The fish are feeding again in the Louisiana bank pond.

But this time it’s not those whales from New Orleans and Baton Rouge gobbling up banks. Rather, it’s some of the medium-sized fish—most of whom stayed quiet during the acquisition feeding frenzy of the mid-1980s—who are now searching for ways to fatten their assets and increase their income.

A few examples:

• First Acadiana National Bank of Opelousas was the successful bidder with the FDIC for the failed Acadiana National Bank last year. Now they have entered into an agreement to purchase a healthy bank—the Bank of Iberia—which will give them locations in three parishes.

• The St. Landry Bank and Trust, for a long time a bulwark of conservative banking, acquired the deposits of the failed First Louisiana Savings Bank last year.

• The American Bank of Opelousas opened a full-service branch in Lafayette Parish, while the First Interstate Bank of Thibodaux set up a loan production office here.

• Two medium-sized banks from Morgan City have been casting their eyes beyond their St. Mary Parish boundaries. Morgan City Bank and Trust bid—unsuccessfully—on several failed banks here, while the First National Bank in St. Mary Parish purchased a bank from the FDIC in Baton Rouge and is opening a full-service branch in New Iberia.

• Regional savings and loans are also becoming more aggressive in their pursuit of growth. Iberia Savings Bank has established an active presence in Lafayette. Teche Federal purchased a portion of the loan portfolio of First Federal Savings and Loan in Breaux Bridge, now under RTC management.

Rusty Cloutier, president of MidSouth National Bank, says this trend reflects a new realization by bankers of what markets they serve. “Banks are looking at more than a city area. They are looking at a trade area,” says Cloutier. MidSouth was one of the first thrifts to acquire banks in Lafayette, the first of the modern era of acquisitions.

Size is also an issue. In today’s increasingly complex financial environment, small banks have a difficult time keeping up with changes in technology and the need to offer new services.

Size was the dynamic at work in the pending sale of Bank of Iberia to First Acadiana National Bank. The Bank of Iberia was a community-based institution founded in the late 1970s by a group of businesspeople and professionals. The bank toughed it out during the recession of the 1980s and emerged as a small but profitable institution. The $30 million bank made about $350,000 in 1990, a healthy return on assets of over 1 percent.

But was that profit worth the effort it took to make it? That’s the question, according to First Acadiana’s president Ronald Boudreaux, that directors were asking themselves.

“The board got tired. It just wasn’t worth their while,” says Boudreaux, a native of New Iberia. “They could bust their gut and make a 2 percent return on assets and still only make $700,000.”

On the other hand, the addition of Bank of Iberia’s assets gives First Acadiana the opportunity to move into areas of financial services that are off-limits to small banks.

For example, the bank has now grown big enough to hire a full-time marketing director, who can spend time developing new products and thus increase the bank’s fee income.

“You’ve got to get to be a certain size to do everything,” says Boudreaux.

First Acadiana worked for years to position itself for its current acquisition strategy. The bank was founded in 1973, as First National Bank of St. Landry Parish, by several of the former directors of the Planters Bank of Opelousas. Led by attorney Lawrence Sundy, they quit the Planters board after the bank was acquired by Clyde Vidrine, then a close associate of Gov. Edwin Edwards.

In 1984, the story came full circle when First National took over Planters after it was closed down by state banking officials.

The acquisition of Planters fattened the bank’s deposit base, but also severely stretched its capital, staff and profitability. That led to a decision by First National’s board to consciously shrink in size.

So-called “hot” depositors—individuals who move their money from institution to institution in search of higher interest rates—were discouraged. Staff was cut back. Branches closed. Board fees were reduced. And the bank focused on making a profit so that it could build up its loan loss reserves and protect its capital position.

By the late 1980s, the bank had its $122 million in assets, down 25 percent from its high-water mark after the acquisition of Planters. The bank was lean and well-capitalized. But it was also hungry for profitable loans.

That led to the decision to go after Acadiana National Bank when it was closed by federal regulators last year. The successful bid gave the bank—a now renamed First Acadiana National Bank—a presence in the Lafayette market where loan demand was much stronger than in St. Landry Parish.

For similar reasons, the bank entered into negotiations with Bank of Iberia located in the reimbunded Iberia Parish area. The sale of Bank of Iberia is now awaiting regulatory approval and should be completed by summer.

If past history is any indicator, First Acadiana National will likely spend the next several years building up its new markets. That’s the mission of MidSouth National, which has undergone rapid growth through acquisitions in the last several years.

“We’re still trying to digest what we have and maximize our profit,” says Cloutier.

MidSouth increased its assets from $20 million to $85 million since 1987, primarily through acquiring failed banks in Breaux Bridge and Lafayette. But while assets have grown, profits have not. The bank lost $1.2 million in 1989 and another $1.5 million in 1990. Its capital base at the end of 1990 was 3 percent.

Cloutier says the biggest problem a bank faces when acquiring another institution is finding the right management to handle the multitude of new problems that crop up. “You’ve got to go out and find people and develop them in your style,” says Cloutier.

Despite the hurdles created by its acquisition strategy, Cloutier says his board still thinks it was the right course. “All of us feel like if it hadn’t been for those...continued on page 12

By Richard Baudoun

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