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

Consolidated Financial Statements - Statutory Basis

December 31, 2012

(With Independent Auditors' Report)

(Free Translation from the Original Spanish-Language Version)

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RNC 1-01025913

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements 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 at December 31, 2012, the consolidated statements of income-statutory basis, equity-statutory basis and cash flows-statutory basis for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 Superintendence of Banks of the Dominican Republic, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements-statutory basis based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements - statutory basis. 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-statutory basis.

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

(Continued)

Opinion

In our opinion, the consolidated financial statements - statutory basis present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2012, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting practices established by the Superintendence of Banks of the Dominican Republic, as described in note 2 to the consolidated financial statements-statutory basis.

Matter of Emphasis

Without qualifying our opinion we draw attention to note 8 to the consolidated financial statements - statutory basis, which describe that the Bank maintains significant balances with entities of the public sector.

Other Matters

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

The consolidated financial statements of the Bank as at and for the year ended December 31, 2011 were audited by another auditor who expressed an unqualified opinion on those statements on March 29th, 2012 except for notes 2.29 and 2.30 to such financial statements which were dated January 17th, 2013."

KPMG

March 26, 2013

Santo Domingo,
Dominican Republic

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

(Free Translation from the Original Spanish-Language Version)

Consolidated Balance Sheets - Statutory Basis

(Amounts in Thousands of Dominican Pesos RD$)

	December 31, 2012	December 31, 2011
ASSETS		
Available funds (notes 4, 5, 35, 36 and 39)	42,776,266	51,438,221
Investments (notes 4, 7, 16, 35, 36 and 37)		
Other investments in debt instruments	36,532,651	37,291,974
Interest receivable	925,457	773,239
Allowance for investments	(32,697)	(224,048)
	37,425,411	37,841,165
Loan portfolio (notes 4, 8, 16, 35, 36, 37 and 39)		
Current	144,942,515	111,793,269
Restructured	382,038	2,493,284
Past due	3,285,408	1,945,457
In legal collection	5,035,803	2,982,422
Interest receivable	889,321	753,945
Allowance for loan losses	(5,247,857)	(4,731,362)
	149,287,228	115,237,015
Customer acceptances (notes 4, 9, 35 and 36)	193,574	77,286
Accounts receivable		
Accounts receivable (notes 4, 10, 35, 37 and 39)	6,598,955	24,783,501
Insurance premiums receivable (notes 11 and 35)	1,203,405	1,156,825
Receivables from insurance and guarantees	10,377	10,988
	7,812,737	25,951,314
Assets received in loan settlements (notes 12, 16 and 39)		
Assets received in loan settlements	5,689,126	6,051,578
Allowance for losses on assets received in loan settlements	(3,624,695)	(3,277,969)
	2,064,431	2,773,609
Investments in shares (notes 4, 13, 16, 36 and 39)		
Investments in shares	343,297	342,120
Allowance for investments in shares	(151,115)	(24,430)
	192,182	317,690
Property, furniture and equipment (note 14)		
Property, furniture and equipment	10,053,943	9,696,893
Accumulated depreciation	(4,175,267)	(3,640,138)
	5,878,676	6,056,755
Properties under development intended for sale and for leasing	358,312	371,184
Other assets (notes 4, 15 and 35)		
Deferred charges	2,142,162	1,046,199
Intangibles assets	175,285	215,222
Other assets	244,418	300,828
Accumulated amortization	(87,694)	(102,092)
	2,474,171	1,460,157
TOTAL ASSETS	**248,462,988**	**241,524,396**
Contingent accounts (note 28)	**713,146,416**	**495,607,835**
Memorandum accounts (note 29)	**342,948,929**	**257,076,833**

	December 31, 2012	December 31, 2011
LIABILITIES AND EQUITY		
LIABILITIES		
Customer deposits (notes 4, 17, 35, 36 and 37)		
Demand	33,772,422	40,274,286
Savings	54,813,544	46,890,329
Time	34,858,660	35,982,986
	123,444,626	123,147,601
Deposits from local financial institutions		
(notes 4, 18, 35, 36 and 37)	10,219,270	4,564,370
Local Financial institutions		
Borrowed funds (notes 4, 19, 35 and 36)	10,577	21,251
From local financial institutions	15,959,245	13,933,392
From foreign financial institutions	19,715	19,715
Others	97,535	24,358
Interest payable	16,087,072	13,998,716
Acceptances outstanding (notes 4, 9, 35 and 36)	193,574	77,286
Certificates of deposits (notes 20, 35, 36 and 37)		
Certificates of deposits	67,334,379	65,512,146
Creditors for insurance and guarantees	753,326	808,375
Insurance premium deposits	277,753	138,157
Other liabilities (notes 4, 16, 21, 28, 38 and 39)	10,037,074	15,006,865
Technical reserves (note 22)	80,828	60,150
Mathematical and technical life insurance policy reserves	1,602,817	1,570,134
Reserve for unearned insurance premiums	1,683,645	1,630,284
TOTAL LIABILITIES	230,030,719	224,883,800
Equity (note 26)	3,500,000	3,500,000
Paid-in capital	8,718,686	7,941,135
Other equity reserves	773,841	915,737
Revaluation surplus	3,672,316	2,357,254
Retained earnings	1,638,864	1,800,969
Net income for the period	18,303,707	16,515,095
Minority interest	128,562	125,501
TOTAL EQUITY	18,432,269	16,640,596
TOTAL LIABILITIES AND EQUITY	**248,462,988**	**241,524,396**
Contingent accounts (note 28)	**713,146,416**	**495,607,835**
Memorandum accounts (note 29)	**342,948,929**	**257,076,833**

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

Lic. Vicente Bengoa Albizu	Lic. Damián Santos	Licda. Carmen Arnaud
General Administrator	Comptroller	Accounting Director

BANCO DE RESERVAS DE LA REPUBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES

(Free Translation from the Original Spanish-Language Version)

Consolidated Income Statements - Statutory Basis

(Amounts in Thousands of Dominican Pesos RD$)

	Years ended December 31, 2012	2011
Financial income (notes 7, 8, 29 and 37)		
Interest and commissions on loans	17,001,287	14,839,393
Interest from investments	4,572,341	3,048,529
Gain from investments	291,847	55,546
Insurance premiums net of returns and cancellations	4,539,424	4,204,481
	26,404,899	22,147,949
Financial expenses (notes 17, 18, 19, 20 and 30)		
Interes on deposits	7,883,556	5,456,328
Interest and commissions on borrowed funds	343,398	238,587
Loss on investments	96,074	92,683
Reinsurance expense	2,296,792	1,845,904
Insurance claims and contractual obligations	1,276,379	1,173,222
Technical adjusments to insurance reserves	(66,925)	28,250
Expenses related to acquisition, conservation and collection of insurance premiums	522,715	494,235
	12,351,989	9,329,209
Gross financial margin	14,052,910	12,818,740
Provision for loan losses (note 16)	870,225	1,259,404
Provision for investments losses (note 16)	-	18,600
	870,225	1,278,004
Net financial margin	13,182,685	11,540,736
Foreign exchange gain (loss) (note 31)	(116,730)	102,449
Other operating income (notes 32 and 37)		
Credit card fees	368,726	349,130
Services fees	1,907,406	1,769,551
Foreign exchange commissions	746,898	730,515
Miscellaneous income	1,608,485	1,261,778
	4,631,515	4,110,974
Other operating expenses (notes 32 and 37)		
Commissions for services	200,783	206,732
Miscellaneous expenses	463,954	466,408
	664,737	673,140
Gross operating income	17,032,733	15,081,019
Operating expenses (notes 16, 28, 30, 37, 38 and 39)		
Salaries and personnel compensation	8,353,304	6,718,216
Professional fees	677,484	577,973
Depreciation and amortization	649,485	642,293
Other provisions	810,386	488,400
Other expenses	4,433,258	4,050,111
	14,923,917	12,476,993
Net operating income	2,108,816	2,604,026

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

(Free Translation from the Original Spanish-Language Version)

Consolidated Income Statements - Statutory Basis, Continued

(Amounts in Thousands of Dominican Pesos RD$)

	Years ended December 31, 2012	2011
Other income (expenses) (note 33)		
Other income	882,109	1,115,615
Other expenses	(393,337)	(345,805)
	488,772	769,810
Income before income tax	2,597,588	3,373,836
Income tax (note 23)	(289,708)	(681,005)
Net income for the period	**2,307,880**	**2,692,831**
ATTRIBUTABLE TO:		
Owners of the controlling equity	2,274,519	2,669,382
Minority interest	33,361	23,449
	2,307,880	**2,692,831**

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

Lic. Vicente Bengoa Albizu	Lic. Damián Santos	Licda. Carmen Arnaud
General Administrator	Comptroller	Accounting Director

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

(Free Translation from the Original Spanish-Language Version)

Consolidated Statements of Equity - Statutory Basis

(Amounts in Thousands of Dominican Pesos RD$)

	Paid-in Capital	Other Equity Reserves	Revaluation Surplus	Retained Earnings	Net Income for the Period	Total	Minority Interest	Total Equity
Balances at January 1st, 2011	3,500,000	7,073,522	915,737	223,517	2,365,632	14,078,408	127,118	14,205,526
Transfer to retained earnings	-	-	-	2,365,632	(2,365,632)	-	-	-
Cash dividends paid to the Dominican Government (note 22)	-	-	-	(150,145)	-	(150,145)	(9,360)	(159,505)
Amortization of Treasury Bonds (note 22)	-	-	-	(75,000)	-	(75,000)	-	(75,000)
Interest on Treasury Bonds (note 22)	-	-	-	(6,750)	-	(6,750)	-	(6,750)
Others	-	(800)	-	-	-	(800)	(15,706)	(16,506)
Net Income for the period	-	-	-	-	2,669,382	2,669,382	23,449	2,692,831
Transfer to other equity reserves	-	868,413	-	-	(868,413)	-	-	-
Balances at December 31, 2011	3,500,000	7,941,135	915,737	2,357,254	1,800,969	16,515,095	125,501	16,640,596
Transfer to retained earnings	-	-	-	1,800,969	(1,800,969)	-	-	-
Cash dividends paid to minority interest	-	-	-	-	-	-	(30,300)	(30,300)
Cash dividends paid to the Dominican Government (note 22)	-	-	-	(184,415)	-	(184,415)	-	(184,415)
Amortization of Treasury Bonds (note 22)	-	-	-	(75,000)	-	(75,000)	-	(75,000)
Interest on Treasury Bonds (note 22)	-	-	-	(6,000)	-	(6,000)	-	(6,000)
Debt amortization of the Dominican Republic State	-	-	-	(220,492)	-	(220,492)	-	(220,492)
Depreciation effect on revaluated assets	-	-	(141,896)	-	141,896	-	-	-
Net income for the period	-	-	-	-	2,274,519	2,274,519	33,361	2,307,880
Transfer to other equity reserves	-	777,551	-	-	(777,551)	-	-	-
Balances at December 31, 2012	**3,500,000**	**8,718,686**	**773,841**	**3,672,316**	**1,638,864**	**18,303,707**	**128,562**	**18,432,269**

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

Lic. Vicente Bengoa Albizu	Lic. Damián Santos	Licda. Carmen Arnaud
General Administrator	Comptroller	Accounting Director

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

(Free Translation from the Original Spanish-Language Version)

Consolidated Statements of Cash Flows - Statutory Basis

(Amounts in Thousands of Dominican Pesos RD$)

	Years ended December 31, 2012	2011
CASH FROM OPERATING ACTIVITIES		
Interest and commissions collected on loans	16,859,977	14,798,299
Other financial income collected	4,615,896	2,919,313
Other operating income collected	4,379,939	3,816,090
Decrease from insurance and surety bonds	4,492,844	2,483,134
Interest paid on deposits	(7,883,556)	(5,456,328)
Interest and commissions paid on borrowed funds	(270,221)	(232,083)
General and administrative expenses paid	(13,442,743)	(9,831,999)
Other operating expenses paid	(664,737)	(581,493)
Income tax paid	(1,024,257)	(766,073)
Insurance claims and contractual obligations	(1,276,379)	(1,173,222)
Miscellaneous collections from operating activities	(1,521,624)	(8,550,371)
Net cash provided by (used) in operating activities	4,265,139	(2,574,733)
CASH FROM INVESTMENT ACTIVITIES		
Net increase in investments	678,466	(14,384,764)
Loans granted	(134,569,335)	(121,986,036)
Loans collected	111,314,396	115,774,653
Interbank funds collected	1,000,000	5,785,000
Interbank funds granted	(1,000,000)	(5,785,000)
Net increase in properties under development intended for sale and for leasing	12,872	(3,473)
Acquisition of property, furniture and equipment	(658,074)	(760,375)
Proceeds from sale of property, furniture and equipment	257,915	258
Proceeds from the sale of assets received in loan settlements	535,211	181,173
Net cash used in investment activities	(22,428,549)	(21,178,564)
CASH FROM FINANCING ACTIVITIES		
Deposits received	1,748,408,578	1,554,298,727
Deposits paid	(1,740,634,420)	(1,528,996,205)
Interbank funds received	-	775,000
Interbank funds paid	-	(775,000)
Borrowed funds received	18,308,467	33,850,488
Borrowed funds paid	(16,366,455)	(32,467,969)
Dividends paid and other payments to shareholders	(214,715)	(159,505)
Net cash provided by financing activities	9,501,455	26,525,536
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,661,955)	2,772,239
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	51,438,221	48,665,982
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**42,776,266**	**51,438,221**

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

(Free Translation from the Original Spanish-Language Version)

Consolidated Statements of Cash Flows - Statutory Basis

(Amounts in Thousands of Dominican Pesos RD$)

	Years ended December 31, 2012	2011
Reconciliation between the net income for the period and the net cash provided by (used in) operating activities:		
Net income for the period	2,307,880	2,692,831
Adjustments to reconciliate net income for the period to net cash used by operating compensation:		
Provisions:		
Loan portfolio	870,225	1,259,404
Interest receivable	415,316	421,000
Investments	-	18,600
Assets received in loan settlements	331,070	-
Contingent operations	64,000	67,400
Technical reserves increase	1,645,496	-
Release of provisions:		
Interest receivable	(251,576)	(294,884)
Others compensation to the personnel	-	1,879,051
Depreciation and amortization	670,788	636,287
Loss on sale of property, furniture and equipment, net	2,378	242,740
Gain on sale of property, furniture and equipment, net	(13,557)	-
Loss (gain) on sale of assets received in loans settlement, net	(54,277)	21,140
Currency exchange rate fluctuations, net	76,042	92,481
Net changes in assets and liabilities:		
Interest receivable	(293,528)	(170,310)
Accounts receivable	6,024,917	(17,701,293)
Insurance premiums receivable	(46,580)	124,557
Receivables from insurance and guarantees	611	(3,502)
Deferred charges	(1,095,963)	763,300
Other assets	26,125	(407,051)
Interest payable	73,177	-
Insurance premium deposits	(55,049)	8,822
Creditors for insurance and guarantees	139,596	119,465
Other liabilities	(4,979,817)	7,558,936
Technical reserves	(1,592,135)	96,293
Total adjustments	1,957,259	(5,267,564)
Net cash provided by (used in) operating activities	**4,265,139**	**(2,574,733)**

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

Lic. Vicente Bengoa Albizu	Lic. Damián Santos	Licda. Carmen Arnaud
General Administrator	Comptroller	Accounting Director

(In thousands of Dominican Pesos RD$)

1 Entity

Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples and subsidiaries (referred to as the "Bank"), is owned by the Government of the Dominican Republic and was established on October 24, 1941 under Law No. 581 as amended by Laws No. 6133 of December 17, 1962, and 281 of January 1st, 1976 and its modifications.

The Bank offers multiple banking services to the Dominican Government and its entities (public sector), to private companies and to the general public (private sector). The main activities of the Bank and its subsidiaries include the granting of loans, investment, deposits, financing, insurances, management of pension funds and health services, sale and development of real estate projects, securities underwriting , among others.

The main offices of the General Administration are at Torre Banreservas at Winston Churchill Avenue, Santo Domingo, Dominican Republic.

A detail of the main officers is as follows:

Name	Position
Simón Lizardo	Minister of Finance -Ex in officiate Chairman
Vicente Bengoa Albizu	General Administrator
José Manuel Guzmán Ibarra	Sub-Administrator - General Business
Aracelis Medina Sánchez	Sub-Administrator - General Administration
Damián Santos	Comptroller

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.

As of December 31, 2012 and 2011, a detail of the Bank's offices and automatic teller machines (ATMs) is as follows:

	2012		2011	
Location	Offices (*)	ATM's	Offices (*)	ATM's
Santo Domingo	60	216	57	210
Provinces	89	212	89	207
	149	**428**	**146**	**417**

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

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These Consolidated Financial Statements were approved for issuance by the Board of Directors on March 26th, 2013.

2 Summary of significant accounting policies

2.1 Accounting basis for presentation of financial statements

The Bank prepares its consolidated financial statements in accordance with the accounting standards established by the Superintendence of Banks of the Dominican Republic, regulations, resolutions, circulars and other specific provisions issued by the Superintendence of Banks and the Monetary Board of the Dominican Republic, within the framework of the Monetary and Financial Law. These practices differ in form and content from the International Financial Reporting Standards applicable for banks and financial institutions. Therefore, the accompanying consolidated financial statements-statutory basis do not pretend to present the consolidated financial position, consolidated financial performance and consolidated cash flows in accordance with International Financial Reporting Standards.

The subsidiaries include: insurance, management of pension funds, administrator of health plans and securities underwriting, which have been prepared in accordance with the accounting standards established by the Superintendence of Insurance, the Superintendence of Pensions, the Superintendence of Health and Labor Risks and the Superintendence of Securities, respectively. The International Financial Reporting Standards (IFRS) are used as supplementary rules. The accounting standards of the Dominican Republic for financial institutions differ in certain aspects from the IFRS. Therefore, these consolidated financial statements do not intend to present the financial position, results of operations and the cash flows in accordance with IFRS.

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

Differences with International Financial Reporting Standards

The accounting practices established by the Superintendence of Banks of the Dominican Republic differ from IFRS in certain aspects. A summary of the most relevant differences is presented below:

(i) Allowance for loan losses are determined through an assessment of inherent risks made by the Bank and the reserve levels that result from the classification assigned to each loan (for commercial loans classified as major debtors) or days past due (for consumer, mortgage loans and minor commercial loans) and some specific approvals issued by the Superintendency of Banks. This evaluation (for major commercial debtors) includes a review of credit files, considering borrowers' financial statements, payment history and collateral. In accordance with International Financial Reporting Standards loan portfolios are assessed by separating individual and collective loans. Individual loan analysis is evaluated on a loan-by-loan basis.

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Loans that are collectively evaluated to determine if impairment exists are assessed, considering the estimates of the contractual cash flows of such groups, the historical loss experience and opinion from management as to whether the current economical and loans conditions may change the actual level of the inherent historical losses. 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.

(ii) Banking regulations require financial entities to establish allowances for assets received in loan settlements according to the following criteria: movable goods are reserved over a two-year period, on a straight line basis, starting six months after receipt of the asset, while 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. IFRS require that these assets be reserved only in the event that impairment occurs.

(iii) Interest receivable past-due for less than 90 days is reserved according to the classification of the corresponding principal. Interest past due for over 90 days is fully reserved, except in the case of credit cards, where interest receivable is reserved after 60 days past due. Subsequent accrued interest is not recognized in the consolidated financial statements. According to IFRS, allowances for interest receivable are determined based on risks specific to the loan; in the event of impairment of interest receivable, the loan amount is adjusted and subsequent accrual of interest is based on the adjusted balance using the effective interest rate.

(iv) Financial entities translate all transactions in foreign currencies at the official exchange rate as established by the Central Bank of the Dominican Republic at the date of the balance sheet. IFRS require that all balances in foreign currencies be translated at the exchange rate to which the Bank had access at the balance sheet date.

(v) The Superintendence of Banks of the Dominican Republic requires that reserves recorded on the provision for loans at the moment of executing their collateral, be transferred to the assets received on foreclosure. IFRS only requires reserves when the fair value of the asset is lower than its book value or when impairment exists.

(vi) The presentation and certain disclosures of the financial statements according to IFRS differ in certain aspects from those required by the Superintendence of Banks of the Dominican Republic.

(vii) According to banking practices, income derived from credit card renewals, letters of credit and customer acceptances are recorded immediately as income. IFRS require recognition of this income to be deferred over the duration of the respective cards, letters of credit and outstanding acceptances.

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(viii) The Superintendence of Banks of the Dominican Republic requires that computer softwares and leasehold improvements, be previously authorized by the Superintendence in order to be recognized as assets. IFRS requires that these items be recognized as assets as long as they generate future economic benefits.

(ix) The Superintendence of Banks of the Dominican Republic requires that short-term highly liquid investments which are easily convertible to cash be classified as investments. IFRS only requires that this type of investments with original maturity up to three months be classified as cash equivalents.

(x) The Superintendence of Banks of the Dominican Republic requires that financial institutions classify investments in four (4) categories, which are: i) trading, (ii) available-for-sale investments, (iii) held-to-maturity investments, and (iv) other investments in debt securities. Additionally, allows classifying in one of the three former classifications only those investments that are listed in an active market. IFRS does not require this kind of distinction, and the classification will depend on management intention. Also IFRS does not provide other investments classification.

(xi) The Superintendence of Banks of the Dominican Republic allowed multiple service banks the revaluation of its properties as of December 31, 2004. IFRS state that once a classification of assets is revalued such revaluation should be updated when significant and frequent value changes occur for such assets.

(xii) In accordance with current banking regulations, the Bank is required to classify cash flows resulting from the loans portfolio and customer deposits as investment and financial activities, respectively. IFRS require cash flows from these transactions to be classified as operating activities.

(xiii) The Superintendence of Banks of the Dominican Republic requires the banks to record an allowance for contingent operations which includes granted guarantees, non-negotiated letters of credit issued, and lines of credit of automated use based on a classification of risk categories following the REA. The International Financial Reporting Standards require allowances be recorded when there is a present obligation as a result of a past event, and it is probable that the entity will have to pay it and a reliable estimate of the obligation can be made.

(xiv) The Superintendence allowed the recognition as interest income upfront commission collected on discount of invoices to some important customers. IFRS require that such commission be deferred and recognized as income using the effective interest method.

(Continues)

(xv) In December 31, 2010, the Superintendence of Banks allowed the recognition of liabilities related to the Pension Fund and the pensions paid directly by the Bank over an eight (8) year-period beginning in 2011. IFRS establishes that pension plan obligations must be recognized initially in full through profit and loss and periodicaly updated in subsecuent periods.

(xvi) Banking regulations require that investment in stocks be valued at the lower of fair value or cost. If there is not a security market, they are valued at cost less impairment. The quality and creditworthiness of the issuer should be taken into consideration, following the Ruling for Assets Evaluation and Instructive for the Assets Evaluation Process as stated in the banking regulations. 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. If significant influence exists, investments are measured under the equity method.

(xvii) In accordarnce to the 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 the 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 the scope of the risks resulting from the financial instruments to which the entity is exposed during the year and at the report date and how the entity manages these risks.

(xviii) The Superintendence of Banks of The Dominican Republic authorized the Bank to classify factoring operations as account receivables. According to International Financial Reporting Standards these operations must be classified as loans.

(xix) The Superintendence of Banks authorized to incorporate in the consolidation, financial statements of subsidiaries with accounting practices differ from the Accounting Manual for Financial Institutions without being homogenized to the accounting practice of the Bank. Under IFRS all subsidiaries in a consolidated group should use the same accounting policies.

Differences between accounting practices for Insurance Companies and International Financial Reporting Standards.

(Continues)

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

Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

(In thousands of Dominican Pesos)

i) As established by the Superintendence of Insurance, short-term insurance contracts are recorded 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 and individual life, accident and health, provided premiums are collected on a monthly basis
- 40% Surety bonds
- 40% Other insurance

In accordance with International Financial Reporting Standards, income from insurance contracts, both general and short-term life insurance, is recorded proportionately over the term of the policy. The amount of the premium paid when the policy is issued, as well as the portion relating to the unexpired risk, should be recorded as deferred income.

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.

For long-term insurance contracts without a guaranteed minimum term (e.g. long-term death or survivorship), premiums are recognized as a deferred income, which is increased by the interest or changes in the unit Price and decreased for management fees, death benefits and any other deductions.

ii) The following items are considered as investments up to the limits permitted by Law No. 146-02:

- ♦ Mortgage loans.
- ♦ Certificates of deposit in domestic banks.
- ♦ Reserves held by local insurers and reinsurers.
- ♦ Real estate located in the country
- ♦ Shares and bonds of domestic corporations.
- ♦ Liquid financial instruments.
- ♦ Negotiable securities placed through the Dominican stock exchange.
- ♦ Investments in foreign currency.

In accordance with Insurance and Surety Bonds Law No. 146-02 governing private insurance operations, an amount equivalent to the sum of the mathematical risk reserves - general and personal insurance and surety bonds, catastrophic, specific and statutory - must be invested in any of the aforementioned categories and any amount in excess of the maximum percentage should be classified as other investments.

(Continues)

In accordance with IFRS investments are classified into four (4) 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. According to IFRS investments must be recognized initially at fair value and subsequently to its initial recognition are measured at amortized cost, fair value through profit or loss, or fair value with changes in equity depending on its initial classification. Additionally, IFRS does not provide for Other Investments classification.

iii) The Superintendence of Insurance 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.

iv) Revenues and expenses pertaining to prior years are recorded in the year they are identified. International Financial Reporting Standards require that these transactions be recorded retroactively correcting the previously reported financial statements, including presentation of the statement of financial position for the most recent three (3) years.

v) The preparation of a statement of changes in shareholders’ equity disclosing the composition and changes in the accounts that comprise shareholders' equity is not required, nor is the presentation of a statement of comprehensive income disclosing the nature and amount of items corresponding to other comprehensive income. IFRS requires the presentation of a statement of changes in stockholders’ equity and a statement of comprehensive income as part of the basic financial statements.

vi) Premiums receivable that are considered uncollectible by the Company are reversed against revenue. In accordance with IFRS, premiums receivable should be assessed regularly and a provision should be created for amounts deemed uncollectible. This provision is recorded through a charge to operating expenses.

vii) Investments in equity instruments are recorded initially at cost using the equity method. Additionally, parent companies are allowed to issue financial statements and consolidation is not required. IFRS requires consolidation for parent companies and the issue of separate financial statements is not allowed except for specific situations.

viii) The effects of reinstatement and liquidation of reinsurance contracts are adjusted with the reinsurer on the final liquidation date of the contract. IFRS requires that changes in insurance contracts be estimated and recorded in profit or loss based on such estimations.

(Continues)

ix) The recognition of specific reserves for claims incurred but not reported at the statement of financial position date is not required. IFRS requires creating a provision (IBNR) for those probable and quantifiable losses and that this be recorded through a charge to operations of the year in which the incident occurred.

x) International Financial Reporting Standards requires 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 of the Dominican Republic do not provide for guidance on accounting of derivatives.

xi) There are certain differences in presentation and disclosures between the accounting practices established by the Superintendence of Insurance of the Dominican Republic and financial statements prepared in accordance with International Financial Reporting Standards.

xii) International Financial Reporting Standards requires to perform a Liability adequacy test, which is basically a calculation based on a statistical methodology that determines if provisions recorded by the Bank are adequate to honor possible commitments arising from insurance contracts. Accounting practices of the Superintendecy of Insurance do not require this kind of provisions.

xiii) The Bank accounts for salvages and recoveries in off-balance sheet accounts. International Financial Reporting Standards establish that at the balance sheet date 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 period in which the Bank obtained the rights over the salvages and recoveries.

xiv) According to accounting practices of the Superintendence of Insurance savings account component of life insurance contracts are not accounted separately in the balance sheet. International Financial Reporting Standards requires to separate and recognize as a liability a saving account when it is a component of an insurance contract.

xv) Accounting practices of the Superintendence of Insurance do not require to separate revenue for the rendering of a service that is a component of an insurance contract. International Financial Reporting Standards requires to separate from an insurance contract a component of rendering of service for which the Bank does not keep any insurance risk. Such component should be recognize as a liability, and any unearned commission collected on the intermediation of the service shall be deferred.

(Continues)

xvi) Accounting practices of the Superintendence of Insurance require the additional costs incurred in the process of acquisition and issuance of insurance contracts is recognized as expenses when they occur. According to IFRS these costs must deferred and recognized as expense using the straight line method over the life of the related insurance contract.

xvii) Accounting practices of the Superintendence of Insurance, establishes the classification of Property, plant and equipment indistinctively of the use of the assets. IFRS requires that Property, plant and equipment which intended to be used to obtain revenue from rent shall be classified as investment property. The recognition and presentation of investment property differs from the assets that are being used in as Property, plant and equipment.

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

2.2 Use of estimates

The preparation of the consolidated financial statements 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, bonuses and other employee benefits, depreciation, impairment of assets, income tax and contingencies. Actual results may differ from such estimates.

2.3 Consolidation

The consolidated financial statements include the accounts 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: Peaje Dominicano, S. A. and Tenedora Banreservas, S. A. and subsidiaries, whicht include Seguros Banreservas, S. A. and subsidiaries, Reservas Inmobiliaria, S. A. and subsidiaries, Administradora de Fondos de Pensiones Reservas, S. A. and Inversiones & Reservas, S. A. 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. The balances and transactions among the consolidated entities are eliminated in consolidation. The accounting policies of the subsidiaries are substantially consistent with the accounting policies adopted by the Bank except for the regulated companies which prepare its financial statements accounting with the accounting practices issued by the Superintendency of Insurance of the Dominican Republic and the Superintendency of Pensions and Health of the Dominican Republic.

(Continues)

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

Notes to the Consolidated Financial Statements

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(In thousands of Dominican Pesos)

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

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

Subsidiaries	Country of Operation	% of Ownership
Tenedora Banreservas, S. A. and Subsidiaries	Dominican Republic	97.65
Peaje Dominicano	Dominican Republic	100.00
Administradora de Riesgo de Salud Reservas, Inc.	Dominican Republic	-

Intragroup balances and income and expenses arising from intragroup transactions were eliminated in preparing the consolidated financial statements.

The Superintendence of Banks of the Dominican Republic auhorized the Bank to not eliminate in the consolidation the allowance for investment in subsidiaries. This allowance is used in the consolidation to comply with other provisions required at consolidated level.

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, certicate of deposits and financing to the Dominican Government, its autonomous entities and state enterprises (public sector) and to privately owned enterprises and the general public (private sector).

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 to Law No. 87-01 and its complementary regulations.

(Continues)

Peaje Dominicano, S. A.

This Company was incorporated under the laws of the Dominican Republic and manages the operations of the toll stations of the Duarte and 6 de Noviembre highways, as well as the Sanchez road, and other related activities, such as collection, installation of updated technology instruments, maintenance of equipment, supervision of service staff in the stations and coordination of the security personnel. Furthermore, the Company is also managing a business parking building.

Tenedora Banreservas, S. A. and Subsidiaries

It 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 under the Law of Insurance No. 146-02.

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

The Administradora de Fondos de Pensiones Reservas, S. A., 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 to 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 to Law 87-01. AFP Reservas is regulated by the Superintendence of Pensions of The Dominican Republic.

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

Reservas Inmobiliarias, S. A. and Subsidiary, performs real estate transactions, such as buying, selling, leasing, management and development of real state properties.

(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. The Company's main purposes consist of buying and selling securities, exchange of securities, underwriting part or the whole, issuance of securities 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.

(Continues)

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 and 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 also is required to create an allowance for consumer and mortgage loans that have been restructured and classified no lower than "D." Such classification may be subsequently changed based on payment behavior, but cannot be classified lower than "B."

Furthermore, the Bank applies the arrears method to past due loans for more than 90 days 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.

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

2.5.1 Allowance for loan losses

Determination of allowance for loan losses is based on local Banking Regulations for Asset Valuation, as approved by the Monetary Board in its First Resolution of December 29, 2004, as well as complementary regulations and observations made by the Superintendence of Banks. (Basis of determination of allowances).

According to these regulations, the estimate of loan loss reserves depends upon the type of loan: major commercial debtors, minor commercial debtors, consumer and mortgage loans. The estimation of loan loss reserves 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 and subject to review by the Superintendence of Banks, using specific percentages based on debtor classification.

(Continues)

Minor comercial debtors' classification is based only in payment history. The Superintendence of Banks of the Dominican Republic, through Circular Letters 001/11 dated July 25, 2011 and expiration date June 30, 2013, allows financial institutions when performing evaluations regarding major debtors to take into consideration only the payment history. After the expiration of the aformentioned Instruction Letter, major debtors will be classified quaterly considering the categorized analisys of each debtor based on solvency and as established in the Regulation for Asset Valuation and the evaluation of other factors such as: liquidity ratio, profitability ratio, leverage ratio, market analisys, payment performance history, country risk and alignment.

Furthermore, such regulation requires a provision for the effect of exchange fluctuations on foreign currency loans classified as D and E and considers 20% of the amount past due on collateralized loans for more than 90 days in arrears.

Through SB Circular: No. 002/11 dated July 25, 2011, the Superintendence of Banks granted a waiver for the positive difference in the exchange rate on foreign currency loans, classified in categories D and E, accordingly. As required in Circular letter No. 004/09 dated March 24^{th}, 2009, a period of two (2) years was established beginning on the date of the aforementioned regulation to constitute provisions caused by positive differences in exchange rate.

Additionally, establishes that the amount of the allowance that the banks will present at the date of this Instruction Letter will be transferred to the account 129.01.M.08 "additional provision for risky assets" and can be used to cover requirements of provisions for risk on the different types of assets.

Also the Superintendence of Banks provided special approval to classify some credits that might be classified different if the they were evaluated in accordance with the banking Regulation for Assets Valuation.

Loan collateral, as a factor of security in the collection of loans, is considered a secondary element and is not taken into account when determining debtor classification, even though this is considered when determining the necessary reserves (in the case of commercial debtors). Small commercial debtors, consumer and mortgage loans are determined based on the day of arrears.

Collaterals that secures credit operations are classified based on its use and ease of conversion to cash, in accordance with the Banking Regulations for Asset Valuation. The type of collateral is considered as a secondary element in the calculation of the loan loss provision coverage, according to the acceptable amounts established. Acceptable collateral is quantified using specific discount percentages of its estimated conversion to cash value as established in the Regulations. Collaterals are classified as follows:

(Continues)

Multi-use collateral (“garantías polivalentes”)

Includes 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. Such collateral is considered at 50% to 100% of its value for the purpose of estimating the risk coverage by such assets, depending on the type of collateral.

Specific use collateral (“garantías no polivalentes”)

Represents assets difficult to convert to cash or monetize. Generally these assets are user specific. Such collateral is taken into account at 30% to 50% of its value for the purpose of estimating the risk coverage provided by such assets.

Each classification of collateral is taken into account in calculating the amount of loan coverage based on schedule 8 (schedule 8) the percentages established in the Banking Regulations for Asset Valuation (REA).

2.5.2 Allowance for loans portfolio of the public sector

Until November 2012 major comercial debtors of the public sector were evaluated only at a credit rating level considering that the documentation contains in the credit files, evidence of budgetary allocation, authorization of the Ministry of Finance on flows allocated in the Government Budget of the Dominican Republic and behavioral evidence corresponding to payment following the Instructional Guidelines for Investment Credit Evaluation and Contingent Operations of the Public Sector, and clarifications and circulars related.

In December 2012 the Superintendence of Banks of the Dominican Republic authorized the Bank to not constitute allowance for public sectors loans classified as risk A (see note 3).

2.5.3 Allowance for interest receivable

The allowance for losses on interest receivable is determined using specific percentages according to the classification of the corresponding principal. Provision for interest on consumers, mortgage and minor business loans is based upon specific percentages for each loan, depending on past-due payments using parameters established in the Banking Regulations for Asset Valuation (REA).

Interest past-due over 90 days (except for credit card balances) 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.

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2.5.4 Allowance for other assets

Banking Regulations for Asset Valuation (REA) set forth a maximum term of three years, starting after the expiration of 120-days period after foreclosure, to create a provision for assets received in setlement of loans. Reserves should be established as follows if assets remain unsold:

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.

Existing reserves for loan losses relating to collateral that has been foreclosed must be transferred to “allowance for losses on assets received in loan settlements.”

Impairment in the value of assets received in setlement of loans, calculated as the difference between book and market values determined by independent appraisers, is charged as expense when determined.

2.5.5 Allowance for contingencies

The allowance for contingent obligations, included in “other liabilities”, relates to provisions for guarantees granted, endorsements, letters of credit and credit lines available for credit cards, among others. Such provision is determined along with the rest of the debtor’s obligations and is made depending on the risk classification of the debtor and on collateral acceptable for the calculation of the provision. The nature, amounts and estimation of contingent liabilities are described in note 28 of the consolidated financial statements-statury basis.

2.6 Employee benefit cost

2.6.1 Bonuses and other benefits

The Bank accounts for employee benefits such as bonuses, Christmas bonus, vacation and other benefits according to the Labor Law in The Dominican Republic and its own incentive policies for employees.

(Continues)

2.6.2 Retirement and pension plan

The Bank (Parent Company only) has a defined benefit pension plan and other pensions for employees that are not covered by Social Security Law No. 87-01 of May 9, 2001, which established the Social Security System of the Dominican Republic. As established by the by-laws of the Pension Plan approved by the Board of Directors of the Bank, the contribution of the Bank (Parent Company only) 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 (Parent Company only) and extraordinary contributions. In December 31, 2010, the Superintendence of Banks allowed that the liability for the defined benefit pension plan be recognized prospectively on a eight (8) year period beginning in December 2011 using the straigh line method

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.

Also, the Bank makes contributions, in accordance with the requirements of the Social Security Law No. 87-01, dated May 9, 2001 which created the Social Security System of the Dominican Republic. This system operates under a format of individual capitalization accounts and is comprised of contributions to be made by the employer and employee and that must be managed by the Administradora de Fondos de Pensiones (AFP). The contributions made by the Bank are recognized as expenses as incurred. When the employee reaches retirement age, they will receive the balance of their account plus the financial return from the AFP.

2.6.3 Severance compensation

The Labor Code of the Dominican Republic sets forth the payment of indemnities ("auxilio de preaviso") to employees whose contracts have been terminated without just cause. The Bank records these payments as expenses when paid.

2.7 Valuation of investments

2.7.1 Investments in debt securities

Investments are accounted for at cost less required allowance.

The Bank classifies the investments in four (4) categories: trading, held to maturity, available-for-sale and other investment in debt instruments.

(Continues)

Trading securities correspond to investments acquired with the purpose of obtaining profits derived from fluctuations in prices, and which are traded on a stock exchange market or other type of organized market. Held-to-maturity correspond to investments that the Bank has the positive intent and ability to hold until maturity, and are traded in an active organized market. Available-for-sale investments correspond to instruments that are traded in an active and organized market and that do not meet the criteria to be classified as trading or held to maturity. All securities that are not traded in active or organized markets and are not classified in the previous categories, are classified as other investments in debt securities.

Trading securities are recognized initially at cost. The changes in the market value are recognized in the consolidated statement of income-statutory basis as a gain or loss on fair value changes.

Available for sale investments are recognized initially at acquisition cost. The changes in the fair value are recognized in equity as an unrealized gain or loss on available for sale investments.

Held to maturity invesments and other investments in debt instruments are recognized at amortized cost.

For instruments issued or guaranteed by the Dominican Government, the Superintendence of Banks authorized that they are considered risk-free with 0% allowance.

2.7.2 Investments in shares

Investments in shares are carried at cost, net of allowance for losses.

Allowance for investments in shares is determined using the same criteria as for major commercial debtors. (See note 2.5.1)

2.8 Valuation of property, furniture and equipment and the depreciation method used

2.8.1 Basis of recognition

Land and buildings are carried at market values as determined by independent appraisers as of December 31, 2004. Land and buildings acquired after that date and other furniture and equipment are carried at cost. Depreciation is calculated using a method similar to the declining balances depreciation method.

(Continues)

2.8.2 Depreciation

Depreciation percentages are the followings:

Description	Estimated Useful Life in Years
Buildings	5%
Furniture and equipment	15-25%
Lease improvements	50%

2.9 Assets received in loan settlements

Assets received in loan settlements are carried at the lower of:

a) Value agreed upon payment in kind or the award 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, which 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.

2.10 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.

2.11 Assets and liabilities in foreign currency

Amounts in the accompanying consolidated financial statements are presented in Dominican pesos (RD$). Assets and liabilities in other currencies are translated using the exchange rate set by the Central Bank of the Dominican Republic at the date of the consolidated financial statements. 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 other income (expense) in the accompanying consolidated income statements.

(Continues)

At December 31, 2012 and December 31, 2011, the exchange rates established by the Central Bank of the Dominican Republic were RD$40.2612 and RD$38.7243, respectively.

2.12 Revenue recognition and most significant expenditures

2.12.1 Finance 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. Loan interest is no longer recognized and placed on nonaccrual status. When a loan is past due for 90 days, except for credit card balances, which are placed on nonaccrual status after 60 days, the subsequent interest receivable is recorded in a memorandum account and recognized as income when collected.

Under the authorization of the Superintendence of Bank of the Dominican Republic, the Bank records as interest income, the commisions on discount of invoices when they are collected.

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

Interest income on investments are recognized in the accrual basis using the effective interest rate. Revenues from the rest of the services rendered by the Bank are accounted for when they are generated.

2.12.2 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 recorded 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.

(Continues)

In connection 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.

2.12.3 Revenues from the Fund Pension Administrator (AFP)

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

Income from the management fees results from the management of personal accounts on behalf of the affiliates to the Pension Fund T-1 (Contribution) and T-4 (Distribution) , and is recognized upon receipt of the resources corresponding to the contributions of the affiliates based 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) and T-5 (Social Solidarity) equals to 30% of the excess of yield porfolio of the weighted average rate of the previous month for all terms of time deposits, indefinite certificates of deposit and financial certificates issued by commercial banks and multiple services. 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.

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.

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

The Health Insurance Administrator (ARS) recognizes revenues for services under the accrual method. Health Services Plan are recognized and billed when UNIPAGO (entity in charge of processing the Database of the Dominican Social Security System) sends the affiliation report to the ARS. Complementary plans and voluntary plans are recognized when the coverage becomes effective.

2.12.5 Revenues from real estate

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

(Continues)

Income fees from the sale of properties, interest on investments and other income are accounted for when earned.

Income from leasing of real estate and equipment rental is accounted for under the accrual basis of accounting, (i.e., when the service has been rendered).

2.12.6 Toll revenue

Revenue from management of toll stations is recognized under the accrual basis of accounting, (i.e., when the services have been offered to the customers).

2.12.7 Revenues from Reservas Asistencia

Revenue from the rendering of services for road, home and personal assistance are recognized using the accrual basis of accounting, that is, when services have been rendered to the customers.

2.13 Provisions

The Bank establishes reserves 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.

2.14 Income tax

According to the Banks's Organic Law, the Bank is exempted from income tax payment. However, the Bank calculates and voluntarely pays income tax following the guidelines of the Tax Code and specific criteria, considering that the beneficiary is also the Dominican 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 and special contributions of the Bank's employees Pension Plan, among others.

Pursuant to paragraph "A" of Article 24 of Law No. 8-90 regarding the establishment of new free zones and the growth of existing ones, Operadora de Zonas Francas Villa Esperanza S. A. is also exempt from payment of income tax, 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 are included in profit or loss, regardless of when they are recognized for tax purposes.

(Continues)

Total expense caused by income tax is recognized in the consolidated statement of income-statutory basis.

Deferred income tax is not recognized due to the fact that voluntary income tax payments in the future are uncertain as the Bank is exempted from income tax.

2.15 Financial instruments

A financial instrument is defined as cash, evidence of a property right or interest in an entity, or a contract that creates an obligation or a right to pay or receive cash or another financial instrument from a second entity in terms potentially favorable to the first entity. It is also established that for deposits with an indefinite term, such as checking and savings accounts, the market value is the amount payable to presentation.

For those financial instruments without available quoted prices, market value is estimated using present value techniques or other valuation methods. These techniques are subjective and significantly affected by the assumptions used, such as discount rates, estimated cash flows and estimated prepayments. To this effect, resulting estimated values cannot be verified by comparison to independent markets and, in many cases, such securities cannot be realized immediately.

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

Short-term financial instruments

Short-term financial instruments, both assets and liabilities, are carried at the cost recorded in the Group's consolidated balance sheet. This cost is similar to market value because of the relatively short-term period between the origination of the instruments and their subsequent realization. This category includes: available funds, acceptances receivable and outstanding, interest receivable and interest payable.

Investments in securities

The fair values of investments in securities and equity are estimated based on cost adjusted for impairment and are determined following specific guidance issued by the Superintendence of Banks, as there is no active securities market in the Dominican Republic that can provide market values.

It is not possible to estimate a market value for certificates of deposits outstanding as there is no active market for these instruments in the Dominican Republic.

(Continues)

Loan portfolio

The loan portfolio is carried out 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 recognized using the same method.

2.16 Derecognition of financial assets

Financial assets are derecognized when the Bank loses control and all contractual rights of those assets. This occurs when the rights are converted to cash, when they expire, or are transferred.

2.17 Impairment of assets

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

Recoverability of an asset maintained and used in operations is measured by comparing the carrying amount of the asset with the discounted cash flow generated by that asset. If, after making such comparison, it is determined that asset values have been negatively affected, the amount to be accounted for as a loss impairment will be the excess of the carrying amount over the fair value of the asset and this loss is recorded affecting the net income of the year when determined.

2.18 Contingencies

The Bank defines contigencies, as the credit risks assumed in certain operations that might become direct future credits, and generate obligations to third parties, depending on possible future events.

2.19 Accounts receivable

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

The allowance for doubtful accounts is recognized through a charge to expense when the Group's management determines that collectability is doubtful based on payment history, the economy and other factors that affect the industry and the specific client.

(Continues)

(In thousands of Dominican Pesos)

2.20 Mathematical and technical life insurance reserves

Mathematical and technical life insurance reserves are calculated on the basis of net premiums and consider mortality tables and interest used by the Bank.

Mathematical reserves for life insurance consist of the amount equivalent to the difference between the present value of the Bank's obligations towards the insured and the present value of the insured obligations towards the Bank, 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 to the 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 to disability and survivorship should amount to a 45% of the estimated actuarial reserve.

As established in Article 141 of Law No. 146-02 on Insurance, 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 premium are collected on a monthly basis	5%
Personal accidents when the premium is collected at terms	40%
Survivorship and disability	5%

2.21 Reserve for unearned insurance premiums

Commisions over unearned premiums and commissions unearned over ceeded reinsured premiums.

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

Transportation and freight	15%
Bank guarantees	40%
For other insurances	40%

2.21.1 Specific reserve

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

(Continues)

2.21.2 Amortization of non-proportional contracts - catastrophic premiums

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

2.21.3 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 health insurance administrators. 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 claims incurred during the current period less the claims incurred from last year.

2.22 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 economy environment that is subject to risk and rewards that are different to other segments in other economy environment.

2.23 Distribution of dividends

The Bank distributes profits to shareholders for an amount lower than the accrued benefits minus interest and commissions receivable on loans and investments net of any reserves. The distribution of dividends to the Dominican Republic State is exempt from income tax payment.

3 Change in accounting policy

On December 14^{th}, 2012, through Comunication Letter 0981 the Superintendence of Banks of the Dominican Republic authorized the Bank to valuate the public sector loan portfolio using the same methodoly used for the valuation of investments in securities issued or guranteed by the Dominican Goverment with an allowance requirement of 0%, thus established that public sector loans that are classified in risk category A do not require any allowance.

The effect of this change in the accounting policy is a decrease in the allowance required of approximately RD$640,000.

(Continues)

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4 Transactions in foreign currency and exchange exposure

The following is a detail of the Bank's balance in foreign currency as of December 31, 2012 and December 31, 2011:

	2012		2011	
	US$	RD$	US$	RD$
Assets				
Available funds	418,279	16,840,399	680,850	26,365,422
Investments, net	35,773	1,440,249	62,621	2,424,960
Loan portfolio, net	1,419,463	57,149,297	720,112	27,885,842
Customer acceptances	4,808	193,574	1,996	77,286
Accounts receivable	152,106	6,123,977	559,610	21,648,350
Investments in shares	831	33,459	831	32,172
Other assets	212	8,542	24	953
Total assets	2,031,472	81,789,497	2,026,044	78,434,985
Liabilities				
Customer deposits	1,386,262	55,812,571	1,323,118	51,236,799
Deposits from local financial institutions	200,854	8,086,642	72,603	2,811,488
Borrowed funds	398,815	16,056,777	360,439	13,957,748
Acceptances outstanding	4,808	193,574	1,996	77,286
Other liabilities	32,450	1,306,475	261,213	10,115,308
Total liabilities	2,023,189	81,456,039	2,019,369	78,198,629
Net foreign exchange position	**8,283**	**333,458**	**6,675**	**236,356**

The exchange rates used to translate foreign to local currency was RD$40.2612 and RD$38.7243 for December 31,2012 and December 31,2011 respectively.

5 Available funds

Available funds as of December 31, 2012 and December 31, 2011, are summarized as follows:

(Continues)

(In thousands of Dominican Pesos)

	2012	2011
Cash (a)	6,340,721	5,053,633
Central Bank of the Dominican Republic (b)	32,697,055	42,780,547
Foreign Banks (c)	2,278,057	1,999,692
Other funds:		
Items in transit (d) (e)	1,459,933	1,604,349
	42,776,266	**51,438,221**

(a) Includes US$43,834 in 2012 and US$33,934 in 2011.

(b) Includes US$316,607 in 2012 and US$609,088 in 2011.

(c) Includes US$56,582 in 2012 and US$33,560 in 2011.

(d) Includes US$1,256 in 2012 and US$4,268 in 2011.

(e) Represents checks received from other banks to be collected through the clearing system.

At December 31, 2012 and 2011, mandatory deposits (*encaje legal*) requirements in pesos was RD$21,838,143 and RD$21,580,482, and the legal dollar reserve requirement was US$301,462 and US$321,610, respectively. For this purpose, the Bank maintains in cash with the Central Bank of the Dominican Republic and loan portfolio in productive sector amounts of RD$21,860,549 and US$316,255 in 2012 and RD$21,613,764 and US$608,771 in 2011.

6 Interbank funds

The following is a detail of interbank funds granted and received during the years ended December 31, 2012 and 2011:

	2012			
	Interbank Assets			
Bank	Quantity	Amount in RD$	No. of Days	Weighted Average Rate
Banco Múltiple Santa Cruz, S. A.	2	90,000	3	8.50%
Banco BDI	4	170,000	3	8.51%
Banco Vimenca, C. por A.	1	50,000	1	10.00%
Banco Múltiple Caribe, S. A.	5	240,000	1	8.56%
Citibank, N. A.	2	450,000	16	9.92%
		1,000,000		

(Continues)

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	2011			
	Interbank Assets			
Bank	Quantity	Amount in RD$	No. of Days	Weighted Average Rate
Banco Múltiple Santa Cruz, S. A.	9	525,000	3	8.75%
The Bank of Nova Scotia	1	100,000	1	8.75%
Banco Múltiple León	2	100,000	2	9.25%
Banco Múltiple BHD, S. A.	1	350,000	4	8.50%
Banco Múltiple Caribe, S. A.	25	1,230,000	2	8.83%
Citibank, N. A.	4	1,100,000	5	9.01%
Asociación Popular de Ahorros y Préstamos	11	2,030,000	13	8.69%
Asociación Nacional de Ahorros y Préstamos	3	350,000	8	8.93%
		5,785,000		

	2011			
	Interbank Liabilities			
Bank	Quantity	Amount in RD$	No. of Days	Weighted Average Rate
Banco Múltiple BHD, S. A.	1	500,000	1	8.75%
Citibank, N. A.	1	150,000	5	8.25%
Asociación Popular de Ahorros y Préstamos	1	125,000	1	7.50%
		775,000		

During 2012 and 2011, the Bank granted interbank funds to different financial institutions; however, at December 31, 2012 and 2011, there are no balances in interbank funds.

(Continues)

(In thousands of Dominican Pesos)

7 Investments in debt instruments

A detail of investments in debt instruments is described as follows:

December 31, 2012				
Type of investment	Issuer	Amount in RD$	Average Weighted Rate	Maturity
Other investment in debt securities:				
Bonds : Law 131-11	Government of the Dominican Republic	9,611,890	11.70% - 15.95%	2014 - 2021
Financial Certificate and overnight	Central Bank of the Dominican Republic	15,306,376	5.00% -16%	2012 - 2019
Bonds: Law 121-05	Government of the Dominican Republic (note 26)	1,500,000	2.00% plus inflation	2015
Financial Certificate	Citibank, represents US$5,273	212,305	4% and 4.25%	2014 and 2015
Bonds: Law 366-09	Government of the Dominican Republic	1,170,563	10.50% - 16.00%	2013 - 2020
Bonds: Law 361-11	Government of the Dominican Republic	1,249,831	15.00% - 16.95%	2019 - 2022
Bonds: Laws 193-11	Government of the Dominican Republic	493,278	5.00%	2016
Bonds: Law 99-01	Government of the Dominican Republic	525,000	1.00%	2019
Bonds: Law 175-12	Government of the Dominican Republic represents US$25,573	1,029,600	7.00%	2023
Financial Certificate	Deposits made by funds Administrator invested in in different institutions	398,813		
Financial Certificate	Banco Nacional de Fomento Vivienda y Producción	548,198	2.00% and 9.14%	2013 - 2017
Financial Certificate	Asociación Popular de Ahorros y Préstamos	165,580	8.43% - 12.65%	2013
Corporate Bonds	Includes several Dominican companies US$3,023	131,019	6.00% - 7.00%	2014 – 2016

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Bonds SHE/DGCP	Government of the Dominican Republic	456,055	13.19% -16.00%	2017 – 2021
Corporate Bonds	Parallax Valores, Puesto de Bolsa, S. A.	161,165	10.50%-12.25%	2011- 2013
Financial Certificate	Asociación Peravia de Ahorros y Préstamos	24,167	8.10%	2013
Financial Certificate	Asociación Cibao de Ahorros y Préstamos	31,158	5.00%	2013
Financial Certificate	Asociación La Nacional de Ahorros y Préstamos	34,110	8.00%	2013
Financial Certificate	Asociación La Vega Real de Ahorros y Préstamos	2,129	6.65%	2013
Financial Certificate	Asociación Maguana de Ahorros y Préstamos	4,536	9.00%	2013
Financial Certificate	Asociación Romana de Ahorros y Préstamos	64,758	8.86%	2013
Financial Certificate	Asociación Duarte de Ahorros y Préstamos	4,243	9.00%	2013
Financial Certificate	Asociación Mocana de Ahorros y Préstamos	71,721	5.00%	2013
Financial Certificate	Banco Ademi, S. A.	56,254	6.00% - 10.20%	2013
Financial Certificate	Banco Caribe, S. A., represents US$671 and RD$11,598	39,451	4.00% -10.08%	2013
Financial Certificate	Banco Centroamericano de Integración Económica	100,000	12.00%	2013
Financial Certificate	Banco León, S. A.	56,446	7.25%	2013
Financial Certificate	Banco Promérica S. A.	137,553	9.40% - 12.75%	2013
Financial Certificate	Banesco, S. A.	38,129	5%	2013
Financial Certificate	Corporación de Crédito América	353	9.50%	2013
Financial Certificate	Motor Crédito, S. A. Banco de Ahorro y Crédito	21,050	8.00%	2013
Financial Certificate	Banco Santa Cruz, S. A.	6,020	8.00%	2013
Financial Certificate	Banco de las Américas, S. A.	46,919	9.33%	2013
Bonds	Government of the Dominican Republic	5,186	2.50% and 5.00%	Past Due
Financial Certificate	Asociación Bonao de Ahorros y Préstamos	5,875	5.50%	2013

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Restricted securities available				
Financial Certificate	Central Bank of the Dominican Republic	150,038	13.00%	2015
Bonds: Law 366-09	Government of the Dominican Republic	1,537,960	13.00% and 16.00%	2017-2020
Bonds: Law 131-11	Government of the Dominican Republic	1,104,632	14.00%	2018
Mortgage notes	Banco Múltiple BHD, S. A.	201	6.45%	2013
Financial Certificate	Asociación Popular de Ahorros y Préstamos	3,000	5.00%	2013
Bonds	United States Treasury, represents US$673	27,089	13.00% and 16.00% plus Libor	2024
		36,532,651		
	Interest Receivable, includes US$786	925,457		
		37,458,108		
	Allowance for losses on investment, includes US$226	(32,697)		
		37,425,411		

		December 31, 2011		
Type of investment	Issuer	Amount in RD$	Average Weighted Rate	Maturity
Other investment in debt securities:				
Bonds: Law 131-11	Government of the Dominican Republic	14,190,500	11.70% - 15.95%	2014 - 2021
Financial Certificate, and overnight	Central Bank of the Dominican Republic	10,179,295	6.75% - 20%	2012 - 2018
Bonds: Law 498-08	Government of the Dominican Republic	1,945,212	14% - 16%	2012
Bonds: Law 121-05	Government of the Dominican Republic	1,500,000	2% plus inflation	2015

(Continues)

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Financial Certificate	Citibank, represents US$32,348	1,252,635	1% - 4.25%	2012
Bonds: Law 366-09	Government of the Dominican Republic	1,538,878	13.50% - 16%	2013 – 2020
Bonds: Law 366-09	Government of the Dominican Republic	1,173,029	10.50% - 16%	2013 - 2020
Bonds: Law 131-11	Government of the Dominican Republic	1,099,394	14%	2018
Bonds: Law 99-01	Government of the Dominican Republic	600,000	1%	2019
Bonds: Law 490-08	Government of the Dominican Republic Represents US$15,029	581,980	8%	2012
Bonds: Law 297-10	Government of the Dominican Republic	511,754	5% - 15.95%	2016 - 2021
Financial Certificate	EFG Capital Zurich, represents US$11,645	450,949	0.85 and 0.95%	2012
Financial Certificate	Deposits of fund administrator Invested in different institutions	309,950	-	-
Financial Certificate	Banco Nacional de Fomento Vivienda y Producción	290,618	6% and 9.50%	2012 - 2013
Financial Certificate	Asociación Popular de Ahorros y Préstamos	256,044	8.87% - 12.65%	2012
Corporate Bonds	Several Dominican companies, includes US$3,578	171,164	5.05% - 7%	2012 - 2016
Financial Certificate	Banco Central de la República Dominicana	150,052	13%	2015
Financial Certificate	Banco Santa Cruz, S. A.	110,111	8.25% - 12.50%	2012
Corporate Bonds	Parallax Valores, Puesto de Bolsa, S. A.	99,080	8.50% - 10.5%	2012 - 2013
Financial Certificate	Asociación Peravia de Ahorros y Préstamos	17,574	7% - 8%	2012
Financial Certificate	Asociación Cibao de Ahorros y Préstamos	73,370	8.50%	2011 - 2012
Financial Certificate	Asociación La Nacional de Ahorros y Préstamos	30,854	10.75% - 12.30%	2012

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Financial Certificate	Asociación La Vega Real de Ahorros y Préstamos	2,000	8.15%	2012
Financial Certificate	Asociación Maguana de Ahorros y Préstamos	10,324	7% - 8%	2012
Financial Certificate	Asociación Romana de Ahorros y Préstamos	87,218	7% - 9%	2012
Financial Certificate	Asociación Duarte de Ahorros y Préstamos	14,385	7%	2012
Financial Certificate	Asociación Mocana de Ahorros y Préstamos	41,036	9%	2012
Financial Certificate	Banco Ademi, S. A.	56,307	9.25% - 12.0%	2012
Financial Certificate	Banco Caribe, S. A., Represents US$651 & RD$8,937	34,361	4% and 9%	2012
Financial Certificate	Banco Centroamericano de Integración Económica	100,000	12%	2012
Financial Certificate	Banco León, S. A.	72,837	5.5% - 9.5%	2012
Financial Certificate	Banco Promérica S. A.	119,279	6% - 12.5%	2012
Financial Certificate	Banesco, S. A.	20,039	10.75% - 11%	2012
Financial Certificate	Corporación de Crédito América	40,019	8% - 9.5%	2012
Financial Certificate	Motor Crédito, S. A. Banco de Ahorro y Crédito	65,844	10.50% - 11.15%	2012
Financial Certificate	Banco Múltiple BHD, S. A.	32,048	11.50%	2012
Financial Certificate	Banco de las Américas, S. A.	24,099	8% - 8.85%	2012
Bonds	Government of the Dominican Republic	5,187	2.5% and 5%	Past due
Financial Certificate	Asociación Bonao de Ahorros y Préstamos	5,542	5%	2012
Restricted available securities:				
Mortgage notes	Banco Múltiple BHD, S. A.	201	9%	2012
Financial Certificate	Asociación Popular de Ahorros y Préstamos	3,000	3.70%	2012
	States of America, represents US$666	25,805	13% and 16% plus Libor	2024
		37,291,974		
	Interest receivable, includes US$45	773,239		
	Allowance for losses on investments, includes US$1,341	(224,048)		
		37,841,165		

(Continues)

(In thousands of Dominican Pesos)

8 Loan portfolio

a) *Following is an analysis of the loan portfolio by type of loan as of December 31, 2012 and December 31, 2011:*

	2012			2011		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Comercial loans:						
Advances on demand accounts	-	2,902	2,902	-	27,544	27,544
Loans (includes US$1,437,046 and US$728,543 in 2012 and 2011)	77,601,397	45,010,873	122,612,270	32,277,120	61,047,921	93,325,041
Discounted documents	-	-	-	10,498	-	10,498
Discounted invoices	-	1,644	1,644	-	1,331	1,331
Financial leases (includes US$2,024 and US$2,587 in 2012 and 2011 respectively)	81,486	49,374	130,860	100,178	59,173	159,351
Letters of credit (include US$5,856 and US$5,780 in 2012 and 2011, respectively)	-	41,451	41,451	-	223,835	223,835
Advances on export note (includes US$1,030 and US$1,029 in 2012 and 2011, respectively)	-	235,786	235,786	-	39,868	39,868
Other credit	-	704	704	-	605	605
	77,682,883	45,342,734	123,025,617	32,387,796	61,400,277	93,788,073

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Consumer credit:						
Credit card, (includes US$8,344 and US$7,646 in 2012 and 2011)		2,709,285	2,709,285	50,748	2,472,817	2,523,565
Consumer loans (includes US$2,235 and US$1,889 in 2012 and 2011, respectively)	-	13,446,543	13,446,543	-	10,956,510	10,956,510
	-	16,155,828	16,155,828	50,748	13,429,327	13,480,075
Mortgage loans:						
Residential , (includes US$1,481 and US$2,446 in 2012 and 2011)	-	14,066,365	14,066,365	-	11,621,128	11,621,128
Construction, improvements, repairs, expansion and others	-	397,954	397,954	-	325,156	325,156
	-	14,464,319	14,464,319	-	11,946,284	11,946,284
	77,682,883	75,962,881	153,645,764	32,438,544	86,775,888	119,214,432
Interest receivable (includes US$6,142 and US$4,821 in 2012 and 2011 respectively)	91,602	797,719	889,321	40,476	713,469	753,945
Allowance for loans losses And interest receivable includes US$44,785 and US$34,629 in 2012 and 2011 respectively)	(16,593)	(5,231,264)	(5,247,857)	(536,126)	(4,195,236)	(4,731,362)
	77,757,892	**71,529,336**	**149,287,228**	**31,942,894**	**83,294,121**	**115,237,015**

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b) *The status of the loan portfolio is as follows:*

	2012			2011		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Current (i) (includes US$1,344,606 and US$699,251 in 2012 and 2011)	77,682,882	67,259,633	144,942,515	32,438,525	79,354,744	111,793,269
Restructured (ii) (includes US$5,871 and US$11,528 in 2012 and 2011)	-	382,038	382,038	-	2,493,284	2,493,284
Past due:						
31 to 90 days(iii) (includes US$4,808 and US$5,620 in 2012 and 2011)	-	271,827	271,827	-	259,242	259,242
Over 90 days (iv) (includes US$32,490 and US$13,755 in 2012 and 2011)	1	3,013,580	3,013,581	18	1,686,197	1,686,215
Legal collection (v) (includes US$70,331 and US$19,767 in 2012 and 2011)	-	5,035,803	5,035,803	-	2,982,422	2,982,422
Interest receivable						
Current (i)(includes US$2,545 and US$2,472 in 2012 and 2011)	91,602	404,480	496,082	40,461	430,489	470,950
31 to 90 days (iii) (includes US$12 and US$421 in 2012 and 2011)	-	26,907	26,907	-	34,119	34,119
Over 90 days (iv) (includes US$1,147 and US$1,391 in 2012 and 2011)	-	200,645	200,645	16	135,324	135,340

(Continues)

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Restructured (ii), (Includes US$52 and US$52 in 2012 and 2011)	-	3,385	3,385	-	26,852	26,852
Legal collection (v) (includes US$2,386 and US$484 in 2012 and 2011)	-	162,302	162,302	-	86,684	86,684
	77,774,485	76,760,600	154,535,085	32,479,020	87,489,357	119,968,377
Allowance for loans and interest receivable (includes US$44,785 and US$34,629 in 2012 and 2011)	(16,593)	(5,231,264)	(5,247,857)	(536,126)	(4,195,236)	(4,731,362)
	77,757,892	**71,529,336**	**149,287,228**	**31,942,894**	**83,294,121**	**115,237,015**

(i) Represents loans that are current in principal payments.

(ii) Represents principal and interest receivable of loans, that being current or past due, their payment terms and conditions have been changed, resulting in a variation of the interest rate and/or maturity of the original loan contract, as well as credits originated in interest capitalization, past due commissions and other charges of the original loan.

(iii) Corresponds to principal installments and interest receivable that represent arrears of 31 to 90 days with respect to the date that principal payment should have been made.

(iv) Corresponds to total principal and interest receivable that are past due in its principal payments for more than 90 days. For loans that are paid in installments, the total loan amounts are classified as past due loans when the installments are more than 90 days past due. It also includes overdrafts on demand deposits accounts with more than three (3) days unpaid balances.

(v) Corresponds to principal and interest receivable of loans that are in legal collection process.

(Continues)

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c) *By category of collateral:*

	2012			2011		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Multi use collateral (i)	16,156	45,364,790	45,380,946	25,119	32,134,103	32,159,222
Specific use collateral (ii)	-	2,335,802	2,335,802	-	1,338,989	1,338,989
Without collateral un- secured(iii)	77,666,727	28,262,289	105,929,016	32,413,425	53,302,796	85,716,221
	77,682,883	75,962,881	153,645,764	32,438,544	86,775,888	119,214,432
Interest receivable	91,602	797,719	889,321	40,476	713,469	753,945
Allowance for losses and interest receivable	(16,593)	(5,231,264)	(5,247,857)	(536,126)	(4,195,236)	(4,731,362)
	77,757,892	**71,529,336**	**149,287,228**	**31,942,894**	**83,294,121**	**115,237,015**

(i) Multi-use collateral 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 collateral are considered between 50% and 100% of its value for risk coverage depending on the collateral. These collateral are considered for coverage according to the following detail:

Type of collateral	Percentage of Admittance
Public sector securities	100%
Securities issued by the same financial institution	100%
Securities from other financial institution and stand by guarantee	95%
Real estate	80%
Inventory	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	70%

(Continues)

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(ii) Specific-use collateral are assets that have one or specific use and are thus difficult to sell.

Specific-use Collateral are real guarantees that for its nature are considered of unique use and for that reason present characteristics that are difficult to sell due to its specialized origin. These collateral apply according to the following percentages:

Motor vehicles with less than five (5) years of use and heavy Vehicles with insurance	50%
Industry of unique use	30%
Other specific-use collateral	30%

(iii) This item considers as unsecured loans those that are guaranteed by insurance policies ceded and other guarantees.

At December 31, 2012 and 2011 includes RD$77,666,727 thousand and RD$32,413,425 thousand of public sector loans, which 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 or specific laws approving these loans.

d) *By source of funds:*

	2012			2011		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Own funds	77,682,883	75,220,270	152,903,153	32,438,544	85,966,603	118,405,147
Banco Nacional de Fomento de la Vivienda y la Producción	-	13,550	13,550	-	19,799	19,799
International financial institutions	-	729,061	729,061	-	788,611	788,611
Other local institutions	-	-	-	-	875	875
	77,682,883	75,962,881	153,645,764	32,438,544	86,775,888	119,214,432
Interest receivable	91,602	797,719	889,321	40,476	713,469	753,945
Allowance for loans losses and interest receivable	(16,593)	(5,231,264)	(5,247,857)	(536,126)	(4,195,236)	(4,731,362)
	77,757,892	**71,529,336**	**149,287,228**	**31,942,894**	**83,294,121**	**115,237,015**

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e) By term:

	2012			2011		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Short-term (up to one year)	52,039,099	29,856,720	81,895,819	1,742,091	42,671,991	44,414,082
Medium term (more than one year and up to three (3) years)	22,048,550	32,925,265	54,973,815	16,090,354	33,332,716	49,423,070
Long-term (more than three (3) years)	3,595,234	13,180,896	16,776,130	14,606,099	10,771,181	25,377,280
	77,682,883	75,962,881	153,645,764	32,438,544	86,775,888	119,214,432
Interest receivable	91,602	797,719	889,321	40,476	713,469	753,945
Allowance for loans losses and interest receivable	(16,593)	(5,231,264)	(5,247,857)	(536,126)	(4,195,236)	(4,731,362)
	77,757,892	**71,529,336**	**149,287,228**	**31,942,894**	**83,294,121**	**115,237,015**

f) By economic sectors:

	2012			2011		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Government	77,500,528	-	77,500,528	32,119,508	-	32,119,508
Financial sector	182,355	5,676	188,031	319,036	6,201	325,237
Non financial sector						
Agriculture, livestock and forestry	-	4,195,495	4,195,495	-	5,262,881	5,262,881
Fishing	-	3,118	3,118	-	2,753	2,753
Mining and quarries	-	327,060	327,060	-	1,960	1,960
Manufacturing	-	2,041,976	2,041,976	-	3,310,121	3,310,121
Electricity, gas and water	-	1,811,937	1,811,937	-	2,178,240	2,178,240
Construction	-	8,116,154	8,116,154	-	6,842,056	6,842,056

(Continues)

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Wholesale and Retail business	-	26,595,391	26,595,391	-	40,158,618	40,158,618
Hotels and restaurants	-	2,125,232	2,125,232	-	2,668,094	2,668,094
Transportation, warehousing and communication	-	195,713	195,713	-	204,827	204,827
Real estate and leasing activities	-	14,179,660	14,179,660	-	11,745,151	11,745,151
Education	-	21,326	21,326		15,655	15,655
Health and social services	-	186,405	186,405	-	226,662	226,662
Other non-specific activities	-	1,910	1,910	-	782,123	782,123
Private households with local services	-	16,155,828	16,155,828	-	13,370,546	13,370,546
	77,682,883	75,962,881	153,645,764	32,438,544	86,775,888	119,214,432
Interest receivable	91,602	797,719	889,321	40,476	713,469	753,945
Allowance for loans and interest receivable	(16,593)	(5,231,264)	(5,247,857)	(536,126)	(4,195,236)	(4,731,362)
	77,757,892	**71,529,336**	**149,287,228**	**31,942,894**	**83,294,121**	**115,237,015**

Loans to private sector include RD$550,000 and 12,200 in 2012 and 2011 respectively, equivalent to credit line operations with contractors who are working with the Dominican Government. These credits are guaranteed by the Dominican Republic Government, and the Superintendence of Banks authorized the risk "A" classification with a provision of 1%.

Interest receivable include RD$109,900 and RD$98,000 in 2012 and 2011 respectively, of loans granted to Credit Cards holders.

At December 31, 2012 and 2011, a significant amount of the loan portfolio of the Bank corresponds to loans granted to public sector entities. In December 2012, these loans were authorized by the Superintendence of Banks to be classified with 0% of provision requirement if the borrower is in the “A” risk category.

(Continues)

(In thousands of Dominican Pesos)

9 Customer acceptances

A summary of customer acceptances as of December 31, 2012 and December 31, 2011is as follows:

	2012		2011	
Correspondent Bank	Amount RD$	Maturity	Amount RD$	Maturity
Wells Fargo Bank, represents US$83 and US$1,002, in 2012 and 2011, respectively	3,330	2013	38,792	2012
Deustche Bank/Standard Chartered, Band, represents US$30	1,200	2013	-	-
Bank of America, corresponds to US$4,695	189,044	2013	-	-
Citibank, N. A., represents US$754	-		29,179	2012
Bladex Panamá represents US$41	-		1,601	2012
Standard Chartered Bank, represents US$199	-		7,714	2012
	193,574		**77,286**	

10 Accounts receivable

As of December 31, 2012 and December 31, 2011 accounts receivable comprise:

	2012	2011
Commissions receivable	8,371	18,800
Other receivables:		
Accounts receivable from employees	17,858	17,900
Recoverable expenses	80,371	61,544
Security deposits	19,032	16,804
Other deposits	2,014	2,013

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Credit card claims	-	18,524
Receivable from factoring operations (includes US$152,091and US$556,515 in 2012 and 2011, respectively) (a)	6,123,355	24,226,678
Claims on checks paid	-	1,946
Accounts receivable from real estate and leasing	7,093	6,531
Management funds	237,405	89,806
Commissions receivable:		
Wells Fargo Bank (correspond to US$3,095 in the 2011)	-	119,831
Others (include US$15 in the 2012)	103,456	203,124
	6,598,955	**24,783,501**

a) As of December 31, 2012, corresponds to factoring operations with Constructora Norberto Odebretch, Ministerio de Obras Públicas y Comunicaciones and Empresa de Generación Hidroeléctrica Dominicana, authorized by the Superintendence of Banks through Circulars SB: ADM/0303/12 dated: June 28, 2012.

As of December 31, 2011, corresponds to factoring operations with Corporación Dominicana de Empresas Eléctricas Estatales (CDEEE), Distribuidoras de Electricidad EDENORTE, EDESUR and EDEESTE, Constructora Norberto Odebretch and Cap Cana, authorized by the Superintendence of Banks through Circulars SB: ADM/0736/11 ADM 0610/10 and ADM268/10, dated: December 27, 2011, December 17 and May 19, 2010, respectively for a 60 day-period for factoring operations with CDEEE and Edenorte, Edesur and Edeeste, and until June, 2012 for private sector operations with Constructora Norberto Odebretch and Cap Cana. These accounts have explicit collaterals of the Dominican Government and have been authorized by the Superintendence of Banks, to be classified with risk category "A" and a provision of 1%. Also the Superintendence approved that the amount of commision collected on these operations were accounted for as income at the moment of the disbursement.

11 Insurance premiums receivable

A summary of premiums receivable as of December 31, 2012 and December 31, 2011 is listed:

	2012	2011
General insurances	1,130,412	1,092,812
Life insurance	72,993	64,013
	1,203,405	**1,156,825**

(Continues)

(In thousands of Dominican Pesos)

Corresponds to premiums receivable on individual, property and casualty insurance. In accordance to Article 73 of Law 146-02 on Insurance of the Dominican Republic, for policies to be valid, the insurance company, general or local agents must receive full payment of the premium within the first 10 days of issuance, or otherwise agree to receive at least 25% of the total premium. Certain financing terms might be agreed by the parties, but payment cannot exceed 120 days from the beginning of the term of the policy.

12 Assets received in loan settlements

A summary of assets received in loan settlements as of December 31, 2012 and December 31, 2011 is shown:

	2012	2011
Securities	-	404,796
Furniture and equipment	18,662	33,574
Real estate	5,670,464	5,613,208
	5,689,126	6,051,578
Allowance for losses on assets received in loan settlements	(3,624,695)	(3,277,969)
	2,064,431	**2,773,609**

Following is a description of assets received in loan settlements (by aging) as of December 31, 2012 and December 31, 2011:

	December 31, 2012	
	Amount	Allowance
Up to 40 months:		
Furniture and equipment	6,218	(4,514)
Real estate	4,049,763	(1,982,409)
Over 40 months:		
Generic	-	(4,627)
Furniture and equipment	12,444	(12,444)
Real estate	1,620,701	(1,620,701)
Total	**5,689,126**	**(3,624,695)**

(Continues)

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	December 31, 2011	
	Amount	Allowance
Up to 40 months:		
Furniture and equipment	33,574	-
Real estate	3,968,273	(1,621,190)
Over 40 months:		
Generic	-	(11,845)
Securities	404,796	-
Real estate	1,644,935	(1,644,934)
Total	**6,051,578**	**(3,277,969)**

13 Investments in shares

A detail of investments in shares consist of:

December 31, 2012					
Investments Amount in RD$	Percentage of Shares	Types of Shares	Face Value RD$	Market Value RD$	Number of Shares
269,644	10%	Common	100	(a)	523,054
34,565	0%	Common	249	691	128,776
21,001	24%	Common	1,000	(a)	17,500
8,037	11%	Common	100	(a)	80,372
6,922	10%	Common	100	(a)	69,221
618	3%	Common	5	(a)	123,689
2,510	(b)				
343,297					
(151,115)	Allowance for investments in shares.				
192,182					

December 31, 2011					
Investments Amount in RD$	Percentage of Shares	Types of Shares	Face Value RD$	Market Value RD$	Number of Shares
269,644	10%	Common	100	(a)	523,054
33,245	0%	Common	249	621	128,776
21,001	24%	Common	1,000	(a)	17,500
8,037	11%	Common	100	(a)	80,372
6,922	10%	Common	100	(a)	69,221
618	3%	Common	5	(a)	123,689
2,653	(b)			(b)	
342,120					
(24,430)	Allowance for investments in shares.				
317,690					

(Continues)

(In thousands of Dominican Pesos)

(a) There is no active security market in Dominican Republic where the market value of these shares may be observed; nevertheless, for investment in shares of companies that trade in active markets and whose book value amounted to RD$34.6 and RD$33.2 thousand for 2012 and 2011, the market value was equal to RD$110.4 thousand and RD$79.9 thousand, respectively.

(b) Correspond to investments in several entitites.

Investments in shares include US$831 net of US$28 of reserve, for 2012 and 2011, respectively.

14 Property, furniture and equipment

A summary of the property, furniture and equipment at December 31, 2012 and December 31, 2011 is as follows:

	2012					
	Land and Improvements	Building	Furniture and Equipment	Leasehold Improvements	Construction and acquisition in Process (a)	Total
Gross balance at January 1st, 2012	1,126,957	3,408,126	4,541,190	86,989	533,631	9,696,893
Acquisitions	48,139	1,652	35,844	-	572,439	658,074
Retirements	-	-	(55,886)	(46,958)	(223,727)	(326,571)
Reclassifications	21,588	3,959	-	-	-	25,547
Transfers	-	58,635	302,156	11,646	(372,437)	-
Gross balance at December 31, 2012	1,196,684	3,472,372	4,823,304	51,677	509,906	10,053,943
Accumulated Depreciation at January 1st, 2012	-	(842,958)	(2,752,489)	(44,691)	-	(3,640,138)
Depreciation expense	-	(171,082)	(404,963)	(38,919)	-	(614,964)
Reclassifications	-	-	-	-	-	-
Retirements	-	-	32,877	46,958	-	79,835
Accumulated depreciation at December 31, 2012	-	(1,014,040)	(3,124,575)	(36,652)	-	(4,175,267)
Property, furniture and equipment at December 31, 2012	**1,196,684**	**2,458,332**	**1,698,729**	**15,025**	**509,907**	**5,878,676**

(Continues)

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	2011					
	Land and Improvements	Building	Furniture and Equipment	Leasehold Improvements	Construction and acquisition in Process (a)	Total
Gross balance at January 31, 2011	1,115,514	3,233,572	4,307,494	72,508	655,765	9,384,853
Acquisitions	60,299	20,042	33,993	-	693,871	808,205
Other adjustment	(28,096)	(20,042)	-	-	-	(48,138)
Retirements	(27,423)	(21,922)	(180,070)	(55,413)	(163,199)	(448,027)
Reclassifications	-	196,476	-	-	-	196,476
Transfers	6,663	-	379,773	69,894	(652,806)	(196,476)
Gross balance at December 31, 2011	1,126,957	3,408,126	4,541,190	86,989	533,631	9,696,893
Accumulated depreciation at January 31, 2011	-	(689,854)	(2,480,700)	(38,635)	-	(3,209,189)
Depreciation expense	-	(158,921)	(425,944)	(51,422)	-	(636,287)
Reclassifications	-	372	(372)	-	-	-
Retirements	-	5,445	154,527	45,366	-	205,338
Accumulated depreciation at December 31, 2011	-	(842,958)	(2,752,489)	(44,691)	-	(3,640,138)
Property, furniture and equipment at December 31, 2011	**1,126,957**	**2,565,168**	**1,788,701**	**42,298**	**533,631**	**6,056,755**

a) Correspond mainly to acquisition, remodeling and construction of offices where some branches operate or are in process to open.

15 Other assets

Following is a summary of other assets as of December 31, 2012 and 2011:

	2012	2011
Deferred charges:		
Commissions to insurance agents on unearned premiums	192,612	182,147
Prepaid insurances	151,943	157,930
Deferred non-proportional reinsurance premium ceded (a)	269,506	208,320
Prepaid income tax	734,164	174,486

(Continues)

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Credit from taxes on financial assets	485,597	-
Other prepaid payments	177,089	184,566
Interest and prepaid commissions	32,395	41,034
Reinsurance and co-insurance payables	49,154	89,415
Other deferred charges	49,702	8,301
	2,142,162	1,046,199
Intangible assets:		
Other deferred charges (b)	175,285	215,222
Accumulated amortization	(87,694)	(102,092)
	87,591	113,130
Other assets:		
Stationery and other materials	113,213	109,127
Inventory- credit card	11,278	5,629
Library and artwork	23,064	22,559
Other miscellaneous assets	-	17,304
Items pending allocation (c), (includes US$212 and US$37 in 2012 and 2011)	56,099	61,377
Balances among offices (d), (includes US$12 in 2011)	5,876	6,315
Others	34,888	78,517
	244,418	300,828
	2,474,171	**1,460,157**

(a) Corresponds to insurance premiums pending to be amortized related to reinsurance contracts for excess of losses.

(b) Corresponds to the migration of the technological platform and other programs and software which have been authorized by the Superintendence of Banks of the Dominican Republic, through Circular Letter SB: ADM/0589/10 dated December 8, 2010.

(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.

(d) The Bank recognizes in this line item net of transactions among branches that due to operational reasons cannot be immediately recognized in the corresponding accounts.

(Continues)

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16 Summary of allowances for assets subject to risk

A summary of the changes in allowances for loan losses is shown below:

	December 31, 2012					
	Loan Portfolio	Investments	Interest Receivable	Other Assets (a)	Contingencies (b)	Total
Balances at January 1st, 2012	4,487,392	247,147	245,301	3,277,969	137,139	8,394,948
Constitution of reserves	870,225	-	415,316	331,070	64,000	1,680,611
Write-offs against reserves	(427,859)	-	(5,934)	(190,855)	-	(624,649)
Transfers from other reserves	(82,212)	(64,700)	(3,700)	206,512	(55,900)	-
Release of reserves	-	-	(251,576)	-	-	(251,576)
Effects of change in exchange rates	2,233	34	2	-	1,926	4,195
Balances at December 31, 2012	4,849,779	182,481	399,409	3,624,695	147,165	9,203,529
Minimum reserves required at December 31, 2012 (c)	4,624,726	168,006	382,107	3,620,069	47,485	8,842,393
Excess (deficit) in the minimum reserves required December 31, 2012 (d)	**225,053**	**14,477**	**17,302**	**4,626**	**99,680**	**361,136**

(Continues)

(In thousands of Dominican Pesos)

	December 31, 2011					
	Loan Portfolio	Investments	Interest Receivable	Other Assets (a)	Contingencies (b)	Total
Balances at January 2011	4,974,445	282,544	255,423	2,232,464	119,257	7,864,133
Constitution of reserves	1,259,404	18,600	421,000	-	67,400	1,766,404
Write-offs against reserves	(790,704)	-	(138,509)	(13,247)	-	(942,460)
Transfers To other reserves	(1,058,752)	-	-	1,058,752	-	-
Transfers received	101,455	(54,025)	2,270	-	(49,700)	-
Release of reserves	-	-	(294,883)	-	-	(294,883)
Effects of change in exchange rate and others	1,544	28	-	-	182	1,754
Balances at December 31, 2011	4,487,392	247,147	245,301	3,277,969	137,139	8,394,948
Minimum reserves required at December 31, 2011 (c)	4,418,816	177,428	237,299	3,266,123	95,638	8,195,304
Excess (deficit) in the minimum reserves required at December 31, 2011(d)	**68,576**	**69,719**	**8,002**	**11,846**	**41,501**	**199,644**

(a) Corresponds to the allowance for assets received in loan settlements.

(b) This provision is included in the line item of other liabilities in note 21 and the expense for constitution is included in the operating expense item in the accompanying consolidated income statements.

(c) Represents the amounts of allowance determined by a self-assessment performed by the Bank as of December 31, 2012 and December 31, 2011.

(d) At December 31, 2012 y 2011, the minimum required provision corresponds to the amounts determined at such date based on the self evaluation made by the Bank plus other adjustments made. In case that the provisions determined are lower than the provisions made, the Superintendence of Banks does not allow the release of provisions without the previous authorization from such Superintendence.

(Continues)

(In thousands of Dominican Pesos)

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

As of December 31, 2011, the Bank evaluated the portfolio of major commercial debtors of the public sector, whether the term public loan is understood as defined and established by Law 6-06 on Public Loans, or for the remaining of the loan portfolio included in the public sector following the guidelines of the Instructive for Loan Evaluation, Investments and Contingent Operations of the Public Sector and related documents. Loans from the Corporación Dominicana de Empresas Eléctricas Estatales and EDE'S were classified as risk rated "A" and were provisioned at 1% with the approval of the Superintendence of Banks.

17 Customer deposits

Following is a detail of these accounts:

a) By type

	December 31, 2012				
	Local Currency RD$	Weighted Average Rate	Foreign Currency RD$	Weighted Average Rate	Total RD$
Demand	33,772,422	0.31%	-	-	33,772,422
Savings	33,856,813	2.70%	20,956,731	1.08%	54,813,544
Time	2,820	6.52%	34,855,840	3.26%	34,858,660
	67,632,055	**1.51%**	**55,812,571**	**2.44%**	**123,444,626**

b) By sector

	December 31, 2012				
	Local Currency RD$	Weighted Average Rate	Foreign Currency RD$	Weighted Average Rate	Total RD$
Public sector non-financial	20,430,786	0.35%	2,259,509	1.61%	22,690,295
Private sector non-financial	47,162,002	2.02%	53,544,512	2.48%	100,706,514
Non-resident	39,267	0.34%	8,550	1.08%	47,817
	67,632,055	**1.51%**	**55,812,571**	**2.44%**	**123,444,626**

(Continues)

BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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c) By maturity date

	December 31, 2012				
	Local Currency RD$	Weighted Average Rate	Foreign Currency RD$	Weighted Average Rate	Total RD$
0 to 15 days	67,629,375	1.51%	23,994,073	1.28%	91,623,448
16 to 30 days	164	6.52%	3,795,102	2.73%	3,795,266
31 to 60 days	559	6.86%	3,177,229	3.14%	3,177,788
61 to 90 days	533	6.80%	3,920,397	3.33%	3,920,930
91 to 180 days	402	6.71%	8,805,077	3.43%	8,805,479
181 to 360 days	-	-	7,307,344	3.24%	7,307,344
More than 1 year	1,022	6.01%	4,813,349	3.79%	4,814,371
	67,632,055	**1.51%**	**55,812,571**	**2.44%**	**123,444,626**

a) By type

	December 31, 2011				
	Local Currency RD$	Weighted Average Rate	Foreign Currency RD$	Weighted Average Rate	Total RD$
Demand	40,274,286	0.24%	-	-	40,274,286
Saving	31,662,730	2.74%	15,227,599	1.05%	46,890,329
Time	2,873	5.41%	35,980,113	3.27%	35,982,986
	71,939,889	**1.34%**	**51,207,712**	**2.61%**	**123,147,601**

b) By sector

	December 31, 2011				
	Local Currency RD$	Weighted Average Rate	Foreign Currency RD$	Weighted Average Rate	Total RD$
Non-public sector	25,183,054	0.24%	2,249,699	1.05%	27,432,753
Non-financial sector	46,739,870	2.74%	48,953,310	3.27%	95,693,180
Non-resident	16,965	5.41%	4,703	-	21,668
	71,939,889	**1.87%**	**51,207,712**	**3.17%**	**123,147,601**

(Continues)

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c) By maturity

	December 31, 2011				
	Local Currency RD$	Weighted Average Rate	Foreign Currency RD$	Weighted Average Rate	Total RD$
0 to 30 days	70,555,507	1.81%	26,362,497	1.99%	96,918,004
31 to 60 days	563	2.74%	4,751,271	3.00%	4,751,834
61 to 90 days	554	2.74%	3,296,790	3.10%	3,297,344
91 to 180 days	430	2.74%	7,356,652	3.27%	7,357,082
181 to 360 days	-	-	6,841,372	3.61%	6,841,372
More than 1 year	1,382,835	5.41%	2,599,130	3.80%	3,981,965
	71,939,889	**1.83%**	**51,207,712**	**2.65%**	**123,147,601**

At December 31, 2012 and 2011, customer deposits include restricted amounts for the following concepts:

	December 31, 2012				
	Inactive Accounts	Seized Funds	Deceased Customers	Security Deposits	Total RD$
Customer Deposits:					
Demand	32,142	442,616	15,588	-	490,346
Saving	920,348	121,523	188,730	122,007	1,352,608
Time	-	1,665	115,455	3,087,866	3,204,986
	952,490	**565,804**	**319,773**	**3,209,873**	**5,047,940**

	December 31, 2011				
	Inactive Accounts	Seized Funds	Deceased Customers	Security Deposits	Total RD$
Customer Deposits:					
Demand	43,026	384,816	15,525	-	443,367
Saving	734,780	128,652	151,296	363,044	1,377,772
Time	-	1,695	110,132	2,773,289	2,885,116
	777,806	**515,163**	**276,953**	**3,136,333**	**4,706,255**

(Continues)

(In thousands of Dominican Pesos)

At December 31, 2012 and 2011, customer deposits include amounts from inactive accounts as detailed below:

	December 31, 2012		
	From 3 to 10 years	More than 10 years	Total
Customer Deposits:			
Demand	31,168	974	32,142
Saving	907,047	13,301	920,348
	938,215	**14,275**	**952,490**

	December 31, 2011		
	From 3 to 10 years	More than 10 years	Total
Customer Deposits:			
Demand	41,612	1,414	43,026
Savings	726,079	8,701	734,780
	767,691	**10,115**	**777,806**

18 Deposits from local financial institutions

A summary of the deposits from local financial institutions are as follows:

a) By type

	December 31, 2012				
	Local Currency RD$	Weighted Average Annual Rate	Foreign Currency RD$	Weighted Average Annual Rate	Total RD$
Demand	2,027,222	0.33%	-	-	2,027,222
Savings	105,324	2.70%	73,757	1.08%	179,081
Time	82	6.47%	8,012,885	2.25%	8,012,967
	2,132,628	**0.45%**	**8,086,642**	**3.23%**	**10,219,270**

(Continues)

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

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b) By maturity date

	December 31, 2012				
	Local Currency RD$	Weighted Average Annual Rate	Foreign Currency RD$	Weighted Average Annual Rate	Total RD$
0 to 15 days	2,132,546	0.45%	204,978	1.45%	2,337,524
16 to 30 days	30	6.50%	4,984,844	3.45%	4,984,874
31 to 60 days	-	0.00%	26,933	2.40%	26,933
61 to 90 days	50	6.50%	998,415	3.02%	998,465
91 to 180 days	-	-	1,420,269	3.00%	1,420,269
181 days to 1 year	-	-	451,203	2.90%	451,203
More than 1 year	2	5.63%	-	-	2
	2,132,628	**0.45%**	**8,086,642**	**3.23%**	**10,219,270**

a) By type

	December 31, 2011				
	Local Currency RD$	Weighted Average Annual Rate	Foreign Currency RD$	Weighted Average Annual Rate	Total RD$
Demand	1,618,182	0.24%	-	-	1,618,182
Savings	134,618	2.74%	69,569	1.05%	204,187
Time	82	5.41%	2,741,919	3.27%	2,742,001
	1,752,882	**0.43%**	**2,811,488**	**3.22%**	**4,564,370**

b) By maturity

	December 31, 2011				
	Local Currency RD$	Weighted Average Annual Rate	Foreign Currency RD$	Weighted Average Annual Rate	Total RD$
0 to 30 days	1,716,476	0.50%	1,144,952	3.14%	2,861,428
31 to 60 days	-	-	1,183,958	3.22%	1,183,958
61 to 90 days	50	2.74%	28,928	3.22%	28,978
91 to 180 days	-	-	121,642	3.22%	121,642
181 to 360 days	-	-	13,162	3.22%	13,162
More than 1 year	36,356	2.75%	318,846	3.22%	355,202
	1,752,882	**0.55%**	**2,811,488**	**3.22%**	**4,564,370**

(Continues)

(In thousands of Dominican Pesos)

The Bank has obligations with customers for RD$38,151 and RD$36,769, as of December 31, 2012 and December 31, 2011, respectively, which are restricted by seizures, inactive, dormant accounts and/or from deceased customers.

At December 31, the status of inactive and/or dormant accounts of deposits of financial institutions in the country and abroad, is as follows:

	2012	2011
Three (3) to 10 year term	**644**	**824**

19 Borrowed funds

Following is a detail of borrowed funds:

December 31, 2012						
Borrower	Type	Collateral	Rate	Maturity		Balance
a) From local financial institutions:						
Banco Nacional de Fomento de la Vivienda y la Producción	Loan	Unsecured	13.5%	2012	RD$	10,577
b) From foreign financial institutions:						
Bladex Panamá, corresponds to US$65,000	Credit line	Unsecured	3.10% up to 3.13%	2013		2,616,978
Citibank, corresponds to US$116,000	Credit line	Secured*	1.50% up to 5.05%	2013 y 2014		4,670,299
US Century Bank, corresponds to US$5,000	Credit line	Unsecured	2.02%	2013		201,307
BPD Internacional Bank, represents US$5,000	Credit line	Unsecured	2.00%	2013		201,307
Mercantil Commercebank, represents US$25,000	Credit line	Unsecured	1.82%	2013		1,006,530
The Exp. Imp. Bank of Korea, Corresponds to US$3,064	Loan	Unsecured	3.26%	2013, y 2016		123,363

(Continues)

BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Eximbank, Rep. Of China - Taiwán, represents US$498	Loan	Unsecured	0.50% up to 1.28%	2013/2016	20,036
Eximbank, Rep. Of China - Taiwán, represents US$85	Loan	Unsecured	1.28%	2013	3,400
Wells Fargo Bank, correspond to US$114,246	Loan	Unsecured	1.84% up to 2.27%	2013	4,599,700
Bancoldex corresponds to US$2,500	Loan	Unsecured	2.28%	2013	100,653
Standard Chartered correspond To US$60,000	Loan	Unsecured	1.8% up to 1.9%	2013	2,415,672
					15,959,275
c) Others					19,715
d) Interest payable, includes US$2,422					97,535
					RD$ 16,087,072

* Collateral corresponds to bonds issued by the Dominican Republic Government.

December 31, 2011					
Borrower	Type	Collateral	Rate	Maturity	Balance
a) Local financial institutions:					
Banco Nacional de Fomento de la Vivienda y la Producción	Loan	Unsecured	13.5%	2012	RD$ 21,251
b) Foreign financial institutions:					
Bladex Panamá, represents US$60,000	Credit Line	Unsecured	3.15%	2012	2,323,458
Citibank, represents US$149,410	Credit Line	Unsecured	1.08% - 5.05%	2012	5,785,794
BPD Internacional Bank, represents US$6,000	Credit Line	Unsecured	2.01%	2012	232,346
Mercantil Commercebank, represents US$24,194	Credit Line	Unsecured	2.10%	2012	936,911
EFG Capital Internacional, represents US$4,763	Credit Line	Unsecured	0.78%	2012	184,436
The Exp. Imp. Bank of Korea, represents US$3,314	Loan	Unsecured	2.41%	2015 & 2016	150,290

(Continues)

(In thousands of Dominican Pesos)

Eximbank, Rep. Of China - Taiwán, represents US$765	Loan	Unsecured	0.90% & 2.4%	2015	7,680
Eximbank, Rep. Of China - Taiwán, represents US$229	Loan	Unsecured	0.50%	2012	8,879
Eximbank, Rep. Of China - Taiwán, represents US$200	Loan	Unsecured	0.54%	2016	7,746
Well Fargo Bank, represents US$110,934	Loan	Unsecured	1.69% - 2.65%	2012 & 2016	4,295,852
					13,933,392
c) Others					19,715
d) Interest payables, includes US$629					24,358
				RD$	**13,998,716**

20 Certificates of deposits

Following is a detail of certificates of deposits as of December 31, 2012 and December 31, 2011:

a) By type:

	December 31, 2012	
	Local Currency RD$	Weighted Average Annual Rate
Financial Certificates	**67,334,379**	**6.66%**

	December 31, 2011	
	Local Currency RD$	Weighted Average Annual Rate
Financial Certificates	**65,512,146**	**6.50%**

(Continues)

BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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b) By sector:

	December 31, 2012	
	Local Currency RD$	Weighted Average Annual Rate
Non-financial public sector	10,570,250	5.76%
Non-financial private sector	40,190,256	6.76%
Financial sector	16,568,873	6.98%
Non resident	5,000	2.25%
	67,334,379	**6.66%**

	December 31, 2011	
	Local Currency RD$	Weighted Average Annual Rate
Non-financial public sector	22,408,699	6.00%
Non-financial private sector	35,688,296	6.75%
Financial sector	7,408,265	6.80%
Non resident	6,886	2.50%
	65,512,146	**6.50%**

c) By maturity date:

	December 31, 2012	
	Local Currency RD$	Weighted Average Annual Rate
From 0 to 15 days	9,025,873	6.91%
From 16 to 30 days	5,660,907	6.71%
From 31 to 60 days	9,164,087	6.08%
From 61 to 90 days	11,725,940	5.96%
From 91 to 180 days	10,785,295	6.63%
From 181 days to one year	12,091,334	6.57%
More than one year	8,880,943	8.07%
	67,334,379	**6.66%**

(Continues)

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December 31, 2012 and 2011

(In thousands of Dominican Pesos)

	December 31, 2011	
	Local Currency RD$	Weighted Average Annual Rate
From 0 to 30 days	19,019,876	6.30%
De 31 a 60 days	5,695,244	6.21%
From 61 to 90 days	7,074,185	6.43%
From 91 to 180 days	10,121,687	6.52%
From 181 days to one year	13,803,838	6.61%
More than one year	9,797,316	6.90%
	65,512,146	**6.50%**

At December 31, 2012 y 2011, certificates of deposit include restricted amounts for the following detailed concepts:

	December 31, 2012		
	Deceased Customers	Security Deposits	Total
Certificates of deposits	122,810	4,937,905	5,060,715

	December 31, 2011		
	Deceased Customers	Security Deposits	Total
Certificates of deposits	107,822	4,230,305	4,338,127

(Continues)

BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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21 Other liabilities

Following is a description of other liabilities as of December 31, 2012 and December 31, 2011:

	2012	2011
Demand obligations, includes US$863 and US$4,639 as of 2012 and 2011, repectively (a)	3,366,841	955,346
Term obligations, includes US$27,883 and US$253,942 as of 2012 and 2011, respectively (b)	1,122,621	9,833,738
Unclaimed third party balances, includes US$655 and US$598 as of 2012 and 2011, respectively	150,574	123,069
Sundry creditors:		
Commissions payable	36,291	15,122
Accounts payable to suppliers	63,423	37,101
Withholding tax payable of third parties	30,059	19,044
Other sundry creditors	1,133,257	790,667
Other sundry creditors:		
Reserves for contingent operations, includes US$2,403 and US$1,129 as of 2012 and 2011, respectively(c)	147,165	137,139
Other provisions:		
1% Tax on productive assets	118,694	-
Income tax payable	6,543	181,414
Provision for litigation	105,394	94,977
Bonus and other employee benefits	1,123,055	889,901
Assets and liabilities restoration	-	4,740
Systemic Risk Prevention Program	96,782	70,000
Contingency fund	62,851	31,294
Accrued expenses payable	140,980	162,979
Credit card and electronic transactions	34,024	156,688
Defined benefit obligations:		
Extraordinary contributions to Pension Plan	1,274,093	360,476
Other reserves (includes US$6 in 2012)	158,510	201,056
Items pending for allocation, includes US$640 and US$905 as of 2012 and 2011, respectively (d)	272,970	140,764
Administration funds of the Public Sector	67,024	57,670
Commissions to agents for Outstanding premiums	135,142	136,536
Tax on outstanding premiums	159,845	148,412
Withholding taxes to reinsurers	30,692	188
Payments received in advance	83,518	63,917
Others	116,726	394,627
	10,037,074	**15,006,865**

(Continues)

(In thousands of Dominican Pesos)

(a) Corresponds to financial obligations assumed by the Bank and payable on demand that includes certified checks, administration checks and others.

(b) In this category, the Bank recognizes special cash deposits in US$ received from the Dominican Republic Government.

(c) Corresponds to provisions for contingent operations as per requirement of The Superintendence of Banks of the Dominican Republic (See note 16).

(d) Corresponds to creditors balances that for internal operating reasons or characteristics of the operation cannot be registered immediately on the final accounts.

22 Technical reserves

The subsidiaries, Seguros Banreservas, S. A. and ARS Banreservas, S. A., maitain on going specific mathematical risk reserves set up to meet commitments that derive from the current insurance policies which amounted to RD$1,683,645 and RD$1,630,284 as of December 31, 2012 and 2011, respectively.

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

	2012		
	Mathematical Reserves	Specific Reserves and Ongoing Risk	Total
Balance as of January 1st, 2012	56,183	1,554,985	1,611,168
Reserve increase	74,320	1,571,176	1,645,496
Decrease of reserve	(49,675)	(1,523,344)	(1,573,019)
Balance as of December 31, 2012	**80,828**	**1,602,817**	**1,683,645**

	2011		
	Mathematical Reserves	Specific Reserves and Outgoing Risk	Total
Balance as of January 1st, 2011	49,029	1,471,378	1,520,407
Reserve increase	53,642	1,584,352	1,637,994
Decrease of reserve	(42,521)	(1,485,596)	(1,528,117)
Balance as of December 31, 2011	**60,150**	**1,570,134**	**1,630,284**

(Continues)

(In thousands of Dominican Pesos)

23 Income tax

The Bank and its subsidiaries calculate and pay income tax individually. The consolidated entities calculate income tax based on its accounting practices to comply with current legal requirements.

Income tax expense for years 2012 and 2011 is compose of the following:

	2012	2011
Income tax expense	46,005	(678,461)
Deferred income tax	89	-
Dividends withholding tax expense (i)	325,851	-
Tax on assets	-	(2,544)
Prior years income tax	(82,237)	-
	289,708	**(681,005)**

(i) Corresponds to withholdings on dividends received from other subsidiaries of Tenedora Banreservas, S.A.

Law No.253-12 (concerning the strengthening of the collection ability and revenue capacity of the country for the fiscal and development sustainability), introduced significant changes to the Dominican tax law with reference to income tax expense, taxes on equity, Value Added Services (VAT) and selected tax on purchases, other measurements were adopted and requirements of General Rule 04-2011 concerning Transfer Pricing were expanded. Some of the main changes are the following:

a) Extension of corporate income tax rate of 29% until 2013 and future reductions to 28% in 2014 and 27% beginning in 2015.

b) Increase of VAT rate from 16% to 18% and the adoption of a reduced tax (8%) but progressive for certain products.

c) Article 308 of the Dominican Tax Code established through Law 11-92 was modified to require entities that pay or credit dividends; or conduct any form of retained earnings distribution to individuals or entities, residents or non-residents of the Dominican Republic, to withhold and pay to the tax authorities a 10% tax on dividends paid.

(Continues)

(In thousands of Dominican Pesos)

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$705,634,063 and RD$705,634,063 as of December 31, 2012 and as of December 31, 2011 RD$486,327,527, respectively, have memorandum balances for salvages warehouse amounting to RD$19,689 and RD$20,784 for 2012 and 2011.

As of December 31, 2012 and December 31, 2011 the retained risk assumed and assigned to insurance companies, are as follows:

	2012	2011
Responsibility assumed on insurance policies	705,634,063	486,327,527
Responsibility assigned on insurance policies	742,534,845	560,538,261
Less mathematical reserves	(80,828)	(56,183)
	1,448,088,080	**1,046,809,605**

25 Reinsurance

Transfer of a part or the whole risk accepted by an insurer to other insurer or reinsurer, naming original insurer to the former and reinsurer to the latter.

The reinsurers that support the companies are the following:

Al 31 de diciembre 2012			Al 31 de diciembre 2011		
Reinsurer	Type of Contract	Share (%)	Reinsurer	Type of Contract	Share (%)
Switzerland	Surplus	20	Switzerland	Surplus	20/50/65/100/
	Cuota Share	65/100		Cuota Share	20/60/85
Korean	Surplus	6.5/1.50	Korean	Surplus	5.00/1.50
	Quota Share	10.00		Quota Share	10.00
XL RE L.A	Surplus	5.00			
	Cuota Share	10/15	XL RE L.A	Surplus	5.00
				Cuota Share	10/15
Hannover XL	Cuota Share	10.00	Hannover XL	Surplus	10.00
			Venezuela	Cuota Share	10.00
			Odissey	Surplus	5.0
				Cuota Share	7.00

(Continues)

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Nacional Borg	Surplus	7.00			
	Cuota Share	10.00	Nacional Borg	Cuota Parte	10.00
Axis	Surplus	7.00			
	Cuota Parte	0.00	Axis	Cuota Share	10.00
			WM	Cuota Share	10.00
General Re,	Surplus	40/35/10	General Re,	Surplus	35.00
	Cuota Share	0.00		Cuota Share	10.00
			THB Group	Surplus	16.40
				Cuota Share	5.00
Everest-JLT	Surplus	13/34.15			
	Cuota Share	40/45	Everest-JLT	Surplus	20.00
				Cuota Share	2.00
			QBE	Surplus	2.00
			IRB-JLT	Surplus	3.00
Navigators	Surplus	8.5/9.00	Navigators	Surplus	8.00
	Cuota Share	0.00		Cuota Share	8.60
Redbridge	Surplus	100.00	Redbridge	Cuota Share	70.00
	Cuota Parte	0.00		Surplus	2.00
			Novae	Cuota Share	5.00
			Aspen-JLT	Cuota Share	7.00
Thompson	Surplus	13.85			
	Cuota Share	0.00			
Awac-JLT	Surplus	3.00/2.00			
Siruis-JLT	Surplus	15.00			
	Cuota Share	0.0			

26 Equity

A summary of the Banks' equity, owned 100% by the Government of the Dominican Republic, is presented below:

	Common Shares			
	Authorized		Issued	
	Quantity	RD$	Quantity	RD$
Balance as of December 31, 2012 and December 31, 2011	3,500	3,500,000	3,500	3,500,000

The Bank's equity contributions are as follows:

a) Initial capital of RD$50,000 according to Law No. 6133 of December 17, 1962, which amended Article 4 of the Organic Law of the Bank.

b) RD$200,000 as contribution in certified bonds issued by the National Treasury in 1988.

c) In accordance to Law No. 99-01 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)

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d) In accordance to Law No. 121-05 of April 7, 2005, the Dominican Republic Government issued RD$1,500,000 bonds in favor of the Bank.

The Bank's net profit must be used in the following manner:

50% - For amortization of no less than 5% of Certified bonds issued by the National Treasurer on behalf of the Dominican Republic Government, plus interest. The resulting surplus will cover the debt of the Dominican Government and its dependencies as approved by the Board of Directors, upon previous notice to the Executive Power.

35% - To Transfer to the reserve account.

15% - To cover debts of the Dominican Republic Government and its agencies with the Bank.

As per the First Resolution of the Ordinary Session of January 12, 2011, the Board of Directors approved the distribution of profits by RD$2,603,696 during 2010, as follows:

i) RD$911,294 transferred to equity reserve.
ii) RD$75,000 to redeem the National Treasury vouchers.
iii) RD$6,750 to offset interest on Treasury vouchers.
iv) RD$390,554 To compensate Dominican Republic Government debts with the Bank.
v) RD$1,220,098 Paid to the Dominican Republic Government in cash.

Aditionally, According to the First Resolution of the Ordinary Session of January 12, 2012, the Board of Directors approved dividends in the amount of RD$2,481,180 during 2011 as follows:

i) RD$868,413 transferred to equity reserve.
ii) RD$75,000 to redeem the National Treausry vouchers.
iii) RD$6,000 to offset interest on Treasury vouchers.
iv) RD$372,177 to offset the Dominican State debts, of which RD$184,415 have been used as of December 31, 2011.
v) RD$1,159,590 to be paid to the Dominican Republic Government in cash.

Aditionally, through 22th Ordinary Resolution dated December 27th, 2012, the Board of Directors approved distribution of 15% of year 2010 retain earnings for the amount of RD223,501 for which RD$ 220,492 have been paid.

Also, acccording to the first Ordinary Resolution dated January 13th, 2012, the Board of Directors met and approved that retained earnings available for distribution to be granted in cash to the Dominican Republic Government and the corresponding 15% to pay off debts , as well as retained earnings for those concepts corresponding to year 2010, be distributed as dividends to the Dominican State or capitalized at request of the Ministry of Finance and that previous to the delivery or capitalization, an acknowledgement of receipt must be presented to the Boad of Directors for their knowledge and approval.

(Continues)

(In thousands of Dominican Pesos)

Other equity reserves

In accordance with the Bank's organic law, the Bank must segregates 35% of its yearly net profit to equity reserves. As of December 31, 2012 and 2011, the Bank segregated the equity reserve in the amount of RD$777,551 and RD$868,413, respectively.

Through Circular Letter 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 income as other equity reserves, provided that they are restricted to the guidelines for distribution of profit set by the supervisory body.

Revaluation Surplus

The Bank revalued its land and buildings to their estimated market value determined by independent appraisers in the year 2004, as allowed by the Prudential Rules of Capital Adequacy. The value of the revaluation was RD$915,737 and its presented net of the accumulated depreciation in the consolidated balance sheet. The Bank classified this amount as secondary capital, with the authorization of the Superintendence of Banks of the Dominican Republic.

27 Segment information

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

December 31, 2012					
Segment	Company	Jurisdiction	Functional Currency	Equity Shares	Percentage of Voting Rights Direct and Indirect
Finance	Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	Dominican Republic	RD$	3,500,000	100%
Insurance and related Services	Tenedora Banreservas, S. A. and Subsidiaries	Dominican Republic	RD$	1,501,431	97.67%
Services	Peaje Dominicano, S. A.	Dominican Republic	RD$	405	100%
				5,001,836	
	Other consolidation adjustments			(1,501,836)	
				3,500,000	

(Continues)

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

December 31, 2012					
Company	Assets	Liabilities	Income	Expenses	Profit or Loss
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	246,347,178	228,035,178	26,251,673	23,877,152	2,374,521
Tenedora Banreservas, S. A. and Subsidiaries	7,298,228	3,412,432	6,383,714	5,572,275	811,439
ARS Reservas, Inc.	200,065	76,042	433,839	413,016	20,823
Peaje Dominicano, S. A.	84,974	3,903	84,034	108,331	(24,297)
	253,930,445	231,527,555	33,153,260	29,970,774	3,182,486
Other consolidation adjustments	(5,467,457)	(1,496,836)	(1,152,500)	(277,894)	(874,606)
	248,462,988	**230,030,719**	**32,000,760**	**29,692,880**	**2,307,880**

December 31, 2011					
Segment	Company	Jurisdiction	Functional Currency	Equity Shares	Percentage Of Voting Rights Direct and Indirect
Finance	Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	República Dominicana	RD$	3,500,000	100%
Related Services	Tenedora Banreservas, S. A. and Subsidiaries	República Dominicana	RD$	1,501,431	97%
Services	Peaje Dominicano, S. A.	República Dominicana	RD$	401	100%
				5,001,832	
	Other consolidation adjustments			(1,501,832)	
				3,500,000	

(Continues)

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

	December 31, 2011				
Company	Assets	Liabilities	Income	Expenses	Profit or Loss
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	238,931,791	222,508,403	22,361,420	19,650,075	2,711,345
Tenedora Banreservas, S. A. and Subsidiaries	7,016,218	3,263,439	5,490,215	4,827,907	662,308
ARS Reservas, Inc.	173,338	70,138	403,124	383,163	19,961
Peaje Dominicano, S. A.	128,893	23,553	140,119	133,744	6,375
	246,250,240	225,865,533	28,394,878	24,994,889	3,399,989
Other consolidation adjustments	(4,725,844)	(981,733)	(917,890)	(210,732)	(707,158)
	241,524,396	**224,883,800**	**27,476,988**	**24,784,157**	**2,692,831**

28 Commitments and contingencies

In the normal course of business, the Bank enters into different commitments and incurs in certain contingent liabilities. The most important balances of these commitments and contingent liabilities include:

	At December, 31	
	2012	2011
Collateral granted:		
Endorsements	1,526,778	3,835,150
Other collateral granted	185,881	273,476
Unpaid letters of credit issued	395,594	513,533
Credit lines of automatic use	5,404,100	4,658,149
	7,512,353	**9,280,308**

At December 31, 2012 and 2011 the Bank has reserves for possible losses from this operation for the amounts of RD$147,165 and RD$137,139 respectively, which are included as reserves for contingent operations under other liabilities.

(Continues)

(In thousands of Dominican Pesos)

As of December 31, 2012 and 2011, the insurance subsidiary and the Health Insurance Administrator reported contingent liabilities for retained risk, estimated as follows:

	2012	2011
General risks	604,475,211	415,845,777
Individual life insurance	33,211,329	14,425,002
Collective life insurance	67,947,523	56,056,748
	705,634,063	**486,327,527**

According to the practices of the insurance company, most risks retained are reinsured under catastrophic coverage and excess loss and consequently, it is estimated that additional losses that the Bank might incur would not be significant.

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

The Bank has subscribed lease contracts of buildings where some of its administrative offices, service offices, business centers and ATM's are located. For the years ended December 31, 2012 and 2011, expenses for this concept amounted to RD$240,605 and RD$195,749, respectively, which are registered in other operating expenses in the accompanying consolidated income statements - statutory basis.

(b) Superintendence of Banks Fees

The Monetary Board of the Dominican Republic, requires the financial entities to make a contribution in order to cover the inspection services that are conducted by the Superintendence of Banks of the Dominican Republic. The expense for this concept for the years ended December 31 2012 and 2012, was of approximately RD$375,620 and RD$372,355, respectively, and it is registered 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, assumed through 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 entities of financial intermediation for this Fund.

(Continues)

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

Expenses for this concept for the year ended December 31, 2012 and 2011, was of approximately RD$221,352 and RD$110,545, respectively, and it is registered in the line item other operating expenses in the accompanying consolidated income statements - statutory basis.

(d) Fund of Banking Consolidation

For the implementation of the Exceptional Program for Risk Prevention of the Entities of Financial Intermediation according to Law 92-04, the Central Bank of the Dominican Republic created the Fund of Banking Consolidation (FBC) with the main purpose of protecting the depositors and avoiding systemic 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 customer deposits with a minimum annual rate of 0.17% to be paid quarterly.

Expenses for this concept for the year ended December 31, 2012 and 2011, was of approximately RD$351,519 and RD$271,046, respectively and it is registered in the line item other operating expenses in the accompanying income statements - statutory basis.

(e) Credit Cards Licenses

MasterCard Credit Card

The Bank maintains a contract for the nonexclusive use of the MasterCard brand for charge card services, credit or debit card. The Bank does not pay fees for the rights of use of MasterCard. The Bank has the commitment to open a line of credit for no less than US$5 for each Master Card Gold issued. The license is perpetual; subject to the termination provisions set forth-in the contract.

Visa Credit Card

The Bank has a contract with a foreign company for the nonexclusive use of Visa and Electron charge card services, credit or debit card. The Bank does not pay fees for the rights of use of Visa. The duration of the license is perpetual, subject to termination as stated in the contract.

(Continues)

(f) Lawsuits

As of December 31, 2012 and 2011, there are several lawsuits and demands originated in the normal course of the Banks operations. The Bank considers jointly with its legal advisors that the resolution of these claims will not result in an adverse material effect. As of December 31, 2012 and 2011, the amount reserved to face these demands is of RD$105,394 and RD$94,977, respectively, and it is registered in other liabilities in the accompanying consolidated balance sheets - statutory basis.

The subsidiary Seguros Banreservas, S. A. has been sued in various procedures that arise in the course of its ordinary business. Management, based on the opinion of its legal advisors, does not estimate losses in excess of the sums foreseen and considered through the specific reserves. Maximum risk exposure for the coverage of policies is of RD$1,194.4 thousand (2011 RD$1,126.8 thousand) with an established specific reserve of RD$51.62 thousand as of December 31, 2012 (2011: RD$48.7 thousand).

(g) Claims for casualties

The subsidiary company Seguros Banreservas, S. A. has received claims for catastrophes, which arose in the normal course of business, occurred as of December 31, 2012. The Bank started the operational process of claims transactions, which to date have not finished. The Bank's management expects the ultimate effect of this process not to be material related to the Bank's financial position and that the main risk involved would be for the account of the reinsurers.

Specific Reserves

Specific reserves represent the sums claimed until December 31, 2012 and 2011 pending of liquidation or payment at that date. The claims received subsequently to December 31, 2012 and 2011, for casualties occurred in or before such date amount to RD$3.8 thousand and RD$3.2 thousand, respectively of which RD$2.7 thousand and RD$2.3 thousand are in charge of the subsidiary Seguros Banreservas, S. A.

(h) Taxes on Financial Assets

Article 12 of Law No. 139-11 dated June 22, 2011, established for a period of two (2) years after the promulgation of the Law, an annual tax of 1% on the average productive financial assets net of some exempt amounts. It also exempts the financial institutions from the obligation of liquidating and paying the tax to the total assets as established by Law 557-05. Article 40 of Law 253-12 dated November 9, 2012, extended until December 31, 2013 the current period of the Tax on the Net Productive Financial Assets. At December 31, 2012 and 2011, recorded expenses for this concept for the amounts of approximately RD$730,200 and RD$583,000, respectively, which is included in the line item of other operational expenses in the accompanying consolidated income statements - statutory basis.

(Continues)

(In thousands of Dominican Pesos)

29 Memorandum accounts for funds under management

Memorandum accounts for funds under management, including the balance of memorandum accounts in 2012 and 2011 respectively, which are presented in the balance sheet consist of:

	December 31, 2012	December 31, 2011
PROMIPYME resources	568,278	355,390
PROMIDIGNA resources	98	98
PROMIPYME - PROCREA	187	414
SEH-PETROCARIBE resources	209	209
PROMICENTRAL	809,137	1,309,273
PROMIPYME- Fondos Fonper	737,859	413,942
PROMIPYME - PRESAAC loans	19,153	43,836
PROAPA loans	28,232	29,421
MI PRIMER PROGRESO loans	20,366	30,282
MI PRODEMICRO loans	12,476	8,601
Solidary banking	56,842	-
	2,252,837	**2,191,466**

The subsidiary Administradora de Fondos de Pensiones Reservas, S. A., manages the T-1 Pension Funds (Contributive), T-4 (distribution) and T-5 (Social Solidarity) for RD$40,100,381 and RD$31,135,592 in 2012 and 2011, respectively.

30 Financial income and expenses

A summary of financial income and expenses during the years ended December, 31, 2012 and 2011 is as follows:

	2012	2011
Financial Income:		
Loan portfolio		
Commercial loans	12,566,886	10,988,858
Consumer loans	2,985,926	2,684,704
Mortgage loans	1,448,475	1,165,831
	17,001,287	14,839,393

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Other Investments - debt securities	4,572,341	3,048,529
Gain from investment	291,847	55,546
Insurance premiums net of returns and cancellations:		
Premiums written	4,539,424	4,204,481
Total	**26,404,899**	**22,147,949**
Financial expenses:		
Customer deposits	2,326,493	1,973,495
Certificates of deposits	5,557,063	3,482,833
	7,883,556	5,456,328
Borrowings:		
Borrowed funds	343,398	238,587
Investments:		
Amortization of premium from investments in other debt securities	95,666	-
Loss from investments	408	92,683
	96,074	93,683
Reinsurance:		
Reinsurance cost	2,296,792	1,845,904
Contractual losses and obligations:		
Casualties losses and contractual obligations	1,276,379	1,173,222
Expenses for technical adjustment to reserves:		
Creation of reserves	19,648	7,154
Release of reseves	(86,573)	21,096
	(66,925)	28,250
Acquisition expense, conservation and premium collection:		
Commission and other acquisition costs of the insurance company	522,715	494,235
Total	**12,351,989**	**9,329,209**

(Continues)

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31 Income (expenses) for exchange differences

A detail of the main income and expenses due to exchange differences were recognized during the years ended on December 31, 2012 and 2011 are as follows:

	2012	2011
Income due to foreign exchange:		
Loans	1,665,790	1,187,947
Investments	74,130	73,366
Available funds	519,010	443,619
Accounts receivable	268,349	208,076
Non financial investments	1,710	2,683
Other assets	845	3,543
Customer deposits	20,171	163
Other exchange differences	2,614	558
Sub-total	2,552,619	1,919,955
Expenses due to foreign exchange:		
Customer deposits	(1,981,313)	(1,453,979)
Borrowed funds	(447,703)	(279,035)
Financial obligation	(52,434)	(28,497)
Loans portfolio	(174,232)	(51,863)
Investments	(1,742)	(104)
Available funds	(6,359)	(1,758)
Accounts receivable	(1,599)	-
Other assets	(465)	-
Non financial investments	(5)	-
Other liabilities	(3,497)	(2,270)
Sub total	(2,669,349)	(1,817,506)
	(116,730)	**102,449**

(Continues)

(In thousands of Dominican Pesos)

32 Other operating income (expenses)

A summary of other operational income (expenses) for the years ended December 31, 2012 and 2011, is as follows:

	2012	2011
Other operating income:		
Credit card fees	368,726	349,130
Commission on service:		
Commission on draws and transfers	121,087	108,820
Commission on certification of checks	12,009	12,812
Commision on collections	5,236	3,378
Other commission receivable	1,708,478	1,537,025
Commission on letters of credit	28,614	28,334
Commission on collaterals granted	31,982	79,182
	1,907,406	1,769,551
Commission for exchange:		
Gains on foreign exchange	746,898	730,515
Other operational income :		
Available funds	17,213	24,191
Commissions and sale of properties	-	9,845
Claims for medical services	419,607	388,018
Other services and contingencies	1,171,665	839,724
	1,608,485	1,261,778
Total other operational income	4,631,515	4,110,974
Other operating expenses:		
Commission on services:		
Correspondent services	18,531	29,088
Other services	182,252	177,644
	200,783	206,732

(Continues)

(In thousands of Dominican Pesos)

Sundry expenses:		
Commission for exchange	7,467	41,115
Other operating expenses	80,063	78,580
Commissions and sale of property, furniture and equipment	2,472	10,991
Claims for medical services	373,952	335,722
	463,954	466,408
Total other operating expenses	**664,737**	**673,140**

33 Other income (expenses)

Other revenues and expenses during 2012 and 2011 is shown below:

	2012	2011
Other income:		
Recovery of written off assets	114,073	300,890
Decrease of reserves for risky assets	251,576	294,884
Gain on sales of assets	-	41,553
Others	-	138,502
Recovery of expenses	-	2,780
Other assets adjustments	-	166,826
Happy employee eventuality fund	-	69,402
Gain on sale of property, plant and equipment	67,834	-
Non-financial investments	88,868	-
Leases of property	14,531	14,282
Others	345,227	86,496
	882,109	1,115,615

(In thousands of Dominican Pesos)

Other expenses:		
Loss from shares in other entities	10,773	-
Expenses from assets received in settlements of loans	23,990	2,000
Sale of assets received in settlement of loans		
Sale of property plant and equipments	-	17,200
Accounts receivable	10,588	24,752
Penalties for breach	123	708
Donations	8,113	9,463
Other assets adjustments	-	138,258
Losses from thefts, assaults and frauds	117,228	10,837
Adquisition of parts for ATMs		
Provision for incidental expenses	-	42,784
Others	222,522	99,803
	393,337	345,805
Otros income, net	**488,772**	**769,810**

34 Personnel compensation and benefits

A summary of personnel compensations of December 31, 2012 and 2011, is as following:

	2012	2011
Salaries, wages and benefits to employees	4,457,107	3,909,150
Social Security	415,185	382,864
Contributions to pension plans	1,641,015	705,631
Other	1,839,997	1,720,571
	8,353,304	**6,718,216**

These amounts include RD$591,401 and RD$494,216 for 2012 and 2011, respectively, of compensation to the senior managers of the Bank, excluding the members of the Board of Directors.

As of December 31, 2012 and 2011, the Bank had 7,983 and 8,349 employees, respectively.

(In thousands of Dominican Pesos)

35 Risk assessment

A summary of assets and liabilities subject to the interest rates risk at December 31, 2012 and December 31, 2011 are shown below:

Interest rate risk

	2012		2011	
	Local Currency	Foreign Currency	Local Currency	Foreign Currency
Assets sensitive to interest rates	116,861,128	1,170,849	102,297,220	777,423
Liabilities sensitive to interest rates	(139,459,396)	(2,004,672)	(69,346,411)	(1,384,201)
Net position	**(22,598,268)**	**(833,823)**	**(32,950,809)**	**(606,778)**
Interest exposure	**530,299**	**81,226**	**42,712**	**101,986**

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

Liquidity risk

A detail of the maturity of assets and liabilities as of December 31, 2012 and December 31, 2011, is shown below:

	December 31, 2012					
	Up to 30 Days	31 to 90 Days	91 days to one year	1 to 5 Years	Over 5 years	Total
Assets:						
Available funds	42,776,266	-	-	-	-	42,776,266
Investments	3,925,919	940,534	586,734	11,730,920	20,274,001	37,458,108
Loan portfolio	48,968,377	9,810,961	23,926,518	47,769,030	24,060,199	154,535,085
Acceptances receivable	190,244	3,330	-	-	-	193,574
Investments in shares, net	-	-	-	-	343,297	343,297
Accounts receivable	117,954	7,172,840	164,919	-	357,024	7,812,737
Other assets (i)	61,975	115,950	-	-	82,892	260,817
Total assets	**96,040,735**	**18,043,615**	**24,678,171**	**59,499,950**	**45,117,413**	**243,379,877**

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Liabilities:						
Customer deposits	95,710,213	7,183,728	16,115,123	2,971,416	1,464,146	123,444,626
Deposits of local and foreign financial institutions	7,322,398	1,025,398	1,871,471	3	-	10,219,270
Certificates of deposits	14,782,589	21,578,620	23,007,651	7,965,519	-	67,334,379
Borrowed funds	1,292,313	4,290,745	9,470,781	1,033,233	-	16,087,072
Outstanding acceptances	190,244	3,330	-	-	-	193,574
Other liabilities (ii)	7,280,687	-	193,095	240,607	2,326,001	10,040,390
Total liabilities	126,578,444	34,081,821	50,658,121	12,210,778	3,790,147	227,319,311

	December 31, 2011					
	Up to 30 Days	31 to 90 Days	91 days to one year	1 to 5 Years	Over 5 years	Total
Assets:						
Available funds	51,438,221	-	-	-	-	51,438,221
Investments	4,344,902	1,310,402	4,806,535	12,987,612	14,615,762	38,065,213
Loan portfolio	6,193,905	4,387,594	33,371,662	41,214,510	34,800,706	119,968,377
Acceptances receivable	34,368	42,918	-	-	-	77,286
Equity investments	-	-	-	-	342,120	342,120
Accounts receivable	769,868	7,744,860	15,988,190	-	280,583	24,783,501
Other assets (i)	67,692	132,060	-	-	22,558	222,310
Total assets	62,848,956	13,617,834	54,166,387	54,202,122	50,061,729	234,897,028
Liabilities:						
Customer deposits	96,888,915	8,078,268	14,198,454	2,411,963	1,570,001	123,147,601
Deposits of local and foreign financial institutions	2,861,428	1,212,936	134,804	318,513	36,689	4,564,370
Certificates of deposits	19,064,314	12,837,764	23,310,707	10,191,539	107,822	65,512,146
Borrowed funds	1,796,201	4,192,322	6,250,818	1,738,799	20,576	13,998,716
Outstanding acceptances	34,368	42,918	-	-	-	77,286
Other liabilities (ii)	11,409,441	-	342,358	202,869	-	11,954,668
Total liabilities	132,054,667	26,364,208	44,237,141	14,863,683	1,735,088	219,254,787

(i) This corresponds to the operations that represent a collection right for the Bank.

(ii) This is related to the operations that represent an obligation of payment for the Bank.

(Continues)

(In thousands of Dominican Pesos)

Following is the detail of liquidity ratios for the Bank (Parent Company only) as of December 31, 2012 and December 31, 2011:

	December 31, 2012		December 31, 2011	
	Local Currency	Foreign Currency	Local Currency	Foreign Currency
Liquidity risk:				
15 days adjusted	90.03%	186.44%	80.82%	106.10%
30 days adjusted	171.90%	253.08%	92.58%	98.38%
60 days adjusted	157.55%	172.29%	83.48%	91.07%
90 days adjusted	134.69%	166.13%	82.49%	78.61%
Position:				
15 days adjusted	(1,243,413)	199,630	(2,771,844)	32,094
30 days adjusted	12,028,679	391,003	(1,059,738)	(9,484)
60 days adjusted	13,816,611	275,524	(3,576,495)	(58,199)
90 days adjusted	10,813,767	263,768	(4,571,025)	(163,773)
Overall (months)	(9.41)	(21.13)	(7.42)	(17.75)

The regulations on liquidity risk establish that the maturities of liabilities for the period of 30 days should be covered by assets maturing in at least 80% of that amount for both currencies. At December 31, 2012 and 2011, the Bank (Parent Company) had a coverage of 171.90% and 92.58% in local currency, respectively, and 253.08% and 98.38% in foreign currency, respectively, exceeding the minimum required. For a period of 90 days it is required 70% of maturity of the adjusted liabilities. At December 31, 2012 and 2011, this ratio showed 134.69% and 82.49% in local currency, respectively, and 166.13% and 78.61% in foreign currency, respectively. The consolidated global position of assets and liabilities in local and foreign currency at December 31, 2012 and 2011, mature in 9.41 and 7.42 and 21.13 and 17.75, months, respectively, before the liabilities.

36 Fair value of financial instruments

A summary of the fair value of financial instruments at December 31, 2012 and December 31, 2011 is as follows:

	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets:				
Available funds	42,776,266	N/A	51,438,221	N/A
Investments, net (a)	37,425,411	N/A	37,841,165	N/A
Loan portfolio, net (a)	149,287,228	N/A	115,237,015	N/A
Investments in shares, net (b)	192,182	N/A	317,690	N/A
	229,681,087		**204,834,091**	

(Continues)

(In thousands of Dominican Pesos)

Liabilities				
Customer deposit	123,444,626	N/A	RD 123,147,601	N/A
Deposit from local and forgein institutions				
Certificates of deposits	10,219,270	N/A	4,564,370	N/A
Issued (a)				
Borrowed	67,334,379	N/A	65,512,146	N/A
Funds (a)				
	16,087,072	N/A	13,998,716	N/A
	217,085,347		**207,222,833**	

(N/A) Not available.

(a) The Bank has not made an analysis of fair values of its loan portfolio, customer deposits, debt securities and borrowed funds, whose 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 quoted in active markets had a book value of RD$ 34,565 and RD$33,246 repectively, fair value was RD$110,361 and RD$79,970, repectively.

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 established the criteria to determine related parties for financial institutions.

Operations and significant balances with related parties as of December 31, 2012 and 2011 as defined by these regulations, are as follows:

	December 31, 2012			
	Current Loans	Past due Loans	Total	Collateral
Related through ownership	77,682,882	1	77,682,883	Unsecured
Related through management	5,391,587	19,370	5,410,957	3,710,660

(Continues)

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

Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

(In thousands of Dominican Pesos)

	December 31, 2011			
	Current Loans	Past due Loans	Total	Collateral
Related through ownership	32,438,544	-	32,438,544	Unsecured
Related through management	5,109,297	110,638	5,219,935	3,664,428

The loans related to the ownership correspond to loans to the Dominican Government and its agencies, which are excluded when determining the technical relations of the loans portfolio as approved by the Superintedence of Banks of the Dominican Republic.

The Bank maintains the amount of loans granted to related parties of the management within the limits set forth by the banking regulations.

As of December 31, 2012 and 2011, loans and deposits related to the management of the Bank includes RD$5,411 million and RD$4,057and RD$2,609 million and RD$2,364 million, respectively, granted to employees at rates more favorable than those with unrelated parties in accordance with the policy for personnel incentives.

The most significant balances and transactions with related parties through ownership for the years ended at December 31, 2012 and 2011 include:

	2012		2011	
	Effects on Balance	Revenue (Expenses)	Effects on Balance	Revenue (Expenses)
Loan portfolio	77,682,883	4,671,488	32,438,544	3,221,448
Demand deposits	21,924,272	317,542	25,389,382	287,962
Savings deposits	1,356,992	-	1,038,048	4,310
Other investment in debt securities	18,047,940	2,147,884	22,129,659	1,385,210
Time deposits	11,723,549	(1,245,414)	24,157,383	(848,309)
Interest receivable	338,244	-	337,953	-
Accounts receivable	18,205,982	-	7,744,860	-
Other liabilities	232,061	-	9,469,250	-

(Continues)

(In thousands of Dominican Pesos)

38 Pension fund

The Bank (parent company) makes contributions to the following pension plans:

a) A pension plan with defined benefits and other pension plan for the employees that are not covered by Social Security Law No. 87-01 dated May 9, 2001, established by the Social Security System of the Dominican Republic. According to the regulations of the Pension Plan, approved by the Bank´s Board of Directors, the contributions of the Bank to this plan amounts to 5.40% of the monthly salaries paid to officers and employees, plus 2.5% of the Bank´s gross profits. Additionally, the Bank may make extraordinary contributions based on the results of actuarial studies. A summary of the financial information on the plan (unaudited) is as follows:

	2012	2011
Present value of obligation for past service	(11,688,221)	(10,403,054)
Net assets of the plan	5,463,018	4,614,499
Net postion of the fund	**(6,225,203)**	**(5,788,555)**

The expenses recognized during the year 2012 and 2011 amounted to RD$1,641,015 and RD$705,630, respectively. These expenses include extraordinary contributions amounting to RD$242,300 in both years and a liability of RD$904,614 recognized in 2012 with the purpose to cover the deficit until 2019, according to autorization of the Superintendence of Banks of The Dominican Republic.

The Superintendence of Banks through Circular Letter SB ADM/0681/10 of December 31, 2010, did not object that the Bank recognizes from 2011, an extraordinary annual payment of RD$242,300 for a period of nine years, to cover the actuarial deficit determined in accordance to the actuarial study carried out in 2007. For such effect, the Bank was required to submit to the SIB the Minutes of the Board of Directors that approved the transaction, a study with its recommendations concerning the financial position and viability over the next nine years and the balance of the actuarial deficit inclued in the plan dated December 31, 2010.This information was provided through letter ADM-1384-11 of March 14, 2011.

b) The Dominican Social Security System, created by Law No. 87-01 enacted on May 9, 2001, consist of a Contributive Regime that covers public and private employees. According to the Social Security System of the Dominican Republic all employees and employers must be affiliated to the Administradoras de Fondos de Pensiones (AFP) and Administradora de Riesgos de Salud (ARS). The officers and employees of the Bank are affiliated to several AFPs, being mainly affiliated to the Administradora de Fondos de Pensiones Reservas, S. A.

(Continues)

(In thousands of Dominican Pesos)

39 Non-monetary transactions

At December 31, 2012 and 2011, a detail of non-monetary transactions is as follows:

	2012	2011
Write-off of loan portfolio and investment receivable	480,745	260,639
Write-off of assets received in in loan settlements	190,856	12,632
Assets received settlements of loans	346,561	1,237,884
Transfer of allowance between loan portfolio and assets received in settlement of loans	342,286	311,324
Transfer between allowance for assets received in settlement of loans and loan portfolio	3,700	-
Transfers between allowance of interest receivable and allowance of loan portfolio	206,511	2,270
Transfers between allowance for contingencies and allowances for loan portfolio	55,900	44,200
Transfers between allowance for investments and allowance for loan portfolio	64,700	52,525
Sale of assets received in loan settlement with credit facilities	11,676	16,905
Amortization of treasury bonds	75,000	75,000
Interest on Treasury Bonds	6,000	6,750
Transfer of net income for the period to other equity reserves	777,551	868,413
Debt amortization of the Dominican Republic State	220,492	150,145
Transfer of factoring transactions to Loans portfolio	11,939,137	-

(Continues)

40 Other disclosures

Law 253-12

Through Law No. 253-12 of November 9th, 2011, Article 308 of the Dominican Tax Code established by Law 11-92 was modified to require entities that pay dividends to individuals or entities, residents or non-residents in the Dominican Republic to withhold and pay tax authority a 10% tax on dividends paid.

41 Subsequent events

(a) On February 1st. 2013, the Bank issued 7% $300,000,000 Subordinated Notes with a maturity of 10 years due in 2023. The Notes were issued in the United States of America "USA" to qualified institutional buyers as defined in Rule 144A under the Security Act, "Rule 144A", and outside of the United States of America in compliance with Regulation S under the Security Act, "Regulation S".

Additionally, these Notes feature the following characteristics:

- Notes shall not be redeemed before its maturity date.
- Notes are not Secured by the Bank.
- In the case of bankruptcy, liquidation or dissolution of the Bank according to Dominican Republic Laws, payment of the Notes will be subjected to all existing and future obligations known as "Senior Obligations," which include all other Bank's liabilities.
- Subordinated debt may be utilized to compute as part of the secondary capital in order to determine the Banks' technical equity.
- On February 13, 2013, as per Circular SB: No. 002/12, the Superintendence of Banks approved the Instructive for the Application of the Rules regarding Trusts and Agent of Guarantees derived from Law 189-11 regarding the Development of the Mortgage Market and Trusts. This instructive has the purpose of setting forth the procedures to be followed by the Entities of Financial Intermediation, Foreign Banking Institutions and Legal Persons of Exclusive Object, to obtain the No Objection from the Superintendence of Banks or the authorization of the Monetary Board, as applicable, to provide the services of trust and as agent of guarantees.

(Continues)

42 Footnote disclosures required by the Superintendence of Banks

Resolution No. 13-1994 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, 2012 the following notes are not included as they are not applicable or required:

- Subordinate obligations
- Earnings per share

Other disclosures:

- Discontinued significant operations
- Changes in share ownership
- Reclassification of liabilities of relative significance
- Gains or losses on sales of fixed assets or other assets, in subsidiaries, branches or offices abroad
- Losses arising from disasters
- Effects of change in market value over the book value of the investment in securities.