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## Spanish Bank to Acquire Controlling Interest in Two Mexican Institutions

by LADB Staff

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In early June, Spain's Banco Bilbao Vizcaya (BBV) signed a letter of intent to acquire a controlling share in the ailing financial institutions Banca Cremi and Banco del Oriente (Banorie). Before finalizing the transaction, however, BBV officials have requested that they be allowed to more closely review the terms of purchase, including the financial situation of the two banks. Cremi and Banorie are among the Mexican banks that have required special assistance from government programs, such as the savings protection fund (Fondo Bancario de Proteccion al Ahorro, FOBAPROA), to meet required capitalization levels. If BBV agrees to purchase the two institutions, the Spanish bank could become one of the largest players in the Mexican banking sector. In June 1995, BBV finalized plans to acquire a 70% share of Banco Mercantil Probusa (see SourceMex, 06/07/95).

BBV had held a minority share in Probusa since 1991. Probusa, whose financial problems were similar to those of Cremi and Banorie, had also received assistance from FOBAPROA and from the temporary capitalization program (Program de Capacitacion Temporal, PROCAPTE) to meet capitalization requirements. According to BBV executives, the Spanish bank proposes to merge Probusa, Banorie, and Cremi by mid-1997, which would make it Mexico's fourth-largest bank behind Bancomer, Banamex and Serfin, in terms of market share. BBV officials did not mention which name the merged bank would carry.

BBV president Jose Manuel Aguirre told reporters the merged bank would account for roughly one-tenth of the banking business in Mexico, although the institution would only rank seventh in the total number of branches around the country. "Our challenge is to bring the same level of technology to the three banks as we have in Spain," Aguirre said. BBV officials said the majority of the technological conversion would have to be targeted toward Cremi, which has the largest number of branches of the three institutions. According to the Finance Secretariat (SHCP), by assuming control of Cremi and Banorie, BBV will gain almost 270,000 new clients and the equivalent of US \$1.3 billion in deposits. On a related matter, the Finance Secretariat (SHCP) in June approved new permits for US-based NationsBank and Comerica Bank to open operations in Mexico.

According to the SHCP, the two institutions will bring a total of 236 million pesos (US\$30.9 million) in new investment into the Mexican banking sector in their first two years of operation. Those banks have pledged to provide loans totaling 2.975 billion pesos (US\$390 million) during 1996 and 1997. NationsBank, which is based in North Carolina, was one of 17 financial institutions to originally receive operating permits in Mexico in 1994, when the banking sector was opened to foreign investors (see SourceMex, 01/12/94). However, the company delayed the opening of its full-service branch until this year. The bank has operated a representative office in Mexico City since 1989. According to the SHCP, the NationsBank subsidiary in Mexico will initially limit operations to Mexico City, but is expected to eventually expand service to other cities around the country.

The bank plans to provide service primarily to business and industry, including branches of US multinational companies in Mexico.

The SHCP said Comerica Bank whose operations are concentrated in the US states of Texas, California, Illinois, Michigan, and Florida also plans to launch its initial operations in Mexico City. In the second year of operation, the bank expects to expand service to Monterrey and Ciudad Juarez. Comerica expects to serve primarily medium-sized and large enterprises involved in the retailing, chemical, automobile, electronic, and food sectors. According to a report from the banking and securities commission (Comision Nacional Bancaria y de Valores, CNBV), deposits in foreign banks with operations in Mexico reached 9.86 billion pesos (US\$1.29 billion) as of the end of March, an increase of 175% from the same period in 1995. However, the increase is less significant since a high percentage of the deposits were still in Citibank, which has operated in Mexico since 1929. Until 1994, Citibank was the only foreign institution to operate in Mexico.

The statistics do not include money deposited in Mexican banks controlled by foreign institutions, such as Probrusa (owned by Spain's BBV), and Inverlat (controlled by Canada's Bank of Nova Scotia). Separate but related statistics published by the bankers association (Asociacion de Banqueros de Mexico, ABM) indicate that foreign banks reported net profits of 1.296 billion pesos (US\$169 million) during 1995 and 325.8 million pesos (US\$42.7 million) in the first quarter of 1996. According to the ABM, foreign banks now account for a 14% share of the Mexican banking sector. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on July 9, reported at 7.63 pesos per US\$1.00] (Sources: La Jornada, 06/11/96, 06/21/96; Reforma, 06/11/96, 06/17/96, 06/21/96; El Financiero International, 07/01/96)

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