

Mexican Billionaire Salinas Eyes U.S. to Boost Hispanic Banking

By Joseph Galante and Crayton Harrison

May 22 (Bloomberg) -- Banco Azteca, the bank controlled by Mexico's fourth-richest man, Ricardo Salinas, may enter the U.S. to take advantage of the fallout among financial institutions and an underserved Hispanic population.

The bank is eyeing California and would stick to its core products -- money transfers, loans of less than \$300 and life insurance for \$4 a week, Salinas said in an interview in San Diego. Hispanics make up a third of the state's population of about 37 billion, according to the U.S. Census Bureau.

"With the credit crunch there is tremendous opportunity," Salinas said. "Our bank is very stable. We can afford to poke our nose around."

Azteca is Mexico's 10th-largest bank by lending, with 23.2 billion pesos (\$1.76 billion) in its credit portfolio at the end of March, according to government statistics. The company, a unit of Salinas's Grupo Elektra SA, operates in seven other countries, including Brazil, Peru and Honduras.

Salinas, 53, took over as chief executive officer of Grupo Elektra in 1987, replacing his father, who founded the company in 1950. He restructured it to avoid bankruptcy and then entered new markets, including television and telecommunications.

Grupo Salinas, his holding company, also controls TV Azteca SA, Mexico's second-largest broadcaster, and Grupo Iusacell SA, the third-biggest mobile-phone carrier. Elektra's primary market is families with monthly incomes of about 5,500 to 59,990 pesos, or about \$418 to \$4,500, according to a March presentation.

About 58 percent of U.S. Hispanic adults said they had a bank account in a 2006 poll by the Pew Hispanic Center in Washington. That compares with more than 90 percent of U.S. households overall having some sort of bank or transaction account, according to a Federal Reserve study in 2007.

Sales Slump

A move into the U.S. market could boost revenue as sales slump in Mexico. Elektra's stores are feeling the impact of the recession there, Salinas said. Sales of electronics goods have slid 36 percent this year. Refrigerators, washing machines and other so-called white goods have dropped 8 percent, Salinas said.

Elektra, which had planned to open 1,500 stores in Brazil over the next five years, may scale back that expansion, Salinas said.

"We need to review the whole investment strategy given the credit crunch," he said. "Given the uncertainty in the market, will the funding be available to do that aggressive expansion? We don't have an answer to that."

Motorcycle sales at Italika, an Elektra unit, have fallen 30 percent this year, driven primarily by the 21 percent decline in the peso from a year ago. The company controls about 60 percent to 70 percent of the Mexican market, Salinas said.

More Capital

Iusacell is in the process of renegotiating its foreign debt. The company's costs have risen because of the declining value of the peso.

The company will raise additional capital if it can't come to terms with its debtors, he said. Salinas said he has no plans to sell the company.

"We are telling our debtors we will pay and need more time," Salinas said.

Elektra gained 8.4 pesos to 644.50 pesos at 4 p.m. New York time in Mexico City trading. The shares have climbed 11 percent this year. TV Azteca climbed 19 centavos, or 3.7 percent, to 5.37 pesos. Iusacell rose 6.6 pesos to 50.82 pesos.

'Within its Rights'

TV Azteca may face government sanctions for offering a service that transmits digital TV channels to set-top boxes sold in Elektra stores. Mexico's Federal Telecommunications Commission said last week the service may fall outside the scope of TV Azteca's broadcast license. The agency recommended starting a sanctions process, which requires a review by the Ministry of Communications and Transportation.

The company is within its rights to offer more channels, Salinas said. He said Elektra has sold about 1,000 of the set-top boxes, which cost 1,999 pesos and can receive 20 channels, including some that can't otherwise be viewed. The company may sell up to 2 million of the devices, Salinas said.

TV Azteca has a legal defense prepared if regulators try to clamp down on the company, he said.

"We're willing to take it all the way if necessary, even to the international courts," Salinas said.

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