

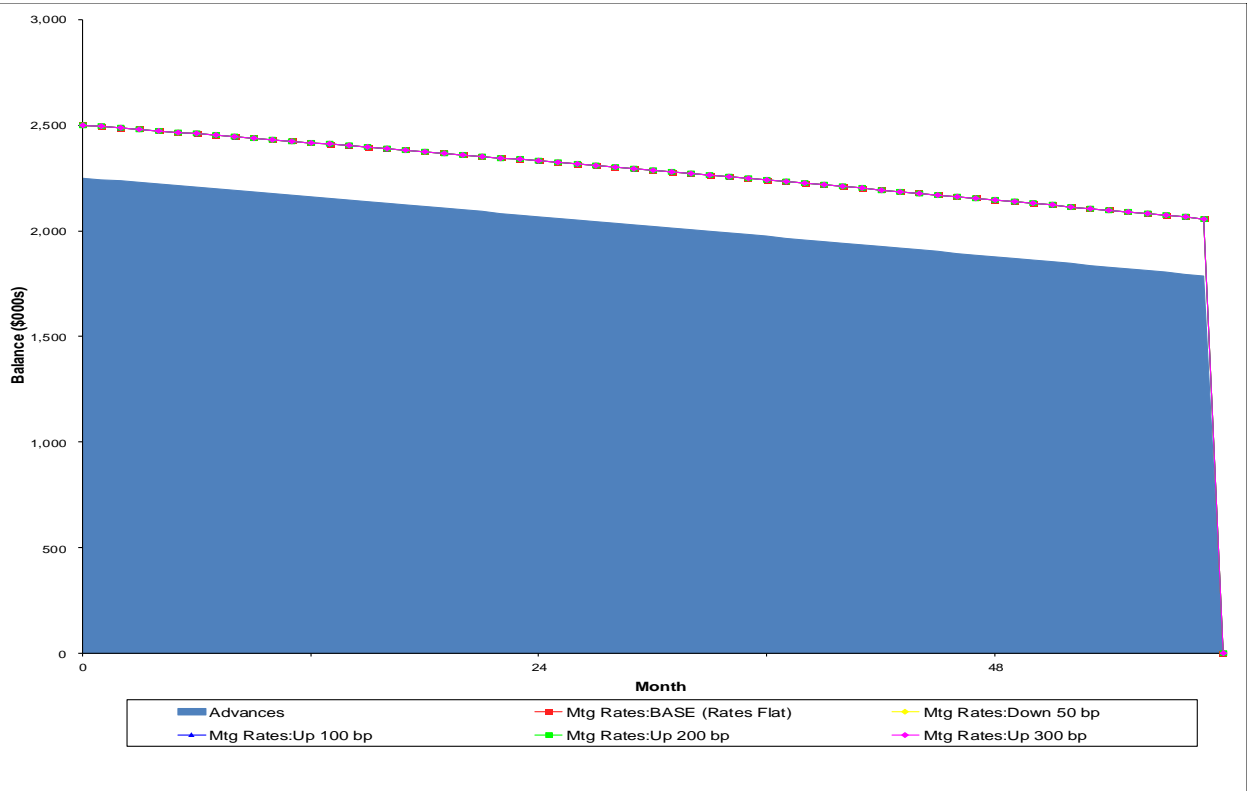
## 5-Year / 20-Year Commercial Real Estate Loan

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Despite the recent increase in interest rates, the commercial lending sector remains very competitive. One member recently inquired about using FHLB advances and a portion of their deposits to fund a 5 / 20 year, Commercial Real Estate loan.

This particular loan was for \$2.5 million and had an interest rate of 4.00 percent for the first five years. Amortization was based on a 20-year term. On this individual loan, the member does not anticipate any prepayments during the first five years. Given this, they decided to fund 90 percent of the loan balance with an Amortizing advance which also had a term of five years and an amortization period of 20 years. The cost of the advance was 2.26 percent. Although the advance and loan have identical terms, the advance will pay down slightly faster than the loan since the coupon on the advance is lower. The member also indicated that they would be able to fund 10 percent of the loan with deposits, currently costing 35 basis points with a Beta of 0.40. The weighted average initial cost of the funding is 2.07 percent, resulting in an initial spread of 1.93 percent. The fixed-rate, amortizing advance, combined with the low-beta core deposits, provide a stable cost of funding in a rising rate environment. In the chart below, the Amortizing advance is shown by the blue area and the loan balance is indicated by the dotted line. Notice that over the term of the loan, the amount of funding provided by the advance is fairly constant over time; it starts at 90 percent of total funding and over the term of the loan, averages more than 88 percent. This provides a stable cost of funding for the loan. The cost of funds increases by only seven basis points in years one through five, in the up 300 basis points scenario, compared to the unchanged rate scenario. This is attributable to the cost of deposits increasing by 40 percent of the change in market interest rates. Given the stable cost of funds, net interest income is also stable over the same time frame as can be seen in the table below.

Amortizing advances are available for terms out to 20 years with amortization terms out to 30 years with a wide variety of structures available to meet your funding requirements. The Bank's financial strategists are available to work with you to develop a winning solution for your funding needs. To learn more or get started, please call the strategists directly at 1-617-292-9644 or contact your Relationship Manager.



5 / 20Y CRE

4.00%

Results—Years 1 through 5

Funding		NII	
		Spread	(\$'000s)
10% Member deposits (Beta 0.4)	0.35%	Rates Unchanged	222
90% 5 / 20 Year Amortizer	2.26%	Up 100 basis points	219
<b>Total Funding</b>	<b>2.07%</b>	Up 200 basis points	216
		Up 300 basis points	213
<b>Initial Net Spread</b>	<b>1.93%</b>	Down 50 basis points	223
		Down 100 basis points	224