Global Credit Data
by banks for banks

Banks and Financial Institutions
Annual observed recovery rate trends

July 2024

Echoes of the Past: COVID-19 Recoveries mirror patterns from GFC

3,610	77%	1.3
Number of Facilities	**Observed Recovery Rate**	**Time to Peak Recovery**

2024 Outlook
The economy is once more navigating through a complex landscape influenced by current geopolitical developments, advancements in AI technology and the ongoing climate crisis. Notably, recent times have witnessed a rise in interest rates, a phenomenon not seen since 2008. This increase is expected to influence new recoveries on defaults, if only through the mechanism of discounting.

Bank Defaults in the Global Credit Data Loss Database
Bank internal Loss and Recovery Data has been collected from 50+ global banks since 2000. Historical observed Recovery Rates and Time to Peak Recovery are shown here by common risk drivers: Collateral and Seniority, Region and Bank Type. GCD members receive granular data including country level and granular bank types for deeper analysis.

Drivers of Loss
Collateral is observed as affecting recoveries. Secured recovery is higher than unsecured, particularly where a strong (primary) collateral is held. GCD has its strongest database in Europe and North America, which register similar figures. Most of the default cases here are NBFI, which mainly include Asset Management, Credit Companies and Funds.

> **Note on Terms Used** (see Appendix for more details)
>
> **Observed Recovery Rate** refers to the historically observed nominal average recovery cash flows divided by outstanding at default. It is based on resolved loans for years 2000-2019.
>
> **Time to Peak Recovery** is calculated as the center point of recovered cash flow.
>
> **Primary Collateral** is Cash, Marketable Securities, Ships, Airplanes, Real Estate and Other Objects. **Secondary Collateral** is all other collaterals.

Seniority & Collateral

		Number of Facilities	Observed Recovery Rate	Time to Peak Recovery
Secured	Primary	904	83%	1.3
	Secondary	1,071	76%	1.1
	Total	1,975	79%	1.2
Unsecured	Senior	1,159	72%	1.3
	Subordinated	51	76%	2.2
	Other	388	77%	1.4
	Total	1,598	73%	1.4

Region

	Number of Facilities	Observed Recovery Rate	Time to Peak Recovery
Africa & Middle East	132	76%	1.4
Asia & Oceania	270	75%	1.2
Europe	1,172	76%	1.5
Latin America	264	78%	1.1
North America	1,729	77%	1.1
Unknown	6	80%	1.7

Registered Banks vs Non Bank Financial Companies (NBFIs)

|	Number of Facilities	Observed Recovery Rate	Time to Peak Recovery
Registered Banks	873	75%	1.4
NBFIs	2,700	77%	1.2

Recoveries by Year of Default: Temporal Lag in Recoveries during COVID-19 and the GFC

The recovery rates by year of default show relatively low values for facilities that defaulted in 2019. This trend aligns with the Global Financial Crisis (GFC) experience where recoveries were lowest for defaults in 2008, indicating a consistent one-year lag. As workouts take over a year, defaults occurring just before the worst macro year end up with the lowest recovery during that peak crisis year.

In 2020, the low number of defaults underscores that COVID-19 did not trigger a banking crisis like the GFC. Although the resolution of unresolved cases which are not included here might slightly alter this view, the impact on defaults in the banking sector remains substantially milder.

	Number of Facilities	Observed Recovery Rate	Time to Peak Recovery
Covid 2019	27	74%	0.5
GFC 2008-2009	1,419	72%	1.4
Other Years	2,164	80%	1.2

Due to the resolution bias the dataset has few defaults for recent years. Impact of the pandemic will materialize over the next few years.
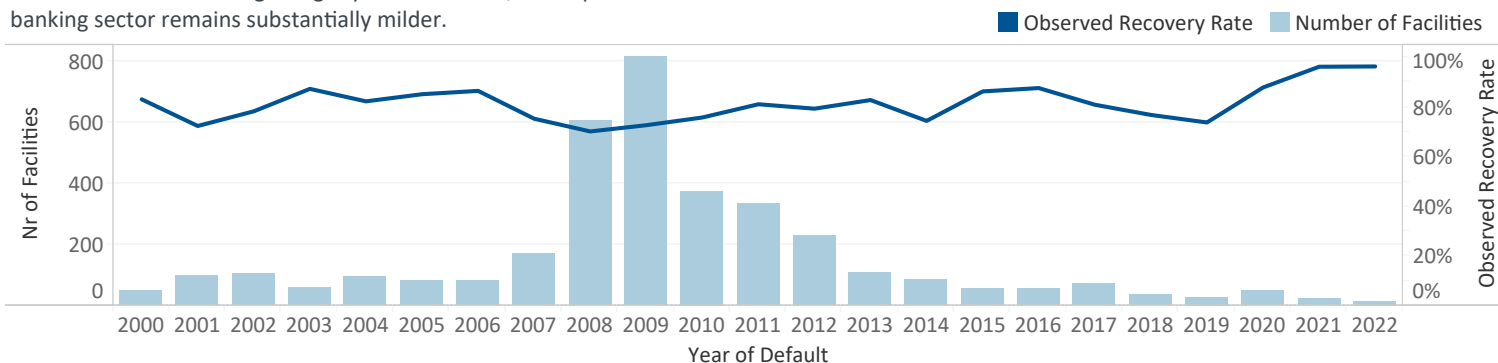
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This report draws on verified information collected from 50+ global or regional banks over 20 years and covers over 300,000 defaulted facilities in total.

Explore our other reports. They provide an instant insight into observed Recovery Rates and other key benchmarks for various exposure classes, industry sectors and collateral types:
Corporates, Banks and Financial Institutions, Sovereigns, Real Estate Finance, Shipping Finance, Aircraft Finance.

To meet the standards set by global regulations like BCBS239 or RDARR GCD has established a robust framework to continously measure, monitor and improve data quality.

About

At GCD we pool credit loss data directly from banks' books, providing vital insights into the financial industry since 2004. As a non-profit organization owned by over 50 member banks we focus on collecting detailed credit risk data, particularly for low default portfolios.

Beyond data pooling we offer a platform to exchange knowledge and foster research. We are actively engaged in understanding and assessing climate risk, demonstrating our commitment to addressing contemporary and future financial challenges.

Joining GCD grants you access to an exclusive community of banks and deep data insights. Gain market understanding and benchmark your performance.

www.globalcreditdata.org

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