

Federal Home Loan Bank Update

Member Outreach Meeting

Edward A. Hjerpe III, President and CEO

August 18, 2011

Topics

- Second Quarter Financial Results
- Key Regulatory Developments
- Legislative Update
- Other Bank News
- Multiplier Study
- Panel Discussion
 - ◆ Managing the balance sheet
 - ◆ Business solutions from wholesale funding to collateral capacity
- Questions

Recent Financial Highlights

	Q1 2011	Q2 2011
Assets	\$55.6 billion	\$52.2 billion
Advances	\$25.9 billion	\$26.2 billion
Pre-Assessment Net Income Before OTTI, REFCorp and AHP	\$62.1 million	\$65.3 million
Credit-Related OTTI Losses	\$(30.6 million)	\$(35.8 million)
REFCorp	\$(5.8 million)	\$(5.3 million)
AHP	\$(2.6 million)	\$(2.4 million)
Net Income	\$23.1 million	\$21.8 million
Dividend (based on quarter results)	0.31%	0.27%

Federal Home Loan Bank of Boston Financial Data

	12/31/07	12/31/08	12/31/09	12/31/10	3/31/11	6/30/11
End Advances	\$55.7B	\$56.9B	\$37.6B	\$28.0B	\$25.9B	\$26.2B
Total Investments	\$17.9B	\$18.9B	\$20.9B	\$27.1B	\$25.9B	\$22.1B
Total Assets	\$78.2B	\$80.4B	\$62.5B	\$58.6B	\$55.6B	\$52.2B
End Capital Stock ⁽¹⁾	\$3.2B	\$3.7B	\$3.7B	\$3.8B	\$3.8B	\$3.8B
End Accumulated Other Comprehensive Income	\$0.0B	\$(0.5)B ⁽²⁾	\$(1.0)B	\$(0.6)B	\$(0.6) B	\$(0.5)B
End Retained Earnings	\$225.9M	\$329.4M ⁽²⁾	\$142.6M	\$249.2M	\$269.5M	\$288.5M
Pre-assessment, Pre-OTTI Income	\$270.0M	\$265.9M	\$257.3M	\$229.8M	\$62.1M	\$65.3M
Period Credit Losses	N/A	\$(32.6)M ⁽²⁾	\$(444.1)M	\$(84.8)M	\$(30.6)M	\$(35.8)M
Period REFCorp Assessment	\$(49.6)M	-	-	\$(26.6)M	\$(5.8)M	\$(5.3)M
Period AHP Assessment	\$(22.2)M	-	-	\$(11.8)M	\$(2.6)M	\$(2.4)M
Period Net Income	\$198.2M	\$(115.8)M ⁽³⁾	\$(186.8)M	\$106.6M	\$23.1M	\$21.8M
Period Return on Average Equity	6.96%	(3.17)%	(6.49)%	3.52%	2.83%	2.63%
End Regulatory Capital Ratio	4.37%	4.99% ⁽²⁾	6.20%	6.83%	7.23%	7.83%
Market / Par Value of Stock	103%	48%	78%	94%	96%	97%

⁽¹⁾Includes mandatorily redeemable capital stock classified as a liability.

⁽²⁾Includes cumulative effect of adopting FSP FAS 115-2 and FAS 124-2, January 1, 2009.

⁽³⁾Includes \$349.1MM of noncredit losses, subsequently reclassified to AOCI upon adoption of FSPs. Excluding non-credit loss, pre-assessment net income would be \$233.3MM

Key Regulatory Developments

- On August 5, S&P lowered its long-term sovereign credit rating on the USA to AA+ from AAA
 - ◆ As a result, S&P also downgraded all GSEs, including the long-term credit ratings on the senior unsecured debt issues of the FHLBank System and 10 FHLBanks from AAA to AA+
 - ◆ Outlook for all FHLBanks, and the issue level ratings for Fannie Mae, Freddie Mac, and the Farm Credit System are negative
 - ◆ S&P's actions did not affect the short-term A-1+ ratings of the FHLBanks and the System's debt issues
- Federal Housing Finance Agency certified on August 8 that the FHLBanks' REFCorp obligation had been satisfied
 - ◆ 20 percent of income previously paid to REFCorp to go to restricted retained earnings
 - ◆ FHFA also approved related Capital Plan amendments

Legislative Update

- Legislative focus has been monopolized by partisan debt-ceiling negotiations and confirmation hearings
- GSE reform
 - ◆ Administration white paper published in February
 - System drafted a response arguing:
 - In favor of large member participation
 - Covered bonds not a complete substitute for advances
 - Investment authority appropriate
 - ◆ House proposals do not include FHLBanks so far
 - ◆ Prospects in Senate remain uncertain

Other Bank News

- New members in 2011
 - ◆ State Street Bank & Trust
 - ◆ Hartford Life Insurance Company
 - ◆ Franklin First Federal credit Union
 - ◆ Others in the pipeline
- Move to the Prudential on schedule
 - ◆ Construction began last month, data center co-location in process, and staff move expected by end of November
- Collateral study examined policies, procedures, and practices
 - ◆ Today's panel will touch on outcomes, among other topics

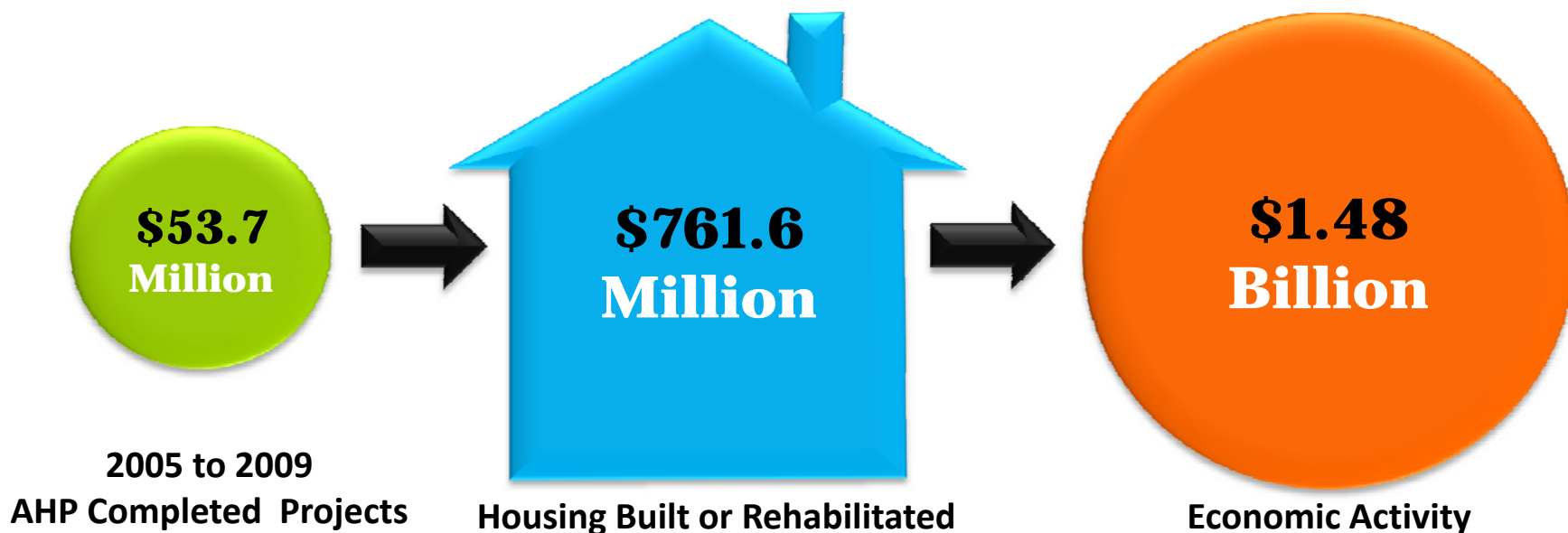


Recent Study Shows Affordable Housing Program's Effect on Regional Economic Activity

- Examined impact of AHP financing on construction and rehabilitation of rental and ownership housing in New England
- Analyzed 173 completed AHP initiatives from 2005-2009
 - ◆ \$53.7 million in AHP subsidy
 - ◆ Construction or rehabilitation of 3,810 housing units across New England
 - ◆ Leveraged \$138.6 million in member financing, \$761.6 million total development value
- Cover story of new *Results* discusses in more depth

Result: The AHP Plays Important Catalytic Role Creating Affordable Housing and Boosting Economy

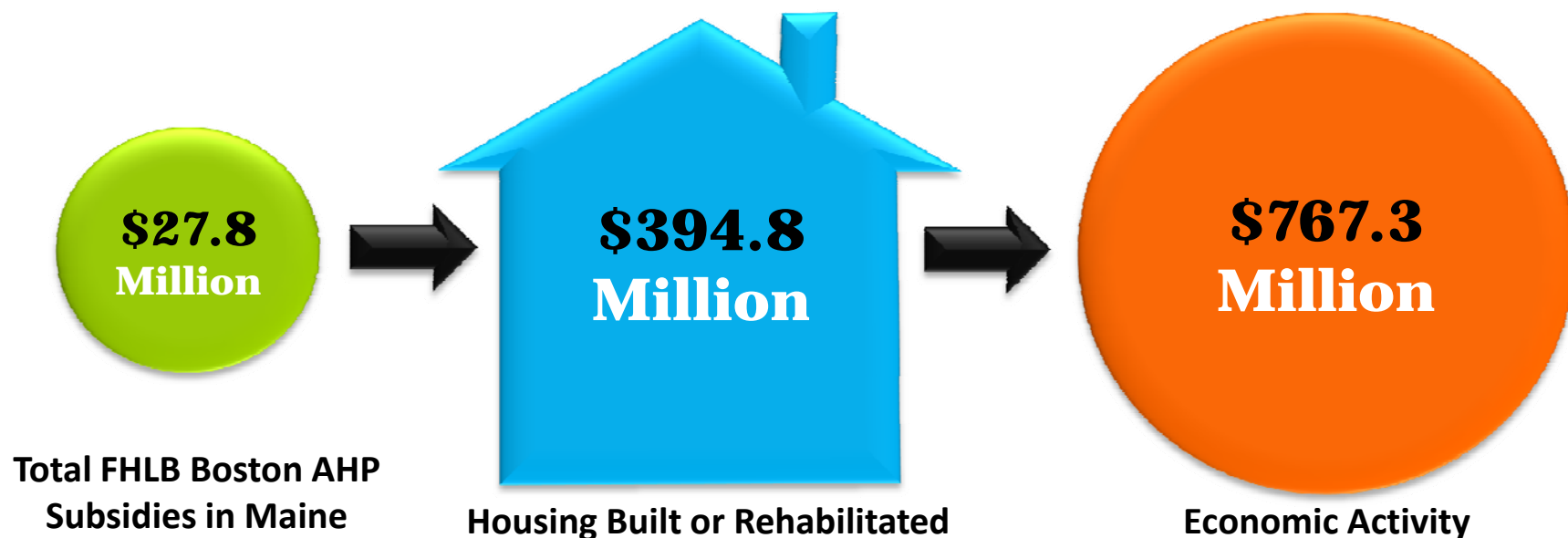
- For every \$1 million of AHP funding, \$14.2 million of housing is built or rehabilitated
- Each \$1 million of AHP funding contributes to generating \$27.6 million total output (including ripple effect of job creation and value-added spending)



Source: New England Market Research, Inc. and I² Community Development Consulting

The Multiplier Effect in Maine

- Applying the same multiplier effect to FHLB Boston's AHP subsidies in Maine yields the following:



Source: New England Market Research, Inc. and I² Community Development Consulting

Questions before moving to panel?

Panel Discussion: Insights and Ideas for Using FHLB Boston

Timothy Barrett, Senior Vice President, Treasurer

George Collins, Senior Vice President, Chief Risk Officer

Paul Peduto, First Vice President, Member Services

M. Susan Elliott, Executive Vice President, Chief Business Officer

Moderator