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## **FOR IMMEDIATE RELEASE:**

### Office of Finance Publishes the FHLBanks 2007 Combined Financial Report

#### Detail Provided on Asset Growth, Lending and Collateral Management

The FHLBanks Office of Finance is pleased to announce publication of the 2007 Combined Financial Report (CFR) of the Federal Home Loan Banks. This report is produced from the audited financial information of the 12 FHLBanks. Current financial reports and other SEC filings for individual Banks can be obtained by searching the EDGAR database.

A copy of this report can be obtained on the Office of Finance web site: [www.fhlb-of.com/specialinterest/finreportframe.html](http://www.fhlb-of.com/specialinterest/finreportframe.html).

#### **Balance Sheet Highlights:**

Combined total assets increased 25.4% to \$1.274 trillion at December 31, 2007, compared with \$1.016 trillion at the close of 2006. Advances (secured loans to members) rose 36.6% to \$875 billion, and represented 68.7% of total assets. This growth is primarily due to the extraordinary events affecting the credit markets. Investments rose 10.3% to \$299 billion. Member mortgage assets, at \$92 billion, were down 6.5% from the prior year-end. Consolidated obligations, the principal source of funds used by the FHLBanks to make advances and purchase investments and member mortgage assets, increased to \$1.179 trillion at December 31, 2007. Total combined capital rose to \$54 billion at year-end 2007, a 19.1% increase from year-end 2006.

At year-end, total FHLBank investments included \$135 billion in short-term instruments (Federal funds sold, deposits, and securities purchased under agreements to resell), and \$144 billion in mortgage-backed securities (MBS). The remaining \$20 billion was primarily GSE securities, commercial paper, and state/local housing agency obligations. More than 99% of the GSE securities, commercial paper, and MBS were rated AAA/Aaa or the short-term equivalent at December 31, 2007. Of the \$144 billion in MBS investments held by the FHLBanks at year-end, as of March 27, 2008, less than one-half of one percent had been downgraded with a stable outlook, less than one-tenth of one percent had been downgraded and are on negative watch (all are still investment grade), and less than 4% are on negative watch but not downgraded. In addition, less than 2% of the FHLBank MBS investments at December 31, 2007 were categorized as subprime at origination (by the originator).

As for the member mortgage loan programs, FHLBank investments are restricted to fixed-rate, 5-year to 30-year loans. The weighted average FICO® score recorded at origination for loans held in portfolio at year-end 2007 was 738 with a 67% LTV for the MPF® Program, and 749 and 71% for the MPP Programs.

Each FHLBank believes it has limited credit exposure due to its business model, conservative policies pertaining to advance collateral and investments, and low credit risk due to the design of its mortgage loan



programs. Due to the increased interest in FHLBank lending and collateral policies, additional information has been added to the Office of Finance web site. This information is provided as a series of questions and answers, and the link (FHLBank Lending and Collateral Q&A) can be found in the center of the main web page. This Q&A describes how advances work, who can borrow from the FHLBanks, and how the FHLBanks assess and mitigate the credit risk of advances. In the 75-year history of the FHLBanks, no FHLBank has ever experienced a credit loss on an advance.

### **Operating Results and Affordable Housing Activity:**

Combined net income for 2007 increased 8.2% to \$2.8 billion, compared with \$2.6 billion for 2006. FHLBank Affordable Housing Program (AHP) contributions equaled \$318 million in 2007, up from \$295 million in 2006, due to the increase in earnings. Community Investment Cash Advance (CICA) lending, including discounted Community Investment Program (CIP) advances, traditionally has averaged about \$2.8 billion annually, according to Federal Housing Finance Board (FHFB) data. From inception in 1990 through 2006, the FHFB reported that total AHP grants have exceeded \$2.9 billion, and CICA/CIP lending equaled \$47 billion. Together, these FHLBank programs have created well over one million affordable housing units.

### **About the FHLBanks:**

The primary purpose of the FHLBanks is to enable their member financial institutions to ensure the flow of credit and other services for housing and community development. 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 via the mortgage programs, and through the paying of dividends. The FHLBanks also help members with other local housing and community development needs through self-funded affordable housing programs.

The 2007 Combined Financial Report for the FHLBanks has been filed with the Federal Housing Finance Board. To obtain a copy, please email the Office of Finance at: [info@fhlb-of.com](mailto:info@fhlb-of.com).

The FHLBanks have delivered innovation and service to the U.S. housing market for over 75 years, and currently have approximately 8,100 members in all 50 states, 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." By their nature, these forward-looking statements, including those related to financial performance and preparation of combined financial reports, 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 SFAS 133; 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 website, [www.fhblb-of.com](http://www.fhblb-of.com), and in reports filed by each FHLBank with the Securities and Exchange Commission.*