

# ADAPT

**Federal Home Loan Bank of Pittsburgh**

2006 ANNUAL REPORT

ABILITY

# 75 is a milestone year

for FHLBank Pittsburgh. Over these many years, we have been privileged to serve our member financial institutions, doing good business that ensures our mutual success. Our future achievement will reflect our skill in applying the qualities that have brought us this far: the capacity to add value, the passion to innovate and the ability to adapt.

# FINANCIAL RESULTS

<i>(dollars in millions, except per-share data)</i>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>BALANCES AT YEAR-END</b>					
Loans to members	\$49,335	\$47,493	\$38,980	\$34,662	\$29,251
Mortgage loans held for portfolio, net	6,966	7,652	8,645	8,016	4,853
Total assets	77,376	72,898	61,069	53,158	45,122
Total capital	3,634	3,260	2,761	2,334	1,818
<b>FOR THE YEAR</b>					
Net income	\$ 216.5	\$ 191.8	\$ 118.9	\$ 68.7	\$ (27.0)
Earnings per share	\$ 6.76	\$ 6.72	\$ 4.53	\$ 2.99	\$ (1.38)
Weighted average dividend rate	4.69%	2.82%	1.69%	2.20%	3.56%
<b>PERFORMANCE RATIOS</b>					
Return on average capital	6.29%	6.41%	4.46%	3.01%	(1.35)%
Return on average assets	0.29%	0.29%	0.20%	0.13%	(0.06)%
Net interest margin	0.47%	0.47%	0.52%	0.55%	0.47%

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# To Our STOCKHOLDERS

In 2006, the eve of its 75th anniversary, FHLBank Pittsburgh achieved record earnings. This simple but powerful statement underscores this year's theme, Adaptability. The very act of realizing a 75-year milestone attests to any organization's ability to adapt to changing customer needs, new business strategies and technologies, changing economies, and increased legislative and regulatory requirements. Record earnings bear out this Bank's ability to adapt and prosper. As our members change, so do we. From 1932, when twelve Federal Home Loan Banks were chartered by Congress to ensure the availability of funding for homeownership, to the present, when the \$1.0 trillion FHLBank System intermediates between more than 8,100 community, regional and global financial institutions and the capital markets in order to support residential and small business lending and economic development, the FHLBanks have demonstrated remarkable adaptability and resilience.

## PERFORMANCE

By any financial measure, 2006 was a milestone year for FHLBank Pittsburgh. Net income of \$216.5 million surpassed our previous record of \$191.8 million, achieved in 2005, by 13 percent and marked an 82 percent increase from \$118.9 million in 2004. Total assets were \$77.4 billion at year-end 2006, a 6 percent increase from \$72.9 billion in 2005 and a 27 percent increase from \$61.1 billion in 2004. Return on average capital was 6.29 percent in 2006, down from 6.41 percent in 2005 but up from 4.46 percent in 2004.

Reflecting the Bank's traditional value as a funding source, advances showed continued growth in 2006, with average balances at a record \$46.8 billion at year-end, compared with \$44.2 billion in 2005, an increase of 6 percent. During 2006, 82 percent of our members borrowed. Bank4Banks<sup>®</sup>.com, our secure Web site, enjoyed another successful year as we converted to token-based security and received tremendous feedback. With 96 percent of all members now using Bank4Banks, we are undertaking a major effort to enhance its architecture and usability. The Mortgage Partnership Finance Program<sup>®</sup>, MPF<sup>®</sup>, experienced volume runoff due to higher mortgage rates and the exit of our largest mortgage customer through a charter consolidation, yet this useful secondary market alternative continued to welcome new members and enable community banks to offer long-term fixed-rate mortgages to their customers.

Dividends remain a crucial measure of value. In 2006, our ability to pay dividends was curtailed until our SEC registration was completed in August. Our weighted average dividend rate in 2006 was 4.69 percent, compared with 2.82 percent in 2005.



### COMMUNITY DEVELOPMENT

In 2006, we awarded \$14.6 million in AHP grants, helping to make housing affordable for 1,974 families and individuals. Banking On Business approved recoverable assistance to 60 employers to create or retain 737 jobs. Our first-time homebuyer program, re-launched as First Front Door, allocated nearly \$5 million to help 1,226 first-time buyers own their own homes. In addition to our core products, we have been particularly gratified with the success of Blueprint Communities, which has provided capacity building and leadership training to help 22 Pennsylvania communities restore sustainable vitality to neighborhoods. We look forward to introducing Blueprint Communities to West Virginia in 2007 and to Delaware in 2008.

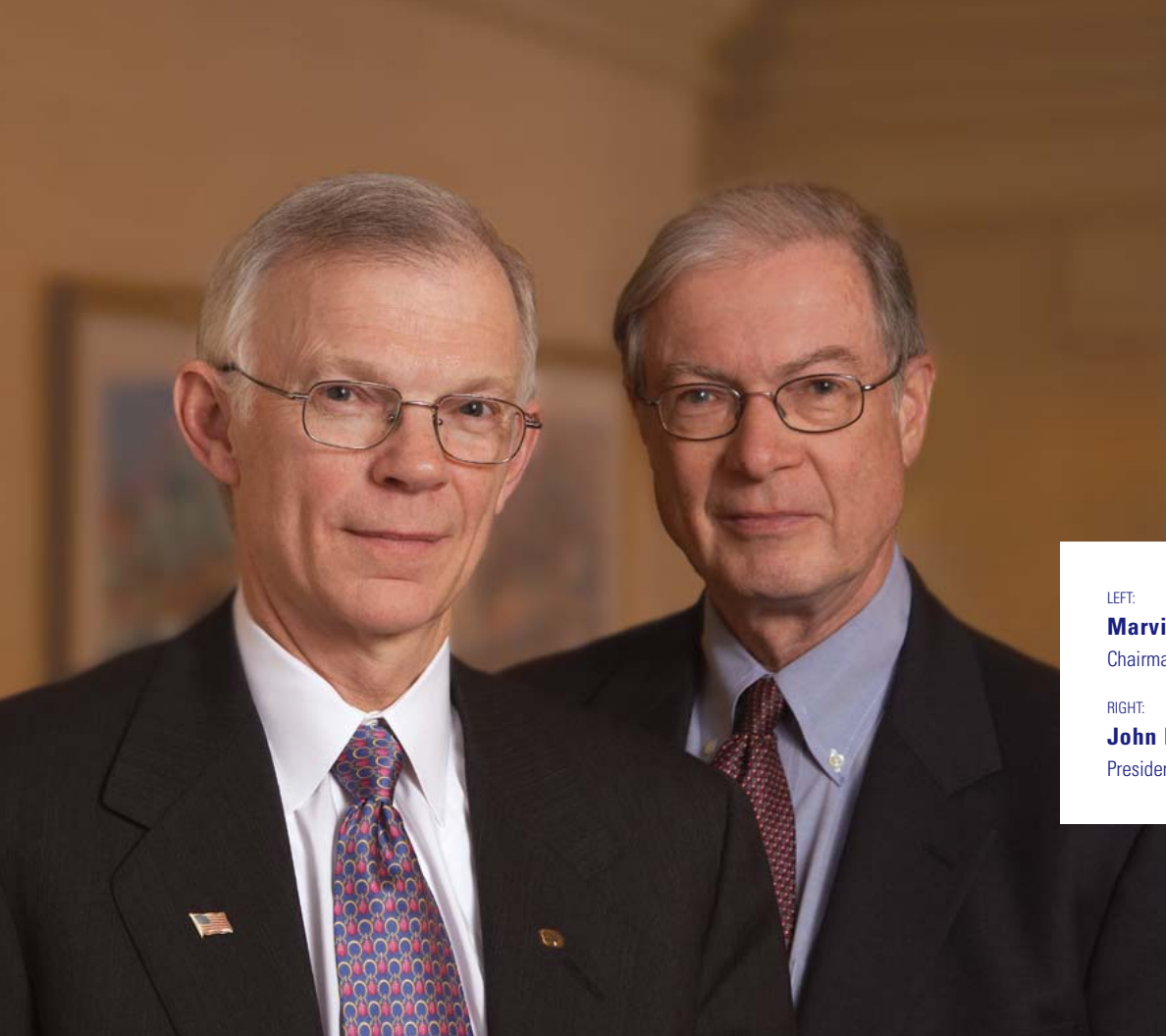
### GOVERNANCE

We were actively involved in several regulatory issues that made headlines during much of the year. FHLBank Pittsburgh has taken the lead in developing skill set definitions for appointed members of the Board of Directors, a step praised both within and outside of the FHLBank System. To bridge the gap of vacancies in public interest directors, we appointed three advisory consultants to our Board, to round out the Board's proficiency. On another issue of importance, we were pleased with the outcome of the proposed retained earnings rule. We applaud the Federal Housing Finance Board for its commitment to retained earnings as a precaution for safety and soundness and also for considering many points of view regarding how proper levels of retained earnings should be calculated.

In 2007, we look forward to continuing a dialogue on risk-based capital. Certainly, our task must be to find better ways to manage risk, not avoid it. We advocate a regulatory framework to allow the proper managing of risk without undercutting management's ability to do business for the benefit of our membership.

### STRATEGY

As a cooperative institution, we are aware that our members own the Bank and management is accountable to them. Following the recent internal focus on the systems and procedures required for SEC registration, in 2006 FHLBank initiated a new strategic plan with a renewed focus on customers. Products, pricing and service are at the heart of our strategic focus, including broadening our collateral practices, developing new advance products and enhancing Bank4Banks. Another key imperative is maximizing stockholder value, providing a consistent and attractive dividend while maintaining our AAA credit rating. We will also continue to champion affordable housing and community investment by expanding existing programs and identifying new possibilities in economic development.



LEFT:

**Marvin N. "Skip" Schoenhals**  
Chairman of the Board of Directors

RIGHT:

**John R. Price**  
President and Chief Executive Officer

#### **ADAPTABILITY**

The adaptability we have demonstrated over the past 75 years is a prelude to the future. Every day, we must continue to adapt anew: deploying our resources in ways that most effectively meet our customers' needs; consistently investing in and upgrading our technologies to stay current and avoid the need for costly deferred maintenance; and working closely with regulators and government officials so they clearly understand the importance of our franchise to both the financial industry and the communities we are privileged to serve together.

We know that adaptability will continue to be our challenge. As customer needs, markets, economic cycles, political and regulatory environments, technologies and our own business imperatives continue to change, we realize that our ability to adapt will be crucial to our success. We rely on FHLBank's talented staff to realize our mission, and on the Board of

Directors and their advisory consultants for wisdom and guidance. Especially, we salute and thank Edwin R. "Bud" Maus for his expertise, insight and good humor as he leaves our Board after eleven years of service. As always, we value our Affordable Housing Advisory Council and all our community partners.

Above all, we remain focused on our members. Our ability to adapt to your evolving needs will define our future.

Marvin N. "Skip" Schoenhals  
*Chairman of the Board of Directors*

John R. Price  
*President and Chief Executive Officer*

# RELY

## Innovation to meet changing needs

**FHLBank's** adapt ability is focused on our customers. As their needs change, so do we. When the Federal Home Loan Banks were chartered in 1932, they were thought of mostly as a back-up liquidity source for members. Yet today, more than 80 percent of the Bank's members borrow each year, and many of the others say that access to liquidity is crucial to their business strategy, even if they don't take down funding. As business cycles change, customers' borrowing habits and styles change too. Some members have borrowed in order to lend to their retail customers, in particular, to fund residential and commercial lending in their communities. Others, like Charlotte Zuschlag of ESB Bank in Ellwood City, PA, have adopted a wholesale strategy, borrowing to leverage the balance sheet and grow their business to improve stockholder returns. When attractive spreads are achievable, customers may utilize sophisticated funding options or longer time horizons. When faced with margin compression, customers may borrow shorter-term. Yet no matter how they use the funding, most long-time FHLBank customers agree that the mix of products on the Member Money Desk has adapted to their changing needs in changing markets. In this way, FHLBank is a mirror for customers' business.

Today, that mirror reflects a flat interest rate environment. Because customers are finding it difficult to build their business with traditional spreads, many are taking a back-to-basics approach, maintaining or even shrinking their balance sheets. Short funding, with RepoPlus, for example, has become a practical way for customers to maintain flexibility until the direction of rates becomes more clear. Some customers are discovering that the optionality within Convertible Select provides a way to reduce costs and improve profitability now. Because each customer approaches its business differently, FHLBank provides a consultative approach to customer service, offering solutions tailored to the individual bank's specific needs.

Does ESB's ability to rely on FHLBank, in turn, help the local community rely on ESB? Charlotte Zuschlag thinks it may. "Over the years, our wholesale strategy has enabled us to make more money, which



# ABILITY



FHLBank demonstrates adaptability through advances. We were one of the first community banks to leverage our balance sheet 15 years ago using FHLBank advances to achieve the spread we needed for our wholesale strategy. As the industry grew in sophistication, we bought complex instruments such as MBS and CMOs and relied on various structures available in FHLBank loans. Today, as the current environment is pulling us back to fixed-rate bullets, we still find that FHLBank products reflect our changing needs.

Reliability builds over time – with our customers and our business partners. FHLBank and ESB have both worked to retain good people, and as a result, relationships build and trust grows. I’m sure other community banks experience FHLBank in the same way, which is a value to their shops, as it is to mine.

**Charlotte A. Zuschlag**

President and Chief Executive Officer, ESB Bank

then allows us to be more supportive as volunteers and community partners,” said Ms. Zuschlag. “We understand, and our customers certainly appreciate, the importance of good corporate citizenship.”

In recent years, adaptability has taken new forms as the Bank has introduced fresh ways to meet customer needs. With the Mortgage Partnership Finance Program, expanded collateral options to maximize borrowing capacity and improved product delivery through Bank4Banks.com, FHLBank continues to seek innovative ways to cultivate its ability to adapt.

# RESPONSE

FHLBank embodies adaptability in responding to a basic human need. Hosanna Industries and the Bank's Affordable Housing Program started at about the same time, and we've learned together, along with our long-time financial partner, Mars Bank.

As a preacher, I talk a lot about authority and responsibility. Sure, AHP is required of the Bank, but authority must be matched by responsibility, which is built on a foundation other than laws and known rules. The Bank has a big pocketbook, but also a big heart. Here's an example. When the flood of 2004 devastated communities in the Pittsburgh area, FHLBank's emergency funding of \$88,000 catalyzed what followed. Within three weeks of getting that first-dollar support, \$1 million was raised to deploy emergency rehab for flooded homes. What kind of abilities did that one response create? Wow.

**Reverend Donn D. Ed**

Executive Director, Hosanna Industries, Inc.  
Pastor, First Congregational Church of Etna



**FHLBank's** adapt ability serves families in need. As our technical expertise, network of sponsors and number of participating member banks increases, so does our ability to be responsive and make a difference in people's lives. When the Affordable Housing Program was introduced in 1989, it was readily embraced by the Bank, but its impact was yet to be realized. Today, nearly \$125 million in AHP grants have helped make more than 22,000 homes affordable for lower-income families and individuals throughout our region. Although FHLBank funding is typically

# ABILITY

## Deploying resources, changing lives

only part of a larger financial picture, many affordable housing projects would not have received the financing they need without the support provided through AHP, which is frequently the all-important first dollar in a project.

FHLBank's ability to respond to community needs is evident, not just in AHP, but in other community development products as well. In each of our core community investment products, we work with our member financial institutions to make communities better places to live and work. With Banking On Business, FHLBank provides recoverable assistance to help members underwrite small business loans that need a little help to be considered bankable. The Community Lending Program provides members with low-cost loans for qualifying projects that benefit communities, create jobs or build infrastructure. First Front Door, reintroduced in 2006, helps qualified first-time homebuyers with down payments and closing costs.

Does FHLBank's ability to respond to community-based groups, in turn, help those groups respond to needs in their local communities? Rev. Donn Ed of Hosanna Industries in Rochester, PA, has seen the impact first-hand. Since Hosanna received its first AHP grant in 1996, FHLBank funding has helped Hosanna's staff and volunteer workers build or rehab 829 homes. "Each dollar of AHP funding helps buy labor, tools and building materials, but money is only money," said Rev. Ed. "The impact extends even beyond the people and families who get the homes. Volunteers from the Bank and elsewhere come to serve and find they are served with an influx of hope for a new tomorrow."

In recent years, adaptability has taken new forms as the Bank has introduced fresh ways to meet community needs. My Money, My Life, launched in 2004, is designed to educate at-risk youth and help them learn the importance of budgeting, savings and financial planning through no-cost after-school classes and a fee-free savings account with a complimentary \$100 deposit from one of the participating member financial institutions. Blueprint Communities, introduced in 2005, provides training in leadership, planning and goal-setting to help older communities build program capacity and sustain economic growth. Through these and other programs, FHLBank continues to seek innovative ways to cultivate its response ability.

# ACCESS

## Taking credit for a competitive advantage

**FHLBank's** adapt ability occasionally requires us to take a fresh look at familiar products. One such example is the Bank's Letter of Credit, a long-time but under-utilized product. Over the past several years, the Bank has re-marketed the LOC as an important tool to support member financial institutions in executing their own business strategies. Key uses of the LOC include facilitating residential finance and community lending, managing liquidity and asset/liability management.

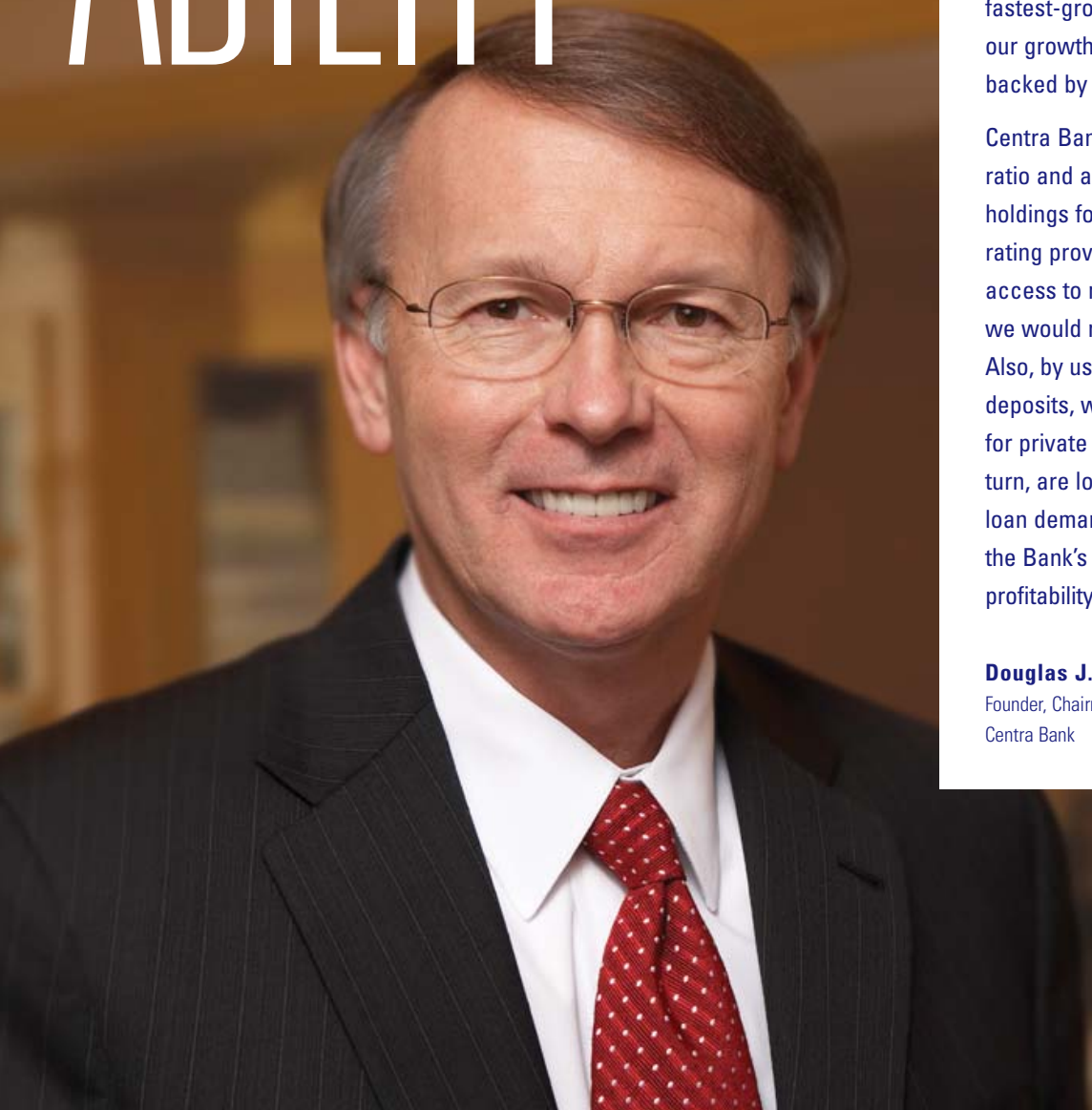
The Bank offers three types of LOCs: confirming, standby and direct pay. Each improves the credit rating of the transaction and each has a different use as a business tool. Confirming LOCs support a member's own LOC to back an obligation of one of its customers for housing or community investment lending. Standby LOCs provide credit support to an obligation of a member. A direct pay LOC is a type of standby LOC designed to act as the primary payment mechanism for a member's obligation over time.

In recent years, one of the most popular uses for the Bank's standby LOC is in guaranteeing public deposits. FHLBank's AAA-rated LOC provides members with access to public deposits, a market that community banks without ample securities collateral would not be able to access on their own. Customers seeking

to diversify their deposit mix, gain access to deposits that require collateral or credit support, or have more flexibility in managing their investment portfolios have found a solution in the LOC. Centra Bank, headquartered in Morgantown, WV, and cited as one of the top three start-up banks in the United States by *Investment Banker*, is a consistent user of the LOC to guarantee municipal deposits as part of its growth strategy.

Does Centra Bank's ability to access public deposits, in turn, help the community? Doug Leech sees a connection. "Keeping large public deposit funds in the region is like tossing a stone into a pond, in that it ripples through the community and the state," said Mr. Leech. "We're able to lend the money out locally, which is important, and there's also a coattail effect when a local school teacher gets a check drawn on Centra Bank."

# ABILITY



FHLBank exemplifies adaptability with its Letter of Credit. We are one of the nation's fastest-growing banks, and a central part of our growth strategy relies on public deposits backed by the Bank's Letter of Credit.

Centra Bank has a high loan-to-deposit ratio and a low level of investment security holdings for a bank our size. FHLBank's AAA rating provides a simple way for us to gain access to much-needed public deposits we would not otherwise be able to obtain. Also, by using the LOC to guarantee the public deposits, we're able to use our securities for private foundation deposits. The funds, in turn, are loaned out to customers due to high loan demand in our marketplace. In this way, the Bank's LOC has had a major impact on our profitability and our ability to serve customers.

**Douglas J. Leech**

Founder, Chairman of the Board, President and CEO  
Centra Bank

In serving customer needs, adaptability has taken the Bank beyond its traditional business of lending to members. Today, in addition to the regular standby LOC to back public deposits, FHLBank offers its Public Deposit Access program, which provides Pennsylvania-chartered financial institutions with access to pools of public funds. FHLBank continues to seek innovative ways to cultivate its ability to provide customers with access to new funding.

# ACHIEVE

FHLBank illustrates adaptability in its outreach to establish new kinds of partnerships, especially at the local level. As an elected official who appreciates the power of public/private partnerships, I'm encouraged to see an emerging understanding of the Bank's critical role in housing and community development. If I've learned anything in this business, it's that success is home grown, neighborhood by neighborhood. As more municipal officials become acquainted with FHLBank, they will be able to achieve more in their communities.

Blueprint Communities is a good example of a community-driven partnership. When people see that resources are available, they come together. And when a local banker has the FHLBank standing behind, that's a big shadow – not just in money, but also in expertise and vision.

**James C. Hunt**

Manager, Northern WV Office, West Virginia Housing  
Development Fund  
Councilmember, City of Clarksburg  
Immediate Past President, National League of Cities



**FHLBank's** adapt ability has been driven, in several important ways, through legislation. In legislating the Federal Home Loan Bank Act in July of 1932, Congress made sure funding would always be available for mortgages, thus shoring up the American Dream of homeownership for generations to come. Years later, with the Financial Institutions Reform Recovery and Enforcement Act of 1989, Congress expanded our role to include affordable housing and economic development and, importantly, allowed

# ABILITY

## New solutions through new partnerships

commercial banks to become members. More recently, with the Gramm-Leach-Bliley Act of 1999, Congress again expressed its evolving vision for the Bank, this time by expanding our role to help our community bank members provide funding for economic development, agricultural and small-business loans.

By ensuring the flow of credit to member financial institutions and, through them, to every community and neighborhood in the region, FHLBank has been a reliable partner in community development. But today's environment calls for new partnerships and new ways to achieve. FHLBank is responding with new collateral policies and new ideas for stimulating economic vitality, as always, working through our member financial institutions, and also with developers, builders, community groups and government at all levels.

Has FHLBank's ability to provide local credit and create partnerships resulted in tangible results in communities? Jim Hunt, elected city council member in

Clarksburg, WV, and a manager at the West Virginia Housing Development Fund, believes the greatest potential lies ahead. "The Bank's commitment to comprehensive neighborhood development has a huge potential for major impact," said Councilman Hunt. "The Bank often provides that first-dollar support, which is so important for other private sector funding. The credibility of FHLBank funding sends a message that a particular project has potential."

In recent years, adaptability has taken new forms. For example, FHLBank has created a Public Policy Network to engage bankers and other stakeholders in the political process. The Bank's Community Lending Program has been utilized by community banks to provide local municipalities with cost-effective funding for important community projects such as major upgrades to public water and sewer systems. The Bank has worked with local, state and national REALTORS® associations, particularly to educate them on the First Front Door program for first-time homebuyers; such information has helped real estate professionals make a market among those who thought homeownership was out of reach. Through these and other initiatives, FHLBank continues to seek innovative ways to cultivate its ability to achieve results in the communities we serve together with our members.

# BOARD OF DIRECTORS AND THEIR CONSULTANTS



**Left to right, Seated:**

D. Gibson, D. Marlo,  
C. Underwood,  
M. Schoenhals,  
F. Marcell, Jr.

**Standing:**

P. Ward, D. Curtis,  
P. Reichart, C. Maddy, III,  
A. Dillen\*, S. Peck\*,  
E. Molnar, B. Battaglia,  
L. Cortés\*, Jr., G. Thomchick

\* Advisory Board Consultants

**Marvin N. Schoenhals – Chairman**

*Chairman, President and Chief Executive Officer*  
Wilmington Savings Fund Society, FSB  
Wilmington, Delaware

**Dennis S. Marlo – Vice Chairman**

*Executive Vice President*  
Sovereign Bank  
Wyomissing, Pennsylvania

**Basil R. Battaglia**

*Sole Proprietor*  
Beckworth Title Company and  
Beckworth Consulting  
Wilmington, Delaware

**David W. Curtis**

*Director*  
Citizens Bank, Delaware  
Wilmington, Delaware

**David R. Gibson**

*Executive Vice President and  
Chief Financial Officer*  
Wilmington Trust Company  
Wilmington, Delaware

**H. Charles Maddy, III**

*President and Chief Executive Officer*  
Summit Financial Group, Inc.  
Moorefield, West Virginia

**Frederick A. Marcell, Jr.**

*President, Chief Executive Officer  
and Director*  
Willow Grove Bank  
Maple Glen, Pennsylvania



**Edward J. Molnar**

*Chairman of the Board*  
Harleysville Savings Bank  
Harleysville, Pennsylvania

**Paul E. Reichart**

*Chairman of the Board*  
Columbia County Farmers  
National Bank  
Bloomsburg, Pennsylvania

**Gerard M. Thomchick**

*President and Chief Executive Officer*  
First Commonwealth Bank  
*Chief Operating Officer*  
First Commonwealth Financial  
Corporation  
Indiana, Pennsylvania

**Cecil H. Underwood**

*Chief Executive Officer*  
Cecil H. Underwood Institute  
Charleston, West Virginia

**Patrick J. Ward**

*Chairman of the Board and*  
*Chief Executive Officer*  
Penn Liberty Bank  
Wayne, Pennsylvania

**ADVISORY BOARD CONSULTANTS**

**The Reverend Luis A. Cortés, Jr.**

*President*  
Nueva Esperanza and Esperanza USA  
Philadelphia, Pennsylvania

**J. Ardie Dillen**

*President*  
JAD Executive Advisory Services, LLC  
Gibsonia, Pennsylvania

**Sarah E. Peck**

*President*  
Progressive Housing Ventures, LLC  
Malvern, Pennsylvania

**BOARD COMMITTEES**

**AUDIT COMMITTEE**

*Chairman: C. Maddy, III*  
*Members: B. Battaglia, D. Gibson, D. Marlo,*  
*P. Ward, W. Eayre (secretary)*  
*Advisory Board Consultant: A. Dillen*

**COMMUNITY INVESTMENT AND  
PUBLIC POLICY COMMITTEE**

*Chairman: P. Reichart*  
*Members: D. Curtis, C. Underwood, J. Bendel (secretary)*  
*Advisory Board Consultants: L. Cortés, Jr., S. Peck*

**EXECUTIVE COMMITTEE**

*Chairman: M. Schoenhals*  
*Members: C. Maddy, III, D. Marlo, E. Molnar,*  
*P. Reichart, G. Thomchick, D. Yealy (secretary)*

**FINANCE AND RISK MANAGEMENT COMMITTEE**

*Chairman: D. Marlo*  
*Members: D. Gibson, C. Maddy, III, G. Thomchick,*  
*P. Ward, M. Hemphill (secretary)*

**GOVERNANCE COMMITTEE**

*Chairman: G. Thomchick*  
*Members: B. Battaglia, D. Curtis, F. Marcell, Jr.,*  
*E. Molnar, D. Yealy (secretary)*  
*Advisory Board Consultant: A. Dillen*

**HUMAN RESOURCES COMMITTEE**

*Chairman: E. Molnar*  
*Members: F. Marcell, Jr., P. Reichart, C. Underwood,*  
*J. Heidelberg (secretary)*  
*Advisory Board Consultants: L. Cortés, Jr., S. Peck*

# AFFORDABLE HOUSING ADVISORY COUNCIL

**Christopher Gulotta – Chairman**  
*Executive Director*  
Cumberland County Housing  
and Redevelopment Authority  
Carlisle, Pennsylvania

**Glenn Brooks – Vice Chairman**  
*Senior Vice President*  
Leon N. Weiner & Associates, Inc.  
Wilmington, Delaware

**Fred Banelos**  
*President and CEO*  
Alliance for Building Communities  
Allentown, Pennsylvania

**Daniel Betancourt**  
*President and CEO*  
Community First Fund  
Lancaster, Pennsylvania

**Patrick Bond**  
*General Partner*  
Mountaineer Capital  
Charleston, West Virginia

**Paul Calistro, Jr.**  
*Executive Director*  
West End Neighborhood  
House, Inc.  
Wilmington, Delaware

**Beverly Coleman**  
*Executive Director*  
NeighborhoodsNow  
Philadelphia, Pennsylvania

**Penny Eddy**  
*Executive Director*  
McKean County Redevelopment  
& Housing Authority  
Smethport, Pennsylvania

**Gloria Guard**  
*President*  
People's Emergency Center  
Philadelphia, Pennsylvania

**Mary Hunt-Lieving**  
*Program Officer*  
Claude Worthington Benedum  
Foundation  
Pittsburgh, Pennsylvania

**Lamont McClure**  
*Executive Director*  
Carbon County Housing Authority  
Leighton, Pennsylvania

**Ronald Miller**  
*Executive Director*  
Neighborhood Housing Services  
of Reading, Inc.  
Reading, Pennsylvania

**Larry Segal**  
*President*  
Impact Pennsylvania Strategies, LLC  
Wayne, Pennsylvania

**Brenda Wells**  
*Director, Western PA Region*  
Pennsylvania Housing  
Finance Agency  
Pittsburgh, Pennsylvania

**Nathan Yoder**  
*Executive Vice President*  
Susquehanna Valley  
Development Group  
Turbotville, Pennsylvania

## MANAGEMENT COMMITTEE

**John R. Price**  
*President*  
*Chief Executive Officer*  
Joined the Bank in January 2006

**William G. Batz**  
*Chief Operating Officer*  
Joined the Bank in November 1988

**Paul H. Dimmick**  
*Managing Director, Capital Markets*  
Joined the Bank in August 2003

**Teresa M. Donatelli**  
*Chief Information Officer*  
Joined the Bank in November 1992

**J. Michael Hemphill**  
*Chief Risk Officer*  
Joined the Bank in April 2000

**Craig C. Howie**  
*Group Director, Member Market Access*  
Joined the Bank in December 1990

**Kristina K. Williams**  
*Chief Financial Officer*  
Joined the Bank in December 2004

**Dana A. Yealy**  
*General Counsel and*  
*Corporate Secretary*  
Joined the Bank in May 1986

## **BANKING SERVICES**

Bank4Banks®, FHLBank Pittsburgh's private transactional Web site, allows authorized users to view and print reports, execute transactions and access information. The members-only secure site provides convenient access to many products and banking services. FHLBank's Safekeeping department, with more than \$29 billion in securities safekeeping for more than 200 customers, has the experience and know-how to handle even the most specialized safekeeping needs, in real time and at affordable rates. FHLBank Pittsburgh also offers customers an array of other banking services including depository services and electronic funds transfer.

## **CREDIT PRODUCTS**

The credit resources of FHLBank Pittsburgh provide funding to help members manage liquidity, improve interest rate risk profiles, manage the mix of assets and liabilities, improve margins and enhance profitability. Products available through FHLBank's Member Money Desk include RepoPlus, Open RepoPlus and Mid-Term Repo advances, adjustable- and fixed-rate loans, amortizing loans, Convertible Select, Hedge Select, and returnable loans, interest rate exchange products and Letters of Credit.

## **MORTGAGE PARTNERSHIP FINANCE® (MPF®) PROGRAM**

FHLBank Pittsburgh offers members the MPF Program as an alternative for selling long-term fixed-rate mortgages, with options that include closed-loan purchases and actual/actual or scheduled/scheduled remittance. The program will fund conforming fixed-rate mortgages with terms up to 30 years. Through the program, members are paid a fee for assuming a portion of the credit risk while FHLBank takes on the interest rate risk of the mortgage.

## **COMMUNITY INVESTMENT**

FHLBank Pittsburgh works to foster affordable housing and community development opportunities in very-low-, low- and moderate-income areas through advocacy, creative financing and technical assistance. FHLBank offers the Affordable Housing Program, Banking On Business, the Community Lending Program and First Front Door. The districtwide Pillars of the Community awards honor community investment development projects each year.

*"Bank4Banks" is a registered trademark of the Federal Home Loan Bank of Pittsburgh.*

*"Mortgage Partnership Finance" and "MPF" are registered trademarks of the Federal Home Loan Bank of Chicago.*

# AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors of the Federal Home Loan Bank of Pittsburgh for 2006 was composed of five directors, one public interest director and four industry directors. The members of the Audit Committee at year-end 2006 were H. Charles Maddy, III, Basil R. Battaglia, David W. Curtis, Dennis S. Marlo, and Gerard M. Thomchick.

The 2007 Audit Committee is composed of five directors, one public interest director and four industry directors. Both the 2006 and 2007 Audit Committee members are independent, as defined by the Finance Board.

The Audit Committee oversees the FHLBank's financial reporting process; reviews compliance with laws, regulations, policies and procedures; and evaluates the adequacy of administrative, operating and internal accounting controls. The Audit Committee has adopted and is governed by a written charter, and has satisfied its responsibilities during 2006 in compliance with the charter. In fulfilling its responsibilities, the Audit Committee has reviewed and discussed the audited

financial statements with management. The Audit Committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards (SAS) No. 61 and SAS No. 90, *Audit Committee Communications*. The Audit Committee has also received the written disclosures and the letter from the independent auditors required by Independent Standards Board Standard No. 1, and has discussed with the auditors the auditors' independence.

Based on the review and discussion referred to above, the 2007 Audit Committee recommends to the Board of Directors that the financial statements be included in the FHLBank's Form 10-K filed with the Securities and Exchange Commission.

*H. Charles Maddy, III, Chair*

*Basil R. Battaglia*

*David R. Gibson*

*Dennis S. Marlo*

*Patrick J. Ward*

The Audit Committee Charter is available at [www.fhlb-pgh.com/about-us/corporate-governance.html](http://www.fhlb-pgh.com/about-us/corporate-governance.html)

# CORPORATE INFORMATION

## CONTACT INFORMATION

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## INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP

## INTERNET ACCESS

[www.fhlb-pgh.com](http://www.fhlb-pgh.com)

[www.bank4banks.com](http://www.bank4banks.com)

*(private transactional Web site for members only)*

## INVESTOR INFORMATION AND PUBLICATIONS

Submit requests for copies of communications to stockholders via:

Phone: 412-288-3400  
Toll-free: 1-800-288-3400  
Fax: 412-288-2899  
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Internet: [www.fhlb-pgh.com/contact\\_fhlb.html](http://www.fhlb-pgh.com/contact_fhlb.html)

## PROFILE

The Federal Home Loan Bank of Pittsburgh is one of twelve Federal Home Loan Banks created by Congress in 1932 to promote housing finance. Each FHLBank, named for the city in which it resides, serves its own geographic region. FHLBank Pittsburgh serves 334 member financial institutions in Delaware, Pennsylvania and West Virginia. The Bank's employees work with members as strategic business partners to provide tailored solutions to customers' business challenges, helping them meet the specialized credit needs of the communities they serve.

*The Federal Home Loan Bank of Pittsburgh is an Equal Opportunity Employer and takes employment action without regard to race, religion, color, sex, national origin, age, disability, veteran's status, ancestry or sexual preference.*



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