



October 30, 2009

## FOR IMMEDIATE RELEASE:

### Office of Finance Announces Preliminary Third Quarter 2009 Combined Operating Highlights for the Federal Home Loan Banks

### Each of the Federal Home Loan Banks Announces Preliminary Third Quarter 2009 Results of Operations and Financial Condition

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

Each of the FHLBanks has announced preliminary unaudited financial highlights for the quarter and nine months ended September 30, 2009, filing a Form 8-K with the SEC that can be viewed by searching the EDGAR database. Current financial reports and other SEC filings for individual FHLBanks can be obtained by searching the EDGAR database.

#### Balance Sheet and Capital Highlights

Combined total assets were \$1.062 trillion at September 30, 2009, a decrease of 21% from \$1.349 trillion at year-end 2008. Advances (secured loans to members) decreased 27% to \$678 billion and represented 64% of total assets at September 30, 2009. 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 the first nine months of 2009 for a variety of reasons, including increases in their level of deposits and reduced lending activity due to the economic recession, as well as the availability of federal government programs that provided members with more attractively priced sources of funding and liquidity and/or lower collateral requirements than were available earlier in the credit crisis.

Investments declined 4% to \$293 billion and member mortgage assets, at \$74 billion, were down 15% from year-end 2008. The FHLBanks anticipate that their combined outstanding member mortgage assets will continue to decrease in 2009 due to the discontinuance of participation in mortgage programs by several FHLBanks, 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 \$980 billion at September 30, 2009, a decrease of 22% from \$1.258 trillion at year-end 2008. Total consolidated obligations outstanding at September 30, 2009 consisted of discount notes (\$275 billion) and bonds (\$705 billion), decreases of 38% and 14% from year-end 2008.



At September 30, 2009, combined retained earnings totaled \$5.6 billion and combined accumulated other comprehensive income (loss) totaled \$(8.8) billion. Total combined GAAP capital was \$45 billion at September 30, 2009, a 12% decrease from December 31, 2008. At September 30, 2009, combined regulatory capital was \$60.4 billion, compared to \$59.6 billion at December 31, 2008. The difference between GAAP capital and regulatory capital relates primarily to the 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.

#### Operating Results and Affordable Housing Program Contributions

Combined net loss for the third quarter of 2009 was -\$165 million, compared to combined net income of \$506 million recorded for the same period in the previous year. These preliminary combined results were reduced by other-than-temporary impairment (OTTI) credit-related charges of \$1.042 billion on certain private-label residential mortgage-backed securities (MBS) and home equity loan investments for the third quarter of 2009. The increase in the credit portion of OTTI charges for the third quarter of 2009 is described in more detail below.

The FHLBanks of Atlanta (\$11 million), Cincinnati (\$61 million), Dallas (\$18 million), Des Moines (\$35 million), Indianapolis (\$21 million), New York (\$140 million) and Topeka (\$25 million) each reported preliminary net income for the quarter ended September 30, 2009. The FHLBanks of Boston (-\$105 million), Chicago (-\$150 million), Pittsburgh (-\$40 million), San Francisco (-\$85 million) and Seattle (-\$93 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 loss due to interbank combining adjustments that increased net loss by \$3 million for the quarter ended September 30, 2009.

Combined net income for the nine months ended September 30, 2009 was \$1.303 billion, a 32% decrease from the \$1.921 billion recorded for the same period in the previous year. Preliminary combined net income was reduced by OTTI credit-related charges of \$1.995 billion on certain private-label residential MBS and home equity loan investments for the nine months ended September 30, 2009.

The FHLBanks of Atlanta (\$201 million), Cincinnati (\$219 million), Dallas (\$109 million), Des Moines (\$105 million), Indianapolis (\$96 million), New York (\$475 million), San Francisco (\$341 million) and Topeka (\$191 million) each reported preliminary net income for the nine months ended September 30, 2009. The FHLBanks of Boston (-\$193 million), Chicago (-\$86 million), Pittsburgh (-\$32 million) and Seattle (-\$144 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 \$21 million for the nine months ended September 30, 2009.

Under OTTI accounting guidance for debt securities, only the credit portion of OTTI is recognized in earnings; the noncredit portion of OTTI is recognized in accumulated other comprehensive income (loss). The FHLBanks recognized \$1.1 billion and \$8.4 billion of OTTI in combined accumulated other comprehensive income (loss) for the three and nine months ended September 30,



2009. The continued severe 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.

The credit portion of FHLBank OTTI charges for the third quarter of 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 of 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 rapid 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.

The FHLBanks contributed \$20 million in the third quarter of 2009 to the Affordable Housing Program, compared to \$57 million for the same period one year ago. For the nine months ended September 30, 2009, the FHLBanks contributed \$197 million to the Affordable Housing Program, compared to \$233 million for the same period one year ago. These changes reflect the decreases in net income.

The Third Quarter 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 September 30, 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 77 years, and currently have over 8,100 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](mailto: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.fhlb-of.com](http://www.fhlb-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.*