

PROJECT ABSTRACT - (RG-L1020)

FirstCaribbean International Bank Regional Risk-Sharing Facility

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Background. The IDB is considering supporting FirstCaribbean International Bank Ltd. (FirstCaribbean) through the use of a US\$200 million funded or unfunded facility (the Facility). The primary aim of the proposed transaction is to create an efficient lending framework that enables the Bank to target companies driving economic growth in the Caribbean region. The transaction would enable FirstCaribbean – one of the strongest regional banks in the Caribbean - to expand its lending to robust projects with top-tier partners through the use of IDB’s partial credit guarantees and direct loans. The Facility would be focused primarily on tourism projects and small infrastructure projects as these areas have been identified as important for the Caribbean economy in various IDB guidelines. The Facility would also consider a limited number of high quality mid-size corporate loans for diversification purposes and based on the value added that the Bank’s participation would provide. Initially the Facility is intended for Jamaica, but with criteria and mechanisms to enable expansion to other member countries in the Caribbean where FirstCaribbean is present.

Project Sponsor. This transaction involves a strong local financial actor. FirstCaribbean is the largest regionally-listed bank in the English-speaking Caribbean with over 3,500 staff, and more than 100 branches, banking centers and offices. FirstCaribbean was formed in 2002 through a merger of CIBC West Indies Holdings and Barclays Bank PLC Caribbean operations. At the end of December 2006, CIBC became the majority shareholder of FirstCaribbean and now holds 91.5% of the shares. The remaining portion is held by public shareholders.

Development Impact. The proposed transaction is a means of increasing the Bank’s effectiveness in reaching out to key economic agents in the region. In the Caribbean, despite the demand and need for IDB’s financial products, the transaction costs can be too high relative to the size of the financial products requested by many companies. This Facility however can lower such transaction costs, and facilitate the financing of important projects in the Caribbean region that fit under the IDB’s expanded private sector lending mandate. This Facility can improve the efficiency of the Bank’s lending in the region and hence raise the effectiveness of such funding by combining IDB’s development objectives, internal expertise and resources with a top-tier local partner – FirstCaribbean – which is well-suited to identify strong companies as it has deep local market knowledge, a wide origination network as well as conservative credit policies.