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Memorandum Board of Directors

Date: September 25, 2003
To: Board of Directors
From: Andrew J. Jetter, President & CEO
Re: Development of an Incentive Compensation Program

Over the last year, directors and staff have discussed restructuring FHLBank's incentive compensation program to better align incentives at FHLBank with FHLBank's long-term goals. To assist us in the development of a new incentive compensation program, we retained Thomas J. McCoy, a Kansas City-based business consultant. Tom is an accomplished and respected expert in the field of employee motivation. The author of two books on the subject, he preaches on creating an "open book" organization where employees think and act like business partners.

As we look to the future of FHLBank Topeka, our vision is to create an organization where every employee understands our business and is focused on the achievement of our business objectives. Tom stresses the importance of every employee having a "line of sight" to the organization's goals and an awareness of how their efforts directly contribute to the accomplishment of those goals. There is no question but that our employees will be called to step up to the next level as we face the many challenges and opportunities that lay ahead including the drive to enhance profitability, building and managing a large residential mortgage loan portfolio and becoming an SEC registrant. I believe that implementation of Tom's methodology at FHLBank Topeka is a critical step in moving our organization from a good company to great company.

We have been working with Tom over the past six weeks and believe we are making significant progress in creating the foundations of a new incentive program. I'm pleased that Tom will be able to join us at the October meeting to provide an overview of his program. After the October meeting, our intent is to work with the human resources committee to review the work to date, determine where adjustments to the program are appropriate and assist in setting a profitability goal which will stand at the center of the plan. I've included Tom's biography for your review.