

General Report Documentation

The core deposit index intangible valuations provided in this report are benchmark estimates of your institution's core deposit values. They are computed in a comprehensively specified industry standard present value data methodology using national averages of institution specific, statistical based forecasts of existing balance runoff/decay.

Intangible values are generated for an array of rates paid ranges, by rate shock scenario. To use each category's table, identify the row that best matches your current rate paid. Applicable intangible value ratios for each rate scenario follow across the page. For DDA categories, there is only one (zero rate paid) row per category.

The core deposit intangible values are designed for use as equity at risk model inputs. They can be directly applied as override values in ALM models or as entries into spreadsheet reports. To calculate present values from the intangible ratios, multiply (1-premium percent) times the current book balance.

Information is available for a pre-defined set of core deposit categories (listed below), defined to represent separate depositor motivations (i.e. checking, savings, investment) and depositor type (i.e. personal versus business).

Banks/Thrifs

DDA-Personal
DDA-Business
NOW-Personal
NOW-Business
MMDA-Pers Low
MMDA-Pers High
MMDA-Indexed
Savings-Personal
Savings-Business

Credit Unions

NIB Share Drafts
IB Share Drafts
MMDA Low
MMDA High
MMDA Premium
Regular Shares

For each category, institution level forecasts of existing balances runoff /decay are averaged for Base Case (current interest rates) and 8 rate shock scenarios from -300 bps to +500 bps. The forecast averages are unique by scenario for each category, and depict all behavioral dimensions of the underlying cash flows (e.g. changing runoff/decay over time and normally faster runoff/decay in higher rate scenarios and vice versa). The forecasts of existing balance runoff generated in this process are the basis for calculating the intangible values.

Valuations are based on national averages of core deposit runoff/decay behavior. If more customized equity at risk model inputs are required, MountainView offers solutions based on averages of runoff/decay for specific peer institutions or statistical analyses of your institution's own recent history. Contact MountainView for more information.

CORE DEPOSIT INTANGIBLE INDEX

Sample Institution
Analysis Date: MM DD, YYYY

Category Level Percent Premium by Interest Rate Scenario Input Vectors

RATE BEARING: MMDA LOW									
Current Rate	Percent Premium by Interest Rate Scenario								
	-300	-200	-100	Base	+100	+200	+300	+400	+500
> 0.00 - 0.50%	0.27%	0.25%	0.22%	-0.03%	3.32%	6.29%	8.94%	11.30%	13.41%
> 0.50 - 1.00%	0.27%	-0.02%	-1.93%	-2.70%	0.82%	3.97%	6.78%	9.29%	11.53%
> 1.00 - 1.50%	-0.80%	-2.73%	-4.69%	-5.45%	-1.74%	1.59%	4.57%	7.23%	9.60%
> 1.50 - 2.00%	-3.53%	-5.51%	-7.53%	-8.27%	-4.37%	-0.85%	2.30%	5.12%	7.63%
> 2.00 - 2.50%	-6.32%	-8.36%	-10.43%	-11.16%	-7.07%	-3.35%	-0.02%	2.95%	5.61%
> 2.50 - 3.00%	-9.19%	-11.29%	-13.42%	-14.13%	-9.83%	-5.91%	-2.41%	0.73%	3.54%
> 3.00 - 3.50%	-12.13%	-14.30%	-16.48%	-17.18%	-12.67%	-8.54%	-4.85%	-1.54%	1.42%
> 3.50 - 4.00%	-15.15%	-17.38%	-19.62%	-20.30%	-15.58%	-11.24%	-7.35%	-3.87%	-0.75%
> 4.00 - 4.50%	-18.25%	-20.55%	-22.84%	-23.50%	-18.56%	-14.00%	-9.92%	-6.26%	-2.98%
> 4.50 - 5.00%	-21.44%	-23.80%	-26.14%	-26.78%	-21.61%	-16.84%	-12.55%	-8.71%	-5.26%
> 5.00 - 5.50%	-24.70%	-27.13%	-29.53%	-30.15%	-24.75%	-19.74%	-15.24%	-11.21%	-7.60%
> 5.50 - 6.00%	-28.05%	-30.55%	-33.00%	-33.60%	-27.96%	-22.71%	-18.00%	-13.78%	-9.99%
> 6.00 - 6.50%	-31.48%	-34.05%	-36.57%	-37.14%	-31.25%	-25.76%	-20.83%	-16.41%	-12.43%
> 6.50 - 7.00%	-35.00%	-37.64%	-40.22%	-40.77%	-34.62%	-28.88%	-23.72%	-19.10%	-14.94%

Category Definition: MMDA Low is a "traditional" core deposit category. Depositors are mainly motivated by non-rate related value elements such as service, convenience, and liquidity. Normally, rate paid is slightly higher than standard traditional (statement or passbook) savings categories. It is really a "super savings" category that allows a limited number of checks per month. MMDA Low would also correspond to lower tier MMDA balances, e.g. at or below \$25,000 - depending on the interest rate sensitivity of the depositor base) in a tiered MMDA category.

Key Value Inputs: Runoff cash flows and present values are derived using the assumptions found below.

Discount: FHLB Average (12 FHLB)	Truncation Pt: 6.5 yrs	Non Int Exp (NIE): 1.25%	Beta: 35 bp
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Above schedule is provided for all the categories, which are not included in this sample.

Note: MVRA also provides various templates/guides on implementation in different ALM systems.

Alternate Behavior and Value Forecasts

Three separate projections of core deposit behavior and value are provided:

- 1) Standard Projection: Runoff/decay based on national peer averages using as input truncation points.
- 2) Alt-S: Shorter truncation and faster runoff; default is ~25% quicker overall run down of balances.
- 3) Alt-L: Longer truncation and slower runoff; default is ~25% slower overall run down of balances.

Glossary

For reference, the following definitions apply to the report.

Rate Paid: Rate listed in current rate sheet(s)

Runoff/Decay: Periodic decline in initial balance expressed as a percent of initial balance or end of prior period balance

Present Value Model: Single path/scenario dependent cash flows/discounted by FHLB bullet term advance curve

Intangible (a.k.a. Premium): Difference between book value and present value

Percent Premium/Intangible Ratio: Premium as a percent of book value

Non-Interest Expense (NIE): All in cost of gathering, serving, and retaining balances, net of direct fees / book balance

Truncation Point: Forecast period at which runoff/decay balloons (retention truncated) to reflect future event risk

Beta: Default own rate paid repricing in rising rate scenarios.