National Bank of Commerce reports 1989 loss

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The cost of charging off and reserving for bad loans drained 1989 earnings at National Bank of Commerce, which reported a 1989 net loss of $616,000 compared to a $64,000 profit in 1988.

The bank, opened in 1984 and which primarily lends to businesses, rather than individuals, suffered in 1989 from the fall-out of a weakened economy in recent years, said Donald Bugea Jr., senior vice president and cashier.

The bank should return to profitability in 1990 since the bulk of its bad loan expenses have been paid for or covered with reserves; most of its foreclosed property holdings are generating income and the bank's capital base remains strong, Bugea said.

“We have compensated this year for problems that we have, and we have the potential to show good profits for the year in 1990,” he said.

NBC had earned $134,000 in the first half of 1989 but lost $751,000 in the third quarter after boosting its reserve for loan losses by $805,000.

The bank broke even in the final 1989 quarter, compared to earnings of $129,000 in the 1988 period, Bugea said.

NBC's non-performing loans — those past due 90 days or not accruing — grew 23 percent to $1.306 million, or 4 percent of net loans, by Dec. 31, 1989, from $1.073 million, or 3 percent of net loans, at the end of 1988. Net loans decreased 7.5 percent to $32.725 million in 1989 from $35.393 million in 1988.

NBC's loan charge-offs increased 6 percent to $50.4 million in 1989 over the year before. The bank boosted its reserves to cover possible loan losses to $976,000 by Dec. 31, more than twice the year-end 1988 level of $425,000.

“Even though non-performers grew a bit, we've more than compensated for that,” Bugea said.

NBC's foreclosed property, listed as “other real estate owned” in its financial statement, remained at $600,000 by Dec. 31, slightly higher than the $599,000 it held the year before. However, 90 percent of the property the bank holds this year generates income, such as rental checks from condominiums and some single-family dwellings, Bugea said. The property it held last year did not, he said.

The bank's primary capital, which includes stockholders equity and loan loss reserve, totaled $5.2 million, or 9.5 percent of total assets, a level higher than most local banks, Bugea said.

NBC reported total assets grew 4 percent to $54.955 million on Dec. 31 from the year before. Deposits increased 6 percent to $50.417 million during the period.