

May, 2026

Investment Seminar

Financial Friday Series



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You are currently muted, please send any questions through chat.

Questions? There will be a Q&A portion at the end of the session!

Surveys will be at the end of each session. We appreciate your feedback.

Thank you for joining us today!





Understanding Bank Liquidity

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Disclosure

The presenter does not express an official position of the OFR on any issue. The views expressed are entirely personal opinions and interpretations.



Liquidity and Liquidity Risk

“*Liquidity* is the ability to meet cash and collateral obligations at a reasonable cost.”

“*Liquidity risk* reflects the possibility an institution will be unable to obtain funds, such as customer deposits or borrowed funds, at a reasonable price or within a necessary period to meet its financial obligations.”

– *FDIC’s Risk Management Manual*



How Banks Work

ASSETS	LIABILITIES
Loans	Deposits
Investments	Borrowings



Sources of Liquidity

Core

- Core deposits

Non-Core

- Brokered deposits
- Internet deposits
- Borrowings



Borrowings

Correspondent Banks

- Short term
- Generally unsecured

Federal Home Loan Bank

- Dependent on the borrower's qualified loans and securities

Federal Reserve Discount Window

- Dependent on the borrower's qualified loans and securities
- "Lender of Last Resort"



Liquid Assets

The liquidity of an asset refers to the ease with which the asset can be converted to cash quickly and with minimal loss in value.



Liquid Assets



Cash and noninterest-bearing deposits



Liquid Assets

Cash and noninterest-bearing deposits

Interest-bearing deposits



Liquid Assets

Cash and noninterest-bearing deposits

Interest-bearing deposits

Federal funds sold



Liquid Assets

Cash and noninterest-bearing deposits

Interest-bearing deposits

Federal funds sold

AFS securities



Liquid Assets

Cash and noninterest-bearing deposits

Interest-bearing deposits

Federal funds sold

AFS securities

HTM securities



Liquid Assets

Cash and noninterest-bearing deposits

Interest-bearing deposits

Federal funds sold

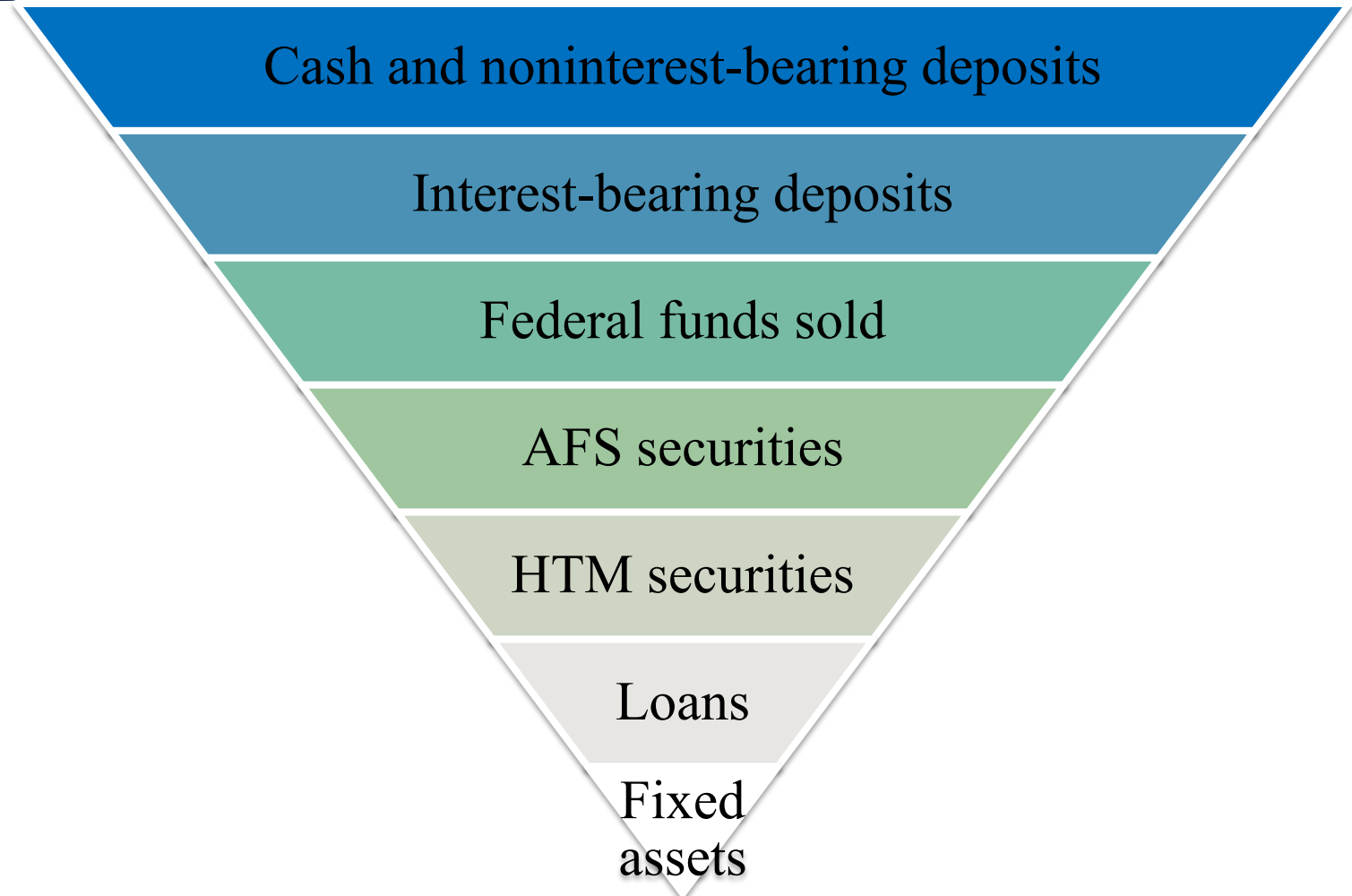
AFS securities

HTM securities

Loans



Liquid Assets





Liquidity vs. Earnings

**How much liquidity does
the asset provide?**

**How much earnings does
the asset provide?**

Interest-bearing deposits

Investment securities

Loans



Liquidity vs. Earnings

How much liquidity does the asset provide?	How much earnings does the asset provide?
#1	Interest-bearing deposits
#2	Investment securities
#3	Loans



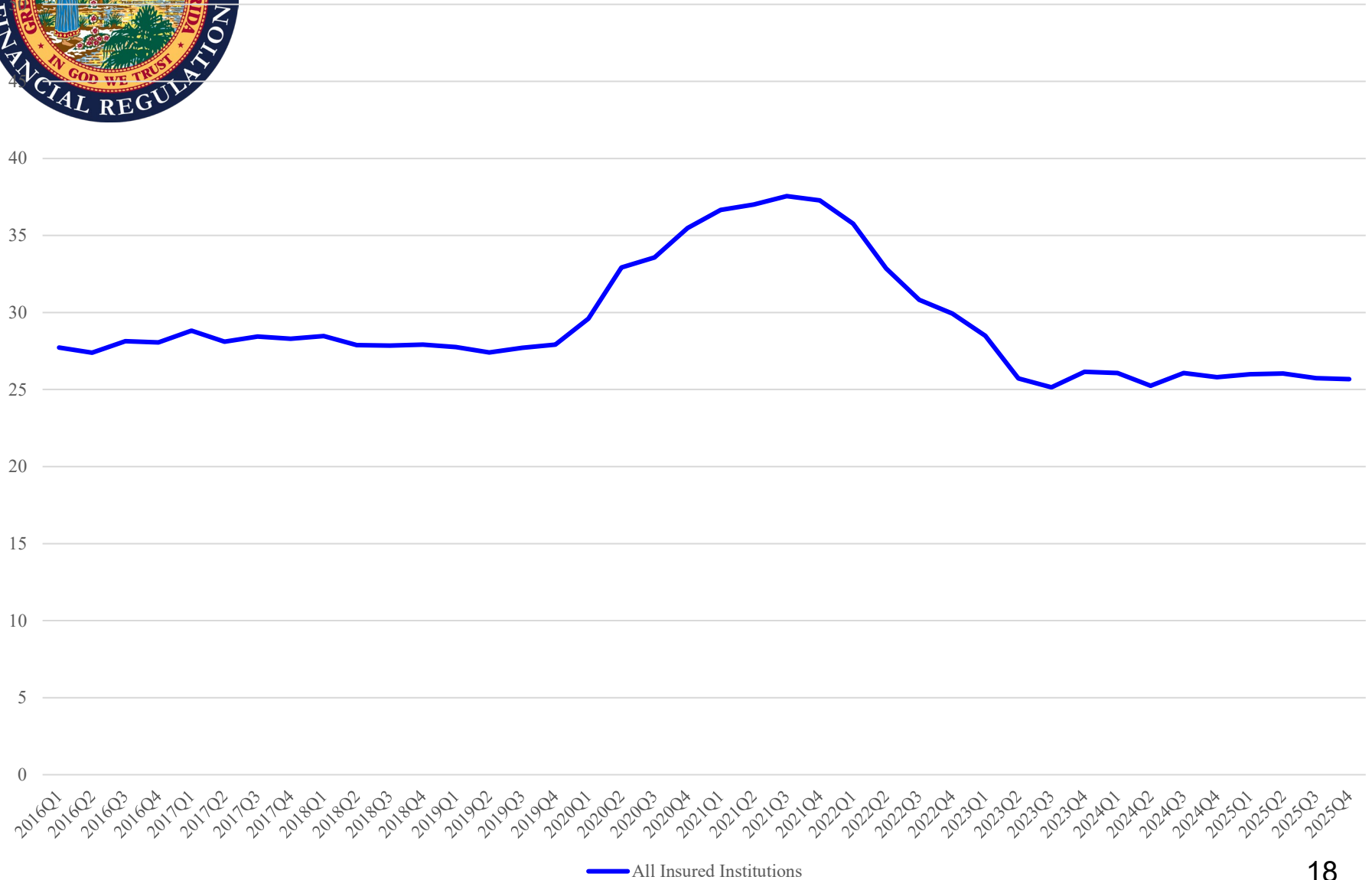
Liquidity vs. Earnings

How much liquidity does the asset provide?		How much earnings does the asset provide?
#1	Interest-bearing deposits	#3
#2	Investment securities	#2
#3	Loans	#1



On-Balance Sheet Liquidity to Total Assets

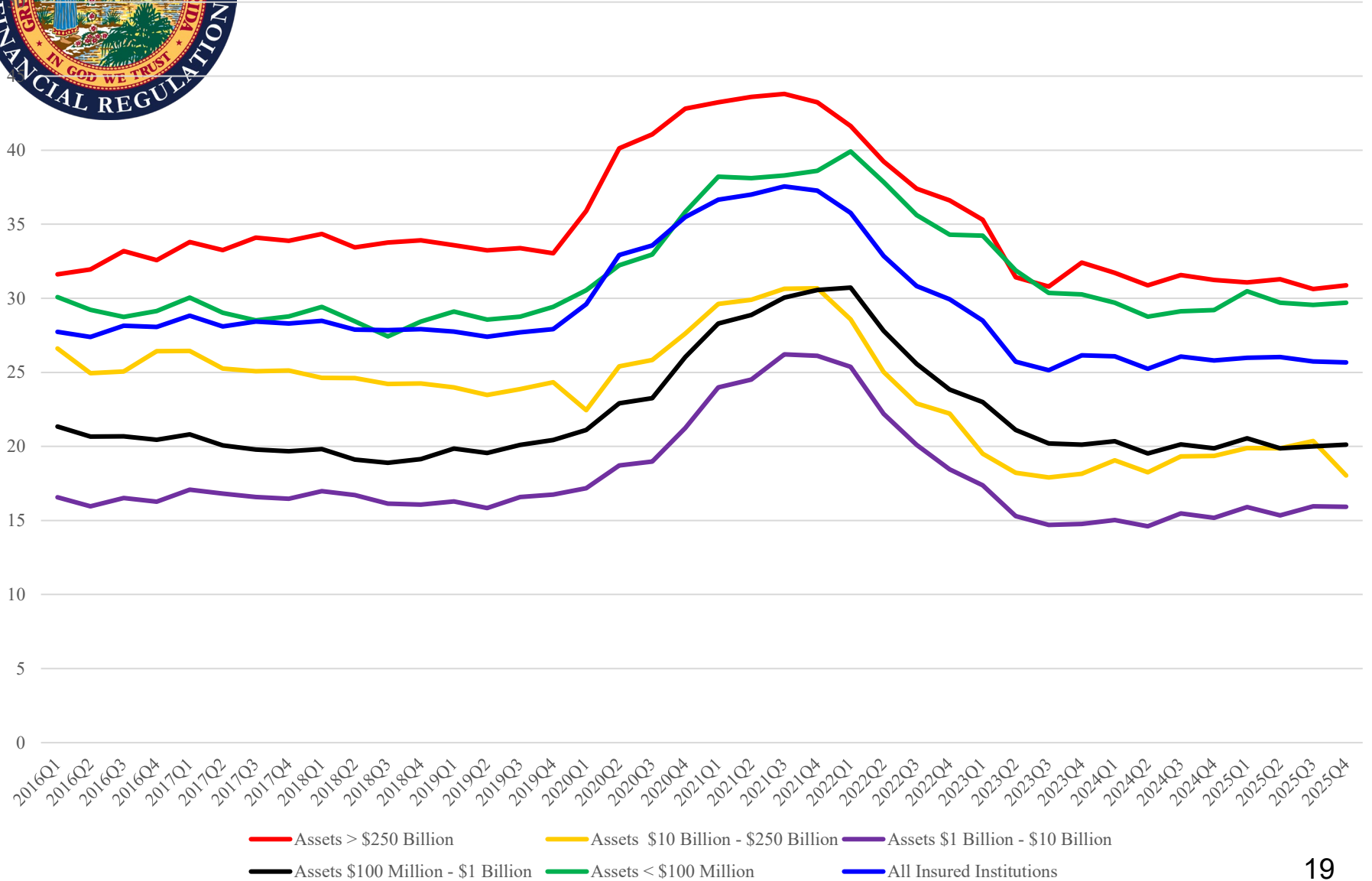
Source: Call Report data aggregated by the FDIC





On-Balance Sheet Liquidity to Total Assets

Source: Call Report data aggregated by the FDIC





Managing Liquidity Risk

How much liquidity is enough liquidity?



Sources and Uses Reporting

Sources

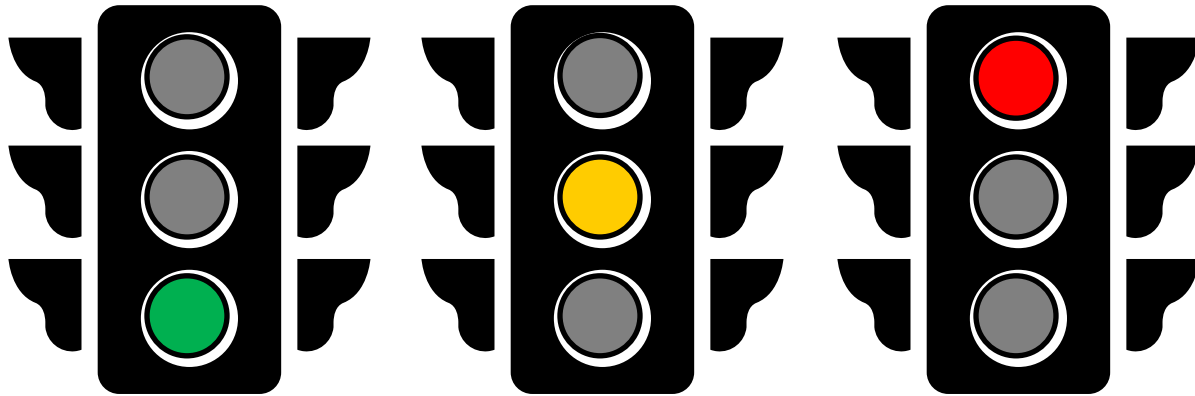
- Cash flows from loans
- Cash flows from investments
- Deposit growth
- New borrowings

Uses

- New loan originations
- New investments
- Deposit runoff
- Maturing borrowings

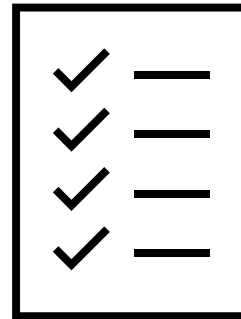
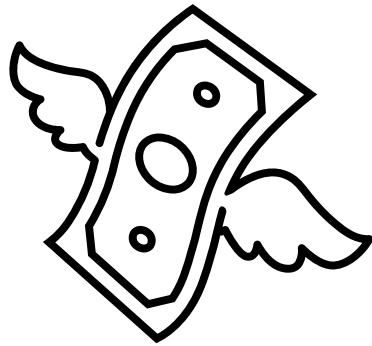


Liquidity Stress Testing





Testing Borrowing Facilities





Contingency Funding Plans

Depository institutions should:

- Maintain actionable contingency funding plans that take into account an appropriate range of possible stress scenarios.
- Proactively assess the stability of their funding and maintain a broad range of funding sources that can be accessed in adverse circumstances. The agencies encourage depository institutions to incorporate the discount window as part of their contingency funding arrangements.



Contingency Funding Plans

Depository institutions should: *(continued)*

- Be aware of the operational requirements to obtain funding from contingent sources, including testing access to contingent funding sources on a regular basis.
- Ensure that collateral is available for borrowing in an amount appropriate for potential contingency funding needs. Additionally, depository institutions should plan for potential operational challenges involved in moving and posting collateral.



Contingency Funding Plans

Depository institutions should: *(continued)*

- Review and revise contingency funding plans periodically and more frequently as market conditions and strategic initiatives change to address evolving liquidity risks.
- Updated Guidance: Interagency Policy Statement on Funding and Liquidity Risk Management on the Importance of Contingency Funding Plans (FIL-39-2023)



Other Considerations

Public
deposits

Large
deposits

Uninsured
deposits



Questions?

Thank You
For Your Attention



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