Louisiana banks are joining the merger club.

Nine mergers were announced last year, and industry experts predict even more takeovers this year, especially given the improved health of Louisiana banks. Bank presidents readily admit they're on the "acquisition trail."

It comes as no surprise, analysts say. With the vast number of banks across the state, consolidation was likely, if not inevitable.

"Louisiana is fairly unique with its degree of fragmentation," says John Coffey, an analyst with Robinson Humphrey Co. in Atlanta. "There are a ton of small banks in Louisiana. And there's a lack of concentrated market share on the part of any of the bigger banks. That makes for a fragmented market, and it creates illogical competition."

North Carolina, home to regional giant NationsBank, with $158 billion in assets, has one-fifth the number of banks that Louisiana has, says Woody Briggs, an analyst with Chaffe & Associates, an investment-banking firm headquartered in New Orleans.

"There are 200 or so banks here. There's a large number of banks per capita with a small number of branches and small asset bases," Briggs says.

Likely merger targets in Louisiana include institutions with assets between $200 million and $400 million located primarily in Baton Rouge, Lafayette, Alexandria and Houma, banking experts say. The likely buyers: Louisiana's big four—Hibernia Corp., Premier Bancorp, First Commerce Corp. and Whitney Holding Corp.

But that doesn't mean banks in rural areas won't be given a close look as well, analysts say.

"Overall, the market is so fragmented and market share is so dispersed that almost anything is game," Coffey says. "It's an opportunistic process. It has to be something that fits the franchise at the right price and that produces revenue opportunities. I don't think there's any institution in Louisiana that couldn't be acquired by one of those four. Size is not a problem."

And consolidation probably won't end at the state's borders, analysts say.

BY LESLIE ZGANJAR
Louisiana's bigger banks could eventually be acquired by out-of-state regional giants. BancOne of Ohio, an $80 billion asset institution, already has an option to buy the Baton Rouge-based Premier as early as 1995. NationsBank is rumored to be interested in Hibernia, the New Orleans-based bank holding company.

Mississippi banks also are actively looking, most notably Grenada Sunburst System Corp., Hancock Holding Co., Deposit Guaranty National Bank and Trustmark National Bank, analysts say. "The four major banks in Louisiana are all potential acquisition targets. There's a good chance they could be acquired. We don't have any mega banks in the state," Briggs says.

Although fewer banks mean fewer choices for consumers, analysts say consolidation could lead to a more profitable banking industry that would, in the long run, help consumers. Larger banks are better able to deliver financial services. They can provide electronic debit cards, bank-by-phone services and enhanced automated teller machines. Bigger banks can also offer various types of accounts, special rates on credit cards and mutual funds.

Smaller banks do not have the capacity to offer many of those products, analysts say. Smaller banks also are at a disadvantage when it comes to investment in computer software and other technology, Coffey says.

Other banking experts argue smaller, community-based banks will survive because there will always be customers who want a high degree of personal attention and contact with top bank officers. "Large banks can offer services that little banks can't offer. That's good for consumers," Briggs says. "But it's also a mixed bag. Customers like to have access to the guy in charge. It's amazing how many people want to deal with banks that are locally owned."

Still, banks need market share to compete with financial-services firms, such as brokerage houses and mutual-funds companies, which are luring billions of dollars from banks and eroding their assets. Ten years ago, banks and savings and loans held 50 percent of the country's financial assets. Today, they hold only one-third.

That's fueling the consolidation in Louisiana and nationwide, analysts say. In the past five years, the number of commercial banks in the United States has shrunk from more than 13,000 to 11,300.

"I see the consolidation trend continuing, especially in Louisiana," Coffey says. "That's based on what the CEOs tell us. They all say they're on the acquisition trail."

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