



Balance Sheet

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

FHLBC Announces 2009 Annual Operating Highlights

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On February 22, the FHLBC emailed a letter from President Matt Feldman announcing preliminary 2009 annual operating results. These results were prepared from unaudited financial information:

- Although the FHLBC ended the year in an improved position relative to where we began, we were still negatively impacted by other-than-temporary impairment (OTTI) charges against income related to our private-label mortgage-backed securities (MBS) portfolio. Without these charges, the Bank would have earned a profit for 2009.

- We expect to record a net loss for 2009 of \$65 million. While we have transformed our balance sheet composition with positive



results on our net interest income, the \$437 million OTTI charge on our private-label MBS more than offset improvements to our earnings from operations.

- Advances outstanding at the year-end were \$24.1 billion, 37% lower than the previous year-end level of \$38.1 billion, as members' borrowing needs changed dramatically. Member borrowing needs decreased significantly as the economic slowdown continued, member deposits increased, low-cost government alternatives were available to some, and members decreased their lending activities to shore up balance sheets negatively impacted by credit losses.

- Mortgage Partnership Finance[®] loans held in portfolio declined \$8.3 billion (26%) to \$23.8 billion as market response to governmental actions produced low home mortgage rate levels leading to accelerated prepayments

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Reminder: Certification Due March 19

The FHLBC asks its members every year to complete the Anti-Predatory Lending, Sub-Prime, and Non-Traditional Mortgage Certification. The FHLBC emailed a letter to members on February 17 that shares important information about the certification. This is a reminder to complete the certification form, which is the last few pages of the letter posted on eBanking under the "Collateral and Credit" tab, and return it to the FHLBC by March 19, 2010. Please contact your relationship banker with any questions.

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.

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.

MPF Xtra® Product Volume Surpasses \$3 Billion

As interest rates have fallen and your customers have refinanced their mortgages, scores of members that are Participating Financial Institutions (PFIs) have turned to the MPF Xtra product for access to the secondary market and competitive pricing for their borrowers.

In just 1½ years, the FHLBC has purchased more than \$3 billion in mortgages under the MPF Xtra product. Of the 172 PFIs that are signed up to use the product, more than 87% are active. “This kind of volume and participation rate shows that that Chicago PFIs have found it to be an attractive product, and they are comfortable with the process,” says Brian Harris, Vice President, MPF Program. “They also appreciate the superior levels of customer service they receive through the MPF Program.”

If your institution has yet to use the MPF Xtra product, consider these benefits. As a PFI, you can:

- Offer fixed-rate residential loans to your borrowers and deliver those loans into the secondary market;
- Transfer the interest-rate and prepayment risks as well as the credit risk of the associated loans to an investor, so there are no credit enhancement risk-based capital or collateral requirements.
- Retain the servicing rights and servicing fee income, preserving your ability to cultivate relationships with your customers.
- Call the MPF Xtra Service Center at 888-362-0011

and speak to a dedicated MPF Xtra product representative with any questions.

- Attend free web-based training programs, which cover everything from pricing and delivery to investor reporting and accounting. See the calendar listing on this page for MPF Xtra product webinars in March.

For more information about the MPF Xtra product or how to apply to become a PFI, contact your relationship banker or Cecille Duncan at 312-552-2779.

Sign Up for Free Web-Based Training

For more information about the free MPF Xtra product webinars described here, visit www.fhlbc.com and click “Events Calendar.” To register, send an email to TFHLBC@fhlbc.com with the webinar date, participant’s name and institution, email address, phone number, and street mailing address.

March 2, 10:00 a.m.-Noon
Underwriting Workshop

March 9, 10:00-11:00 a.m.
Credit Report Review

March 10, 10:00-11:00 a.m.
MPF Custody Process

March 15, 9:30-10:30 a.m.
Detecting and Avoiding Fraud

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and refinancings.

- We submitted an application to our regulator, the Federal Housing Finance Agency, to convert our capital stock to a Gramm-Leach Bliley capital structure and are currently awaiting the results of their review of the proposed plan.

- We awarded \$8 million in grants through our competitive Affordable Housing Program and \$4 million in assistance through our Downpayment Plus® Program.

- We remain in compliance with all of our regulatory

capital requirements.

For a fuller explanation of our preliminary financial results and the other issues mentioned here, please review the complete letter posted on our website, www.fhlbc.com. If you have any questions, please contact your relationship banker. We expect to file our 2009 Form 10-K Annual Report with the Securities and Exchange Commission in March; you will be able to access it through our website or the SEC’s reporting website, www.sec.gov/edgar.

Insurance Companies are Eligible to Join the FHLBC

Do you know a regulated insurance carrier domiciled in either Illinois or Wisconsin that may benefit from membership in the Federal Home Loan Bank of Chicago? If so, you might be interested in knowing that insurance companies are eligible to apply for FHLBC membership and could enjoy the same benefits that our existing members do, including:

- Ready and reliable funding, typically available on a same-day basis;
- Competitive funding costs;
- The ability to manage unexpected cash flow dislocations and catastrophic liquidity events; and
- Access to standby letters of credit, which allows members to leverage the credit rating of FHLBC.

Across the country, more than 200 regulated insurance carriers are already members of the Federal Home Loan Bank System, and the number is growing. In the past 10 years, the FHLB System has more than doubled its insurance company membership. As of September 30, 2009, aggregate borrowings by the FHLB System's insurance company members were approaching \$50 billion.

At the FHLBC, we already have a number of prominent insurance companies in Illinois and Wisconsin as members, including:

- **American Family Mutual Insurance Company**
- **Florists Mutual Insurance Company**
- **Founders Insurance Company**

- **Illinois Mutual Life Insurance Company**
- **MTL Insurance Company**
- **National Guardian Life Insurance Company**
- **Old Republic Life Insurance Company**
- **Trustmark Insurance Company**

Every new FHLBC member brings new capital, and the potential of new revenue, to our member-owned financial cooperative. And every incremental dollar of capital, or revenue, benefits us collectively. If you know an insurance company that might make a good candidate for FHLBC membership, please contact Peter J. Bulandr, Vice President/Insurance Industry Sector, at 312-565-5328, or email him at pbulandr@fhlbc.com.

RSVP Today for a Discussion with Congresswoman Judy Biggert

The Federal Home Loan Bank of Chicago, Illinois Bankers Association, and Illinois League of Financial Institutions invite you to discuss critical issues facing the banking industry at a meeting with Congresswoman Judy Biggert. She represents Illinois' 13th Congressional District and is a member of the Financial Services Committee.

Monday, March 1, 10:00 a.m.
Community Bank of Willowbrook
6262 South Route 83
Willowbrook, Illinois

Please RSVP to Kara Day at kday@ilbanker.com or 800-783-2265 by February 25.



Federal Home Loan Bank of Chicago

200 East Randolph Drive
Chicago, IL 60601
www.fhlbc.com

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