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CHICAGO FEDERAL HOME LOAN BANK REPORTS STRONG 2002 FINANCIAL RESULTS

Net Income Increases 41%; Total Outstanding MPF[®] Loans Grow 68%

Chicago, Ill. – Alex J. Pollock, President and Chief Executive Officer of the Chicago Federal Home Loan Bank, today announced the Bank's financial results for 2002.

"The Chicago Bank achieved excellent results during 2002, despite a challenging interest rate and mortgage prepayment environment," said Mr. Pollock. "Net income increased 41%, largely reflecting the growth of the Mortgage Partnership Finance[®] Program. In addition, the Bank continued adding to its all-time highs for membership, advances and capital, and paid an attractive 5.25% average dividend."

"The rapid growth and success of the MPF[®] Program over the past five and one-half years reflects the strong preference of our member institutions to manage the credit and customer relationship of their own mortgage borrowers, and get paid to do so," he continued.

Key Financial Results (\$ millions)

(Unaudited)	<u>2002</u>	<u>2001</u>	<u>Change</u>
Net Income	\$ 228.2	\$ 161.9	41%
Outstanding Advances, par	\$ 24,027	\$ 21,418	12%
Outstanding MPF Loans (Chicago FHLB)	\$ 25,941	\$ 16,519	57%
Total Assets	\$ 65,046	\$ 49,186	32%
Capital	\$ 3,354	\$ 2,503	34%
Outstanding MPF Loans (FHLB System)	\$ 41,710	\$ 24,759	68%

The 2002 financial results continue a trend of strong performance by the Chicago Bank. Outstanding advances grew 12% during the year to \$24.0 billion, reflecting continued demand from member banks, thrifts, credit unions and insurance companies. Since 1991, outstanding advances have risen more than fourteen-fold to their current record level. The growth in outstanding advances and MPF loans has also fueled significant growth in both total assets and capital. Bank assets at year-end were up 32% to \$65.0 billion, while capital rose 33.5% to \$3.3 billion. The Chicago Bank's credit ratings, "AAA" from Standard & Poor's, and "Aaa" from Moody's, evidence its solid financial position.

Membership in the Chicago Bank increased to a record 873 financial institutions from 857 members. Currently, over 78% of eligible commercial banks, thrifts, and savings banks in Illinois and Wisconsin belong to the Chicago Bank, up from 17% in 1991.

The Mortgage Partnership Finance[®] Program

The Mortgage Partnership Finance Program, begun by the Chicago Bank in 1997, continued another year of rapid growth and national expansion. The Program offers mortgage lenders a strategic alternative to selling their conventional and government-insured, fixed-rate home loans to a secondary market agency. Through the MPF[®] Program, participating banks originate, market, service and credit enhance mortgage loans while the Home Loan Bank provides the funding and manages the liquidity, interest rate and options risks of the loans. Adding competition and increasing efficiency drives down the costs of mortgage finance, benefiting financial institutions and American homebuyers.

Currently, nine of the twelve Home Loan Banks are approved to offer the program to their member institutions. MPF loans have been made in all 50 states and the District of Columbia and are available to Home Loan Bank members located in 39 states and D.C.

The amount of MPF loans outstanding among participating FHLBs grew 68% during 2002 to \$41.7 billion from \$24.8 billion. The total number of institutions nationwide approved to participate in the program rose 58% to 445 from 282, with an additional 137 members currently in the process of joining. Approximately 59% of all MPF loans have been made to low and moderate income borrowers, with a median loan amount of \$117,852. The credit quality of outstanding MPF loans continues to be excellent, with only 0.10% of conventional loans more than 90 days delinquent, well below the 2nd Quarter 2002 national average of 0.98%.

At the Chicago Bank, MPF loans held in portfolio increased 57% during the year to \$25.9 billion from \$16.5 billion, while the number of Chicago members approved to participate in MPF rose 28% to 167, up from 130 one year earlier.

Affordable Housing Program

The Chicago Bank's Affordable Housing and Community Investment programs also posted successful results for 2002. Each year, the Chicago Bank devotes 10% of its net earnings for subsidies through its Affordable Housing Program (AHP). The majority of the funds are awarded semi-annually to member institutions who work in partnership with non-profit groups or public entities. During 2002, a record

\$21.6 million was awarded by the Chicago Bank to benefit lower income families in the Bank's district of Illinois and Wisconsin.

Of these funds, \$17.1 million will help finance 99 affordable housing projects through member institutions located throughout the district, affecting 3,486 housing units. An additional \$4.5 million was set aside during the year for the Downpayment Plus[®] program to assist low and moderate income borrowers with downpayment and closing costs. These funds will provide grants of up to \$3,500 to approximately 1,300 first-time homebuyers, helping them to realize their dreams of homeownership.

Since the AHP began in 1990, the Chicago Bank has awarded approximately \$93.4 million in competitive grants through its members to 705 affordable housing projects to assist 25,359 households secure affordable housing. An additional \$14.4 million has been awarded since 1995 through the Downpayment Plus program to assist over 5,000 families and individuals purchase their first home.

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The Federal Home Loan Bank of Chicago is an AAA-rated wholesale financial institution providing housing finance to over 870 member commercial banks, savings institutions, credit unions and insurance companies in Illinois and Wisconsin. With \$65 billion in assets, the Bank offers floating and fixed-rate loans, the Mortgage Partnership Finance[®] Program and related products to finance home mortgage portfolios. The Bank also offers funding for affordable housing and community development activities.

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

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