### Three top Louisiana bank heap

**By KATHRYN FLOURNOY**

Advocate business writer

In the three years since Louisiana banks have been allowed to merge across parish lines, three bank holding companies have built franchises in excess of $3.5 billion: First Commerce Corp., Hibernia Corp., both based in New Orleans, and Premier Bancorp, headquartered in Baton Rouge.

While the Louisiana economy shrank and 30 other banks failed, these three built themselves big, using different methods with varying results, and displaying three distinct corporate personalities in the process.

In the past two weeks, the three holding companies held their last annual shareholder meetings before Louisiana opens its boundaries to full interstate banking on Jan. 1, 1989. Bank holding companies from states that have reciprocal laws can merge with Louisiana banks and vice versa. Fourteen Southeastern states have had a similar pact since July 1987. Since then, only two out-of-state banks have entered Louisiana; both only after acquiring severely troubled or failed banks.

Bank stock analysts say it is unlikely that so-called superregional or national banks will look soon to Louisiana financial institutions as partners because of the state's anemic economy.

An estimated 40,000 residents left Louisiana between 1986 and 1987, and bank assets fell nearly 6 percent and loans nearly 2 percent statewide in the first nine months of 1987.

Meanwhile, the three banking majors scramble to increase market share in-state.

"We're talking about guerrilla warfare banking, survival banking," said John Ray, a Chicago-based analyst with regionalsecurities firm L.H. Friend & Co. Ray said the big three will have a strong impact on the future of not only Louisiana banking, but across-the-board industry development as well. Nevertheless, Ray questioned whether the state's economic downturn has hurt even the strongest banks.

"If you're in Louisiana, you've got a chance to get hobbled," he said. "You just cannot be optimistic about loan growth, deposit growth and, hence, be optimistic about margins."

Another analyst, Elizabeth Roy of Morgan Keegan in Memphis, added:

"Although bankers talk a lot about who is the largest, the bottom-line important thing is profitability. Jockeying for top..."

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**Three Financial pillars**

Almost 10 years ago, federal rules governing banking loosened up under pressure from progressive state laws and the changing international financial market. The state's three largest bank holding companies compete in the world. Here is a snapshot of their financial foundations, using several key criteria as of March 31, the end of the first quarter.

<table>
<thead>
<tr>
<th>First Commerce Corp.</th>
<th>Hibernia Corp.</th>
<th>Premier Bancorp.</th>
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</thead>
<tbody>
<tr>
<td>Total assets*</td>
<td>$3,720,182,000</td>
<td>$5,085,642,000</td>
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<tr>
<td>Loans &amp; leases net of unearned income*</td>
<td>$1,889,769,000</td>
<td>$3,445,332,000*</td>
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<tr>
<td>Nonperforming assets including foreclosed real estate (% of net loans)</td>
<td>$73,140,000 (3.86%)</td>
<td>$65,100,000 (1.85%)</td>
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<tr>
<td>Deposits*</td>
<td>$2,867,804,000</td>
<td>$4,188,618,000</td>
</tr>
<tr>
<td>Net income</td>
<td>$5,486,000</td>
<td>$13,011,000</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>44c</td>
<td>68c</td>
</tr>
<tr>
<td>Market value based on closing share price March 31</td>
<td>$223,595,812.50</td>
<td>$425,976,250</td>
</tr>
<tr>
<td>Primary capital as a % of all assets</td>
<td>6.61%</td>
<td>6.66%</td>
</tr>
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* reflects balance sheet averages Jan.1 - March 31
a reflects balance at March 31, 1988
b based on average shares outstanding for the quarter

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position in terms of total assets is not an important thing. What is important in the Louisiana economy is to book profitable loans.

Recent interviews with the three chief executive officers reflect a belief that there are good Louisiana loans to be made this year. But, they admitted, those loans hinge on the ability of their affiliate banks, or branches, to increase their market share in a state that is not growing on its own.

How the holding companies seek larger market shares will depend on their individual styles and the way they built up their intrastate empires.

Ray, while acknowledging his description as "greatly over-generalizing," characterized the three bank companies thusly: Hibernia's banks are the lenders, Premier's banks are the deposit gatherers, and FCC's banks build asset quality and generate the fees.

Premier jumped into the intrastate merger fray first, finding partners among the biggest and brightest banks, and generally leaving alone the banks it bought.

It has touted Louisiana, at one time its holding company was called Louisiana Bancshares Inc., and has stayed stubbornly within the state boundary for loan and deposit growth.

But the old saying "the bigger they are, the harder they fall" fits Premier today as it struggles with a high level of bad loans rooted in Louisiana businesses and real estate. For the two quarters ending March 31, the company's losses totaled $39.03 million.

To turn the tide of red ink, Dallas-bred, LSU-graduated Chief Executive Officer Lee Griffin, who took over the holding company Jan. 1, is assembling a team of new lieutenants, many snatched from competing banks in and out of state.

Meanwhile, Hibernia made — and likely will continue to make — bargains on banks at or near collapse. Run by a well-paid ($1.02 million in cash compensation in 1987) Martin Miller, Hibernia does things unquestionably its way.

Unlike its Louisiana competition, Hibernia didn't rush to make energy loans in the early 1980s. Instead, it drummed up dollars through out-of-state lending. By year-end 1987, 40 percent of its total loan portfolio came from beyond the state's borders.

Hibernia also put in place early the one-bank holding company structure that gave it economies of scale and tight control over its far-flung branches. Once Hibernia acquires an institution, that bank holds in as a branch location, Hibernia-trained management moves in and old management often moves out.

The strategy has worked well. Last year, Hibernia reported $46.5 million in profits, another record year, and recently was ranked by "BusinessWeek" as one of the top banks nationwide.

First Commerce Corp., which operates five banks within its holding company, has been the quietest of the three. In late 1985, just a few months before the economic bottom fell out, FCC mined its mergers along Interstates 10 and 12.

It shied away from the banks with the biggest market share, picking its partners from among the second-largest, or even smaller, institutions. As the economy and, as a result, loans within those banks ran into trouble, Chairman and Chief Executive Officer Ian Arnow ordered therapy early: charge off loans and get asset quality up.

As a result, profits strengthened to $19.2 million in 1987, and FCC is opening new branches and acquiring another bank holding company while other Louisiana banks still wrestle with loan quality problems.