UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____ to ____

Commission File No. 000-51401

FHLBank Chicago

Federal Home Loan Bank of Chicago

(Exact name of registrant as specified in its charter)

Federally chartered corporation	**36-6001019**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
433 West Van Buren Street, Suite 501S	
Chicago, IL	**60607**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(312) 565-5700**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of September 30, 2024, the registrant had 32,475,071 total outstanding shares of Class B Capital Stock, including mandatorily redeemable capital stock.

FHLBank Chicago

Federal Home Loan Bank of Chicago

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Condensed Statements of Condition (unaudited)
(U.S. Dollars in millions, except capital stock par value)

	September 30, 2024	December 31, 2023
Assets		
Cash and due from banks	**$ 23**	$ 34
Interest-bearing deposits	**2,570**	2,570
Federal funds sold	**7,286**	4,173
Securities purchased under agreements to resell	**13,225**	7,695
Investment debt securities -		
Trading	**3,516**	1,769
Available-for-sale, $25,385 and $23,282 amortized cost, includes $865 and $856 pledged as collateral that may be repledged	**25,392**	23,084
Held-to-maturity, $675 and $1,547 fair value	**675**	1,552
Investment debt securities	**29,583**	26,405
Advances, $133 and $135 carried at fair value	**59,336**	65,306
MPF Loans held in portfolio, net of $(5) and $(5) allowance for credit losses	**13,033**	11,410
Derivative assets	**104**	82
Other assets, $59 and $68 carried at fair value	**663**	709
net of $(8) and $(7) allowance for credit losses		
Assets	**$ 125,823**	$ 118,384
Liabilities		
Deposits -		
Demand and overnight - noninterest-bearing	**$ 199**	$ 123
Demand and overnight - interest-bearing, $13 and $12 from other FHLBs	**759**	505
Deposits	**958**	628
Consolidated obligations, net -		
Discount notes, $— and $3,591 carried at fair value	**35,756**	28,109
Bonds, $9,395 and $1,107 carried at fair value	**79,751**	80,389
Consolidated obligations, net	**115,507**	108,498
Derivative liabilities	**11**	20
Affordable Housing Program liability	**156**	139
Mandatorily redeemable capital stock	**83**	83
Other liabilities	**662**	876
Liabilities	**117,377**	110,244
Commitments and contingencies - see notes to the condensed financial statements		
Capital		
Class B1 activity stock, 24 and 26 million shares issued and outstanding	**2,413**	2,624
Class B2 membership stock, 8 and 7 million shares issued and outstanding	**752**	653
Capital stock - putable, $100 and $100 par value per share	**3,165**	3,277
Retained earnings - unrestricted	**4,220**	4,061
Retained earnings - restricted	**1,012**	918
Retained earnings	**5,232**	4,979
Accumulated other comprehensive income (loss)	**49**	(116)
Capital	**8,446**	8,140
Liabilities and capital	**$ 125,823**	$ 118,384

The accompanying notes are an integral part of these condensed financial statements (unaudited).

FHLBank Chicago

Federal Home Loan Bank of Chicago

Condensed Statements of Income (unaudited)
(U.S. Dollars in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Interest income	**$ 1,792**	$ 1,962	**$ 5,325**	$ 5,407
Interest expense	**1,552**	1,692	**4,602**	4,695
Net interest income	**240**	270	**723**	712
Provision for (reversal of) credit losses	**1**	—	**2**	—
Net interest income after provision for (reversal of) credit losses	**239**	270	**721**	712
Noninterest income (loss) -				
Trading securities	**64**	4	**69**	(4)
Derivatives and hedging activities	**(70)**	11	**(53)**	23
Instruments held under the fair value option	**14**	(12)	**8**	(8)
MPF fees, $7, $7, $21 and $19 from other FHLBs	**9**	9	**27**	25
Other, net	**3**	(1)	**10**	5
Noninterest income (loss)	**20**	11	**61**	41
Noninterest expense -				
Compensation and benefits	**32**	35	**96**	98
Nonpayroll operating expenses	**27**	22	**77**	72
Voluntary Community Investment contributions	**49**	17	**69**	17
Federal Housing Finance Agency and Office of Finance	**5**	5	**14**	14
Other, net	**1**	(1)	**3**	3
Noninterest expense	**114**	78	**259**	204
Income before assessments	**145**	203	**523**	549
Affordable Housing Program assessment	**15**	20	**53**	56
Net income	**$ 130**	$ 183	**$ 470**	$ 493

The accompanying notes are an integral part of these condensed financial statements (unaudited).

FHLBank Chicago

Federal Home Loan Bank of Chicago

Condensed Statements of Comprehensive Income (unaudited)
(U.S. Dollars in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Net income	**$ 130**	$ 183	**$ 470**	$ 493
Other comprehensive income (loss) -				
Net unrealized gain (loss) available-for-sale debt securities	**(36)**	(64)	**205**	(44)
Net unrealized gain (loss) cash flow hedges	**(38)**	5	**(36)**	(1)
Postretirement plans	**(2)**	—	**(4)**	21
Other comprehensive income (loss)	**(76)**	(59)	**165**	(24)
Comprehensive income (loss)	**$ 54**	$ 124	**$ 635**	$ 469

The accompanying notes are an integral part of these condensed financial statements (unaudited).

FHLBank Chicago

Federal Home Loan Bank of Chicago

Condensed Statements of Capital (unaudited)
(U.S. Dollars and shares in millions)

	Capital Stock - Putable - B1 Activity		Capital Stock - Putable - B2 Membership		Retained Earnings			
	Shares	Value	Shares	Value	Unrestricted	Restricted	AOCI	Total
June 30, 2024	**25**	**$ 2,496**	**7**	**$ 710**	**$ 4,187**	**$ 986**	**$ 125**	**$ 8,504**
Comprehensive income (loss)					**104**	**26**	**(76)**	**54**
Issuance of capital stock	**5**	**518**	**—**	**—**				**518**
Repurchases of capital stock	**—**	**—**	**(5)**	**(559)**				**(559)**
Transfers between classes of capital stock	**(6)**	**(601)**	**6**	**601**				
Cash dividends - class B1 annualized rate and amount		**9.25 %**			**(67)**			**(67)**
Cash dividends - class B2 annualized rate and amount				**5.13 %**	**(4)**			**(4)**
Total change in period, excl. cumulative effect	**(1)**	**(83)**	**1**	**42**	**33**	**26**	**(76)**	**(58)**
September 30, 2024	**24**	**$ 2,413**	**8**	**$ 752**	**$ 4,220**	**$ 1,012**	**$ 49**	**$ 8,446**
June 30, 2023	29	$ 2,920	6	$ 616	$ 3,923	$ 848	$ (53)	$ 8,254
Comprehensive income (loss)					147	36	(59)	124
Issuance of capital stock	10	997	—	1				998
Repurchases of capital stock	—	—	(10)	(987)				(987)
Capital stock reclassed to mandatorily redeemable capital stock liability	—	(3)	—	—				(3)
Transfers between classes of capital stock	(10)	(1,008)	10	1,008				
Cash dividends - class B1 annualized rate and amount		8.00 %			(66)			(66)
Cash dividends - class B2 annualized rate and amount				5.00 %	(4)			(4)
Total change in period, excl. cumulative effect	—	(14)	—	22	77	36	(59)	62
September 30, 2023	29	$ 2,906	6	$ 638	$ 4,000	$ 884	$ (112)	$ 8,316

	Capital Stock - Putable - B1 Activity		Capital Stock - Putable - B2 Membership		Retained Earnings			
	Shares	Value	Shares	Value	Unrestricted	Restricted	AOCI	Total
December 31, 2023	**26**	**$ 2,624**	**7**	**$ 653**	**$ 4,061**	**$ 918**	**$ (116)**	**$ 8,140**
Comprehensive income (loss)					**376**	**94**	**165**	**635**
Issuance of capital stock	**18**	**1,829**	**—**	**9**				**1,838**
Repurchases of capital stock	**—**	**—**	**(19)**	**(1,950)**				**(1,950)**
Transfers between classes of capital stock	**(20)**	**(2,040)**	**20**	**2,040**				
Cash dividends - class B1 annualized rate and amount		**9.00 %**			**(203)**			**(203)**
Cash dividends - class B2 annualized rate and amount				**5.13 %**	**(14)**			**(14)**
Total change in period	**(2)**	**(211)**	**1**	**99**	**159**	**94**	**165**	**306**
September 30, 2024	**24**	**$ 2,413**	**8**	**$ 752**	**$ 4,220**	**$ 1,012**	**$ 49**	**$ 8,446**
December 31, 2022	23	$ 2,310	7	$ 679	$ 3,778	$ 786	$ (88)	$ 7,465
Comprehensive income (loss)					395	98	(24)	469
Issuance of capital stock	32	3,239	—	10				3,249
Repurchases of capital stock	—	—	(27)	(2,690)				(2,690)
Capital stock reclassed to mandatorily redeemable capital stock liability	—	(3)	—	(1)				(4)
Transfers between classes of capital stock	(26)	(2,640)	26	2,640				
Cash dividends - class B1 annualized rate and amount		7.50 %			(163)			(163)
Cash dividends - class B2 annualized rate and amount				3.75 %	(10)			(10)
Total change in period	6	596	(1)	(41)	222	98	(24)	851
September 30, 2023	29	$ 2,906	6	$ 638	$ 4,000	$ 884	$ (112)	$ 8,316

The accompanying notes are an integral part of these condensed financial statements (unaudited).

FHLBank Chicago

Federal Home Loan Bank of Chicago

Condensed Statements of Cash Flows (unaudited)
(U.S. Dollars in millions)

	Nine months ended September 30,	2024	2023
Operating	**Net cash provided by (used in) operating activities**	**$ 352**	$ 1,975
Investing	Net change federal funds sold	**(3,113)**	(2,715)
	Net change securities purchased under agreements to resell	**(5,530)**	5,350
	Trading debt securities -		
	Proceeds from maturities and paydowns	**750**	—
	Purchases	**(2,455)**	(1,749)
	Available-for-sale debt securities -		
	Proceeds from maturities and paydowns	**728**	802
	Purchases	**(2,472)**	(3,125)
	Held-to-maturity debt securities -		
	Proceeds from maturities and paydowns	**2,914**	3,351
	Purchases	**(2,035)**	(2,682)
	Advances -		
	Principal collected	**1,283,087**	1,718,861
	Issued	**(1,276,719)**	(1,727,742)
	MPF Loans held in portfolio -		
	Principal collected	**854**	683
	Purchases	**(2,495)**	(1,605)
	Other investing activities	**(12)**	(9)
	Net cash provided by (used in) investing activities	**(6,498)**	(10,580)
Financing	Net change deposits, $1 and $— from other FHLBs	**330**	119
	Discount notes -		
	Net proceeds from issuance	**432,571**	607,418
	Payments for maturing and retiring	**(424,867)**	(629,156)
	Proceeds on discount note transfers with other FHLBs	**—**	4,266
	Consolidated obligation bonds -		
	Net proceeds from issuance	**40,694**	40,556
	Payments for maturing and retiring	**(42,265)**	(14,914)
	Capital stock -		
	Proceeds from issuance	**1,838**	3,249
	Repurchases	**(1,950)**	(2,690)
	Cash dividends paid	**(217)**	(173)
	Other financing activities	**1**	(67)
	Net cash provided by (used in) financing activities	**6,135**	8,608
	Net increase (decrease) in cash and due from banks	**(11)**	3
	Cash and due from banks at beginning of period	**34**	35
	Cash and due from banks at end of period	**$ 23**	$ 38
Supplemental	Cash activities		
	Interest paid	**$ 3,746**	$ 3,104
	Affordable Housing Program assessments paid	**36**	26
	Noncash activities		
	Transfer of MPF Loans held for sale in other assets to securitized mortgage loans in trading debt securities	**71**	115

The accompanying notes are an integral part of these condensed financial statements (unaudited).

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Note 1 – Background and Basis of Presentation

The Federal Home Loan Bank of Chicago is a federally chartered corporation and one of 11 Federal Home Loan Banks (the FHLBs) that, with the Office of Finance, comprise the Federal Home Loan Bank System (the System). The FHLBs are government-sponsored enterprises (GSEs) of the United States of America and were organized under the Federal Home Loan Bank Act of 1932, as amended (FHLB Act), in order to improve the availability of funds to support home ownership. We are supervised and regulated by the Federal Housing Finance Agency (FHFA), an independent federal agency in the executive branch of the United States (U.S.) government.

Each FHLB is a member-owned cooperative with members from a specifically defined geographic district. Our defined geographic district is Illinois and Wisconsin. All federally insured depository institutions, insurance companies engaged in residential housing finance, credit unions and community development financial institutions located in our district are eligible to apply for membership with us. All our members are required to purchase our capital stock as a condition of membership. Our capital stock is not publicly traded, and is issued, repurchased or redeemed at par value, $100 per share, subject to certain statutory and regulatory limits. As a cooperative, we do business with our members, and former members (under limited circumstances). Specifically, we provide credit principally in the form of secured loans called advances. We also provide liquidity for home mortgage loans to members approved as Participating Financial Institutions (PFIs) through the Mortgage Partnership Finance® (MPF®) Program.

Our accounting and financial reporting policies conform to generally accepted accounting principles in the United States of America (GAAP).

In the opinion of management, all normal recurring adjustments have been included for a fair statement of this interim financial information. Certain prior period financial information has been adjusted to conform with current period presentation. These unaudited condensed financial statements and the accompanying notes should be read in conjunction with the audited financial statements and footnotes for the year ended December 31, 2023, included in our 2023 Annual Report on Form 10-K (2023 Form 10-K) starting on page F-1, as filed with the Securities and Exchange Commission (SEC).

Unless otherwise specified, references to we, us, our, and the Bank are to the Federal Home Loan Bank of Chicago.

“Mortgage Partnership Finance”, “MPF”, “MPF Xtra”, "Downpayment Plus", "DPP", Downpayment Plus Advantage", "DPP Advantage", and "Community First" are federally registered trademarks of the Federal Home Loan Bank of Chicago.

Refer to the **Glossary of Terms** starting on page 62 for the definitions of certain terms used herein.

Use of Estimates and Assumptions

We are required to make estimates and assumptions when preparing our condensed financial statements in accordance with GAAP. The most significant of these estimates and assumptions applies to fair value measurements, which includes derivative instruments. Our actual results may differ from the results reported in our condensed financial statements due to such estimates and assumptions. This includes the reported amounts of assets and liabilities, the reported amounts of income and expense, and the disclosure of contingent assets and liabilities.

Basis of Presentation

The basis of presentation pertaining to the consolidation of our variable interest entities has not changed since we filed our 2023 Form 10-K. The basis of presentation pertaining to our gross versus net presentation of derivative financial instruments also has not changed since we filed our 2023 Form 10-K. Refer to **Note 1- Background and Basis of Presentation** to the financial statements in our 2023 Form 10-K with respect to our basis of presentation for consolidation of variable interest entities and our gross versus net presentation of financial instruments for further details.

Note 2 – Summary of Significant Accounting Policies

Our significant accounting policies adopted through December 31, 2023, can be found in **Note 2 – Summary of Significant Accounting Policies** to the financial statements in our 2023 Form 10-K. We have not adopted any significant new policies in 2024.

Note 3 – Recently Issued but Not Yet Adopted Accounting Standards

During November 2023, the FASB issued ASU 2023-07 *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The amendments in this Update are effective for the Bank's single operating segment for the year ended December 31, 2024 and for interim periods beginning January 1, 2025. The Bank expects the impact of this disclosure only ASU to its financial statements to be minimal.

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Note 4 – Interest Income and Interest Expense

The following table presents interest income and interest expense for the periods indicated.

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Interest income -				
Trading	**$ 31**	$ 16	**$ 65**	$ 21
Available-for-sale interest income	**403**	364	**$ 1,147**	$ 988
Available-for-sale prepayment fees	**—**	1	**—**	1
Available-for-sale	**403**	365	**1,147**	989
Held-to-maturity	**19**	22	**53**	54
Investment debt securities	**453**	403	**1,265**	1,064
Advances	**982**	1,190	**2,998**	3,278
MPF Loans held in portfolio	**127**	91	**349**	253
Federal funds sold	**79**	131	**247**	400
Securities purchased under agreements to resell	**101**	88	**308**	244
Interest-bearing deposits	**49**	58	**155**	165
Other	**1**	1	**3**	3
Interest income	**1,792**	1,962	**5,325**	5,407
Interest expense -				
Consolidated obligations -				
Discount notes	**579**	609	**1,611**	1,898
Bonds	**958**	1,062	**2,945**	2,742
Other	**15**	21	**46**	55
Interest expense	**1,552**	1,692	**4,602**	4,695
Net interest income	**$ 240**	$ 270	**$ 723**	$ 712

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Note 5 – Investment Debt Securities

We classify investment debt securities as either trading, held-to-maturity (HTM), or available-for-sale (AFS). Our security disclosures within these classifications are disaggregated by major security types as shown below. Our major security types are based on the nature and risks of the security:

- U.S. Government & other government related - may consist of the sovereign debt of the United States; debt issued by GSEs; debt issued by the Tennessee Valley Authority; and securities guaranteed by the Small Business Administration (SBA).
- Federal Family Education Loan Program - asset-backed-securities (FFELP ABS).
- GSE mortgage-backed securities (MBS) - issued by Fannie Mae and Freddie Mac.
- Government guaranteed MBS.
- State or local housing agency obligations.

We have no allowance for credit losses on our investment debt securities and we have elected to exclude accrued interest receivable from the amortized cost in the following AFS and HTM tables. See **Note 8 - Allowance for Credit Losses** for further details on these amounts.

Pledged Collateral

We disclose the amount of investment debt securities pledged as collateral pertaining to our derivatives activity on our **Condensed Statements of Condition**. See **Note 9 - Derivatives and Hedging Activities** for further details.

Trading Debt Securities

The following table presents the fair value of our trading debt securities.

As of	**September 30, 2024**	December 31, 2023
U.S. Government & other government related	**$ 3,514**	$ 1,766
MBS		
GSE	**2**	3
Trading debt securities	**$ 3,516**	$ 1,769

The following table presents our gains and losses on trading debt securities recorded in Trading securities on our **Condensed Statements of Income**.

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Net unrealized gains (losses) on securities held at period end	**$ 63**	$ 4	**$ 52**	$ (4)
Net realized gains (losses) on securities sold/matured during the period	**1**	—	**17**	—
Net gains (losses) on trading debt securities	**$ 64**	$ 4	**$ 69**	$ (4)

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Available-for-Sale Debt Securities (AFS)

The following table presents the amortized cost and fair value of our AFS debt securities.

	Amortized Cost Basis [a]	Gross Unrealized Gains in AOCI	Gross Unrealized (Losses) in AOCI	Net Carrying Amount and Fair Value
As of September 30, 2024				
U.S. Government & other government related	**$ 2,649**	**$ 18**	**$ (94)**	**$ 2,573**
State or local housing agency	**5**	**—**	**—**	**5**
FFELP ABS	**1,568**	**54**	**(3)**	**1,619**
MBS				
GSE	**21,133**	**129**	**(98)**	**21,164**
Government guaranteed	**30**	**1**	**—**	**31**
Available-for-sale debt securities	**$ 25,385**	**$ 202**	**$ (195)**	**$ 25,392**
As of December 31, 2023				
U.S. Government & other government related	$ 2,141	$ —	$ (116)	$ 2,025
State or local housing agency	8	—	—	8
FFELP ABS	1,903	58	(4)	1,957
MBS				
GSE	19,176	40	(177)	19,039
Government guaranteed	54	1	—	55
Available-for-sale debt securities	$ 23,282	$ 99	$ (297)	$ 23,084

[a] Includes adjustments made to the cost basis of an investment for accretion, amortization, and fair value hedge accounting adjustments.

We had no sales of AFS debt securities for the periods presented. Any gains or losses are determined on a specific identification basis.

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Held-to-Maturity Debt Securities (HTM)

The following table presents the amortized cost, carrying amount, and fair value of our HTM debt securities.

	Amortized Cost and Net Carrying Amount [a]	Gross Unrecognized Holding Gains	Gross Unrecognized Holding (Losses)	Fair Value
As of September 30, 2024				
U.S. Government & other government related	**$ 540**	**$ 1**	**$ (4)**	**$ 537**
MBS				
GSE	**120**	**3**	**—**	**123**
Government guaranteed	**10**	**—**	**—**	**10**
Other	**5**	**—**	**—**	**5**
Held-to-maturity debt securities	**$ 675**	**$ 4**	**$ (4)**	**$ 675**
As of December 31, 2023				
U.S. Government & other government related	$ 1,385	$ 2	$ (9)	$ 1,378
MBS				
GSE	137	2	—	139
Government guaranteed	24	—	—	24
Other	6	—	—	6
Held-to-maturity debt securities	$ 1,552	$ 4	$ (9)	$ 1,547

[a] Includes adjustments made to the cost basis of an investment for accretion, and/or amortization.

We had no sales of HTM debt securities for the periods presented. Any gains or losses are determined on a specific identification basis.

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Contractual Maturity

The maturity of our AFS and HTM debt securities is detailed in the following table. MBS and FFELP ABS are not presented by contractual maturity because their expected maturities will likely differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

	Available-for-Sale		Held-to-Maturity	
As of September 30, 2024	**Amortized Cost Basis**	**Net Carrying Amount and Fair Value**	**Amortized Cost and Net Carrying Amount**	**Fair Value**
Non MBS and FFELP ABS Year of Maturity -				
Due in one year or less	**$ 489**	**$ 487**	**$ 355**	**$ 355**
Due after one year through five years	**635**	**634**	**40**	**40**
Due after five years through ten years	**493**	**481**	**131**	**128**
Due after ten years	**1,037**	**976**	**14**	**14**
MBS and FFELP ABS	**22,731**	**22,814**	**135**	**138**
Total debt securities	**$ 25,385**	**$ 25,392**	**$ 675**	**$ 675**
As of December 31, 2023				
Non MBS and FFELP ABS Year of Maturity -				
Due in one year or less	$ 3	$ 3	$ 1,180	$ 1,181
Due after one year through five years	1,084	1,078	56	55
Due after five years through ten years	301	275	149	142
Due after ten years	761	677	—	—
MBS and FFELP ABS	21,133	21,051	167	169
Total debt securities	$ 23,282	$ 23,084	$ 1,552	$ 1,547

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

AFS Securities in a Continuous Unrealized Loss Position

The following table presents unrealized losses on our AFS portfolio for periods less than 12 months and for 12 months or more. These losses are considered temporary as we expect to recover the entire amortized cost basis and neither intend to sell these securities nor consider it more likely than not that we will be required to sell these securities before the anticipated recovery of each security's remaining amortized cost basis. In the tables below, in cases where the gross unrealized losses for an investment category are less than $1 million, the losses are not reported.

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized (Losses)	Fair Value	Gross Unrealized (Losses)	Fair Value	Gross Unrealized (Losses)
Available-for-sale debt securities						
As of September 30, 2024						
U.S. Government & other government related	**$ 297**	**$ —**	**$ 1,333**	**$ (94)**	**$ 1,630**	**$ (94)**
State or local housing agency	**—**	**—**	**5**	**—**	**5**	**—**
FFELP ABS	**—**	**—**	**262**	**(3)**	**262**	**(3)**
MBS						
GSE	**3,061**	**(15)**	**4,759**	**(83)**	**7,820**	**(98)**
Government guaranteed	**—**	**—**	**4**	**—**	**4**	**—**
Available-for-sale debt securities	**$ 3,358**	**$ (15)**	**$ 6,363**	**$ (180)**	**$ 9,721**	**$ (195)**
As of December 31, 2023						
U.S. Government & other government related	$ 231	$ —	$ 1,396	$ (116)	$ 1,627	$ (116)
State or local housing agency	—	—	8	—	8	—
FFELP ABS	—	—	314	(4)	314	(4)
MBS						
GSE	6,062	(25)	6,861	(152)	12,923	(177)
Government guaranteed	—	—	17	—	17	—
Available-for-sale debt securities	$ 6,293	$ (25)	$ 8,596	$ (272)	$ 14,889	$ (297)

Credit Loss Analysis

We recognized no credit losses on HTM or AFS debt securities for the periods presented.

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Note 6 – Advances

We offer a wide range of fixed and variable-rate advance products with different maturities, interest rates, payment characteristics and options.

We have no allowance for credit losses on our advances and we have elected to exclude accrued interest receivable from the amortized cost in the following tables. See **Note 8 - Allowance for Credit Losses** for further details on these amounts.

The following table presents our advances by terms of contractual maturity and the related weighted average contractual interest rate. For amortizing advances, contractual maturity is determined based on the advance's amortization schedule. Actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay advances with or without penalties.

As of	**September 30, 2024**		December 31, 2023	
	Par Value Amount	**Weighted Average Contractual Interest Rate**	Par Value Amount	Weighted Average Contractual Interest Rate
Due in one year or less	**$ 25,947** [a]	**4.64 %**	$ 26,321 [a]	5.17 %
One to two years	**11,002**	**4.36 %**	14,180	4.39 %
Two to three years	**6,246**	**3.71 %**	8,592	4.08 %
Three to four years	**3,342**	**3.99 %**	3,811	4.18 %
Four to five years	**3,849**	**3.23 %**	4,423	3.39 %
Five to fifteen years	**8,703**	**3.13 %**	8,129	3.13 %
More than fifteen years	**504**	**5.13 %**	505	5.13 %
Total	**$ 59,593**	**4.15 %**	$ 65,961	4.43 %

[a] At September 30, 2024 and December 31, 2023, of the advances due in one year or less, $4.0 billion remain outstanding to One Mortgage Partners Corp. (now JPMorgan Chase Bank, NA), our former captive insurance company member, whose membership was terminated in 2021 in connection with an FHFA rule.

The following table reconciles the par value of our advances to the carrying amount on our **Condensed Statements of Condition** as of the dates indicated.

As of	**September 30, 2024**	December 31, 2023
Par value	**$ 59,593**	$ 65,961
Fair value hedging adjustments	**(236)**	(675)
Other adjustments	**(21)**	20
Advances	**$ 59,336**	$ 65,306

The following advance borrowers exceeded 10% of our advances outstanding.

As of September 30, 2024	**Par Value**	**% of Total Outstanding**
The Northern Trust Company	**$ 8,500**	**14.3 %**

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Note 7 – MPF Loans Held in Portfolio

We acquire MPF Loans from PFIs to hold in our portfolio. MPF Loans that are held in portfolio are fixed-rate conventional and Government Loans secured by one-to-four family residential properties with maturities ranging from 5 years to 30 years.

The following table presents information on MPF Loans held in portfolio by contractual maturity at the time of purchase. We have an allowance for credit losses on our MPF Loans and we have elected to exclude accrued interest receivable from the amortized cost in the following tables. See **Note 8 - Allowance for Credit Losses** for further details on these amounts.

As of	**September 30, 2024**	December 31, 2023
Medium term (15 years or less)	**$ 1,415**	$ 1,450
Long term (greater than 15 years)	**11,458**	9,820
Unpaid principal balance	**12,873**	11,270
Net premiums, credit enhancement, and/or deferred loan fees	**188**	168
Fair value hedging and delivery commitment basis adjustments	**(23)**	(23)
MPF Loans held in portfolio, before allowance for credit losses	**13,038**	11,415
Allowance for credit losses on MPF Loans	**(5)**	(5)
MPF Loans held in portfolio, net	**$ 13,033**	$ 11,410
Conventional mortgage loans	**$ 12,118**	$ 10,514
Government Loans	**755**	756
Unpaid principal balance	**$ 12,873**	$ 11,270

The above table excludes MPF Loans acquired under the MPF Xtra® and MPF Government MBS products. See **Note 2 - Summary of Significant Accounting Policies** in our 2023 Form 10-K for information related to the accounting treatment of these off-balance sheet MPF Loan products.

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Note 8 – Allowance for Credit Losses

See **Note 2 - Summary of Significant Accounting Policies** to the financial statements in our 2023 Form 10-K for further details regarding our accounting policies pertaining to allowances for credit losses.

Our allowances for credit losses are immaterial due to the nature of our credit enhancements, collateral support, and/or the credit worthiness of our counterparties. See **Note 8 - Allowance for Credit Losses** to the financial statements in our 2023 Form 10-K for more information.

Allowance for Credit Losses on MPF Loans

The following table presents the activity in our allowance for credit losses on MPF Loans.

	Three months ended September 30,		Nine months ended September 30,	
For the periods ending	**2024**	2023	**2024**	2023
Allowance for MPF credit losses beginning balance	**$ 5**	$ 5	**$ 5**	$ 5
MPF credit losses charged-off	**—**	(1)	**(1)**	(1)
Credit loss recovery	**—**	1	**—**	1
Provision for (reversal of) MPF for credit losses	**—**	—	**1**	—
Allowance for MPF credit losses ending balance	**$ 5**	$ 5	**$ 5**	$ 5

Allowance for Credit Losses on Community First® Fund (the Fund)

As of September 30, 2024 we had $51 million in Fund loans outstanding and at December 31, 2023 we had $47 million in Fund loans outstanding, recorded in Other assets in our **Condensed Statements of Condition**.

As of September 30, 2024, all Fund loans were current.

The following table details our allowance for credit losses on Fund loans.

	Three months ended September 30,		Nine months ended September 30,	
For the periods ending	**2024**	2023	**2024**	2023
Allowance for Fund loan credit losses beginning balance	**$ 8**	$ 7	**$ 7**	$ 7
Provision for (reversal of) Fund loan for credit losses	**—**	—	**1**	—
Allowance for Fund loan credit losses ending balance	**$ 8**	$ 7	**$ 8**	$ 7

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

The following tables summarize our conventional MPF Loans by our key credit quality indicators.

As of	September 30, 2024			December 31, 2023		
	Conventional MPF Amortized Cost by Origination Year			Conventional MPF Amortized Cost by Origination Year		
	2020 to 2024	Prior to 2020	Total	2019 to 2023	Prior to 2019	Total
Past due 30-59 days	$ 30	$ 30	$ 60	$ 34	$ 23	$ 57
Past due 60-89 days	5	9	14	7	8	15
Past due 90 days or more	10	16	26	5	16	21
Past due	45	55	100	46	47	93
Current	9,958	2,216	12,174	9,348	1,209	10,557
Total outstanding	$ 10,003	$ 2,271	$ 12,274	$ 9,394	$ 1,256	$ 10,650

As of	September 30, 2024			December 31, 2023		
	Amortized Cost			Amortized Cost		
	Conventional	Government	Total	Conventional	Government	Total
In process of foreclosure	$ 15	$ 5	$ 20	$ 11	$ 5	$ 16
Serious delinquency rate	0.22 %	1.60 %	0.30 %	0.22 %	1.57 %	0.31 %
Past due 90 days or more and still accruing interest	$ 3	$ 12	$ 15	$ 4	$ 11	$ 15
Loans on nonaccrual status	28	—	28	23	—	23
Loans on nonaccrual status with no allowance for credit losses	17	—	17	9	—	9

Accrued interest receivable

We present accrued interest receivable separately for loans and AFS/HTM debt securities. We do not measure an allowance for credit losses on loan related accrued interest receivables as we reverse accrued interest on a monthly basis when the loan is placed on nonaccrual status.

The following table summarizes our accrued interest receivable by portfolio segment.

Financial instrument type	September 30, 2024	December 31, 2023
MPF Loans held in portfolio	$ 80	$ 65
HTM securities	3	15
AFS securities	94	90
Interest-bearing deposits	9	10
Federal funds sold	1	2
Securities purchased under agreements to resell	2	3
Advances	203	241
Accrued interest receivable	$ 392	$ 426

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Note 9 – Derivatives and Hedging Activities

Refer to **Note 2 - Summary of Significant Accounting Policies** in our 2023 Form 10-K for our accounting policies for derivatives.

We transact most of our derivatives with large banks and major broker-dealers. Some of these banks and broker-dealers or their affiliates buy, sell, and distribute consolidated obligations. We are not a derivatives dealer and do not trade derivatives for speculative purposes. We enter into derivative transactions through either of the following:

- A bilateral agreement with an individual counterparty for over-the-counter derivative transactions.
- Clearinghouses classified as Derivatives Clearing Organizations (DCOs) through Futures Commission Merchants (FCMs), which are clearing members of the DCOs, for cleared derivative transactions.

Managing Interest Rate Risk

We use fair value hedges to manage our exposure to changes in the fair value of (1) a recognized asset or liability or (2) an unrecognized firm commitment, attributable to changes in a benchmark interest rate, such as the Secured Overnight Financing Rate (SOFR). We use cash flow hedges to hedge the variability in the net proceeds received from forecasted zero-coupon discount notes, and the variability of cash flows associated with periodic SOFR-indexed bonds issuances, attributable to changes in the benchmark interest rate, by entering into pay-fixed interest rate swaps.

We may elect the fair value option for financial instruments, such as advances, MPF Loans held for sale, and consolidated obligation discount notes and bonds, in cases where hedge accounting treatment may not be achieved due to the inability to meet the hedge effectiveness testing criteria, or in certain cases where we wish to mitigate the risk associated with selecting the fair value option for other instruments. We may also use economic hedges to hedge securities in our trading portfolio, when hedge accounting is not permitted or hedge effectiveness is not achievable.

Managing Credit Risk on Derivative Agreements

Over-the-counter (bilateral) Derivative Transactions: We are subject to credit risk due to the risk of nonperformance by counterparties to our derivative agreements. For bilateral derivative agreements, the degree of counterparty risk depends on the negotiated provisions of such agreements to mitigate such risk, including, for example, terms related to master netting arrangements, collateral requirements and other credit enhancements. We manage counterparty credit risk through credit analysis, collateral requirements and adherence to the requirements set forth in our policies and FHFA regulations. We require collateral agreements on all over-the-counter derivatives.

As of September 30, 2024, based on credit analyses and collateral requirements, we have not recorded a credit loss on our over-the-counter derivative agreements. See **Note 15 - Fair Value** to the financial statements in our 2023 Form 10-K for discussion regarding our fair value methodology for over-the-counter derivative assets and liabilities, including an evaluation of the potential for the fair value of these instruments to be affected by counterparty credit risk.

Our bilateral derivative transactions are subject to variation margin requirements and are fully collateralized with a zero unsecured threshold. We pledged no investment securities for variation margin on our bilateral derivative transactions (that can be sold or repledged by our counterparty) as of September 30, 2024.

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Bilateral derivative transactions executed on or after September 1, 2022, are subject to two-way initial margin requirements if our aggregate uncleared derivative transaction exposure to a counterparty exceeds a specified threshold. The initial margin is required to be held at a third party custodian and does not change ownership. Rather, the party in respect of which the initial margin has been posted to a third party custodian will have a security interest in the amount of initial margin required to be posted and can only take ownership upon the occurrence of certain events, including an event of default due to bankruptcy, insolvency, or similar proceeding. As of September 30, 2024, we pledged and/or received initial margin with certain bilateral derivative counterparties.

Cleared Derivative Transactions: Cleared derivative transactions are subject to variation and initial margin requirements established by the DCO and its clearing members. Variation margin payments are characterized as settlement of a derivative's mark-to-market exposure and not as collateral against the derivative's mark-to-market exposure. See **Note 1 - Background and Basis of Presentation** and **Note 2 - Summary of Significant Accounting Policies** to the financial statements in our 2023 Form 10-K for further discussion. We post our initial margin collateral payments and make variation margin settlement payments through our FCMs, on behalf of the DCO, which could expose us to institutional credit risk in the event that the FCMs or the DCO fail to meet their obligations. Clearing derivatives through a DCO mitigates counterparty credit risk exposure because the DCO is substituted for individual counterparties and variation margin settlement payments are made daily through the FCMs for changes in the value of cleared derivatives. The DCO determines initial margin requirements for cleared derivatives. We pledged $865 million of investment securities (that can be sold or repledged) as part of our initial margin related to cleared derivative transactions at September 30, 2024. Additionally, an FCM may require additional initial margin to be posted based on credit considerations, including but not limited to, if our credit rating downgrades. We had no requirement to post additional initial margin by our FCMs at September 30, 2024.

The following table presents details on the notional amounts, and cleared and bilateral derivative assets and liabilities on our **Condensed Statements of Condition**. The netting adjustment amount includes cash collateral (either received or paid by us) and related accrued interest in cases where we have a legal right, by contract (e.g., master netting agreement) or otherwise, to offset cash flow obligations between us and our counterparty into a single net payable or receivable.

As of	**September 30, 2024**			December 31, 2023		
	Notional Amount	**Derivative Assets**	**Derivative Liabilities**	Notional Amount	Derivative Assets	Derivative Liabilities
Derivatives in hedge accounting relationships-						
Interest rate contracts	**$ 109,808**	**$ 910**	**$ 1,428**	$ 127,433	$ 1,058	$ 2,064
Derivatives not in hedge accounting relationships-						
Interest rate contracts	**17,821**	**36**	**29**	7,223	23	20
Mortgage delivery commitments	**288**	**1**	**—**	183	1	—
Other	**127**	**—**	**—**	116	—	1
Derivatives not in hedge accounting relationships	**18,236**	**37**	**29**	7,522	24	21
Gross derivatives amount before netting adjustments and cash collateral	**$ 128,044**	**947**	**1,457**	$ 134,955	1,082	2,085
Netting adjustments and cash collateral		**(843)**	**(1,446)**		(1,000)	(2,065)
Derivatives on Condensed Statements of Condition		**$ 104**	**$ 11**		$ 82	$ 20
	Cash Collateral			**Cash Collateral**		
Cash collateral posted and related accrued interest	**$ 927**			$ 1,361		
Cash collateral received and related accrued interest	**324**			296		

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

The following table presents the noninterest income (loss) - derivatives and economic hedging activities as presented in the **Condensed Statements of Income**.

For the periods ending	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Economic hedges -				
Interest rate contracts	**$ (71)**	$ 13	**$ (51)**	$ 23
Mortgage delivery commitments	**3**	(4)	**(1)**	(3)
Other	**(3)**	3	**(1)**	4
Economic hedges	**(71)**	12	**(53)**	24
Variation margin on derivatives	**1**	(1)	**—**	(1)
Noninterest income (loss) - Derivatives and hedging activities	**$ (70)**	$ 11	**$ (53)**	$ 23

The following tables present details regarding the offsetting of our cleared and bilateral derivatives on our **Condensed Statements of Condition**. The netting adjustment amount includes cash collateral (either received or paid by us) and related accrued interest in cases where, as applicable, we have a legal right, by contract (e.g., master netting agreement) or otherwise, to offset cash flow obligations between us and our counterparty into a single net payable or receivable.

	Derivative Assets					
	As of September 30, 2024			As of December 31, 2023		
	Bilateral	**Cleared**	**Total**	Bilateral	Cleared	Total
Derivatives with legal right of offset -						
Gross recognized amount	**$ 766**	**$ 180**	**$ 946**	$ 993	$ 88	$ 1,081
Netting adjustments and cash collateral	**(755)**	**(88)**	**(843)**	(913)	(87)	(1,000)
Derivatives with legal right of offset - net	**11**	**92**	**103**	80	1	81
Derivatives without legal right of offset	**1**	**—**	**1**	1	—	1
Derivatives on Condensed Statements of Condition	**12**	**92**	**104**	81	1	82
Less:						
Noncash collateral received or pledged and can be sold or repledged	**—**	**—**	**—**	61	—	61
Net amount	**$ 12**	**$ 92**	**$ 104**	$ 20	$ 1	$ 21

	Derivative Liabilities					
	As of September 30, 2024			As of December 31, 2023		
	Bilateral	**Cleared**	**Total**	Bilateral	Cleared	Total
Derivatives with legal right of offset -						
Gross recognized amount	**$ 1,368**	**$ 89**	**$ 1,457**	$ 1,979	$ 106	$ 2,085
Netting adjustments and cash collateral	**(1,357)**	**(89)**	**(1,446)**	(1,978)	(87)	(2,065)
Derivatives with legal right of offset - net	**11**	**—**	**11**	1	19	20
Derivatives on Condensed Statements of Condition	**11**	**—**	**11**	1	19	20
Less:						
Noncash collateral received or pledged and can be sold or repledged	**—**	**—**	**—**	—	19	19
Noncash collateral received or pledged and cannot be sold or repledged	**3**	**—**	**3**	—	—	—
Net amount	**$ 8**	**$ —**	**$ 8**	$ 1	$ —	$ 1

At September 30, 2024 and December 31, 2023, we had $865 million and $837 million of additional credit exposure due to pledging of noncash collateral to our counterparties, which exceeded our net derivative position for combined cleared and bilateral derivatives. Separately, as of September 30, 2024, we posted an additional $57 million in noncash initial margin collateral and received an additional $19 million in noncash initial margin collateral related to our bilateral derivative transactions.

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Fair Value Hedges

The following table presents our fair value hedging results by the type of hedged item. We had no net gain or loss on hedged firm commitments that no longer qualified as a fair value hedge. Changes in the fair value of the derivative and the hedged item attributable to the hedged risk for designated fair value hedges are recorded in net interest income in the same line as the earnings effect of the hedged item. Gains (losses) on derivatives include unrealized changes in fair value, as well as net interest settlements. The line for Other relates to discontinued closed fair value hedges on MPF Loans held for portfolio that are being amortized over the remaining life of the loans. As of September 30, 2024 we did not have any active fair value hedges on our MPF Loans.

	Three months ended September 30, 2024			Three months ended September 30, 2023		
	Gain (Loss) on Derivative	**Gain (Loss) on Hedged Item**	**Amount Recorded in Net Interest Income**	Gain (Loss) on Derivative	Gain (Loss) on Hedged Item	Amount Recorded in Net Interest Income
Available-for-sale debt securities	**$ (762)**	**$ 918**	**$ 156**	$ 862	$ (721)	$ 141
Advances	**(516)**	**705**	**189**	375	$ (188)	187
Consolidated obligation bonds	**599**	**(943)**	**(344)**	(487)	$ 90	(397)
Other	**—**	**1**	**1**	—	—	—
Total	**$ (679)**	**$ 681**	**$ 2**	$ 750	$ (819)	$ (69)

	Nine months ended September 30, 2024			Nine months ended September 30, 2023		
	Gain (Loss) on Derivative	**Gain (Loss) on Hedged Item**	**Amount Recorded in Net Interest Income**	Gain (Loss) on Derivative	Gain (Loss) on Hedged Item	Amount Recorded in Net Interest Income
Available-for-sale debt securities	**$ 31**	**$ 408**	**$ 439**	$ 1,105	$ (749)	$ 356
Advances	**138**	**439**	**577**	678	(201)	477
Consolidated obligation bonds	**(172)**	**(908)**	**(1,080)**	(1,044)	(51)	(1,095)
Other	**—**	**2**	**2**	—	1	1
Total	**$ (3)**	**$ (59)**	**$ (62)**	$ 739	$ (1,000)	$ (261)

The following table presents the cumulative basis adjustments on hedged items designated as fair value hedges and the related amortized cost of the hedged items.

As of September 30, 2024	**Amortized cost of hedged asset/ liability**	**Basis adjustments active hedges included in amortized cost**	**Basis adjustments discontinued hedges included in amortized cost**	**Total amount of fair value hedging basis adjustments**
Available-for-sale securities	**$ 21,947**	**$ (1,114)**	**$ 161**	**$ (953)**
Advances	**35,313**	**(236)**	**—**	**(236)**
Consolidated obligation bonds	**51,429**	**(1,050)**	**(10)**	**(1,060)**
Other	**155**	**—**	**2**	**2**
As of December 31, 2023				
Available-for-sale securities	$ 19,962	$ (1,554)	$ 194	$ (1,360)
Advances	33,983	(675)	—	(675)
Consolidated obligation bonds	68,847	(1,956)	(11)	(1,967)
Other	179	—	3	3

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Cash Flow Hedges

For cash flow hedges, the entire change in the fair value of the hedging instrument is recorded in accumulated other comprehensive income (loss) (AOCI) and reclassified into earnings (net interest income) as the hedged item affects earnings. Hedge effectiveness testing is performed to determine whether the hedge qualifies for hedge accounting.

We are exposed to the variability in the net proceeds received from forecasted zero-coupon discount notes, and the variability of cash flows associated with periodic SOFR-indexed bond issuances, which is attributable to changes in the benchmark interest rate. As a result, we enter into cash flow hedge relationships utilizing derivative agreements to hedge these exposures. The maximum length of time over which we are hedging this exposure is 6 years. We reclassify amounts in AOCI into our **Condensed Statements of Income** in the same periods during which the hedged forecasted transaction affects our earnings. We had no discontinued cash flow hedges for the periods presented. There were no deferred net gains (losses) on derivative instruments in AOCI that are expected to be reclassified to earnings during the next twelve months as of September 30, 2024.

The following table presents our cash flow hedging results by type of hedged item. Additionally, the table indicates where cash flow hedging results are classified in our **Condensed Statements of Income**. In this regard, the **Amount Reclassified from AOCI into Net Interest Income** column below includes the following:

- The amortization of closed cash flow hedging adjustments, which are reclassified from AOCI into the interest income/expense line item of the respective hedged item type.
- The effect of net interest settlements attributable to open derivative hedging instruments, which are initially recorded in AOCI and are reclassified to the interest income/expense line item of the respective hedged item type.

	Three months ended September 30, 2024		Three months ended September 30, 2023	
	Gross Amount Initially Recognized in AOCI	**Amount Reclassified from AOCI into Net Interest Income**	Gross Amount Initially Recognized in AOCI	Amount Reclassified from AOCI into Net Interest Income
Discount notes	**$ (14)**	**$ 10**	$ 16	$ 11
Bonds	**(12)**	**2**	—	—
Total	**$ (26)**	**$ 12**	$ 16	$ 11

	Nine months ended September 30, 2024		Nine months ended September 30, 2023	
	Gross Amount Initially Recognized in AOCI	**Amount Reclassified from AOCI into Net Interest Income**	Gross Amount Initially Recognized in AOCI	Amount Reclassified from AOCI into Net Interest Income
Discount notes	**$ 9**	**$ 31**	$ 30	$ 31
Bonds	**(11)**	**3**	—	—
Total	**$ (2)**	**$ 34**	$ 30	$ 31

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Note 10 – Consolidated Obligations

The FHLBs issue consolidated obligations through the Office of Finance as their agent. Consolidated obligations consist of discount notes and consolidated obligation bonds. Consolidated obligation discount notes are issued to raise short-term funds, are issued at less than their face amount and redeemed at par value when they mature. The maturity of consolidated obligation bonds may range from less than one year to over 20 years, but they are not subject to any statutory or regulatory limits on maturity.

The following table presents our consolidated obligation discount notes for which we are the primary obligor. All are due in one year or less.

As of	September 30, 2024	December 31, 2023
Consolidated obligation discount notes - carrying amount	$ 35,756	$ 28,109
Consolidated obligation discount notes - principal amount	35,902	28,283
Weighted Average Interest Rate	5.01 %	5.23 %

The following table presents the remaining life of our consolidated obligation bonds by contractual maturity and the related weighted average interest rate, for which we are the primary obligor, including callable bonds that are redeemable in whole, or in part, at our discretion on predetermined call dates.

As of September 30, 2024	Contractual Maturity	Weighted Average Interest Rate	By Maturity or Next Call Date
Due in one year or less	$ 36,713	3.91 %	$ 67,546
One to two years	13,919	2.13 %	5,619
Two to three years	10,819	2.47 %	5,474
Three to four years	3,711	3.22 %	1,387
Four to five years	4,706	3.96 %	162
Thereafter	10,941	3.33 %	621
Total par value	$ 80,809	3.30 %	$ 80,809

The following table presents consolidated obligation bonds, for which we are the primary obligor, outstanding by call feature.

As of	September 30, 2024	December 31, 2023
Noncallable	$ 30,129	$ 19,068
Callable	50,680	63,307
Par value	80,809	82,375
Fair value hedging adjustments	(1,060)	(1,967)
Other adjustments	2	(19)
Consolidated obligation bonds	$ 79,751	$ 80,389

The following table summarizes the consolidated obligations of the FHLBs and those for which we are the primary obligor. We did not accrue a liability for our joint and several liability related to the other FHLBs' share of the consolidated obligations as of September 30, 2024, and December 31, 2023. See **Note 16 - Commitments and Contingencies** in our 2023 Form 10-K for further details.

Par value as of	September 30, 2024			December 31, 2023		
	Bonds	Discount Notes	Total	Bonds	Discount Notes	Total
FHLB System total consolidated obligations	$894,584	$278,216	$1,172,800	$914,431	$289,885	$1,204,316
FHLB Chicago as primary obligor	80,809	35,902	116,711	82,375	28,283	110,658
As a percent of the FHLB System	9 %	13 %	10 %	9 %	10 %	9 %

(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Note 11 – Capital and Mandatorily Redeemable Capital Stock (MRCS)

Under our Capital Plan our stock consists of two sub-classes of stock, Class B1 activity stock and Class B2 membership stock (together, Class B stock), both with a par value of $100 and redeemable on five years' written notice, subject to certain conditions. Under the Capital Plan, each member is required to own capital stock in an amount equal to the greater of a membership stock requirement or an activity stock requirement. All stock that supports a member's activity stock requirement with the Bank is classified as Class B1 activity stock. Any additional amount of stock necessary for the total amount of Class B stock held to equal a member's minimum investment amount will be classified as Class B2 membership stock. Members purchase Class B2 membership stock to satisfy their membership stock requirement with the Bank. Stock held in excess of a member's minimum investment requirement is classified as Class B2 excess capital stock. See **Note 12 – Capital and Mandatorily Redeemable Capital Stock (MRCS)** to the financial statements in our 2023 Form 10-K for further information on our capital stock and MRCS.

Minimum Capital Requirements

For details on our minimum capital requirements, including how the ratios below were calculated, see **Minimum Capital Requirements** in **Note 12 – Capital and Mandatorily Redeemable Capital Stock (MRCS)** to the financial statements in our 2023 Form 10-K. We complied with our minimum regulatory capital requirements as shown below.

As of	**September 30, 2024**		December 31, 2023	
	Requirement	**Actual**	Requirement	Actual
Total regulatory capital	**$ 5,033**	**$ 8,480**	$ 4,735	$ 8,339
Total regulatory capital ratio	**4.00 %**	**6.74 %**	4.00 %	7.04 %
Leverage capital	**$ 6,291**	**$ 12,719**	$ 5,919	$ 12,508
Leverage capital ratio	**5.00 %**	**10.11 %**	5.00 %	10.57 %
Risk-based capital	**$ 2,175**	**$ 8,480**	$ 2,199	$ 8,339

Total regulatory capital and leverage capital includes MRCS but does not include AOCI. Under the FHFA regulation on capital classifications and critical capital levels for the FHLBs, we are adequately capitalized.

Additionally, an FHFA Advisory Bulletin sets forth guidance for each FHLB to maintain a ratio of at least two percent of capital stock to total assets. In accordance with this guidance, the FHFA considers the proportion of capital stock to assets, measured on a daily average basis at month end, when assessing each FHLB's capital management practices.

Capital Concentration

The following member(s) (including any successor) had regulatory capital stock exceeding 10% of our total regulatory capital stock outstanding (which includes MRCS) as of September 30, 2024.

As of September 30, 2024	**Regulatory Capital Stock Outstanding**	**% of Total Outstanding**	**Amount of Which is Classified as a Liability (MRCS)**
The Northern Trust Company	**$ 343**	**10.6 %**	**$ —**

Repurchase of Excess Capital Stock

Members may request repurchases of excess stock on any business day. Additionally, on a monthly basis, the Bank repurchases excess capital stock held by each member or former member that exceeds certain limits set by the Bank. All repurchases of excess capital stock, including any future monthly repurchases, will continue until otherwise announced, but remain subject to our regulatory requirements, certain financial and capital thresholds, and prudent business practices.

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Dividends

Our ability to pay dividends is subject to the FHLB Act and FHFA regulations. On October 22, 2024 our Board of Directors declared a 9.25% dividend (annualized) for Class B1 activity stock and a 4.65% dividend (annualized) for Class B2 membership stock based on our preliminary financial results for the third quarter of 2024. This dividend totaled $73 million (recorded as $71 million dividends on capital stock and $2 million interest expense on mandatorily redeemable capital stock) and is scheduled for payment on November 15, 2024. Any future dividend payment remains subject to declaration by the Board and will depend on future operating results, our Retained Earnings and Dividend Policy and any other factors the Board determines to be relevant.

Note 12 – Accumulated Other Comprehensive Income (Loss)

The following table summarizes the gains (losses) in AOCI for the reporting periods indicated.

	Net Unrealized - Available-for-sale Debt Securities	Net Unrealized - Cash Flow Hedges	Post - Retirement Plans	Total in AOCI
Three months ended September 30, 2024				
Beginning balance	**$ 43**	**$ 74**	**$ 8**	**$ 125**
Other comprehensive income before reclassification - recorded to the Condensed Statements of Condition	**(36)**	**(26)**	**(1)**	**(63)**
Amounts reclassified in period to Condensed Statements of Income:				
Net interest income	**—**	**(12)**		**(12)**
Noninterest expense			**(1)**	**(1)**
Ending balance	**$ 7**	**$ 36**	**$ 6**	**$ 49**
Three months ended September 30, 2023				
Beginning balance	$ (159)	$ 96	$ 10	$ (53)
Other comprehensive income before reclassification - recorded to the Condensed Statements of Condition	(64)	16	—	(48)
Amounts reclassified in period to Condensed Statements of Income:				
Net interest income	—	(11)		(11)
Ending balance	$ (223)	$ 101	$ 10	$ (112)
Nine months ended September 30, 2024				
Beginning balance	**$ (198)**	**$ 72**	**$ 10**	**$ (116)**
Other comprehensive income before reclassification - recorded to the Condensed Statements of Condition	**205**	**(2)**	**(2)**	**201**
Amounts reclassified in period to Condensed Statements of Income:				
Net interest income	**—**	**(34)**		**(34)**
Noninterest expense			**(2)**	**(2)**
Ending balance	**$ 7**	**$ 36**	**$ 6**	**$ 49**
Nine months ended September 30, 2023				
Beginning balance	$ (179)	$ 102	$ (11)	$ (88)
Other comprehensive income before reclassification - recorded to the Condensed Statements of Condition	(44)	30	22	8
Amounts reclassified in period to Condensed Statements of Income:				
Net interest income	—	(31)		(31)
Noninterest expense			(1)	(1)
Ending balance	$ (223)	$ 101	$ 10	$ (112)

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Note 13 – Fair Value

The following table is a summary of the fair value estimates and related levels in the hierarchy. The carrying amounts are per the **Condensed Statements of Condition**. Fair value estimates represent the exit prices that we would receive to sell assets or pay to transfer liabilities in an orderly transaction with market participants at the measurement date. They do not represent an estimate of our overall market value as a going concern, as they do not take into account future business opportunities or profitability of assets and liabilities. We measure instrument-specific credit risk attributable to our consolidated obligations based on our nonperformance risk, which includes the credit risk associated with the joint and several liability of other FHLBs (see **Note 16 - Commitments and Contingencies** in our 2023 Form 10-K). As a result, we did not recognize any instrument-specific credit risk attributable to our consolidated obligations that are carried at fair value. See **Note 2 - Summary of Significant Accounting Policies** in our 2023 Form 10-K for our fair value policies and **Note 15 - Fair Value** in our 2023 Form 10-K for our valuation techniques and significant inputs. See **Note 9 - Derivatives and Hedging Activities** for more information on the Netting and Cash Collateral amounts. The net carrying amount in the below table is net of any allowance for credit losses.

	Net Carrying Amount	Fair Value	Level 1	Level 2	Level 3	Netting & Cash Collateral
September 30, 2024						
Carried at amortized cost						
Cash and due from banks and interest-bearing deposits	$ 2,593	$ 2,593	$ 2,593			
Federal funds sold and securities purchased under agreements to resell	20,511	20,511		$ 20,511		
Held-to-maturity debt securities	675	675		670	$ 5	
Advances	59,203	59,335		59,335		
MPF Loans held in portfolio, net	13,023	12,241		12,232	9	
Other assets	392	392		392		
Carried at fair value on a recurring basis						
Trading debt securities	3,516	3,516		3,516		
Available-for-sale debt securities	25,392	25,392		25,392		
Advances	133	133		133		
Derivative assets	104	104		947		$ (843)
Other assets	59	59		59		
Carried at fair value on a nonrecurring basis						
MPF Loans held in portfolio, net	10	10			10	
Financial assets	125,611	$ 124,961	$ 2,593	$ 123,187	$ 24	$ (843)
Other nonfinancial assets	212					
Assets	$ 125,823					
Carried at amortized cost						
Deposits	$ (958)	$ (958)		$ (958)		
Consolidated obligation discount notes	(35,756)	(35,761)		(35,761)		
Consolidated obligation bonds	(70,356)	(69,387)		(69,387)		
Mandatorily redeemable capital stock	(83)	(83)	$ (83)			
Other liabilities	(455)	(455)		(455)		
Carried at fair value on a recurring basis						
Consolidated obligation bonds	(9,395)	(9,395)		(9,395)		
Derivative liabilities	(11)	(11)		(1,457)		$ 1,446
Financial liabilities	(117,014)	$ (116,050)	$ (83)	$ (117,413)	$ —	$ 1,446
Other nonfinancial liabilities	(363)					
Liabilities	$ (117,377)					

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

	Net Carrying Amount	Fair Value	Level 1	Level 2	Level 3	Netting & Cash Collateral
December 31, 2023						
Carried at amortized cost						
Cash and due from banks and interest-bearing deposits	$ 2,604	$ 2,604	$ 2,604			
Federal funds sold and securities purchased under agreements to resell	11,868	11,868		$ 11,868		
Held-to-maturity debt securities	1,552	1,547		1,541	$ 6	
Advances	65,171	65,208		65,208		
MPF Loans held in portfolio, net	11,405	10,427		10,422	5	
Other assets	426	426		426		
Carried at fair value on a recurring basis						
Trading debt securities	1,769	1,769		1,769		
Available-for-sale debt securities	23,084	23,084		23,084		
Advances	135	135		135		
Derivative assets	82	82		1,082		$ (1,000)
Other assets	68	68		68		
Carried at fair value on a nonrecurring basis						
MPF Loans held in portfolio, net	5	5			5	
Financial assets	118,169	$ 117,223	$ 2,604	$ 115,603	$ 16	$ (1,000)
Other nonfinancial assets	215					
Assets	$ 118,384					
Carried at amortized cost						
Deposits	$ (628)	$ (628)		$ (628)		
Consolidated obligation discount notes	(24,518)	(24,507)		(24,507)		
Consolidated obligation bonds	(79,282)	(77,953)		(77,953)		
Mandatorily redeemable capital stock	(83)	(83)	$ (83)			
Other liabilities	(591)	(591)		(591)		
Carried at fair value on a recurring basis						
Consolidated obligation discount notes	(3,591)	(3,591)		(3,591)		
Consolidated obligation bonds	(1,107)	(1,107)		(1,107)		
Derivative liabilities	(20)	(20)		(2,085)		$ 2,065
Financial liabilities	(109,820)	$ (108,480)	$ (83)	$ (110,462)	$ —	$ 2,065
Other nonfinancial liabilities	(424)					
Liabilities	$ (110,244)					

We had no transfers between levels for the periods shown.

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Fair Value Option

We may elect the fair value option for financial instruments, such as advances, MPF Loans held for sale, and consolidated obligation discount notes and bonds, in cases where hedge accounting treatment may not be achieved due to the inability to meet the hedge effectiveness testing criteria, or in certain cases where we wish to mitigate the risk associated with selecting the fair value option for other instruments. Financial instruments for which we elected the fair value option along with their related fair value are shown on our **Condensed Statements of Condition**. Refer to **Note 2 – Summary of Significant Accounting Policies** to the financial statements in our 2023 Form 10-K for further details.

The following table presents the gains (losses) in fair values of financial assets and liabilities carried at fair value under the fair value option, which are recognized in noninterest income - instruments held under the fair value option in our **Condensed Statements of Income.**

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Advances	**$ 4**	$ (2)	**$ 3**	$ 5
Discount notes	**—**	(3)	**(2)**	4
Bonds	**8**	(7)	**7**	(17)
Other	**2**	—	**—**	—
Noninterest income (loss) - Instruments held under the fair value option	**$ 14**	$ (12)	**$ 8**	$ (8)

The following table reflects the difference between the aggregate unpaid principal balance (UPB) outstanding and the aggregate fair value for our long term financial instruments for which the fair value option has been elected. None of the advances were 90 days or more past due and none were on nonaccrual status.

As of	**September 30, 2024**		December 31, 2023	
	Advances	**Consolidated Obligation Bonds**	Advances	Consolidated Obligation Bonds
Unpaid principal balance	**$ 140**	**$ 9,375**	$ 145	$ 1,106
Fair value over (under) UPB	**(7)**	**20**	(10)	1
Fair value	**$ 133**	**$ 9,395**	$ 135	$ 1,107

Notes to Condensed Financial Statements - (Unaudited)
(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Note 14 – Commitments and Contingencies

The following table shows our commitments outstanding, which represent off-balance sheet obligations.

As of	**September 30, 2024**			December 31, 2023		
	Expire within one year	**Expire after one year**	**Total**	Expire within one year	Expire after one year	Total
Member standby letters of credit	**$ 6,553**	**$ 8,996** [a]	**$ 15,549**	$ 5,274	$ 7,327 [a]	$ 12,601
MPF delivery commitments	**229**	**—**	**229**	155	—	155
Advance commitments	**111**	**—**	**111**	1	5	6
Housing authority standby bond purchase agreements	**97**	**431**	**528**	91	439	530
Unsettled consolidated obligation bonds	**2,051**	**—**	**2,051**	10	—	10
Other	**—**	**—**	**—**	1	—	1
Commitments	**$ 9,041**	**$ 9,427**	**$ 18,468**	$ 5,532	$ 7,771	$ 13,303

[a] Contains $8.1 billion and $6.4 billion of member standby letters of credit as of September 30, 2024, and December 31, 2023, which were renewable annually.

For a description of the commitments in the table above see **Note 16 - Commitments and Contingencies** to the financial statements in our 2023 Form 10-K.

(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Note 15 – Transactions with Related Parties and Other FHLBs

We define related parties as either members whose officers or directors serve on our Board of Directors, or members that control more than 10% of our total voting interests. We did not have any members that controlled more than 10% of our total voting interests for the periods presented in these condensed financial statements.

In the normal course of business, we may extend credit to or enter into other transactions with a related party. These transactions are done at market terms that are no more favorable than the terms of comparable transactions with other members who are not considered related parties.

Members

The following table summarizes material balances we had with our members who are related parties as defined above (including their affiliates) as of the dates presented. The related net income impacts to our **Condensed Statements of Income** were not material.

As of	**September 30, 2024**	December 31, 2023
Assets - Advances	**$ 502**	$ 595
Liabilities - Deposits	**8**	5
Equity - Capital Stock	**29**	28

Other FHLBs

From time to time, we may loan to, or borrow from, other FHLBs. These transactions are done at market terms that are no more favorable than the terms of comparable transactions with other counterparties. These transactions are overnight, maturing the following business day.

We have also, from time to time, assumed the outstanding consolidated obligations of another FHLB rather than issue new consolidated obligations. In connection with these transactions, the Bank becomes the primary obligor for the transferred debt. During the three and nine months ended September 30, 2024, the Bank did not assume any debt from other FHLBs. During the three months ended September 30, 2023, the Bank did not assume any debt from other FHLBs. During the nine months ended September 30, 2023, the Bank assumed consolidated obligation discount notes with a par value of $4.32 billion from the FHLB of Atlanta with a corresponding transfer of funds to the Bank from the FHLB of Atlanta.

In addition, we provide programmatic and operational support in our role as the administrator of the MPF Program on behalf of the other MPF Banks for which we receive a membership and volume-based administration fee.

Material transactions with other FHLBs are identified on the face of our condensed financial statements.

(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Below are selected financial data for the last five quarters.

	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023
Other selected data at period end					
Member standby letters of credit outstanding	**$ 15,549**	$ 16,029	$ 12,796	$ 12,601	$ 13,431
MPF Loans par value outstanding - FHLB System [a]	**71,308**	69,955	68,532	68,300	67,583
MPF Loans par value outstanding - FHLB Chicago PFIs [a]	**20,076**	19,553	19,019	19,060	18,853
Number of members	**653**	653	655	654	652
Total employees (full and part time)	**481**	482	479	486	498
Other selected MPF data [a]					
MPF Loans par value amounts funded - FHLB System	**$ 3,142**	$ 3,055	$ 1,977	$ 2,220	$ 2,954
Quarterly number of PFIs funding MPF products - FHLB System	**608**	583	553	549	577
MPF Loans par value amounts funded - FHLB Chicago PFIs	**$ 1,042**	$ 999	$ 588	$ 644	$ 865
Quarterly number of PFIs funding MPF products - FHLB Chicago	**170**	159	154	156	168
Selected ratios (rates annualized)					
Total regulatory capital to assets ratio	**6.74 %**	6.89 %	6.60 %	7.04 %	6.32 %
Market value of equity to book value of equity	**104 %**	101 %	103 %	105 %	102 %
Primary mission asset ratio [b]	**71.6 %**	71.9 %	71.6 %	72.8 %	72.7 %
Dividend rate class B1 activity stock-period paid	**9.25 %**	9.00 %	8.75 %	8.25 %	8.00 %
Dividend rate class B2 membership stock-period paid	**5.13 %**	5.13 %	5.13 %	5.13 %	5.00 %
Return on average assets	**0.40 %**	0.49 %	0.56 %	0.49 %	0.51 %
Return on average equity	**6.12 %**	7.37 %	8.64 %	7.94 %	8.71 %
Average equity to average assets	**6.54 %**	6.65 %	6.48 %	6.17 %	5.86 %
Net yield on average interest-earning assets	**0.75 %**	0.75 %	0.77 %	0.75 %	0.76 %
Cash dividends	**$ 71**	$ 70	$ 76	$ 72	$ 70
Dividend payout ratio	**54.62 %**	44.30 %	41.76 %	43.11 %	38.25 %

[a] Includes all MPF products, whether on or off our balance sheet. See **Mortgage Partnership Finance Program** beginning on page 8 in our 2023 Form 10-K for details on our various MPF products.

[b] Annual average year to date basis. The FHFA issued an advisory bulletin that provides guidance relating to a primary mission asset ratio by which the FHFA will assess each FHLB's core mission achievement. See **Mission Asset Ratio** on page 5 in our 2023 Form 10-K for more information.

(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Forward-Looking Information

Statements contained in this report, including statements describing the plans, objectives, projections, estimates, strategies, or future predictions or commitments of the Bank, statements of belief, any projections or guidance on dividends or other financial items, or any statements of assumptions underlying the foregoing, may be "forward-looking statements." These statements may use forward-looking terminology, such as "anticipates," "believes," "expects," "could," "plans," "estimates," "may," "should," "will," their negatives, or other variations of these terms. We caution that, by their nature, forward-looking statements involve risks and uncertainties related to our operations and business and regulatory environment, all of which are difficult to predict and many of which are beyond our control. These risks and uncertainties could cause actual results to differ materially from those expressed or implied in these forward-looking statements and could affect the extent to which a particular objective, projection, estimate, or prediction is realized. As a result, undue reliance should not be placed on such statements.

These forward-looking statements involve risks and uncertainties including, but not limited to, the following:

- political events, including legislative, regulatory, judicial, or other developments that affect us, our members, our counterparties and/or investors in consolidated obligations, including, among other things, changes in perception, guidance, regulation, and/or legislation relating to the FHFA's Review and Analysis of the Federal Home Loan Bank System "FHLBank System at 100: Focusing on the Future" report, housing finance, the FHLBs, or GSE reform; changes in the Presidential Administration and the Congress; changes in our regulator or changes affecting our regulator and changes in the FHLB Act or applicable regulations or changes in their application; and the potential designation of us as a nonbank financial company for supervision by the Federal Reserve;

- general economic and market conditions, including the timing and volume of market activity, recession, prolonged inflation, unemployment rates, housing prices, the condition of the mortgage and housing markets, increased delinquencies and/or loss rates on mortgages, prolonged or delayed foreclosure processes, and the effects on, among other things, mortgage-backed securities; disruptions in the credit and debt markets and the effect on our members, future funding costs, sources, and availability of funds; volatility resulting from the effects of, and changes in, various monetary or fiscal policies and regulations or programs, such as those determined by the Federal Reserve Board and Federal Deposit Insurance Corporation; impacts from various measures to stimulate the economy and help borrowers refinance home mortgages; the impact of the occurrence of a major natural or other disaster, a pandemic or other disruptive event; the impact of climate change; the impact of geopolitical uncertainties or conflicts;

- the loss of or changes in business activities with significant members; changes in the demand by our members for advances, the impact of pricing increases, and the availability of other sources of funding for our members, such as deposits;

- regulatory limits on our investments;

- the impact of new business strategies; our ability to successfully maintain our balance sheet and cost infrastructure at an appropriate composition and size scaled to member demand; our ability to execute our business model, implement business process improvements and scale our size to our members' borrowing needs; the extent to which our members use our advances as part of their core financing rather than just as a back-up source of liquidity; and our ability to implement product enhancements and new products and generate enough volume in new products to cover our costs related to developing such products;

- the extent to which changes in our current capital stock requirements and/or our ability to continue to offer the Reduced Capitalization Advance Program (RCAP) for certain future advance borrowings, our ability to continue to pay enhanced dividends on our activity stock, our ability to maintain current levels of dividends, our ability to meet dividend guidance, and any amendments to our capital plan, impact Bank product usage and activity with members;

- our ability to meet required conditions to repurchase and redeem capital stock from our members (including maintaining compliance with our minimum regulatory capital requirements and determining that our financial condition is sound enough to support such repurchases), the amount and timing of such repurchases or redemptions, any changes in our repurchase processes, and our ability to maintain compliance with regulatory and statutory requirements relating to our dividend payments;

- volatility of market prices, rates, and indices, or other factors, such as natural disasters, that could affect the value of our investments or collateral; changes in the value or liquidity of collateral securing advances to our members;

- changes in the value of and risks associated with our investments in mortgage loans, mortgage backed securities and the related credit enhancement protections;
- changes in our ability or intent to hold mortgage backed securities to maturity;
- changes in mortgage interest rates and prepayment speeds on mortgage assets;
- membership changes, including the loss of members through mergers and consolidations or as a consequence of regulatory requirements or otherwise; changes in the financial health of our members, including the resolution of some members; risks related to expanding our membership to include more institutions with regulators and resolution processes with which we have less experience;
- increased reliance on short-term funding and changes in investor demand and capacity for consolidated obligations and/or the terms of interest rate derivatives and similar agreements, including changes in the relative attractiveness of consolidated obligations as compared to other investment opportunities; changes in our cost of funds due to concerns over U.S. fiscal policy, and any related rating agency actions impacting FHLB consolidated obligations;
- regulatory changes to FHLB membership requirements, capital requirements, MPF Program requirements, and liquidity requirements by the FHFA, and increased guidance from the FHFA impacting our balance sheet management, product structures, and collateral practices;
- the ability of each of the other FHLBs to repay the principal and interest on consolidated obligations for which it is the primary obligor and with respect to which we have joint and several liability;
- the pace of technological change and our ability to develop and support technology and information systems, including our ability to protect the security of our information systems and manage any failures, interruptions or breaches in our information systems or technology services provided to us through third party vendors;
- our ability to recruit and retain qualified personnel;
- the impact of new material accounting standards and the application of accounting rules, including the impact of regulatory guidance on our application of such standards and rules;
- the volatility of reported results due to changes in the fair value of certain assets and liabilities;
- our ability to identify, manage, mitigate, and/or remedy internal control weaknesses and other operational risks; and
- the reliability of our projections, assumptions, and models on our future financial performance and condition, including dividend projections.

For a more detailed discussion of the risk factors applicable to us, see **Risk Factors** starting on page 21 in our 2023 Form 10-K.

These forward-looking statements are representative only as of the date they are made, and we undertake no obligation to update any forward-looking statement as a result of new information, future events, changed circumstances, or any other reason.

FHLBank Chicago

Federal Home Loan Bank of Chicago

(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Executive Summary

Third Quarter 2024 Financial Highlights

- Advances outstanding decreased to $59.3 billion at September 30, 2024, compared to $65.3 billion at December 31, 2023, primarily attributable to depository members experiencing lower funding needs on their balance sheets along with reduced loan demand which resulted in paydowns.
- MPF Loans held in portfolio increased to $13.0 billion at September 30, 2024, compared to $11.4 billion at December 31, 2023, primarily attributable to new acquisition volume that outpaced paydown activity.
- Total investment securities increased to $29.6 billion at September 30, 2024, compared to $26.4 billion at December 31, 2023, primarily attributable to an increase in investment in GSE mortgage-backed securities and U.S. Treasuries.
- Total liquid assets increased to $23.1 billion at September 30, 2024, compared to $14.5 billion at December 31, 2023. We intend to maintain a sufficient pool of liquidity to support anticipated member demand for advances and letters of credit.
- Total assets increased to $125.8 billion as of September 30, 2024, compared to $118.4 billion as of December 31, 2023, with the change primarily attributable to an increase in our liquidity portfolio.
- Letters of credit commitments increased to $15.5 billion at September 30, 2024, compared to $12.6 billion at December 31, 2023, attributable to increased usage from our members for public unit deposits.
- We recorded net income of $130 million in the third quarter of 2024, down $53 million compared to the third quarter of 2023. The decrease was driven by decreased advance balances in 2024 and an increase in noninterest expense which was primarily driven by increased contributions to housing and community development initiatives.
- In the third quarter of 2024, noninterest income (loss) was $20 million, an increase of $9 million when compared to a $11 million gain for the third quarter of 2023. Gains from trading securities and instruments held under the fair value option were the primary driver of this increase.
- In the third quarter of 2024, noninterest expense was $114 million, an increase of $36 million compared to the third quarter of 2023. The increase was primarily driven by increased contributions of $49 million to housing and community development initiatives, compared to $17 million for the third quarter of 2023.
- As of September 30, 2024, we remained in compliance with all of our regulatory capital requirements.

Summary and Outlook

Third Quarter 2024 Dividends and Dividend Guidance

On October 22, 2024, the Board of Directors declared a dividend of 9.25% (annualized) for Class B1 activity stock and a dividend of 4.65% (annualized) for Class B2 membership stock based on preliminary financial results for the third quarter of 2024. The dividend for the third quarter of 2024 will be paid by crediting members' accounts on November 15, 2024. The Bank pays a higher dividend per share on activity stock compared to membership stock to recognize members' support of the cooperative through the use of our products. We expect to maintain at least a 9.25% (annualized) dividend for Class B1 activity stock for the fourth quarter of 2024 and at least an 8.50% (annualized) dividend for Class B1 activity stock for the first quarter of 2025, based on current projections and assumptions regarding our financial condition. We are providing this information to assist members in planning their activity with us. Any future dividend payment remains subject to determination and declaration by our Board of Directors and may be impacted by further changes in financial or economic conditions, regulatory and statutory limitations, and any other relevant factors.

Delivering on Our Commitment to Housing and Community Development

The Bank has disbursed more than $30 million through its Downpayment Plus® (DPP®) Program through the third quarter of 2024 to provide downpayment and closing cost assistance to over 3,000 homebuyers in partnership with 202 member financial institutions. The DPP Program will remain open through year-end. In October, the Bank announced that it awarded over $47 million in grants through its 2024 Affordable Housing Program (AHP) General Fund to support affordable housing projects and developments.

Additionally, the Bank offers Community Development, Housing and Small Business Advances at below market rates to help members fund affordable housing and economic development needs in their communities. Over $1.4 billion was funded in these advances through the third quarter of 2024 to support over 7,500 housing units and more than 7,000 jobs.

New in 2024, the Bank established the Community Impact Advance Pilot Program to provide $50 million in subsidies to discount the rate on advances up to 200 basis points. Over $250 million was funded in Community Impact Advances through the third quarter of 2024.

In the third quarter of 2024, the Bank also announced initiatives to facilitate more equitable housing lending and sustainable homeownership, including:

- The Low-Income Housing Tax Credit (LIHTC) Collateral Pilot Program which provides members with increased lendable value on their pledged collateral for up to a program total of $300 million of qualifying mortgage loans on LIHTC multi-family housing projects through August 2027.
- The acceptance of mortgage collateral using Vantagescore 4.0 to promote mortgage lending to creditworthy homebuyers who have historically been left out of conventional credit models.
- New MPF Conventional Housing Impact Pricing Grids to help support low and very low-income households through improved pricing for loans to borrowers with income at or below 80% of area median income (AMI).
- Increased funding for its Community First Housing Counseling Resource Program to $3.5 million in 2024, partnering with the Illinois Housing Development Authority (IHDA) and the Wisconsin Housing and Economic Development Authority (WHEDA). The program supports housing counseling agencies in expanding their services to minority and low- and moderate-income homebuyers, and by extension, expanding the pipeline of purchase-ready homebuyers for members.

Critical Accounting Estimates

For a detailed description of our **Critical Accounting Estimates** see page 40 in our 2023 Form 10-K.

There have been no significant changes to our critical accounting estimates subsequent to December 31, 2023.

Results of Operations

Net Interest Income

Net interest income is the difference between the amount we recognize into interest income on our interest-earning assets and the amount we recognize into interest expense on our interest-bearing liabilities. These amounts were determined in accordance with GAAP and were based on the underlying contractual interest rate terms of our interest-earning assets and interest-bearing liabilities as well as the following items:

- Amortization of premiums;
- Accretion of discounts;
- Hedge ineffectiveness, which represents the difference between changes in the fair value of the derivative and the hedged item attributable to the hedged risk, is recognized into either interest income or interest expense, whichever is appropriate. For cash flow hedges, recognition occurs only when amounts are reclassified out of accumulated other comprehensive income (loss). Such recognition occurs when earnings are affected by the hedged item;
- Net interest paid or received on interest rate swaps that are accounted for as fair value or cash flow hedges;
- Amortization of fair value and cash flow closed hedge adjustments;
- Advance and investment prepayment fees; and
- MPF credit enhancement income payments.

The following table presents the increase or decrease in interest income and expense due to volume or rate variances. The calculation of these components includes the following considerations:

- *Average Balance:* Average balances are calculated using daily balances. Amortized cost is used to compute the average balances for most of our financial instruments, including MPF Loans held in portfolio (including those that are on nonaccrual status) and available-for-sale debt securities. Fair value is used to compute average balances for our trading debt securities and financial instruments carried at fair value under the fair value option.
- *Total Interest:* Total interest includes the net interest income components, as discussed above, applicable to our interest-earning assets and interest-bearing liabilities.
- *Yield/Rate:* Effective yields/rates are based on total interest and average balances as defined above. Yields/rates are calculated on an annualized basis. The calculation of the yield on our available-for-sale securities does not give effect to changes in fair value that are reflected as a component of AOCI.
- The change in volume is calculated as the change in average balance multiplied by the current year yield. The change in rate is calculated as the change in yield multiplied by the prior year average balance. Any changes due to the combined volume/rate variance have been allocated to volume.

FHLBank Chicago

Federal Home Loan Bank of Chicago

(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Increase or decrease in interest income and expense due to volume or rate variance

	September 30, 2024			September 30, 2023			Increase (decrease) due to		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Volume	Rate	Net Change
For the three months ended									
Investment debt securities	$ 29,762	$ 453	6.09 %	$ 25,747	$ 403	6.26 %	$ 63	$ (13)	$ 50
Advances	69,293	982	5.67 %	84,199	1,190	5.65 %	(211)	3	(208)
MPF Loans held in portfolio	12,751	127	3.98 %	10,824	91	3.36 %	16	20	36
Federal funds sold	5,866	79	5.39 %	9,805	131	5.34 %	(53)	1	(52)
Securities purchased under agreements to resell	7,480	101	5.40 %	6,527	88	5.39 %	13	—	13
Interest-bearing deposits	3,588	49	5.46 %	4,196	58	5.53 %	(8)	(1)	(9)
Other interest-earning assets	65	1	6.15 %	70	1	5.71 %	—	—	—
Interest-earning assets	128,805	1,792	5.57 %	141,368	1,962	5.55 %	(180)	10	(170)
Noninterest-earning assets	1,631			1,861					
Total assets	$ 130,436			$143,229					
Consolidated obligation discount notes	43,885	579	5.28 %	46,717	609	5.21 %	(38)	8	(30)
Consolidated obligation bonds	74,124	958	5.17 %	82,952	1,062	5.12 %	(113)	9	(104)
Deposits and other interest-bearing liabilities	1,118	15	5.37 %	1,477	21	5.69 %	(5)	(1)	(6)
Interest-bearing liabilities	119,127	1,552	5.21 %	131,146	1,692	5.16 %	(156)	16	(140)
Noninterest-bearing liabilities	2,779			3,687					
Total liabilities	$ 121,906			$134,833					
Net yield on interest earning assets	$ 128,805	$ 240	0.75 %	$141,368	$ 270	0.76 %	$ (27)	$ (3)	$ (30)
For the nine months ended									
Investment debt securities	$ 27,417	$ 1,265	6.15 %	$ 24,116	$ 1,064	5.88 %	$ 145	$ 56	$ 201
Advances	70,336	2,998	5.68 %	83,790	3,278	5.22 %	(523)	243	(280)
MPF Loans held in portfolio	12,130	349	3.84 %	10,433	253	3.23 %	41	55	96
Federal funds sold	6,131	247	5.37 %	10,793	400	4.94 %	(173)	20	(153)
Securities purchased under agreements to resell	7,641	308	5.37 %	6,556	244	4.96 %	41	23	64
Interest-bearing deposits	3,741	155	5.52 %	4,294	165	5.12 %	(21)	11	(10)
Other interest-earning assets	76	3	5.26 %	90	3	4.44 %	—	—	—
Interest-earning assets	127,472	5,325	5.57 %	140,072	5,407	5.15 %	(490)	408	(82)
Noninterest-earning assets	1,754			1,661					
Total assets	$ 129,226			$141,733					
Consolidated obligation discount notes	40,912	1,611	5.25 %	52,707	1,898	4.80 %	(425)	138	(287)
Consolidated obligation bonds	75,757	2,945	5.18 %	75,995	2,742	4.81 %	(7)	210	203
Deposits and other interest-bearing liabilities	1,064	46	5.76 %	1,331	55	5.51 %	(11)	2	(9)
Interest-bearing liabilities	117,733	4,602	5.21 %	130,033	4,695	4.81 %	(443)	350	(93)
Noninterest-bearing liabilities	2,988			3,547					
Total liabilities	$ 120,721			$133,580					
Net yield on interest-earning assets	$ 127,472	$ 723	0.76 %	$140,072	$ 712	0.68 %	$ (65)	$ 76	$ 11

(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

The following analysis and comparisons apply to the periods presented in the above table unless otherwise indicated.

- Interest income from investment debt securities increased primarily due to increased volume.
- Interest income from advances decreased primarily due to a decline in volume due to depository members experiencing lower funding needs on their balance sheets along with reduced loan demand which resulted in paydowns. To a lesser extent, advances maturing in 2023 with a former captive insurance company member also contributed to this decrease in interest income.
- Interest income from MPF Loans held in portfolio increased primarily due to the higher mortgage rate environment increasing the yield earned on new loan originations in 2024 compared to 2023. Secondarily, new acquisition volume that outpaced paydown activity also contributed to this increase in interest income.
- Interest income from overnight federal funds sold and interest-bearing deposits decreased primarily due to a decline in volume.
- Interest income from securities purchased under agreements to resell increased primarily due to increased volume.
- Interest expense on our consolidated obligation discount notes decreased primarily due to a decline in volume.
- Interest expense on our consolidated obligation bonds for the three months ended September 30, 2024 decreased primarily due to a decline in volume in 2024 compared to 2023. In contrast, interest expense on our consolidated obligation bonds for the nine months ended September 30, 2024 increased primarily due to higher overall market interest rates and the maturity of low coupon-rate bonds in 2024 compared to 2023.
- For details of the effect our fair value and cash flow hedge activities had on our net interest income see the **Total Net Effect Gain (Loss) of Hedging Activities** table on page 42.

Noninterest Income

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Trading securities	**$ 64**	$ 4	**$ 69**	$ (4)
Derivatives and hedging activities	**(70)**	11	**(53)**	23
Instruments held under the fair value option	**14**	(12)	**8**	(8)
MPF fees, $7, $7, $21 and $19 from other FHLBs	**9**	9	**27**	25
Other, net	**3**	(1)	**10**	5
Noninterest income (loss)	**$ 20**	$ 11	**$ 61**	$ 41

The following analysis and comparisons apply to the periods presented in the above table.

Trading Securities, Derivatives and Hedging Activities, and Instruments Held Under the Fair Value Option

Gains from trading securities and instruments held under the fair value option were the primary driver of the increase in noninterest income.

(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

The following table details the effect of hedging transactions recorded in the various line items in our **Condensed Statements of Income**. Hedge ineffectiveness on hedges qualifying for hedge accounting are recorded in net interest income rather than recorded in derivatives, as noted in the table below.

Total Net Effect Gain (Loss) of Hedging Activities

	Advances	Investments	MPF Loans	Discount Notes	Bonds	Other	Total
Three months ended September 30, 2024							
Recorded in net interest income	**$ 189**	**$ 156**	**$ 1**	**$ 9**	**$ (342)**	**$ 1**	**$ 14**
Recorded in derivatives and hedging activities	**(4)**	**(51)**	**(4)**	**—**	**(12)**	**1**	**(70)**
Recorded in trading securities	**—**	**63**	**—**	**—**	**—**	**—**	**63**
Recorded on instruments held under the fair value option	**4**	**—**	**2**	**—**	**8**	**—**	**14**
Total net effect gain (loss) of hedging activities	**$ 189**	**$ 168**	**$ (1)**	**$ 9**	**$ (346)**	**$ 2**	**$ 21**
Three months ended September 30, 2023							
Recorded in net interest income	$ 187	$ 140	$ —	$ 10	$ (396)	$ —	$ (59)
Recorded in derivatives and hedging activities	4	5	4	—	(1)	(1)	11
Recorded in trading securities	—	4	—	—	—	—	4
Recorded on instruments held under the fair value option	(2)	—	—	(3)	(7)	—	(12)
Total net effect gain (loss) of hedging activities	$ 189	$ 149	$ 4	$ 7	$ (404)	$ (1)	$ (56)
Nine months ended September 30, 2024							
Recorded in net interest income	**$ 577**	**$ 439**	**$ 2**	**$ 28**	**$ (1,077)**	**$ —**	**$ (31)**
Recorded in derivatives and hedging activities	**1**	**(41)**	**—**	**—**	**(12)**	**(1)**	**(53)**
Recorded in trading securities	**—**	**69**	**—**	**—**	**—**	**—**	**69**
Recorded on instruments held under the fair value option	**3**	**—**	**—**	**(2)**	**7**	**—**	**8**
Total net effect gain (loss) of hedging activities	**$ 581**	**$ 467**	**$ 2**	**$ 26**	**$ (1,082)**	**$ (1)**	**$ (7)**
Nine months ended September 30, 2023							
Recorded in net interest income	$ 477	$ 356	$ 1	$ 27	$ (1,095)	$ —	$ (234)
Recorded in derivatives and hedging activities	6	15	10	(4)	(3)	(1)	23
Recorded in trading securities	—	(4)	—	—	—	—	(4)
Recorded on instruments held under the fair value option	5	—	—	4	(17)	—	(8)
Total net effect gain (loss) of hedging activities	$ 488	$ 367	$ 11	$ 27	$ (1,115)	$ (1)	$ (223)

MPF fees (including from other FHLBs)

A majority of MPF fees are from other FHLBs that pay us a fixed membership fee to participate in the MPF Program and a volume-based administration fee for us to provide services related to MPF Loans carried on their balance sheets. MPF fees also include income from other third party off-balance sheet MPF Loan products and other related administration fees. These administration and membership fees are designed to compensate us for the expenses we incur to administer the program. MPF fees for the three months ended September 30, 2024 were comparable to the comparable prior period in 2023. MPF fees for the nine months ended September 30, 2024 increased compared to the comparable prior period in 2023, primarily driven by an increase in volume in MPF Loans held in portfolio.

Other, net

Other, net includes fee income we earn from member standby letters of credit products.

(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Noninterest Expense

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Compensation and benefits	**$ 32**	$ 35	**$ 96**	$ 98
Nonpayroll operating expenses	**27**	22	**77**	72
Voluntary Community Investment contributions	**49**	17	**69**	17
Federal Housing Finance Agency and Office of Finance	**5**	5	**14**	14
Other, net	**1**	(1)	**3**	3
Noninterest expense	**$ 114**	$ 78	**$ 259**	$ 204

The following analysis and comparisons apply to the periods presented in the above table.

Compensation and benefits for the three and nine months ended September 30, 2024 decreased primarily due to decreased employee headcount and decreases in severance and pension-related expenses. We had 481 employees as of September 30, 2024, compared to 498 employees as of September 30, 2023.

Nonpayroll operating expenses for the three and nine months ended September 30, 2024 increased as we continued our planned investment in information technology, specifically applications, infrastructure and resiliency.

Voluntary Community Investment contributions for the three and nine months ended September 30, 2024 increased primarily due to subsidies on advances we offer at below market rates to support the local economy and community revitalization efforts in members' communities.

As required by statute, we allocate 10% of income before assessments to fund affordable housing grants through the AHP General Fund and the DPP Programs (see **Note 11 - Affordable Housing Program** to the financial statements in our 2023 Form 10-K for further details.) Recognizing that additional funds would be beneficial in meeting community needs in affordable housing, as well as business and community development, the Bank plans to continue to commit at least 5% of prior year income before assessments to discretionary funds for this purpose. As of the end of the third quarter of 2024, we have expensed 9% of prior year income before assessments to discretionary funds to support our communities. For more information on some of these voluntary contributions, see **Executive Summary** on page 37.

Federal Housing Finance Agency and Office of Finance expenses consist of our share of the funding for the FHFA, our regulator, and the Office of Finance, which manages the consolidated obligation debt issuances of the FHLBs.

As noted in **Noninterest Income** on page 41, we earn MPF fees from the MPF Program, a majority of which are from other FHLBs, but also include income from other third party investors. These fees are designed to compensate us for the expenses we incur to administer the program. Our expenses relating to the MPF fees earned are included in the relevant line items in the noninterest expense table shown above. The following table summarizes MPF related fees and expenses.

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
MPF fees earned	**$ 9**	$ 9	**$ 27**	$ 25
Expenses related to MPF fees earned	**8**	9	**25**	26

Assessments

We record the AHP assessment expense at a rate of 10% of income before assessments, excluding interest expense on MRCS. See **Note 11 - Affordable Housing Program** to the financial statements in our 2023 Form 10-K for further details.

(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Other Comprehensive Income (Loss)

	Three months ended September 30,		Nine months ended September 30,		**Balance remaining in AOCI as of**
	2024	2023	**2024**	2023	**September 30, 2024**
Net unrealized gain (loss) available-for-sale debt securities	**$ (36)**	$ (64)	**$ 205**	$ (44)	**$ 7**
Net unrealized gain (loss) cash flow hedges	**(38)**	5	**(36)**	(1)	**36**
Postretirement plans	**(2)**	—	**(4)**	21	**6**
Other comprehensive income (loss)	**$ (76)**	$ (59)	**$ 165**	$ (24)	**$ 49**

The following analysis and comparisons apply to the periods presented in the above table.

Net unrealized gain (loss) on available-for-sale debt securities

For the three months ended September 30, 2024, the net unrealized loss on our AFS portfolio was primarily driven by spreads to swaps widening. For the nine months ended September 30, 2024, the net unrealized gain on our AFS portfolio was primarily due to spreads to swaps tightening in 2024. As these securities approach maturity, we expect the net unrealized gains in our AOCI as of September 30, 2024 to reverse over the remaining life of these securities (since we expect to receive par value at maturity).

Net unrealized gain (loss) on cash flow hedges

The net unrealized loss on cash flow hedges for 2024 was primarily driven by the movement in long term market interest rates.

Postretirement plans

The loss on postretirement plans for 2024 was primarily due to an actuarial adjustment resulting from a slight decrease in the discount rate used to calculate postretirement benefits.

We did not recognize any instrument-specific credit risk in our **Condensed Statements of Comprehensive Income** as of September 30, 2024 due to our credit standing. For further details on the activity in our Other Comprehensive Income (Loss) see **Note 12 - Accumulated Other Comprehensive Income (Loss)** to the condensed financial statements.

FHLBank Chicago

Federal Home Loan Bank of Chicago

(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Statements of Condition

	September 30, 2024	December 31, 2023
Cash and due from banks, interest-bearing deposits, federal funds sold, and securities purchased under agreements to resell	$ 23,104	$ 14,472
Investment debt securities	29,583	26,405
Advances	59,336	65,306
MPF Loans held in portfolio, net of allowance for credit losses	13,033	11,410
Other, net of allowance for credit losses	767	791
Assets	$ 125,823	$ 118,384
Consolidated obligation discount notes	$ 35,756	$ 28,109
Consolidated obligation bonds	79,751	80,389
Other	1,870	1,746
Liabilities	117,377	110,244
Capital stock	3,165	3,277
Retained earnings	5,232	4,979
Accumulated other comprehensive income (loss)	49	(116)
Capital	8,446	8,140
Total liabilities and capital	$ 125,823	$ 118,384

The following is an analysis of the above table and comparisons apply to September 30, 2024 compared to December 31, 2023.

Cash and due from banks, interest-bearing deposits, federal funds sold, and securities purchased under agreements to resell

Amounts held in these typically overnight accounts will vary each day based on the following:

- Interest rate spreads between federal funds sold and securities purchased under agreements to resell and our debt;
- Liquidity requirements;
- Counterparties available; and
- Collateral availability on securities purchased under agreements to resell.

In the third quarter of 2024, we maintained a sufficient pool of liquidity to support anticipated member demand for advances and letters of credit.

Investment Debt Securities

Investment debt securities increased at the end of the third quarter of 2024 compared to year end 2023 with the change primarily attributable to an increase in investment in GSE mortgage-backed securities and U.S. Treasuries.

Advances

Advance balances decreased at the end of the third quarter of 2024 compared to year end 2023. This was primarily attributable to depository members experiencing lower funding needs on their balance sheets along with reduced loan demand which resulted in paydowns. Advance balances will vary based primarily on member demand or need for wholesale funding and the underlying cost of the advance to the member. It is possible that member demand for our advances could decline in future periods should their funding needs change, or to the extent they elect alternative funding resources. In addition, as our remaining advances with our former captive insurance company member continue to mature, our total advance levels may decrease. For a discussion of risks relating to our former captive insurance company member see **Risk Factors** starting on page 21 in our 2023 Form 10-K. For details on our advances with our former captive insurance company member, see **Note 6 - Advances**.

MPF Loans Held in Portfolio, Net of Allowance for Credit Losses

MPF Loans held in portfolio increased at the end of the third quarter of 2024 compared to year end 2023. This was primarily attributable to new acquisition volume that outpaced paydown activity. In addition to our MPF Loans held in portfolio, we have MPF off-balance sheet products, where we buy and concurrently resell MPF Loans to Fannie Mae or pool and securitize them into Ginnie Mae MBS.

Liquidity, Funding, & Capital Resources

Liquidity

For the period ending September 30, 2024, we maintained a liquidity position in accordance with FHFA regulations and guidance, which may be amended from time to time, and policies established by our Board of Directors. Based upon our excess liquidity position described below, we anticipate remaining in compliance with our current liquidity requirements. See **Liquidity, Funding, & Capital Resources** on page 51 in our 2023 Form 10-K for a detailed description of our current liquidity requirements. We use different measures of liquidity as follows:

Overnight Liquidity – Our policy requires us to maintain overnight liquid assets at least equal to 3.5% of total assets (or $4.4 billion as of September 30, 2024). As of September 30, 2024, our overnight liquidity was $28.3 billion or 22% of total assets, giving us an excess overnight liquidity of $23.9 billion.

Deposit Coverage – To support our member deposits, FHFA regulations require us to have an amount equal to the current deposits received from our members invested in obligations of the U.S. Government, deposits in eligible banks or trust companies, or advances with maturities not exceeding five years. As of September 30, 2024, we had excess liquidity of $55.9 billion to support member deposits.

Liquidity Reserves – As discussed on page 51 in the **Liquidity, Funding, & Capital Resources** section in our 2023 Form 10-K, the FHFA advisory bulletin on FHLB liquidity (the "Liquidity AB") requires that: (i) we hold positive cash flow assuming no access to the capital markets for a period of between ten to thirty calendar days and assuming renewal of all maturing advances, and (ii) we maintain liquidity reserves between one and 20 percent of our outstanding letter of credit commitments.

In an effort to satisfy our current liquidity requirements, we generally maintain increased balances in short-term or liquid investments. In addition, we target a minimum amount of positive cash flow for the next five calendar days at the beginning of each day. Depending on market conditions, the Liquidity AB may require the Bank to hold an additional amount of liquid assets, which could reduce the Bank's ability to invest in higher-yielding assets, and may in turn negatively impact net interest income. To the extent that the Bank adjusts pricing for its short-term advances and letters of credit, these products may become less competitive, which may adversely affect advance and capital stock levels as well as letters of credit levels. For additional discussion of how our liquidity requirements may impact our earnings, see **Risk Factors** on page 21 in our 2023 Form 10-K.

In addition, we fund certain shorter-term or overnight investments and advances with debt that has a maturity that extends beyond the maturities of the related investments or advances. The Liquidity AB provides guidance on maintaining appropriate funding gaps for three-month (-10% to -20%) and one-year (-25% to -35%) maturity horizons. Subject to market conditions, our cost of funding may increase if we are required to achieve the appropriate funding gap by using longer term funding, on which we generally pay higher interest than on our short-term funding.

We are sensitive to maintaining an appropriate liquidity and funding balance between our financial assets and liabilities, and we measure and monitor the risk of refunding such assets as liabilities mature (refunding risk). In measuring the level of assets requiring refunding, we take into account their contractual maturities, as further described in the notes to the condensed financial statements. In addition, we make certain assumptions about their expected cash flows. These assumptions include: calls for assets with such features, projected prepayments and scheduled amortizations for our MPF Loans held in portfolio, MBS and ABS investments.

(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

The following table presents the unpaid principal balance of (1) MPF Loans held in portfolio, (2) AFS securities, and (3) HTM securities (including ABS and MBS investments), by expected principal cash flows. The table is illustrative of our assumptions about the expected cash flows of our assets, including prepayments made in advance of maturity.

	MPF Loans	Investment Debt Securities	
As of September 30, 2024	**Held in Portfolio**	**Available-for-Sale**	**Held-to-Maturity**
Year of Expected Principal Cash Flows			
One year or less	$ 2,467	$ 1,231	$ 440
After one year through five years	4,914	7,965	160
After five years through ten years	2,969	14,942	60
After ten years	2,523	2,306	16
Total	$ 12,873	$ 26,444	$ 676

We consider our liabilities available to fund assets until their contractual maturity. For further discussion of the liquidity risks related to our access to funding, see **Risk Factors** on page 21 in our 2023 Form 10-K.

Funding

For a discussion of our sources of funding, see **Sources of Funding** starting on page 56 in our 2023 Form 10-K.

Conditions in Financial Markets

After keeping the target federal funds rate unchanged at its July 2024 meeting, the Federal Open Market Committee (FOMC) cut that rate 50 basis points to a range of 4.75-5.00% at its September 2024 meeting, which was the first rate cut since March 2020. Leading up to the September 2024 meeting, market participants expected a cut, given economic data that suggested some softening in the labor market and easing inflation, as well as commentary from FOMC Chairman Powell at the Jackson Hole Economic Symposium in August 2024 indicating a policy adjustment in the near term. One matter of debate among market participants was the size of the expected cut; and, for the first time since 2005, one member of the FOMC dissented, preferring instead only a 25 basis point cut at the September 2024 meeting. Market participants continue to anticipate further rate cuts in the future. Yields for U.S. Treasuries were lower for all points across the curve at the end of the third quarter 2024 relative to the prevailing yields at the end of the second quarter 2024.

After increasing 1.6% in the first quarter of 2024, U.S. Gross Domestic Product (GDP) rose by 3.0% in the second quarter of 2024. According to the Department of Commerce, GDP growth in the second quarter primarily reflected increases in consumer spending, private inventory investment, and nonresidential fixed investment. The U.S. stock market gained during the third quarter 2024. The Dow Jones Industrial Average attained a record closing high at the end of September 2024 with the index ending the quarter at 42,330 points on September 30, 2024, versus 39,119 points on June 28, 2024.

We maintained ready access to funding throughout the third quarter of 2024.

(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Condensed Statements of Cash Flows

Net cash flows from operating activities

Nine months ended September 30,	2024	2023
Net cash provided by (used in) operating activities	**$ 352**	$ 1,975

In 2024, the majority of our operating cash inflows was related to net income. In 2023, the majority of our operating cash inflows was related to cash received from clearinghouses to settle mark-to-market positions and net income, as well as the impact of increased interest accrued on our consolidated obligation bond issuances.

Net cash flows from investing activities with significant activity

Nine months ended September 30,	2024	2023
Liquid assets consisting of interest-bearing deposits, federal funds sold, and securities purchased under agreements to resell	**$ (8,643)**	$ 2,635
Investment debt securities	**(2,570)**	(3,403)
Advances	**6,368**	(8,881)
MPF Loans held in portfolio	**(1,641)**	(922)
Other	**(12)**	(9)
Net cash provided by (used in) investing activities	**$ (6,498)**	$ (10,580)

Our investing activities consist predominantly of investments in liquid assets, investment debt securities, advances, and MPF Loans held in portfolio. The reasons for the changes in net cash provided by (used in) investing activities and changes in allocation within investing activities are discussed below for the nine months ended September 30, unless otherwise stated.

- The cash flows relating to our liquid assets fluctuate depending on the needs of our members, our investing strategy, the economic environment, and/or regulatory requirements. We maintain a sufficient pool of liquidity to support anticipated member demand for advances and letters of credit.

- In 2024 and 2023, our net cash outflows from investment debt securities was primarily attributable to an increase in investment in GSE mortgage-backed securities and U.S. Treasuries.

- In 2024, our net cash inflows for advances were attributable to depository members experiencing lower funding needs on their balance sheets along with reduced loan demand which resulted in paydowns. In 2023, our net cash outflows for advances were attributable to increased borrowing from our depository members.

- In 2024 and 2023, our net cash outflows for MPF Loans held in portfolio were due to new acquisition volume that outpaced paydown activity.

(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Net cash flows from financing activities with significant activity

Nine months ended September 30,	2024	2023
Consolidated obligation discount notes	$ 7,704	$ (21,738)
Consolidated obligation bonds	(1,571)	25,642
Proceeds on discount note transfers with other FHLBs	—	4,266
Other	2	438
Net cash provided by (used in) financing activities	**$ 6,135**	$ 8,608

Our financing activities primarily reflect cash flows related to issuing and repaying consolidated obligation bonds and discount notes. The change in net cash provided by (used in) financing activities and change in funding allocations are discussed below for the nine months ended September 30, unless otherwise stated.

- In 2024, bonds matured or were called without being replaced. The increased borrowing on our discount notes reflects an increase in debt financing to match the overall increase in assets outstanding as discussed in investing activities above. In 2023, we paid down our discount notes and increased our use of bonds to align with advantageous funding opportunities. The increased borrowing on our bonds reflects an increase in debt financing to match the overall increase in assets (primarily advances) outstanding as discussed in investing activities above.

- In 2024, we had no discount note transfers. In the second quarter of 2023, we assumed consolidated obligation discount notes from another FHLB due to an advantageous funding opportunity.

- In 2024, our net cash inflows for Other was primarily due to proceeds from issuance of our capital stock and cash from deposits. In 2023, our net cash inflows for Other were primarily due to proceeds from issuance of our capital stock.

Capital Resources

Capital Rules

Under our amended and restated Capital Plan, effective May 3, 2021 (the Capital Plan), our stock consists of two sub-classes of stock, Class B1 stock and Class B2 stock (together, Class B stock), both with a par value of $100 per share and redeemable on five years' written notice, subject to certain conditions. Under the Capital Plan, each member is required to own capital stock in an amount equal to the greater of a membership stock requirement or an activity stock requirement. All stock that supports a member's activity stock requirement with the Bank is classified as Class B1 activity stock. Any additional amount of stock necessary for the total amount of Class B stock held to equal a member's minimum investment amount will be classified as Class B2 membership stock. Members purchase Class B2 membership stock to satisfy their membership stock requirement with the Bank. Stock held in excess of a member's minimum investment requirement is classified as Class B2 excess capital stock. Any dividend declared on Class B1 activity stock must be greater than or equal to the dividend on Class B2 membership stock for the same period. The higher dividend paid on Class B1 activity stock since late 2013 acknowledges that members, through their utilization of Bank products, provide support to the entire cooperative.

Under the Capital Plan, each member's activity stock requirement is set at 4.5% for advances other than those borrowed under RCAP as further discussed below. The Capital Plan provides that the Board of Directors may periodically adjust members' activity stock requirement for advances between a range of 2% and 5% of a member's outstanding advances.

Additionally, for MPF on-balance sheet products (which includes MPF Original, MPF 125, MPF 35, and MPF Government loans), the activity stock requirement is 2% of the principal loan amount sold into master commitments opened or amended. Under the Capital Plan, the range within which our Board may adjust this requirement is between 0% and 5%. For letters of credit, the activity stock requirement is 0.10% of the notional amount of all new letters of credit issued, and all existing letters of credit renewed, extended or increased. Under the Capital Plan, the range for the letter of credit activity stock requirement is 0.10% to 2%.

Under the Capital Plan, each member's membership stock requirement is the greater of either $10,000 or 0.40% of a member's mortgage assets. The Capital Plan provides that the Board may periodically adjust members' membership stock requirement between a range of 0.20% to 1% of a member's mortgage assets. A member's investment in membership stock is capped at $5 million, subject to adjustment by the Board within a range between $1 million and $25 million.

(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Membership stock requirements are recalculated annually, whereas the activity stock requirement and any automatic conversion of Class B2 membership stock to Class B1 activity stock related to activity continue to apply on a daily basis.

We may only redeem or repurchase capital stock from a member if, following the redemption or repurchase, the member continues to meet its minimum investment requirement and we remain in compliance with our regulatory capital requirements as discussed in **Note 11 - Capital and Mandatorily Redeemable Capital Stock (MRCS)** to the condensed financial statements. Members that withdraw from membership must wait at least five years after their membership was terminated and all of their capital stock was redeemed or repurchased before being readmitted to membership in any FHLB.

For details on our capital stock requirements under our capital plan for year-end 2023, see **Capital Resources** on page 58 in our 2023 Form 10-K. Under the terms of our Capital Plan, our Board of Directors is authorized to amend the Capital Plan, and the FHFA must approve all such amendments before they become effective.

For details on our minimum regulatory capital requirements see **Note 11 - Capital and Mandatorily Redeemable Capital Stock (MRCS)** to the condensed financial statements in this Form 10-Q, and **Minimum Capital Requirements** in **Note 12 - Capital and Mandatorily Redeemable Capital Stock (MRCS)** to the financial statements in our 2023 Form 10-K.

Reduced Capitalization Advance Program

RCAP allows members to borrow one or more advances with an activity stock requirement of only 2% for the life of the advance instead of the current 4.5% requirement under our Capital Plan's general provisions. At September 30, 2024, RCAP advances outstanding totaled $13.0 billion to 82 members and former members. We may implement future programs for advances with a reduced activity stock requirement that may or may not have the same characteristics as current RCAP offerings.

Repurchase of Excess Capital Stock

Members may request repurchase of excess capital stock on any business day. Additionally, on a monthly basis, the Bank will repurchase excess capital stock held by each member or former member that exceeds certain thresholds set by the Bank. All repurchases of excess capital stock, including any future monthly repurchases, will continue until otherwise announced, but remain subject to our regulatory requirements, certain financial and capital thresholds, and prudent business practices. For details on the financial and capital thresholds relating to repurchases, see **Repurchase of Excess Capital Stock** on page 61 in our 2023 Form 10-K.

Capital Amounts

The following table reconciles our capital reported in our **Condensed Statements of Condition** to the amount of capital stock reported for regulatory purposes. MRCS is included in the calculation of the regulatory capital and leverage ratios but is recorded in liabilities in our **Condensed Statements of Condition**.

	September 30, 2024	December 31, 2023
Capital stock	**$ 3,165**	$ 3,277
Mandatorily redeemable capital stock (MRCS) recorded as a liability	**83**	83
Regulatory capital stock	**3,248**	3,360
Retained earnings	**5,232**	4,979
Regulatory capital	**$ 8,480**	$ 8,339
Capital stock	**$ 3,165**	$ 3,277
Retained earnings	**5,232**	4,979
Accumulated other comprehensive income (loss)	**49**	(116)
GAAP capital	**$ 8,446**	$ 8,140

Accumulated other comprehensive income (loss) in the above table consists of changes in market value of various balance sheet accounts where the change is not recorded in earnings but is instead recorded in equity capital as the income (loss) is not yet realized. For details on these changes please see **Note 12 - Accumulated Other Comprehensive Income (Loss)** to the condensed financial statements.

We may not pay dividends if we fail to satisfy our minimum capital and/or liquidity requirements under the FHLB Act and FHFA regulations. On October 22, 2024, our Board of Directors declared a 9.25% dividend (annualized) for Class B1 activity stock and a 4.65% dividend (annualized) for Class B2 membership stock based on our preliminary financial results for the third quarter of 2024. This dividend totaled $73 million (recorded as $71 million dividends on capital stock and $2 million interest expense on mandatorily redeemable capital stock) and is scheduled for payment on November 15, 2024.

Although we continue to work to maintain our financial strength to support a reasonable dividend, any future dividend payment remains subject to declaration by our Board and will depend on future operating results, our Retained Earnings and Dividend Policy and any other factors the Board determines to be relevant. For further information on our **Retained Earnings and Dividend Policy**, see page 62 in our 2023 Form 10-K.

We continue to allocate 20% of our net income each quarter to a restricted retained earnings account in accordance with the Joint Capital Enhancement Agreement that we entered into with the other FHLBs, as further discussed in **Joint Capital Enhancement Agreement** in **Note 11 - Capital and Mandatorily Redeemable Capital Stock (MRCS)** to the financial statements in our 2023 Form 10-K.

Additionally, an FHFA Advisory Bulletin sets forth guidance for each FHLB to maintain a ratio of at least two percent of capital stock to total assets. In accordance with this guidance, the FHFA considers the proportion of capital stock to assets, measured on a daily average basis at month end, when assessing each FHLB's capital management practices.

(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Credit Risk Management

Managing Our Credit Risk Exposure Related to Member Credit Products

Our credit risk rating system focuses primarily on our members' overall financial health and takes into account the member's asset quality, earnings, and capital position. For further information, please see **Credit Risk Management** starting on page 64 in our 2023 Form 10-K.

The following table presents the number of members and related credit outstanding to them by credit risk rating. Credit outstanding consists primarily of outstanding advances and letters of credit. MPF credit enhancement obligations, member derivative exposures, and other obligations make up the rest. Of the total credit outstanding, $59.6 billion were advances (par value) and $15.5 billion were letters of credit at September 30, 2024, compared to $66.0 billion and $12.6 billion at December 31, 2023.

	September 30, 2024			December 31, 2023		
Rating	**Borrowing Members**	**Credit Outstanding**	**Total Collateral Value**	Borrowing Members	Credit Outstanding	Total Collateral Value
1-3	**526**	**$ 73,544**	**$ 180,113**	516	$ 77,291	$ 167,023
4	**11**	**1,799**	**2,258**	10	1,453	1,916
5	**6**	**130**	**179**	8	77	135
Total	**543**	**$ 75,473**	**$ 182,550**	534	$ 78,821	$ 169,074

Members assigned a 4 rating in the above table were required to submit specific collateral listings and the members assigned a 5 rating were required to deliver collateral to us or to a third party custodian on our behalf.

MPF Loans and Related Exposures

For details on our allowance for credit losses on MPF Loans, please see **Note 8 - Allowance for Credit Losses** to the condensed financial statements.

Credit Risk Exposure - Our credit risk exposure on conventional MPF Loans held in portfolio is the potential for financial loss due to borrower default and depreciation in the value of the real estate collateral securing the MPF Loan, offset by the borrower's equity, which represents the fair value of the underlying property in excess of the outstanding MPF Loan held in portfolio balance, our ability to recover losses from primary mortgage insurance, Recoverable CE Income, and the CE Amount which may include SMI. The PFI is required to pledge collateral to secure any portion of its CE Amount that is a direct obligation of the PFI. For further details see **Loss Structure for Credit Risk Sharing Products** on page 9 in our 2023 Form 10-K, and **Credit Risk Exposure** and **Setting Credit Enhancement Levels** starting on page 67 in our 2023 Form 10-K.

Mortgage Repurchase Risk

We are exposed to mortgage repurchase risk in connection with our sale of MPF Loans to Fannie Mae under the MPF Xtra product and to Ginnie Mae for MPF Loans securitized in Ginnie Mae MBS if a loan eligibility requirement or other representation or warranty is breached. We may require the PFI from which we purchased the ineligible MPF Loan to repurchase that loan from us or to indemnify us for related losses, or request indemnification from the PFI's MPF Bank. Of these two products, our MPF Xtra product is the more popular, and during the nine months ended September 30, 2024 and 2023, we purchased and concurrently delivered $0.5 billion and $0.5 billion in unpaid principal balance of these loans to Fannie Mae.

For additional details on our mortgage repurchase risk in connection with our sale of MPF Loans to third party investors and MPF Loans securitized into MBS when a loan eligibility requirement or other warranty is breached, see **Mortgage Repurchase Risk** on page 69 in our 2023 Form 10-K.

(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Investment Debt Securities

We hold a variety of investment debt securities, mostly government backed or insured securities. There have been no material changes in the credit ratings of these securities since December 31, 2023 except for our FFELP ABS portfolio, which was downgraded in the second quarter of 2024. As of September 30, 2024, we have a remaining balance of $1.14 billion in FFELP ABS downgraded from AA to A, and $262 million in FFELP ABS downgraded from AA to BBB. We believe these investments are currently low risk. For further details see **Investment Debt Securities** on page 71 in our 2023 Form 10-K.

Unsecured Short-Term Investments

See **Unsecured Short-Term Investments** on page 73 in our 2023 Form 10-K for further details on our unsecured short-term investments as well as policies and procedures to limit and monitor our unsecured credit risk exposure.

The following table presents the credit ratings of our unsecured investment counterparties, organized by the domicile of the counterparty or, where the counterparty is a U.S. branch or agency office of a foreign commercial bank, by the domicile of the counterparty's parent. This table does not reflect the foreign sovereign government's credit rating. The ratings shown in the following table reflect the lowest long-term debt rating reported among the three largest Nationally Recognized Statistical Rating Organizations (NRSROs). FHFA regulations require the Bank to develop and assign internal credit ratings for its counterparties that do not rely exclusively on ratings reported by NRSROs. As such, the ratings shown in the following table are for presentation purposes only. The unsecured investment credit exposure presented in the table may not reflect the average or maximum exposure during the period as the table reflects only the balances at period end.

As of September 30, 2024	AA	A	Total
Domestic U.S.			
Interest-bearing deposits	$ —	$ 2,570	$ 2,570
Foreign commercial banks - federal funds sold:			
Australia	1,100	—	1,100
Canada	—	1,800	1,800
Finland	86	—	86
Germany	—	1,100	1,100
Netherlands	—	1,000	1,000
Norway	1,100	—	1,100
Sweden	1,100	—	1,100
Total U.S. branches and agency offices of foreign commercial banks	3,386	3,900	7,286
Total unsecured credit exposure	$ 3,386	$ 6,470	$ 9,856

All $9.86 billion of the unsecured credit exposure shown in the above table were overnight investments.

(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Managing Our Credit Risk Exposure Related to Derivative Agreements

See **Note 9 - Derivatives and Hedging Activities** to the condensed financial statements for a discussion of how we manage our credit risk exposure related to derivative agreements. We have credit exposure on net asset positions where we have not received adequate collateral from our counterparties. We also have credit exposure on net liability positions where we have pledged collateral in excess of our liability to a counterparty.

The following table presents our derivative positions where we have such credit exposures. The ratings shown in the following table reflect the lowest long-term debt rating reported among the three largest NRSROs. FHFA regulations require the Bank to develop and assign internal credit ratings for its counterparties that do not rely exclusively on ratings reported by NRSROs. As such, the ratings shown in the following table are for presentation purposes only. Noncash collateral pledged consists of initial margin we posted through our FCMs, on behalf of the DCOs for cleared derivatives and is included in our derivative positions with credit exposure. Noncash collateral pledged also consists of net initial margin exchanged on our bilateral derivatives, which for presentation purposes we have reported on a net basis. As of September 30, 2024, we had no material concentration of credit risk with any one bilateral derivative counterparty.

	Net Derivative Fair Value Before Collateral	Cash Collateral Pledged	Noncash Collateral Pledged	Net Credit Exposure to Counterparties [a]
As of September 30, 2024				
Nonmember counterparties -				
Undercollateralized asset positions -				
Bilateral derivatives -				
A	$ 318	$ (309)	$ —	$ 9
Cleared derivatives	91	—	865	956
Overcollateralized liability positions -				
Bilateral derivatives -				
A	(223)	225	19	21
BBB	(468)	466	20	18
Nonmember counterparties	(282)	382	904	1,004
Member counterparties	1	—	—	1
Total	$ (281)	$ 382	$ 904	$ 1,005

[a] Less than $1 million is shown as zero.

Legislative and Regulatory Developments

Significant regulatory actions and developments are summarized below.

FHFA's Review and Analysis of the FHLB System. On November 7, 2023, the FHFA issued a written report titled "FHLBank System at 100: Focusing on the Future," (System at 100 Report) presenting its review and analysis of the FHLB System and the actions and recommendations that it plans to pursue in service of its vision for the future of the FHLB System. The report focused on four broad themes: (1) the mission of the FHLB System; (2) the FHLB System as a stable and reliable source of liquidity; (3) housing and community development; and (4) FHLB System operational efficiency, structure, and governance. The FHFA has stated that it expects to continue a multi-year collaborative effort with the FHLBs, their member institutions, and other stakeholders to address the recommended actions in the System at 100 Report and has stated that it can implement some of the recommendations from the report through ongoing supervision, guidance, or rulemaking, as well as through statutory changes by proposing specific requests for Congressional action. The FHFA made legislative recommendations for the FHLB System in its 2023 Report to Congress issued on June 14, 2024 consistent with proposed plans and actions included in the System at 100 Report. Other significant recent regulatory actions for the FHLBs are discussed in this section.

Advisory Bulletin on FHLB Member Credit Risk Management (AB 2024-03). On September 27, 2024, the FHFA issued an advisory bulletin setting forth the FHFA's expectations that an FHLB's underwriting and credit decisions should reflect a member's financial condition and not rely solely on the collateral securing the member's credit obligations. The advisory bulletin provides guidance for the FHLBs to implement policies for credit risk governance, member credit assessment and monitoring of credit conditions, among other considerations. It also provides guidance on the oversight of members in financial distress by recommending implementation of: escalation policies; processes for coordination with members' prudential regulators; and management policies addressing default, failure, and insolvency situations. While the Bank is still evaluating this advisory bulletin against its current member credit risk management policies and procedures to assess its potential impact on the Bank and its operations, the Bank does not expect this guidance will impact its role as a reliable source of liquidity for its members.

Advisory Bulletin on Federal Home Loan Bank System Climate-Related Risk Management (AB 2024- 04). On September 30, 2024, the FHFA issued an advisory bulletin setting forth the FHFA's expectation that each FHLB should integrate climate-related risk management into its existing enterprise risk management framework over time. The advisory bulletin provides that an effective framework should address climate-related risk governance, such as selection of the related risk appetite and setting strategy and objectives, establishing and implementing plans to mitigate, monitor and report material exposures to such risks, and establishing roles and responsibilities for the board of directors and management. The advisory bulletin requires the FHLBs to establish metrics that track exposure to climate-related risks and collect related data to quantify risk exposures, conduct climate-related scenario analyses, implement processes to report and communicate climate-related risks to internal stakeholders, and have a plan to respond to natural disasters and support climate resiliency. Some aspects of this advisory bulletin also apply to the Office of Finance, as relevant. The Bank is evaluating the potential impact of the advisory bulletin on the Bank and its operations.

Proposed Rule on Unsecured Credit Limits for Federal Home Loan Banks. On October 3, 2024, the FHFA published a proposed rule with a comment deadline of December 2, 2024, to amend the FHFA's regulation on capital requirements ("Capital Regulation") to modify unsecured credit limits for FHLBs. The proposed rule would include interest bearing deposit accounts ("IBDAs") in a category of authorized overnight investments that would be excluded from the general limit on unsecured credit to a single counterparty. IBDAs are non-maturity deposits in approved counterparties which may be used to manage liquidity. The proposed rule would, among other things, increase the frequency of the required performance of certain capital calculations and clarify that certain non-interest-bearing deposit accounts (such as settlement, payment or other transactional accounts) are to be considered unsecured extensions of credit subject to the Capital Regulation's unsecured general or overall (less restrictive) limit. Although excluding IBDAs from the general unsecured credit limit could provide greater flexibility for an FHLB's liquidity management, several of the other proposed changes, if adopted, could result in significant changes to the Bank's current business processes. The Bank is evaluating the potential impact of the proposed rule on the Bank and its operations.

Proposed Rule on Federal Home Loan Bank System Boards of Directors and Executive Management. On November 4, 2024, the FHFA published a proposed rule with a comment deadline of February 3, 2025, revising its regulations addressing boards of directors and overall corporate governance of the FHLBs and the OF. If adopted as presented, the proposed rule would, among other things: (1) impact director compensation by allowing the Director of the FHFA to establish an annual amount of director compensation that the Director determines is reasonable; (2) require the FHLBs to complete and submit background checks to the FHFA on every nominee for a directorship; (3) impact public interest independent director qualifications, in part by requiring a person to have advocated for, or otherwise acted primarily on behalf of or for the direct benefit of, consumers or the community to meet the representation requirement; (4) expand the list of qualifying experiences for all FHLB independent directors to include artificial intelligence, information technology and security, climate-related risk, Community Development Financial Institutions, business models, and modeling; and (5) establish a review process for director performance and participation, together with a process for removing FHLB directors for cause. Other proposed revisions address, among other things, FHLB conflicts of interest policies, covering all FHLB employees, including specific limitations on executive officers and senior management and record retention.

While some proposed revisions would codify existing guidance and practice, several of the proposed revisions could result in significant changes to the nomination, election and retention of the Bank's board of directors. Additional director eligibility requirements and limitations on, and potential reductions or limitations to, director compensation resulting from the proposed rule, if adopted, could hinder the Bank's ability to recruit and retain directors with the talent and expertise that are critical to the Bank's ability to satisfy its mission, particularly given the growing complexities of the finance industry. The Bank continues to analyze the impact that the proposed rule could have on us.

The Bank continues to monitor the FHFA's efforts to implement the recommendations from the System at 100 Report and the Bank is not able to predict what actions will ultimately result, the timing or extent of any actions or changes, or the ultimate effect on the Bank, its members, or the FHLB System in the future. The Bank plans to continue to engage with the FHFA and other stakeholders in an effort to ensure that the FHLB System remains well positioned to serve the Bank's members and their communities. For a further discussion of the System at 100 Report, including proposed plans and actions, and related risks, see the **Legislative and Regulatory Developments** and **Risk Factors** sections of our 2023 Form 10-K.

(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our Asset/Liability Management Committee and its subcommittees provide oversight of our risk management practices and policies. This includes routine reporting to senior Bank management and the Board of Directors, as well as maintaining the Income and Market Value Risk Policy, which defines our interest rate risk limits. See **Item 7A. Quantitative and Qualitative Disclosures About Market Risk** on page 75 in our 2023 Form 10-K for further discussion on market risk.

The table below reflects the expected change in market value of equity for the stated increase or decrease in interest rates based on our models and related loss limit for each scenario established in the policy. For our down scenario shock analysis, the down shocks are constrained by scenarios provided by our regulator, which currently are limited so that shocked rates will not go negative but are subject to change. As a result, where applicable, we apply a floor to the down shock scenario at 10 bps. In the current rate environment, this floor setting was not triggered for any of the shock scenarios presented below.

	September 30, 2024		December 31, 2023	
Scenario as of	**Change in Market Value of Equity**	**Loss Limit**	Change in Market Value of Equity	Loss Limit
-200 bp	**$ (17)**	**$ (650)**	$ (112)	$ (650)
-100 bp	**19**	**(290)**	(30)	(290)
-50 bp	**18**	**(130)**	(8)	(130)
-25 bp	**11**	**(65)**	(2)	(65)
+25 bp	**(14)**	**(65)**	(2)	(65)
+50 bp	**(32)**	**(130)**	(7)	(130)
+100 bp	**(75)**	**(290)**	(26)	(290)
+200 bp	**(192)**	**(650)**	(86)	(650)

Measurement of Market Risk Exposure

To measure our exposure, we discount the cash flows generated from modeling the terms and conditions of all interest rate-sensitive securities using current interest rates to determine their fair values or spreads to the swap curve for securities where third party prices are used. This includes considering explicit and embedded options using a lattice model or Monte Carlo simulation. We estimate yield curve, option, and basis risk exposures by calculating the fair value change in relation to various parallel changes in interest rates, implied volatility, prepayment speeds, spreads to the swap curve and mortgage rates.

The table below summarizes our sensitivity to various interest rate risk exposures in terms of changes in market value.

	As of September 30, 2024	As of December 31, 2023
Yield Curve Risk	**$ 5**	$ 8
Option Risk		
Implied Volatility	**(5)**	(5)
Basis Risk		
Spread to Swap Curve	**(10)**	(3)

Yield curve risk – Change in market value for a one basis point parallel increase in the swap curve.
Option risk (implied volatility) – Change in market value for a one percent parallel increase in the swaption volatility.
Option risk (prepayment speeds) – Change in market value for a one percent increase in prepayment speeds.
Basis risk (spread to swap curve) – Change in market value for a one basis point parallel increase in the spread to the swap curve.
Basis risk (mortgage spread) – Change in market value for a one basis point increase in mortgage rates.

As of September 30, 2024, our sensitivity to changes in implied volatility using a lattice model and Monte Carlo simulation was $(5) million, compared to $(5) million at December 31, 2023. These sensitivities are limited in that they do not incorporate other risks, including but not limited to non-parallel changes in yield curves, prepayment speeds, and basis risk related to differences between the swap and the other curves. Option positions embedded in our mortgage assets and callable debt impact our yield curve risk profile, such that swap curve changes significantly greater than one basis point cannot be linearly interpolated from the table above.

(U.S. Dollars in tables in millions except per share amounts unless otherwise indicated)

Duration of equity is another measure to express interest rate sensitivity. We report the results of our duration of equity calculations to the FHFA each quarter. We measure duration of equity in a base case using the actual yield curve as of a specified date and then shock it with an instantaneous shift of the entire curve.

The following table presents the duration of equity reported by us to the FHFA in accordance with the FHFA's guidance, which prescribes that down and up interest-rate shocks equal 200 basis points. The results are shown by duration of equity in years. The Bank engages in ongoing performance monitoring for its market risk-related models.

	Duration of equity in years	
Scenario as of	**September 30, 2024**	December 31, 2023
Down 200 bps	**-0.5**	-1.1
Base	**0.5**	0.0
Up 200 bps	**1.4**	0.7

As of September 30, 2024, on a U.S. GAAP basis, our fair value surplus (relative to book value) was $297 million, and our market value of equity to book value of equity ratio was 104%, compared to $390 million and 105% at December 31, 2023. The decline in the market value of equity to book value of equity was largely a result of fixed income instruments approaching par value and consolidated obligation spread tightening in the markets.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report (the Evaluation Date). Based on this evaluation, the principal executive officer and principal financial officer concluded as of the Evaluation Date that the disclosure controls and procedures were effective such that information relating to us that is required to be disclosed in reports filed with the SEC: (i) is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

For the most recent quarter presented in this Form 10-Q, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Consolidated Obligations

Our disclosure controls and procedures include controls and procedures for accumulating and communicating information relating to our joint and several liability for the consolidated obligations of other FHLBs. For further information, see **Item 9A. Controls and Procedures** on page 83 in our 2023 Form 10-K.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

The Bank may be subject to various legal proceedings arising in the normal course of business. After consultation with legal counsel, management is not aware of any proceedings that might have a material effect on the Bank's financial condition or results of operations.

Item 1A. Risk Factors.

In addition to the information presented in this report, readers should carefully consider the factors set forth in the Risk Factors section starting on page 21 in our 2023 Form 10-K, which could materially affect our business, financial condition, or future results. These risks are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also severely affect us.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Not applicable.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Principal Executive Officer [a]
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Principal Financial Officer [a]
32.1	Certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Principal Executive Officer [a]
32.2	Certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Principal Financial Officer [a]
101.INS	Inline XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document. [a]
101.SCH	Inline XBRL Taxonomy Extension Schema Document [a]
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document [a]
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document [a]
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document [a]
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document [a]
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) [a]

[a] Filed herewith.

FHLBank Chicago

Federal Home Loan Bank of Chicago

Glossary of Terms

Advances: Secured loans to members.

ABS: Asset-backed-securities.

AFS: Available-for-sale debt securities.

AHP: Affordable Housing Program.

AOCI: Accumulated Other Comprehensive Income.

Capital Plan: Capital Plan of the Federal Home Loan Bank of Chicago, effective as of May 3, 2021.

CE Amount: A PFI's assumption of credit risk, beyond any Recoverable CE Income payments in the FLA, on conventional MPF Loan products held in an MPF Bank's portfolio that are funded by, or sold to, an MPF Bank by providing credit enhancement either through a direct liability to pay credit losses up to a specified amount or through a contractual obligation to provide SMI. Does not apply to the MPF Government, MPF Xtra, or MPF Government MBS product.

CE Income: Credit enhancement income. PFIs are paid credit enhancement income for managing credit risk and in some instances, all or a portion of the CE Income may be performance based.

Consolidated Obligations (CO): FHLB debt instruments (bonds and discount notes) which are the joint and several liability of all FHLBs; issued by the Office of Finance.

Consolidated obligation bonds: Consolidated obligations that make periodic interest payments with a term generally over one year, although we have issued for terms of less than one year.

DCO: Derivatives Clearing Organization. A clearinghouse, clearing association, clearing corporation, or similar entity that enables each party to an agreement, contract, or transaction to substitute, through novation or otherwise, the credit of the DCO for the credit of the parties; arranges or provides, on a multilateral basis, for the settlement or netting of obligations; or otherwise provides clearing services or arrangements that mutualize or transfer credit risk among participants.

Discount notes: Consolidated obligations with a term of one year or less, which sell at less than their face amount and are redeemed at par value when they mature.

DPP: Downpayment Plus.

Excess capital stock: Capital stock held by members in excess of their minimum investment requirement.

Fannie Mae: Federal National Mortgage Association.

FASB: Financial Accounting Standards Board.

FCM: Futures Commission Merchant.

FFELP: Federal Family Education Loan Program.

FHFA: Federal Housing Finance Agency - the Housing Act created the Federal Housing Finance Agency which became the regulator of the FHLBs.

FHLB Act: The Federal Home Loan Bank Act of 1932, as amended.

FHLBs: The 11 Federal Home Loan Banks or subset thereof.

FHLB System: The 11 FHLBs and the Office of Finance.

FHLB Chicago: The Federal Home Loan Bank of Chicago.

FLA: First loss account is a memo account used to track the MPF Bank's exposure to losses until the CE Amount is available to cover losses.

Freddie Mac: Federal Home Loan Mortgage Corporation.

GAAP: Generally Accepted Accounting Principles in the United States of America.

Ginnie Mae: Government National Mortgage Association.

Ginnie Mae MBS: Mortgage-backed securities guaranteed by Ginnie Mae.

Government Loans: Mortgage loans insured or guaranteed by the Federal Housing Administration (FHA), the Department of Housing and Urban Development (HUD), the Department of Veteran Affairs (VA) or Department of Agriculture Rural Housing Service (RHS).

GSEs: Government-sponsored enterprises.

Housing Act: Housing and Economic Recovery Act of 2008, enacted July 30, 2008.

HTM: Held-to-maturity debt securities.

Liquidity AB: Advisory Bulletin 2018-07 Liquidity Guidance, issued by the FHFA on August 23, 2018.

Master Commitment (MC): Pool of MPF Loans purchased or funded by an MPF Bank.

MBS: Mortgage-backed securities.

Moody's: Moody's Investors Service.

MPF®: Mortgage Partnership Finance.

MPF Banks: FHLBs that participate in the MPF Program.

MPF Government MBS product: The MPF Program product under which we aggregate Government Loans acquired from PFIs in order to issue securities guaranteed by the Ginnie Mae that are backed by such Government Loans.

MPF Loans: Conventional and government mortgage loans secured by one-to-four family residential properties with maturities from five to 30 years.

MPF Program: A secondary mortgage market structure that provides liquidity to FHLB members that are PFIs through the purchase or funding by an FHLB of MPF Loans.

MPF Xtra® product: The MPF Program product under which we acquire MPF Loans from PFIs without any CE Amount and concurrently resell them to Fannie Mae.

MRCS: Mandatorily redeemable capital stock.

NRSRO: Nationally Recognized Statistical Rating Organization.

Office of Finance: A joint office of the FHLBs established by the Finance Board to facilitate issuing and servicing of consolidated obligations.

OIS: Fed Funds Effective Swap Rate (or Overnight Index Swap Rate).

PFI: Participating Financial Institution. A PFI is a member (or eligible housing associate) of an MPF Bank that has applied to and been accepted to do business with its MPF Bank under the MPF Program.

RCAP: Reduced Capitalization Advance Program.

Recoverable CE Income: Under the MPF Program, the PFI may receive a contingent performance based credit enhancement income payment whereby such income is reduced up to the amount of the FLA by losses arising under the Master Commitment.

Regulatory capital: Regulatory capital stock plus retained earnings.

Regulatory capital stock: The sum of the paid-in value of capital stock and mandatorily redeemable capital stock.

SBA: Small Business Administration.

SEC: Securities and Exchange Commission.

SMI: Supplemental mortgage insurance.

SOFR: Secured Overnight Financing Rate.

System or FHLB System: The Federal Home Loan Bank System consisting of the 11 Federal Home Loan Banks and the Office of Finance.

UPB: Unpaid Principal Balance.

U.S.: United States.

FHLBank Chicago

Federal Home Loan Bank of Chicago

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FEDERAL HOME LOAN BANK OF CHICAGO

	/s/ Michael A. Ericson	
	Name:	Michael A. Ericson
	Title:	President and Chief Executive Officer
Date: November 7, 2024		(Principal Executive Officer)
	/s/ Virxhini Gjonzeneli	
	Name:	Virxhini Gjonzeneli
	Title:	Executive Vice President and Chief Financial Officer
Date: November 7, 2024		(Principal Financial Officer and Principal Accounting Officer)