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Mexico's Banorte Agrees to Acquire Banco del Centro

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Mexico City, Aug. 24 (Bloomberg) -- Mexico's Grupo Financiero Banorte SA has agreed to acquire Banco del Centro SA, the nation's 9th-largest bank, company officials said in a statement.

Under the agreement, Banorte will buy an 88.1 percent stake in Bancen. Additional terms weren't disclosed.

Shareholders are expected to ratify the transaction in coming days, the banks said. The sale is the second major merger among Mexican banks since the government ended selling the nation's banks three years ago.

Last year, Bancrecer SA, a multi-regional bank, bought Banoro SA, with a strong presence in Mexico's northwestern region.

Bancen's sale comes also on the heels of other transactions by which foreign banking institutions have increased their presence in Mexico. In late May, for example, Spain's Banco Bilbao Viscaya became the majority owner of Mexico's 8th-largest financial group Grupo Financiero Probursa SA.

Two weeks ago the Spanish bank Banco Central Hispanoamericano and the Portuguese bank Banco Comercial Portuguese de Lisboa nearly doubled their stakes in Grupo Financiero Bitel SA to 20 percent from 10 percent.

Bancen's sale is expected to strengthen the competitive position of Banorte, the nation's 11th-largest bank, in the north-central region of the country.

Banorte, based in the northern city of Monterrey and with 154 branches, has a strong presence in the state of Nuevo Leon, but is little known in other nearby states like San Luis Potosi, Aguascalientes y Zacatecas.

Bancen, with 112 branches, has a competitive edge in that area. "Banco del Centro represents for Banco Mercantil del Norte a merger that makes a lot of sense," Bancen said.

In addition, Banorte's share of the Mexican banking system is expected to rise to 5 percent from 3.1 percent with the acquisition.

The purchase also comes at a time when Mexican banks are facing serious financial difficulties. Many debtors have stopped paying their loans after interest rates skyrocketed earlier this year.

As a result, many banks have failed to meet capital requirements. Bancen is one of four Mexican banks that have asked the government for assistance to boost its capital.

In late March, the Mexican government, through its Temporary Capitalization Program, or Procapte, injected 452 million pesos in Bancen by purchasing five-year convertible bonds.

Banorte is expected to take Bancen out of the Procapte program by injecting new resources, officials said.

-- Eduardo Garcia in Mexico City (52-5) 514-3042, through the New York newsroom (609) 279-4000 /wfr

(Story illustration: for a graph of Grupo Financiero Banorte shares traded in Mexico, see GFNORTC <Equity> GP <Go>;

(For more on companies mentioned in this story, MGFAC MM, BMNB MM, BCBC MM <Equity> CN. For more on banking, financial industries, NI BNK, NI FIN. For more on Mexico, NI MEX. For more on Latin America, NI LATAM. For more on emerging markets, NI LDC; for takeover news: NI MNA)

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