March 2023 Bank Failures vs. Coast Central: What are the key differences?

Depositor Mix

Banks: Both Silicon Valley Bank (SVB) and Signature Bank's customers were primarily technology start-ups and venture capital firms that funded them. SVB stated in 2021 that nearly half of all US venture-backed startups were customers of theirs. As the business environment and rising interest rates made it more difficult for these firms over the last year, customers began to draw down their deposit balances more quickly than management expected. SVP's depositor base had about 90% of uninsured deposits.

CCCU: our member base includes NO venture capital firms and very little exposure to local start-up members. Our uninsured deposits figure is only 14.1%.

Deposit Growth

Banks: The boom in technology fundraising and initial public offerings of stock (IPOs) during the pandemic led to a massive surge in deposits at SVB. In fact, deposits nearly tripled (300%) since the end of 2019.

CCCU: our much more stable share growth was approximately 26% over the same period.

Lower Yielding Investments

Banks: Because SVB's growth in deposits well outpaced its loan production, SVB invested the excess liquidity into long-term Treasuries and agency bonds with low yields to generate earnings for their shareholders.

CCCU: our balance sheet reflects that we largely stayed in cash, which created less interest-rate risk for us and ultimately proved to enhance earnings as our cash is now earning us approximately 5%, risk free.

Given the rapid withdrawal of deposits last week, SVB failed and was taken over by the FDIC on Friday, 3/10. The US Treasury and Federal Reserve worked through the weekend and announced late Sunday, 3/12, in an emergency action, that all deposits, both insured and uninsured, would be guaranteed, and that customers would have access to their money on Monday, 3/13. They also established a new Federal Reserve lending facility, offering loans to other banks to avoid taking losses on their fixed income assets.

Summary

Our diversified membership base, strong net worth position, low loan to share ratio (of approximately 49%) and over $369 million in cash on our balance sheet makes us one of the lowest risk institutions in the nation for this type of failure.

Contact for questions: (707) 445-8801, EVP Fred Moore x1310, CEO James Sessa x1301

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