

ACTIVITY-BASED STOCK-INVESTMENT REQUIREMENT REDUCTION

The Federal Home Loan Bank of Boston (the Bank) will adjust to four percent (4%) the activity-based stock-investment requirement for all advances with original terms to maturity of two days to three months. This reduction from 4.50 percent (4.50%) will become effective for these advances that are outstanding on or after October 2, 2006, and will remain in effect at the discretion of the Bank's board of directors.

The Bank's decision to reduce the activity-based stock-investment requirement gives members the opportunity to take better advantage of these types of advances while also enabling the Bank to increase its leverage of existing paid-in capital. Members will be notified at least 30 days in advance of the effective date of any subsequent change to the activity-based stock-investment requirement.

Please note that the reduced three percent (3%) activity-based stock-investment requirement still applies to all overnight advances.

If you have any questions, please do not hesitate to call your relationship manager: Paul Peduto (617-292-9762), Steve McHugh (617-292-9616), John Baity (617-292-9710), or the Money Desk staff (800-357-3452).