LETTER OF CREDIT UTILIZATION STRATEGIES

Example Bank

City, State

December 22, 2025

Current Credit Obligation & Collateral Position Summary ($ actual)

FHLBank Outstanding Credit Obligations

Credit Obligation Type	Amount	Number
Regular Advances	$ 10,000,000	12
Overnight Line of Credit	-	
Letters of Credit (LTC)	-	-
MPF CE Exposure	-	
Swap Exposure	-	
Total	$ 10,000,000	
Funded Credit Obligations	$ 10,000,000	

FHLBank Collateral Summary

Total Lending Value of Collateral	$ 45,000,000
Total Collateral Required	10,000,000
Unused Collateral	35,000,000
Collateral Coverage Ratio	350.0%
Pledged Lending Value / Assets	10.00%
Loans Lending Value	$ 45,000,000
Securities Lending Value	-

Utilizing Letters of Credit to Improve Liquidity Position

($ in thousands)

$ Increase in FHLBank Ltrs of Credit
$ 10,000

	Current Position	Replaced Pledged Securities w/LTC	Liquidity Ratio Improvement
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

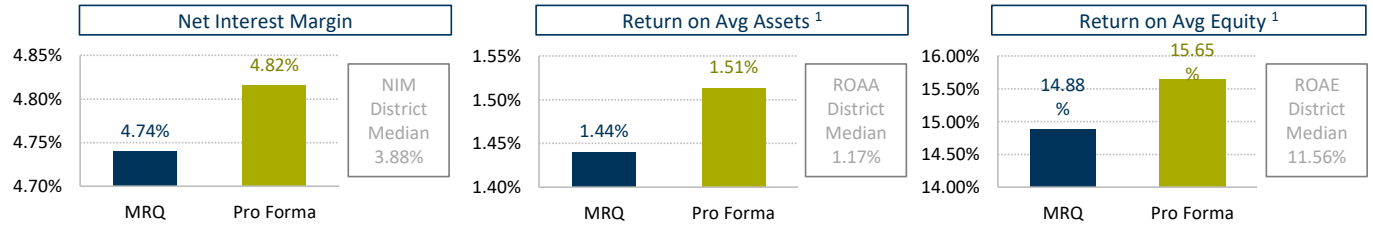
($ in thousands)

$ Increase in FHLBank Ltrs of Credit: $ 10,000

Balances	Current Position	Replace & Reinvest Pledged Securities	Change
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.

FHLBank Topeka