

Deposit Surge Distorting Bank Balance Sheets

Quarterly Deposit Briefing – March 2021

Each quarter, The Carfang Group and Safened bring you the most up-to-date insights in the USD deposit market. Using our own proprietary methodology, we analyze banking, funds flow, money market and corporate cash data as it is released by the Federal Reserve, the FDIC and other third-party sources.

Our quarterly briefing whitepapers help you and your bank achieve the competitive advantage you seek. We understand the importance of a solid balance sheet. We understand your need to comply with myriad regulations. We understand how critical it is for you to raise funds at the lowest possible cost.

This Quarterly Deposit Briefing is divided into five sections.

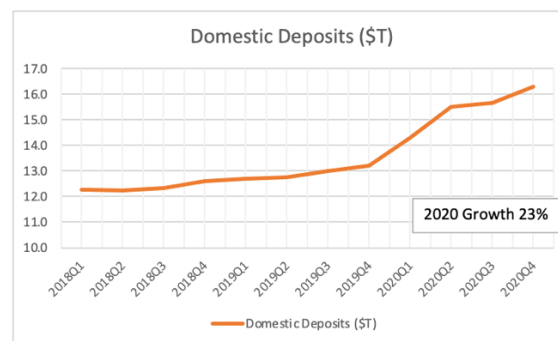
1. Overview - A high level summary of levels and changes in key USD deposit categories.
2. Deposit league tables – Reports showing the largest and fastest growing banks across several categories.
3. Interest Bearing v Non-Interest Bearing – Reports and analysis on how this mix is changing.
4. Insured v Uninsured Deposits – Reports and analysis on how this mix is changing.
5. Brokered Deposits – A deep dive into how banks are utilizing this key channel.

All of the bank ranking tables in this paper are drawn from the universe of forty-five banks with year-end 2020 US domestic deposits in excess of \$50B. Please see our contact information at the end of this paper if you would find additional peer group datasets helpful.

Overview

Domestic deposits at U.S. banks grew by 23.2% or \$3.07 trillion in 2020, the largest increase ever. At year-end, total domestic deposits reached \$16.8 trillion, up from \$13.7 trillion at the beginning of the year. Banks of all sizes enjoyed double digit growth.

Most of the surge took place in the first half as corporations and individuals rushed to become liquid as the pandemic related lockdowns raised uncertainty. Money left the stock and bond markets and moved into bank deposits. The deposit build-up continued through the second half of the year, as stimulus dollars found their way into bank accounts.



Source: FDIC, The Carfang Group, Safened

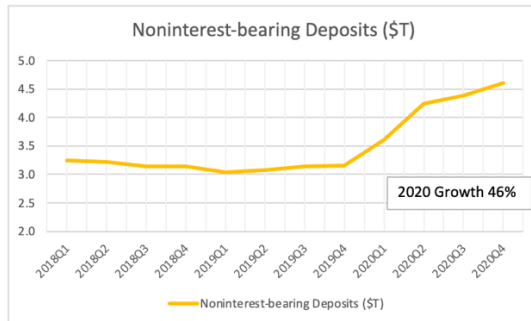
The biggest surprise of the year was the significant flow into non-interest-bearing, non-insured deposit accounts. Typically, depositors are either seeking yield via an interest-bearing deposit, safety via an insured deposit or liquidity via a transaction deposit. In most cases they seek some combination of all of the above. In 2020, however, the combination of the pandemic-related flight to liquidity, near zero interest rates, stimulus flows and regulatory constraints imposed by Basel III, Dodd-Frank and the 2014 money fund regulations turned that dynamic upside down.

The economic uncertainty is extending into 2021. While the government is rolling out additional fiscal stimulus and the Federal Reserve is continuing its extensive money supply expansion, what does that mean for bank deposits? Reserves in the FDIC insurance fund just fell below the required level. Will that impact depositor behavior?

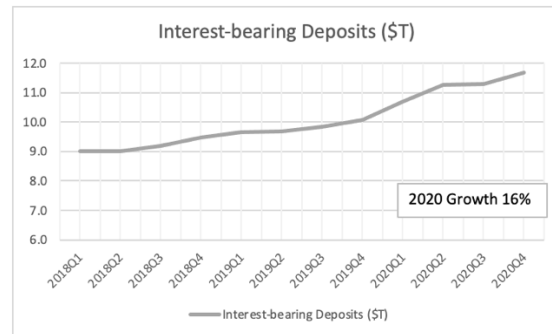
Most bankers we interviewed expected deposits to continue growing, especially transaction deposits. But the recent expiration of the SLR waivers could limit the deposit appetite of the largest banks, creating even further disruption in the market.

With several trillion dollars of deposits in flux, getting your strategy right is paramount. The Quarterly Deposit Briefing is an essential tool in refining that strategy.

Analysis by The Carfang Group and Safened of recently released FDIC data shows that non-interest-bearing deposits led the growth with a 45.7% increase while interest bearing deposits grew by 16.2%.

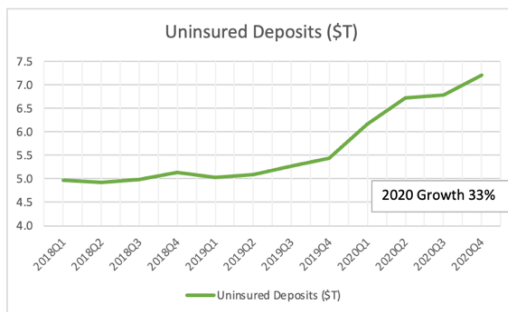


Source: FDIC, The Carfang Group, Safened

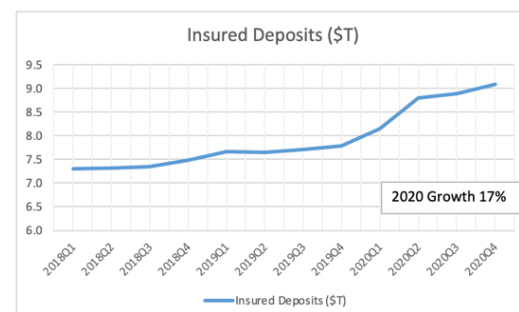


Source: FDIC, The Carfang Group, Safened

Uninsured deposits grew at a 32.7% pace while insured deposit growth was only 16.6%.

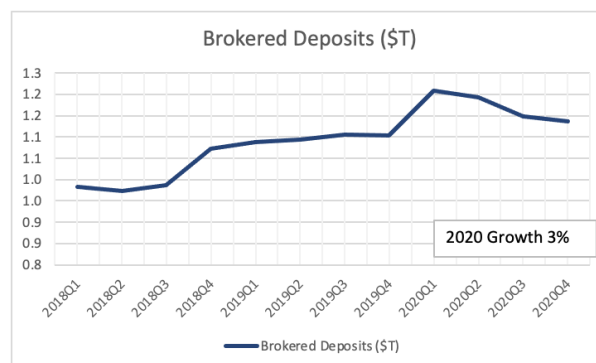


Source: FDIC, The Carfang Group, Safened



Source: FDIC, The Carfang Group, Safened

Brokered deposits fell by 3% during the year.



Source: FDIC, The Carfang Group, Safened

Deposit League Tables

As deposits surged, there was a definite growth tilt in favor of the largest banks. The top ten U.S. banks by domestic deposits grew by 25.4%. The next 35, each with deposits greater than \$50 billion, grew by a more modest 23.1% and the bottom 4,965 banks saw 19.8% deposit growth.

J.P. Morgan overtook Bank of America as the largest U.S. bank ranked by domestic deposits. At \$1.87T, they grew by 38% during 2020. Bank of America, with a “mere” 28% growth fell to second place with \$1.80T in domestic deposits.

The top ten banks saw their deposit share inch slightly higher from a 47.9% share in 2019 to a 48.7% share at the close of 2020. However, their share of uninsured deposits actually fell slightly from 52.7% to 52.0%.

Largest US Banks in 2020

Ranked by Domestic Deposits (\$B)

Rank	Bank	Domestic Deposits	2020 Growth %	NIB Dep	IB Dep	Insured Deposits	UnInsured Deposits	Brokered Deposits
1	JPMorgan Chase Bank, NA	1,873	38	576	1,297	869	1,004	69
2	Bank of America, NA	1,797	28	751	1,046	954	843	91
3	Wells Fargo Bank, NA	1,443	9	544	899	823	620	54
4	Citibank, NA	662	23	129	532	209	452	88
5	U.S. Bank NA	420	21	119	302	205	215	33
6	Truist Bank	396	14	129	267	217	179	13
7	PNC Bank, NA	372	32	128	244	208	164	12
8	TD Bank, NA	352	29	60	292	245	107	134
9	Charles Schwab Bank, SSB	318	58	0	318	230	87	18
10	Capital One, NA	304	18	31	272	226	78	11
Subtotal Top 10		7,937	25	2,466	5,470	4,188	3,749	522
All US Banks > \$50B		11,538	24	3,367	8,171	5,973	5,565	888
All US Banks		16,339	23	4,605	11,684	9,120	7,219	1,137

Source: FDIC, The Carfang Group, Safened

The list of fastest growing U.S. banks, with assets greater than \$50 billion, shows some interesting trends. Silicon Valley set the pace with a 64% increase in domestic deposits, followed by Charles Schwab Bank, SSB at 58%.

This list is dominated by custody banks as well as broker dealer affiliated banks. That likely reflects very large flows between the securities markets and banks which took place as both corporations and individuals rebalanced their finances to adjust for the new pandemic realities.

Fastest Growing US Banks in 2020

Ranked by Domestic Deposit Growth %

Rank	Bank	Domestic Deposits (\$B)	2020 % Growth
1	Silicon Valley Bank	95	64
2	Charles Schwab Bank, SSB	318	58
3	Signature Bank	63	57
4	Morgan Stanley Private Bank, NA	107	45
5	UBS Bank USA	79	41
6	E*Trade Bank	55	39
7	JPMorgan Chase Bank, NA	1,873	38
8	The Bank of New York Mellon	209	36
9	State Street Bank and Trust	158	36
10	City National Bank	67	35
Subtotal Top 10		3,024	41
All US Banks > \$50B		11,538	25
All US Banks		16,339	24

Source: FDIC, The Carfang Group, Safened

Non-Interest-Bearing Deposit vs. Interest-Bearing Deposits

The pandemic and stimulus-induced surge in deposits spread was evident across almost all U.S. banks. However, it was quite uneven by type of deposits. Non-interest-bearing deposits grew 46% nationwide. Interest-bearing deposits only grew by a much slower 17%.

In the non-interest-bearing category (NIB), Bank of America, JPMorgan, Wells Fargo and PNC led the way. Together, they added \$683B of NIB deposits or 47% of the entire national increase.

Non Interest Bearing Deposits (\$B)

Ranked by 2020 NIB Deposit Growth - US Banks \$50B+

Rank	Bank	NIB 2020	NIB 2019	Change	%
1	Bank of America, NA	751	445	306	69
2	JPMorgan Chase Bank, NA	576	399	177	44
3	Wells Fargo Bank, NA	544	399	145	36
4	PNC Bank, NA	128	73	55	75
5	U.S. Bank NA	119	76	43	56
6	Truist Bank	129	93	36	38
7	The Bank of New York Mellon	83	54	29	53
8	Citibank, NA	129	100	29	29
9	Silicon Valley Bank	65	40	25	62
10	Fifth Third Bank, NA	58	36	22	60
Subtotal Top 10		2,582	1,717	865	50
All US Banks		4,605	3,145	1,460	46

Source: FDIC, The Carfang Group, Safened US

Examining NIB deposits as a percentage of total domestic deposits among banks above \$50B, Silicon Valley, Comerica, City National and Zions derive the largest ratio of deposit funding from NIB.

Banks With Highest % Non Interest Bearing Deposits

Ranked by 2020 NIB % - US Banks \$50B+

Rank	Bank	NIB 2020	NIB % 2020
1	Silicon Valley Bank	65	69
2	Comerica Bank	39	53
3	City National Bank	32	48
4	Zions Bancorporation, N.A.	32	47
5	Regions Bank	53	43
6	Bank of America, NA	751	42
7	The Bank of New York Mellon	83	40
8	Manufacturers And Traders Trust Company	48	40
9	First Republic Bank	46	40
10	MUFG Union Bank, NA	41	39
All US Banks		4,605	28

Source: FDIC, The Carfang Group, Safened US

In the interest-bearing category (IB), the ranking was quite different. JP Morgan led the pack by far, followed by Charles Schwab, Citibank and Bank of America. Together, they added \$644B in the IB category or 38% of the entire national increase. We note that the top ten includes many banks affiliated with broker dealers.

Interest Bearing Deposits (\$B)

Ranked by 2020 IB Deposit Growth - US Banks \$50B+

Rank	Bank	IB 2020	IB 2019	Change	% Change
1	JPMorgan Chase Bank, NA	1,297	955	342	36
2	Charles Schwab Bank, SSB	318	201	117	58
3	Citibank, NA	532	436	96	22
4	Bank of America, NA	1,046	958	89	9
5	TD Bank, NA	292	230	62	27
6	Goldman Sachs Bank USA	217	168	49	29
7	Capital One, NA	272	233	39	17
8	PNC Bank, NA	244	209	35	17
9	Morgan Stanley Private Bank, NA	107	74	33	45
10	Morgan Stanley Bank, NA	145	113	31	28
Subtotal Top 10		4,471	3,578	894	25
All US Banks		11,684	9,997	1,688	17

Source: FDIC, The Carfang Group, Safened US

Examining IB as a percentage of total domestic deposits among banks with deposits above \$50B, several of these largest banks have ratios 100%. These banks receive all their deposit funding via IB deposit, in many cases sourced almost exclusively from their broker dealer customer base.

Banks With Highest % Interest Bearing Deposits

Ranked by 2020 IB % - US Banks \$50B+

Rank	Bank	IB 2020	IB % 2020
1	Charles Schwab Bank, SSB	318	100
2	Goldman Sachs Bank USA	217	100
3	Ally Bank	141	100
4	Morgan Stanley Private Bank, NA	107	100
5	American Express National Bank	87	100
6	UBS Bank USA	79	100
7	Synchrony Bank	66	100
8	Capital One Bank (USA), NA	65	99
9	E*Trade Bank	54	99
10	Discover Bank	78	98
All US Banks		11,684	72

Source: FDIC, The Carfang Group, Safened US

Insured vs Uninsured Deposits

In the Covid induced rush to liquidity, depositors appeared to move full throttle into banks at levels far in excess of the \$250,000 deposit insurance limit. This although many observers saw the cash flowing out of securities markets as a flight to safety, our deposit analysis suggests otherwise. Much more of the money went into uninsured deposits.

Insured deposits at U.S. banks grew by \$1.35 trillion or 17% while uninsured deposits grew by \$1.81 trillion or 30%.

In the uninsured deposit category, JPMorgan, Bank of America, Citibank and PNC led the way. Together, they added \$693B in the NIB category or 38% of the entire national increase in uninsured deposits.

Uninsured Deposits (\$B)
Ranked by 2020 Uninsured Deposit Growth - US Banks \$50B+

Rank	Bank	Unins Dep 2020	Unins Dep 2019	Change	% Change
1	JPMorgan Chase Bank, NA	1,004	707	297	42
2	Bank of America, NA	843	612	231	38
3	Citibank, NA	452	346	106	31
4	PNC Bank, NA	164	106	58	55
5	Charles Schwab Bank, SSB	87	40	48	120
6	The Bank of New York Mellon	189	143	46	32
7	U.S. Bank NA	215	177	38	22
8	Silicon Valley Bank	88	51	38	75
9	Wells Fargo Bank, NA	620	585	35	6
10	State Street Bank and Trust Company	142	108	34	32
Subtotal Top 10		3,806	2,873	933	32
All US Banks		7,219	5,414	1,805	33

Source: FDIC, The Carfang Group, Safened US

As shown in the table below, Silicon Valley, BNY Mellon, State Street and Signature Banks derive the largest ratio of deposit funding from uninsured deposits, each at more than 88%.

Banks With Highest % Uninsured Deposits
Ranked by 2020 Uninsured Deposit % - US Banks \$50B+

Rank	Bank	Unins Dep 2020	Unins Dep % 2020
1	Silicon Valley Bank	88	93
2	The Bank of New York Mellon	189	90
3	State Street Bank and Trust Company	142	90
4	Signature Bank	55	88
5	Capital One Bank (USA), NA	53	81
6	The Northern Trust Company	38	75
7	First Republic Bank	80	69
8	Comerica Bank	50	68
9	Citibank, NA	452	68
10	City National Bank	45	67
All US Banks		7,219	44

Source: FDIC, The Carfang Group, Safened US

In the Insured deposit category, the ranking was quite different. JP Morgan , Bank of America, Wells Fargo and Charles Schwab were the growth leaders. Together, they added \$535B in the IB category or 40% of the entire national increase.

Insured Deposits (\$B)

Ranked by 2020 Insured Deposit Growth - US Banks \$50B+

Rank	Bank	Ins Dep 2020	Ins Dep 2019	Change	% Change
1	JPMorgan Chase Bank, NA	869	647	222	34
2	Bank of America, NA	954	791	163	21
3	Wells Fargo Bank, NA	823	742	81	11
4	Charles Schwab Bank, SSB	230	162	69	43
5	TD Bank, NA	245	195	50	25
6	U.S. Bank NA	205	170	35	21
7	PNC Bank, NA	208	177	32	18
8	Capital One, NA	226	199	27	14
9	Truist Bank	217	196	21	11
10	USAA Federal Savings Bank	88	69	19	28
Subtotal Top 10		4,066	3,348	719	21
All US Banks		9,120	7,770	1,350	17

Source: FDIC, The Carfang Group, Safened US

As a percentage of total domestic deposits among banks with deposits above \$50B, five banks have insured deposit ratios at 88% or higher. All of the top ten are at 70% or higher vs. the national average of 56%

Banks With Highest % Insured Deposits

Ranked by 2020 Insured Deposit % - US Banks \$50B+

Rank	Bank	Ins Dep 2020	Ins Dep % 2020
1	USAA Federal Savings Bank	88	93
2	Discover Bank	72	91
3	Ally Bank	125	88
4	American Express National Bank	77	88
5	Synchrony Bank	58	88
6	Morgan Stanley Private Bank, NA	82	77
7	Capital One, NA	226	74
8	E*Trade Bank	40	73
9	Charles Schwab Bank, SSB	230	72
10	TD Bank, NA	245	70
All US Banks		9,120	56

Source: FDIC, The Carfang Group, Safened US

Brokered Deposits – A deep dive into how banks are utilizing this key channel.

The FDIC reports total brokered deposits of \$1.14 trillion at year end 2020. These are deposits moving from one bank to another via a third party “broker”.¹

There are two primary types of brokered deposits.

- **FDIC insurance sweep programs.** The first are those generated by FDIC insurance sweep programs. A bank or broker sweeps client funds via a service provider which apportions those funds into insurable deposits (<\$250K) at one or more institutions. For the most part, they would fall into the “**insured**” deposit category. Both retail and wholesale customers are generally able to participate in these programs. For wholesale customers and large retail customers, deposits in excess of the \$250K insurance maximum are divided in lots of just under the limit and placed at multiple banks, thereby providing insurance on the entire deposit.
- **Third party technology platforms.** The second are deposits sourced via third party technology platforms. These tend to be larger deposits placed by wholesale customers (corporations and institutions). The platforms empower the depositor to select the depository institutions based upon rates, maturities, credit ratings or other criteria. These are “**uninsured**” as they likely exceed the \$250K FDIC limit.

Brokered deposits accounted for 7.0% of all U.S. deposits and a slightly higher 7.7% for banks in the \$50B+ tier. The banks with the greatest deposits in this category are TD Bank, Bank of America, Citibank and JPMorgan. Together, these four banks sourced \$382 billion via this channel, accounting for 34% of all brokered deposits.

Brokered Deposits (\$B)

Ranked by 2020 Brokered Deposits - US Banks \$50B+

Rank	Bank	Brkd Dep 2020	Brkd Dep 2019	Change	% Change
1	TD Bank, NA	134	103	32	31
2	Bank of America, NA	91	115	(24)	(21)
3	Citibank, NA	88	66	22	33
4	JPMorgan Chase Bank, NA	69	27	42	157
5	Goldman Sachs Bank USA	56	61	(5)	(8)
6	Wells Fargo Bank, NA	54	118	(64)	(54)
7	E*Trade Bank	50	33	17	52
8	Morgan Stanley Bank, NA	41	41	(0)	(1)
9	U.S. Bank NA	33	33	(0)	-
10	Morgan Stanley Private Bank, NA	29	27	2	8
Subtotal Top 10		646	624	21	3
All US Banks		1,137	1,101	36	3

Source: FDIC, The Carfang Group, Safened US

¹ Although not explicitly measured by the FDIC, we estimate at a minimum that an additional \$475 billion are swept from broker dealer customer accounts directly into the BD’s bank affiliates. The actual number could be much higher. These are not included in the data tables in this section.

Among the ten large banks with the highest percentage of brokered deposits, the average is 29%. For five large banks, brokered deposits account for 25% of their total deposit funding. They are in order E*Trade Bank, TD Bank, Morgan Stanley Private Bank, Morgan Stanley Bank and Goldman Sachs.

Highest % Brokered Deposits

US Banks \$50B+

Rank	Bank	Domestic Deposits (\$B)	Brokered Deposits (\$B)	Brkd % Deposits
1	E*Trade Bank	55	50	92
2	TD Bank, NA	352	134	38
3	Morgan Stanley Private Bank, NA	107	29	27
4	Morgan Stanley Bank, NA	155	41	26
5	Goldman Sachs Bank USA	217	56	26
6	American Express National Bank	87	20	23
7	Discover Bank	80	17	21
8	Synchrony Bank	66	11	16
9	HSBC Bank USA, NA	154	24	16
10	Capital One Bank (USA), NA	66	10	16
Subtotal Highest 10		1,339	392	29
All US Banks > \$50B		11,538	888	8
All US Banks		16,339	1,137	7

Source: FDIC, The Carfang Group, Safened US

The table below shows that there are many different strategies pursued by largest 30 U.S. banks in term of both their insured and uninsured brokered deposits. As a group, they account for 66% of the insured brokered deposits in the U.S. and 78% of the uninsured deposits.

2020 Brokered Deposits At 30 Largest US Banks

Ranked by 2020 Domestic Deposits (\$B)

Rank	Bank	Domestic Deposits	Brokered Deposits	% Brokered	Insured Bkrd Dep	Uninsured Bkrd Dep
1	JPMorgan Chase Bank, NA	1,873	69	3.7	67	3
2	Bank of America, NA	1,797	91	5.0	25	66
3	Wells Fargo Bank, NA	1,443	54	3.8	44	10
4	Citibank, NA	662	88	13.3	78	10
5	U.S. Bank NA	420	33	7.8	30	3
6	Truist Bank	396	13	3.2	10	2
7	PNC Bank, NA	372	12	3.2	7	4
8	TD Bank, NA	352	134	38.2	126	8
9	Charles Schwab Bank, SSB	318	18	5.5	12	6
10	Capital One, NA	304	11	3.6	5	6
11	Goldman Sachs Bank USA	217	56	25.9	53	3
12	The Bank of New York Mellon	209	16	7.7	15	2
13	Fifth Third Bank, NA	165	5	3.2	5	-
14	State Street Bank and Trust Company	158	10	6.5	10	-
15	Morgan Stanley Bank, NA	155	41	26.3	33	8
16	HSBC Bank USA, NA	154	24	15.5	20	4
17	Citizens Bank, NA	150	4	2.9	4	0
18	Ally Bank	142	13	8.9	13	-
19	KeyBank NA	139	1	0.6	1	0
20	BMO Harris Bank NA	129	2	1.9	2	-
21	Regions Bank	124	0	0.0	0	-
22	Manufacturers And Traders Trust Company	120	5	3.8	5	-
23	First Republic Bank	115	1	1.0	1	-
24	Morgan Stanley Private Bank, NA	107	29	27.1	19	10
25	The Huntington National Bank	104	4	4.0	4	-
26	MUFG Union Bank, NA	104	6	6.0	5	1
27	Silicon Valley Bank	95	-	-	-	-
28	USAA Federal Savings Bank	94	10	10.5	8	2
29	American Express National Bank	87	20	22.6	20	0
30	BBVA USA	86	3	3.6	3	0
Subtotal Top 30		10,592	773	7.3	626	147
All US Banks > \$50B		11,538	888	7.7	725	163
All US Banks		16,339	1,137	7.0	948	189

Source: FDIC, The Carfang Group, Safened US

Third party platforms are becoming a more important deposit gathering channel for commercial and institutional deposits. We addressed this in The Carfang Group's recent report "*2021 – The State of Commercial Deposits.*" For this report, we conducted phone and written interviews with senior managers at thirty-nine large banks doing business in the U.S. as well as leading industry experts. In all, we conducted fifty interviews.

65% of our participants expect deposits sourced via 3rd party platforms to remain flat or increase. Although most confirmed they are flush with cash and don't need to avail themselves of third parties, they raised four important factors causing them to be active on these platforms:

- Convenience of 3rd party technology platforms from the client perspective, and
- The importance of being present on these platforms to gain experience in this emerging category.
- Some platforms provide tools that allow banks to optimize their balance sheet by offering specific deposit terms that are LCR friendly or otherwise meet a balance sheet requirement.
- Some platforms offer evergreen or notice deposits.

Several of the interviewees stated their expectation is that deposits sourced on these platforms will become much more important in the future and that now is the time for their bank to gain experience and climb the learning curve.

Conclusion

2020 was a year in which many of the deposit gathering rules of thumb were broken. The \$3T, 23% growth was historic. Most telling in this untraditional year is that the three-legged stool of safety, liquidity and yield governing deposit and investment decisions was upended. There was only one leg: liquidity. The flows into uninsured, non-interest-bearing deposits tell the story.

Uncertainty will continue to play out in 2021 as banks must now reoptimize their deposit portfolios. Will liquidity still be king, or will depositors begin to seek more yield? How will the expiration of SLR waiver impact the willingness of large banks to take on more deposits? Will federal fiscal stimulus programs swell customer deposit accounts? How will accommodative monetary policies impact interest rates and the shape of the yield curve? Will the shortfall in the FDIC's reserves below the Dodd-Frank statutory minimum impact depositor behavior?

These are questions we want to help you get right. We will be providing the Quarterly Deposit Briefing throughout the year as you chart your course in this most challenging environment.

About The Carfang Group

We advise our clients on the strategic and regulatory issues surrounding Treasury Management, Payments, Liquidity and Transaction Banking. We oversee the deepest and broadest LinkedIn groups on key Treasury, Banking, Liquidity, Payments and Regulatory topics via our Idea Exchange and Career Network. Visit www.thecarfanggroup.com. Contact Tony Carfang at tony@thecarfanggroup.com.

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