

**Banco de Reservas de la
República Dominicana**
Report of Independent Accountants and
Financial Statements
December 31, 2001 and 2000

Banco de Reservas de la República Dominicana
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December 31, 2001 and 2000

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Report of Independent Accountants

February 26, 2002

To the Board of Directors and
Shareholders of
Banco de Reservas de la República Dominicana

We have audited the accompanying statements of financial position of Banco de Reservas de la República Dominicana as of December 31, 2001 and 2000, and the related statements of income, changes in cash and changes in capital on a regulated basis for the years then ended. These financial statements are the responsibility of Banco de Reservas de la República Dominicana management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits of these statements in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Bank prepares its financial statements in accordance with the accounting practices established by the Superintendency of Banks of the Dominican Republic, which is a comprehensive basis of accounting other than generally accepted accounting principles. When these financial statements are prepared or used for purposes other than to file with the regulatory bodies, generally accepted auditing standards require that the report of the independent accountants on those financial statements expresses whether they are presented in conformity with generally accepted accounting principles. Due to the differences between generally accepted accounting principles and those accounting practices, we do not express an opinion on the fair presentation of the financial statements mentioned before in conformity with generally accepted accounting principles.

To the Board of Directors and
Shareholders of
Banco de Reservas de la República Dominicana
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As explained in Note 5 to the accompanying financial statements, the Bank has unsecured loans with more than two years past due and secured with more than three years past due, corresponding mainly to the public sector, which were not written off because management believes that these loans have the unlimited guarantee of the Dominican State. As explained also in Note 5, the Bank transfers loans to past due loans portfolio on a management discretionary basis.

In our opinion, except for the effects on the financial statements of the matters referred to in the fourth paragraph, the accompanying financial statements audited by us present fairly, in all material respects, the financial position of Banco de Reservas de la República Dominicana as of December 31, 2001 and 2000, and the results of its operations, its changes in cash and its changes in capital for the years then ended, in conformity with the accounting practices for financial institutions established by the Superintendency of Banks of the Dominican Republic, as described in Note 2.

Banco de Reservas de la República Dominicana
Statements of Financial Position
December 31, 2001 and 2000
Amounts in RD\$

ASSETS	2001	2000
Cash (Note 4)		
Cash-on-hand, in banks and in Central Bank of the Dominican Republic	5,477,952,082	4,886,295,434
Remittances in transit	<u>2,435,106,356</u>	<u>1,339,232,504</u>
	<u>7,913,058,438</u>	<u>6,225,527,938</u>
Loans portfolio (Note 5)		
Outstanding in local currency	19,113,641,237	14,707,633,906
Outstanding in foreign currency	1,812,494,921	1,028,562,747
Past due	128,374,000	129,371,726
Credits to financial institutions	<u>123,496,231</u>	<u>10,471,492</u>
	21,178,006,389	15,876,039,871
Provision for loans losses (Note 6)	<u>(645,656,827)</u>	<u>(559,604,425)</u>
	<u>20,532,349,562</u>	<u>15,316,435,446</u>
Investments (Note 7)		
Investments in deposit and securities	2,257,718,194	498,069,601
Provision for investments (Note 6)	<u>(3,401,161)</u>	<u>(3,188,588)</u>
	<u>2,254,317,033</u>	<u>494,881,013</u>
Fixed assets (Note 8)		
Fixed assets	1,642,872,530	1,392,667,475
Accumulated depreciation	<u>(616,043,193)</u>	<u>(523,587,918)</u>
	<u>1,026,829,337</u>	<u>869,079,557</u>
Other assets (Note 9)		
Accounts receivable	36,488,729	51,785,542
Interest receivable	218,913,782	1,028,717,404
Assets acquired through settlement of loans	399,948,685	379,394,457
Provision for assets acquired through settlement of loans (Note 6)	<u>(210,446,692)</u>	<u>(161,074,971)</u>
Deferred charges (net)	131,451,184	172,365,321
Sundry assets	<u>1,371,025,189</u>	<u>2,220,435,314</u>
	<u>1,947,380,877</u>	<u>3,691,623,067</u>
TOTAL ASSETS	<u><u>33,673,935,247</u></u>	<u><u>26,597,547,021</u></u>

These financial statements must be read in conjunction with the report of independent accountants of February 26, 2002 and the accompanying notes 1 to 33.

Banco de Reservas de la República Dominicana
Statements of Financial Position
December 31, 2001 and 2000
Amounts in RD\$

LIABILITIES AND DOMINICAN STATE'S CAPITAL	2001	2000
Liabilities		
Deposits held by the public in local currency (Note 13)		
Demand	9,901,581,817	6,088,007,473
Saving	4,221,430,682	3,735,676,317
Time	4,995,719	5,929,559
	<u>14,128,008,218</u>	<u>9,829,613,349</u>
Deposits held by the public in foreign currency	2,258,679,267	1,509,676,652
Certificates held by the public		
Financial certificates (Note 13)	<u>8,446,194,386</u>	<u>6,787,113,117</u>
Financing obtained in local currency (Note 14)	811,455,347	1,018,567,628
Financing obtained in foreign currency (Note 15)	2,054,255,099	1,622,398,757
Demand liabilities in local currency (Note 16)	285,380,553	238,162,645
Other liabilities in local currency (Note 16)	120,019,058	241,853,510
Demand liabilities in foreign currency (Note 17)	500,055,134	680,058,727
Other liabilities (Note 18)		
Deferred interest and commission income	355,174,583	1,177,284,202
Sundry liabilities	<u>1,479,652,652</u>	<u>2,024,925,870</u>
	<u>1,834,827,235</u>	<u>3,202,210,072</u>
Total liabilities	<u>30,438,874,297</u>	<u>25,129,654,457</u>
Dominican State's Capital (Note 19)		
Capital	2,000,000,000	250,000,000
Capital reserve	762,449,637	807,006,710
Income for the period	<u>472,611,313</u>	<u>410,885,854</u>
Total Dominican State's capital	<u>3,235,060,950</u>	<u>1,467,892,564</u>
TOTAL LIABILITIES AND DOMINICAN STATE'S CAPITAL	<u>33,673,935,247</u>	<u>26,597,547,021</u>

COMMITMENTS AND CONTINGENCIES (Note 21)

These financial statements must be read in conjunction with the report of independent accountants of February 26, 2002 and the accompanying notes 1 to 33.

Banco de Reservas de la República Dominicana
Statements of Income
Years Ended December 31, 2001 and 2000
Amounts in RD\$

	2001	2000
Financial income		
Interest and commissions from credit operations	3,442,986,346	2,858,297,620
Interest collected from investments	<u>47,296,028</u>	<u>12,548,360</u>
	<u>3,490,282,374</u>	<u>2,870,845,980</u>
Financial expenses		
Interest paid on deposits	(1,486,397,198)	(1,140,537,263)
Interest and commissions paid on financing	<u>(64,843,336)</u>	<u>(30,872,641)</u>
	<u>(1,551,240,534)</u>	<u>(1,171,409,904)</u>
Financial income	1,939,041,840	1,699,436,076
Other operational income	714,772,984	761,262,338
Other operational expenses	<u>(32,599,196)</u>	<u>(28,606,559)</u>
	<u>682,173,788</u>	<u>732,655,779</u>
Gross operational income	2,621,215,628	2,432,091,855
Staff and directors expenses	(1,233,120,879)	(1,157,901,517)
Other administrative and general expenses	<u>(528,105,348)</u>	<u>(466,799,767)</u>
	<u>(1,761,226,227)</u>	<u>(1,624,701,284)</u>
Net operational income	859,989,401	807,390,571
Provisions for risky assets (Note 6)	(227,149,844)	(314,186,534)
Non-operational (expenses) income (Note 22)	21,315,758	78,537,846
Extraordinary (expenses) income (Note 23)	<u>(23,417,954)</u>	<u>(23,377,248)</u>
	<u>(229,252,040)</u>	<u>(259,025,936)</u>
Income before income tax	630,737,361	548,364,635
Income tax (Note 24)	<u>(157,537,104)</u>	<u>(136,961,951)</u>
Net income before prior years income and expenses	473,200,257	411,402,684
Prior years income (expenses) (Note 25)	<u>(588,944)</u>	<u>(516,830)</u>
Net income	<u>472,611,313</u>	<u>410,885,854</u>

These financial statements must be read in conjunction with the report of independent accountants of February 26, 2002 and the accompanying notes 1 to 33.

Banco de Reservas de la República Dominicana
Statements of Changes in Cash
Years Ended December 31, 2001 and 2000
Amounts in RD\$

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and commissions collected on loans	3,442,986,346	2,858,297,620
Other interest collected	47,296,028	12,548,360
Other operational income received	714,772,984	761,262,338
Interest paid on deposits	(1,486,397,198)	(1,140,537,263)
Interest and commissions paid on financing	(64,843,336)	(30,872,641)
Administrative and general expenses paid	(1,547,993,585)	(1,236,465,263)
Other operational expenses paid	(32,599,196)	(28,606,559)
Sundry (payments) collections by operating activities	(543,432,687)	335,513,322
Net cash provided by operating activities	<u>529,789,356</u>	<u>1,531,139,914</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans granted	(20,657,155,091)	(11,454,756,739)
Loans collected	15,143,917,541	8,842,333,302
Decrease (increase) in investments	(259,648,593)	298,442,171
Acquisition of fixed assets	(250,855,055)	(139,005,935)
Disposal of fixed assets	2,897,751	7,094,317
Sales of assets acquired through settlement of loans	54,725,562	127,347,767
Net cash used in investing activities	<u>(5,966,117,885)</u>	<u>(2,318,545,117)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the sale of deposits	479,507,946,787	423,410,521,263
Payments of deposits	(472,801,468,034)	(420,281,027,491)
Loans obtained	22,185,596,103	73,931,940,764
Loans paid	(21,597,772,900)	(74,451,566,990)
Cash dividends and other payments to stockholders	(170,442,927)	(100,000,000)
Net cash provided by financing activities	<u>7,123,859,029</u>	<u>2,509,867,546</u>
NET INCREASE IN CASH	1,687,530,500	1,722,462,343
CASH AT BEGINNING OF YEAR	<u>6,225,527,938</u>	<u>4,503,065,595</u>
CASH AT END OF YEAR	<u>7,913,058,438</u>	<u>6,225,527,938</u>

These financial statements must be read in conjunction with the report of independent accountants of February 26, 2002 and the accompanying notes 1 to 33.

Banco de Reservas de la República Dominicana
Statements of Changes in Cash
Years Ended December 31, 2001 and 2000
Amounts in RD\$

Reconciliation of net income for the period to net cash provided by operating activities

	2001	2000
Net income	<u>472,611,313</u>	<u>410,885,854</u>
Adjustments to reconcile net income to net cash provided by operating activities		
Provisions for loans losses	175,320,304	276,829,444
Provisions for investments	212,573	541,767
Provision for assets acquired through settlement of loans	51,616,967	36,815,323
Provision for bonus and pension plan	91,067,908	266,603,525
Depreciation and amortization	122,164,734	121,632,496
Gain on sale of assets acquired through settlement of loans	14,307,568	(33,364,839)
Gain on sale of fixed assets	(2,247,751)	(6,508,942)
Income tax expense	157,537,104	136,961,951
Net changes in assets and liabilities:		
Accounts receivable	15,296,813	(28,572,818)
Deferred charges	(1,075,959)	(29,943,802)
Sundry assets	232,932,351	676,024,024
Demand liabilities in local currency	47,217,908	53,746,980
Demand in foreign currency	(53,294,247)	44,062,608
Sundry liabilities	<u>(793,878,230)</u>	<u>(394,573,657)</u>
Total adjustments	<u>57,178,043</u>	<u>1,120,254,060</u>
Net cash provided by operating activities	<u>529,789,356</u>	<u>1,531,139,914</u>

Disclosure of non monetary financial and investment activities (Note 20)

These financial statements must be read in conjunction with the report of independent accountants of February 26, 2002 and the accompanying notes 1 to 33.

Banco de Reservas de la República Dominicana
Statements of Changes in Capital
Years Ended December 31, 2001 and 2000
Amounts in RD\$

	Dominican State's <u>Capital</u>	Capital <u>Reserves</u>	Accumulated <u>Earnings</u>	Income for the <u>Period</u>	Total Dominican States <u>Capital</u>
Balances at January 1, 2000	250,000,000	681,768,706		250,476,007	1,182,244,713
Transfer to accumulated earnings			250,476,007	(250,476,007)	
Distribution of income (Note 19):					
Deduction to the State to cover loans and others needs			(25,238,003)		(25,238,003)
In cash to the National Treasury Reserves		125,238,004	(100,000,000) (125,238,004)		(100,000,000)
Net income for the period				<u>410,885,854</u>	<u>410,885,854</u>
Balances at December 31, 2000	250,000,000	807,006,710		410,885,854	1,467,892,564
Transfer to accumulated earnings			410,885,854	(410,885,854)	
Distribution of income (Note 19):					
Deduction to the State to cover loans and others needs			(35,000,000)		(35,000,000)
In cash to the National Treasury Reserves		205,442,927	(170,442,927) (205,442,927)		(170,442,927)
Increase of capital	1,750,000,000	(250,000,000)			1,500,000,000
Net income for the period				<u>472,611,313</u>	<u>472,611,313</u>
Balances at December 31, 2001	<u>2,000,000,000</u>	<u>762,449,637</u>		<u>472,611,313</u>	<u>3,235,060,950</u>

These financial statements must be read in conjunction with the report of independent accountants of February 26, 2002 and the accompanying notes 1 to 33.

Banco de Reservas de la República Dominicana
Notes to the Financial Statements
December 31, 2001 and 2000

1. Entity

The Bank was established by the law 581 dated October 24, 1941 modified by law 6133 dated December 17, 1962 and their modifications. Is property of the Dominican State and offers all universal banking services to the Government, their autonomous entities and state enterprises (public sector), private companies and the public (private sector). The securities and debts by law are fully guaranteed by the Dominican State.

The Monetary Board authorized Banco de Reservas de la República Dominicana to offer multi-banking services in 1998, through the capitalization mechanism under the same entity.

2. Significant Accounting Policies

A summary of the most significant accounting policies established for the preparations of the financial statement are:

Income and expense recognition

Interest and other income activities are recognized when collected. Interest recovered through assets acquired under loan realization account and any subsequent gain on the sale of the assets are recognized as income when the sales are paid in cash, in case of installment sales when the last installment is collected. Expenses are recognized when incurred.

Interest on public sector loans

Since 1984, the Bank adopted a new policy related to interest receivable from the public sector entities, which are eliminated from the deferred and receivable balances, to be recorded only in memorandum accounts. The Bank considered this interest fully collectable, on the basis that are equal to any other receivable from the public sector, that have the unlimited guarantee of the Dominican State.

Transitory regime

Provisions for risky assets are provided in a period of eight years, since June 29, 1993 when the Banking Standards came into effect. This initial regime expired at June 30, 2001. The Monetary Board, considering the difference with the private banking, granted to the Bank a period of twelve years for the constitution of provision on the public sector loans portfolio and for the write-off the past due investments, corresponding to securities issued or guaranteed by the Dominican State.

Banco de Reservas de la República Dominicana
Notes to the Financial Statements
December 31, 2001 and 2000

Provision for loan losses

Loan loss provision is determined following the Banking Standards established in the Second Resolution of the Monetary Board of the Central Bank on June 29, 1993 and its modifications. These standards establish classifications and loss percentages according to loan categories and condition in order to create the general loan loss reserve. In addition, it requires the creation of a generic loan loss reserve of 1% of the total loan portfolio regardless of the loan collectibility status. An eight-year transitory regime was also granted to adjust its loan loss provisions to the higher of the reserve obtained through the evaluation of the loan portfolio or the 1% generic loan loss reserve. As per resolution of the Monetary Board, considering the differences with the private banking, a twelve years period was granted to the Bank for the constitution of the loans portfolio provisions from the public sector.

The estimate of the provision for loan losses is determined based on evaluating the main debtors and determining the global specific risk percentage of the loan portfolio.

Past due loans

The regulations of the Superintendency of Banks of the Dominican Republic and the policies of the Bank require that loans due for more than sixty days after their due dates, be transferred to the past due portfolio. It is the practice of management to transfer loans on a discretionary basis, instead of following the established policy.

Provision to cover risk of account contingents

The provision for contingent account is constituted based on 1% of the contingent account in a three year-old period.

Investments

Investments are recorded at cost and are valued following criteria similar to those established for the loan portfolio in relation to their classification based on the solvency of the issuing entity, percentage of losses and the establishment of provisions based on the transitory regime. For financial securities, the financial characteristics of the instruments and their quotation in a secondary market, if it exists. If no secondary market exists, the valuation is based on certain assumptions using present value techniques.

Issuer risk is not considered for instruments issued or secured by the Dominican State, they are classified based on market prices.

Banco de Reservas de la República Dominicana
Notes to the Financial Statements
December 31, 2001 and 2000

Fixed assets and depreciation

Fixed assets are recorded at cost. The cost of maintenance and repairs, which do not improve or extend the life of the assets, are expensed as incurred. The cost of renewals and betterment is capitalized. When properties and equipment are disposed of, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in earnings. Depreciation is provided based on the tax code as interpreted by the tax authorities.

Per resolution of the Monetary Board, the compliance of the investments limit in fixed assets in excess of 100% of capital and reserves will be required totally at the end of the year six of the issues of banking regulations.

Assets acquired through settlement of loans

Assets acquired through settlement of loans are recorded at cost (basically the balance of the loan, including interest, commissions and legal costs). Interest recovered and any subsequent gain on the sale of the properties, are recognized in income when sales are paid in cash. In case of installment sales, they are recognized in income when the last installment is collected.

Provisions for assets acquired through settlement of loans are set up based on the difference between the carrying book value and appraised values determined by independent appraisers. Provisions for investments in capital stock and financial instruments received through settlement of loans are determined following the accounting practices for investment portfolio. A transitory regime of eight years that expired on June 30, 2001 was established for provisions for excess of net realizable value over carrying book value.

Banking regulations establish after obtaining the approved of an extension, a maximum term of three years for the disposal of assets acquired through settlement of loans, starting from 120 days from the date of acquiring of the assets, at the end of which the assets should be properly provided for.

Furniture	- 100% -	Throughout two years
Properties	- 50% -	At the end of the two years
	- 50% -	In the third year

Provision for other assets losses

The provision for losses in other assets is recorded at the time when it is known that the market value is less than the carrying value.

Banco de Reservas de la República Dominicana
Notes to the Financial Statements
December 31, 2001 and 2000

Deferred charges

Deferred charges including leasehold improvements, software and organization expenses, are deferred and amortized during a period no greater than five years. Other deferred charges are amortized following transitory regime established by the Banking Regulations.

Combination principles

The accompanying financial statements represent the combination of the financial statements of the main office and their branches. Inter-bank transactions and balances (representing in-transit or unmatched items) between the main office and the branches are included in the statements of financial position. Others charges and credits between offices has been eliminated.

Foreign exchange transactions

As required by the Monetary board all foreign exchange transactions are carried out throughout the banking system at free market rates and at those rates established by the Central Bank of the Dominican Republic. Differences between exchange rates at dates of transactions and at their payment dates, resulting from the foreign exchange held by the Bank, are included in current operations.

Pension plan

The Bank's executives and employees participate in a pension and retirement plan, which is managed by the members of the Plan de Retiro y Pensiones del Banco de Reservas de la República Dominicana, directed by the Vice-president of the Board of Directors of the Bank. This plan is contributory. The Bank's contribution is paid to the plan based on actuarial computations.

Dismissal indemnity

Dismissal indemnity, required by law under certain circumstances, is charged to income when the employee is eligible.

Income tax

The tax effects on the transactions are recognized in the year that they are included in the operations, regardless of when they are recognized for income tax purposes.

Banco de Reservas de la República Dominicana
Notes to the Financial Statements
December 31, 2001 and 2000

Cash and cash equivalents

For the purpose of the statements of changes in cash, cash-on-hand, cash deposits with commercial banks and the Central Bank of the Dominican Republic, and remittances in transit represent cash and cash equivalents.

3. Financial Statements and Main Differences between the Regulations of the Superintendency of Banks of the Dominican Republic and Generally Accepted Accounting Principles

The accompanying financial statements have been prepared in accordance with the accounting practices established by the Superintendency of Banks of the Dominican Republic, which is a comprehensive basis of accounting other than generally accepted accounting principles and do not intend to present the financial position, results of operations, changes in cash and changes in capital in accordance with generally accepted accounting principles.

The main differences between accounting policies established by the Banking Regulations described in Note 2 and generally accepted accounting principles regarding accounting and disclosures of banking operations are:

- a) The recognition of income, as described in the accounting policies, differs from generally accepted accounting principles, as they call for the accrual method for income recognition.
- b) Loan portfolio losses are provided following a transitory regime based on a generic reserve of 1% of the total credit portfolio and/or in accordance with the classification, evaluation and determination of the weighted risk of the portfolio, based on the evaluation of the principal debtors; instead of providing based on an evaluation of the balances of doubtful collections.
- c) Investments portfolio losses are provided following the transitory regime based on the classification, evaluation and determination of the weighted loss risk of the portfolio, instead of providing throughout the year for the consistent loss of the investment or for the investments balances of doubtful realization based on an evaluation of the portfolio.
- d) Losses in properties acquired through settlement of loans are provided by the difference between their carrying value and realization value, following the transitory regime established by the regulations, rather than for the consistent loss of such assets throughout the year.

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Notes to the Financial Statements
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The assets acquired through settlement of loans that have not been alienated in the three subsequent years to their award its provision:

Furniture	- 100% -	At the end of two years
Properties	- 50% -	To the two years
	- 50% -	In the third year

- e) Reductions and provisions of the excess of fixed assets over percentage of capital and reserves as required by the regulations and for the excess of the carrying value over the market value. The excess of fixed assets as a percentage of capital is to be eliminated in six years and the fixed assets overvalued are provided in accordance with the transitory regime, instead of keeping them recorded at the cost of acquisition and/or realization.
- f) Charge off of secured loans past due for more that thirty-six months and unsecured loans past-due for more than twenty-four months following the established transition regime. As well as the charge off in a period of six years of the individual unsecured loans that exceed 15% of capital and reserves, and 30% for those secured; instead of providing based on an evaluation of balances of doubtful collections. Loans granted under these conditions granted after the effective date of the regulations must be charged off immediately.
- g) Charge off of loans to related parties that exceeded capital and reserves of the Bank at December 31, 1993 following the transitory regime. The subsequent excesses are charged to the operations in the year in which they were incurred, instead of providing during the year for the balances of doubtful collections.
- f) The losses coming from contingent commitments should be recognized from the moment that they are considered as probable. According to the norms, these should be classified first in the account of active corresponding, and categorized in function of the assets subject to risk, should to provision starting at June 30, 2001, 1% of their balance. At the end of the 3 year-old gradually established in the norm at January 9, 2001, this generic provision of 1% is eliminated, to recognize the totality of the contingent account, with the rest of the obligations of the debtors.

Banco de Reservas de la República Dominicana
Notes to the Financial Statements
December 31, 2001 and 2000

4. Cash

Cash consists of:

	2001	2000
Cash-on-hand, including US\$8,442,051 in 2001 and US\$11,010,625 in 2000	RD\$1,204,605,503	RD\$1,159,928,606
Deposits in foreign correspondent banks, including US\$43,302,649 in 2001 and US\$27,055,579 in 2000	738,865,241	455,595,117
Deposits in local correspondent banks	102,149	2,258,559
Deposit for legal reserve in the Central Bank of the Dominican Republic:		
At 2%, including US\$8,000,000 in 2000	2,200,000,000	1,332,481,518
On demand	1,334,379,189	1,551,467,117
Deposits for letters of credit, collections and others including US\$23,222,495 in 2000		384,564,517
	<u>5,477,952,082</u>	<u>4,886,295,434</u>
Remittances in transit:		
Foreign notes for collection, including US\$336,812 in 2001 and US\$395,832 in 2000	5,605,714	6,554,984
Documents on demand	<u>2,429,500,642</u>	<u>1,332,677,520</u>
	<u>2,435,106,356</u>	<u>1,339,232,504</u>
	<u>RD\$7,913,058,438</u>	<u>RD\$6,225,527,938</u>

As of December 31, 2001 and 2000 the total amount deposited exceeds the minimum requirement by RD\$1,207,203 and RD\$1,182,616 respectively.

Cash in foreign currency has been converted at the closing exchange rate.

5. Loans Portfolio

Loans portfolio by type of credits consist of:

	2001			2000		
	<u>Public Sector</u> RD\$	<u>Private Sector</u> RD\$	<u>Total</u> RD\$	<u>Public Sector</u> RD\$	<u>Private Sector</u> RD\$	<u>Total</u> RD\$
<u>Commercial loans:</u>						
Loans	9,314,608,799	9,360,089,781	18,674,698,580	6,327,749,737	7,909,219,852	14,236,969,589
Discounts		48,412,854	48,412,854		26,093,440	26,093,440
Financial leases		39,357,103	39,357,103		39,091,458	39,091,458
Letters of credit	294,933,793	81,662,837	376,596,630	161,266,149	84,990,750	246,256,899
Sales of assets acquired through settlement of loans		30,779,230	30,779,230		29,710,752	29,710,752
Others credits		881,227	881,227			
	<u>9,609,542,592</u>	<u>9,561,183,032</u>	<u>19,170,725,624</u>	<u>6,489,015,886</u>	<u>8,089,106,252</u>	<u>14,578,122,138</u>

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	2001			2000		
	<u>Public Sector</u> RD\$	<u>Private Sector</u> RD\$	<u>Total</u> RD\$	<u>Public Sector</u> RD\$	<u>Private Sector</u> RD\$	<u>Total</u> RD\$
<u>Consumer:</u>						
Credit cards		717,329,146	717,329,146		512,505,034	512,505,034
Consumer		1,221,043,009	1,221,043,009		729,209,508	729,209,508
		<u>1,938,372,155</u>	<u>1,938,372,155</u>		<u>1,241,714,542</u>	<u>1,241,714,542</u>
<u>Home mortgage:</u>						
Acquisition of dwellings		68,908,610	68,908,610		56,203,191	56,203,191
	<u>9,609,542,592</u>	<u>11,568,463,797</u>	<u>21,178,006,389</u>	<u>6,489,015,886</u>	<u>9,387,023,985</u>	<u>15,876,039,871</u>

In 1999 the Bank agreed with the Central Government, to amortize the pending amounts of capital, interest and commission from secretary and other public sector entities of RD\$1,002,872,989, thought 12 fixed and monthly payments of RD\$88,524,323, since August 1999 until July 2000. Also agreed, since August 1999 not to calculate interest and commission on loans of two public sector entities, which entered in the process of capitalization of the public companies. At December 31, 2001 the pending balance is RD\$142,823,835.

It also authorized, to stop starting from August 1999 the calculation of interests and commissions from the total of the loans of two dependences of public sector that they entered inside the process of capitalization of public companies.

The loans portfolio secured with specialized funds include loans granted with funds from the Banco Internacional de Reconstrucción y Fomento (BIRF) for the implementation of the free zone develop project of RD\$9,447,609 in 2001 and RD\$10,892,363 in 2000 with ten years maturity, with a grace period of four years and interest receivable of RD\$54,162 in 2001 and RD\$64,225 in 2000.

The loans portfolio include, as per discretionary management decision, RD\$128,374,000 in 2001 and RD\$129,366,889 in 2000 corresponding to unsecured past due loans with more than two years and secured past due loans with more than three years, which must be written-off as per regulations in effect based on the transitory regime. The Bank has a special transitory regime for the constitution of provisions as explained in Note 2. Based on the regime of twelve years for the constitution of provisions, the Bank should have written-off approximately RD\$90,931,583 in 2001 and RD\$80,857,329 in 2000.

The banking regulations require that the capital balances of the unpaid credits at the date of maturity and not negotiated, must be recorded as credit in arrears. At the same time, requires that loans with more than sixty days due must be classified as past due portfolio. Management has the policy to transfer loans with these conditions on a discretionary basis. As per the accounting records of the Bank RD\$128,374,000 in 2001 and RD\$129,371,726 in 2000, represents the past due loans as per management discretionary basis.

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Management of the Bank classified loans from the public sector for approximately RD\$94,000,000 as non productive loans, which interest is recognized in memorandum account per decision of the Board of Directors in 1984, which has not been updated for the reasons explained in Note 2.

During 2001 the Bank sold loans portfolio to financial institutions without repurchase commitment for RD\$255,000,000. In 2000 the Bank did not carry out operations of purchases, sales and substitutions or exchanges of loans portfolio.

6. Provisions for Risky Assets

The movement of the provisions for risky assets is:

	<u>Loan Portfolio</u> RD\$	<u>Investments</u> RD\$	<u>Other Assets</u> RD\$	<u>Total</u> RD\$
2001				
Balances at January 1, 2001	559,604,425	3,188,588	161,074,971	723,867,984
Additions to provisions	175,320,304	212,573	51,616,967	227,149,844
Charge offs	<u>(89,267,902)</u>		<u>(2,245,246)</u>	<u>(91,513,148)</u>
Balances at December 31, 2001	645,656,827	3,401,161	210,446,692	859,504,680
Minimum provisions required at December 31, 2001	<u>427,406,999</u>	<u>2,684,879</u>	<u>185,287,087</u>	<u>615,378,965</u>
Excess of minimum provisions at December 31, 2001	<u>218,249,828</u>	<u>716,282</u>	<u>25,159,605</u>	<u>244,125,715</u>
Provisions required at the end of transitory regime that end on 2005	<u>1,005,663,528</u>	<u>3,790,417</u>	<u>399,948,685</u>	<u>1,409,402,630</u>
Pending additions to provisions until 2005	<u>360,006,701</u>	<u>389,256</u>	<u>189,501,993</u>	<u>549,897,950</u>
	<u>Loan Portfolio</u> RD\$	<u>Investments</u> RD\$	<u>Other Assets</u> RD\$	<u>Total</u> RD\$
2000				
Balances at January 1, 2000	328,348,717	2,646,821	124,259,648	455,255,186
Additions to provisions	276,829,444	541,767	36,815,323	314,186,534
Charge offs	<u>(45,573,736)</u>			<u>(45,573,736)</u>
Balances at December 31, 2000	559,604,425	3,188,588	161,074,971	723,867,984
Minimum provisions required at December 31, 2000	<u>510,204,769</u>	<u>3,188,588</u>	<u>155,908,817</u>	<u>669,302,174</u>
Excess of minimum provisions at December 31, 2000	<u>49,399,656</u>		<u>5,166,154</u>	<u>54,565,810</u>
Provisions required at the end of transitory regime that end on 2005	<u>816,327,631</u>	<u>5,101,741</u>	<u>190,976,371</u>	<u>1,012,405,743</u>
Pending additions to provisions until 2005	<u>256,723,206</u>	<u>1,913,153</u>	<u>29,901,400</u>	<u>288,537,759</u>

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The provision of other assets corresponds to assets acquired through settlements of loans.

The Bank accomplished to the Second Resolution of September 27, 2001 issued by the Monetary Board, which establishes an optional dispensation to constitute the provisions of the loans portfolio based on the expected losses arising from the self evaluation process, to constitute provisions in an amount that in any case can be less than 60% of the 1/36 of the required provisions.

7. Investments

Investments consist of:

Financial instruments:

Type of Instrument	Institution	2001			2000		
		Amount RDS	Rate	Maturity	Amount RDS	Rate	Maturity
Bonds and others securities from the public sector	Tesorero Nacional (Note 18)	1,505,336,782	1%, 2.5% y 7%	2004 y 2020	12,056,212	5 and 6%	Past due
	Ayuntamientos	425,000	4 y 6%	Past due	425,000	4 and 6%	Past due
	Tesoro de los Estados Unidos	1,225,869	Libor	2024	1,225,869	Libor	2024
		<u>1,506,987,651</u>			<u>13,707,081</u>		
Financial certificates	Banco de Desarrollo Agropecuario, S. A.	25,000,000	13%	2002	25,000,000	13%	2001
	The International Bank of Miami				2,000,000	16.5%	2001
	Asociación Dominicana de Ahorros y préstamos	1,000,000	12%	2002	1,000,000	12%	2001
	Asociación Popular de ahorros y Préstamos	3,000,000	16%	2002	3,000,000	16%	2001
	Banco BHD, S. A.	318,750,000	4.6%	2004			
	<u>347,750,000</u>			<u>31,000,000</u>			
Certificate of deposits to indefinite term	Banco Agrícola de la República Dominicana	152,647,591	12%	Indefinite	269,314,258	12 and 16%	2001 e Indefinite
	Banco BHD, S. A.				41,400,000	8.5%	2001
	Banco Fiduciario, S. A.				24,840,000	8.5%	2001
	Banco del Progreso, S.A.				57,960,000	9%	2001
	Banco Nacional de Crédito, S. A.	100,000,000	11%	2002	16,560,000	9%	2001
		<u>252,647,591</u>			<u>410,074,258</u>		
Certificate of participation	Banco Central de la República Dominicana	1,500,000	10% 6, 9 and	2002	1,500,000	10% 6, 9 and	2002
	Others	236,681	18%	Past due	236,681	18%	Past due
		<u>1,736,681</u>			<u>1,736,681</u>		
	<u>2,109,121,923</u>			<u>456,518,020</u>			

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Investments in stock:

Amount	Equity Percentage	Amount	Equity Percentage
2001	2001	2000	2000
76,752,066	83%		
30,000,000	20%		
16,534,000	28%	16,534,000	28%
12,111,748	0.55%	11,819,124	0.55%
12,368,900		12,368,900	
829,557		829,557	
<u>148,596,271</u>		<u>41,551,581</u>	
<u>2,257,718,194</u>		<u>498,069,601</u>	

In year 2001 the Bank carried out investments in stock in Administradora de Fondos de Pensiones Reservas, S. A. and Seguros Banreserva, S. A. acquiring 83% and 20%, respectively. Seguros Banreservas, S. A. will begin its operations in the first quarter of 2002.

8. Fixed Assets

Fixed assets include:

	2001	2000
	RD\$	RD\$
Land	<u>66,291,652</u>	<u>63,269,970</u>
Buildings	441,027,778	406,896,351
Furniture and office equipment	801,072,814	715,487,441
Leasing	24,496,482	22,010,350
Library and arts	6,114,770	5,868,102
Other equipment	<u>25,028,392</u>	<u>2,187,632</u>
	1,297,740,236	1,152,449,876
Depreciation	<u>(616,043,193)</u>	<u>(523,587,918)</u>
	<u>681,697,043</u>	<u>628,861,958</u>
Construction in progress	<u>278,840,642</u>	<u>176,947,629</u>
	<u>RD\$1,026,829,337</u>	<u>RD\$ 869,079,557</u>

As of December 31, 2001 and 2000 investment in fixed assets does not exceed 100% of capital and reserves.

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9. Other Assets

Other assets consist of:

	2001	2000
<u>Accounts receivable:</u>		
Commissions receivable	RD\$ 21,144,360	RD\$ 12,121,455
Advances to vendors	31,450	59,950
Employees	2,916,855	24,439,308
Expenses to be recovered, deposits in guarantee, judicial and administrative	3,907,541	3,157,062
Other	8,488,523	12,007,767
	<u>36,488,729</u>	<u>51,785,542</u>
<u>Interest receivable:</u>		
Loans portfolio	218,913,782	1,026,594,056
Investments		2,123,348
	<u>218,913,782</u>	<u>1,028,717,404</u>
<u>Assets acquired through settlement of loans</u>		
Provision	399,948,685	379,394,457
	(210,446,692)	(161,074,971)
	<u>189,501,993</u>	<u>218,319,486</u>
<u>Deferred charges:</u>		
Prepaid expenses	54,124,952	87,682,312
Leasehold improvements, net of RD\$2,916,857 in 2001 and RD\$1,020,492 in 2000 and of accumulated amortization in a maximum period of five years	12,640,694	1,843,920
Software, net of RD\$32,826,181 in 2001 and RD\$23,786,255 in 2000 of amortization in a maximum period of five years	54,517,301	62,829,299
Charges made by the Central Bank of the Dominican Republic for the Dominican - Argentine agreement		17,421,955
Other	10,168,237	2,587,835
	<u>131,451,184</u>	<u>172,365,321</u>

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	2001	2000
<u>Sundry assets:</u>		
Outstanding acceptances receivable (Note 15,16 and 17)	1,140,416,466	1,752,039,406
Sundry properties	22,940,655	14,837,916
Interoffice balance	26,720,148	128,086,377
Items to be assigned	180,947,920	325,471,615
	<u>1,371,025,189</u>	<u>2,220,435,314</u>
	<u>RD\$1,947,380,877</u>	<u>RD\$3,691,623,067</u>

To comply with Bank regulations, in 2001 RD\$732,136,993 and in 2000 RD\$ \$284,371,068 of interest receivable were charged to memo accounts.

The Bank eliminated in 2001 interest receivable and its relative account of differed income, those not realizable or those whose realization possibilities were remote to be adjusted to the existent regulations. The amounts charged off the books were RD\$211,946,204.

10. Balances in Foreign Currency:

The statements of financial position include rights and obligations in foreign currency whose balance includes the amount of the translation into local currency as follows:

	Balances in		Translation		Total	
	Foreign Currency	2000	to Local Currency	2000	2001	2000
Assets						
Cash and cash equivalents	52,061,512	69,684,531	831,422,349	1,084,291,296	883,483,861	1,153,975,827
Loans portfolio	106,805,829	62,158,435	1,705,689,093	966,404,312	1,812,494,922	1,028,562,747
Investments	713,715	9,213,715	11,398,033	143,365,409	12,111,748	152,579,124
Others assets	61,888,023	91,532,513	988,351,724	1,424,245,894	1,050,239,747	1,515,778,407
Total assets	<u>221,469,079</u>	<u>232,589,194</u>	<u>3,536,861,199</u>	<u>3,618,306,911</u>	<u>3,758,330,278</u>	<u>3,850,896,105</u>
Liabilities						
Demand and time deposits	133,098,366	91,164,049	2,125,580,901	1,418,512,603	2,258,679,267	1,509,676,652
Financing obtained	121,547,148	97,970,939	1,932,707,951	1,524,427,818	2,054,255,099	1,622,398,757
Obligations	29,467,008	41,066,348	470,588,125	638,992,379	500,055,133	680,058,727
Others liabilities	1,610,027	337,712	25,712,125	5,254,799	27,322,152	5,592,511
Total liabilities	<u>285,722,549</u>	<u>230,539,048</u>	<u>4,554,589,102</u>	<u>3,587,187,599</u>	<u>4,840,311,651</u>	<u>3,817,726,647</u>
Net position	<u>(64,253,470)</u>	<u>2,050,146</u>	<u>(1,017,727,903)</u>	<u>31,119,312</u>	<u>(1,081,981,373)</u>	<u>33,169,458</u>

Exchange rates used to translate US dollars into local amount currency at December 31, 2001 were RD\$16.97:US\$1.00 and RD\$16.56:US\$1.00 in 2000.

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11. Maturity of Assets and Liabilities

Assets and liabilities at December 31 grouped according to its maturities are:

	2001				Total RD\$
	<u>2002</u> RD\$	<u>2003</u> RD\$	<u>2004</u> RD\$	<u>And beyond</u> RD\$	
Assets					
Loans portfolio	16,481,150,411	1,874,901,317	2,070,530,578	751,424,083	21,178,006,389
Investments	285,094,733	152,647,591	318,750,000	1,501,225,870	2,257,718,194
Accounts receivable	36,488,729				36,488,729
Interest receivable	233,913,782				233,913,782
Sundry assets	1,163,357,121				1,163,357,121
Total assets	18,200,004,776	2,027,548,908	2,389,280,578	2,252,649,953	24,869,484,215
Liabilities					
Demand and time deposits	6,226,074,182				6,226,074,182
Deposits held by the public	8,446,194,386				8,446,194,386
Financing obtained	1,185,967,753	162,176,360	1,320,947,324	196,619,009	2,865,710,446
Liabilities	905,454,745				905,454,745
Sundry liabilities	1,255,454,509				1,255,454,509
Total liabilities	18,019,145,575	162,176,360	1,320,947,324	196,619,009	19,698,888,268
Net position	180,859,201	1,865,372,548	1,068,333,254	2,056,030,944	5,170,595,947

	2000				Total RD\$
	<u>2001</u> RD\$	<u>2002</u> RD\$	<u>2003</u> RD\$	<u>And beyond</u> RD\$	
Assets					
Loans portfolio	13,171,177,291	1,096,993,129	736,704,818	871,164,633	15,876,039,871
Investments	288,461,667	170,681,591		38,926,343	498,069,601
Accounts receivable	51,785,542				51,785,542
Interest receivable	1,028,717,404				1,028,717,404
Sundry assets	1,766,877,322				1,766,877,322
Total assets	16,307,019,226	1,267,674,720	736,704,818	910,090,976	19,221,489,740
Liabilities					
Demand and time deposits	5,249,609,939			1,672,589	5,251,282,528
Deposits held by the public	6,787,113,117				6,787,113,117
Financing obtained	1,423,707,104	285,843,617	147,441,409	783,974,255	2,640,966,385
Liabilities	1,160,074,882				1,160,074,882
Sundry liabilities	1,224,059,418				1,224,059,418
Total liabilities	15,844,564,460	285,843,617	147,441,409	785,646,844	17,063,496,330
Net position	462,454,766	981,831,103	589,263,409	124,444,132	2,157,993,410

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12. Related Parties Transactions

The most important related parties' transactions and balances included in the financial statements are:

a) Loans granted:

<u>Outstanding Loans</u>	<u>2001</u> RD\$	<u>2000</u> RD\$	<u>Real Guarantees</u> RD\$
Related to ownership (Note 1)	9,357,672,363	6,349,177,506	Without warranty
Related to management	190,753,428	94,786,285	Without warranty

At December 31, 2001 and 2000, do not exist past due loans related to management.

b) Demands deposits, saving deposits, time and certificates deposits, related to the ownership:

<u>Type of transaction</u>	<u>2001</u> RD\$	<u>Effect on</u> <u>profit/loss</u> RD\$	<u>2000</u> RD\$	<u>Effect on</u> <u>profit/loss</u> RD\$
Demands deposits	6,586,592,583	33,690,219	3,299,907,884	90,757,440
Saving deposits	18,701,738	(294,239)	1,894,551	(46,890)
Time deposits	47,650,678	(593,868)	1,195,524	(2,002,381)
Financial certificates	1,400,047,899	(260,377,894)	1,090,026,345	(211,387,092)

13. Demand Deposits, Saving Deposits, Time Deposits and Financial Certificates

Demand deposits, saving deposits, time deposits and financial certificates are:

	2001	2000
Demand deposits:		
Public sector	RD\$6,327,561,097	RD\$3,299,907,884
Private sector	<u>3,574,020,720</u>	<u>2,788,099,589</u>
	<u>RD\$9,901,581,817</u>	<u>RD\$6,088,007,473</u>
Saving deposits:		
Public sector	RD\$ 15,957,734	RD\$ 1,894,551
Private sector	<u>4,205,472,948</u>	<u>3,733,781,766</u>
	<u>RD\$4,221,430,682</u>	<u>RD\$3,735,676,317</u>

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	2001	2000
Time deposits:		
Public sector	RD\$ 1,195,524	RD\$ 1,195,524
Private sector	<u>3,800,195</u>	<u>4,734,035</u>
	<u>RD\$ 4,995,719</u>	<u>RD\$ 5,929,559</u>
Financial certificates:		
Public sector	RD\$1,400,047,899	RD\$1,090,026,345
Private sector	<u>7,046,146,487</u>	<u>5,697,086,772</u>
	<u>RD\$8,446,194,386</u>	<u>RD\$6,787,113,117</u>

14. Financing Obtained in Local Currency

The financing obtained in local currency is:

	2001	2000
Loans with resources from the Department of Development and Financing of Projects (DEFINPRO previously FIDE), secured with mortgages, interest rate 13.5%, maturity until 2006	RD\$212,636,876	RD\$ 183,716,146
Loans with resources from the Fund for the Development of the Infrastructure of the Tourism Industry (INFRATUR), secured with mortgages, interest rate 11.5%, maturity until 2010	95,336,776	101,035,483
Loan with Central Bank of the Dominican Republic, interest rate 6%, maturity in 180 days	500,000,000	500,000,000
Loan with Central Bank of the Dominican Republic, interest rate 25.3%, maturity in January 2001		200,000,000
Other loans	<u>3,481,695</u>	<u>33,815,999</u>
	<u>RD\$811,455,347</u>	<u>RD\$1,018,567,628</u>

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15. Financing obtained in foreign currency

The financing obtained in foreign currency is:

	2001	2000
Financing with American Express Bank Ltd. for US\$6,451,677 in 2001 and US\$7,097,975 in 2000, interest rate from 2.0% to 8.7%	RD\$ 109,484,954	RD\$ 117,542,462
Financing with Banco Atlántico, S. A. for US\$40,894 in 2001 and US\$18,698,702 in 2000	693,975	309,650,513
Financing with Banco BNL do Brasil, S. A. for US\$22,846,588 in 2001 and US\$27,805,112 in 2000, interest rate 5.375%, maturity in 2005	387,706,594	460,452,655
Financing with Banco de Crédito e Inversiones for US\$3,427,788 in 2000, interest rate 8.18%		56,764,161
Financing con Banco Internacional de Costa Rica for US\$3,602,980 in 2000, interest rate 7.54%		59,665,355
Loans with Banco Latinoamericano de Exportaciones, S. A. for US\$77,000,000, interest rate 5.17%, 6.62% and 6.74% maturity in 2002 and 2004	1,298,290,000	
Financing with Banco Real, S. A. for US\$5,378,730 in 2001 and US\$6,469,827 in 2000, interest rate from 8.3125% to 9.0%, maturity in 2007, interest rate 8.18%	91,277,053	107,140,335
Financing with Banco Santander – Central Hispano for US\$4,000,000 in 2000, interest rate 8.18%		66,240,000
Financing with Dresdner Bank Lateinamerika AG for US\$2,645,541 in 2001 and US\$20,115,820 in 2000	44,894,831	333,117,973
Financing with Union Planters Bank, N. A. for US\$3,996,195 in 2001 and US\$4,029,764 in 2000	67,815,423	66,732,888
Others financing for US\$3,187,523 in 2001 and US\$2,722,971 in 2000	54,092,269	45,092,415
	<u>RD\$2,054,255,099</u>	<u>RD\$1,622,398,757</u>

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16. Demand Liabilities in Local Currency

Demand liabilities in local currency consist of:

	2001	2000
Certified checks	RD\$ 53,914,949	RD\$ 51,123,218
Management checks	144,721,482	103,102,436
Clients' deposits for letters of credit	20,876,321	20,181,867
Transfers	34,512,719	24,841,457
Unclaimed amounts	13,434,077	9,172,728
Others	17,921,005	29,740,939
	<u>RD\$285,380,553</u>	<u>RD\$238,162,645</u>
Obligations for credit letters	<u>RD\$120,019,058</u>	<u>RD\$241,853,510</u>

17. Demand Liabilities in Foreign Currency

Others liabilities in foreign currency consist of:

	2001	2000
Security deposits:		
Public sector	RD\$139,547,332	RD\$272,351,656
Private sector	6,094,978	
Deposits in US dollars converted to local currency at the closing exchange rate	17,449,103	12,671,867
Foreign exchange acquired for clients	336,963,721	395,035,204
	<u>RD\$500,055,134</u>	<u>RD\$680,058,727</u>

18. Other Liabilities

Other liabilities consist of:

	2001	2000
<u>Deferred interest and commission income:</u>		
Loans portfolio (Note 9)	RD\$ 218,913,782	RD\$1,026,594,056
Investments		2,123,348
Capitalized in assets acquired through settlement of loans	100,120,709	87,167,950
Unrealized income on sales of properties	18,122,553	22,499,406
Other	18,017,539	38,899,444
	<u>355,174,583</u>	<u>1,177,284,202</u>

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	2001	2000
<u>Sundry liabilities:</u>		
Sundry suppliers, including value with the Dominican State	286,104,665	284,335,025
Provisions for contingencies	11,511,000	
Other provisions	286,783,823	343,549,444
Items to be assigned	212,687,143	800,866,452
Other deferred credit	727,586	723,371
Funds in administration	681,838,435	595,451,578
	<u>1,479,652,652</u>	<u>2,024,925,870</u>
	<u>RD\$1,834,827,235</u>	<u>RD\$3,202,210,072</u>

19. Earnings Distribution

The organic law of the Bank, modified with law 24-90 dated March 9, 1990, required that net annual earning be distributed as follows:

	2001	2000
50% - to Dominican State, applied as follows:		
Amortization of debt of Dominican State by the Dominican-Argentine agreement and other debts	RD\$ 35,000,000	RD\$ 25,238,003
Deliver to the National Treasury	170,442,927	100,000,000
	<u>205,442,927</u>	<u>125,238,003</u>
50% - Withholding by the Bank as capital reserves	205,442,927	125,238,004
	<u>RD\$410,885,854</u>	<u>RD\$250,476,007</u>

The undersigned and paid capital of the Bank was increased to RD\$2,000,000,000 by law No.99-01 at April 5, 2001, wich modified the article 4 of Organic Law of the Bank.

The undersigned increase and paid capital was approved in the following way:

Issuance of 1,500 certificates of the National Treasury of RD\$1,000,000 each one, at 1% of annual interest with maturity in 20 years	RD\$1,500,000,000
Capitalization of reserves	250,000,000
	<u>RD\$1,750,000,000</u>

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The Bank has restrictions for the certified issued as capital:

- a) Negotiate them with the Central Bank of the Dominican Republic
- b) Use them for legal reserve
- c) Affect them or to sell them in any physical, moral, public or private person's benefit.

The net earnings of the Bank will be used:

50% for the amortization of not less than 5% of the National Treasurer's certified for part of State, plus interests. The surplus will cover debts of the State and its dependences according to the Board of Directors previous communication to the Executive Power.

35% to transfer to the accounts of reserves

15% to cover debts of the State and their dependences with the Bank

20. Financial Activities and Non-Monetary Transactions

The summary of financial activities and non-monetary transactions were:

	2001	2000
Charged-off against provisions	RD\$89,267,902	RD\$45,573,736
Compensation of loans and charge of the Dominican-Argentine agreement and other debts	35,000,000	25,238,003
Assets acquired through settlement of loans	92,119,088	147,201,141
Interest receivable included as memo account	732,136,993	284,371,068
Increase in capital	1,750,000,000	

21. Commitments and Contingencies

In the normal course of business, the Bank acquired many commitments and contingencies that do not appear in the financial statements. The most important commitments and contingencies recorded in memo accounts include:

	2001	2000
a) Commitments:		
Unused lines of credit	RD\$ 2,170,462,082	RD\$2,533,847,082
Guarantees received for secured loans	3,057,391,963	3,532,453,350
Securities in custody	1,852,136,225	418,864,261
Collections	72,159,310	64,701,567
b) Contingencies:		
Guarantees granted to the public sector	792,010,237	313,486,976
Bonds granted	51,086,677	68,299,835
Non negotiable letters of credit	3,113,536,208	2,164,590,924

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Loans granted not utilized 519,565,211 1,394,302,910
The Bank is a defendant in a number of legal proceedings arising in the normal course of business. The amount claimed in 2001 and 2000 is approximately RD\$138,100,000 and RD\$59,000,000 as per representations of the legal counsels of the Bank.

The Bank has been guarantor to many entities of the Dominican State. Due to the impossibility of those entities to face their commitments at the maturity date, the Bank had paid RD\$235,057,397 until December 31, 2001 for past due guarantees granted, charging these payments to the past due loans portfolio of the Dominican State for collection. Although this amount is included in the past due loans portfolio, the management has not made any provision on the basis that they are fully guaranteed by the Dominican State.

Management does not anticipate material losses as a result of these commitments and contingencies.

At December 31, 2001 and 2000 contingencies do not exceed three times the Bank's capital and reserves.

22. Non-Operational Income (Expenses)

Non-operational income (expenses) consist of:

	2001	2000
Income:		
Sales of fixed assets	RD\$ 2,247,751	RD\$ 6,508,942
Sales of assets acquired through settlement of loans	15,149,841	35,732,555
Sales of sundry assets	1,119,106	6,393,544
Lease of properties	6,293,683	1,238,862
Recovery of expenses	3,241,767	26,406,682
Others	24,015,119	10,508,763
	<u>52,067,267</u>	<u>86,789,348</u>
Expenses:		
Sales of assets acquired through settlement of loans	(842,274)	(2,367,716)
Sales of sundry assets	(9,187,369)	(898,407)
Others	(20,721,866)	(4,985,379)
	<u>(30,751,509)</u>	<u>(8,251,502)</u>
	<u>RD\$21,315,758</u>	<u>RD\$78,537,846</u>

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23. Extraordinary Income (Expenses)

The extraordinary income (expenses) consist of:

	2001	2000
Income:		
Other extraordinary income	<u>RD\$ 26,133,968</u>	<u>RD\$ 10,656,932</u>
Expenses:		
Donations	(4,503,118)	(4,277,465)
Losses by robberies, frauds and hold ups	(2,228,987)	(33,423)
Losses by write-off of loans of assets acquired through settlement of loans	(3,471,485)	(20,810,481)
Other extraordinary expenses	<u>(39,348,332)</u>	<u>(8,912,811)</u>
	<u>(49,551,922)</u>	<u>(34,034,180)</u>
	<u>RD\$(23,417,954)</u>	<u>RD\$(23,377,248)</u>

24. Income Tax

According to the Banks' Organic Law, the Bank is exempted of income tax payment. As per interpretations of tax law and consultation made to the Income Tax Bureau, the net income is subject to income tax payment at the rate in effect as follow:

	2001	2000
Income before income tax	RD\$ 630,737,361	RD\$548,364,635
Prior year income and expenses	<u>(588,944)</u>	<u>(516,830)</u>
Taxable income	<u>630,148,417</u>	<u>547,847,805</u>
Income tax expense at the rate in effect of 25%	157,537,104	136,961,951
Advances to income tax paid and tax credits	<u>(102,049,690)</u>	<u>(60,026,468)</u>
Income tax payable in the statements of financial position	<u>RD\$ 55,487,414</u>	<u>RD\$ 76,935,483</u>

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25. Prior Years Income (Expenses)

Prior year's income (expenses) consist of:

	2001	2000
Income:		
Financial	RD\$	RD\$ 22,070
Operational	12,742	15,008
Non operational		1,600
Extraordinary		6,887
	<u>12,742</u>	<u>45,565</u>
Expenses:		
Financial		(395,507)
Operational	(476,104)	
General and administrative	(125,582)	
Non operational		(81,703)
Extraordinary		(85,185)
	<u>(601,686)</u>	<u>(562,395)</u>
	<u>RD\$(588,944)</u>	<u>RD\$(516,830)</u>

26. Disclosures About Fair Value of Financial Instruments

The Financial Accounting Standards Board (F.A.S.B.) requires to the entities that present disclosures about fair value for all financial instruments, whether recognized or not recognized in the financial statement, except for those specific items excluded for disclosure requirements.

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

For deposit liabilities with no defined maturity, such as demand deposits and saving accounts, which are 62% in 2001 and 59% in 2000 of the total deposit liabilities of the Bank, the fair value to be disclosed under this statement is the amount payable on demand. All non-financial instruments are excluded for disclosure requirements.

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For financial instruments with no quoted market prices available, the estimated fair value may be based on valuation techniques or on similar characteristics. These techniques may be the present value of estimated cash flows using a discount rate. In this regard, derived estimated values may not be verified by comparison with independent markets and in many cases may not be realized next to negotiation of the instrument.

Estimated fair market value of the Bank's financial instruments, the carrying book value and techniques used for estimating are the following:

Short-term Financial Instruments

Short-term financial instruments, assets and liabilities, have been valued on the basis of the carrying book value, presented in the statements of financial position of the Bank. For short-term financial instruments, the carrying amount in the financial statements may approximate fair value because of the relatively short period of time between the origin of the instruments and their expected realization. These instruments include: cash and deposits with banks, bank acceptances, customers' acceptance liability, accrued interest receivable, acceptances outstanding and accrued interest payable.

Investment Securities and Deposits

Estimated value of investment securities and deposits is the same as the carrying book value, since they are recorded at market value, according to the accounting standards. No market value exists in the country that may provide information about its value. These instruments are presented in the statements of financial position and the Notes 7 and 13 to the accompanying financial statements.

Loans

Loans are valued at carrying book value, adjusted for estimated loan losses to present them at their realizable value. Loans were segregated by type of loans, such as commercial, construction, home mortgage, consumer and credit card.

27. Pension Plan

The Bank has an employee retirement and benefits plan covering substantially all its officers and employees. The Bank funds the plan through contributions. Participant's contributions are assigned to cover the payments of pensions and other plan benefits.

For practical reasons, the Bank's pension cost of RD\$110,428,512 in 2001 and RD\$92,883,234 in 2000 represent the Banks contributions to the pension fund of 12.5% from the salary paid and the contributions ordered by the Board of Directors, and not the current year expense, following the actuarial method based on generally accepted accounting principles explained in Note 2. However, differences therein do not exceed 20% and do not have a material effect on the financial position and results of operations presented by the accompanying financial statements.

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At December 31, 2001, the date of the last actuarial study, the present value of accumulated plan benefits attributable to prior services to that date and available amounts compared as follows:

Accumulated plan benefits attributable to services before December 31, 2001 (as per non audited financial statements)- present value at an assumed average rate of return of 13.22%:	
With vested rights, including pensioners	RD\$766,401,882
Without vested rights	<u>117,916,407</u>
	<u>RD\$884,318,289</u>
Amounts available in the fund or provided in the Bank accounts as of December 31, 2001:	
Net assets of the fund, including the banks' variable contribution based on its earnings and its discretionary extraordinary contribution in 2001	RD\$651,565,163
Active employee contributions	<u>119,777,089</u>
	<u>RD\$771,342,252</u>

28. Contract with MasterCard

In 1998 the Bank signed a contract with a foreign entity to obtain a non exclusive license of the use of credit or debit card of MasterCard. The Bank will not be paid for the right of use of the brand. Also, for each Gold MasterCard credit card issued have to open a credit line of at least US\$5,000. The maturity is perpetual, subject to termination rules established in the contract.

29. Regulatory Environment

In June 1993, the Monetary Board of the Central Bank of the Dominican Republic established the Standards that will regulate financial transactions for the banking sector. The Central Bank has also prepared an outline for a proposed law on the Monetary and Financial Code, which is currently pending approval of the National Congress.

The standards principally relate primarily to the classification of assets based on risk, including the credit portfolio, investments, fixed assets and other assets. The standards also stipulate a transitory period for such classification of assets with a six month interval each phase

The first phase consisted of the classification of the 30 largest commercial debtors followed by the second phase, which included the 80 largest commercial debtors. The third phase consisted of the classification of the financial investment portfolio, foreclosed properties and fixed assets and the 160 largest commercial debtors.

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The fourth month phase and general regime, it implied the permanent application of asset classification, and the classification of the 300 largest commercial debtors or the equivalent of 80% of the portfolio; included the classification of 100% of consumer debt and mortgage debt and permanently update any other additional information.

The first resolution of the Monetary Board of June 29, 1993 established instructions for the application of Standards, which indicate:

- a) The method used to determine capital and reserves.
- b) Contingency operations
- c) Solvency index of capital and reserves and the amount of assets and contingency operation measurements, which was established as no less than 8% increasing gradually up to 10% in a period of 6 years.
- d) Loan concessions and loans to related parties.
- e) A limit for fixed assets.
- f) Sanctions.

On March 9, 2000, the Monetary Board approved its Sixth Resolution amending the banking standards that relate to the risk-classification of assets for financial institutions. The most relevant aspect of the amendment was:

- a) By the end of each quarter, the financial institutions are required to conduct a risk assessment of its assets and set up a loss allowance in conformity with the guidelines of the new banking standards as long as those assets were not subject to a reclassification or to an additional loss allowance dictated by the Superintendency of Banks of Dominican Republic.

30. Reconsideration Approved by the Monetary Board

Considering that the Bank is a State owned, the Monetary Board in its first resolution dated August 25, 1994 established a special treatment on some matters related to the Standards that regulate financial transactions for the banking sector:

- a) Solvency ratio

For the purpose of the Bank solvency, it will deducted from weighed assets, the loans portfolio of the public sector, interest and commission receivable to this sector and the commitments of this sector that are included in acceptances receivable. At December 31, 2001, the bank's solvency is 19.3.

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- b) Compliance of limits to fixed assets

The compliance of the limit to fixed asset as stated in second resolution of the Monetary Board dated December 11, 1992 and its modifications, will be required completely to the Bank, at the end of the sixth year from the date the resolution was issued. At December 31, 2001 the Bank is adjusted to the established limits.

- c) Provision for loans portfolio of the public sector

Apply to the loans portfolio of the public sector, the percentage of provision that result from the classification of the private sector portfolio, and establish twelve years for the constitution of the provision for this sector, as agreed in the Sectorial Financial Program agreed with Banco Interamericano de Desarrollo (BID), for this purpose.

31. Notes Required by the Superintendency of Bank of the Dominican Republic

The Resolution No. 2-97 of Superintendence of Banks of the Dominican Republic establish the minimum notes that the financial statements of the financial institutions should include. At December 31, 2001 and 2000, the Note about Changes in Accounting Policies is not included as it is not applicable.

32. Capital Increase

In December, 2000 the Board of Directors authorized a proposed bill to modify the Organic Law of Banco de Reservas de la República Dominicana and increase the outstanding shares from RD\$250,000,000 to RD\$2,000,000,000.

As established by law No.99-01 dated April 5, 2001 and subscribed on July 27, the capital undersigned and paid capital was increased to RD\$2,000,000,000

33. Subsequent Events

According to Resolution No. 12-2001 of December 5, 2001, issued by Superintendency of Banks of Dominican Republic, the financial institutions and change agents must adapt their accounting systems to ensure that income is recognized when earned and not when collected effective on January 1, 2002.

As a consequence, accrued interest not collected reported in the audited financial statements at December 31, 2001, net of any applicable reserve, should be adjusted to accumulated earnings during the year ending December 31, 2002.

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Provisions for risky assets, amortization of deferred assets and any other expenses subject to the gradual regime allowed by the Superintendency of Banks of Dominican Republic will be able to decrease against accrued interest not collected and to record the decrease as accumulated earnings.

The financial institutions should continue to publish their quarterly reports using the cash basis method until June 30, 2002. Starting on July 1, 2002 they should use the accrual method in all reports and publications.