



Products & Services Update

May 29, 2018

TO: All Members

SUBJECT: Alternative Reference Index for LIBOR

On July 27, 2017, the United Kingdom's Financial Conduct Authority announced that the London Interbank Offered Rate ("LIBOR") is expected to be phased out by Dec. 31, 2021. Since this announcement, market participants have been working to identify alternative reference indexes for transactions based on LIBOR, but no single replacement index has emerged as a market-accepted alternative.

Because FHLBank Pittsburgh's adjustable-rate loans are based on LIBOR, FHLBank has been reviewing available resources and engaging in market discussions regarding appropriate alternative reference index language so that FHLBank can continue to make adjustable-rate advances to its members. Any alternative reference index, and the spread to the index, must, at a minimum, meet FHLBank's regulatory requirements. The below language is designed not only to meet these regulatory requirements, but also to assure that FHLBank is in an economically neutral position when using an alternative reference index. The following, or substantially similar, language will be included in all adjustable-rate advance documentation effective immediately:

"In the event that the FHLBank determines, in its sole discretion, that:

- (i) The Adjustable-rate Index, or any replacement thereof (the "Index"), is suspended, discontinued, not published, or otherwise no longer available, and adequate and reasonable means do not exist for ascertaining the Index; or*
- (ii) The Index is no longer a reliable market indicator, even if it continues to be published; or*
- (iii) Another market-accepted index is more suitable to reflect the Adjustable-rate Loan's economic terms considering the FHLBank's underlying funding and related derivative transactions, other market factors, and the FHLBank's regulatory requirements,*

then, the FHLBank shall have the right, from time to time, to, in good faith, (1) substitute an alternative benchmark index for the Index, which itself may or may not be an interim Index, and (2) adjust the Spread to Index, as may have been previously adjusted (the "Spread"), to maintain the current yield on the Adjustable-rate Loan or make the new rate economically neutral, in the sole determination of the FHLBank, and which, at minimum, complies with the FHLBank's regulatory requirements. In connection with the foregoing, the FHLBank may also determine the Day Count Convention, the Lookback Days, and the Rate Reset Frequency to be used, and any other relevant methodology for calculation of the substitute rate in a manner consistent with the foregoing.

The FHLBank shall provide Member with notice as soon as practicably possible of any determination made as set forth above and the effective date of any substitutions, adjustments or other changes."

Advance documentation may be further modified for future adjustable-rate loans from time to time as FHLBank makes determinations regarding the development of, and transition to, market-accepted alternative reference indexes. The Bank will keep its members informed on this matter through periodic updates. The Member Products Policy will be updated in the near future to reflect this change.

If you have any questions regarding this notice or changes to advance documentation or the Member Products Policy, please do not hesitate to contact your Business Development Manager or call the Bank's Service Center at 800-288-3400, option 2.