Local bank and thrift results for 1992

At the 11 banks and thrifts operating only in East Baton Rouge Parish...

Banks, thrifts have good '92

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Favorable interest rates and a stable local economy proved a bonanza for East Baton Rouge Parish banks and thrifts in 1992.

All 19 banks and thrifts operating in the parish posted annual profits — many posted record profits — in 1992, compared to three that lost money in 1991.

Meanwhile, costly loan problems declined.

As a result, "bad debt started turning back to good debt, which obviously creates income," said H. Lynn Juban, president and chief executive officer of Equitable Trust Savings & Loan Association.

Increased profits helped banks and thrifts build capital to support growth and provide a cushion against loss, Juban said.

That sparked lending, he said.

"We saw a gradual turnaround toward more lending in 1992," Juban said. "The trend should continue in 1993, he said.

"People remember the early '80s and are going to remember them for a good while," Juban said.

Lending activity likely never will be so generous as in the state's pre-recession days, he said.

"But I don't think money is as tight as people perceive it to be," Juban said. "There's a lot of money in the state and people wanting to make lending decisions that are positive for the whole community and positive for their situation."

Premier Bank President F. Walker Lockett agreed.

"Lending activity is a function of loan demand, and our loan demand in Louisiana has not been strong, particularly with regard to the commercial sector."

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Lockett said, “For the most part, banks are highly liquid and have funds to lend, and they certainly want to do that because that is their primary function,” he said.

In 1993, interest rates could rise, narrowing the spread between the interest banks pay for deposits and earn on loans and other assets, Lockett said.

However, a dramatic change is not expected, he said. “Most bankers are looking for ’93 to be a pretty good year,” he said. “We’re seeing a continuation of improvement in asset quality and we, basically, see right now that our economy is stable to improving.”

Local bank and thrift financial results for 1992 showed the improvement trend. Among the 11 banks and thrifts operating only in East Baton Rouge Parish, net income jumped 67 percent to $27.8 million in 1992 over 1991, data compiled from the institutions’ financial reports showed.

Bad loans — loans past due 90 days or not accruing interest — fell 14 percent to $15.6 million during the 12 months ending Dec. 31. Loans held by local banks and thrifts grew by 10 percent to $1.18 billion. Deposits rose 15 percent to $1.25 billion, the financial reports showed.

Louisiana’s banks and thrifts collectively earned $299 million during the first nine months of 1992, after losing $178 million in the same 1991 period, the latest data available statewide from Sheshunoff Information Services Inc. showed. The Texas firm tracks bank and thrift performance.

Bad loans held by the state’s banks and thrifts declined 19 percent to $883 million during the 12 months ending Sept. 30 from the year before.

Total loans fell 12 percent to $20.7 billion, Sheshunoff reported. Deposit information was not available.

Meanwhile, collective profits of U.S. banks and thrifts more than doubled to $26.3 billion January-September 1992 from $11.3 billion for the same 1991 period.

Bad loans held by U.S. banks and thrifts fell by 16 percent to $85.6 billion. Loans fell 4 percent to $2.6 trillion, Sheshunoff data showed.

“It’s a good sign to see the banking industry seems to be getting healthier and producing new employment,” said Timothy P. Ryan, director of the University of New Orleans’ division of business and research.

Banking industry employment in Louisiana grew by 500 jobs, or 2 percent, to 27,400 during the 12 months ending in January, the latest state labor figures showed.

The upturn in the first month of 1993 followed a year when the banking industry lost 4 percent of its jobs to contraction from bank and thrift failures and consolidation, Ryan said.

“If you looked at ’92, the banks were getting healthier but they were going through a lot of consolidation,” Ryan said. “Smaller, inefficient banks were failing and the bigger banks were buying them up in 1992, and a lot of banks were laying off people as a result.”

The net number of banks and thrifts in the state decreased by five, or 2 percent, to 267 through the first nine months of 1992, Sheshunoff reported.

Among the failures was the $1.4 billion-asset Pelican Homestead & Savings Association, once the state’s largest thrift.


“It’s not surprising that once (the banking industry) shook out its problems it would experience some growth,” Ryan said.

The economies of Baton Rouge and New Orleans seem strongest among the eight major metropolitan areas in the state, Lockett said, “but we see stability to improvement in all the other markets.”

Premier operates in all major Louisiana markets except Alexandria.

Loan problems declined for most Baton Rouge area banks and thrifts in 1992, but problems remained at some institutions.

For instance, Acadia State Bank saw loan problems grow last year.

Acadia’s problem loans — those past due 90 days or not accruing interest — rose to 2.88 percent of loans by Dec. 31 from 0.66 percent the year before, the bank reported.

“While asset-cleansing strategies have been largely successful, there is a residual volume of very problematical credits which will involve protracted workouts,” Acadia Chairman Robert M. Coleman III said in a statement.

The bank is seeking ways to build equity and its loan loss reserve, Coleman said.

Acadia earned $326,000 in 1992 after losing $126,000 in 1991.

Of Acadia’s 1992 profits, $130,000 came from a litigation settlement, Coleman said.

Acadia may use part of its 1992 earnings to boost its loss reserve, and restate 1992 profits downward, accordingly, he said.

Acadia has operated under a federal regulatory supervisory order since November 1989. The order spells out a series of corrective actions and deadlines for restoring financial health.