

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

Consolidated Financial Statements

September 30, 2022

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

Consolidated Balance Sheets

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RD\$)

	<u>At September 30,</u> <u>2022</u>	<u>At December 31,</u> <u>2021</u>
ASSETS		
Cash and cash equivalents (notes 3, 4, 34, 35 and 36)	218,537,034	195,140,239
Investments (notes 3, 6, 15, 34, 35, 36 and 38)		
Available for sale	374,740,588	307,447,177
Held-to-maturity	24,684,671	24,318,515
Allowance for investments	(240,547)	(211,626)
Subtotal	<u>399,184,712</u>	<u>331,554,066</u>
Loans portfolio (notes 3, 7, 15, 34, 35, 36 and 38)		
Current	409,758,532	361,320,895
Restructured	7,038,810	3,038,704
Overdue (31 to 90 days)	242,993	185,852
Past due (more than 90 days)	2,176,725	3,940,472
In legal collection	149,539	346,600
Interests receivable	4,737,558	4,173,330
Allowance for loans	(24,520,478)	(26,297,265)
Subtotal	<u>399,583,679</u>	<u>346,708,588</u>
Debtors by acceptances (notes 3, 8 and 34)	48,531	54,989
Accounts receivable (notes 3, 9, 34 and 36)	5,690,050	5,649,319
Assets received in lieu of foreclosure of loans, net (notes 10, 15 and 38)	534,505	310,473
Investments in associates (notes 3, 11, 14, 34, 35 and 38)		
Associated	1,600,884	1,544,686
Allowance	(35,742)	(56,547)
Subtotal	<u>1,565,142</u>	<u>1,488,139</u>
Property, furniture and equipment, net (notes 12, 25 and 38)	14,542,698	13,427,358
Properties under development intended for sale and lease (note 13)	5,288,202	5,391,850
Other assets (notes 3, 14 and 22)		
Deferred charges	11,801,046	12,855,902
Intangibles	1,205,637	1,553,227
Other assets	706,618	506,799
Subtotal	<u>13,713,301</u>	<u>14,915,928</u>
TOTAL ASSETS	<u>1,058,687,854</u>	<u>914,640,949</u>

(Continues)

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Consolidated Balance Sheets

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RD\$)

	<u>At September 30,</u> <u>2022</u>	<u>At December 31,</u> <u>2021</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Customers' deposits (notes 3, 16, 34, 35 and 36)		
Checking	167,622,657	179,569,718
Savings	308,155,166	298,050,951
Time	335,932,121	203,909,298
Interests payable	<u>727,948</u>	<u>177,936</u>
Subtotal	<u>812,437,892</u>	<u>681,707,903</u>
Deposits from domestic and foreign financial entities (notes 3, 17, 34 and 35)		
From domestic financial institutions	21,493,649	43,596,873
Interests payable	<u>94,667</u>	<u>27,348</u>
Subtotal	<u>21,588,316</u>	<u>43,624,221</u>
Borrowed funds (notes 3, 18, 34 and 35)		
From Central Bank	28,860,568	32,924,594
From domestic financial entities	500,000	916,000
From foreign financial entities	51,062,025	36,287,516
Others financing	3,869,175	2,515,455
Interests payable	<u>901,028</u>	<u>450,206</u>
Subtotal	<u>85,192,796</u>	<u>73,093,771</u>
Outstanding acceptances (notes 3, 8 and 34)	<u>48,531</u>	<u>54,989</u>
Creditors for insurance and bank guarantees (notes 3 and 24)	<u>1,993,158</u>	<u>3,145,525</u>
Insurance premium deposits	<u>443,605</u>	<u>449,124</u>
Other liabilities (notes 3, 15, 19, 22, 27 and 34)	<u>28,606,371</u>	<u>22,552,293</u>
Technical reserves (notes 3 and 21)		
Mathematical and technical life insurance reserves	330,900	258,591
Reserves for unearned insurance premiums	<u>6,796,198</u>	<u>5,778,080</u>
Subtotal	<u>7,127,098</u>	<u>6,036,671</u>
Assimilable capital obligations (notes 3, 20, 34 and 35)		
Subordinate debts	<u>36,505,035</u>	<u>27,579,834</u>
Subtotal	<u>36,505,035</u>	<u>27,579,834</u>
TOTAL LIABILITIES	<u>993,942,802</u>	<u>858,244,331</u>
NET EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (notes 25 and 38)		
Paid-in capital	39,000,000	10,000,000
Other equity reserves	9,903,588	38,903,588
Revaluation surplus	666,545	666,545
Unrealized losses on investments available for sale	-	(226,962)
Retained earnings from previous periods	55,700	229,127
Net income for the year	<u>14,790,538</u>	<u>6,522,728</u>
	64,416,371	56,095,026
Non-controlling interests	<u>328,681</u>	<u>301,592</u>
TOTAL EQUITY	<u>64,745,052</u>	<u>56,396,618</u>
TOTAL LIABILITIES AND EQUITY	<u>1,058,687,854</u>	<u>914,640,949</u>
Contingent accounts (notes 23 and 27)	<u>1,157,863,257</u>	<u>1,058,687,517</u>
Memorandum accounts (note 28)	<u>4,007,594,305</u>	<u>3,851,431,395</u>

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

Samuel Pereyra Rojas
General Administrator

Henry V. Polanco Portes
Comptroller

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

Consolidated Statements of Profit or Loss

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RD\$)

	<u>Nine month periods ended</u>	
	<u>At September 30,</u>	
	<u>2022</u>	<u>2021</u>
Financial income (notes 6, 7, 29 and 36)		
Interest on available funds	1,764,590	1,572,203
Interest on interbanks funds	11,199	158
Interest on loans portfolio	31,740,786	27,947,487
Interest on investments	15,656,362	14,318,319
Gains on sale of investments	2,399,241	12,217,060
Insurance premiums net of returns and cancellations	9,374,021	7,394,759
Subtotal	60,946,199	63,449,986
Financial expenses (notes 16, 17, 18, 20, 29 and 36)		
Interest on deposits	(9,969,203)	(5,803,879)
Interest on borrowed funds	(3,247,495)	(2,582,875)
Loss on sale of investments	(81)	(145)
Insurance claims and contractual obligations	(6,424,414)	(5,020,774)
Expenses related to technical adjustment to reserves	(222,694)	(171,402)
Expenses related to acquisition, conservation and collection of insurance premiums	(1,102,256)	(813,048)
Subtotal	(20,966,143)	(14,392,123)
Net gain (losses) of financial assets at fair value		
Derivatives	(1,469,466)	-
Gross financial margin	38,510,590	49,057,863
Allowance for loan losses (note 15)	(2,179,891)	(7,626,961)
Allowance for investments (note 15)	(3,500)	-
Subtotal	(2,183,391)	(7,626,961)
Net financial margin	36,327,199	41,430,902
Foreign exchange gain (loss) (note 30)	(424,186)	(270,355)
Other operating income (notes 31 and 36)		
Commissions for services	10,033,733	7,988,168
Foreign exchange commissions	4,843,548	2,195,415
Miscellaneous income	2,803,941	2,252,213
Subtotal	17,681,222	12,435,796
Other operating expenses (notes 31 and 36)		
Commissions for services	(1,723,365)	(1,394,314)
Foreign exchange commissions	(86,998)	(10,476)
Miscellaneous expenses	(3,217,867)	(2,586,420)
Subtotal	(5,028,230)	(3,991,210)
Gross operating profit	48,556,005	49,605,133
Operating expenses (notes 15, 27, 33 and 37)		
Salaries and personnel compensation	(19,719,485)	(17,589,713)
Professional fees	(3,155,185)	(3,859,840)
Depreciation and amortization	(1,549,800)	(1,615,525)
Other provisions	(117,585)	(2,083,857)
Other expenses	(8,973,259)	(6,676,180)
Subtotal	(33,515,314)	(31,825,115)
Net operating profit	15,040,691	17,780,018

(Continues)

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

Consolidated Statements of Profit or Loss

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RD\$)

	<u>Nine month periods ended</u>	
	<u>At September 30,</u>	
	<u>2022</u>	<u>2021</u>
Other income (expenses) (note 32)		
Other income	2,772,410	2,167,703
Other expenses	<u>(1,668,922)</u>	<u>(6,092,493)</u>
Subtotal	<u>1,103,488</u>	<u>(3,924,790)</u>
Profit before income tax	16,144,179	13,855,228
Income tax (note 22)	<u>(1,326,098)</u>	<u>(1,347,223)</u>
Net income for the period	<u>14,818,081</u>	<u>12,508,005</u>
ATTRIBUTABLE TO:		
Owners of the Bank		
(Parent Company)	14,790,538	12,468,843
Non-controlling interests	27,543	39,162

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

Samuel Pereyra Rojas
General Administrator

Henry V. Polanco Portes
Comptroller

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

Consolidated Statements of Cash Flows

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RD\$)

	Nine month periods ended	
	<u>At September 30,</u>	
	<u>2022</u>	<u>2021</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Interest and commissions collected from loans	32,519,733	29,746,778
Other financial income collected	16,586,056	26,535,128
Other operating income collected	15,580,979	12,435,796
Insurance premium collected	9,368,502	8,055,118
Increase in insurance and guarantees	(1,386,890)	(1,341,731)
Interest paid on deposits	(9,308,502)	(5,949,180)
Interest and commissions paid on borrowed funds	(2,796,673)	(2,671,461)
General and administrative expenses paid	(31,832,200)	(28,112,227)
Other operating expenses paid	(5,028,230)	(3,991,210)
Income taxes paid	(1,375,740)	(5,800,259)
Insurance claims and contractual obligation	(6,424,414)	(5,020,774)
Properties under development intended for sale and lease	149,666	40,819
Miscellaneous payments by operating activities	<u>7,688,124</u>	<u>(493,660)</u>
Net cash provided by operating activities	<u>23,740,411</u>	<u>23,433,137</u>
CASH FROM INVESTMENT ACTIVITIES		
Increase in investments	(67,157,126)	(29,326,104)
Loans granted	(167,089,175)	(185,278,472)
Loans collected	110,096,286	142,599,857
Interbank funds granted	(7,700,000)	(100,000)
Interbank funds collected	7,700,000	100,000
Acquisition of minority interest	(173)	(136,173)
Properties under intended for sale and lease	(54,607)	-
Acquisition of property, furniture and equipment	(2,301,021)	(1,384,932)
Proceeds from sale of property, furniture and equipment	31,790	7,360
Proceeds from sale of assets received in lieu of foreclosure of loans	<u>462,665</u>	<u>886,233</u>
Net cash used in investment activities	<u>(126,011,361)</u>	<u>(72,632,231)</u>
CASH FROM FINANCING ACTIVITIES		
Deposits received	6,961,749,107	5,501,686,193
Returned deposits	(6,853,672,354)	(5,385,538,736)
Borrowed funds received	114,388,499	65,656,066
Borrowed funds paid	(102,720,521)	(71,772,879)
Subordinate debts	10,000,000	-
Dividends paid and other payments to shareholders	<u>(4,076,986)</u>	<u>(19,396)</u>
Net cash provided by financing activities	<u>125,667,745</u>	<u>110,011,248</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,396,795	60,812,154
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>195,140,239</u>	<u>116,904,223</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>218,537,034</u>	<u>177,716,377</u>

(Continues)

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

Consolidated Statements of Cash Flows

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RD\$)

	Nine month periods ended	
	<u>At September 30,</u>	
	<u>2022</u>	<u>2021</u>
Reconciliation between the net profit for the period and net cash provided by operating activities		
Net income for the period	14,818,081	12,508,005
Adjustments to reconcile net profit for the period to net cash provided by operating activities:		
Provisions:		
Loan portfolio	2,179,891	7,626,961
Investments	3,500	28,033
Assets received in lieu of foreclosure of loan	-	699,331
Interests receivable	114,500	1,182,826
Other provisions	3,085	173,667
Increase in mathematical and technical reserves	222,694	171,402
Depreciation and amortization	1,565,529	1,629,031
Gain on sale of property, furniture and equipment	(28,436)	(225)
Equity on earnings in other companies	(331,677)	(270,000)
Loss on sale of assets received in lieu of foreclosure of loans	(77,850)	741,703
Impairment of assets received in lieu of foreclosure of loans	115,140	528,647
Currency exchange rate fluctuations, net	(1,676,057)	(696,979)
Amortization of debt issuance cost and discount on subordinated debts	43,370	34,165
Net change in assets and liabilities:		
Interests receivable	(996,842)	226,824
Debtors by acceptances	6,458	57,866
Accounts receivable	(40,731)	(58,629)
Properties under development intended for sale and lease	149,666	40,819
Deferred charges	1,054,856	(6,751,534)
Intangibles	(27,023)	(74,918)
Other assets	(199,819)	469,029
Interests payable	1,068,153	(268,052)
Outstanding acceptances	(6,458)	(57,866)
Creditors of insurance and bank guarantees	(1,152,367)	(1,229,435)
Insurance premium deposits	(5,519)	(37,737)
Other liabilities	6,070,534	6,061,068
Technical reserves	867,733	699,135
Total adjustments	8,922,330	10,925,132
Net cash provided by operating activities	23,740,411	23,433,137

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

Samuel Pereyra Rojas
General Administrator

Henry V. Polanco Portes
Comptroller

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

Consolidated Statements of Changes in Equity

Nine Month Periods Ended at September 30, 2022 and 2021

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RD\$)

	Paid-in capital	Other equity reserves	Revaluation surplus	Unrealized gain (loss) on investments available for sale	Retained earning from previous periods	Net income for the period	Total	Non-controlling Interests	Total equity
Balances at January 1st, 2021	10,000,000	29,119,495	677,685	2,969,604	217,987	4,160,155	47,144,926	399,927	47,544,853
Transfer to retained earnings	-	-	-	-	4,160,155	(4,160,155)	-	-	-
Net unrealized losses on investments in securities available for sale	-	-	-	(473,308)	-	-	(473,308)	-	(473,308)
Dividends paid in cash to non-controlling interest	-	-	-	-	-	-	-	(19,396)	(19,396)
Decrease in minority ownership	-	-	-	-	-	-	-	(136,173)	(136,173)
Net income for the year	-	-	-	-	-	12,468,843	12,468,843	39,162	12,508,005
Balances at September 30, 2021	10,000,000	29,119,495	677,685	2,496,296	4,378,142	12,468,843	59,140,461	283,520	59,423,981
Balances at December 31, 2021	10,000,000	38,903,588	666,545	(226,962)	229,127	6,522,728	56,095,026	301,592	56,396,618
Transfer to retained earnings	-	-	-	-	6,522,728	(6,522,728)	-	-	-
Reinvestment of dividends, Law No. 1-22	29,000,000	(29,000,000)	-	-	-	-	-	-	-
Net unrealized gain on investments in securities available for sale (note 25)	-	-	-	226,962	-	-	226,962	-	226,962
Dividends paid in cash to non-controlling interest	-	-	-	-	-	-	-	(281)	(281)
Decrease in minority ownership	-	-	-	-	-	-	-	(173)	(173)
Dividends paid to the Dominican Republic Government (note 25):									
Cash	-	-	-	-	(4,076,705)	-	(4,076,705)	-	(4,076,705)
Debt amortization of the Dominican Republic State	-	-	-	-	(2,619,450)	-	(2,619,450)	-	(2,619,450)
Net income for the year	-	-	-	-	-	14,790,538	14,790,538	27,543	14,818,081
Balances at September 30, 2022	39,000,000	9,903,588	666,545	-	55,700	14,790,538	64,416,371	328,681	64,745,052

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

Samuel Pereyra Rojas
General Administrator

Henry V. Polanco Portes
Comptroller

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

Notes to the Consolidated Financial Statements

As of September 30, 2022 and December 31, 2021 and for the Nine Months Periods
Ended September 30, 2022 and 2021

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RD\$)

1 Entity

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

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

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

A detail of the principal officers of the Bank is as follows:

<u>Name</u>	<u>Position</u>
José Manuel Vicente Dubocq	Minister of Finance - Ex-Officio Chairman
Samuel Antonio Pereyra Rojas	General Administrator
José Manuel Almonte	Deputy Administrator - Administration
Ysidro García	Deputy Administrator - Business
Francisco Elías Rodríguez	Deputy Administrator - Subsidiary Entities
Fraysis Moronta	Senior General Director Human Capital, Process, Technology and Operations
Fernando Arturo Mir Zuleta	Senior General Director of Strategic, Finance and Commercial Intelligence
José Obregón	Senior General Director Institutional Business and Corporate Governance
Henry Vladimir Polanco Portes	Comptroller
Daniel Alejandro Otero	Senior General Director of Integral Risk Management
Ramón Pimentel	General Director of Treasury
Nancy Elizabeth Ferreras Díaz	General Director of Audit
Lorenzo Guzmán	General Director of Legal

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

1 Entity (continued)

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 (Superintendence of Banks).

As of September 30, 2022 and December 31, 2021, a detail of the Bank's offices, automatic teller machines (ATMs) and post offices is as follows:

<u>Location</u>	<u>2022</u>			<u>2021</u>		
	<u>Offices (*)</u>	<u>ATMs</u>	<u>Post offices</u>	<u>Offices (*)</u>	<u>ATMs</u>	<u>Post offices</u>
Metropolitan area	115	358	8	113	353	8
Provinces	<u>190</u>	<u>431</u>	<u>-</u>	<u>188</u>	<u>408</u>	<u>-</u>
	<u>305</u>	<u>789</u>	<u>8</u>	<u>301</u>	<u>761</u>	<u>8</u>

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

The Bank signed service agreements with multiple merchants located in different parts of the country called banking subagents, through which general public has access to financial services.

As of September 30, 2022 and December 31, 2021, the network of subagents was 939 (343 in the metropolitan area and 596 in the interior of the country) and 1,212 (420 in the metropolitan area and 792 in the interior of the country) businesses authorized, respectively.

The consolidated financial statements were approved for issuance by the Board of Directors on November 29, 2022.

2 Summary of significant accounting policies

2.1 Accounting basis of the consolidated financial statements

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for investments available for sale that are at fair value through equity and other securities held by a subsidiary, which are recognized at fair value through profit or loss (note 6) and some lands and buildings (note 12) that are at market value.

These consolidated financial statements have been prepared following the conceptual framework of the Superintendence of Banks. Subsidiaries include insurance companies, administrators of pension plans and funds and administrator of health plans, which financial information have been prepared in accordance with the accounting practices established by the Superintendence of Insurance, the Superintendence of Pensions and the Superintendence of Health and Labor Risks, respectively. Furthermore, non-regulated subsidiaries apply accounting practices according to IFRS. The financial figures of these subsidiaries that are incorporated in the consolidated financial statements have been prepared following those accounting bases (note 2.3).

The consolidated financial statements and their explanatory notes have been prepared in thousands of Dominican pesos (RD\$).

2.1.a *Differences between banking regulations and IFRS*

The accounting practices set forth by the Superintendence of Banks differs from IFRS in certain aspects. A summary of the most relevant differences are as follows:

- i) The allowance for the loan portfolio corresponds to the amount determined based on a risk assessment carried out by the Bank and the levels of provisions required for the classification assigned to each loan. The evaluation for the major commercial debtors through the payment capacity, includes the documentation of the credit files considering the financial information of the borrower's financial statements, as well as the opinion of the auditor, quality of the administrative management and corporate structure, economic environment, evaluation of financial reasons, payment record and collateral levels; for medium commercial debtors, it includes a simplified assessment based on operating losses and adjusted equity, payment record and collateral levels and for other debtors (consumption, mortgages and minor debtors based on days of delay). The collaterals are only considered for the determination of the allowance according to the guidelines established in the Asset Evaluation Regulation (REA, per its Spanish acronyms). In addition, the allowances include additional and/or anti-cyclical reserves determined according to an internal methodology.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

2.1.a Differences between banking regulations and IFRS (continued)

In accordance with IFRS, specifically IFRS 9 *Financial Instruments*, an entity must recognize impairment of the loan portfolio for expected credit losses during their life time (evaluated on a collective or individual basis), considering all reasonable and sustainable information, including those which refers to the future. IFRS 9 establishes a three-phase approach for the recognition of an impairment allowance, which is based on the change in the credit quality of financial assets since their initial recognition.

- ii) Banking regulations require financial institutions to establish an allowance for assets received in lieu of foreclosure of loans, according to the following criteria: moveable goods are reserved over a two year period, on a straight-line basis, starting six months following the foreclosure; real estate is reserved over a three year period, on a straight-line basis counted as of the first anniversary of its recognition on the Bank's accounting books and debt securities follow the same basis of allowance for investments. Both criteria counting from 120 days after the date of the foreclosure of the property or of the payment contract duly legalized. IFRS require that these assets are reserved only in the event of impairment.
- iii) Interests receivable past due for less than 90 days, are reserved according to the classification granted to the corresponding principal. Past due interests' receivable with more than 90 days are fully reserved, except for credit card transactions, which are fully reserved after 60 days past due. Subsequently, accrued interests are not recognized in the consolidated financial statements and are recognized in memorandum accounts. In accordance with IFRS, the same criteria apply as for the allowance for credit portfolio, considering that the receivables continue to be accrued based on their book value, net of impairment.
- iv) Financial entities translate all foreign currency balances at the official exchange rate as established by the Central Bank of the Dominican Republic at the reporting date. IFRS require that all foreign currency balances be translated at the exchange rate at which the Bank had access at the reporting date.
- v) The Superintendence of Banks requires that allowance held on loans portfolio at the time of executing their collateral, be transferred to assets received in lieu of foreclosure of loan settlements. IFRS only require reserves when the fair value of the asset is lower than its carrying value or when impairment exists.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

2.1.a Differences between banking regulations and IFRS (continued)

- vi) According to banking practices, other operating income, such as credit card renewal fees, letters of credit and acceptances outstanding are recognized immediately. In accordance with IFRS, income must be recognized when an entity transfers control of a good or service over time and, therefore, satisfies a performance obligation. The income is recognized by the price of the transaction that is assigned to that performance obligation.
- vii) The Superintendence of Banks requires leasehold improvements and computer software to be authorized by the Superintendence of Banks before recognize it as property, furniture and equipment and intangible assets, respectively, and classify them as other assets until such approval is obtained. The Superintendence of Banks indicates the amount that could be capitalized and the maximum amortization period during which the deferral is allowed. IFRS require that these items be recognized as property, furniture and equipment and intangible assets as long as they generate future economic benefits.
- viii) The Bank determine the useful life of property, furniture and equipment at the time of acquisition, and recognizes in memorandum accounts those fixed assets that are fully depreciated. IFRS require that the residual value and the useful life of an asset be reviewed at least at each financial year-end, and if expectations differ from previous estimates, the changes are accounted for as a change in accounting estimates.
- ix) The Superintendence of Banks has established that short-term highly liquid investments that are easily convertible to cash be classified as investments. IFRS require that this type of investments with original maturities of three months or less be classified as cash equivalent.
- x) The Superintendence of Banks requires that financial institutions classify investments into four categories, which are: trading, available-for-sale, held-to-maturity, and other investments in debt securities. Also, the Superintendence allows classifying in one of the first three categories only those investments listed in an active market. Investments held for trading and available-for-sale should be measured at fair value, and investments held to maturity and other investments in debt securities at amortized cost. IFRS do not prescribe the category of other investments in debt securities. IFRS 9 establishes three categories of debt instruments: amortized cost, fair value with changes in other comprehensive income (equity) and fair value through profit or loss and, consequently, must be reported at cost or fair value depending on the classification granted. This classification depends on the business model for the management of financial assets and the characteristics of contractual cash flows.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

2.1.a Differences between banking regulations and IFRS (continued)

- xi) The investment portfolio is quantified according to the risk categories determined by the Superintendence of Banks that requires specific provisions, following the instructions in the Assets Evaluation Regulations (REA, per its Spanish acronyms). IFRS require that impairment for investments recognized at amortized cost be determined following the same considerations indicated for loan portfolio as described in i) above.
- xii) The Superintendence of Banks requires that cash flows from loans portfolio and customers' deposits, be classified as investing and financing activities, respectively. IFRS require that cash flows from these transactions be recognized as part of operating activities.
- xiii) The Superintendence of Banks allowed to multiple service banks the revaluation of its properties as of December 31, 2004 and has not required updating these values after that date. IFRS state that these updates must be performed whenever such assets have significant value changes.
- xiv) The Superintendence of Banks requires banks to recognize a provision for contingent operations, which includes, among others, granted collateral, non-negotiable letters of credit issued, and unused amounts of lines of credit of automatic use, based on a classification of risk category following the REA. IFRS require the recognition of estimated expected losses on loan commitments in a consistent manner, with their expectations of provisions of that loan commitment.
- xv) In accordance with current banking regulations, the Bank must quantitatively disclose the risks derived from its financial instruments, such as liquidity and interest rate risks and the credit risk of loans portfolio, among others. IFRS require the following disclosures that allows users of the financial statements to evaluate: a) the importance of the financial instruments in relation to the financial position and performance of the Bank and b) the nature and scope of risks resulting from the financial instruments to which the Bank is exposed during the period and at the reporting date and how the Bank manages those risks.
- xvi) The Superintendence of Banks authorizes financial intermediation institutions to write-off a loan with or without collateral when it becomes past due and is 100 % provisioned, excluding related-party loans that should be written off when all legal collection processes have been exhausted and the involved officers and/or directors have been removed from their duties. In accordance with IFRS, an entity will directly reduce the carrying amount of a financial asset when it has no reasonable expectation of recovering all or a part of this.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

2.1.a Differences between banking regulations and IFRS (continued)

- xvii) IFRS require that, if the Bank maintains other comprehensive income, a statement of other comprehensive income or a separate statement of other comprehensive income must be presented showing the nature and amount of items comprising other comprehensive income during the reporting period. The Superintendence of Banks does not include this requirement in the presentation of financial statements.

- xviii) The Superintendence of Banks authorized the inclusion in the consolidated financial statements, the financial statements of subsidiaries that were prepared following different accounting practices to those set in the Accounting Manual for Financial Institutions, without being adjusted with the accounting practices followed by the Bank. Under IFRS, entities included in the consolidation should follow the same accounting policies.

- xix) Current banking regulations require financial intermediaries to recognize as expenses, payments arising from operating leases, to the extent that they are accrued. As of January 1st, 2019, IFRS require operating leases to be recognized in the accounting books of lessee as follows:
 - a) At inception of lease, the lessee must recognize an asset for the right-of-use asset under the lease, and a financial liability for the obligation contracted in the lease.
 - b) Subsequent to initial recognition, the asset is depreciated on a straight-line basis over the term of the lease and the liability changes to reflect lease payments and interest generated.
 - c) In the statement of profit or loss, the expenses originated by the lease contract comprise the amortization expense of the underlying asset and the interest expense generated by the financial liability incurred.

- xx) IFRS requires the Bank to capitalize borrowing costs that are directly attributable to the construction of a qualifying asset, as part of the cost of that asset. Current rules of the Superintendence of Banks do not allow this practice.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

2.1.a Differences between banking regulations and IFRS (continued)

xxi) The Superintendence of Banks establishes that the operations of future purchase and sale of foreign currencies are recognized in as assets or liabilities by the difference between the exchange rate in force and the agreed exchange rate. Also, the notional value agreed is recognized in memorandum accounts, and foreign exchange values sold at the end of the year are disclosed as foreign currency balances in note 3 to the financial statements, for the purposes of determining the net foreign currency position. IFRS require the recognition of derivatives included in this type of contracts in asset and liability at fair value.

xxii) There are differences between the presentation and certain disclosures for the financial statements according to IFRS and those required or authorized by the Superintendence of Bank.

2.1.b Differences between the accounting practices issued and allowed by the Superintendence of Insurance and the Superintendence of Health and Labor Risk (SISALRIL, per its Spanish acronyms) and the Superintendence of Pensions of the Dominican Republic (SIPEN, per its Spanish acronyms) and IFRS

i) As established by the Superintendence of Insurance, short-term insurance contracts are recognized as revenue when billed; as a result, unearned premium reserves are computed based on specific percentages according to the line of business. These minimum percentages are established in article 141 of the Insurance and Insurance Bonds Law No. 146-02, are as follows:

- 15 % Transportation and freight.
- 5 % Collective life insurance, accidents and health, provided premiums are collected on a monthly basis.
- 40 % Insurance bonds.
- 40 % Other insurances.

In accordance with IFRS, income from insurance contracts, both general and short-term life insurance, are recognized proportionately over the term of the policy. The proportion of the mandatory premium to underwrite the policy and the portion where the risk has not expired must be recognized 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.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.1 Accounting basis of the consolidated financial statements (continued)****2.1.b Differences between the accounting practices issued and allowed by the Superintendence of Insurance and the Superintendence of Health and Labor Risk (SISALRIL, per its Spanish acronyms) and the Superintendence of Pensions of the Dominican Republic (SIPEN, per its Spanish acronyms) and IFRS (continued)**

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

- ii) In accordance with IFRS, based on its intention of use, investments are classified into three categories: financial assets at fair value with changes through profit and loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets. Under IFRS, these investments are recognized initially at fair value and subsequent to their initial recognition measured at amortized cost, at fair value with changes in profit or loss or at fair value with changes in equity, depending on its initial classification. The accounting practices followed by the Bank initially recognizes investments at fair value and subsequently measured it at amortized cost.
- iii) The Superintendence of Insurance establishes that insurance premiums receivable that are considered uncollectible by the Bank, are reversed against income. In accordance with IFRS, premiums receivable should be assessed regularly, and a provision should be created for amounts deemed uncollectible. This provision should be recognized through a charge to operating expenses of the year.
- iv) The Superintendence of Insurance does not require the recognition of specific reserves for claims incurred but not reported at the reporting date. IFRS require to create a provision for those probable and quantifiable losses and that these be recognized through a charge to operations of the year in which the damage occurred.
- v) According to accounting practices of the Superintendence of Insurance, the Bank recognizes salvage and recoveries in memorandum accounts, and these should not be recognized in accounting records until their disposal. IFRS sets out that at the reporting date of the consolidated financial statements, such assets shall be measured at fair value less any cost of sale and recognized as other assets against a deduction of the cost of the claims, that gave rise to the salvages, in the accounting period in which the Bank obtained the rights over the salvages and recoveries.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.1 Accounting basis of the consolidated financial statements (continued)****2.1.b Differences between the accounting practices issued and allowed by the Superintendencia of Insurance and the Superintendencia of Health and Labor Risk (SISALRIL, per its Spanish acronyms) and the Superintendencia of Pensions of the Dominican Republic (SIPEN, per its Spanish acronyms) and IFRS (continued)**

- vi) In accordance with accounting practices of the Superintendencia of Insurance, savings components included in life insurance contracts are not accounted separately. As per IFRS, when an insurance policy has a saving component this saving component should be separated from the premium paid in a life insurance policy and recognize it as a separate financial liability.
- vii) According to accounting practices established and permitted by the Superintendencia of Insurance, the service components that form part of the insurance contract are not separated and are recorded as revenue in conjunction with the premium income subscribed. Under IFRS, the components of services over which the insurance company subsidiary does not withhold insurance risks, should be separated from the insurance contract. Such components must be recognized as a liability, and defer any commission earned by the insurance company subsidiary in the service intermediation as income during the term of the policy that originated such commission.
- viii) Additional costs incurred in the process of acquisition and issuance of insurance contracts are recognized as expenses when they occur, except commissions to agents, which are deferred and amortized in proportion to the premium that originated it following the percentages established by the Superintendencia of Insurance. In accordance with IFRS, these costs must be deferred and recognized as expense using the straight-line method over the life of the related insurance contracts.
- ix) According to the accounting practices established and permitted by the Superintendencia of Insurance, property, furniture and equipment are recognized as such, regardless of their use. IFRS require that property, plant and equipment, which intention of use is to obtain income or goodwill, shall be considered investment property and therefore, their recognition and disclosure are different from the other assets being used in the operations of the Bank.
- x) IFRS require to perform a liability adequacy test. This test is basically a calculation based on a statistical methodology that determines if provisions recognized by the Bank are enough to cover possible commitments arising from current insurance contracts. The accounting practices of the Superintendencia of Insurance do not require this kind of provision.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.1 Accounting basis of the consolidated financial statements (continued)****2.1.b Differences between the accounting practices issued and allowed by the Superintendence of Insurance and the Superintendence of Health and Labor Risk (SISALRIL, per its Spanish acronyms) and the Superintendence of Pensions of the Dominican Republic (SIPEN, per its Spanish acronyms) and IFRS (continued)**

- xi) The Superintendence of Insurance and the Superintendence of Health and Labor Risk require that short-term investments, highly liquid investments and investments easily convertible to cash to be classified as investments. However, IFRS require such investments to be classified as cash equivalents.
- xii) IFRS require that, if an entity maintains derivative financial instruments, to separate embedded derivative from the host contract and accounted for as a derivative if economic characteristic and risks of the embedded derivative are not closely related to the economic characteristic and risks of the host contract. Accounting practices established by the Superintendence of Insurance and the SISALRIL do not provide for guidance on accounting of derivatives financial instruments.
- xiii) The Superintendence of Insurance and the Superintendence of Health and Labor Risk allow that significant revenues and expenses that affect the consolidated financial statements of previous years, be recognized in retained earnings without restating the previous reported amounts of the consolidated financial statements. IFRS require these transactions to be recognized retroactively, correcting previously reported financial statements, including the presentation of the statements of financial position for the most recent three years.
- xiv) SIPEN requires that investments in commercial papers and certificates of deposits be classified as investments, regardless of their maturity. IFRS require that investments in these types of instruments to be classified as cash equivalents, when they are highly liquid instruments and their maturity is 90 days or less.
- xv) SIPEN requires that the administrators recognize their balances in foreign currency at the average cash purchase rate of commercial banks, published by the Central Bank of the Dominican Republic. IFRS require that the balances in foreign currency be converted to the last access rate that the Administrator had.
- xvi) SIPEN requires the Administrator to disclose its investments in securities by sector and by type of instrument. IFRS require additional disclosures that allow users of the consolidated financial statements to evaluate a) the importance of financial instruments in relation to the consolidated financial position and consolidated statements of the Bank and b) the nature and extent of the risks resulting from the financial instruments to which the Bank is exposed during the year and the reporting date and how the Bank handles those risks.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.1 Accounting basis of the consolidated financial statements (continued)****2.1.b Differences between the accounting practices issued and allowed by the Superintendence of Insurance and the Superintendence of Health and Labor Risk (SISALRIL, per its Spanish acronyms) and the Superintendence of Pensions of the Dominican Republic (SIPEN, per its Spanish acronyms) and IFRS (continued)**

- xvii) IFRS require that if an entity maintains derivative financial instruments, they are separated from its host contract and recognize it separately, if the characteristics and risks of the host contract and the derivative are not closely related. The SIPEN does not have standards in place for the recognition and presentation of derivative financial instruments.
- xviii) SIPEN requires administrators to classify investments by type of issuers (public sector, financial institutions, companies and others) and that they are recognize at their cost-plus accrued interest; those acquired with premiums and discounts are recognized at amortized cost. IFRS 9 establishes three categories of debt instruments: amortized cost, fair value with changes through other comprehensive income (equity) and fair value with changes through profit or loss, and, consequently, they must be reported at cost or at fair value depending on the classification granted. This classification depends on the business model for managing financial assets and the characteristics of the contractual cash flows.
- xix) There are differences between the presentation and certain disclosures in the financial statements under IFRS to those required by the Superintendence of Insurance, the SISALRIL and SIPEN.

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

2.2 Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the period.

The estimates are used primarily to account for allowance for risky assets, accounts and premium receivable, depreciation and amortization of long-term assets, impairment of long-term assets, current and deferred income tax, technical reserves for insurance and contingencies. Actual results may differ from those estimates.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.3 Consolidation

The consolidated financial statements include the figures of Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples, and subsidiaries owned either directly or indirectly in more than 50 %. Additionally, Administradora de Riesgo de Salud Reservas, Inc., a non-profit entity whose net assets are included as other liabilities.

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

<u>Subsidiaries</u>	<u>Percentage of ownership (%)</u>
<i>Directly subsidiaries:</i>	
Tenedora Reservas, S. A. and Subsidiaries	97.74
Administradora de Riesgo de Salud Reservas, Inc.	-
<i>Indirectly subsidiaries:</i>	
Administradora de Fondos de de Pensiones Reservas, S. A.	96.27
Seguros Reservas, S. A.	96.28
Inmobiliaria Reservas, S. A.	87.97
Operadora de Zonas Francas Villa Esperanza, S.A.	87.96
Inversiones & Reservas, S. A.	97.67
Reservas Asistencia, S.A.S.	96.37
Fiduciaria Reservas, S. A.	97.67
Seguridad y Protección Institucional, S. A. (SEPROI)	97.74
Inversiones Finanprimas SB, S.A.S.	95.74
Sociedad Administradora de Fondos de Inversión Reservas, S. A.	97.73
Advanced Auto Technology, S.A.S.	96.28
Fideicomiso de Administración Factoring Gubernamental Reservas	<u>97.74</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.3 Consolidation (continued)**

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

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

All intra-group balances and transactions among companies included in the consolidated financial statements, were eliminated on consolidation. The Superintendence of Banks authorized the Bank to not eliminate in the consolidation, the allowance for investment in subsidiaries.

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

Banco de Reservas (Parent Company) is the main entity included in these consolidated financial statements. The Bank provides financial intermediation services such as loans, investments, deposits and financing to the Dominican Republic Government, its autonomous entities and the Dominican Republic state enterprises (public sector) and to privately owned enterprises and the general public (private sector).

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

A not-for-profit organization engaged in the management of health insurance plans, established by the National Council of Social Security, in accordance with Law No. 87-01 and its complementary regulations.

Tenedora Reservas, S. A. and Subsidiaries

Is the Parent Company of the following subsidiaries:

(a) *Seguros Reservas, S. A. - Regulated by the Superintendence of Insurance of the Dominican Republic.*

In accordance with Insurance Law No. 146-02, the company is authorized to operate in the industry of general and personal insurance in the country.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.3 Consolidation (continued)**

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

Entity engaged in 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, in accordance with Law 87-01 that created the Dominican system of the Social Security and the complementary regulations to this law.

Currently, AFP Reservas manages Pension Fund T-1 AFP Reservas (Contributive), Pension Fund T-4 AFP Reservas (Distributive) and Pension Funds T-5 AFP Reservas (Social Solidarity), as provided by Law 87-01. The AFP is regulated by the Superintendence of Pensions of the Dominican Republic.

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

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

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

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

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

(e) *Fiduciaria Reservas, S. A.*

Incorporated under the laws of the Dominican Republic, its main objective is to manage all types of business in accordance with Law 189-11, Mortgage Market Development and Trust in the Dominican Republic and all operations authorized by the Superintendence of Securities of the Dominican Republic.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.3 Consolidation (continued)***(f) Seguridad y Protección Institucional, S. A. (SEPROI)*

Constituted under the laws of the Dominican Republic, its objective is to provide private security services, securities transport services, as well as any activity related to its objective.

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

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

(h) Sociedad Administradora de Fondos de Inversión Reservas, S. A. - Regulated by the Superintendence of Securities of the Dominican Republic

Incorporated under the laws of the Dominican Republic, its main objective is to manage investment funds in accordance with the provisions of the Securities Market Law and its complementary provisions and others determined by the authorities of the National Securities Council.

(i) Advanced Auto Technology, S.A.S.

Constituted according to the laws of the Dominican Republic, its main objective is to repair and maintain motor vehicles.

(j) Fideicomiso de Administración Factoring Gubernamental Reservas

Constituted according to the laws of the Dominican Republic, its main purpose is to perform factoring activities of invoices from MIPYMES.

2.4 Loan portfolio

Loans are recognized at their outstanding principal balance less the required allowance for loan losses.

For the purpose of determining the yield calculation for loans to cardholders, the Bank considers the average daily unpaid balance of the financed capital as the basis for the calculation.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.4 Loan portfolio (continued)**

The Bank assigns the risk classification to the restructured loans considering what was in force at the time of restructuring the debt or that arising from the days of default of the loan at the time of restructuring, or the worst of both, according to the REA.

The risk classification of the restructured loan will be the classification assigned to all the debtor's credits within the same type of portfolio. An initial classification of no lower than "B" is assigned, which may be modified to a lower risk category, depending on the evolution of its payments up to the "A" classification, as long as it meets the conditions agreed in the contract. For major commercial debtors, additional to their payment capacity, payment behavior and country risk are evaluated, for any improvement in their risk classification. Furthermore, the Bank applies the arrears method to over 90 days past due loans, considering the total amount of principal past due when one installment payment has fallen into arrears.

The Bank suspends the accrual of interest on loans when past due for more than 90 days and 60 days for credit cards (see note 2.5.2).

During 2020, in order to lighten the financial burden of the debtors, and due to COVID-19 pandemic, the Bank implemented a relaxation program that granted a three-month grace period for the payment of installments for those loans with less than 30 days due date. This plan included the review of interest rates, charges, commissions and insurance.

Additionally, other measures of the relaxation plan include an extensive loan restructuring process with multiple clients which contains modifications in terms of payments, modifications in loan agreements, renegotiations of interest rates and delinquencies, exemptions in the payment of commissions, approval of personal loans for credit cards cancellation, grace period for the payment of interest for credit lines, grace period for the payments of loans to maturity and an acceptance document was made with these modified conditions with the customers, without deterioration of credit, operational and market risks that could result from the application of these measures.

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 loans portfolio**

The determination of allowance to cover uncollectibility risks of the loan portfolio is based on the criteria established in the REA issued by the Monetary Board of the Central Bank of the Dominican Republic.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.5 Determination of provisions to cover credit risks on loan losses in the loan portfolio, other assets and contingent operations (continued)****2.5.1 Allowance for loans portfolio (continued)**

According to such regulation, the estimation of loan loss on the loan portfolio depends on the type of loan, which can be classified as: major commercial debtors, minor commercial debtors, microcredits, consumer and mortgage loans.

The estimation of the allowance for loan losses for major commercial debtors is based on a detailed quarterly review of each debtor's solvency, payment behavior and country risk performed by the Bank for 100 % of its major commercial debtors (subject to review by the Superintendence of Banks), using specific percentages based on debtor classification, except for loans to the Dominican Republic Central Government and other public institutions that, according to the provisions of the REA, will be classified as "A" and will not be subject to allowance requirements.

The major commercial debtors are classified quarterly considering a categorized analysis of each debtor based on their payment capacity, as established in the Asset Evaluation Regulation and evaluating other factors such as: liquidity indexes, profitability, leverage, analysis of market, historical payment behavior, country risk and alignment.

The guarantees, as a factor of security in the recovery of credit operations, are considered as a secondary element and are not taken into consideration in the classification of the debtor, although they do count in the calculation of the coverage of the provisions.

Major commercial debtors are those whose total credit operations owed in the financial system are equal to or greater than RD\$40,000, both at the individual and consolidated levels in the system.

The Assets Evaluation Regulation provides for the constitution of a 100 % allowance for the effect of fluctuation of the positive exchange rate on foreign currency debtor loans classified as D1, D2 and E, and with more than 90 days of delay.

For the recognition of provisions on medium-sized commercial debtors, a simplified evaluation is required considering operational losses and relation to adjusted assets, as well as payment history and guarantee levels. It is understood by adjusted equity, which for its determination considers the amounts of paid-in capital, reserves and retained earnings, premium on shares, contributions for future capitalizations and subordinated debt. Contributions for future capitalization will be considered as long as they are authorized in writing by the contributors for these purposes; recognizing in addition the condition that the funds contributed are not subject to refund.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.5 Determination of provisions to cover credit risks on loan losses in the loan portfolio, other assets and contingent operations (continued)****2.5.1 Allowance for loans portfolio (continued)**

Medium-sized commercial debtors are those whose total credit operations owed to the financial system are equal to or greater than RD\$25,000 and less than RD\$40,000 both individually and consolidated in the financial system.

For the minor credits of commercial, microcredits, consumer and mortgage loans, the classification is determined based on the delinquency at the date of the classification of each one of the debtor's commercial operations, assigning an unique classification on its payment behavior, except for mortgage loans granted with resources freed from the legal reserve, and classified in risk category "A", with 0 (zero) constitution of allowance; weighting 0 % for purposes of the calculation of the solvency index in accordance with article 9 of the ninth resolution of the Monetary Board, dated May 30, 2019.

Collaterals are considered in the computation of the coverage of the necessary allowance.

For direct financing granted to the Dominican State or indirect funds that are guaranteed by this or with funds for the repayment of the debt coming from real flows recorded in the General State Budget Law, they will be classified "A" for payment capacity and will not be subject to allowance requirements.

Write-offs of loans consist of operations by which the uncollectible loans are removed from the balance sheet and are recognized only in memorandum accounts. When the financial institution does not have the total loan allowance, it should establish the amount before performing the write-off, in order to not affect the level of allowance required for other loans.

A loan may be written off, with or without a collateral, from the day in which the loan enters in a non-performing loan category, excluding related party loans with collaterals that can only be written-off when the Bank can prove that the legal procedures for recovery have been exhausted and the officers or managers directly related have been released from their duties. Loans written-off remain in memorandum accounts until are not exceeded through payment by the debtor.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.5 Determination of provisions to cover credit risks on loan losses in the loan portfolio, other assets and contingent operations (continued)****2.5.1 Allowance for loans portfolio (continued)**Relaxation measures (applicable for 2020)

Through the Second Resolution of the Monetary Board dated March 17, 2020 (modified by the Second Resolution of March 24 of the same year), measures were adopted to make the regulatory framework more flexible, with the aim of mitigating the impact of the effects caused by COVID-19 pandemic in the economy of the Dominican Republic and provide resources to financial intermediation entities so that they can maintain a proper flow of credits to the different sectors of the economy, preserving productive sectors and employment. In this regard, as established in Circular No. 014/20 of the Superintendence of Banks, dated June 17, 2020, financial intermediation entities should maintain frozen the allowance for loans determined with the reported risk classification of the loan as of March 31, 2021, according to numeral 1, literal b, of the Second Resolution of the Monetary Board of March 17, 2020.

For 2020, the amount determined as a frozen loan allowance (anchored) corresponds to the total loans allowance reported in the central risk report filed in March 2020. These loan allowance will be maintained without reversing due to the reduction of exposure to credit risk of those loans that are settled, paid or repaid on a regular basis, not having to reallocate the excess allowance to another loan or reclassify to another assets. These allowances will remain in effect until March 31, 2021.

As established in Circular No. 004/20 of the Superintendence of Banks dated March 25, 2020, restructured loans must maintain the same risk classification and provision at the time of restructuring. This allowance remained in effect until March 31, 2021.

The Monetary Board, in its Second Resolution dated March 17, 2020, established that the credits granted through resources released from legal reserve have a transitory regulatory treatment of risk classification category "A", with an allowance requirement of 0 % and weighting at 0 % in the calculation of the solvency ratio.

On April 16, 2020, this regulatory body issued its Third Resolution, which released legal reserve resources for financial intermediation entities to grant loans to MIPYMES and personal loans of up to 50 minimum salaries. The credits granted with these resources have the aforementioned special regulatory treatment until March 31, 2024.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.5 Determination of provisions to cover credit risks on loan losses in the loan portfolio, other assets and contingent operations (continued)****2.5.1 Allowance for loans portfolio (continued)**Relaxation measures (applicable for 2020) (continued)

On May 6, 2020, the Monetary Board, through its First Resolution, enabled the liquidity window through repo with financial intermediation entities to grant loans for construction, manufacturing, agriculture, tourism and export sectors. The credits granted with these resources have a special regulatory treatment until May 31, 2021, with a risk classification of “A”, with a requirement of 0 % allowance and 0 % weighting in the solvency ratio calculation.

Likewise, the Monetary Board, through its Fourth and Second Resolution dated July 22 and October 8, 2020, respectively, created Rapid Liquidity Facility (FLR) window to grant financing to entities in productive sectors, households and MIPYMES through financial intermediation entities, in order to meet credit demands of these sectors and households in the locations that have been most affected by COVID-19 pandemic, such as hotels, bars, restaurants, construction, among others. Loans granted with these resources have the aforementioned special regulatory treatment, until July 31, 2021.

The Bank has established the minimum allowance required by the REA and, furthermore, recognized anti-cyclical allowances based on an internal methodology, which considers management of debtors credit risk, as well as the effects of COVID-19 according to the requirements of Circular 026/20 of October 9, 2020. These additional or anti-cyclical allowance were established in compliance with regulations of the Superintendence of Banks through its Circulars No. 030/20 and 001/21, and other related documents, which establish transitory guidelines for the recognition of anti-cyclical allowance.

The relaxation measures adopted by the Bank for the determination and recognition of anti-cyclical allowance, in accordance with provisions of Circular SB: 026/20, include: segmentation of loan portfolio, behavior analysis of retail portfolio since the beginning of COVID-19 pandemic, and definition of risk profiles, while for largest and medium-sized commercial debtors an alternative and complementary mechanism was implemented, defined by a scoring system based on factors and variables which allow explaining and classifying customers according to their risk profile, segregating of loan portfolio based on expected behavior as a result of the pandemic, as well as a continuous monitoring process of debtors, which were benefited with these relaxation measures, where traditional management for loans classified as COVID-A is continued, while specific follow-up actions were defined for the rest of the loan portfolio and frequency based on each debtor profile; a scoring system was established, which puts emphasize on elements that identify sources of risk in the current context through external and internal factors that affect the debtor.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.5 Determination of provisions to cover credit risks on loan losses in the loan portfolio, other assets and contingent operations (continued)****2.5.1 Allowance for loans portfolio (continued)**New measures (applicable for 2021)

The Superintendence of Banks of the Dominican Republic, in its Circular No. 007/21 dated June 1st, 2021, established amendments to the Accounting Manual for Financial Institutions, related to anti-cyclical and additional allowances, enabling accounting accounts to recognize its. The circular states that financial institutions may use additional allowances for the computation of the secondary capital with the prior authorization of the aforementioned regulatory agency, and up to 1 % of risk-weighted assets and contingencies. According to Circular No. 006/21, dated March 31, 2021, financial intermediation entities that avail themselves of the new special regulatory treatment will not be able to use the additional allowances for the computation of secondary capital.

The Monetary Board, in its Second Resolution of March 18, 2021, established a special regulatory treatment for financial intermediation entities to constitute on a monthly basis, gradually, in a maximum period of 33 (thirty-three) months, starting on April 30, 2021 and until December 31, 2023, at a rate of at least 1/33 (one thirty-third) monthly, the allowances not constituted by previous regulatory provisions, corresponding to loans and interest receivable; as well as those new allowances that must be established during the term of the gradual process, due to the granting of new credits, the impairment of pre-existing loans or the loss of value of admissible guarantees. The anti-cyclical allowances constituted by the entities during the gradual period, due to the identification of potential risks in their loans due to variations in the economic cycle, will be used exclusively to absorb losses for the specific debtor loans that generated these allowances or others, which can require coverage in the event of shortages of allowances. The Superintendence of Banks, through Circular No. 006/21, dated March 31, 2021, established the operating guidelines for this gradual regulatory treatment. During 2021, the Bank chosed this gradual treatment; however, it has not used this treatment because it maintains an excess of the minimum required allowances, in accordance with the REA, during this period.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.5 Determination of provisions to cover credit risks on loan losses in the loan portfolio, other assets and contingent operations (continued)****2.5.1 Allowance for loans portfolio (continued)***Collateral*

The collaterals that support credit operations are classified according to the REA, based on their multiple uses and facilities. Each type of collateral is considered as a secondary element for the calculation of the coverage of the provisions, based on an established admissible amount. The admissible collaterals will be accepted based on the percentages of discount established in this regulation and on their market value.

These are classified in:

Multi-use collateral (multipurpose collateral)

Multipurpose collaterals are considered to be not specific to an activity, but can be multipurpose, realizable, valuable, easy to execute, transferable without excessive costs and stable in value. These collaterals are considered between 50 % and 100 % of their appraised value for purposes of covering the risks they support, depending on the guarantee.

Specific use collateral (non-multipurpose collateral)

They are the collaterals backed by goods that, due to their difficult realization, generally cannot be used for different activities. These collaterals will only apply between 50 % and 60 % of the appraisal value for purposes of calculating the coverage of the risk they support.

Each classification of collateral is considered for calculating the amount of loan coverage based on a schedule table No. 5 established in the REA and its modifications.

Collaterals are measured at fair value, that is, at their net realizable value based on appraisals reports prepared by qualified and independent professionals. The appraisal report for this purpose should not be older than 18 months for personal property, excluding securities, and an aging not exceeding 24 months for real estate.

With the purposes of establishing the allowance of commercial, consumer and mortgage loans, the Bank adjusts the value of collateral by determining the portion covered and exposed, in order to establish the amount of the allowance to be recognized. In this manner, the initial classification is adjusted based on the criteria established in Matrix 6 of the REA.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

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

2.5.1 Allowance for loans portfolio (continued)

Other considerations

As of December 31, 2021, the Bank has received waivers and no objections from the Central Bank of the Dominican Republic and the Superintendence of Banks to specifically recognize for and report on certain loans granted to specific sectors of the Dominican Republic economy, such as: contractors of priority works of the Dominican State, development of road network, low-cost housing construction sector, loans granted to some power generators and other operations linked to the sector, and some credits to the agricultural sector to be classified as "A" , with 0 % allowance requirement and 0 % weighting in the solvency ratio calculation.

2.5.2 Allowance for interests receivable

The allowance for current interests receivable, commercial and microenterprises is determined using specific percentages according to classification provided and considering the collateral for the related loan portfolio. The allowance for interests receivable from consumer and mortgage loans is based on specific percentages of each type based on the aging of balances established in the REA.

Interests receivable for loans with 90 days past due, except for credit card operations, are provided for at 100 %. In the case of credit card transactions, a 100 % allowance is made with 60 days past due. Such accounts are then maintained on a non-accrual basis, recognized as memorandum accounts and its interest are recognized as income only when collected.

2.5.3 Allowance for other assets

The REA establishes a maximum term for the disposal of assets received in lieu of foreclosure of loans of three years, starting 120 days from the date of adjudication of the asset, establishing a provision in accordance with the following criteria:

Movable goods: 100 % Over two years, recognized on a straight-line basis starting on the seventh month.

Real estate: 100 % Over three years, recognized on a straight-line basis starting on the thirteenth month.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.5 Determination of provisions to cover credit risks on loan losses in the loan portfolio, other assets and contingent operations (continued)****2.5.3 Allowance for other assets (continued)**

The corresponding allowance to the loan portfolio for debtors, which collaterals have been received in lieu of foreclosure of loans, must be transferred to allowances for losses on assets received in lieu of foreclosure of loans. The allowance on assets received in lieu of foreclosure of loans that have been sold, released and/or transferred according to the requirements of allowance in other risky assets.

The impairment on the value of assets received in lieu of foreclosure of loans is computed as the difference between book value and fair value determined by independent appraisers and provisioned when determined.

2.5.4 Allowance for contingencies

The allowance for contingent operations, which is recognized as other liabilities, relates to allowances for commercial credit lines and unused credit card balances, among others. For commercial credit lines, it is determined in conjunction with the rest of the obligations of debtors' loan portfolio, based on the risk classification of the debtor and the deductible eligible collateral for the purposes of calculating the allowance.

For unused credit card balances, debtors classified in risk categories A and B, 20 % of the balance recognized as contingency will be considered as the basis for determining the allowance, while debtors classified in the rest of the risk categories will recognize the corresponding allowance based on the 100 % balance recorded as contingency.

The nature and amounts of contingencies are described in note 27 to the consolidated financial statements.

2.6 Employee benefit cost**2.6.1 Bonuses and other benefits**

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.6 Employee benefit cost (continued)****2.6.2 Defined benefits plan**

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

The Bank's contribution to the plan is 17.5 % of the monthly salaries paid to officers and employees, as established in the statutes of the Pension Plan approved by the Board of Directors of the Bank.

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

Additionally, the Board of Directors approves certain pensions which are assumed by the Bank, to employees who do not meet the conditions to be included in the retirement and pension plan. These pensions are included in the determination of the Bank's actuarial obligation and a liability is recognized.

The calculation of the defined benefit obligation is annually performed by a qualified actuary, using the projected unit credit method.

2.6.3 Defined contribution plan

The Bank makes contributions to the mandatory pension plan, according to the Social Security Law No. 87-01, previously dated May 9, 2001, which created the Social Security System of the Dominican Republic. This system operates under an individual capitalization scheme and requires that individual contributions made by the employer and employee must be managed by the Pensions Funds Administrator (AFP, per its Spanish acronyms). The contributions made by the Bank are recognized as expenses when incurred. At the retirement age, the employees will receive from the AFP the amount of their contributions and of the employer plus the accrued income on their individual capital account.

2.6.4 Severance indemnities

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.7 Outstanding securities and subordinated debts**

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

The Bank has subordinated debts relating to financing obtained in US dollars (\$) by issuing debt securities denominated "Subordinated Debt Notes," issued in the United States of America, and subordinated debt bonds in Dominican pesos (RD\$) issued in the Dominican Republic's market. The subordinated debts are initially recognized at fair value, net of transaction costs incurred, which are amortized on the straight-line method over the term of the debt.

Financial expenses resulting from interest, commissions, exchange differences and other financial charges arising from the aforementioned obligations are recognized and charged to profit or loss in the period in which they are incurred.

2.8 Valuation of different types of investments**2.8.1 Investments in securities and allowances**

Investments are measured at cost less the required allowances, except for investments held as available for sale, which are recognized at fair value.

The Accounting Manual for Financial Institutions requires financial institutions to classify investments in trading, held to maturity, available-for-sale and other investment in debt instruments.

Trading investments: These are investments that entities hold, with the purpose of obtaining profits derived from the fluctuation in prices as market participants, which are listed on a stock exchange or other type of organized market. Trading investments are carried at fair value, and the changes in their values are recognized in the consolidated statements of profit or loss.

Available-for-sale investments: Includes investments held to achieve a reasonable return for their temporary surplus or investments that the Bank is willing to sell at any time and are quoted in an active or organized market. Available-for-sale investments are initially recognized at fair value and changes in fair value is recognized through equity as unrealized gains (losses) on available-for-sale investments.

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.8 Valuation of different types of investments (continued)****2.8.1 Investments in securities and allowances (continued)**

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

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

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

Other considerations

As of December 31, 2020, the Bank maintained a waiver from the Superintendence of Banks to classify with risk category “A” and requirement of 0 % of allowance, investments held by the Bank in debt instruments of the Dominican electric sector and road network development.

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

2.8.2 Investments in shares and allowances

Investments in shares are carried out at the lower of cost and market value. If no market exists, they are recognized at cost less impairment, in which is evaluated the quality and solvency of the issuer by using the instructions of the REA, except for investments in affiliates which are recognized using the equity method, following the authorization of the Superintendence of Banks.

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

The characteristics, constraints, nominal value, market value and number of investments in shares are presented in note 11.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

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

2.9.1 Basis of recognition

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

2.9.2 Depreciation

Depreciation is calculated using the straight-line method, which consists in the uniform distribution of the assets cost, over its estimated useful life.

The estimated useful life of property, furniture and equipment and leasehold improvements, is as follows:

<u>Description</u>	<u>Useful life in years</u>
Buildings	40
Furniture and office equipment	8
Transportation equipment	4
Computer equipment	5
ATMs	10
Leasehold improvements	<u>5</u>

2.10 Valuation of assets received in lieu of foreclosure of loans

Assets received in lieu of foreclosure of loans are carried at the lower of cost or:

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

The valuation allowance for these assets is determined following the criteria established by the Superintendence of Banks, as described in note 2.5.3.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.11 Deferred charges and intangible assets**

Include prepaid income taxes, deferred income taxes and other prepaid expenses.

Other prepaid expenses are amortized during the period, in which the Bank receives the paid services. Computer programs must obtain the approval of the Superintendence of Banks.

2.12 Assets and liabilities in foreign currency

The amounts in the consolidated financial statements are presented in Dominican pesos (RD\$), which is the functional currency of the Bank. Assets and liabilities in foreign currencies are translated using the exchange rate set by the Central Bank of the Dominican Republic at the reporting date.

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 as “Income (expense) from net foreign exchange rate” in the accompanying consolidated statements of profit or loss.

2.13 Revenue recognition and most significant expenditures**2.13.1 Banks’ revenue recognition and expenditures*****Financial income and expenses***

The Bank recognizes interest income on loans and investments under the accrual method. Loan interests are calculated using the simple interest method on outstanding capital amounts.

Interests on loans are no longer recognized when a loan is 90 days past due, except for credit card balances, which are placed on non-accrual status after 60 days. From these dates forward, they are recorded in a memorandum account. Once placed in non-accrual status the interest is recognized as income only when collected.

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

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.13 Revenue recognition and most significant expenditures (continued)****2.13.1 Banks' revenue recognition and expenditures (continued)*****Financial income and expenses (continued)***

Expenses corresponding to interest on obligations for securities repurchase agreements are recognized in the period in which they are accrued.

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

Income on sale of investments in debt instruments

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

For investments classified as available for sale at the time of derecognition, accumulated gains and losses in equity are reclassified to profit or loss.

Other income and other operating expenses

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

Other income and expenses

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

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.13 Revenue recognition and most significant expenditures (continued)

2.13.2 Revenue recognition of insurance companies

The most important insurance contracts issued by the subsidiary Seguros Reservas, S. A., are as follows:

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

Premiums ceded in reinsurance are recognized when premium income is recognized too, based on the conditions established and agreed with the reinsurers. Premiums receivable that could be uncollectible, reduce the related income of the period, as a cancellation.

2.13.3 Revenues from the Administrator of Pension Funds

The subsidiary AFP Reservas receives revenues from its affiliates and employers for the monthly administrative commission, supplementary commission and annual commission for managed balance, as well as for optional services offered.

Until February 2020, revenue from administration commission received from Fund T-1 (Contributory) and Fund T-4 (Distribution) was recognized when dispersion of resources in the accounts of the Administrator is made based on 0.5 % of contributory salary.

The commission revenue for managed balance corresponds to 1.20 % of the net equity of the Pension Funds up to 0.75 % in the next 10 years, these apply to Funds T-1 (Contributory) and T-4 (Payment), for T-5 Fund (Solidarity Social) it is 0.10 %. The monthly collections of the complementary annual commission are made based on 100 % of net equity of the immediately previous month, following the guidelines of Resolution No. 419-20.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.13 Revenue recognition and most significant expenditures (continued)****2.13.4 Revenues for services to the Health Insurance Administrator (ARS, per its Spanish acronym)**

The ARS recognizes revenues for services, resulting from basic, complementary, medical care coverage for traffic accidents and voluntary and independent plans when the monthly coverage of the managed service plans begins.

2.13.5 Revenues from real estate

Revenues from sales of apartments, houses and land are recognized when payments are received, including the down payment and subsequent payments, provide sufficient evidence of commitment by the buyer to pay in full the outstanding balance, which usually occurs when the client has paid a substantial part of the agreed price and the risks and benefits associated with the properties sold have been transferred to the buyer. Cash received from sales of lots that do not meet the conditions of revenue recognition described above, are recognized as deposits received from customers under other liabilities in the accompanying consolidated balance sheet until such conditions are met.

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

2.13.6 Revenues from brokerage services

Revenues from services are recognized in proportion to the level of progress of the service rendered, which is measured by the time invested in relation to the total time budgeted to provide the service.

2.13.7 Management fees

Revenue recognition from management fees on trust operations varies depending on the conditions agreed in each managed trust.

In the case of fixed income commissions, revenue is recognized on the straight line basis during the period of time covering the payment of each installment. In cases of revenues from commissions earned on the basis of performance or sales of managed funds, revenue is recognized at the end of each month when their values can be measured reliably.

Revenue from trust structuring are recognized in proportion to the level of the service progress, which is measured under the time invested in relation to the total time budgeted to provide the service.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.14 Leases**

Leases, where the lessee has substantially all the risks and rights of ownership, are classified as operating leases. Payments made by the Bank under these leases are recognized as they are accrued in the consolidated profit or loss of the year in which they are incurred and based on the periods established in the lease agreements.

The subsidiaries Seguros Reservas, S. A., Fiduciaria Reservas, S. A., Administradora de Riesgos de Salud Reservas, Inc., Inversiones & Reservas, S. A. and Sociedad Administradora de Fondos de Inversión Reservas, S. A., have applied IFRS 16 *Leases* using the modified retrospective approach and, therefore, comparative information has not been restated.

At inception of a contract, the subsidiaries assess whether a contract is, or contains, a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the subsidiaries use the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the subsidiaries allocate the consideration in the contract to each lease component on the basis of its relative stand-alone prices. The subsidiaries Seguros Reservas, S. A., Fiduciaria Reservas, S. A., Administradora de Riesgos de Salud Reservas, Inc., Inversiones & Reservas, S. A. and Sociedad Administradora de Fondos de Inversión Reservas, S. A., recognize a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the subsidiaries Seguros Reservas, S. A., Fiduciaria Reservas, S. A., Administradora de Riesgos de Salud Reservas, Inc., Inversiones & Reservas, S. A. and Sociedad Administradora de Fondos de Inversión Reservas, S. A., by the end of the lease term or the cost of the right-of-use asset reflects that they will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.14 Leases (continued)**

The lease liability is initially measured at the present value of the lease payments that not paid at the commencement date, discounted using the incremental borrowing interest rate of the subsidiaries Seguros Reservas, S. A., Fiduciaria Reservas, S. A., Administradora de Riesgos de Salud Reservas, Inc., Inversiones & Reservas, S. A. and Sociedad Administradora de Fondos de Inversión Reservas, S. A. Generally, their incremental interest rate as a discount rate.

The subsidiaries Seguros Reservas, S. A., Fiduciaria Reservas, S. A., Administradora de Riesgos de Salud Reservas, Inc., Inversiones & Reservas, S. A. and Sociedad Administradora de Fondos de Inversión Reservas, S. A., determine their incremental interest rate by obtaining interest rates from various external financing sources and make certain adjustments to reflect the terms of the lease and type of the leased asset.

Lease payments included in the measurement of lease liability comprise fixed payments, including fixed payments in substance. If it exists, the following are included:

Variable lease payments, which are dependent on an index or rate, initially measured using the index or rate as the commencement date.

The amount expected to be paid under a residual value guarantee.

The exercise price under a purchase option that the subsidiaries Seguros Reservas, S. A., Fiduciaria Reservas, S. A., Administradora de Riesgos de Salud Reservas, Inc., Inversiones & Reservas, S. A. and Sociedad Administradora de Fondos de Inversión Reservas, S. A. are reasonably certain to exercise, lease payments in an optional renewal period, if the they are reasonably certain to exercise an extension option, and penalties for early termination of a lease, unless they are reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in a rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.14 Leases (continued)**

The subsidiaries Seguros Reservas, S. A., Fiduciaria Reservas, S. A., Administradora de Riesgos de Salud Reservas, Inc., Inversiones & Reservas, S. A. and Sociedad Administradora de Fondos de Inversión Reservas, S. A. present right-of-use assets that do not meet the definition of investment property in property, plant and equipment and lease liabilities in other liabilities in the consolidated balance sheets.

Short-term leases and leases of low-value assets

The subsidiaries Seguros Reservas, S. A., Fiduciaria Reservas, S. A., Administradora de Riesgos de Salud Reservas, Inc., Inversiones & Reservas, S. A. and Sociedad Administradora de Fondos de Inversión Reservas, S. A. have elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. They recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The assets held in leases by the subsidiaries Seguros Reservas, S. A., Fiduciaria Reservas, S. A., Administradora de Riesgos de Salud Reservas, Inc., Inversiones & Reservas, S. A. and Sociedad Administradora de Fondos de Inversión Reservas, S. A. were classified as operating leases and were not recognized in the consolidated balance sheets.

Payments made under operating leases were recognized in the consolidated statements of income on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense over the term of the lease.

2.15 Provisions

Except as indicated in note 2.5, the Bank recognizes a provision if, as a result of a past event, it has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

2.16 Income tax

According to its Organic Law, Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples, is exempt from income tax payment; however, the Bank calculates and voluntarily pays income tax following some guidelines and special criteria of the Tax Code, considering that the final beneficiary is also the Dominican Government.

Furthermore, the Bank considers the tax effects in transactions during the year they are included in profit or loss for tax purposes.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.16 Income tax (continued)**

In accordance with Law No. 8-90 and Resolution No. 08-15-PPO-P of the National Council of free zones, the subsidiary Operadora de Zonas Francas Villa Esperanza, S. A. is exempt from payment of import tax, customs duties, income tax, and other related taxes, for a period of 15 years until 2030. The remaining subsidiaries of the Bank are subject to payment of income tax, for which, the tax effects of the transactions are recognized in the year in which they occurred, regardless of when they are recognized for tax purposes.

Total expense resulting from income tax payment is recognized in the consolidated statement of profit or loss.

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

In the case of other companies included in consolidation, deferred taxes are recognized for the expected tax consequences of temporary differences between the carrying amounts of assets and liabilities and the amounts used for tax purposes.

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences in the period they are reversed, based on the laws that have been enacted or substantively enacted at the consolidated balance sheet.

2.17 Financial instruments

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

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

Short-term financial instruments

The carrying amounts of short-term financial instruments, for both assets and liabilities, are similar to its book value as reflected in the Bank's consolidated balance sheet, because of the relatively short-term period of time between the origination of the instruments and their subsequent realization.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.17 Financial instruments (continued)*****Short-term financial instruments (continued)***

This category includes available funds, certificate of deposits in other banks, investment in securities and shares, bank acceptances, customer's liability acceptances, interests receivable, deposits from domestic and foreign financial institutions, borrowed funds, outstanding acceptances and interests payable.

Investment in securities and shares

The fair value of investments in securities classified as other investments in debt instruments and in shares, are estimated based on the adjusted carrying value net of impairment, which are determined according to the guidelines issued by the Superintendence of Banks, since there is no active security market in the Dominican Republic that can provide market values.

Investments classified as available for sale are measured at fair value, which is determined by comparison considering current or recent quoted prices for similar instruments in the organized market. The gain and/or loss generated by changes in its fair value are recognized as unrealized gain or loss in equity. Interest income calculated under the effective interest method, foreign currency translation gains and losses and impairment are recognized in profit or loss.

At the time of derecognition, accumulated gains and losses in equity are reclassified to profit or loss.

Outstanding securities

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

Loan portfolio

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

Interest on financial assets and liabilities

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.17 Financial instruments (continued)***Currency futures contracts*

Future currency purchase or sale contracts are recognized as assets or liabilities for the difference between the agreed rate and the prevailing exchange rate determined on the date the exchange will occur in accordance with Circular Letter CC/07/10, issued by the Superintendence of Banks dated May 26, 2010.

2.18 Derecognition of financial assets

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

2.19 Impairment of assets

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

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

2.20 Contingencies

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

2.21 Accounts receivable

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.22 Distribution of dividends**

The Bank pays dividends based on the results of their operations in accordance with the decisions of the Board of Directors' meeting. As established by Resolution No. 12-2001 dated December 5, 2001, issued by the Superintendence of Banks, which provides the allowed maximum amount of dividends to be distributed among the shareholders, should not be greater than the amount of the retained earning calculated on cash basis and considering what is established by the Bank's Organic Law No. 6133 and its amendments (see note 25).

In accordance with Circular No. 006/21, dated March 31, 2021, and other related documents, the financial intermediation entities that advantage of the new special regulatory treatment for the recognition and constitution of allowances, while included in this treatment, may not distribute dividends in cash to its shareholders, unless the following conditions are met:

- ◆ Prior no objection from the Superintendence of Banks when net profits for the year are recognized in exceed of the allowances to be deferred.
- ◆ The distributable dividends may not exceed the difference between the profits obtained and the allowances to be deferred.

2.23 Revaluation surplus

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

2.24 Mathematical and technical reserves - life insurance and collective insurance

The insurance subsidiary Seguros Reservas, S. A. (the Company) determines the mathematical and technical reserves on the basis of net premiums and considers mortality tables and interest used by the company, and consist of the amount equivalent to the difference between the present value of the company's obligation towards the insured and the present value of the insured obligations towards the company, which is determined based on actuarial calculations. Resolutions 293-09 and 294-09, changed the basis for calculating these provisions, considering the indexed salary which should be determined in accordance with changes in the consumer price index reported by the Central Bank of the Dominican Republic, when the application of this basis results in a lower amount, the original basis of calculation should be maintained. Reserves for outstanding casualty claims regarding disability and survivorship should amount to 45 % of the estimated actuarial reserve.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.24 Mathematical and technical reserves - life insurance and collective insurance (continued)

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

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

2.25 Reserves for unearned insurance premiums, commissions on unearned reinsurance premiums and unearned commissions on ceded reinsurance premiums

The reserves of unearned premiums, commissions on unearned premiums and unearned commissions on ceded reinsurance premiums, are determined based on fixed percentages established by the Superintendence of Insurance in Law No. 146-02, which are detailed as follow:

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

2.26 Specific reserves

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

2.27 Amortization of non-proportional contracts - catastrophic premiums

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

2.28 Incurred but not reported claims (IBNR)

This reserve represents the amount of claims that have occurred at the reporting date but have not been reported to the ARS. Resolution No. 163-2009 of the Superintendence of Health and Labor Risks, states that the Bank should calculate the IBNR reserve based on 10 % of the claims incurred during the current period less the claims incurred from prior year.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.29 Segment reporting

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

2.30 Transactions with repurchase or resale agreement (repurchase agreements)

Securities that are purchased under resale agreements and securities that are sold under repurchase agreements are generally treated as secured financial transactions.

Therefore, the securities received or transferred are not recognized in the balance sheet if control over the contractual rights attached to the securities is not received or transferred. In purchases with a resale agreement, the cash paid, and the accrued interest are recognized as asset in the balance sheet. Cash received and accrued interest on repurchase agreement sales are recognized as a liability.

3 Transactions in foreign currency and exposure to exchange risk

The consolidated balance sheets, include the rights and obligations in foreign currency, which balance includes the amount of conversion into local currency by the amount summarized below:

	2022		2021	
	Amount in foreign currency \$	Total in RD\$	Amount in foreign currency \$	Total in RD\$
Assets				
Available funds	1,697,366	90,546,348	1,767,116	100,975,305
Investments	1,663,975	88,765,071	1,223,051	69,886,667
Loan portfolio, net	1,269,655	67,730,019	1,015,362	58,019,110
Debtors by acceptances	910	48,531	962	54,989
Accounts receivable	29,295	1,562,761	50,242	2,870,907
Other assets	91	4,854	142	8,093
Contingencies (a)	-	-	460,000	26,284,998
	<u>4,661,292</u>	<u>248,657,584</u>	<u>4,516,875</u>	<u>258,100,069</u>
Liabilities				
Customers' deposits	3,377,134	180,153,914	2,989,646	170,832,228
Deposits from domestic and foreign financial institutions	92,097	4,912,941	184,318	10,532,177
Borrowed funds	981,274	52,346,236	652,479	37,283,519
Outstanding acceptances	910	48,531	962	54,989
Subordinated debts	303,267	16,177,815	308,365	17,620,354
Other liabilities	28,550	1,523,030	38,547	2,202,627

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

3 Transactions in foreign currency and exposure to exchange risk (continued)

	2022		2021	
	Amount in foreign currency \$	Total in RD\$	Amount in foreign currency \$	Total in RD\$
Creditors for insurance and bonds	530	28,261	3,475	198,569
Technical reserves	1,974	105,318	2,639	150,802
Contingencies (b)	-	-	<u>260,000</u>	<u>14,856,738</u>
Total liabilities	<u>4,785,736</u>	<u>255,296,046</u>	<u>4,440,431</u>	<u>253,732,003</u>
Long (short) position in foreign currency	<u>(124,444)</u>	<u>(6,638,462)</u>	<u>76,444</u>	<u>4,368,066</u>

- (a) Corresponds to the nominal value of the operation through a "Forward Foreign Exchange Contracts" with the Central Bank of the Dominican Republic (BCRD, per its Spanish acronyms), for which the Bank purchased to the BCRD, as of December 31, 2021, the amount of \$460,000 for the Primary Currency Market Brokers program, and will be exchanged for Dominican pesos (RD\$) at the exchange rate in force at the date, for each \$1, offering the BCRD foreign exchange hedge on the exchange amount of the currencies agreed upon, for the difference between the rate of the original operation and the exchange rate of sale of the BCRD in effect on each date of coverage.
- (b) Corresponds to the nominal value of the operation through a "term exchange hedging contract" with the Central Bank of the Dominican Republic (BCRD), for which the Bank sold, as of December 31, 2021, the sum of \$260,000 for the program of Primary Brokers of the Foreign Exchange Market, which were exchanged for Dominican pesos (RD\$), at the rate in effect on the coverage date of each US dollar (\$); offering the BCRD exchange coverage on the amount of the exchange of the agreed currencies for the difference between the rate of the original operation and the sale exchange rate of the BCRD in force on the coverage date.

The accounting and presentation of these transactions were made in accordance with Circular Letter CC/07/10 issued by the Superintendence of Banks dated May 26, 2010.

As of September 30, 2022 and December 31, 2021, the exchange rates used by the Bank was RD\$53.3452 and RD\$57.1413, respectively.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

4 Cash and cash equivalents

Cash and cash equivalents are summarized as follows:

	<u>2022</u>	<u>2021</u>
Cash on hand (a)	11,786,612	11,316,074
Central Bank of the Dominican Republic (b)	172,922,852	159,551,849
Local banks (c)	983,671	607,900
Foreign banks (d)	32,095,396	23,470,945
Cash equivalent (e)	724,487	193,330
Interests receivable (f)	<u>24,016</u>	<u>141</u>
	<u>218,537,034</u>	<u>195,140,239</u>

(a) Includes \$42,936 in 2022 and \$73,281 in 2021.

(b) Includes \$1,042,383 in 2022 and \$1,280,841 in 2021.

(c) Includes \$8,815 in 2022 and \$1,718 in 2021.

(d) Includes \$601,655 in 2022 and \$410,753 in 2021.

(e) Represents effects received from other banks pending collection in the Clearing House. As of September 30, 2022 includes \$1,369 and \$521 in December 31, 2021.

(f) Corresponds to \$208 in 2022 and \$2 in 2021 pending to be collected.

The required legal reserve amounts to RD\$ 78,775,321 and \$ 691,120 for September 30, 2022 and RD\$57,783,398 and \$637,561 for December 31, 2021. For hedging purposes, the Bank maintains cash in the BCRD for RD\$ 79,326,455 and \$ 845,561 for September 30, 2022 and RD\$58,244,624 and \$753,068 for December 31, 2021. The Bank also maintains a loan portfolio in productive sectors as of September 30, 2022 and December 31, 2021 for RD\$ 12,812,224 and RD\$15,951,581, respectively.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

5 Interbank funds

The movements of interbank funds received and granted during the years ended September 30, 2022 and December 31, 2021, is as follows:

<u>Entity</u>	<u>Quantity</u>	<u>Interbank assets</u>		<u>Percentage of weighted average rate (%)</u>
		<u>Amount in RD\$</u>	<u>No. of days</u>	
September 30, 2022				
Banco Múltiple BHD León, S. A.	4	1,600,000	11	5.05
Citibank, N. A.	<u>7</u>	<u>6,100,000</u>	21	<u>6.00</u>
	<u>11</u>	<u>7,700,000</u>		
December 31, 2021				
Banco Múltiple Lafise, S. A.	<u>1</u>	<u>100,000</u>	7	<u>3.60</u>
	<u>1</u>	<u>100,000</u>		

As of September 30, 2022 and December 31, 2021, the Bank negotiated interbank funds with different financial institutions; however, as of September 30, 2022 and December 31, 2021, there are no pending balances in interbank funds.

6 Investments

As of September 30, 2022 and December 31, 2021, the Bank's investments classified as other investments in debt instruments, are as follows:

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
September 30, 2022				
Available for sale:				
Bonds Law No. 05-06, 58-13 151-14, 548-14, 331-15, 693-16, 248-17, 64-18, 493-19, 512-19, 243-20 687-16, 348- 64-18, 693-16)	Ministry of Finance of the Dominican Republic (includes \$1,602,710)	168,680,901	8.77 %	2023 until 2060
Bills	Central Bank of the Dominican Republic	69,937,641	9.60 %	2022 until 2023

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
September 30, 2022				
Available for sale: (continued)				
Notes	Central Bank of the Dominican Republic	94,153,586	8.88 %	2023 until 2025
Time deposits	Central Bank of the Dominican Republic	36,162,885	10.94 %	2022 until 2025
Shares	Banco Latinoamericano de Comercio Exterior, S. A. (corresponds to \$859)	45,797	-	-
Shares	Fideicomiso Paraíso oriental	52,127	-	-
Shares	Aseguradora Agropecuaria Dominicana, S. A (Agrodosa)	100	-	-
Shares	Editora Nuevo Diario	<u>150</u>	-	-
		369,033,187		
	Interests receivable, (includes \$19,656)	<u>5,707,401</u>		
		<u>374,740,588</u>		
Held-to-maturity:				
Bonds Law No. 05-06, 58-13 151-14, 548-14, 331-15, 693-16, 248-17, 64-18, 493-19, 512-19, 243-20 687-16, 348- 64-18, 693-16)	Ministry of Finance of the Dominican Republic (includes \$27,972)	14,361,331	9.99 %	2023 until 2049
Bills	Central Bank of the Dominican Republic	77,518	-	2022 until 2023
Notes	Central Bank of the Dominican Republic	2,411,280	8.83 %	2022 until 2027
Trust values	Fideicomiso de oferta pública Larimar (corresponds to \$493)	26,315	5.15 %	2036
Trust values	Fideicomiso de valores Rica	244,222	variable	2049
Corporate bonds	Empresa generadora de electricidad ITABO, S. A. (corresponds to \$2,025)	108,009	5.15 %	2032
Corporate bonds	Consorcio Energético Punta Cana-Macao, S. A. (corresponds to \$392)	20,900	5.50 %	2027
Corporate bonds	Dominican Power Partners, (corresponds to \$268)	14,304	5.94 %	2027

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
September 30, 2022				
Held-to-maturity: (continued)				
Corporate bonds	Asociación Popular de Ahorros y Préstamos	253,681	10.00 %	2026
Corporate bonds	Asociación La Nacional de Ahorros y Préstamos	13,665	10.75 %	2024
Corporate bonds	Banco Promérica	57,920	13.50 %	2032
Corporate bonds	Acero Estrella, S.R.L.	131,554	11.35 %	2030
Corporate bonds	Ingeniería Estrella, S.R.L.	40,258	8.00 %	2031
Corporate bonds	Consortio Minero Dominicano, S. A.	5,252	11.44 %	2029
Time deposits	Asociación Popular de Ahorros y Préstamos	173,038	10.24 %	2022 until 2023
Time deposits	Asociación Peravia de Ahorros y Préstamos	68,620	7.93 %	2022 until 2023
Time deposits	Asociación La Vega Real de Ahorros y Préstamos	60,000	8.08 %	2022
Time deposits	Asociación La Nacional de Ahorros y Préstamos	12,740	7.00 %	2023
Time deposits	Asociación Maguana de Ahorros y Préstamos	28,036	7.71 %	2022
Time deposits	Asociación Romana de Ahorros y Préstamos	45,479	8.70 %	2022
Time deposits	Asociación Bonaio de Ahorros y Préstamos	27,500	7.50 %	2023
Time deposits	Banco Múltiple Caribe, S. A.	43,600	9.09 %	2022
Time deposits	Motor Crédito, S. A. Banco de Ahorro y Crédito	14,749	8.45 %	2022
Time deposits	Banco Múltiple Santa Cruz, S.A.	55,662	10.80 %	2022
Time deposits	Banco Nacional de las Exportaciones	13,177	4.50 %	2022
Time deposits	Banco Múltiple Vimenca, S. A.	310,694	11.13 %	2022
Overnight	The Bank of Nova Scotia	3,377	1.37 %	2022
Overnight	Banco Múltiple BHD León, S. A.	3,377	0.75 %	2022
Overnight	Banco Popular Dominicano, S. A.	417	-	
Quote of participation	Fondo de Inversión Abierto Universal Liquidez	3,338	3.68%	undefined

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
September 30, 2022				
Held-to-maturity: (continued)				
Quote of participation	Fondo Abierto de Inversión Flexible Financial Deposit	26,953	5.43 %	undefined
Quote of participation	Fondo de Inversión Abierto Liquidez Excel	116,121	4.30 %	undefined
Quote of participation	Fondo de Inversión Abierto Liquidez Excel Dollars (corresponds to \$255)	13,593	3.96 %	undefined
Quote of participation	Fondo Inmobiliario Excel (corresponds to \$579)	30,869	5.87 %	undefined
Quote of participation	Fondo de Inversión Cerrado Inmobiliario Excel II (corresponds to \$1,027)	54,792	Variable	undefined
Quote of participation	Fondo Mutuo Renta Fija-BHD Funds Term 30 Days Dollars (corresponds to \$216)	11,490	1.00 %	undefined
Quote of participation	Fondo Mutuo Renta Fija-BHD Term 30 Days	108,962	4.15 %	undefined
Quote of participation	Fondo de Inversión Cerrado Inmobiliario Reservas I	61,332	Variable	undefined
Quote of participation	Fondo Mutuo Largo Plazo Reservas Caoba (corresponds to \$2,595)	138,446	1.91 %	undefined
Quote of participation	Fondo Mutuo Matrimonial Medim-term Reservas El Bohío	47,269	3.69 %	undefined
Quote of participation	Fondo Mutuo Corto Plazo Reservas Quisqueya	115,963	4.42 %	undefined
Quote of participation	Fondo Cerrado de Desarrollo de Sociedades Advanced	70,516	5.54 %	undefined
Quote of participation	Fondo Mutuo Mercado de Dinero	198,865	5.57 %	undefined
Quote of participation	Fondo Mutuo Plazo 90 Días	108,189	6.58 %	undefined
Quote of participation	Fondo Inmobiliario Pionner	62,630	3.15 %	undefined
Quote of participation	Fondo de Energía Sostenible JMMB (corresponds to \$833)	44,431	variable	undefined
Quote of participation	Fondo Inmobiliario Cerrado JMMB (corresponds to \$1,094)	58,337	variable	undefined

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
September 30, 2022				
Held-to-maturity: (continued)				
Restricted securities				
Reports	United Capital Puesto de Bolsa	182,069	11.69 %	2022
Reports	JMMB Puesto de Bolsa (corresponds to \$600)	31,987	2.50 %	2022
Reports	Tivalsa Puesto de Bolsa	234,838	11.69 %	2022
Reports	Primma Valores Puesto de Bolsa,	669,451	11.72 %	2022
Reports	Alpha Sociedad de Valores, (includes \$1,011)	217,257	9.64 %	2022
Reports	Parallax Valores	182,541	11.77 %	2022
Reports	Excel Puesto de Bolsa (includes \$1,232)	815,791	10.82 %	2022
Profitability guarantee	Profitability guarantee of La Administradora de Fondos de Pensiones, Invested in different Institutions	2,169,932		
Mortgage notes (a)	Banco Múltiple BHD León, S. A.	201	8.55 %	2022
		24,402,838		
	Interests receivable, (includes \$239)	281,833		
		<u>24,684,671</u>		
	Allowance for investment, (includes \$81)	<u>(240,547)</u>		
		<u>399,184,712</u>		
December 31, 2021				
Available for sale:				
Bonds Law No. 05-06, 143-13, 151-14, 248-17, 243-2, 331-15, 494-06, 512-19, 548-14, 57-13, 64-18, 693-16)	Ministry of Finance of the Dominican Republic (includes \$1,152,157)	159,361,654	8.84 %	2023 until 2060

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
December 31, 2021				
Available for sale: (continued)				
Bills	Central Bank of the Dominican Republic	11,392,129	-	2022
Notes	Central Bank of the Dominican Republic	72,609,620	8.73 %	2022 until 2027
Time deposits	Central Bank of the Dominican Republic	57,764,577	4.34 %	2022 until 2025
Corporate bonds	Consorcio Energético Punta Cana-Macao, S. A. (corresponds to \$280)	15,998	5.15 %	2025
Shares	Banco Latinoamericano de Comercio Exterior, S. A. (corresponds to \$859)	49,056	-	-
Shares	Fideicomiso Paraíso oriental	65,256	-	-
Shares	Aseguradora Agropecuaria Dominicana, S. A (Agrodosa)	100	-	-
Shares	Editora Nuevo Diario	<u>150</u>	-	-
		301,258,540		
	Interests receivable, (includes \$21,338)	<u>6,188,637</u>		
		<u>307,447,177</u>		
Held-to-maturity:				
Bills	Central Bank of the Dominican Republic	109,204	5.50 %	2022 until 2026
Notes	Central Bank of the Dominican Republic	2,101,227	4.34 %	2022
Bonds Law No. 248-17, 331-15, 512-19, 548-14, 58-13, 64-18, 693-16 361-11, 152-14, 175-12, 493-19, 687-16	Ministry of Finance of the Dominican Republic (includes \$31,685)	14,196,056	8.70 %	2022 until 2049
Trust values	Fideicomiso para la Operación, Mantenimiento y Expansión de La Red Vial principal de la República Dominicana	988,695	10.30 %	2026
Trust values	Fideicomiso de oferta pública Larimar (corresponds to \$1,320)	75,401	5.15 %	2036

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
December 31, 2021				
Held-to-maturity: (continued)				
Trust values	Fideicomiso de valores Rica	261,960	variable	2049
Corporate bonds	Consorcio Energético Punta Cana-Macao, S. A. (corresponds to \$364)	20,781	5.30 %	2025 until 2027
Corporate bonds	Ingeniería Estrella, S.R.L.	9,513	8.00 %	2031
Corporate bonds	Dominican Power Partners, (corresponds to \$249)	14,223	5.94 %	2027
Corporate bonds	Asociación Popular de Ahorros y Préstamos	255,007	10.01 %	2026
Corporate bonds	Asociación La Nacional de Ahorros y Préstamos	13,666	10.75 %	2024
Corporate bonds	Acero Estrella, S.R.L.	130,279	11.35 %	2030
Corporate bonds	Consorcio Minero Dominicano, S. A.	5,300	11.40 %	2029
Time deposits	Asociación Popular de Ahorros y Préstamos	55,089	4.30 %	2022
Time deposits	Asociación Peravia de Ahorros y Préstamos	68,620	4.28 %	2022
Time deposits	Asociación La Vega Real de Ahorros y Préstamos	60,000	3.88 %	2022
Time deposits	Asociación La Nacional de Ahorros y Préstamos	10,628	5.00 %	2022
Time deposits	Asociación Maguana de Ahorros y Préstamos	28,036	3.68 %	2022
Time deposits	Asociación Romana de Ahorros y Préstamos	15,479	3.80 %	2022
Time deposits	Asociación Bonao de Ahorros y Préstamos	27,500	6.00 %	2022
Time deposits	Banco Múltiple Caribe, S. A.	43,600	3.80 %	2022
Time deposits	Banco Múltiple Promérica de la República Dominicana, S. A.	39,531	4.33 %	2022
Time deposits	Motor Crédito, S. A. Banco de Ahorro y Crédito	13,973	5.00 %	2022
Time deposits	Banco Múltiple Santa Cruz, S.A.	11,304	1.15 %	2022
Time deposits	Banco Nacional de las Exportaciones	12,776	3.50 %	2022

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
December 31, 2021				
Held-to-maturity: (continued)				
Time deposits	Banco Múltiple Vimenca, S. A.	6,504	1.20 %	2022
Time deposits	Banco Múltiple Ademi, S. A.	68,688	5.00 %	2022
Overnight	The Bank of Nova Scotia	1,943	1.37 %	2022
Overnight	Banco Múltiple BHD León, S. A.	14,986	0.75 %	2022
Quote of participation	Fondo de Inversión Abierto Universal Liquidez	13,319	2.63 %	undefined
Quote of participation	Fondo Abierto de Inversión Flexible Financial Deposit	76,663	3.92 %	undefined
Quote of participation	Fondo de Inversión Abierto Liquidez Excel	149,547	3.99 %	undefined
Quote of participation	Fondo de Inversión Abierto Liquidez Excel Dollars (corresponds to \$232)	13,250	1.57 %	undefined
Quote of participation	Fondo Inmobiliario Excel (corresponds to \$529)	30,248	2.73 %	undefined
Quote of participation	Fondo de Inversión Cerrado Inmobiliario Excel II (corresponds to \$1,011)	57,792	Variable	undefined
Quote of participation	Fondo Mutuo Renta Fija-BHD Funds Term 30 Days Dollars (corresponds to \$1,092)	62,405	0.45 %	undefined
Quote of participation	Fondo Mutuo Renta Fija-BHD Term 30 Days	204,988	4.58 %	undefined
Quote of participation	Fondo Mutuo Largo Plazo Reservas Caoba (corresponds to \$4,932)	281,824	1.66 %	undefined
Quote of participation	Fondo Mutuo Matrimonial Medim-term Reservas El Bohío	58,065	6.21 %	undefined
Quote of participation	Fondo Mutuo Corto Plazo Reservas Quisqueya	449,465	4.13 %	undefined
Quote of participation	Fondo Cerrado de Desarrollo de Sociedades Advanced	69,758	9.86 %	undefined
Quote of participation	Fondo Mutuo Mercado de Dinero	229,131	4.84 %	undefined
Quote of participation	Fondo Mutuo Plazo 90 Días	103,690	7.05 %	undefined

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
December 31, 2021				
Held-to-maturity: (continued)				
Quote of participation	Fondo Inmobiliario Pionner	66,542	4.92 %	undefined
Quote of participation	Fondo de Energía Sostenible JMMB (corresponds to \$510)	29,157	variable	undefined
Quote of participation	Fondo Inmobiliario Cerrado JMMB (corresponds to \$1,083)	61,890	variable	undefined
Restricted securities				
Reports	JMMB Puesto de Bolsa (corresponds to \$1,007)	57,554	2.85 %	2022
Reports	Tivalsa Puesto de Bolsa	438,235	5.57 %	2022
Reports	Alpha Sociedad de Valores, S. A. (includes \$4,030)	502,445	5.46 %	2022
Reports	Parallax Valores	233,640	5.07 %	2022
Reports	Excel Puesto de Bolsa	65,599	5.20 %	2022
Profitability guarantee	Profitability guarantee of La Administradora de Fondos de Pensiones, Invested in different Institutions	2,037,144		
Mortgage notes (a)	Banco Múltiple BHD León, S. A.	<u>201</u>	2.85 %	2022
		23,952,521		
	Interests receivable, (includes \$416)	<u>365,994</u>		
		<u>24,318,515</u>		
	Allowance for investment, (includes \$43)	<u>(211,626)</u>		
		<u>331,554,066</u>		

(a) Investments affected by lawsuits against the Bank.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios

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

	2022			2021		
	Public sector	Private sector	Total	Public sector	Private sector	Total
<u>Commercial loans:</u>						
Advances on checking accounts	475	4,628,416	4,628,891	-	17,553	17,553
Loans (includes \$1,354,209 in 2022 and \$1,112,529 in 2021)	36,733,062	202,054,785	238,787,847	39,084,045	177,502,092	216,586,137
factoring operations (include \$4,924 in 2022 and \$3,252 in 2021)	-	608,268	608,268	-	185,930	185,930
Financial leases (includes \$65 in 2022 and \$87 in 2021)	1,367,888	3,452	1,371,340	1,402,746	4,980	1,407,726
Sales of assets received in lieu of foreclosure of loans	-	29,992	29,992	-	-	-
Sub total	<u>38,101,425</u>	<u>207,324,913</u>	<u>245,426,338</u>	<u>40,486,791</u>	<u>177,710,555</u>	<u>218,197,346</u>
<u>Consumer loans:</u>						
Credit cards (includes \$30,035 in 2022 and \$23,341 in 2021)	-	12,839,291	12,839,291	-	10,226,325	10,226,325
Consumer loans (includes \$3,521 and \$2,971 in 2022 and 2021)	-	100,995,315	100,995,315	-	85,064,689	85,064,689
Subtotal	-	<u>113,834,606</u>	<u>113,834,606</u>	-	<u>95,291,014</u>	<u>95,291,014</u>
<u>Mortgage loans:</u>						
Residential purchases (includes \$2,685 and \$2,275 in 2022 and 2021)	-	59,522,383	59,522,383	-	54,790,112	54,790,112
Construction, improvements, repairs, expansion and others	-	583,272	583,272	-	554,051	554,051
	-	<u>60,105,655</u>	<u>60,105,655</u>	-	<u>55,344,163</u>	<u>55,344,163</u>
Sub total	<u>38,101,425</u>	<u>381,265,174</u>	<u>419,366,599</u>	<u>40,486,791</u>	<u>328,345,732</u>	<u>368,832,523</u>
Interests receivable (includes \$9,832 and \$7,936 in 2022 and 2021)	629,495	4,108,063	4,737,558	397,326	3,776,004	4,173,330
Allowance for loan losses and interests receivable (includes \$135,616 and \$137,029 in 2022 and 2021)	-	(24,520,478)	(24,520,478)	-	(26,297,265)	(26,297,265)
Sub total	<u>38,730,920</u>	<u>360,852,759</u>	<u>399,583,679</u>	<u>40,884,117</u>	<u>305,824,471</u>	<u>346,708,588</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios (continued)

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

	2022			2021		
	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>
<u>Commercial loans:</u>						
Current (i) (includes \$1,339,390 and \$1,106,469 in 2022 and 2021)	38,101,418	191,838,214	229,939,632	40,486,791	160,756,905	201,243,696
Overdue (31 to 90 days) (ii) (includes \$30 and \$21 in 2022 and 2021)	7	63,374	63,381	-	70,388	70,388
Past due (more than 90 days) (iii) (includes \$416 and \$8,101 in 2021 and 2020)	-	577,831	577,831	-	1,742,090	1,742,090
<u>Restructured: (iv)</u>						
Current (includes \$18,932 in 2022 and \$540 in 2021)	-	5,292,141	5,292,141	-	2,361,814	2,361,814
Overdue (31 to 90 days) (includes 1 in 2022)	-	6,827	6,827	-	-	-
Past due (more than 90 days) (includes \$34 in 2022)	-	132,587	132,587	-	-	-
<u>Legal collections: (v)</u>						
Current	-	2,700	2,700	-	173,158	173,158
Past due (more than 90 days)	-	83,707	83,707	-	-	-
Sub total	<u>38,101,425</u>	<u>197,997,381</u>	<u>236,098,806</u>	<u>40,486,791</u>	<u>165,104,355</u>	<u>205,591,146</u>
<u>Microenterprises loans:</u>						
Current (i) (includes \$324 in 2022 and \$347 in 2021)	-	8,963,780	8,963,780	-	12,410,220	12,410,220
Overdue (31 to 90 days) (ii) (includes \$4 in 2022 and 2021)	-	3,957	3,957	-	13,891	13,891
Past due (more than 90 days) (iii) (includes \$6 in 2022 \$97 in 2021)	-	39,214	39,214	-	114,685	114,685
<u>Restructured: (iv)</u>						
Current (includes \$58 in 2022 and 288 in 2021)	-	302,716	302,716	-	60,867	60,867
Overdue (31 to 90 days) (includes \$3 in 2022)	-	888	888	-	-	-
Past due (more than 90 days)	-	13,477	13,477	-	-	-
<u>Legal collections: (v)</u>						
Current	-	3,500	3,500	-	6,537	6,537
Sub total	<u>-</u>	<u>9,327,532</u>	<u>9,327,532</u>	<u>-</u>	<u>12,606,200</u>	<u>12,606,200</u>
<u>Consumer loans:</u>						
Current (i) (includes \$33,181 and \$25,795 in 2022 and 2021)	-	111,526,536	111,526,536	-	92,982,434	92,982,434
Overdue (31 to 90 days) (ii) (includes \$41 in 2022)	-	165,969	165,969	-	93,564	93,564

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios (continued)

	2022			2021		
	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>
Past due (more than 90 days) (iii) (includes \$334 and \$516 in 2022 and 2021)	-	1,307,656	1,307,656	-	1,742,232	1,742,232
Restructured: (iv)						
Current	-	634,019	634,019	-	417,343	417,343
Overdue (31 to 90 days)	-	10,290	10,290	-	-	-
Past due (more than 90 days)	-	190,136	190,136	-	-	-
Legal collections: (v)						
Past due (more than 90 days)	-	-	-	-	55,441	55,441
Sub total	-	<u>113,834,606</u>	<u>113,834,606</u>	-	<u>95,291,014</u>	<u>95,291,014</u>
<u>Mortgage loans</u>						
Current (i) (includes \$2,685 and \$2,272 in 2022 and 2021)	-	59,328,584	59,328,584	-	54,684,545	54,684,545
Overdue (31 to 90 days) (ii) (includes \$4 in 2021)	-	9,686	9,686	-	8,009	8,009
Past due (more than 90 days) (iii)	-	252,024	252,024	-	341,465	341,465
Restructured: (iv)						
Current	-	418,456	418,456	-	198,680	198,680
Overdue (31 to 90 days)	-	621	621	-	-	-
Past due (more than 90 days)	-	36,652	36,652	-	-	-
Legal collections: (v)						
Current	-	12,342	12,342	-	111,464	111,464
Past due (more than 90 days)	-	47,290	47,290	-	-	-
Subtotal	-	<u>60,105,655</u>	<u>60,105,655</u>	-	<u>55,344,163</u>	<u>55,344,163</u>
<u>Interests receivable:</u>						
Current (i) (includes \$8,109 and \$7,824 in 2022 and 2021)	629,495	3,018,246	3,647,741	397,326	2,717,118	3,114,444
Overdue (31 to 90 days) (ii) (includes \$13 in 2021)	-	-	-	-	109,636	109,636
Past due (more than 90 days) (iii) (includes \$82 in 2021)	-	-	-	-	219,478	219,478
Restructured: (iv)						
Current (includes \$1,551 and \$18 in 2022 and 2021)	-	787,144	787,144	-	695,940	695,940
Legal collections: (v)						
Current (include \$97 in 2022)	-	157,233	157,233	-	33,832	33,832
Overdue (31 to 90 days) (includes \$75 in 2022)	-	122,907	122,907	-	-	-
Past due (more than 90 days)	-	<u>22,533</u>	<u>22,533</u>	-	-	-
	<u>629,495</u>	<u>4,108,063</u>	<u>4,737,558</u>	<u>397,326</u>	<u>3,776,004</u>	<u>4,173,330</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios (continued)

	2022			2021		
	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>
Allowance for loans and interests receivable (includes \$135,616 and \$137,029 in 2022 and 2021)	-	(24,520,478)	(24,520,478)	-	(26,297,265)	(26,297,265)
	<u>38,730,920</u>	<u>360,852,759</u>	<u>399,583,679</u>	<u>40,884,117</u>	<u>305,824,471</u>	<u>346,708,588</u>

- (i) Corresponds to loans that are up to date in fulfilling the payment plan agreed or that do not show arrears over 30 days from the date on which they have become due and payable, except consumer loans relating to credit card, which will remain current until 60 days after the date on which payments have become due and payable.
- (ii) Corresponds to principal installments and interest past due 31 to 90 days from the day in which the principal should have been paid.
- (iii) Corresponds to the total principal and interest receivable that are past due in their principal payments for more than 90 days. Loans payable in installments are classified as overdue portfolio. Furthermore, includes overdrafts on demand with more than three days in arrears.
- (iv) Corresponds to principal and interest receivable on loans that present an impairment in the payment capacity of the debtor, or the payment behavior and their conditions and payment terms have changed, resulting in a change of the interest rate and maturity of the original loan contract, as well as loans resulting from capitalization of interest, default commissions and other charges of a previous loan.
- (v) Corresponds to principal and interest receivable of loans that are in legal collection process.

c) By type of collateral:

	2022			2021		
	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>
Multi-use collateral (i)	1,381,170	125,593,882	126,975,052	1,411,671	102,222,786	103,634,457
Specific use collateral (ii)	-	42,991,454	42,991,454	-	37,740,106	37,740,106
Without collateral (iii)	<u>36,720,255</u>	<u>212,679,838</u>	<u>249,400,093</u>	<u>39,075,120</u>	<u>188,382,840</u>	<u>227,457,960</u>
	<u>38,101,425</u>	<u>381,265,174</u>	<u>419,366,599</u>	<u>40,486,791</u>	<u>328,345,732</u>	<u>368,832,523</u>
Interests receivable	629,495	4,108,063	4,737,558	397,326	3,776,004	4,173,330
Allowance for loan losses and interests receivable	-	(24,520,478)	(24,520,478)	-	(26,297,265)	(26,297,265)
	<u>38,730,920</u>	<u>360,852,759</u>	<u>399,583,679</u>	<u>40,884,117</u>	<u>305,824,471</u>	<u>346,708,588</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios (continued)

- (i) Multi-use collateral is considered to be goods that are not specific to an activity, but can be multipurpose, realizable, valuable, easy to execute, transferable without excessive costs and stable in value. These guarantees are considered between 50 % and 100 % of their value for the purposes of the coverage of the risks, depending on the guarantee. These collaterals are considered as follows:

<u>Type of collateral</u>	<u>Percentage of admittance (%)</u>
Debt securities issued or guaranteed by the Dominican State (Central Bank, Ministry of Finance) (a)	100
Debt securities issued by the financial Intermediary entities (a)	95
Time deposits in domestic or foreign currency owned by the financial intermediary (a)	100
Time deposits in domestic or foreign currency of other financial intermediaries (a)	95
Sureties or guarantees, irrevocable letters of credit and letters of credit stand-by	95
Mutual guarantee certificates	80
Shares of listed companies	50
Investment fund participation fees (b)	-
Plots or land	80
Plots or exclusive land for agricultural purposes	80
Residential buildings, property and apartments	80
Buildings and commercial space	80
Operating hotels	80
Hotel projects under construction	70
Industrial warehouses	80
Aircraft	80
Motor vehicles with an aging of less than five years	50
Renewable energy equipment (c)	80
Multi-use machinery and equipment	70
Certificate of fiduciary guarantee (c)	-
Warrants of inventory	90
Trust accounts for payment sources	<u>50</u>

(a) For cash deposits and financial instruments whose denomination of currency (local or foreign) is different than the currency of the credit that is being guaranteed, the percentage of eligibility must be reduced by 10 %.

(b) The percentage of admissibility of the shares in investment funds, as well as their classification in multi-purpose or polyvalent or non-multipurpose, are established according to the assets that make up the equity.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios (continued)

- (c) The percentage of admissibility of fiduciary guarantees, as well as its classification on multi-use or specific use collateral are set according to the trust property.
- (ii) Specific-use collaterals are real guarantees that, due to their nature, are considered of unique use, and therefore present characteristics that are difficult to realize due to their specialized origin. These collaterals will apply according to the following percentages:

<u>Type of collateral</u>	<u>Percentage of admittance (%)</u>
Heavy vehicles	50
Free trade zone	60
Specialized machines and equipment	<u>50</u>

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

d) By source of funds:

	2022			2021		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Own funds	36,611,425	376,113,842	412,725,267	38,996,791	323,151,135	362,147,926
Other international institutions	-	1,490	1,490	-	44,755	44,755
Trade loan and discounts Banco Central	<u>1,490,000</u>	<u>5,149,842</u>	<u>6,639,842</u>	<u>1,490,000</u>	<u>5,149,842</u>	<u>6,639,842</u>
	<u>38,101,425</u>	<u>381,265,174</u>	<u>419,366,599</u>	<u>40,486,791</u>	<u>328,345,732</u>	<u>368,832,523</u>
Interests receivable	629,495	4,108,063	4,737,558	397,326	3,776,004	4,173,330
Allowance for loan losses` and interests receivable	<u>-</u>	<u>(24,520,478)</u>	<u>(24,520,478)</u>	<u>-</u>	<u>(26,297,265)</u>	<u>(26,297,265)</u>
	<u>38,730,920</u>	<u>360,852,759</u>	<u>399,583,679</u>	<u>40,884,117</u>	<u>305,824,471</u>	<u>346,708,588</u>

e) By term:

	2022			2021		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Short-term (up to one year)	19,842,842	307,930,193	327,773,035	21,992,810	126,275,022	148,267,832
Medium-term (more than one year and up to three years)	9,690,477	14,175,798	23,866,275	9,874,247	148,831,223	158,705,470
Long-term (more than three years)	<u>8,568,106</u>	<u>59,159,183</u>	<u>67,727,289</u>	<u>8,619,734</u>	<u>53,239,487</u>	<u>61,859,221</u>
	<u>38,101,425</u>	<u>381,265,174</u>	<u>419,366,599</u>	<u>40,486,791</u>	<u>328,345,732</u>	<u>368,832,523</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios (continued)

	2022			2021		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Interests receivable	629,495	4,108,063	4,737,558	397,326	3,776,004	4,173,330
Allowance for loan losses and interests receivable	-	(24,520,478)	(24,520,478)	-	(26,297,265)	(26,297,265)
	<u>38,730,920</u>	<u>360,852,759</u>	<u>399,583,679</u>	<u>40,884,117</u>	<u>305,824,471</u>	<u>346,708,588</u>

f) By economic sector:

	2022			2021		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Agriculture, livestock and forestry	-	9,425,909	9,425,909	-	5,924,885	5,924,885
Fishing	-	6,358	6,358	-	6,392	6,392
Mining and quarries	-	438,745	438,745	-	414,497	414,497
Manufacturing industry	-	33,553,055	33,553,055	-	32,224,941	32,224,941
Electricity, gas and water	-	12,103,441	12,103,441	-	11,163,076	11,163,076
Construction	-	23,893,829	23,893,829	-	18,850,149	18,850,149
Wholesale and retail business	-	57,007,900	57,007,900	-	38,973,502	38,973,502
Hotels and restaurants	-	20,135,652	20,135,652	-	22,114,501	22,114,501
Transportation, warehousing and communication	-	6,571,017	6,571,017	-	5,112,089	5,112,089
Financial intermediaries	3,042,366	6,743,567	9,785,933	3,191,679	3,860,050	7,051,729
Real estate, and leasing activities	-	19,501,954	19,501,954	-	16,028,350	16,028,350
Public administration and defense; compulsory social security plans	35,059,059	-	35,059,059	37,295,112	-	37,295,112
Education	-	3,452,405	3,452,405	-	3,074,271	3,074,271
Health and social services	-	225,148	225,148	-	238,443	238,443
Other social and personal services activities	-	174,109,145	174,109,145	-	158,317,636	158,317,636
Private household with local services	-	14,097,049	14,097,049	-	12,042,950	12,042,950
	<u>38,101,425</u>	<u>381,265,174</u>	<u>419,366,599</u>	<u>40,486,791</u>	<u>328,345,732</u>	<u>368,832,523</u>
Interests receivable	629,495	4,108,063	4,737,558	397,326	3,776,004	4,173,330
Allowance for loan losses and interests receivable	-	(24,520,478)	(24,520,478)	-	(26,297,265)	(26,297,265)
	<u>38,730,920</u>	<u>360,852,759</u>	<u>399,583,679</u>	<u>40,884,117</u>	<u>305,824,471</u>	<u>346,708,588</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios (continued)

As of September 30, 2022 and December 31, 2021, loans to the private sector include RD\$ 2,288,449 and RD\$2,435,000, respectively, which correspond to credit line operations with contractors and suppliers who are carrying or have carried out works to the Dominican Republic State with the guarantee of the government. According to the Second and Seventh Resolutions of the Monetary Board dated December 20, 2018 and December 19, 2019, respectively, the last one modified according to the Fourth Resolution of the Monetary Board dated January 16, 2020, which in turn was retroactively modified through the Third Resolution of the Monetary Board dated August 13, 2020, this organism granted a no objection so that the loans to contractors and suppliers of the Dominican State be classified as risk category "A", with allowance of 0 %, as well as its recognition as current loans from private sector until December 31, 2022.

8 Debtors by acceptances

A summary of debtors by acceptances, is as follows:

<u>Correspondent Bank</u>	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>Maturity date</u>	<u>Amount</u>	<u>Maturity date</u>
Bank Of China (corresponds to \$295 in 2022)	15,738	2022	-	-
BHSBC Bank (China) (corresponds to \$66 in 2022)	3,526	2022	-	-
Sumitomo Mitsui Banking Corporation (corresponds to \$419 in 2022 and \$530 in 2021)	22,372	2022	30,281	2022
Bank Of America (corresponds to \$65 in 2022)	3,432	2022	-	-
Sumitomo Mitsui Banking Mizuho Bank (corresponds to \$65 in 2022)	3,463	2022	-	-
The Bank of Tokyo-Mitsubishi and \$432 in 2021)	-	-	24,708	2022
	<u>48,531</u>		<u>54,989</u>	

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

9 Accounts receivable

A summary of accounts receivable is as follows:

	<u>2022</u>	<u>2021</u>
Commissions receivable (includes \$445 in 2022 and \$263 in 2021)	190,142	125,944
Other receivables:		
Right for future contract with foreign currency (includes \$1,417 in 2021)	-	80,958
Accounts receivable from employees	67,358	46,140
Security deposits (includes \$4 in 2022)	100,571	92,180
Indemnizaciones reclamadas	39,697	-
Advance in current account	126,992	47,443
Charges to receivable for cards of credits	91,904	49,430
Credit card operations (includes \$385 in 2022 and \$41 in 2021)	249,270	171,085
Accounts receivable from remitte (includes \$787 in 2022 and \$187 in 2021)	207,234	10,753
Accounts receivable for real estate and leasing operations (includes \$4 in 2022 and 2021)	5,027	5,876
Management funds	143,371	146,099
Documents receivable (a) (includes \$5,000 in 2022 and 2021)	709,678	506,785
Accounts receivable - other (includes \$895 in 2022 and \$615 in 2021)	<u>290,963</u>	<u>897,606</u>
	<u>2,222,207</u>	<u>2,180,299</u>
Insurance premiums receivable:		
General insurances (includes \$20,040 and \$42,052 in 2022 and 2021)	3,083,474	3,347,049
Life insurance (includes \$1,735 and \$663 in 2022 and 2021)	<u>383,445</u>	<u>120,241</u>
	<u>3,466,919</u>	<u>3,467,290</u>
Receivables from insurance and guarantees	<u>924</u>	<u>1,730</u>
	<u>5,690,050</u>	<u>5,649,319</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

9 Accounts receivable (continued)

- (a) As of September 30, 2022 and December 31, 2021, notes receivable include unsecured financing granted for an original amount of \$5,000 to a tourism development entity in the southern region of the Dominican Republic. These notes have a maturity of one year and generate a guaranteed minimum return of 16 % per year. Interest and principal are payable at maturity.

10 Assets received in lieu of foreclosure of loans

A summary of assets received in lieu of foreclosure of loans as of September 30, 2022 and December 31, 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	312,484	319,341
Real estate	<u>7,775,308</u>	<u>7,490,572</u>
	8,087,792	7,809,913
Allowance for losses on assets received in lieu of foreclosure of loans	<u>(7,553,287)</u>	<u>(7,499,440)</u>
	<u>534,505</u>	<u>310,473</u>

A description of assets received in lieu of foreclosure of loans (by aging) as of September 30, 2022 and December 31, 2021, is as follows:

	<u>Amount</u>	<u>Provision</u>
2022		
Up to 40 months:		
Furniture and equipment	22,198	(52,116)
Real estate	1,710,605	(1,146,182)
More than 40 months:		
Furniture and equipment	290,571	(290,571)
Real estate	<u>6,064,418</u>	<u>(6,064,418)</u>
Total	<u>8,087,792</u>	<u>(7,553,287)</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

10 Assets received in lieu of foreclosure of loans (continued)

2021

Up to 40 months:		
Furniture and equipment	9,635	(9,294)
Real estate	1,847,899	(1,537,766)
More than 40 months:		
Furniture and equipment	309,707	(309,707)
Real estate	<u>5,642,672</u>	<u>(5,642,673)</u>
 Total	 <u><u>7,809,913</u></u>	 <u><u>(7,499,440)</u></u>

11 Investments in associates

A summary of investments in shares as of September 30, 2022 and December 31, 2021 and, is as follows:

<u>Issuer</u>	<u>Amount of investment</u>	Percentage of <u>shares</u>	<u>Type of shares</u>	<u>Face value</u>	<u>Market value</u>	Number of outstanding <u>shares</u>
September 30, 2022						
<u>Investments in associates:</u>						
Consortio Tarjetas Dominicanas, S. A.	923,354	24.53 %	Common	100	(a)	2,097,100
CEVALDOM Depósito Centralizado de Valores, S. A.	456,326	30.00 %	Common	1,000	(a)	209,996
Red Nuevo Servicios Financieros, S. A.	<u>155,397</u>	49.00 %	Common	100	(a)	339,618
	<u>1,535,077</u>					
<u>Investments in other entities:</u>						
UNIPAGO, S. A.	29,080	10 %	Common	100	(a)	290,800
Others	<u>36,727</u> (b)					
	<u>65,807</u>					
	1,600,884					
	<u>(35,742)</u> (c)					
Total	<u><u>1,565,142</u></u>					

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

11 Investments in associates (continued)

December 31, 2021

Investments in associates:

Consortio Tarjetas							
Dominicanas, S. A.	903,580	24.53 %	Common	100	(a)	2,097,100	
CEVALDOM Depósito							
Centralizado de Valores, S. A.	469,154	30.00 %	Common	1,000	(a)	209,996	
Red Nuevo Servicios							
Financieros, S. A.	<u>123,616</u>	49.00 %	Common	100	(a)	339,618	
	<u>1,496,350</u>						

Investments in other
entities:

UNIPAGO, S. A.	25,387	10 %	Common	100	(a)	253,872
Others	<u>22,949</u> (b)					
	<u>48,336</u>					
	1,544,686					
	<u>(56,547)</u> (c)					
Total	<u>1,488,139</u>					

(a) In the Dominican Republic, there is no active market where the Bank can obtain the market value of these local investments.

(b) Corresponds to minor investments in several entities.

(c) Represents an allowance for investments in shares.

A movement of the investment, dividends received and equity shares in net profit of the associates as of September 30, 2022 and December 31, 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Investment balances at January 1 st	1,496,350	1,387,624
Equity on earnings recognized	331,677	351,883
Dividends received in cash	<u>(292,950)</u>	<u>(243,157)</u>
Investment balances at September 30, 2022 and December 31, 2021	<u>1,535,077</u>	<u>1,496,350</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

12 Property, furniture and equipment

As of September 30, 2022 and December 31, 2021, a summary of property, furniture and equipment is as follows:

	Land and improvements	Buildings	Furniture and equipment	Leasehold improvements	Construction and acquisitions in process (a)	Total
September 30, 2022						
Balance at January 1 st , 2022	2,047,516	9,249,882	7,045,616	749,198	657,580	19,749,792
Acquisitions	-	125,693	148,609	-	2,111,131	2,385,433
Disposals	(5,649)	(115,357)	(189,375)	(39,047)	-	(349,428)
Transfers	29,949	448,776	1,466,747	49,668	(1,995,140)	-
Balance at September 30, 2022	<u>2,071,816</u>	<u>9,708,994</u>	<u>8,471,597</u>	<u>759,819</u>	<u>773,571</u>	<u>21,785,797</u>
Accumulated depreciation at January 1 st , 2022	-	(2,418,788)	(3,563,683)	(339,963)	-	(6,322,434)
Depreciation expenses (b)	-	(230,508)	(835,250)	(116,569)	-	(1,182,327)
Disposals	-	39,983	182,632	39,047	-	261,662
Balance at September 30, 2022	<u>-</u>	<u>(2,609,313)</u>	<u>(4,216,301)</u>	<u>(417,485)</u>	<u>-</u>	<u>(7,243,099)</u>
Property, furniture and equipment at September 30, 2022	<u><u>2,071,816</u></u>	<u><u>7,099,681</u></u>	<u><u>4,255,296</u></u>	<u><u>342,334</u></u>	<u><u>773,571</u></u>	<u><u>14,542,698</u></u>
December 31, 2021						
Balance at January 1 st , 2021	2,013,784	8,709,703	7,061,271	874,295	325,387	18,984,440
Acquisitions	-	310,420	98,666	-	1,762,025	2,171,111
Disposals	-	(105,739)	(971,502)	(194,939)	-	(1,272,180)
Transfers	33,732	335,498	857,181	69,842	(1,296,253)	-
Others (note 38)	-	-	-	-	(133,579)	(133,579)
Balance at December 31, 2021	<u>2,047,516</u>	<u>9,249,882</u>	<u>7,045,616</u>	<u>749,198</u>	<u>657,580</u>	<u>19,749,792</u>
Accumulated depreciation at January 1 st , 2021	-	(2,242,853)	(3,473,641)	(365,065)	-	(6,081,559)
Depreciation expenses (b)	-	(273,694)	(1,060,234)	(170,299)	-	(1,504,227)
Disposals	-	97,759	970,192	195,401	-	1,263,352
Balance at December 31, 2021	<u>-</u>	<u>(2,418,788)</u>	<u>(3,563,683)</u>	<u>(339,963)</u>	<u>-</u>	<u>(6,322,434)</u>
Property, furniture and equipment at December 31, 2021	<u><u>2,047,516</u></u>	<u><u>6,831,094</u></u>	<u><u>3,481,933</u></u>	<u><u>409,235</u></u>	<u><u>657,580</u></u>	<u><u>13,427,358</u></u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

12 Property, furniture and equipment (continued)

- (a) As of September 30, 2022 and December 31, 2021, it basically corresponds to remodeling and construction of offices.
- (b) Expenses for this concept for the nine month periods ended September 30, 2022 and 2021, includes RD\$15,729 and RD\$13,506, respectively, correspond to depreciation of assets in use by officers and employees which are presented as part of salaries and compensation to personnel in the accompanying consolidated statements of profit or loss.

Land and buildings held by the Bank (Parent Company) as of December 31, 2004, are recognized at fair value as determined by independent external appraisers at that date. The difference between the historical cost of land and buildings and their fair values at the valuation date, amounted to RD\$915,737. As of September 30, 2022 and December 31, 2021, the revaluation surplus, net of accumulated depreciation, amounts to RD\$ 666,545 to both years, and is included as a revaluation surplus in the accompanying consolidated balance sheets.

13 Properties under development for sale and rent

As of September 30, 2022 and December 31, 2021, properties under development amounts to RD\$5,288,202 and RD\$5,391,850, respectively, and corresponds to the development of properties projects for sale and rent. In December 2021, one of the subsidiaries acquired a portion of land with a tourist vocation for RD\$4,628,477, consisting of 9,649,782 square meters.

Due to the absence of market comparables to determine the fair value of the property, and the recent nature of the purchase transaction, the Bank considers that its book value is the best estimate of the market value as of September 30, 2022 and December 31, 2021.

14 Other assets

A summary of other assets is as follows:

	<u>2022</u>	<u>2021</u>
Deferred charges:		
Returns and commissions paid in advance	5,587	3,890
Commissions to insurance agents on unearned premiums	502,327	413,291
Prepaid insurances	208,560	316,126

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

14 Other assets (continued)

	<u>2022</u>	<u>2021</u>
Non-deferred proportional ceded reinsurance premium (a)	207,325	314,456
Prepaid income tax	8,471,072	7,208,409
Other prepaid payments (includes \$35 and \$28 in 2022 and 2021) (b)	2,077,587	4,418,968
Other deferred charges	<u>328,588</u>	<u>180,762</u>
	<u>11,801,046</u>	<u>12,855,902</u>
Intangibles:		
Software	3,110,144	3,083,121
Others	<u>34,631</u>	<u>34,631</u>
	3,144,775	3,117,752
Accumulated amortization of computers programs (d)	<u>(1,939,138)</u>	<u>(1,564,525)</u>
	<u>1,205,637</u>	<u>1,553,227</u>
Other assets:		
Stationery and office supply	324,104	286,439
Libraries and artwork	32,872	32,872
Items pending for allocation (c), (includes \$28 in 2022 and \$11 in 2021)	21,960	33,343
Others (includes \$28 in 2022 and \$103 in 2021)	<u>327,682</u>	<u>154,145</u>
	<u>706,618</u>	<u>506,799</u>
	<u>13,713,301</u>	<u>14,915,928</u>

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

(b) As of December 31, 2021, includes approximately RD\$2,645,000 for advances made to vehicle dealers for Expomovil Banreservas 2021, which, as of that date, the corresponding loans had not been disbursed.

(c) The Bank recognizes under this caption the debit balances of the items that due to operational reasons cannot be immediately recognized in the final accounts.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

14 Other assets (continued)

(d) A movement of accumulated amortization of computer software during the years ended September 30, 2022 and December 31, 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Balances at the beginning	1,564,525	1,056,799
Cost of the year	<u>374,613</u>	<u>507,726</u>
Balances at the end	<u>1,939,138</u>	<u>1,564,525</u>

15 Summary of allowances for risky assets

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

	Loan portfolio	Investments	Interests receivable	Other assets (a)	Contingent operations (b)	Total RD\$
September 30, 2022						
Balance at January 1 st , 2021	24,770,917	267,530	1,526,991	7,499,440	701,113	34,765,991
Constitution of allowances	2,179,891	3,500	114,500	-	3,085	2,300,976
Write-offs against allowances	(2,797,197)	-	(432,614)	-	-	(3,229,811)
Transfers of allowances	(310,852)	5,000	(12,327)	318,179	-	-
Withdrawal of allowance for sales of foreclosed assets	-	-	-	(264,332)	-	(264,332)
Effect of change in exchange rates and others	<u>(506,416)</u>	<u>(362)</u>	<u>(11,794)</u>	<u>-</u>	<u>(19,541)</u>	<u>(538,113)</u>
Balance at September 30, 2022	23,336,343	275,668	1,184,756	7,553,287	684,657	33,034,711
Minimum allowances required at September 30, 2022 (c)	<u>(10,809,225)</u>	<u>(245,317)</u>	<u>(903,715)</u>	<u>(7,513,703)</u>	<u>(282,256)</u>	<u>(19,754,216)</u>
Excess (deficit) in the minimum allowance required at September 30, 2022 (d)	<u>12,527,118</u>	<u>30,351</u>	<u>281,041</u>	<u>39,584</u>	<u>402,401</u>	<u>13,280,495</u>
December 31, 2021						
Balance at January 1 st , 2021	16,477,821	234,346	1,598,735	9,448,077	518,377	28,277,356
Constitution of allowances	9,697,807	35,033	1,270,897	719,997	187,000	11,910,734
Write-offs against allowances	(4,261,763)	-	(441,235)	(86,722)	-	(4,789,720)
Transfers of allowances	2,895,596	10,000	(898,577)	(2,007,019)	-	-
Withdrawal of allowance for sales of foreclosed assets	-	-	-	(574,893)	-	(574,893)
Effect of change in exchange rates and others	<u>(38,544)</u>	<u>(11,849)</u>	<u>(2,829)</u>	<u>-</u>	<u>(4,264)</u>	<u>(57,486)</u>
Balance at December 31, 2021	24,770,917	267,530	1,526,991	7,499,440	701,113	34,765,991

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

15 Summary of allowances for risky assets (continued)

	Loan portfolio	Investments	Interests receivable	Other assets (a)	Contingent operations (b)	Total RD\$
December 31, 2021						
Minimum allowances required at December 31, 2021 (c)	(16,763,940)	(249,086)	(978,526)	(7,055,389)	(286,877)	(25,333,818)
Excess (deficit) in the minimum allowance required at December 31, 2021 (d)	<u>8,006,977</u>	<u>18,444</u>	<u>548,465</u>	<u>444,051</u>	<u>414,236</u>	<u>9,432,173</u>

- (a) Corresponds to the allowance for assets received in lieu of foreclosure of loans.
- (b) This allowance is included as part of other liabilities (see note 19) and the constitution expense is included as part of operating expenses in the consolidated statement of profit or loss.
- (c) Represents the amounts of allowances determined in the self-assessment as of September 30, 2022 and December 31, 2021 and other adjustments made.
- (d) As of September 30, 2022 and December 31, 2021, excess allowances on the loan portfolio, accounts receivable and contingent operations correspond to anti-cyclical and additional allowances recognized by the Bank, in accordance with the rules of the Superintendence of Banks, through its Circulars No. 030/20, 001/21 and 007/21, and other related documents. These anti-cyclical and additional allowances were constituted based on an internal methodology that considers the credit risk management of debtors. This evaluation includes an analysis of credit history, risk of non-payment and risk levels by type of portfolio; as well as considering the effects of COVID-19 on the economic situation of debtors.

As of September 30, 2022 and December 31, 2021, the credits granted to road development and low-cost housing construction sectors of the Dominican Republic, for approximately RD\$27,352,000 and RD\$29,600,000, respectively, were granted with a no objection to a risk classification of “A” and an allowance requirement of 0 %, by means of the Second Resolution of the Monetary Board dated December 20, 2018, extended the Seventh Resolution of the Monetary Board dated December 19, 2019, retroactively modified by the Fourth Resolution of the Monetary Board dated January 16, 2020, and, in turn modified by the Third Resolution of the Monetary Board dated August 13, 2020.

Likewise, as of September 30, 2022 and December 31, 2021, respectively, through in the previous resolutions, a no objection was granted so that the facilities granted through the program of contractors and suppliers of the Dominican State, be classified with a risk category as “A”, with a 0 % allowance requirement and reported as current loans from the private sector for RD\$2,288,449 and RD\$2,435,000, respectively, until December 31, 2022.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

15 Summary of allowances for risky assets (continued)

As of September 30, 2022 and December 31, 2021, some loans granted to the Dominican agricultural sector for an approximate amount of RD\$3,040,876 and RD\$3,193,000, were classified with risk category of "A" and an allowance requirement of 0 %, as established in the Third Resolution of the Monetary Board dated December 8, 2016.

16 Customers' deposits

Customers' deposits are summarized as follows:

a) By type

	Local currency	Annual weighted average rate (%)	Foreign currency	Annual weighted average rate (%)	Total RD\$
September 30, 2022					
Checking	167,622,657	0.41	-	-	167,622,657
Savings	171,209,886	0.32	136,945,280	0.10	308,155,166
Time	292,764,260	5.14	43,167,861	1.43	335,932,121
Interests payable	<u>687,175</u>	<u>-</u>	<u>40,773</u>	<u>-</u>	<u>727,948</u>
	<u>632,283,978</u>	<u>2.58</u>	<u>180,153,914</u>	<u>0.42</u>	<u>812,437,892</u>
December 31, 2021					
Checking	179,569,718	0.42	-	-	179,569,718
Savings	174,986,758	0.44	123,064,193	0.22	298,050,951
Time	156,155,284	2.38	47,754,014	0.68	203,909,298
Interests payable	<u>163,915</u>	<u>-</u>	<u>14,021</u>	<u>-</u>	<u>177,936</u>
	<u>510,875,675</u>	<u>0.43</u>	<u>170,832,228</u>	<u>0.35</u>	<u>681,707,903</u>

b) By sector

September 30, 2022

Non-financial public sector	296,999,643	3.04	40,617,645	0.23	337,617,288
Non-financial private sector	334,499,274	2.18	139,227,683	0.47	473,726,957
Non-resident	97,886	0.40	267,813	0.10	365,699
Interests payable	<u>687,175</u>	<u>-</u>	<u>40,773</u>	<u>-</u>	<u>727,948</u>
	<u>632,283,978</u>	<u>2.58</u>	<u>180,153,914</u>	<u>0.42</u>	<u>812,437,892</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

16 Customers' deposits (continued)

b) By sector (continued)

	<u>Local currency</u>	<u>Annual weighted average rate (%)</u>	<u>Foreign currency</u>	<u>Annual weighted average rate (%)</u>	<u>Total RD\$</u>
December 31, 2021					
Non-financial public sector	177,637,270	0.42	24,718,134	0.32	202,355,404
Non-financial private sector	332,920,066	0.43	145,409,840	0.36	478,329,906
Non-resident	154,424	0.42	690,233	0.22	844,657
Interests payable	<u>163,915</u>	<u>-</u>	<u>14,021</u>	<u>-</u>	<u>177,936</u>
	<u>510,875,675</u>	<u>0.43</u>	<u>170,832,228</u>	<u>0.35</u>	<u>681,707,903</u>

c) By maturity date

September 30, 2022					
0 to 15 days	339,603,062	0.38	137,028,350	0.10	476,631,412
16 to 30 days	2,866,059	6.95	178,631	0.47	3,044,690
31 to 60 days	20,301,804	6.55	7,142,759	1.62	27,444,563
61 to 90 days	12,911,338	5.95	2,670,459	1.35	15,581,797
91 to 180 days	108,175,571	4.48	6,730,764	1.49	114,906,335
181 to 360 days	105,478,825	5.06	9,859,227	1.51	115,338,052
More than 1 year	42,260,144	6.02	16,502,951	1.30	58,763,095
Interest payable	<u>687,175</u>	<u>-</u>	<u>40,773</u>	<u>-</u>	<u>727,948</u>
	<u>632,283,978</u>	<u>2.58</u>	<u>180,153,914</u>	<u>0.42</u>	<u>812,437,892</u>
December 31, 2021					
0 to 15 days	355,240,202	0.43	123,134,086	0.22	478,374,288
16 to 30 days	199,829	-	169,576	0.41	369,405
31 to 60 days	30,214,393	0.05	7,261,822	0.19	37,476,215
61 to 90 days	8,880,055	0.06	2,336,054	0.62	11,216,109
91 to 180 days	52,654,513	0.06	8,648,293	0.43	61,302,806
181 to 360 days	25,499,743	0.15	14,339,939	0.94	39,839,682
More than 1 year	38,023,025	-	14,928,437	0.84	52,951,462
Interest payable	<u>163,915</u>	<u>-</u>	<u>14,021</u>	<u>-</u>	<u>177,936</u>
	<u>510,875,675</u>	<u>0.43</u>	<u>170,832,228</u>	<u>0.35</u>	<u>681,707,903</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

16 Customers' deposits (continued)

As of September 30, 2022 and December 31, 2021, customers' deposits include restricted amounts for the following concepts:

	<u>Inactive accounts</u>	<u>Foreclosed funds</u>	<u>Deceased customers</u>	<u>Security deposits</u>	<u>Total RD\$</u>
September 30, 2022					
Customers' deposits:					
Checking	65,449	3,489,241	84,375	-	3,639,065
Savings	1,587,096	1,288,905	2,667,757	-	5,543,758
Time	-	<u>2,505,495</u>	<u>1,309,258</u>	<u>16,762,453</u>	<u>20,577,206</u>
	<u>1,652,545</u>	<u>7,283,641</u>	<u>4,061,390</u>	<u>16,762,453</u>	<u>29,760,029</u>
December 31, 2021					
Customers' deposits:					
Checking	83,794	3,705,673	87,686	-	3,877,153
Savings	2,073,592	1,354,718	2,544,416	-	5,972,726
Time	-	<u>510,905</u>	<u>305,103</u>	<u>3,875,085</u>	<u>4,691,093</u>
	<u>2,157,386</u>	<u>5,571,296</u>	<u>2,937,205</u>	<u>3,875,085</u>	<u>14,540,972</u>

As of September 30, 2022 and December 31, 2021 customer' deposits include amounts of inactive accounts, as follows:

	<u>From 3 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
September 30, 2022			
Customers' deposits:			
Checking	63,008	2,441	65,449
Savings	<u>1,572,687</u>	<u>14,409</u>	<u>1,587,096</u>
	<u>1,635,695</u>	<u>16,850</u>	<u>1,652,545</u>
December 31, 2021			
Customers' deposits:			
Checking	75,609	8,185	83,794
Savings	<u>2,002,036</u>	<u>71,556</u>	<u>2,073,592</u>
	<u>2,077,645</u>	<u>79,741</u>	<u>2,157,386</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

17 Deposits from domestic and foreign financial entities

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

a) By type and currency

	<u>Local currency</u>	<u>Annual weighted average rate (%)</u>	<u>Foreign currency</u>	<u>Annual weighted average rate (%)</u>	<u>Total RD\$</u>
September 30, 2022					
Checking	6,510,833	0.41	-	-	6,510,833
Savings	545,167	0.32	2,914,719	0.10	3,459,886
Time	9,525,628	8.20	1,997,302	0.95	11,522,930
Interest payable	<u>93,747</u>	<u>-</u>	<u>920</u>	<u>-</u>	<u>94,667</u>
	<u>16,675,375</u>	<u>4.88</u>	<u>4,912,941</u>	<u>0.45</u>	<u>21,588,316</u>
December 31, 2021					
Checking	14,500,561	0.42	-	-	14,500,561
Savings	477,766	0.44	1,325,796	0.22	1,803,562
Time	18,086,369	1.06	9,206,381	0.22	27,292,750
Interest payable	<u>27,348</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,348</u>
	<u>33,092,044</u>	<u>0.42</u>	<u>10,532,177</u>	<u>0.22</u>	<u>43,624,221</u>

b) By maturity date

September 30, 2022					
0 to 15 days	7,056,003	0.40	2,914,719	0.10	9,970,722
31 to 60 days	688,332	7.42	1,277,916	0.52	1,966,248
61 to 90 days	180,967	6.56	206,656	2.37	387,623
91 to 180 days	1,518,012	8.35	239,869	1.55	1,757,881
181 to 360 days	2,237,552	7.69	157,254	1.60	2,394,806
More than a year	4,900,762	8.56	115,607	1.06	5,016,369
Interest payable	<u>93,747</u>	<u>-</u>	<u>920</u>	<u>-</u>	<u>94,667</u>
	<u>16,675,375</u>	<u>4.88</u>	<u>4,912,941</u>	<u>0.45</u>	<u>21,588,316</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

17 Deposits from domestic and foreign financial entities (continued)

b) By maturity date (continued)

	<u>Local currency</u>	<u>Annual weighted average rate (%)</u>	<u>Foreign currency</u>	<u>Annual weighted average rate (%)</u>	<u>Total RD\$</u>
December 31, 2021					
0 to 15 days	14,978,329	0.42	1,325,796	0.22	16,304,125
31 to 60 days	75	1.33	6,918,456	0.02	6,918,531
61 to 90 days	33	0.08	651,551	0.49	651,584
91 to 180 days	7,123,593	-	1,012,063	0.87	8,135,656
181 to 360 days	10,899,375	-	357,470	1.20	11,256,845
More than a year	63,291	-	266,841	1.08	330,132
Interest payable	<u>27,348</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,348</u>
	<u>33,092,044</u>	<u>0.42</u>	<u>10,532,177</u>	<u>0.22</u>	<u>43,624,221</u>

As of September 30, 2022 and December 31, 2021, the Bank held funds in escrow due to third parties' foreclosures, inactive accounts, inoperative accounts and accounts from deceased customers in domestic financial institutions for RD\$1,007,310 and RD\$961,458, respectively.

As of September 30, 2022 and December 31, 2021, the estatus of the inactive and/or dormant accounts of the deposits in domestic financial institutions with three to ten year term is RD\$451 and RD\$359, respectively.

18 Borrowed funds

A summary of borrowed funds is as follows:

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Annual Weighted average rate (%)</u>	<u>Maturity</u>	<u>Balance</u>
September 30, 2022					
Central Bank of the Dominican Republic (i)	Loan	Secured	3.50 %	2022 until 2025	<u>28,860,568</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

18 Borrowed funds (continued)

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Annual Weighted average rate (%)</u>	<u>Maturity</u>	<u>Balance</u>
September 30, 2022					
Domestic financial entities:					
Banco Popular Dominicano, S. A. Banco Múltiple	Line of credit	Unsecured	7.50 %	2022	500,000
					<u>500,000</u>
Foreign financial entities:					
Bank of America (corresponds to \$65,000) (iii)	Loan	Unsecured	4.66 %	2023	3,467,438
Banco Interamericano de Desarrollo, BID (corresponds to \$135,000) (iii)	Loan	Unsecured	4.67 %	2023	7,201,602
Banco Latinoamericano de Comercio Exterior, S. A. (corresponds to \$140,000) (iii)	Loan	Unsecured	3.88 %	2022	7,468,328
Wells Fargo Bank (corresponds to \$107,500) (iii)	Loan	Unsecured	2.84%	2022	5,734,609
China Development Bank, (corresponds to \$180,000) (ii)	Loan	Unsecured	4.66 %	2023	9,602,136
Bac Florida Bank (corresponds to \$30,000)	Loan	Unsecured	3.46 %	2023	1,600,356
Commerzbank (corresponds to \$65,000)	Loan	Unsecured	4.97 %	2023	3,467,438
Citibank, N. A. (corresponds to \$145,000)	Loan	Unsecured	4.50 %	2023	7,735,054
Banco de Crédito e Inversiones, Miami FL(BCI) (corresponds to \$20,500)	Loan	Unsecured	2.70 %	2022	1,093,576
US Century Bank, Doral FL (corresponds to \$9,200)	Loan	Unsecured	2.75 %	2022	490,776
Banco Itau (corresponds to \$35,000)	Loan	Unsecured	3.49 %	2023	1,867,082

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

18 Borrowed funds (continued)

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Annual Weighted average rate (%)</u>	<u>Maturity</u>	<u>Balance</u>
September 30, 2022					
Agencia Francesa de Desarrollo (corresponds to \$25,000)	Loan	Unsecured	4.04 %	2032	<u>1,333,630</u>
					<u>51,062,025</u>
Other: Various (includes \$15,081)	Sale of investments with re-purchase agreement	Secured	10.71 %	2022	<u>3,869,175</u>
Interests payable (includes \$8,993)					<u>901,028</u>
					<u>85,192,796</u>
December 31, 2021					
Central Bank of the Dominican Republic (i)	Loan	Secured	3.50 %	2021 until 2025	<u>32,924,594</u>
Domestic financial entities: Banco Popular Dominicano, S. A. Banco Múltiple	Line of credit	Unsecured	5.20 %	2022	300,000
Banco Múltiple BHD León, S. A.	Line of credit	Unsecured	5.10 %	2022	480,000
Banco Lafise	Line of credit	Unsecured	6.20 %	2022	<u>136,000</u>
					<u>916,000</u>
Foreign financial entities:					
Bank of America (corresponds to \$40,000) (iii)	Loan	Unsecured	1.15 %	2022	2,285,652
Banco Interamericano de Desarrollo, BID (corresponds to \$100,000) (iii)	Loan	Unsecured	0.94%	2022	5,714,130
Banco Latinoamericano de Comercio Exterior, S. A. (corresponds to \$200,000) (iii)	Loan	Unsecured	1.16 %	2022	11,428,260

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

18 Borrowed funds (continued)

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Annual Weighted average rate (%)</u>	<u>Maturity</u>	<u>Balance</u>
December 31, 2021					
Wells Fargo Bank (corresponds to \$90,000) (iii)	Loan	Unsecured	1.16 %	2022	5,142,717
China Development Bank, (corresponds to \$180,000) (ii)	Loan	Unsecured	2.17 %	2025	10,285,434
Eximbank, Republic of China - Taiwán (corresponds to \$49)	Loan	Unsecured	0.91 %	2022	2,791
Agencia Francesa de Desarrollo (corresponds to \$25,000)	Loan	Unsecured	2.23 %	2032	<u>1,428,532</u>
					<u>36,287,516</u>
Other: Various (includes \$16,201)	Sale of investments with re-purchase agreement	Secured	7.50 %	2022	<u>2,515,455</u>
Interests payable (includes \$1,229)					<u>450,206</u>
					<u>73,093,771</u>

- (i) As of September 30, 2022 and December 31, 2021, includes financing obtained through the Rapid Liquidity Facility (FLR) window set up by the Central Bank of the Dominican Republic amounting to RD\$22,560,571 and RD\$20,275,351, respectively, with the objective to grant loans to MYPYMES sector, productive sectors and households with a fixed interest rate of no more than 8 % and three years term.
- (ii) During the term of these loans, the Bank must comply with certain financial conditions established in the loan contract. A summary of them, is as follows:
- ◆ Maintain a capital adequacy ratio (CAR) greater than 11 %.
 - ◆ Maintain an allowance for past due loan portfolio greater than 100 %.
 - ◆ Maintain a loan portfolio delinquency rate of less than 3 %.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

18 Borrowed funds (continued)

- ◆ Maintain an adjusted liquidity ratio (ALR) of not less than 80 % for maturity periods of fifteen (15) and thirty (30) days and no less than 70 % for maturity periods of sixty (60) and ninety (90) days.
- (iii) As of September 30, 2022 and December 31, 2021, includes financing taken to guarantee the oil bill of Refinería Dominicana de Petróleo PDV, S. A., for approximately RD\$37,992,451 and RD\$23,999,000, respectively.
- (iv) During the term of these borrower funds, the Bank must comply with certain financial conditions established in the debt contract. A summary of them is as follows:
- ◆ Maintain a capital adequacy ratio (CAR) greater than 11 %.
 - ◆ Maintain a loan portfolio delinquency rate of less than 3 %.
 - ◆ Maintain a allowance for your overdue credit portfolio greater than 100 %.
 - ◆ Maintain a liquidity indicator expressed as a percentage ratio of current assets and current liabilities greater than 20 %.

As of September 30, 2022 and December 31, 2021, the Bank is in compliance with these clauses.

19 Other liabilities

A summary of other liabilities is as follows:

	<u>2022</u>	<u>2021</u>
Demand obligations (includes \$5,011 in 2022 and \$4,680 in 2021) (a)	5,636,421	4,141,698
Term obligations (includes \$236 in 2022 and \$10,916 in 2021) (b)	914,456	941,472
Administration fund of the public sector (note 28)	2,251	18,425
Unclaimed third party balances (includes \$6,420 in 2022 and \$6,366 in 2021)	807,152	819,658
Sundry creditors:		
Commissions payable	57	101,548
Accounts payable to suppliers (includes \$5,386 in 2022 and \$23 in 2021)	710,085	182,659
Withheld tax payable	469,687	306,878
Retained payable insurance premium (includes \$16 in 2022 and \$14 in 2021)	146,880	44,663
Dividends payable (note 25 iii)	4,179,508	1,560,058
Other sundry creditors (includes \$1,060 in 2021) (c)	167,906	1,357,165

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

19 Other liabilities (continued)

	<u>2022</u>	<u>2021</u>
Reserves for contingent operations (includes \$5,144 in 2022 and \$5,119 in 2021) (d)	684,657	701,113
Other provisions:		
Income tax	1,264,592	51,571
Deferred income tax	382,304	294,469
Provision for litigation (note 27)	77,244	63,445
Bonus and other employee's benefits	7,006,102	4,806,972
Credit card and electronic transactions	653,249	418,105
Actuarial reserve for pensioned personnel of the Bank (note 37, b)	732,864	709,530
Other reserves (includes \$3,955 in 2022 and \$6,973 in 2021)	1,742,059	2,353,424
Items pending for allocation (includes \$369 in 2022 and \$170 in 2021) (e)	81,321	27,758
Commissions to agents on premiums pending collection (includes \$1,400 in 2022 and \$2,506 in 2021)	262,537	278,360
Tax on outstanding premium	554,819	357,053
Withholding tax to reinsurers	12,940	23,401
Payments received in advance (includes \$104 and \$109 in 2022 and 2021)	201,610	193,188
Others (include \$509 in 2022 and \$611 in 2021)	<u>1,915,670</u>	<u>2,799,680</u>
	<u>28,606,371</u>	<u>22,552,293</u>

- (a) Corresponds to financial obligations assumed by the Bank, which are payable on demand and certified checks, among others.
- (b) In this category, the Bank recognizes special cash deposits in US dollars (\$) received from the Dominican Government.
- (c) As of September 30, 2022 and December 31, 2021, includes RD\$57,273 and RD\$454,338, respectively, which relates to liabilities for the financing of vehicles granted by the Bank whose original license plates have not been delivered to the Bank by the concessionary entities. Likewise, as of December 31, 2022 includes approximately RD\$478,463 and RD\$39,700 corresponding to loan disbursements from the "Expo Hogar" fair whose contracts have not been delivered to the Bank.
- (d) Corresponds to reserves to cover contingent operations as required by the Superintendencia of Banks (see note 27).

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

19 Other liabilities (continued)

(e) Corresponds to creditors' balances that, due to internal operating reasons or characteristics of the operation, it was not possible to immediately allocate the balances in the final accounts.

20 Assimilable capital obligations

A summary of the subordinated debts, is as follows:

<u>Type</u>	<u>Amount in RD\$</u>	<u>weighted average interest rate</u>	<u>Type of currency</u>	<u>Term</u>
September 30, 2022				
Subordinated debts (corresponds to \$300,000 nominal value (a))	16,003,560	7.00 %	US dollar	10 years
Subordinated debts nominal value (b)	19,999,000	7.34 %	Dominican pesos	10 years
Debt issuance costs (c)	(78,202)	-	-	-
Discount on the issuance of debt (corresponds to \$233) (d)	<u>(12,453)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	35,911,905			
Interests payable (corresponds to \$3,500)	<u>593,130</u>			
	<u>36,505,035</u>			
December 31, 2021				
Subordinated debts (corresponds to \$300,000 nominal value (a))	17,142,390	7.00 %	US dollar	10 years
Subordinated debts nominal value (b)	9,999,000	4.68 %	Dominican pesos	10 years
Debt issuance costs (c)	(43,515)	-	-	-
Discount on the issuance of debt (corresponds to \$385) (d)	<u>(22,022)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	27,075,853			
Interests payable (corresponds to \$8,750)	<u>503,981</u>			
	<u>27,579,834</u>			

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

20 Assimilable capital obligations (continued)

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

Additionally, the bonds have the following characteristics:

- ◆ Interests are payable semi-annually in February and August 1st, of each year.
- ◆ The bonds will not be redeemed prior to their maturity date.
- ◆ The bonds are unsecured.
- ◆ In the event of bankruptcy, liquidation or dissolution of the Bank under Dominican laws, the payment of the bonds shall be subject to all existing and future obligations denominated as "Senior Obligations," which include all other liabilities of the Bank.

- b) Corresponds to bonds issued in the market of the Dominican Republic by the Bank on December 29, 2014, for a nominal value of RD\$10,000,000. The amount placed corresponds to two issuances offered simultaneously for RD\$5,000,000 each, with a maturity of 10 years until December 29, 2024, and a floating interest rate equivalent to the weighted interest average rate (TIPPP, for its Spanish acronyms) of multiple banks, published by the Central Bank of the Dominican Republic plus a fixed margin of 2.75 %. The effective rate at the time of placement was 9.66 %, reviewable every six months. These bonds have no collateral and in the case of dissolution or liquidation of the Bank, the payment of the bonds is subject to all the Bank's obligations.

Corresponds to bonds issued in the market of the Dominican Republic by the Bank on July 27, 2022, for a nominal value of RD\$10,000,000. The amount placed corresponds to two issuances offered simultaneously for RD\$6,000,000 and RD\$4,000,000, with a maturity of 10 years until July 27, 2032. The effective rate at the time of placement was 10.00%, reviewable every six months. These bonds have no collateral and in the case of dissolution or liquidation of the Bank, the payment of the bonds is subject to all the Bank's obligations.

- c) Relates to costs incurred when issuing bonds, which are deferred and amortized over the straight-line method during the term of the bonds.
- d) Relates to discounts awarded for the issuance of bonds, which are amortized over the straight-line method during the term of the bonds.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

20 Assimilable capital obligations (continued)

As of September 30, 2022 and December 31, 2021, subordinated debts were authorized by the Superintendence of Banks through Circulars ADM-0013-13, ADM-2386-20 and ADM/3161/21 to be used to compute part of the secondary capital (tier 2 capital) for the purposes of determining Bank's technical equity and index solvency for a value of RD\$13,940,319 and RD\$7,428,478, respectively.

21 Technical reserves

The subsidiaries Seguros Reservas, S. A. and Administradora de Riesgos de Salud Reservas, Inc. maintain ongoing specific mathematical risk reserves to meet commitments arising from the current insurance policies, which amounted to RD\$7,127,098 and RD\$6,036,671 as of September 30, 2022 and December 31, 2021, respectively.

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

	<u>Mathematical reserves</u>	<u>Specific reserves and ongoing risk</u>	<u>Total</u>
September 30, 2022			
Balance at January 1 st , 2022	258,591	5,778,080	6,036,671
Plus: reserve increase	329,268	3,597,253	3,926,521
Less: reserve decrease	<u>(256,959)</u>	<u>(2,579,135)</u>	<u>(2,836,094)</u>
Balance at September 30, 2022	<u>330,900</u>	<u>6,796,198</u>	<u>7,127,098</u>
December 31, 2021			
Balance at January 1 st , 2021	260,600	5,424,034	5,684,634
Plus: reserve increase	332,963	5,073,544	5,406,507
Less: reserve decrease	<u>(334,972)</u>	<u>(4,719,498)</u>	<u>(5,054,470)</u>
Balance at December 31, 2021	<u>258,591</u>	<u>5,778,080</u>	<u>6,036,671</u>

As of September 30, 2022 and December 31, 2021, technical reserves include \$1,974 and \$2,639, respectively.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

22 Income tax

In accordance with the Organic Law, the Bank is exempt from income tax. However, the Bank performs the computation and voluntarily pays income tax by following some guidelines of the Tax Code and special criteria after considering that the final beneficiary is the Dominican Republic State. The consolidated companies declare and pay their income tax individually and separately.

Income tax expense for the nine month periods ended as of September 30, 2022 and 2021, is composed of the following:

	<u>2022</u>	<u>2021</u>
Current income tax	1,246,802	1,248,795
Deferred income tax	50,659	74,215
Previous year income tax	(658)	(103)
Tax withheld on payment of dividends	29,295	24,316
	1,326,098	1,347,223

On December 21, 2020, financial intermediation entities, represented by Association of Multiple Banks of the Dominican Republic, Inc., signed an agreement with the Ministry of Finance and the General Direction of Internal Taxes, according to which, the Bank agreed to make an income tax advance payment of RD\$6,283,561, payable in four equal quarterly installments starting in 2021. This advance payment could be deducted from Bank's future income tax commitments, for a period of 10 years from the year 2022. This deduction will be in proportion of 5 % for 2022 and 2023 and 11.25 % from 2024 to 2031.

As of September 30, 2022 and December 31, 2021, prepaid income tax includes RD\$330,356, for both years, corresponding to agreements made between financial intermediation entities on February 8, 2014, represented by Association of Commercial Banks of the Dominican Republic Inc.; which signed an agreement with the Ministry of Finance and the General Direction of Internal Tax, according to which, the Bank prepaid income tax for RD\$620,000, which will be deducted from future income tax commitments of the Bank, for a period of 15 years as of the fiscal year ended December 31, 2014. This reduction is a proportion of 6.67 % per year.

23 Responsibilities

In addition to the obligation balances of insured risks retained, as of September 30, 2022 and December 31, 2021 for RD\$1,107,315,363 and RD\$1,013,879,029, respectively, the subsidiaries Seguros Reservas, S. A. and Administradora de Riesgo de Salud Reservas, Inc. recognize memorandum accounts for salvages warehouse amounting to RD\$14,850 and RD\$23,300 in September 30, 2022 and December 31, 2021, respectively.

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

23 Responsibilities (continued)

	<u>2022</u>	<u>2021</u>
Responsibilities for insurance businesses and bonds taken directly	1,107,315,363	1,013,879,029
Surrendered and retracted insurance responsibilities	<u>860,313,805</u>	<u>664,826,001</u>
	<u>1,967,629,168</u>	<u>1,678,705,030</u>

24 Reinsurance

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

The reinsurers that support the insurance business as of September 30, 2022 and December 31, 2021, are the following:

September 30, 2022			December 31, 2021		
Reasegurador	Clase de contrato	Participación (%)	Reasegurador	Clase de contrato	Participación (%)
-	-	-	Suiza	Surplus	12.5
-	-	-		Quota share	20 until 100
Swiss Re.	Surplus	12.9	-	-	-
	Quota share	70 until 100	-	-	-
THB (Amwins)	Surplus	57.10	-	-	-
-	-	-	Trans. RE Mallen	Surplus	4.5
Hannover RE	Surplus	10	Hannover RE	Surplus	10
	Quota share	10 until 100		Quota share	10 until 100
-	-	-	Thompson Health	Surplus	37.81 until 100
-	-	-		Quota share	7.5
Everest-Guy	Surplus	16.5	Everest-BMS	Surplus	16.5
	Quota share	20 until 10		Quota share	20 until 10
General Re, Active	Surplus	35 until 100	General Re,	Surplus	35 until 100
	Quota share	0.05	Axis	Quota share	0.05
Navigators -Guy	Surplus	3	Navigators -BMS	Surplus	3
	Quota share	13.25 until 100		Quota share	13.25 until 100
Sumus.-Munish	Surplus	5	Siruis-BMS	Surplus	5

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

25 Equity

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

	Common shares			
	Authorized		Issued	
	Quantity	Amount in RD\$	Quantity	Amount in RD\$
Balance at September 30, 2022	<u>39,000</u>	<u>39,000,000</u>	<u>39,000</u>	<u>39,000,000</u>
Balance at December 31, 2021	<u>10,000</u>	<u>10,000,000</u>	<u>10,000</u>	<u>10,000,000</u>

As of September 30, 2022 and December 31, 2021, the capital contributions of the Bank have been originated as follow:

- a) RD\$50,000 corresponding to the initial capital in accordance with the Law No. 6133 of December 17, 1962, which amended article 4 of the Organic Law of the Bank.
- b) RD\$200,000 by delivering state-certified vouchers issued by the National Treasury in 1988.
- c) RD\$1,750,000 by issuing certified bonds on behalf of the Bank in accordance with Law No. 99-01 of April 5, 2001, which amended article 4 of Organic Law of the Bank, the Dominican Republic Government.
- d) RD\$1,500,000 by issuing bonds on behalf of the Bank in accordance with Law No. 121-05 of April 7, 2005, the Dominican Republic Government.
- e) RD\$2,000,000 by reinvesting dividends charged to earnings of 2013 in accordance with Law No. 543-14 of December 5, 2014.
- f) RD\$2,800,000, by reinvesting dividends charged to earnings of 2014, in accordance with the Law No. 543-14 of December 5, 2014.
- g) RD\$1,700,000 through the reinvestment of dividends charged to earnings of 2014, pursuant to Law No. 543-14 of December 5, 2014.
- h) RD\$29,000,000 through the reinvestment of dividends charged to other equity reserves to the year 2020, pursuant to Law No. 1-22 of January 5, 2022.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

25 Equity (continued)

The Bank's net profit should be used or distributed as follows:

60 % - To be transferred to the account of other equity reserves of the Bank.

25 % - For payment of cash dividends to the Dominican State.

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

By the Second Resolution of the Ordinary Session dated June 28, 2022, the Board of Directors approved the distribution of dividends, taking into account the guidelines for the distribution of dividends to shareholders set forth in Resolution No.7-2002, issued by the Superintendence of Banks on March 8, 2002, and in accordance with the provisions of Law No. 99-01 on the distribution of dividends from the Bank. The total amount of dividends to be distributed was RD\$16,480,248, as detailed below:

- i) RD\$9,784,093, transferred to equity reserve. This transfer was done effectively as of December 31, 2021.
- ii) RD\$4,076,705, dividends in cash to be paid to the Dominican Republic State.
- iii) RD\$2,619,450, to offset debts of the Dominican Republic State with the Bank.

By the Second Resolution of the Ordinary Session dated September 14, 2021, the Board of Directors approved the distribution of dividends, taking into account the guidelines for the distribution of dividends to shareholders set forth in Resolution No.7-2002, issued by the Superintendence of Banks on March 8, 2002, and in accordance with the provisions of Law No. 99-01 on the distribution of dividends from the Bank. The total amount of dividends to be distributed was RD\$10,400,386, as detailed below:

- i) RD\$6,240,231, transferred to equity reserve. This transfer was done effectively as of December 31, 2020.
- ii) RD\$2,600,097, dividends in cash to be paid to the Dominican Republic State.
- iii) RD\$1,560,058, to offset debts of the Dominican Republic State with the Bank.

According to the application instructions of Resolution No. 12-2001 dated December 5, 2001, issued by the Superintendence of Banks, the dividend limit to be paid in cash by the Bank amounts to RD\$6,450,120. During 2021, RD\$2,600,097 were paid in cash, while RD\$1,560,058 were used to compensate the State's debts and its dependencies with the Bank.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

25 Equity (continued)

Other equity reserves

In accordance with the Bank's organic law and its modifications in Law No. 99-01, the Bank must segregate the 60 % of its annual net profit to equity reserves. As of December 31, 2021, the Bank segregated equity reserves for the amount of RD\$9,784,093.

Through Circular SB/0682 dated December 31, 2010, the Superintendence of Banks issued its non-objection for the application within the fiscal year of the segregation of 35 % of total net profit as other equity reserves, provided the Bank is in compliance with the guidelines for distribution of profits as set forth by the supervisory body. As of December 31, 2021 and 2020, the Bank has segregated 60 % of total net profits as other equity reserves, according to Law No. 99-01 dated June 15, 2001.

Revaluation surplus

On December 2004, the Bank revalued its land and buildings required for the development of its operations to its estimated fair market value determined by independent appraisers, as allowed by the Prudential Rules of Capital Adequacy. The effect of the revaluation was RD\$915,737. The Bank, in accordance with the rules established, considered this amount as tier 2 capital, prior authorization of the Superintendence of Banks. As of December 31, 2021, the amortized amount corresponding to these revalued assets, amounted to RD\$11,140.

Unrealized gains on investments available for sale

The Bank maintains investments classified as available for sale and which are listed on an active market. As of December 31, 2021, the Bank determined the market value of these investments and recognized an unrealized loss, which amounts RD\$226,962.

26 Information segments

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

<u>Segment</u>	<u>Company</u>	<u>Jurisdiction</u>	<u>Functional currency</u>	<u>Equity shares</u>	<u>Percentage of voting rights direct and indirect</u>
September 30, 2022					
Financial	Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	Dominican Republic	RD\$	39,000,000	100 %
Related services	Tenedora Reservas, S. A. and Subsidiaries	Dominican Republic	RD\$	<u>1,551,434</u>	97.74 %
	Elimination adjustments in consolidation			40,551,434 <u>(1,551,434)</u>	
				<u>39,000,000</u>	

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

26 Information segments (continued)

December 31, 2021

Financial	Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	Dominican Republic	RD\$	10,000,000	100 %
Related services	Tenedora Reservas, S. A. and Subsidiaries	Dominican Republic	RD\$	<u>1,551,434</u>	97.74 %
				11,551,434	
	Elimination adjustments in consolidation			<u>(1,551,434)</u>	
				<u>10,000,000</u>	

Assets, liabilities, revenues, expenses and net profit after eliminations that comprise the consolidated figures of the Bank, are as follows:

Company	At September 30, 2022		Nine month period ended at September 30, 2022		
	Assets	Liabilities	Income	Expenses	Net income
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	1,042,062,731	977,646,360	69,843,562	55,053,024	14,790,538
Tenedora Reservas, S. A. and Subsidiaries	42,317,622	22,290,930	14,813,965	13,165,835	1,648,130
Administradora de Riesgos de Salud Reservas, Inc.	<u>893,095</u>	<u>620,641</u>	<u>1,003,256</u>	<u>1,217,578</u>	<u>(214,322)</u>
	1,085,273,448	1,000,557,931	85,660,783	69,436,437	16,224,346
Elimination adjustments in consolidation	<u>(26,585,594)</u>	<u>(6,615,129)</u>	<u>(3,895,619)</u>	<u>(2,489,354)</u>	<u>(1,406,265)</u>
	<u>1,058,687,854</u>	<u>993,942,802</u>	<u>81,765,164</u>	<u>66,947,083</u>	<u>14,818,081</u>

Company	At December 31, 2021		Nine month period ended at September 30, 2021		
	Assets	Liabilities	Income	Expenses	Net income
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	898,792,988	842,697,962	70,315,765	57,846,922	12,468,843
Tenedora Reservas, S. A. and Subsidiaries	40,525,541	22,124,656	12,839,990	10,582,143	2,257,847
Administradora de Riesgos de Salud Reservas, Inc.	<u>1,019,050</u>	<u>512,770</u>	<u>1,133,056</u>	<u>1,050,233</u>	<u>82,823</u>
	940,337,579	865,335,388	84,288,811	69,479,298	14,809,513
Elimination adjustments in consolidation	<u>(25,696,630)</u>	<u>(7,091,057)</u>	<u>(4,221,507)</u>	<u>(1,919,999)</u>	<u>(2,301,508)</u>
	<u>914,640,949</u>	<u>858,244,331</u>	<u>80,067,304</u>	<u>67,559,299</u>	<u>12,508,005</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

27 Commitments and contingencies

(a) Contingent operations

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

	<u>September 30</u>	<u>December 31</u>
	<u>2022</u>	<u>2021</u>
Collaterals granted:		
Endorsements	3,794,476	4,088,846
Other collaterals granted	105,933	116,672
Non-negotiable letters of credit issued	624,510	1,112,520
Credit lines of automatic use	<u>46,022,975</u>	<u>39,490,450</u>
	<u>50,547,894</u>	<u>44,808,488</u>

As of September 30, 2022 and December 31, 2021, the Bank has reserves to cover possible losses from these operations for the amounts of RD\$684,657 and RD\$701,113, respectively, which are included in other liabilities in the consolidated balance sheets at those dates.

As of September 30, 2022 and December 31, 2021, the Insurance subsidiary and the Administradora de Riesgos de Salud Reservas, Inc. had contingent liabilities for retained risk, estimated as follows:

	<u>September 30</u>	<u>December 31</u>
	<u>2022</u>	<u>2021</u>
General risks	889,583,437	823,888,974
Individual life insurance	21,058,334	14,857,275
Collective life insurance	<u>196,673,592</u>	<u>175,132,780</u>
	<u>1,107,315,363</u>	<u>1,013,879,029</u>

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

27 Commitments and contingencies (continued)**(b) Leasing of offices, buildings and automatic teller machines (ATM)**

The Bank has leasing contracts for the premises where some of its administrative offices, branches, business centers and ATM are located. For the nine month periods ended September 30, 2022 and 2021, expenses for this concept amounted to approximately RD\$930,138 and RD\$826,879, respectively, which are recognized in other operating expenses in the accompanying consolidated statements of profit or loss.

(c) Superintendence of Bank fees

The Monetary Board of the Dominican Republic requires that financial entities make contributions in order to cover inspection services provided by the Superintendence of Banks. The expense for the nine month periods ended September 30, 2022 and 2021 was approximately RD\$1,208,993 and RD\$1,227,028, respectively, and has been recognized in other operating expenses in the accompanying consolidated statements of profit or loss.

(d) Contingent Fund

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

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

The Monetary Board, through its Third Resolution of December 15, 2020, authorized an exemption for a period of two years for the payment of the Contingency Fund.

(e) Banking Consolidation Fund

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

The Monetary Board, through its Third Resolution of December 15, 2020, authorized an exemption for a period of two years for the payment of the Consolidation Fund.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

27 Commitments and contingencies (continued)**(f) Credit card licenses***MasterCard credit cards*

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

Visa credit cards

The Bank has a contract with a foreign company for a non-exclusive license to use the Visa and Electron brand in charge services, credit or debit card. The Bank does not pay fees for the rights of use of Visa. The duration of the license is indefinite, subject to the termination provisions set forth in the contract.

(g) Lawsuits

As of September 30, 2022 and December 31, 2021, there are several lawsuits and claims originated in the normal course of the Bank's operations for approximately RD\$28,267,000. The Bank believes together with its legal advisors that the resolution of these claims will not result in an adverse material effect.

As of September 30, 2022 and December 31, 2021, the amount reserved to meet these claims increased to RD\$77,244 and RD\$63,445, respectively, and is recognized in other liabilities in the accompanying consolidated balance sheet.

In the normal course of operations, the subsidiary Seguros Reservas, S. A. has several commitments and contingent liabilities from claims, lawsuits and other legal proceedings seeking coverage for damages from insurance policies. The Company has established reserves that it considers necessary to cover these claims and demands based on its experience in the insurance business. The subsidiary considers that these claims and subsequent liens are exaggerated, and together with its legal advisors has estimated that the outcome of those will not have significant effects on the Bank's financial position and profit or loss, in an event of adverse ruling.

The subsidiary Company maintains reinsurance contracts with several national and foreign reinsurance companies, which are considered normal within reinsurance operations. The Company has evaluated these contracts and is of the opinion that the probability of an adverse result in the execution of these is low.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

27 Commitments and contingencies (continued)

(h) Guaranteed minimum return

As of September 30, 2022 and December 31, 2021, the subsidiary Administradora de Fondos de Pensiones Reservas, S. A., has a minimum annual return commitment, guaranteed by law, which shall be equal to the weighted average return of the pension funds of individually capitalization less two percentage points, as required by article 103 of Law 87-01. In accordance with Resolution 71/03 of SIPEN, dated April 25, 2003. If the return is below the weighted average calculated by the SIPEN, the *Administradora* would have a payment commitment with the fund.

28 Memorandum accounts (administration funds)

As of September 30, 2022 and December 31, the Bank maintains managed loan funds of the Government through funds from PROMIPYME and Solidarity Bank. The Bank receives for the administration of these funds, a percentage that goes from 2 % to 4.50 % on the value charged. Memorandum accounts presented in the Bank's consolidated balance sheet consist of:

	<u>2022</u>	<u>2021</u>
Funds under management by the Bank:		
PROMIPYME Resources	5,060,198	3,951,841
PROMIPYME - PROCREA	11	11
FONDO PYME EMPRENDE	-	59,541
PROMICENTRAL	76,698	77,311
PROMIPYME - Fonper funds	23,619	24,271
PROMIPYME - PRESAAC loans	374	374
MI PRIMER PROGRESO loans	8,852	9,065
Solidarity Bank	<u>3,191,915</u>	<u>3,750,035</u>
	<u>8,361,667</u>	<u>7,872,449</u>
Funds managed by the subsidiary -		
Pension Fund Management:		
Mandatory individual capitalization pension plan (Pension Fund T-1)	138,532,206	130,688,669
Pension fund of officers and employees of Banco de Reservas of the Dominican Republic (Pension Fund T-4)	19,462,199	19,080,985
Social solidary fund (Pension Fund T-5)	<u>59,579,228</u>	<u>55,024,618</u>
	<u>217,573,633</u>	<u>204,794,272</u>
	<u><u>225,935,300</u></u>	<u><u>212,666,721</u></u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

29 Financial income and expenses

A summary of financial income and expenses is as follows:

	<u>2022</u>	<u>2021</u>
Financial income:		
Loans portfolio:		
Commercial	13,339,177	12,385,105
Consumers	14,484,074	12,374,796
Mortgage	<u>3,917,535</u>	<u>3,187,586</u>
Subtotal	<u>31,740,786</u>	<u>27,947,487</u>
Investments:		
Available for sale	15,656,362	14,318,319
Gain on sale of investments	<u>2,399,241</u>	<u>12,217,060</u>
Subtotal	<u>18,055,603</u>	<u>26,535,379</u>
Other financial income:		
Available funds	1,764,590	1,572,203
Interbank funds	<u>11,199</u>	<u>158</u>
Subtotal	<u>1,775,789</u>	<u>1,572,361</u>
Insurance premiums net of returns and cancelations	<u>9,374,021</u>	<u>7,394,759</u>
Total	<u>60,946,199</u>	<u>63,449,986</u>
Financial expenses:		
Customer deposits	<u>(9,969,203)</u>	<u>(5,803,879)</u>
Subtotal	<u>(9,969,203)</u>	<u>(5,803,879)</u>
By financing:		
Financing-borrowed fund	(1,638,140)	(1,127,710)
Subordinated debts	<u>(1,609,355)</u>	<u>(1,455,165)</u>
Subtotal	<u>(3,247,495)</u>	<u>(2,582,875)</u>
Financial expenses:		
Loss on sale of investments	<u>(81)</u>	<u>(145)</u>
Subtotal	<u>(81)</u>	<u>(145)</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

29 Financial income and expenses (continued)

	<u>2022</u>	<u>2021</u>
Contractual losses and obligations	<u>(6,424,414)</u>	<u>(5,020,774)</u>
Expenses for technical adjustment to reserves	<u>(222,694)</u>	<u>(171,402)</u>
Acquisition expense, conservation and premium collection - commission and other acquisition costs of the insurance company	<u>(1,102,256)</u>	<u>(813,048)</u>
Total	<u>20,966,143</u>	<u>14,392,123</u>

30 Income (expense) for exchange differences

A summary of the main income and expenses due to exchange differences were recognized during the years ended September 30, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Income due to foreign exchange:		
Loan portfolio	6,780,497	3,524,864
Investments	6,426,552	3,829,908
Available funds	9,439,191	4,959,857
Accounts receivable	80,225	11,150
Adjustments for exchange rate differences	<u>39,984,222</u>	<u>19,885,536</u>
Subtotal	<u>62,710,687</u>	<u>32,211,315</u>
Expenses due to foreign exchange:		
Customer deposits	(16,060,249)	(8,996,015)
Borrowed funds	(5,300,084)	(2,757,122)
Adjustments for exchange rate differences	<u>(41,774,540)</u>	<u>(20,728,533)</u>
Subtotal	<u>(63,134,873)</u>	<u>(32,481,670)</u>
Total	<u>(424,186)</u>	<u>(270,355)</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

31 Other operating income (expense)

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

	<u>2022</u>	<u>2021</u>
Service fees:		
Drafts and wire transfers	289,954	249,895
For foreign trade	1,936	-
Certification and sales of bank's checks	45,741	44,845
Collections	1,657	77,397
Credit cards	4,059,536	2,369,508
Letters of credit	26,389	29,993
Collaterals granted	71,111	76,664
Credit lines	4,620	2,417
Other commissions collected	<u>5,532,789</u>	<u>5,137,449</u>
Subtotal	<u>10,033,733</u>	<u>7,988,168</u>
Exchange commissions:		
Gains on foreign exchange	<u>4,843,548</u>	<u>2,195,415</u>
Claims for medical services	460,556	381,020
Other services and contingencies	<u>2,343,385</u>	<u>1,871,193</u>
	<u>2,803,941</u>	<u>2,252,213</u>
Total	<u>17,681,222</u>	<u>12,435,796</u>
Other operating expenses:		
Services fees:		
Correspondents	(57,747)	(160,100)
Brokerage services	(217,825)	(54,984)
Other services	<u>(1,447,793)</u>	<u>(1,179,230)</u>
Subtotal	<u>(1,723,365)</u>	<u>(1,394,314)</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

31 Other operating income (expense) (continued)

	<u>2022</u>	<u>2021</u>
Miscellaneous expenses:		
Exchange commission	(86,998)	(10,476)
Other operating expenses	(2,287,149)	(1,741,380)
For amortization cost issuance of subordinated bonds	(20,215)	-
Commissions and sales of property	(9,585)	(12,698)
Claims for medical services	(900,918)	(832,342)
	<u>(3,217,867)</u>	<u>(2,586,420)</u>
Total	<u>(5,028,230)</u>	<u>(3,991,210)</u>

32 Other income (expenses)

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

	<u>2022</u>	<u>2021</u>
Other income:		
Recovery of written off assets	1,059,277	984,968
Non-financial investments (note 11)	331,677	270,000
Gain on sale of property, furniture and equipment	28,508	236
Gain on sales of assets received in lieu of foreclosure of loans	77,850	117,480
Leases of property	20,559	12,772
Others	1,254,539	782,247
Subtotal	<u>2,772,410</u>	<u>2,167,703</u>
Other expenses:		
Assets received in lieu of foreclosure of loans	(55,800)	(588,888)
Loss on sale of property, furniture and equipment	(72)	(11)
Loss on sales of assets received in lieu of foreclosure of loans	-	(859,183)
Other expenses:		
Uncollectibility accounts receivable (i)	(250,493)	(326,377)
Penalty for breach	-	(85)

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

32 Other income (expenses) (continued)

	<u>2022</u>	<u>2021</u>
Donations	(578,682)	(652,748)
Losses from thefts, assaults and frauds	(124,968)	(106,127)
Others	<u>(658,907)</u>	<u>(3,559,074)</u>
Subtotal	<u>(1,668,922)</u>	<u>(6,092,493)</u>
Total	<u>1,103,488</u>	<u>(3,924,790)</u>

(i) This basically corresponds to write-offs of impaired commissions receivable.

33 Salaries and compensations to personnel

A summary of salaries and compensations to personnel, is as follows:

	<u>2022</u>	<u>2021</u>
Wages, salaries and benefits		
to employees	12,108,727	10,507,755
Social security	995,760	912,805
Contributions to the pension plan (i)	1,029,269	1,774,813
Other personnel expenses	<u>5,585,729</u>	<u>4,394,340</u>
	<u>19,719,485</u>	<u>17,589,713</u>

(i) As of September 30, 2022 and December 31, 2021, includes an amount of RD\$23,334 and RD\$96,530, respectively, corresponding to a provision to cover the actuarial obligation of retired personnel of the Bank.

For the nine month periods ended September 30, 2022 and 2021, compensations to personnel include approximately RD\$3,658,386 and RD\$2,197,196, respectively, that corresponds to the executive management of the Bank which are defined as directors and above.

As of September 30, 2022 and 2021, the Bank has approximately 13,699 and 13,399 employees, respectively.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

34 Risk assessment

The Bank's credit risk management included the continuity of measures aimed at supporting debtors with the aim of reducing the impact of impairment in the loan portfolio as a result of COVID-19 pandemic. For the design of these strategies, an internal segmentation scheme was implemented whose main inputs are the payment behavior of debtors and their financial information and economic sector. For 2021, different strategies were maintained to continue managing the credit risk of the loan portfolio.

Considering the concentration of risks by economic activity, 45 % of the loan portfolio is represented by consumer and mortgage loans, segregated into a high number of debtors, so they do not constitute an individual concentration. The commercial portfolio is diversified in different sectors of the Dominican economy, so there is no concentration of risk in a specific sector. Regarding the tourism sector, one of the most affected by the pandemic, loan portfolio represents 6 % of the total private portfolio. See detail of the portfolio by economic sector in note 7 literal f).

A summary of assets and liabilities subject to the interest rate risks as of September 30, 2022 and December 31, 2021, is as follows:

Interest rate risk

	2022		2021	
	Local currency	Foreign currency	Local currency	Foreign currency
Assets sensitive to interest rate	661,832,425	167,001,425	599,677,539	164,773,583
Liabilities sensitive to interest rate	<u>(699,106,876)</u>	<u>(252,561,388)</u>	<u>(409,592,496)</u>	<u>(235,684,044)</u>
Net position	<u>(37,274,451)</u>	<u>(85,559,963)</u>	<u>190,085,043</u>	<u>(70,910,461)</u>
Interest rate exposure	<u>2,524,710</u>	<u>646,042</u>	<u>1,088,494</u>	<u>136,608</u>

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

34 Risk assessment (continued)

Liquidity risk (continued)

A summary of the most significant assets and liabilities according to their maturity date as of September 30, 2022 and December 31, 2021, is as follows:

	Up to 30 days	31 to 90 days	91 days to one year	One year to 5 years	More than 5 years	Total
September 30, 2022						
Assets:						
Cash and cash equivalents	218,537,034	-	-	-	-	218,537,034
Investments	119,112,202	21,883,230	207,473,495	50,956,332	-	399,425,259
Loans portfolio	32,908,133	32,049,998	90,035,886	155,317,088	113,793,052	424,104,157
Debtors by acceptances	10,057	38,474	-	-	-	48,531
Accounts receivable (i)	5,514,462	-	-	-	175,588	5,690,050
Investments in shares	-	-	-	-	1,600,884	1,600,884
Other assets	19,670	327,582	-	-	359,366	706,618
Total assets	<u>376,101,558</u>	<u>54,299,284</u>	<u>297,509,381</u>	<u>206,273,420</u>	<u>115,928,890</u>	<u>1,050,112,533</u>
Liabilities:						
Customers' deposits	555,951,635	140,418,513	83,991,906	22,878,772	9,197,066	812,437,892
Deposits from domestic and foreign financial entities	11,170,475	163,442	9,865,448	83,008	305,943	21,588,316
Borrowed funds	13,329,268	6,640	62,144,887	8,356,044	1,355,957	85,192,796
Outstanding acceptances	10,057	38,474	-	-	-	48,531
Other liabilities (ii)	11,352,185	-	5,846,601	821,999	10,585,586	28,606,371
Subordinated debt	-	406,422	16,177,815	9,920,798	10,000,000	36,505,035
Total liabilities	<u>591,813,620</u>	<u>141,033,491</u>	<u>178,026,657</u>	<u>42,060,621</u>	<u>31,444,552</u>	<u>984,378,941</u>
December 31, 2021						
Assets:						
Cash and cash equivalents	195,140,239	-	-	-	-	195,140,239
Investments	8,933,247	21,805,426	76,443,329	132,435,375	92,148,315	331,765,692
Loans portfolio	25,948,601	32,914,343	64,073,233	143,859,677	106,209,999	373,005,853
Debtors by acceptances	-	24,708	30,281	-	-	54,989
Accounts receivable (i)	5,431,195	-	-	-	218,124	5,649,319
Investments in shares	-	-	-	-	1,544,686	1,544,686
Total assets	<u>235,453,282</u>	<u>54,744,477</u>	<u>140,546,843</u>	<u>276,295,052</u>	<u>200,121,124</u>	<u>907,160,778</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

34 Risk assessment (continued)

Liquidity risk (continued)

	Up to <u>30 days</u>	31 to <u>90 days</u>	91 days to <u>one year</u>	One year to <u>5 years</u>	More than <u>5 years</u>	<u>Total</u>
December 31, 2021						
Liabilities:						
Customers' deposits	519,803,520	46,509,617	79,855,079	13,886,905	21,652,782	681,707,903
Deposits from domestic and foreign financial entities	40,672,298	835,068	1,318,623	177,365	620,867	43,624,221
Borrowed funds	2	27,058,584	11,460,297	33,141,628	1,433,260	73,093,771
Outstanding acceptances	-	24,708	30,281	-	-	54,989
Other liabilities (ii)	6,234,485	-	5,901,325	851,575	9,108,132	22,095,517
Subordinated debt	-	499,986	3,995	27,075,853	-	27,579,834
Total liabilities	<u>566,710,305</u>	<u>74,927,963</u>	<u>98,569,600</u>	<u>75,133,326</u>	<u>32,815,041</u>	<u>848,156,235</u>

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

(ii) Consists of transactions that represent an obligation to the Bank.

The liquidity ratios of the Bank as of September 30, 2022 and December 31, 2021, is as follows:

	<u>As of September 30, 2022</u>		<u>As of December 31, 2021</u>	
	<u>In local currency</u>	<u>In foreign currency</u>	<u>In local currency</u>	<u>In foreign currency</u>
Liquidity ratio:				
15 days adjusted	247.43 %	506.37 %	294.27 %	785.42 %
30 days adjusted	303.93 %	336.19 %	324.24 %	676.69 %
60 days adjusted	270.46 %	361.39 %	272.81 %	545.58 %
90 days adjusted	<u>260.15 %</u>	<u>341.58 %</u>	<u>285.17 %</u>	<u>481.91 %</u>
Position:				
15 days adjusted	72,215,867	1,175,918	62,167,631	1,599,822
30 days adjusted	111,468,725	1,054,602	71,907,205	1,594,103
60 days adjusted	119,292,596	1,166,531	76,480,762	1,594,898
90 days adjusted	125,321,802	1,275,426	91,054,675	1,599,583
Global (months)	<u>(69.91)</u>	<u>(57.05)</u>	<u>(12.85)</u>	<u>(50.34)</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

34 Risk assessment (continued)

Liquidity risk (continued)

Liquidity Risk Regulations requires that financial institutions must provide adjusted liquidity ratios in local and foreign currencies at 15 and 30 days no lower than 80 %, and at 60 and 90 days no lower than 70 %. As of September 30, 2022 and December 31, 2021, the liquidity ratios maintained by the Bank are higher than required.

35 Fair value of financial instruments

A summary of the fair value of financial instruments as of September 30, 2022 and December 31, 2021, is as follows:

	<u>September 30, 2022</u>		<u>December 31, 2021</u>	
	<u>Book</u>	<u>Fair</u>	<u>Book</u>	<u>Fair</u>
	<u>value</u>	<u>value</u>	<u>value</u>	<u>value</u>
Financial assets				
Cash and cash equivalents	218,537,034	218,537,034	195,140,239	195,140,239
Investments, net (a)	399,184,712	N/D	331,554,066	N/D
Loans portfolio, net (a)	399,583,679	N/D	346,708,588	N/D
Investments in shares, net (b)	<u>1,565,142</u>	<u>N/D</u>	<u>1,488,139</u>	<u>N/D</u>
	<u>1,018,870,567</u>	<u>218,537,034</u>	<u>874,891,032</u>	<u>195,140,239</u>
Liabilities				
Customer deposits	812,437,892	N/D	681,707,903	N/D
Deposits from domestic and foreign financial entities	21,588,316	N/D	43,624,221	N/D
Borrowed funds (a)	85,192,796	N/D	73,093,771	N/D
Subordinated debt	<u>36,505,035</u>	<u>28,615,203</u>	<u>27,579,834</u>	<u>28,615,203</u>
	<u>955,724,039</u>	<u>28,615,203</u>	<u>826,005,729</u>	<u>28,615,203</u>

N/D: Not available.

- (a) The Bank has not performed an analysis of the fair values of its loan portfolio, customer deposits, deposits in domestic and foreign financial institutions, securities on repurchase agreement, borrowed funds and outstanding securities, which market values might be affected by changes in the interest rates.
- (b) There is not an active stock market in the Dominican Republic where the fair values of these investments can be obtained.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

36 Operations 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 the related parties of the financial institutions.

The most important operations and balances with related parties in accordance with the criteria established by the Regulation on Credit Limits to Related Parties as of September 30, 2022 and December 31, 2021, are as follows:

	<u>Current loans</u>	<u>Past due loans</u>	<u>Total</u>	<u>Collaterals</u>
September 30, 2022				
Related to ownership	38,101,425	-	38,101,425	-
Related to management	<u>24,279,285</u>	<u>161,832</u>	<u>24,441,117</u>	<u>12,796,774</u>
	<u>Current loans</u>	<u>Past due loans</u>	<u>Total</u>	<u>Collaterals</u>
December 31, 2021				
Related to ownership	40,486,791	-	40,486,791	-
Related to management	<u>17,334,409</u>	<u>136,063</u>	<u>17,470,472</u>	<u>10,452,350</u>

The loans related to ownership correspond to loans to the Dominican Republic Government and its agencies, which are excluded for the determination of technical relations related to credit concentration. A significant proportion of assets and liabilities, as well as financial income and expenses, relate to balances held and transactions carried out with public sector entities.

As of September 30, 2022 and December 31, 2021, there are credits granted to contractors and suppliers of the Dominican State for approximately RD\$2,288,449 and RD\$2,435,000, respectively, which are guaranteed by the Dominican State and are classified as loans provided to the private sector, in accordance with resolutions of the Monetary Board as disclosed in note 7.

As of September 30, 2022 and December 31, 2021, loans related to the management of the Bank includes RD\$24,441,117 and RD\$17,186,000, respectively, which were provided to employees and relatives by consanguinity at an interest rate on more favorable terms than with non-related parties in accordance with the policy for personnel incentives. Similarly, deposits with related parties maintain interest rates at different conditions from those with unrelated parties.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

36 Operations with related parties (continued)

The main balances and transactions with related parties through ownership for the years ended September 30, 2022 and December 31, 2021, include:

	<u>Balance</u>		<u>Effects on Revenues (Expenses)</u>	
	September 30, <u>2022</u>	December 31, <u>2021</u>	Nine month periods ended at September 30,	
			<u>2022</u>	<u>2021</u>
Cash and cash equivalents	172,922,852	159,551,849	-	-
Other investments in				
debt securities	171,309,984	88,839,549	9,158,821	4,082,560
Loans portfolio	38,101,425	40,499,866	2,241,115	2,852,197
Interests receivable	3,253,035	3,851,489	-	-
Customers' deposits -				
checking	111,569,162	119,608,984	81,417	229,153
Customers' deposits -				
saving	39,620,662	20,665,536	(13,672)	-
Customers' deposits -				
time	191,311,997	67,151,663	(4,379,917)	(908,193)
Accounts receivable	740	69	-	-
Other liabilities	<u>4,657,882</u>	<u>968,338</u>	<u>-</u>	<u>-</u>

Other transactions with identifiable related parties performed during the periods ended September 30, 2022 and December 31, 2021 include:

	<u>Balance</u>		<u>Effects on Revenues (Expenses)</u>	
	September 30, <u>2022</u>	December 31, <u>2021</u>	Nine month periods ended at September 30,	
			<u>2022</u>	<u>2021</u>
Loans portfolio	13,106,230	13,525,891	379,278	438,988
Accounts receivable to				
officers and employees	58,971	44,891	-	-
Other assets	195,262	302,943	(190,629)	(212,494)
Officers and employees				
deposits	<u>7,544,134</u>	<u>7,506,601</u>	<u>89,580</u>	<u>(163,835)</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

37 Pension fund

The Bank makes contributions to the following pension plans:

- a) A pension plan with defined benefits and other pension for employees not covered by the Social Security Law No. 87-01 of May 9, 2001, which established the Social Security System of the Dominican Republic. Until June 30, 2014, contributions to this plan were 12.5 % of the monthly salaries paid to officials and employees. From July 1st, 2014, this contribution was increased to 17.5 %, plus 2.5 % of the gross profits of the Bank, as provided by the statute of the Pension Plan approved by the Board of Directors. As of December 31, 2020, through the First Resolution of the Board of Directors, dated December 17, 2020, the contribution of 2.5 % of the Bank's annual gross profits is canceled, due to a surplus of the pension plan. A summary of the financial information of the (unaudited) plan, is as follows:

	<u>2022</u>
Present value of obligations	
for past services	(18,811,495)
Net assets of the plan	<u>19,120,082</u>
Net position of the plan	<u><u>308,587</u></u>

The expense recognized during the periods of nine month ended at September 30, 2022 and 2021, were RD\$ 598,428 and RD\$925,561, respectively, and includes extraordinary contributions of RD\$ 140,000 and RD\$296,876, respectively approved by the Board of Directors through its twenty-seventh resolution of April 13, 2021. These contributions were approved for a period of five years through 2025 and is presented as part of other operating expenses in the accompanying consolidated statements of profit or loss for those years.

By Circular SB ADM/0681/10 of December 31, 2010, the Superintendence of Banks did not object that the Bank recognize, since 2011, an extraordinary payment of RD\$242.3 million for a period of nine years, to cover the actuarial deficit determined in accordance to the actuarial study conducted in 2007. For such purpose, the Bank was required to submit to the Superintendence of Banks, the Board of Directors' Minutes that approved the transactions, a study with its recommendations on the financial position and viability over the next nine years and the balance of the actuarial deficit of the plan as of December 31, 2010. This information was provided to the Superintendence of Banks through Communication ADM-1384-11 dated March 14, 2011. This circular remained in effect until June 30, 2020.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

37 Pension fund (continued)

Actuarial assumptions

As of September 30, 2022 and December 31, 2021, the principal actuarial assumptions and other basic information of the plan used in determining the actuarial liabilities, are as follows:

	<u>2022</u>
Mortality table	SIPEN 2011 (M-F)
Rate of return on assets	9.00 %
Long- term annual discount rate	9.00 %
Annual salary increase scale	6.00 %
Long-term <i>annual inflation rate</i>	<u>4.50 %</u>

A summary of the number and amount of current pensions as of September 30, 2022 and December 31, 2021, is as follows:

	<u>2022</u>
Number of members	1,303
Average retirement age	50
Average monthly salary	<u>114</u>

- b) As of September 30, 2022 and December 31, 2021, the Bank maintains a provision for approximately RD\$733,000 and RD\$709,000, respectively to cover actuarial obligations of employees and pensioned officers directly instructed by the Bank and approved by the Board of Directors. The number of employees maintained in this pension plan amounts to 28. This obligation is calculated by estimating the amount of the future benefit that employees have earned in the current period and in previous periods.

Actuarial assumptions (continued)

This provision is based on an actuarial evaluation that determines the present value of this obligation. A detail of the actuarial assumptions used by the Bank as of September 30, 2022 and December 31, 2021, is as follows:

Mortality table	SIPEN 2011 (M-F)
Asset rate of return	9.00 %
Long-term annual discount rate	9.00 %
Annual salary increase scale	6.00 %
Long-term annual inflation rate	<u>4.50 %</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

37 Pension fund (continued)

- c) A defined contribution plan for employees who are affiliated to the Social Security System of the Dominican Republic, created by Law No. 87-01 published on May 9, 2001. The mentioned law establishes a Contributive Regime that covers public and private workers and employers, including the Dominican State as employer. The Bank's officers and employees are affiliated with various pension fund administrators, mainly the Administradora de Fondos de Pensiones Reservas, S. A.

38 Non-monetary transactions

Non-monetary transactions are as follows:

	<u>2022</u>	<u>2021</u>
Write-off of loan portfolio and interests receivable	3,229,811	4,702,998
Write-offs of goods received in recovery of credit	-	86,722
Assets received in lieu of foreclosure of loans	1,094,804	954,001
Transfer between allowance for risky assets:		
Loan portfolio	(310,852)	2,895,596
Investments	5,000	10,000
Interests receivable	(12,327)	(898,577)
Assets received in lieu of foreclosure of loans	318,179	(2,007,019)
Sales of assets received in lieu of foreclosure of loans by new credit facilities	-	848,503
Withdrawal of allowances for sales of goods awarded	264,332	574,893
Transfers from property, furniture and equipment:		
Operating expenses	-	108,516
Accounts receivable	-	10,670
Assets received in lieu of foreclosure of loans	-	14,393
Equity on earnings in associated companies	-	351,883
Amortization of premium and discount on investments, net	-	1,480,821
Transfers of net profit of the period to other equity reserves	-	9,784,093
Dividends paid by offsetting the debt of the Dominican Republic State's institutions:		
Equity-retained earnings from previous periods	<u>2,619,450</u>	<u>1,560,058</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

39 Other disclosures**39.1 COVID-19 impact**

On March 11, 2020, the World Health Organization declared the strain of the coronavirus disease called COVID-19. In the Dominican Republic, multiple cases of this virus have been reported and in that same month, government authorities ordered the closure of most economic activities at the national level and whose gradual reopening began at the end of May. Additionally, various measures have been adopted that have impacted different economic sectors. In this sense, the Bank by instructions of the Superintendence of Banks through Circular No. 014/20, dated June 17, 2020, established several measures on flexible provisions and publication of the "Guidelines for filling out the Provisions / COVID Form", to be considered in the calculation of the solvency index. Additionally, the Bank used a set of measures aimed at reducing the impact of this situation on its debtors, which have impacted its economic activity.

On October 14, 2021, the Superintendence of Banks issued Circular No. 016/21, which established measures to be followed by financial intermediation entities and other users to prevent the spread of COVID-19 after the lifting of the state of emergency in the country. Subsequently, on February 16, 2022, the Dominican Government suspended the restrictive measures associated with the pandemic.

40 Notes required from the Superintendence of Banks of the Dominican Republic

Resolution No. 13-94 of the Superintendence of Banks of the Dominican Republic and its amendments sets the minimum disclosure requirements that the consolidated financial statements of financial institutions should include. As of September 30, 2022, the following notes are not included because they are not applicable:

- ◆ Changes in accounting policies.
- ◆ Earnings per shares.
- ◆ Significant discontinued operations.
- ◆ Changes in share ownership.
- ◆ Regular reclassification of significant liabilities.
- ◆ Gains or loss on disposal of fixed assets or other assets in subsidiaries, branches or offices abroad.
- ◆ Effect of changes in the fair value over the carrying amount of investments in securities.