

FULL CIRCLE



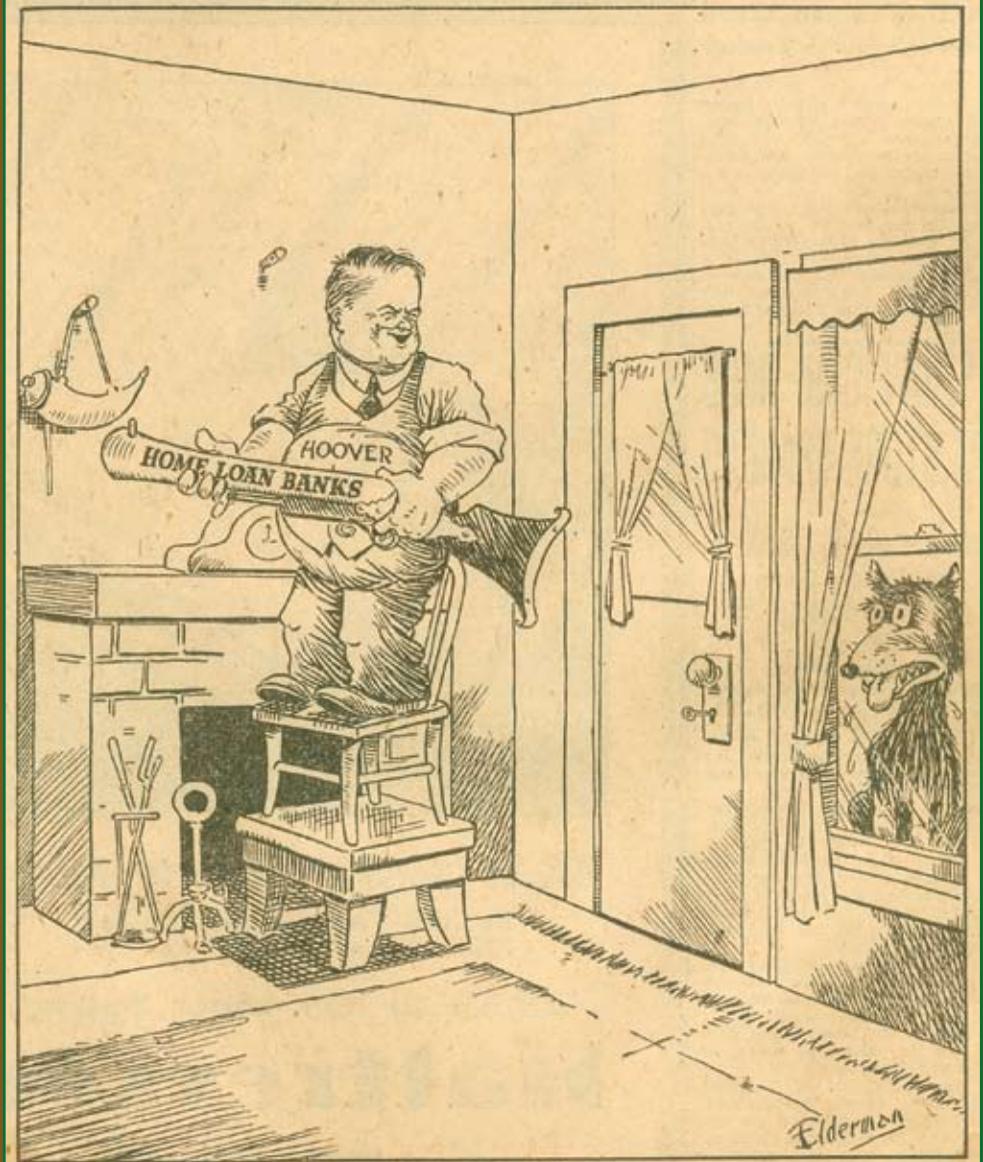
2007 ANNUAL REPORT



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75
YEARS
1932 • 2007



That Wolf Has Been There Long Enough!

*To own one's home is a physical expression
of individualism, of enterprise, of
independence, and of the freedom of spirit.*

- President Herbert Hoover

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When President Herbert Hoover signed the Federal Home Loan Bank Act into law in 1932, the country was in the middle of a devastating housing finance crisis. In 2007, we again experienced a massive credit crunch and a turbulent mortgage market. For 75 years, the Federal Home Loan Bank System has supported the American dream of owning your own home through ordinary and extraordinary times.

As we look back at 2007 and the Bank's 75-year history, it is difficult to find a time that more closely resembles FHLB Des Moines early days. The historical significance of the Home Loan Bank System has been dramatically demonstrated in the last half of 2007. Housing prices have fallen, foreclosure rates are up and the government is looking at ways to work with

the private sector to achieve economic growth and collective prosperity. Our country faces many of the same issues today that the Bank was created to address in 1932 – we have come full circle.

Designed to be a source of liquidity for financial institutions to support housing finance and community development, the Bank has quickly and predictably advanced funds to its members to record setting levels. The Bank's 1,243 members have recognized the stability and reliability of Bank funding, have taken advantage of its cooperative structure and have benefited from its convenience and accessibility. Our full circle encompasses how the Bank delivers value to our members and how our members provide value to their communities.

\$60.8 billion

TOTAL ASSETS
AT 12/31/07

*“For 75 years, the
Federal Home
Loan Bank System
has supported the
American dream of
owning your own home
through ordinary and
extraordinary times.”*

RICHARD S. SWANSON
PRESIDENT & CEO



Original FHLB Des Moines Board of Directors, Friday, October 14, 1932 in Room No. 1128 of the Fort Des Moines Hotel in Des Moines, Iowa.

From left: Angus Grant, MN; James McQuie, MO; A. F. Ellfeldt, MO; Col. C. B. Robbins, IA; Franklin Stevens, MO; William Best, Federal Home Loan Bank Board, Washington, D.C.; A. C. Hunt, SD; Oscar Kreutz, IA; Halsey Hanger, IA; F. B. McAneney, ND; E. J. Russell, MO; Absent: Frank Schlick, MN.



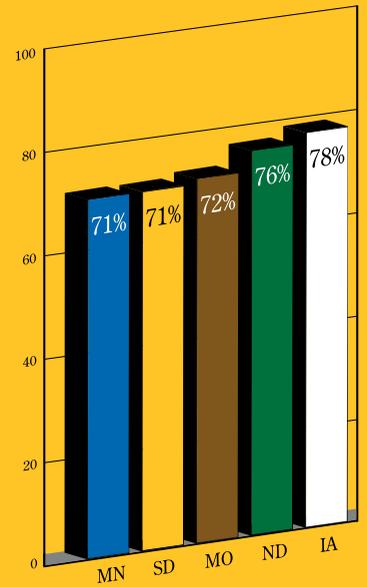
FHLB Bank Presidents present President Herbert Hoover a Special Gold Medallion, October 31, 1957.

Seated (from left): Fred T. Green, FHLB Bank Chairman and Indianapolis Bank President, President Herbert Hoover, and Albert J. Robertson, chairman of Federal Home Loan Bank Board of Washington, D.C. Standing (from left) Alston Adams, San Francisco Bank President; Robert Bush, Des Moines Bank President and Herbert N. Faulkner, Boston Bank President.

\$40.4
billion

TOTAL
ADVANCES
AT 12/31/07

FHLB DES MOINES
MEMBERS BORROWING
ADVANCES IN 2007
(BY STATE)



74%

BORROWING MEMBERS IN 2007

To Our Members

An Extraordinary Year

It is remarkable how the events going on today are similar to the headlines that led to the creation of the Federal Home Loan Bank System. Coming full circle from the enactment of the Federal Home Loan Bank System to today's economic climate clearly demonstrates that Iowa-born President Herbert Hoover knew that the Federal Home Loan Bank Act, signed on July 22, 1932, would stand the test of time and be relevant in all economic conditions. The creation of the Federal Home Loan Bank System was pivotal in shoring up the nation's financial infrastructure for home lending and homeownership in 1932. In 2007, the Federal Home Loan Bank System was critical to easing the national credit crunch and essential to providing member financial institutions funding for housing finance and community lending.

At FHLB Des Moines, our advance balances increased dramatically in light of the extraordinary events affecting the credit markets during the latter months of 2007. Advances grew 84.9 percent from December 31, 2006 to \$40.4 billion at December 31, 2007. Net income was \$101.4 million for 2007 compared with \$89.4 million for 2006, an increase of 13.5 percent. Since the Home Loan Banks are required to set aside ten percent of their net income for affordable housing, FHLB Des Moines net income from 2007 and prior years, will provide approximately \$16.0 million for our Affordable Housing Program in 2008, and in turn will generate more affordable housing for individuals and families across our five-state district.



Richard S. Swanson
President & CEO



Randy L. Newman
Chairman

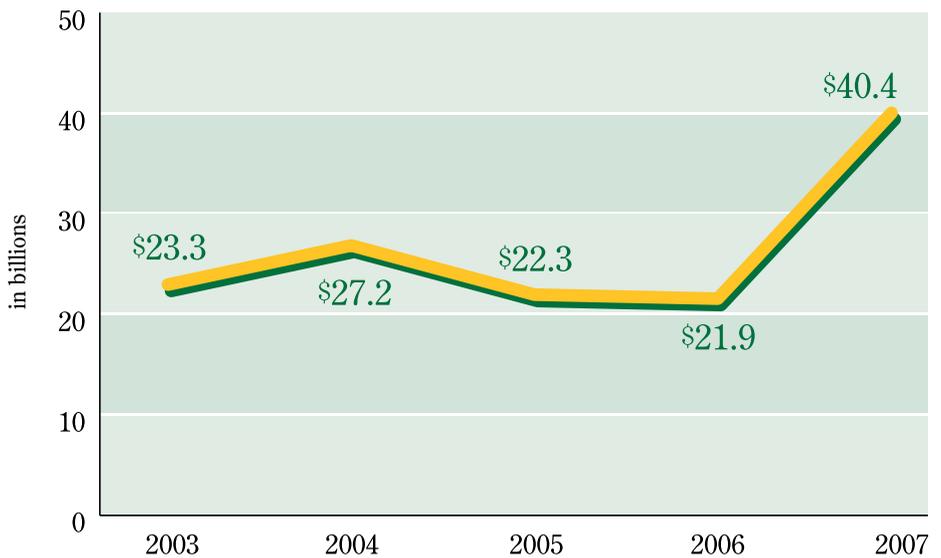
We would like to express our special appreciation to Randy Newman for his nine years of service on the Board and especially for the four years he served as chairman with distinction.



Delivering Member Value and Stability

While advances at FHLB Des Moines increased to record levels during the third and fourth quarters of 2007 in response to member demand, we believe that under our collateral and underwriting requirements the credit risk exposure of the Bank has not increased. Our ability to borrow low cost funds for the benefit of our members depends on policies and procedures to ensure that the Bank's credit risk is limited.

FHLB DES MOINES YEAR-END ADVANCES



Delivering value to our members is one of our most important strategic imperatives. In 2007, the Bank introduced two new advance products designed to give our members more funding options to meet their business needs. We also enhanced term time deposit rates, extended our wire services hours to accommodate members' cash management needs, authorized secured business and agri-business

\$101.4
NET INCOME
IN 2007
million



© Peter Aaron/Esto

FHLB DES MOINES MOVED TO ITS NEW HOME OFFICE, LOCATED AT 801 WALNUT STREET, DES MOINES, IOWA, ON JANUARY 16, 2007.

lines of credit and one-to-four family construction loans as collateral, discontinued our fee for customary Member Collateral Verifications and introduced many “Unique Funding Opportunities” – all demonstrating the Bank’s dedication to delivering member value.

We thank our members for their support and business in 2007. We also recognize all of the members of our Affordable Housing Advisory Council and our Board of Directors for their commitment of time and talent to FHLB Des Moines and their recognition of the importance of providing stable and reliable funding for housing finance and community development during all market conditions.

Randy L. Newman
2007 Board Chairman

Richard S. Swanson
President & CEO

FULL CIRCLE



Audit Committee Report

The Audit Committee (Committee) of the Board of Directors of FHLB Des Moines is currently composed of nine directors. Five were elected to the Board by members of the Bank and four were appointed to the Board by the Federal Housing Finance Board.

The Committee oversees the Bank's financial reporting process, reviews compliance with laws, regulations, policies and procedures, and evaluates the adequacy of administrative, operating and internal accounting controls. The Committee has adopted and is governed by a written charter as posted on our website at www.fhlbdm.com.

In fulfilling its responsibilities under its charter, the Committee has reviewed and discussed the audited financial statements with management and the independent registered public accounting firm, PricewaterhouseCoopers LLP (PwC). In conjunction with PwC's 2007 audit of the Bank's financial statements, PwC concurred with management's opinion that the Bank's internal control over financial reporting was effective. Discussions were held with PwC on the matters required to be discussed by Statement on Auditing Standards (SAS) No. 61 and SAS No. 90, Audit Committee Communications. Also, the Committee received the written disclosures and the letter from PwC required by Independence Standard Board Statement No. 1 and has discussed the independence of the firm.

Based on the review and discussion referred to above, the Audit Committee recommended to the Board of Directors that the Bank's audited financial statements for fiscal year ended December 31, 2007, be included in the Bank's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

2008 AUDIT COMMITTEE MEMBERS

Kevin E. Pietrini,
Chairman

David R. Frauensuh,
Vice Chairman

Johnny A. Danos
Eric A. Hardmeyer
Gerald D. Eid
Clair J. Lensing

Dale E. Oberkfell
John H. Robinson
Joseph C. Stewart III

Financial Highlights

	2007	2006	2005	2004 (as restated)	2003 (as restated)
Statement of Condition					
(In Millions)					
Advances	\$40,412	\$21,855	\$22,283	\$27,175	\$23,272
Mortgage Loans, net	10,802	11,775	13,018	15,193	16,052
Total Assets	60,767	42,041	45,722	49,048	45,073
Capital Stock - Class B Putable	2,717	1,906	1,932	2,232	2,117
Retained Earnings	361	344	329	163	109
Capital-to-Asset Ratio	5.02%	5.35%	4.94%	4.88%	4.94%
Operating Results and Performance Ratios					
(In Millions)					
Net Interest Income	\$171	\$154	\$294	\$499	\$303
Net Income	101	89	228	100	136
Return on Average Assets	0.21%	0.20%	0.48%	0.21%	0.32%
Return on Average Total Capital	4.25%	3.91%	9.57%	4.30%	6.80%
Return on Average Capital Stock	4.97%	4.61%	10.68%	4.59%	7.08%
Net Interest Margin	0.37%	0.35%	0.62%	1.03%	0.72%
Operating Expenses to Average Assets	0.08%	0.09%	0.08%	0.06%	0.06%
Dividend Rate (annualized)	4.31%	3.83%	2.82%	2.13%	3.00%
Cash Dividends paid	84	74	61	46	57

The selected financial data above should be read in conjunction with the financial statements and notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operation” included in the Bank’s 2007 Annual Report on Form 10-K filed with the Securities and Exchange Commission and available at www.fhlbdm.com or www.sec.gov.

FHLB Des Moines assets and advances reached record levels in 2007. Total assets increased to \$60.8 billion at December 31, 2007 compared to \$42.0 billion at December 31, 2006. The advances portfolio increased significantly in light of the extraordinary events affecting the mortgage credit markets during the last half of 2007. Members increased their advance borrowings from the FHLB Des Moines by 84.9 percent from \$21.9 billion at December 31, 2006 to \$40.4 billion at December 31, 2007.

The year-end advance balance was the largest in the 75-year history of FHLB Des Moines and demonstrates the important role the Bank plays in providing a reliable source of stable funding during the continuing liquidity and credit crisis. As a result of its unique capital structure, whereby members provide capital to support their business activity, FHLB Des Moines has the ability

to expand and contract to meet the funding needs of our members. We expect advances to decline from these record levels as credit markets stabilize.

Net income totaled \$101 million for the year ended December 31, 2007 compared with \$89 million for the same period in 2006, an increase of 13.5 percent. The improvement in net income for the year was driven primarily by an increase in net interest income caused by growth in earning assets and an improved net interest spread. Net interest income was \$171 million for the year ended December 31, 2007 compared with \$154 million for the same period in 2006, an increase of approximately 11 percent. Retained earnings grew \$17 million or approximately 5 percent to \$361 million at year end 2007 compared to \$344 million at December 31, 2006.



THE GREEN ACRES BUILDING, BUILT IN 1909, IS A LANDMARK IN ST. JOSEPH. CB&T PROVIDED FUNDING FOR NEARLY HALF OF THE GREEN ACRES REDEVELOPMENT PROJECT.

FULL CIRCLE

Pictured (L to R): Michelle Margulies, Market Manager, CB&T, St. Joseph/King City Markets; Art Dean, Project Manager, Evans Realty, St. Joseph; Rick Garvey, Commercial Banking Manager, CB&T, St. Joseph

Chillicothe, Missouri

“It is beneficial for our bank to have liability tools to manage the interest rate risk in our balance sheet. The Member Option Fixed Rate Advance is an **outstanding new product** we will continue to use.”

FHLB Des Moines member, Citizens Bank & Trust Company (CB&T) has been providing banking services to the North Missouri region since 1889. Today, CB&T's client base includes thousands of rural and urban customers in 17 communities, and it is the sixth largest state chartered bank in Missouri. By using a variety of business tools, CB&T stays in tune with its clients to meet their financial services needs. FHLB Des Moines new Member Option Fixed Rate Advance provided CB&T with a funding product to help manage its mortgage investments. "Banks grant options on a daily basis. It is beneficial for our bank to have liability tools to manage the interest rate risk in our balance sheet. The Member Option Fixed Rate Advance is an outstanding new product we will continue to use," Ed Place, CFO of Citizens Bank & Trust Company, commented.

The Member Option Fixed Rate Advance and the Member Option Variable Rate Advance



ED PLACE, CFO

CITIZENS BANK & TRUST COMPANY
CHILLICOTHE, MISSOURI (HOME OFFICE)

allow members the flexibility to prepay the advance without incurring prepayment fees at either predetermined dates (fixed rate option) or rate-reset dates (variable rate option). Providing clients with more choices, flexibility and convenience is important to CB&T and FHLB Des Moines.

The Member Option Fixed Rate and Member Option Variable Rate Advances give our members more choices and more flexibility.

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MISSOURI MEMBERS



Dan Laird, VP, Member Services
FHLB Des Moines

Each Member Services Vice President spends time planning meetings with members to understand the different business plans and the different factors that drive the members' risk management portfolios. Member Services Vice Presidents Dan Laird and Brad Spears met with Ed Place to discuss CB&T's current portfolio and future funding needs. "Understanding the member's risk profile, risk tolerance and profitability pressures and targets is very important," said Dan. "Finding the most efficient and profitable way for CB&T to use FHLB Des Moines was our goal."

“The increased capacity due to the reduced collateral maintenance levels has had the greatest impact on our bank.”



Pictured (L to R): Bradley K. Meier, President & CEO FCB; Justin Pauletti, Business Development Associate, FCB; Joel Groethe, Principal & Owner Willow Greens

FULL CIRCLE

SUPPORTING HOUSING PROJECTS IS IMPORTANT TO FCB. WILLOW GREENS IS A TWO-STORY BUILDING, 20-UNIT CONDOMINIUM CONVERSION PROJECT IN EDINA, MINNESOTA.

Bloomington, Minnesota

First Commercial Bank (FCB) in Bloomington, Minnesota takes pride in delivering the highest level of service to its community as an independent and locally managed bank. When FHLB Des Moines changed the collateral maintenance levels in 2007, FCB was able to pledge more collateral, increase its borrowing capacity and, in turn, continue its pledge of superior financial service to its small and medium sized business customers. “FHLB wholesale funding is central to our liquidity funding strategy,” commented Brad Meier, president and CEO of First Commercial Bank. “The increased capacity due to the reduced collateral maintenance levels has had the greatest impact on our bank.”



FHLB Des Moines reduced its collateral maintenance levels on one-to-four family mortgage loans, including first and second mortgage loans, and home equity lines of credit. FHLB Des Moines also delivered member value by expanding its collateral to accept certain construction loans and secured business and agri-business lines of credit as eligible collateral. “The expanded collateral categories will benefit FCB in the future and the elimination of the member collateral verification fee is an added member benefit,” remarked Brad. FHLB Des Moines believes delivering the highest level of service is important and our members expect it.



BRADLEY K. MEIER
 PRESIDENT & CEO
 FIRST COMMERCIAL BANK
 BLOOMINGTON, MN

The elimination of the Member Collateral Verification review fees for customary collateral verification services is another demonstration of the Bank’s dedication to deliver member value.

\$73.2 billion Collateral Pledged
 TO THE BANK (NET OF APPLICABLE DISCOUNT AND MARGIN FACTORS)
 AT DECEMBER 31, 2007

Tony Acker, Collateral Verification Supervisor (standing)
 Clay Hestdalen, Vice President, Member Services (seated)
 FHLB Des Moines

Collateral categories, collateral maintenance levels and expanded collateral capacity are a part of Tony Acker’s everyday life. His expertise helps FHLB Des Moines members protect their investment as FHLB Des Moines stockholders. As a former collateral analyst, Clay Hestdalen knows how collateral can be used to maximize a member’s borrowing capacity. “The new types of collateral allow our members to expand their borrowing capacity, and in turn, this has permitted our members to replace higher cost funds with cheaper advance funds,” said Clay.

“FHLB Des Moines collateral process protects all of our members,” said Tony. “Our collateral reviews not only meet our regulatory requirements; they also help our members utilize their pledged collateral to the fullest degree.”



STATEMENTS OF CONDITION

(In thousands, except shares)

	December 31,	
	2007	2006
ASSETS		
Cash and due from banks	\$ 58,675	\$ 30,181
Interest-bearing deposits	100,136	11,392
Securities purchased under agreements to resell	-	305,000
Federal funds sold	1,805,000	1,625,000
Investments		
Available-for-sale securities include \$208,892 and \$513,457 pledged as collateral in 2007 and 2006 that may be repledged	3,433,640	562,165
Held-to-maturity securities include \$0 pledged as collateral in 2007 and 2006 that may be repledged (estimated fair value of \$3,900,715 and \$5,685,809 in 2007 and 2006)	3,905,017	5,715,161
Advances	40,411,688	21,854,991
Mortgage loans held for portfolio, net of allowance for credit losses on mortgage loans of \$300 and \$250 in 2007 and 2006	10,801,695	11,775,042
Accrued interest receivable	129,758	92,932
Premises and equipment, net	6,966	6,244
Derivative assets	91,901	36,119
Other assets	22,563	27,184
Total assets	<u>\$ 60,767,039</u>	<u>\$ 42,041,411</u>
LIABILITIES AND CAPITAL		
LIABILITIES		
Deposits		
Interest-bearing	\$ 873,063	\$ 899,520
Non interest-bearing demand	20,751	41,929
Total deposits	<u>893,814</u>	<u>941,449</u>
Securities sold under agreements to repurchase	200,000	500,000
Consolidated obligations, net		
Discount notes	21,500,946	4,684,714
Bonds	34,564,226	33,066,286
Total consolidated obligations, net	<u>56,065,172</u>	<u>37,751,000</u>
Mandatorily redeemable capital stock	46,039	64,852
Accrued interest payable	301,039	300,139
Affordable Housing Program	42,622	44,714
Payable to REFCORP	6,280	5,945
Derivative liabilities	138,252	163,505
Other liabilities	21,598	20,836
Total liabilities	<u>57,714,816</u>	<u>39,792,440</u>
CAPITAL		
Capital stock – Class B putable (\$100 par value) issued and outstanding shares: 27,172,465 and 19,058,783 shares in 2007 and 2006	2,717,247	1,905,878
Retained earnings	361,347	344,246
Accumulated other comprehensive loss		
Net unrealized (loss) gain on available-for-sale securities	(25,467)	188
Pension and postretirement benefits	(904)	(1,341)
Total capital	<u>3,052,223</u>	<u>2,248,971</u>
Total liabilities and capital	<u>\$ 60,767,039</u>	<u>\$ 42,041,411</u>

See the Bank's Annual Report on Form 10-K for a full set of the Bank's audited Financial Statements and Footnotes.

STATEMENTS OF INCOME

(In thousands)

	For the Years Ended December 31,		
	2007	2006	2005
INTEREST INCOME			
Advances	\$ 1,312,133	\$ 1,136,091	\$ 901,248
Advance prepayment fees, net	1,527	514	294
Interest-bearing deposits	2,668	10,986	12,415
Securities purchased under agreements to resell	11,904	15,457	10,030
Federal funds sold	188,668	138,716	53,357
Investments			
Trading securities	-	311	481
Available-for-sale securities	111,548	21,939	17,877
Held-to-maturity securities	270,729	272,647	193,800
Mortgage loans held for portfolio	561,660	614,753	688,474
Loans to other FHLBanks	-	7	-
Total interest income	<u>2,460,837</u>	<u>2,211,421</u>	<u>1,877,976</u>
INTEREST EXPENSE			
Consolidated obligations			
Discount notes	424,052	269,278	160,223
Bonds	1,786,215	1,721,022	1,378,239
Deposits	51,363	35,173	24,338
Borrowings from other FHLBanks	119	147	132
Securities sold under agreements to repurchase	25,045	28,462	19,393
Mandatorily redeemable capital stock	2,902	2,972	2,029
Other borrowings	-	31	4
Total interest expense	<u>2,289,696</u>	<u>2,057,085</u>	<u>1,584,358</u>
NET INTEREST INCOME	171,141	154,336	293,618
Provision for (reversal of provision for) credit losses on mortgage loans	<u>69</u>	<u>(513)</u>	<u>-</u>
NET INTEREST INCOME AFTER MORTGAGE LOAN CREDIT LOSS PROVISION	<u>171,072</u>	<u>154,849</u>	<u>293,618</u>
OTHER INCOME			
Service fees	2,217	2,423	2,500
Net (loss) gain on trading securities	-	(17)	14
Net realized gain on available-for-sale securities	-	-	2,683
Net realized gain (loss) on held-to-maturity securities	545	-	(7)
Net gain on derivatives and hedging activities	4,491	2,278	38,947
Other, net	3,080	4,003	2,677
Total other income	<u>10,333</u>	<u>8,687</u>	<u>46,814</u>
OTHER EXPENSE			
Compensation and benefits	24,828	22,577	20,259
Operating	14,589	16,478	15,992
Federal Housing Finance Board	1,561	1,530	1,733
Office of Finance	1,476	982	1,021
Total other expense	<u>42,454</u>	<u>41,567</u>	<u>39,005</u>
INCOME BEFORE ASSESSMENTS	<u>138,951</u>	<u>121,969</u>	<u>301,427</u>
Affordable Housing Program	12,094	10,260	24,905
REFCORP	25,462	22,342	55,304
Total assessments	<u>37,556</u>	<u>32,602</u>	<u>80,209</u>
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	101,395	89,367	221,218
Cumulative effect of change in accounting principle	-	-	6,444
NET INCOME	<u>\$ 101,395</u>	<u>\$ 89,367</u>	<u>\$ 227,662</u>

See the Bank's Annual Report on Form 10-K for a full set of the Bank's audited Financial Statements and Footnotes.

2007 Board of Directors



S. Bryan Cook
Chairman & CEO
First National Bank of St. Louis
Clayton, MO



Johnny A. Danos
President
Greater Des Moines
Community Foundation
Des Moines, IA



Gerald D. Eid
President & CEO
Eid-Co Buildings, Inc.
Fargo, ND



Michael K. Guttau
Chairman, President & CEO
Treyvor State Bank
Treyvor, IA
(2007 FHLB Des Moines Vice-chairman)



Labh S. Hira, PhD
Dean
College of Business
Iowa State University
Ames, IA



John F. Kennedy, Sr.
VP & CFO
St. Louis Equity Fund, Inc.
St. Louis, MO



Paula R. Meyer
President (retired)
RiverSource Funds
Minneapolis, MN



Randy L. Newman
Chairman & CEO
Alerus Financial
Grand Forks, ND
(2007 FHLB Des Moines Chairman)



Dale E. Oberkfell
President & COO
Reliance Bank
Des Peres, MO



Kevin E. Pietrini
Chairman
Queen City Federal Savings
Bank
Virginia, MN



John H. Robinson
Chairman
Hamilton Ventures, LLC
Kansas City, MO



Lynn V. Schneider
President & CEO
American Bank & Trust
Huron, SD



Michael J. Finley
President
 Janesville State Bank
 Janesville, MN



David R. Frauenschuh
CEO & Owner
 Frauenschuh Inc.
 Bloomington, MN



Lorna P. Gleason
*Senior Managing Director
 (retired)*
 GMAC Health Capital
 Minneapolis, MN



D.R. Landwehr
Chairman, President & CEO
 Community Bank of Missouri
 Richmond, MO



Clair J. Lensing
President & CEO
 Security State Bank
 Waverly, IA



Dennis A. Lind
President
 Midwest Bank Group, Inc.
 Detroit Lakes, MN



LEFT TO RIGHT: RICHARD S. SWANSON, PRESIDENT & CEO; NICHOLAS J. SPAETH, EVP, GENERAL COUNSEL AND CHIEF RISK OFFICER; EDWARD J. MCGREEN, EVP, CHIEF CAPITAL MARKETS OFFICER; STEVEN T. SCHULER, EVP, CHIEF FINANCIAL OFFICER; MICHAEL L. WILSON, EVP, CHIEF BUSINESS OFFICER



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