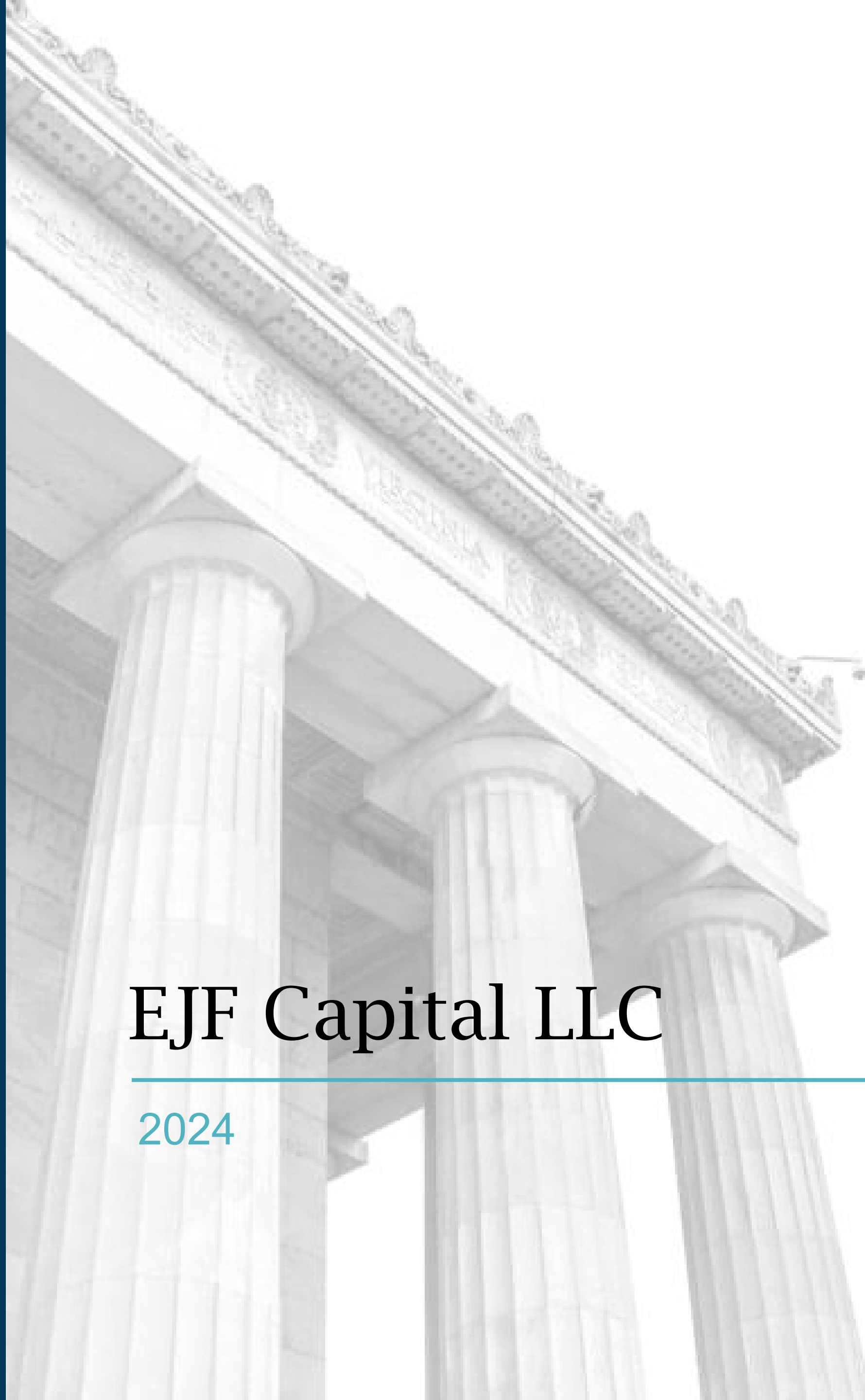

EJF

EJF Capital LLC

2024

WASHINGTON DC • LONDON • SHANGHAI

Capital Relief Trade (CRT) Fact Sheet

1	The bank and investors are aligned. The goal of the bank is to obtain the lowest rate on the CRT, so they focus on the least risky assets.
2	The loan stays on the bank's balance sheet; therefore, the bank is incentivized to keep the loan performing. The bank continues to service the loan, keeps their customer relationships, and can pledge the loan for efficient borrowing.
3	The CRT <u>may</u> lower the bank category risk concentration (commercial real estate being the most important) to total capital. This incentivizes banks to put a CRT on multifamily, the least risky commercial real estate category.
4	The CRT <u>may</u> decrease the loan-to-deposit ratio.
5	Because CRT transactions are not a sale, a bank can free up capital on assets that have "rate losses" (such as 4% residential mortgages) and deploy the capital to make "at the market" loans.
6	The SPV structure removes the bank counterparty risk.
7	Asset Classes: Prime Residential, Multifamily, Corporate Loans, Prime Consumer Loans (Auto, Student, etc.,), Warehouse, Capital Call Lines, and Owner Occupied Residential Real Estate.
8	The amount of first loss is set by the regulators based on categories, and the CRT will be used on the highest quality assets that have the least risk relative to its classification in order to get the lowest rate. Please see example below:

First Loss	Lower Risk	Higher Risk
5% Classification	Residential Prime	Non-QM
12.5% Classification	Prime Auto Multifamily	Subprime Auto Office

9	In practice, CRT lowers the bank's risk and losses; however, for accounting purposes, it has no effect on current expected credit losses (CECL) reserves. Over time, bank investors should see that the loss reserves and quality of earnings have improved because of the CRT.
10	Some CRTs may have embedded term leverage since 50% or more of the new structure could be investment grade. Therefore, stated returns are much lower than termed out leverage returns.

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