La. banks’ performance down

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Louisiana banks lost $36.7 million in the first nine months of 1989, more than 16 times the state banking industry’s collective $2.2 million loss incurred during the same 1988 period, according to Sheshunoff Information Services Inc., a Texas firm that tracks bank performance.

Louisiana was one of four states reporting overall bank losses through Sept. 30, Sheshunoff reported.

Through September 1988, U.S. banks earned a collective $58.3 billion, 26.1 percent less than in the comparable 1988 period, Sheshunoff said, although results varied across the nation.

Bank profits increased in 39 states and the District of Columbia, while banks in eight states remained profitable but suffered earnings’ declines during the January-September period.

Besides Louisiana, banks recording overall losses included New York, $2.9 billion loss; Arizona, $463.0 million; and Texas, $165.7 million.

The third quarter plunge in earnings among banks nationwide was accompanied by a 12.9 percent rise in non-performing loans. Nonperforming loans, which are those not accruing according to their original terms, totaled $63.2 billion in Sept. 1989, and amounted to 0.11 percent of gross loans.

Non-performing real estate loans gave impetus to the increase in non-performing loans, Sheshunoff said.

Nationally, non-performing real estate loans reached $21 billion in September, an increase of 11.4 percent from 1988.

"It’s difficult to generalize about real estate loans," Alex Sheshunoff, company president, explained in a prepared statement.

"What we’re really seeing is a rolling real estate recession that affects different parts of the country at different times," he said.

Bad real estate loans largely have been blamed for growing losses among Louisiana banks in recent years. Since 1986, 58 banks in the state have failed or received federal assistance to prevent failure.

Non-performing loans have drained profits from Baton Rouge-based Premier Bank, which reported a $103.6 million loss through Sept. 30 — the largest loss reported by the state’s 43 unprofitable banks, said Sheshunoff spokesman Max Watson. Premier is seeking regulatory approval and financing to spin-off a separate liquidating bank to dispose of more than $400 million in troubled loans.

Whitney Bank in New Orleans reported the second greatest loss, $46.4 million, during the period. Commercial Bank in Shreveport, which is in the process of merging with Jackson, Miss.-based Deposit Guaranty Bank, lost $18.4 million in the first nine months of the year, Sheshunoff reported.

Other Baton Rouge banks reporting losses were American Bank and Trust Co., $636,000; National Bank of Commerce, $617,000; Commercial National Bank, which is in the process of merging with Sunburst Bank, $315,000; and Acadia State Bank, $16,000, Watson said.

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Banks in East Baton Rouge Parish reported a net loss of $97.8 million, he said. In Louisiana, total assets of all banks declined 1.4 percent to $35.2 billion by Sept. 30, compared to the year before, Sheshunoff reported. Total loans dipped 2 percent to $19.7 billion in the same period.

Non-performing loans declined 5.8 percent to $838 million by Sept. 30 compared to the first nine months of 1988, and represented 4.21 percent of gross loans.

The decrease in non-performing loans and total assets for the state probably reflects the numerous purchases of failed banks in the state, Watson said.

When a bank fails, the Federal Deposit Insurance Corp., which negotiates its sale, normally retains the troubled assets, Watson said. Fourteen Louisiana banks, representing total assets of $847.2 million, failed during the first nine months of 1989, according to FDIC reports.