Hibernia's stock jumps 17 percent

By CYNDY FALGOUT
Advocate business writer

Hibernia Corp.'s stock shot up 17 percent, or 75 cents, to close at $5.125 Monday after near-double volume trading — activity prompted by published reports that North Carolina-based NCNB Corp. was considering injecting cash into Hibernia in exchange for a merger option.

Reports published Monday in both The Wall Street Journal and the trade newspaper American Banker indicated that NCNB was weighing a substantial cash infusion through a transaction that could include an option for an ultimate merger with Louisiana's largest bank-holding company.

The shot to Hibernia's stock may be short-lived, however. NCNB released a statement after the market closed Monday stating that it was not considering an acquisition of or investment in another financial institution.

Rather, NCNB said, it was focused on the merger announced last week with Atlanta-based C&S/Sovran Corp. — a $4.3 billion stock swap merger that would create the third-largest bank holding company in the nation with $118 billion in assets.

Also, Hibernia said it would release second-quarter financial results Tuesday — a late report analysts expect to be dismal. "The stock is up but it will be down tomorrow," banking analyst Henry J. Coffey Jr. of J.C. Bradford & Co. in Nashville said late Monday.

Analyst Joan T. Goodman of Pershing & Co. in Chicago said that a report from Hibernia that its loan problems were declining could forestall a sharp drop in the stock price. Hibernia, the New Orleans parent of Hibernia National Bank, reported a $50 million net loss for January-March due to mounting loans losses, particularly those related to real estate and highly leveraged transactions.

The first quarter loss followed an $11 million net loss for 1990 and pushed Hibernia's capital below minimum levels required by federal regulators.

Hibernia eliminated its dividend in the first quarter to conserve capital. Company officials said they planned to take internal actions to raise capital and would consider selling assets to improve their balance sheet.

The reports Monday were the latest in a series of speculations among industry observers, analysts and investors about how Hibernia would solve its financial woes.

The Wall Street Journal reported that two unidentified individuals who were familiar with the matter said Hibernia was actively seeking capital and that NCNB was considering a "substantial" cash infusion.

Both accounts said it was unclear whether Hibernia was discussing obtaining an infusion or arranging a merger with anyone else.

The deal described in the reports sounded similar to a plan for which Premier Bancorp Inc. and Ohio-based Banc One are seeking regulatory approval. Banc One proposes loaning Premier $65 million in exchange for a probable merger within four or five years.

The reports triggered a buying frenzy that led the New York Stock Exchange to delay trading of Hibernia stock for 20 minutes Monday morning until sellers could be found to correct the imbalance, according to reports from NYSE personnel and analysts.
Hibernia

CONTINUED FROM 1C

Hibernia issued a late-morning statement that, as a matter of policy, it did not comment on rumors or "about specific third-party discussions."

However, Hibernia said, the company "is constantly exploring opportunities to enhance shareholder value and the capital position of both the parent company and its subsidiaries."

Earlier this month, company officials promised that the uproar created by the articles and analysts' speculations forced NCNB to respond. "We got trapped into this one, if you want to know the truth, just by the pressure and the hullabaloo and the speculation that's going on," Stilley said.

NCNB's stock closed down 12.5 cents at $34.25 Monday.

During trading Monday, Hibernia's stock sold for as high as $5.625 but had dropped to $5.125 about 10 minutes before the market closed when trading was halted because of the pending news, NYSE's news service said.

Before NCNB's announcement, analysts said they believed the published reports were accurate.

After the NCNB statement, reactions were mixed.

"I don't know what to tell you except that it's not completely surprising," Coffey said.

Coffey earlier had said he believed the Wall Street Journal report was "not idle speculation."

However, Coffey said, NCNB's statement "just means that they are not interested, obviously, in coming to terms with this investment and now, we're back to stage one."

Goodman at Pershing said NCNB still could be considering the deal, despite the official denial.

"When banks are in this type of negotiation, nobody's talking," Goodman said. But "I don't think it would admit to anything until the C&S/Sovran deal is over because it can't do two things at the same time. It has to settle one before it goes for the other."

A future acquisition of Hibernia would bridge the geographic gap between NCNB's Texas operations and its Southeastern operations, Goodman said. NCNB is the largest bank in Texas.

"It would give them control of the deposits in Louisiana because Hibernia is the largest provider," she said. "That's what these banks go for. They're looking for a deposit base. These loan problems that Hibernia is in at the moment are just a temporary phenomenon."

The $7.3 billion-asset Hibernia operates 181 branches, including 27 locations in Texas, the results of its aggressive acquisition of failed banks and thrifts in that state since August 1989.