

MEDIA RELEASE

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**CariCRIS upgrades its credit ratings for
Dominica Agricultural, Industrial and Development Bank**

Caribbean Information and Credit Rating Services Limited (CariCRIS) has upgraded its ratings on the debt issue of the size of USD 10 million of Dominica Agricultural, Industrial and Development Bank (DAID Bank) by 1 notch to *CariBBB-* (Foreign Currency Rating) and *CariBBB-* (Local Currency Rating) on its regional rating scale. These ratings indicate that the level of creditworthiness of this obligation, adjudged in relation to other obligations in the Caribbean is **adequate**.

The Bank made significant strides in the last year in sourcing funds for loan generation after a hiatus of 9 years as a total of US \$28.04 million was obtained. It was able to re-open the Caribbean Development Bank's (CDB) window to funding, obtaining a facility of US \$8 million. In addition, the Bank was able to secure funding from a non-traditional source, the Venezuelan Economic and Social Development Bank (BANDES). DAID Bank did not obtain funds from the European Investment Bank (EIB) since 1998 but resumed the relationship in 2010. A facility of US \$10.04 million was accessed in July under new terms so as to minimize the foreign exchange losses which occurred in the past. Furthermore, management expects to receive US \$4.7 million from a regional funding agency by December 2011.

On the operational front, the General Manager (GM)/Consultant successfully executed a number of items on his mandate. These included the development of a 5-year strategic plan, organizational restructuring, improvements in the loan administration process, a tightening of the credit policies and a downward trajectory of non-performing loans (NPLs). CariCRIS expects the Bank's financial performance to improve in the medium term as new loans are generated from the funding lines sourced in 2010.

The ratings of DAID Bank reflect its access to funding for its core operations, support from the Government of the Commonwealth of Dominica (GOCD), its moderate financial performance and positive liquidity gaps. Also supporting the ratings is the stable, highly experienced and well qualified senior management team.

These strengths are, to some extent, mitigated by the fact that DAID Bank operates exclusively in a relatively weak, moderately indebted economy. Dominica's economy, like all its regional peers, continued to be negatively impacted by the sluggish global recovery as most of the major industries contracted in 2010. The other factor constraining the ratings is the Bank's loan portfolio which is characterized by high levels of non-performing loans (NPLs).

About the company: The Dominica Agricultural, Industrial and Development Bank was established by an Act of Parliament on July 28, 1971. It became a subsidiary of the National Commercial and Development Bank when this Bank was established in December 1976 by the Act of Parliament No. 27 of 1976. It was then re-established as an autonomous institution on January 1, 1982 in accordance with the Dominica Agricultural, Industrial and Development Bank Act Chapter 74:03 of 1982. Its primary objectives, as per its legal mandate, are to promote and influence economic development in the Commonwealth of Dominica and to mobilize funds for the purpose of such development. The Bank's core business is to provide loans to all major sectors of the economy including tourism, agriculture and agro-processing, telecommunications and other services as well as mortgages and student loans. The two shareholders are the Government of the Commonwealth of Dominica, the majority shareholder, with 71.5% and Dominica Social Security with 28.5%.

Please visit www.caricris.com for the detailed rating rationale on DAID Bank

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