

Report of Industrial Bank Liquidity Utah Center for Financial Services May 9, 2023

Given the recent focus on bank liquidity the Utah Center for Financial Services at the University of Utah conducted an analysis of liquidity for the 24 industrial banks, using information drawn from the call reports filed with the FFIEC as of December 31, 2022 and March 31 2023. Thirteen of the 24 industrial banks met the threshold (assets in excess of one billion dollars) and accordingly reported estimated amounts of uninsured deposits. Our analysis showed that liquid assets, consisting of cash, deposits at other banks and fed funds sold, exceeded uninsured deposits in aggregate and at the 13 banks reporting the level of uninsured deposits. Aggregate liquid assets at the 13 banks reporting uninsured deposits were \$38.351 billion at December 31 and \$37.723 billion at March 31, exceeding the aggregate insured deposits of \$32.990 billion and \$28.091 billion respectively. Significantly, the amount of aggregate uninsured deposits decreased more than the amount of aggregate liquid assets during the first quarter of 2023.

On an individual bank basis, three of the thirteen industrial banks reporting uninsured deposits had uninsured deposits that exceeded liquid assets at March 31, 2023. Each of those three banks have strong parent companies and substantial borrowing capacity.

The 11 industrial banks that do not report uninsured deposits on call reports, while important institutions, have aggregate assets that represent 1.81% of the assets of all industrial banks at December 31, 2022 and 1.90% of all industrial banks at March 31, 2023. Notably, these 11 industrial banks, in aggregate, have higher ratios of equity to assets and of liquid assets to deposits than the industrial banks that report the level of uninsured deposits. The largest one of the industrial banks that does not report uninsured deposits has just over \$1 billion of total assets at March 31, 2023. We think it is unlikely that these 11 Industrial banks present a significant risk to the banking system.

We also considered the level of brokered deposits at the 24 industrial banks, which aggregate \$69.183 billion at December 31 and increased to \$71.972 billion at March 31. Brokered deposits, in aggregate, represented 32% of industrial bank deposits at March 31. Brokered deposits are significant because they are less susceptible to short term withdrawal than non-brokered deposits.

Key statistics for the 24 industrial banks include:

	December 31, 2022	(Dollars in Millions)	March 31, 2023
Total Assets	\$248,826		\$246,990
Liquid Assets	39,159		38,456
Securities @ Fair Value	50,388		50,819
Loans	156,492		154,923
Allowance for Loan Losses	3,958		4,207
Total Deposits	\$197,781		\$189,404
Federal Home Loan Bank Borrowings	8,738		6,741
Equity	24,745		24,884
Allowance to Loans	2.54%		2.73%
Loans to Deposits	79.12		81.79
Equity to Assets	9.94		10.08
Liquid Assets to Deposits	19.80%		20.30%

Thirteen of the Industrial Banks (with assets exceeding one billion dollars) report uninsured deposits. Key statistics for those 13 banks include:

Total Assets	\$244,326	\$242,301
Liquid Assets	38,351	37,723
Securities @ Fair Value	49,504	49,883
Loans	153,855	152,091
Allowance for Loan Losses	3,914	4,158
Total Deposits	\$194,350	\$185,897
Uninsured Deposits	32,990	28,091
Federal Home Loan Bank Borrowing	8,655	6,651
Equity	23,973	24,035
Allowance to Loans	2.56%	2.75%
Loans to Deposits	79.16	81.81
Equity to Assets	9.81	9.92
Liquid Assets to Deposits	19.73%	20.29%
Liquid Assets to Uninsured Deposits	116.25	134.29