

CENTRAL BANK OF THE DOMINICAN REPUBLIC

MONETARY POLICY NOTICE

The Central Bank's Monetary Policy Rate Remains Unchanged

The Central Bank of the Dominican Republic, in its monthly monetary policy meeting on May 26, decided to keep the Monetary Policy Rate at 4.00% and the Lombard Rate at 9.50% per annum.

Monetary policy decisions are driven by the performance of the main determinants of inflation. In April, the Consumer Price Index (CPI) rose 0.36%, while year-to-date inflation increased 2.69%. On a year-over-year basis, inflation reached 7.66% and core inflation was 2.89%. We expect that the annualized inflation rate in the coming months will be within the 6%-7% target range established on the Monetary Program for 2010.

On a global context, the Federal Reserve recently improved its 2010 growth forecast for the U.S. economy, from 2.8% to 3.7%. The prospects for major economies in Latin America, Europe, and Asia remain favorable. However, the effects of the European debt crisis are still uncertain. As fiscal reforms are implemented in the Euro Zone, they could reduce volatility in capital markets. International commodity prices have fallen in recent months, although they are still higher than their historical averages.

Domestically, the available information on economic activity points to a level of output higher than the expected in the Monetary Program. In fact, first quarter GDP grew 7.5% year-on-year, compared to only 1.0% in the first quarter of 2009. GDP for the second half of this year is expected to gradually approach its potential level.

Credit to the private sector continues to expand, and the government is prioritizing capital expenditure, which has a multiplier effect on the economy. Private sector inflation expectations are consistent with the Monetary Program's target range.

The Central Bank shall continue to monitor the evolving international environment, as well as the domestic economic activity, and will be alert to the occurrence of deviations from the inflation target, in order to take actions if necessary.

Santo Domingo, May 26, 2010.