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Federal Home Loan Banks

Advances Grow and Capital Returns to Normal Levels

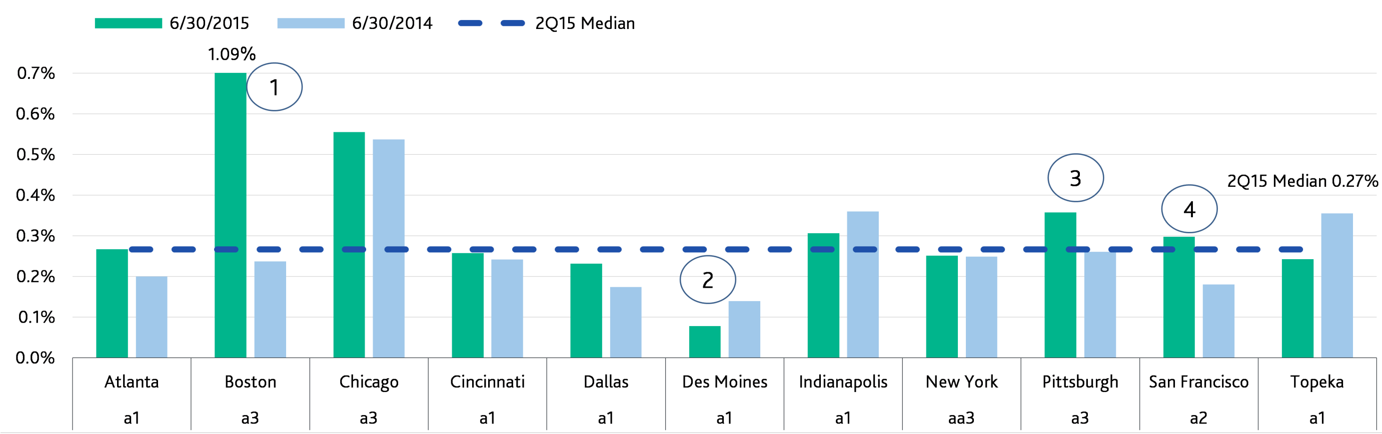
Federal Home Loan Banks – Combined

The Federal Home Loan Banks (FHLBanks) reported second quarter net income of $678 million compared with $514 million in the year-ago quarter. The 32% increase in net income was due to a $420 million increase in non-interest income from gains on litigation settlements and net gains on derivatives and hedging activities. In the second quarter of 2015 the FHLBanks had a $129 million reduction (-15%) in net interest income after provision for credit loss. Net interest margin decreased 8 basis points compared with the year-ago quarter from lower yields on interest-earning assets. This was partially offset by an increase in the average balance of interest-earning assets and lower yields on consolidated obligations. Non-interest expense also increased $107 million (+42%) in the second quarter of 2015. More than half of the increase to non-interest expense ($58 million) was from Seattle's litigation expenses relating to private-label mortgage-backed securities. In addition to this, $35 million in non-interest expenses were incurred for the merger of Des Moines and Seattle which was effective on 31 May 2015.

GAAP capital grew at a slower rate (+2%) than total assets (+6%). The percentage of capital to assets declined for seven FHLBanks over a 12-month period. The median capital to assets percentage across the FHLBanks as of 30 June 2015 was 5.05% versus 5.28% as of 30 June 2014. The FHLBanks are in the process of steadily reducing capital to more normal levels from higher levels over the past several years. Separately, capital stock decreased 0.3% and retained earnings continued to grow with a 9% increase.

Total assets as of 30 June 2015 were $916.9 billion, up from $865.9 billion a year earlier. The 6% increase in total assets was driven by $55.7 billion of advance growth from higher demand. Consolidated obligations rose 7% in the last 12 months.

Exhibit 1
Return on Average Assets



*Baseline Credit Assessments are listed for all banks
**ROAA was calculated using the average of asset balances as of 6/30 and 3/31 and net income during the quarter annualized

1. Boston

ROAA	Q2 2015	Q2 2014	YoY Change
	1.09%	0.24%	359.26%

Return on assets increased for the second quarter of 2015 compared with the prior-year quarter due to $134.7 million of litigation settlement income. Litigation settlement income comprised 90% of net income for the second quarter of 2015. Total assets increased 3% driven primarily by $1.8 billion advance growth.

2. Des Moines

ROAA	Q2 2015	Q2 2014	YoY Change
	0.08%	0.14%	-44.28%

Return on assets decreased for the second quarter of 2015 compared with the prior-year quarter due to a $6 million decline in net income. Net income for the second quarter of 2015 was $21.0 million. Des Moines incurred $33.1 million of expenses in the second quarter of 2015 related to its merger with Seattle, which was effective on 31 May 2015. Des Moines' total assets increased to $118.8 billion as of 30 June 2015 from $82.2 billion one year earlier. The increase in assets was primarily the result of the merger. Investments led the increase in assets with $19.3 billion in growth (+82%) followed by advances with $16.5 billion in growth (+32%).

3. Pittsburgh

ROAA	Q2 2015	Q2 2014	YoY Change
	0.36%	0.26%	37.04%

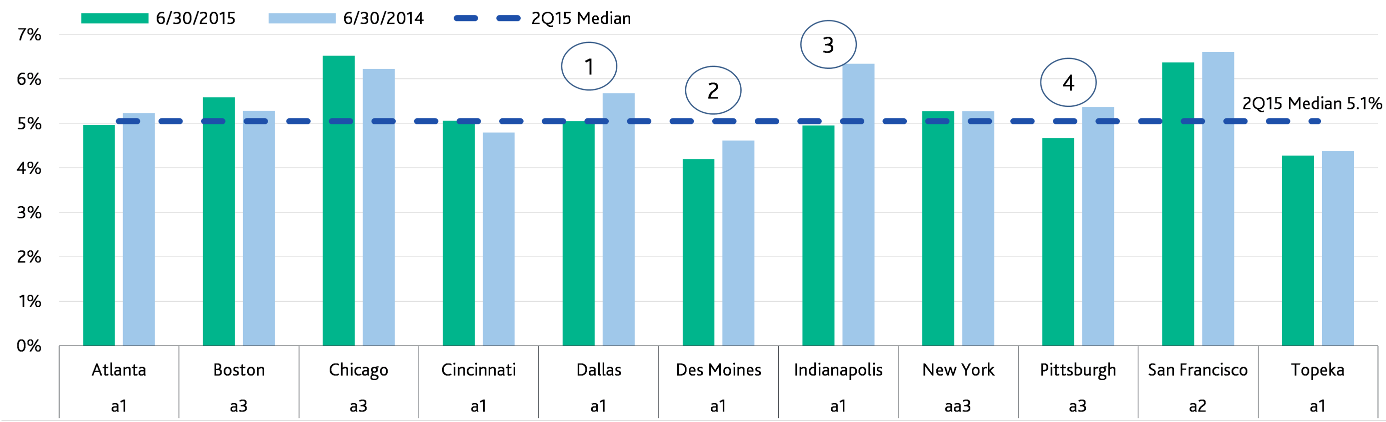
Return on assets increased 37% for the second quarter of 2015 compared to the prior-year quarter due to a $36.0 million increase (+81%) in net income from net gains on derivatives and hedging activities and higher net interest income, partially offset by net losses on trading securities. Pittsburgh's total assets increased $20.4 billion (+28%) led by $16.9 billion (+31%) of advance growth.

4. San Francisco

ROAA	Q2 2015	Q2 2014	YoY Change
	0.30%	0.18%	65.19%

Return on assets increased 65% for the second quarter of 2015 compared with the prior year quarter due to a $22.0 million increase (+56%) in net income from net fair value gains of $5 million associated with derivatives, hedged items, and financial instruments carried at fair value compared with a $35 million net fair value loss in the prior-year quarter. The improvement in hedging gains was partially offset by a $30 million reduction (-22%) in net interest income. San Francisco's total assets decreased $1.3 billion (-1%)

Exhibit 2
Capital (GAAP) / Total Assets



*Baseline Credit Assessments are listed for all banks
**Capital (GAAP) to Total Assets was calculated using quarter end balances

1. Dallas

Capital (GAAP) / Assets	Q2 2015	Q2 2014	YoY Change
	5.05%	5.68%	-11.02%

Capital to total assets for the second quarter of 2015 decreased 11% compared with the prior-year quarter. Capital increased $239 million (+13%) while total assets increased $8.9 billion (+26%). Asset growth was largely due to a $6.4 billion increase (+46%) in investments and $3.4 billion in growth (+19%) in advances. Capital stock increased $174 million (+14%) and retained earnings increased $64 million (+9%). A dividend of $1.1 million was paid to shareholders on 30 June 2015.

2. Des Moines

Capital (GAAP) / Assets	Q2 2015	Q2 2014	YoY Change
	4.20%	4.61%	-9.01%

Capital to total assets for the second quarter of 2015 decreased 9% compared with the prior-year quarter. Capital increased $1.2 billion (+31%) while total assets increased $36.5 billion (+44%) over the second quarter of 2014. Asset growth for Des Moines was primarily due to its merger with Seattle. More than half of the increase to capital was due to the merger as well. Specifically, capital stock outstanding increased by $931.1 million over the second quarter of 2014. Des Moines also recognized additional capital from the merger of $246.5 million, which represented Seattle's closing retained earnings balance adjusted for fair value and purchase accounting adjustments and intangible assets. Des Moines plans to distribute dividends from additional capital from merger until the balance is depleted.

3. Indianapolis

Capital (GAAP) / Assets	Q2 2015	Q2 2014	YoY Change
	4.95%	6.34%	-21.86%

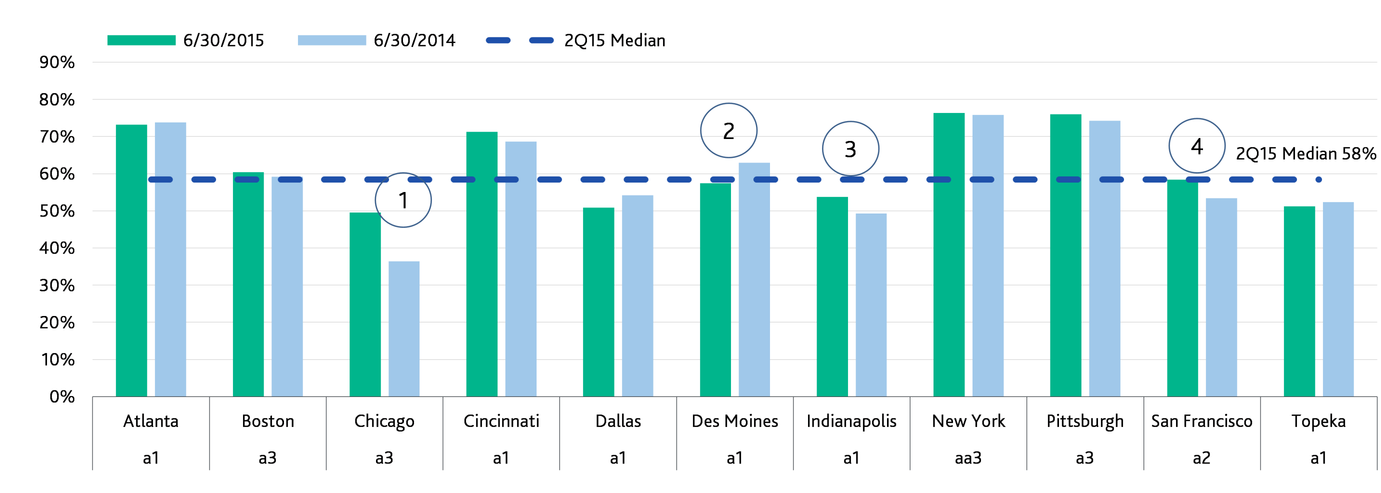
Indianapolis went from being the second largest of the banks GAAP Capital as a percentage of assets as of 30 June 2014, 6.4%, to the eighth-largest level of capital of 5.0%. Capital as of 30 June 2015 was $2.2 billion compared with $2.5 billion as of 30 June 2014, a 10% reduction. Indianapolis repurchased $241 million in excess capital stock in May 2015. Total assets as of 30 June 2015 were $45.2 billion compared with $39.1 billion as of 30 June 2014, a 16% increase. Advances increased $5.1 billion (+26%), and mortgage loans held for portfolio increased $1.7 billion (+27%). Mortgage loans held for portfolio increased due to increased member use of the Mortgage Purchase Program Advantage product.

4. Pittsburgh

Capital (GAAP) / Assets	Q2 2015	Q2 2014	YoY Change
	4.67%	5.37%	-13.07%

Pittsburgh went from being the fifth largest of the banks GAAP Capital as a percentage of assets as of 30 June 2014, 5.4%, to having the ninth largest level of capital of 4.7% as of 30 June 2015. Total assets increased from $73.6 billion as of 30 June 2014 to $94.0 billion as of 30 June 2015 (+28%). Total capital increased from $4.0 billion as of 30 June 2014 to $4.4 billion as of 30 June 2015 (+11%). The increase in capital was due primarily to stock purchases for advance activity and to a lesser extent growth in retained earnings. Pittsburgh's outstanding advances increased 31% in the last 12 months.

Exhibit 3
Advances / Total Assets



*Baseline Credit Assessments are listed for all banks

1. Chicago

Advances / Total Assets	Q2 2015	Q2 2014	YoY Change
	49.53%	36.41%	36.02%

Chicago's percentage of advances to total assets experienced the largest increase of all the banks in the last 12 months. Chicago's advances increased 39% from $24.8 billion as of 30 June 2014 to $34.6 billion as of 30 June 2015. Total assets increased 3% from $68.1 billion as of 30 June 2014 to $69.8 billion as of 30 June 2015. Total asset growth is small due to declines in investments and mortgage loans held for portfolio.

2. Des Moines

Advances / Total Assets	Q2 2015	Q2 2014	YoY Change
	57.41%	62.90%	-8.72%

Des Moines acquired $9.2 billion of advances as a result of its merger with Seattle on 31 May 2015. However, the addition of advances from the merger was partially offset by a decrease in borrowings from a large depository institution. In total, advances increased $16.5 billion (+32%) and total assets increased $36.5 billion (+44%) in the last 12 months. Des Moines' $19.3 billion (+82%) growth in investments in the last 12 months outpaced its advance growth. Des Moines' long-term investments balance increased by $19.5 billion primarily due to the merger with Seattle.

3. Indianapolis

Advances / Total Assets	Q2 2015	Q2 2014	YoY Change
	53.76%	49.28%	9.08%

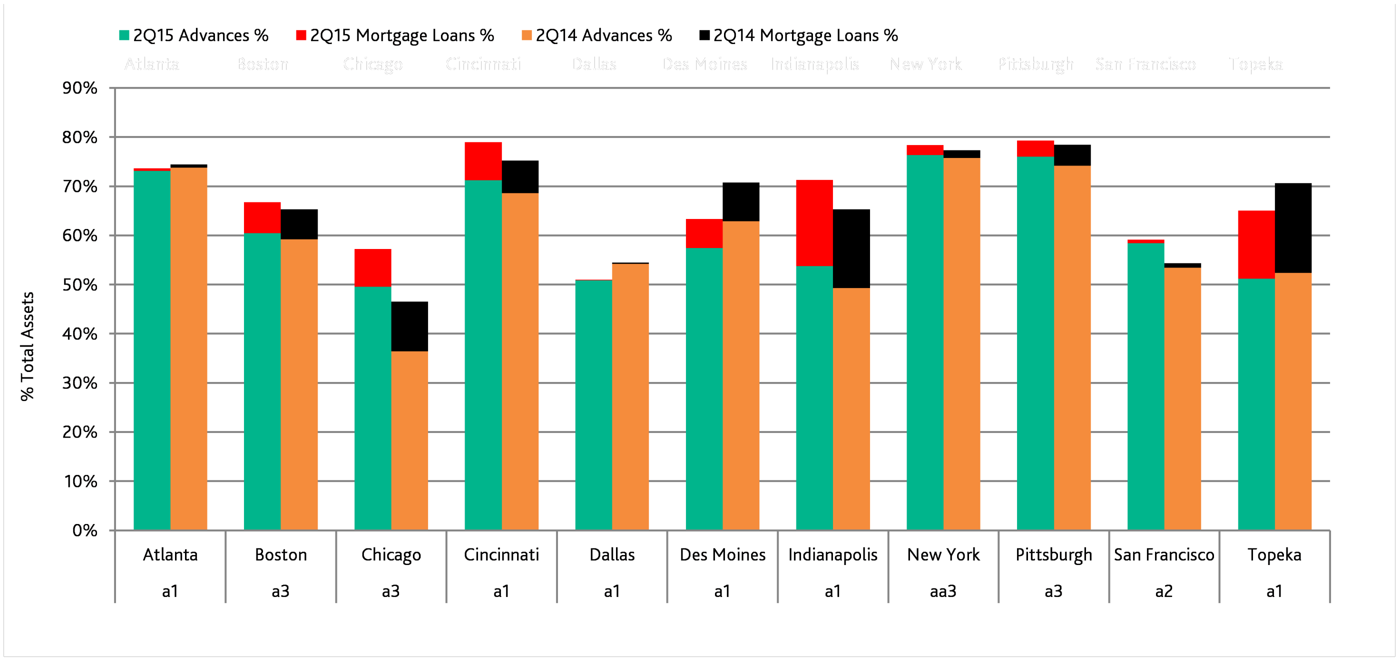
Advances were 54% of total assets as of 30 June 2015 compared with 49% one year earlier. Advances increased $5.1 billion to $24.3 billion as of 30 June 2015, a 26% increase from a year earlier. Total assets (including advances) were $45.2 billion, a 16% increase from a year earlier. Advances to insurance companies accounted for 58% of total advances, and advances to depository institutions comprised 42% of total advances at 30 June 2015. In addition to the $5.1 billion growth in advances, investments increased $1.3 billion (+12%), and mortgage loans held for portfolio increased $1.7 billion (+27%).

4. San Francisco

Advances / Total Assets	Q2 2015	Q2 2014	YoY Change
	58.38%	53.42%	9.29%

Advances were 58% of total assets as of 30 June 2015 compared with 53% one year earlier. Advances increased $3.6 billion (+8%) while total assets (including advances) decreased $1.3 billion (-1%) in the last 12 months due predominantly to a lower cash balance. Investments decreased slightly (-2%) in the last 12 months.

Exhibit 4
Advances + Mortgage Loans / Total Assets



*Baseline Credit Assessments are listed for all banks

Sources

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2. Federal Home Loan Banks Combined Financial Report for the Quarterly Period Ended June 30, 2015, 13 August 2015
3. Federal Home Loan Banks Combined Financial Report for the Quarterly Period Ended June 30, 2014, 13 August 2014
4. Quarterly earnings releases

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» Federal Home Loan Banks: Demand Drives Advance Growth for FHLBanks

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