

# Banco de Reservas de la Republica Dominicana, Banco de Servicios Múltiples

Update

## Key Rating Drivers

**Support-Driven Ratings:** Banco de Reservas de la Republica Dominicana, Banco de Servicios Múltiples' (Banreservas) national ratings reflect Fitch Ratings' assessment of the Dominican Republic's ability and willingness to provide support. The bank is systemically important, plays a significant policy role and is wholly owned by the government of the Dominican Republic.

**Positive Outlook:** The Positive Rating Outlook on Banreservas reflects our view that the improvement in the operating environment (OE) will support the financial system in maintaining double-digit growth and a healthy financial profile, given lower inflation and interest rates.

**Policy Role:** Banreservas' ratings consider its policy roles as a fund collector for the government's single treasury account and as a lender to the public sector.

**Systemic Importance:** The ratings consider the bank's relevance in the financial system, as it has the largest franchise in the Dominican Republic, with a market share by assets of 32.5% of the financial system as of the end of 3Q24. The entity holds a leading position in the commercial and consumer segments.

**Good and Stable Asset Quality:** As of 3Q24, Banreservas maintained good asset quality, reflected in a non-performing loan (NPL) ratio over 90 days of 0.8% (4Q23: 0.6%), primarily evidencing conservative credit placement standards, comprehensive collection practices (particularly in the retail segment), loan portfolio growth and a favorable OE. At the same date, the coverage for credit losses of NPLs over 90 days was 365.5%, which Fitch considers a robust cushion to absorb potential losses. The trend for this factor is positive, as the NPL ratio is expected to remain robust in 2025, reflecting sound credit placement standards.

**Solid Profitability:** The operating profit to risk-weighted assets (RWA) ratio remained solid at 5.3% as of 3Q24 (4Q23: 5%), mainly due to low provisioning expenses and a strong net interest margin (NIM) in a high interest rate environment. The trend for this factor is positive, as profitability is expected to remain sound and high in 2025, due to low credit costs and strong generation of financial and non-financial income.

**Adequate Capitalization and Solid Liquidity:** Fitch's core capital to RWA ratio improved to 18.5% as of 3Q24 from 16.7% at 4Q23, reflecting strong internal capital generation. Additionally, the bank's loss absorption capacity is enhanced by broad reserve coverage. Fitch believes that Banreservas maintains a stable funding structure and adequate liquidity levels. As of 3Q24, this was reflected in a loans-to-deposits ratio of 65%, which compares favorably with the banking system average.

**Government Support Rating:** Banreservas' Government Support Rating (GSR) of 'bb-' reflects its systemic importance in the Dominican banking system, policy role in collecting funds for the government's single treasury account to pay debt obligations and role as a provider of public-sector loans, in addition to the 100% government ownership of the bank.

The GSR also reflects the moderate probability of support because of uncertainties over the ability or propensity of the Dominican Republic to provide such support, if needed, due to its speculative-grade IDR of 'BB-'/Positive.

## Ratings

### Foreign Currency

Long-Term IDR	BB-
Short-Term IDR	B

### Local Currency

Long-Term IDR	BB-
Short-Term IDR	B

Viability Rating	b+
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Government Support Rating	bb-
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### Sovereign Risk (Dominican Republic)

Long-Term Foreign-Currency IDR	BB-
Long-Term Local-Currency IDR	BB-
Country Ceiling	BB-

### Outlooks

Long-Term Foreign-Currency IDR	Positive
Long-Term Local-Currency IDR	Positive
Sovereign Long-Term Foreign-Currency IDR	Positive
Sovereign Long-Term Local-Currency IDR	Positive

## Applicable Criteria

[Bank Rating Criteria \(March 2024\)](#)

## Related Research

[Latin American Banks Outlook 2025 \(December 2024\)](#)

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## Rating Sensitivities

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

#### IDRs and VR

- Banreservas' IDRs and VR would mirror any downgrade in the Dominican Republic's sovereign ratings and Country Ceiling.
- Banreservas' IDRs are sensitive to a change in Fitch's perception of the Dominican sovereign's propensity to support the bank.
- Banreservas' VR could be downgraded if there is a relevant deterioration in asset quality or profitability, or sustained pressures on the FCC to RWA ratio to below 9.0%.

#### GSR

- Banreservas' GSR would be affected if Fitch negatively changes its assessment of the Dominican government's propensity to provide timely support to the bank. This could also arise in the event of a sovereign negative rating action.

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

#### IDRs and VR

- Banreservas' IDRs could be upgraded if there is a similar sovereign rating action.
- Banreservas' VR could be upgraded by the confluence of improvements in the OE and the financial profile of the bank.

#### GSR

- Banreservas' GSR could be upgraded if the sovereign rating is upgraded.

## Other Debt and Issuer Ratings

Rating level	Rating
Subordinated	AA-

Source: Fitch Ratings

Banreservas' subordinated bond corresponds to a domestic issue of DOP20,000 million maturing in 2032. This bond does not have loss absorption features. The issue is rated two notches below the long-term national rating, reflecting the baseline notching for loss severity of two notches due to its subordinated nature and the absence of coupon deferral clauses.

- The subordinated debt rating would be downgraded if Banreservas' national long-term rating is downgraded.
- The subordinated debt rating would be upgraded if Banreservas' national long-term rating is upgraded.

## Ratings Navigator

Banco de Reservas de la Republica Dominicana, Banco de Servicios Múltiples (BANRESERVAS)							ESG Relevance:	Banks		
								Ratings Navigator		
Operating Environment	Business Profile	Risk Profile	Financial Profile				Implied Viability Rating	Viability Rating	Government Support	Issuer Default Rating
			Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity				
	20%	10%	20%	15%	25%	10%				
aaa							aaa	aaa	aaa	AAA
aa+							aa+	aa+	aa+	AA+
aa							aa	aa	aa	AA
aa-							aa-	aa-	aa-	AA-
a+							a+	a+	a+	A+
a							a	a	a	A
a-							a-	a-	a-	A-
bbb+							bbb+	bbb+	bbb+	BBB+
bbb							bbb	bbb	bbb	BBB
bbb-							bbb-	bbb-	bbb-	BBB-
bb+							bb+	bb+	bb+	BB+
bb							bb	bb	bb	BB
bb-							bb-	bb-	bb-	BB-Pos
b+							b+	b+	b+	B+
b							b	b	b	B
b-							b-	b-	b-	B-
ccc+							ccc+	ccc+	ccc+	CCC+
ccc							ccc	ccc	ccc	CCC
ccc-							ccc-	ccc-	ccc-	CCC-
cc							cc	cc	cc	CC
c							c	c	c	C
f							f	f	ns	D or RD

The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upward or downward to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

## VR - Adjustments to Key Rating Drivers

- Fitch has assigned a Business Profile score of 'bb', which is above the 'b' category implied score, due to the following adjustment reason: Market position (positive).
- Fitch has assigned a Funding and Liquidity score of 'bb-', which is above the 'b' category implied score, due to the following adjustment reason: Deposit structure (positive).

## Financials

### Financial Statements

	Sept. 30, 2024		Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
	Nine months (USD mil.)	Nine months (DOP mil.)	12 months (DOP mil.)	12 months (DOP mil.)	12 months (DOP mil.)
	Interim	Interim	Audited	Audited	Audited
<b>Summary income statement</b>					
Net interest and dividend income	729	43,949	53,338	47,559	45,034
Net fees and commissions	307	18,505	22,946	17,874	12,073
Other operating income	137	8,276	6,796	3,804	15,719
Total operating income	1,174	70,729	83,080	69,237	72,825
Operating costs	736	44,347	56,403	45,973	41,529
Pre-impairment operating profit	438	26,382	26,677	23,265	31,296
Loan and other impairment charges	67	4,049	550	2,183	9,698
Operating profit	371	22,333	26,126	21,081	21,598
Other non-operating items (net)	-4	-230	-100	1,576	-4,291
Tax	36	2,185	1,526	632	1,000
Net income	331	19,918	24,500	22,026	16,307
Other comprehensive income	-	-	0	-	0
Fitch comprehensive income	331	19,918	24,500	22,026	16,307
<b>Summary balance sheet</b>					
<b>Assets</b>					
Gross loans	9,436	568,560	518,916	429,975	378,416
- of which impaired	79	4,765	2,977	2,471	4,398
Loan loss allowances	289	17,417	17,854	23,344	26,297
Net loans	9,147	551,142	501,062	406,631	352,119
Interbank	-	-	-	-	0
Derivatives	-	-	-	-	-
Other securities and earning assets	7,215	434,726	332,729	304,415	300,970
Total earning assets	16,362	985,868	833,791	711,046	653,089
Cash and due from banks	2,904	174,958	251,223	283,191	220,150
Other assets	797	48,019	42,592	29,394	25,781
Total assets	20,063	1,208,844	1,127,607	1,023,631	899,020
<b>Liabilities</b>					
Customer deposits	14,514	874,473	811,703	762,911	684,128
Interbank and other short-term funding	2,995	180,472	185,300	131,343	113,229
Other long-term funding	340	20,458	20,375	37,649	27,581
Trading liabilities and derivatives	-	-	-	-	-
Total funding and derivatives	17,848	1,075,403	1,017,378	931,903	824,938
Other liabilities	468	28,185	22,910	20,097	17,760
Preference shares and hybrid capital	-	-	-	-	-
Total equity	1,747	105,257	87,318	71,631	56,322
Total liabilities and equity	20,063	1,208,844	1,127,607	1,023,631	899,020
Exchange rate		USD1 = DOP60.252	USD1 = DOP58.2565	USD1 = DOP56.4142	USD1 = DOP57.1413

Source: Fitch Ratings, Fitch Solutions, Banreservas

## Key Ratios

	Sept. 30, 2024	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
<b>Ratios (%; annualized as appropriate)</b>				
<b>Profitability</b>				
Operating profit/risk-weighted assets	5.3	5.0	4.6	6.2
Net interest income/average earning assets	6.3	6.6	6.5	7.2
Non-interest expense/gross revenue	64.5	70.7	69.0	59.9
Net income/average equity	26.9	30.9	34.4	30.9
<b>Asset Quality</b>				
Impaired loans ratio	0.8	0.6	0.6	1.2
Growth in gross loans	9.6	20.7	13.6	17.0
Loan loss allowances/impaired loans	365.5	599.6	944.7	597.9
Loan impairment charges/average gross loans	1.0	0.1	0.5	2.8
<b>Capitalization</b>				
Common equity Tier 1 ratio	-	-	-	-
Fully loaded common equity Tier 1 ratio	-	-	-	-
Fitch Core Capital ratio	18.5	16.7	15.5	15.8
Tangible common equity/tangible assets	8.7	7.7	6.9	6.1
Basel leverage ratio	-	-	-	-
Net impaired loans/common equity Tier 1	-	-	-	-
Net impaired loans/Fitch Core Capital	-12.1	-17.2	-29.6	-40.0
<b>Funding and Liquidity</b>				
Gross loans/customer deposits	65.0	63.9	56.4	55.3
Gross loans/customer deposits + covered bonds	-	-	-	-
Liquidity coverage ratio	-	-	-	-
Customer deposits/total non-equity funding	81.3	79.8	81.9	82.9
Net stable funding ratio	-	-	-	-
Source: Fitch Ratings, Fitch Solutions, Banreservas				

## Support Assessment

Policy Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	bb- or b+
Actual jurisdiction D-SIB GSR	bb-
Government Support Rating	bb-
Government ability to support D-SIBs	
Sovereign Rating	BB-/ Positive
Sovereign financial flexibility (for rating level)	
Government propensity to support D-SIBs	
Resolution legislation	
Support stance	
Government propensity to support bank	
Systemic importance	
Liability structure	
Ownership	
Policy role and status	
Ownership	Equalised
Policy role	Equalised
Guarantees and legal status	Notched Down

The colors indicate the weighting of each KRD in the assessment.

Higher influence Moderate influence Lower influence



## Environmental, Social and Governance Considerations

### Credit-Relevant ESG Derivation

Banco de Reservas de la Republica Dominicana has 5 ESG potential rating drivers

- ★ Banco de Reservas de la Republica Dominicana has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- ★ Governance is minimally relevant to the rating and is not currently a driver.

	key driver	0	issues	5	
	driver	0	issues	4	
	potential driver	5	issues	3	
	not a rating driver	4	issues	2	
		5	issues	1	

### Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management, catastrophe risk, credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

#### How to Read This Page

ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factors within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of "4" and "5" are assumed to reflect a negative impact unless indicated with a "+" sign for positive impact; scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

### Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities; SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

### Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal/compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

### CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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