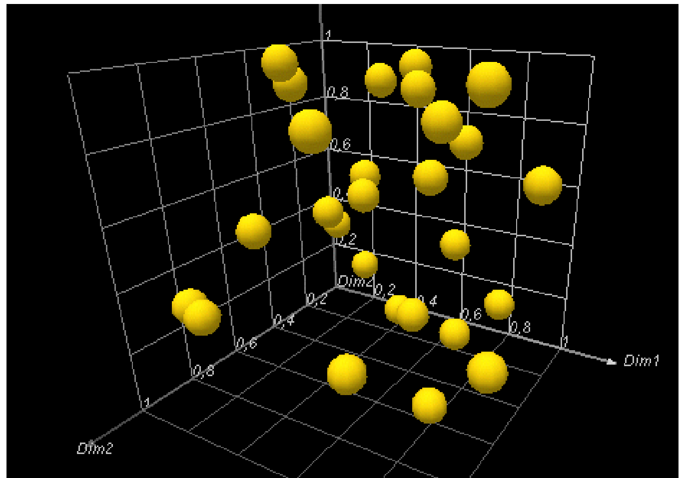
Pricing *Indicators*



National Pricing Indicators

For the week begining1/25/2010

Highlights

- "Big-bank tax" is very likely to increase cost for all banks **(page 2).**
- Noticeable decrease in the national-average APY for CD & MM (-0.02)
- Moderate repricing volume. Slightly under one half (46%) of deposit products were repriced this week.

(Additional indexes and products inside)

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Summary of Findings for this week

National APY

- Noticeable decrease in the national-average APY for CDs and MM **-0.02**
- Highest increase, CD 3 months Spl. **+0.16**
- Highest decrease, MM Spl. **-0.16**
- Aggregated change in average APY in the last six months –**23 bps (-14%)**
- Highest spread between average Regular and Special in 9 months CD **103 bps**
- Lowest spread between average Regular and Special in MM **31 bps**

Repricing Volume

- Moderate repricing volume. Slightly under one half (**46%**) of the products were re-priced during the week.
- Highest repricing volume product - CD 6 months special (**86%**).
- Lowest repricing volume product - CD 9 months Special (**0.0%**).

About The National Pricing Indicators

The National Pricing Indicators (NPI) is a weekly analysis of the national changes in the two main deposit products - CDs and MM.

The purpose of this analysis is to provide Pricing Executives with an indication of the state of deposit products on the national scope, and beyond specific pricing regions.

NPI contains four useful indexes - Weekly APY index, Premium APY index, Repricing Index, and historical APY . Each of these indexes is designed to provide Pricing Executives with a different prospective on pricing practices and trends.

NPI measures selected term and no term deposit products in its indexes. These deposit predicts are all at the $10K tier level:
CD - Regular, and Special, 3, 6, 9, 12, 24, 30, 36, 48 and 60 months. MM - Regular and Special.

Trend alert - "Big-bank tax is likely to increase cost of funds for all banks.

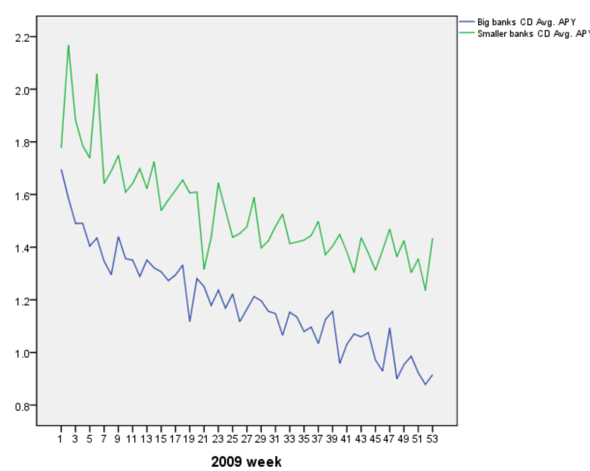
There is a **70 percent probability** that all banks will increase their deposit rates **if** the "big banks" opt to raise more capital through retail deposits to avoid paying the "big-bank tax".

The administration-proposed tax on the wholesale funding of "big banks" will force them to **raise needed capital through the retail deposit market.** However, in order to raise large amounts of capital in a short time, the "big banks" **will have to be more aggressive in their deposit pricing, which means higher interest rates.**

Analysis shows that all other banks are very likely (70% probability) to follow the lead of the "big banks", and **raise their deposit interest rates in order to protect their market share and deposits from shifting to the "big banks".** Smaller banks follow the rate lead of the "big banks" (See Figure 1)

As a result, the **smaller banks**, which are not being taxed directly, **will incur a higher cost of funds expense**, which they could have avoided if they did not have to respond to the rate increase by the "big banks".

Figure 1 - Smaller banks follow the rate lead of "big banks" with in one week of the rate change.



National APY Index

The APY index features national averages for the highest APY, lowest APY and average APY for regular (Reg) and special (Spl.) selected CD and MM. In addition, it provides the average change from the previous week across all selected deposit predicts. Raw data is also provided.

CD & MM Regular

- Highest increase, **No increases**
- Highest decrease, CD 30 months **-0.03**
- Average increase/decrease, **-0.02**

CD & MM Special

- Highest increase, CD 3 months **+0.16**
- Highest decrease, MM **-0.16**
- Average increase/decrease, **-0.02**

Figure 1
APY weekly change all products

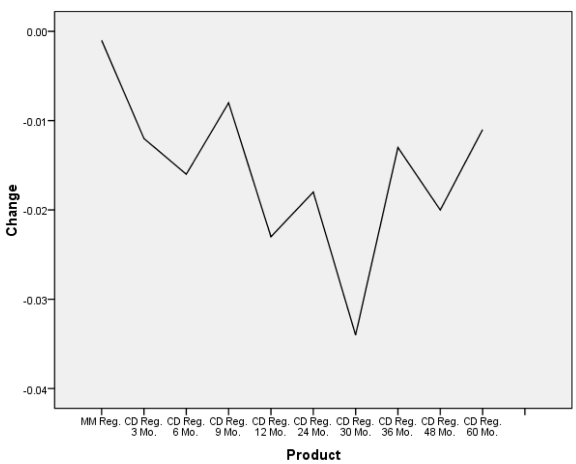


Figure 2
APY weekly change all products

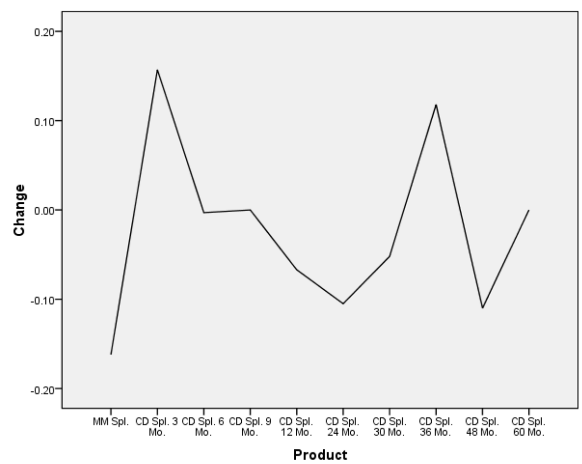


Table 1
APY spectrum and variance

Product	Min. APY	Max. APY	Avg. APY	Last Wk.	Change
MM Reg.	0.01	1.87	0.39	0.39	0.00
CD Reg. 3 Mo.	0.01	1.41	0.33	0.35	-0.01
CD Reg. 6 Mo.	0.10	1.76	0.53	0.54	-0.02
CD Reg. 9 Mo.	0.10	1.65	0.54	0.55	-0.01
CD Reg. 12 Mo.	0.13	2.15	0.82	0.84	-0.02
CD Reg. 24 Mo.	0.25	2.60	1.27	1.28	-0.02
CD Reg. 30 Mo.	0.15	2.50	1.27	1.31	-0.03
CD Reg. 36 Mo.	0.50	2.75	1.60	1.61	-0.01
CD Reg. 48 Mo.	0.50	3.14	1.89	1.91	-0.02
CD Reg. 60 Mo.	0.50	3.39	2.08	2.09	-0.01

Table 2
APY spectrum and variance

Product	Min. APY	Max. APY	Avg. APY	Last Wk.	Change
MM Spl.	0.35	1.09	0.70	0.86	-0.16
CD Spl. 3 Mo.	0.55	1.35	1.04	0.88	0.16
CD Spl. 6 Mo.	1.25	1.50	1.36	1.36	0.00
CD Spl. 9 Mo.	1.36	2.05	1.57	1.57	0.00
CD Spl. 12 Mo.	0.53	1.95	1.42	1.48	-0.07
CD Spl. 24 Mo.	1.25	2.25	1.90	2.00	-0.11
CD Spl. 30 Mo.	1.75	2.50	2.07	2.13	-0.05
CD Spl. 36 Mo.	2.00	2.75	2.31	2.19	0.12
CD Spl. 48 Mo.	2.27	3.00	2.74	2.85	-0.11
CD Spl. 60 Mo.	2.09	3.15	2.86	2.86	0.00

Methodology: The statistical analysis in this report is based on a convenience sample of 1,300 institutions as was determined by a-priori, two-tailed test. The t-Test was based on the following parameters: Alpha=0.05; Power=0.95; Effect size=0.20.

Premium APY Index

The Premium APY index measures the spread between regular CDs and MM APY and Special CDs and MM APY. This spread is the premium that institutions are offering on Special products in order to attract balances.

- Highest APY premium, CD 9 mo. **103 bps**
- Lowest APY premium, MM **31 bps**
- Average APY premium, **72 bps**

Figure 3
APY premium variance this week

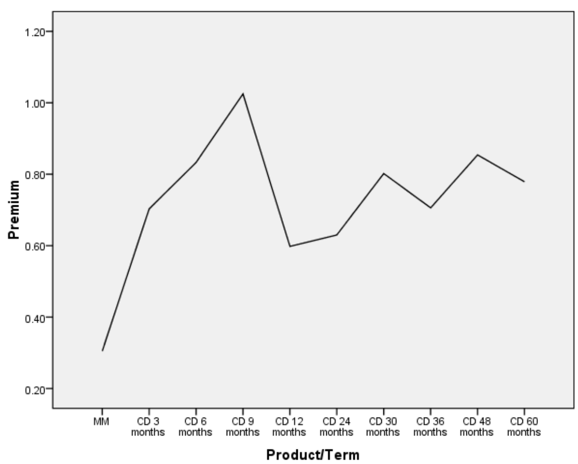


Table 3
APY premium variance this week

Product/Term	Reg. Avg.	Spl. Avg.	Premium
MM	0.39	0.70	0.31
CD 3 months	0.33	1.04	0.70
CD 6 months	0.53	1.36	0.83
CD 9 months	0.54	1.57	1.03
CD 12 months	0.82	1.42	0.60
CD 24 months	1.27	1.90	0.63
CD 30 months	1.27	2.07	0.80
CD 36 months	1.60	2.31	0.71
CD 48 months	1.89	2.74	0.85
CD 60 months	2.08	2.86	0.78

Six-month historical APY Index

- Average APY six months ago **1.66**
- Average APY this week **1.43**
- Cumulative increase (decrease) **-23 bps**

Figure 4 - Time series six-month APY

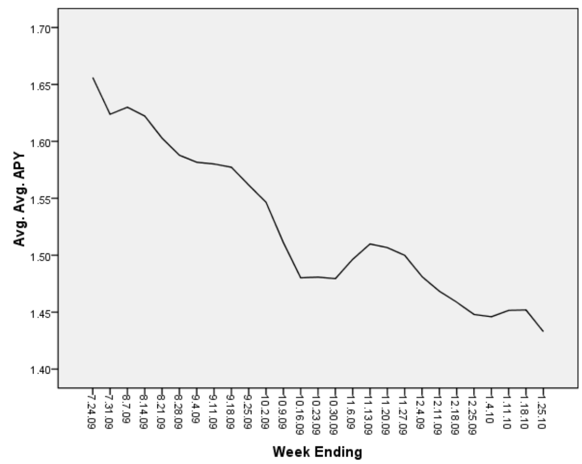


Table 4 - Six-month average APY

Week Ending	Avg. RePrice Volume	Avg. Min. APY	Avg. Max. APY	Avg. Avg. APY	Avg. Last Wk.	Avg. Change
7.24.09	54%	0.98	2.86	1.66	1.69	-0.03
7.31.09	71%	1.02	2.50	1.62	1.66	-0.03
8.7.09	55%	1.02	2.53	1.63	1.62	0.01
8.14.09	62%	1.00	2.51	1.62	1.64	-0.01
8.21.09	50%	0.95	2.51	1.60	1.62	-0.02
8.28.09	58%	0.94	2.51	1.59	1.60	-0.01
9.4.09	85%	0.93	2.50	1.58	1.59	-0.01
9.11.09	57%	0.93	2.48	1.58	1.58	0.00
9.18.09	54%	0.93	2.49	1.58	1.58	0.00
9.25.09	37%	0.92	2.39	1.56	1.58	-0.02
10.2.09	51%	0.92	2.36	1.55	1.56	-0.02
10.9.09	69%	0.90	2.33	1.51	1.55	-0.04
10.16.09	50%	0.90	2.33	1.48	1.51	-0.03
10.23.09	50%	0.89	2.34	1.48	1.48	0.00
10.30.09	51%	0.88	2.32	1.48	1.48	0.00
11.6.09	44%	0.85	2.35	1.50	1.48	0.02
11.13.09	35%	0.85	2.34	1.51	1.50	0.01
11.20.09	54%	0.88	2.35	1.51	1.51	0.00
11.27.09	47%	0.85	2.37	1.50	1.51	-0.01
12.4.09	52%	0.82	2.32	1.48	1.50	-0.02
12.11.09	56%	0.85	2.32	1.47	1.48	-0.01
12.18.09	57%	0.82	2.29	1.46	1.47	-0.01
12.25.09	36%	0.81	2.30	1.45	1.46	-0.01
1.4.10	23%	0.81	2.29	1.45	1.45	0.00
1.11.10	53%	0.80	2.27	1.45	1.45	0.00
1.18.10	37%	0.80	2.25	1.45	1.45	0.00
1.25.10	46%	0.78	2.24	1.43	1.45	-0.02

Methodology: The statistical analysis in this report is based on a convenience sample of 1,300 institutions as was determined by a-priori, two-tailed test. The t-Test was based on the following parameters: Alpha=0.05; Power=0.95; Effect size=0.20.

Repricing Volume Index

Repricing Volume Index features the level of rate changes during the week. An index of 100% means that, on average, all available rates of the sample products have been repriced.

The Repricing volume Index is helpful in observing the repricing activities for the featured week, and identifying products that are being repriced more frequently than others.

CD & MM Regular

- Highest repricing volume, **CD 48 and 60 months 70%**
- Lowest repricing volume, **MM 6%**
- Average repricing volume, **41%**

CD & MM Special

- Highest repricing volume, **CD 6 mo. 86%**
- Lowest repricing volume, **CD 9 mo. 0.0%**
- Average repricing volume, **52%**

Figure 5
Repricing volume level this week

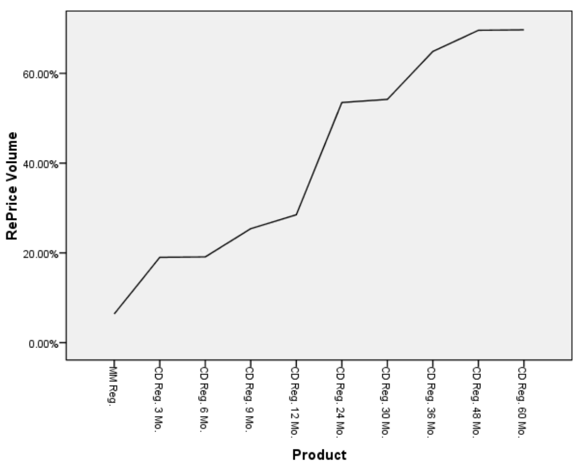


Figure 6
Repricing volume level this week

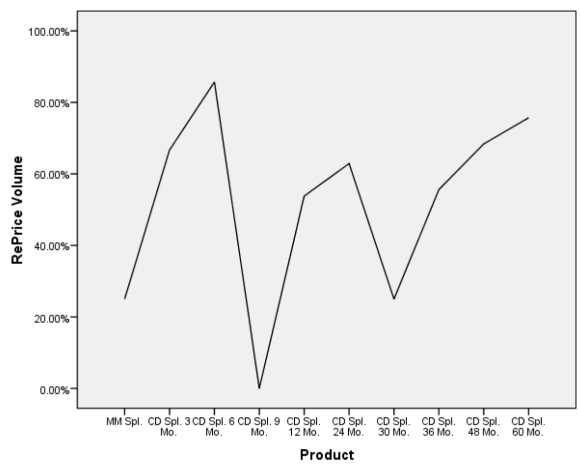


Table 5
Repricing volume level this week

Product	RePrice Volume
MM Reg.	6%
CD Reg. 3 Mo.	19%
CD Reg. 6 Mo.	19%
CD Reg. 9 Mo.	25%
CD Reg. 12 Mo.	29%
CD Reg. 24 Mo.	54%
CD Reg. 30 Mo.	54%
CD Reg. 36 Mo.	65%
CD Reg. 48 Mo.	70%
CD Reg. 60 Mo.	70%

Table 6
Repricing volume level this week

Product	RePrice Volume
MM Spl.	25%
CD Spl. 3 Mo.	67%
CD Spl. 6 Mo.	86%
CD Spl. 9 Mo.	0%
CD Spl. 12 Mo.	54%
CD Spl. 24 Mo.	63%
CD Spl. 30 Mo.	25%
CD Spl. 36 Mo.	56%
CD Spl. 48 Mo.	68%
CD Spl. 60 Mo.	76%

Methodology: The statistical analysis in this report is based on a convenience sample of 1,300 institutions as was determined by a-priori, two-tailed test. The t-Test was based on the following parameters: Alpha=0.05; Power=0.95; Effect size=0.20.

About Market Rates Insight

Market Rates Insight (MRI) is the premier provider of competitive-pricing information and analysis to the banking industry. MRI focuses on serving the pricing needs of financial institutions—not consumers. Therefore, only MRI offers the higher level of pricing comprehensiveness and sophistication of systems demanded by the industry.

In addition to competitive-data that MRI provide to financial institutions, MRI also provides research, analysis and tracking of industry indexes to thought leaders worldwide. MRI's analysis and indicators are viewed weekly by many thousands of banking and credit union professionals through video, audio and print channels.

THE WALL STREET JOURNAL

Banks Wage Rate War for Deposits

By DAVID ENRICH

Consumers Benefit as Institutions Move to Shore Up Funds, but Profit Margins Suffer

Unlike previous periods of turbulence, the Fed's rate-chopping campaign isn't relieving the pressure this time. In the past, reductions in the federal funds rate have helped level off interest rates on CDs and savings accounts, according to **Market Rates Insight Inc., which tracks pricing trends for financial institutions. "This time around, it's much more fierce,"** says Dan Geller, executive vice president of the San Anselmo, Calif., firm.

BusinessWeek

Should You Test-Drive a Hybrid CD?

By David Bogoslaw

Since June, rates for indexed CDs have climbed an average of 8.1%, while non-indexed rates have declined more than 14%, according to Dan Geller, executive vice-president of **Market Rates Insight, which provides competitive-pricing information and analysis to the banking industry.**
"This is the type of deposit that low-risk-minded people can take and sleep well at night because, unlike investing in the stock market or a mutual fund, it will not impact your principal adversely if the market goes down," he says. "Granted, the return potential is not as

AMERICAN BANKER
On Focus and In Depth

To Predict Deposit Rates, Take a Look at Jobs Data

By Katie Kuehner-Hebert

When the unemployment rate is high and economic activity low, the need for deposits to fund loans is less acute, said Dan Geller, executive vice president at **Market Rates Insight, a San Anselmo, Calif., firm that tracks deposit pricing.** That means banks can pay "the minimal amount they can get by with on deposits."
The Market Rates Insight study found that nearly 80% of the movement in the national average rate on

CREDIT UNION TIMES

Short-Term CDs a Hot Commodity

By Michelle Samaad

"It's a mixture of uncertainty and the job market," said Dan Geller executive vice president of **Market Rates Insight, a San Anselmo, Calif. firm that tracks rates loans, fees and rates.** "The bottom line is people prefer to make short-term commitments in case they need the funds."

According to 1,300 banks and credit unions tracked by **Market Rates Insight**, the premium paid on short-term CDs increased from 66.3% in January to 100.4% in September, an increase of 34.1%. Short-term CDs are defined as those with a one year or less term. Mean-