DATA DISPATCH

**US banks' net charge-offs at multiyear highs in many loan segments in Q4 2023**

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*Market Intelligence*

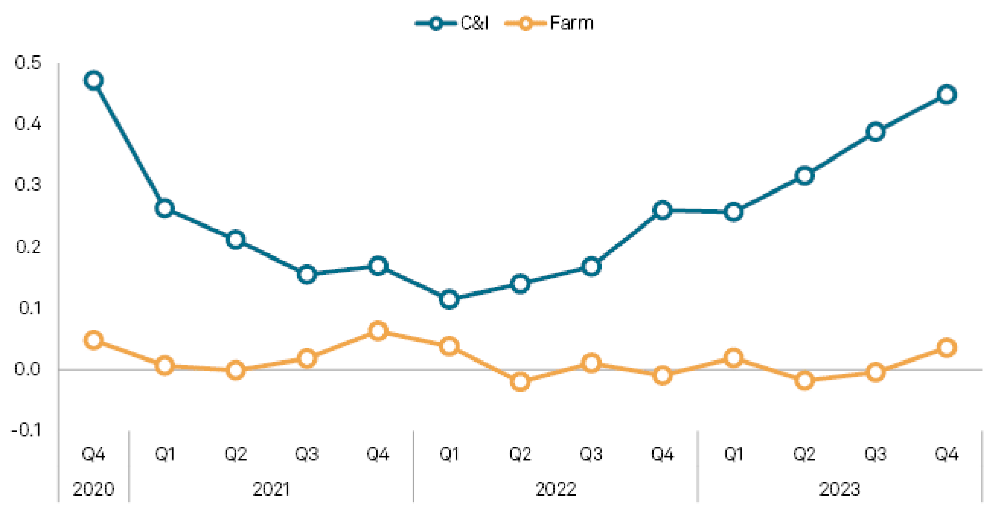
US banks posted increased net charge-offs across several loan categories in the 2023 fourth quarter.

The annualized commercial and industrial (C&I) net charge-off (NCO) rate rose 6 basis points quarter over quarter and 19 basis points year over year to 0.45% in the quarter ended Dec. 31, 2023 — the highest level since 0.47% in the 2020 fourth quarter, according to an S&P Global Market intelligence analysis.

The steepest increase — both quarterly and yearly — was seen in the credit card segment. The annualized NCO rate for the segment rose 58 basis points quarter over quarter and 94 basis points year over year to 4.15%, the highest since 4.38% in the 2019 second quarter. The average net loss rate for the six major credit card issuers rose 15 basis points in December 2023 to 2.08%, its highest point since 2.21% in August 2020.

Sequentially, the annualized NCO rate for the multifamily segment rose by 9 basis points to 0.11% in the 2023 fourth quarter, the highest since 0.12% in the 2013 first quarter.

Net charge-off ratios at US banks (%)




Data compiled Feb. 19, 2024.
C&I = commercial and industrial.
Analysis includes US commercial banks, savings banks, and savings and loan associations; excludes nondepository trusts and companies with a foreign banking organization charter.
Net charge-offs by type are shown as a percentage of their respective loan type average balance.
Other consumer loans are loans to individuals for household, family and other personal expenditures other than those that meet the definition of credit card loan, auto loan, "loan secured by real estate," or those for purchasing or carrying securities. Examples include loans to purchase trailers, boats, furniture and appliances as well as student loans and loans to pay medical expenses.
Data based on regulatory filings.
Source: S&P Global Market Intelligence.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**2023 CRE NCO rate highest in 8 years**

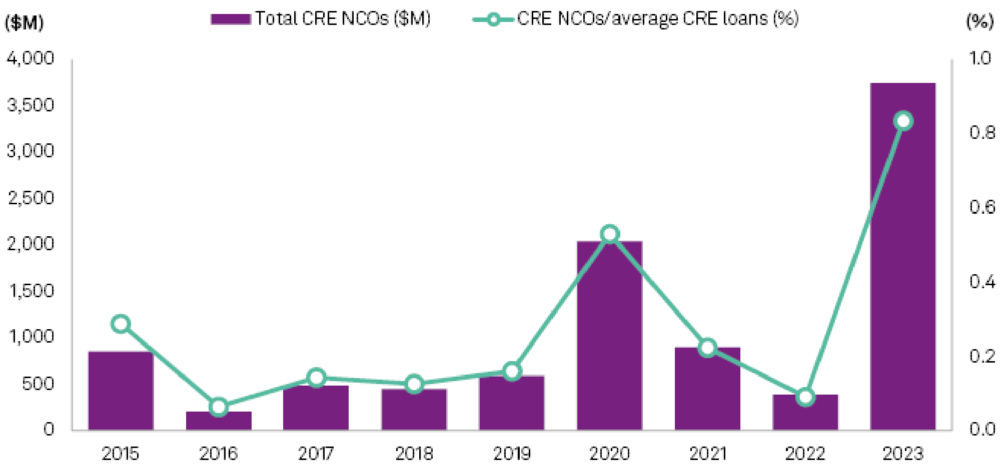
Banks continued to face distress in their commercial real estate (CRE) loan portfolios, with many seeing surging loan delinquencies and NCOs.

For full year 2023, the industry recorded NCOs of $3.74 billion for CRE loans, up about 868% from the $387.0 million posted for the full year 2022. CRE

NCOs as a percentage of average CRE loans was 0.83%, a 74 basis point year-over-year increase and the highest since 2015.

In S&P Global Market Intelligence's bank outlook survey conducted between Nov. 16 and Dec. 15 in 2023, about 45% of respondents expected lower credit quality in their CRE loan portfolios over the next 12 months, up from 35.9% in the 2023 third-quarter survey and 31.2% in the year-ago survey.

### CRE NCO ratios at US banks




Data compiled Feb. 19, 2024.
CRE = commercial real estate; NCO = net charge-off.
Analysis includes US commercial banks, savings banks, and savings and loan associations; excludes nondepository trusts and companies with a foreign banking organization charter.
Commercial real estate loans include nonfarm and nonresidential loans for US offices.
Data based on regulatory filings.
Source: S&P Global Market Intelligence.


Wells Fargo & Co. took the No. 1 spot on the list of top 20 US banks by CRE NCOs in the 2023 fourth quarter. The bank's CRE NCOs for the quarter amounted to $367.0 million, or 1.7% of average CRE loans. Delinquent CRE loans represented 5.0% of the bank's total CRE loans.

"As expected, losses started to materialize in our commercial real estate office portfolio as market fundamentals remain weak. The losses were across a number of loans spread across various markets and were driven by borrower performance, lower appraisals were the result of properties or loans being sold at a loss," said Michael Santomassimo, senior executive vice president and CFO, in a call to discuss Wells Fargo's 2023 fourth-quarter results.

CIBC Bancorp USA Inc., a subsidiary of Canadian Imperial Bank of Commerce, took the second spot on the list, with CRE NCOs at $119.6 million in the fourth quarter of 2023. The annualized CRE NCO rate for the quarter was 3.9%, an increase of 300 basis points compared to the year-ago period.

## Top 20 US banks by CRE NCOs, Q4 2023

| Company (ticker) | Total assets ($B) | CRE NCOs ($M) | CRE NCOs/average CRE loans (%) | CRE NCOs/average CRE loans YOY change (bps) | Delinquent CRE loans/total CRE loans (%) |
|---|---|---|---|---|---|
| Wells Fargo & Co. (WFC) | 1,932.47 | 367.0 | 1.7 | 162 | 5.0 |
| CIBC Bancorp USA Inc. | 71.65 | 119.6 | 3.9 | 300 | 5.9 |
| Capital One Financial Corp. (COF) | 478.46 | 112.2 | 2.7 | 264 | 3.4 |
| Bank of America Corp. (BAC) | 3,180.15 | 107.0 | 0.7 | 47 | 3.7 |
| U.S. Bancorp (USB) | 663.49 | 75.0 | 1.1 | 68 | 2.2 |
| Santander Holdings USA Inc. | 164.97 | 64.7 | 6.1 | 612 | 6.1 |
| M&T Bank Corp. (MTB) | 208.26 | 64.4 | 0.9 | 77 | 4.4 |
| TD Group US Holdings LLC | 523.28 | 57.9 | 1.1 | 112 | 1.5 |
| Citizens Financial Group Inc. (CFG) | 222.41 | 56.1 | 1.3 | 129 | 3.3 |
| PNC Financial Services Group Inc. (PNC) | 561.60 | 54.7 | 0.8 | 52 | 2.9 |
| Truist Financial Corp. (TFC) | 535.35 | 51.0 | 0.5 | 47 | 1.2 |
| New York Community Bancorp Inc. (NYCB)[1] | 116.32 | 41.5 | 1.6 | 157 | 1.5 |
| Goldman Sachs Group Inc. (GS) | 1,641.59 | 35.0 | 1.9 | N/A | 9.4 |
| Synovus Financial Corp. (SNV) | 59.81 | 30.2 | 0.8 | 81 | 0.9 |
| Citigroup Inc. (C) | 2,411.83 | 30.0 | 1.1 | 106 | 5.0 |
| First Citizens BancShares Inc. (FCNC.A)[2] | 213.77 | 27.7 | 0.4 | 45 | 3.0 |
| JPMorgan Chase & Co. (JPM)[3] | 3,875.39 | 27.0 | 0.2 | 24 | 1.1 |
| RBC US Group Holdings LLC | 168.46 | 24.1 | 0.7 | 66 | 1.1 |
| New York Private Bank & Trust Corp. | 6.30 | 23.4 | 11.4 | 1,135 | 17.2 |
| KeyCorp (KEY) | 188.37 | 22.9 | 1.0 | 47 | 1.5 |
| **Industry aggregate[4]** | **23,668.75** | **1,525.4** | **0.3** | **28** | **1.4** |

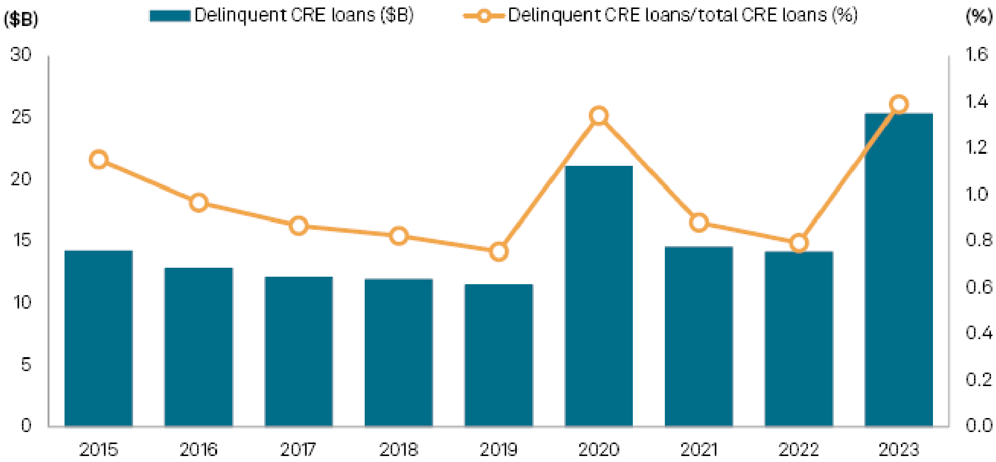
Data compiled Feb. 19, 2024.
CRE = commercial real estate; NCO = net charge-off; N/A = not applicable.
Analysis limited to top-tier consolidated US banks and thrifts; excludes nondepository trusts.
[1] New York Community Bancorp Inc. purchased certain assets and liabilities of Signature Bridge Bank NA on March 19, 2023.
[2] First Citizens BancShares Inc. acquired certain assets and liabilities of Silicon Valley Bridge Bank NA on March 26, 2023.
[3] JPMorgan Chase Bank NA assumed substantially all of the deposits and purchased essentially all of the assets of First Republic Bank on May 1, 2023.
[4] Represents aggregate data for US commercial banks, savings banks, and savings and loan associations; excludes nondepository trusts and companies with a foreign banking organization charter.
Delinquent loans include loans 30-plus days past due or in nonaccrual status.
Data based on regulatory filings.
Tickers based on top-level entities' home country stock exchanges.
Source: S&P Global Market Intelligence.


**CRE loan delinquencies increase YOY**

US banks' total delinquent CRE loans stood at $25.26 billion as of Dec. 31, 2023, up 79.2% from $14.10 billion as of Dec. 31, 2022. The CRE loan delinquency ratio increased 60 basis points year over year to 1.39%.

Among the top 20 US banks by CRE NCOs in the fourth quarter of 2023, New York Pvt. Bank & Trust Corp. logged the highest CRE loan delinquency ratio of 17.2%.

CRE loan delinquency trends at US banks




Data compiled Feb. 19, 2024.
CRE = commercial real estate.
Analysis includes US commercial banks, savings banks, and savings and loan associations; excludes nondepository trusts and companies with a foreign banking organization charter.
Commercial real estate loans include nonfarm and nonresidential loans for US offices.
Data based on regulatory filings as of Dec. 31 each year.
Source: S&P Global Market Intelligence.


**Most credit quality metrics worsen at US banks**

Early-stage delinquencies, or loans and leases past due between 30 days and 89 days, increased 14.3% year over year to $67.79 billion at Dec. 31, 2023. Loans and leases past due 90 days or more also increased by 37.2% to $22.98 billion.

NCOs as a percentage of average loans and leases were at 0.65%, up 23 basis points from 0.42% in the 2022 fourth quarter.

Nonperforming assets as a percentage of total assets went up by about 6 basis points year over year to 0.46% at year-end 2023.

## Credit quality at US banks

| | Q4 2023 | Q4 2022 | YOY change* |
|---|---|---|---|
| **Nonperforming assets** | | | |
| $B | 108.59 | 93.48 | ▲ |
| Proportion of total assets (%) | 0.46 | 0.40 | ▲ |
| **Nonaccrual loans** | | | |
| $B | 70.25 | 51.23 | ▲ |
| Proportion of total loans and leases (%) | 0.56 | 0.42 | ▲ |
| **Restructured loans and leases** | | | |
| $B | 34.72 | 39.18 | ▼ |
| Proportion of total loans and leases (%) | 0.28 | 0.32 | ▼ |
| **Loans and leases past due 90 days or more** | | | |
| $B | 22.98 | 16.75 | ▲ |
| Proportion of total loans and leases (%) | 0.18 | 0.14 | ▲ |
| **Loans and leases past due 30-89 days** | | | |
| $B | 67.79 | 59.33 | ▲ |
| Proportion of total loans and leases (%) | 0.54 | 0.49 | ▲ |
| **Net charge-offs** | | | |
| $B | 20.12 | 12.70 | ▲ |
| Net charge-offs/average loans and leases (%) | 0.65 | 0.42 | ▲ |

Data compiled Feb. 19, 2024.

Analysis includes US commercial banks, savings banks, and savings and loan associations; excludes nondepository trusts and companies with a foreign banking organization charter.

* Comparisons calculated out to two decimal places for all metrics.

Government-guaranteed loans are excluded.

Data based on regulatory filings.

Source: S&P Global Market Intelligence.



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