



Mark H. Smith
I N C O R P O R A T E D

DEPOSIT ANALYTICS

**WHAT DEPOSIT ANALYTICS CAN
PROVIDE FOR YOUR CREDIT UNION**

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TOPICS TO DISCUSS

- What are Deposit Analyses and Deposit Analytics?
- How are they used?
- When do I need a Deposit Analysis or Deposit Analytics?
- Other considerations

WHAT IS A DEPOSIT ANALYSIS?

- Also known as a Deposit Study
- Average Lives (Decay or Runoff)
- Rate Sensitivities (Betas) & Lags
- Surge Shares

Poll Question #1

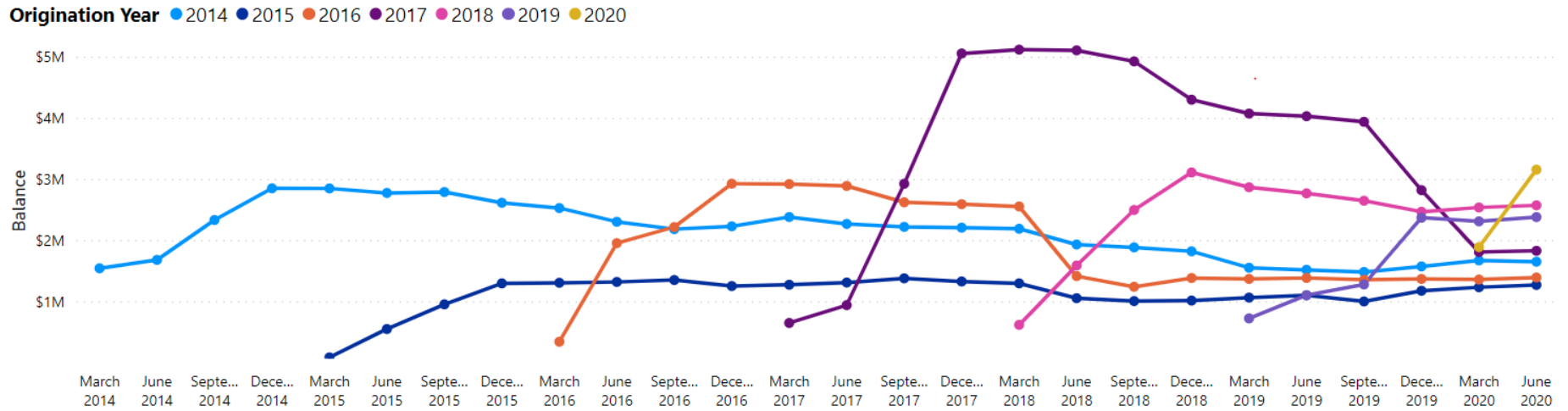


AVERAGE LIVES & DECAY

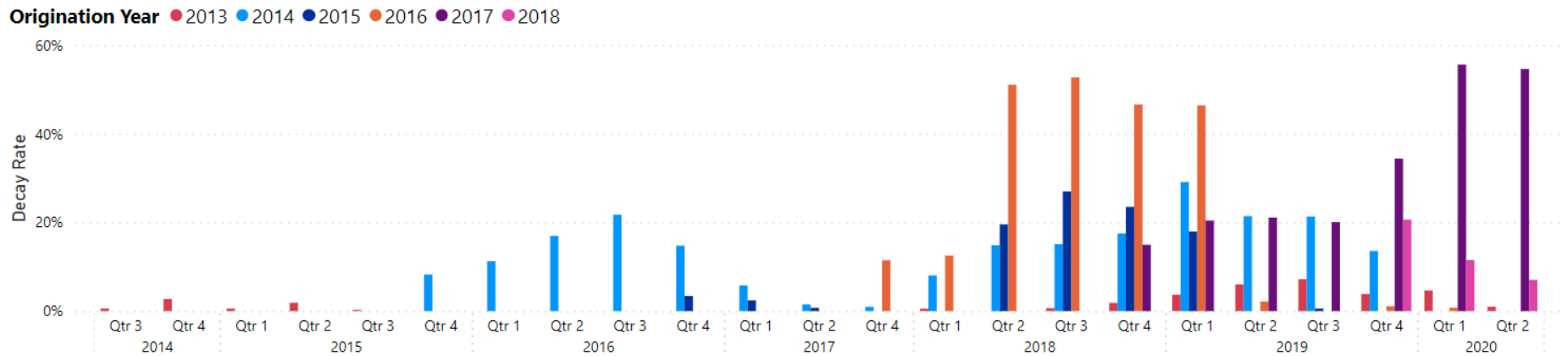
- Decay (Runoff) – The amount or percent of deposits that runoff over a given time period (usually per year)
- Truncation Point – The time period at which decay is truncated (ballooned) to recognize the chance that event risk becomes material after some point in time
- Average Life – The weighted average time period over which deposits decay

DECAY

Balance by Date and Origination Year



Decay Rate by Date and Origination Year



DECAY

Truncation Point



Decay Rates by Year

Category	1	2	3	4	5	6	7	8
Regular Shares	6.23%	7.86%	3.30%	5.61%	0.84%	5.37%	2.64%	68.16%
Share Drafts	21.72%	26.18%	24.30%	12.50%	15.29%			

↑
Annual Decay

AVERAGE LIVES

Weighted Average Life	
Category	WAL (Years)
Regular Shares	6.54
Share Drafts	2.73

AVERAGE LIVES

Regular Shares Decay Rates

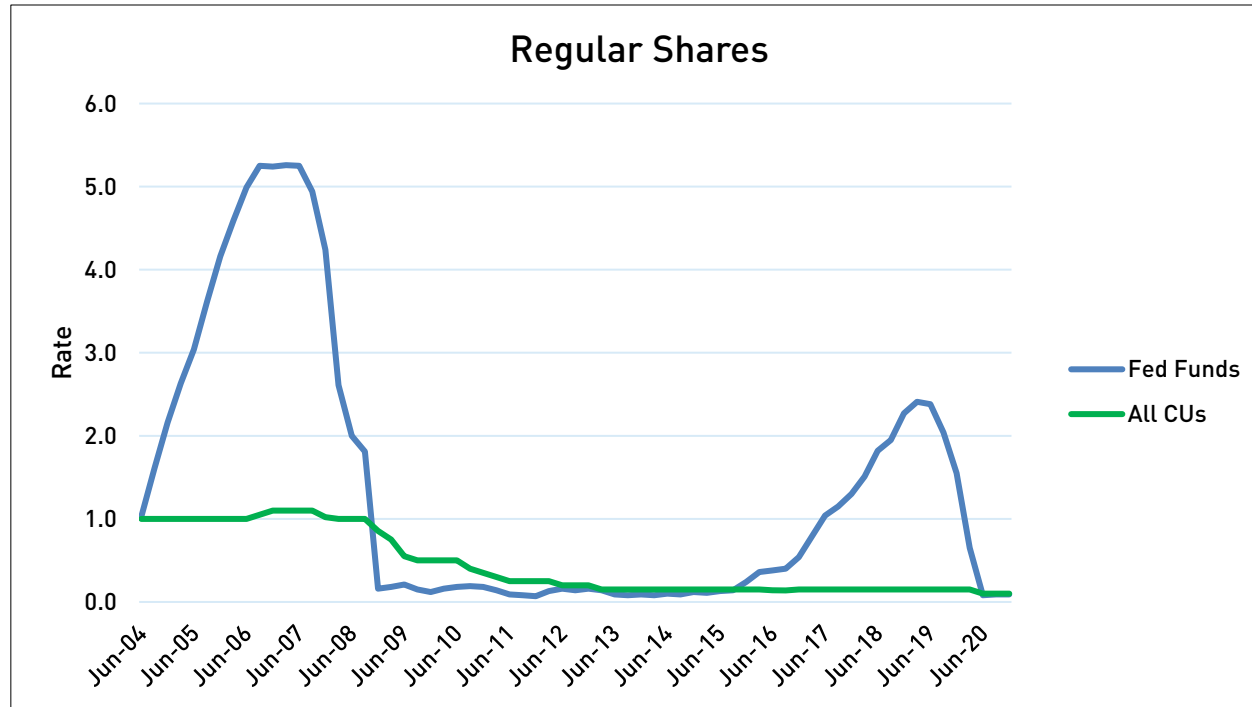
Rate Scenario	1	2	3	4	5	6	7	8
+100	6.42%	8.04%	3.48%	5.79%	1.02%	5.55%	2.82%	66.89%
+200	6.60%	8.22%	3.66%	5.97%	1.20%	5.73%	3.00%	65.62%
+300	6.78%	8.40%	3.84%	6.15%	1.38%	5.91%	3.18%	64.35%
-100	6.05%	7.67%	3.12%	5.43%	0.66%	5.18%	2.45%	69.43%
-200	5.87%	7.49%	2.94%	5.25%	0.47%	5.00%	2.27%	70.70%
-300	5.69%	7.31%	2.76%	5.07%	0.29%	4.82%	2.09%	71.97%
Base	6.23%	7.86%	3.30%	5.61%	0.84%	5.37%	2.64%	68.16%

Rate Scenario	WAL (Years)
+100	6.49
+200	6.44
+300	6.39
-100	6.59
-200	6.65
-300	6.70
Base	6.54

BETA AND LAG

- Beta – By what amount or percent the deposit rate adjusts based on a change in driver rate
- Lag – The time period, or delay, for a change in deposit rate to occur after a change in interest rates

BETA AND LAG



Beta	Lag (months)
0.2237	7.9

SURGE SHARES

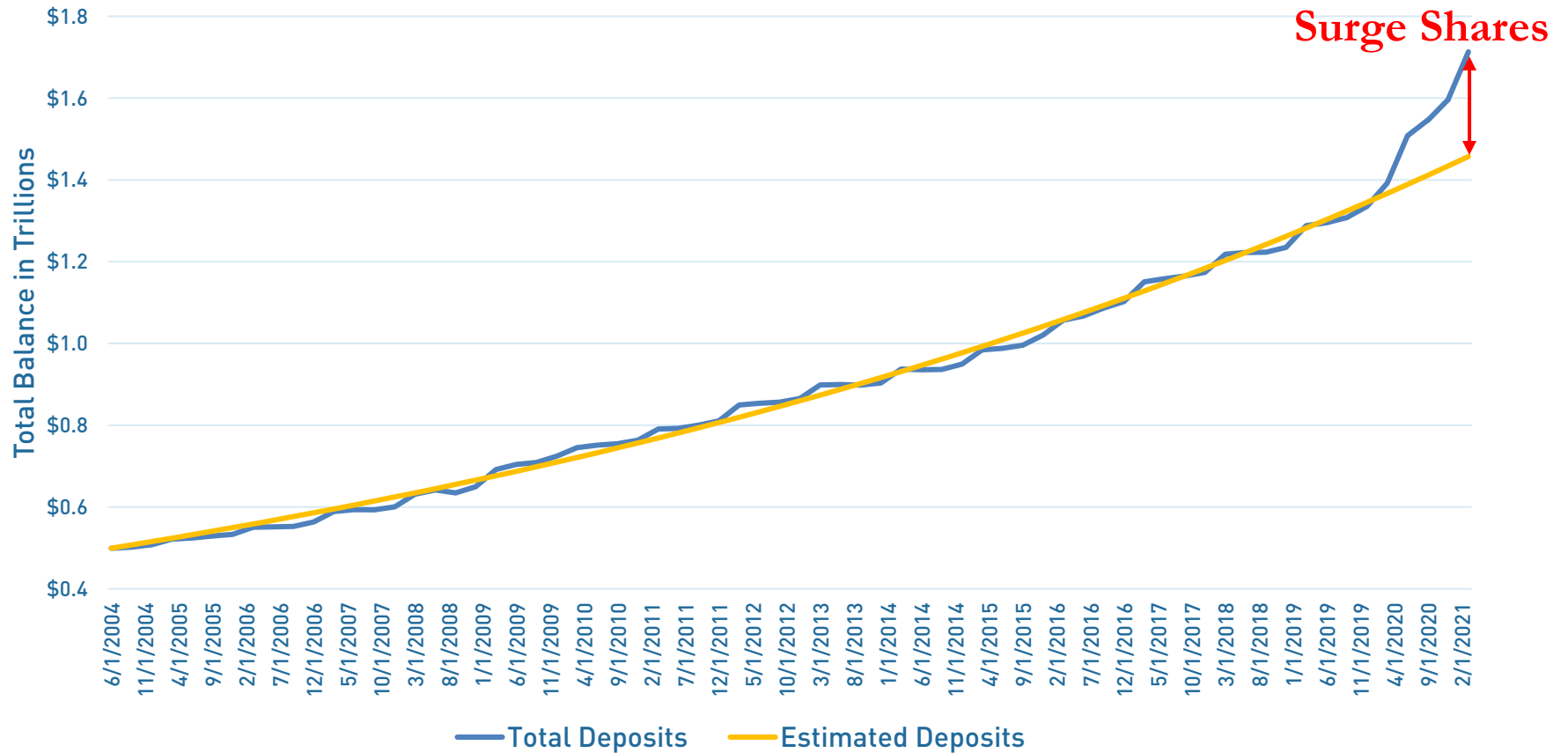
- Surge Shares – A sudden and possibly temporary increase in deposits caused by external forces.
- Surge Shares behavior is uncertain, and they are treated as having a very short average life.

Poll Question #2



SURGE SHARES

Total Deposits vs Estimated Deposits



SURGE SHARES

Current Balance	1,713,171,983
Estimated Balance	1,457,284,206
Surge Shares	255,887,777
Surge Shares Percentage	14.94%

The Surge Shares Percentage can be added to the first year Annual Decay. This will shorten the average life.

DEPOSIT ANALYSIS USES

- Primarily used for calculating interest rate risk in valuing deposits and estimating dividend rates in shock scenarios.
- The rate sensitivities can also be used in setting deposit rates, budgeting, and strategic planning.

WHEN TO GET A DEPOSIT ANALYSIS

- If you do not already have an acceptable estimate of average lives or rate sensitivities (i.e. peer data).
- If deposit behavior at your credit union is unlikely to be similar to available estimates.
- If your credit union is getting larger or more complex and requiring more refined assumptions in the interest rate risk modeling.

Poll Question #3



WHAT ARE DEPOSIT ANALYTICS?

- Various deposit data used to help analyze the status and changes in deposits
- Should be updated regularly
- Assists in making informed decisions



Mark H. Smith
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