

Dominican Republic
Credit Analysis

**Banco de Ahorro y Crédito
ADOPEM, S.A.**
BANCO ADOPEM

Ratings

National Long Term	A-(dom)
National Short Term	F-2(dom)
Subordinated Debt	BBB(dom)

Financial Data

BANCO ADOPEM		
	31/12/07 ^a	31/12/06
Total Assets (RD\$ mln)	1.132	792.5
Equity (RD\$ mln)	249	183
Net Income (RD\$ mln)	74	44
ROAA (%)	7,65	7,08
ROAE (%)	34,10	27,24
Equity/ Assets (%)	22,01	23,06

^a Not audited interim results.

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Rating Rationale

- Given BANCO ADOPEM's experience and knowledge of microfinance business as well as an atomized credit portfolio, past due loans have been historically low despite the nature of its activity (with an inherently higher risk), comparing favorably with other institutions in the same niche. In addition, loan loss and total loan provisions is conservative, which jointly with a low holding of foreclosed assets (fully reserved) and the absence of restructured loans, enhances the assets quality. Going forward, it is expected that such quality remains strong and loan expansion continue sustained by adequate risk policies.
- BANCO ADOPEM's wide financial margin stems from the nature of microfinance business. Moreover, the bank has been able to adjust downward to the same extent interest rates of the main productive assets as well as the cost of funds without affecting the margin. The significant growth of the administrative costs explained by the expansion of its branch network, was offset by the increase of other operating revenues, but also by lower provisioning expenses once completed in advance the pending reserves required by the regulator during 2006, which allowed the institution to reach a superior ROAA than that observed the year before. It is expected that profitability ratios remain similar, which would be sustained by the financial margin and a tight control over operating expenses.
- Funds becoming from subordinated debt and the partial use of 84.9 mm pesos of a credit line provided by the European Investment Bank (EIB), contributed to improve the tight liquidity ratios. This results convenient considering the high concentration in the largest 20 fund providers (December 2007: 61%). It is expected that adequate capitalization levels continue supported by profitability and the commitment of shareholders to maintain the solvency of the bank.

Key Rating Drivers

- BANCO ADOPEM's ratings reflect its wide financial margin, adequate profitability levels, healthy credit portfolio, good capitalization levels, as well as experience in the niche of microfinance. Furthermore, ratings also consider the high operative costs, tight liquidity ratios and high concentration in the largest fund providers.

Profile

Constituted as a bank in 2004, BANCO ADOPEM is focus on financing microenterprise and disadvantaged socio-economic classes. In 2007, the International Finance Corporation (IFC) acquired 9% of its shares, which is expected to result in technical benefits and the adoption of best practices. In the near future, it is anticipated that EIB also becomes a shareholder with a cash contribution similar to that of IFC.

Balance Sheet Analysis

Banco de Ahorro y Crédito ADOPEM, S.A.

(Figures Expressed in DOP Thousands)

	12 months Dec-07	12 months Dec-06 ^a	12 months Dec-05	12 months Dec-04	12 months Dec-03	12 months Dec-02 ^a	12 months Dec-01
A. LOANS							
1. Current Loans	866.890	640.919	376.134	98.858	11.291	-	5.266
2. Restructured Loans	-	-	-	-	-	-	-
3. Past-due loans ^b	15.960	13.196	5.901	159	-	4.435	48
4. (Loan loss reserves)	(29.033)	(21.475)	(4.197)	(4)	-	(2.128)	(3.879)
TOTAL A	853.816	632.640	377.837	99.013	11.291	2.308	1.434
B. OTHER EARNING ASSETS							
1. Investment in Government Securities	-	-	-	-	-	-	-
2. Deposits in banks	161.819	76.858	6.316	2.913	700	3	12
3. Investment in securities	-	-	-	-	-	-	-
4. Investments in Subsidiaries, Affiliates and Branches	-	-	-	-	-	-	-
5. Reserve for investment & securities	(1.284)	(587)	-	-	-	-	-
TOTAL B	160.534	76.271	6.316	2.913	700	3	12
C. TOTAL EARNING ASSETS (A+B)	1.014.350	708.911	384.154	101.925	11.992	2.310	1.446
D. FIXED ASSETS	39.169	27.861	9.849	6.195	1.288	1.420	1.497
E. NON-EARNING ASSETS	79.363	55.782	41.594	11.725	9.990	2.104	9.736
1. Cash	26.342	9.615	2.531	417	55	29	57
2. Deposits with Central Bank	44.400	40.222	22.693	4.523	2.147	3	369
3. Foreclosed assets	-	-	-	946	1.892	1.892	6.081
4. Other	8.621	5.946	16.369	5.839	5.896	181	3.230
F. TOTAL ASSETS	1.132.882	792.555	435.597	119.845	23.270	5.834	12.679
G. DEPOSITS & MONEY MARKET FUNDING							
1. Sight deposits	-	-	-	-	-	-	-
2. Savings deposits	48.744	23.797	9.836	2.184	559	720	940
3. Time deposits	355.019	300.773	106.465	20.443	3.952	13.123	16.959
4. Deposits with banks	6.049	70.000	40.000	-	-	451	880
5. Other deposits	-	-	-	-	-	-	-
TOTAL G	409.812	394.570	156.301	22.627	4.510	14.294	18.779
H. OTHER FUNDING	393.558	160.898	115.653	7.092	9.785	-	498
1. Subordinated Debt	165.000	30.000	-	-	-	-	-
2. Issuance	-	-	-	-	-	-	-
3. Other borrowings	228.558	130.898	115.653	7.092	9.785	-	498
I. OTHER (Non-int. bearing)	80.174	54.341	26.950	14.164	1.659	2.233	7.361
J. EQUITY							
1. Capital Stock	160.025	133.097	104.958	75.558	20.938	12.110	12.109
2. Capital reserve	12.025	4.735	2.560	993	467	467	467
3. Net Income	73.664	41.329	29.763	9.996	(1.114)	(567)	(8.978)
4. Retained earnings	118	79	(4.094)	(14.090)	(12.976)	(22.703)	(17.557)
5. Unrealized Gain or Loss on Securities	-	-	-	-	-	-	-
6. Revaluation surplus	3.506	3.506	3.506	3.506	-	-	-
TOTAL J	249.338	182.745	136.692	75.963	7.315	(10.693)	(13.958)
K. TOTAL LIABILITIES AND EQUITY	1.132.882	792.555	435.597	119.845	23.270	5.834	12.679
Accumulated Inflation	8,9%	5,0%	7,4%	28,7%	42,7%	10,5%	4,4%
Exchange Rate (RD\$/USD)	33,91	33,51	34,7	30,37	29,05	17,44	16,69

^a New Accounting guidelines. The figures are not strictly comparable with previous periods

Income Statement Analysis

Banco de Ahorro y Crédito ADOPEM, S.A.

(Figures Expressed in DOP Thousands)

	12 months Dec-07	12 months Dec-06	12 months Dec-05	12 months Dec-04	12 months Dec-03	12 months Dec-02	12 months Dec-01
1. Interest Income	362.404	248.127	102.754	24.523	2.184	522	1.834
2. Interest Expense	(71.899)	(59.903)	(18.715)	(3.722)	(1.400)	(1.712)	(3.433)
3. NET INTEREST INCOME	290.504	188.224	84.039	20.800	784	(1.190)	(1.599)
4. Fees & Commissions	(1.667)	(1.687)	(1.702)	(44)	(37)	(44)	-
5. Other Operating Income	35.604	27.753	11.411	2.598	252	28	64
6. Personnel Expenses	(118.727)	(77.399)	(33.982)	(6.326)	(620)	(686)	(839)
7. Other Operating Expenses	(98.199)	(57.115)	(19.419)	(5.683)	(1.011)	(1.316)	(838)
8. Provision for Loan	(13.268)	(18.968)	(2.271)	(4)	(2.094)	(623)	(5.687)
9. Other Provisions	(3.320)	(2.930)	(1.979)	(971)	(1)	-	-
10. OPERATING PROFIT	90.927	57.877	36.098	10.371	(2.727)	(3.831)	(8.899)
11. Other Income and Expenses	9.813	4.050	5.365	305	1.674	3.263	(174)
12. Exceptional Items	-	-	77	212	1	-	95
13. PRE-TAX PROFIT	100.740	61.927	41.539	10.888	(1.052)	(567)	(8.978)
14. Taxes	(27.076)	(18.423)	(10.210)	(366)	(62)	-	-
15. Minority interests	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
16. NET INCOME	73.664	43.504	31.329	10.522	(1.114)	(567)	(8.978)

Ratio Analysis

Profitability Level

1. Net Income/Equity (av.)*	34,10%	27,24%	29,46%	25,27%	65,95%	4,60%	n.a.
2. Net Income/Total Assets (av.)*	7,65%	7,08%	11,28%	14,70%	-7,65%	-6,13%	n.a.
3. Operating Profit/Total Assets (av.)*	9,44%	9,43%	13,00%	14,49%	-18,74%	-41,38%	n.a.
4. Pre Tax Profit /Total Assets (av.)*	10,46%	10,08%	14,96%	15,22%	-7,23%	-6,13%	n.a.
4. Cost/Income	66,86%	62,77%	56,96%	51,42%	163,35%	-165,93%	-109,24%
5. Cost/Total Assets (av.)*	22,53%	21,91%	19,23%	16,78%	11,21%	21,62%	n.a.
6. Net Interest Rev./Total Assets (av.)*	30,18%	30,65%	30,26%	29,07%	5,39%	-12,86%	n.a.

Capital Adequacy

1. Internal Capital Generation*	34,10%	27,03%	29,46%	25,27%	65,95%	4,60%	n.a.
2. Equity/Total Assets	22,01%	23,06%	31,38%	63,38%	31,44%	-183,27%	-110,09%
3. Free Capital/Banking Assets	19,22%	20,25%	29,79%	61,06%	20,58%	-555,16%	-422,21%
4. Equity/Loans	28,24%	27,94%	35,78%	76,72%	64,79%	-241,08%	-262,69%
5. Capital/Risks - Total	25,62%	24,37%	26,38%	60,00%	42,00%	n.d.	n.a.
6. Common Equity/Total Assets	22,01%	23,06%	31,38%	63,38%	31,44%	-183,27%	-110,09%

Liquidity

1. Cash and Banks/Deposits and short term Liabilities	26,11%	17,64%	29,77%	58,27%	190,33%	0,24%	2,33%
2. Cash and Banks + Liquid Assets/Deposits and short term Liab	57,05%	32,37%	29,77%	58,27%	190,33%	0,24%	2,33%
3. Loans/Deposits and short term Liabilities	208,34%	160,34%	241,74%	437,59%	250,33%	16,14%	7,64%

Asset Quality

1. Loan Loss Provisions/Loans (av.)*	1,73%	3,66%	0,94%	0,01%	26,63%	12,78%	n.a.
2. Loan Loss Provisions/Profit before Provisions and Taxes	11,64%	23,45%	5,18%	0,04%	200,99%	1111,76%	-172,79%
3. Loan Loss Reserves/Loans	3,29%	3,28%	1,10%	0,00%	0,00%	47,97%	73,01%
4. Loan Loss Reserves/Past-Due Loans	181,92%	162,74%	71,13%	2,50%	n.a.	47,97%	8096,24%
5. Past-Due Loans/Gross Loans	1,81%	2,02%	1,54%	0,16%	0,00%	100,00%	0,90%
6. Past-Due Loans Net /Equity	-5,24%	-4,53%	1,25%	0,20%	0,00%	-21,58%	27,45%
7. Net Extraordinary Assets/Gross Loans	0,00%	0,00%	0,00%	0,96%	16,76%	42,66%	114,44%
8. Charge-Offs/Gross Loans (av.)*	0,78%	0,50%	0,07%	0,00%	53,33%	0,00%	n.a.

* Annualized for interim periods

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