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 March 31, 2021

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 March 31, 2021, including mandatorily redeemable capital stock, registrant had 22,806,880 total outstanding shares of Class B Capital Stock.

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

	March 31, 2021	December 31, 2020
Assets		
Cash and due from banks	**$ 3,795**	$ 3,541
Interest bearing deposits	**855**	855
Federal Funds sold	**6,515**	4,125
Securities purchased under agreements to resell	**3,995**	10,120
Investment debt securities -		
Trading, **1,069** and 1,292 pledged	**3,143**	4,621
Available-for-sale, **17,572** and 18,145 amortized cost	**18,062**	18,437
Held-to-maturity, **994** and 1,549 fair value	**944**	1,491
Investment debt securities	**22,149**	24,549
Advances, **1,213** and 1,315 carried at fair value	**46,975**	46,695
MPF Loans held in portfolio, net of **(3)** and (3) allowance for credit losses	**9,895**	10,038
Derivative assets	**15**	5
Other assets, **83** and 105 carried at fair value		
net of **(7)** and (7) allowance for credit losses	**403**	428
Assets	**$ 94,597**	$ 100,356
Liabilities		
Deposits -		
Demand and overnight - noninterest bearing	**$ 431**	$ 394
Demand and overnight - interest bearing, **19** and 18 from other FHLBs	**745**	875
Term deposits - interest bearing	**—**	15
Deposits	**1,176**	1,284
Consolidated obligations, net -		
Discount notes, **—** and 2,000 carried at fair value	**45,262**	48,643
Bonds, **842** and 1,844 carried at fair value	**40,260**	42,670
Consolidated obligations, net	**85,522**	91,313
Derivative liabilities	**535**	691
Affordable Housing Program assessment payable	**82**	89
Mandatorily redeemable capital stock	**262**	279
Other liabilities	**478**	411
Liabilities	**88,055**	94,067
Commitments and contingencies - see notes to the financial statements		
Capital		
Class B1 activity stock, **13** and 13 million shares issued and outstanding	**1,312**	1,257
Class B2 membership stock, **7** and 8 million shares issued and outstanding	**707**	753
Capital stock - putable, $100 and $100 par value per share	**2,019**	2,010
Retained earnings - unrestricted	**3,428**	3,424
Retained earnings - restricted	**654**	648
Retained earnings	**4,082**	4,072
Accumulated other comprehensive income (loss) (AOCI)	**441**	207
Capital	**6,542**	6,289
Liabilities and capital	**$ 94,597**	$ 100,356

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

FHLBank Chicago

Federal Home Loan Bank of Chicago

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

	Three months ended March 31,	
	2021	2020
Interest income	**$ 192**	$ 565
Interest expense	**82**	419
Net interest income	**110**	146
Provision for (reversal of) credit losses	**—**	2
Net interest income after provision for (reversal of) credit losses	**110**	144
Noninterest income -		
Trading securities	**(18)**	87
Derivatives and hedging activities	**20**	(138)
Instruments held under fair value option	**(29)**	40
MPF fees, **7** and 8 from other FHLBs	**12**	10
Other, net	**2**	3
Noninterest income	**(13)**	2
Noninterest expense -		
Compensation and benefits	**28**	36
Nonpayroll operating expenses	**20**	20
Other, net	**13**	1
Noninterest expense	**61**	57
Income before assessments	**36**	89
Affordable Housing Program	**4**	9
Net income	**$ 32**	$ 80

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

FHLBank Chicago

Federal Home Loan Bank of Chicago

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

	Three months ended March 31,	
	2021	2020
Net income	**$ 32**	$ 80
Other comprehensive income (loss) -		
Net unrealized gain (loss) available-for-sale debt securities	**198**	(631)
Noncredit OTTI held-to-maturity debt securities	**—**	4
Net unrealized gain (loss) cash flow hedges	**41**	(44)
Postretirement plans	**(5)**	(11)
Other comprehensive income (loss)	**234**	(682)
Comprehensive income	**$ 266**	$ (602)

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

FHLBank Chicago

Federal Home Loan Bank of Chicago

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
December 31, 2020	**13**	**$ 1,257**	**8**	**$ 753**	**$ 3,424**	**$ 648**	**$ 207**	**$ 6,289**
Comprehensive income					**26**	**6**	**234**	**266**
Issuance of capital stock	**1**	**168**	**—**	**—**				**168**
Repurchases of capital stock	**—**	**—**	**(2)**	**(158)**				**(158)**
Capital stock reclassed to mandatorily redeemable capital stock liability	**—**	**(1)**	**—**	**—**				**(1)**
Transfers between classes of capital stock	**(1)**	**(112)**	**1**	**112**				
Cash dividends - class B1					**(19)**			**(19)**
Class B1 annualized rate		**5.00 %**						
Cash dividends - class B2					**(3)**			**(3)**
Class B2 annualized rate				**2.00 %**				
Total change in period excl. cumulative effect	**—**	**55**	**(1)**	**(46)**	**4**	**6**	**234**	**253**
March 31, 2021	**13**	**$ 1,312**	**7**	**$ 707**	**$ 3,428**	**$ 654**	**$ 441**	**$ 6,542**
December 31, 2019	13	$ 1,337	4	$ 376	$ 3,197	$ 573	$ (29)	$ 5,454
Cumulative effect adjustment - see Note 2					(7)			(7)
Comprehensive income					64	16	(682)	(602)
Issuance of capital stock	7	728	—	—				728
Repurchases of capital stock	—	—	(5)	(486)				(486)
Capital stock reclassed to mandatorily redeemable capital stock liability	—	—	—	(1)				(1)
Transfers between classes of capital stock	(5)	(537)	5	537				
Cash dividends - class B1					(20)			(20)
Class B1 annualized rate		5.00 %						
Cash dividends - class B2					(1)			(1)
Class B2 annualized rate				2.25 %				
Total change in period excl. cumulative effect	2	191	—	50	43	16	(682)	(382)
March 31, 2020	15	$ 1,528	4	$ 426	$ 3,233	$ 589	$ (711)	$ 5,065

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

FHLBank Chicago

Federal Home Loan Bank of Chicago

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

	Three months ended March 31,	2021	2020
Operating	**Net cash provided by (used in) operating activities**	**$ 956**	$ (1,897)
Investing	Net change interest bearing deposits	**—**	150
	Net change Federal Funds sold	**(2,390)**	11
	Net change securities purchased under agreements to resell	**6,125**	3,800
	Trading debt securities -		
	Sales	**—**	1,300
	Proceeds from maturities and paydowns	**1,450**	2
	Purchases	**—**	(2,275)
	Available-for-sale debt securities -		
	Proceeds from maturities and paydowns	**143**	381
	Purchases	**(328)**	(1,618)
	Held-to-maturity debt securities -		
	Proceeds from maturities and paydowns	**1,159**	1,198
	Purchases	**(613)**	(514)
	Advances -		
	Principal collected	**99,013**	393,096
	Issued	**(99,692)**	(396,817)
	MPF Loans held in portfolio -		
	Principal collected	**991**	532
	Purchases	**(879)**	(1,186)
	Other investing activities	**(3)**	(2)
	Net cash provided by (used in) investing activities	**4,976**	(1,942)
Financing	Net change deposits, **2** and 4 from other FHLBs	**(108)**	384
	Discount notes -		
	Net proceeds from issuance	**202,673**	246,265
	Payments for maturing and retiring	**(206,057)**	(240,872)
	Consolidated obligation bonds -		
	Net proceeds from issuance	**12,044**	10,484
	Payments for maturing and retiring	**(14,200)**	(12,614)
	Capital stock -		
	Proceeds from issuance	**168**	728
	Repurchases	**(158)**	(486)
	Cash dividends paid	**(22)**	(21)
	Other financing activities	**(18)**	4
	Net cash provided by (used in) financing activities	**(5,678)**	3,872
	Net increase (decrease) in cash and due from banks	**254**	33
	Cash and due from banks at beginning of period	**3,541**	29
	Cash and due from banks at end of period	**$ 3,795**	$ 62

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

Notes to 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 (GSE) 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). Amounts in prior periods may be reclassified to conform to the current presentation and, if material, are detailed in the following notes.

In the opinion of management, all normal recurring adjustments have been included for a fair statement of this interim financial information. These unaudited financial statements and the following footnotes should be read in conjunction with the audited financial statements and footnotes for the year ended December 31, 2020, included in our 2020 Annual Report on Form 10-K (2020 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”, and "Community First" are registered trademarks of the Federal Home Loan Bank of Chicago. See the **Glossary of Terms** starting on page 61 for the definitions of certain terms used herein.

Use of Estimates and Assumptions

We are required to make estimates and assumptions when preparing our financial statements in accordance with GAAP. The most significant of these estimates and assumptions applies to fair value measurements. Our actual results may differ from the results reported in our 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 2020 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 2020 Form 10-K. Refer to **Note 1- Background and Basis of Presentation** to the financial statements in our 2020 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, 2020, can be found in **Note 2 – Summary of Significant Accounting Policies** to the financial statements in our 2020 Form 10-K including details on the cumulative effect adjustments. We have not yet adopted any significant new policies in 2021.

Note 3 – Recently Issued but Not Yet Adopted Accounting Standards

There were no recently issued but not yet adopted accounting standards which may have a material effect on our financial statements.

Notes to 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 March 31,	
	2021	2020
Interest income -		
Trading	**$ 21**	$ 26
Available-for-sale	**21**	140
Held-to-maturity	**8**	27
Investment debt securities	**50**	193
Advances	**76**	238
MPF Loans held in portfolio	**63**	87
Federal funds sold and securities purchased under agreements to resell	**2**	38
Other	**1**	9
Interest income	**192**	565
Interest expense -		
Consolidated obligations -		
Discount notes	**15**	185
Bonds	**64**	228
Other	**3**	6
Interest expense	**82**	419
Net interest income	**110**	146
Provision for (reversal of) credit losses	**—**	2
Net interest income after provision for (reversal of) credit losses	**$ 110**	$ 144

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

Note 5 – Investment Debt Securities

We classify debt securities as either trading, HTM, or 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 government sponsored enterprises (GSE); debt issued by the Tennessee Valley Authority; and securities guaranteed by the Small Business Administration.
- Federal Family Education Loan Program - asset-backed securities (FFELP ABS).
- GSE residential mortgage backed securities (MBS) - issued by Fannie Mae and Freddie Mac.
- Government guaranteed residential MBS.
- SOFR Structured Adjustable Rate Mortgage (SOFR SARM) 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 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 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	**March 31, 2021**	December 31, 2020
U.S. Government & other government related	**$ 3,135**	$ 4,612
Residential MBS		
GSE	**7**	8
Government guaranteed	**1**	1
Trading debt securities	**$ 3,143**	$ 4,621

The following table presents our gains and losses on trading debt securities recorded in Noninterest Income Other.

	Three months ended March 31,	
	2021	2020
Net unrealized gains (losses) on securities held at period end	**$ (2)**	$ 70
Net realized gains (losses) on securities sold/matured during the period	**(16)**	17
Net gains (losses) on trading debt securities	**$ (18)**	$ 87

Notes to 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 March 31, 2021				
U.S. Government & other government related	**$ 1,488**	**$ 43**	**$ (8)**	**$ 1,523**
State or local housing agency	**13**	**1**	**—**	**14**
FFELP ABS	**2,858**	**152**	**(6)**	**3,004**
Residential MBS				
GSE	**12,973**	**304**	**(4)**	**13,273**
Government guaranteed	**240**	**8**	**—**	**248**
Available-for-sale debt securities	**$ 17,572**	**$ 508**	**$ (18)**	**$ 18,062**
As of December 31, 2020				
U.S. Government & other government related	$ 1,535	$ 83	$ —	$ 1,618
State or local housing agency	14	1	—	15
FFELP ABS	2,922	121	(9)	3,034
Residential MBS				
GSE	13,413	147	(59)	13,501
Government guaranteed	261	8	—	269
Available-for-sale debt securities	**$ 18,145**	**$ 360**	**$ (68)**	**$ 18,437**

[a] Includes adjustments made to the cost basis of an investment for accretion, amortization, net charge-offs, fair value hedge accounting adjustments, and includes accrued interest receivable of $50 million and $53 million at March 31, 2021 and December 31, 2020.

We had sales of AFS debt securities for the periods presented.

(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 March 31, 2021				
U.S. Government & other government related	**$ 575**	**$ 21**	**$ —**	**$ 596**
Residential MBS				
GSE	**267**	**27**	**—**	**294**
Government guaranteed	**89**	**2**	**—**	**91**
Other	**13**	**—**	**—**	**13**
Held-to-maturity debt securities	**$ 944**	**$ 50**	**$ —**	**$ 994**
As of December 31, 2020				
U.S. Government & other government related	$ 1,098	$ 24	$ —	$ 1,122
Residential MBS				
GSE	285	31	—	316
Government guaranteed	94	2	—	96
Other	14	1	—	15
Held-to-maturity debt securities	$ 1,491	$ 58	$ —	$ 1,549

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

We had sales of HTM debt securities for the periods presented.

Contractual Maturity Terms

The maturity of our AFS and HTM debt securities is detailed in the following table.

	Available-for-Sale		Held-to-Maturity	
As of March 31, 2021	**Amortized Cost Basis**	**Net Carrying Amount and Fair Value**	**Amortized Cost and Net Carrying Amount**	**Fair Value**
Year of Maturity -				
Due in one year or less	**$ 1**	**$ 1**	**$ 174**	**$ 174**
Due after one year through five years	**11**	**12**	**20**	**20**
Due after five years through ten years	**464**	**473**	**279**	**291**
Due after ten years	**1,025**	**1,051**	**102**	**111**
ABS and MBS without a single maturity date	**16,071**	**16,525**	**369**	**398**
Total debt securities	**$ 17,572**	**$ 18,062**	**$ 944**	**$ 994**

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

Aging of Unrealized Temporary Losses

The following table presents unrealized temporary losses on our AFS portfolio for periods less than 12 months and for 12 months or more. We recognized no credit losses on these unrealized loss positions. Refer to the **Credit Loss Analysis** in the following section for further discussion. In the tables below, in cases where the gross unrealized losses for an investment category were less than $1 million, the losses are not reported.

	Less than 12 Months		12 Months or More		Total	
Available-for-sale debt securities	**Fair Value**	**Gross Unrealized (Losses)**	**Fair Value**	**Gross Unrealized (Losses)**	**Fair Value**	**Gross Unrealized (Losses)**
As of March 31, 2021						
U.S. Government & other government related	**$ 689**	**$ (8)**	**$ 1**	**$ —**	**$ 690**	**$ (8)**
FFELP ABS	**—**	**—**	**454**	**(6)**	**454**	**(6)**
Residential MBS						
GSE	**291**	**(1)**	**69**	**(3)**	**360**	**(4)**
Available-for-sale debt securities	**$ 980**	**$ (9)**	**$ 524**	**$ (9)**	**$ 1,504**	**$ (18)**
As of December 31, 2020						
U.S. Government & other government related	$ —	$ —	$ 2	$ —	$ 2	$ —
FFELP ABS	21	—	459	(9)	480	(9)
Residential MBS						
GSE	102	(1)	6,327	(58)	6,429	(59)
Available-for-sale debt securities	$ 123	$ (1)	$ 6,788	$ (67)	$ 6,911	$ (68)

Credit Loss Analysis

We recognized no credit losses on HTM or AFS debt securities for the periods presented. We do not intend to sell AFS securities (although in October 2020 the Bank sold PLMBS, as discussed in **Note 2 – Summary of Significant Accounting Policies** of our 2020 Form 10-K) and we believe it is more likely than not, that we will not be required to sell them prior to recovering their amortized cost. We expect to recover the entire amortized cost on these securities.

Accretion on Prior Years' Other-Than-Temporary Impairment

Increases in cash flows expected to be collected and recognized into interest income on prior years' credit related OTTI charges on our AFS and HTM PLMBS were $6 million for the three months ended March 31, 2020. As discussed in **Note 2 – Summary of Significant Accounting Policies** of our 2020 Form 10-K, we sold PLMBS during October 2020.

(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 the remaining life of our advances by the advance's contractual maturity and the related weighted average interest rate. For amortizing advances, remaining 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 March 31, 2021	Amount	Weighted Average Contractual Interest Rate
Due in one year or less	$ 13,371	0.48 %
One to two years	4,297	1.08 %
Two to three years	9,310	0.52 %
Three to four years	7,046	0.74 %
Four to five years	4,058	1.29 %
More than five years	8,418	1.76 %
Par value	$ 46,500	0.88 %

The following table reconciles the par value of our advances to the carrying amount on our statements of condition as of the dates indicated.

As of	March 31, 2021	December 31, 2020
Par value	$ 46,500	$ 45,820
Fair value hedging adjustments	385	760
Other adjustments	90	115
Advances	$ 46,975	$ 46,695

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

As of March 31, 2021	Par Value	% of Total Outstanding
One Mortgage Partners Corp.	$ 11,000 [a]	23.7 %
State Farm Mutual Automobile Insurance Company	5,004	10.8 %
The Northern Trust Company	4,854	10.4 %

[a] One Mortgage Partners Corp. (OMP) is a subsidiary of JPMorgan Chase Bank NA. Effective February 19, 2021, we terminated OMP's membership in connection with the FHFA rule that made captive insurance companies ineligible for FHLB membership.

(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 and historically purchased participations in pools of eligible mortgage loans from other FHLBs (MPF Banks). 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 or participations in pools of similar eligible mortgage loans from other MPF Banks.

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	March 31, 2021	December 31, 2020
Medium term (15 years or less)	$ 1,545	$ 1,403
Long term (greater than 15 years)	8,181	8,453
Unpaid principal balance	9,726	9,856
Net premiums, credit enhancement, and/or deferred loan fees	177	177
Fair value hedging and delivery commitment basis adjustments	(5)	8
MPF Loans held in portfolio, before allowance for credit losses	9,898	10,041
Allowance for credit losses on MPF Loans	(3)	(3)
MPF Loans held in portfolio, net	$ 9,895	$ 10,038
Conventional mortgage loans	$ 8,861	$ 8,979
Government Loans	865	877
Unpaid principal balance	$ 9,726	$ 9,856

The above table excludes MPF Loans acquired under the MPF Xtra®, MPF Direct, and MPF Government MBS products. See **Note 2 - Summary of Significant Accounting Policies** in our 2020 Form 10-K for information related to the accounting treatment of these off balance sheet MPF Loan products.

Coronavirus Disease 2019 (COVID-19) Forbearance

Section 4013 of the CARES Act provides temporary relief from the accounting and reporting requirements for troubled debt restructurings (TDRs) for certain loan modifications related to COVID-19. Specifically, the CARES Act provides that a qualifying financial institution may elect to suspend (1) the requirements under U.S. GAAP for certain loan modifications that would otherwise be categorized as a TDR, and (2) any determination that such loan modifications would be considered a TDR, including the related impairment for accounting purposes. Section 4013 of the CARES Act applies to any modification related to an economic hardship as a result of the COVID-19 pandemic, including a forbearance arrangement, an interest rate modification, a repayment plan, or any similar arrangement that defers or delays payment of principal or interest, that occurs during the period beginning on March 1, 2020 and ending on the earlier of December 31, 2020 or the date that is 60 days after the declaration of the national emergency related to the COVID-19 pandemic ends for a loan that was not more than 30 days past due as of December 31, 2019. On December 27, 2020, the Consolidated Appropriations Act, 2021, was signed into law, extending the applicable end period to the earlier of January 1, 2022, or 60 days following the termination of the national emergency related to the COVID-19 pandemic . We have elected to suspend TDR accounting for eligible modifications under Section 4013 of the CARES Act, such modifications to loans outstanding as of March 31, 2021 were $7 million.

Our servicers may grant a forbearance period to borrowers who have requested forbearance based on COVID-19 related difficulties regardless of the status of the loan at the time of the request. We continue to apply our accounting policy for past due loans and charge-offs to loans during the forbearance period whether it be formal or informal. A charge-off is not recognized when there is a presumption we will collect on a loan even if it is 180 days past due. The accrual status for loans under forbearance will be driven by the past due status of the loan as the legal terms of the contractual arrangement have not been modified.

As of March 31, 2021, there were $249 million in unpaid principal balance (UPB) of conventional loans in a forbearance plan as a result of COVID-19. $110 million in UPB of these conventional loans in forbearance had a current payment status, $13 million were 30 to 59 days past due, $9 million were 60 to 89 days past due, and $117 million were greater than 90 days past due and in nonaccrual payment status. These loans in forbearance represents 3% of our MPF Loans held in portfolio at March 31, 2021.

(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 2020 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 credit worthiness of our counterparties. See **Note 8 - Allowance for Credit Losses** to the financial statements in our 2020 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 for MPF Loans.

	Three months ended March 31,	
For the periods ending	**2021**	2020
Allowance for MPF credit losses beginning balance	**$ 3**	1
Allowance for MPF credit losses charged off	—	(1)
Provision for (reversal of) allowance for MPF for credit losses	—	2
Allowance for MPF credit losses ending balances	**$ 3**	$ 2

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

As of March 31, 2021 we had $45 million in Fund loans outstanding, unchanged from $45 million at December 31, 2020, recorded in Other assets in our Statements of Condition.

Under the “currently expected credit losses” methodology (CECL), on January 1, 2020, we recorded a $7 million allowances for credit losses on a basis of expected losses over the life of the loans. As of March 31, 2021, all Fund loans were current.

The following table details our allowance for credit losses on Fund loans. As we had not incurred any credit losses under the pre-CECL accounting policy, we had no allowance prior to 2020.

	Three months ended March 31,	
For the year ended December 31,	**2021**	2020
Allowance for Fund loan credit losses beginning balance	**$ 7**	$ —
Adjustment for cumulative effect of accounting change	—	7
Allowance for Fund loan credit losses ending balances	**$ 7**	$ 7

Notes to 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. See **COVID-19 Forbearance** in **Note 7 – MPF Loans Held in Portfolio** for more information on how the forbearance impacts the accounting for the below credit quality indicators.

	March 31, 2021			December 31, 2020		
	Conventional MPF Amortized Cost by Origination Year			Conventional MPF Amortized Cost by Origination Year		
	2017 to 2021	**Prior to 2017**	**Total**	2016 to 2020	Prior to 2016	Total
Past due 30-59 days	**$ 42**	**$ 32**	**$ 74**	$ 47	$ 23	$ 70
Past due 60-89 days	**12**	**9**	**21**	17	9	26
Past due 90 days or more	**94**	**50**	**144**	121	38	159
Past due	**148**	**91**	**239**	185	70	255
Current	**7,474**	**1,307**	**8,781**	7,984	912	8,896
Total	**$ 7,622**	**$ 1,398**	**$ 9,020**	$ 8,169	$ 982	$ 9,151

	March 31, 2021			December 31, 2020		
	Amortized Cost			Amortized Cost		
As of	**Conventional**	**Government**	**Total**	Conventional	Government	Total
In process of foreclosure	**$ 14**	**$ 16**	**$ 30**	$ 13	$ 5	$ 18
Serious delinquency rate	**1.66 %**	**4.97 %**	**1.96 %**	1.78 %	4.22 %	2.00 %
Past due 90 days or more and still accruing interest	**$ 46**	**$ 33**	**$ 79**	$ 48	$ 17	$ 65
Loans on nonaccrual status	**109**	**—**	**109**	120	—	120
Loans on nonaccrual status with no allowance for credit losses	**23**	**—**	**23**	21	—	21

Accrued interest receivable

We present accrued interest receivable separately for loans and HTM debt securities which are carried at amortized cost. We do not measure an allowance for credit losses on accrued interest receivables as we reverse accrued interest on a monthly basis in the event of an interest shortfall.

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

Financial instrument type	**March 31, 2021**	**December 31, 2020**
MPF Loans held in portfolio	**$ 47**	$ 48
HTM securities	**5**	5
Advances	**35**	37
Accrued interest receivable	**$ 87**	$ 90

Note 9 – Derivatives and Hedging Activities

Refer to **Note 2 - Summary of Significant Accounting Policies** in our 2020 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 LIBOR. Our cash flow hedge strategy is to hedge the variability in the total proceeds received from rolling forecasted zero-coupon discount note issuance, 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 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 extent to which master netting arrangements, collateral requirements and other credit enhancements are included in such contracts to mitigate the risk. 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. Additionally, collateral related to over-the-counter derivatives with member institutions includes collateral assigned to us, as evidenced by a written security agreement, and which may be held by the member institution for our benefit. As of March 31, 2021, 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** in our 2020 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.

For nearly all of our bilateral derivative transactions executed prior to March 1, 2017, and for all transactions entered into after March 1, 2017, our bilateral derivative agreements are fully collateralized with a zero unsecured threshold in accordance with variation margin requirements issued by the U.S. federal bank regulatory agencies and the Commodity Futures Trading Commission (CFTC). In this regard, we pledged $474 million of investment securities that can be sold or repledged by our counterparty, as of March 31, 2021, on our bilateral derivative transactions.

For certain transactions executed prior to March 1, 2017, we may be required to post net additional collateral with our counterparties if there is deterioration in our credit rating. If our credit rating had been lowered from its current rating to the next lower rating by a major credit rating agency, such as Standard and Poor's or Moody’s, the amount of collateral we would have been required to deliver would have been immaterial at March 31, 2021.

Cleared Derivative Transactions: Cleared derivative transactions are subject to variation and initial margin requirements established by the DCO and its clearing members. As a result of rule changes adopted by our DCOs, 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 2020 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. In this regard, we pledged $595 million of investment securities that can be sold or repledged, as part of our initial margin related to cleared derivative transactions at March 31, 2021. 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 March 31, 2021.

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

The following table presents details on the notional amounts, and cleared and bilateral derivative assets and liabilities on our 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.

	March 31, 2021			December 31, 2020		
As of	**Notional Amount**	**Derivative Assets**	**Derivative Liabilities**	Notional Amount	Derivative Assets	Derivative Liabilities
Derivatives in hedge accounting relationships-						
Interest rate contracts	**$ 50,964**	**$ 149**	**$ 627**	$ 39,493	$ 65	$ 729
Derivatives not in hedge accounting relationships-						
Interest rate contracts	**8,774**	**36**	**94**	11,265	46	141
Mortgage delivery commitments	**2,272**	**16**	**17**	2,831	5	7
Other	**245**	**1**	**—**	257	—	1
Derivatives not in hedge accounting relationships	**11,291**	**53**	**111**	14,353	51	149
Gross derivative amount before netting adjustments and cash collateral	**$ 62,255**	**202**	**738**	$ 53,846	$ 116	878
Netting adjustments and cash collateral		**(187)**	**(203)**		(111)	(187)
Derivatives on statements of condition		**$ 15**	**$ 535**		$ 5	$ 691
	Cash Collateral			**Cash Collateral**		
Cash collateral posted and related accrued interest	**$ 57**			$ 84		
Cash collateral received and related accrued interest	**41**			8		

The following table presents the noninterest income - derivatives and hedging activities as presented in the statements of income.

	Three months ended March 31,	
For the periods ending	**2021**	2020
Economic hedges -		
Interest rate contracts	**$ 27**	(148)
Mortgage delivery commitments	**(13)**	14
Other	**6**	(8)
Economic hedges	**20**	(142)
Variation margin on daily settled cleared derivatives	**—**	4
Noninterest income - Derivatives and hedging activities	**$ 20**	$ (138)

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

The following table presents details regarding the offsetting of our cleared and bilateral derivative assets and liabilities on our 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.

	Derivative Assets			Derivative Liabilities		
	Bilateral	Cleared	Total	Bilateral	Cleared	Total
As of March 31, 2021						
Derivatives with legal right of offset -						
Gross recognized amount	**$ 111**	**$ 76**	**$ 187**	**$ 613**	**$ 107**	**$ 720**
Netting adjustments and cash collateral	**(111)**	**(76)**	**(187)**	**(127)**	**(76)**	**(203)**
Derivatives with legal right of offset - net	**—**	**—**	**—**	**486**	**31**	**517**
Derivatives without legal right of offset	**15**	**—**	**15**	**18**	**—**	**18**
Derivatives on statements of condition	**15**	**—**	**15**	**504**	**31**	**535**
Less:						
Noncash collateral received or pledged and cannot be sold or repledged	**—**	**—**	**—**	**474**	**31**	**505**
Net amount	**$ 15**	**$ —**	**$ 15**	**$ 30**	**$ —**	**$ 30**
As of December 31, 2020						
Derivatives with legal right of offset -						
Gross recognized amount	$ 60	$ 51	$ 111	$ 812	$ 59	$ 871
Netting adjustments and cash collateral	(60)	(51)	(111)	(136)	(51)	(187)
Derivatives with legal right of offset - net	—	—	—	676	8	684
Derivatives without legal right of offset	5	—	5	7	—	7
Derivatives on statements of condition	5	—	5	683	8	691
Less:						
Noncash collateral received or pledged and cannot be sold or repledged	—	—	—	668	8	676
Net amount	$ 5	$ —	$ 5	$ 15	$ —	$ 15

At March 31, 2021, we had $563 million of additional credit exposure on cleared derivatives due to pledging of noncash collateral to our DCOs (for initial margin), which exceeded our cleared net derivative liability position. We had $0.3 million additional credit exposure on bilateral derivatives, which exceeded our bilateral net derivative liability position. At December 31, 2020, we had $615 million of comparable exposure on our cleared derivatives and $1 million on our bilateral derivatives.

(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 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 we did not have any active fair value hedges on our MPF Loans as of March 31, 2021.

	Gain (Loss) on Derivative	Gain (Loss) on Hedged Item	Amount Recorded in Net Interest Income
Three months ended March 31, 2021			
Available-for-sale debt securities	**$ 735**	**$ (831)**	**$ (96)**
Advances	**336**	**(375)**	**(39)**
Consolidated obligation bonds	**(205)**	**252**	**47**
Other	**—**	**(1)**	**(1)**
Total	**$ 866**	**$ (955)**	**$ (89)**
Three months ended March 31, 2020			
Available-for-sale debt securities	$ (1,258)	$ 1,271	$ 13
Advances	(730)	715	(15)
Consolidated obligation bonds	252	(245)	7
Total	$ (1,736)	$ 1,741	$ 5

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. 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 we did not have any active fair value hedges on our MPF Loans as of March 31, 2021.

As of March 31, 2021	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
Advances	**$ 17,932**	**$ 383**	**$ 3**	**$ 386**
Available-for-sale securities	**12,767**	**682**	**—**	**682**
Consolidated obligation bonds	**20,567**	**(31)**	**(20)**	**(51)**
Other	**328**	**—**	**8**	**8**

Cash Flow Hedges

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

We are exposed to the variability in the total net proceeds received from forecasted zero-coupon discount note 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 the total net proceeds received from our "rolling" forecasted zero-coupon discount note issuances attributable to changes in the benchmark interest rate. The maximum length of time over which we are hedging this exposure is 9 years. We reclassify amounts in AOCI into our 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. The deferred net gains (losses) on derivative instruments in AOCI that are expected to be reclassified to earnings during the next twelve months were immaterial as of March 31, 2021.

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 statements of income. In this regard, the **Amount Reclassified from AOCI into Net Interest Income** column 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.

	Gross Amount Initially Recognized in AOCI	Amount Reclassified from AOCI into Net Interest Income
Three months ended March 31, 2021		
Discount notes	**$ 37**	**$ (4)**
Three months ended March 31, 2020		
Discount notes	$ (48)	$ (4)

(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 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	March 31, 2021	December 31, 2020
Consolidated obligation discount notes - carrying amount	$ 45,262	$ 48,643
Consolidated obligation discount notes - par amount	45,268	48,654
Weighted Average Interest Rate	0.07 %	0.10 %

The following table presents the remaining life of our consolidated obligation bonds by the bond's 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 March 31, 2021	Contractual Maturity	Weighted Average Interest Rate	By Maturity or Next Call Date
Due in one year or less	$ 10,779	0.89 %	$ 27,012
One to two years	9,473	1.24 %	9,382
Two to three years	1,954	1.47 %	1,708
Three to four years	1,890	1.06 %	768
Four to five years	6,766	0.68 %	875
Thereafter	9,460	1.79 %	577
Total par value	$ 40,322	1.19 %	$ 40,322

The following table presents consolidated obligation bonds outstanding by call feature:

As of	March 31, 2021	December 31, 2020
Noncallable	$ 22,860	$ 35,075
Callable	17,462	7,397
Par value	40,322	42,472
Fair value hedging adjustments	(51)	200
Other adjustments	(11)	(2)
Consolidated obligation bonds	$ 40,260	$ 42,670

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 March 31, 2021, and December 31, 2020. See **Note 16 - Commitments and Contingencies** in our 2020 Form 10-K for further details.

	March 31, 2021			December 31, 2020		
Par values as of	Bonds	Discount Notes	Total	Bonds	Discount Notes	Total
FHLB System total consolidated obligations	$451,587	$244,798	$696,385	$471,919	$274,853	$ 746,772
FHLB Chicago as primary obligor	40,322	45,268	85,590	42,472	48,654	91,126
As a percent of the FHLB System	9 %	18 %	12 %	9 %	18 %	12 %

(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 2020 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 2020 Form 10-K. We complied with our minimum regulatory capital requirements as shown below.

	March 31, 2021		December 31, 2020	
	Requirement	**Actual**	Requirement	Actual
Total regulatory capital	**$ 3,784**	**$ 6,363**	$ 4,014	$ 6,361
Total regulatory capital ratio	**4.00 %**	**6.73 %**	4.00 %	6.34 %
Leverage capital	**$ 4,730**	**$ 9,544**	$ 5,018	$ 9,541
Leverage capital ratio	**5.00 %**	**10.09 %**	5.00 %	9.51 %
Risk-based capital	**$ 2,045**	**$ 6,363**	$ 1,587	$ 6,361

Total regulatory capital and leverage capital includes mandatorily redeemable capital stock (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.

The following members had regulatory capital stock exceeding 10% of our total regulatory capital stock outstanding (which includes MRCS):

As of March 31, 2021	**Regulatory Capital Stock Outstanding**	**% of Total Outstanding**	**Amount of Which is Classified as a Liability (MRCS)**
One Mortgage Partners Corp.	**$ 245** [a]	**10.7 %**	**$ 245**

[a] One Mortgage Partners Corp. (OMP) is a subsidiary of JPMorgan Chase Bank NA. Effective February 19, 2021, we terminated OMP's membership in connection with the FHFA rule that made captive insurance companies ineligible for FHLB membership.

Dividends

Our ability to pay dividends is subject to the FHLB Act and FHFA regulations. On April 27, 2021 our Board of Directors declared a 5.00% dividend (annualized) for Class B1 activity stock and a 2.00% dividend (annualized) for Class B2 membership stock based on our preliminary financial results for the first quarter of 2021. This dividend totaled $24 million (recorded as $21 million dividends on capital stock and $3 million interest expense on mandatorily redeemable capital stock) and is scheduled for payment on May 13, 2021. 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.

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

Repurchase of Excess Capital Stock

Members may request repurchase of excess capital stock on any business day. Additionally, starting on March 15, 2021, and continuing 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 monthly repurchases, will continue until otherwise announced, but remain subject to our regulatory requirements, certain financial and capital thresholds, and prudent business practices.

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	Non-credit OTTI - Held-to-maturity Debt Securities	Net Unrealized - Cash Flow Hedges	Post-Retirement Plans	Total in AOCI
Three months ended March 31, 2021					
Beginning balance	**$ 292**	**$ —**	**$ (65)**	**$ (20)**	**$ 207**
Change in the period recorded to the statements of condition	**198**	**—**	**37**	**(10)**	**225**
Amounts reclassified in period to statements of income:					
Net interest income	**—**	**—**	**4**		**4**
Noninterest expense				**5**	**5**
Ending balance	**$ 490**	**$ —**	**$ (24)**	**$ (25)**	**$ 441**
Three months ended March 31, 2020					
Beginning balance	$ 104	$ (85)	$ (38)	$ (10)	$ (29)
Change in the period recorded to the statements of condition	(631)	4	(48)	(12)	(687)
Amounts reclassified in period to statements of income:					
Net interest income	—	—	4		4
Noninterest expense				1	1
Ending balance	$ (527)	$ (81)	$ (82)	$ (21)	$ (711)

(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 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 2020 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 2020 Form 10-K for our fair value policies and **Note 15 - Fair Value** in our 2020 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.

	Carrying Amount	Fair Value	Level 1	Level 2	Level 3	Netting & Cash Collateral
March 31, 2021						
Carried at amortized cost						
Cash and due from banks and interest bearing deposits	$ 4,650	$ 4,650	$ 4,650			
Federal Funds sold and securities purchased under agreements to resell	10,510	10,510		$ 10,510		
Held-to-maturity debt securities	944	994		981	$ 13	
Advances	45,762	46,090		46,090		
MPF Loans held in portfolio, net	9,888	10,078		10,060	18	
Other assets	87	87		87		
Carried at fair value on a recurring basis						
Trading debt securities	3,143	3,143		3,143		
Available-for-sale debt securities	18,062	18,062		18,062		
Advances	1,213	1,213		1,213		
Derivative assets	15	15		202		$ (187)
Other assets - held for sale at fair value	83	83		83		
Carried at fair value on a nonrecurring basis						
MPF Loans held in portfolio, net	7	7			7	
Financial assets	94,364	$ 94,932	$ 4,650	$ 90,431	$ 38	$ (187)
Other non financial assets	233					
Assets	$ 94,597					
Carried at amortized cost						
Deposits	$ (1,176)	$ (1,176)		$ (1,176)		
Consolidated obligation discount notes	(45,262)	(45,265)		(45,265)		
Consolidated obligation bonds	(39,418)	(39,522)		(39,522)		
Mandatorily redeemable capital stock	(262)	(262)	$ (262)			
Other liabilities	(98)	(98)		(98)		
Carried at fair value on a recurring basis						
Consolidated obligation bonds	(842)	(842)		(842)		
Derivative liabilities	(535)	(535)		(738)		$ 203
Financial liabilities	(87,593)	$ (87,700)	$ (262)	$ (87,641)	$ —	$ 203
Other non financial liabilities	(462)					
Liabilities	$ (88,055)					

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

	Carrying Amount	Fair Value	Level 1	Level 2	Level 3	Netting & Cash Collateral
December 31, 2020						
Carried at amortized cost						
Cash and due from banks and interest bearing deposits	$ 4,396	$ 4,396	$ 4,396			
Federal Funds sold and securities purchased under agreements to resell	14,245	14,245		$ 14,245		
Held-to-maturity debt securities	1,491	1,549		1,534	$ 15	
Advances	45,380	45,696		45,696		
MPF Loans held in portfolio, net	10,020	10,332		10,327	5	
Other assets	90	90		90		
Carried at fair value on a recurring basis						
Trading debt securities	4,621	4,621		4,621		
Available-for-sale debt securities	18,437	18,437		18,437		
Advances	1,315	1,315		1,315		
Derivative assets	5	5		116		$ (111)
Other assets - held for sale at fair value	105	105		105		
Carried at fair value on a nonrecurring basis						
MPF Loans held in portfolio, net	18	18			18	
Financial assets	100,123	$ 100,809	$ 4,396	$ 96,486	$ 38	$ (111)
Other non financial assets	233					
Assets	$ 100,356					
Carried at amortized cost						
Deposits	$ (1,284)	$ (1,284)		$ (1,284)		
Consolidated obligation discount notes	(46,643)	(46,644)		(46,644)		
Consolidated obligation bonds	(40,826)	(41,183)		(41,183)		
Mandatorily redeemable capital stock	(279)	(279)	$ (279)			
Other liabilities	(89)	(89)		(89)		
Carried at fair value on a recurring basis						
Consolidated obligation discount notes	(2,000)	(2,000)		(2,000)		
Consolidated obligation bonds	(1,844)	(1,844)		(1,844)		
Derivative liabilities	(691)	(691)		(878)		187
Financial liabilities	(93,656)	$ (94,014)	$ (279)	$ (93,922)	$ —	$ 187
Other non financial liabilities	(411)					
Liabilities	$ (94,067)					

We had no transfers between levels for the periods shown.

(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 **Statements of Condition**. Refer to our **Note 2 – Summary of Significant Accounting Policies** to the financial statements in our 2020 Form 10-K for further details.

The following table presents the changes in fair values of financial assets and liabilities carried at fair value under the fair value option. These changes were recognized in noninterest income - instruments held under the fair value option in our statements of income.

	Three months ended March 31,	
	2021	2020
Advances	**$ (28)**	$ 60
Other assets	**(2)**	2
Discount notes	**—**	(14)
Consolidated obligation bonds	**1**	(8)
Noninterest income - Instruments held under fair value option	**$ (29)**	$ 40

The following table reflects the difference between the aggregate 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.

	March 31, 2021		December 31, 2020	
As of	**Advances**	**Consolidated Obligation Bonds**	Advances	Consolidated Obligation Bonds
Unpaid principal balance	**$ 1,139**	**$ 839**	$ 1,213	$ 1,839
Fair value over (under) UPB	**74**	**3**	102	5
Fair value	**$ 1,213**	**$ 842**	$ 1,315	$ 1,844

(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.

	March 31, 2021			December 31, 2020		
As of	**Expire within one year**	**Expire after one year**	**Total**	Expire within one year	Expire after one year	Total
Member standby letters of credit	**$ 4,194**	**$ 6,335** [a]	**$ 10,529**	$ 10,446	$ 5,949 [a]	$ 16,395
MPF delivery commitments	**1,269**	**—**	**1,269**	1,527	—	1,527
Advance commitments	**227**	**2**	**229**	583	12	595
Housing authority standby bond purchase agreements	**42**	**417**	**459**	10	455	465
Unsettled consolidated obligation bonds	**335**	**—**	**335**	125	—	125
Other	**3**	**—**	**3**	3	—	3
Commitments	**$ 6,070**	**$ 6,754**	**$ 12,824**	$ 12,694	$ 6,416	$ 19,110

[a] Contains $5.4 billion and $5.2 billion of member standby letters of credit as of March 31, 2021, and December 31, 2020, which were renewable annually.

For a description of defined terms see **Note 16 - Commitments and Contingencies** to the financial statements in our 2020 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 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 periods presented. The related net income impacts to our Statements of Income were not material.

As of	**March 31, 2021**	December 31, 2020
Assets - Advances	**$ 185**	$ 252
Liabilities - Deposits	**21**	15
Equity - Capital Stock	**17**	17

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.

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 a fee.

Material transactions with other FHLBs are identified on the face of our **Financial Statements.**

FHLBank Chicago

Federal Home Loan Bank of Chicago

(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.

Selected Financial Data

	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Selected statements of condition data					
Investments [a]	**$ 33,514**	$ 39,649	$ 36,364	$ 36,005	$ 37,249
Advances	**46,975**	46,695	49,771	49,250	55,005
MPF Loans held in portfolio, net	**9,895**	10,041	10,529	10,947	10,647
Total assets	**94,597**	100,356	98,387	96,731	103,443
Consolidated obligation discount notes	**45,262**	48,643	41,801	37,440	47,095
Consolidated obligation bonds	**40,260**	42,670	47,970	51,760	48,593
Capital stock	**2,019**	2,010	2,041	1,837	1,954
Retained earnings	**4,082**	4,072	3,936	3,873	3,822
Total capital	**6,542**	6,289	5,904	5,347	5,065
Other selected data at period end					
Member standby letters of credit outstanding	**$ 10,529**	$ 16,395	$ 21,666	$ 24,825	$ 25,192
MPF Loans par value outstanding - FHLB System [b]	**69,107**	70,326	71,297	71,768	70,347
MPF Loans par value outstanding - FHLB Chicago PFIs [b]	**18,922**	18,934	18,957	18,772	17,954
Number of members	**680**	686	683	687	685
Total employees (full and part time)	**469**	474	486	488	487
Selected statements of income data					
Net interest income after provision for credit losses	**$ 110**	$ 142	$ 168	$ 134	$ 144
Noninterest income	**(13)**	101 [d]	(8)	9	2
Noninterest expense	**61**	68	65	85	57
Net income	**32**	157 [d]	85	52	80
Other selected MPF data during the periods [b]					
MPF Loans par value amounts funded - FHLB System	**$ 5,364**	$ 6,672	$ 7,145	$ 8,641	$ 4,929
Quarterly number of PFIs funding MPF products - FHLB System	**710**	707	730	764	783
MPF Loans par value amounts funded - FHLB Chicago PFIs	**$ 1,703**	$ 1,999	$ 2,371	$ 2,985	$ 1,497
Quarterly number of PFIs funding MPF products - FHLB Chicago	**177**	178	184	195	197
Selected ratios (rates annualized)					
Total regulatory capital to assets ratio	**6.73 %**	6.34 %	6.36 %	6.20 %	5.90 %
Market value of equity to book value of equity	**107 %**	105 %	106 %	104 %	103 %
Primary mission asset ratio [c]	**70.3 %** [e]	71.5 % [e]	71.6 % [e]	71.5 % [e]	71.2 % [e]
Dividend rate class B1 activity stock-period paid	**5.00 %**	5.00 %	5.00 %	5.00 %	5.00 %
Dividend rate class B2 membership stock-period paid	**2.00 %**	2.25 %	2.25 %	2.25 %	2.25 %
Return on average assets	**0.13 %**	0.62 % [d]	0.33 %	0.20 %	0.30 %
Return on average equity	**1.99 %**	10.06 % [d]	6.13 %	3.41 %	5.41 %
Average equity to average assets	**6.53 %**	6.16 %	5.38 %	5.87 %	5.55 %
Net yield on average interest-earning assets	**0.46 %**	0.58 %	0.67 %	0.54 %	0.57 %
Return on average Regulatory Capital spread to three month LIBOR index	**1.83 %**	9.61 % [d]	3.23 %	2.88 %	3.80 %
Cash dividends-period paid	**$ 22**	$ 21	$ 22	$ 20	$ 21
Dividend payout ratio-period paid	**68.75 %**	13.38 %	26.00 %	38.00 %	26.00 %

[a] Includes investment debt securities, interest bearing deposits, Federal Funds sold, and securities purchased under agreements to resell.

[b] Includes all MPF products, whether on or off our balance sheet. See **Mortgage Partnership Finance Program** on page 8 in our 2020 Form 10-K.

[c] 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 2020 Form 10-K for more information.

[d] The selected line items are relatively higher when compared to the same line items in other quarters as a result of gains on our investment securities due to the sale of our AFS and HTM private label mortgage backed securities (PLMBS) during the fourth quarter of 2020. See **Note 2 - Summary of Significant Accounting Policies** of our Form 10-K for the year ended 2020 for more information.

[e] We have revised the previously disclosed primary mission asset ratios to reflect an adjusted calculation. See **Mission Asset Ratio** on page 5 in our 2020 Form 10-K for more information on the related FHFA advisory bulletin guidance.

(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 of management, 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 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:

- the impact of the coronavirus disease 2019 (COVID-19) pandemic on the global and national economies and on our and our members' businesses;

- the loss or changes in business activities with significant members; changes in the demand by our members for advances, including as a result of the Federal Reserve's emergency actions to increase liquidity along with market conditions resulting from the COVID-19 pandemic, 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, including our ability to develop and implement business strategies focused on maintaining net interest income; 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 for certain future advance borrowings, our ability to continue to pay enhanced dividends on our activity stock or our ability to maintain current levels of dividends, 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;

- general economic and market conditions, including the timing and volume of market activity, inflation/deflation, 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; volatility resulting from the effects of, and changes in, various monetary or fiscal policies and regulations, 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; disruptions in the credit and debt markets and the effect on future funding costs, sources, and availability; the impact of the occurrence of a major natural or other disaster, a pandemic such as the COVID-19 pandemic or other disruptive event; the impact of climate change;

- 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; 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;
- uncertainties relating to the scheduled phase-out of the London Interbank Offered Rate (LIBOR);
- 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 the proposals and legislation related to housing finance and 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 as a result of the Housing and Economic Recovery Act of 2008 (Housing Act) or as may otherwise be issued by our regulator; the potential designation of us as a nonbank financial company for supervision by the Federal Reserve;
- 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 attract and retain skilled employees;
- the impact of new 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 23 in our 2020 Annual Report on Form 10-K (2020 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

First Quarter 2021 Financial Highlights

At the end of the first quarter of 2021, advances and MPF Loans outstanding remained relatively level amid market uncertainties and historically low rates.

- Advances outstanding increased $0.3 billion to $47.0 billion at March 31, 2021, up from $46.7 billion at December 31, 2020. We believe many of our depository members experienced an inflow of deposits on their balance sheets along with reduced loan demand, while also having access to other liquidity sources as a result of certain government actions related to the COVID-19 pandemic. Although these factors continued to limit our depository members' need for advances, increased advance borrowing by insurance company members has offset the decrease by depository members.
- MPF Loans held in portfolio continued to remain steady at $9.9 billion at March 31, 2021, down slightly from $10.0 billion at December 31, 2020.
- Total investment securities decreased 10% to $22.1 billion at March 31, 2021, down from $24.5 billion at December 31, 2020, primarily due to a reduction in investment in Treasury securities that matured and were not replaced.
- Total assets decreased to $94.6 billion as of March 31, 2021, compared to $100.4 billion as of December 31, 2020, primarily due to a decrease in short-term liquidity assets and investment securities.
- Letters of credit commitments decreased to $10.5 billion at March 31, 2021, down from $16.4 billion at December 31, 2020, primarily due to one of our former captive insurance company members reducing its letters of credit usage in anticipation of membership termination on February 19, 2021.
- We recorded net income of $32 million in the first quarter of 2021, down from $80 million in the first quarter of 2020, primarily due to decreased interest income across all asset categories, partially offset by decreased interest expense, and other factors described below.
- Net interest income after provision for credit losses for the first quarter of 2021 was $110 million, down from $144 million for the first quarter of 2020. This decrease is a result, in part, of the low interest rate environment since the Federal Reserve dramatically lowered interest rates in response to the COVID-19 pandemic. As discussed above, lower demand for advances from our depository members has also impacted our net interest income. Hedge ineffectiveness losses also increased approximately $48 million from a gain of $20 million in the first quarter of 2020 to a loss of $28 million for the same period in 2021, primarily driven by the increase in long-term interest rates and the interest rate curve steepening during the first quarter of 2021. Additionally, advance prepayments throughout 2020 resulted in a decline in our portfolio of higher interest earning advances which reduced the yield earned and balance outstanding on our advance portfolio in the first quarter of 2021 compared to the same period in 2020. Further, the yield earned and balance outstanding on our investment securities during the first quarter 2021 as compared to the same period in 2020 declined primarily as a result of the sale of our private label mortgage backed securities in October 2020.
- In the first quarter of 2021, noninterest income (loss) was ($13) million, down $15 million from $2 million for the first quarter of 2020, primarily due to losses on assets carried at fair value (trading securities and instruments held under fair value option, which were not completely offset by economic hedging gains).
- We remained in compliance with all of our regulatory capital requirements as of March 31, 2021.

Summary and Outlook

At the Bank, our mission, vision, values, and commitment to diversity, equity, and inclusion serve as our guides to support member businesses and their communities now and for years to come. Our new, rebranded visual identity reflects these pillars and what makes us the Federal Home Loan Bank of Chicago—our geographic district of Illinois and Wisconsin, our members, and the diverse communities our members serve.

Our new headquarters located in Chicago's historic Old Post Office (433 West Van Buren Street, Suite 501S, Chicago, Illinois 60607) enabled us to create an office space designed to enrich innovation and collaboration to develop the products, services, and solutions members value most. As we continue to monitor COVID-19 developments, we do not anticipate fully opening our office until the late summer.

The extent to which the COVID-19 pandemic will affect or will continue to affect our business, financial condition, and results of operations will depend on future developments, which are uncertain and cannot be predicted. For a discussion of the risks and potential risks facing the Bank as a result of the COVID-19 pandemic, see Risk Factors on starting on page 23 of our 2020 form 10-K.

FHLBank Chicago Federal Home Loan Bank of Chicago

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

First Quarter 2021 Dividends and Dividend Guidance

Based on our preliminary financial results for the first quarter of 2021, the Board of Directors declared a dividend of 5.00% (annualized) for Class B1 activity stock. We pay a higher dividend per share on Class B1 activity stock to recognize members that support the entire cooperative through the use of our products. The higher dividend received on Class B1 activity stock has the effect of lowering members' borrowing costs, and this benefit has continued on a relative basis as the Federal Reserve has maintained lower interest rates.

We expect to maintain a 5.00% (annualized) dividend for Class B1 activity stock for the second and third quarters of 2021, based on current projections and assumptions regarding our financial condition. We are providing this information to assist members in planning advance, letters of credit, and MPF on-balance sheet product activity with us.

Based on our preliminary financial results for the first quarter of 2021, the Board of Directors declared a dividend of 2.00% (annualized) for Class B2 membership stock.

The dividend for the first quarter of 2021 will be paid by crediting members' DID accounts on May 13, 2021. Any future dividend payments remain 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.

New COVID-19 Relief Advance

In April of last year, we made available to all members a $4 million zero-rate advance with a 1-year maturity as part of our COVID-19 Relief Program (which is further discussed in COVID-19 Relief Programs on page 13 of our 2020 Form 10-K). As these advances mature this May, we announced a new zero-rate advance opportunity for all of our member institutions; some of the terms include:

- Maximum borrowing amount is $5 million (an increase of $1 million from last year's level) and 1-year term with no prepayment penalty, and
- 2% Reduced Capitalization Advance Program (RCAP) activity stock requirement.

Investing in Members' Communities

Our community investment products and programs help meet our members' homeownership, affordable housing, economic development, and community lending goals. Below are current opportunities available to our members:

- DPP: Our Downpayment Plus® (DPP®) Programs opened on January 19, 2021. At the end of the first quarter of 2021, 133 members have provided down payment assistance grants to support 635 low- to moderate-income homebuyers.
- AHP: The 2021 Affordable Housing Program (AHP) General Fund will open for applications on May 3, 2021. We expect to award approximately $28.6 million in 2021 to projects that support critical funding for affordable housing.
- Community Advances: To support our members' community lending initiatives, as of March 26, 2021, the member limit for the Community Housing Advance and Community Development Advance with maturities greater than 10 years increased from $5 million to $10 million annually. To lower members' borrowing cost when lending to small businesses, the Community Small Business Advance provides 0% financing for small business lending in Illinois and Wisconsin.

Committing to Diversity, Equity, and Inclusion

Our commitment to diversity, equity, and inclusion (DEI) is woven into all that we do to support the diverse communities our members serve. Last year, through our COVID-19 Relief Program and Targeted Impact Fund, we saw the positive impact our products and programs can have in promoting equity across our district of Illinois and Wisconsin. In numerous ways, we also saw that members share our deep commitment to DEI, and it inspired our DEI goals for this year:

- Evaluate how our products and programs can better promote racial equity,
- Identify ways to help raise awareness of racial equity dynamics that exist in the affordable housing and community development space, and
- Seek new solutions that can increase equitable opportunities across our district.

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

Critical Accounting Policies and Estimates

For a detailed description of our **Critical Accounting Policies and Estimates** see page 44 in our 2020 Form 10-K.

There have been no significant changes to our critical accounting estimates subsequent to December 31, 2020.

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 and credit OTTI reversals;
- Hedge ineffectiveness, which represents the difference between changes in fair value of the derivative hedging instrument and the related change in fair value of the hedged item 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. 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 fees.

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 accumulated other comprehensive income (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.

(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

	March 31, 2021			March 31, 2020			**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	**$ 22,628**	**$ 50**	**0.88 %**	$ 23,009	$ 193	3.36 %	**$ —**	**$ (143)**	**$ (143)**
Advances	**51,053**	**76**	**0.60 %**	56,066	238	1.70 %	**(8)**	**(154)**	**(162)**
MPF Loans held in portfolio	**9,881**	**63**	**2.55 %**	10,227	87	3.40 %	**(2)**	**(22)**	**(24)**
Federal funds sold and securities purchased under agreements to resell	**11,395**	**2**	**0.07 %**	11,808	38	1.29 %	**—**	**(36)**	**(36)**
Other interest earning assets	**1,056**	**1**	**0.38 %**	2,137	9	1.68 %	**(1)**	**(7)**	**(8)**
Interest earning assets	**96,013**	**192**	**0.80 %**	103,247	565	2.19 %	**(14)**	**(359)**	**(373)**
Noninterest earning assets	**2,305**			2,109					
Total assets	**98,318**			105,356					
Consolidated obligation discount notes	**47,732**	**15**	**0.13 %**	48,006	185	1.54 %	**(1)**	**(169)**	**(170)**
Consolidated obligation bonds	**41,218**	**64**	**0.62 %**	48,879	228	1.87 %	**(11)**	**(153)**	**(164)**
Other interest bearing liabilities	**1,250**	**3**	**0.96 %**	1,228	6	1.95 %	**—**	**(3)**	**(3)**
Interest bearing liabilities	**90,200**	**82**	**0.36 %**	98,113	419	1.71 %	**(6)**	**(331)**	**(337)**
Noninterest bearing liabilities	**1,679**			1,364					
Total liabilities	**91,879**			99,477					
Net yield on interest earning assets	**$ 96,013**	**$ 110**	**0.46 %**	$103,247	$ 146	0.57 %	**$ (8)**	**$ (28)**	**$ (36)**

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

- Interest income from investment debt securities decreased primarily due to hedge ineffectiveness losses which in turn were primarily driven by the increase in long-term interest rates and the interest rate curve steepening during the first quarter of 2021. In addition, the yield earned and balance outstanding on our investment securities during the first quarter 2021 as compared to the same period in 2020 declined primarily as a result of the sale of our PLMBS in October 2020. See **Note 2 - Summary of Significant Accounting Policies** of our Form 10-K for the year ended 2020 for more information on these PLMBS sales.
- Interest income from advances decreased, in part, due to the low interest rate environment since the Federal Reserve dramatically lowered interest rates in response to the COVID-19 pandemic. Lower demand for advances from our depository members have also impacted our net interest income. Additionally, advance prepayments throughout 2020 resulted in a decline in our portfolio of higher interest earning advances which reduced the yield earned and balance outstanding on our advance portfolio in the first quarter of 2021 compared to the same period in 2020.
- Interest income from MPF Loans held in portfolio declined primarily due to the lower mortgage rate environment impacting the yield earned on new loan originations, along with the recognition of premium amortization as loans prepaid during the period.
- Interest income from overnight Federal Funds sold and securities purchased under agreements to resell, interest expense on our shorter termed consolidated obligation discount notes, and interest expense on our longer termed consolidated obligation bonds, all decreased due to lower market interest rates in 2021 compared to the same period in 2020.
- For details of the effect our fair value and cash flow hedge activities had on our net interest income see **Total Net Effect Gain (Loss) of Hedging Activities** table on page 38.

The extent to which the COVID-19 pandemic will affect or will continue to affect our business, financial condition, and results of operations will depend on future developments, which are uncertain and cannot be predicted. For a discussion of risks relating to our financial condition and results of operation as a result of the COVID-19 pandemic, including risks relating to our net interest margin and advance levels, see **Risk Factors** starting on page 23 of our Form 10-K for the year ended 2020.

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

Noninterest Income

	Three months ended March 31, 2021	Three months ended March 31, 2020
Noninterest income -		
Trading securities	**$ (18)**	$ 87
Derivatives and hedging activities	**20**	(138)
Instruments held under fair value option	**(29)**	40
MPF fees, 7 and 8 from other FHLBs	**12**	10
Other, net	**2**	3
Noninterest income	**$ (13)**	$ 2

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

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

Losses on our trading securities and instruments held under fair value option were the driver of our decrease in noninterest income for the three months ended March 31, 2021 which were only partially offset by our economic hedging gains in derivatives and hedging activities. The corresponding gains and losses were primarily driven by maturities in our Treasury Trading securities purchased at a premium and the increase in long-term interest rates and the interest rate curve steepening during the first quarter of 2021.

The following table details the effect of these transactions on our statements of income.

Total Net Effect Gain (Loss) of Hedging Activities

	Advances	Investments	MPF Loans	Discount Notes	Bonds	Other	Total
Three months ended March 31, 2021							
Recorded in net interest income	**$ (39)**	**$ (96)**	**$ (1)**	**$ (4)**	**$ 47**	**$ —**	**$ (93)**
Recorded in derivatives & hedging activities	**29**	**—**	**(9)**	**—**	**—**	**—**	**20**
Recorded in trading securities	**—**	**(15)**	**—**	**—**	**—**	**—**	**(15)**
Recorded on instruments held under fair value option	**(28)**	**—**	**(2)**	**—**	**1**	**—**	**(29)**
Total net effect gain (loss) of hedging activities	**$ (38)**	**$ (111)**	**$ (12)**	**$ (4)**	**$ 48**	**$ —**	**$ (117)**
Three months ended March 31, 2020							
Recorded in net interest income	$ (15)	$ 12	$ —	$ (4)	$ 9	$ (1)	$ 1
Recorded in derivatives & hedging activities	(91)	(92)	13	20	8	4	(138)
Recorded in trading securities	—	70	—	—	—	—	70
Recorded on instruments held under fair value option	60	—	2	(14)	(8)	—	40
Total net effect gain (loss) of hedging activities	$ (46)	$ (10)	$ 15	$ 2	$ 9	$ 3	$ (27)

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 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 transaction fees. These fees are designed to offset a portion of the expenses we incur to administer the program for them. We had an increase in fee income for 2021 compared to 2020.

Other, net

Other, net consists primarily of fee income earned on member standby letter of credit products, as noted in **Selected Financial Data** on page 31.

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

Noninterest Expense

	Three months ended March 31,	
	2021	2020
Compensation and benefits	**$ 28**	$ 36
Nonpayroll operating expenses	**20**	20
Other, net	**13**	1
Noninterest expense	**$ 61**	$ 57

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

Compensation and benefits decreased due to a decline in pension and other employee-related costs. We had 469 employees as of March 31, 2021, compared to 487 as of March 31, 2020.

Operating expenses were comparable to prior periods as we continue our planned investment in information technology, specifically applications, infrastructure and resiliency.

Other expenses primarily increased due to increased non-qualified defined benefit plan expenses related to the retirement of our former President and CEO. Other also increased to a lesser extent as a result of increases in 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. In addition, Other includes MPF related non-operating expenses/gains on the sale of real estate owned.

As noted in **Noninterest Income** on page 38, 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 offset a portion of 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 March 31,	
	2021	2020
MPF fees earned	**$ 12**	$ 10
Expenses related to MPF fees earned	**9**	9

Assessments

We record the Affordable Housing Program (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 2020 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 March 31,		Balance remaining in AOCI as of
	2021	2020	**March 31, 2021**
Net unrealized gain (loss) available-for-sale debt securities	**$ 198**	$ (631)	**$ 490**
Noncredit OTTI held-to-maturity debt securities	**—**	4	**—**
Net unrealized gain (loss) cash flow hedges	**41**	(44)	**(24)**
Postretirement plans	**(5)**	(11)	**(25)**
Other comprehensive income (loss)	**$ 234**	$ (682)	**$ 441**

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

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

The increase in net unrealized gain on our available-for-sale (AFS) portfolio for the first quarter of 2021 compared to the same period in 2020 was primarily due to spreads to swaps reversing the widening (losses) initially experienced in the first quarter of 2020 resulting from the effects of the COVID-19 pandemic on the financial markets. As these securities approach maturity, we expect these net unrealized gains to reverse over the remaining life of these securities (since we expect to receive par value at maturity).

Noncredit OTTI on held-to-maturity debt securities

We recorded unrealized noncredit impairments on held-to-maturity debt securities during the last financial crisis of 2008. From our sale of HTM PLMBS in October 2020 our remaining loss balance in AOCI went to zero. See **Note 2 – Summary of Significant Accounting Policies** of our 2020 Form 10-K for more details on our sale of PLMBS during October 2020.

Net unrealized gain (loss) on cash flow hedges

The increase in net unrealized gain on cash flow hedges for the first quarter of 2021 compared to the same period in 2020 was primarily driven by the increase in long-term interest rates and the interest rate curve steepening during the first quarter of 2021.

Postretirement plans

The loss recorded in the first quarter of 2021 was primarily due to an actuarial adjustment resulting from a decline in the discount rate used to calculate postretirement benefits.

We did not recognize any instrument-specific credit risk in our statements of comprehensive income as of March 31, 2021 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 financial statements.

FHLBank Chicago

Federal Home Loan Bank of Chicago

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

Statement of Condition

		March 31, 2021		December 31, 2020
Cash and due from banks, interest bearing deposits, Federal Funds sold, and securities purchased under agreement to resell	**$**	**15,160**	$	18,641
Investment debt securities		**22,149**		24,549
Advances		**46,975**		46,695
MPF Loans held in portfolio, net of allowance for credit losses		**9,895**		10,038
Other, net of allowance for credit losses		**418**		433
Assets		**94,597**		100,356
Consolidated obligation discount notes		**45,262**		48,643
Consolidated obligation bonds		**40,260**		42,670
Other		**2,533**		2,754
Liabilities		**88,055**		94,067
Capital stock		**2,019**		2,010
Retained earnings		**4,082**		4,072
Accumulated other comprehensive income (loss)		**441**		207
Capital		**6,542**		6,289
Total liabilities and capital	**$**	**94,597**	$	100,356

The following is an analysis of the above table and comparisons apply to March 31, 2021 compared to December 31, 2020.

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 first quarter of 2021, we maintained a sufficient pool of liquidity to support anticipated member demand for advances and letters of credit.

Investment Debt Securities

Investment debt securities decreased primarily due to Treasury securities that matured and were not replaced during 2021.

Advances

Advance balances slightly increased at the end of first quarter 2021 compared to year end 2020. We believe many of our depository members experienced an inflow of deposits on their balance sheets along with reduced loan demand, while also having access to other liquidity sources as a result of certain government actions related to the COVID-19 pandemic during 2020. Although these factors continued to limit our depository members' need for advances, increased advance borrowing by insurance company members has offset the decrease by depository members. 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 further in future periods should their funding needs change, or to the extent they elect alternative funding resources. In addition, as our advances with captive insurance companies mature, our total advance levels may decrease. For a discussion of risks relating to our captive insurance companies, and of risks relating to our advance levels as a result of the COVID-19 pandemic, see **Risk Factors** starting on page 23 of our Form 10-K for the year ended 2020.

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

MPF Loans held in portfolio slightly decreased as new-acquisition volume was outpaced by paydown and maturity 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 other third party investors or pool and securitize them into Ginnie Mae MBS.

Liquidity, Funding, & Capital Resources

Liquidity

For the period ending March 31, 2021, we maintained a liquidity position in accordance with FHFA regulations and guidance, 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 54 in our 2020 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% or $3.3 billion of total assets. As of March 31, 2021, our overnight liquidity was $16.9 billion or 18% of total assets, giving us an excess overnight liquidity of $13.5 billion.

Deposit Coverage – To support our member deposits, FHFA regulations require us to have an amount equal to the current deposits 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 March 31, 2021, we had excess liquidity of $52.5 billion to support member deposits.

Liquidity Reserves – As discussed on page 54 in the **Liquidity, Funding, & Capital Resources** section of our 2020 Form 10-K, FHFA guidance on liquidity (the "Liquidity AB") requires that we hold positive cash flow assuming no access to the capital markets for a period of between ten to thirty calendar days, and assuming the renewal of all maturing advances. The Liquidity AB also requires the Bank to maintain liquidity reserves between one and 20 percent of our outstanding letter of credit commitments.

The Liquidity AB requires 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** section starting on page 23 of our 2020 Form 10-K.

In addition, we fund certain overnight or shorter-term 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.

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

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 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.

The following table presents the unpaid principal balances 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 flow of our assets, including prepayments made in advance of maturity.

As of March 31, 2021	MPF Loans Held in Portfolio	Investment Debt Securities	
		Available-for Sale	Held-to-Maturity
Year of Expected Principal Cash Flows			
One year or less	$ 2,362	$ 739	$ 412
After one year through five years	3,317	2,635	332
After five years through ten years	2,137	10,084	186
After ten years	1,910	3,261	16
Total	$ 9,726	$ 16,719	$ 946

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 the **Risk Factors** section starting on page 23 in our 2020 Form 10-K.

Funding

Conditions in Financial Markets

In January 2021, the Federal Open Market Committee (FOMC) maintained the target range for the Federal Funds rate between 0.00 to 0.25 percent and committed to continuing use of its full range of tools, including asset purchases, to support the economy. At its March 2021 meeting, the FOMC maintained the same target range for the Federal Funds rate and stated its intent to continue its asset purchases at the existing pace. U.S. Treasury yields finished the first quarter of 2021 lower for maturities shorter than two years, but increased for maturities two years and longer, relative to prevailing yields at the end of the fourth quarter of 2020. The U.S. stock market continued to rise during the quarter, as the Dow Jones Industrial Average stood at 32,982 points on March 31, 2021 versus 30,606 points on December 31, 2020.

The extent to which the COVID-19 pandemic will affect or will continue to affect our business, financial condition, and results of operations will continue to depend on future developments, which are uncertain and cannot be predicted. For a discussion of the funding risks to the Bank as a result of the COVID-19 pandemic, including risks related to government action in response to the impact of the pandemic, see **Risk Factors** starting on page 23 of our 2020 Form 10-K.

We maintained ready access to funding throughout the first quarter of 2021.

LIBOR Transition

In July 2017, the United Kingdom's (U.K.) Financial Conduct Authority (FCA), a regulator of financial services firms and financial markets in the U.K., announced its intention to cease sustaining the LIBOR indices after 2021. In response, the Federal Reserve Board (FRB) and the Federal Reserve Bank of New York convened the Alternative Reference Rates Committee (ARRC) to identify a set of alternative reference interest rates for possible use as market benchmarks. The ARRC has identified the Secured Overnight Financing Rate (SOFR) as its recommended alternative rate. SOFR is based on a broad segment of the overnight Treasuries repurchase market and is intended to be a measure of the cost of borrowing cash overnight collateralized by Treasury securities. The Federal Reserve Bank of New York began publishing SOFR rates in April 2018 and the FHLB System issued its first SOFR-linked debt in the market on November 13, 2018.

On March 5, 2021, the FCA announced that LIBOR will either cease to be provided or no longer be representative immediately after December 31, 2021 for most LIBOR settings across currencies, including 1 week and 2 month USD LIBOR, or immediately after June 30, 2023 in the case of certain frequently used tenors, including the remaining USD tenors. The FCA announced that it would consult whether to require LIBOR's administrator (the Intercontinental Exchange Benchmark Administration Limited) to publish certain frequently used LIBOR tenors on a non-representative, synthetic basis after such date. FCA's announcement constitutes an index cessation event under the ISDA 2020 IBOR Fallbacks Protocol and IBOR Fallbacks Supplement, and as a result, the fallback spread adjustment is fixed as of the date of the announcement. Although we do not have assets and liabilities indexed to 1 week and 2 month USD LIBOR, which will no longer be provided after December 31, 2021, many of our assets and liabilities are indexed to the remaining USD LIBOR tenors, some with maturities or termination dates extending past December 31, 2021.

On September 27, 2019, the FHFA issued a Supervisory Letter (the "Supervisory Letter") that the FHFA stated is designed to ensure the FHLBs will be able to identify and prudently manage the risks associated with the termination of LIBOR in a safe and sound manner. Among other things, the Supervisory Letter provides that the FHLBs should cease entering into certain transactions referencing LIBOR that mature after December 31, 2021. Accordingly, we previously ceased entering into option embedded advance products that reference LIBOR and have ceased purchasing investments that reference LIBOR and mature after December 31, 2021. Effective July 1, 2020, we suspended transactions in certain structured advances and advances with terms directly linked to LIBOR that mature after December 31, 2021. Also as of July 1, 2020, we no longer enter into consolidated obligation bonds and derivatives with swaps, caps, or floors indexed to LIBOR that terminate after December 31, 2021. For further discussion of the risks related to the replacement of LIBOR, see the **Risk Factors** section starting on page 23 in our 2020 Form 10-K.

We continue to evaluate and plan for the eventual replacement of the LIBOR benchmark interest rate, including the possibility of SOFR as the primary replacement rate for investments and advances. We have developed an initial LIBOR transition action plan and convened a project team to implement the transition, which is led by a senior executive and comprised of representatives from various areas across the Bank. Our Asset-Liability Management Committee (ALCO) is the management committee responsible for overseeing the transition from LIBOR. In assessing our current exposure to LIBOR, we have developed an inventory of financial instruments impacted and identified contracts that may require adding or adjusting the "fallback" language which provides for contractual alternatives to the use of LIBOR when LIBOR cannot be determined based on the method provided in the agreement. We have amended the terms of certain advance products to include fallback language and the OF has added or adjusted fallback language applicable to FHLB consolidated obligations.

For over the counter derivatives, as discussed in the **Legislative & Regulatory Developments** section on page 54**,** we have adhered to the ISDA 2020 IBOR Fallbacks Protocol. For cleared derivatives, as part of the transition from LIBOR to SOFR, our clearinghouses revised their discounting methodology used to calculate the present value of future cash flows and price alignment on variation margin for USD cleared swaps from the daily Effective Federal Funds Rate (EFFR) to SOFR. In October 2020, both of our clearinghouses implemented their own unique cash and basis swap compensation mechanisms for market participants to neutralize any value transfer discrepancies from the LIBOR to SOFR conversion. Further, each clearinghouse announced respective proposals for the conversion process of LIBOR-linked cleared derivatives to risk-free rates, which is expected to occur at or shortly before the effective date of LIBOR discontinuation. We continue to monitor the market-wide efforts to address fallback language related to cleared derivatives and investment securities as well as fallback language for new activities and issuances of financial instruments. We continue to assess our operational readiness, including updating our processes and information technology systems to support the transition from LIBOR to an alternative reference rate.

Market activity in SOFR-indexed financial instruments continues to increase, including the emergence of a SOFR-based derivative market, and we continue to participate in the issuance of SOFR-indexed consolidated bonds. We are using Federal Funds Overnight Index Swap (Fed Funds OIS) swaps and SOFR indexed swaps as an interest rate hedging strategy for financial instruments that do not have embedded options, as an alternative to using LIBOR when entering into new derivative transactions. We are offering SOFR-linked advances to our members, and for the three months ended March 31, 2021, have issued $25 million in SOFR-linked advances. For a discussion of risks relating to our use of SOFR-linked consolidated obligations and advances, see **Risk Factors** starting on page 23 of our 2020 Form 10-K. We also offer Discount Note-index floater advances, which some members have used as alternatives to LIBOR-linked advance products.

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

Variable-Rate Financial Instruments by Interest-Rate Index and LIBOR-Indexed Financial Instruments

We have advances, investment securities, consolidated bonds, and derivatives with interest rates indexed to LIBOR. The following tables present our variable rate financial instruments by interest-rate index at March 31, 2021 and may not include instruments that indirectly incorporate LIBOR or another interest rate index. The tables also do not consider the impact of any fallback language contained in our financial products. ABS and MBS are presented by contractual maturity; however, 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.

As of March 31, 2021	Advances	Investments	Consolidated Obligations
Principal amount of variable rate instruments outstanding [a]			
LIBOR	$ 1,162	$ 3,151	$ 250
SOFR	165	269	11,542
Constant Maturity Treasury	—	—	—
Treasury	—	135	—
Other	17,070 [b]	1	—
Total	$ 18,397	$ 3,556	$ 11,792
Overnight, 1 month, 3 month, 6 month and 12-Month US Dollar LIBOR that cease or will no longer be representative immediately after June 30, 2023			
Due in 2021	$ 34	$ —	$ —
Due in 2022	426	—	250
Due through June 30, 2023	42	—	—
Due thereafter	660	3,151	—
Total	$ 1,162	$ 3,151	$ 250
Principal amount of SOFR-linked instruments issued YTD through March 31, 2021	$ 25	$ —	$ —

a With respect to advances, includes fixed rate advances that have cap/floor optionality linked to an interest rate index.

b Consists primarily of advances indexed to consolidated obligation yields.

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

The following table details our variable rate financial instruments by pay or receive leg and whether cleared or uncleared.

As of March 31, 2021	**Derivative Notional Amount Outstanding**	
	Pay Leg	**Receive Leg**
Interest rate swaps outstanding		
Fixed rate	**$ 38,579**	**$ 21,156**
LIBOR	**5,538**	**19,720**
SOFR	**183**	**2,648**
OIS	**15,435**	**16,211**
Total interest rate swaps	**$ 59,735**	**$ 59,735**

Breakdown of above LIBOR interest rate swaps by termination date and type	**Pay Leg**		**Receive Leg**	
	Cleared	**Uncleared**	**Cleared**	**Uncleared**
Overnight, 1 month, 3 month, 6 month and 12-Month US Dollar LIBOR that cease or will no longer be representative immediately after June 30, 2023				
Terminates in 2021	**$ 1,571**	**$ 725**	**$ 1,046**	**$ 879**
Terminates in 2022	**1,768**	**45**	**462**	**271**
Terminates through June 30, 2023	**767**	**35**	**517**	**251**
Terminates thereafter	**416**	**211**	**8,959**	**7,335**
Total	**$ 4,522**	**$ 1,016**	**$ 10,984**	**$ 8,736**

Condensed Statements of Cash Flows

Net cash flows from operating activities

Three months ended March 31,	**2021**	2020
Net cash provided by (used in) operating activities	**$ 956**	$ (1,897)

The majority of our operating cash outflows in 2020 were related to cash sent daily to clearinghouses to settle mark-to-market derivative positions due to the COVID-19 pandemic impact on market volatility, which occurred primarily in the first quarter of 2020. Since then these cash flows have generally reversed as reflected in the first quarter of 2021.

Net cash flows from investing activities with significant activity

Three months ended March 31,	**2021**	2020
Liquid assets (Federal Funds sold, securities purchased under agreements to resell, and interest bearing deposits)	**$ 3,735**	$ 3,961
Investment debt securities	**1,811**	(1,526)
Advances	**(679)**	(3,721)
MPF Loans held in portfolio	**112**	(654)
Other	**(3)**	(2)
Net cash provided by (used in) investing activities	**$ 4,976**	$ (1,942)

Our investing activities consist predominantly of liquid assets, investment debt securities, advances, and MPF Loans in portfolio. The change in net cash provided by (used in) investing activities and changes in allocation within investing activities are discussed below.

- In the first quarter of 2021, there was a decline in our liquid assets as a result of a lack of attractive asset opportunities. In the first quarter of 2020 our liquid assets were reduced as we funded increased investment debt securities. We continue to maintain a sufficient pool of liquidity to support anticipated member demand for advances and letters of credit.

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

- In the first quarter of 2021, we did not replace our investments as they paid down due to a lack of attractive investment opportunities. In the first quarter of 2020, we increased our investment debt security purchases in the first quarter of 2020, as we achieved key liquidity, MBS, and mission asset ratios.
- Our advances outstanding increased slightly in the first quarter of 2021 as increased advance borrowing by insurance company members offset reduced depository member demand for funding. We experienced a significantly larger increase in advances during the same period in the first quarter of 2020 related to increased member demand as a result of market uncertainty at the start of the COVID-19 pandemic.
- Net investment in MPF Loans held in portfolio declined slightly in the first quarter of 2021 relative to an increase in the first quarter of 2020 as new-acquisition volume was outpaced by paydown and maturity activity.

Net cash flows from financing activities with significant activity

Three months ended March 31,	**2021**	2020
Consolidated obligation discount notes	**$ (3,384)**	$ 5,393
Consolidated obligation bonds	**(2,156)**	(2,130)
Other	**(138)**	609
Net cash provided by (used in) financing activities	**$ (5,678)**	$ 3,872

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.

- In the first quarter of 2021, we reduced our consolidated obligation debt financing to match the overall decline in assets as discussed in investing activities above. In the first quarter of 2020, we increased our overall consolidated obligation debt financing to fund our asset purchases as noted above. Specifically, in the first quarter of 2020, we paid down our bonds and increased our use of discount notes to reflect the demand for shorter term assets. We maintained ready access to funding throughout the first quarter of 2021.
- Other financing activities primarily reflects changes in member deposits. In the first quarter of 2021, members withdrew a small amount of deposits compared to a large increase in deposits in the first quarter of 2020.

Capital Resources

Capital Rules

We implemented the Capital Plan of the Federal Home Loan Bank of Chicago, effective July 1, 2020 (as further amended from time to time, the Capital Plan).

Under the 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 per share and redeemable on five years' written notice, subject to certain conditions. 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 the Reduced Capitalization Advance Program (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, in order to maintain capacity to offer MPF on-balance sheet products and in an effort to ensure the Bank can continue to support member demand for letters of credit, effective May 3, 2021, the Bank began assessing capital stock for these products. Specifically, 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 new master commitments executed on or after May 3, 2021. 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 on or after May 3, 2021, and all existing letters of credit renewed, extended or increased on or after May 3, 2021. In connection with implementing this activity stock requirement for letters of credit, the Bank amended its Capital Plan to increase the lower end of the range for the letters of credit activity stock requirement from 0 to 0.10%. Therefore, under the Capital Plan, the range for the letter of credit activity stock requirement is 0.10% to 2%, effective May 3, 2021.

Under the Capital Plan, each member's membership stock requirement remains 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.

Membership stock requirements are recalculated annually, whereas the activity stock requirement and any automatic conversion between Class B2 membership stock and 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 financial statements in this Form 10-Q. 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 2019 and 2020, see **Capital Resources** on page 62 of our 2020 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 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 of our 2020 Form 10-K.

Reduced Capitalization Advance Program (RCAP)

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. As of March 31, 2021, and December 31, 2020, RCAP advances outstanding total $21.3 billion to 414 members and $21.9 billion to 449 members. The advances issued through our COVID-19 Relief Program were all RCAP advances. 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, starting on March 15, 2021, and continuing on a monthly basis, the Bank plans to repurchase 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 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 65 of our 2020 Form 10-K.

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

Capital Amounts

The following table reconciles our capital reported in our 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 other liabilities in our statements of condition.

	March 31, 2021	December 31, 2020
Capital Stock	$ 2,019	$ 2,010
Mandatorily redeemable capital stock (MRCS) recorded as a liability	262	279
Regulatory capital stock	2,281	2,289
Retained earnings	4,082	4,072
Regulatory capital	$ 6,363	$ 6,361
Capital stock	$ 2,019	$ 2,010
Retained earnings	4,082	4,072
Accumulated other comprehensive income (loss)	441	207
GAAP capital	$ 6,542	$ 6,289

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 are 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 financial statements.

We may not pay dividends if we fail to satisfy our minimum capital and liquidity requirements under the FHLB Act and FHFA regulations. On April 27, 2021, our Board of Directors declared a 5.00% dividend (annualized) for Class B1 activity stock and a 2.00% dividend (annualized) for Class B2 membership stock based on our preliminary financial results for the first quarter of 2021. This dividend totaled $24 million (recorded as $21 million dividends on capital stock and $3 million interest expense on mandatorily redeemable capital stock) and is scheduled for payment on May 13, 2021.

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 see **Retained Earnings & Dividends** on page 66 in our 2020 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 12 - Capital and Mandatorily Redeemable Capital Stock (MRCS)** to the financial statements of our 2020 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

In light of the economic and financial disruptions related to the COVID-19 pandemic, we are closely monitoring our credit risk exposure. However, the extent to which the COVID-19 pandemic will affect or will continue to affect our business, financial condition, and results of operations will depend on future developments, which are uncertain and cannot be predicted. For a discussion of the credit risks facing the Bank as a result of the COVID-19 pandemic, including as a result of increased forbearances granted by Bank members or PFIs or a decline in the fair value of Bank investments, see **Risk Factors** starting on page 23 of our 2020 Form 10-K.

Managing Our Credit Risk Exposure Related to Member Credit Products

Our credit risk rating system focuses primarily on our member's overall financial health and takes into account the member's asset quality, earnings, and capital position. For further information please see **Credit Risk** starting on page 69 in our 2020 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, $46.5 billion were advances (par value) and $10.5 billion were letters of credit at March 31, 2021, compared to $45.8 billion and $16.4 billion at December 31, 2020.

	March 31, 2021			December 31, 2020		
Rating	**Borrowing Members**	**Credit Outstanding**	**Collateral Loan Value**	Borrowing Members	Credit Outstanding	Collateral Loan Value
1-3	**548**	**$ 56,994**	**$ 130,555**	556	$ 62,021	$ 149,125
4	**6**	**198**	**429**	9	573	790
5	**9**	**38**	**93**	9	28	61
Total	**563**	**$ 57,230**	**$ 131,077**	574	$ 62,622	$ 149,976

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.

In response to the COVID-19 pandemic, we began accepting Paycheck Protection Program (PPP) loans as eligible collateral. In addition, as many of our members assist borrowers affected by the COVID-19 pandemic, we are accepting as eligible collateral loans temporarily granted forbearance due to the pandemic as long as the loans continue to meet all other eligibility requirements as defined in our collateral guidelines. To the extent that these loans become delinquent or do not meet the Bank's eligibility guidelines in the future, the value of collateral pledged to secure member credit may be negatively impacted.

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 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 our ability to recover losses from PMI, Recoverable CE Fees, 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 of our 2020 Form 10-K, and **Credit Risk Exposure** and **Setting Credit Enhancement Levels** starting on page 72 of our 2020 Form 10-K.

Under our MPF Program for non-government insured or guaranteed loans held in our portfolio, the loan payment forbearance is offered to borrowers impacted by the COVID-19 pandemic allows a borrower to defer loan payments for up to 180 days without requiring documentation from the borrower to support the relief requested. Borrowers that continue to be impacted by COVID-19 may request an extensions of the loan payment forbearance for additional periods of up to 365 days, not exceeding a total cumulative forbearance period of 18 months. A hardship certification from the borrower supporting the continued hardship due to the COVID-19 pandemic is required for approval of additional payment forbearance. During forbearance, late fees are not assessed. At the end of forbearance, borrowers are presented with options for bringing their mortgage loan to a current status. For government insured or guaranteed loans held in our portfolio, the forbearance plan requirements of the insuring or guaranteeing agency must be followed. For MPF Xtra loans that are serviced under the MPF Program, Fannie Mae's forbearance plan requirements must be followed. The CARES Act requires that servicers servicing government insured or guaranteed loans and loans purchased by Fannie Mae offer their borrowers a payment forbearance plan where the initial forbearance period is up to 180 days with the availability of an additional 180 days for COVID-19 related hardship. Fannie Mae has amended its plan from the CARES Act requirements, to offer their borrowers initial forbearance period of up to 180 days with the availability of additional periods of up to 365 days, not exceeding a total cumulative forbearance period of 18 months.

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

The COVID-19 pandemic and related economic disruptions may impact borrowers' ability to repay their mortgage loans, which may lead to elevated rates of delinquencies or defaults and adversely impact the credit performance of MPF Loans held in portfolio. The extent to which the COVID-19 pandemic will affect or will continue to affect our business, financial condition, and results of operations will depend on future developments, which are highly uncertain and difficult to predict. For a discussion of our credit risks, and risks relating to the COVID-19 pandemic, see Risk Factors starting on page 23 of our 2020 Form 10-K.

Mortgage Repurchase Risk

For 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 74 in our 2020 Form 10-K.

Investment Debt Securities

We hold a variety of AA or better rated investment securities, mostly government backed or insured securities, and we believe these investments are currently low risk. There were no material changes in the credit ratings of these securities since December 31, 2020. For further details see **Investment Debt Securities** on page 76 in our 2020 Form 10-K.

Unsecured Short-Term Investments

See **Unsecured Short-Term Investments** on page 77 in our 2020 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 rating used was the lowest rating among the three largest NRSROs. 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 March 31, 2021	AA	A	Total
Domestic U.S.			
Interest-Bearing Deposits	$ —	$ 855	$ 855
U.S. branches and agency offices of foreign commercial banks - Federal Funds sold:			
Australia	—	1,000	1,000
Canada	—	1,675	1,675
Finland	970	—	970
France	—	200	200
Netherlands	—	700	700
Norway	500	—	500
Sweden	970	—	970
Switzerland	—	500	500
Total U.S. branches and agency offices of foreign commercial banks	2,440	4,075	6,515
Total unsecured credit exposure	$ 2,440	$ 4,930	$ 7,370

All $7.370 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 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 rating used was the lowest rating among the three largest NRSROs. Non-cash 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.

	Net Derivative Fair Value Before Collateral	Cash Collateral Pledged	Noncash Collateral Pledged	Net Credit Exposure to Counterparties [a]
As of March 31, 2021				
Nonmember counterparties -				
Overcollateralized liability positions -				
Bilateral derivatives -				
A	**(27)**	**—**	**28**	**1**
BBB	**(175)**	**—**	**175**	**—**
Cleared derivatives	**(31)**	**—**	**595**	**564**
Nonmember counterparties	**(233)**	**—**	**798**	**565**
Member institutions	**15**	**—**	**—**	**15**
Total	**$ (218)**	**$ —**	**$ 798**	**$ 580**
As of December 31, 2020				
Nonmember counterparties -				
Undercollateralized asset positions -				
Bilateral derivatives -				
A	$ 2	$ (2)	$ —	$ —
Overcollateralized liability positions -				
Bilateral derivatives -				
A	(125)	6	120	1
BBB	(147)	—	147	—
Cleared derivatives	(8)	—	623	615
Nonmember counterparties	(278)	4	890	616
Member counterparties	5	—	—	5
Total	$ (273)	$ 4	$ 890	$ 621

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

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

Legislative and Regulatory Developments

Significant regulatory actions and developments are summarized below.

Margin and Capital Requirements for Covered Swap Entities.

On July 1, 2020, the Office of the Comptroller of the Currency (OCC), the Federal Reserve Board (Federal Reserve), the Federal Deposit Insurance Corporation (FDIC), the Farm Credit Administration, and the FHFA (collectively, Prudential Banking Regulators) jointly published a final rule, effective August 31, 2020, amending regulations that established minimum margin and capital requirements for uncleared swaps for covered swap entities under the jurisdiction of the Prudential Banking Regulators (Prudential Margin Rules). In addition to other changes, the final rule: (1) allows swaps entered into by a covered swap entity prior to an applicable compliance date to retain their legacy status and not become subject to the Prudential Margin Rules in the event that the legacy swaps are amended to replace an interbank offered rate (such as LIBOR) or other discontinued rate, or due to other technical amendments, notional reductions or portfolio compression exercises; (2) introduces a new Phase 6 compliance date for initial margin requirements for covered swap entities and their counterparties with an average daily aggregate notional amount (AANA) of uncleared swaps from $8 billion to $50 billion; and (3) clarifies that initial margin (IM) trading documentation does not need to be executed prior to the parties becoming obligated to exchange IM.

On the same date, the Prudential Banking Regulators published an interim final rule, effective September 1, 2020, extending the IM compliance date for Phase 6 counterparties to September 1, 2022.

On November 9, 2020, the Commodity Futures Trading Commission (CFTC) published a final rule extending the IM compliance date for Phase 6 counterparties to September 1, 2022, thereby aligning with the Prudential Banking Regulators. Further, on January 5, 2021, the CFTC published a final rule, effective February 4, 2021, that primarily amends the minimum margin and capital requirements for uncleared swaps under the jurisdiction of the CFTC (CFTC Margin Rules) by requiring covered entities to use a revised AANA calculation starting on September 1, 2022. The amendments, among other things, require entities subject to the CFTC's jurisdiction to calculate the AANA for uncleared swaps during March, April and May of the current year, based on an average of month-end dates, as opposed to the previous requirement which required the calculation of AANA during June, July and August of the prior year, based on daily calculations. Parties would continue to be expected to exchange IM based on the AANA totals as of September 1 of the current year. These amendments align with the recommendation of the Basel Committee on Banking Supervision and Board of the International Organization of Securities Commissions. Separately, on January 25, 2021, the CFTC published a final rule, effective February 24, 2021, that amends the CFTC Margin Rules to permit, among other changes, covered swap entities to maintain separate minimum transfer amounts (MTA) for IM and variation margin for each swap counterparty, provided the combined MTA does not exceed $500,000.

We do not expect these rules to have a material effect on our financial condition or results of operations.

FDIC Brokered Deposits Restrictions.

On January 22, 2021, the FDIC published a final rule, effective April 1, 2021, that amends its brokered deposits regulations that apply to less than well-capitalized insured depository institutions. The FDIC stated that the amendments are intended to modernize and clarify the FDIC's brokered deposit regulations and they establish a new framework for analyzing the deposit broker definition, which determines whether deposits placed through deposit placement arrangements qualify as brokered deposits. These deposit placement arrangements include those between insured depository institutions and third parties, such as financial technology companies, for a variety of business purposes, including access to deposits. The amendments to the FDIC's brokered deposit regulations, among other things, clarify what it means to be engaged in the business of facilitating the placement of deposits and expand the scope of the primary purpose exception. The rule amendments are expected to have the effect of narrowing the definition of deposit broker and excluding more deposits from treatment as brokered deposits. The amendments also establish an application and reporting process with respect to the primary purpose exception for businesses that do not meet one of several bright-line tests, and they affirm the FDIC's position that the brokering of certificates of deposit constitutes deposit brokering.

This rule may have an effect on member demand for certain advances, but we cannot predict the extent of the impact. At this time, we do not expect this rule to materially affect our financial condition or results of operations.

United States Department of Treasury (Treasury) and Federal National Mortgage Association (Fannie Mae) Preferred Stock Purchase Agreement Amendment.

On January 14, 2021, Treasury and Fannie Mae entered into a letter agreement amending the terms of their Preferred Stock Purchase Agreement (PSPA), which could impact PFIs that participate in the MPF Program's MPF Xtra product (where MPF loans acquired are concurrently sold to Fannie Mae). Under the PSPA, Treasury provides liquidity to Fannie Mae in exchange for senior preferred stock. Under the recent PSPA amendment, effective January 1, 2022, the FHFA (acting as conservator for Fannie Mae) and Treasury agreed to limit the dollar volume of loans Fannie Mae could purchase from a single seller through Fannie Mae's cash window to $1.5 billion per year. As administrator of the MPF Program, the Bank purchases MPF Xtra loans from PFIs and sells them to Fannie Mae via the cash window process. Based on volumes for the MPF Xtra product program-wide in 2020, the PSPA amendment would significantly curtail MPF Xtra cash window sales.

Although we do not currently expect this amendment to have a material impact on our financial condition or results of operations, it may negatively impact the volume of loans that PFIs are able to sell through the MPF Program unless we are successful in our efforts to develop a solution.

LIBOR Transition.

FHFA Supervisory Letter - Planning for LIBOR Phase-Out

On September 27, 2019, the FHFA issued a supervisory letter (LIBOR Supervisory Letter) to the FHLBs and the Office of Finance to help ensure that the FHLBs will be able to identify and prudently manage the risks associated with the termination of LIBOR in a safe and sound manner. The LIBOR Supervisory Letter provided that the FHLBs should, by March 31, 2020, cease entering into new LIBOR referenced financial assets, liabilities, and derivatives with maturities beyond December 31, 2021 for all product types except investments. With respect to investments, the FHLBs were required, by December 31, 2019, to stop purchasing investments that reference LIBOR and mature after December 31, 2021. These phase-out dates did not apply to collateral accepted by the FHLBs. The LIBOR Supervisory Letter also directed the FHLBs to update their pledged collateral certification reporting requirements by March 31, 2020, in an effort to encourage members to distinguish LIBOR-linked collateral maturing after December 31, 2021. The FHLBs were expected to cease entering into LIBOR-indexed financial instruments maturing after December 31, 2021, by the deadlines specified in the LIBOR Supervisory Letter, subject to limited exceptions granted by the FHFA for LIBOR-linked products serving compelling mission, risk mitigating, and/or hedging purposes that do not currently have readily available alternatives.

As a result of the market volatility experienced during 2020 due in part to the COVID-19 pandemic, the FHFA extended the FHLBs' authority to enter into LIBOR-based instruments that mature after December 31, 2021 from March 31, 2020 to June 30, 2020, except for investments and option embedded products. In addition, the FHFA extended the requirement to update pledged collateral certification reporting requirements from March 31, 2020, to September 30, 2020. We have already ceased purchasing investments that reference LIBOR and mature after December 31, 2021. In addition, we previously ceased entering into option embedded advance products that reference LIBOR and have suspended transactions in certain structured advances and advances with terms directly linked to LIBOR that mature after December 31, 2021. Also as of July 1, 2020, we no longer enter into consolidated obligation bonds and derivatives with swaps, caps, or floors indexed to LIBOR that terminate after December 31, 2021.

We continue to evaluate the potential impact of the LIBOR Supervisory Letter and the related subsequent guidance on our financial condition and results of operations, but we may experience lower overall demand or increased costs for our advances, which in turn may negatively impact the future composition of our balance sheet, capital stock levels, core mission asset ratio, net income and dividend.

LIBOR Transition – ISDA 2020 IBOR Fallbacks Protocol and Supplement to the 2006 ISDA Definitions

On October 23, 2020, the International Swaps and Derivatives Association, Inc. (ISDA), published a Supplement to the 2006 ISDA Definitions (Supplement) and the ISDA 2020 IBOR Fallbacks Protocol (Protocol). Both the Supplement and the Protocol took effect on January 25, 2021. On that date, all legacy bilateral derivative transactions subject to Protocol-covered agreements (including ISDA agreements) that incorporate certain covered ISDA definitional booklets and reference a covered IBOR, including USD LIBOR, were amended to apply the new ISDA-recommended IBOR fallbacks in the event of the relevant IBOR's cessation. To the extent our counterparties do not adhere to the Protocol, then it will be necessary to bilaterally amend legacy covered agreements (including ISDA agreements) to address LIBOR fallbacks. The Protocol will remain open for adherence after the effective date. As of January 25, 2021, all new derivative contracts are subject to the relevant IBOR fallbacks set forth in the Supplement.

On October 21, 2020, the FHFA issued a supervisory letter to the FHLBs that required each FHLB to adhere to the Protocol by December 31, 2020, and to the extent necessary, to amend any bilateral agreements regarding the adoption of the Protocol by December 15, 2020. We adhered to the Protocol on October 23, 2020 and all of our ISDA counterparties have adhered to the Protocol.

In July 2017, the FCA announced that after 2021 it will no longer persuade or compel banks to submit rates for the calculation of LIBOR. On March 5, 2021, the FCA further announced that LIBOR will either cease to be provided by any administrator or no longer be representative immediately after December 31, 2021 for most LIBOR settings across currencies, including 1 week and 2 month USD LIBOR, or immediately after June 30, 2023, in the case of certain frequently used tenors, including the remaining USD LIBOR settings. Although the FCA does not expect LIBOR to become unrepresentative before the applicable cessation date and intends to consult on requiring the administrator of LIBOR to continue publishing LIBOR of certain currencies and tenors on a non-representative, synthetic basis for a period after the applicable cessation date, there is no assurance that LIBOR, of any particular currency or tenor, will continue to be published or be representative through any particular date. The FCA's announcement constitutes an index cessation event under the Protocol and Supplement, and as a result, the fallbacks spread adjustment for each tenor is fixed as of the date of the announcement. We do not expect the FCA announcements to have a material effect on our financial condition or results of operations.

For a discussion of the potential impact of the LIBOR transition, refer to **LIBOR Transition** on page 43 and the Risk Factor section of our 2020 Form 10-K, starting on page 23.

COVID-19 Developments.

FHFA Supervisory Letter – Paycheck Protection Program (PPP) Loans as Collateral for FHLB Advances

On April 23, 2020, the FHFA issued a supervisory letter (PPP Supervisory Letter) permitting the FHLBs to accept PPP loans as collateral for advances as "Agency Securities," given the Small Business Administration's (SBA) 100 percent guarantee of the unpaid principal balance. On April 20, 2020, the SBA published its third interim final rule related to PPP loans, which explicitly waived certain regulatory requirements that must be satisfied before a member could pledge PPP loans to the FHLBs as collateral. The PPP Supervisory Letter establishes a series of conditions under which the FHLBs may accept PPP loans as collateral, which conditions focus on the financial condition of members, collateral discounts, and pledge dollar limits.

On December 27, 2020, the U.S. President signed into law an extension of the PPP until March 31, 2021. The PPP Supervisory Letter from the FHFA allowing FHLBs to accept PPP loans as collateral remains in effect, and we continue to accept PPP loans as collateral as further discussed in **Credit Risk Management**, on page 50.

CARES Act

To address the COVID-19 pandemic and its economic impact, since March 2020 Congress passed a number of laws making available several trillion dollars in economic relief and resources. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020. The $2.2 trillion package was the largest stimulus bill in U.S. history. The CARES Act was in addition to previous relief legislation passed by Congress in March 2020. The legislation provided, among other things, the following:

- Assistance to businesses, states, and municipalities.
- A loan program for small businesses, non-profits and physician practices that can be forgiven through employee retention incentives.
- The Treasury Secretary authority to make loans or loan guarantees to states, municipalities, and eligible businesses and loosens some regulations imposed through the Dodd-Frank Act.
- Direct payments to eligible taxpayers and their families.
- Expansion for eligibility for unemployment insurance and payment amounts.
- Mortgage forbearance provisions and a foreclosure moratorium.

American Rescue Plan Act of 2021

On March 11, 2021, the U.S. President signed into law the American Rescue Plan Act of 2021, which provided an additional $1.9 trillion dollars for COVID-19 pandemic relief. Among other appropriations, the legislation allocated $7.25 billion in additional funds to support the PPP loan program. Also, as part of the legislation, eligibility for PPP was expanded to include certain nonprofits and digital news services. Since the legislation did not expand the PPP application deadline beyond March 31, 2021, the PPP Extension Act of 2021 was signed into law on March 30, 2021, which extended the application deadline to May 31, 2021.

Federal Reserve Board Extends PPP Liquidity Facility

On March 8, 2021, the Federal Reserve Board issued a press release announcing it will extend the PPP Liquidity Facility ("PPPLF"), which was set to expire on March 31, 2021 to June 30, 2021. The Commercial Paper Funding Facility, Money Market

Mutual Fund Liquidity Facility, and the Primary Dealer Credit Facility expired on March 31, 2021 since such facilities had not received significant usage. The PPPLF provides collateralized PPP loan liquidity to eligible Federal Reserve member financial institutions in order to facilitate PPP loan originations at such financial institutions.

FHFA Extension of Loan Origination Flexibilities

On March 31, 2020, the FHFA announced authorization of loan processing flexibilities for Fannie Mae and Freddie Mac customers. Origination flexibilities included allowing desktop appraisals on new construction loans; allowing flexibility on demonstrating construction has been completed; allowing flexibility for borrowers to provide certain documentation; and expanding the use of power of attorney and remote online notarizations. On March 11, 2021, the FHFA extended previously authorized COVID-related loan flexibilities to April 30, 2021; all such flexibilities were set to expire on March 31, 2021. The flexibilities extended to April 30, 2021 included alternative appraisals on purchase and rate term refinance loans; alternative methods for documenting income and verifying employment before loan closing; and expanding the use of power of attorney to assist with loan closings. On April 21, 2021, the FHFA announced that some temporary loan origination flexibilities have been extended until May 31, 2021, which include flexibilities for alternative appraisals on purchase and rate-term refinance loans. Temporary flexibilities related to employment verification, condominium project reviews, and expanded power of attorney expired on April 30, 2021.

While some provisions of the CARES Act have expired, others have been extended by regulatory and legislative action. Additional phases of the CARES Act, American Rescue Plan Act of 2021, or other COVID-19 pandemic relief legislation may be enacted by the Congress. We continue to evaluate the potential impact of such legislation on our business, including its continued impact to the U.S. economy; impacts to mortgages held or serviced by our members and that we accept as collateral; and the impacts on our MPF program.

Additional COVID-19 Presidential, Legislative and Regulatory Developments

In light of the COVID-19 pandemic, the former and current Presidents of the United States, through executive orders, governmental agencies, including the SEC, OCC, Federal Reserve, FDIC, National Credit Union Administration, CFTC and the FHFA, as well as state governments and agencies, have taken, and may continue to take, actions to provide various forms of relief from, and guidance regarding, the financial, operational, credit, market, and other effects of the pandemic, some of which may have a direct or indirect impact on us or our members. Many of these actions are temporary in nature. We continue to monitor these actions and guidance as they evolve and to evaluate their potential impact on us.

For further discussion of the risks and potential risks relating to the COVID-19 pandemic, see **Risk Factors** starting on page 23 of our 2020 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. 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 so that shocked rates will not go negative. As a result, we floored the down shock scenario at 10 bps. Due to the low rate environment, this floor setting was triggered in our down shock scenarios presented below.

	March 31, 2021		December 31, 2020	
Scenario as of	**Change in Market Value of Equity**	**Loss Limit**	Change in Market Value of Equity	Loss Limit
-200 bp	**$ 146**	**$ (450)**	$ 421	$ (450)
-100 bp	**83**	**(200)**	225	(200)
-50 bp	**58**	**(90)**	140	(90)
-25 bp	**39**	**(45)**	96	(45)
+25 bp	**(16)**	**(45)**	(11)	(45)
+50 bp	**(34)**	**(90)**	(31)	(90)
+100 bp	**(74)**	**(200)**	(84)	(200)
+200 bp	**(143)**	**(450)**	(187)	(450)

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.

		Option Risk		**Basis Risk**	
	Yield Curve Risk	**Implied Volatility**	**Prepayment Speeds**	**Spread to Swap Curve**	**Mortgage Spread**
As of March 31, 2021	**$ 1**	**$ 2**	**$ (1)**	**(17)**	**$ —**
As of December 31, 2020	—	(1)	(4)	(25)	1

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 March 31, 2021, our sensitivity to changes in implied volatility using these models was $2 million, compared to $(1) million at December 31, 2020. 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.

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.

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

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 in years of duration equity. We continue to monitor impacts of the COVID-19 pandemic on the markets and the economy which may impact our mortgage prepayment speed projections and duration of equity.

	Duration of equity in years		
Scenario as of	Down 200 bps	Base	Up 200 bps
March 31, 2021	**0.3**	**0.8**	**0.8**
December 31, 2020	1.4	0.6	1.4

As of March 31, 2021, on a U.S. GAAP basis, our fair value surplus (relative to book value) was $467 million, and our market value of equity to book value of equity ratio was 107%, compared to $330 million and 105% at December 31, 2020. The COVID-19 pandemic continues to affect the markets and the economy in the first quarter of 2021. However, with the government and Federal Reserve accommodated policies in place, the markets continued to normalize. Our market to book value of total capital for regulatory risk-based capital purposes differs from this GAAP calculation, as discussed in **Note 11 - Capital and Mandatorily Redeemable Capital Stock (MRCS)** to the financial statements.

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 88 of our 2020 Form 10-K.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

For a discussion of the litigation relating to PLMBS bonds purchased by the Bank, see **Item 3. Legal Proceedings** on page 36 of our 2020 Form 10-K.

The Bank may also be subject to various other legal proceedings arising in the normal course of business. After consultation with legal counsel, management is not aware of any other 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 23 in our 2020 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.

4.1	Capital Plan of the Federal Home Loan Bank of Chicago, effective as of May 3, 2021
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Principal Executive Officer
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Principal Financial Officer
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
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
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.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

Federal Home Loan Bank of Chicago

Glossary of Terms

Advances: Secured loans to members.

ABS: Asset backed securities.

AFS: Available-for-sale debt securities.

AOCI: Accumulated Other Comprehensive Income.

Capital Plan: Capital Plan of the Federal Home Loan Bank of Chicago, as amended from time to time.

CARES Act: The Coronavirus, Aid, Relief, and Economic Security Act, enacted March 27, 2020.

CE Amount: A PFI's assumption of credit risk, beyond any Recoverable CE Fees 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, MPF Direct or MPF Government MBS product.

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

CFTC: Commodity Futures Trading Commission

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.

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 and Economic Recovery Act of 2008 enacted on July 30, 2008 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).

GSE: Government sponsored enterprise.

HFS: Held for sale.

HTM: Held-to-maturity debt securities.

LIBOR: London Interbank Offered Rate.

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 Direct product: The MPF Program product under which we acquire non-conforming (jumbo) MPF Loans from PFIs without any CE Amount and concurrently resell them to a third party investor.

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 or participations in such mortgage loans that are acquired under the MPF Program.

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: Overnight Index Swap

OTTI: Other-than-temporary impairment.

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.

PLMBS: Private label mortgage backed securities.

PMI: Primary Mortgage Insurance.

PPP: Paycheck Protection Program.

RCAP: Reduced Capitalization Advance Program.

Recorded Investment: Recorded investment in a loan is its amortized cost plus related accrued interest receivable, if any. Recorded investment is not net of an allowance for credit losses but is net of any direct charge-off on a loan. Amortized cost is defined as either the amount funded or the cost to purchase MPF Loans. Specifically, the amortized cost includes the initial fair value amount of the delivery commitment as of the purchase or settlement date, agent fees (i.e., market risk premiums or discounts paid to or received from PFIs), if any, subsequently adjusted, if applicable, for accretion, amortization, collection of cash, charge-offs, and cumulative basis adjustments related to fair value hedges.

Recoverable CE Fee: Under the MPF Program, the PFI may receive a contingent performance based credit enhancement fee whereby such fees are 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.

REO: Real estate owned

SEC: Securities and Exchange Commission.

SOFR: Secured Overnight Financing Rate.

SOFR SARM MBS: SOFR Structured Adjustable Rate Mortgage MBS.

SMI: Supplemental mortgage insurance.

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

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: May 6, 2021	(Principal Executive Officer)
	/s/ Roger D. Lundstrom
	Name: Roger D. Lundstrom
	Title: Executive Vice President and Chief Financial Officer
Date: May 6, 2021	(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
by the Principal Executive Officer

I, Michael A. Ericson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Federal Home Loan Bank of Chicago;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2021

By: /s/ Michael A. Ericson
Name: Michael A. Ericson
Title: President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
by the Principal Financial Officer

I, Roger D. Lundstrom, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Federal Home Loan Bank of Chicago;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2021

By: /s/ Roger D. Lundstrom

Name: Roger D. Lundstrom
Title: Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
by the Principal Executive Officer

In connection with the Quarterly Report of the Federal Home Loan Bank of Chicago (the “Bank”) on Form 10-Q for the period ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael A. Ericson, President and Chief Executive Officer, certify to my knowledge, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Bank.

Date:	May 6, 2021	By:	/s/ Michael A. Ericson
		Name:	Michael A. Ericson
		Title:	President and Chief Executive Officer (Principal Executive Officer)

A signed original of this written statement has been provided to the Bank and will be retained by the Bank and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
by the Principal Financial Officer

In connection with the Quarterly Report of the Federal Home Loan Bank of Chicago (the "Bank") on Form 10-Q for the period ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Roger D. Lundstrom, Executive Vice President and Chief Financial Officer certify to my knowledge, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Bank.

Date: May 6, 2021

By: /s/ Roger D. Lundstrom

Name: Roger D. Lundstrom

Title: Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

A signed original of this written statement has been provided to the Bank and will be retained by the Bank and furnished to the Securities and Exchange Commission or its staff upon request.

CAPITAL PLAN

OF THE

FEDERAL HOME LOAN BANK OF CHICAGO

Amended and Restated November 16, 2020

And Effective as of
May 3, 2021

TABLE OF CONTENTS

CAPITAL PLAN
OF THE
FEDERAL HOME LOAN BANK OF CHICAGO

1. OVERVIEW

1.1 General

The Federal Home Loan Bank of Chicago (the "Bank") establishes this Capital Plan to provide a capital structure for the Bank. This Capital Plan also helps ensure compliance with the Minimum Regulatory Capital Requirements and regulatory liquidity requirements, and is designed to facilitate the Bank's cooperative business model.

This Capital Plan is governed by and subject to the Federal Home Loan Bank Act, as amended (12 U.S.C. 1421, *et seq*.) (the "Bank Act"), the regulations (the "Regulations") of the Federal Housing Finance Agency, or any successor (the "FHFA"), the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended (the "Safety and Soundness Act") and all orders, written agreements, advisory bulletins, and regulatory interpretations of the FHFA as may be applicable to the Bank from time to time (collectively, "Applicable Law").

The Capital Plan takes into account the Applicable Law and is not intended to contradict any such provisions. If any statements contained in the Capital Plan conflict with the actual provisions of Applicable Law, as amended from time to time, the provisions of the Applicable Law will control.

The Board of Directors grants management the full power to administer and interpret this Capital Plan, unless otherwise required by Applicable Law or this Capital Plan. The Bank's administration of this Capital Plan remains subject to the regulatory oversight of the FHFA.

1.2 Amendments

Before implementing any amendments to this Capital Plan, the Bank must obtain the approval of a majority of the Board of Directors, as well as the approval of the FHFA.

The Bank will provide at least 30 days prior written notice to its stockholders before any amendment becomes effective.

2. DEFINITIONS

"Acquired Member Assets" or "AMA" means assets that may be acquired by the Bank through its members under the MPF Program pursuant to the Regulations.

"Advance Percentage" means the percentage of a member's or Former Member's principal balance of advances outstanding, which is used to calculate the activity stock requirement. As described in this Capital Plan, the Board of Directors may adjust this percentage.

"AMA Percentage" means the percentage of a member's or Former Member's principal balance of Acquired Member Assets outstanding, which is used to calculate the activity stock requirement. As described in this Capital Plan, the Board of Directors may adjust this percentage.

“Applicable Law” means the Bank Act, the Regulations, and the Safety and Soundness Act, and the orders, written agreements, advisory bulletins, and regulatory interpretations of the FHFA as may be applicable to the Bank from time to time.

“Bank” means the Federal Home Loan Bank of Chicago.

“Bank Act” means the Federal Home Loan Bank Act, as amended from time to time (12 U.S.C. 1421, *et seq*.).

“Capital Plan” means the Capital Plan of the Bank, as amended and restated December 12, 2019, and effective as of July 1, 2020.

“Class B Stock” means capital stock issued by the Bank pursuant to this Capital Plan, which has a par value of $100 per share and is Redeemable in cash on five-years prior written notice to the Bank.

“Class B1 Stock” means the sub-class of Class B Stock that relates to the activity stock requirement and has features as assigned in this Capital Plan.

“Class B2 Stock” means the sub-class of Class B Stock that relates to the membership stock requirement and has features as assigned in this Capital Plan.

“DID Account” means the Daily Investment Deposit Account or similar successor transactions account.

“Excess” or “Excess Stock” is the amount of capital stock owned by a member or Former Member that is in excess of that member’s Minimum Investment Requirement under this Capital Plan.

“Former Member” means an institution, other than a member, that owns Class B Stock, and includes without limitation, (i) a former member that has withdrawn voluntarily from membership, (ii) a former member whose membership has been terminated as a result of a merger or consolidation into a nonmember, (iii) a former member whose membership has been terminated as a result of the relocation of its principal place of business, (iv) a former member whose membership has been terminated involuntarily, (v) a former member that has become subject to the appointment of a conservator, receiver, or other legal custodian under federal or state law, (vi) any other successor in interest to a member or Former Member, and (vii) a newly chartered nonmember institution under the control of a conservator, or deposit insurance agency, that has acquired some or all of the assets and liabilities of a member or Former Member.

“FHFA” means the Federal Housing Finance Agency, or any successor.

“LC Percentage” means the percentage of the notional amount of all standby letters of credit outstanding on behalf of a member or Former Member, which is used to calculate the activity stock requirement. As described in this Capital Plan, the Board of Directors may adjust this percentage.

“Minimum Investment Requirement” is a member or Former Member’s required minimum investment in Class B Stock and is a dollar amount equal to whichever is greater: its membership stock requirement or its activity stock requirement.

"Minimum Regulatory Capital Requirements" means the amount of capital the Bank is required to hold in order to comply with Applicable Law.

"Mortgage Assets" means the sum of the aggregate unpaid principal balance of the following types of the member's or Former Member's home mortgage loan assets:

(1) loans, whether or not fully amortizing, or interests in such loans, which are each secured by a mortgage, deed of trust, or other security agreement that creates a first, second, or other junior lien on one of the following interests in property:

- one-to-four family property or multifamily property, in fee simple; or
- a leasehold on one-to-four family property or multifamily property under a lease of not less than 99 years that is renewable, or under a lease having a period of not less than 50 years to run from the date the mortgage was executed; and

(2) mortgage pass-through securities that represent an undivided ownership interest in:

◦ long-term loans, provided that, at the time of issuance of the security, all of the loans meet the requirements of subsection (1) of this definition; or
◦ a security that represents an undivided ownership interest in long-term loans, provided that, at the time of issuance of the security, all of the loans meet the requirements of subsection (1) of this definition;

provided, however, that Mortgage Assets as described in subsections (1) and (2) above do not include restricted mortgage assets which are held by the member to collateralize pay-through loans, agreements, securities, or mortgage-backed bonds or notes or similar assets, however described.

"Mortgage Asset Percentage" means the percentage of a member's or Former Member's Mortgage Assets, which is used to calculate the membership stock requirement. As described in this Capital Plan, the Board of Directors may adjust this percentage.

"MPF Program" means the Mortgage Partnership Finance program.

"Redeem or Redemption" means the acquisition by the Bank of outstanding Class B Stock at par value following the expiration of the applicable five-year redemption period pursuant to membership termination in accordance with Section 6 or a redemption notice in accordance with Section 5.1.

"Regulations" means the regulations of the FHFA, as amended from time to time.

"Repurchase" means the acquisition by the Bank, at its discretion, of Excess Stock at par value without regard to any applicable five-year Redemption period. The decision to repurchase Excess Stock rests with the Bank and cannot be compelled by a member or Former Member.

"Safety and Soundness Act" means the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended.

3. CAPITAL STRUCTURE

3.1 Authorized Capital Stock

The Bank is authorized to issue two subclasses of Class B Stock: Class B1 Stock and Class B2 Stock. The Bank's Class B Stock may only be issued to, and held by, members and Former Members. The Bank will issue stock in book-entry form and will act as the transfer agent for all stock transactions. The Bank will not issue stock other than in accordance with 12 C.F.R. 1277.21.

All Class B Stock has a par value of $100 per share. All Class B Stock must be issued, transferred, Redeemed and Repurchased at par value, and in accordance with this Capital Plan and Applicable Law.

Class B Stock is Redeemable in cash with five-years prior written notice from a member or Former Member to the Bank, as described in this Capital Plan.

3.2 Retained Earnings

Class B stockholders own the retained earnings, paid-in surplus, undivided profits, and equity reserves (if any) of the Bank in proportion to each stockholder's share of the total outstanding shares of Class B Stock. The only way for stockholders to receive a portion of these items is by dividend payments or capital distributions authorized by the Board of Directors, or upon the liquidation of the Bank.

3.3 Preference in Liquidation, Consolidation, or Merger of the Bank

If the Bank is liquidated, payments will be made as follows, to the extent there are sufficient funds:

- first, to pay off outstanding liabilities to the Bank's creditors,
- second, to redeem Class B Stock at par value, on a pro-rata basis among all stockholders of both subclasses, and
- finally, any remaining assets will be distributed on a pro-rata basis among all stockholders of both subclasses.

If the Bank merges or consolidates into another Federal Home Loan Bank, or vice versa, Class B stockholders will be subject to the terms and conditions contained in the plan of merger and/or the terms established or approved by the FHFA.

No part of this Capital Plan will be construed to limit the authority granted to the FHFA under the Bank Act or the Safety and Soundness Act to prescribe rules, regulations or orders governing the liquidation, reorganization, or merger of a Federal Home Loan Bank.

4. CAPITAL STOCK INVESTMENT

4.1 Minimum Investment Requirement & Classification of Class B Stock

Each member (and, if applicable, Former Member) is required to purchase and maintain a minimum investment in Class B Stock (the "Minimum Investment Requirement"). This Minimum Investment Requirement is a dollar amount equal to whichever is greater:

- the member's or Former Member's membership stock requirement (as described in Section 4.2) or
- the member's or Former Member's activity stock requirement (as described in Section 4.3).

A member or Former Member must meet the Minimum Investment Requirement by holding any combination of Class B1 Stock and/or Class B2 Stock as determined below:

- if a member has no activity with the Bank which results in an activity stock requirement of zero, the member will hold only Class B2 Stock, or
- if a member has activity with the Bank which results in an activity stock requirement greater than zero, the member will hold:
    - Class B1 Stock in an amount equal to the member's activity stock requirement, plus
    - any additional amount of Class B2 Stock that may be necessary for the total amount of Class B Stock held to equal the member's Minimum Investment Requirement.

Class B1 Stock and/or Class B2 Stock held by a member or Former Member to meet the Minimum Investment Requirement will be reclassified as follows:

- as needed, the Bank will reclassify Class B2 Stock into Class B1 Stock if a member needs additional shares of Class B1 Stock because of an increase in its activity stock requirement, and
- at the end of each Bank business day, the Bank will reclassify Class B1 Stock into Class B2 Stock to the extent that the member or Former Member holds Class B1 Stock in excess of the activity stock requirement.

A member that does not own enough Class B1 Stock to satisfy an increase in its Minimum Investment Requirement as a result of an increased activity stock requirement (including after any reclassification of shares as discussed directly above) must purchase an amount of additional shares of Class B1 Stock that is sufficient to satisfy the activity stock requirement.

A member or Former Member that does not own enough Class B2 Stock to satisfy an increase in its Minimum Investment Requirement as a result of an increased membership stock requirement (including after any reclassification of shares as discussed directly above) must purchase an amount of additional shares of Class B2 Stock that is sufficient to satisfy the increased Minimum Investment Requirement.

Any Excess Stock held by a member or Former Member will be classified as Class B2 Stock.

Withdrawing members and Former Members must continue to maintain the Minimum Investment Requirement to the extent required by Applicable Law and Section 6 of this Capital Plan.

4.2 Membership Stock Requirement

A member's (or, as applicable, a Former Member's) membership stock requirement is a dollar amount equal to whichever is greater:

- a percentage (the "Mortgage Assets Percentage") of a member's Mortgage Assets as of December 31 of the prior year, or

- $10,000.

The Board of Directors is authorized to adjust from time to time the Mortgage Assets Percentage between 0.20% and 1%.

The membership stock requirement for any one member or Former Member will not exceed a maximum amount, which will be set by the Board of Directors between $1 million and $25 million.

4.3 Activity Stock Requirement

A member's (or, as applicable, a Former Member's) activity stock requirement is a dollar amount equal to the sum of:

- a percentage ("Advance Percentage") of a member's principal balance of advances outstanding,
- a percentage ("AMA Percentage") of a member's outstanding principal balance of Acquired Member Assets, and
- a percentage ("LC Percentage") of the notional amount of all standby letters of credit outstanding on behalf of a member.

The Board of Directors is authorized to adjust the generally applicable Advance Percentage between 4% and 5%. At the discretion of the Board of Directors, any changes to the Advance Percentage may be applied prospectively to new advances and/or retroactively to existing advances.

Additionally, the Board of Directors may from time to time offer to all members a separate reduced Advance Percentage between 2% and 5%. Any separate reduced Advance Percentage may be established for an indefinite period of time, or a specific period of time, at the discretion of the Board of Directors. A separate reduced Advance Percentage may be applied to a particular category of advances (including particular advance product offering, advances with particular maturities or other features, new advances for a maximum aggregate amount, or such other criteria as the Board of Directors may determine).

The Board of Directors is authorized to adjust the AMA Percentage from time to time between 0% and 5%. The first time the Board of Directors authorizes a non-zero AMA Percentage, the percentage will only apply to Acquired Member Assets acquired pursuant to master commitments executed after the date that the percentage becomes effective, as may be determined by the Board of Directors and communicated to members. Thereafter, at the discretion of the Board of Directors, any changes to the AMA Percentage may be applied prospectively to new Acquired Member Assets and/or retroactively to other Acquired Member Assets acquired under master commitments executed after the initial non-zero AMA Percentage took effect.

The Board of Directors is authorized to adjust the LC Percentage from time to time between 0.10% and 2%. The first time the Board of Directors authorizes a non-zero LC Percentage, the percentage will only apply to future standby letters of credit that are issued or renewed after the date that the percentage becomes effective, as may be determined by the Board of Directors and communicated to members. Thereafter, at the discretion of the Board of Directors, any changes to the LC Percentage may be applied prospectively to new standby letters of credits and/or retroactively to other standby letters of credit that were issued or renewed after the initial non-zero LC percentage took effect.

4.4 Annual Membership Stock Requirement Recalculations and Continuous Activity Stock Requirement Recalculations

Annually, the Bank will recalculate the membership stock requirement using a member's (and, if applicable, a Former Member's) financial data from the preceding December 31. The Bank will give each member (and, if applicable, a Former Member) prior notice before the effective date of any change to its Minimum Investment Requirement based on a recalculation of the membership stock requirement. If a member or Former Member is required to purchase additional Class B Stock as a result of the Bank's recalculation, the member has at least 10 days but not more than 30 days following receipt of notice from the Bank to purchase the additional stock.

The activity stock requirement is calculated on a continuous basis, and will change as the member's or Former Member's activity with the Bank changes. To access any product or program which is subject to the activity stock requirement, a member must comply with the Minimum Investment Requirement. For as long as a member or Former Member has a product or activity outstanding that is subject to the activity stock requirement, the member must continue to comply with the Minimum Investment Requirement (including periods beyond membership termination).

If a member or Former Member must purchase additional stock to meet the Minimum Investment Requirement, the Bank will debit the cost from the member's DID Account.

4.5 Periodic Review of Capital Plan and Minimum Investment Requirement

The Board of Directors will review this Capital Plan at least annually to ensure the Bank's continued compliance with the Minimum Regulatory Capital Requirements. During the annual review, the Board of Directors will consider whether any component of the Minimum Investment Requirement should be modified.

The Board of Directors may adjust the percentages and/or dollar amounts used to determine the Minimum Investment Requirement within the ranges set forth in this Capital Plan without the approval of the FHFA. If the Board of Directors adjusts the percentages and/or dollar amounts used to determine the Minimum Investment Requirement, the Bank will give at least 30 days' prior notice to all members (and, as applicable, Former Members) of any changes to the Minimum Investment Requirement. Such notice, in addition to announcing any new requirements, will specify the effective date of the change (which may be retroactive, immediate, or prospective, as permitted by this Plan) and the conditions under which the change will take place. Each member (and, as applicable, Former Member) must promptly comply with any modifications to the Minimum Investment Requirement no later than the date specified in the notice.

The Bank has the discretion, upon member request, to permit a member up to an additional six months to comply with any new membership stock requirement, so long as all members similarly situated with such requests are treated similarly with respect to the additional time.

4.6 Dividends on Capital Stock

The Board of Directors may declare dividends to be paid in cash, stock, or any combination of cash and stock. The Board of Directors may declare the same dividend rate or different dividend rates for Class B1

Stock and Class B2 Stock, so long as the rate for Class B1 Stock is always equal to or greater than the rate for Class B2 Stock.

As long as a stockholder owns Class B Stock during the applicable period for which a dividend is declared, that stockholder will be entitled to any related dividends. Dividend payments will be calculated on the basis of the daily weighted average number of shares owned during the period for which a dividend is declared based on end-of-day accounts for each subclass of stock. Dividend payment calculations take into consideration both the number and subclass of shares owned and the length of time such shares were owned.

Dividends may only be paid out of previously retained earnings or current net earnings, where net earnings will equal net income under GAAP. The Board of Directors may not declare or pay any dividends if the Bank is not in compliance with any regulatory capital requirement or would not be in compliance with any such requirement after paying a dividend. Any declaration or payment of dividends is subject to the Bank's compliance with Applicable Law, including the Minimum Regulatory Capital Requirements, both before and after payment. Any declaration or payment of dividends will also be subject to the Bank's Retained Earnings and Dividend Policy and the sole discretion of the Board of Directors. Dividends declared on Class B Stock will be non-cumulative. All Class B Stock will share in any dividends without preference with respect to payment obligations for one subclass over another.

4.7 Voting Rights

Members (and, as applicable, Former Members) are entitled to vote their Class B Stock for each member directorship in their state and for each independent directorship that is to be filled in an election, as described in the Applicable Law. Members are also entitled to vote in connection with other matters as authorized or required by Applicable Law in existence at the time of such event.

Unless a Former Member has been involuntarily terminated as a member at the time of voting, any Former Member that was a member as of the preceding December 31 may vote in the immediately following election for directors.

In each election for a director, a member (and, as applicable, Former Member) may cast one vote for each share of Class B Stock supporting the Minimum Investment Requirement as of the preceding December 31. However, the number of votes any member (and, as applicable, Former Member) may cast is capped at the average number of shares of Bank stock required to be held as of the preceding December 31 by all members located in the same state. Excess Stock is not voting stock and a member (and, as applicable, Former Member) cannot cast votes based on these shares.

5. REDEMPTIONS, REPURCHASES, AND TRANSFERS

This Section 5 outlines the process for the Redemption, Repurchase, and transfer of Class B Stock. Section 5 also includes a description of the regulatory and statutory limitations on stock Redemption and Repurchase.

5.1 Stock Redemption

Redemptions in connection with membership termination are discussed in Section 6. A stock Redemption notice under this Section 5.1 is distinct from a membership withdrawal request under Section 6.2.

A member or Former Member may request that the Bank Redeem its shares of Class B Stock by providing written notice to the Bank. The five-year Redemption period begins on the date the Bank receives the stock Redemption notice.

A member's or Former Member's stock Redemption notice must be in a form acceptable to the Bank, and it must detail the amount of stock to be Redeemed.

If a member or Former Member requests the Redemption of more Class B Stock than it actually holds, the Bank will:

- automatically reduce the amount of stock subject to the stock Redemption notice to the amount of stock actually held by the member or Former Member, and
- if a member or Former Member has more than one stock Redemption notice outstanding, apply any such reduction first to the most recently received stock Redemption notice unless specified otherwise by the member in writing within 30 days of the reduction.

If a stock Redemption will cause a member (whose membership has not been terminated) to fall out of compliance with the Minimum Investment Requirement, as calculated within five business days from the end of the five-year Redemption period, the member will be deemed to have voluntarily cancelled the stock Redemption notice relating to any stock supporting the Minimum Investment Requirement, and the Bank will assess a fee as described in Section 5.2.

At the expiration of a five-year Redemption period, the Bank will pay in cash the stated par value of any Class B Stock covered by a stock Redemption notice as long as the stock is not required to meet a member's or Former Member's Minimum Investment Requirement in effect at the time. The Class B Stock to be Redeemed under a Redemption notice will be determined as of the date of Redemption. The cash payment will be deposited into a member's or Former Member's DID Account.

The Bank may retain possession of the proceeds of a Redemption, may retain its security interest on such proceeds, and will be entitled to the benefits of its status as a secured creditor with respect to such proceeds, if the Bank reasonably determines that there is an existing or anticipated collateral deficiency related to any obligation of a member or Former Member. The Bank may hold the proceeds until all such obligations have been satisfied, or the anticipated deficiency is resolved, to the Bank's satisfaction.

Nothing in this section will preclude the Bank from Repurchasing Excess Stock in accordance with Section 5.3 (including stock for which a stock Redemption notice has been submitted).

5.2 Cancellation of Stock Redemption Notice

At any time before the expiration of the five-year Redemption period, a member or Former Member may cancel in whole or in part a stock Redemption notice. Unless a member or Former Member cancels a stock Redemption notice within 30 days of the Bank's receipt of the notice, it must pay a cancellation fee assessed as follows:

Cancellation Notice Received:	Cancellation Fee Payable:
At least 31 days but less than one year after receipt of Redemption request	1% of the par value of stock subject to cancellation notice
At least one but less than two years after receipt of Redemption request	2% of the par value of stock subject to cancellation notice
At least two but less than three years after receipt of Redemption request	3% of the par value of stock subject to cancellation notice
At least three but less than four years after receipt of Redemption request	4% of the par value of stock subject to cancellation notice
Four or more years after receipt of Redemption request	5% of the par value of stock subject to cancellation notice

The Board of Directors has the discretion to cancel, waive, or suspend any cancellation fee. In addition, the Board of Directors may adjust the cancellation fees, so long as these fees are not set at an amount greater than the percentages set forth above. Any such cancellation, waiver or suspension of the fees described above will be applied equally to all similarly situated members.

5.3 Repurchase of Excess Stock

The Bank may Repurchase Excess Stock at any time without regard to a five-year Redemption period.

Excess Stock Repurchases may be initiated by the Bank or requested by a member or Former Member, but the decision to Repurchase Excess Stock is within the Bank's sole discretion and cannot be compelled by a member or Former Member. The Bank will determine the criteria, terms and conditions for Repurchases, and all Repurchases are subject to the Bank Act, the Regulations, and the Bank's Redemption and Repurchase Guidelines (as may be amended from time to time).

The Bank will provide at least three days prior notice to all members (and, as applicable, Former Members) before any single or recurring Bank-initiated Repurchase. Bank-initiated Repurchases will be executed on a pro-rata basis, or as provided in the Bank's Redemption and Repurchase Guidelines.

5.4 Repurchases While Redemption Requests Outstanding

If a member or Former Member has one or more Redemption requests outstanding at a time when the Bank chooses to Repurchase Excess Stock, the Bank will Repurchase Excess Stock in the following order, as necessary and as determined as of the date of Repurchase:

- first, the Bank will Repurchase shares of Excess Class B2 Stock that are subject to a Redemption request, and
- second, the Bank will Repurchase all other shares of Excess Class B2 Stock.

Any Repurchase of a member's or Former Member's Excess Stock that is also subject to a Redemption request will automatically reduce the amount of the stock subject to such Redemption request.

The Repurchase of Excess Stock pursuant to this section will not be subject to any Redemption cancellation fees.

5.5 Limitations on Redemption or Repurchase of Capital Stock

There are certain statutory and regulatory limitations on the Redemption and Repurchase of Bank stock. The Bank will not Redeem or Repurchase any of its stock if it would cause the Bank to be out of compliance with any of the Minimum Regulatory Capital Requirements or if it would cause a member or Former Member to be out of compliance with the Minimum Investment Requirement.

Additionally, the Bank will not Redeem or Repurchase any stock without prior written approval from the FHFA if the FHFA or the Board of Directors has determined that the Bank has incurred (or is likely to incur) losses that result in (or are likely to result in) charges against the Bank's capital, as described in the Regulations. This prohibition will apply even if the Bank is in compliance with the Minimum Regulatory Capital Requirements, and will remain in effect for as long as the Bank continues to incur such charges or until the FHFA determines that such charges are not expected to continue.

With the approval of the Board of Directors (or one of its committees), the Bank will suspend the Redemption of stock if the Bank reasonably believes that continuing to Redeem stock would:

- cause the Bank to fail to meet the Minimum Regulatory Capital Requirements,
- prevent the Bank from maintaining adequate capital against a potential risk that may not be adequately reflected in the Minimum Regulatory Capital Requirements, or
- otherwise prevent the Bank from operating in a safe and sound manner.

The Bank will comply with the requirements of the Regulations with respect to stock Redemption suspensions.

Sections 5.1 and 6.1 set forth scenarios where the Bank may continue to hold the proceeds of a member's or Former Member's stock Redemption.

5.6 Pro-Rata Allocation of Redemption Requests

If at any time more than one member or Former Member has an outstanding Redemption request, and the Bank cannot meet such requests when due without falling out of compliance with this Capital Plan or Applicable Law, then the Bank will fulfill such requests to the extent the Bank is legally able to do so in the following manner:

- first, the Bank will fulfill the Redemption requests due with the earliest request date until fully satisfied, with any requests made on the same date to be fulfilled on a pro-rata basis if the Bank is not able to fully satisfy all such requests, and
- then, the Bank will fulfill Redemption requests due based on the next earliest date of the requests in the same manner, and continuing in that order until all such Redemption requests have been fulfilled.

5.7 Retirement of Capital Stock Pursuant to Redemption or Repurchase

Class B Stock that is Redeemed or Repurchased by the Bank will be retired.

5.8 Capital Stock Transfers and Trades

The Bank's stock may only be traded among the Bank, its members, and Former Members.

With the Bank's prior approval, a member or Former Member may transfer any Excess Class B Stock to another member or to an institution that has satisfied all conditions to become a member (other than the stock purchase requirement).

All transfers between members (including Former Members and institutions approved for membership) must be at par value and will become effective when recorded in the Bank's books and records. The Bank does not currently intend to assess any administrative fees for such transfers, but the Board of Directors reserves the right to assess such fees, as appropriate, to cover the Bank's costs associated with such transfers. The Bank will provide at least 30 days notice prior to instituting any such fees.

A member or Former Member may transfer shares of Excess Stock that are subject to a stock Redemption notice, but the Redemption notice with respect to those shares will be deemed cancelled and subject to a cancellation fee as described in Section 5.2. This cancellation will not affect shares of stock covered by the same Redemption notice that are not transferred.

For purposes of this section, stock transfers occurring in connection with mergers or consolidations are deemed approved by the Bank as of the date of the cancellation of the Former Member's charter.

6. MEMBERSHIP TERMINATION

Members may voluntarily withdraw from membership. Separately, the Board of Directors has the authority to involuntarily terminate a member's membership under certain conditions specified in the Bank Act and the Regulations. Membership may also be terminated through the merger or consolidation of a member or through a relocation of a member's principal place of business outside of the Bank's district.

The effective date of membership termination and the treatment of a member or Former Member's Class B Stock depends on the type of termination, as outlined in this section.

6.1 General Membership Termination Provisions

The Bank will determine an orderly manner for liquidating the outstanding indebtedness (including advances and claims resulting from prepayment of advances prior to their stated maturity) owed by a Former Member or member whose membership will be terminated, and for settling all other claims against such member. After the expiration of any applicable Redemption period, the Bank will Redeem any remaining Class B stock. However, if any product or program subject to an activity stock requirement remains outstanding beyond expiration of the applicable stock Redemption period, the Bank will not Redeem stock to the extent the member's or Former Member's outstanding stock will fall below the Minimum Investment Requirement.

If a member or Former Member has any outstanding obligations to the Bank that are not subject to the Minimum Investment Requirement, or there exists any other claims of the Bank against the member or Former Member that have not been paid in full or otherwise settled, then upon the expiration of any applicable Redemption periods, the Bank will Redeem the remaining stock of such member. However, the Bank may retain possession of the proceeds of the Redemption, may retain its security interest on such proceeds, and will be entitled to all of the benefits of its status as a secured creditor with respect to such proceeds if the Bank reasonably determines that there is an existing or anticipated collateral deficiency related to any obligation of a member or Former Member. The Bank may hold the proceeds until all such obligations have been satisfied, or the anticipated deficiency is resolved, to the Bank's satisfaction.

Stock held by a member or Former Member will not be deemed to be Excess Stock solely by virtue of the submission of its intent to withdraw from membership or the termination of its membership in any other manner. Any Excess Stock may be Repurchased by the Bank in its sole discretion at any time during and after the five-year stock Redemption period.

All Repurchases and Redemptions described in this Section 6 are subject to the statutory and regulatory limitations set forth in Section 5.5.

6.2 Voluntary Withdrawal by a Member

6.2.1 Membership Termination Trigger and Effective Date

- A member may withdraw from membership by providing the Bank with prior written notice.
- Membership is terminated at the end of the five-year period following the Bank's receipt of the notice of withdrawal.

6.2.2 Access to Bank Products and Services

- Before membership termination, a withdrawing member will be entitled to all membership benefits, but the Bank will not be obligated to provide services or products (including advances) that would mature after membership termination.
- Before membership termination, a withdrawing member will be subject to all obligations of membership.

6.2.3 Minimum Investment Requirement

- During the five-year period following receipt of the withdrawal notice by the Bank, and, if applicable, after membership termination, the member (and, if applicable, Former Member) must comply with the Minimum Investment Requirement.
- However, unless the member engages in new advance, MPF Program, or standby letter of credit activity as described below, while a withdrawal notice is pending the member will not:
    - be subject to any increase in the applicable percentages used to calculate its membership stock requirement or its activity stock requirement,
    - be subject to any increases in the applicable cap for the membership stock requirement, or
    - be required to purchase additional stock based upon any changes to the amount of its Mortgage Assets.

- Immediately upon initiating any new advance, MPF Program, or standby letter of credit activity while a withdrawal notice is pending, the member will:
  - become subject to any then-existing percentages applicable to the membership and activity stock requirement and membership stock requirement caps (and must purchase stock to meet those requirements as necessary, including any additional stock based on changes to its Mortgage Assets as of the immediately preceding annual membership stock requirement recalculation), and
  - be subject to any future increases in these applicable percentages and caps for as long as any advance, MPF Program, or standby letter of credit activity with the Bank remains outstanding.

6.2.4 Stock Redemption

- A withdrawal notice constitutes a five-year stock Redemption notice for all stock held by a member at the time the Bank receives the notice.
  - If after having given the Bank a withdrawal notice, a member acquires additional stock, the five-year Redemption period for the newly-acquired stock will begin automatically on the date of acquisition. Notwithstanding anything to the contrary in this section, the newly-acquired stock will be Redeemable only at the end of its respective five-year Redemption period in accordance with Section 5.1.
- At the expiration of the five-year Redemption period following receipt of the withdrawal notice, a member's membership stock requirement will be zero and the Bank will Redeem a member's Class B Stock subject to the withdrawal notice. However, if there remains any outstanding products or programs which are subject to the activity stock requirement, the Former Member remains subject to the Minimum Investment Requirement and the Bank will not Redeem or Repurchase stock to the extent the Former Member's outstanding stock will fall below such requirement.

6.2.5 Cancellation of Withdrawal Notice

- A member may cancel a notice of withdrawal before membership termination by giving written notice to the Bank. The cancellation will be subject to a fee as described in Section 5.2.
- Upon the Bank's receipt of a member's withdrawal cancellation notice, the member will become subject to:
  - any then-existing percentages applicable for membership and activity stock requirements and membership stock requirement caps (and must purchase stock to meet those requirements as necessary, including any additional stock based on changes to its Mortgage Assets as of the immediately preceding annual membership stock requirement recalculation), and
  - any future increases in these applicable percentages and caps.

6.3 Involuntary Termination of Membership

6.3.1 Membership Termination Trigger and Effective Date

- The Bank Act and the Regulations permit the Board of Directors to involuntarily terminate membership under certain specified conditions.
- Involuntary termination is effective on the date the Board of Directors acts to terminate membership.

6.3.2 Access to Bank Products and Services

Immediately upon involuntary termination, a Former Member will lose all rights to the benefits of Bank membership, other than the right to receive dividends declared on its Class B Stock during the five-year Redemption period.

6.3.3 Minimum Investment Requirement

- The Former Member remains subject to the Minimum Investment Requirement until the expiration of the five-year stock Redemption period, or a longer period if there remains any outstanding products or programs subject to the activity stock requirement. However, the Former Member will not:
  - be subject to any increase in the applicable percentages used to calculate the membership stock requirement or the activity stock requirement,
  - be subject to any increases in the applicable cap for the membership stock requirement, or
  - be required to purchase additional stock based upon any changes to the amount of its Mortgage Assets.

6.3.4 Stock Redemption

- The five-year stock Redemption period begins on the date of membership termination for stock not already subject to a stock Redemption notice.
- Except as noted below, at the expiration of the five-year Redemption period, the Bank will Redeem the applicable Class B Stock. However, if there remains any outstanding products or programs which are subject to the activity stock requirement, the Former Member remains subject to the Minimum Investment Requirement and the Bank will not Redeem or Repurchase stock to the extent the Former Member's outstanding stock will fall below such requirement.

6.3.5 Receiverships or Conservatorships or Voluntary Dissolution

- Notwithstanding any other provision in this Capital Plan, in the event:
  - a receiver or conservator has been appointed for a member and there is no institution acquiring the member's Bank assets and obligations, or the member has acted to voluntarily dissolve or liquidate itself, and
  - the Board of Directors has terminated the member's membership, then the Former Member's membership stock requirement will immediately reduce

to zero. Accordingly, any resulting Excess Stock held by the Former Member will be subject to discretionary Repurchase by the Bank.

6.3.6 Failure to Meet Statutory or Regulatory Membership Requirements

- Notwithstanding any other provision in this Capital Plan, in the event:
  - a member otherwise fails to satisfy any statutory or regulatory eligibility requirements for Bank membership, and
  - the Board of Directors has terminated the Former Member's membership, or such membership is terminated by operation of law, then the Former Member's membership stock requirement will reduce to zero on the date the Bank conducts its next annual membership stock requirement recalculation. Accordingly, after such date, any resulting Excess Stock held by the Former Member will be subject to discretionary Repurchase by the Bank.

6.4 Termination by Consolidation or Merger

6.4.1 Membership Termination Trigger and Effective Date

A member that has consolidated or merged within and into another institution (including transactions occurring as part of a receivership or conservatorship, where the acquiring institution has acquired the assets and liabilities of the member, including the Bank assets and obligations) will have its membership terminated on the date of its charter cancellation.

6.4.2 Access to Bank Products and Services

- Unless the acquiring institution is a Bank member, the acquiring institution will have no rights to the benefits of Bank membership, beyond the right to receive dividends earned prior to the Repurchase or Redemption of its stock and to exercise any voting right it acquired because the Former Member was a member of the Bank as of the most recent record date for director elections.
- If the acquiring institution is eligible and intends to become a member of the Bank, it must provide notice and submit an application for membership in accordance with the Regulations. If the acquiring institution is approved for membership, it must purchase the appropriate amount of Class B Stock (minus any Class B Stock received from the disappearing member) to satisfy the Minimum Investment Requirement.

6.4.3 Minimum Investment Requirement

- If the acquiring institution is a Bank member, on the date the disappearing member's charter is cancelled:
  - the acquiring member's activity stock requirement will be recalculated to include the applicable products or programs acquired from the disappearing member,
  - the disappearing member's membership stock requirement will be added to the acquiring member's membership stock requirement, and

        - any outstanding stock Redemption notices from the disappearing member will remain in effect.
    - If the acquiring institution is a non-member who does not apply for membership or who is ineligible for membership:
        - the acquiring institution remains subject to the Minimum Investment Requirement of the Former Member until the expiration of the five-year stock Redemption period, or a longer period if there remains any outstanding products or programs subject to the activity stock requirement. However, the acquiring institution will not:
            - be subject to any increase in the applicable percentages used to calculate the membership stock requirement or the activity stock requirement,
            - be subject to any increases in the applicable cap for the membership stock requirement, or
            - be required to purchase additional stock based upon any changes to the amount of its Mortgage Assets.
        - notwithstanding any other provision in this Capital Plan, at any time after 30 days subsequent to membership termination, the Bank has the discretion to recalculate the membership stock requirement based solely on Mortgage Assets and using zero as the amount of the Mortgage Assets held by the corporate entity that had formerly been its member. Accordingly, if such recalculation occurs, any resulting Excess Stock held by the Former Member will be subject to discretionary Repurchase by the Bank.

6.4.4 Stock Transfer or Stock Redemption

- If the acquiring institution is a Bank member, on the date the disappearing member's charter is cancelled the stock of the disappearing member will be transferred to the acquiring member.
- If the acquiring institution is a non-member who does not apply for membership or who is ineligible for membership, the stock of the disappearing member will be transferred to the acquiring institution, and:
    - the five-year Redemption period for stock not already subject to a stock Redemption notice begins on the date of membership termination, and
    - at the expiration of the five-year Redemption period, the Bank will Redeem the applicable Class B Stock. However, if there remains any outstanding products or programs which are subject to the activity stock requirement, the acquiring institution remains subject to the Minimum Investment Requirement and Bank will not Redeem or Repurchase stock to the extent the acquiring institution's outstanding stock will fall below such requirement.

6.5 Termination by Relocation of Principal Place of Business

6.5.1 Membership Termination Trigger and Effective Date

- A member who relocates its principal place of business to another Federal Home Loan Bank district and joins that other Federal Home Loan Bank will have its membership terminated on the date on which the transfer of membership becomes effective.

- A Former Member that relocates its principal place of business to another district but does not become a member of another Federal Home Loan Bank will be treated as a Former Member who failed to meet statutory or regulatory membership requirements in accordance with Section 6.3.

6.5.2 Access to Bank Products and Services

A Former Member who has relocated its principal place of business outside the Bank's district and joined another Federal Home Loan Bank will not have any rights to the benefits of Bank membership, beyond the right to receive dividends earned prior to the Repurchase or Redemption of its stock and to exercise any voting right it acquired because it was a member of the Bank as of the most recent record date for director elections.

6.5.3 Minimum Investment Requirement

- The membership stock requirement for a Former Member that relocates and transfers its membership to another Federal Home Loan Bank will reduce to zero on the date it becomes a member of that other Federal Home Loan Bank. Accordingly, after such date, any resulting Excess Stock held by the Former Member will be subject to discretionary Repurchase by the Bank.
- However, if there remains any outstanding products or programs subject to the activity stock requirement, the Former Member remains subject to the Minimum Investment Requirement for so long as the product or program remains outstanding. However, the Former Member will not be subject to any increase in the applicable percentages used to calculate its activity stock requirement.

6.5.4 Stock Redemption

- The five-year Redemption period for stock not already subject to a stock Redemption notice begins on the date of membership termination.
- At the expiration of the five-year Redemption period, the Bank will Redeem all applicable Class B Stock. However, if there remains any outstanding products or programs which are subject to the activity stock requirement, the Former Member remains subject to the Minimum Investment Requirement and Bank will not Redeem or Repurchase stock to the extent the Former Member's outstanding stock will fall below such requirement.

7. SPECIAL PROVISIONS REGARDING RESTRICTED RETAINED EARNINGS ACCOUNT

The following provisions are included in this Capital Plan in connection with the Joint Capital Enhancement Agreement adopted by the Federal Home Loan Banks. The general purpose of the Joint Capital Enhancement Agreement is to enhance the capital position of each Federal Home Loan Bank by allocating a portion of each Federal Home Loan Bank's earnings into a separate restricted earnings account at such Federal Home Loan Bank.

7.1 Implementation of Restricted Retained Earnings Account

The provisions of Sections 7.1 through 7.5 will become effective upon, and only upon, the occurrence of the Interim Capital Plan Amendment Implementation Date. Until the Restriction Termination Date, in the event of any conflict between Sections 7.1 through 7.5 and the remainder of this Capital Plan, the applicable terms of Sections 7.1 through 7.5 will govern, and will be interpreted in a manner such that the restrictions set forth therein are supplementary to, and not in lieu of, the requirements of the remainder of this Capital Plan

7.2 Definitions Applicable to Sections 7.1 through 7.5 of this Capital Plan

As used in these Sections 7.1 through 7.5, the following capitalized terms will have the following meanings. Other capitalized terms used but not defined in these Section 7.1 through 7.5 will have the meanings set forth in Section 1 of this Capital Plan.

"Act" means the Federal Home Loan Bank Act, as amended, as of the Effective Date.

"Adjustment to Prior Net Income" means either an increase, or a decrease, to a prior calendar quarter's Quarterly Net Income subsequent to the date on which any allocation to Restricted Retained Earnings for such calendar quarter was made.

"Agreement" means the Joint Capital Enhancement Agreement adopted by the FHLBanks on the Effective Date and amended on the date on which the FHFA has approved the Retained Earnings Capital Plan Amendments for all of the FHLBanks that have issued capital stock pursuant to a capital plan as of the Effective Date.

"Allocation Termination Date" means the date the Bank's obligation to make allocations to the Restricted Retained Earnings account is terminated permanently pursuant to Section 7.5 of this Plan. That date is determined pursuant to Section 7.5 of this Plan.

"Automatic Termination Event" means (i) a change in the Act, or another applicable statute, occurring subsequent to the Effective Date, that will have the effect of creating a new, or higher, assessment or taxation on net income or capital of the FHLBanks, or (ii) a change in the Act, another applicable statute, or the Regulations, occurring subsequent to the Effective Date, that will result in a higher mandatory allocation of an FHLBank's Quarterly Net Income to any Retained Earnings account than the annual amount, or total amount, specified in an FHLBank's capital plan as in effect immediately prior to the Automatic Termination Event.

"Automatic Termination Event Declaration Date" means the date specified in Section 7.5.1.1 or 7.5.1.2 of this Plan.

"Bank's Total Consolidated Obligations" means the daily average carrying value for the calendar quarter, excluding the impact of fair value adjustments (i.e., fair value option and hedging adjustments), of the Bank's portion of outstanding System Consolidated Obligations for which it is the primary obligor.

"Declaration of Automatic Termination" means a signed statement, executed by officers authorized to sign on behalf of each FHLBanks that is a signatory to the statement, in which at least 2/3 of the then-existing FHLBanks declare their concurrence that a specific statutory or regulatory change meets the definition of an Automatic Termination Event.

“Dividend” means a distribution of cash, other property, or stock to a Stockholder with respect to its holdings of capital stock.

“Dividend Restriction Period” means any calendar quarter: (i) that includes the REFCORP Termination Date, or occurs subsequent to the REFCORP Termination Date; (ii) that occurs prior to an Allocation Termination Date; and (iii) during which the amount of the Bank’s Restricted Retained Earnings is less than the amount of the Bank’s RREM. If the amount of the Bank’s Restricted Retained Earnings is at least equal to the amount of the Bank’s RREM, and subsequently the Bank’s Restricted Retained Earnings becomes less than its RREM, the Bank will be deemed to be in a Dividend Restriction Period (unless an Allocation Termination Date has occurred).

“Effective Date” means February 28, 2011.

“GAAP” means accounting principles generally accepted in the United States as in effect from time to time.

“FHFA” means the Federal Housing Finance Agency, or any successor thereto.

“FHLBank” means a Federal Home Loan Bank chartered under the Act.

“Interim Capital Plan Amendment Implementation Date” means 31 days after the date by which the FHFA has approved a capital plan amendment substantially the same as the Retained Earnings Plan Provisions for all of the FHLBanks that have issued capital stock pursuant to a Plan as of the Effective Date.

“Net Loss” means that the Quarterly Net Income of the Bank is negative, or that the annual net income of the Bank calculated on the same basis is negative.

“Quarterly Net Income” means the amount of net income of an FHLBank for a calendar quarter calculated in accordance with GAAP, after deducting the FHLBank’s required contributions for that quarter to the Affordable Housing Program under Section 10(j) of the Act, as reported in the FHLBank’s quarterly and annual financial statements filed with the Securities and Exchange Commission.

“REFCORP Termination Date” means the last day of the calendar quarter in which the FHLBanks’ final regular payments are made on obligations to REFCORP in accordance with Section 997.5 of the Regulations and Section 21B(f) of the Act.

“Regular Contribution Amount” means the result of (i) 20% of Quarterly Net Income; plus (ii) 20% of a positive Adjustment to Prior Net Income for any prior calendar quarter that includes the REFCORP Termination Date, or occurred subsequent to the REFCORP Termination Date, to the extent such adjustment has not yet been made in the current calendar quarter; minus (iii) 20% of the absolute value of a negative Adjustment to Prior Net Income for any prior calendar quarter that includes the REFCORP Termination Date, or occurred subsequent to the REFCORP Termination Date, to the extent such adjustment has not yet been made in the current calendar quarter.

“Regulations” mean: (i) the rules and regulations of the Federal Housing Finance Board (except to the extent that they may be modified, terminated, set aside or superseded by the Director of the FHFA) in effect on the Effective Date; and (ii) the rules and regulations of the FHFA, as amended from time to time.

“Restricted Retained Earnings” means the cumulative amount of Quarterly Net Income and Adjustments to Prior Net Income allocated to the Bank’s Retained Earnings account restricted pursuant to the Retained Earnings Plan Provisions, and does not include amounts retained in: (i) any accounts currently in existence at the Bank on the Effective Date; or (ii) any other Retained Earnings accounts subject to restrictions that are not part of the terms of the Retained Earnings Plan Provisions.

“Restricted Retained Earnings Minimum” (“RREM”) means a level of Restricted Retained Earnings calculated as of the last day of each calendar quarter equal to one percent of the Bank’s Total Consolidated Obligations.

“Restriction Termination Date” means the date the restriction on the Bank paying Dividends out of the Restricted Retained Earnings account, or otherwise reallocating funds from the Restricted Retained Earnings account, is terminated permanently. That date is determined pursuant to Section 7.5 of this Plan.

“Retained Earnings” means the retained earnings of an FHLBank calculated pursuant to GAAP.

“Retained Earnings Plan Provisions” means Sections 7.1 through 7.5 of the Plan, which have been adopted effective as of the Interim Capital Plan Amendment Implementation Date.

“Special Contribution Amount” means the result of: (i) 50% of Quarterly Net Income; plus (ii) 50% of a positive Adjustment to Prior Net Income for any prior calendar quarter that includes the REFCORP Termination Date, or occurred subsequent to the REFCORP Termination Date, to the extent such adjustment has not yet been made in the current calendar quarter; minus (iii) 50% of the absolute value of a negative Adjustment to Prior Net Income for any prior calendar quarter that includes the REFCORP Termination Date, or occurred subsequent to the REFCORP Termination Date, to the extent such adjustment has not yet been made by the current calendar quarter.

“Stockholder” means: (i) an institution that has been approved for membership in the Bank, and has purchased capital stock in accordance with the Regulations; (ii) a former member of the Bank that continues to own capital stock; or (iii) a successor to an entity that was a member of the Bank that continues to own capital stock.

“System Consolidated Obligation” means any bond, debenture, or note authorized under the Regulations to be issued jointly by the FHLBanks pursuant to Section 11(a) of the Act, as amended, or any bond or note previously issued by the Federal Housing Finance Board on behalf of all FHLBanks pursuant to Section 11(c) of the Act, on which the FHLBanks are jointly and severally liable, or any other instrument issued through the Office of Finance, or any successor thereto, under the Act, that is a joint and several liability of all the FHLBanks.

“Total Capital” means Retained Earnings, the amount paid-in for capital stock, the amount of any general allowance for losses, and the amount of other instruments that the FHFA has determined to be available to absorb losses incurred by the Bank.

7.3 Establishment of Restricted Retained Earnings

7.3.1 Segregation of Account

No later than the REFCORP Termination Date, the Bank will establish an account in its official books and records in which to allocate its Restricted Retained Earnings, with such account being segregated on its books and records from the Bank's Retained Earnings that are not Restricted Retained Earnings for purposes of tracking the accumulation of Restricted Retained Earnings and enforcing the restrictions on the use of the Restricted Retained Earnings imposed in the Retained Earnings Plan Provisions.

7.3.2 Funding of Account

7.3.2.1 Date on which Allocation Begins

The Bank must allocate to its Restricted Retained Earnings account an amount at least equal to the Regular Contribution Amount beginning on the REFCORP Termination Date. The Bank must allocate amounts to the Restricted Retained Earnings account only through contributions from its Quarterly Net Income or positive Adjustment to Prior Net Income occurring on or after the REFCORP Termination Date, but nothing in the Retained Earnings Plan Provisions will prevent the Bank from allocating a greater percentage of its Quarterly Net Income or Adjustments to Prior Net Income to its Restricted Retained Earnings account than the percentages set forth in the Retained Earnings Plan Provisions.

7.3.2.2 Ongoing Allocation

During any Dividend Restriction Period that occurs before the Allocation Termination Date, the Bank will continue to allocate its Regular Contribution Amount (or when and if required under subsection 7.3.2.4 below, its Special Contribution Amount) to its Restricted Retained Earnings account.

7.3.2.3 Treatment of Quarterly Net Losses and Annual Net Losses

In the event the Bank sustains a Net Loss for a calendar quarter, the following will apply: (A) to the extent that its cumulative calendar year-to-date net income is positive at the end of such quarter, the Bank may decrease the amount of its Restricted Retained Earnings such that the cumulative addition to the Restricted Retained Earnings account calendar year-to-date at the end of such quarter is equal to 20% of the amount of such cumulative calendar year-to-date net income; (B) to the extent that its cumulative calendar year-to-date net income is negative at the end of such quarter (1) the Bank may decrease the amount of its Restricted Retained Earnings account such that the cumulative addition calendar year-to-date to the Restricted Retained Earnings at the end of such quarter is zero, and (2) the Bank will apply any remaining portion of the Net Loss for the calendar quarter first to reduce Retained Earnings that are not Restricted Retained Earnings until such Retained Earnings are reduced to zero, and thereafter may apply any remaining portion of the Net Loss for the calendar quarter to reduce Restricted Retained Earnings; and (C) for any subsequent calendar quarter in the same calendar year, the Bank may decrease the amount of its quarterly allocation to its Restricted

Retained Earnings account in that subsequent calendar quarter such that the cumulative addition to the Restricted Retained Earnings account calendar year-to-date is equal to 20% of the amount of such cumulative calendar year-to-date net income.

In the event the Bank sustains a Net Loss for a calendar year, any such Net Loss first must be applied to reduce Retained Earnings that are not Restricted Retained Earnings until such Retained Earnings are reduced to zero, and thereafter may apply any remaining portion of the Net Loss for the calendar year to may be applied reduce Restricted Retained Earnings.

7.3.2.4 Funding at the Special Contribution Amount

If during a Dividend Restriction Period, the amount of the Bank's Restricted Retained Earnings decreases in any calendar quarter, except as provided in subsections 7.3.2.3(A) and 7.3.2.3(B)(1) above, the Bank must allocate the Special Contribution Amount to its Restricted Retained Earnings account beginning at the following calendar quarter-end (except as provided in the last sentence of this paragraph). Thereafter, the Bank will continue to allocate the Special Contribution Amount to its Restricted Retained Earnings account until the cumulative difference between: (A) the allocations made using the Special Contribution Amount; and (B) the allocations that would have been made if the Regular Contribution Amount applied, is equal to the amount of the prior decrease in the amount of its Restricted Retained Earnings account arising from the application of subsection 7.3.2.3(B)(2). If at any calendar quarter-end the allocation of the Special Contribution Amount would result in a cumulative allocation in excess of such prior decrease in the amount of Restricted Retained Earnings: (C) the Bank may allocate such percentage of Quarterly Net Income to the Restricted Retained Earnings account that will exactly restore the amount of the prior decrease, plus the amount of the Regular Contribution Amount for that quarter; and (D) the Bank in subsequent quarters will revert to paying at least the Regular Contribution Amount.

7.3.2.5 Release of Restricted Retained Earnings

If the Bank's RREM decreases from time to time due to fluctuations in the Bank's Total Consolidated Obligations, amounts in the Restricted Retained Earnings account in excess of 150 percent of the RREM may be released by the Bank from the restrictions otherwise imposed on such amounts pursuant to the provisions of the Retained Earnings Plan Provisions, and reallocated to its Retained Earnings that are not Restricted Retained Earnings. Until the Restriction Termination Date, the Bank may not otherwise reallocate amounts in its Restricted Retained Earnings account (provided that a reduction in the Restricted Retained Earnings account following a Net Loss pursuant to subsection 7.3.2.3 is not a reallocation).

7.3.2.6 No Effect on Rights of Shareholders as Owners of Retained Earnings

In the event of the liquidation of the Bank, or a taking of the Bank's Retained Earnings by any future federal action, nothing in the Retained Earnings Plan Provisions will change the rights of the holders of the Bank's Class B stock that confer ownership of Retained

Earnings, including Restricted Retained Earnings, as granted under Section 6(h) of the Act.

7.4 Limitation on Dividends; Stock Repurchase and Stock Redemption

7.4.1 General Rule on Dividends

From the REFCORP Termination Date through the Restriction Termination Date, the Bank may not pay Dividends, or otherwise reallocate funds (except as expressly provided in Section 7.3.2.5, and further provided that a reduction in the Restricted Retained Earnings account following a Net Loss pursuant to Section 7.3.2.3 is not a reallocation), out of Restricted Retained Earnings. During a Dividend Restriction Period, the Bank may not pay Dividends out of the amount of Quarterly Net Income required to be allocated to Restricted Retained Earnings.

7.4.2 Limitations on Repurchase and Redemption

From the REFCORP Termination Date through the Restriction Termination Date, the Bank will not engage in a Repurchase or Redemption transaction if following such transaction the Bank's Total Capital as reported to the FHFA falls below the Bank's aggregate paid-in amount of capital stock.

7.5 Termination of Retained Earnings Plan Provisions Obligations

7.5.1 Notice of Automatic Termination Event

7.5.1.1 Action by FHLBanks

If the Bank desires to assert that an Automatic Termination Event has occurred (or will occur on the effective date of a change in a statute or the Regulations), the Bank must provide prompt written notice to all of the other FHLBanks (and provide a copy to the FHFA) identifying the specific statutory or regulatory change that is the basis for the assertion. For the purposes of this section, 'prompt written notice' means notice delivered no later than 90 calendar days subsequent to: (1) the date the specific statutory change takes effect; or (2) the date an interim final rule or final rule effecting the specific regulatory change is published in the Federal Register.

If within 60 calendar days of transmission of such written notice to all of the other FHLBanks, at least 2/3 of the then existing FHLBanks (including the Bank) execute a Declaration of Automatic Termination concurring that the specific statutory or regulatory change identified in the written notice constitutes an Automatic Termination Event, then the Declaration of Automatic Termination must be delivered by the Bank to the FHFA within 10 calendar days of the date that the Declaration of Automatic Termination is executed. After the expiration of a 60 calendar day period that begins when the Declaration of Automatic Termination is delivered to the FHFA, or is delivered to the FHFA by another FHLBank pursuant to the terms of its capital plan, an Automatic Termination Event Declaration Date will be deemed to occur (except as provided in subsection 7.5.1.3.

If a Declaration of Automatic Termination concurring that the specific statutory or regulatory change identified in the written notice constitutes an Automatic Termination Event has not been executed by at least the required 2/3 of the then existing FHLBanks within 60 calendar days of transmission of such notice to all of the other FHLBanks, the Bank may request a determination from the FHFA that the specific statutory or regulatory change constitutes an Automatic Termination Event. Such request must be filed with the FHFA within 10 calendar days after the expiration of the 60 calendar day period that begins upon transmission of the written notice of the basis of the assertion to all of the other FHLBanks.

7.5.1.2 Action by FHFA

The Bank may request a determination from the FHFA that a specific statutory or regulatory change constitutes an Automatic Termination Event, and may claim that an Automatic Termination Event has occurred, or will occur, with respect to a specific statutory or regulatory change only if the Bank has complied with the time limitations and procedures of subsection 7.5.1.1.

If within 60 calendar days after the Bank delivers such a request to the FHFA or another FHLBank delivers such a request pursuant to its capital plan, the FHFA provides the requesting FHLBank with a written determination that a specific statutory or regulatory change is an Automatic Termination Event, then an Automatic Termination Event Declaration Date will be deemed to occur as of the expiration of such 60 calendar day period (except as provided in subsection 7.5.1.3. The date of the Automatic termination Event Declaration Date will be as of the expiration of such 60-day calendar period (except as provided in subsection 7.5.1.3) no matter on which day prior to the expiration of the 60-day calendar period the FHFA has provided its written determination.

If the FHFA fails to make a determination within 60 calendar days after an FHLBank delivers such request to the FHFA, then an Automatic Termination Event Declaration Date will be deemed to occur as of the date of the expiration of such 60 calendar day period (except as provided in subsection 7.5.1.3); provided, however, that the FHFA may make a written request for information from the requesting FHLBank, and toll such 60 calendar day period from the date that the FHFA transmits its request until that FHLBank delivers to the FHFA information responsive to its request.

If within 60 calendar days after an FHLBank delivers to the FHFA a request for determination that a specific statutory or regulatory change constitutes an Automatic Termination Event (or such longer period if the 60 calendar day period is tolled pursuant to the preceding sentence), the FHFA provides that FHLBank with a written determination that a specific statutory or regulatory change is not an Automatic Termination Event, then an Automatic Termination Event will not have occurred with respect to such change.

7.5.1.3 Proviso as to Occurrence of Automatic Termination Event Declaration Date

In no case under this subsection 7.5.1 may an Automatic Termination Event Declaration Date be deemed to occur prior to: (A) the date the specific statutory change takes effect;

or (B) the date an interim final rule or final rule effecting the specific regulatory change is published in the Federal Register.

7.5.1.4 Notice of Voluntary Termination

If the FHLBanks terminate the Agreement, then the FHLBanks must provide written notice to the FHFA that the FHLBanks have voted to terminate the Agreement.

7.5.2 Consequences of an Automatic Termination Event or Vote to Terminate the Agreement

7.5.2.1 Consequences of Voluntary Termination

In the event the FHLBanks deliver written notice to the FHFA that the FHLBanks have voted to terminate the Agreement, then without any further action by the Bank or the FHFA: (A) the date of delivery of such notice will be an Allocation Termination Date; and (B) the date that is one year from the date of delivery of such notice will be a Restriction Termination Date.

7.5.2.2 Consequences of an Automatic Termination Event Declaration Date

If an Automatic Termination Event Declaration Date has occurred, then without further action by the Bank or the FHFA: (i) the date of the Automatic Termination Event Declaration Date will be an Allocation Termination Date; and (ii) one year from the date of the Automatic Termination Event Declaration Date will be a Restriction Termination Date.

7.5.2.3 Deletion of Operative Provisions of Retained Earnings Plan Provisions

Without any further action by the Bank or the FHFA, on the Restriction Termination Date, sections 7.1 through 7.5 of this Plan will be deleted.