



# How Our Dividend Lowers Your Letter of Credit (LC) Costs

The following example illustrates how the FHLBank Pittsburgh dividend lowers your LC cost:

Example LC	
LC Amount	\$ 1,000,000
Activity Stock Rate <sup>1</sup>	0.75%
Activity Stock Required <sup>2</sup>	\$ 7,500
LC Term (Months)	12
Annualized Stock Dividend Rate <sup>3</sup>	5.75%
Cost of Funding 0.75% Stock Purchase <sup>4</sup>	0.36%

Dividend Impact			
	Public Unit Deposit	Non-Bond, Non-Deposit	Bond
<b>LC Fees</b>	<b>0.12%</b>	<b>0.20%</b>	<b>0.25%</b>
Fees Paid on LC <i>(Total LC x Rate x Term/12 x 365/360)</i>	\$ 1,217	\$ 2,028	\$ 2,535
Estimated Dividend Received <i>(Activity Stock Required x Activity Stock Dividend x Term/12)</i>	\$ 431	\$ 431	\$ 431
Dividend-Adjusted Cost <i>(Fees Paid on LC less Estimated Dividend Received)</i>	\$ 785	\$ 1,597	\$ 2,103
<b>Dividend-Adjusted LC Fee</b> <i>(Dividend-Adjusted Cost / LC Amount)</i>	<b>0.08%</b>	<b>0.16%</b>	<b>0.21%</b>
<b>Dividend Impact</b> <i>(LC Fee - Dividend-Adjusted LC Fee)</i>	<b>4 bps</b>	<b>4 bps</b>	<b>4 bps</b>

All-In Cost			
Cost to Fund Stock Purchase <i>(Activity Stock Required x Cost of Funds x Term/12)</i>	\$ 27	\$ 27	\$ 27
Net Issuance Cost <i>(Fees Paid on LC – Estimated Dividend Received)</i>	\$ 813	\$ 1,624	\$ 2,131
<b>"All-In" LC Fee</b> <i>(Net Issuance Fee / LC Amount)</i>	<b>0.08%</b>	<b>0.16%</b>	<b>0.21%</b>
<b>Cost Reduction</b> <i>(LC Fee – "All-In" LC Fee)</i>	<b>4 bps</b>	<b>4 bps</b>	<b>4 bps</b>

<sup>1</sup> Activity stock requirement is subject to change.

<sup>2</sup> The requested LC amount of \$1,000,000 requires a capital stock purchase of \$7,500.

<sup>3</sup> Dividend is calculated assuming an average activity capital stock balance using the most recent dividend on an annualized basis.

<sup>4</sup> Assumes 1-year FHLBank Pittsburgh advance rate for cost of funds to match LC term. Rate as of 2/23/2021.

DISCLAIMER: The potential dividend impact discussed above is for illustrative purposes only. FHLBank Pittsburgh makes no commitment regarding payment of any dividends or the level of dividends. Dividend impact is the letter of credit fee and cost of financing, less the product of the current member activity stock purchase percentage and the previous quarter activity stock dividend percentage. The valuation is illustrative only; actual valuation will vary depending on the letter of credit fee, member loan stock purchase and dividend percentages in effect on any given day at a specified time.

For questions regarding letters of credit, or to request an Excel version of this document, please contact your Business Development Manager or call 800-288-3400, option 2.