

Case Study: Symmetrical Prepayment Advance

September 2021



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Overview

FHLBank Boston’s Symmetrical Prepayment Advance is a solution that members can use to meet today’s funding needs while also maintaining the flexibility to adapt to changing conditions in the future.

Product Details

Detail	Symmetrical	Classic Advance
Funding Type	Fixed	Fixed
Principal Due	At Maturity	At Maturity
Prepayment Eligible	Yes	Yes
Prepay Fee if Rates Decrease	Yes	Yes
Potential to Receive Prepay Credit if Rates Increase	Yes	No

Benefits

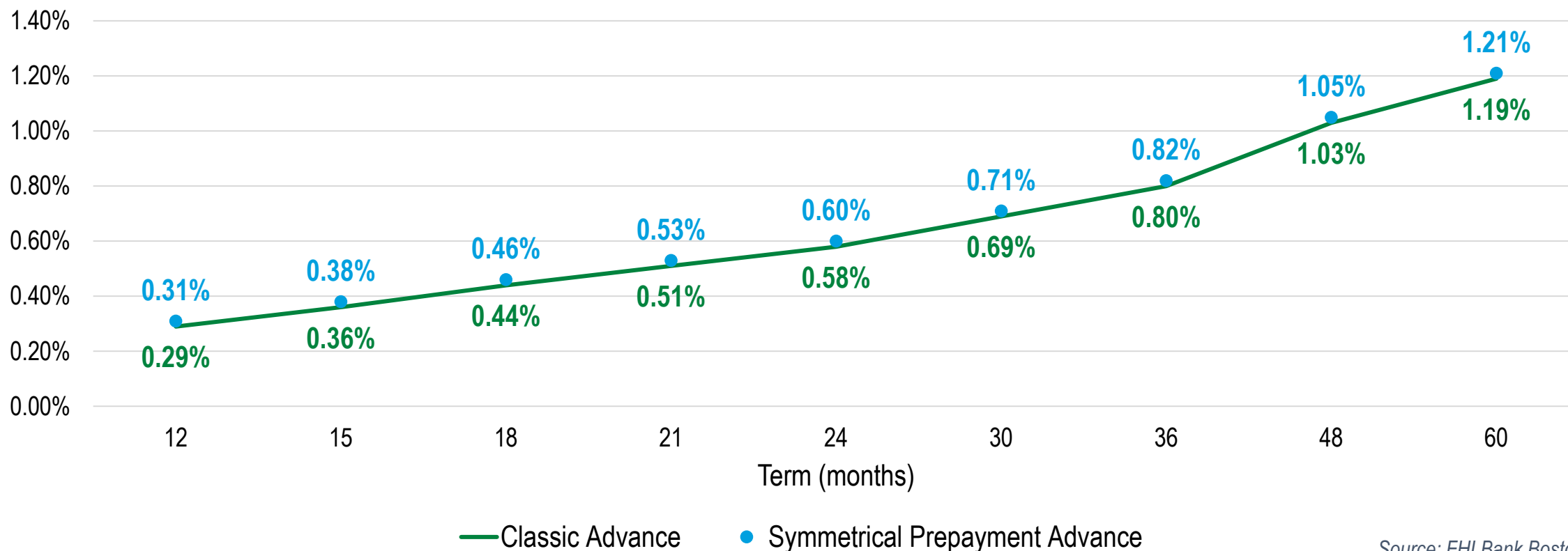
- The Symmetrical Prepayment Advance contains a feature that allows a member to prepay the advance and realize a gain if interest rates rise adequately from the time the advance was originated.
- Provides additional flexibility beyond what the Classic Advance offers for a minimal cost.

Pricing

Typically priced at two basis points over Classic Advances, the Symmetrical Prepayment Advance provides members the ability to realize gains when there are favorable changes in the market value of the advance.

Classic Advance vs. Symmetrical Prepayment Advance Rates

As of September 15, 2021

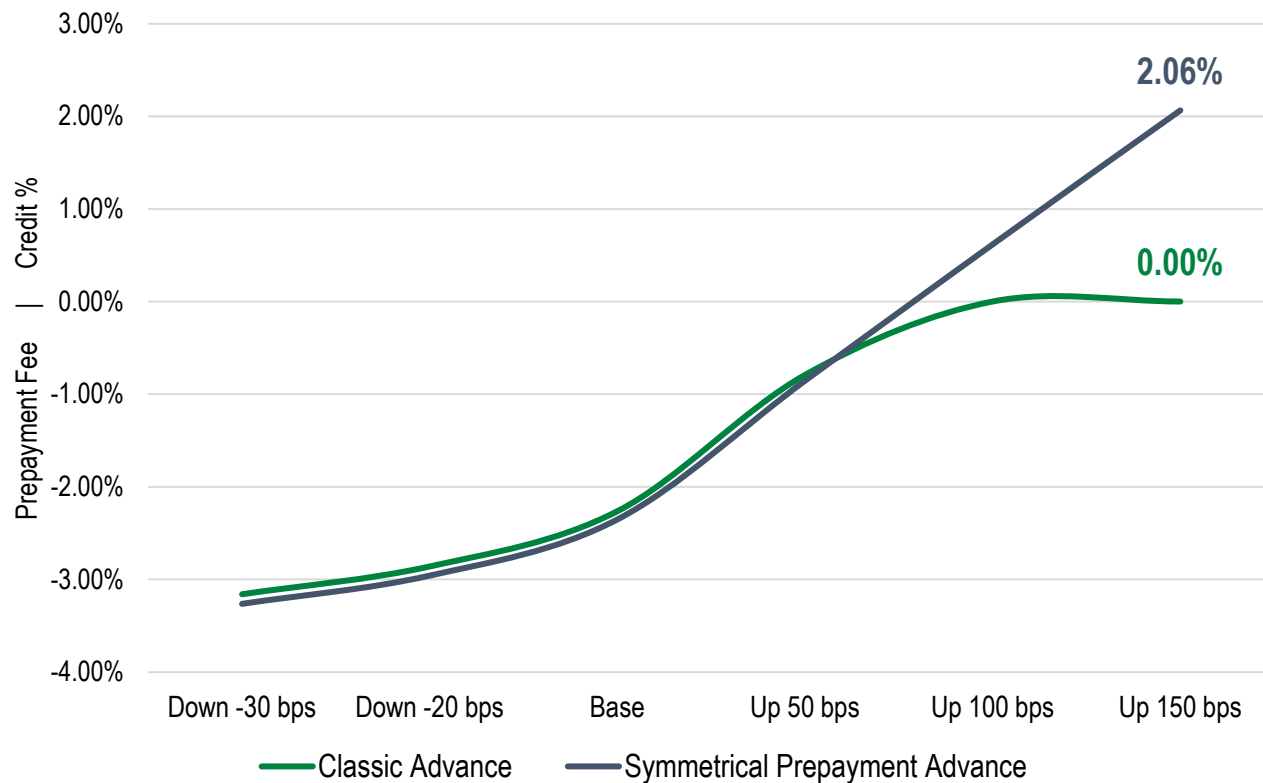


Source: FHLBank Boston

How Does the Symmetrical Prepayment Advance Work?

FHLBank Boston's Symmetrical Prepayment Advance allows members to realize gains in a rising rate environment.

5-Year Advance: 2-year Horizon - Rate Shock Analysis



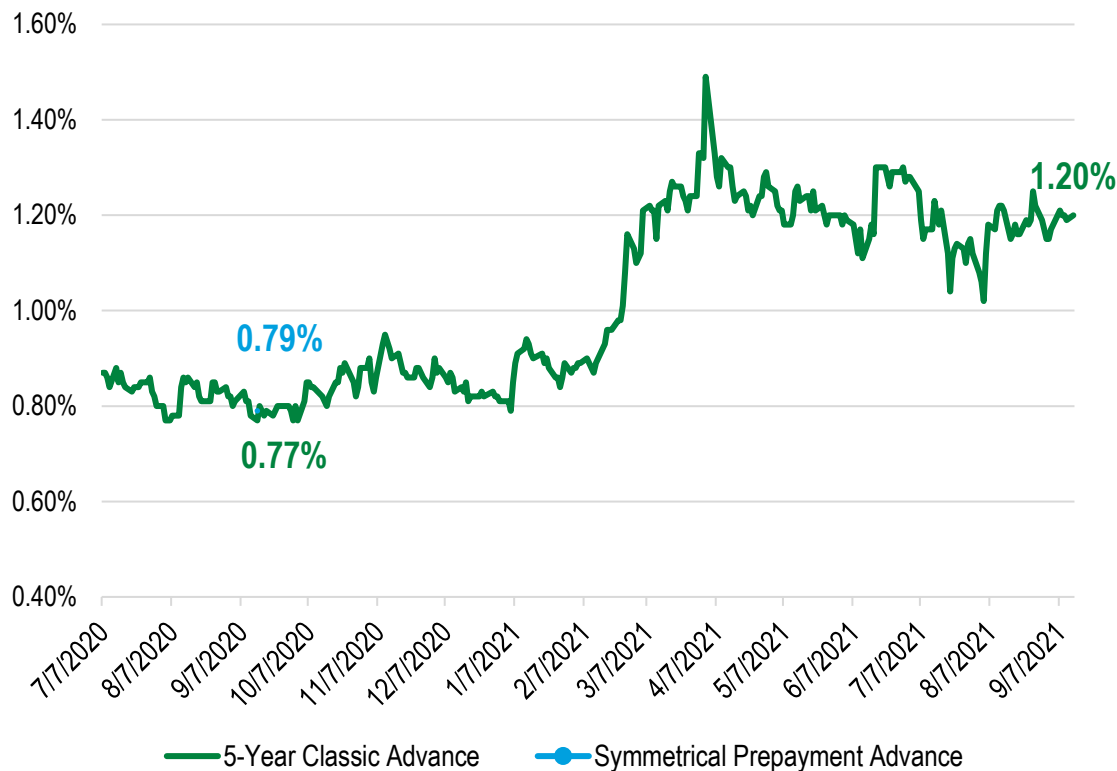
- When rates fall, a member would have to pay a fee in order to collapse the funding for a Classic Advance or Symmetrical Prepayment Advance.
- When rates rise, only the Symmetrical Prepayment Advance allows the member to realize a gain when the funding is collapsed.

Source: FHLBank Boston

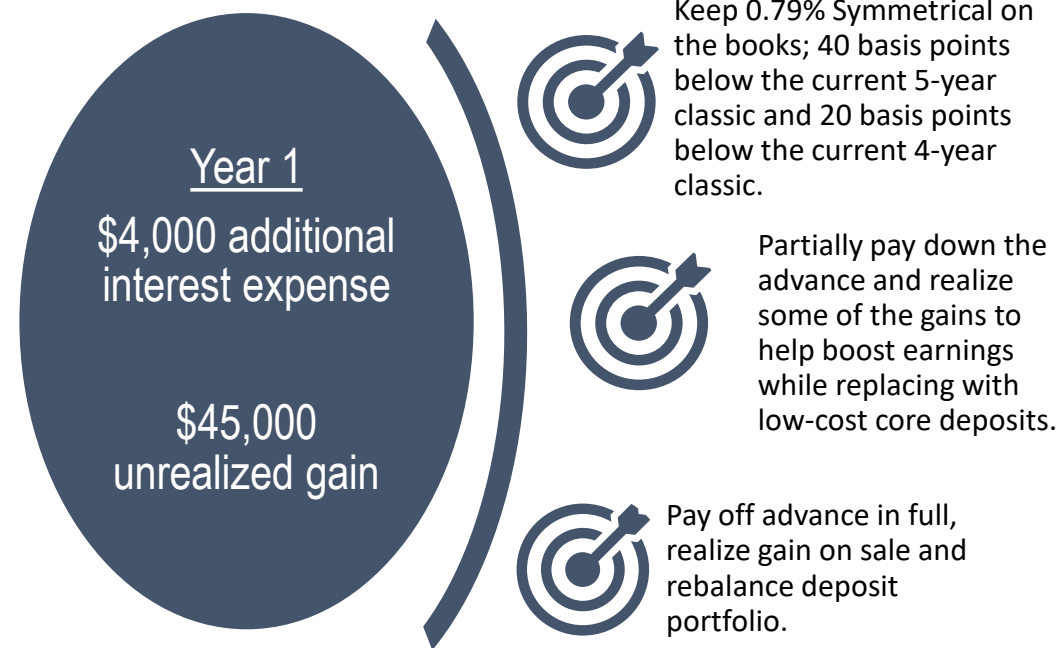
Benefiting From Flexibility

The example below illustrates the options a member would have today, if they took a 5-year, \$20 million Symmetrical Prepayment Advance in September 2020.

Historical 5-Year Advance Rates



Flexibility



Strategies

FHLBank Boston's Symmetrical Prepayment Advance offers flexibility when your balance sheet calls for change.



Support earnings in a rising rate environment. As the market value of assets decreases, a drop in market value benefits a liability. The Symmetrical Prepayment Advance can support your earnings profile through realizing a gain.



In times where rebalancing or restructure loan or investment portfolios is necessary, gains from Symmetrical Prepayment Advances can neutralize negative impact to the income statement.



If wholesale borrowing needs decrease due to deposit inflows, prepayment of the Symmetrical Prepayment Advance can provide an efficient way to reconfigure the liability mix.

Thank You

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