

Parallel-Shift Sensitivity Analysis for HLB-Option and Knockout Advances

The Federal Home Loan Bank of Boston (Bank) is providing estimated valuations of the specific HLB-Option and Knockout advances set forth below for members' information and convenience only. The estimated valuations are generated by models obtained from external sources which are used for the Bank's own asset/liability management purposes. The models include the use of specific assumptions, for example, market volatility and discount curve adjusted for the Bank's spread, to estimate the value of the advance. The valuations represent theoretical market values only and should not be construed as a liquidation price for the HLB-Option or Knockout advance.

It is expressly understood that in providing this valuation information to members, the Bank is not performing any advisory service. The valuations are being provided without representation or warranty and the member shall be solely responsible for any decision it makes or actions it takes based on the valuations provided. It is recommended that institutions maintain independent capabilities to value their asset/liability positions, including HLB-Option and Knockout advances.

The table depicts valuation estimates resulting from immediate parallel interest-rate movements of plus/minus 400 basis points in 100 basis point increments. In order to rule out negative interest rates, our model applies an effective floor of plus ten basis points to the yield curve for all down-rate scenarios. As a result, large down-rate shocks will reflect valuation at the floor rate of ten basis points in place of any negative interest rates that would otherwise be produced by the indicated basis point shocks. Please note that the valuation estimates are from the Federal Home Loan Bank of Boston's perspective. Since the advance is held by the member as a liability, positive price changes in the table correspond to the advance having a negative impact on the member's estimated market value of portfolio equity (and vice versa). The theoretical argument follows that as interest rates rise, the value of the advance to the Bank falls. In the case of an HLB-Option advance, the Bank would be likely to exercise its option to cancel the advance as the value falls below 100. In the case of a Knockout advance, the Bank would automatically terminate the advance on any specified cancellation date if LIBOR is equal to or greater than a predetermined "strike rate" four London Business days prior to the scheduled cancellation date. In either case, the member's cost to prepay the advance increases as interest rates fall.

To identify your advance, locate the appropriate maturity date and then verify the coupon rate. The report is sorted in ascending order by start date, followed by coupon. Once the appropriate structure is determined, read across to view the sensitivity analysis that has been performed on the advance.

If you have any questions or would like further explanation of this analysis, contact the Money Desk at 1-800-357-3452.

Start Date	Maturity		Coupon	-300	-200	-100	Base	+100	+200	+300	+400
	Date	Next Call Date									
10/25/2007	10/27/2014	10/25/2011	4.36	122.760	116.001	110.195	105.331	101.184	97.509	94.138	90.977
10/26/2007	10/26/2017	4/28/2008	3.39	119.561	111.781	106.103	102.321	100.270	99.824	99.637	99.479
10/29/2007	10/29/2009	10/29/2008	4.25	107.520	106.120	104.354	102.628	101.027	99.807	98.954	98.230
10/29/2007	10/29/2012	10/29/2009	3.99	116.672	111.737	107.288	103.686	101.011	98.987	97.261	95.654
11/2/2007	11/3/2014	11/2/2009	3.99	120.164	113.609	108.194	104.090	101.182	99.052	97.279	95.652
11/2/2007	11/3/2014	11/2/2010	4.19	121.490	114.821	109.223	104.767	101.240	98.296	95.673	93.229
11/5/2007	11/5/2014	11/5/2009	3.99	120.186	113.626	108.205	104.095	101.183	99.047	97.269	95.638
11/5/2007	11/6/2017	11/5/2012	4.39	128.457	119.380	111.994	105.921	100.748	96.173	92.007	88.143
11/6/2007	11/6/2017	5/6/2008	3.48	120.244	112.342	106.535	102.629	100.418	99.664	99.371	99.109
11/8/2007	11/9/2009	5/8/2008	4.10	107.380	105.953	104.162	102.416	100.845	99.903	99.523	99.250
11/9/2007	11/10/2014	11/9/2011	4.33	122.504	115.743	109.964	105.123	100.982	97.300	93.915	90.738
11/13/2007	11/14/2011	11/13/2008	3.76	113.257	109.321	105.672	102.670	100.589	99.374	98.549	97.805
11/13/2007	11/13/2012	11/13/2008	3.68	115.203	110.285	105.980	102.672	100.518	99.309	98.491	97.751
11/13/2007	11/13/2014	5/13/2008	3.35	116.057	109.921	105.162	101.897	100.138	99.579	99.290	99.008
11/19/2007	11/19/2014	11/19/2009	3.75	118.747	112.300	107.073	103.220	100.531	98.509	96.762	95.120
11/19/2007	11/19/2014	11/19/2009	3.75	118.747	112.300	107.073	103.220	100.531	98.509	96.762	95.120
11/19/2007	11/19/2014	11/21/2011	4.27	122.211	115.455	109.693	104.870	100.741	97.059	93.670	90.483
11/19/2007	11/20/2017	11/19/2012	4.29	127.420	118.159	110.828	104.919	99.934	95.489	91.402	87.580
11/20/2007	11/20/2017	11/22/2010	3.74	122.700	114.389	108.080	103.447	99.930	97.017	94.404	91.952
11/23/2007	11/24/2017	11/23/2011	3.99	124.550	115.420	108.655	103.638	99.560	95.957	92.629	89.477
11/23/2007	11/24/2017	11/23/2011	3.99	124.550	115.420	108.655	103.638	99.560	95.957	92.629	89.477
11/29/2007	11/29/2017	5/29/2008	2.95	115.859	108.781	103.921	100.971	99.759	99.378	99.051	98.727
11/30/2007	11/30/2017	11/30/2009	3.19	117.928	110.426	105.090	101.602	99.275	97.417	95.714	94.074
12/6/2007	12/6/2017	12/7/2009	3.25	118.295	110.718	105.316	101.766	99.384	97.488	95.761	94.101
12/7/2007	12/7/2012	12/7/2009	3.45	114.181	109.256	105.068	101.952	99.695	97.830	96.107	94.444
12/10/2007	12/10/2010	12/10/2009	3.87	110.954	108.010	105.159	102.600	100.451	98.581	96.840	95.163
12/10/2007	12/11/2017	12/10/2010	3.45	120.099	112.190	106.351	102.111	98.820	96.001	93.410	90.949
12/11/2007	12/11/2012	12/11/2009	3.76	115.739	110.731	106.336	102.911	100.407	98.421	96.648	94.962
12/14/2007	12/14/2010	12/15/2008	3.69	110.473	107.526	104.683	102.192	100.366	99.221	98.352	97.540
12/20/2007	12/20/2012	12/21/2009	3.60	115.045	110.049	105.724	102.426	100.020	98.077	96.305	94.606
12/20/2007	12/20/2012	12/21/2009	3.75	115.782	110.685	106.042	102.594	100.224	98.327	96.571	94.874
12/24/2007	12/26/2017	12/24/2012	3.99	124.798	115.857	108.863	103.191	98.316	93.911	89.837	86.009
12/26/2007	12/26/2012	12/26/2008	3.46	114.413	109.437	105.189	102.050	100.102	98.965	98.078	97.237
12/26/2007	12/26/2012	12/27/2010	3.96	116.884	111.798	107.235	103.404	100.184	97.340	94.703	92.193
1/2/2008	1/2/2013	1/4/2010	3.49	114.487	109.487	105.242	102.072	99.752	97.821	96.034	94.312
1/3/2008	1/5/2015	1/3/2011	3.65	118.128	111.690	106.511	102.492	99.236	96.385	93.744	91.230
1/4/2008	1/4/2018	1/4/2011	3.36	119.313	111.527	105.829	101.682	98.420	95.583	92.957	90.458
1/7/2008	1/7/2013	1/7/2009	2.99	112.053	107.212	103.384	100.856	99.454	98.499	97.619	96.760
1/7/2008	1/7/2013	1/7/2011	3.59	115.032	109.994	105.611	102.001	98.936	96.164	93.552	91.048
1/7/2008	1/7/2015	1/7/2011	3.49	117.078	110.760	105.743	101.873	98.712	95.907	93.285	90.781
1/7/2008	1/8/2018	4/7/2008	2.59	112.804	106.454	102.408	100.260	99.770	99.581	99.394	99.207
1/8/2008	1/8/2013	1/8/2010	3.15	112.855	107.948	103.961	101.126	99.003	97.138	95.362	93.637
1/8/2008	1/8/2018	4/8/2008	2.57	112.642	106.336	102.334	100.233	99.766	99.577	99.390	99.203
1/8/2008	1/8/2018	7/8/2008	2.64	113.210	106.750	102.595	100.314	99.490	99.046	98.619	98.196
1/10/2008	1/10/2011	1/12/2009	3.10	108.934	105.912	103.123	100.928	99.553	98.587	97.699	96.832
1/11/2008	1/11/2018	1/12/2009	2.72	113.886	107.251	102.911	100.433	99.159	98.224	97.337	96.469
1/14/2008	1/16/2018	1/14/2011	3.24	118.367	110.743	105.223	101.205	98.003	95.182	92.550	90.035
1/16/2008	1/16/2013	7/16/2008	2.55	109.942	105.317	101.986	100.099	99.413	98.957	98.509	98.065
1/16/2008	1/16/2013	1/16/2009	2.69	110.636	105.923	102.413	100.271	99.097	98.166	97.268	96.387
1/16/2008	1/16/2015	1/16/2009	2.64	111.610	106.140	102.391	100.215	99.049	98.119	97.221	96.340
1/16/2008	1/16/2018	4/16/2008	2.38	111.200	105.300	101.703	100.014	99.698	99.488	99.279	99.071
1/17/2008	1/17/2018	4/17/2008	2.25	110.214	104.619	101.312	99.917	99.666	99.453	99.242	99.031
1/18/2008	1/18/2013	1/20/2009	2.55	109.956	105.326	101.990	100.040	98.948	98.021	97.118	96.233
1/18/2008	1/20/2015	7/18/2008	2.35	109.831	104.756	101.502	99.876	99.303	98.839	98.380	97.926
1/18/2008	1/18/2018	4/18/2008	2.29	110.521	104.829	101.428	99.943	99.671	99.455	99.240	99.027
1/24/2008	1/24/2012	7/24/2009	2.44	108.479	104.575	101.613	99.675	98.192	96.797	95.434	94.097
1/24/2008	1/24/2013	1/25/2010	2.50	109.751	105.142	101.847	99.583	97.654	95.813	94.021	92.272
1/25/2008	1/25/2013	1/26/2009	2.25	108.473	103.497	100.657	99.578	98.622	97.686	96.767	95.866
1/25/2008	1/25/2013	1/25/2011	2.65	110.485	105.673	101.937	98.889	96.093	93.418	90.838	88.343
1/28/2008	1/28/2010	1/28/2009	2.63	105.318	103.709	101.724	100.065	98.989	98.039	97.110	96.200
1/28/2008	1/28/2013	1/28/2011	2.99	112.218	107.237	103.185	99.947	97.074	94.366	91.762	89.247
1/28/2008	1/29/2018	4/28/2008	1.89	107.713	103.007	100.456	99.773	99.526	99.280	99.036	98.793
1/30/2008	1/30/2013	2/1/2010	2.67	110.641	105.906	102.370	99.904	97.857	95.928	94.057	92.233