

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

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): April 24, 2018**

**FEDERAL HOME LOAN BANK OF CHICAGO**  
(Exact name of registrant as specified in its charter)

**Federally chartered corporation**  
(State or other jurisdiction of  
incorporation)

**000-51401**  
(Commission  
File Number)

**36-6001019**  
(IRS Employer  
Identification No.)

**200 East Randolph Drive  
Chicago, Illinois**  
(Address of principal executive offices)

**60601**  
(Zip Code)

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

**Former name or former address, if changed since last report:  
Not Applicable**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

## Item 2.02 Results of Operations and Financial Condition.

On April 24, 2018, the Federal Home Loan Bank of Chicago (the “Bank”) sent a letter to its members to report selected preliminary unaudited financial results for the quarter ended March 31, 2018 and the declaration of a dividend. The full text of the member letter is furnished as Exhibit 99.1 to this Current Report on Form 8-K (this “Report”).

The information being furnished pursuant to Items 2.02 and 9.01 on this Report shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

This Report contains forward-looking statements which are based upon the Bank’s current expectations and speak only as of the date hereof. These statements may use forward-looking terms, such as “anticipates,” “believes,” “expects,” “could,” “plans,” “estimates,” “may,” “should,” “will,” or their negatives or other variations on these terms. The Bank cautions that, by their nature, forward-looking statements involve risk or uncertainty, that actual results could differ materially from those expressed or implied in these forward-looking statements, and that actual events could affect the extent to which a particular objective, projection, estimate, or prediction is realized. These forward-looking statements involve risks and uncertainties including, but not limited to, instability in the credit and debt markets, economic conditions (including effects on, among other things, mortgage-backed securities), changes in mortgage interest rates and prepayment speeds on mortgage assets, the Bank’s ability to successfully execute its business model and to pay future dividends (including enhanced dividends on activity stock), the Bank’s ability to meet required conditions to repurchase or redeem excess capital stock from its members, including maintaining compliance with its minimum regulatory capital requirements and determining its financial condition is sound enough to support such repurchases and redemptions, the Bank’s ability to continue to offer the Reduced Capitalization Advance Program, the Bank’s ability to implement new or enhanced products or programs, the impacts to the Bank from the Federal Housing Finance Agency’s final membership rule and the risk factors set forth in the Bank’s periodic filings with the Securities and Exchange Commission, which are available on the Bank’s website at [www.fhlbc.com](http://www.fhlbc.com). The Bank assumes no obligation to update any forward-looking statements made in this Report. The financial results discussed in this Report are preliminary and unaudited.

## Item 9.01 Financial Statements and Exhibits

(d) *Exhibits.* The following exhibit is being furnished herewith:

<u>Exhibit No.</u>	<u>Description</u>
<a href="#"><u>99.1</u></a>	<a href="#"><u>Member Letter dated April 24, 2018</u></a>

**Signature(s)**

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 hereunto duly authorized.

**Federal Home Loan Bank of Chicago**

Date: April 24, 2018

By: /s/ Roger D. Lundstrom

Roger D. Lundstrom

Executive Vice President and Chief Financial Officer

**Exhibit 99.1**

April 24, 2018

To Our Members:

We are pleased to announce that the Board of Directors of the Federal Home Loan Bank of Chicago increased the dividend declared per share on both sub-classes of capital stock. Based on our preliminary financial results for the first quarter of 2018, the Board of Directors declared a dividend of 4.00% (annualized) for Class B1 activity capital stock (an increase of 50 basis points from the previous quarter) and a dividend of 1.60% (annualized) for Class B2 membership capital stock (an increase of 10 basis points from the previous quarter). The B1 dividend is intended to reward members supporting the cooperative by borrowing from the Bank by reducing the cost of advances.

We expect to report net income of \$74 million for the first quarter of 2018 when we file our Form 10-Q with the Securities and Exchange Commission next month. Our preliminary and unaudited financial results and details on the dividend payments are included [here](#).

**Strong Member Activity Continues**

During 2017 we reported strong growth in member activity and that activity continued in the first quarter of 2018. Advances outstanding with members were \$50.8 billion and letters of credit were \$20.1 billion at quarter-end. Mortgage Partnership Finance® (MPF®) Program activity continued to grow with \$5.4 billion in MPF loans outstanding on balance sheet at quarter-end.

**Community Investment Programs in Full Swing**

The first quarter of 2018 was a busy time for our Community Investment programs. The application period for Community First® Capacity-Building Grants was announced on March 6, Community First Disaster Relief Program funding for flood-hit communities in Wisconsin became available on March 12, the 2018 Downpayment Plus® (DPP®) Programs opened on March 12, and trainings for the 2018 competitive Affordable Housing Program have begun in anticipation of the round opening on May 7.

**FHFA Issues Proposed Rule Amending the Affordable Housing Program Regulations**

The Federal Housing Finance Agency (FHFA) recently published proposed amendments to the Affordable Housing Program (AHP) regulations. The amendments offer some benefits to the AHP program, but also pose some challenges that could impact the development and implementation of AHP funding. We will be reaching out to members who have participated in the competitive AHP or DPP to provide further information on the regulation and how you can comment to the FHFA on the proposed changes that may impact your institution and the communities you serve.

**Visiting with You Across Our District**

It was terrific to see so many of you at our member meetings in March. We shared preliminary results from our membership survey and we look forward to sharing the complete results with you soon. We also announced this year's inspiring winners of the Community First Award, each of whom received \$10,000 to donate to a nonprofit of their choice.

We hope to see you again this summer at our annual management conference on August 2-3; look for an invitation this spring. Be sure to save the date to hear this year's outstanding lineup of speakers:

- **Janet L. Yellen**, Former Chair of the Federal Reserve (2014-2018)
- **Robert Gates**, 22nd United States Secretary of Defense (2006-2011)
- **Jeremy Gutsche**, *New York Times* Best-Selling Author and CEO of Trend Hunter AI
- **Marci Rossell**, Former Chief Economist for CNBC and Co-Host of Squawk Box

**News from Our District**

We are pleased to report that last week, Wisconsin Governor Scott Walker signed Assembly Bill 822, an omnibus banking bill containing three FHLB provisions, into law. Thank you to our members and our trade association partners, including the Wisconsin Bankers Association and the Wisconsin Credit Union League, who advocated for the passing of this bill. The provisions, which are now effective, will allow our Wisconsin members, like our Illinois members, to better use a letter of credit from the Federal Home Loan Bank of Chicago as collateral for public unit deposits. It also provides protections for our Bank similar to those enacted last year in Illinois, that will allow us to offer improved collateral values on securities for many of our Wisconsin members.

As always, thank you for your membership in the Federal Home Loan Bank of Chicago.

Best regards,

Matt Feldman  
President and CEO

This letter contains forward-looking statements which are based upon our current expectations and speak only as of the date hereof. These statements may use forward-looking terms, such as “anticipates,” “believes,” “expects,” “could,” “plans,” “estimates,” “may,” “should,” “will,” or their negatives or other variations on these terms. We caution that, by their nature, forward-looking statements involve risk or uncertainty, that actual results could differ materially from those expressed or implied in these forward-looking statements, and that actual events could affect the extent to which a particular objective, projection, estimate, or prediction is realized. These forward-looking statements involve risks and uncertainties including, but not limited to, instability in the credit and debt markets, economic conditions (including effects on, among other things, mortgage-backed securities), changes in mortgage interest rates and prepayment speeds on mortgage assets, our ability to successfully execute our business model and to pay future dividends (including enhanced dividends on activity stock), our ability to meet required conditions to repurchase or redeem excess capital stock from our members, including maintaining compliance with our minimum regulatory capital requirements and determining our financial condition is sound enough to support such repurchases and redemptions, our ability to continue to offer the Reduced Capitalization Advance Program, our ability to implement new or enhanced programs, the impact to us from the FHFA’s final membership rule and the risk factors set forth in our periodic filings with the Securities and Exchange Commission, which are available on our website at [www.fhlbc.com](http://www.fhlbc.com). We assume no obligation to update any forward-looking statements made in this letter. The financial results discussed in this letter are preliminary and unaudited. “Mortgage Partnership Finance,” “MPF,” “MPF Xtra,” “Downpayment Plus,” “DPP,” and “Community First” are registered trademarks of the Federal Home Loan Bank of Chicago.

### **First Quarter 2018 Dividend**

On April 24, 2018, the Board of Directors of the Federal Home Loan Bank of Chicago increased the dividend declared per share on both sub-classes of capital stock. Based on our preliminary financial results for the first quarter of 2018, the Board of Directors declared a dividend of 4.00% (annualized) for Class B1 activity capital stock (an increase of 50 basis points from the previous quarter) and a dividend of 1.60% (annualized) for Class B2 membership capital stock (an increase of 10 basis points from the previous quarter).

The actual effective combined dividend rate on the total stock held by each member depends on each member's level of activity with the Bank during the first quarter of 2018 and the relative number of shares of activity and membership capital stock held by each member. The dividend will be paid by crediting your account on May 15, 2018.

The Bank pays a higher dividend per share on Class B1 activity stock than on Class B2 membership stock to reward members who use the Bank's advances and, thereby, support the financial health of the entire cooperative. The higher dividend you receive on Class B1 activity stock has the effect of lowering your cost of borrowing from the Bank.

### **First Quarter 2018 Financial Highlights**

For more details, please refer to the Condensed Statements of Income and Statements of Condition on the next page. The results discussed here are preliminary and unaudited. We expect to file our first quarter 2018 Form 10-Q with the Securities and Exchange Commission (SEC) next month. You will be able to access it on our website, [fhlb.com](http://fhlb.com), or through the SEC's reporting website.

- Advances outstanding increased \$2.7 billion to \$50.8 billion at March 31, 2018, up from \$48.1 billion at December 31, 2017.
- MPF Loans held in portfolio increased to \$5.4 billion at March 31, 2018, up from \$5.2 billion at December 31, 2017 as new MPF loan purchases continued to moderately outpace paydown and maturity activity.
- Total investment securities increased 6% to \$18.4 billion at March 31, 2018, up from \$17.3 billion at December 31, 2017, as we increased our purchase of Treasury securities for liquidity purposes.
- Total assets increased to \$91.4 billion as of March 31, 2018, compared to \$84.4 billion as of December 31, 2017.
- We recorded net income of \$74 million in the first quarter of 2018, up from \$73 million in the first quarter of 2017.
- Net interest income for the first quarter of 2018 was \$124 million, up from \$113 million for the first quarter of 2017, as we benefited both from the rising rate environment and higher levels of interest earning assets.
- We remained in compliance with all of our regulatory capital requirements as of March 31, 2018.
- Letters of credit commitments increased to \$20.1 billion at March 31, 2018, up from \$19.6 billion at December 31, 2017.

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redemptions, our ability to continue to offer the Reduced Capitalization Advance Program, our ability to implement new or enhanced products or programs, the impacts to us from the Federal Housing Finance Agency's final membership rule, and the risk factors set forth in our periodic filings with the Securities and Exchange Commission, which are available on our website at [fhlbc.com](http://fhlbc.com). We assume no obligation to update any forward-looking statements made in this publication. The financial results discussed in this publication are preliminary and unaudited. "Community First," "Downpayment Plus," "DPP," "Mortgage Partnership Finance," and "MPF" are registered trademarks of the Federal Home Loan Bank of Chicago.

### Condensed Statements of Condition

(Dollars in millions)

(Preliminary and Unaudited)

	March 31, 2018	December 31, 2017	Change
Cash and due from banks, interest bearing deposits, Federal Funds sold, and securities purchased under agreement to resell	\$ 16,426	\$ 13,378	23 %
Investment securities	18,432	17,347	6 %
Advances	50,840	48,085	6 %
MPF Loans held in portfolio, net of allowance for credit losses	5,357	5,193	3 %
Other	336	352	(5)%
<b>Assets</b>	<b>\$ 91,391</b>	<b>\$ 84,355</b>	<b>8 %</b>
Consolidated obligation discount notes	\$ 41,483	\$ 41,191	1 %
Consolidated obligation bonds	43,516	37,121	17 %
Other	1,329	1,191	12 %
<b>Liabilities</b>	<b>86,328</b>	<b>79,503</b>	<b>9 %</b>
Capital stock	1,579	1,443	9 %
Retained earnings	3,358	3,297	2 %
Accumulated other comprehensive income (loss)	126	112	13 %
<b>Capital</b>	<b>5,063</b>	<b>4,852</b>	<b>4 %</b>
<b>Total liabilities and capital</b>	<b>\$ 91,391</b>	<b>\$ 84,355</b>	<b>8 %</b>
Member standby letters of credit - off balance sheet	\$ 20,132	\$ 19,572	3 %

### Condensed Statements of Income

(Dollars in millions)

(Preliminary and Unaudited)

	For the three months ended March 31,		
	2018	2017	Change
Interest income	\$ 480	\$ 337	42 %
Interest expense	(356)	(224)	59 %
Net interest income	124	113	10 %
Noninterest income	—	10	(100)%
Noninterest expense	(42)	(42)	— %
Income before assessments	82	81	1 %
Affordable Housing Program assessment	(8)	(8)	— %
Net income	\$ 74	\$ 73	1 %
Average interest bearing assets	\$ 89,662	\$ 79,888	12 %
Net interest income yield on average interest earning assets	0.55%	0.57%	(0.02)%