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On Focus and In Depth

'Oligopoly' No More in Alabama After Failures

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By [Paul Davis](#)

Alabama has become a battleground over cheap deposits and lucrative commercial loans in the wake of three failure-related takeovers.

Suddenly, BB&T Corp. and Iberiabank Corp. have bulked up in the state, and Banco Bilbao Vizcaya Argentaria SA, the big Madrid bank that entered Alabama two years ago, has raised its profile considerably. All three have bought banks that failed.

BB&T and Iberiabank, in particular, have gained a rare opportunity to chip away at market leaders Regions Financial Corp. and Wells Fargo & Co., which are still operating under the Troubled Asset Relief Program and could be limited in how they spend their capital. BB&T and Iberiabank exited Tarp this year.

"I think there is a lot of business in play," said Steven Reider, the president of Birmingham consulting firm Bancography. "This market not too long ago was a four-bank oligopoly, but now a lot of banks have an opportunity."

Opportunities came from three failures in the past two weeks. BB&T snagged Colonial Bank after the Montgomery, Ala., company collapsed Aug. 14, and Iberiabank bought CapitalSouth Bank in Birmingham last week. Also last week, BBVA Compass, the Birmingham-based unit of Spain's BBVA, bought Guaranty Bank in Texas, giving it a higher profile as a player in the South.

Alabama has not seen this much change in almost three years, when several of the state's biggest banks were sold to large, out-of-state competitors. Though more recent deals have been much smaller, the acquirers believe they, too, can shake up the system.

"To me, Alabama is ripe for the picking," said Dontá L. Wilson, who last week became the president of BB&T's Alabama operations. "If you look at the state, it is up for grabs. It's wide open. There are a lot of distractions, and we will take advantage of it."

Alabama may not be a boom market, observers said, but it has offered banks a steady and reliable place to do business for decades. It also is an important geographical link between the Southeast and the Southwest.

The state had \$76.6 billion in deposits at June 30, 2008, according to data from the Federal Deposit Insurance Corp. More than one-third of these deposits are held by Regions or Wells. (Wells last year bought Wachovia Corp.) The remaining deposits are split among more than 180 other banking companies.

Though Alabama has double-digit unemployment, it has managed to maintain one of the lowest foreclosure rates in the country, 0.3% of households in the state, according to RealtyTrac Inc. The National Aeronautics and Space Administration and other federal agencies make Huntsville attractive; the shipping business powers Mobile, and small and midsize businesses cluster in Birmingham and Tuscaloosa.

BB&T, a \$175 billion-asset Winston-Salem, N.C., company, became the state's fourth-biggest bank almost overnight when it bought most of Colonial Bank's assets and liabilities under FDIC receivership. BB&T is interested in building a bigger commercial and industrial portfolio in the state.

Wilson said BB&T will move quickly. Training for Colonial employees starts next week, and BB&T should have most of its products in Colonial branches by January. BB&T wants to add branches in cities such as Huntsville, Mobile and Tuscaloosa, he said.

Colonial largely ignored C&I lending, which made up just 5.5% of its loans at June 30. Wilson, without giving specifics on the size of the Alabama C&I book, said he expects to double its size by early 2011 through promoting products such as asset-based lending.

Wilson said BB&T also wants to focus on government agencies in Huntsville and increase the volume of home equity and auto loans made in the state.

Michael Brown, a senior executive vice president who oversees the \$6.3 billion-asset Iberiabank's markets, has also identified businesses he would like to expand, including middle-market C&I lending and private banking, both of which will require more than

the six branches his bank picked up last week. "We will need to expand to reach those clients," he said.

Analysts said the state's top-heavy banking structure — in which two big banks have controlled a huge share of business — could offer opportunities to BB&T, which established a small toehold in Birmingham a year ago, and Iberiabank, the Lafayette, La., company that entered Mobile in February.

"That is the question mark," said Christopher Marinac, an analyst at FIG Partners LLC. "How focused is Regions on its home turf when it is dealing with issues in Florida? The same can be said of Wells as it integrates Wachovia. Any lack of focus could benefit the newcomers."

BBVA may also face distractions as it integrates more than 150 former Guaranty branches in Texas and California. The Madrid company completed a rebranding and systems conversion among its U.S. branches last year. A spokesman for the company did not respond to a request for comment.

Michael Donnelly, the regional president for Alabama, Mississippi and Tennessee at Wells Fargo, said the \$1.3 trillion-asset San Francisco company has plans to expand in the state, including hiring 100 employees to boost branch staffing. "We feel we have a great future here," he said. "To us, change means opportunity, and we think it presents an opportunity to grow in Alabama."

Donnelly said it has been important to Wells to keep employees. "We will be patient and methodical" in the Wachovia integration, he said, expecting Alabama branches to change names in late 2010 or early 2011.

William Ritter, the central region president for Regions, which includes Alabama, Georgia and South Carolina, said, "At Regions we understand the Alabama market, and we have a long track record of helping businesses and consumers succeed, both during good times and challenging ones. Throughout the disruptions in the market over the past year, our bankers have maintained a steady focus on meeting the needs of customers and developing new business. ... Our customer retention rates are also at a historic high."

Small banks are also watching the changes intently, eagerly looking for openings as the big guys beat each other up.

Samuel Scalici, the head of banking at the \$113 million-asset Oakworth Capital Bank in Birmingham, called the last two weeks "interesting," and predicted more failures in coming months. "This should provide opportunities for us," Scalici said. Though he acknowledged that the new players seem well-run, he added, "We will still go out there and knock heads with them every day."

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