

DATA DISPATCH

Growth in certificates of deposit slows at US banks in Q1 2024

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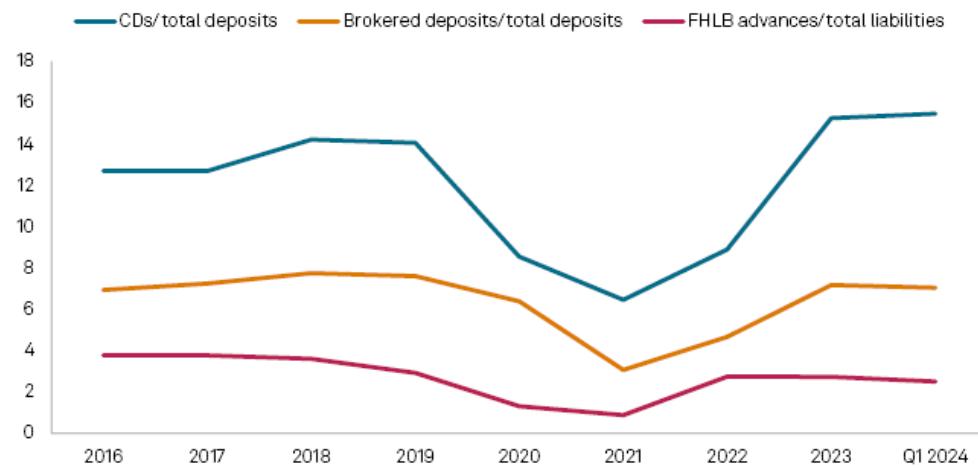
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Commodity Insights

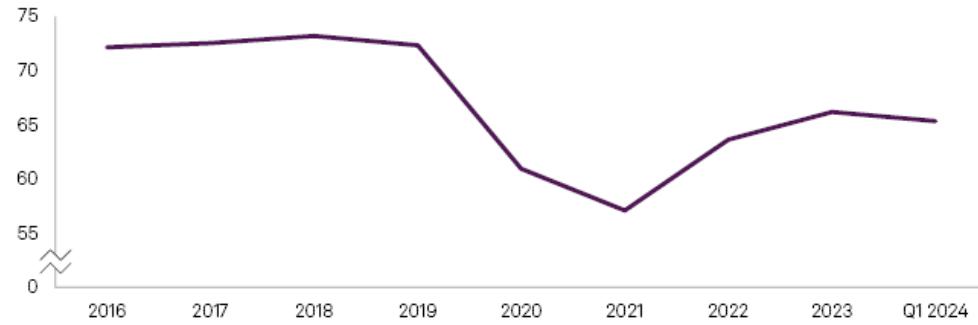
Higher-for-longer rates are keeping the deposit competition heated as certificate of deposit balances continue to increase, although the pace of the rise slowed during the first quarter.

As of March 31, US banks had an aggregate of \$2.939 trillion in certificates of deposit (CDs), up 2.4% or \$69.06 billion from the [previous quarter](#). The first quarter marked the slowest quarter-over-quarter increase since the balances started to go up in the first quarter of 2022.

Term funding concentration for the US banking industry since 2016 (%)



Total loans and leases/total deposits



Data compiled June 10, 2024.

CD = certificate of deposit; FHLB = Federal Home Loan Bank.

Analysis includes US commercial banks, savings banks, and savings and loan associations. Nondepository trusts and companies with a foreign banking organization charter are excluded.

Data based on regulatory filings.

Source: S&P Global Market Intelligence.

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Economic stimulus from the pandemic era helped push the CD concentration to as low as 6.3% at March 31, 2022. After 11 consecutive quarters of declining balances, totaling \$840 billion, CDs began rising in wake of the Federal Reserve rapidly raising interest rates to curb inflation. The CD balances grew as banks turned to higher-cost funding sources to address liquidity issues, and customers more aggressively moved money to take advantage of increased yields. During the last two years, CDs have increased 135.7%, representing 15.5% of total deposits as of March 31, the highest concentration since the first quarter of 2013.

Reduced reliance on FHLB borrowings

Federal Home Loan Bank (FHLB) advances were down 7.2% quarter over quarter to \$542.38 billion, representing 2.5% of total liabilities as of March 31. FHLB advances peaked at \$804.44 billion at the end of the first quarter of 2023 as banks created a cushion to protect their liquidity in the aftermath of bank failures last spring. Many banks have since paid those down and moved to slightly cheaper alternatives such as brokered deposits.

Brokered deposits more than doubled between the first quarter of 2022 and year-end 2023 before declining by 0.9% during the first quarter of 2024 to \$1.349 trillion.

More banks market higher rates on CDs

As rates remain high and liquidity pressures persist, banks continue to offer high rates on deposit products to protect against deposit outflows. The number of banks offering a rate of over 4% on a one-year \$10,000 CD rose to 819 as of June 7, up from 728 at March 31 and 639 at year-end 2023. Of these 819 banks, 146 marketed rates of 5% or more. The number of banks marketing rates 5% or over dropped during the first quarter to 127 from 199 at year-end 2023, but has climbed again as the expectations of rapid rate cuts evaporated.

US banks with highest QOQ change in CD concentration, Q1 2024

Company (top-level ticker)	CDs/total deposits		June 7, 2024, average 1-year \$10,000 CD rate (%)
	CDs (\$B)	QOQ change (pps)	
Highest increase			
Mizuho Americas LLC (8411)	2.24	49.4	15.4
BOU Bancorp Inc.	0.58	26.0	9.2
WaFd Inc (WAFD)	9.07	42.3	9.1
Northpointe Bancshares Inc.	1.96	67.3	9.0
New York Community Bancorp Inc. (NYCB)	27.32	36.5	8.9
Forbright Inc.	3.66	68.3	6.7
Encore Bank ¹	0.67	22.3	6.5
Merchants Bancorp (MBIN)	5.96	42.6	5.9
Broadway Bancshares Inc.	1.13	22.3	5.4
Northeast Bank (NBN)	1.24	55.3	5.0
Highest decrease			
Customers Bancorp Inc. (CUBI)	2.18	12.1	-6.2
Comenity Bank (BFH)	1.89	48.8	-5.6
Big Poppy Holdings Inc.	2.38	53.4	-5.3
BCI Financial Group Inc. (BCI)	3.51	16.7	-5.2
NexBank Capital Inc.	1.56	13.4	-5.2
SoFi Technologies Inc. (SOFI)	2.49	11.5	-4.6
Toyota Financial Savings Bank (7203)	2.33	50.9	-4.5
First Foundation Inc. (FFWM)	2.72	25.5	-3.9
Cambridge Financial Group Inc.	1.56	28.5	-3.6
Independence Bancshares Inc.	0.65	21.5	-3.4
Industry aggregate²	2,938.54	15.5	2.43

Data compiled June 10, 2024.

CD = certificate of deposit; NA = not available.

Analysis limited to top-tier consolidated US banks and thrifts with total assets of at least \$3 billion, CDs of at least \$500 million and a loans-to-deposits ratio of greater than 25% at March 31, 2024. Nondepository trusts are excluded.

¹ The parent company of Encore Bank, Encore Bancshares Inc., did not report consolidated filings for the prior quarter, hence, subsidiary data is shown.

² Represents all US commercial banks, savings banks, and savings and loan associations that filed regulatory reports as of March 31, 2024. Nondepository trusts and companies with a foreign banking organization charter are excluded. CD balance and composition represent industry aggregates. CD rates represent industry averages.

Total deposits and CDs are based on regulatory filings.

Tickers based on top-level entities' home-country stock exchanges.

Source: S&P Global Market Intelligence.

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[New York Community Bancorp Inc.](#) was the largest bank by assets among banks with the highest increase in CD concentration during the first quarter as it battled through operational challenges following a disappointing fourth-quarter 2023 earnings report. While the CD balances increased 21.6% for the company during the first quarter, the total deposits declined by 8.2%, increasing the concentration by 8.9 percentage points to 36.5%, more than double the industry aggregate.

[Customers Bancorp Inc.](#) led the pack with the highest quarter-over-quarter decrease in CD concentration. The bank has significantly reduced its reliance on CDs over the last year with the concentration declining to 12.1% from 31.0% from a year-ago. Samvir Sidhu, president and vice chairman at Customers, [said](#) during the first-quarter earnings call that the company has nearly completed the first phase of deposit transformation which is "generating growth in business unit deposits as well as the deemphasis in wholesale funding."

Sidhu added that Customers will continue to remix its higher cost deposits, and that will be a key contributor to improving the net interest margin.

"Phase two of our deposit transformation should be even more transformational for our franchise by improving the cost, quality, granularity and primacy of our C&I business unit deposits," Sidhu said.

Deposit outflows in Q2

Deposits at domestically chartered US commercial banks declined 0.6% during the second quarter through May 29, according to seasonally adjusted data in the Federal Reserve's H.8 report on bank assets and liabilities. On the other hand, large time deposits were up 3.2% since March 27 and 5.9% since year-end 2023.

Borrowings increased 2.7% while loans were up 0.3% in the March 27 to May 29 period.

US bank CD balances by asset size, Q1 2024

	Aggregate CDs			
	Balance (\$B)	QoQ change (%)	Proportion of total deposits (%)	
Total assets			Q1 2024	Q4 2023
< \$10B	774.49	5.4	26.7	25.6
\$10B-\$100B	481.84	-0.1	17.7	17.8
> \$100B	1,682.21	1.8	12.6	12.5
Industry	2,938.54	2.4	15.5	15.3

FHLB advances

	FHLB advances			
	Balance (\$B)	QoQ change (%)	Proportion of total liabilities (%)	
Total assets			Q1 2024	Q4 2023
< \$10B	129.27	-7.1	4.1	4.5
\$10B-\$100B	115.11	-10.6	3.8	4.3
> \$100B	298.00	-5.8	1.9	2.1
Industry	542.38	-7.2	2.5	2.7

Data compiled June 10, 2024.

CD = certificate of deposit; FHLB = Federal Home Loan Bank.

Analysis includes US commercial banks, savings banks, and savings and loan associations. Nondepository trusts and companies with a foreign banking organization charter are excluded.

Data based on regulatory filings.

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