

Full Rating Report

Dominican Republic

Ratings

Foreign Currency	
Long-Term IDR	B
Short-Term IDR	B
Local Currency	
Long-Term IDR	B
Country Ceiling	B+

Outlooks

Foreign-Currency Long-Term IDR	Positive
Local-Currency Long-Term IDR	Positive

Financial Data

Dominican Republic	
(USDm)	2009
GDP	46,597.7
GDP per head (USD 000)	4.6
Population (m)	10.1
International reserves	2,905.2
Net external debt (% GDP)	9.1
Central government total debt (% GDP)	27.9
CG foreign-currency debt	8,681.2
CG domestically issued debt (DOPm)	172,502.2

Analysts

Theresa A. Paiz-Fredel
+1 212 908 0534
theresa.paiz@fitchratings.com

Jaime Reusche
+1 212 908 0858
jaime.reusche@fitchratings.com

Related Research

Applicable Criteria

- *Sovereign Rating Methodology* (August 2010)

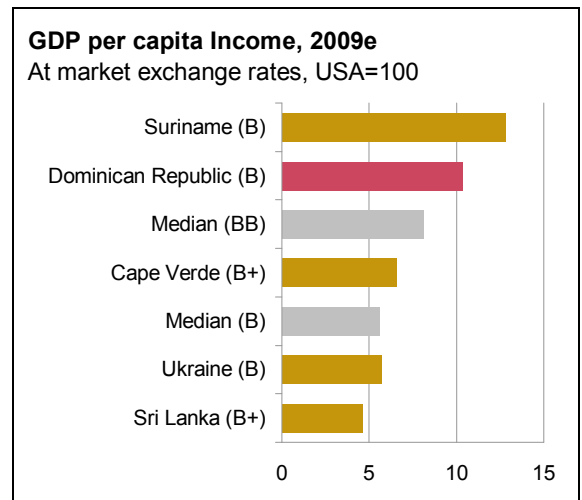
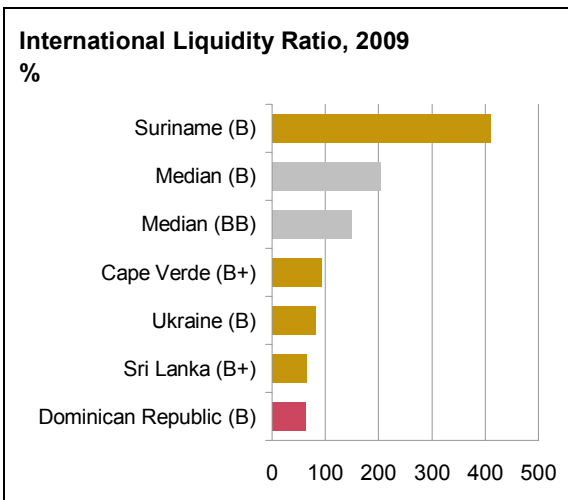
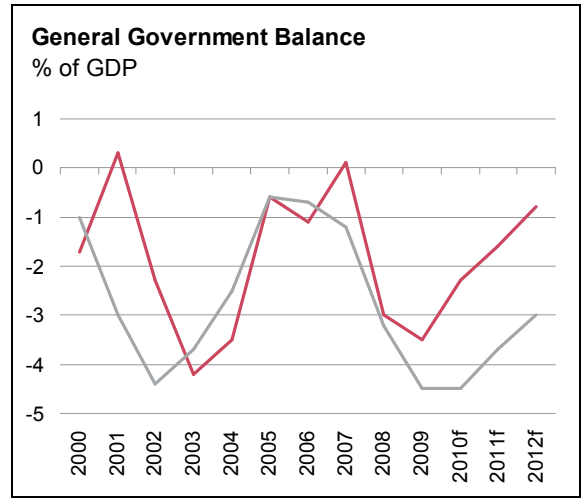
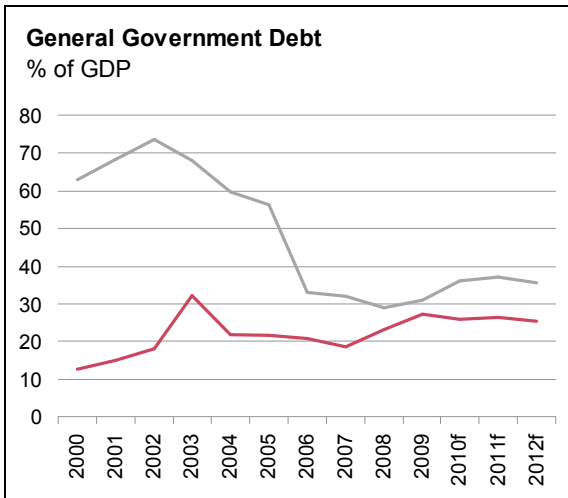
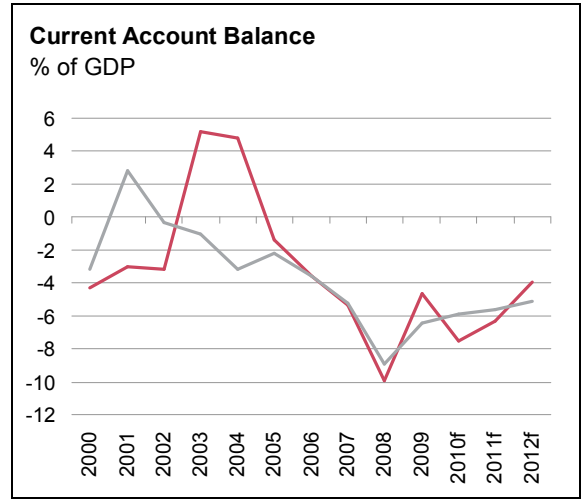
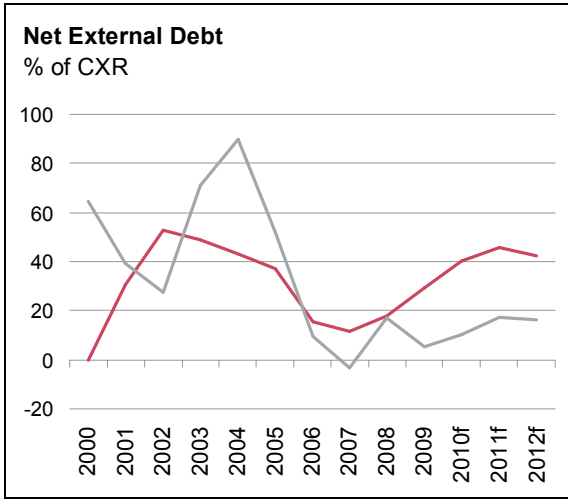
Other Research

- *Country Ceiling* (September 2008)
- *Global Economic Outlook* (December 2010)
- *Sovereign Review and Outlook* (December 2010)
- *Guide to Sovereign Credit Report* (October 2008)
- *Macro-Prudential Risk Monitor* (November 2010)

Rating Rationale

- On 5 January 2011 Fitch Ratings revised the Outlook on the Dominican Republic's ratings to Positive. This reflects the Dominican economy's resilience during the global financial crisis, which was supported by a Stand-by Arrangement (SBA) with the IMF, improving export prospects and structural improvements in debt management. Fitch believes that these developments will support the maintenance of macroeconomic stability within an environment of robust growth of around 6% over the medium term.
 - Approval of the SBA and multilateral disbursements allowed the government to implement a strong counter-cyclical fiscal response from Q409 to complement more accommodative monetary policies initiated earlier in the year. This contributed to a rapid recovery of growth, which reached 3.5% in 2009, one of the highest rates in Latin America and the Caribbean.
 - Increased domestic demand and a recovery of oil prices led to a notable deterioration in the Dominican Republic's current account deficit and increased the island's external financing needs in 2010. Gross external financing requirements/reserves increased to almost 200% in 2010, among the highest for sovereigns rated in the 'B' category. However, unlike in previous episodes of increased financing needs, the Dominican peso remained relatively stable, and the erosion of reserves during the year was muted. Positively, Fitch expects the country's external financing needs to decline over the forecast horizon with the resumption of nickel exports and the start of gold exports in 2011.
 - Despite the strong economic recovery and higher commodity prices, the central bank met its inflation target of 6%-7% in 2010. The economic recovery exceeded both Fitch and the market's expectations, with growth estimated at 7.8% in 2010. With the passage of a 2011 budget in line with the quantitative performance criteria of a non-financial fiscal deficit of 1.6% of GDP under the IMF SBA, authorities are on track to withdraw fiscal stimulus during the year. Progress on the management of electricity distributors and the implementation of tariff increases will help reduce transfers to the electricity sector, an important factor preventing a sustained fiscal consolidation in recent years.
 - High per capita income and stronger social and business environment indicators relative to 'B' peers (sovereigns rated 'B+', 'B' and 'B-') continue to support the sovereign's ratings. However, the country's weak liquidity position relative to 'B' peers remains a credit weakness, underlining the Dominican Republic's vulnerability to shocks.
- ## What Could Trigger an Upgrade?
- The Dominican Republic's ratings would benefit from reduced external vulnerabilities and continued consolidation of macroeconomic stability.
 - Although not Fitch's base case scenario, a sharp decline in non-debt-creating capital inflows or a return of capital flight resulting in downward pressures on the peso and a sustained erosion of international reserves would be negative for the ratings.

Peer Comparison



— Dominican Republic

— Medians

Rating Factors

Peer Group

Rating	Country
B+	Angola
	Bolivia
	Cape Verde
	Georgia
	Ghana
	Kenya
	Mongolia
	Sri Lanka
	Venezuela
	Vietnam
B	Dominican Republic
	Argentina
	Benin
	Cameroon
	Lebanon
	Mozambique
	Rwanda
	Suriname
	Uganda
	Ukraine
B-	Ecuador
	Jamaica
	Seychelles

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
5 May 06	B	B
19 Jul 05	B-	B
11 May 05	DDD	B
5 May 05	DDD	CCC+
21 Apr 05	C	CCC+
30 Jan 04	CCC+	CCC+
24 Oct 03	B	B
11 Aug 03	B+	B+

Summary: Strengths and Weaknesses

Rating factor	Macroeconomic	Public Finances	External Finances	Structural Issues
Status	Weakness	Neutral	Weakness	Strength
Trend	Positive	Stable	Positive	Stable

Note: Relative to 'B' category
Source: Fitch

Strengths

- The Dominican Republic's income per capita is high relative to 'B' peers.
- Broader human development, as measured by the United Nation's index, significantly exceeds the 'B' category median.
- Political stability and regulatory quality indicators relative to 'B'-category medians also set the Dominican Republic apart from its peers.
- As illustrated by the World Bank's "Ease of Doing Business" survey, the country's business environment compares favourably with peers in both the 'B' and 'BB' rating categories. This has contributed to a surge in foreign direct investment (FDI) inflows since 2004.
- Average GDP growth since 2006 exceeds that of peers.

Weaknesses

- A weak liquidity position relative to peers renders the economy more vulnerable to external shocks.
- A low revenue base and untargeted electricity subsidies have prevented sustained fiscal consolidation and contributed to deteriorating public debt dynamics.
- A low and volatile revenue base relative to 'B' peers also contributes to the sovereign's low debt tolerance.
- Although the economy has stabilised since the 2003 domestic financial crisis, the Dominican Republic's track record on macroeconomic stability lags behind that of similarly rated peers, as illustrated by the volatile performance of growth, inflation and the real effective exchange rate during the 2000s.

Local-Currency Rating

Fitch equates the Dominican Republic's Local- and Foreign-Currency IDRs. A narrow tax base, shallow domestic capital market, and historically high and volatile inflation rates relative to peers militate against any upward notching differential between the Local- and Foreign-Currency IDRs.

Country Ceiling

The Dominican Republic's Country Ceiling is 'B+', one notch above the Foreign-Currency Long-Term IDR. Membership of the Dominican Republic-Central America Free Trade Agreement and World Trade Organisation underpin the country's commitment to the free flow of capital and international trade, supporting the one-notch uplift of the Country Ceiling over the Foreign-Currency IDR.

Outlook and Key Issues

A Dynamic, Albeit Volatile, Service-Based Economy

The Dominican economy narrowly avoided recession in H109, with a growth rate of only 1.4%. However, it rebounded strongly in the second half as both fiscal and monetary policy took an aggressively expansionary turn. GDP growth accelerated to 5.5% in H209, bringing the full-year rate to 3.5%, one of the highest in Latin America. Growth continued to accelerate and exceeded expectations, as the economy expanded by an estimated 7.8% in 2010. This reflected a low base effect, the residual effect of short-term countercyclical policies, higher public spending ahead of the May mid-term congressional elections, and a rebound in credit and private consumption.

Historically, the Dominican economy has been very dynamic, reporting average annual growth in excess of 5% since 2001. As in most Caribbean economies, the service sector dominates the Dominican Republic's economic structure. It has a small, open economy, and tourism and trade make the largest individual contributions to GDP, while telecommunications and construction activities also have an important share. Despite sustained economic expansion, external shocks have contributed to high growth volatility, as transmission channels are mostly trade related and associated with growth in the country's biggest trade partner, the United States. Financial channels do not have as significant an impact on the island's growth trajectory due to the Dominican Republic's limited integration with international financial markets.

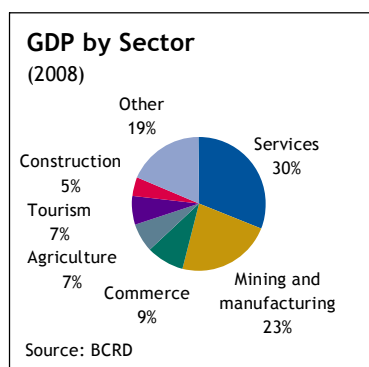
Although above-trend growth during 2010 overstates the economy's underlying strength, there has been a strong "bounce back" following the previous year's deceleration, and central bank authorities estimate potential growth to be a healthy 6%. Fitch therefore expects medium-term growth to remain relatively robust at around 6% throughout the outlook period to 2012 as economic activity remains at potential output levels.

Inflation has generally been in the high single digits since 1995. The only major deviation was during 2003-2004, when it spiked above 30% after a major devaluation, highlighting an important pass-through effect. Transport and fuel costs weigh heavily on the consumer price basket, which is why the consumer price index (CPI) responds to the variations in international oil prices and particularly to local gasoline prices. After averaging almost 11% in 2008 due to record oil prices, the transitory inflation rise eased, reducing average annual inflation to 1.4% in 2009. This was partly due to receding oil prices combined with a deceleration in economic activity. With the recovery in oil prices and a substantial pick-up in domestic demand, Fitch estimates that inflation averaged 6.0% in 2010 and that it will gradually decline to 5.3% in 2012.

Recurrent External Deficits

The island's low savings rate relative to investment needs and high dependence on fuel imports drives the recurrence of moderate to high current account deficits. Balance-of-payments (BOP) risks reflect relatively high concentration, as exports to the United States account for almost two-thirds of total merchandise exports. Exposure to terms-of-trade shocks is another source of external risk.

As is the case with inflation, the impact of oil prices is particularly significant and was the major driver of the 10% of GDP current account deficit reported in 2008. In the following year the current account deficit shifted back to 4.6% of GDP, a level more in line with the average of previous years. Fitch expects the recovery of oil prices and domestic demand to boost the current account deficit to 7.6% of GDP in 2010. However, deficits should decline to previous years' levels over the forecast horizon as mining operations at the Xstrada nickel mine resume in mid-2011 and new gold mining projects operated by Canada's Barrick Gold begin in the last



quarter, boosting export revenue. FDI inflows, although lower than the record highs of 2008, should help offset the external shortfall throughout the outlook period, covering around two-thirds of current account deficits.

External Finances: Sources and Uses

(USDm)	2009	2010f	2011f	2012f
Uses	3,826.6	5,769.5	5,569.4	4,374.6
Current account deficit	2,158.5	3,911.9	3,612.6	2,474.0
MLT amortisation	1,668.1	1,857.6	1,956.8	1,900.7
Sovereign	749.7	743.2	682.4	566.2
Non-sovereign	918.4	1,114.4	1,274.4	1,334.4
Sources	3,826.6	5,769.5	5,569.4	4,374.6
Gross MLT borrowing	2,639.0	3,580.6	3,705.8	2,820.7
Sovereign	1,716.8	2,362.5	1,770.7	1,635.0
Non-sovereign	540.1	2,094.4	2,074.4	1,634.4
Net FDI	2,066.6	1,530.0	1,993.0	2,200.0
Net portfolio debt	-451.8	-500.0	-500.0	-500.0
Net portfolio equity	2.3	475.0	100.0	100.0
Other credit flows nes	-603.0	-25.5	-197.1	-1,290.8
Net E&O	-86.8	0.0	0.0	0.0
Change in fx reserves	642.3	-166.9	328.4	596.0

Source: Fitch

Monetary Policy

The sharp decline in inflation allowed the central bank to backtrack on the initial policy tightening that began in early 2008. This central bank was able to ease monetary policy rapidly, cutting its overnight deposit rate from 9.5% to 4%.

Although the central bank took significant measures to boost domestic liquidity in 2009, commercial bank lending growth to the private sector remained subdued, reflecting lower domestic demand. Nevertheless, total lending growth remained buoyant as the public sector increased domestic borrowing from commercial banks.

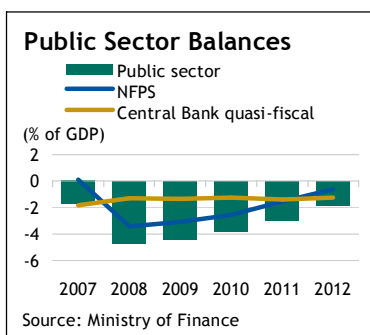
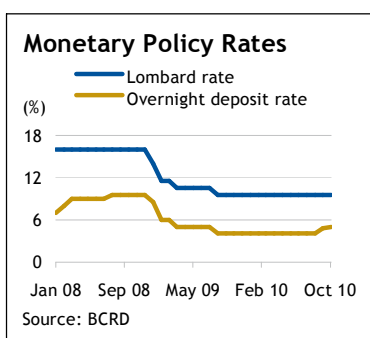
However, bank lending to the private sector rose an estimated 20% in 2010, reflecting increased demand. In light of the stronger-than-expected recovery, the central bank began pre-emptive policy rate increases in October 2010 with rise of 75 basis points. The monetary policy rate was 5% at end-November. As this rate rise has already translated to higher lending rates, Fitch expects credit growth to decelerate in 2011. Fitch expects the central bank to be more vigilant with pre-emptive rate rises to safeguard its inflation goals as it moves toward an inflation-targeting framework.

Fiscal Policy

Limited Fiscal Space

The Dominican Republic's credit profile incorporates a high degree of fiscal policy discretion, which, in Fitch's view, has in the past been influenced by electoral cycles. From a small surplus of 0.1% of GDP in 2007, the central government's financial balance moved to a deficit of 3.0% in 2008, due in part to lower-than-budgeted revenue and, more importantly, spending increases in the run-up to elections and increased transfers to the troubled electricity sector. Low government revenue reflects the large size of the informal economy and inefficiencies in tax administration. It also constrains the government's ability to implement counter-cyclical policies and support a higher debt burden.

In 2009, the government's limited fiscal space and its restricted access to market financing prevented it from enacting policies that would support economic activity while facing the global economic crisis. As economic output decelerated sharply due to external shocks and fiscal consolidation because of below-budget revenue and financing constraints in the first half of the year, the authorities turned to the IMF for a USD1.6bn Stand-by Arrangement (SBA). This was intended to limit the



effects of the global recession through the implementation of short-term counter-cyclical policies.

With financing secured, the central government returned to an aggressive expansionary expenditure programme that helped prop up economic activity and resulted in a non-financial public sector deficit of 3.5% of GDP in 2009. The SBA envisions a fiscal consolidation phase, which began during H210.

The authorities' medium-term fiscal framework incorporates a 2.3% of GDP central government deficit in 2010, implying a shift to a more austere fiscal stance. The authorities seem poised to carry this through, as suggested by data through the first nine months of the year. For 2011-2012, the framework suggests even further fiscal consolidation, resulting in a deficit of around 0.6% of GDP in 2012.

The spending reduction will focus on reducing transmission losses, electricity theft and collection problems affecting government-owned electricity distributors, in an effort to curb the large and volatile transfers to the sector. Nevertheless, Fitch expects some slippage in 2012 in the run-up to the presidential election. In addition, risks remain skewed towards the downside as uncertainty still plagues the electricity sector, which is heavily reliant on government subsidies.

Public Finances: Sources and Uses

(% GDP)	2009	2010f	2011f	2012f
Uses	6.0	6.1	4.6	3.3
Budget balance ^a	3.1	2.5	1.6	0.8
Amortisation (by place of issue)	2.9	3.6	3.0	2.5
Domestic	1.3	2.1	1.7	1.4
Foreign	1.6	1.5	1.3	1.3
Sources	6.0	6.1	4.6	3.1
Gross borrowing (by place of issue)	6.2	6.1	4.6	3.3
Domestic	2.4	1.9	1.3	0.6
Foreign	3.7	4.3	3.2	2.8
Privatisation	0.0	0.0	0.0	0.0
Other	-0.2	0.0	0.0	0.0

^a NFPS

Source: MOF; Fitch Ratings forecast

Low Roll-Over Risk Underpins Credit Quality

Although the government's debt/GDP ratio of 26% in 2010 remained below the 'B' category median, debt/revenue and interest/revenue ratios of 188% and 15% are below the respective 'B' medians. The comparative weakness of these two indicators reflects a relatively low revenue/GDP ratio and a cyclical component related to the economic downturn of 2009-2010.

However, the government's debt profile benefits from a favourable debt structure in which financial obligations to bilateral and multilateral creditors comprise the bulk of external liabilities. These credits incorporate very low roll-over risk and a favourable maturity profile that lessens the Dominican Republic's exposure to market conditions. Similarly, most of the government's domestic debt is comprised of recapitalisation bonds issued to the central bank as compensation for losses from the 2003 banking crisis. Repayment of these instruments comprises interest payments only, as the recapitalisation bonds will be rolled over on maturity at current market conditions until the central bank is fully capitalised.

A New Institutional Anchor

With the creation of a centralised public credit office in 2006, the government of the Dominican Republic took the first step toward establishing a new institutional anchor. This office will implement the government's financial strategy and has greatly increased transparency and accountability for monitoring and disseminating public debt data. The office has earned praise from various multilateral organisations, including the Institute for International Finance, which has applauded its data-dissemination and investor-relation practices.

In recent years, the public credit office's focus has turned to the creation of a domestic capital market for government bonds, a key financial and institutional improvement that is helping diversify financing sources while reducing vulnerabilities emanating from a highly dollarised debt structure. In 2009 the office began a programme of monthly auctions with local-currency bonds issued at two-, three- and five-year maturities as the initial steps toward building a yield curve. In 2010 the placement of seven- and 10-year bonds extended the curve into 2020. The major holders of these instruments are commercial banks (36%), private pension funds (22%), and savings and loan associations (11%).

Although still in its initial phase, the development of a domestic debt market provides an alternative source of longer-term local-currency financing. This is credit positive and supports the sovereign's credit profile.

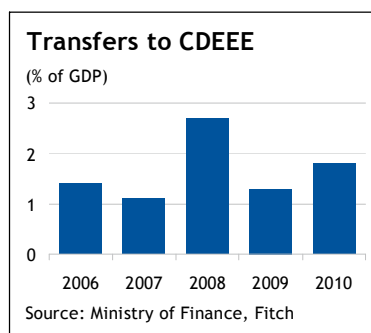
The Electricity Sector: Still a Large Fiscal Hurdle

Problems in the electricity sector have been a recurrent issue affecting the sovereign's credit profile. The sector has become a source of budgetary inflexibility and a financial burden on the fiscal accounts due to persistent transfers (ie, subsidies) of 1%-3% of GDP every year. In 2008, the cost of subsidies to government-owned electricity distributors reached 2.7% of GDP due to record high oil prices and was a main cause of that year's fiscal deficit. In 2009 transfers to the sector fell to 1.3% of GDP, reflecting falling energy prices. The government expects transfers to exceed USD850m in 2010, equivalent to 1.8% of GDP and larger than the initially budgeted 0.8% of GDP.

The authorities have indicated that they intend to cover the increased subsidy bill with budget re-allocations from current and capital expenditure cuts. The proposed reallocation of budget resources will have to come at the expense of significant cuts to social programmes and capital expenditure, underlining Fitch's concerns about the structural problems that plague the sector.

The SBA agreement with the IMF contemplates a substantial reduction of these transfers over the medium term (to 0.3% of GDP). This will be achieved by tackling indiscriminate subsidies to various segments of the population in favour of a more targeted approach aimed at low-income households, and revising the pricing framework, which does not incorporate a flexible tariff adjustment mechanism. The government's initial steps include a subsidy debit-card programme called BONOLUZ distributed to low-income households through which they are to make payments on electric consumption. This programme also involves greater supervision of energy use through the installation of more electricity meters in an effort to formalise consumption and billing. Savings are expected to account for over 65% of cuts under the agreement in the SBA. Changes to the tariff structure will be more challenging, as the decision to adjust tariffs to oil price movements will have political repercussions.

A growing sense of concern and urgency among economic actors and involvement of the IMF increases the likelihood of a favourable outcome. However, Fitch will continue to monitor developments in the sector, as quantifiable progress in this area would be positive for the Dominican Republic's credit quality. Conversely, stagnation or inaction by the authorities would lead to even greater rigidity in government spending, further limiting fiscal space. This could constrain the current rating and negatively affect creditworthiness.



Forecast Summary

	2006	2007	2008	2009	2010f	2011f	2012f
Macroeconomic indicators and policy							
Real GDP growth (%)	10.7	8.5	5.3	3.5	7.8	6.0	6.0
Consumer prices (annual average % change)	7.6	6.1	10.6	1.4	6.0	5.9	5.3
Short-term interest rate (%) ^a	10.6	8.2	12.2	8.1	7.0	8.1	8.5
General government balance (% of GDP)	-1.1	0.1	-3.0	-3.5	-2.3	-1.6	-0.8
General government debt (% of GDP)	20.3	18.2	24.3	27.9	29.4	31.2	30.6
DOP per USD (annual average)	33.4	33.3	34.6	36.0	36.9	37.1	37.9
Real effective exchange rate (2,000 = 100)	98.4	99.9	100.7	100.1	98.1	93.1	89.6
External finance							
Current account balance (USDm)	-1,287.4	-2,166.3	-4,518.6	-2,158.5	-3,911.9	-3,612.6	-2,474.0
Current account balance (% of GDP)	-3.6	-5.3	-9.9	-4.6	-7.6	-6.3	-3.9
Current account balance plus net FDI (% of GDP)	-0.6	-1.2	-3.6	-0.2	-4.6	-2.8	-0.4
Net external debt (USDm)	2,338.4	1,890.0	2,895.4	4,248.2	6,297.0	7,754.0	8,306.1
Net external debt (% of GDP)	6.6	4.6	6.4	9.1	12.3	13.5	13.2
Net external debt (% of CXR)	15.3	11.5	17.9	29.3	40.2	45.7	42.5
Official international reserves including gold (USDm)	2,127.2	2,561.7	2,287.4	2,905.2	2,738.6	3,068.2	3,664.3
Official international reserves (months of CXP cover)	1.5	1.7	1.3	2.1	1.7	1.8	2.0
External interest service (% of CXR)	3.7	3.8	3.6	4.6	5.3	5.2	4.5
Gross external financing requirement (% int. reserves)	161.8	180.2	241.8	167.3	198.6	203.4	142.6
Memo: Global forecast summary							
Real GDP growth (%)							
US	2.7	1.9	0.0	-2.6	2.8	2.9	2.7
Japan	2.0	2.4	-1.2	-6.3	3.2	1.5	1.7
Euro area	3.1	2.7	0.4	-4.1	0.9	1.5	2.0
World	3.8	3.7	1.4	-2.5	3.1	2.9	2.7
Commodities							
Oil (USD/barrel)	65.4	72.7	97.7	64.0	80.0	85.0	85.0

^a Money market interest rate (annual average)
Source: Fitch

Comparative Analysis: Macroeconomic Performance and Policies

Dominican Republic

	2009						
	Cape Verde 'B+'	Sri Lanka 'B+'	Dominican Republic 'B'	Suriname 'B'	Ukraine 'B'	'B' median	'BB' median
Real GDP (5yr average % change)	7.0	6.0	7.4	4.9	1.0	6.0	3.9
Volatility of GDP (10yr rolling SD)	2.0	2.6	3.6	2.4	7.6	2.6	3.1
Consumer prices (5yr average)	3.6	12.7	6.0	9.5	15.3	9.5	7.3
Volatility of CPI (10yr rolling SD)	3.0	5.6	15.2	17.1	8.4	5.6	3.0
Years since double-digit inflation	19.0	1.0	1.0	1.0	0.0	n.a.	n.a.
Unemployment rate	13.1	5.7	14.9	9.4	8.8	8.7	8.0
Type of exchange rate regime	Fixed	Managed float	Managed float	Managed float	Managed float	n.a.	n.a.
Dollarisation ratio	7.9	23.0	23.8	56.7	47.2	37.4	54.6
REER volatility (10yr rolling SD)	4.1	6.3	13.8	8.8	8.7	7.9	8.4

Source: IMF, local authorities and Fitch

Strengths

- Five-year average GDP growth until 2009 was higher than for 'B' peers, underpinned by robust domestic demand.
- The Dominican Republic's inflation rate has declined more rapidly than that of its peers and is now significantly below the 'B' median.
- Dollarisation is lower than the 'B' median.

Weaknesses

- As a small island economy, growth has been more volatile than for rating peers, in part reflecting its vulnerability to shocks.
- Inflation remains more volatile than for rating peers due to the island's higher dependence on fuel and food imports and its poor inflation performance in 2003 and 2004 following a domestic financial crisis. Similarly, the real effective exchange rate has also been more volatile.
- Unemployment is high relative to the peer median.

Commentary

The central bank has operational autonomy and independence to achieve its main objectives. These are the maintenance of the internal and external stability of the peso and its convertibility, promoting economic stability and development, and managing the country's international reserves. The proposed law to modify the Monetary and Financial Code is a step in the right direction to strengthen central bank independence and autonomy. However, Congress has delayed approval for many years.

The authorities reaffirmed their commitment to an inflation-targeting framework as part of the IMF programme, which envisions full implementation by early 2012. Although this would boost policy credibility and lead to increased exchange rate flexibility, enhancing the economy's shock absorption capacity, Fitch believes progress will be slow and tentative. The government's gradual recapitalisation of the central bank should also help monetary policy credibility.

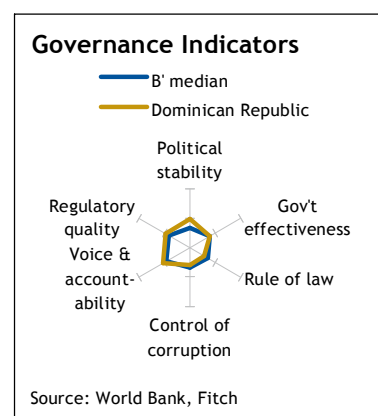
The Dominican Republic adopted a flexible foreign-exchange rate regime in 1991, and unified the official foreign-exchange market operated by the central bank and the free market operated by commercial banks in 2003. The central bank does not predetermine a path for the exchange rate and intervenes in the market only to curb volatility. Unlike for higher-rated sovereigns, data on market interventions is not public. Nevertheless, the central bank's ability to sustain interventions is limited by its comparatively thin international reserves.

Comparative Analysis: Structural Features

Dominican Republic

	2009						
	Cape Verde 'B+'	Sri Lanka 'B+'	Dominican Republic 'B'	Suriname 'B'	Ukraine 'B'	'B' median	'BB' median
GNI per capita PPP (USD, latest)	3,450	4,480	7,890	7,130	7,210	4,140	9,530
GDP per capita (USD, mkt exchange rates)	2,941	2,075	4,618	5,711	2,557	2,507	4,847
Human Development Index (percentile, latest)	33.7	44.1	50.8	47.0	53.5	38.1	56.9
Ease of Doing Business (percentile, latest)	22.6	42.9	53.3	15.4	19.8	30.8	46.2
Trade openness (CXR and CXP % GDP)	74.4	30.0	33.4	63.7	53.8	40.5	41.5
Gross domestic savings (% GDP)	1.8	18.0	6.8	25.2	15.4	13.5	14.7
Gross national savings (% GNP)	32.5	24.3	10.6	42.5	16.0	19.5	18.3
Gross domestic investment (% GDP)	42.0	24.5	14.8	33.6	17.1	22.4	19.1
Private credit (% GDP)	66.7	28.6	21.3	29.5	73.3	25.5	35.7
BSR indicators	n.a.	D/1	D/1	n.a.	E/1	n.a.	n.a.
Bank system CAR	10.3	14.0	14.1	10.4	18.1	14.5	16.0
Foreign bank ownership (% assets)	44.0	20.0	7.1	23.9	47.0	43.5	40.8
Public bank ownership (% assets)	15.0	48.0	25.0	28.8	13.4	13.4	14.5
Default record (year cured) ^a	2002	-	2005	Arrears	2000	n.a.	n.a.

^a Modern (ie, since 1980) rescheduling history: official rescheduling (1985,1986,1991,1992); restructuring by private creditors (1983, 1986); Brady initiative (1994); Paris Club rescheduling (2004,2005); bond restructuring (2005); restructuring by private creditors (2005)
Source: World Bank, United Nations, local authorities and Fitch



Strengths

- The Dominican Republic’s gross national income at purchasing power parity and GDP per capita at market exchange rates significantly exceed the ‘B’ median.
- The country’s percentile ranking in the United Nations Human Development Index exceeds the ‘B’ median and approaches the ‘BB’ median.
- The country’s business environment compares favourably with both the ‘B’ and ‘BB’ medians, as illustrated by its high percentile ranking in the World Bank’s “Ease of Doing Business” survey. This could bode well for investment as the global economy recovers.
- According to the World Bank’s survey, with the exception of “rule of law” and “control of corruption”, the Dominican Republic’s governance indicators are stronger than the ‘B’ category medians.

Weaknesses

- Lower savings and investment rates relative to peers could eventually weigh on growth prospects in the absence of a sustained recovery in remittances and FDI.
- Energy sector challenges could present a structural impediment to sustaining higher growth rates without creating macroeconomic imbalances.
- Although improving, low financial intermediation relative to peers could be another potential drag on economic growth.

Commentary

Since the 2003 domestic banking crisis – which forced the Dominican Republic into debt restructuring and a major, broader economic crisis – the government has applied more proactive bank supervision. The Superintendency of Banks improved monitoring systems for portfolio and operational risks in banking institutions and increased its operational capabilities to move toward the implementation of risk-based consolidated supervision. Liquidity and capital buffers appear sufficient to withstand moderate stress. Furthermore, Fitch’s Macro-Prudential Indicator suggests that the country’s vulnerability to banking system stress is low.

Comparative Analysis: External Finances

Dominican Republic

	2009					Last 10 years	
	Cape Verde 'B+'	Sri Lanka 'B+'	Dominican Republic 'B'	Suriname 'B'	Ukraine 'B'	'B' median	'BB' median
GXD (% CXR)	128.7	167.2	100.2	15.3	166.8	99.4	107.6
GXD (% GDP)	88.9	49.8	31.2	10.4	88.6	49.8	41.0
NXD (% CXR)	69.8	104.5	29.3	-36.9	-2.8	27.7	16.1
NXD (% GDP)	48.2	31.1	9.1	-25.2	-1.5	14.4	7.5
GSXD (% GXD)	58.2	78.3	68.4	73.3	23.1	64.1	49.0
NSXD (% CXR)	24.6	88.0	44.2	-23.8	-4.0	24.1	10.4
NSXD (% GDP)	17.0	26.2	13.8	-16.2	-2.1	11.5	3.4
SNFA (USDm)	-	-11,007.9	-6,408.1	483.3	2,492.2	-912.0	-219.5
SNFA (% GDP)	-	-26.2	-13.8	16.2	2.1	-10.6	-2.2
Ext. debt service ratio (% CXR)	5.5	13.7	15.7	6.7	37.1	9.6	16.6
Ext. interest service ratio (% CXR)	3.2	2.9	4.6	0.5	7.5	2.9	4.9
Liquidity ratio (latest)	92.3	65.0	62.0	410.7	81.7	154.8	131.1
Current account balance (% GDP)	-10.7	-0.5	-4.6	9.0	-1.5	-4.2	-1.9
CAB plus net FDI (% GDP)	-2.7	0.4	-0.2	8.6	2.5	-0.7	1.5
Commodity dependence (% CXR, latest)	3.6	18.8	31.9	17.2	19.1	38.0	27.9
Sovereign net FX debt (% GDP)	19.1	27.9	16.2	-15.4	-1.4	-	-

Source: IMF, local authorities, Fitch

Strengths

- Overall gross and net external debt indicators are low relative to the 10-year 'B' medians.
- Commodity dependence is low relative to peers.

Weaknesses

- A comparatively weak liquidity position relative to 'B' peers renders the economy more vulnerable to external shocks. The Dominican Republic had the lowest liquidity ratio and the second-highest gross external financing requirement (percentage of official reserves) among similarly rated peers in 2010.
- The Dominican Republic's current account deficit exceeds the 10-year 'B' median and has been consistently above this level since 2007. This reflects the country's low level of national savings relative to its investment needs.
- As a small and moderately open island economy, the Dominican Republic is also vulnerable to external shocks such as fluctuations in commodity prices and natural disasters.

Commentary

The Dominican Republic's net sovereign external debt indicators are weaker than for peers, as many credits in the 'B' category benefited from debt write-offs due to the Multilateral Debt Relief Initiative and high commodity prices, which increased reserve accumulation. In spite of historically favourable gross debt ratios, the Dominican Republic's credit profile is constrained by low liquidity, a situation that can be exacerbated by domestic or external shocks.

Although international reserves declined in 2010 as import demand recovered, exports of nickel and gold, starting in 2011, will reduce current account deficits and contribute to a recovery of reserves. The country's liquidity ratio has been consistently below 100%, contributing to payment difficulties in the past. However, external liquidity is more than 2x the level it was during the 2003 domestic financial crisis.

Comparative Analysis: Public Finances

Dominican Republic

	2009					Last 10 years	
	Cape Verde 'B+'	Sri Lanka 'B+'	Dominican Republic 'B'	Suriname 'B'	Ukraine 'B'	'B' median	'BB' median
Budget balance (% GDP)	-5.2	-9.9	-3.5	2.8	-6.3	-2.3	-2.0
Primary balance (% GDP)	-3.7	-3.5	-1.5	3.9	-5.1	0.6	0.8
Revenues and grants (% GDP)	30.9	15.0	13.6	36.1	42.2	30.4	24.3
Volatility of revenue/GDP ratio	7.1	5.1	9.8	13.2	10.3	10.8	6.2
Interest payments (% revenue)	5.2	42.7	13.6	3.0	2.7	7.2	11.3
Debt (% revenue)	235.4	573.5	199.5	46.6	58.9	170.8	170.3
Debt (% GDP)	72.8	86.2	27.2	16.8	24.9	42.6	40.5
Net debt (% GDP)	62.2	85.7	24.7	12.0	22.8	35.8	35.6
FC debt (% total debt)	60.0	47.1	82.2	50.5	85.3	75.6	64.0
CG debt maturities (% GDP)	1.6	21.4	2.2	4.4	2.6	4.7	5.3
Average duration of CG debt (years)	0.0	1.8	n.a.	n.a.	n.a.	1.6	3.3

^a GG except for Dominican Republic, which uses CG
Source: Local authorities and Fitch

Strengths

- Gross and net public debt indicators as a proportion of GDP compare favourably with 10-year 'B' medians, although lower debt levels are desirable due to the Dominican Republic's low fiscal revenue base.
- In light of the Dominican Republic's lower debt burden and favourable maturity structure, the government's debt maturities as a proportion of GDP are significantly lower than the 10-year 'B' median.

Weaknesses

- Despite a revenue base that is less than half of the 10-year 'B' median, the volatility of the Dominican Republic's revenue/GDP ratio is similar to that of peers. This underpins the government's inability to sustain higher debt levels.
- A low revenue base, and electricity subsidies and transfers have limited fiscal consolidation. Current transfers and subsidies, wages and interest payments on average accounted for 64% of central government spending for the five years ending 2009, although this level can be substantially higher when oil prices increase. Absent material structural reforms, electricity sector transfers and subsidies will remain a burden on public finances.
- The high proportion of foreign-currency-denominated debt exposes the sovereign to more currency risk than peers.

Commentary

The government needs to deepen structural reforms that address large and poorly targeted electricity and liquid petroleum gas subsidy programmes to put public finances on a sustainable path. Since 2005, the government has strengthened public debt management, reduced supplier and contractor arrears, and improved accounting procedures to verify the stock of these arrears and to monitor future arrears. The development of domestic capital markets for government bonds should benefit public financial flexibility and could eventually represent a good source of fiscal financing. The government began its auction-based programme of domestic bond issuance in March 2009 and has already extended the yield curve to include 10-year maturities.

Fiscal Accounts Summary

(% of GDP)	2007	2008	2009	2010f	2011f	2012f
General government						
Revenue	17.7	15.9	13.6	13.7	13.8	14.7
Expenditure	17.6	18.9	17.1	16.0	15.3	15.6
O/w interest payments	1.2	1.6	1.9	2.1	2.3	2.2
Primary balance	1.4	-1.6	-1.1	-0.3	0.8	1.5
Overall balance	0.1	-3.0	-3.5	-2.3	-1.6	-0.8
General government debt	18.2	24.3	27.9	29.4	31.2	30.6
% of general government revenue	104.2	145.9	199.5	188.1	192.6	171.3
General government deposits	1.9	2.2	2.5	2.3	2.1	1.9
Net general government debt	16.2	22.1	25.4	27.0	29.0	28.6
Central government						
Revenue	17.7	15.9	13.6	13.7	13.8	14.7
O/w grants	0.4	0.2	0.2	0.1	0.2	0.2
Expenditure and net lending	17.6	18.9	17.1	16.0	15.3	15.6
O/w current expenditure and transfers	13.0	13.9	13.5	12.3	11.7	10.8
- Interest	1.2	1.6	1.9	2.1	2.3	2.2
O/w capital expenditure	4.6	5.0	3.6	3.7	3.7	4.6
Current balance	4.3	1.0	0.4	1.3	2.0	3.8
Primary balance	1.4	-1.6	-1.1	-0.3	0.8	1.5
Overall balance	0.1	-3.0	-3.5	-2.3	-1.6	-0.8
Central government debt	18.2	24.3	27.9	29.4	31.2	30.6
% of central government revenues	102.6	153.3	204.7	214.3	226.4	207.3
Central government debt (DOPm)	248,185.3	383,013.4	468,948.1	556,639.2	664,269.8	729,378.0
By residency of holder						
Domestic	26,277.1	127,519.7	171,502.2	180,574.4	236,288.9	246,839.4
Foreign	221,908.2	255,493.7	297,445.9	376,064.8	427,981.0	482,538.7
By place of issue						
Domestic	27,277.1	128,519.7	172,502.2	181,574.4	237,288.9	247,839.4
Foreign	220,908.2	254,493.7	296,445.9	375,064.8	426,981.0	481,538.7
By currency denomination						
Local currency	23,806.5	116,278.2	154,602.2	168,583.7	230,135.5	245,608.8
Foreign currency	224,378.7	266,735.1	314,345.9	388,055.4	434,134.4	483,769.3
In USD equivalent (eop exchange rate)	6,533.6	7,522.6	8,681.2	10,348.1	11,485.0	12,598.2
By maturity						
Less than 12 months (residual maturity)	32,403.9	33,140.0	37,699.7	63,869.3	57,908.4	55,531.4
Average maturity (years)	6.5	5.9	5.6	6.0	6.2	6.1
Average duration (years)	-	-	-	-	-	-
Memo						
Non-financial public-sector balance (% GDP)	0.1	-3.4	-3.1	-2.5	-1.6	-0.6
Net non-financial public-sector debt (% GDP)	16.5	22.5	25.4	27.0	29.0	28.6
Central bank quasi-fiscal balance	-1.8	-1.3	-1.4	-1.3	-1.4	-1.3
Nominal GDP (DOPm)	1,364,210.8	1,576,164.6	1,678,765.2	1,894,184.1	2,126,401.1	2,387,309.7

Source: Ministry of Finance and Fitch estimates and forecasts

External Debt and Assets

(USDm)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Gross external debt	4,100.6	4,975.4	7,778.1	8,831.3	9,302.8	10,062.8	11,985.5	12,616.2	12,827.5	14,529.8
% of GDP	17.3	20.3	31.2	44.1	43.1	30.0	33.6	30.8	28.2	31.2
% of CXR	36.1	45.7	70.8	74.9	74.6	75.1	78.6	76.7	79.2	100.2
By maturity										
Medium- and long-term	2,922.6	3,680.4	6,451.7	7,835.9	8,112.0	8,694.3	9,797.4	9,835.8	9,671.8	11,605.1
Short-term	1,178.0	1,295.0	1,326.4	995.4	1,190.8	1,368.4	2,188.1	2,780.4	3,155.7	2,924.7
% of total debt	28.7	26.0	17.1	11.3	12.8	13.6	18.3	22.0	24.6	20.1
By debtor										
Monetary authorities ^a	51.7	49.9	915.9	868.4	980.0	1,344.8	1,738.8	2,254.0	1,898.1	2,078.9
General government	2,777.9	3,338.5	3,712.4	5,016.3	5,637.3	5,482.7	6,446.0	6,544.8	6,673.5	7,858.8
O/w central government	2,597.4	3,149.2	2,925.8	4,393.2	5,317.0	5,336.3	6,228.1	6,461.7	6,673.5	7,858.8
Banks	93.0	292.0	557.7	492.6	238.2	187.0	192.1	198.6	611.0	501.2
Other sectors	1,178.0	1,295.0	2,592.1	2,454.0	2,447.4	3,048.3	3,608.6	3,618.8	3,644.9	4,091.0
Gross external assets (non-equity)	-	1,641.9	1,964.4	3,050.8	3,947.9	5,071.4	9,647.1	10,726.1	9,932.1	10,281.6
International reserves, incl. gold	632.1	1,104.5	474.7	260.8	806.3	1,852.6	2,127.2	2,561.7	2,287.4	2,905.2
Other sovereign assets nes	-	-	129.3	133.0	141.0	192.1	556.3	588.6	620.3	624.5
Deposit money banks' foreign assets	-	537.3	470.5	662.0	1,041.2	1,095.2	1,312.0	1,477.4	1,127.3	1,049.0
Other sector foreign assets	-	-	889.9	1,995.1	1,959.4	1,931.6	5,651.6	6,098.5	5,897.2	5,703.0
Net external debt	-	3,333.5	5,813.7	5,780.5	5,354.9	4,991.3	2,338.4	1,890.0	2,895.4	4,248.2
% of GDP	0.0	13.6	23.3	28.8	24.8	14.9	6.6	4.6	6.4	9.1
% of CXR	0.0	30.6	52.9	49.0	43.0	37.2	15.3	11.5	17.9	29.3
Net sovereign external debt	2,197.5	2,283.9	4,024.3	5,490.9	5,670.0	4,782.9	5,501.3	5,648.5	5,663.9	6,408.1
% of GDP	9.3	9.3	16.2	27.4	26.3	14.3	15.4	13.8	12.4	13.8
Net bank external debt	-	-245.3	87.2	-169.4	-803.1	-908.3	-1,119.9	-1,278.9	-516.3	-547.9
Net other external debt	0.0	0.0	1,702.2	459.0	487.9	1,116.7	-2,043.0	-2,479.6	-2,252.3	-1,612.0
Net international investment position	n.a.	n.a.	-5,670.4	-5,779.9	-5,358.2	-4,933.9	-2,186.4	-1,473.6	-2,532.7	-3,855.8
% of GDP	n.a.	n.a.	-22.8	-28.8	-24.8	-14.7	-6.1	-3.6	-5.6	-8.3
Sovereign net foreign assets	-2,197.5	-2,283.9	-4,024.3	-5,490.9	-5,670.0	-4,782.9	-5,501.3	-5,648.5	-5,663.9	-6,408.1
% of GDP	-9.3	-9.3	-16.2	-27.4	-26.3	-14.3	-15.4	-13.8	-12.4	-13.8
Debt service (principal & interest)	1,212.0	1,287.0	1,731.2	1,937.7	1,631.7	1,635.2	2,271.7	2,286.1	2,261.0	2,276.3
Debt service (% of CXR)	10.7	11.8	15.8	16.4	13.1	12.2	14.9	13.9	14.0	15.7
Interest (% of CXR)	2.7	3.1	3.4	3.6	4.0	4.0	3.7	3.8	3.6	4.6
Liquidity ratio (%)	31.0	25.6	54.3	31.6	35.1	65.8	81.2	76.5	79.8	62.0
Net sovereign FX debt (% of GDP)	9.3	9.3	16.7	28.2	27.6	15.1	17.1	15.5	14.6	16.2
Memo										
Nominal GDP	23,655.3	24,512.2	24,913.0	20,044.6	21,582.2	33,542.3	35,660.4	41,013.1	45,523.0	46,597.7
Gross sovereign external debt	2,829.6	3,388.4	4,628.3	5,884.7	6,617.3	6,827.6	8,184.8	8,798.8	8,571.6	9,937.7
Inter-company loans	-	-	-	-	-	-	-	-	-	-

^a Includes Brady bonds and obligations owed to the IMF

Sources: IMF IIP, World Bank, local authorities and Fitch estimates

Debt Service Schedule on Medium- and Long-Term Debt at 12 Dec 2009

(USDm)	2009	2010	2011	2012	2013	2014	2015+
Sovereign	749.7	743.2	682.4	566.2	895.0	1,030.0	5,457.7
Official bilateral	356.9	376.1	367.6	373.2	366.3	343.3	2,304.9
O/w Paris Club	40.7	48.1	64.6	57.1	49.8	53.4	146.1
Multilateral	182.3	153.0	146.4	149.6	405.4	518.0	1,548.8
O/w IMF	0.0	0.0			157.1	166.4	9.2
Other	104.3	106.5	63.0	43.4	45.6	40.4	93.2
Bonds placed in foreign markets	106.2	107.6	105.4	0.0	77.6	128.2	1,510.8
Non-resident holdings of domestic debt							
Interest	303.264	443.5	347.3	323.4	304.5	268.7	1,391.0
Total sovereign debt service	1,053.0	1,186.7	1,029.7	889.6	1,199.5	1,298.6	6,848.6
Private sector							
Amortisation	918.4	1,114.4	1,274.4	1,334.4	n.a.	n.a.	n.a.
Interest	229.6	278.6	318.6	333.6	n.a.	n.a.	n.a.
Total private debt service	1,148.0	1,393.0	1,593.0	1,668.0	n.a.	n.a.	n.a.
Memo							
Non-sovereign public sector	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Ministry of Finance, Central Bank and Fitch

Balance of Payments

(USDm)	2007	2008	2009	2010f	2011f	2012f
Current account balance	-2,166.3	-4,518.6	-2,158.5	-3,911.9	-3,612.6	-2,474.0
% of GDP	-5.3	-9.9	-4.6	-7.6	-6.3	-3.9
% of CXR	-13.2	-27.9	-14.9	-3,911.9	-3,612.6	-2,474.0
Trade balance	-6,436.8	-9,245.4	-6,740.8	-8,254.0	-8,228.1	-7,614.4
Exports, fob	7,160.2	6,747.5	5,519.0	6,546.0	7,200.6	9,000.8
Imports, fob	13,597.0	15,992.9	12,259.8	14,800	15,429	1,6615
Services, net	3,052.5	2,961.8	3,045.9	3,133.5	3,334.2	3,732.3
Services, credit	4,824.9	4,951.2	4,946.3	5,144.2	5,566.0	6,122.6
Services, debit	1,772.4	1,989.4	1,900.4	2,010.6	2,231.8	2,390.2
Income, net	-2,183.2	-1,747.9	-1,768.8	-1,991.8	-2,095.4	-2,148.9
Income, credit	811.5	712.6	453.0	489.2	528.4	581.2
Income, debit	2,994.7	2,460.5	2,221.8	2,481.0	2,623.7	2,730.1
O/w: Interest payments	618.9	584.8	671.6	784.4	850.4	929.4
Current transfers, net	3,401.2	3,512.9	3,305.2	3,200.3	3,376.7	3,557.0
Memo						
Non-debt-creating inflows (net)	1,667.4	2,859.7	2,068.9	1,641.0	2,093.0	2,216.0
O/w equity FDI	1,667.4	2,870.0	2,066.6	1,400.0	1,993.0	2,116.0
O/w portfolio equity	0.0	-10.3	2.3	475.0	100.0	100.0
O/w other	188.3	193.3	63.6	106.0	292.0	310.0
Change in reserves (- = increase)	682.3	-308.0	642.3	166.9	-328.4	-596.0
Gross external financing requirement	3,833.6	6,194.8	-3,826.6	-5,769.5	-5,569.4	-4,374.6
Stock of international reserves, incl. gold	2,561.7	2,287.4	2,905.2	2,738.6	3,068.2	3,664.3

Sources: IMF and Fitch estimates and forecasts

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE.

Copyright © 2011 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries. One State Street Plaza, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion is based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at anytime for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of Great Britain, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.