

*It's all about liquidity.*



Federal Home Loan Bank of Boston

2007 Annual Report

1	It's all about liquidity.
22	The Importance of Collateral
23	Letter To Our Shareholders
26	Board of Directors
28	Management Committee and Officers
29	2007 Advisory Council
30	Selected Financial Data
31	Mission. Vision. Values.

*It's all about liquidity.*

For 75 years, the Federal Home Loan Bank of Boston has served as a reliable source of credit for member financial institutions. We've supplied funding in every business cycle and have never suffered a credit loss.

How have we survived and prospered since the Great Depression?

Simply put, our prudent management consistently earns the triple-A rating from the major rating agencies.

And our expert staff and considerable resources are dedicated to providing our shareholders innovative solutions to their changing needs.

In short, we fulfill our mission by helping our members succeed.

And for members, whatever their size or charter, it generally comes down to liquidity.

This past year saw a liquidity squeeze that tested the mettle of the nation's financial system. Sparked by the subprime mortgage crisis, the situation severely limited access to credit markets.

Because we are designed to expand and contract along with member needs, we were able to efficiently tap capital markets to satisfy member demand for funding — even in this extraordinary time.

As uncertainty mounted, members relied on our wholesale credit like never before. By yearend our advances increased by \$18.3 billion — 49.1 percent — the largest growth in our history.

So when times are good, bad, or in between, why do members and other stakeholders look to us as valued business partners, integral to their success?

“The number one reason we’re a member of the Federal Home Loan Bank of Boston is liquidity. In fact, membership in the Bank is a critical piece of our enterprise risk management. Risk to us is either related to a catastrophe, like a hurricane, or investment returns. In the event of a catastrophe, we need liquidity to pay claims, and we’d rather manage the liquidation of assets on our own terms. We also use advances to leverage investments in real estate.”



Thomas A. Harris, Senior Vice President/Treasurer  
Quincy Mutual Fire Insurance Company  
Quincy, Massachusetts





Together we solve.



“Liquidity is more dynamic than you think, especially when a large part of your customer base ebbs and flows with the seasons. We want to serve our community all year round, even when vacationers leave with their funds. Institutions can’t meet demands perfectly, so we need a way to get liquidity when we don’t have enough deposits. Advances allow us to keep doing loans and protect our ALCO\* situation. We also take advantage of the economic climate, and lock in long-term low rates to benefit the future.”



Richard Wyman, Chief Financial Officer  
Meredith Village Savings Bank  
Meredith, New Hampshire

\*Asset Liability Committee

“Depositors have more choices than ever before. As net interest margins continue to shrink, we have to be that much smarter about where we get our funding. That’s why advances from the Home Loan Bank play a key role in our liquidity and balance-sheet management. They make up for retail deposits, drive our asset growth, and keep us viable for the long term. With funding so competitively priced, we sometimes let high-yield deposits go out the door, knowing we can replace these funds at a lower cost through the Bank.”

Craig E. Leonard, Executive Vice President  
and Chief Financial Officer  
People’s Credit Union  
Middletown, Rhode Island







“Our region is experiencing moderate growth, from industrial and commercial to small-business. We want to continue to grow the bank locally and reach out to customers and shareholders to increase their participation. Liquidity from the Federal Home Loan Bank of Boston helps us meet the credit needs of the diverse communities we serve. Advances give us the means to grow our assets and leverage transactions that add income to our bottom line. The funding also gives us the flexibility we need to mitigate asset-liability risks.”



Richard J. Cantele, Jr., President and Chief Operating Officer  
John E. Perotti, Chairman and Chief Executive Officer  
John F. Foley, Chief Financial Officer and Treasurer  
Salisbury Bank and Trust Company  
Lakeville, Connecticut



“We develop supportive service housing for low-income seniors so they can age in place. Here in Vermont smaller banks can’t always make the large loans we need, at a good enough interest rate to make the funding work, without the backing of the Federal Home Loan Bank of Boston. We’ve used Community Development advances in every project, and we couldn’t have built any of our sites without them. The funding we get from the Bank’s members allows us to charge our residents the least possible rent, and we now have more than 800 units in three states.”



John Giebink, Cofounder  
Green Mountain Development Group, Inc.  
South Burlington, Vermont







“We live in a world where families have a lot of options for their financial needs. And whether it’s deposits, loans, or mortgages, loyalty isn’t always a two-way street, especially when it comes to rates. That’s why, other than retail deposits, we get our funding almost exclusively from the Federal Home Loan Bank of Boston. We use both short- and long-term advances to keep our cost of funds down and for duration matching, which has been essential as we’ve diversified to commercial lending. The Federal Home Loan Bank is more than just a vendor. They’re a true partner, critical to our success.”

Roger Guérin, Senior Vice President  
and Chief Financial Officer  
Sanford Institution for Savings  
Sanford, Maine



“As a top-ten bank, we are always seeking to diversify funding. We made a strategic decision to replace long-term debt with shorter-term, cheaper funding in response to market conditions and the increasing cost of LIBOR-based funds. We worked closely with the Bank to increase our borrowing capacity, and the more capacity we have at the Federal Home Loan Bank of Boston, the more robust our metrics become, which is important to examiners. When you factor in that the Bank’s line of credit is committed, and their dividend helps underwrite our costs, doing business with the Federal Home Loan Bank gives us peace of mind.”



Mark Thompson  
Senior Vice President  
RBS Citizens, N.A.  
Providence, Rhode Island







“It’s fair to say that many financial institutions are undergoing considerable stress. Assets financed with asset-backed paper are coming back on the balance sheet. Banks are experiencing heavy losses from their mortgage exposure, pressure from leveraged buyout deals that cannot be completed, and a higher delinquency in consumer assets. While the liquidity crisis may get marginally better, balance-sheet pressures are not abating any time soon. I expect that the Federal Home Loan Banks will remain a vital source of funding for their members for the foreseeable future, enabling them to keep originating mortgages even in times of stress.”

Laurie Goodman  
Managing Director  
Co-Head Global Fixed Income Research  
UBS Securities LLC  
New York, New York



**The Importance of Collateral** There are no shortcuts when it comes to supplying liquidity.

We are committed to maintaining the highest standards of safety and soundness, regardless of the economic environment.

The Federal Home Loan Bank Act of 1932, as amended, requires that all advances be collateralized. All collateral is discounted, which means that the amount of collateral pledged must exceed the total of an advance. Like every Federal Home Loan Bank, we have established policies for underwriting advances, identifying eligible collateral, and determining the discount applied to specific collateral types. Our collateral valuations range from approximately 95 percent for the highest quality collateral, such as U.S. Treasury securities, to 50 percent, depending on the collateral and member credit status. Further, members must purchase stock to capitalize their advances.

In the current mortgage-lending environment, prudent collateral management is essential to ensuring that the Bank's lending and capital remain sound. We have the people, policies, and infrastructure to meet this challenge. Our credit and collateral management team is highly experienced and has lived through previous downturns. Our track record speaks for itself; the Bank has never lost a penny on an advance in 75 years of operation.



## Letter to Our Shareholders

**Much has been written about the liquidity crisis of 2007.** Triggered by the collapse of the subprime mortgage market, the credit squeeze that grew in the third quarter rapidly affected capital markets and financial institutions throughout the country and around the world.

In another time, this might have set off panic and led to old-fashioned bank runs, as depicted in the holiday classic, *It's a Wonderful Life*. The heightened situation presented an opportunity for the Federal Home Loan Bank System to do what it has done for 75 years — supply reliable, competitively priced credit to its members — albeit it in one of the most extreme economic environments in its history. Thus, in response to member needs, the System and your Federal Home Loan Bank quietly provided an unprecedented amount of credit to financial institutions of all sizes. The System, with yearend 2007 combined assets of \$1.3 trillion, worked as designed, expanding to support member demand for funding through advances backed by sound collateral.

While market conditions and volume were certainly extraordinary, the fundamentals never changed. You relied on our wholesale funding and technical assistance to help you achieve your goals. You received attractive dividends on your capital stock investment, and tapped our specialized credit programs to help bring about real economic development and affordable housing in your communities. The flow of funding was never interrupted, even as credit markets experienced exceptional stress. Your increased use of advances, our core product, resulted in a historic year for the Bank as we achieved record assets, advances, and net income, met our target for retained earnings, paid dividends above short-term market-rate indices, and maintained our triple-A, stable-outlook rating.

### Financial Highlights

Total assets at December 31, 2007, were a record \$78.3 billion, an increase of \$20.8 billion over the \$57.5 billion at yearend 2006, mainly due to an \$18.3 billion increase in advances and a \$1.9 billion increase in money-market investments. Average advances balances, at \$44.6 billion, increased \$4.6 billion over the previous year. At yearend 2007, 77 percent of our members were active borrowers.

There were 103 members approved to participate in the Bank's Mortgage Partnership Finance® (MPF®) program as of December 31, 2007. Yearend member-mortgage assets declined 9.1 percent to \$4.1 billion, compared with \$4.5 billion at yearend 2006.

Net income for 2007 increased \$2.4 million to \$198.2 million, another record for the Bank. Capital stock at yearend 2007 grew 35.7 percent to \$3.2 billion, compared with \$2.4 billion at yearend 2006, primarily to support the growth in advances. Net interest income after provision for credit losses on mortgage loans increased 2.8 percent to \$312.5 million for the year ended December 31, 2007, from \$303.9 million for the year ended December 31, 2006. The increase in net interest income was due mostly to strong asset and invested capital growth in the second half of 2007.

The average dividend for 2007 was 6.62 percent, 117 basis points above the average three-month LIBOR, compared with 5.51 percent for the previous year, which was 24 basis points above the same index. The increase reflects a higher yield on invested capital, partially offset by a lower net interest spread, compared with the same period in 2006. The higher spread to LIBOR also reflects a greater dividend payout ratio for 2007 compared with 2006, as the Bank achieved its retained earnings target in accordance with our regulatory mandate. As of December 31, 2007, the Bank had \$225.9 million in retained earnings, compared with \$187.3 million at yearend 2006.

"Mortgage Partnership Finance," "MPF," and "eMPF" are registered trademarks of the Federal Home Loan Bank of Chicago.



Michael A. Jessee  
President and Chief Executive Officer

Robert F. Verdonck  
Chair of the Board of Directors

Joyce H. Errecart  
Vice Chair of the Board of Directors

As a cooperative, we actively engage members in an ongoing dialog. We listen closely to measure our performance, better understand your needs, and determine how we can best work together to help your institution succeed. Based on your input, we are committed to enhancing, where prudent, our collateral processes and policy to support the changing nature of your balance sheets and growing use of advances. Members are also the source of many of our new product ideas. One new advance launched in 2007 was the Flipper, a floating-to-fixed advance that offers a period of sub-LIBOR funding, and we plan to introduce more new products in 2008. To further nurture communication, we launched a Member Advisory Panel to provide feedback on the Bank's products and services. We are gratified that the annual member satisfaction survey confirmed that you are pleased with our level of customer service, professionalism, and responsiveness, and we pledge to work even harder to continue to earn your business.

Our ability to take on and manage risk is integral to everything we do. The board has established a conservative risk appetite, along with formal policies and procedures to ensure that their guidelines are carried out throughout the organization. Whether working to mitigate the effects of interest-rate risk or controlling the Bank's exposure to credit risk, we employ sophisticated strategies for investments, collateral, counterparties, and stress testing, all to ensure that the Bank remains strong and that the flow of reliable credit to you will continue in every business cycle.

### **Housing and Community Investment**

Besides competitive funding and dividends, members rely on the Bank for its programs that target the affordable-housing and economic-development needs of the communities they serve. Foremost among them is the Affordable Housing Program, funded each year with 10 percent of our net profits and awarded in two separate rounds. In 2007, these awards helped fund 48 initiatives, which will result in over 1,300 units of affordable rental and ownership housing for very low-, low-, and moderate-income households. The Bank's profitable year in 2007 will result in a \$22.2 million commitment to the program that will be awarded in 2008. This compares with \$21.8 million we committed at yearend 2006.

24 The Equity Builder Program, which is funded by 15 percent of the Affordable Housing Program, provides members much sought-after grants for down-payment, closing-cost, home-buyer counseling, and rehabilitation assistance for eligible home buyers. In 2007, we awarded \$3.2 million in grants to 67 members across the district.

Unlike the Affordable Housing Program and the Equity Builder Program, Community Development advances are a continuously available source of funding for qualifying affordable-housing and economic-development initiatives. This past year, we approved \$1.8 billion in CDAs to fund more than 4,900 housing units and 86 economic-development or mixed-use initiatives. We also approved \$114.4 million through the New England Fund to support 26 initiatives for more than 1,000 units, one-third of which will be affordable for very low- and low-income households.

We appreciate the work of the 14-member Advisory Council, led by Chair Joseph F. Garlick Jr. These New England-based housing and economic-development professionals bring their expertise to the table to ensure we keep abreast of the latest state and local issues as they relate to the Bank's targeted financing programs.

### **Regulatory and Legislative Issues**

The Bush administration and Congress are considering measures to address the well publicized crises in the credit markets and housing sectors. The House and Senate have also considered bills to create a new regulator for the Federal Home Loan Banks, Fannie Mae, and Freddie Mac. While prospects for passing legislation relating to the FHLBanks remain uncertain in 2008, we continue to work with policymakers to raise awareness of the important role we play for members and their communities.

### **Board of Directors**

We are fortunate to have a strong and committed board of directors that works so vigorously for the Bank and contributes so much to our success. Comprised of accomplished professionals from the fields of finance, law, and development, they reach out to members and stakeholders and take their responsibilities seriously. We are thankful for their expertise and dedication as well as the leadership of Chair Bob Verdonck and Vice Chairs Joyce Errecart (2007) and Jay Malcynsky (2008). We also appreciate the service of outgoing directors John Ellis, Joyce Errecart, former Chair Bill Morrissey, and Jim Taft, and look forward to working with new directors Joan Carty, John Eller, and Jim Lavoie.

### **Your Trusted Business Partner**

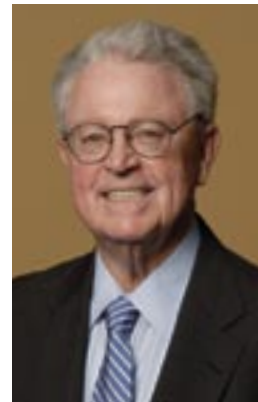
Sometimes it takes an extraordinary situation to call into focus an everyday relationship. While we work hard to enhance efficiency and develop new products to meet your changing needs, we believe that reliability, responsiveness, and prudent management are the keystones that enable us to serve you well in all business cycles. We recognize our role as an important supplier of liquidity to your institutions and communities. As always, we will be here when you need us.

March 31, 2008

A handwritten signature in black ink that reads "Michael A. Jessee". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Michael A. Jessee  
President and Chief Executive Officer

## Board of Directors



Row one:

**Andrew J. Calamare, Joan Carty, Stephen F. Christy, Patrick E. Clancy, Steven A. Closson, Arthur R. Connelly, Peter F. Crosby**

Row two:

**John T. Eller, John H. Ellis, Joyce H. Errecart, John H. Goldsmith, Cornelius K. Hurley, A. James Lavoie, Mark E. Macomber**

Row three:

**Jay F. Malcynsky, Kevin M. McCarthy, Jan A. Miller, William P. Morrissey, Helen Frame Peters, R. David Rosato, Robert F. Verdonck**

Andrew J. Calamare (2007 and 2008)  
President and Chief Executive Officer  
Life Insurance Association  
of Massachusetts  
Boston, Massachusetts

Joan Carty (2008)  
President and CEO  
Housing Development Fund  
Stamford, Connecticut

Stephen F. Christy (2007 and 2008)  
President and Chief Executive Officer  
Mascoma Savings Bank, FSB  
Lebanon, New Hampshire

Patrick E. Clancy (2007 and 2008)  
President and Chief Executive Officer  
The Community Builders, Inc.  
Boston, Massachusetts

Steven A. Closson (2007 and 2008)  
President and Chief Executive Officer  
Androscoggin Savings Bank  
Lewiston, Maine

Arthur R. Connelly (2007 and 2008)  
Chairman  
South Shore Savings Bank  
South Weymouth, Massachusetts

Peter F. Crosby (2007 and 2008)  
President and Chief Executive Officer  
Passumpsic Savings Bank  
St. Johnsbury, Vermont

John T. Eller (2008)  
Newbury, New Hampshire

John H. Ellis (2007)  
Director  
BankNewport  
Newport, Rhode Island





## Committee Assignments

### Executive Committee

Chair: Robert F. Verdonck (2007 and 2008)  
 Vice Chair: Joyce H. Errecart (2007), Jay F. Malcynsky (2008)  
 Committee Chairs:  
 Stephen F. Christy (2007 and 2008)  
 Patrick E. Clancy (2008)  
 Steven A. Closson (2007 and 2008)  
 Arthur R. Connelly (2007)  
 Jan A. Miller (2007 and 2008)  
 William P. Morrissey (2007)  
 R. David Rosato (2008)

### Audit Committee

Chair: Stephen F. Christy (2007 and 2008)  
 Vice Chair: Joyce H. Errecart (2007), Andrew J. Calamare (2008)  
 Andrew J. Calamare (2007)  
 Joan Carty (2008)  
 Patrick E. Clancy (2008)  
 Steven A. Closson (2007 and 2008)  
 Peter F. Crosby (2007 and 2008)  
 John H. Ellis (2007)  
 Kevin M. McCarthy (2007 and 2008)  
 R. David Rosato (2007 and 2008)

### Finance Committee

Chair: William P. Morrissey (2007), R. David Rosato (2008)  
 Vice Chair: Mark E. Macomber (2007), Helen Frame Peters (2008)  
 John T. Eller (2008)  
 John H. Ellis (2007)  
 John H. Goldsmith (2007 and 2008)  
 Cornelius K. Hurley (2007 and 2008)  
 A. James Lavoie (2008)  
 Mark E. Macomber (2008)  
 Kevin M. McCarthy (2007 and 2008)  
 Helen Frame Peters (2007)  
 R. David Rosato (2007)

### Governance/Government Relations Committee

Chair: Steven A. Closson (2007 and 2008)  
 Vice Chair: Arthur R. Connelly (2007), John H. Goldsmith (2008)  
 Andrew J. Calamare (2007 and 2008)  
 Stephen F. Christy (2007 and 2008)  
 A. James Lavoie (2008)  
 Jay F. Malcynsky (2007 and 2008)  
 James L. Taft Jr. (2007)

### Housing & Community Development Committee

Chair: Arthur R. Connelly (2007), Patrick E. Clancy (2008)  
 Vice Chair: Jan A. Miller (2007), Peter F. Crosby (2008)  
 Joan Carty (2008)  
 Patrick E. Clancy (2007)  
 Arthur R. Connelly (2008)  
 John T. Eller (2008)  
 Joyce H. Errecart (2007)  
 Jan A. Miller (2008)  
 Helen Frame Peters (2007 and 2008)  
 James L. Taft Jr. (2007)

### Personnel Committee

Chair: Jan A. Miller (2007 and 2008)  
 Vice Chair: Peter F. Crosby (2007), Cornelius K. Hurley (2008)  
 Arthur R. Connelly (2008)  
 Cornelius K. Hurley (2007)  
 Mark E. Macomber (2007 and 2008)  
 Jay F. Malcynsky (2007 and 2008)  
 William P. Morrissey (2007)

### Council of the Federal Home Loan Banks

Joyce H. Errecart (2007)  
 Michael A. Jessee (2007 and 2008)  
 Jay F. Malcynsky (2008)  
 Robert F. Verdonck (2007 and 2008)

Joyce H. Errecart (2007)  
 Representative  
 Vermont House of Representatives  
 Montpelier, Vermont  
 John H. Goldsmith (2007 and 2008)  
 Partner  
 The Roseview Group  
 Boston, Massachusetts  
 Cornelius K. Hurley (2007 and 2008)  
 Director  
 Morin Center for Banking and  
 Financial Law  
 Boston University School of Law  
 Boston, Massachusetts  
 A. James Lavoie (2008)  
 Trustee  
 Middlesex Savings Bank  
 Natick, Massachusetts

Mark E. Macomber (2007 and 2008)  
 President and Chief Executive Officer  
 Litchfield Bancorp  
 Litchfield, Connecticut  
 Jay F. Malcynsky (2007 and 2008)  
 Managing Partner  
 Gaffney Bennett & Associates  
 New Britain, Connecticut  
 Kevin M. McCarthy (2007 and 2008)  
 President and Chief Executive Officer  
 Newport Federal Savings Bank  
 Newport, Rhode Island  
 Jan A. Miller (2007 and 2008)  
 President and Chief Executive Officer  
 Wainwright Bank & Trust Company  
 Boston, Massachusetts  
 William P. Morrissey (2007)  
 Executive Vice President &  
 Chief Operating Officer  
 Central Bank  
 Chestnut Hill, Massachusetts

Helen Frame Peters (2007 and 2008)  
 Professor of Finance  
 Carroll School of Management  
 Boston College  
 Chestnut Hill, Massachusetts  
 R. David Rosato (2007 and 2008)  
 Senior Vice President and Treasurer  
 People's United Financial Corporation  
 Bridgeport, Connecticut  
 Robert F. Verdonck (2007 and 2008)  
 President and Chief Executive Officer  
 East Boston Savings Bank  
 Boston, Massachusetts  
 Not pictured:  
 James L. Taft Jr. (2007)  
 Partner  
 Taft & McSally LLP  
 Cranston, Rhode Island

# Management Committee and Officers



Michael A. Jessee,  
President,  
Chief Executive Officer

Frank Nitkiewicz,  
Executive Vice President,  
Chief Financial Officer

M. Susan Elliott,  
Executive Vice President,  
Member Services

Janelle K. Authur,  
Senior Vice President,  
Executive Director of  
Human Resources

William L. Oakley,  
Executive Vice President,  
Chief Administrative  
Officer, Chief Information  
Officer

Earl W. Baucom,  
Senior Vice President,  
Chief Accounting Officer

William P. Hamilton,  
Senior Vice President,  
Public Affairs

George H. Collins,  
Senior Vice President,  
Chief Risk Officer

Ellen McLaughlin,  
Senior Vice President,  
General Counsel,  
Corporate Secretary



Row one:  
**Michael A. Jessee**

Row two:  
**Frank Nitkiewicz**  
**M. Susan Elliott**  
**Janelle K. Authur**  
**William L. Oakley**

Row three:  
**Earl W. Baucom**  
**William P. Hamilton**  
**George H. Collins**  
**Ellen McLaughlin**



## First Vice Presidents

Robert M. Abisla  
Daniel R. Devine  
Brian G. Donahue  
Kelly A. LaCava  
Rachele McDonough  
William J. Murphy  
Paul M. Peduto  
Paul T. Pouliot  
Paul W. Webber

## Vice Presidents

Amit Bhan  
Vincent Cuccaro  
William F. Dolan  
Thomas E. Driscoll  
Bryan Gulachenski  
Jack F. Henderson  
Rizwanul Huda  
Katherine A. Judge  
Robert W. Lanza  
Kevin G. Martin  
Stephen M. McHugh  
Daniel B. Redmond

Allison J. Santoro  
Shui Lun Seto  
Joanne M. Sullivan  
Mark J. Sullivan  
Yan Sun  
Newton H. Thompson  
Debra Waller  
Robert O. White  
Kevin Whittaker  
Kenneth A. Willis  
Mark S. Zelsermyer

## Assistant Vice Presidents

Gina M. Brown  
William E. DiFulvio  
William J. Evans  
Paresh M. Fondeker  
D. Patrick Green  
Mary Ellen D. Jutras  
Ghulam Khan  
Theresa Mahoney  
George E. Maroun  
Jane Moreau  
Shawn R. Movsessian  
Donna Salem  
Ellen M. Spadafora  
Carol Spiller  
David M. Trant  
Ling Zhang

## Assistant Corporate Secretary

Mary E. Noyes

# 2007 Advisory Council

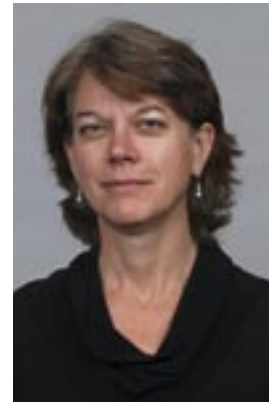
Sarah E. Carpenter,  
Executive Director  
Vermont Housing  
Finance Agency  
Burlington, Vermont

Joan Carty,  
Executive Director  
Housing Development  
Fund  
Stamford, Connecticut

Sharon Conard-Wells,  
Executive Director  
West Elmwood Housing  
and Development  
Corporation  
Providence, Rhode Island

Joseph F. Garlick Jr.\*  
Executive Director  
NeighborWorks  
Blackstone River Valley  
Woonsocket, Rhode Island

Normand Grenier,  
Executive Director  
Neighborhood Housing  
Services of the  
South Shore  
Quincy, Massachusetts



Row one:  
Sarah E. Carpenter  
Joan Carty  
Sharon Conard-Wells  
Joseph F. Garlick Jr.  
Normand Grenier

Row two:  
Caprice B. Hover  
Michael R. LaFontaine  
Christopher J. LaRoche  
Dale McCormick  
Diane Randall

Row three:  
Brenda M. Torpy  
Dana W. Totman  
Carlos Vega  
David H. Wood



Caprice B. Hover,  
General Manager  
Earth Waste Systems  
Rutland, Vermont  
Michael R. LaFontaine,  
Director/Community  
Housing Program  
New Hampshire  
Community Loan Fund  
Concord, New Hampshire

Christopher J. LaRoche\*\*  
Housing Development  
Coordinator  
York County Community  
Action Corporation  
Sanford, Maine  
Dale McCormick,  
Director  
MaineHousing  
Augusta, Maine

Diane Randall,  
Executive Director  
Partnership for  
Strong Communities  
Hartford, Connecticut

Brenda M. Torpy,  
Executive Director  
Champlain Housing Trust  
Burlington, Vermont

Dana W. Totman,  
Executive Director  
Avesta Housing, Inc.  
Portland, Maine

Carlos Vega, Former  
Executive Director  
Nueva Esperanza, Inc.  
Holyoke, Massachusetts  
David H. Wood,  
Executive Director  
Affordable Housing,  
Education &  
Development, Inc.  
Littleton, New Hampshire

\*Chair \*\*Vice Chair

The following selected financial data for each of the five years ended December 31, 2007, 2006, 2005, 2004, and 2003, have been derived from the Bank's audited financial statements. Financial information is included in the Bank's Form 10-K regarding the Bank's financial condition as of December 31, 2007 and 2006, and the Bank's results of operations for the years ended December 31, 2007, 2006, and 2005. This selected financial data should be read in conjunction with the Bank's financial statements and the related notes appearing in the Bank's Form 10-K.

**Selected Financial Data** (dollars in thousands)

December 31,	2007	2006	2005	2004	2003
<b>Statement of Condition</b>					
Total assets	\$ 78,251,114	\$ 57,469,781	\$ 57,700,034	\$ 51,755,095	\$ 41,896,215
Investments (1)	17,362,559	11,992,161	14,466,788	15,796,108	10,566,179
Securities purchased under agreements to resell	500,000	3,250,000	—	1,500,000	500,000
Advances	55,679,740	37,342,125	38,067,896	30,208,753	26,074,230
Mortgage loans held for portfolio, net	4,091,314	4,502,182	4,886,494	4,011,981	4,536,698
Deposits and other borrowings	774,041	1,124,009	602,091	890,869	946,166
Consolidated obligations, net	73,410,156	53,241,957	53,781,976	47,770,395	37,404,025
AHP liability	48,451	44,971	35,957	33,199	32,180
Payable to REFCorp	16,318	13,275	13,366	5,137	6,032
Mandatorily redeemable capital stock	31,808	12,354	8,296	57,882	—
Class B capital stock outstanding – putable (2), (3)	3,163,793	2,342,517	2,531,145	2,085,814	—
Capital stock outstanding – putable (2)	—	—	—	—	2,427,960
Total capital	3,387,514	2,532,514	2,677,749	2,178,964	2,472,045
<b>Results of Operations</b>					
Net interest income	\$ 312,446	\$ 302,188	\$ 253,607	\$ 215,192	\$ 207,633
Other income (loss)	11,137	11,750	(29,734)	(53,430)	(49,211)
Other expense	53,618	49,055	46,184	39,645	33,789
AHP and REFCorp assessments	71,740	70,796	49,045	32,472	33,065
Net income	198,234	195,791	135,260	89,522	91,563
<b>Other Information</b>					
Dividends declared	\$ 159,616	\$ 143,573	\$ 96,040	\$ 55,425	\$ 74,483
Dividend payout ratio	80.52%	73.33%	71.00%	61.91%	81.35%
Weighted-average dividend rate (4)	6.62	5.51	4.36	2.75	3.05
Return on average equity (5)	6.97	7.23	5.81	4.25	3.65
Return on average assets	0.30	0.33	0.27	0.22	0.21
Net interest margin (6)	0.48	0.51	0.51	0.52	0.48
Total capital ratio (7)	4.37	4.42	4.64	4.33	5.94

(1) Investments include available-for-sale securities, held-to-maturity securities, trading securities, interest-bearing deposits in banks, and federal funds sold.

(2) Capital stock is putable at the option of a member.

(3) On April 19, 2004, the Bank replaced its capital-stock subscription structure as mandated by the GLB Act.

(4) Weighted-average dividend rate is dividend amount declared divided by the average daily balance of capital stock eligible for dividends.

(5) Retained earnings. The average daily balance of accumulated other comprehensive income is not included in the calculation.

(6) Net interest margin is net interest income before mortgage-loan-loss provision as a percentage of average earning assets.

(7) Total capital ratio is capital stock (including mandatorily redeemable capital stock) plus retained earnings as a percentage of total assets.

Please refer to the Federal Home Loan Bank of Boston's 2007 Annual Report on Form 10-K for complete financial statements, including notes, management's discussion and analysis of financial condition and results of operations, and other information about the Bank's operations.

The Federal Home Loan Bank of Boston's Annual Report on Form 10-K is available on the Bank's web site, [www.fhlbboston.com](http://www.fhlbboston.com), as well as the Securities and Exchange Commission's web site, [www.sec.gov](http://www.sec.gov). Copies may be requested by e-mailing [info@fhlbboston.com](mailto:info@fhlbboston.com), or by calling the Public Affairs Department at 617-292-9600.



**Mission** Financial institutions are vital community resources in creating broadly based opportunities for families and individuals to have adequate housing and vibrant, productive communities. Through services to such institutions located throughout New England, the Federal Home Loan Bank of Boston pursues its mission.

The mission of the Federal Home Loan Bank of Boston is to facilitate and enhance the availability of credit for housing and economic growth, including the housing-finance and neighborhood-development needs of low- and moderate-income families in communities served by our financial institution members.

To accomplish its mission, the Bank prudently and effectively utilizes private-sector capital to provide members and other qualified customers with reliable access to low-cost wholesale funds, liquidity, a competitive outlet for the sale of loans, special lending programs, education and technical assistance, and other products and services.

## *Mission. Vision. Values.*

**Vision** Member-owned and member-driven, we will remain the preeminent provider of wholesale funding products and services in New England through innovation, financial strength, and our commitment to operational excellence.

We will accomplish this by:

- Delivering the highest value to members at the lowest possible cost;
- Anticipating member needs and delivering solutions rapidly, innovatively, and effectively; and
- Employing and retaining a superior work force of highly innovative, well-trained, and productive employees who are empowered to provide outstanding levels of service that exceed members' expectations.

**Values** The goal of the Federal Home Loan Bank of Boston is to be unsurpassed in customer focus, operational effectiveness, professional expertise, and in having a positive effect on regional housing and economic needs through its partnership with members and others.

To achieve that goal, the Bank's culture embraces these values:

- Empowerment coupled with personal responsibility and accountability;
- Excellence in job performance;
- Open, two-way communication;
- Mutual respect and encouragement;
- Working collaboratively to ensure success;
- Integrity;
- Diversity;
- Professional development; and
- Professional and personal life balance.

The Federal Home Loan Bank of Boston is a cooperatively owned wholesale bank for the six New England states. Its mission is to support the residential-mortgage and community-development lending activities of its members, which numbered 457 financial institutions as of December 31, 2007. To accomplish its mission, the Bank utilizes private-sector capital to provide members and other qualified customers with reliable access to low-cost wholesale funds, liquidity, a competitive outlet for the sale of loans, special lending programs, technical assistance, and other products and services.

The Federal Home Loan Bank of Boston's annual report on Form 10-K is available on the Bank's web site, [www.fhlbboston.com](http://www.fhlbboston.com), as well as the Securities and Exchange Commission's web site, [www.sec.gov](http://www.sec.gov). Copies may be requested by e-mailing [info@fhlbboston.com](mailto:info@fhlbboston.com), or by calling the Public Affairs Department at 617-292-9600.

