Louisiana banks had excellent year in 1982

By JOHN BALL
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Louisiana banks turned in sizzling profits in 1982. In one survey of 93 medium-size regional banks, Louisiana banks clearly were the class of the country in profitability, the rate of profit.

Six of the 16 highest-ranking banks are Louisiana banks, in the peer-group comparison compiled by the bank securities research department of Atlanta-based Robinson Humphrey/American Express Inc.


"The numbers are very good," said J. R. Burke of Robinson Humphrey, a first vice president and co-author of the firm's nationwide peer-group comparison, done along with John B. Moore, Jr., a vice president.

"Generally speaking, the (profitability) rates were up over 1981," Burke said.

OIL AND GAS lending was a key reason for the Louisiana bankers' success, Burke said. Profit rates were lower in 1987's second half, he said, reflecting the downturn in the oil patch.

"Also, in some cases, these Louisiana banks have got pretty attractive deposit bases," Burke said.

Some of the Louisiana banks exhibit "a good combination of floating-rate commercial loans which are funded essentially out of core deposits," such as demand accounts, Burke said.

Robinson Humphrey defines medium-size regional banks, Burke said, as those with less than $2 billion in assets. Most of the 93 have more than $1 billion, with about $500 million the lower limit.

"We probably have included two thirds of them nationwide, particularly those between $1 billion and $2 billion," Burke said.

The profit rate measures return on stockholder equity. Hibernia's 21.55 percent return more than doubled the 1982 profits equaled 21.55 percent of stockholder equity.

STOCKHOLDER EQUITY, a bank's capital base, is what the stockholders own, according to the accountants. Stockholder equity is computed by subtracting liabilities from assets. The assets are what the bank itself owns, such as cash, loans and Treasury bills. Liabilities are what other people own, such as savings and checking accounts.

One Louisiana bank listed in the 93 did poorly last year because of loan losses taken in the fourth quarter, Burke said.

The $635-million-asset Great American, Baton Rouge, a top 21 bank in 1982 profit growth, Burke said. Only seven Louisiana banks were included in Robinson Humphrey's 1982 peer group comparisons, a 45-page document sampling various measures of bank performance for money-center banks, giants such as New York's $130-billion-asset Citicorp, large regionals, those over $1 billion, such as Houston's highly profitable Allied Bancshares Inc.; and the medium-size regionals.

Only one Louisiana bank has assets in the large regional class, the $2.05-billion Whitney National Bank of New Orleans. Bank securities analysts tend to shy away from Whitney because it releases a minimum of financial information.

Burke explained why Whitney was not included in Robinson Humphrey's peer group comparisons: "To get the data, we send out questionnaires. Whitney didn't send back one."


A return of 20.38 would have ranked seventh-best out of 104 on Robinson Humphrey's nationwide list of large regional banks.

Though the banks under $500 million in assets were ranked higher by Robinson Humphrey, smaller banks generally tend to have higher profit rates than larger ones. Access to cheaper deposits is a commonly cited reason. However, bank-stock analysts tend to follow the larger banks, which have larger numbers of shares trading.

An example of a smaller bank performing well in Louisiana is the $347-million-asset Jefferson Bank & Trust Co., based in Metairie, which earned 28.3 percent on equity in 1982 - second highest profit rate in Louisiana's $1-billion to $2-billion class.

Meanwhile, the Louisiana banks also fared well in 1983 by another measure of profitability, the return on total assets. Among the 93 medium-size regional banks, Louisiana had six in the top 15.

First in Louisiana was the $880-million-asset Commercial National Bank of Shreveport, which ranked No. 9 on the Robinson Humphrey list with a 1.40 percent return on assets for last year.

FIRST COMMERCE of New Orleans was 10th, at 1.37 percent; First Bancshares, parents of First Commerce, 19th at 1.36 percent; and New Orleans Bancshares, No. 33, at 1.09 percent.

Great American of Baton Rouge, however, placed 93rd with a loss of 9.85 percent of assets.

Bank by bank, here are Burke's comments on the profit successes of some of the Louisiana banks:

HIBERNIA. "A successful commercial lender, in maritime and energy-related loans. A fairly high degree of leverage, meaning that for every dollar in assets, they return more on equity."

FIRST COMMERCE. "A combination of decisions in the last three years to be aggressive in the bond portfolio, to take losses and get some very high rates (on tax swaps) - the bond portfolio is as high-yielding a portfolio as I've seen this year - plus some recent successes in lending and fees. The bond yields are the more important factor."

New Orleans Bancshares. "A pretty successful commercial lender for a bank its size, and that makes it a good fit for First Commerce (with which it's scheduled to merge this year). Interest margins are pretty high."

FIRST BANCSHARES. "The one thing that is glaringly different about them is that their net interest margins are glaringly high." Primarily, it has a stable and low-cost deposit base. This is the biggest and most dominant bank in East Baton Rouge Parish, "in contrast to Hibernia," whose Orleans Parish base limits its access to choice suburban-growth deposits. "They've also done a good job in commercial lending which is unusual for this sort of (retail deposit-based) bank."

GUARANTY BANCSHARES. "They are an active energy lender. Most of those loans are 2 and 3 percentage points over prime. Though it's slowed down somewhat, that was the source of the profits in 1982: Lafayette was the boom town.

For 1983, Burke said, Louisiana banking probably won't be as profitable because of the oil and gas slump.

"First-half comparisons could be reasonably difficult for earnings, though not horrible," he said. "Overall, I think 1983 will be a below-average year for Louisiana banks, not in line with the 15 percent earnings growth these guys have had for most of the recent years."

U.S. Economic recovery in 1983, however, could bring a resurgeace of Louisiana bank profits in the year's second half, Burke said. "It's going to be a test of their mettle."

Source: Robinson Humphrey/American Express Inc., Atlanta