



PRESS RELEASE

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The Federal Home Loan Banks of Dallas and Chicago Announce Preliminary Discussions of Combining Business Operations

August 8, 2007– The Federal Home Loan Banks of Chicago and Dallas (Banks) jointly announced today that they are engaged in discussions aimed at evaluating the benefits and feasibility of combining the business operations of the two institutions. If a definitive agreement is reached, both Banks would immediately communicate this event to their shareholders and other interested parties.

“Our focus is on identifying whether and how a combination would produce advantageous results and improved value for members of both organizations and the affordable housing needs of their communities, while also supporting the ongoing strength of the Federal Home Loan Bank System,” said Terry Smith, President and CEO of Dallas and Mike Thomas, President and CEO of Chicago.

Dallas and Chicago are cooperatives owned by member financial institutions in their respective Federal Home Loan Bank Districts. Both Banks have comparable portfolios of advances to members and a similar membership composition comprised primarily of community financial institutions, while also serving larger institutions.

The Federal Home Loan Bank of Dallas has total assets of \$53.3 billion as of March 31, 2007. Arkansas, Louisiana, Mississippi, New Mexico and Texas comprise the 9th District with over 900 member institutions.

The Federal Home Loan Bank of Chicago has total assets of approximately \$87 billion as of March 31, 2007. Illinois and Wisconsin comprise the 7th District with over 850 member institutions.

This news release 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,” “would,” “will,” or their negatives or other variations on these terms. Forward-looking statements by their nature involve risk or uncertainty that could effect the extent to which a particular objective, projection, estimate, or prediction is realized and actual financial performance could differ materially from that expressed or implied in these forward-looking statements. These forward-looking statements involve risks and uncertainties including, but not limited to, the risks that it will not be feasible for the Banks to combine their business operations, or, if feasible, that the Banks will not agree on acceptable terms for such a combination, and if such agreement is reached, the Banks may not be able to obtain regulatory approval of the proposed combination. The Banks assume no obligation to update any forward-looking statements made in this release.