



## Product and Service News

08-06

March 4, 2008

### **ANNOUNCEMENT: Convertible Select Advance Products**

On January 22, 2008, the Federal Reserve (Fed) reduced the Federal Funds (Funds) rate by 75 basis points, which was the largest reduction since 1982 and the first time a reduction was made in between regularly scheduled meetings since the September 2001 terrorist attacks. One week later, the Fed cut rates by 50 bps, taking the rate to today's Fed target rate of 3%. The next Fed meeting is slated for March 18 and there is market speculation that there will be additional reductions in the Funds rate.

No one can be sure where rates are going, but at FHLBank, we have seen renewed interest in our Convertible Select Advance Products (Convertibles). Our Convertibles are approximately 25-100 bps lower than rates at year-end and, in some cases, are 200 basis points lower than one year ago. Convertibles provide you an alternative to traditional term funding to meet your liquidity needs. A Convertible is typically a fixed-rate loan that may, at the option of FHLBank Pittsburgh (the Bank), be converted to an adjustable-rate loan. If the loan is converted, it may be repaid to the Bank without a prepayment fee on the date it is converted and on certain other predetermined dates. A fee may be assessed if prepayment occurs prior to conversion. Since you sell the Bank the option, we can offer reduced rates in most interest rate environments. There is a caveat: generally, if rates rise, the Bank will convert the advance and you will have to re-fund your balance sheet in a higher interest rate environment; if rates fall, the Bank will not convert and you will be locked into funding with higher-than-market interest rates.

### **WHAT ARE WE PLANNING?**

The Bank has historically offered Convertibles in minimum increments of \$5million; however, we want to provide an opportunity for customers that want smaller increments of certain Convertible structures. We will coordinate orders for smaller increments (details outlined later in the announcement) and go to market on the 2<sup>nd</sup> and 4<sup>th</sup> Monday of each month until further notice. Orders will be taken until noon on the day of the offering, and the final rate will be set shortly thereafter. Our next offering will be Monday, March 10, 2008.

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## Rate Indications

<u>Advance Structure</u>	<u>Indication at 12/31/07</u>	<u>Indication at 3/04/08</u>
3 yr / 1 yr lockout	3.61%	2.20%
5 yr / 2 yr lockout	3.47%	2.41%
5 yr / 3 yr lockout	3.45%	2.80%

\* Please note the advance(s) will be priced on the date of the offering. These sample rates neither indicate nor predict what rates will be in effect on the date of the offering.

## Convertible Advance Details

- Minimum Convertible advance size is \$500,000.
- Requests for a particular Convertible structure will be aggregated on the 2<sup>nd</sup> and 4<sup>th</sup> Mondays of each month once the requests reach or exceed \$5 million.
- Typical settlement is three business days following trade date.
- To receive a Convertible advance, customers must have the necessary documentation signed – contact the Money Desk to receive the contract.
- Normal underwriting, collateral and capital stock requirements apply.

The information set forth in this announcement is for informational purposes only. Rates and other terms are for illustration only, and are subject to change without notice.

A Convertible is an advance with an embedded option. There may be significant accounting and economic implications of such options. The member is solely responsible for determining and analyzing such implications.

Please contact the Money Desk at 800-288-3400, select option2 for additional terms, pricing and structure availability.