

December 27, 2011

To Our Members:

Today we are announcing our plans to supplement our current affordable housing and community investment programs with \$50 million in additional funds to be used to promote affordable housing and economic development in our district. We are in the process of developing the framework for the use of these funds, which will be deployed by the end of 2014. To fund this initiative, we will take a one-time charge to fourth quarter 2011 income of \$50 million. We do not anticipate that this will impact our ability to pay a fourth quarter dividend in early 2012, subject to approval by our Board of Directors. In addition, we do not believe that this development will materially impact our already-announced plans for the repurchase of excess capital stock.

We look forward to sharing the specifics of our plans upon approval by the Federal Housing Finance Agency (FHFA). This allocation resolves a dispute over an interpretation of regulatory compliance pertaining to investments made in 2010. Earlier this month, the Bank entered into discussions with the FHFA over the issues in dispute with the goal of resolving them as expeditiously as possible. We have agreed to resolve them by allocating a portion of the income the Bank has earned (and will continue to earn) as a result of the acquisition of these investments. This program will be in addition to our other Community Investment programs in 2012, 2013, and 2014.

I wish you all the best in the New Year.

Regards,



Matt Feldman
President and CEO

This letter contains forward-looking statements which are based upon our current expectations and speak only as of the date hereof. These statements may use forward-looking terms, such as “anticipates,” “believes,” “expects,” “could,” “plans,” “estimates,” “may,” “should,” “will,” or their negatives or other variations on these terms. We caution that, by their nature, forward-looking statements involve risk or uncertainty, that actual results could differ materially from those expressed or implied in these forward-looking statements, and that actual events could affect the extent to which a particular objective, projection, estimate, or prediction is realized. These forward-looking statements involve risks and uncertainties including, but not limited to the risk factors set forth in our periodic filings with the Securities and Exchange Commission, which are available on our website at www.fhlbc.com. We assume no obligation to update any forward-looking statements made in this letter.