



2012 CONGRESS ON FAIR VALUE— MEASUREMENTS AND RECOGNITION: SHARED SPACE

FEBRUARY 27-28, 2012 SEATTLE, WA USA

SESSION TITLE: Fair Valuation of Core Deposit Intangibles in Bank Acquisitions
SESSION DATE: Monday, February 27, 2012
SESSION TIME: 4:00 p.m.–5:40 p.m. pacific standard time / 7:00 p.m.–8:40 p.m. eastern standard time

Session Summary: A core deposit intangible (CDI) asset arises when a bank has a stable deposit base composed of funds associated with long-term customer relationships. The intangible asset value derives from customer relationships that provide a low-cost source of funding. CDIs are common assets, as most banks have some level of stable depositors to whom they pay interest at a rate lower than the rate they would pay alternative funding sources.

CDIs account for a significant portion of a bank's intangible value. CDIs must be evaluated whether the acquisition is a healthy bank or a failed bank acquired from the Federal Deposit Insurance Corporation. Since 2000, the average CDI value in a bank acquisition was \$3 million, with actual values ranging from several tens of thousands of dollars to many billions of dollars. Thus, it is important to understand which factors contribute to CDI value.

CPE Hours /
Fields of Study: 1 Hr Auditing (AD), 1 Hr Specialized Knowledge and Applications (SK&A)

Presenter(s) Bio: Daniel McConaughy, PhD, ASA



Dr. McConaughy is a Professor of Finance at California State University, Northridge, where his area of expertise is business valuation and corporate finance; he is also a Director with Crowe's Valuation Services practice. He has published more than 20 papers in academic and industry journals and has more than 12 years of business valuation experience.

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