

Banks' Bad-Debt Holdings Down to 'Normal'

The amount of distressed commercial real estate assets on the books of large U.S. banks dwindled further last year, as the cleanup from the 2007-2008 crash faded into history.

The 500 banking companies with the largest commercial real estate loan portfolios had \$8.7 billion of nonperformers on their books at yearend, according to regulatory data compiled by **Trepp Bank Navigator**. That was down by 14.5% from \$10.2 billion at the top 500 in 2015. The nonperforming debt represented just 0.6% of the loan portfolios as of Dec. 31, down from 0.7% a year earlier.

Meanwhile, holdings of foreclosed properties shrank to \$3.2 billion, down by 23% from \$4.2 billion the year before.

All told, the tally of distressed commercial real estate loans and properties fell \$2.4 billion last year, to \$11.9 billion.

"We are essentially back to 'normal' levels of distress," said Trepp managing director **Matthew Anderson**. Only about 20% of the nonperformers were originated from 2005 to 2008, he said. "Most of the problem loans from that era have been dealt with, but there are still some."

The rate of reduction in the distressed-loan tally slowed in 2016, after topping 33% each of the previous three years — unsurprisingly, since the backlog has been largely cleared away.

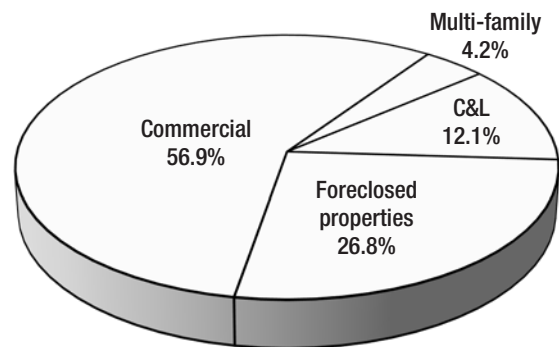
"Charge-offs and distressed-loan sales are pretty much over," Anderson said. "Net charge-offs are down to a very low level — amounting to 2 bp of total loans." That was half the already-low rate reached in 2015. In the construction-and-land category, he noted, recoveries on loans that had previously been written off actually outpaced fresh charge-offs last year.

Nonperforming construction-and-land debt held by the top 500 totaled \$1.4 billion at yearend, down 27% from the previous year. That represented just 0.6% of outstanding loans in that category, down from 0.9%. Nonperforming multi-family debt was trimmed by 28.5%, to \$499.6 million, remaining at a minimal 0.2% of outstanding loans in that sector. For commercial mortgages, the nonperforming total dropped by 10%, to \$6.8 billion or 0.7% of the overall balance, down from 0.8%.

Looking ahead, Anderson said, "the overall picture is for continued improvement, with delinquencies and charge-offs declining further." He cautioned that there are some potential sources of trouble, such as bankruptcies and downsizing among retail businesses. An unexpected drop in demand for apartments could create problems, as multi-family loans now make up about 20% of total bank commercial real estate loan

Distressed Commercial Real Estate On the Books of the Top 500 Banks

As of Dec. 31, 2016



	Amount (\$Bil.)
Nonperforming commercial mortgages	\$6.8
Nonperforming multi-family mortgages	0.5
Nonperforming construction and land loans	1.4
Total foreclosed properties	3.2
Total distressed real estate	11.9
Total real estate assets	1,580.9

Source: Trepp Bank Navigator

holdings. "Rising interest rates could be another source of risk" if they were to jump "both substantially and rapidly," he said.

The bank with the largest commercial real estate portfolio by far, **Wells Fargo**, likewise had the most nonperforming mortgages (\$739 million) and foreclosed real estate (\$361 million). But it also led the way in clearing away distress. Last year, it removed \$274 million of delinquent loans from its books, a 27% reduction, and disposed of \$165 million of seized properties, cutting those holdings by 31%.

Bank of America had the second-highest total of nonperforming loans, at \$447 million, followed by **J.P. Morgan** with \$357 million. Broken down by property type, BofA had the most nonperforming construction-and-land loans (\$208 million), J.P. Morgan had the most in the multi-family sector (\$64 million), and Wells had the highest tally in the commercial-mortgage category (\$639 million). ❖

RANKINGS

Top 40 Banks in Nonperforming Real Estate Loans at Yearend 2016

		Nonperforming Commercial Real Estate Loans					'15-'16 % Chg.	Nonperf./ CRE Loans (%)
		Total CRE Loans (\$Mil.)	Commercial (\$Mil.)	Multi-family (\$Mil.)	Construction And Land (\$Mil.)	Total (\$Mil.)		
1	Wells Fargo, San Francisco	\$143,266.0	\$639.0	\$39.0	\$61.0	\$739.0	-27.0	0.5
2	Bank of America, Charlotte	72,084.0	233.0	6.0	208.0	447.0	-16.6	0.6
3	J.P. Morgan, New York	109,565.0	265.0	64.0	28.0	357.0	-4.8	0.3
4	First Bancorp, San Juan, P.R.	2,575.8	235.9	1.4	22.9	260.2	100.5	10.1
5	PNC, Pittsburgh	36,933.6	161.3	38.0	58.8	258.2	-25.6	0.7
6	TD Group US, Wilmington, Del.	26,413.6	221.6	18.0	14.0	253.5	-24.2	1.0
7	M&T Bank, Buffalo	33,337.8	202.8	6.9	41.0	250.6	-16.3	0.8
8	Regions Financial, Birmingham, Ala.	14,312.2	224.6	0.5	6.9	232.0	-17.6	1.6
9	BB&T, Winston-Salem, N.C.	36,508.4	168.0	9.3	41.6	218.9	-8.1	0.6
10	Citigroup, New York	15,561.0	153.0	7.0	9.0	169.0	92.0	1.1
11	Banco Popular, San Juan, P.R.	7,885.0	164.0	1.0	3.0	168.0	-29.7	2.1
12	Zions Bancorporation, Salt Lake City	18,453.2	110.4	3.2	13.0	126.6	-13.0	0.7
13	Santander Holdings USA, Boston	17,494.7	100.7	8.2	3.1	112.0	-6.8	0.6
14	U.S. Bancorp, Minneapolis	39,534.0	65.0	2.0	43.0	110.0	-12.0	0.3
15	Everbank Financial, Jacksonville	3,670.5	101.3	0.9	0.0	102.3	42.2	2.8
16	Beal Financial, Plano, Texas	1,033.5	81.5	4.1	13.5	99.1	-5.5	9.6
17	BMO Financial, Wilmington, Del.	9,029.0	75.8	2.1	9.6	87.5	-26.2	1.0
18	BNP Paribas USA, New York	17,435.0	65.4	10.5	10.6	86.6	43.1	0.5
19	Fifth Third Bancorp, Cincinnati	11,147.2	51.6	0.5	28.7	80.8	-23.4	0.7
20	Huntington Bancshares, Columbus, Ohio	11,565.7	69.1	2.8	4.4	76.3	15.1	0.7
21	BBVA Compass Bancshares, Houston	13,335.3	71.4	0.5	3.2	75.2	-4.3	0.6
22	First Citizens Bancshares, Raleigh	10,600.9	60.0	1.7	8.1	69.8	-25.4	0.7
23	Pacwest Bancorp, Beverly Hills	6,433.2	66.1	1.6	1.4	69.1	14.4	1.1
24	SunTrust, Atlanta	18,578.2	37.2	2.1	29.6	68.8	-18.5	0.4
25	People's United Financial, Bridgeport, Conn.	12,578.0	43.8	6.2	10.5	60.5	-10.5	0.5
26	Bancorp, Wilmington, Del.	922.4	51.7	1.3	7.3	60.3	1,372.8	6.5
27	Citizens Financial, Providence, R.I.	13,638.3	56.8	2.2	0.7	59.8	-33.6	0.4
28	KeyCorp, Cleveland	18,302.9	45.8	2.8	5.1	53.8	41.8	0.3
29	Capital One Financial, McLean, Va.	30,170.7	23.5	2.1	25.7	51.2	101.8	0.2
30	Synovus Financial, Columbus, Ga.	12,336.5	25.9	2.0	22.1	50.0	-38.4	0.4
31	Comerica, Dallas	11,583.2	45.2	0.1	4.7	50.0	-15.5	0.4
32	Fulton Financial, Lancaster, Pa.	6,369.7	31.3	2.5	15.6	49.4	-7.6	0.8
33	Hope Bancorp, Los Angeles	8,065.7	47.3	0.0	2.1	49.4	31.7	0.6
34	East West Bancorp, Pasadena, Calif.	10,511.4	39.8	3.8	5.3	48.9	-41.1	0.5
35	HSBC North America, New York	10,915.4	47.5	0.1	0.0	47.6	6.4	0.4
36	OFG Bancorp, San Juan, P.R.	1,006.9	43.3	0.9	1.7	45.8	-48.9	4.6
37	Chemical Financial, Midland, Mich.	4,627.2	37.1	1.9	6.4	45.4	43.4	1.0
38	Utrecht-America Holdings, New York	3,509.2	42.5	0.0	2.5	45.0	-57.4	1.3
39	Bank of the Ozarks, Little Rock, Ark.	10,705.3	34.3	0.9	7.5	42.6	53.1	0.4
40	Old National Bancorp, Evansville, Ind.	2,906.5	37.9	3.9	0.6	42.4	6.3	1.5
	TOTAL FOR TOP 40 BANKS	834,901.8	4,277.4	262.1	780.0	5,319.5	-11.3	0.6
	TOTAL FOR TOP 500 BANKS	1,580,940.2	6,771.0	499.6	1,434.8	8,705.5	-14.5	0.6

Source: Trepp Bank Navigator

RANKINGS

Top Banks in Ratio of Nonperforming Commercial Real Estate Loans

Commercial Mortgages

		Total			Nonperforming			Nonperf./ Total (%)
		2016 (\$Mil.)	2015 (\$Mil.)	'15-'16 % Chg.	2016 (\$Mil.)	2015 (\$Mil.)	'15-'16 % Chg.	
1	Beal Financial, Plano, Texas	\$708.3	\$551.3	28.5	\$81.5	\$90.2	-9.7	11.5
2	First Bancorp, San Juan, P.R.	2,374.2	2,416.3	-1.7	235.9	101.0	133.4	9.9
3	National Consumer Cooperative, Washington	330.4	400.1	-17.4	24.7	3.0	730.7	7.5
4	Bancorp, Wilmington, Del.	801.7	748.2	7.1	51.7	1.3	3,949.1	6.4
5	Boiling Springs Savings, Rutherford, N.J.	148.5	155.1	-4.3	9.0	10.5	-14.4	6.1
6	Midsouth Bancorp, Lafayette, La.	446.3	437.0	2.1	26.1	16.8	55.8	5.8
7	Lone Star National Bancshares, McAllen, Texas	511.9	470.0	8.9	28.1	36.4	-23.0	5.5
8	OFG Bancorp, San Juan, P.R.	962.1	1,013.8	-5.1	43.3	78.0	-44.6	4.5
9	First United, Oakland, Md.	270.4	252.5	7.1	11.8	9.2	27.5	4.4
10	Bank of Highland Park, Highland Park, Ill.	214.9	237.9	-9.7	9.2	10.0	-8.0	4.3
11	Reliable Community Bancshares, Perryville, Mo.	358.5	301.1	19.1	15.3	0.2	9,752.9	4.3
12	Ironhorse Financial, Muskogee, Okla.	299.9	286.7	4.6	12.5	5.5	126.2	4.2
13	Everbank Financial, Jacksonville	2,557.0	2,955.2	-13.5	101.3	68.5	47.9	4.0
14	Stearns Financial, Saint Cloud, Minn.	183.1	248.5	-26.3	6.8	10.4	-34.4	3.7
15	American Bancor, Dickinson, N.D.	254.4	238.1	6.8	9.4	0.5	1,649.5	3.7
16	Byline Bancorp, Chicago	801.1	533.1	50.3	26.9	55.0	-51.2	3.4
17	New York Private Bank & Trust, New York	508.9	419.0	21.4	16.9	20.7	-18.4	3.3
18	Republic Bancorp, Oak Brook, Ill.	357.7	378.8	-5.6	11.7	7.8	50.0	3.3
19	Live Oak Bancshares, Wilmington, N.C.	376.0	264.0	42.4	12.2	8.0	53.3	3.2
20	Austin Bancorp, Jacksonville, Texas	373.1	322.2	15.8	12.0	3.1	292.1	3.2
TOTAL FOR TOP 500 BANKS		1,023,129.6	948,381.9	7.9	6,771.0	7,528.3	-10.1	0.7

Multi-Family Mortgages

		Total			Nonperforming			Nonperf./ Total (%)
		2016 (\$Mil.)	2015 (\$Mil.)	'15-'16 % Chg.	2016 (\$Mil.)	2015 (\$Mil.)	'15-'16 % Chg.	
1	Premier Financial Bancorp, Huntington, W. Va.	\$74.2	\$50.5	47.0	\$11.4	\$0.1	15,153.3	15.4
2	BancFirst, Oklahoma City	57.8	65.5	-11.7	3.6	0.0	12,417.2	6.3
3	CTBC Capital, Los Angeles	230.3	186.1	23.8	10.5	0.0		4.6
4	Lone Star National Bancshares, McAllen, Texas	66.6	64.0	4.1	2.8	1.7	65.2	4.2
5	New York Private Bank & Trust, New York	446.5	337.7	32.2	15.2	11.6	30.3	3.4
6	Midland States Bancorp, Effingham, Ill.	151.6	99.8	52.0	5.1	5.3	-5.0	3.3
7	Byline Bancorp, Chicago	233.9	220.6	6.1	7.3	12.3	-40.5	3.1
8	Republic Bancorp, Oak Brook, Ill.	67.2	91.9	-26.9	1.9	4.0	-52.6	2.8
9	First Security Bancorp, Searcy, Ark.	69.0	77.1	-10.4	1.4	1.8	-23.6	2.0
10	National Consumer Cooperative, Washington	432.2	519.7	-16.8	8.6	0.1	5,935.9	2.0
TOTAL FOR TOP 500 BANKS		314,670.5	283,219.4	11.1	499.6	698.4	-28.5	0.2

Construction and Land Loans

		Total			Nonperforming			Nonperf./ Total (%)
		2016 (\$Mil.)	2015 (\$Mil.)	'15-'16 % Chg.	2016 (\$Mil.)	2015 (\$Mil.)	'15-'16 % Chg.	
1	National Bank, Greenwood Village, Colo.	\$183.8	\$152.3	20.7	\$37.7	\$11.8	219.7	20.5
2	First Bancorp, San Juan, P.R.	118.4	90.0	31.5	22.9	26.3	-13.1	19.3
3	Brand Group Holdings, Lawrenceville, Ga.	255.4	297.2	-14.0	31.8	59.6	-46.6	12.5
4	Premier Financial Bancorp, Huntington, W. Va.	117.8	78.7	49.7	8.4	0.9	791.7	7.1
5	Bancorp, Wilmington, Del.	117.8	138.4	-14.9	7.3	0.6	1,087.9	6.2
6	Community Bankers Trust, Richmond, Va.	100.3	69.7	43.8	5.5	4.6	20.4	5.5
7	Lone Star National Bancshares, McAllen, Texas	140.8	114.3	23.2	7.0	9.9	-29.8	4.9
8	Bank Leumi Le-Israel, New York	432.4	444.9	-2.8	17.8	17.8	0.0	4.1
9	First Business Financial, Madison, Wis.	157.8	160.5	-1.6	6.4	4.8	32.8	4.0
10	LegacyTexas Financial, Plano, Texas	294.5	269.1	9.5	11.4	0.0	34,327.3	3.9
TOTAL FOR TOP 500 BANKS		243,140.2	211,213.8	15.1	1,434.8	1,958.8	-26.8	0.6

Source: Trepp Bank Navigator

RANKINGS

Banks With Largest Holdings of Foreclosed Commercial Properties

Based on loan balances when seizure occurred

	Commercial (\$Mil.)	Multi-family (\$Mil.)	Construction And Land (\$Mil.)	2016 Total (\$Mil.)	2015 Total (\$Mil.)	'15-'16 % Chg.
1 Wells Fargo, San Francisco	\$129.0	\$1.0	\$231.0	\$361.0	\$526.0	-31.4
2 PNC, Pittsburgh	21.4	15.9	62.0	99.3	144.8	-31.4
3 First Bancorp, San Juan, P.R.	77.6	1.1	12.1	90.8	103.7	-12.5
4 Bank of America, Charlotte	45.0	0.0	11.0	56.0	45.0	24.4
5 Trustmark, Jackson, Miss.	16.8	0.4	36.9	54.1	65.3	-17.1
6 Capital Bank Financial, Charlotte	12.7	0.3	36.5	49.4	46.1	7.2
7 TD Group US, Wilmington, Del.	42.2	0.0	3.1	45.3	80.0	-43.4
8 First Citizens Bancshares, Raleigh	21.7	0.5	23.0	45.2	48.8	-7.4
9 J.P. Morgan, New York	44.0	1.0	0.0	45.0	53.0	-15.1
10 BB&T, Winston-Salem, N.C.	30.7	0.0	9.8	40.6	68.4	-40.7
11 Durant Bancorp, Durant, Okla.	10.3	0.0	29.7	40.0	3.6	1,005.5
12 Bank of the Ozarks, Little Rock, Ark.	17.2	0.0	21.6	38.8	19.0	103.7
13 Santander Holdings USA, Boston	35.4	0.0	2.8	38.2	9.9	284.4
14 Parkway Bancorp, Harwood Heights, Ill.	7.7	0.0	27.4	35.1	45.7	-23.2
15 KeyCorp, Cleveland	18.6	0.0	16.3	34.9	8.4	315.7
16 Wintrust Financial, Rosemont, Ill.	20.7	1.8	12.3	34.8	45.7	-24.0
17 Fifth Third Bancorp, Cincinnati	24.5	0.0	9.6	34.0	67.1	-49.3
18 Regions Financial, Birmingham, Ala.	14.2	0.0	19.8	34.0	48.7	-30.1
19 Valley View Bancshares, Overland Park, Kan.	0.3	0.0	33.4	33.8	46.5	-27.4
20 International Bancshares, Laredo, Texas	0.9	0.3	31.9	33.0	36.9	-10.6
21 Community Trust Bancorp, Pikeville, Ky.	8.5	0.3	20.8	29.6	33.1	-10.6
22 Great Southern Bancorp, Springfield, Mo.	8.7	1.8	18.5	29.0	30.8	-5.8
23 Yadkin Financial, Raleigh	18.0	0.0	9.9	27.9	13.6	105.9
24 OFG Bancorp, San Juan, P.R.	16.0	0.0	10.4	26.3	41.7	-36.8
25 F.N.B. Corp., Pittsburgh	8.7	0.0	17.6	26.3	32.7	-19.6
26 BNC Bancorp, High Point, N.C.	4.7	0.0	20.3	25.1	30.6	-18.0
27 MB Financial, Chicago	15.6	0.0	9.2	24.8	37.8	-34.5
28 Bancplus Corp., Ridgeland, Miss.	4.9	0.0	19.8	24.7	24.3	1.7
29 Western Alliance Bancorporation, Phoenix	4.9	0.0	19.3	24.2	26.9	-10.1
30 SunTrust, Atlanta	16.8	0.0	7.1	24.0	29.4	-18.6
31 Banco Popular, San Juan, P.R.	17.6	1.1	5.0	23.7	32.1	-26.2
32 Summit Financial, Moorefield, W. Va.	1.7	0.0	21.9	23.6	24.1	-1.9
33 Watford City Bancshares, Watford City, N.D.	2.2	19.8	0.5	22.5	9.6	132.9
34 Hope Bancorp, Los Angeles	20.5	0.0	1.3	21.8	20.7	4.9
35 Simmons First National, Pine Bluff, Ark.	7.4	0.2	14.1	21.6	38.9	-44.4
36 Synovus Financial, Columbus, Ga.	3.2	0.0	17.6	20.8	34.7	-40.1
37 Renasant, Tupelo, Miss.	8.0	0.0	12.3	20.3	30.1	-32.6
38 Huntington Bancshares, Columbus, Ohio	14.8	0.4	5.0	20.2	2.4	756.1
39 BMO Financial, Wilmington, Del.	11.4	0.0	7.8	19.3	42.5	-54.6
40 Texas Capital Bancshares, Dallas	18.5	0.0	0.5	19.0	0.2	10,039.6
TOTAL FOR TOP 40 BANKS	802.8	45.9	869.0	1,717.7	2,048.9	-16.2
TOTAL FOR TOP 500 BANKS	1,466.4	77.4	1,646.1	3,189.9	4,151.9	-23.2

Source: Trepp Bank Navigator

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