

## **BANCO DEL PAIS SUBORDINATED LOAN**

**(HO-L1085)**

### **PROJECT ABSTRACT**

The proposed project is part of the LACC Subordinated Debt Facility (RG-X1088) approved by the Bank's Board of Executive Directors in August 2010 and consists of a subordinated financing (which qualifies as Tier II capital under local regulatory requirements) for up to US\$10 million to Banco del Pais, S.A. ("Banpais").

The Subordinated Loan ("The Subordinated Loan" or "The Loan") will support Banpais' capital enhancement by qualifying as Tier II capital as per local regulatory requirements. Such capital enhancement will allow Banpais to support the growth of their lending portfolio in high social impact areas such as Small and Medium Enterprises ("SMEs") in Honduras. Given the high social impact of SMEs in Honduras, this proposed project opens a promising channel for pursuing SCF's strategy to finance 250,000 SMEs by 2015 and promoting social inclusion and financial access through the accessBanking<sup>1</sup> pillar of the beyondBanking program. For more information please visit [www.iadb.org/beyondBanking](http://www.iadb.org/beyondBanking). The strategy is aligned with GCI'9 priorities, which states that to "foster Institutions for Growth and Social Welfare," one of the specific value objectives for the region is "strengthening SME lending through second-tier vehicles and financial services."

Banpais was founded on July 2<sup>nd</sup>, 1992 in San Pedro Sula, Honduras. In 2007 it was acquired by Bicapital Corporation ("BICC"), entity which in addition to Banpais and its only wholly owned subsidiary Seguros del Pais, S.A., also owns in Guatemala Banco Industrial ("BI") (the largest bank of the country). Banpais is the fifth largest bank in Honduras and has evolved as a relevant player in the local financial system and the SME segment.

Through the proposed project, Banpais expects to further improve its position in the SME market segment and extend financing beyond the traditional short-term working capital financing that is currently provided by the Honduran financial market on a limited basis.

IDB's participation in the transaction will support Banpais' growth strategy by providing support to its capital structure and the funding and tenor needed to increase its loan portfolio while maintaining an adequate balance sheet position. The proposed transaction is in line with the Bank's developmental objectives as it promotes the support to financial institutions and intermediaries with products fostering financial inclusion. Furthermore, the proposed transaction addresses the Bank's development objectives as it would help to improve the competitiveness and efficiency of the Honduran private sector, specifically in the SME market segment.

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<sup>1</sup>

[Report on the Ninth General Increase in the resources of the Inter-American Development Bank, May, 21, 2010; SCF Strategy 2011-2015, November 10, 2010.](#)