

BANCO AGRICOLA DE EL SALVADOR LENDING FACILITY

(ES-L1033)

Project Abstract

The project consists of an A/B Loan to Banco Agrícola S.A. y Subsidiarias (BA). The Loan will provide Banco Agrícola with medium-term financing to MSME. The project will consist of: an A Loan of up to US\$20 million to be funded by the IDB and a B Loan to be defined depending on market conditions and up to US\$20 million and funded through the sale to commercial lenders.

BA is the largest bank in El Salvador with a market share of 29% in term of assets and 30% in term of deposits. BA's subsidiaries are: CREDIBAC S.A., a credit card issuer, and Arrendadora Financiera Capital S.A., financial leasing provider. BA has the largest network in El Salvador. Internationally, BA maintains agencies in the United States and has a representation office in Guatemala.

Agrícola has received a number of awards, including Best Private Bank in El Salvador by **Euromoney (2007)** and Salvadorian Bank of the Year by The Banker magazine (**2007 & 2008**).

The project will encourage medium-term lending to MSMEs, which is a strategic sector to foster sustained economic growth in El Salvador. According to statistics from the Salvadorian Chamber of Commerce, 96.4% of the companies in El Salvador are MSMEs and they generate 65.5% of the employment in the country. Currently BA serves more than 8,700 MSMEs, especially in the commerce and industry sectors. By supporting the largest bank in El Salvador to grow its MSME portfolio, the Bank would support the country by enhancing the competitiveness and efficient development of the private sector and expanding the sources of sustainable growth.