Peer Analysis & Balance Sheet Strategies Update

FHLBank Boston

Strategic partnerships. Reliable funding.

November 19, 2026

Classification: Public

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Today's Agenda

Markets & Economy

The path of interest rates, and keeping an eye on labor and inflation

Peer Analysis

Margin recovery, growth trends, and the credit pipeline

Balance Sheet Strategies

Deposit pricing, funding structure and asset decisions

Appendix

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Thanks for Being Able to Make it Today

FHLBank Boston branded carrier pigeons were almost deployed last week.



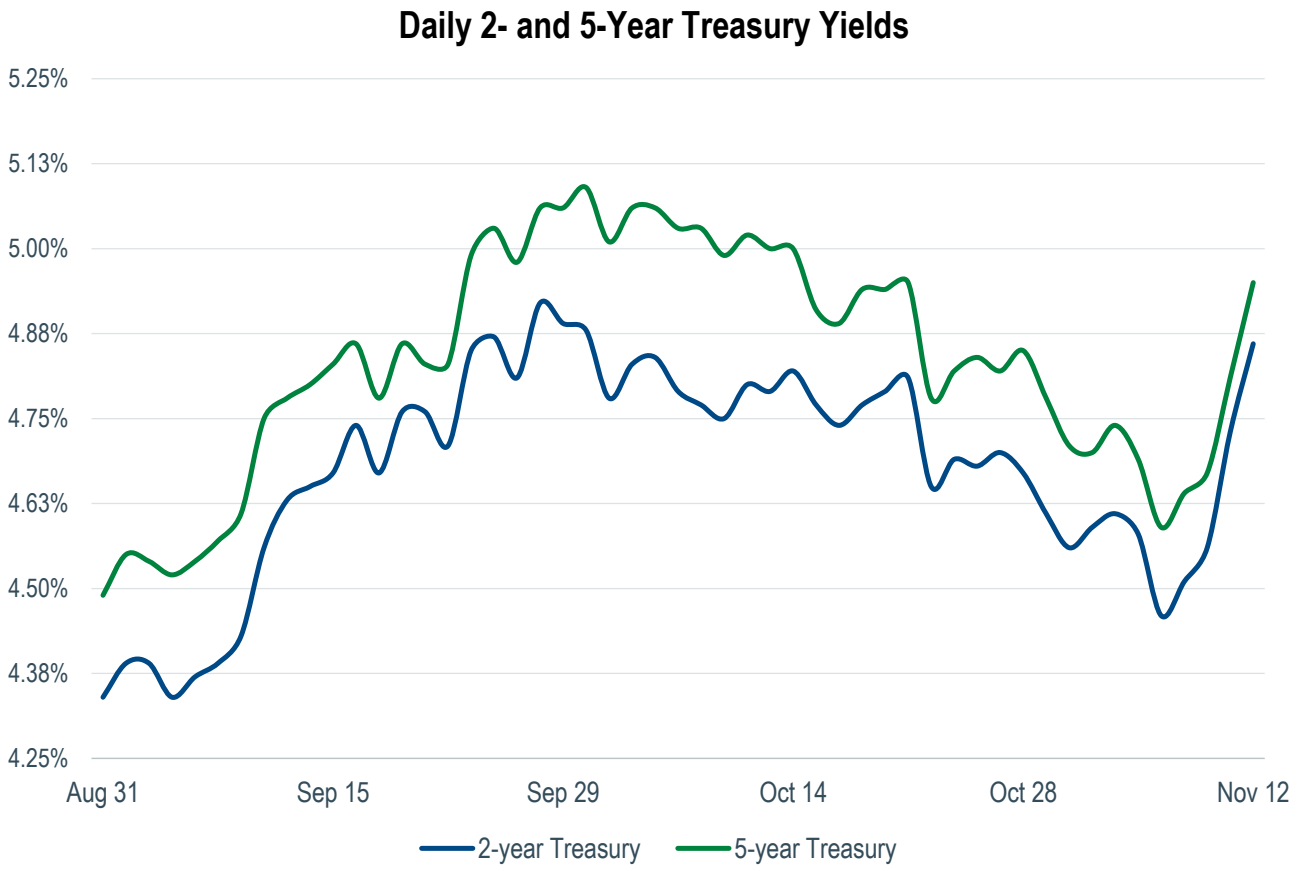
Markets & the Economy

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Term Rates: Recovery & Reversal

Yields rallied to start the fourth quarter but have recently given back some of those gains.



5-year Treasury

5.09%

September 30

4.59%

November 5

4.95%

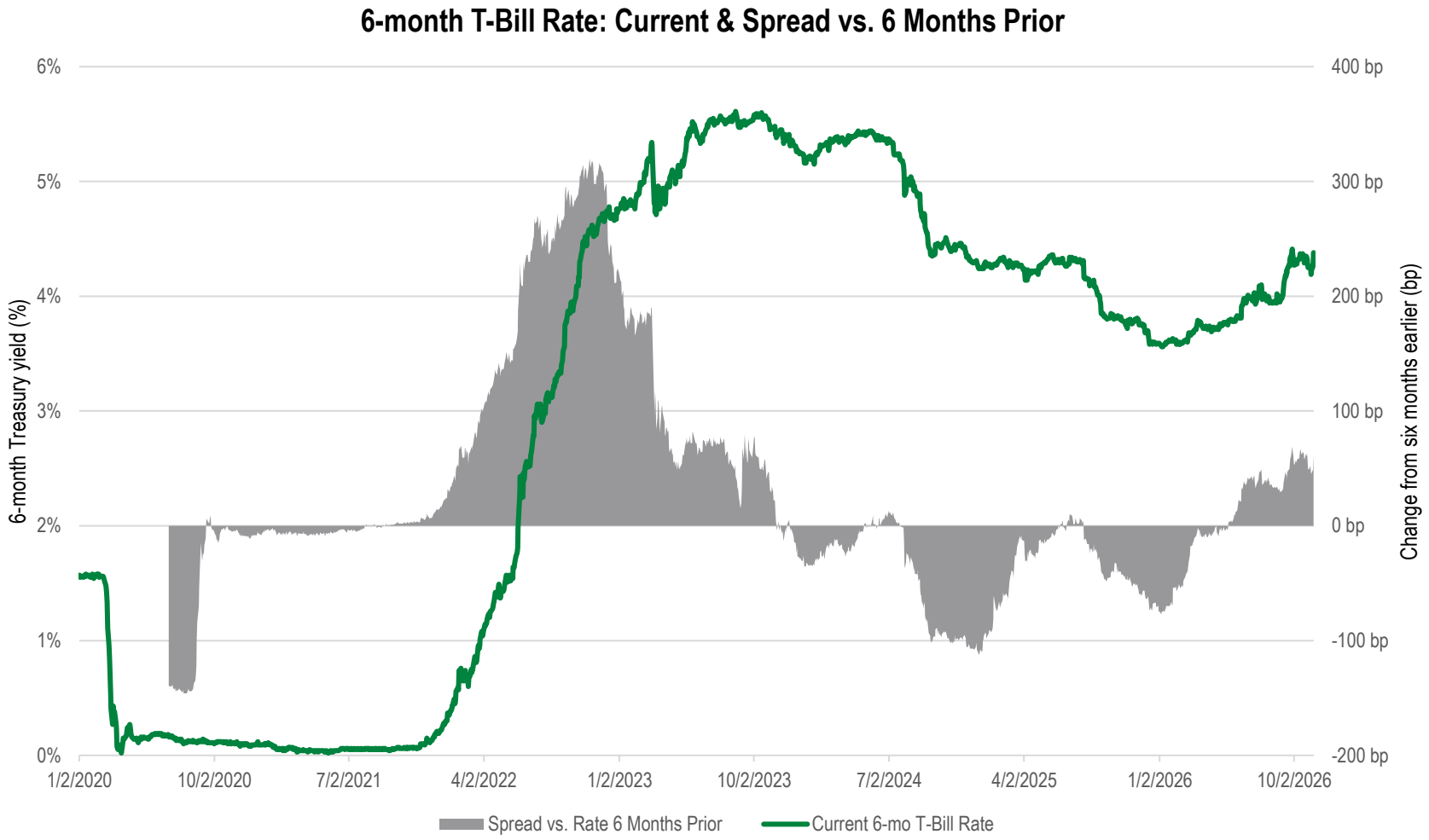
November 12

Source: U.S. Treasury via FRED®, FHLBank Boston

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Headwinds for Funding Costs

With higher rates on the front end of the yield curve, pressure on cost of funds may be accelerating.

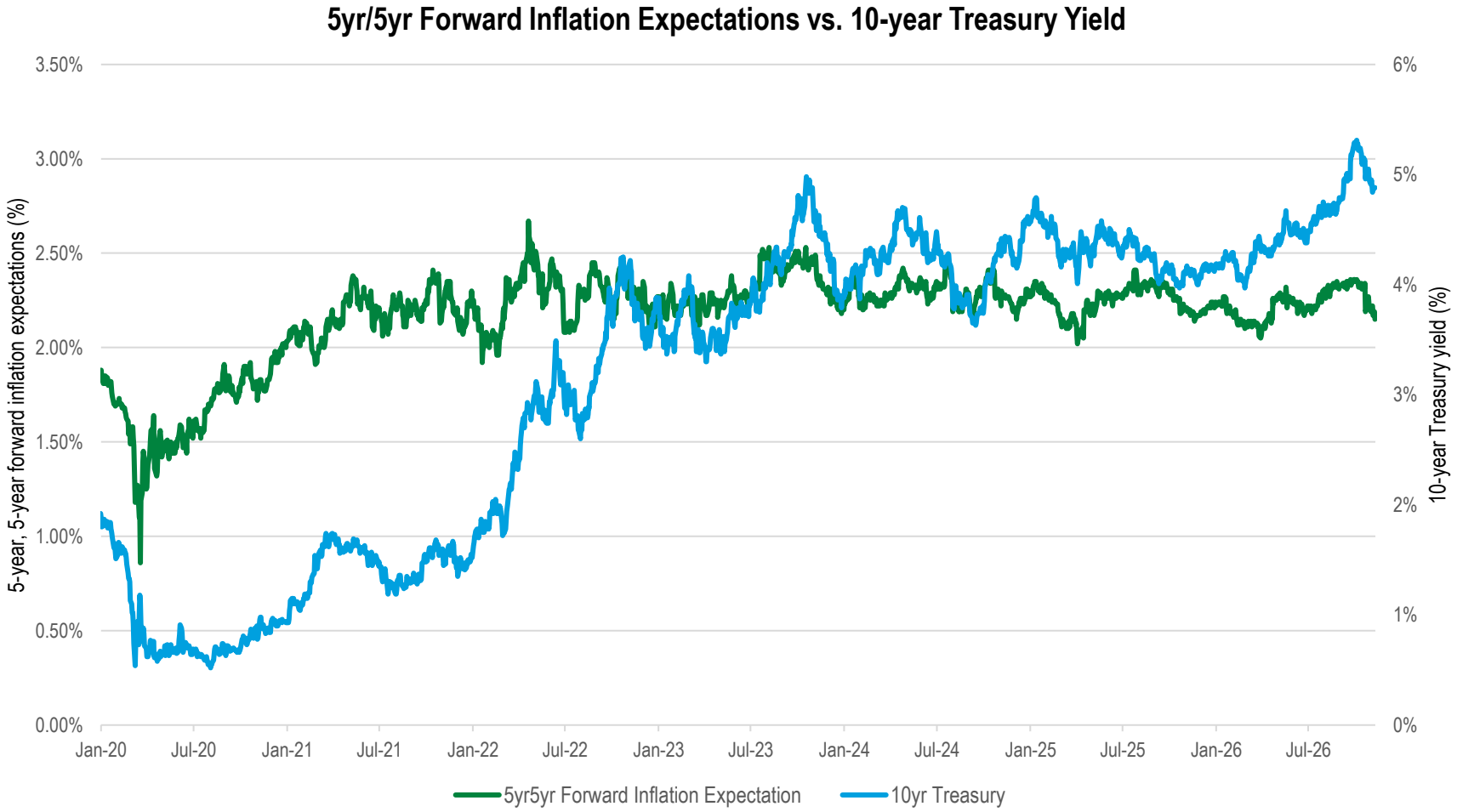


Source: U.S. Treasury via FRED®, FHLBank Boston

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Inflation Expectations & Nominal Rates

Narrowly focused forecasts of inflation are optimistic on a normalization vs. Treasury rates that are driven by larger and different forces.

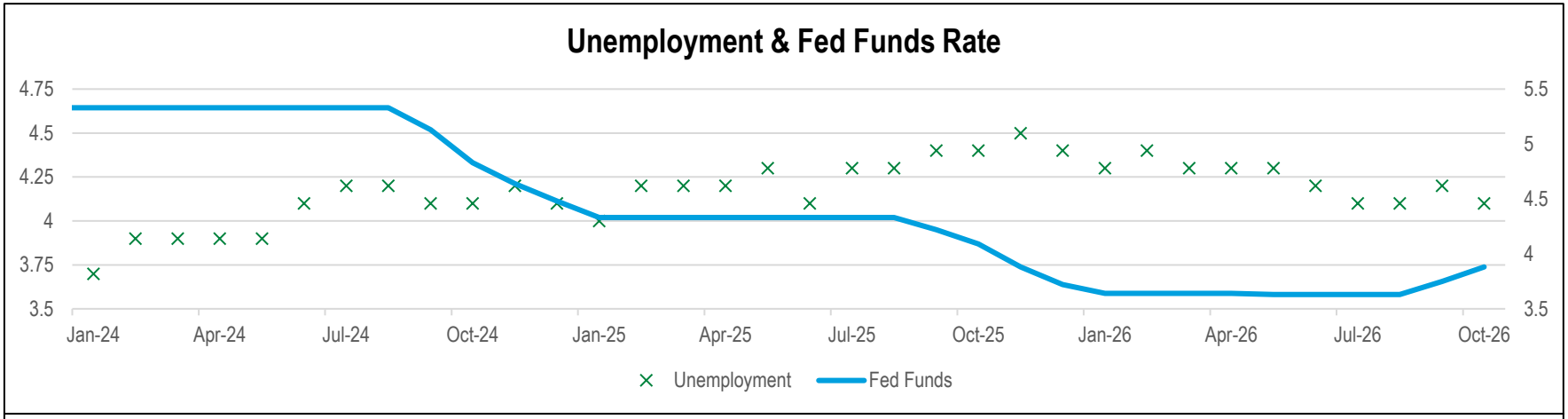


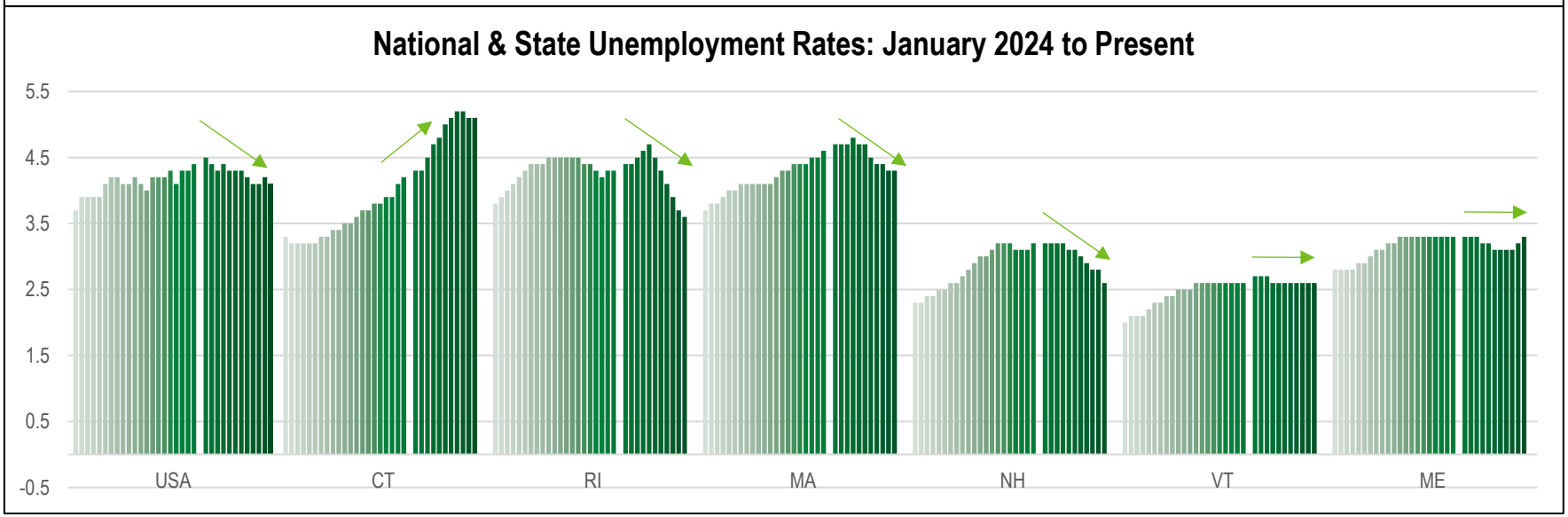
Source: Federal Reserve Bank of St. Louis via FRED®, FHLBank Boston

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Continued Strength in the Labor Markets

Mostly positive employment trends and levels have been supportive of shifting focus to tackling inflation.





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Source: Federal Reserve Bank of New York, U.S. Bureau of Labor Statistics via FRED®, FHLBank Boston

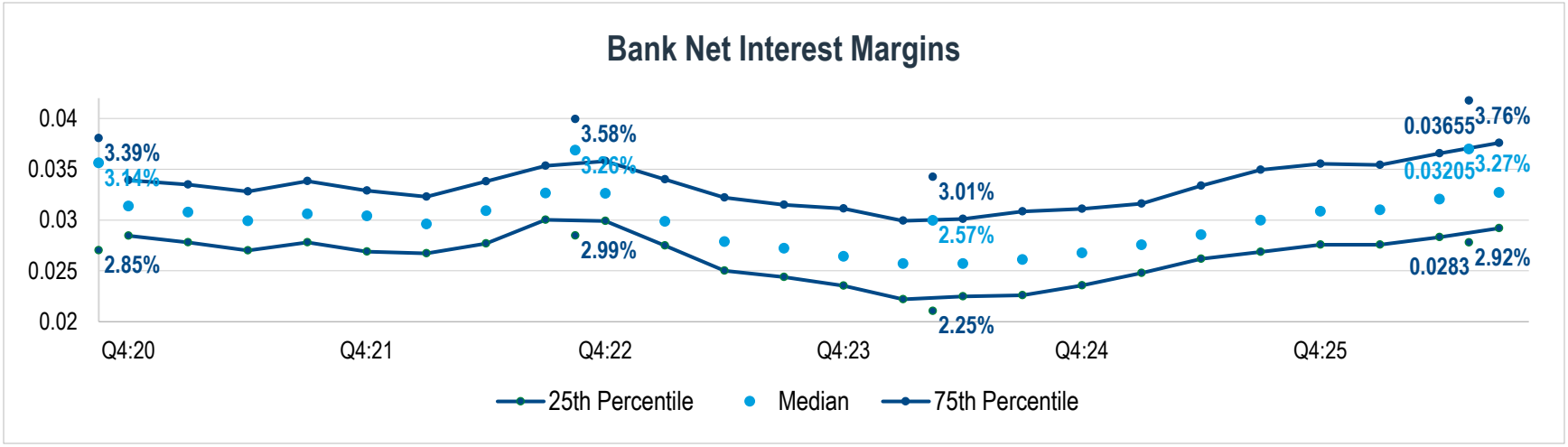
Peer Analysis & Call Report Trends

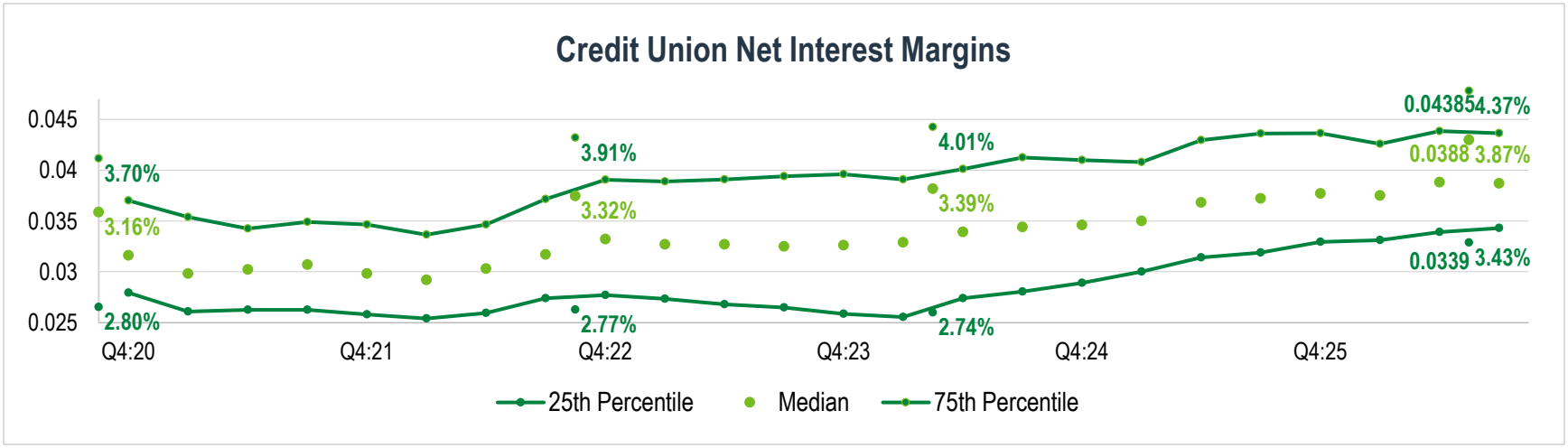
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Net Interest Margin Trends

Bank margins continued to improve in Q3. Credit union margins stayed near recent highs.





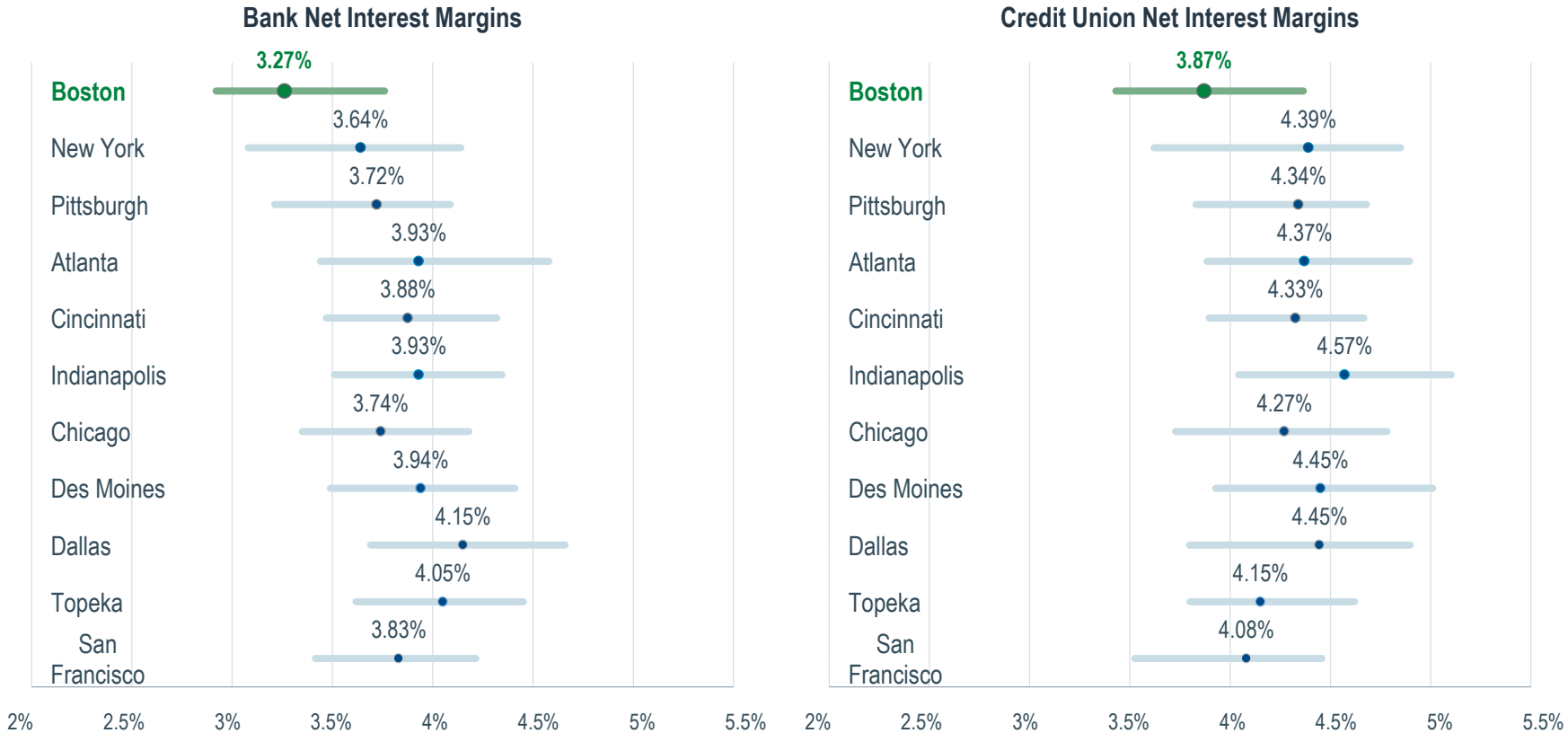
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Net Interest Margins Nationally

Demographic, competitive and local economic forces make conditions for New England depositories relatively challenging.



Dots show medians and lines span the middle half of each district.

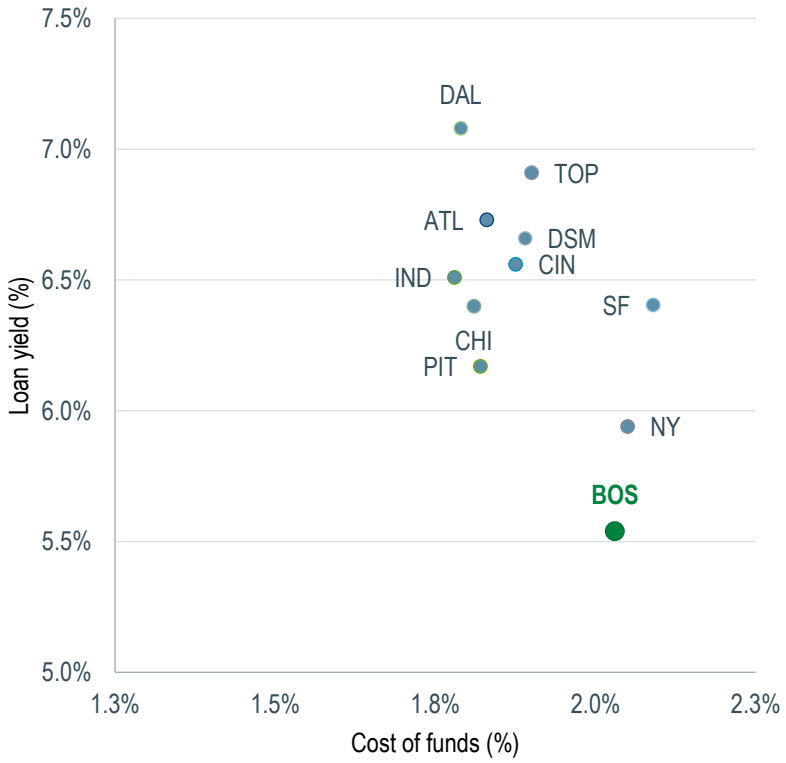
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Loan Yields & Funding Costs Nationally

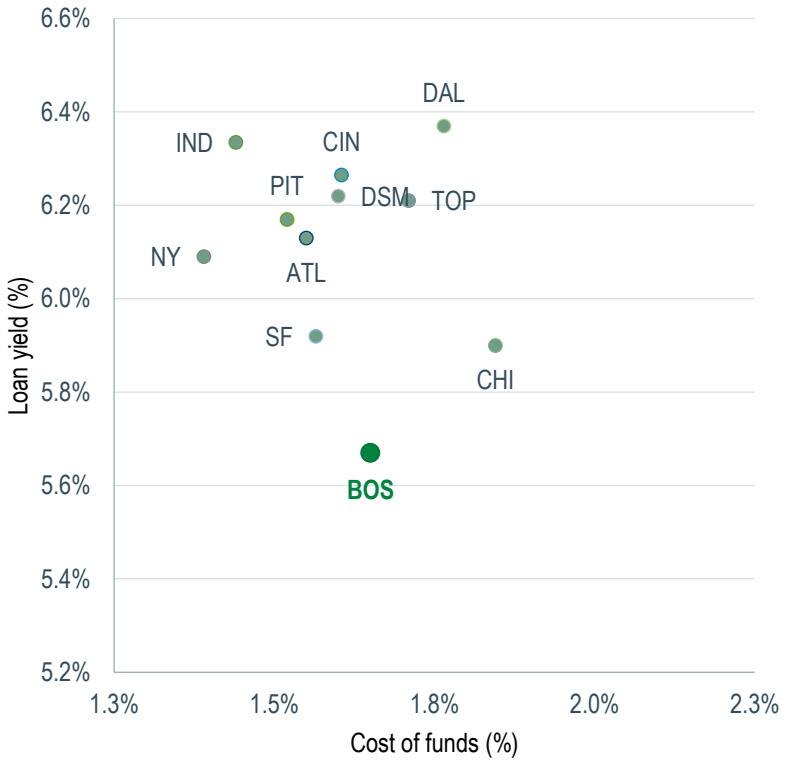
Competitive forces are impacting attainable yields and costs on both sides of the balance sheet.

Banks: Loan Yield vs. Cost of Funds



Boston 5.54% yield | 2.03% cost of funds

Credit Unions: Loan Yield vs. Cost of Funds



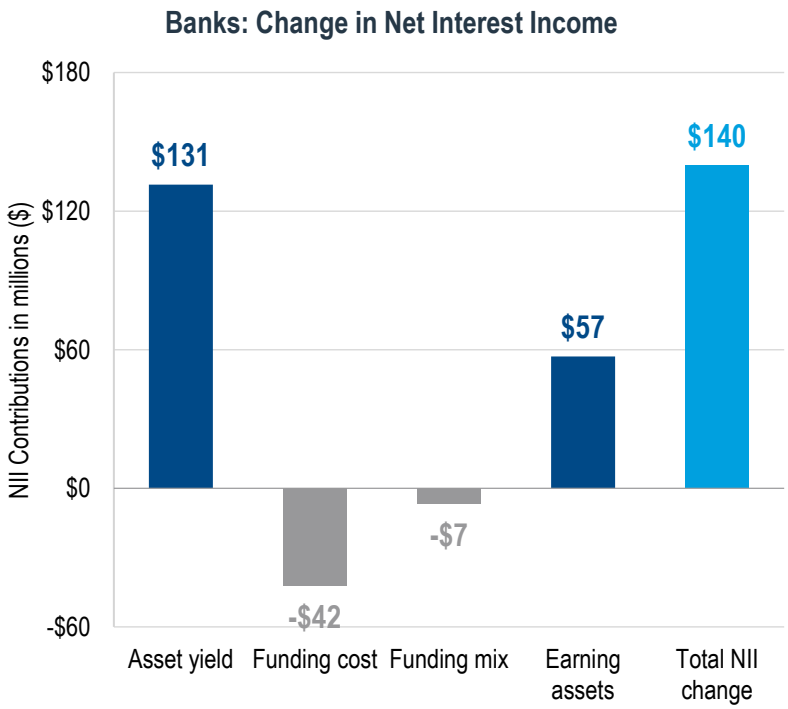
Boston 5.67% yield | 1.65% cost of funds

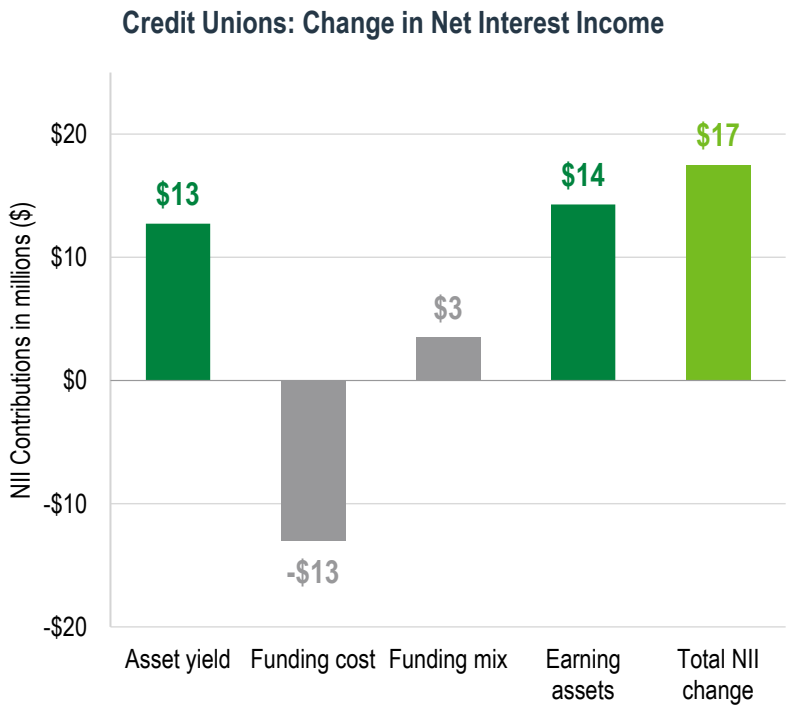
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What Drove the Increase in NII?

Favorable conditions for growth was a key driver in the expansion of income.





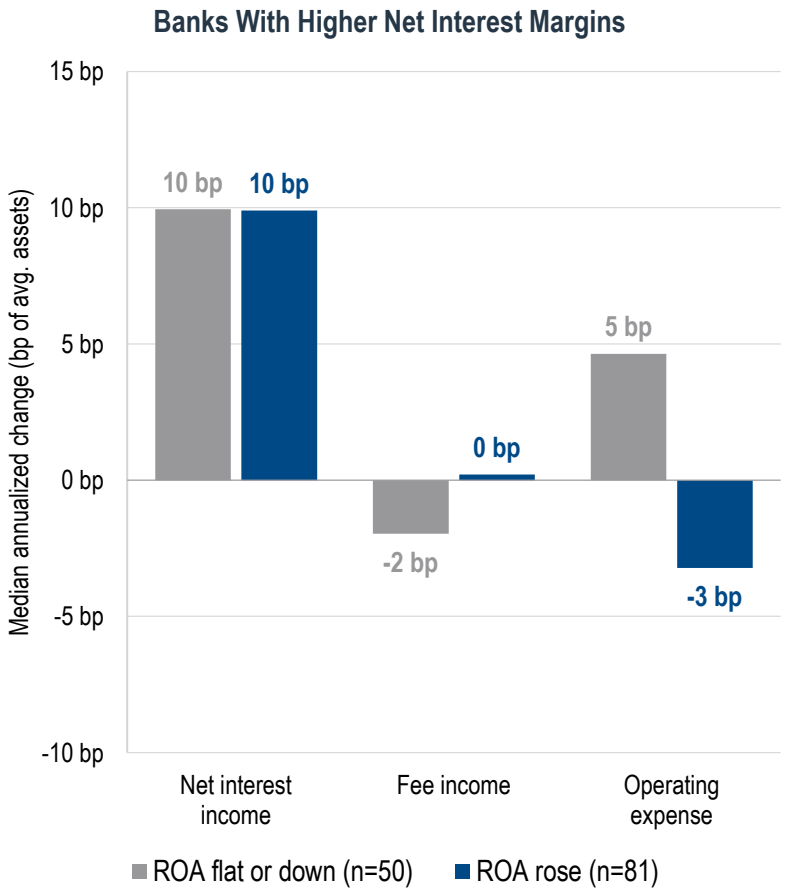
Growth in earning assets supplied 82% of the total credit union net interest income gain.

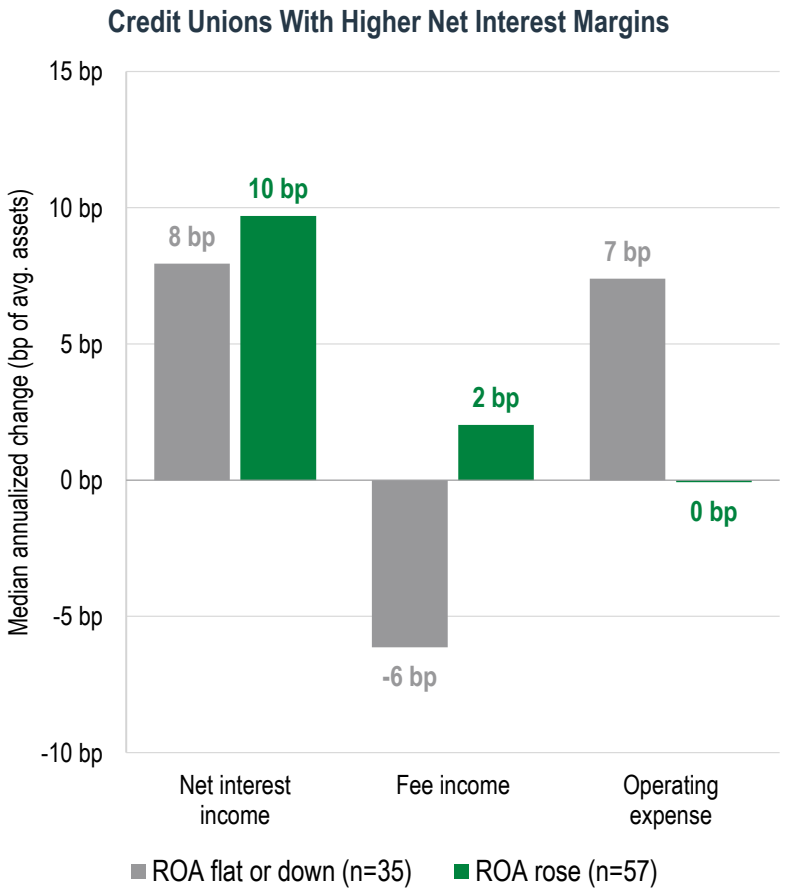
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Have Improved NIM's Translated into Higher ROA's?

Pressure from non-interest sources (lower income, higher expenses) have muted the benefit of stronger margins.





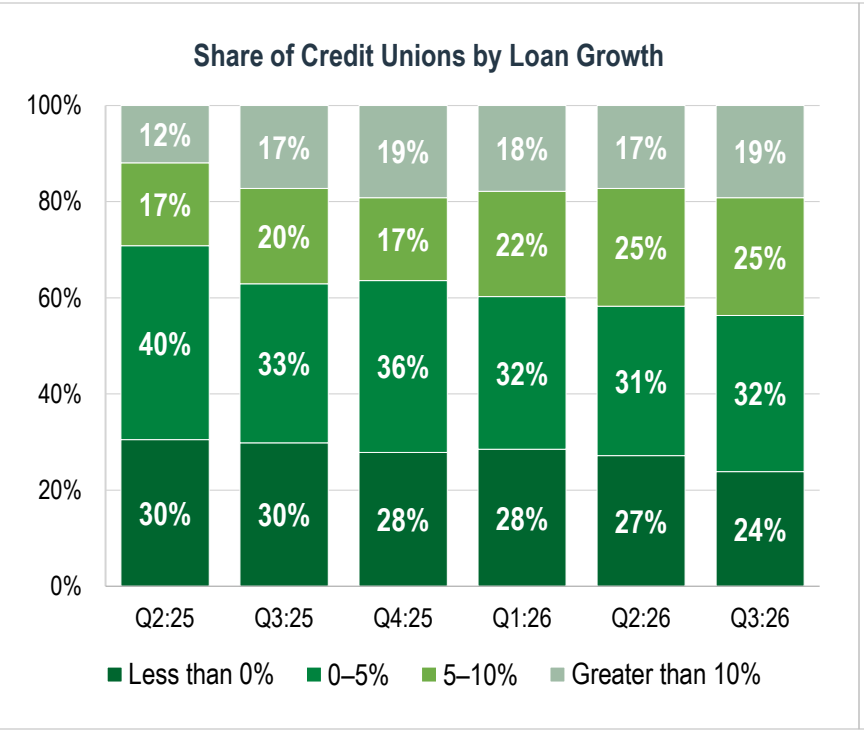
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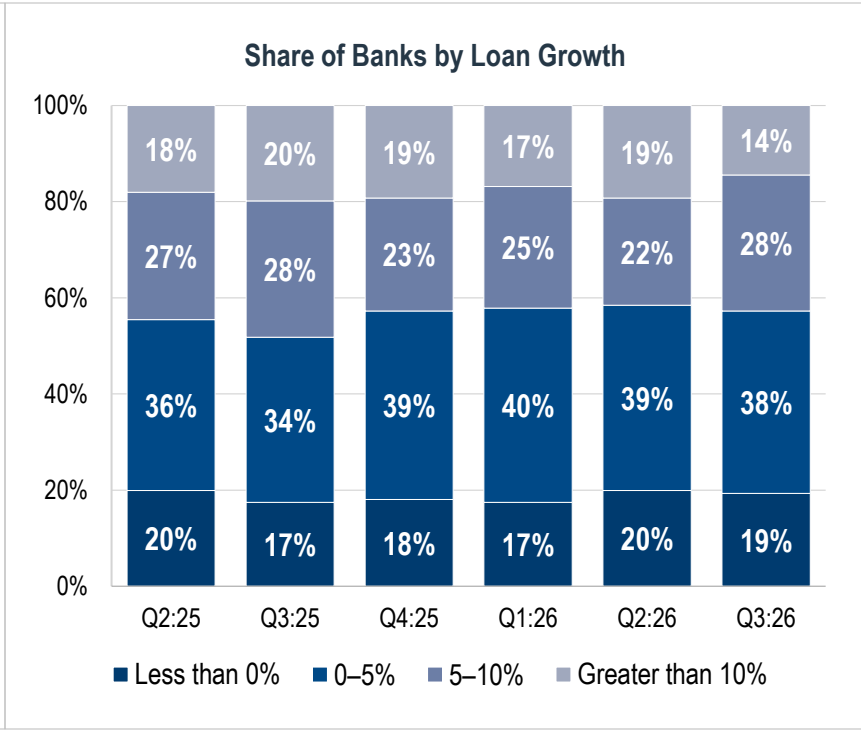
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How Broad was Loan Growth?

Median year-over-year growth picked up in Q3, even as some members' loan books shrank.





Median Loan Growth	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26
Credit Unions	2.34%	2.62%	3.14%	2.93%	2.90%	3.82%
Banks	4.34%	4.69%	4.05%	4.17%	3.81%	4.43%

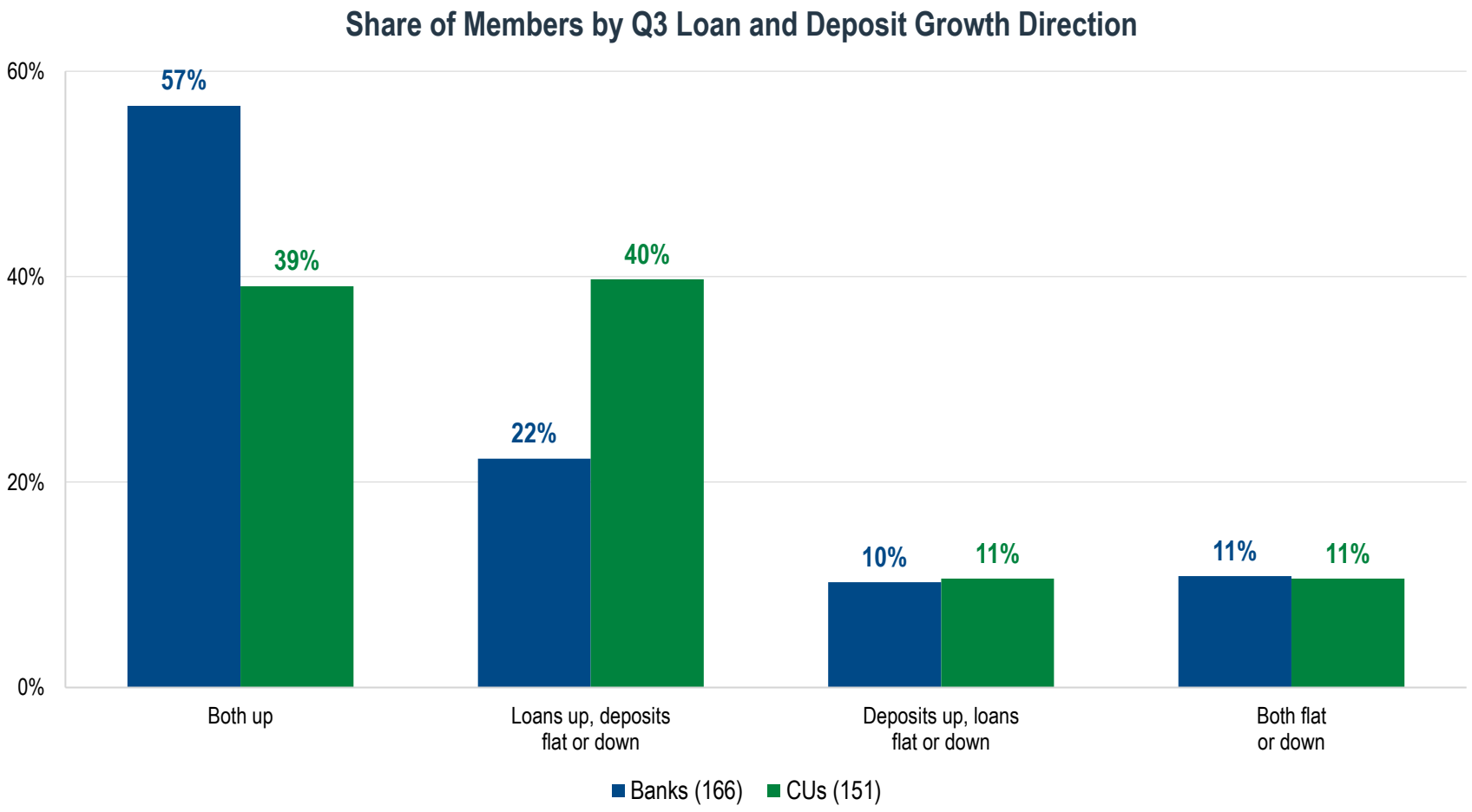
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Loan Growth Without Deposit Growth

Each bar is the share of members in one group, based on whether loans and deposits rose from Q2 to Q3.



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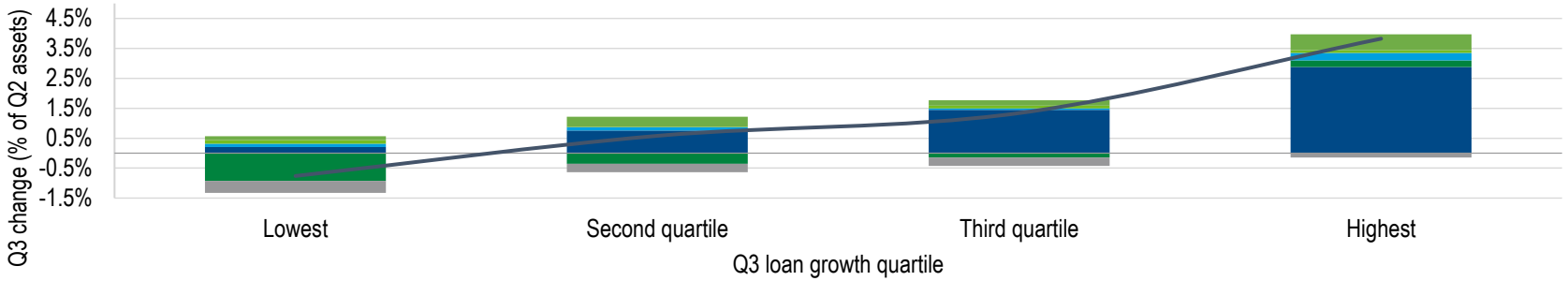
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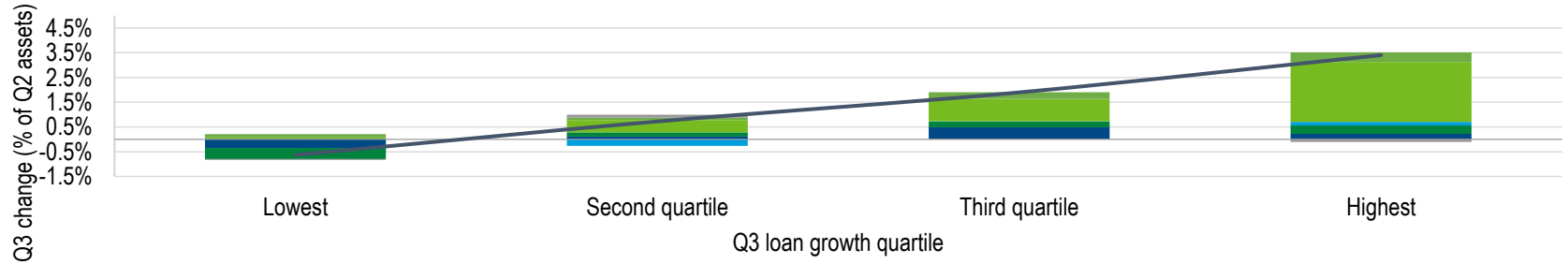
Loan Growth & Funding Sources

Fast-growing bank loan portfolios leaned into deposit growth, where credit unions deployed excess cash.

Bank Loan Growth and Funding



Credit Union Loan Growth and Funding



Deposits and shares | **FHLBank Boston advances** | **Other borrowing**

Cash deployed | **Securities sold or run off** | **Other balance sheet items**

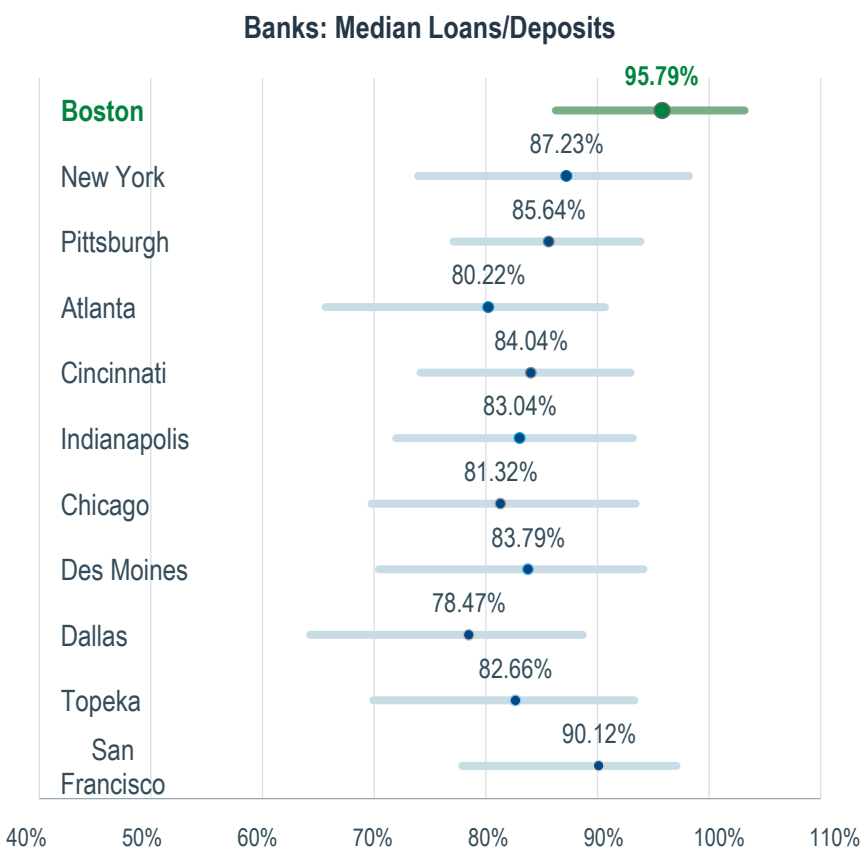
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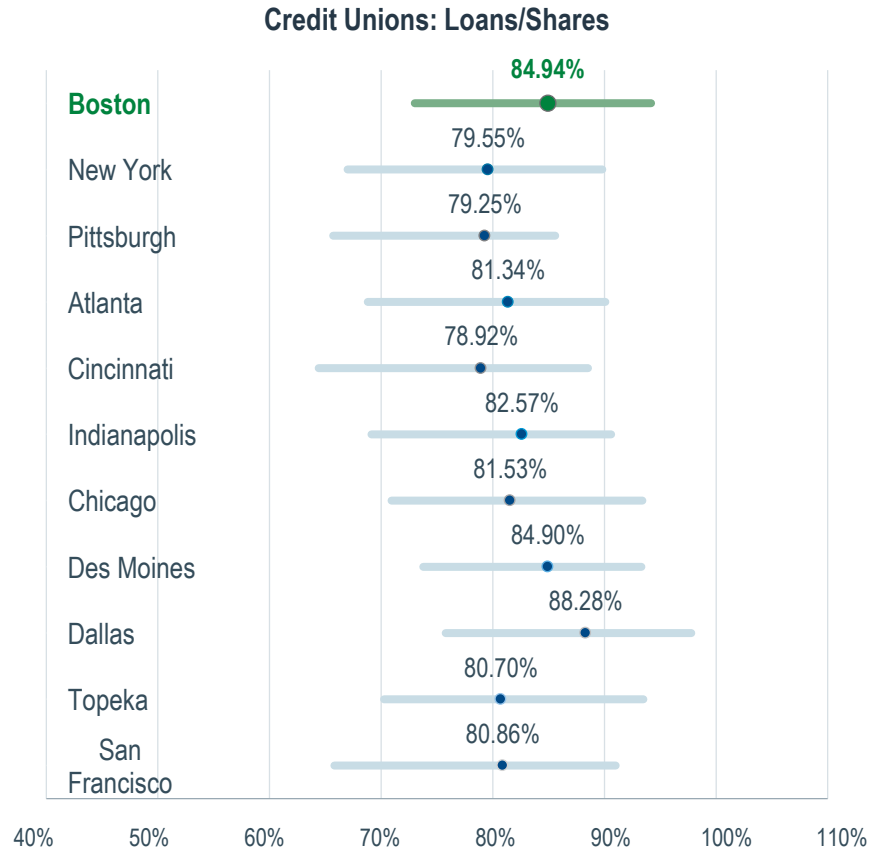
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Loans/Deposits Nationally

A robust, diversified and growing economy has driven lending growth while the deposit landscape remains as competitive as ever.





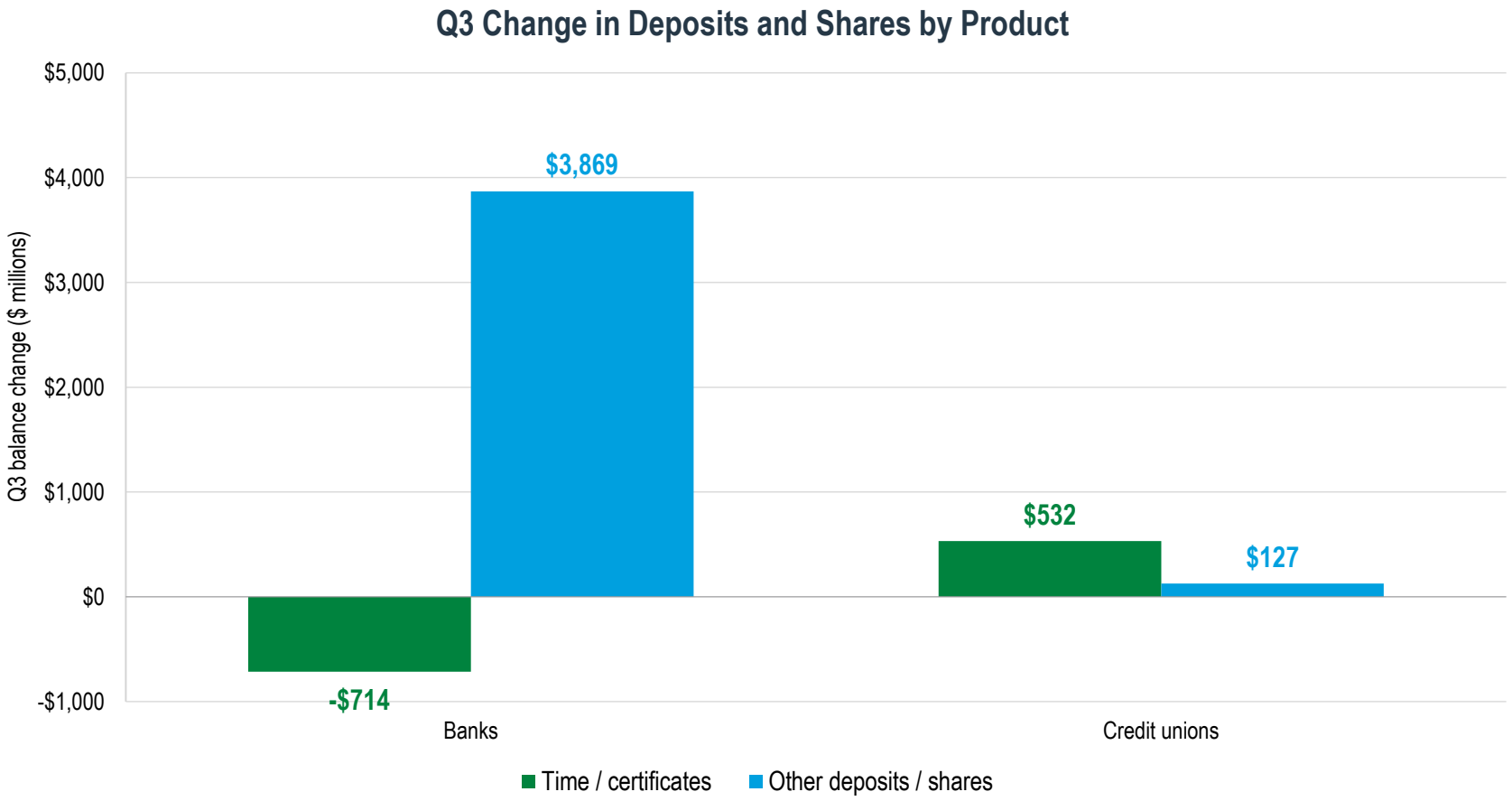
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Deposit Growth by Product

Banks were able to reduce reliance on term deposits, while credit unions continued to grow.



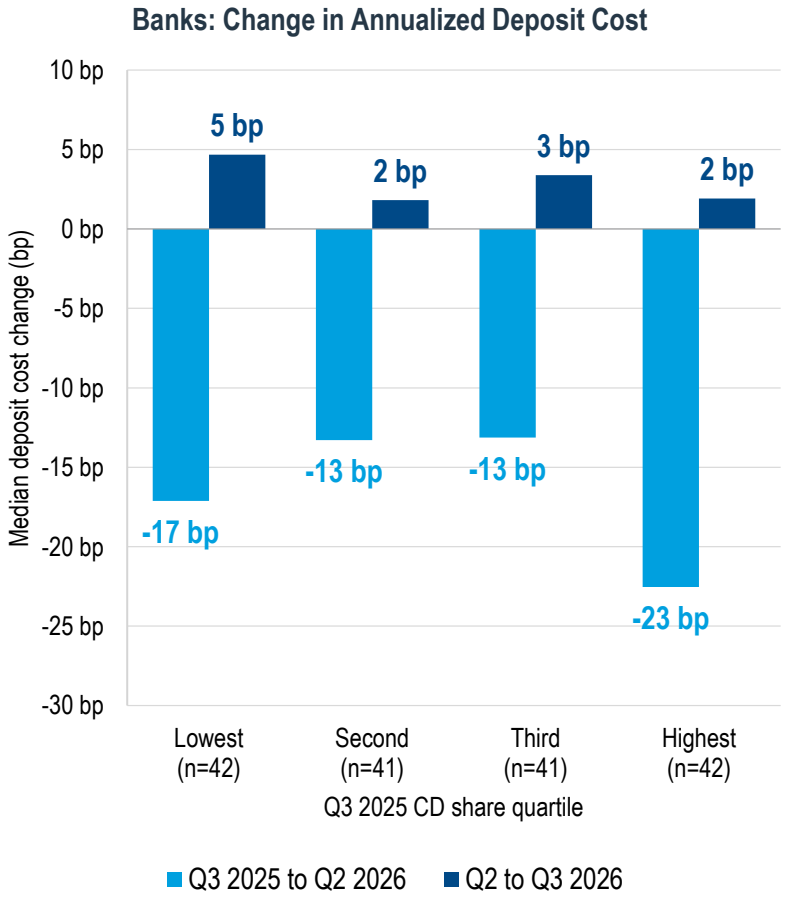
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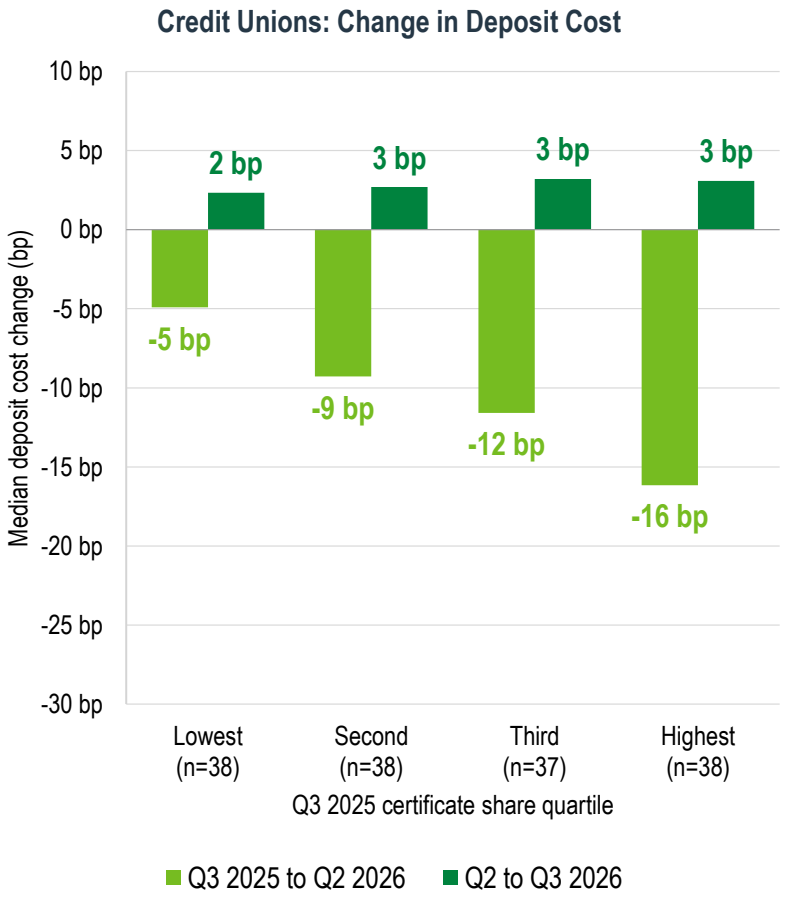
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Deposit Costs by CD Reliance

Bucking the trend from previous quarters, reliance on CD's didn't necessarily translate into funding cost relief in the 3rd quarter.



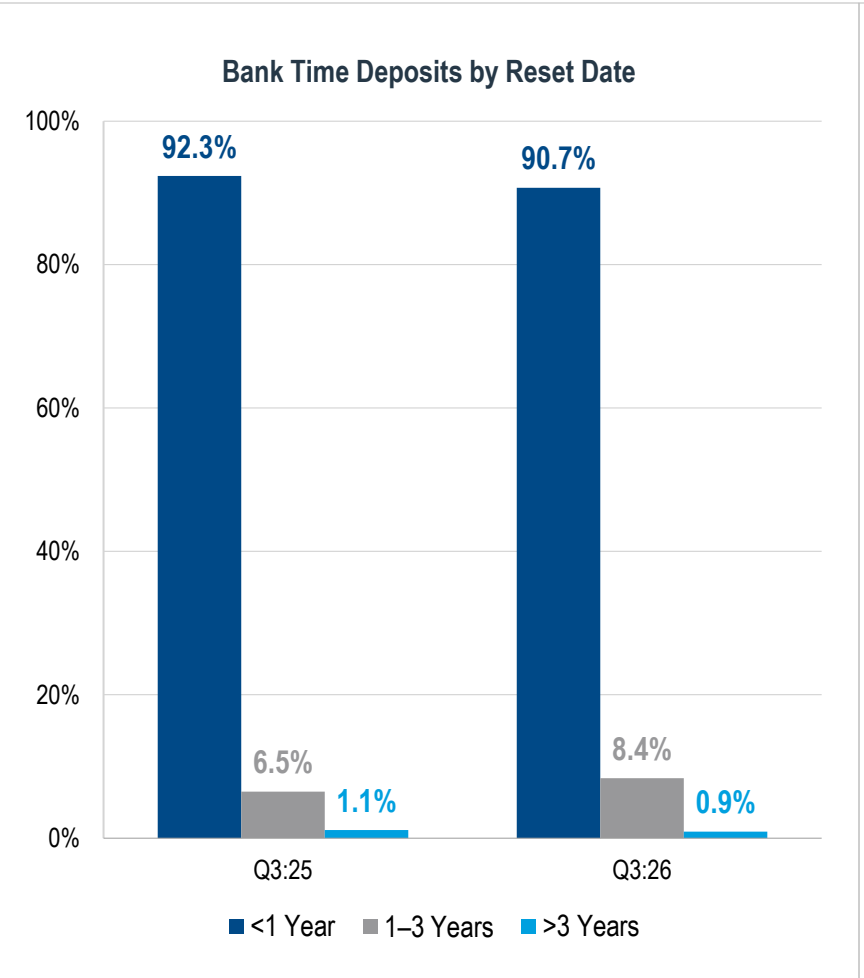


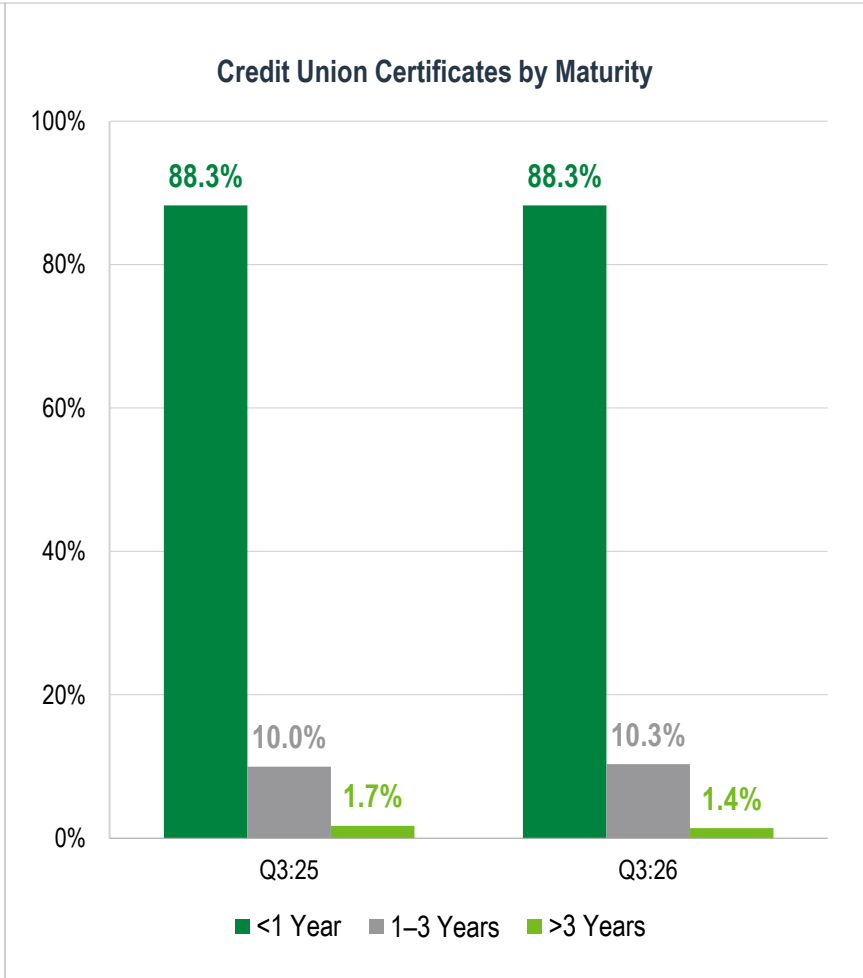
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Term Deposit Duration

Banks were able to modestly lengthen the CD portfolio, albeit from a very short starting point.





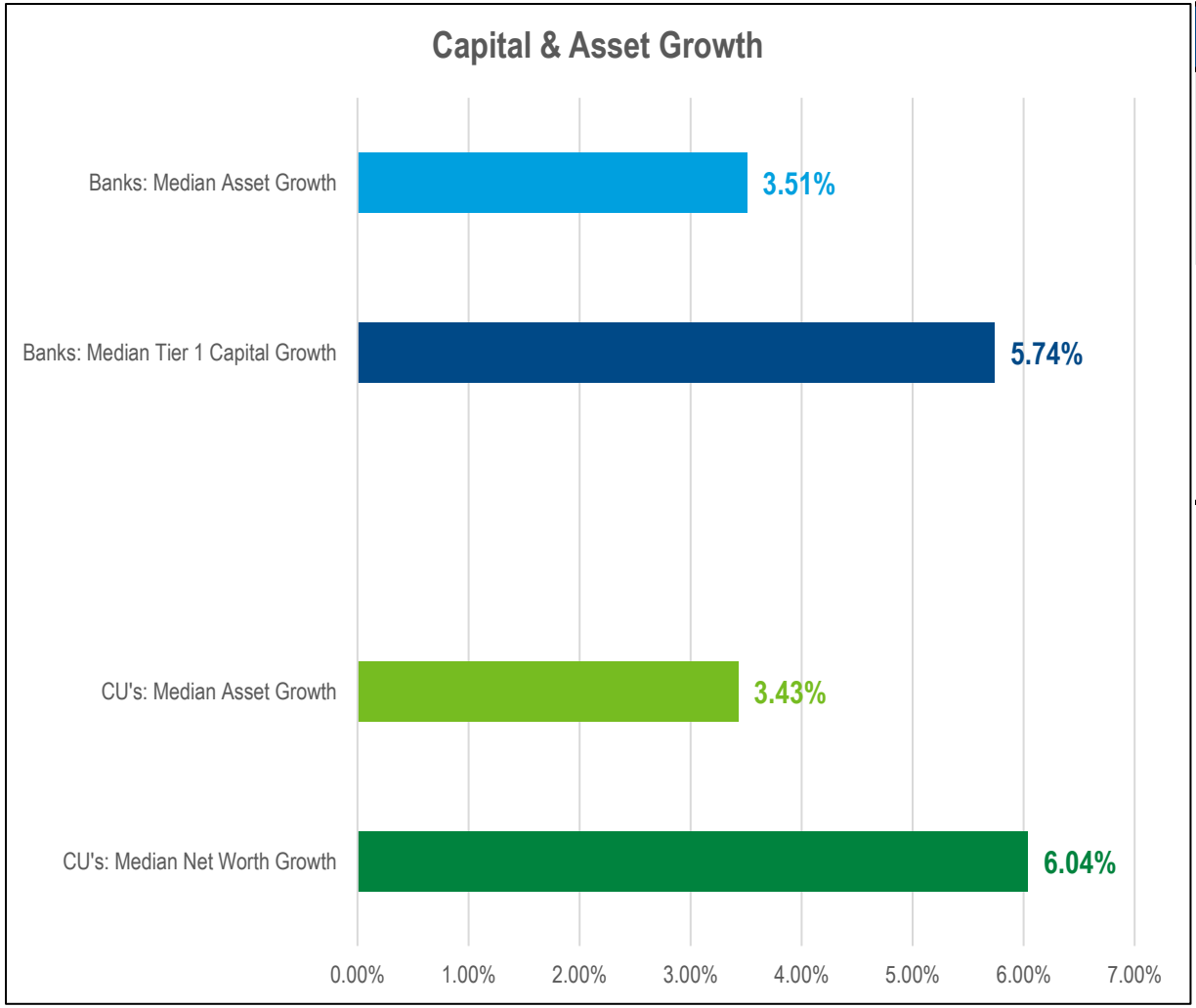
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Capital Trends

Capital growth continues to outpace asset growth.



Bank Tier 1 Capital Levels

28%
of member banks are at their highest Tier 1 Capital ratios in at least 5 years

17%
of member banks are at their highest Tier 1 Capital in at least 10 years

Credit Union Net Worth Levels

48%
of member CU's are at their highest Net Worth Ratio in at least 5 years

31%
of member CU's are at their highest Net Worth Ratio in at least 10 years

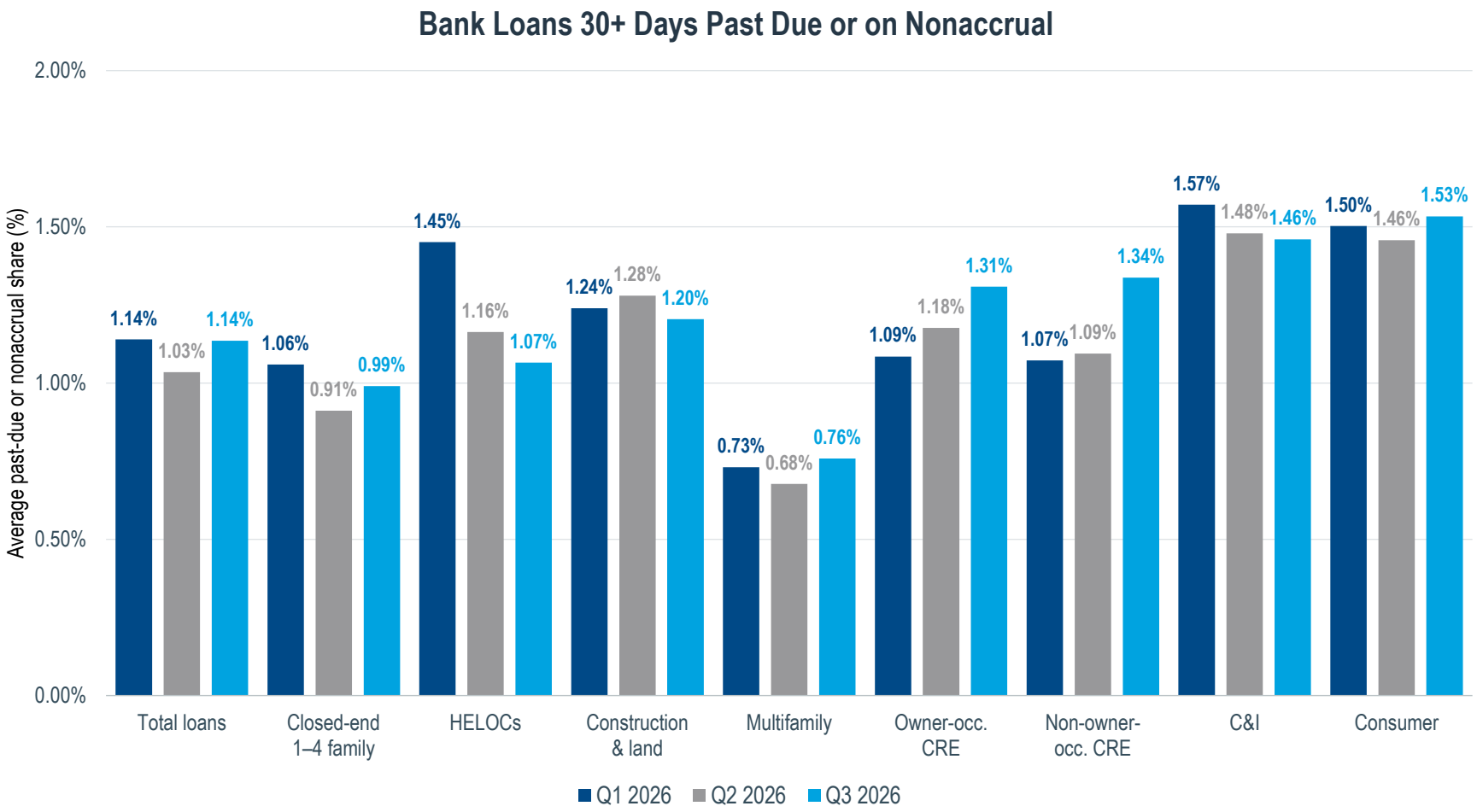
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Banks: Credit Performance

The average bank ratio rose from 1.03% to 1.14% in Q3.



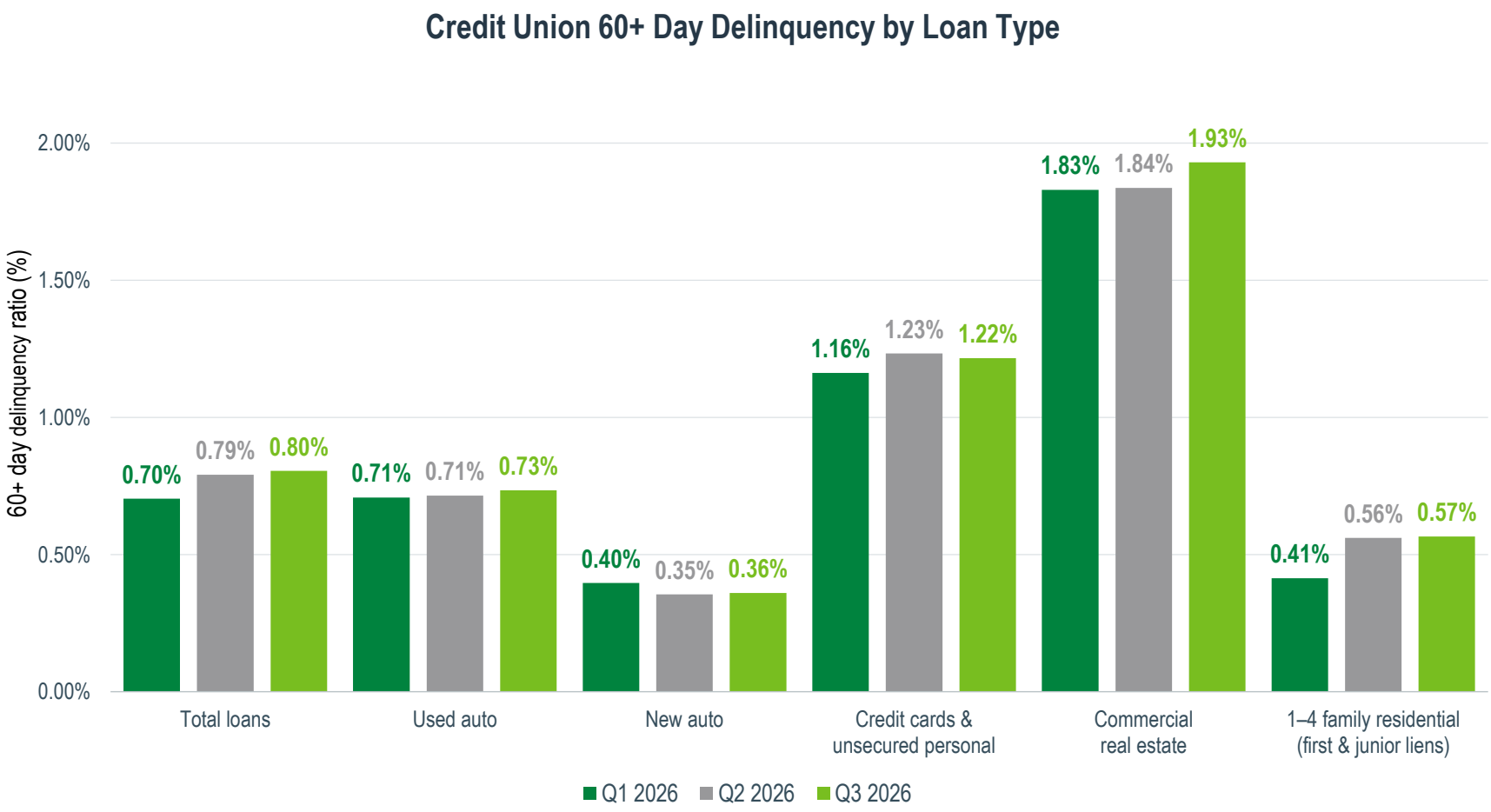
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Credit Unions: Credit Performance

Total 60+ day delinquency edged up from 0.79% to 0.80% in Q3.



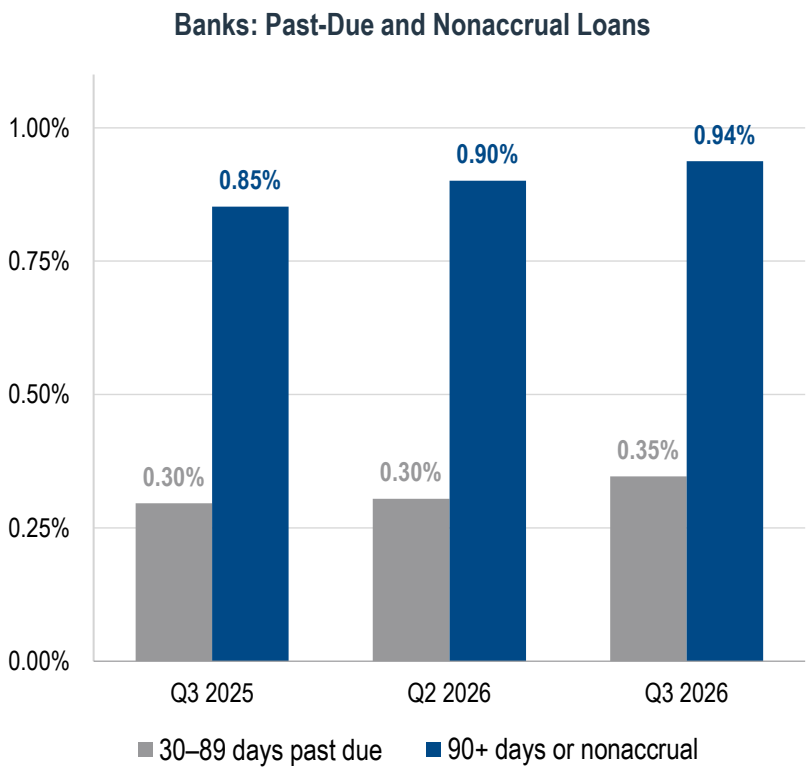
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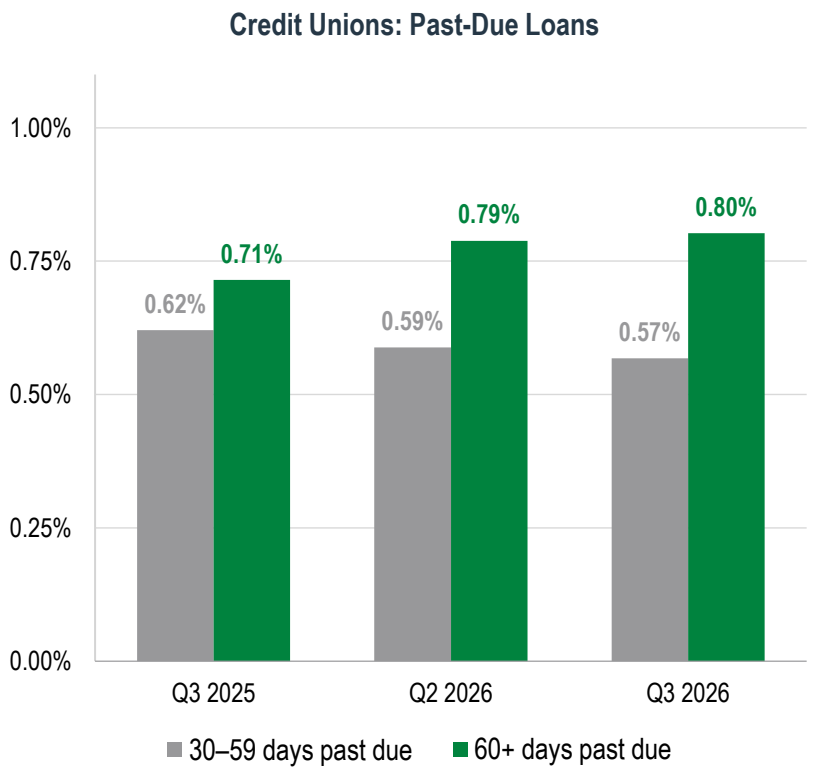
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Outliers to Come? The Credit Pipeline

Late-stage problem-loan ratios rose.



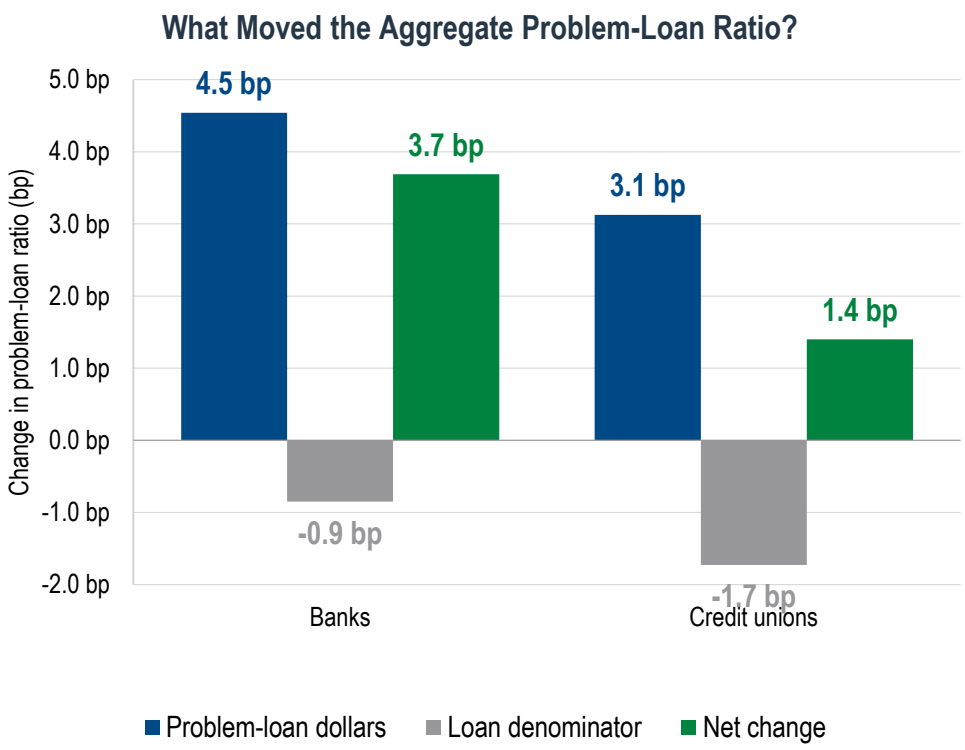


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Source: S&P Global Market Intelligence, FHLBank Boston

Loan Growth Softened the Rise in Credit Ratios

The chart separates the change in problem-loan dollars from the effect of a larger loan book.



Problem-Loan Balances

Q3 change ($m)	Banks	CUs
Gross increases	315.5	54.9
Offsetting declines	(124.7)	(31.0)
Net increase	190.8	23.9
Top 5 / gross increases	47.7%	31.1%
Dollars up, ratio flat/down	6	8

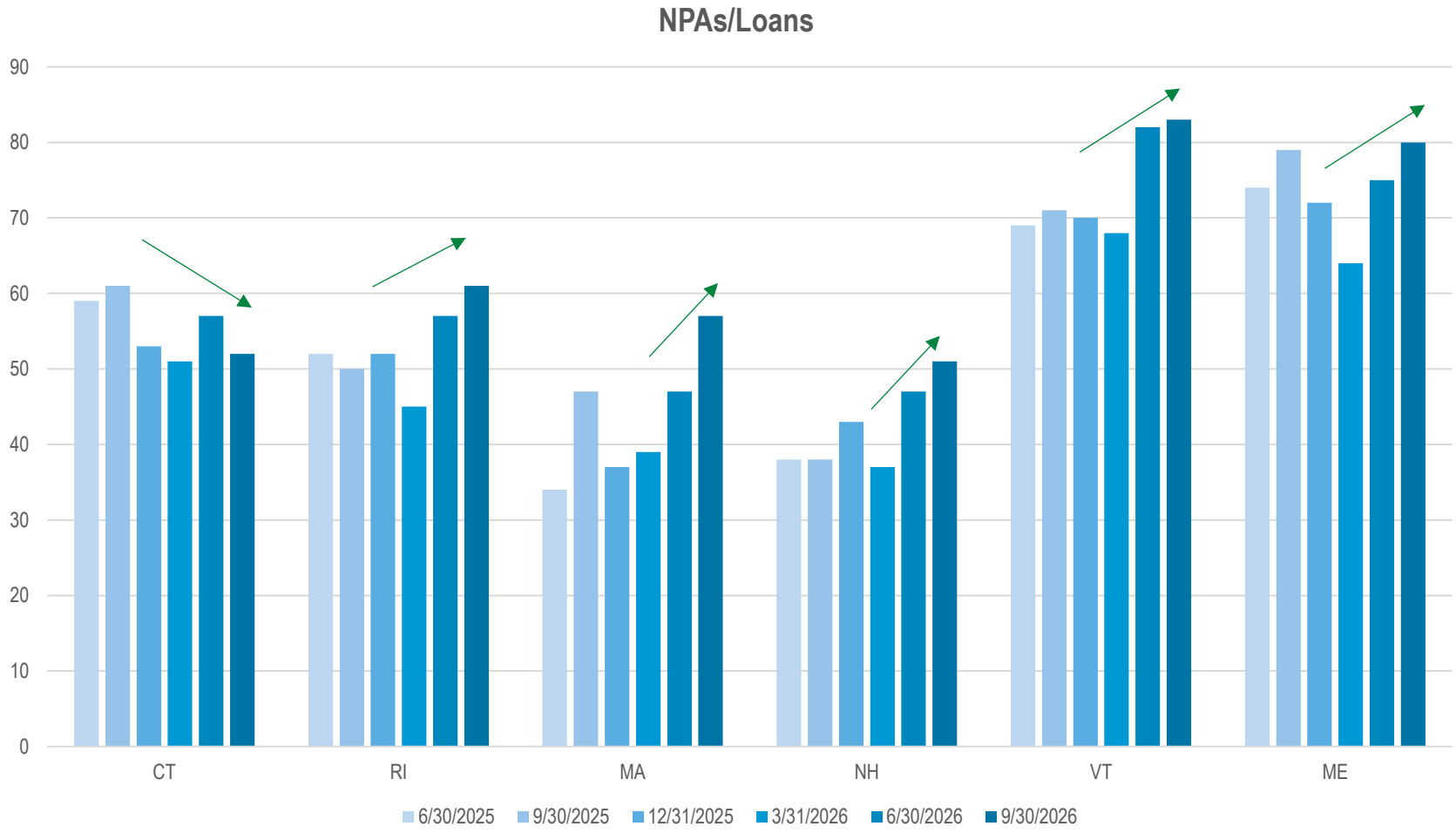
Six banks and 10 credit unions had more problem-loan dollars even though their ratios held flat or fell.

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NPA Trends by State

The chart separates the change in problem-loan dollars from the effect of a larger loan book.



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Balance Sheet Strategies

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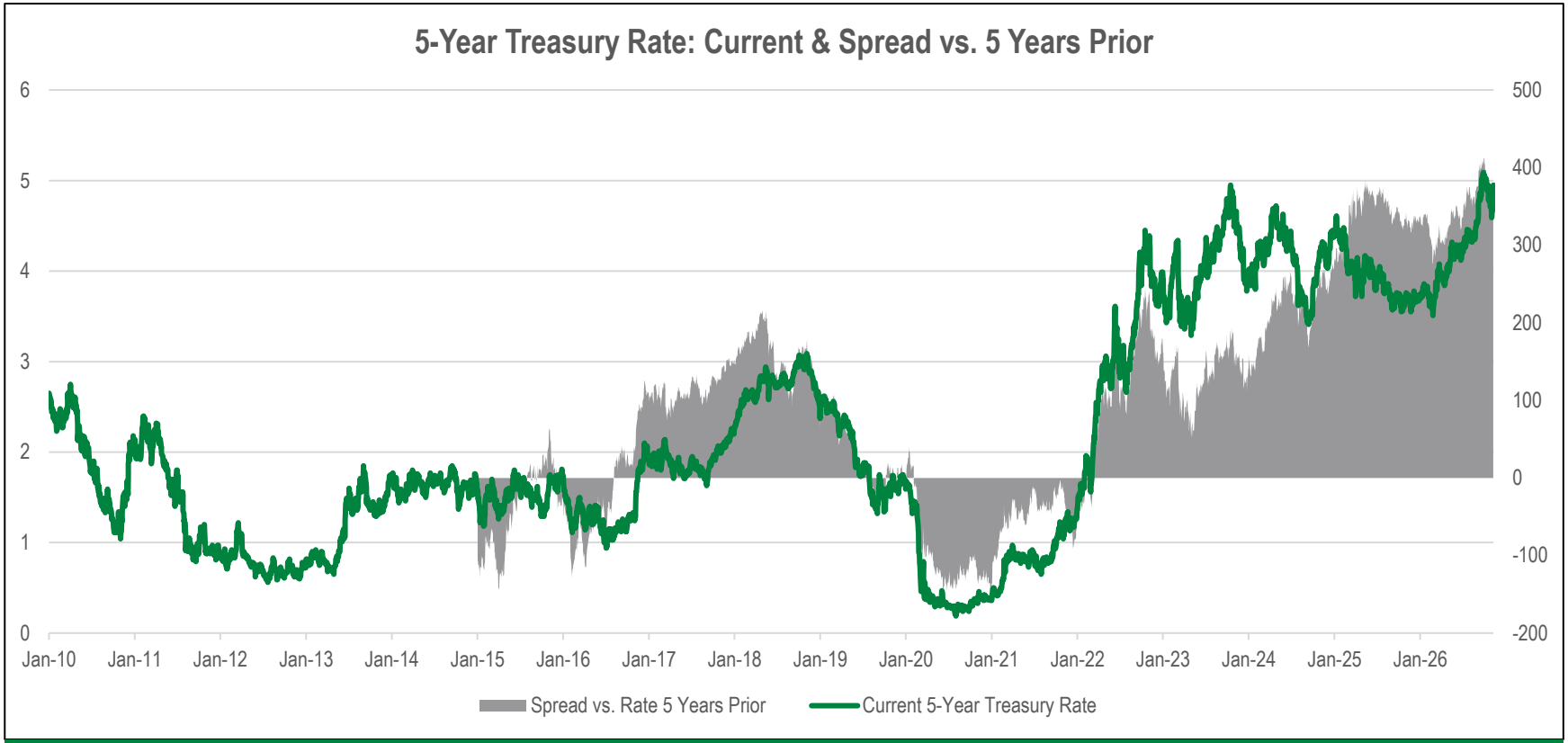
Where Do We Go From Here?



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Macro Conditions Primed for Growth

The persistence of the expectation for further hikes creates the opportunity to accelerate asset repricing.



Asset Deployment Opportunities

If capital allows -> investment leverage

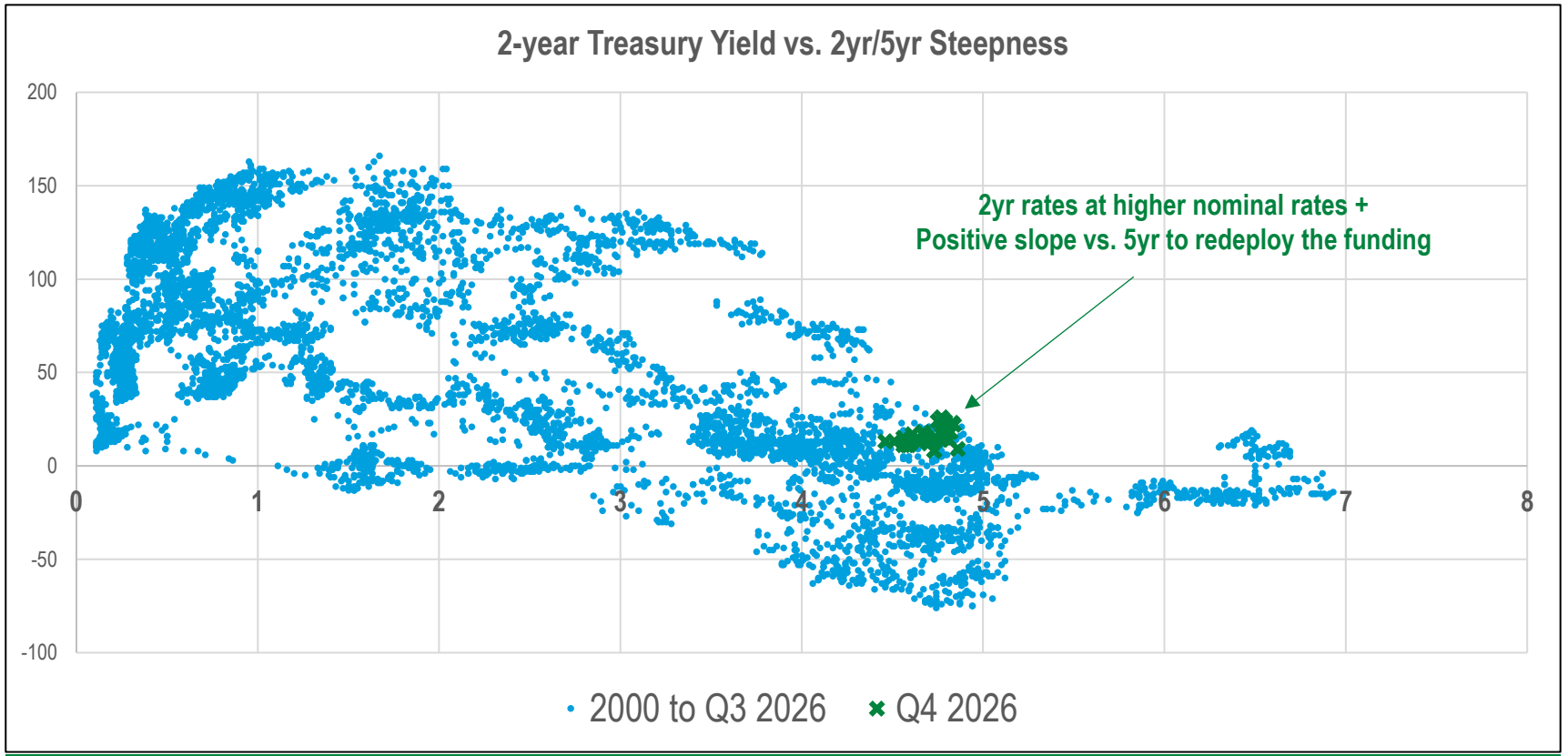
If IRR allows -> extend fixed-rate lending maturities/cash flows

Source: U.S. Treasury via FRED®, FHLBank Boston

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Defending Deposit Composition & Cost

The level and slope of the curve is optimally positioned to create capacity to take asset duration.



Deposit Funding Strategies

Price in terms of spread to just-in-time liquidity (i.e., Advances)	Aggressive pricing (in spread) on money markets grants flexibility	Use the curve slope 6mo: Adv-50 : 4.13% 18mo: Adv-75: 4.14%	Be mindful of cannibalization and marginal cost of funds

Source: U.S. Treasury via FRED®, FHLBank Boston

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Wholesale Solutions

Marrying balance sheet needs with market conditions to identify value and opportunity.



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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

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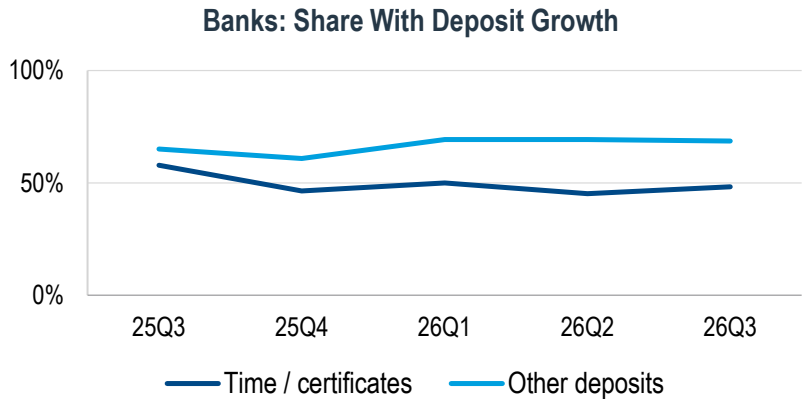
Appendix

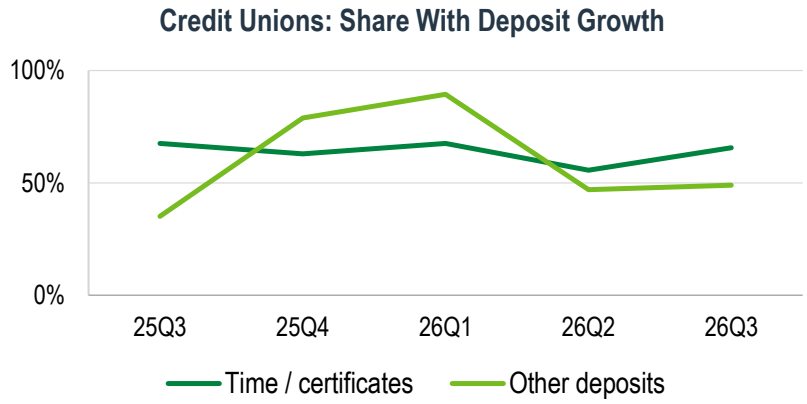
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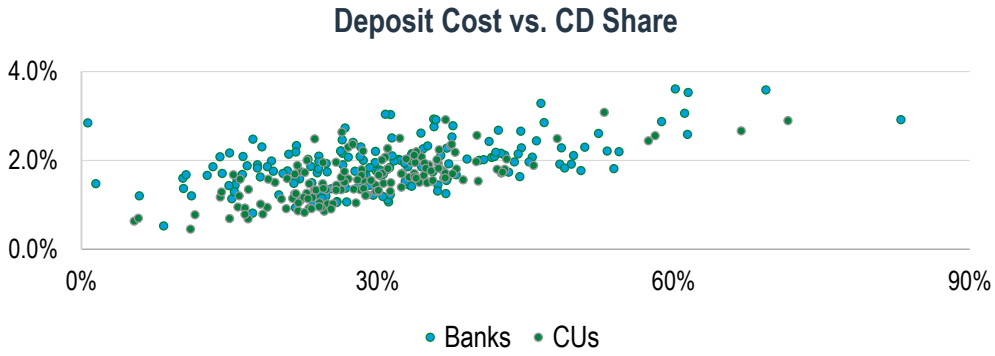
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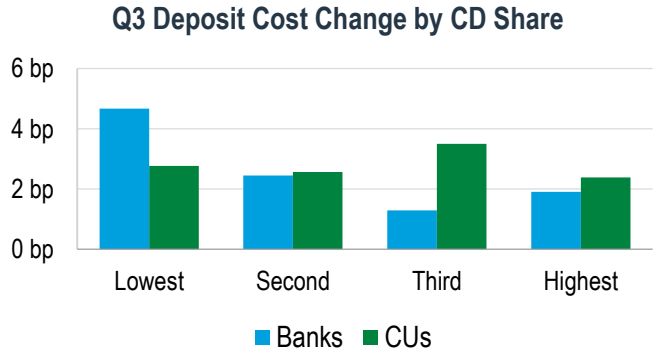
Deposit Composition & Costs

A comparison of how many members grew deposits, what they paid and how those costs changed in Q3.









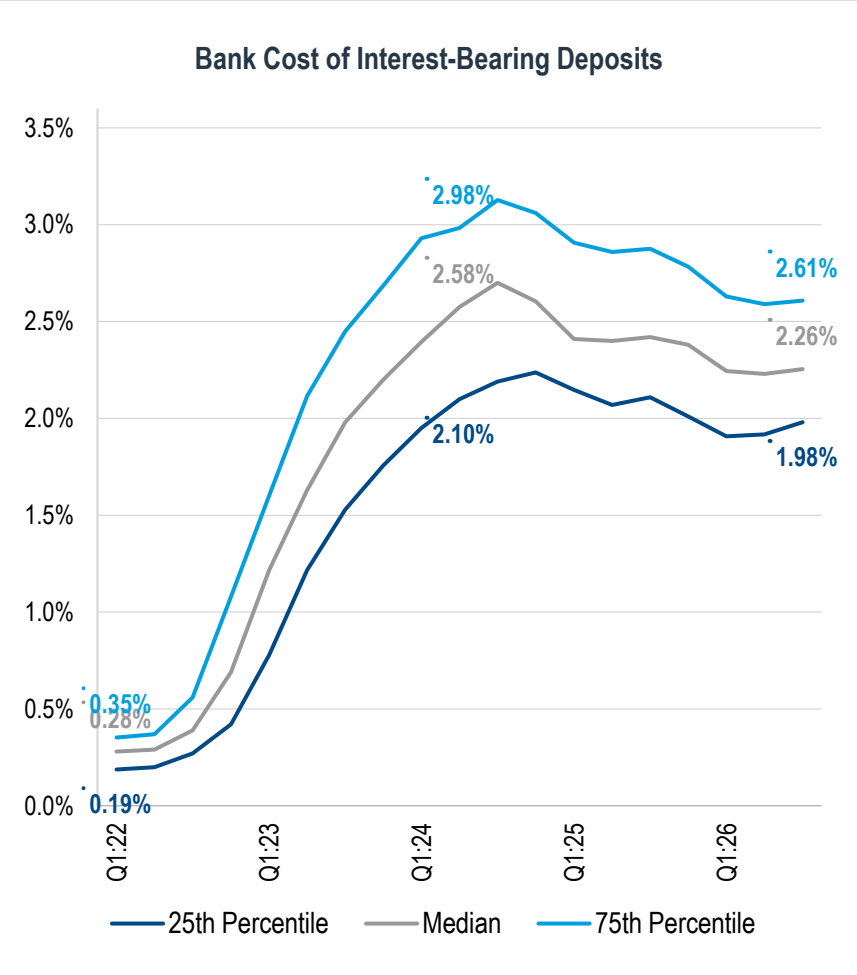
Members with a higher CD share generally paid more. Their Q3 cost changes varied.

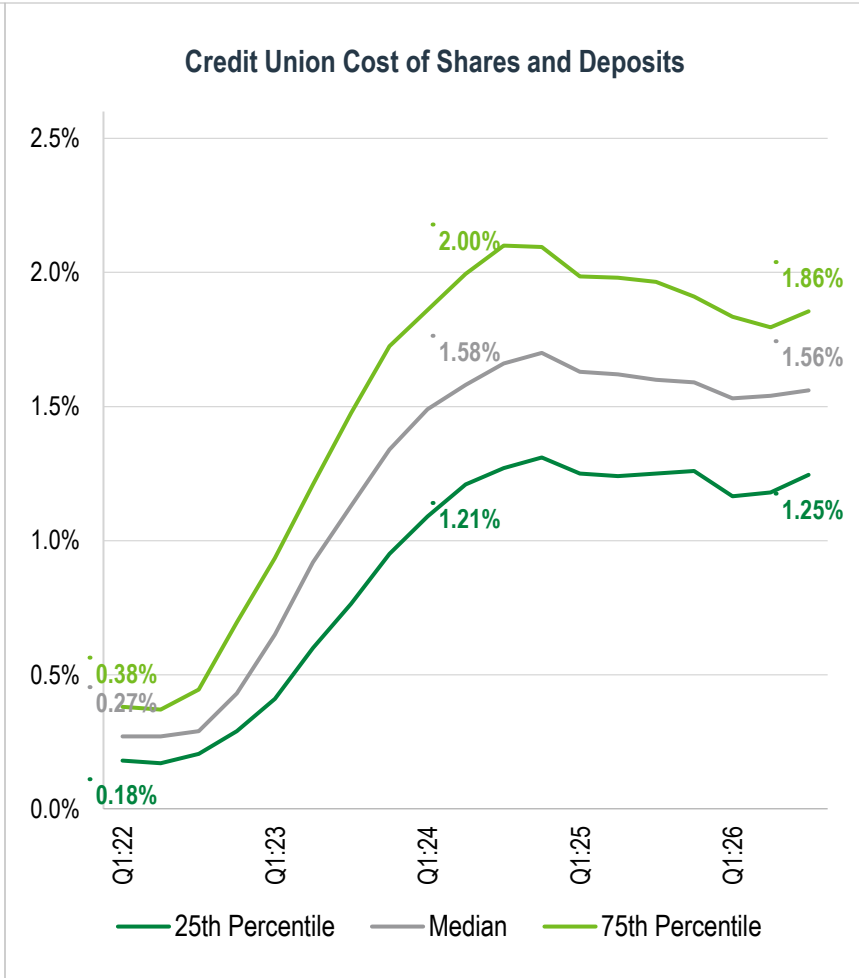
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Deposit Cost Trends

Deposit costs stopped falling in Q3 across both groups.



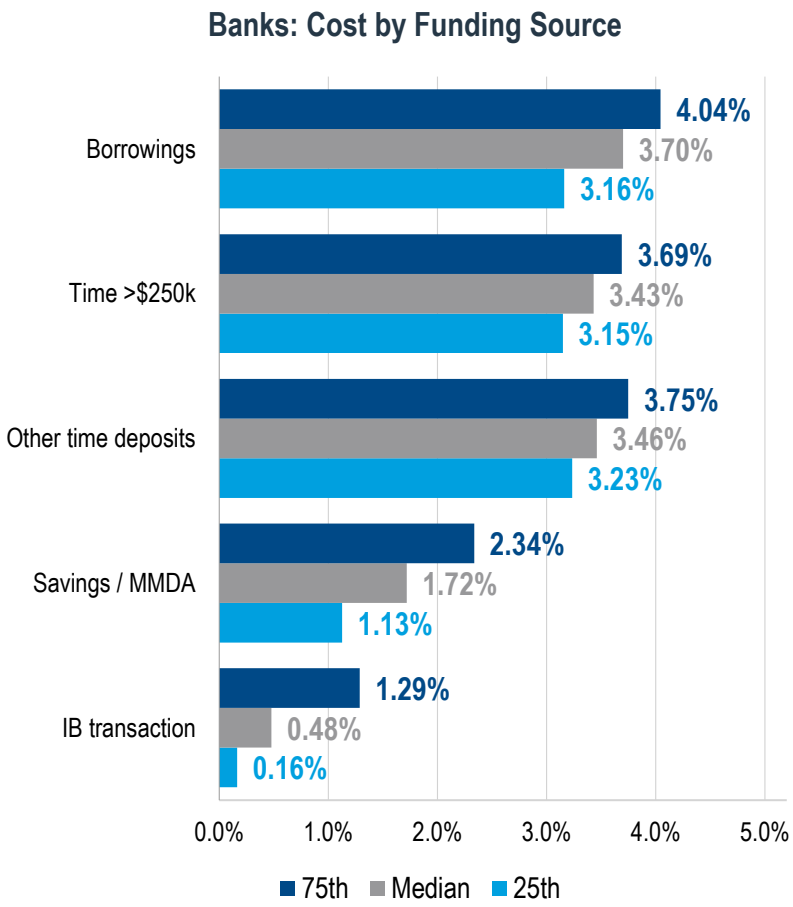


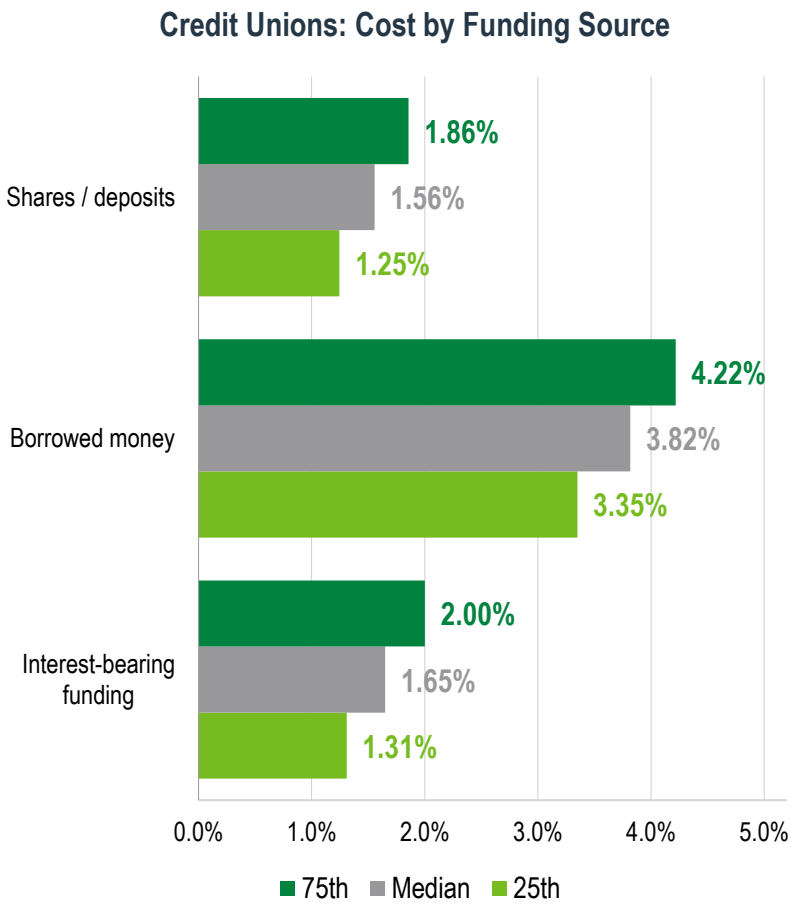
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Funding Costs

Term deposits and borrowings were still among the most expensive sources of funds.





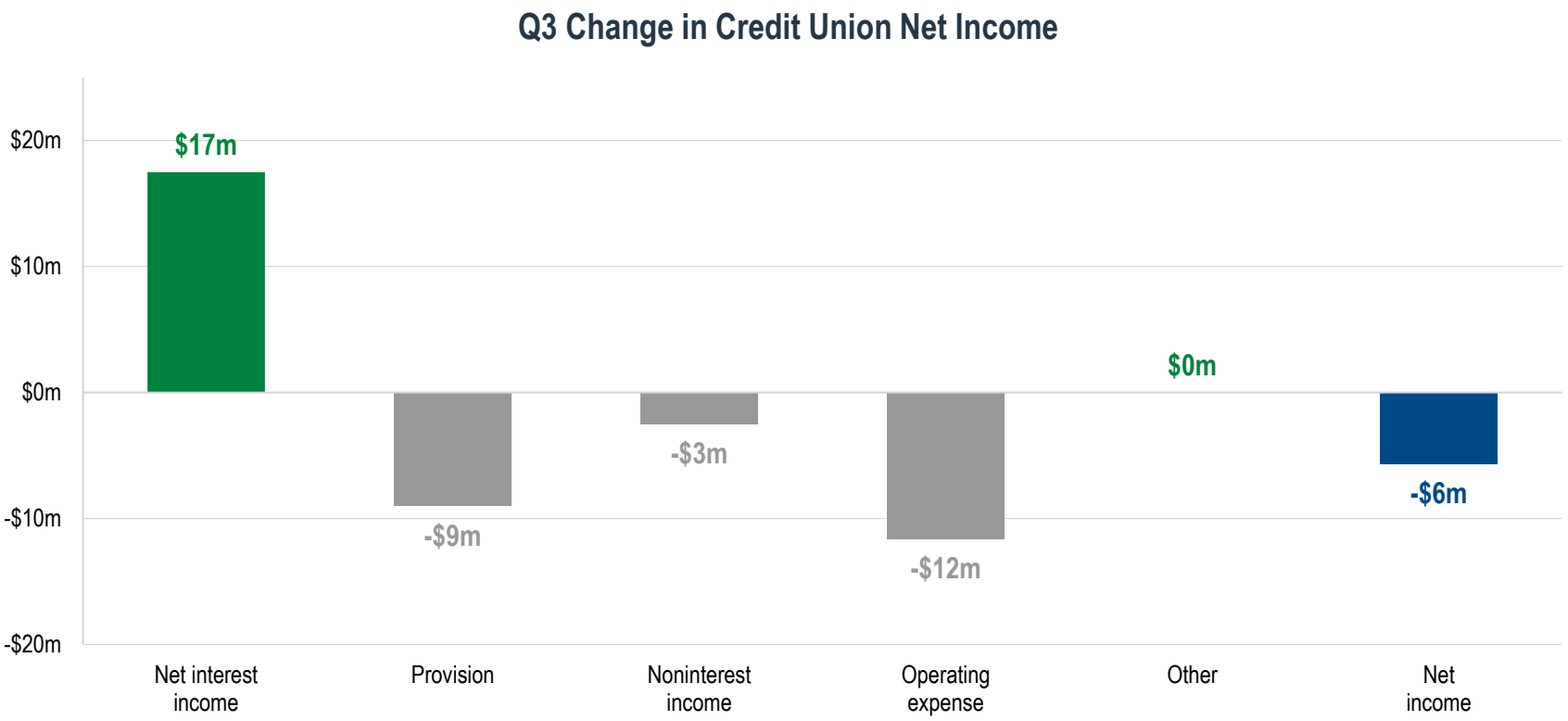
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CU Earnings Conversion

Credit unions earned more net interest income in Q3, but aggregate net income fell.



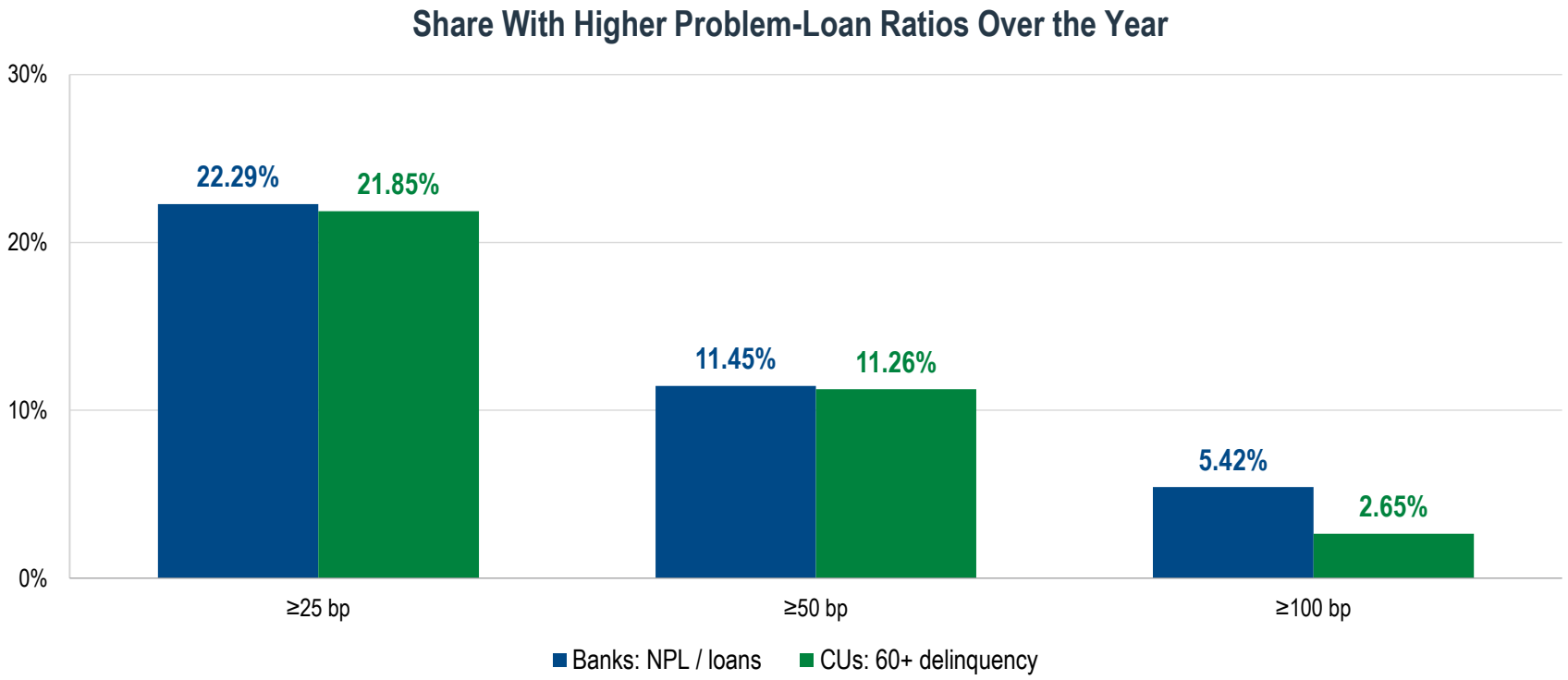
Higher provisions and operating costs absorbed the increase in net interest income.

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Source: S&P Global Market Intelligence, FHLBank Boston

Credit Migration Remains Uneven

Share of members whose problem-loan ratio rose by at least each threshold from a year earlier.



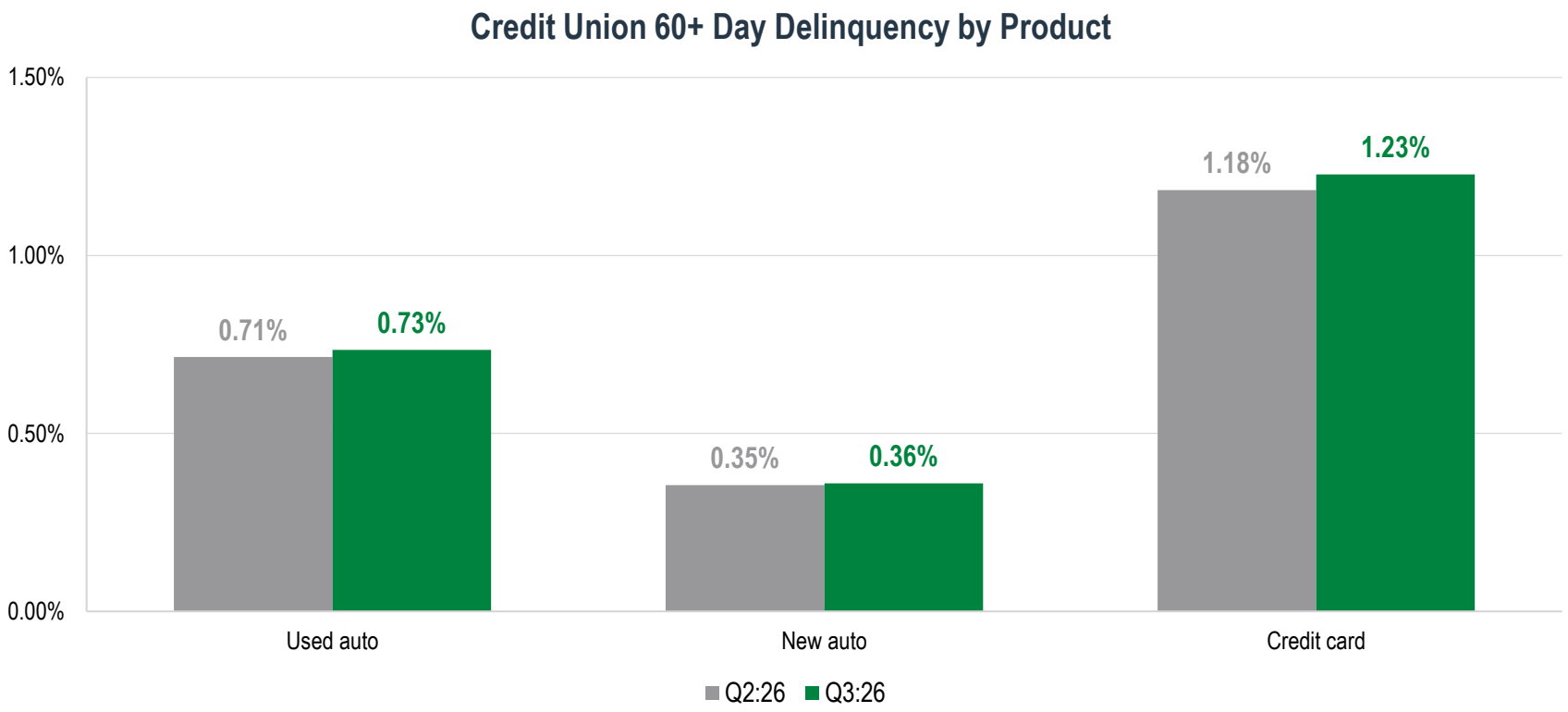
At 37 banks and 33 credit unions, the ratio rose at least 25 basis points.

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Source: S&P Global Market Intelligence, FHLBank Boston

CU Delinquency Within Each Product

Slight upticks across the three identified loan types.

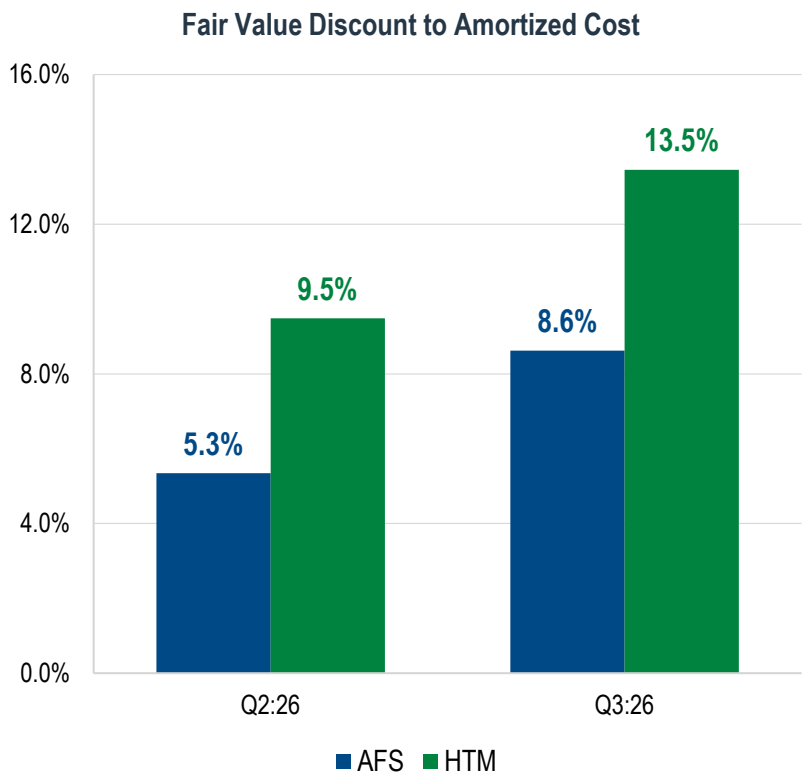


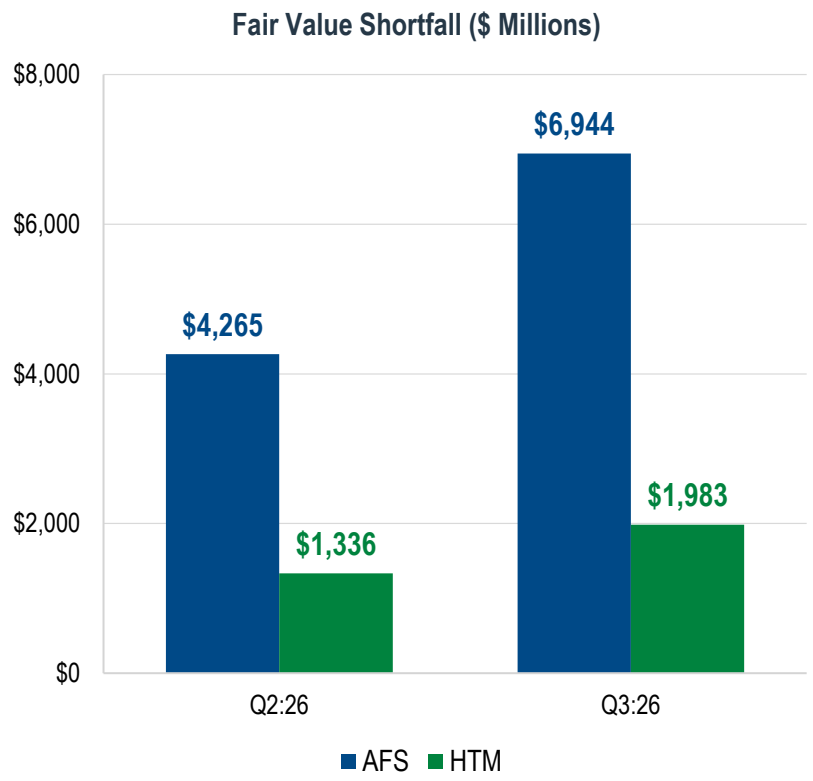
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Reported Fair Value Versus Cost

Compare fair value with amortized cost for bank available-for-sale and held-to-maturity securities.





The held-to-maturity discount widened at 54 of 61 banks that held these securities.

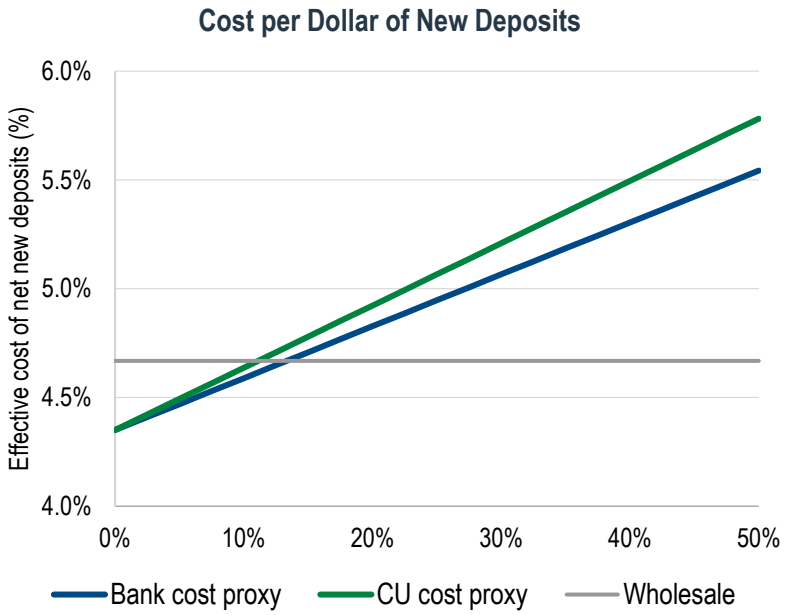
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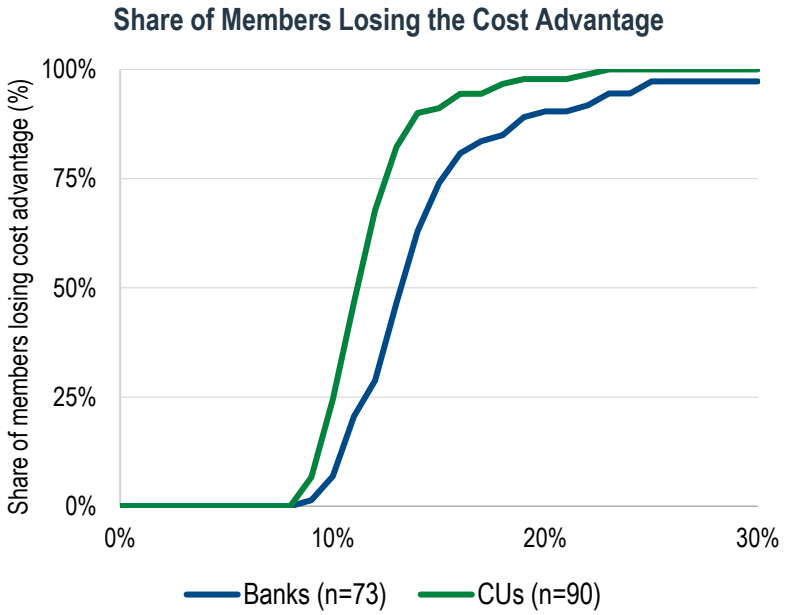
Source: S&P Global Market Intelligence, FHLBank Boston

Deposit Pricing & the Migration Budget

A promotion's cost advantage shrinks when existing low-cost deposits move to the higher rate.

The example assumes a 4.25% promo rate, 10 bp of expense and a 4.67% wholesale cost.





Both horizontal axes show existing balances repriced as a share of net new deposits.

Current total deposit cost approximates the rate paid on existing balances.

At the median, moving $1.1–$1.3 million of existing money erases the cost edge on a $10 million raise.

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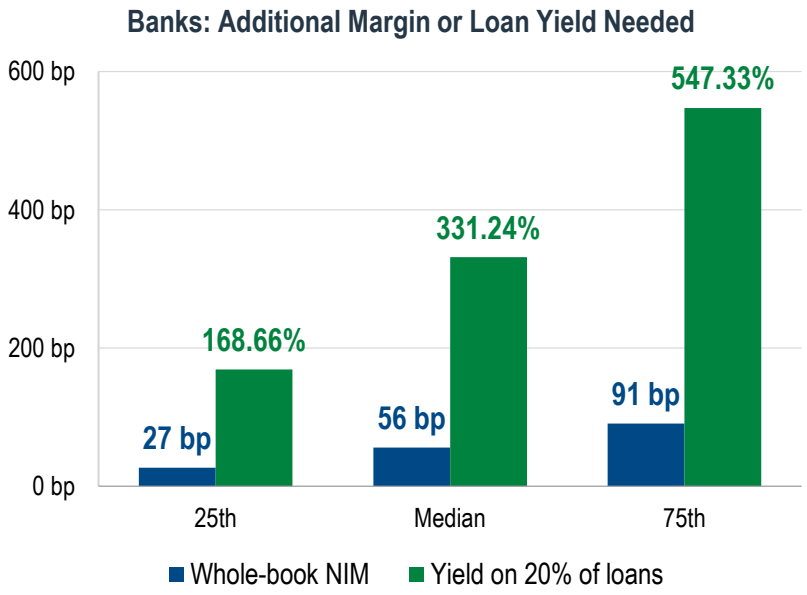
The Pricing Hurdle Behind the Growth Plan

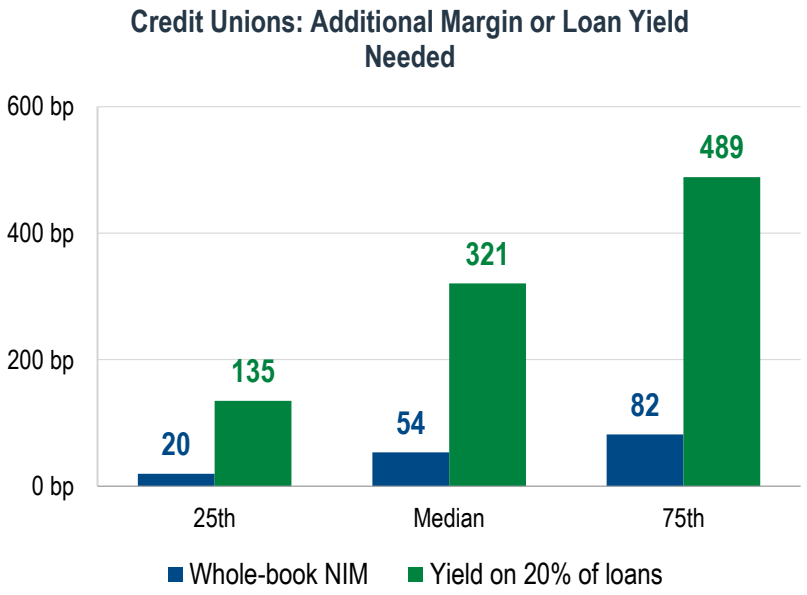
The scenario shows the extra margin needed across the balance sheet or the yield needed on a smaller share of loans.

Banks (n=166)

Credit unions (n=151)

6% asset growth, short CDs +50 bp, provision +50 bp of loans, fixed payout





Bars show the 25th, 50th and 75th percentile of the requirement in each scenario.

Assumed marginal tax rates are 25% for banks and 0% for credit unions.

If only 20% of loans reprice, the median yield increase needed is about 320–330 bp.

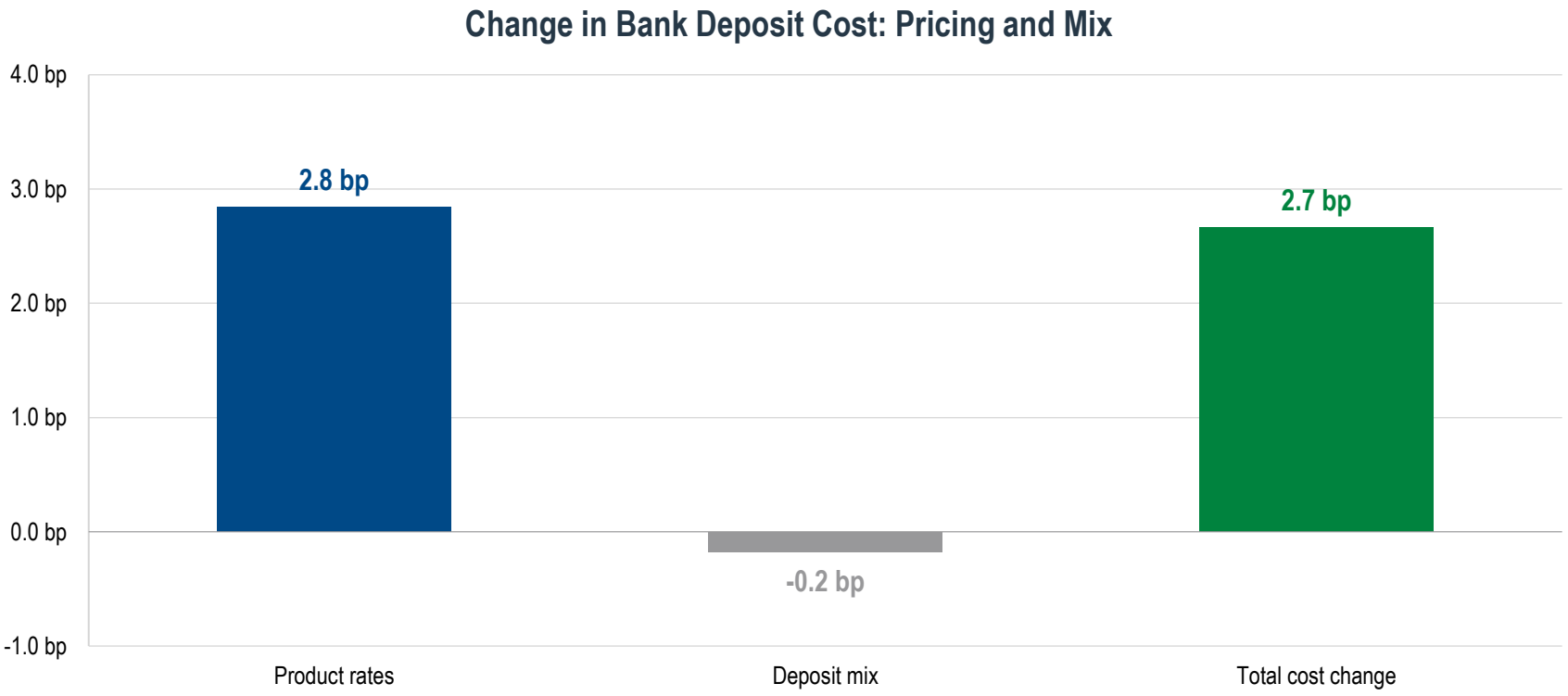
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Bank Deposit Price & Mix

The Q3 change separates the effect of what banks paid from the effect of where balances sat.



A shift toward cheaper deposits offset part of the increase in product rates.

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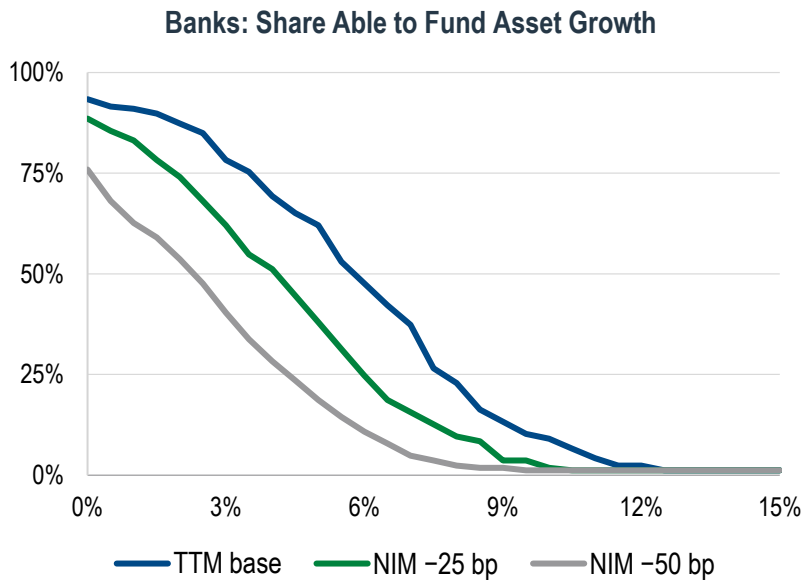
Source: S&P Global Market Intelligence, FHLBank Boston

How Much Growth Can Earnings Fund?

The analysis holds each member's GAAP equity-to-assets ratio at its Q3 level.

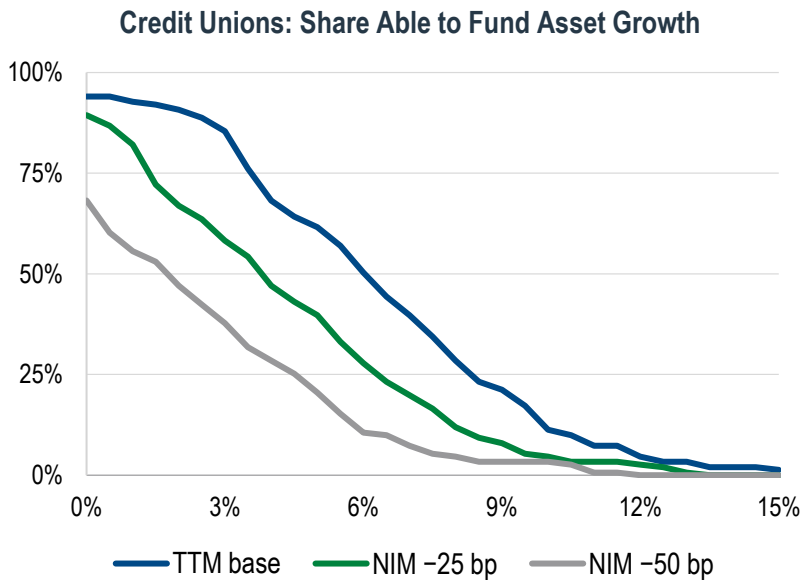
Banks (n=166)

Each curve shows the share of members that could support the growth rate on the horizontal axis.



Can fund 6% growth: 48% base, 25% at −25 bp, 11% at −50 bp

Credit unions (n=151)



Can fund 6% growth: 50% base, 28% at −25 bp, 11% at −50 bp

Payout stays fixed. Assumed marginal tax rates are 25% for banks and 0% for credit unions.

With 25 bp less margin, 41 banks and 42 credit unions could support 6% asset growth.

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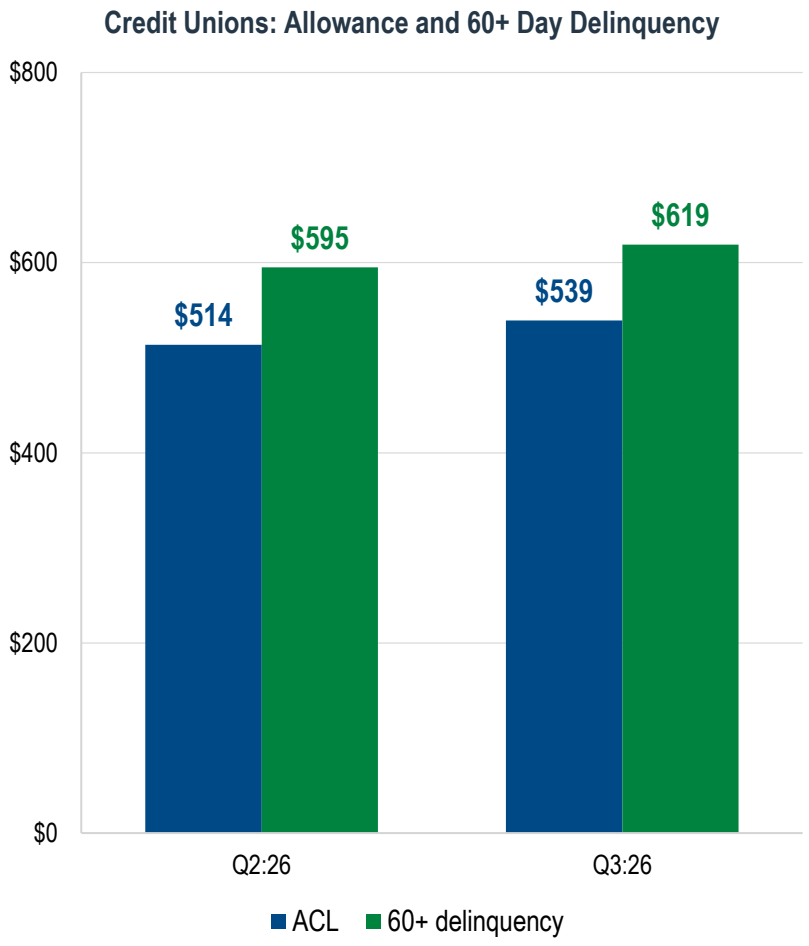
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Reserves & Problem-Loan Balances

The spread between allowance and NPL's tightened for banks and was flat for credit unions.





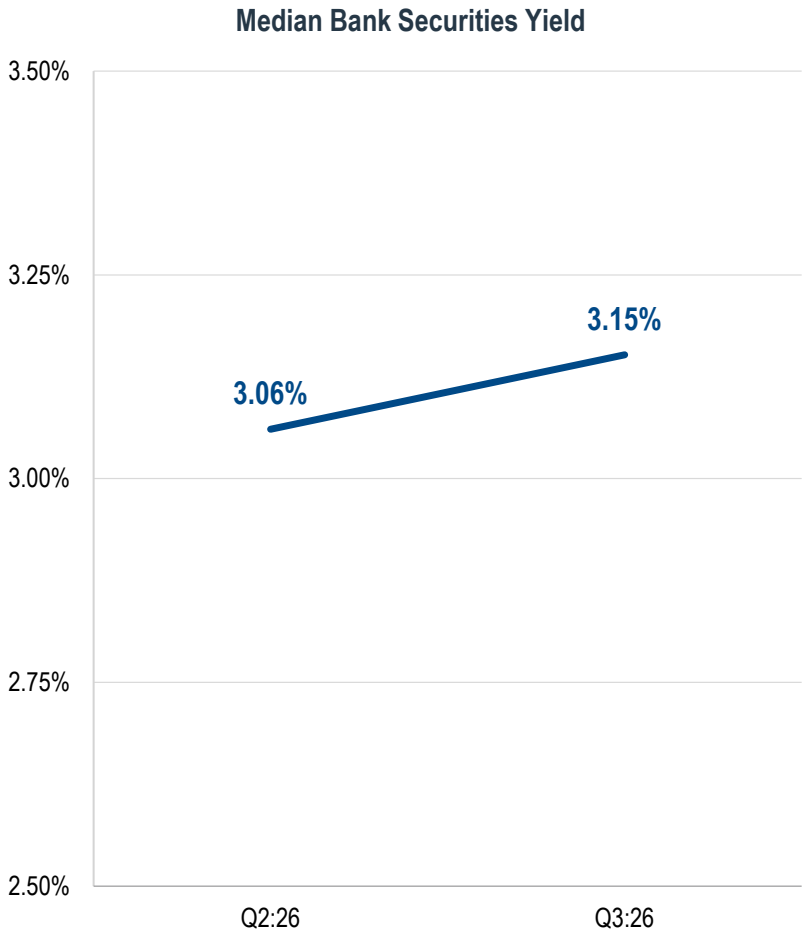
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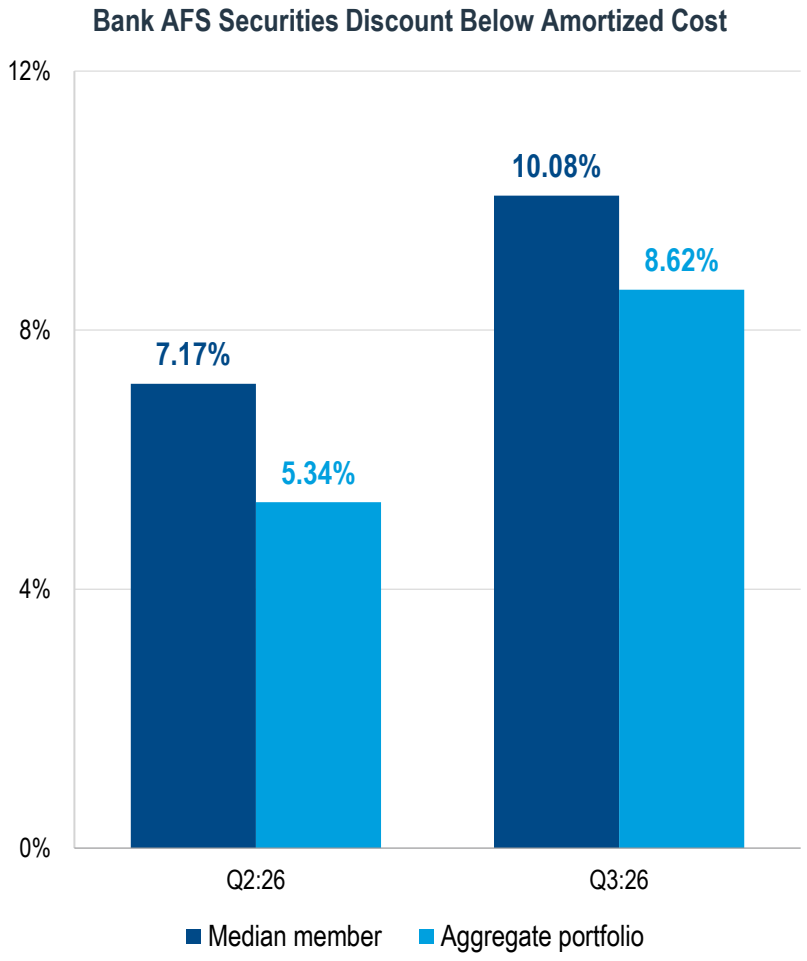
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Investment Yields Continue to Rise

Higher rates lifted investment income in Q3 and widened discounts on available-for-sale securities.





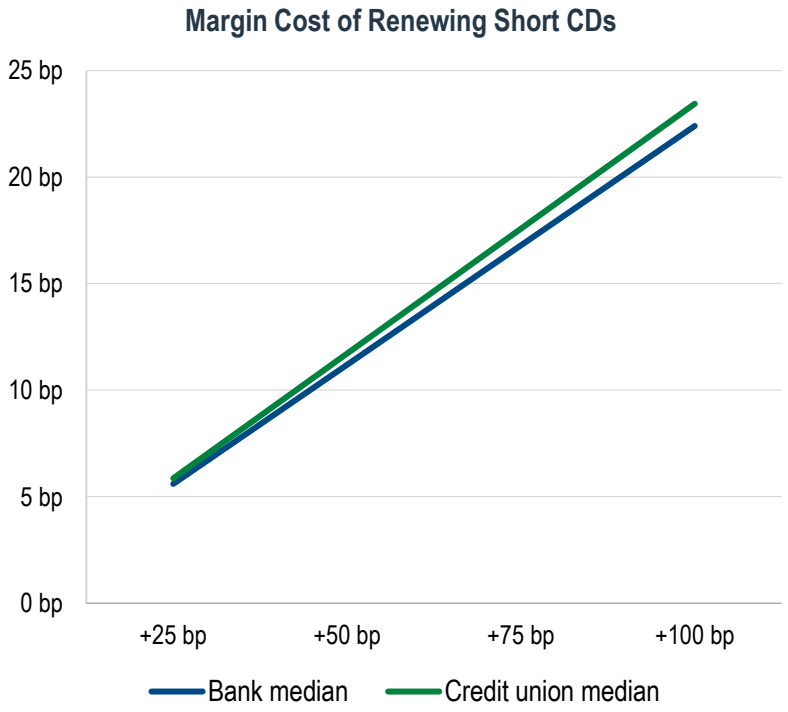
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What Yield Increase Would Offset a CD Reset?

CDs due within a year are 22.40% of earning assets at the median bank. Certificates due in less than a year are 23.44% at the median credit union.



Extra Yield Needed on Repricing Assets (Median Credit Union Case)

CD Rate Increase	10% Reprices	20% Reprices	30% Reprices
+25 bp	59 bp	29 bp	20 bp
+50 bp	117 bp	**59 bp**	39 bp
+75 bp	176 bp	88 bp	59 bp
+100 bp	234 bp	117 bp	78 bp

Rows show the increase in renewal rates. Columns show the share of earning assets that can reprice.

At the median credit union, a 50 bp increase on all short certificates cuts margin by 11.72 bp once they renew. If 20% of earning assets can reprice, those assets need 59 bp more yield.

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Source: S&P Global Market Intelligence, FHLBank Boston

Funding & Credit Costs Share One Cushion

The scenarios start with the past 12 months of operating earnings after reported provisions.

Banks (n=166)

Each cell shows the share of members with zero or negative earnings after both modeled costs.

Columns show the increase in short-CD rates (bp)

Prov.	+0	+25	+50	+75	+100
+0	6%	7%	7%	9%	11%
+25	9%	10%	12%	16%	19%
+50	16%	19%	**22%**	26%	31%
+75	33%	35%	41%	46%	48%
+100	46%	49%	55%	58%	62%

Rows show extra annual provision as bp of loans

Both at +50 bp: 37 of 166 banks

Credit unions (n=150)

Columns show the increase in short-certificate rates (bp)

Prov.	+0	+25	+50	+75	+100
+0	6%	6%	7%	10%	13%
+25	9%	11%	18%	24%	29%
+50	27%	31%	**35%**	43%	47%
+75	43%	49%	53%	56%	61%
+100	57%	63%	67%	70%	72%

Rows show extra annual provision as bp of loans

Both at +50 bp: 52 of 150 credit unions

Eleven banks and 12 credit unions stay positive under either 50 bp shock alone but cross zero when both hit.

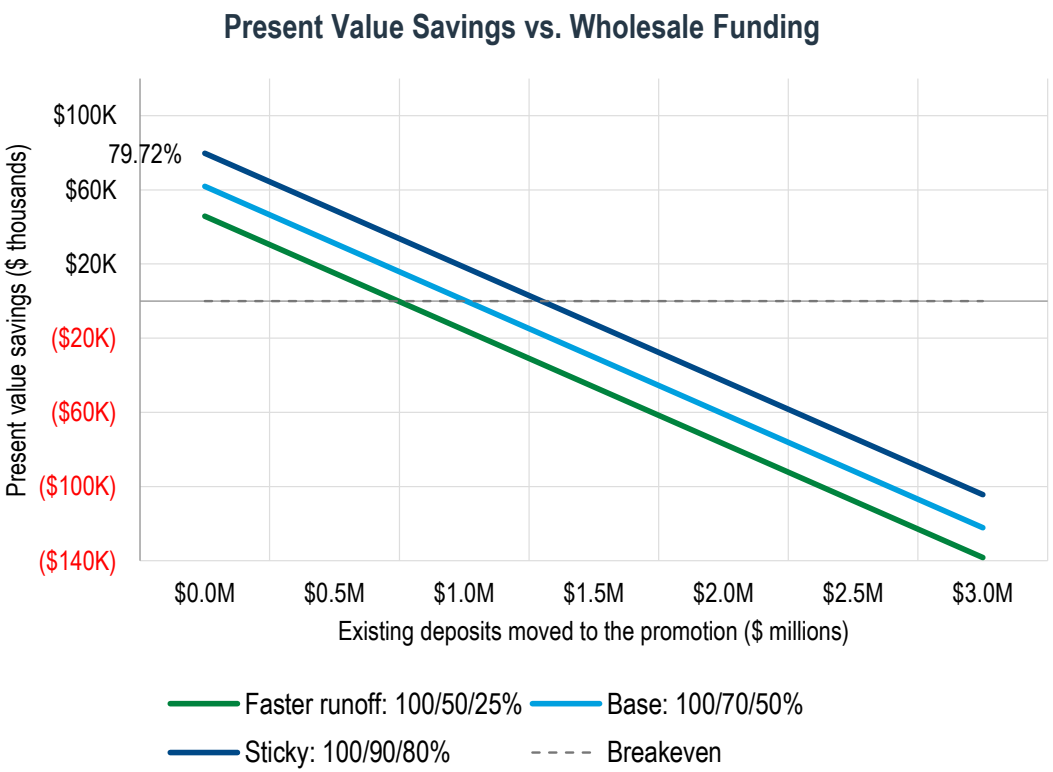
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Marginal Cost of Funds Analysis

A lower promo rate can save money on new deposits. Paying it on existing balances cuts into that saving.



Illustrative Annual Assumptions

Rate / balance	Year 1	Year 2	Year 3
Wholesale cost	4.65%	4.00%	3.50%
Promotion rate	4.25%	3.50%	3.00%
Existing rate	1.50%	1.25%	1.00%
Base new money ($m)	10.0	7.0	5.0
Migration retained	100%	90%	80%

The model adds 10 bp in servicing and $10,000 upfront, then discounts at 4.50%.

The Base Case Breaks Even at $1.01 Million

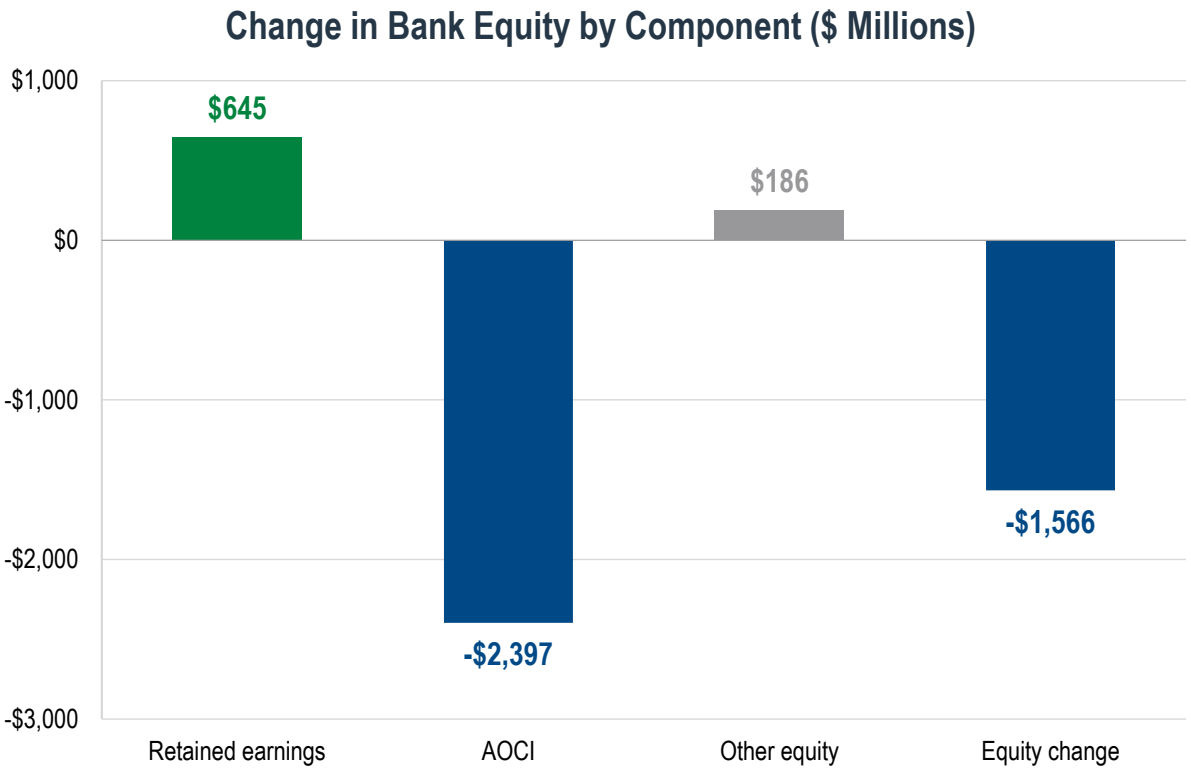
That is 10.1% of the $10 million raised. If $2 million of existing balances move, the promotion costs $61,000 more in present value.

Source: FHLBank Boston

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Capital Available for Growth

The bank equity bridge shows how retained earnings and market value changes affected GAAP equity.



Median Bank, Q2 to Q3

−24 bp

GAAP equity to assets

+5 bp

Regulatory leverage ratio

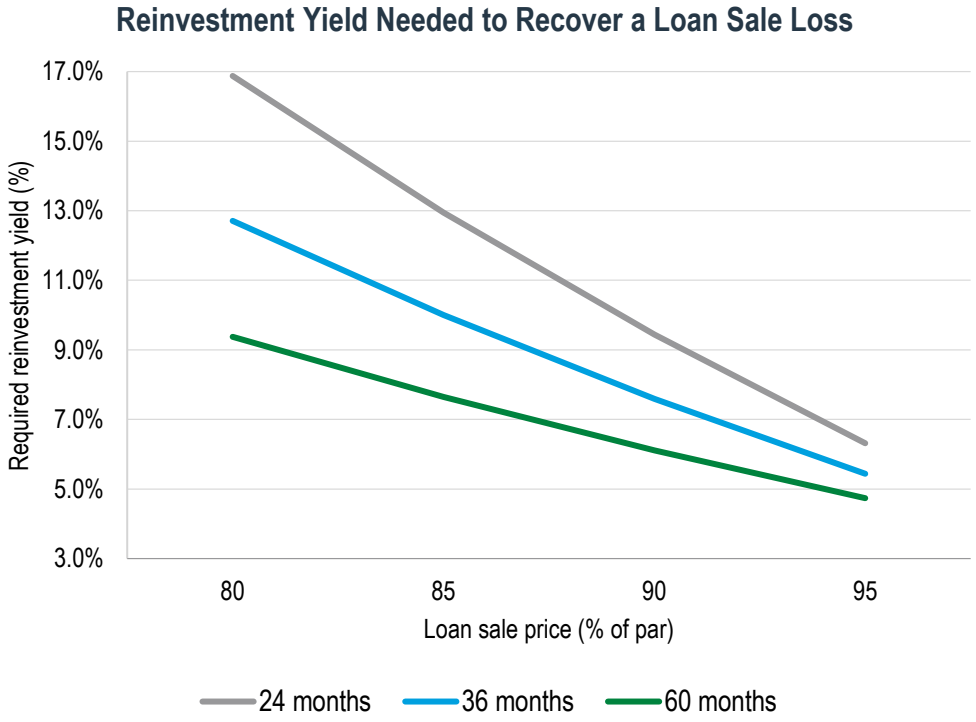
The median credit union's regulatory net-worth ratio rose 16 bp.

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Source: S&P Global Market Intelligence, FHLBank Boston

Seasoned Loan Sales Reinvestment Hurdle

A sale at a discount leaves less principal to reinvest. The new asset must earn enough on those lower proceeds to recover the loss.



Sale price: 90% of par
Old coupon: 3.50%
Reinvestment yield: 6.00%

63 months

To Earn Back the Loss Through Income

6.11%

Reinvestment Yield for a Five-Year Recovery

Compare the simple earn-back with the loan's remaining life and the timing of its cash flows.

Source: FHLBank Boston

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Seasoned Loan Sales: Income Earn Back

The table shows how many months of extra interest income it takes to recover the sale loss.

Sale price	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%
80.0	2400	480	267	185	141	114
82.5	988	336	202	145	113	92
85.0	554	240	153	113	89	73
87.5	343	171	114	86	69	57
90.0	218	120	83	63	51	43
92.5	136	80	57	44	36	30
95.0	77	48	35	27	22	19
97.5	34	22	16	13	11	9

At 90% of par and a 6.00% reinvestment yield, the loss takes 63 months to earn back.

Source: FHLBank Boston

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