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FOR IMMEDIATE RELEASE:

FHLBanks Issue Annual Stress Test Disclosures for Severely Adverse Scenario

Background

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires certain financial companies with total consolidated assets of more than \$10 billion that are regulated by a primary Federal financial regulatory agency to conduct annual stress tests to determine whether the companies have the capital necessary to absorb losses under adverse economic conditions.

In September 2013, the Federal Housing Finance Agency (FHFA), regulator of the Federal Home Loan Banks (FHLBanks), implemented annual stress testing for the FHLBanks as required by the Dodd-Frank Act. In accordance with these rules, the FHLBanks publicly disclosed the results of their stress tests. This is the first such annual disclosure.

Requirements

The FHFA provided inputs and key assumptions for the Severely Adverse scenario. The results are projected over the nine-quarter period from the fourth quarter of 2013 to the fourth quarter of 2015, starting with September 30, 2013 balances.

The stress test results under the FHFA's Severely Adverse scenario, as disclosed in this document, as well as by the FHLBanks, or otherwise, should not be viewed as forecasts of expected or likely outcomes of future results. Rather, these modeled projections are based solely on the FHFA's Severely Adverse scenario and other specific required assumptions.

Results

Each FHLBank's stress test results demonstrate capital adequacy under Severely Adverse economic conditions as of December 31, 2015 with a combined regulatory capital ratio of 6.9% compared to the regulatory requirement of 4.0%. Total GAAP¹ Capital is \$31.5 billion.

Stress Test Use and Governance

Stress testing has evolved as an important analytical tool for evaluating capital adequacy under adverse economic conditions. Each FHLBank uses such stress tests, including those annual stress tests required by the Dodd-Frank Act, in its capital planning to measure its exposure to material risks and evaluate the adequacy of its capital resources available to absorb potential losses arising from those risks.

Each FHLBank takes its stress test results into account when making changes to its capital structure; when assessing its exposures, concentrations, and risk positions; and in improving its overall risk management.

1. Generally Accepted Accounting Principles in the United States



Stress Test Components

The FHLBanks performed the stress test including the following components:

- *Net Interest Income and Other Non-Interest Income* - Net interest income (expense), operating expenses, and other non-interest income (expense).
- *(Provision) Benefit for Credit Losses on Mortgage Loans* - Credit loss provisions related to mortgage loans held for portfolio.
- *OTTI Credit Losses* - Credit-related impairments (other-than-temporary impairment) for investment securities.
- *Mark-to-Market Gains (Losses)* - Mark-to-market gains (losses) related to changes in fair value of derivatives, trading securities and other gains (losses) on assets held at fair value.
- *Global Market Shock Impact on Fair Value Assets* - Instantaneous global shocks of interest rates, volatility, agency Mortgage-Backed-Securities (MBS) option-adjusted spread, and non-agency MBS prices applied to available-for-sale securities, and OTTI held-to-maturity securities.

FHLBanks Dodd-Frank Stress Test Severely Adverse Scenario Results

(dollars in millions)

	Cumulative Projected Financial Metrics Q4 2013 - Q4 2015(1)
Net interest income + other non-interest income	\$ 4,506
(Provision) benefit for credit losses on mortgage loans	(175)
OTTI Credit Losses	(1,088)
Mark-to-market gains (losses)(2)	(238)
Global market shock impact on fair value assets(3)	(9,523)
Net income (loss) before assessments	3,005
Total Capital (GAAP) - Starting	43,143
Total Capital (GAAP) - Ending	31,475
Regulatory Capital Ratio - Starting	6.3%
Regulatory Capital Ratio - Ending	6.9%

(1) Amounts do not include interbank eliminations.

(2) Amount also includes the impact on earnings from the global market shock applied to trading securities, mortgage delivery commitments and to-be announced MBS.

(3) Amount is not included in "Net income (loss) before assessments."

The Severely Adverse scenario is not an expected forecast, but a hypothetical stress scenario using internal projections by applying the rules and conditions set forth by the FHFA. See each individual FHLBank's web site for its stress test results, key assumptions, risks considered, and other information.



About the FHLBanks

The FHLBanks are cooperatives and each FHLBank manages its operations independently. Consolidated bonds and consolidated discount notes are the joint and several obligations of all 12 FHLBanks, even though each FHLBank is a separately chartered entity with its own board of directors and management. Each FHLBank is required to meet the capital requirements under its capital plan and the FHFA rules and regulations. Although there is no regulatory capital requirement for the FHLBank system, each FHLBank is required to maintain a minimum regulatory capital ratio of 4.0%. Each FHLBank is responsible for performing its stress test based on assumptions provided by the FHFA under the Severely Adverse scenario and other specific required assumptions.

The FHLBanks have delivered innovation and service to the U.S. housing market since 1932, and currently have approximately 7,500 members serving all 50 states, the District of Columbia, and U.S. territories. Please contact Nancy Nowalk at 703-467-3608 or nnowalk@fhlb-of.com for additional information.

This release contains forward-looking statements and projections that involve risk or uncertainty. Forward-looking statements in this release include projections of the FHLBanks' financial results and conditions under a hypothetical scenario incorporating a set of assumed economic conditions prescribed by the FHLBanks' regulator. These projections are not intended to be the FHLBanks' forecast of expected future economic or financial conditions or a forecast of the FHLBanks' expected future financial results or conditions, but rather reflect possible results under the prescribed hypothetical scenario. The FHLBanks' future financial results and conditions will be influenced by actual economic and financial conditions and various other factors, including but not limited to, those described in reports filed by each FHLBank with the U. S. Securities and Exchange Commission. Any duty to update these forward-looking statements is disclaimed.