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FITCH AFFIRMS DOMINICAN REPUBLIC'S RATINGS

Fitch Ratings-New York-22 October 2009: Fitch Ratings has affirmed the Dominican Republic's ratings as follows:

--Foreign currency Issuer Default Rating (IDR) at 'B';
--Local currency IDR at 'B';
--Country ceiling at 'B+';
--Short-term foreign currency IDR at 'B';
--Senior unsecured debt at 'B'.

The Outlook on both the Foreign and Local currency IDRs remains Stable.

The Dominican Republic's weak liquidity position relative to 'B' peers (sovereigns rated 'B+', 'B' or 'B?') has highlighted the country's vulnerability to external shocks in an environment of lower global growth and tighter international liquidity conditions. However, Fitch views the government's decision to pursue a new 28 month, US$1.7 billion Stand-by Arrangement (SBA) with the International Monetary Fund (IMF) as an appropriate response to relieve both external and fiscal financing pressures, supporting the sovereign's current ratings. Furthermore, high per capita income, as well as stronger social, governance and business environment indicators relative to 'B' peers continue to support the sovereign's ratings.

'Approval of a new IMF Stand-by agreement would provide the government with greater access to multilateral financing in the near-term, easing constraints on capital spending and contributing to economic growth,' said Theresa Paiz Fredel, Senior Director at Fitch Ratings. Upon approval of the IMF SBA, the government expects to obtain immediate access to US$1.1 billion, including funds from the World Bank and the Inter-American Development Bank. This takes into account financing originally anticipated in the 2009 budget as well as additional multilateral disbursements through emergency loans and the use of IMF financing. Through the end of August, only US$142 million in funds from multilaterals had been disbursed to the government due to slow execution of projects and failure to meet conditionality requirements.

'The IMF program could also support the government's efforts in deepening structural reforms and maintaining macroeconomic stability,' added Paiz Fredel.

An easing of commodity prices and a collapse in domestic demand has led to a rapid reduction in the Dominican Republic's current account deficit and the country's external financing needs this year. Nevertheless, at 189%, gross financing requirements/reserves remain high relative to a 'B' median of 61% in 2009. Similarly, the island's liquidity ratio of 66% this year is substantially below the 10-year 'B' median of 139% and is the second lowest liquidity ratio in 2009 among Fitch-rated sovereigns in the 'B' category. In addition to the expected multilateral disbursements as a result of the approval of a new IMF SBA, the IMF's increased allocation of Special Drawing Rights (SDRs), amounting to US$275.3 million, will help cushion the impact of lower private capital inflows on reserves this year, improving the Dominican Republic's liquidity position in 2010.

Weak domestic demand reduced real GDP growth to 1.4% in the first half of this year, its lowest level in five years. An inability to execute a counter-cycle fiscal response due to financing constraints has dampened the effectiveness of counter-cyclical monetary policy. In light of the greater than expected short-fall in revenues during the first half of 2009, capital expenditures declined by 37% compared to the same period in 2008, resulting in a slight central government surplus through June, underpinning the need to obtain additional external financing and increase budget execution in the remaining months of this year.

Looking ahead, the Dominican Republic's ratings would benefit from stronger external liquidity and the continued maintenance of macroeconomic stability. By contrast, an increase in external

financing requirements, as well as a sharp decline in non-debt creating capital inflows or a return of capital flight which results in downward pressures on the peso and a sustained erosion of international reserves would be negative for the ratings.

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