



# ▶▶▶▶ FINANCIAL INTELLIGENCE

# LIVE

A NEW WEBINAR FROM FHLBANK TOPEKA

- ✓ What's going on in the market and economy
- ✓ Peer analysis and member trends data
- ✓ Liquidity and funding strategies
- ✓ Tools and products available through your membership in FHLBank Topeka



# Cautionary Statements Regarding Forward-Looking Statements & Disclaimer

**Forward –looking statements:** The information in this presentation contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include statements describing the objectives, projections, estimates or future predictions of FHLBank Topeka’s operations. These statements may be identified by the use of forward-looking terminology such as “anticipates,” “believes,” “may,” “is likely,” “could,” “estimate,” “expect,” “will,” “intend,” “probable,” “project,” “should,” or their negatives or other variations of these terms. FHLBank cautions that by their nature forward-looking statements involve risks or uncertainties and that actual results may differ materially from those expressed in any forward-looking statements as a result of such risks and uncertainties, including but not limited to: changes in the general economy and capital markets, the rate of inflation, employment rates, housing market activity and pricing, the size and volatility of the residential mortgage market, geopolitical events, and global economic uncertainty; political events, including legislative, regulatory, judicial, or other developments that affect FHLBank; its members, counterparties or investors in the consolidated obligations of the FHLBanks, such as any government-sponsored enterprise (GSE) reforms, any changes resulting from the Federal Housing Finance Agency’s (FHFA) review and analysis of the FHLBank System, including recommendations published in its “FHLBank System at 100: Focusing on the Future” report, changes in the Federal Home Loan Bank Act of 1932, as amended (Bank Act), changes in applicable sections of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, or changes in other statutes or regulations applicable to the FHLBanks; external events, such as economic, financial, or political disruptions, and/or wars, pandemics, and natural disasters, including disasters caused by climate change, which could damage our facilities or the facilities of our members, damage or destroy collateral pledged to secure advances, or mortgage-related assets, which could increase our risk exposure or loss experience; effects of derivative accounting treatment and other accounting rule requirements, or changes in such requirements; competitive forces, including competition for loan demand, purchases of mortgage loans and access to funding; the ability of FHLBank to introduce new products and services to meet market demand and to manage successfully the risks associated with all products and services; changes in demand for FHLBank products and services or consolidated obligations of the FHLBank System; membership changes, including changes resulting from member creditworthiness, member failures or mergers, changes due to member eligibility or housing mission focus, or changes in the principal place of business of members; changes in the U.S. government’s long-term debt rating and the long-term credit rating of the senior unsecured debt issues of the FHLBank System; soundness of other financial institutions, including FHLBank members, non-member borrowers, counterparties, and the other FHLBanks and their members, non-member borrowers, and counterparties; the ability of each of the other FHLBanks to repay the principal and interest on consolidated obligations for which it is the primary obligor and with respect to which FHLBank, along with the other FHLBanks, has joint and several liability; the volume and quality of eligible mortgage loans originated and sold by participating members to FHLBank through its various mortgage finance products (Mortgage Partnership Finance® (MPF®) Program). “Mortgage Partnership Finance,” “MPF,” “MPF Xtra,” and “MPF Direct” are registered trademarks of FHLBank Chicago; changes in the fair value and economic value of, impairments of, and risks associated with, FHLBank’s investments in mortgage loans and mortgage-backed securities (MBS) or other assets and related credit enhancement protections; changes in the value or liquidity of collateral underlying advances to FHLBank members or non-member borrowers or collateral pledged by reverse repurchase and derivative counterparties; volatility of market prices, changes in interest rates and indices and the timing and volume of market activity, including the effects of these factors on amortization/accretion; gains/losses on derivatives or on trading investments and the ability to enter into effective derivative instruments on acceptable terms; changes in FHLBank’s capital structure; FHLBank’s ability to declare dividends or to pay dividends at rates consistent with past practices; the ability of FHLBank to keep pace with technological changes and innovation such as artificial intelligence, and the ability to develop and support technology and information systems, including the ability to manage cybersecurity risks and securely access the internet and internet-based systems and services, sufficient to effectively manage the risks of FHLBank’s business; and the ability of FHLBank to attract, onboard and retain skilled individuals, including qualified executive officers.

**Disclaimer:** In connection with the preparation and provision of these materials (including all data, scenarios, valuations, projections and other information in these materials, collectively the “Materials”), FHLBank has relied upon and assumed, without independent investigation or verification, the accuracy and completeness of all financial and other information that was made available, supplied, or otherwise communicated to FHLBank by our members and other publicly available information. FHLBank expressly disclaims any responsibility for or liability in connection with the Materials or your use of the Materials. The Materials are necessarily based upon economic, market, financial and other conditions as they exist on, and on the information made available to us as of, the date of the Materials, and subsequent developments may affect the analyses, information or other contents in the Materials. The Materials are solely for information purposes and are provided as an accommodation and without charge. All scenarios in the Materials were derived using estimates and assumptions about relevant future market conditions and other matters, all of which are subject to change without notice. FHLBank makes no representations or warranties about the accuracy or suitability of any information in the Materials. The Materials do not constitute legal, regulatory, accounting, investment, or financial advice or the rendering of legal, accounting, consulting, or other professional services of any kind. You are strongly encouraged to consult with qualified professionals regarding the extent to which the Materials may be useful to you and with respect to any legal, regulatory, accounting, tax, business, and/or financial matters or questions. The Materials are confidential and are not to be published, quoted or referred to, in whole or in part, in any document for any purpose without FHLBank’s written consent.



# Presenters



## **Drew Simmons**

VP, Regional Account Manager – Oklahoma  
405.831.7678  
[drew.simmons@fhlbtopeka.com](mailto:drew.simmons@fhlbtopeka.com)



## **Leslie Mondesir**

AVP, Member Solutions Manager  
785.478.8183  
[leslie.mondesir@fhlbtopeka.com](mailto:leslie.mondesir@fhlbtopeka.com)

## Poll Question

Which area of the webinar are you most excited to learn about today?

- a. Market & economic update
- b. Member financial trends
- c. Collateral discussion with Zachary Thompson, collateral review officer
- d. Liquidity and funding strategies



# Discussion Topics

- Economic Update
- Member Financial Trends
- FHLBank Conversation on Collateral
- Liquidity and Funding Strategies
- FHLBank is Here to Help













# Economic Update

---

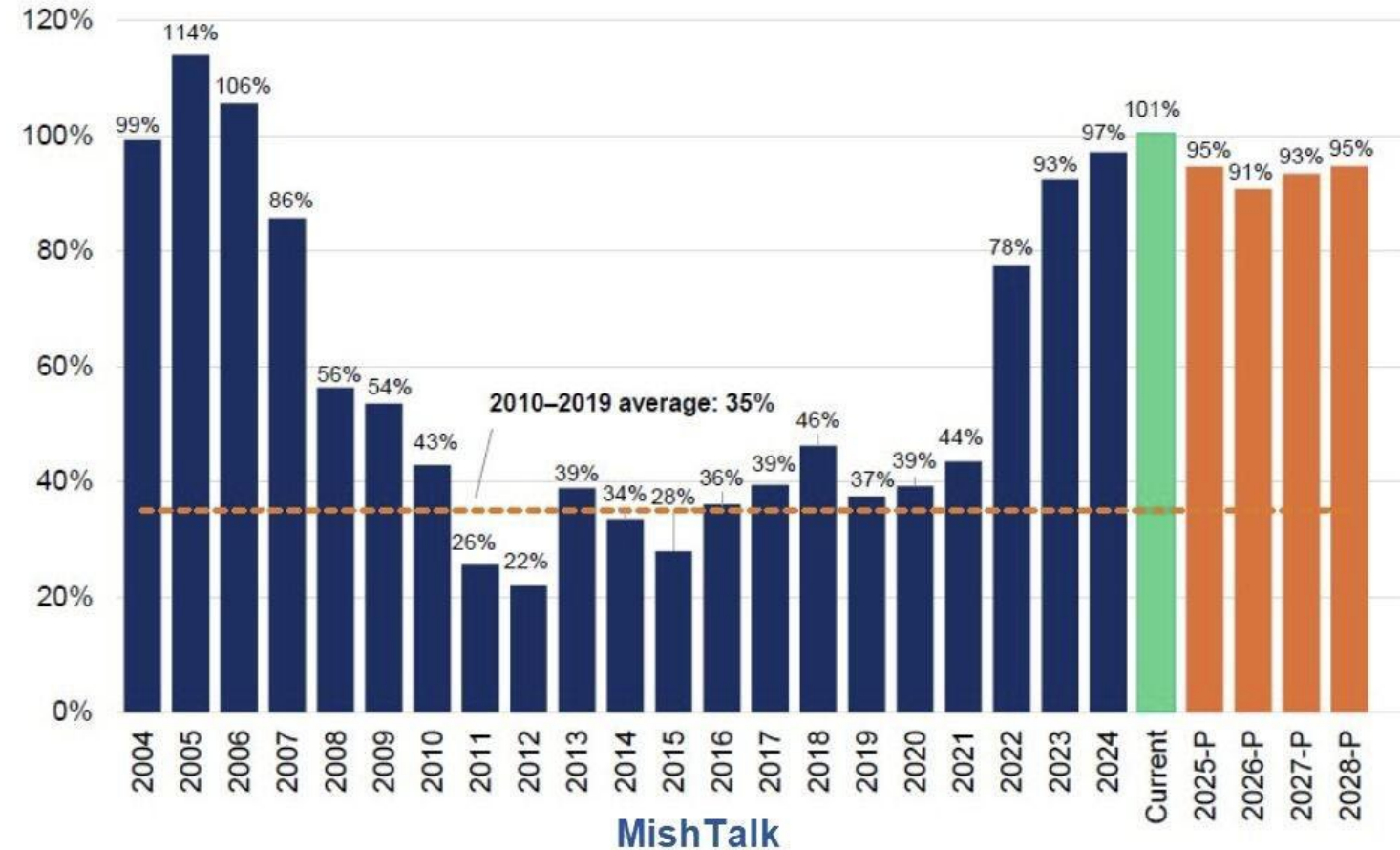


# Economic Outlook

## Core Inflation Moderately Higher & Possible Rate Cuts

- Fed Hinting at Sept Rate Cut 
- GDP | 3.30% 
- Core PCE | 2.90% 
- Core CPI | 3.10% 
- U3 Unemployment Rate | 4.20% 
- Payrolls job growth slowing significantly 
- HPI YOY | 2.89% 
- Home Affordability Challenges 

National Cost of Purchasing versus Renting Apartment (Premium)

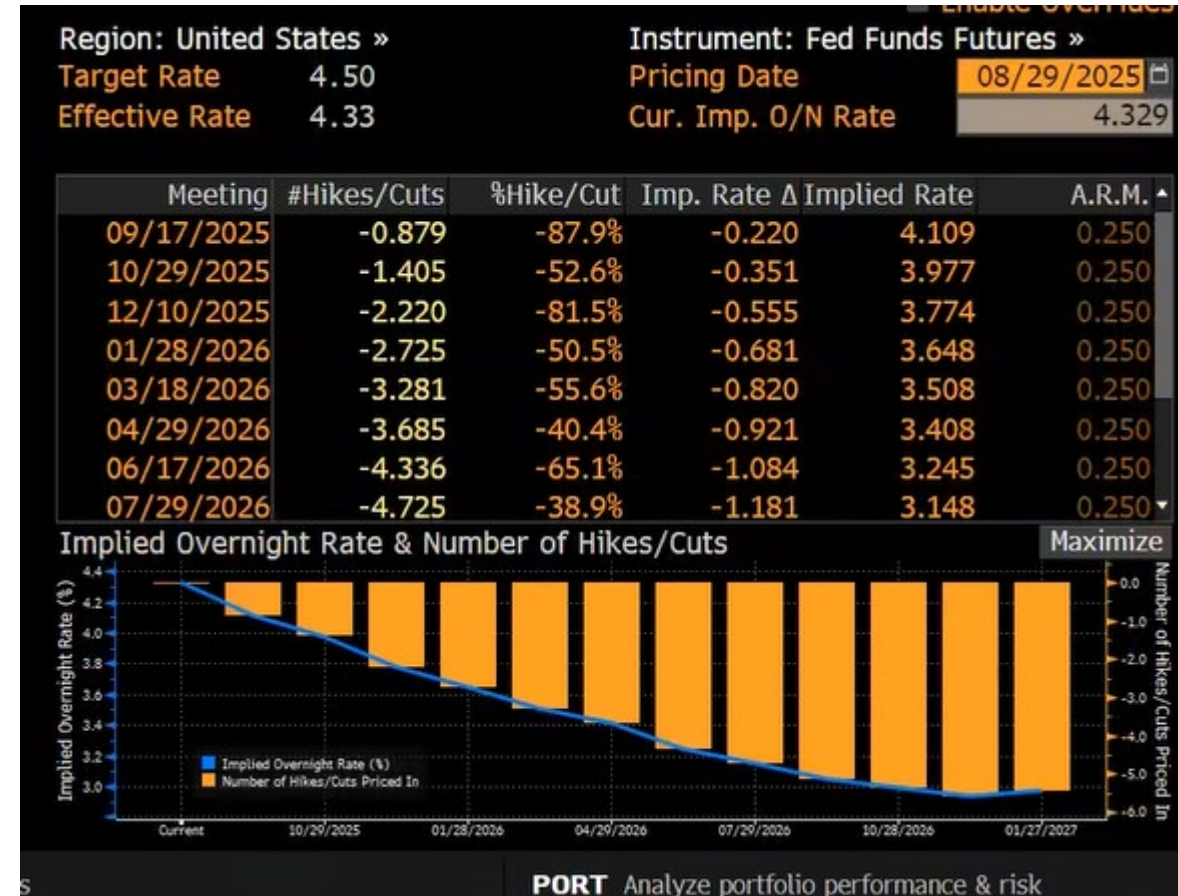




# 87% Chance of a September Rate Cut

From Fed Chair Powell at Jackson Hole:

*“The shifting balance of risks may warrant adjusting our policy stance”*



Source: Bloomberg.



## Poll Question

How much will the Fed cut rates this year?

- a. 0 bp
- b. 25 bp
- c. 50 bp
- d. 75 bp
- e.  $\geq 100$  bp
- f. Cut? Nope, rate hike.

When will next recession begin?

- a. It's already started!
- b. 2H 2025
- c. 2026
- d. 2027
- e. No recession, successful soft landing

February 2025 Poll Question Recap:

What is your outlook for the Fed's policy decisions in 2025?

**67%** - Another pause followed by a few rate cuts

**10%** - Another pause followed by a few rate hikes

**23%** - Unsure

May 2025 Poll Question Recap:

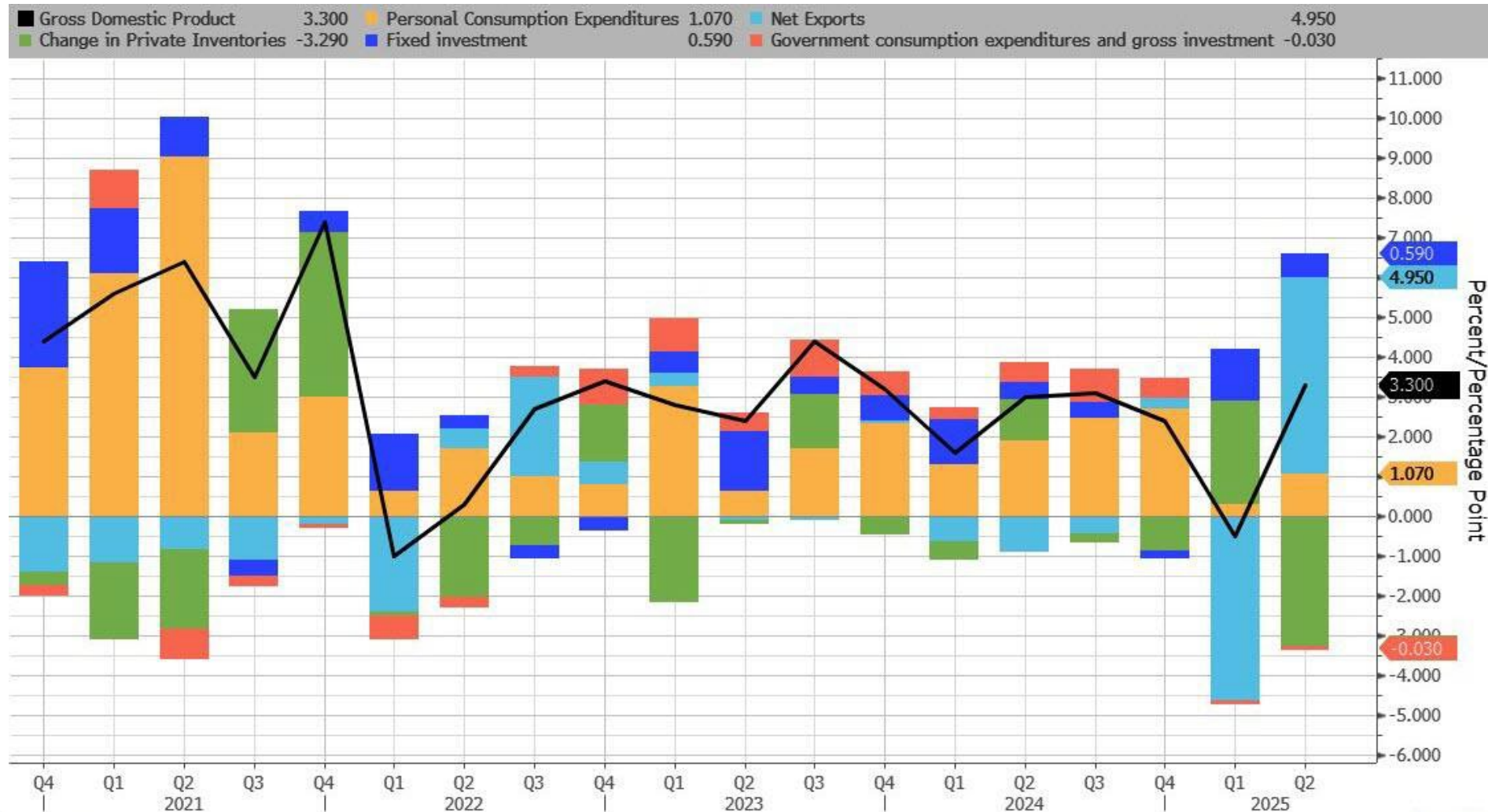
How many rate cuts do you expect in 2025? (1 cut = 25 bp)

**57%** - 1 cut

**43%** - 2 cuts

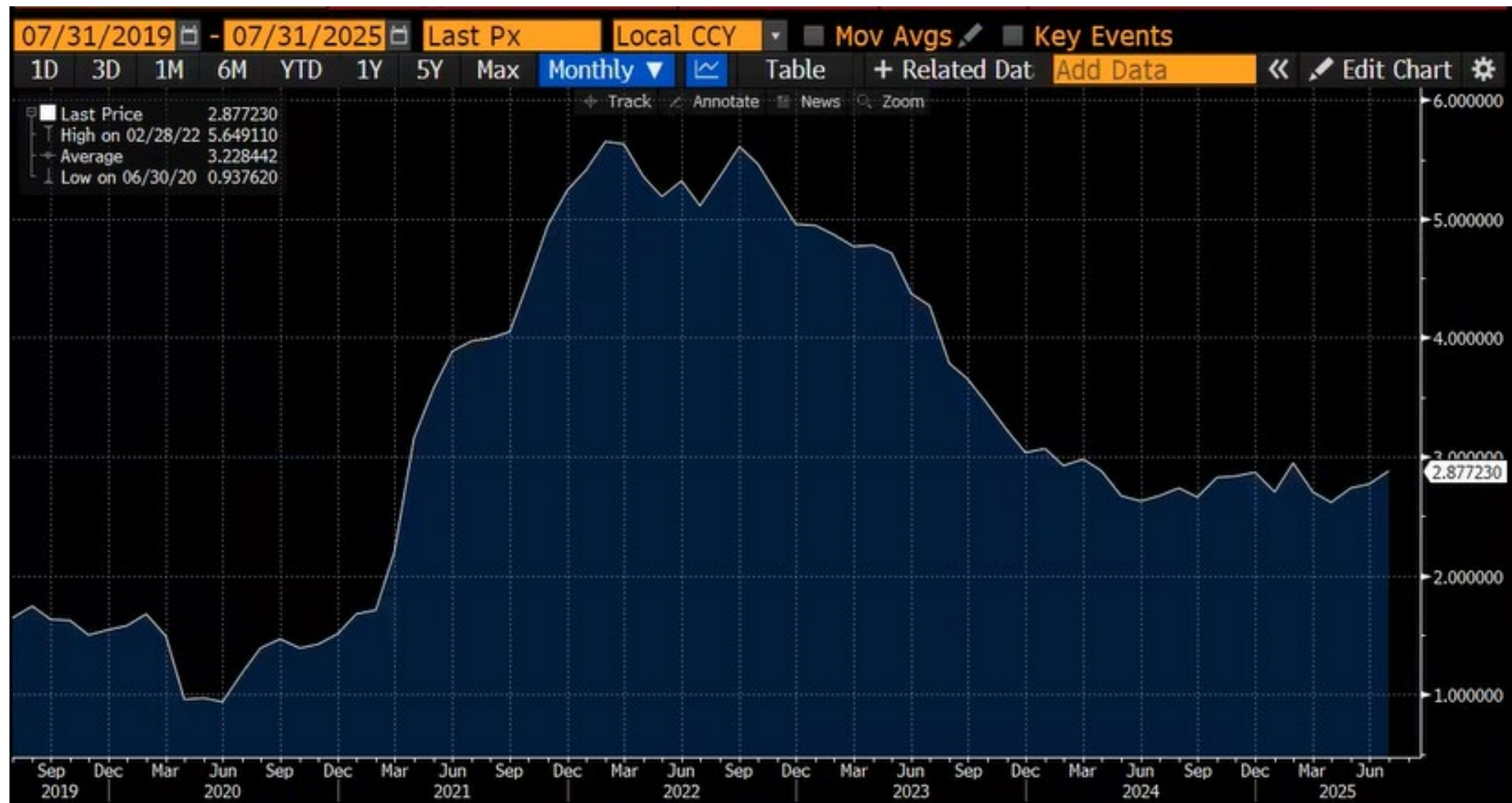


# Q2 GDP Increases to 3.30% Net Exports



Source: Bloomberg.

# Core PCE Moderately Higher – 2.90% YoY



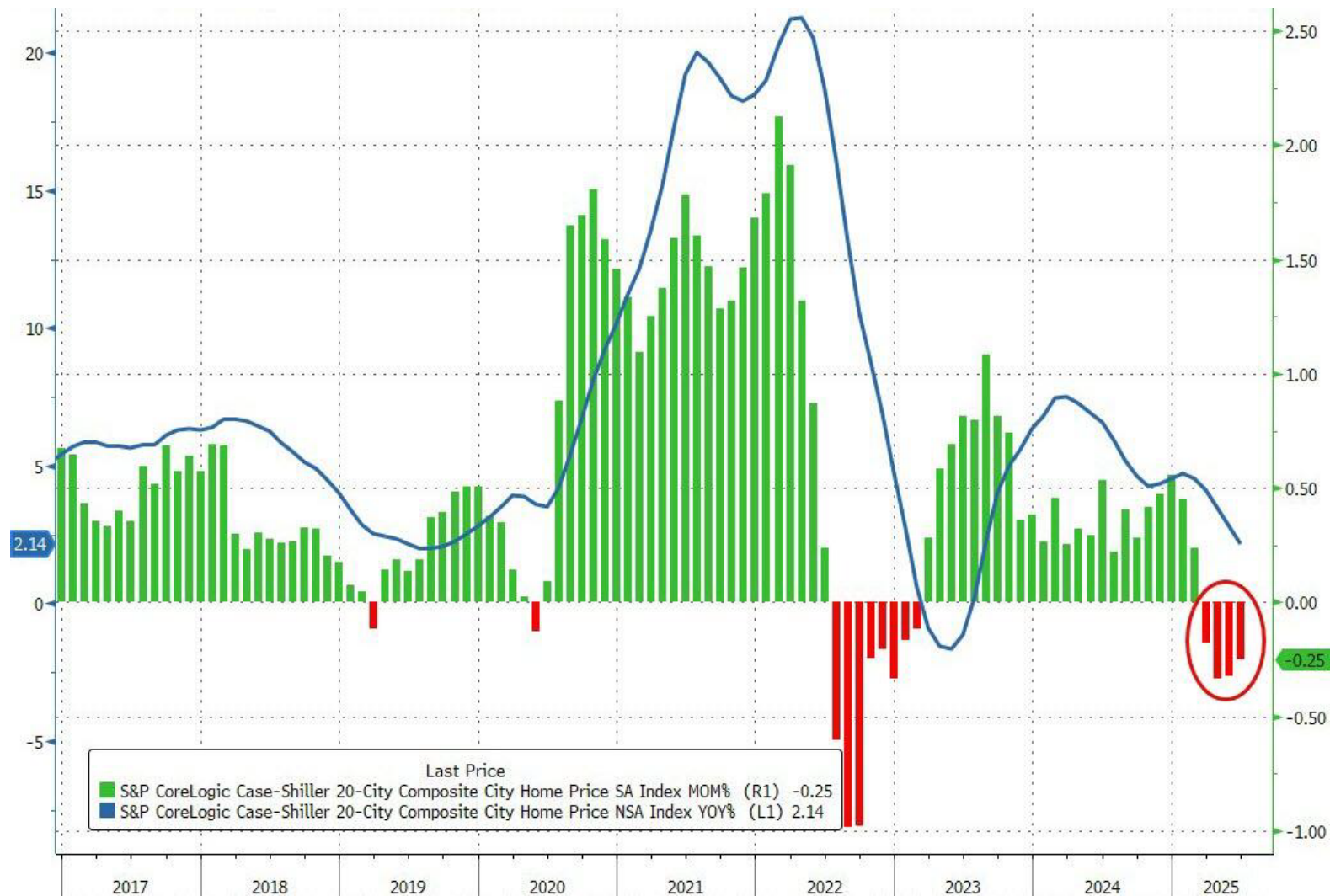
Source: Bloomberg.

# Payrolls Significant Slowing – Averaging Only 35K Last 3 Months



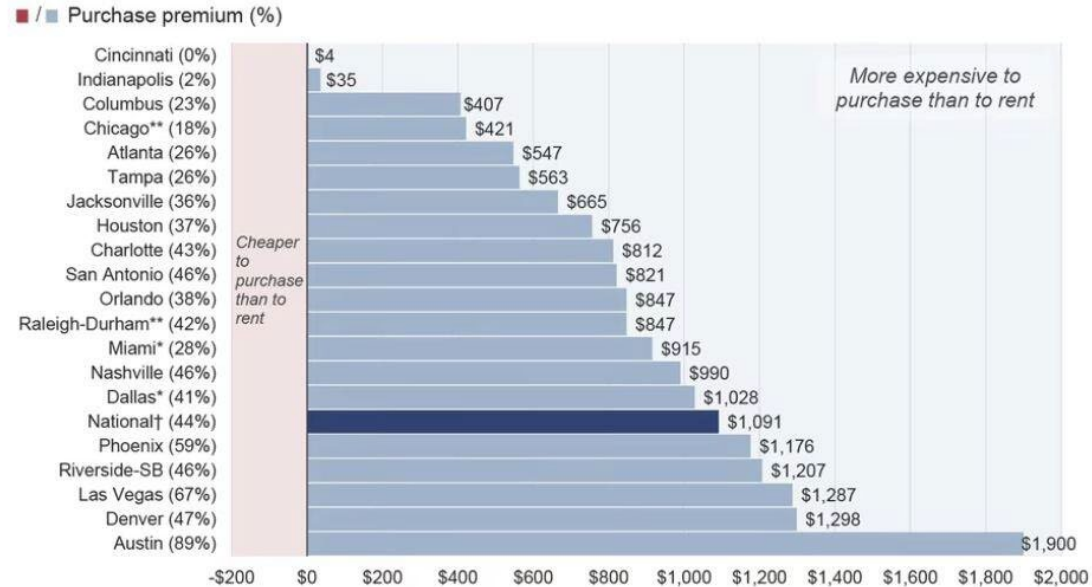


# Case-Shiller Home Prices Continue to Fall



# “Renters Nation” as Multi vs Single-Family Units Diverge

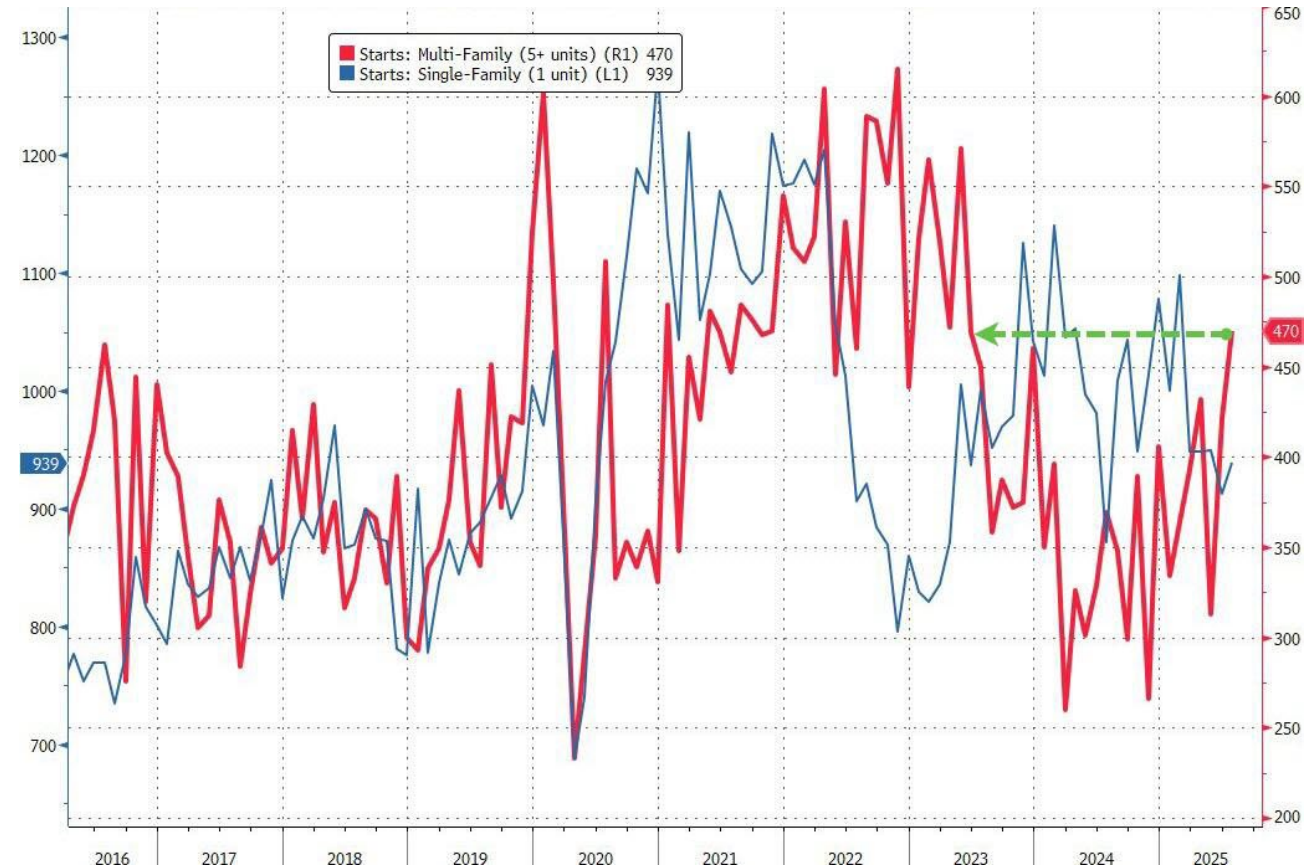
## Cost of Purchasing<sup>†</sup> vs. Renting Single-Family Starter Home



### Notes

A negative number means that it costs less to purchase and maintain a home than to rent an equivalently valued home  
<sup>†</sup> We base the national rollup on a weighted average of 99 markets.  
 \*Metropolitan division \*\*Combination of metropolitan divisions, except Raleigh-Durham, which is a combination of metros

Source: John Burns Research and Consulting, LLC (Data: Oct-24, Pub: Dec-24)



Source: Bloomberg.

# Home Affordability at Crisis Levels

Geography	Median 2019 HH Income	2019 Max Target Home Price	Share of Homes For Sale < Target (July 2019)	Median 2025 HH Income	2025 Max Target Home Price	Share of Homes For Sale < Target (July 2025)
USA	\$68,073	\$325,000	55.7 %	\$78,770	\$298,000	28.0 %
Oklahoma City, OK	\$60,605	\$289,000	62.9 %	\$71,503	\$271,000	40.5 %
Kansas City, MO-KS	\$70,215	\$335,000	63.5 %	\$80,127	\$304,000	34.2 %
Denver-Aurora-Centennial, CO	\$85,641	\$409,000	37.9 %	\$106,833	\$405,000	19.2 %

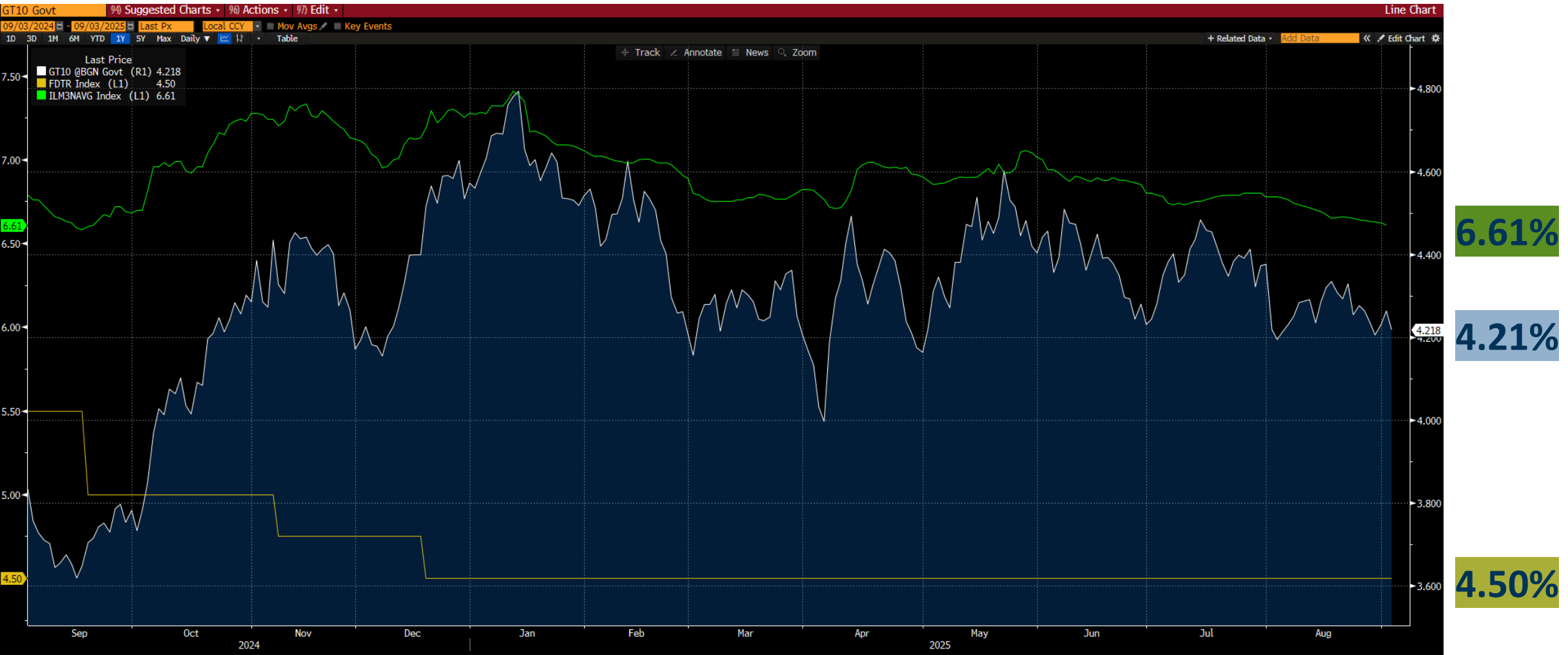
Source: Realtor.com.



# 30yr Mortgage Rate

# UST 10yr

# Fed Funds Rate



Source: Bloomberg LP



# 30yr Mortgage / 10yr Treasury Spreads | 1999-Today



1999-Today  
186bps

2022-Today  
292bps

Source: Realtor.com.

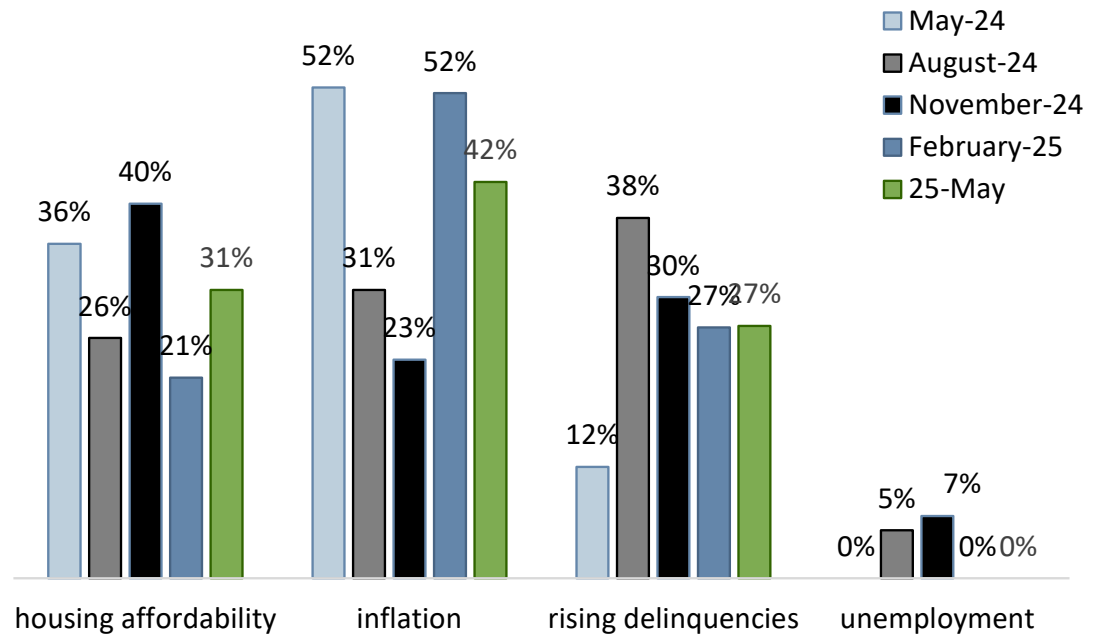
# Poll Question

Where do you think mortgage rates will be in 12 months?

- a. < 5.00%
- b. 5.00% - 5.50%
- c. 5.50% - 6.00%
- d. > 6.00%

What's the biggest concern you have for your local economy?

- a. Inflation
- b. Housing Affordability
- c. Unemployment
- d. Rising Delinquencies





## Member Financial Trends

---



## 2<sup>nd</sup> Quarter Key Balance Sheet Takeaways

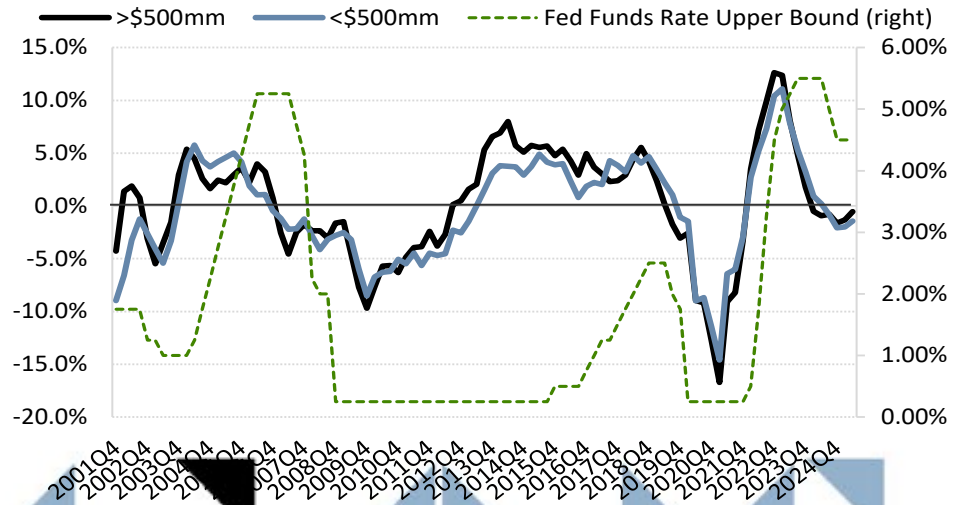
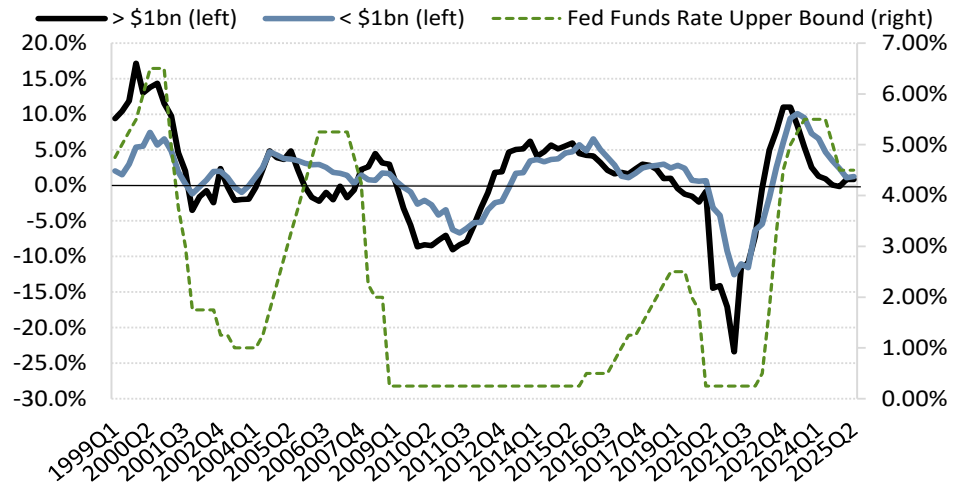
- Liquidity and deposit pressures persist
- Strong rebound in lending activity across all sectors and institution size
- Growth in core funding gap filled with FHLBank advances
  - FHLBank advance utilization expanded most at commercial and rural-based institutions
- Contraction in deposit balances across district on median basis
  - But, pockets of deposit growth seen in more urban areas
- Reserve build continues at credit unions, unchanged at bank members
  - Nonaccrual loans move higher
- Capital positions improve, remain solid



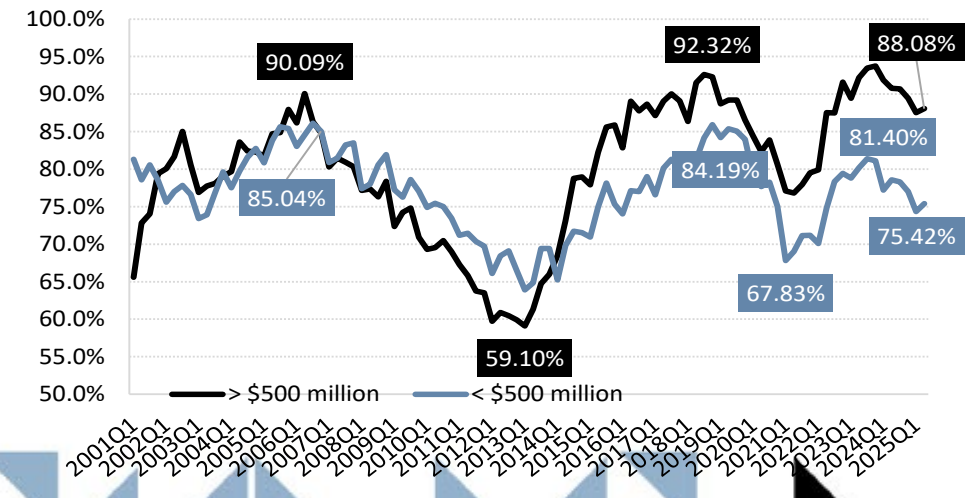
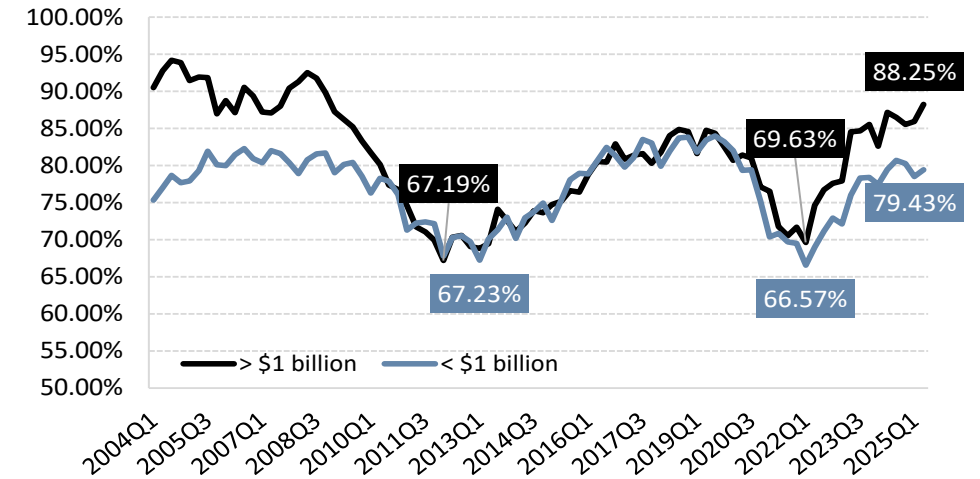
# Loan growth accelerated while deposits contract

*Navigating policy and economic uncertainty impact lending outlook*

Loan Growth less Deposit Growth (4 qtr avg)



Loans / (Shares &) Deposits



# Poll Questions

How would you describe your current loan demand?

- a. Very weak
- b. Weak
- c. Stable
- d. Strong
- e. Very strong

Deposit growth expectations for next 12-18 months?

- a. Strong growth
- b. Moderate growth
- c. Flat/Minimal growth
- d. Decline in balances

## Nebraska Regional Meeting Poll Insight (from Baker Group):

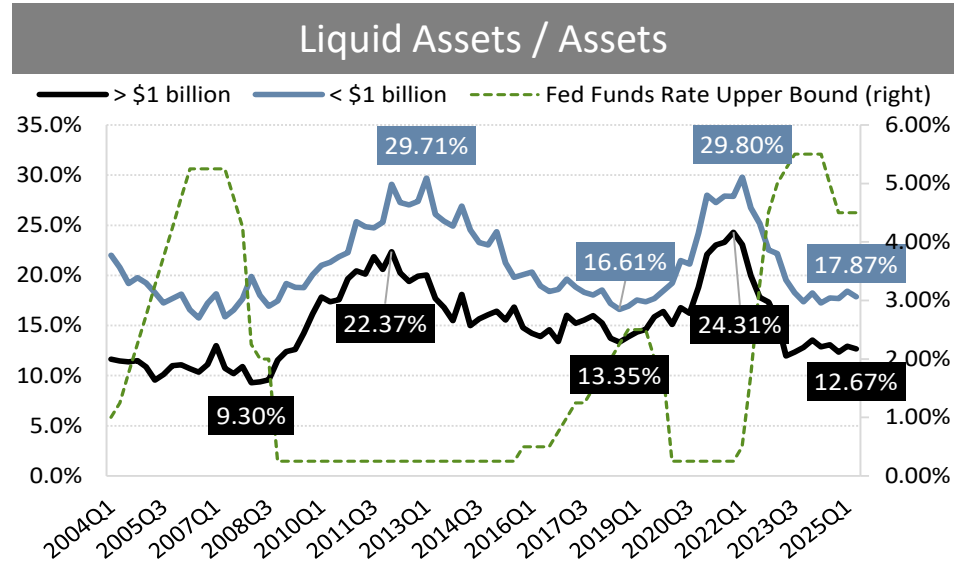




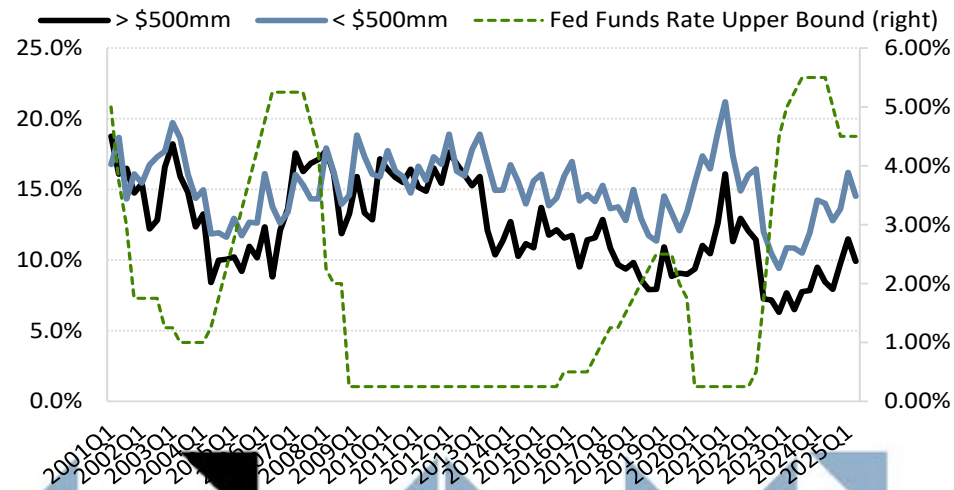
# Wholesale funding needs increase to fill funding gap

*Liquidity metrics unchanged at banks while declining at credit unions*

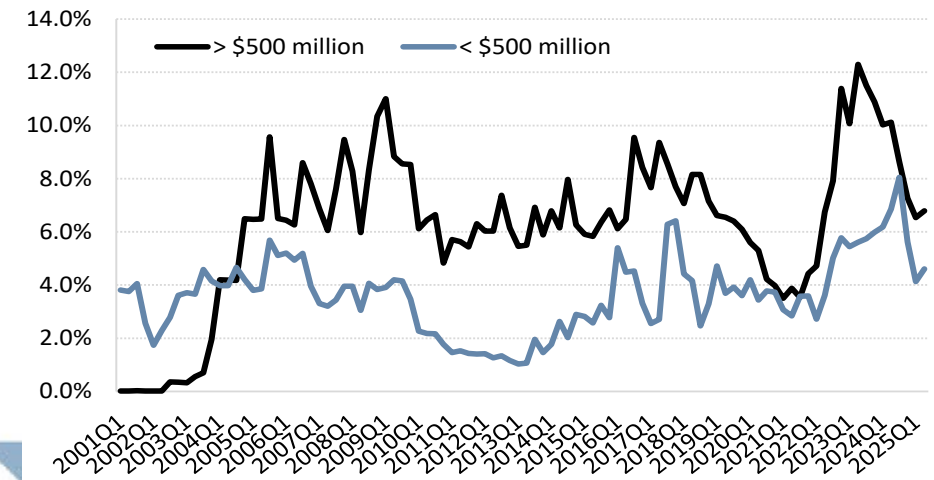
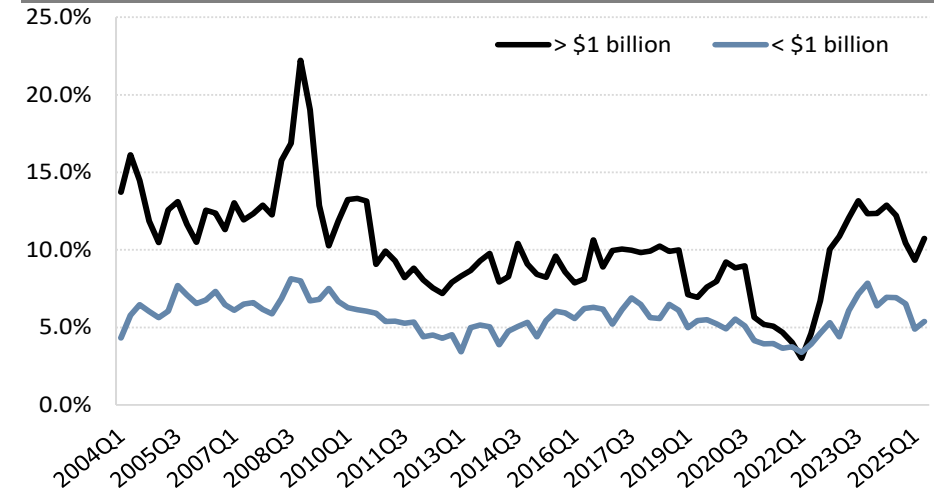
Banks



Credit Unions



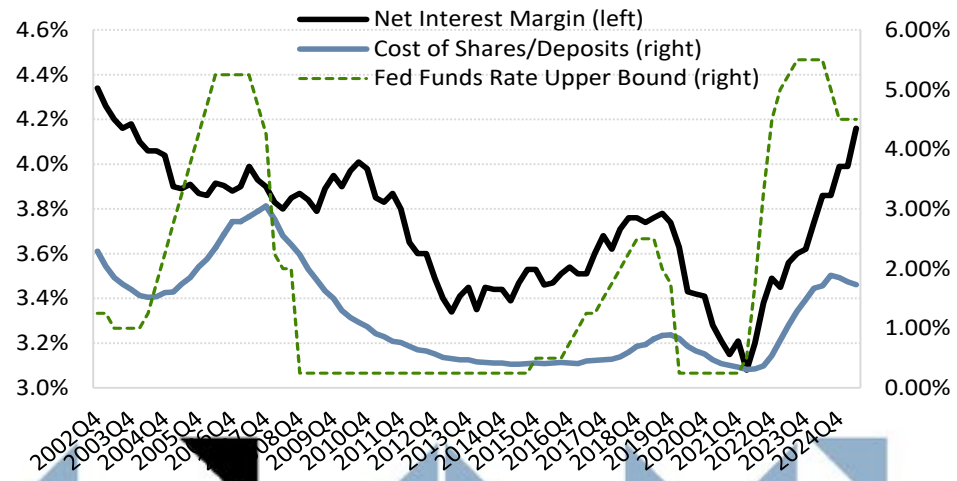
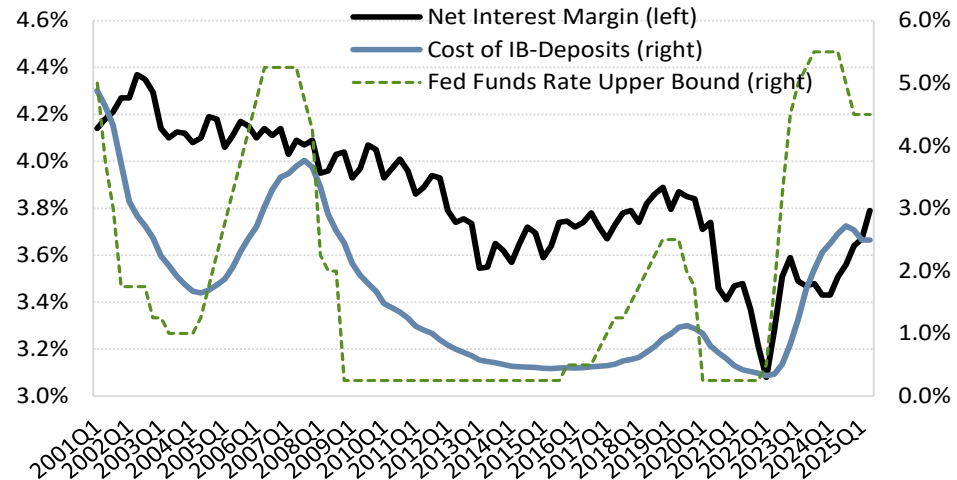
## Wholesale Funding Utilization



# Continued margin expansion driven by loan repricing

*Share/deposit funding costs stall*

NIM vs. Cost of Deposits

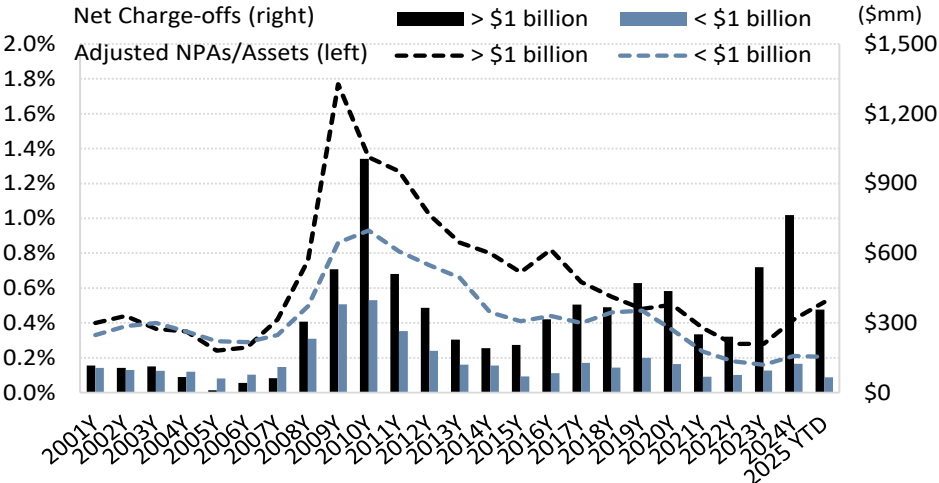


- Opportunity remain for Covid era loans to reprice higher
- High-cost CD specials concentrated in shorter-terms, provide potential to shift maturities into non-maturity accounts
- Bond yields currently at 10- to 15-year highs, opportunity to lock in yield

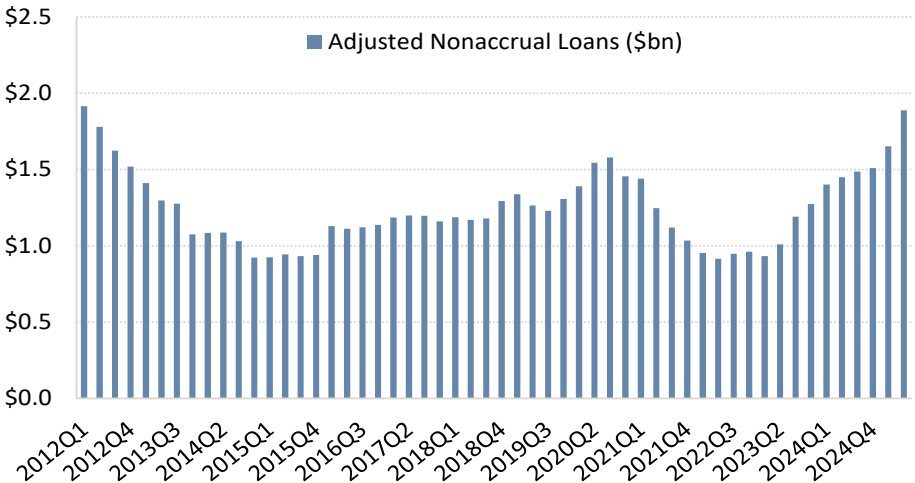
# Delinquencies on the rise, consumer debt remains elevated

*Credit concerns continue to linger*

Nonperforming Assets & Net Charge-offs

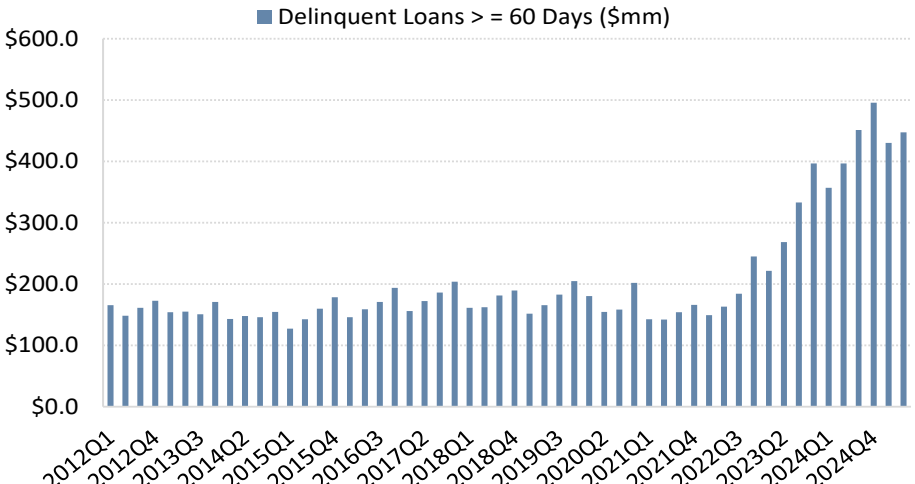
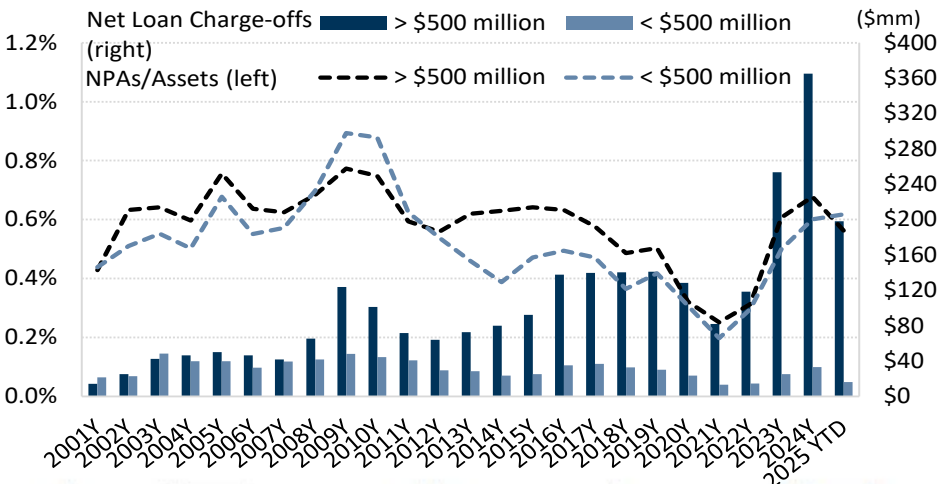


Adjusted Nonaccrual & Delinquent Loans



Banks

Credit Unions



# Poll Questions

Top financial concerns (*choose 3*):

- a. Cost of funds
- b. Liquidity
- c. Deposit growth
- d. Loan growth
- e. Asset quality
- f. Capital
- g. Other

Top challenges (*choose 3*):

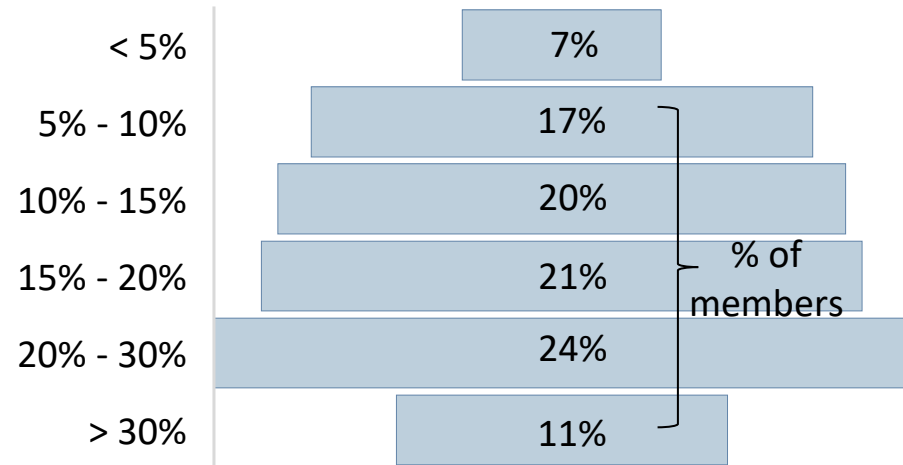
- a. Succession planning
- b. Regulatory compliance
- c. Technology & speed of change
- d. Cybersecurity/fraud
- e. Talent acquisition/retention
- f. Competition
- g. Other



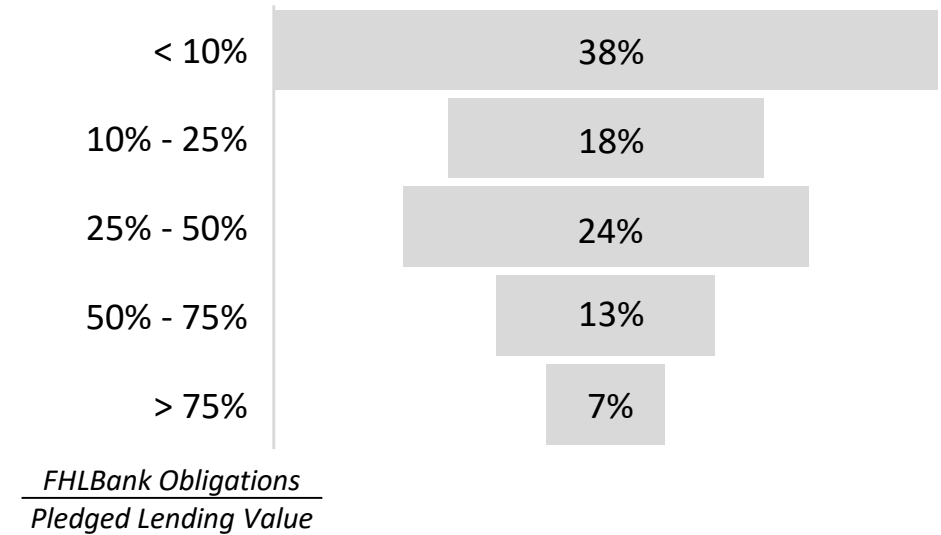
# Liquidity Management: Building reliable access to funding is essential

Where does your current utilization and pledged collateral position stand against your peers?

Pledged Lending Value / Assets



FHLBank Collateral Utilization





# FHLBank Conversation on Collateral

---

**Zachary Thompson**

Collateral Review Officer

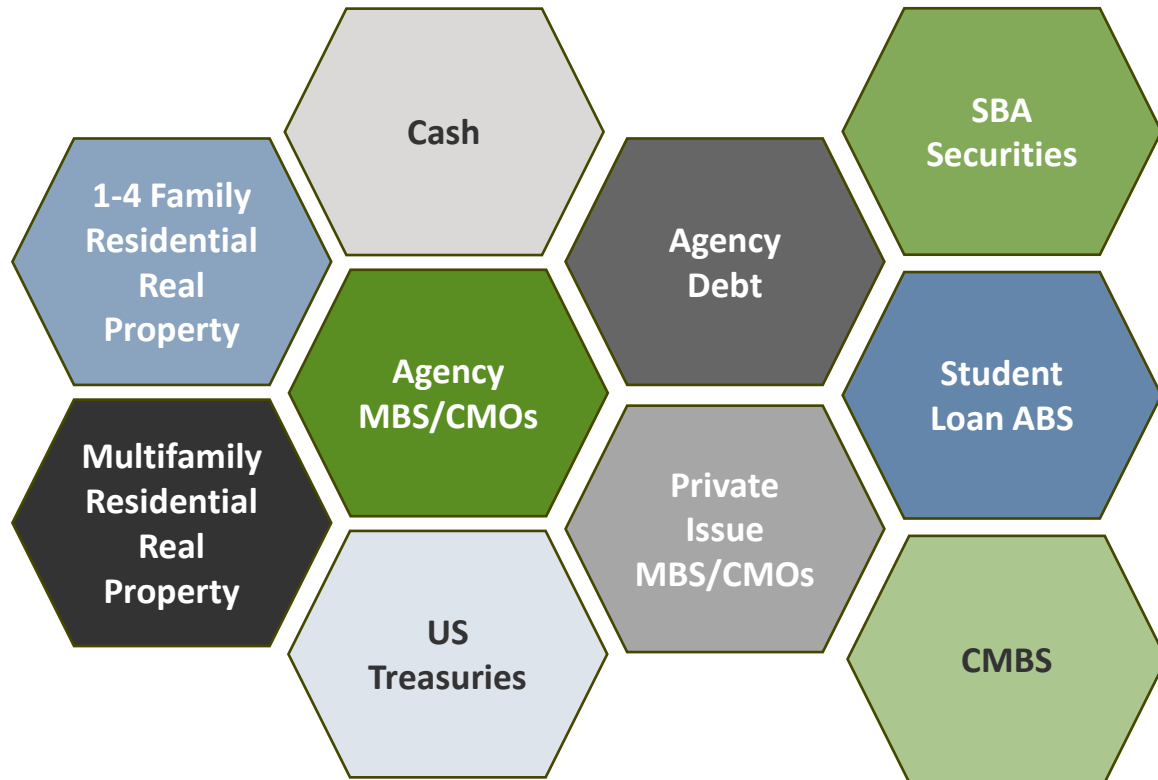


# FHLBank Topeka Eligible Collateral

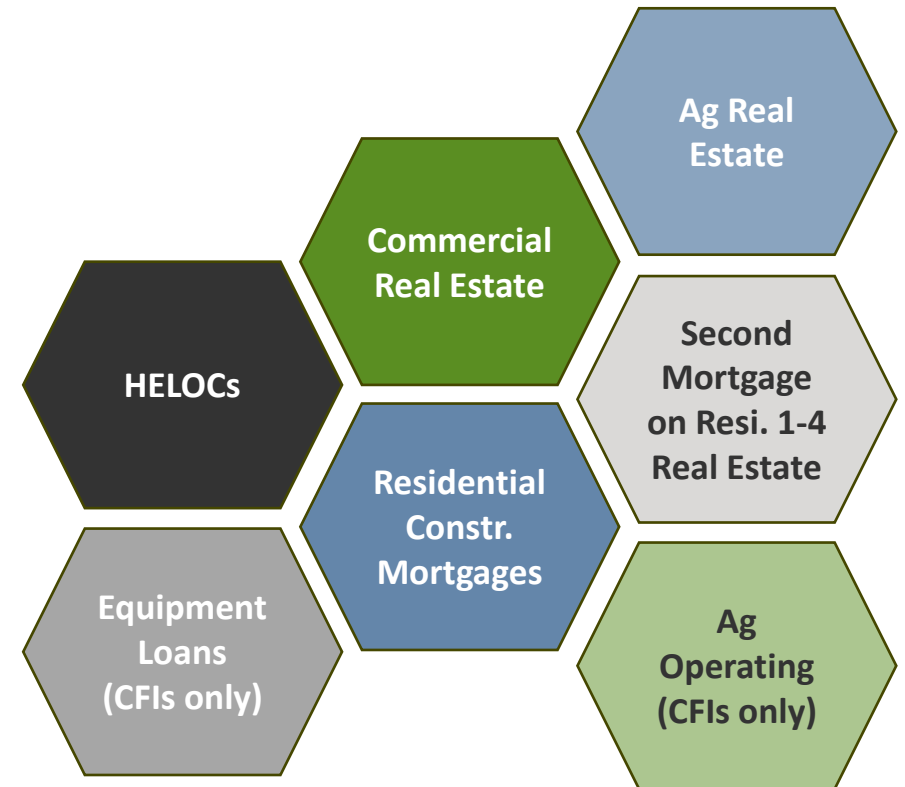
You may have collateral available to increase your borrowing base and dry powder reserve.

(Refer to [Member Products and Services Guide](#) for case-by-case collateral types, lending value detail and underwriting requirements)

## Unrestricted Collateral



## Restricted Collateral





## Poll Questions

Are you interested in more education around identifying collateral, pledging collateral, etc.?

- a. Yes
- b. No

Are you looking at ways to increase collateral capacity with FHLBank?

- a. Yes
- b. No

- Review FHLBank's Schedule of Eligible Collateral in our [Member Products and Services Guide](#) for case-by-case collateral types, lending value detail and underwriting requirements
- Visit the [collateral resource page](#) on FHLBank's public site (includes contact information for your collateral questions)





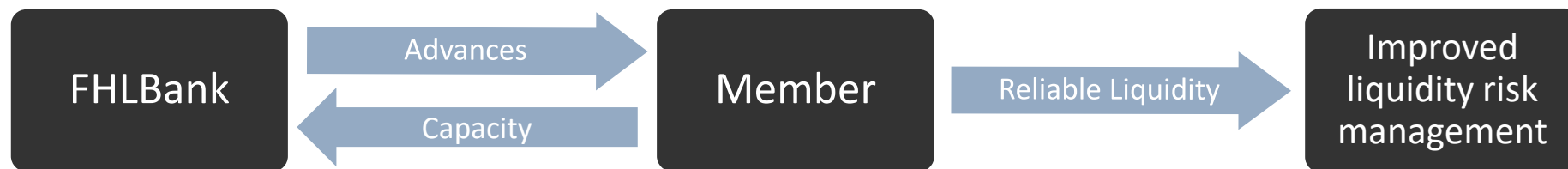
# Liquidity and Funding Strategies

---



# Benefits of an improved collateral position

- Liquidity can cripple an institution significantly faster than credit
- Reduce examiner concern and enhance operating flexibility and strengthen contingency plans
- Agile and quickly reacting to stress scenarios and other liquidity needs
  - It's much easier to have the eligible collateral pledged and capacity available before a stress event occurs
- Fortifying a sufficient buffer against deposit migration and need to fill the funding gap when liquidity needs arise



# Building operational and contingent liquidity

## *Optimizing pledged collateral*

- Better responses to examiner inquiries about your liquidity position and management practices
- Pledging more loans will allow you to convert non-saleable loans to liquidity and will prevent idle non-productive cash from sitting on balance sheet
- Benefits of allocating a larger portion of your FHLBank funding limit to operational:
  - Familiarize your institution with the uses & benefits of advance products
  - Better interest rate risk management by having access to customizable funding and providing cost savings to enhance earnings
  - Provides funding for seasonally-based asset growth
- Economic uncertainty!

# Liquidity stress testing and contingency funding planning

*Be proactive, not reactive – liquidity events happen fast!*

- Proactively managing potential challenges that may arise should take into consideration the impact on future earnings, liquidity risk and deposit migration
- Think about the impact and probability of various scenarios
- Robust liquidity planning, policies, and stress testing has allowed banks to navigate through stress events
- Review and make necessary changes to policies to increase flexibility
  - Allocate time to ensure policies allow for meaningful flexibility, with outlets and collateral pledged to secure funding if needed



## Poll Questions

Do you have FHLBank funding allocated for use as both an operational and contingency liquidity source?

- a. Yes
- b. No, contingent only

What are your expectations for FHLBank advance utilization in 2025 and 2026?

- a. Maintain
- b. Increase
- c. Decrease
- d. No wholesale funding needs

- Based on the maximum borrowing capacity of up to 40% of assets, we suggest maintaining FHLBank utilization generally around 15-20% of total funding as part of your base liquidity strategy, keeping the remaining 20% of the policy limit available to fund the balance sheet during stress events.



# FHLBank advance activity

*What are other members doing?*

- Staying short in anticipation of rate cuts
- SOFR adjustable-rate advances popular
  - SOFR adjustable-rate advances **+\$2.9 billion** from year-end 2024 to 6/30/2025
  - 3 months or less most common SOFR terms
- Mixed activity by members with maturing advances (pay down, renew, replace)
- Elevated advance utilization across membership continues in third quarter



# SOFR adjustable-rate advance

*Short-term, floating rate exposure with longer-term liquidity protection*

## Funding Strategy Considerations

- ✓ Rates for 1-, 2- and 3-month terms favorable compared to OLOC
  - **Average benefit of 4-5 bps**
- ✓ Reduce spread risk that OLOC rate may widen out in periods of market stress or volatility
- ✓ Carrying an OLOC balance? Create ladder of SOFR adjustable-rate advances and retain portion in OLOC to maintain flexibility
  - Replace with deposits or term out as needed
- ✓ Adjustable-rate structure protects against falling rates

## Advance Rate Indications | 8/29/2025

Short Term Bullet			SOFR Adjustable <sup>3</sup>		
Term	Rate	Div Adj <sup>1</sup>	Term	Rate	Div Adj <sup>1</sup>
Overnight	4.54	4.32	1 month	4.500	4.280
1 week	4.54	4.32	2 month	4.500	4.280
2 week	4.54	4.32	3 month	4.500	4.280
3 week	4.54	4.32	4 month	4.505	4.285
1 month	4.48	4.26	6 month	4.520	4.300
2 month	4.43	4.21	1 year	4.560	4.340
3 month	4.35	4.13	2 year	4.630	4.410
			3 year	4.750	4.530
			4 year	4.790	4.570
			5 year	4.850	4.630
			6 year	5.020	4.800
			7 year	5.035	4.815
			8 year	5.130	4.910
			9 year	5.170	4.950
			10 year	5.210	4.990

Inclusive of SOFR at 4.34%

*Note: See daily rate sheet for footnote detail.*

# Alternative FHLBank funding strategies to consider

*Balancing act of managing interest-rate risk, liquidity risk and margin performance*

## **Bullet**

Opportunity to extend and capture priced-in rate cuts

## **SOFR Adjustable**

Reprices daily with market rates but with term liquidity benefits

## **Putable**

Margin relief offered through immediate cost savings and cushion for rate moves lower

# Funding Strategy Illustrations

Tool offered by Member Solutions

## 36-months Funding Scenario | WIRP + Dot Plot Expectations

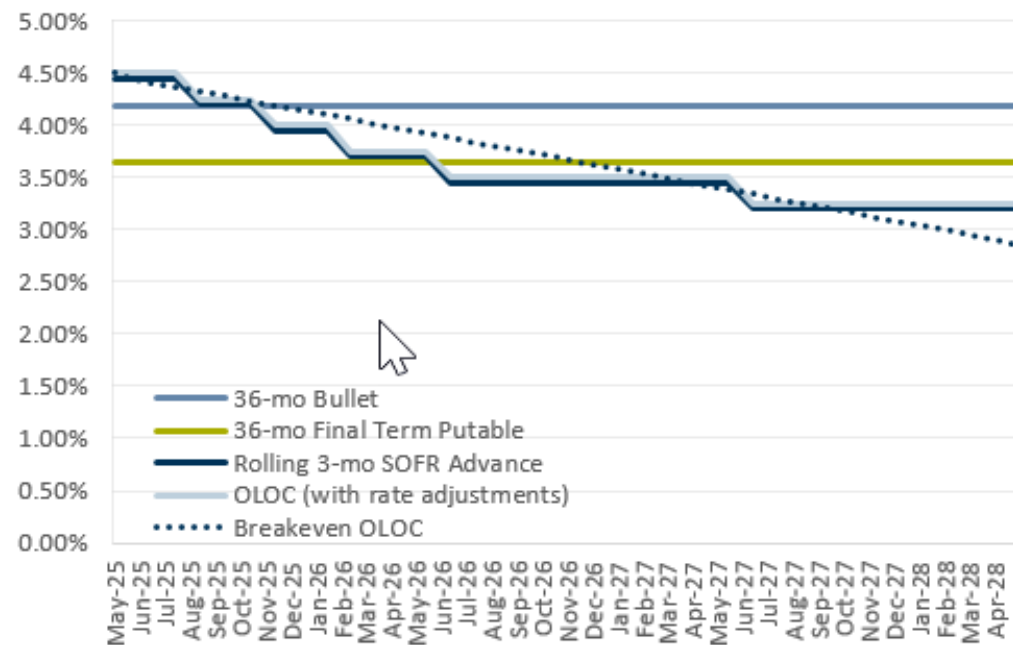
### Funding Assumptions

Funding Amount: \$ 5,000,000 Settlement Date: 5/19/2025  
Funding Term: 36-months Maturity Date: 5/18/2028

### Funding Strategy Comparison

	Total Interest Paid Over Life	Weighted Average Rate
36-month Bullet Advance	\$ 628,283.58 <i>actual/actual</i>	4.19%
Putable Advance (3yr/6-mo Berm)	\$ 555,104.17 <i>actual/360</i>	3.65%
Rolling 3-mo SOFR Advance	\$ 542,881.94 <i>actual/360</i>	3.58%
OLOC Funding (w/rate adjustments)	\$ 550,486.11 <i>actual/360</i>	3.63%

Expected FOMC Rate Adjustments			FOMC Rate
Reset 1: 4-mos	(25 bps)	September-25	4.25%
Reset 2: 7-mos	(25 bps)	December-25	4.00%
Reset 3: 10-mos	(25 bps)	March-26	3.75%
Reset 4: 14-mos	(25 bps)	July-26	3.50%
Reset 5: 26-mos	(25 bps)	July-27	3.25%



Note: Interest is collected on the first business day of each month.

Breakeven OLOC rate reflects average monthly interest rate change of -0.045% or quarterly rate change of -0.134% at which OLOC has same average lifetime rate as the 36-month putable rate.

Cumulative FOMC Rate Adjustments = (125 bps)

# Funding Strategies – Planning Ahead

- Fixed or floating?
- Scenario and breakeven analysis: when comparing funding strategies, look at the tradeoff between what the cost savings may be initially – in the shorter-term – and how much rates may have to move in order for one strategy to look better than another
  - **Contact your account manager to utilize our Funding Strategy Illustrations tool**
- Advance restructure opportunities
- Improve earnings with liability side of the balance sheet
  - Blended funding strategies
  - If you have capital and liquidity capacity, consider staying invested to support earnings in near-term (leverage or pre-fund)
  - Advance products can provide a strong alternative to brokered deposits and alternative funding sources



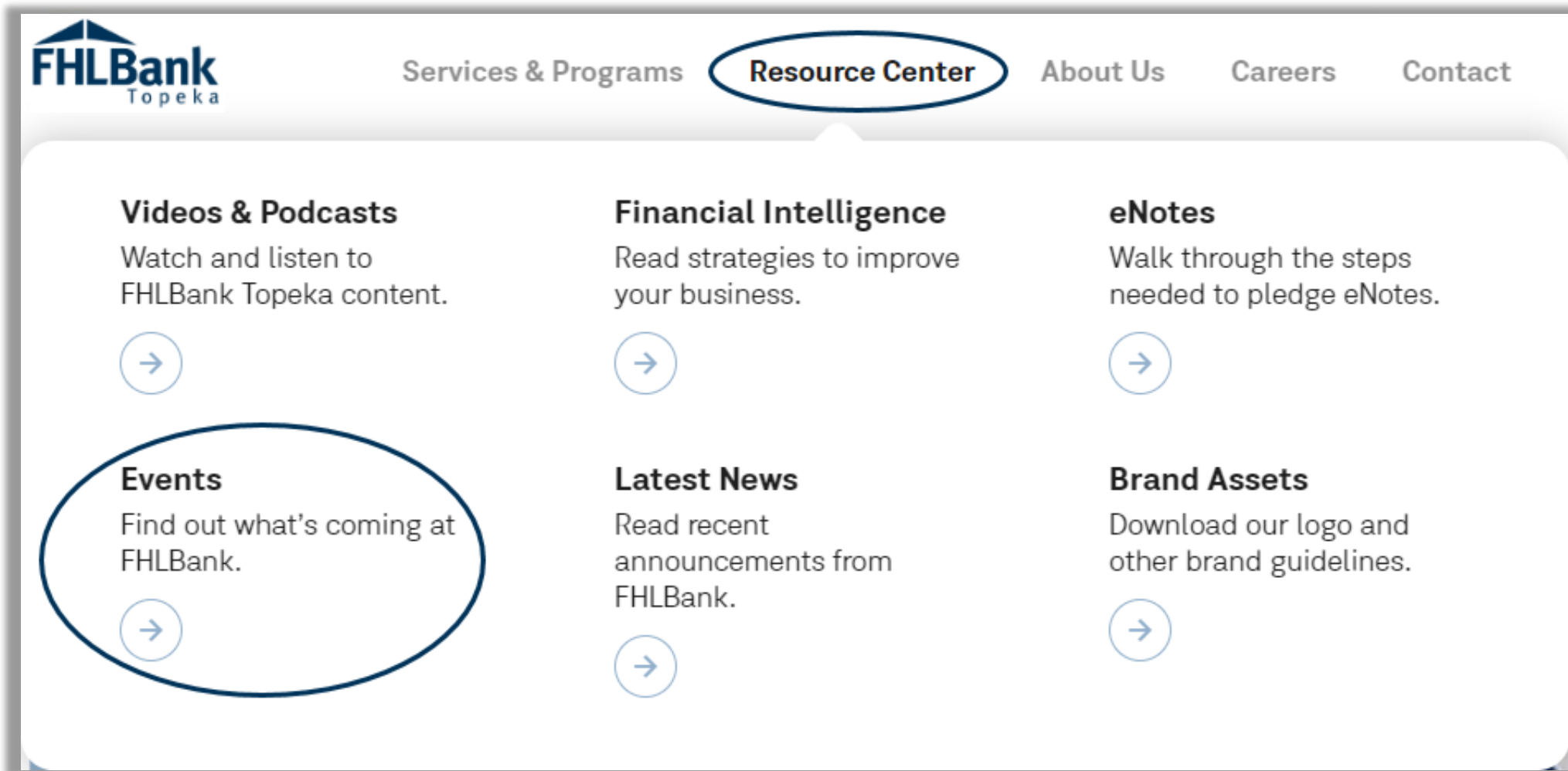


# FHLBank is Here to Help

---



# Visit our Resource Center for upcoming events!



[Resource Center - Federal Home Loan Bank Topeka \(fhlbtopeka.com\)](http://fhlbtopeka.com) [link]

# Save the dates for our upcoming fall 2025 Regional Meetings

## Kansas | Monday, September 29

- Colbert Hills Golf Course
- Manhattan, Kansas

## Oklahoma | Wednesday, October 29

- Gaillardia Country Club
- Oklahoma City, Oklahoma

Visit [www.fhlbtopeka.com/resource-center/events](http://www.fhlbtopeka.com/resource-center/events) to mark your calendar. Registration links available.





# Member Solutions

## Tools and Analysis Resources

- ✓ Funding Strategies Illustration
- ✓ Liquidity Stress Analysis
- ✓ Liquidity Management Analysis & Strategies
- ✓ Letter of Credit Utilization Strategies
- ✓ Brokered Deposit Analysis - We will ask you to provide information on your potential or current brokered p
- ✓ Blended and Match Funding Strategy Illustrations
- ✓ Dividend Benefit Analysis
- ✓ Collateral Capacity Analysis
- ✓ Marginal Cost of Funds & Deposit Portfolio
- ✓ Market Interest Rate Comparison
- ✓ Return on Average Equity (ROAE) Analysis

## Banking Services

- Advances
- Letters of Credit
- MPF Program
- Deposits
- Safekeeping
- Member Products & Services Guide
- Collateral
- Member Solutions**
- Mortgage Rate Reduction Product

## Community & Grant Programs

- Affordable Housing Program
- TurnKey
- HSP
- HSP+
- HOPE
- Native American Housing Initiatives Grants Program
- Community Assistance Recovery Effort
- FHLBank Topeka Affordable Housing Institute at MSU Denver
- Discounted Advance Programs
- Community Support Statements
- Request for Repayment Quote
- AHAC Reports
- #500forGood

### Funding Strategies Illustration

- ✓ Evaluate change in funding costs for various FHLBank advance types under customized rate movement scenarios.

Example

### Liquidity Stress Analysis

- ✓ A high-level analysis that utilizes member call report data to assess a member's liquidity position under three stress scenarios — low, moderate and high. Assumptions can be tailored to fit your institutions stress scenario planning.
- ✓ We compare your stressed liquidity position across the three scenarios with your current collateral pledged to FHLBank Topeka.
- ✓ Available for both banks and credit unions.

Example

New page coming soon!

# FHLBank Contacts

## **Tony Venditte**

Regional Account Manager – Central and Eastern Nebraska and NE Kansas

[tony.venditte@fhlbtopeka.com](mailto:tony.venditte@fhlbtopeka.com)

402.890.6838

## **Jeff Steiner**

Regional Account Manager – Most of Kansas

[jeff.steiner@fhlbtopeka.com](mailto:jeff.steiner@fhlbtopeka.com)

785.478.8170

## **Drew Simmons**

Regional Account Manager – Oklahoma

[drew.simmons@fhlbtopeka.com](mailto:drew.simmons@fhlbtopeka.com)

405.831.7678

## **Rusty Davis**

Regional Account Manager – Colorado, Western Kansas and Western Nebraska

[rusty.davis@fhlbtopeka.com](mailto:rusty.davis@fhlbtopeka.com)

720.212.9873

## **Lending**

800.809.2733

## **Wire Services**

800.934.9473

## **Housing & Community Development**

866.571.8155

## **MPF Program**

866.571.8171

## **Collateral & Safekeeping Operations**

877.933.7803

## **Member Credit Analysis**

800.905.2733





THANK YOU FOR  
JOINING US  
TODAY!

Next 2025 FI Live  
Session:

- Thursday, Nov. 20<sup>th</sup> at  
2 p.m. CT

**REGISTER HERE!**

