



August 13, 2002

FOR IMMEDIATE RELEASE:

FHLBanks Publish Q2 2002 Combined Financial Report

The Federal Home Loan Banks Office of Finance, in an ongoing effort to increase access to information about the FHLBanks, announces the publication of the Q2 2002 Combined Financial Report.

Total assets grew to \$722.2 billion at June 30, 2002, a 8.6 percent increase compared with \$665.1 billion at June 30, 2001, and a 3.6 percent increase compared with \$697.3 billion at December 31, 2001. Advances were \$470.4 billion at June 30, 2002, a 4.4 percent increase compared with \$450.3 billion at June 30, 2001, and a 0.5 percent decrease compared with \$472.7 billion at December 31, 2001. Net mortgage loans increased 95.3 percent to \$38.3 billion at June 30, 2002, from \$19.6 billion at June 30, 2001, and increased 38.5 percent from \$27.6 billion at December 31, 2001. The increase in mortgage loans relates to the growth of the member mortgage asset programs established by the FHLBanks: Mortgage Partnership Finance (MPF®) and Mortgage Purchase Program (MPP).

The FHLBanks' total capital was \$35.2 billion at June 30, 2002, an 8.2 percent increase compared with \$32.5 billion at June 30, 2001, and a 2.8 percent increase compared with \$34.2 billion at December 31, 2001. The growth in capital is due to increases in advances, the payment of stock dividends by certain FHLBanks, and the accumulation of retained earnings to compensate for temporary earnings volatility resulting from Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133).

Net income for the second quarter of 2002 was \$413 million, compared with \$540 million for the second quarter of 2001, a 23.5 percent decrease. Net income for the first six months of 2002 was \$862 million, compared with \$1,075 million for the same period in 2001, a 19.8 percent decrease. The decreases in net income are primarily attributable to the effect of lower interest rates and the change from a combined net gain position to a net loss position in the unrealized gains (losses) on securities held at fair value and the realized and unrealized gains (losses) on derivatives and hedging activities. For the three and six months ended June 30, 2002, the FHLBanks had net realized and unrealized losses of \$84 million and \$113 million related to these investment securities, and derivatives and hedging activities,



respectively, whereas for the three and six months ended June 30, 2001, the FHLBanks had net realized and unrealized gains of \$39 million and \$56 million, respectively, on these investment securities, and derivatives and hedging activities.

The Combined Financial Report for Q2 2002 is now available on the Office of Finance web site, www.fhlab-of.com. Previous financial reports are also archived on this site, all in pdf file format.

As cooperatives, the FHLBanks seek to maintain a balance between their public policy mission and their obligation to provide adequate returns on the capital supplied by their members. The FHLBanks achieve this balance by delivering low-cost financing to members to help them meet the credit needs of their communities while paying a market-rate dividend. The Q2 2002 Combined Financial Report provides a discussion and analysis of financial condition and results of operations as well as other information about the FHLBanks.

The FHLBanks have a 70 year record of innovation and service to the U.S. housing market. With nearly 8,000 members in all 50 states, the FHLBanks serve a network of local lenders. For additional information, please contact Mike Ciota at 703-467-3608 (ciota@fhlab-of.com).