US banks

Depositors pull nearly $60bn from three US banks as Apple raises pressure

Charles Schwab, State Street and M&T report outflows as savers hunt for better rates

State Street told analysts that another $4bn to $5bn of outflows of non-interest-bearing deposits could leave in the second quarter © Alamy Stock Photo

Brooke Masters and **Madison Darbyshire** in New York YESTERDAY

Big US financial groups Charles Schwab, State Street and M&T suffered almost $60bn in combined bank deposit outflows in the first quarter as customers continued to move their money in search of higher returns.

The deposit flight has been turbocharged by the collapse last month of Silicon Valley Bank and two other US lenders, with cash moving out of bank accounts at a pace not seen since the aftermath of the 2008 financial crisis.

In a fresh sign of the threat to traditional banks, Apple and Goldman Sachs on Monday announced the launch of a new savings account in the US that will pay a market-leading 4.15 per cent a year.

US savers have been yanking cash out of low-yielding bank accounts and ploughing it into alternative products such as money market funds or Treasury bills that pay better returns, allowing them to take advantage of the sharp interest rate rises implemented by the Federal Reserve. The average US bank account savings rate is just 0.37 per cent, according to government data, versus the Fed's benchmark rate of 4.75 per cent to 5 per cent.

Schwab on Monday said deposits fell 11 per cent, or $41bn, in the first quarter and 30 per cent year on year to $325.7bn. Custody bank State Street's total deposits fell 5 per cent in the first quarter to $224bn, more than expected, and the group told analysts that another $4bn to $5bn of outflows of non-interest-bearing deposits could leave in the second quarter.

M&T Bank reported total deposits had declined 3 per cent from $163.5bn at the end of 2022 to $159.1bn.

The deposit flows, reported in first-quarter earnings, heralded an anxious start to a week when dozens of regional and midsized banks are due to announce their results, providing a fuller picture of the damage wrought by the failure last month of SVB and the other lenders.

Last week, some of the biggest US banks, JPMorgan Chase, Wells Fargo and Citigroup, announced they had raked in billions of dollars in deposits from customers fleeing smaller lenders following SVB's collapse.

State Street's shares closed down more than 9 per cent in New York after quarterly profits missed expectations and fees were hit by reduced assets under management in its investment arm.

Ron O'Hanley, State Street chief executive, said the sharp declines in the bank's shares "show the sensitivity among investors [because] there was so much volatility" around deposits.

Meanwhile, Schwab reported better than expected profits but paused share buybacks.

Rates have risen so quickly that Schwab's traditionally staid customer base of retail investors moved cash from its bank — which pays only 0.45 per cent interest on cash — at a clip that caught it off guard and caused it to borrow at a high cost to cover the outflows.

"We're not oblivious," said Walt Bettinger, Schwab's chief executive. "We know that we have driven much of what has gone on that has affected our near-term earnings."

While its bank deposits declined, the size of Schwab's money market funds increased 150 per cent to $358bn from $143bn in the first quarter of 2022, and is up almost 30 per cent from the end of last year.

UBS analyst Brennan Hawken wrote that the Schwab results were "not as ugly as feared". Shares in the broker closed up almost 4 per cent.

M&T, a Buffalo, New York-based lender did better than analysts had expected on net interest income, the gap between what it pays for deposits and charges for loans. Its shares rose almost 8 per cent.

Additional reporting by Kate Duguid in London, Joshua Franklin in New York and Patrick McGee in San Francisco