

MARGINAL COST OF FUNDS ANALYSIS

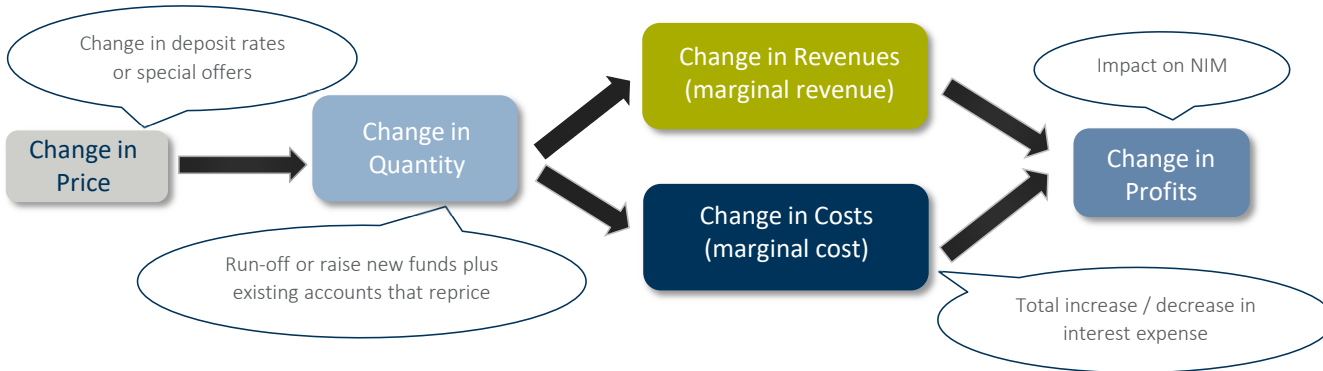
Concerned about your deposit pricing strategy? FHLBank Topeka can help!

An easing cycle has started but the Fed's approach to policy remains cautious and data dependent. Some of your competitors have lowered their rates, while others are lagging rate cuts and holding CD specials and non-maturity accounts at elevated rates. You're concerned if you adjust pricing lower whether you'll retain existing accounts or see attrition to seek higher rates. Have you considered the following?

- What percentage of your depositors *won't* leave if you move rates lower?
- Are you okay with potentially letting hot money go and benefit from lower interest expense on your deposit base?
- Will you see a shift in deposit mix if CD pricing adjusts lower?
- What other options do you have?

With FHLBank Topeka's Marginal Cost of Funds (MCOF) tool, you can weigh the potential impact of these choices and build a strategy that's right for your institution. Using the concepts illustrated below, the MCOF tool analyzes the effects of changes to your deposit pricing and compares them to alternative or blended strategies like utilizing an FHLBank advance to backfill funding needs.

What is Marginal Cost of Funds and why does it matter?

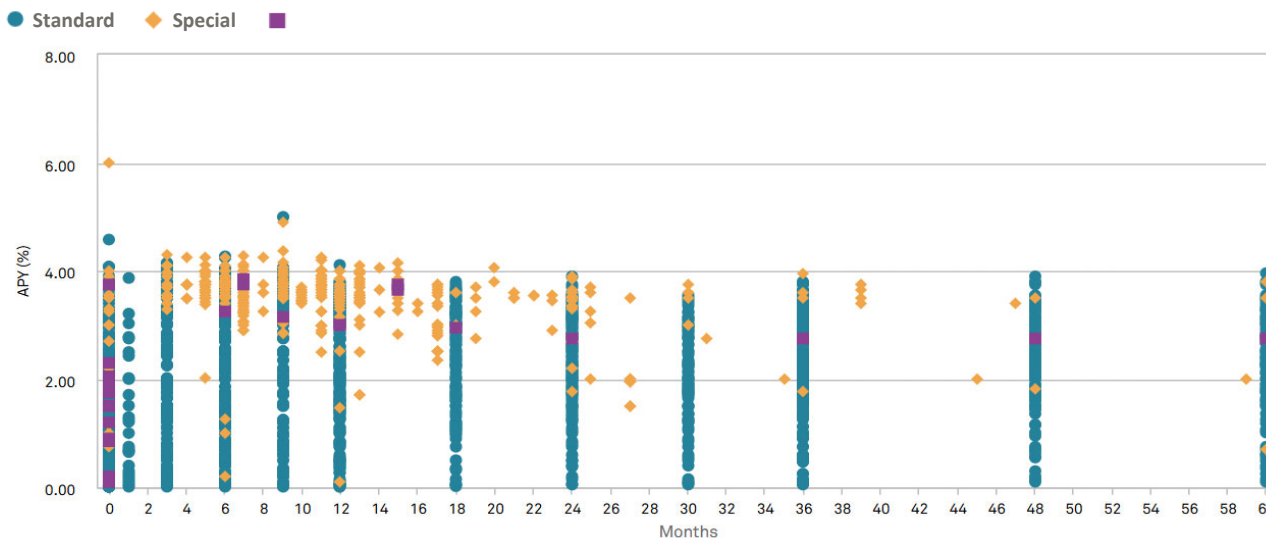


- Quantify the risk/reward of different funding strategies or various rate scenarios.
- Evaluate defensive positions against losing shares/deposits to other competitors.
- Enable funding decisions to be based on analytical versus intuitive approaches.
- Measure the impact of new share/deposit promotions for rate sensitive members and minimize cannibalization of your existing share/deposit base.
- Fill funding needs based on desired maturities, costs and risk profile.
- Formulate a funding strategy or realignment of the current share/deposit portfolio to reduce overall funding costs.

Where does your current deposit pricing stand against your peers?

Example Member vs. Nebraska (State) Market Rates

(includes time deposit, savings, money market & checking rates)



To request a complimentary MCOF analysis, contact your Regional Account Manager or visit www.fhltopeka.com/products/member-solutions

Source: S&P Global Market Intelligence. Deposit rate data as of 3/6/2026.