

**BANCO DE RESERVAS DE LA
REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES
AND SUBSIDIARIES**

Consolidated Financial Statements - Statutory basis

December 31, 2014

(With Independent Auditors' Report)

(Free Translation from the Original Spanish-Language Version)



KPMG Dominicana
Acrópolis Center, Suite 1500
Ave. Winston Churchill
Apartado Postal 1467
Santo Domingo, República Dominicana

Teléfono (809) 566-9161
Telefax (809) 566-3468
Internet www.kpmg.com.do

RNC 1-01025913

Independent Auditors' Report

To the Board of Directors
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples:

We have audited the accompanying consolidated financial statements - statutory basis of Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples and Subsidiaries (the Bank), which comprise the consolidated balance sheet - statutory basis as of December 31, 2014, the consolidated income statement - statutory basis, the consolidated statement of equity - statutory basis and the consolidated statement of cash flows - statutory basis for the year ended, and notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements - statutory basis in accordance with accounting practices established by the Superintendencia of Banks of the Dominican Republic, which is a comprehensive accounting basis different from the International Financial Reporting Standards, and for such internal controls as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements - statutory basis based on our audit. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements - statutory basis in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continues)

*Opinion*

In our opinion, the consolidated financial statements - statutory basis present fairly, in all material respects, the financial position of Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples and Subsidiaries as at December 31, 2014, and its financial performance and cash flows for the year ended in accordance with accounting practices established by the Superintendencia of Banks of the Dominican Republic, as described in note 2 in the accompanying consolidated financial statements- statutory basis.

Emphasis of Matter

Without modifying our opinion, we draw attention to the contents of notes 1 and 37 to the consolidated financial statements - statutory basis. As at December 31, 2014 and for the year then ended, for its condition of being the Bank of the Dominican State, a significant proportion of assets and liabilities, as well as financial income and expenses, correspond to maintained balances held and performed transactions with entities of the public sector.

Other Matter

The accompanying consolidated financial statements - statutory basis are not intended to present the financial position, results of operations and cash flow in accordance with the accounting principles of jurisdictions other than of the Dominican Republic. Therefore, the consolidated balance sheet, the consolidated income statements, the consolidated statements of equity and cash flows and their use are not designed for those who are not informed about the accounting practices and procedures established by the Superintendencia of Banks of the Dominican Republic.

A handwritten signature of the KPMG firm, written in black ink.

March 24, 2015

Santo Domingo,
Dominican Republic

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Consolidated Balance Sheets - Statutory Basis

(Amounts in Thousands of RD\$)

(Free Translation from the Original Spanish-Language Version)

	<u>At December 31,</u>	
	<u>2014</u>	<u>2013</u>
ASSETS		
Available funds (notes 3, 4, 35, 36 and 37)	<u>73,716,746</u>	<u>59,683,710</u>
Investments (notes 3, 6, 15, 35, 36, 37 and 39)		
Other investments in debt instruments	34,696,787	44,031,870
Interests receivable	834,324	1,599,675
Allowance for investments	<u>(223,491)</u>	<u>(153,240)</u>
	<u>35,307,620</u>	<u>45,478,305</u>
Loans portfolio (notes 3, 7, 15, 35, 36, 37 and 39)		
Current	223,629,824	189,237,805
Restructured	4,337,836	2,045,763
Past due	1,261,719	1,305,122
In legal collection	690,093	2,195,069
Interests receivable	2,327,010	1,119,420
Allowance for loans	<u>(5,456,513)</u>	<u>(5,439,400)</u>
	<u>226,789,969</u>	<u>190,463,779</u>
Debtors by acceptances (notes 3, 8 and 35)	<u>22,895</u>	<u>1,593</u>
Accounts receivable (notes 3, 9, 10, 35, 37 and 39)		
Commissions receivable	34,580	11,576
Accounts receivable	1,309,992	931,202
Insurance Premiums receivable	1,124,267	1,104,096
Receivables from insurance and guarantees	<u>6,834</u>	<u>9,117</u>
	<u>2,475,673</u>	<u>2,055,991</u>
Assets received in loans settlements (notes 11, 15 and 39)		
Assets received in loans settlements	7,775,987	7,148,079
Allowance for assets received in loans settlements	<u>(4,803,987)</u>	<u>(4,354,023)</u>
	<u>2,972,000</u>	<u>2,794,056</u>
Investments in shares (notes 3, 12, 15, 36, 37 and 39)		
Investments in shares	829,041	352,053
Allowance for investments in shares	<u>(11,823)</u>	<u>(22,424)</u>
	<u>817,218</u>	<u>329,629</u>
Property, furniture and equipment (note 13)		
Property, furniture and equipment	9,734,686	9,997,005
Accumulated depreciation	<u>(2,113,572)</u>	<u>(4,078,549)</u>
	<u>7,621,114</u>	<u>5,918,456</u>
Properties under development intended for sale and for leasing	<u>367,026</u>	<u>338,712</u>
Other assets (notes 3, 14 and 35)		
Deferred charges	1,673,852	2,118,234
Intangibles	200,218	175,718
Other assets	2,095,037	418,163
Accumulated amortization	<u>(140,480)</u>	<u>(127,863)</u>
	<u>3,828,627</u>	<u>2,584,252</u>
TOTAL ASSETS	<u>353,918,888</u>	<u>309,648,483</u>
Contingent accounts (notes 24 and 28)	<u>650,574,821</u>	<u>556,049,321</u>
Memorandum accounts (note 29)	<u>535,199,696</u>	<u>427,653,297</u>

These consolidated financial statements are to be read in conjunction with their accompanying notes.

Enrique A. Ramírez Paniagua
General Administrator

Luis R. Espinal L.
Comptroller

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Consolidated Balance Sheets - Statutory Basis

(Amounts in Thousands of RD\$)

(Free Translation from the Original Spanish-Language Version)

	<u>At December 31,</u>	
	<u>2014</u>	<u>2013</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Customers' deposits (notes 3, 16, 35, 36 and 37)		
Checking	41,756,116	48,043,752
Savings	74,383,039	67,805,141
Time	42,154,467	43,954,708
Interests payable	-	130
	<u>158,293,622</u>	<u>159,803,731</u>
Deposits from domestic and foreign financial institutions (notes 3, 17, 35 and 36)		
From domestic financial institutions	16,728,009	9,330,943
From foreign financial institutions	1,332,777	1,280,347
	<u>18,060,786</u>	<u>10,611,290</u>
Borrowed funds (notes 3, 18, 35 and 36)		
From domestic financial institutions	1,651,863	7,982
From foreign financial institutions	32,928,167	22,072,729
Others	19,715	19,715
Interests payable	85,305	76,542
	<u>34,685,050</u>	<u>22,176,968</u>
Outstanding acceptances (notes 3, 8 and 35)	22,895	1,593
Outstanding securities (notes 19, 35, 36, 37 and 39)		
Securities	82,808,753	73,693,548
Creditors for insurance and bank guarantees (note 25)	829,506	1,074,964
Insurance premium deposits	128,058	201,556
Other liabilities (notes 3, 15, 20, 28, 35 and 39)	9,405,817	7,403,817
Technical reserves (note 22)		
Mathematical and technical life insurance reserves	99,472	21,543
Reserves for unearned insurance premiums	2,293,355	1,972,792
	<u>2,392,827</u>	<u>1,994,335</u>
Subordinated debts (notes 3, 21, 35 and 36)		
Subordinate debts	23,017,620	12,539,620
Interest payable	392,072	373,383
	<u>23,409,692</u>	<u>12,913,003</u>
TOTAL LIABILITIES	<u>330,037,006</u>	<u>289,874,805</u>
EQUITY		
Paid-in capital	5,500,000	3,500,000
Other equity reserves	12,941,903	10,485,027
Revaluation surplus	744,525	755,665
Retained earnings from prior periods	-	1,611,191
Net income for the year	4,573,908	3,298,524
	<u>23,760,336</u>	<u>19,650,407</u>
Minority interest	<u>121,546</u>	<u>123,271</u>
TOTAL EQUITY	<u>23,881,882</u>	<u>19,773,678</u>
TOTAL LIABILITIES AND EQUITY	<u>353,918,888</u>	<u>309,648,483</u>
Contingent accounts (notes 24 and 28)	<u>650,574,821</u>	<u>556,049,321</u>
Memorandum account (note 29)	<u>535,199,696</u>	<u>427,653,297</u>

These consolidated financial statements are to be read in conjunction with their accompanying notes.

**BANCO DE RESERVAS DE LA REPUBLICA DOMINICANA,
BANCO DE SERVICIOS MULTIPLES AND SUBSIDIARIES**

Consolidated Income Statements - Statutory Basis

(Amounts in Thousands of RD\$)

(Free Translation from the Original Spanish-Language Version)

	Years ended At December 31,	
	<u>2014</u>	<u>2013</u>
Financial income (notes 6, 7, 30 and 37)		
Interest and commissions on loans	24,523,044	19,560,780
Interest on investments	4,967,096	5,666,270
Gains on sale of investments and securities	2,660,429	1,953,638
Insurance premiums net of returns and cancellations	5,801,613	4,730,635
	<u>37,952,182</u>	<u>31,911,323</u>
Financial expenses (notes 16, 17, 18, 19, 20 and 30)		
Interest on deposits	8,968,541	7,773,147
Interest and commissions on borrowed funds	490,364	372,817
Loss on sale of investments and securities	606,968	286,469
Reinsurance expense	2,516,192	2,137,478
Insurance claims and contractual obligations	1,582,386	1,289,181
Expenses related to technical adjustment to reserves	201,802	139,676
Expenses related to acquisition, conservation and collection of insurance premiums	553,737	530,494
	<u>14,919,990</u>	<u>12,529,262</u>
Gross financial margin	<u>23,032,192</u>	<u>19,382,061</u>
Allowance for loan losses (note 15)	1,273,707	1,605,000
Allowance for investments (note 15)	27,000	1,050
	<u>1,300,707</u>	<u>1,606,050</u>
Net financial margin	<u>21,731,485</u>	<u>17,776,011</u>
Foreign exchange gain (loss) (note 31)	<u>(179,919)</u>	<u>(60,624)</u>
Other operating income (notes 32 and 37)		
Credit card fees	623,013	598,956
Service fees	2,457,606	1,987,298
Foreign exchange commissions	1,097,066	752,299
Miscellaneous income	1,627,845	1,687,424
	<u>5,805,530</u>	<u>5,025,977</u>
Other operating expenses (notes 32 and 37)		
Commissions for services	258,772	221,131
Miscellaneous expenses	739,508	520,378
	<u>998,280</u>	<u>741,509</u>
Gross operating income	<u>26,358,816</u>	<u>21,999,855</u>
Operating expenses (notes 15, 28, 34 and 38)		
Salaries and personnel compensation	11,533,222	9,461,958
Professional fees	1,375,556	999,247
Depreciation and amortization	709,020	616,613
Other provisions	827,151	658,398
Other expenses	4,913,913	4,650,607
	<u>19,358,862</u>	<u>16,386,823</u>
Net operating income	<u>6,999,954</u>	<u>5,613,032</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Consolidated Income Statements - Statutory Basis, continued

(Amounts in Thousands of RD\$)

(Free Translation from the Original Spanish-Language Version)

	Years ended	
	<u>At December 31,</u>	
	<u>2014</u>	<u>2013</u>
Other income (expenses) (note 33)		
Other income	1,993,898	1,161,992
Other expenses	<u>(807,417)</u>	<u>(634,591)</u>
	<u>1,186,481</u>	<u>527,401</u>
Income before income tax	8,186,435	6,140,433
Income tax (note 23)	<u>(1,134,810)</u>	<u>(1,059,587)</u>
Net income for the period	<u><u>7,051,625</u></u>	<u><u>5,080,846</u></u>
ATTRIBUTABLE TO:		
Owners of the controlling entity (Parent Company)	7,019,644	5,046,689
Minority interest	<u>31,981</u>	<u>34,157</u>
	<u><u>7,051,625</u></u>	<u><u>5,080,846</u></u>

These consolidated financial statements are to be read in conjunction with their accompanying notes.

Enrique A. Ramírez Paniagua
General Administrator

Luis R. Espinal L.
Comptroller

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Consolidated Statements of Net Equity - Statutory Basis

Years ended at December 31, 2014 and 2013

(Amounts in Thousands of RD\$)

(Free Translation from the Original Spanish-Language Version)

	Paid-in Capital	Other Equity Reserves	Revaluation Surplus	Retained Earning from Prior Periods	Net Income for The Year	Total	Minority Interest	Total Net Equity
Balances at January 1st 2013	3,500,000	8,718,686	773,841	3,672,316	1,638,864	18,303,707	128,562	18,432,269
Transfer to retained earnings	-	-	-	1,638,864	(1,638,864)	-	-	-
Cash dividends paid to minority interest	-	-	-	-	-	-	(39,448)	(39,448)
Cash dividends paid to the Dominican Republic Government (note 26)	-	-	-	(3,178,033)	-	(3,178,033)	-	(3,178,033)
Dividends paid through payment amortization of National Treasury Vouchers (note 26)	-	-	-	(75,000)	-	(75,000)	-	(75,000)
Dividends paid through interest payment of National Treasury Vouchers (note 26)	-	-	-	(5,250)	-	(5,250)	-	(5,250)
Dividends paid by transferring assets received in loans settlements	-	-	-	(450,000)	-	(450,000)	-	(450,000)
Effect of depreciation on revaluated assets	-	-	(18,176)	-	18,176	-	-	-
Net income for the year	-	-	-	-	5,046,689	5,046,689	34,157	5,080,846
Other adjustments	-	-	-	8,294	-	8,294	-	8,294
Transfer to other equity reserves (note 26)	-	1,766,341	-	-	(1,766,341)	-	-	-
Balances at December 31, 2013	3,500,000	10,485,027	755,665	1,611,191	3,298,524	19,650,407	123,271	19,773,678
Transfer to retained earnings	-	-	-	3,298,524	(3,298,524)	-	-	-
Cash dividends paid to minority interest	-	-	-	-	-	-	(33,706)	(33,706)
Dividends paid to the Dominican Republic Government (note 26)	-	-	-	(1,300,000)	-	(1,300,000)	-	(1,300,000)
Cash	-	-	-	(1,300,000)	-	(1,300,000)	-	(1,300,000)
Common Shares	2,000,000	-	-	(2,000,000)	-	-	-	-
Dividends paid through payment amortization of National Treasury Vouchers (note 26)	-	-	-	(75,000)	-	(75,000)	-	(75,000)
Dividends paid through interest payment of National Treasury Vouchers (note 26)	-	-	-	(4,500)	-	(4,500)	-	(4,500)
Dividends paid by transferring assets received in loan settlements (note 26)	-	-	-	(410,446)	-	(410,446)	-	(410,446)
Debt amortization of the Dominican Republic State (note 26)	-	-	-	(1,119,769)	-	(1,119,769)	-	(1,119,769)
Effect of depreciation on revaluated assets	-	-	(11,140)	-	11,140	-	-	-
Net income for the year	-	-	-	-	7,019,644	7,019,644	31,981	7,051,625
Transfer to other equity reserves (note 26)	-	2,456,876	-	-	(2,456,876)	-	-	-
Balances at December 31, 2014	5,500,000	12,941,903	744,525	-	4,573,908	23,760,336	121,546	23,881,882

These consolidated financial statements are to be read in conjunction with their accompanying notes.

Enrique A. Ramírez Paniagua
General Administrator

Luis R. Espinal L.
Comptroller

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Consolidated Statements of Cash Flows - Statutory Basis

(Amounts in Thousands of RD\$)

(Free Translation from the Original Spanish-Language Version)

	Years ended	
	<u>At December 31,</u>	
	<u>2014</u>	<u>2013</u>
CASH FROM OPERATING ACTIVITIES		
Interest and commissions collected on loans	23,315,454	19,330,681
Other financial income collected	7,781,408	6,653,971
Other operating income collected	5,805,530	5,025,977
Insurance premium collected	5,707,944	4,753,747
Increase in insurance and guarantees	(3,116,414)	(2,174,060)
Interest paid on deposits	(8,926,838)	(7,376,468)
Interest and commissions paid on borrowed funds	(481,601)	(393,811)
General and administrative expenses paid	(17,804,647)	(15,026,468)
Other operating expenses paid	(998,280)	(741,509)
Income taxes paid	(741,356)	(988,424)
Insurance claims and contractual obligations	(1,582,386)	(1,289,181)
Miscellaneous collected (payments) of operating activities	506,611	(7,683,767)
	<u>9,465,425</u>	<u>90,688</u>
CASH FROM INVESTMENT ACTIVITIES		
Decrease (increase) in investments	8,784,368	(7,580,904)
Loans granted	(256,939,026)	(159,273,314)
Loans collected	219,531,394	125,471,870
Interbank funds granted	(4,112,000)	(3,733,000)
Interbank funds collected	4,112,000	3,733,000
Decrease in properties under development intended for sale and leasing	(28,314)	19,600
Acquisition of property, furniture and equipment	(2,417,157)	(749,189)
Proceeds from sale of property, furniture and equipment	91,322	29,127
Proceeds from sale of assets received in loan settlements	564,173	379,539
	<u>(30,413,240)</u>	<u>(41,703,271)</u>
CASH FROM FINANCING ACTIVITIES		
Deposits received	3,931,733,034	3,493,277,958
Returned deposits	(3,917,916,796)	(3,450,167,793)
Borrowed funds received	72,354,459	34,826,886
Borrowed funds paid	(59,855,140)	(28,715,997)
Subordinated debts	9,999,000	12,516,454
Dividends paid and other payments to shareholders	(1,333,706)	(3,217,481)
	<u>34,980,851</u>	<u>58,520,027</u>
Net cash provided by financing activities		
	<u>34,980,851</u>	<u>58,520,027</u>
NET INCREASE IN CASH	14,033,036	16,907,444
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>59,683,710</u>	<u>42,776,266</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>73,716,746</u></u>	<u><u>59,683,710</u></u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Consolidated Statements of Cash Flows - Statutory Basis, continued

(Amounts in Thousands of RD\$)

(Free Translation from the Original Spanish-Language Version)

	Years ended	
	at December 31,	
	<u>2014</u>	<u>2013</u>
Reconciliation between the net income for the period and the net cash provided by operating activities		
Net income for the period	<u>7,051,625</u>	<u>5,080,846</u>
Adjustments to reconcile net income for the period to net cash provided by operating activities		
Provisions for risky assets and contingencies	2,127,858	2,264,448
Release of provisions for risky assets and contingencies	(398,940)	(343,796)
Technical reserves increase	201,802	139,676
Depreciation and amortization	727,064	640,960
Release of provisions for risky assets and contingencies	(8,808)	18,493
Discharge of property, furniture and equipment	-	60,997
Gain on sale of assets received in loan settlements	(9,955)	(45,868)
Currency exchange rate fluctuations, net	496,007	90,584
Amortization cost and discount of the subordinated debts	23,144	23,166
Net change in assets and liabilities:		
Interests receivable	(446,739)	(909,567)
Debtors by acceptances	(21,302)	191,981
Commissions receivable	(23,004)	(3,205)
Accounts receivable	(772,277)	(5,085,499)
Insurance premiums receivable	(20,171)	99,309
Receivables from reinsurance and guarantees	2,283	1,260
Deferred charges	444,382	48,152
Intangibles	(24,500)	(433)
Other assets	(1,759,336)	(197,969)
Interests payable	27,322	352,519
Outstanding acceptances	21,302	(191,981)
Creditors of insurance and bank guarantees	(245,458)	321,638
Insurance premium deposits	(73,498)	(76,197)
Other liabilities	1,949,934	(2,559,840)
Technical reserves	<u>196,690</u>	<u>171,014</u>
Total adjustments	<u>2,413,800</u>	<u>(4,990,158)</u>
Net cash provided by operating activities	<u>9,465,425</u>	<u>90,688</u>

These consolidated financial statements are to be read in conjunction with their accompanying notes.

Enrique A. Ramírez Paniagua
General Administrator

Luis R. Espinal L.
Comptroller

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

December 31, 2014 and 2013

(Amounts in Thousands of RD\$)

(Free Translation from the Original Spanish-Language Version)

1 Entity

Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples and subsidiaries (the “Bank”), is owned by the Dominican State and was incorporated on October 24, 1941 under Law No. 581, amended by Law No. 6133 of December 17, 1962, which was modified by Law No. 281 of January 1st, 1976 and its modifications.

Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples and subsidiaries (the Bank) offers multiple banking services to the Dominican Republic Government, its autonomous entities and state-owned companies (public sector), as well as privately owned companies and the general public (private sector). Its main activities are granting loans, placement of investments, deposits, financing, sales of insurances, management of pension funds and health services, sale and development of real estate projects, subscription and sale of securities, trust management, among others.

The main offices are located at Torre Banreservas on Winston Churchill Avenue, Santo Domingo, Dominican Republic.

The detail of the principal officers is as follows:

<u>Name</u>	<u>Position</u>
Simón Lizardo	Minister of Finance - Ex in Officiate Chairman
Enrique A. Ramírez Paniagua	General Administrator
Aracelis Medina Sánchez	Deputy Administrator - Administration
José Manuel Guzmán Ibarra	Deputy Administrator - Government Business
William Read Ortiz	Deputy Administrator - Business
Marcial H. Mejía Guerrero	Deputy Administrator - Operation & Technology
Rienzi M. Pared Pérez	Deputy Administrator - Subsidiary Entities
Luis R. Espinal L.	Comptroller
Luis Eduardo Rojas de Peña	General Director - Treasury, Investment Banking and Capital Market
Julio Enrique Páez Presbot	General Auditor

The Bank is regulated by the Monetary and Financial Law and its regulations as well as by resolutions of the Monetary Board and the Superintendence of Banks of the Dominican Republic.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

As of December 31st 2014 and 2013, a detail of the Bank's offices, automatic teller machines (ATMs) and post offices is as follows:

<u>Location</u>	<u>2014</u>			<u>2013</u>		
	<u>Offices (*)</u>	<u>ATMs</u>	<u>Post Offices</u>	<u>Offices (*)</u>	<u>ATMs</u>	<u>Post Offices</u>
Metropolitan area	93	254	-	62	217	-
Provinces	<u>174</u>	<u>234</u>	<u>5</u>	<u>91</u>	<u>212</u>	<u>8</u>
	<u>267</u>	<u>488</u>	<u>5</u>	<u>153</u>	<u>429</u>	<u>8</u>

(*) Correspond to branches, agencies and service centers.

The consolidated financial statements - statutory basis were approved for issuance in by the Board of Directors on March 24, 2015.

2 Summary of significant accounting policies

2.1 Accounting basis of the consolidated financial statements

The financial information and accounting policies of the Bank are in accordance with the accounting practices established by the Superintendence of Banks of the Dominican Republic as stipulated in its Accounting Manual for Financial Institutions, regulations, circulars, resolutions, instructions and specific provisions issued by this agency and the Monetary Board of the Dominican Republic, as well as those provided in the Monetary and Financial Law. These practices differ in some respects in the form and content of the International Financial Reporting Standards (IFRS) applicable to banks and financial institutions. Consequently, the accompanying consolidated financial statements - statutory basis are not intended to present the financial position, results of operations and cash flows in accordance with the IFRS.

Subsidiaries include: insurance companies, pension fund managers, administrator of health plans and a security exchange, which have been prepared in accordance with the accounting practices established by the Superintendence of Insurance, the Superintendence of Pensions, the Superintendence of Health and Labor Risks and the Superintendence of Securities of the Dominican Republic, respectively. Furthermore, unregulated subsidiaries whose accounting practices are in accordance with the International Financial Reporting Standards. The figures of these subsidiaries that are incorporated in the consolidated financial statements have been prepared following those accounting basis.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

The consolidated financial statements - statutory basis, and the explanatory notes have been prepared in thousands of Dominican Pesos (RD\$).

2.1.a Differences between banking regulations and International Financial Reporting Standards

The accounting practices set forth by the Superintendence of Banks of the Dominican Republic differ from International Financial Reporting Standards in certain aspects. A summary of the most relevant differences is as follows:

- i) The allowance for loan portfolios corresponds to the amount determined based on a risks assessment carried out by the Bank, the level of reserves required for the classification assigned to each loan (for commercial loans denominated as major debtors), the number of days past due (for consumer, mortgage and minor commercial loans) and some specific approvals issued by the Superintendence of Banks. This evaluation (for major commercial debtors) includes the ability to pay based on a review of credit records, payment history and collateral levels which are only considered to determine the provisions, following the guidelines of the Instruction for the Asset Evaluation (REA), the Instructions for the Asset Evaluation Process in Permanent Regimes and related circulars, as well as some specific exemptions to certain loans that promote specific sectors of the economy.

In accordance with IFRS, loan portfolios are assessed by separating individual and collective loans. Individual loan analysis is evaluated on a loan-by-loan basis.

In the case of loans that are collectively evaluated to determine whether impairment exist, the estimate of the contractual cash flows of the assets credit group, analysis of historical losses and Management's opinions on whether the current economic situation and loan conditions may change the actual level of the inherent historical losses are considered. A provision is recognized, if objective evidence exist that there has been an impairment loss, which would result in the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate and not taking into account any waiver.

- ii) Banking regulations requires financial institutions to establish allowances for assets received in loans settlements, according to the following criteria: moveable goods are reserved over a two year period, on a straight line basis, starting six months following foreclosure (at 1/18th monthly.); real estate is reserved over a three year period, on a straight-line basis counted as of the first anniversary of its recording in the Bank's books (at 1/24th monthly). IFRS require that these assets be reserved only in the event of impairment.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

- iii) Interest receivable past due for less than 90 days, is reserved according to the classification granted to the corresponding principal. Past due interest receivables with more than 90 days if fully reserved, except for credit card transactions, which are fully reserved after 60 days past due. Subsequently, accrued interest is not recognized in the unconsolidated financial statements - statutory basis, and are recorded in memorandum accounts. In accordance with IFRS, allowances on interest receivable are determined based on existent risks in the portfolio (incurred loss model instead of the expected loss model). In the event of impairment, the loans are adjusted and subsequent accrual of interest is based on the adjusted balance using the effective interest rate.
- iv) Financial institutions translate all foreign currency items at the official exchange rate as established by the Central Bank of the Dominican Republic at the balance sheet date. IFRS require that all foreign currency balances be translated at the exchange rate at which the Bank had access at the balance sheet date.
- v) The Superintendence of Banks of the Dominican Republic requires that reserves held on loans at the moment of executing their collateral, be transferred to the assets received in loan settlements. IFRS only require reserves when the fair value of the asset is lower than its book value or when impairment exists.
- vi) There are differences between the presentation and certain disclosures of the financial statements according to IFRS and those required or authorized by the Superintendence of Bank.
- vii) According to banking regulations, income from renewal of credit cards, letters of credit card operations and outstanding acceptances are immediately recognized. In accordance with IFRS, these are deferred and recognized as income over the term of the credit cards, letters of credit and outstanding acceptances.
- viii) The Superintendence of Banks of the Dominican Republic requires leasehold improvements and computer software must be previously authorized by the Superintendence of Banks in order to be recognized as property, furniture and equipment and intangible assets, respectively, and classify them as other assets until such approval is obtained. The Superintendence of Banks indicates the amount that could be capitalized and the maximum amortization period during which the deferral is allowed. IFRS require that these items be recognized as property, furniture and equipment and intangible assets as long as they generate future economic benefits.
- ix) The Superintendence of Banks of the Dominican Republic has established that short-term highly liquid investments that are easily convertible to cash be classified as investments. IFRS requires that this type of investments with original maturities of three months or less be classified as cash equivalent.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

- x) The Superintendence of Banks of the Dominican Republic requires that financial institutions classify investments into four categories, which are: trading, available-for-sale investments, held-to-maturity investments, and other investments in debt securities. Also, the Superintendence allows classifying in one of the first three categories only those investments listed in an active market. Investments held for trading and available-for-sale should be measured at fair value, and investments held to maturity and other investments in debt securities at amortized cost. IFRS do not prescribe the category of other investments in debt securities and the classification will depend on management's intentions.

The investment portfolio is classified according to the risk categories determined by the Superintendence of Banks that require specific provisions, following the instructions of the Assets Evaluation Regulation, the Instructions for Credit Evaluations, Investments and Contingent Operations of the Public Sector, the instructive for the Asset Evaluation Process in Permanent Regimes and Specific Provisions. IFRS require determining allowances based on the assessment of the existent risks on the basis of an incurred loss model instead of an expected loss model.

- xi) The Bank assesses the useful life of items of property, furniture and equipment at the time of acquisition, and recognizes in memorandum accounts the fixed assets that are fully depreciated. IFRS require that the residual value and the useful life of an asset be reviewed at least at each financial year-end, and if expectations differ from previous estimates, the changes are accounted for as a change in accounting estimates.
- xii) The Superintendence of Banks, allowed multiple service banks the revaluation of its properties as of December 31, 2004 and has not required updating these values after that date. IFRS state that these updates must be performed whenever significant value changes occur from such assets.
- xiii) The Superintendence of Banks requires that cash flows corresponding to loans portfolio and customers' deposits, be classified as investing and financing activities, respectively. IFRS require that the cash flows from these transactions be recognized as part of operating activities.
- xiv) The Superintendence of Banks of the Dominican Republic requires banks to recognize provision for contingent operations, which includes, among others, granted guarantees, non-negotiable letters of credit issued, and unused amounts of lines of credit of automatic use, based on a classification of risk category following the REA. IFRS require recognizing a provision when there is a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable amount can be estimated.
- xv) In accordance with the practices established by the Superintendence of Banks, other operating income, such as credit cards commissions are immediately recognized as income, rather than in the period in which it expects to provide the service as required under the IFRS.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

- xvi) The Superintendence allowed the Bank to recognize as income commissions collected on discount of invoices at the time of the operation. IFRS require that these commissions be deferred and recognized as income using the effective interest method.
- xvii) The Superintendence of Banks allowed the Bank to calculate the actuarial liability related to the Pension and Retirement Funds paid directly by the Bank over a nine year-period beginning in 2011. IFRS establishes that pension plan obligations must be recognized initially in full and periodically updated in subsequent periods and the effects to be recognized either in profit or loss or other comprehensive income.
- xviii) Banking regulations require that investment in stocks be valued at the lower of fair value or cost. If a security market does not exist, they are valued at cost less impairment, assessing the quality and solvency of the issuer, using the instructions of the Assets Evaluation Regulation and the Instructive for the Assessment Evaluation Process in Permanent Regimes. In accordance with IFRS it must be determined if there is control or significant influence. If control exists, the consolidated financial statements must be prepared. If it is determined that there is significant influence, investments must be recognized under the equity method and those that do not comply with the two above features are carried at fair value with either changes in profit or loss or in other comprehensive income, depending of the classification.
- xix) In accordance with current banking regulations, the Bank must quantitatively disclose the risks derived from its financial instruments, such as liquidity and interest rate risks and the credit risk of the loans, among others. IFRS require the following disclosures that allows users of the financial statements to evaluate: a) the importance of the financial instruments in relation to the financial position and results of the entity and b) the nature and scope of the risks resulting from the financial instruments to which the entity is exposed during the period, the reporting date and how the entity manages those risks.
- xx) The Superintendence of Banks does not allow the release of provision for assets received in loans settlements without its prior authorization. In case of the sale of such assets that are provisioned, if the sale occurs at a higher value than its book value, a gain cannot be recognized as required by the IFRS, but instead the provision released could be transferred to other regulatory provisions or request authorization from Superintendence of Banks to recognize them as income.
- xxi) The Superintendence of Banks of the Dominican Republic, authorized the inclusion in the consolidated financial statements, the financial statements of subsidiaries that were prepared following different accounting practices to those set in the Accounting Manual for Financial Institutions without being homogenized with the accounting practices followed by the Bank. Under IFRS, entities included in the consolidation should follow the same accounting policies.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

- xxii) The Superintendence of Banks, authorized the Bank to classify as accounts receivable some discounts on invoice operations. In accordance with International Financial Reporting Standards, these operations must be classified as loans portfolio.
- xxiii) The Superintendence of Banks, authorized financial intermediation institutions to write off a loan with or without guaranties when it becomes a non-performing portfolio, excluding related-party loans, that should be written off when all legal collection processes have been exhausted and the involved officers and/or directors have been removed from their duties. The IFRS require these write offs immediately when loans are determined to be unrecoverable.
- xxiv) IFRS require that, if the Bank has other comprehensive income, an income statement and comprehensive income financial statement must be presented or a separate statement of other comprehensive showing the nature and amount of line items for other comprehensive income during the reporting period. The Superintendence of Banks of the Dominican Republic does not include this requirement in their preparation of financial statements - statutory basis.
- xxv) The Superintendence of Banks authorized to account foreign currencies sales transaction contracts with the Central Bank of the Dominican Republic, in which the Bank is entitled to receive US dollars at a maximum rate agreed, and which are disclosed and accounted as foreign currency balances for the purposes of determining the net position in foreign exchange. IFRS require that these operations be recognized at fair value as derivative financial instruments.

2.1.b Differences between the accounting practices issued and allowed by the for Insurance Companies in the Dominican Republic and International Financial Reporting Standards:

- i) As established by the Superintendence of Insurance, short-term insurance contracts are recognized as revenue when billed; as a result, unearned premium reserves are computed based on specific percentages according to the line of business and are not based on a pro-rata distribution over the term of the policy. These minimum percentages are established in Article 141 of the Insurance and Surety Bonds Law No. 146-02, as follows:
 - 15% Transportation and freight
 - 5% Collective life insurance, accidents and health, provided premiums are collected on a monthly basis
 - 40% Surety bonds
 - 40% other insurances

In accordance with IFRS, income from insurance contracts, both general and short-term life insurance, is recognized proportionately over the term of the policy.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

In the case of long-term life insurance contracts with a guaranteed minimum term, the premium income is recognized when payment is received from the insured party.

In the case of long-term life insurance contracts without a fixed guaranteed term, such as death or survivorship insurance, premiums are recognized in a deferred income, which increases by the interest or changes in unit prices and lowers management fee policy, fees, mortality and any other withdrawals.

- ii) In accordance with IFRS, investments are classified into four categories: financial assets at fair value with changes through profit and loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets. In accordance with IFRS investments are classified into four categories: financial assets at fair value with changes through profit and loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets. Under IFRS these investments must be recognized initially at fair value and subsequent to their initial recognition, are measured at amortized cost and, fair value with changes in profit or loss or at fair value with changes in equity depending on its initial classification. Additionally, IFRS does not provide for other investments classification. The accounting practices followed by the Bank initially recognizes the investments at fair value and subsequently measured at amortized cost.
- iii) The Superintendence of Bank, establishes that premiums receivable that are considered uncollectible by the Bank are reversed against income. In accordance with IFRS, premiums receivable should be assessed regularly and a provision should be created for amounts deemed uncollectible. This provision should be recognized through a charge to operating expenses of the year.
- iv) The recognition of specific reserves for claims incurred but not reported at the statement of financial position date is not required. IFRS require creating a provision for those probable and quantifiable losses and that these be recognized through a charge to operations of the year in which the incident occurred.
- v) According to accounting practices of the Superintendence of Insurance, the Bank accounts for salvage accounts in memorandum accounts, and should not be recognized in the accounting records until disposal. IFRS establish that at the balance sheet date of the consolidated financial statements, such assets shall be measured at fair value less any cost of sale and recognized as other assets against a deduction of the cost of the claims that gave rise to the salvages in the accounting period in which the Bank obtained the rights over the salvages and recoveries.
- vi) According to accounting practices of the Superintendence of Insurance, savings components of life insurance contracts are not accounted separately in the balance sheet. IFRS require to account separately for the deposit components and recognize the premium paid by the life insurance policy as a financial liability.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

- vii) Service components that form part of the insurance contract and recognized as revenue together with the written premium income are not separated. The International Financial Reporting Standards requires to separate from an insurance contract, those service components for which the Bank does not retain any insurance risk. Such component should be recognized as a liability, and any commission collected on the intermediation of services shall be deferred as income over the term of the policy that originated such commission.
- viii) Additional costs incurred in the process of acquisition and issuance of insurance contracts are recognized as expenses when they occur, except commissions to agents, which are amortized in proportion to the premium that originated it following the percentages established by the Superintendence of Insurance. According to IFRS these costs must be deferred and recognized as expense using the straight line method over the life of the related insurance contract.
- ix) Accounting practices of the Superintendence of Insurance, establishes the classification of property, plant and equipment of the use of the asset. IFRS require that property, plant and equipment which intended use is to obtain revenues from leasing shall be classified as investment property. The recognition and presentation of investment property differs from the assets that are being used in in the operations of the Bank.
- x) International Financial Reporting Standards require that a Liability adequacy test be performed. This test is basically a calculation based on a statistical methodology that determines if provisions recognized by the Bank are adequate to honor possible commitments arising from current insurance contracts. Accounting practices of the Superintendence of Insurance does not require this provision.
- xi) The Superintendence of Insurance and the Superintendence of Health and Labor Risk requires that short-term investments, highly liquid investments and investments easily convertible to cash be presented as investments. International Financial Reporting Standards require that such investments be presented as cash equivalents.
- xii) International Financial Reporting Standards require an entity to separate embedded derivative from the host contract and accounted for as a derivative if economic characteristic and risks of the embedded derivative are not closely related to the economic characteristic and risks of the host contract. Accounting practices established by the Superintendence of Insurance and the Superintendence of Health and Labor Risk of the Dominican Republic do not provide for guidance on accounting of derivatives.
- xiii) There are certain differences in presentation and disclosures of the financial statements according to the accounting practices established by the Superintendence of Insurance and the Superintendence of Health and Labor Risk of the Dominican Republic and financial statements prepared in accordance with International Financial Reporting Standards.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

- xiv) The Superintendence of Insurance and the Superintendence of Health and Labor Risk allows that significant revenues and expenses that affect the consolidated financial statements of prior years, be recognized on retained earnings without having to restate the previous reported amounts of the consolidated financial statements. International Financial Reporting Standards require that these transactions be recognized retroactively correcting the previously reported financial statements, including presentation of the statement of financial position for the most recent three years

The Bank has not quantified the effects of differences between the accounting basis and IFRS on the consolidated financial statements - statutory basis.

2.2 Use of estimates

The preparation of the consolidated financial statements - statutory basis requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the amounts reported as current revenues and expenses. Estimates are used mainly in the determination of provisions for assets subject to risk, depreciation and amortization of long-term assets, impairment of long-term assets and contingencies. Actual results may differ from such estimates.

2.3 Consolidation

The consolidated financial statements - statutory basis include the figures of Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples, and subsidiaries owned either directly or indirectly in more than 50%, which are: Tenedora Banreservas, S. A. and subsidiaries, which include Seguros Banreservas, S. A., Reservas Asistencia, S.A.S., Reservas Inmobiliaria, S. A. and subsidiary, Administradora de Fondos de Pensiones Reservas, S. A., Inversiones & Reservas, S. A., Fiduciaria Reservas, S. A., Occidental Security Services, S. R. L. and Inversiones Finanprimas SB, S. A. S. Additionally, Administradora de Riesgo de Salud Reservas, Inc., a non-profit entity whose net assets are included as other liabilities.

All these entities are located and incorporated under the laws of the Dominican Republic. Balances and transactions among the consolidated entities are eliminated in consolidation. There are differences among some of the accounting policies of the subsidiaries, which prepare their financial statements accounting with the accounting practices issued by the Superintendences of Insurance, of Pensions, Health and Labor Risk and of Securities of the Dominican Republic.

The Superintendence of Banks of the Dominican Republic approved the incorporation of the financial statements of these subsidiaries in the consolidated financial statements without homogenizing its accounting practices to the ones followed by the Bank.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

The entities included in the consolidated financial statements - statutory basis of Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples, Parent Company, and the following subsidiaries are:

<u>Subsidiaries</u>	<u>Country of Operation</u>	<u>% of Ownership</u>
<i><u>Directly subsidiaries:</u></i>		
Tenedora Banreservas, S. A. and Subsidiaries	Dominican Republic	97.74
Administradora de Riesgo de Salud Reservas, Inc.	Dominican Republic	-
<i><u>Indirectly subsidiaries:</u></i>		
Administradora de Fondos de de Pensiones Reservas, S. A.	Dominican Republic	98.50
Seguros Banreservas, S. A.	Dominican Republic	97.91
Reservas Inmobiliaria, S. A.	Dominican Republic	99.99
Operadora de Zonas Francas Villa Esperanza	Dominican Republic	99.99
Inversiones & Reservas, S. A.	Dominican Republic	100.00
Reserva Asistencia, S. A. S.	Dominican Republic	100.00
Fiduciaria Reservas, S. A.	Dominican Republic	100.00
Occidental Security Services, S. R. L.	Dominican Republic	100.00
Inversiones Finanprimas SB, S. A. S.	Dominican Republic	<u>100.00</u>

All intra-group balances and transactions among companies included in the consolidated financial statements - statutory basis, were eliminated on consolidation.

The Superintendence of Banks of the Dominican Republic authorized the Bank to not eliminate the allowance for investment in subsidiaries in the consolidation.

Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples - Regulated by the Superintendence of Banks of the Dominican Republic.

The Bank is the most important entity and provides financial intermediation services such as loans, investments; deposits and financing to the Dominican Republic Government, its autonomous entities and the Dominican Republic state enterprises (public sector) and to privately owned enterprises and the general public (private sector).

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Administradora de Riesgo de Salud Reservas, Inc. - Regulated by the Superintendence of Health and Labor Risks of the Dominican Republic.

It is a Non-For Profit organization dedicated to the management of health insurance plans, established by the National Council of Social Security, in accordance with Law No. 87-01 and its complementary regulations.

Peaje Dominicano, S. A. S.

This Company was incorporated under the laws of the Dominican Republic; its main activity was management of a parking building owned by the Bank. This Company was acquired by the Bank during the year 2014.

Tenedora Banreservas, S. A. and Subsidiaries.

Is the Parent Company of the following subsidiaries:

(a) Seguros Banreservas, S. A. and Subsidiaries - Regulated by the Superintendence of Insurance of the Dominican Republic.

This company is authorized to operate in the field of general insurance and personal insurance in the country, according to Insurance Law No. 146-02.

(b) Administradora de Fondos de Pensiones Reservas, S. A. - Regulated by the Superintendence of Pensions of the Dominican Republic.

It is dedicated to the administration of pension funds of third parties, or plans and pension funds of companies or associations that are entrusted for administration on the basis of specific contracts, according with Law 87-01 that created the Dominican system of Social Security and the complementary regulations to this law.

Currently, AFP Reservas manages Pension Fund T-1 AFP Reservas (Contribution), Pension Fund T-4 AFP Reservas (Distribution) and Pension Funds T-5 AFP Reservas (Social Solidarity), according with Law 87-01. The Administradora is regulated by the Superintendence of Pensions of the Dominican Republic.

(c) Reservas Inmobiliarias, S. A. and Subsidiary.

It performs all type of real estate transactions, such as buying, selling, leasing, management and development of real estate properties.

The Subsidiary of Reservas Inmobiliarias, S. A., Operadoras Zonas Francas Villa Esperanza, S. A., is engaged in leasing under the free zone regime certified by the National Council of Export Free Zones.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

(d) Inversiones & Reservas, S. A. - Regulated by the Superintendence of Securities of the Dominican Republic.

Inversiones & Reservas, S. A., was incorporated under the laws of the Dominican Republic. Its main purposes consist of buying and selling securities, exchange of securities, underwriting issuance of securities in part or as a whole, for subsequent trade to the public, promoting and facilitating the issuance of securities in public offerings and to perform all operations authorized by the Superintendence of Securities of the Dominican Republic.

(e) Fiduciaria Reservas, S. A.

Incorporated under the laws of the Dominican Republic, its main purpose is to manage businesses, in accordance with Law No. 189-11, relating to Mortgage Market Development and Trust in the Dominican Republic and all operations authorized by the Superintendence of Banks of the Dominican Republic.

(f) Occidental Security Services, S. R. L.

Incorporated under the laws of the Dominican Republic, its main purpose is to provide physical security services, transport of valuables and personal defense training.

(e) Inversiones Finanprimas SB, S. A. S.

Incorporated under the laws of the Dominican Republic, its main purpose is to provide financing to the insured of Seguros Banreservas, S. A., so they can obtain premiums of all types of insurance policies as well as the efforts of collection and legal procedures and compulsive fees and other related services to both individual and corporate.

2.4 Loan portfolio

Loans are carried out at their outstanding balances less the required allowance for loan losses.

The Bank calculates interest on loans to cardholders based on the outstanding balance of the principal.

The Bank assigns to commercial loans that have been restructured an initial classification no lower than “C” independently of their capability and payment behavior and country risk; this can be changed subsequently to a lower risk category based on satisfactory payment behavior. The Bank is also required to create an allowance for consumer and mortgage loans that have been restructured and classified no lower than “D.” Such classification may be changed based on payment behavior, which must remain in that category depending on the evolution of payments, but in no event can be classified lower than “B.”

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Furthermore, the Bank applies the arrears method to over 90 days past due loans, considering the total amount of principal past due when one installment payment has fallen into arrears.

The Bank suspends the accrual of interest on loans when past due for more than 90 days and 60 days for credit cards. (See note 2.5.3).

2.5 Determination of provisions to cover credit risks on loan losses in the loans portfolio, other assets and contingent operations

2.5.1 Allowance for loans portfolio

The determination of the allowance for loan losses in the loan portfolio, is based on criteria established in Assets Evaluation Regulation, issued by the Monetary Board in its First Resolution dated December 29, 2004, complementary instructional circulars and observations made by the Superintendence of Banks (basis for determining the allowances) and the Instructive for the Assessment Process of Assets in Permanent Regimes issued by the Superintendence of Banks on March 7, 2008.

According to such regulation, the estimate of loan loss reserves in the loan portfolio depends on the type of loan, which can be classified as: major commercial debtors, minor commercial debtors, consumer and mortgage loans. The estimation of the allowance for loan losses for major commercial debtors is based on a detailed quarterly review of each debtor's solvency, payment history and country risk performed by the Bank for 100% of its major commercial debtors (subject to review by the Superintendence of Banks), using specific percentages based on debtor classification, except for loans to the Dominican Republic Government institutions and other public institutions that are classified as established by the Instructive for Loan Evaluation, Investments and Contingent Operations of the Public Sector.

Major commercial debtors are classified considering the categorized analysis of each debtor according to their solvency as established in the Assets Evaluation Regulation, and thus evaluating other factors such as liquidity ratios, profitability, leverage, market analysis, historical payment behavior, country risk and alignment. Collaterals, as a safety factor in the recovery of credit operations are considered as a secondary element and are not considered in the debtor's classification, although they are included in the calculation coverage for the required allowances.

Major commercial debtors are those which total approved loans in the financial system, are equal to or greater than RD\$25 million, both individually and consolidated in the system.

The regulation requires creating a provision for the positive exchange differences on foreign currency loans with more than 90 days overdue, considering as a risk exposure 20% of the amount past due on collateralized loans classified as D and E, for more than 90 days past due.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

The Superintendence of Banks granted an extension to all financial institutions to require a provision for the positive difference in foreign exchange currency loans, only for those loans classified as D and E with more than 90 days past due, until the Assets Evaluation Regulation is amended.

For minor commercial debtors, consumer and mortgage loans, the allowance is determined based on the days in arrears and collaterals are not taken into consideration. Loan collaterals, as a factor of security in the collection of loans, are considered as secondary element and are not taken into account when determining the debtor's classification, and are only considered loans classified as minor commercial debtors.

Write-offs loans consist of operations by which the uncollectible loans are removed from the balance sheet, and are recognized only in memorandum accounts. In the event that the financial institution does not have the total loan allowance, should establish the amount before performing the write-off, in order to not affect the level of allowance required for other loans. A loan may be written off, with or without a collateral, from the day in which the loan enters in a non-performing loan category, excluding related party loans with collaterals that can only be written-off when the Bank can show that the legal procedures for recovery have been exhausted and the officers or managers directly related have been released of their duties. Write-offs on loans remain in memorandum accounts until the reasons that led to the write-off are not overcome.

Excesses in provision for loan portfolio cannot be released without prior authorization from the Superintendence of Banks, excluding the provisions for interest receivable with more than 90 days.

Collaterals securing loan operations are classified according to the Assets Evaluation Regulation, based on its multiple uses and ease of realization. Each type of collateral is considered as a secondary element in the calculation of provisions coverage, based on a permissible amount established. Acceptable collateral will be accepted based on the discount percentages established in this Regulation at its market value. Collaterals are classified as follows:

Multi-use collateral ("garantías polivalentes")

These collaterals include real estate that is not specific to any activity but has multiple uses, is easily transferable, is easy to convert to cash, easily appraised and easy to monetize without excessive costs and with a stable value. These collaterals are considered at 50% to 100% of its appraised value for the purpose of estimating the risk coverage, depending on the type of collateral.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Specific use collateral (“garantías no polivalentes”)

Represents collateral secured by assets difficult to convert to cash or monetize. Generally, these assets are of specific use. Such collaterals are taken into account only 30% to 50% of its value for the purpose of estimating the risk coverage provided by such assets, depending on the type of collateral.

Each classification of collateral is taken into account in calculating the amount of loan coverage based on schedule 8 (Table 8) the percentages established in the Asset Evaluation Regulation.

Collaterals are measured at fair value that is at their net realizable value through appraisals or certificates prepared by independent professionals, not older than 12 months for personal property, excluding securities, and a term not exceeding 18 months for real estate.

Other considerations

At December 31, 2014 and 2013, the Bank has special dispensations from the Superintendence of Banks for accounting and reporting, in a particular manner, some loans granted to specific sectors of the Dominican Republic economy, such as contractors from priority construction projects of the Dominican Republic State, road network development, some power generators institutions and loan portfolios acquired from a local financial institution.

2.5.2 Allowance for loans portfolio of the public sector

At December 31, 2014 and 2013, the Bank evaluated the portfolio of major commercial debtors of the public sector, as defined by Law No. 6-06 on Public Loans, following the Instructional Guidelines for the Evaluation of Investment Loans and Contingent Operations of the Public Sector and related circulars. Loans granted to some strategic entities of the Dominican Republic electricity sector, were classified as risk “A” and a requirement for the provision of 1% as stated in the ADM/0089/12 Memorandum issued by the Superintendence of Banks in February 8, 2012. Provisions for public sector loans classified as "A", have a provision requirement of "0" as set forth by Memorandum 0981 of December 14, 2012 of the Superintendence of Banks of the Dominican Republic.

2.5.3 Allowance for interest receivable

The allowance for current interest receivable is determined using specific percentages according to the classification granted to the loan portfolio. The allowance for interest receivable on consumer loans, microenterprise and mortgages, is based on specific percentages of each type of loan, depending on the age of the balances set out in the based on days in arrears using parameters established in the Assets Evaluation Regulation.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Interest receivable 90 days past due (except for credit card transactions) is fully reserved. Interest receivable on credit cards is fully reserved over 60 days past-due. Such accounts are then maintained on a non-accrual basis, are recorded as a memorandum account (“cuentas de orden”) and interest is recognized as income only when collected.

2.5.4 Allowance for other assets

Banking Regulations for Assets Evaluation establishes a maximum term of three years, starting after the expiration of 120-days period following foreclosure, to create an allowance for assets received in loans settlements. A reserve should be established as follows:

Movable goods:	100%	Over two years, recorded on a straight-line basis starting on the seventh month.
Real estate:	100%	Over three years, recorded on a straight-line basis starting on the thirteenth month.

The corresponds allowances for loan portfolio debtor, which guarantees portfolio debtors, which guarantees have been awarded to the bank, must be transferred to allowances for losses on assets received in loans settlement of loans. The allowance on assets received in loans settlement that have been sold cannot be released without prior authorization of the Superintendence of Banks; however, they can be transferred to other risky assets without prior authorization.

Impairment on the value of assets received in loans settlements is computed as the difference between book and market values determined by independent appraisers, and is provisioned when determined.

2.5.5 Allowance for contingencies

The allowance for contingent operations, which includes surety bonds, endorsements, non-negotiated letters of credit, lines of credit and unused credit cards, among others, and which are recognized as other liabilities are determined in conjunction with the rest of the obligations of the debtors’ loan portfolio, based on the risk classification of the debtor and the deductible eligible collateral for the purposes of calculating the allowance. The nature and amounts of contingencies are described in note 28 to the unconsolidated financial statements - statutory basis.

2.6 Employee benefit cost

2.6.1 Bonuses and other benefits

The Bank recognizes a provision for personal benefits to its employees such as bonuses, Christmas bonus, vacations and other benefits, among others, as incurred and in compliance with local laws and its own compensation plans.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

2.6.2 Defined benefits plan

The Bank - Parent Company has a defined benefit pension plan for employees who worked at the Bank when the Social Security Law No. 87-01 was enacted on May 9, 2001, established by the Social Security System of the Dominican Republic.

The Bank's contribution to the plan is 5.40% of the monthly salaries paid to officers and employees, plus 2.5% of the gross profits of the Bank and extraordinary contributions, as established in the statutes of the Pension Plan approved by the Board of Directors of the Bank. In December 31, 2010, the Superintendence of Banks allowed that the liability for the defined benefit pension plan be recognized prospectively over a nine year period beginning in December 2011.

Additionally, the Board of Director approves pensions to be paid directly by the Bank, which are included in the determination of actuarial liability of the Plan.

The Bank's net obligation with respect to defined benefit plans, is calculated by estimating the amount of future benefit that employees will have earned in the current and prior periods, discounting that amount and deducting the fair value of the plan's assets.

The calculation of the defined benefit obligation is annually performed by a qualified actuary, using the method of projected unit credit. In order to calculate the present value of economic benefits, any minimum funding requirements should be considered.

2.6.3 Defined contribution plan

The Bank makes contributions to the mandatory pension plan, in accordance with the requirements of the Social Security Law No. 87-01, formerly of May 9, 2001, by which was created the Social Security System of the Dominican Republic. This system operates under individual capitalization schemes and requires that individual contributions made by the employer and employee must be managed by the Administradora de Fondos de Pensiones (AFP). The contributions made by the Bank are recognized as expenses when incurred. At retirement age, the employees will receive from the AFP, the amount of their contributions and of the employer plus the accrued income on their individual capital account.

2.6.4 Severance compensation

The Labor Code of the Dominican Republic sets forth the payment of severance indemnities (preaviso y cesantía) to employees whose contracts have been terminated without just cause. The Bank recognizes as expenses the amounts paid for this concept at the time of the termination of employment contracts.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

2.7 Outstanding securities and subordinated debts

Outstanding securities comprises liabilities derived from the acquisition of public resources through the issuance of bonds, time certificates, investment certificates and other securities issued by the Bank which are held by the public.

The Bank has subordinated debts relating to financing obtained in US dollars (US\$) by issuing debt securities denominated "Subordinated Debt Notes," issued in the United States of America, and subordinated debt bonds in Dominican pesos issued in the Dominican Republic's market. The subordinated debt is initially recognized at fair value, net of transaction costs and discounts granted on the issuance, which are amortized on the straight-line method over the term of the debt. Financial expenses resulting from interest, commissions, exchange differences and other financial charges arising from the aforementioned obligations are recognized and charged to profit or loss in the period in which they are incurred.

2.8 Valuation of different types of investments

2.8.1 Investments in securities and allowances

Investments are accounted for at cost less required allowances.

The instructions for Classification, Valuation and Measurement of Investments in Debt Instruments requires financial institutions to classify investments in: trading, held to maturity, available-for-sale and other investment in debt instruments.

Trading investments: These are investments that entities hold, with the purpose of obtaining profits derived from the fluctuation in prices as market participants, which are listed on a stock exchange or other type of organized market. Trading investments are carried at fair value, and the changes in value are measured and included in the unconsolidated income statements - statutory basis as a gain or loss on securities fluctuation.

Available-for-sale investments: Includes investments held intentionally to achieve a reasonable return for their temporary surplus or investments that the entity is willing to sell at any time, and are quoted in an active or organized market. Available-for-sale investments are initially recognized at fair value and the changes in the fair value are recognized in equity.

Held to maturity investments: These are investments the Bank has the intent and ability to hold to maturity, are listed in an active and organized market and are recognized at amortized cost using the effective interest method. Premiums or discounts are amortized over the period of the instrument using the effective interest rate.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Other investments in debt instruments: This category includes investments acquired in debt instruments, that because of their characteristics do not qualify for inclusion in the above categories and for which there is no active market. They are recognized at amortized cost using the effective interest method.

For domestic investments in debt securities, the amount of expected losses for impairment is determined based on the criteria used for the evaluation of major commercial debtors, in accordance with the provisions of the Assets Evaluation Regulation. For investments in debt securities in the international market, the amount of expected losses for impairment is determined based on risk ratings assigned by the international rating firms recognized by the Superintendence of Securities of the Dominican Republic or any other internationally recognized rating firm, applying the corresponding provision percentages according to the risk categories established by the Assets Evaluation Regulation.

The investments in the Central Bank of the Dominican Republic, debt securities of the Ministry of Finance and instruments issued or guaranteed by the Dominican State, are considered risk-free; therefore, are not subject to a provision, as authorized by the Superintendence of Banks.

The type of security or financial instrument and its amount, is presented in note 6.

2.8.2 Investments in shares and allowances

Investments in shares are carried out at the lower of cost and market value. If no market exists, they are recognized at cost less impairment, in which is evaluated the quality and solvency of the issuer by using the instructions of the Assets Evaluation Regulation and the Instructive for the Asset Assessment Process in Permanent Regimes, except for investments in affiliates which are recognized using the equity method, following the Superintendence of Bank's authorization.

Allowances for investments in shares are determined following the same criteria as for major commercial debtor's loan (See note 2.5.1).

The characteristics, constraints, nominal value, market value and number of investments in shares are presented in note 12.

2.9 Valuation of property, furniture and equipment and depreciation method used

2.9.1 Basis of recognition

Property, furniture and equipment, except for land and buildings that existed at December 31, 2004, are measured at cost less accumulated depreciation and impairment losses. At December 31, 2004, land and buildings are recognized at market value, determined by independent appraisers and those acquired after that date are carried at cost.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

2.9.2 Depreciation

Depreciation is calculated using the straight-line method.

Depreciation percentages are the followings:

<u>Description</u>	<u>Estimated Live (Years)</u>
Buildings	40
Furniture and office equipment	8
Transportation equipment	4
Computer equipment	5
ATMs	10
Leasehold improvements	<u>5</u>

2.10 Valuation of assets received in loan settlements

Assets received in loans settlements are carried at the lower cost of the:

- a) Value agreed upon payment in kind or the awarded price in a public auction
- b) Market value at the date assets are received
- c) Outstanding balance of the loan plus interest and/or accounts receivable that are being cancelled.

The valuation reserve for these assets is determined following the criteria established by the Superintendence of Banks, as described in note 2.5.4.

2.11 Deferred charges

Deferred charges include prepaid income taxes, deferred income taxes and other prepaid expenses.

Other prepaid expenses are amortized as the prepaid services are received.

2.12 Assets and liabilities in foreign currency

The amounts in the consolidated financial statements - statutory basis are presented in Dominican pesos (RD\$). Assets and liabilities in foreign currencies are translated using the exchange rate set by the Central Bank of the Dominican Republic at the date of the consolidated financial statements - statutory basis. Transactions during the year and income and expenses are translated at the exchange rate at the date of the transaction. Resulting gains or losses of the translation of assets and liabilities in foreign currency are recognized under "Income (expense) from net foreign exchange rate" in the accompanying consolidated income statements- statutory basis.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

At December 31, 2014 and 2013, the exchange rates used for the translation of the US dollar balances to Dominican pesos was RD\$44.2033 and RD\$42.6723, respectively.

2.13 Revenue recognition and most significant expenditures

2.13.1 Banks' revenue recognition and expenditures

Financial income and expenses

The Bank recognizes interest income on loans and investments under the accrual method. Loan interest is calculated using the simple interest method on outstanding capital amounts. Interest on loans are no longer recognized and placed on nonaccrual status, when a loan is 90 days past due, except for credit card balances, which are placed on nonaccrual status after 60 days. From these dates forward they are recorded in a memorandum account. Once placed in nonaccrual status the interest are recognized as income only when collected.

By authorization of the Superintendence of Bank, the Bank recognizes as interest income, commissions on discount of invoices when they are collected.

Interest on investments is recognized based on the outstanding balance of the investment. Premium and discounts on the acquisition of these investments are amortized over the life of the investment as part of interest income.

Interest expenses are recognized in the consolidated income statement - statutory basis, based on the accumulation of simple interest, except those corresponding to savings accounts and certificate of deposits with capitalized returns, which are accumulated using the compound interest method (applied to the minimum balance for savings accounts).

Costs directly related to the issuance of subordinated debts are deferred and amortized, and recognized as operational expense using the straight-line method over the term period.

Income on sale of investments in debt instruments

Income from disposal of other investments in debt instruments, are recognized in the consolidated statements of income - statutory basis, as the difference between the amounts received from the sale and the carrying amount of the instruments when the risks and rewards associated with the investment have been transferred to the buyer.

Other income and other operational expenses

Other operational income is recognized when earned and other operational when incurred. Commission income and other services resulting from managing accounts, money orders and transfers, guarantees and endorsements, purchase and sale of foreign currencies, credit cards, use of ATMs and POS, third party collections and others, are recognized on the accrual basis when the services have been provided to the clients.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Other income and expenses

Other income resulting from operations, property leases, sales of real estate and others are recognized when earned and other expenses when generated.

Other income from the recovery of written-off assets and decrease in provision for risky assets are recognized when collected.

2.13.2 Revenue recognition of insurance companies

The most important insurance contracts issued by the Bank's insurance subsidiary are as follows:

- (a) Short-term insurance contracts - These are annual, semi-annual or quarterly contracts with renewable options issued by the company and covering personal risks and recognized as income when invoiced.
- (b) General insurance contracts - Premiums on these contracts are earned at the time of their underwriting which coincides with the commencement of the term of the contract. Premiums that have been underwritten before the commencement of the term of the contract are unearned and are not recognized in the consolidated financial statements

In accordance with the terms and conditions agreed with the reinsurers, premiums ceded in reinsurance are recognized at the time of recording the premium income. Cancelled premiums are recognized as a deduction of the income for premiums issued.

2.13.3 Revenues from the Administrator of Pension Funds (AFP, in Spanish)

The Administrator of Pension Funds (AFP) receives management fees and a complementary commission from its affiliates and employer, as well as fees for optional services offered.

The income from monthly administrative commission is received from Pension Fund T-1 (Contribution) and Pension Fund T-4 (Distribution) and is recognized upon receipt of the resources in the Administrator's account base on 0.5 % of the monthly quotable salary.

The income from the complementary annual commission of the Pension Fund T-I (Contribution), T-4 (Distribution) equals 30% and T-5 (Social Solidarity) equals 15% of the excess of yield portfolio of the weighted average rate of the previous month for all terms of fixed-term certificates of deposits, indefinite certificates of deposit and time certificates issued by commercial and multiple services banks. The rate is reported to the AFP by the Superintendence of Pensions according to the information provided by the Central Bank of the Dominican Republic.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Monthly charges from complementary annual commissions are made on the basis of 50% of the previous month, with the exception of the first month of the year in which is charged 100% of the previous month's balance, following the guidelines of Resolution No. 34 -03, No. 232-05 and No. 239-05.

2.13.4 Revenues for services to the Health Insurance Administrator (ARS)

The Health Insurance Administrator (ARS) recognizes revenues for services, resulting from the basic, complementary prepaid medicine, voluntary and independent plans using the straight-line method over the coverage of the contract.

2.13.5 Revenues from real estate

Revenues from sale of apartments, houses and land are recognized when all the risks and rewards of the property have been transferred, which regularly occurs upon closure of sales contracts and thus receiving a substantial part of the agreed price.

Income fees from the sale and leasing of properties are accounted for when earned.

Income from leasing of industrial buildings and electrical substations are recognized on a straight- line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total lease income over the lease period. All other income is recognized on the accrual basis when the service is rendered.

2.13.6 Revenues from parking building

Revenue from parking fees is recognized on the accrual basis of accounting, i.e. when the services have been offered to the customers.

2.13.7 Revenues from brokerage services

Revenues from brokerage services are recognized by the accrual basis of accounting, that is, when the services have been offered to the customers and collection is probable.

2.14 Provisions

The Bank establishes provisions whenever it considers that it has incurred an obligation as a result of a past event, when it is probable that it will have to disburse financial resources to settle these obligations and when a reasonable estimate of the amount involved can be made.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

2.15 Income tax

According to its Organic Law, Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples, is exempt from income tax payment; however, the Bank calculates and voluntarily pays income tax following some guidelines and special criteria of the Tax Code, considering that the final beneficiary is also the Dominican Republic Government. In this regard, the Bank recognizes the tax effects of transactions in the year in which they are included in profit or loss, regardless of when they are recognized for tax purposes, including provisions for risky assets established under the sectorial law in the Assets Evaluation Regulation (REA), and special contributions to the Bank's employees Pension Plan, among others.

In accordance with Law No. 8-90 and Resolution No. 19-02 A of the National Council of free zones, the subsidiary Operadora de Zonas Francas Villa Esperanza, S. A. is exempt from payment of import tax, customs duties, income tax, and other related taxes, for a period of 15 years in force until 2017. The remaining subsidiaries of the Bank are subject to payment of income tax, for which, the tax effects of the transactions are recognized in the year in which they occurred, regardless of when they are recognized for tax purposes.

Total expense resulting from income tax payment is recognized in the consolidated statement of income - statutory basis.

Deferred income tax is not recognized because the Bank's management cannot guarantee that items that originated them may be deductible in the future.

In the case of other companies included in consolidation, deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets in respect of temporary differences are recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; this reduction shall be reversed to the extent there it becomes probable that sufficient taxable profit will be available.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences in the period when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date in the consolidated balance sheets.

2.16 Financial Instruments

A financial instrument is defined as cash, evidence of ownership or interest in an entity, or a contract that creates a contractual obligation or right to pay or receive cash or another financial instrument from a second entity in terms potentially favorable to the first entity.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

The estimated market values of the financial instruments of the Bank, book values and methodologies used to estimate them are described below:

Short-term financial instruments

Short-term financial instruments, both assets and liabilities, are carried at cost recognized in the Bank's consolidated balance sheet - statutory basis. This cost is similar to market value because of the relatively short-term period of time between the origination of the instruments and their subsequent realization. This category includes: cash on hand and in banks, certificate of deposits in other banks, bank acceptances, customer's liability acceptances, accrued interest receivable, outstanding acceptances and accrued interest payable.

Investment in securities

The fair values of investments in debt and equity securities are estimated based on cost adjusted for impairment and are determined according to the guidelines issued by the Superintendence of Banks, since there is no active security market in the Dominican Republic that can provide market values.

Outstanding securities

It was not possible to estimate the market value of outstanding securities because there is no active market for these instruments in the Dominican Republic.

Loan portfolio

The loan portfolio is measured at book value, adjusted for loan loss allowance as established by the regulatory authorities. Loans are segregated by type such as commercial, residential mortgage, consumer and credit cards.

Interest on financial assets and liabilities

Interest earned on financial assets is recognized under the accrual method using the simple interest method, based on outstanding amounts of principal. Interest expense on financial liabilities is also recognized using the same method.

2.17 Derecognition of financial assets

Financial assets are derecognized when the Bank loses control and or all contractual rights over such assets. This occurs when the rights are sold, expire, or are transferred.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

2.18 Impairment of assets

The Bank reviews all long-lived assets and identified intangibles to determine if events or changes in circumstances indicate that the carrying amounts of these assets will be recovered from operations.

The recoverable amount of an asset maintained and used in operations, is measured by comparing the carrying amount of the assets with the higher of the market value and the net discounted expected cash flows to be generated by that asset in the future. If, after making such comparison, it is determined that the assets values have been negatively affected, the amount to be recognized as a loss will be the excess of the carrying amount over the fair value of the asset and such loss is recognized in net income of the year when determined.

2.19 Contingencies

The Bank considers as contingent obligations those operations in which it has assumed credit risks and which, depending on future events, may become direct obligations of the Bank with third parties.

2.20 Accounts receivable

Accounts receivable are measured at amortized cost, net of any impairment loss.

The allowance for doubtful accounts is recognized through a charge to expense account for losses resulting from doubtful accounts. These receivables are charged to earnings when management determines that collectability is doubtful based on installments made, client's payment history and evaluation of collaterals, if they exist.

2.21 Distribution of dividends

The Bank pays dividends based on the results of their operations in accordance with the decisions of the Board of Directors' meeting. As established by Resolution No. 12-2001 dated December 5, 2001, issued by the Superintendence of Banks of the Dominican Republic, which provides the allowed maximum amount of dividends to be distributed among the shareholders, should not be greater than the amount of accumulated retained earnings. This distribution is also subject to the provisions established by the Bank's Organic Law No. 6133 and its amendments (see note 26).

2.22 Revaluation surplus

Revaluation surplus is the difference between the value appraised by independent appraisers and the carrying amount of land and buildings at the time of revaluation, net of the corresponding depreciation.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

2.23 Mathematical and technical reserves - life insurance and collective insurance

The insurance subsidiary Seguros Banreservas, S. A. (the Company) determines the mathematical and technical reserves on the basis of net premiums and considers mortality tables and interest used by the Company, and consist of the amount equivalent to the difference between the present value of the Company's obligation towards the insured and the present value of the insured obligations towards the Company, which is determined based on actuarial calculations.

Resolutions 293-09 and 294-09, changed the basis for calculating these provisions, considering the indexed salary which should be determined in accordance with changes in the consumer price index reported by the Central Bank of the Dominican Republic, when the application of this basis results in a lower amount, the original basis of calculation should be maintained. Reserves for outstanding casualty claims regarding disability and survivorship should amount to 45% of the estimated actuarial reserve.

As established in Article 141 of Law No. 146-02 on Insurance and Guarantees of the Dominican Republic, technical reserves for collective life, personal accident and health insurance are calculated on the basis of the following specific percentages:

Collective life, personal accidents and health insurances, provided premiums are collected on a monthly basis	5%
Personal accidents when the premium is collected at terms	40%
Survivorship and disability	<u>5%</u>

2.24 Reserves for unearned insurance premiums, commissions on unearned reinsurance premiums

As established by Law No. 146-02 of the Superintendence of Insurance, unearned premium reserves, commissions on unearned premiums and unearned commissions on assigned reinsurance premiums are determined based on fixed percentages, as follows:

Transportation and freight insurance	15%
Bank guarantees	40%
For other insurances	<u>40%</u>

2.25 Specific reserves

Claims for insurance contracts that are pending for settlement or payment at the date of the financial statements are recorded as specific reserves.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

2.26 Amortization of non-proportional contracts - catastrophic premiums

Non-proportional (catastrophic) contracts have a term from July 1 to June 30 of the following year. Premiums paid on these contracts are amortized on a straight line basis.

2.27 Incurred but Not Reported claim reserves (IBNR)

This reserve represents the amount of claims that have occurred at the date of the financial statements, but have not been reported to the ARS.

Resolution No. 163-2009 of the Superintendence of Health and Labor Risks, states that the Bank should calculate the IBNR reserve based on 10% of the claims incurred during the current period less the claims incurred from the previous year.

2.28 Segment reporting

A business segment is a group of assets and operations that are responsible for providing products or services which are subject to risks and returns that are different from those of other business segments. Geographic segments provide products or services within a particular economic environment that is subject to risk and rewards that are different to other segments in other economic environment.

3 Transactions in foreign currency and exchange exposure

The following is a summary of the Bank's balances in foreign currency as of December 2014 and 2013:

	2014		2013	
	Amounts in Foreign Currency <u>US\$</u>	Total in <u>RD\$</u>	Amounts in Foreign Currency <u>US\$</u>	Total en <u>RD\$</u>
Assets				
Available funds	1,031,984	45,617,078	802,751	34,255,231
Investments	14,305	632,320	10,288	439,013
Loans portfolio, net	1,834,358	81,084,695	1,840,014	78,517,644
Debtors by acceptances	518	22,895	37	1,593
Accounts receivable - insurance premiums	27,030	1,194,820	16,893	720,856
Accounts receivable	1,392	61,513	361	15,405
Investment in shares, net	831	36,758	956	40,795
Other assets	543	23,992	95	4,054
Contingencies (a)	-	-	<u>100,000</u>	<u>4,267,230</u>
Total assets	<u>2,910,961</u>	<u>128,674,071</u>	<u>2,771,395</u>	<u>118,261,821</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Liabilities				
Customer deposits	1,555,725	68,768,170	1,641,008	70,025,587
Deposits from domestic and foreign financial institutions	336,166	14,859,657	164,890	7,036,250
Borrowed funds	746,855	33,013,470	519,054	22,149,269
Outstanding acceptances	518	22,895	37	1,593
Obligations derived from insurances and bonds	4,134	182,726	3,451	147,259
Other liabilities	15,943	704,737	11,939	509,465
Subordinated debts	<u>306,501</u>	<u>13,548,332</u>	<u>306,307</u>	<u>13,070,810</u>
Total liabilities	<u>2,965,842</u>	<u>131,099,987</u>	<u>2,646,686</u>	<u>112,940,233</u>
Net foreign (short) long exchange position	<u>(54,881)</u>	<u>(2,425,916)</u>	<u>124,709</u>	<u>5,321,588</u>

- a) Corresponds to the nominal value of a transaction by virtue of a "Purchase Currency Agreement with the Option of Repurchase" with the Central Bank of the Dominican Republic (BCRD), in which the Bank sold to the BCRD US\$100 million to be converted to Dominican pesos at a fixed exchange rate. In return, BCRD agrees to sell at the same initial purchase exchange rate for a period of 30 days. The accounting and presentation of these transactions are conducted pursuant to Circular Letter CC/07/10 issued by the Superintendence of Banks.

At December 31, 2014 and 2013, the exchange rates used to translate US dollars to Dominican Pesos was RD\$44.2033 and RD\$42.6723, respectively.

4 Available funds

Available funds are summarized as follows:

		<u>2014</u>	<u>2013</u>
Cash on hand (a)	RD\$	6,882,366	6,588,282
Central Bank of the Dominican Republic (b)		37,197,507	38,652,218
Domestic banks (c)		1,156,310	162,155
Foreign banks (d)		8,968,692	11,788,321
Other funds - in transit (e) (f)		19,511,858	2,492,562
Interest receivable		<u>13</u>	<u>172</u>
	RD\$	<u>73,716,746</u>	<u>59,683,710</u>

- (a) Includes US\$22,161 in 2014 and US\$44,555 in 2013.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

- (b) Includes US\$370,895 in 2014 and US\$426,135 in 2013
- (c) Includes US\$25,559 in 2014 and US\$4,470 in 2013
- (d) Includes US\$202,896 in 2014 and US\$276,252 in 2013
- (e) Includes US\$410,473 in 2014 and US\$51,339 in 2013
- (f) Represents funds received from others banks pending to be collected at the Banks Clearing House. At December 31, 2014, includes an amount of approximately RD\$19,153,000, corresponding to transaction that were rejected in the deposit accounts of the Dominican State, to settle loan facilities on December 31, 2014. This amount was presented in this line item and authorized by the Superintendence of Banks.

At December 31, 2014 and 2013, mandatory deposits (encage legal) requirements were RD\$21,518,778 and US\$246,677 and RD\$20,630,714 and US\$333,613, respectively. For this purpose, the Bank maintains cash in the Central Bank of the Dominican Republic and loans portfolio in productive sectors for amounts of RD\$21,875,234 and RD\$20,698,031 and US\$377,725 and US\$427,624, respectively.

5 Interbank funds

The movements of interbank funds received and granted during the years ended December 31, 2014 and 2013, are as follows:

Entity	Quantity	2014		
		Amounts in RD\$	No. of Days	Weighted Average Rate
Banco BHD León, S. A.,				
Banco Múltiple	5	1,600,000	3	6.57%
Banco Múltiple Santa Cruz, S. A.	3	225,000	3	6.75%
Banco Múltiple Promérica de la República Dominicana, S. A.	2	75,000	5	7.95%
Banco BDI, S. A.	8	267,000	3	6.75%
Banco Múltiple Caribe Internacional, S. A.	1	50,000	1	7.00%
Asociación la Nacional de Ahorros y Préstamos	1	50,000	1	7.00%
BanESCO, Banco Múltiple, S. A.	1	95,000	6	6.75%
Citibank, N. A.	6	1,750,000	3	6.25%
		<u>4,112,000</u>		

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

<u>Entity</u>	<u>Quantity</u>	2013		
		<u>Interbank Assets</u>		
		<u>Amounts in RD\$</u>	<u>No. of Days</u>	<u>Weighted Average Rate</u>
Banco BHD León, S. A., Banco Múltiple	5	780,000	3	6.50%
Banco Múltiple Santa Cruz, S. A.	9	610,000	3	6.56%
Banco BDI, S. A.	12	393,000	8	6.53%
Banco Múltiple Vimenca, S. A.	1	50,000	1	6.75%
Banco Múltiple Caribe, S. A.	12	600,000	3	6.71%
Citibank, N. A.	4	<u>1,300,000</u>	2	<u>6.43%</u>
		<u>3,733,000</u>		

During the years 2014 and 2013, the Bank negotiated interbank funds with different financial institutions; however, at December 31, 2014 and 2013, there are no pending balances in interbank funds.

6 Investments

A summary of investments is presented as follows:

December 31, 2014				
<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest Rate</u>	<u>Maturity</u>
Time deposits, overnight, letters and interest-bearing deposits	Central Bank of the Dominican Republic	12,231,460	4.75% up to 22%	2015 to 2021
Bonds Law 121-05	Dominican Republic State	1,500,000	2.00% plus inflation	2015
Time certificates	Citibank, N. A. corresponds to US\$1,214	53,667	0.84%	2015
Bonds Law 175-12	Dominican Republic State (includes US\$5,362)	237,040	7.00%	2023
Bonds Law 361-11	Dominican Republic State	828,022	15.00% up to 16.95%	2019 until 2022
Bonds Law 193-11	Dominican Republic State	108,544	5.00%	2016
Bonds Law 99-01	Dominican Republic State	375,000	1.00%	2021
Bonds Law 58-13	Dominican Republic State	3,413,413	12.50% up to 18.50%	2018 until 2028
Bonds Law 294-11	Dominican Republic State, corresponds to US\$98	4,340	7.50%	2015 until 2021
Bonds Law 131-11	Dominican Republic State	104,377	9.70% up to 15.95%	2015 until 2029

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Bonds Law 152-14	Dominican Republic State	10,135,029	10.40% up to 11.50%	2019 until 2029
Time deposits	Banco Agrícola de la República Dominicana	1,485,000	6.00% up to 7.00%	2015
Time deposits	Asociación Popular de Ahorros y Préstamos	134,755	5.15%	2015
Corporate bonds	Parallax Valores, Puesto de Bolsa, S. A.	75,158	10.00% and 10.90%	2015 and 2018
Corporate bonds	Ege Haina (corresponds to US\$3,363)	148,643	5.40% up to 6.25%	2016 and 2020
Time deposits	Asociación Peravia de Ahorros y Préstamos	48,086	7.75%	2015
Time deposits	Asociación Cibao de Ahorros y Préstamos	17,458	6.00% and 6.50%	2015
Time deposits	Asociación La Vega Real de Ahorros y Préstamos	64,977	6.00%	2015
Time deposits	Asociación Maguana de Ahorros y Préstamos	19,536	6.50% and 7.00%	2015
Time deposits	Asociación Romana de Ahorros y Préstamos	48,758	7.50%	2015
Time deposits	Asociación Duarte de Ahorros y Préstamos	4,876	7.00%	2015
Time deposits	Asociación Mocana de Ahorros y Préstamos	62,944	7.00% and 7.50%	2015
Time deposits	Banco Múltiple Caribe, S. A., corresponds to US\$165	83,191	2.80% up to 9.00%	2015
Time deposits	Banco Múltiple Promérica de la República Dominicana, S. A.	69,973	7.75% up to 8.50%	2015
Time deposits	Motor Crédito, S. A. Banco de Ahorro y Crédito	10,533	7.50%	2015
Time deposits	Banco Múltiple de las Américas, S. A.	71,000	6.00% and 8.50%	2015
Bonds	Dominican Republic State S. A.	5,187	2.50% and 5.00%	Past due
Time deposits	Asociación Bonao de Ahorros y Préstamos	22,000	5.00% and 6.00%	2015
Time deposits	Cooperativa Banreservas	14,000	6.60%	2015
Corporate bonds	Compañía de Electricidad de Puerto Plata, S. A. corresponds to US\$3,356	148,337	5.75 up to 6.25%	2019
Restricted securities				
Time deposits	Central Bank of the Dominican Republic	180	13.00%	2015
Bonds	Central Bank of the Dominican Republic	241,999	10.10 up to 12.97%	2018 and 2019
Bonds Law 131-11	Dominican Republic State	416,921	14.00% up to 15.95%	2015 to 2021
Bonds Law 366-09	Dominican Republic State	877,752	9.07% up to 16.00%	2017
Bonds Law 175-12	Dominican Republic State (corresponds to US\$188)	8,307	5.50%	2023

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Bonds Law 152-14	Dominican Republic State	858,219	9.85% up to 12.15%	2019 to 2024
Mortgage notes	Banco BHD León, S. A., Banco Múltiple	201	6.75%	2015
Time deposits	Asociación Popular de Ahorros y Préstamos	3,000	5.15%	2015
Profitability guarantee	Asociaciones de Ahorros y Préstamos	635,418	-	-
Time deposits	Foreclosed financial institution	99,049	-	-
Bonds	United States Treasury, corresponds to US\$688	<u>30,437</u>	1.61%	2024
		34,696,787		
	Interest receivable, include US\$123	<u>834,324</u>		
		35,531,111		
	Allowance for investment includes US\$252	<u>(223,491)</u>		
		<u>35,307,620</u>		

December 31, 2013

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest Rate</u>	<u>Maturity</u>
Time certificates, overnight, letters and interest-bearing deposits	Central Bank of the Dominican Republic	22,724,619	4.55% up to 17%	2014 to 2020
Bonds Law 121-05	Dominican Republic State (note 26)	1,500,000	2.00% plus inflation	2015
Time certificates	Citibank, N. A. corresponds to US\$5,513	235,261	4.00% and 4.25%	2014 and 2015
Bonds Law 366-09	Dominican Republic State includes (US\$503)	1,807,657	7.75% up to 16.00%	2015 until 2020
Bonds Law 175-12	Dominican Republic State includes (US\$1,117)	47,684	13.50% up to 16.00%	2023
Bonds Law 361-11	Dominican Republic State	602,581	15.00% up to 16.95%	2019 until 2022
Bonds Law 193-11	Dominican Republic State	430,891	2.00% up to 8.00%	2014 until 2017
Bonds Law 99-01	Dominican Republic State	450,000	1.00%	2019
Bonds Law 58-13	Dominican Republic State	10,189,723	12.5% up to 18.50%	2018 until 2028
Time certificates	Banco Agrícola de la República Dominicana	700,000	6.00%	2014
Time deposits	Banco Nacional de Fomento Vivienda y Producción	548,763	2.00% and 8.50%	2014 until 2017

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Time deposits	Asociación Popular de Ahorros y Préstamos	177,910	5.94%	2014
Corporate bonds	Parallax Valores, Puesto de Bolsa, S. A.	227,483	7.75% up to 12.25%	2014 until 2018
Corporate bonds	Ege Haina (corresponds to US\$2,506)	106,931	6.00% up to 7.00%	2014 until 2016
Time deposits	Asociación Peravia de Ahorros y Préstamos	44,511	7.75%	2014
Time deposits	Asociación Cibao de Ahorros y Préstamos	16,447	6.00%	2014
Time deposits	Asociación La Nacional de Ahorros y Préstamos	23,914	6.82%	2014
Time deposits	Asociación La Vega Real de Ahorros y Préstamos	60,639	7.38%	2014
Time deposits	Asociación Maguana de Ahorros y Préstamos	4,536	6.50%	2014
Time deposits	Asociación Romana de Ahorros y Préstamos	64,758	7.50%	2014
Time deposits	Asociación Duarte de Ahorros y Préstamos	4,576	7.00%	2014
Time deposits	Asociación Mocana de Ahorros y Préstamos	58,519	7.32%	2014
Time deposits	Banco Múltiple Caribe, S. A., corresponds to US\$160	98,879	3.75% up to 7.19%	2014
Time deposits	Banco Centroamericano de Integración Económica	100,000	12.00%	2014
Time deposits	Banco Múltiple León, S. A.	74,402	5.54% up to 9.60%	2014
Time deposits	Banco Múltiple Promérica República Dominicana, S. A.	120,310	8.04% up to 10.12%	2014
Time deposits	Banesco Banco Múltiple, S. A.	64,511	7.08%	2014
Time deposits	Corporación Crédito América, S. A.	387	9.50%	2014
Time deposits	Motor Crédito, S. A. Banco de Ahorro y Crédito	23,000	6.50%	2014
Time deposits	Banco Múltiple Santa Cruz, S. A.	9,100	8.31%	2014
Time deposits	Banco Múltiple de las Américas, S. A.	48,800	7.73%	2014
Time deposits	Dominican Republic State	5,187	2.50% and 5.00%	Past due
Time deposits	Asociación Bonao de Ahorros y Préstamos	26,978	5.17%	2014
Time deposits	Cooperativa Banreservas	14,000	6.20%	2014
Corporate bonds	Industrias Nacionales, S. A.	21,436	7%	2016
Corporate bonds	Cervecería Nacional Dominicana, S. A.	5,000	13%	2016

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Restricted securities

Time deposits	Central Bank of the Dominican Republic	150,023	13.00%	2015
Bonds Law 131-11	Dominican Republic State	2,533,025	14.00% up to 15.95%	2014 to 2021
Mortgage notes	Banco Múltiple BHD, S. A.	201	6.65%	2014
Time deposits	Asociación Popular de Ahorros y Préstamos	3,000	6.00%	2014
Profitability guarantee	Asociaciones de Ahorros y Préstamos	500,900		
Time deposits	Foreclosed financial institution	176,154	-	-
Bonds	United States Treasury, corresponds to US\$684	29,174	1.61%	
		<u>44,031,870</u>		
	Interest receivable, include US\$3	<u>1,599,675</u>		
		45,631,545		
	Allowance for investment includes US\$198	<u>(153,240)</u>		
		<u><u>45,478,305</u></u>		

7 Loans portfolio

a) The breakdown of the portfolio by type is presented as follows:

	2014			2013		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
<u>Commercial loans:</u>						
Advances on checking accounts	RD\$ -	14,697	14,697	-	16,031	16,031
Loans (includes US\$960,691 and US\$1,837,229 in 2014 and 2013)	45,731,503	84,960,624	130,692,127	87,172,497	67,670,753	154,843,250
Discounted notes	-	2,863	2,863	-	-	-
Discounts on invoices (includes US\$807,662 in 2014)	-	35,706,212	35,706,212	-	1,406	1,406
Financial leases (corresponds to US\$717 in 2013)	-	34,074	34,074	30,602	37,771	68,373

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Advance on export notes (includes US\$54 in 2014)	-	2,374	2,374	-	-	-
Letters of credit, (include US\$61,604 and US\$23,791 in 2014 and 2013)	-	2,723,101	2,723,101	-	1,015,229	1,015,229
Other loans	-	<u>12,242</u>	<u>12,242</u>	-	<u>527</u>	<u>527</u>
	<u>45,731,503</u>	<u>123,456,187</u>	<u>169,187,690</u>	<u>87,203,099</u>	<u>68,741,717</u>	<u>155,944,816</u>
<u>Consumer credit:</u>						
Credit						
cards, (include US\$10,472 and US\$8,412 in 2014 and 2013)	-	3,519,502	3,519,502	-	2,646,242	2,646,242
Consumer loans includes US\$3,188 and US\$2,702 in 2014 and 2013)	-	<u>32,073,564</u>	<u>32,073,564</u>	-	<u>19,476,305</u>	<u>19,476,305</u>
	-	<u>35,593,066</u>	<u>35,593,066</u>	-	<u>22,122,547</u>	<u>22,122,547</u>
<u>Mortgage loans:</u>						
Residential purchases (includes US\$1,697 and US\$1,166 in 2014 and 2013)	-	24,346,792	24,346,792	-	16,257,055	16,257,055
Constructions, improvements, repairs, expansion and others	-	<u>791,924</u>	<u>791,924</u>	-	<u>459,341</u>	<u>459,341</u>
	-	<u>25,138,716</u>	<u>25,138,716</u>	-	<u>16,716,396</u>	<u>16,716,396</u>
	<u>45,731,503</u>	<u>184,187,969</u>	<u>229,919,472</u>	<u>87,203,099</u>	<u>107,580,660</u>	<u>194,783,759</u>
Interest receivable, (includes US\$23,639 and US\$5,884 in 2014 and 2013)	660,047	1,666,963	2,327,010	148,768	970,652	1,119,420
Allowance for loan losses and interest receivable (includes US\$34,649 and US\$39,887 in 2014 and 2013)	<u>(11,138)</u>	<u>(5,445,375)</u>	<u>(5,456,513)</u>	<u>(15,801)</u>	<u>(5,423,599)</u>	<u>(5,439,400)</u>
RD\$	<u>46,380,412</u>	<u>180,409,557</u>	<u>226,789,969</u>	<u>87,336,066</u>	<u>103,127,713</u>	<u>190,463,779</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

b) The status of the loans portfolio is as follows:

	2014			2013		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Commercial loans:						
Current (i) (includes US\$1,759,541, and US\$1,795,297 in 2014 and 2013)	RDS 45,731,503	112,063,752	157,795,255	87,203,099	60,225,731	147,428,830
Restructured (ii), (includes US\$59,467 US\$40,970 in 2014 and 2013)	-	4,320,589	4,320,589	-	2,017,327	2,017,327
Past due:						
31 to 90 days (iii), (includes US\$59 and US\$3 in 2014 and 2013)	-	37,920	37,920	-	37,672	37,672
More than 90 days (iv), (includes US\$4,119 US\$7,750 in 2014 and 2013)	-	563,074	563,074	-	739,545	739,545
Legal collections (v), (includes US\$6,073 and US\$16,774 in 2014 and 2013)	-	583,564	583,564	-	1,867,349	1,867,349
	<u>45,731,503</u>	<u>117,568,899</u>	<u>163,300,402</u>	<u>87,203,099</u>	<u>64,887,624</u>	<u>152,090,723</u>
Microenterprise loans:						
Current (i) (includes US\$738 and US\$206 in 2014 and 2013)	-	5,794,820	5,794,820	-	3,686,540	3,686,540
Restructured (ii)	-	7,153	7,153	-	5,083	5,083
Past due:						
31 to 90 days (iii), (includes US\$5 in 2014)	-	9,172	9,172	-	5,179	5,179
More than 90 days (iv)	-	58,607	58,607	-	42,091	42,091
Legal collections (v), (includes US\$10 and US\$738 in 2014 and 2013)	-	17,536	17,536	-	115,200	115,200
	<u>-</u>	<u>5,887,288</u>	<u>5,887,288</u>	<u>-</u>	<u>3,854,093</u>	<u>3,854,093</u>
Consumer loans:						
Current (i) (includes US\$13,044 and US\$10,324 in 2014 and 2013)	-	35,194,503	35,194,503	-	21,815,056	21,815,056
Restructured (ii)	-	4,555	4,555	-	3,080	3,080

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Past due:						
31 to 90 days (iii), (includes US\$3 in 2014)	-	67,160	67,160	-	10,866	10,866
More than 90 days (iv), (includes US\$612 and US\$782 in 2014 and 2013)	-	322,510	322,510	-	256,252	256,252
Legal collection (v), (includes US\$7 in 2013)	-	4,338	4,338	-	37,293	37,293
	-	<u>35,593,066</u>	<u>35,593,066</u>	-	<u>22,122,547</u>	<u>22,122,547</u>
<u>Mortgage loans:</u>						
Current (i) (includes US\$1,586 and US\$706 in 2014 and 2013)	-	24,845,246	24,845,246	-	16,307,379	16,307,379
Restructured (ii)	-	5,539	5,539	-	20,273	20,273
Past due:						
31 to 90 days (iii), (includes US\$1 and US\$2 in 2014 and 2013)	-	2,717	2,717	-	2,458	2,458
More than 90 days (iv), (includes US\$109 and US\$431 in 2014 and 2013)	-	200,559	200,559	-	211,059	211,059
Legal collection (v), (includes US\$27 in 2013)	-	84,655	84,655	-	175,227	175,227
	-	<u>25,138,716</u>	<u>25,138,716</u>	-	<u>16,716,396</u>	<u>16,716,396</u>
<u>Interest receivable:</u>						
Current (i), (includes US\$21,387 and US\$5,070 in 2014 and 2013)	660,047	1,195,485	1,855,532	148,768	771,156	919,924
Restructured (ii) includes US\$9 and US\$87 in 2014 and 2013)	-	20,668	20,668	-	12,994	12,994
Past due:						
31 to 90 days (iii), (includes US\$11 and US\$77 in 2014 and 2013)	-	65,257	65,257	-	37,834	37,834
More than 90 days (iv), (includes US\$2,127 and US\$288 in 2014 and 2013)	-	361,932	361,932	-	80,746	80,746

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Legal collections (v), (includes US\$106 and US\$362 in 2014 and 2013)	-	<u>23,621</u>	<u>23,621</u>	-	<u>67,922</u>	<u>67,922</u>
	<u>660,047</u>	<u>1,666,963</u>	<u>2,327,010</u>	<u>148,768</u>	<u>970,652</u>	<u>1,119,420</u>
Allowance on loans and interest receivable, (includes US\$34,649 and US\$39,887 in 2014 and 2013)	<u>(11,138)</u>	<u>(5,445,375)</u>	<u>(5,456,513)</u>	<u>(15,801)</u>	<u>(5,423,599)</u>	<u>(5,439,400)</u>
	<u>RD\$ 46,380,412</u>	<u>180,409,557</u>	<u>226,789,969</u>	<u>87,336,066</u>	<u>103,127,713</u>	<u>190,463,779</u>

- (i) Represents loans that are current in principal payment.
- (ii) Represents principal and interest receivable, that being current or past due, their payment terms and conditions have changed, resulting in a change in the interest rate and maturity of the original loan contract, as well as credits originated from interest capitalization, default commissions and other charges of a previous loan.
- (iii) Correspond to installments of principal and interest in arrears from 31 to 90 days from the day in which the principal should have been paid.
- (iv) Corresponds to total principal and interest receivable that are past due in their principal payments for more than 90 days. For loans payable in installments, the total loan amounts are classified as past due when the installments are more than 90 days past due. Furthermore, includes overdrafts in checking accounts with more than three days in arrears.
- (v) Corresponds to principal and interest receivable of loans that are in legal collection process.

c) *By type of collateral:*

		2014			2013		
		Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Multi use collateral (i)	RD\$	-	60,287,405	60,287,405	5,957	53,251,211	53,257,168
Specific use collaterals (ii)		-	3,933,849	3,933,849	-	2,865,302	2,865,302
Without collateral (iii)		<u>45,731,503</u>	<u>119,966,715</u>	<u>165,698,218</u>	<u>87,197,142</u>	<u>51,464,147</u>	<u>138,661,289</u>
		<u>45,731,503</u>	<u>184,187,969</u>	<u>229,919,472</u>	<u>87,203,099</u>	<u>107,580,660</u>	<u>194,783,759</u>
Interest receivable		660,047	1,666,963	2,327,010	148,768	970,652	1,119,420
Allowance for losses and interest receivable		<u>(11,138)</u>	<u>(5,445,375)</u>	<u>(5,456,513)</u>	<u>(15,801)</u>	<u>(5,423,599)</u>	<u>(5,439,400)</u>
	RD\$	<u>46,380,412</u>	<u>180,409,557</u>	<u>226,789,969</u>	<u>87,336,066</u>	<u>103,127,713</u>	<u>190,463,779</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

- (i) Multi-use collaterals are real estate assets that are not specific to a certain activity, can be used for a variety of purposes, easy to convert to cash, easy to appraise, easy to foreclose upon, transferrable without excessive costs and of stable value. These collaterals are considered between 50% and 100% of their value for risk coverage depending on the collateral. These collaterals are considered for coverage according to the following detail:

<u>Type of collaterals</u>	<u>Percentage of Admittance</u>
Public sector securities	100%
Securities issued by the same financial institution	100%
Securities from other financial institutions and bank standby	95%
Real estate	80%
Inventories	90%
Industry of multiple use	70%
Hotels located in developed touristic zones	70%
Hotels located in recently established touristic zones	50%
Free-trade zones of multiple use	60%
Other multi-use collateral	<u>70%</u>

- (ii) Specific-use collaterals are real guarantees that due to their nature are considered of unique use and for that reason present characteristics that are difficult to sell due to their specialized origin. These collaterals are applied according to the following percentages:

Motor vehicles with less than five years of use and heavy vehicles with insurance	50%
Industry of unique use	30%
Other specific-use collaterals	<u>30%</u>

- (iii) This category considers as unsecured loans those that are secured by insurance policies and other guarantees.

At December 31, 2014 and 2013, includes RD\$34,255,977 and RD\$79,728,173, which corresponds to public sector loans, that were included in the Budget of Revenues and Public Expenses Law (Presupuesto de Ingresos, y Ley de Gastos Públicos) authorized by the Ministry of Finance and/or specific laws approving these loans.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

d) By source of funds:

	RD\$	2014			2013		
		Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Own funds		45,731,503	184,020,266	229,751,769	87,203,099	107,182,653	194,385,752
Banco Nacional de Fomento de la Vivienda y la Producción		-	3,302	3,302	-	8,654	8,654
Other national institutions		-	164,401	164,401	-	389,353	389,353
		<u>45,731,503</u>	<u>184,187,969</u>	<u>229,919,472</u>	<u>87,203,099</u>	<u>107,580,660</u>	<u>194,783,759</u>
Interest receivable		660,047	1,666,963	2,327,010	148,768	970,652	1,119,420
Allowance for loan losses and interest receivable		(11,138)	(5,445,375)	(5,456,513)	(15,801)	(5,423,599)	(5,439,400)
	RD\$	<u>46,380,412</u>	<u>180,409,557</u>	<u>226,789,969</u>	<u>87,336,066</u>	<u>103,127,713</u>	<u>190,463,779</u>

e) By term:

	RD\$	2014			2013		
		Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Short-term (up to one year)		4,290,829	89,092,157	93,382,986	42,512,416	42,469,616	84,982,032
Medium term (more than one year and up to three (3) years)		31,851,697	71,019,306	102,871,003	34,051,963	49,396,834	83,448,797
Long-term (more than three (3) years)		<u>9,588,977</u>	<u>24,076,506</u>	<u>33,665,483</u>	<u>10,638,720</u>	<u>15,714,210</u>	<u>26,352,930</u>
		<u>45,731,503</u>	<u>184,187,969</u>	<u>229,919,472</u>	<u>87,203,099</u>	<u>107,580,660</u>	<u>194,783,759</u>
Interest receivable		660,047	1,666,963	2,327,010	148,768	970,652	1,119,420
Allowance for loan losses and interest receivable		(11,138)	(5,445,375)	(5,456,513)	(15,801)	(5,423,599)	(5,439,400)
	RD\$	<u>46,380,412</u>	<u>180,409,557</u>	<u>226,789,969</u>	<u>87,336,066</u>	<u>103,127,713</u>	<u>190,463,779</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

f) *By economic sector:*

	RD\$	2014			2013		
		Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Government		45,730,517	-	45,730,517	87,020,561	-	87,020,561
Financial sector		986	2,701,837	2,702,823	182,538	2,114,095	2,296,633
Non-financial sector							
Agriculture, livestock and forestry		-	6,497,770	6,497,770	-	4,880,723	4,880,723
Fishing		-	4,462	4,462	-	1,000	1,000
Mining and quarries		-	429,110	429,110	-	361,698	361,698
Manufacturing industry		-	15,739,305	15,739,305	-	12,782,683	12,782,683
Electricity gas and, water		-	20,687,836	20,687,836	-	2,578,483	2,578,483
Construction		-	32,752,530	32,752,530	-	8,086,261	8,086,261
Wholesale and retail business		-	26,753,409	26,753,409	-	24,466,902	24,466,902
Hotels and restaurants		-	3,746,377	3,746,377	-	3,506,903	3,506,903
Transportation, warehousing and communication		-	927,039	927,039	-	612,295	612,295
Real estate, and leasing activities		-	5,727,906	5,727,906	-	3,931,501	3,931,501
Education		-	331,772	331,772	-	234,440	234,440
Health and social, services		-	482,981	482,981	-	483,220	483,220
Other social and personal services activities		-	61,506,464	61,506,464	-	39,675,790	39,675,790
Private household with local services		-	5,899,171	5,899,171	-	3,864,666	3,864,666
		<u>45,731,503</u>	<u>184,187,969</u>	<u>229,919,472</u>	<u>87,203,099</u>	<u>107,580,660</u>	<u>194,783,759</u>
Interest receivable		660,047	1,666,963	2,327,010	148,768	970,652	1,119,420
Allowance on loan losses and interest receivable		(11,138)	(5,445,375)	(5,456,513)	(15,801)	(5,423,599)	(5,439,400)
	RD\$	<u>46,380,412</u>	<u>180,409,557</u>	<u>226,789,969</u>	<u>87,336,066</u>	<u>103,127,713</u>	<u>190,463,779</u>

As of December 31, 2014 and 2013, loans to private sector include RD\$28,639 million and RD\$3,414 million respectively, corresponding to credit line operations with contractors who are guaranteed and working with the Dominican Republic Government, and that the Superintendence of Banks authorized by Circular ADM / 0075/15, dated February 5, 2015, to be classified in a risk category "A" with a provision of 1% and accounted as loans from the private sector.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

At December 31, 2014, loans to the private sector include an amount of approximately US\$400,000 (equivalent to RD\$17,681,320), corresponding to discounts on invoices transferred without resources to some power generators with which the Dominican Republic State had debts through the Dominican electricity sector, that according to Circular ADM / 0075/15 dated February 5, 2015 were authorized by the Superintendence of Banks and accounted for as loans to the private sector.

From December 2012, the Bank granted loans to public sector entities that were authorized by the Superintendence of Banks to be classified with 0% of provision requirement if the borrower is in the “A” risk category, according to communication No. 0981 dated December 14, 2012 from the Superintendence of Banks.

On March 27, 2014, the Bank signed a transactional agreement with a domestic financial institution, in which the following was agreed:

- ◆ The domestic financial institution sold to the Bank a loan portfolio classified by the Superintendence of Banks in the risk categories A, B and C, with a face value of RD\$1,420,009. This portfolio was acquired with a discount of RD\$355,002, that was recognized as other liabilities and is recorded in income during the term of the portfolio.
- ◆ According to communication 0379-14 dated June 17, 2014, the Superintendence of Banks gave its no objection to the Bank to classify into an A risk category with 0% of provision requirement, the loans received from the domestic financial institution for a period of two years, counting from the effective date of the portfolio transfer with was June 11, 2014.
- ◆ The domestic financial institution transferred to the Bank its loan portfolio, classified by the Superintendence of Banks in risk categories of D and E, with a face value of approximately RD\$800,000. This portfolio is managed by the Bank and a commission is charged when the amounts are recovered.

During 2014 and 2013, the Bank sold to foreign financial institutions, a portion of its participation in loan with the Ministry of Finance, which amounted to \$746,762 and \$253,233, respectively. These operations generated revenues for approximately RD\$750,000 and RD\$124,000 in 2014 and 2013, respectively, which are included in other income in the accompanying financial statements - statutory basis.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

8 Debtors by acceptances

A summary of debtors by acceptances is as follows:

	2014		2013	
	Amount in RD\$	Maturity Date	Amount in RD\$	Maturity Date
<u>Correspondent Bank</u>				
Wells Fargo Bank, corresponds to US\$443 in 2014 and US\$37 in 2013	19,580	2015	1,593	2014
Bank of America, corresponds to US\$75	3,315	2015	-	-
	22,895		1,593	

9 Accounts receivable

A summary of accounts receivable is as follows:

	2014	2013
Commissions receivable (include US\$238 in 2014 and US\$21 in 2013)	RD\$ <u>34,580</u>	<u>11,576</u>
Future contracts - foreign exchange	-	3,270
Other receivables:		
Advances to suppliers	6,118	-
Accounts receivable from employees	20,390	15,976
Recoverable expenses	18,753	146,593
Security deposits	36,527	23,715
Judicial and administrative deposits	2,014	2,014
Credit card claims	7,896	6,347
Accounts receivable from real estate and leasing operations (include US\$324 in 2014 and US\$257 in 2013)	15,711	3,581
Management funds	132,080	128,918
Discounted documents receivable	184,214	-
Returned checks	33	-
Accounts receivable - other, (include US\$830 and US\$83 in 2014 and 2013, respectively) (a)	886,256	600,788
	1,309,992	931,202
	RD\$ 1,344,572	942,778

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

- (a) At December 31, 2014 and 2013, includes RD\$50 and RD\$247 million paid to several entities on behalf of the Central Government, amount which will be recovered with the payment of 15% of the Bank's net profits, which under the Law No. 99-01 of April 5, 2001, amended the Organic Law of the Bank are used to cover debts of the Dominican State and its agencies with the Bank.

10 Premiums receivable

A summary of insurance premiums receivable is as follow:

	<u>2014</u>	<u>2013</u>
General insurances (includes US\$247,030 in 2014 and US\$16,893 in 2013)	RD\$ 1,016,106	1,041,498
Life insurance	<u>108,161</u>	<u>62,598</u>
	RD\$ <u>1,124,267</u>	<u>1,104,096</u>

11 Assets received in loans settlements

A summary of assets received in loans settlements as of December 31, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	RD\$ 488,924	17,677
Real estate	<u>7,287,063</u>	<u>7,130,402</u>
	7,775,987	7,148,079
Allowance for losses on assets received in loans settlements	<u>(4,803,987)</u>	<u>(4,354,023)</u>
	RD\$ <u>2,972,000</u>	<u>2,794,056</u>

Following is a description of assets received in loans settlements (by aging) as of December 31, 2014 and 2013:

	<u>2014</u>	
	<u>Amount</u>	<u>Allowance</u>
Up to 40 months:		
Furniture and equipment	RD\$ 485,993	(62,414)
Real estate	4,991,367	(2,442,946)
More than 40 months:		
Furniture and equipment	2,931	(2,931)
Real estate	<u>2,295,696</u>	<u>(2,295,696)</u>
Total	RD\$ <u>7,775,987</u>	<u>(4,803,987)</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

	2013	
	Amount	Allowance
Up to 40 months:		
Furniture and equipment	RD\$ 10,504	(6,894)
Real estate	5,184,939	(2,394,493)
More than 40 months:		
Furniture and equipment	7,173	(7,173)
Real estate	1,945,463	(1,945,463)
Total	RD\$ 7,148,079	(4,354,023)

12 Investments in shares

A summary of investments in shares is as follows:

December 31, 2014					
Amount of Investment in RD\$	Percentage of Shares	Type of Shares	Face Value RD\$	Market Value RD\$	Number of Outstanding Shares
<u>Investments in associates:</u>					
590,000	24.53%	Common	100	(a)	4,866,613
156,940	27.08%	Common	1,000	(a)	400,794
746,940					
<u>Investments in other companies:</u>					
37,949	0%	Common	258	1,327	128,776
618	3%	Common	5	(a)	123,689
8,037	11%	Common	100	(a)	80,372
15,605	10%	Common	100	(a)	69,221
19,892 (b)					
82,101					
829,041					
(11,823)(c)					
Total					
					817,218

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

December 31, 2013					
Amount of Investment in RD\$	Percentage of Shares	Type of Shares	Face Value RD\$	Market Value RD\$	Number of Outstanding Shares
<u>Investments in associates:</u>					
<u>21,001</u>	27.08%	Common	100	(a)	17,500
<u>Investments in other companies:</u>					
269,644	18.40%	Common	100	(a)	523,054
618	3%	Common	5	(a)	123,689
36,635	0.23%	Common	249	1,196	128,776
8,037	11%	Common	100	(a)	80,372
6,923	10%	Common	100	(a)	69,221
2,134	50%	Type A	250	(a)	200
3,200	50%	Type B	50	(a)	1,500
<u>3,861</u> (b)					
<u>331,052</u>					
352,053					
<u>(22,424)</u> (c)					
Total					
<u><u>329,629</u></u>					

(a) In the Dominican Republic there is no active market where the Bank can obtain the market value of these local investments; however, for investments in shares of companies that are listed in active markets and which book value at December 31, 2014 and 2013 amounted to RD\$37.9 and RD\$36.6 million, respectively, the market value was RD\$170.9 and RD\$154.0 million, respectively.

(b) Corresponds to minor investments in several entities.

(c) Represents an allowance for investments in shares.

As of December 31, 2014 and 2013, investments in shares include US\$831 and US\$956, net of allowance for US\$27 and US\$28, respectively.

A movement of the investment and dividends received and investments in shares in net income of the associates at December 31, 2014 and 2013, is as follows:

		<u>2014</u>	<u>2013</u>
Investment balances at January 1st	RD\$	21,000	21,000
Reclassification due to change in influence		269,645	-
Acquisition of shares		175,736	-
Equity share recognized		297,857	-
Dividends received in cash		<u>(17,298)</u>	<u>-</u>
Investment balances at December 31	RD\$	<u>746,940</u>	<u>21,000</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

13 Property, furniture and equipment

As of December 31, 2014 and 2013, a summary of property, furniture and equipment are as follows:

	2014					
	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Furniture and Equipment</u>	<u>Leasehold Improvements</u>	<u>Constructions and Acquisitions in Process</u>	<u>Total</u>
Gross balances at January 1, 2014	RD\$ 1,200,021	3,659,104	4,711,353	11,494	415,033	9,997,005
Acquisitions	48,730	599,386	64,052	-	1,704,989	2,417,157
Retirements	(3,758)	(17,345)	(2,650,990)	(7,383)	-	(2,679,476)
Transfers	<u>17,800</u>	<u>289,820</u>	<u>735,612</u>	<u>32,799</u>	<u>(1,076,031)</u>	<u>-</u>
Balance at December 31, 2014	<u>1,262,793</u>	<u>4,530,965</u>	<u>2,860,027</u>	<u>36,910</u>	<u>1,043,991</u>	<u>9,734,686</u>
Accumulated Depreciation at January 1, 2014	-	(1,189,668)	(2,881,175)	(7,706)	-	(4,078,549)
Depreciation expenses	-	(132,344)	(488,857)	(10,784)	-	(631,985)
Retirements	-	5,097	2,584,482	7,383	-	2,596,962
Transfers	<u>-</u>	<u>140,948</u>	<u>(140,948)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2014	<u>-</u>	<u>(1,175,967)</u>	<u>(926,498)</u>	<u>(11,107)</u>	<u>-</u>	<u>(2,113,572)</u>
Property, furniture and equipment at December 31, 2014	RD\$ <u>1,262,793</u>	<u>3,354,998</u>	<u>1,933,529</u>	<u>25,803</u>	<u>1,043,991</u>	<u>7,621,114</u>
	2013					
	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Furniture and Equipment</u>	<u>Leasehold Improvements</u>	<u>Constructions and Acquisitions in Process</u>	<u>Total</u>
Gross balances at January 1, 2013	RD\$ 1,196,684	3,472,372	4,823,304	51,677	509,906	10,053,943
Acquisitions	-	48,751	23,870	-	676,568	749,189
Retirements	-	-	(290,333)	-	-	(290,333)
Write-offs	-	-	(470,769)	(45,025)	-	(515,794)
Transfers	<u>3,337</u>	<u>137,981</u>	<u>625,281</u>	<u>4,842</u>	<u>(771,441)</u>	<u>-</u>
Balance at December 31, 2013	<u>1,200,021</u>	<u>3,659,104</u>	<u>4,711,353</u>	<u>11,494</u>	<u>415,033</u>	<u>9,997,005</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Accumulated Depreciation at January 1, 2013	-	(1,014,040)	(3,124,575)	(36,652)	-	(4,175,267)	
Depreciation expenses	-	(175,628)	(409,084)	(16,079)	-	(600,791)	
Retirements	-	-	242,712	-	-	242,712	
Write offs	-	-	409,772	45,025	-	454,797	
Balance at December 31, 2013	-	(1,189,668)	(2,881,175)	(7,706)	-	(4,078,549)	
Property, furniture and equipment at December 31, 2013	RD\$	<u>1,200,021</u>	<u>2,469,436</u>	<u>1,830,178</u>	<u>3,788</u>	<u>415,033</u>	<u>5,918,456</u>

(a) Corresponds mainly to acquisitions, renovations and constructions of branches.

Land and buildings held by the Bank at December 31, 2004 are recognized at fair value determined by independent external appraisers. The difference between the historical cost of land and buildings and their fair values at the valuation date amounted to RD\$915,737,358, and is presented as a revaluation surplus in the accompanying consolidated financial statements - statutory basis.

14 Other Assets

A summary of other assets is as follows:

		<u>2014</u>	<u>2013</u>
Deferred charges:			
Commissions to insurance agents on unearned premiums	RD\$	209,078	175,422
Prepaid insurances		172,377	172,310
Non-deferred proportional reinsurance premium ceded (a)		414,737	300,242
Prepaid income tax		648,490	932,226
Receivable balance - taxes on productive financial assets		-	231,147
Other prepaid payments		147,772	205,732
Prepaid interest and commissions		14,969	23,693
Other deferred charges		<u>66,429</u>	<u>77,462</u>
		<u>1,673,852</u>	<u>2,118,234</u>
Intangibles:			
Software		200,218	175,718
Accumulated amortization of software		<u>(140,480)</u>	<u>(127,863)</u>
		<u>59,738</u>	<u>47,855</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Other assets:

Assets acquired for financial leases	726,873	-
Stationery and office supplies	132,950	117,494
Plastic credit card inventory	33,477	5,496
Libraries and artwork	23,366	23,099
Other miscellaneous assets (b)	938,841	180,712
Items pending for allocation (c), (includes US\$543 and US\$91 in 2014 and 2013)	153,632	31,329
Balances among offices, (includes US\$4 in 2013)	-	3,346
Others	<u>85,898</u>	<u>56,687</u>
	<u>2,095,037</u>	<u>418,163</u>
	RD\$ <u>3,828,627</u>	<u>2,584,252</u>

- (a) Corresponds to insurance premiums pending to be amortized of the reinsurance contracts for excess of losses.
- (b) Corresponds to cash advances to acquire software and other related expenses.
- (c) The Bank recognizes in this line item the debit balances of the items that due to operational reasons cannot be immediately recognized in the final accounts.

15 Summary of allowances for risky assets

A summary of the changes in allowances for risky assets is shown below:

	December 31, 2014					
	Loans <u>Portfolio</u>	<u>Investments</u>	Interest <u>Receivable</u>	Other <u>Assets (a)</u>	Contingent <u>Operations (b)</u>	<u>Total</u>
Balances at January						
1st 2014	RD\$ 4,975,095	175,583	464,386	4,354,023	82,043	10,051,130
Constitution of reserves	1,273,707	27,000	506,413	283,038	37,700	2,127,858
Write-offs against reserves	(1,071,042)	-	(120,507)	-	-	(1,191,549)
Transfers of reserves	(218,104)	31,735	6,314	166,926	13,129	-

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Release of reserves	-	-	(398,940)	-	-	(398,940)
Effect of change in exchange rates and others	<u>38,675</u>	<u>464</u>	<u>1,048</u>	<u>-</u>	<u>1,237</u>	<u>41,424</u>
Balance at December 31, 2014	4,998,331	234,782	458,714	4,803,987	134,109	10,629,923
Minimum allowances required at December 31, 2014 (c)	<u>4,990,399</u>	<u>212,874</u>	<u>458,714</u>	<u>4,798,303</u>	<u>94,545</u>	<u>10,554,835</u>
Excess (deficit) in the minimum allowances required December 31, 2014 (d)	RD\$ <u>7,932</u>	<u>21,908</u>	<u>-</u>	<u>5,684</u>	<u>39,564</u>	<u>75,088</u>

December 31, 2013						
	<u>Loans Portfolio</u>	<u>Investments</u>	<u>Interest Receivable</u>	<u>Other Assets (a)</u>	<u>Contingent Operations (b)</u>	<u>Total</u>
Balances at January 1st 2013	RD\$ 4,849,779	182,481	399,409	3,624,696	147,165	9,203,530
Constitution of reserves	1,605,000	1,050	251,829	388,969	17,600	2,264,448
Write-offs against reserves	(1,165,706)	-	-	-	-	(1,165,706)
Transfers of reserves	(399,521)	(8,000)	156,866	340,358	(89,703)	-
Release of reserves	-	-	(343,796)	-	-	(343,796)
Effect of change in exchange rates and others	<u>85,543</u>	<u>52</u>	<u>78</u>	<u>-</u>	<u>6,981</u>	<u>92,654</u>
Balance at December 31, 2013	4,975,095	175,583	464,386	4,354,023	82,043	10,051,130
Minimum allowances required at December 31, 2013 (c)	<u>4,489,970</u>	<u>175,583</u>	<u>464,386</u>	<u>4,354,023</u>	<u>70,738</u>	<u>9,554,700</u>
Excess (deficit) in the minimum allowances required December 31, 2013 (d)	RD\$ <u>485,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,305</u>	<u>496,430</u>

(a) Corresponds to the allowances for assets received in loans settlements.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

- (b) This provision is included in the line item of other liabilities in note 20 and the expense for constitution is included in operating expenses item in the accompanying consolidated income statements- statutory basis.
- (c) Represents the amounts of allowance determined by a self-assessment as of December 31, 2014 and 2013 plus other adjustments made.
- (d) In case that the required provisions are lower than the provisions made, the Superintendence of Banks of the Dominican Republic does not allow the release of provisions without prior authorization of the regulatory authorities, except allowances for interest receivable over 90 days.

The Superintendence of Banks through Letter No. 0981 dated December 14, 2012, informed the Bank its no objection for loans granted to the public sector classified in the "A" risk category to be treated in a similar way as the issuance of debt securities from the Ministry of Finance and the Central Bank with a provision requirement of 0%.

At December 31, 2014, loans to some power generating companies were classified at risk "A," and with a requirement for provision of 1%, as established in communication ADM/0089/12 issued by the Superintendence of Banks of the Dominican Republic in February 8, 2012. Also, the loans granted for the development of the Dominican road sector, were classified at risk "A" with a 0% requirement provision, as stated in Circular ADM / 0093/14 dated February 26, 2014.

The Superintendence of Banks through communication ADM / 0086/2014 of February 21, 2014, informed the Bank its no objection to develop a financing program for up to RD\$10,000,000 in favor of contractors for priority works both for the Central Government and decentralized and autonomous companies and nonfinancial public companies, that such be classified in risk category "A" and thus establish a provision of 1 percent. According to communication ADM / 0075/15 of the Superintendence of Banks dated February 5, 2015, the amount was increased to a maximum of RD\$17,000,000.

According communication ADM / 0075/15 dated February 5, 2015, the Superintendence of Banks granted its no objection to the Bank to classify as risk "A" with 0% provision loans granted to some power generating companies, with which the Dominican Republic Government had debts of US\$400,000 (equivalent to RD\$17,681,320).

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

16 Customers' deposits

Customers' deposits are summarized as follows:

a) By type

	December 31, 2014				
	Local Currency RD\$	Annual Weighted Average Rate	Foreign Currency RD\$	Annual Weighted Average Rate	Total RD\$
Checking	41,756,116	0.78%	-	-	41,756,116
Savings	47,766,537	0.26%	26,616,502	1.06%	74,383,039
Time	2,799	6.29%	42,151,668	2.37%	42,154,467
	<u>89,525,452</u>	<u>0.50%</u>	<u>68,768,170</u>	<u>1.86%</u>	<u>158,293,622</u>

	December 31, 2013				
	Local Currency RD\$	Annual Weighted Average Rate	Foreign Currency RD\$	Annual Weighted Average Rate	Total RD\$
Checking	48,043,752	0.59%	-	-	48,043,752
Savings	41,731,460	1.30%	26,073,681	1.05%	67,805,141
Time	2,816	6.15%	43,951,892	3.18%	43,954,708
Interest	116	-	14	-	130
	<u>89,778,144</u>	<u>0.92%</u>	<u>70,025,587</u>	<u>2.39%</u>	<u>159,803,731</u>

b) By sector

	December 31, 2014				
	Local Currency RD\$	Annual Weighted Average Rate	Foreign Currency RD\$	Annual Weighted Average Rate	Total RD\$
Non-financial public sector	21,187,347	0.78%	3,346,940	1.13%	24,534,287
Non-financial private sector	68,299,066	0.42%	64,070,788	1.90%	132,369,854
Non-resident	39,039	0.75%	1,350,442	1.40%	1,389,481
	<u>89,525,452</u>	<u>0.50%</u>	<u>68,768,170</u>	<u>1.86%</u>	<u>158,293,622</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

	December 31, 2013				
	Local Currency RD\$	Annual Weighted Average Rate	Foreign Currency RD\$	Annual Weighted Average Rate	Total RD\$
Non-financial public sector	29,405,425	0.59%	3,391,793	1.38%	32,797,218
Non-financial private sector	60,355,075	1.08%	65,332,074	2.44%	125,687,149
Non-resident Interests	17,528 116	0.61% -	1,301,706 14	1.38% -	1,319,234 130
	<u>89,778,144</u>	<u>0.92%</u>	<u>70,025,587</u>	<u>2.39%</u>	<u>159,803,731</u>

c) By maturity

	December 31, 2014				
	Local Currency RD\$	Annual Weighted Average Rate	Foreign Currency RD\$	Annual Weighted Average Rate	Total RD\$
0 to 15 days	89,522,778	0.50%	28,333,017	1.10%	117,855,795
16 to 30 days	98	6.04%	9,290,329	2.17%	9,290,427
31 to 60 days	799	6.76%	4,648,962	2.02%	4,649,761
61 to 90 days	425	6.03%	3,307,242	2.36%	3,307,667
91 to 180 days	338	6.46%	9,672,443	2.79%	9,672,781
181 to 360 days	-	0.00%	8,425,779	2.15%	8,425,779
More than 1 year	1,014	6.01%	5,090,398	2.75%	5,091,412
	<u>89,525,452</u>	<u>0.50%</u>	<u>68,768,170</u>	<u>1.86%</u>	<u>158,293,622</u>

	December 31, 2013				
	Local Currency RD\$	Annual Weighted Average Rate	Foreign Currency RD\$	Annual Weighted Average Rate	Total RD\$
0 to 15 days	89,775,442	0.92%	28,381,081	1.14%	118,156,523
16 to 30 days	146	6.59%	8,922,455	4.38%	8,922,601
31 to 60 days	609	6.82%	4,184,707	2.39%	4,185,316
61 to 90 days	630	5.22%	3,668,801	2.50%	3,669,431
91 to 180 days	295	6.80%	9,614,911	3.11%	9,615,206
181 to 360 days	-	0.00%	9,196,388	2.79%	9,196,388
More than 1 year	1,022	6.01%	6,057,244	3.44%	6,058,266
	<u>89,778,144</u>	<u>0.92%</u>	<u>70,025,587</u>	<u>2.39%</u>	<u>159,803,731</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

At December 31, 2014 and 2013, customer's deposits include restricted amounts for the following concepts:

	December 31, 2014				
	<u>Inactive Accounts</u>	<u>Foreclosed Funds</u>	<u>Deceased Customers</u>	<u>Security Deposits</u>	<u>Total RD\$</u>
Customers' deposits:					
Checking	58,357	498,903	16,050	-	573,310
Savings	744,277	213,015	338,413	171,119	1,466,824
Time	-	1,663	45,923	3,615,901	3,663,487
	<u>802,634</u>	<u>713,581</u>	<u>400,386</u>	<u>3,787,020</u>	<u>5,703,621</u>
	December 31, 2013				
	<u>Inactive Accounts</u>	<u>Foreclosed Funds</u>	<u>Deceased Customers</u>	<u>Security Deposits</u>	<u>Total RD\$</u>
Customer's deposits:					
Checking	72,113	492,423	22,339	-	586,875
Savings	809,910	146,455	243,916	172,601	1,372,882
Time	-	1,655	75,744	3,381,328	3,458,727
	<u>882,023</u>	<u>640,533</u>	<u>341,999</u>	<u>3,553,929</u>	<u>5,418,484</u>

At December 31, 2014 and 2013, customer's deposits include amounts of inactive accounts as follows:

	December 31, 2014		
	<u>From 3 to 10 Years</u>	<u>More than 10 Years</u>	<u>Total</u>
Customers' deposits:			
Checking	RD\$ 55,467	2,890	58,357
Savings	<u>716,392</u>	<u>27,885</u>	<u>744,277</u>
	<u>RD\$ 771,859</u>	<u>30,775</u>	<u>802,634</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

	December 31, 2013		
	<u>From 3 to 10 Years</u>	<u>More than 10 Years</u>	<u>Total</u>
Customers' deposits:			
Checking	RD\$ 69,505	2,608	72,113
Savings	<u>794,315</u>	<u>15,594</u>	<u>809,909</u>
	RD\$ <u>863,820</u>	<u>18,202</u>	<u>882,022</u>

17 Deposits from domestic and foreign financial institutions

A summary of deposits from domestic and foreign financial institutions is as follows:

a) By type and currency

	December 31, 2014				
	<u>Local Currency RD\$</u>	<u>Annual Weighted Average Rate</u>	<u>Foreign Currency RD\$</u>	<u>Annual Weighted Average Rate</u>	<u>Total RD\$</u>
Checking	2,899,927	0.78%	-	-	2,899,927
Savings	301,120	0.26%	10,488,492	1.06%	10,789,612
Time	<u>82</u>	<u>4.10%</u>	<u>4,371,165</u>	<u>1.37%</u>	<u>4,371,247</u>
	<u>3,201,129</u>	<u>0.73%</u>	<u>14,859,657</u>	<u>1.15%</u>	<u>18,060,786</u>

	December 31, 2013				
	<u>Local Currency RD\$</u>	<u>Annual Weighted Average Rate</u>	<u>Foreign Currency RD\$</u>	<u>Annual Weighted Average Rate</u>	<u>Total RD\$</u>
Checking	3,412,952	0.59%	-	-	3,412,952
Savings	162,006	1.30%	1,985,103	1.08%	2,147,109
Time	<u>82</u>	<u>4.78%</u>	<u>5,051,147</u>	<u>1.83%</u>	<u>5,051,229</u>
	<u>3,575,040</u>	<u>0.62%</u>	<u>7,036,250</u>	<u>1.61%</u>	<u>10,611,290</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

b) By maturity date

December 31, 2014					
	Local Currency RD\$	Annual Weighted Average Rate	Foreign Currency RD\$	Annual Weighted Average Rate	Total RD\$
0 to 15 days	3,201,077	0.73%	10,964,283	1.08%	14,165,360
16 to 30 days	-	0.00%	3,380,514	1.24%	3,380,514
31 to 60 days	-	0.00%	168,989	1.32%	168,989
61 to 90 days	50	4.05%	20,226	1.89%	20,276
91 to 180 days	-	0.00%	196,492	2.16%	196,492
181 to 1 year	-	0.00%	38,950	2.90%	38,950
More than 1 year	2	5.63%	90,203	2.99%	90,205
	<u>3,201,129</u>	<u>0.73%</u>	<u>14,859,657</u>	<u>1.15%</u>	<u>18,060,786</u>

December 31, 2013					
	Local Currency RD\$	Annual Weighted Average Rate	Foreign Currency RD\$	Annual Weighted Average Rate	Total RD\$
0 to 15 days	3,574,989	0.62%	2,198,574	1.07%	5,773,563
16 to 30 days	-	0.00%	3,560,764	1.70%	3,560,764
31 to 60 days	-	0.00%	37,231	2.12%	37,231
61 to 90 days	50	3.70%	14,469	2.14%	14,519
91 to 180 days	-	0.00%	1,169,447	2.25%	1,169,447
181 to 1 year	-	0.00%	43,378	2.93%	43,378
More than 1 year	2	5.50%	12,386	3.05%	12,388
	<u>3,575,041</u>	<u>0.62%</u>	<u>7,036,249</u>	<u>1.61%</u>	<u>10,611,290</u>

At December 31, 2014 and 2013, the Bank held funds in escrow due to third parties' foreclosures, inactive accounts, inoperative accounts and accounts from deceased customers in domestic financial institutions for RD\$52,275 and RD\$45,473, respectively.

The status of the inactive and/or dormant accounts of deposits of financial institutions in the country, is as follow:

	2014	2013
Three to ten year term	RD\$ <u>360</u>	<u>355</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

18 Borrowed funds

A summary of borrowed funds is as follow:

December 31, 2014					
<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Rate</u>	<u>Maturity</u>	<u>Balance</u>
a) Domestic financial institutions:					
Banco Nacional de Fomento de la Vivienda y la Producción	Loan	Unsecured	13.50%	2012 RD\$	1,863
Banco Popular Dominicano	Line of credit	Secured	8.70%	2019	1,400,000
Asociación Popular de Ahorros y Préstamos	Line of credit	Secured	9.35%	2015	<u>250,000</u>
					<u>1,651,863</u>
b) Foreign financial institutions:					
Bladex Panamá, corresponds to US\$150,000	Line of credit	Unsecured	1.47% up to 1.95%	2015	6,630,495
Citibank, corresponds to US\$159,000	Line of credit	Unsecured	1.22% up to 1.62%	2015	7,028,325
The Export Import Bank of Korea, corresponds to US\$1,294	Loan	Unsecured	2.39%	2015 to 2016	57,185
Eximbank, Republic of China - Taiwán, corresponds to US\$425	Loan	Unsecured	0.50% up to 1.07%	2015 to 2017	18,799
Agencia Francesa de Desarrollo, corresponds to US\$13,333	Loan	Unsecured	4.21%	2016	589,377
Wells Fargo Bank, corresponds to US\$147,123	Loan	Unsecured	1.35% up to 1.61%	2015	6,503,333
Mercantil Commerce Bank, corresponds to US\$50,000	Loan	Unsecured	1.72% up to 2.20%	2015	2,210,165
Bank of America, corresponds to US\$49,000	Loan	Unsecured	1.58%	2015	2,165,962
U. S. Century corresponds to US\$5,000	Loan	Unsecured	1.23%	2015	221,016
Deutsche Bank, corresponds to US\$100,000	Loan	Unsecured	1.53% up to 1.72%	2015	4,420,330
Banco del Comercio del Exterior corresponds to US\$9,750	Loan	Unsecured	2.47%	2015	430,982
Banco Interamericano de Desarrollo, corresponds to US\$60,000	Loan	Unsecured	1.47% up to 2.43%	2015	<u>2,652,198</u>
					32,928,167
c) Others					19,715
d) Interest payable, includes US\$1,930					<u>85,305</u>
					RD\$ <u>34,685,050</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

December 31, 2013

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Rate</u>	<u>Maturity</u>	<u>Balance</u>
a) Domestic financial institutions: Banco Nacional de Fomento de la Vivienda y la Producción	Loan	Unsecured	13.50%	2012(expired)	RD\$ <u>7,982</u>
b) Foreign financial institutions: Bladex Panamá, corresponds to US\$150,000	Line of credit	Unsecured	1.5% up to 1.8%	2014	6,400,845
Citibank, corresponds to US\$109,834	Line of credit	Unsecured	1.2% up to 1.8%	2014	4,686,881
The Export Import Bank of Korea, corresponds to US\$2,156	Loan	Unsecured	2.5%	2015 to 2016	92,007
Eximbank, Republic of China - Taiwán, corresponds to US\$505	Loan	Unsecured	0.50% 1.17%	2014 to 2017	21,549
Agencia Francesa de Desarrollo, corresponds to US\$20,000	Loan	Unsecured	4.3%	2018	853,446
Standard Chartered Bank, corresponds to US\$31,550	Loan	Unsecured	1.34% up to 1.64%	2014	1,346,311
Wells Fargo Bank, corresponds to US\$127,873	Loan	Unsecured	1.24% up to 2.70%	2014	5,456,655
Mercantil Commerce Bank, corresponds to US\$21,000	Loan	Unsecured	1.46%	2014	896,118
Bank of America corresponds to US\$9,000	Loan	Unsecured	1.34%	2014	384,051
U. S. Century corresponds to US\$5,000	Loan	Unsecured	1.84%	2014	213,362
Deutsche Bank corresponds to US\$25,000	Loan	Unsecured	1.46%	2014	1,066,807
Banco del Comercio del Exterior corresponds to US\$10,000	Loan	Unsecured	1.84%	2014	426,723
Nordea Bank Finland, PLC corresponds to US\$5,342	Loan	Unsecured	1.84%	2016	<u>227,974</u>
c) Others					22,072,729 19,715
c) Interest payable, includes US\$1,794					<u>76,542</u>
					RD\$ <u>22,176,968</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

19 Outstanding securities

A summary of outstanding securities, is as follow:

a) By type

	<u>December 31, 2014</u>	
	Local Currency <u>RD\$</u>	Annual Weighted Average Rate
Time certificates	<u>82,808,753</u>	<u>7.32%</u>

	<u>December 31, 2013</u>	
	Local Currency <u>RD\$</u>	Annual Weighted Average Rate
Time certificates	<u>73,693,548</u>	<u>6.82%</u>

b) By sector

	<u>December 31, 2014</u>	
	Local Currency <u>RD\$</u>	Annual Weighted Average Rate
Non-financial public sector	13,124,577	6.88%
Non-financial private sector	47,211,859	6.44%
Financial sector	<u>22,472,317</u>	<u>9.37%</u>
	<u>82,808,753</u>	<u>7.32%</u>

	<u>December 31, 2013</u>	
	Local Currency <u>RD\$</u>	Annual Weighted Average Rate
Non-financial public sector	10,009,861	6.24%
Non-financial private sector	39,852,934	5.84%
Financial sector	<u>23,830,753</u>	<u>8.71%</u>
	<u>73,693,548</u>	<u>6.82%</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

c) By maturity date

	<u>December 31, 2014</u>	
	Local Currency <u>RD\$</u>	Annual Weighted Average <u>Rate</u>
0 to 15 days	6,238,053	6.15%
16 to 30 days	7,690,782	7.18%
31 to 60 days	14,840,308	7.56%
61 to 90 days	15,167,944	8.11%
91 to 180 days	18,603,950	7.75%
181 to 1 year	12,497,931	6.43%
More than 1 year	<u>7,769,785</u>	<u>6.84%</u>
	<u>82,808,753</u>	<u>7.32%</u>

	<u>December 31, 2013</u>	
	Local Currency <u>RD\$</u>	Annual Weighted Average <u>Rate</u>
0 to 15 days	10,023,501	7.27%
16 to 30 days	7,858,265	6.56%
31 to 60 days	11,786,792	7.01%
61 to 90 days	12,215,740	7.24%
91 to 180 days	13,151,315	6.59%
181 to 1 year	10,653,312	5.96%
More than 1 year	<u>8,004,623</u>	<u>7.18%</u>
	<u>73,693,548</u>	<u>6.82%</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

At December 31, 2014 and 2013, outstanding securities include restricted amounts, as follows:

	December 31, 2014		
	<u>Deceased Clients</u>	<u>Security Deposits</u>	<u>Total</u>
Outstanding securities:			
Time deposits	RD\$ <u>254,404</u>	<u>5,116,631</u>	<u>5,371,035</u>
	December 31, 2013		
	<u>Deceased Clients</u>	<u>Security Deposits</u>	<u>Total</u>
Outstanding securities:			
Time deposits	RD\$ <u>113,898</u>	<u>4,994,377</u>	<u>5,108,275</u>

20 Other liabilities

A summary of other liabilities is as follow:

	<u>2014</u>	<u>2013</u>
Demand obligations (includes US\$267 in 2014 and US\$809 in 2013) (a)	RD\$ 902,844	882,368
Term obligations, (includes US\$11,641 in 2014 and US\$6,772 in 2013) (b)	930,151	384,450
Unclaimed third party balances (includes US\$868 in 2014 and US\$979 in 2013)	176,663	177,587
Sundry creditors:		
Commissions payable	92,148	48,196
Accounts payable to suppliers (includes US\$846 in 2014)	107,966	16,051
Withheld tax payable	138,819	61,982
Retained payable insurance premium	490,425	-
Other sundry creditors (c)	1,833,362	984,480
Reserves for contingent operations (includes US\$ 1,837 in 2014 and US\$1,136 in 2013) (d)	134,109	82,043
Other provisions:		
Income tax	46,632	86,841
Provision for litigation	94,945	104,433
Bonus and other employee's benefits	2,457,737	2,114,750

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Systemic Risk Prevention Program	110,642	104,608
Contingency fund	69,010	88,620
Accrued expenses payable	102,571	82,227
Credit card and electronic transactions	67,654	82,965
Extraordinary contributions to Pension Plan	30,494	482,691
Others reserves (includes US\$46 in 2014 and US\$6 in 2013)	247,126	545,377
Items pending for allocation, (includes US\$343 in 2014 and US\$337 in 2013) (e)	171,264	274,442
Other deferred revenue (f)	319,118	-
Administration funds of the Public Sector	251,070	186,900
Commissions payable to insurance premium agents	131,102	132,307
Tax on outstanding premium	145,224	165,356
Withholding taxes to reinsurers	18,746	32,597
Payments received in advance (includes US\$95 in 2014)	102,983	95,488
Others (includes US\$1,900 in 2013)	<u>233,012</u>	<u>187,058</u>
	RD\$ <u>9,405,817</u>	<u>7,403,817</u>

- (a) Corresponds to financial obligations assumed by the Bank, which are payable on demand such as certified checks, bank's checks, among others.
- (b) In this category, the Bank recognizes special cash deposits in US dollars received from the Dominican Republic Government.
- (c) At December 31, 2014 and 2013, includes RD\$847,156 and RD\$585,214, respectively, which relates to liabilities with dealers of vehicle as a result of financings granted by the Bank in the vehicle fair.
- (d) Corresponds to reserves to cover contingent operations as required by the Superintendence of Banks of the Dominican Republic. (see note 15).
- (e) Corresponds to creditors' balances that due to internal operating reasons or characteristics of the operation, it was not possible to immediately allocate the balances in the final accounts.
- (f) Represents deferred income arising from the discount obtained in the acquisition of the loan portfolio of a domestic financial institution. This amount is recognized as income to the extent that the related loans are collected.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

21 Subordinated debts

A summary of subordinated debts, is as follows:

Type	December 31, 2014			
	Amount in RD\$	Effective Interest Rate	Type of Currency	Term
Subordinated debts (correspond to US\$300,000 nominal value) (a)	13,260,990	7.12%	Dollars	10 years
Subordinated debts nominal value) (b)	9,999,000	9.66%	Pesos	10 years
Debt issuance costs (c)	(142,934)	-	-	-
Discounts on the issuance of the debt (corresponds to US\$2,249) (d)	(99,436)	-	-	-
	<u>23,017,620</u>	-	-	-
Interest payable (correspond to US\$8,750)	392,072	-	-	-
	<u>23,409,692</u>	-	-	-
Type	December 31, 2013			
	Amount in RD\$	Effective Interest Rate	Type of Currency	Term
Subordinated debts (correspond to US\$300,000 nominal value) (a)	12,801,690	7.12%	Dollars	10 years
Debt issuance costs (c)	(157,807)	-	-	-
Discounts on the issuance of the debt (corresponds to US\$2,443) (d)	(104,263)	-	-	-
	<u>12,539,620</u>	-	-	-
Interests payable (correspond to US\$8,750)	373,383	-	-	-
	<u>12,913,003</u>	-	-	-

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

- a) Corresponds to bonds issued by the Bank on February 1st, 2013, for a nominal value of US\$300,000. This debt generates a nominal interest of 7% annually and has an original maturity of 10 years until February 1st, 2023. This debt issuance was carried out in the United States of America “USA” to qualified institutional buyers as defined in Rule 144A under the *U.S. Securities Act of 1933* and other countries outside the United States of America “USA” according to “*Regulation S.*”

Additionally, the bonds have the following characteristics:

- ◆ Interest are payable semi-annually on February and August 1st, of each year.
 - ◆ The bonds will not be redeemed prior to their maturity date.
 - ◆ The bonds are unsecured.
 - ◆ In the event of bankruptcy, liquidation or dissolution of the Bank under Dominican laws, the payment of the bonds shall be subject to all existing and future obligations denominated as "Senior Obligations," which include all other liabilities of the Bank.
- b) Corresponds to bonds issued in the market of the Dominican Republic by the Bank on December 29, 2014, for a nominal value of RD\$10,000,000. The amount placed corresponds to two issuances offered simultaneously of RD\$5,000 million each with a maturity of 10 years until December 29, 2024, and at a variable interest rate equivalent to the weighted interest average rate of multiple banks, published by the Central Bank of the Dominican Republic plus a fixed margin of 2.75%. The effective rate at the time of placement was 9.66%, revisable every six months. These bonds do not have any collateral and in case of dissolution or liquidation of the Bank, the payment of the bonds is subject to all obligations of the Bank.

Subordinated debts may be used to compute part of the secondary principal for the purposes of determining the Bank’s technical capital.

- c) Correspond to costs incurred in the issuance of bonds, which are deferred and amortized using the straight-line method of the bonds.
- d) Correspond to discounts granted in the issuance of bonds, which are amortized using the straight-line method over the term of the bonds.

22 Technical reserves

The subsidiaries, Seguros Banreservas, S. A. and ARS Banreservas, S. A., maintain ongoing specific mathematical risk reserves set up to meet commitments that derive from the current insurance policies that amounted to RD\$2,392,827 and RD\$1,994,335 at December 31, 2014 and 2013, respectively.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

The movement during the period of the referred technical reserves, is as follows:

	2014		
	Mathematical Reserves	Specific Reserves and Ongoing Risk	Total
Balance at January 1 st , 2014	RD\$ 21,543	1,972,792	1,994,335
More: Reserve increase	129,280	2,173,126	2,302,406
Less: Decrease of reserve	<u>(51,351)</u>	<u>(1,852,563)</u>	<u>(1,903,914)</u>
Balance at December 31, 2014	RD\$ <u>99,472</u>	<u>2,293,355</u>	<u>2,392,827</u>
	2013		
	Mathematical Reserves	Specific Reserves and Ongoing Risk	Total
Balance at January 1 st , 2013	RD\$ 80,828	1,602,817	1,683,645
More: Reserve increase	42,376	1,917,773	1,960,149
Less: Decrease of reserve	<u>(101,661)</u>	<u>(1,547,798)</u>	<u>(1,649,459)</u>
Balance at December 31, 2013	RD\$ <u>21,543</u>	<u>1,972,792</u>	<u>1,994,335</u>

23 Income tax

The consolidated companies declare and pay income separately and on an individual basis. The consolidated entities calculate income tax based on its accounting practices to comply with current legal requirements.

Income tax expense for the years 2014 and 2013, is composed of:

	2014	2013
Current income tax	RD\$ 1,010,566	855,471
Deferred income tax	11,118	106,597
Tax withholding on payment of dividends (i)	97,870	95,774
Tax on assets	2,961	1,745
Previous year income tax	<u>12,295</u>	<u>-</u>
	RD\$ <u>1,134,810</u>	<u>1,059,587</u>

(i) Correspond to tax withheld on dividends received from other subsidiaries of Tenedora Banreservas, S. A.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

On February 8, 2013, the financial entities, represented by the Association of Commercial Banks of the Dominican Republic Inc., signed an agreement with the Ministry of Finance and the Dirección General de Impuestos Internos (DGII), whereby the Bank make a tax payment for the amount of RD\$619,418, which could be deducted from the Bank's future income tax commitments, for a period of 15 years beginning in fiscal year 2014. This deduction shall be in proportion of 6.67% per annum.

24 Responsibilities

The subsidiaries Seguros Banreservas, S. A. and ARS Banreservas, S. A., in addition to the balances of obligations related to the retained insured risks amounting to RD\$641,392,846 and RD\$549,480,798, respectively at December 31, 2014 and 2013, have memorandum accounts for salvages warehouse amounting to RD\$9,194 and RD\$11,690, for 2014 and 2013.

The responsibilities assumed by the insurance company and the amounts retained by them, are as follows:

		<u>2014</u>	<u>2013</u>
Responsibility assumed on insurance policies	RD\$	641,392,846	549,480,798
Responsibility assigned on insurance policies		<u>(390,980,014)</u>	<u>(291,256,442)</u>
	RD\$	<u>250,412,832</u>	<u>258,224,356</u>

25 Reinsurance

It is the transfer of part or the whole of risk accepted by an insurer to another insurer or reinsurer. The original or primary insurer is called the ceding insurer and the second the reinsurer.

The reinsurers that support the insurance business are the following:

<u>At December 31, 2014</u>			<u>At December 31, 2013</u>		
<u>Reinsurer</u>	<u>Type of Contract</u>	<u>Shares (%)</u>	<u>Reinsurer</u>	<u>Type of Contract</u>	<u>Shares (%)</u>
Switzerland	Surplus	20.00	Switzerland	Surplus	20.00
	Quota share	65/100		Quota share	65/100
Korean GC	Surplus	6.5/3.0	Korean GC	Surplus	6.5/1.50
	Quota share	10.00		Quota share	10.00
Trans. RE Mallen	Surplus	12.00	Trans. RE Mallen	Surplus	5.40
				Quota share	15.00
Mallen	Surplus	15.00			
	Surplus	10/15			
Hannover XL	Quota share	10.00	Hannover XL	Quota share	15.0

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Thompson Health	Surplus	16.50	Venezuela	Quota share	10/15
	Quota share	5.00	Thompson Health	Surplus	13.60
Nacional Borg	Quota share	10.00	Nacional Borg	Quota share	5.00
Everest-JLT	Surplus	30/20/35	Everest-JLT	Surplus	30/60
General Re,	Surplus	35/10	General Re,	Surplus	35/05
Axis	Quota share	5.00	Axis	Quota share	5.00
Barents-JLT	Surplus	8.00			
Navigators	Surplus	10/7	Navigators	Surplus	12.00
	Quota share	6.00		Quota share	6.00
Arch Re.	Quota share	80.00	Arch Re.	Quota share	80.00
Awac-JLT	Surplus	2.0/7.0	Awac-JLT	Surplus	3.00/1.7
Siruis-JLT	Surplus	2.5/4.0	Siruis-JLT	Surplus	4.00

26 Equity

A summary of the Banks' equity, owned 100% by the Dominican State, is as follows:

	2014			
	Common Shares			
	Authorized		Issued	
	Quantity	RD\$	Quantity	RD\$
Balances at December 31, 2014	<u>5,500</u>	<u>5,500,000</u>	<u>5,500</u>	<u>5,500,000</u>
	2013			
	Common Shares			
	Authorized		Issued	
	Quantity	RD\$	Quantity	RD\$
Balances at December 31, 2013	<u>3,500</u>	<u>3,500,000</u>	<u>3,500</u>	<u>3,500,000</u>

The Bank's equity contributions are as follows:

- Initial capital of RD\$50,000 according to the Law No. 6133 of December 17, 1962, which amended Article 4 of the Organic Law of the Bank.
- RD\$200,000 by delivering state-certified vouchers issued by the National Treasury in 1998.
- In accordance with the Law No. 99-05 of April 5, 2001, which amended Article 4 of the Organic Law of the Bank, the Dominican Republic Government issued RD\$1,750,000 bonds in favor of the Bank

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

- d) In accordance with the Law No. 121-05 of April 7, 2005, the Dominican Republic Government issued RD\$1,500,000 bonds in favor of the Bank.
- e) In accordance with the Law No. 543-14 of December 5, 2014, RD\$2,000,000 by reinvesting dividends to be charged to earnings generated in 2013.

The Bank's net profit will be used as follows:

- 50% - For amortization of not less than 5% of certified vouchers of the National Treasurer on behalf of the Dominican Republic Government, plus interest. The resulting surplus will cover the debts of the Dominican Republic Government and its agencies, as well as other needs, as approved by the Board of Directors, upon previous notice to the Executive Branch.
- 35% - To be transferred to other equity reserves accounts of the Bank.
- 15% - To cover debts of the Dominican Republic Government and its agencies with the Bank.

By the Eighteenth and Second Resolution of the Ordinary Sessions dated January 14 and September 11, 2014 respectively, the Board of Directors approved the distribution of dividends taking into consideration the guidelines for the distribution of dividends to shareholders established in the 7-2002 resolution, issued by the Superintendence of Banks on March 8, 2002, and according to the provisions of Law 99-01 on the distribution of dividends from the Bank. Total dividends to be distributed was RD\$6,676,055, as detailed below:

- i) RD\$1,766,341 transferred to equity reserve.
- ii) RD\$2,000,000 for payment of dividends in shares.
- iii) RD\$1,300,000 cash dividends to be paid to the Dominican Republic State.
- iv) RD\$75,000 to amortize the National Treasury vouchers.
- v) RD\$4,500 to offset interest of the National Treasury vouchers.
- vi) RD\$410,446 to be paid with assets received on loan settlements transferred to the Dominican Republic State.
- vii) RD\$1,119,768 to offset debts of the Dominican Republic State with the Bank.

By the Twenty-first Resolution of the Extraordinary Meeting of June 13, 2013, the Board of Directors approved the delivery to the Dominican Republic State the amount of RD\$3,178,033 corresponding to the retained earnings of the profits earned by the Bank during the tax years 2010, 2011 and 2012. Furthermore, in this resolution was approved the payment of dividends to the Dominican Republic State through the transfer of a plot of 1,400,000 square meters that was part of the Bank's foreclosed assets received on loans settlements and which market value was RD\$450,000.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

By the First Resolution of the Ordinary Session dated January 10, 2013, the Board of Directors approved the distribution of earnings for the year 2012 in the amount of RD\$2,221,574 in the following manner:

- i) RD\$777,551 transferred to equity reserve. This transfer was applied effectively on December 31, 2012.
- ii) RD\$75,000 for the amortization of National Treasury vouchers.
- iii) RD\$5,250 to offset interest of the National Treasury vouchers.
- iv) RD\$333,236 to offset debts of the Dominican Republic State with the Bank.
- v) RD\$1,030,537 to be delivered to the Dominican Republic State.

Increase in authorized and paid-in capital

On December 5, 2014, under Law No. 543-14 was amended Article 4 of the Law No. 6133 of December 17, 1962, Organic Law of the Bank. This amendment established the following:

- ◆ Increase the authorized and paid-in capital of the Bank from RD\$3,500,000 equivalent to 3,500 common shares to RD\$5,500,000 equivalent to 5,500 common shares at December 31, 2014. This capital increase was carried out through the distribution of dividends in 2013.
- ◆ With the projected earnings for the years 2015 and 2016, increase the Bank's authorized and paid-in capital to a maximum amount of RD\$10,000,000 equivalent to 100,000 common shares.

Other equity reserves

In accordance with the Bank's Organic Law, the Bank must segregate 35% of its annual net income to equity reserves. As of December 31, 2014 and 2013, the Bank segregated equity reserves in the amount of RD\$2,456,876 and RD\$1,766,341, respectively.

Through Circular SB/0682 dated December 31, 2010, the Superintendence of Banks issued a no-objection to the application within the fiscal year of the segregation of 35% of net profit as other equity reserves, provided they are in compliance with the guidelines for distribution of profits as set forth by the supervisory body.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Revaluation surplus

In order to carry out its operation, the Bank revalued its land and buildings to its estimated market value determined by independent appraisers, as allowed by the Prudential Rules of Capital Adequacy. The value of the net revaluation was RD\$915,737 and is presented net of depreciation in the accompanying consolidated balance sheets statutory basis. The Bank classified this amount as secondary capital, subject to the authorization of the Superintendence of Banks of the Dominican Republic.

27 Segment Information

The Bank's businesses are mainly organized into the following segments:

At December 31, 2014					
<u>Segment</u>	<u>Company</u>	<u>Jurisdiction</u>	<u>Functional Currency</u>	<u>Equity Shares</u>	Percentage of Voting Rights Direct and <u>Indirect</u>
Finance	Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	Dominican Republic	RD\$	5,500,000	100%
Related services	Tenedora Banreservas, S. A. and Subsidiaries	Dominican Republic	RD\$	<u>1,551,434</u>	97.74%
	Consolidation adjustments			<u>7,051,434</u> <u>(1,551,434)</u>	
				<u>5,500,000</u>	
At December 31, 2013					
<u>Segment</u>	<u>Company</u>	<u>Jurisdiction</u>	<u>Functional Currency</u>	<u>Equity Shares</u>	Percentage of Voting Rights Direct and <u>Indirect</u>
Finance	Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	Dominican Republic	RD\$	3,500,000	100%
Related services	Tenedora Banreservas, S. A. and Subsidiaries	Dominican Republic	RD\$	1,551,434	97.74%
Services	Peaje Dominicano, S. A. S.	Dominican Republic	RD\$	<u>12,000</u>	100%
	Consolidation adjustments			<u>5,063,434</u> <u>(1,563,434)</u>	
				<u>3,500,000</u>	

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Assets, liabilities, income, expenses and net income that comprise the Bank, are shown below:

At December 31, 2014					
<u>Entity</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Income</u>	<u>Expenses</u>	<u>Profit or Loss</u>
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	RD\$ 348,502,961	324,742,625	39,015,148	31,995,504	7,019,644
Tenedora Banreservas, S. A. and Subsidiaries	10,258,597	6,401,390	8,564,250	7,445,776	1,118,474
ARS Reservas, Inc.	<u>289,076</u>	<u>77,682</u>	<u>509,574</u>	<u>450,204</u>	<u>59,370</u>
	359,050,634	331,221,697	48,088,972	39,891,484	8,197,488
Consolidation adjustments	<u>(5,131,746)</u>	<u>(1,184,691)</u>	<u>(2,373,419)</u>	<u>(1,227,556)</u>	<u>(1,145,863)</u>
	RD\$ <u>353,918,888</u>	<u>330,037,006</u>	<u>45,715,553</u>	<u>38,663,928</u>	<u>7,051,625</u>

At December 31, 2013					
<u>Entity</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Income</u>	<u>Expenses</u>	<u>Profit or Loss</u>
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	RD\$ 307,236,345	287,585,939	32,061,341	27,014,652	5,046,689
Tenedora Banreservas, S. A. and Subsidiaries	7,872,966	4,291,473	9,436,395	8,551,289	885,106
ARS Reservas, Inc.	212,222	60,198	454,744	428,114	26,630
Peaje Dominicano, S. A. S.	<u>6,388</u>	<u>3,378</u>	<u>25,079</u>	<u>34,109</u>	<u>(9,030)</u>
	315,327,921	291,940,988	41,977,559	36,028,164	5,949,395
Consolidation adjustments	<u>(5,679,438)</u>	<u>(2,066,183)</u>	<u>(1,456,407)</u>	<u>(587,858)</u>	<u>(868,549)</u>
	RD\$ <u>309,648,483</u>	<u>289,874,805</u>	<u>40,521,152</u>	<u>35,440,306</u>	<u>5,080,846</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

28 Commitments and contingencies

In the normal course of business, the Bank enters into different commitments and incurs in certain contingent liabilities that are not reflected in the accompanying financial statements. The most important balances of these commitments and contingent liabilities include:

	<u>At December 31</u>	
	<u>2014</u>	<u>2013</u>
Collaterals granted:		
Endorsements	RD\$ 1,324,417	1,369,199
Other collaterals granted	227,297	196,638
Non-negotiable letters of credit issued	132,179	177,817
Credit lines of automatic use	<u>7,498,082</u>	<u>4,824,869</u>
	RD\$ <u>9,181,975</u>	<u>6,568,523</u>

At December 31, 2014 and 2013, the Bank has reserves to cover possible losses from these operations in the amounts of RD\$134,109 y RD\$82,043, respectively.

At December 31, 2014 and 2013, the Insurance subsidiary and the Health Insurance Administrator (ARS) had contingent liabilities for retained risk, estimated as follows:

	<u>2014</u>	<u>2013</u>
General risk	RD\$ 607,039,260	523,228,145
Individual life insurance	5,825,548	2,946,964
Collective life insurance	<u>28,528,038</u>	<u>23,305,689</u>
	RD\$ <u>641,392,846</u>	<u>549,480,798</u>

According to the practices of the insurance company, most risks retained are reinsured under catastrophic coverage and excess loss.

(a) Leasing of offices, buildings and automatic teller machines (ATM)

The bank has lease contracts for the premises where some of its administrative offices, branches, business centers and ATM's are located. For the years ended December 31, 2014 and 2013, expenses for this concept amounted to approximately RD\$375,871 and RD\$306,297, respectively, which are recognized in other operating expenses in the accompanying consolidated income statements-statutory basis.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

(b) Superintendence of Bank fees

The Monetary Board of the Dominican Republic requires that financial entities make contributions in order to cover the inspection services of the Superintendence of Banks of the Dominican Republic. The expense for this concept for the years ended December 31, 2014 and 2013 was approximately RD\$597,318 and RD\$415,011, respectively, and is recognized in other operating expenses in the accompanying consolidated income statements - statutory basis.

(c) Contingency fund

Article 64 of the Monetary and Financial Law No. 183-02 dated November 21, 2002 and the Regulation for the Operation of the Contingency Fund, adopted by the First Resolution issued by the Monetary Board on November 6, 2003, authorizes the Central Bank of the Dominican Republic to collect quarterly contributions from the financial entities for this contingency fund.

The quarterly contribution shall be 0.25% from the total assets less the quarterly supervision fee charged by the Superintendence of Banks of the Dominican Republic. This contribution shall not exceed 1% of total deposits from the public.

Expenses for the years ended December 31, 2014 and 2013, were approximately RD\$226,183 and RD\$292,037, respectively, and are recognized in other operating expenses in the accompanying consolidated income statements - statutory basis.

(d) Banking consolidation fund

For the implementation of the Exceptional Program for Risk Prevention of the Entities of Financial Intermediation of Law 92-04, the Central Bank of the Dominican Republic created the Banking Consolidation Fund (FBC) with the main purpose of protecting the depositors and avoiding systematic risk. The FBC was created with mandatory contributions from the financial entities and other sources as established by the above-mentioned law. Such contributions are calculated considering the total customer deposits with a minimum annual rate of 0.17% to be paid quarterly.

Expenses for this concept for the year ended at December 31, 2014 and 2013, was of approximately RD\$440,769 and RD\$383,552, respectively and are recognized in the line item of other operating expenses in the accompanying consolidated income statements - statutory basis.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

(e) Credit card licenses

MasterCard credit cards

The Bank maintains a contract with a foreign company for the non-exclusive use of MasterCard Brand for charge card services, credit or debit card. The Bank does not pay fees for the right of use of MasterCard. The Bank has the commitment to open a line of credit for no less than US\$5 for each MasterCard Gold credit card issued. The duration of the license is indefinite; subject to the termination provisions as set forth in the contract

Visa credit cards

The Bank has a contract with a foreign company for a non-exclusive license to use the Visa and Electron in card services, credit or debit cards. The Bank will not pay fees for the right to use the brands. The duration of the license is indefinite, subject to the termination of the provisions set out in the contract.

(f) Lawsuits

As of December 31, 2014 and 2013, there are several lawsuits and demands originated in the normal course of the Bank's operations. The Bank believes together with its legal advisors that the resolution of these claims will not result in an adverse material effect. As of December 31, 2014 and 2013, the amount reserved to meet these demands is of RD\$94,945 and RD\$104,433 respectively, and is recognized in other liabilities in the accompanying consolidated balance sheets - statutory basis.

In the normal course of operations, the subsidiary entity Seguros Banreserva, S. A. has several commitments and contingent liabilities resulting from claims, lawsuits and other legal proceedings seeking coverage for damages from the insurance policies. The Company has created the reserves that it considers necessary to cover these claims and demands based on its experience in the insurance business.

(g) Claims for casualties

The subsidiary Seguros Banreservas, S. A. has received insurance claims for catastrophes that arose in the normal course of business, which have occurred at December 31, 2014. The Bank initiated the operational processing of claims which to date have not been finished. The Bank's management expects that the ultimate effect of this process will not have a material effect in relation to the financial position of the Bank and that the main risk is assumed by the reinsurers.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

(h) Guaranteed minimum return

At December 31, 2014 and 2013, the subsidiary Administradora de Fondos de Pensiones Reservas, S. A., has a minimum annual return commitment, guaranteed by law, which shall be equal to the weighted average return on pension funds of individually capitalization less 2.0 and 1.9 percentage points, respectively, as established in Article 103 of Law 87-01. If the return is below the weighted average calculated by the Superintendencia of Pensions, the Administradora would have a payment commitment with the fund.

29 Memorandum accounts

Memorandum accounts presented in the Bank's consolidated balance sheet consists of:

	<u>2014</u>	<u>2013</u>
<u>Funds under management:</u>		
PROMIPYME resources	RD\$ 1,574,679	1,032,843
PROMIDIGNA resources	82	-
PROMIPYME - PROCREA	347	356
SEH - PETROCARIBE resources	209	209
PROMICENTRAL	408,445	847,233
PROMIPYME - Fondos Fonper	110,461	347,343
PROMIPYME - PRESAAC loans	1,518	2,437
MI PRIMER PROGRESO loans	16,189	17,463
MI PRODEMICO loans	106,255	52,323
Solidarity Bank	1,255,499	1,006,880
D and E loans of BNV	<u>659,784</u>	<u>-</u>
	<u>4,133,468</u>	<u>3,307,087</u>
<u>Funds managed by the subsidiary</u>		
<u>Administradora de Fondos de Pensiones Reservas:</u>		
Mandatory individual capitalization plan (T-1 Pension Fund)	39,216,115	31,144,213
Pension fund of officers and employees of Banco de Reservas de la República Dominicana (T-4 Pension Fund)	8,705,604	7,177,897
Social solidary fund (T-5 Pension Fund)	<u>16,109,034</u>	<u>12,888,670</u>
	<u>64,030,753</u>	<u>51,210,780</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

<u>Other memorandum accounts:</u>		
Loans granted pending to be used	51,441,802	35,343,463
Assets and securities held in custody	5,631,269	5,708,485
Collaterals received	310,993,597	260,425,711
Other memorandum accounts	98,360,059	71,046,874
Deferred interest	493,636	441,389
Other pending balances	1,977	1,977
Other values in collection	113,135	167,531
	<u>467,035,475</u>	<u>373,135,430</u>
RD\$	<u>535,199,696</u>	<u>427,653,297</u>

30 Financial income and expenses

A summary of financial income and expenses is as follows:

	Years ended at December 31 st	
	<u>2014</u>	<u>2013</u>
Financial income:		
Loans portfolio:		
Commercial	RD\$ 16,851,778	14,066,732
Consumer	5,460,902	3,737,738
Mortgage	<u>2,210,364</u>	<u>1,756,310</u>
	<u>24,523,044</u>	<u>19,560,780</u>
From investments:		
Other debt securities	4,967,096	5,666,270
Gain on sale of investment	2,660,429	1,953,638
Insurance premiums net of returns and cancellations:		
Insurance premiums written	<u>5,801,613</u>	<u>4,730,635</u>
Total	RD\$ <u>37,952,182</u>	<u>31,911,323</u>
Financial expenses:		
Customer deposits	(2,162,766)	(2,252,516)
Securities	(5,771,341)	(4,607,491)
Subordinated debts	<u>(1,034,434)</u>	<u>(913,140)</u>
	<u>(8,968,541)</u>	<u>(7,773,147)</u>
Borrowings:		
Borrowed funds	<u>(490,364)</u>	<u>(372,817)</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Investments:		
Amortization of premium from investments in debt securities	(606,699)	(273,164)
Losses on sale of investments	<u>(269)</u>	<u>(13,305)</u>
	(606,968)	(286,469)
Reinsurance:		
Reinsurance cost	(2,516,192)	(2,137,478)
Contractual losses and obligations	<u>(1,582,386)</u>	<u>(1,289,181)</u>
	<u>(4,098,578)</u>	<u>(3,426,659)</u>
Expenses for technical adjustment to reserves	<u>(201,802)</u>	<u>(139,676)</u>
Acquisition expense, conservation and premium collection:		
Commission and other acquisition costs of the insurance company	<u>(553,737)</u>	<u>(530,494)</u>
Total	RD\$ <u>(14,919,990)</u>	<u>(12,529,262)</u>

31 Income (expenses) for exchange differences

A summary of the main income and expenses due to exchange differences recognized during the years ended at December 31, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Income due to foreign exchange:		
Loans portfolio	RD\$ 2,676,491	3,540,425
Investments	71,037	81,840
Available funds	1,216,721	1,310,446
Accounts receivable	4,612	617,178
Non-financial investments	1,417	5,529
Other assets	7,053	1,256
Customer deposits	224,820	586,449
Borrowed funds	63,481	186,134
Subordinated debts	30,532	125,508
Other exchange differences	<u>5,415</u>	<u>6,462</u>
Sub-total	<u>4,301,579</u>	<u>6,461,227</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Expenses due to foreign exchange:		
Customer deposits	(2,967,764)	(4,058,162)
Borrowed funds	(804,693)	(905,224)
Financial obligations	(29,568)	(72,797)
Subordinated debts	(139,506)	(310,378)
Loans portfolio	(432,503)	(819,709)
Investments	(3,593)	(12,361)
Available funds	(100,270)	(228,611)
Accounts receivable	(188)	(109,502)
Other assets	(53)	(120)
Non-financial investments	(103)	(366)
Other liabilities	<u>(3,707)</u>	<u>(4,621)</u>
Sub-total	<u>(4,481,498)</u>	<u>(6,521,851)</u>
	RD\$ <u>(179,919)</u>	<u>(60,624)</u>

32 Other operating income (expenses)

A summary of other operating income (expenses) is as follows:

	<u>2014</u>	<u>2013</u>
Other operating income:		
Credit card fees	RD\$ <u>623,013</u>	<u>598,956</u>
Commissions on service:		
Draws and wire transfers	144,432	126,231
Certification and sale of Bank's checks	18,404	13,062
Collections	4,021	5,006
Other commissions collected	2,206,627	1,783,000
Letters of credit	67,475	31,670
Collaterals granted	<u>16,647</u>	<u>28,329</u>
	<u>2,457,606</u>	<u>1,987,298</u>
Exchange commissions:		
Gains on foreign exchange	959,981	696,129
Premium for future foreign exchange contracts	<u>137,085</u>	<u>56,170</u>
	<u>1,097,066</u>	<u>752,299</u>
Other operational income:		
Available funds	14,631	16,455
Other miscellaneous operational income:		
Claims for medical services	493,671	444,491
Other services and contingencies	<u>1,119,543</u>	<u>1,226,478</u>
	<u>1,627,845</u>	<u>1,687,424</u>
Total other operational income	5,805,530	5,025,977

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Other operating expenses:		
Commissions on services:		
Correspondent services	(32,163)	(18,705)
Other services	(226,609)	(202,426)
	<u>(258,772)</u>	<u>(221,131)</u>
Miscellaneous expenses:		
Commission for exchange	(55,008)	(13,549)
Other operating expenses	(255,741)	(107,562)
Commissions and sale of property	(12,808)	(4,105)
Claims for medical services	(415,951)	(395,162)
	<u>(739,508)</u>	<u>(520,378)</u>
Total other operating expenses	RD\$ <u>(998,280)</u>	<u>(741,509)</u>

33 Other income (expenses)

A summary of other income (expenses) is as follows:

	<u>2014</u>	<u>2013</u>
Other income:		
Recovery of assets written off	RD\$ 347,018	199,392
Decrease of reserves for risky assets	408,908	343,796
Gain on sale of assets received in loans settlements	105,411	55,470
Non-financial investments	159,915	71,116
Leases of property	61,394	27,233
Others	<u>911,252</u>	<u>464,985</u>
	<u>1,993,898</u>	<u>1,161,992</u>
Other expenses:		
Losses in shares in other entities	(2,958)	(27,494)
Assets received in loans settlements	(79,242)	(34,701)
Other expenses:		
Accounts receivable	(1,794)	-
Penalties for breach	(136)	(296)
Losses on sale of assets received in loans settlements	(7,404)	-
Donations	(207,530)	(131,512)
Loss from thefts, assaults and frauds	(43,587)	(98,461)
Acquisition of parts for ATMs - others	<u>(464,766)</u>	<u>(342,127)</u>
	<u>(807,417)</u>	<u>(634,591)</u>
Other net income	RD\$ <u>1,186,481</u>	<u>527,401</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

34 Compensations and other benefits to personnel

A summary of compensations and other benefits to personnel is as follows:

	Years ended at December 31	
	<u>2014</u>	<u>2013</u>
Wages, salaries and benefits to employees	RD\$ 6,785,649	5,438,685
Social security	539,687	448,398
Contributions to the pension plan	960,556	897,180
Other personnel expenses	<u>3,247,330</u>	<u>2,677,695</u>
	RD\$ <u>11,533,222</u>	<u>9,461,958</u>

At December 31, 2014 and 2013, compensation and benefits to personnel include approximately RD\$963,621 and RD\$740,528, respectively, which correspond to executive management, which are defined director and above.

As of December 31, 2014 and 2013, the Bank has 10,663 and 8,415 employees, respectively.

35 Risk assessment

A summary of assets and liabilities subject to the interest rates risk as of December 31, 2014 and 2013, is as following:

Interest rate risk

	At December 31st			
	2014		2013	
	<u>Local Currency</u>	<u>Foreign Currency</u>	<u>Local Currency</u>	<u>Foreign Currency</u>
Assets sensitive to interest rate	RD\$ 201,919,146	108,184,780	136,722,435	91,434,833
Liabilities sensitive to interest rate	<u>(187,206,912)</u>	<u>(116,555,994)</u>	<u>(167,440,558)</u>	<u>(111,415,156)</u>
Net position	RD\$ <u>14,712,234</u>	<u>(8,371,214)</u>	<u>(30,718,123)</u>	<u>(19,980,323)</u>
Interest rate exposure	RD\$ <u>438,451</u>	<u>885,335</u>	<u>979,231</u>	<u>1,099,014</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

The Bank's interest rates may be reviewed periodically pursuant to contracts established between the parties, except in some loans disbursed with specialized resources, which rates are set by the sponsors and specific agreements.

Liquidity risk

A summary of the most significant assets and liabilities according to their maturity date as of December 31, 2014 and 2013 is as follows:

		December 31, 2014					
		Up to 30 Days	31 to 90 Days	91 Days to 1 year	1 to 5 Years	More than 5 years	Total
Assets:							
Available funds	RD\$	73,716,746	-	-	-	-	73,716,746
Investments		7,430,496	1,740,004	7,689,358	7,353,735	11,317,518	35,531,111
Loans portfolio		32,111,506	14,783,855	59,706,820	74,869,027	50,775,274	232,246,482
Debtors by acceptances		19,580	-	3,315	-	-	22,895
Accounts receivable		2,404,567	-	-	-	71,106	2,475,673
Investment in shares		-	-	-	-	829,041	829,041
Total assets	RD\$	<u>115,682,895</u>	<u>16,523,859</u>	<u>67,399,493</u>	<u>82,222,762</u>	<u>62,992,939</u>	<u>344,821,948</u>
Liabilities							
Customer deposits	RD\$	125,092,687	7,964,210	18,019,460	5,090,398	2,126,867	158,293,622
Deposits from domestic and foreign financial institutions		17,493,636	189,265	235,442	90,203	52,240	18,060,786
Borrowing funds		1,335,183	7,556,678	21,013,232	4,779,957	-	34,685,050
Outstanding acceptances		19,580	-	3,315	-	-	22,895
Outstanding securities		14,381,724	30,126,887	30,530,356	7,769,786	-	82,808,753
Other liabilities (ii)		3,275,137	-	2,347,941	438,170	3,344,569	9,405,817
Subordinated debts		-	386,779	5,293	-	23,259,990	23,652,062
Total liabilities	RD\$	<u>161,597,947</u>	<u>46,223,819</u>	<u>72,155,039</u>	<u>18,168,514</u>	<u>28,783,666</u>	<u>326,928,985</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

		December 31, 2013					
		Up to 30 Days	31 to 90 Days	91 Days to 1 year	1 to 5 Years	More than 5 years	Total
Assets:							
Available funds	RD\$	59,683,710	-	-	-	-	59,683,710
Investments		4,455,838	2,499,429	5,489,397	20,366,034	12,820,847	45,631,545
Loans portfolio		52,621,094	9,911,240	41,456,565	54,272,595	37,641,685	195,903,179
Debtors by acceptances		1,593	-	-	-	-	1,593
Accounts receivable		1,695,051	-	325,649	-	35,291	2,055,991
Investment in shares		-	-	-	-	352,053	352,053
Other assets (i)		34,676	270,375	-	-	46,368	351,419
Total assets	RD\$	<u>118,491,962</u>	<u>12,681,044</u>	<u>47,271,611</u>	<u>74,638,629</u>	<u>50,896,244</u>	<u>303,979,490</u>
Liabilities							
Customer deposits	RD\$	127,106,645	7,858,097	18,780,723	6,058,266	-	159,803,731
Deposits from domestic and foreign financial institutions		9,334,329	51,750	1,212,825	12,386	-	10,611,290
Borrowing funds		1,506,464	11,534,431	7,807,249	1,328,824	-	22,176,968
Outstanding acceptances		1,593	-	-	-	-	1,593
Outstanding securities		18,081,987	24,425,338	23,181,601	8,004,622	-	73,693,548
Other liabilities (ii)		2,486,653	-	1,046,073	380,036	3,491,055	7,403,817
Subordinated debts		-	373,383	-	-	12,539,620	12,913,003
Total liabilities	RD\$	<u>158,517,671</u>	<u>44,242,999</u>	<u>52,028,471</u>	<u>15,784,134</u>	<u>16,030,675</u>	<u>286,603,950</u>

(i) Consist of transactions that represent a right of collection for the Bank.

(ii) Consist of transactions that represent an obligation of payment for the Bank.

The liquidity ratios of the Bank at December 31, 2014 and 2013, is as follows:

	At December 31, 2014		At December 31, 2013	
	Local Currency	Foreign Currency	Local Currency	Foreign Currency
Liquidity ratio:				
15 days adjusted	148.20%	328.87%	121.52%	181.79%
30 days adjusted	146.07%	424.13%	101.98%	377.81%
60 days adjusted	135.92%	354.31%	84.09%	243.85%
90 days adjusted	<u>132.52%</u>	<u>251.14%</u>	<u>81.37%</u>	<u>188.94%</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Position:

15 days adjusted	7,880,182	582,208	4,183,132	233,255
30 days adjusted	9,138,793	978,680	546,168	1,008,917
60 days adjusted	9,648,569	929,480	(6,304,776)	823,451
90 days adjusted	10,573,382	792,994	(8,864,917)	696,228
Global (months)	<u>(51.88)</u>	<u>(46.47)</u>	<u>(1.04)</u>	<u>(56.78)</u>

Liquidity Risk Regulations provides that financial institutions must provide adjusted liquidity ratios in both currencies at 15 and 30 days no lower than 80%, and at 60 and 90 days no lower than 70%. At December 31, 2014 and 2013, the liquidity ratios maintained by the Bank are higher than required.

36 Fair value of the financial instrument

A summary of the fair value of financial instruments at December 31, 2014 and 2013, is as follows:

		<u>At December 31, 2014</u>		<u>At December 31, 2013</u>	
		<u>Book</u>	<u>Fair</u>	<u>Book</u>	<u>Fair</u>
		<u>Value</u>	<u>Value</u>	<u>Value</u>	<u>Value</u>
Financial assets					
Available funds	RD\$	73,716,746	N/A	59,683,710	N/A
Investments, net (a)		35,307,620	N/A	45,478,305	N/A
Loans portfolio, net (a)		226,789,969	N/A	190,463,779	N/A
Investments in shares, net (b)		<u>817,218</u>	<u>N/A</u>	<u>329,629</u>	<u>N/A</u>
	RD\$	<u>336,631,553</u>		<u>295,955,423</u>	
Liabilities					
Customer deposits	RD\$	158,293,622	N/A	159,803,731	N/A
Deposits in domestic and international financial institutions		18,060,786	N/A	10,611,290	N/A
Borrowed funds (a)		34,685,050	N/A	22,176,968	N/A
Outstanding securities (a)		82,808,753	N/A	73,693,548	N/A
Subordinated debts		<u>23,409,692</u>	<u>23,494,801</u>	<u>12,913,003</u>	<u>11,909,833</u>
	RD\$	<u>317,257,903</u>	<u>23,494,801</u>	<u>279,198,540</u>	<u>11,909,833</u>

(N/A): Not available.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

- (a) The Bank has not performed an analysis of fair values of its loans portfolio, customer deposits, outstanding securities and borrowed funds, which market values might be affected by changes in interest rates.
- (b) There is not an active stock market in the Dominican Republic where fair value of these investments in shares can be obtained. Nevertheless, for investments in shares of entities that are listed in active markets, with a book value of RD\$37,949 and RD\$36,635, respectively, the market value was RD\$170,886 and RD\$154,016, respectively.

37 Transactions with related parties

The First Resolution of the Monetary Board dated March 18, 2004 approved the Regulation regarding Credit Limits to Related Parties, which establishes the criteria to determine the related parties of the financial institutions.

The most significant operations and balances with related parties in accordance with the criteria established by the Regulation regarding Credit Limits to Related Parties as of December 31, 2014 and 2013, are as follows:

	At December 31, 2014			
	Current <u>Loans</u>	Past Due <u>Loans</u>	<u>Total</u>	<u>Collaterals</u>
Related by ownership	45,731,503	-	45,731,503	Unsecured
Related by management	<u>8,988,772</u>	<u>157,674</u>	<u>9,146,446</u>	<u>5,317,801</u>
	At December 31, 2013			
	Current <u>Loans</u>	Past Due <u>Loans</u>	<u>Total</u>	<u>Collaterals</u>
Related by ownership	87,203,099	-	87,203,099	Unsecured
Related by management	<u>6,354,358</u>	<u>64,039</u>	<u>6,418,397</u>	<u>2,182,319</u>

The loans related to the ownership correspond to loans to the Dominican Republic Government and its agencies, which are excluded for determining the technical relations related to credit concentration.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

As of December 31, 2014 and 2013, loans related to the management of the Bank includes RD\$7,924 and RD\$5,623 million, respectively, which were granted to employees at interest rates more favorable than those unrelated parties in accordance with the policy for personnel incentives. Similarly, deposits with related parties maintain interest rates at different conditions from those of unrelated parties.

The main balances and transactions with related parties through ownership for the years ended at December 31, 2014 and 2013 include:

	2014		2013	
	Balance	Effects on Revenues (Expenses)	Balance	Effects on Revenues (Expenses)
Available funds	RD\$ 56,497,507	-	38,652,218	-
Loans portfolio	45,731,503	8,264,323	87,203,099	6,325,085
Demand deposits	51,546	(305,970)	30,749,625	(262,027)
Savings deposits	1,864,529	-	2,203,429	-
Other investment in debt instruments	16,290,829	1,947,925	17,156,821	2,352,028
Outstanding securities	15,611,692	(879,258)	11,353,157	(664,232)
Interest receivable	1,168,916	-	828,548	-
Accounts receivable	760,903	-	41,064	-
Other liabilities	<u>1,096,606</u>	<u>-</u>	<u>264,768</u>	<u>-</u>

Other transactions with identified related parties conducted during the periods ended December 31, 2014 and 2013 include:

	2014		2013	
	Balance	Effects in Net Income Revenues (Expenses)	Balance	Effects in Net Income Revenues (Expenses)
Loans portfolio	RD\$ 9,043,936	497,563	6,418,397	335,537
Deposits of officers and employees	<u>4,880,549</u>	<u>(479,993)</u>	<u>2,791,494</u>	<u>(458,857)</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

38 Pension fund

The Bank makes contributions to the following pension plans:

- a) A pension plan with defined benefits and other pensions for employees not covered by Social Security Law No. 87-01 of May 9, 2001, which established the Social Security System of the Dominican Republic. Until June 30, 2014, contributions to this plan correspond to 12.5% of the monthly salaries of officials and employees paid from July 1st, 2014. This contribution was increased to 17.5%, plus 2.5% of the gross profits of the Bank, as provided by the statute of the Pension Plan approved by the Board of Directors. Additionally, the Bank may also make extraordinary contributions based on the results of actuarial studies. A summary of the financial information of the (unaudited) plan, is as follows:

	<u>2014</u>	<u>2013</u>
Present value of obligations		
for past services	RD\$ (9,149,735)	(7,748,215)
Net assets of the plan	<u>8,743,793</u>	<u>7,191,516</u>
Net position of the plan	RD\$ <u>(405,942)</u>	<u>(556,699)</u>

The expense recognized during the years 2014 and 2013 amounted RD\$574,406, and RD\$569,541, respectively, including extraordinary contributions of RD\$242,327 and RD\$272,326 for both years, in order to cover the deficit until 2019, as authorized by the Superintendence of Banks.

The Superintendence of Banks by Circular SB: ADM / 0681/10 of December 31, 2010, did not object that the Bank annually recognize since 2011, an extraordinary payment of RD\$242.3 million for a period of nine years, to cover the actuarial deficit determined by an actuarial study conducted in 2007. For such purpose, the Bank was required to submit to the SB the Board of Directors Minutes that approved the transaction a study with recommendations on the financial position and viability over the next nine years and the balance of the actuarial deficit of the plan as of December 31, 2010. This information was provided to the SB through Communication ADM- 1384-11 dated March 14, 2011.

Actuarial assumptions

At December 31, 2014 and 2013, the principal actuarial assumptions and other basic plan information used in determining the actuarial liabilities are as follows:

	<u>2014</u>	<u>2013</u>
	SIPEN 2011 (M-F)	SIPEN 2011 (M-F)
Mortality Table		
Rate of return on assets	12%	12.50%
Long- term annual discount rate	10%	12%
Annual salary increase scale	8.50%	6.50%
Long-term annual inflation rate	<u>6.50%</u>	<u>6.50%</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

A summary of the number and amount of current pensions as of December 31, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Number of members	2,126	2,204
Average age in years of the members	46	45
Average monthly salary	RD\$ <u>68</u>	<u>59</u>

Employees who are affiliated to the Social Security System of the Dominican Republic, created by Law No. 87-01 issued on May 9, 2001, consisting of the Contributive Regimen covering public and private employees and employers, funded by the latter, including the Dominican State as an employer. According to the Social Security System of the Dominican Republic all employee and employers must be affiliated to the pension regimen through the Administradora de Fondos de Pensiones (AFP) and the Administradoras de Riesgos de Salud (ARS). Officers and employees of the Bank are affiliated in various pension fund plans, mainly in the Administradora de Fondos de Pensiones Reservas, S. A.

39 Non-monetary transactions

The non-monetary transactions are as follows:

	<u>2014</u>	<u>2013</u>
Write off of loan portfolio and interest receivable	RD\$ 1,191,549	1,165,706
Assets received in loans settlements	1,933,112	2,420,673
Transfer between allowances for risky assets:		
Loans portfolio	(218,104)	(399,521)
Investments	31,735	(8,000)
Interest receivable	6,314	156,866
Assets received in loans settlements	166,926	340,358
Contingencies	13,129	(89,703)
Sale of assets received in loans settlements with credit facilities	181,883	63,792
Amortization of National Treasury bonds	75,000	75,000
Interest on National Treasury bonds	4,500	5,250
Transfer of net income to other equity reserves	2,456,876	1,766,341
Dividends paid with transfer of assets received in loans settlements	410,446	450,000
Transfer of invoice discounts to loans portfolio	-	10,744,881
Dividends paid in shares	2,000,000	-
Transfer of accounts receivable to foreclosed assets received in loan settlements	146,593	-

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

Acquisition of loan portfolio of a local financial institution:		
Loan portfolio acquired	1,420,009	-
Loan portfolio offsetted	(181,525)	-
Outstanding securities	893,030	-
Other liabilities	345,454	-
Dividend paid by offsetting the debt of Dominican Republic State institutions with the Bank:		
Retained earnings from prior periods	1,119,768	-
Accounts receivable	(246,894)	-
Loan portfolio	<u>(872,875)</u>	<u>-</u>

40 Subsequent events

On January 19, 2015, by the First Resolution of the Monetary Board, the Central Bank of the Dominican Republic (Central Bank) was authorized that starting January 23, 2015 to require financial institutions that the legal reserve established in local currency, be fully integrated in the regular account of the Central Bank, having to immediately integrate in cash, the balances of the loans portfolio of productive sectors which at that date were being considered as the legal reserve ratio. Also, on the same date by the Second Resolution of the Monetary Board, the Central Bank was authorized to increase the legal reserve ratio by 2% for all types of financial entities. The implementation of this Second Resolution was defined for February 11, 2015.

On January 22, 2015, the Board of Directors approved the distribution of dividends as follows:

Cash dividends to be delivered to the Dominican Republic State	RD\$ 1,500,000
Amortization of bonds of the Law 121-05	1,500,000
15% to cover Dominican State debts and its agencies with the Bank	1,052,947
Amortization of 5% of certified vouchers of the National Treasury Law 99-01	75,000
1% interest on certified vouchers Law 99-01	3,750
Dividends in shares	<u>2,800,000</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements - Statutory Basis

41 Other disclosures

41.1 Implementation of future standards

Circular SB: No. 012/14 dated December 18, 2014, Chapters II and III of the Accounting Manual for Financial Institutions were modified to incorporate the changes necessary to adapt to current regulations, which consist basically of adding new lines to the chart of accounts in subgroups of other investments in debt instruments; fluctuation of investment portfolio; restricted available securities; various accounts receivable; other deferred charges; restricted public deposits; restricted securities held by the public; reinvestment of interest on securities held by the public; charges payable for securities held by the public; sight financial obligations and non-capitalized equity contributions and inclusion of prepaid cards.

Circular SB: No. 010/14 dated December 3, 2014, is approved and put into effect the "Instructions for the Application of the Rules of Microcredits," whereby the minimum guidelines are established to observe financial institutions performing microcredit operations.

42 Notes required by the Superintendence of Banks

Resolution No. 13-94 of the Superintendence of Banks of the Dominican Republic and its amendments sets the minimum disclosures that the consolidated financial statements of financial institutions should include. As of December 31, 2014 and 2013, the following notes are not included because they are not applicable:

- ♦ Changes in accounting policies.
- ♦ Earnings per shares.
- ♦ Significant discontinued operations.
- ♦ Changes in share ownership.
- ♦ Regular classification of significant liabilities
- ♦ Gains or loss on disposal of fixed assets or other assets in subsidiaries, branches or offices abroad.
- ♦ Losses caused by disasters.
- ♦ Effects of change in fair market over the book value of investments in securities.