

**CARIBBEAN DEVELOPMENT BANK**

**LOAN AND PROJECT SUMMARY**

**ANGUILLA BANK RESOLUTION -  
BRIDGE BANK CAPITALISATION LOAN**

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## LOAN AND PROJECT SUMMARY

### ANGUILLA BANK RESOLUTION - BRIDGE BANK CAPITALISATION LOAN

<b>Financial Terms And Conditions</b>			
<b>Borrower:</b>	The Government of Anguilla (GOA)	<b>Amortisation Period:</b>	14 years (following grace)
		<b>Grace Period:</b>	3 years
		<b>Disbursement Date:</b>	September 30, 2016
<b>Source:</b>	<b>Amount:</b>		
Caribbean Development Bank (CDB) – Ordinary Capital Resources (OCR)	Twenty two million (mn) United States dollars (USD22 mn)	<b>Interest Rate:</b>	2.97 per cent (%) per annum (p.a.), variable.
<b>Resource Availability:</b>		<b>Commitment Fee:</b>	1% p.a. on the unwithdrawn balance of the Loan accruing from the sixtieth (60 <sup>th</sup> ) day after the date of the Loan Agreement.
<b>Counterpart:</b>	USD100.9		
<b>Total:</b>	USD122.9		
<b>Risk Management Summary</b>			
Country Rating: Outlook: Limit: Overall Project/Entity Score: }		This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank's Information Disclosure Policy.	
<i>CDB's Lending to Country as at March 31, 2016.</i>			
<b>Incremental Capital Adequacy Charge:</b>			
<b>Office of Risk Management Commentary:</b>			
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Item	USD (mn)
Approvals:	}
Disbursement:	
Repayments:	
Undisbursed:	3.1
Outstanding Loans:	60.4
Availability (Adjusted for Approvals)	}
Availability (Adjusted for Approvals and Disbursements)	

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### **Project Summary**

#### **Project Objective/Description:**

The project objective is to improve stability of the banking system in Anguilla. The National Bank of Anguilla Limited and the Caribbean Commercial Bank (Anguilla) Limited, two insolvent banks which accounted for the majority of the banking sector in Anguilla, had been operating under the conservatorship of the Eastern Caribbean Central Bank (ECCB) since August 2013 and presented a risk to financial and economic stability in Anguilla and the Eastern Caribbean Currency Union. On April 22, 2016, these banks were resolved as part of GOA's resolution strategy geared at minimising the risk of a loss of depositor confidence and the emergence of a full-blown banking crisis. A single, new good bank was established to protect affected depositors and preserve financial stability. The investment loan will finance the capitalisation of the new, wholly owned GOA bridge bank, the National Commercial Bank Anguilla, Limited (NCBA) that was established on resolution from the performing assets and a large portion of the deposit liabilities of the two insolvent banks that are now closed. The full capitalisation of the bank will serve to buoy public confidence, and reduce the risk of deposit flight. NCBA is expected to be a sound bank, operated judiciously with a view to maintaining access to critical functions, and improving operational viability to allow for its divestiture. The bank will be subject to enhanced monitoring by the ECCB.

The resolution transaction allows for the restoration of safe and sound banking operations. Banking stability will be evidenced by the closure of the problem banks, with the NCBA satisfying prudential capital adequacy requirements. The impact will be the improved solvency and stability of the banking system. GOA's bank resolution plan is underpinned by robust, independent technical assessments of the banking sector's viability, and is being implemented in parallel with broader reforms led by ECCB to strengthen regulatory and supervisory frameworks, in line with best standards.

#### **Expected Results by Financial Year (FY) 2018:**

<b>Item</b>	<b>FY 2018</b>
<b>Capital Adequacy Ratio</b>	<b>11.7</b>
<b>Return on Assets</b>	<b>1.3</b>

#### **Exception to CDB Policies:**

A waiver of CDB's Lending Policies which permit financing for the purchase of equities in very special cases only, and where specific funds have been made available by donors for these purposes, to permit the purchase of equity in the bridge bank by GOA as a special case and where no specific funds have been made available by donors for these purposes.

### **GENDER MARKER SUMMARY**

<b>Gender Marker*</b>	<b>Analysis</b>	<b>Data</b>	<b>Engagement</b>	<b>Response</b>	<b>Score</b>	<b>Score Code</b>
	0.25	0.0	0.0	0	0.25	<b>NO<sup>1</sup></b>

<sup>1</sup> **NO:** No contribution to gender equality. It is not reflected in the project or appears as a formal reference only.