



DIOS PATRIA LIBERTAD



Dominican Republic

Roadshow Presentation
January 2020

REPUBLICA DOMINICANA

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Key Investment Highlights



1

Largest Economy in the Central America and Caribbean Region

- ✓ DR's GDP growth in 2018 was the highest among Central American and Caribbean peers, accounting for 23% of total regional GDP¹. As of September 2019, the nominal GDP is estimated at US\$ 89.0bn for the year 2019
- ✓ Third most populous country in Central America and the Caribbean, with an estimated population of 10.3 million²

2

Resilient Economy and Sustained GDP growth, supported by Public and Private Investment

- ✓ Average annual real GDP growth rate of 6.5% from 2014 to 2018, reaching 7.0% (YoY) for 2018, the highest growth rate of any economy in the Western Hemisphere during the same year. As of September 30, 2019, the economy experienced 4.8% year-over-year growth
- ✓ Well-diversified economy, supported by the construction, manufacturing, retail and tourism sectors

3

Proven Monetary Policy and Healthy Financial System

- ✓ Consistent track record of inflation at or below the target range for each year with increasing international reserves and stable FX
- ✓ Sizable and well-capitalized banking system

4

Enhanced Fiscal Discipline

- ✓ Significant commitment to fiscal discipline has led to an improvement in the Public Sector Deficit (as a percentage of GDP) over the years
- ✓ Strong focus on institutional efficiency and public accountability

5

Long-term plan committed to Sustainable Growth, Social Transformation and Economic Competitiveness

- ✓ Increase in public investment and support to micro and small enterprises has translated into decreasing poverty rate from 34.8% in 2014 to approximately 23.0% in 2018
- ✓ Attraction, promotion and protection of national and foreign investments, as well as ongoing efforts for infrastructure improvements

(1) Regional GDP composed of Dominican Republic, Guatemala, Panama, Costa Rica, El Salvador, Honduras, Jamaica and Nicaragua

(2) Source: IMF





Dominican Republic Overview

Recent Developments

- 1 The Dominican Republic continues to experience positive macroeconomic results:
 - i The fastest growing economy in the Western Hemisphere in terms of real GDP, growing 7.0% in 2018 over 2017, and 4.8% in the nine-month period ending in September 2019.
 - ii Relatively stable exchange rate, with a nominal DOP/USD depreciation of 3.9% as of September 30, 2019, relative to the last working day of 2018.
 - iii As of September 30, 2019, annualized inflation rate reached 2.0%, below the Central Bank's target rate of 4.0%. \pm 1.0%.
 - iv Continuously improving external position, with Net International Reserves growing 63% between 2014 and September 30, 2019, reaching US\$7.6 bn, and a current account deficit of 0.8% of GDP as of September 30, 2019.
- 2 The latest IMF Article IV Consultation with the Republic concluded that strengthened labor markets, reinvigorated credit growth, and favorable external conditions have aided the country in its sustained GDP growth. In addition, the inflation-targeting framework and the Central Bank's neutral policy stance has been successful at maintaining inflation rates within or below the official target range.
- 3 Recently the Republic assumed the position of Vice-chair of CICTE¹, and the presidency of GAFILAT², which in their last report highlighted the country's legal framework to prevent money laundering as being compliant with international standards. In addition, the country received a rating of Largely Compliant by the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes.
- 4 Solid international position, being elected as part of the UN Security Council and establishing diplomatic relations with China – one of the Republic's most important trade partners.
- 5 Multilateral agencies have been an important source of funding for the Republic to support projects across different industries, including health, education and electricity. During 2018 and 2019, Congress approved loans from multilateral lenders in an aggregate principal amount of US\$1,915.0 mm for the financing of various investment projects, including in the electricity distribution network, social inclusion and natural disasters. An additional US\$205.0 mm principal amount of financing for projects have been contracted, that are pending submission to Congress.
- 6 An ample record of access to the international Debt Capital Markets as evidenced by successful continued issuances of US\$12.3 bn between 2015 and 2019, US\$5.6 bn of which were placed between 2018 and 2019, including the first ever two DOP denominated bonds.











(1) Inter-American Committee against Terrorism: sole regional entity whose purpose is to prevent and combat terrorism in the Americas
(2) The Financial Action Group of Latin America



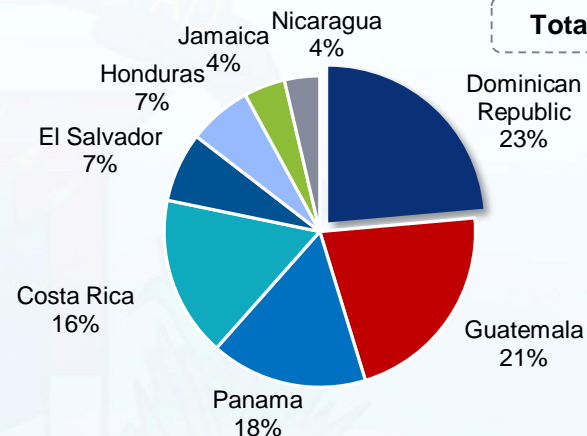
Macroeconomic Overview

Leading Economy in Central America and the Caribbean

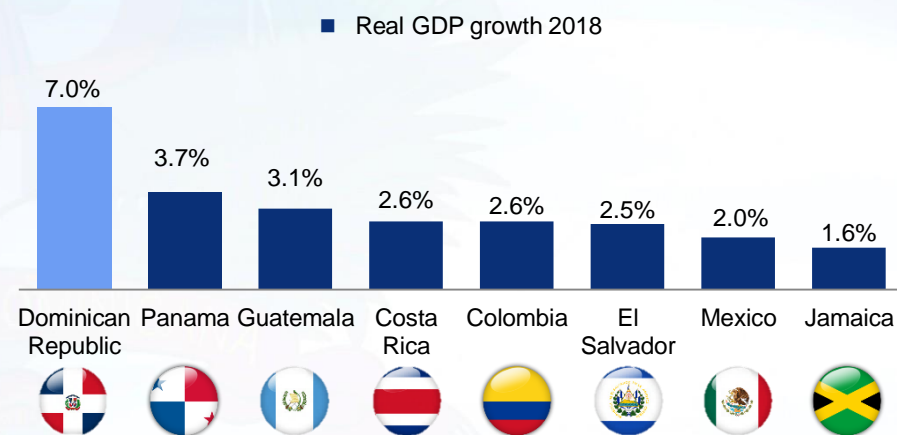
Country	Nominal GDP '18 (US\$ bn)	GDP per capita '18 (US\$ '000)	GDP growth '18	Pop. '18 (mm)	Ratings (Moody's/S&P/Fitch)
 Dom. Rep.	85.5	8.3	7.0%	10.3	Ba3 / BB- / BB-
 Mexico	1,222.1	9.8	2.0%	124.7	A3 / BBB+ / BBB
 Colombia	331.0	6.6	2.6%	49.8	Baa2 / BBB- / BBB
 Guatemala	78.5	4.5	3.1%	17.3	Ba1 / BB- / BB
 Costa Rica	60.5	12.0	2.6%	5.0	B1 / B+ / B+
 Panama	65.1	15.6	3.7%	4.2	Baa1 / BBB+ / BBB
 El Salvador	26.1	3.9	2.5%	6.6	B3 / B- / B-
 Jamaica	15.5	5.4	1.6%	2.9	B2 / B+ / B+

Primary GDP participation in CAC¹

(2018)



Region-leading GDP growth rate



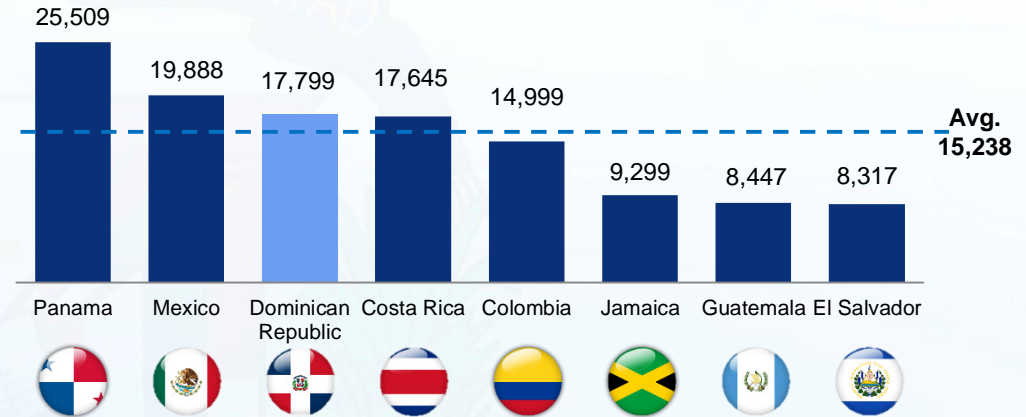
Sources: World Bank and International Monetary Fund World Economic Outlook (October 2019). Bloomberg for Credit Ratings as of January 16, 2020
 (1) Represents selected Central American and Caribbean countries, for year ended December 31, 2018

Robust & Diversified Economy

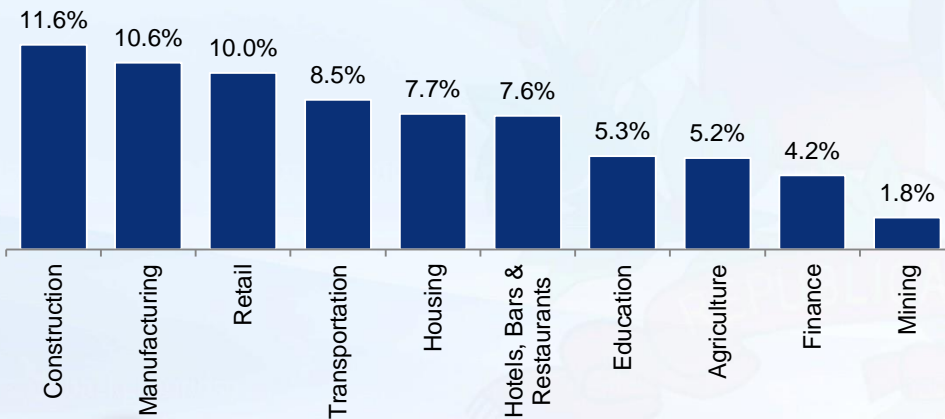
GDP per Capita (US\$ at current prices)



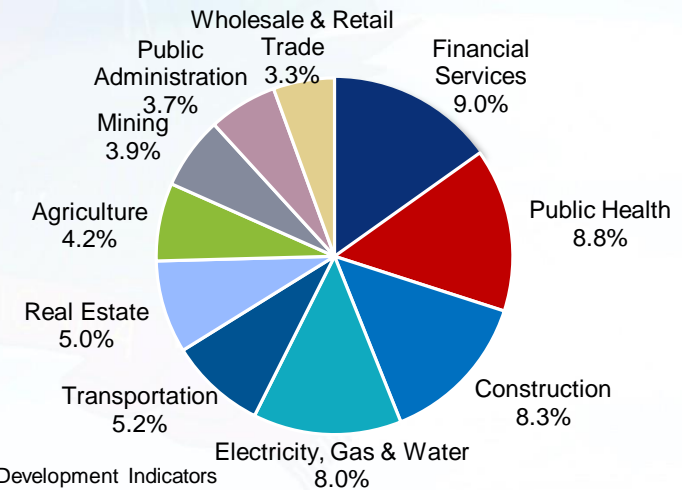
GDP per Capita PPP vs. Regional Peers (as of 2018)



Share of GDP by top sectors¹ (Jan – Sept. 2019)



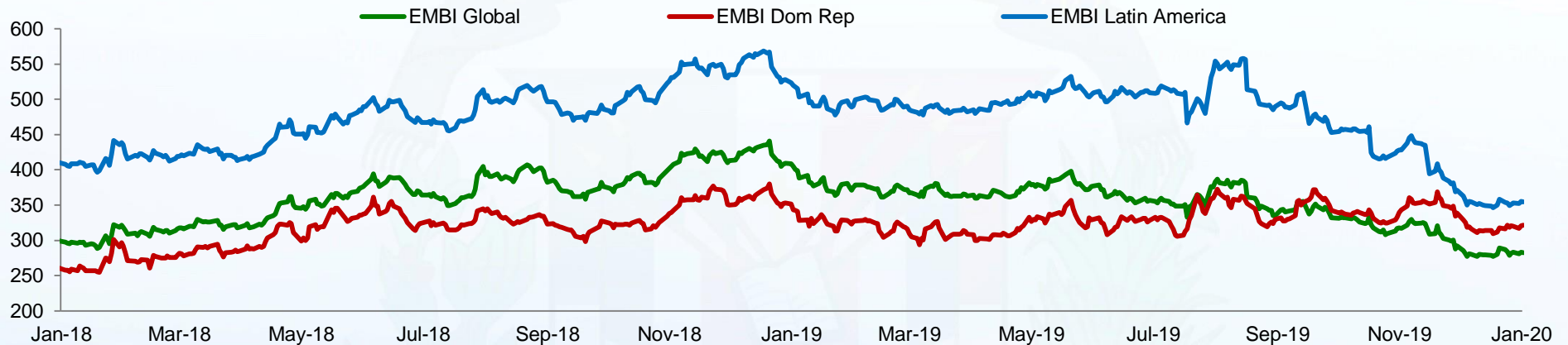
High Growth Economic Sectors (> 3%, Sept. 2019)



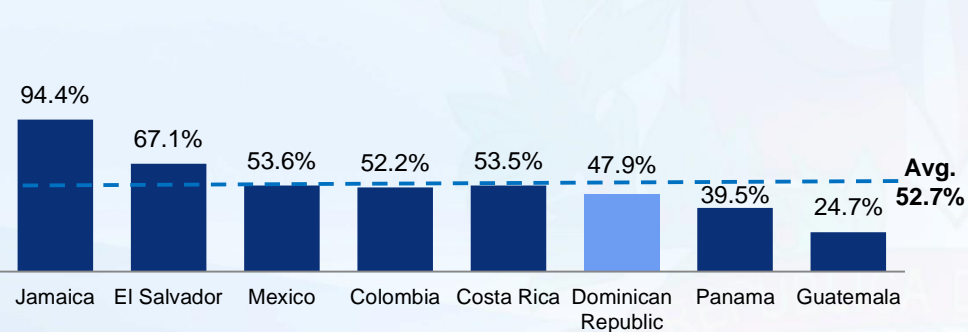
Source: IMF World Economic Outlook Database as of October 2019; Central Bank; World Bank Development Indicators
 (1) These sectors account for 73% of the country's GDP

Strong Credit Metrics vs. Comparable Sovereigns

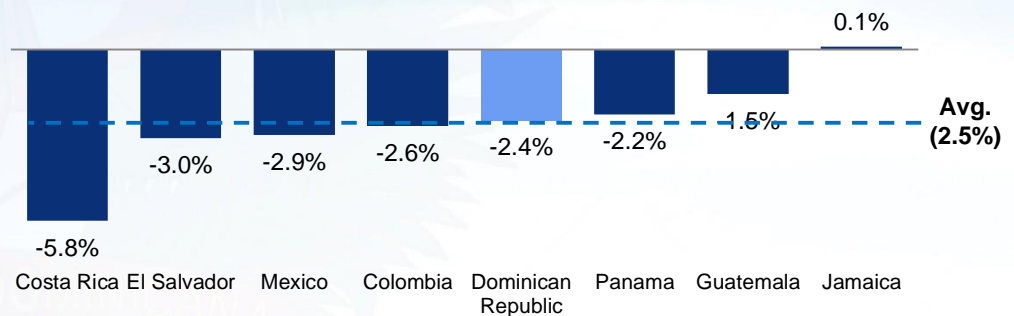
Country risk in line with Latin America's



Public sector debt¹ (% of GDP for fiscal year 2018)



Fiscal deficit as a % of GDP (avg. 2014-2018)

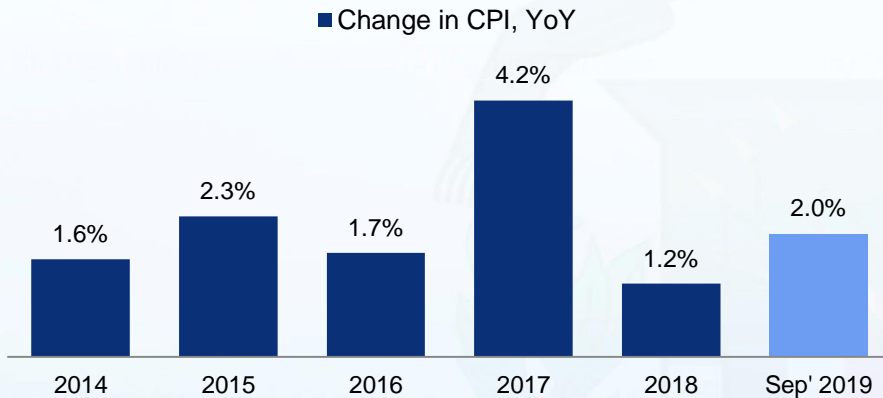


Source: IMF World Economic Outlook Database as of October 2019; Central Bank; J.P. Morgan

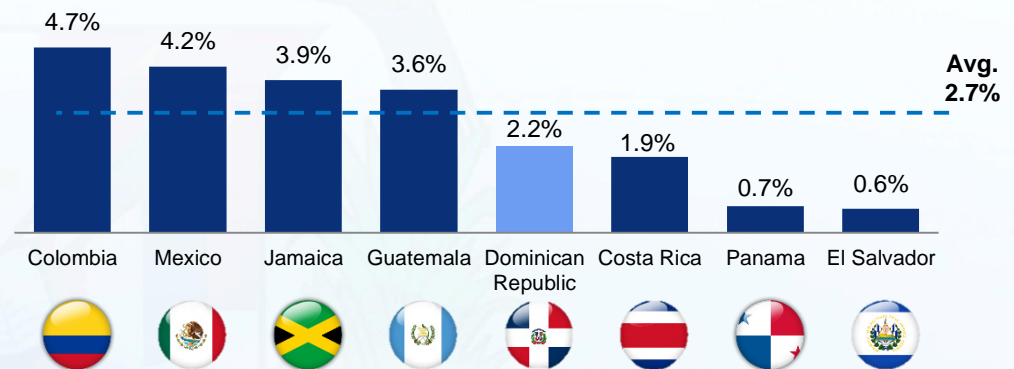


Attractive Local Rates Driven by Stable FX and Healthy Inflation

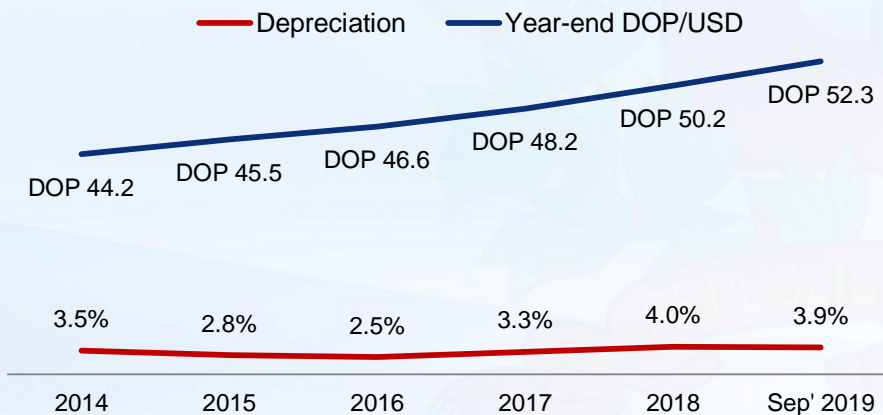
Prices have remained stable in recent years



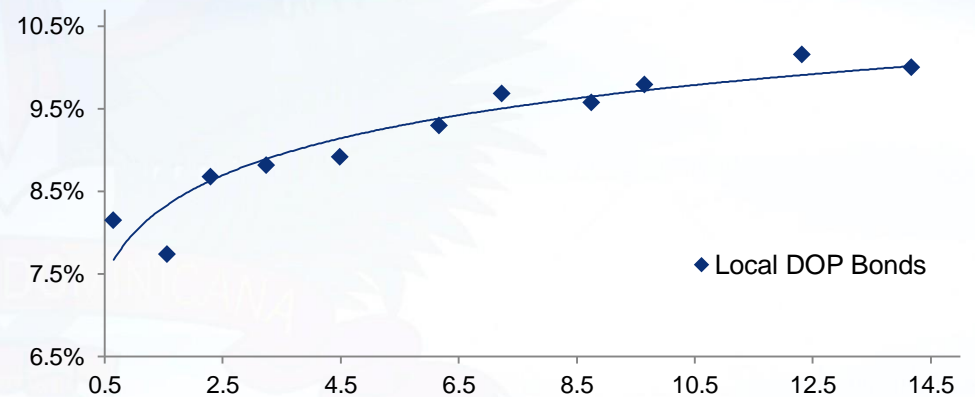
Average rate of inflation vs. Regional Peers (2014-2018)



Moderate currency depreciation¹



Local DOP Bonds (YTM, %) ²



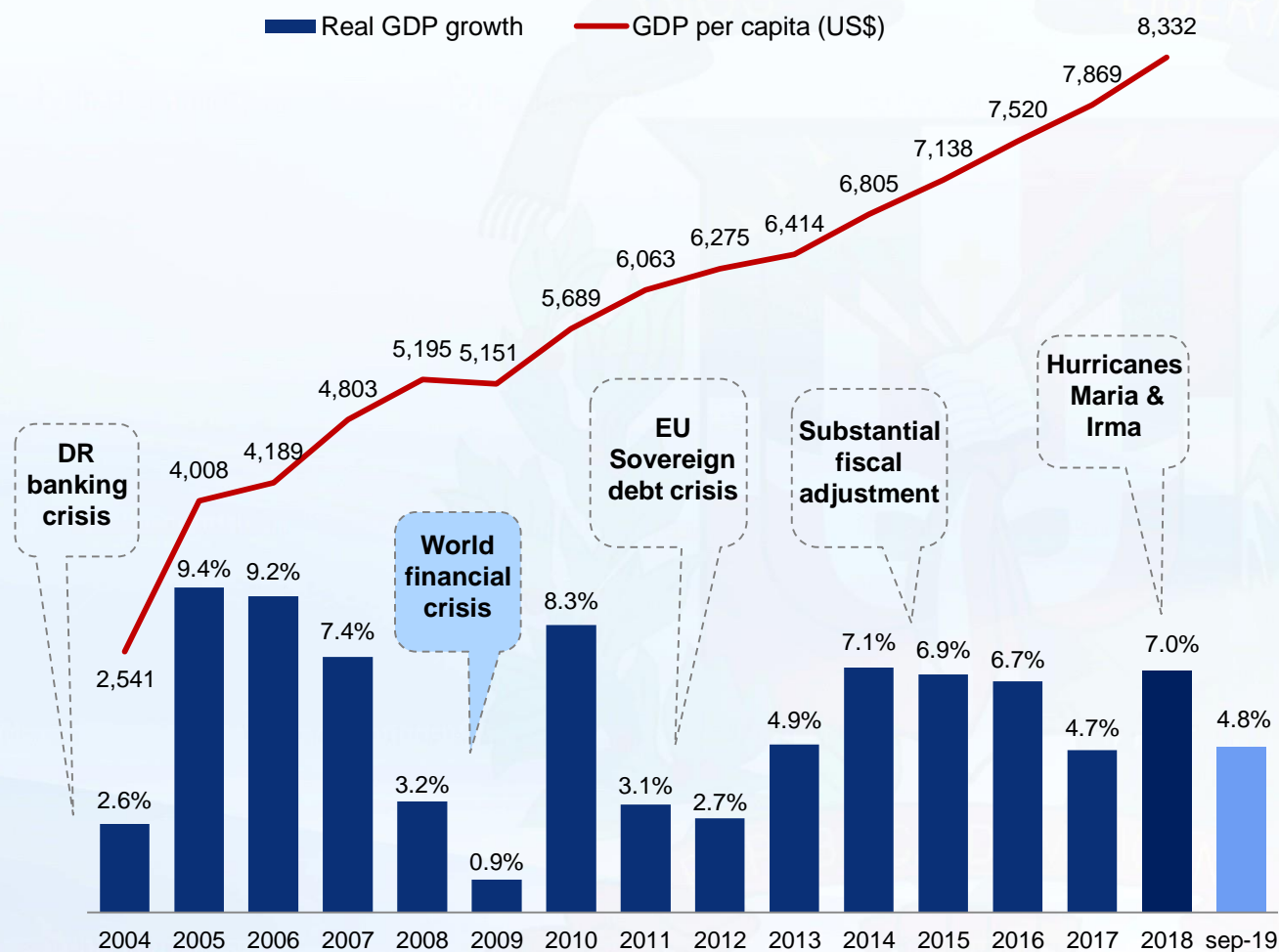
Sources: Central Bank, Ministry of Finance, IMF World Economic Outlook Database (October 2019)

(1) Figures correspond to the average of the daily purchase exchange rate reported by the financial intermediaries for the last business day of the year

(2) Excludes bonds issued in 2013 with a different tax treatment (MH1-2023, MH1-2028 and MH2-2028). Figures as of January 14, 2020

Resiliency during Periods of Global and Regional Economic Turmoil

Real GDP growth despite domestic and external shocks



Growth post world financial crisis

Rank	Country	Real GDP Growth Rate 2009
1	Uruguay	4.2%
2	Bolivia	3.4%
3	Panama	1.2%
4	Peru	1.0%
5	Dominican Republic	0.9%
6	Ecuador	0.6%
7	Guatemala	0.5%
8	Brazil	(0.1%)
9	Paraguay	(0.3%)
10	Costa Rica	(1.0%)
11	Chile	(1.6%)
12	El Salvador	(2.1%)
13	Honduras	(2.4%)
14	Venezuela	(3.2%)
15	Nicaragua	(3.3%)
16	Jamaica	(3.4%)
17	Trinidad and Tobago	(4.8%)
18	Mexico	(5.3%)
19	Argentina	(5.9%)



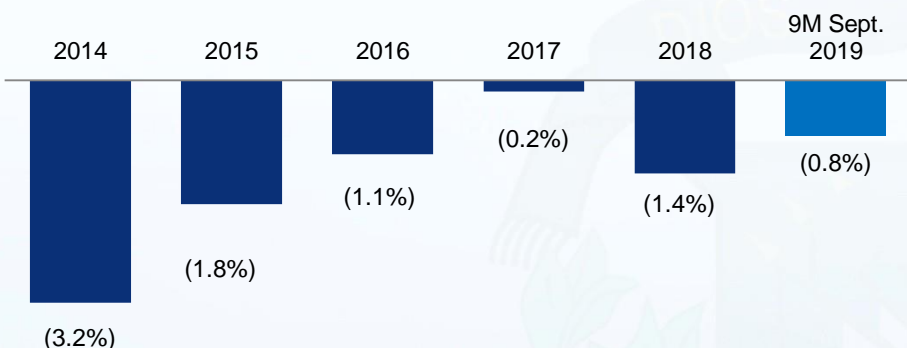
Sources: Central Bank, World Bank and IMF World Economic Outlook Database (October 2019). Dominican Republic Real GDP growth figures are calculated using constant prices as of 2007



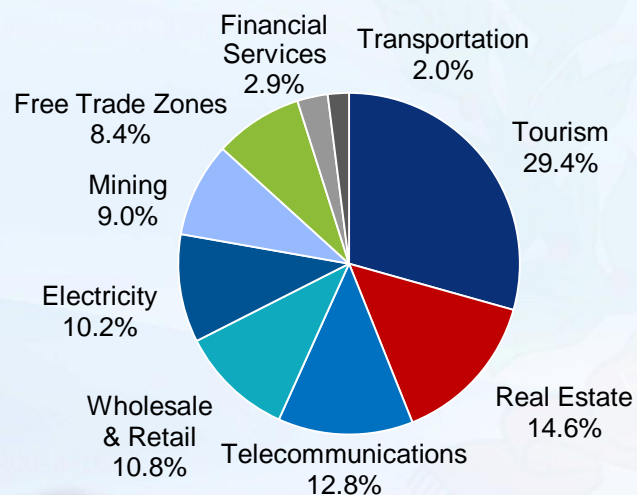
External and Fiscal Sector

External Sector: Decreasing Current Account Deficit

Current account deficit (9M Sept. 2019)



FDI flows by sector (9M Sept. 2019)



Source: Central Bank
(1) Data as of December 31 of each year

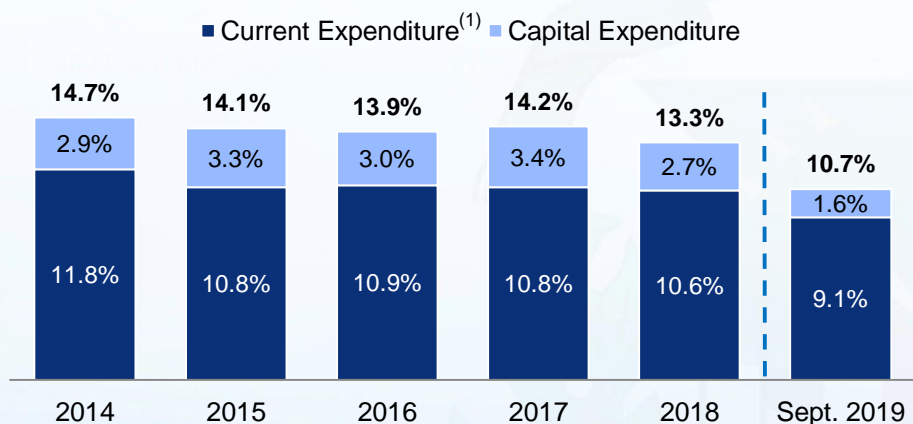
External sector key metrics¹

US\$mm	2014	2015	2016	2017	2018	9M Sept. 2019
Current account	(2,170)	(1,280)	(815)	(133)	(1,160)	(709)
(%) GDP	(3.2)	(1.8)	(1.1)	(0.2)	(1.4)	(0.8)
Total exports	9,899	9,442	9,840	10,135	10,908	8,430
Change, YoY (%)	5.0	(4.6)	4.2	3.0	7.6	2.9%
Free trade zone exports	5,262	5,424	5,504	5,710	6,230	4,715
Change, YoY (%)	5.7	3.1	1.5	3.7	9.1	0.5%
Total imports	17,273	16,907	17,399	17,734	20,209	15,172
Change, YoY (%)	2.8	(2.1)	2.9	1.9	14.0	2.1
Remittances	4,571	4,961	5,261	5,912	6,494	5,293
Change, YoY (%)	7.3	8.5	6.0	12.4	9.8	8.8
Financial Account	(3,762)	(1,513)	(2,455)	(2,121)	(2,712)	(1,883)
(%) GDP	(5.6)	(2.1)	(3.2)	(2.7)	(3.2)	(2.1)
Net int. reserves	4,650	5,266	6,047	6,781	7,627	7,588
NIR/Imports month	3.2	3.7	4.2	4.6	4.5	4.4

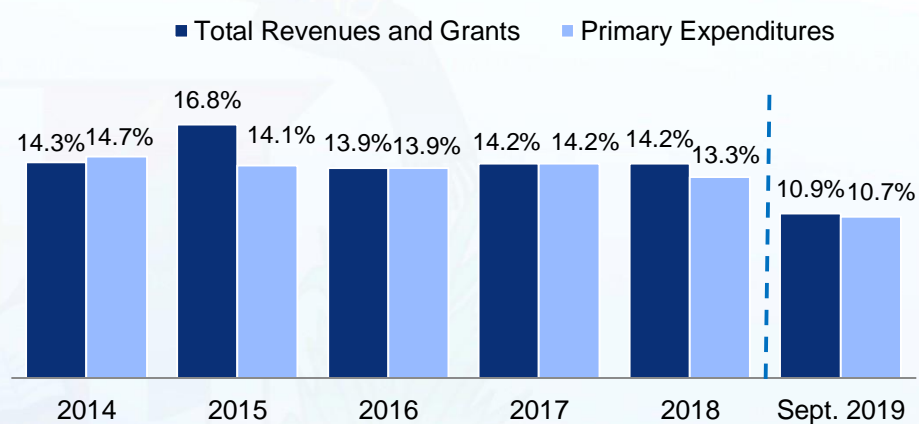


Results of Deficit Reduction Strategy

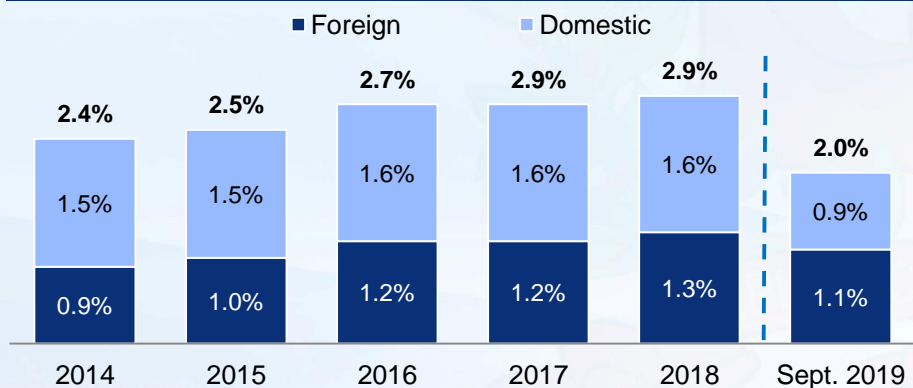
Central Government Primary Expenditure (% of GDP)



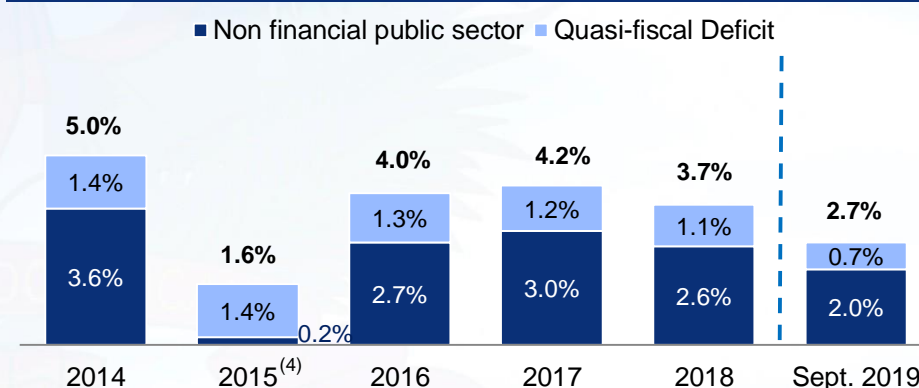
Central Government Primary Balance (% of GDP)



Central Government Interest Burden (% of GDP)²



Public Sector Deficit (% of GDP)



Source: Ministry of Finance

(1) Excluding interest expense, to show primary expenditure. Includes statistical discrepancy for the nine months ended September 30, 2019 (difference between the overall balance and overall financing)

(2) Includes interest payments on Central Bank recapitalization bonds and direct transfers for that purpose according to Law No. 167-07

(3) Including extraordinary revenues related to "capital grants" obtained from the Petrocaribe Agreement

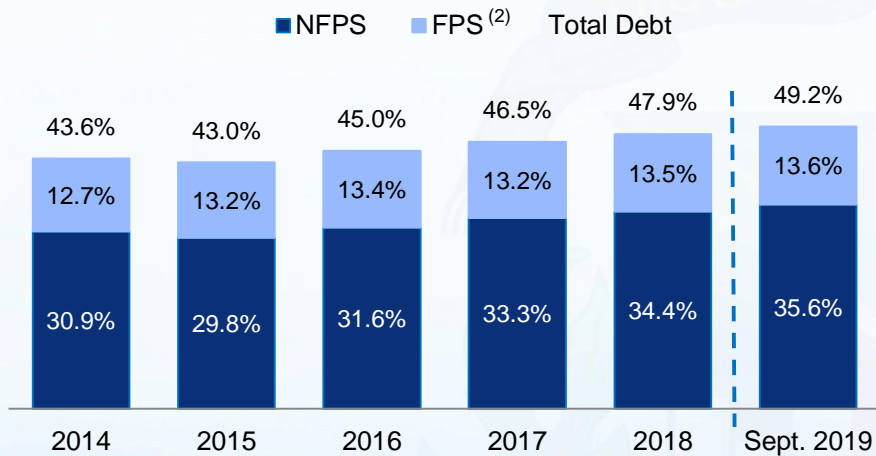




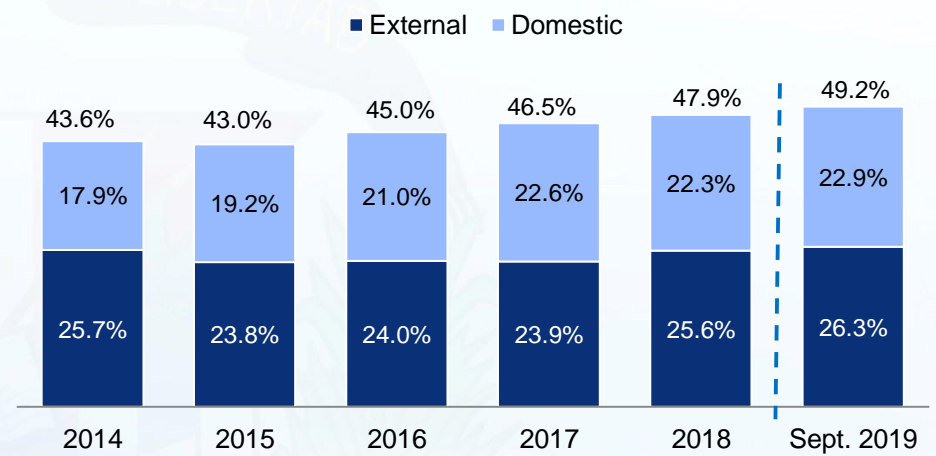
Debt Profile

Solid Debt Profile

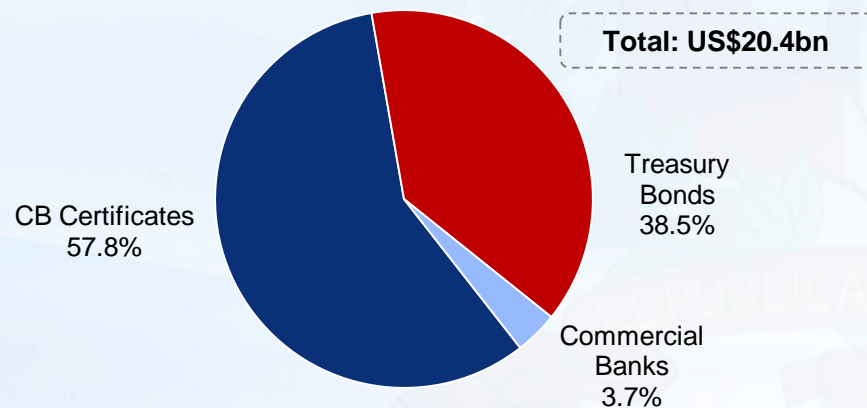
Consolidated public sector debt (% of GDP)¹



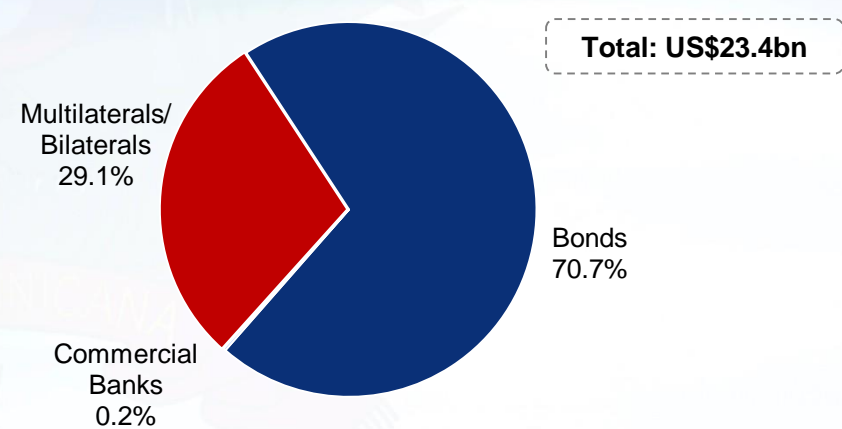
Consolidated public sector debt (% of GDP)¹



Domestic debt breakdown (as of September 30, 2019)¹



External debt breakdown (as of September 30, 2019)



Sources: Central Bank, Ministry of Finance – Department of Public Credit

Note: Data is preliminary

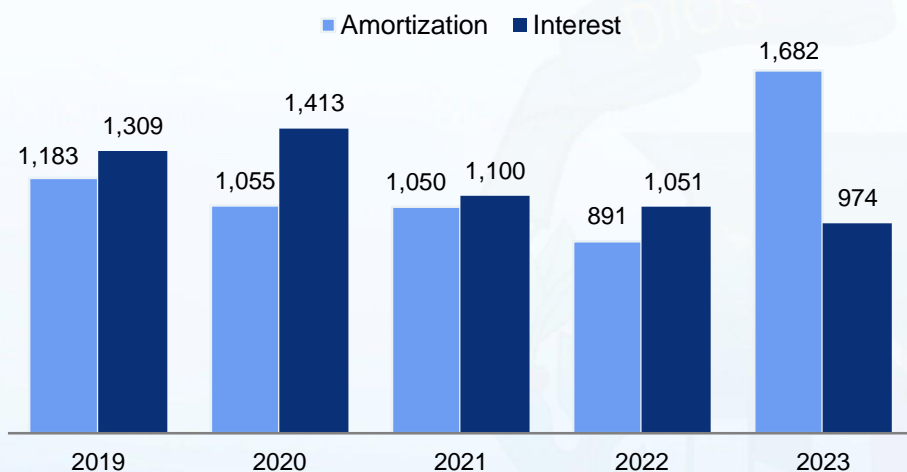
(1) Excludes intra-governmental debt eliminations to avoid double counting

(2) Financial Public Sector (Central Bank and other public sector financial entities). NFPS refers to Non-Financial Public Sector

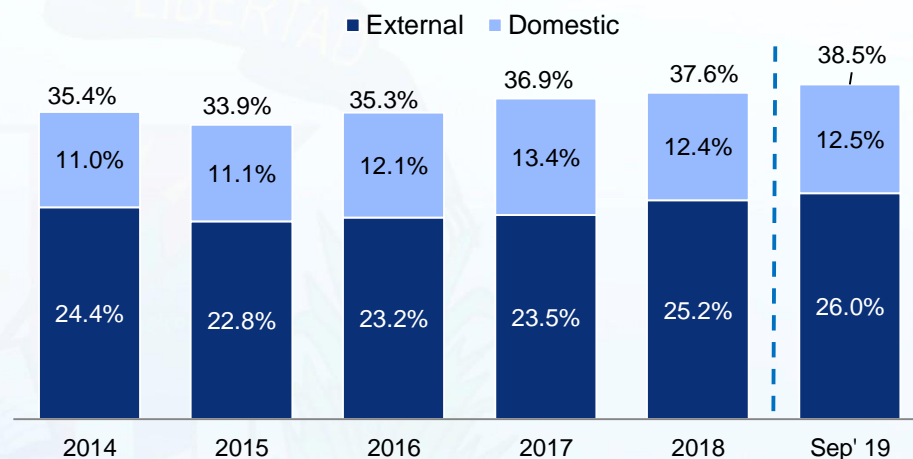


Solid Debt Profile (cont'd)

Public sector external debt maturity profile (US\$mm)¹



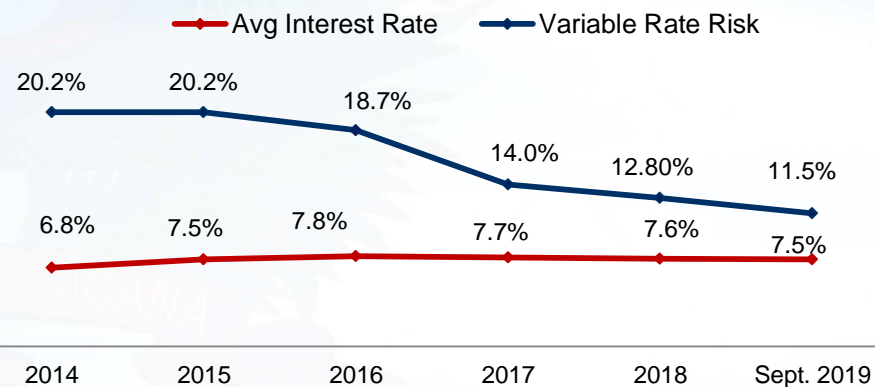
NFPS debt²



NFPS debt average life (years)



NFPS portfolio rates (%)



Sources: Department of Public Credit - Ministry of Finance and Central Bank

(1) As of October 31, 2019

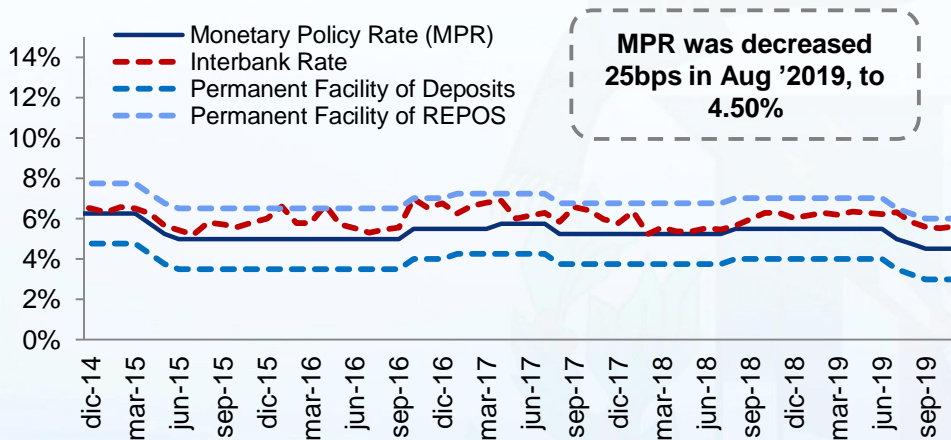
(2) Includes intra-governmental debt. NFPS refers to Non-Financial Public Sector (General Government and public enterprises)



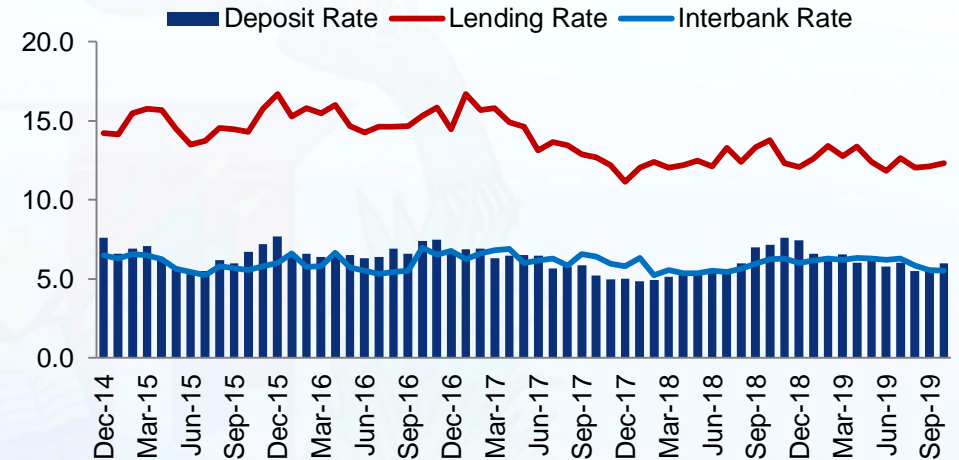
Monetary Policy

Impact of Monetary Policy

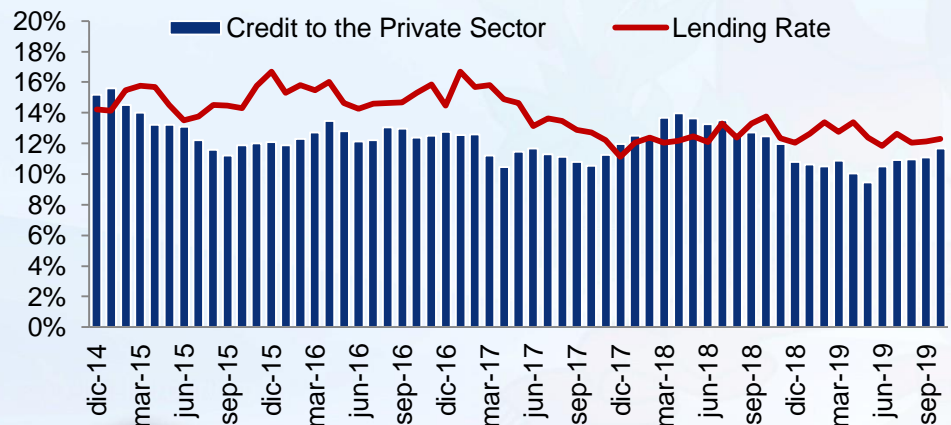
Interest rate corridor (annual %)



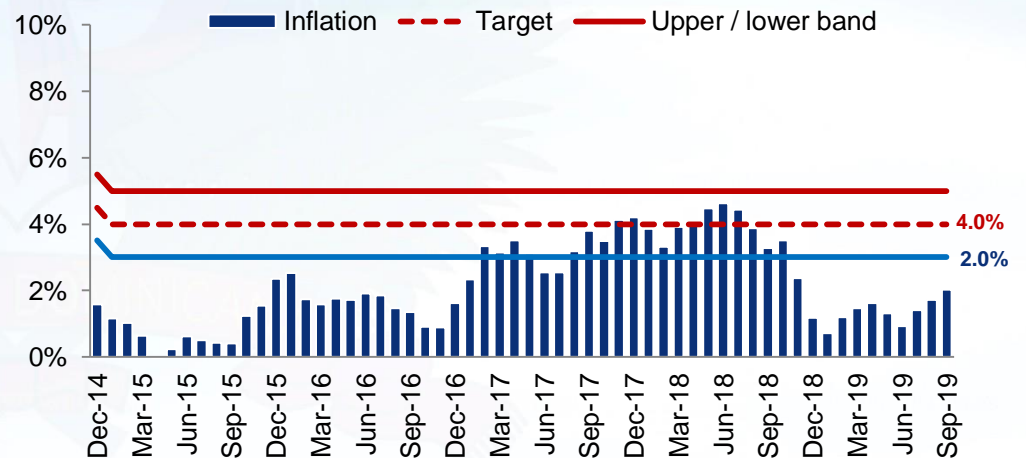
Interbank and nominal interest rates¹



Private credit in local currency



CPI Inflation (Y-o-Y)



Source: Central Bank

(1) Deposit and lending rates refer to weighted average of commercial banks in the Dominican Republic



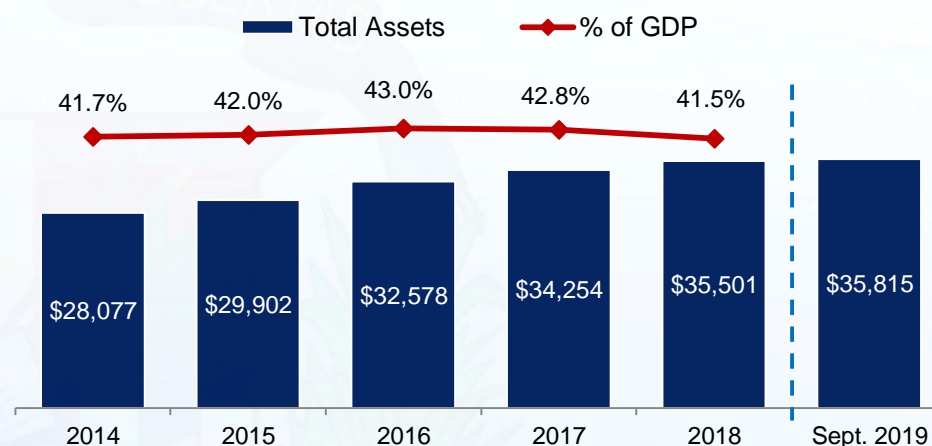
Financial System

Diversified and Sizeable Financial System

Highlights

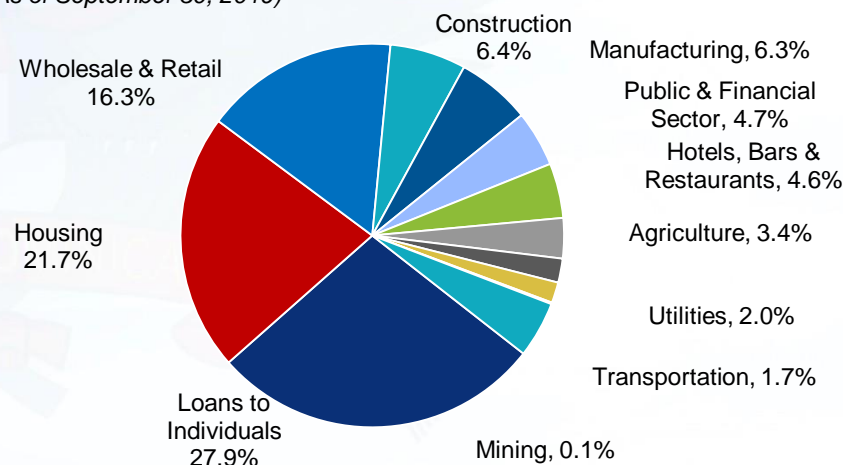
- As of September 30, 2019, the Republic's financial system was comprised of 50 operating financial institutions:
 - 18 commercial banks (including BanReservas)
 - 14 savings and credit banks
 - 10 savings and loan associations
 - 6 credit corporations
 - 2 government-owned financial institutions (Banco Nacional de las Exportaciones and Banco Agrícola de la República Dominicana)
- Total Assets of the financial system
 - US\$36.3 billion as of September 30, 2019 (40.8% of the year end's estimated GDP by September)
- BanReservas, a state-owned commercial bank, ranked first among Dominican commercial banks in terms of total assets as of September 30, 2019
- As of September 30, 2019, the private sector has received on average 93.6% of the total loans issued by the financial system, while the public sector received 5.2% and intra-financial sector loans accounted for the remaining 1.2%.

Growing financial system (US\$ mm)



Diversification of the loan portfolio

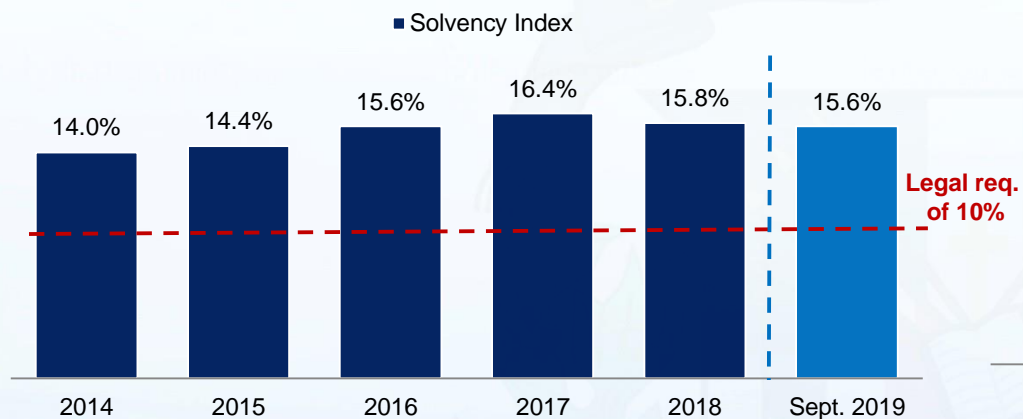
(As of September 30, 2019)



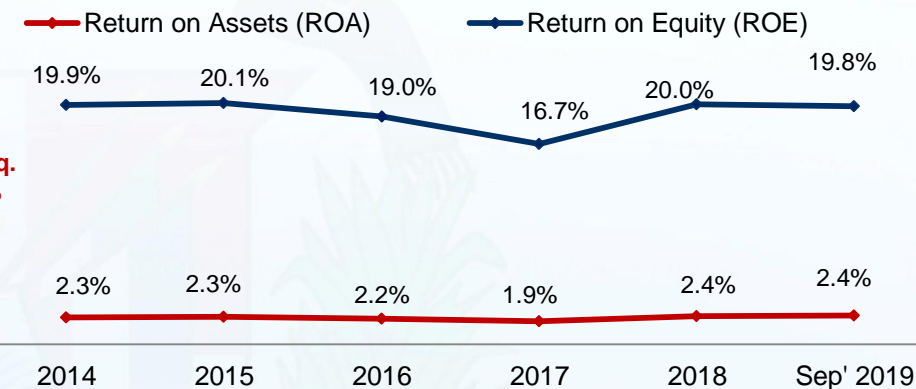
Sources: Banking Superintendency and Central Bank

Financial System Metrics

Solvency ratios¹



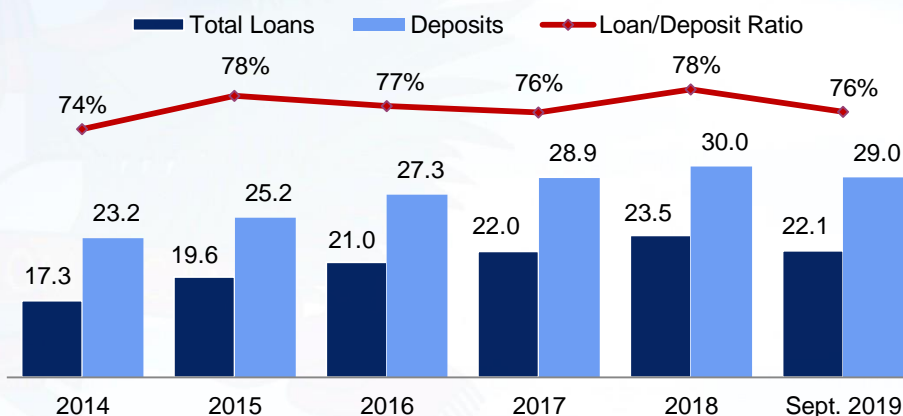
Profitability²



Non-performing loans²



Total loans and deposits (US\$ bn)²

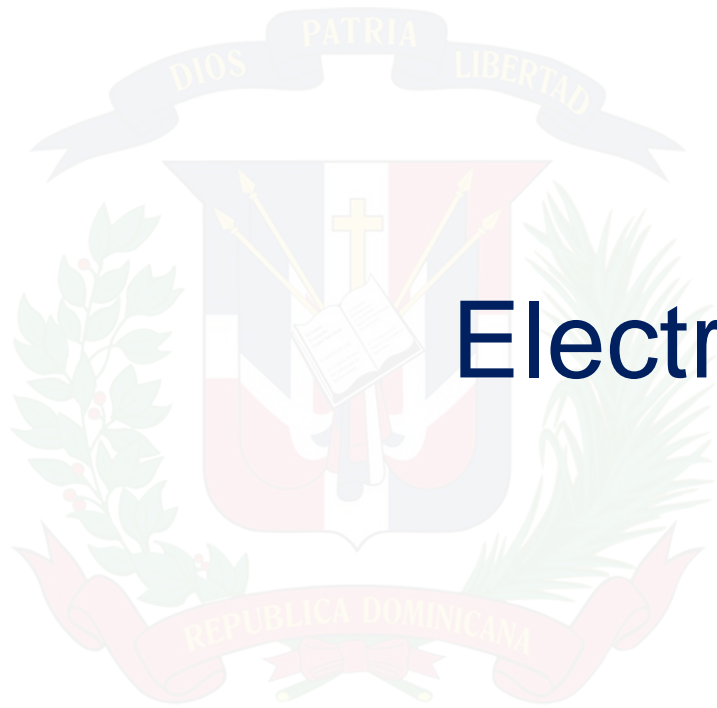


Sources: Banking Superintendency and Central Bank

(1) Solvency ratio for Commercial Banks "Bancos Múltiples" as defined by the Banking Superintendency

(2) Includes entire financial system





Electric Power Sector

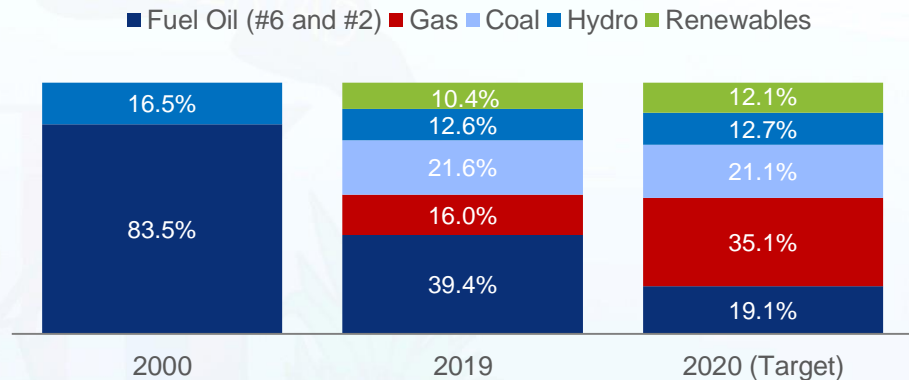
Energy Sector Continues to Improve

EDES energy losses have been declining...

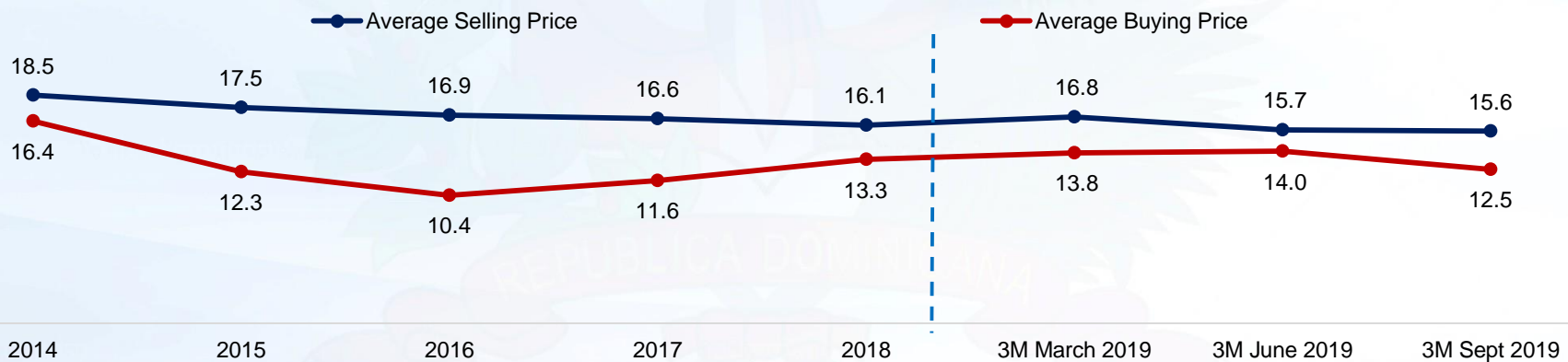


... while energy generation matrix is diversifying

Historical Figures and 2020 Objective:



Evolution of energy prices (US cents/kWh)



Coal and Gas Projects in Place to Decrease Energy Prices and Drive Increased Capacity

New coal plants: Punta Catalina



- Consortium formed by various companies signed EPC contract with CDEEE in February 2014
- Nominal Net Power: 375MW per unit, plus or minus 20%
- First unit started dispatching energy to the system in February 2019
- Second unit still running final pre-operational tests

Gas projects pipeline

- AES: Combined cycle DPP-Los Mina (114 MW) (already in operation)
- CDEEE and CESPM are considering an agreement for the conversion of power facilities from fuel oil to natural gas
- AES: Addition of a second LNG storage tank would support an additional 1,000 MW of generation capacity, following the conversion of relevant generation facilities to natural gas

Renewables



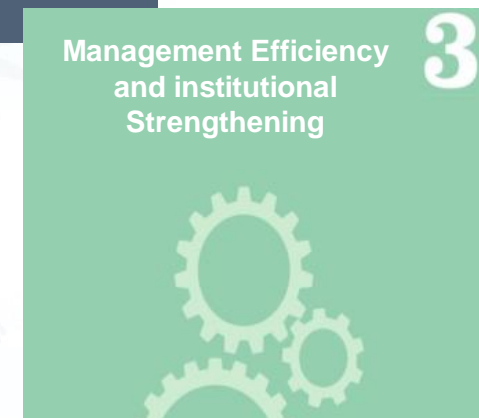
Source: Corporación Dominicana de Empresas Eléctricas Estatales (CDEEE)

Energy Strategy Going Forward

Electricity sector: the Republic continues to make progress towards reaching the sector's financial stability

Action plan:

- Continued diversification of the generation matrix. More natural gas, coal, and renewables, resulting in reduced reliance on fuel oil
- Reduce technical and non-technical losses
 - Improve the distribution system and grid infrastructure to ensure that electricity is delivered effectively to customers at lower costs
 - Continue to improve metering and collections
 - Introduce telemetering and prepaid meters
- Reorganize public sector entities in the energy sector under the Ministry of Energy and Mines
- Continue to improve management and operational efficiency in its distribution companies (EDES)
 - OPEX reduction
- Gradual implementation of the technical tariff



Source: Corporación Dominicana de Empresas Eléctricas Estatales (CDEEE)



National Development Strategy



The Road Ahead

The Republic has a long-term plan committed to sustainable economic growth while developing a strong social agenda and political stability

Targets

1

Maintain economic growth/stability

1. Pursue economic growth close to country's potential
2. Increase the level of International Reserves
3. Continue to access international capital markets
4. Strengthen the local capital markets

2

Continuous improvement in fiscal and monetary policy management

1. Consolidation of full-fledged inflation targeting
2. Improve tax collections by strengthening tax administration and evaluation and control of Government expenditures

3

Further enhance competitiveness and global integration

1. Infrastructure: power generation, highways, rural roads, urban transportation infrastructure, water supply and schools
2. Education: higher quality and additional resources and facilities, eradicate illiteracy, close the digital gap
3. Environment: sustainable production and consumption in order to adequately confront climate change challenges (Paris Agreement)

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2030 National development strategy

1. Achieve high-income country threshold by 2030
2. Continue to improve institutional framework to increase transparency and accountability
3. More competitive and productive sectors and more robust integration to the global economy through a strategy to bolster national exports

