



SOFR Adjustable-rate Advances

MATURITY

Four months to 10 years for noncallable advances

One to five years for advances with call options

RATE

Daily repricing with adjustable rate tied to SOFR

INTERESTED IN LEARNING MORE?

We'd love to discuss how the SOFR Adjustable-rate Advance can fit into your funding plan. Contact information is available on the next page.

TAKE ADVANTAGE OF A PRODUCT TIED TO A ROBUST INDEX. We have retooled our adjustable-rate advance to offer a new option — a call feature tied to the Secured Overnight Financing Rate (SOFR). Read on to learn why and how you can put this new option to work.

Advantages:

- Longer maturities can be used to match asset durations and provide increased certainty on pricing spreads and funding availability.
- Daily rate repricing allows you to achieve efficient pricing that directly correlates to a market rate (SOFR).
- Available call options allow you to better manage potential changes in funding needs or take advantage of lower funding costs as the term of the advance shortens.

Uses:

- Fund adjustable-rate loans and other interest-rate sensitive assets with similar maturities and repricing characteristics.
- Efficiently fund the balance sheet with market-based funding that correlates well with many adjustable-rate assets.
- Reduce the potential impact of widening credit spreads on your funding cost by using advances indexed to SOFR, which is a near risk-free reference rate.

SOFR-INDEXED ADVANCES PROVIDE SIGNIFICANT BENEFITS

Most members have not used SOFR as a repricing index on adjustable-rate loans because the index does not contain a credit spread component that widens if credit risk increases. However, SOFR is a great index to use for funding purposes as it's **based on overnight transactions in the U.S. dollar Treasury repo market**, which are near risk-free.

The graph at the top of the next page shows SOFR compared to other market indexes on a year-to-date basis and illustrates the efficiency of using SOFR on the funding side of your balance sheet. SOFR correlates well with the Effective Federal Funds Rate and is often lower than the London Interbank Offering Rate because it does not contain a credit risk component.

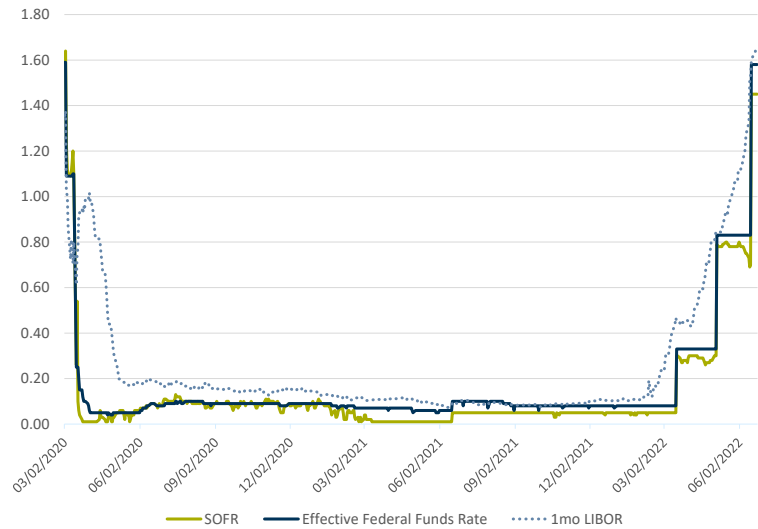
Additionally, SOFR-indexed advances, as well as those that have embedded call options, are attractive compared to other shorter-term advance options.

The chart at the bottom right illustrates a comparison of the Overnight Line of Credit to a 2-year SOFR-indexed adjustable advance and a 2-year SOFR-indexed adjustable callable advance with monthly call options. The higher rates on the term and callable advance are the result of the advances having longer maturities and can include a premium for the call option. These market-based costs can fluctuate based on the market's expectation of future interest rates and other market factors impacting the cost of the call. At times, the costs are very efficient relative to short-term advances.

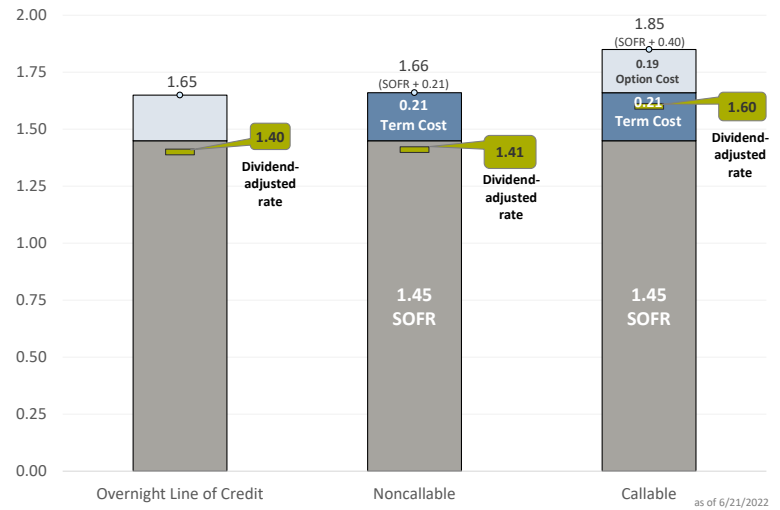
OTHER CONSIDERATIONS

FHLBank offers a wider range of maturities and call features related to SOFR-indexed advances. Whenever evaluating advance funding, consider the dividend received on your capital stock supporting the advances. The increased yield associated with the Class B stock dividend effectively lowers your borrowing cost and can result in significant savings relative to other funding sources.

THE EFFICIENCY OF SOFR



RATE COMPARISON



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