

*Mark Coffey*  
*12/24/99*

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Bank of the Northwest is a \$170 million bank located in Portland, Oregon. We participate in the TT&L depository program, generally carrying a maximum balance of about \$10 million. The proposal to change the rate to an overnight repo rate would probably result in a decision on our part to terminate participation in the program.

There are numerous dealers that are willing to do business with us in the repo market for our securities. The process of pledging loans, however, to the Fed is somewhat onerous, costly, and maintenance-intensive. The lower funding rate (Fed Funds less 25 basis points) compensates for these costs on our part. However, if the rates are increased to the overnight repo rate, then the overall cost of the program would likely become unattractive in comparison to other funding options. We believe many other banks would concur with us on this point.

Mark Coffey, Chief Financial Officer

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