

Pricing Indicators



National Pricing Indicators
For the week ending 11/13/09

Highlights

- **FDIC mandatory rate cap (1/1/10) impacts under-capitalized banks the greatest in nine states** (page 2).
- Slight increase in the national-average APY for CD & MM (+0.01)
- Very low repricing volume. Slightly over one third (35%) 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 increase in the national-average APY for CDs and MM **+0.01**
- Highest increase, **CD 48 mo. Spl. +0.20**
- Highest decrease, CD 36 & 48 months **-0.03**
- Aggregated change in average APY since the beginning of the year **-90 bps (-37%)**
- Highest spread between average Regular and Special in 48 months CD **0.98**
- Lowest spread between average Regular and Special in MM **0.368**

Repricing Volume

- Low volume. Slightly over one third (**35%**) of the products were repriced during the week.
- Highest repricing volume product - CD Special 9 months (**67%**).
- Lowest repricing volume product - MM & CD 30 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

On January 1st, 2010, the FDIC final rule becomes mandatory. The FDIC final rule limits the deposit interest rates paid by banks that are less than well capitalized under Section 337.6 to a maximum of 75 basis points (rate cap) above the national rate published by the FDIC.

Banks that are less than well capitalized will find it harder to compete on rates in nine states, where the highest rates offered are greater than the FDIC national average rate cap.

The nine states are (from highest to lowest): WA, NC, CA, TX, FL, NV, ID, OR and MN (Figure 1).

In the remaining states, less than well capitalized banks can compete on rates without exceeding the FDIC national average rate cap (Figure 2).

Figure 1 - FDIC rate cap under pricing regions

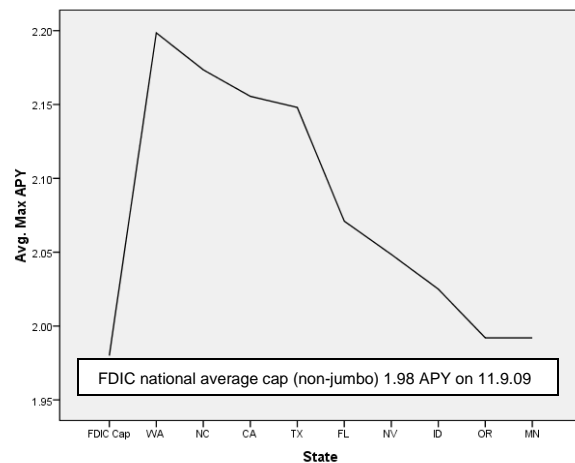
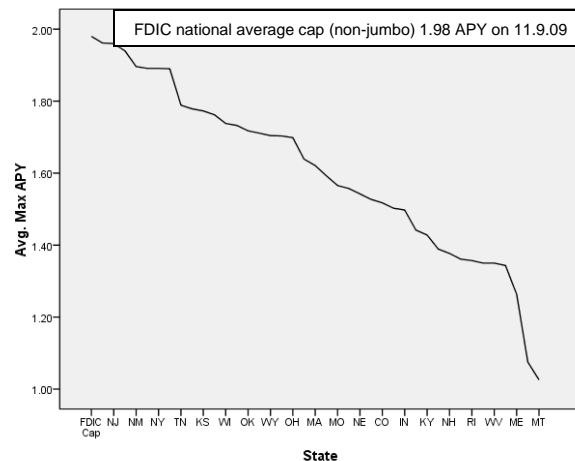


Figure 2 - FDIC rate cap over pricing regions



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, **No increases**
- Highest decrease, CD 36, 48 months **-0.03**
- Average increase/decrease, **-0.01**

CD & MM Special

- Highest increase, CD 48 months **+0.20**
- Highest decrease, No decreases
- Average increase/decrease, **+0.04**

Figure 1
Average APY across all products

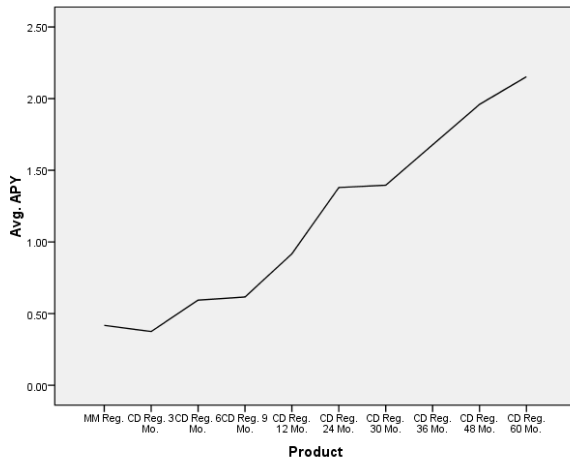


Figure 2
Average APY across all products

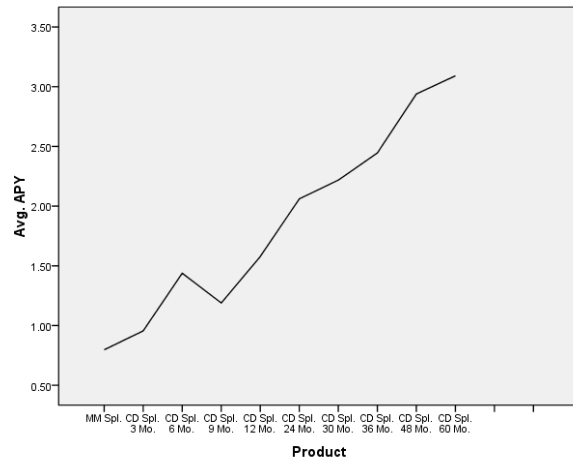


Figure 1
APY spectrum and variance

Product	Min. APY	Max. APY	Avg. APY	Last Wk.	Change
MM Reg.	0.01	2.00	0.42	0.42	0.00
CD Reg. 3 Mo.	0.01	1.41	0.38	0.38	0.00
CD Reg. 6 Mo.	0.10	1.75	0.59	0.60	-0.01
CD Reg. 9 Mo.	0.10	1.80	0.62	0.63	-0.01
CD Reg. 12 Mo.	0.15	2.12	0.92	0.93	-0.01
CD Reg. 24 Mo.	0.40	2.50	1.38	1.40	-0.02
CD Reg. 30 Mo.	0.40	2.52	1.40	1.39	0.01
CD Reg. 36 Mo.	0.70	3.03	1.68	1.71	-0.03
CD Reg. 48 Mo.	0.80	3.14	1.96	1.99	-0.03
CD Reg. 60 Mo.	0.85	3.51	2.15	2.15	0.00

Figure 2
APY spectrum and variance

Product	Min. APY	Max. APY	Avg. APY	Last Wk.	Change
MM Spl.	0.55	1.09	0.80	0.80	0.00
CD Spl. 3 Mo.	0.70	1.21	0.96	0.96	0.00
CD Spl. 6 Mo.	0.75	1.75	1.44	1.44	0.00
CD Spl. 9 Mo.	0.75	2.05	1.19	1.04	0.15
CD Spl. 12 Mo.	0.78	2.15	1.58	1.57	0.01
CD Spl. 24 Mo.	1.75	2.50	2.06	2.06	0.00
CD Spl. 30 Mo.	2.00	2.76	2.22	2.22	0.00
CD Spl. 36 Mo.	1.75	3.00	2.45	2.43	0.01
CD Spl. 48 Mo.	2.27	3.00	2.94	2.74	0.20
CD Spl. 60 Mo.	2.14	3.51	3.09	3.09	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 48 months **0.98**
- Lowest APY premium, MM **0.38**
- Average APY premium, **0.72**

Figure 3
APY premium variance this week

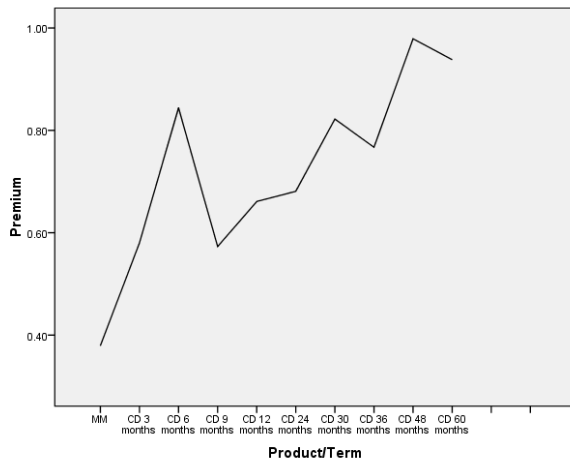


Table 3
APY premium variance this week

Product/Term	Reg. Avg.	Spl. Avg.	Premium
MM	0.42	0.80	0.38
CD 3 months	0.38	0.96	0.58
CD 6 months	0.59	1.44	0.84
CD 9 months	0.62	1.19	0.57
CD 12 months	0.92	1.58	0.66
CD 24 months	1.38	2.06	0.68
CD 30 months	1.40	2.22	0.82
CD 36 months	1.68	2.45	0.77
CD 48 months	1.96	2.94	0.98
CD 60 months	2.15	3.09	0.94

Historical APY Index

- Average APY beginning of the year **2.41**
- Average APY this week **1.51**
- Cumulative increase (decrease) **-0.90**

Figure 4
Time series Historical APY

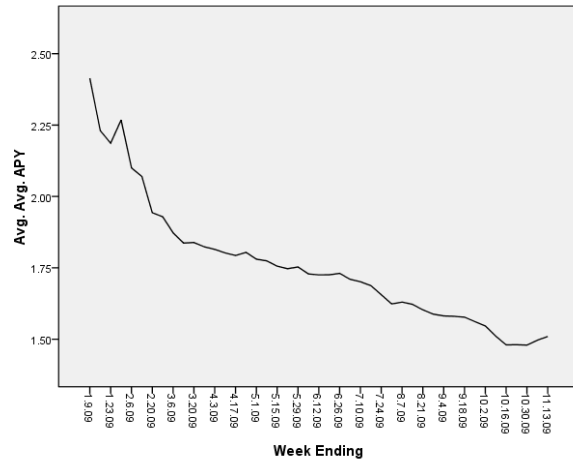


Table 4
Historical average-APY

Week Ending	Avg. RePrice Volume	Avg. Min. APY	Avg. Max. APY	Avg. Avg. APY	Avg. Last Wk.	Avg. Change
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
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

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 months 66%**
- Lowest repricing volume, **MM 9%**
- Average repricing volume, **37%**

CD & MM Special

- Highest repricing volume, **CD 9 months 67%**
- Lowest repricing volume, **MM, CD 30 mo. 0%**
- Average repricing volume, **34%**

Figure 5

Repricing volume level this week

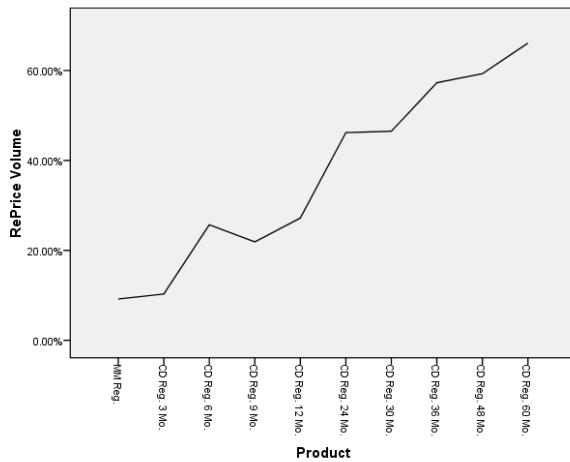


Figure 6

Repricing volume level this week

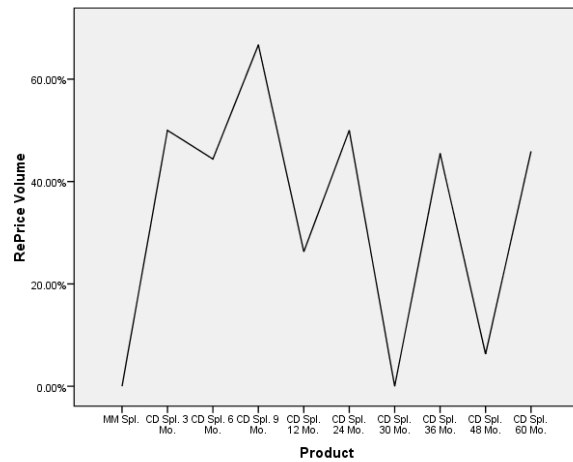


Table 5

Repricing volume level this week

Product	RePrice Volume
MM Reg.	9%
CD Reg. 3 Mo.	10%
CD Reg. 6 Mo.	26%
CD Reg. 9 Mo.	22%
CD Reg. 12 Mo.	27%
CD Reg. 24 Mo.	46%
CD Reg. 30 Mo.	47%
CD Reg. 36 Mo.	57%
CD Reg. 48 Mo.	59%
CD Reg. 60 Mo.	66%

Table 6

Repricing volume level this week

Product	RePrice Volume
MM Spl.	0%
CD Spl. 3 Mo.	50%
CD Spl. 6 Mo.	44%
CD Spl. 9 Mo.	67%
CD Spl. 12 Mo.	26%
CD Spl. 24 Mo.	50%
CD Spl. 30 Mo.	0%
CD Spl. 36 Mo.	46%
CD Spl. 48 Mo.	6%
CD Spl. 60 Mo.	46%

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 analysis and tracking of industry indexes to thought leaders worldwide. Among them are The Wall Street Journal, American Banker, Credit Union Times, Thomson Reuters and others. MRI's analysis and indicators are viewed weekly by many thousands of banking and credit union professionals

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.

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, an 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

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Beyond Business as Usual

Short-Term Focus

By *Joseph Rosta*

Bank customers are looking for the shortest-term, highest-yield certificates of deposit they can find, says Dan Geller, executive vice president at **Market Rates Insight.** And banks are doing their best to meet that demand in an effort to build deposits, he notes.

In a research note published last week Geller writes: "Institutions are using [special CDs] to cater to the short-term market by offering, on average, double the

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-