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FOR IMMEDIATE RELEASE:

Office of Finance Publishes the FHLBanks Second Quarter 2008 Combined Financial Report

The FHLBanks Office of Finance is pleased to announce the publication of the Second Quarter 2008 Combined Financial Report of the Federal Home Loan Banks (FHLBanks). This report has been prepared from unaudited quarterly financial information of each FHLBank. Current financial reports and other SEC filings for individual FHLBanks 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.

Balance Sheet Highlights:

Combined total assets increased 5.7% to \$1.344 trillion at June 30, 2008, compared with \$1.272 trillion at year-end 2007. Advances (secured loans to members) rose 4.4% to \$913.9 billion, and represented 68.0% of total assets. In light of the extraordinary events affecting the credit markets that began during the third quarter of 2007, members continued to increase their level of borrowings in FHLBank advances. Investments rose 12.6% to \$334.4 billion. Member mortgage assets, at \$89.1 billion, were down 2.7% from year-end. Consolidated obligations, the principal source of funds used by the FHLBanks to make advances and purchase investments and member mortgage assets, increased 6.0% from year-end to \$1.250 trillion at June 30, 2008. Total combined capital rose to \$56.6 billion at June 30, 2008, a 5.7% increase from year-end 2007.

At June 30, 2008, total FHLBank investments of \$334.4 billion included (1) \$142.7 billion in short-term instruments (Federal funds sold, deposits and securities purchased under agreements to resell), and (2) \$168.7 billion in mortgage-backed securities (MBS). The remaining \$23.0 billion consisted primarily of GSE debt securities, commercial paper, and state or local housing agency obligations. More than 98% of the \$191.8 billion in total investment securities were rated AAA/Aaa or the short-term equivalent at June 30, 2008. At the same date, approximately 4% of the \$191.8 billion of total investment securities were on negative watch; of these securities on negative watch, approximately 3% of the \$191.8 billion of total investment securities were private-label residential MBS and home equity loan investments, and the balance was commercial paper and state or local housing agency obligations. At June 30, 2008, less than 2% of the FHLBanks' \$168.7 billion of MBS investments were categorized as subprime at origination (by the originator).

Additionally, during the period from July 1, 2008 through August 8, 2008, of the \$191.8 billion in total investment securities held by the FHLBanks at June 30, 2008, approximately 2% were downgraded with a stable outlook or downgraded and placed on negative watch, and approximately 2% were placed on negative watch but not downgraded. Of the MBS investments held by the FHLBanks at June 30, 2008, \$292 million were rated below investment grade as of August 8, 2008.



Each FHLBank actively monitors the credit quality of its MBS and does not expect any further credit losses on these investments at this time. However, if delinquencies and/or default rates on mortgages continue to increase, and/or there is a rapid decline in residential real estate values, some FHLBanks could experience reduced yields or losses on their MBS investments.

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 June 30, 2008 was 739 with a 67% LTV at origination for the MPF[®] Program, and 748 with a 69% LTV 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 continued interest in FHLBank lending and collateral policies, additional information is available on 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 Office of Finance home 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 76-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 the second quarter of 2008 was \$718 million, a 14.3% increase from the \$628 million recorded for the same period in the previous year. Combined net income for the six months ended June 30, 2008 was \$1.4 billion, a 13.3% increase from the \$1.2 billion recorded for the same period in the previous year. Combined net income was reduced by the FHLBank of Chicago's net loss of \$74 million for the second quarter of 2008 and \$152 million for the six months ended June 30, 2008. FHLBank Affordable Housing Program contributions of \$87 million in the second quarter of 2008 and \$176 million for the six months ended June 30, 2008 increased 22.5% and 24.8% from the same periods one year ago, reflecting the increase in net income.

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 payment of dividends. The FHLBanks also help members with other local housing and community development needs through self-funded affordable housing programs.

The Second Quarter 2008 Combined Financial Report for the FHLBanks has been filed with its regulator, the Federal Housing Finance Agency. To obtain a copy, please email the Office of Finance at: info@fhlb-of.com.

The FHLBanks have delivered innovation and service to the U.S. housing market for over 75 years, and currently have over 8,000 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) for additional information.

Statements contained in this release may be “forward-looking statements.” By their nature, these forward-looking statements, including those related to the future performance of the FHLBank investment, 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 U.S. 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, as amended; 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.fhlb-of.com, and in reports filed by each FHLBank with the Securities and Exchange Commission.