State bank income decreases

The income of Louisiana's banks was cut nearly in half during the first part of 1987 from a year ago as financial institutions were forced to write off 38 percent more bad loans than in the first half of 1986, statistic show.

Meanwhile, the state's savings and loans posted 1.5 percent less income and charged off 5.72 percent more problem loans than during the first six months of 1986, the figures indicate.

Sheshunoff & Co., a leading Texas-based bank consulting firm, released a study Friday that indicates that the nation's banks and savings and loans as a whole posted deep losses through June.

Other figures compiled showed that assets of Louisiana's bank's were down by 4.2 percent and thrifts declined by 1.2 percent. Loans at banks were down by 2 percent and S&Ls by 14.6 percent. Non-performing, or problem loans, increased by 9 percent at banks and by 2.7 percent at the thrifts.

A second report, commissioned by the American Bankers Association for release Saturday, indicated that 50 percent of bank and savings and loan branches are unprofitable.

"The report confirms what many industry experts have been saying for years — that, since deregulation, the financial services industry has suffered from overcapacity and increasingly lower profit margins," said Raymond Skelton, a bank executive on the ABA study subcommittee.

The report said that until banks are allowed to offer competitive new products and services, strategic decisions will have to be made regarding branch profitability. The study said retail banks had potential profits of $90 billion in the early 1980s and that has been halved as of 1986.

Sheshunoff said problems for savings and loans continue to be centered in the Southwest region that is made up of Texas, Louisiana and Oklahoma. Some $3 billion of a $5 billion total was lost by thrifts in the Southwest region, Sheshunoff said.

"The increase in the prime rate will be positive for most banks due to their large amounts of floating rate loans, whereas the increase in deposit rates will hurt many savings and loans which have large portfolios of fixed rate," said Alex Sheshunoff, president of Sheshunoff & Co.