

ALM, Liquidity & Funding Strategies for the Current Environment



June 18th, 2025

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Presenters



Andrew Paolillo

Vice President, Director of Member Strategies + Solutions



Tyler Buckeridge

Sales & Strategies Specialist

Overview

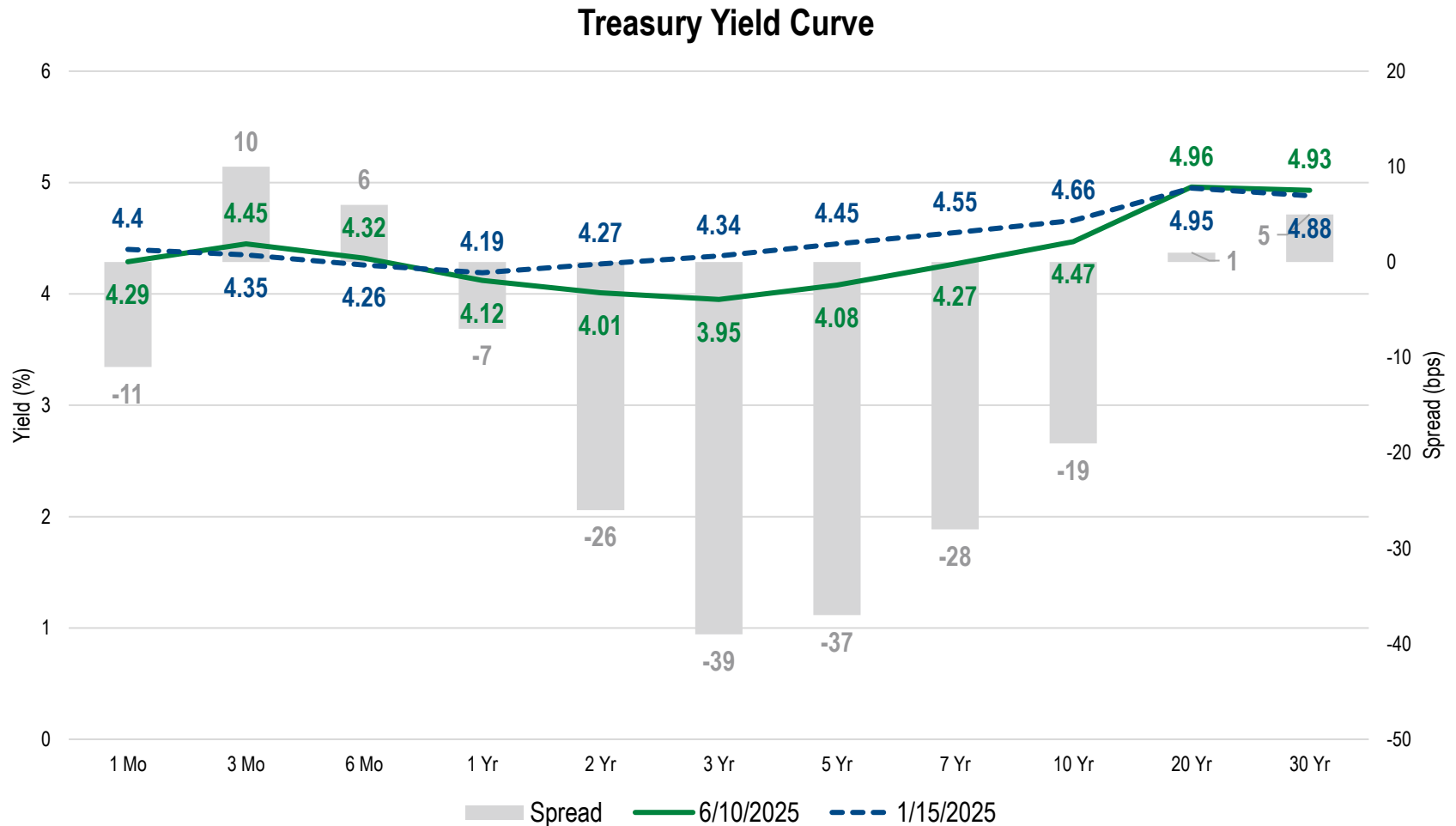
- Macro Thoughts
- Collateral Optimization Strategies
- Prepare Now for Opportunities Later
- To Fix or Float?

Macro Thoughts



The Ever-Shifting Level & Shape of the Yield Curve

The return of the positively sloped yield curve was short-lived and has now transitioned to a less common “U” shape.

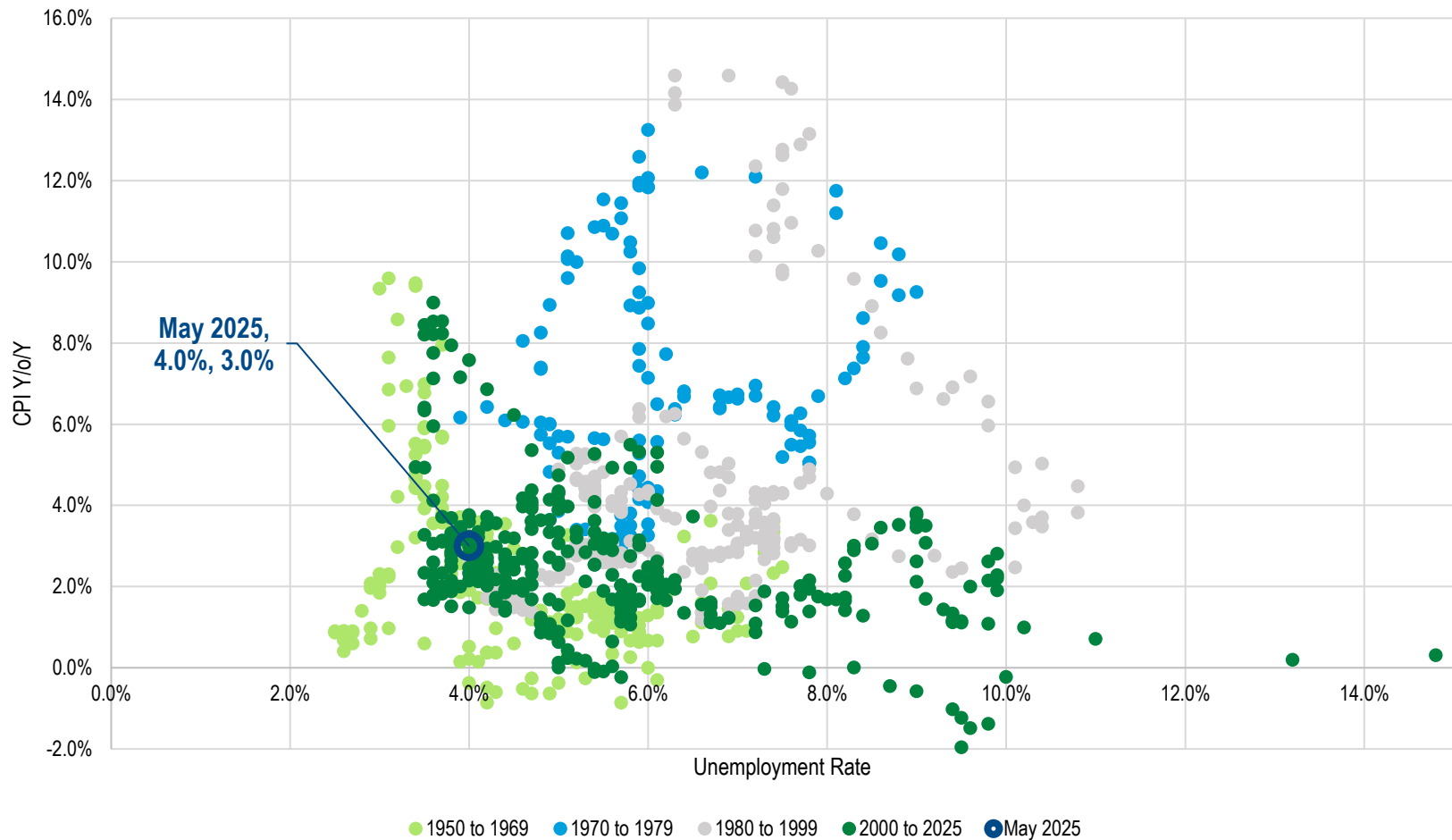


Source: Federal Reserve Bank of St. Louis, FHLBank Boston

What's Next for the Labor Markets & Inflation?

Recent iterations of hard landings have involved lower short- and long-term rates; might stagflation (high unemployment and high inflation) be an alternative scenario?

Unemployment & Inflation: 1950 to present



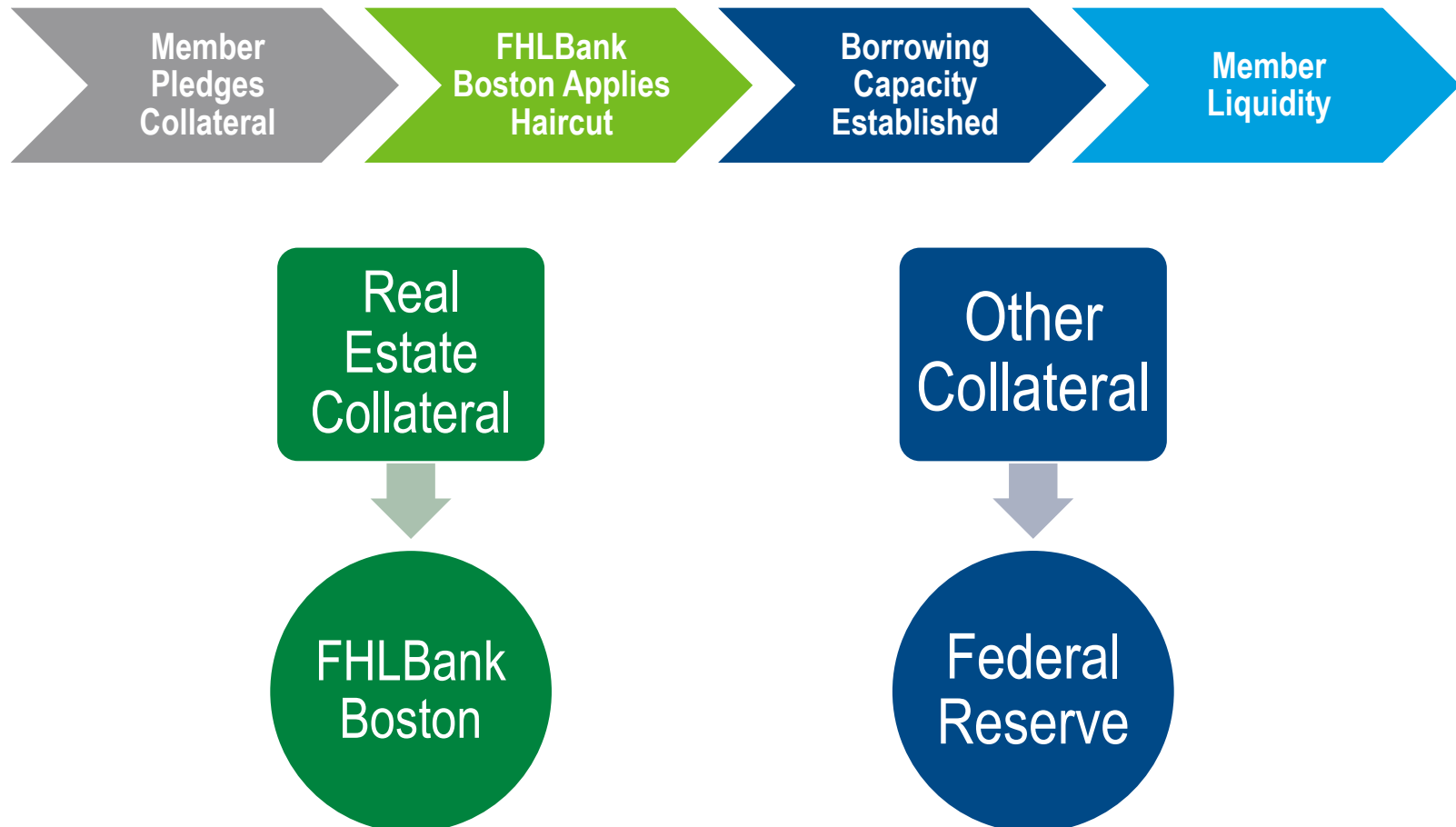
Source: Federal Reserve Bank of St. Louis, FHLBank Boston

Collateral Optimization Strategies



Collateral Overview

All FHLBank Boston advances must be fully secured by eligible collateral.



Eligible Collateral Types

Pledge more by knowing what qualifies.

**Residential Loans
(1-4 family, HELOCs,
2nd liens)**

Multifamily & CRE

**Government/Agency
MBS**

**Cash, US
Govt/Agency Debt**

**Certain Other
Securities (Private
Label MBS,
Municipal Bonds)**

Post-BTFP Collateral Management

Consider moving BTFP-related collateral back to FHLBank Boston now that the program has ended.

March 12, 2023 – BTFP Launch

Fed introduces BTFP to stabilize banking system after 2023 bank failures.
Eligible institutions can borrow using high-quality collateral at par value.



March 11, 2024 – BTFP Closes to New Loans

Final day to access new BTFP funding.
One-year term loans still outstanding.



March 11, 2025 – Final BTFP Loans Mature

All loans issued under the program are now fully repaid.
No outstanding BTFP obligations remain.

Increase Borrowing Capacity

If you have more potentially eligible loans or securities you would like to pledge, or you are seeking to move additional existing collateral to the FHLBank Boston, the process depends on your institution's credit category.

Category 1

- Submit a Qualified Collateral Report (QCR) to FHLBank Boston at any time.

Category 2

- Update your collateral balances anytime.

Category 3
& 4

- Deliver additional collateral anytime to increase capacity.

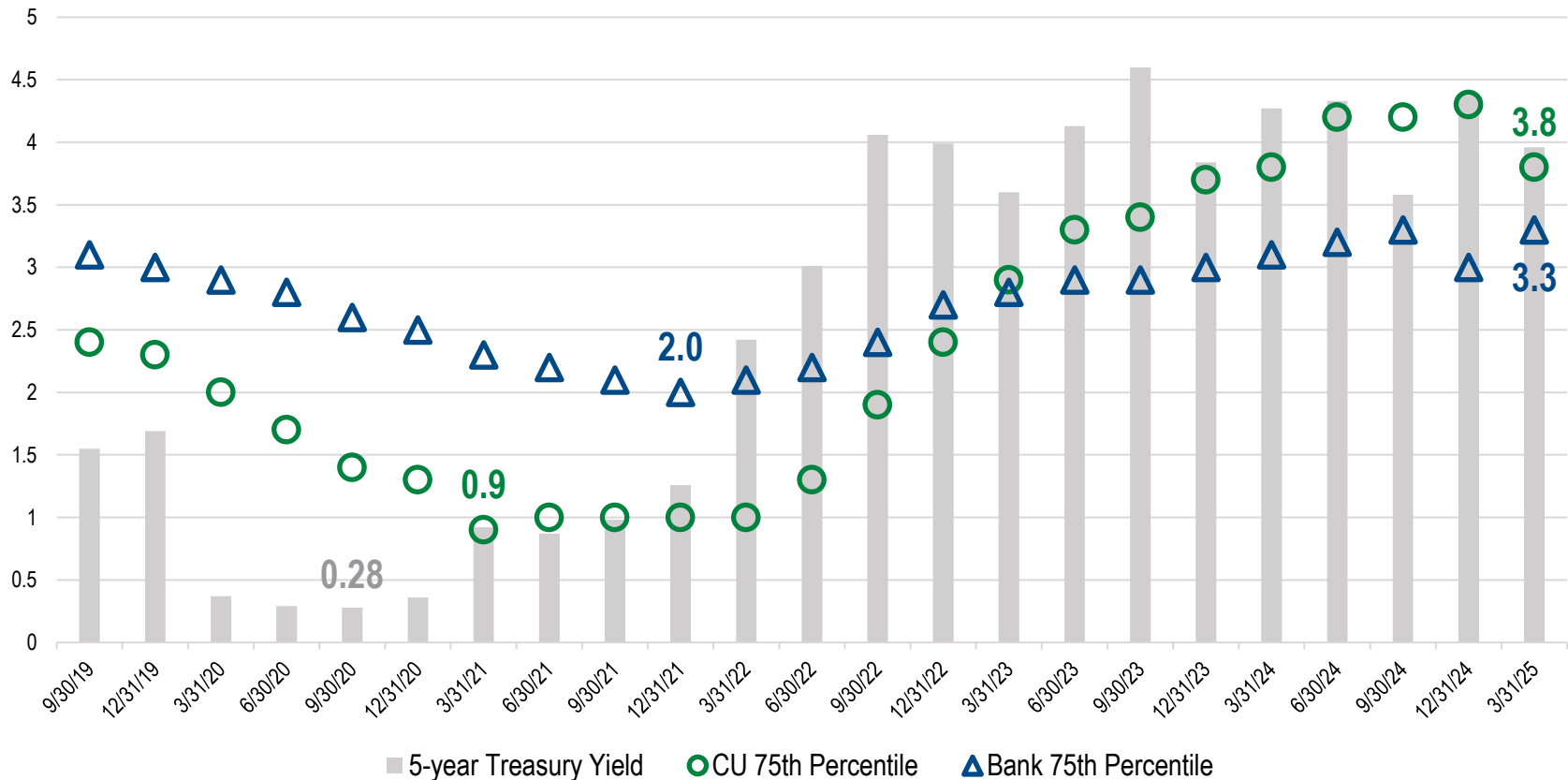
Prepare Now for Opportunities Later



Repricing the Asset Side of the Balance Sheet

A by-product of "Higher for Longer" has been the intermediate part of the yield curve remaining elevated, allowing for reinvestment and growth at more favorable rates.

75th Percentile Investment Yields & 5-year Treasury Yields



Funding Investment Activity

High rates, wide spreads and volatile conditions create potential to efficiently address risk and return challenges.

Preparing for a Hard Landing

- Asset characteristics to target
 - Longer durations
 - Prepay protection
 - Lower risk-weighting
- Funding characteristics to target
 - Shorter durations
 - Ability to prepay efficiently

Supporting earnings now

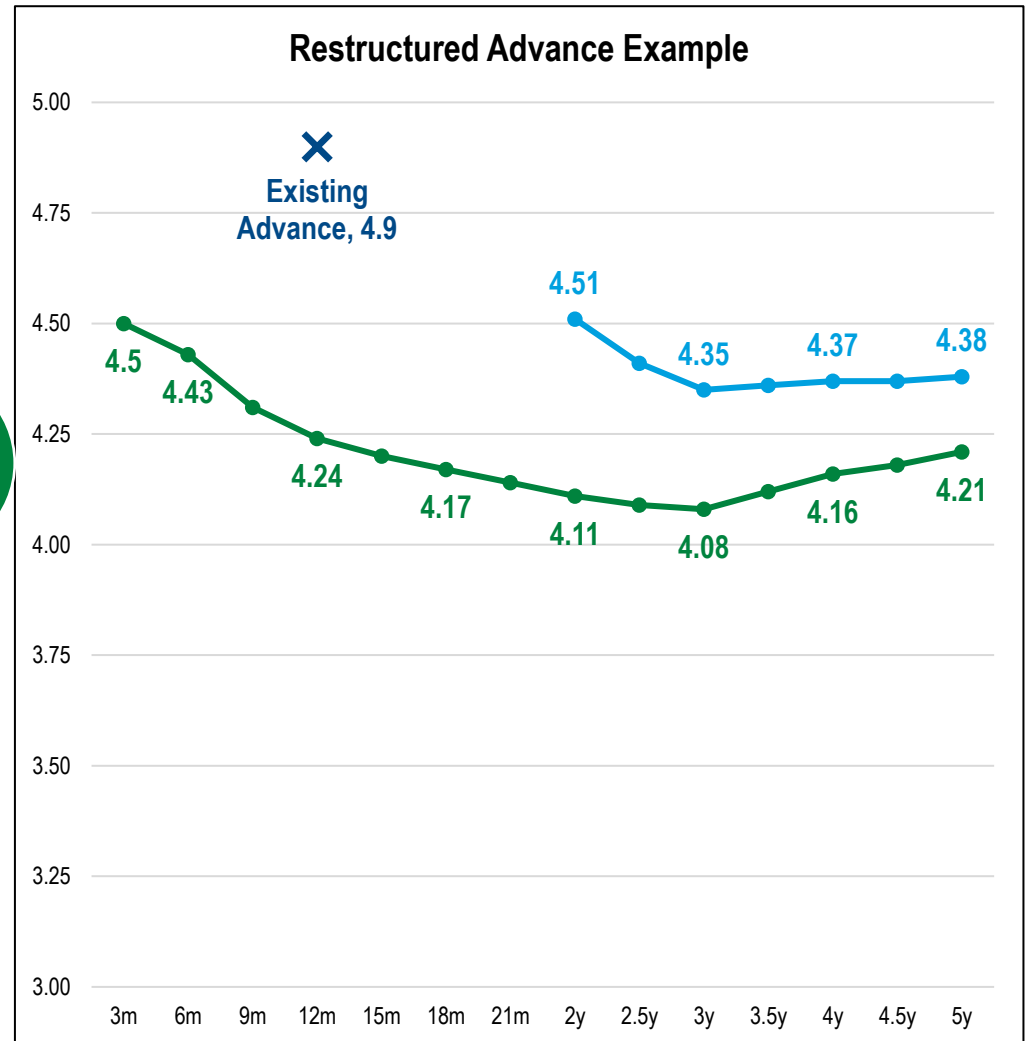
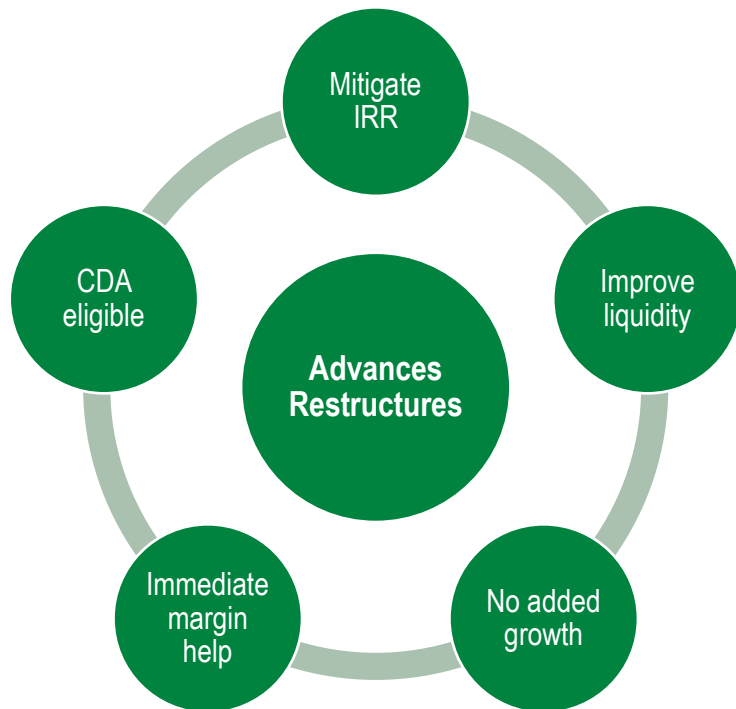
- Wider spreads and less inversion has made acceptable hurdle rates more attainable
- Some funding extension may be prudent
- Minimal spread variability in the short-term, liability sensitive in the medium term

Opportunistic in a volatile market

- If (and when) market disruption occurs, do you have the appetite and game plan to act quickly and decisively?
- Opportunity for strategic sales (loans too) in a rate rally where spreads hold up?
- Widening asset spreads allow for potential of return with less reliance on rate risk

Restructuring Existing Funding

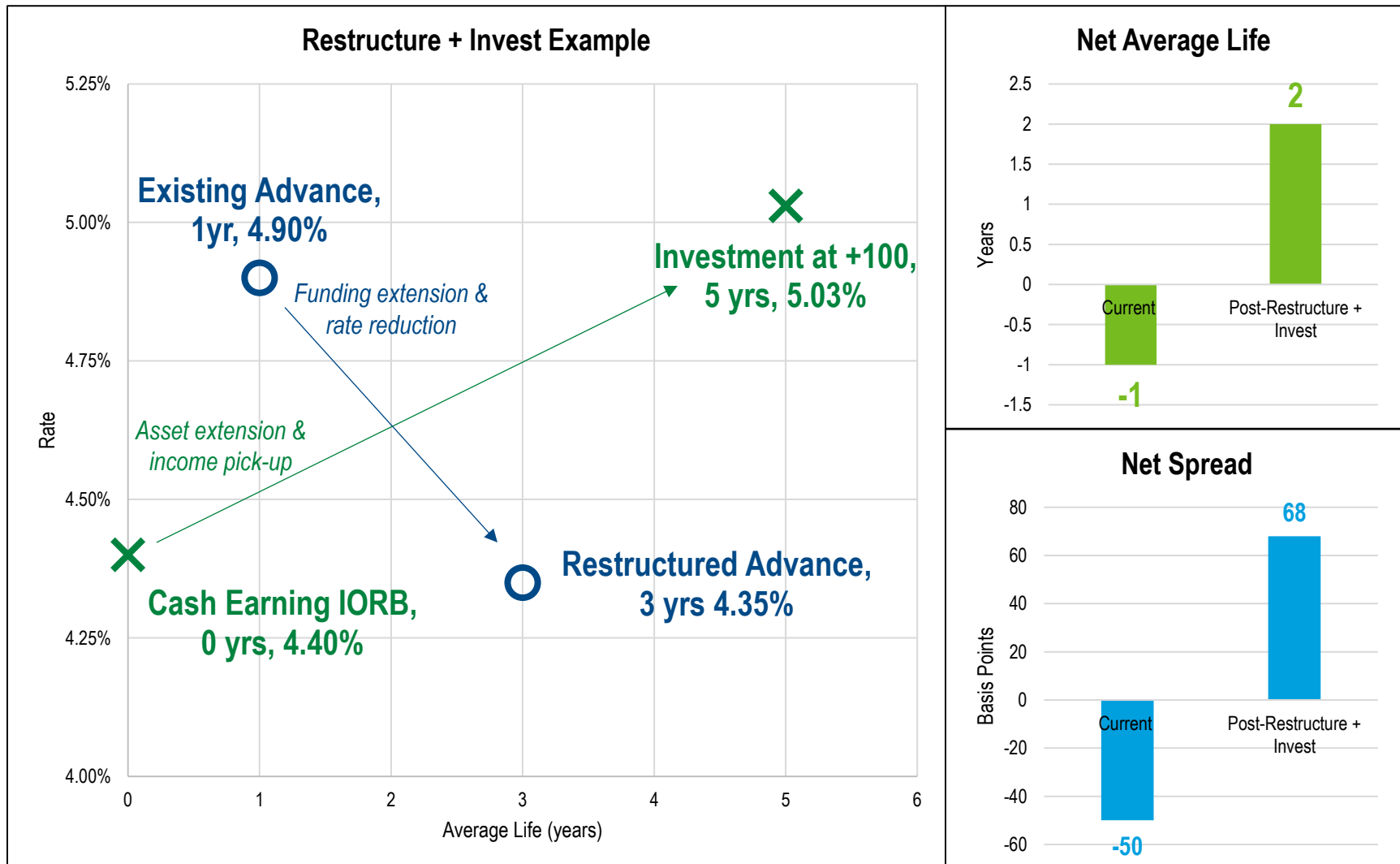
Advance restructures can enhance margin, interest-rate risk, and liquidity metrics without adding any new funding.



Source: FHLBank Boston

Restructure & Invest

Modifying an existing advance can create the ability to add asset duration, while mitigating interest-rate risk.

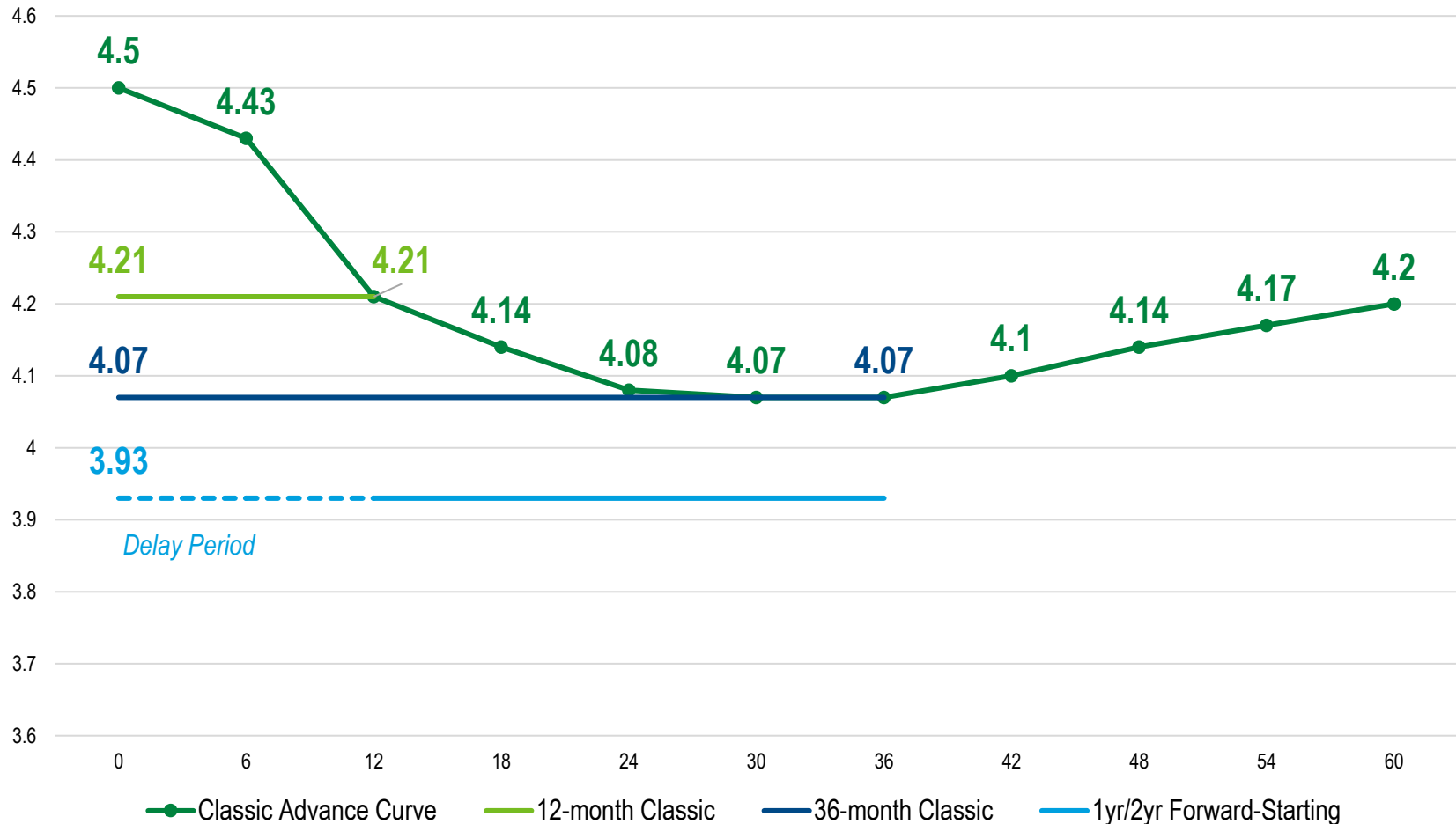


Source: Federal Reserve Bank of New York, FHLBank Boston

Forward Starting Funding

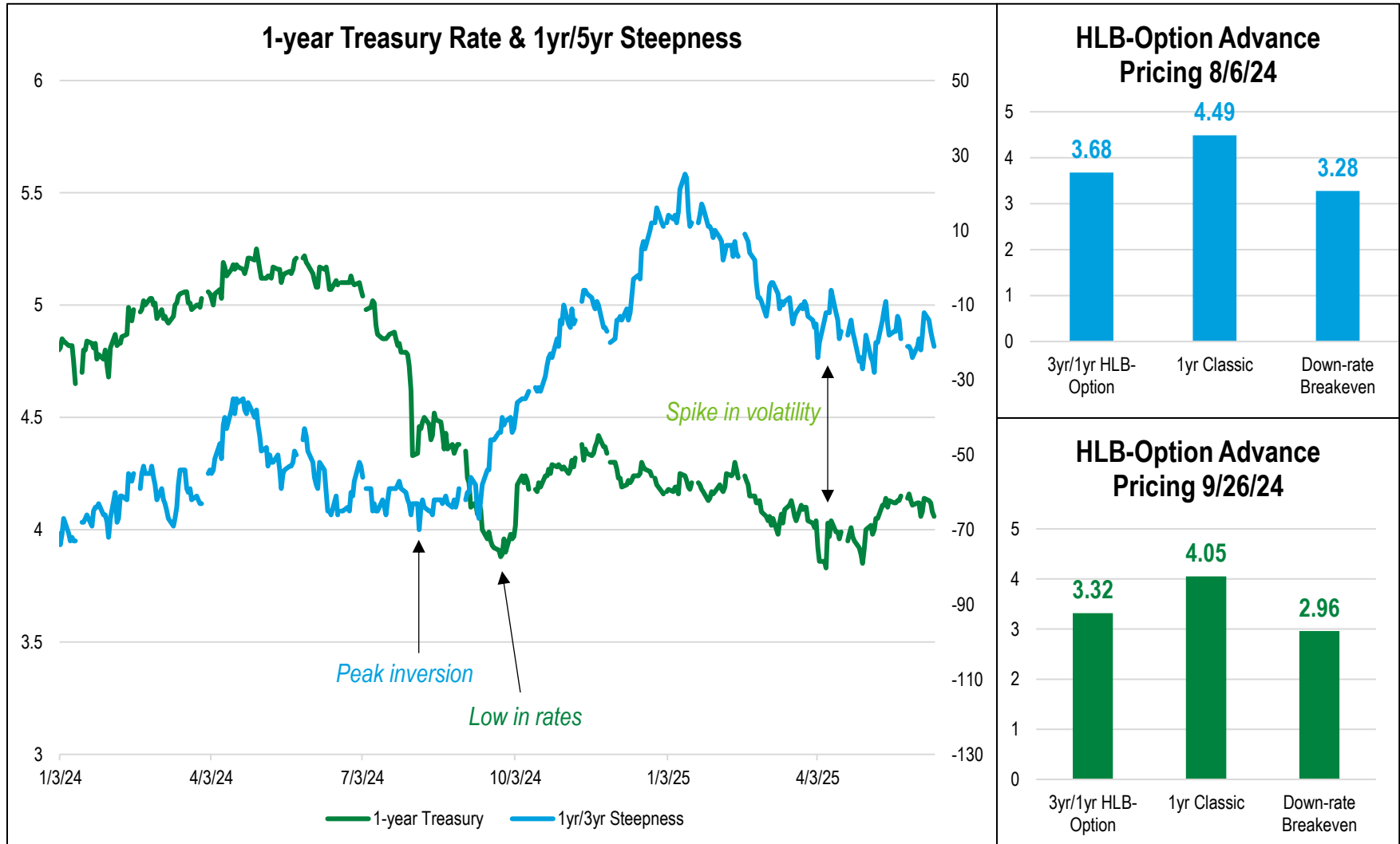
Forward Starting Advances can be a useful tool to smooth out the liquidity profile and benefit from an inverted yield curve.

Classic & Forward-Starting Advances



Taking Advantage of Volatility

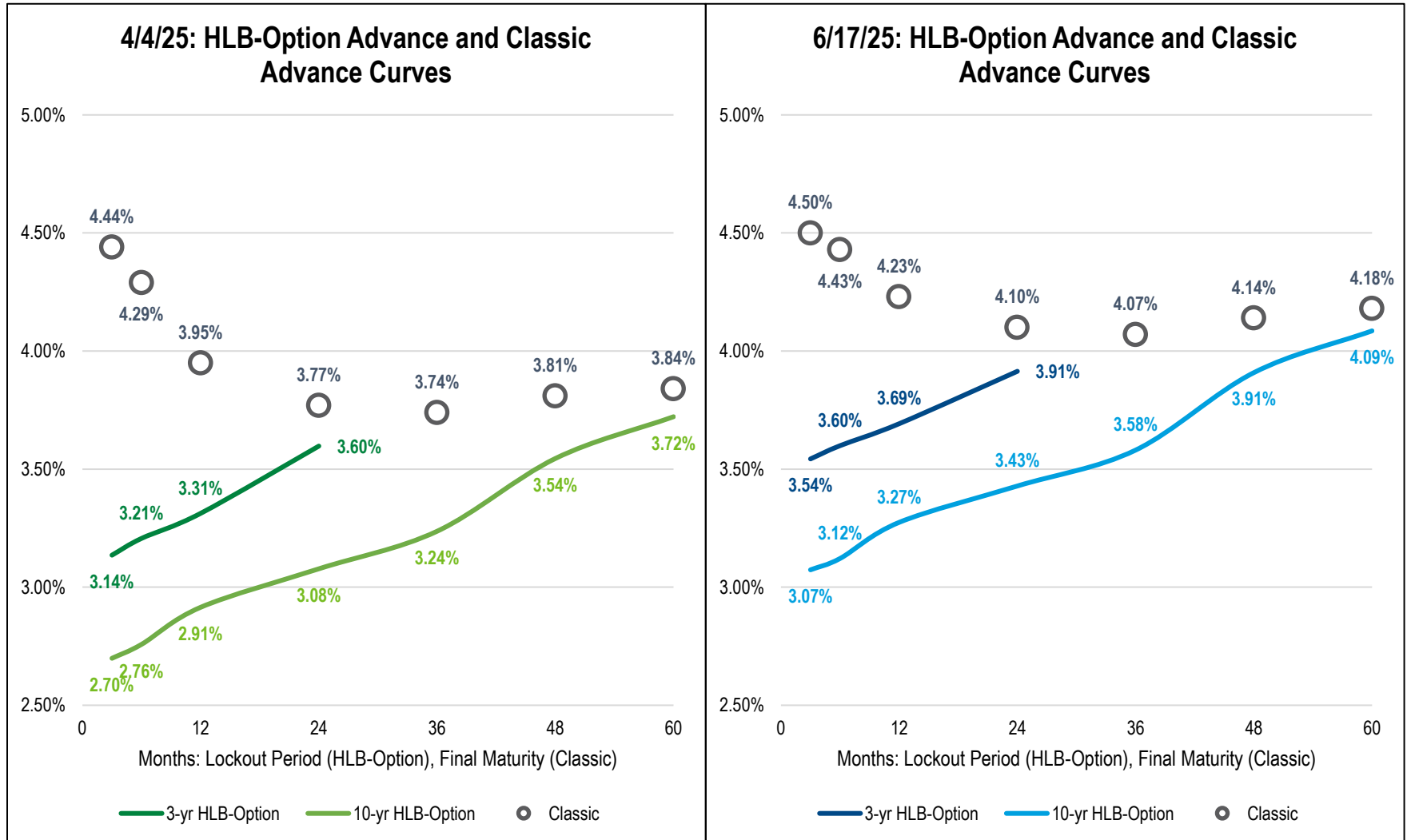
In periods of uncertainty, HLB-Option Advances can create opportunities to reduce funding costs.



Source: FHLBank Boston

Balancing Structure & Cost

As rates ebb and flow, pushing and pulling on maturities and lockouts can align risk and cost to targeted levels.

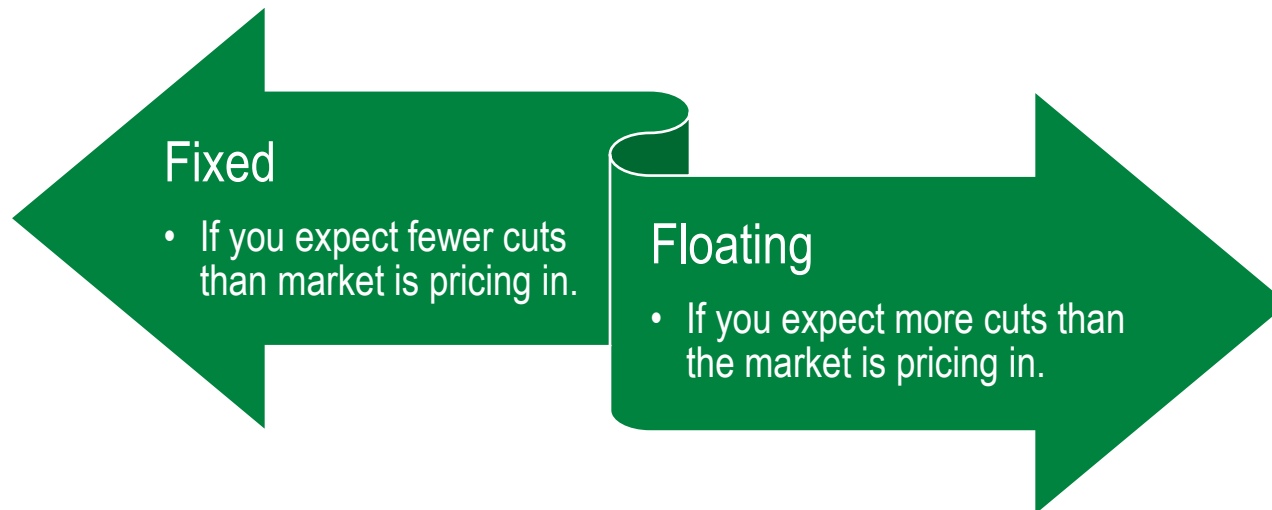


To Fix or Float?



Fixed vs. Floating: Funding Strategies

The relationship between what the market is pricing in for rate cuts and internal expectations can provide insight on whether to borrow fixed or floating.



When Floating Outperformed

A floating-rate one-year SOFR-Indexed Advance (SOFR + 0.21%) taken in April 2024 outperformed the fixed-rate one-year Classic Advance due to more cuts occurring than were priced in at the time.

SOFR-Indexed Advance vs. Classic Advance 4/30/2024



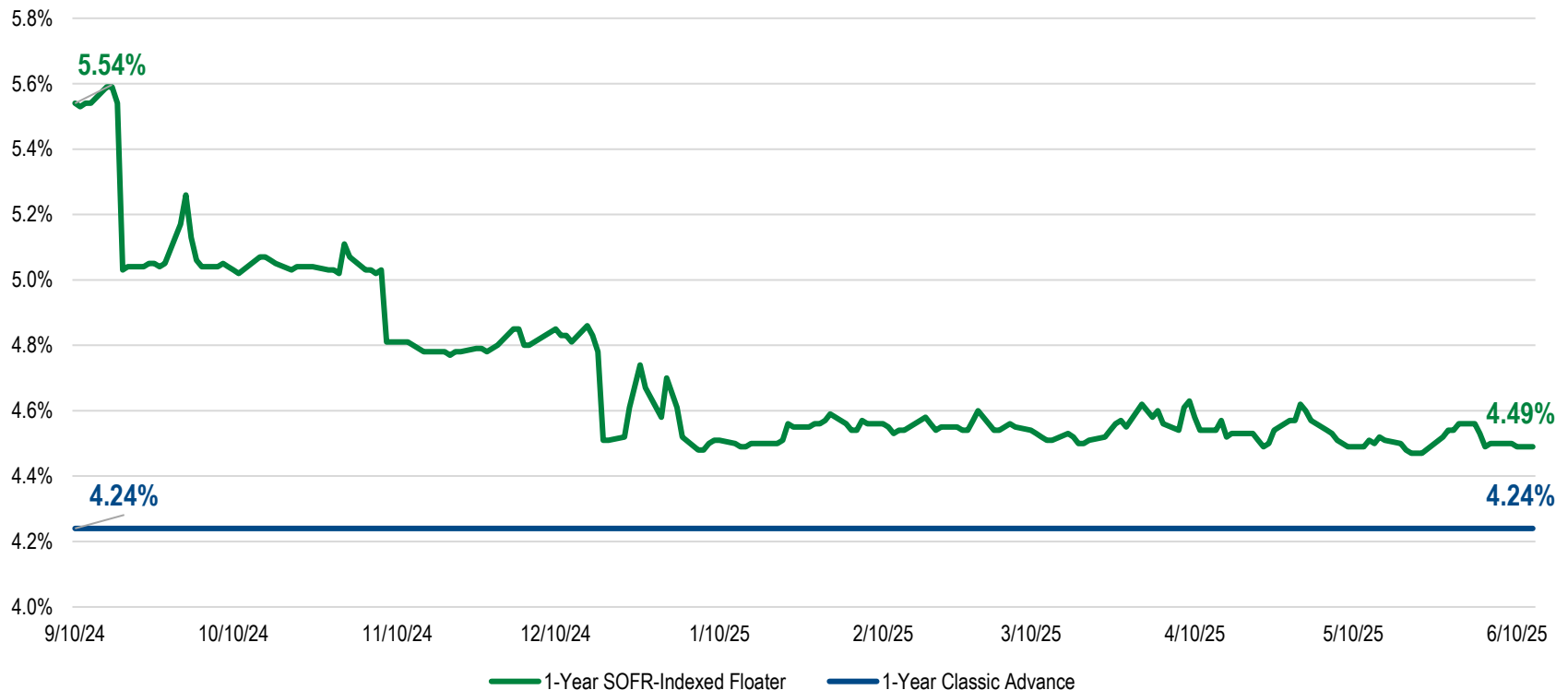
Total Cost Comparison

1-Year SOFR-Indexed Floater	1-Year Classic Advance
5.04%	5.31%

When Fixed Outperformed

So far through June, a one-year Classic Advance taken down in September 2024 has outperformed the one-year SOFR-Indexed Floater (SOFR + 0.21%) because borrowing fixed locked in generous market expectations.

SOFR-Indexed Advance vs. Classic Advance 9/10/2024



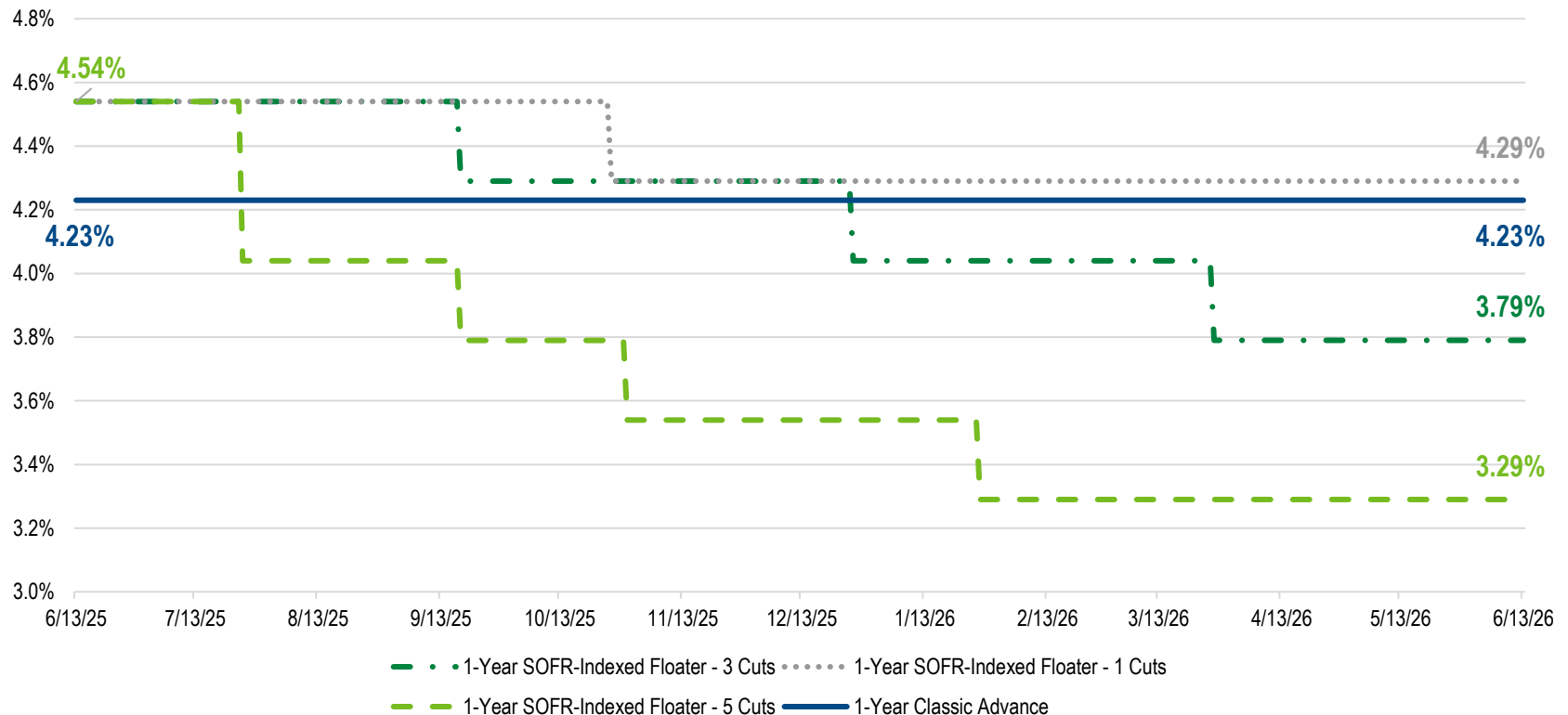
Total Cost Comparison

1-Year SOFR-Indexed Floater	1-Year Classic Advance
4.71%	4.24%

Fixed vs. Floating Scenario Comparison

Scenario: Track the performance of a one-year Classic Advance compared to a one-year SOFR-Indexed Floater (SOFR + 0.21%) under three different rate path scenarios.

SOFR-Indexed Advance vs. Classic Advance



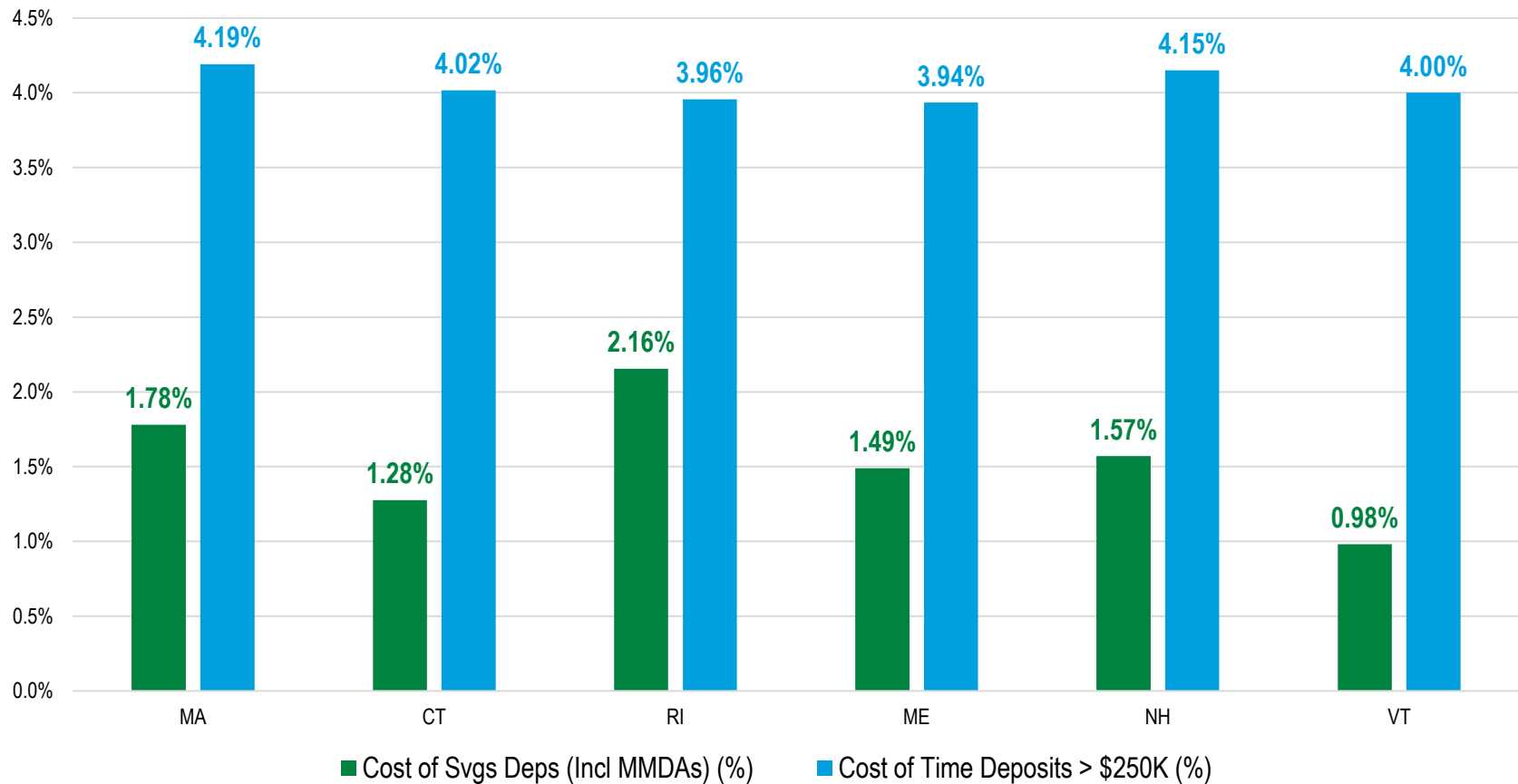
Total Cost Comparison

1-Year SOFR-Indexed Floater - 3 Cuts	1-Year SOFR-Indexed Floater - 1 Cuts	1-Year SOFR-Indexed Floater - 5 Cuts	1-Year Classic Advance
4.19%	4.38%	3.66%	4.23%

Geographic Dynamics

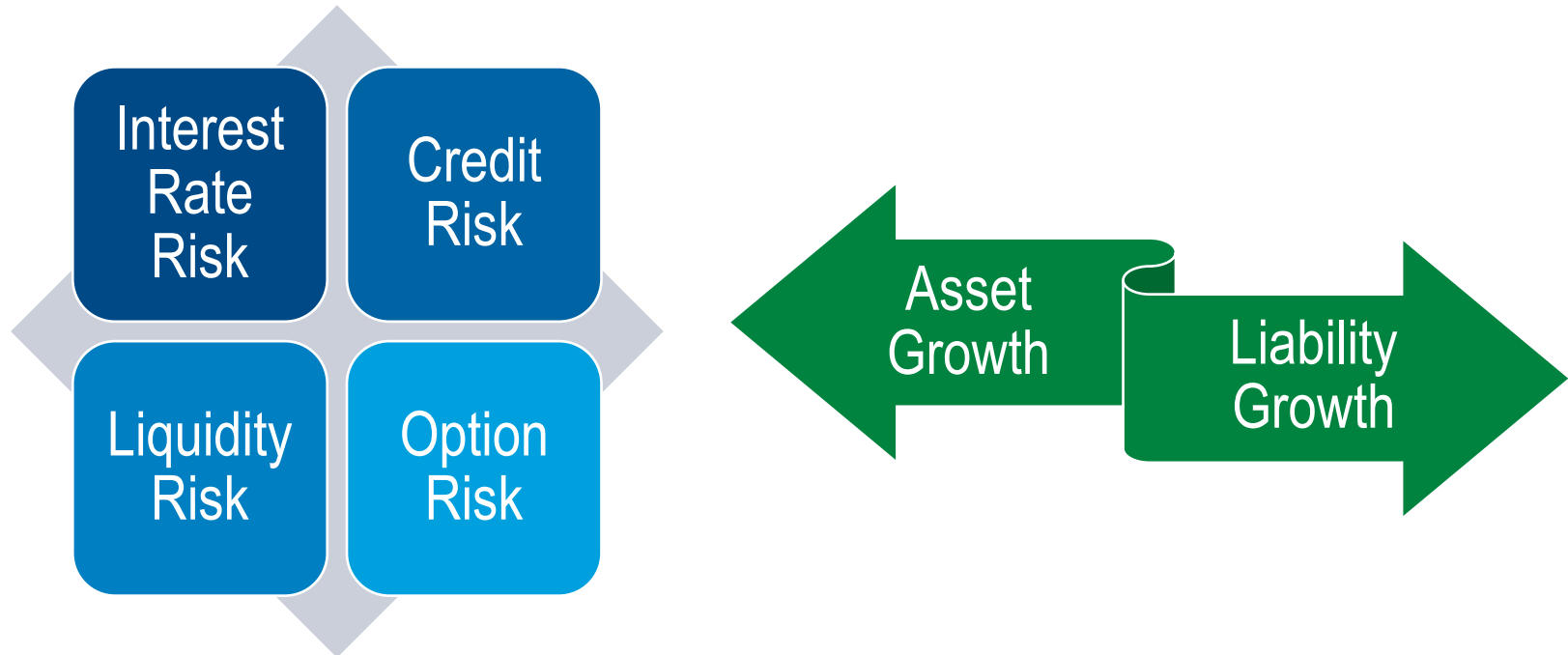
Considering local and regional deposit rate dynamics can allow for more efficient pricing of rates between fixed and floating deposit products.

Median CD and Savings/Money Market Rates By State



Considerations for Raising Funding

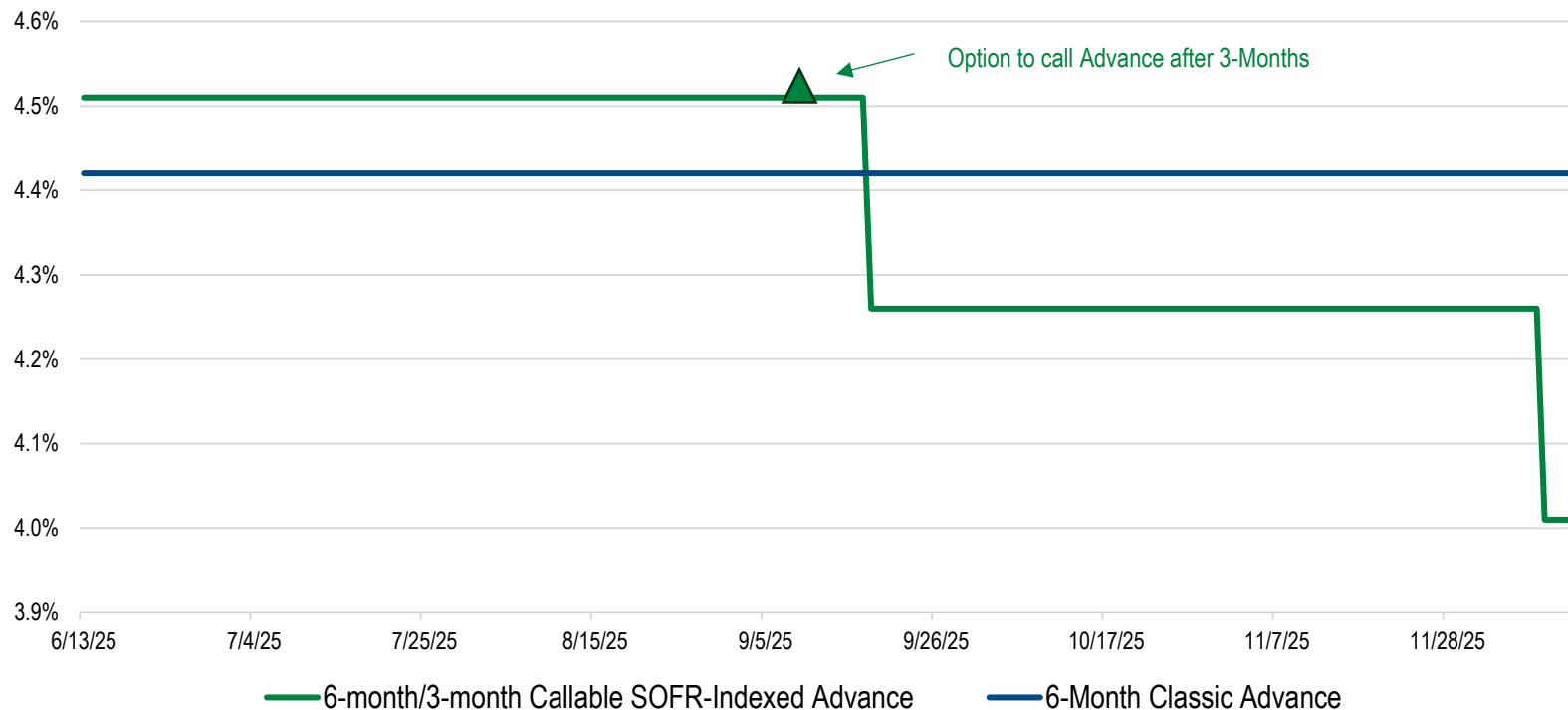
Combining balance sheet considerations with yield curve and pricing concerns results in increased funding efficiency.



Case Study: Using the Callable SOFR-Indexed Advance

Scenario: If current rate path expectations materialize, the six-Month Callable SOFR-Indexed Advance (SOFR + 0.18%) with an option to call after three months would cost less than a six-Month Classic Advance, while adding the flexibility to call the advance if funding needs dissipate.

6-Month/3-Month Callable SOFR-Indexed Advance vs. 6-Month Classic



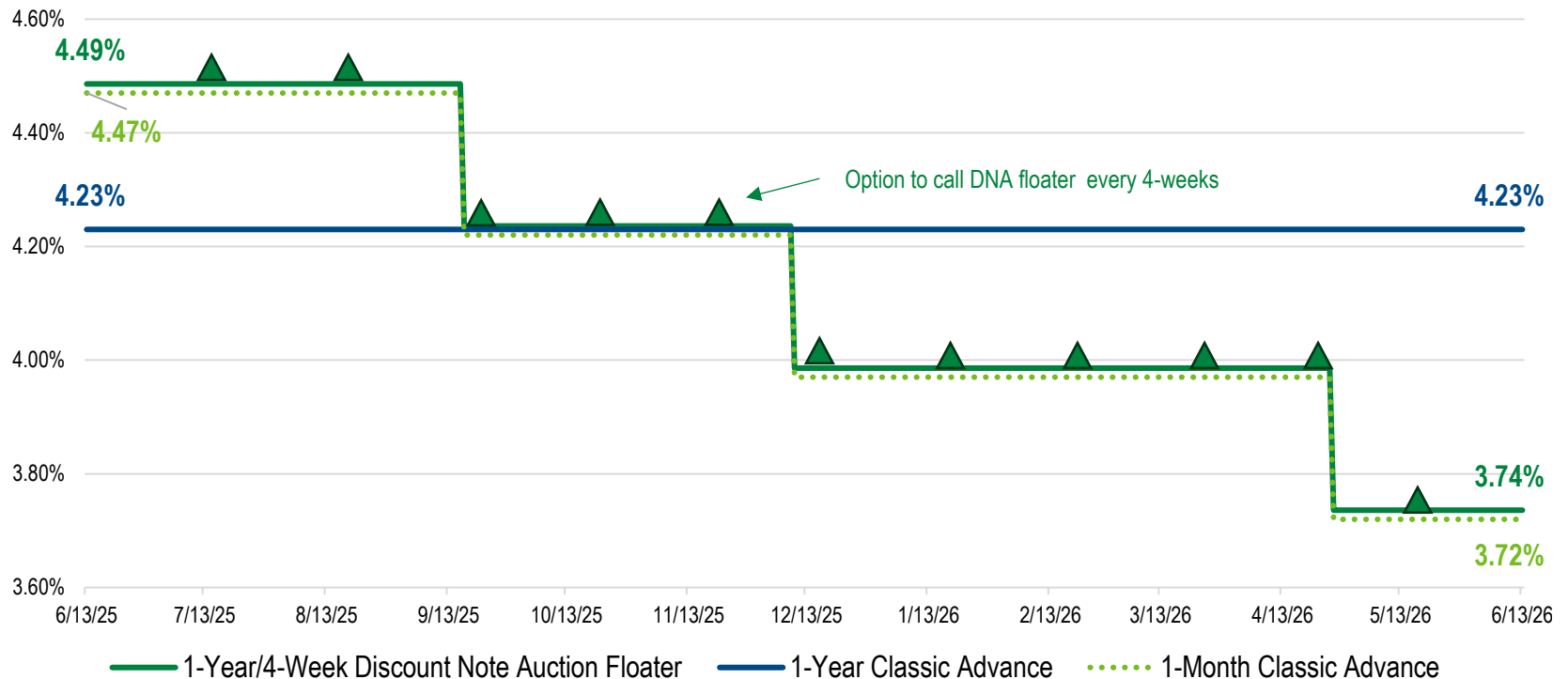
Total Cost Comparison

6-month/3-month Callable SOFR-Indexed Advance	6- Month Classic Advance
4.39%	4.42%

Case Study: Discount Note Auction-Floater

Scenario: The Discount Note Auction-Floater Advance with options to call every four-weeks costs less than a one-year Classic Advance and just 0.02% more than continuously rolling one-month Classic Advances, while adding liquidity protection and funding flexibility.

1-year/4-week Discount Note Auction-Floater vs. 1-Month & 1-Year Classic Advances

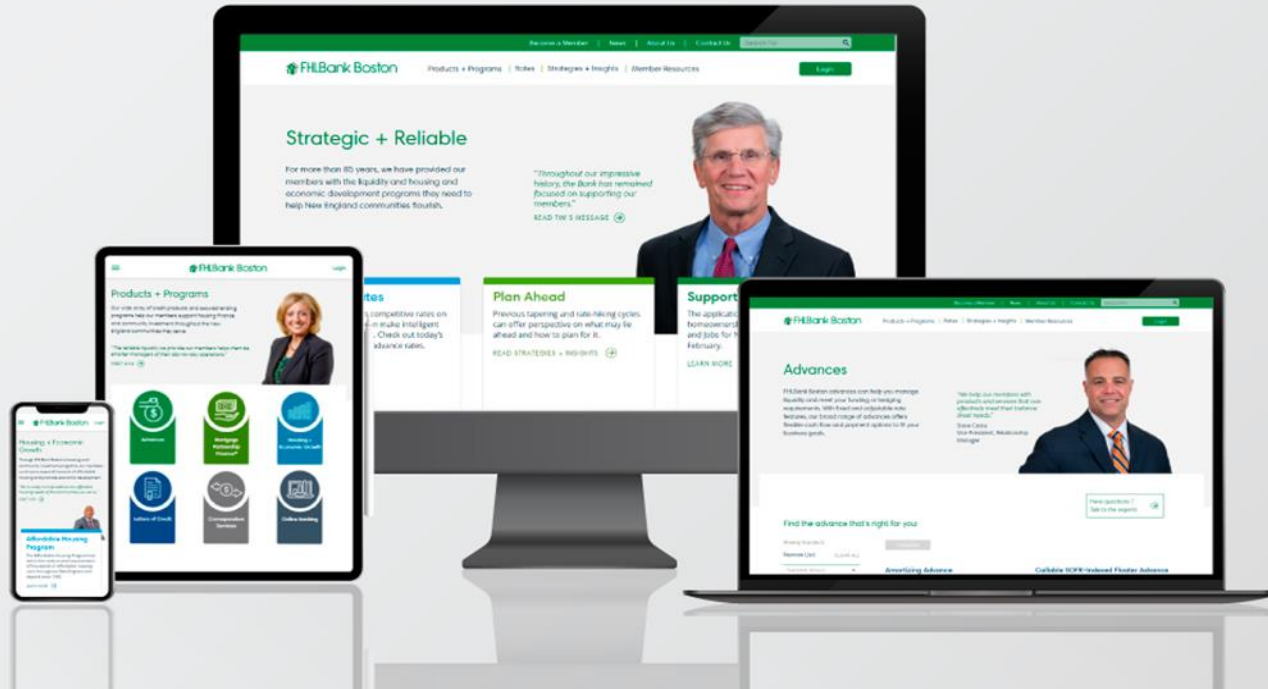


Total Cost Comparison

1-Year/4-Week Discount Note Auction-Floater	1-Year Classic Advance	Rolling 1-Month Classic Advance
4.14%	4.23%	4.12%

Questions?





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Thank You



Andrew Paolillo

Andrew.Paolillo@fhlbboston.com

617-292-9644



Tyler Buckeridge

Tyler.Buckeridge@fhlbboston.com

617-292-9766

