

GM Bank of Luzon raising capital, eyeing 10 new branches in 2011

Written by

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MANILA, Philippines - GM Bank of Luzon Inc., the newly consolidated rural bank based in Nueva Ecija, is still in the expansion mode.

And it is raising P40 million worth of Tier 1 capital to feed its appetite. In 2009, it raised P75 million in Tier 2 capital.

At the close of 2010, the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC) gave then GM Bank Inc. the nod to consolidate with Bangko Luzon to form GM Bank of Luzon Inc.

The consolidation process resulted in a larger rural bank with a combined branch network of 35, among the largest in Region III.

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“We will complete five branches by July this year, and immediately apply for five more,”

Tomas S. Gomez IV, president and chief executive officer of GM Bank of Luzon, said.

That could mean a complement of 45 branches by end-2011.

Of the five new branches to be established in the first semester of 2011, three will be located in Pangasinan and two in Nueva Vizcaya. It already operates branches in Tarlac, Pampanga, Bulacan and Nueva Ecija.

Gomez likewise revealed that they are presently operating three micro banking offices (MBOs) or other banking offices (OBOs). One located in Sta. Ana, Pampanga and two in Nueva Ecija.

A regular OBO undertakes purely non-transactional banking related activities such as marketing, customer care services, acceptance of loan applications, among others.

A microfinance OBO (MF-OBO) or MBO provides a wide range of transactional activities, which reflect the particular needs of the un-served and underserved market, particularly microfinance clients, overseas Filipinos and their beneficiaries.

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Gomez said that OBOs not only expands microfinance operations, but also tests the market if it can absorb a full bank complement.

“The primary emphasis is still microfinance. It allows us to put extra emphasis on the savings side of microfinance,” he added.

The country’s rural banking sector is still in the long-drawn process of consolidating as the challenges of the financial sector increases both in terms of market demand as well as regulatory requirements.

Thirty-seven percent of the country is without a financial institution. Others are underserved or incapable to fulfilling the deposit or lending needs of the population.

Likewise, the country’s banking system is pressured by tighter regulatory environment to stay healthy forcing out the incapable institutions.

The former GM Bank is in fact a product of the consolidation of three Nueva Ecija-based banks, Community Rural Bank Inc., the Muñoz Rural Bank Inc., and the SME Bank.

“We are still looking for opportunities (to acquire or consolidate) while the consolidation process

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in the sector is still ongoing,” the GM Bank of Luzon chief executive said.

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