition (as a percentage of the individual FHLBank's total assets)			
Investments(2)	26.4%	15.3%	25.2%
Advances	56.8%	73.4%	64.2%
Mortgage loans, net	8.6%	1.6%	5.3%
Total retained earnings as a percentage of individual FHLBank's total assets	1.8%	0.8%	1.1%
FHLBank's total assets as a percentage of FHLBank System's total assets	5.0%	15.4%	7.8%

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

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

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

Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 30,143	$ 20,641	$ 10,647	$ 30,229	$ 17,948	$ 15,218	$ 9,075	$ 33,164	$ 22,945
88,627	71,442	19,325	26,766	64,220	18,758	20,575	40,615	10,226
792	6,909	6,475	6,438	6,530	76	6,169	756	686
(4)	(5)	(3)	(16)	(6)	—	(4)	(2)	(1)
124,437	99,967	41,038	72,031	98,399	37,485	38,528	82,789	35,017
26,055	36,880	10,106	30,507	62,803	17,434	15,948	24,431	13,310
89,670	56,881	26,914	35,239	30,387	17,356	20,025	50,871	18,242
115,725	93,761	37,020	65,746	93,190	34,790	35,973	75,302	31,552
19	110	16	5	8	5	4	1,076	1,544
—	—	—	944	—	—	—	—	—
4,654	4,231	1,726	1,801	3,456	1,241	1,090	3,310	859
1,739	667	800	2,304	712	690	615	2,376	327
127	(7)	57	239	152	8	(15)	96	24
6,520	4,891	2,583	4,344	4,320	1,939	1,690	5,782	1,210
24.2%	20.6%	25.9%	42.0%	18.2%	40.6%	23.6%	40.1%	65.5%
71.2%	71.5%	47.1%	37.2%	65.3%	50.0%	53.4%	49.1%	29.2%
0.6%	6.9%	15.8%	8.9%	6.6%	0.2%	16.0%	0.9%	2.0%
1.4%	0.7%	1.9%	3.2%	0.7%	1.8%	1.6%	2.9%	0.9%
14.1%	11.3%	4.6%	8.2%	11.1%	4.2%	4.4%	9.4%	4.0%
$ 28,991	$ 22,642	$ 13,956	$ 32,731	$ 12,336	$ 13,586	$ 10,330	$ 38,072	$ 25,452
78,193	65,857	18,796	14,843	45,787	16,634	18,805	44,213	10,800
983	6,835	6,166	8,223	6,603	96	5,919	969	842
(11)	(7)	(6)	(32)	(14)	—	(7)	(2)	(1)
112,068	96,586	39,577	61,120	65,063	31,320	36,145	87,661	37,238
16,282	33,542	7,805	19,519	28,218	6,514	12,185	21,821	14,573
87,139	56,251	27,623	35,840	32,227	22,042	21,056	56,102	18,915
103,421	89,793	35,428	55,359	60,445	28,556	33,241	77,923	33,488
24	121	255	5	13	30	5	2,588	1,770
—	—	—	1,000	—	—	—	—	—
4,351	4,701	1,684	1,563	2,690	1,140	1,295	3,526	923
1,579	604	686	1,991	656	638	539	2,372	273
83	(10)	15	52	73	(37)	(21)	(275)	(120)
6,013	5,295	2,385	3,606	3,419	1,741	1,813	5,623	1,076
25.9%	23.4%	35.3%	53.6%	19.0%	43.4%	28.6%	43.4%	68.3%
69.8%	68.2%	47.5%	24.3%	70.4%	53.1%	52.0%	50.4%	29.0%
0.9%	7.1%	15.6%	13.5%	10.1%	0.3%	16.4%	1.1%	2.3%
1.4%	0.6%	1.7%	3.3%	1.0%	2.0%	1.5%	2.7%	0.7%
14.2%	12.2%	5.0%	7.7%	8.2%	4.0%	4.6%	11.1%	4.7%

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

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

Individual FHLBank Selected Financial Data and Financial Ratios (continued)

(dollars in millions)	Boston	New York	Pittsburgh
Selected Other Data			
September 30, 2014			
Advance concentrations - top five borrowers	38%	65%	73%
Capital stock concentrations - top five stockholders	33%	60%	61%
Regulatory capital-to-assets ratio(6)	6.8%	5.3%	5.1%
Cash and stock dividends			
Quarter-to-date September 30, 2014	$ 9	$ 56	$ 28
Quarter-to-date September 30, 2013	$ 2	$ 47	$ 7
Year-to-date September 30, 2014	$ 28	$ 174	$ 74
Year-to-date September 30, 2013	$ 9	$ 146	$ 11
Weighted average dividend rate			
Quarter-to-date September 30, 2014	1.48%	4.05%	4.00%
Quarter-to-date September 30, 2013	0.38%	4.00%	1.00%
Year-to-date September 30, 2014	1.49%	4.00%	3.52%
Year-to-date September 30, 2013	0.38%	4.00%	0.54%
Return on average equity(7)			
Quarter-to-date September 30, 2014	6.70%	5.21%	6.79%
Quarter-to-date September 30, 2013	5.73%	3.95%	5.11%
Year-to-date September 30, 2014	5.39%	4.94%	6.81%
Year-to-date September 30, 2013	5.83%	5.12%	4.05%
Return on average assets			
Quarter-to-date September 30, 2014	0.35%	0.26%	0.36%
Quarter-to-date September 30, 2013	0.37%	0.21%	0.29%
Year-to-date September 30, 2014	0.30%	0.25%	0.36%
Year-to-date September 30, 2013	0.43%	0.26%	0.23%
Net interest margin(8)			
Quarter-to-date September 30, 2014	0.38%	0.35%	0.39%
Quarter-to-date September 30, 2013	0.57%	0.36%	0.32%
Year-to-date September 30, 2014	0.41%	0.35%	0.39%
Year-to-date September 30, 2013	0.67%	0.37%	0.30%
Net interest spread			
Quarter-to-date September 30, 2014	0.33%	0.33%	0.37%
Quarter-to-date September 30, 2013	0.49%	0.34%	0.27%
Year-to-date September 30, 2014	0.36%	0.34%	0.36%
Year-to-date September 30, 2013	0.58%	0.35%	0.25%

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

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

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

Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
57 %	73 %	42 %	62 %	65 %	20 %	52 %	57 %	69 %
49 %	58 %	33 %	40 %	49 %	15 %	50 %	44 %	60 %
5.2 %	5.0 %	6.2 %	5.7 %	4.2 %	5.2 %	4.4 %	8.2 %	7.8 %
$ 43	$ 42	$ 16	$ 4	$ 20	$ 2	$ 13	$ 61	$ 1
$ 29	$ 50	$ 15	$ 1	$ 13	$ 2	$ 8	$ 49	$ —
$ 131	$ 134	$ 53	$ 9	$ 57	$ 4	$ 32	$ 178	$ 1
$ 84	$ 131	$ 43	$ 4	$ 39	$ 4	$ 25	$ 109	$ —
3.58 %	4.00 %	3.75 %	0.87 %	2.81 %	0.38 %	5.15 %	7.35 %	0.10 %
2.53 %	4.25 %	3.50 %	0.30 %	2.59 %	0.38 %	2.30 %	5.14 %	0.10 %
3.70 %	4.00 %	4.33 %	0.78 %	2.80 %	0.38 %	3.89 %	6.91 %	0.10 %
2.42 %	4.25 %	3.50 %	0.30 %	2.59 %	0.38 %	2.39 %	3.52 %	0.03 %
4.45 %	5.07 %	4.66 %	10.16 %	2.69 %	2.27 %	6.93 %	5.25 %	5.11 %
4.50 %	5.37 %	4.82 %	8.51 %	4.12 %	6.77 %	5.87 %	3.48 %	7.99 %
4.34 %	4.86 %	5.26 %	9.26 %	3.32 %	2.81 %	6.36 %	3.73 %	4.55 %
4.92 %	5.21 %	7.72 %	11.58 %	3.45 %	5.45 %	5.85 %	5.41 %	5.05 %
0.22 %	0.25 %	0.30 %	0.62 %	0.12 %	0.12 %	0.32 %	0.35 %	0.17 %
0.24 %	0.30 %	0.29 %	0.50 %	0.23 %	0.37 %	0.31 %	0.23 %	0.22 %
0.22 %	0.24 %	0.34 %	0.53 %	0.15 %	0.15 %	0.31 %	0.25 %	0.15 %
0.25 %	0.29 %	0.45 %	0.62 %	0.20 %	0.29 %	0.31 %	0.36 %	0.17 %
0.14 %	0.33 %	0.47 %	0.79 %	0.28 %	0.31 %	0.63 %	0.62 %	0.44 %
0.29 %	0.38 %	0.52 %	0.81 %	0.39 %	0.52 %	0.60 %	0.53 %	0.38 %
0.24 %	0.31 %	0.48 %	0.73 %	0.30 %	0.36 %	0.66 %	0.63 %	0.39 %
0.29 %	0.36 %	0.58 %	0.69 %	0.42 %	0.46 %	0.60 %	0.55 %	0.38 %
0.13 %	0.30 %	0.40 %	0.72 %	0.27 %	0.29 %	0.60 %	0.59 %	0.42 %
0.26 %	0.34 %	0.44 %	0.71 %	0.34 %	0.50 %	0.56 %	0.47 %	0.36 %
0.22 %	0.28 %	0.41 %	0.66 %	0.28 %	0.33 %	0.62 %	0.60 %	0.37 %
0.26 %	0.32 %	0.49 %	0.60 %	0.36 %	0.44 %	0.55 %	0.50 %	0.36 %

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