

The GM Bank Inc. is looking to absorb its fourth bank to strengthen its position as among the leading Rural banks in Central Luzon. "The shareholders of Bangko Luzon Inc. and GM Bank have approved a merger/consolidation in a stockholders meeting last year," Tomas Gomez IV, GM Bank president and chief executive officer, said.

Gomez admitted that GM Bank is completing its application and other documentation requirements with the Bangko Sentral ng Pilipinas (BSP). This will result in the rural bank expanding its branch network to 31. That is without prejudice to its application for five new branches this year. It also operates 15 automated teller machines (ATMs), with another seven in the pipeline.

GM Bank is a product of a consolidation between the Community Rural Bank Inc. (CRBI) and the Muñoz Rural Bank Inc. (MRBI), both based in Nueva Ecija. In July 2008, the Small and Medium Enterprises Bank (SME) merged with GM Bank. Bangko Luzon is actually an affiliate bank of GM Bank based in San Isidro, Nueva Ecija, with branches at Cabanatuan, Cabiao, San Antonio, Sta. Rosa and Gapan.

Gomez said that the integration of SME Bank did not amount to much in terms of merger costs as some of its backroom operations have already been integrated. "Also, there was minimal overlap in branch network," he said, adding that with the merger resulted in expanding GM Bank's branch network in the provinces of Bulacan, Pampanga, Tarlac, Nueva Ecija, and Pangasinan. Asked whether the rural bank was interested in further acquisitions or mergers, the bank president said that they were always open for good opportunities.

“GM Bank is always open and ready to look at potential acquisition deals. However, it all depends on the asset quality of the target, potential cost savings after integration, and possible overlap in branch network. Presently, we are not conducting due diligence or negotiating with a target,” he said. Earlier, GM Bank raised P75 million after it issued its second Tier 2 debt notes issuance. Significantly, the two main subscribers were Country Bankers Life Insurance Corp. and Manila Bankers Life Insurance Co., two of the oldest life insurance companies in the country.

“It is the first time an insurance company has invested in debt notes issued by a rural bank in the Philippines,” Gomez added. In 2007, GM Bank issued its first-ever debt notes worth P75 million. It was immediately gobbled up by market, noting that it was the first debt paper issued by a rural bank. The issue manager was the Multinational Investment Bancorporation with legal due diligence provided by Picazo, Buyco, Tan, Fider and Associates.

Tier 2, or subordinated debt notes, are long-term instruments issued by banks that qualify as capital for capital adequacy ratio (CAR) purposes. – Ted Torres

Source: [Philstar.com](http://Philstar.com)