

Peer Analysis and Balance Sheet Strategies Update



May 19, 2026

Cautionary Statements Regarding Forward-Looking Statements & Disclaimer

Forward-looking statements: This presentation, including any preliminary and unaudited financial highlights herein, uses forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 and is based on our expectations as of the date hereof. All statements other than statements of historical fact are "forward-looking statements," including any statements of the plans, strategies, and objectives for future operations; any statement of belief; and any statements of assumptions underlying any of the foregoing. The words "expects", "to be", "if", "continue", "unlikely", and similar statements and their negative forms may be used in this presentation to identify some, but not all, of such forward-looking statements. The Bank cautions that, by their nature, forward-looking statements involve risks and uncertainties, including, but not limited to, the uncertainty relating to the timing and extent of FOMC market actions and communications (including effects on, among other things, demands for deposits); economic conditions; and changes in interest rates and indices that could affect the value or performance of financial instruments. In addition, the Bank reserves the right to change its plans for any programs for any reason, including but not limited to legislative or regulatory changes, changes in membership, or changes at the discretion of the board of directors. Accordingly, the Bank cautions that actual results could differ materially from those expressed or implied in these forward-looking statements or could impact the extent to which a particular objective, projection, estimate, or prediction is realized, and you are cautioned not to place undue reliance on such statements. The Bank does not undertake to update any forward-looking statement herein or that may be made from time to time on behalf of the Bank.

Disclaimer: The data, material, and information provided in this presentation ("Content") does not, and is not intended to, constitute legal, accounting, consulting, or other professional advice. The Content is for general informational purposes only, may not constitute the most up-to-date legal, accounting, or other information, and may become stale. Some Content is unaudited. The Content does not necessarily represent the views of the Bank or its management, and should not be construed as indicating the Bank's business prospects or expected results. Content identified herein with a third-party source is provided without any independent verification by the Bank, the Bank does not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content, and the Bank expressly disclaims any responsibility for providing any additional information that might be necessary to make the Content not misleading. Accordingly, you are cautioned against placing any undue reliance on the Content. You should consult with your accountants, counsel, financial representatives, consultants, or other advisors regarding the extent the Content may be useful to you and with respect to any legal, tax, business or financial matters. In no event shall the Bank be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content. Reproduction of any Content, in any form, is prohibited except with the Bank's prior written consent.

Presenters



Andrew Paolillo

Vice President, Director of Member Lending & Strategies



Tyler Buckeridge

Sales & Strategies Specialist

Overview

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

Just When We Thought We Were Out...

Just when we thought we were out of “higher-for-longer,” inflation, a divided Fed, and a moving yield curve pulled balance-sheet strategy back into focus.



Markets & Economy Update

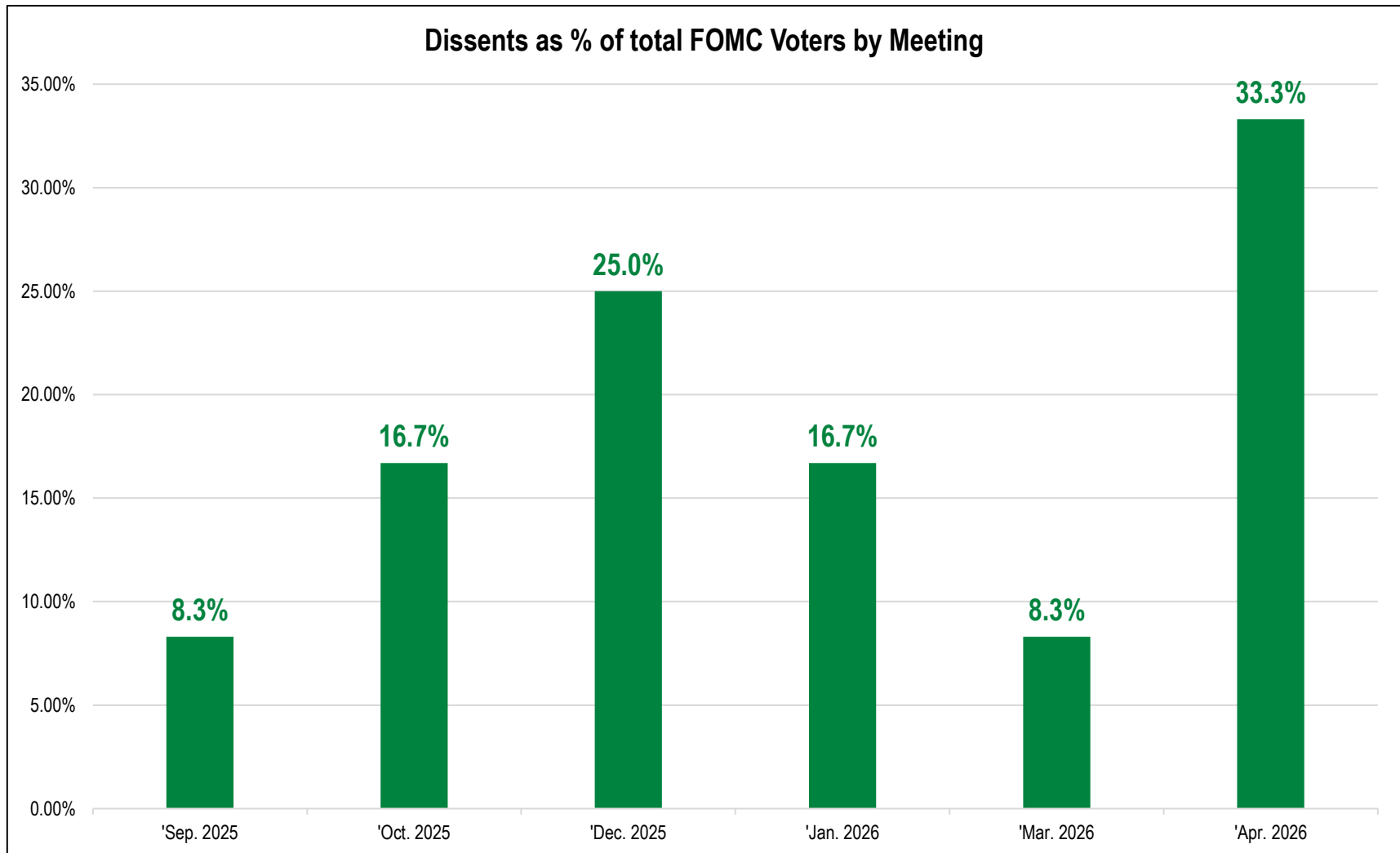


Markets & Economy Update

- FOMC Watching
- Yield Curve Shape & Level
- All Eyes on Inflation
- Labor Markets
- Stablecoin & Branches

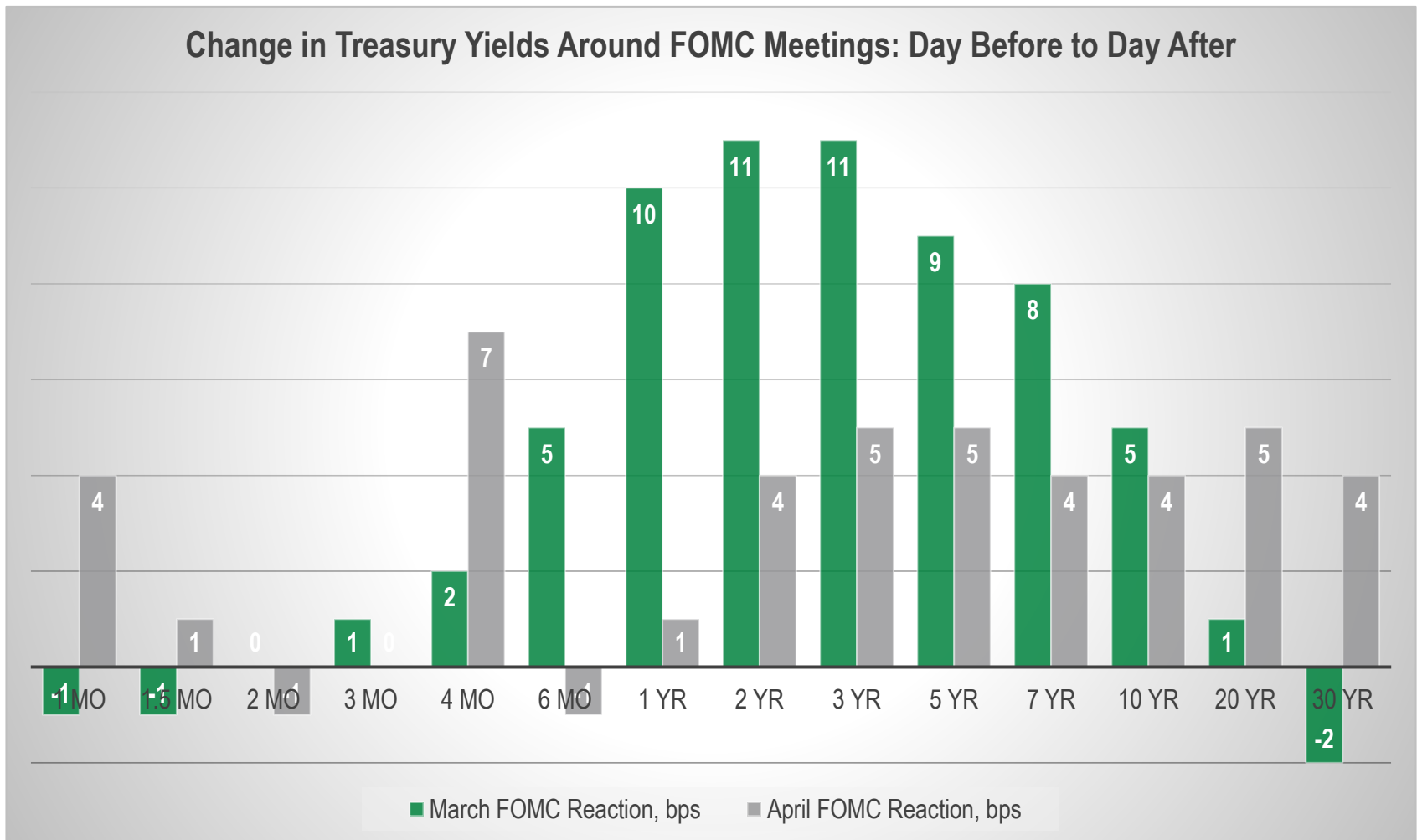
April FOMC: More Dissent, Less Consensus

Four dissents at the April meeting highlighted disagreement not just on rates, but on the Fed's forward-looking policy bias.



Treasury Yield Curve

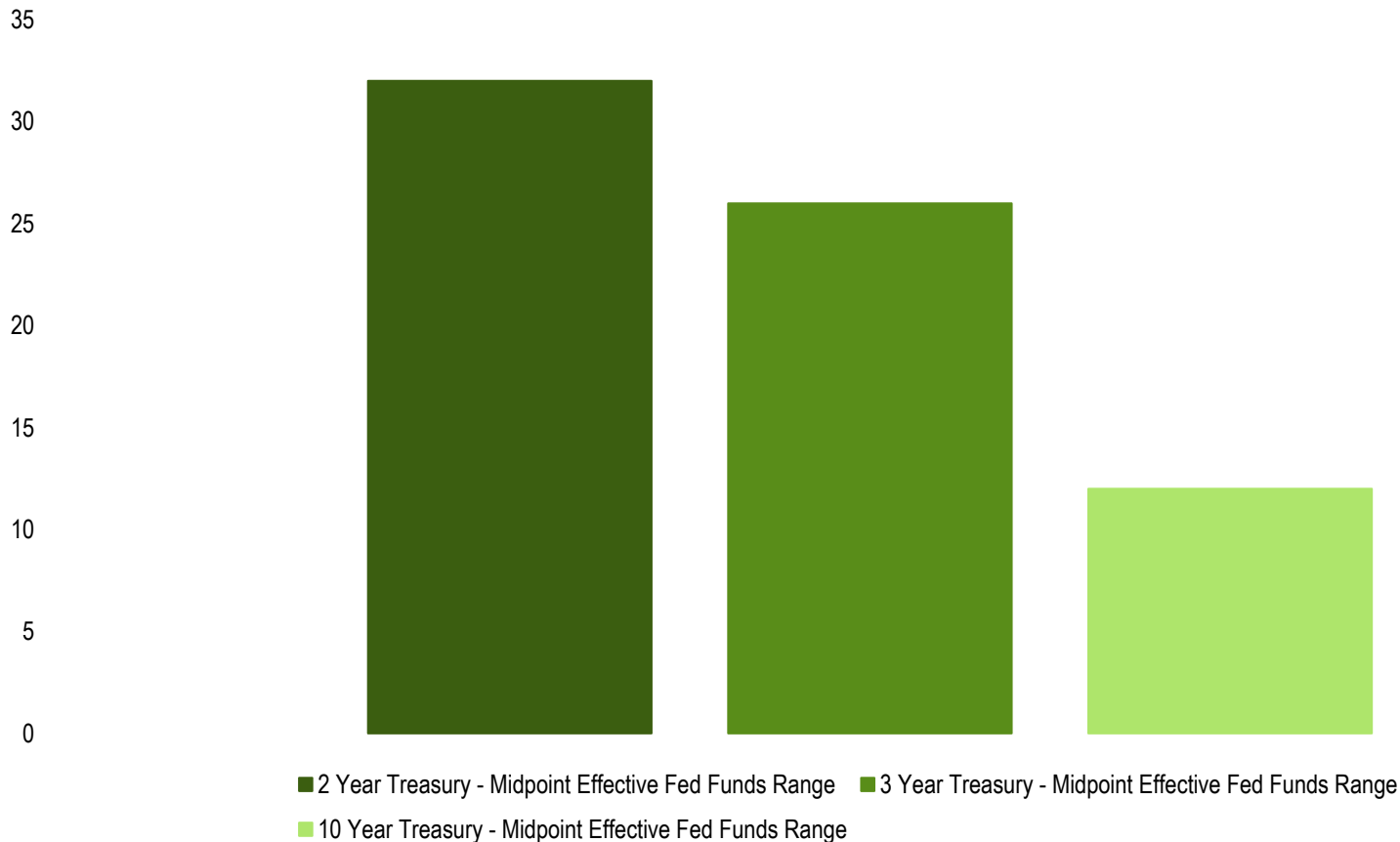
Day-before to day-after FOMC reaction windows show the front end stayed anchored, while the belly of the curve repriced higher.



Front-End Yield Curve Steepness

Over the first quarter of 2026, interest rates increased across the curve, but the move was particularly pronounced at the front-end of the curve as the market priced out cuts in the effective fed funds range.

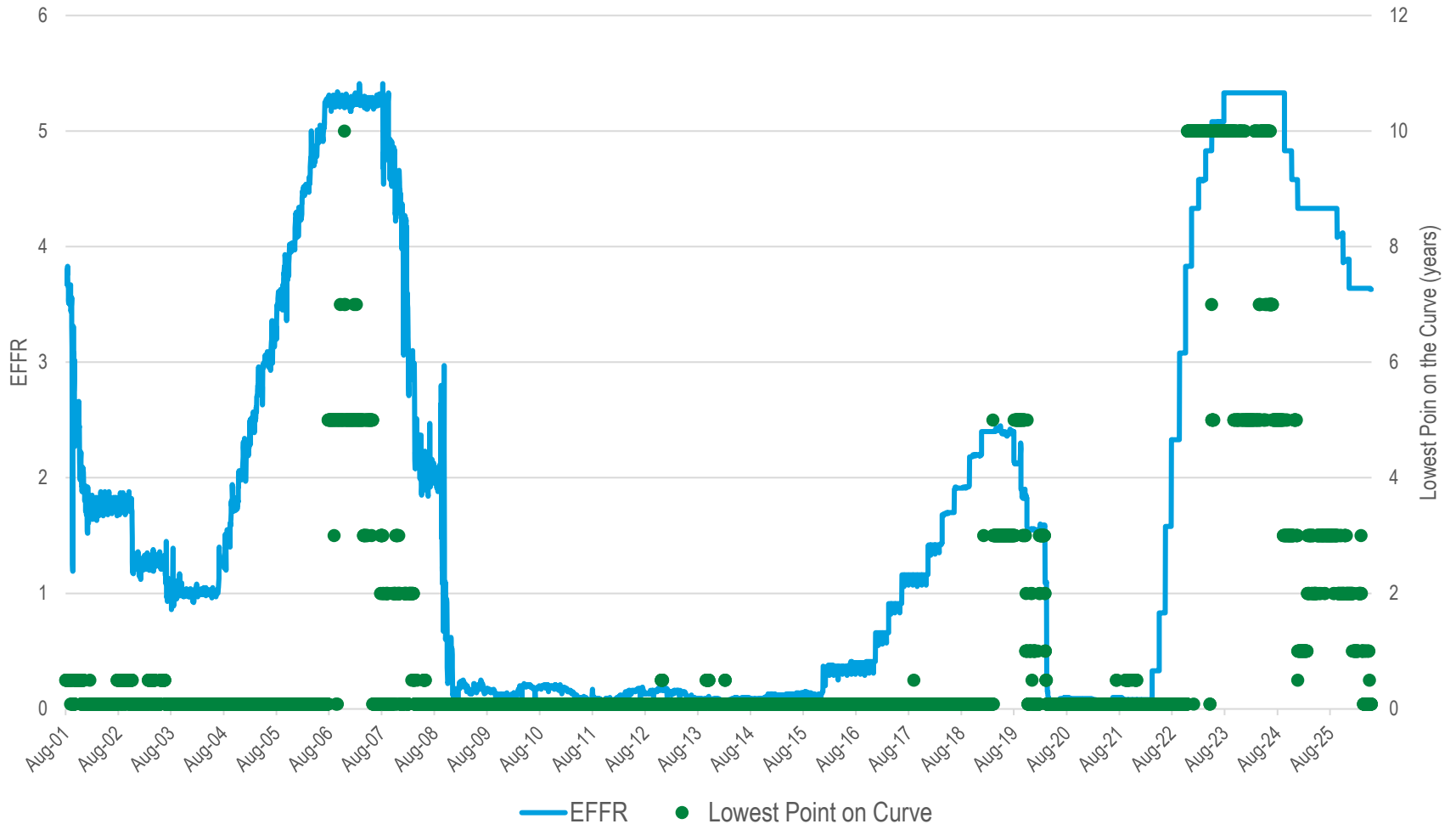
Change in Yield Curve Steepness Over Q1 2026 (bps)



Yield Curve Slope is Back

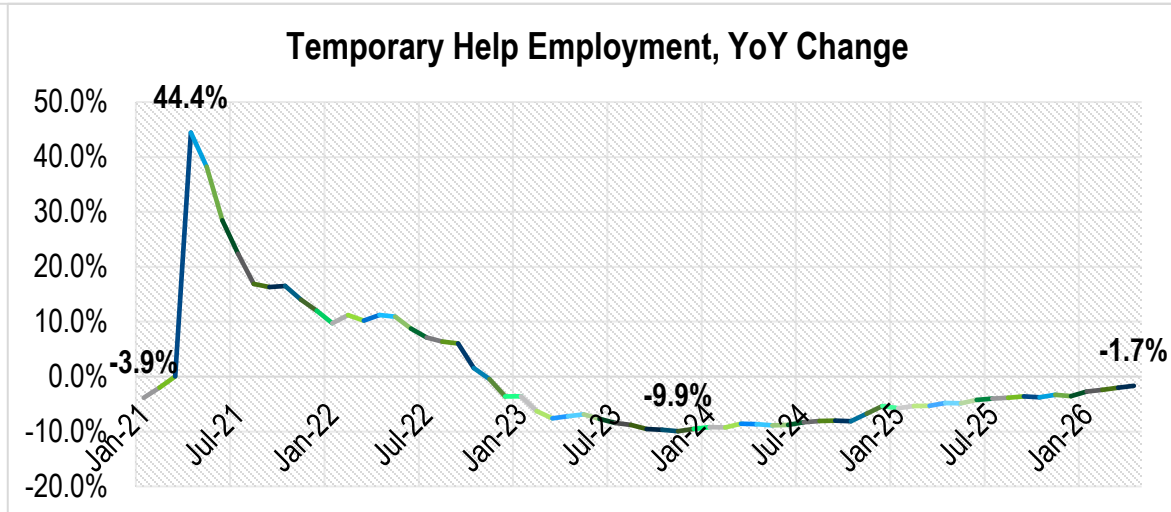
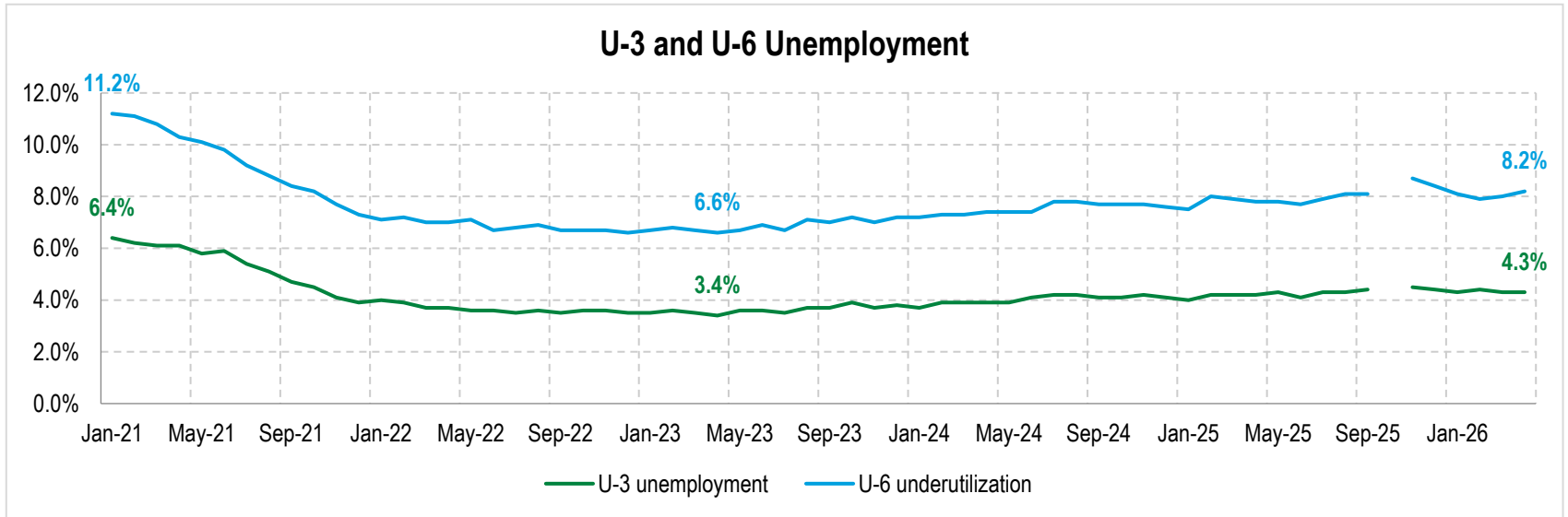
In recent history, rates have been much lower when the very front end has been the cheapest section of the yield curve.

EFFR & Lowest Point on the Treasury Curve



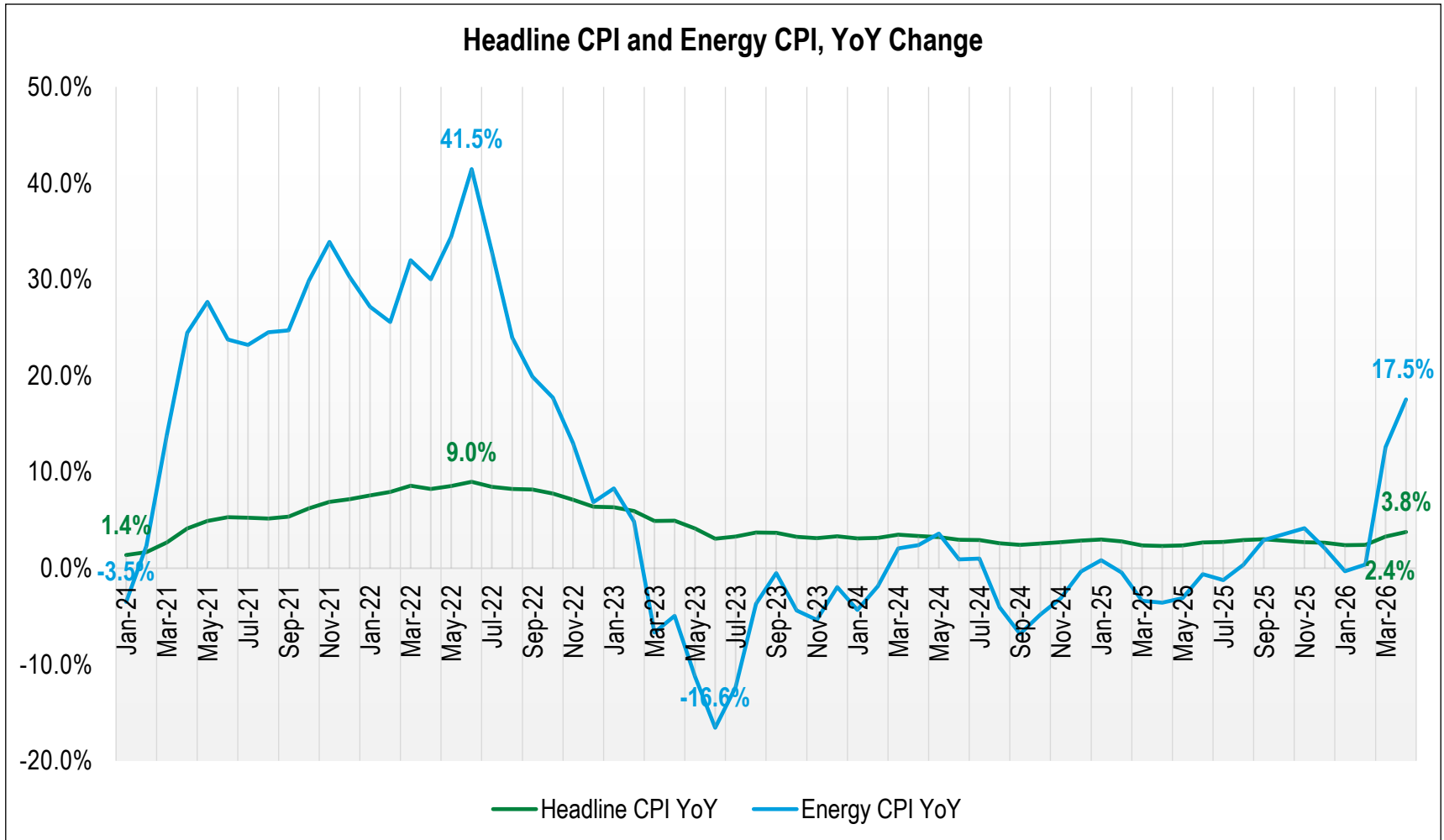
Labor Market: Softer Edges, Not a Clear Break

U-3 and U-6 remain relatively contained, but temporary help employment can flag cooling demand before headline unemployment moves.



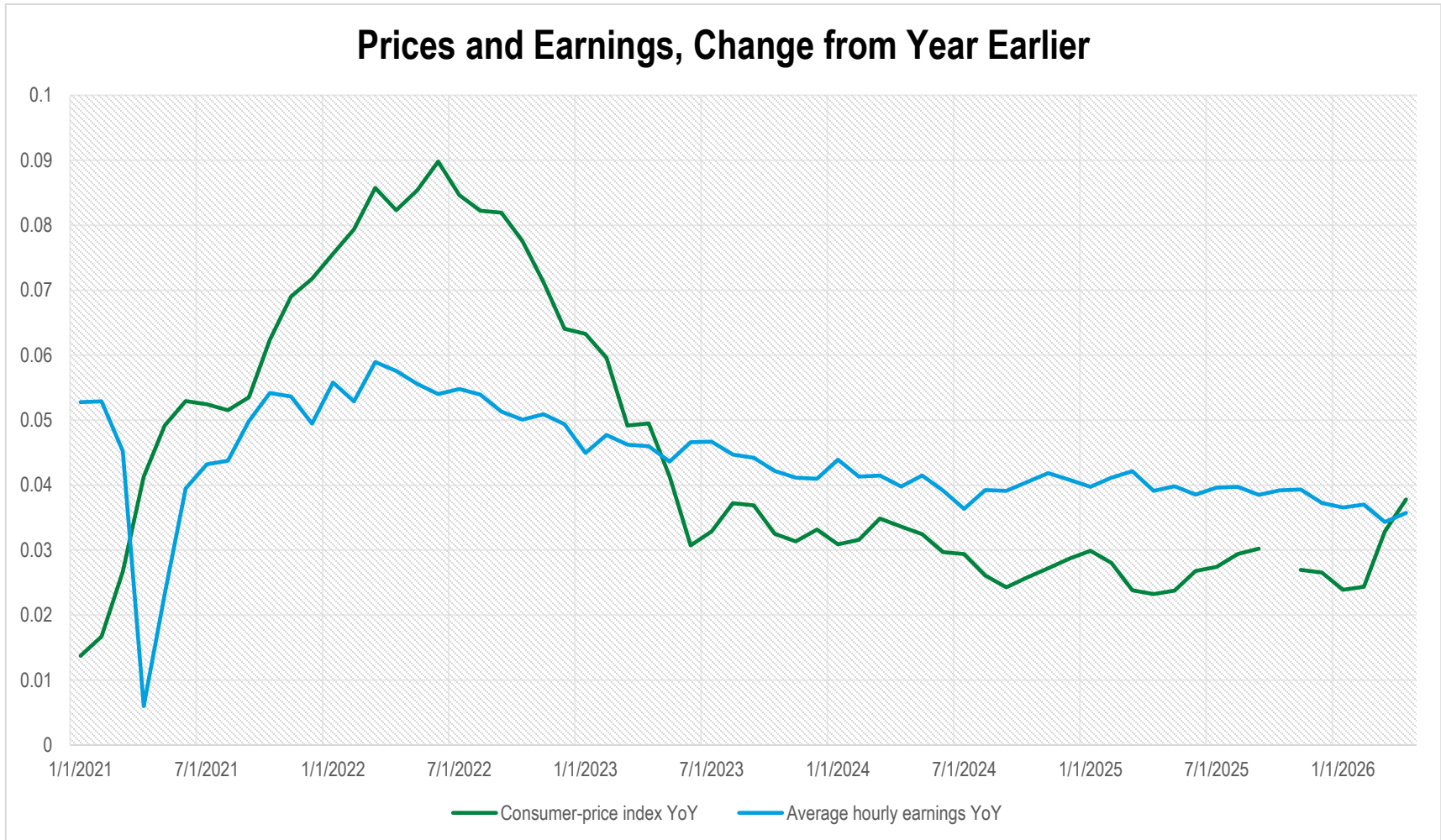
Inflation: Energy Is Back in the Conversation

Headline CPI has moved higher alongside energy prices, keeping the inflation path less comfortable for the Fed.



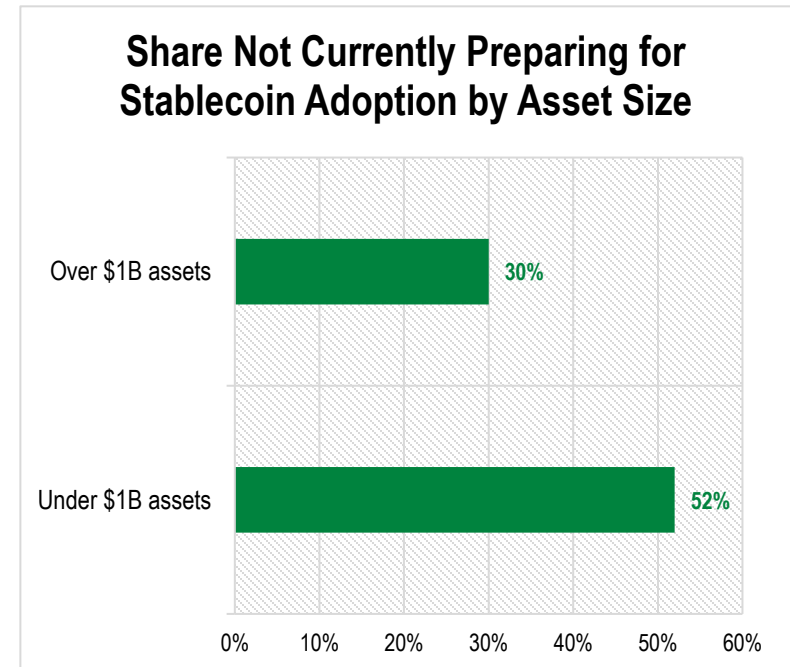
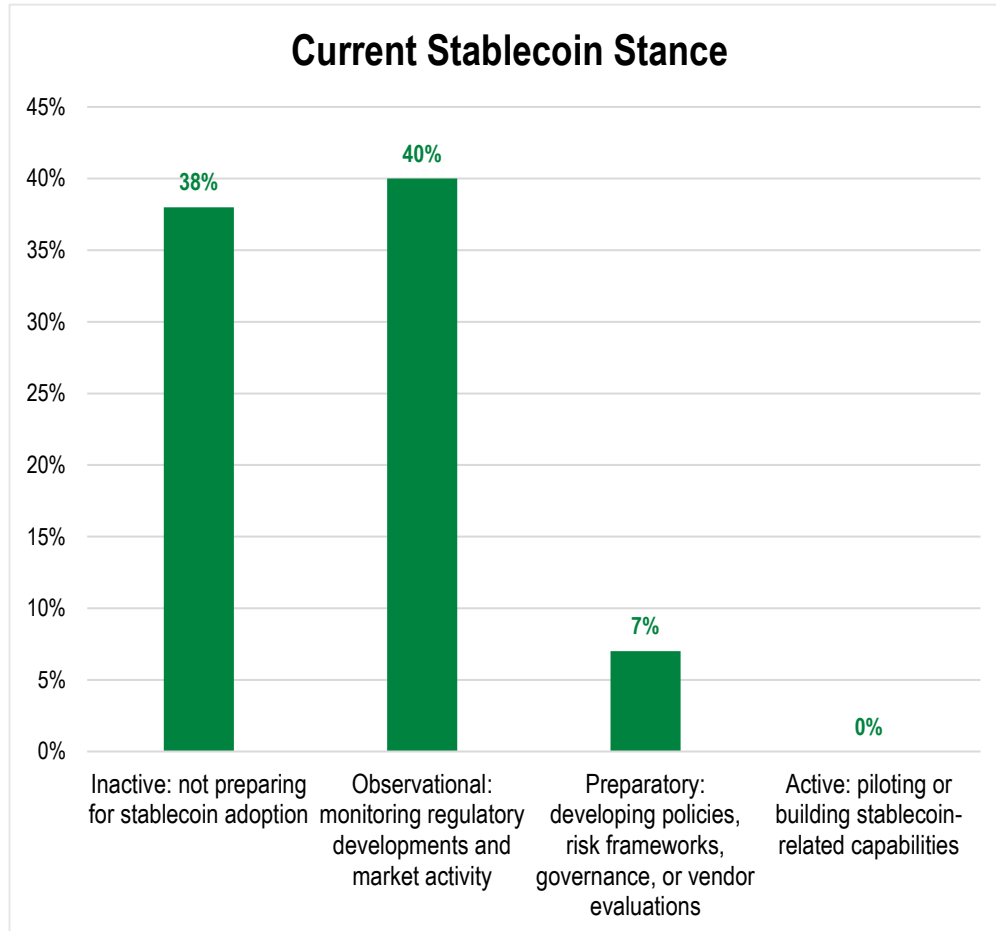
Prices and Wages Are Still Fighting for the Lead

Inflation has cooled from its 2022 peak, but the recent move back above wage growth keeps consumer purchasing power and Fed policy in focus.



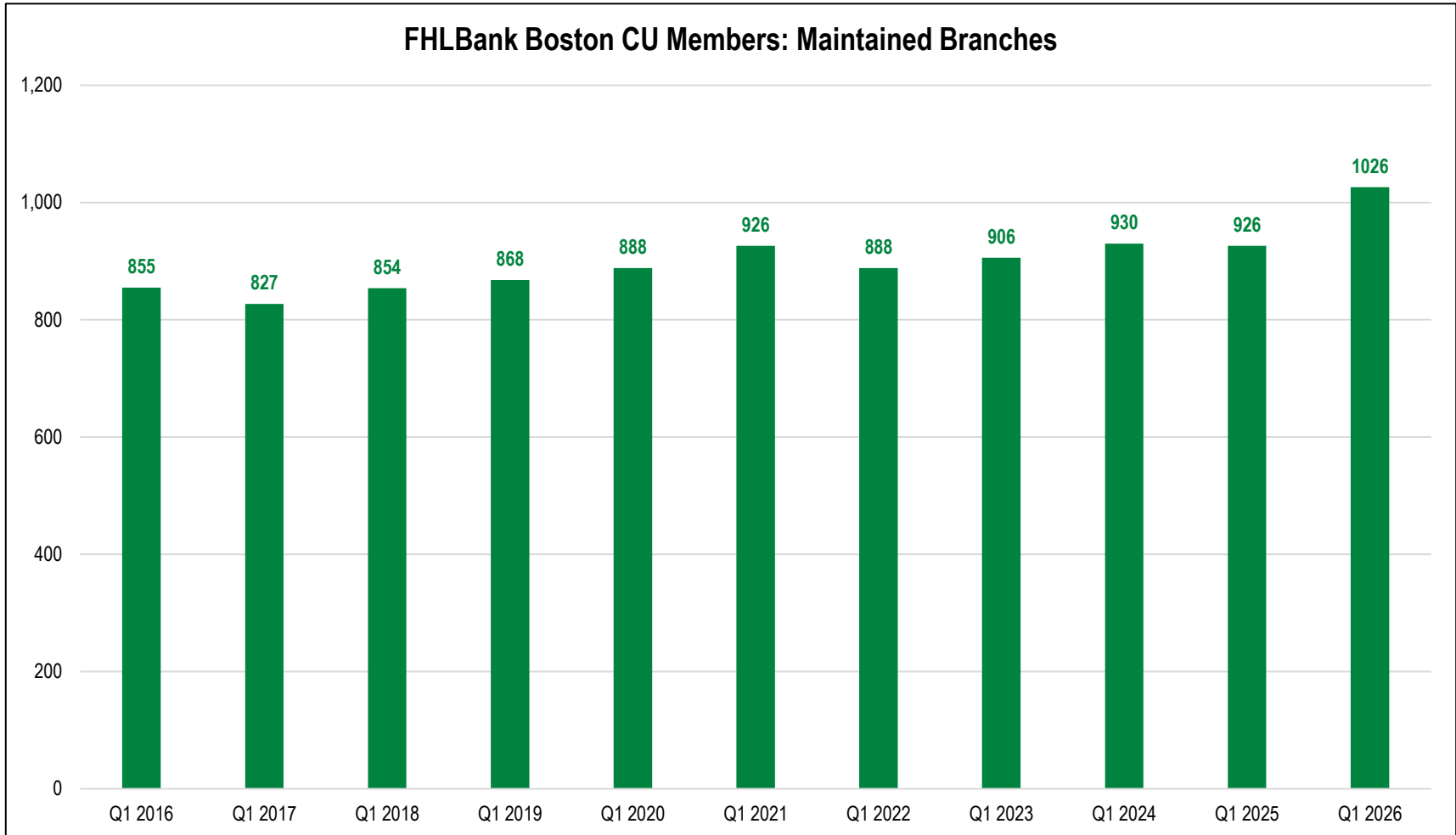
Stablecoin Readiness Remains Limited

In S&P's Q1 2026 bank survey most surveyed banks are either inactive or only monitoring the stablecoin market, while smaller institutions are more likely to report no current preparation.



Credit Union Branch Counts Are Rising Again

FHLBank Boston CU members reported 1,026 maintained branches in Q1 2026, suggesting physical presence remains part of the funding and relationship strategy.



Peer Analysis & Call Report Trends



Peer Analysis & Call Report Trends

- Margin Drivers
- Has Growth Stalled?
- Asset Quality
- Deposit Composition
- Investment Portfolio Trends

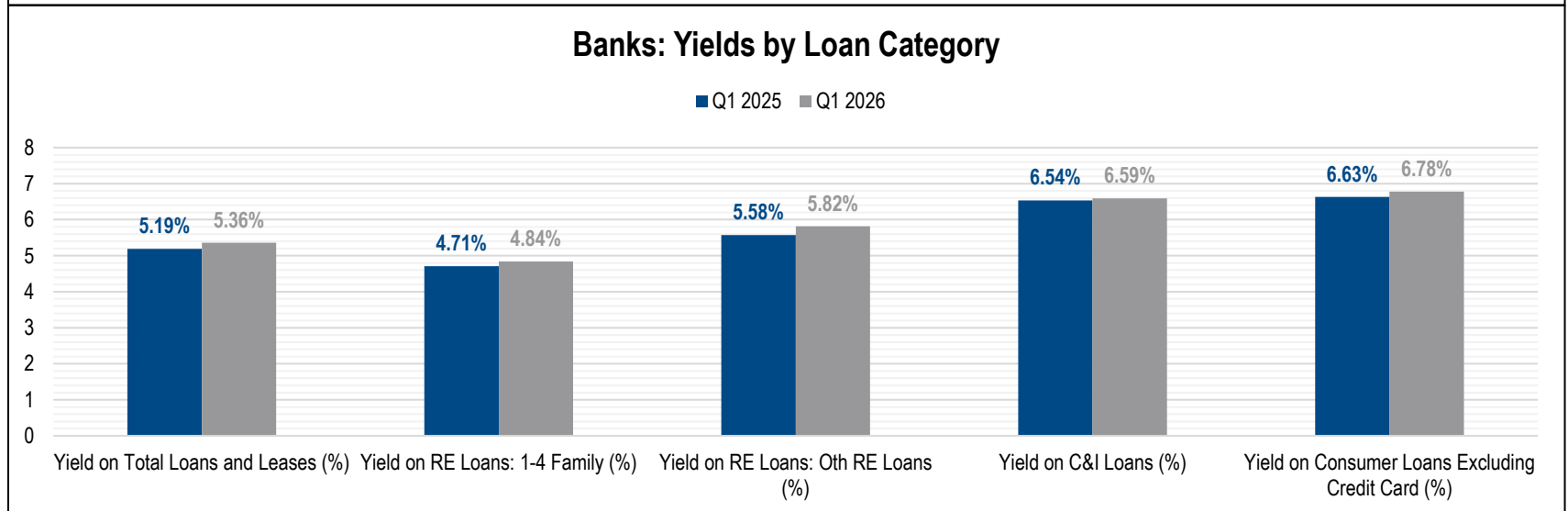
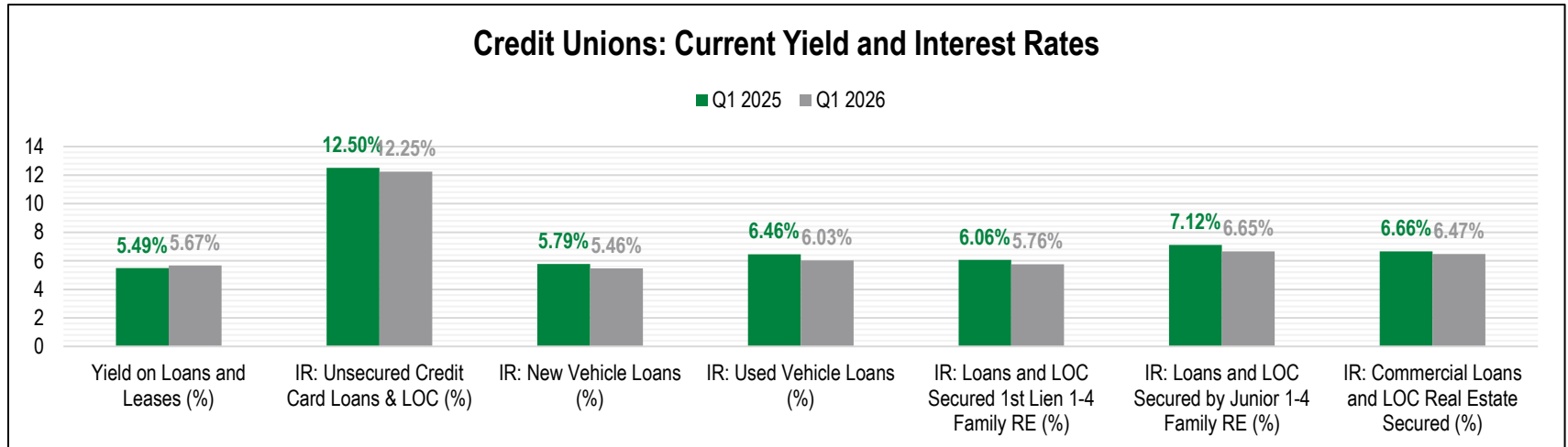
Net Interest Margin

Despite the market pricing out interest rate cuts in 2026, net interest margins were stable over the period for the median FHLBank Boston member, mostly due to composition of assets.

Median FHLBank Boston Member Value (%)			
	Q4 2025	Q1 2026	Difference
Net Interest Margin	3.40	3.39	-0.01
<i>Yield on Earning Assets</i>	5.18	5.07	-0.11
<i>Cost of Interest-Bearing Liabilities</i>	2.11	1.99	-0.12
Further Detail: Assets			
<i>Yield on Total Loans and Leases</i>	5.43	5.36	-0.07
<i>Yield on Investment Securities</i>	3.05	3.07	0.02
<i>Total Securities/Assets</i>	13.27	12.91	-0.36
<i>Asset Growth Rate</i>	3.55	3.72	0.17
Further Detail: Liabilities			
<i>Cost of Funds</i>	2.08	2.01	-0.07
<i>Cost of Borrowings</i>	3.75	3.63	-0.12
<i>Cost of Interest-Bearing Transaction Accounts</i>	0.39	0.39	0.00
<i>Cost of Time Deposits >250K</i>	3.72	3.57	-0.15

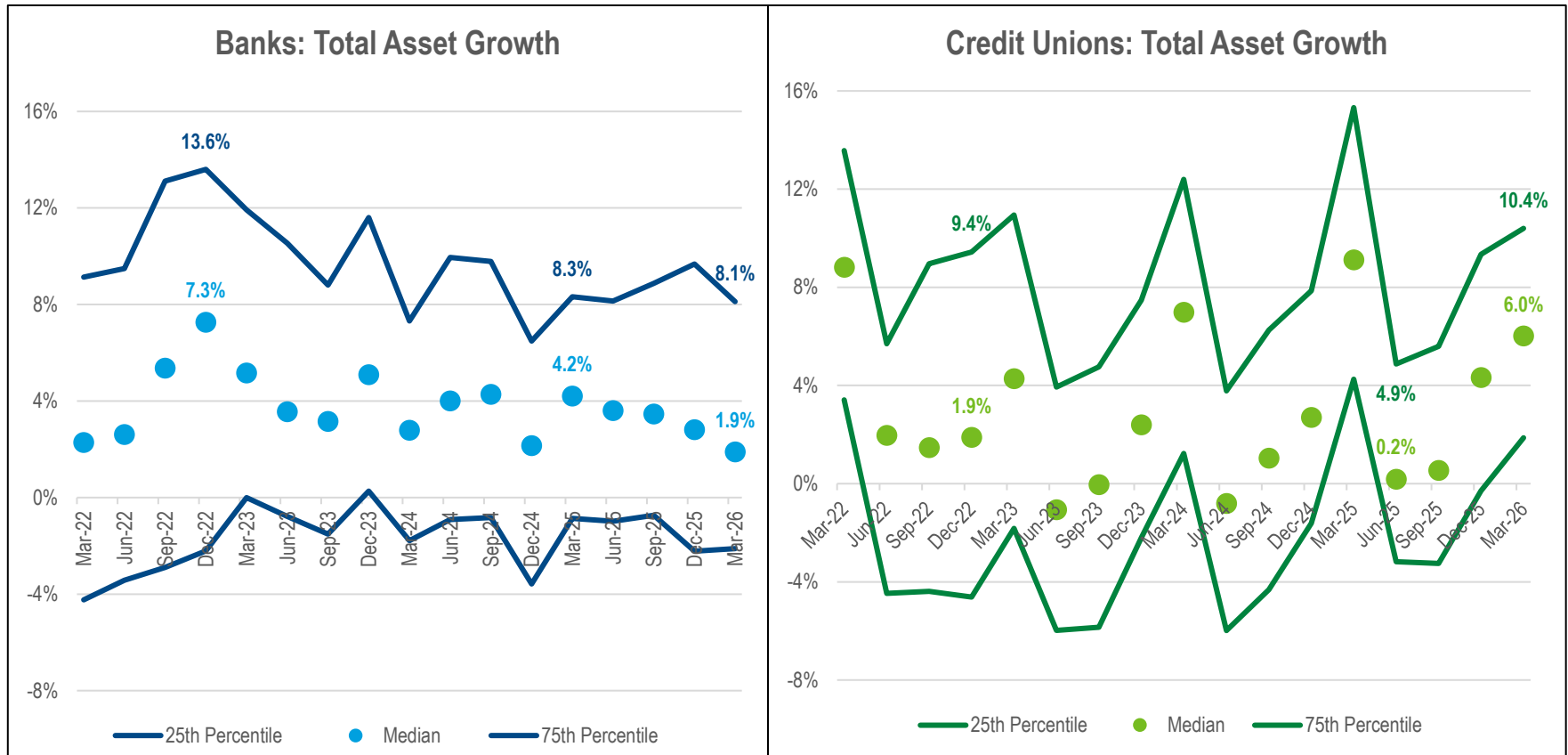
Loan Yield Is Still Catching Up to the Rate Cycle

Year-over-year comparisons show total CU loan yield rising despite lower current rates in several CU categories, while bank yields increased across the broader categories available.



Uneven Growth

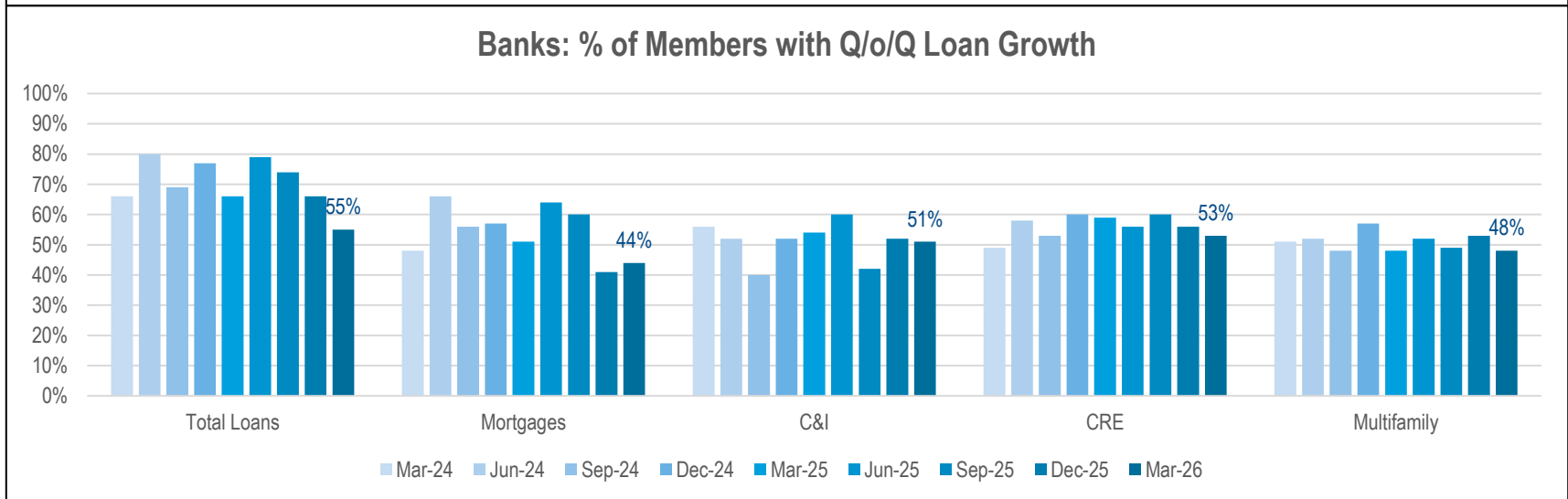
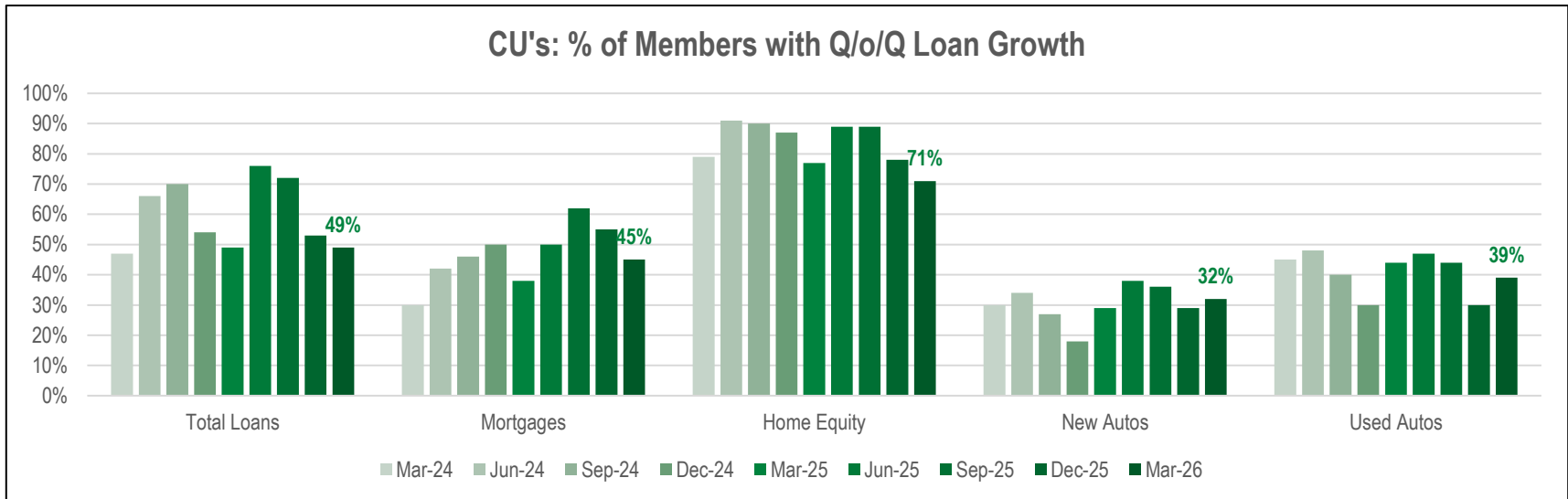
After adjusting for typical Q1 credit union seasonality, growth (driven by a slowdown in loans) is moderating.



	25 th	Median	75 th		25 th	Median	75 th
Loan Growth	-1.9%	1.2%	4.1%	Loan Growth	-4.6%	-0.3%	5.0%
Deposits	-2.1%	4.0%	10.6%	Share Growth	4.5%	8.0%	12.2%

Loan Growth Trends by Sector

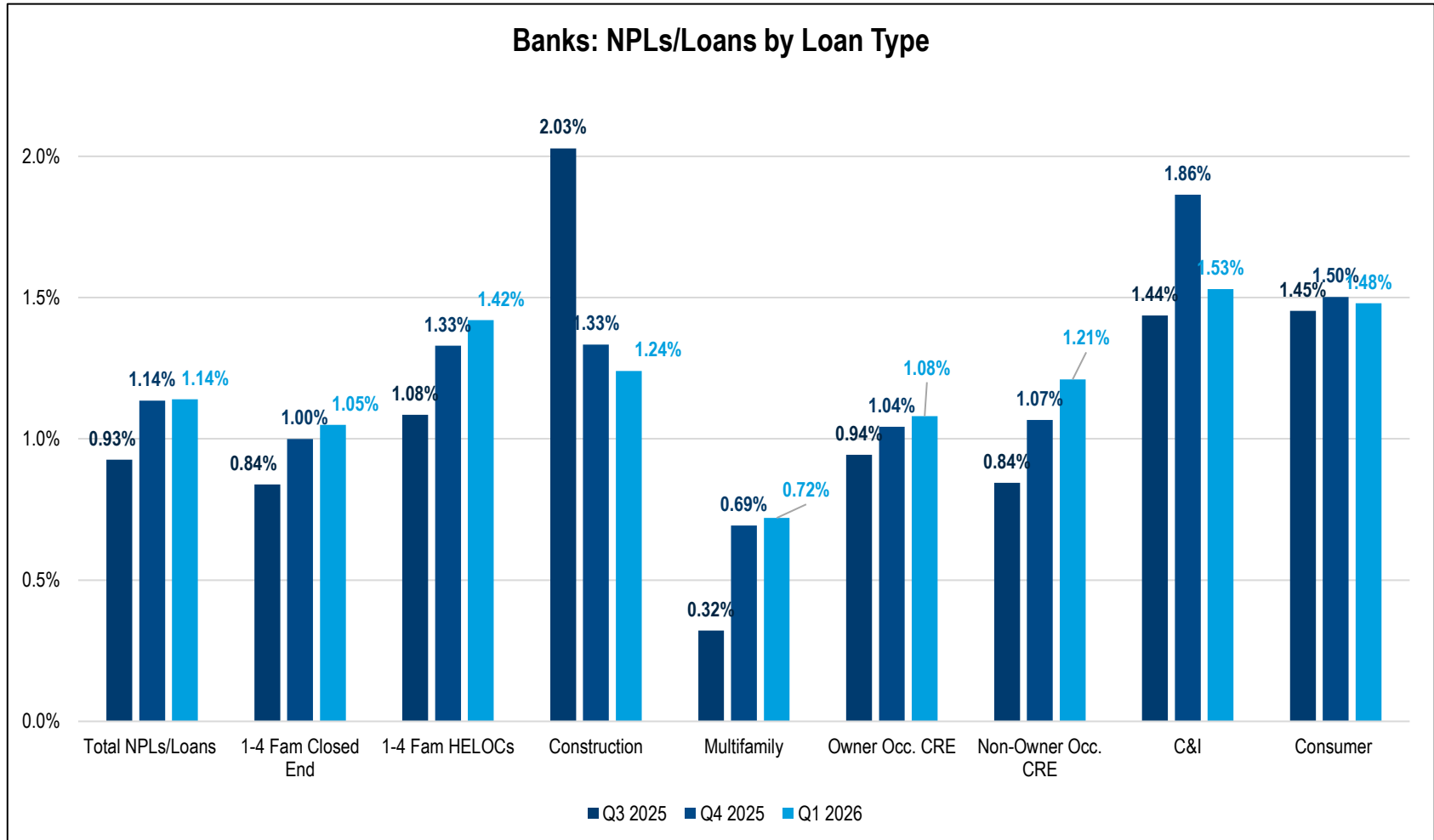
Commercial real estate and home equity loans have been the relative outperformers.



Source: FHLBank Boston

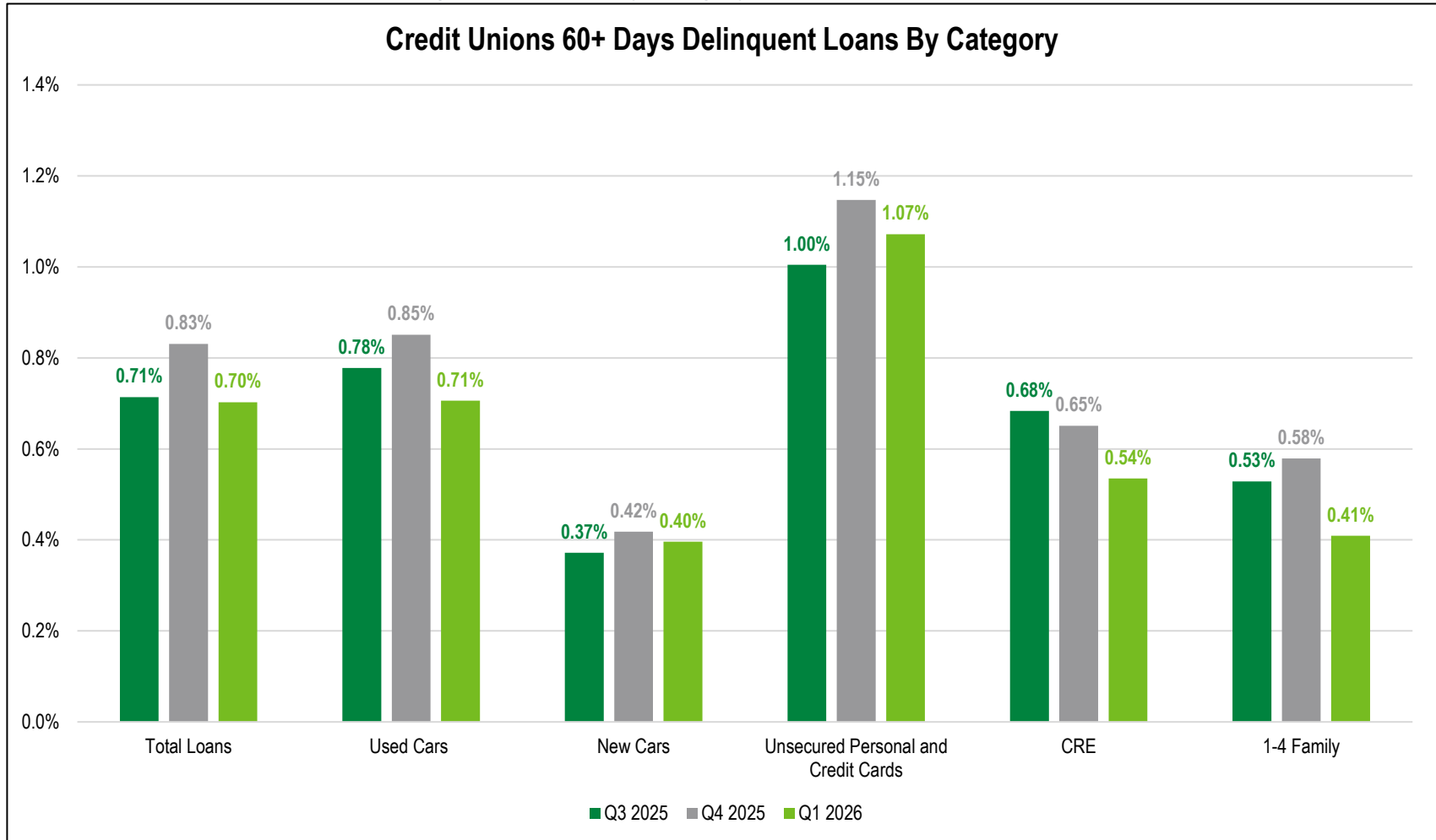
Banks: Credit Performance

NPLs increased broadly in Q1, led by HELOCs, non-owner-occupied CRE, and consumer loans. Construction improved from Q3 but remains elevated, while C&I eased from Q4 but is still one of the highest-risk categories.



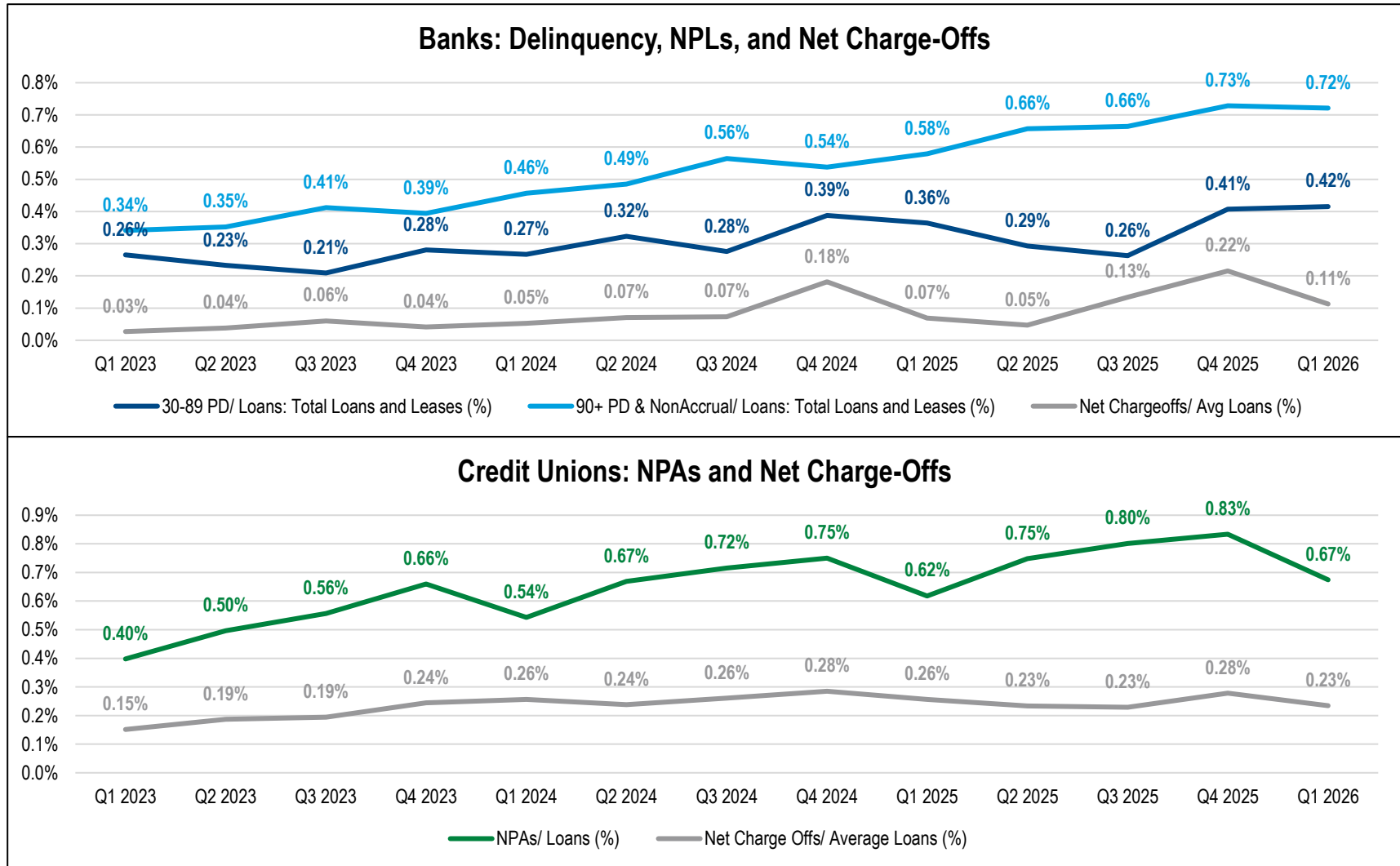
Credit Unions: Credit Performance

Delinquencies improved across most major categories in Q1, including auto, CRE, and 1–4 family loans. Unsecured personal loans and credit cards remain the highest-delinquency category despite modest improvement from Q4.



Credit Stress Migration

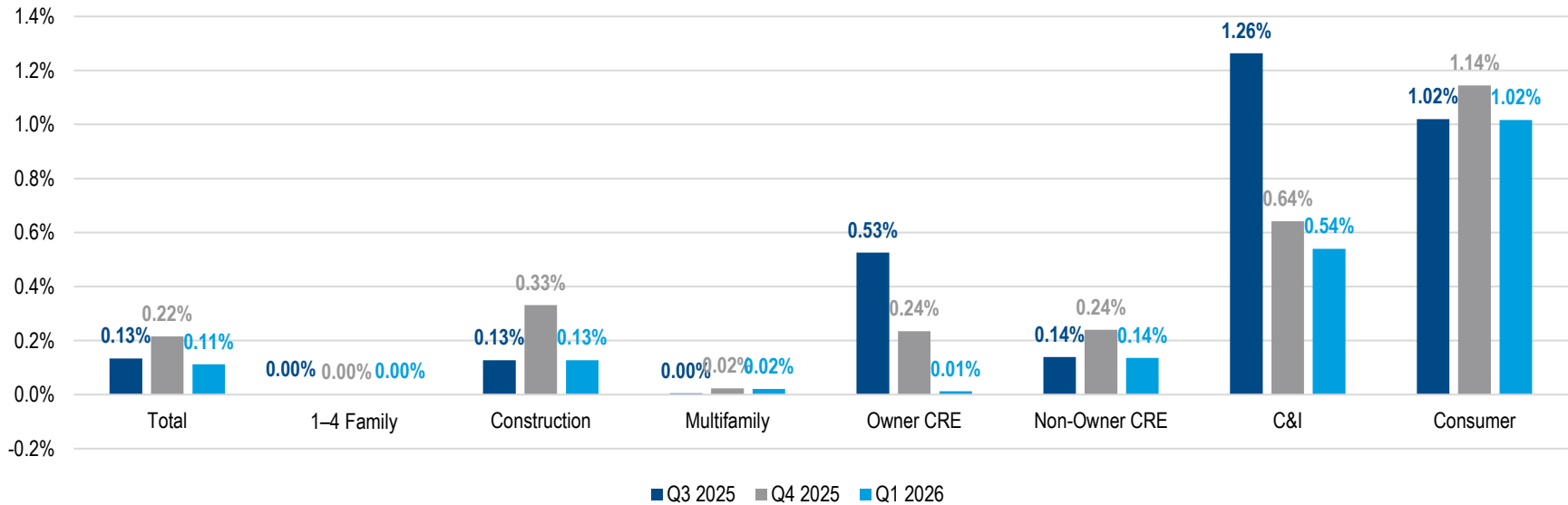
Member credit metrics remain elevated versus 2023, but Q1 2026 showed some easing in realized losses and CU NPAs.



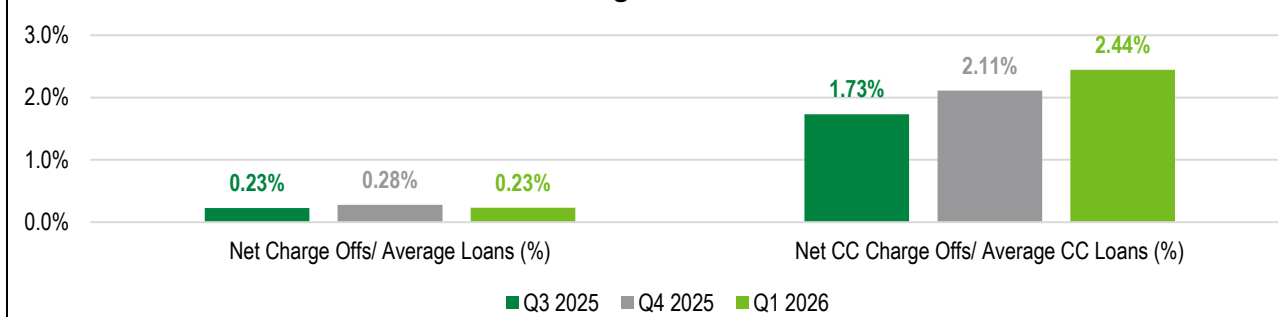
Net Charge-Offs Are Concentrated in Consumer and C&I

Realized losses remain uneven by loan type, with consumer and C&I charge-offs running above most real estate categories.

Bank Net Charge-Offs by Loan Category



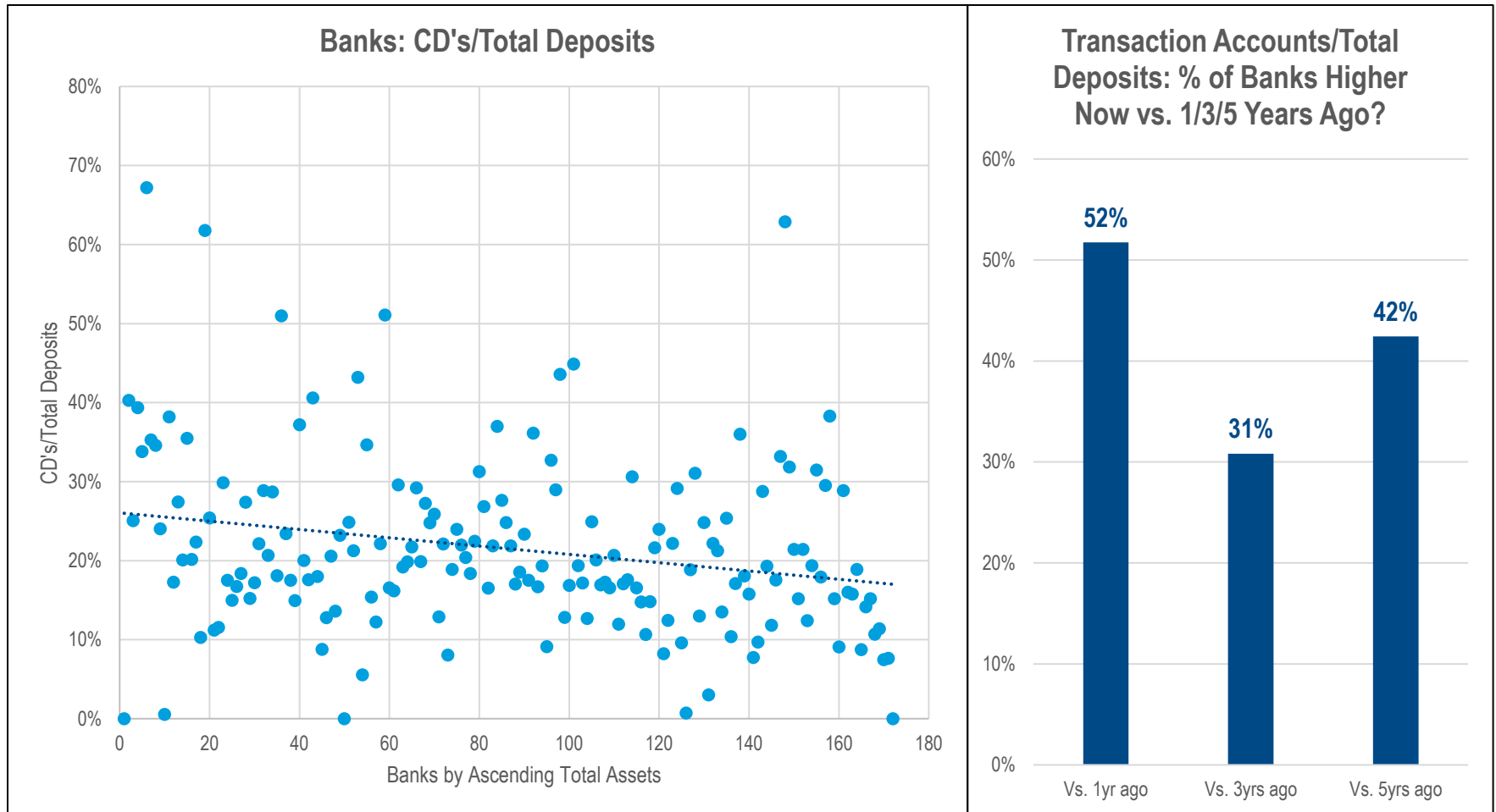
Credit Union Net Charge-Offs: Total vs. Credit Card



Source: FHLBank Boston

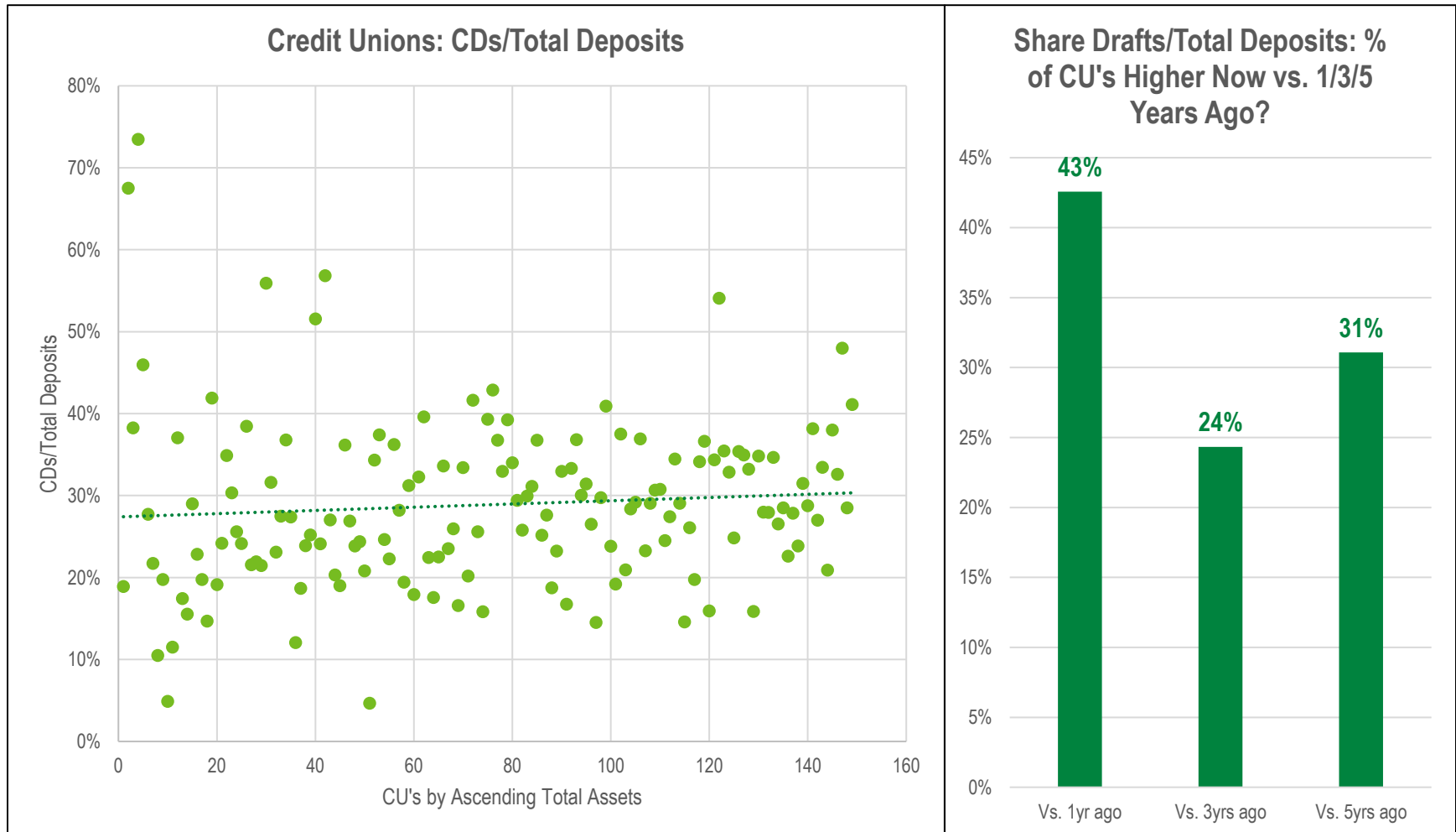
Banks: Deposit Characteristics

For banks, CD concentration is negatively correlated with total assets.



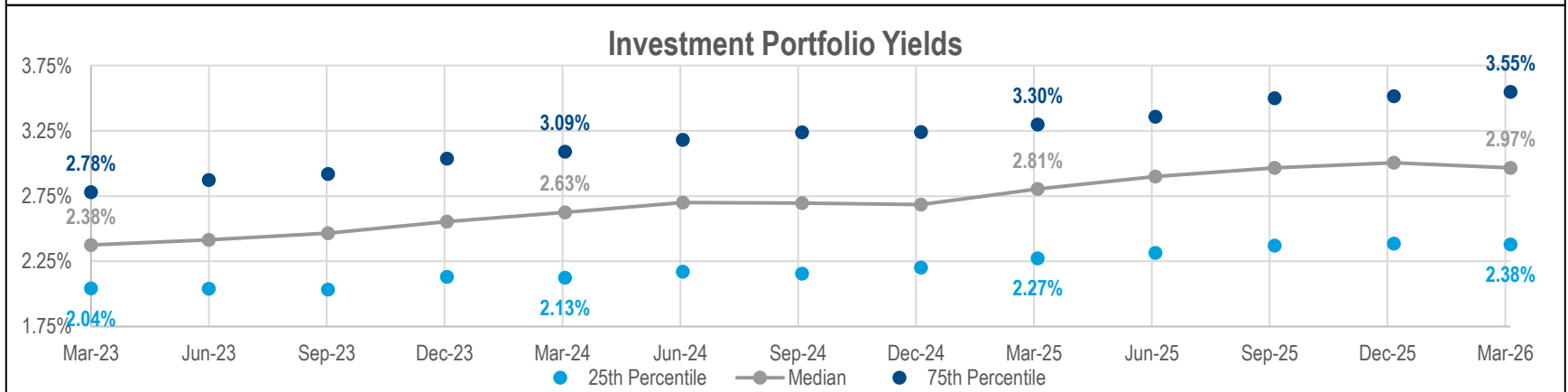
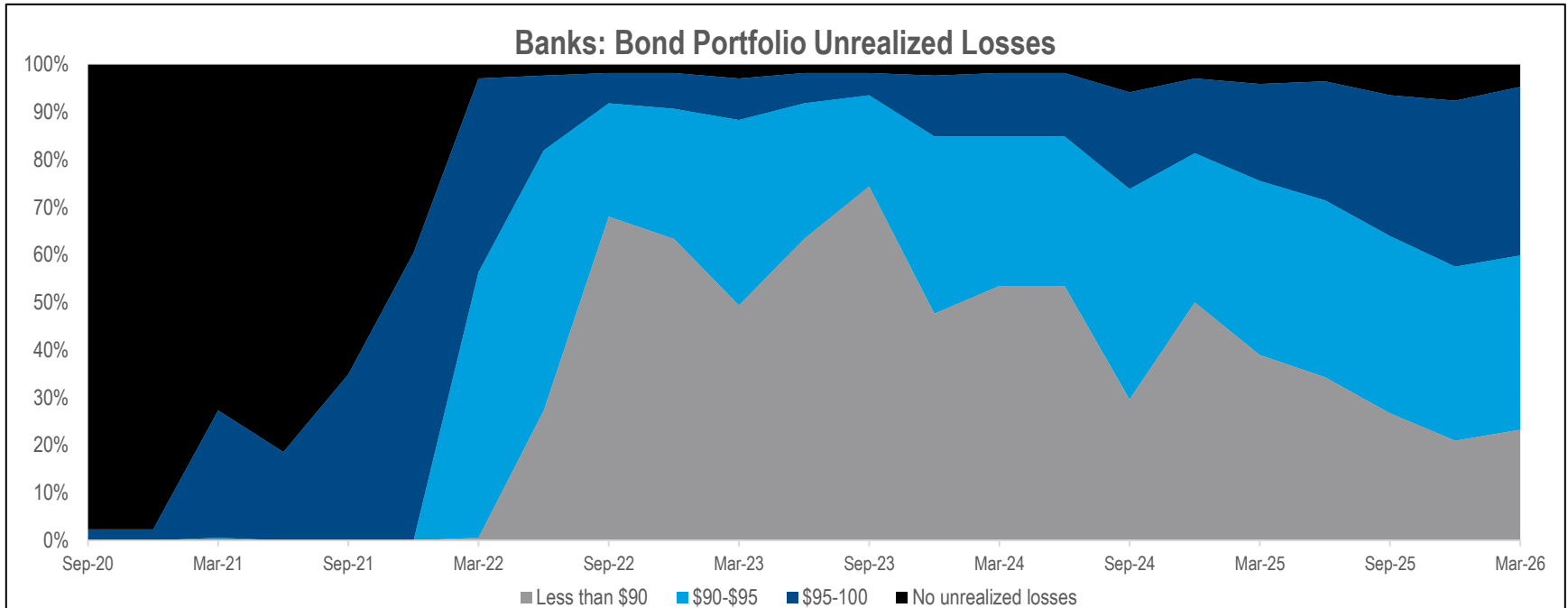
Credit Unions: Deposit Characteristics

For credit unions, CD concentration is positively correlated with total assets.



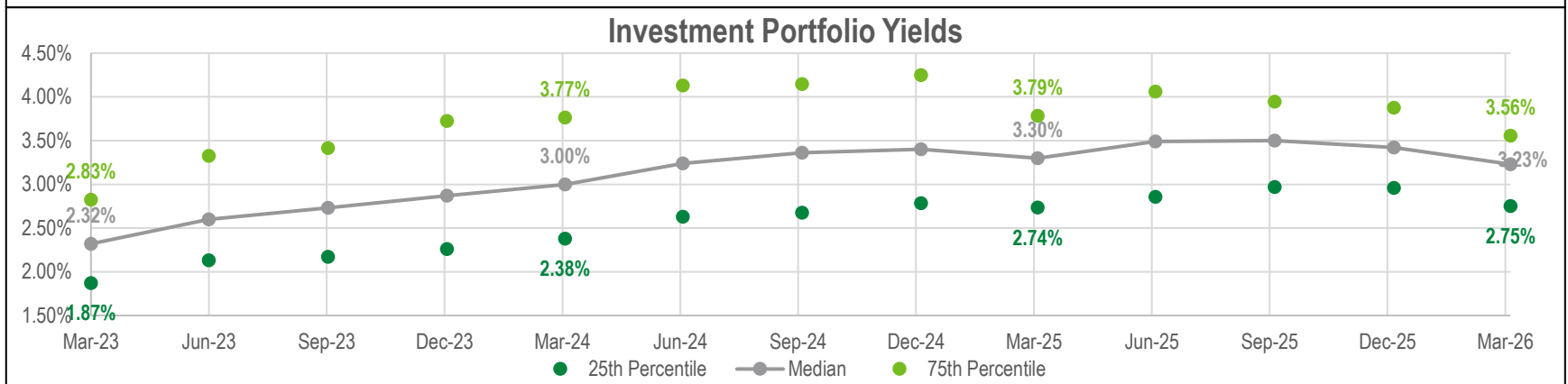
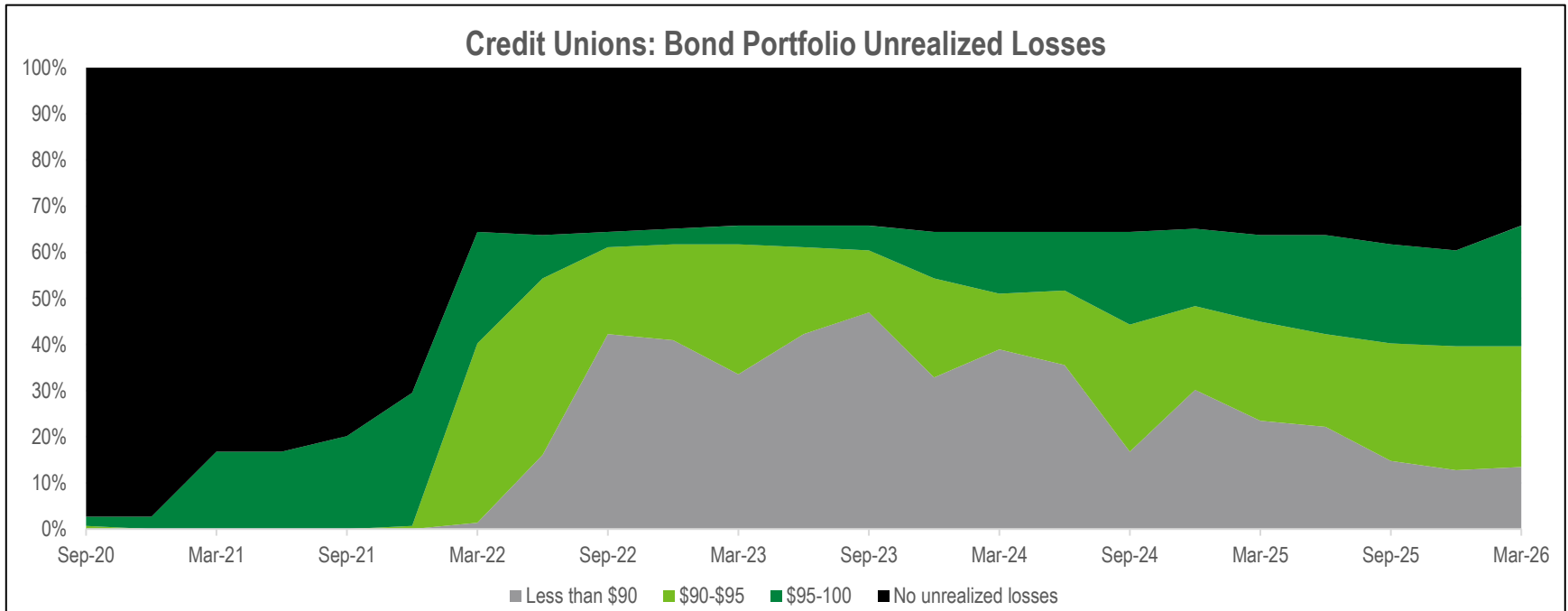
Banks: Investment Portfolio Trends

Marks continue to recover despite the back-up in rates- which has the benefit of supporting an uptick in yields.



Credit Unions: Investment Portfolio Trends

Yields are starting to tick lower, suggesting the benefits of staying short have begun to dissipate.



Balance Sheet Strategies



What Questions are Front & Center?

Conditions are evolving- so too should strategy.

**IRR: Is Asset
Sensitivity
Back?**

Is lower long-term rates the path that stings the most?

**Credit: Is a
Storm
Brewing?**

Will the driver be geopolitical, national, regional or local?

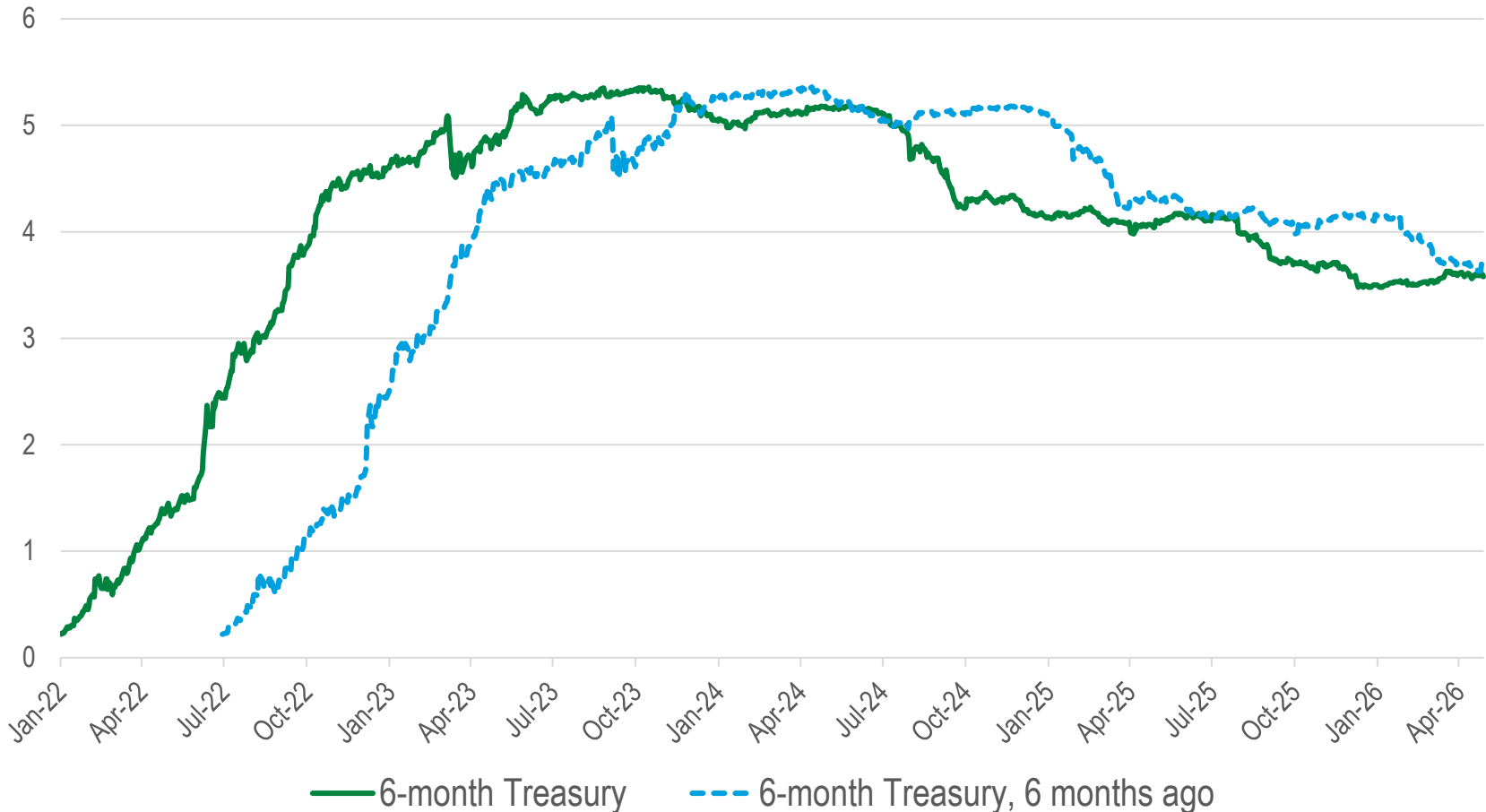
**Liquidity:
Too Much or
Not Enough?**

Do we have conviction on the macro (rates) and/or micro (growth)?

Liability Repricing- Friend or Foe?

Short-term Treasury rates north of 4% last occurred almost 10 months ago- what products will drive interest expense and growth now?

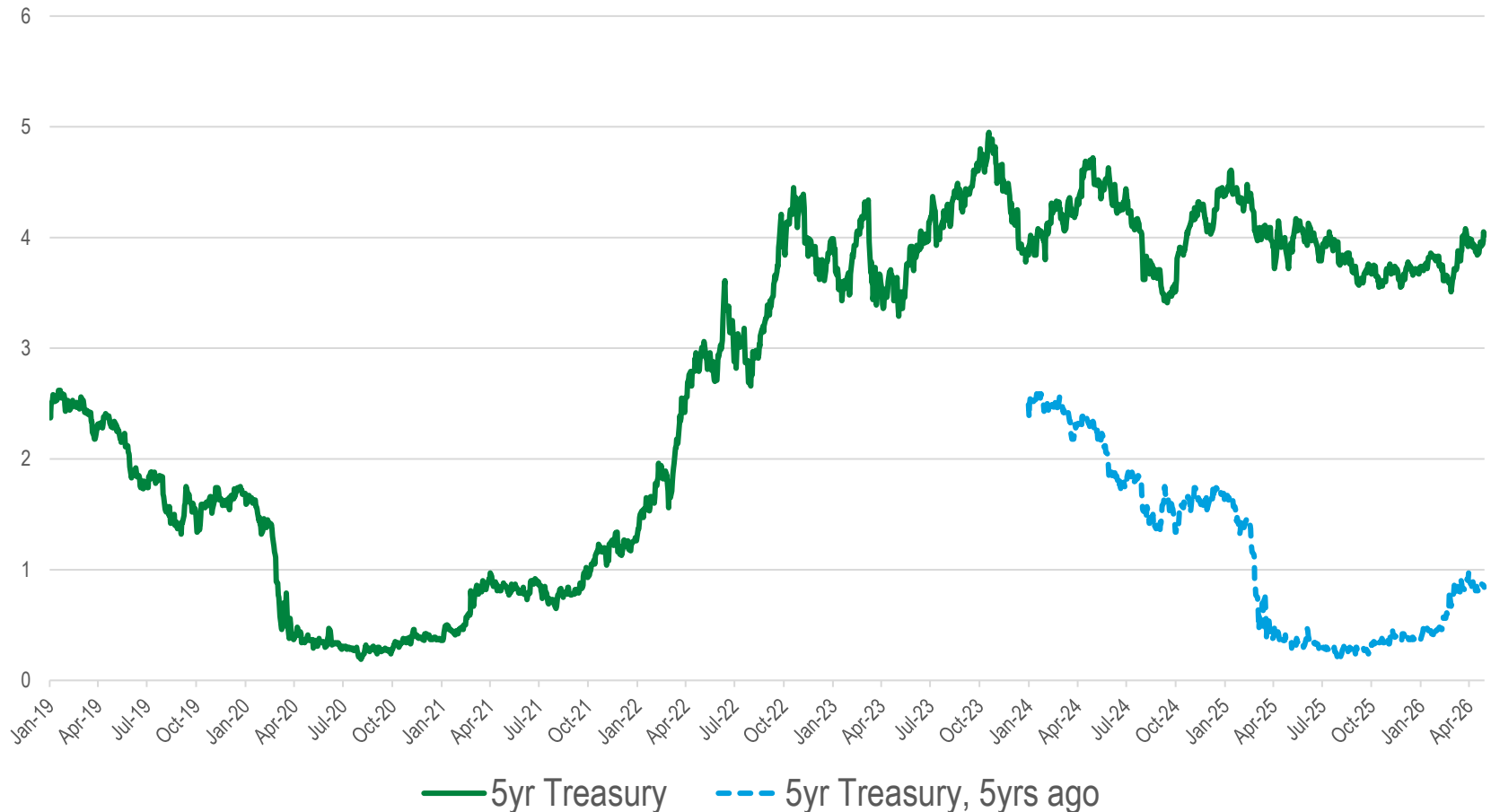
6-month Treasury Rate, Now & Then



Asset Repricing- Friend or Foe?

The low yielding fixed-rate assets put on during the low in rates are slowly but surely coming due and providing a lift to margin.

5yr Treasury Rates, Then & Now



Winning Deposits Without Losing Margin

In a competitive funding market, the goal is not to win every deposit — it is to price specials against funding alternatives, asset yields, and the value of duration.

Don't Automatically Pay Up

- Someone will pay above market — it does not have to be you.

Price Across the Curve

- Use tenor, specials, and relative value to shape deposit behavior.

Keep Optionality When You Pay

- If you need to be aggressive, avoid locking in more cost than necessary.

Investments, Advances & Mortgages

The shifting level and shape of the yield curve creates different dynamics for mortgages and the wholesale balance sheet.

Investment Leverage Opportunities

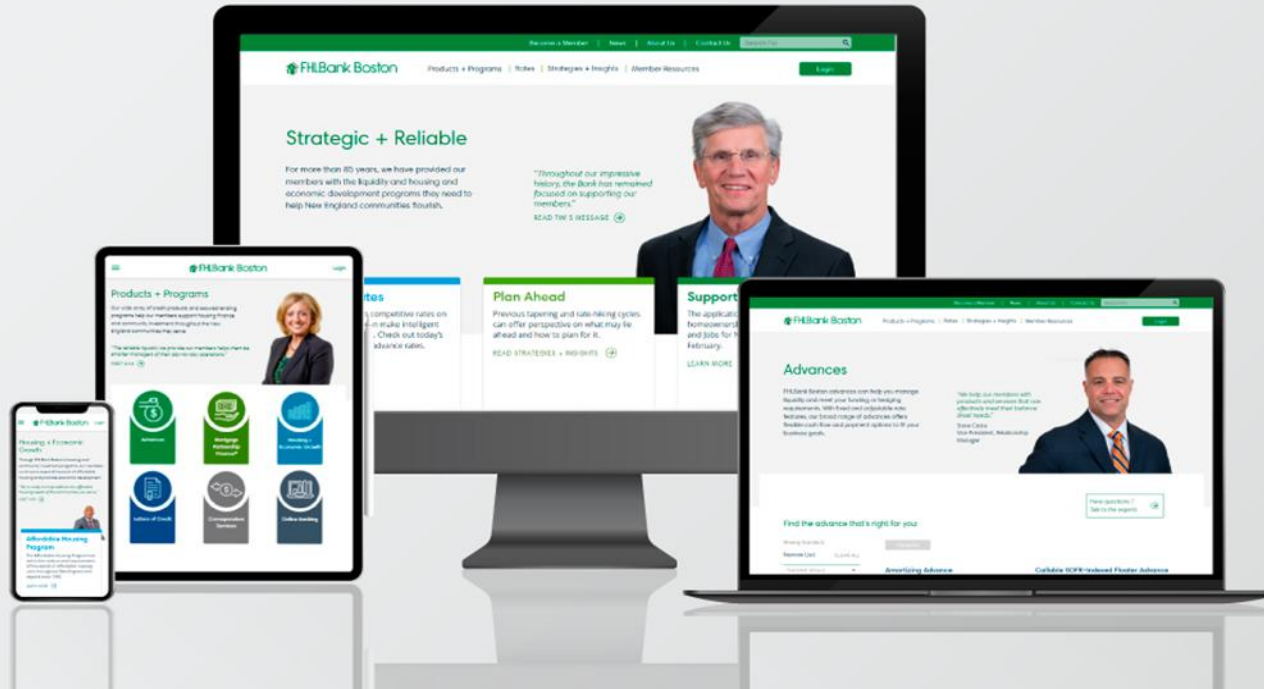
- Positive slope allows for an appealing initial spread
- Accelerate the balance sheet's asset yield rollover
- Tailor wholesale maturities at the front-end to meet portfolio runoff

Floating-Rate Advances

- Term liquidity benefits with overnight repricing
- Positive slope makes funding off the front-end cheaper initially
- Callable advances-retain control to pay down funding efficiently

Mortgages

- The backup in rates further strains already limited volumes
- Higher coupons may seem appealing, but beware prepay risk
- Seasoned loan sales- a tool to manage IRR, liquidity, concentrations



www.fhlbboston.com

- Products & Programs
- Rates
- Strategies & Insights: Articles, Webinars, Videos and Case Studies

Thank You



Andrew Paolillo

Andrew.Paolillo@fhlbboston.com

617-292-9644



Tyler Buckeridge

Tyler.Buckeridge@fhlbboston.com

617-292-9766

