

LETTER OF CREDIT UTILIZATION STRATEGIES

Example Bank

City, State

December 22, 2025

Current Credit Obligation & Collateral Position Summary (\$ actual)				
FHLBank Outstanding Credit Obligations			FHLBank Collateral Summary	
Credit Obligation Type	Amount	Number		
Regular Advances	\$ 10,000,000	12	Total Lending Value of Collateral	\$ 45,000,000
Overnight Line of Credit	-	-	Total Collateral Required	10,000,000
Letters of Credit (LTC)	-	-	Unused Collateral	35,000,000
MPF CE Exposure	-	-	Collateral Coverage Ratio	350.0%
Swap Exposure	-	-	Pledged Lending Value / Assets	10.00%
Total	<u>\$ 10,000,000</u>		Loans Lending Value	\$ 45,000,000
Funded Credit Obligations	<u>\$ 10,000,000</u>		Securities Lending Value	-

Utilizing Letters of Credit to Improve Liquidity Position

(\$ in thousands)

	Current Position	Replaced Pledged Securities w/LTC	Liquidity Ratio Improvement
\$ Increase in FHLBank Ltrs of Credit			
\$ 10,000			
Liquidity Ratio	8.75%	11.25%	250 bps
Liquid Assets / Assets	7.78%	10.00%	222 bps
On-Hand Liquidity Ratio	6.11%	9.39%	328 bps
Pledged Securities / Securities	80.00%	40.00%	4,000 bps
Pledged Securities	\$ 20,000	\$ 10,000	
Securities	25,000		
FHLBank Letters of Credit [Current]	-	10,000	
Unused Collateral	35,000	25,000	
Transaction - PUDs	\$ 40,000		
Nontransaction PUDs	15,000		
Total PUDs	55,000		
% of Deposits	14.10%		
Total Uninsured PUDs (MRY)	\$ 8,000		

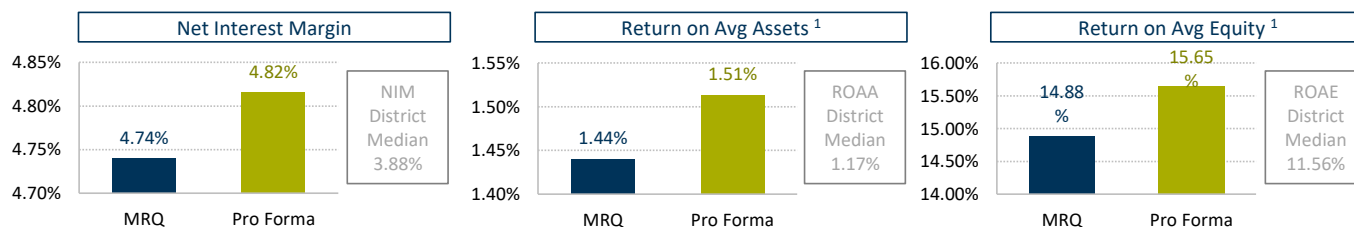
Utilizing Letters of Credit to Maximize Earnings

(\$ in thousands)

	Current Position	Replace & Reinvest Pledged Securities	Change
\$ Increase in FHLBank Ltrs of Credit:	\$ 10,000		
Balances			
FHLBank Letters of Credit	\$ -	\$ 10,000	\$ 10,000
Pledged Securities	20,000	10,000	(10,000)
Reinvestment in Higher Yielding Loans		10,000	10,000
Total Securities	25,000	15,000	(10,000)
Incremental Impact to Net Interest Income			
Annual Income on Pledged Securities [MRQ Yield: 3.86%]	\$ 772	\$ 386	\$ (386)
Annual Income on Loans [MRQ Yield: 7.21%]		721	721
Letter of Credit Cost (0.125% - minimum fee of \$125)		(13)	(13)
Net Additional Annual Income Earned			\$ 323

Assumes full LTC amount is reinvested in loans, resulting in no impact to liquidity & on-hand liquidity ratios

Impact to Profitability Ratios (MRQ)



Member FHLBank position as of 12/15/2025; collateral position as of 12/15/2025

Liquidity Ratio = Total Liquid Assets (Cash & Balances Due + Securities + Fed Funds Sold & Reverse Repos + Trading Account Assets - Pledged Securities) / Liabilities

On-Hand Liquidity = (Interest-bearing Balances + Securities + Fed Funds Sold & Reverse Repos - Fed Funds Purchased & Repos - Pledged Securities) / Liabilities

(1) S-corps tax adjusted for comparative purposes in district median calculations.