

Peer Analysis & Balance Sheet Strategies Update



August 20, 2025

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Presenters



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Sales & Strategies Specialist

Overview

- Markets & Economy Update
- Peer Analysis & Call Report Trends
- Balance Sheet Strategies

Are You Ready for It?

In case you missed the big announcement Monday...



Markets & Economy Update

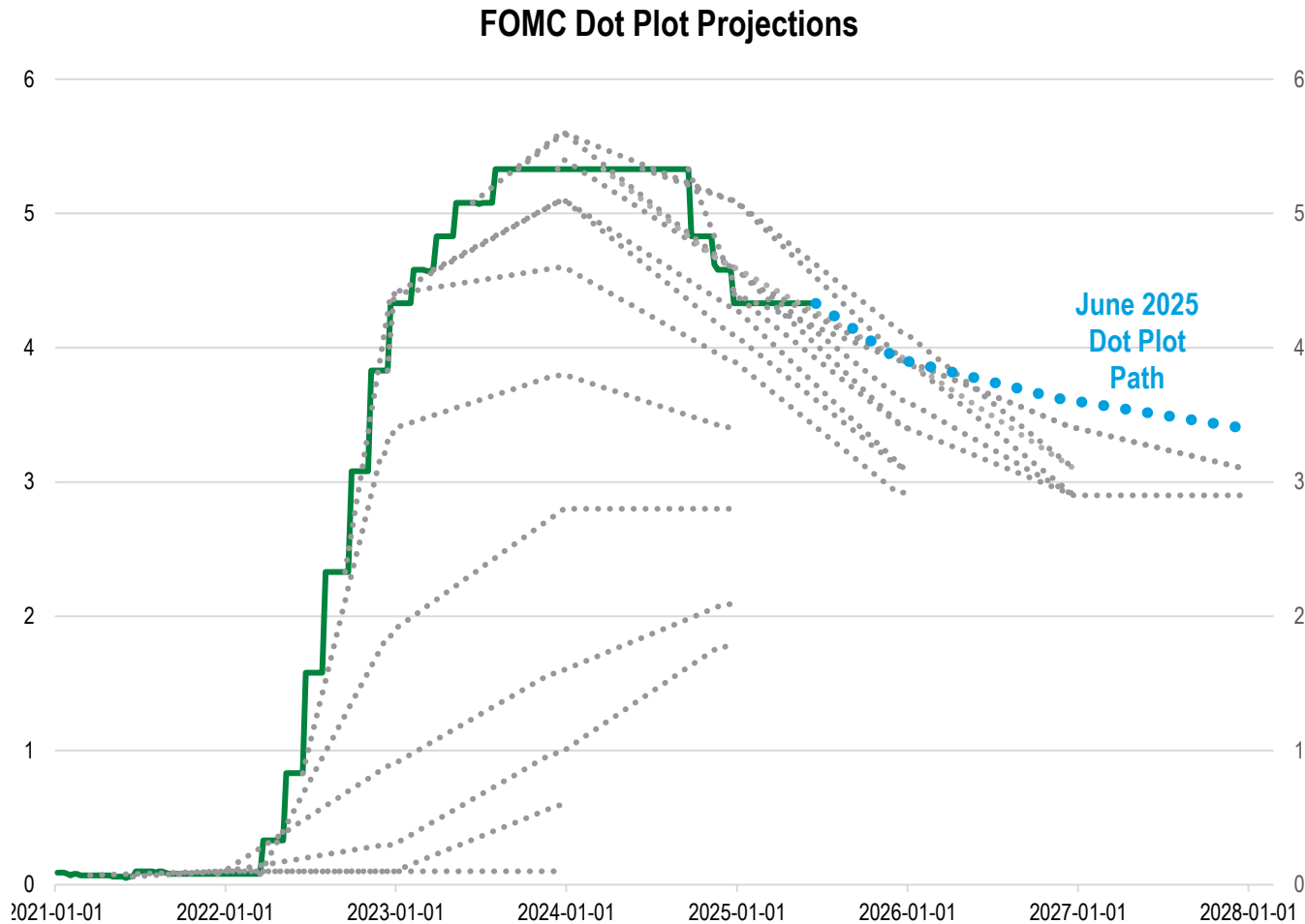


Markets & Economy Update

- What's Next for the Fed?
- Inflation & Labor Markets
- Home Prices

Dot Plot Path Projections

While the Fed's Dot Plot projections can serve as guidance in the moment, the realized paths vary widely over time.



Long-Run Projection

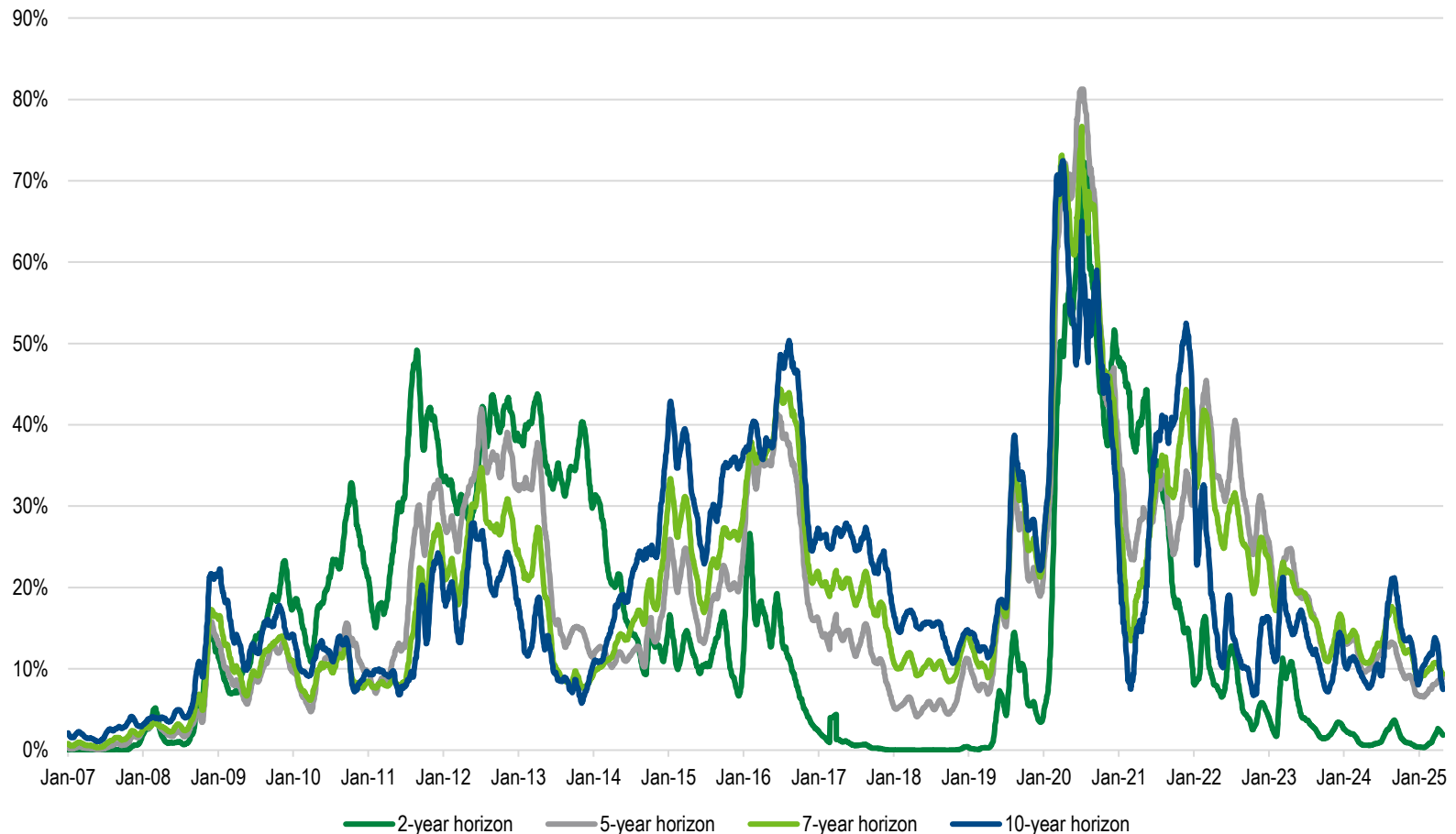
March 2022	2.40%
June 2022-December 2023	2.50%
March 2024	2.60%
June 2024	2.80%
September 2024	2.90%
December 2024-June 2025	3.00%

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

Zero Lower Bound Probabilities

Expectations for a return to zero lower bound have not been this low since... right before the last two times short rates moved towards the zero lower bound.

Zero Lower Bound Probabilities Over Time

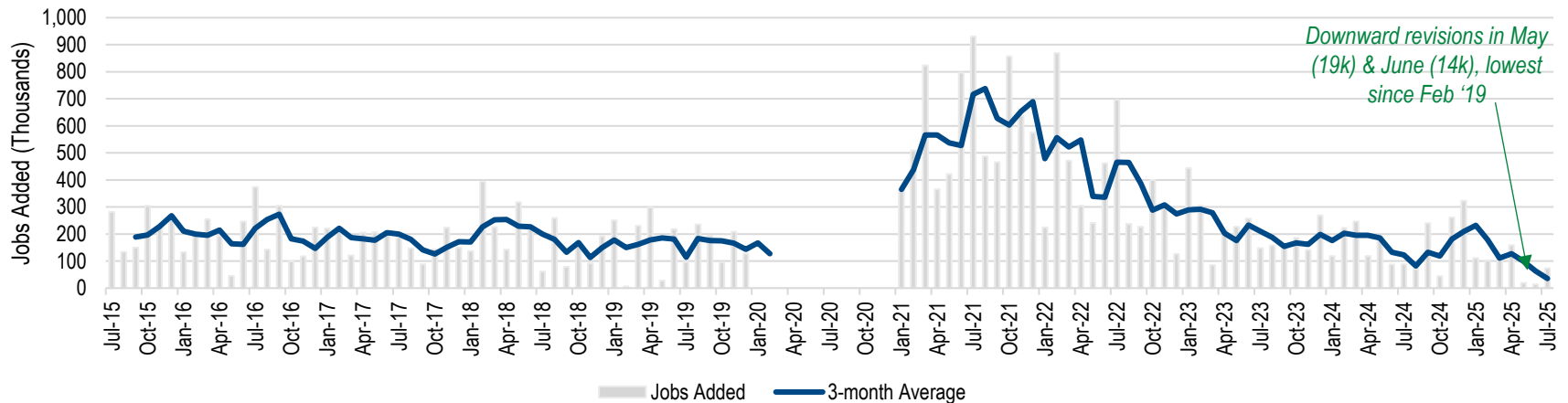


Source: Federal Reserve Bank of San Francisco, FHLBank Boston

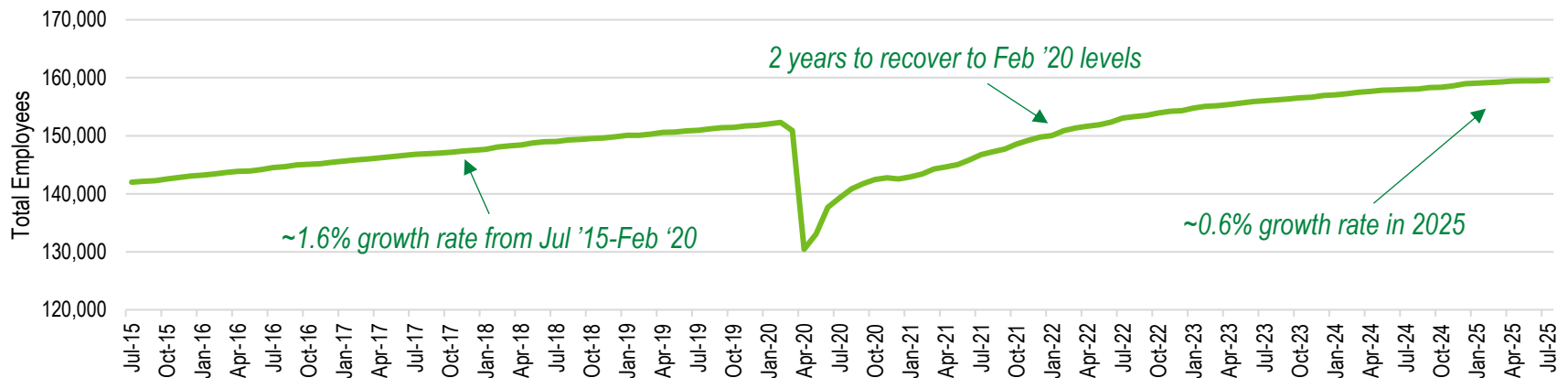
Jobs Report

An underwhelming report (current month and revisions) led to renewed pessimism on the growth trajectory of the economy.

Non-Farm Payrolls: Jobs Added



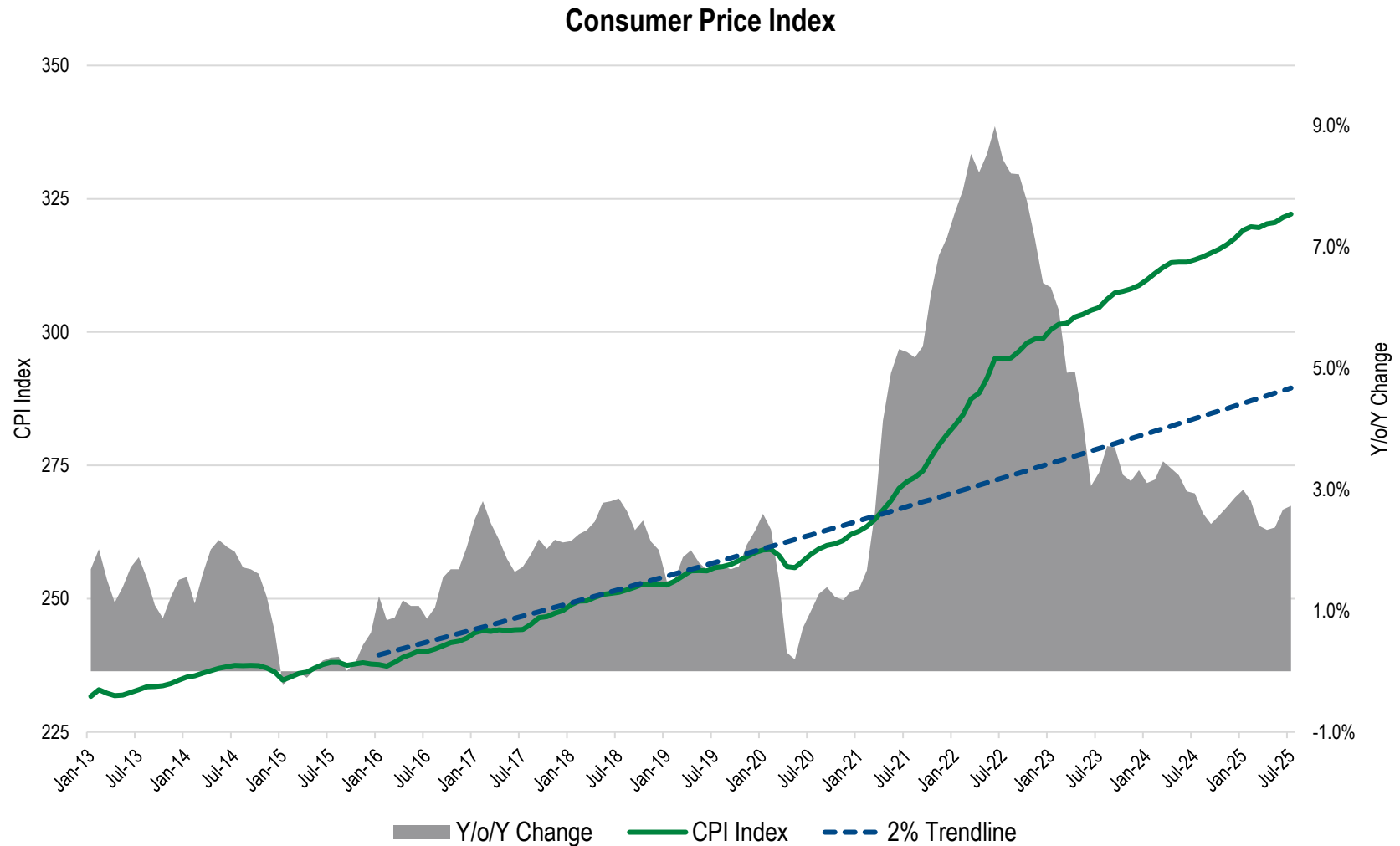
Total Non-Farm Employees



Source: U.S. Bureau of Labor Statistics, FHLBank Boston

Inflation Pressures Persisting

Y/o/Y readings settling into the mid 2% range has not eliminated the impact of the “transitory” price shocks of 2021-2022.

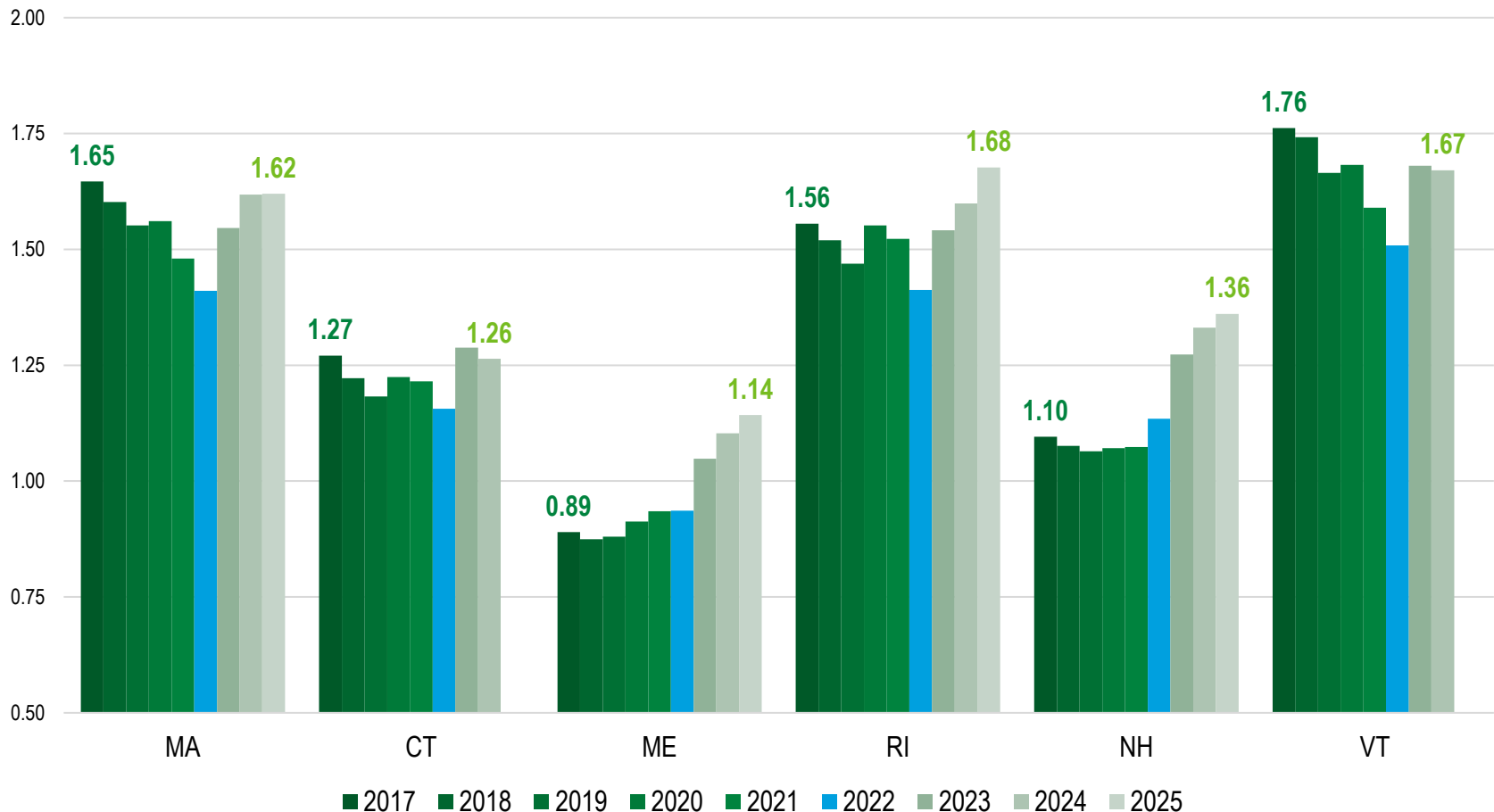


Source: U.S. Bureau of Labor Statistics, FHLBank Boston

Housing Prices

With prices on a national basis flat since summer 2022 (but up considerably vs. 2020 and earlier), home values in New England have continued to exhibit relative strength.

Ratio: Median Home Listing Price vs. the National Average

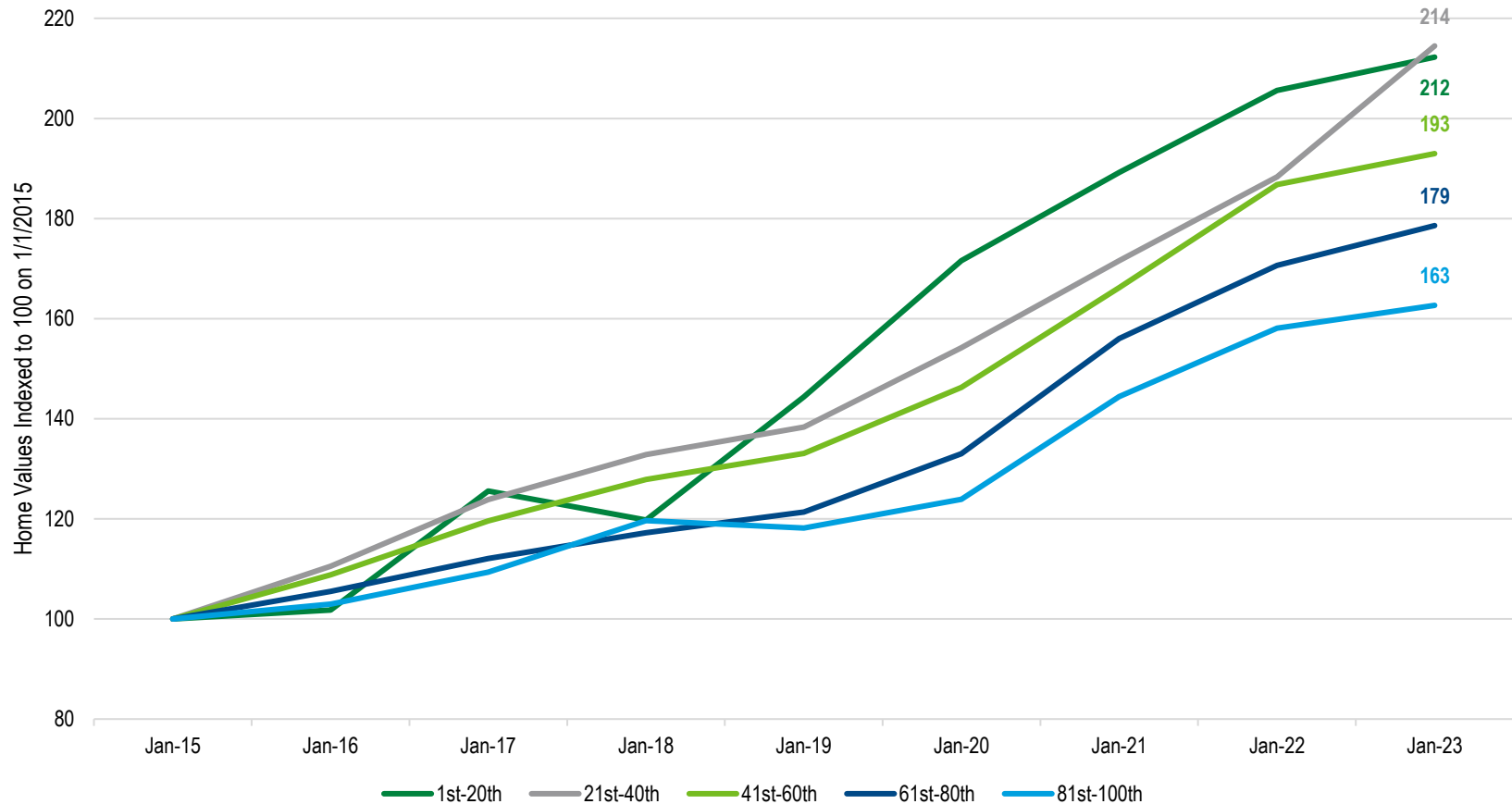


Source: U.S. Bureau of Labor Statistics, FHLBank Boston

Housing Values By Income

Over the last 10 years, the increase in the values of homes owned by lower income Americans, who tend to hold a higher percentage of their wealth in real estate, has outpaced that of higher income quintiles.

Home Value Accretion By Income Quintile



Source: U.S. Bureau of Labor Statistics, FHLBank Boston

Peer Analysis & Call Report Trends

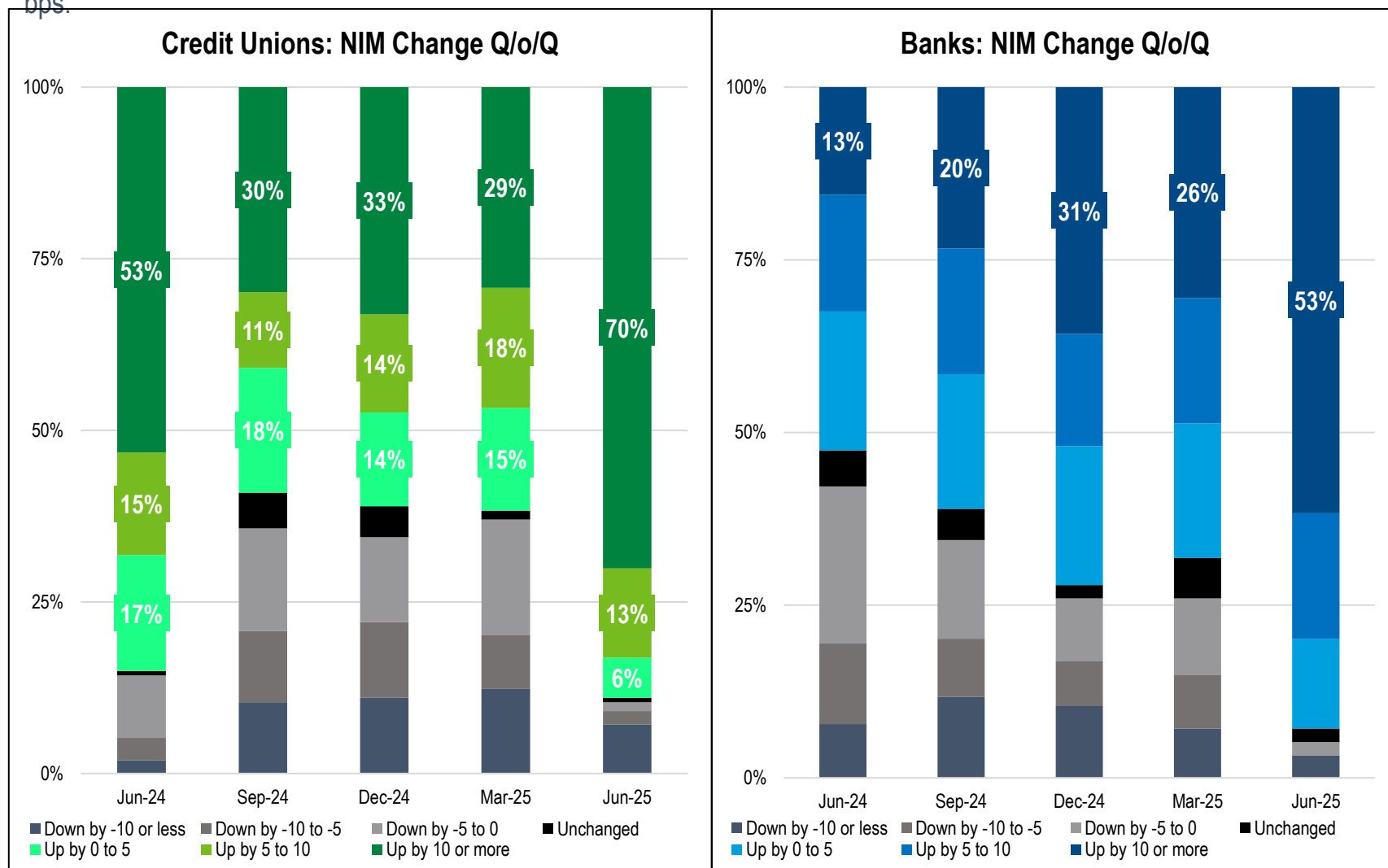


Peer Analysis & Call Report Trends

- Margin Lift
- Growth Trends
- Credit Performance

Net Interest Margin Expansion

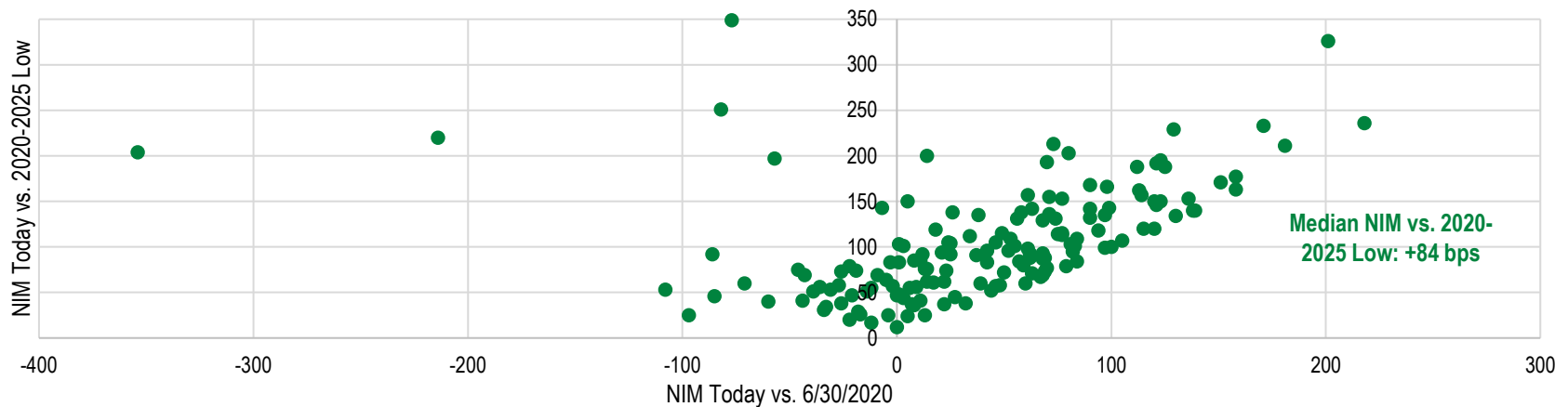
The upswing for margin continued and accelerated further in the second quarter, with most members growing NIM by > 10 bps.



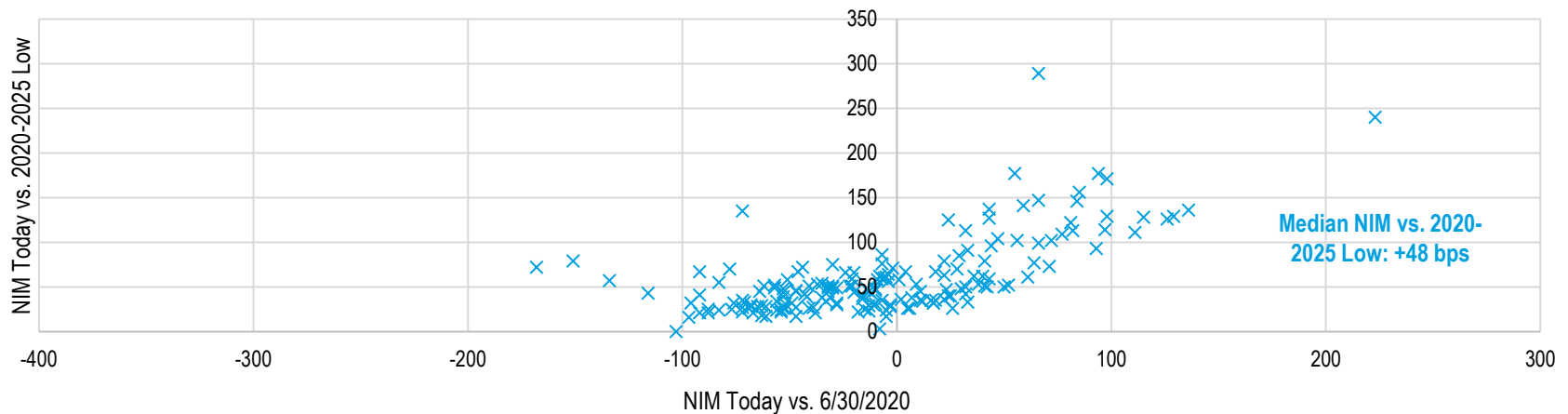
How Much Has NIM Recovered?

~40% of banks and ~75% of credit unions have seen current margin exceed levels from five years ago.

Credit Unions: NIM Today vs. 6/30/20 & 2020-2025 Low



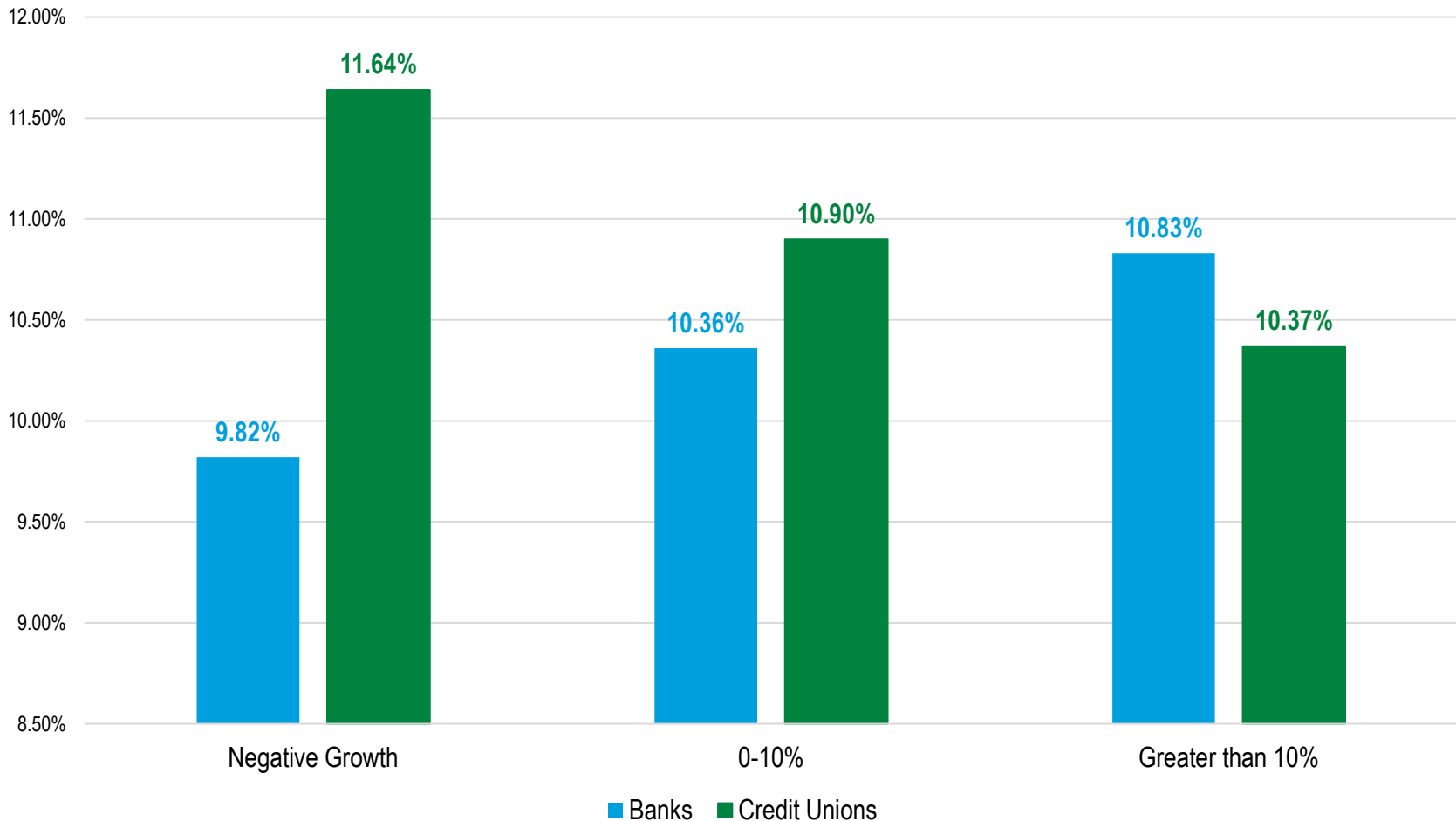
Banks: NIM Today vs. 6/30/20 & 2020-2025 Low



Loan Growth & Capital Ratios

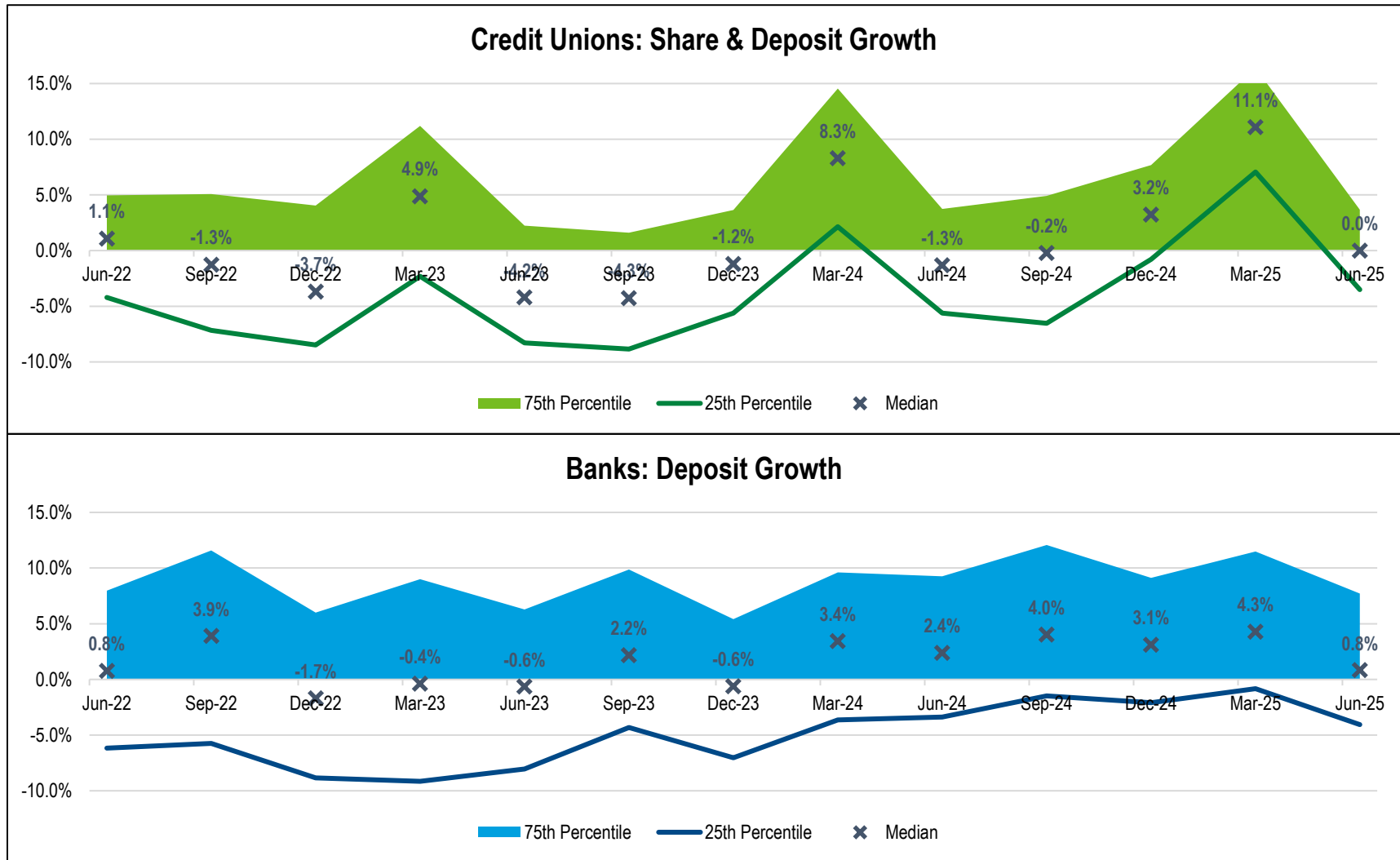
Banks with stronger loan growth tended to be those with higher capital ratios- for credit unions, it was the opposite.

Net Worth Ratio Segmented by Q2 Loan Growth



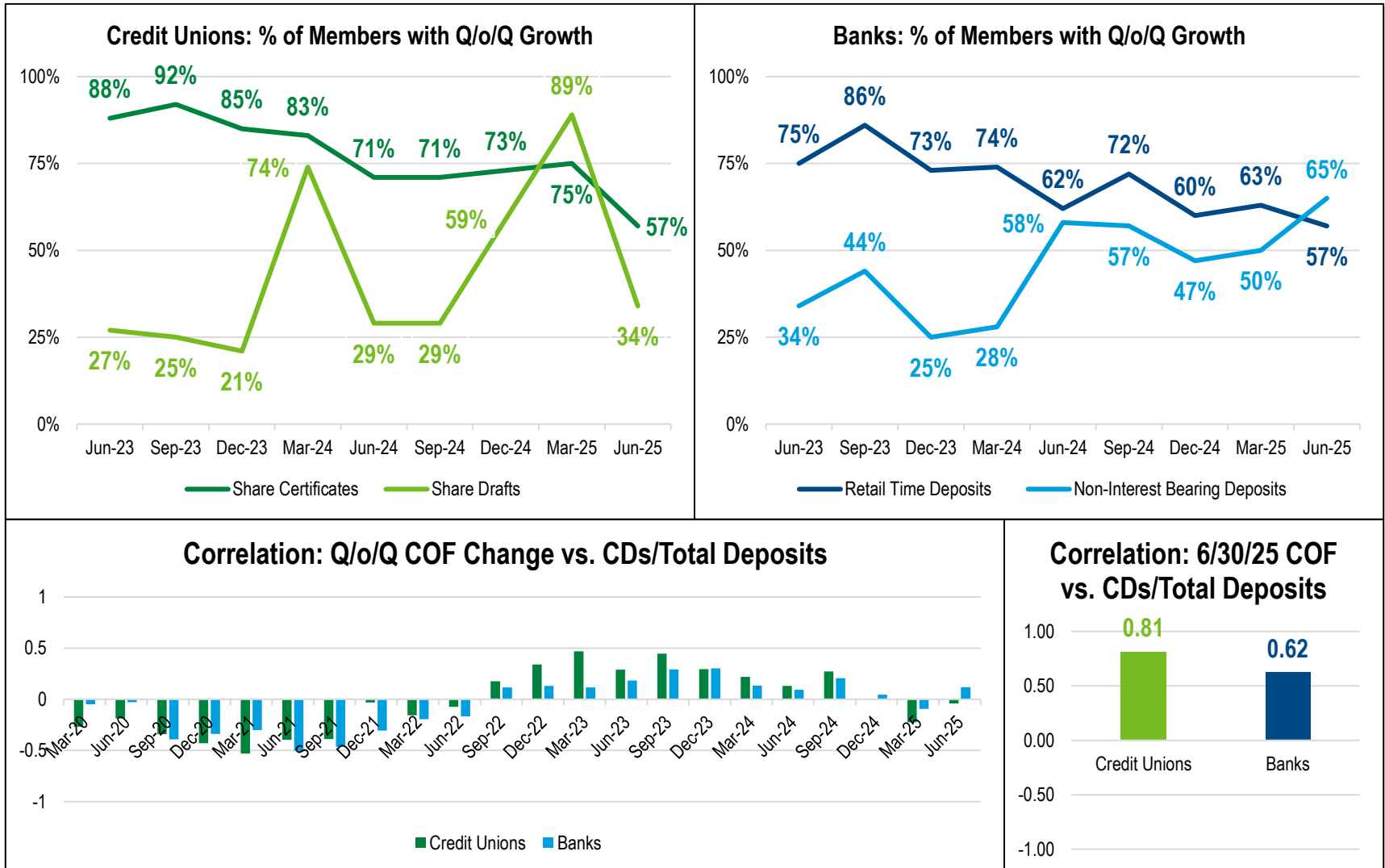
Deposit Growth

Top-line growth was muted for many, even factoring in the seasonality that often accompanies second-quarter activity.



Deposit Composition & Costs

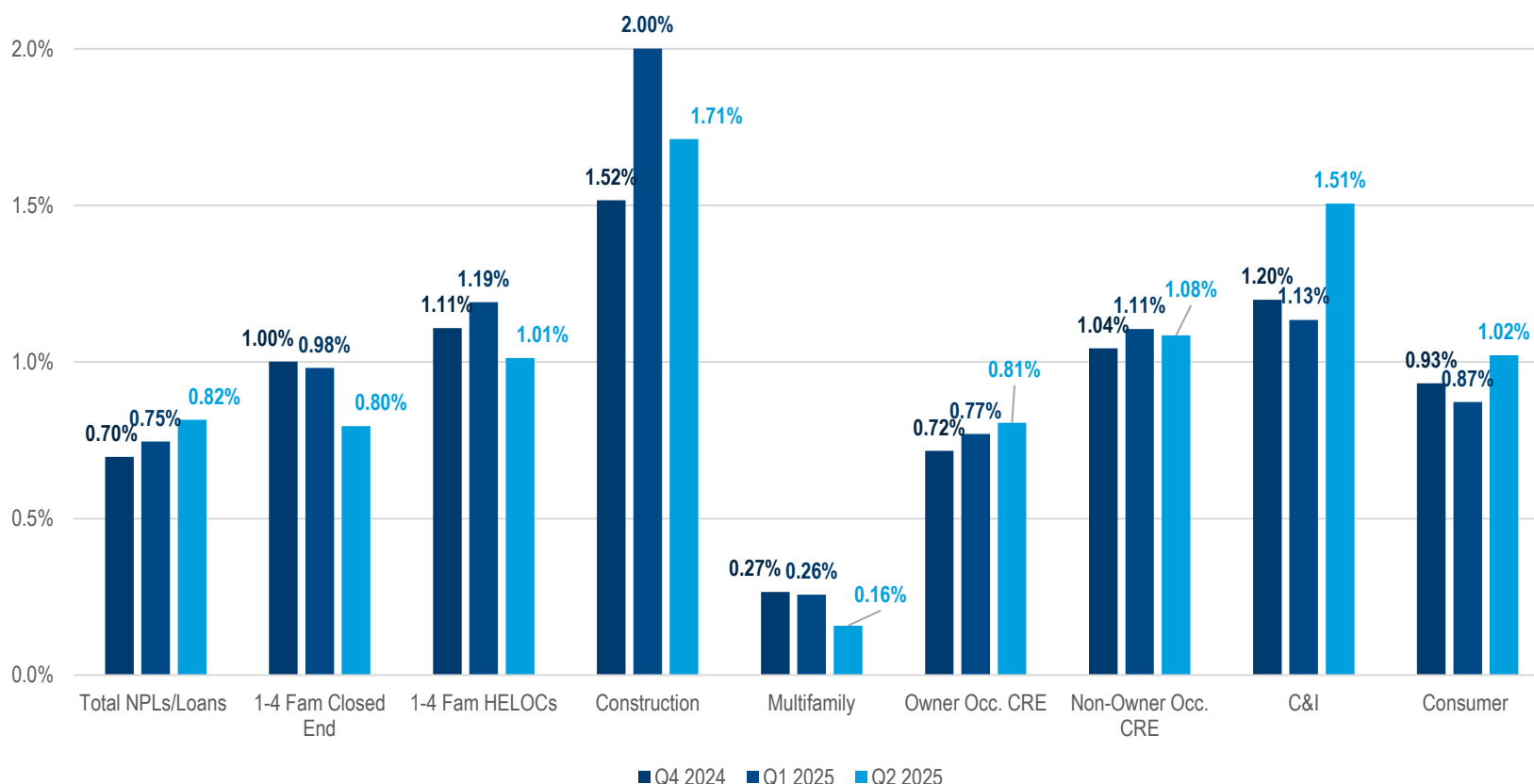
The reliance on term deposits continues to decline, which can be supportive of improvements in cost of funds.



Banks: Credit Performance

While consumer, owner occupied CRE, and C&I all saw asset quality deteriorate since last quarter, almost the entire increase in NPLs/loans was driven by C&I, which increased 38 basis points to 1.51% NPLs/loans.

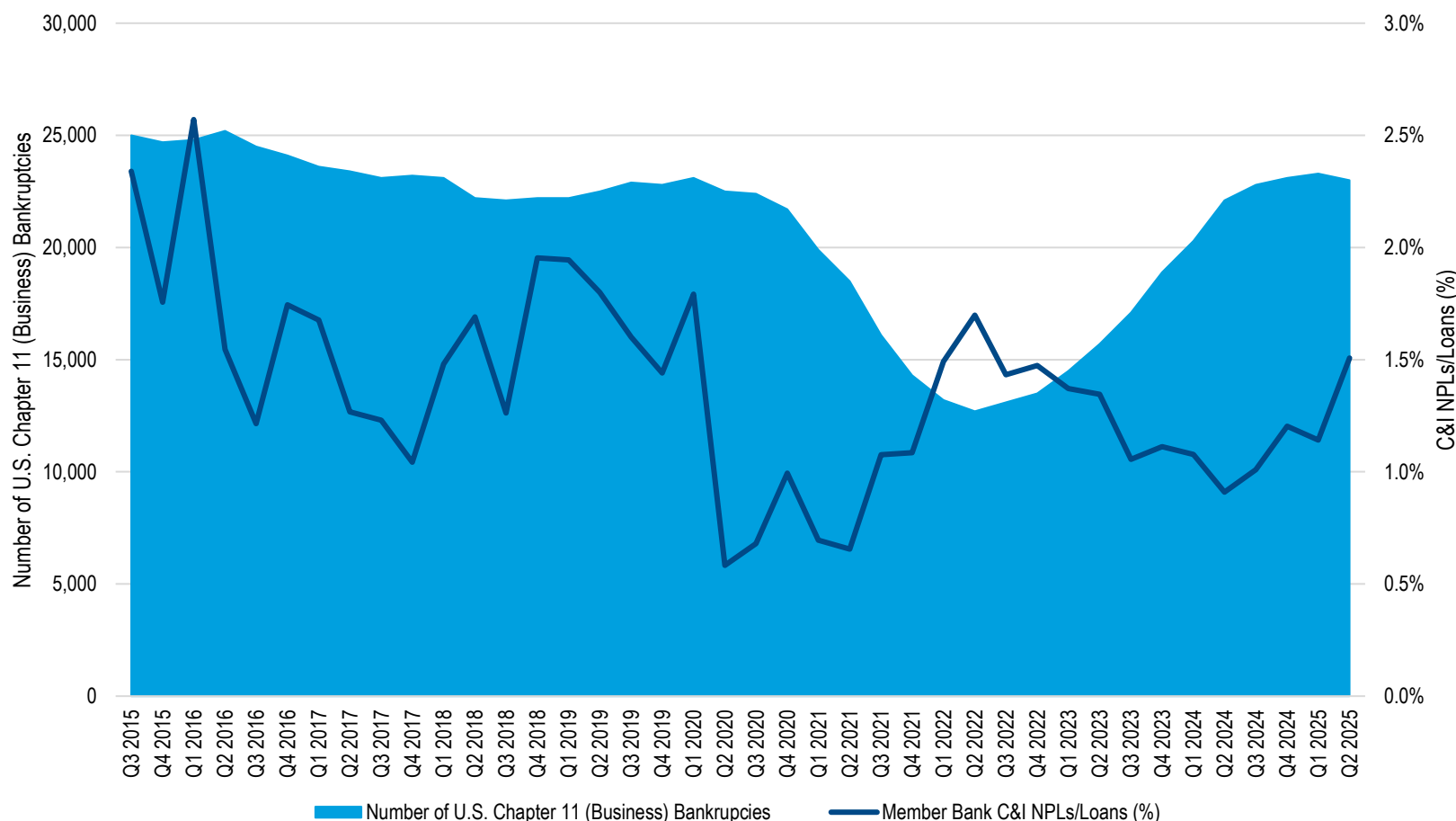
Banks: NPLs/Loans by Loan Type



Asset Quality and Business Bankruptcies

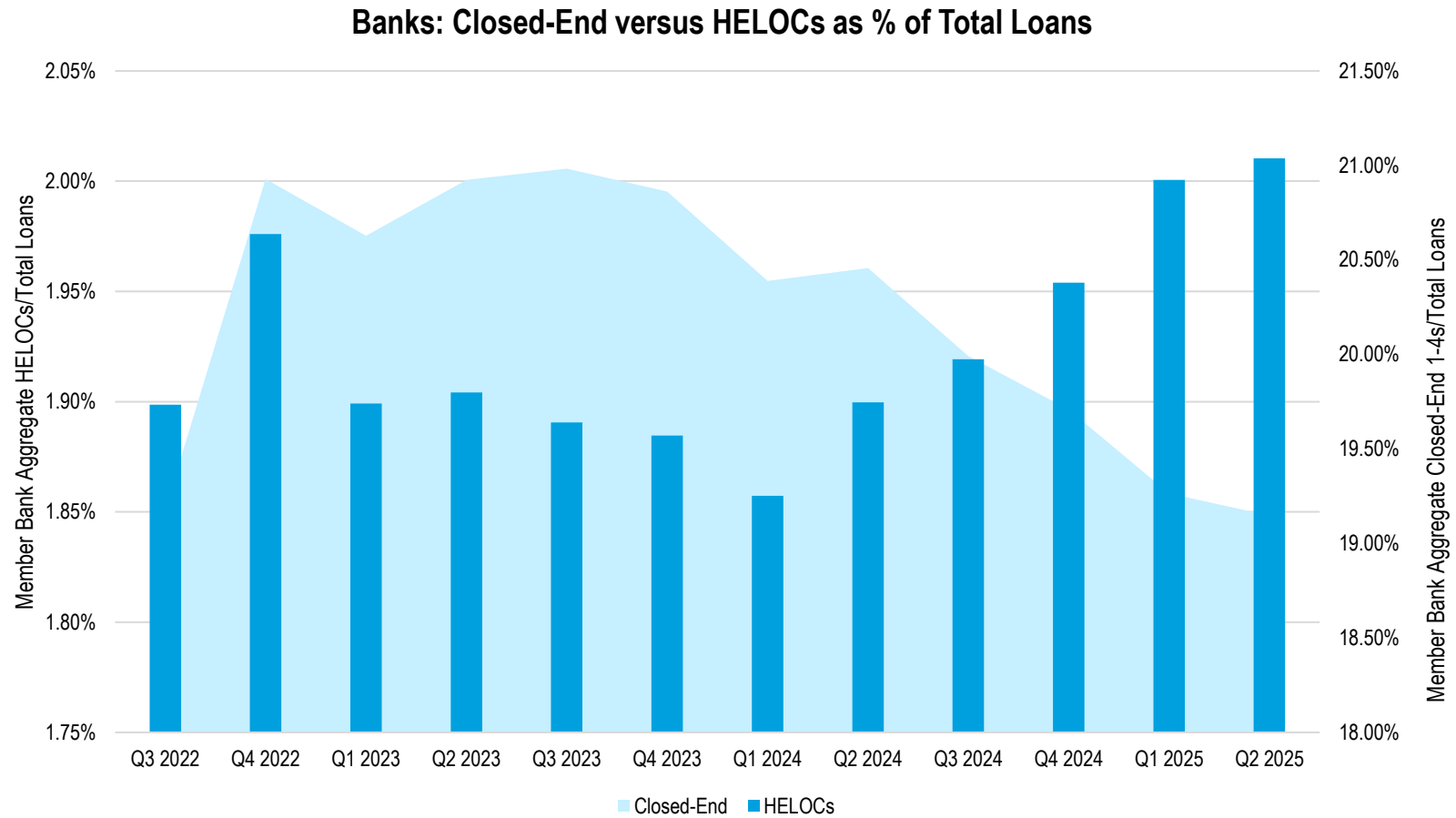
As the effects of COVID-era stimulus wane and low-rate loans of the '20 and '21 vintages continue to be replaced at much higher rates and lower DSCRs, C&I NPLs could be something to monitor.

Member Bank NPLs and U.S. Business Bankruptcies



Cyclical Shift In 1-4 Residential Originations

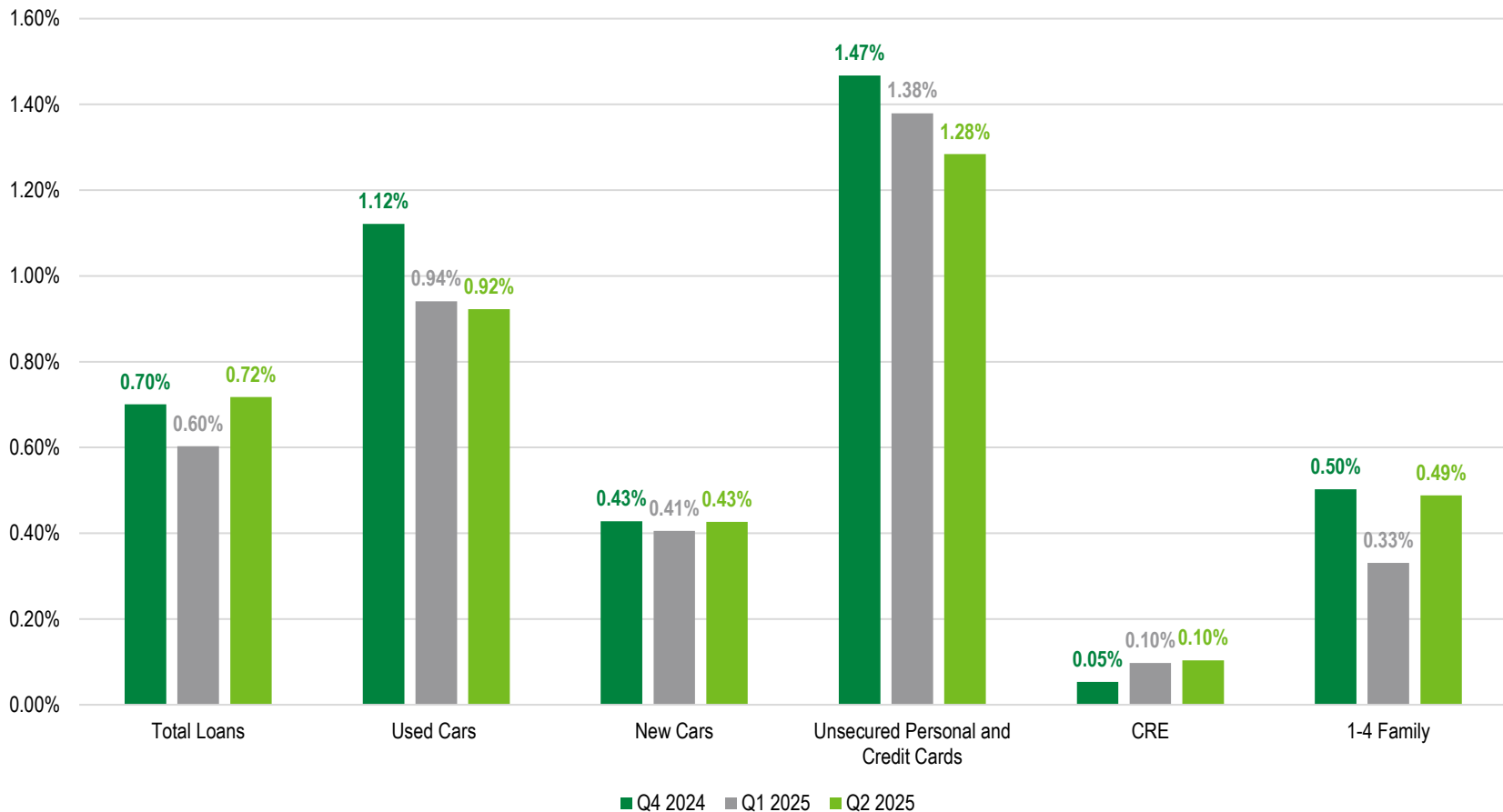
Starting in the second quarter of 2024, HELOCs have grown as a percentage of total loans while closed-end 1-4 family residential has shrunk.



Credit Unions: Credit Performance

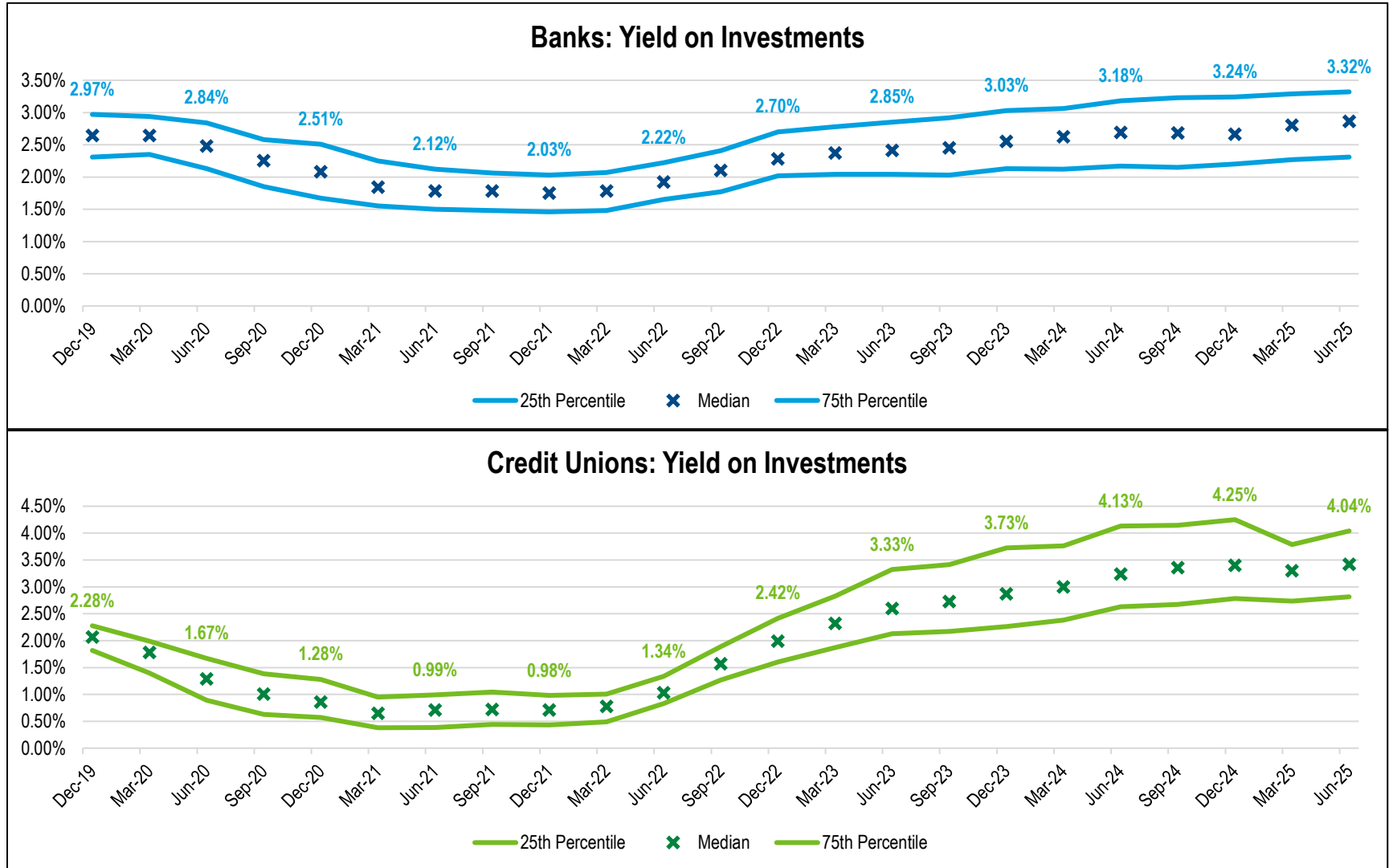
Member credit union delinquencies ticked up slightly from Q1, but this may be largely cyclical, as Q1 credit union asset quality has historically come in lower than other quarters due to tax returns and new loan growth.

Credit Unions 60+ Days Delinquent Loans By Category



Investment Trends

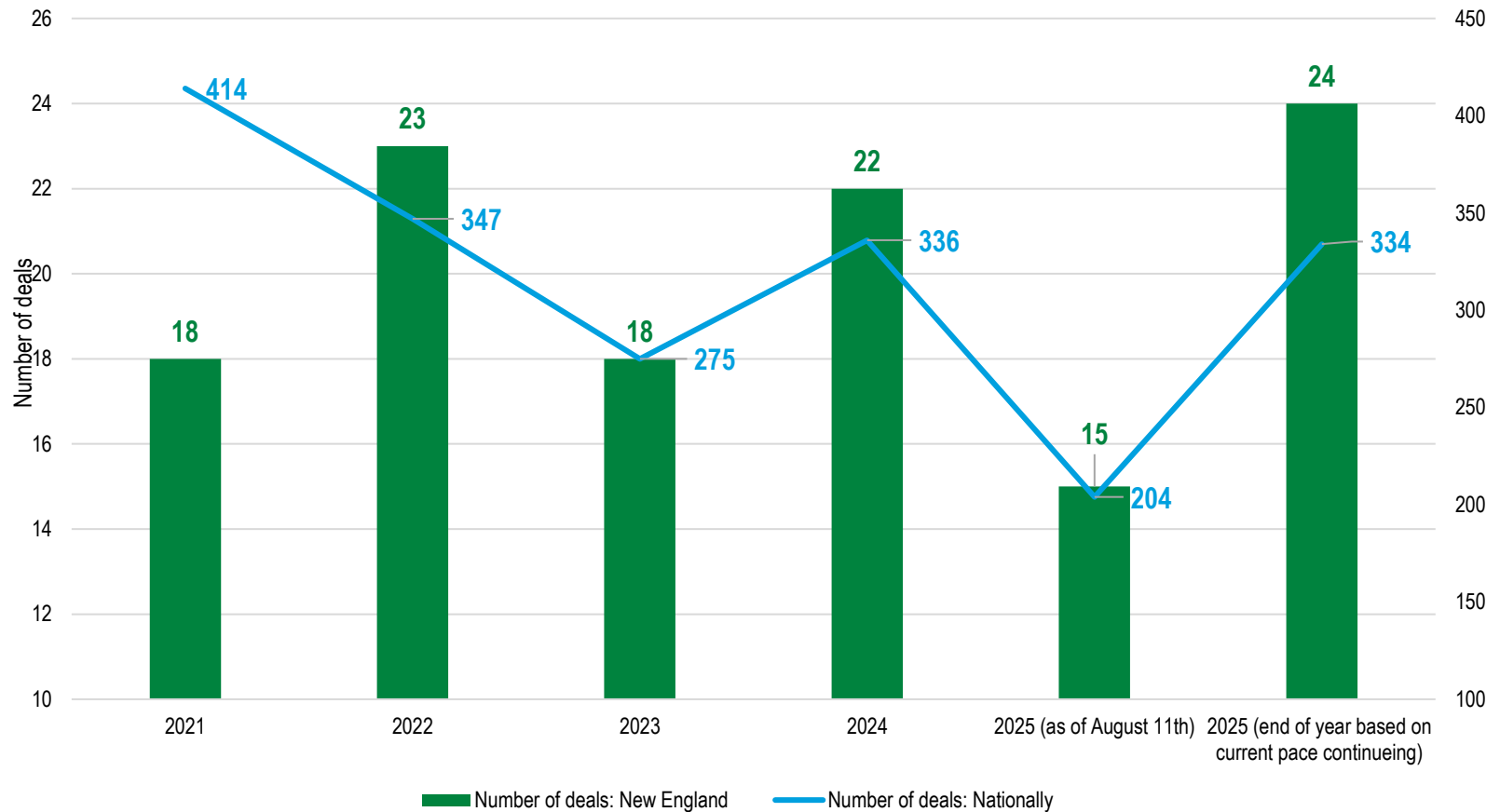
Yield improvement has slowed. Only 18% of CU's and 36% of banks have increased the bond portfolio's size vs. 2022.



M&A Activity

The M&A activity thus far this year puts national and New England merger activity on pace for a strong year.

New England versus National Bank and Credit Union M&A Activity



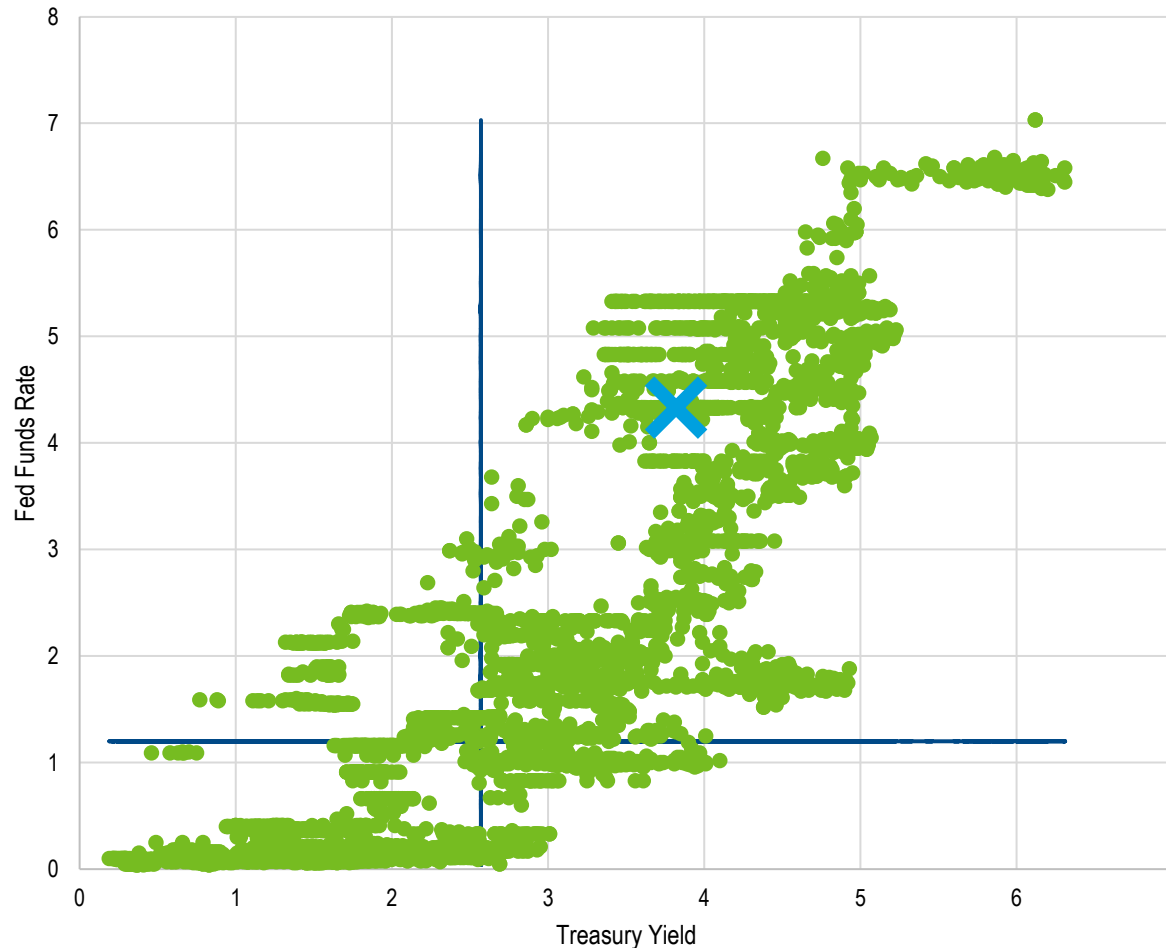
Balance Sheet Strategies



30k Foot Perspective

What lessons from the last cycle(s) can inform today's strategies?

Fed Funds Rate & 5-year Treasury Yield, 2000-2025



Considerations

Lending & Investments

-How can we efficiently reprice the asset side at these historically high levels?

Deposits

-How can we maintain pricing discipline in a competitive market?
-What products and structures should we emphasize to align with outlook (rates, credit, growth)?

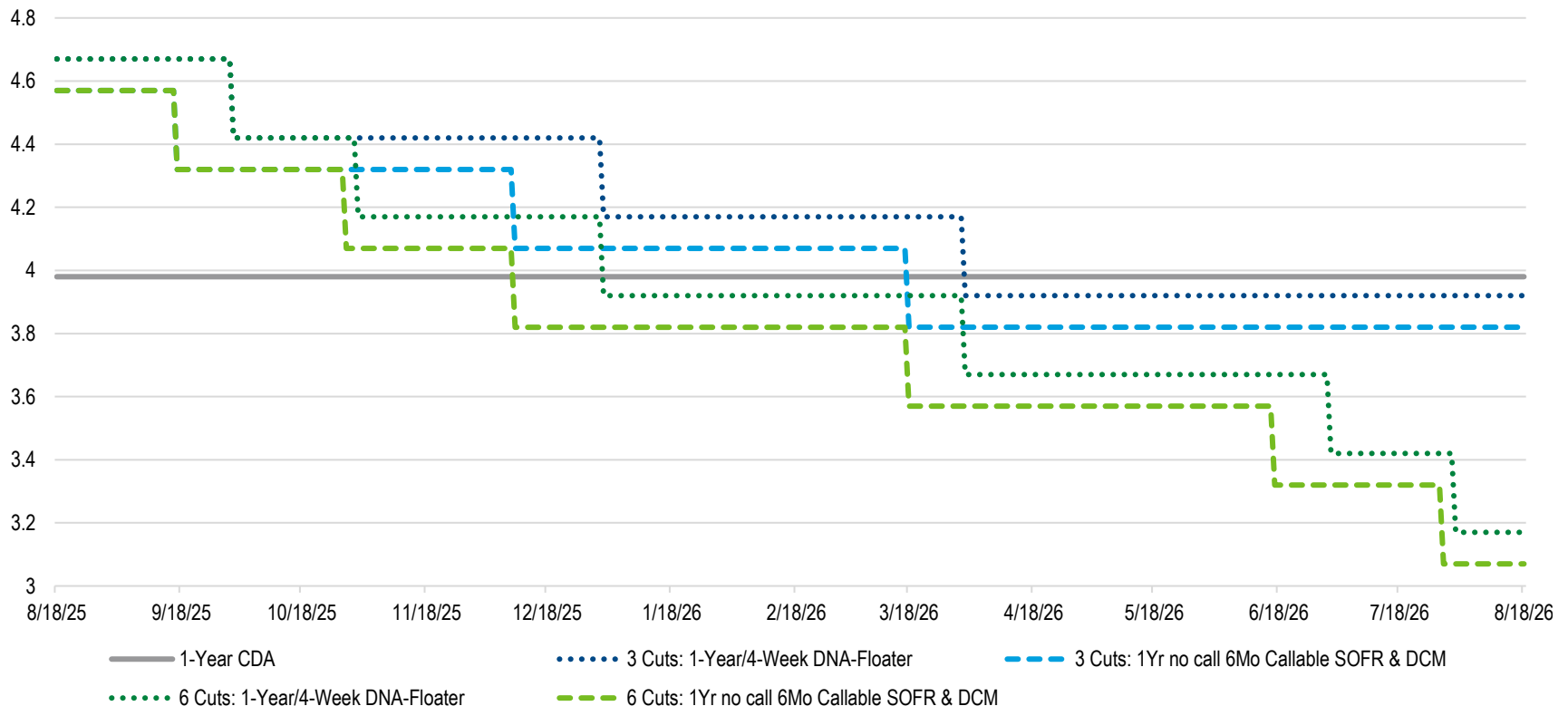
Risk Management & Capital Allocation

How do we balance “fighting the last war” (IRR/liquidity) and “predicting the future” (credit/IRR)?

What is the Market Pricing In?

Scenario: with the market currently pricing in four--five cuts over the next 12 months, we examine the cost of a few fixed and floating rate Advance structures in a slightly more hawkish (three cuts over next year) and dovish (six cuts) scenario.

Scenario: Fixed versus Floating Comparison



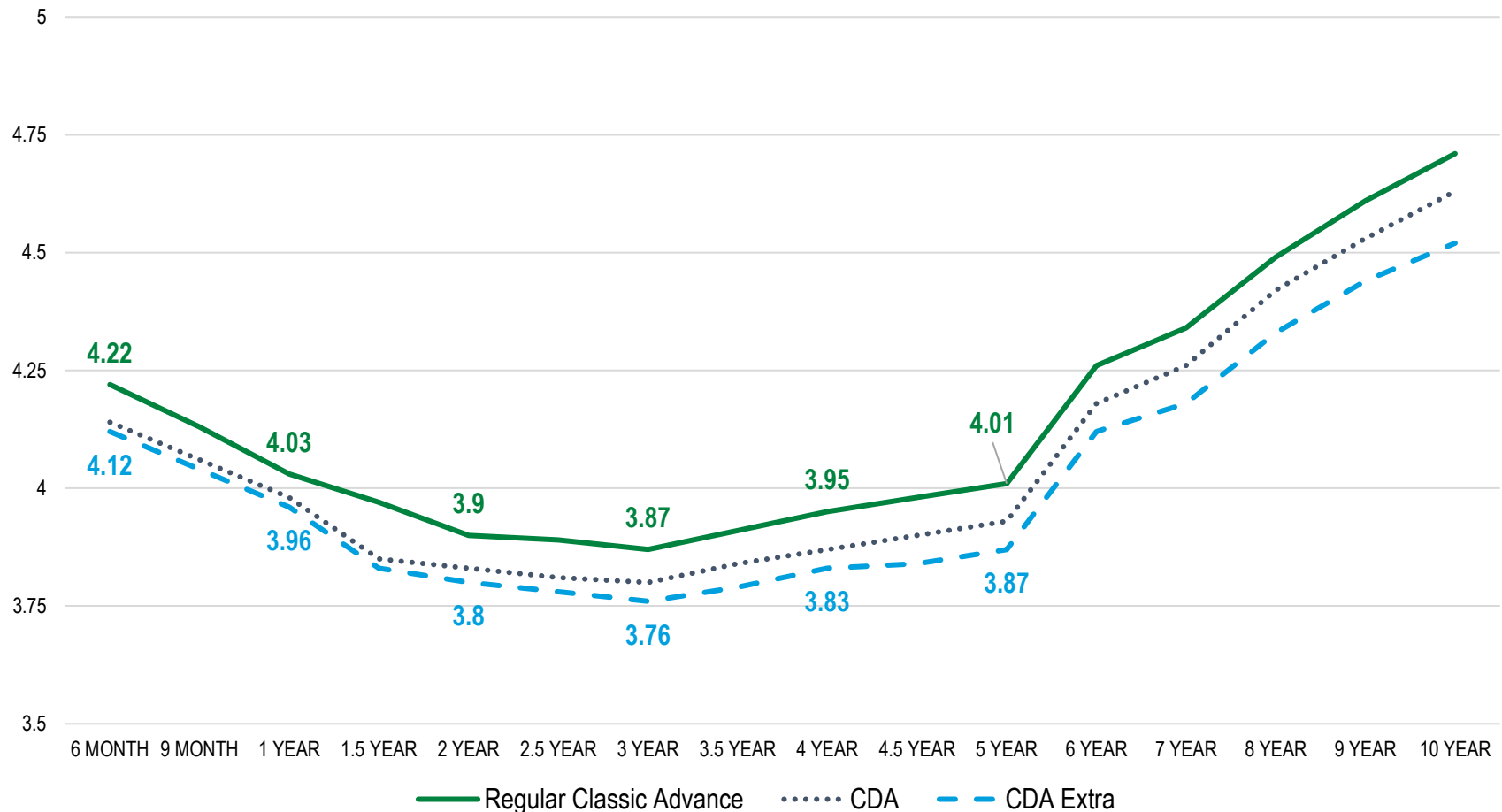
1-Year CDA	3 Cuts: 1-Year/4-Week DNA-Floater	3 Cuts: 1Yr no call 6Mo Callable SOFR & DCM	6 Cuts: 1-Year/4-Week DNA-Floater	6 Cuts: 1Yr no call 6Mo Callable SOFR & DCM
3.98%	4.19%	4.06%	3.95%	3.81%

Source: FHLBank Boston

Community Development Advances (CDA)

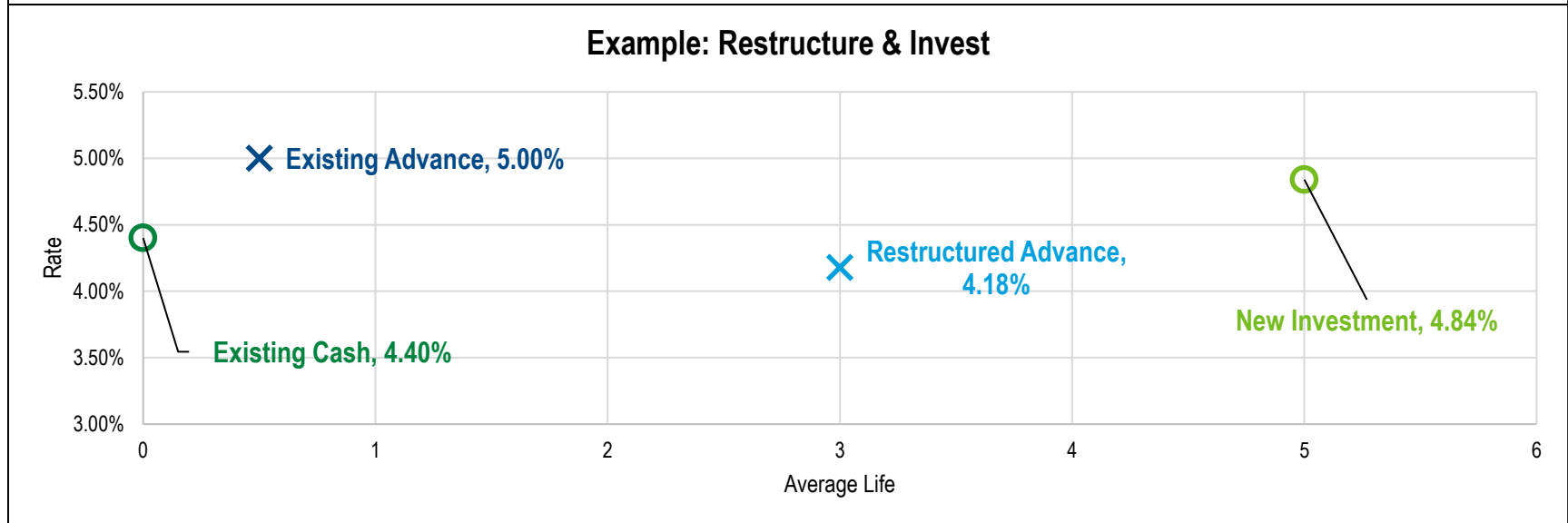
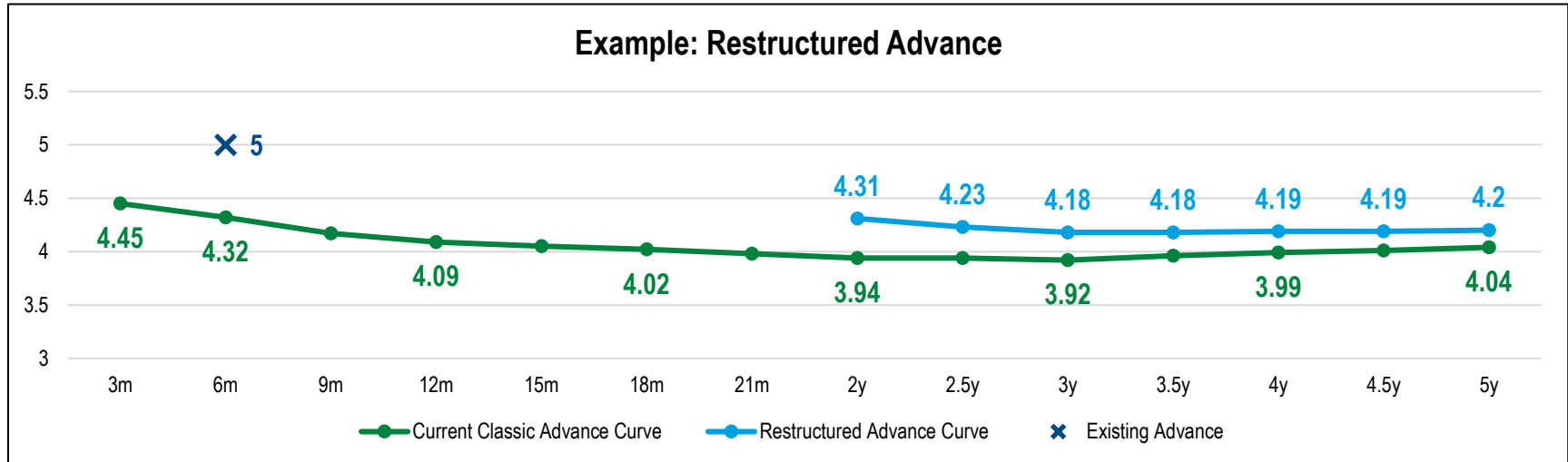
The CDA and CDA Extra Advance are now available with shorter minimum maturities (down to six months), with the discount versus regular Classic Advances for the six-month tenor at eight and 10 basis points for CDA and CDA Extra respectively.

Classic Advances, CDA & CDA Extra



Creating Capacity to Take Asset Duration

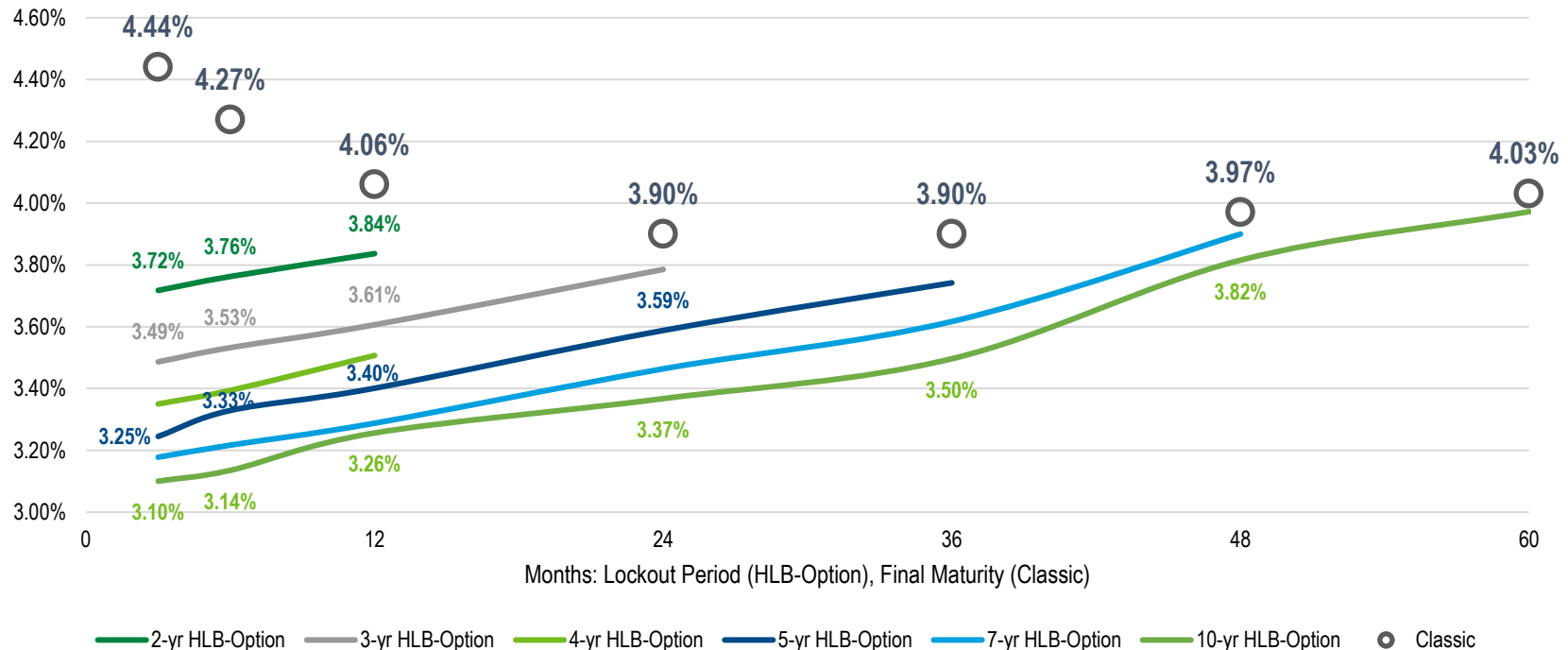
Lower cost of funds and reduce interest-rate risk immediately without taking additional funding.



Capturing Spread Beyond Taking Yield Curve Risk

Lingering volatility and an inverted yield curve creates a backdrop for attractive funding levels and structures with putables.

HLB-Option Advance and Classic Advance Curves



HLB-Option Advance Use Cases

Deposit pricing discipline

Ex. 3yr/6m at 3.53%

Fund Fixed-Rate Assets

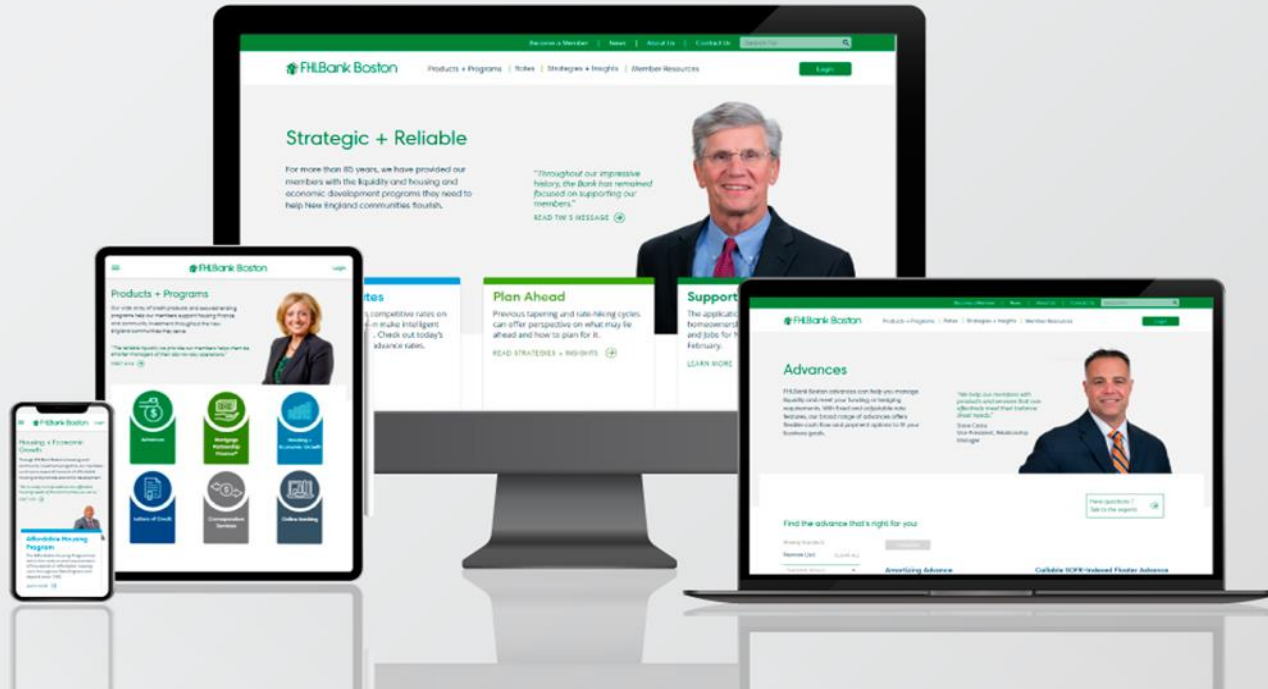
Ex. 5yr/2yr at 3.59% to capture spreads vs. bonds (>100 bps achievable) or loans

Opportunistic margin management

Ex. 10yr/3mo at 3.10%

Questions?





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Thank You



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