



Balance Sheet

FEDERAL HOME LOAN BANK OF CHICAGO • MEMBER NEWSLETTER • SEPTEMBER 2010

One of Your Core Funding Sources

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The mission of the Bank is to deliver value to our members, and promote and support their growth and success, by providing:

- Highly reliable liquidity;
- Secured advances, wholesale mortgage financing, and other products and services to meet members' needs; and
- Direct financial support for members' affordable housing and community investment programs.

Traditionally, many members have used the Federal Home Loan Bank of Chicago as a back-up liquidity facility—pledging excess collateral or “dry powder” so that we can be a source of liquidity even if access to other sources of funding is constrained. Our cooperative structure facilitates the expansion and contraction of the advances portfolio depending on member needs. This was dramatically illustrated during the 2008-2009 credit crunch. We are proud to be a reliable source of funds for all members, during all credit cycles.

However, we are working hard to earn your business as a core funding source as well. We want to expand our relationship with you so that you consider the FHLB Chicago for a portion of your wholesale funding needs, whether short-term or long-term. We offer a variety of advance structures and pricing alternatives to match your institution’s needs and have a team of specialists ready to work with you to help you to analyze how we might be of assistance.

In keeping with our goal of providing you with advice and support, we invite you to attend one of the meetings this fall designed to help you manage your balance sheet in today’s challenging environment. Chad Brandt, Executive Vice President and head of the Banking Group, and Vice President Patrick Quinn, who hosts the weekly market update call on Thursdays, will be joined by specialists from our Financial Markets group as well as industry experts at these meetings across

Illinois and Wisconsin. Presentations include “Restructuring your Balance Sheet with FHLBC Advances” and “Risk Profiles of Investment Securities (and Using FHLBC Advances to Buy Them).” See page 3 for details or click here. I hope you can attend.



Maximizing Collateral

In order to be a regular source of funding, we know we need to make it easier for you to use the Bank and borrow. Early next year we expect to raise the cap on Community Financial Institution collateral, which includes small farm, business, and agribusiness loans, and to permit pledging that collateral using a blanket lien. In addition, earlier this year we expanded eligible collateral to include commercial real estate and two years ago we introduced the Member Transaction Desk to enhance customer service.

We look forward to working more closely with you. In late October, I will update you on the Bank’s preliminary third quarter results and our progress in transforming the FHLBC into an Advances Bank.

Sincerely,

Matthew R. Feldman
President and CEO

This newsletter 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 newsletter.

Learn More About Interest Rate Swaps

FHLB Chicago can enter into interest-rate swap transactions with members. Members may find that interest-rate swaps with FHLB Chicago are more advantageous than with other swap counterparties because:

- Members can use the same types of collateral as they do for advances to collateralize interest-rate swaps. This is generally favorable to members as traditional swap counterparties typically require Treasuries or GSE debentures.

- The initial margin for interest-rate swaps may be lower than that required by other swap counterparties.

- Our pricing tends to be very competitive.

The FHLB Chicago staff has considerable expertise in this area and is happy to explain how the swaps market works. If you are considering using swaps or derivatives, are looking for additional counterparties, or want to learn more about how this market works, please contact your relationship banker or the Member Transaction Desk at 877-230-1610.

MPF Xtra[®] Product Surpasses \$4 Billion

FHLB Chicago has purchased more than \$4 billion in mortgages under the MPF Xtra[®] product – an increase of \$1 billion in the past eight months. The FHLB Chicago introduced the MPF Xtra product just two years ago.

Members continue to benefit from the MPF Xtra product because it provides them with:

- First mortgage funding solutions
- The opportunity to support mortgage lending in their communities
- Competitive pricing with all-in execution options
- Free web-based training programs
- Personalized, attentive customer service
- Electronic transaction processing via a secure website

To take advantage of the MPF Xtra product, or to apply to become a PFI, contact your relationship banker or Cecille Duncan at 312-552-2779.

Free Web-Based Training Programs

Click on the MPF program webinar title, below, for a description of the webinars offered in October.

To register, send an email to MPFTraining@fhlbc.com with the date and name of webinar, participant's name and institution, email address, phone numbers, and street mailing address.

October 5, 10:00-10:30 a.m.

MPF Xtra Product: Recent Updates

October 13, 2:00-2:30 p.m.

MPF Xtra Product: Recent Updates

October 19, 2:00-3:30 p.m.

MPF Xtra Product: Investor Reporting

Stop by Booth 323

The MPF[®] Program will be exhibiting at the ABA annual convention in Boston in October. If you're planning to attend, stop by booth 323 to see the new MPF logo, which we will unveil in the next issue of the *Balance Sheet*.

Balance Sheet Management: Solutions for FHLBC Members

You're invited to join the FHLB Chicago for a conversation about some of the balance sheet challenges you face during the current business environment. After continental breakfast and a brief market update, we will discuss the following:

- Stress Testing your Balance Sheet's Liquidity
- Restructuring your Balance Sheet with FHLBC Advances
- Case Study: Fundamentals of Balance Sheet and Interest Rate Risk Management
- Risk Profiles of Investment Securities (and Using FHLBC Advances to Buy Them)

Who Should Attend?

CEOs, CFOs, Treasurers, Investment Managers, Funding Managers, and others interested in the challenges of today's extraordinary market conditions.

Dates and Locations

A continental breakfast will be served at 8:30 a.m. The meetings will last from 9 a.m. to noon at the following locations:

Springfield, Illinois: October 13

Fairview Heights, Illinois: October 14

Stevens Point, Wisconsin: October 20

Brookfield, Wisconsin: October 21

Moline, Illinois: November 3

Oak Brook, Illinois: November 4

To Register

Please email Nicki Patrick at NPatrick@fhlbc.com for a registration form or click [here](#). Space is limited; please respond one week before your meeting date. If you have any questions, please contact your relationship banker at 312-565-5689.

Nominate an Affordable Housing Champion for the Advisory Council

The Federal Home Loan Bank of Chicago is accepting nominations to its Community Investment Advisory Council. If you are aware of someone who would be an asset to the Advisory Council, please complete and return a nomination form by Monday, November 1. Click [here](#) for the form.

Advisory Council members are drawn from commu-

nity and non-profit organizations actively engaged in providing or promoting low- and moderate-income housing and/or community economic development lending in the 7th Federal Loan Bank District of Illinois and Wisconsin. Members of the Council must also reside in one of these two states.

Federal Home Loan Bank of Chicago

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