DOW JONES

THE WALL STREET JOURNAL.

Banks Look Like Bargains as SVB Scare Abates

By Sam Goldfarb
1,023 words
29 March 2023
The Wall Street Journal
J
B1
English

More investors are betting on a rebound in the banking sector, wagering that regional lenders are in much better condition than many initially feared after the collapse of Silicon Valley Bank.

The KBW Nasdaq Bank Index of commercial lenders has climbed 2.9% this week, while U.S. Treasury prices have dropped, after First Citizens Bancshares reached a deal with federal regulators on Monday to buy large pieces of Silicon Valley Bank.

The run on SVB that started March 9 had sparked a rout in banks and a surge in demand for Treasurys, reflecting fears that trouble in the financial sector could hurt the broader economy.

This week's gain marks the latest sign that Wall Street is warming up to banks again, with their stocks and bonds stabilizing and analysts increasingly emboldened to call bottom on the selloff. Over the past two weeks, there have been no new bank failures, and most of the concern has focused on just one midsize lender, First Republic Bank.

The situation in the banking sector is fluid, and investors broadly remain on edge. Recent Federal Reserve data have shown a sizable shift in deposits from smaller to larger banks, while unnamed banks have also rushed to borrow from the Fed, acting out of precaution or financial pressure.

Still, many investors challenge the notion that there is any fundamental, widespread problem on the asset side of bank balance sheets -- a view that gives them confidence that deposit flight will abate and that a still-strong U.S. economy will survive the latest in what has been a string of recession scares.

One of SVB's problems was that it faced large unrealized losses on its portfolio of government-backed bonds thanks to last year's jump in interest rates. But no other major bank faces nearly the same amount of losses relative to its size, these investors point out. In addition, such bonds are still essentially guaranteed to be paid in full when they mature, and banks can now borrow against them from the Fed at their face value -- making them worlds apart from the toxic mortgage assets that sank lenders in the late 2000s.

Investors remain nervous about regional bank stocks, partly because many had doubts about them even before this month, but there is a sense in the market that "some of these things have taken too much of a beating," said Brett Rabatin, head of equity research at Hovde Group.

Ryan Jungk, investment-grade corporate sector manager at Newfleet Asset Management, said his team started buying regional bank bonds last week, playing down typical concerns such as the exact maturity of the bonds to speed up the process.

He briefly worried about competition when the research firm CreditSights published a report arguing that investors had a "once-in-a-decade opportunity" to buy the bonds of regional banks, stating that the market "appears to be pricing a fundamental bank crisis that we're increasingly doubtful actually exists in any real breadth." But to Mr. Jungk's relief, the CreditSights report didn't immediately spark a big rally and he still could buy more bonds over the next two days at prices he found extremely attractive.

"The underlying asset quality is good," said Mr. Jungk. Largely for that reason, he added, "I really do think that confidence builds back up here" to the point that a month from now, "we're going to probably say, 'OK, that was kind of a weird week.'"

The recent fears about the banking sector haven't hit all markets equally.

For all the turmoil, the S&P 500 is roughly unchanged since SVB's collapse, as declines in economically sensitive sectors have been balanced out by gains in sectors seen as more insulated from a potential downturn, such as information **technology** and utilities.

Elsewhere, though, U.S. government bonds have staged one of their biggest rallies of recent decades, reflecting investor bets that the banking problems will slow economic growth and likely force the Federal Reserve to pivot from fighting inflation to slashing interest rates.

The declines in the stocks and bonds of banks have also been severe. Even after this week's gains, the KBW Nasdaq Bank Index is still down 22% since March 8. As of Friday, the average extra yield that investors demanded to hold regional bank bonds over U.S. Treasurys had jumped to 2.71 percentage points from 1.08 percentage points, according to CreditSights.

Some analysts argue that bonds may have an easier time recovering because all that matters for debt investors is that banks remain solvent and capable of making their debt payments. Bank shares, by contrast, could be dragged down by lowered earnings expectations, as investors weigh the threat of more stringent regulations and pressure to increase deposit rates.

In a threat to both bonds and stocks, investors have recently become much more worried about banks' exposure to commercial mortgages, the value of which has been threatened by rising interest rates and a shift to hybrid work arrangements.

Michael Collins, a senior portfolio manager at PGIM Fixed Income, said his team was still very cautious about buying regional bank bonds in part because of their concern about the outlook for commercial real estate.

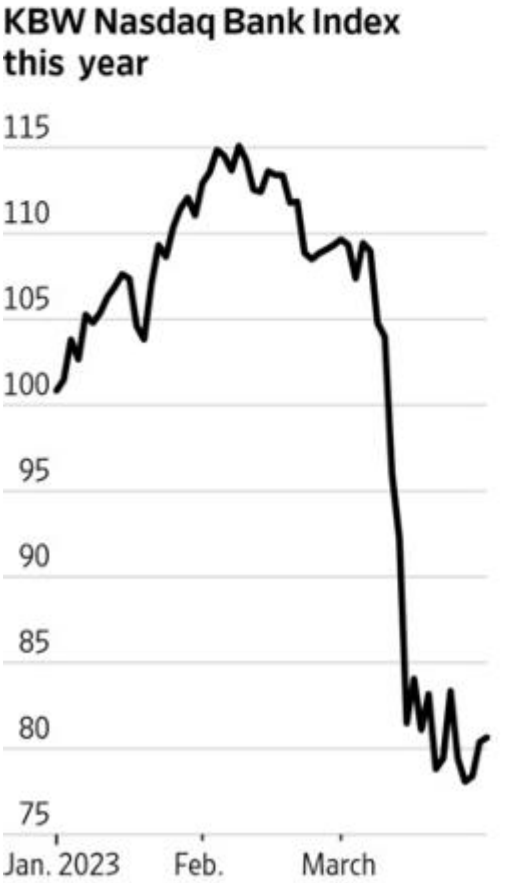
He also cited a broader worry, which is that "you can't underestimate the impact of human behavior and panic."

Others, though, are feeling more confident.

Thanos Bardas, global co-head of investment-grade fixed income at Neuberger Berman, said on Friday that he had recently reduced exposure to short-term Treasurys and added Treasury inflation-protected securities on the belief that easing bank worries will spur a rebound in investor expectations for both interest rates and inflation.

That move paid off Monday, as short-term Treasurys sold off sharply, driving the yield on the two-year note to its fourth-largest one-day gain of the past decade.

Much of the worry about banks is centered on their unrealized losses in "fixed income investments, which are high-quality investments, for God's sake," Mr. Bardas said.



Sources: FactSet (index); MarketAxess (premium)

Document J000000020230329ej3t0001t

THE WALL STREET JOURNAL.

First Citizens Buys Silicon Valley Bank

By Andrew Ackerman
988 words
28 March 2023
The Wall Street Journal
J
A1
English

First Citizens Bancshares Inc., one of the nation's largest regional banks, is buying large pieces of Silicon Valley Bank more than two weeks after the lender's collapse sent tremors through the banking system.

The Federal Deposit Insurance Corp. said First Citizens is acquiring all of Silicon Valley Bank's deposits, loans and branches, which opened Monday morning under the new ownership.

The purchase includes $56.5 billion in deposits and about $72 billion of SVB's loans at a discount of $16.5 billion. Some $90 billion of SVB's securities will remain in receivership.

Regulators took control of Santa Clara, Calif.-based SVB on March 10. The collapse sparked a panic that led to the weekend failure of Signature Bank and a dramatic intervention by financial regulators aimed at easing fears that depositors would flee smaller lenders.

The sale represents a milestone in regulatory efforts to clean up after two of the largest bank failures in history, at a time when investors are on edge about the health of the global financial system. Lawmakers are set to begin two days of hearings on the failures, beginning Tuesday in the Senate Banking Committee. A second hearing is set for Wednesday in the House.

Shares of First Citizens surged more than 50% on Monday. Shares of other regional banks including First Republic Bank, PacWest Bancorp and WesternAlliance Bancorp were also higher.

First Citizens, based in Raleigh, N.C., was the 30th-largest U.S. bank as of Dec. 31, 2022, with $109 billion in assets, according to the Federal Reserve. Monday's deal puts the lender in the top 25 U.S. banks in terms of assets.

The FDIC agreed to share any of First Citizens' losses or potential gains on SVB's commercial loans. Overall, the FDIC estimated the failure of SVB will cost a federal insurance fund it oversees about $20 billion, or roughly 10% of the bank's assets before its failure.

"We look forward to building relationships with our new customers and positioning our company for continued success as we affirm our commitment to support the integrity of our nation's banking system," First Citizens Chief Executive Frank Holding Jr. said in a news release.

The bank has at least one thing going for it: It knows its way around troubled banks. During the financial crisis of 2008, when lenders were failing left and right, it took on the deposits of Temecula Valley Bank in California and Venture Bank in Washington. It did the same for Sun American Bank in Florida and United Western Bank in Colorado. The SVB deal is its 22nd with federal agencies, according to Janney Montgomery Scott LLC.

"They were a frequent bidder" during the financial crisis, said John Popeo, a lawyer who helped sell failed banks for the FDIC at the time and is now a partner at advisory firm the Gallatin Group. "I recall them having a pretty good reputation."

First Citizens isn't known for **technology** banking, the bread-and-butter business of SVB, but its headquarters are at the center of a regional tech hub.

The bank has expanded rapidly in recent years, particularly in commercial banking. The SVB purchase will give it a banking presence in California and a wealth-management business in the Northeast.

On top of the loss-sharing agreement, the FDIC will help finance the deal with a five-year, $35 billion loan. The agency also is providing a $70 billion line of credit to help cover potential deposit flight.

"It looks to me like a pretty substantial support network around this transaction," said Alexander Rolfe, a former FDIC official who is now a consultant. That could set a precedent for future deals, he said.

The worries about American banks have centered on regional lenders that are perceived to be subject to the threat of deposit flight. Both SVB and Signature had large amounts of uninsured deposits -- or customers with more than the standard insurance cap of $250,000 per depositor.

First Republic Bank, a San Francisco lender that also has a large uninsured deposit base, has been in the crosshairs despite efforts to bolster its health. The bank has hired advisers to consider its options, but its bonds continue to trade at distressed levels.

Officials both in the U.S. and in Europe have taken steps to attempt to shore up confidence in the global financial system. The U.S. moved to back uninsured depositors of Signature and Silicon Valley Bank following their failure, in a bid to ease the anxieties of similar depositors at other banks. The FDIC last week sold "substantially all" of the deposits and some of the loans of Signature Bank to a unit of New York Community BancorpInc.

Swiss officials a week ago engineered a takeover of Credit Suisse Group AG by its rival UBS Group AG, following a period of intense customer flight from Credit Suisse that raised concerns about the entire Swiss economy. Afterward, officials said they believed banks were safe and sound.

At the same time, deposits continued to depart smaller U.S. banks following a surge in inflows during the Covid-19 pandemic.

Silicon Valley Bank failed because its core business of banking venture-capital firms and their startups was bleeding funds, creating a continuing cash need. The bank had invested heavily in long-term bonds whose value was badly hurt by the Fed's interest-rate increases over the past year.

SVB's implosion marks the biggest test to date of the post-financial-crisis regulatory architecture designed to force banks to curtail risk.

"Fundamentally, the banking system is sound," said Neel Kashkari, president of the Federal Reserve Bank of Minneapolis, speaking on CBS' "Face the Nation" on Sunday. "The banking system has a lot of capital to be able to withstand these pressures."

Ben Eisen and Rachel Louise Ensign contributed to this article.

First Citizens Bancshares' share price this year

Source: FactSet

Document J000000020230328ej3s0001l

The New York Times

Business/Financial Desk; SECTB
Family-Run Bank to Buy SVB In a Government-Backed Deal

By Lauren Hirsch
1,284 words
28 March 2023
The New York Times
NYTF
Late Edition - Final
1
English

Banking regulators, which announced the deal late Sunday, had been looking for a buyer since seizing control of the failed bank.

First Citizens BancShares, a family-run bank in North Carolina that traces its history to the late 1800s, said on Sunday that it would acquire Silicon Valley Bank, the California lender founded in the 1980s at the center of the **technology** industry, whose rapid growth and sudden collapse this month sent shock waves across the financial sector.

The Federal Deposit Insurance Corporation seized control of Silicon Valley Bank on March 10, after a run on deposits left it insolvent, making it the country's largest bank failure since the 2008 financial crisis. The F.D.I.C. had since been looking for a buyer for the bank, which was the country's 16th largest when it collapsed.

The deal for the bank, renamed Silicon Valley Bridge Bank after the F.D.I.C. seized it, included the purchase of about $72 billion in loans, at a discount of $16.5 billion, and the transfer of all the bank's deposits, worth $56 billion. Roughly $90 billion in Silicon Valley Bank's securities and other assets were not included in the sale, and remained in the F.D.I.C.'s control.

The discount applied to the loans could help set a benchmark for other banks seeking investment, said Mark Jeffrey Flannery, a professor of finance at the University of Florida. ''Now they have an idea,'' he said. ''Yes, it's bad, but it's not a complete train wreck. It's just very bad.''

Silicon Valley Bank had roughly $175 billion in deposits before its collapse, an illustration of how extensive the withdrawals were before regulators seized it. A test for First Citizens is whether it can maintain relationships with the tech-heavy client base that Silicon Valley Bank cultivated.

''Perhaps the Silicon Valley V.C. dudes feel they're too cool for a North Carolina bank,'' wrote analysts at Autonomous Research, who said they had been fielding questions from investors about the logic of the deal.

''Admittedly, there has been a strong amount of runoff from the legacy Silicon Valley Bank this quarter,'' Craig Nix, the chief financial officer of First Citizens, said on a call with investors on Monday. ''However, it is our intent to embrace the talents of our legacy SVB employees, embrace their business capabilities and then reiterate to their clients that First Citizens has an unwavering focus on holistic client relationships.''

As part of the deal, the F.D.I.C. will receive rights linked to the stock of First Citizens, which could be worth up to $500 million. The bank regulator estimated that the cost of Silicon Valley Bank's failure on the government's deposit insurance fund would be $20 billion.

First Citizens and the F.D.I.C. will share any losses on the loans included in the transaction, an arrangement that is often featured in sales of failed banks. For example, the F.D.I.C. agreed to reimburse First Citizens for half of any losses above $5 billion on the portfolio of commercial loans transferred in the deal.

Silicon Valley Bank's 17 former branches, in California and Massachusetts, opened under ownership of the First Citizens umbrella on Monday.

Silicon Valley Bank's former parent company, SVB Financial, filed for bankruptcy on March 17. It plans to run a separate process to sell various units, including the investment manager SVB Capital and the brokerage firm SVB Securities.

The collapse of Silicon Valley Bank set off tremors across the global financial sector as panicked depositors and investors hammered other banks.

On March 19, New York Community Bancorp acquired parts of Signature Bank a week after the F.D.I.C. seized its operations. The deal included around $38 billion in assets, including $12.9 billion in loans, purchased at a discount of $2.7 billion. The F.D.I.C. estimated that the bank's collapse would cost the government's deposit insurance fund $2.5 billion.

Around the same time, Switzerland's largest bank, UBS, agreed to buy its beleaguered rival Credit Suisse for about $3.2 billion, in a deal hastily arranged by the Swiss government. With the collapse of Silicon Valley Bank spooking the markets, investors quickly lost faith in Credit Suisse, which had been plagued for years by scandals and mismanagement. The fears also spread to other banks in Europe, prompting officials to emphasize the strength of rules and strictness of oversight in the region.

Banking regulators around the world have moved to shore up confidence in the system. Central banks in the United States, Canada, Britain, Switzerland, the eurozone and Japan said they would make U.S. dollar financing more readily available. The Federal Reserve also set up an emergency lending program to provide additional support to banks.

U.S. regulators said all depositors at Silicon Valley Bank and Signature Bank would be paid back in full, and some lawmakers have since pushed for raising or even eliminating the $250,000 cap on deposit insurance. A rapid loss of deposits at midsize banks led some, like First Republic and PacWest, to tap loan facilities and seek other deals to shore up their balance sheets.

Shares of midsize lenders, which have taken a beating since Silicon Valley Bank's collapse, jumped on Monday. First Republic rose 12 percent, and First Citizens soared more than 53 percent. After the bump, First Citizens became one of the few banks whose stock was in positive territory for the year.

Several analysts raised their price targets for the shares of First Citizens after the Silicon Valley Bank deal was announced; strategists at Janney Montgomery Scott, for instance, said the acquisition increased their estimate of the ''fair value'' of the bank's shares by 60 percent.

First Citizens, based in Raleigh, N.C., has more than 500 branches across 22 states. The bank was founded in 1898, and describes itself as the largest family-controlled bank in the United States. Members of the same family have run it for three generations.

The bank said on Monday that deposits had grown by $1.3 billion since the start of the year. After the deal, the bank said it would have more than $40 billion in cash on hand.

The bank has grown significantly in recent years, in part by acquiring more than 20 government-seized lenders. The bank's assets grew to more than $100 billion from about $20 billion a decade ago, and the Silicon Valley Bank takeover is set to double its assets at a stroke.

First Citizens was the 30th-largest bank in the United States, in terms of assets, at the end of last year. After the acquisition, it is set to enter the top 20.

The deal deepens First Citizens' footprint in California and includes Silicon Valley Bank's wealth management business, which catered to many **technology** executives who ran large parts of their personal finances through the bank.

''We have partnered with the F.D.I.C. to successfully complete more F.D.I.C.-assisted transactions since 2009 than any other bank, and we appreciate the confidence the F.D.I.C. has placed in us once again,'' Frank B. Holding Jr., the chief executive of First Citizens, said in a statement.

The collapse of Silicon Valley Bank was the largest bank failure in the United States since the 2008 financial crisis. (PHOTOGRAPH BY AARON WOJACK FOR THE NEW YORK TIMES) (B3) This article appeared in print on page B1, B3.

Document NYTF000020230328ej3s0004o

Search Summary

Text	(technology OR "AI" OR fintech OR "digital banking" OR "cloud computing" OR blockchain OR cybersecurity OR "machine learning" OR "data analytics" OR "big data" OR "predictive analytics" OR "cloud migration" OR "edge computing" OR "5G banking" OR "API banking" OR "open banking" OR "data governance" OR "data monetization" OR "digital transformation" OR "quantum computing" OR "AI-driven banking" OR "AI in compliance" OR "AI-powered fraud detection" OR "AI in customer service" OR "AI in investment banking" OR "conversational AI" OR "generative AI" OR "robo-advisors"

	OR "natural language processing" OR "algorithmic trading" OR "automated risk assessment" OR "AI regulatory challenges" OR "embedded finance" OR neobanks OR "Banking as a Service" OR "BaaS" OR regtech OR suptech OR "decentralized finance" OR DeFi OR "cryptocurrency adoption" OR "Central Bank Digital Currencies" OR CBDCs OR tokenization OR "real-time payments" OR "Buy Now Pay Later" OR BNPL OR "cyber resilience" OR "Zero Trust security" OR "identity verification" OR "fraud detection" OR "insider threats" OR "AI-driven cybersecurity" OR "financial data breaches" OR "data privacy laws" OR GDPR OR CCPA OR "operational risk management" OR "regulatory compliance technology" OR KYC OR "Know Your Customer" OR AML OR "Anti-Money Laundering" OR "hyper-personalization in banking" OR "customer-centric banking" OR "omnichannel banking" OR "digital wallets" OR "contactless payments" OR "voice banking" OR "biometric authentication" OR "wearable banking" OR "banking UX/UI innovations" OR "financial inclusion technology")
Date	01/01/2023 to 03/31/2023
Source	The New York Times Or The Wall Street Journal Or The Economist Or Forbes
Author	All Authors
Company	First Citizens Bancshares Inc Or First Citizens BancShares, Inc.
Subject	All Subjects
Industry	All Industries
Region	All Regions
Language	English
Results Found	3
Timestamp	7 March 2025 4:12 AM GMT

