

Dominican Republic Non-Deal Roadshow Presentation

July 2011



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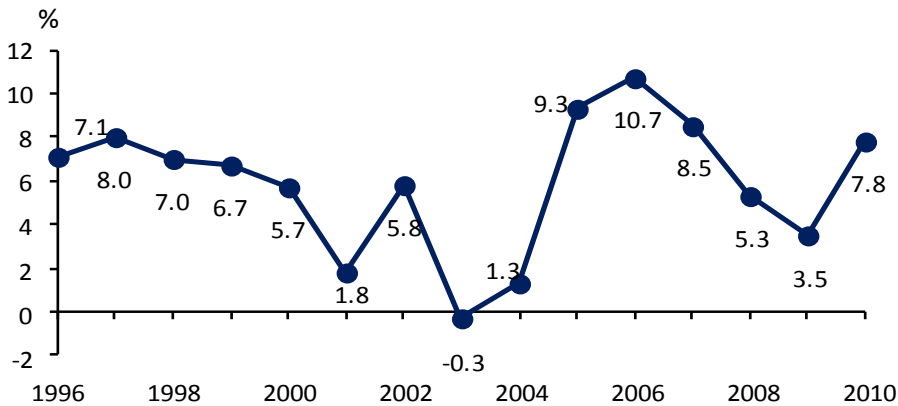
1. Macroeconomic & External Sector Situation
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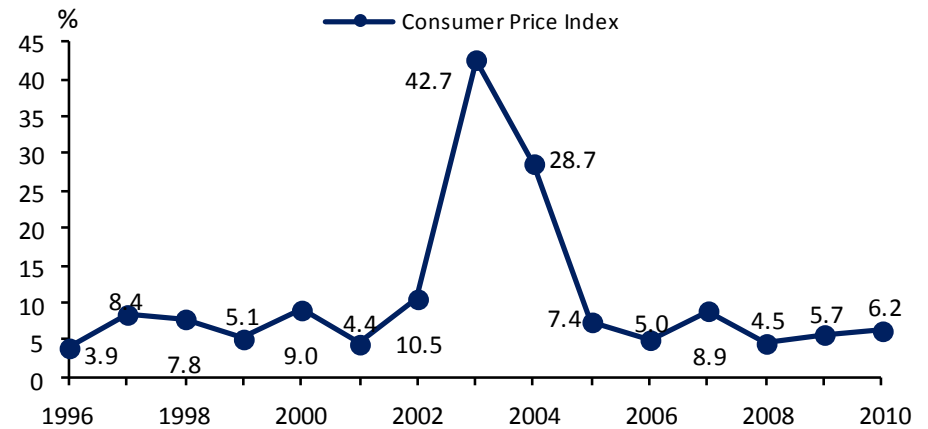
Macroeconomic & External Sector Situation

The Dominican Republic's GDP growth has rebounded strongly in 2010...

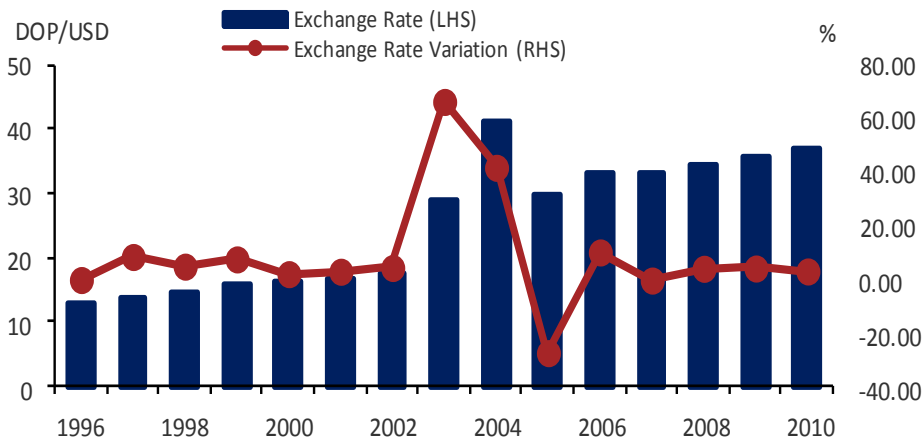
Real GDP Growth



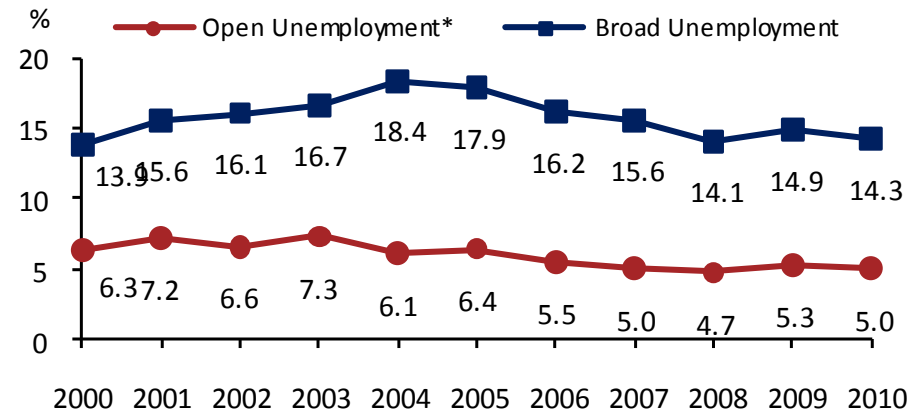
Inflation



Nominal Exchange Rate



Unemployment Rate

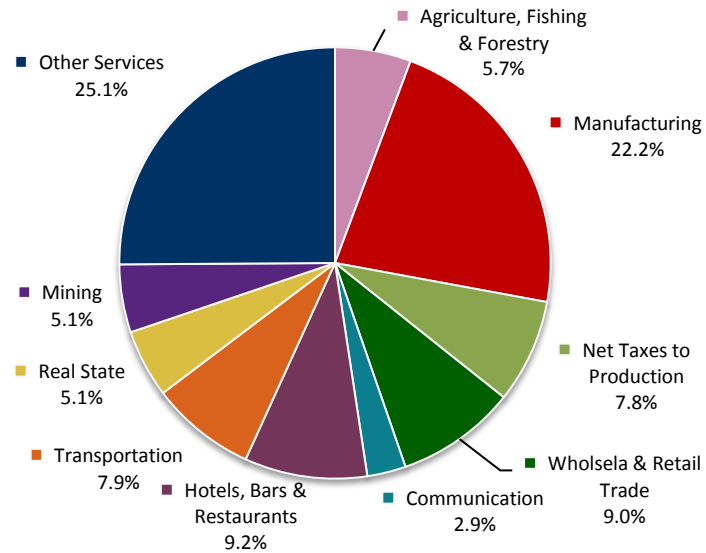


*Based on new data released on July 11 by the CBDR, following a methodological revision with the assistance of the International Labor Organization (ILO)

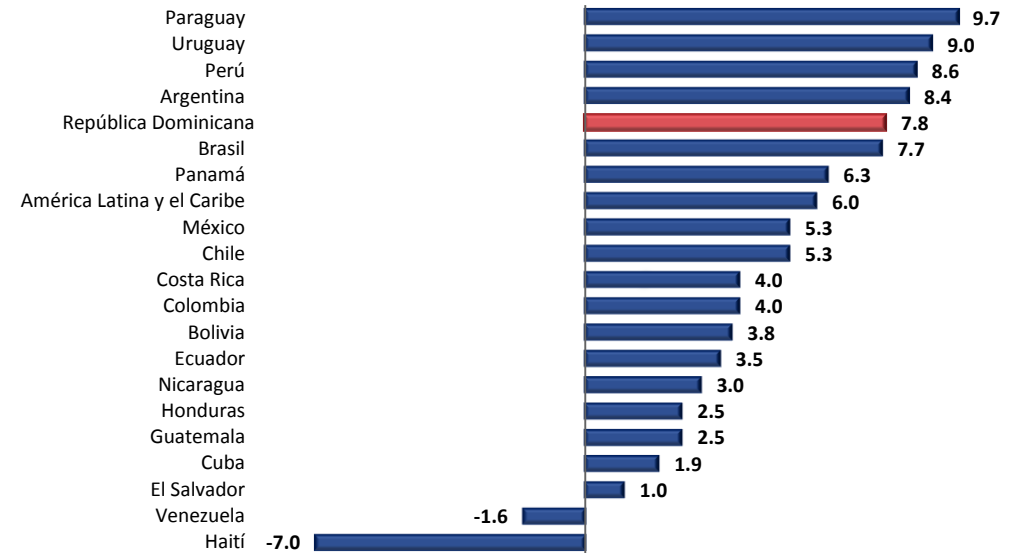


... and was among the highest growth rates in Latin America

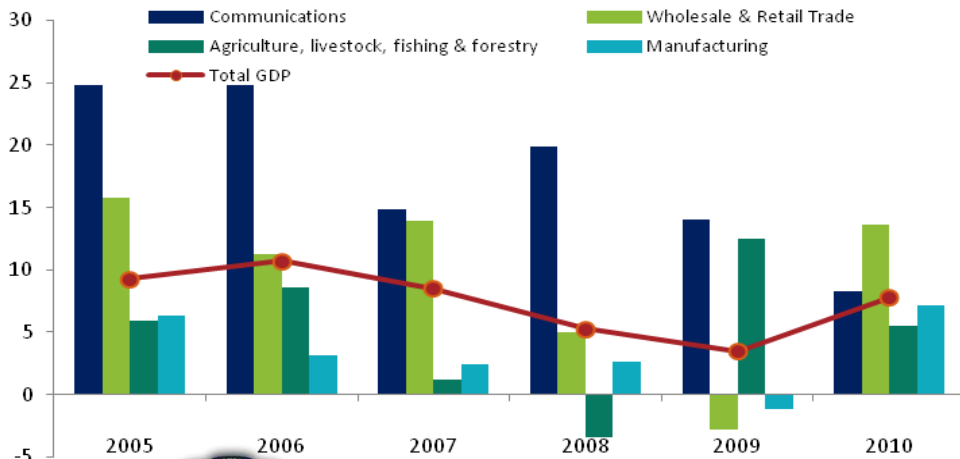
Nominal GDP by Sectors (2010)



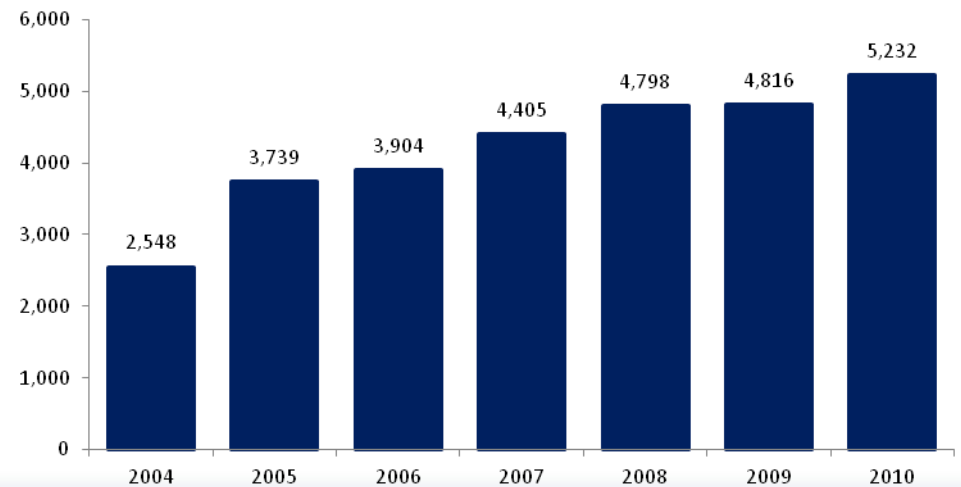
2010 GDP Growth by Country in Latin America



Key Real GDP Growth Rates

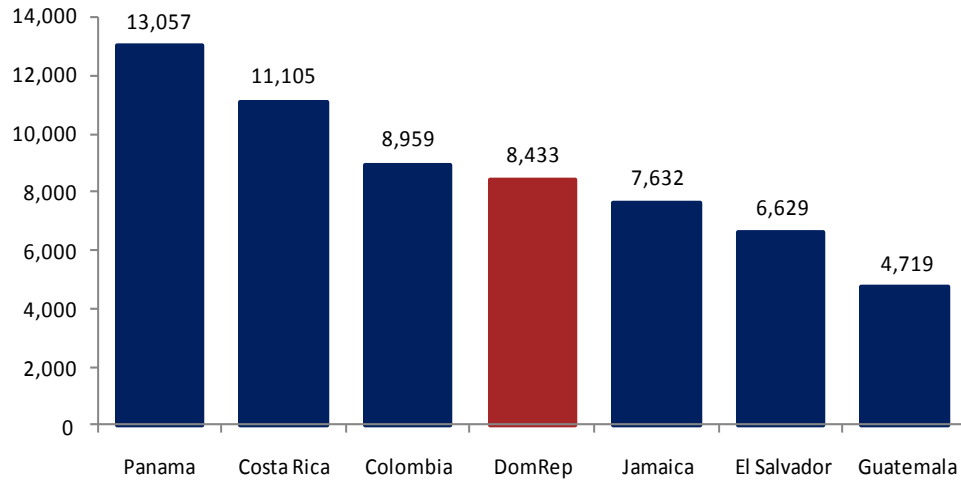


GDP per Capita in US\$



Key Development Metrics

GDP per Capita (US\$ PPP)



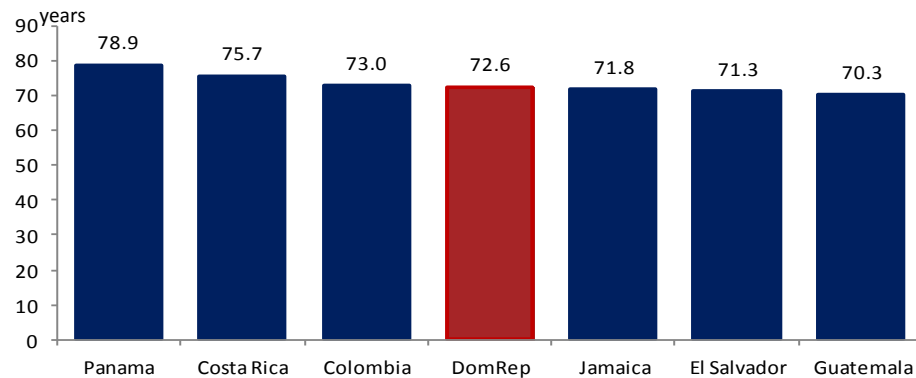
Source: 2010 World Bank Development Indicators

UN Human Development Ranking and Country Rating

Ranking	Country (Rating)
62	Costa Rica (Baa3/BB+/BB+)
54	Panama (Baa3/BBB)
79	Colombia (Baa3/BBB-/BBB-)
88	Dominican Republic (B1/B+/B)
80	Jamaica (B3/B-/B-)
90	El Salvador (Ba2/BB-/BB)
116	Guatemala (Ba1/BB)

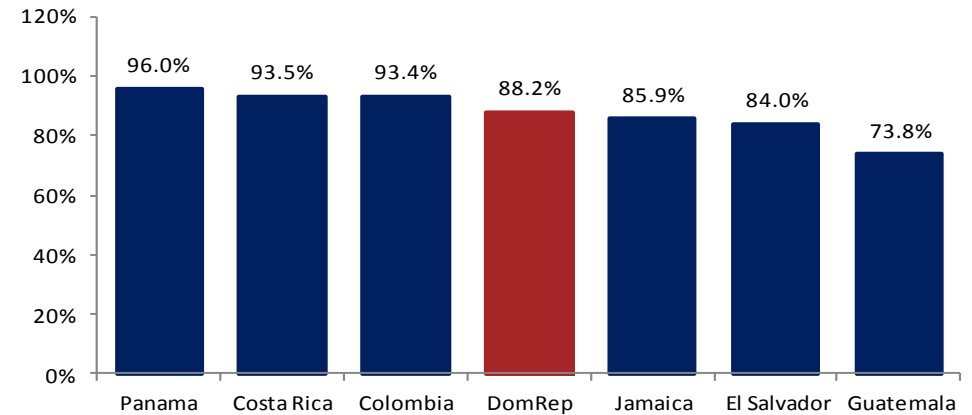
Source: 2010 United Nations Human Development Report.

Life Expectancy at Birth



Source: 2010 United Nations Human Development Report

Adult Literacy Rate

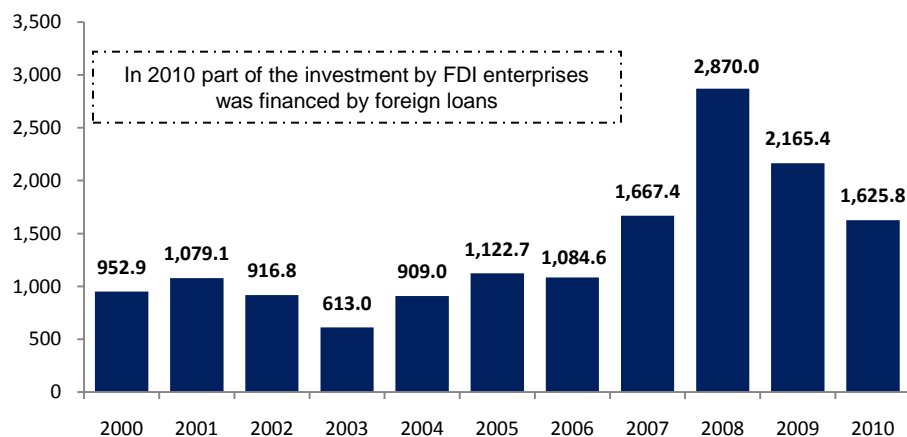


Source: 2010 United Nations Human Development Report

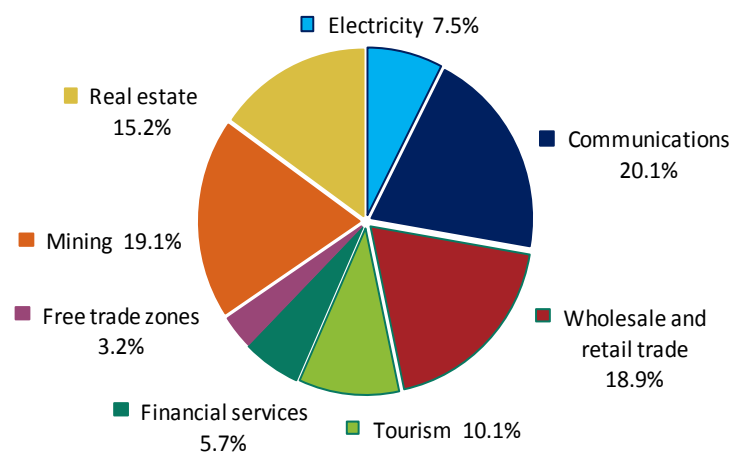


External Sector

Foreign Direct Investment (2000-2010, US\$mm)



Foreign Direct Investment by Sector (1993-2010)



External Sector Main Drivers 2006-2010 (in millions of US\$)

	2006	2007	2008	2009	2010
Current Account	(1,287.4)	(2,166.3)	(4,518.6)	(2,330.9)	(4,434.9)
(%) GDP	-3.6	-5.3	-9.9	-5.0	-8.6
Tourism	3,916.8	4,064.2	4,165.9	4,048.8	4,209.1
Change (%)	11.3	3.80	2.5	(2.80)	4.00
Total Exports	6,610.2	7,160.2	6,747.5	5,482.9	6,598.1
Change (%)	7.6	8.3	(5.8)	(18.7)	20.3
Free Trade Zone Exports	4,678.8	4,525.1	4,354.1	3,793.6	4,080.0
Change (%)	(1.5)	(3.3)	(3.8)	(12.9)	7.5
Total Imports	12,173.9	13,597.0	15,992.9	12,295.9	15,298.9
Change (%)	23.35	11.7	17.6	(23.1)	24.4
Oil Imports	2,788.2	3,224.00	4,241.3	2,641.0	3,427.5
Change (%)	13.8	15.6	31.6	(37.7)	29.8
Remittances	2,737.8	3,045.6	3,221.5	3,041.5	2,998.0
Change (%)	12.7	11.2	5.8	(5.6)	(1.4)
Capital & fin. account	1,604.8	2,380.9	4,208.5	2,865.9	4,488.7
(%) GDP	4.5	5.8	9.2	6.1	8.7
Net Int. Reserves	1,787.8	2,394.9	2,165.4	2,851.9	3,342.7
NIR/Imports Months	1.8	2.1	1.6	2.8	2.6



Key highlights of Dominican Republic's monetary policy

Monetary Policy Rates:

- During the first nine months of 2010, the monetary policy rate (MPR) remained at 4.0%, the level at which the MPR was reduced to in 2009 in an effort to mitigate the slowdown in economic activity, caused by the global financial crisis
- The CB began to withdraw the monetary stimulus in the last quarter of 2010 amid higher commodities prices in international markets and strong domestic demand
- Ever since, the CB has increased the MPR by 275 bps to avoid large misalignments with respect to the 2011 inflation target

Reserve Requirements:

- As part of its 2009 monetary easing, the CB reduced Reserve Requirements (RR) for commercial banks by 300 bps to 17% of total deposits

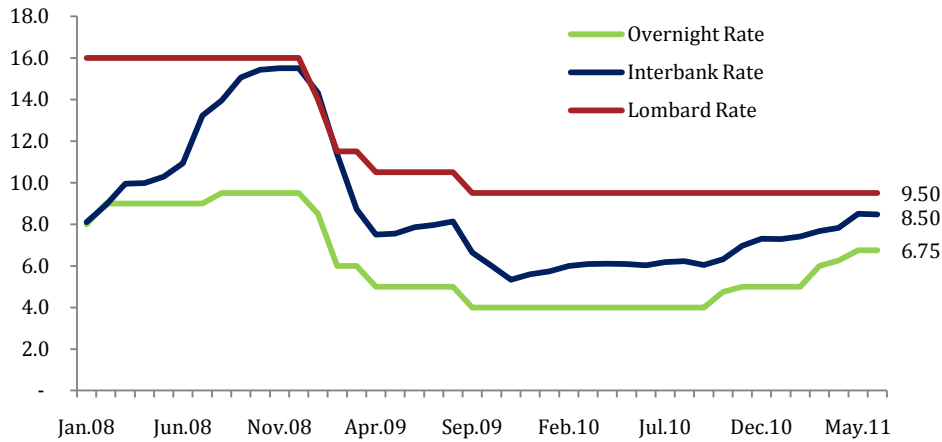
Liquidity:

- As a result of the monetary policy tightening, the growth rates of domestic credit and monetary aggregates have gradually decelerated leading to lower domestic inflationary pressures

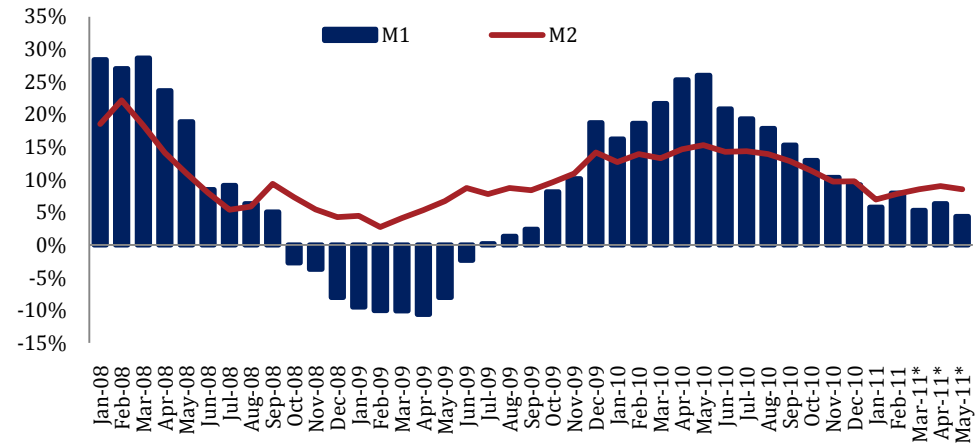


Impact of Monetary Policy

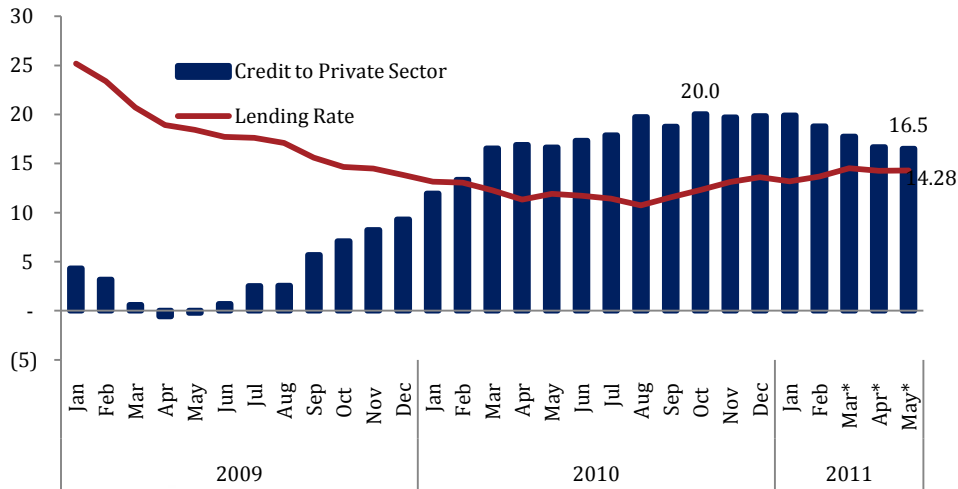
Policy Rate Corridor (annual %)



Monetary Indicators (y-o-y)



Private Credit in LC (y-o-y) and Lending Rate



Inflation (%)

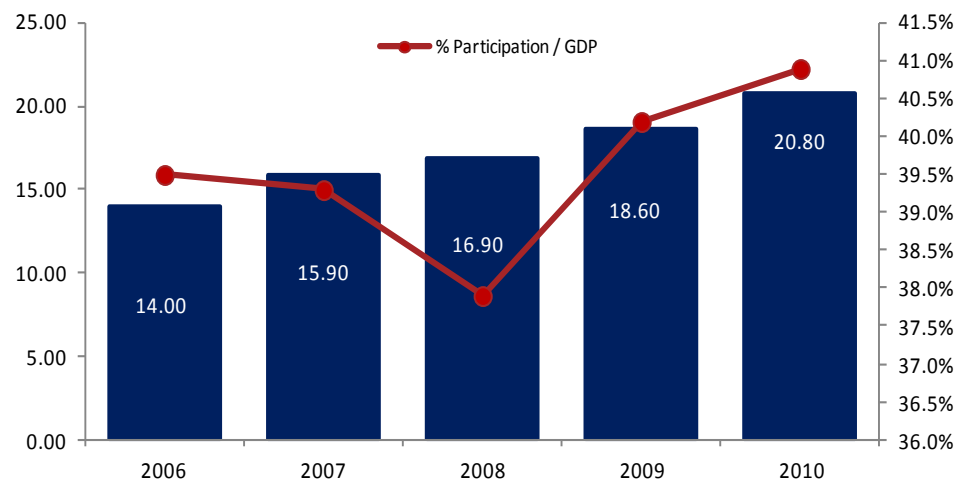


Financial System

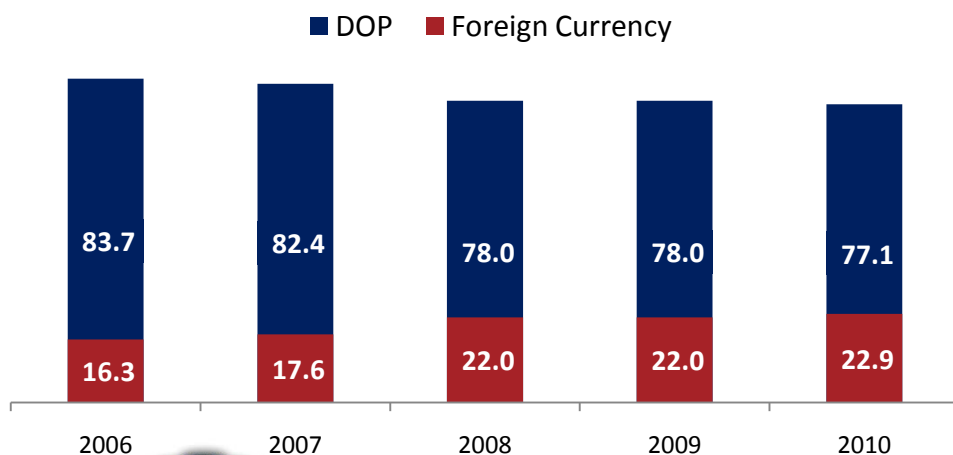
Highlights

- Composed of 73 financial institutions:
 - 14 commercial banks;
 - 25 savings and credit banks;
 - 11 savings and loan associations;
 - 22 credit corporations;
 - 1 government-owned financial institution.
- Banco de Reservas* is the state-owned commercial bank and, as of December 31, 2010, it was ranked first among Dominican commercial banks in terms of total assets.

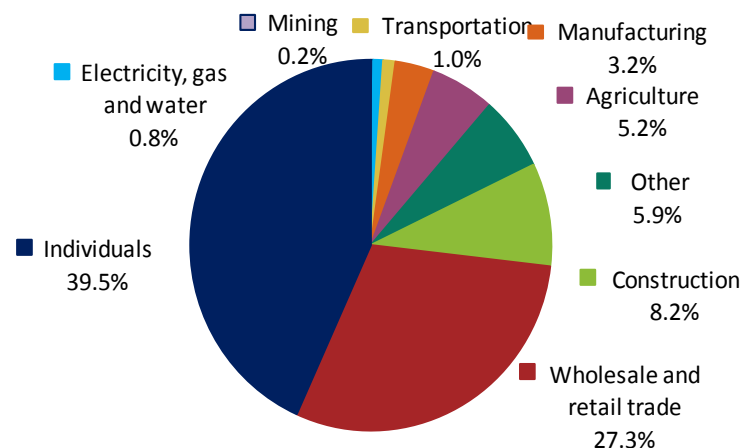
Total Gross Assets (US\$bn)



Commercial Banks Credit by Currency

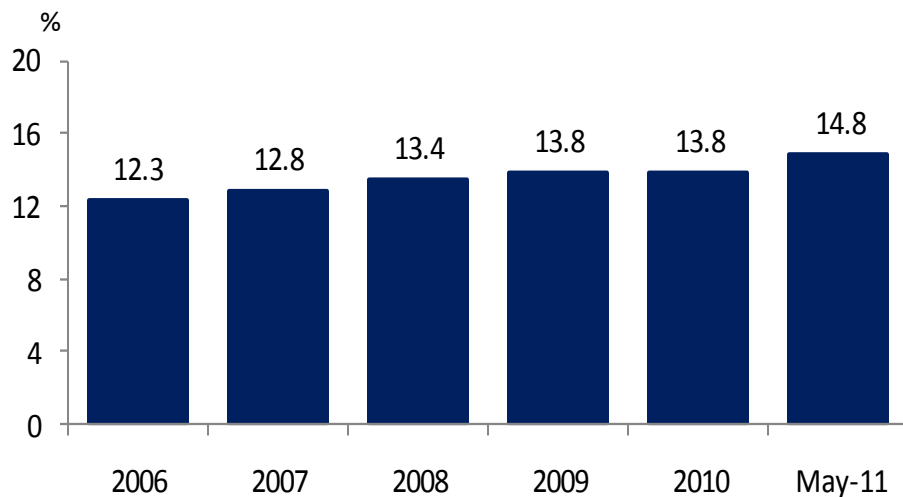


2010 Loans by Sector

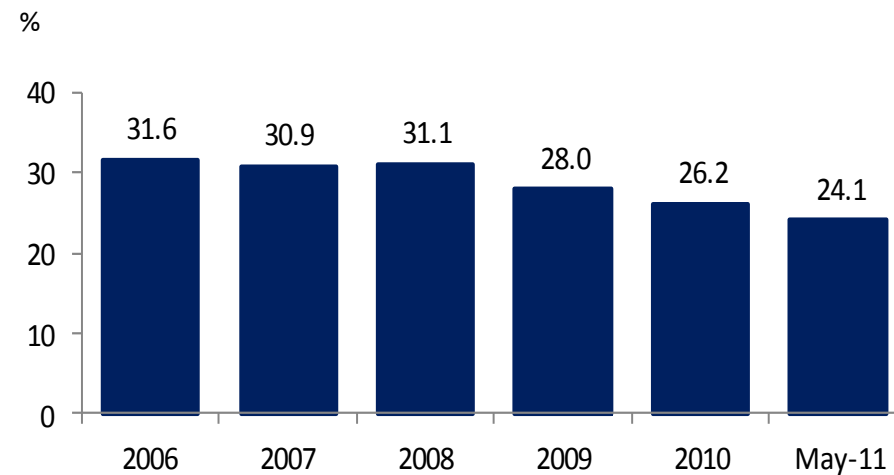


Evolution of Key Banking System Indicators

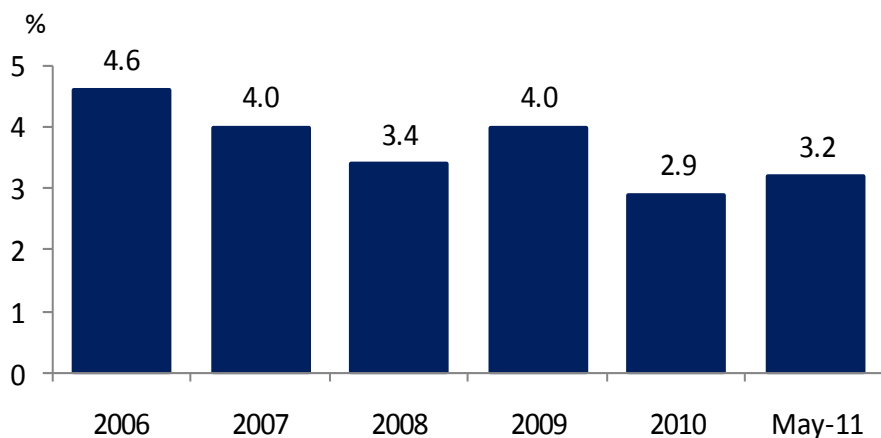
Solvency Index



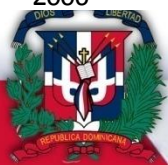
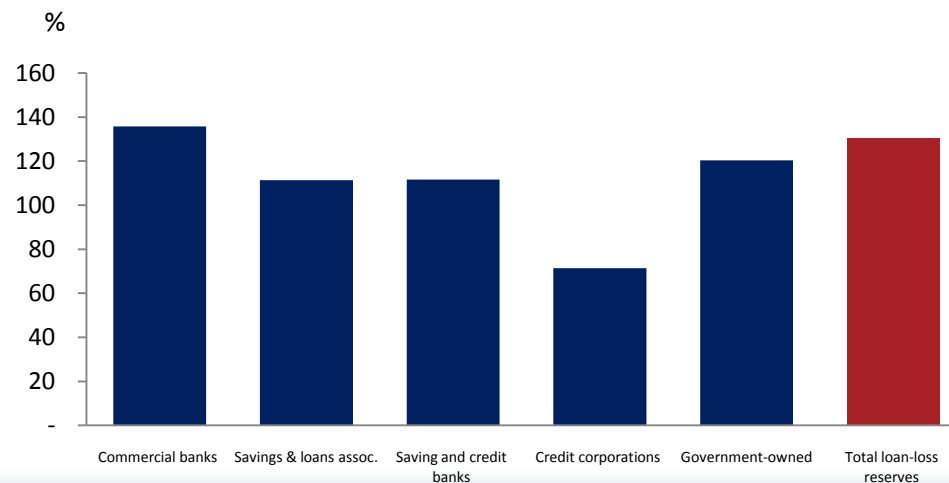
Liquidity (Cash / Total deposits)



% Past due loans



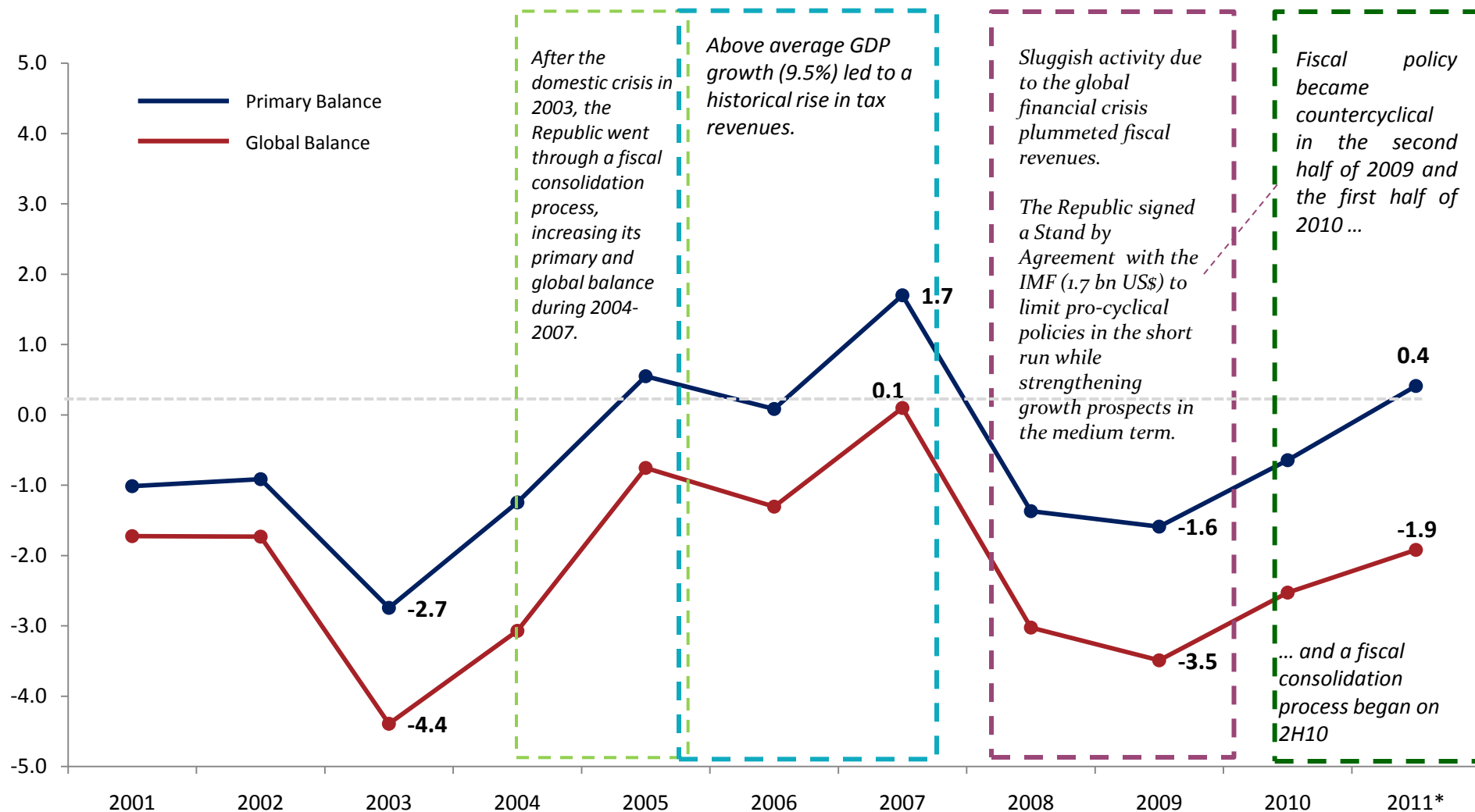
2010 Loan-Loss Reserves by Financial Institution



Fiscal Sector

Public Sector Finances: Background

Primary and Global balance (%)



*Projected



Dominican Republic's fiscal situation has improved significantly after the 2008 crisis

- The impact of the global economic crisis worsened the fiscal accounts of the Dominican Republic. The primary deficit reached 1.4% of GDP in 2008
- In 2009, the slowdown in economic activity was more noticeable. The government responded with a fiscal stimulus which implied a fiscal deficit of 3.5% of GDP
- Following the success of anti-cyclical fiscal policy implemented in 2010, the government has gradually withdrawn fiscal stimulus, significantly reducing the fiscal deficit by 1% of GDP

Central Government Fiscal Accounts (% GDP)

	2007	2008	2009	2010
Total Revenues & Grants	17.5	15.8	13.7	13.6
Current Revenues	17.3	15.7	13.5	13.4
Taxable	16.0	15.0	13.1	12.8
Non taxable	1.3	0.7	0.3	0.6
Capital income	0.0	0.0	0.0	0.0
Donations	0.2	0.2	0.2	0.2
Primary Expenditures	15.8	17.2	15.3	14.3
Government Consumption	5.8	5.9	5.8	5.6
Transfers	5.3	7.1	5.5	5.1
Gas subsidy	0.4	0.5	0.0	0.0
Electricity Sector	1.2	2.7	1.4	1.2
Others	3.7	3.9	4.1	3.9
Capital expenditures	4.7	5.0	3.6	3.8
Errors & Omissions	0.0	(0.7)	0.3	(0.2)
Primary Balance	1.7	(1.4)	(1.6)	(0.6)
Interest	1.6	1.7	1.9	1.9
External	0.9	0.8	0.7	0.6
Local	0.7	0.8	1.2	1.2
Global Balance	0.1	(3.0)	(3.5)	(2.5)



Fiscal Policy: Recent Developments

- 1H10
 - Authorities continued its counter-cyclical fiscal stance, implementing a fiscal impulse of 0.5% of GDP .
 - Capital expenditure, which had been rising since 2H09, was a main part of the fiscal stimulus plan, reaching 5.3% of GDP .
 - Current primary spending -excluding electricity transfers- was contained, offsetting lower than expected revenues.
- 2H10
 - Revenues continued to be below the program level, therefore authorities had to implement a supplementary budget, reallocating expenditures and reducing investment to cover the overruns on the electricity transfers.
 - Electricity tariffs were increased by 11 percent across the board to reduce excess electricity subsidies.
 - Authorities submitted a second supplementary budget to cover the interest to be paid to the central bank under the recapitalization law.
 - The fiscal impulse was removed paving the way for a consolidation process consistent with medium term fiscal sustainability.
 - Despite the reallocation of expenditures, the government has not cut back on social expenditures. The authorities remain committed to implement the conditional cash transfer program “Solidaridad”, and the targeted electricity subsidy program, “BONOLUZ”, is being expanded, while the number of clients amount for more than 130,000 families.



Highlights of the IMF Stand-By Agreement

Key Elements

- On November 9, 2009 the IMF approved a 28-month Stand-by Arrangement for the Republic in the amount of SDR\$1,094.5 million (approximately US\$1,754.1 million)
- Strengthen public financial management to allow the adoption of a mid-term expenditure framework to support fiscal consolidation
- Improve tax collection
- Strengthen reform of the electricity sector (regularize all outstanding domestic arrears with electricity generator)
- Plan to formally adopt an inflation targeting framework and comply with all Basel core principles for 2012
- Devise a strategy for the development of the local debt markets and public debt management

Current situation

- As of December 31, 2010, the Republic drew SDR\$547.3 million (US\$857.7 million) under this facility, due to the positive results of the first four reviews of the Stand-by Arrangement
- Currently a new letter of intent was signed and it should be presented to the IMF Board shortly. This will approve the fifth and sixth reviews
- Macro and Financial Achievements
 - Inflation rate stood at 6.2% at year-end, near the lower limit of the target range of 6.0-7.0%
 - GDP grew 7.8% in 2010, reaching growth rates comparable to those in 2006-2008 before the crisis
 - An amendment in the Monetary and Financial Law was sent to Congress in order to eliminate legal impediments to change from compliance-based to risk-based supervision, and accomplish Basel's basic principles
 - Within the agreement, the central government fiscal deficit has decreased from 3.5% of GDP in 2009, to 2.5% of GDP in 2010. It is expected to end this year near 1.6% of GDP, despite higher oil prices.



Electricity Sector

The Republic continues to make progress in reforming the electricity sector

- In an effort to reduce subsidies to the electricity sector, the Superintendencia de Electricidad (“SIE”) increased the electricity tariffs by 11% in December 2010 and an additional 8% in June 2011
- The authorities are considering the application of a “technical tariff” that will become effective during 2011
 - Intended to compensate distributors for their costs of distribution
 - Pass on to consumers increases in fuel purchase costs through indexation mechanisms
 - A study is being conducted with the assistance of the World Bank
- Higher oil prices in 2011 have increased the cost of electricity generation such that the Government has been unable to reduce its subsidies to the electricity sector

Fiscal measures for the electricity sector

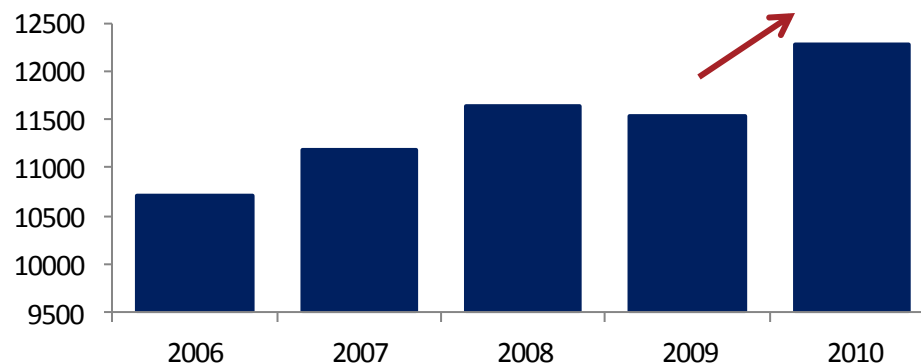
- 12% decrease in non-social public expenditures in order to:
 - Maintain compliance with its fiscal targets under the Stand-by Arrangement
 - Provide the necessary financial support to the electricity sector



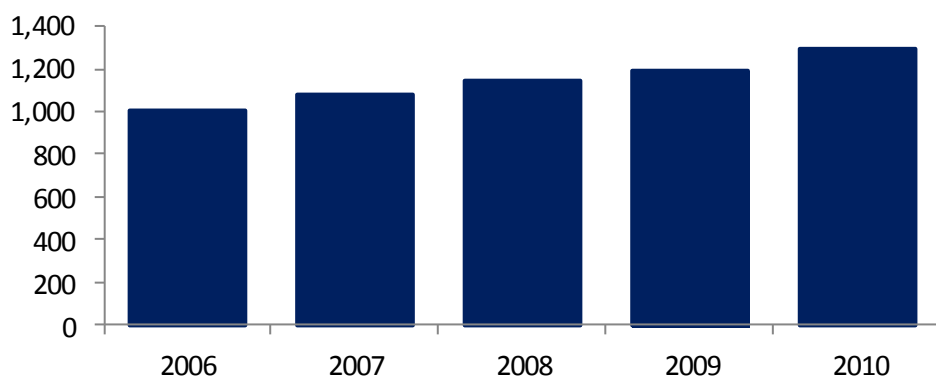
Main economic indicators of the electricity sector

- From 2006 to 2010, the electricity, gas and water sectors collectively grew at an average annual rate of 6.8%, and contributed approximately 1.4% to GDP each year
- In 2009, electricity production declined by 1.0%, while electricity consumption increased by 0.1%.
- In 2010, electricity production increased by 6.4%, while electricity consumption increased by 8.3%
- Of the total electricity production during 2010,
 - 88% was generated by thermoelectric plants and,
 - 12% was generated by hydroelectric plants, which are owned by the public company EGEHID

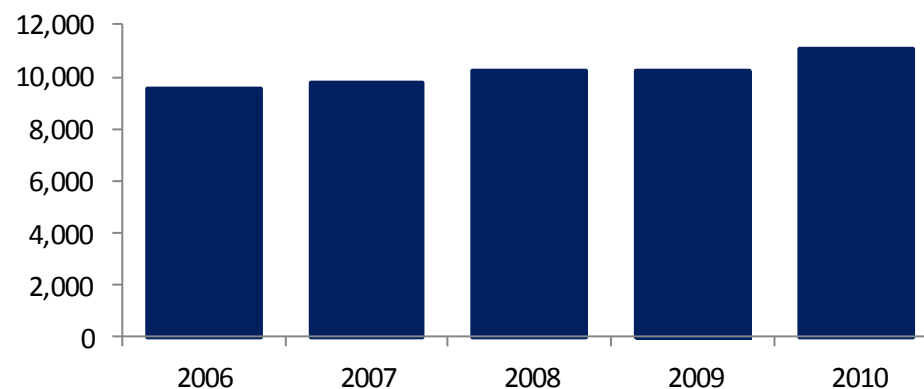
Energy Production (In MW/hr)



Energy sale income (in millions of US\$)



Energy Consumption (In MW/hr)

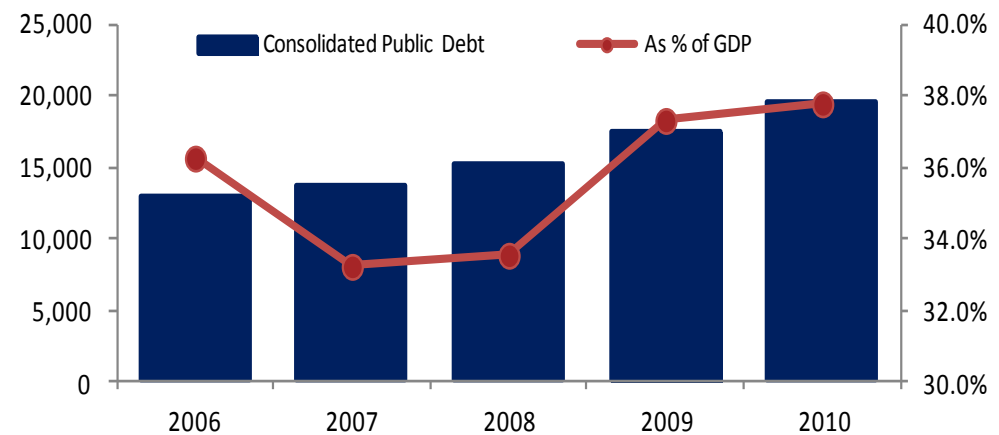


Public Debt

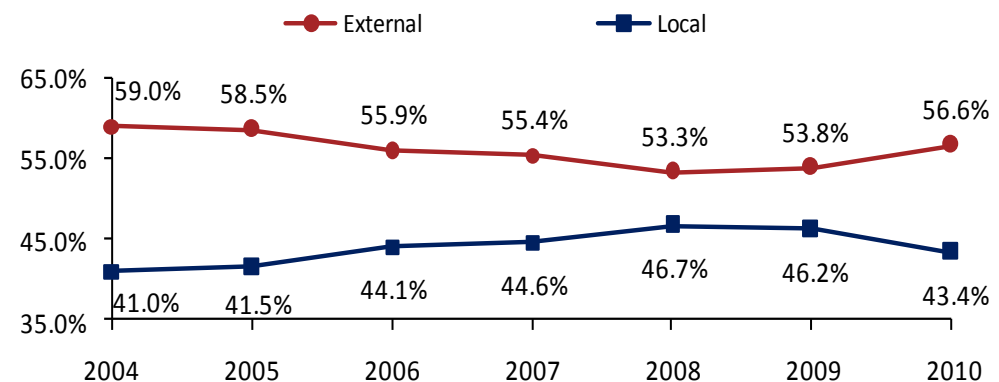
Key Highlights of Dominican Republic's Public Debt

- At the end of 2010, nonfinancial public sector (NPFS) debt balance totaled US\$ 14,818.0 million. In terms of GDP, debt rose from 28.4% in 2009 to 28.7%, 4.4% of which correspond to the bonds issued for the capitalization and recapitalization of the Central Bank
- The consolidated public debt, which includes the external debt of Public Finance Sector (PFS) and Central Bank's certificates, accounted, at the end of 2010, for 37.8% of GDP
- External Debt 21.4% (NPFS: 19.3%, PFS: 2.1%)
- Domestic debt: 16.4% NPFS: 5.0% (Excluding bonds issued for the capitalization and recapitalization of the Central Bank: 4.4%) PFS: 11.4%

Total public sector debt (US\$mm)



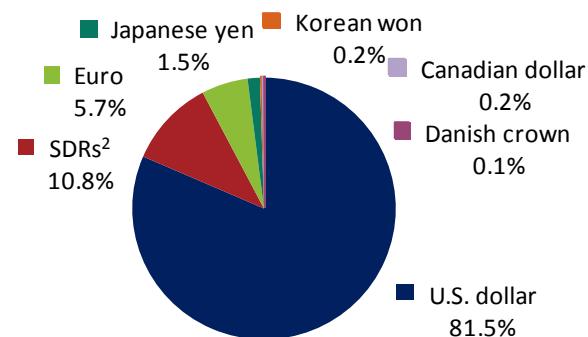
External and Local debt (as % total debt)



External Debt Composition

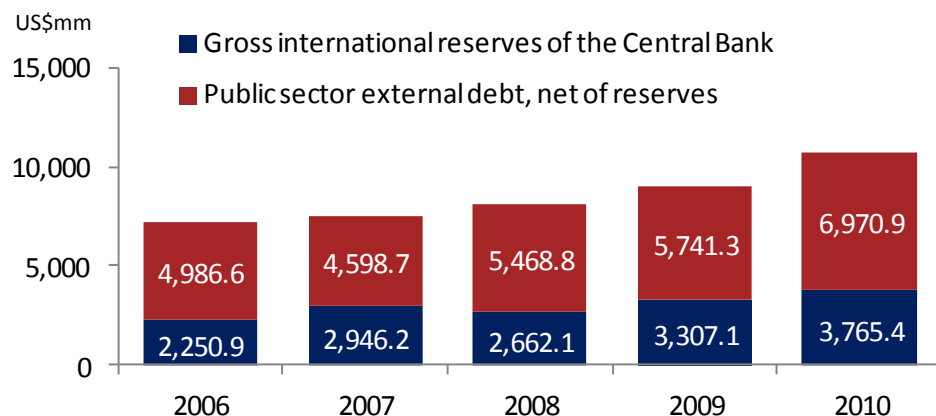
- As of December 31, 2010, the Republic's public external debt totaled approximately US\$10.7 billion, compared to US\$9.0 billion as of December 31, 2009
- The Republic's external debt includes:
 - multilateral and other official loans;
 - public external bonds;
 - commercial bank loans; and
 - credit extended by suppliers of goods and services to the Government.
- As of December 31, 2010, approximately 81.5% of the Republic's external debt was denominated in U.S. dollars

External Debt by Currency

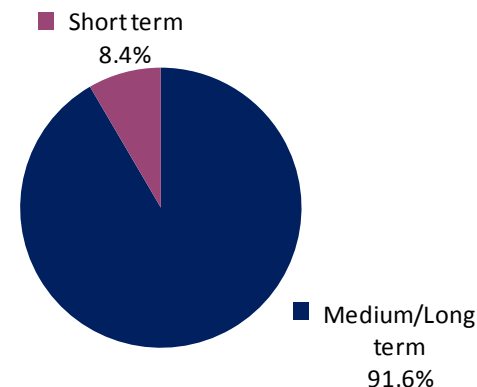


1. Unit of account used by the IMF. As of December 31, 2010, each SDR was equal to US\$1.50.

Public Sector External Debt, Net of Reserves



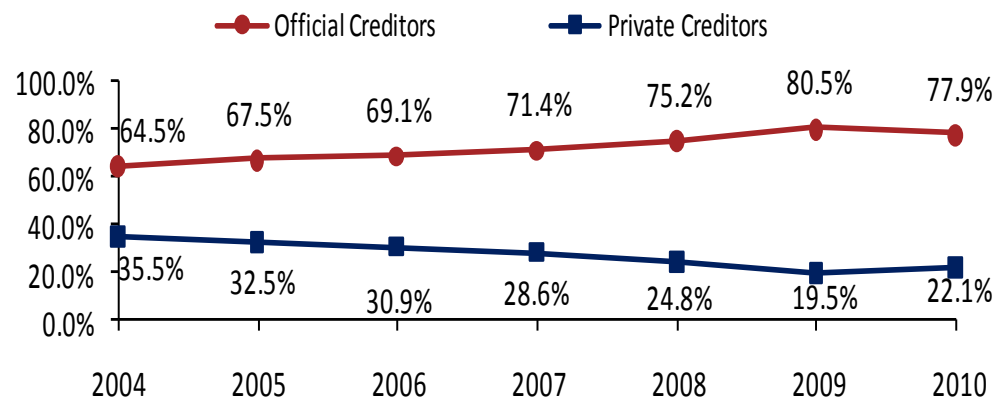
External Debt by Maturity



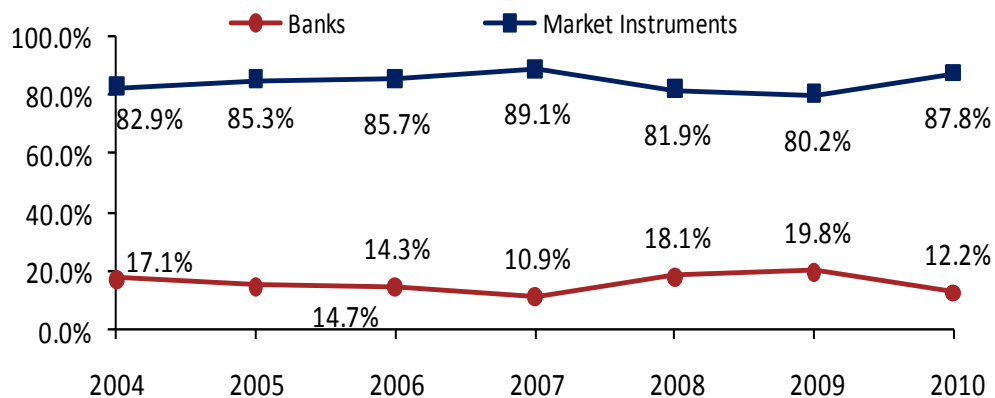
Bonds Have Become an important component of External Debt

- More than 90% of the net financing in the 2004-2010 period was from official creditors. The participation of the official creditors debt within the total external debt as increased from 64.5% in 2004 to 77.9% 2010
- The proportion of the bonds within the private creditors external debt went from 67.7% in 2004 to 87.3% in 2010
- Commercial banks share within the total domestic debt decreased from 17.1% in 2004 to 12.2%, which is an advantage in terms of debt service and refinancing risk, as the commercial bank debt as a maturity up to 3 years while the market instruments have reached the 10 years maturity

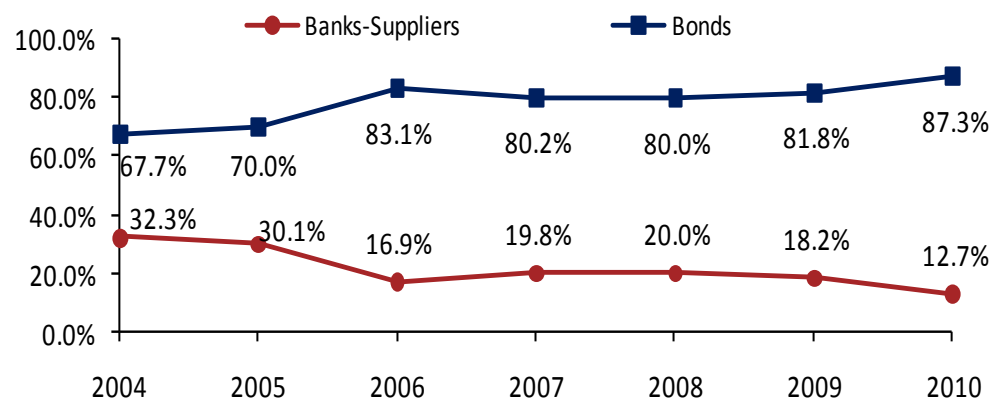
Official and Private Creditors External Debt (% as % total external debt)



Market Instruments and banks debt (as % total domestic debt)



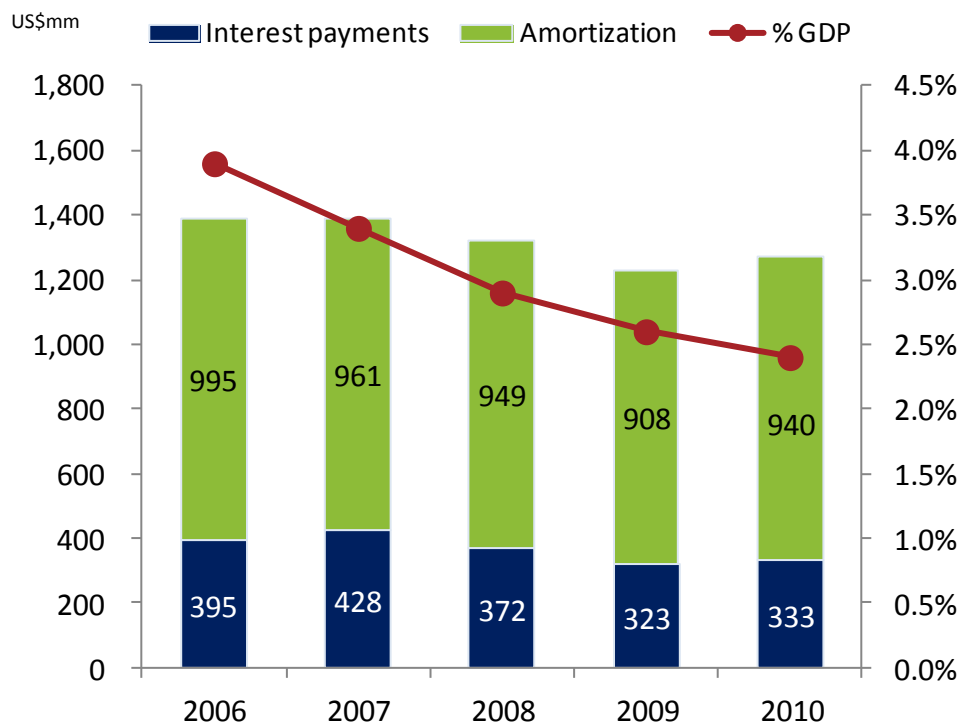
Private Creditors debt (as % total external debt)



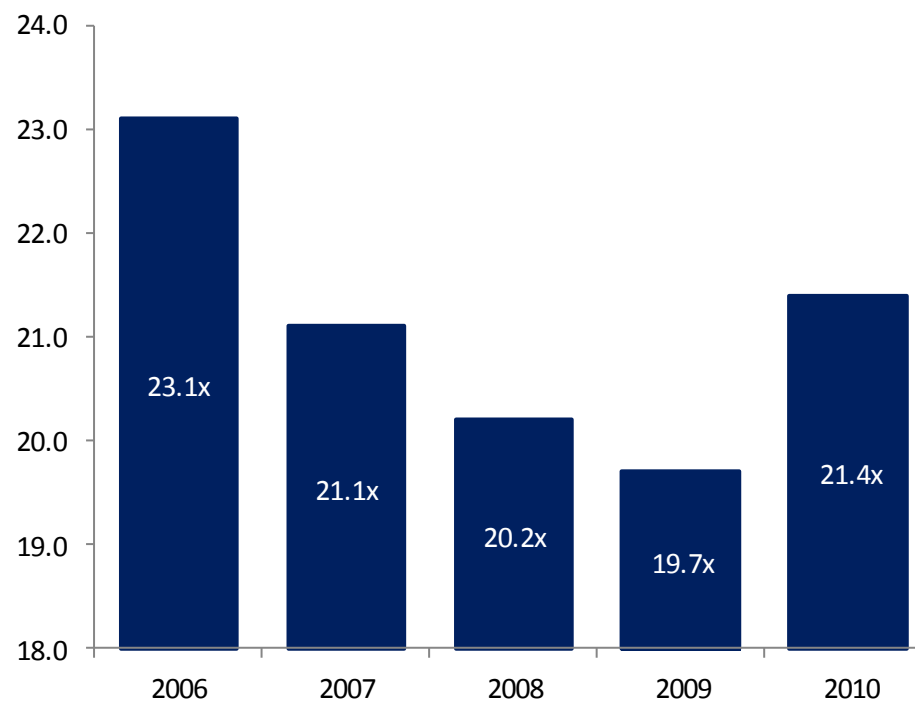
The External Debt Service has decreased in the past 5 years

- Total public sector external debt service decreased from 2.6% of GDP in 2009 to 2.4% in 2010
- Public sector external debt service measured as percentage of total exports of goods and services decreased from 22.5% in 2009 to 19.3% in 2010

Debt Service

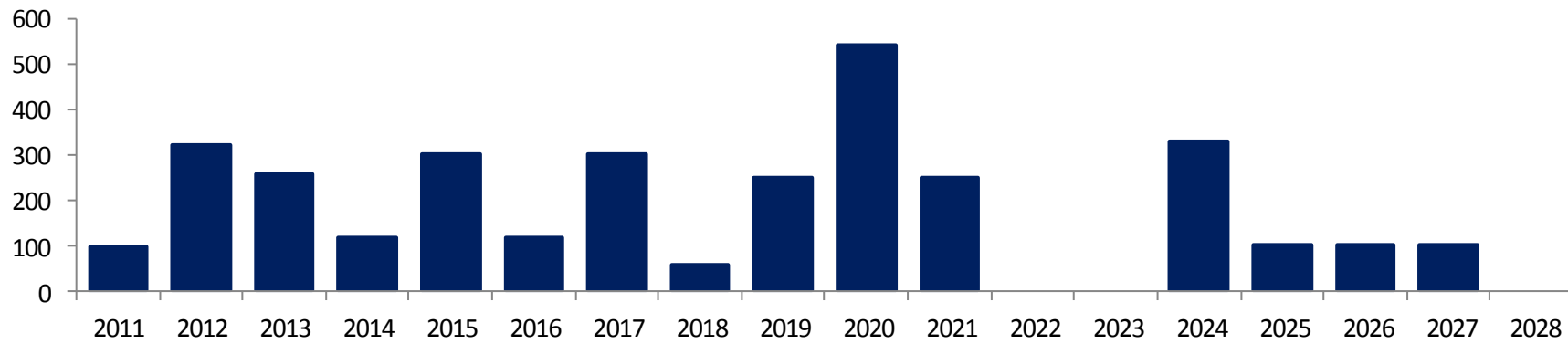


Historic Debt to GDP

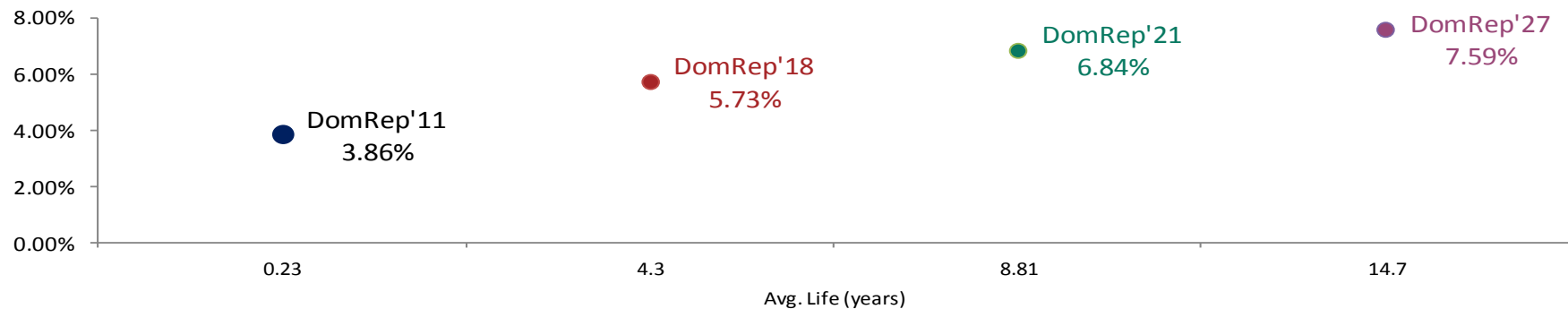


The Dominican Republic Has A Manageable Maturity Profile Going Forward

Dominican Republic USD Maturity Profile (US\$mm)



Dominican Republic Secondary Market Levels (YTM, %)



Public Debt: Looking ahead...

*

	2010		2011*	
	US\$	%GDP	US\$	%GDP
Gross Financing Requirements	3,295.6	6.4%	2,686.8	4.9%
I. Central Government Balance (1 - 2)	(1,283.6)	-2.5%	(1,053.2)	-1.9%
1. Total Revenues & Grants	7,035.9	13.6%	7,518.4	13.7%
2. Total Expenditures	(8,319.5)	-16.1%	(8,571.6)	-15.6%
II. Financial Applications	2,012.0	3.9%	1,633.6	3.0%
FINANCING SOURCES (I + II)	3,295.6	6.4%	2,686.8	4.9%
I. External Financing	2,460.6	4.8%	1,963.7	3.6%
Investment Projects	361.0	0.7%	461.7	0.8%
Global Bonds	750.0	1.5%	500.0	0.9%
Budget Support	1,349.7	2.6%	1,002.0	1.8%
Bilaterals (Petrocaribe)	413.0	0.8%	554.0	1.0%
Multilaterals	936.7	1.8%	448.0	0.8%
IADB	371.9	0.7%	128.0	0.2%
WB	150.0	0.3%	70.0	0.1%
IMF	414.7	0.8%	250.0	0.5%
II. Domestic Financing	835.0	1.6%	723.1	1.3%

*Projected

- Domestic financing will come from local bonds trading long term, substituting short-term private creditors.
- The Republic is committed to continue re-entering the international capital markets through global bonds.
- Concessional financing will continue to be directed towards social expenditure.



Public Debt: Recent Developments

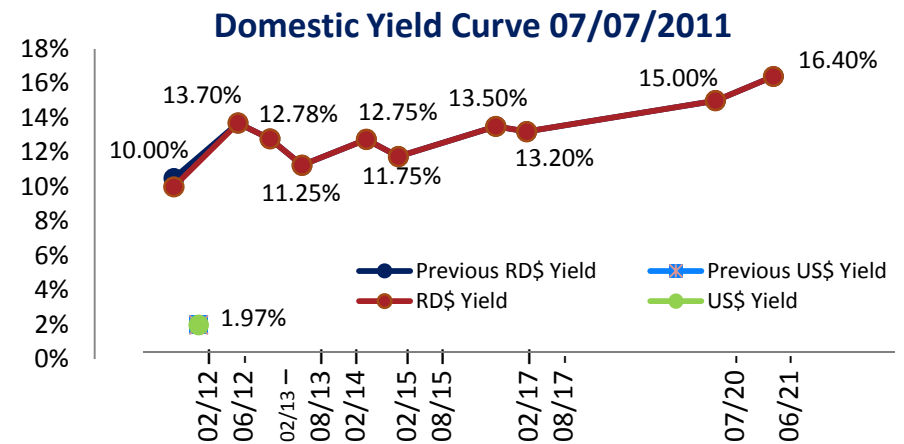
- The authorities implemented a plan to develop domestic public debt markets and debt management
- The strategy envisions key steps to develop the infrastructure for secondary market trading in public debt, as well as coordinating a debt management strategy between the Ministry of Finance and the Central Bank, and removing impediments to the participation of foreign and local investors to foster liquidity
- The domestic public debt yield curve has extended, maximum maturity has increased from three to ten years, while yields have steadily declined
- The government debt management strategy has allowed the Ministry of Finance to increasingly access the domestic market at interest rates that are in line with macroeconomic fundamentals.



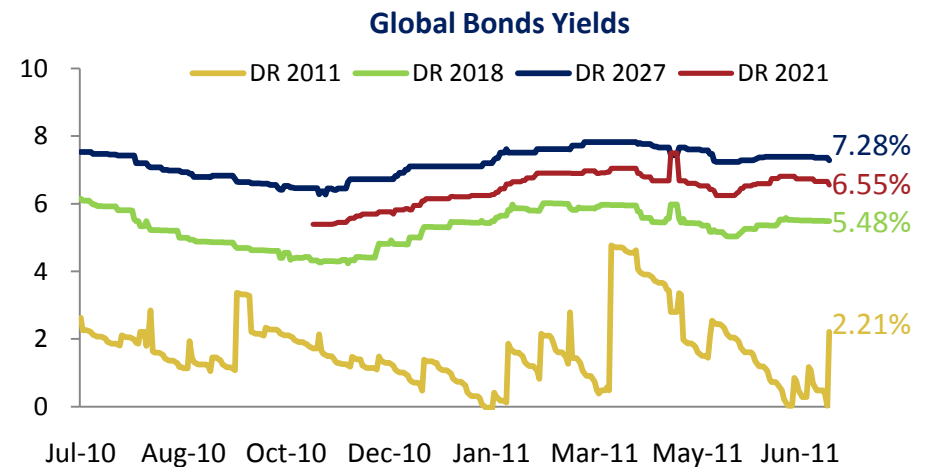
Dominican Republic To The Investors

- Continue stimulating internal and external secondary market
 - Local Market Maker Program
 - Recurrent issuer on Intl. Mkts.
 - Local s can buy External Bonds
 - Internationals can buy Local Bonds
- Under IMF Standby Agreement, strategies have been generated to achieve Investment Grade in the mid-long term and coordination with the Central Bank to improve the Domestic Government Securities market in DR (repos, money markets, etc)
- Liability Management strategies
- Start the second phase of the communication program with international investors

Internal Yield Curve (YTM, %)



External Yield Curve (YTM, %)



Credit Ratings

Moody's

April 2010: Moody's raises the sovereign credit rating from B2 to B1

"The creation of a domestic market for government bonds, while still in an early stage, is a relevant credit event as it will progressively provide the government access to longer-term local-currency financing"

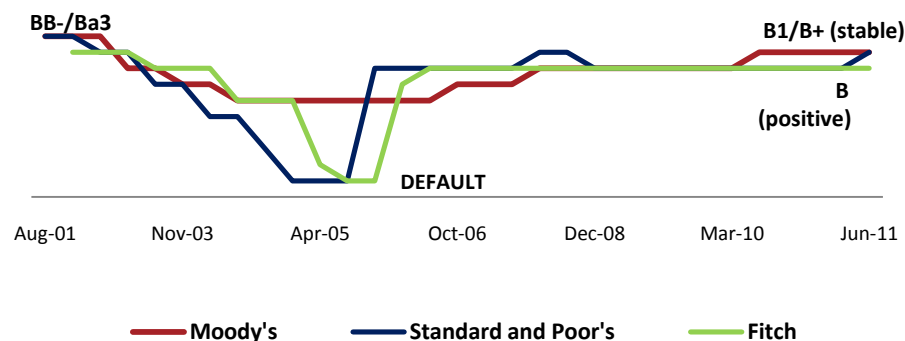
Fitch

January 2011: Fitch Rating's revises the perspective for the Dominican Republic from stable to positive.

"Despite the fiscal challenges, improvements in debt management and a favorable debt profile, support credit levels in the country. Although still in its first stage, the development of a domestic debt market provides greater flexibility in funding sources, which supports the sovereign credit profile."

Source: Credit Rating Agencies.

Credit Rating evolution



Standard and Poors

June 2011: S&P's Raised to B+ the Dominican Republic's Ratings

"The improvement in the rating is awarded for progress in debt management by Ministry of Finance, the prospects for economic growth and progress in implementing some structural reforms.

...is consistent with the decreased of the risk perception of the Dominican Republic by international investors..."



Thank you

