

Audit Committee Report

The Audit Committee (Committee) of the Board of Directors of the Federal Home Loan Bank of San Francisco (Bank) for 2006 is currently composed of five directors, four of whom were elected to the Board by the members of the Bank and one of whom was appointed to the Board by the Federal Housing Finance Board. The Committee is governed by a written charter approved by the Board of Directors.

The Committee has reviewed and discussed the audited financial statements with management. The Committee has discussed with the independent auditor, PricewaterhouseCoopers LLP, the matters required to be discussed by Statement on Auditing Standards (SAS) No. 61, *Communications with Audit Committees*, and SAS No. 90, *Audit Committee Communications*. The Committee has also received the written disclosures and the letter from PricewaterhouseCoopers LLP required by Independent Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and has discussed the auditor's independence with PricewaterhouseCoopers LLP.

Based on the review and discussions referred to above, the Audit Committee recommends to the Board of Directors that the 2005 financial statements be included in the Form 10-K filed with the Securities and Exchange Commission.

D. Tad Lowrey, Chair

Kenneth R. Harder, Vice Chair

Craig G. Blunden

Rick McGill

Monte L. Miller

March 15, 2006