2015 Annual Stress Test Disclosure

Results of the Federal Housing Finance Agency Supervisory Severely Adverse Scenario

July 23, 2015

As Required by the Dodd-Frank Wall Street Reform and Consumer Protection Act

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Executive Summary

Stress Test Background

- The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires certain financial companies with total consolidated assets of more than $10 billion, that are regulated by a primary federal financial regulatory agency, to conduct annual stress tests to determine whether the companies have the capital necessary to absorb losses under adverse economic conditions.

- In September 2013, the Federal Housing Finance Agency (FHFA), regulator of the Federal Home Loan Banks (FHLBanks), implemented annual stress testing for the FHLBanks as required by the Dodd-Frank Act.

- In accordance with these rules, FHLBank Atlanta is publicly disclosing the results of its stress test in this document.

Stress Test Requirements

- The FHFA provided inputs and key assumptions for the severely adverse scenario.

- Results are projected over the nine-quarter period from fourth quarter of 2014 to fourth quarter of 2016, starting with 9/30/2014 balances.

- The stress test results under the FHFA severely adverse scenario, as disclosed in this document or otherwise, should not be viewed as forecasts of expected or likely outcomes of future results. Rather, these modeled projections are based solely on the FHFA's severely adverse scenario and other specific required assumptions.

Executive Summary (cont.)

Stress Test Results

- Our stress test results demonstrate capital adequacy under severely adverse economic conditions as of 12/31/2016, and we remain in compliance with all regulatory capital requirements under the severely adverse scenario throughout all nine quarters covered by the stress test.
  - Regulatory capital ratio of 5.80% compared to the regulatory requirement of 4.00%.
  - Leverage capital ratio[1] of 8.71% compared to the regulatory requirement of 5.00%.
  - Total GAAP[2] capital of $4.6 billion.
  - The severely adverse scenario results assume that during the nine-quarter stress test period we do not declare dividends; however, we continue to repurchase excess capital stock. Any distribution of dividends or repurchases of excess capital stock remain subject to the approval of our board of directors.

Stress Test Use/Governance

- Stress testing has evolved as an important analytical tool for evaluating capital adequacy under severely adverse economic conditions. The Bank regularly uses such stress tests, including those annual stress tests required by the Dodd-Frank Act, in its capital planning to measure our exposure to material risks and evaluate the adequacy of capital resources available to absorb potential losses arising from those risks.

- We take the stress test results into account when making changes to our capital structure, when assessing our exposures, concentrations, and risk positions; and in improving our overall risk management.

[1] Leverage capital ratio is defined as the sum of the permanent capital weighted 1.5 times and all other capital without the weighting factor, divided by total assets.

[2] GAAP = Generally Accepted Accounting Principles in the United States.

Stress Test Components

Component	Description
Net Interest Income + Other Non-Interest Income, Net	• Net interest income (expense), operating expenses, and other non-interest income (expense).
Provision (Benefit) for Credit Losses on Mortgage Loans	• Credit loss provisions related to mortgage loans held for portfolio.
OTTI Credit Losses	• Credit-related impairments (OTTI) for investment securities.
Mark-to-Market Gains (Losses)	• Mark-to-market gains (losses) related to changes in fair value of derivatives and trading securities, and other gains (losses) on instruments held at fair value.
Global Market Shocks	• Instantaneous global shocks of interest rates, volatility, agency Mortgage Backed Securities OAS, and non-agency Mortgage Backed Securities prices applied to trading, available-for-sale (AFS) securities, and OTTI Held-to-Maturity (HTM) securities. • Global shocks applied to AFS and HTM securities are included in other comprehensive income (loss).
Counterparty Default Credit Losses	• Instantaneous and unexpected default of largest counterparty across secured and unsecured lending, repurchase/ reverse repurchase agreements, and derivatives exposures.

Severely Adverse Scenario Results

FHLBank Dodd-Frank Stress Test Template - SEVERELY ADVERSE (Disclosure to the Public)

		Cumulative Projected Financial Metrics (Q4 2014 - Q4 2016)
1	Net interest income + other non-interest income, net	132.57
2	(Provision) benefit for credit losses on mortgage loans	(8.45)
3	OTTI credit losses	(93.97)
4	Mark-to-market gains (losses)	414.75
5	Global market shock impact on trading securities	(4.77)
6	Counterparty default losses	(355.56)
7	AHP assessments	(21.53)
8	Net income (loss)	63.03
9	Other comprehensive income (loss)	(1,062.71)
10	Total comprehensive income (loss)	(999.68)
11	Total capital (GAAP) - starting	6,519.73
12	Total capital (GAAP) - ending	4,562.66
13	Regulatory capital ratio - starting	5.15%
14	Regulatory capital ratio - ending	5.80%

Note: Lines 1-12 above are in $millions.

Severely Adverse scenario is not an expected forecast, but a hypothetical stress scenario using internal projections by applying the rules and conditions set forth by the FHFA.

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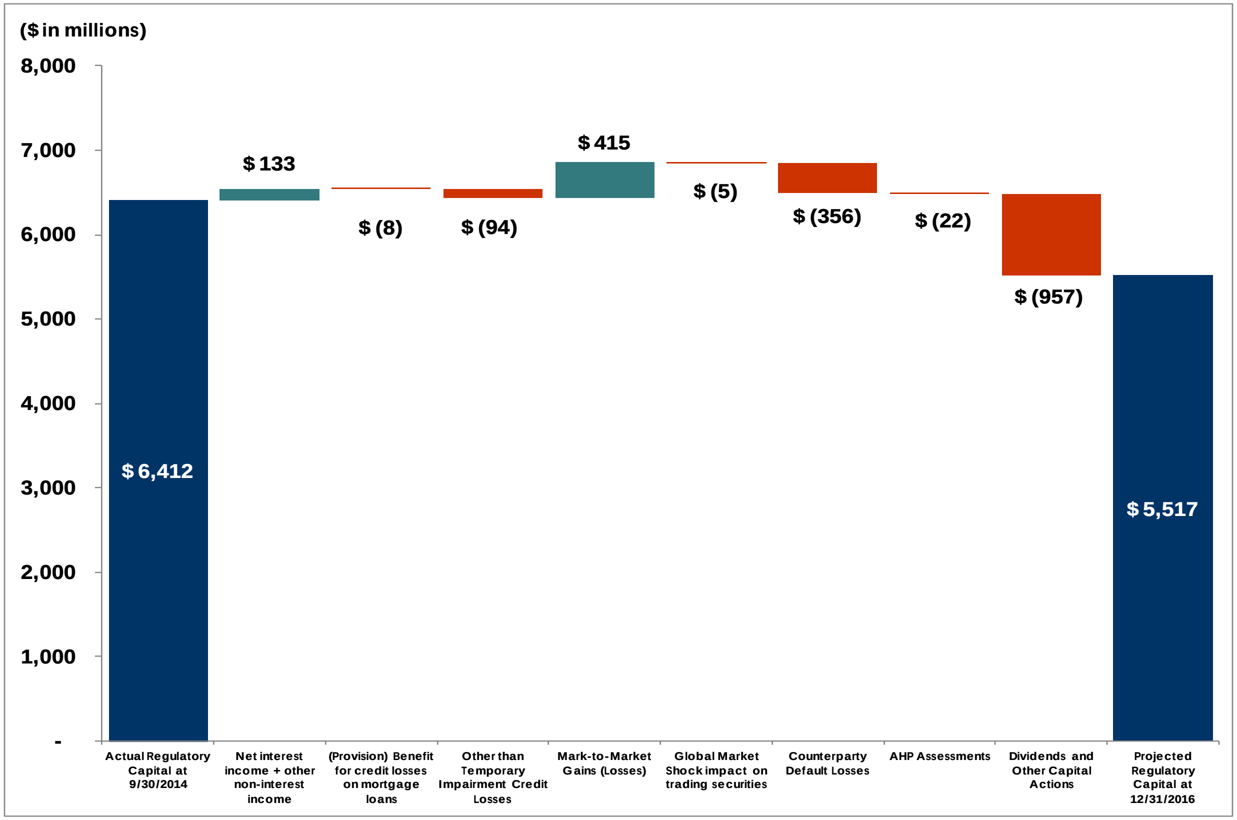
Severely Adverse Results – Regulatory Capital Analysis

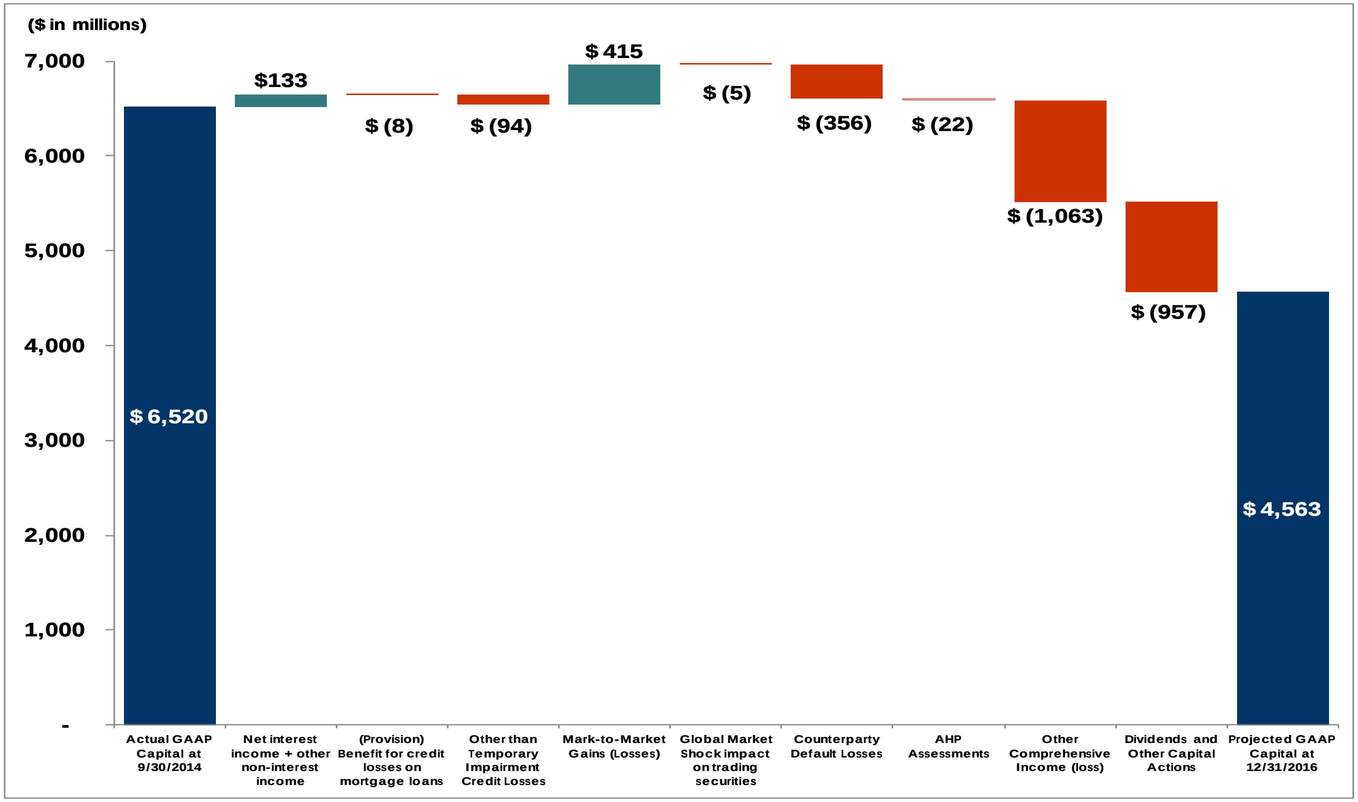
- Regulatory capital, which is defined as the sum of capital stock, retained earnings, and mandatorily redeemable capital stock, decreases from $6.4 billion at 9/30/2014 to $5.5 billion at 12/31/2016.
- All results shown below are modeled projections, except for actual regulatory capital at 9/30/2014.



Severely Adverse scenario is not an expected forecast, but a hypothetical stress scenario using internal projections by applying the rules and conditions set forth by the FHFA.

Severely Adverse Results – Total GAAP Capital Analysis

- Total GAAP capital, which is defined as the sum of capital stock, retained earnings and accumulated other comprehensive income (loss), decreases from $6.5 billion at 9/30/2014 to $4.6 billion at 12/31/2016.
- All results shown below are modeled projections, except for actual Total GAAP capital at 9/30/2014.



Severely Adverse scenario is not an expected forecast, but a hypothetical stress scenario using internal projections by applying the rules and conditions set forth by the FHFA.

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Severely Adverse Key Assumptions Provided by the FHFA

Macroeconomic Variables	
Residential House Prices (Peak to trough decline with no recovery over the planned horizon)	-25%
Commercial Real Estate Prices (Peak to trough decline with no recovery over the planned horizon)	-35%
Real Gross Domestic Product (Annual GDP growth rate)	-3.7% (2015), +2.1 (2016)
Unemployment Rate (Peak)	10.1% (Q2 2016)
Interest Rate Variables	
30-yr Mortgage Rate (Average over the plan horizon)	4.7%
10-yr Treasury Rate (Average over the plan horizon)	1.4%
Global Market Shock	
Instantaneous price shocks on non-agency securities	-58.9% to -82.9%
Instantaneous option-adjusted spread (OAS) shocks on:	
Agency Debt/Debentures	20 bps
Municipal Bonds	42 bps

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Component Methodologies

Net Interest Income + Other Non-Interest Income, Net

Description

- Reflects projections of net interest income (expense), operational expenses, and other non-interest income (expense) over the nine-quarter planning horizon.
- Material risks covered include interest-rate risk, operational risk as well as business risk.

Methodologies

- Estimates net interest income by projecting portfolio balances, funding mix, and spreads using the macroeconomic variables provided and management assumptions.
- Non-interest income and expenses estimated by management.
- Estimates operational risk losses informed by the Bank's historical operational loss experience and relevant external data consistent with supervisory expectations.

Provision (Benefit) for Credit losses on Mortgage Loans

Description

- Reflects credit loss provisions related to estimated losses on mortgage loans held for portfolio.
- Captures mortgage credit risk.

Methodologies

- Loan loss reserves forecasted by projecting population in 90+ day delinquency or in foreclosure, and corresponding loss severity over the nine-quarter forecast period. Specifically:
  - Forecasts the amortized balances for the affected population under the FHFA-provided macroeconomic scenario.
  - Forecasts loss severity based on stressed House Price Index curves.
  - Combines the projected amortized balances and loss severities to compute projected losses.

OTTI Credit Losses

Description

- Reflects credit-related losses for non-agency securities.
- Material risks covered include credit risk associated with investment portfolio.

Methodologies

- Estimates other-than-temporary impairments (OTTI) of non-agency MBS, by projecting cash flow shortfalls. Incorporates FHFA provided and internal assumptions for:
  - Housing prices
  - Interest rates
  - Mortgage rates
  - Monoline Insurer performance

Component Methodologies

Mark-to-Market Gains (Losses)

Description	• Reflects mark-to-market gains (losses) from changes in fair value of derivatives, trading securities and other gains (losses) on assets held at fair value due to changes in interest rates. • Material risk covered includes interest-rate risk.
Methodologies	• Applies FHFA-specified interest rates and internal interest rate assumptions through the use of valuation models to estimate changes in fair value of derivatives, trading securities, and other gains (losses) on investment securities.

Global Market Shocks

Description	• The global market shock is an instantaneous decline in market value of trading securities, AFS securities, and those HTM securities that are deemed to have OTTI losses. The instantaneous losses and corresponding reduction of capital are taken in the first quarter of the testing horizon without any future recoveries during the nine-quarter planning horizon. This shock is treated as an add-on to the macroeconomic and financial market environment specified in the stress test. Global shocks applied to AFS and OTTI HTM securities are included in other comprehensive income (loss).

Methodologies	• Applies FHFA-specified shocks, as of the first quarter of the stress test, to trading, AFS, and OTTI HTM securities:
	  ◦ Non-Agency Securitized Products: Relative Market Value Shock
	  ◦ Municipals: Spread Widening
	  ◦ Agencies: OAS Widening

Counterparty Default Credit Losses

Description	• Reflects instantaneous and unexpected default of largest counterparty net exposure. • Material risks covered includes unsecured and secured lending, repurchase/ reverse repurchase agreements, and derivative exposures, but excludes advances and overnight positions.

Methodologies	• Estimates credit loss arising from largest counterparty net stressed exposure by applying global market shock to non-cash securities/collateral held or received and derivatives positions including non cash collateral exchanged
	• Incorporates FHFA provided and internal assumptions for:
	  ◦ Interest rates
	  ◦ Credit spreads
	  ◦ Recovery rates

Key Risks Considered

Market Risk	The risk to earnings or capital arising from changes in the market value of portfolios, securities, or other financial instruments due to changes in the level, volatility, or correlations among financial market rates or prices, including interest rates. Specifically, market risk to the FHLBank includes the risk that the market value, or estimated fair value, of the FHLBank's portfolio will decline as a result of changes in interest rates and/or changes in spreads.
Credit Risk	The risk to earnings or capital arising from the default, inability, or unwillingness of a borrower, obligor, or counterparty to meet the terms of any financial obligation with the FHLBank or otherwise perform as agreed. Specifically, credit risk to the FHLBank as it pertained to the stress test includes the risk of loss due to defaults on principal and interest payments on advances, mortgage-backed securities and other investments, interest-rate exchange agreements, mortgage loans, and unsecured extensions of credit. Based on the FHLBank's collateral management practices and analysis of existing and supplemental collateral support, the FHLBank projected no credit losses on advances. This is consistent with the history of the FHLBank System which has not experienced a loss on a member advance, even through highly stressful economic environments.
Operational Risk	The risk of loss resulting from inadequate or failed processes, systems, human factors or external events. Operational risk is inherent in the FHLBank's business activities and can manifest itself in various ways, including accounting or operational errors, business interruptions, fraud and technology failures. This definition includes legal risk, which is the risk of loss arising from defective transactions, litigation or claims made, or the failure to adequately protect company-owned assets.
Business Risk	The risk of an adverse effect on the FHLBank's profitability resulting from external factors that may occur in both the short and long term. Business risk includes the impact of regulatory risk. Declines in business may affect the FHLBank's capital levels by reducing its activity-based capital stock balance and slowing the pace at which the FHLBank can build retained earnings. Additionally, the reduction in capital levels will limit the FHLBank's ability to purchase additional investments, thereby further limiting potential income and growth.