Peer Analysis & Balance Sheet Strategies Update

FHLBank Boston

Strategic partnerships. Reliable funding.

August 19, 2026

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Presenters

Andrew Paolillo
Vice President, Director of Member Lending & Strategies

Tyler Buckeridge
Senior Sales & Strategies Specialist

Overview

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

Housekeeping Items

We've been doing our part to add to the summer reading lists, and we (re-)welcomed a new member-facing colleague.

WEBINAR
Case Study: Identifying Value in Short-Term Floating-Rate Funding
AUGUST 12, 2026
LEARN MORE

ARTICLE
Mortgage Portfolio Optimization
AUGUST 6, 2026
LEARN MORE

INFOGRAPHIC
MPF 35 and Credit Risk Sharing
JULY 31, 2026
LEARN MORE

VIDEO
July 29, 2026 FOMC Meeting Analysis
JULY 30, 2026
LEARN MORE

WEBINAR
Case Study: Mortgage Hold vs. Sell Analysis
JULY 23, 2026
LEARN MORE

ARTICLE
Securing Public Deposits Without Tying Up the Balance Sheet
JULY 6, 2026
LEARN MORE

WEBINAR
Asset-Liability Management & Funding Strategies for the Current Environment
JUNE 25, 2026
LEARN MORE

VIDEO
June 17, 2026 FOMC Meeting Analysis
JUNE 18, 2026
LEARN MORE

Welcome (Back)!

Rich Moran
VP, Relationship Manager

Covering members in Maine, Vermont, New Hampshire & parts of Massachusetts

The Inflation Odyssey

It hasn't quite been 20 years since inflation was at the Fed's 2% long run target, but it's been a long and harrowing journey.

Markets & Economy Update

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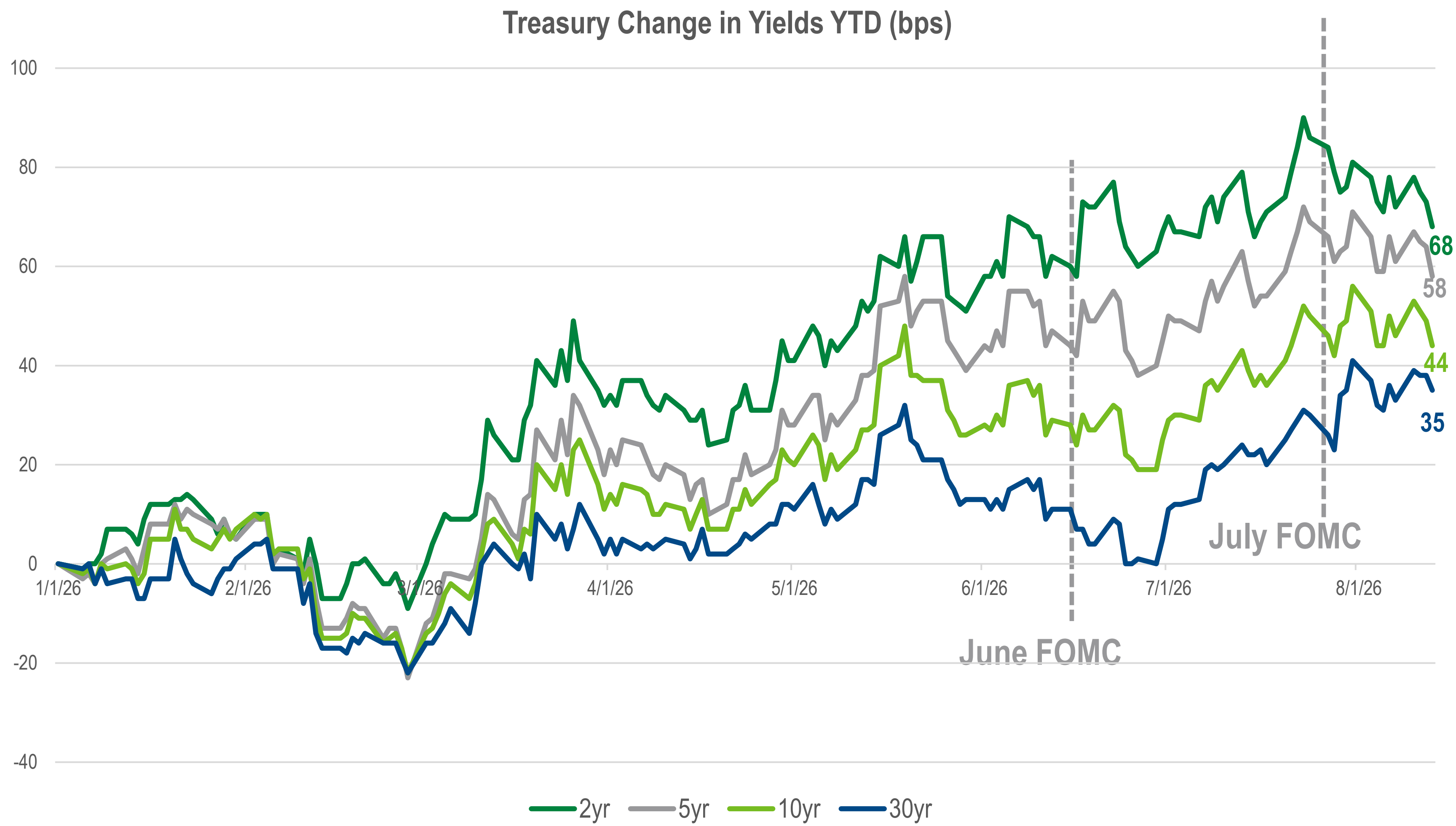
Markets & Economy Update

- Higher for Longer Across the Curve?
- Price Stability & Labor Market Conditions
- The Proxy Funds Rate vs. Where Rates Are

Term Rates on the Rise

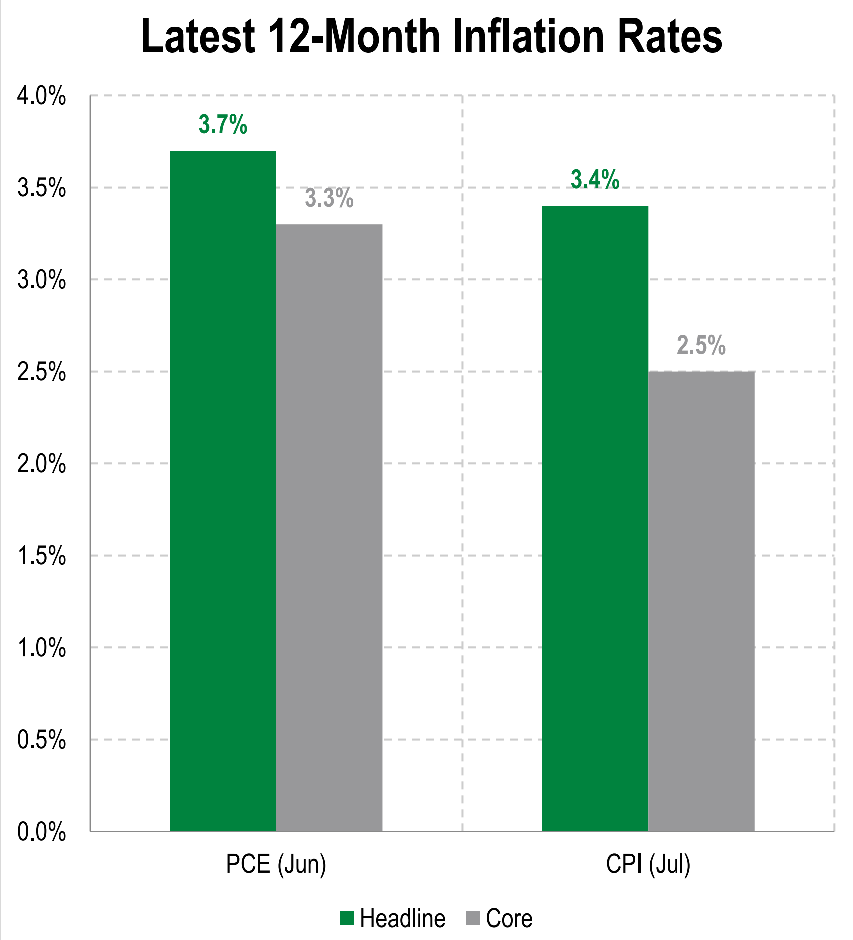
Rates have steadily sold off (led by shorter tenors), and the market is now pricing in near-term hikes.

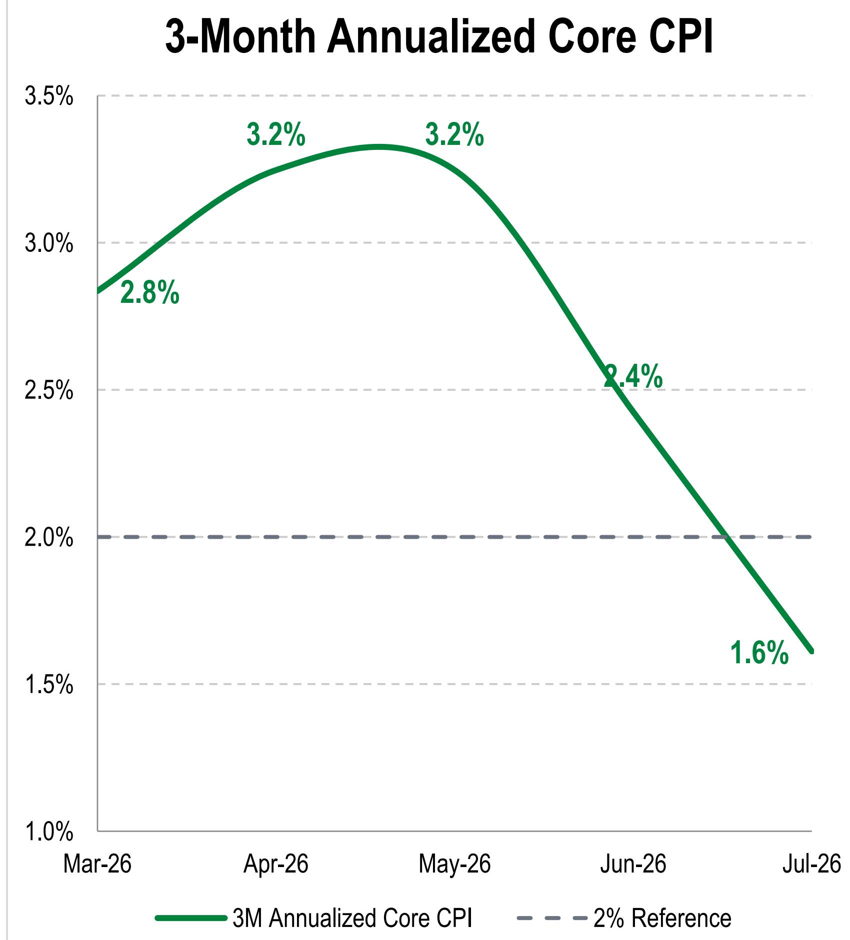


Source: Federal Reserve, FHLBank Boston

Inflation

July Consumer Price Index (CPI) (headline & core) remained elevated, but three-month annualized core CPI has moved below 2%.

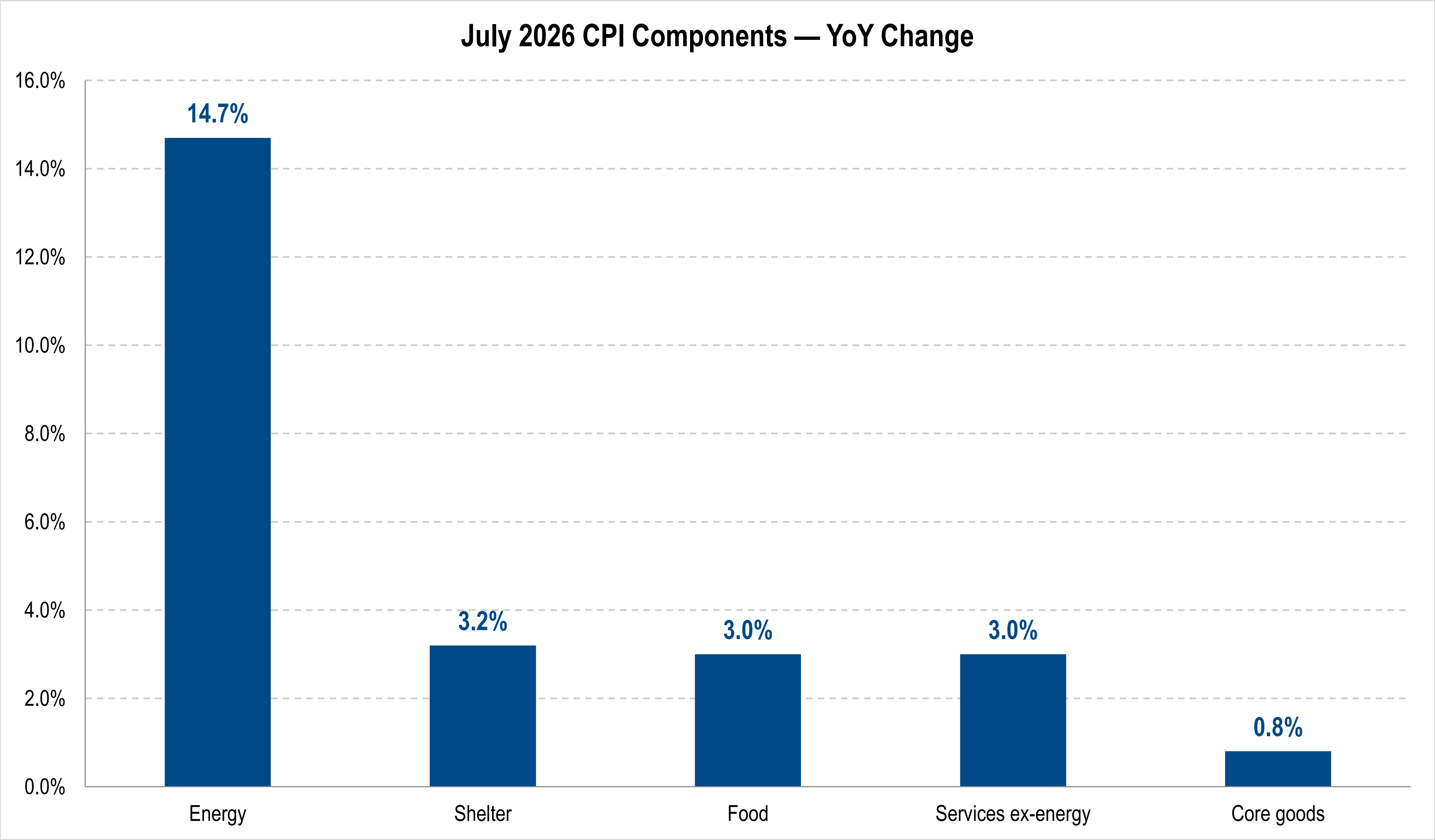




Source: U.S. Bureau of Economic Analysis (BEA), U.S. Bureau of Labor Statistics (BLS), FHLBank Boston

CPI Components

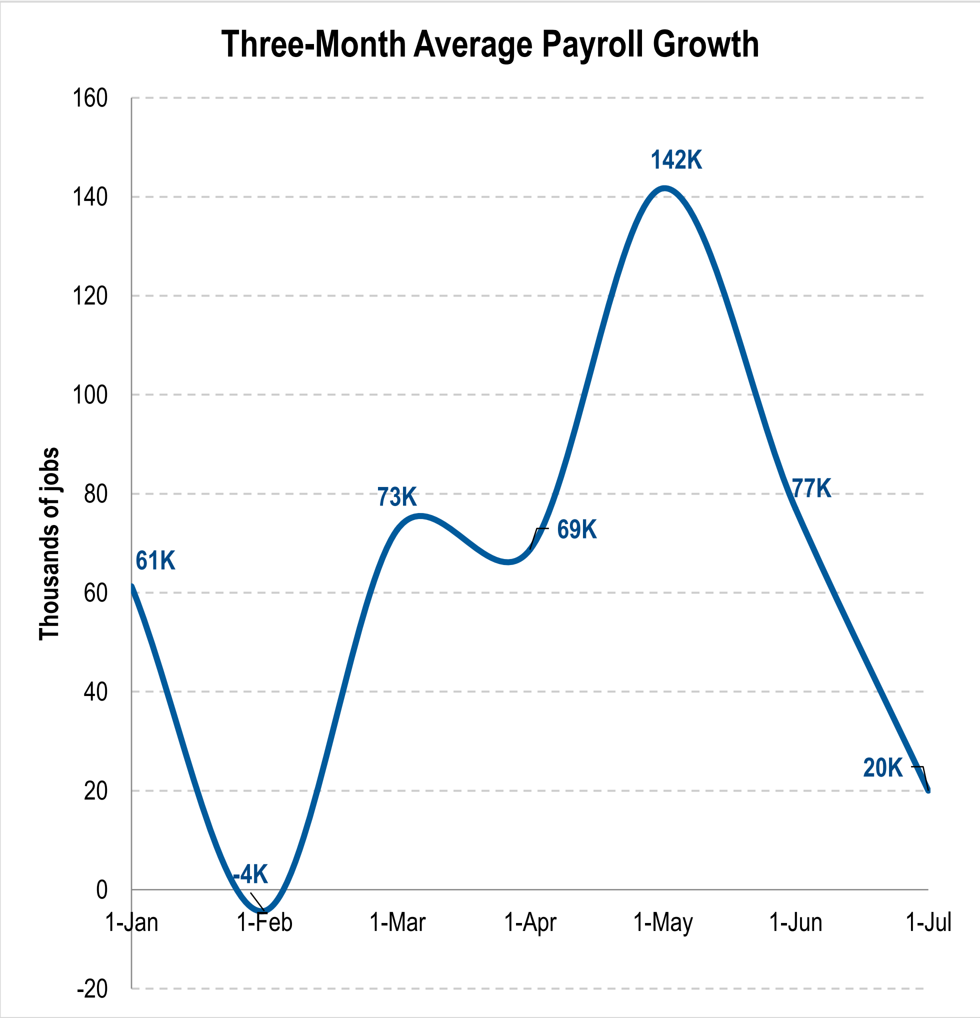
Energy remains the main source of inflation pressure.

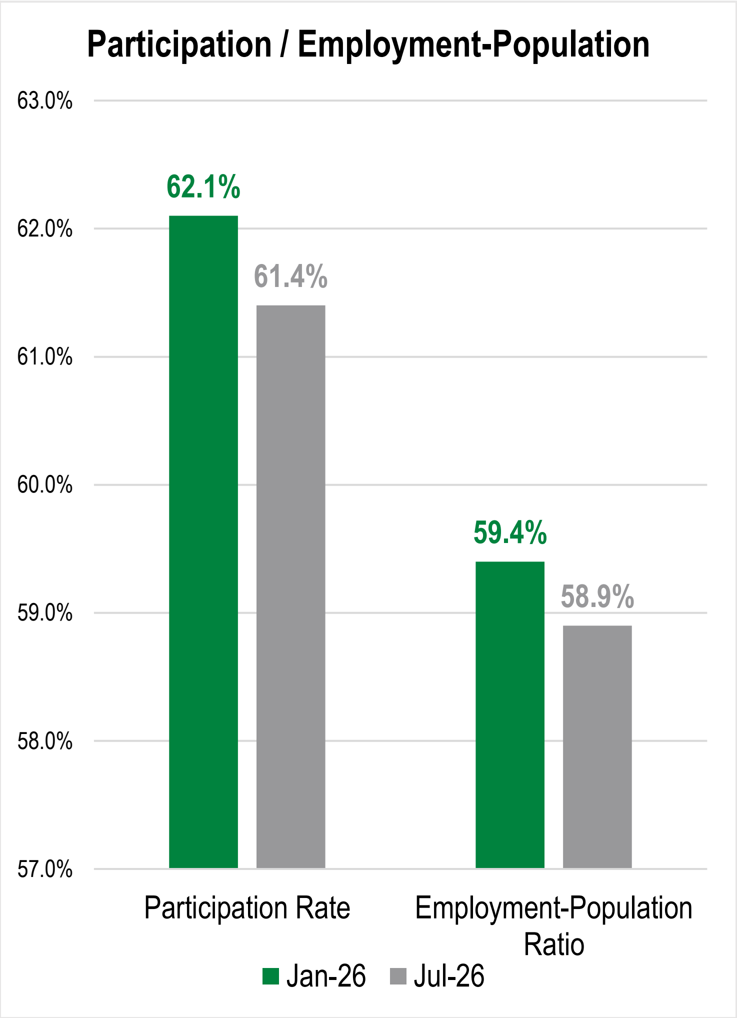


Source: U.S. Bureau of Labor Statistics (BLS), FHLBank Boston

Labor Market

Payroll growth has slowed as participation has declined.

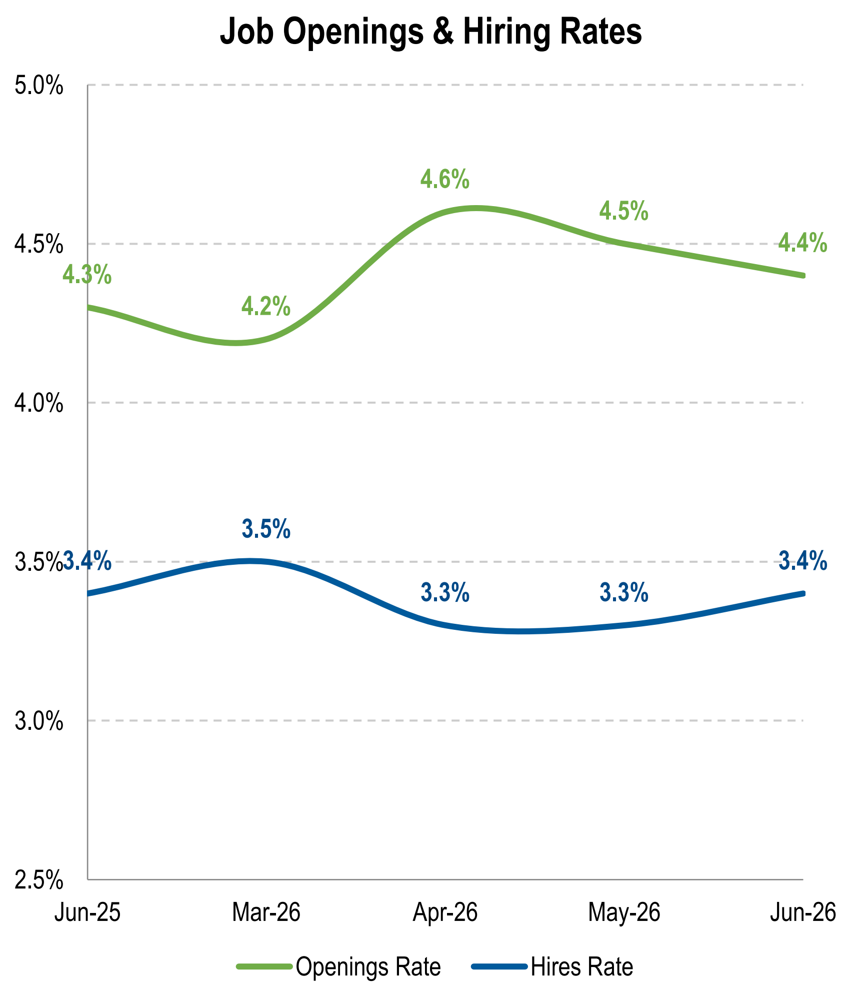


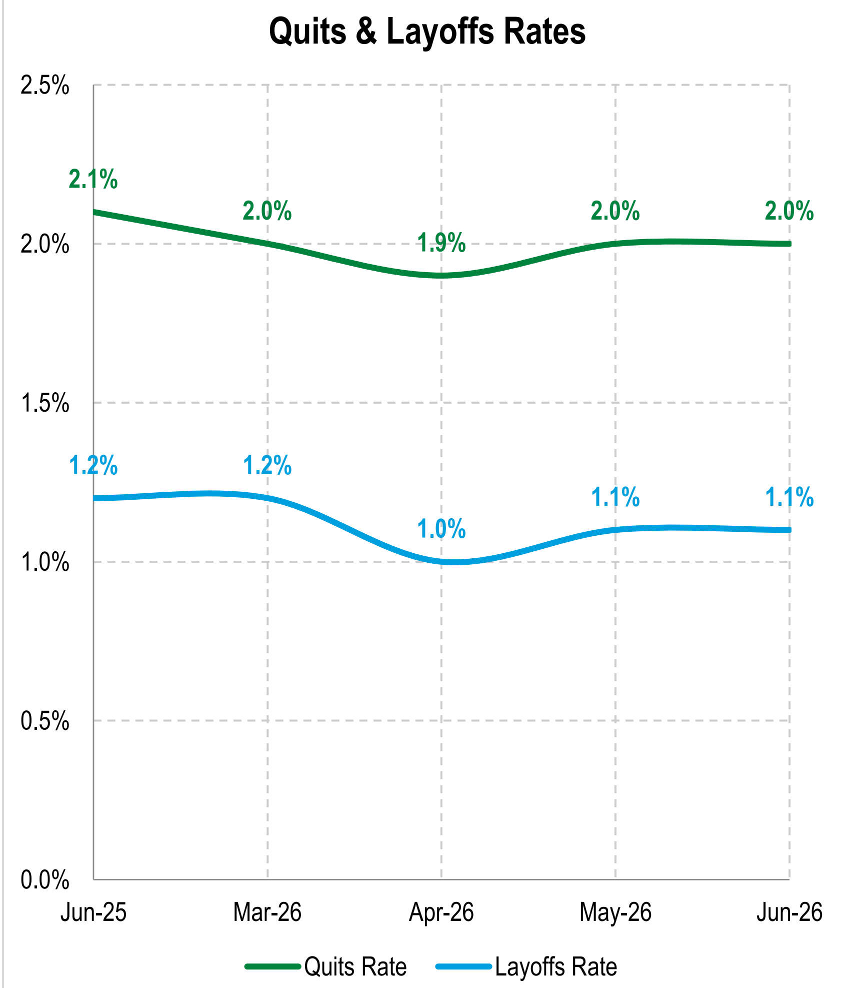


Source: U.S. Bureau of Labor Statistics; FHLBank Boston

Labor Turnover

Hiring and mobility have slowed; layoffs remain low.

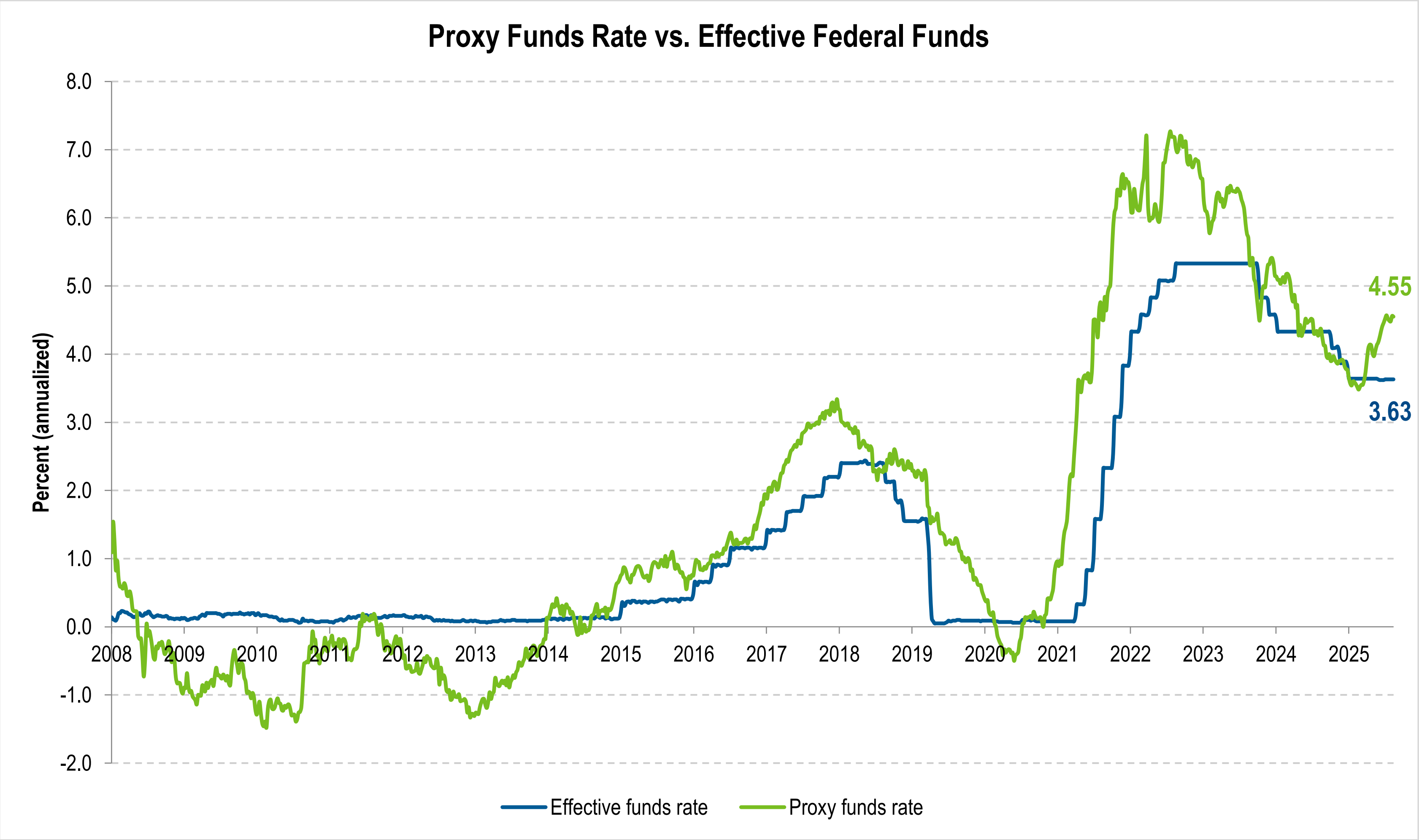




Source: U.S. Bureau of Labor Statistics (JOLTS); FHLBank Boston

The Proxy Fed Funds Rate

Since March, the proxy funds rate has moved above the actual rate, suggesting tighter financial conditions.



Source: Federal Reserve Bank of San Francisco; Federal Reserve Bank of New York; FHLBank Boston

Peer Analysis & Call Report Trends

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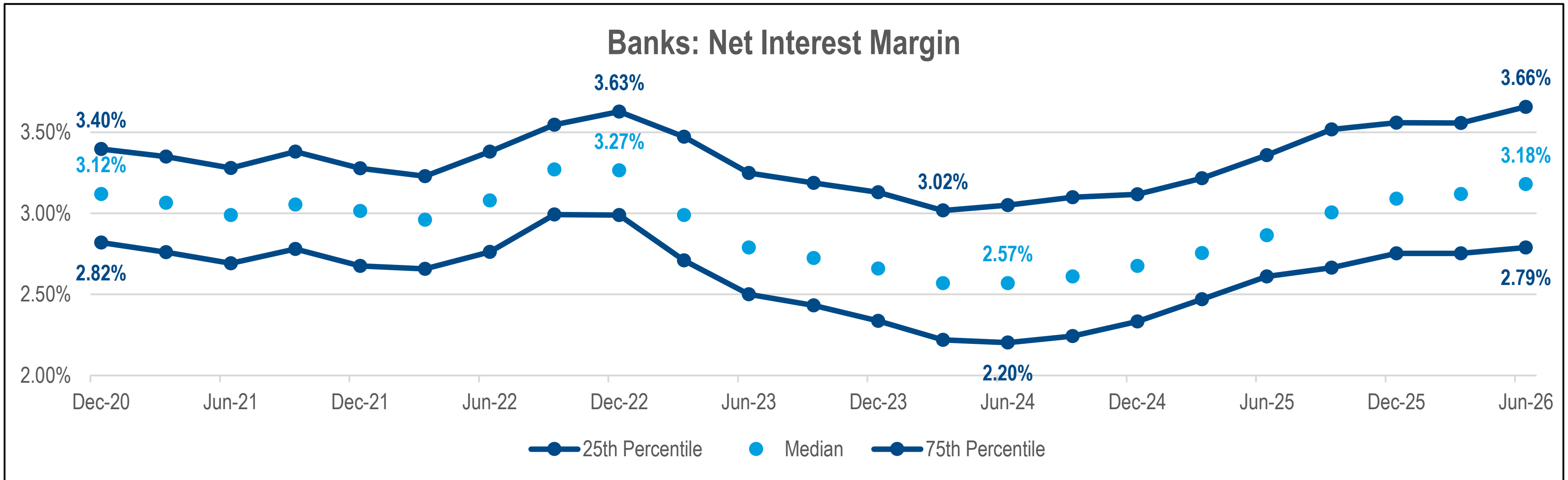
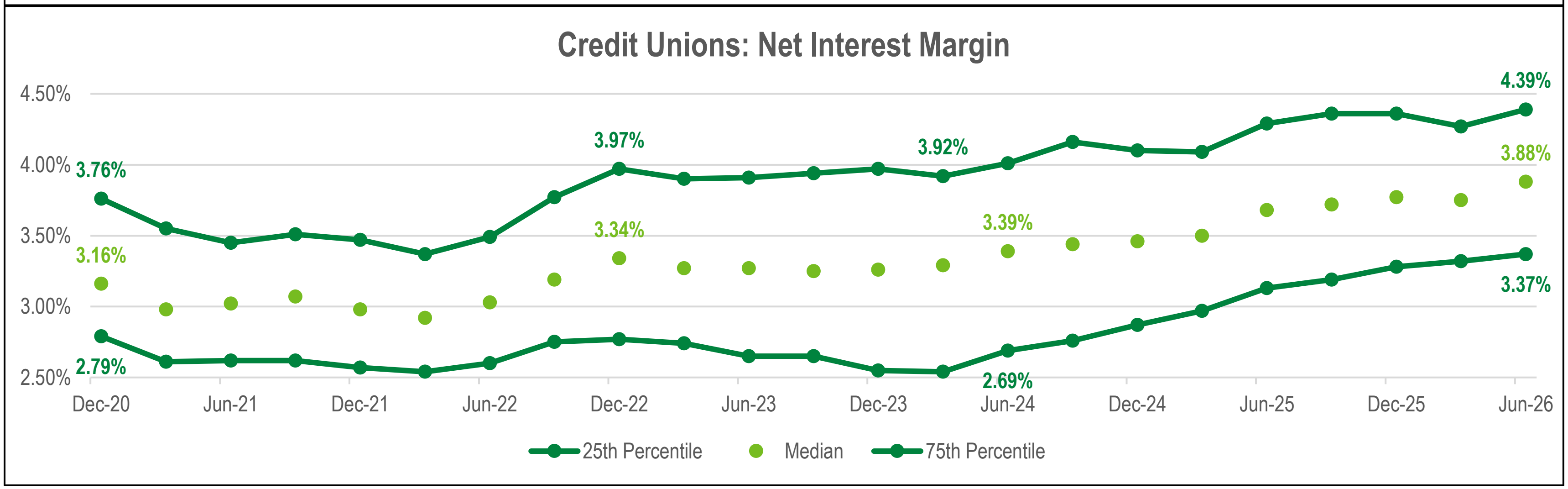
Peer Analysis & Call Report Trends

- Margins
- Loan Growth
- Credit
- Investments
- Deposits

Net Interest Margins on the Rise

Many experienced continued lift q/o/q, with margins now at or near recent highs.

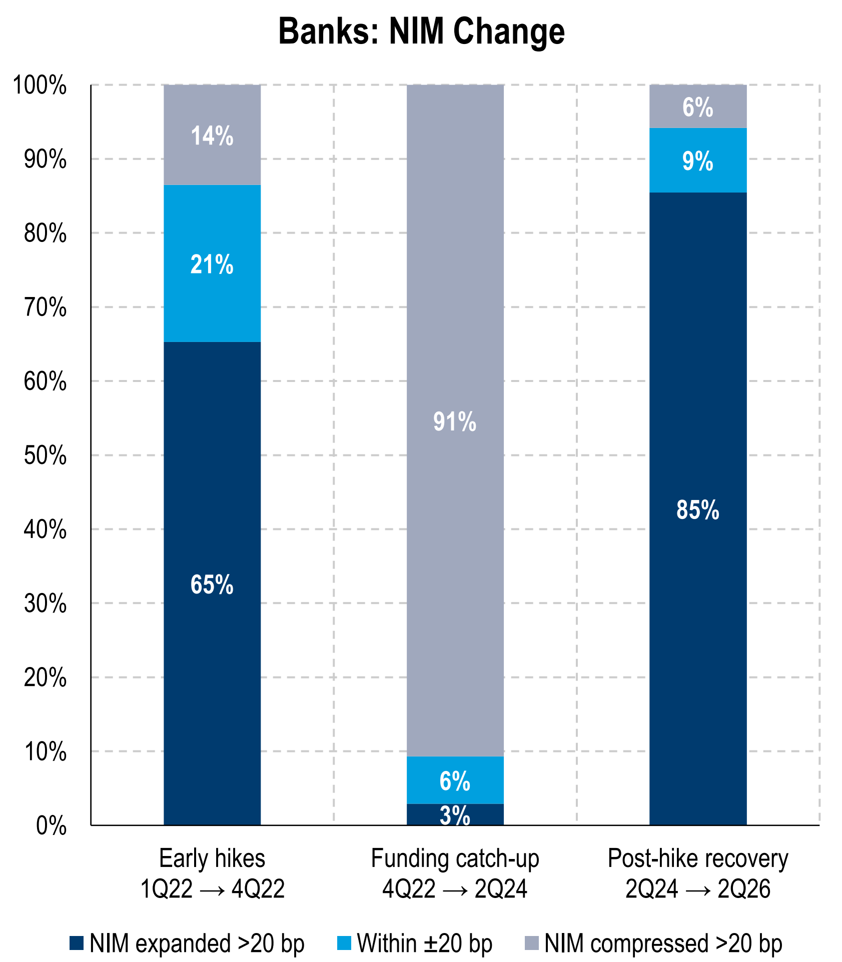


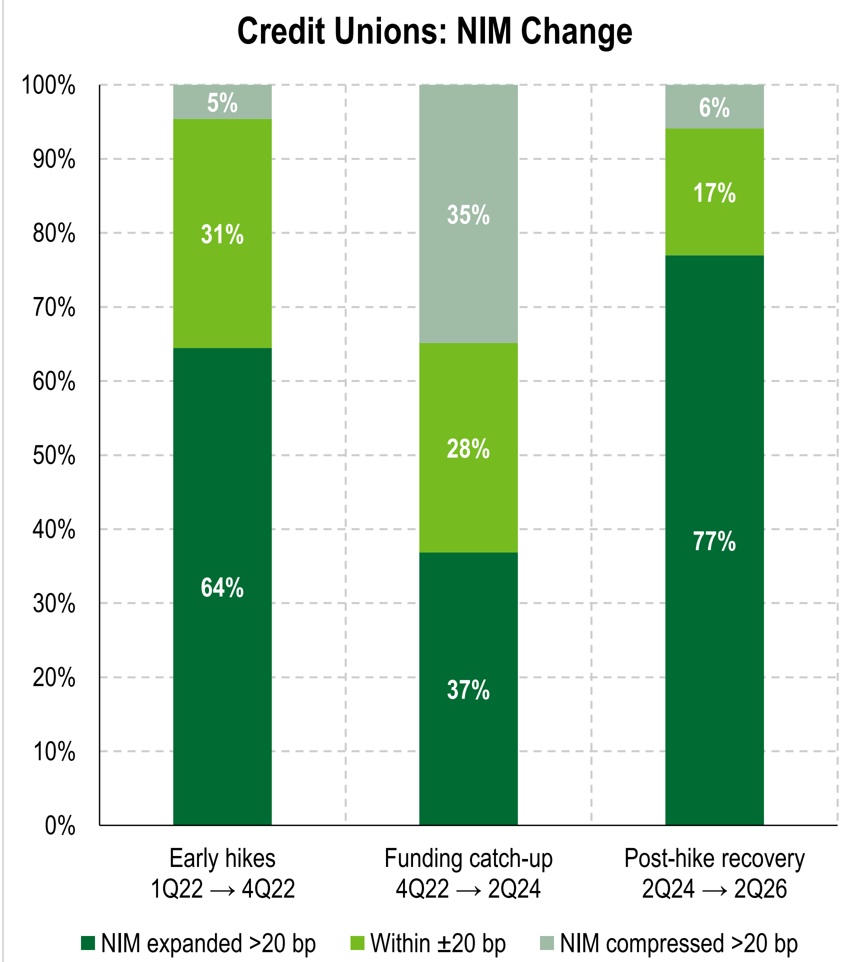


Source: S&P Global, FHLBank Boston

NIM Change by Rate-Cycle Phase

Banks have recovered more sharply after hikes ended but had more ground to recover.

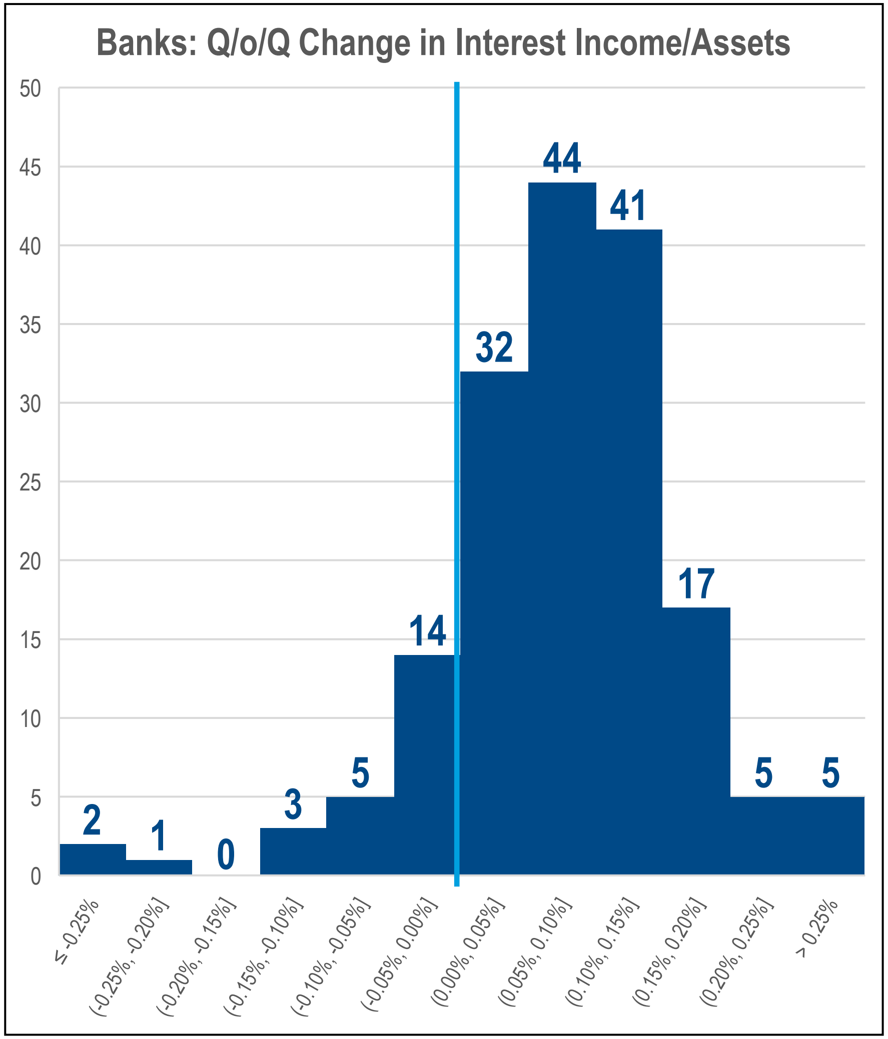


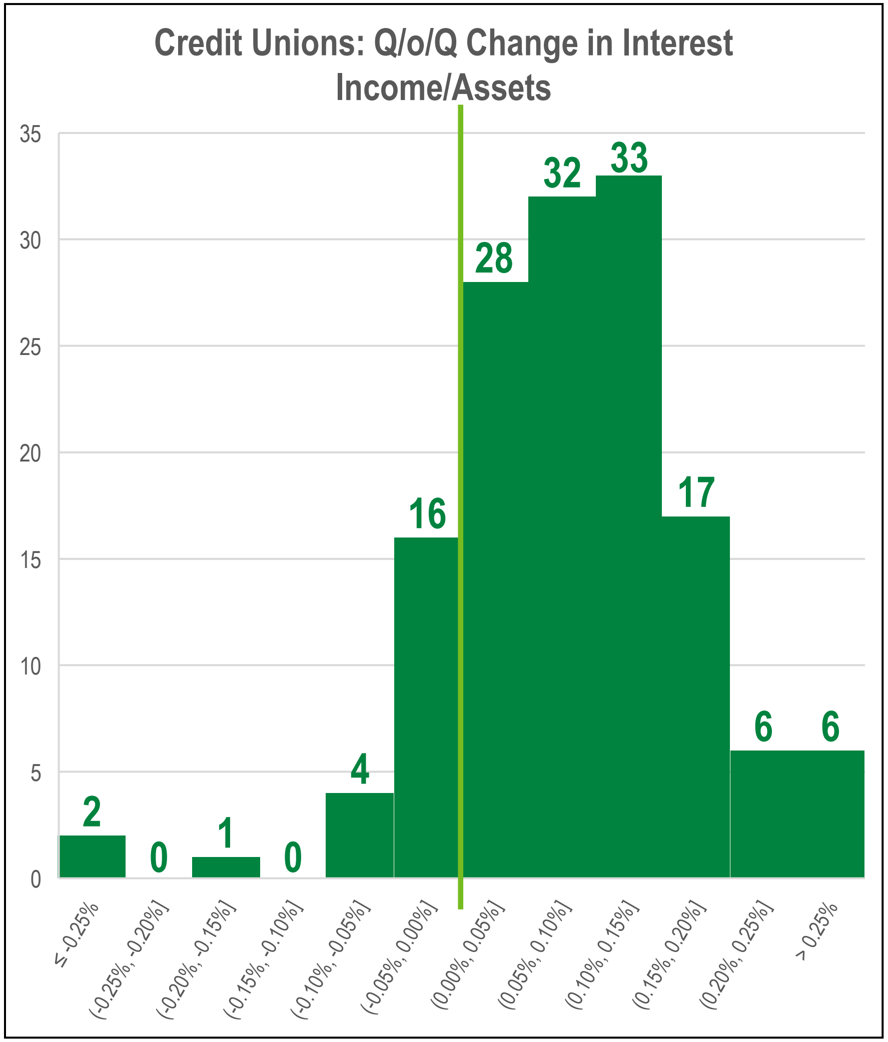


Source: S&P Global, FHLBank Boston

What is Driving Margin Expansion?

Adding higher asset yields through both growth and replacement is powering improvements in margin.

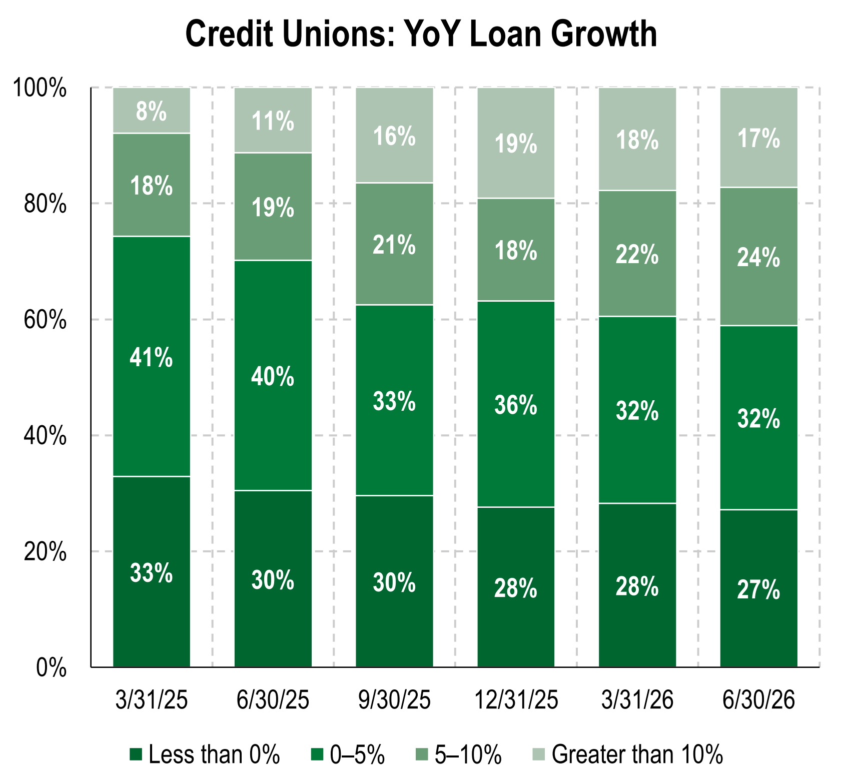


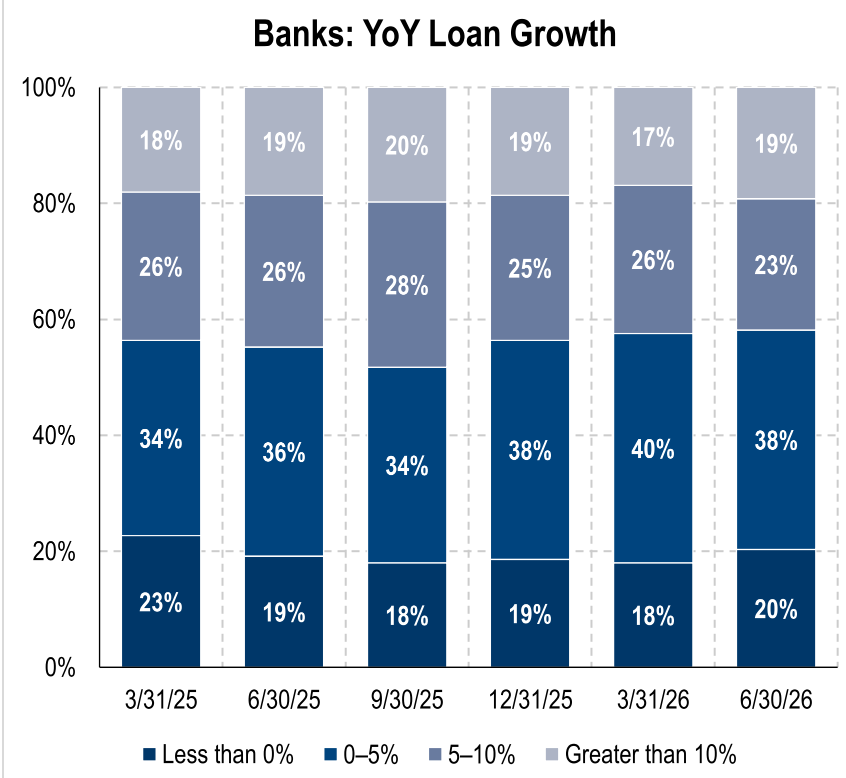


Source: S&P Global, FHLBank Boston

Loan Growth

Median growth has eased while the tails widened.



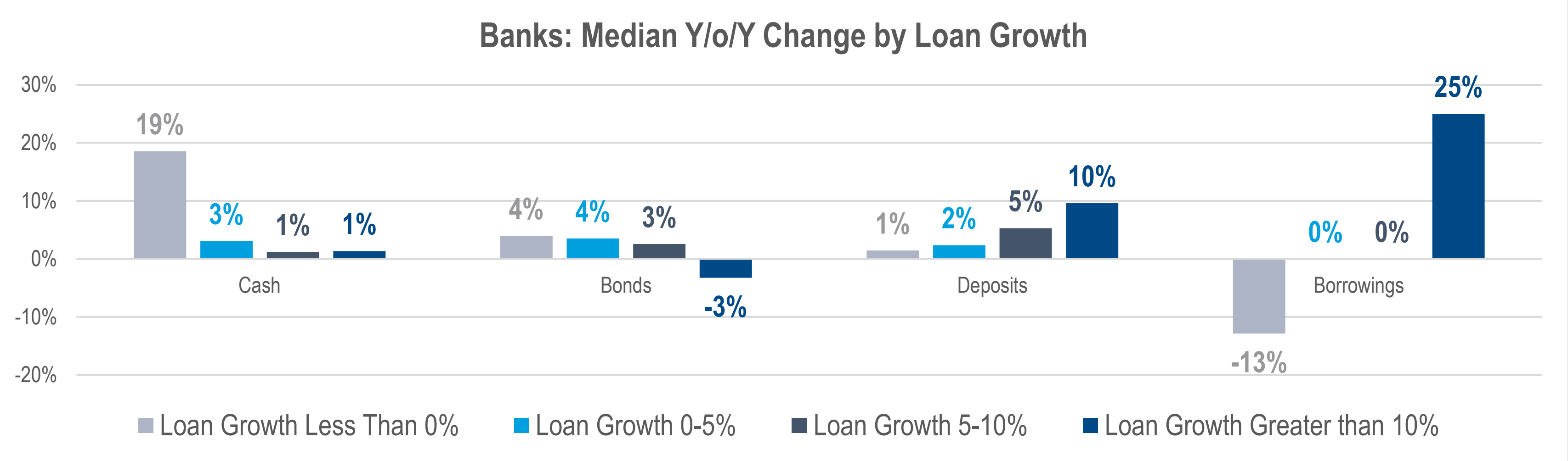


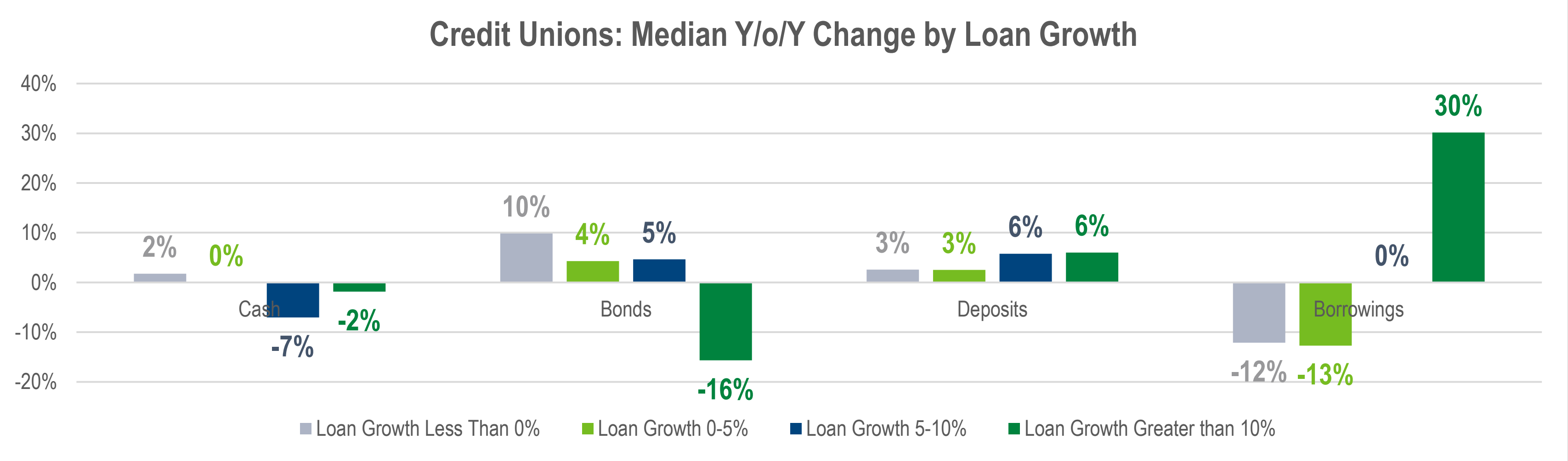
Median Loan Growth	3/31/2025	6/30/2025	9/30/2025	12/31/2025	3/31/2026	6/30/2026
Credit Unions	2.10%	2.30%	2.74%	3.14%	3.04%	2.78%
Banks	4.15%	4.34%	4.69%	4.11%	4.17%	3.81%

Source: S&P Global, FHLBank Boston

Loan Growth's Impact on the Rest of the Balance Sheet

There has been a wide variety of approaches to deploying and sourcing liquidity to meet uneven loan demand.

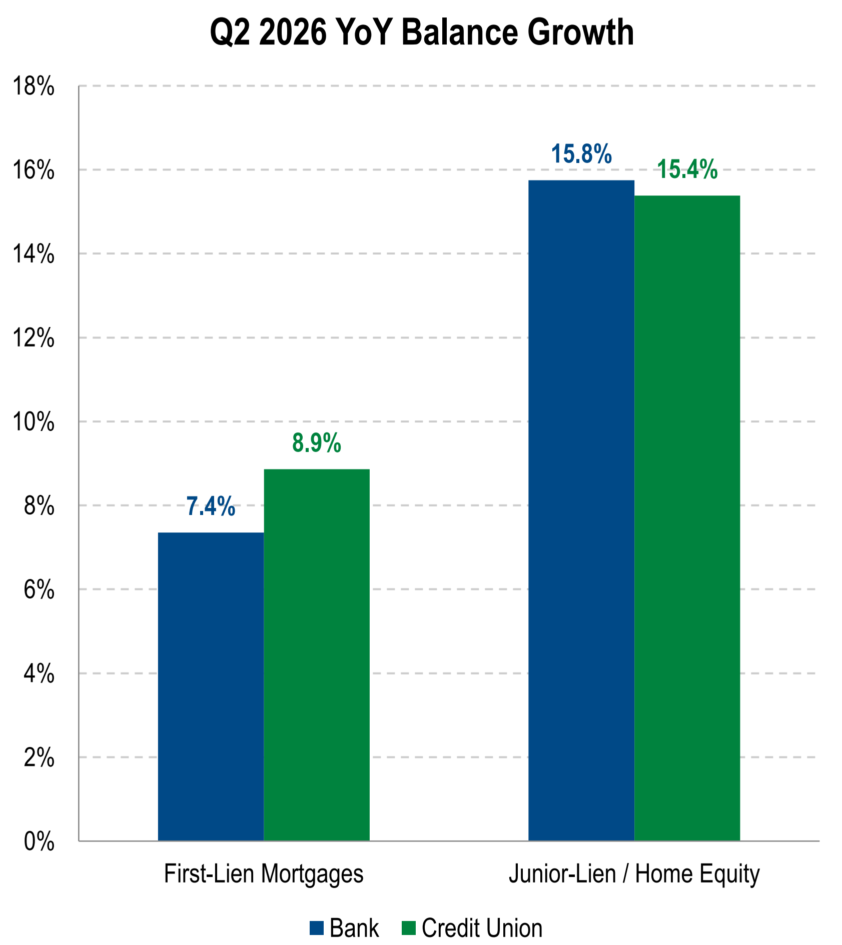


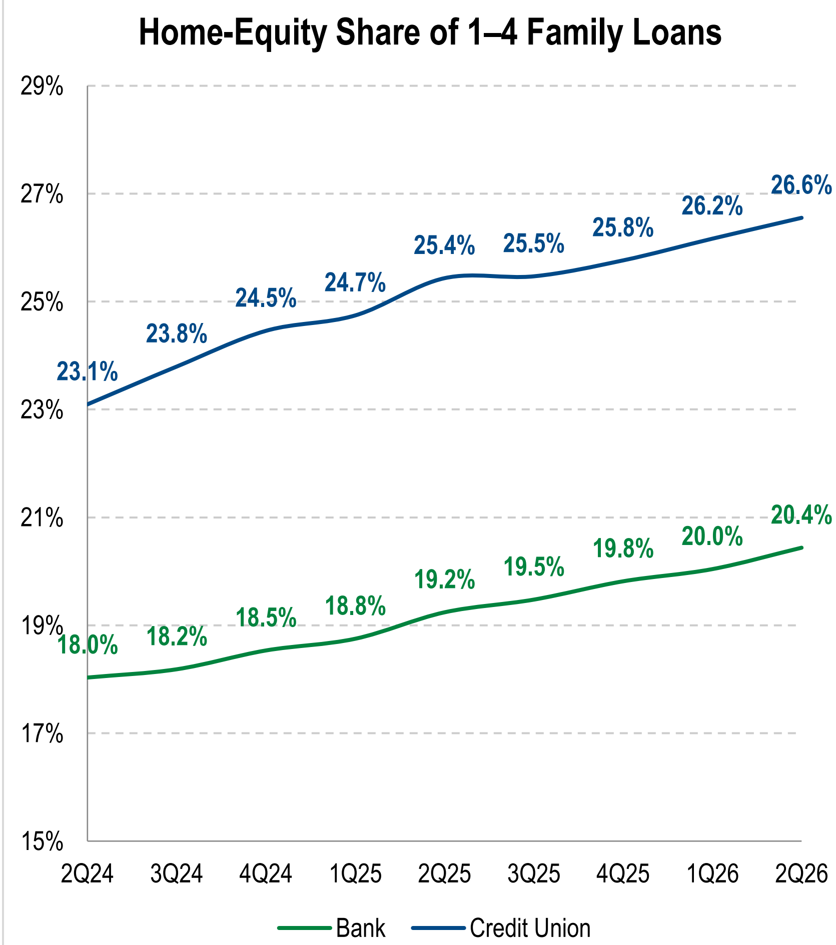


Source: S&P Global, FHLBank Boston

Residential Loan Growth

Home equity is growing about twice as fast as first liens.

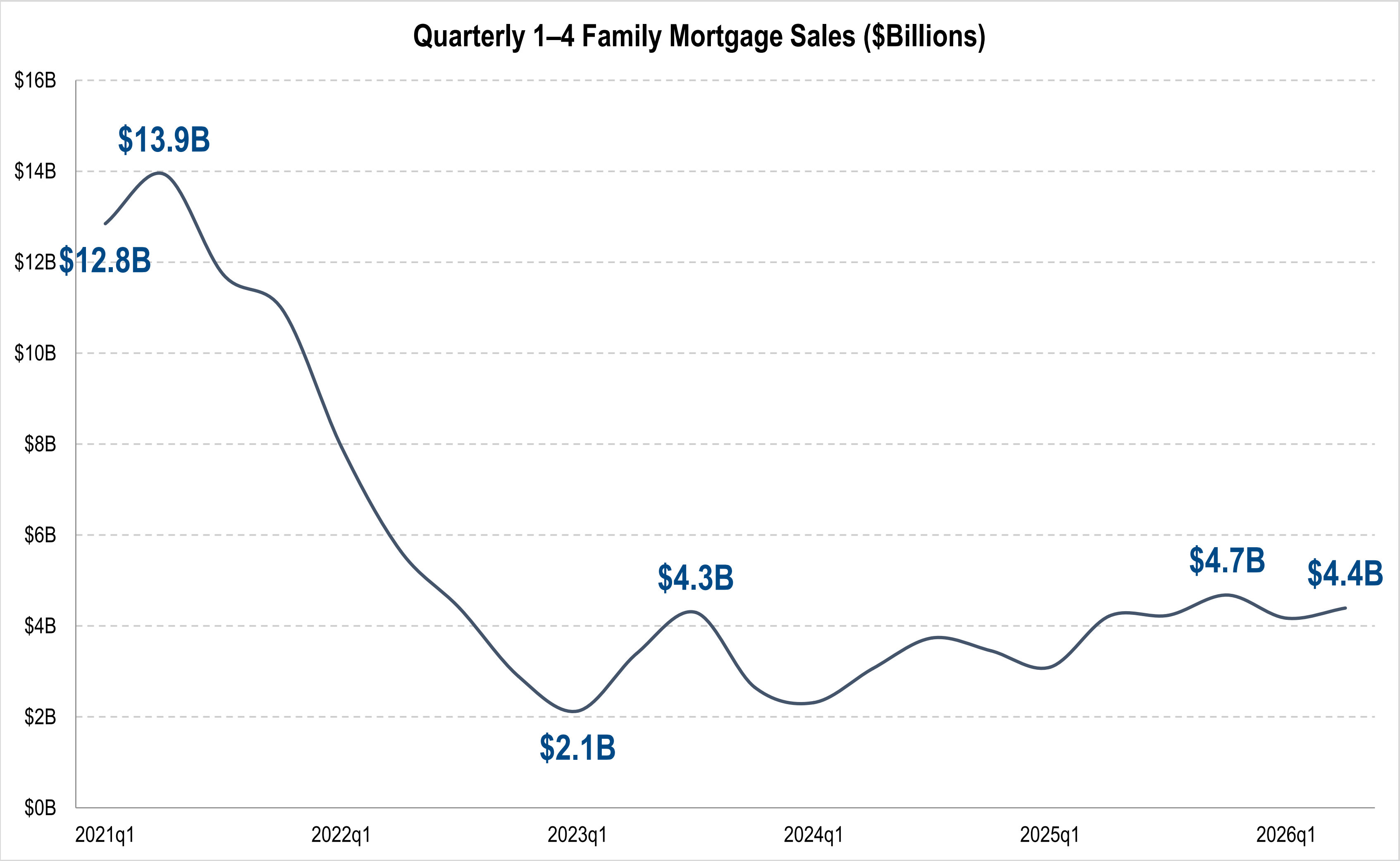




Source: S&P Global, FHLBank Boston

Residential Mortgage Sales Activity

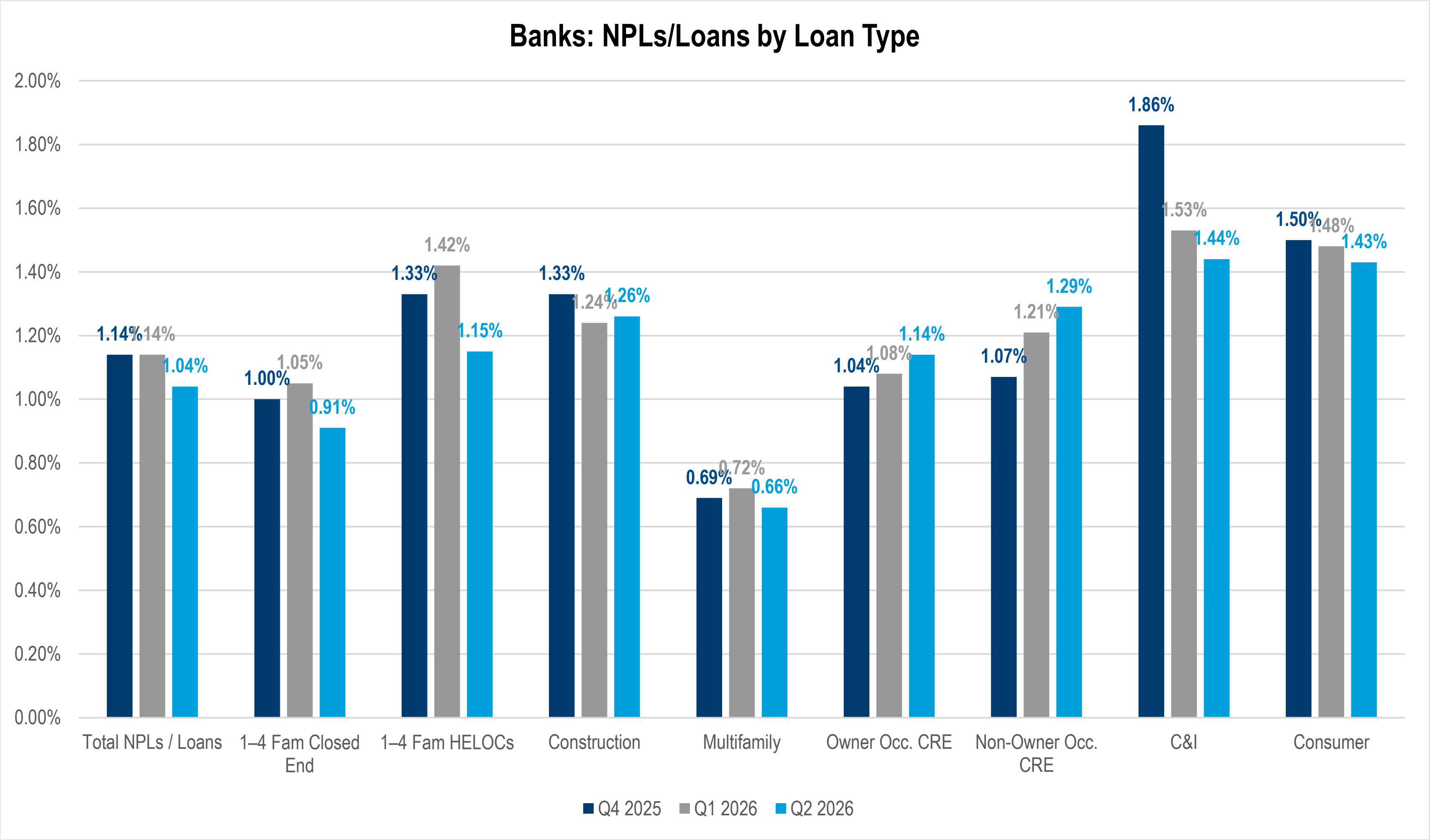
Sales have recovered from the 2023 trough.



Source: S&P Global, FHLBank Boston

Banks: Credit Performance

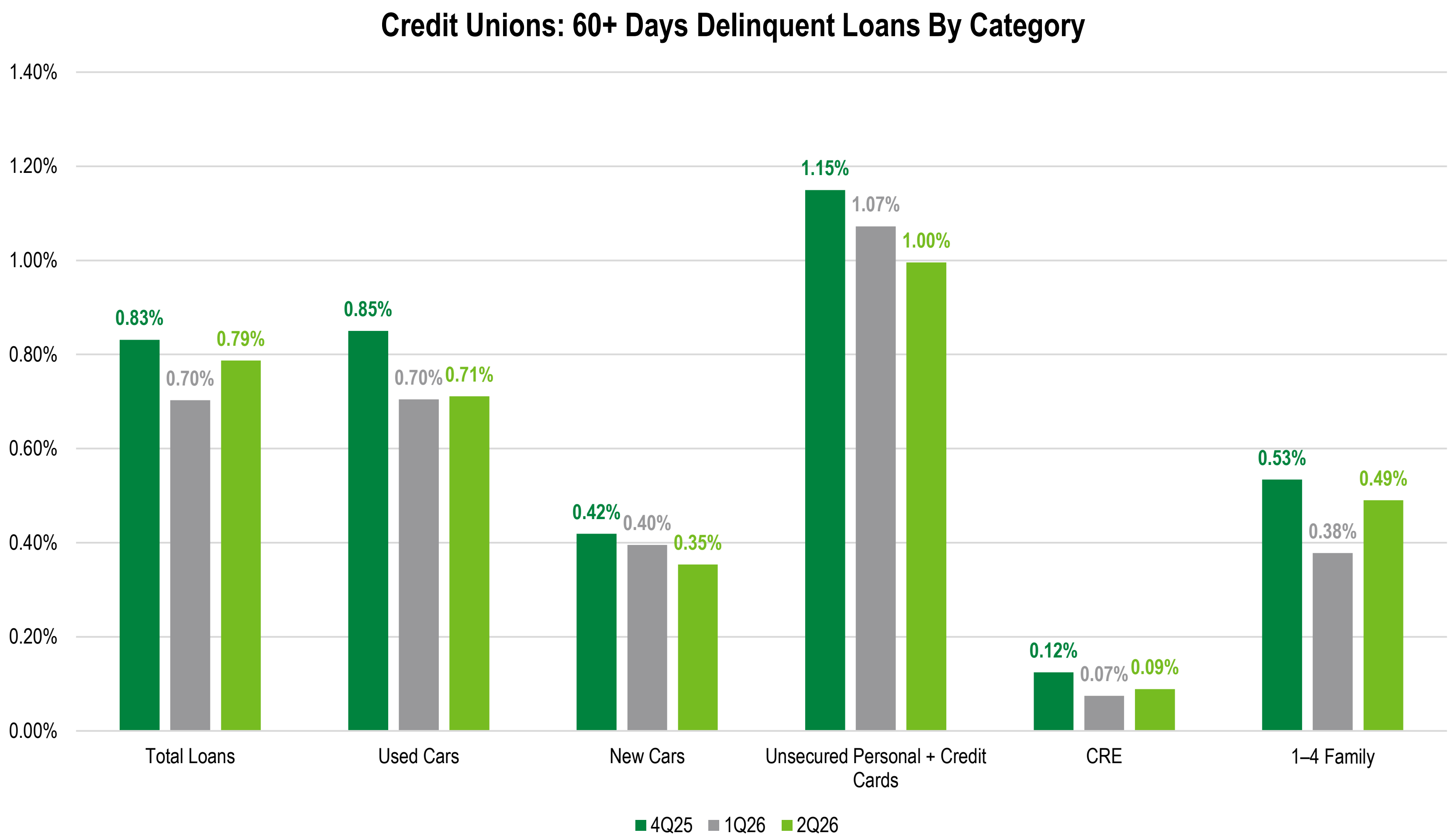
Residential and consumer non-performing loans improved in Q2.



Source: S&P Global, FHLBank Boston

Credit Unions: Credit Performance

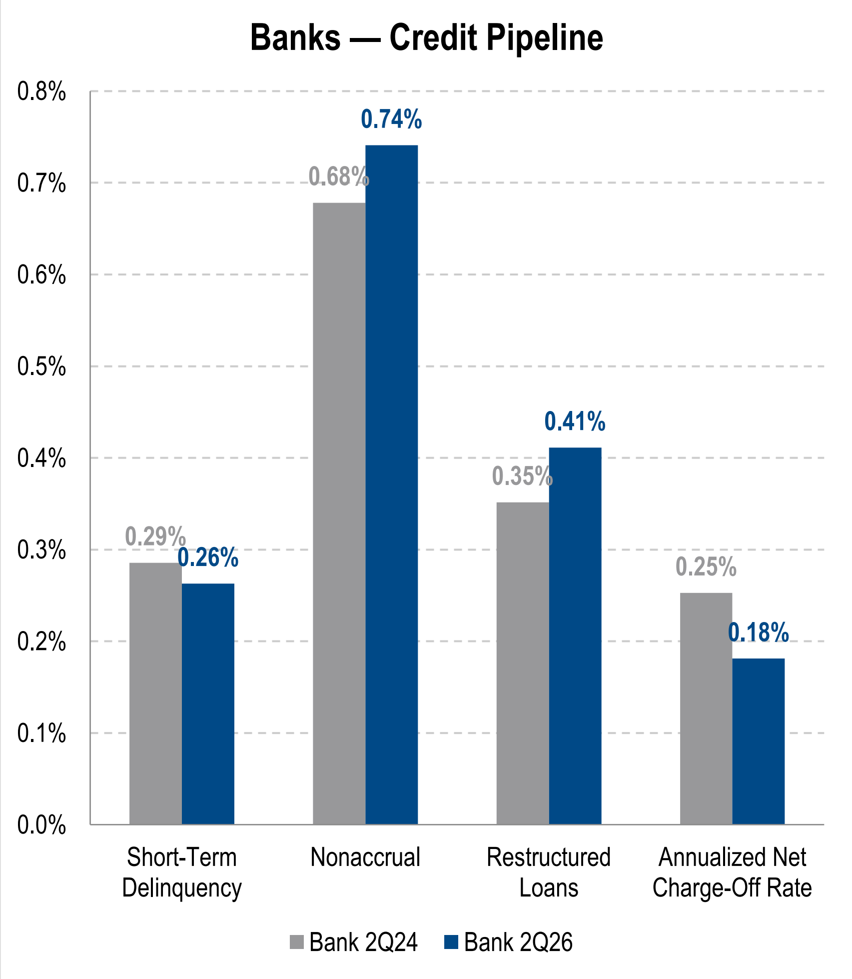
Q2 deterioration was concentrated in 1–4 family loans.

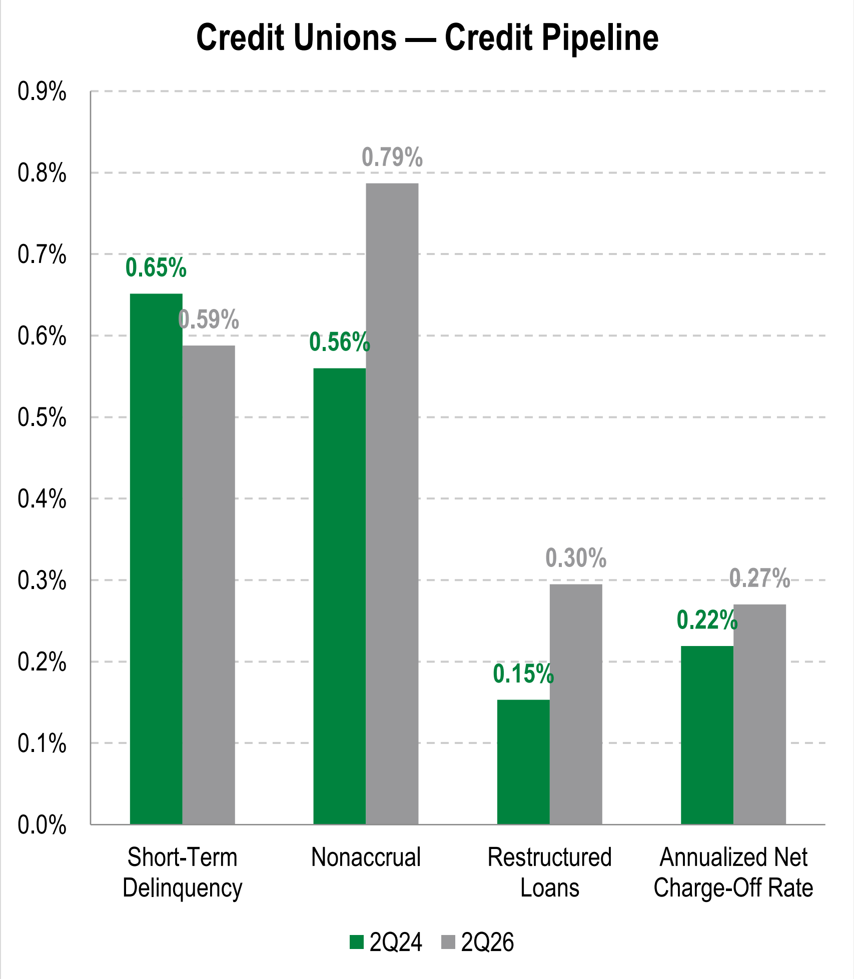


Source: S&P Global, FHLBank Boston

Credit Pipeline

Nonaccruals and restructurings have increased.

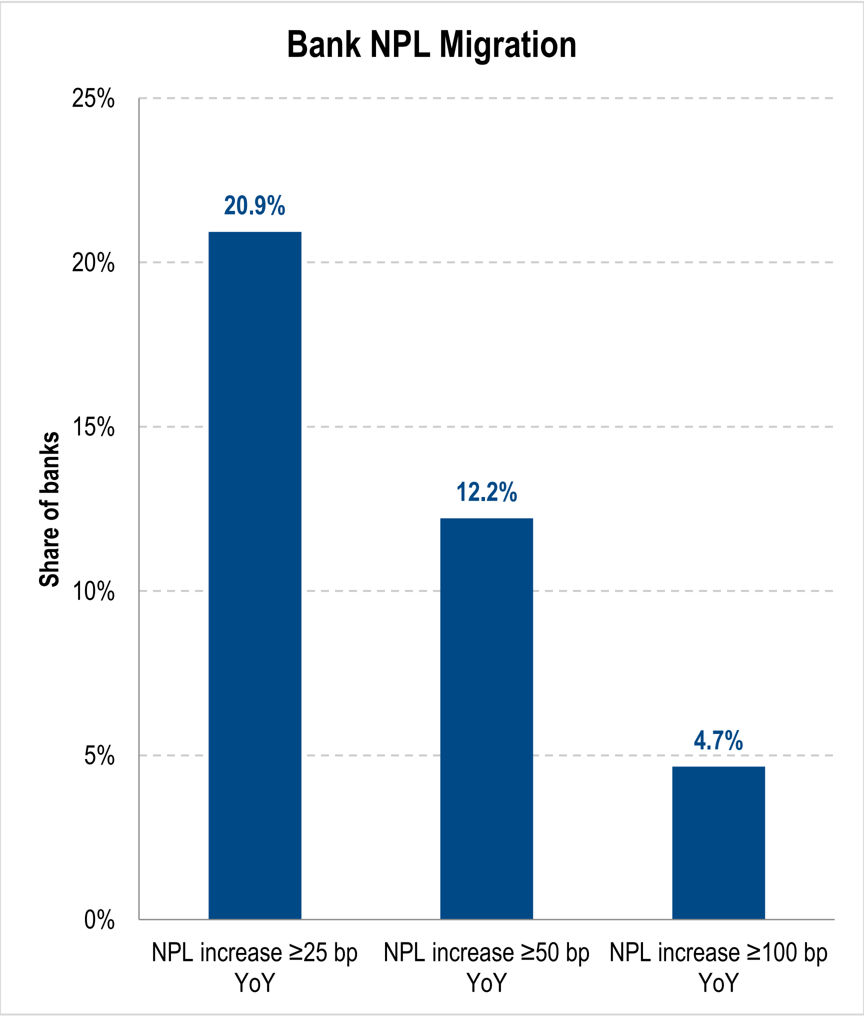


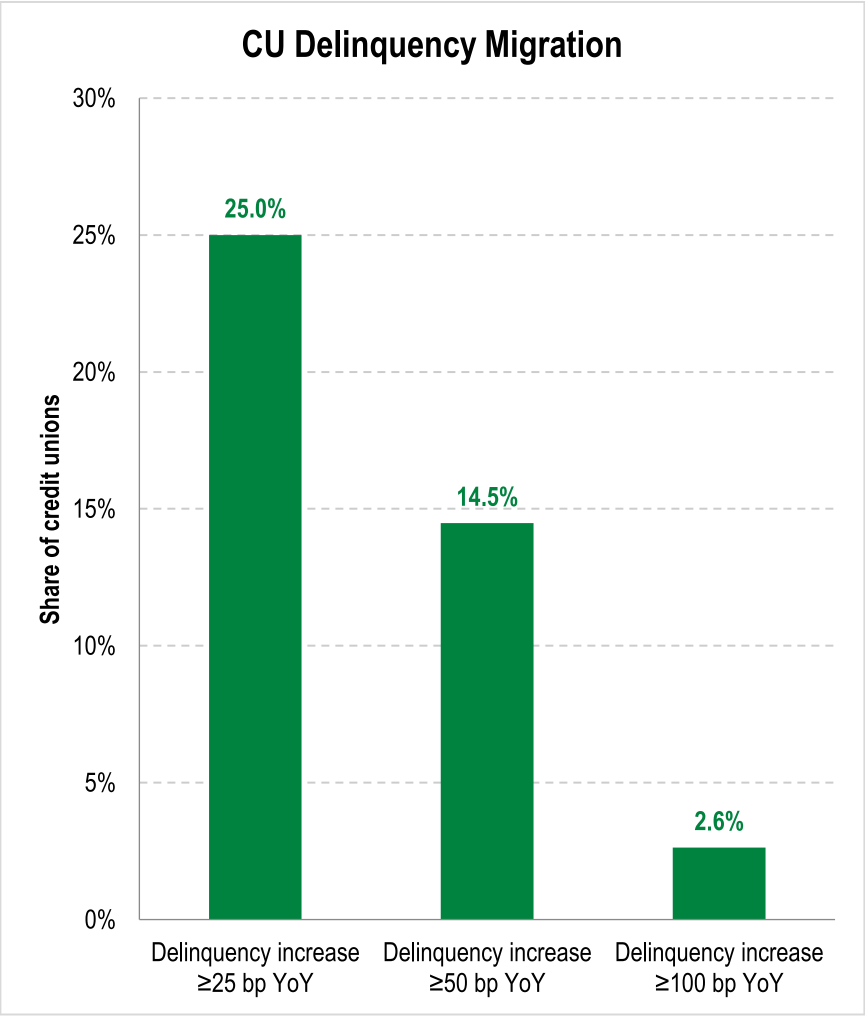


Source: S&P Global, FHLBank Boston

Credit Migration

Significant deterioration is concentrated in just a handful of institutions.

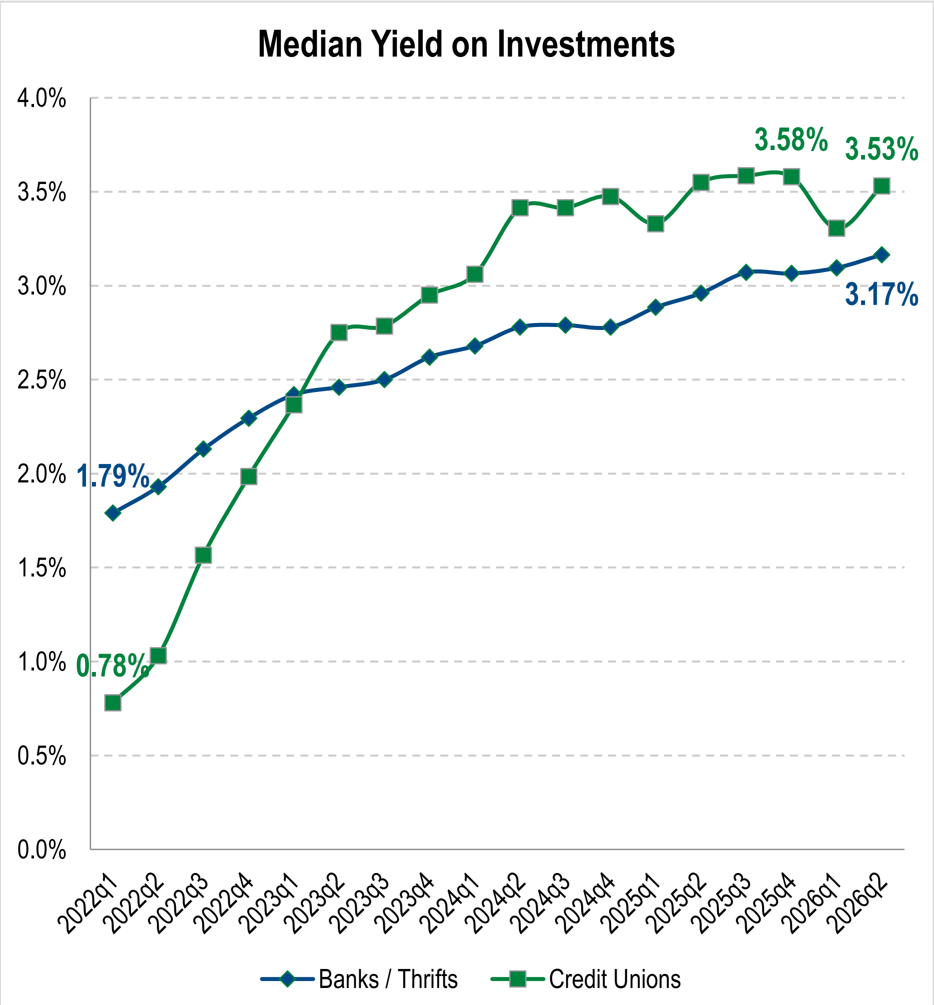


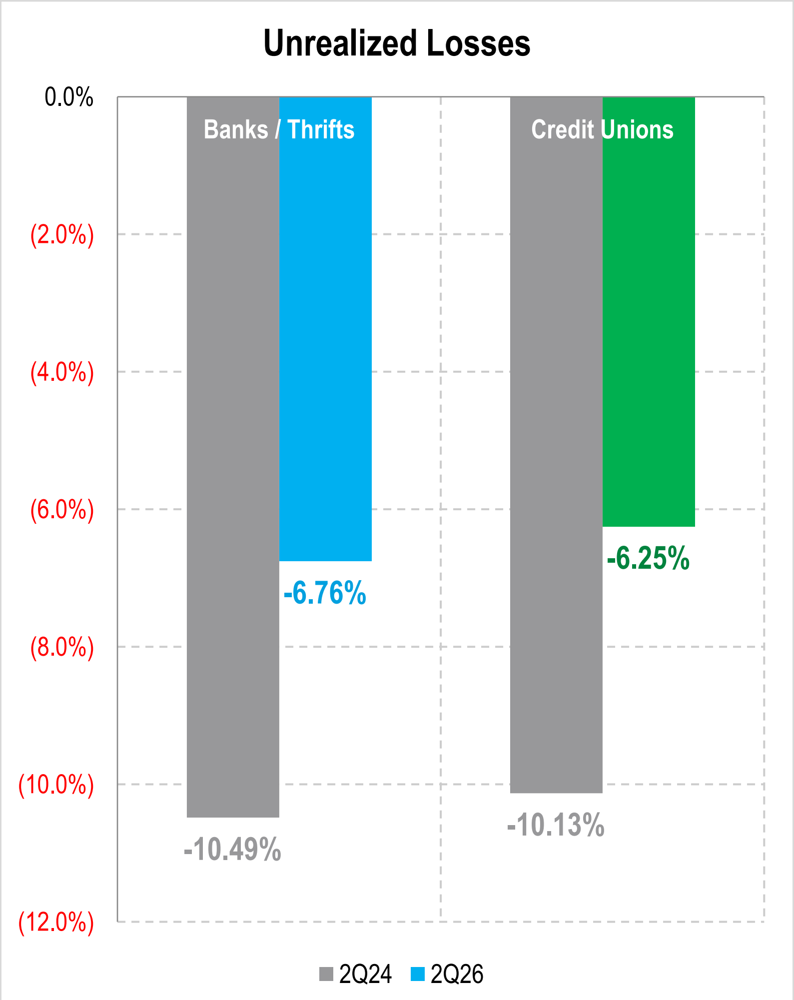


Source: S&P Global, FHLBank Boston

Investment Yields and Marks

Yields are rising as valuation discounts narrow.

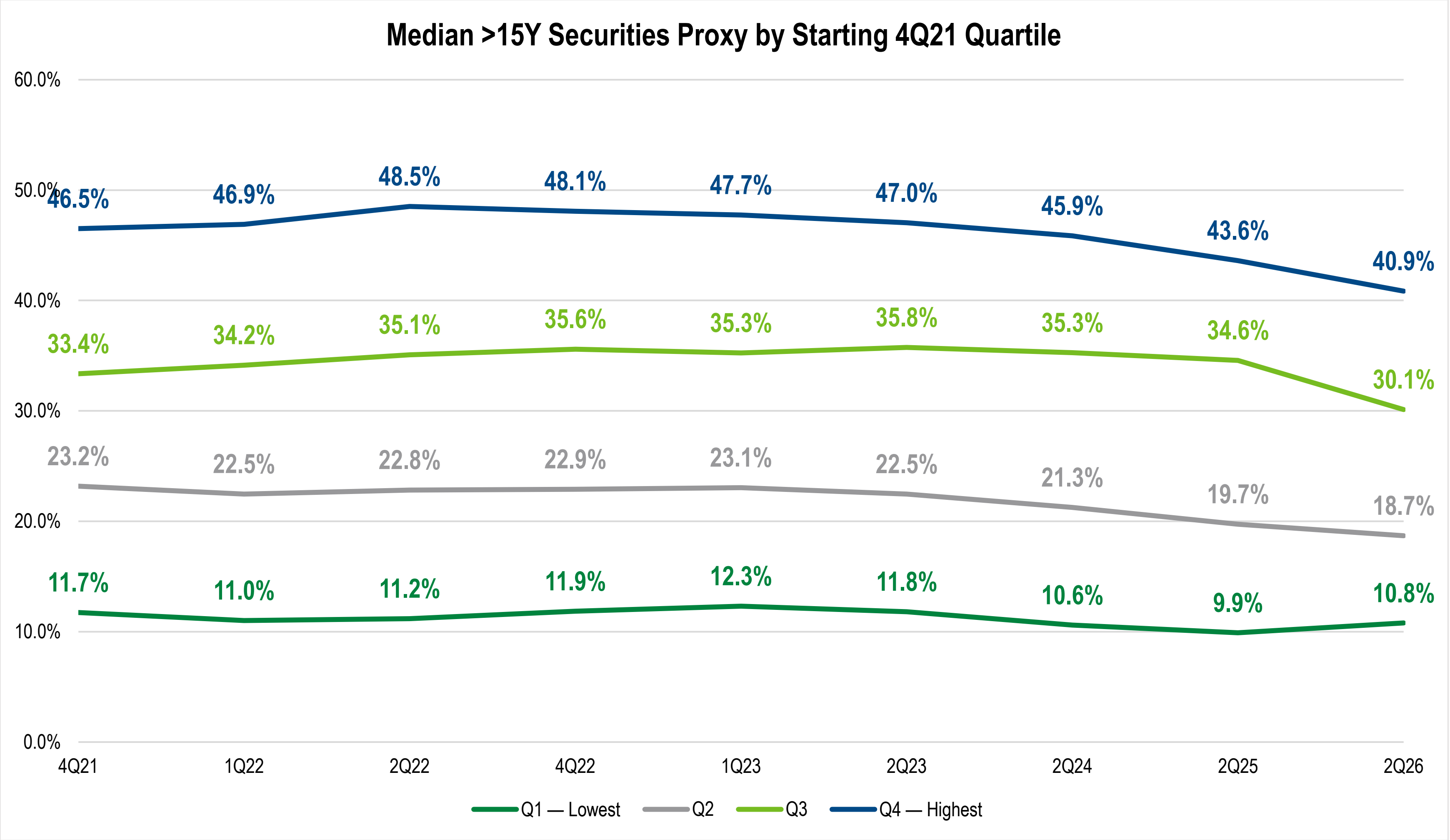




  Source: S&P Global, FHLBank Boston

Long-Duration Securities Exposure

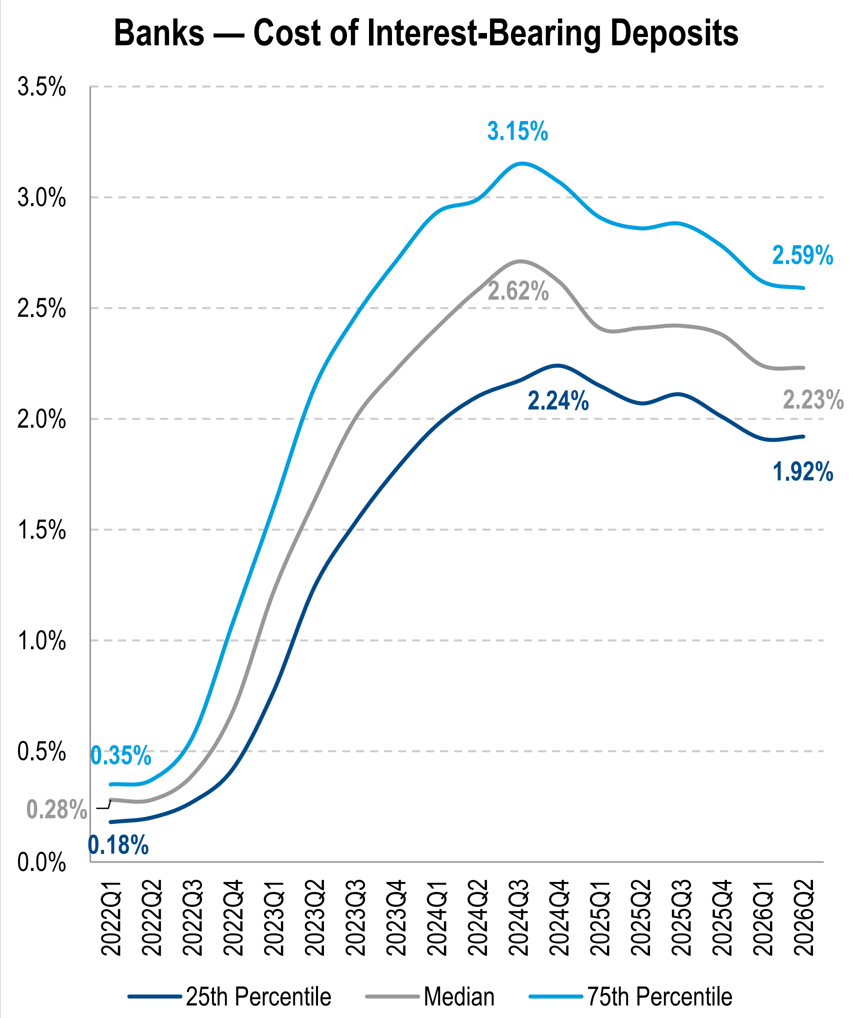
The highest-duration banks reduced >15Y exposure the most.

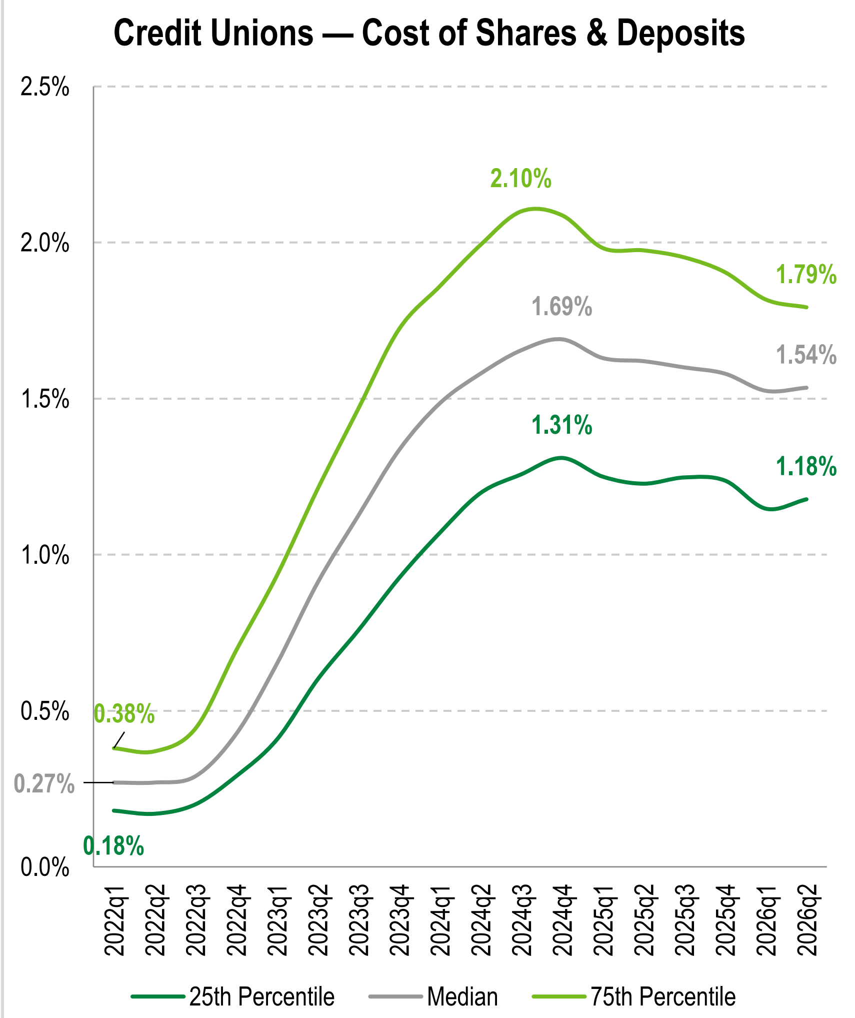


Source: S&P Global, FHLBank Boston

Deposit Cost Trends

Costs are easing slowly, even as short-term rates remain higher than originally expected.

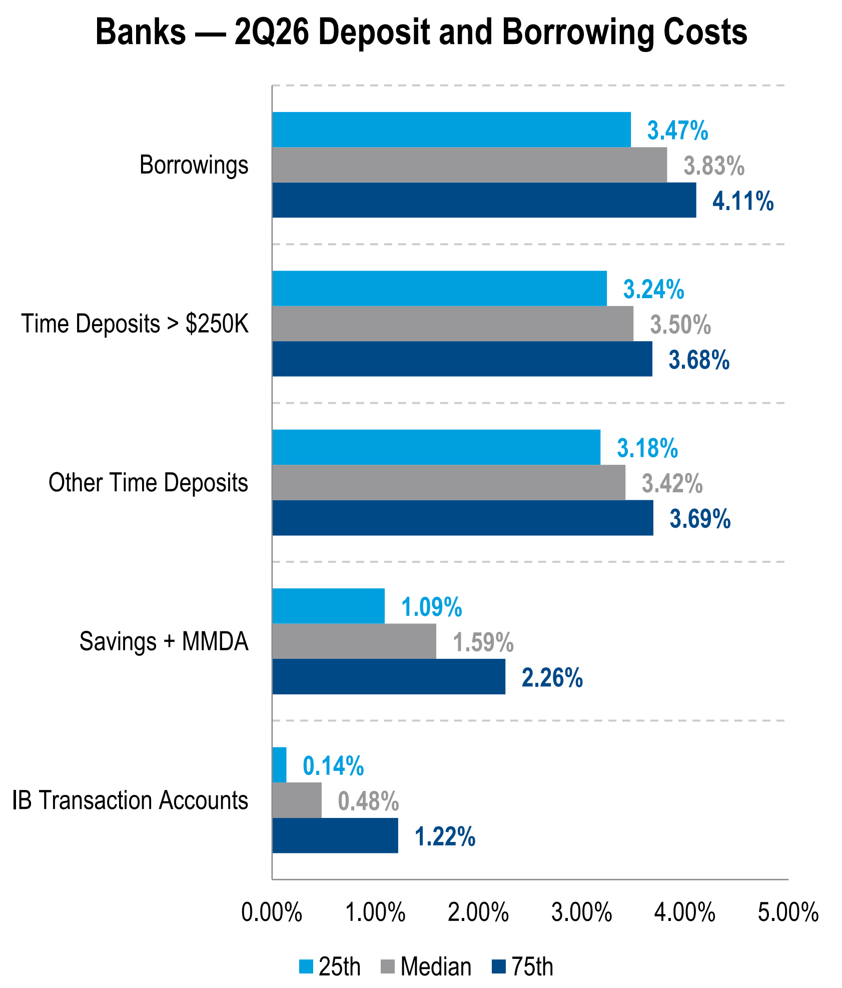


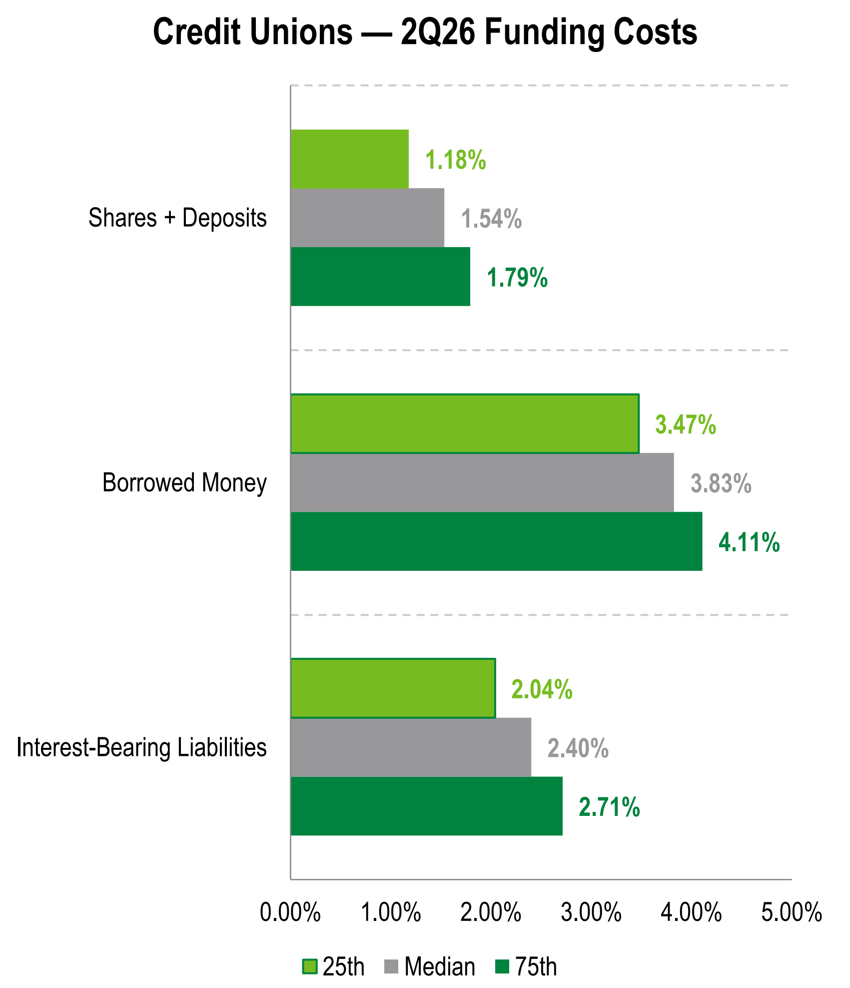


  Source: S&P Global, FHLBank Boston

Funding Costs

Term deposits and borrowings sit at the high end.

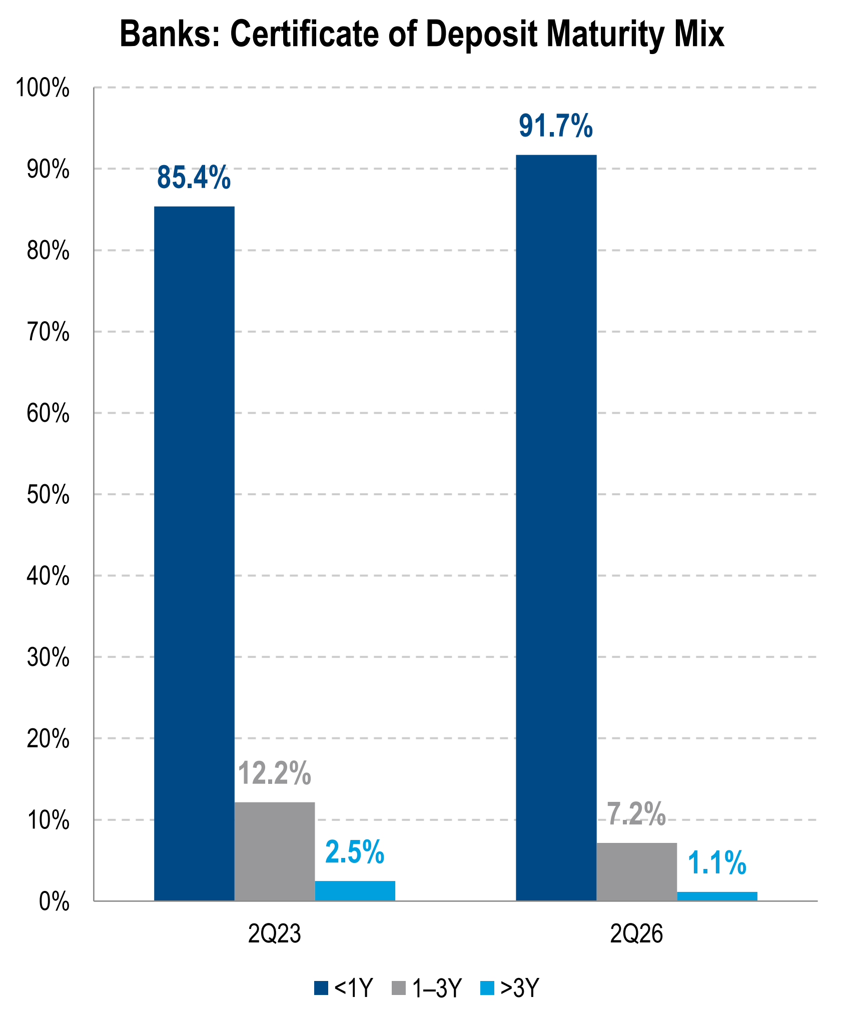


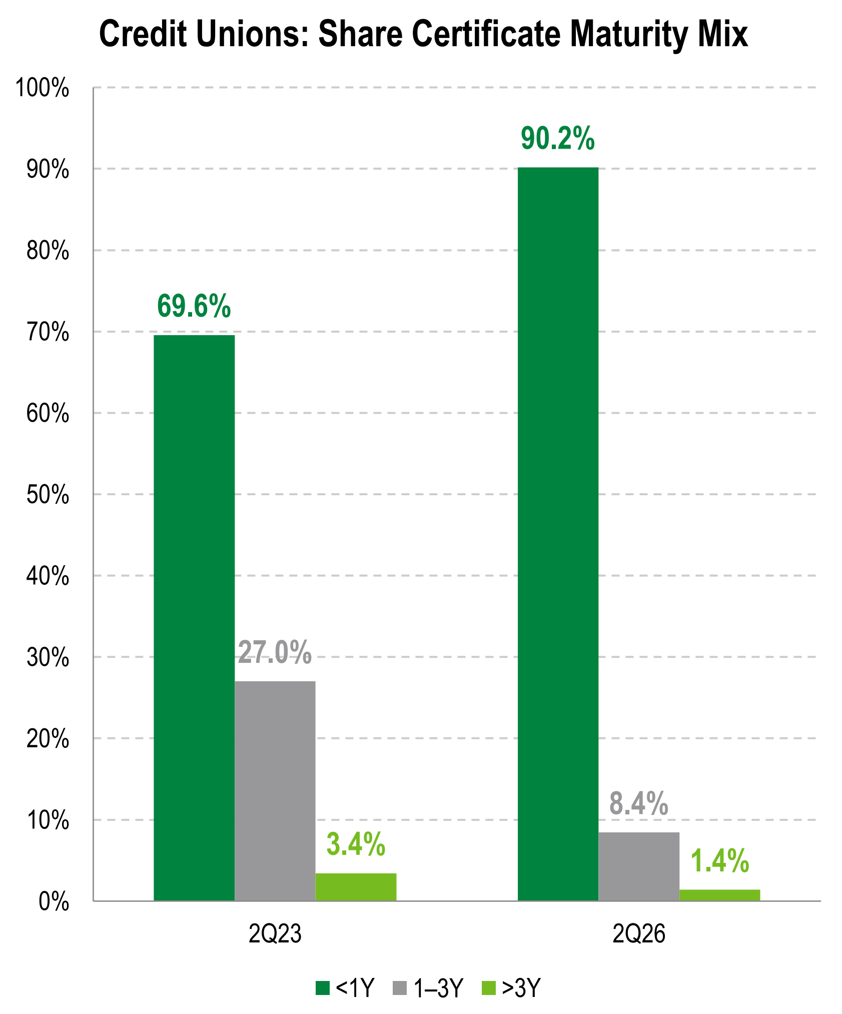


Source: S&P Global, FHLBank Boston

Term Deposit Maturities

More than 90% mature within one year.





Source: S&P Global, FHLBank Boston

Balance Sheet Strategies

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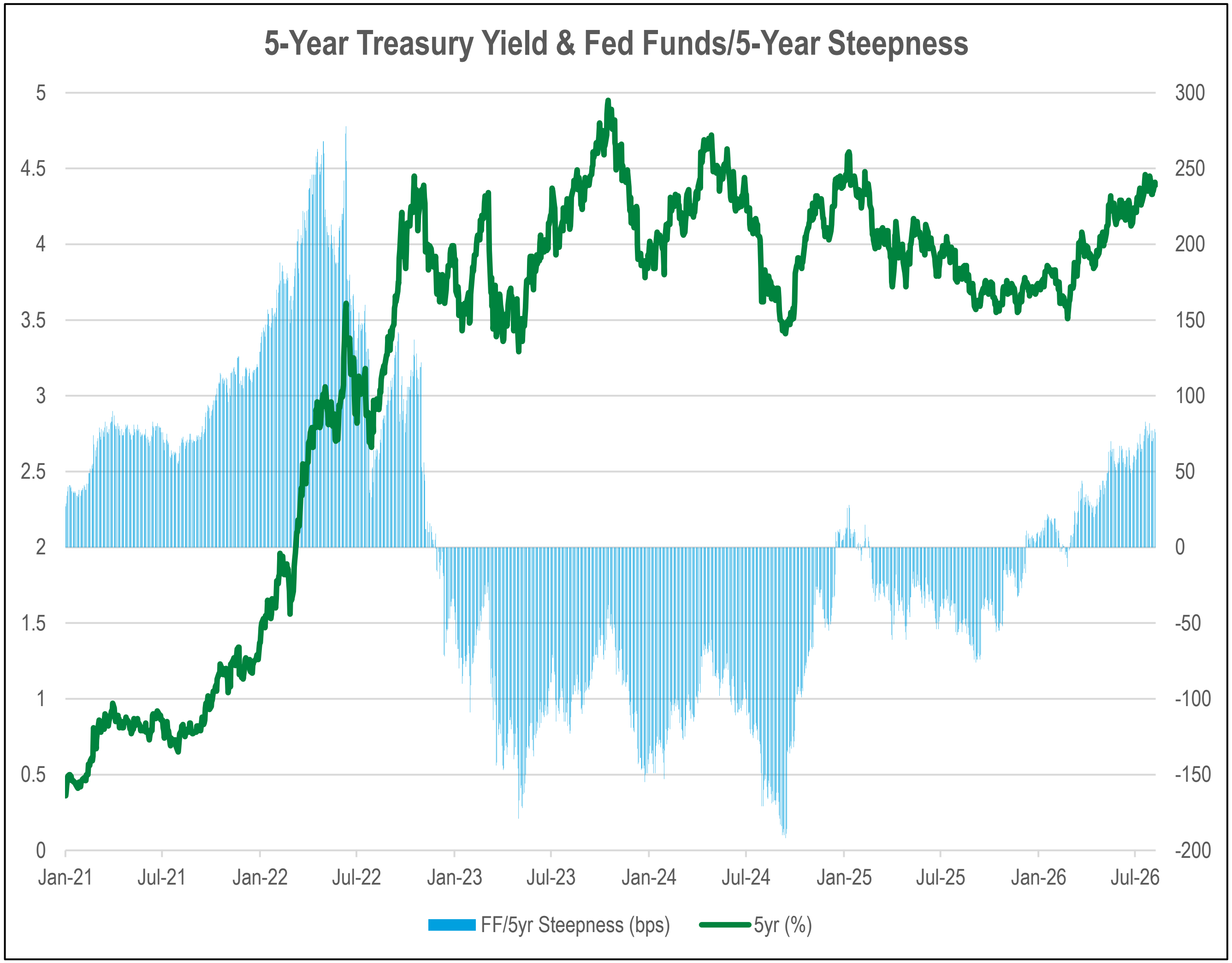
Strategic partnerships. Reliable funding.

Balance Sheet Strategies

- The Yield Curve is our Friend Right Now
  - Lending
  - Deposits
  - Investments

Favorable Yield Curve Conditions

A positively sloped yield curve, along with favorable levels for asset and liability positioning, is a welcome development.

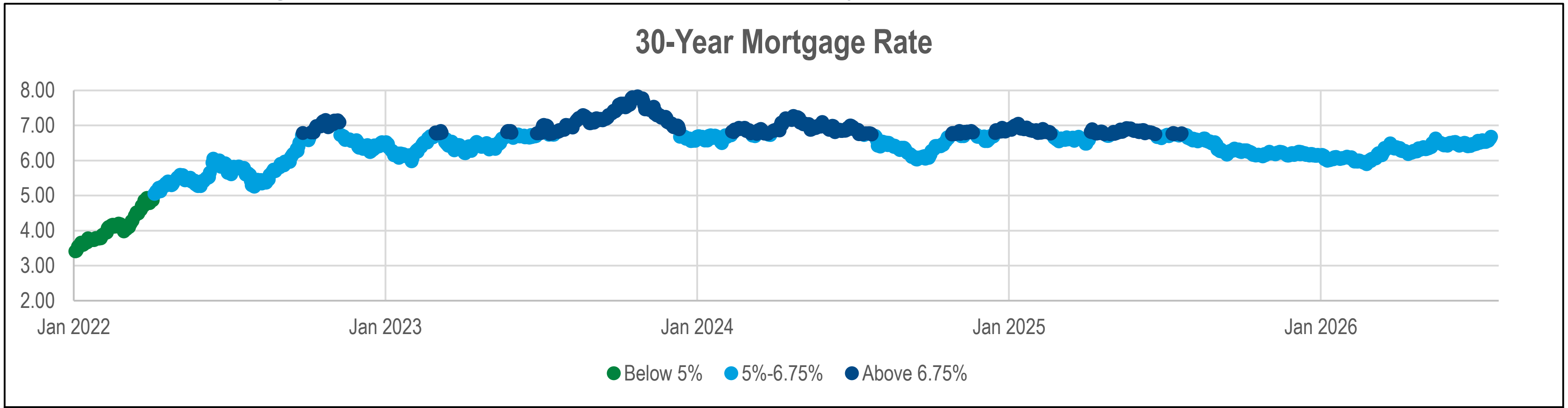


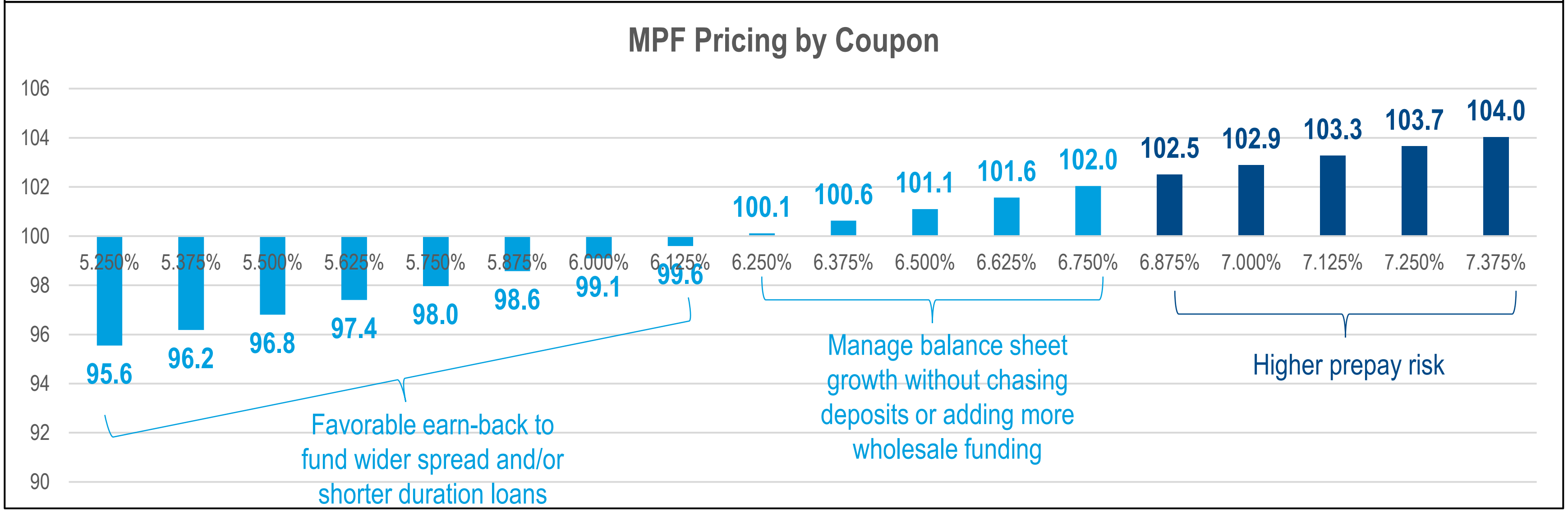
- Term rates at cyclically high levels
- Positive slope between overnight & intermediate rates
- Room for the front-end to reprice lower

Source: Federal Reserve via FRED, FHLBank Boston

Mortgages: New & Seasoned

With deposit gathering conditions challenging, a scan of the existing portfolio can offer a way to optimize earnings as well as interest-rate and prepayment risks.

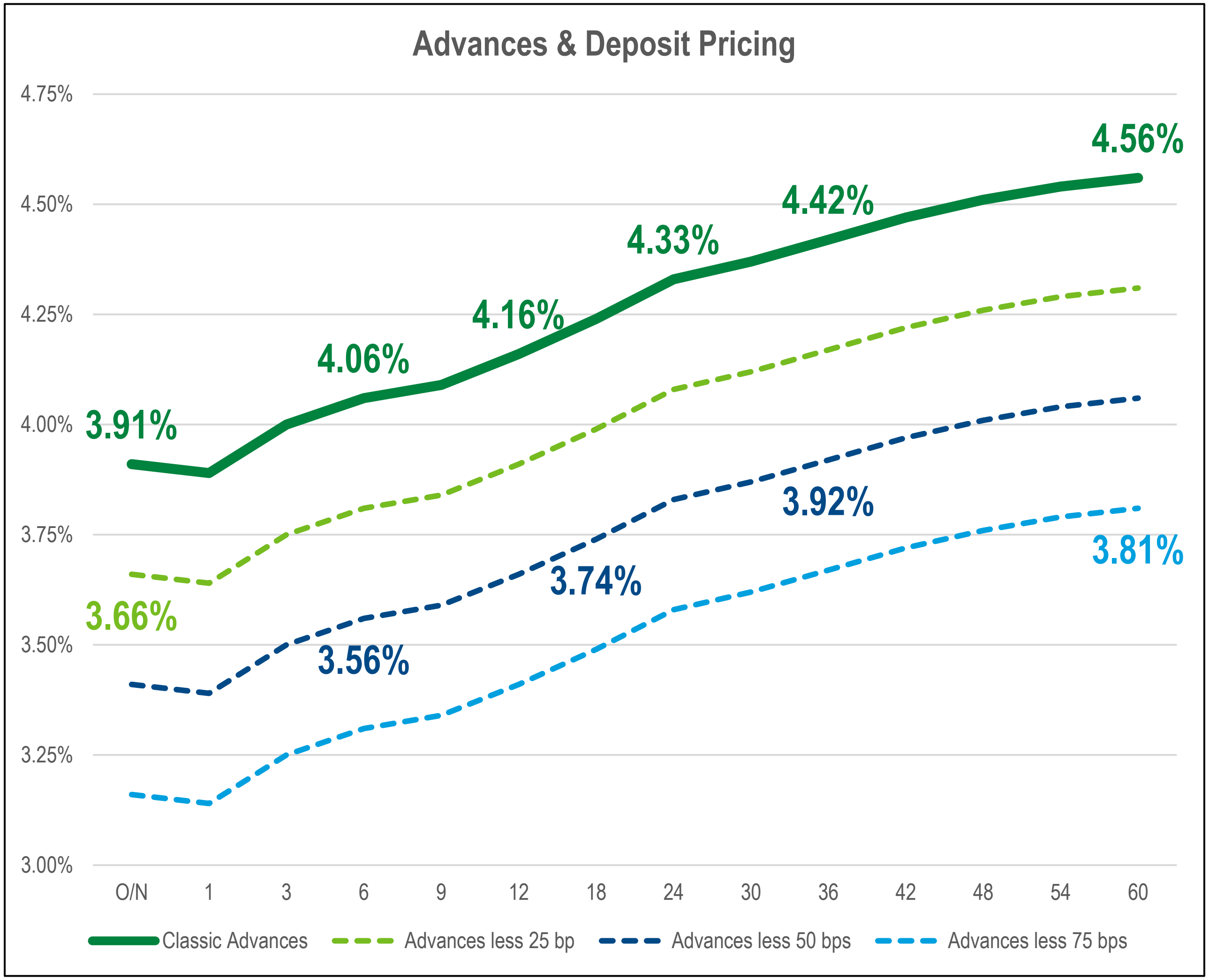




Source: FHLBank Boston

Funding: What Type & What Part of the Curve?

The advance curve can help strategic deposit pricing adapt to the shifting expectations on the path of rates.



Deposit Pricing Strategy

Inclined to price aggressively? Yield curve slope helps. **Target Money Market Products at narrow spread to advances**

Opportunistically look to incent customers out the curve

Deposit customer preferences often don't align with ALM needs- backfill with advances fit for the balance sheet

Source: FHLBank Boston

Investment Strategy

Higher for longer has allowed for more opportunities to accelerate asset repricing and support the core balance sheet.

Asset Sensitive & Liquidity Light?

Utilize short-term funding (SOFR Floaters?) to add duration and liquid assets

Pull-Forward Reinvestment

Align advances with expected near-term roll-off

Create capacity to add duration

Slight liability extension (1-2yr). Stable spread now, interest-rate risk later- when the balance sheet may be better prepared to absorb it

Questions?

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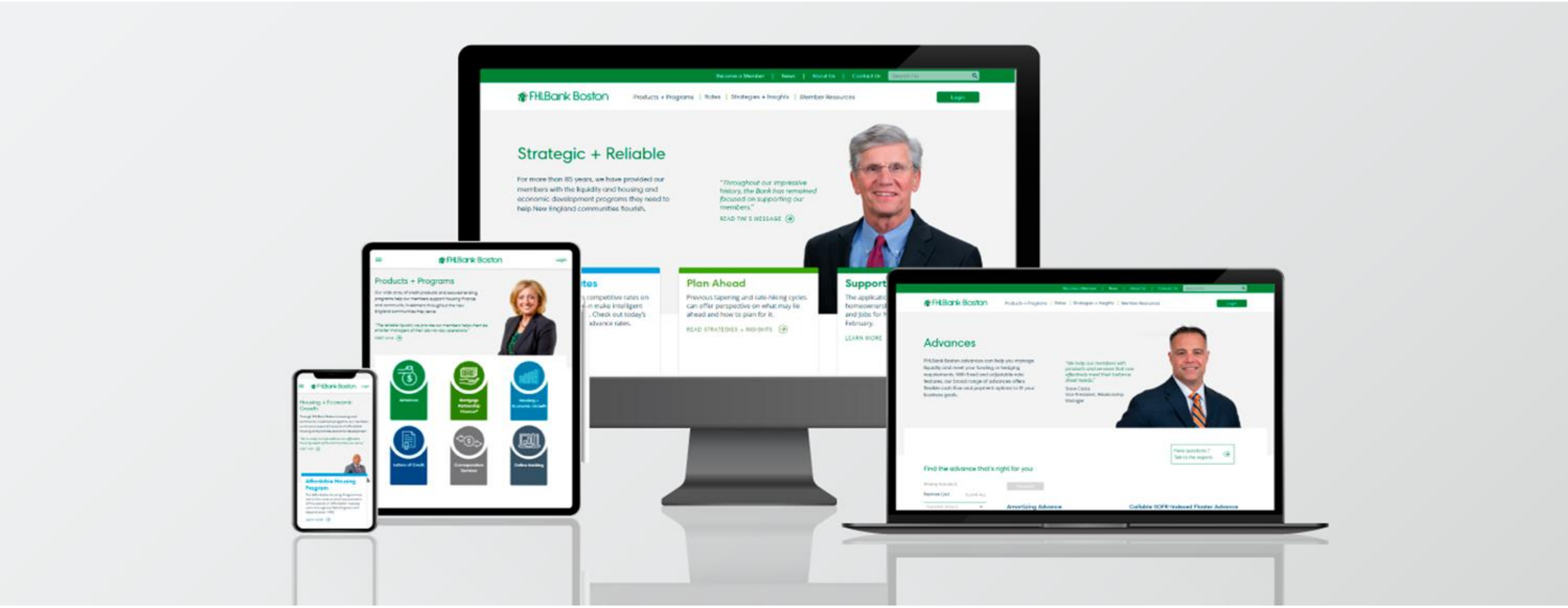

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Thank You

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