

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

Consolidated financial statements


December 31, 2022

(With Independent Auditors' Report)

(Free Translation from the Original Spanish-Language Version)



KPMG Dominicana, S.A.
Acropolis Center, Suite 2300
Av. Winston Churchill
Apartado Postal 1467
Santo Domingo, República Dominicana

Teléfono (809) 566-9161
Telefax (809) 566-3468
RNC 1-01025913
 KPMG REPÚBLICA
DOMINICANA

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples and its Subsidiaries (the Bank), which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statements of profit or loss, cash flow and changes in equity for the year then ended, and notes to the consolidated financial statements comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples and its Subsidiaries as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with accounting practices established by the Superintendence of Banks of the Dominican Republic, as described in note 2 to the accompanying consolidated financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Bank in accordance with the Code of Ethics for Accountants of the International Ethics Standards Boards of Accountants (IESBA), together with the ethics requirements issued by the Institute of Certified Public Accountants of the Dominican Republic (ICPARD, per its Spanish acronyms), which are applicable to our Audit of the consolidated financial statements in the Dominican Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to notes 1 and 40 to the consolidated financial statements. As at December 31, 2022 and for the year then ended, for its condition of being the Bank of the Dominican Republic State, a significant proportion of assets and liabilities, as well as financial income and expenses, correspond to balances held and transactions performed with entities of the government sector. Our opinion is not modified in respect of this matter.

(Continues)

Key audit matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimation and accounting of allowance for the portfolio of major and medium-sized private commercial debtors and additional allowance

See notes 2.9.2, 2.9.3, 8, 16 and 38 to the accompanying consolidated financial statements.

The key audit matter

The estimation of allowance for the portfolio of major and medium private commercial debtors and additional allowance is a key audit matter, due to the nature of the calculations, judgments and analysis of management, the allowance requirements that must be complied with the Bank's direction in accordance with the parameters established by the Monetary and Financial Authority and the importance of this estimate in relation to the credit portfolio and the results of the period.

The net loan portfolio represents approximately 39% of the Bank's total assets. The allowance for the portfolio of major and medium private commercial debtors and the additional allowance are determined following the criteria established by the Monetary and Financial Authority, mainly in the Asset Evaluation Regulations, as well as resolutions, circulars, methodology established by the Bank for the determination of the additional allowance and other related documents, including those associated with the effects of the COVID-19 pandemic.

How the matter was addressed in the audit

Our most relevant audit procedures in relation to the estimation of allowance for the portfolio of large and medium-sized private commercial debtors and additional allowance, and their corresponding accounting, included the following:

- ◆ Obtaining an understanding and test the relevant controls that the Bank maintains regarding the design, implementation and operational efficiency for the approval and disbursement of loans.
- ◆ Obtaining an understanding and test the relevant controls related to the determination, accounting and disclosure of the allowance for the loan portfolio.
- ◆ Obtaining the reconciliation of the general ledger to the sub-ledger of the loan portfolio and observed the mathematical accuracy of the reconciliation.
- ◆ Selecting a representative sample of the portfolio of large and medium-sized private commercial debtors to recalculate the required allowance based on parameters established by current regulations. This recalculation includes the evaluation of payment capacity, the payment history and the admissibility of collateral provided.

(Continues)

The key audit matter***How the matter was addressed in the audit***

- ◆ Comparing the results obtained with the allowance reported in the self-assessment of the loan portfolio carried out by the Bank, sent to the Superintendence of Banks of the Dominican Republic and recognized for in the consolidated financial statements.
- ◆ Recalculating the aging assigned by the Bank's system and reported to the Superintendence of Banks of the Dominican Republic.
- ◆ Recalculating the allowance of the loan portfolio based on its payment behavior, as stipulated in the Asset Evaluation Regulations, as well as in resolutions, circulars and other related documents.
- ◆ Analyzing the methodology used by the Bank for the constitution of additional allowance, endorsed by the authorization levels of the competent internal body, following measures adopted by the Monetary and Financial Authority in resolutions, circulars and other related documents.
- ◆ Using sampling techniques, selected several credits written-off and we observed these write-offs have been carried out following the Bank's policy and what is established in the Asset Evaluation Regulations.
- ◆ Verifying, for applicable cases, the Bank has the proper authorization from the Monetary and Financial Authority to specific measures and provisions for the recognition of allowances and classification of some credits granted for specific sectors of the Dominican Republic economy.

(Continues)

Technical reserves

See notes 2.31, 2.34 and 21, to the accompanying consolidated financial statements.

The key audit matter

The technical reserves correspond to the estimate of the reserves of insurance contracts, which is a key audit matter because it involves significant judgments and estimates by management and it is determined on the basis of actuarial calculations, specific estimation of losses from reported claims and guidelines established in Law No. 146-02 on Insurance and Bonds of the Dominican Republic.

The calculation of these reserves is performed on the basis of the net premiums for individual life insurance and on the basis of survival probabilities for pension plans according to the interest rate and the mortality tables used by the insurance company subsidiary. Specific reserves represent an important liability in the Bank's statement of financial position, which are determined based on estimation of specific losses according to reported claims and following the guidelines of Law No. 146-02 on Insurance and Bonds of the Dominican Republic.

How the matter was addressed in the audit

Our audit procedures in this area included, among others:

- ◆ Evaluating relevant controls related to the opening, recognition and payment of insurance claims.
- ◆ Using our specialists in actuarial calculations to evaluate the significant assumptions used by management to estimate disability and survivorship reserves.
- ◆ Using a sampling tool, select a representative sample of claims paid and with pending payment during the period, and observe the basis used to create the reserve, as well as approval and authorization from management.
- ◆ Observing subsequent payments made on the reserves with pending payments at the end of the year, to identify significant deviations between the liability created and its payment.
- ◆ Recalculating unearned premium reserves using basis and percentages established by applicable regulations. Comparing the results obtained with the reserve recognized in the consolidated financial statements and observe that the releases and constitutions of reserves have been performed appropriately.

(Continues)

Other matter

The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows of the Bank in accordance with the accounting principles of jurisdictions other than the Dominican Republic. Therefore, the consolidated statement of financial position and the consolidated statements of profit or loss, changes in equity and cash flows and changes in equity and their use are not designed for those who are not informed about the accounting practices and procedures established by the Superintendence of Banks of the Dominican Republic.

Responsibilities of management and those charged with governance of the Bank for the consolidated financial statements

The Bank's management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting standards of the Superintendence of Banks of the Dominican Republic, which is an integral basis of accounting different from the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(Continues)

- ◆ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- ◆ We evaluate the adequacy of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charge with the Bank's governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charge with the governance of the Bank with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

(Continues)



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

A stylized, handwritten signature of the letters 'KPMG' in black ink.

Registration in SB no. A-006-0101

A handwritten signature in black ink, which appears to read 'Marisol G. González' followed by a small symbol.

CPA Marisol González
Partner in charge of the audit
Registration in the ICPARD no. 10355

March 29, 2023

Santo Domingo,
Dominican Republic

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

Consolidated Statement of Financial Position

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (DOP)

	<u>At December 31,</u>	
	<u>2022</u>	<u>2021 (reclassified, note 42)</u>
ASSETS		
Cash and cash equivalents (notes 4, 30, 38, 40 and 42)	<u>285,260,942</u>	<u>222,811,485</u>
Investments (notes 6, 16, 30, 38, 40, 41 and 42)		
Available for sale	285,236,829	285,259,445
Held-to-maturity	18,941,316	19,106,947
Allowance for investments	<u>(260,357)</u>	<u>(223,446)</u>
Subtotal	<u>303,917,788</u>	<u>304,142,946</u>
Derivatives and sales contracts cash (notes 7, 38 and 42)	<u>-</u>	<u>80,958</u>
Loans portfolio (notes 8, 16, 29, 38, 40, 41 and 42)		
Current	411,389,664	361,320,895
Restructured	7,360,318	3,038,704
Overdue (31 to 90 days)	225,164	185,852
Past due (more than 90 days)	1,963,844	3,940,472
In legal collection	10,655	346,600
Interests receivable	3,684,665	4,173,330
Allowance for loans	<u>(23,344,110)</u>	<u>(26,297,265)</u>
Subtotal	<u>401,290,200</u>	<u>346,708,588</u>
Debtors by acceptances (notes 9, 38 and 42)	<u>51,540</u>	<u>54,989</u>
Accounts receivable (notes 10, 38, 40, 41 and 42)	<u>7,488,672</u>	<u>5,568,361</u>
Assets received in lieu of foreclosure of loans, net (notes 11, 16, 41 and 42)	<u>432,569</u>	<u>310,473</u>
Equity-accounted investees (notes 12, 16, 36, 38, 41, and 42)		
Associates	1,687,795	1,499,702
Allowance	<u>(26,747)</u>	<u>(44,727)</u>
Subtotal	<u>1,661,048</u>	<u>1,454,975</u>
Property, furniture and equipment, net (notes 13, 25, 41 and 42)	<u>13,827,503</u>	<u>13,427,358</u>
Properties under development intended for sale and lease (notes 14 and 42)	<u>5,286,087</u>	<u>5,391,850</u>
Other assets (notes 15, 37 and 42)		
Deferred charges	16,259,052	12,855,902
Intangibles	1,087,667	1,553,227
Other assets	<u>632,192</u>	<u>506,799</u>
Subtotal	<u>17,978,911</u>	<u>14,915,928</u>
TOTAL ASSETS	<u>1,037,195,260</u>	<u>914,867,911</u>

(Continues)

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

Consolidated Statement of Financial Position

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (DOP)

	<u>At December 31,</u>	
	2022	2021 (reclassified, note 42)
LIABILITIES AND EQUITY		
LIABILITIES		
Customers' deposits (notes 17, 30, 38, 40 and 42)		
Checking	219,496,063	179,569,718
Savings	320,700,051	298,050,951
Time	217,379,211	203,909,298
Interests payable	531,999	177,936
Subtotal	<u>758,107,324</u>	<u>681,707,903</u>
Deposits from domestic and foreign financial entities (notes 18, 38 and 42)		
From domestic financial institutions	43,439,143	43,596,873
Interests payable	164,248	27,348
Subtotal	<u>43,603,391</u>	<u>43,624,221</u>
Borrowed funds (notes 19, 38, 40 and 42)		
From Central Bank	27,831,399	32,924,594
From domestic financial entities	800,000	916,000
From foreign financial entities	58,558,815	36,287,516
Others financing	1,806,048	2,515,455
Interests payable	1,350,770	450,206
Subtotal	<u>90,347,032</u>	<u>73,093,771</u>
Outstanding acceptances (notes 9, 38 and 42)	<u>51,540</u>	<u>54,989</u>
Creditors for insurance and bank guarantees (notes 23 and 42)	<u>2,462,329</u>	<u>3,145,525</u>
Insurance premium deposits	<u>492,556</u>	<u>449,124</u>
Other liabilities (notes 16, 20, 27, 37, 38, 40, and 42)	<u>24,970,807</u>	<u>22,552,293</u>
Technical reserves (notes 21, 38 and 42)		
Mathematical and technical life insurance reserves	360,424	258,591
Reserves for unearned insurance premiums	7,177,538	5,778,080
Subtotal	<u>7,537,962</u>	<u>6,036,671</u>
Assimilated capital obligations (notes 24, 37 and 41) - subordinated obligations	<u>37,648,320</u>	<u>27,579,834</u>
TOTAL LIABILITIES	<u>965,221,261</u>	<u>858,244,331</u>
NET EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (notes 25, 41 and 42)		
Paid-in capital	39,000,000	10,000,000
Other equity reserves	23,119,085	38,903,588
Revaluation surplus	646,078	666,545
Retained earnings from previous periods	55,700	229,127
Net income for the year	8,810,332	6,522,728
	71,631,195	56,321,988
Non-controlling interests	342,804	301,592
TOTAL EQUITY	<u>71,973,999</u>	<u>56,623,580</u>
TOTAL LIABILITIES AND EQUITY	<u>1,037,195,260</u>	<u>914,867,911</u>
Contingent accounts (notes 22 and 27)	<u>1,260,302,602</u>	<u>1,058,687,517</u>
Memorandum accounts (note 29)	<u>2,130,274,449</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 Statement of Profit or Loss

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (DOP)

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021 (reclassified, note 42)</u>
Financial income (notes 4, 5, 6, 30, 40 and 42)		
Interest for available funds	2,791,331	662,505
Interest on interbank funds	24,972	70
Interest on loan portfolio	44,191,578	37,796,366
Interest on investments	22,270,571	20,285,805
Gains on sale of investments	5,318,443	13,819,905
Insurance premiums net of returns and cancellations	14,238,122	12,217,915
Subtotal	<u>88,835,017</u>	<u>84,782,566</u>
Financial expenses (notes 17, 18, 19, 24, 30, 40 and 42)		
Interest on deposits	(14,837,676)	(7,559,696)
Interest on borrowed funds	(5,070,638)	(3,416,313)
Loss on sale of investments	(81)	(163)
Insurance claims and contractual obligations	(9,715,221)	(8,284,028)
Expenses related to technical adjustment to reserves	(399,357)	(207,306)
Expenses related to acquisition, conservation and collection of insurance premiums	(1,634,229)	(1,226,789)
Subtotal	<u>(31,657,202)</u>	<u>(20,694,295)</u>
Net result of financial assets at fair value (notes 7 and 42)		
Derivatives	(1,469,466)	89,308
Gross financial margin	<u>55,708,349</u>	<u>64,177,579</u>
Allowance for loan losses (note 16)	(2,179,891)	(9,697,807)
Allowance for investments (note 16)	(3,500)	-
Subtotal	<u>(2,183,391)</u>	<u>(9,697,807)</u>
Net financial margin	<u>53,524,958</u>	<u>54,479,772</u>
Foreign exchange gain (loss) (note 31)	<u>(604,379)</u>	<u>(186,230)</u>
Other operating income (notes 32, 40 and 42)		
Commissions for services	14,048,476	11,153,213
Foreign exchange commissions	6,645,048	2,952,693
Miscellaneous income	4,294,484	3,321,724
Subtotal	<u>24,988,008</u>	<u>17,427,630</u>
Other operating expenses (notes 32, 40 and 42)		
Commissions for services	(2,608,945)	(2,019,071)
Foreign exchange commissions	(131,212)	(15,423)
Miscellaneous expenses	(4,378,717)	(3,483,070)
Subtotal	<u>(7,118,874)</u>	<u>(5,517,564)</u>
Gross operating profit	<u>70,789,713</u>	<u>66,203,608</u>
Operating expenses (notes 13,15,16, 28, 33, 34 and 42)		
Salaries and personnel compensation	(27,912,683)	(24,703,220)
Professional fees	(4,726,495)	(5,225,492)
Depreciation and amortization	(2,146,505)	(2,006,467)
Other provisions	(188,439)	(2,212,927)
Other expenses	(14,313,909)	(9,427,598)
Subtotal	<u>(49,288,031)</u>	<u>(43,575,704)</u>
Net operating profit	<u>21,501,682</u>	<u>22,627,904</u>

(Continues)

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

Consolidated Statement of Profit or Loss

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (DOP)

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021 (reclassified, note 42)</u>
Other income (expenses) (notes 35 and 42)		
Other income	4,354,595	3,308,986
Other expenses	<u>(2,533,034)</u>	<u>(7,639,883)</u>
Subtotal	<u>1,821,561</u>	<u>(4,330,897)</u>
Profit before income tax	23,323,243	18,297,007
Income tax (notes 37 and 42)	<u>(1,255,748)</u>	<u>(1,930,044)</u>
Net income for the period	<u>22,067,495</u>	<u>16,366,963</u>
ATTRIBUTABLE TO:		
Owners of the Bank (Parent Company)	22,025,829	16,306,821
Non-controlling interests	<u>41,666</u>	<u>60,142</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 Cash Flows

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (DOP)

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021 (reclassified, note 42)</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Interest and commissions collected from loans	43,795,715	38,172,910
Other financial income collected	35,970,799	30,156,621
Other operating income collected	23,724,118	16,893,208
Insurance premium collected	14,319,414	12,218,148
Increase in insurance and guarantees	(1,214,249)	(350,241)
Interest paid on deposits	(10,875,271)	(5,407,274)
Interest and commissions paid on borrowed funds	(4,151,198)	(3,442,652)
Gain (loss) on derivatives and contracts for sale in cash	(1,388,508)	8,350
General and administrative expenses paid	(46,931,245)	(39,338,017)
Other operating expenses paid	(7,089,293)	(5,491,959)
Income taxes paid	(1,844,576)	(7,883,347)
Insurance claims and contractual obligation	(9,715,221)	(8,284,028)
Miscellaneous collections (payments) by operating activities	1,101,755	(2,199,755)
	<u>35,702,240</u>	<u>25,051,964</u>
Net cash provided by operating activities		
CASH FROM INVESTMENT ACTIVITIES		
Increase in investments	(4,794,956)	(65,812,441)
Loans granted	(217,532,660)	(257,133,732)
Loans collected	162,211,762	199,466,064
Interbank funds granted	(11,100,000)	(100,000)
Interbank funds collected	11,100,000	100,000
Acquisition of minority interest	(173)	(39,321)
Acquisition of property for sale and lease considered as an investment	(58,875)	(4,628,477)
Acquisition of property, furniture and equipment	(3,511,023)	(2,171,111)
Proceeds from sale of property, furniture and equipment	117,004	11,071
Proceeds from sale of assets received in lieu of foreclosure of loans	575,811	646,798
	<u>(62,993,110)</u>	<u>(129,661,149)</u>
Net cash used in investment activities		
CASH FROM FINANCING ACTIVITIES		
Deposits received	10,760,760,831	7,855,906,317
Returned deposits	(10,689,422,016)	(7,690,607,636)
Borrowed funds received	146,733,023	137,879,812
Borrowed funds paid	(130,248,444)	(121,974,899)
Proceeds from issue of subordinated obligations	10,000,000	-
Dividends paid and other payments to shareholders	(8,083,067)	(2,719,253)
	<u>89,740,327</u>	<u>178,484,341</u>
Net cash provided by financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	62,449,457	73,875,156
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>222,811,485</u>	<u>148,936,329</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>285,260,942</u>	<u>222,811,485</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 (DOP)

	Years ended December 31,	
	2022	2021
		(reclassified, note 42)
Reconciliation between the net profit for the period and net cash provided by operating activities		
Net income for the period	<u>22,067,495</u>	<u>16,366,963</u>
Adjustments to reconcile net profit for the period to net cash provided by operating activities:		
Provisions:		
Allowance for risky assets and contingencies	2,371,830	11,910,734
Increase in mathematical and technical reserves	399,357	207,306
Depreciation and amortization	2,168,347	2,024,760
Assets discharged and recognized in expenses	130,225	108,516
Deferred income tax	89,004	83,909
Gain on sale of property, furniture and equipment	(12,664)	(2,243)
Loss on sale of assets received in lieu of foreclosure of loans	(187,649)	721,987
Income from recovery of credits written off with assets received	(324,638)	(435,860)
Impairment of property, furniture and equipment	1,135,284	-
Equity on earnings in other companies	(433,684)	(346,952)
Impairment of assets received in lieu of foreclosure of loans	656	607,748
Amortization of investment premiums and discounts, net	4,838,253	1,480,821
Currency exchange rate fluctuations in derivatives	-	(80,958)
Loan portfolio discount amortization	(189,598)	-
Currency exchange rate fluctuations, net	(659,511)	(348,192)
Amortization of debt issuance cost and discount on subordinated debts	48,457	44,948
Reinvested interest from deposits	3,042,899	2,231,378
Expenses for uncollectibility of accounts receivable	390,212	457,497
Expenses related to loans under COVID-19 flexible measures	-	2,231,244
Net change in assets and liabilities:		
Interests receivable	521,045	(5,715,778)
Debtors by acceptances	3,449	89,875
Accounts receivable	(2,310,019)	(974,075)
Properties under development intended for sale and lease	153,129	44,032
Deferred charges	(3,403,150)	(8,521,813)
Intangibles	(30,930)	(78,803)
Other assets	(123,647)	368,299
Derivatives and sales contracts cash	80,958	-
Interests payable	1,820,070	(124,638)
Outstanding acceptances	(3,449)	(89,875)
Creditors of insurance and bank guarantees	(683,196)	728,033
Insurance premium deposits	43,432	69,893
Other liabilities	3,658,339	1,848,477
Technical reserves	<u>1,101,934</u>	<u>144,731</u>
Total adjustments	<u>13,634,745</u>	<u>8,685,001</u>
Net cash provided by operating activities	<u>35,702,240</u>	<u>25,051,964</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 Changes in Equity

Years ended December 31, 2022 and 2021

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (DOP)

	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, as previously reported (note 3)	10,000,000	29,119,495	677,685	2,969,604	217,987	4,160,155	47,144,926	399,927	47,544,853
Adjustment for change in accounting policies (notes 3 y 42)	-	-	-	(2,969,604)	-	-	(2,969,604)	-	(2,969,604)
Balances at January 1st, 2021, after adjustment (note 3)	10,000,000	29,119,495	677,685	-	217,987	4,160,155	44,175,322	399,927	44,575,249
Transfer to retained earnings	-	-	-	-	4,160,155	(4,160,155)	-	-	-
Dividends paid in cash to non-controlling interest	-	-	-	-	-	-	-	(119,156)	(119,156)
Decrease in minority ownership	-	-	-	-	-	-	-	(39,321)	(39,321)
Dividends paid to the Dominican Republic Government (note 25):									
Cash	-	-	-	-	(2,600,097)	-	(2,600,097)	-	(2,600,097)
Debt amortization of the Dominican Republic State	-	-	-	-	(1,560,058)	-	(1,560,058)	-	(1,560,058)
Effect of depreciation on revaluated assets (note 25)	-	-	(11,140)	-	11,140	-	-	-	-
Net income for the year	-	-	-	-	-	16,306,821	16,306,821	60,142	16,366,963
Transfer to other reserves (note 25)	-	9,784,093	-	-	-	(9,784,093)	-	-	-
Balances at December 31, 2021	10,000,000	38,903,588	666,545	-	229,127	6,522,728	56,321,988	301,592	56,623,580
Balances at January 1st, 2021, as previously reported (note 3)	10,000,000	38,903,588	666,545	(226,962)	229,127	6,522,728	56,095,026	301,592	56,396,618
Adjustment for change in accounting policies (notes 3 y 42)	-	-	-	226,962	-	-	226,962	-	226,962
Balances at January 1st, 2021, after adjustment (note 3) (reclassified note 42)	10,000,000	38,903,588	666,545	-	229,127	6,522,728	56,321,988	301,592	56,623,580
Transfer to retained earnings	-	-	-	-	6,522,728	(6,522,728)	-	-	-
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	-	-	-	-	(4,248,718)	-	(4,248,718)	-	(4,248,718)
Debt amortization of the Dominican Republic State	-	-	-	-	(2,447,437)	-	(2,447,437)	-	(2,447,437)
Reinvestment of dividends, Law No. 1-22	29,000,000	(29,000,000)	-	-	-	-	-	-	-
Effect of depreciation on revaluated assets	-	-	(20,467)	-	-	-	(20,467)	-	(20,467)
Net income for the year	-	-	-	-	-	22,025,829	22,025,829	41,666	22,067,495
Transfer to other reserves (note 25)	-	13,215,497	-	-	-	(13,215,497)	-	-	-
Balances at December 31, 2022	39,000,000	23,119,085	646,078	-	55,700	8,810,332	71,631,195	342,804	71,973,999

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

(Amounts in Thousands of DOP)

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.

The parent Company 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-Oficio 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 DOP)

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 December 31, 2022 and 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	116	364	8	113	353	8
Provinces	<u>192</u>	<u>442</u>	<u>-</u>	<u>188</u>	<u>408</u>	<u>-</u>
	<u>308</u>	<u>806</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 December 31, 2022 and 2021, the network of subagents was 966 (358 in the metropolitan area and 608 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 March 28, 2023.

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 Supervised Entities, 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. International Financial Reporting Standards (IFRS) are applied in certain situations not provided for in the aforementioned accounting framework. 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 DOP)

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 lands and buildings that existed as of December 31, 2004 that were revaluated to present it at fair value (note 13).

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 (DOP).

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 the allowance for risky assets, depreciation, amortization, impairment of long-term assets, income tax, technical reserves for insurance contingencies and pension and retirement obligations. Actual results may differ from those estimates.

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:

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

<u>Subsidiaries</u>	<u>Percentage of ownership (%)</u>
<i><u>Directly subsidiaries:</u></i>	
Tenedora Reservas, S. A. and Subsidiaries	97.74
Administradora de Riesgo de Salud Reservas, Inc.	100
<i><u>Indirectly subsidiaries:</u></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	97.74
Reservas Holdings, Ltd.	<u>96.28</u>

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.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

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.

(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.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

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.

(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) Reservas Asistencia, S.A.S.

Incorporated under the laws of the Dominican Republic, its main purpose is to offer all types of road assistance services within the national territory, especially to vehicle drivers and their companions due to accidents and any other eventuality that occurs during the trip, both to the person and the property.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

(h) *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.

(i) *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.

(j) *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.

(k) *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.

(l) *Reservas Holdings, Ltd.*

Incorporated under the laws of the Cayman Islands, its main purpose is to be a captive insurer and coinsurer.

2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in vaults, deposits in the Central Bank of the Dominican Republic (Central Bank) and in domestic and international financial institutions, investments maturing in three (3) months following the date of the financial statements, interest receivable from available funds and the effects of immediate collection in the cleaning house.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.5 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 in the consolidated statement of financial position if control over the contractual rights incorporated into the securities is not transferred or transferred. In purchases with a resale agreement, the cash paid, and the accrued interest are recognized as asset in the balance sheet as a guaranteed credit. Cash received and accrued interest on repurchase agreement sales are recognized as a liability.

2.6 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 statement of financial position, because of the relatively short-term period of time between the origination of the instruments and their subsequent realization.

This category includes cash and cash equivalents, bank acceptances, customer's liability acceptances, interests receivable, customers deposits, deposits from domestic and foreign financial entities, borrowed funds and short term interests payable .

Equity-accounted investees

The fair value of Equity-accounted investees is estimated based on the value adjusted for impairment, which was determined following the guidelines of the Superintendency of Banks, in the case of investments in securities through its Circular SB: No. 010/22, dated May 26, 2022, "Deferral of the use of fair value in the investment portfolio".

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.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

Interest on financial assets and liabilities

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

2.7 Investments

The Instructions for the Classification, Valuation, and Measurement of Investments in Debt Instruments establishes the classification of investments into three categories: to be negotiated, available-for-sale, and held to maturity, which are indicated below:

- To be negotiated: These are those investments that the Bank acquires with the intention of obtaining profits derived from fluctuations in their prices and are part of a portfolio of debt instruments identified and managed jointly, which are listed on a stock exchange or other organized market. These securities cannot remain in this category for more than 180 days from their acquisition date, during which they must be sold. Investments in trading securities are originally recognized at their fair value net of the premium or discount with which they were acquired.

Changes in fair value must be recognized in the statement of profit or loss as a gain or loss on financial assets at fair value.

- Available-for-sale: These are those securities held by the Bank to obtain an adequate return due to their temporary excess liquidity, or those investments that the Bank is willing to sell at any time and that are listed on an active or organized market.

Investments available for sale are originally recognized at their fair value and the premium or discount with which they have been acquired is amortized during the term of the instrument, using the effective interest rate. Its value is updated daily to the closing market value of that day.

Changes in market value must be recognized in equity as an unrealized gain or loss.

- 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 DOP)

2 Summary of significant accounting policies (continued)

2.7 Investments (continued)

By means of Circular SB: No. 010/22 it was postponed until 1st. January 2024, the use of fair value in the investment portfolio, therefore the investments classified in these categories, as of December 31, 2022, are recognized at their amortized cost.

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

2.7.1 Allowance for investments

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.

Excess provisions for investments can be reversed when the investment is canceled or the issuer's risk classification improves, provided certain conditions are met, and the Superintendency of Banks must be notified; or they can be transferred to other allowances for risky assets in which the Bank presents provision needs.

2.8 Equity-accounted investees and provision

Investments in associates are valued under the equity method, under this method, the investment is initially recognized at cost and the carrying amount will increase or decrease, to recognize the investor's participation in the profit or loss of the period of the investee, after of the acquisition date. The participation of the investor in the profit or loss of the period of the investee will be recognized in the profit or loss of the period.

Allowances for investments in shares are determined following the same criteria as for major commercial debtor's loan (see note 2.9.2).

The characteristics of equity-accounted investees are presented in note 12.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.9 Loan portfolio and allowance for loans

2.9.1 Loans

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.

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 2.9.3).

2.9.2 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.

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 DOP40,000, both at the individual and consolidated levels in the system.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.9 Loan portfolio and allowance for loans (continued)

2.9.2 Allowance for loans portfolio (continued)

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.

Medium-sized commercial debtors are those whose total credit operations owed to the financial system are equal to or greater than DOP25,000 and less than DOP40,000 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.

The Bank assigns the risk classification to the restructured loans, considering the one that was in force at the time of restructuring the debt or the one that arises from the days past due on the loan at the time of restructuring, or the worst of both, in accordance with the REA

The risk classification of the restructured credit will be the classification assigned to all the debtor's credits within the same type of portfolio. An initial classification of no less than "B" is assigned, which may be modified to a lower risk category, depending on the evolution of your payments up to classification "A" to the extent that the conditions agreed in the contract are met.

In addition to the payment capacity, for the largest commercial debtors, their payment behavior and country risk are evaluated to improve their risk classification.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.9 Loan portfolio and allowance for loans (continued)

2.9.2 Allowance for loans portfolio (continued)

Additionally, the Bank applies a carryover mechanism for the portfolio overdue with more than 90 days, through which the total capital is considered as overdue when one of the installments of the total credit has fallen into this condition.

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.

Relaxation measures

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 DOP)

2 Summary of significant accounting policies (continued)

2.9 Loan portfolio and allowance for loans (continued)

2.9.2 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 DOP)

2 Summary of significant accounting policies (continued)

2.9 Loan portfolio and allowance for loans (continued)

2.9.2 Allowance for loans portfolio (continued)

Other considerations

As of December 31, 2022 and 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: development of road network sector and other infrastructure as of December 31, 2022 and contractors of priority works of the Dominican State, development of road network and low-cost housing construction sector as of December 31, 2021, to be classified as "A" , with 0 % allowance requirement and 0 % weighting in the solvency ratio calculation.

2.9.3 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, are provided for at 100 %. Such accounts are then maintained on a non-accrual basis, recognized as memorandum accounts and its interest are recognized as income only when collected.

2.10 Derivatives

The Bank recognizes the notional value of future currency contracts in contingent accounts or memorandum accounts if they are with delivery or without delivery, respectively. After the initial recognition, they are recognized in assets or liabilities for the difference between the agreed rate and the current exchange rate, determined on the date the exchange will occur.

2.11 Valuation of properties, furniture and equipment and depreciation method used

2.11.1 Basis of recognition

Properties, 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.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.11 Properties, furniture and equipment and depreciation method used (continued)

2.11.1 Basis of recognition (continued)

Maintenance costs and repairs that do not improve or increase the useful life of the asset are recognized as expenses as incurred. The cost of renovations and improvements is capitalized. When the assets are retired, their costs and the corresponding accumulated depreciation are eliminated from the corresponding accounts and any gain or loss is included in the profit or loss of the period.

2.11.2 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>

2.12 Assets received in lieu of foreclosure of loans

2.12.1 Basis of recognition

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.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

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

2.12.2 Allowance assets received in lieu of foreclosure of loans

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.

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.

The excesses in provision for the allowance of assets received in lieu of foreclosure of loans can be reversed when the sale of assets received in credit recovery occurs, provided that certain conditions are met, and the Superintendency of Banks must have been notified, or they can be transferred to other risky asset allowances in which the Bank presents provision needs.

2.13 Deferred charges

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

2.14 Intangible assets and amortization method used

Intangible assets correspond to disbursements not recognized as expenses in the period in which they are incurred, but their recognition is distributed in future periods because the benefits that will be received from them extend beyond the period in which they were made. This category includes computer programs for which prior authorization from the Superintendency of Banks is required for recording items in the accounts that make up intangible assets.

Intangible assets are recognized at cost, net of their accumulated amortization, using the straight-line method over an estimated useful life of five years.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.15 Assets and liabilities in foreign currency

The amounts in the consolidated financial statements are presented in Dominican pesos (DOP), 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.

2.16 Employee benefit cost

2.16.1 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.

2.16.2 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.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.16 Employee benefit cost (continued)

2.16.3 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.

2.16.4 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.

2.17 Subordinated debts

The Bank has subordinated debts relating to financing obtained in US dollars (USD) by issuing debt securities denominated "Subordinated Debt Notes," issued in the United States of America, and subordinated debt bonds in Dominican pesos (DOP), 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.

2.18 Revenue recognition and expenditures

2.18.1 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. 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.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)**2.18 Revenue recognition and expenditures (continued)****2.18.1 Banks' revenue recognition and expenditures (continued)*****Financial income and expenses (continued)***

Earned returns on investments are recognized based on the balance of the instrument. The premium or discounts in the acquisition of these instruments are amortized over the life of the instrument and recognized as part of the investment gain or loss, as applicable.

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).

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 from disposal of investments in debt instruments

Income from disposal of investments, 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.

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. Revenues from services associated with credit cards are recognized when they are charged to cardholders.

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 DOP)

2 Summary of significant accounting policies (continued)

2.18 Revenue recognition and expenditures (continued)

2.18.2 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.

2.18.3 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.

The monthly administrative commission received from Fund T-1 (Contributory) and Fund T-4 (Distribution) is 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.

2.18.4 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.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.18 Revenue recognition and expenditures (continued)

2.18.5 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 statement of financial position 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.

2.18.6 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.

2.19 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.

At inception of a contract, the subsidiaries that prepare their statements according to IFRS, 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. (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.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.19 Leases (continued)

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 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 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.

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. Generally, their incremental interest rate as a discount rate.

The subsidiaries 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 are reasonably certain to exercise.
- ◆ The lease payments in an optional renewal period, if the they are reasonably certain to exercise an extension option.
- ◆ The penalties for early termination of a lease, unless they are reasonably certain not to terminate early.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.19 Leases (continued)

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.

The subsidiaries 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 statement of financial position.

Short-term leases and leases of low-value assets

The subsidiaries 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 were classified as operating leases and were not recognized in the consolidated statement of financial position.

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.

2.20 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.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.20 Allowance for contingencies (continued)

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.

2.21 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.

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 statement of financial position.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.22 Segment reporting

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

2.23 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.

2.24 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.

2.25 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.

2.26 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).

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)**2.26 Distribution of dividends (continued)**

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.

2.27 New accounting pronouncements and reclassification of items

With effectiveness to the 1st. On January 2022, the new Accounting Manual for Supervised Entities issued by the Superintendency of Banks entered into force, according to which the presentation of certain items of the financial statements was modified in items other than those presented in 2021.

The comparative amounts in the accompanying statement of financial position, statement of income and cash flows as of December 31, 2021 and for the year ended on that date, were reclassified to be consistent with the presentation of the financial statements as of December 31, 2022. (See detail of reclassifications in note 42.1).

2.28 Provisions

Except as indicated in the notes 2.8 and 2.9.2, 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.

2.29 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 DOP)

2 Summary of significant accounting policies (continued)

2.30 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.

2.31 Mathematical and technical reserves - life insurance and collective insurance

Mathematical reserves in individual life insurance consist of the equivalent of the difference between the present value of the Bank's obligations towards the insured, and the present value of the obligations of the insured persons towards the Company. Its calculation is made on the basis of net premiums for individual life insurance and on the basis of survival probabilities for pension plans in accordance with the interest rate and mortality tables used by the Bank.

Mathematical reserves are calculated based on net premiums; however, modified reserves may be calculated, prior approval of the calculation elements by the Superintendence of Insurance.

The technical reserves for group and personal accident insurance are calculated according to the minimum percentages established in Article 141 of Law No.146-02 on Insurance and Bonds of the Dominican Republic, which are: group life insurance, personal accident and health, provided that the premium is charged at 5% in monthly installments, and when the premium is charged at 40% in installments that are not monthly.

Commissions on unearned premiums and unearned commissions on ceded reinsurance premiums are determined based on fixed percentages established by the Superintendence of Insurance, which are presented as follows:

	<u>Ley 146-02</u>
Personal insurance with monthly billing	5 %
Transportation and freight insurance	15 %
Bank guarantees	40 %
For other insurances	<u>40 %</u>

2.32 Specific reserves

The amounts claimed (determined by an adjuster or internally) that are pending settlement or payment at the closing date of the fiscal year are recognized as specific reserves, as well as a provision for incurred claims reported after the closing of the fiscal 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 DOP)

2 Summary of significant accounting policies (continued)

2.33 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.

2.34 Incurred but not reported claims (IBNR)

The reserves of claims incurred, but not reported, are constituted at the end of each month by the percentages established by SISALRIL on the amount of claims incurred in the month. The claims incurred in the month will be determined by the sum of the claims paid, plus claims settled and pending payment, plus claims pending validation and settlement corresponding to the month of the current year, minus the claims settled and pending payment and the claims pending validation and settlement corresponding to the same month of the previous year.

2.35 Significant differences with IFRS

2.35.1 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.

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. The IFRS 9 *Financial Instruments* 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.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.35 Significant differences with IFRS (continued)

2.35.1 Differences between banking regulations and IFRS (continued)

- 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. 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.
- 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.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.35 Significant differences with IFRS (continued)

2.35.1 Differences between banking regulations and IFRS (continued)

- 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 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. In accordance with the Accounting Manual for Supervised Entities, financial intermediation entities have a period of six (6) months to submit the request for authorization to the Superintendency of Banks for the deferral of computer programs, counted from their putting into operation. If the entity does not make the request within the established term, it must expense all the disbursements made. 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 Superintendency of Banks requires that investments easily convertible to cash whose maturity on the reporting date is equal to or less than 90 days, be presented as cash equivalents. IFRS requires short-term, highly liquid investments with original maturities of up to three months to be classified as cash equivalents for cash flow statement purposes.
- x) The Superintendency of Banks considers three categories of investments in securities: to be negotiated; available for sale and held to maturity. By means of Circular SB: No. 010/22 it was postponed until the 1st. January 2024, the use of fair value in the investment portfolio, therefore the investments are recorded at their amortized cost. IFRS establishes three categories of debt instruments: amortized cost, fair value through other comprehensive income (equity) and fair value through profit or loss. 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 DOP)

2 Summary of significant accounting policies (continued)

2.35 Significant differences with IFRS (continued)

2.35.1 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 Superintendency of Banks requires that cash flows from the loan portfolio be classified as investment activities, as well as dividends received from other companies, and cash flows from customer deposits as financing activities. IFRS require that cash flows from these transactions be recognized as part of operating activities.
- xiii) For the recognition of the surplus due to revaluations of fixed assets, prior authorization from the Superintendency of Banks is required. The IFRS establish that these updates must be made whenever there are significant changes in the value of these assets. On the other hand, the Accounting Manual for Supervised Entities establishes that the revaluation surplus included in equity may be transferred directly to retained earnings, when the asset is derecognized and when the net realizable value is less than the carrying value, and does not allow the alternative option of IFRS.
- 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.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.35 Significant differences with IFRS (continued)

2.35.1 Differences between banking regulations and IFRS (continued)

- 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.
- 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. 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.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.35 Significant differences with IFRS (continued)

2.35.1 Differences between banking regulations and IFRS (continued)

- 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.
- 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 in the financial risk management note (exchange rate risk) 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, as well as the disclosure of assets and liabilities in foreign currency existing at the end of the year.
- xxii) The 1st January 2022, the new Accounting Manual for Supervised Entities, issued by the Superintendence of Banks, entered into force, which introduces new accounting pronouncements that affect the comparative information of the financial statements issued in the previous period, for which the Superintendence of Banks does not require presentation of a third year financial statement. Similarly, the Superintendence of Banks indicated that financial intermediation entities would not have to reclassify to the category of restructured loans those loans that at some point had been restructured and that as of December 31, 2021 were already classified in current or past-due portfolios.

On the other hand, in relation to entities that, as of December 31, 2021, had investments recognized at fair value and in 2022 are measured at amortized cost, any change in fair value must be eliminated by adjusting the value of the investment. as follows:

- a) For investments to be negotiated, the effect of previously recognized gains and losses must be eliminated in profit or loss of the year, adjusting the value of the investment against the corresponding income and expense account, to bring it to its acquisition cost.
- b) For investments recognized as available-for-sale, gains or losses accumulated in equity as unrealized gains (losses) on available-for-sale investments will be removed from equity and adjusted against the value of the investment. As a result, the investment will be measured as if it had always been measured at amortized cost.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.35 Significant differences with IFRS (continued)

2.35.1 Differences between banking regulations and IFRS (continued)

IFRS require that, when an entity applies an accounting policy retroactively or performs a retroactive restatement of items in its financial statements, or when it reclassifies items in its financial statements, it will present at least three statements of financial position for comparison.

xxiii) There are differences between the presentation and certain disclosures for the financial statements according to IFRS and those required or authorized by the Superintendencia of Bank, such as those related to the defined benefit plan, among others.

2.35.2 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

i) As established by the Superintendencia 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 applied to premiums net of cancellations and ceded premiums using the established percentages in article 141 of the Insurance and Insurance Bonds Law No. 146-02, as follows:

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

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.35 Significant differences with IFRS (continued)

2.35.2 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 with a guaranteed minimum term, the premium income is recognized when payment is received from the insured party. In the case of long-term life insurance contracts without a fixed guaranteed term, such as death or survivorship insurance, premiums are recognized 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 Superintendency of Insurance establishes that the premiums receivable that the Company considers uncollectible, according to the parameters indicated in Law No. 146-02 of Insurance and Bonds of the Dominican Republic, are reversed from the income recognized in the year, affecting all other related accounts such as reinsurance and issuance costs. According to this law, for the policies to be valid, the premiums must be received, in full, by the insurer and the general or local agents within the first 10 days of validity, except for a payment agreement signed between the parties, except for contracts of bail. In order for the parties to formalize the payment agreement, the insured must pay at least 25% of the total premium (the premium is allowed to remain in force even after this term, provided that the entity demonstrates its collectability).

The terms that may be agreed upon by the parties may not exceed 120 days from the start of the policy's term (exceeding this term is permitted provided that the entity demonstrates its collectability). Additionally, the Superintendence of Insurance does not allow the creation of reserves for uncollectible accounts. In accordance with IFRS, premiums receivable must be regularly reviewed for impairment and create a provision for expected losses of the entire portfolio. This provision is recognized affecting operating expenses for the 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 DOP)

2 Summary of significant accounting policies (continued)

2.35 Significant differences with IFRS (continued)

2.35.2 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)

- 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.
- vi) In accordance with accounting practices of the Superintendence 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 Superintendence 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.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.35 Significant differences with IFRS (continued)

2.35.2 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)

- 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 they establish the creation of reserves on the basis of specific percentages in the case of reserves for current risks and for catastrophic risks and on the value claimed or determined by the adjusters in the case of specific reserves.
- xi) The Superintendencia of Insurance and the Superintendencia 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 derivate 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 Superintendencia of Insurance and the SISALRIL do not provide for guidance on accounting of derivatives financial instruments.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

2 Summary of significant accounting policies (continued)

2.35 Significant differences with IFRS (continued)

2.35.2 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)

- 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) The effects of reinstatement and settlement of reinsurance contracts are adjusted to the final settlement date of the contract with the reinsurer, without considering the period in which said effect was generated. IFRS require that variations in insurance contracts be estimated and recorded as they occur.
- xv) IFRS do not allow the compensation of liabilities arising from insurance contracts with reinsurance assets. The accounting policies established or permitted by the Superintendency of Insurance allow reinsurance liabilities to be offset against related assets.
- xvi) 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.
- xvii) 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.
- xviii) 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 DOP)

2 Summary of significant accounting policies (continued)

2.35 Significant differences with IFRS (continued)

2.35.2 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)

- xix) 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.
- xx) There are differences between the presentation and certain disclosures in the financial statements under IFRS to those required by the Superintendencia 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.

3 Changes in accounting policies

The Bank kept its portfolio of investments available for sale at fair value in accordance with the Bank's business model and the characteristics of the contractual cashflows. Subsequently, through Circular no. 010/22, dated May 26, 2022, issued by the Superintendency of Banks, was postponed until January 1, 2024, the use of fair value in the investment portfolio. Likewise, the aforementioned circular establishes the retroactive adjustment of unrealized gains (losses) on available for sale investments against the value of the investments, the effects are as follows:

	Balances as previously reported <u>DOP</u>	Adjustments <u>DOP</u>	Restated balance <u>DOP</u>
<u>At January 1st, 2022</u>			
Investments	377,847,520	(226,962)	377,620,558
Net equity	<u>56,095,026</u>	<u>226,962</u>	<u>56,321,988</u>
<u>At January 1st, 2021</u>			
Investments	248,517,818	2,969,604	251,487,422
Net equity	<u>47,144,925</u>	<u>(2,969,604)</u>	<u>44,175,321</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 DOP)

4 Cash and cash equivalents

Available funds are summarized as follows:

	<u>2022</u>	<u>2021</u>
Cash on hand (a)	13,685,444	11,316,074
Central Bank of the Dominican Republic (b)	149,815,932	158,607,148
Local banks (c)	651,995	264,364
Foreign banks (d)	34,660,374	23,470,945
Cash equivalents (e)	86,424,537	29,146,120
Interests receivable (f)	<u>22,660</u>	<u>6,834</u>
	<u>285,260,942</u>	<u>222,811,485</u>

(a) Includes USD59,908 in 2022 and USD73,281 in 2021.

(b) Includes USD1,337,216 in 2022 and USD1,280,905 in 2021.

(c) Includes USD6,073 in 2022 and USD1,293 in 2021

(d) Includes USD619,135 in 2022 and USD410,753 in 2021.

(e) Includes USD701 in 2022 and USD5,983 in 2021. Corresponds to those investments that are easily convertible to cash and with maturity within three (3) months following the date of the consolidated financial statements and effects received from other banks pending to be collected in the Clearing House.

As of December 31, 2022 and 2021, they include retained investments for DOP18,770,450 and DOP8,913,592, respectively, as collateral in repurchase agreements.

(f) Includes to USD269 in 2022 and USD2 in 2021.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

4 Cash and cash equivalents (continued)

The required legal reserve amounts to DOP74,278,792 and USD692,451 for 2022 and DOP57,783,398 and USD637,561 for 2021. For hedging purposes, the Bank maintains cash in the BCRD for DOP74,991,924 and USD1,245,117 for 2022 and DOP58,244,624 and USD753,068 for 2021. The loan portfolio in productive sectors that is considered for Bank legal reserve purposes is DOP12,179,237 and USD10,238 for 2022 and DOP15,951,581 and USD25,758 for 2021.

As of December 31, 2022 and 2021, the Bank maintains restricted funds for DOP351,374 and DOP28,331 respectively.

5 Interbank funds

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

<u>Entity</u>	<u>Active Interbank funds</u>			<u>Average rate weighted (%)</u>
	<u>Quantity</u>	<u>Amount DOP</u>	<u>No. days</u>	
2022				
Banco BHD, S. A., Banco Múltiple	4	5,000,000	11	5.05
Citibank, N. A.	<u>7</u>	<u>6,100,000</u>	21	<u>6.00</u>
	<u>11</u>	<u>11,100,000</u>		
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>		

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

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

6 Investments

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

<u>Type of investment</u>	<u>Issuer</u>	Amount in <u>DOP</u>	Valuation <u>method</u>	Average rate weighted <u>annual</u>	<u>Maturity</u>
2022					
(a) Available for sale:					
Bonds Law 05-06, 687-16 493-19, 151-14, 248-17, 152-14 243-2, 331-15, 494-06, 512-19, 548-14, 57-13, 64-18, 348-21, 693-16	Ministry of Finance of the Dominican Republic (includes USD1,685,982)	135,224,676	Open Market	7.62 %	2023 until 2060
Notes (a) 2023 until	Central Bank of the Dominican Republic	78,813,609	Open Market		8.98 % 2025
Letters (a)	Central Bank of the Dominican Republic	32,508,519	Open Market	11.94 %	2023
Investment certificates (a)	Central Bank of the Dominican Republic	33,058,571	Open Market	10.81 %	2023 until 2025
Trust values	Fideicomiso de oferta pública Larimar (corresponds to USD492)	27,539	Open Market	5.15%	2036
Corporate bonds	Empresa generadora de electricidad ITABO, S. A. (corresponds to USD2,025)	113,349	Open Market	5.15 %	2032
Corporate bonds	Asociación Popular de Ahorros y Préstamos	53,639	Open Market	10.00 %	2026
Corporate bonds	Banco Múltiple Promerica	70,393	Open Market	13.50 %	2032
Corporate bonds	Acero Estrella, S.R.L	1,546	Open Market	11.25 %	2030
Corporate bonds	Ingeniería Estrella, S.R.L.	41,428	Open Market	8.00 %	2031
Corporate bonds	Consortio Minero Dominicano, S. A.	5,420	Open Market	11.50 %	2029
Corporate bonds	Banco Múltiple Lafise, S. A.	52,642	Open Market	13.50 %	2029
Quote of participation (c)	Fideicomiso Paraíso Oriental	52,126			
Quote of participation	Fondo Inmobiliario Cerrado JMMB (corresponds to USD541)	30,286	Open Market	Variable	Undefined
Quote of participation	Fondo de Inversión Cerrado Inmobiliario Excel II (corresponds to USD932)	52,179	Open Market	Variable	Undefined
Shares (b)	Banco Latinoamericano de Exportación corresponds to USD858)	48,061			
Shares	Aseguradora Agropecuaria Dominicana, AGRODOS, S. A.	100			
Shares	Editora Nuevo Diario, S. A.	150			
Shares	Unipago	29,080			
Shares	Bolsa de Valores de la República Dominicana	8,609			
Shares	Centro de Asistencia al Automovilista, S. A.	<u>42,250</u>			
		280,234,172			
	Interests receivable (includes USD26,962)	<u>5,002,657</u>			
		<u>285,236,829</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 DOP)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in DOP</u>	<u>Valuation method</u>	<u>Average rate weighted annual</u>	<u>Maturity</u>
2022					
(b) Held to maturity:					
Bonds Law 05-06, 687-16 493-19, 151-14, 248-17, 152-14 243-2, 331-15, 494-06, 512-19, 548-14, 57-13, 64-18, 348-21, 693-16	Ministry of Finance of the Dominican Republic includes USD15,932)	12,601,765	Open market	7.62 %	2023 until 2060
Notes (a)	Central Bank of the Dominican Republic	2,334,343	Open market	8.98 %	2023 until 2025
Trust values	Fideicomiso de Valores Rica	243,913	Open market	10.81 %	2023 until 2025
Corporate bonds	Consortio Energético Punta Cana-Macao, S. A. (corresponds to USD364)	20,373	Open Market	5.50 %	2027
Corporate bonds	Dominican Power Partners, (corresponds to USD249)	13,943	Open Market	5.50 %	2027
Corporate bonds	Asociación Popular de Ahorros y Préstamos	200,000	Open Market	10.00 %	2026
Corporate bonds	Asociación La Nacional de Ahorros y Préstamos	13,666	Open Market	10.75 %	2024
Corporate bonds	Acero Estrella, S.R.L	130,128	Open Market	12.00 %	2030
Time deposits	Asociación La Nacional de Ahorros y Préstamos	13,601	Open Market	8.50 %	2023
Time deposits	Asociación Maguana de Ahorros y Préstamos	5,000	Open Market	8.50 %	2023
Time deposits	Motor Crédito, S. A., Banco de Ahorro y Crédito	15,200	Open Market	12.25 %	2023
Time deposits	Banco Nacional de las Exportaciones	13,407	Open Market	7.00 %	2023
Quote of participation	Fondo de Inversión Market Universal Liquidez	70	Open Market	5.00 %	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 DOP)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in DOP</u>	<u>Valuation method</u>	<u>Average rate weighted annual</u>	<u>Maturity</u>
2022					
(b) Held to maturity: (continued)					
Quote of participation	Fondo Market de Inversión - Depósito Financiero Flexible	92	Open market	6.92 %	undefined
Quote of participation	Fondo de Inversión Market Liquidez Excel	32,290	Open market	6.16 %	undefined
Quote of participation	Fondo de Inversión Market Liquidez Excel Dólares (corresponds to USD261)	14,620	Open market	2.68 %	undefined
Quote of participation	Fondo Inmobiliario Excel (corresponde a USD549)	30,713	Open market	variable	undefined
Quote of participation	Fondo Mutuo Renta Fija - BHD Fondos Plazo 30 Días Dólares (corresponds to a USD187)	10,468	Open market	1.80 %	Undefined
Quote of participation	Fondo Mutuo Renta Fija – BHD Plazo 30 Días	574	Open market	6.04 %	Undefined
Quote of participation	Fondo de Inversión Cerrado Inmobiliario Reservas I	56,370	Open market	0.45 %	Undefined
Quote of participation	Fondo Mutuo Largo Plazo Reservas Caoba (corresponds to USD2,614)	103,128	Open market	2.62 %	Undefined
Quote of participation	Fondo Mutuo Matrimonial Mediano Plazo Reservas El Bohío	48,803	Open market	6.74 %	Undefined
Quote of participation	Fondo Mutuo Corto Plazo Reservas Quisqueya	231,000	Open market	6.31 %	Undefined
Quote of participation	Fondo Cerrado de Desarrollo de Sociedades Advanced	71,911	Open market	7.22 %	Undefined
Quote of participation	Fondo Mutuo Open de Dinero	640	Open market	4.97 %	Undefined
Quote of participation	Fondo Mutuo Plazo 90 Días	49,899	Open market	9.96 %	Undefined
Quote of participation	Fondo Inmobiliario Pionner	65,472	Open market	0.42 %	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 DOP)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in DOP</u>	<u>Valuation method</u>	<u>Average rate weighted annual</u>	<u>Maturity</u>
2022					
(b) Held to maturity: (continued)					
Profitability guarantee	Profitability guarantee of La Administradora de Fondos de Pensiones, Invested in different Institutions	<u>2,257,572</u>			
		18,578,961			
	Interests receivable, (includes USD173)	<u>362,355</u>			
		<u>18,941,316</u>			
Allowance for investment (includes USD359)		<u>(260,357)</u>			
		<u>303,917,788</u>			
2021 (reclassified , note 42)					
(a) Available for sale:					
Bonds Law 05-06, 143-13, 151-14, 248-17, 243-2, 331-15, 494-06, 512-19, 548-14, 57-13, 64-18, 693-16, 152-14, 175-12, 493-19, 687-16, 243-20, 58-13	Ministry of Finance of the Dominican Republic (includes USD1,165,971)	161,000,092	Open market	8.82 %	2023 until 2060
Notes (a)	Central Bank of the Dominican Republic	65,072,113	Open market	8.60 %	2022 until 2026
Letters (a)	Central Bank of the Dominican Republic	41,851,992	Open market	3.96 %	2022
Investment certificates (a)	Banco Central de la Dominican Republic	10,901,735	Open market	10.91 %	2022
Bonds	Consorcio Energético Punta Cana Macao (CEPM) (includes USD280)	15,997	Open market	5.15 %	2025
Trust values	Fideicomiso para la Operación, Mantenimiento y Expansión de la Red Vial Principal de la República Dominicana	127,905	Open market	10.30 %	2026
Trust values	Fideicomiso de oferta pública Larimar (corresponds to a USD1,320)	75,401	Open market	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 DOP)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in DOP</u>	<u>Valuation method</u>	<u>Average rate weighted annual</u>	<u>Maturity</u>
2021 (reclassified, note 42)					
(a) Available for sale: (continued)					
Trust values	Fideicomiso de Valores Rica	25,151	Open market	variable	2049
Corporate bonds	Ingeniería Estrella, S.R.L.	9,513	Open market	8.00 %	2031
Corporate bonds	Asociación Popular de Ahorros y Préstamos	55,007	Open market	10.01 %	2026
Corporate bonds	Acero Estrella, S. R. L.	120	Open market	11.35 %	2030
Corporate bonds	Consorcio Minero Dominicano, S. A.	5,300	Open market	11.40 %	2029
Quote of participation	Fondo de Inversión Cerrado Inmobiliario Excel II (corresponds to USD1,012)	57,792	Open market	Variable	Undefined
Quote of participation	Fondo de Energía Sostenible JMMB (corresponds to USD510)	29,157	Open market	Variable	Undefined
Quote of participation	Fondo Inmobiliario Cerrado JMMB (corresponds to USD1,083)	61,890	Open market	Variable	Undefined
Shares (b)	Banco Latinoamericano de Comercio Exterior (BLADEX) (corresponds to USD858)	49,056	Open market		
Quote of participation (c)	Fideicomiso Paraíso Oriental	65,256			
Shares	Aseguradora Agropecuaria Dominicana, AGRODOS, S. A.	100			
Shares	Editora Nuevo Diario, S. A.	150			
Shares	Unipago	25,387			
Shares	Bolsa de Valores de la República Dominicana	8,609			
Shares	Centro de Asistencia al Automovilista, S. A.	<u>10,988</u>			
		279,448,711			
	Interests receivable, (includes USD21,537)	<u>5,810,734</u>			
		<u>285,259,445</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 DOP)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in DOP</u>	<u>Valuation method</u>	<u>Average rate weighted annual</u>	<u>Maturity</u>
2021 (reclassified, note 42)					
b) Held to maturity:					
Bonds Law 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 USD17,870)	12,485,167	Open market	8.70 %	2022 until 2049
Notes (a)	Central Bank of the Dominican Republic	941,537	Open market	8.98 %	2023 until 2026
Trust values	Fideicomiso para la Operación, Mantenimiento y Expansión de la Red Vial Principal de la República Dominicana	860,790	Open market	10.30 %	2026
Trust values	Fideicomiso de valores Rica	236,809	Open market	Variable	2049
Corporate bonds	Consortio Energético Punta Cana-Macao S.A. (corresponds to USD364)	20,781	Open market	5.30 %	2025 until 2027
Corporate bonds	Dominican Power Partners, (corresponds to USD249)	14,223	Open market	5.94 %	2027
Corporate bonds	Asociación Popular de Ahorros y Préstamos	200,000	Open market	10.01 %	2026
Corporate bonds	Asociación La Nacional de Ahorros y Préstamos	13,666	Open market	10.75 %	2024
Corporate bonds	Acero Estrella, S. R. L.	130,159	Open market	11.35 %	2030
Time deposits	Asociación Popular de Ahorros y Préstamos	41,807	Open market	4.30 %	2022
Time deposits	Asociación La Nacional de Ahorros y Préstamos	10,628	Open market	5.00 %	2022
Time deposits	Asociación Maguana de Ahorros y Préstamos	5,000	Open market	3.68 %	2022
Time deposits	Banco Múltiple Promerica de la República Dominicana, S. A.	18,509	Open market	4.33 %	2022
Time deposits	Motor Crédito, S. A., Banco de Ahorro y Crédito	13,973	Open market	5.00 %	2022
Time deposits	Banco Nacional de las Exportaciones	12,776	Open market	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 DOP)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in DOP</u>	<u>Valuation method</u>	<u>Average rate weighted annual</u>	<u>Maturity</u>
2021 (reclassified, note 42)					
b) Held to maturity: (continued)					
Time deposits	Banco Múltiple Ademi S.A.	68,688	Open market	5.00 %	2022
Quote of participation	Fondo de Inversión Market Universal Liquidez	13,319	Open market	2.63 %	Undefined
Quote of participation	Fondo Market de Inversión - Depósito Financiero Flexible	76,663	Open market	3.92 %	Undefined
Quote of participation	Fondo de Inversión Market Liquidez Excel	149,547	Open market	3.99 %	Undefined
Quote of participation	Fondo de Inversión Market Liquidez Excel Dólares (corresponds to USD232)	13,250	Open market	1.57 %	Undefined
Quote of participation	Fondo Inmobiliario Excel (corresponds to USD529)	30,248	Open market	2.73 %	Undefined
Quote of participation	Fondo Mutuo Renta Fija - BHD Fondos Plazo 30 Días Dólares (corresponds to USD1,092)	62,405	Open market	0.45 %	Undefined
Quote of participation	Fondo Mutuo Renta Fija – BHD Plazo 30 Días	204,989	Open market	4.58 %	Undefined
Quote of participation	Fondo Mutuo Largo Plazo Reservas Caoba (corresponds to USD4,932)	245,224	Open market	1.66 %	Undefined
Quote of participation	Fondo Mutuo Matrimonial Mediano Plazo Reservas El Bohío	45,723	Open market	6.21 %	Undefined
Quote of participation	Fondo Mutuo Corto Plazo Reservas Quisqueya	449,465	Open market	4.13 %	Undefined
Quote of participation	Fondo Cerrado de Desarrollo de Sociedades Advanced	69,758	Open market	9.86 %	Undefined
Quote of participation	Fondo Mutuo Open de Dinero	182,880	Open market	4.84 %	Undefined
Quote of participation	Fondo Mutuo Plazo 90 Días	103,690	Open market	7.05 %	Undefined
Quote of participation	Fondo Inmobiliario Pionner	66,541	Open market	4.92 %	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 DOP)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in DOP</u>	<u>Valuation method</u>	<u>Average rate weighted annual</u>	<u>Maturity</u>
2021 (reclassified, note 42)					
b) Held to maturity: (continued)					
Profitability guarantee	Profitability guarantee of La Administradora de Fondos de Pensiones, Invested in different Institutions	<u>2,037,144</u> 18,825,359			
	Interests receivable, (includes USD154)	<u>281,588</u> 19,106,947			
	Allowance for investment (includes USD99)	<u>(223,446)</u>			
		<u>304,142,946</u>			

(a) As of December 31, 2022 and 2021, it includes a retained amount of DOP29,335,298 and DOP34,824,527, respectively, as collateral in repurchase agreements.

(b) As of December 31, 2022 and 2021, the Bank received cash dividends amounting to DOP5,324 and DOP7,307, respectively.

(c) As of December 31, 2022 and 2021, the Bank received cash dividends amounting to DOP7,471 and DOP7,253, respectively.

7 Derivative operations

As of December 31, 2022 and 2021, the operations of future currency contracts were as follows:

a) *By type of product :*

	<u>Nominal value / contractual DOP</u>	<u>Value of Market DOP</u>	<u>Impact Variation Market Value in results DOP</u>
2021 (reclassified , note 42)			
Active derivatives			
exchange rate			
<i>Forward</i>	5,729,770	5,745,341	15,571
<i>Forward</i>	2,857,730	2,870,941	13,211
<i>Forward</i>	2,874,690	2,877,163	2,473
<i>Forward</i>	<u>14,910,896</u>	<u>14,987,828</u>	<u>76,932</u>
Total assets	<u>26,373,086</u>	<u>26,481,273</u>	<u>108,187</u>
Passive derivatives			
exchange rate			
<i>Forward</i>	<u>(14,910,896)</u>	<u>(14,938,125)</u>	<u>(27,229)</u>
Net position	<u>11,462,190</u>	<u>11,543,148</u>	<u>80,958</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 DOP)

7 Derivative operations (continued)

b) By type of operation (purchase or sale):

2021 (reclassified, note 42)

Type of contract	Trade date	Settlement date	Nominal value	Agreed price	Market Value	Impact on Market value Variation in Results	Amount
Buys							
Forward	12/10/2021	4/11/2022	5,729,770	57.2977	5,745,341	15,571	USD
Forward	12/10/2021	3/11/2022	2,857,730	57.1546	2,870,941	13,211	USD
Forward	11/04/2021	5/03/2022	2,874,690	57.4938	2,877,163	2,473	USD
Forward	12/24/2021	1/04/2022	<u>14,910,896</u>	57.3496	<u>14,987,828</u>	<u>76,932</u>	USD
Total			<u>26,373,086</u>		<u>26,481,273</u>	<u>108,187</u>	
Sale-							
Forward	12/24/2021	1/03/2022	<u>(14,910,896)</u>	57.3496	<u>(14,938,125)</u>	<u>(27,229)</u>	USD

c) By maturity of the contracts in active and passive position:

2021 (reclassified, note 42)

Active position	Until 30 días	De 31 a 90 days	Of 91 days a 1 year	Of 1 until 5 year	More than 5 year	Total USD
Forwards of purchase	<u>14,910,896</u>	<u>-</u>	<u>11,462,190</u>	<u>-</u>	<u>-</u>	<u>26,373,086</u>
Position passive						
Forwards of sale	<u>14,910,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,910,896</u>

d) By counterparty

2021 (reclassified, note 42)

Derivados -	Banks multiple	Bag stands	Agent bag	Others entities	Total USD
Forwards of purchase	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,373,086</u>	<u>26,373,086</u>
Forwards of sale	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,910,896</u>	<u>14,910,896</u>

As of December 31, 2021, the Bank had derivatives exposed to exchange rate risk, under a forward currency purchase and sale contract, determining its market value based on the exchange rate published by the Central Bank of the Dominican Republic. See the degree of risk exposure in note 38.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

8 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
Commercial loans						
Advances on checking accounts	796	34,607	35,403	-	17,553	17,553
Loans (includes USD1,374,352 in 2022 and USD1,112,520 in 2021)	32,565,191	208,975,182	241,540,373	39,084,045	177,471,136	216,555,181
Invoice discounting (includes USD4,632 in 2022 and USD3,252 in 2021)	-	683,369	683,369	-	185,930	185,930
Financial leases (includes USD61 in 2022 and to USD87 in 2021)	1,357,878	3,428	1,361,306	1,402,746	4,980	1,407,726
Advance on export notes (corresponds to and USD9 in 2021)	-	-	-	-	499	499
Sales of goods received in loan recovery	-	28,359	28,359	-	30,457	30,457
	<u>33,923,865</u>	<u>209,724,945</u>	<u>243,648,810</u>	<u>40,486,791</u>	<u>177,710,555</u>	<u>218,197,346</u>
Consumer loans						
Credit cards (includes USD31,402 in 2022 and USD23,341 in 2021)	-	13,745,072	13,745,072	-	10,226,325	10,226,325
Consumer loans (includes USD3,685 and USD2,971 in 2022 and 2021)	-	102,830,560	102,830,560	-	85,064,689	85,064,689
	-	<u>116,575,632</u>	<u>116,575,632</u>	-	<u>95,291,014</u>	<u>95,291,014</u>
Mortgage loans						
Residential purchases (includes USD3,039 and USD2,275 in 2022 and 2021)	-	60,127,941	60,127,941	-	54,790,112	54,790,112
Construction, improvements, repairs, expansion and others	-	597,262	597,262	-	554,051	554,051
	-	<u>60,725,203</u>	<u>60,725,203</u>	-	<u>55,344,163</u>	<u>55,344,163</u>
	<u>33,923,865</u>	<u>387,025,780</u>	<u>420,949,645</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 DOP)

8 Loans portfolios (continued)

a) *The breakdown of the portfolio by type of loans is as follows (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>
Interests receivable (includes USD11,131 and USD7,936 in 2022 and 2021)	22,995	3,661,670	3,684,665	397,326	3,776,004	4,173,330
Allowance for loan losses and interests receivable (includes USD134,819 and USD137,029 in 2022 and 2021)	-	(23,344,110)	(23,344,110)	-	(26,297,265)	(26,297,265)
	<u>33,946,860</u>	<u>367,343,340</u>	<u>401,290,200</u>	<u>40,884,117</u>	<u>305,824,471</u>	<u>346,708,588</u>

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

<u>Commercial loans:</u>						
Current (i) (includes USD1,359,129 and USD1,106,469 in 2022 and 2021)	33,923,771	194,960,343	228,884,114	40,486,791	160,756,905	201,243,696
Overdue (31 to 90 days) (iii) (includes USD49 and USD21 in 2022 and 2021)	29	76,368	76,397	-	70,388	70,388
Past due (more than 90 days) (iv) (includes USD311 and USD8,101 in 2022 and 2021)	65	487,914	487,979	-	1,742,090	1,742,090
<u>Restructured: (ii)</u>						
Current (i) (includes USD19,146 in 2022 and USD540 in 2021)	-	5,452,495	5,452,495	-	2,361,814	2,361,814
Overdue (31 to 90 days) (iii) (includes USD1 in 2022)	-	9,158	9,158	-	-	-
Past due (more than 90 days) (iv)	-	133,299	133,299	-	-	-
<u>Legal collections: (v)</u>						
Past due (more than 90 days)(iv)	-	5,304	5,304	-	173,158	173,158
	<u>33,923,865</u>	<u>201,124,881</u>	<u>235,048,746</u>	<u>40,486,791</u>	<u>165,104,355</u>	<u>205,591,146</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 DOP)

8 Loans portfolios (continued)

b) The status of the loan portfolio is as follows (continued)

	2022			2021		
	Public sector	Private sector	Total	Public sector	Private sector	Total
<u>Microenterprises loans:</u>						
Current (i) (includes USD333 in 2022 and USD347 in 2021)	-	8,248,003	8,248,003	-	12,410,220	12,410,220
Overdue (31 to 90 days) (iii) (includes USD8 in 2022 and USD4 in 2021)	-	5,894	5,894	-	13,891	13,891
Past due (more than 90 days) (iv) (includes USD11 in 2022 USD97 in 2021)	-	28,477	28,477	-	114,685	114,685
Restructured: (ii)						
Current (i) (includes USD54 in 2022 and USD289 in 2021)	-	294,733	294,733	-	60,867	60,867
Overdue (31 to 90 days) (iii) (includes USD4 in 2022)	-	998	998	-	-	-
Past due (more than 90 days) (iv)	-	18,567	18,567	-	-	-
Legal collections: (v)						
Current (i)	-	3,392	3,392	-	6,537	6,537
	-	8,600,064	8,600,064	-	12,606,200	12,606,200
<u>Consumer loans:</u>						
Current (i) (includes USD34,537 and USD25,795 in 2022 and 2021)	-	114,349,880	114,349,880	-	92,982,434	92,982,434
Overdue (31 to 90 days) (iii) (includes USD50 in 2022)	-	134,852	134,852	-	93,564	93,564
Past due (more than 90 days) (iv) (includes USD500 and USD516 in 2022 and 2021)	-	1,174,346	1,174,346	-	1,742,232	1,742,232
Restructured: (ii)						
Current (i)	-	750,307	750,307	-	417,343	417,343
Overdue (31 to 90 days) (iii)	-	9,643	9,643	-	-	-
Past due (more than 90 days) (iv)	-	156,604	156,604	-	-	-
Legal collections: (v)						
Current (i)	-	-	-	-	4,000	4,000
Past due (more than 90 days) (iv)	-	-	-	-	51,441	51,441
	-	116,575,632	116,575,632	-	95,291,014	95,291,014

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

8 Loans portfolios (continued)

b) The status of the loan portfolio is as follows (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>
<u>Mortgage loans</u>						
Current (i) (includes USD2,847 and USD2,271 in 2022 and 2021)	-	59,907,667	59,907,667	-	54,684,545	54,684,545
Overdue (31 to 90 days) (iii) (includes USD4 in 2021)	-	8,021	8,021	-	8,009	8,009
Past due (more than 90 days) (iv) (includes USD191 in 2022)	-	273,042	273,042	-	341,465	341,465
Restructured: (ii)						
Current (i)	-	473,028	473,028	-	198,680	198,680
Overdue (31 to 90 days) (iii)	-	1,163	1,163	-	-	-
Past due (more than 90 days) (iv)	-	60,323	60,323	-	-	-
Legal collections: (v)						
Current (i)	-	1,959	1,959	-	38,181	38,181
Past due (more than 90 days) (iv)	-	-	-	-	73,283	73,283
	<u>-</u>	<u>60,725,203</u>	<u>60,725,203</u>	<u>-</u>	<u>55,344,163</u>	<u>55,344,163</u>
<u>Interests receivable:</u>						
Current (i) (includes USD9,175 and USD7,824 in 2022 and 2021)	22,980	2,534,761	2,557,741	397,326	2,717,118	3,114,444
Overdue (31 to 90 days) (iii) (includes USD92 and USD13 in 2022 and 2021)	15	170,594	170,609	-	109,636	109,636
Past due (more than 90 days) (iv) (includes USD106 and USD82 in 2022 and 2021)	-	116,950	116,950	-	219,478	219,478
Restructured: (ii)						
Current (i) (includes USD1,757 and USD18 in 2022 and 2021)	-	795,986	795,986	-	695,940	695,940
Overdue (31 to 90 days) (iii) (include USD1 in 2022)	-	26,671	26,671	-	-	-
Past due (more than 90 days) (iv)	-	15,838	15,838	-	-	-
Legal collections: (v)						
Current (i)	-	627	627	-	7,717	7,717
Past due (more than 90 days) (iv)	-	243	243	-	26,115	26,115
	<u>22,995</u>	<u>3,661,670</u>	<u>3,684,665</u>	<u>397,326</u>	<u>3,776,004</u>	<u>4,173,330</u>
Allowance for loans and interests receivable (includes USD134,819 and USD137,029 in 2022 and 2021)	<u>-</u>	<u>(23,344,110)</u>	<u>(23,344,110)</u>	<u>-</u>	<u>(26,297,265)</u>	<u>(26,297,265)</u>
	<u>33,946,860</u>	<u>367,343,340</u>	<u>401,290,200</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 DOP)

8 Loans portfolios (continued)

- (i) They represent capital and returns that are up to date in compliance with the agreed payment plan or that do not show arrears of more than 30 days, counted from the date on which their payments have become due.
- (ii) 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. As of December 31, 2021, in accordance with the provisions of the Superintendency of Banks, this portfolio only includes those loans that were restructured on that date.
- (iii) Corresponds to principal installments and interest past due 31 to 90 days from the day in which the principal should have been paid.
- (iv) 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.
- (v) Corresponds to principal and interest receivable of loans that are in legal collection process.

c) By type of collateral:

	2022			2021		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Multi-use collateral (i)	1,271,656	122,464,161	123,735,817	1,411,671	102,222,786	103,634,457
Specific use collateral (ii)	-	45,836,013	45,836,013	-	37,740,106	37,740,106
Without collateral (iii)	<u>32,652,209</u>	<u>218,725,606</u>	<u>251,377,815</u>	<u>39,075,120</u>	<u>188,382,840</u>	<u>227,457,960</u>
	<u>33,923,865</u>	<u>387,025,780</u>	<u>420,949,645</u>	<u>40,486,791</u>	<u>328,345,732</u>	<u>368,832,523</u>
Interests receivable	22,995	3,661,670	3,684,665	397,326	3,776,004	4,173,330
Allowance for loan losses and interests receivable	-	(23,344,110)	(23,344,110)	-	(26,297,265)	(26,297,265)
	<u>33,946,860</u>	<u>367,343,340</u>	<u>401,290,200</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 DOP)

8 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 %.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

8 Loans portfolios (continued)

- (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.
- (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:

	<u>2022</u>			<u>2021</u>		
	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>
Own funds	32,423,865	369,573,364	401,997,229	38,996,791	323,151,135	362,147,926
Other international institutions	-	58,863	58,863	-	44,755	44,755
Other national institutions (FLR window and BCRD repos)	<u>1,500,000</u>	<u>17,393,553</u>	<u>18,893,553</u>	<u>1,490,000</u>	<u>5,149,842</u>	<u>6,639,842</u>
	<u>33,923,865</u>	<u>387,025,780</u>	<u>420,949,645</u>	<u>40,486,791</u>	<u>328,345,732</u>	<u>368,832,523</u>
Interests receivable	22,995	3,661,670	3,684,665	397,326	3,776,004	4,173,330
Allowance for loan losses and interests receivable	<u>-</u>	<u>(23,344,110)</u>	<u>(23,344,110)</u>	<u>-</u>	<u>(26,297,265)</u>	<u>(26,297,265)</u>
	<u>33,946,860</u>	<u>367,343,340</u>	<u>401,290,200</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 DOP)

8 Loans portfolios (continued)

e) By term:

	2022			2021		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Short-term (up to one year)	16,075,564	316,319,414	332,394,978	21,992,810	126,275,022	148,267,832
Medium-term (more than one year and up to three years)	9,280,508	11,021,951	20,302,459	9,874,247	148,831,223	158,705,470
Long-term (more than three years)	<u>8,567,793</u>	<u>59,684,415</u>	<u>68,252,208</u>	<u>8,619,734</u>	<u>53,239,487</u>	<u>61,859,221</u>
	<u>33,923,865</u>	<u>387,025,780</u>	<u>420,949,645</u>	<u>40,486,791</u>	<u>328,345,732</u>	<u>368,832,523</u>
Interests receivable	22,995	3,661,670	3,684,665	397,326	3,776,004	4,173,330
Allowance for loan losses and interests receivable	-	(23,344,110)	(23,344,110)	-	(26,297,265)	(26,297,265)
	<u>33,946,860</u>	<u>367,343,340</u>	<u>401,290,200</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
Government	31,281,286	-	31,281,286	37,295,112	-	37,295,112
Financial sector	2,642,579	4,009,801	6,652,380	3,191,679	3,860,050	7,051,729
Agriculture, livestock and forestry	-	9,038,479	9,038,479	-	5,924,885	5,924,885
Fishing	-	6,658	6,658	-	6,392	6,392
Mining and quarries	-	440,681	440,681	-	414,497	414,497
Manufacturing industry	-	37,465,109	37,465,109	-	32,224,941	32,224,941
Electricity, gas and water	-	11,954,676	11,954,676	-	11,163,076	11,163,076
Construction	-	24,767,923	24,767,923	-	18,850,149	18,850,149
Wholesale and retail business	-	57,563,971	57,563,971	-	38,973,502	38,973,502
Hotels and restaurants	-	20,269,866	20,269,866	-	22,114,501	22,114,501
Transportation, warehousing and communication	-	7,156,810	7,156,810	-	5,112,089	5,112,089
Real estate, and leasing activities	-	19,627,278	19,627,278	-	16,028,350	16,028,350
Education	-	3,541,147	3,541,147	-	3,074,271	3,074,271
Health and social services	-	370,484	370,484	-	238,443	238,443
Other social and personal services activities	-	175,951,650	175,951,650	-	158,317,636	158,317,636
Private household with local services	-	<u>14,861,247</u>	<u>14,861,247</u>	-	<u>12,042,950</u>	<u>12,042,950</u>
	<u>33,923,865</u>	<u>387,025,780</u>	<u>420,949,645</u>	<u>40,486,791</u>	<u>328,345,732</u>	<u>368,832,523</u>
Interests receivable	22,995	3,661,670	3,684,665	397,326	3,776,004	4,173,330
Allowance for loan losses and interests receivable	-	(23,344,110)	(23,344,110)	-	(26,297,265)	(26,297,265)
	<u>33,946,860</u>	<u>367,343,340</u>	<u>401,290,200</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 DOP)

8 Loans portfolios (continued)

As of December 31, 2021, loans to the private sector include DOP2,435,000, 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. Through the Third Resolution of the Monetary Board, dated August 13, 2020, said body granted a no objection so that the loans to contractors and suppliers of the Dominican State were classified in risk category "A", provision at 0%, as well as well as their accounting as current loans from the private sector until December 31, 2022.

On March 2, 2022, the Bank signed an agreement for the assignment of assets and liabilities of a dissolving local financial institution represented by the Superintendency of Banks as dissolver. The Superintendency of Banks transferred available funds for DOP521,423 (includes USD5,583), credit portfolio classified A and B with a book value of DOP1,492,779 (includes USD1,357) received with a 21.68% discount, equivalent to DOP323,635, investments for DOP336,769, contribution from the contingency fund for DOP900,000, as well as a passive portfolio (savings and checking accounts and term deposits) for DOP2,915,748 (includes USD11,042).

Through circular ADM/0933/22 dated May 26, 2022, the Superintendency of Banks provided the following:

- ◆ Grant a waiver of one (1) year, as of March 3, 2022, for not constituting provisions and weighing zero (0%) in the calculation of the solvency index, the credits acquired from the local financial institution (entity in dissolution).
- ◆ Authorize the Bank to freeze the days of arrears from March 3, 2022 to March 3, 2023 for the credits acquired from the local financial institution, and grant a grace period of ninety (90) days in favor of said credits so as not to affect the information reported to the credit bureau. Through Circular ADM/1255/22 of August 26, 2022, the Superintendency of Banks extended the aforementioned ninety (90) days until the 1st. October 2022.

Additionally, through circular ADM/1570/22 dated November 1, 2022, the Superintendency of Banks granted a no objection for the Bank to proceed with the cleanup of this loan portfolio by applying it against the available discount.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

9 Debtors by acceptances

A summary of debtors by acceptances, is as follows:

<u>Correspondent Bank</u>	<u>2022</u>		<u>2021(reclassified, note 42)</u>	
	<u>Amount</u>	<u>Maturity date</u>	<u>Amount</u>	<u>Maturity date</u>
Bank of America (corresponds to USD141 in 2022)	7,914	2023	-	-
Sumitomo Mitsui Banking Corporation (corresponds to USD179 in 2022 and USD530 in 2021)	10,015	2023	30,281	2022
The Bank of Tokyo-Mitsubishi (corresponds to USD432 in 2021)	-	-	24,708	2022
Mufg Bank, LTD (corresponds to USD517 in 2022)	28,924	2023	-	-
Nanyan Comercial Bank (corresponds to USD84 in 2022)	<u>4,687</u>	2023	<u>-</u>	2022
	<u>51,540</u>		<u>54,989</u>	

10 Accounts receivable

A summary of accounts receivable is as follows:

	<u>2022</u>	<u>2021</u>
Commissions receivable (includes USD590 in 2022 and USD263 in 2021)	196,446	125,944
Other receivables:		
Accounts receivable from related parties	47,127	46,140
Expenses to be recovered	10,767	-
Security deposits (includes USD4 in 2022)	101,629	92,180
Compensation claimed	39,697	-
Advance in current account	97,934	47,443
Credit card claims	113,983	49,430

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

10 Accounts receivable (continued)	<u>2022</u>	<u>2021</u>
Credit card operations (includes USD110 in 2022 and USD41 in 2021)	166,561	171,085
Accounts receivable from remitters (includes USD777 in 2022 and USD187 in 2021)	295,860	10,753
Accounts receivable for real estate and leasing operations (includes USD4 in 2022 and in 2021)	5,073	5,876
Management funds	148,255	146,099
Documents receivable (a) (includes USD6,156 in 2022 and USD5,000 in 2021) (a)	743,434	506,785
Insurance premiums receivable:		
General insurances (includes USD43,629 and USD42,052 in 2022 and 2021)	3,550,007	3,347,049
Life insurance (includes USD1,258 and USD663 in 2022 and 2021)	312,301	120,241
Receivables from insurance and guarantees	488	1,730
Accounts receivable - other (includes USD8,697 in 2022 and USD615 in 2021)	<u>1,659,110</u>	<u>897,606</u>
	<u>7,488,672</u>	<u>5,568,361</u>

Corresponds to an unsecured financing granted to a tourism development trust in the Dominican Republic, for an original amount of USD5,000. This document has a maturity of one year and generates a minimum guaranteed return of 16% per year. Interest is capitalized quarterly and the capital payable at maturity.

The interest generated by this concept amounts to (USD1,156 equivalent to DOP64,715, in 2022) and (USD373 equivalent to DOP20,881 in 2021) and they are presented as part of financial income of the accompanying consolidated statements of profit or 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 DOP)

11 Assets received in lieu of foreclosure of loans

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

	<u>2022</u>	<u>2021</u>
Furniture and equipment	314,613	319,341
Real estate	<u>7,673,126</u>	<u>7,490,572</u>
	7,987,739	7,809,913
Allowance for losses on assets received in lieu of foreclosure of loans	<u>(7,555,170)</u>	<u>(7,499,440)</u>
	<u>432,569</u>	<u>310,473</u>

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

	<u>Amount</u>	<u>Provision</u>
2022		
Up to 40 months:		
Furniture and equipment	21,544	(12,848)
Real estate	1,762,861	(1,292,869)
More than 40 months:		
Furniture and equipment	293,068	(293,068)
Real estate	<u>5,910,266</u>	<u>(5,956,385)</u>
Total	<u>7,987,739</u>	<u>(7,555,170)</u>
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>7,809,913</u>	<u>(7,499,440)</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 DOP)

12 Equity-accounted investees

A summary of the interests in other legal companies is presented below:

a) *Associates:*

2022

<u>Companies</u>	<u>Jurisdiction</u>	<u>Segment</u>	<u>Functional currency</u>	<u>Shares capital DOP</u>	<u>% of voting rights under group control</u>
Consortio Tarjetas Dominicanas, S. A. CEVALDOM Depósito Centralizado de Valores, S. A.	Dominican Republic	Related services	DOP	209,719	24.53
Red Nuevo Related Financieros, S. A. MIO, S.A.S.	Dominican Republic Dominican Republic	Related services Related services	DOP DOP	33,962	49.00
Sociedad Titularizadora Dominicana, S. A.	Dominican Republic	Related services	DOP	60	20.00
				<u>31,079</u>	31.00
				<u>512,056</u>	
2021 (reclassified, note 42)					
Consortio Tarjetas Dominicanas, S. A. CEVALDOM Depósito Centralizado de Valores, S. A.	Dominican Republic Dominican Republic	Related services Related services	DOP DOP	209,719 209,996	24.53 30.00
Red Nuevo Related Financieros, S. A. Sociedad Titularizadora Dominicana, S. A.	Dominican Republic Dominican Republic	Related services Related services	DOP DOP	33,962 26,273	49.00 21.00
				<u>26,273</u>	
				<u>479,950</u>	

During the 2022 period, the Bank presented the following changes:

<u>Company</u>	<u>Jurisdiction</u>	<u>Segment</u>	<u>Reason</u>
New society: MIO, S. A. S.	Dominican Republic	Related services	Purchase
Sociedad Titularizadora Dominicana, S. A.	Dominican Republic	Related services	Capital contribution

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

12 Equity-accounted investees

The assets, liabilities, income, expenses and net results of associates accounted for under the equity method as of December 31, 2022 and 2021, are as follows:

2022

<u>Company</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Income</u>	<u>Expenses</u>	<u>Profits imputed to net equity</u>	<u>Book value</u>
Consorcio Tarjetas Dominicanas, S. A.	6,828,337	4,272,920	4,233,782	3,329,909	903,873	993,688
CEVALDOM Depósito Centralizado de Valores, S. A.	1,780,937	241,888	1,332,478	663,277	669,201	514,281
Red Nuevo Servicios Financieros, S. A.	244,011	23,632	266,163	179,600	86,563	169,122
MIO, S. A. S.	320,601	361,125	31,379	69,826	(38,447)	60
Sociedad Titularizadora Dominicana, S. A.	<u>50,252</u>	<u>15,992</u>	<u>4,923</u>	<u>70,784</u>	<u>(65,861)</u>	<u>10,644</u>
Total	<u>9,224,138</u>	<u>4,915,557</u>	<u>5,868,725</u>	<u>4,313,396</u>	<u>1,555,329</u>	<u>1,687,795</u>

2021 (reclassified, note 42)

Consorcio Tarjetas Dominicanas, S. A.	3,958,145	1,741,670	3,184,375	2,619,444	564,931	903,580
CEVALDOM Depósito Centralizado de Valores, S. A.	1,686,315	301,928	1,255,579	641,166	614,413	469,155
Red Nuevo Servicios Financieros, S. A.	173,875	40,058	220,263	161,345	58,918	123,615
Sociedad Titularizadora Dominicana, S. A.	<u>18,901</u>	<u>3,779</u>	<u>7,294</u>	<u>53,905</u>	<u>(46,611)</u>	<u>3,352</u>
Total	<u>5,837,236</u>	<u>2,087,435</u>	<u>4,667,511</u>	<u>3,475,860</u>	<u>1,191,651</u>	<u>1,499,702</u>

As of December 31, 2022 and 2021, a movement of the investment, dividends received and the participation in the results of the associates is as follows:

	<u>2022</u>	<u>2021</u>
Initial cost	1,499,702	1,395,908
Participation in net results	433,684	346,952
Purchase of shares	47,359	-
Dividends received in cash	<u>(292,950)</u>	<u>(243,158)</u>
Book value, net	<u>1,687,795</u>	<u>1,499,702</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 DOP)

13 Property, furniture and equipment

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

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Furniture and equipment</u>	<u>Leasehold improvements</u>	<u>Construction and acquisitions in process (a)</u>	<u>Total</u>
2022						
Balance at January 1 st , 2022	2,047,516	9,249,882	7,045,616	749,198	657,580	19,749,792
Acquisitions	-	284,966	238,649	-	2,987,408	3,511,023
Transfers	68,963	588,586	1,805,231	113,145	(2,575,925)	-
Impairment	(34,352)	(1,121,399)	-	-	-	(1,155,751)
Reclassifications (c)	-	(14,879)	-	-	-	(14,879)
Others (note 41)	-	-	-	-	(190,439)	(190,439)
Disposals and discharges	<u>(5,649)</u>	<u>(115,356)</u>	<u>(630,449)</u>	<u>(39,047)</u>	<u>-</u>	<u>(790,501)</u>
Balance at December 31, 2022	<u>2,076,478</u>	<u>8,871,800</u>	<u>8,459,047</u>	<u>823,296</u>	<u>878,624</u>	<u>21,109,245</u>
Accumulated depreciation at January 1 st , 2022	-	(2,418,788)	(3,563,683)	(339,963)	-	(6,322,434)
Depreciation expenses (b)	-	(326,324)	(1,171,184)	(162,840)	-	(1,660,348)
Reclassifications (c)	-	14,879	-	-	-	14,879
Disposals and discharges	<u>-</u>	<u>39,983</u>	<u>607,131</u>	<u>39,047</u>	<u>-</u>	<u>686,161</u>
Balance at December 31, 2022	<u>-</u>	<u>(2,690,250)</u>	<u>(4,127,736)</u>	<u>(463,756)</u>	<u>-</u>	<u>(7,281,742)</u>
Property, furniture and equipment at December 31, 2022	<u><u>2,076,478</u></u>	<u><u>6,181,550</u></u>	<u><u>4,331,311</u></u>	<u><u>359,540</u></u>	<u><u>878,624</u></u>	<u><u>13,827,503</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 DOP)

13 Property, furniture and equipment (continued)

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Furniture and equipment</u>	<u>Leasehold improvements</u>	<u>Construction and acquisitions in process (a)</u>	<u>Total</u>
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
Transfers	33,732	335,498	857,181	69,842	(1,296,253)	-
Others (note 41)	-	-	-	-	(133,579)	(133,579)
Disposals and discharges	<u>-</u>	<u>(105,739)</u>	<u>(971,502)</u>	<u>(194,939)</u>	<u>-</u>	<u>(1,272,180)</u>
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 and discharges	<u>-</u>	<u>97,759</u>	<u>970,192</u>	<u>195,401</u>	<u>-</u>	<u>1,263,352</u>
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>2,047,516</u>	<u>6,831,094</u>	<u>3,481,933</u>	<u>409,235</u>	<u>657,580</u>	<u>13,427,358</u>

(a) As of December 31, 2022 and 2021, it basically corresponds to remodeling and construction of offices.

(b) During the years ended December 31, 2022 and 2021, includes DOP21,842 and DOP18,293, 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.

(c) As of December 31, 2022, it corresponds to reclassification between accumulated depreciation and the cost of some buildings.

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 DOP915,737. As of December 31, 2022 and 2021, the revaluation surplus, net of accumulated depreciation, amounts to DOP646,078 and DOP666,545 respectively, and is included as a revaluation surplus in the accompanying consolidated statement of financial position.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

14 Properties under development for sale and rent

As of December 31, 2022 and 2021, properties under development amounts to DOP5,386,087 and DOP5,391,850, 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 DOP 4,628,477, consisting of 9,649,782 square meters of land from the old Montellano Sugar Mill in Puerto Plata (blocks A-1 and A-2).

Real estate under development for sale and rental includes an investment property recognized at cost. The Bank determines when a property is classified as leased property or inventory available for sale, based on the fact that the leased property is substantially not intended for use by the Bank, nor for sale in the ordinary course of business, but primarily to generate rental income and capital gains when the transaction occurs. As of December 31, 2022 and 2021, the land has not yet been leased or sold.

The properties under development for sale and for rent during the years ended December 31, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Properties available for sale	358,498	523,136
investment properties and real estate in development (a)	<u>4,927,589</u>	<u>4,868,714</u>
	<u>5,286,087</u>	<u>5,391,850</u>

(a) The movement of investment properties and real estate under development during the years ended December 31, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Acquisition costs - balances at beginning of the year	4,868,714	239,773
Additions (i)	72,491	4,641,748
Costs incurred	<u>(13,616)</u>	<u>(12,807)</u>
Balances at December 31, 2022	<u>4,927,589</u>	<u>4,868,714</u>

- i) During the year ended December 31, 2022, the Bank capitalized expenses for DOP72,491, related to the conditioning and preparation of the land of the investment property that it keeps recognized in its books, this as part of the negotiations carried out so that this property be assigned to a trust for the development and the construction of a tourism project called "Monte Llano Monte Plata Bergatín Project".

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

15 Other assets

A summary of other assets is as follows:

	<u>2022</u>	<u>2021</u>
Deferred charges:		
Returns and commissions paid in advance	7,194	3,890
Commissions to insurance agents on unearned premiums	507,910	413,291
Prepaid insurances	576,039	316,126
Non-deferred proportional ceded reinsurance premium (a)	285,360	314,456
Prepaid income tax (note 37)	7,891,701	7,208,409
Other prepaid payments (includes USD34 and USD28 in 2022 and 2021) (b)	6,655,635	4,418,968
Other deferred charges	<u>335,213</u>	<u>180,762</u>
	<u>16,259,052</u>	<u>12,855,902</u>
Intangibles:		
Software	3,114,050	3,083,121
Others	<u>34,632</u>	<u>34,631</u>
	3,148,682	3,117,752
Accumulated amortization of computers programs (d)	<u>(2,061,015)</u>	<u>(1,564,525)</u>
	<u>1,087,667</u>	<u>1,553,227</u>
Other assets:		
Stationery and office supply	437,919	286,439
Libraries and artwork	31,269	32,872
Others (includes USD73 in 2022 and USD103 in 2021)	<u>163,004</u>	<u>154,145</u>
	632,192	473,456
Items pending for allocation, (includes USD11 in 2021) (c)	<u>-</u>	<u>33,343</u>
	<u>632,192</u>	<u>506,799</u>
	<u>17,978,911</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 DOP4,227,000 and DOP2,645,000, respectively, for advances made to vehicle dealers for Expomovil Banreservas, which, as of that date, the corresponding loans had not been disbursed.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

15 Other assets (continued)

(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.

(d) A movement of accumulated amortization of computer software during the years ended December 31, 2022 and 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>496,490</u>	<u>507,726</u>
Balances at the end	<u>2,061,015</u>	<u>1,564,525</u>

16 Summary of allowances for risky assets

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

	<u>Loan portfolio</u>	<u>Investments</u>	<u>Interests receivable</u>	<u>Assets received in lieu of foreclosure of loans</u>	<u>Contingent, operations (a)</u>	<u>Total DOP</u>
December 31, 2022						
Balance at January 1 st , 2022	24,770,917	267,530	1,526,991	7,499,440	701,113	34,765,991
Constitution of allowances	2,179,891	3,500	185,354	-	3,085	2,371,830
Write-offs against allowances	(3,988,163)	-	(720,763)	(130,231)	-	(4,839,157)
Transfers of allowances	(574,017)	15,000	138,806	420,211	-	-
Withdrawal of allowance for sales of foreclosed assets	-	-	-	(234,250)	-	(234,250)
Effect of change in exchange rates and others	<u>(161,990)</u>	<u>439</u>	<u>(12,281)</u>	<u>-</u>	<u>(5,977)</u>	<u>(179,809)</u>
Balance at December 31, 2022	22,226,638	286,469	1,118,107	7,555,170	698,221	31,884,605
Minimum allowances required at December 31, 2022 (b)	<u>11,658,869</u>	<u>251,755</u>	<u>809,488</u>	<u>7,509,051</u>	<u>282,307</u>	<u>20,511,470</u>
Excess (deficit) in the minimum allowance required at December 31, 2022 (c)	<u>10,567,769</u>	<u>34,714</u>	<u>308,619</u>	<u>46,119</u>	<u>415,914</u>	<u>11,373,135</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 DOP)

16 Summary of allowances for risky assets (continued)

	<u>Loan portfolio</u>	<u>Investments</u>	<u>Interests receivable</u>	<u>Assets received in lieu of foreclosure of loans</u>	<u>Contingent, operations (a)</u>	<u>Total DOP</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
Minimum allowances required at December 31, 2021 (b)	<u>16,763,940</u>	<u>249,086</u>	<u>978,526</u>	<u>7,055,389</u>	<u>286,877</u>	<u>25,333,818</u>
Excess (deficit) in the minimum allowance required at December 31, 2021 (c)	<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) This allowance is included as part of other liabilities (see note 20) and the constitution expense is included as part of operating expenses in the consolidated statement of profit or loss.
- (b) Corresponds to the provisions determined in the self-assessment as of December 31, 2022 and 2021 in accordance with the REA.
- (c) As of December 31, 2022 and 2021, excess allowances on the loan portfolio, accounts receivable and contingent operations correspond to additional allowances recognized by the Bank, in accordance with the rules of the Superintendence of Banks, through its Circulars No. 001/21 and 007/21, and other related documents. These 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 it considers the macroeconomic effects on the situation of the debtors.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

16 Summary of allowances for risky assets (continued)

As of December 31, 2022 and 2021, for the loans granted to the road development sector for approximately DOP23,300,000 and DOP25,800,000, respectively, there is no objection to classify them with "A" risk and with a provision requirement of a 0%, through the Seventh Resolution of the Monetary Board dated August 26, 2021, the term was extended until August 31, 2023. In the same order, as of December 31, 2021, on the credits granted to the sector of construction of low-cost housing in the Dominican Republic, for approximately DOP3,800,000, the Bank obtained a no objection to classify them with "A" risk and a provision requirement of 0%, through the Third Resolution of the Monetary Board dated On August 13, 2020, due to the previous resolutions, a no objection was also granted so that the facilities granted by the contractors and suppliers program of the Dominican State are classified in risk category "A", with 0% provision requirement and reported as current private sector credits for DOP2,435,000 until December 31, 2022.

As of December 31, 2022, through Circular SB ADM/1254/22, a no objection was granted so that a line of credit of up to USD15,000 granted for the rehabilitation and complementation of a dam in the country, be classified with capacity of payment "A", with a 0% provision requirement until August 23, 2023.

17 Customers' deposits

Customers' deposits are summarized as follows:

a) By type

	<u>Local currency</u>	<u>Annual weighted average rate (%)</u>	<u>Foreign currency</u>	<u>Annual weighted average rate (%)</u>	<u>Total DOP</u>
December 31, 2022					
Checking	219,496,063	0.44	-	-	219,496,063
Savings	184,054,629	0.31	136,645,422	0.09	320,700,051
Time	168,322,277	7.22	49,056,934	2.73	217,379,211
Interests payable	<u>476,438</u>	<u>-</u>	<u>55,561</u>	<u>-</u>	<u>531,999</u>
	<u>572,349,407</u>	<u>2.42</u>	<u>185,757,917</u>	<u>0.79</u>	<u>758,107,324</u>
December 31, 2021 (reclassified, note 42)					
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	3.00	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>1.22</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 DOP)

17 Customers' deposits (continued)

	<u>Local currency</u>	<u>Annual weighted average rate (%)</u>	<u>Foreign currency</u>	<u>Annual weighted average rate (%)</u>	<u>Total DOP</u>
b) By sector					
December 31, 2022					
Non-financial public sector	210,702,446	2.54	34,476,321	0.34	245,178,767
Non-financial private sector	361,042,160	0.35	150,923,679	0.89	511,965,839
Non-resident	128,363	0.42	302,356	0.09	430,719
Interests payable	<u>476,438</u>	<u>-</u>	<u>55,561</u>	<u>-</u>	<u>531,999</u>
	<u>572,349,407</u>	<u>2.42</u>	<u>185,757,917</u>	<u>0.79</u>	<u>758,107,324</u>
2021 (reclassified, note 42)					
Non-financial public sector	177,637,270	1.18	24,718,134	0.32	202,355,404
Non-financial private sector	332,920,066	1.14	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>1.22</u>	<u>170,832,228</u>	<u>0.35</u>	<u>681,707,903</u>
c) By maturity date					
2022					
0 to 15 days	403,793,595	0.40	136,761,996	0.09	540,555,591
16 to 30 days	1,212,971	7.04	68,933	2.47	1,281,904
31 to 60 days	32,732,639	7.87	8,229,250	3.38	40,961,889
61 to 90 days	17,171,210	7.27	3,746,917	3.42	20,918,127
91 to 180 days	32,787,404	6.89	8,026,465	2.89	40,813,869
181 to 360 days	40,867,605	7.42	12,758,805	2.96	53,626,410
More than 1 year	43,307,545	6.76	16,109,990	1.99	59,417,535
Interest payable	<u>476,438</u>	<u>-</u>	<u>55,561</u>	<u>-</u>	<u>531,999</u>
	<u>572,349,407</u>	<u>2.42</u>	<u>185,757,917</u>	<u>0.79</u>	<u>758,107,324</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 DOP)

17 Customers' deposits (continued)

	<u>Local currency</u>	Annual weighted average rate (%)	<u>Foreign currency</u>	Annual weighted average rate (%)	<u>Total DOP</u>
2021					
(reclassified, note 42)					
0 to 15 days	355,240,203	0.44	123,134,086	0.22	478,374,289
16 to 30 days	169,829	4.58	169,576	0.41	339,405
31 to 60 days	21,516,049	2.82	7,261,822	0.19	28,777,871
61 to 90 days	8,249,419	3.44	2,336,054	0.62	10,585,473
91 to 180 days	55,042,211	2.51	8,648,293	0.43	63,690,504
181 to 360 days	34,144,166	3.07	14,339,939	0.94	48,484,105
More than 1 year	36,349,883	3.65	14,928,437	0.84	51,278,320
Interest payable	163,915	-	14,021	-	177,936
	<u>510,875,675</u>	<u>1.22</u>	<u>170,832,228</u>	<u>0.35</u>	<u>681,707,903</u>

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

	<u>Inactive accounts</u>	Foreclosed <u>funds</u>	Deceased <u>customers</u>	Security <u>deposits</u>	<u>Total DOP</u>
2022					
Customers' deposits:					
Checking	49,574	3,474,650	107,781	-	3,632,005
Savings	1,616,289	1,028,138	3,165,928	-	5,810,355
Time	-	2,568,957	1,174,863	16,959,883	20,703,703
	<u>1,665,863</u>	<u>7,071,745</u>	<u>4,448,572</u>	<u>16,959,883</u>	<u>30,146,063</u>
2021					
(reclassified, note 42)					
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	-	510,905	1,257,535	15,283,132	17,051,572
	<u>2,157,386</u>	<u>5,571,296</u>	<u>3,889,637</u>	<u>15,283,132</u>	<u>26,901,451</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 DOP)

17 Customers' deposits (continued)

As of December 31, 2022 and 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>
December 31, 2022			
Customers' deposits:			
Checking	42,463	7,111	49,574
Savings	<u>1,593,057</u>	<u>23,232</u>	<u>1,616,289</u>
	<u>1,635,520</u>	<u>30,343</u>	<u>1,665,863</u>
December 31, 2021 (reclassified, note 42)			
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>

18 Deposits from domestic and foreign financial entities

A summary of deposits from domestic and foreign financial entities 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 DOP</u>
December 31, 2022					
Checking	10,127,013	0.42	-	-	10,127,013
Savings	590,463	0.31	1,306,263	0.09	1,896,726
Time	24,806,687	11.26	6,608,717	4.22	31,415,404
Interest payable	<u>157,034</u>	<u>-</u>	<u>7,214</u>	<u>-</u>	<u>164,248</u>
	<u>35,681,197</u>	<u>8.00</u>	<u>7,922,194</u>	<u>3.54</u>	<u>43,603,391</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 DOP)

18 Deposits from domestic and foreign financial entities (continued)

	<u>Local currency</u>	<u>Annual weighted average rate (%)</u>	<u>Foreign currency</u>	<u>Annual weighted average rate (%)</u>	<u>Total DOP</u>
December 31, 2021 (reclassified, note 42)					
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	3.08	9,206,381	0.22	27,292,750
Interest payable	27,348	-	-	-	27,348
	<u>33,092,044</u>	<u>1.87</u>	<u>10,532,177</u>	<u>0.22</u>	<u>43,624,221</u>

b) By maturity date

December 31, 2022					
0 to 15 days	10,717,478	0.46	1,306,263	0.15	12,023,741
De 16 a 30 días	215,000	9.30	-	-	215,000
31 to 60 days	16,231,927	11.21	5,838,496	4.27	22,070,423
61 to 90 days	944,092	10.93	116,324	4.06	1,060,416
91 to 180 days	1,259,983	9.00	367,318	5.49	1,627,301
181 to 360 days	786,640	8.68	195,516	1.88	982,156
More than a year	5,369,043	12.47	91,063	1.09	5,460,106
Interest payable	157,034	-	7,214	-	164,248
	<u>35,681,197</u>	<u>8.00</u>	<u>7,922,194</u>	<u>3.54</u>	<u>43,603,391</u>

December 31, 2021 (reclassified, note 42)					
0 to 15 days	14,978,329	0.42	1,325,796	0.22	16,304,125
De 16 a 30 días	30,000	5.00	-	-	30,000
31 to 60 days	8,698,418	1.2	6,918,456	0.02	15,616,874
61 to 90 days	630,636	4.27	651,551	0.49	1,282,187
91 to 180 days	4,735,928	4.75	1,012,063	0.87	5,747,991
181 to 360 days	2,254,952	4.00	357,470	1.20	2,612,422
More than a year	1,736,433	5.92	266,841	1.08	2,003,274
Interest payable	27,348	-	-	-	27,348
	<u>33,092,044</u>	<u>1.87</u>	<u>10,532,177</u>	<u>0.22</u>	<u>43,624,221</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 DOP)

18 Deposits from domestic and foreign financial entities (continued)

As of December 31, 2022 and 2021, the Bank held funds in escrow due to third parties' foreclosures, inactive accounts, inoperative accounts and accounts from deceased customers in domestic financial entities for DOP2,970,793 and DOP1,024,749, respectively.

As of December 31, 2022 and 2021, the estatus of the inactive and/or dormant accounts of the deposits in domestic financial entities with three to ten year term is DOP420 and DOP359, respectively.

19 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>
December 31, 2022					
a) In national currency (DOP):					
A) Central Bank of the Dominican Republic (i)					
Securities on repurchase agreement	Repurchase pacts	Pledged titles	3.50 %	2023	6,283,938
Other obligations with Central Bank	Repurchase pacts	Pledged titles	3.01 %	until 2041	<u>21,547,461</u>
					<u>27,831,399</u>
B) Domestic financial entities					
Banco Popular Dominicano, S. A., Banco Múltiple	Line of credit	Unsecured	13.38 %	2023	<u>800,000</u>
b) In foreign currency:					
A) Foreign financial entities					
Bank of America (corresponds to USD65,000) (iii)	Loan	Unsecured	5.09 %	2023	3,638,824
Banco Interamericano de Desarrollo, BID (corresponds to USD199,000) (iii)	Loan	Unsecured	5.28 %	2023	11,140,398
Banco Latinoamericano de Comercio Exterior, S. A. (corresponds to USD200,000) (iii)	Loan	Unsecured	6.53 %	2023	11,196,380

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

19 Borrowed funds (continued)

December 31, 2022

b) In foreign currency (continued)

(A) Foreign financial entities

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Annual weighted average rate (%)</u>	<u>Maturity</u>	<u>Balance</u>
Wells Fargo Bank, N. A. (corresponds to USD77,500) (iii)	Loan	Unsecured	5.92 %	2023	4,338,597
China Development Bank, (corresponds to USD90,000) (ii)	Loan	Unsecured	7.03 %	2023	5,038,371
Bac Florida Bank (corresponds to USD30,000)	Loan	Unsecured	4.82 %	2023	1,679,457
Banco Itau, S. A. (corresponds to USD35,000) (iii)	Loan	Unsecured	4.49 %	2023	1,959,366
Citibank, N. A. (corresponds to USD175,000) (iii)	Loan	Unsecured	5.13 %	2023	9,796,833
Commerzbank AG (corresponds to USD65,000) (iii)	Loan	Unsecured	4.73 %	2023	3,638,824
Deutsche Bank (corresponds to USD50,000) (iii)	Loan	Unsecured	7.38 %	2023	2,799,095
US Century Bank (corresponds to USD9,000) (iii)	Loan	Unsecured	6.00 %	2023	503,837
CoBank (corresponds to USD6,781)	Loan	Unsecured	5.75 %	2023	379,625
Banco de Crédito e Inversiones (corresponds to USD20,000) (iii)	Loan	Unsecured	5.61 %	2023	1,119,638
Agencia Francesa de Desarrollo (corresponds to USD23,750)	Loan	Unsecured	7.18 %	2032	<u>1,329,570</u>
					<u>58,558,815</u>
Other:					
Various (includes USD14,127)	Sale of investments with re-purchase agreement	Secured	11.45 %	2023	<u>1,806,048</u>
Interests payable (includes USD15,052)					<u>1,350,770</u>
					<u><u>90,347,032</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 DOP)

19 Borrowed funds (continued)

December 31, 2021 (reclassified, note 42)

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Annual weighted average rate (%)</u>	<u>Maturity</u>	<u>Balance</u>
a) In national currency (DOP):					
A) Central Bank of the Dominican Republic (i)					
Securities on repurchase agreement	Loan	Secured	3.50 %	2022 until 2023	10,250,356
Other obligations with Central Bank	Loan	Secured	3.50 %	2022 until 2025	<u>22,674,238</u>
					<u>32,924,594</u>
B) 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 Múltiple Lafise, S. A.	Line of credit	Unsecured	6.20 %	2022	<u>136,000</u>
					<u>916,000</u>
b) In foreign currency:					
A) Foreign financial entities (continued)					
Bank of America (corresponds to USD40,000) (iii)	Loan	Unsecured	1.15 %	2022	2,285,652
Banco Interamericano de Desarrollo, BID (corresponde a (corresponds to USD100,000) (iii)	Loan	Unsecured	0.94 %	2022	5,714,130
Banco Latinoamericano de Comercio Exterior, S. A. (corresponds to USD200,000) (iii)	Loan	Unsecured	1.16 %	2022	11,428,260
Wells Fargo Bank (corresponds to USD90,000) (iii)	Loan	Unsecured	1.16 %	2022	5,142,717

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

19 Borrowed funds (continued)

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Annual weighted average rate (%)</u>	<u>Maturity</u>	<u>Balance</u>
China Development Bank, (corresponds to USD180,000) (ii)	Loan	Unsecured	2.17 %	2023	10,285,434
Eximbank, Republic of China - (corresponds to USD49) (iii)	Loan	Unsecured	0.91 %	2022	2,791
Agencia Francesa de Desarrollo (corresponds to USD25,000) (iii)	Loan	Unsecured	2.23 %	+2032	<u>1,428,532</u>
					<u>36,287,516</u>
Otros: Varios (includes a USD16,201)	Sale of investments with re-purchase agreement	Secured	7.50 %	2022	<u>2,515,455</u>
Interests payable (includes (includes USD1,229)					<u>450,206</u>
					<u>73,093,771</u>

- (i) As of December 31, 2022 and 2021, includes financing obtained through the Rapid Liquidity Facility (FLR) window set up by the Central Bank of the Dominican Republic amounting to DOP21,490,821 and DOP20,275,351, 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. These funds are guaranteed with investments amounting to DOP48,105,748 and DOP43,738,120, respectively.
- (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 %.
 - ◆ 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.

As of December 31, 2022, the Bank is in compliance with these clauses.

- (iii) As of December 31, 2022 and 2021, includes financing taken to guarantee the oil bill of Refinería Dominicana de Petróleo PDV, S. A., for approximately DOP50,133,000 and DOP23,999,000, 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 DOP)

20 Other liabilities

A summary of other liabilities is as follows:

	<u>2022</u>	<u>2021</u>
Other financial obligations:		
Demand obligations		
Includes USD12,260 in 2022 and USD4,680 in 2021(a)	8,010,791	4,141,698
Term obligations,		
includes USD236 in 2022 and USD10,916 in 2021(b)	257,192	941,472
Unclaimed third party balances,		
includes USD6,085 in 2022 and USD6,366 in 2021(b)	746,271	819,658
Administration received fund:		
public sector (note 29)	<u>400</u>	<u>18,425</u>
	<u>9,014,654</u>	<u>5,921,253</u>
Accounts payable and provisions:		
Sundry creditors		
(includes USD1,941 in 2022 and USD1,097 in 2021) (c)	1,906,731	2,479,872
Dividends payable	173,427	1,560,058
Reserves for contingent		
includes USD5,144 in 2022 and USD5,119 in 2021 (d) (note 16)	698,221	701,113
Other provisions		
(includes USD3,469 in 2022 and USD10,369 in 2021)	12,735,527	11,512,884
Income tax (note 37)	57,031	51,571
Deferred income tax (note 37)	383,473	294,469
Items pending for allocation (e)	-	27,758
Other deferred credits	<u>1,743</u>	<u>3,315</u>
	<u>15,956,153</u>	<u>16,631,040</u>
	<u>24,970,807</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 dollars (USD) received from the Dominican Government.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

20 Other liabilities (continued)

- (c) As of December 31, 2022 and 2021 includes DOP39,153 and DOP454,338, 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, includes approximately DOP134,400 and DOP39,700, respectively, 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 Superintendence of Banks (see note 27).
- (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.

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 arisign from the current insurance policies, which amounted to DOP7,537,962 and DOP6,036,671 as of December 31, 2022 and 2021, respectively.

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

	Specific reserves and <u>ongoing risk</u>	Mathematical <u>reserves</u>	<u>Total</u>
2022			
Balance at January 1 st , 2022	5,778,080	258,591	6,036,671
Plus: reserve increase	6,642,235	456,481	7,098,716
Less: reserve decrease	<u>(5,242,777)</u>	<u>(354,648)</u>	<u>(5,597,425)</u>
Balance at December 31, 2022	<u>7,177,538</u>	<u>360,424</u>	<u>7,537,962</u>
2021			
Balance at January 1 st , 2021	5,424,034	260,600	5,684,634
Plus: reserve increase	5,073,544	332,963	5,406,507
Less: reserve decrease	<u>(4,719,498)</u>	<u>(334,972)</u>	<u>(5,054,470)</u>
Balance at December 31, 2021	<u>5,778,080</u>	<u>258,591</u>	<u>6,036,671</u>

As of December 31, 2022 and 2021, technical reserves include USD27,131 and USD2,639 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 DOP)

22 Responsibilities

In addition to the obligation balances of insured risks retained, as of December 31, 2022 and 2021 for DOP1,205,474,988 and DOP1,013,879,029, respectively, the subsidiaries Seguros Reservas, S. A. and Administradora de Riesgo de Salud Reservas, Inc. recognize memorandum accounts for salvages warehouse amounting to DOP21,953 and DOP23,300 in 2022 and 2021, respectively.

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

	<u>2022</u>	<u>2021</u>
Responsibilities for insurance businesses and bonds taken directly	1,205,474,988	1,013,879,029
Surrendered and retracted insurance responsibilities	<u>21,880,589,019</u>	<u>664,826,001</u>
	<u>23,086,064,007</u>	<u>1,678,705,030</u>

23 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 December 31, 2022 and 2021, are the following:

<u>December 31, 2022</u>			<u>December 31, 2021</u>		
<u>Reinsurer</u>	<u>Class of contract</u>	<u>Participation (%)</u>	<u>Reinsurer</u>	<u>Class of contract</u>	<u>Participation (%)</u>
Suiza	Surplus	12.9	Suiza	Surplus	12.5
-	Quota share	70 until 100	Trans. RE Mallen	Quota share	20 until 100
-	-	-	-	Surplus	4.5
THB (Amwins)	Surplus	57.10	-	-	-
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
THB (Amwins)	Surplus	34.88 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,	Surplus	35 until 100	General Re,	Surplus	35 until 100
Active	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 DOP)

24 Assimilated capital obligations

A summary of the subordinated debts, is as follows:

<u>Type</u>	<u>Amount in DOP</u>	<u>Weighted average interest rate</u>	<u>Type of currency</u>	<u>Term</u>
December 31, 2022				
Subordinated debts (corresponds to USD300,000 nominal value (a))	16,794,570	7.00 %	USD dollar	10 years
Subordinated debts nominal value (b)	19,999,000	7.87 %	Dominican pesos	10 years
Debt issuance costs (c)	(74,627)			
Subordinated debts (corresponds Discount on the issuance of debt (corresponds to USD56) (d))	<u>(3,147)</u>			
	36,715,796			
Interests payable (corresponds to USD8,750)	<u>932,524</u>			
	<u>37,648,320</u>			
December 31, 2021				
Subordinated debts (corresponds to USD300,000 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)			
Subordinated debts (corresponds Discount on the issuance of debt (corresponds to USD385) (d))	<u>(22,022)</u>			
	27,075,853			
Interests payable (corresponds to USD8,750)	<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 DOP)

24 Assimilated capital obligations (continued)

- a) Corresponds to bonds issued by the Bank on February 1st, 2013, for a nominal value of USD300,000. 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.

These bonds were settled on the 1st date. February 2023.

- b) Corresponds to bonds issued in the market of the Dominican Republic by the Bank:
- i) On July 27, 2022 for a nominal value of DOP20,000,000, of which DOP10,000,000 was issued, with a maturity of 10 years until July 27, 2032, at a fixed interest rate of 10.00%.
 - ii) On December 29, 2014, for a face value of DOP 9,999,000. The amount placed corresponds to two issues offered simultaneously, each for DOP5,000,000 and DOP4,999,000, respectively, with a maturity of 10 years until December 29, 2024, and at a variable interest rate equivalent to the passive interest rate. weighted average (TIPPP) of multiple banks, published by the Central Bank, plus a fixed margin of 2.75%. The effective rate at the time of placement was 9.66%, reviewable every six months.

These bonds do not have any collateral and in the event of dissolution or liquidation of the Bank, the payment of the bonds is subject to all the obligations of the Bank.

- 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.

As of December 31, 2022 and 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 DOP11,941,836 and DOP7,428,478, 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 DOP)

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 DOP	Quantity	Amount in DOP
Balance at December 31, 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 December 31, 2022 and 2021, the capital contributions of the Bank have been originated as follow:

- a) DOP50,000 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) DOP200,000 by delivering state-certified vouchers issued by the National Treasury in 1988.
- c) DOP1,750,000 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) DOP1,500,000 by issuing bonds on behalf of the Bank in accordance with Law No. 121-05 of April 7, 2005, the Dominican Republic Government.
- e) DOP2,000,000 by reinvesting dividends charged to earnings of 2013 in accordance with Law No. 543-14 of December 5, 2014.
- f) DOP2,800,000, by reinvesting dividends charged to earnings of 2014, in accordance with the Law No. 543-14 of December 5, 2014.
- g) DOP1,700,000 through the reinvestment of dividends charged to earnings of 2014, pursuant to Law No. 543-14 of December 5, 2014.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

25 Equity (continued)

- h) DOP29,000,000, through the reinvestment of dividends charged to other equity reserves, according to the audited financial statements for fiscal year 2020, in accordance with Law No. 1-22 of January 5, 2022.

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 July 1, 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 DOP16,306,821, as detailed below:

- i) DOP9,784,093, transferred to equity reserve. This transfer was done effectively as of December 31, 2021.
- ii) DOP4,076,705, dividends in cash to be paid to the Dominican Republic State.
- iii) DOP2,446,023, 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 DOP13,461,483. During 2022, DOP4,076,705 were paid in cash, while DOP2,446,023 were used to compensate the State's debts and its dependencies with the Bank and DOP173,427 corresponding to dividends declared in previous periods, are included within the other liabilities in the accompanying consolidated statement of financial position.

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 DOP10,400,386, as detailed below:

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

25 Equity (continued)

- i) DOP6,240,231, transferred to equity reserve. This transfer was done effectively as of December 31, 2020.
- ii) DOP2,600,097, dividends in cash to be paid to the Dominican Republic State.
- iii) DOP1,560,058, 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 DOP6,450,120.

During 2021, DOP2,600,097 were paid in cash and DOP1,560,058 are included in other liabilities in the accompanying consolidated statement of financial position as of that date.

The Bank obtained the no objection from the Superintendency of Banks of the Dominican Republic through communications ADM/1113/22 and ADM/3164/21, dated July 22, 2022 and November 15, 2021, respectively, for the distribution of dividends in accordance with the provisions of Circular no. 006/21, dated March 31, 2021, issued by this superintendency, for the years 2022 and 2021.

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, 2022 and 2021, the Bank segregated equity reserves for the amount of DOP13,215,497 and DOP9,784,093, respectively.

Revaluation surplus

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 DOP915,737. The Bank, in accordance with the rules established, considered this amount as tier 2 capital, prior authorization of the Superintendence of Banks.

During the year ended December 31, 2022, the Bank recognized impairment of these revalued assets for DOP20,466. As of December 31, 2021, the amortized amount corresponding to these revalued assets, amounted to DOP11,140.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

26 Legal limits and technical relations

A summary of the legal limits and technical relationships required for the Bank (Parent Company) by the monetary and financial authority as of December 31, 2022 and 2021, is as follows:

<u>Limit concept</u>	<u>According to norms</u>	<u>According to entity</u>
December 31, 2022		
Minimum requirement of:		
Legal reserve in DOP	74,278,792	74,991,924
Legal reserve in USD	692,451	1,245,117
Maximum requirement of:		
Individual credits or risk groups unsecured (b)	7,470,700	5,033,751
Individual credits or risk groups guaranteed (b)	22,412,100	11,422,052
Individual credits or risk groups to related parties unsecured (b)	7,470,700	4,324,273
Individual credits or risk groups to related parties guaranteed (b)	14,941,400	501,067
Global loans to related parties (b)	37,353,500	24,088,912
Loans to officers and employees	7,470,700	4,943,072
Investments in financial entities from abroad	7,800,000	48,061
Investments in non-financial entities	3,900,000	26,049
Investments in support and services entities (c)	7,800,000	21,479,796
Property, furniture and equipment	74,706,999	11,562,576
Contingencies	224,120,997	54,827,614
Financing in foreign currency (d)	22,412,100	2,059,082
Solvency (a)	<u>10.00 %</u>	<u>16.41 %</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 DOP)

26 Legal limits and technical relations (continued)

<u>Limit concept</u>	<u>According to norms</u>	<u>According to entity</u>
December 31, 2021		
Minimum requirement of:		
Legal reserve in DOP	57,783,398	58,244,624
Legal reserve in USD	637,561	753,068
Maximum requirement of:		
Individual credits or risk groups unsecured (b) (e)	5,699,861	4,019,834
Individual credits or risk groups guaranteed (b) (e)	17,099,583	5,716,045
Individual credits or risk groups to related parties unsecured (b) (e)	5,699,861	4,413,829
Individual credits or risk groups to related parties guaranteed (b) (e)	11,399,722	993,719
Global loans to related parties (b) (e)	28,499,306	22,880,791
Loans to officers and employees	5,699,861	13,525,891
Investments in financial entities from abroad	2,000,000	49,056
Investments in non-financial entities	1,000,000	26,049
Investments in support and services entities (c)	2,000,000	19,142,134
Property, furniture and equipment	56,998,611	11,437,963
Contingencies	170,995,833	44,808,488
Financing in foreign currency (d)	17,099,583	574,204
Solvency (a)	<u>10.00 %</u>	<u>16.52 %</u>

- a) To determine the solvency ratio, the guidelines established in the Regulation of Prudential Norms of Patrimonial Adequacy are applied. In addition, the Bank periodically evaluates that the capitalization guarantees at all times that a sufficient and adequate level of capital is maintained to support the risks it assumes in the course of its operations and in the event of any adverse change. The business strategy is aligned with the capitalization strategy and together they have made it possible to maintain a financial profile with adequate margins, as well as solvency indicators above what is required by current local regulations. Technical equity is made up of: paid-in capital, legal reserve, revaluation surplus and subordinated debt. For both periods, the Bank maintains a solvency indicator above the minimum required. A summary of the contingent assets weighted by credit risk and market risk is shown below:

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

26 Legal limits and technical relations (continued)

	<u>2022</u>	<u>2021</u>
Total weighted assets less deductions	391,066,929	317,743,720
Total contingent operations less deductions	17,498,476	14,856,939
Capital required by market risk	<u>46,794,363</u>	<u>12,529,197</u>
Total weighted contingent assets due to credit risk and market risk	<u>455,359,768</u>	<u>345,129,856</u>

As of December 31, 2022 and 2021, a detail of the accounts that make up the technical equity of the Bank (Head Office) is as follows:

	<u>2022</u>	<u>2021</u>
Paid-in capital	39,000,000	10,000,000
Equity reserve	<u>23,119,085</u>	<u>38,903,588</u>
Subtotal primary capital	<u>62,119,085</u>	<u>48,903,588</u>
Adjustments for revaluation of real estate	646,078	666,545
Computable portion subordinated obligations	<u>11,941,836</u>	<u>7,428,478</u>
Subtotal secondary capital	<u>12,587,914</u>	<u>8,095,023</u>
Total technical equity	<u>74,706,999</u>	<u>56,998,611</u>

As of December 31, 2021, according to Circular no. ADM/1028/15, dated September 10, 2015, issued by the Superintendency of Banks and Seventh Resolution of the Monetary Board, dated December 19, 2019, grants a waiver for 0% weighting in the solvency index for some state works contractor companies, respectively.

- b) Through Circular SB: ADM/0089/12 of February 8, 2012, the Superintendency of Banks authorized those loans granted to public sector organizations, defined in article no. 3 of the Public Credit Law, which have the explicit guarantee of the Dominican State, are not computed for the purposes of determining excesses to individual limits or for credit limits to related entities.
- c) The Bank has excess investments in shares, which were not excluded in the determination of technical 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 DOP)

26 Legal limits and technical relations (continued)

The article no. 86 b) of the Monetary and Financial Law established a period of five years, counted from the approval of the corresponding regulation, for public financial intermediation entities to adapt to the provision of the law. The Executive Branch granted to the Bank five years to transfer and/or place excess in investments, which ended in 2008.

Through Administrative Circular ADM 0301/09, the Superintendency of Banks extended this period until July 2012. The investments held by the Bank in the insurance company and the administration of pension funds were transferred to the holding company Reservas, S.A. On December 5, 2012, through communication no. 0970, the Superintendency of Banks issued its no objection to maintaining the treatment that has been applied to investments in shares held by the Bank, until approval of the modification of the Monetary and Financial Law is obtained.

- d) Excludes financing obtained abroad in the medium and long term, that is, with a maturity greater than one year, those authorized by the Central Bank of the Dominican Republic to cover the oil bill of Refinería Dominicana de Petróleo, S.A., and items which were originally contingent foreign trade operations and which later become direct financing by the Bank to its customers, in accordance with communication no. 036395 of the Central Bank of the Dominican Republic, dated September 12, 2001, which modifies the sole paragraph of Ordinal 1 of the Second Resolution adopted by the Monetary Board on October 7, 1999.
- e) As of December 31, 2021, the facilities granted through the Dominican State contractors and suppliers program received a waiver not to be considered for the determination of the concentration limits established by paragraph I of article 6 of the Risk Concentration Regulation, under the Third Resolution of the Monetary Board, dated August 13, 2020, in which the terms were extended until December 31, 2022 and which was subsequently modified by the Seventh Resolution of the Monetary Board dated August 26, 2021 extending the payment until August 31, 2023.

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:

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

27 Commitments and contingencies (continued)

(a) Contingent operations (continued)

	December 31	
	<u>2022</u>	<u>2021</u>
Collaterals granted:		
Endorsements:		
Commercial	1,654,896	2,327,378
Other endorsements	2,010,950	1,761,468
Other collaterals granted	93,296	116,672
Non-negotiable letters of credit issued	1,611,074	1,112,520
Credit lines of automatic use	49,457,398	39,490,450
	54,827,614	44,808,488

As of December 31, 2022 and 2021, the Bank has reserves to cover possible losses from these operations for the amounts of DOP698,221 and DOP701,113, respectively, which are included in other liabilities in the consolidated statement of financial position at those dates.

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

	<u>2022</u>	<u>2021</u>
General risks	975,719,373	823,888,974
Individual life insurance	24,220,376	14,857,275
Collective life insurance	205,535,239	175,132,780
	1,205,474,988	1,013,879,029

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

(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 years ended December 31, 2022 and 2021, expenses for this concept amounted to approximately DOP1,316,069 and DOP1,108,564, respectively, which are recognized in other operating expenses in the accompanying consolidated statements of profit or loss. The commitments to pay for these leasing contracts of the administrative offices and branches for 2023 will be approximately DOP1,481,000.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

27 Commitments and contingencies (continued)**(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 this concept for the years ended December 31, 2022 and 2021 was approximately DOP1,611,991 and DOP1,227,000, 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 until December 15, 2022.

(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 until December 15, 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 DOP)

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

The Banks maintains a contract with a foreign company for the non-exclusive use of Master Card 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 USD5 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 December 31, 2022 and 2021, there are several lawsuits and claims originated in the normal course of the Bank's operations for approximately DOP29,394,000 and DOP28,267,000, respectively. The Bank believes together with its legal advisors that the resolution of these claims will not result in an adverse material effect. As of December 31, 2022 and 2021, the amount reserved to meet these claims increased to DOP75,969 and DOP63,445, respectively, and is recognized in other liabilities in the accompanying consolidated statement of financial position.

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 DOP)

27 Commitments and contingencies (continued)

(h) Guaranteed minimum return

As of December 31, 2022 and 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 395-17 of SIPEN, dated November 13, 2017. If the return is below the weighted average calculated by the SIPEN, the *Administradora* would have a payment commitment with the fund.

28 Trusts

As of December 31, 2022 and 2021, through one of its subsidiaries, the Bank has received resources for its administration from public and private trusts whose financial situation as of December 31, 2022 and 2021 is as follows:

<u>Trust Class</u>	<u>Total assets</u>	<u>Total liabilities</u>	<u>Total equity</u>
December 31, 2022			
Administration	24,010,458	851,623	23,158,834
Real Estate	10,330,473	8,518,723	1,811,749
Succession planning	203,752	1,384	202,368
Guarantee and sources of payment	832,379	573,376	259,003
Public offer	55,363,014	48,959,138	6,403,875
Philanthropic	<u>260,836</u>	<u>2,280</u>	<u>258,556</u>
	<u>91,000,912</u>	<u>58,906,524</u>	<u>32,094,385</u>
December 31, 2021			
Administration	10,202,754	470,135	9,732,619
Real Estate	12,355,238	10,566,296	1,788,942
Succession planning	2,155,359	1,600,354	555,005
Guarantee and sources of payment	958,741	815,818	142,922
Public offer	58,268,024	53,651,716	4,616,309
Philanthropic	<u>51,144</u>	<u>577</u>	<u>50,567</u>
	<u>83,991,260</u>	<u>67,104,896</u>	<u>16,886,364</u>

The accounting of these balances is kept separately from the accounting records and the Bank's own activities.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

29 Memorandum accounts (administration funds)

As of December 31, 2022 and 2021, 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 statement of financial position consist of:

	<u>2022</u>	<u>2021</u>
Funds under management by the Bank:		
PROMIPYME Resources	5,533,416	3,951,841
PROMIPYME - PROCREA	11	11
PROMICENTRAL	69,406	77,311
PROMIPYME - Fonper funds	23,326	24,271
PROMIPYME - PRESAAC loans	374	374
MI PRIMER PROGRESO loans	8,735	9,065
MI PRODEMICO loans	-	59,541
Solidarity Bank	<u>2,985,447</u>	<u>3,750,035</u>
	<u>8,620,715</u>	<u>7,872,449</u>
Funds managed by the subsidiary -		
Pension Fund Management:		
Mandatory individual capitalization		
pension plan (Pension Fund T-1)	144,839,630	130,688,669
Pension fund of officers and employees		
of Banco de Reservas of the Dominican		
Republic (Pension Fund T-4)	19,615,904	19,080,985
Social solidary fund (Pension Fund T-5)	<u>61,825,342</u>	<u>55,024,618</u>
	<u>226,280,876</u>	<u>204,794,272</u>
	<u>234,901,591</u>	<u>212,666,721</u>

30 Financial income and expenses

A summary of financial income and expenses is as follows:

	<u>2022</u>	<u>2021</u> (reclassified, note 42)
Financial income:		
By loans portfolio:		
By commercial	19,501,356	16,626,862
By Consumers	19,237,040	16,133,342
By mortgage loans of housing	<u>5,453,182</u>	<u>5,036,162</u>
Subtotal	<u>44,191,578</u>	<u>37,796,366</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 DOP)

30 Financial income and expenses (continued)

	<u>2022</u>	<u>2021</u> (reclassified, note 42)
By Investments:		
Available for sale	20,400,823	17,456,764
Held to maturity	1,869,748	2,829,041
Earnings from investments	<u>5,318,443</u>	<u>13,819,905</u>
Subtotal	<u>27,589,014</u>	<u>34,105,710</u>
Another financial income		
Due to availability	2,791,331	662,505
By interbank funds	<u>24,972</u>	<u>70</u>
Subtotal	<u>2,816,303</u>	<u>662,575</u>
Insurance premiums net of returns and cancelations	<u>14,238,122</u>	<u>12,217,915</u>
Total	<u>88,835,017</u>	<u>84,782,566</u>
Financial expenses:		
By deposits		
By public deposits	<u>(14,837,676)</u>	<u>(7,559,696)</u>
Financing-borrowed funds		
By financing-borrowed funds	(2,666,931)	(1,496,538)
By Subordinated debts	<u>(2,403,707)</u>	<u>(1,919,775)</u>
Subtotal	<u>(5,070,638)</u>	<u>(3,416,313)</u>
Other financial expenses:		
By loss on sale of investments	(81)	(163)
Contractual losses and obligations	(9,715,221)	(8,284,028)
Expenses for technical adjustment to reserves	(399,357)	(207,306)
Acquisition expense, conservation and premium collection - commission and other acquisition costs of the insurance company	<u>(1,634,229)</u>	<u>(1,226,789)</u>
Subtotal	<u>(11,748,888)</u>	<u>(9,718,286)</u>
Total	<u>(31,657,202)</u>	<u>(20,694,295)</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 DOP)

31 Income (expense) for exchange differences

A summary of the main income and expenses due to exchange differences were recognized during the years ended December 31, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u> (reclassified, note 42)
Income due to foreign exchange:		
By loan portfolio	13,724,217	6,498,314
By investments	14,292,999	7,532,344
By available funds	20,739,754	8,753,012
By accounts receivable	110,583	23,331
By other non-financial assets	-	172,899
Adjustments for exchange rate differences	<u>49,722,178</u>	<u>27,253,008</u>
Subtotal	<u>98,589,731</u>	<u>50,232,908</u>
Expenses due to foreign exchange:		
By customer deposits	(32,330,285)	(17,197,967)
By financing-borrowed funds	(11,419,571)	(6,299,348)
Adjustments for exchange rate differences	<u>(55,444,254)</u>	<u>(26,921,823)</u>
Subtotal	<u>(99,194,110)</u>	<u>(50,419,138)</u>
	<u>(604,379)</u>	<u>(186,230)</u>

32 Other operating income (expense)

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

	<u>2022</u>	<u>2021</u> (reclassified, note 42)
Other operating income:		
Service fees:		
By drafts and wire transfers	393,816	342,845
By foreign trade	3,130	-
Por certification and sales of bank's checks	57,583	60,464
Collections	2,199	103,128
By credit cards	5,667,122	3,328,169
By remittance services	128,020	-
By letters of credit	34,279	37,500

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

32 Other operating income (expense) (continued)

	<u>2022</u>	<u>2021</u> (reclassified, note 42)
By collaterals granted	96,945	102,853
By credit lines	6,012	-
Other commissions for services	<u>7,659,370</u>	<u>7,178,254</u>
Subtotal	<u>14,048,476</u>	<u>11,153,213</u>
Ingresos diversos		
By foreign exchange	<u>6,645,048</u>	<u>2,952,693</u>
Claims for medical services	645,518	555,741
Other services and contingencies	<u>3,648,966</u>	<u>2,765,983</u>
Subtotal	<u>4,294,484</u>	<u>3,321,724</u>
Total of other operating income	<u>24,988,008</u>	<u>17,427,630</u>
Other operating expenses:		
Services fees		
Correspondents	(77,279)	(229,342)
By securities brokerage services	(428,085)	(68,018)
Other services	<u>(2,103,581)</u>	<u>(1,721,711)</u>
Subtotal	<u>(2,608,945)</u>	<u>(2,019,071)</u>
Miscellaneous expenses		
By exchange commission	<u>(131,212)</u>	<u>(15,423)</u>
By issuance cost amortization of subordinated obligations	(28,133)	(25,604)
Commissions and sales of property	(9,585)	(13,568)
Claims for medical services	(1,204,601)	(1,077,777)
Other operating expenses	<u>(3,136,398)</u>	<u>(2,366,121)</u>
Subtotal	<u>(4,378,717)</u>	<u>(3,483,070)</u>
Total of other operating expenses	<u>(7,118,874)</u>	<u>(5,517,564)</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 DOP)

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	17,269,193	14,747,694
Social security	1,338,252	1,233,995
Contributions to the pension plan (i)	1,376,141	2,211,047
Other personnel expenses	<u>7,929,097</u>	<u>6,510,484</u>
	<u>27,912,683</u>	<u>24,703,220</u>

(i) As of December 31, 2021, includes an amount of DOP96,530 corresponding to a provision to cover the actuarial obligation of retired personnel of the Bank.

As of December 31, 2022 and 2021, compensations to personnel include approximately DOP4,351,640 and DOP2,815,719, respectively, that corresponds to the executive management of the Bank which are defined as directors and above.

Compensation and remuneration policies for executives and Members of the Board of Directors

The Bank has established for the staff and Members of the Board of Directors, compensations and benefits that contribute to the balance between work and life of the staff, adding value to the organizational commitment to improve employee satisfaction, strengthen their identity and bond with the organization, as well as optimize the execution of their work. The socioeconomic benefits, present in the collective bargaining or individual contract, have a significant impact on the work environment.

The compensation and remunerations available to executives are detailed as follow:

- ◆ Fixed salary or base salary, which considers salary increases.
- ◆ Vacation bonus.
- ◆ Anniversary bonus.
- ◆ Law bonus and variable remuneration.
- ◆ Compensation and executive vehicle policy.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

33 Salaries and compensations to personnel (continued)

The Bank, based on the remuneration guidelines provided for the Members of the Board of Directors in article 23 of Organic Law No. 6133 dated December 17, 1962 and its subsequent amendments and article 29 of the Regulations on Corporate Governance, and with the objective of defining a remuneration and compensation system that is consistent with the dedication, delivery and responsibilities, through the Bank's Appointments and Remuneration Committee, consolidates the guidelines for the remuneration and compensation of the Members of the Bank's Board of Directors. Among the remunerations are: diets, christmas bonus, international health and life policy, local medical insurance, compensation and executive vehicle policy, among others.

As of December 31, 2022 and 2021, remuneration and social benefits include the Bank's management personnel, which are defined as those who occupy the position of director onwards, are presented as follow:

	<u>2022</u>	<u>2021</u>
Members of the Council of Directors	131,254	51,289
Senior Management	<u>4,351,640</u>	<u>2,815,719</u>
	<u>4,482,894</u>	<u>2,867,008</u>

As of December 31, 2022 and 2021, the Bank has approximately 13,778 and 13,552 employees, respectively.

34 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.

A summary of the financial information of the (unaudited) plan, is as follows:

	<u>2022</u>	<u>2021</u>
Present value of obligations for past services	(19,426,299)	(18,811,495)
Net assets of the plan	<u>19,652,690</u>	<u>19,120,082</u>
Net position of the plan	<u>226,391</u>	<u>308,587</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 DOP)

34 Pension fund (continued)

The movement of the year is as follows:

	<u>2022</u>	<u>2021</u>
Balance at 1st. January	308,587	394,391
Cost per service	(614,813)	(2,123,623)
Actuarial gain (loss)	(927,767)	657,984
Payments	<u>1,460,384</u>	<u>1,379,835</u>
Balance as of December 31	<u>226,391</u>	<u>308,587</u>

The expense recognized during the years 2022 and 2021 amounted to DOP519,795 and DOP538,555, respectively, the expense for contributions to the plan amounts to DOP280,000 and includes extraordinary contributions of DOP280,000, 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.

Actuarial assumptions

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

	<u>2022</u>	<u>2021</u>
Mortality table	SIPEN 2011 (M-F)	SIPEN 2011 (M-F)
Rate of return on assets	9.00 %	9.00 %
Long- term annual discount rate	9.00 %	9.00 %
Annual salary increase scale	6.00 %	6.00 %
Long-term annual inflation rate	<u>4.50 %</u>	<u>4.50%</u>

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

	<u>2022</u>	<u>2021</u>
Number of members	1,217	1,303
Average retirement age	51	50
Average monthly salary	<u>120</u>	<u>114</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 DOP)

34 Pension fund (continued)

- b) As of December 31, 2022 and 2021, the Bank maintains a provision for approximately DOP648,000 and DOP710,000, 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 and is included as part of other liabilities in the consolidated statements of financial position as of those dates, which are accompany. The movement of the year is as follows:

	<u>2022</u>	<u>2021</u>
Balance at 1st. January	709,530	613,000
Constitution (release) of actuarial reserve	<u>(61,900)</u>	<u>96,530</u>
Balance as of December 31	<u>647,630</u>	<u>709,530</u>

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 December 31, 2022 and 2021, is as follows:

Actuarial assumptions

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>

- d) 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.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

35 Other income (expenses)

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

	<u>2022</u>	<u>2021</u> (reclassified, note 42)
Other income		
Recovery of written off assets	1,420,297	1,411,258
Income from shares in other companies (note 36)	433,684	346,952
Gain on sale of property, furniture and equipment	32,301	2,254
Gain on sales of assets received in lieu of foreclosure of loans	187,734	137,196
Others	<u>2,280,579</u>	<u>1,411,326</u>
Subtotal	<u>4,354,595</u>	<u>3,308,986</u>
Other expenses		
Assets received in lieu of foreclosure of loans	(67,853)	(82,925)
Impairment loss on goods received in credit recovery	(656)	(607,748)
Loss on sale of property, furniture and equipment	(19,637)	(11)
Loss on sales of assets received in lieu of foreclosure of loans	(85)	(859,183)
Uncollectibility accounts receivable (i)	(390,212)	(457,497)
Penalty for breach	(552)	(391)
Donations	(865,934)	(1,196,507)
Losses from thefts, assaults, and frauds	(188,941)	(141,294)
Others (ii)	<u>(999,164)</u>	<u>(4,294,327)</u>
Subtotal	<u>(2,533,034)</u>	<u>(7,639,883)</u>
Total	<u>1,821,561</u>	<u>(4,330,897)</u>

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

(ii) As of December 31, 2021, includes an amount of approximately DOP2,231,000 corresponding to adjustments originating from the review of the relaxation measures granted by the Bank to its clients during COVID-19 pandemic. This adjustment has the approval of the Board of Directors in its Sixth Resolution of the Ordinary Session of September 28, 2021, and the no objection of the Superintendence of Banks through Communication No. 0583 dated November 2, 2021.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

36 Results accounted for using the equity method

As of December 31, 2022 and 2021, income from the Bank's participation in the results of associated companies was recognized in the consolidated statements of income, according to the following detail:

<u>Entities</u>	<u>2022</u>	<u>2021</u> (reclassified, note 42)
Consorcio Tarjetas Dominicanas, S. A.	228,696	135,050
Depósito Centralizado de valores, S. A. (CEVALDOM)	199,489	182,043
Red nuevos servicios financieros, S. A.	45,506	34,790
Sociedad Titularizadora Dominicana, S. A.	<u>(40,007)</u>	<u>(4,931)</u>
	<u>433,684</u>	<u>346,952</u>

37 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.

A reconciliation between the results reported in the consolidated financial statements and the results for tax purposes for the years ended December 31, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Profit before income tax	23,323,243	18,297,007
Plus (less) tax adjustments:		
Adjustments of exempted income and other items considered by the Bank	(22,110,782)	(17,977,456)
Exempt income from investments in associates	(479,015)	(351,883)
Dividends received from investments in shares	(72,804)	(12,558)
Fringe benefits taxes	204,421	202,253
Non-deductable taxes	3,159,611	6,319,139
Effect of depreciation of fixed assets	(306,874)	(200,326)
Gain on sale of fixed assets	(30,808)	(2,363)
Net profit of companies that pay taxes on another basis	(241,435)	(13,355)
Other non-deductible items	<u>687,979</u>	<u>486,678</u>
Net taxable income	<u>4,133,536</u>	<u>6,747,136</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 DOP)

37 Income tax (continued)

A detail of the determined income tax as of December 31, 2022 and 2021, it is as follows:

	<u>2022</u>	<u>2021</u>
Net taxable income (i)	4,133,536	6,747,136
Tax rate	<u>27 %</u>	<u>27 %</u>
	<u>1,116,054</u>	<u>1,821,727</u>
Total net taxable assets (ii)	1,232,485	-
Tax rate	<u>1 %</u>	<u>-</u>
	<u>12,325</u>	<u>-</u>
Total income tax determined	<u>1,128,379</u>	<u>1,821,727</u>

- (i) As of December 31, 2022, the Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples (Parent Company) and its subsidiaries Administradora de Fondo de Pensiones Reservas, S. A. Seguros Reservas, S. A., Inversiones & Reservas, S. A., Fiduciaria Reservas, S. A., Seguridad y Protección Institucional, S. A., Reservas Asistencia, S.A.S., Inversiones Finanprimas B, S.A.S. and Sociedad Administradora de Fondos de Inversión Reservas, S. A., determined its current income taxes based on 27 % of net income tax.
- (ii) As of December 31, 2022, the subsidiaries Tenedora Reservas, S. A., Inversiones & Reservas, S. A., Inmobiliaria Reservas, S. A. and Advanced Auto Technology, S.A.S., determined its current income taxes based on 1% of net taxable assets.

Income tax expense determined for the years ended December 31, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Current income tax	1,128,379	1,821,727
Deferred income tax	89,004	83,909
Tax withheld on payment of dividends	29,295	24,316
Tax credit for Renewable Energy Law	(1,825)	-
Previous year income tax	<u>10,895</u>	<u>92</u>
	<u>1,255,748</u>	<u>1,930,044</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 DOP)

37 Income tax (continued)

A reconciliation between the current tax, prepaid income tax and the income tax payable for the years ended December 31, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Determined tax	1,128,379	1,821,727
Prepaid taxes during the year	(1,625,695)	(1,346,711)
Prepaid income tax from previous years	(722,997)	(1,241,962)
Advances paid on assets productive financial, net (i)	(6,283,561)	(6,283,561)
Tax credit deduction for payments to government entities	(261,612)	(142,863)
Adjustment to the prepaid income tax	(46,027)	66,622
Lease tax credit for State institutions	(9,430)	(10,272)
Tax credit for Renewal Energy Law	(1,825)	(991)
Other movements, net	<u>(11,902)</u>	<u>(18,827)</u>
Prepaid income tax, net at the end of the period	<u>(7,834,670)</u>	<u>(7,156,838)</u>
Prepaid income tax (see note 15) (i)	(7,891,701)	(7,208,409)
Income tax payable	<u>57,031</u>	<u>51,571</u>
	<u>(7,834,670)</u>	<u>(7,156,838)</u>

As of December 31, 2022 and 2021, prepaid income tax is recognized as part of other assets, and income tax payable as part of other liabilities in the accompanying consolidated statement of financial position .

- (i) 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 DOP6,283,561, payable in four equal quarterly installments starting in 2021, which are presented as deferred charges in the consolidated statements of financial position accompany. 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.
- (ii) As of December 31, 2022 and 2021, prepaid income tax includes DOP289,062 and DOP330,356, respectively, 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 DOP620,000, 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.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

37 Income tax (continued)

The movement of deferred income tax during the years ended December 31, 2022 and 2021, is as follows:

	<u>Beginning balances</u>	<u>Recognized in profit</u>	<u>Ending balances</u>
December 31, 2022			
Property, plant and equipment	48,793	11,472	60,265
Other assets	(5,024)	(3,411)	(8,435)
Net profit of the consolidated subsidiaries	(361,440)	(97,277)	(458,717)
Other non-deductible provisions	22,584	(6,429)	16,155
Other deferred charges	3,581	1,683	5,264
Exchange rate difference	<u>(2,963)</u>	<u>4,958</u>	<u>1,995</u>
Total deferred income tax liabilities	<u>(294,469)</u>	<u>(89,004)</u>	<u>(383,473)</u>
December 31, 2021			
Property, plant and equipment	35,722	13,071	48,793
Other assets	(6,344)	1,320	(5,024)
Net profit of the consolidated subsidiaries	(251,641)	(109,799)	(361,440)
Other non-deductible provisions	11,275	11,309	22,584
Other deferred charges	3,615	(34)	3,581
Exchange rate difference	<u>(3,187)</u>	<u>224</u>	<u>(2,963)</u>
Total deferred income tax liabilities	<u>(210,560)</u>	<u>(83,909)</u>	<u>(294,469)</u>

As of December 31, 2022 and 2021, the deferred income tax liabilities, net is presented as part of other liabilities in the accompanying consolidated statement of financial position.

38 Financial risk management

The Bank has implemented a comprehensive risk management system that establishes the frameworks and policies to identify, measure, evaluate, monitor, control, mitigate, and disclose exposures to material risks assumed in the development of its operations and the interrelationships that arise from these, both under normal and stress conditions.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

38 Financial risk management (continued)

The comprehensive risk management framework establishes the guidelines for managing exposure to different risks, as well as the responsibilities of each unit in making decisions and implementing the guidelines aimed at complying with the Bank's internal criteria, based on to the appetite and risk profile established by the Board of Directors. Comprehensive risk management is carried out in accordance with the Regulation on Guidelines for Comprehensive Risk Management, approved by the Monetary Board in its Third Resolution dated March 16, 2017, as well as the specific regulations, instructions and circulars by type of risk.

The Bank's risk governance structure is exercised by the Board of Directors and the Comprehensive Risk Management Committee with the support of the General Administration, under the responsibility of the different risk-taking units and supervised by the different independent functions, to ensure that the decision-making process is aligned with the risk appetite.

The Bank is exposed to different risks resulting from the development of its operations, among which financial risks stand out, such as credit risk, market risks and balance sheet structure (interest rates, exchange rates, prices) and liquidity risk.

The risks to which the Bank is exposed are the following:

(a) Market risk

The Bank manages the market risk of its financial instruments in accordance with policies, procedures, limits, and controls that ensure identification, measurement, monitoring, control, mitigation, and disclosure in order to maintain adequate exposure levels in accordance with the risk appetite and limits established by the Board of Directors and the Comprehensive Risk Management Committee. Similarly, it considers within the process the internal and external sensitivity factors that may affect the value of the position due to fluctuations in market prices, such as interest and yield rates, exchange rates, prices, etc.

The measurement of the risks of financial instruments is carried out through indicators and exposure limits that are calculated on a daily or monthly basis.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

38 Financial risk management (continued)

The monitoring of the market risks of financial instruments is carried out on a daily basis using the methodologies approved by the Board of Directors and the exposure levels are reported more frequently when the case warrants it.

i) Composition of the portfolio

A summary of the composition of the portfolio subject to market risk is as follow:

	December 31, 2022		December 31, 2021 (reclassified, note 42)	
	<u>Measurement of market risk</u>		<u>Measurement of market risk</u>	
	<u>Book</u>	<u>Portfolio</u>	<u>Book</u>	<u>Portfolio</u>
	<u>amount</u>	<u>not marketable</u>	<u>amount</u>	<u>not marketable</u>
Assets:				
Cash and cash equivalents	285,260,942	285,260,942	222,811,485	222,811,485
Investments available for sale	284,976,472	284,976,472	285,035,999	285,035,999
Investments held to maturity	18,941,316	18,941,316	19,106,947	19,106,947
Derivatives	-	-	80,958	80,958
Loan portfolio	401,290,200	401,290,200	346,708,588	346,708,588
Debtors by acceptances	51,540	51,540	54,989	54,989
Accounts receivable	7,387,043	7,387,043	5,476,181	5,476,181
Equity-accounted investees	<u>1,661,048</u>	<u>1,661,048</u>	<u>1,454,975</u>	<u>1,454,975</u>
Liabilities:				
Customers' deposits	758,107,324	758,107,324	681,707,903	681,707,903
Deposits from domestic and foreign financial entities	43,603,391	43,603,391	43,624,221	43,624,221
Borrowed funds	90,347,032	90,347,032	73,093,771	73,093,771
Outstanding acceptances	51,540	51,540	54,989	54,989
Subordinated obligations	<u>37,648,320</u>	<u>37,648,320</u>	<u>27,579,834</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 DOP)

38 Financial risk management (continued)

ii) Exposure to market risk

The exposure to market risk of the bank (Head Office) consists of:

	<u>Average</u>	<u>Maximum</u>	<u>Minimum</u>
2022			
Exchange rate risk	110,446	244,153	36,950
Interest rate risk	<u>3,916,325</u>	<u>5,630,497</u>	<u>1,910,142</u>
	<u>4,026,771</u>	<u>5,874,650</u>	<u>1,947,092</u>
2021 (reclassified, note 42)			
Exchange rate risk	23,000	67,139	6,671
Interest rate risk	<u>669,175</u>	<u>1,225,102</u>	<u>495,683</u>
	<u>692,175</u>	<u>1,292,241</u>	<u>502,354</u>

iii) Interest rate risk

To identify interest rate risk, balance sheet products are classified according to their financial characteristics, such as reference rates, payment frequency, fixed or variable rate, repricing period or maturity, as well as determining sensitivity factors related to assets, liabilities and off-balance sheet operations, which affect the behavior of interest rates.

Structural interest rate risk is measured using the model defined in local regulations and, internally, with models based on international best practices. To measure this risk, the impact on equity and results of the effects of the interest rate on the balance sheet structure and solvency is distinguished, in accordance with the established methodologies.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

38 Financial risk management (continued)

(a) Market risk (continued)

iii) Interest rate risk (continued)

As of December 31, 2022 and 2021, assets and liabilities sensitive to interest rates are presented as follow:

	0 - 15 <u>days</u>	16 - 30 <u>days</u>	31 - 60 <u>days</u>	61 - 90 <u>days</u>	91 - 180 <u>days</u>	181 - 360 <u>days</u>	1 a 5 <u>years</u>	Older to <u>5 years</u>	<u>Total</u>
2022									
<u>National currency:</u>									
<u>Assets:</u>									
Deposits in central bank	74,841,340	-	-	-	-	-	-	-	74,841,340
Demand deposits and savings in EIF	301,780	-	-	-	-	-	-	-	301,780
Cash equivalents	29,780,897	14,090,680	42,513,704	-	-	-	-	-	86,385,281
Restricted cash	-	10,266	-	-	-	-	114,722	-	124,988
Investments available for sale	-	-	-	-	22,502,149	24,317,191	138,572,075	54,573	185,445,988
Investments held-to-maturity	-	-	-	-	730,162	171,028	2,285,644	14,263,738	17,450,572
Current loans	49,986,284	33,357,600	77,354,735	41,122,004	34,065,131	47,841,115	46,509,002	2,955,696	333,191,567
Overdue loans (31 to 90 days)	-	-	-	-	219,137	-	-	-	219,137
Current restructured loans	411,504	523,878	1,812,004	891,512	777,048	756,677	674,029	49,056	5,895,708
Overdue restructured loans (31 to 90 days)	-	-	-	-	20,722	-	-	-	20,722
Total assets sensitive to interest rates	<u>155,321,805</u>	<u>47,982,424</u>	<u>121,680,443</u>	<u>42,013,516</u>	<u>58,314,349</u>	<u>73,086,011</u>	<u>188,155,472</u>	<u>17,323,063</u>	<u>703,877,083</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 DOP)

38 Financial risk management (continued)

(a) Market risk (continued)

iii) Interest rate risk (continued)

	0 - 15 <u>days</u>	16 - 30 <u>days</u>	31 - 60 <u>days</u>	61 - 90 <u>days</u>	91 - 180 <u>days</u>	181 - 360 <u>days</u>	1 a 5 <u>years</u>	Older to <u>5 years</u>	<u>Total</u>
2022									
<u>Liabilities:</u>									
Deposits from the public (checking, savings and time)	423,091,270	18,940,908	23,863,523	16,554,972	35,563,503	34,158,492	19,700,301	-	571,872,969
Deposits from domestic and foreign financial entities	15,863,451	10,147,205	3,234,024	1,030,404	4,928,704	250,872	69,503	-	35,524,163
Borrowed funds	10,662	150	3,442,647	3,443,306	3,939,140	17,512,476	1,280,824	17,386	29,646,591
Subordinated obligations	-	-	-	-	-	-	9,983,537	10,015,463	19,999,000
Total liabilities sensitive to interest rates	<u>438,965,383</u>	<u>29,088,263</u>	<u>30,540,194</u>	<u>21,028,682</u>	<u>44,431,347</u>	<u>51,921,840</u>	<u>31,034,165</u>	<u>10,032,849</u>	<u>657,042,723</u>
GAP	<u>(283,643,578)</u>	<u>18,894,161</u>	<u>91,140,249</u>	<u>20,984,834</u>	<u>13,883,002</u>	<u>21,164,171</u>	<u>157,121,307</u>	<u>7,290,214</u>	<u>46,834,360</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 DOP)

38 Financial risk management (continued)

(a) Market risk (continued)

iii) Interest rate risk (continued)

	0 - 15 <u>days</u>	16 - 30 <u>days</u>	31 - 60 <u>days</u>	61 - 90 <u>days</u>	91 - 180 <u>days</u>	181 - 360 <u>days</u>	1 a 5 <u>years</u>	Older to <u>5 years</u>	<u>Total</u>
2022 (continued)									
Foreign currency:									
Assets:									
Deposits in central bank	74,859,870	-	-	-	-	-	-	-	74,859,870
Demand deposits and savings in EIF	34,773,938	-	-	-	-	-	-	-	34,773,938
Restricted cash	226,385	-	-	-	-	-	-	-	226,385
Cash equivalents	39,256	-	-	-	-	-	-	-	39,256
Investments									
available for sale	-	-	-	-	-	135,366	70,291,147	24,181,295	94,607,808
Investments held-to-maturity	-	-	-	-	-	57,624	248,091	822,674	1,128,389
Current loans	7,116,801	10,093,103	54,700,842	3,989,167	389,482	1,161,631	706,814	40,257	78,198,097
Overdue loans (31 to 90 days)	-	-	-	-	6,027	-	-	-	6,027
Current restructured loans	44,922	459,410	539,801	6,975	1,330	22,417	-	-	1,074,855
Overdue restructured loans (31 to 90 days)	-	-	-	-	240	-	-	-	240
Total assets sensitive to interest rates	<u>117,061,172</u>	<u>10,552,513</u>	<u>55,240,643</u>	<u>3,996,142</u>	<u>397,079</u>	<u>1,377,038</u>	<u>71,246,052</u>	<u>25,044,226</u>	<u>284,914,865</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 DOP)

38 Financial risk management (continued)

(a) Market risk (continued)

iii) Interest rate risk (continued)

	0 - 15 <u>days</u>	16 - 30 <u>days</u>	31 - 60 <u>days</u>	61 - 90 <u>days</u>	91 - 180 <u>days</u>	181 - 360 <u>days</u>	1 a 5 <u>years</u>	Older to <u>5 years</u>	<u>Total</u>
2022 (continued)									
<u>Liabilities:</u>									
Deposits from the public (checking, savings and time)	139,508,217	4,895,371	7,072,022	4,564,201	10,941,073	11,192,959	7,528,513	-	185,702,356
Deposits from domestic and foreign financial entities	2,284,425	4,451,771	617,212	32,006	404,230	125,336	-	-	7,914,980
Borrowed funds	809,910	487	34,468	9,001,777	37,101,702	8,648,749	2,700,552	1,052,026	59,349,671
Subordinated obligations	-	-	16,794,570	-	-	-	-	-	16,794,570
Total liabilities sensitive to interest rates	<u>142,602,552</u>	<u>9,347,629</u>	<u>24,518,272</u>	<u>13,597,984</u>	<u>48,447,005</u>	<u>19,967,044</u>	<u>10,229,065</u>	<u>1,052,026</u>	<u>269,761,577</u>
GAP	<u>(25,541,380)</u>	<u>1,204,884</u>	<u>30,722,371</u>	<u>(9,601,842)</u>	<u>(48,049,926)</u>	<u>(18,590,006)</u>	<u>61,016,987</u>	<u>23,992,200</u>	<u>15,153,288</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 DOP)

38 Financial risk management (continued)

(a) Market risk (continued)

iii) Interest rate risk (continued)

	0 - 15 days	16 - 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 360 days	1 a 5 years	Older to 5 years	Total
2021 (reclassified, note 42)									
<u>National currency:</u>									
<u>Assets:</u>									
Deposits in central bank	85,414,599	-	-	-	-	-	-	-	85,414,599
Demand deposits and savings in EIF	190,441	-	-	-	-	-	-	-	190,441
Cash equivalents	6,732,191	1,818,700	5,402,787	14,880,324	-	-	-	-	28,834,002
Restricted cash	37	-	-	-	-	-	-	-	37
Investments available for sale	-	-	-	-	17,859,886	33,592,898	108,314,548	52,656,482	212,423,814
Investments held-to-maturity	-	-	-	-	129,575	31,807	1,968,439	15,251,667	17,381,488
Current loans	61,030,612	42,474,552	37,387,478	51,369,847	25,649,708	20,391,049	55,664,348	2,504,603	296,472,197
Current restructured loans	319,320	359,786	633,108	277,641	503,126	218,011	648,298	32,061	2,991,351
Overdue restructured loans (31 to 90 days)	-	-	-	-	184,167	-	-	-	184,167
Total assets sensitive to interest rates	<u>153,687,200</u>	<u>44,653,038</u>	<u>43,423,373</u>	<u>66,527,812</u>	<u>44,326,462</u>	<u>54,233,765</u>	<u>166,595,633</u>	<u>70,444,813</u>	<u>643,892,096</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 DOP)

38 Financial risk management (continued)

(a) Market risk (continued)

iii) Interest rate risk (continued)

	0 - 15 <u>days</u>	16 - 30 <u>days</u>	31 - 60 <u>days</u>	61 - 90 <u>days</u>	91 - 180 <u>days</u>	181 - 360 <u>days</u>	1 a 5 <u>years</u>	Older to <u>5 years</u>	<u>Total</u>
2021 (reclassified, note 42) (continued)									
<u>Liabilities:</u>									
Deposits from the public (checking, savings and time)	354,250,816	1,154,829	21,515,774	8,249,419	55,042,227	34,148,746	36,349,949	-	510,711,760
Deposits from domestic and foreign financial entities	14,978,329	30,000	8,698,418	630,636	4,735,928	2,254,952	1,186,610	549,823	33,064,696
Borrowed funds	-	-	-	-	2,231,033	7,943,895	25,252,413	2,962	35,430,303
Subordinated obligations	-	-	-	-	-	-	9,999,000	-	9,999,000
Total liabilities sensitive to interest rates	<u>369,229,145</u>	<u>1,184,829</u>	<u>30,214,192</u>	<u>8,880,055</u>	<u>62,009,188</u>	<u>44,347,593</u>	<u>72,787,972</u>	<u>552,785</u>	<u>589,205,759</u>
GAP	<u>(215,541,945)</u>	<u>43,468,209</u>	<u>13,209,181</u>	<u>57,647,757</u>	<u>(17,682,726)</u>	<u>9,886,172</u>	<u>93,807,661</u>	<u>69,892,028</u>	<u>54,686,337</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 DOP)

38 Financial risk management (continued)

(a) Market risk (continued)

iii) Interest rate risk (continued)

	0 - 15 <u>days</u>	16 - 30 <u>days</u>	31 - 60 <u>days</u>	61 - 90 <u>days</u>	91 - 180 <u>days</u>	181 - 360 <u>days</u>	1 a 5 <u>years</u>	Older to <u>5 years</u>	<u>Total</u>
2021 (reclassified, note 42) (continued)									
<u>Foreign currency:</u>									
<u>Assets:</u>									
Deposits in central bank	73,192,549	-	-	-	-	-	-	-	73,192,549
Demand deposits and savings in EIF	23,544,798	-	-	-	-	-	-	-	23,544,798
Restricted cash	33	-	-	-	-	-	-	-	33
Cash equivalents	312,118	-	-	-	-	-	-	-	312,118
Investments available for sale	-	-	-	-	-	312,097	14,202,609	52,350,645	66,865,351
Investments held-to-maturity	-	-	-	-	-	57,841	395,195	990,835	1,443,871
Current loans	9,418,584	10,071,898	43,826,669	288,412	272,985	361,163	608,987	-	64,848,698
Current restructured loans	221	33,716	13,416	-	-	-	-	-	47,353
Overdue restructured loans (31 to 90 days)	-	-	-	-	1,685	-	-	-	1,685
Total assets sensitive to interest rates	<u>106,468,303</u>	<u>10,105,614</u>	<u>43,840,085</u>	<u>288,412</u>	<u>274,670</u>	<u>731,101</u>	<u>15,206,791</u>	<u>53,341,480</u>	<u>230,256,456</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 DOP)

38 Financial risk management (continued)

(a) Market risk (continued)

iii) Interest rate risk (continued)

	0 - 15 <u>days</u>	16 - 30 <u>days</u>	31 - 60 <u>days</u>	61 - 90 <u>days</u>	91 - 180 <u>days</u>	181 - 360 <u>days</u>	1 a 5 <u>years</u>	Older to <u>5 years</u>	<u>Total</u>
2021 (reclassified, note 42) (continued)									
<u>Pasivos:</u>									
Deposits from the public (checking, savings and time)	129,326,085	1,671,476	6,447,381	4,811,294	10,382,066	14,875,279	3,304,626	-	170,818,207
Deposits from domestic and foreign financial entities	5,635,506	2,557,963	174,233	660,760	1,073,751	244,839	177,371	7,754	10,532,177
Borrowed funds	-	-	24,708	1,156,426	23,600,241	-	10,302,435	2,129,452	37,213,262
Subordinated obligations	-	-	-	-	-	-	17,142,390	-	17,142,390
Total liabilities sensitive to interest rates	<u><u>134,961,591</u></u>	<u><u>4,229,439</u></u>	<u><u>6,646,322</u></u>	<u><u>6,628,480</u></u>	<u><u>35,056,058</u></u>	<u><u>15,120,118</u></u>	<u><u>30,926,822</u></u>	<u><u>2,137,206</u></u>	<u><u>235,706,036</u></u>
GAP	<u><u>(28,493,288)</u></u>	<u><u>5,876,175</u></u>	<u><u>37,193,763</u></u>	<u><u>(6,340,068)</u></u>	<u><u>(34,781,388)</u></u>	<u><u>(14,389,017)</u></u>	<u><u>(15,720,031)</u></u>	<u><u>51,204,274</u></u>	<u><u>(5,449,580)</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 DOP)

38 Financial risk management (continued)

(a) Market risk (continued)

iii) Interest rate risk (continued)

The average rates of return per coin are as follow:

	December 31, 2022			December 31, 2021		
	National currency	US Dollars	Euros	National currency	US Dollars	Euros
Assets:						
Deposits in central bank	2.47%	0.54%	0.00%	1.60%	0.11%	0.00%
Demand deposits and savings in EIF	5.17%	1.08%	0.01%	2.50%	0.06%	0.02%
Interbank funds	5.81%	1.93%	0.00%	3.65%	0.00%	0.00%
Derivatives and sales contracts cash	0.00%	(12.99%)	0.00%	0.00%	2.07%	0.00%
Current loans	12.37%	5.62%	3.50%	12.20%	5.52%	3.96%
Overdue loans	20.65%	8.17%	0.00%	18.40%	8.50%	0.00%
Current restructured loans	10.06%	6.76%	0.00%	10.09%	4.67%	0.00%
Overdue restructured loans	13.80%	6.45%	0.00%	0.00%	0.00%	0.00%
Investments available for sale	8.66%	5.80%	0.00%	7.86%	4.61%	0.00%
Liabilities:						
Deposits from the public	2.26%	0.37%	0.01%	1.52%	0.42%	0.01%
Deposits from domestic and foreign financial entities	4.90%	0.71%	0.53%	0.43%	0.39%	0.01%
Borrowed funds	3.18%	3.42%	0.00%	3.18%	1.72%	0.00%
Subordinated obligations	<u>7.47%</u>	<u>7.85%</u>	<u>0.00%</u>	<u>5.95%</u>	<u>7.83%</u>	<u>0.00%</u>

As of December 31, 2022 and 2021, assets with a variable interest rate amount to DOP455,686,884 and DOP393,423,958, respectively, and represent 45% and 44% of total assets, respectively. Fixed interest rate assets amount to DOP520,705,909 and DOP461,051,767, respectively, and represent 51% of total assets in both years. Variable interest rate liabilities amount to DOP96,369,636 and DOP79,168,595, respectively, and represent 10% and 9% of total liabilities, respectively. Fixed interest rate liabilities amount to DOP832,555,247 and DOP744,666,940, respectively, and represent 87% and 88% of total liabilities, 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 DOP)

38 Financial risk management (continued)

(a) Market risk (continued)

iv) Exchange rate risk

The identification of exchange rate risk consists of determining the sensitivity factors of the environment, which affect the Bank's net position and those specifically related to assets, liabilities and off-balance sheet operations in foreign currency, which when they occur affect the behavior of the prices of the foreign currencies with which the Bank operates, causing an increase in the value at risk due to the exchange rate and which could lead to losses for the entity.

To measure or estimate the exposure to exchange rate risk, the value at risk (VaR) is calculated in accordance with the current methodology approved in the Market Risk Regulation. In addition, the value at risk of the exchange rate is determined, adjusted to the behavior of the data, in accordance with the defined internal methodology.

The monitoring of positions in foreign currencies and exposure limits is carried out on a daily basis and the levels of exposure are reported to Senior Management; monthly or more frequently if necessary, the Comprehensive Risk Management Committee and the Assets and Liabilities Committee are informed. It is worth highlighting compliance with the established internal and regulatory net position limits in foreign currencies.

A summary of the exposure to foreign currency exchange rate risk is presented as follow:

	2022		2021 (reclassified note 42)	
	Amount in foreign currency USD	Total in DOP	Amount in foreign currency USD	Total in DOP
Assets				
Cash and cash equivalents	2,023,302	113,268,289	1,772,217	101,266,776
Investments	1,737,762	97,283,202	1,217,894	69,592,039
Loan portfolio, net	1,293,483	72,411,621	1,015,362	58,019,110
Debtors for acceptances	921	51,540	962	54,989
Accounts receivable	61,225	3,427,474	48,825	2,789,949
Derivatives	-	-	1,417	80,958
Other assets	107	6,017	142	8,093
Total assets	5,116,800	286,448,143	4,056,819	231,811,914

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

38 Financial risk management (continued)

(a) Market risk (continued)

iv) Exchange rate risk (continued)

	2022		2021 (reclassified, note 42)	
	Amount in foreign currency <u>USD</u>	Total in <u>DOP</u>	Amount in foreign currency <u>USD</u>	Total in <u>DOP</u>
Liabilities				
Deposits from the public	3,318,178	185,757,917	2,989,646	170,832,228
Deposits from domestic and foreign financial entities	141,513	7,922,194	184,318	10,532,177
Borrowed funds	1,075,210	60,192,311	652,479	37,283,519
Outstanding acceptances	921	51,540	962	54,989
Creditors for insurance and bank guarantees	88	4,923	3,475	198,569
Subordinated obligations	308,694	17,281,277	308,365	17,620,354
Technical reserves	27,131	1,518,865	2,639	150,802
Other liabilities	<u>29,135</u>	<u>1,631,030</u>	<u>38,547</u>	<u>2,202,627</u>
Total liabilities	<u>4,900,870</u>	<u>274,360,057</u>	<u>4,180,431</u>	<u>238,875,265</u>
Long (short) foreign currency position	<u><u>215,930</u></u>	<u><u>12,088,086</u></u>	<u><u>(123,612)</u></u>	<u><u>(7,063,351)</u></u>

As of December 31, 2022 and 2021, the exchange rates used to convert from United States dollars (USD) to Dominican pesos (DOP) were DOP55.9819 and DOP57.1413, respectively.

(b) Liquidity risk

(i) Exposure to liquidity risk

The process for the identification of liquidity risk for the Bank (Parent Company) consists of distinguishing the sensitivity factors that could affect the availability of resources and flow of funds to meet the commitments of the entity, considering the strategies of funding in terms of deposits and financial obligations, placement of resources in active credit operations and financial investments; as well as the terms of deposits and placements; maturity flows and financial position. The Bank's main sources of financing are demand, savings, time deposits and financial obligations at different terms with local and foreign banks.

Liquidity risk is measured using models defined based on international regulations and best practices. The main indicators established are: liquidity ratio and position at different terms, liquidity gap, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Internal Liquidity Control Index. These metrics allow the bank to identify potential liquidity situations, as well as, if necessary, adjust the strategies, policies and contingency plans for liquidity risk management in different terms, considering contractual and estimated factors.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

38 Financial risk management (continued)

(b) Liquidity risk (continued)

(i) Exposure to liquidity risk (continued)

Liquidity risk monitoring is carried out on a daily basis using the methodologies approved by the Board of Directors and exposure levels are reported on a daily and monthly basis. On a quarterly basis, a report is made to the Board of Directors on management, exposure levels and scenarios of potential withdrawals.

The Bank has a Liquidity Contingency Plan that defines the alert signals and general and specific actions that must be carried out in the event of temporary and/or structural liquidity issues, as well as those responsible for each activity defined in this plan.

The liquidity ratio of the Bank (Head Office) consists of:

	<u>National currency</u>	<u>Foreign currency</u>	<u>Normative limit</u>
2022			
Liquidity ratio:			
At 15 days adjusted	160.86 %	868.58 %	80.00 %
At 30 days adjusted	215.08 %	684.92 %	80.00 %
At 60 days adjusted	206.98 %	351.99 %	70.00 %
At 90 days adjusted	<u>205.11 %</u>	<u>266.83 %</u>	<u>70.00 %</u>
Position:			
At 15 days adjusted	29,011,037	1,589,166	N/A
At 30 days adjusted	69,602,846	1,628,368	N/A
At 60 days adjusted	78,846,039	1,461,946	N/A
At 90 days adjusted	83,940,248	1,306,217	N/A
Overall (months)	<u>(65.30)</u>	<u>(38.68)</u>	<u>N/A</u>
2021 (reclassified, note 42)			
Liquidity ratio:			
At 15 days adjusted	294.27 %	785.42 %	80.00 %
At 30 days adjusted	324.24 %	676.69 %	80.00 %
At 60 days adjusted	272.81 %	545.58 %	70.00 %
At 90 days adjusted	285.17 %	481.91 %	70.00 %
Position:			
At 15 days adjusted	62,167,631	1,599,822	N/A
At 30 days adjusted	71,907,205	1,594,103	N/A
At 60 days adjusted	76,480,762	1,594,898	N/A
At 90 days adjusted	91,054,675	1,599,583	N/A
Overall (months)	<u>(12.85)</u>	<u>(50.34)</u>	<u>N/A</u>

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
BANCO DE SERVICIOS MÚLTIPLES Y SUBSIDIARIAS**

Notes to the Consolidated Financial Statements (continued)

(Valores en miles DOP)

38 Financial risk management (continued)

(b) Liquidity risk (continued)

(ii) Analysis of maturities of financial assets and liabilities

As of December 31, 2022 and 2021, the most significant assets and liabilities, grouped according to their maturity date, are as follow:

	0 – 15 <u>days</u>	16 - 30 <u>days</u>	31 - 90 <u>days</u>	91 - 180 <u>days</u>	181 - 360 <u>days</u>	1 a 5 <u>years</u>	Older <u>to 5 years</u>	<u>Total</u>
2022								
<u>Assets:</u>								
Cash and cash equivalents	242,747,238	42,513,704	-	-	-	-	-	285,260,942
Investments	28,871,472	7,331,250	16,020,944	23,622,567	135,983,863	92,348,049	-	304,178,145
Debtors for acceptances	-	515	36,430	14,595	-	-	-	51,540
Loan portfolio	24,873,281	8,013,238	32,660,573	39,096,081	44,763,515	156,569,055	118,658,567	424,634,310
Equity-accounted investees	-	-	-	-	-	-	1,687,795	1,687,795
Accounts receivable	-	<u>7,309,828</u>	-	-	-	-	<u>178,844</u>	<u>7,488,672</u>
Total assets	<u>296,491,991</u>	<u>65,168,535</u>	<u>48,717,947</u>	<u>62,733,243</u>	<u>180,747,378</u>	<u>248,917,104</u>	<u>120,525,206</u>	<u>1,023,301,404</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 DOP)

38 Financial risk management (continued)

(b) Liquidity risk (continued)

(ii) Analysis of maturities of financial assets and liabilities (continued)

	0 – 15 <u>days</u>	16 - 30 <u>days</u>	31 - 90 <u>days</u>	91 - 180 <u>days</u>	181 - 360 <u>days</u>	1 a 5 <u>years</u>	Older <u>to 5 years</u>	<u>Total</u>
2022 (continued)								
<u>Liabilities:</u>								
Deposits from the public (checking, savings and time)	563,443,665	22,664,027	52,550,190	46,449,501	39,070,890	25,852,160	8,076,891	758,107,324
Deposits from domestic and foreign financial entities	18,216,494	14,654,175	3,865,798	1,066,427	5,353,098	384,872	62,527	43,603,391
Borrowed funds	856,465	809,931	15,705,565	43,471,422	26,943,531	1,922,531	637,587	90,347,032
Outstanding acceptances	-	515	36,430	14,595	-	-	-	51,540
Subordinated obligations	-	-	17,281,265	442,682	-	9,924,373	10,000,000	37,648,320
Other liabilities (i)	<u>8,010,791</u>	<u>1,558,438</u>	<u>5,028,359</u>	<u>-</u>	<u>243,974</u>	<u>759,889</u>	<u>8,671,135</u>	<u>24,272,586</u>
Total liabilities	<u>590,527,415</u>	<u>39,687,086</u>	<u>94,467,607</u>	<u>91,444,627</u>	<u>71,611,493</u>	<u>38,843,825</u>	<u>27,448,140</u>	<u>954,030,193</u>
GAP	<u>(294,035,424)</u>	<u>25,481,449</u>	<u>(45,749,660)</u>	<u>(28,711,384)</u>	<u>109,135,885</u>	<u>210,073,279</u>	<u>93,077,066</u>	<u>69,271,211</u>
2021 (reclassified, note 42)								
<u>Activos:</u>								
Cash and cash equivalents	222,811,485	-	-	-	-	-	-	222,811,485
Investments	-	5,361,137	18,565,325	33,563,097	134,808,722	112,068,111	-	304,366,392
Derivatives	80,958	-	-	-	-	-	-	80,958
Loan portfolio	22,566,125	3,382,476	32,914,343	27,885,288	36,187,945	143,859,677	106,209,999	373,005,853

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

38 Financial risk management (continued)

(b) Liquidity risk (continued)

(ii) Analysis of maturities of financial assets and liabilities (continued)

	0 – 15 <u>days</u>	16 - 30 <u>days</u>	31 - 90 <u>days</u>	91 - 180 <u>days</u>	181 - 360 <u>days</u>	1 a 5 <u>years</u>	Older <u>to 5 years</u>	<u>Total</u>
Debtors by acceptances	-	24,709	30,280	-	-	-	-	54,989
Equity-accounted investees	-	-	-	-	-	-	1,499,702	1,499,702
Accounts receivable	<u>279</u>	<u>-</u>	<u>1,340,215</u>	<u>3,404,335</u>	<u>355,142</u>	<u>331,224</u>	<u>-</u>	<u>5,431,195</u>
Total assets	<u>245,458,847</u>	<u>8,768,322</u>	<u>52,850,163</u>	<u>64,852,720</u>	<u>171,351,809</u>	<u>256,259,012</u>	<u>107,709,701</u>	<u>907,250,574</u>
Liabilities:								
Deposits from the public (checking, savings and time)	468,330,730	63,833,270	46,509,616	43,185,175	36,669,904	13,886,905	9,292,303	681,707,903
Deposits from domestic and foreign financial entities	39,495,662	1,239,927	835,068	1,073,783	244,840	177,365	557,576	43,624,221
Borrowed funds	-	2	1,175,926	29,281,076	8,061,880	33,141,628	1,433,259	73,093,771
Outstanding acceptances	-	24,709	30,280	-	-	-	-	54,989
Subordinated obligations	-	-	499,986	3,995	-	27,075,853	-	27,579,834
Other liabilities (i)	<u>6,234,485</u>	<u>-</u>	<u>4,847,122</u>	<u>-</u>	<u>927,980</u>	<u>851,576</u>	<u>5,161,771</u>	<u>18,022,934</u>
Total liabilities	<u>514,060,877</u>	<u>65,097,908</u>	<u>53,897,998</u>	<u>73,544,029</u>	<u>45,904,604</u>	<u>75,133,327</u>	<u>16,444,909</u>	<u>844,083,652</u>
GAP	<u>(268,602,030)</u>	<u>(56,329,586)</u>	<u>(1,047,835)</u>	<u>(8,691,309)</u>	<u>125,447,205</u>	<u>181,125,685</u>	<u>91,264,792</u>	<u>63,166,922</u>

(i) Correspond to operations that represent an obligation for 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 DOP)

38 Financial risk management (continued)

(b) Liquidity risk (continued)

(iii) Liquidity reserve

As of December 31, 2022 and 2021, the book amounts that are expected to be recovered or settled in the next 12 months are as follows:

	<u>Carrying amount</u>	<u>Fair value</u>
2022		
Cash and cash equivalents:		
On hand and banks	13,685,444	13,685,444
Deposits in the Central Bank	149,815,932	149,815,932
Deposits in other banks	35,312,369	35,312,369
Cash equivalents	86,424,537	86,424,537
Earnings receivable for availability	<u>22,660</u>	22,660
	285,260,942	
Investments -		
Investments in public debt securities	<u>46,174,681</u>	N/A
Total liquidity reserve	<u>331,435,623</u>	
2021 (reclassified, note 42)		
Cash and cash equivalents:		
On hand and banks	11,316,074	11,316,074
Deposits in the Central Bank	158,607,148	158,607,148
Deposits in other banks	24,078,845	24,078,845
Cash equivalents	29,146,120	26,735,835
Earnings receivable for availability	<u>6,834</u>	6,834
	223,155,021	
Investments -		
Investments in public debt securities	<u>51,693,766</u>	N/A
Total liquidity reserve	<u>274,848,787</u>	

N/A: Not available.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

38 Financial risk management (continued)**(c) Credit risk***(i) Practices to manage credit risk**Policies to determine the estimate of credit provisions for risky assets*

The allowance for credits is determined by the Bank in accordance with the guidelines of the Asset Evaluation Regulations issued by the Monetary Board, complementary circulars, instructions and communications made by the Superintendency of Banks of the Dominican Republic. In this sense, the evaluation is carried out based on the classification of major, medium and minor commercial debtors, microcredits, consumer and mortgage loans.

The Bank assigns the required provision corresponding to the risk classification at the time of granting. While customer monitoring is carried out with the factors defined in the regulations, the corresponding provision expense is recognized by debtor and type of credit, based on the self-assessment of large and medium-sized commercial debtors and according to the payment behavior of the retail debtors.

In this sense, the risk rating for the largest commercial debtors is the result of the analysis of their capacity and historical behavior of payment and country risk. Medium trade receivables are assessed considering payment behavior and an assessment of operating losses in their financial statements and their relationship to adjusted equity. Meanwhile, minor commercial debtors, microcredits, consumer and mortgage loans are evaluated through their specific payment history based on the days of delay.

The guarantees are considered as a secondary element and are not included for the classification of the debtor, although they are included in the computation of the coverage of the provisions. For this purpose, the guarantees are an additional support factor for the debtor for the recovery of the credits.

In the case of credit restructurings, the provision required by virtue of the provisions established in the Asset Evaluation Regulations is calculated.

Loan portfolio write-off policies

A debtor is written-off when he has a loan with arrears greater than the amount and maximum term established by the Comprehensive Risk Management Committee by type of loan or investment and its guarantees.

In this sense, prior to the write-off, all possible collection efforts are exhausted before recognizing the total impairment of these credits, for which the Bank applies a consistent policy determined by type of client. Notwithstanding the recognition of the total loss, the Bank continues the management processes for the recovery of these assets.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

38 Financial risk management (continued)***(c) Credit risk (continued)******(i) Practices to manage credit risk (continued)******Credit restructuring policies***

Loan restructuring is carried out following internal policies and procedures. In this sense, the Bank has established clear criteria by type of credit in relation to the conditions that can be negotiated in the restructuring process. Likewise, it has defined specific decision levels for these negotiations. In cases where the loan to be restructured is guaranteed, the institution's coverage position is always protected and the value of the guarantees is ensured.

In effect, a loan is considered restructured when the bank modifies the payment terms and conditions of the original contract through which the debtor presents any of the following situations: delinquency, deterioration in its economic situation based on its indicators, cash flows, or the sources of income have been affected. Restructuring requests have their respective decision limits established according to the amounts, consolidated debt or group of risks, respectively.

Credit concentration policies, by sector, by currency, by counterparty

The Bank has established a maximum level of exposure to concentration risk, defining the appetite, its tolerance and capacity. To determine the concentration limits of the active portfolio, the individual participation of each client or risk group of the Bank's technical assets is considered, as well as the exposure to the productive sectors.

In this sense, processes have been prepared within the analysis and monitoring of clients, as well as risk groups, to guarantee compliance with concentration levels and regulatory and internal limits, both in portfolio management and in the grant.

Loan portfolio recovery policies

In order to adequately manage credit risk, segregated recovery policies are established based on the type of customer and the level of risk it represents, with differentiated treatment by type of customer, using the institution's own behavior models and prioritization methodologies, segmentation and definition of collection strategies.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

38 Financial risk management (continued)

(c) Credit risk (continued)

(i) Practices to manage credit risk (continued)

Credit concentration policies, by sector, by currency, by counterparty (continued)

Internal credit risk management policies, including, where appropriate, any difference between the credit risk measurement bases applied internally, with respect to current regulations.

The Bank has internal policies for credit risk management based on its own metrics to proactively identify the level of customer risk. In this sense, for retail banking it works with its own score models for granting and behavior that allow customers to be segregated in relation to their level of risk, with the purpose of supporting decisions on the placement, management and recovery of credits.

Through this process, the probability of default of the debtors is identified and allows an early management decisions to be made based on the probability of default and not on the event subsequent to the default. In the same way, optimized decision trees that support the management of the portfolio of consumer loans, credit cards, mortgages and minor commercial debtors.

However, for the purpose of recognition of credit risk through the requirement of provisions and the weighted asset and contingent for credit risk, the provisions of the Asset Evaluation Regulation (REA) apply.

(ii) Information on guarantees

Policies and processes applied for the valuation, management and execution of guarantees

The guarantees accepted are those defined in current regulations, as established in the REA. Loans and credit cards can be granted with or without collateral, subject to internal and regulatory policies.

Each disbursement must be supported by the signing of a promissory note and, if applicable, the signing of a contract. The guarantee requirement for mortgage and vehicle loans is mandatory, while for other loans it will depend on the characteristics of the facility requested, as well as the negotiation and condition of the debtor at the time of the request.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

38 Financial risk management (continued)***(c) Credit risk (continued)******(ii) Information on guarantees (continued)***

The valuation of the guarantees is carried out according to the methodologies and terms defined in the REA. For these purposes, the Bank monitors the guarantees to expire on a monthly basis for a horizon of three (3) months after each monthly cut-off, so that the pertinent revaluation procedures are carried out prior to their expiration.

The Valuation Unit guarantees the accuracy and follow-up of the value of movable and immovable property and projects received as collateral, as well as the integrity of the appraisals carried out by external third parties, ensuring the protection of the Bank's interests.

Similarly, for guarantees of debt securities, it has established monthly valuation processes and recurring monitoring of the value of financial instruments, based on observed market prices; and for guarantees backed by insurance policies, constant monitoring is maintained to update and formalize these.

The Bank's Credit Policy establishes precise management criteria for the guarantees received as credit guarantees, both for their substitution or release and for their execution, where decision criteria and approval responsibilities are defined for these operations.

Information about the nature and admissible value of the collateral received

The Bank considers as admissible the real guarantees that are accepted by the financial intermediation entities for purposes of computing or mitigating provisions, which must meet the criteria established in Article 64 and be included in Table No. 5 of Article 66 of the REA.

The admissible value of the guarantees is defined based on the criteria established by the regulations. They can be non-multipurpose guarantees, which are real guarantees that by their nature are considered for single use and, therefore, present characteristics that make them difficult to carry out given their specialized origin and multi-purpose guarantees, which are real guarantees that due to their nature, they are considered to be of multiple use and present characteristics that make them easy to carry out on the market, without any legal or administrative limitations that appreciably restrict their use or the possibility of sale.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

38 Financial risk management (continued)

(c) Credit risk (continued)

(ii) Information on guarantees (continued)

Information on the instruments for which provisions have not been recognized as a result of the guarantee

The credit and investment portfolio is duly provisioned in accordance with the provisions of the Asset Evaluation Regulations, taking into account only the particularities defined for placements in the public sector with support from the National Budget, as stipulated in this regulation.

(iii) Concentration of loans

As of December 31, 2022 and 2021, regarding the concentration of risk by individual clients, 5% and 7%, respectively, of the loan portfolio is represented by a public commercial debtor for both years. Regarding the concentration of risk by risk group, 4% and 2%, respectively, of the loan portfolio is represented by a private commercial group for both years.

As of December 31, 2022 and 2021, in terms of risk concentration by sector, 11% for both years of the loan portfolio is represented by the commercial and repair sector.

As of December 31, 2022 and 2021, in relation to the concentration of risk by geographical regions, 68% and 70%, respectively, of the loan portfolio is represented by the South Central Region of the country.

(iv) Exposure to credit risk

As of December 31, 2022 and 2021, the most significant assets measured at amortization cost, grouped according to their risk classification, are as follow:

	Gross balance DOP (a)	Provisions DOP	Net balance DOP
December 31, 2022			
Loan portfolio			
<i>Major commercial debtors:</i>			
Classification A	83,731,982	612,972	83,119,010
Classification B	63,893,564	1,195,201	62,698,363
Classification C	6,932,437	371,293	6,561,144
Classification D1	3,037,941	176,900	2,861,041
Classification D2	26,227,860	1,539,980	24,687,880

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

38 Financial risk management (continued)

(c) Credit risk (continued)

(iv) Exposure to credit risk (continued)

	Gross balance DOP (a)	Provisions DOP	Net balance DOP
December 31, 2022			
Loan portfolio			
<i>Major commercial debtors (continued)</i>			
Classification E	<u>3,156,707</u>	<u>1,640,565</u>	<u>1,516,142</u>
Subtotal	<u>186,980,491</u>	<u>5,536,911</u>	<u>181,443,580</u>
<i>Medium commercial debtors</i>			
Classification A	2,214,982	22,150	2,192,832
Classification B	120,494	1,482	119,012
Classification C	146,402	18,134	128,268
Classification D1	67,141	18,096	49,045
Classification D2	364,747	97,824	266,923
Classification E	<u>365,255</u>	<u>242,742</u>	<u>122,513</u>
Subtotal	<u>3,279,021</u>	<u>400,428</u>	<u>2,878,593</u>
<i>Lower commercial debtors</i>			
Classification A	50,895,544	540,844	50,354,700
Classification B	1,834,144	67,540	1,766,604
Classification C	1,126,653	200,532	926,121
Classification D1	1,065,786	377,473	688,313
Classification D2	430,133	220,192	209,941
Classification E	<u>304,034</u>	<u>227,226</u>	<u>76,808</u>
Subtotal	<u>55,656,294</u>	<u>1,633,807</u>	<u>54,022,487</u>
<i>Consumer credits</i>			
<i>- consumer loans</i>			
Classification A	98,925,126	993,914	97,931,212
Classification B	1,770,835	58,701	1,712,134
Classification C	989,323	184,151	805,172
Classification D1	1,231,279	443,890	787,389
<i>Consumer credits</i>			
<i>- consumer loans (continued)</i>			
Classification D2	593,013	334,147	258,866
Classification E	<u>89,303</u>	<u>77,058</u>	<u>12,245</u>
Subtotal	<u>103,598,879</u>	<u>2,091,861</u>	<u>101,507,018</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 DOP)

38 Financial risk management (continued)

(c) Credit risk (continued)

(iv) Exposure to credit risk (continued)

	Gross balance DOP (a)	Provisions DOP	Net balance DOP
<i>Consumer credits</i>			
<i>- personal credit cards</i>			
Classification A	13,428,105	134,321	13,293,784
Classification B	194,297	5,829	188,468
Classification C	121,447	22,904	98,543
Classification D1	206,862	74,704	132,158
Classification D2	68,091	53,431	14,660
Classification E	<u>22,164</u>	<u>20,459</u>	<u>1,705</u>
Subtotal	<u>14,040,966</u>	<u>311,648</u>	<u>13,729,318</u>
<i>Mortgage credits</i>			
Classification A	58,331,535	630,077	57,701,458
Classification B	1,273,601	61,950	1,211,651
Classification C	581,326	58,519	522,807
Classification D1	605,418	104,734	500,684
Classification D2	201,038	48,612	152,426
Classification E	<u>142,021</u>	<u>66,314</u>	<u>75,707</u>
	<u>61,134,939</u>	<u>970,206</u>	<u>60,164,733</u>
Total credit risk exposure from the loan portfolio	<u>424,690,590</u>	<u>10,944,861</u>	<u>413,745,729</u>
December 31, 2021			
Loan portfolio			
<i>Major commercial debtors</i>			
Classification A	84,478,069	542,252	83,935,817
Classification B	39,406,496	820,438	38,586,058
Classification C	9,610,277	632,442	8,977,835
Classification D1	3,701,215	489,754	3,211,461
Classification D2	26,789,418	4,959,040	21,830,378
Classification E	<u>4,889,130</u>	<u>2,362,011</u>	<u>2,527,119</u>
Subtotal	<u>168,874,605</u>	<u>9,805,937</u>	<u>159,068,668</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 DOP)

38 Financial risk management (continued)

(c) Credit risk (continued)

(iv) Exposure to credit risk (continued)

	Gross balance DOP (a)	Provisions DOP	Net balance DOP
<i>Medium commercial debtors</i>			
Classification A	1,904,154	16,484	1,887,670
Classification B	88,047	2,641	85,406
Classification C	135,290	17,966	117,324
Classification D1	117,819	34,516	83,303
Classification D2	368,717	116,406	252,311
Classification E	<u>292,589</u>	<u>170,069</u>	<u>122,520</u>
Subtotal	<u>2,906,616</u>	<u>358,082</u>	<u>2,548,534</u>
<i>Lower commercial debtors</i>			
Classification A	44,757,008	469,238	44,287,770
Classification B	1,293,758	59,819	1,233,939
Classification C	624,878	118,938	505,940
Classification D1	951,182	320,513	630,669
Classification D2	558,756	283,377	275,379
Classification E	<u>1,195,096</u>	<u>846,935</u>	<u>348,161</u>
Subtotal	<u>49,380,678</u>	<u>2,098,820</u>	<u>47,281,858</u>
December 31, 2021 (continued)			
Loan portfolio (continued)			
<i>Consumer credits</i>			
<i>- consumer loans</i>			
Classification A	81,355,522	825,146	80,530,376
Classification B	1,224,198	44,568	1,179,630
Classification C	673,485	125,685	547,800
Classification D1	940,299	335,841	604,458
Classification D2	662,182	367,259	294,923
Classification E	<u>783,737</u>	<u>668,890</u>	<u>114,847</u>
Subtotal	<u>85,639,423</u>	<u>2,367,389</u>	<u>83,272,034</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 DOP)

38 Financial risk management (continued)

(c) Credit risk (continued)

(iv) Exposure to credit risk (continued)

	Gross balance DOP (a)	Provisions DOP	Net balance DOP
<i>Consumer credits</i>			
<i>- personal credit cards</i>			
Classification A	9,908,919	99,123	9,809,796
Classification B	140,455	4,214	136,241
Classification C	87,652	16,463	71,189
Classification D1	148,997	54,434	94,563
Classification D2	100,999	83,756	17,243
Classification E	<u>75,059</u>	<u>67,301</u>	<u>7,758</u>
Subtotal	<u>10,462,081</u>	<u>325,291</u>	<u>10,136,790</u>
<i>Mortgage credits</i>			
Classification A	52,891,664	607,865	52,283,799
Classification B	1,023,694	62,965	960,729
Classification C	478,347	50,957	427,390
Classification D1	566,537	90,208	476,329
Classification D2	319,066	78,553	240,513
Classification E	<u>463,142</u>	<u>210,635</u>	<u>252,507</u>
	<u>55,742,450</u>	<u>1,101,183</u>	<u>54,641,267</u>
Total credit risk exposure from the loan portfolio	<u>373,005,853</u>	<u>16,056,702</u>	<u>356,949,151</u>

(a) As of December 31, 2022, the gross balance of the Bank's loan portfolio excludes a discount of DOP56,280 for the purchase of a discounted portfolio from a local financial institution.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

38 Financial risk management (continued)

(c) Credit risk (continued)

(v) Credit quality of the loan portfolio

As of December 31, 2022 and 2021, impaired loans and historical default rates are presented as follows:

	As of December 31, 2022			As of December 31, 2021		
	Last year	Last 3 years	Last 5 years	Last year	Last 3 years	Last 5 years
Past due loans (more than 90 days)	3,036,225	3,314,160	3,303,235	3,294,982	3,436,025	3,335,155
Loans in legal collection	268,543	1,243,068	1,524,018	1,997,095	1,757,899	1,817,462
Loss coverage for adjudications	440,309	1,172,607	2,674,728	1,231,991	3,544,431	4,630,293
Write-off portfolio	<u>3,622,399</u>	<u>7,731,695</u>	<u>11,153,259</u>	<u>3,973,072</u>	<u>6,826,432</u>	<u>9,643,062</u>
Total credits impaired	<u>7,367,476</u>	<u>13,461,530</u>	<u>18,655,240</u>	<u>10,497,140</u>	<u>15,564,787</u>	<u>19,425,972</u>
Gross loan portfolio	<u>410,747,920</u>	<u>366,271,519</u>	<u>341,465,041</u>	<u>350,761,949</u>	<u>335,089,481</u>	<u>315,373,846</u>
Historical rate of default %	<u>1.79 %</u>	<u>3.68 %</u>	<u>5.46 %</u>	<u>2.99 %</u>	<u>4.64 %</u>	<u>6.16 %</u>

(vi) Coverage of the guarantees received

	Gross balance DOP (a)	Covered balance DOP	Exposed balance DOP
December 31, 2022			
Loan portfolio			
<i>Major commercial debtors</i>			
Classification A	83,731,982	15,054,798	68,677,184
Classification B	63,893,564	36,138,464	27,755,100
Classification C	6,932,437	5,573,270	1,359,167
Classification D1	3,037,941	2,815,997	221,944
Classification D2	26,227,860	25,756,295	471,565
Classification E	<u>3,156,707</u>	<u>2,107,299</u>	<u>1,049,408</u>
Subtotal	<u>186,980,491</u>	<u>87,446,123</u>	<u>99,534,368</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 DOP)

38 Financial risk management (continued)

(c) Credit risk (continued)

(vi) Coverage of the guarantees received (continued)

	Gross balance <u>DOP (a)</u>	Covered balance <u>DOP</u>	Exposed balance <u>DOP</u>
<i>Medium commercial debtors</i>			
Classification A	2,214,982	773,086	1,441,896
Classification B	120,494	106,649	13,845
Classification C	146,402	65,749	80,653
Classification D1	67,141	33,573	33,568
Classification D2	364,747	229,549	135,198
Classification E	<u>365,255</u>	<u>173,431</u>	<u>191,824</u>
Subtotal	<u>3,279,021</u>	<u>1,382,037</u>	<u>1,896,984</u>
<i>Lower commercial debtors</i>			
Classification A	50,895,544	7,643,238	43,252,306
Classification B	1,834,144	344,329	1,489,815
Classification C	1,126,653	265,318	861,335
Classification D1	1,065,786	166,242	899,544
Classification D2	430,133	80,758	349,375
Classification E	<u>304,034</u>	<u>84,552</u>	<u>219,482</u>
Subtotal	<u>55,656,294</u>	<u>8,584,437</u>	<u>47,071,857</u>
<i>Consumer credits</i>			
<i>- consumer loans</i>			
Classification A	98,925,126	9,722,715	89,202,411
Classification B	1,770,835	213,531	1,557,304
Classification C	989,323	136,509	852,814
Classification D1	1,231,279	120,206	1,111,073
Classification D2	593,013	45,736	547,277
Classification E	<u>89,303</u>	<u>13,166</u>	<u>76,137</u>
Subtotal	<u>103,598,879</u>	<u>10,251,863</u>	<u>93,347,016</u>
<i>Consumer credits</i>			
<i>- personal credit cards</i>			
Classification A	13,428,105	-	13,428,105
Classification B	194,297	-	194,297
Classification C	121,447	-	121,447
Classification D1	206,862	-	206,862
Classification D2	68,091	-	68,091
Classification E	<u>22,164</u>	<u>-</u>	<u>22,164</u>
Subtotal	<u>14,040,966</u>	<u>-</u>	<u>14,040,966</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 DOP)

38 Financial risk management (continued)

(c) Credit risk (continued)

(vi) Coverage of the guarantees received (continued)

	Gross balance <u>DOP (a)</u>	Covered balance <u>DOP</u>	Exposed balance <u>DOP</u>
<i>Mortgage credits</i>			
Classification A	58,331,535	50,438,050	7,893,485
Classification B	1,273,601	1,078,127	195,474
Classification C	581,326	489,492	91,834
Classification D1	605,418	509,387	96,031
Classification D2	201,038	172,196	28,842
Classification E	<u>142,021</u>	<u>91,231</u>	<u>50,790</u>
Subtotal	<u>61,134,939</u>	<u>52,778,483</u>	<u>8,356,456</u>
Total credit risk exposure from loans portfolio	<u>424,690,590</u>	<u>160,442,943</u>	<u>264,247,647</u>
 December 31, 2021			
Loan portfolio			
<i>Major commercial debtors :</i>			
Classification A	84,478,069	13,516,695	70,961,374
Classification B	39,406,496	18,109,214	21,297,282
Classification C	9,610,277	7,522,485	2,087,792
Classification D1	3,701,215	3,171,466	529,749
Classification D2	26,789,418	25,663,948	1,125,470
Classification E	<u>4,889,130</u>	<u>3,604,408</u>	<u>1,284,722</u>
Subtotal	<u>168,874,605</u>	<u>71,588,216</u>	<u>97,286,389</u>
 <i>Medium commercial debtors</i>			
Classification A	1,904,154	561,293	1,342,861
Classification B	88,047	-	88,047
Classification C	135,290	47,852	87,438
Classification D1	117,819	36,273	81,546
Classification D2	368,717	205,455	163,262
Classification E	<u>292,589</u>	<u>137,943</u>	<u>154,646</u>
Subtotal	<u>2,906,616</u>	<u>988,816</u>	<u>1,917,800</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 DOP)

38 Financial risk management (continued)

(c) Credit risk (continued)

(vi) Coverage of the guarantees received (continued)

	Gross balance <u>DOP (a)</u>	Covered balance <u>DOP</u>	Exposed balance <u>DOP</u>
<i>Lower commercial debtors</i>			
Classification A	44,757,008	6,385,104	38,371,904
Classification B	1,293,758	313,595	980,163
Classification C	624,878	153,817	471,061
Classification D1	951,182	194,682	756,500
Classification D2	558,756	112,996	445,760
Classification E	<u>1,195,096</u>	<u>299,664</u>	<u>895,432</u>
Subtotal	<u>49,380,678</u>	<u>7,459,858</u>	<u>41,920,820</u>
<i>Consumer credits</i>			
- <i>consumer loans</i>			
Classification A	81,355,522	8,023,875	73,331,647
Classification B	1,224,198	186,021	1,038,177
Classification C	673,485	101,575	571,910
Classification D1	940,299	106,379	833,920
Classification D2	662,182	74,007	588,175
Classification E	<u>783,737</u>	<u>110,548</u>	<u>673,189</u>
Subtotal	<u>85,639,423</u>	<u>8,602,405</u>	<u>77,037,018</u>
Consumer credits			
- <i>personal credit cards</i>			
Classification A	9,908,919	-	9,908,919
Classification B	140,455	-	140,455
Classification C	87,652	-	87,652
Classification D1	148,997	-	148,997
Classification D2	100,999	-	100,999
Classification E	<u>75,059</u>	<u>-</u>	<u>75,059</u>
Subtotal	<u>10,462,081</u>	<u>-</u>	<u>10,462,081</u>
<i>Mortgage credits</i>			
Classification A	52,891,664	45,950,928	6,940,736
Classification B	1,023,694	873,601	150,093
Classification C	478,347	412,690	65,657
Classification D1	566,537	482,493	84,044
Classification D2	319,066	271,800	47,266
Classification E	<u>463,142</u>	<u>335,000</u>	<u>128,142</u>
Subtotal	<u>55,742,450</u>	<u>48,326,512</u>	<u>7,415,938</u>
Total credit risk exposure from loans portfolio	<u>373,005,853</u>	<u>136,965,807</u>	<u>236,040,046</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 DOP)

38 Financial risk management (continued)

(c) Credit risk (continued)

(vi) Coverage of the guarantees received (continued)

(a) As of December 31, 2022, the gross balance of the Bank's loan portfolio excludes a discount of DOP56,280 for the purchase of a discounted portfolio from a local financial institution.

(vii) Credits recovered with assets received in lieu of foreclosure of loans

A detail of the credits recovered with assets received in credit recovery is presented as follow:

	<u>2022</u>	<u>2021</u>
Real estate	1,070,923	940,948
Personal property	<u>65,724</u>	<u>13,054</u>
	<u>1,136,647</u>	<u>954,002</u>

Policies for timely realization of assets received in lieu of foreclosure of loans

The administration of assets received in lieu of foreclosure of loans is formalized following internal policies and procedures. In this sense, the Bank has established clear criteria for the timely recognition of assets in the portfolio of foreclosure of loans, as well as those concerning the maintenance, publication and sale of these assets. A publication value model is defined for the determination and process of receiving offers, approval and sale.

During the years ended December 31, 2022 and 2021, the bank recovered credits previously written off in cash for an approximate value of DOP1,096,000 and DOP921,000, respectively.

39 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>
December 31, 2022					
Financial	Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	Dominican Republic	DOP	39,000,000	100 %
Related services	Tenedora Reservas, S. A. and Subsidiaries	Dominican Republic	DOP	<u>1,551,434</u>	97.74 %
	Elimination adjustments in consolidation			<u>40,551,434</u> <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 DOP)

39 Information segments (continued)

<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>
December 31, 2021					
Financial	Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	Dominican Republic	DOP	10,000,000	100 %
Related services	Tenedora Reservas, S. A. and Subsidiaries	Dominican Republic	DOP	<u>1,551,434</u>	97.74 %
	Elimination adjustments in consolidation			<u>11,551,434</u> <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:

<u>Company</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net profit</u>
December 31, 2022					
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	1,023,630,871	951,999,676	100,144,124	78,118,295	22,025,829
Tenedora Reservas, S. A. and Subsidiaries	42,751,922	22,093,283	22,130,539	19,811,549	2,318,990
Administradora de Riesgos de Salud Reservas, Inc.	<u>959,148</u>	<u>795,705</u>	<u>1,367,641</u>	<u>1,627,926</u>	<u>(260,285)</u>
	1,067,341,941	974,888,664	123,642,304	99,557,770	24,084,534
Elimination adjustments in consolidation	<u>(30,146,681)</u>	<u>(9,667,403)</u>	<u>(5,168,021)</u>	<u>(3,150,982)</u>	<u>(2,017,039)</u>
	<u>1,037,195,260</u>	<u>965,221,261</u>	<u>118,474,283</u>	<u>96,406,788</u>	<u>22,067,495</u>
December 31, 2021 (reclassified, note 42)					
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	899,019,950	842,697,962	90,287,645	73,980,824	16,306,821
Tenedora Reservas, S. A. and Subsidiaries	40,525,541	22,124,656	19,958,807	16,471,761	3,487,046
Administradora de Riesgos de Salud Reservas, Inc.	<u>1,019,050</u>	<u>512,770</u>	<u>1,552,095</u>	<u>1,539,525</u>	<u>12,570</u>
	940,564,541	865,335,388	111,798,547	91,992,110	19,806,437
Elimination adjustments in consolidation	<u>(25,696,630)</u>	<u>(7,091,057)</u>	<u>(6,326,842)</u>	<u>(2,887,368)</u>	<u>(3,439,474)</u>
	<u>914,867,911</u>	<u>858,244,331</u>	<u>105,471,705</u>	<u>89,104,742</u>	<u>16,366,963</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 DOP)

40 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 December 31, 2022 and 2021, are as follows:

	<u>Current loans</u>	<u>Past due loans</u>	<u>Total</u>	<u>Collaterals</u>
December 31, 2022				
Related to ownership	33,923,800	65	33,923,865	1,271,656
Related to management	<u>18,617,146</u>	<u>130,843</u>	<u>18,747,989</u>	<u>13,658,107</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 December 31, 2021, there are credits granted to contractors and suppliers of the Dominican State for approximately DOP2,435,000, 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 8.

As of December 31, 2022 and 2021, loans related to the management of the Bank includes DOP17,171,000 and DOP17,186,000, 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 DOP)

40 Operations with related parties (Continued)

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

	2022		2021	
	Effect on profit income Balance	(expenses)	Effect on profit income Balance	(expenses)
Available funds	234,559,493	10,057,976	185,603,143	2,641,851
Other investments in debt securities	278,153,791	17,958,132	276,210,830	29,297,324
Loans portfolio	33,923,865	2,833,302	40,486,791	3,807,768
Interests receivable	4,964,843	-	6,125,779	-
Accounts receivable	2,036	-	69	-
Customers' deposits - checking	151,773,647	(198,914)	119,608,984	(289,413)
Customers' deposits - saving	51,238,054	(17,692)	20,665,536	-
Customers' deposits - time	65,210,762	(6,408,095)	67,151,663	(1,286,010)
Borrowed funds	27,831,399	(939,829)	32,924,594	(792,914)
Other liabilities	934,812	-	968,338	-

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

	2022		2021	
	Balance	Effect on profit income (expenses)	Balance	Effect on profit income (expenses)
Loans portfolio	10,734,198	622,159	13,525,891	839,041
Accounts receivable to officers and employees	42,087	-	44,891	-
Interests receivable	65,582	-	-	-
Other assets	343,560	(313,807)	302,943	(430,194)
Officers and employees deposits	4,909,557	(27,093)	7,506,601	(79,229)

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

41 Non-monetary transactions

Non-monetary transactions are as follows:

	<u>2022</u>	<u>2021</u>
Write-off of loan portfolio and interests receivable	4,708,925	4,702,998
Write-offs of goods received in recovery of credit	130,231	86,722
Assets received in lieu of foreclosure of loans	1,137,585	954,001
Transfer between allowance for risky assets:		
Loan portfolio	(574,017)	2,895,596
Investments	15,000	10,000
Interests receivable	138,806	(898,577)
Assets received in lieu of foreclosure of loans	420,211	(2,007,019)
Sales of assets received in lieu of foreclosure of loans by new credit facilities	238,591	848,503
Withdrawal of allowances for sales of goods awarded	234,250	574,893
Impairment of property, furniture and equipment	1,155,751	-
Transfers from property, furniture and equipment:		
Operating expenses	130,225	108,516
Accounts receivable	504	10,670
Assets received in lieu of foreclosure of loans	57,964	14,393
Miscellaneous assets	1,746	-
Equity on earnings in associated companies	433,684	351,883
Amortization of premium and discount on investments, net	4,838,253	1,480,821
Transfer of profits to others equity reserves	13,215,497	9,784,093
Reinvestment of dividends Law No.1-22	(29,000,000)	-
Dividends paid by offsetting the debt of the Dominican Republic State's institutions:		
Equity-retained earnings from previous periods	-	1,560,058

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

42 Other disclosures

42.1 Reclassifications

A detail of the items to which the reclassifications of items specified in note 2.27 were made, as well as their nature, is detailed as follow:

i) Consolidated statements of financial position - effects in the year ended December 31, 2021:

	Balance as previously reported <u>DOP</u>	Reclassifications <u>DOP</u>	Reclassified balances <u>DOP</u>
Assets			
Cash and equivalents			
of cash (a)	124,618,138	98,193,347	222,811,485
Investments (a), (b), (k)	401,963,576	(97,820,630)	304,142,946
Derivatives and sales contracts			
cash (c)	-	80,958	80,958
Loan portfolio	346,708,588	-	346,708,588
Debtors by			
acceptances	54,989	-	54,989
Accounts receivable (c)	5,649,319	(80,958)	5,568,361
Assets received in lieu of foreclosure of loans, net	310,473	-	310,473
Equity-accounted investees (b)	1,600,730	(145,755)	1,454,975
Property, furniture and equipment, net	13,427,358	-	13,427,358
Properties under development intended for sale and lease	5,391,850	-	5,391,850
Other assets	<u>14,915,928</u>	<u>-</u>	<u>14,915,928</u>
Total assets (l)	<u>914,640,949</u>	<u>226,962</u>	<u>914,867,911</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 DOP)

42 Other disclosures (continued)

42.1 Reclassifications (continued)

i) Consolidated statements of financial position - effects in the year ended December 31, 2021

	Balance as previously reported <u>DOP</u>	Reclassifications <u>DOP</u>	Reclassified balances <u>DOP</u>
Liabilities and equity			
Liabilities			
Customers' deposits (d)	525,392,638	156,315,265	681,707,903
Deposits from domestic and foreign financial entities (d)	25,510,616	18,113,605	43,624,221
Obligations by repurchase agreements of securities (e)	10,250,356	(10,250,356)	-
Borrowed funds (e)	62,843,415	10,250,356	73,093,771
Valores en circulación (d)	174,428,870	(174,428,870)	-
Acceptances in circulation	54,989	-	54,989
Creditors for insurance and bank guarantees	3,145,525	-	3,145,525
Insurance premium deposits	449,124	-	449,124
Other liabilities	22,552,293	-	22,552,293
Technical reserves	6,036,671	-	6,036,671
Assimilated capital obligations	<u>27,579,834</u>	<u>-</u>	<u>27,579,834</u>
Total liabilities	<u>858,244,331</u>	<u>-</u>	<u>858,244,331</u>
Total equity (k)	<u>56,396,618</u>	<u>226,962</u>	<u>56,623,580</u>
Total liabilities and equity	<u>914,640,949</u>	<u>226,962</u>	<u>914,867,911</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 DOP)

42 Other disclosures (continued)

42.1 Reclassifications (continued)

ii) Income statement - effects during the year ended December 31, 2021

	Balance as previously reported <u>DOP</u>	Reclassifications <u>DOP</u>	Reclassified balances <u>DOP</u>
Financial			
income(f), (g), (j)	88,576,501	(3,793,935)	84,782,566
Financial expenses (f)	(23,866,176)	3,171,881	(20,694,295)
Net result of financial assets at fair value - derivatives (h)	-	89,308	89,308
Allowance for loan losses	(9,697,807)	-	(9,697,807)
Foreign exchange gain (loss)	(186,230)	-	(186,230)
Other operating income (g), (h)	17,536,454	(108,824)	17,427,630
Other operating expenses (i)	(5,491,960)	(25,604)	(5,517,564)
Operating expenses (j)	(44,242,878)	667,174	(43,575,704)
Other income (expenses)	(4,330,897)		(4,330,897)
Income tax	<u>(1,930,044)</u>	<u>-</u>	<u>(1,930,044)</u>
Net income for the period	<u>16,366,963</u>	<u>-</u>	<u>16,366,963</u>

iii) Statement of cash flows - effects on the year ended December 31, 2021

	Balance as previously reported <u>DOP</u>	Reclassifications <u>DOP</u>	Reclassified balances <u>DOP</u>
Net cash provided by operating activities	28,536,465	(3,048,641)	25,487,824
Net cash used in investment activities	(201,538,270)	71,441,261	(130,097,009)
Net cash provided by financing activities	<u>180,715,720</u>	<u>(2,231,379)</u>	<u>178,484,341</u>
Net increase in cash and cash equivalents	7,713,915	66,161,241	73,875,156

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

42 Other disclosures (continued)

42.1 Reclassifications (continued)

iii) Statement of cash flows - effects on the year ended December 31, 2021 (continued)

	Balance as previously reported <u>DOP</u>	Reclassifications <u>DOP</u>	Reclassified balances <u>DOP</u>
Cash and cash equivalents at beginning of the year	116,904,223	32,032,106	148,936,329
Cash and cash equivalents at end of year	<u>124,618,138</u>	<u>98,193,347</u>	<u>222,811,485</u>
Reconciliation between the net profit for the period and net cash provided by operating activities:			
Net income for the period	16,366,963	-	16,366,963
Total adjustments	<u>12,169,502</u>	<u>(3,048,641)</u>	<u>9,120,861</u>
Net cash provided by operating activities	<u>28,536,465</u>	<u>(3,048,641)</u>	<u>25,487,824</u>

Reclassification entries as of December 31, 2021

- a) Corresponds to the reclassification of overnight deposits, overnight bills and investments easily convertible into cash maturing in 90 days as of December 31, 2021.

Cash and cash equivalents	98,193,347
Investments	<u>(98,193,347)</u>

- b) Corresponds to the reclassification of interests in other companies that do not meet the definition of investment in subsidiaries, associates or joint ventures.

Investments	145,756
Investments in other companies	<u>(145,756)</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 DOP)

42 Other disclosures (continued)

42.1 Reclassifications (continued)

- c) Corresponds to the reclassification of the value of derivative contracts held in accounts receivable:

Derivatives and sales cash contracts	80,958
Accounts receivable	<u>(80,958)</u>

- d) Corresponds to the reclassification of outstanding securities to public deposits and deposits of financial institutions in the country and abroad.

Outstanding securities	174,428,870
Deposits from the public	(156,315,265)
Deposits from domestic and foreign financial	<u>(18,113,605)</u>

- e) Corresponds to the reclassification of securities repurchase agreement obligations to borrowed funds:

Obligations by repurchase agreements of securities	10,250,356
Borrowed funds	<u>(10,250,356)</u>

- f) Corresponds to the reclassification of the investment purchase premium amortization expense for its net presentation in financial income.

Financial income	3,171,881
Financial expenses	<u>(3,171,881)</u>

- g) Corresponds to the reclassification of income from demand and savings deposits to other operating income.

Other operating income	19,517
Financial income	<u>(19,517)</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 DOP)

42 Other disclosures (continued)

42.1 Reclassifications (continued)

h) Corresponds to the reclassification of income generated by derivative contracts:

Other operating income	89,308
Net result of assets financial at fair value - derivatives	<u>(89,308)</u>

i) Corresponds to the reclassification of the amortization of the cost and discount of the subordinated obligations:

Other operating expenses	25,605
Financial expenses	<u>(25,605)</u>

j) Corresponds to the reclassification to present the expense of provisions for the loyalty plan net in financial income:

Financial income	667,174
Operating expenses	<u>(667,176)</u>

k) Corresponds to the retroactive adjustment of unrealized gains on available-for-sale investments against the value of the investments (see note 3):

Investments	226,962
Unrealized (gains) losses in investments available for sale	<u>(226,962)</u>

42.2 Future application of standards

Accounting Manual for Supervised Entities

Pursuant to Circular no. 013/21, dated September 1, 2021, the Accounting Manual for Supervised Entities entered into force as January 1, 2022. Some of the changes established in said manual were postponed through various circulars; a summary of this is as follows:

- ◆ SB Circular no. 019/22 dated December 26, 2022 postponed until January 1, 2024 the requirement for accounting treatment provided in the items corresponding to deferred commissions for credit and credit card operations.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

42 Other disclosures (continued)

42.2 Future application of standards (continued)

Accounting Manual for Supervised Entities (continued)

- ◆ Through SB Circular no. 008/22 of April 13, 2022 was postponed until January 1, 2023 the entry into force of the changes in the items of investments, restricted public deposits and restricted securities held by the public.
- ◆ Through SB Circular no. 010/22 of May 26, 2022 was postponed until January 1, 2024 the use of fair value in the investment portfolio. Likewise, until this date, the disclosures related to fair value established in sections E.36, E.37 and E.38 of Chapter V of the Accounting Manual for Supervised Entities will not be required in the financial statements.

Other resolution

- ◆ The Monetary Board, through its Twelfth Resolution dated December 22, 2022 and certification issued on January 13, 2023, established that financial intermediation entities may carry out operations that imply direct or indirect financing without admissible real collateral, or grant guarantees or endorsements, which as a whole do not exceed 15% of the technical equity, this limit may be increased up to 30% of the technical equity if the operations are backed by admissible real guarantees.

43 Subsequent events

Provisions of the Monetary Board

- ◆ In accordance with the Second Resolution of the Monetary Board dated January 12, 2023 and certification issued on January 13, 2023, it will be considered that a natural or legal person or risk group has binding participation if it owns, controls or receives direct or indirectly 5% or more of the property or the results of the commercial period of the parties to which it is related.
- ◆ The Monetary Board, through its First Resolution dated January 12, 2023 authorized the Central Bank so that, as February 1, 2023, new loans granted by financial intermediation entities for the acquisition of low-cost housing, for a term of up to five (5) years, are considered for purposes of hedging the legal reserve in national currency; and loans for the construction of these homes, for a term of up to two (2) years, at interest rates that, in both cases, do not exceed 9% per year. This measure will be valid for five (5) years, until February 1, 2028.

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

Notes to the Consolidated Financial Statements (continued)

(Amounts in Thousands of DOP)

44 Notes required by the Superintendency 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 December 31, 2022, the following notes are not included because they are not applicable:

- ◆ Cash sales contracts
- ◆ Securities lending agreements
- ◆ Rights in trust
- ◆ Outstanding securities
- ◆ Guarantee agent
- ◆ Separate securitization assets
- ◆ Portfolio results at fair value through profit or loss
- ◆ Portfolio results at fair value with changes in equity
- ◆ Fair value of financial instruments
- ◆ Earnings per share
- ◆ Business combinations
- ◆ Defaults related to financial liabilities
- ◆ Discontinued operations
- ◆ Other revelations
 - Changes in stock ownership whose amount and number of shares exceeds 1%, having to indicate the amounts and number of shares;
 - Gains or losses from the sale of fixed assets or other assets in subsidiaries, branches or offices abroad.