Early Warning System

IFC-34902

City Bank Equity

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Quick Facts

Countries	Bangladesh
Financial Institutions	International Finance Corporation (IFC)
Status	Approved
Bank Risk Rating	A
Voting Date	2015-12-01
Borrower	City Bank Limited
Sectors	Finance
Investment Type(s)	Loan
Investment Amount (USD)	$ 36.87 million

Project Description

According to IFC website, the project comprises an investment to take up to a 5% (post money) stake in common shares of The City Bank Ltd through a preferential allotment for a total investment amount up to BDT 1.32 billion (approximately US$17 million equivalent at current exchange rate). In addition to the common shares, the project will also include a 3-year senior loan for an amount of US$20 million, convertible to the Bank's common share at the expiry at IFC's option. The financing provided is a fit with the World Bank and IFC’s Financial Institutions Group strategy to strengthen financial institutions with equity capital, liquidity support and advisory services. The Bank commenced operations from 27th March 1983 and has total assets of US$2.6 billion as of September 30, 2015.

People Affected By This Project

1. Impact on Financial Sector Development: The Bangladeshi financial sector is under-developed and the country''s banking system requires considerable improvement. The Project will promote financial intermediation by using the broad regional network of City Bank to reach SMEs. Additionally, this Project will create a demonstration model for existing banks, encouraging them to strengthen capital position, improve corporate governance and operational standards. The Project will promote further competition in the Bangladeshi banking sector by giving borrowers across the country greater access to banking products.

2. Supportive to Bangladesh FIG strategy: A key pillar of Bangladesh FIG strategy is strengthening the financial system through capital infusion in select banks and supporting improved corporate governance. Higher non-performing loans ("NPLs") and regulatory tightening (including BASEL III requirements) translates into higher capital needs. Various estimates peg banking sector capital requirements in excess of US$1 billion that will not be all available through domestic capital alone.

3. Support Corporate Governance Improvement Efforts: IFC would be supporting the Bank''s efforts to improve corporate governance, and other potential program as well could be explored with the Bank. An IFC-appointed director would be an important addition to the existing board.

4. Demonstration Effect: The IFC funding will encourage other investors to provide capital to the Bangladeshi banking sector to support asset growth.

Investment Description

- International Finance Corporation (IFC)

An equity investment of up to BDT 1.32 billion (approximately US$17 million equivalent at current exchange rate) in City Bank Limited for an equity stake of up to 5 percent on a fully diluted basis from IFC's own account; and

A loan for IFC's own account for up to US$20 million to City Bank Limited, convertible into equity shares in the Bank at IFC's option.

Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- The City Bank Limited (Financial Intermediary)

Private Actors Description

The City Bank Limited provides financial products and services in Bangladesh. The company offers retail banking products and services, such as transactional and term deposit accounts; home, auto, secured, and personal loans; debit and credit cards, as well as SME, agent, Islamic, priority, and digital banking services; and supply chain finance services.

The present Board Chairman. Mr. Rubel Aziz is also a member of IDLC Finance Limited board and the Managing Director of Partex Beverage Limited, Partex Plastics Limited. Partex Jute Mills Limited, Partex Aviation Limited. Partex Properties Limited, Partex Accessories Limited, Partex Foundry Limited, New Horizon Farms Limited and New Era Milk Processing Limited. He is also a director of IBAIS University and several other Partex Group Companies. City Bank is publicly listed on Dhaka and Chittagong Stock Exchanges. It has a diversified shareholding with 43.43% of shares owned by the general public, 25.65% by local institutions and 2.05% by foreign investors. The remaining 28.87% is held by the Promoters and directors.

Contact Information

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ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org/