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FOR IMMEDIATE RELEASE:

Office of Finance Announces Preliminary Unaudited 2009 Combined Operating Highlights for the Federal Home Loan Banks

Each of the Federal Home Loan Banks Announces Preliminary Unaudited 2009 Financial Condition and Results of Operations

The Office of Finance is announcing preliminary 2009 combined operating highlights for the Federal Home Loan Banks (FHLBanks). These highlights have been prepared from the unaudited financial information of each FHLBank and are subject to change.

Each of the FHLBanks has announced preliminary unaudited financial highlights for the year ended December 31, 2009, filing a Form 8-K with the SEC that can be viewed, along with current financial reports and other SEC filings for individual FHLBanks, by searching the EDGAR database.

Balance Sheet and Capital Highlights

Combined total assets were \$1.016 trillion at December 31, 2009, a decrease of 25% from \$1.349 trillion at December 31, 2008. Advances (secured loans to members) decreased 32% to \$631 billion and represented 62% of total assets at December 31, 2009. Advances to FHLBank members at December 31, 2009 were comparable to the pre-credit-crisis advance level of \$640 billion at the end of the second quarter of 2007.

Generally, the growth or decline in advances reflects demand by members for liquidity and funding, driven by economic factors such as the availability to members of alternative funding, the interest-rate environment and the outlook for the economy. Members generally decreased their use of FHLBank advances during 2009 for a variety of reasons, including increases in their deposit levels, reduced lending activity due to the economic recession, and the availability of federal government programs that provided members with more attractively priced sources of funding and liquidity and/or lower collateral requirements that were not available earlier in the credit crisis. In addition, the financial condition of certain members weakened in 2009, which reduced those members' borrowing capacity from FHLBanks due to tightened credit and collateral terms for advances, and there were more prepayments of advances as a result of member failures in 2009 compared to 2008.

Investments declined 7% to \$284 billion at December 31, 2009, and member mortgage assets, at \$71 billion, were down 18% from December 31, 2008. The combined member mortgage assets decreased due to several FHLBanks no longer purchasing mortgage loans held for portfolio under the mortgage programs, the reduction of outstanding mortgage loan balances due to maturities and prepayments, and the continuing credit crisis in the housing market.



Consolidated obligations are the principal source of funds used by the FHLBanks to make advances and purchase investments and mortgages. Consolidated obligations outstanding were \$935 billion at December 31, 2009, a decrease of 26% from \$1.258 trillion at December 31, 2008. Total consolidated obligations outstanding at December 31, 2009 consisted of discount notes (\$199 billion) and bonds (\$736 billion), decreases of 55% and 10% from December 31, 2008.

Total combined GAAP capital was \$42.8 billion at December 31, 2009, a 17% decrease from December 31, 2008. At December 31, 2009, combined regulatory capital was \$60.2 billion, compared to \$59.6 billion at December 31, 2008. The difference between GAAP capital and regulatory capital relates primarily to accumulated other comprehensive income (loss), which is excluded from regulatory capital, and mandatorily redeemable capital stock (MRCS), which qualifies as regulatory capital. MRCS is subject to redemption restrictions, such as a five-year waiting period in most cases. At December 31, 2009, combined retained earnings totaled \$6.0 billion and combined accumulated other comprehensive income (loss) totaled \$(8.2) billion; this latter amount is mostly comprised of noncredit-related other-than-temporary impairment (OTTI) charges as discussed further below. MRCS at December 31, 2009 was \$8.1 billion, compared to \$6.1 billion at December 31, 2008.

Operating Results and Affordable Housing Program Contributions

Fourth Quarter Operating Results

Combined net income for the fourth quarter of 2009 was \$552 million compared to combined net loss of \$715 million for the same period in the previous year. This preliminary combined fourth quarter 2009 result reflects credit-related OTTI charges of \$436 million on certain private-label residential mortgage-backed securities (MBS) and home equity loan investments calculated under amended OTTI guidance issued by the Financial Accounting Standards Board. This amended OTTI guidance, which the FHLBanks early adopted during the first quarter of 2009, resulted in only the credit portion of FHLBank OTTI being recognized in earnings; the noncredit portion of FHLBank OTTI is recognized in accumulated other comprehensive income (loss). Prior to 2009, if an impairment was determined to be other-than-temporary, the impairment loss recognized in earnings was equal to the entire difference between the security's amortized cost basis and its fair value at the balance sheet date of the reporting period for which the impairment assessment was made. As a result of adopting this amended OTTI guidance, the FHLBanks recognized a cumulative effect adjustment totaling \$1.9 billion, as a positive adjustment to the combined retained earnings balance at January 1, 2009, with an offsetting adjustment to combined accumulated other comprehensive income (loss). The credit portion of FHLBank OTTI charges for 2009 resulted primarily from an increase in projected losses on the collateral underlying certain of the FHLBanks' private-label residential MBS and home equity loan investments.

The FHLBanks of Atlanta (\$82 million), Boston (\$6 million), Chicago (\$21 million), Cincinnati (\$49 million), Dallas (\$39 million), Des Moines (\$41 million), Indianapolis (\$24 million), New York (\$96 million), San Francisco (\$174 million) and Topeka (\$46 million) each reported preliminary net income for the fourth quarter of 2009. The FHLBanks of Pittsburgh (-\$5 million) and Seattle (-\$18 million) each reported a preliminary net loss for the same period, primarily due to OTTI charges. The sum of the individual FHLBank net income (loss) amounts does not agree to the combined net



income due to interbank combining adjustments that decreased net income by \$3 million for the fourth quarter of 2009.

2009 Year-end Operating Results

Combined net income for the year ended December 31, 2009 was \$1.9 billion, compared to combined net income of \$1.2 billion for the year ended December 31, 2008. Preliminary combined net income for 2009 was reduced by credit-related OTTI charges of \$2.4 billion on certain private-label residential MBS and home equity loan investments, compared to OTTI charges of \$2.0 billion for 2008, which included non-credit-related charges of \$1.9 billion. As previously noted under "Fourth Quarter Operating Results," the FHLBanks adopted amended OTTI guidance effective January 1, 2009.

The FHLBanks of Atlanta (\$283 million), Cincinnati (\$268 million), Dallas (\$148 million), Des Moines (\$146 million), Indianapolis (\$120 million), New York (\$571 million), San Francisco (\$515 million) and Topeka (\$237 million) each reported preliminary net income for the year ended December 31, 2009. The FHLBanks of Boston (-\$187 million), Chicago (-\$65 million), Pittsburgh (-\$37 million) and Seattle (-\$162 million) each reported a preliminary net loss for the same period, primarily due to OTTI charges. The sum of the individual FHLBank net income (loss) amounts does not agree to the combined net income due to interbank combining adjustments that increased net income by \$18 million for the year ended December 31, 2009.

The FHLBanks recognized \$383 million and \$8.8 billion of OTTI in combined other comprehensive income (loss) for the three and twelve months ended December 31, 2009. The continued lack of liquidity in the private-label residential MBS market adversely affected the valuation of certain private-label residential MBS, contributing to the large noncredit-related OTTI charge recorded in accumulated other comprehensive income (loss). The noncredit portion of OTTI for each held-to-maturity MBS will be accreted prospectively, based on the amount and timing of future estimated cash flows, over the remaining life of the MBS as an increase in the carrying value of the MBS, with no effect on earnings unless the MBS is subsequently sold or there are additional decreases in the cash flows expected to be collected. Subsequent increases and decreases in the fair value of available-for-sale securities and transfers are included in accumulated other comprehensive income (loss) if they do not result from a subsequent OTTI.

The credit portion of FHLBank OTTI charges for 2009 resulted primarily from an increase in projected losses on the collateral underlying certain of the FHLBanks' private-label residential MBS and home equity loan investments. Each quarter, working with the FHLBank System OTTI Governance Committee, each FHLBank updates its OTTI analysis to reflect current loan performance and current housing market assumptions in its collateral loss projection models, which generate the projected losses. Several factors contributed to the increases in projected losses, including lower forecasted housing prices followed by slower housing price recovery, continued rising unemployment and limited refinancing opportunities for borrowers whose houses are now worth less than the balances on their mortgages. These trends led to lower projected prepayment rates, higher projected default rates and higher projected losses on defaulted loans.



Each FHLBank actively monitors the credit quality of its MBS. It is not possible to predict whether the FHLBanks will have additional OTTI charges in the future, because that will depend on many factors, including economic, financial market and housing market conditions and the actual and projected performance of the loan collateral underlying the FHLBanks' MBS. If delinquency and/or loss rates on mortgages and/or home equity loans continue to increase, and/or there is a further decline in residential real estate values, the FHLBanks could experience reduced yields or further losses on these investment securities. For additional information on individual FHLBanks, you may access all SEC filings on the EDGAR database.

Affordable Housing Program Contributions

The FHLBanks contributed \$62 million in the fourth quarter of 2009 to the Affordable Housing Program, compared to a contribution reversal of \$45 million for the same period one year ago. Additionally, the FHLBanks contributed \$258 million to the Affordable Housing Program for the year ended December 31, 2009, compared to \$188 million for the year ended December 31, 2008. These changes primarily reflect the increases in net income.

The annual 2009 Combined Financial Report for the FHLBanks is expected to be filed with the Federal Housing Finance Agency and available on the Office of Finance web site as soon as practicable after each FHLBank has filed its individual SEC filings for the period ended December 31, 2009.

About the FHLBanks

The primary purpose of the FHLBanks is to ensure the flow of credit and other services for housing and community development to member financial institutions. This liquidity serves the public by enhancing the availability of residential mortgage and community investment funds. As cooperatives, the FHLBanks seek to maintain a balance between their public policy mission and their obligation to provide adequate returns on the capital supplied by members. The FHLBanks achieve this balance by delivering low-cost financing, providing members a viable alternative to the secondary mortgage market through their mortgage programs, and through the payment of dividends. Each FHLBank also helps members with other local housing and community development needs through self-funded affordable housing programs.

Each individual FHLBank manages its operations independently 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. The accounting and financial reporting policies and practices of individual FHLBanks are not always identical because different policies and/or presentations are permitted under GAAP in certain circumstances.

The FHLBanks have delivered innovation and service to the U.S. housing market for over 77 years, and currently have over 8,000 members in all 50 states, the District of Columbia, American Samoa, Guam, Puerto Rico, and the Northern Mariana and U.S. Virgin Islands. Please contact Mike Ciota at 703-467-3608 (ciota@fhlb-of.com) for additional information.



Statements contained in this release 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. By their nature, these forward-looking statements, including those related to financial performance, publication of financial reports and private-label mortgage-backed securities investments, are subject to risks and uncertainties related to the operations of the FHLBanks and the business environment, all of which are difficult to predict and many of which are beyond the control of the FHLBanks. These risks and uncertainties could cause actual results to differ materially from those expressed or implied in forward-looking statements or could affect the extent to which a particular objective, projection, estimate, or prediction is realized. Such risks and uncertainties include the following: changes in interest rates; housing prices; employment rates and the general economy; the size and volatility of the residential mortgage market; demand for FHLBank advances; volatility of market prices, rates, and indices or other factors, including natural disasters, that could affect the value of investments or collateral held by the FHLBanks as security; political events, including legislative, regulatory, judicial or other developments that affect the FHLBanks, their members, counterparties and/or investors in the consolidated obligations of the FHLBanks; competitive forces, including other sources of funding available to FHLBank members, and the ability to attract and retain skilled individuals; the pace of technological change and the ability to develop and support technology and information systems; changes in investor demand for consolidated obligations and/or the terms of interest-rate exchange agreements and similar agreements; the application of accounting rules, such as accounting for derivatives and other-than-temporary impairment; and the ability to introduce new FHLBank products and services and successfully manage the risks associated with those products and services. Investors are encouraged to consider these and other risks and uncertainties that are discussed in periodic combined financial reports posted on the Office of Finance web site, www.fhllb-of.com, and in reports filed by each FHLBank with the Securities and Exchange Commission. Any duty to update these forward-looking statements is hereby disclaimed.