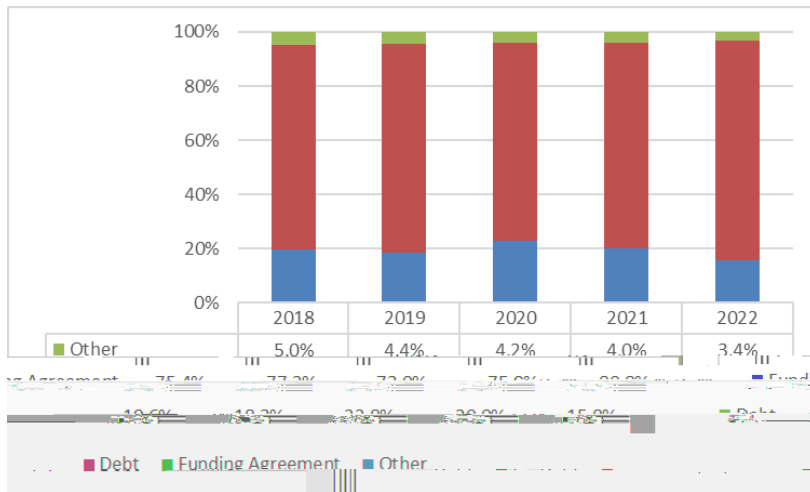


Increase in Exposure to Federal



Total advances at year-end 2022 increased by 18% to \$138.5 billion in BACV, from \$117 billion in 2021. As shown in Chart 1, U.S. insurers' FHLB advances over the last eight years have been steadily increasing. FHLB advances have represented an inexpensive source of funding, and U.S. insurers have been increasingly



U.S. insurers reported advances totaling about \$154.7 billion for 2022, representing a 9.2% increase from \$141.4 billion at year-end 2021 (Refer to Table 3 and Table 4). Maximum advances are the total amount borrowed by U.S. insurers at any point of time during a given calendar year. Consistent with year-end 2021, large U.S. insurers, or those with total cash and invested assets greater than \$10 billion, accounted for 87% (or \$135 billion) of FHLB aggregate maximum advances in 2022, with companies having more than \$5 billion in assets under management, accounting for 93% of the total. Overall, life companies accounted for 90% and 89% of U.S. insurers' total FHLB maximum advances at year-end 2022 and year-end 2021, respectively.

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | Pct of Total |
|--------------|----------|----------|----------|------------|------------|------------|--------------|--------------|------|------|------|--------------|
| Life | \$ 158.8 | \$ 45.0 | \$ 316.5 | \$ 1,073.7 | \$ 3,324.7 | \$ 6,776.5 | \$ 128,105.7 | \$ 139,801.0 | | | | 90% |
| P/C | \$ 114.6 | \$ 223.6 | \$ 634.7 | \$ 1,076.3 | \$ 1,160.2 | \$ 851.5 | \$ 5,466.8 | \$ 9,527.6 | | | | 6% |
| Health | \$ - | \$ 15.0 | \$ 294.1 | \$ 1,395.0 | \$ 1,113.3 | \$ 1,086.8 | \$ 1,500.0 | \$ 5,404.3 | | | | 3% |
| Pct of Total | 0% | 0% | 1% | 2% | 4% | 6% | 87% | 100% | | | | |

The excess of collateral over advances, or overcollateralization, provides the FHLB with additional cushion in the event of a member default. FHLB members may also pledge collateral in anticipation of FHLB advances to minimize any delay in accessing the liquidity. As such, the \$72.2 billion increase in pledged collateral from 2021 to 2022 was for existing advances, as well as for the intention of maintaining an open but undrawn liquidity source, which includes any potential overall overcollateralization.

Consistent with year-end 2021, the most-named collateral type posted to the FHLB by U.S. insurers at year-end 2022 consisted of agency RMBS. The collateral type is coded by insurers, as pledged to the FHLB in the Notes to the Financial Statements.

U.S. Insurer² Exposure to Federal Home Loan Bank Bonds

U.S. insurers report their investment in FHLB bonds in the annual statement filings within Schedule D Part 1 – Long-Term Bonds. At year-end 2022, U.S. insurers reported exposure to FHLB bonds with a BACV of \$8.8 billion, up slightly from \$8.1 billion in 2021 (Refer to Table 6). The proportion of FHLB bonds across industry types, in percentage terms, shifted slightly year-over-year (YOY) from 2021 to 2022. That is, the proportion of life companies holding FHLB bonds decreased by two percentage points, while the proportion of P/C companies that held FHLB bonds increased by the same amount. Nevertheless, similar to prior years, life and P/C insurers held almost 90% of the e



Source: FHLB Investor Presentation, May 2023.

The FHLB issues senior unsecured bonds through its Office of Finance that are “joint and several” obligations (or consolidated obligations) of all its regional banks. This means all regional banks are responsible for the full and timely payment of principal and interest on the bonds regardless of which one of the 11 issued the bonds. The bonds are the primary funding source used by the FHLB to not only make advances but also to purchase mortgage loans and investments. They are high-credit quality, rated AA+ and AAA by S&P Global and Moody's Investors Service (Moody's)

