



Q1 2023

# **BANK EXECUTIVE BUSINESS OUTLOOK SURVEY**



**IntraFi**<sup>SM</sup>

## INTRODUCTION



**W**elcome to IntraFi's Bank Executive Business Outlook Survey report for the first quarter of 2023. The collapse of three large banks in March and May has sparked widespread media attention and a focus on the safety and soundness of institutions. Yet, the responses to this survey—which was undertaken and completed prior to the May 1 failure of First Republic Bank—indicate that the March failures of Silicon Valley Bank (SVB) and Signature Bank appear to be isolated incidents. The vast majority of banks surveyed experienced little disruption from the March failures, and hold far less in uninsured deposits than all three banks.

We hope the information provided is insightful and helpful. If you have any thoughts or questions, please contact Rob Blackwell, Chief Content Officer & Head of External Affairs, at (866) 776-6426, x3357, or visit [IntraFi.com](https://www.intrafi.com).

Sincerely,

**MARK JACOBSEN**  
Cofounder & CEO  
IntraFi

# WHERE WE'VE BEEN. WHERE WE'RE GOING.

IntraFi's quarterly Bank Executive Business Outlook Survey is designed to gather insights from senior bank executives and decision makers based on their recent experiences, as well as their expectations for the industry in the coming months.

# EXECUTIVE SUMMARY

Following the failures of Silicon Valley Bank and Signature Bank in March 2023, there were concerns that other institutions could fail. On May 1 (after the collection of data for this report was complete), First Republic Bank, which had teetered on the edge for weeks, also failed.

But IntraFi's first quarter survey shows that those institutions were in a uniquely risky position.

- The vast majority of banks don't have high levels of uninsured deposits**  
 Eighty percent of banks surveyed had uninsured deposit levels of 35% or less. By comparison, SVB and Signature Bank had uninsured deposit levels of 94% and 89%, respectively. Sixty-eight percent of First Republic's deposits were uninsured at the end of 2022. These extraordinarily high levels of uninsured deposits, combined with other factors, left those institutions more vulnerable to a bank run.
- Most banks didn't experience big deposit inflows or outflows after the SVB and Signature Bank failures**  
 Seventy-seven percent of respondents reported that their banks saw little or no (less than 2%) deposit outflows/inflows in the days following the two bank failures. Fourteen percent experienced outflows, but 9% of respondents saw deposits rise by at least 2%.

- Only a small number of banks used the Federal Reserve's new Bank Term Funding Program (BTFP)**  
 Most banks did not access the Fed's new emergency liquidity program set up after the recent bank failures. Only 18% of respondents said they used the facility.
- Depositor anxiety regarding deposit safety rose**  
 Following the collapse of SVB and Signature Bank, 68% of bank executives reported an increase in queries from customers. But bankers appeared able to reassure customers. Sixty-two percent of respondents said they worked to educate customers on how to access greater deposit insurance.

## OTHER HIGHLIGHTS

**Deposit Competition**—Eighty-seven percent of respondents reported an increase in deposit competition in the prior 12 months. Looking forward, 73% predict deposit competition will increase in the next 12 months.

**Funding Costs**—A majority (96%) saw an increase in their bank's funding costs. Seventy-six percent anticipate an increase in the year ahead.

**Loan Demand**—Over the previous 12 months, a majority (52%) of respondents saw their bank's loan demand decrease. Roughly four in ten expect demand will continue to soften in the 12 months ahead, while 32% expect loan demand to remain the same.

**Access to Capital**—Seventy-four percent of respondents said their bank's access to capital stayed the same in the 12 months prior. Looking forward, seven in ten respondents expect their access to remain steady, down slightly from the fourth quarter of 2022. Twenty percent predict it will worsen in the year ahead.

↑ **73%**  
predict increase in  
deposit competition

↑ **76%**  
predict increase in  
funding costs

↓ **40%**  
predict decrease in  
loan demand



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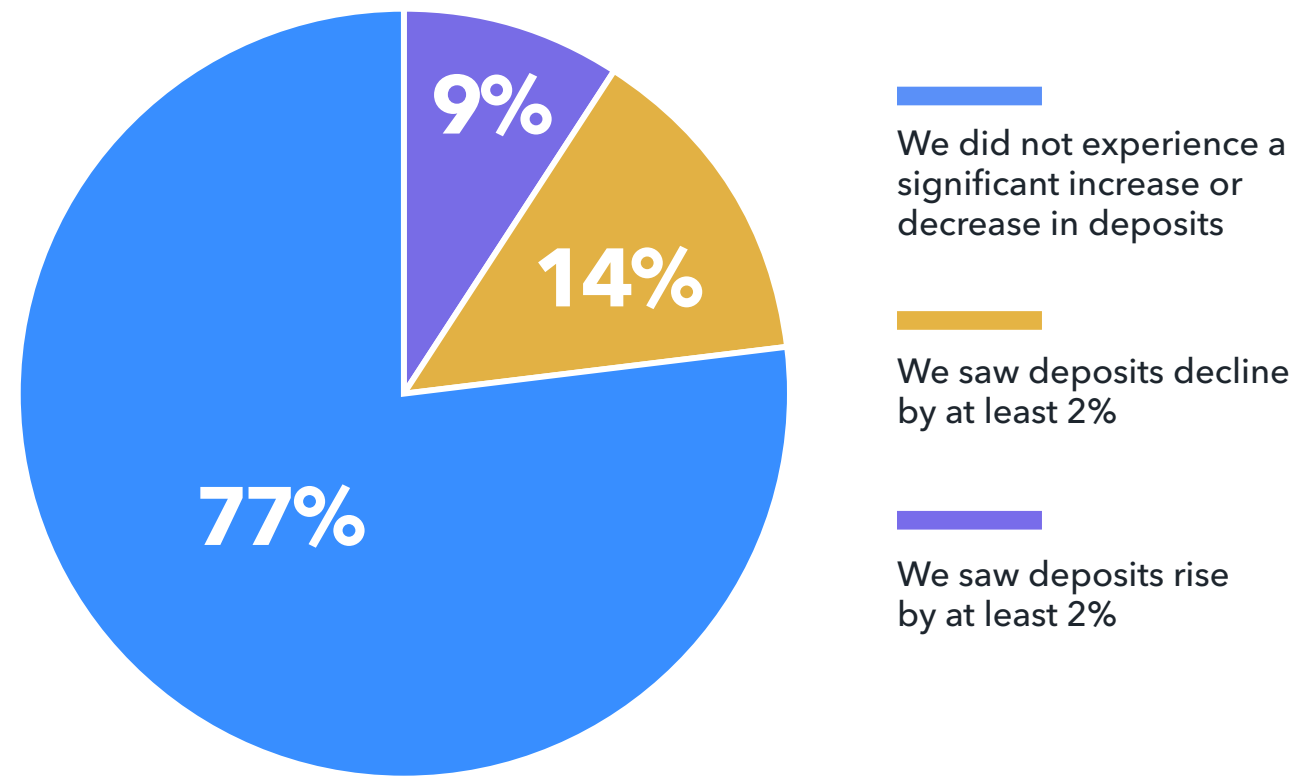
## **BANKER PERSPECTIVES**

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Each quarter, we pose a series of questions based on current events affecting the banking sector. This quarter, we asked a series of questions around the failures of Silicon Valley Bank and Signature Bank and their impact on the banking sector.

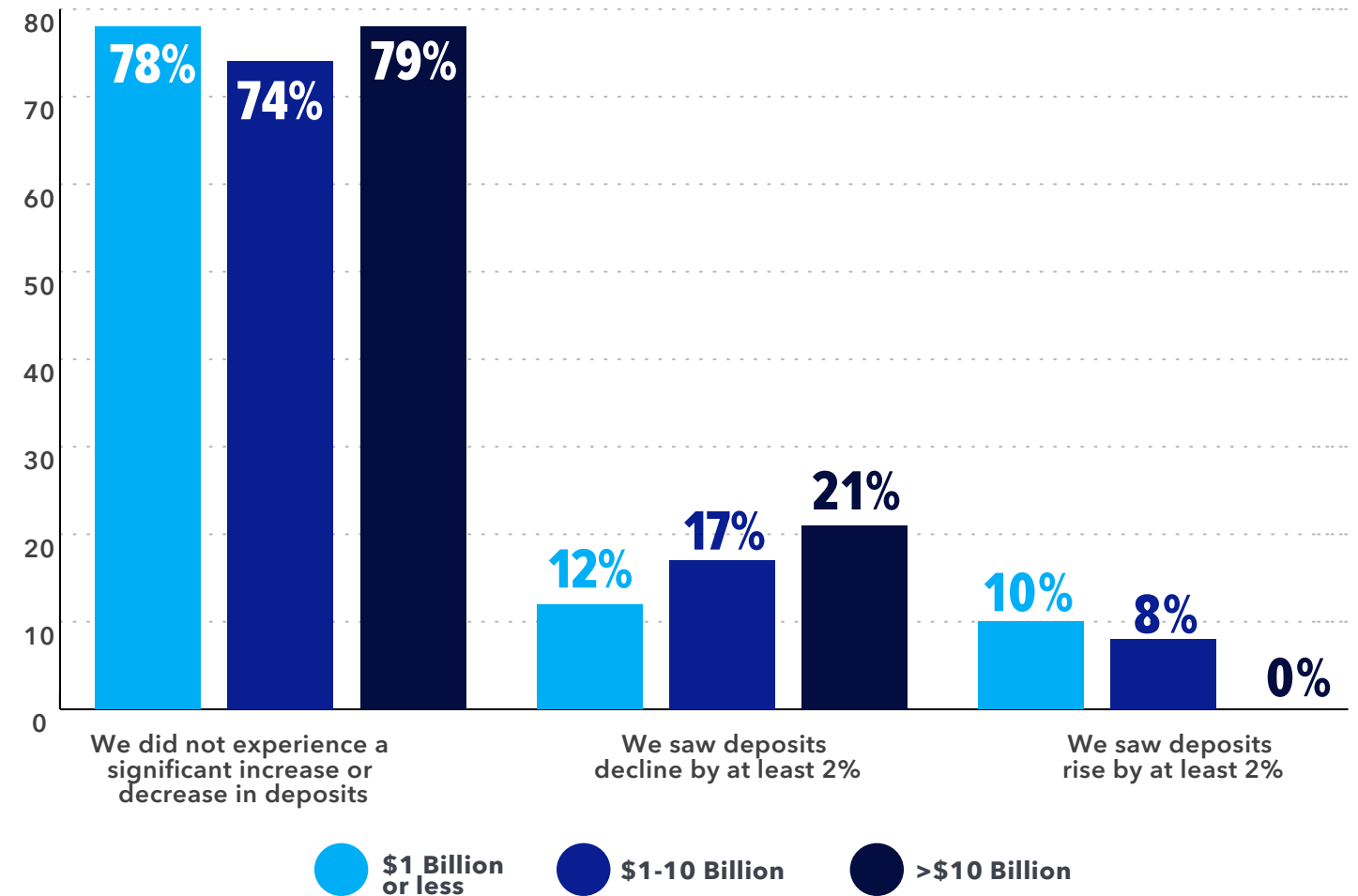
# DEPOSIT OUTFLOWS OR INFLOWS

After the failure of Silicon Valley Bank (SVB) on March 10, 2023, did your institution experience any significant deposit outflows or inflows?



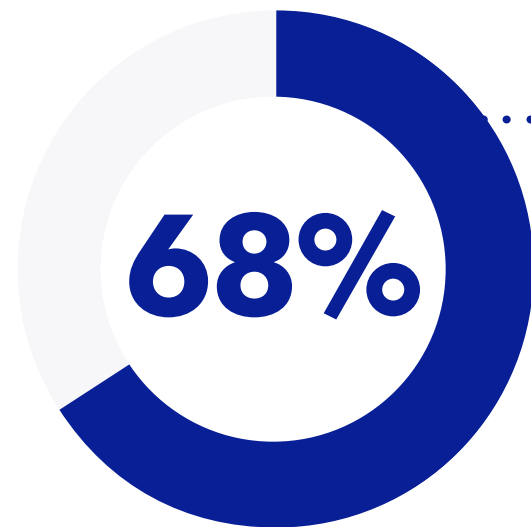
The fear of bank runs was widely covered by traditional and social media in the days following the collapse of SVB and Signature Bank. But nearly 80% of respondents reported little or no deposit outflows/inflows (less than 2%) in the days following the two bank failures. The remainder were split between banks that experienced deposit outflows versus inflows.

## BREAKOUT BY ASSET SIZE



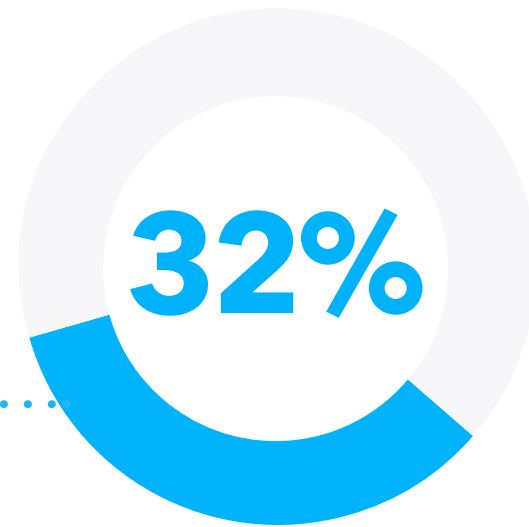
# INCREASED CUSTOMER ANXIETY

Following the failure of SVB, did your customers exhibit any signs of increased anxiety about the safety of their deposits?

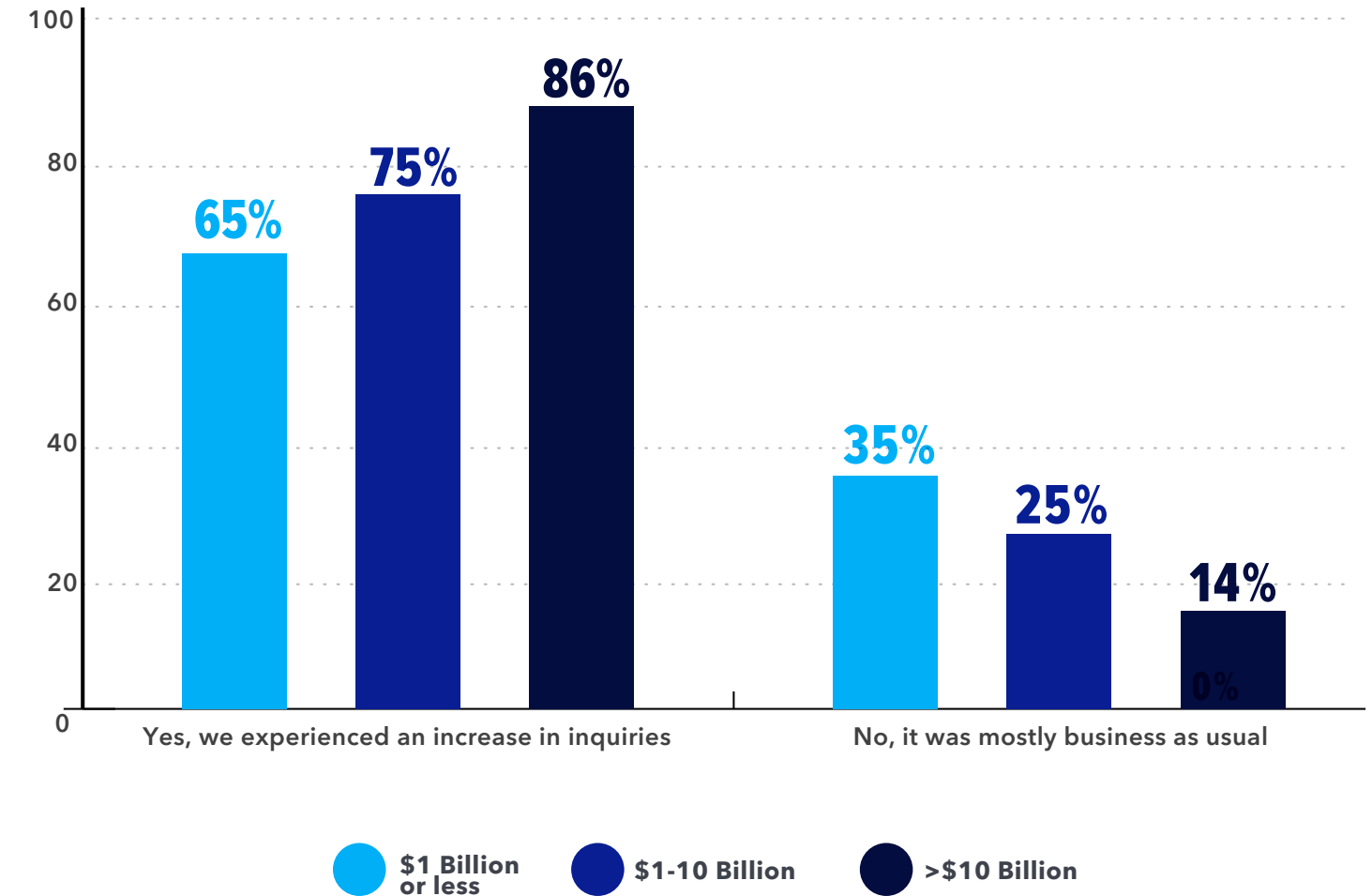


Yes, we experienced an increase in inquiries

No, it was mostly **business as usual**



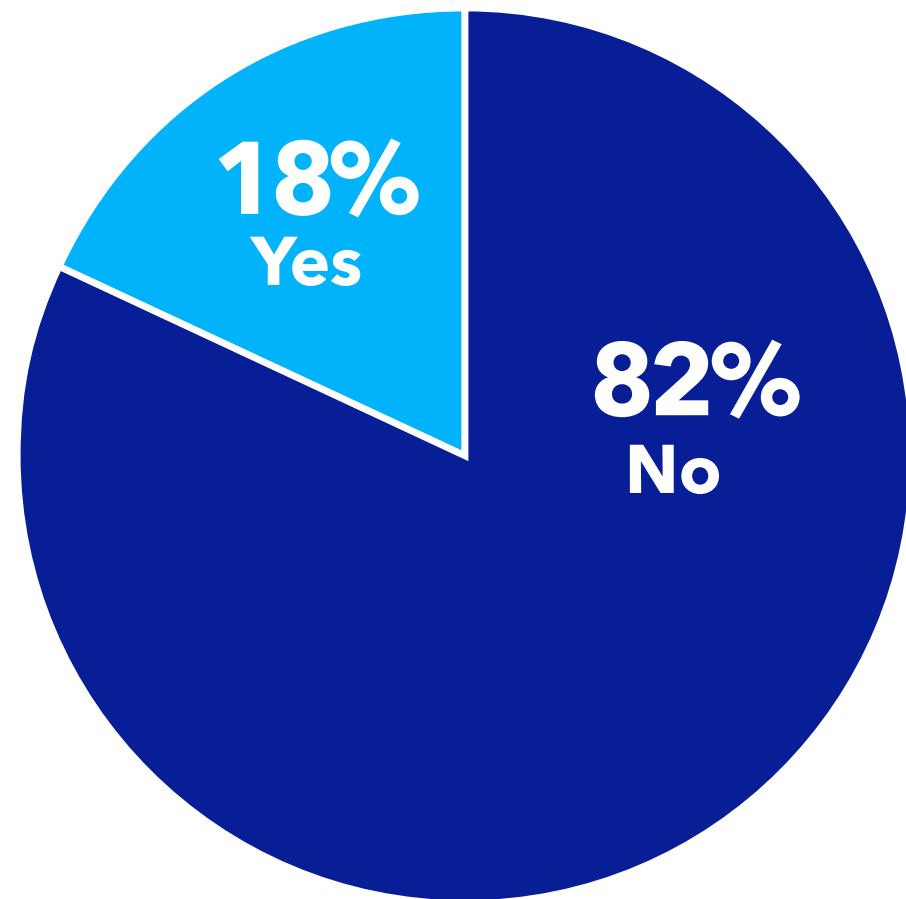
BREAKOUT BY ASSET SIZE



Although deposit levels remained stable at most banks, depositor anxiety was elevated after the failures of SVB and Signature Bank. Sixty-eight percent of bank leaders stated customer inquiries rose about the safety of their deposits.

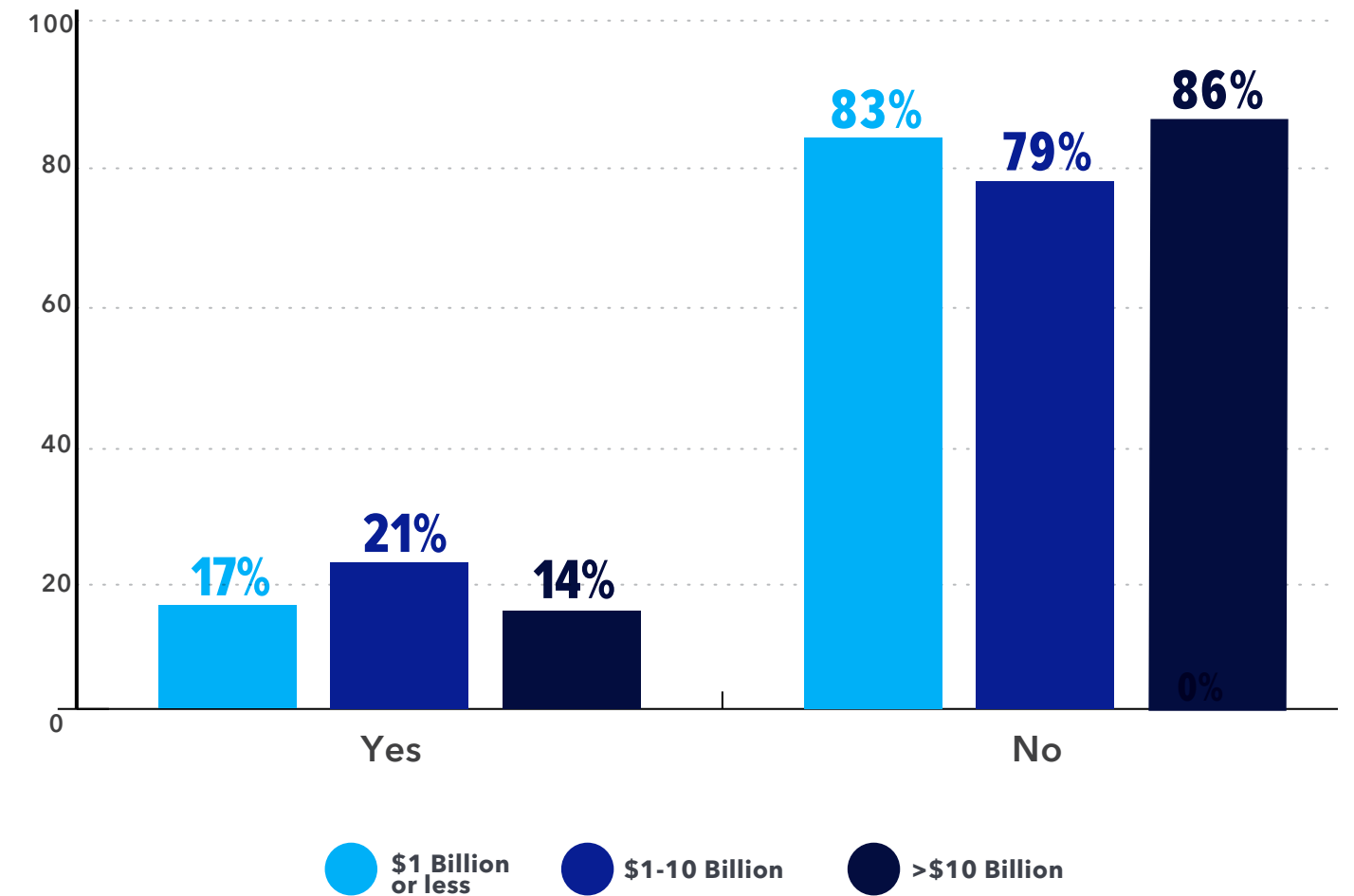
# BANK TERM FUNDING PROGRAM

Since the collapse of SVB and Signature Bank, has your institution taken advantage of the Federal Reserve's newly created Bank Term Funding Program (BTFP)?



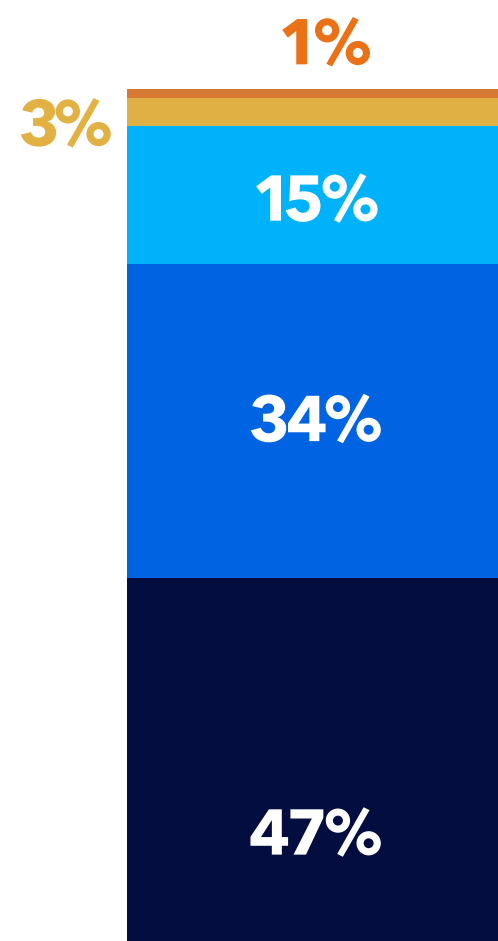
On March 12th, the Fed established BTFP to “bolster institutions’ capacity to safeguard deposits” and reduce the need for banks to quickly sell securities (at a loss) in times of stress. But so far, few bankers have utilized BTFP, with only 18% of respondents taking advantage of the program.

## BREAKOUT BY ASSET SIZE



# UNINSURED DEPOSITS

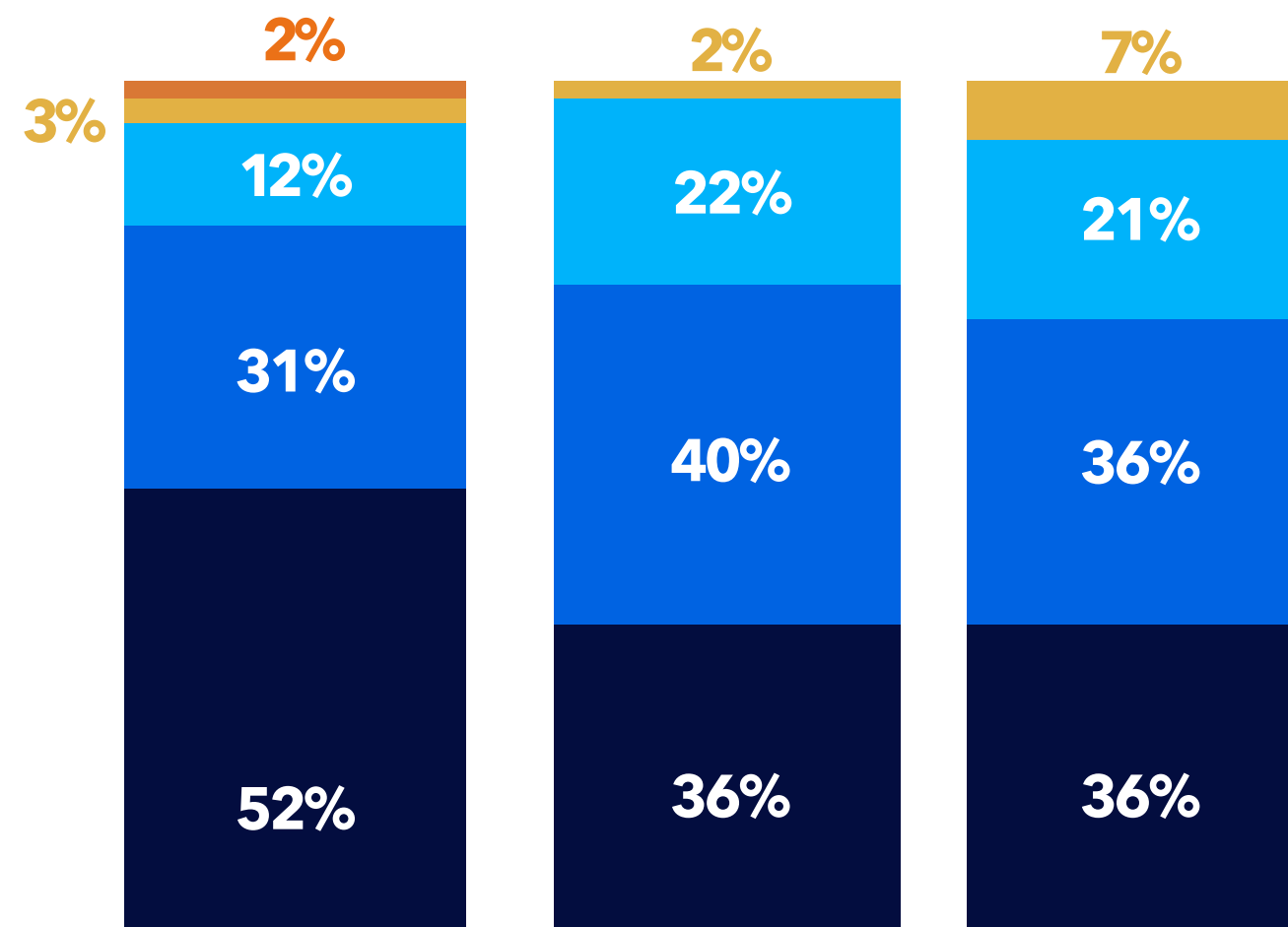
What is your bank's current level of uninsured deposits?



All Respondents

Unlike SVB and Signature Bank, which had extraordinarily high levels of uninsured deposits at 94% and 89%, respectively, most U.S. banks rely far more on insured deposits. According to the results of IntraFi's survey, 81% of banks have uninsured deposit levels at or under 35%. On the other hand, only 1% of banks have uninsured deposits levels between 66% to 100%.

BREAKOUT BY ASSET SIZE



\$1 Billion or less

\$1 Billion - \$10 Billion

>\$10 Billion

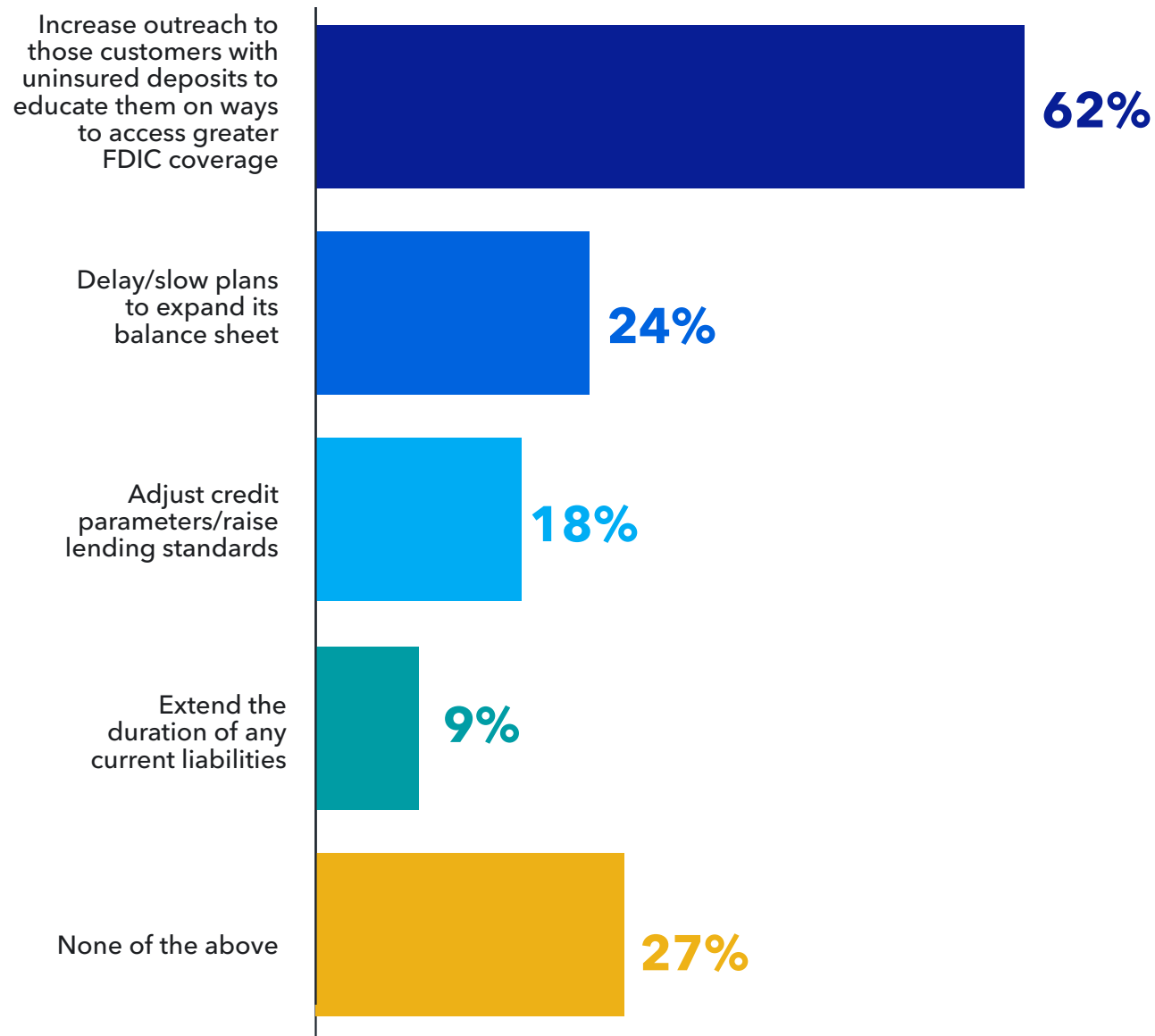




# BANKER RESPONSE TO FAILURES

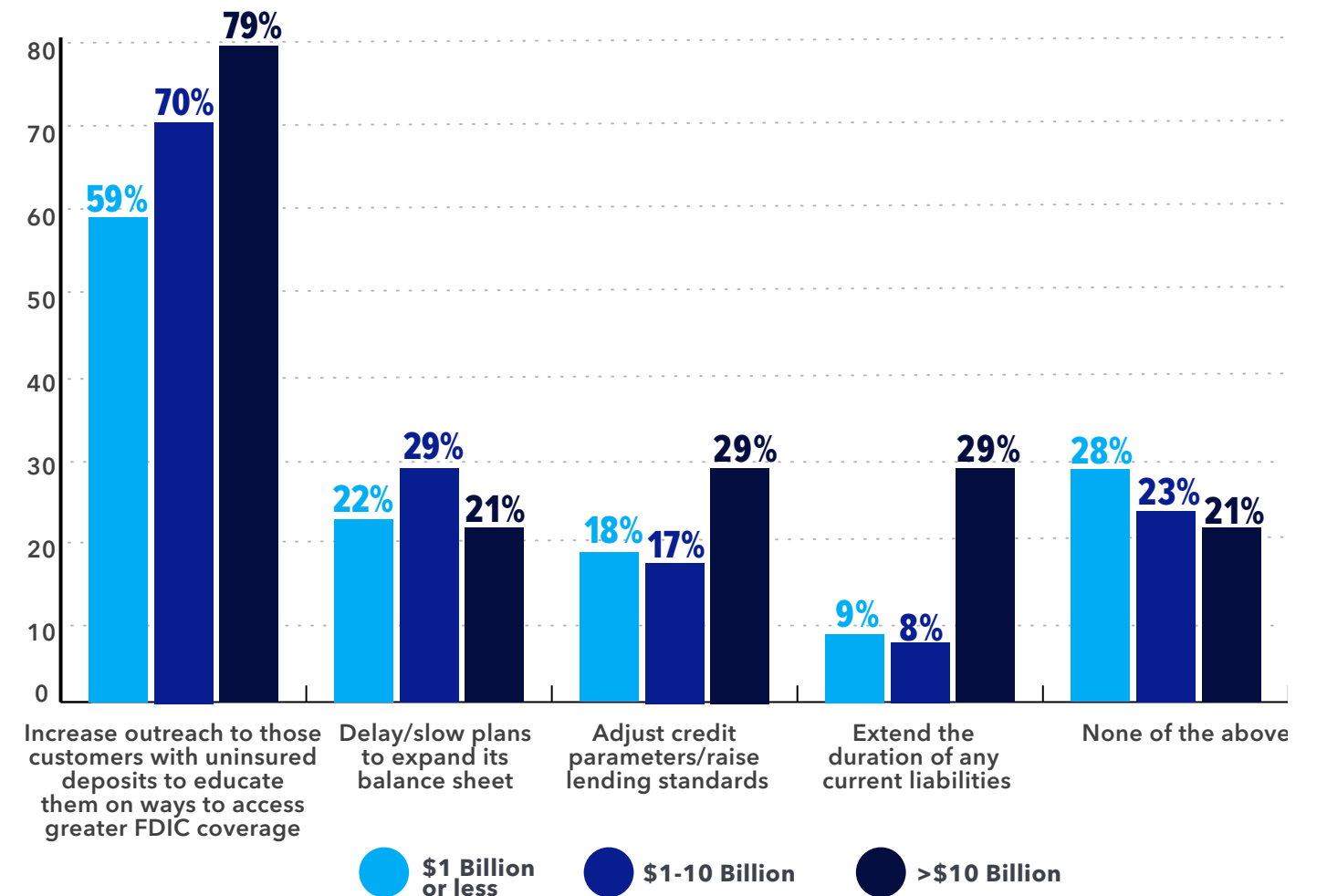
Given the failures of SVB and Signature Bank, is your bank planning to do any of the following?

(Select all that apply)



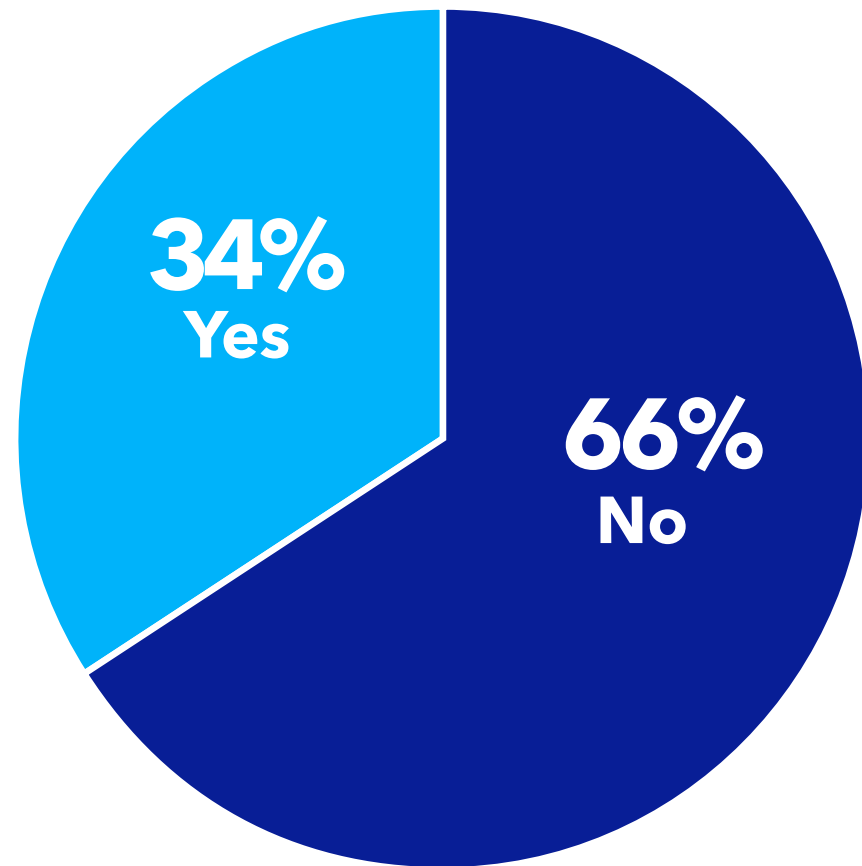
Bankers had varying reactions to what they planned to do in response to the recent failures. Sixty-two percent are increasing outreach to uninsured depositors to educate them on ways to access greater FDIC coverage. Twenty-four percent plan to delay or slow plans to expand their balance sheet.

## BREAKOUT BY ASSET SIZE

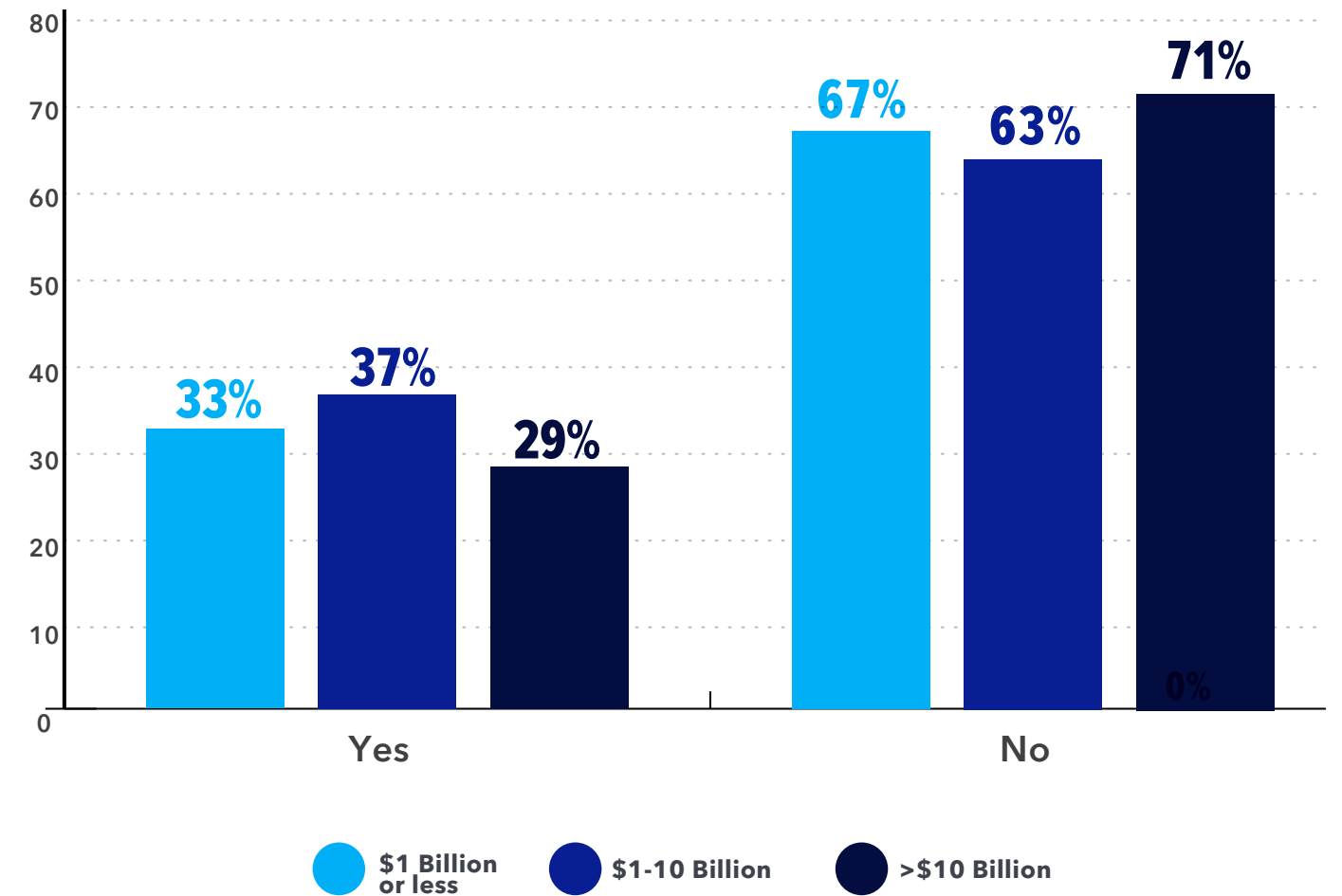


# FEDERAL DEBT CEILING & FUTURE BANK RUNS

If Congress and the President fail to reach a timely agreement on raising the debt ceiling, are you concerned it could spur more bank runs by nervous depositors?



BREAKOUT BY ASSET SIZE



While immediate concerns of a broader run on banks have cooled, could panic return if Congress and the President cannot reach a deal on increasing the nation's debt ceiling? According to 66% of bank executives, the answer is no.

# QUARTERLY QUESTIONS

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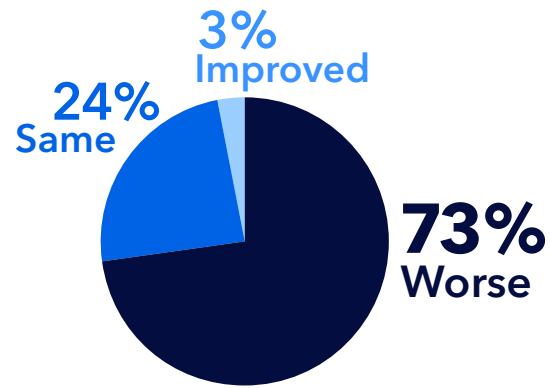
Each quarter, we pose a series of questions to bank executives relating to their access to capital, loan demand, funding costs, deposit competition, and economic outlook.



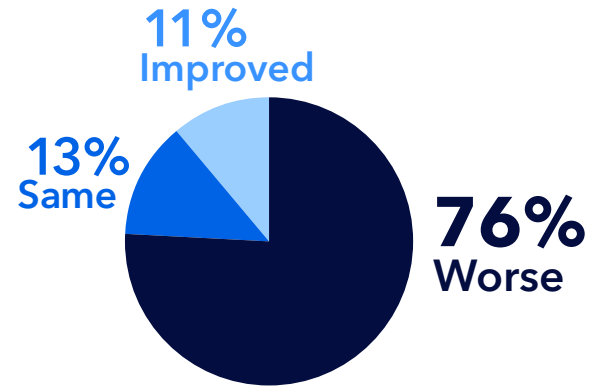
# TOPLINES

This is a topline overview of banker expectations for the 12 months ahead in four key categories broken out by asset size.

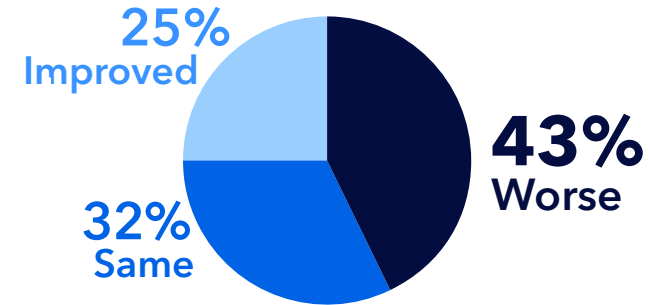
Deposit Competition



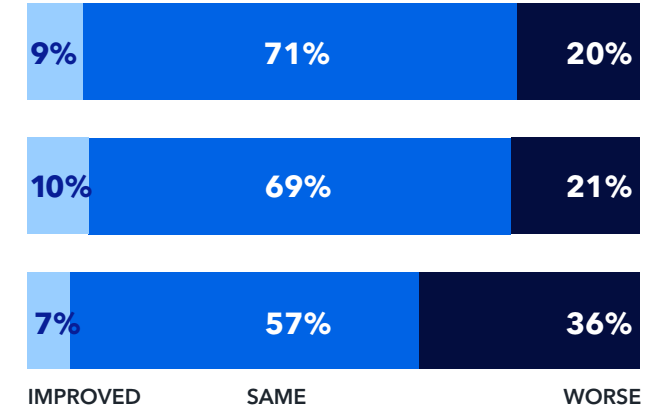
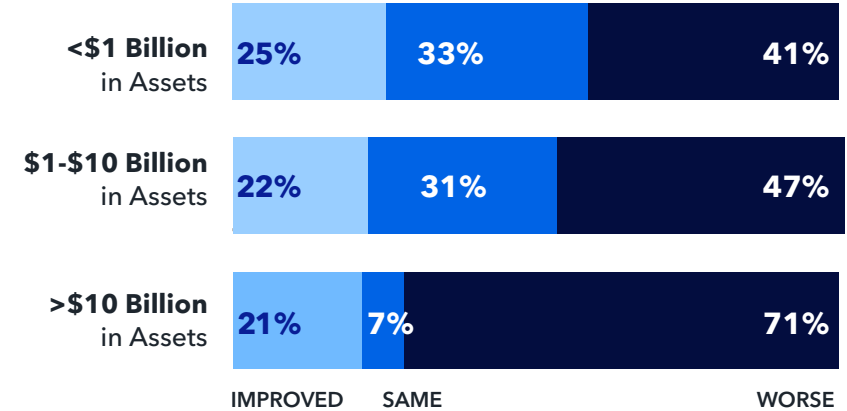
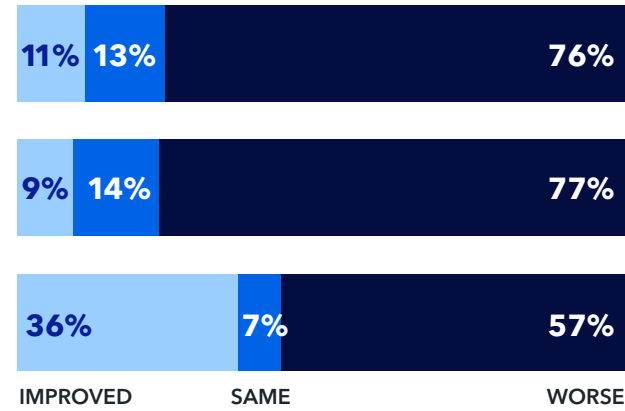
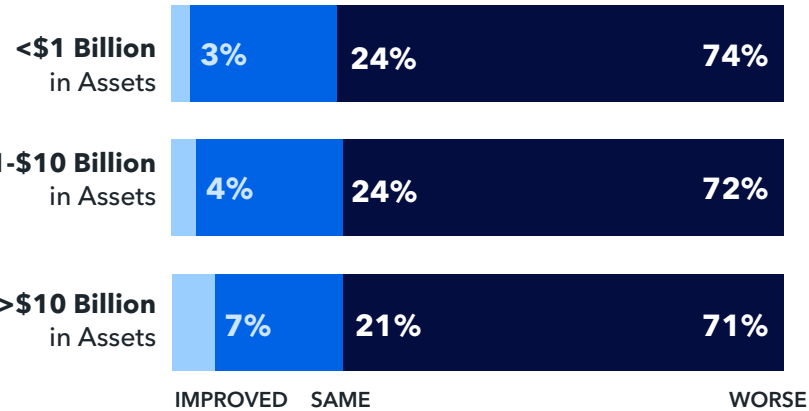
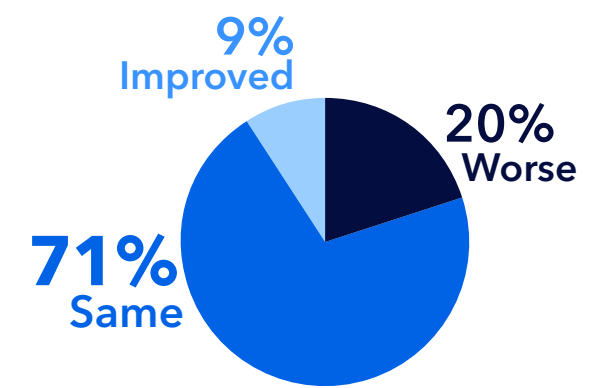
Funding Costs



Loan Demand



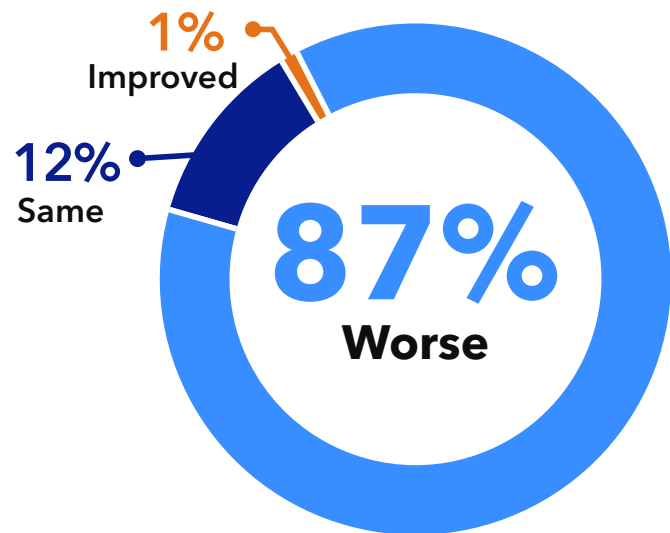
Access to Capital



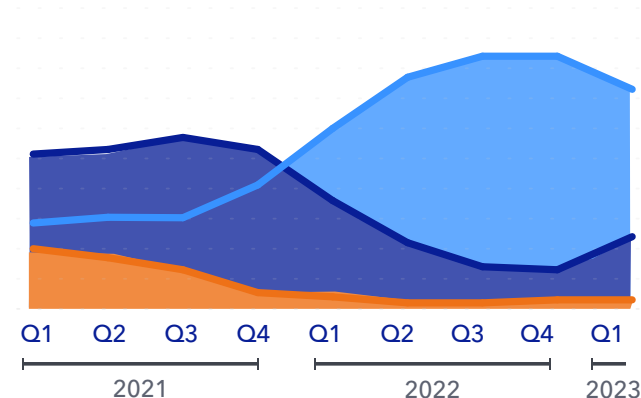
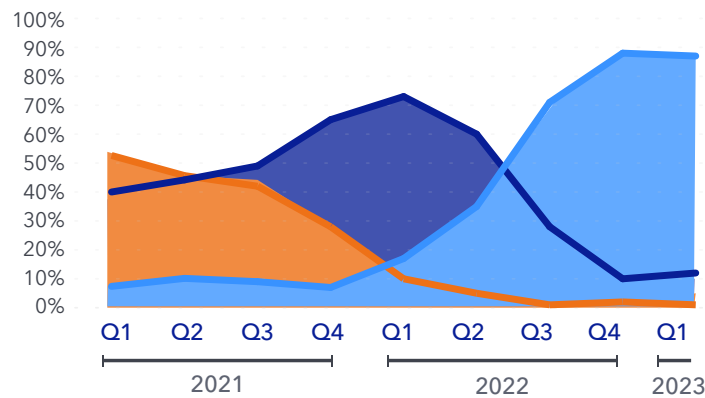
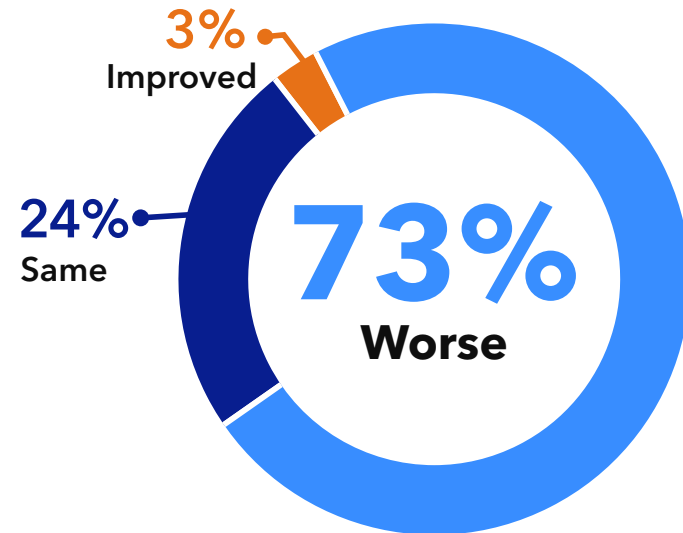
# DEPOSIT COMPETITION

Deposit competition remains stiff, with 87% of bankers reporting that it worsened over the past year. Seventy-three percent of respondents predict deposit competition will continue to increase in the 12 months ahead—an 11-point decline compared to last quarter. Twenty-four percent of bank respondents believe that the current level of competition will remain the same.

### Experience Compared to 12 Months Prior



### Expectation Looking 12 Months Ahead

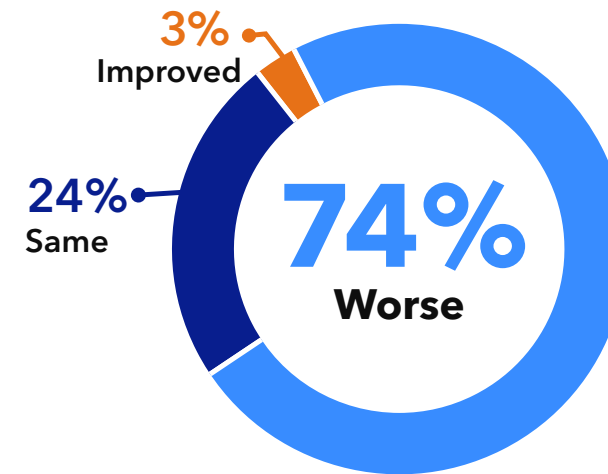


Worse Same Improved

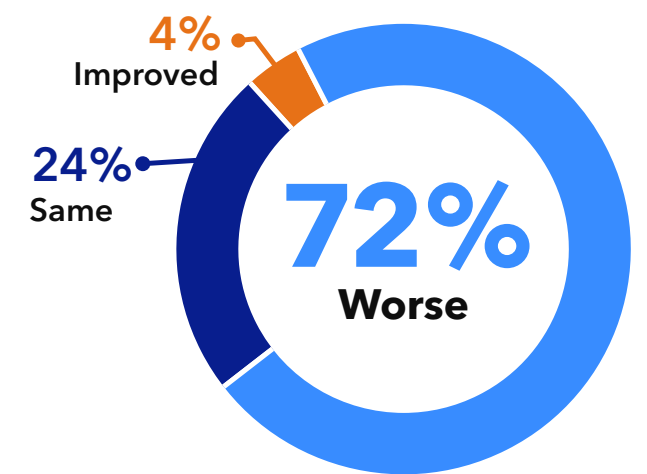
## BREAKOUT BY ASSET SIZE

Expectation for deposit competition looking 12 months ahead

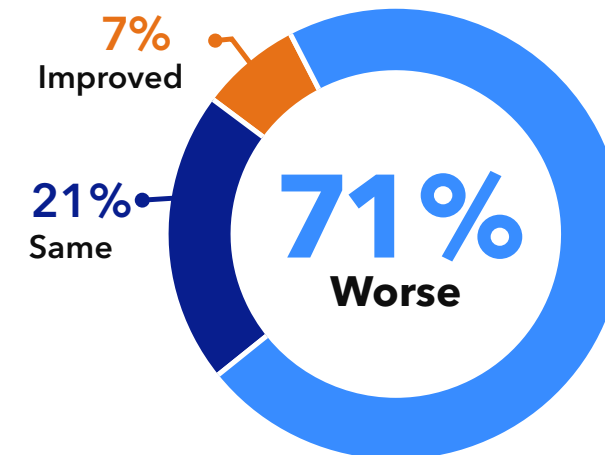
### <\$1 Billion in Assets



### \$1 Billion - \$10 Billion in Assets



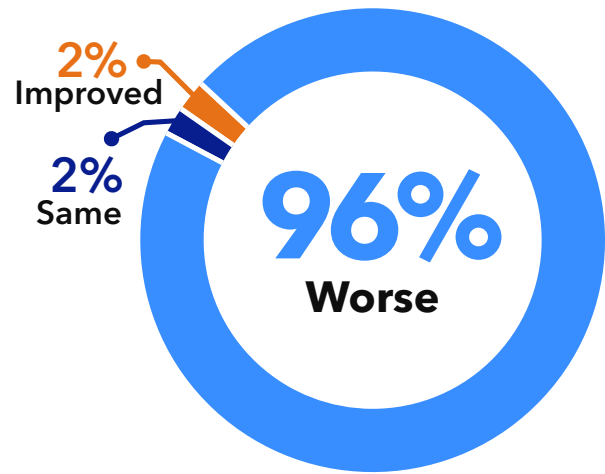
### >\$10 Billion in Assets



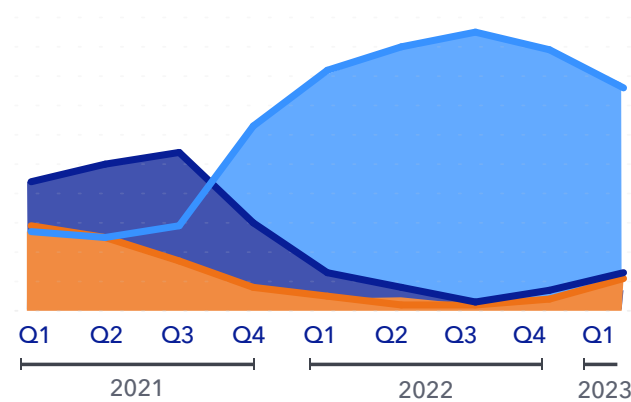
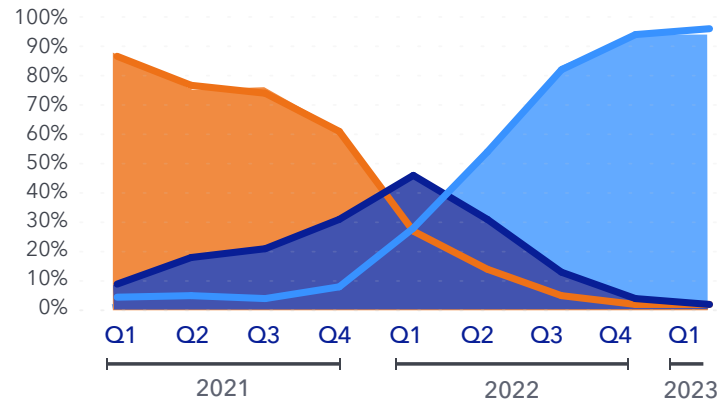
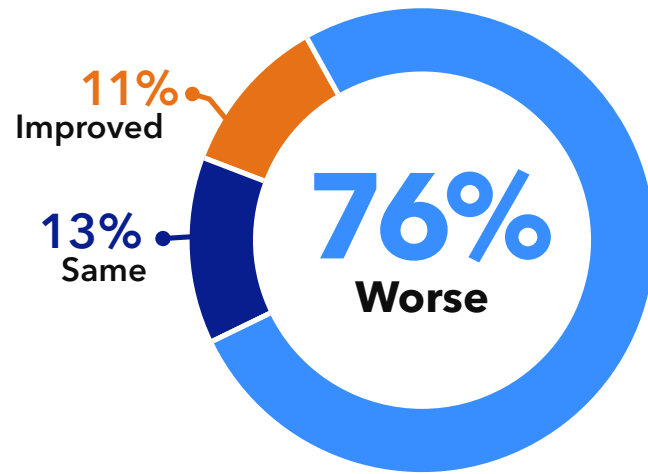
# FUNDING COSTS

Ninety-six percent of bank respondents experienced higher funding costs, the highest figure ever recorded in our survey. Only 11% said their bank's funding costs will decrease in the 12 months ahead, however this was an improvement of 7 points from last quarter.

**Experience** Compared to 12 Months Prior



**Expectation** Looking 12 Months Ahead

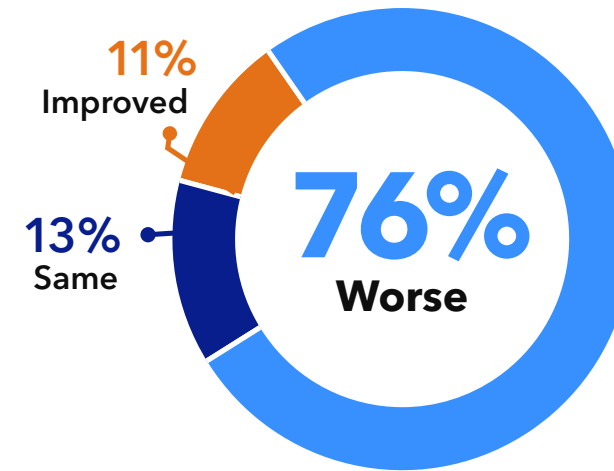


Worse Same Improved

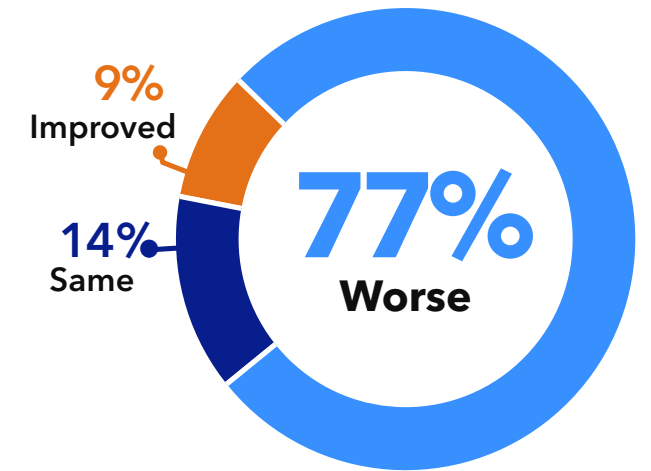
## BREAKOUT BY ASSET SIZE

Expectation for funding costs looking 12 months ahead

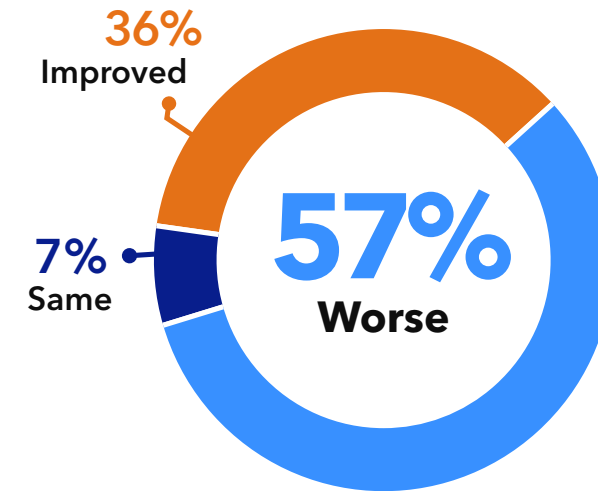
<\$1 Billion in Assets



\$1 Billion - \$10 Billion in Assets



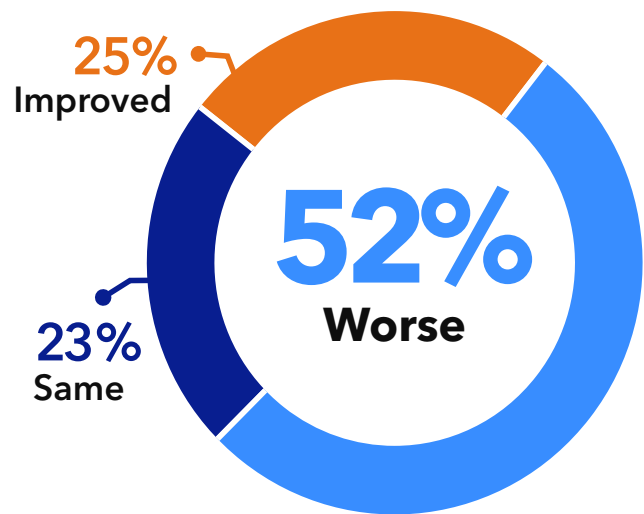
>\$10 Billion in Assets



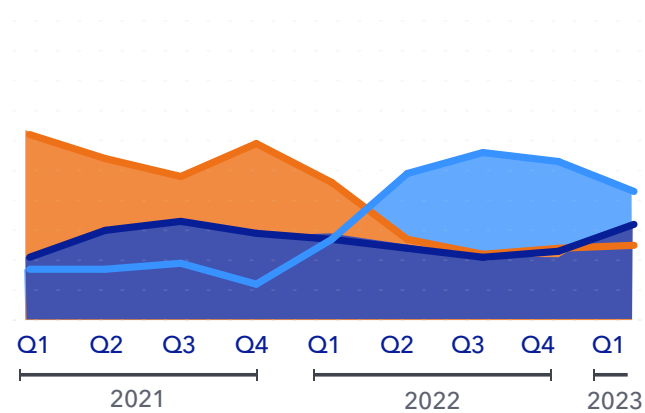
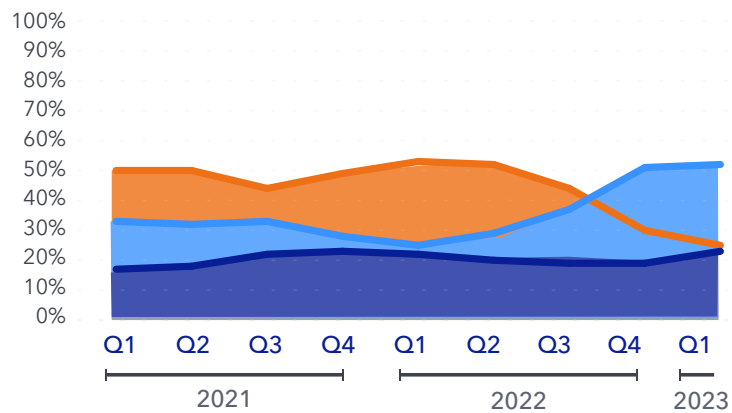
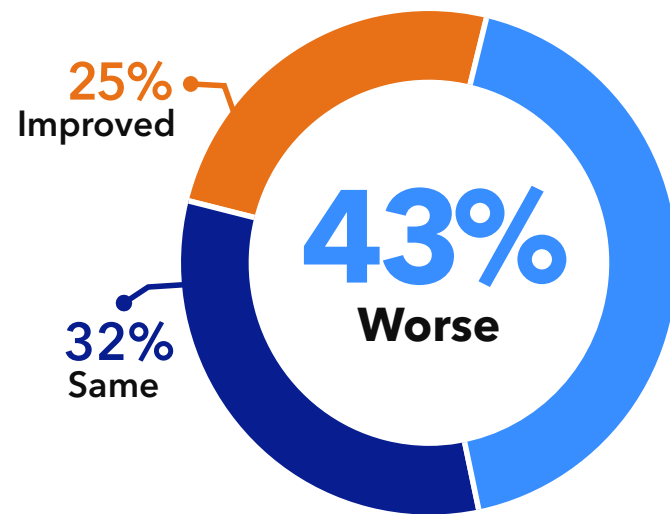
# LOAN DEMAND

Loan demand remained on the decline according to most respondents. Most bankers expect the situation to worsen (43%) or stay the same (32%) in the 12 months ahead.

**Experience** Compared to 12 Months Prior



**Expectation** Looking 12 Months Ahead

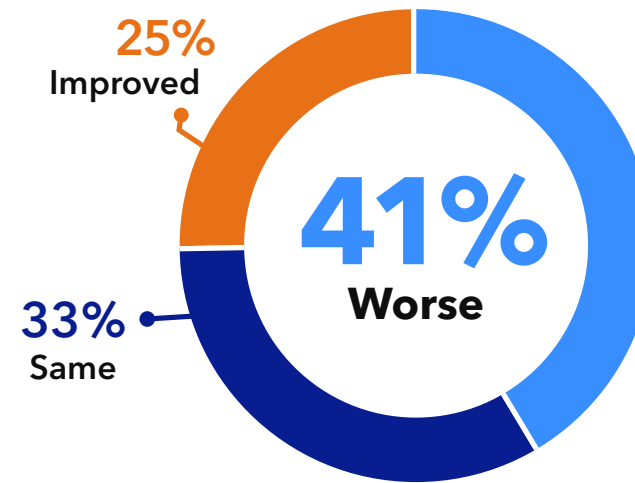


Worse Same Improved

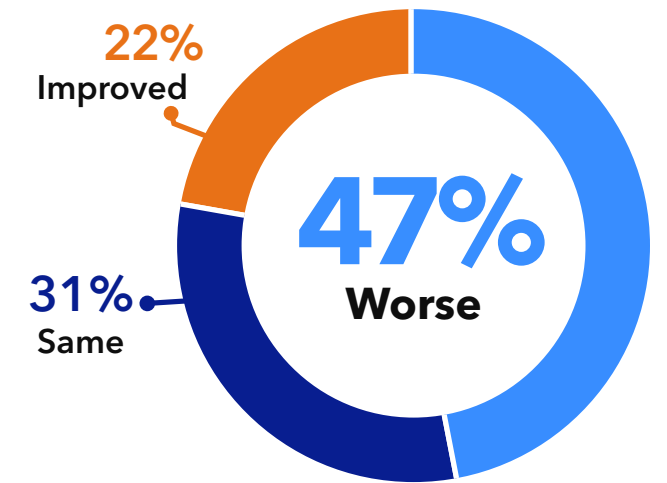
## BREAKOUT BY ASSET SIZE

Expectation for loan demand looking 12 months ahead

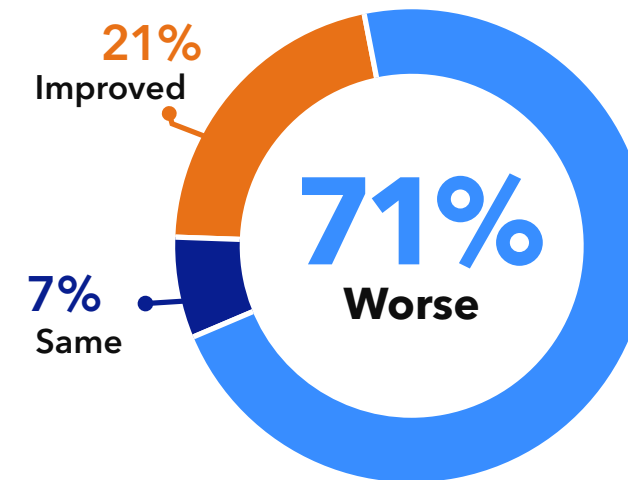
**<\$1 Billion in Assets**



**\$1 Billion - \$10 Billion in Assets**



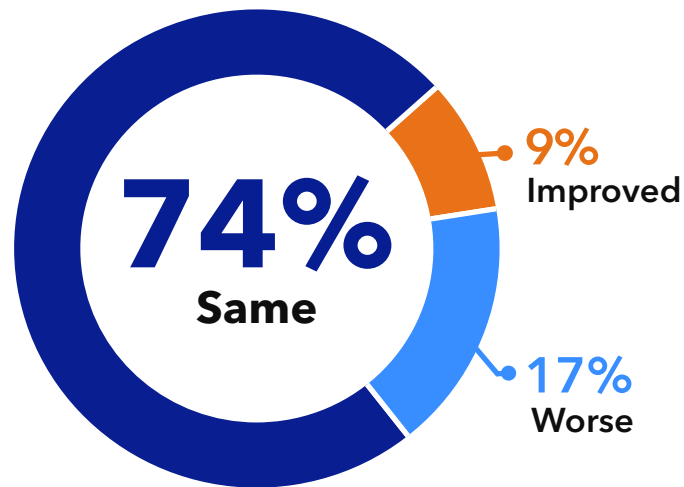
**>\$10 Billion in Assets**



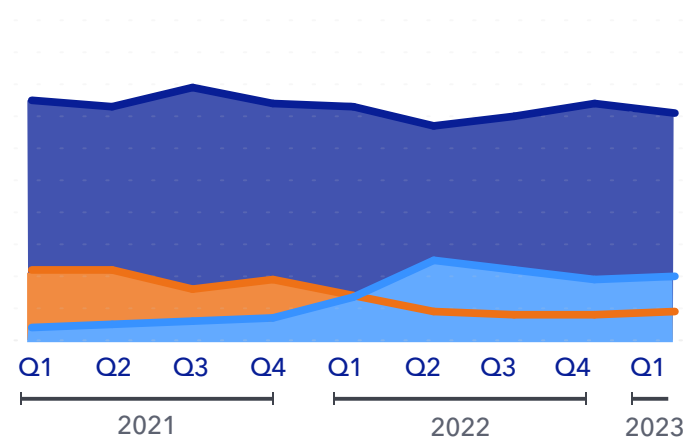
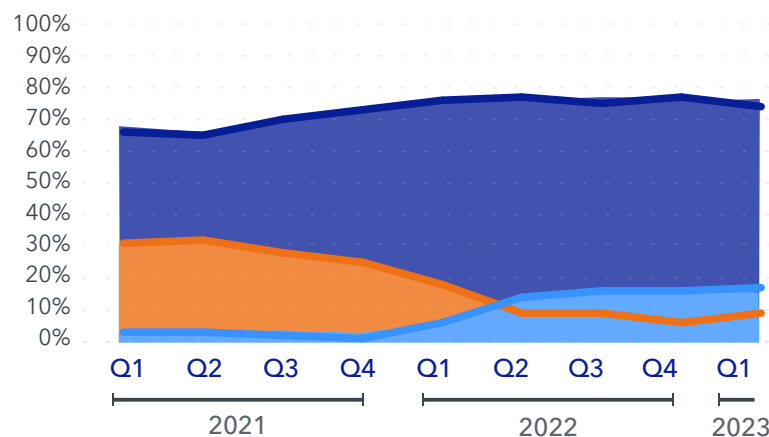
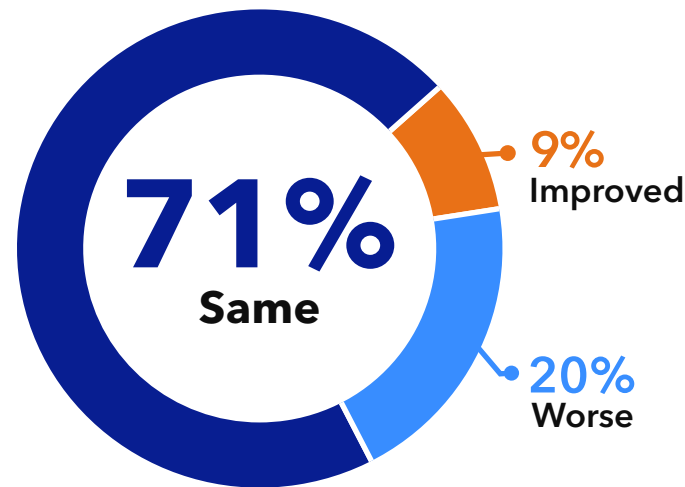
# ACCESS TO CAPITAL

Most bankers (74%) did not see any significant change in access to capital, and this number has remained relatively steady since the third quarter of 2021. Furthermore, a sizable majority (71%) expect it to remain that way for the next year.

**Experience** Compared to 12 Months Prior



**Expectation** Looking 12 Months Ahead

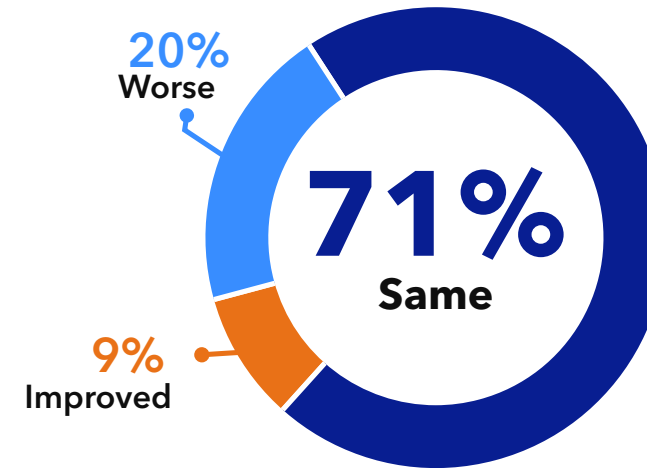


Worse Same Improved

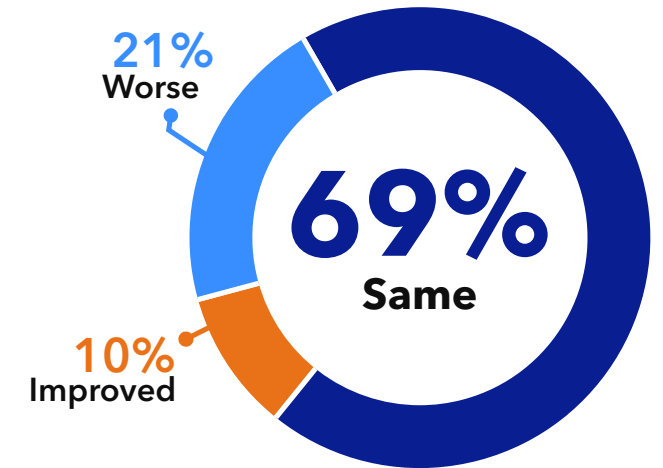
## BREAKOUT BY ASSET SIZE

Expectation for access to capital looking 12 months ahead

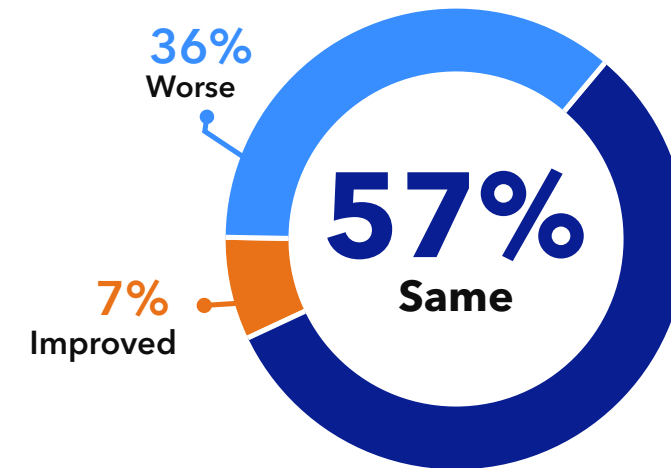
<\$1 Billion in Assets



\$1 Billion - \$10 Billion in Assets



>\$10 Billion in Assets

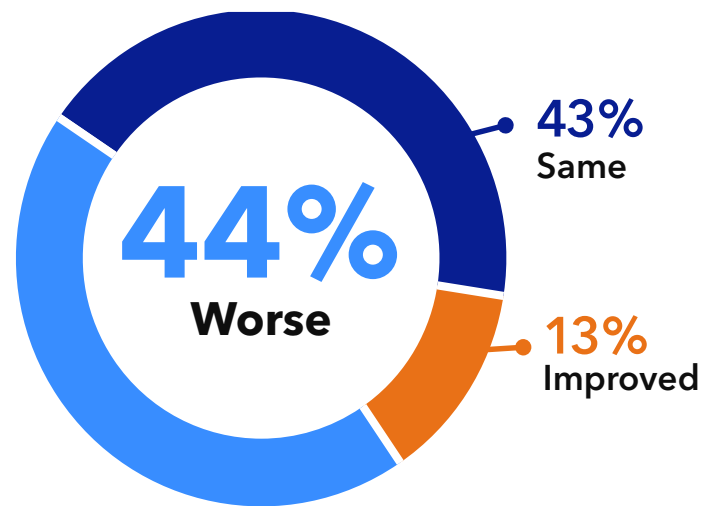




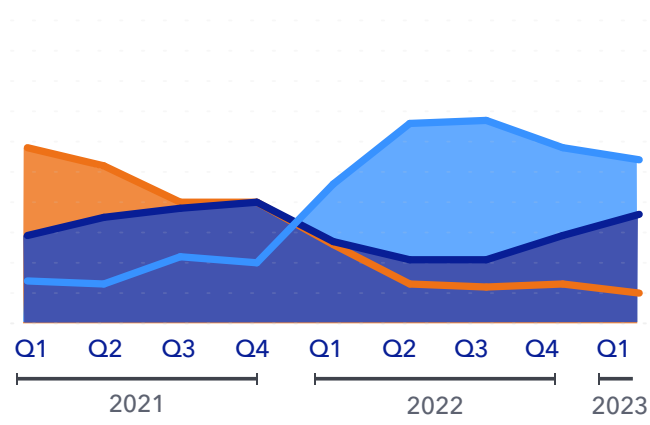
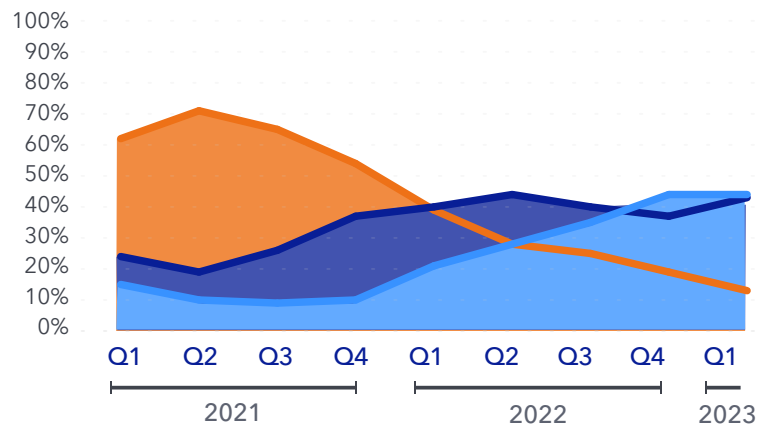
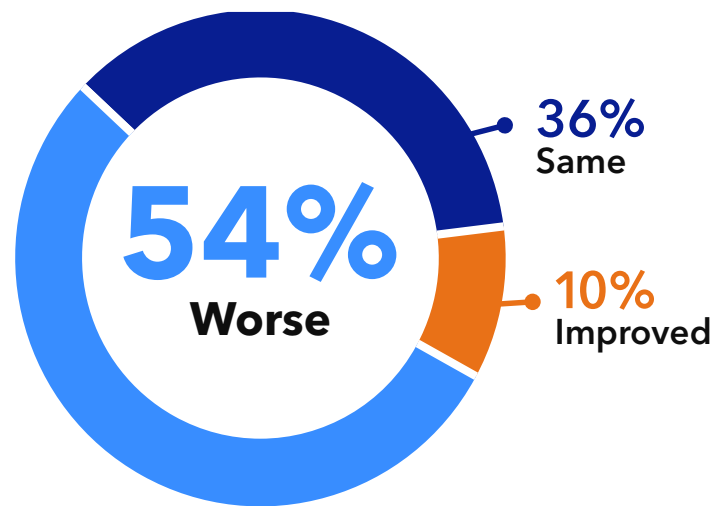
# OVERALL ECONOMIC CONDITIONS

How bankers viewed overall economic conditions compared to 12 months ago remained largely negative. Only 13% indicated conditions had improved, a 6-point decrease from last quarter. Bankers don't expect the situation to change over the next 12 months, with just 10% projecting conditions will improve, the lowest level since the survey began.

**Experience** Compared to 12 Months Prior



**Expectation** Looking 12 Months Ahead

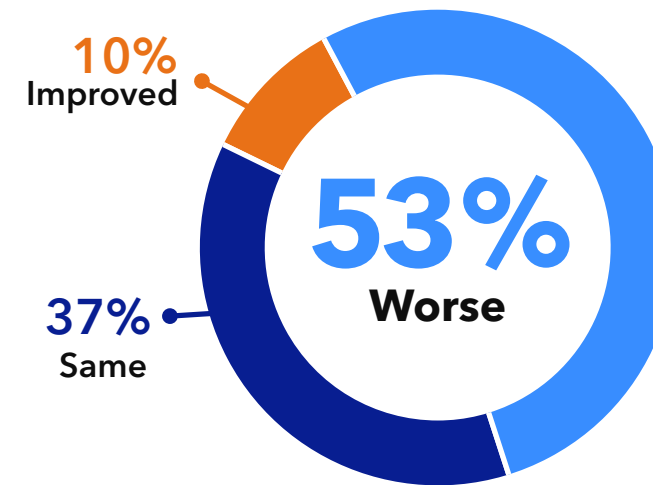


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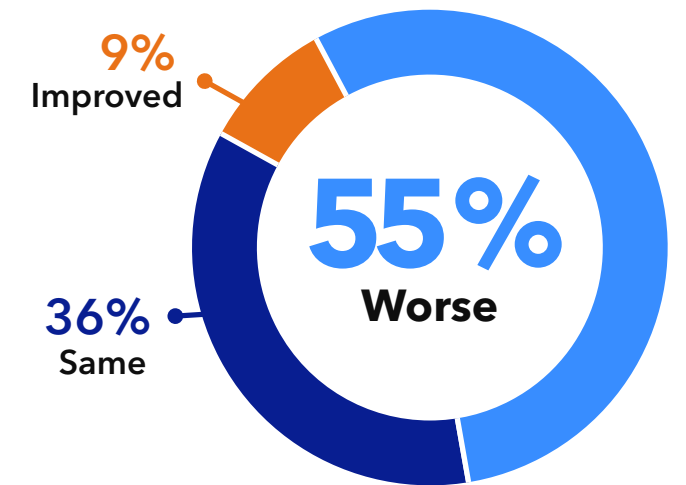
## BREAKOUT BY ASSET SIZE

Expectation for overall economic conditions looking 12 months ahead

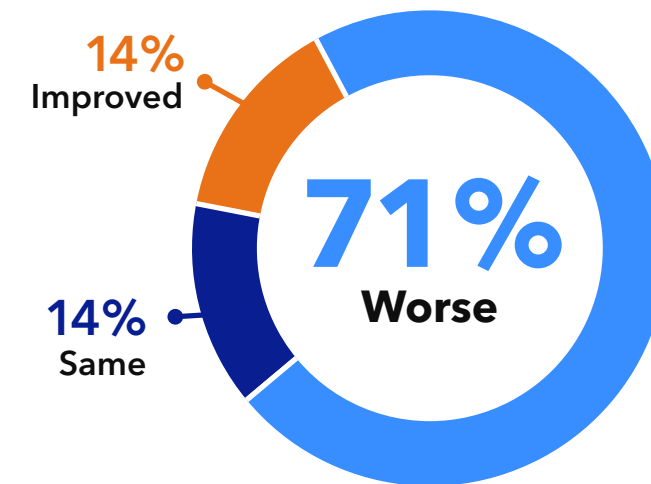
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\$1 Billion - \$10 Billion in Assets



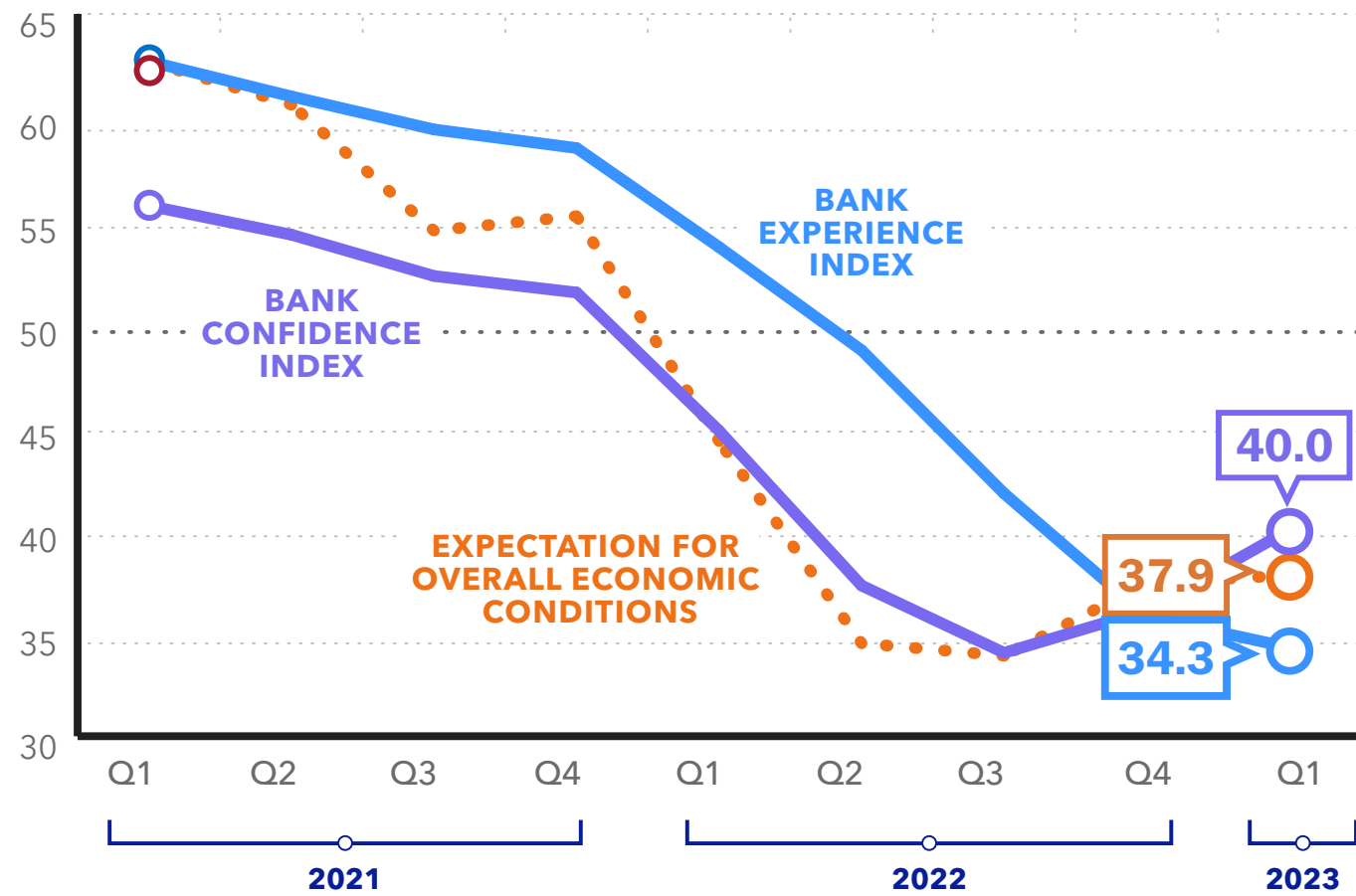
>\$10 Billion in Assets



# INDICES

IntraFi's proprietary Bank Experience Index<sup>SM</sup> dropped for the eighth consecutive quarter, measuring 34.3, a record low.

The Bank Confidence Index<sup>SM</sup> rose to 40.0 an increase of 3.9 points from the previous quarter.



The Bank Experience Index is meant to quantify bankers' experiences looking back over the last 12 months, while the Bank Confidence Index is meant to quantify bankers' forward-looking expectations for the banking industry for the 12 months ahead. The expectation for overall economic conditions is a composite of broad expectations for the next 12 months.

These indices are calculated from responses by CEOs, CFOs, COOs, and presidents to survey questions relating to four key factors: access to capital, loan demand, funding costs, and deposit competition.

Charted on a scale of 0-100, a score of 50 represents the baseline expectation.

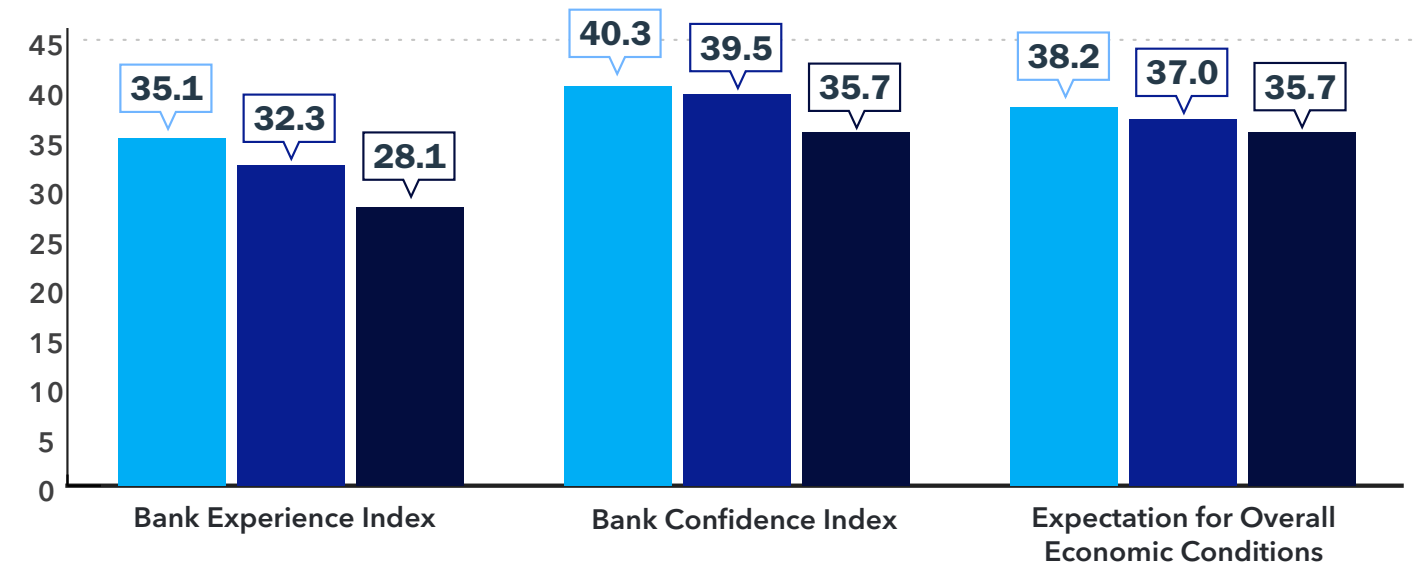
## 34.3

IntraFi's Bank Experience Index fell to its lowest recorded level.

## 40.0

IntraFi's Bank Confidence Index rose nearly four points.

## INDICES BY ASSET SIZE



● <\$10 Billion ● \$1-\$10 Billion ● >\$10 Billion

The Bank Confidence Index and Bank Experience Index are proprietary indices of IntraFi, calculated using IntraFi's proprietary algorithm. Bank Confidence Index and Bank Experience Index are service marks of IntraFi.

# METHODOLOGY AND RESPONSE

IntraFi's Bank Executive Business Outlook Survey was conducted online over the course of two weeks from April 4 to April 14, 2023. The survey was completed prior to the May 1 failure of First Republic Bank.

The survey was delivered via email to bank CEOs, presidents, CFOs, and COOs. Leaders from 567 unique banks throughout the United States completed the survey. Of these respondents, 192 were CEOs (34%), 61 were presidents (11%), 266 were CFOs (47%), and 48 were COOs (8%).

All percentages have been rounded to the nearest whole number unless reported otherwise.

## ABOUT INTRAFI

Chosen by over 3,000 financial institutions, fintechs, and brokerage firms since its founding more than two decades ago, IntraFi® manages the nation's largest bank deposit network. Its services help customers acquire high-value relationships, fund more loans, seamlessly manage liquidity needs, and earn fee income. As the nation's #1 provider of reciprocal deposit solutions and a leading provider of overnight and term funding options, IntraFi delivers large-dollar deposit and liquidity management services.

For more information about this survey, IntraFi, or its solutions, please contact Rob Blackwell, Chief Content Officer & Head of External Affairs, at (866) 776-6426, x3357 or [rblackwell@intrafi.com](mailto:rblackwell@intrafi.com).



**IntraFi**<sup>SM</sup>

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