

# Pricing Indicators



**National Pricing Indicators**  
For the week ending 8/28/09

## Highlights

- Increasing amounts of loan-loss provisions continue to suppress the average-deposit APY (page 2).
- Slight decrease in the national-average APY for CD & MM (-0.01)
- Relatively low volume of repricing. Slightly over half (58%) of deposit products were repriced this week.

*(Additional indexes and products inside)*

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### Summary of Findings for this week

#### National APY

- Slight decrease in the national-average APY for CDs and MM **-0.01**
- Highest increase, CD 30 months Reg. **+0.02**
- Highest decrease, CD 9 months Spl. **-0.12**
- Aggregated change in average APY since the beginning of the year **-82 bps (-34%)**
- Highest spread between average Regular and Special in 6-month CD **1.09**
- Lowest spread between average Regular and Special in CD 48 months **0.50**

#### Repricing Volume

- Relatively low volume. Slightly over half (**58%**) of the products were repriced during the week.
- Highest repricing volume product - CD Special 3 months (**170%**).
- Lowest repricing volume product - CD 48 months Special (**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 products 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

NPI can be customized to specific regions upon request.

### Pricing Advisory for this week

Loan-loss provisions continue to suppress the national average APY for deposits. In the last six quarters (Q1 2008 through Q2 2009), the amount set aside for loan losses has gradually increased and totals \$354 billion (Figure 1).

At the same time, the national average APY for CDs and MM continues to drop. In the last six quarters (Q1 2008 - Q2 2009), the average APY lost 132 bps, or 43% of its return value (Figure 2).

Clearly, the burden of bad loans is forcing banks to reduce interest-rate expense in order to manage their profit margins and reduce exposure.

Figure 1

Increase in loan-loss provisions in 2008 & 2009 YTD

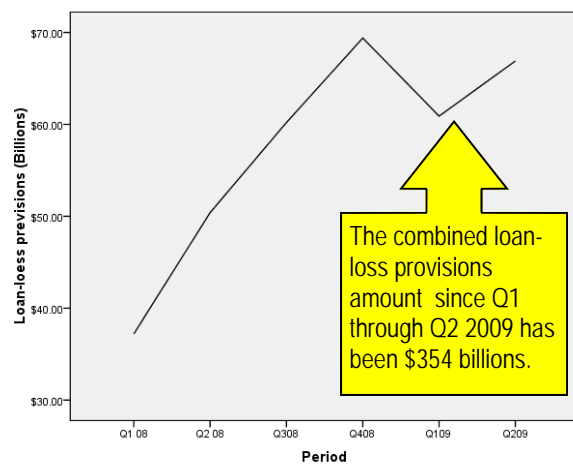
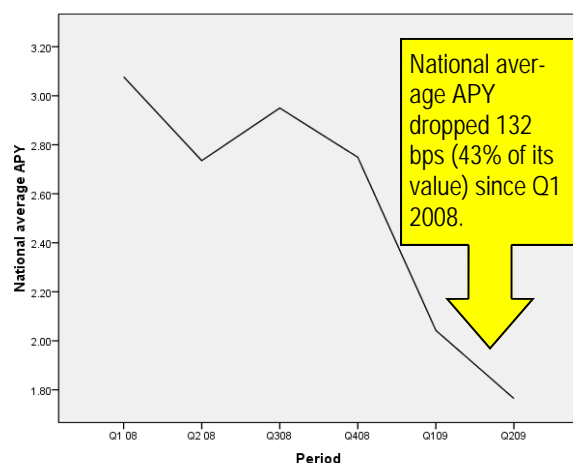


Figure 2

National average APY drop in 2008 & 2009 YTD



### 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 products. Raw data is also provided.

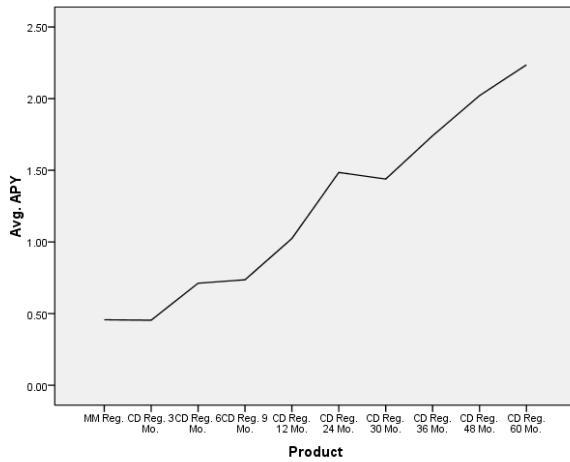
#### CD & MM Regular

- Highest increase, CD 30 months **+0.02**
- Highest decrease, CD 6 months **-0.03**
- Average increase/decrease, **0.00**

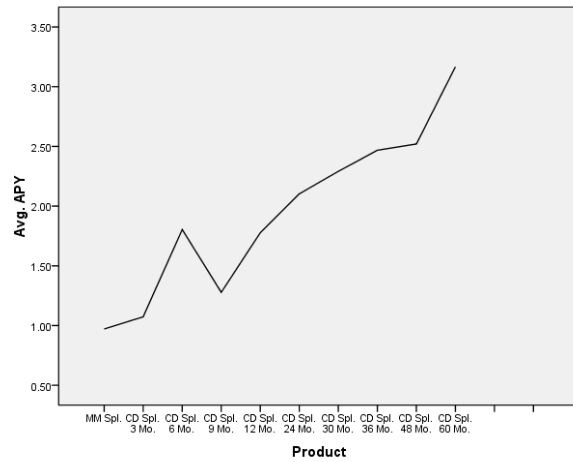
#### CD & MM Special

- Highest increase, CD 36 months **+0.01**
- Highest decrease, CD 9 months **-0.12**
- Average increase/decrease, **-0.03**

**Figure 1**  
Average APY across all products



**Figure 2**  
Average APY across all products



**Figure 1**  
APY spectrum and variance

Product	Min. APY	Max. APY	Avg. APY	Last Wk.	Change
MM Reg.	0.01	2.00	0.46	0.46	0.00
CD Reg. 3 Mo.	0.01	1.71	0.45	0.46	-0.01
CD Reg. 6 Mo.	0.10	2.00	0.71	0.74	-0.03
CD Reg. 9 Mo.	0.15	2.10	0.74	0.75	-0.02
CD Reg. 12 Mo.	0.25	2.22	1.02	1.04	-0.01
CD Reg. 24 Mo.	0.40	2.75	1.49	1.49	0.00
CD Reg. 30 Mo.	0.65	3.00	1.44	1.42	0.02
CD Reg. 36 Mo.	0.70	3.03	1.74	1.74	0.00
CD Reg. 48 Mo.	0.80	3.50	2.02	2.02	0.00
CD Reg. 60 Mo.	0.85	4.00	2.24	2.24	0.00

**Figure 2**  
APY spectrum and variance

Product	Min. APY	Max. APY	Avg. APY	Last Wk.	Change
MM Spl.	0.80	1.16	0.97	0.99	-0.02
CD Spl. 3 Mo.	0.75	2.50	1.07	1.07	0.00
CD Spl. 6 Mo.	1.50	2.01	1.80	1.90	-0.09
CD Spl. 9 Mo.	0.75	1.88	1.28	1.40	-0.12
CD Spl. 12 Mo.	0.93	2.50	1.78	1.81	-0.03
CD Spl. 24 Mo.	1.50	2.50	2.10	2.10	0.00
CD Spl. 30 Mo.	2.03	2.35	2.29	2.29	0.00
CD Spl. 36 Mo.	2.00	3.00	2.47	2.46	0.01
CD Spl. 48 Mo.	2.52	2.52	2.52	2.52	0.00
CD Spl. 60 Mo.	2.14	3.51	3.17	3.17	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.

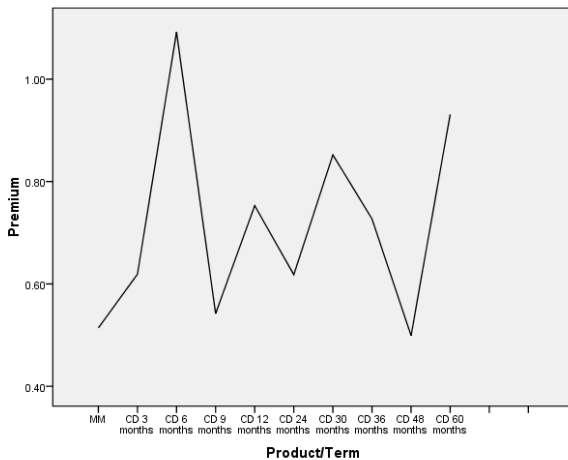
### Premium APY Index

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 6 months **1.09**
- Lowest APY premium, CD 48 months **0.50**
- Average APY premium, **0.71**

**Figure 3**  
APY premium variance this week



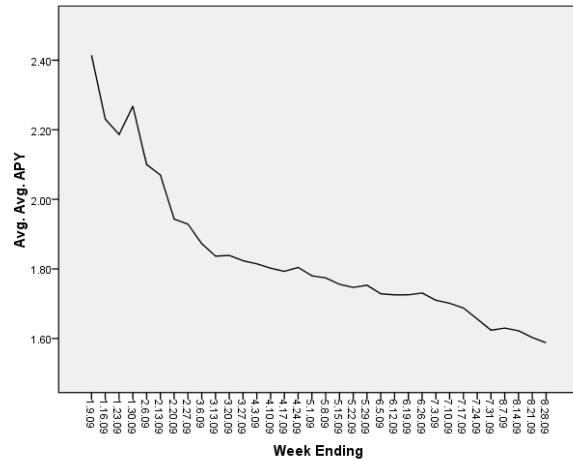
**Table 3**  
APY premium variance this week

Product/Term	Reg. Avg.	Spl. Avg.	Premium
MM	0.46	0.97	0.51
CD 3 months	0.45	1.07	0.62
CD 6 months	0.71	1.80	1.09
CD 9 months	0.74	1.28	0.54
CD 12 months	1.02	1.78	0.75
CD 24 months	1.49	2.10	0.62
CD 30 months	1.44	2.29	0.85
CD 36 months	1.74	2.47	0.73
CD 48 months	2.02	2.52	0.50
CD 60 months	2.24	3.17	0.93

### Historical APY Index

- Average APY beginning of the year **2.41**
- Average APY this week **1.59**
- Cumulative increase (decrease) **-0.82**

**Figure 4**  
Time series Historical APY



**Table 4**  
Historical average-APY

Week Ending	Avg. RePrice Volume	Avg. Min. APY	Avg. Max. APY	Avg. Avg. APY	Avg. Last Wk.	Avg. Change
4.3.09	66%	1.12	2.90	1.81	1.82	-0.01
4.10.09	68%	1.09	2.90	1.80	1.81	-0.01
4.17.09	61%	1.06	2.89	1.79	1.80	-0.01
4.24.09	70%	1.07	2.89	1.80	1.79	0.01
5.1.09	70%	1.05	2.87	1.78	1.80	-0.02
5.8.09	48%	1.05	2.79	1.77	1.78	-0.01
5.15.09	65%	1.05	2.83	1.76	1.77	-0.02
5.22.09	57%	1.05	2.84	1.75	1.76	-0.01
5.29.09	59%	1.04	2.86	1.75	1.75	0.01
6.5.09	55%	1.03	2.81	1.73	1.75	-0.02
6.12.09	67%	1.01	2.80	1.73	1.73	0.00
6.19.09	63%	1.00	2.79	1.73	1.73	0.00
6.26.09	55%	1.02	2.78	1.73	1.73	0.01
7.3.09	63%	1.06	2.91	1.71	1.73	-0.02
7.10.09	60%	1.05	2.76	1.70	1.71	-0.01
7.17.09	72%	1.03	2.74	1.69	1.70	-0.01
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

**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.

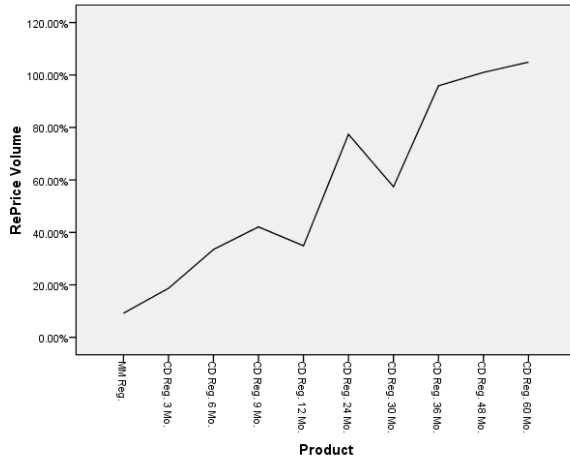
#### CD & MM Regular

- Highest repricing volume, **CD 60 mo. 105%**
- Lowest repricing volume, **MM, 9%**
- Average repricing volume, **58%**

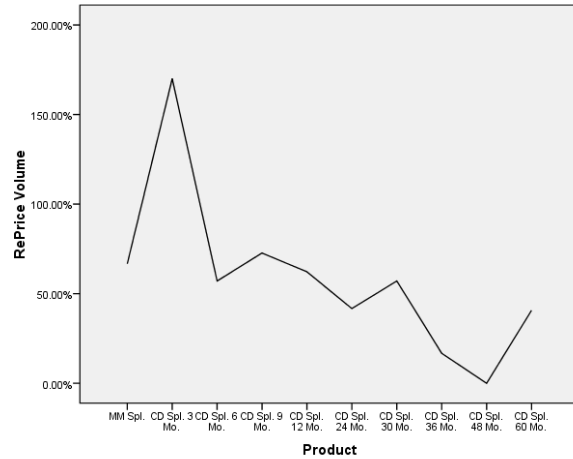
#### CD & MM Special

- Highest repricing volume, **CD 3 months 170%**
- Lowest repricing volume, **CD 48 months 0%**
- Average repricing volume, **58%**

**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.	9%
CD Reg. 3 Mo.	19%
CD Reg. 6 Mo.	34%
CD Reg. 9 Mo.	42%
CD Reg. 12 Mo.	35%
CD Reg. 24 Mo.	77%
CD Reg. 30 Mo.	57%
CD Reg. 36 Mo.	96%
CD Reg. 48 Mo.	101%
CD Reg. 60 Mo.	105%

**Table 6**  
Repricing volume level this week

Product	RePrice Volume
MM Spl.	67%
CD Spl. 3 Mo.	170%
CD Spl. 6 Mo.	57%
CD Spl. 9 Mo.	73%
CD Spl. 12 Mo.	62%
CD Spl. 24 Mo.	42%
CD Spl. 30 Mo.	57%
CD Spl. 36 Mo.	17%
CD Spl. 48 Mo.	0%
CD Spl. 60 Mo.	41%

**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.

Founded in 1985, Market Rates Insight was the first research service offering competitive financial market rate data online, in a searchable format. Over the past two decades, our research services have evolved with the needs of financial institutions.

Market Rates Insight also assists banks price their products in compliance to the FDIC Rules and Regulations. Specifically, MRI helps banks comply with FDIC Rule 337.6 on rate issues as well as establishing the proper Market Area in accordance to the Rules and Regulations.

As the leader in pricing intelligence for the financial industry, MRI provides industry data to thought leaders worldwide. Among them are The Wall Street Journal, American Banker, Western Independent Bankers, Novantas and others. These industry icons use MRI's data to report trends and analysis to the industry.

## THE WALL STREET JOURNAL

### Banks Wage Rate War for Deposits

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.

#### Retail CDs: Special-Term Competition

Top rate premiums offered on special-term CDs in 15 largest deposit markets, from Novantas and Market Rates Insight. Week ended Feb. 9

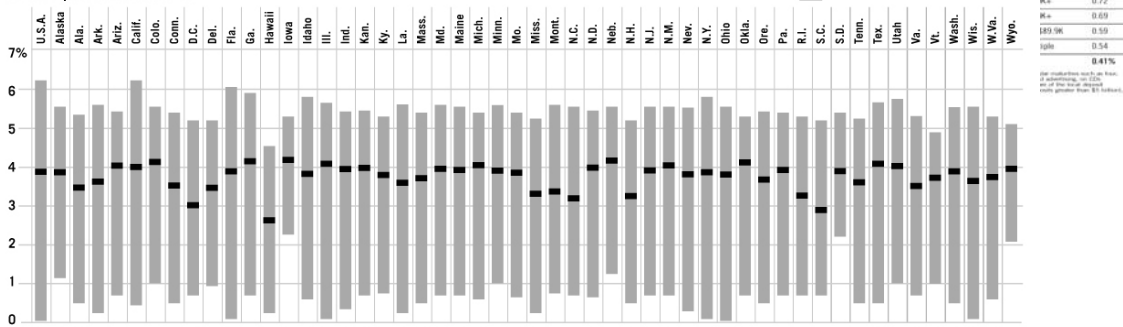
(Denominated in irregular maturities, "special-term" CDs can help achieve select funding objectives and sometimes pay significant premiums. Off-term bidding against nine-month CDs continued to slide last week, with only five out of 15 markets participating. Nine-month premiums closed at an average of 0.74% across the top 15 markets, compared with 0.91% the previous week and 1.30% the week before. In six-month bidding, Houston and Dallas eroded premiums by 30 and 14 basis points respectively, and Boston dropped off the leader list, replaced by Miami.)

4-5 months vs. 3 months			7-8 months vs. 6 months		
MSA deposit market	Balance tier	Special-term premium	MSA deposit market	Balance tier	Special-term premium
Orange County, Calif.	\$0-\$9.9K	2.62%	Nassau-Suffolk, N.Y.	\$0-\$9.9K	2.43%
Oakland, Calif.	\$0-\$9.9K	2.46	Nassau-Suffolk, N.Y.	Multiple	2.36
San Francisco	\$0-\$9.9K	2.08	Washington-MD-Va-WVa.	\$0-\$9.9K	2.12
Houston	\$0-\$9.9K	2.05	Washington-MD-Va-WVa.	Multiple	2.01
Orange County, Calif.	\$10K-\$24.9K	1.95	Nassau-Suffolk, N.Y.	\$90K+	1.95
New York	Multiple	1.94	Dallas	\$0-\$9.9K	1.84
Orange County, Calif.	\$25K-\$49.9K	1.91	New York	\$0-\$9.9K	1.75
Los Angeles-Long Beach, Calif.	\$0-\$9.9K	1.87	New York	Multiple	1.70
Oakland, Calif.	\$10K-\$24.9K	1.83	Houston	\$0-\$9.9K	1.68
Oakland, Calif.	\$25K-\$49.9K	1.76	Miami	\$10K-\$24.9K	1.67
<b>Top 15 markets weighted average</b>		<b>1.81%</b>	<b>Top 15 markets weighted average</b>		<b>1.43%</b>

10-11 months vs. 9 months			13-17 months vs. 12 months		
MSA deposit market	Balance tier	Special-term premium	MSA deposit market	Balance tier	Special-term premium
Chicago	\$50K+	1.78%	Miami	\$0-\$9.9K	0.92%
Philadelphia-N.J.	\$0-\$9.9K	1.74	Boston N.H.	Multiple	0.81
Detroit	\$0-\$9.9K	1.62	Miami	\$10K-\$24.9K	0.77
					0.9K
					0.76
					0.76
					0.73
					0.72
					0.69
					0.59
					0.58
					0.54
					0.41%

#### CD Watch

Retail deposit rates on Feb. 13\*



\*For \$10,000 FDIC-insured CDs, averaged for all terms. Data from 3,500 deposit-taking institutions including banks, brokerages, Internet banks, thrifts, and credit unions. Source: MarketRatesInsight.com