Area bank profits on rise

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Local banks enjoyed financial good times in 1993 as bank profit margins hit record highs, year-end results from the area’s local banks show.

For the second straight year, all 19 banks and thrifts operating in East Baton Rouge Parish reported profits, according to Sheshunoff Information Services Inc.

While margins were peaking, the economy was improving, allowing banks to further wash their balance sheets of problem loans.

"The industry had record earnings last year," said Frank Anderson, a bank analyst with Stephens Inc. in Little Rock, Ark.

“What drove that was lower interest rates and wide spreads” between what banks paid on deposits and what they collected on loans.

Among the 19 banks and thrifts with offices in East Baton Rouge Parish, Whitney National Bank reported the largest profit, $73.4 million, while Premier Bank reported $71.1 million and Hibernia National Bank reported $62.3 million.

Each of these three operates statewide or at least in several major state markets. Their profits reflect their entire operation.

Of the 19 banks and thrifts with a presence locally, 11 operate solely in East Baton Rouge Parish.

Net income at those institutions jumped to $34.1 million last year from $27.8 million in 1992.

Bank margins peaked during the first quarter of 1993, Anderson said, and remained strong enough for the rest of the year to allow banks to post record earnings.

Banks spent the year focusing on controlling expenses and were afforded the luxury of...
reducing their reserves set aside to protect against losses from defaulted loans.

While many banks set aside portions of earnings in 1992 to cover bad loans, several were able to pull cash from those reserves in 1993, boosting earnings.

Loans at the local banks climbed to $1.3 billion in 1993, from $1.18 billion in 1992. Most of the activity, analysts said, was from consumer rather than commercial customers.

"Everybody talks about all this loan demand, but outside the consumer sector, loan demand is not as strong as people lead you to believe," Anderson said.

"There's not enough earning assets out there. That's what is driving all these consolidations."

Competition in lending is fierce, said W. Shiles McCord, president and chief executive officer of City National Bank.

"In commercial loan growth last year there was an awful lot of competition for that piece of business," McCord said. "Also the regional banks are moving into this area. More people are competing for a relatively finite number of quality loans."

While total loans grew, problem loans shrank.

"Certainly most of the banks experienced continued improvement in loan quality," McCord said. "That played a significant part in our overall performance last year."

City National's problem loans dropped to 0.98 percent of total assets, from 2.51 percent a year earlier.

Whitney Bank saw its problem loans drop to 3.54 percent of total assets, from 6.89 percent a year earlier. Premier's bad loans shrank to 1.29 percent from 2.84 percent. Hibernia's bad loans dropped to 2.37 percent from 5.79 percent.

Total assets at all but six of the 19 banks and thrifts grew in 1993.

Tracking the profit gains, bank employment climbed in 1993, state Department of Labor and Employment Security figures show.

In 1993, 27,400 people were employed by financial institutions statewide, up from 27,100 a year earlier. Financial institution employment peaked in 1989 at 29,800.

While strong earnings continue through the first quarter for local banks, 1994 may not be as robust as the banner 1993, Anderson said.

"It's going to be a lot more challenging this year," he said.