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LADB Staff

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Bank-rescue Agency Launches Reprivatization Of Banca Serfin

by LADB Staff
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The government's bank-rescue fund (Instituto de Proteccion al Ahorro Bancario, IPAB) has begun procedures to sell off the financially ailing Banca Serfin, Mexico's third-largest bank, which is owned by Grupo Financiero Serfin. IPAB assumed control over Serfin in July 1999 (see SourceMex, June 30, 1999, July 14, 1999). IPAB officials said they have begun accepting bids from domestic and foreign institutions interested in acquiring Serfin. The institute, which set a March 15 deadline for interested parties to submit bids, is planning to open technical bids April 13 and economic bids May 8. To facilitate the sell-off of Serfin, IPAB cleaned up the bank's financial situation, including injecting several billion dollars into the institution during the past five years. The most recent capitalization occurred in mid-January, when IPAB injected 4.95 billion pesos (US$517 million) into Serfin and acquired another 5.6 billion pesos (US$586 million) in low-value assets. The institute said the funds used for both operations came exclusively from IPAB and Serfin, and did not require incurring additional debt. "IPAB has taken all the actions necessary to protect the savings of the close to two-and-a-half million clients of Serfin, actions that also help prepare the institution for obtaining the maximum value possible in its transfer to a new owner," the institute said in a statement.

**IPAB director Vicente Corta said Serfin is now an attractive property for potential buyers**

"What is important now is that Serfin has been totally cleaned up," Corta said. "This bank can now participate in the market and increase its credit portfolio on the very day it is sold." President Ernesto Zedillo's decision to fund the bailout of the Mexican banking system has been very controversial. The opposition parties, particularly the center-left Partido de la Revolucion Democratica (PRD), have denounced the funding of IPAB and the now-defunct Fondo Bancario de Proteccion al Ahorro (FOBAPROA) as a rescue program for wealthy bankers and other business owners. The PRD contends the money used for bank rescues should instead go to social programs. In its 2000 budget, the Chamber of Deputies barely approved 34.6 billion pesos (US$3.61 billion) for IPAB. The funding passed narrowly because several legislators from the PRD and the center-right Partido Accion Nacional (PAN) failed to show up for a vote (see SourceMex, January 12, 2000).

**Five banks announce intention to acquire Serfin**

The potential sale of Serfin has already attracted strong interest from US-based Citibank and three European financial institutions, all of which already have a foothold in the Mexican banking sector. Two potential bidders, BBV-Probursa and Santander Mexicano, are subsidiaries of prominent Spain-based Banco Bilbao Vizcaya and Banco Santander Central Hispano. Their main European competitor, British-based HSBC Holdings Plc, already holds a minority stake in Serfin. Citibank, which has had a presence in the Mexican banking sector since 1929, said it could expand its reach in
Mexico by acquiring Serfin. "Serfin has attracted our attention because of its size and the extent of its network," said Mike Contreras, vice president for Latin America of Citibank's parent company Citigroup. "But we want to know more details about the quality of its debt." Grupo Financiero Bancomer (GFB), the country's second-largest bank, is the only Mexican-based institution that has announced an interest in acquiring Serfin. But GFB's chances are limited by its less-than-solid financial condition, which would become further strained with the acquisition of Serfin's 560 branches, banking analysts told Reuters news service. Some analysts said IPAB may reject GFB's bid to avoid a conflict of interest, since IPAB holds a minority stake in Bancomer. IPAB officials said the institute would favor the participation of Mexican banks in the process, but warned that participating institutions would have to demonstrate they are solid enough to guarantee that another government rescue will not be required. "The governing board of the institute will vote in favor of the one that offers the best economic conditions," IPAB said.

**Banorte to participate in auction of Bancrecer later this year**

There had been some speculation that Monterrey-based Grupo Banorte, one of the few financially solid banks in Mexico, would also seek to acquire Serfin. Banorte's strong financial position is evidenced by its decision in early February to retire about 800 million pesos (US$83.5 million) in debt ahead of schedule. But Banorte's strong financial position is attributed in part to its ability to make prudent investment decisions. In an interview with the daily newspaper El Universal, Banorte officials said they will pass on Serfin and instead seek to acquire the branch banks of Bancrecer, which IPAB will place up for bids later in the year. IPAB assumed control of Bancrecer in October 1999, injecting US$10.8 billion into the institution (see SourceMex, October 20, 1999). "We are looking for greater nationwide coverage, which is why we are particularly interested in Bancrecer," said Banorte director Othon Ruiz Montemayor. In addition to Bancrecer, IPAB also expects to open bids to sell off Banco del Atlantico and Promex this year. The government assumed control of those institutions in 1995 (see SourceMex, September 13, 1995). Meanwhile, Mexico's largest bank, Grupo Banamex-Accival (Banacci), has taken steps to enhance its operations. In an interview with Associated Press-Dow Jones news service, Banacci officials said the bank has discussed forming strategic alliances with the largest banks from Argentina, Chile, and Brazil. "In essence, we are only talking to banks that are leaders in markets where we have no conflict," said Banacci vice president Fernando Quiroz. He said the three South American banks are also developing extensive connections via the internet. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Feb. 2, reported at 9.57 pesos per US$1.00] (Sources: Novedades, 12/07/99; Associated Press-Dow Jones news service, 01/25/00; Reforma, 12/02/99, 01/31/00, 02/01/00; Reuters, 12/01/99, 12/02/99, 01/21/00, 01/30/00, 02/01/00; La Jornada, 01/31/00, 02/01/00; The News, 01/11/00, 02/02/00; El Universal, 12/08/99, 12/13/99, 01/20/00, 01/28/00, 01/31/00, 02/01/00, 02/02/00; El Economista, 01/25/00, 01/31/00, 02/01/00, 02/02/00; Excelsior, 01/26/00, 01/31/00, 02/01/00, 02/02/00)