

Peer Analysis and Balance Sheet Strategies Update



November 18, 2025

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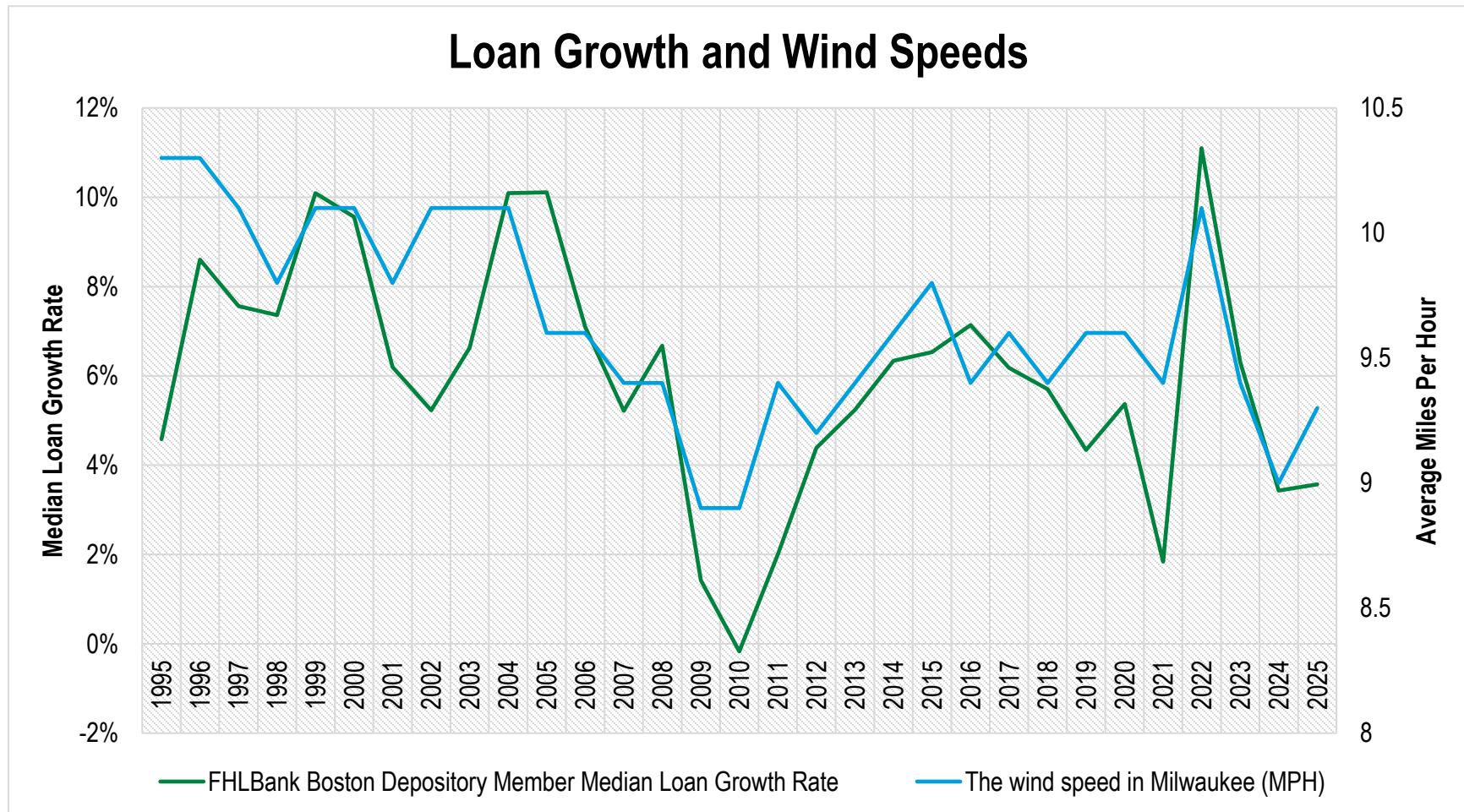
Sales & Strategies Specialist

Overview

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

What Drives Loan Growth?

As one might totally expect, wind speeds in Milwaukee appear to be a leading indicator for loan growth rates for depositories in New England.



Markets & Economy Update



Markets & Economy Update

- The Fed
- Labor Markets & Inflation
- The Yield Curve
- Bank Stock Performance

The Government Shutdown Has Limited Data Availability

As a result of the ongoing government shutdown, many of the key economic indicators normally produced by the BLS, including some inputs to PCE and Core PCE, are unavailable, making the path of policy more obscure.

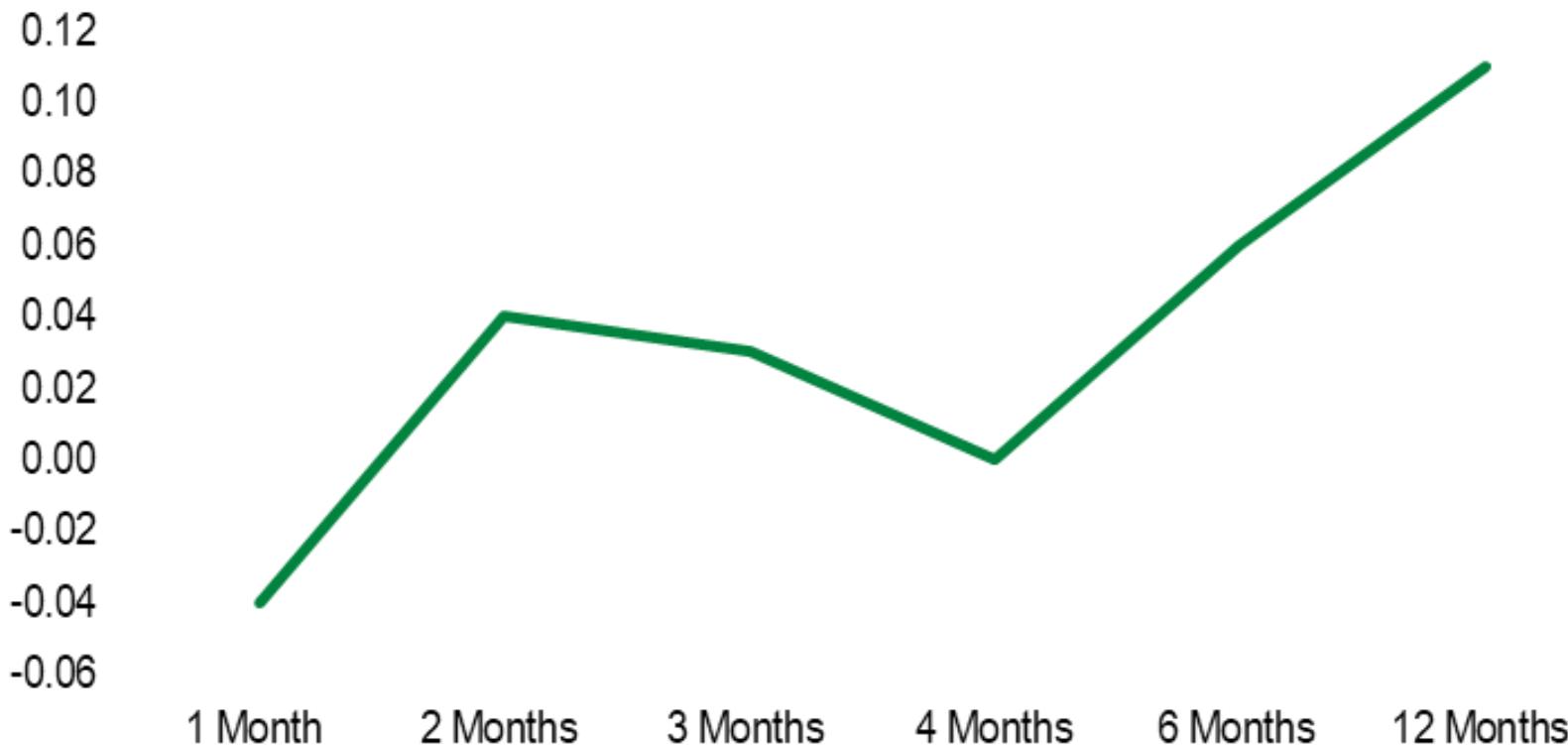
	July	August	September	October	Q2	Q3
Nonfarm Payrolls	79,000	22,000	X	X		
Unemployment Rate	4.2%	4.3%	X	X		
Employment Cost Index					3.6%	X
CPI	2.7%	2.8%	3.0%	X		
Core PCE	2.9%	2.9%	X	X		
GDP					3.8%	X

Source: FHLBank Boston, BEA, BLS, FRED

Rate Cut in December is "Far from a Forgone Conclusion"

At the October FOMC meeting, Chair Powell pushed back repeatedly against the idea that the FOMC will deliver another rate cut in December. The cut, which was nearly full priced into markets, now looks less certain.

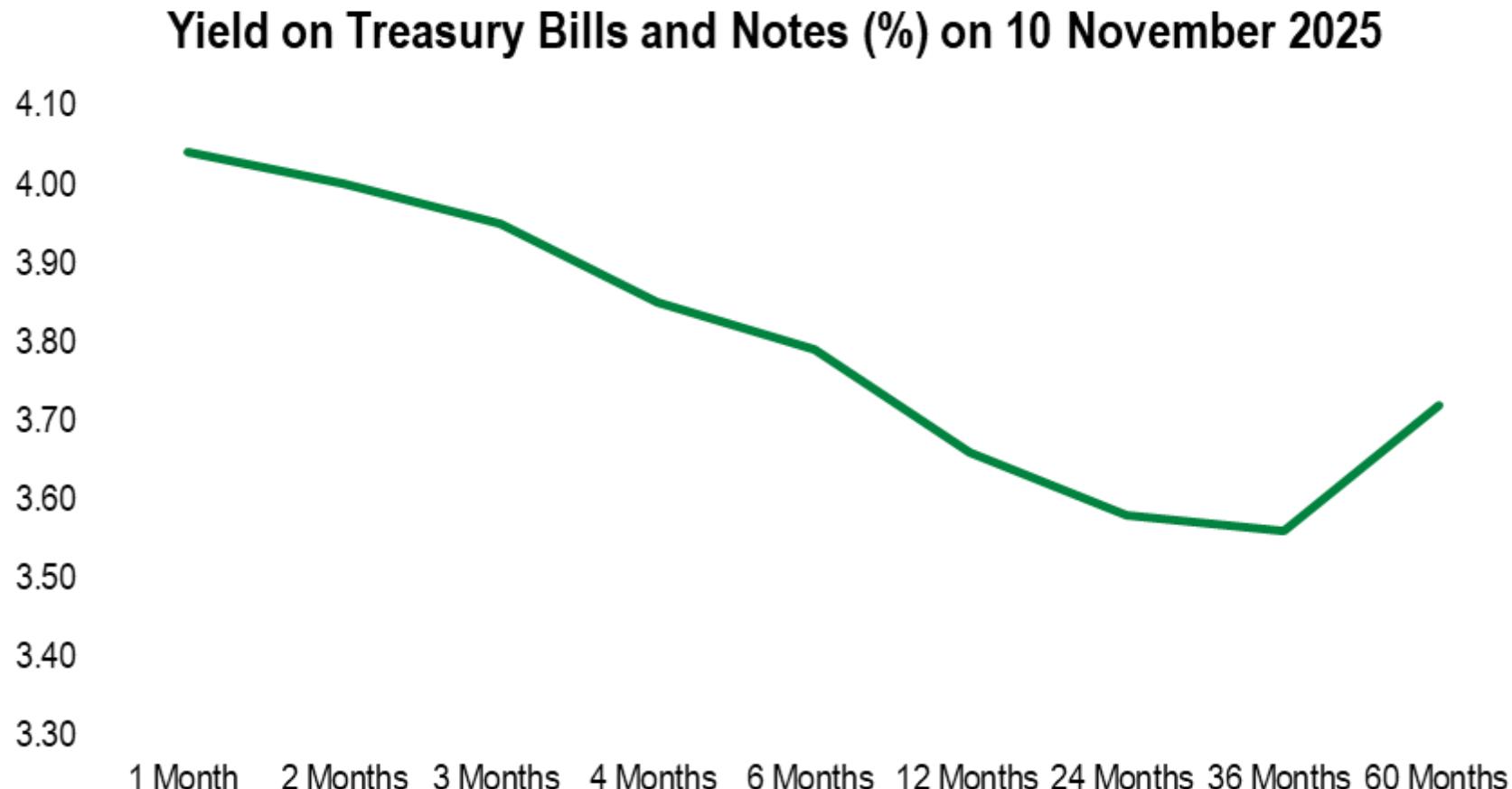
Change in Yield on Treasury Bills (%) Before and After October FOMC Meeting (10/30-10/27)



Source: Treasury Department, FHLBank Boston

Still, Further Cuts Remain Priced into the Curve

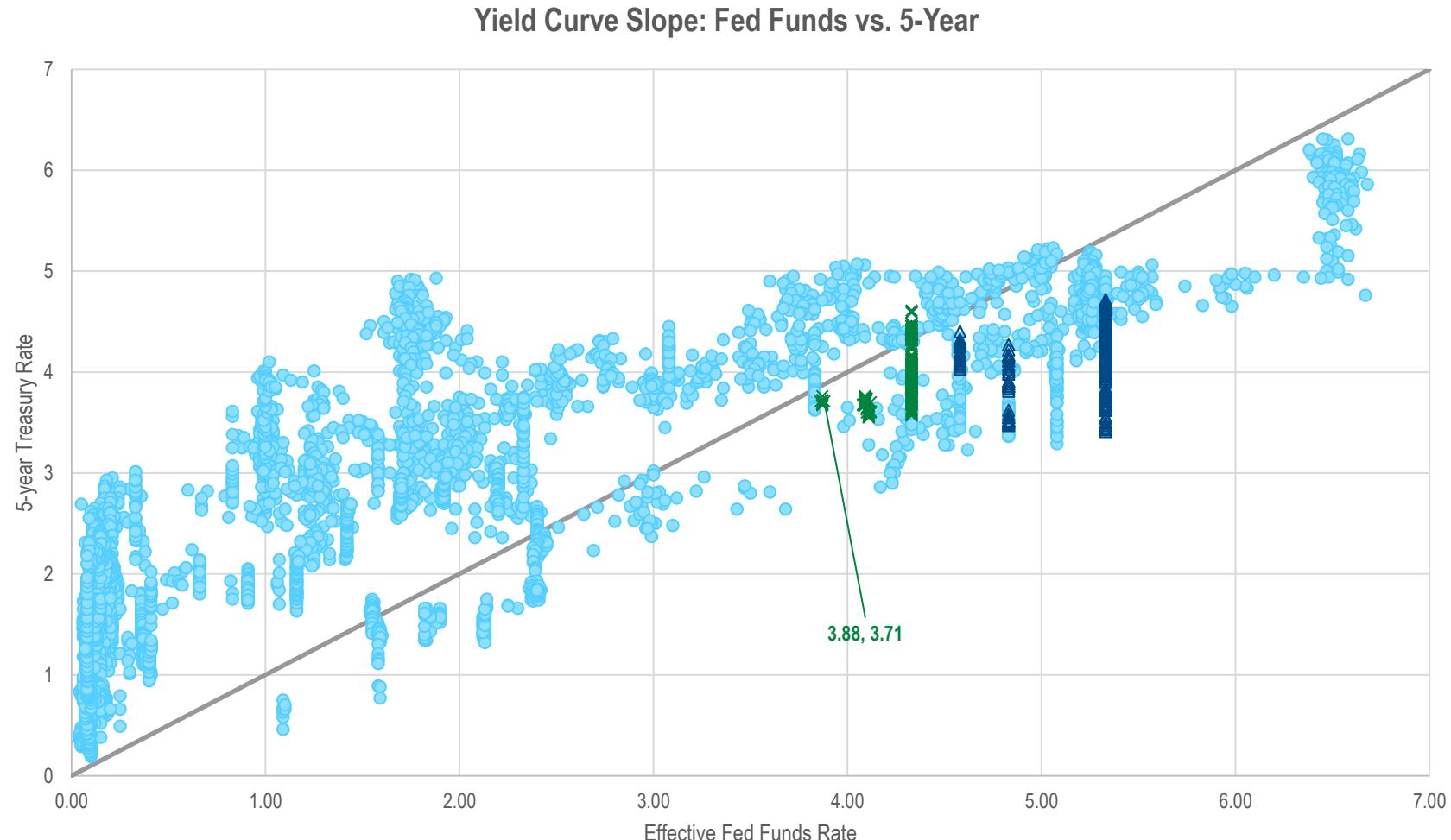
Despite Chair Powell's pushback against a December cut, market pricing still implies an expectation of more rate cuts in the coming years. The lowest yielding point of the Treasury curve is still about three years in the future.



Source: Treasury Department, FHLBank Boston

Yield Curve (Lack of) Steepness

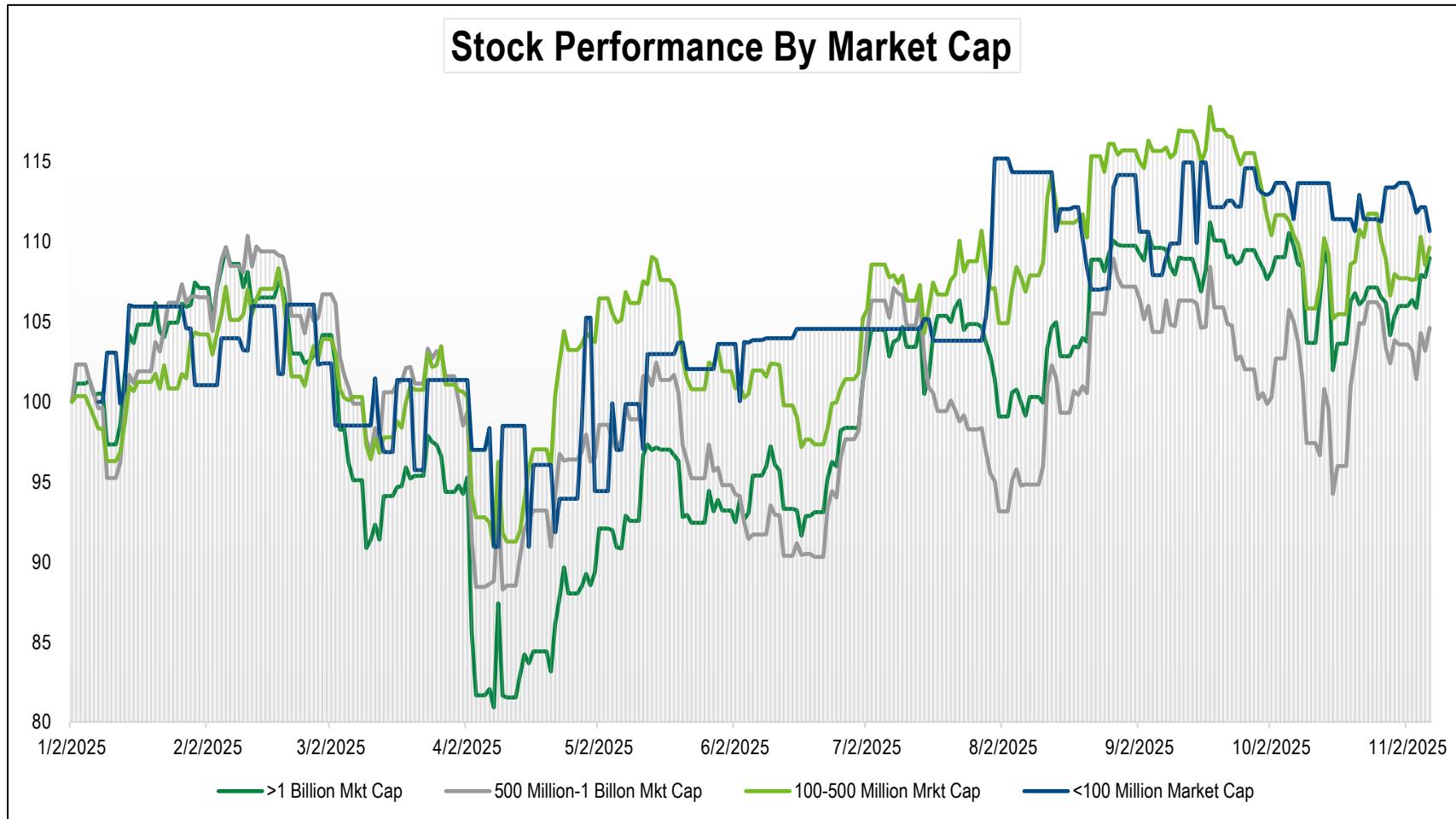
Intermediate tenors anticipating future cuts have not (yet) materially steepened the yield curve.



Source: Federal Reserve, Treasury Department, FHLBank Boston

Public Member Bank Stocks: Performance by Market Cap

Microcaps (under \$100M) and mid-small banks (\$100–500M) are up the most this year, large caps (over \$1B) were right behind while the \$500M–\$1B names trailed.



Peer Analysis & Call Report Trends

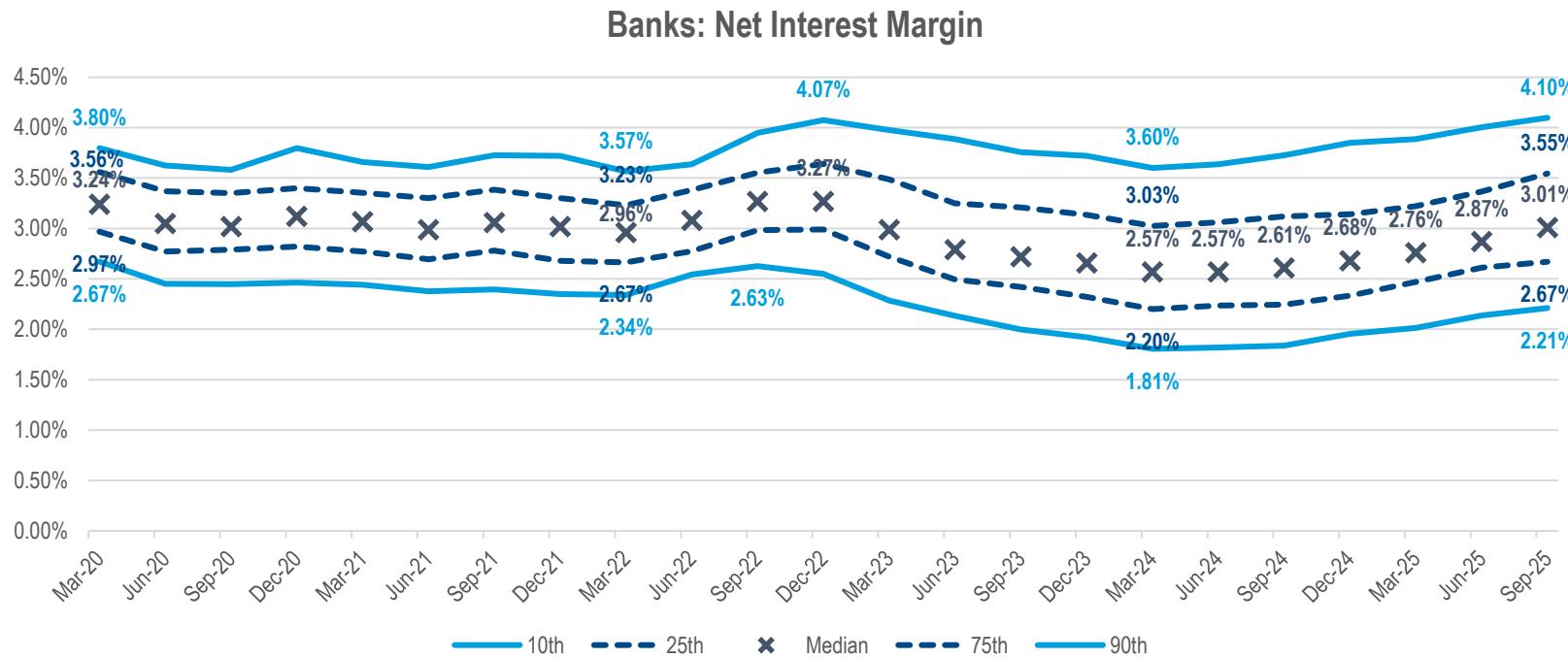


Peer Analysis & Call Report Trends

- Margin Drivers
- Deposit Pricing
- Interest-Rate Risk
- Credit Trends
- Growth, Earnings & Capital

Banks: Net Interest Margin

Margin lift continues for most, yet the volatility of the last few years has created a wider range of NIM exposures.

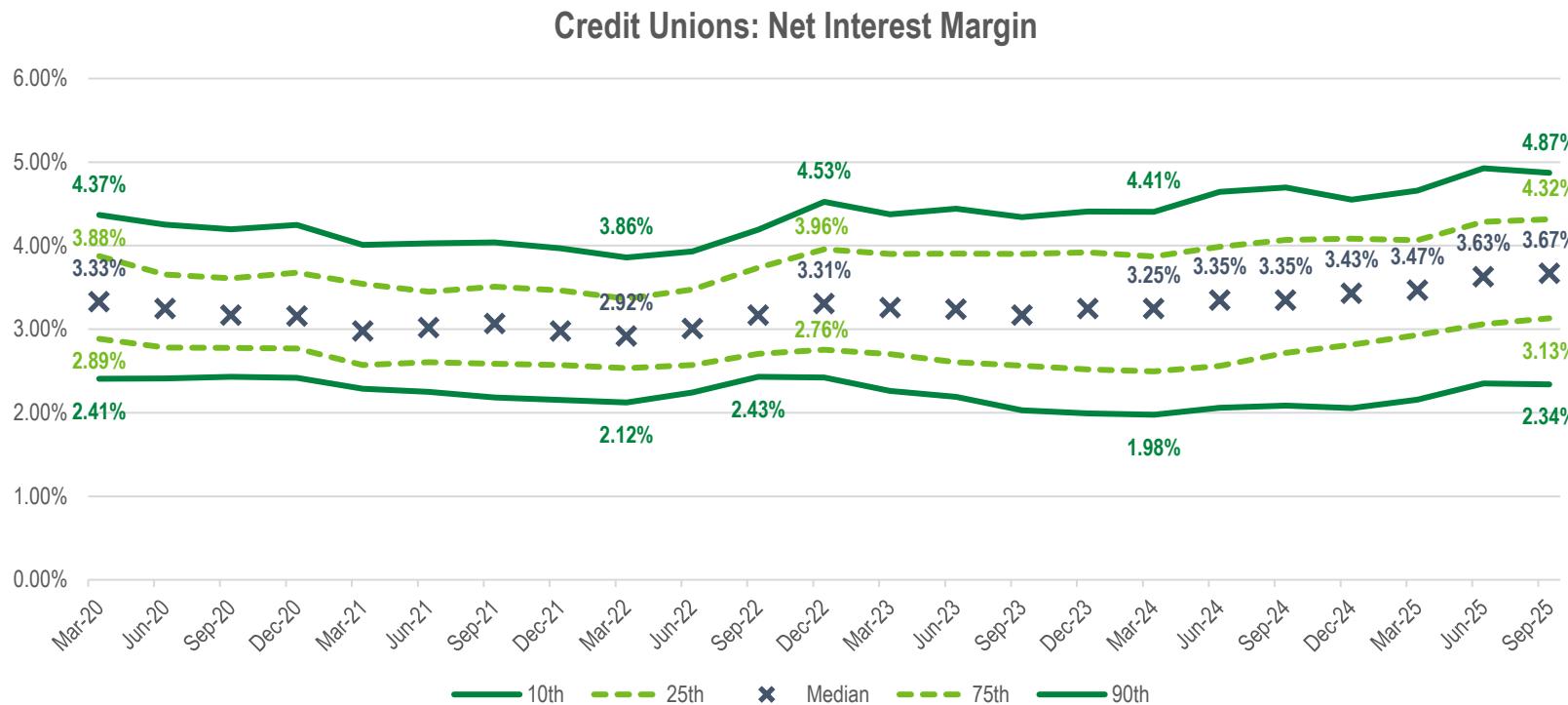


% of Members Who Increased Q/o/Q

Net Interest Margin	Interest Income/Assets	Interest Expense/Assets
86% (-7% vs. 6/30)	89% (-2%)	44% (+13%)

Credit Unions: Net Interest Margin

Modest NIM lift, as asset repricing is offset by a tapering of cost of funds improvements.

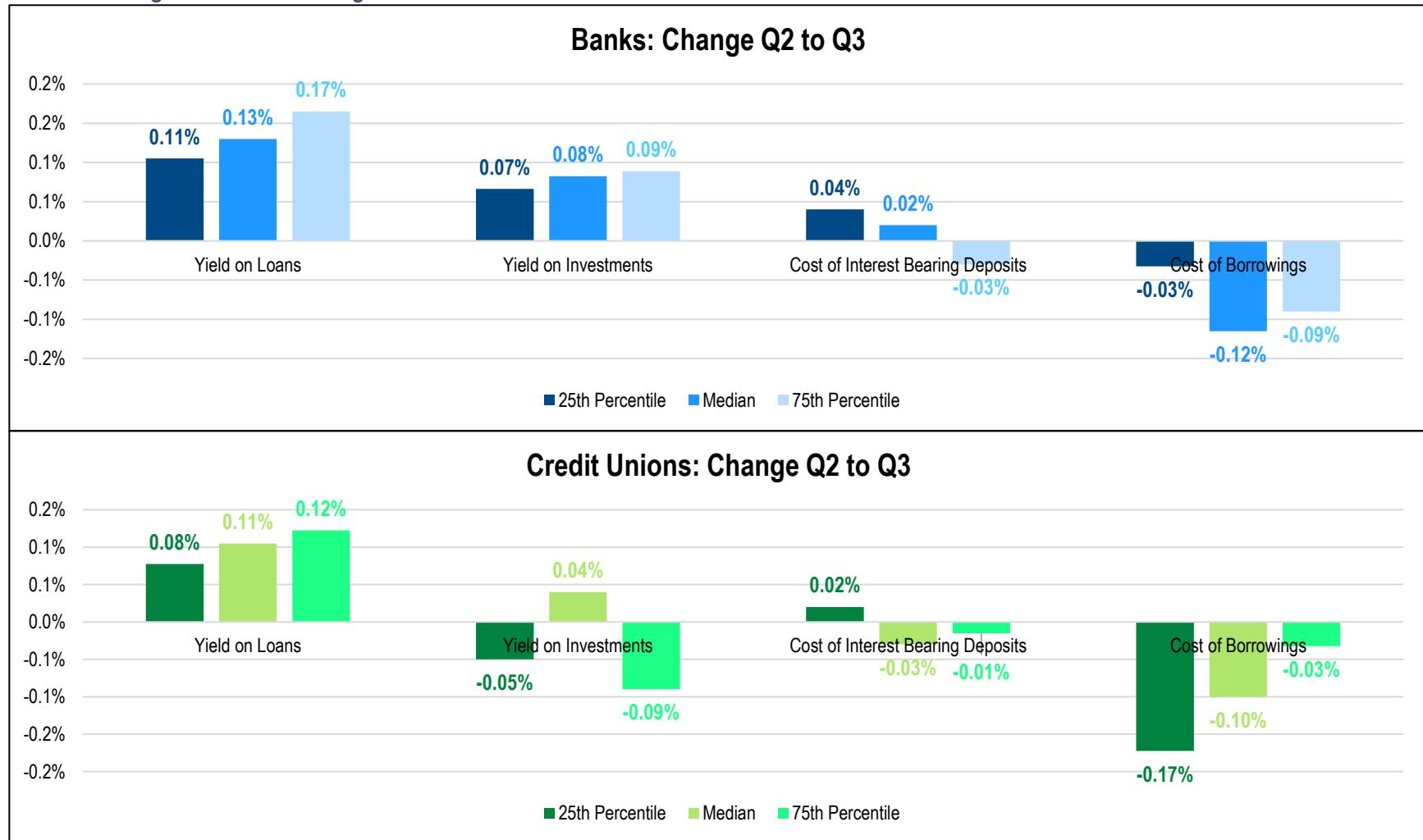


% of Members Who Increased Q/o/Q

Net Interest Margin	Interest Income/Assets	Interest Expense/Assets
77% (-16% vs. 6/30)	86% (-4%)	46% (+21%)

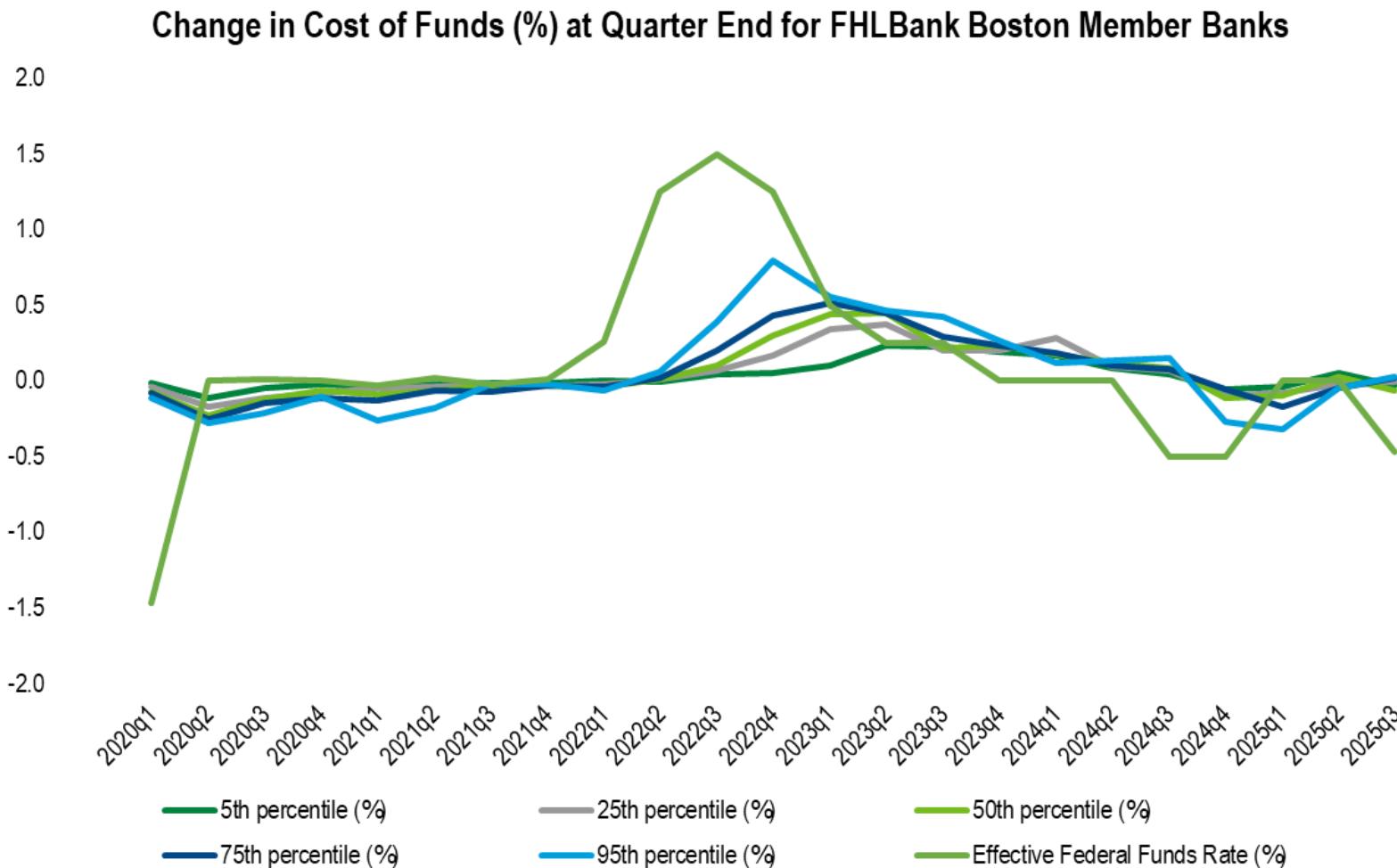
What's Driving NIM Change?

NIM is up mainly from higher loan yields and cheaper wholesale; deposit costs were mostly flat, with investments lifting banks but trimming credit union margins.



Deposit Pricing: It's the Rate of Change that Matters

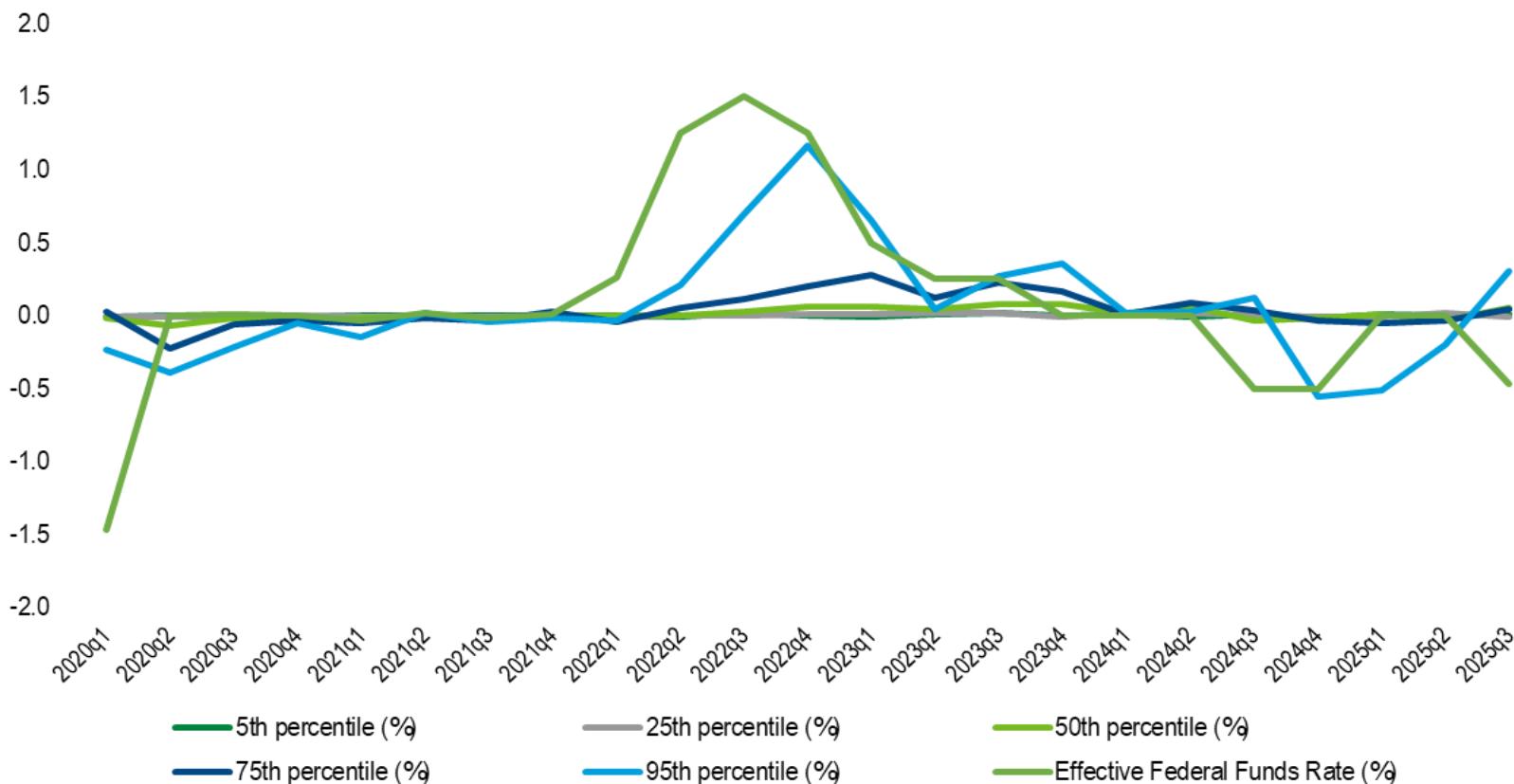
Deposits exhibit positive convexity. In the most recent cutting and hiking cycles, the rate of change is crucial for determining deposit betas. Technology may be exacerbating competition in deposit pricing, as money market yields are attractive.



Deposit Pricing: Transactional Accounts and Time Deposits

Although deposit betas to Fed funds are higher for time deposits than for interest-bearing transactional accounts, the magnitude of the change in interest rates matters for both, and the pass-through effect of recent fed cuts is limited for now.

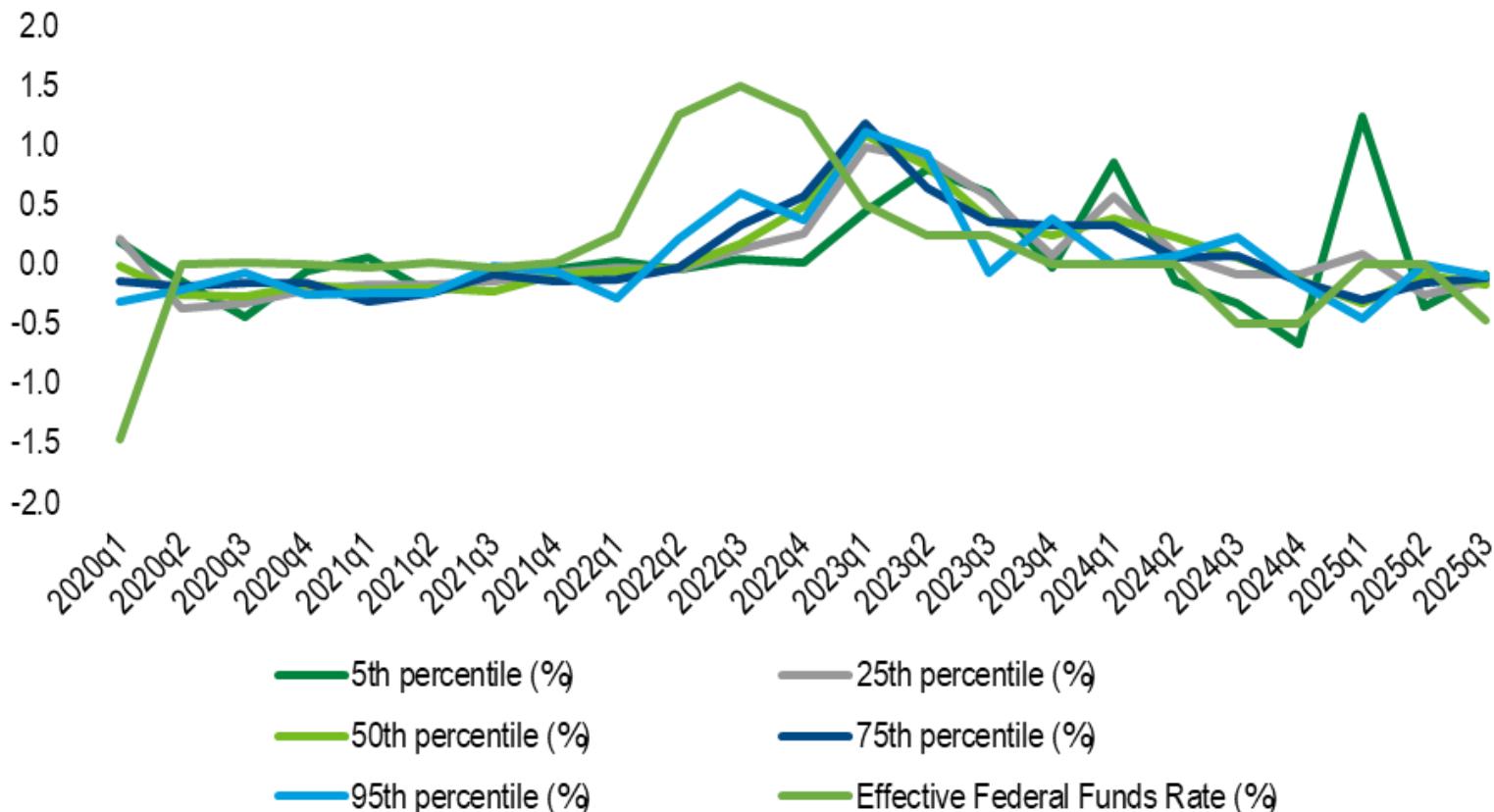
Change in Cost of Interest-Bearing Transaction Accounts (%) at Quarter End for FHLBank Boston Bank Members



Deposit Pricing: Transactional Accounts and Time Deposits

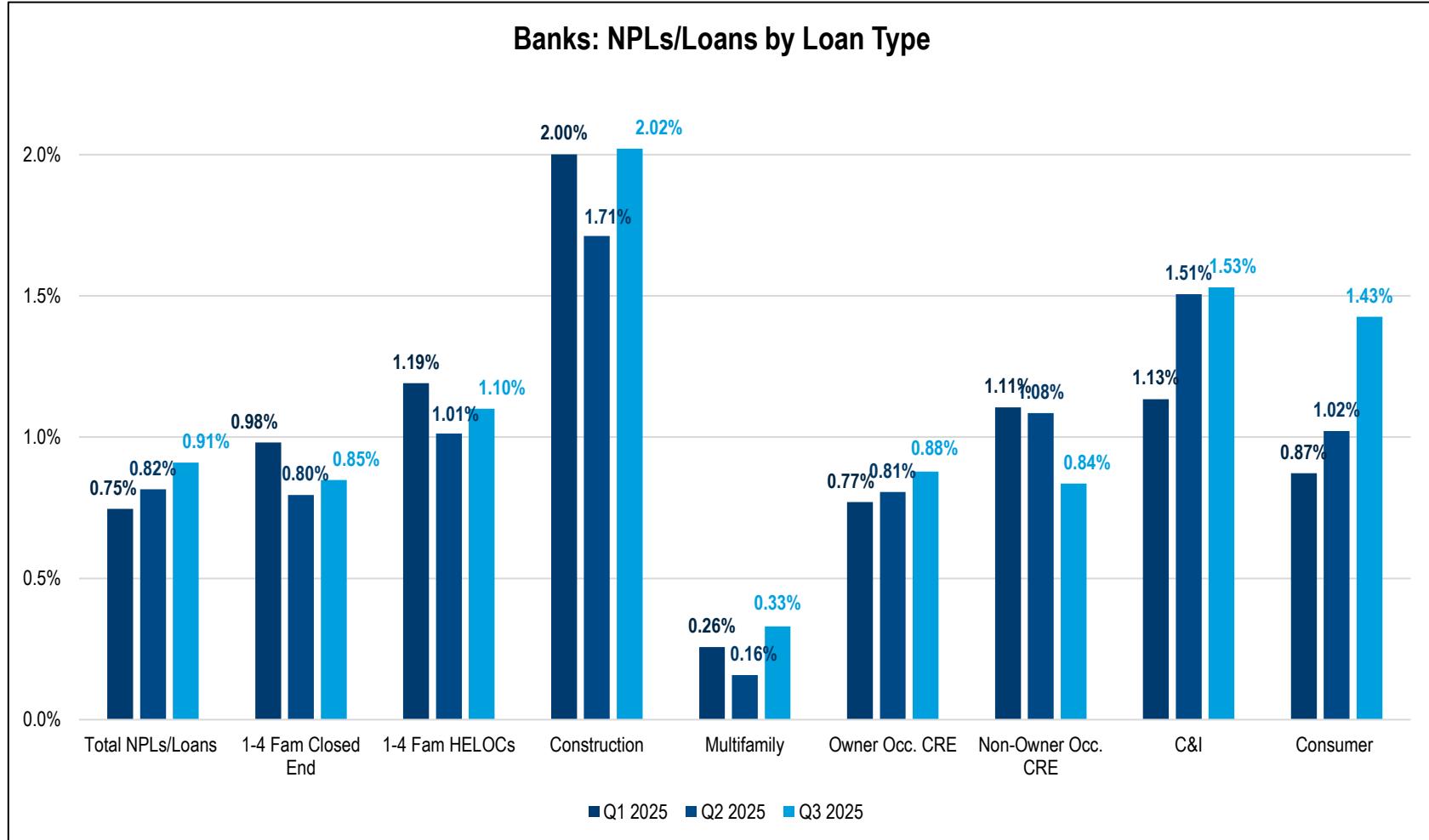
Although deposit betas to Fed funds are higher for time deposits than for interest-bearing transactional accounts, the magnitude of the change in interest rates matters for both, and the pass-through effect of recent fed cuts is limited for now.

Change in Cost of Time Deposits (>250K) (%) at Quarter End for FHLBank Boston Bank Members



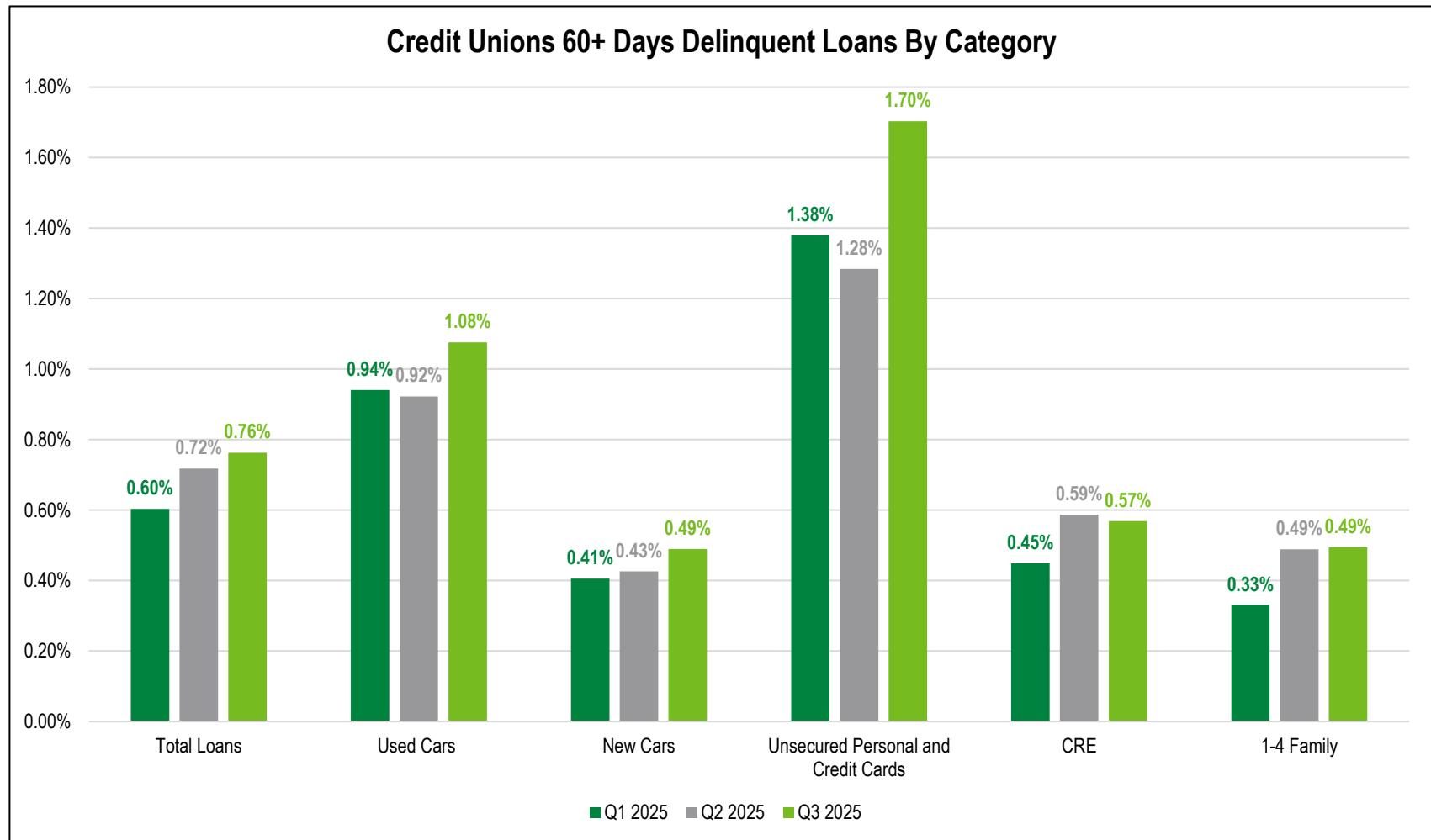
Banks: Credit Performance

There has been broad creep in NPLs; construction is rising again after a slight reprieve in Q2, and consumer continues to deteriorate. Non-owner-occupied CRE remains a relative bright spot.



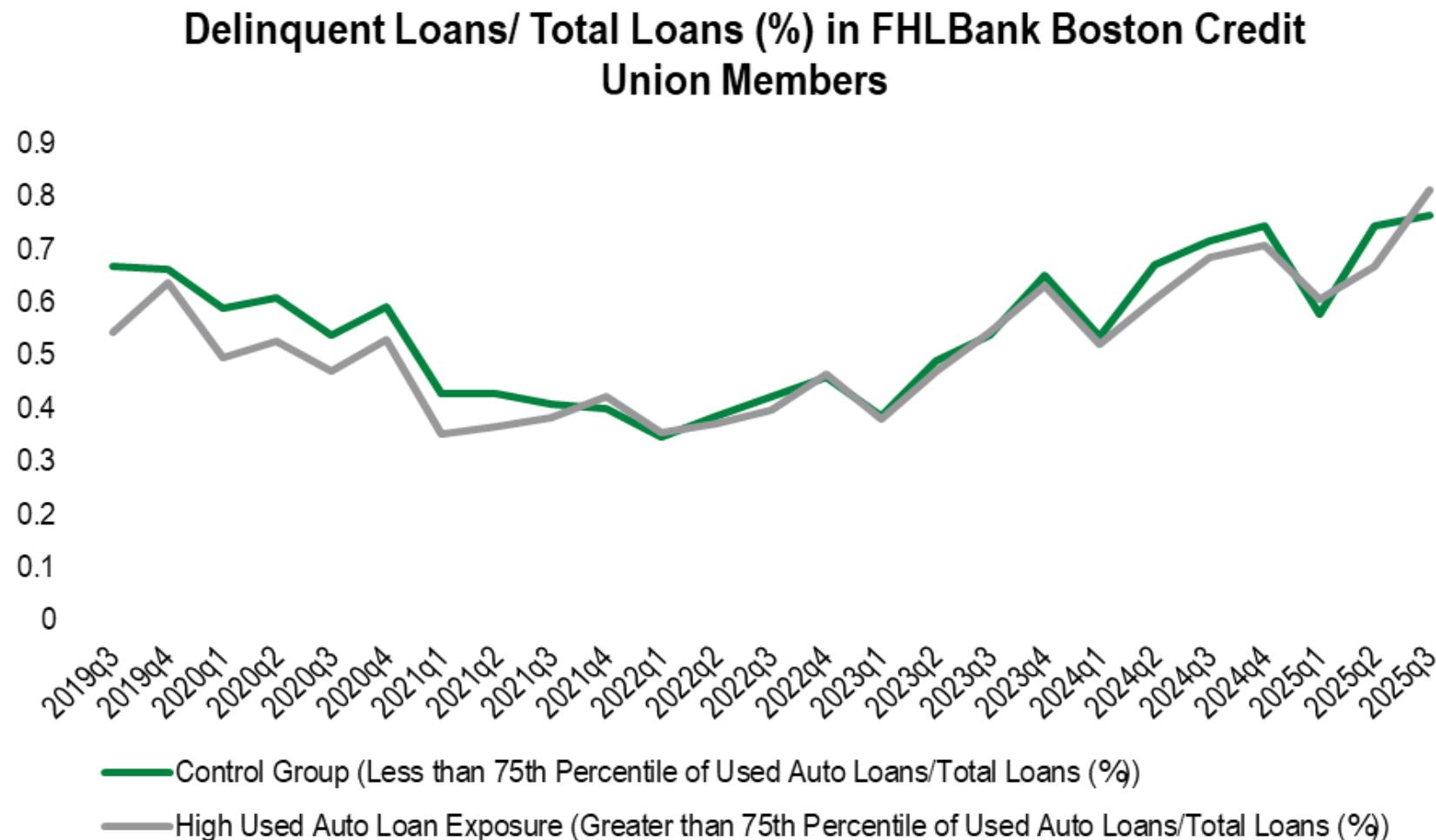
Credit Unions: Credit Performance

NPLs rising broadly, with personal and auto driving deterioration, residential flat, and CRE improving slightly.



Subprime Auto Loans Not Flashing Red for New England

The default of auto-loan originator, Tricolor Holdings, and its impact on affiliated banks generated media attention in September. However, it's not obvious that used auto loans are causing notable credit issues for members at this time.



Peer Reported IRR

The OCC Interest Rate Risk Statistics Fall 2025 Report all-bank group showed modest NII sensitivity but persistent downside risk in EVE.

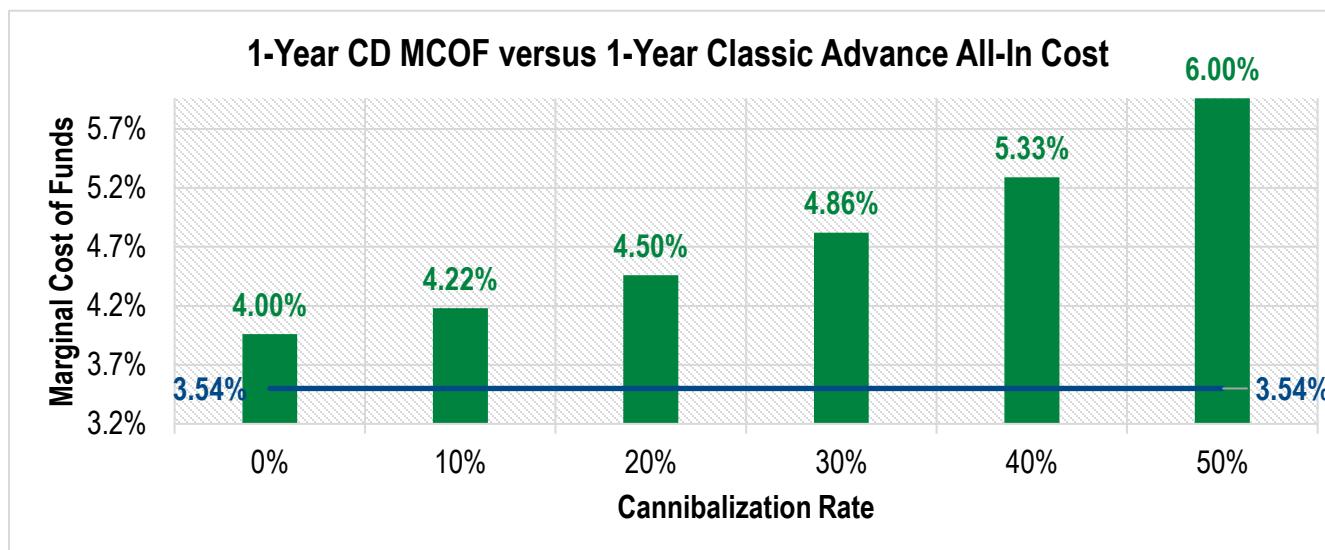
	12-Month NII Parallel Shocks				EVE Parallel Shocks		
	25th Percentile	Median	75th Percentile		25th Percentile	Median	75th Percentile
Down 200	-6%	-3%	2%		-6%	0%	8%
Down 100	-3%	-1%	1%		-3%	1%	6%
Up 100	-2%	1%	3%		-7%	-2%	1%
Up 200	-5%	1%	5%		-14%	-5%	1%
Up 300	-7%	0%	6%		-21%	-9%	1%
Up 400	-11%	0%	9%		-28%	-12%	0%

Source: Office of the Comptroller of the Currency, FHLBank Boston

Core Funding Expectations

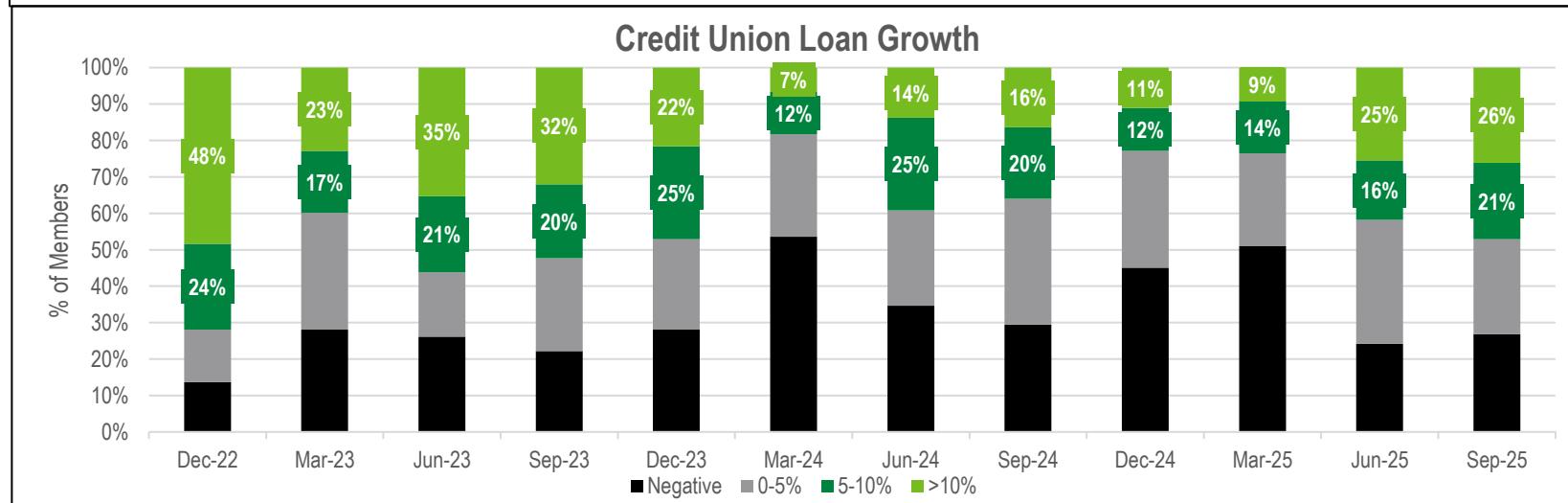
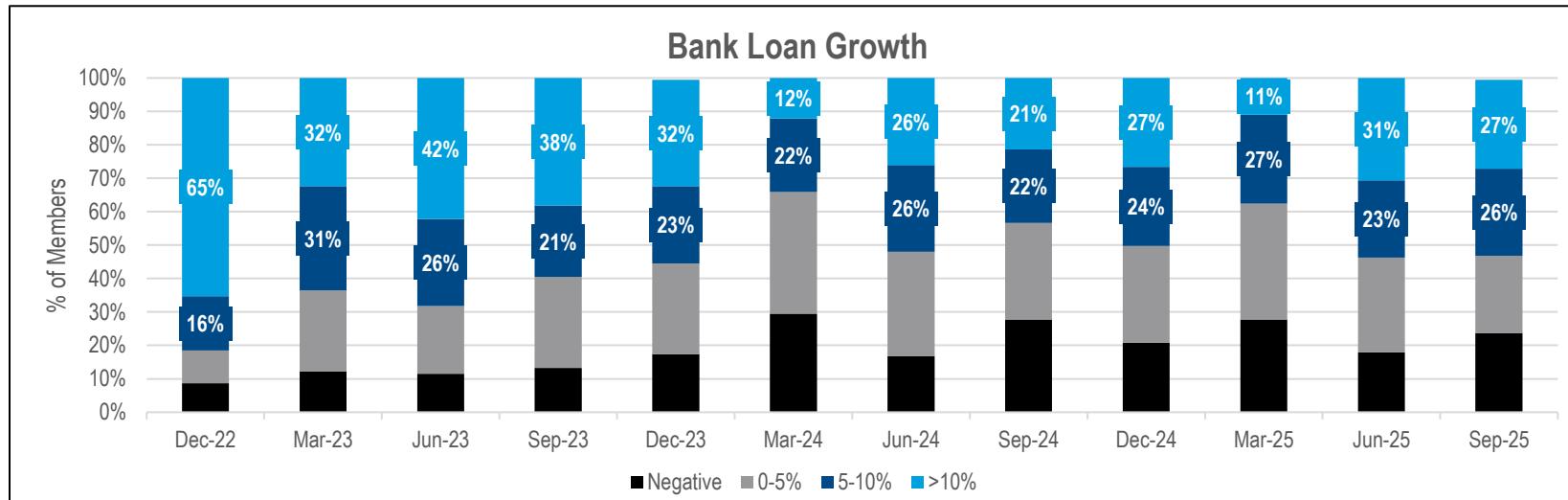
Core deposits are long lived, low-beta funding; promo CDs are short duration money that's often more expensive than an FHLBank Boston Advance.

Deposit type	Current rate	Beta +/- 100 bps	Average Life (years)	Implied Future Rate if -100 bps	Implied Future Rate if +100 bps
DDA	0.00%	0%	5	0.00%	0.00%
Savings	1.50%	15%	5	1.35%	1.65%
MMDA	2.50%	35%	3.85	2.15%	2.85%



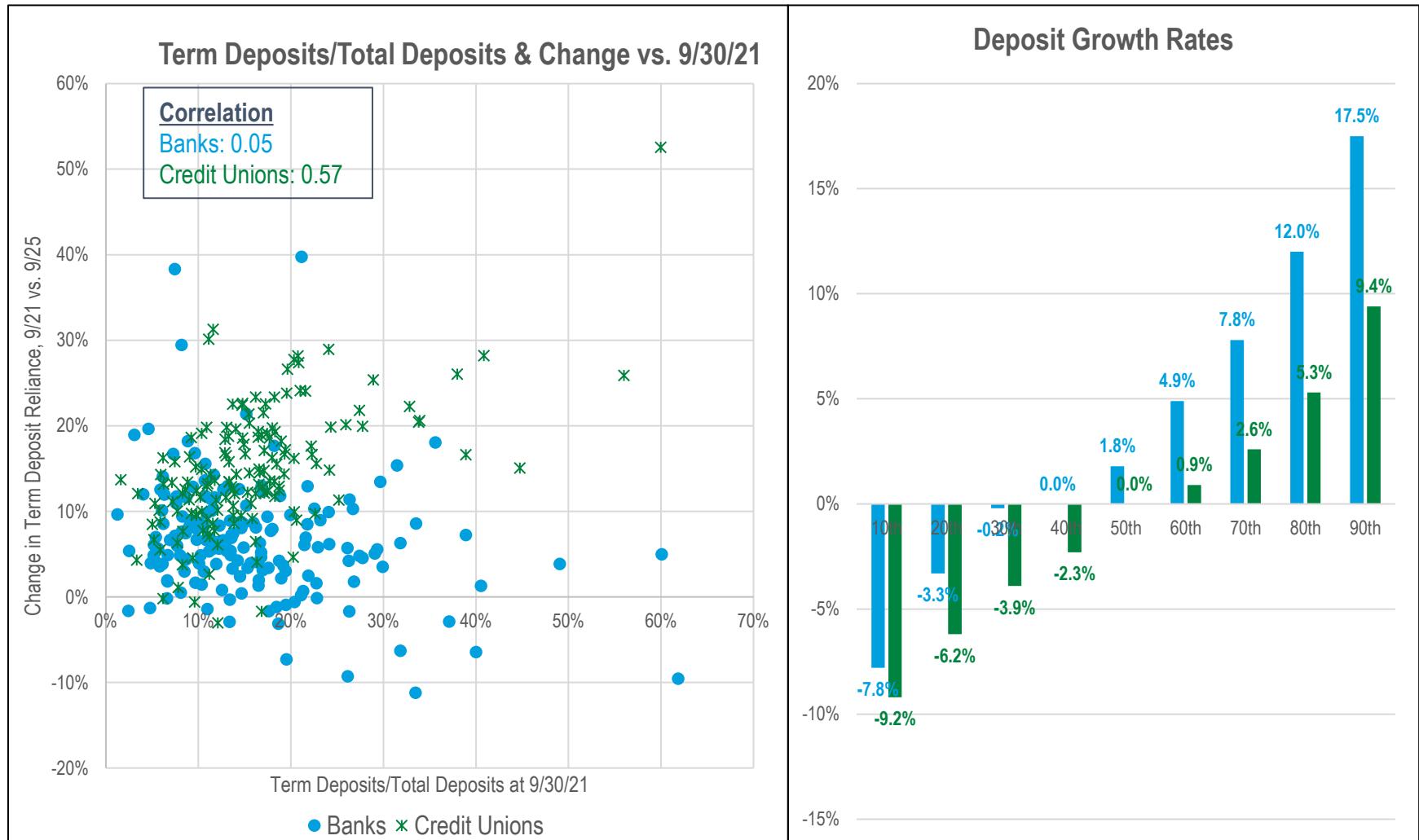
Growth: Loans Have Held Up

Despite falling rates and soft economic data, loan growth has been flat to improving.



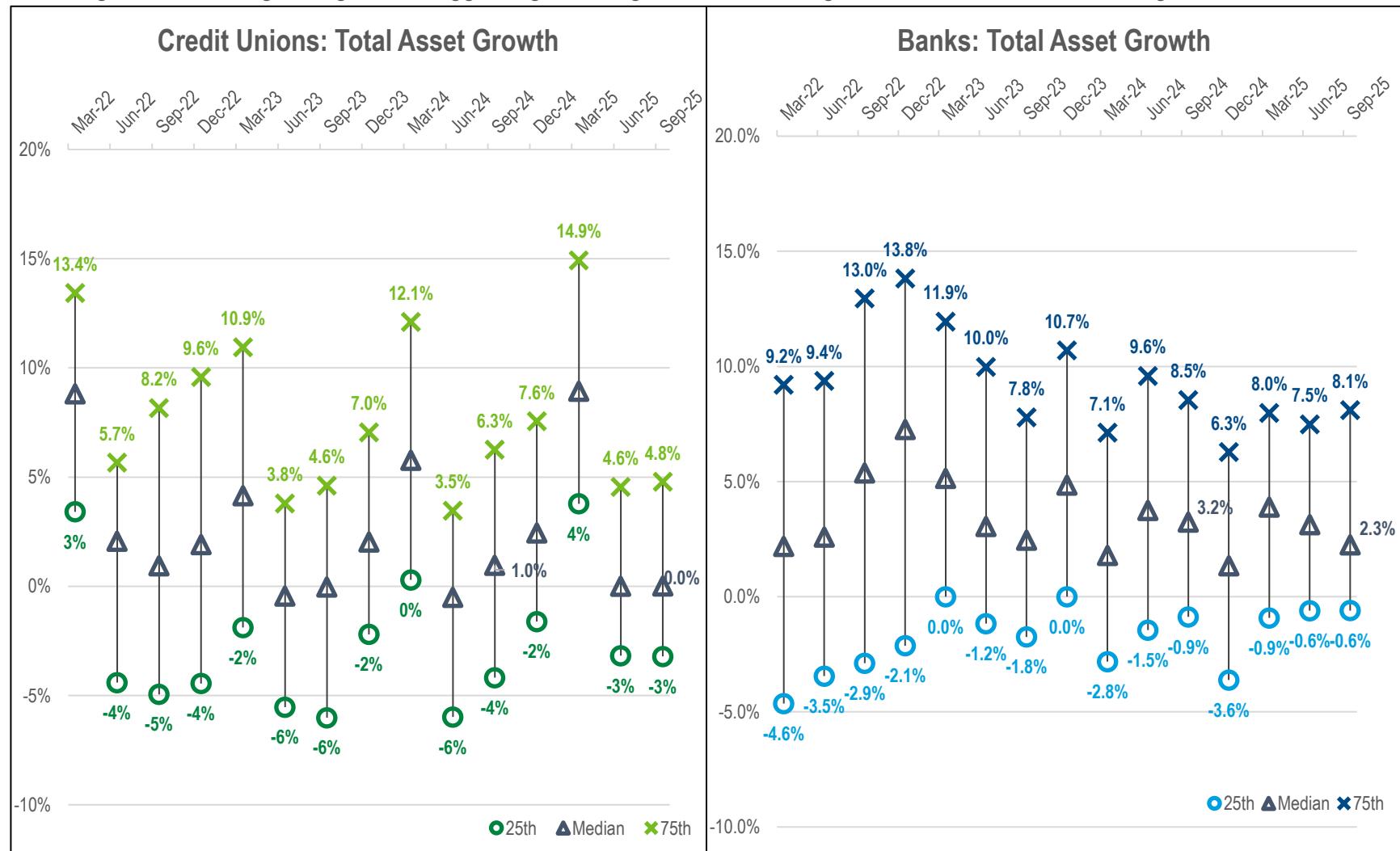
Growth: Deposits Still Hard to Come By

Top-line deposit growth remains under pressure, independent of composition and cost, which continues to pose challenges.



Growth: Total Assets Growing Modestly

Asset growth is trailing loan growth, suggesting remixing and restructuring of investments is accelerating.



Balance Sheet Strategies



Balance Sheet Strategies

- What's Keeping Depositories Up at Night?
- Deposit Pricing Approaches for a Cutting Cycle
- Investment Funding
- Mortgage Strategies

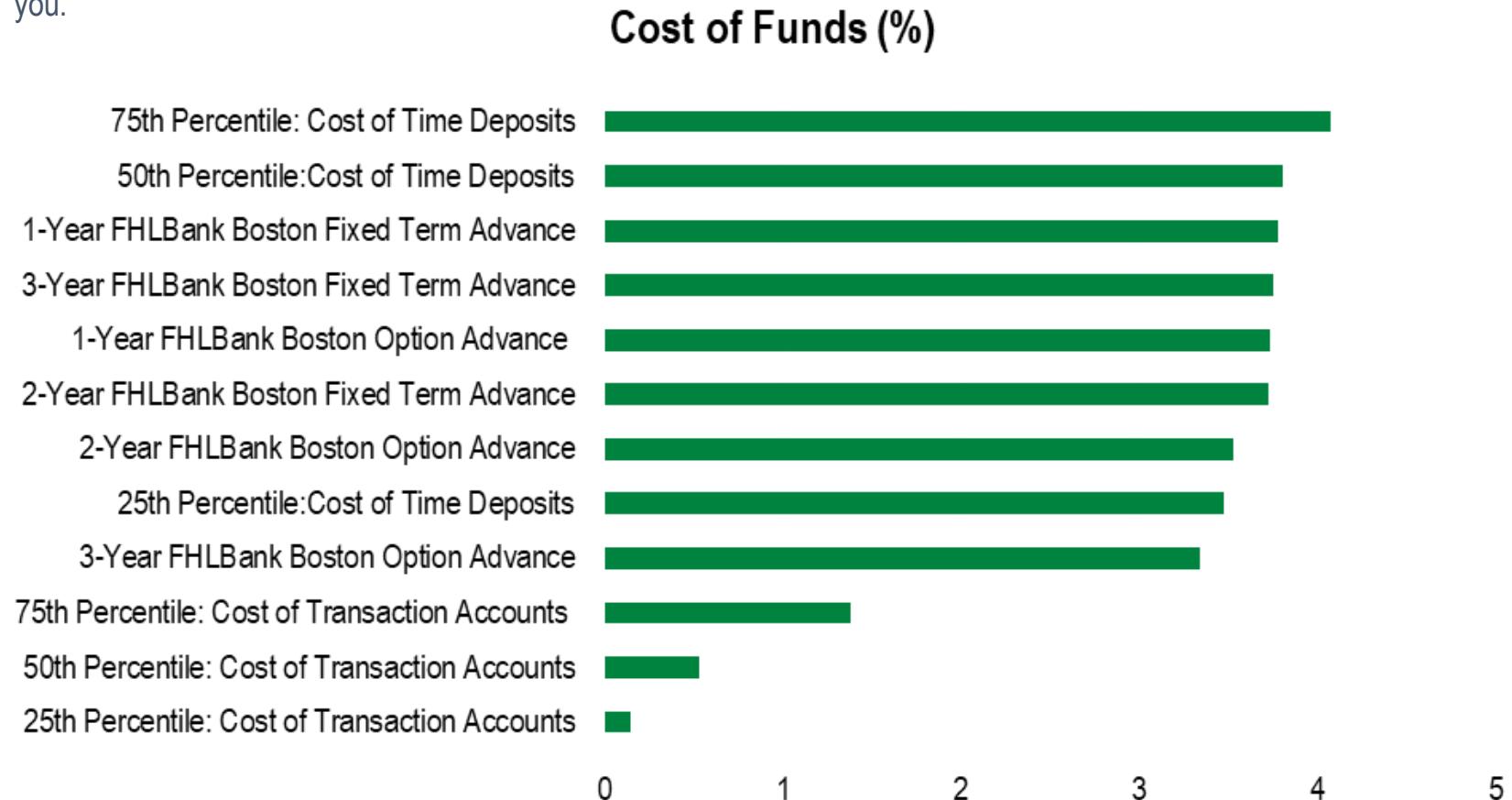
What's Keeping Depositories Up at Night?

What risks are present now, and what risks may emerge slowly or all at once?



Funding Costs – Can you Extend?

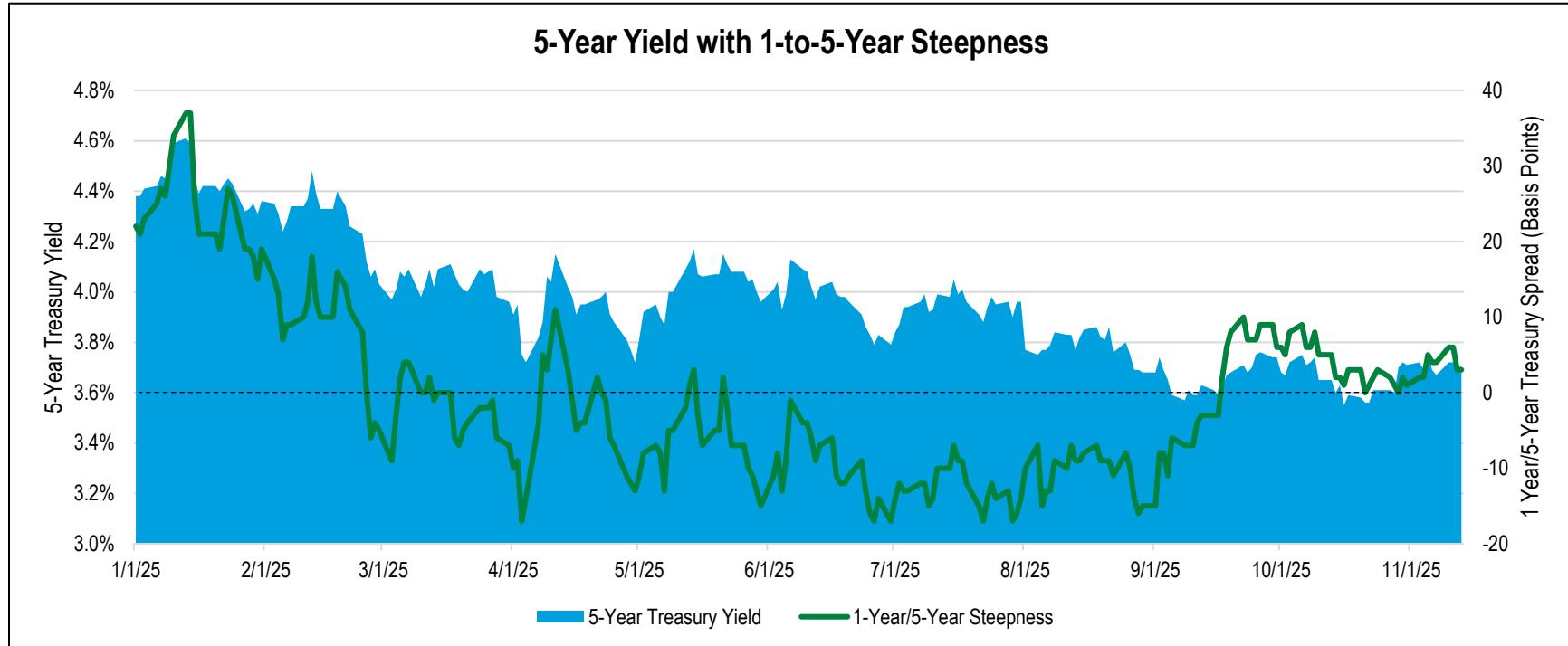
Incremental rate cuts are priced into the curve. Should a slow cutting cycle make passing those cuts to lower deposit rates difficult, it may be prudent to consider whether extending funding out the curve to its lowest yielding point makes sense for you.



*FHLBank Boston pricing as of 11.10. "Cost of Time Deposits" refers to the cost of time deposits less than 250K for FHLBank Boston members in Q3 of 2025. "Costs of Transaction Accounts" refers to the cost of interest-bearing transaction accounts for FHLBank Boston members in Q3 of 2025. All FHLBank Boston Option advances assume a 3-month no call period.

Investment Leverage: Extend Assets, Fund Short

The window of opportunity has reopened: with the 5-year/1-year slope back to positive, consider extending assets and utilizing funding that fits your liquidity needs, growth expectations, and rate view.



1-Month SOFR

- **Fits:** Ample liquidity + want rate cut exposure
- **Delivers:** Ride cuts; easy exit if funding not needed

6mo/3mo Callable SOFR

- **Fits:** Tighter liquidity + want rate cut exposure + uncertain growth
- **Delivers:** Ride cuts with longer liquidity; exit option after 3 months

1-Year Classic Advance

- **Fits:** Tighter liquidity; want priced in cuts
- **Delivers:** Fixed cost + term liquidity

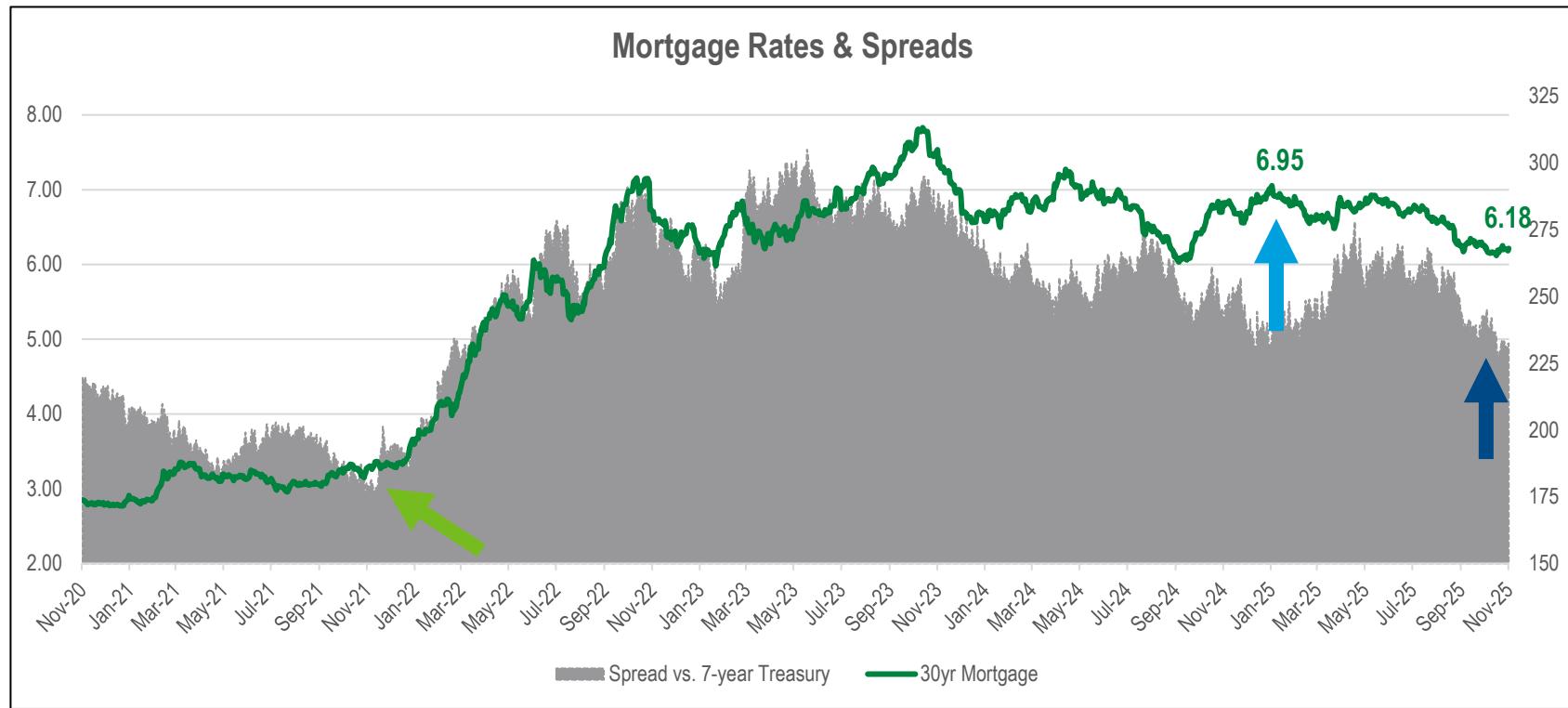
Forward-Starting Advance

- **Fits:** Don't need cash today; expect growth later
- **Delivers:** Lock rate now; funding starts when needed

Source: Treasury, FHLBank Boston

Mortgage Strategies

Spread tightening has allowed mortgages to outperform Treasurys as rates rallied.



6-12 WALA Loans	2020-21 Loans Retained on Balance Sheet	New Production
Higher potential gain on sale vs. new production	<ul style="list-style-type: none"> - Sell seasoned low coupons at narrow spreads? - Loss amounts have dissipated, more capacity to reposition for IRR/liquidity/capital 	<ul style="list-style-type: none"> -Fund short (SOFR+17) -Ladder to capture rate cut expectations -Long putables (10yr/3mo @ 2.99%)

Source: Optimal Blue, Federal Reserve, FHLBank Boston

Looking Ahead

Proactive Regulatory Defense

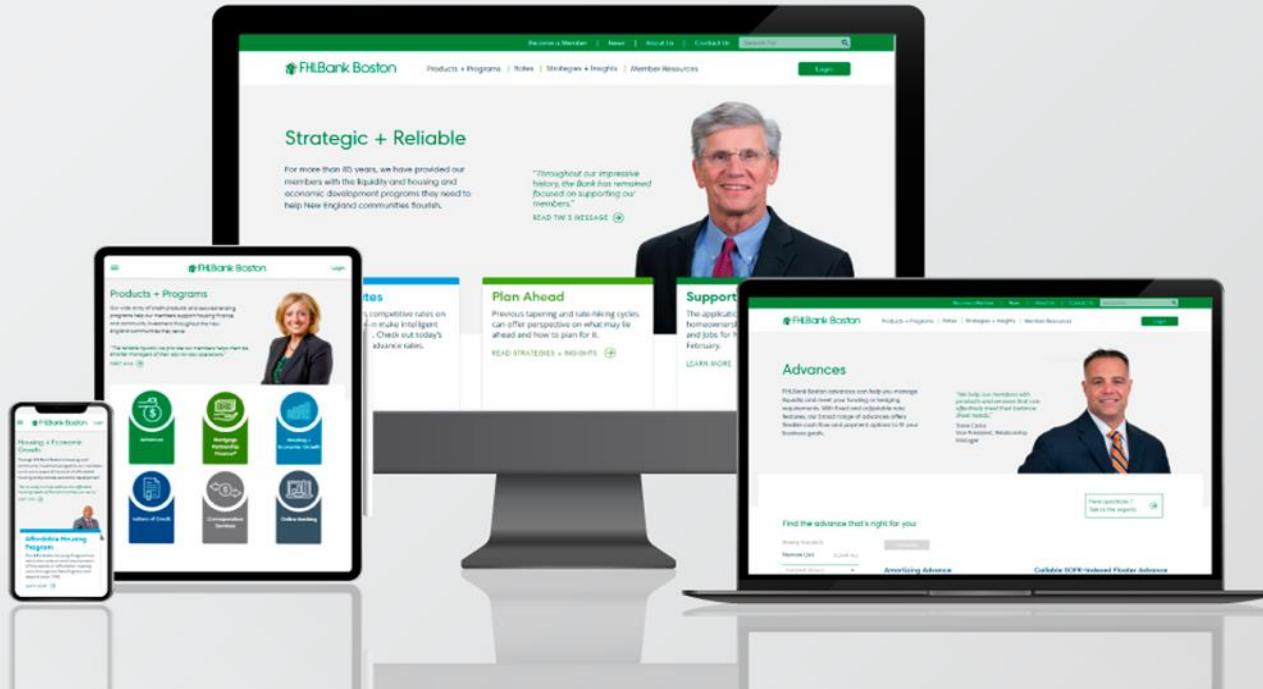
- Test your borrowing line if you haven't already done so this year

Webinar: Prepare for 2026 with Darling Consulting Group

- Tuesday, December 3rd at 11am- invite coming soon

What Would You Like to See From Us?

- New strategic content, analytical resources, and more coming in 2026



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Thank You



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