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Bancomer Board Of Directors Approves Merger With Spain's Banco Bilbao Vizcaya Argentaria

by LADB Staff
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In mid-June, the board of directors of Grupo Financiero Bancomer (GFB) unanimously approved a merger with Spain's Banco Bilbao Vizcaya Argentaria (BBVA), thereby rejecting similar overtures from Mexican rival Grupo Financiero Banamex-Accival (Banacci). BBVA won the bid by sweetening its offer for GFB to US$1.4 billion from the original bid of US$1.2 billion submitted in March (see SourceMex, March 15, 2000). Under the revised bid, BBVA could add another US$1.1 billion to the deal through future debt issues and capital injections. "The board’s recommendation is the best option for GFB from a strategic and value-creation point of view," said Bancomer president Ricardo Guajardo in comments to banking-industry analysts. The ownership proportion remains unchanged from the March bid, with Bancomer shareholders receiving a 70% share of the merged company. BBVA plans to eventually acquire another 10% share from the Bancomer shareholders.

BBVA sources said Bancomer's current foreign partner, the Bank of Montreal, will probably not participate in the merged institution. The Canadian bank owns about 16.6% of GFB. The Spanish bank plans to take administrative control of the new institution, although Guajardo will remain as president of the merged bank. Shareholders, scheduled to meet June 29, are widely expected to approve the GFB board's decision to merge with BBVA. The merger will go into effect July 1. The GFB board had been considering BBVA's original bid when Banacci presented a more lucrative offer of US$2.4 billion to US$2.8 billion in May (see SourceMex, May 10, 2000). The emergence of the Banacci offer forced GFB to delay a decision on the BBVA bid to give company officials ample time to consider the two merger proposals.

Bancomer rejects similar overturing from Banacci

But GFB decided to accept the BBVA offer because the Spanish bank was offering hard money, economists said. Banacci's offer, in contrast, was dependent on future asset sales, bond issues, and joint ventures. In a statement, Banacci officials said the bank respected GFB's decision "not to accept our invitation to create the largest financial group in Latin America." There were concerns about the possibility that Mexico's anti-monopoly agency (Comision Federal de Competencia, CFC) would reject a potential GFB-Banacci merger, since this would have given one bank too much control over Mexico's financial sector. A merged Banacci-Bancomer institution would have controlled 42% of commercial debts, 63% of all mortgage loans, and 82% of credit-card debts in Mexico. The strong possibility of a negative CFC decision on a Banacci-GFB merger was already evident on the Mexican stock exchange (Bolsa Mexicana de Valores, BMV), where shares for BBVA-Probursa increased by 13% in early June. In contrast, the CFC had already granted conditional approval for a BBVA-GFB merger earlier this month (see SourceMex, June 7, 2000). The BBVA-GFB, to be called Grupo Financiero BBVA-Bancomer, will have more than US$366 million in assets and more than 2,000 branches throughout the country. Earlier this year, GFB became the largest bank when the company acquired financially troubled Banca Promex from the savings protection agency (Instituto de Proteccion al Ahorro Bancario, IPAB).
The GFB-BBVA merger received a "favorable" endorsement from the Secretaria de Hacienda y Credito Publico (SHCP), which said the move would contribute to strengthening the Mexican banking sector. "This reflects the confidence of domestic and foreign investors in the development of the Mexican banking sector," Finance Secretary Jose Angel Gurria Trevino said in a statement. Guajardo said the merger will result in a minimal loss of jobs, since there has been very little duplication of services between GFB and BBV-Probursa. Angel Aceves Saucedo, president of the Comision Nacional para la Proteccion y Defensa de los Usuarios de la Banca (Condusef), also endorsed GFB's decision to merge with the Spanish bank instead of Banacci. "The merger, already approved by anti-monopoly authorities, should increase the amount of credit available in Mexico," said Aceves. Still, economists said the Mexican banking sector will continue to be dominated by BBVA-GFB, Banacci, and Santander- Serfin. "This is going to be an industry of three giants and a number of smaller competitors," independent economist Enrique Quintana told radio station Radio Red. "Two of the three will be managed by Spanish banks." (Sources: Proceso, 06/11/00; Bridge News, Reuters, Associated Press, 06/12/00; Excelsior, 06/08/00, 06/13/00; Reuters, 06/11-13/00; The News, The Dallas Morning News, 06/13/00; El Universal, 06/07/00, 06/13/00, 06/14/00; El Financiero, 06/12-14/00; El Economista, Novedades, La Jornada, Reforma, 06/13/00, 06/14/00)