



# HH & Service Ratio Analysis

Prepared by Daleth Aponte

Table # 1 details the total number of households, total number of services, services per household ratio, and the percentage change from the previous year for the aforementioned statistics. In the first couple of months of this year the services per HH ratio has remained practically unchanged when compared to the same time period last year. This due to the fact that the # of HHs and total # of services have declined at about the same rate. YTD, the rate of decline for the # of HHs and services has exceeded 2008's rate. This decline is partly due to the drop in indirect auto loans and the decrease demand in loans in general.

**Table # 1**

	# of HHs			% Difference		Total # of Svcs.			% Difference		Svcs/HH			% Difference	
	07	08	09	07 vs. 08	08 vs 09	07	08	09	07 vs. 08	08 vs 09	07	08	09	07 vs. 08	08 vs 09
<b>Jan</b>	46,302	46,335	45,356	0.07%	-2.11%	94,436	93,632	91,591	-0.85%	-2.18%	2.0400	2.0208	2.0194	-0.94%	-0.07%
<b>Feb</b>	46,221	46,414	45,207	0.42%	-2.60%	94,143	93,822	91,371	-0.34%	-2.61%	2.0400	2.0214	2.0212	-0.91%	-0.01%

In the first two months of 2009 we acquired 335 new HHs and lost 581 HHs. The top five services acquired by new HHs, excluding savings, in descending order were:

1. Checking (all retail checking accounts): 152
2. Used auto: 20
3. Indirect new auto: 17
4. CD: 11
5. MM: 10

Checking continues to be our top product.

Table # 2 shows the number of HHs enrolled in online services from Jan 08 thru Jan 09. Enrollment growth in total online services grew by 11.6% in 2008; in January 09 it grew by 1.04%, an annualized rate of 12.5%. The services per HH ratio that includes online services also grew in 2008 by almost 4.00%. The only area of concern in Jan 09 was bill pay, it grew at a lower rate than 2008, which is probably due to the decline in new checking accounts, especially new CBC, in recent months. Unlike online banking and e-statements, the bill pay service is used only with the checking product.

**Table # 2**

	Total Online Svcs	Svcs/HH w/OS	Online Services			% of HHs w/Online Services		
			Online Banking	Bill Pay	e-Stmtnt	Online Banking	Bill Pay	e-Stmtnt
Jan 08	36,604	2.811	17,695	6,377	12,532	38.19%	13.76%	27.05%
Feb 08	37,091	2.821	17,924	6,549	12,618	38.62%	14.11%	27.19%
Mar 08	37,554	2.836	17,913	6,743	12,898	38.69%	14.57%	27.86%
Apr 08	38,044	2.848	18,040	6,897	13,107	39.03%	14.92%	28.36%
May 08	38,245	2.851	17,925	6,985	13,335	38.82%	15.13%	28.88%
Jun 08	38,448	2.856	17,786	7,142	13,520	38.58%	15.49%	29.33%
Jul 08	39,335	2.876	18,424	7,219	13,692	40.05%	15.69%	29.77%
Aug 08	39,646	2.885	18,483	7,318	13,845	40.29%	15.95%	30.18%
Sep 08	39,811	2.890	18,512	7,350	13,949	40.42%	16.05%	30.45%
Oct 08	40,058	2.900	18,598	7,452	14,008	40.79%	16.34%	30.72%
Nov 08	40,264	2.907	18,647	7,543	14,074	41.02%	16.59%	30.96%
Dec 08	40,550	2.913	18,775	7,635	14,140	41.33%	16.81%	31.12%
Jan 09	40,972	2.923	18,902	7,722	14,348	41.67%	17.03%	31.63%
<b>1/08 - 12/08</b>	11.66%	3.92%	6.19%	21.21%	14.62%	8.43%	23.76%	17.04%
<b>1/09</b>	1.04%	0.33%	0.68%	1.14%	1.47%	0.85%	1.31%	1.64%
<b>1/09 Annualized</b>	12.49%	3.96%	8.12%	13.67%	17.65%	10.14%	15.71%	19.69%

The flags for the online services are updated throughout the month; online banking is updated on the 5<sup>th</sup>, bill pay on the 15<sup>th</sup> and e-statements on month's end. Therefore, in order to provide an accurate count of HHs with online services, only the HHs that have been in the system for at least one month are analyzed. In this case, all HHs with a start date prior to 11/01/08.

Table displayed below shows the expanded consumer segment HH distribution for Feb 08 and Feb 09, **as a percentage of total HHs**. Although there weren't any dramatic changes from Feb 08 to Feb 09, there is a small trend towards the older market segment. The biggest **increases** in descending order were: **retired depositors** (age: 65 +), **older upscale** (age: 55 +) and **older middle market** (age: 45 – 54). The three segments that experienced the greatest **decline**, in descending order were: **younger upscale** (age: 35 – 54), **high income credit driven** (age: 18 – 34) and **younger fee driven** (age: 18 – 34).

**Full description (income and age) of each consumer segment is on the slide # 13.**

<u>Table # 3</u>	% of Total		# Diff	% Diff
	Feb 08	Feb 09		
Older Middle Market	14.12%	15.12%	0.010	7.08%
Younger Middle Market	13.37%	13.59%	0.002	1.65%
Retired Depositor	10.74%	11.64%	0.009	8.38%
Middle Income Depositor	10.50%	11.22%	0.007	6.86%
Younger Upscale	10.58%	9.74%	-0.008	-7.94%
High Income Credit Driven	9.04%	8.36%	-0.007	-7.52%
Lower Income Depositor	7.56%	7.80%	0.002	3.17%
Older Upscale	5.47%	5.88%	0.004	7.50%
Younger Fee Driven	5.30%	5.14%	-0.002	-3.02%
Low Income Credit Driven	4.45%	4.72%	0.003	6.07%
Older Fee Driven	4.64%	4.64%	0.000	0.00%
(no value)	4.21%	2.16%	-0.021	-48.69%

Table # 4 shows the **number of HHs** in each of the expanded consumer segments as of Feb 08 and Feb 09. In terms of numbers, the biggest **increases** in descending order were: **older middle market** (age: 45 – 54), **retired depositor** (age: 65 +) and **middle income depositor** (age: 55 – 64). The biggest **declines** in descending order were: **younger upscale** (age: 35 – 54), , **high income credit driven** (age: 18 – 34) and **younger fee driven** (age: 18 – 34).

**Table # 4**

	<b>08</b>	<b>09</b>	<b># Dif</b>	<b>% Diff</b>
Older Middle Market	6,556	6,837	281	4.29%
Younger Middle Market	6,207	6,144	-63	-1.01%
Retired Depositor	4,984	5,260	276	5.54%
Younger Upscale	4,910	4,405	-505	-10.29%
Middle Income Depositor	4,875	5,070	195	4.00%
High Income Credit Driven	4,198	3,780	-418	-9.96%
Lower Income Depositor	3,511	3,524	13	0.37%
Older Upscale	2,541	2,656	115	4.53%
Younger Fee Driven	2,458	2,323	-135	-5.49%
Older Fee Driven	2,154	2,099	-55	-2.55%
Low Income Credit Driven	2,065	2,134	69	3.34%
(no value)	1,956	975	-981	-50.15%

Table # 5 shows the % of new HHs, as a % of total new HHs, with a HH start date between Aug and Feb for the periods of 07 – 08 and 08 – 09. The objective is to see if there were any shifts in the type of HHs we were acquiring, and thus affecting our overall HH composition as shown in the previous two slides. The reason for selecting the Aug – Feb time period was because the CBC was introduced on 7/31/07, and that is when we began the new marketing campaign. There were some noticeable **increases** in the **middle income depositor** (age: 55 – 64) and **low income credit driven** (age: 18 – 34), and **decreases** in the **older fee driven** (age: 35 – 44), and **high income credit** driven (age: 18 – 34).

However, I do not think that the changes in new HHs consumer segments was significant enough to alter the overall HH composition. Thus I can only postulate that the changes were mainly due to attrition; we are losing more HHs in younger consumer segments than in the older age segments.

**Table # 5**

	% Total		# Diff	% Diff
	07 - 08	08 - 09		
Younger Middle Market	13.99%	14.38%	0.004	2.79%
Older Middle Market	12.46%	11.71%	-0.008	-6.02%
High Income Credit Driven	13.52%	11.62%	-0.019	-14.05%
Younger Fee Driven	10.51%	9.62%	-0.009	-8.47%
Middle Income Depositor	6.76%	8.11%	0.014	19.97%
Lower Income Depositor	7.87%	8.03%	0.002	2.03%
Low Income Credit Driven	6.92%	7.94%	0.010	14.74%
Retired Depositor	6.76%	6.94%	0.002	2.66%
Younger Upscale	7.29%	6.86%	-0.004	-5.90%
(no value)	3.85%	5.94%	0.021	54.29%
Older Fee Driven	7.29%	5.94%	-0.014	-18.52%
Older Upscale	2.80%	2.93%	0.001	4.64%

Table # 6 shows the age distribution of lost HHs between March and February for the periods of 07 to 08 and 08 to 09. In both periods, over 45% of lost HHs were in the 18 – 44 age range, confirming the postulation made in the previous slide. The challenge that we are facing is not so much in attracting young HHs but in retaining them. Next step is to ask why? Are these young HHs moving outside the communities where we operate? Do we offer the right products and services?

The majority of those who complete the closed account survey are in the older age segments, so determining the reason why will be a bit harder. Nevertheless, we have to find out why we are losing a larger percentage of HHs in these younger age groups. The 18 – 44 age segment is typically the one with the highest loan demand, and the 45 – 54 age group is also another group ideal for loans (home equity and mortgages); including that segment would represent about 66% of all lost HHs. (The age distribution for lost direct HHs was almost equal.)

**Table # 6**

	<b>Mar - Feb</b>	
	<b>07 - 08</b>	<b>08 - 09</b>
1 to 17	2.79%	2.19%
18 to 34	22.76%	21.94%
35 to 44	23.40%	23.83%
45 to 54	21.17%	21.77%
55 to 64	15.97%	16.51%
65 to 97	13.24%	13.45%

Table # 7 illustrates the services per HH ratio for each expanded consumer segment as of Feb 08 and Feb 09. Overall there was very little change. Only two out of the eleven consumer segments experienced an increase in the ratio, which were: older upscale and older middle market. In 2008 and 2009 the older upscale, younger upscale and middle income depositor had the highest services per HH ratio.

**Table # 7**

	Svc/HH Ratio			
	Feb 08	Feb 09	# Diff	% Diff
Older Upscale	2.36	2.39	0.03	1.27%
Younger Upscale	2.34	2.34	0.00	0.00%
Middle Income Depositor	2.19	2.17	-0.02	-0.91%
Retired Depositor	2.09	2.08	-0.01	-0.48%
Older Middle Market	2.07	2.08	0.01	0.48%
Younger Middle Market	1.94	1.93	-0.01	-0.52%
High Income Credit Driven	1.92	1.91	-0.01	-0.52%
Lower Income Depositor	1.90	1.88	-0.02	-1.05%
Low Income Credit Driven	1.81	1.80	-0.01	-0.55%
Older Fee Driven	1.78	1.74	-0.04	-2.25%
Younger Fee Driven	1.72	1.71	-0.01	-0.58%
(no value)	1.58	1.36	-0.22	-13.92%



Table # 8 shows the services per HH ratio with online services (online banking, bill payment and e-statements) for each expanded consumer segment as of Feb 08 and Feb 09. Enrollment in online services grew in all consumer segments. Younger upscale maintained the highest ratio, but older upscale had the largest increase moving it to second place in 2009.

**Table # 8**

	Svcs/HH Ratio			
	Feb 08	Feb 09	# Diff	% Diff
Younger Upscale	3.45	3.58	0.13	3.77%
High Income Credit Driven	3.00	3.09	0.09	3.00%
Older Upscale	2.94	3.40	0.46	15.65%
Middle Income Depositor	2.74	3.05	0.31	11.31%
Older Middle Market	2.65	3.03	0.38	14.34%
Younger Middle Market	2.62	2.94	0.32	12.21%
Low Income Credit Driven	2.57	2.87	0.30	11.67%
Younger Fee Driven	2.47	2.69	0.22	8.91%
Older Fee Driven	2.44	2.50	0.06	2.46%
Retired Depositor	2.38	2.58	0.20	8.40%
Lower Income Depositor	2.31	2.49	0.18	7.79%

Table # 9 compares the traditional services per HH ratio with the one with the online services. The three consumer segments with the biggest spikes were the ones with age ranges of 18 – 34, which shouldn't surprise us since this age segment is more likely to conduct their banking online. Online account opening and online services should be a focus when marketing to the younger age segments.

**Table # 9**

	Feb 09		# Diff	% Diff
	Trad Svcs/HH	Svc/HH w/OS		
High Income Credit Driven	1.91	3.09	1.18	61.78%
Low Income Credit Driven	1.80	2.87	1.07	59.44%
Younger Fee Driven	1.71	2.69	0.98	57.31%
Younger Upscale	2.34	3.58	1.24	52.99%
Younger Middle Market	1.93	2.94	1.01	52.33%
Older Middle Market	2.08	3.03	0.95	45.67%
Older Fee Driven	1.74	2.50	0.76	43.68%
Older Upscale	2.39	3.40	1.01	42.26%
Middle Income Depositor	2.17	3.05	0.88	40.55%
Lower Income Depositor	1.88	2.49	0.61	32.45%
Retired Depositor	2.08	2.58	0.50	24.04%

Illustrated below is the percentage and number of HHs in each expanded consumer segment who are enrolled in the respective online services. The percentages are based on the number of HHs in each consumer segment.

**Table # 10**

Consumer Segments	% of HHs			# of HHs			Total # of HHs
	Online Banking	Bill Pay	e-Stmtnts	Online Banking	Bill Pay	e-Stmtnts	
All HHs	41.81%	17.08%	31.74%	18,902	7,722	14,348	45,207
Younger Upscale	54.84%	27.61%	41.34%	2,409	1,213	1,816	4,393
High Income Credit Driven	53.76%	20.10%	43.56%	2,025	757	1,641	3,767
Low Income Credit Driven	50.12%	17.11%	39.89%	1,063	363	846	2,121
Older Upscale	46.70%	20.92%	33.25%	1,239	555	882	2,653
Younger Middle Market	45.53%	19.81%	35.90%	2,788	1,213	2,198	6,123
Younger Fee Driven	45.40%	14.47%	38.23%	1,045	333	880	2,302
Older Middle Market	43.31%	18.75%	32.54%	2,956	1,280	2,221	6,826
Middle Income Depositor	40.17%	17.11%	29.77%	2,031	865	1,505	5,056
Older Fee Driven	34.75%	13.34%	28.01%	727	279	586	2,092
Lower Income Depositor	29.53%	9.89%	21.80%	1,039	348	767	3,519
Retired Depositor	25.22%	8.62%	15.54%	1,323	452	815	5,246

Table # 11 shows the expanded consumer segment distribution of HHs with Cash Back Checking (CBC). The top three consumer segments are in the 35 – 54 age range. The top two consumer segments have an income range between \$30K - \$99.9K. The younger upscale have incomes of \$100K +.

**Table # 11**

	# of HHs	% of Total
Older Middle Market	719	16.31%
Younger Middle Market	698	15.83%
Younger Upscale	653	14.81%
Middle Income Depositor	480	10.89%
High Income Credit Driven	463	10.50%
Older Upscale	297	6.74%
Retired Depositor	248	5.62%
Low Income Credit Driven	242	5.49%
Younger Fee Driven	215	4.88%
Lower Income Depositor	209	4.74%
Older Fee Driven	156	3.54%
(no value)	29	0.66%

<b>Description</b>	<b>Income Range</b>	<b>Age Range</b>
Younger Fee Driven	< \$30K	18 - 34
Older Fee Driven	< \$30K	35 - 44
Lower Income Depositor	< \$30K	45 - 64
Low Income Credit Driven	\$30K - \$49,999	18 - 34
High Income Credit Driven	\$50K - \$100,000	18 - 34
Younger Middle Market	\$30K - \$99,999	35 - 44
Older Middle Market	\$30K - \$99,999	45 - 54
Middle Income Depositor	\$30K - \$99,999	55 - 64
Retired Depositor	<=\$99,999	65 +
Younger Upscale	\$100K +	35 - 54
Older Upscale	\$100K +	55 +