

Banks and Financial Institutions

Annual observed recovery rate trends

June 2023

2023 Outlook

The global outlook is once again uncertain amid financial sector turmoil, high inflation, ongoing effects of Russia's invasion of Ukraine, and three years of COVID. This report includes for the first time defaulted loans from 2020, the year the pandemic began. However, there is considerable ambiguity about the final outcome with only 60% of the defaults finalized and the remainder subject to future turbulence.

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 NBFIs, 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.

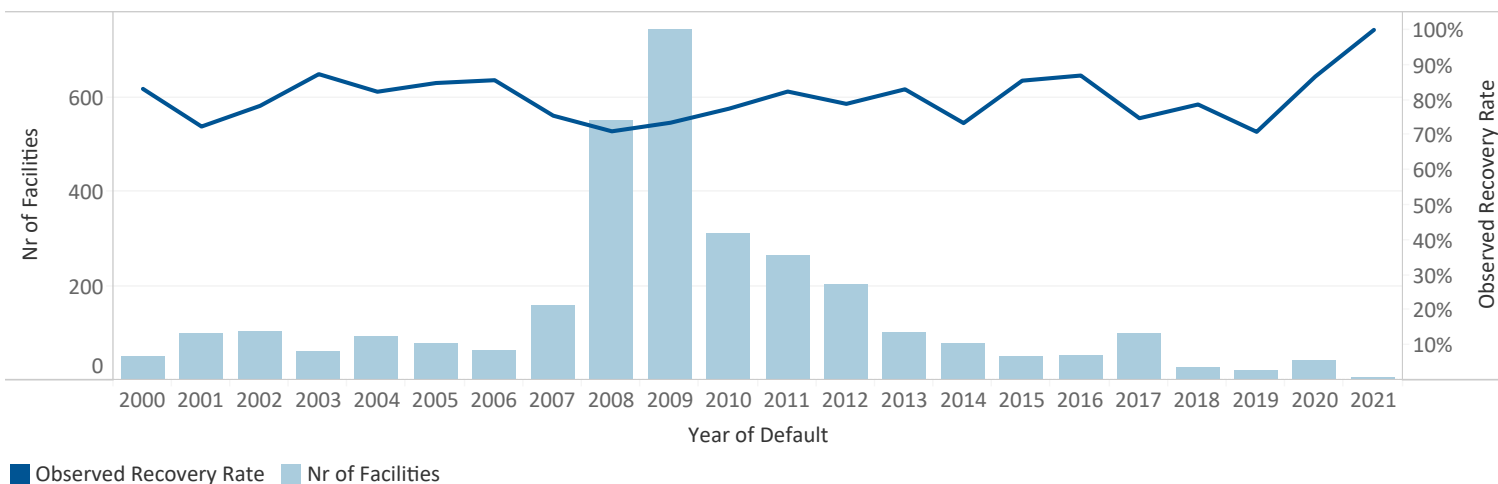
Time to Peak Recovery is calculated as the center point of recovered cash flow.

Primary Collateral is Cash, Marketable Securities, Ships, Airplanes, Real Estate and Other Objects. **Secondary Collateral** is all other collaterals.

Recoveries and Losses in Crisis Times

This report shows historical observed recovery rates. For recent years the increasing portion of yet to be resolved cases adds uncertainty to the outcome and numbers must be interpreted carefully. For these unresolved cases the ultimate recoveries are unknown and therefore, they are not included here.

Higher numbers of defaults and lower recoveries are observed during the financial crisis starting in 2008. The peak of defaults was in 2009 which was the worst year of the crisis. As workouts take more than one year the 2008 defaults were being recovered in that worst year and hence show the lowest recovery.



3,196
Number of Facilities

77%
Observed Recovery Rate

1.3
Time to Peak Recovery

Seniority & Collateral

	Nr of Facilities	Observed Recovery Rate	Time to Peak Recovery	
Secured	Primary	807	83%	1.3
	Secondary	875	77%	1.1
	Total	1,682	80%	1.2
Unsecured	Senior	1,084	72%	1.3
	Subordinated	51	76%	2.2
	Other	379	78%	1.4
Total	1,514	73%	1.4	

Region

Region	Nr of Facilities	Observed Recovery Rate	Time to Peak Recovery
Africa & Middle East	128	75%	1.4
Asia & Oceania	256	74%	1.2
Europe	1,150	76%	1.5
Latin America	251	77%	1.2
North America	1,405	78%	1.2
Unknown	6	80%	1.7

Registered Banks vs Non Bank Financial Companies (NBFIs)

Entity Type	Nr of Facilities	Observed Recovery Rate	Time to Peak Recovery
Registered Banks	879	74%	1.4
NBFIs	2,317	78%	1.3

Period	Nr of Facilities	Observed Recovery Rate	Time to Peak Recovery
Covid 2020	41	87%	0.4
GFC 2008-2009	1,294	72%	1.4
Other Years	1,907	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.

Global Credit Data maintains the world's highest quality, most exhaustive member-bank contributed data source for credit risk.



More from Global Credit Data

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, GCD has established a robust framework to continuously measure, monitor and improve [data quality](#).

About

At GCD, our mission since 2004 has been to empower banks and the financial industry with a deep understanding of credit risk through a unique data source. As a non-profit organisation owned by 50+ member banks, we collect valuable data directly from banks' books.

GCD's activities revolve around pooling credit loss data, particularly from low default portfolios. Beyond data pooling we foster knowledge exchange, facilitate research and information sharing services, creating a dynamic environment for insights and collaboration.

Join our community to access exclusive data insights gain market understanding, and benchmark your performance against industry peers.

www.globalcreditdata.org

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