



Oregon DCBS

FHLB Des Moines Background

Aaron Lee & Brett Manning, CFA

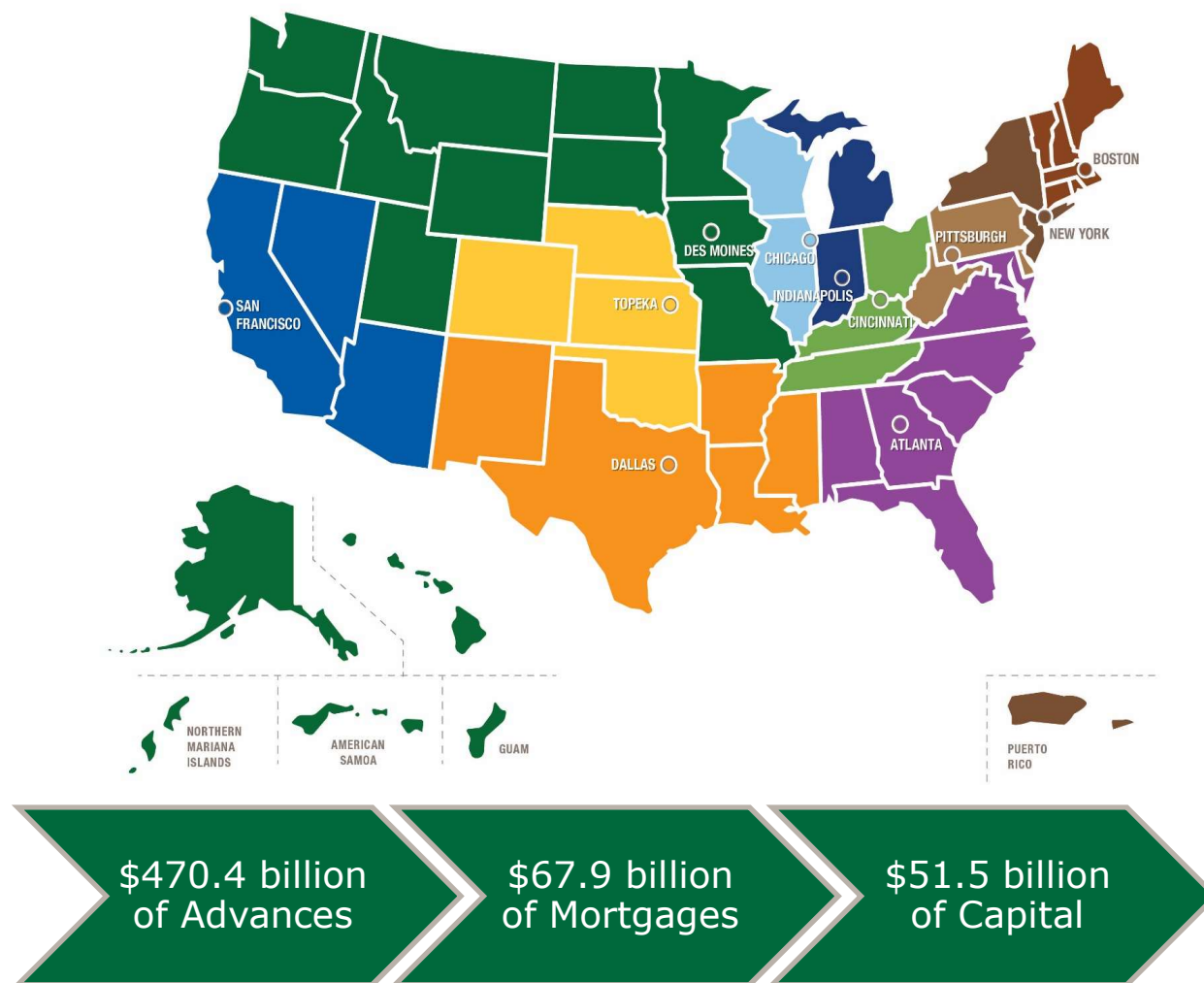
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Overview of the FHLBank System

Overview of FHLBank System Membership

- 11 independently managed banks in the Federal Home Loan Bank System
- Highly rated counterparties
 - Aaa/P-1 by Moody's
 - AA+/A-1+ by S&P
- 514 insurance members, 7.6% of membership
- \$126.8 billion in advances outstanding to insurance industry



FHLBank System Membership and Advances

- Insurance company members hold the 2nd largest amount of advances, totaling \$126.8 billion

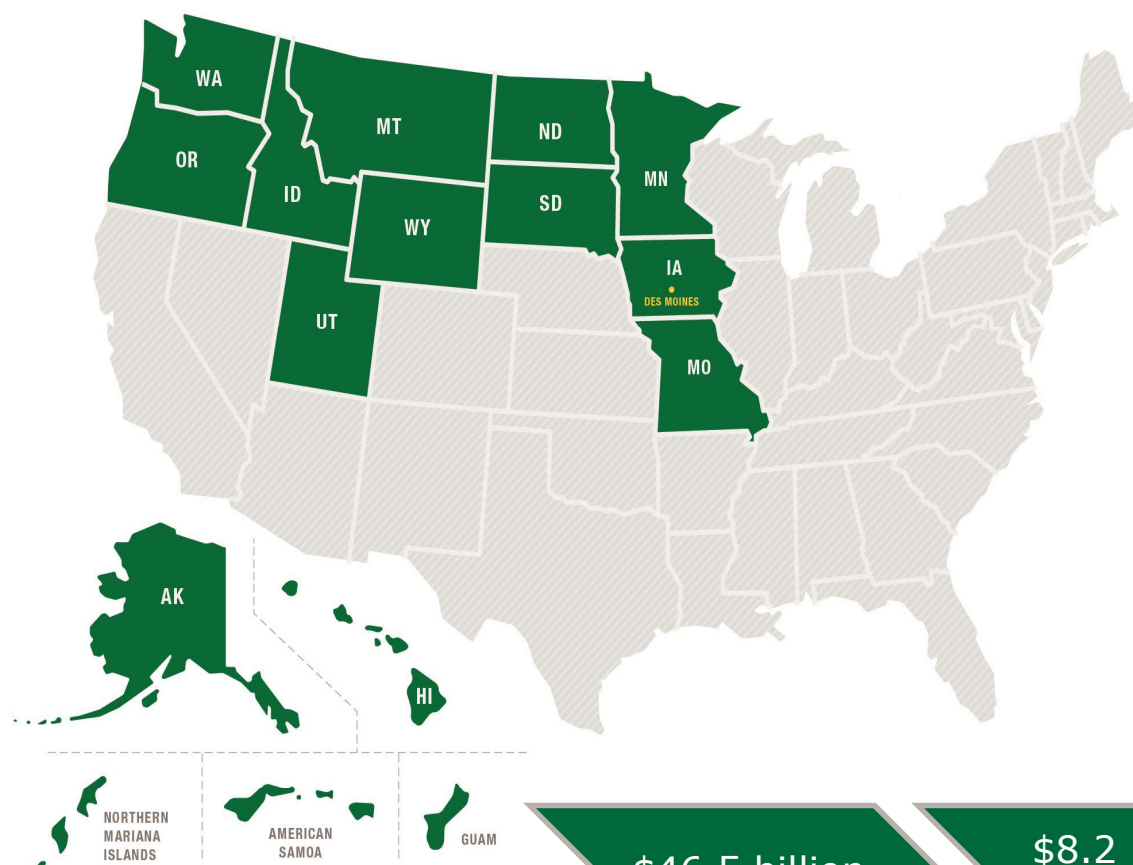
Member Type	Principal Amount	% of Total Advances	Number of Members	% of Total Member Borrowers
Commercial bank members	\$221,760	47.1%	2,413	64.9%
Insurance company members	\$126,802	27.0%	228	6.1%
Savings institution members	\$66,306	14.1%	449	12.1%
Credit union members	\$47,749	10.1%	600	16.1%
Community development financial institution members	\$302	0.1%	30	0.8%
Non-member borrowers	\$6,543	1.4%		
Housing associates	\$975	0.2%		
Total	\$470,437	100.0%	3,720	100.0%

Data as of September 30, 2020, Source: Office of Finance & SEC



Overview of the FHLB Des Moines

FHLB Des Moines Snapshot



- Headquartered in Des Moines, Iowa
- Western Office in Seattle, Washington
- District includes 13 states and three U.S. Pacific Territories
- 1,324 members
- Supports mortgage lending, economic development and affordable housing
- Represented by 74 Members of Congress and 26 Senators

\$46.5 billion
of Advances

\$8.2 billion
of
Mortgages

\$5.7 billion
of Capital

Data as of December 31, 2020, Source: SEC

Financial Performance

Statement of Condition Period Ended	December 31, 2020 (\$ Millions)	December 31, 2019 (\$ Millions)
Outstanding Advances	\$46,530	\$80,360
Investments	\$31,497	\$38,465
Mortgage Loans	\$8,242	\$9,334
Total Assets	\$87,691	\$129,603
Retained Earnings	\$2,351	\$2,165
Total Capital	\$5,740	\$6,726

- Net interest income declined in 2020 due to lower interest rates and lower average advance balances
- This was slightly offset by prepayment fee income
- Net income was buoyed by \$120 million of PLMBS related settlements

Data as of December 31, 2020, Source: SEC

- Advances outstanding have declined as industry-wide liquidity lessens demand
- Capital remains robust and a source of strength

Operating Results Period Ended	December 31, 2020 (\$ Millions)	December 31, 2019 (\$ Millions)
Net interest income	\$472	\$576
Net Income	\$362	\$384
Net Interest Margin	.45%	.42%
Return on Average Equity	5.88%	5.38%
Return on Average Capital Stock	9.33%	7.75%
Return on Average Assets	5.73%	5.10%
Regulatory Capital Ratio	6.55%	5.31%



Utilizing the FHLB Des Moines

Membership Requirements

- Regulatory Requirements
 - Each member must satisfy robust regulatory requirements

- Credit and Collateral
 - Credit lines established based on member creditworthiness
 - Each advance (loan) must be collateralized with eligible collateral

- Security Agreements
 - Members are either on a blanket, specific or delivery agreement
 - This allows the Bank to perfect our security interest on pledged collateral to support our secured lender requirements
 - All insurance company members are on a delivery agreement

- Dynamic Capital Plan
 - Ensures that the Bank is properly capitalized to support member activity and provide a return on capital invested

Stock Requirements

- Membership Stock
 - Permanent capital
 - Annual calculation, .12% of total year-end assets, capped at \$10 million
 - Currently pays dividend of 3.25% per annum
 - Redemption period of 5-years upon withdrawal request
- Activity Stock
 - Required to obtain advances and/or engage in certain transactions
 - Calculated at time of origination
 - Advances requirements is 4.00% of outstanding advances
 - Excess redeemed daily
 - Quarterly dividend, currently 5.75% per annum

Eligible Collateral Types - Mortgages

- Eligible mortgage collateral must be backed by an interest in real estate, eligible types include:
 - Single Family, 1-4 unit mortgages
 - Prime, Non-Prime and Sub-Prime
 - Performing and Re-Performing
 - Multi Family Real Estate mortgages
 - Agricultural Real Estate mortgages
 - Commercial Real Estate mortgages
- Data reported monthly to determine eligibility and performance, secure and electronic
- Valuations performed monthly based on characteristics of underlying mortgage
- Portfolio specific haircut established upon pledge, ongoing analysis conducted at least twice per year
- Specific loan documents must be physically delivered to FHLB custodian

Eligible Collateral Types - Securities

- U.S. Treasury Debt Instruments

- U.S. Agency
 - Bonds, debentures, discount notes, residential and commercial mortgage backed securities
 - Import/Export Bank Bonds

- Non-Agency residential mortgage backed securities
 - Prime: A to AAA
 - Alt-A: A to AAA
 - Subprime: AAA
 - Subject to satisfaction the Inter-Agency Guidance issued in July of 2007

- Non-Agency commercial mortgage backed securities
 - CMBS: A to AAA

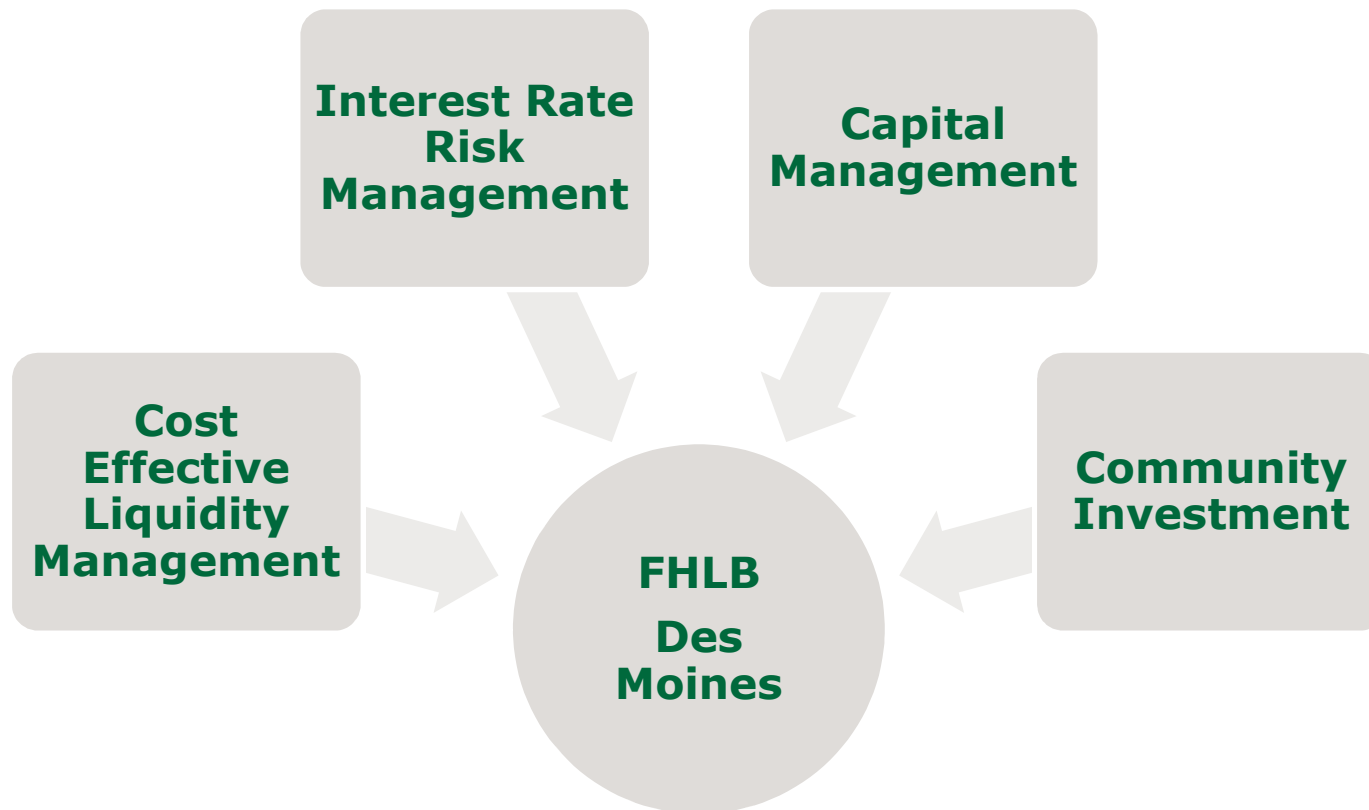
- Complete list of eligible collateral and related requirements can be found on our Members Site:
 - <http://members.fhlbdm.com/advance-collateral/what-can-be-pledged/>



Why Insurance Companies Join FHLB Des Moines

Advantages of FHLB Des Moines Membership

- Membership mitigates risk and enhances returns



Advantages of joining the FHLB Des Moines

- Cost effective liquidity management
 - Just-in-time funding to manage liquidity
 - Inexpensive funding, similar to US Treasury funding
 - Reliable and stable funding, no competing interests
- Interest rate risk management
 - Hedge asset/liability mis-matches
 - Utilize broad suite of funding options
- Capital Management
 - Increase capital efficiency, via spread lending and liquidity optimization
 - Increase net income using prudent liability strategies
- Community Investment
 - 10% of net income contributed to affordable housing

Why do Insurers use the FHLB Des Moines?

- Short term liquidity needs
 - Insurers borrow short term funds (overnight to 3-months) to manage fluctuations in cash and operating needs
 - Allows insurers to avoid higher cost credit lines
- Strategic spread lending opportunities
 - Insurers borrow intermediate and long term funds (6-months to 10+ years) to strategically hedge and fund commercial real estate originations and investment portfolio purchases
 - Strategic spread lending allows insurers to better serve policyholders through more affordable insurance and broader product access
- Strategic alternatives
 - Insurers borrow funds from FHLB Des Moines in lieu of using higher cost credit lines
 - Fund strategic acquisitions



Preferred Legislation

Update

Preferred Legislation – What

- *Preferred Legislation* is an FHLBank System term to define state specific legislative language clarifying the FHLBanks' position during a delinquency proceeding
- *Preferred Legislation* stipulates that a state court may not stay or prohibit an FHLBank from exercising right to collateral pledged by insurance company members that are subject to delinquency proceedings
- *Preferred Legislation* has been passed in 19 states, representing the vast majority of FHLBanks' insurance company advances
- Currently working with additional states to cover remaining exposure

Preferred Legislation – Why

- FHLB Des Moines is working with states in our district to stream-line legislative language to ensure insurance company members are treated equally to other members
- Differing state specific power of stay and voidable preference statutes may introduce ambiguity regarding liquidation time frames
- This ambiguity forces the FHLB Des Moines to enforce higher collateral discounts on securities collateral pledged by insurance company members
- In turn, this creates lower borrowing capacity for pledged securities collateral, ultimately resulting in higher effective borrowing costs for insurance company members in states without *Preferred Legislation*
- Currently, Oregon statutes do not include *Preferred Legislation*