

## Banks' Bad-Debt Holdings Fall Again

A decade after the onset of the credit crunch, big U.S. banks last year whittled down their holdings of distressed loans to just 0.5% of their commercial real estate assets.

The 500 banks with the largest commercial-mortgage portfolios had \$7.7 billion of nonperformers on their books at yearend, according to regulatory data compiled by **Trepp Bank Navigator**. That was down 11% from a year earlier. Those banks' holdings of foreclosed properties dwindled to \$2.5 billion, a reduction of 21%.

The \$10.3 billion overall total of sour loans and seized properties was down by \$1.6 billion, or 14%, from the end of 2016. The rate of decline has slowed over the past few years as the residue of the crash has been swept away and the bad-debt tally has shrunk to routine levels.

"We are probably experiencing the lowest rates of problems and defaults we will see in this cycle," said Trepp managing director **Matthew Anderson**. "The strong performance may continue for some time, but delinquency and default rates are unlikely to go much lower. They are already lower than at any time in the last 30 years."

Anderson noted that rising interest rates could start to put pressure on some borrowers. "The low interest-rate environment of the last 10 years has forgiven a lot of sins and has allowed even marginally profitable properties to stay afloat," he said. "If interest rates were to rise precipitously, we could see an increase in defaults."

The sharpest improvement in loan performance during 2017 came in the construction-and-land category. The top 500 banks had \$1.1 billion of nonperforming loans on land and development projects at yearend, down by 27% to represent just 0.4% of their total holdings of that type. Relatively moderate growth in real estate development and lending in this cycle "has no doubt contributed to the still-strong performance of construction and land loans," Anderson said.

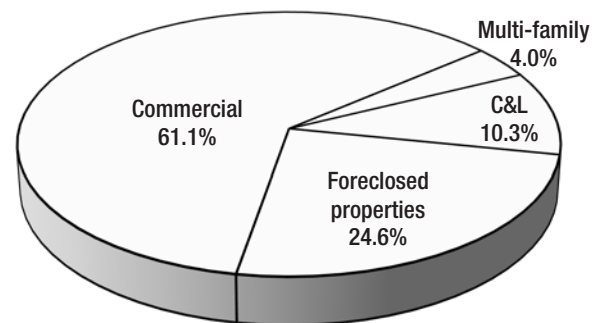
Multi-family mortgages remained the least-distressed category, with the bad-debt tally at the big banks falling 18% to \$407.7 million, a mere 0.1% of outstanding loans in that sector.

For commercial mortgages, the nonperforming total declined by 7% to \$6.3 billion, or 0.6% of the overall balance, down from 0.7%.

The bank with the largest commercial real estate holdings, **Wells Fargo**, finished the year with \$624 million of nonperformers on its books, down by 16%. That was the largest total among

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

As of Dec. 31, 2017



	Amount (\$Bil.)
Nonperforming commercial mortgages	\$6.3
Nonperforming multi-family mortgages	0.4
Nonperforming construction and land loans	1.1
Total foreclosed properties	2.5
<b>Total distressed real estate</b>	<b>10.3</b>
<b>Total real estate assets</b>	<b>1,666.4</b>

Source: Trepp Bank Navigator

the top 500 banks, but amounted to just 0.5% of its \$137.5 billion real estate portfolio. Wells also had the largest bundle of foreclosed properties by far, totaling \$284 million, but that was down by 21% from the previous year.

**Bank of America** again had the second-largest total of nonperforming loans, and saw that figure increase by 17%, to \$524 million. **J.P. Morgan** remained third on that list, with \$302 million of nonperformers, down 15%.

BofA's increase in bad debt came in the commercial-mortgage category, where its nonperforming balance jumped 59% to \$371 million — still well behind Wells, with \$547 million. BofA reduced its stack of nonperforming construction-and-land loans by 27%, to \$152 million, but remained on top of that list. J.P. Morgan, the biggest holder of multi-family mortgages, also had the biggest tally of nonperformers in that sector, although it cut that figure by 33% to \$43 million. ❖

## RANKINGS

## Top 40 Banks in Nonperforming Real Estate Loans at Yearend 2017

		Nonperforming Commercial Real Estate Loans					'16-'17 % Chg.	Nonperf./ CRE Loans (%)
		Total CRE Loans (\$Mil.)	Commercial (\$Mil.)	Multi-family (\$Mil.)	Construction And Land (\$Mil.)	Total (\$Mil.)		
1	Wells Fargo, San Francisco	\$137,456.0	\$547.0	\$36.0	\$41.0	\$624.0	-15.6	0.5
2	Bank of America, Charlotte	71,846.0	371.0	1.0	152.0	524.0	17.2	0.7
3	J.P. Morgan, New York	116,358.0	230.0	43.0	29.0	302.0	-15.4	0.3
4	First Bancorp, San Juan, P.R.	2,464.5	191.4	3.0	27.9	222.3	-14.6	9.0
5	TD Group US Holdings, Wilmington, Del.	27,318.9	190.5	14.1	6.8	211.4	-16.6	0.8
6	BB&T, Winston-Salem, N.C.	36,705.0	186.0	4.0	20.0	210.0	-4.1	0.6
7	M&T Bank, Buffalo	33,158.9	185.4	2.9	18.5	206.9	-17.4	0.6
8	PNC Financial, Pittsburgh	36,410.9	121.3	26.2	49.4	196.9	-23.7	0.5
9	Banco Popular, San Juan, P.R.	8,425.0	154.0	2.0	0.0	156.0	-7.1	1.9
10	U.S. Bancorp, Minneapolis	37,229.0	90.0	7.0	39.0	136.0	23.6	0.4
11	CIBC, Chicago	13,072.4	119.3	1.8	3.9	124.9		1.0
12	Zions Bancorporation, Salt Lake City	18,631.6	103.3	1.9	15.9	121.1	-4.3	0.7
13	Regions Financial, Birmingham, Ala.	12,886.2	116.2	0.9	3.1	120.1	-48.2	0.9
14	Citigroup, New York	19,636.0	98.0	16.0	6.0	120.0	-29.0	0.6
15	BBVA Compass Bancshares, Houston	13,952.2	112.6	0.3	6.9	119.9	59.4	0.9
16	BMO Financial, Wilmington, Del.	9,629.5	94.0	1.8	9.3	105.1	20.1	1.1
17	Beal Financial, Plano, Texas	1,121.0	93.6	3.9	7.4	104.9	5.9	9.4
18	Santander Holdings USA, Boston	16,288.3	68.9	11.3	0.8	81.0	-27.7	0.5
19	Capital One, McLean, Va.	29,378.7	75.7	3.5	0.2	79.5	55.1	0.3
20	BNP Paribas USA, New York	18,639.1	68.9	4.8	2.0	75.7	-12.5	0.4
21	F.N.B. Corp., Pittsburgh	8,362.5	66.3	2.5	6.6	75.3	90.7	0.9
22	SunTrust, Atlanta	18,952.9	55.4	1.4	12.6	69.5	1.0	0.4
23	Pacwest Bancorp, Beverly Hills	9,064.6	68.1	1.2	0.0	69.2	0.2	0.8
24	Huntington Bancshares, Columbus, Ohio	10,782.8	50.8	9.9	4.1	64.8	-15.1	0.6
25	KeyCorp, Cleveland	16,808.3	53.5	7.2	2.6	63.3	17.8	0.4
26	Utrecht-America Holdings, New York	3,643.4	58.7	0.0	3.7	62.3	38.5	1.7
27	New York Private Bank & Trust, New York	1,245.1	16.1	20.8	23.7	60.6	89.0	4.9
28	OFG Bancorp, San Juan, P.R.	955.3	53.8	0.8	2.4	57.0	24.3	6.0
29	Comerica, Dallas	11,745.6	49.1	0.1	5.8	55.0	10.0	0.5
30	First Citizens Bancshares, Raleigh, N.C.	11,349.7	45.9	0.6	6.6	53.0	-24.1	0.5
31	Hope Bancorp, Los Angeles	8,454.3	50.5	0.0	1.4	51.9	5.1	0.6
32	United Bankshares, Charleston, W. Va.	7,299.9	27.2	6.6	17.2	50.9	56.1	0.7
33	Hancock Holding, Gulfport, Miss.	5,876.3	40.6	2.8	4.3	47.8	35.5	0.8
34	Fifth Third Bancorp, Cincinnati	10,780.0	28.5	1.7	17.1	47.3	-41.5	0.4
35	Old National Bancorp, Evansville, Ind.	4,044.4	40.6	3.7	2.5	46.9	10.5	1.2
36	Investors Bancorp, Short Hills, N.J.	13,555.8	30.6	14.8	0.5	45.8	382.8	0.3
37	Fulton Financial, Lancaster, Pa.	6,825.2	26.6	2.1	16.7	45.4	-8.1	0.7
38	Citizens Financial, Providence, R.I.	15,311.8	42.8	1.8	0.7	45.3	-24.2	0.3
39	Chemical Financial, Midland, Mich.	5,406.3	36.8	1.9	6.5	45.2	-0.5	0.8
40	Brand Group Holdings, Lawrenceville, Ga.	845.2	12.5	1.7	29.2	43.4	5.6	5.1
	<b>TOTAL FOR TOP 40 BANKS</b>	<b>831,916.3</b>	<b>4,071.5</b>	<b>267.0</b>	<b>603.1</b>	<b>4,941.6</b>	<b>-3.1</b>	<b>0.6</b>
	<b>TOTAL FOR TOP 500 BANKS</b>	<b>1,666,430.0</b>	<b>6,265.1</b>	<b>407.7</b>	<b>1,054.4</b>	<b>7,727.1</b>	<b>-11.2</b>	<b>0.5</b>

Source: Trepp Bank Navigator

## RANKINGS

## Top Banks in Ratio of Nonperforming Commercial Real Estate Loans

## Commercial Mortgages

		Total			Nonperforming			Nonperf./ Total (%)
		2017 (\$Mil.)	2016 (\$Mil.)	'16-'17 % Chg.	2017 (\$Mil.)	2016 (\$Mil.)	'16-'17 % Chg.	
1	Beal Financial, Plano, Texas	\$783.6	\$708.3	10.6	\$93.6	\$81.5	14.9	11.9
2	Stearns Financial Services, Saint Cloud, Minn.	207.8	183.1	13.5	18.7	6.8	173.4	9.0
3	First Bancorp, San Juan, P.R.	2,293.2	2,374.2	-3.4	191.4	235.9	-18.8	8.3
4	National Consumer Cooperative, Washington	295.3	330.4	-10.6	23.3	24.7	-5.6	7.9
5	OFG Bancorp, San Juan, P.R.	894.1	962.1	-7.1	53.8	43.3	24.4	6.0
6	Bank of Highland Park, Highland Park, Ill.	203.6	214.9	-5.3	9.6	9.2	4.5	4.7
7	Lone Star National Bancshares, McAllen, Texas	496.7	511.9	-3.0	17.7	28.1	-36.8	3.6
8	Midsouth Bancorp, Lafayette, La.	432.0	446.3	-3.2	14.1	26.1	-46.2	3.3
9	New York Private Bank & Trust, New York	547.6	508.9	7.6	16.1	16.9	-4.5	2.9
10	Bancindependent Incorporated, Sheffield, Ala.	345.5	288.0	20.0	9.8	5.8	69.1	2.8
11	Ironhorse Financial, Muskogee, Okla.	303.9	299.9	1.3	8.6	12.5	-30.9	2.8
12	Byline Bancorp, Chicago	895.3	801.1	11.8	23.8	26.9	-11.5	2.7
13	Banco Popular, San Juan, P.R.	6,135.0	5,868.0	4.6	154.0	164.0	-6.1	2.5
14	Austin Bancorp, Jacksonville, Texas	416.4	373.1	11.6	10.4	12.0	-13.8	2.5
15	Northeast Bancorp, Lewiston, Maine	432.3	421.7	2.5	10.7	2.9	273.7	2.5
16	Trinity Capital, Los Alamos, N.M.	357.8	386.7	-7.5	8.6	5.7	51.1	2.4
17	Provident Bancorp, Amesbury, Mass.	301.4			7.1			2.4
18	Cache Valley Banking, Logan, Utah	373.1			8.4			2.3
19	Minnwest, Minnetonka, Minn.	387.5	362.3	7.0	8.3	3.0	176.0	2.2
20	American Bancor, Dickinson, N.D.	280.2	254.4	10.1	6.0	9.4	-36.1	2.1
<b>TOTAL FOR TOP 500 BANKS</b>		<b>1,079,021.5</b>	<b>1,023,129.6</b>	<b>5.5</b>	<b>6,265.1</b>	<b>6,771.0</b>	<b>-7.5</b>	<b>0.6</b>

## Multi-Family Mortgages

		Total			Nonperforming			Nonperf./ Total (%)
		2017 (\$Mil.)	2016 (\$Mil.)	'16-'17 % Chg.	2017 (\$Mil.)	2016 (\$Mil.)	'16-'17 % Chg.	
1	American Bancor, Dickinson, N.D.	\$59.6	\$67.0	-11.1	\$4.6	\$0.0		7.7
2	New York Private Bank & Trust, New York	525.2	446.5	17.6	20.8	15.2	37.3	4.0
3	Premier Financial Bancorp, Huntington, W. Va.	62.2	74.2	-16.2	2.5	11.4	-78.5	4.0
4	Old Second Bancorp, Aurora, Ill.	129.8	96.5	34.5	4.7	0.0		3.6
5	First Bancorp, San Juan, P.R.	83.3	83.3	0.0	3.0	1.4	116.0	3.6
6	Enterprise Financial Services, Clayton, Mo.	87.1	48.1	81.0	3.0	0.0		3.5
7	Southern Bancshares, Mount Olive, N.C.	60.0	49.8	20.5	1.9	0.2	928.7	3.2
8	Midland States Bancorp, Effingham, Ill.	204.8	151.6	35.1	5.7	5.1	12.3	2.8
9	Beal Financial, Plano, Texas	158.4	229.5	-31.0	3.9	4.1	-5.5	2.5
10	Lone Star National Bancshares, McAllen, Texas	93.4	66.6	40.1	2.3	2.8	-17.6	2.5
<b>TOTAL FOR TOP 500 BANKS</b>		<b>331,188.9</b>	<b>314,670.5</b>	<b>5.2</b>	<b>407.7</b>	<b>499.6</b>	<b>-18.4</b>	<b>0.1</b>

## Construction and Land Loans

		Total			Nonperforming			Nonperf./ Total (%)
		2017 (\$Mil.)	2016 (\$Mil.)	'16-'17 % Chg.	2017 (\$Mil.)	2016 (\$Mil.)	'16-'17 % Chg.	
1	New York Private Bank & Trust, New York	\$172.3	\$176.4	-2.3	\$23.7	\$0.0		13.7
2	National Bank Holdings, Greenwood Village, Colo.	201.5	183.8	9.6	25.1	37.7	-33.3	12.5
3	Brand Group Holdings, Lawrenceville, Ga.	241.8	255.4	-5.4	29.2	31.8	-8.2	12.1
4	West Suburban Bancorp, Lombard, Ill.	101.8	83.9	21.4	9.5	3.8	150.7	9.3
5	Ironhorse Financial, Muskogee, Okla.	110.5	98.4	12.2	7.9	1.0	655.0	7.2
6	Bancorp, Wilmington, Del.	121.5	117.8	3.1	7.3	7.3	-0.4	6.0
7	First National Bankers, Baton Rouge, La.	107.9	89.4	20.7	5.8	1.7	242.7	5.4
8	Southern National Bancorp of Va., McLean, Va.	198.0	91.1	117.4	10.0	0.0		5.0
9	Premier Financial Bancorp, Huntington, W. Va.	139.0	117.8	18.0	6.5	8.4	-22.5	4.7
10	Beal Financial, Plano, Texas	179.0	95.7	87.0	7.4	13.5	-44.9	4.1
<b>TOTAL FOR TOP 500 BANKS</b>		<b>256,219.7</b>	<b>243,140.2</b>	<b>5.4</b>	<b>1,054.4</b>	<b>1,434.8</b>	<b>-26.5</b>	<b>0.4</b>

Source: Trepp Bank Navigator

## RANKINGS

## Banks With Largest Holdings of Foreclosed Commercial Properties

Based on loan balances when seizures occurred

	Commercial (\$Mil.)	Multi-family (\$Mil.)	Construction And Land (\$Mil.)	2017 Total (\$Mil.)	2016 Total (\$Mil.)	'16-'17 % Chg.
1 Wells Fargo, San Francisco	\$113.0	\$10.0	\$161.0	\$284.0	\$361.0	-21.3
2 First Bancorp, San Juan, P.R.	81.8	1.1	10.7	93.6	90.8	3.1
3 PNC, Pittsburgh	23.7	14.3	33.7	71.7	99.3	-27.8
4 Bank of America, Charlotte	65.0	0.0	5.0	70.0	56.0	25.0
5 J.P. Morgan, New York	61.0	0.0	0.0	61.0	45.0	35.6
6 TD Group US Holdings, Wilmington, Del.	32.1	0.0	8.8	40.9	45.3	-9.7
7 Trustmark, Jackson, Miss.	10.5	0.0	27.5	38.0	54.1	-29.9
8 Hilltop Holdings, Dallas	7.1	0.3	30.6	37.9	0.0	
9 F.N.B. Corp., Pittsburgh	18.4	0.0	17.8	36.2	26.3	37.6
10 Wintrust Financial, Rosemont, Ill.	20.7	2.7	9.0	32.3	34.8	-7.0
11 Ameris Bancorp, Moultrie, Ga.	23.4	0.0	8.3	31.7	18.1	74.9
12 Santander Holdings USA, Boston	30.4	0.0	1.0	31.4	38.2	-17.7
13 First Citizens Bancshares, Raleigh, N.C.	15.5	0.3	15.0	30.8	45.2	-31.8
14 First Horizon National, Memphis	4.4	0.2	26.1	30.7	3.8	706.0
15 BB&T, Winston-Salem, N.C.	28.0	0.0	2.0	30.0	40.6	-26.1
16 Durant Bancorp, Durant, Okla.	10.4	0.0	18.6	29.0	40.0	-27.4
17 Simmons First National, Pine Bluff, Ark.	14.8	0.5	12.8	28.1	21.6	29.8
18 SunTrust, Atlanta	24.3	0.0	3.5	27.9	24.0	16.4
19 Regions Financial, Birmingham, Ala.	7.4	0.0	19.7	27.2	34.0	-20.1
20 Citigroup, New York	9.0	0.0	18.0	27.0	9.0	200.0
21 Amboy Bancorporation, Old Bridge, N.J.	0.0	1.7	24.3	26.0	16.8	54.8
22 Community Trust Bancorp, Pikeville, Ky.	9.7	0.2	16.2	26.0	29.6	-12.0
23 Banco Popular, San Juan, P.R.	17.2	1.0	7.0	25.2	23.7	6.3
24 Pinnacle Financial Partners, Nashville	13.9	0.0	11.2	25.2	4.7	432.5
25 Bancorp, Wilmington, Del.	20.2	0.0	5.0	25.2	6.4	295.9
26 Valley View Bancshares, Overland Park, Kan.	0.8	0.0	24.3	25.1	33.8	-25.7
27 Goldman Sachs, New York	24.0	0.0	0.0	24.0	6.0	300.0
28 International Bancshares, Laredo, Texas	2.5	0.0	21.2	23.7	33.0	-28.2
29 Summit Financial, Moorefield, W. Va.	1.8	0.0	18.6	20.4	23.6	-13.8
30 Bancplus Corp., Ridgeland, Miss.	2.5	0.0	17.8	20.3	24.7	-17.8
31 Adam Bank, College Station, Texas	6.2	0.0	13.1	19.3	18.0	6.9
32 OFG Bancorp, San Juan, P.R.	11.6	0.0	7.6	19.2	26.3	-27.0
33 Great Southern Bancorp, Springfield, Mo.	4.7	0.2	13.9	18.8	29.0	-35.1
34 Fifth Third Bancorp, Cincinnati	12.0	0.0	6.0	18.0	34.0	-47.1
35 Watford City Bancshares, Watford City, N.D.	11.8	3.6	2.5	17.9	22.5	-20.3
36 Premier Financial Bancorp, Huntington, W. Va.	0.4	10.6	6.8	17.8	10.6	67.7
37 KeyCorp, Cleveland	12.8	0.0	4.7	17.4	34.9	-50.1
38 Chemical Financial, Midland, Mich.	16.0	0.0	1.3	17.2	13.5	28.0
39 Parkway Bancorp, Harwood Heights, Ill.	3.6	0.0	12.8	16.4	35.1	-53.2
40 Home Bancshares, Conway, Ark.	9.8	0.5	5.9	16.2	13.9	16.9
<b>TOTAL FOR TOP 40 BANKS</b>	<b>782.4</b>	<b>47.1</b>	<b>649.1</b>	<b>1,478.7</b>	<b>1,527.0</b>	<b>-3.2</b>
<b>TOTAL FOR TOP 500 BANKS</b>	<b>1,286.2</b>	<b>60.3</b>	<b>1,180.4</b>	<b>2,526.9</b>	<b>3,189.9</b>	<b>-20.8</b>

Source: Trepp Bank Navigator

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