

FHLB Select Annual Financial Data –

Background

The Federal Home Loan Bank System is a Government-Sponsored Enterprise (GSE), which is granted various privileges. Their essential mission is to provide liquidity to member banks in support of housing finance and community development. Recently, the FHLBanks' regulator, [Federal Housing Finance Agency](#) (FHFA) has concluded that the FHLBanks can do more to support affordable housing projects. A [Congressional Budget Office](#) (CBO) report concluded that the overwhelming privileges the FHLBanks receive from their GSE status accrues to the benefit of its members.



Purpose

This document is an informational tool for understanding the FHLBanks. It uses published financials for insights to precipitate ideas for improvements and dispel current false claims. — The data lays the groundwork for interested parties to join a well-informed debate of the future of FHLBanks' role, and mission.

The financials as published lack clarity, obscuring the potential contributions the FHLBanks could make to affordable housing and community development. The financials presented here provide the clarity required.



Vision

Achieving a reformed FHLB mission that focuses on the equitable distribution of government supported profits for housing needs — a key to reducing poverty and increasing economic mobility.

Embracing a reformed mission in the distribution of profits is ideally a collaboration between the FHLBanks and housing advocates. The data shows the FHLBanks have the means to achieve this mission, however, lack the will.



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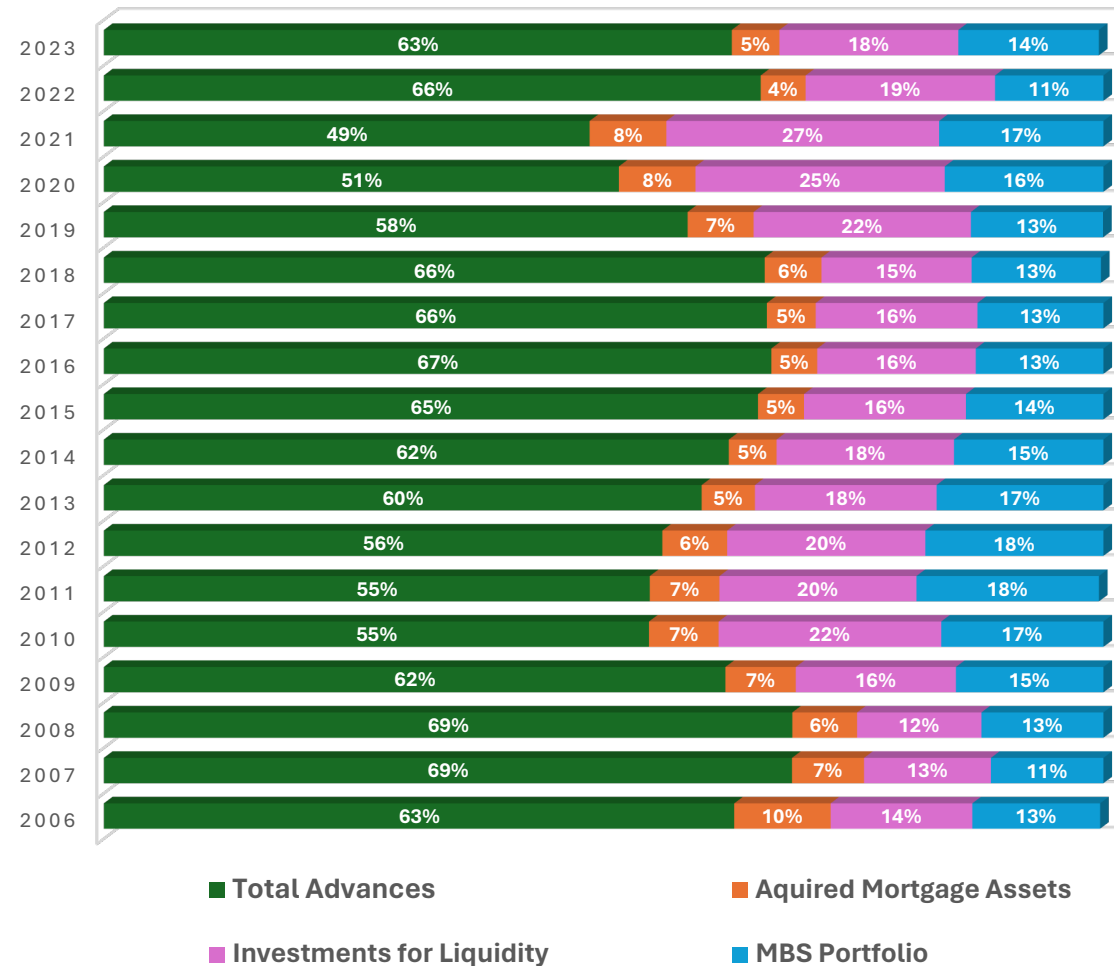
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FHLBanks' Asset Portfolio Composition 2006-2023

- The FHLBanks rely on a simple business model with one primary line of business, advances, which are loans to member institutions.
- The FHLBanks' Asset Portfolios include
 - Advances
 - Acquired Mortgage Assets
 - Investments for Liquidity
 - Provides liquidity from Fed Funds and Treasury Note Portfolio along with spread income from the purchase of mortgage-backed securities (MBS).
 - MBS Portfolio
- Interest from these portfolios contribute to the FHLBanks total annual income.

FHLB Asset Portfolios as a Percent of Total Assets



Graph 1 - FHLBanks' Investment Portfolios as a Percent of Total Assets

FHLBanks’ Balance Sheet Items

2006-2023

(\$'s Billions)

- **Total Assets** for FHLBanks in 2023 were \$1.3 trillion. Total Assets in 2006 were \$1 trillion. In 2011, (after the banking crisis) total assets fell below \$810 billion and did so again during COVID.
- **Advances** as a percent of total assets remain consistent at about two thirds of all assets. Table 1 on the left breaks out portfolio size for the FHLB’s in total dollars and as a Percent of Total Assets. This Table complements the Graph on the previous page.
- **Acquired Mortgage Assets** are a core mission activity where the FHLBanks acquire mortgage loans from members.
- **Investments for Liquidity** provide FHLBanks with readily available liquidity (cash equivalents) for operations and for member borrowing needs.
- **MBS Portfolio** provides attractive spread income for the FHLBanks to augment earnings.
- Return on these investments provides Net Interest Income

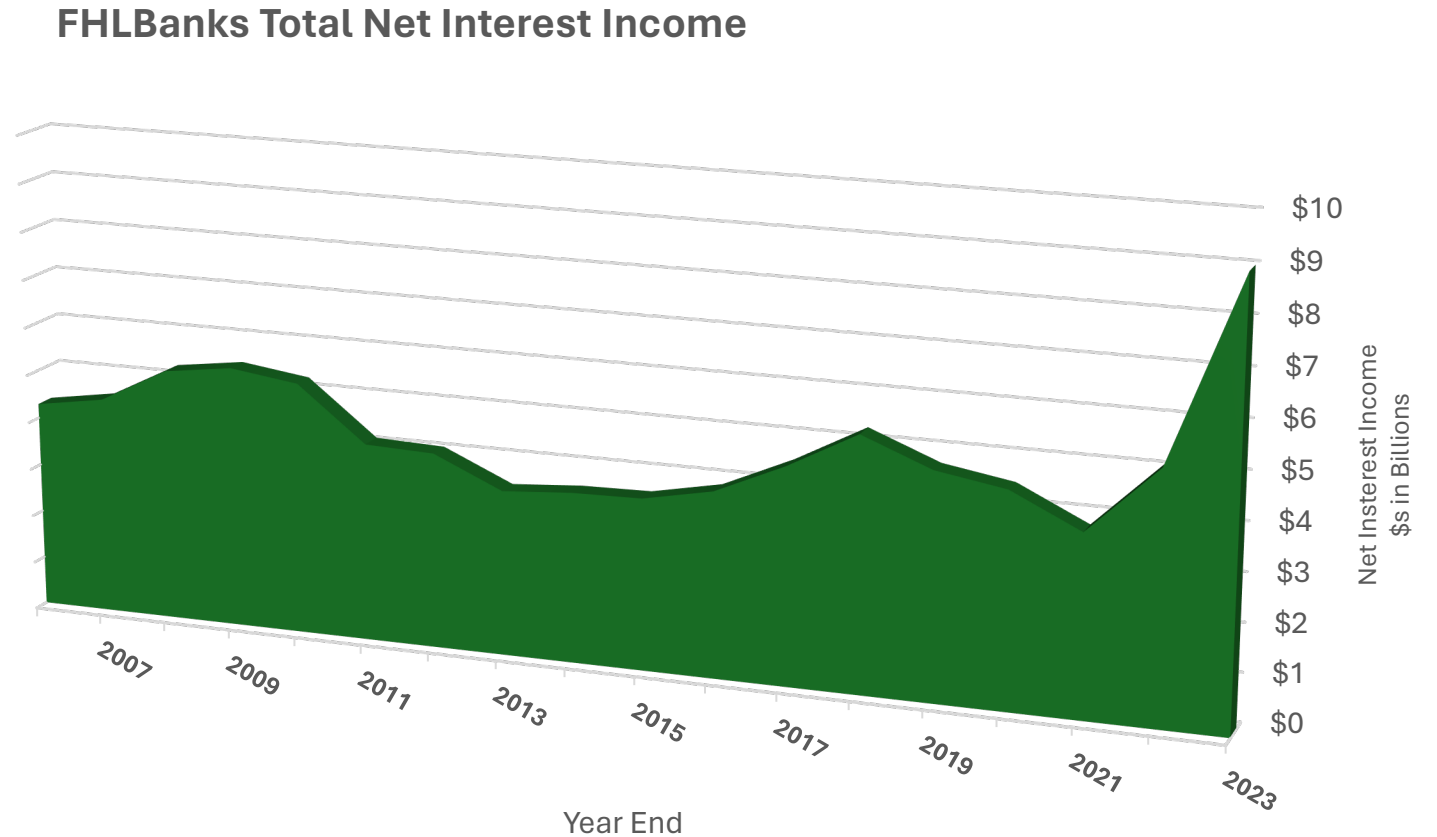
Year End Total Asset and Investment Portfolio Balances (\$'s in Billions)						Investment Portfolio as a Percent of Total Assets			
Year End Balance	Total Assets	Total Advances	Acquired Mortgage Assets	Invest- ments for Liquidity	MBS Portfolio	Total Advances	Acquired Mortgage Assets	Investmen ts for Liquidity	MBS Portfolio
2023	\$1,289	\$810	\$61	\$231	\$182	63%	5%	18%	14%
2022	\$1,247	\$819	\$56	\$237	\$138	66%	4%	19%	11%
2021	\$723	\$351	\$55	\$197	\$121	49%	8%	27%	17%
2020	\$821	\$423	\$63	\$205	\$132	51%	8%	25%	16%
2019	\$1,099	\$642	\$72	\$239	\$146	58%	7%	22%	13%
2018	\$1,103	\$729	\$63	\$166	\$143	66%	6%	15%	13%
2017	\$1,103	\$732	\$54	\$179	\$141	66%	5%	16%	13%
2016	\$1,057	\$705	\$48	\$168	\$139	67%	5%	16%	13%
2015	\$969	\$634	\$45	\$157	\$134	65%	5%	16%	14%
2014	\$913	\$571	\$44	\$162	\$139	62%	5%	18%	15%
2013	\$834	\$499	\$44	\$152	\$140	60%	5%	18%	17%
2012	\$762	\$426	\$49	\$151	\$139	56%	6%	20%	18%
2011	\$766	\$418	\$53	\$151	\$140	55%	7%	20%	18%
2010	\$878	\$479	\$61	\$196	\$147	55%	7%	22%	17%
2009	\$1,016	\$631	\$71	\$163	\$152	62%	7%	16%	15%
2008	\$1,349	\$929	\$87	\$168	\$169	69%	6%	12%	13%
2007	\$1,272	\$875	\$92	\$162	\$144	69%	7%	13%	11%
2006	\$1,016	\$641	\$98	\$144	\$130	63%	10%	14%	13%

Table 1

The table above supports Graph 1, on the previous page. It highlights actual dollar amounts of the FHLBanks’ Investment Portfolio and the percent of total assets for each portfolio section.

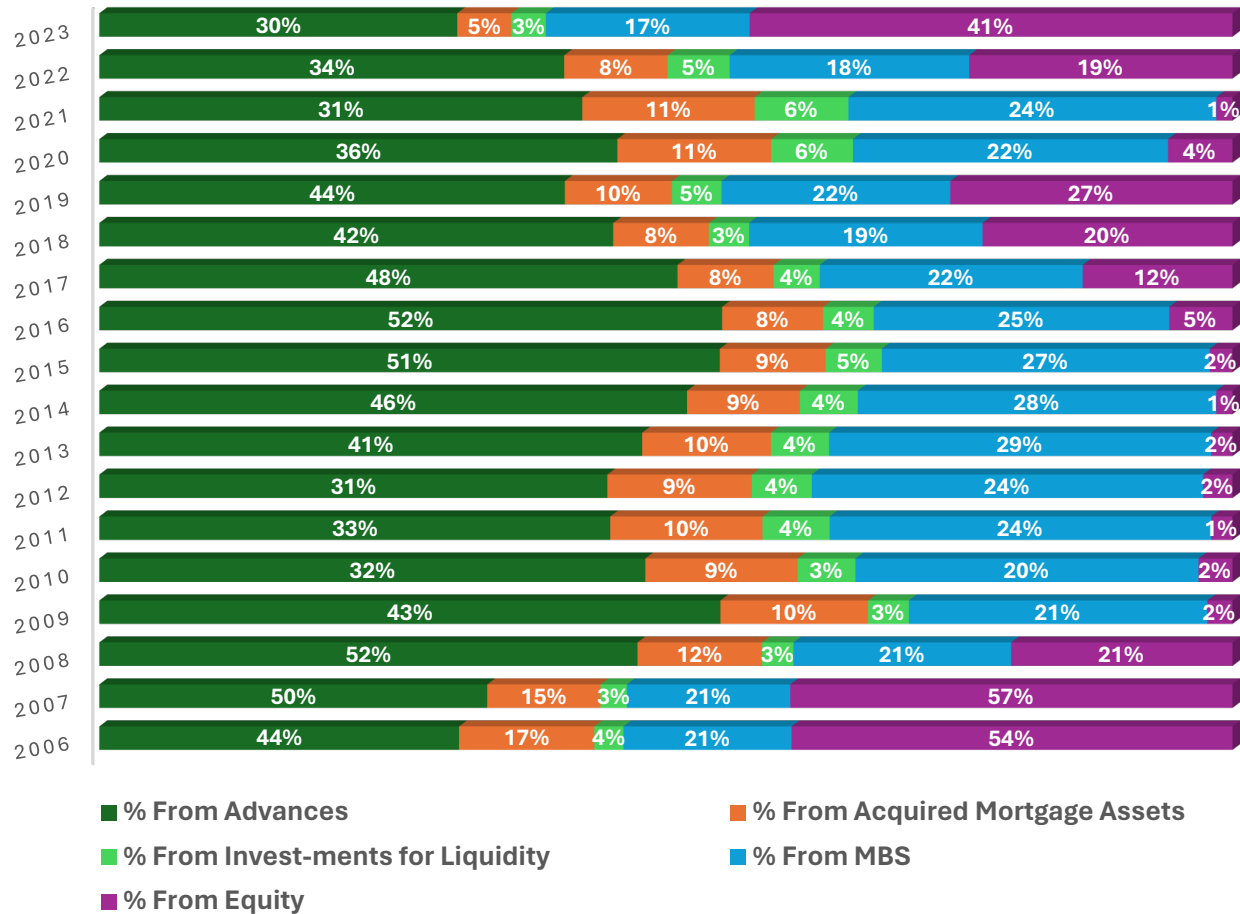
FHLBanks Income Statement Reported Net Interest Income 2006-2023 (\$'s Billions)

- Net Interest Income (NII) is the earned spread between the yield on assets and low-cost implied government-supported debt.
- NII in 2023 was \$9 Billion.
- Net Interest Income is essentially the only source of FHLBank's earnings, and represents the interest income on advances, mortgage loans, and investments, less the interest expense on consolidated obligations, deposits, and mandatorily redeemable capital stock.



Graph 2 Total Net Interest Income over time.

FHLB Asset Portfolios (calculated*)
Net Interest Income Components as a Percent of Total NII



Graph 3 – FHLBanks’ Calculated * Net Interest Income Sources

* Calculated using average of beginning and ending total equity balance-- year end numbers are used to create annual averages--- prepayment fees on advances are excluded.

FHLBanks’ Income Statement Net Interest Income 2006-2023

Spread Income: based on estimated spreads by asset type:

- Advances contribute from 30% to 50% of the total NII in a year;
- Acquired Mortgage Assets contribute from 5 to 17%;
- Investments from liquidity range from 3 to 6% and
- NII from MBS provides between 17% to 29%

Investments of equity: Because equity does not incur a cost of debt, income on assets funded by equity can generate significant net interest income. Over time as much as 57% (2007) and as little as 1% (2021) of NII comes from the investment of equity. Equity is comprised of member capital stock and retained earnings. The return on the assets funded by equity is highly dependent on short-term interest rates.

FHLBanks' Income Statement Items 2006-2023 (\$'s Billions)

Year End Balance	Net Interest Income	Operating Expenses	Affordable Housing Programs - AHP	Other Fees/Expenses /Gains (losses)	Refcorp *	Net Income
2023	\$ 9.0	\$ 1.4	\$ 0.75	\$ (0.2)	\$ -	\$ 6.7
2022	\$ 5.1	\$ 1.2	\$ 0.36	\$ (0.4)	\$ -	\$ 3.2
2021	\$ 3.7	\$ 1.2	\$ 0.20	\$ (0.6)	\$ -	\$ 1.8
2020	\$ 4.4	\$ 1.3	\$ 0.32	\$ (0.0)	\$ -	\$ 2.8
2019	\$ 4.7	\$ 1.2	\$ 0.36	\$ 0.1	\$ -	\$ 3.2
2018	\$ 5.3	\$ 1.1	\$ 0.40	\$ (0.2)	\$ -	\$ 3.6
2017	\$ 4.5	\$ 1.1	\$ 0.38	\$ 0.3	\$ -	\$ 3.4
2016	\$ 3.8	\$ 1.0	\$ 0.39	\$ 1.0	\$ -	\$ 3.4
2015	\$ 3.5	\$ 1.1	\$ 0.33	\$ 0.7	\$ -	\$ 2.9
2014	\$ 3.5	\$ 0.9	\$ 0.27	\$ (0.1)	\$ -	\$ 2.2
2013	\$ 3.4	\$ 0.9	\$ 0.29	\$ 0.3	\$ -	\$ 2.5
2012	\$ 4.1	\$ 0.8	\$ 0.30	\$ (0.3)	\$ -	\$ 2.6
2011	\$ 4.1	\$ 0.9	\$ 0.19	\$ (1.3)	\$ 0.2	\$ 1.6
2010	\$ 5.2	\$ 0.9	\$ 0.23	\$ (1.6)	\$ 0.5	\$ 2.1
2009	\$ 5.4	\$ 0.8	\$ 0.26	\$ (1.9)	\$ 0.6	\$ 1.9
2008	\$ 5.2	\$ 0.7	\$ 0.19	\$ (2.7)	\$ 0.4	\$ 1.2
2007	\$ 4.5	\$ 0.7	\$ 0.32	\$ 0.0	\$ 0.7	\$ 2.8
2006	\$ 4.3	\$ 0.7	\$ 0.30	\$ (0.1)	\$ 0.6	\$ 2.6

Table 2 – FHLBanks' Income Statement Items (\$'s in Billions)

* Payments made by the FHLBanks to resolve the thrift crisis of the 1980's.

Net Income consists of Net Interest Income **LESS** Operating Expenses and Affordable Housing Programs. The FHLBanks may also recognize non-interest gains and losses.

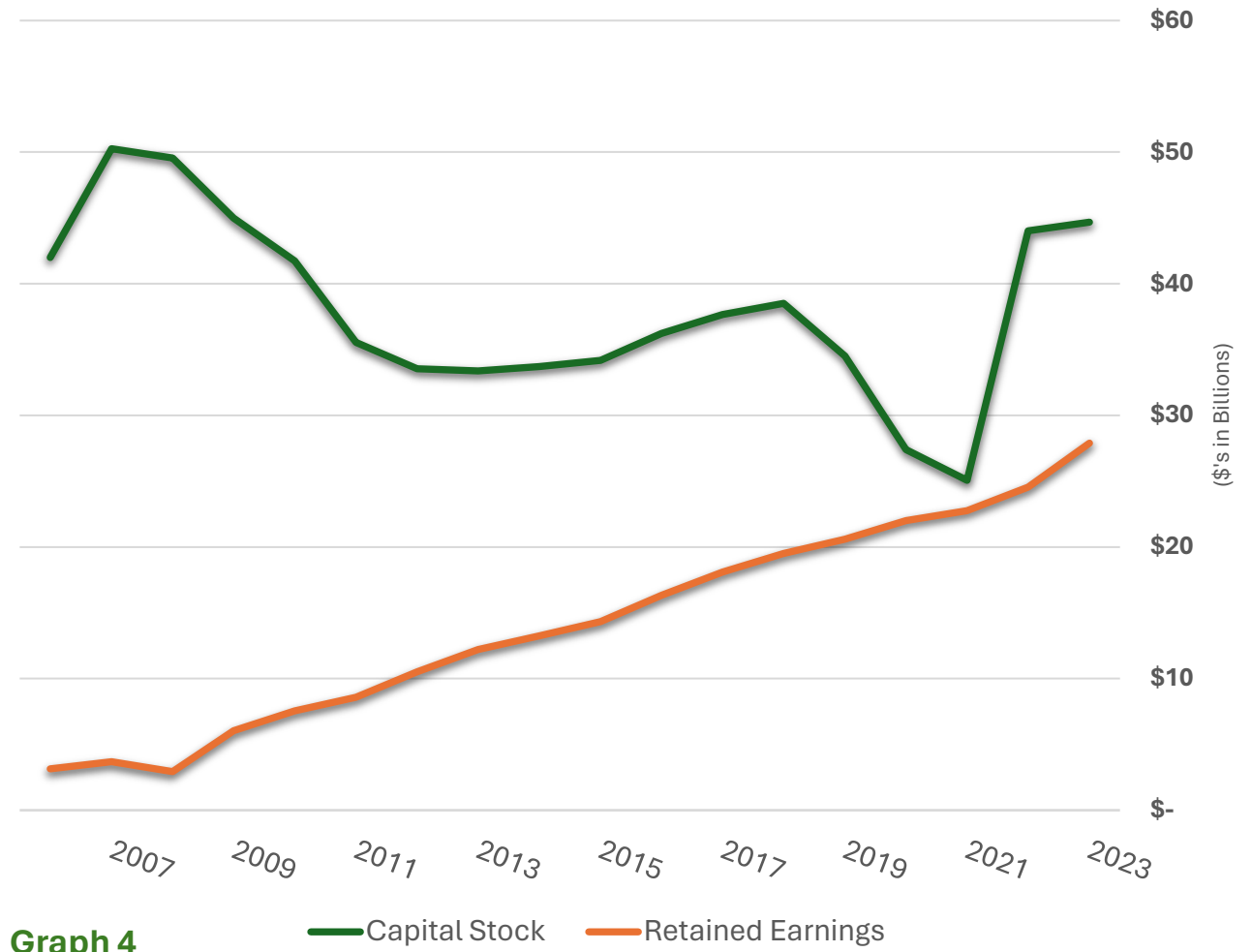
- **Operating Expenses:** FHLBanks incur operating expenses, other than interest expense, which consists primarily of employee compensation and benefits, other operating expenses, and assessments for Affordable Housing Programs.
- **Affordable Housing Programs:** FHLBanks are exempt from all corporate federal, state, and local income taxes. By regulation, each FHLBank is required to contribute to its AHP 10% of its annual income.
- **Other Fees/Expenses/Gains (losses):** Large swings result primarily from changes in the fair value of investment securities and derivatives. In 2008 there was a \$2.7 billion loss on Private MBS--- those losses were offset from 2013-2018 by litigation settlements.

Components of Equity

2006-2023

- **Capital Stock:** purchased by members (banks, insurance companies, credit unions and community development financial intuitions) to join their FHLB. Additional capital stock is purchased by members when they borrow from the FHLB. The level of capital stock is driven primarily by total advances outstanding.
 - The FHLBanks pay members dividends quarterly on capital stock
- **Retained Earnings:** accumulated FHLBank earnings from past years that were not distributed to members

Components of Equity (\$'s in Billions)

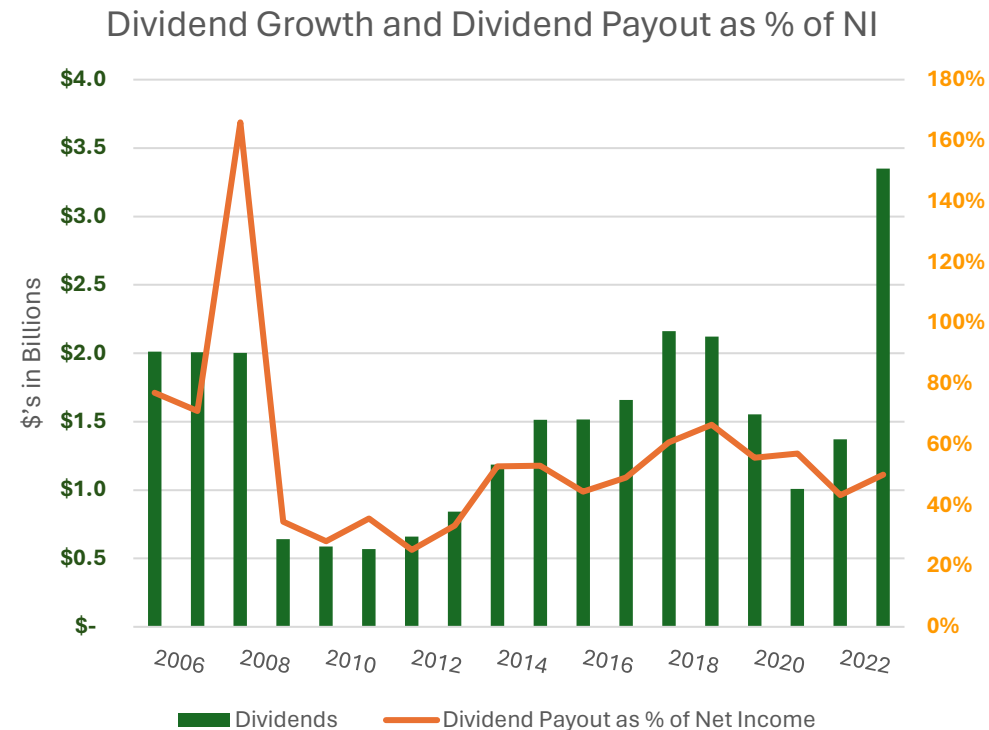


Graph 4

Dividends

Year End Balance	Net Income (\$'s in Billions)	Dividends (\$'s in Billions)	Dividend Payout as % of Net Income	Dividend Yield
2023	\$ 6.7	\$ 3.4	50%	7.6%
2022	\$ 3.2	\$ 1.4	43%	4.1%
2021	\$ 1.8	\$ 1.0	57%	3.8%
2020	\$ 2.8	\$ 1.6	56%	4.8%
2019	\$ 3.2	\$ 2.1	66%	5.8%
2018	\$ 3.6	\$ 2.2	61%	5.8%
2017	\$ 3.4	\$ 1.7	49%	4.6%
2016	\$ 3.4	\$ 1.5	45%	4.3%
2015	\$ 2.9	\$ 1.5	53%	4.4%
2014	\$ 2.2	\$ 1.2	53%	3.6%
2013	\$ 2.5	\$ 0.8	33%	2.5%
2012	\$ 2.6	\$ 0.7	25%	1.9%
2011	\$ 1.6	\$ 0.6	36%	1.5%
2010	\$ 2.1	\$ 0.6	28%	1.4%
2009	\$ 1.9	\$ 0.6	35%	1.4%
2008	\$ 1.2	\$ 2.0	166%	4.0%
2007	\$ 2.8	\$ 2.0	71%	4.3%
2006	\$ 2.6	\$ 2.0	77%	4.8%

Table 3 Dividend Payout and Yield



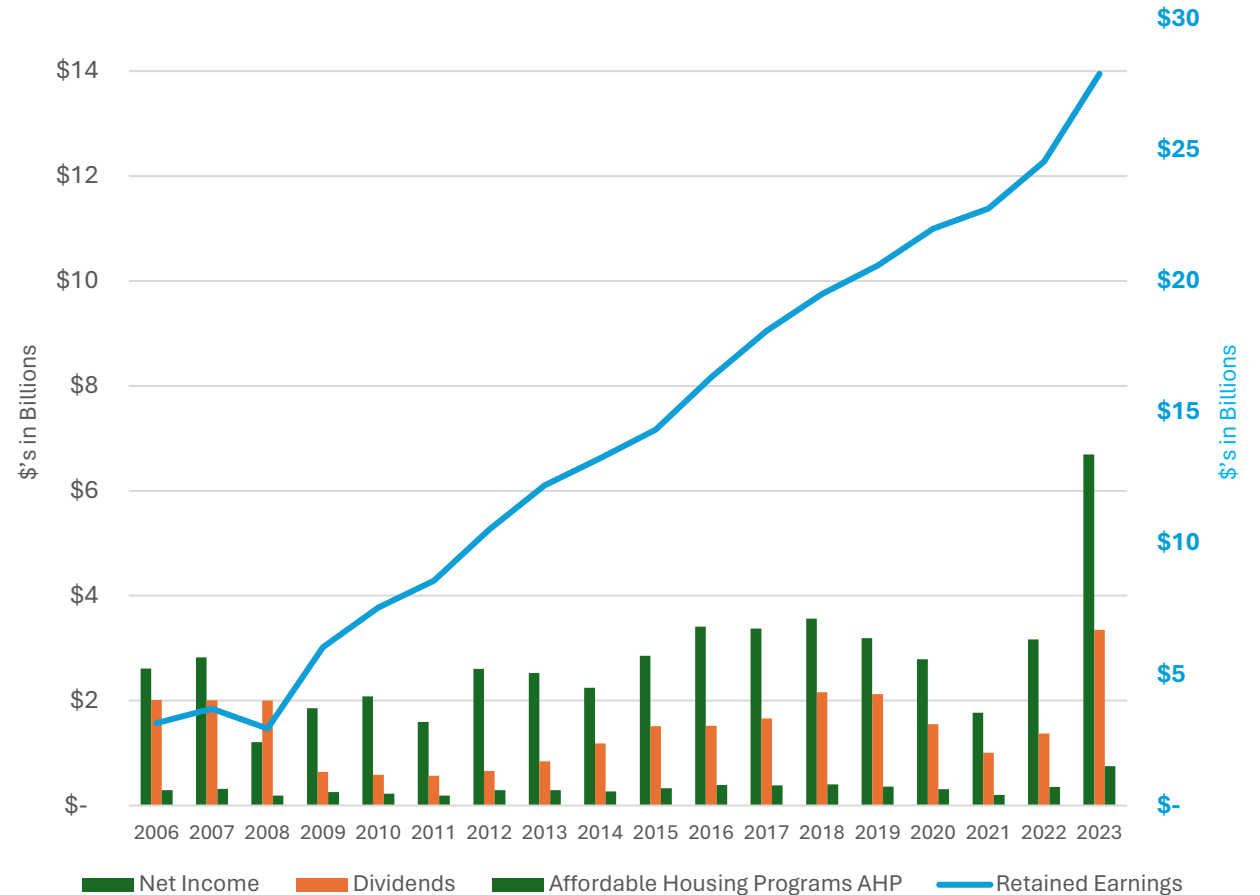
Graph 5 Dividend Growth over time and payout as a % of NI

- **Dividends:** Holders of FHLBank’s capital stock receive dividends.
- The dividend payout ratio – equals dividends declared as a percentage of net income – they have ranged from 43 to 66 percent of Net Income since 2014.
- Dividends paid to members in 2023 were at a record high of \$3.4 Billion. Dividend Yield to members was also at a record high of 7.6%.

In perspective....

- Retained Earnings in 2023 grew to almost \$30 Billion.
- As earnings increase and dividend payouts as a percent of net income remain the same – Retained Earnings grow and grow – to levels seemingly out of balance with the FHLBank business model.

Retained Earnings Growth



Graph 6 - Retained Earning Relative to Net Income, Dividend Payout and AHP

Observations

The financials indicate that there are abundant opportunities for reform.

For the FHLBanks:

- The growth in retained earnings in 2023 exceeded 12% from \$24 to \$27.9 billion, despite very lofty dividends paid by the FHLBanks.
- Net income for 2023 was at a record high for the FHLBanks - driven by much higher interest rates combined with earnings on the ever-growing accumulated retained earnings.
- The FHLBanks appear to not know what to do with the earnings.

For 2023, members:

- Benefitted from unfettered access to readily available on demand low-cost liquidity during the first quarter run on bank deposits.
- Received dividends on capital stock significantly in excess of short-term interest rates.
- Saw FHLBank retained earnings increase to record levels, ensuring healthy and growing profits (and dividends) for the future.

Notes

Sources

The source documents for this data are from the [Office of Finance's Combined Financial Report](#) of the Federal Home Loan Banks and each bank's annual 10k. The tables displayed here include data from statements of condition and income, and other balance sheet items. This publicly available information provides focus on building an analytical foundation for the understanding of the FHLBanks and its ability to support the housing needs of the country.

Preparer's Career Summary

George H. Collins retired as CRO from the Federal Home Loan Bank System in 2021 after over 20 years working for three districts — The Pittsburgh, Boston and Des Moines Banks. Before that he worked for over 14 years as Secondary Market Trader and Treasurer for thrift institutions.