# Slider Advance Primer

## I. Product Information

### History

Beginning in 2006, the Federal Home Loan Bank of Boston (the "Bank") introduced the Slider advance. The Slider is a floating-rate advance that provides members with accelerated relief in falling interest-rate environments.

### Characteristics

The Slider advance is similar to our LIBOR* (London Interbank Offered Rate) Floating-Rate advance but it contains an embedded interest -rate floor feature. The Slider allows a member to pick a strike level (a "Strike Rate") on an embedded interest-rate floor feature that will provide accelerated relief should the index (LIBOR*) fall below the Strike Rateon the embedded floor feature, resulting in a 2:1 decline in the adjusted advance rate.Like a LIBOR* Floating-Rate advance, it is a fixed-term, non-amortizing advance with aninterest rate that adjusts periodically according to changes in LIBOR* plus or minus apredetermined spread.

The member chooses either one- or three-month LIBOR* as the index. The Strike Rate of the embedded floor feature and the advance rate must each be based on LIBOR with the same designated maturity. Sliders are available in terms out to 20 years. Each interest-rate period is equal to the term of the LIBOR* selected by the member and interest is calculated on an actual/360-day basis and is payable on each rate-reset date. The principal is due at maturity. Typically, Sliders can be requested until 1:00 p.m. for a second-day or spot disbursement. Sliders have a $2 million minimum but smaller requests may be aggregated during special offerings conducted by the Bank from time to time. The Slider is prepayable in whole or in part on any date with two business-days notice. However, a member may be charged a fee to make the Bank financially indifferent to the member's decision to unwind the embedded floor feature.  The minimum partial prepayment is $1,000,000 with intervals of $100,000 thereafter.

### How it Works[1]

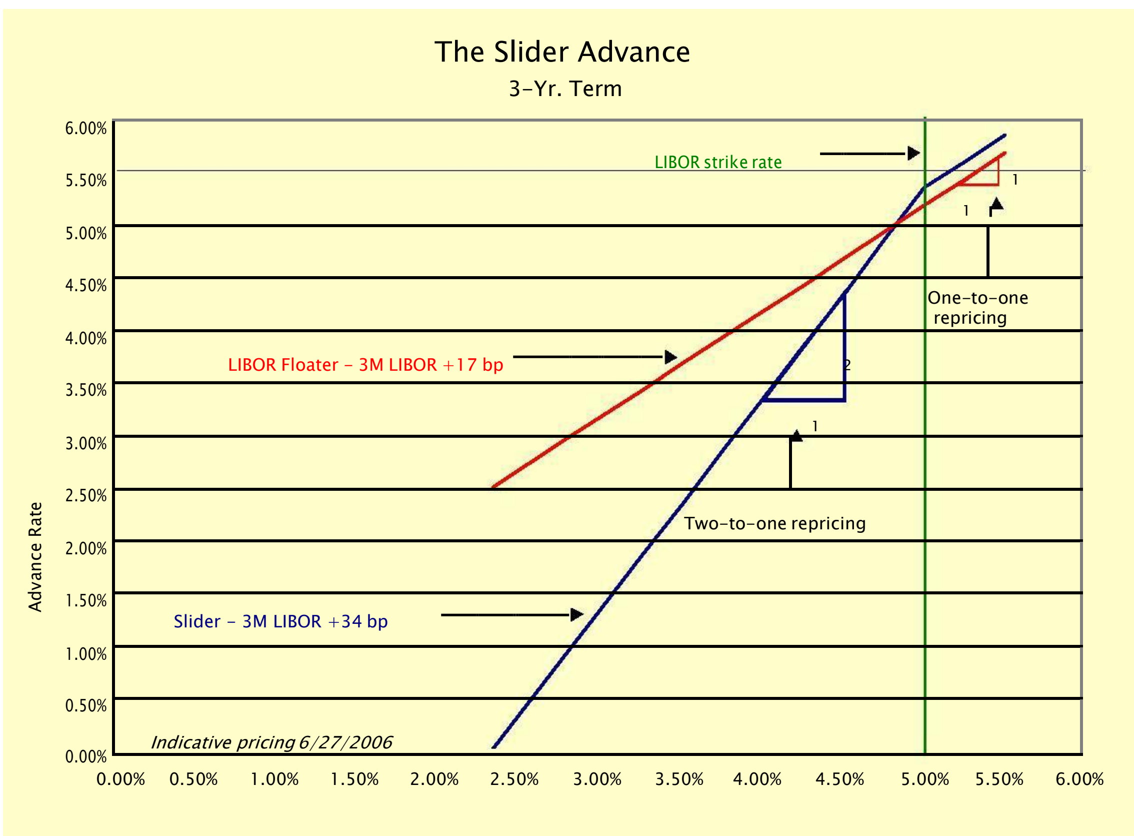
The table below illustrates how a Slider performs versus a LIBOR* Floating- Rate advance in different interest-rate environments. This example compares a three- year LIBOR* Floating-Rate advance with a Slider. The Slider contains an embedded floor feature with a Strike Rate of 5.00 percent. The LIBOR* Floating-Rate advance is priced at three-month LIBOR* plus 17 basis points while the cost of the Slider is three-month LIBOR* plus 34 basis points. The price of the embedded interest-rate floor feature is not paid up front but is included in the cost of the advance.

[1] The following tables are not intended to be an indication of the future performance of the Slider advance, LIBOR* Floating-Rate advance, or of future interest-rate trends associated with either the Slider advance orLIBOR* Floating-Rate advance.

| 3-Mo. LIBOR | Strike Rate | LIBOR Floating-Rate Advance | Slider Advance |
|---|---|---|---|
| 5.50% | 5.00% | 5.67% | 5.84% |
| 5.00% | 5.00% | 5.17% | 5.34% |
| 4.50% | 5.00% | 4.67% | 4.34% |
| 4.00% | 5.00% | 4.17% | 3.34% |
| 3.00% | 5.00% | 3.17% | 1.34% |

The rate on the Slider advance and the LIBOR* Floating-Rate advance increases on a 1:1 basis when three-month LIBOR* is at or above the Strike Rate. The only difference in the initial rate is due to the cost of the embedded floor feature. When three-month LIBOR* falls below the five percent Strike Rate, the Slider falls on a 2:1 ratio, while the LIBOR* Floating-Rate advance continues to fall on a 1:1 basis. In the above table, you can see that as three-month LIBOR* falls 100 basis points, the Slider interest rate falls 200 basis points. The Slider provides accelerated relief, in the form of the 2:1 payoff, once three-month LIBOR* falls below the Strike Rate. The Slider interest rate can reset at a rate below zero.

The following chart illustrates how the Slider compares to a LIBOR* Floating-Rate advance.



A Slider typically disburses in two business days. The initial interest rate of the advance is quoted as a spread to LIBOR*. This spread is fixed for the term of the advance. Included in this spread are both the cost of the term funding and the premium for the embedded floor feature. As in the above example, if a member requests a three-year Slider with a five percent embedded floor feature on three-month LIBOR*, the pricing would break out as follows: three-month LIBOR* + 34 basis points comprised of 17basis points for the funding and 17 basis points for the embedded floor feature.
Members should realize that if LIBOR* never falls below the Strike Rate during the term of the advance, then none of the floor premium would be recovered. Members can choose the term and Strike Rate on the embedded floor feature based on their own interest-rate risk management objectives.

The initial interest rate is based on one- or three-month LIBOR*, depending on which designated maturity is elected by the member, two days prior to disbursement. As an example, if a member calls on Monday for a two-year Slider adjusting to one-month LIBOR*, it will disburse on Wednesday, and the LIBOR* fixing for the first period will be set on that Monday's one-month LIBOR* rate plus the fixed spread of the advance. A Slider will adjust on the anniversary of its disbursement (monthly or quarterly, equal to the term of the LIBOR*), if it is a business day. If the date is not a business day, the advance will reset on the next business day. The interest rate for each reset date will be based off a two -day look-back period, i.e. the Bank will use LIBOR* two days prior to each reset date plus or minus the fixed spread. If you would like to find out more about the Slider or have additional questions, please call the Money Desk at 800-357-3452.

Members may have to purchase additional capital stock in some cases. The activity stock capitalization requirement on a Slider is 4.0 percent.

## II. Uses

Members can use the Slider advance for a variety of reasons. Members who are asset sensitive may choose the Slider to take advantage of the accelerated relief they receive as interest rates fall below the Strike Rate on the embedded floor feature. This can offer relief to members who feel that they cannot lower notes on core deposits below current levels. Members can use the Slider to replace other short-term advances or to replace maturing short-term CDs. The Slider may also help asset-sensitive members mitigate the effects of prepayments of their loans or investments. As cash flows are reinvested at lower yields, the rate of the Slider advance may also be falling. Some members may use the Slider to fund their HELOC or variable-rate commercial loans since the spread will widen if LIBOR* sets below the Strike Rate of the embedded floor feature.

In addition, members could pair-off the Slider with term advances. If rates fall below the Strike Rate, the Slider will, in concept, "convert" the term advance to floating-rate funding. If rates rise, the fixed-rate term advance mutes the Slider's rate increase. Sliders can also be used as a means to reposition interest-rate floors that are either moving closer to maturity or have strike levels that are too far out-of-the-money to be effective.

The Bank has onsite financial strategists who can help members best decide what type of funding meets their specific needs. If you would like a strategist to put together an analysis, please call the strategists at 800-357-3452 or via email at strategies@fhlbboston.com.

A member should review the Products and Solutions Guide prior to taking an advance so as to understand the terms of the contract and the prepayment provisions.

This statement does not purport to disclose all of the risks and other material considerations associated with Slider advances. Members should not construe this disclosure statement as business, legal, tax, or accounting advice from the Bank. Members should consult with their own business, legal, tax, and accounting adviserswith respect to Slider advances and should refrain from using a Slider unless they havefully understood the terms and risks of the advance.

**Or an alternative benchmark index. Please refer to the Confirmation of Terms for full details.*