

DATA DISPATCH

Certificate of deposit rates rise modestly in aftermath of Fed rate hikes

Friday, July 8, 2022 8:54 AM ET

By Nathan Stovall and Syed Muhammad Ghaznavi
Market Intelligence

The rates that banks offer on their certificates of deposits have only increased modestly through late-June despite sizable rate hikes by the Federal Reserve in recent months.

CD rates historically have closely mirrored long-term benchmark rates such as the 5-year and 10-year Treasury yields, and those long-term rates have risen more than 100 basis points since the end of the first quarter as the Fed took action to combat elevated inflation through a series of rate hikes. Still, rates banks offer on one-year CDs, one of the most popular term funding products, have lagged the increase in benchmark rates because institutions remain flush with deposits and continued to report historically low loan-to-deposit ratios.

Average \$10,000 CD rates at US banks by asset size

Assets	CD rates*					
	3-month		1-year		3-year	
	Change since 07/01/22 (%)	Change since 07/02/21 (bps)	Change since 07/01/22 (%)	Change since 07/02/21 (bps)	Change since 07/01/22 (%)	Change since 07/02/21 (bps)
\$3B-\$10B	0.16	5	0.38	16	0.62	25
\$10B-\$50B	0.14	7	0.40	25	0.56	32
\$50B-\$250B	0.20	14	0.55	39	0.68	44
> \$250B	0.03	-2	0.39	28	0.62	50
Industry average	0.16	4	0.38	10	0.61	15

Data compiled July 6, 2022.

CD = certificate of deposit

Analysis includes U.S. commercial banks, savings banks, and savings and loan associations that filed regulatory reports as of March 31, 2022. Nondepository trusts and companies with a foreign banking organization charter are excluded.

* Represents average U.S. interest rates for different \$10,000 certificate of deposit products. Interest rate data may not reflect all pricing regions for each company and is based on current S&P Global Market Intelligence coverage.

Source: S&P Global Market Intelligence

CD rates lag Fed rate increases

Across the industry, the average rate on one-year CDs has risen 10 basis points to 0.38% between June 25, 2021, and July 1, 2022. Large regional banks, institutions with assets between \$50 billion and \$250 billion, have increased their offers on one-year CDs the most, lifting those rates by 39 basis points since last June. Banks with more than \$250 billion in assets increased those rates by 28 basis points since last June.

With the fed funds rate rising 150 basis points during that time frame, that still equates to a beta, or what percentage of change in rates banks pass on to customers, of 26.1%. Banks with assets over \$250 billion recorded the second-highest beta on one-year CDs, equating to 18.9% during the period.

Some banks starting to grow CDs

Those larger institutions have started growing at least their large-time deposits once again after shrinking CDs steadily since the pandemic began. Banks large and small have taken advantage of the flood of liquidity into the system to shrink their CD balances by nearly 39% since the end of 2019, reducing the concentration to 6.26% of total deposits.

Q1'22 banking industry CD balances by asset size

Total assets	Aggregate CDs			
	Balance (\$B)	QOQ change (%)	Proportion of total deposits (%)	
			Q1'22	Q4'21
< \$3B	334.29	-4.5	17.9	18.7
\$3B-\$10B	132.37	-1.3	13.0	13.2
\$10B-\$50B	167.84	-8.6	8.2	9.0
\$50B-\$250B	297.60	-0.5	7.6	7.7
> \$250B	314.67	3.2	2.8	2.8
Industry	1,246.77	-1.9	6.3	6.5

Q1'22 FHLB advances by asset size

Total assets	FHLB advances			
	Balance (\$B)	QOQ change (%)	Proportion of total liabilities (%)	
			Q1'22	Q4'21
< \$3B	35.18	-7.8	1.8	2.0
\$3B-\$10B	26.94	5.7	2.5	2.4
\$10B-\$50B	54.95	0.3	2.5	2.5
\$50B-\$250B	47.28	12.8	1.1	1.0
> \$250B	39.33	39.5	0.3	0.2
Industry	203.68	8.0	0.9	0.9

Data compiled July 6, 2022.

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

Analysis includes U.S. 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

Most banks continued to shrink CDs through the end of the first quarter but institutions with more than \$250 billion in assets grew the balances 3.2% from the prior quarter.

The Federal Reserve's H.8, which tracks commercial bank balance sheets on a weekly basis, shows that the 25 largest, domestically chartered banks in the U.S. reported a 9.1% in large time deposits through the week ended June 22 when compared to March 30, the day before the first quarter ended.

Growing CD balances today could be seen as attractive because institutions could lock in funding before deposit costs rise much more materially. With the Fed now raising rates this year at a quicker pace than many economists expected in the first quarter, deposit costs should also rise at a faster pace. While banks should still be able to report higher interest margins even as deposit costs rise more quickly, CDs might be seen as a more attractive funding vehicle for some institutions to lock in rates at current prices, particularly if they are fearful that the Fed's reduction of its balance sheet and lack of government stimulus could lead to broad pressures on liquidity.

US banks with highest QOQ change in CD composition, Q1'22

Company (top-level ticker)	CDs/total deposits			July 1, 2022 average 1-year \$10,000 CD rate (%)
	CDs (\$B)	(%)	QOQ change (pps)	
Highest decrease				
WEX Bank (WEX)	1.08	24.9	-9.4	NA
Toyota Financial Savings Bank (7203)	1.75	49.9	-6.9	1.71
Merchants Bancorp (MBIN)	0.53	7.0	-6.3	1.37
Comenity Capital Bank (BFH)	3.07	42.5	-5.7	2.50
Hingham Institution for Savings (HIFS)	1.01	41.9	-4.2	1.45
Metro City Bank (MCBS)	0.40	16.6	-3.7	0.50
Discover Financial Services (DFS)	18.66	25.7	-3.4	1.90
Triumph Bancorp Inc. (TBK)	0.50	10.7	-3.4	0.35
First Internet Bancorp (INBK)	1.02	31.8	-3.4	1.92
Comenity Bank (BFH)	1.64	47.3	-3.4	NA
Highest increase				
Beal Financial Corp.	4.19	75.9	10.0	1.60
First Citizens BancShares Inc. (FCNCA) ¹	9.24	10.1	5.3	0.03
LendingClub Corp. (LC)	0.22	5.5	3.3	1.30
Southern First Bancshares Inc. (SFST)	0.23	8.5	2.6	1.25
First of Long Island Corp. (FLIC)	0.33	9.3	2.4	1.00
Spencer Savings Bank SLA	0.87	26.1	2.2	0.20
Woori America Bank (A316140)	0.44	16.6	2.1	0.40
Amarillo National Bancorp Inc.	1.15	16.6	2.1	1.50
Old National Bancorp (ONB) ²	2.53	7.1	2.0	0.10
Discount Bancorp Inc. (DSCT)	1.77	15.7	1.7	NA
Industry aggregate³	1,246.77	6.3	-0.2	0.38

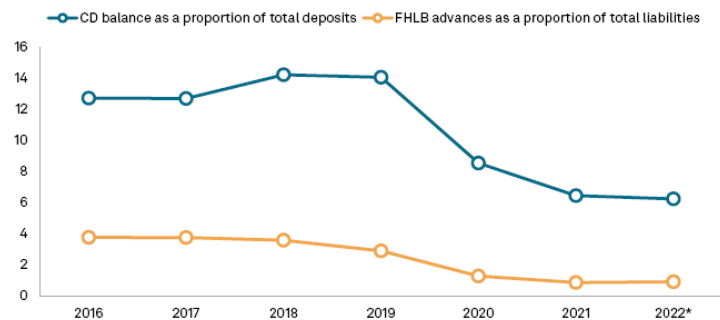
Data compiled July 6, 2022.
 CD = certificate of deposit; NA = not available
 Analysis limited to top-tier operating U.S. banks and thrifts with total assets of at least \$3 billion and a loan-to-deposit ratio of greater than 25% at March 31, 2022. Nondepository trusts are excluded.
 Total deposits and CDs are based on regulatory filings.
 Tickers based on top-level entities' home-country stock exchange.
¹ First Citizens BancShares Inc. and CIT Group Inc. completed a merger of equals on Jan. 3, 2022.
² Old National Bank and First Midwest Bancorp Inc. completed a merger of equals on Feb. 15, 2022.
³ Represents all U.S. commercial banks, savings banks, and savings and loan associations that filed regulatory reports as of March 31, 2022. Nondepository trusts and companies with a foreign banking organization charter are excluded. CD balance and composition represent industry aggregates. CD rates represent industry averages.
 Source: S&P Global Market Intelligence

US banks with highest QOQ change in CD composition, Q1'22

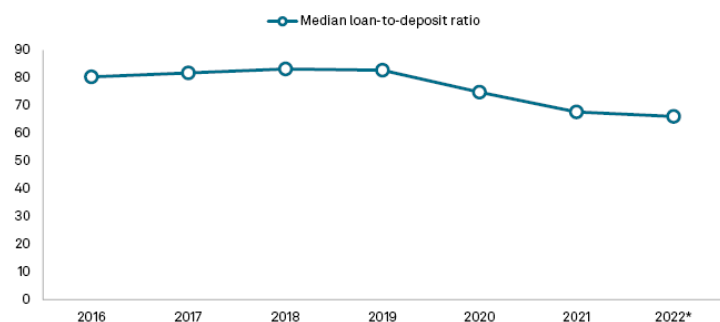
Company (top-level ticker)	CDs/total deposits			June 24, 2022, average 1-year \$10,000 CD rate (%)
	CDs (\$B)	(%)	QOQ change (pps)	
Highest decrease				
WEX Bank (WEX)	1.08	24.9	-9.4	NA
Toyota Financial Savings Bank (7203)	1.75	49.9	-6.9	1.66
Merchants Bancorp (MBIN)	0.53	7.0	-6.3	1.37
Comenity Capital Bank (BFH)	3.07	42.5	-5.7	2.00
Hingham Institution for Savings (HIFS)	1.01	41.9	-4.2	1.45
Metro City Bank (MCBS)	0.40	16.6	-3.7	0.50
Discover Financial Services (DFS)	18.66	25.7	-3.4	1.50
Triumph Bancorp Inc. (TBK)	0.50	10.7	-3.4	0.35
First Internet Bancorp (INBK)	1.02	31.8	-3.4	1.92
Comenity Bank (BFH)	1.64	47.3	-3.4	NA
Highest increase				
Beal Financial Corp.	4.19	75.9	10.0	1.60
First Citizens BancShares Inc. (FCNCA)	9.24	10.1	5.3	0.03
LendingClub Corp. (LC)	0.22	5.5	3.3	1.30
Southern First Bancshares Inc. (SFST)	0.23	8.5	2.6	1.25
First of Long Island Corp. (FLIC)	0.33	9.3	2.4	1.00
Spencer Savings Bank SLA	0.87	26.1	2.2	0.20
Woori America Bank (A316140)	0.44	16.6	2.1	0.40
Amarillo National Bancorp Inc.	1.15	16.6	2.1	1.50
Old National Bancorp (ONB)	2.53	7.1	2.0	0.10
Discount Bancorp Inc. (DSCT)	1.77	15.7	1.7	NA
Industry aggregate[*]	1,246.77	6.3	-0.2	0.35

Data compiled June 29, 2022.
 CD = certificate of deposit; NA = not available
 Analysis limited to top-tier operating U.S. banks and thrifts with total assets of at least \$3 billion and a loan-to-deposit ratio of greater than 25% at March 31, 2022. Nondepository trusts are excluded.
^{*} Represents all U.S. commercial banks, savings banks, and savings and loan associations that filed regulatory reports as of March 31, 2022. 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 exchange.
 Source: S&P Global Market Intelligence

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



Median loan-to-deposit ratio for the US banking industry since 2016 (%)



Data compiled July 6, 2022.
 CD = certificate of deposit; FHLB = Federal Home Loan Bank
 Analysis includes U.S. 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.
^{*} Data through March 31, 2022.
 Source: S&P Global Market Intelligence

This article was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global.