

To: CFO's and Funding Officers

PUTABLE KNOCKOUT OFFERING

The Putable Knockout Advance is similar to our putable advance product with one exception: the existence of a barrier rate. The advance will be knocked out or terminated if the 3-month LIBOR is greater than or equal to the barrier strike rate on the predetermined specified observation dates.

Final Maturity Date: 12/18/15

Terms:

| | |
|------------------------------------|---|
| Structure: | 7-year/non-knockout 1-year (Bermudan) |
| Knockout 3-Month Libor Strike Rate | 8.00% |
| Indicative Spread: | 7-year Treasury (interp) + 153 bps |
| Indicative Rate | 3.13 (As of 12/17/08 – 7yr interp UST @ 1.60) |

Conditions

| | |
|-------------------------|---|
| Trade Date: | Friday, 12/19/08 |
| Settlement Date: | Friday, 12/19/08 |
| Put Option Exercise: | The Seattle Bank will exercise its option to terminate the advance at the end of the lockout (12/18/09, subject to good business day convention) and quarterly thereafter if the 3-month LIBOR BBA is observed to be greater than or equal to the strike rate of 8.00% on any Knockout Observation Date. The knockout observation date shall be 12 NY business days prior to the quarterly put dates. |
| Interest Payment Dates: | The 18 th of each month subject to good business day convention and at maturity |
| Day Count: | Actual/360 |
| Repayment: | Bullet at maturity or upon exercise of the termination option |
| Prepayment Fee: | "Structured Advance Prepayment" calculation as detailed in the Seattle Bank's <i>Financial Products and Service User Guide</i> |

Option attribution as of 12/17/08

In exchange for a lower rate on this advance, you have sold an option to the Seattle Bank. One of the Seattle Bank's internal models calculated a value attribution for this option of .235%. This value attribution is an estimate only and may or may not be indicative of the actual market value for this option. You should make your own independent assessment of value and risk related to this transaction. See "Valuations Provided," below.

Putable Advance Sensitivity Analysis as of 12/17/08

| Structure | Maturity | First Put | Coupon | -300 | -200 | -100 | 0 | 100 | 200 | 300 |
|-------------------------------------|----------|-----------|--------|--------|--------|--------|--------|-------|-------|-------|
| 7-year/non-knockout 1-yr (Bermudan) | 12/18/15 | 12/18/09 | 3.13 | 120.56 | 113.13 | 106.25 | 100.00 | 94.66 | 89.98 | 86.61 |

SIGNATURE AUTHORITY:

Name: _____ Signature: _____

Amount (\$\$): _____ Stop Rate: _____

Special Notice: Putable advances have a complex risk profile. The maturity of the advance may contract or extend adversely due to market movements. The Seattle Bank makes no representation as to the expected life of the advance or the criteria behind the exercise of the Seattle Bank's termination option. The decision to obtain a putable advance and any analysis of how it may fit into a borrower's financial or business strategy remains the borrower's sole responsibility. The Seattle Bank reserves the right to cancel any structure if insufficient orders are received. Borrowers will be notified and given the opportunity to participate in the remaining putable offerings.

Monitoring and Notification Policy: The Seattle Bank routinely monitors each member's concentration of structured advances whereby options have been sold to the Seattle Bank. When the percentage of such structured advances exceeds 200% of the member's total Tier 1 Capital, the Member Services Department may prepare a notification to the borrower to help ensure the borrower's executive management is aware of the concentration of this type of structured advances. Tier 1 Capital includes the book value of common stock, non-cumulative perpetual preferred stock and published reserves from post-tax retained earnings. This notification is typically sent via certified mail to the President and Chief Executive Officer of the borrower. This notification is provided as a convenience to you. The Seattle Bank is not required to provide this notification, nor does the Seattle Bank assume any responsibility for determining the type or amounts of structured advances that are appropriate for the borrower.

Valuations Provided: The Seattle Bank is providing the valuation and sensitivity analysis set forth above as an accommodation to you solely for information purposes, and you should not rely on this analysis for purposes of assessing the value or risk of this transaction or any part thereof. Unless expressly stated otherwise, valuations and sensitivities represent the Seattle Bank's current economic assessment of the transaction or instrument as of close of business on the date specified. Valuations and sensitivities represent neither the terms at which new transactions or instruments could be entered into nor the terms at which existing transactions or instruments could be liquidated or unwound, which could be less favorable than the above valuations. Valuations and sensitivities may also be adjusted to take into account market, liquidity, credit, operational or other risks, and/or to reflect revenue that has been generated but not yet recognized. The Seattle Bank may change its valuation methodology and the related adjustments and assumptions at any time, so that future valuations and sensitivities may be incomparable and/or less favorable than the current ones, even in the absence of an adverse development in market conditions. Valuations and sensitivities based on different assumptions or calculated using other methodologies may also yield different results. The Seattle Bank shall not be liable for any errors or omissions made in calculating or disseminating valuations or sensitivities, or for any inaccuracies or flaws in the methodologies, adjustments or assumptions. THE SEATTLE BANK SPECIFICALLY DISCLAIMS LIABILITY FOR ANY LOSSES OR DAMAGES (INCIDENTAL, CONSEQUENTIAL OR OTHERWISE) THAT MAY ARISE FROM VALUATIONS OR SENSITIVITIES THAT ARE EITHER USED OR RELIED UPON BY YOU OR ANY OTHER PARTY FOR ANY REASON. You are advised to always make your own independent assessment of value and risk.