Member Testimonials

MEMBER | THE BANK OF TUSCALOOSA, A DIVISION OF SYNOVUS BANK
LETTER OF CREDIT TYPE: | CONFIRMING

FHLBank Atlanta issued a confirming letter of credit on behalf of The Bank of Tuscaloosa (a division of Synovus Bank) to provide credit support for construction of a $31 million LEED-certified building that houses the offices of The Bank of Tuscaloosa. The building is part of the Tuscaloosa Riverfront Development, which connects downtown Tuscaloosa with its scenic riverwalk area.

“From an interest rate standpoint, FHLBank Atlanta’s letter of credit was extremely important to the financial viability of the project. It allowed us to finance the building favorably for the long term.”

MARK SULLIVAN, DIVISION PRESIDENT OF THE BANK OF TUSCALOOSA

MEMBER | BURKE & HERBERT BANK
LETTER OF CREDIT TYPE: | CONFIRMING

Alexandria, Virginia-based Burke & Herbert Bank obtained a confirming letter of credit for a long-term client that is a retail operator in airports. The FHLBank Atlanta LOC enabled the community bank to offer its client the credit support required by the Port Authority of New York and New Jersey.

“Obtaining the letter of credit from FHLBank Atlanta was a very efficient and streamlined process. The LOC is reasonably priced and we were pleased to use our membership with the Bank to support our client’s credit needs.”

JEFFREY STRYKER, EXECUTIVE VICE PRESIDENT AND CASHIER, BURKE & HERBERT BANK
FHLBank Atlanta’s Letters of Credit (LOC) provide members with an efficient, low-cost way to attract and secure agreements with third parties. FHLBank Atlanta may issue an LOC to a third-party beneficiary on a member’s behalf to function as an independent guaranty of additional credit and collateral for the member’s obligation.

Contents

Why Use Letters of Credit? ................................................................. 2
Purposes for LOC Issuance ............................................................. 2
How Members are Using LOCs ........................................................ 3
Types of FHLBank Atlanta LOCs ...................................................... 4
Public Unit Deposits ........................................................................ 6
Non-PUD LOCs ............................................................................ 6
Requirements ................................................................................ 7
Credit and Collateral Requirements ............................................... 7
LOC Terms .................................................................................. 8
LOC Pricing ................................................................................ 9
Getting Started ............................................................................. 10
Reference

Where Are the Forms Located? ...................................................... 11
Steps to Filling Out the Agreement for LOC and Security Agreement ......................................................... 11
Steps to Filling Out the Application for a Standby LOC ......................... 12
Why Use a Letter of Credit?

• Provides members an opportunity to invest directly in community-based projects.
• Enables members to offer customers access to triple-A rated financing.
• Places community banks on a level playing field with larger-rated institutions.
• Mitigates risk for the beneficiary with FHLBank Atlanta providing the LOC.
• Enables members to reduce financing costs on other forms of debt by offering LOCs that are backed by FHLBank Atlanta’s triple-A rating.
• Attractive pricing.

Purposes for Letter of Credit Issuance

• Provide liquidity or other funding.
• Assist in asset/liability management.
• Facilitate residential housing finance.
• Assist in facilitating community lending.

Members utilize LOCs for a variety of transactions, including to secure Public Unit Deposits, customer transactions, insurance premiums, tax-exempt mortgage revenue bonds, and more.
How Members are Using Letters of Credit

Bank members are using LOCs to collateralize public unit deposits, facilitate residential housing development, support liquidity and other funding, and manage their balance sheets.

### Letters of Credit Usage
(Dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th>December 2010</th>
<th>December 2011</th>
<th>December 2012</th>
<th>December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PUD LOCs</strong></td>
<td>$18,619,000</td>
<td>$17,432,000</td>
<td>$14,593,000</td>
<td>$24,973,000</td>
</tr>
<tr>
<td><strong>Non-PUD LOCs</strong></td>
<td>$3,714,000</td>
<td>$4,077,000</td>
<td>$3,094,000</td>
<td>$2,666,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$22,333,000</td>
<td>$21,509,000</td>
<td>$17,687,000</td>
<td>$27,639,000</td>
</tr>
</tbody>
</table>

### Figures
- **PUD LOCs**: Letters of Credit used to collateralize public unit deposits.
- **Non-PUD LOCs**: Letters of Credit used for other purposes.

**DECEMBER 2010**
- **PUD LOCs**: $18,619,000
- **Non-PUD LOCs**: $3,714,000
- **Total**: $22,333,000

**DECEMBER 2011**
- **PUD LOCs**: $17,432,000
- **Non-PUD LOCs**: $4,077,000
- **Total**: $21,509,000

**DECEMBER 2012**
- **PUD LOCs**: $14,593,000
- **Non-PUD LOCs**: $3,094,000
- **Total**: $17,687,000

**DECEMBER 2013**
- **PUD LOCs**: $24,973,000
- **Non-PUD LOCs**: $2,666,000
- **Total**: $27,639,000

(Dollars in thousands)
Types of FHLBank Atlanta Letters of Credit

STANDBY LETTER OF CREDIT

A Standby LOC functions as an independent guaranty of additional credit and collateral for a member’s obligation.

• Issued by FHLBank Atlanta to a third-party beneficiary on behalf of a member.
• The member must have an obligation to the beneficiary.
• Most common usage is Public Unit Deposit LOCs.

How does a traditional Standby LOC work?

Member pays LOC fees, provides agreement and application

FHLBank Atlanta provides LOC

Underlying obligation/transaction between Member and Beneficiary
CONFIRMING LETTER OF CREDIT

A confirming LOC is an LOC issued by the Bank that promises to pay funds to the beneficiary upon the beneficiary’s request after the member has failed to meet its obligation to the beneficiary.

- FHLBank LOC stands behind or confirms the member’s LOC.
- Improves credit rating of the underlying transaction.
- Often used for bond issuances.
- Sometimes referred to as a “wrap.”

How does a Confirming LOC work?

FHLBank Atlanta provides confirming letter of credit

Member pays LOC fees, provides agreement and application

Original letter of credit

Credit relationship

Underlying transaction
Public Unit Deposits (PUD) Letter of Credit

• Use Letter of Credit to collateralize Public Unit Deposits (PUDs) that exceed the level covered by FDIC.

• Valuable alternative to pledging securities.

• Fee of only 9 bps.

• All states within the Bank’s district accept FHLBank Atlanta’s letter of credit for PUDs
  - District of Columbia currently does not accept FHLBank LOCs for PUDs.

Non-PUD Letter of Credit

• Leases for office space.

• Insurance premiums.

• Credit enhancement for customer transactions.

• MasterCard® balance collateral.

• Bond transactions.

MAKE MORE MONEY USING FHLBANK ATLANTA LOCS

Before Using LOC:

Secure PUD with $5mm, 5-yr agency note yielding 1.82%

Income: $5mm x 1.82% = $91,000

After Using LOC:

Secure PUD with $5mm FHLBank Atlanta LOC at a cost of 9 bps
and lend $5mm in 1-4 family mortgage loans yielding 4.85%

Income: $5mm x (4.85% - .09%) = $238,000

Member Benefit When Using LOC:

$238,000 - $91,000 = $147,000

$147,000 additional income when using FHLBank Atlanta LOC
Letter of Credit Requirements

- Issued at the request of FHLBank Atlanta member institutions.
- Member must have sufficient credit availability and collateral to cover 100% of the LOC amount.
- Standby LOCs only.
- No commercial LOCs.
- LOCs generally subject to ISP98 and the laws of the State of Georgia.
- No activity-based stock purchase required.
  - If LOC is drawn the member’s obligation becomes an advance and may require an activity-based stock purchase.
- Terms and conditions are subject to requirements set forth in the Member Products and Services Guide (MPSG).

Credit and Collateral Requirements

- Credit availability is reduced by the amount of the LOC.
- All LOCs must be collateralized the same as an advance.
- 100% collateralized for the entire term of the LOC.
- Terms and conditions are subject to requirements set forth in the MPSG.

Credit and collateral requirements for letters of credit are the same as for advances.
Letter of Credit Terms

ANNUALLY RENEWABLE LOC

• Terms of up to 10 years.
• Renewable every 12 months up to the final expiration date.
• Public Unit Deposits.
• Non-PUD fees based on size of LOC.
• Subject to approval.
Letter of Credit Pricing

PRICING TIERS FOR RENEWABLE LOC

<table>
<thead>
<tr>
<th>Amount Range</th>
<th>Pricing Tier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $1 million</td>
<td>42.5 basis points</td>
</tr>
<tr>
<td>$1 million to $5 million</td>
<td>30 basis points</td>
</tr>
<tr>
<td>$5 million to $25 million</td>
<td>20 basis points</td>
</tr>
<tr>
<td>$25 million to $50 million</td>
<td>15 basis points</td>
</tr>
<tr>
<td>Greater than $50 million</td>
<td>10 basis points</td>
</tr>
<tr>
<td>PUDs</td>
<td>9 basis points</td>
</tr>
</tbody>
</table>

ADDITIONAL PRICING TERMS

- There is a minimum fee of $25 per month.
- Fees are billed monthly in arrears.
- When an LOC is terminated, final fees are collected at the termination date.
- Pricing and terms are subject to review and to requirements set forth in the Bank’s MPSG.

For further information regarding additional products and fees, contact the Funding Desk at 1.800.536.9650, ext. 8011.
Getting Started

• Complete the Letter of Credit Security Agreement
  ◦ See Reference section on how to fill out the agreement.
  ◦ FHLBank Atlanta must have the original agreement on file.

• Complete the LOC Application
  ◦ See Reference section on how to fill out the application.
  ◦ For confirming LOCs ONLY — copy of member’s signed LOC to their customer.
  ◦ For bond-related LOCs ONLY — copy of bond-related documents (trust indenture, offering memorandum).
  ◦ Send Application to FHLBank Atlanta at least three business days prior to LOC effective date.

• Visit our public website www.fhlbatl.com or FHLBAccess for forms and more information.

• Call the Funding Desk at 1.800.536.9650, ext. 8011 with questions about LOCs or any other products or services.

Member Opportunity Summary

• Valuable alternative to pledging securities for collateralization of public deposits.

• Leverage FHLBank Atlanta’s triple-A credit rating.

• Competitively priced and valued at “par.”

• Economical source of funding for smaller financial institutions.

• Confirming LOCs in support of taxable bond transactions and housing-related tax-exempt bond transactions.
Where Are the Forms Located?

All LOC forms are located on both FHLBAccess and our public website www.fhlbatl.com.

- Agreement for Letter of Credit and Security Agreement
- Application for a Standby Letter of Credit
- Request to Amend or Terminate Standby Letter of Credit
- Cancellation and Indemnity Agreement for Lost Letters of Credit

Steps to Filling Out the Agreement for Letter of Credit and Security Agreement

1. The original agreement only needs to be submitted once. Going forward, FHLBank Atlanta will keep it on file for future LOCs.

2. The agreement must be signed by an FHLBank Atlanta authorized signer and must include the signature of a witness to attest on the designated line at the bottom of the page.

3. Insert the full name and address of your bank on the appropriate lines as well as the date.

4. Make sure that your bank’s seal is affixed on the signature page.

5. PLEASE NOTE: FHLBank Atlanta needs the original agreement on file before an LOC can be issued. Please overnight the signed, original agreement to the address below:

   FHLBank Atlanta
   Attn: Advance Operations
   1475 Peachtree Street, NE
   Atlanta, GA 30309

6. Once the properly completed original agreement is received, FHLBank Atlanta can issue LOCs on the member’s behalf.

FURTHER ASSISTANCE
For any additional questions, please call the Funding Desk at 1.800.536.9650, ext. 8011.
Steps to Filling Out the Application for a Standby Letter of Credit

• Make sure that the top portion of the form is completed with the member’s name and FHLBank Atlanta account number and the date that the paperwork is being filled out (application date).
• The application MUST BE signed by an FHLBank Atlanta authorized signer. The original application is not initially required for processing the LOC.

SECTION 1
This section is for the beneficiary’s information.
• Make sure to fill out the section entirely.
• The beneficiary must have a physical street address, an email address, and a fax number listed. This ensures prompt communication with the beneficiary.
• No PO Box addresses will be accepted.

SECTION 2
• Enter the notional amount of the LOC.
• The notional amount must be rounded to the nearest dollar.

SECTION 3
• Indicate whether or not the LOC is Not Reducing or Reducing.
• A majority of the LOCs are Not Reducing.
• If the LOC is reducing, please provide an amortization schedule with the completed application form.

SECTION 4
In this section, please specify when the LOC will become effective and when it will terminate.
Desired Effective Date: Allow 3-4 business days from when the application is submitted.
Desired Final Expiration Date: This is the date that the LOC will expire or terminate. It should include all extension periods for annually renewing LOCs.
For annually renewing LOCs, please specify the initial expiration date (no later than one year from issuance).

SECTION 5
Please designate the draw schedule for the LOC.
Partial Drawings: Allows the beneficiary to make a draw for less than the full amount of the LOC.
Multiple Drawings: Allows the beneficiary to make more than one draw on the LOC.
For example,
• Prohibiting both partial and multiple draws enables the beneficiary to make ONLY one draw for the full amount of the LOC.
• Permitting both partial and multiple draws enables the beneficiary to make more than one draw for amounts less than the full amount. The beneficiary is only permitted to draw up to the original amount of the LOC.
SECTION 6
In this section, please designate the purpose for issuing the LOC. These are the four purposes under which our regulator allows FHLBank Atlanta to issue LOCs.

- To assist with facilitating residential housing finance.
- To assist with asset/liability management.
- To assist with facilitating community lending.
- To provide liquidity/other funding.

SECTION 7
In this section, please provide detailed information regarding the underlying transaction.

- This allows FHLBank Atlanta to better understand the transaction and facilitate the approval process.
- If the obligation relates to a bond issuance, please provide a description of the terms using Exhibit A.

SECTION 8
Please indicate whether you are requesting a Standby Letter of Credit, which supports PUDs and other direct member obligations, or a Confirming Letter of Credit to credit enhance the member’s Letter of Credit.

SECTION 9
This section explains certain requirements for a draw under the LOC.

SECTION 10/SECTION 11/SECTION 12/SECTION 13
- Please select one of the permitted options for the transferability of the LOC. If transferable, FHLBank Atlanta must provide prior approval.
- Please select one desired day of the month for monthly payments.
- The original LOC will be sent to the beneficiary’s address unless special delivery instructions are provided in the application.
- Please provide any special delivery or other instructions in the boxes provided in sections 12 and 13.

SECTIONS 14 - 17
- Please submit applications to Advances Operations at advancesoperations@fhlbatl.com or 404-888-5649 (fax).
- Allow at least 3 days for processing.
- We may request additional information as needed.

SIGNATURE AND CONTACT
- The application must be signed by an FHLBank Atlanta authorized signer.
- The application should also include a contact name, number and email address for questions that might arise in connection with processing the application. The contact person for questions may be someone other than the authorized person who signs the application.

FURTHER ASSISTANCE
For any additional questions, please call the Funding Desk at 1.800.536.9650, ext. 8011