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FOR IMMEDIATE RELEASE:

FHLBanks Office of Finance Announces Delay in Publication of the FHLBanks 2004 Third Quarter Combined Financial Report
Eleven FHLBanks Expected to Post Third Quarter Results Today

The FHLBanks Office of Finance announced today that it will delay the publication of the FHLBanks 2004 Third Quarter Combined Financial Report because the FHLBank of Chicago has informed the Office of Finance that it is unable to provide final financial information required to be included in the Combined Financial Report. The publication date under Federal Housing Finance Board regulation is today.

This situation has resulted from the FHLBank of Chicago's continuing analysis of recommendations made in a review by an independent outside consultant of certain of its accounting practices. The consultant was retained as required by the written agreement entered into on June 30, 2004 between the Bank and the Federal Housing Finance Board. As a result of this review, and following consultations with the Bank's outside auditor, the Bank has concluded that it should change its accounting methods for certain derivative transactions used in the hedging of interest rate risk and make accounting corrections for certain other derivative transactions.

Each of the other 11 FHLBanks has provided final financial information to the Office of Finance for inclusion in the 2004 Third Quarter Combined Financial Report. Each Bank is expected to post its financial results on its respective web site today. These web sites can be accessed from the Affordable Housing Programs section of the Office of Finance web site (www.fhlf-of.com); the web site addresses of the individual FHLBanks are provided as a matter of convenience only as described in the 2003 Combined Financial Report.

The FHLBank of Chicago is currently completing an analysis to determine the impact of changing its methods of applying FAS 133 to certain derivative transactions and making appropriate corrections. After this analysis is completed, the Office of Finance will review the results and determine if the impact on prior reporting periods would have been material to the combined results of operations or financial condition of the FHLBanks.

Based on the analysis to-date by FHLBank of Chicago management, the cumulative effect of the adjustment and corrections resulting from the recommendations of this review will be an increase in prior period net income. It will not have a material impact on FHLBank System total capital because most of the change will result in a reclassification from one component of capital (other comprehensive income) to another component of capital (retained earnings). Each of the FHLBanks reviews its accounting policies and practices from time to time. None of the other FHLBanks use the specific hedging strategies now under review by the FHLBank of Chicago to any significant extent.

Please see the FHLBank of Chicago's press release issued today for more information on its change in accounting methods and correction for certain derivatives transactions.

Background on FHLBanks Use of Derivatives.

The FHLBanks use derivatives to reduce identified risks inherent in their normal course of business--lending, investment, and funding activities. The Federal Housing Finance Board has established regulations and policies governing the FHLBanks' use of derivatives, including prohibiting all trading in derivatives for short-term profit and any other speculative use. Directors and management have established policies and procedures regarding the use of derivatives by the individual FHLBank.



For a description of the FHLBanks' use of derivatives, see "Derivatives –Q&A" at www.fhlab-of.com

Background on the Combined Financial Reports.

The Office of Finance is responsible for preparing the report and for combining the financial information it receives from the FHLBanks, each of which is responsible for the financial information it provides to the Office of Finance. See the "Explanatory Statement about FHLBanks Combined Financial Report" in the 2003 Combined Financial Report on pages 84 to 86.

The FHLBanks have over 70 years of innovation and service to the U.S. housing market, and currently service 8,100 members in all 50 states, American Samoa, Guam, Puerto Rico, the Northern Mariana and U.S. Virgin Islands. Please contact Mike Ciota at 703-467-3608 (ciota@fhlab-of.com) for additional information.