

MEDIA RELEASE

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

Issue Ratings (For debt size of USD 10 million or equivalent)

CariBBB- (Regional Scale Foreign Currency)

CariBBB- (Regional Scale Local Currency)

Caribbean Information and Credit Rating Services Limited (CariCRIS) has reaffirmed its ratings on the debt issue of the size of USD 10 million of Dominica Agricultural, Industrial and Development Bank (DAID Bank) of **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 Caribbean¹ is **adequate**.

DAID Bank's financial performance improved significantly in FY2011² as profit after tax (PAT) climbed to EC \$3.1 million and the PAT margin reached 2%, the highest since FY2004. Interest spread remained comfortable at 3.4% in FY2011, though it declined from 4.2% in the prior year. Net loans and advances recorded the sharpest growth in the last decade increasing by 11.1% in FY2011. Non-performing loans (NPLs) continued its downward trajectory reaching 14% in FY2011 from 15.2% in FY2010. CariCRIS expects DAID Bank's financial performance to remain moderate in the next year as it continues to draw down on its credit facilities and negotiate new lines of credit, albeit in a challenging environment. Meanwhile, the Bank continued the implementation of its 5-year strategic plan and further improvements were made to the operating procedures and processes particularly in credit administration.

¹ The term Caribbean as used here covers the following countries: Bahamas, Barbados, Belize, Costa Rica, Dominican Republic, Guyana, Haiti, Jamaica, Panama, Suriname, Trinidad and Tobago and the following countries in the OECS: Anguilla, Antigua & Barbuda, Dominica, Grenada, Montserrat, St. Kitts & Nevis, Saint Lucia and St. Vincent & the Grenadines. Refer www.caricris.com for a more detailed explanation on CariCRIS ratings and rating definitions.

² Financial year runs from July 1 to June 30.

A key recent development in the Bank's operation has been the transfer of the assets of the Industrial Estate Unit (IEU) to the Bank. This transfer contributed to the rise in the Bank's net worth to EC \$61.2 million in FY2011 from EC \$32.6 million in the prior year. As a result, the capitalization measures improved in FY2011 as tangible net worth coverage rose to 33.6% from 24.6% in the previous year. CariCRIS expects this development to provide growth opportunities in the medium term as it would enable the Bank to issue larger-sized loans. Additionally, the asset base can be collateralized enabling the Bank to access funding within Dominica eliminating the need for government guarantees.

The ratings of DAID Bank continue to reflect its access to funding for its core operations, support from the Government of the Commonwealth of Dominica (GOCD) and its moderate financial performance. 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 small, open economy with a narrow economic base and severe capacity constraints. Dominica's economy, like all its regional peers, continued to be negatively impacted by the sluggish global recovery. The other factor constraining the ratings is the Bank's loan portfolio which is characterized by high levels of 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 89.6% and Dominica Social Security with 10.4%.

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

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CREDIT RATING RATIONALE: www.aidbank.com/downloads/CariCRIS_Rationale.pdf