

SECTOR IN-DEPTH

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Federal Home Loan Banks

Continued Growth in Retained Earnings and 12 Month Advance Balances

Federal Home Loan Banks – Combined

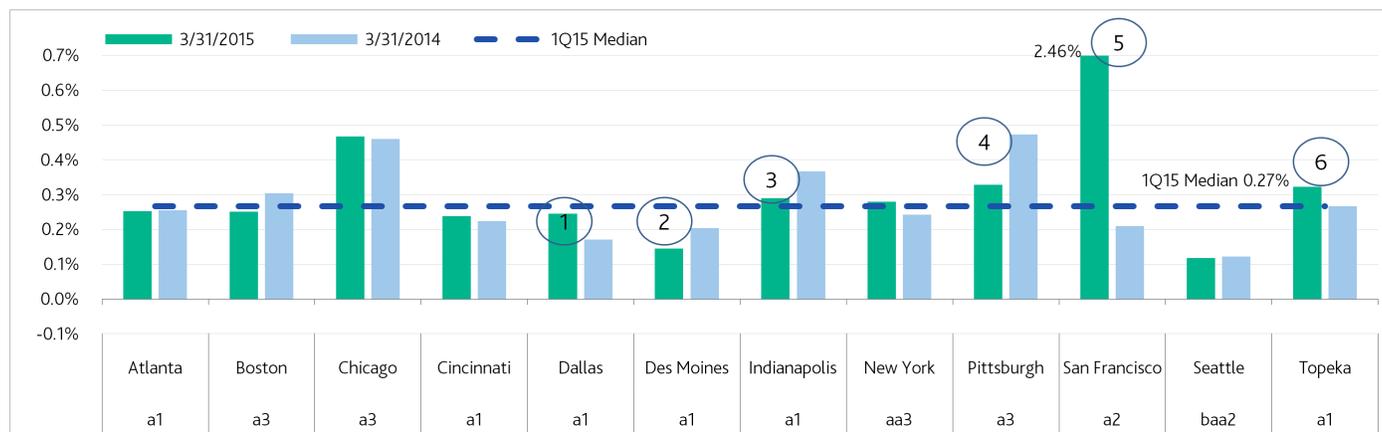
The Federal Home Loan Banks (FHLBanks) reported first quarter net income of \$1.02 billion compared with \$556 million in the year-ago quarter. The increase resulted primarily from a \$474 million increase in non-interest income from higher gains on litigation settlements and sales of available-for-sale securities, partially offset by an increase in net other-than-temporary impairment losses. The quarter also had a \$56 million increase (+6%) in net interest income. Net interest margin for the quarter was 0.41%, a decrease of 1 basis point compared to the prior year quarter. Expenses had a \$23 million increase (+9%) in non-interest expense and a \$48 million increase (+71%) in affordable housing program assessments.

A capital stock increase and continued growth in retained earnings resulted in a \$2.4 billion increase (+5%) in GAAP capital as of 31 March 2015, compared with a year earlier. Separately, capital stock increased 2% and retained earnings increased 11%. We expect growth in retained earnings to continue through 2015.

Total assets as of 31 March 2015 were \$879.9 billion, up from \$820.6 billion a year earlier. The 7% increase in total assets was driven by \$57.7 billion of advance growth from higher demand. Consolidated obligations rose 8% consisting of an increase in discount notes due to the growth in advances.

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 3/31 and 12/31 and net income during the quarter annualized

1. Dallas

ROAA	3/31/2015	3/31/2014	YoY Change
	0.25%	0.17%	43.63%

Return on assets for the first quarter of 2015 increased compared to the prior year quarter due to an increase in net income that exceeded the increase in average assets. Net income was \$23 million for the first quarter of 2015 versus \$13 million for the prior year quarter, a 77% increase. During the first quarter of 2015, Dallas sold investment securities at a gain of \$8.6 million. There were no sales of investment securities in the prior year quarter. The change in Dallas' gains (losses) on derivatives and hedging activities was +\$3.5 million, and net interest income was +\$0.4 million.

2. Des Moines

ROAA	3/31/2015	3/31/2014	YoY Change
	0.14%	0.20%	-28.59%

Return on assets for the first quarter of 2015 decreased compared to the prior year quarter due to a decline in net income (-5%) and a very large increase in average assets (+32%). This was the largest increase in average assets of all banks for the last 12 months. Des Moines experienced very large growth in both advances and investments in the last 12 months with 42% and 30% increases, respectively. Net income decreased \$2 million (-5%) in the first quarter of 2015 due to a non-interest (loss) of -\$9 million (a -\$12 million reduction from the prior year quarter) and a \$5 million increase in non-interest expense. Non-interest loss totaled \$9.5 million for the first quarter of 2015 versus non-interest income of \$3.4 million for the prior year quarter. The primary driver of the non-interest loss for the first quarter of 2015 was from derivatives, hedging, and trading securities activities. Non-interest expense was \$5 million larger in the first quarter of 2015 due to an increase in compensation and benefits and professional fees due in part to the proposed merger with the Federal Home Loan Bank of Seattle.

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3. Indianapolis

ROAA	3/31/2015	3/31/2014	YoY Change
	0.29%	0.37%	-20.81%

Return on assets for the first quarter of 2015 decreased compared to the prior year quarter due to an increase in average assets and a decline in net income. Net income was \$31 million for the first quarter of 2015 versus \$34 million for the prior year quarter, a 9% decrease. The decline in net income was due primarily to unrealized losses related to derivative and hedging activities, partially offset by higher net proceeds from litigation settlements related to private-label mortgage-backed securities. Total assets in the last 12 months increased \$7.2 billion (+20%). Advances increased \$4.7 billion to \$21.8 billion. Advances to insurance company members accounted for 61% of advances as of 31 March 2015, while advances to depository members accounted for 39% of the advance portfolio. Investments decreased \$1.5 billion (-12%), mortgage loans held for portfolio increased \$1.2 billion (+20%), and other assets increased \$2.7 billion (+240%).

4. Pittsburgh

ROAA	3/31/2015	3/31/2014	YoY Change
	0.33%	0.47%	-30.68%

Return on assets for the first quarter of 2015 decreased compared to the prior year quarter due to an increase in average assets and a decline in net income. Net income was \$71 million for the first quarter of 2015 versus \$80 million for the prior year quarter, an 11% decrease. Non-interest income was \$21 million lower in the first quarter of 2015 due to lower settlement activity against certain defendants arising from investments Pittsburgh made in private-label mortgage-backed securities. This activity was partially offset by a \$13 million increase in net interest income primarily due to higher interest income on advances. Total assets and advances both increased 35% in the last 12 months. Other assets increased \$4.0 billion (+296%) and investments increased \$2.7 billion (+20%).

5. San Francisco

ROAA	3/31/2015	3/31/2014	YoY Change
	2.46%	0.21%	1076%

Return on assets for the first quarter of 2015 increased compared to the prior year quarter due to an increase in net income and a decline in average assets. Net income was \$474 million for the first quarter of 2015 versus \$45 million for the prior year quarter. The increase in net income reflected a \$459 million net gain relating to settlements with certain defendants in connection with private-label residential mortgage-backed securities litigation. As a partial offset to the settlements, San Francisco incurred \$54 million in affordable housing program assessments compared to \$9 million for the prior year quarter. Excluding litigation settlements, other income/(loss) for the first quarter of 2015 was a loss of \$27 million compared to a loss of \$48 million in the prior year quarter. The change was due to the effects of changes in market interest rates, interest rate spreads, and interest rate volatility. Total assets in the last 12 months decreased \$8 billion (-9%). Investments decreased \$3.4 billion (-10%) while advances decreased \$1.8 billion (-4%). During the most recent quarter, 48 members increased their use of advances while 64 reduced their advance borrowings.

6. Topeka

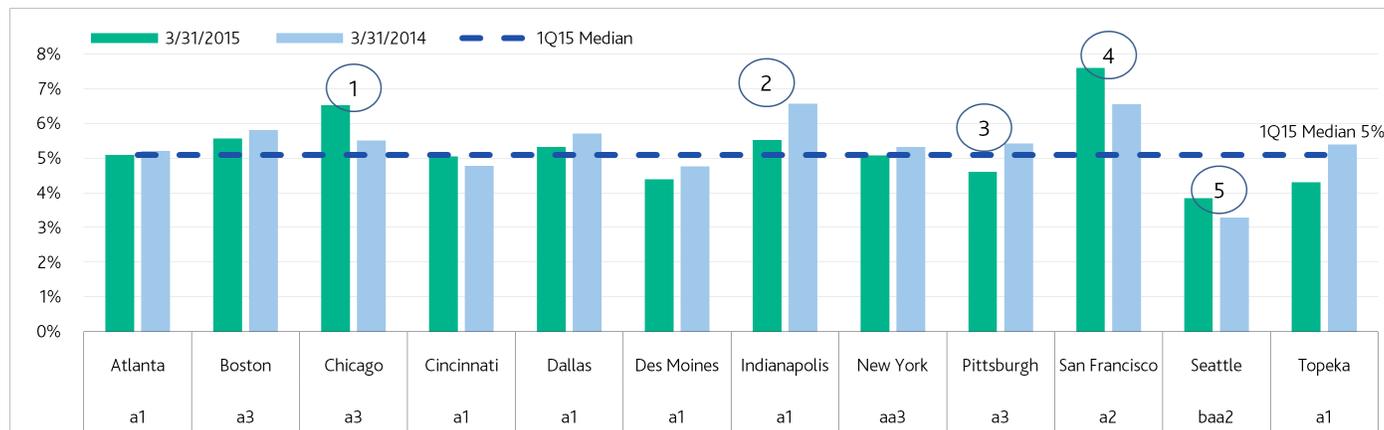
ROAA	3/31/2015	3/31/2014	YoY Change
	0.32%	0.27%	20.84%

Return on assets for the first quarter of 2015 increased compared to the prior year quarter due to an increase in net income that exceeded the increase in average assets. Net income was \$31 million for the first quarter of 2015 versus \$22 million for the prior year quarter, a 41% increase. Topeka had a \$9 million non-interest loss in the first quarter of 2015 versus a \$16 million non-interest loss in the prior year quarter. The difference in non-interest loss was due to fair value fluctuations related to derivatives and hedging activities. Net interest income after provision for credit losses increased \$3 million (+6%) due to an increase in the average balance of advances

and mortgage loans, partially offset by a decrease in yield. Total assets in the last 12 months increased \$8.1 billion (+25%). Advances alone increased \$5.2 billion (+32%) primarily due to an increase in the line of credit product. Investments increased \$2.1 billion (+22%).

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. Chicago

Capital / Assets (GAAP)	3/31/2015	3/31/2014	YoY Change
	6.53%	5.51%	18.45%

Chicago had the largest growth in capital to total assets in the last 12 months of all the banks. Capital to total assets for the first quarter of 2015 increased compared to the prior year quarter due to a \$609 million increase in capital (+15%) and a \$1.9 billion decrease (-3%) in total assets. Capital increased \$609 million, driven by a \$377 million increase (+18%) in retained earnings and a \$218 million increase (+13%) in capital stock. Chicago's investments and mortgage loans held for portfolio declined a combined \$12.2 billion and was partially offset by \$9.6 billion growth in advances.

2. Indianapolis

Capital / Assets (GAAP)	3/31/2015	3/31/2014	YoY Change
	5.52%	6.56%	-15.93%

Capital to total assets for the first quarter of 2015 decreased compared to the prior year quarter due to a \$13 million increase in capital (+0.5%) and a \$7.1 billion increase (+20%) in total assets. Advances increased \$4.7 billion in the last 12 months. Capital increased \$13 million, driven by a \$44 million decrease (-3%) in capital stock, a \$49 million increase (+7%) in retained earnings and a \$8 million increase (+21%) in accumulated other comprehensive income.

3. Pittsburgh

Capital / Assets (GAAP)	3/31/2015	3/31/2014	YoY Change
	4.60%	5.42%	-15.20%

Capital to total assets for the first quarter of 2015 decreased compared to the prior year quarter due to a \$521 million increase in capital (+15%) and a \$22.9 billion increase (+35%) in total assets. Capital increased \$521 million driven by a \$383 million increase (+14%) in capital stock, a \$78 million increase (+111%) in accumulated other comprehensive income, and a \$60 million increase (+8%) in retained earnings. Capital stock increased in the second quarter of 2014 through additional capital stock purchases.

4. San Francisco

Capital / Assets (GAAP)	3/31/2015	3/31/2014	YoY Change
	7.60%	6.55%	16.02%

San Francisco has the largest capital to total assets percentage of all banks as of 31 March 2015 with 7.6%. The increase was due to a combination of settlements with certain defendants in connection with private-label residential mortgage-backed securities litigation during the first quarter of 2015, which increased retained earnings and total capital, and a reduction in total assets. Capital to total assets for the first quarter of 2015 increased compared to the prior year quarter due to a \$300 million increase in capital (+5%) and an \$8 billion decrease (-9%) in total assets. Capital increased \$300 million driven by a \$393 million increase (+17%) in retained earnings, a \$233 million decline in capital stock (-7%), and a \$140 million positive change in accumulated other comprehensive income of \$76 million.

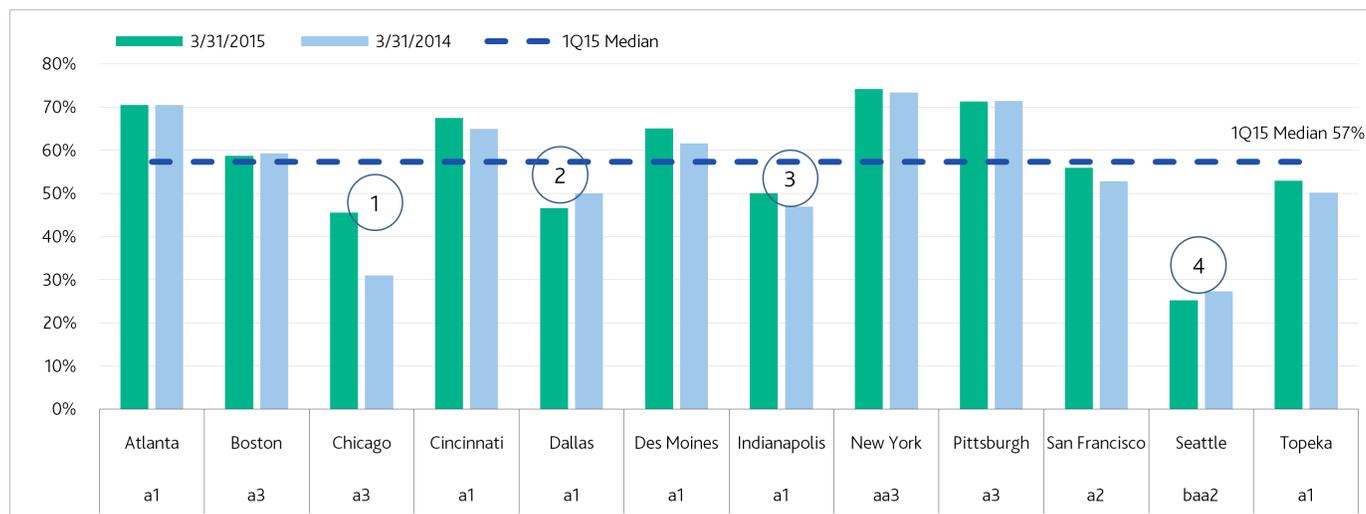
5. Seattle

Capital / Assets (GAAP)	3/31/2015	3/31/2014	YoY Change
	3.84%	3.29%	16.72%

Capital to total assets for the first quarter of 2015 increased compared to the prior year quarter due to a \$91 million increase in capital (+8%) and a \$2.8 billion decrease (-8%) in total assets. Capital increased \$91 million due to \$65 million in accumulated other comprehensive income in the first quarter of 2015 primarily due to the recognition of unrealized gains upon the reclassification of investment securities to available for sale securities. This compares to a \$26 million accumulated other comprehensive loss in the prior year quarter. The decrease in capital stock and increase in retained earnings offset each other comparing the two quarters. During the first quarter of 2015 Seattle sold its private-label mortgage-backed securities above carrying value for a gain of \$792 thousand. We believe this sale was completed to focus on fundamental operations prior to the expected merger with the Federal Home Loan Bank of Des Moines. Sale proceeds were reinvested in agency mortgage-backed securities and other short-term securities. The investment portfolio had a small decline in balance of 5% (-\$1.2 billion) during the last 12 months.

Exhibit 3

Advances / Total Assets



* Baseline Credit Assessments are listed for all banks

1. Chicago

Advances / Total Assets	3/31/2015	3/31/2014	YoY Change
	45.53%	31.06%	46.62%

Advances were 46% of total assets as of 31 March 2015, compared to 31% one year earlier, the largest increase in advance asset composition of all banks in the last 12 months. Advance growth over the last 12 months was \$9.6 billion (+43%) while total assets decreased \$1.9 billion (-3%) from declines in investments and mortgage loans held for portfolio (a \$12.2 billion decline combined).

2. Dallas

Advances / Total Assets	3/31/2015	3/31/2014	YoY Change
	46.63%	50.08%	-6.88%

Advances were 47% of total assets as of 31 March 2015, compared to 50% one year earlier. Advance growth over the last 12 months was \$1.9 billion (+12%) while total assets increased \$6.3 billion (+21%). Investments accounted for \$6 billion of the asset growth. The increase in advances and investments were partially offset by a \$1.6 billion reduction in cash.

3. Indianapolis

Advances / Total Assets	3/31/2015	3/31/2014	YoY Change
	50.05%	46.93%	6.65%

Advances were 50% of total assets as of 31 March 2015, compared to 47% one year earlier. Advances increased \$4.7 billion to \$21.8 billion as of 31 March 2015, a 28% increase from a year earlier while total assets (including advances) were \$43.7 billion, a 20% increase from a year earlier. In addition to the \$4.7 billion growth in advances, investments decreased \$1.5 billion (-12%), mortgage loans held for portfolio increased \$1.2 billion (+20%), and other assets increased \$2.7 billion (+240%).

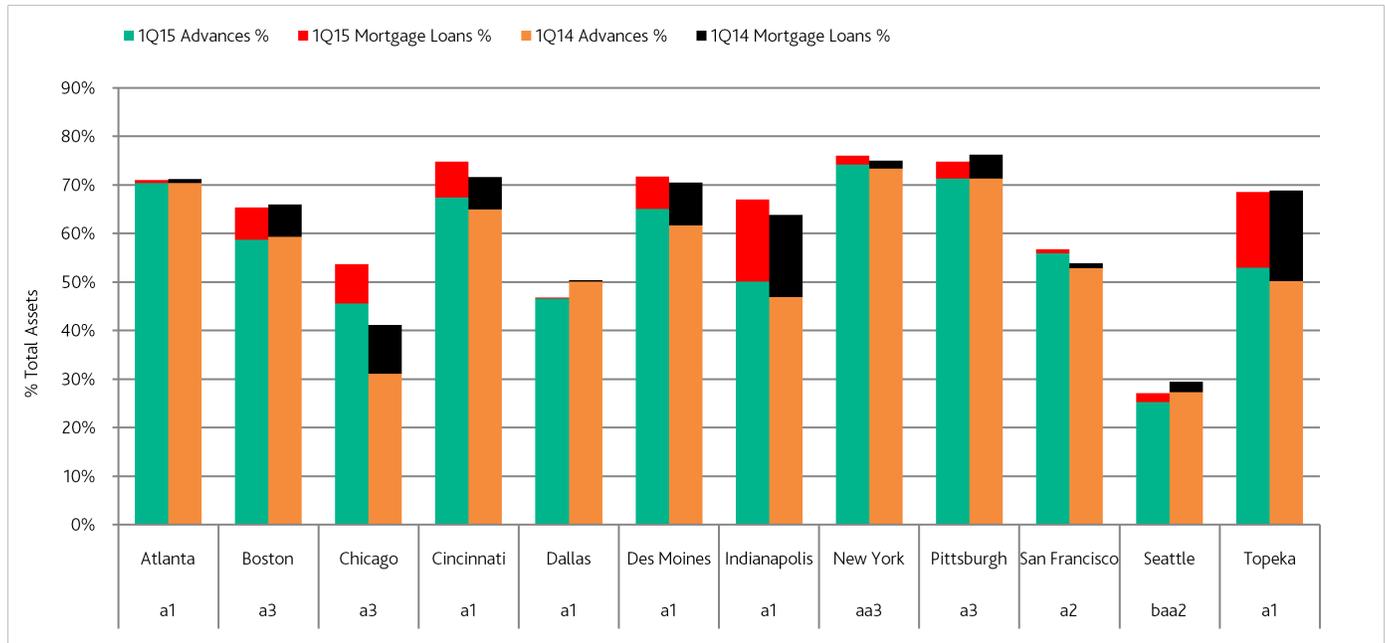
4. Seattle

Advances / Total Assets	3/31/2015	3/31/2014	YoY Change
	25.27%	27.35%	-7.58%

Advances were 25% of total assets as of 31 March 2015, compared to 27% one year earlier. Advances decreased \$1.5 billion to \$8.4 billion as of 31 March, 2015, a 15% decrease from a year earlier. Total assets (including advances) were \$33.2 billion as of 31 March 2015, an 8% decrease from a year earlier.

Exhibit 4

Advances + Mortgage Loans / Total Assets



* Baseline Credit Assessments are listed for all banks

Sources

1. Office of Finance Announces First Quarter 2015 Combined Operating Highlights for the Federal Home Loan Banks, April 30, 2015
2. Office of Finance Announces First Quarter 2014 Combined Operating Highlights for the Federal Home Loan Banks, April 30, 2014
3. Quarterly earnings releases

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