BR banking community hard hit in '87

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Bankers, who operate an economy's infrastructure by making money available for industrial growth, talked a year ago about an economic "bottoming out" in Baton Rouge and expressed "cautious optimism" that the worst was over.

Nevertheless, year-end 1987 figures show East Baton Rouge Parish banks collectively lost $29.2 million, not including the losses generated by the failure of Capital Bank. If Capital's recognized bad loans were included in the year-end figures, the banking industry would have lost nearly $200 million.

Though complete first-quarter figures won't be available until later this month, published statements of conditions of the banks indicate much improvement is unlikely.

"I don't think anybody is bullish on the future of banking," said Samuel R. Levatino, chairman, president and chief executive officer of First National Bank of East Baton Rouge.

Levatino, whose $26-million bank had bad loans equal to nearly 10 percent of its assets at year-end, said: "It's difficult to say you're in the bottom. A bad economy is all-pervasive the way it attacks your loan portfolio."

Year-end figures, compiled by Sheshunoff & Co., an Austin, Texas-based, bank tracking firm, show seven of the parish's 12 commercial banks reported losses and eight reported shrinking primary capital. Primary capital includes stockholder equity and a bank's reserves for future loan losses. It reflects a bank's ability to absorb losses.

Six banks reported both losses and shrinking primary capital; only three banks reported both profits and increases in primary capital, the Sheshunoff figures show.

None of the figures include the performance of Capital or Hibernia Bank. Hibernia of Baton Rouge is considered a branch of the New Orleans-based holding company and does not report figures separately. It lost $6 million in 1986.

In 1986, Capital Bank & Trust Co. accounted for $19.4 million of the $38.6 million collective industry loss. It failed in October 1987 and immediately received a $118-million injection from the Federal Deposit Insurance Co. to cover federal fund shortfalls and operating expenses until a buyer could be found. Capital was sold in April to Sunburst Systems Corp. of Grenada, Miss., and the FDIC took $167.6 million in Capital's loans to strike that deal.

Ignoring the $118 million injection, but adding the amount of the bad loans retained by the FDIC, the Baton Rouge banking community would have suffered a $196 million collective loss in 1987.

Years of growth and inflation spoiled Baton Rouge bankers, Levatino said.

"Now growth is gone, and we're in a period of deflation. It's slapped us upside the head."

By year-end 1987, six banks had managed to reduce the amount of bad loans on their books, but the bad-loan total for six other banks grew.

Acadia State Bank, which opened in 1986, reported bad loans and foreclosed real estate increased to $484,000, representing a 225.9 percent growth rate since December 1986, the largest percentage growth in bad loans reported by any bank.


American Bank, which reported a total year-end loss of $19.78 million, has sought refuge in a merger with Union Planters Corp. of Memphis.

Louisiana National Bank with a year-end loss of $4.40 million, is scrapping its loan portfolio and cutting overhead by turning over functions like data processing to parent Premier Bancorp.

First National Bank of East Baton Rouge, which lost $1.31 million, has laid off two of its 17 employees, Levatino said, and will be looking to boost its primary capital ratio. That ratio stood at 8.29 percent at year end.