

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

Consolidated Financial Statements - Statutory basis

December 31, 2013

(With Independent Auditors' Report)

*(Free Translation from the Original Spanish-Language Version)*



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RNC 1-01025913

## Independent Auditors Report

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

We have audited the accompanying consolidated financial statements - statutory basis of Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples and Subsidiaries (the Bank), which comprise the consolidated balance sheet - statutory basis as of December 31, 2013, the consolidated income statement - statutory basis, the consolidated statement of equity - statutory basis and the consolidated statement of cash flows - statutory basis for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's responsibility for financial statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements - statutory basis in accordance with accounting practices established by the Superintendence of Banks of the Dominican Republic, which is a comprehensive accounting basis different from the International Financial Reporting Standards, and for such internal controls as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements - statutory basis based on our audit. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements - statutory basis in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements - statutory basis.

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

(Continues)

*Opinion*

In our opinion, the consolidated financial statements - statutory basis present fairly, in all material respects, the financial position of Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples and Subsidiaries as at December 31, 2013, and of its financial performance and cash flows for the year ended in accordance with accounting practices established by the Superintendencia of Banks of the Dominican Republic, as described in note 2 in the accompanying consolidated financial statements- statutory basis.

*Emphasis of Matter*

Without qualifying our opinion we draw attention to the contents of notes 1 and 37 of the consolidated financial statements - statutory basis. As of December 31, 2013 and for the year ended, due to the Bank's condition for being property of the Dominican Republic State, a significant proportion of assets and liabilities, as well as financial income and expenses, correspond to balances and transactions performed with entities from the public sector.

*Other Matter*

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

A handwritten signature of the KPMG firm, written in black ink.

March 25, 2014

Santo Domingo,  
Dominican Republic

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

Consolidated Balance Sheets - Statutory Basis

(Amounts in Thousands of RD\$)

(Free Translation from the Original Spanish-Language Version)

	<u>At December 31,</u>			<u>At December 31,</u>	
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>
<b>ASSETS</b>			<b>LIABILITIES AND EQUITY</b>		
<b>Available funds (notes 3, 4, 35, 36 and 37)</b>	59,683,710	42,776,266	<b>Customers' deposits (notes 3, 16, 35, 36 and 37)</b>		
<b>Investments (notes 3, 6, 15, 35, 36 and 37)</b>			Checking	48,043,752	33,772,422
Other investments in debt instruments	44,031,870	36,532,651	Savings	67,805,141	54,813,544
Interests receivable	1,599,675	925,457	Time	43,954,708	34,858,660
Allowance for investments	(153,240)	(32,697)	Interests payable	130	-
	45,478,305	37,425,411		159,803,731	123,444,626
<b>Loans portfolio (notes 3, 7, 15, 35, 36, 37 and 39)</b>			<b>Deposits from domestic and foreign financial institutions (notes 3, 17, 35 and 36)</b>		
Current	189,237,805	144,942,515	From domestic financial institutions	9,330,943	10,219,270
Restructured	2,045,763	382,038	From foreign financial institutions	1,280,347	-
Past due	1,305,122	3,285,408		10,611,290	10,219,270
In legal collection	2,195,069	5,035,803	<b>Borrowed funds (notes 3, 18, 35 and 36)</b>		
Interests receivable	1,119,420	889,321	From domestic financial institutions	7,982	10,577
Allowance for loans	(5,439,400)	(5,247,857)	From foreign financial institutions	22,072,729	15,959,245
	190,463,779	149,287,228	Others	19,715	19,715
<b>Debtors by acceptances (notes 3, 8 and 35)</b>	1,593	193,574	Interests payable	76,542	97,535
<b>Accounts receivable (notes 3, 9, 10, 35, 37 and 39)</b>				22,176,968	16,087,072
Commissions receivable	11,576	8,371	<b>Outstanding acceptances (notes 3, 8 and 35)</b>	1,593	193,574
Accounts receivable	931,202	6,590,584	<b>Outstanding securities (notes 19, 35, 36 and 37)</b>		
Premiums receivable	1,104,096	1,203,405	Securities	73,693,548	67,334,379
Receivables from insurance and guarantees	9,117	10,377	<b>Creditors for insurance and bank guarantees</b>	1,074,964	753,326
	2,055,991	7,812,737	<b>Insurance premium deposits</b>	201,556	277,753
<b>Assets received in loans settlements (notes 11, 15 and 39)</b>			<b>Other liabilities (notes 3, 15, 20, 28, 35 and 39)</b>	7,403,817	10,037,074
Assets received in loans settlements	7,148,079	5,689,126	<b>Technical reserves (note 22)</b>		
Allowance for assets received in loans settlements	(4,354,023)	(3,624,695)	Mathematical and technical life insurance reserves	21,543	80,828
	2,794,056	2,064,431	Reserves for unearned insurance premiums	1,972,792	1,602,817
<b>Investments in shares (notes 3, 12, 15, 36 and 39)</b>				1,994,335	1,683,645
Investments in shares	352,053	343,297	<b>Subordinated debts (notes 3, 21, 35 and 36)</b>		
Allowance for investments in shares	(22,424)	(151,115)	Subordinate debts	12,539,620	-
	329,629	192,182	Interest payable	373,383	-
<b>Property, furniture and equipment (note 13)</b>				12,913,003	-
Property, furniture and equipment	9,997,005	10,053,943	<b>TOTAL LIABILITIES</b>	289,874,805	230,030,719
Accumulated depreciation	(4,078,549)	(4,175,267)	<b>EQUITY (note 26)</b>		
	5,918,456	5,878,676	Paid-in capital	3,500,000	3,500,000
<b>Properties under development intended for sale and for leasing</b>	338,712	358,312	Other equity reserves	10,485,027	8,718,686
<b>Other assets (notes 3, 14 and 35)</b>			Revaluation surplus	755,665	773,841
Deferred charges	2,118,234	2,142,162	Retained earnings from prior periods	1,611,191	3,672,316
Intangibles	175,718	175,285	Net income for the year	3,298,524	1,638,864
Other assets	418,163	244,418		19,650,407	18,303,707
Accumulated amortization	(127,863)	(87,694)	<b>Minority interest</b>	123,271	128,562
	2,584,252	2,474,171	<b>TOTAL EQUITY</b>	19,773,678	18,432,269
<b>TOTAL ASSETS</b>	<b>309,648,483</b>	<b>248,462,988</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>309,648,483</b>	<b>248,462,988</b>
Contingent accounts (notes 24 and 28)	556,049,321	713,146,416	Contingent accounts (notes 24 and 28)	556,049,321	713,146,416
Memorandum accounts (note 29)	427,653,297	342,948,929	Memorandum account (note 29)	427,653,297	342,948,929

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

Enrique A. Ramírez Paniagua  
General Administrator

Luis R. Espinal L.  
Comptroller

**BANCO DE RESERVAS DE LA REPUBLICA DOMINICANA,  
BANCO DE SERVICIOS MULTIPLES AND SUBSIDIARIES**

Consolidated Income Statements - Statutory Basis

(Amounts in Thousands of RD\$)

*(Free Translation from the Original Spanish-Language Version)*

	<b>Years ended At December 31,</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>Financial income (notes 6, 7, 30 and 37)</b>		
Interests and commissions on loans	19,560,780	17,001,287
Interests on investments	5,666,270	4,572,341
Profits from sales of securities	1,953,638	291,847
Insurance premiums net of returns and cancellations	4,730,635	4,539,424
Technical adjustment to insurance reserves	-	66,925
	<u>31,911,323</u>	<u>26,471,824</u>
<b>Financial expenses (notes 16, 17, 18, 19, 20 and 30)</b>		
Interests on deposits	7,773,147	7,883,556
Interests and commissions on borrowed funds	372,817	343,398
Loss on investments	286,469	96,074
Reinsurance expense	2,137,478	2,296,792
Insurance claims and contractual obligations	1,289,181	1,276,379
Expenses related to technical adjustment to reserves	139,676	-
Expenses related to acquisition, conservation and collection of insurance premiums	530,494	522,715
	<u>12,529,262</u>	<u>12,418,914</u>
<b>Gross financial margin</b>	<u>19,382,061</u>	<u>14,052,910</u>
Allowance for loan losses (note 15)	1,605,000	870,225
Allowance for investments (note 15)	1,050	-
	<u>1,606,050</u>	<u>870,225</u>
<b>Net financial margin</b>	<u>17,776,011</u>	<u>13,182,685</u>
<b>Foreign exchange gain (loss) (note 31)</b>	<u>(60,624)</u>	<u>(116,730)</u>
<b>Other operating income (notes 32 and 37)</b>		
Credit card fees		
Service fees	598,956	368,726
Foreign exchange commissions	1,987,298	1,907,406
Miscellaneous income	752,299	746,898
	<u>1,687,424</u>	<u>1,608,485</u>
<b>Other operating expenses (notes 32 and 37)</b>	<u>5,025,977</u>	<u>4,631,515</u>
Commissions for services		
Miscellaneous expenses	221,131	200,783
	<u>520,378</u>	<u>463,954</u>
	<u>741,509</u>	<u>664,737</u>
<b>Gross operating income</b>	<u>21,999,855</u>	<u>17,032,733</u>
<b>Operating expenses (notes 15, 28 and 34)</b>		
Salaries and personnel compensation		
Professional fees	9,461,958	8,353,304
Depreciation and amortization	999,247	677,484
Other provisions	616,613	649,485
Other expenses	658,398	810,386
	<u>4,650,607</u>	<u>4,433,258</u>
	<u>16,386,823</u>	<u>14,923,917</u>
<b>Net operating income</b>	<u>5,613,032</u>	<u>2,108,816</u>

(Continues)

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

Consolidated Income Statements - Statutory Basis, continued

(Amounts in Thousands of RD\$)

*(Free Translation from the Original Spanish-Language Version)*

	<b>Years ended</b>	
	<b><u>At December 31,</u></b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>Other income (expenses) (note 33)</b>		
Other income	1,161,992	882,109
Other expenses	<u>(634,591)</u>	<u>(393,337)</u>
	<u>527,401</u>	<u>488,772</u>
<b>Income before income tax</b>	6,140,433	2,597,588
Income tax (note 23)	<u>(1,059,587)</u>	<u>(289,708)</u>
<b>Net income for the period</b>	<b><u>5,080,846</u></b>	<b><u>2,307,880</u></b>
<b>ATTRIBUTABLE TO:</b>		
Owners of the Controlling entity (Parent Company)	5,046,689	2,274,519
Minority interest	<u>34,157</u>	<u>33,361</u>
	<b><u>5,080,846</u></b>	<b><u>2,307,880</u></b>

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

Enrique A. Ramírez Paniagua  
General Administrator

Luis R. Espinal L.  
Comptroller

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

Consolidated Statements of Equity - Statutory Basis

Years ended at December 31, 2013 and 2012

(Amounts in Thousands of RD\$)

*(Free Translation from the Original Spanish-Language Version)*

	<u>Paid-in Capital</u>	<u>Other Equity Reserves</u>	<u>Revaluation Surplus</u>	<u>Retained Earning from Prior Periods</u>	<u>Net Income for The Year</u>	<u>Total</u>	<u>Minority Interest</u>	<u>Total Net Equity</u>
Balances at January 1st 2012	3,500,000	7,941,135	915,737	2,357,254	1,800,969	16,515,095	125,501	16,640,596
Transfer to retained earnings	-	-	-	1,800,969	(1,800,969)	-	-	-
Cash dividends paid to minority interest	-	-	-	-	-	-	(30,300)	(30,300)
Cash dividends paid to the Dominican Republic government (note 26)	-	-	-	(184,415)	-	(184,415)	-	(184,415)
Dividends paid through payment amortization of National Treasury Vouchers (note 26)	-	-	-	(75,000)	-	(75,000)	-	(75,000)
Dividends paid through interest payment of National Treasury Vouchers (note 26)	-	-	-	(6,000)	-	(6,000)	-	(6,000)
Debt amortization of the Dominican Republic State	-	-	-	(220,492)	-	(220,492)	-	(220,492)
Effect of depreciation on revaluation assets	-	-	(141,896)	-	141,896	-	-	-
Net income for the year	-	-	-	-	2,274,519	2,274,519	33,361	2,307,880
Transfer to other equity reserves	-	777,551	-	-	(777,551)	-	-	-
<b>Balances at December 31, 2012</b>	<b>3,500,000</b>	<b>8,718,686</b>	<b>773,841</b>	<b>3,672,316</b>	<b>1,638,864</b>	<b>18,303,707</b>	<b>128,562</b>	<b>18,432,269</b>
Transfer to retained earnings	-	-	-	1,638,864	(1,638,864)	-	-	-
Cash dividends paid to minority interest	-	-	-	-	-	-	(39,448)	(39,448)
Cash dividends paid to the Dominican Republic government (note 26)	-	-	-	(3,178,033)	-	(3,178,033)	-	(3,178,033)
Dividends paid through payment amortization of National Treasury Vouchers (note 26)	-	-	-	(75,000)	-	(75,000)	-	(75,000)
Dividends paid through interest payment of National Treasury Vouchers (note 26)	-	-	-	(5,250)	-	(5,250)	-	(5,250)
Dividends paid with assets received on loans settlements	-	-	-	(450,000)	-	(450,000)	-	(450,000)
Effect of depreciation on revaluation assets	-	-	(18,176)	-	18,176	-	-	-
Net income for the year	-	-	-	-	5,046,689	5,046,689	34,157	5,080,846
Other adjustments	-	-	-	8,294	-	8,294	-	8,294
Transfer to other equity reserves	-	1,766,341	-	-	(1,766,341)	-	-	-
<b>Balances at December 31, 2013</b>	<b><u>3,500,000</u></b>	<b><u>10,485,027</u></b>	<b><u>755,665</u></b>	<b><u>1,611,191</u></b>	<b><u>3,298,524</u></b>	<b><u>19,650,407</u></b>	<b><u>123,271</u></b>	<b><u>19,773,678</u></b>

These consolidated financial statements - statutory basis are to be read with their accompanying notes.

Enrique A. Ramírez Paniagua  
General Administrator

Luis R. Espinal L.  
Comptroller

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

Consolidated Statements of Cash Flows - Statutory Basis

(Amounts in Thousands of RD\$)

*(Free Translation from the Original Spanish-Language Version)*

	<b>Years ended</b>	
	<b><u>At December 31,</u></b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>CASH FROM OPERATING ACTIVITIES</b>		
Interest and commissions collected on loans	19,330,681	16,859,977
Other financial income collected	6,653,971	4,615,896
Other operating income collected	5,025,977	4,379,939
Insurance premium collected	4,753,747	4,632,440
Increase in insurance and guarantees	(2,174,060)	(139,596)
Interests paid on deposits	(7,376,468)	(7,883,556)
Interests and commissions paid on borrowed funds	(393,811)	(270,221)
General and administrative expenses paid	(15,026,468)	(13,442,743)
Other operating expenses paid	(741,509)	(664,737)
Income taxes paid	(988,424)	(1,024,257)
Insurance claims and contractual obligations	(1,289,181)	(1,276,379)
Miscellaneous payments of operating activities	(7,683,768)	(1,521,624)
	<u>90,687</u>	<u>4,265,139</u>
<b>Net cash in operating activities</b>		
<b>CASH FROM INVESTMENT ACTIVITIES</b>		
Decrease (increase) in investments	(7,580,904)	678,466
Loans granted	(159,273,314)	(134,569,335)
Loans collected	125,471,870	111,314,396
Interbank funds granted	(3,733,000)	(1,000,000)
Interbank funds collected	3,733,000	1,000,000
Decrease in properties under development intended for sale and leasing	19,600	12,872
Acquisition of property, furniture and equipment	(749,188)	(658,074)
Proceeds from sale of property, furniture and equipment	29,127	257,915
Proceeds from sale of assets received in loan settlements	379,539	535,211
	<u>(41,703,270)</u>	<u>(22,428,549)</u>
<b>Net cash in investment activities</b>		
<b>CASH FROM FINANCING ACTIVITIES</b>		
Deposits received	3,493,277,958	1,748,408,578
Deposits paid	(3,450,167,793)	(1,740,634,420)
Borrowed funds received	34,826,886	18,308,467
Borrowed funds paid	(28,715,997)	(16,366,455)
Subordinated debts	12,516,454	-
Dividends paid and other payments to shareholders	(3,217,481)	(214,715)
	<u>58,520,027</u>	<u>9,501,455</u>
<b>Net cash provided by financing activities</b>		
<b>NET INCREASE (DECREASE)</b>		
<b>IN CASH</b>	16,907,444	(8,661,955)
<b>CASH AT THE BEGINNING</b>		
<b>OF THE YEAR</b>	<u>42,776,266</u>	<u>51,438,221</u>
<b>CASH AT THE END</b>		
<b>OF THE YEAR</b>	<u><u>59,683,710</u></u>	<u><u>42,776,266</u></u>

(Continues)



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

Consolidated Statements of Cash Flows - Statutory Basis, continued

(Amounts in Thousands of RD\$)

*(Free Translation from the Original Spanish-Language Version)*

	<b>Years ended at December 31,</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>Reconciliation between the net income for the period and the net cash used in operating activities</b>		
Net income for the period	<u>5,080,846</u>	<u>2,307,880</u>
Adjustments to reconcile net income for the period to net cash provided by operating activities		
Provisions for risky assets and contingencies	2,264,448	1,680,611
Technical reserves increase	139,676	1,645,496
Release of provisions for risky assets and contingencies	(343,796)	(251,576)
Depreciation and amortization	640,960	670,788
Release of provisions for risky assets and contingencies	18,493	(11,179)
Discharge of property, furniture and equipment	60,997	-
Gain on sale of assets received in loans settlements	(45,868)	(54,277)
Currency exchange rate fluctuations, net	90,584	76,042
Amortization cost of the subordinated debts	15,926	-
Amortization discount on issuance of the subordinated debts	7,240	-
Net change in assets and liabilities:		
Interests receivable	(909,567)	(293,528)
Debtors by acceptances	191,981	(116,288)
Commissions receivable	(3,205)	10,429
Accounts receivable	(5,085,499)	6,014,488
Premiums receivable	99,309	(46,580)
Receivables from reinsurance and guarantees	1,260	611
Deferred charges	47,719	(1,095,963)
Other assets	(197,969)	26,125
Interests payable	352,519	73,177
Outstanding acceptances	(191,981)	116,288
Creditors of insurance and bank guarantees	321,638	(55,049)
Insurance premium deposits	(76,197)	139,596
Other liabilities	(2,559,841)	(4,979,817)
Technical reserves	<u>171,014</u>	<u>(1,592,135)</u>
Total adjustments	<u>(4,990,159)</u>	<u>1,957,259</u>
Net cash used in operating activities	<u><b>90,687</b></u>	<u><b>4,265,139</b></u>

These consolidated financial statements - statutory basis are to be read with their accompanying notes.

Enrique A. Ramírez Paniagua  
General Administrator

Luis R. Espinal L.  
Comptroller

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

Notes to the Consolidated Financial Statements - Statutory Basis

December 31, 2013 and 2012

(Amounts in Thousands of RD\$)

*(Free Translation from the Original Spanish-Language Version)*

**1 Entity**

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

Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples and subsidiaries (the Bank) offers multiple banking services to the Dominican Government, its autonomous entities and state-owned companies (public sector), as well as to private companies and to the general public (private sector). The main activities of the Bank include the granting of loans, investment, deposits, financing, sales of insurances, management of pension funds and health services, sale and development of real estate projects, securities underwriting, trust management, among others.

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

A detail of the principal officers is as follows:

<u>Name</u>	<u>Position</u>
Simón Lizardo	Minister of Finance - Ex in Officiate Chairman
Enrique A. Ramírez Paniagua	General Administrator
Aracelis Medina Sánchez	Deputy Administrator - Administration
José Manuel Guzmán Ibarra	Deputy Administrator - Government Business
Marcial H. Mejía Guerrero	Deputy Administrator - Operation and Technology
Rienzi M. Pared Pérez	Deputy Administrator - Subsidiary Entities of Banco de Reservas
Luis R. Espinal L.	Comptroller
William Read Ortiz	General Director - Personal Business
Luis Eduardo Rojas de Peña	General Director - Treasury, Investment Banking and Capital Market
Julio Enrique Páez Presbot	General Auditor

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.

(Continues)

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

Notes to the Consolidated Financial Statements - Statutory Basis

As of December 31, 2013 and 2012, a detail of the Bank's offices and automatic teller machines (ATMs) is as follows:

Location	2013		2012	
	Offices (*)	ATM	Offices (*)	ATM
Santo Domingo	62	217	60	216
Provinces	<u>91</u>	<u>212</u>	<u>89</u>	<u>212</u>
	<u><b>153</b></u>	<u><b>429</b></u>	<u><b>149</b></u>	<u><b>428</b></u>

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

The consolidated financial statements - statutory basis were approved for issuance in March 25th, 2014 by the Board of Directors.

## 2 Summary of significant accounting policies

### 2.1 Accounting basis for the presentation of consolidated financial statements

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

Subsidiaries include: insurance companies, pension fund managers, administrator of health plans and a security exchange, which have been prepared in accordance with the accounting practices established by the Superintendence of Insurance, the Superintendence of Pensions, the Superintendence of Health and Labor Risks and the Superintendence of Securities of the Dominican Republic, respectively. Furthermore unregulated subsidiaries whose accounting practices are in accordance with the International Financial Reporting Standards. The figures for these subsidiaries that are incorporated in the consolidated financial statements have been prepared following those accounting basis.

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

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*Differences with the International Financial Reporting Standards*

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

- i) Allowance for loan losses correspond to the amount determined through an amount of risks made by the Bank and the reserve levels that result from the classification assigned to each loan (for commercial loans classified as major debtors) or days past due (for consumer, mortgage loans and minor commercial loans) and some specific approvals issued by the Superintendence of Banks. This evaluation (for major commercial debtors) includes the ability to repay the loan based on a review of credit records, payment history. The collaterals are only considered for the determination of provision. In accordance with International Financial Reporting Standards loans portfolio are assessed by separating individual and collective loans. Individual loans' analyses are evaluated on a loan-by-loan basis.

Loans that are collectively evaluated to determine if impairment exists, considering the estimates of the contractual cash flows in such groups of assets, the historical loss experience analysis and opinion from management as to whether the current economical and loans conditions may change the actual level of the inherent historical losses. A provision is recognized, if objective evidence exist that there has been an impairment loss, which would result in the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

- ii) Banking regulations require financial entities to establish allowances for assets received in loans settlements according to the following criteria: movable goods are reserved over a two-year (2) period, on a straight line basis, starting six (6) months following foreclosure while real estate is reserved over a three-year (3) period, on a straight-line basis, counted as of the first anniversary of its recording in the Bank's books. The International Financial Reporting Standards (IFRS) require that these assets be reserved only in the event that impairment exists.
- iii) Interest receivable past-due for less than 90 days is reserved according to the classification granted to the corresponding principal. Past due interest receivable with more than 90 days is fully reserved, except in the case of credit cards, where interest receivable is reserved after 60 days past due. Subsequently, accrued interest is not recognized in the consolidated financial statements - statutory basis. According to IFRS, allowances on interest receivable are determined based on existent risks specific to the loans portfolio. In the event of impairment of interest receivable, the loans are adjusted and subsequent accrual of interest is based on the adjusted balance using the effective interest rate.

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- iv) Financial entities translate all transactions in foreign currencies at the official exchange rate as established by the Central Bank of the Dominican Republic at the balance sheet date. IFRS require that all balances in foreign currencies be translated at the exchange rate to which the Bank had access at the balance sheet date.
- v) The Superintendence of Banks of the Dominican Republic requires that reserves held on loans at the moment of executing their collateral, be transferred to the assets received in loans settlements. IFRS only require reserves when the fair value of the asset is lower than its book value or when impairment exists.
- vi) There are differences between the presentation and certain disclosures of the financial statements according to IFRS and what is required by the Superintendence of Banks of the Dominican Republic.
- vii) According to banking practices, income derived from credit card renewals, letters of credit and outstanding acceptances are immediately recognized as income. IFRS require recognition of this income to be deferred over the duration of the respective cards, letters of credit and outstanding acceptances.
- viii) The Superintendence of Banks of the Dominican Republic requires that leasehold improvements and computer software, must be previously authorized by the Superintendence of Banks in order to be recognized as property, plant and equipment and intangible assets, respectively, in order to be recognized as other assets until such approval is obtained. IFRS require that these items be recognized as property, plant and equipment and intangible assets as long as they generate future economic benefits.
- ix) The Superintendence of Banks of the Dominican Republic has established that short-term highly liquid investments which are easily convertible to cash be classified as investments. IFRS require that this type of investments be classified as cash equivalents.
- x) The Superintendence of Banks of the Dominican Republic requires that financial institutions classify investments in four (4) categories, which are: trading, available-for-sale investments, held-to-maturity investments, and other investments in debt securities. Also, the Superintendence allows classifying in one of the three (3) former categories only those investments listed in an active market. IFRS does not require this kind of distinction, and the classification will depend on management's intention and does not include the category of other investments.
- xi) The Superintendence of Banks of the Dominican Republic allowed multiple service banks the revaluation of its properties as of December 31, 2004 and has not required updating of these values after this date. IFRS state that these updates must be performed whenever significant value changes occur for such assets.

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- xii) The Superintendence of Banks of the Dominican Republic requires that cash flows corresponding to loans portfolio and customer deposits be classified as investment and financial activities, respectively. IFRS require cash flows from these transactions to be classified as operating activities.
- xiii) The Superintendence of Banks of the Dominican Republic requires banks to record an allowance for contingent operations, which includes granted guarantees, non-negotiable letters of credit issued, and lines of credit of automated use based on a classification of risk categories following the REA. The International Financial Reporting Standards requires recording a provision when there is a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable amount can be estimated.
- xiv) The Superintendence allowed the recognition as interest income upfront commission collected on discount of invoices to some important customers. IFRS require that such commission be deferred and recognized as income using the effective interest method.
- xv) The Superintendence of Banks allowed the recognition of liabilities related to the Pension Fund and the pensions paid directly by the Bank over a nine (9) year-period beginning in 2011. IFRS establishes that pension plan obligations must be recognized initially in full and periodically updated in subsequent periods and the effects to be recognized either in profit or loss or other comprehensive income.
- xvi) Banking regulations require that investment in stocks be valued at the lower of fair value or cost. If there is not a security market, they are valued at cost less impairment. The quality and creditworthiness of the issuer should be taken into consideration, following the Ruling for Assets Evaluation and Instructive for the Assets Evaluation Process as stated in the banking regulations. In accordance with IFRS it must be determined if there is control or significant influence. If control exists, the consolidated financial statements must be prepared. If it is determined that there is significant influence, investments must be recognized under the equity method and those that do not comply with the two (2) above features are carried at fair value with either changes in profit or loss or in other comprehensive income, depending of the classification.
- xvii) In accordance to the current banking regulations, the Bank must quantitatively disclose the risks derived from its financial instruments, such as liquidity and interest rate risks and the credit risk of the loans, among others. IFRS require the following disclosures that allows the users of the financial statements to evaluate: a) the importance of the financial instruments in relation to the financial position and results of the entity and b) the nature and the scope of the risks resulting from the financial instruments to which the entity is exposed during the period, the report date and how the entity manages these risks.

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- xviii) The Superintendence of Banks of the Dominican Republic does not allow the release of provision of assets awarded without prior authorization. In case of the sale of assets awarded that are provisioned, if the sale occurs at a higher value than its value in books, it cannot be recognized as a gain as required by the International Financial Reporting Standards, but instead the provision released must be transferred to other regulatory provisions or an authorization to Superintendence of Banks must be presented in order to recognize it as income.
- xix) In 2012 The Superintendence of Banks of the Dominican Republic authorized the Bank to classify as accounts receivable some discount on invoice operations. According to the International Financial Reporting Standards, these operations must be classified as loans portfolio. As of 2013 there were classified as loans portfolio.
- xx) The Superintendence of Banks of the Dominican Republic authorizes financial intermediation institutions to write off a loan with or without guaranties when it becomes a non-performing portfolio, 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. The International Financial Reporting Standards requires these write offs immediately when loans are determined to be unrecoverable.
- xxi) The International Financial Reporting Standards require that, if the Bank presents other comprehensive income, an income statement and comprehensive income financial statement must be presented or a separate statement of other comprehensive showing the nature and amount of line items for other comprehensive income during the period. The Superintendence of Banks of the Dominican Republic does not include this requirement in their preparation of financial statements - statutory basis.
- xxii) The Superintendence of Banks of the Dominican Republic, authorized the inclusion in the consolidated financial statements, the financial statements of subsidiaries that were prepared following different accounting practices to those in the Accounting Manual for Financial Institutions without being homogenized with the accounting practices followed by the Bank. According to the International Financial Reporting Standards, entities included in the consolidation should follow the same accounting policies.

*Differences between accounting practices for Insurance Companies in the Dominican Republic and International Financial Reporting Standards:*

- i) As established by the Superintendence of Insurance, short-term insurance contracts are recognized as revenue when billed; as a result, unearned premium reserves are computed based on specific percentages according to the line of business and are not based on a pro-rata distribution over the term of the policy. These minimum percentages are established in Article 141 of the Insurance and Surety Bonds Law No. 146-02, as follows:

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

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

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

ii) The following items are considered as investments up to the limits permitted by Law No. 146-02 relating to Private Insurance and its amendments:

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

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

In accordance with IFRS investments are classified into four (4) categories: financial assets at fair value with changes through profit and loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets. According to IFRS these investments must be recognized initially at fair value and subsequent to their initial recognition, are measured at amortized cost, fair value with changes in profit or loss or at fair value with changes in equity depending on its initial classification. Additionally, IFRS does not provide for other investments classification.

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- iii) The Superintendence of Insurance requires that short-term investments, highly liquid investments and investments easily convertible to cash be presented as investments. International Financial Reporting Standards require that such investments be presented as cash equivalents.
- iv) Revenues and expenses pertaining to prior years are recorded in the year they are identified. International Financial Reporting Standards require that these transactions be recorded retroactively correcting the previously reported financial statements, including presentation of the statement of financial position for the most recent three (3) years.
- v) Premiums receivable that are considered uncollectible by the Bank are reversed against revenue. In accordance with IFRS, premiums receivable should be assessed regularly and a provision should be created for amounts deemed uncollectible. This provision is recognized affecting operating expenses of the year.
- vi) The effects of reinstatement and liquidation of reinsurance contracts are adjusted with the reinsurer on the final liquidation date of the contract. IFRS require that changes in insurance contracts be estimated and recognized in profit or loss based on such estimations.
- vii) The recognition of specific reserves for claims incurred but not reported at the statement of financial position date is not required. IFRS require creating a provision for those probable and quantifiable losses and such provision recorded through a charge to operations of the year in which the incident occurred.
- viii) International Financial Reporting Standards require an entity to separate embedded derivative from the host contract and accounted for as a derivative if economic characteristic and risks of the embedded derivative are not closely related to the economic characteristic and risks of the host contract. Accounting practices established by the Superintendence of Insurance of the Dominican Republic do not provide for guidance on accounting of derivatives.
- ix) There are certain differences in presentation and disclosures of the financial statements according to the accounting practices established by the Superintendence of Insurance of the Dominican Republic and financial statements prepared in accordance with International Financial Reporting Standards.
- x) International Financial Reporting Standards require that a Liability adequacy test be performed. This test is basically a calculation based on a statistical methodology that determines if provisions recognized by the Company are adequate to honor possible commitments arising from current insurance contracts. Accounting practices of the Superintendence of Insurance does not require this kind of provision.

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- xii) The Bank accounts for salvages and recoveries in off-balance sheet accounts. International Financial Reporting Standards establish that at the balance sheet date such assets shall be measured at fair value less any cost of sale and recognized as other assets against a deduction of the cost of the claims that gave rise to the salvages in the period in which the Bank obtained the rights over the salvages and recoveries.
- xiii) According to accounting practices of the Superintendence of Insurance savings account component of life insurance contracts are not accounted separately in the balance sheet. International Financial Reporting Standards requires to separate and recognize as a liability a saving account when it is a component of an insurance contract.
- xiv) Accounting practices of the Superintendence of Insurance do not require to separate revenue for the rendering of a service that is a component of an insurance contract. International Financial Reporting Standards requires to separate from an insurance contract a component of rendering of service for which the Bank does not keep any insurance risk. Such component should be recognize as a liability, and any unearned commission collected on the intermediation of the service shall be deferred.
- xv) Accounting practices of the Superintendence of Insurance require the additional costs incurred in the process of acquisition and issuance of insurance contracts is recognized as expenses when they occur. According to IFRS these costs must deferred and recognized as expense using the straight line method over the life of the related insurance contract.
- xvi) Accounting practices of the Superintendence of Insurance, establishes the classification of Property, plant and equipment indistinctively of the use of the assets. IFRS require that Property, plant and equipment which intended to be used to obtain revenue from rent shall be classified as investment property. The recognition and presentation of investment property differs from the assets that are being used in as Property, plant and equipment.

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

## **2.2 Use of estimates**

The preparation of the consolidated financial statements - statutory basis requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the amounts reported as current revenues and expenses. Estimates are used mainly in the determination of provisions for assets subject to risk, depreciation and amortization of long-term assets, impairment of long-term assets and contingencies. Actual results may differ from such estimates.

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### 2.3 Consolidation

The consolidated financial statements - statutory basis 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%, which are: Peaje Dominicano, S.A.S. and Tenedora Banreservas, S. A. and subsidiaries, which include Seguros Banreservas, S. A. Reservas Asistencia, S.A.S., Reservas Inmobiliaria, S. A. and subsidiaries, Administradora de Fondos de Pensiones Reservas, S. A. and Inversiones & Reservas, S. A. y Fiduciaria Reservas, S. A. Additionally, Administradora de Riesgo de Salud Reservas, Inc., a non-profit entity whose net assets are included as other liabilities.

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

The Superintendence of Banks of the Dominican Republic 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.

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

<u>Subsidiaries</u>	<u>Country of Operation</u>	<u>% of Ownership</u>
Tenedora Banreservas, S. A. and Subsidiaries	Dominican Republic	97.74
Peaje Dominicano, S.A.S.	Dominican Republic	100.00
Administradora de Riesgo de Salud Reservas, Inc.	Dominican Republic	<u>          -</u>

Intra-group balances and income and expenses arising from intra-group transactions were eliminated in preparing the consolidated financial statements - statutory basis.

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

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

The Bank is the most important entity and provides financial intermediation services such as loans, investments; certificate of deposits and financing to the Dominican Government, its autonomous entities and state enterprises (public sector) and to privately owned enterprises and the general public (private sector).

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

It is a Non-For Profit organization dedicated to the management of health insurance plans, established by the National Council of Social Security, in accordance to Law No. 87-01 and its complementary regulations.

*Peaje Dominicano, S.A.S.*

This Company was incorporated under the laws of the Dominican Republic; its main activity is management of a parking building owned by the Bank.

*Tenedora Banreservas, S. A. and Subsidiaries*

It is the Parent Company of the following subsidiaries:

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

This company is authorized to operate in the field of general insurance and personal insurance in the country, according to Insurance Law No. 146-02.

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

It is dedicated to the administration of pension funds of third parties, or plans and pension funds of companies or associations that are entrusted for administration on the basis of specific contracts, according to Law 87-01 that created the Dominican system of Social Security and the complementary regulations to this law.

Currently, AFP Reservas manages Pension Fund T-1 AFP Reservas (Contribution), Pension Fund T-4 AFP Reservas (Distribution) and Pension Funds T-5 AFP Reservas (Social Solidarity), according to Law 87-01. The Administradora is regulated by the Superintendence of Pensions of the Dominican Republic.

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

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

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

*(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 of buying and selling securities, exchange of securities, underwriting issuance of securities in part or as a whole, for subsequent trade to the public, promoting and facilitating the issuance of securities in public offerings and to perform all operations authorized by the Superintendence of Securities of the Dominican Republic.

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

Incorporated under the laws of the Dominican Republic, its main purpose is to manage businesses, in accordance with Law No. 189-11, relating to Mortgage Market Development and Trust in the Dominican Republic and all operations authorized by the Superintendence of Banks of the Dominican Republic.

## **2.4 Loans portfolio**

Loans are carried out at their outstanding balances less the required allowance for loan losses.

The Bank calculates interest on loans and cardholders based on the outstanding balance of the principal.

The Bank assigns to commercial loans that have been restructured an initial classification no lower than “C” independently of their capability and payment behavior and country risk; this can be changed subsequently to a lower risk category based on satisfactory payment behavior. The Bank is also required to create an allowance for consumer and mortgage loans that have been restructured and classified no lower than “D.” Such classification may be subsequently changed based on payment behavior, but cannot be classified lower than “B.”

Furthermore, the Bank applies the arrears method to over 90 days past due loans, considering the total amount of principal past due when one installment payment has fallen into arrears.

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

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

**2.5.1 Allowance for loans portfolio**

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

According to these regulations, the estimate of loan loss reserves depends upon the type of loan, which can be classified as: major commercial debtors, minor commercial debtors, 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 history 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. Minor commercial debtors' classification is based only in payment history. The Superintendence of Banks of the Dominican Republic, through Instruction Letter 001/11 dated June 30, 2013 and expiration date June 30, 2013, allows financial institutions when performing evaluations regarding major debtors to take into consideration only their payment history. Subsequent to the expiration date of the aforementioned Instruction Letter, major commercial debtors are classified quarterly considering the categorized analysis of each debtor based on solvency, and as established in the Regulation for Asset Valuation and the evaluation of other factors such as: liquidity ratio, profitability ratio, leverage ratio, market analysis, payment performance history, country risk and alignment.

According to the Second Monetary Board Resolution dated March 21, 2013, in order for a commercial loan be classified as major commercial debtor, such amount was increased from RD\$15,000,000 to RD\$ 25,000,000. Furthermore, the consolidated debt should be considered in the financial system regardless of the entity that granted the credit.

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

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Through SB Circular: No. 002/11 dated July 25, 2011, the Superintendence of Banks of the Dominican Republic, granted a waiver for the accounting treatment of the provision caused by the positive differences on exchange rate of existing loans classified D and E, accordingly, as set out in Circular SB: No. 004/09 dated March 24th, 2009. Accordingly, a period of two (2) years was established beginning on the date of the aforementioned resolution for the constitution of reserves originated by the positive exchange rate differences on loans D and E. The Superintendence of Banks of the Dominican Republic, through Circular SB: 008/12, dated December 5, 2012, granted an extension of the time limit for implementing the measures set forth in Circular SB: 002/11, pending the review of Regulation for Assets Valuation is completed.

Additionally, Circular No. SB: 002/11 establishes that the amount of the allowances that banks will present at the date of this Instruction Letter will be transferred to the account 129.01.M.08, additional provision for risky assets and can be used to cover requirements of provisions for risk on the different types of assets.

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

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

In accordance with the Banking Regulations for Asset Valuation, collaterals that secures credit operations are classified based on its use and ease of conversion to cash. Based on the established acceptable amounts, each classification of collateral is considered as a secondary element in the calculation of the loan loss reserve coverage.

Acceptable collateral is quantified using specific discount percentages as established in the Regulations. Collaterals are classified as follows

*Multi-use collateral (“garantías polivalentes”)*

These collaterals include real estate that is not specific to any activity but has multiple uses, is easily transferable, is easy to convert to cash, easily appraised and easy to monetize without excessive costs and with a stable value. Such collateral is considered at 50% to 100% of its value for the purpose of estimating the risk coverage by such assets, depending on the type of collateral.

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*Specific use collateral (“garantías no polivalentes”)*

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

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

**2.5.2 Allowance for loans portfolio of the public sector**

At December 31, 2013 and 2012, the Bank evaluated the portfolio of major commercial debtors of the public sector, as defined and classified by Law No. 6-06 regarding Public Loans, following the Instructional Guidelines for Investment Credit Evaluation and Contingent Operations of the Public Sector and related circulars. Loans payable to some strategic entities of the Dominican electricity sector, were classified as risk “A” and a requirement for the provision of 1% as stated in the ADM/0089/12 Memorandum issued by the Superintendence of Banks of the Dominican Republic dated February 8, 2012. Provisions for public sector loans classified as "A", have a provision requirement of "0, " as set forth by Memorandum 0981 dated December 14, 2012 of the Superintendence of Banks of the Dominican Republic.

**2.5.3 Allowance for interest receivable**

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

Interest receivable 90 days past due (except for credit card balance) is fully reserved. Interest receivable on credit cards is fully reserved over 60 days past-due. Such accounts are then maintained on a non-accrual basis, are recorded as a memorandum account (“cuentas de orden”) and interest is recognized as income only when collected.

**2.5.4 Allowance for other assets**

Banking Regulations for Asset Valuation (REA) establishes a maximum term of three (3) years, starting after the expiration of 120-days period following foreclosure, to create an allowance for assets received in loans settlements. Reserves should be established as follows if assets remain unsold:

Movable goods:	100%	Over two (2) years, recorded on a straight-line basis starting on the seventh (7) month.
Real estate:	100%	Over three (3) years, recorded on a straight-line basis starting on the thirteenth month.

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Existing reserves for loan losses relating to collateral that has been foreclosed must be transferred to allowances for losses on assets received in loans settlements. The allowance on these assets cannot be released without prior authorization of the Superintendence of Banks of the Dominican Republic; nevertheless, they can be transferred to other risky assets without prior authorization.

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

**2.5.5 Allowance for contingencies**

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

**2.6 Employee benefit cost**

**2.6.1 Bonuses and other benefits**

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

**2.6.2 Defined benefits plan**

The Bank - Parent Company has a defined benefit pension plan for employees that are not covered by Social Security Law No. 87-01 of May 9, 2001, which established the Social Security System of the Dominican Republic. As established in the Pension Plan approved by the Board of Directors of the Bank, the contribution of the Bank to the Plan is 5.40% of the monthly salaries paid to officers and employees, plus 2.5% of the gross profits of the Bank and extraordinary contributions. In December 31, 2010, the Superintendence of Banks allowed that the liability for the defined benefit pension plan be recognized prospectively over a nine (9) year period beginning in December 2011.

Additionally, the Board of Director approves pensions to be paid directly by the Bank, which are included in the determination of actuarial liability of the Plan.

The Bank's net obligation with respect to defined benefit plans, is calculated by estimating the amount of future benefit that employees will have earned in the current and prior period and during prior periods and discounting that amount and deducting the fair value of the plan’s assets.

(Continues)

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The calculation of the defined benefit obligation is performed annually by a qualified actuary using the method of projected unit credit. In order to calculate the present value of economic benefits, minimum funding must requirements should be considered.

**2.6.3 Defined contribution plan**

The Bank makes contributions to the mandatory pension plan, in accordance with the requirements of the Social Security Law No. 87-01, dated May 9, 2001 which created the Social Security System of the Dominican Republic. This system operates under individual capitalization schemes and requires that individual contributions made by the employer and employee must be managed by the Administradora de Fondos de Pensiones (AFP). The contributions made by the Bank are recognized as expenses when incurred. At retirement age, the employees will receive their contributions and of the employer plus the accrued income on their individual capital account

**2.6.4 Severance compensation**

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

**2.7 Outstanding securities and subordinated debts**

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

The Bank has subordinated debts relating to financing obtained by issuing debt securities denominated "Subordinated Debt Notes," issued in the United States of America. The subordinated debt is recognized initially at fair value, net from transaction costs incurred and discounts granted on the issuance, which are amortized on the straight-line method over the term of the debt. Financial expenses resulting from commissions, exchange differences and other financial charges arising from the aforementioned obligations are recognized and charged to profit or loss in the year in which they are incurred.

**2.8 Valuation of different types of investments**

**2.8.1 Investments in securities and provisions**

Investments are accounted for at cost less required allowance.

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

(Continues)

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Trading securities correspond to investments acquired with the purpose of obtaining profits derived from short-term fluctuations in prices, and which are traded on a stock exchange market or other type of organized market. Held-to-maturity corresponds to investments that the Bank has the positive intent and ability to hold until maturity, and are traded in an active organized market. Available-for-sale investments correspond to instruments that are traded in an active and organized market and that do not meet the criteria to be classified as trading or held to maturity. All other securities that are not traded in active or organized markets and are not classified in the previous three (3) categories, are classified as other investments in debt securities.

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

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

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

Premiums or discounts arising on the purchase of held to maturity investments and other debt instruments investments are amortized over the period of the instrument using the effective interest rate.

The allowance for investments is determined following similar criteria to those established for loans portfolio in terms of classification, based on the issuer's creditworthiness and percentages of ratio losses. The financial characteristics of the instruments and their trading on a secondary market, if any, are also considered for financial investments.

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

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

Excess of allowance for investments cannot be released without prior authorization of the Superintendence of Banks.

### **2.8.2 Investment in shares and allowances**

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

Allowances for investments in shares are determined following the same criteria as for major commercial debtors, in accordance with the Regulation for Assets Valuation. (See note 2.5.1).

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The characteristics, constraints, nominal value, market value and number of investments in shares are presented in note 12.

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

**2.9.1 Basis of recognition**

Land and buildings (owned by the Bank) acquired prior December 2004 are carried at fair values as determined by independent appraisers at that date. Land and buildings acquired after that date and other furniture and equipment are carried at cost. Depreciation is calculated using a method similar to the declining balances depreciation method.

**2.9.2 Depreciation**

Depreciation percentages are the followings:

<u>Description</u>	<u>Estimated Useful Lives in Years</u>
Buildings	5%
Furniture and equipment	15%-25%
Leasehold improvements	<u>50%</u>

**2.10 Assets received in loans settlements**

Assets received in loans settlements are carried at the lower cost of the:

- a) Value agreed upon payment in kind or the awarded price in a public auction
- b) Market value at the date assets are received.
- c) Outstanding balance of the loan plus interest and/or accounts receivable which are being cancelled.

The valuation reserve for these assets is determined following the criteria established by the Superintendence of Banks, as described in note 2.5.4.

**2.11 Deferred charges**

Deferred charges include prepaid income taxes, deferred income taxes and other prepaid expenses.

Other prepaid expenses are amortized as the prepaid services are received.

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**2.12 Assets and liabilities in foreign currency**

The amounts in the accompanying consolidated financial statements – statutory basis are presented in Dominican pesos (RD\$). Assets and liabilities in other currencies are translated using the exchange rate set by the Central Bank of the Dominican Republic at the date of the consolidated financial statements – statutory basis. Transactions during the year and income and expenses are translated at the exchange rate at the date of the transaction. Resulting gains or losses of the translation of assets and liabilities in foreign currency are recognized under “Income (expense) from net foreign exchange rate” in the accompanying consolidated income statements- statutory basis.

At December 31, 2013 and 2012, the exchange rates used for the translation of the balances from US dollars to Dominican pesos were RD\$42.6723 and RD\$40.2612, respectively. The exchange rates to translate from other currencies to US dollars are presented in note 3 to the consolidated financial statements - statutory basis.

**2.13 Revenue recognition and most significant expenditures**

**2.13.1 Banks’ revenue recognition and expenditures**

*Financial income and expenses*

The Bank recognizes interest income on loans and investments under the accrual method. Loan interest is calculated using the simple interest method on outstanding capital amounts. Interests on loans are no longer recognized and placed on nonaccrual status, when a loan is 90 days past due, except for credit card balances, which are placed on nonaccrual status after 60 days. From these dates forward they are recorded in a memorandum account. Once placed in nonaccrual status the interests are recognized as income only when collected.

With the authorization of the Superintendencia of Bank, the Bank recognizes as interest income, commissions on discount of invoices when they are collected.

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

Interest expenses and other expenses are recognized in the accrual basis of accounting, i. e., when incurred. Revenues from the other services rendered by the Bank are recognized when generated.

Interest expenses on deposits are recognized in the consolidated financial statement of income - statutory basis, based on accumulation of simple interest, except those corresponding to savings accounts and financial certificates, in which the capitalized returns are accumulated using the compound interest method.

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Costs related to the issuance of subordinated debts

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

Income related to the disposal of other investments in debt instruments

Gains on disposal of other investments in debt instruments, are recognized in the consolidated statements of income - statutory basis, as the difference between the amounts received from the sale and the book value of the instruments when the risks and rewards associated with the investment have been transferred to the buyer.

Other income and other operational expenses

Other operational income is recognized when earned and other operational expenses and other operating expenses when incurred. Commission income and other services resulting from managing accounts, drafts and transfers, warranties, purchase and sale of foreign currencies, credit cards, use of ATMS and retail outlets, third-party collections and others, are recognized on an accumulation basis when services have been provided to the clients.

Other income and expenses

Other income resulting from operations, operating leases, sales of real estate property 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.

**2.13.2 Revenue recognition of insurance companies**

The most important insurance contracts issued by the Bank's insurance subsidiary are as follows:

- (a) Short-term insurance contracts - These are annual, semi-annual or quarterly contracts with renewable options issued by the company and covering personal risks and 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 are not recognized in the consolidated financial statements

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In accordance with the terms and conditions agreed with the reinsurers, premiums ceded in reinsurance are recognized at the time of recording the premium income. Cancelled premiums are recognized as a deduction of the income for premiums issued.

**2.13.3 Revenues from the Administrator of Pension Funds (AFP, in Spanish)**

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

The income from monthly administrative commission is received from Pension Fund T-1 (Contribution) and Pension Fund T-4 (Distribution) and is recognized upon receipt of the resources in the Administrator's account base on 0.5 % of the monthly quotable salary.

The income from the complementary annual commission of the Pension Fund T-I (Contribution), T-4 (Distribution) equals 30% and T-5 (Social Solidarity) equals 15% of the excess of yield portfolio of the weighted average rate of the previous month for all terms of fixed-term certificates of deposits, indefinite certificates of deposit and financial certificates issued by commercial and multiple services banks. The rate is reported to the AFP by the Superintendence of Pensions according to the information provided by the Central Bank of the Dominican Republic.

Monthly charges from complementary annual commissions are made on the basis of 50% of the previous month, with the exception of the first month of the year in which is charged 100% of the previous month's balance, following the guidelines of Resolution No. 34 -03, No. 232-05 and No. 239-05.

**2.13.4 Revenues for services to the Health Insurance Administrator (ARS)**

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

**2.13.5 Revenues from real estate**

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

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

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

**2.13.6 Revenues from parking building**

Revenue collection from parking fees is recognized on the accrual basis of accounting, i.e. when the services have been offered to customers.

**2.14 Provisions**

The Bank establishes provisions whenever it considers that it has incurred an obligation as a result of a past event, when it is probable that it will have to disburse financial resources to settle these obligations and when a reasonable estimate of the amount involved can be made.

**2.15 Income tax**

According to its Organic Law, Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples, is exempted from income tax payment; however, the Bank calculates and voluntarily pays income tax following some guidelines of the Tax Code and specific criteria, considering that the beneficiary is also the Dominican Government. In this regard, the Bank recognizes the tax effects of transactions in the year in which they are included in profit or loss, regardless of when they are recognized for tax purposes, including provisions for risky assets and special contributions of the Bank's employees Pension Plan, among others.

In accordance to Law No. 8-90 and Resolution No. 19-02 A of the National Council of free zones, the subsidiary 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 in force until 2017. The remaining subsidiaries of the Bank are subject to payment of income tax, for which, the tax effects of the transactions are recognized in the year in which they occurred, regardless of when they are recognized for tax purposes.

Total expense resulting from income tax payment is recognized in the consolidated statement of income - statutory basis.

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

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**2.16 Financial Instruments**

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

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

Short-term financial instruments

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

Investment in securities

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

Outstanding securities

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

Loans portfolio

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

Interest on financial assets and liabilities

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

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**2.17 Derecognition of financial assets**

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

**2.18 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 highest 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 income of the year when determined.

**2.19 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.

**2.20 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.

**2.21 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 of the Dominican Republic, the maximum amount of dividends to be distributed among the shareholders, should not be greater than the amount of accumulated retained earnings. This distribution is also subject to the provisions established by the Bank's Organic Law No. 6133 and its amendments (see note 26).

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**2.22 Revaluation surplus**

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

**2.23 Mathematical and technical reserves - life insurance and collective insurance**

The insurance subsidiary Seguros Banreservas, S. A. (the Company) determines the mathematical and technical reserves on the basis of net premiums and considers mortality tables and interest used by the Company, and consist of the amount equivalent to the difference between the present value of the Company's obligation towards the insured and the present value of the insured obligations towards the Company, which is determined based on actuarial calculations.

Resolutions 293-09 and 294-09, changed the basis for calculating these provisions, considering the indexed salary which should be determined in accordance with changes in the consumer price index reported by the Central Bank of the Dominican Republic, when the application of this basis results in a lower amount, the original basis of calculation should be maintained. Reserves for outstanding casualty claims regarding disability and survivorship should amount to 45% of the estimated actuarial reserve.

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

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

**2.24 Reserves for unearned insurance premiums, commissions on unearned reinsurance premiums**

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

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

**2.25 Specific reserves**

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

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**2.26 Amortization of non-proportional contracts - catastrophic premiums**

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

**2.27 Incurred but Not Reported claim reserves (IBNR)**

This reserve represents the amount of claims that have occurred at the date of the financial statements, but have not been reported to the ARS.

Resolution No. 163-2009 of the Superintendence of Health and Labor Risks, states that the bank should calculate the IBNR reserve based on 10% of the claims incurred during the current period less the claims incurred from the previous year.

**2.28 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 other economic environment.

**3 Transactions in foreign currency and exchange exposure**

The following is a summary of the Bank's balances in foreign currency as of December 2013 and 2012:

	2013		2012	
	Amounts in Foreign <u>Currency</u> <u>US\$</u>	Total in <u>RD\$</u>	Amounts in Foreign <u>Currency</u> <u>US\$</u>	Total en <u>RD\$</u>
<b>Assets</b>				
Available funds	802,751	34,255,231	418,279	16,840,399
Investments	10,288	439,013	35,773	1,440,249
Loans portfolio, net	1,840,014	78,517,644	1,419,463	57,149,297
Debtors by acceptances	37	1,593	4,808	193,574
Accounts receivable - insurance premiums	16,893	720,856	-	-
Accounts receivable	361	15,405	152,106	6,123,977
Investment in shares, net	956	40,795	831	33,459
Other assets	95	4,054	212	8,542
Contingencies (a)	<u>100,000</u>	<u>4,267,230</u>	<u>-</u>	<u>-</u>
Total assets	<u>2,771,395</u>	<u>118,261,821</u>	<u>2,031,472</u>	<u>81,789,497</u>

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<b>Liabilities</b>				
Customer deposits	1,641,008	70,025,587	1,386,262	55,812,571
Deposits from domestic and foreign financial institutions	164,890	7,036,250	200,854	8,086,642
Borrowed funds	519,054	22,149,269	398,815	16,056,777
Outstanding acceptances	37	1,593	4,808	193,574
Obligations derived from insurances and bonds	3,451	147,259	-	-
Other liabilities	11,939	509,465	32,450	1,306,475
Subordinated debts	<u>306,307</u>	<u>13,070,810</u>	<u>-</u>	<u>-</u>
 Total liabilities	 <u>2,646,686</u>	 <u>112,940,233</u>	 <u>2,023,189</u>	 <u>81,456,039</u>
 Net foreign exchange position	 <u><u>124,709</u></u>	 <u><u>5,321,588</u></u>	 <u><u>8,283</u></u>	 <u><u>333,458</u></u>

- a) Corresponds to the nominal value of a transaction by virtue of a "Purchase Currency Agreement with the Option of Repurchase" with the Central Bank of the Dominican Republic (BCRD), in which the Bank sold to the BCRD US\$100 million to be converted to Dominican pesos at a fixed exchange rate. In return, BCRD agrees to sell at the same initial purchase exchange rate for a period of 30 days. The accounting and presentation of these transactions are conducted pursuant to Circular Letter CC/07/10 issued by the Superintendence of Banks.

The exchange rates used to translate US dollars to Dominican Pesos was RD\$42.6723 and RD\$40.2612, respectively, at December 31, 2013 and 2012. Furthermore, the Bank maintains balances in other currencies which were converted to US dollar using the following exchange rates:

<u>Currency</u>	<u>Exchange rate (US\$)</u>	
	<u>2013</u>	<u>2012</u>
Euro	1.3783	1.3183
Pound Sterling	<u>1.6468</u>	<u>1.6116</u>

#### 4 Available funds

Available funds are summarized as follows:

		<u>2013</u>	<u>2012</u>
Cash on hand (a)	RD\$	6,588,282	6,340,721
Central Bank of the Dominican Republic (b)		38,652,218	32,697,555
Domestic banks (c)		162,155	-
Foreign banks (d)		11,788,321	2,278,057
Other funds - in transit (e) (f)		2,492,562	1,459,933
Interest receivable		<u>172</u>	<u>-</u>
	<b>RD\$</b>	<b><u>59,683,710</u></b>	<b><u>42,776,266</u></b>

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- (a) Includes US\$44,555 in 2013 and US\$43,834 in 2012.
- (b) Includes US\$426,135 in 2013 and US\$316,607 in 2012.
- (c) Includes US\$4,470 in 2013.
- (d) Includes US\$276,252 in 2013 and US\$56,582 in 2012.
- (e) Includes US\$51,339 in 2013 and US\$1,256 in 2012.
- (f) Represents checks received from other banks to be collected through the clearing system.

At December 31, 2013 and 2012, mandatory deposits (encage legal) requirements were RD\$20,630,714 and US\$333,613 and RD\$21,838,143 and US\$301,462, respectively. For this purpose, the Bank maintains cash in the Central Bank of the Dominican Republic and loans portfolio in productive sectors for amounts of RD\$20,698,031 and RD\$21,860,549 and US\$427,624 and US\$316,255, respectively

## 5 Interbank funds

The movements of interbank funds received and granted during the years ended December 31, 2013 and 2012, are as follows:

Entity	Quantity	2013		
		Interbank Assets		Weighted
		Amounts in RD\$	No. of Days	Average Rate
Banco Múltiple León, S. A.	3	480,000	1	6.50%
Banco BHD, S. A.	2	300,000	2	6.50%
Banco Múltiple Santa Cruz, S. A.	9	610,000	3	6.56%
Banco BDI, S. A.	12	393,000	8	6.53%
Banco Múltiple Vimenca, S. A.	1	50,000	1	6.75%
Banco Múltiple Caribe, S. A.	12	600,000	3	6.71%
Citibank, N. A.	4	<u>1,300,000</u>	2	<u>6.43%</u>
		<u><b>3,733,000</b></u>		

(Continues)

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

Notes to the Consolidated Financial Statements - Statutory Basis

<u>Entity</u>	<u>Quantity</u>	2012		
		<u>Interbank Assets</u>		
		<u>Amounts in RD\$</u>	<u>No. of Days</u>	<u>Weighted Average Rate</u>
Banco Múltiple Santa Cruz, S. A.	2	90,000	3	8.5%
Banco BDI, S. A.	4	170,000	3	8.51%
Banco Vimenca, C. por A.	1	50,000	1	10.00%
Banco Múltiple Caribe, S. A.	5	240,000	1	8.56%
Citibank, N. A.	2	<u>450,000</u>	16	<u>9.92%</u>
		<u><b>1,000,000</b></u>		

During the years 2013 and 2012, the Bank granted interbank funds to different financial institutions; however, at December 31, 2013 and 2012, there are no balances in interbank funds.

## 6 Investments

A summary of investments is presented as follows:

December 31, 2013				
<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest Rate</u>	<u>Maturity</u>
Financial certificates, overnight, letters and interest-bearing deposits	Central Bank of the Dominican Republic	22,724,619	4.55% up to 17%	2014 to 2020
Bonds Law 121-05	Dominican Republic State (note 26)	1,500,000	2.00% plus inflation	2015
Financial Certificate	Citibank, N. A. corresponds to US\$5,513	235,261	4.00% and 4.25%	2014 and 2015
Bonds Law 366-09	Dominican Republic State includes (US\$503)	1,807,657	7.75% up to 16.00%	2015 until 2020
Bonds Law 175-12	Dominican Republic State includes (US\$1,117)	47,684	13.50% up to 16.00%	2023
Bonds Law 361-11	Dominican Republic State	602,581	15.00% up to 16.95%	2019 until 2022
Bonds Law 193-11	Dominican Republic State	430,891	2.00% up to 8.00%	2014 until 2017
Bonds Law 99-01	Dominican Republic State	450,000	1.00%	2019
Bonds Law 58-13	Dominican Republic State	10,189,723	12.5% up to 18.50%	2018 until 2028

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

Financial Certificate	Banco Agrícola de la República Dominicana	700,000	6.00%	2014
Financial Certificate	Banco Nacional de Fomento Vivienda y Producción	548,763	2.00% and 8.50%	2014 until 2017
Financial Certificate	Asociación Popular de Ahorros y Préstamos	177,910	5.94%	2014
Corporate bonds	Parallax Valores, Puesto de Bolsa, S. A.	227,483	7.75% up to 12.25%	2014 until 2018
Corporate bonds	Ege Haina (corresponds to US\$2,506)	106,931	6.00% up to 7.00%	2014 until 2016
Financial Certificate	Asociación Peravia de Ahorros y Préstamos	44,511	7.75%	2014
Financial Certificate	Asociación Cibao de Ahorros y Préstamos	16,447	6.00%	2014
Financial Certificate	Asociación La Nacional de Ahorros y Préstamos	23,914	6.82%	2014
Financial Certificate	Asociación La Vega Real de Ahorros y Préstamos	60,639	7.38%	2014
Financial Certificate	Asociación Maguana de Ahorros y Préstamos	4,536	6.50%	2014
Financial Certificate	Asociación Romana de Ahorros y Préstamos	64,758	7.50%	2014
Financial Certificate	Asociación Duarte de Ahorros y Préstamos	4,576	7.00%	2014
Financial Certificate	Asociación Mocana de Ahorros y Préstamos	58,519	7.32%	2014
Financial Certificate	Banco Múltiple Caribe, S. A., corresponds to US\$160	98,879	3.75% up to 7.19%	2014
Financial Certificate	Banco Centroamericano de Integración Económica	100,000	12.00%	2014
Financial Certificate	Banco Múltiple León, S. A.	74,402	5.54% up to 9.60%	2014
Financial Certificate	Banco Múltiple Promérica República Dominicana, S. A.	120,310	8.04% up to 10.12%	2014
Financial Certificate	Banesco Banco Múltiple, S. A.	64,511	7.08%	2014
Financial Certificate	Corporación Crédito América, S. A.	387	9.50%	2014
Financial Certificate	Motor Crédito, S. A. Banco de Ahorro y Crédito	23,000	6.50%	2014
Financial Certificate	Banco Múltiple Santa Cruz, S. A.	9,100	8.31%	2014
Financial Certificate	Banco Múltiple de las Américas, S. A.	48,800	7.73%	2014
Financial Certificate	Dominican Republic State	5,187	2.50% and 5.00%	Past due
Financial Certificate	Asociación Bonao de Ahorros y Préstamos	26,978	5.17%	2014
Financial Certificate	Cooperativa Banreservas	14,000	6.20%	2014
Corporate bonds	Industrias Nacionales, S. A.	21,436	7%	2016
Corporate bonds	Cervecería Nacional Dominicana, S. A.	5,000	13%	2016

(Continues)



**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

**Restricted securities**

Financial Certificate	Central Bank of the Dominican Republic	150,023	13.00%	2015
Bonds Law 131-11	Dominican Republic State	2,533,025	14.00% up to 15.95%	2014 to 2021
Mortgage notes	Banco Múltiple BHD, S. A.	201	6.65%	2014
Financial Certificate	Asociación Popular de Ahorros y Préstamos	3,000	6.00%	2014
Profitability guarantee	Asociaciones de Ahorros y Préstamos	500,900		
Financial Certificate	Foreclosed financial institution	176,154	-	-
Bonds	United States Treasury, corresponds to US\$684	<u>29,174</u>	1.61%	
		44,031,870		
	Interest receivable, include US\$3	<u>1,599,675</u>		
		45,631,545		
	Allowance for investment includes US\$198	<u>(153,240)</u>		
		<u><b>45,478,305</b></u>		

December 31, 2012

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RDS</u>	<u>Interest Rate</u>	<u>Maturity</u>
Other investments in debt securities:				
Bonds Law 131-11	Dominican State	9,611,890	11.70% up to 15.95%	2014 until 2021
Financial certificate, overnight, letters and bearing deposits	Central Bank of the Dominican Republic	15,306,376	5.00% up to 16%	2012 until 2019
Bonds Law 121-05	Dominican State, note 26	1,500,000	2.00% plus inflation	2015
Financial certificate	Citibank, N. A., corresponds to US\$5,273	212,305	4.00% and 4.25%	2014 and 2015
Bonds Law 366-09	Dominican Republic State	1,170,563	10.50% up to 16.00%	2013 until 2020
Bonds Law 361-11	Dominican Republic State	1,249,831	15.00% up to 16.95%	2019 until 2022
Bonds Law 193-11	Dominican Republic State	493,278	5.00%	2016
Bonds Law 99-01	Dominican Republic State	525,000	1.00%	2019
Bonds Law 175-12	Dominican Republic State corresponds to US\$25,573	1,029,600	7.00%	2023
Financial certificates	Profitability guarantee of the Administradora de Fondos, invested in various institutions	398,813		
Financial certificates	Banco Nacional de Fomento Vivienda y Producción	548,198	2.00% and 9.14%	2013 until 2017
Financial certificates	Asociación Popular de Ahorros y Préstamos	165,580	8.43% up to 12.65%	2013
Internal corporate bonds	Various Dominican Companies, contains US\$3,023	131,019	6.00% up to 7.00%	2014 until 2016
Bonds	Dominican Republic State	456,055	13.19% up to 16.00%	
Corporate bonds	Parallax Valores, Puesto de Bolsa, S. A.	161,165	10.5% up to 12.25%	2013 until 2015

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

Financial certificates	Asociación Peravia de Ahorros y Préstamos	24,167	8.10%	2013
Financial certificates	Asociación Cibao de Ahorros y Préstamos	31,158	5.00%	2013
Financial certificates	Asociación La Nacional de Ahorros y Préstamos	34,110	8.00%	2013
Financial certificates	Asociación La Vega Real de Ahorros y Préstamos	2,129	6.65%	2013
Financial certificates	Asociación Maguana de Ahorros y Préstamos	4,536	9.00%	2013
Financial certificates	Asociación Romana de Ahorros y Préstamos	64,758	8.86%	2013
Financial certificates	Asociación Duarte de Ahorros y Préstamos	4,243	9.00%	2013
Financial certificates	Asociación Mocana de Ahorros y Préstamos	71,721	5.00%	2013
Financial certificates	Banco Múltiple Ademi, S. A.	56,254	6.00% up to 10.20%	2013
Financial certificates	Banco Múltiple Caribe, S. A., corresponds to US\$671 and RD\$11,598	39,451	4.00% up to 10.08%	2013
Financial certificates	Banco Centroamericano de Integración Económica	100,000	12.00%	2013
Financial certificates	Banco Múltiple León, S. A.	56,446	7.25%	2013
Financial certificates	Banco Múltiple Promérica de la República Dominicana, S. A.	137,553	9.40% up to 12.75%	2013
Financial certificates	Banescobanco Múltiple, S. A.	38,129		
Financial certificates	Corporación de Crédito América	353	9.50%	2013
Financial certificates	Motor Crédito, S. A. Banco de Ahorro y Crédito	21,050	8.00%	2013
Financial certificates	Banco Múltiple Santa Cruz, S. A.	6,020	8.00%	2013
Financial certificates	Banco Múltiple de las Américas, S. A.	46,919	9.33%	2013
Financial certificates	Dominican State	5,186	2.50% and 5.00%	Past due
Financial certificates	Asociación Bonao de Ahorros y Préstamos	5,875	5.50%	2013
<b>Restricted securities</b>				
Financial certificate	Central Bank of the Dominican Republic	150,038	13.00%	2015
Bonds Law 366-09	Dominican Republic State	1,537,960	13.00% and 16.00%	2017 until 2020
Bonds Law 131-11	Dominican Republic State	1,104,632	14.00%	2018
Mortgage notes	Banco Múltiple BHD, S. A.	201	6.45%	2013
Financial certificate	Asociación Popular de Ahorros y Préstamos	3,000	5.00%	2013
Bonds	United States Treasury, corresponds to US\$673	<u>27,089</u>	1.61%	
		36,532,651		
	Interests receivable, includes US\$786	<u>925,457</u>		
		37,458,108		
	Allowance for investments, includes US\$226	<u>(32,697)</u>		
		<u><b>37,425,411</b></u>		

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

## 7 Loans portfolio

a) Following is an analysis of the loans portfolio by type of loan:

	2013			2012		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
<u>Commercial loans</u>						
Advances on checking account	RD\$ -	16,031	16,031	-	2,902	2,902
Borrowings (includes US\$1,837,229 and US\$1,437,046 in 2013 and 2012)	87,172,497	67,670,753	154,843,250	77,601,397	45,010,873	122,612,270
Discounts on invoices	-	1,406	1,406	-	1,644	1,644
Financial leases (corresponds to US\$717 and US\$2,024 in 2013 and 2012)	30,602	37,771	68,373	81,486	49,374	130,860
Letters of credit, (include US\$23,791 and US\$5,856 in 2013 and 2012)	-	1,015,229	1,015,229	-	41,451	41,451
Advances on export notes, (includes US\$1,030 in 2012)	-	-	-	-	235,786	235,786
Other loans	-	527	527	-	704	704
	<u>87,203,099</u>	<u>68,741,717</u>	<u>155,944,816</u>	<u>77,682,883</u>	<u>45,342,734</u>	<u>123,025,617</u>
<u>Consumer credit</u>						
Credit cards, (include US\$8,412 and US\$8,344 in 2013 and 2012)	-	2,646,242	2,646,242	-	2,709,285	2,709,285
Consumer loans includes US\$2,702 and US\$2,325 in 2013 and 2012)	-	19,476,305	19,476,305	-	13,446,543	13,446,543
	-	22,122,547	22,122,547	-	16,155,828	16,155,828

(Continues)

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

Notes to the Consolidated Financial Statements - Statutory Basis

<u>Mortgage loans</u>						
Residential, (includes US\$1,166 and US\$1,481 in 2013 and 2012)	-	16,257,055	16,257,055	-	14,066,365	14,066,365
Constructions, improvements, repairs, expansion and others	-	459,341	459,341	-	397,954	397,954
	<u>-</u>	<u>16,716,396</u>	<u>16,716,396</u>	<u>-</u>	<u>14,464,319</u>	<u>14,464,319</u>
	<u>87,203,099</u>	<u>107,580,660</u>	<u>194,783,759</u>	<u>77,682,883</u>	<u>75,962,881</u>	<u>153,645,764</u>
Interests receivable, (includes US\$5,884 and US\$6,142 in 2013 and 2012)	148,768	970,652	1,119,420	91,602	797,719	889,321
Allowance for loan losses and interests receivable (includes US\$39,887 and US\$44,785 in 2013 and 2012)	<u>(15,801)</u>	<u>(5,423,599)</u>	<u>(5,439,400)</u>	<u>(16,593)</u>	<u>(5,231,264)</u>	<u>(5,247,857)</u>
	<b><u>RD\$ 87,336,066</u></b>	<b><u>103,127,713</u></b>	<b><u>190,463,779</u></b>	<b><u>77,757,892</u></b>	<b><u>71,529,336</u></b>	<b><u>149,287,228</u></b>

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

	2013			2012		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Current (i) (includes US\$1,806,533, and US\$1,344,606 in 2013 and 2012)	RD\$ 87,203,099	101,998,846	189,201,945	77,682,882	67,259,633	144,942,515
Restructured (ii), (includes US\$40,970 US\$5,871 in 2013 and 2012)	-	2,045,763	2,045,763	-	382,038	382,038
Past due 31 to 90 days (iii), (includes US\$5 and US\$4,808 in 2013 and 2012)	-	56,175	56,175	-	271,827	271,827
More than 90 days (iv), (includes US\$8,963 US\$32,490 in 2013 and 2012)	-	1,284,807	1,284,807	1	3,013,580	3,013,581

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

Legal collection (v), (includes US\$17,545 and US\$70,332 in 2013 and 2012)	-	2,195,069	2,195,069	-	5,035,803	5,035,803
Interests receivable Current (i), (includes US\$5,070 and US\$2,545 in 2013 and 2012)	148,768	771,156	919,924	91,602	404,480	496,082
31 to 90 days (iii), (includes US\$77 and US\$12 in 2013 and 2012)	-	37,834	37,834	-	26,907	26,907
More than 90 days (iv), (includes US\$288 and (US\$1,147 in 2013 and 2012)	-	80,746	80,746	-	200,645	200,645
Restructured (ii) includes US\$87 and US\$52 in 2013 and 2012)	-	12,994	12,994	-	3,385	3,385
Legal collection (v), (includes US\$362 and US\$2,386 in 2013 and 2012)	-	67,922	67,922	-	162,302	162,302
	<u>87,351,867</u>	<u>108,551,312</u>	<u>195,903,179</u>	<u>77,774,485</u>	<u>76,760,600</u>	<u>154,535,085</u>
Allowance for loans and interests receivable, (includes US\$39,887 and US\$44,785 in 2013 and 2012)	<u>(15,801)</u>	<u>(5,423,599)</u>	<u>(5,439,400)</u>	<u>(16,593)</u>	<u>(5,231,264)</u>	<u>(5,247,857)</u>
	<b><u>RD\$ 87,336,066</u></b>	<b><u>103,127,713</u></b>	<b><u>190,463,779</u></b>	<b><u>77,757,892</u></b>	<b><u>71,529,336</u></b>	<b><u>149,287,228</u></b>

- (i) Represents loans in compliance with the term of principal payments.
- (ii) Represents principal and interests receivable, that being current or past due, their payment terms and conditions have been changed, resulting in a variation of the interest rate and/or maturity of the original loan contract, as well as credits originated from interests capitalization, past due commissions and other charges of the original loan.
- (iii) Corresponds to principal installments and interests receivable that represent arrears of 31 to 90 days based on the date that principal payment should have been made.
- (iv) Corresponds to total principal and interests receivable that are past due in their principal payments for more than 90 days. For loans payable in installments, the total loan amounts are classified as past due when the installments are more than 90 days past due. It also includes overdrafts in checking accounts with more than three (3) days of maturity.

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**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

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

c) *By category of collateral:*

	2013			2012		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Multi use collateral (i)	RD\$ 5,957	53,251,211	53,257,168	16,156	45,364,790	45,380,946
Specific use collaterals (ii)	-	2,865,302	2,865,302	-	2,335,802	2,335,802
Without collateral (iii)	<u>87,197,142</u>	<u>51,464,147</u>	<u>138,661,289</u>	<u>77,666,727</u>	<u>28,262,289</u>	<u>105,929,016</u>
	<u>87,203,099</u>	<u>107,580,660</u>	<u>194,783,759</u>	<u>77,682,883</u>	<u>75,962,881</u>	<u>153,645,764</u>
Interest receivable	148,768	970,652	1,119,420	91,602	797,719	889,321
Allowance for losses and interest receivable	<u>(15,801)</u>	<u>(5,423,599)</u>	<u>(5,439,400)</u>	<u>(16,593)</u>	<u>(5,231,264)</u>	<u>(5,247,857)</u>
	<b>RD\$ <u>87,336,066</u></b>	<b><u>103,127,713</u></b>	<b><u>190,463,779</u></b>	<b><u>77,757,892</u></b>	<b><u>71,529,336</u></b>	<b><u>149,287,228</u></b>

- (i) Multi-use collaterals are real estate assets that are not specific to a certain activity, can be used for a variety of purposes, easy to convert to cash, easy to appraise, easy to foreclose upon, transferrable without excessive costs and of stable value. These collaterals are considered between 50% and 100% of their value for risk coverage depending on the collateral. These collaterals are considered for coverage according to the following detail:

<u>Type of collaterals</u>	<u>Percentage of Admittance</u>
Public sector securities	100%
Securities issued by the same financial institution	100%
Securities from other financial institution and standby guarantee	95%
Real estate	80%
Inventories	90%
Industry of multiple use	70%
Hotels located in developed touristic zones	70%
Hotels located in recently established touristic zones	50%
Free-trade zones of multiple use	60%
Other multi-use collateral	<u>70%</u>

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**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

- (ii) Specific-use collaterals are real guarantees that due to their nature are considered of unique use and for that reason present characteristics that are difficult to sell due to their specialized origin. These collaterals apply according to the following percentages:

Motor vehicles with less than five (5) years of use and heavy vehicles with insurance	50%
Industry of unique use	30%
Other specific-use collaterals	<u>30%</u>

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

At December 31, 2013 and 2012, includes RD\$87,197,142 and RD\$77,666,727, which corresponds to public sector loans, which were included in the Budget of Revenues and Public Expenses Law (Presupuesto de Ingresos, y Ley de Gastos Públicos) authorized by the Ministry of Finance and/or specific laws approving these loans.

d) *By source of funds:*

	RD\$	2013			2012		
		Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Own funds		87,203,099	107,182,653	194,385,752	77,682,883	75,220,270	152,903,153
Banco Nacional de Fomento de la Vivienda y la Producción		-	8,654	8,654	-	13,550	13,550
International financial institutions		-	-	-	-	729,061	729,061
Other local institutions		-	389,353	389,353	-	-	-
		<u>87,203,099</u>	<u>107,580,660</u>	<u>194,783,759</u>	<u>77,682,883</u>	<u>75,962,881</u>	<u>153,645,764</u>
Interest receivable		148,768	970,652	1,119,420	91,602	797,719	889,321
Allowance for loans losses and interest receivable		(15,801)	(5,423,599)	(5,439,400)	(16,593)	(5,231,264)	(5,247,857)
	<b>RD\$</b>	<b><u>87,336,066</u></b>	<b><u>103,127,713</u></b>	<b><u>190,463,779</u></b>	<b><u>77,757,892</u></b>	<b><u>71,529,336</u></b>	<b><u>149,287,228</u></b>

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**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

*e) By term:*

	RD\$	2013			2012		
		Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Short-term (up to one year)	42,512,416	42,469,616	84,982,032	52,039,099	29,856,720	81,895,819	
Medium term (more than one year and up to three (3) years)	34,051,963	49,396,834	83,448,797	22,048,550	32,925,265	54,973,815	
Long-term (more than three (3) years)	<u>10,638,720</u>	<u>15,714,210</u>	<u>26,352,930</u>	<u>3,595,234</u>	<u>13,180,896</u>	<u>16,776,130</u>	
	<u>87,203,099</u>	<u>107,580,660</u>	<u>194,783,759</u>	<u>77,682,883</u>	<u>75,962,881</u>	<u>153,645,764</u>	
Interest receivable	148,768	970,652	1,119,420	91,602	797,719	889,321	
Allowance for loan losses and interest receivable	<u>(15,801)</u>	<u>(5,423,599)</u>	<u>(5,439,400)</u>	<u>(16,593)</u>	<u>(5,231,264)</u>	<u>(5,247,857)</u>	
	<b><u>RD\$ 87,336,066</u></b>	<b><u>103,127,713</u></b>	<b><u>190,463,779</u></b>	<b><u>77,757,892</u></b>	<b><u>71,529,336</u></b>	<b><u>149,287,228</u></b>	

*f) By economic sector:*

	RD\$	2013			2012		
		Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Government	87,020,561	-	87,020,561	77,500,528	-	77,500,528	
Financial sector	182,538	606,952	789,490	182,355	5,676	188,031	
Non-financial sector							
Agriculture, livestock and forestry	-	6,348,175	6,348,175	-	4,195,495	4,195,495	
Fishing	-	689	689	-	3,118	3,118	
Mining and quarries	-	372,069	372,069	-	327,060	327,060	
Manufacturing industry	-	2,793,050	2,793,050	-	2,041,976	2,041,976	
Electricity gas and, water	-	2,338,917	2,338,917	-	1,811,937	1,811,937	
Construction	-	11,618,128	11,618,128	-	8,116,154	8,116,154	

(Continues)



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

Notes to the Consolidated Financial Statements - Statutory Basis

Wholesale and retail business	-	43,205,344	43,205,344	-	26,595,391	26,595,391
Hotels and restaurants	-	1,201,844	1,201,844	-	2,125,232	2,125,232
Transport, warehousing and communication	-	286,583	286,583	-	195,713	195,713
Real estate, and leasing activities	-	16,355,790	16,355,790	-	14,179,660	14,179,660
Education	-	38,774	38,774	-	21,326	21,326
Health and social, services	-	281,225	281,225	-	186,405	186,405
Other non-specific activities	-	1,581	1,581	-	1,910	1,910
Private households with domestic employees	-	22,131,539	22,131,539	-	16,155,828	16,155,828
	<u>-</u>	<u>22,131,539</u>	<u>22,131,539</u>	<u>-</u>	<u>16,155,828</u>	<u>16,155,828</u>
	<u>87,203,099</u>	<u>107,580,660</u>	<u>194,783,759</u>	<u>77,682,883</u>	<u>75,962,881</u>	<u>153,645,764</u>
Interest receivable	148,768	970,652	1,119,420	91,602	797,719	889,321
Allowance for loan losses and interest receivable	<u>(15,801)</u>	<u>(5,423,599)</u>	<u>(5,439,400)</u>	<u>(16,593)</u>	<u>(5,231,264)</u>	<u>(5,247,857)</u>
	<b><u>RD\$ 87,336,066</u></b>	<b><u>103,127,713</u></b>	<b><u>190,463,779</u></b>	<b><u>77,757,892</u></b>	<b><u>71,529,336</u></b>	<b><u>149,287,228</u></b>

As of December 31, 2013 and 2012, loans to private sector include RD\$3,414 millions and RD\$550 millions respectively, equivalent to credit line operations with contractors who are working with the Dominican Republic Government, guaranteed by the Dominican Republic Government and that the Superintendence of Banks authorized the risk "A" classification with a provision of 1%.

As of December 31, 2013 and 2012, a significant amount of the loans portfolio of the Bank corresponds to loans granted to public sector entities. From December 2012, these loans were authorized by the Superintendence of Banks to be classified with 0% of provision requirement if the borrower is in the "A" risk category.

During 2013, the Bank sold to a foreign financial institution a portion of its participation in loans with the Ministry of Finance which amounted to US\$253,233.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

## 8 Debtors by acceptances

A summary of debtors by acceptances is as follows:

	2013		2012	
	Amount in <u>RD\$</u>	Maturity <u>Date</u>	Amount in <u>RD\$</u>	Maturity <u>Date</u>
<u>Correspondent Bank</u>				
Wells Fargo Bank, corresponds to US\$37 in 2013 and US\$83 in 2012	1,593	2014	3,330	2013
Deutsche Bank/Standard Chartered, corresponds to US\$30	-	-	1,200	2013
Bank of America, corresponds to US\$4,695	-	-	<u>189,044</u>	2013
	<u><b>1,593</b></u>		<u><b>193,574</b></u>	

## 9 Accounts receivable

A summary of accounts receivable is as follows:

	<u>2013</u>	<u>2012</u>
Commissions receivable (include US\$21 in 2013)	RD\$ <u>11,576</u>	<u>8,371</u>
Future contracts - foreign exchange	3,270	-
Other receivables:		
Accounts receivable from employees	15,976	17,858
Recoverable expenses	146,593	80,371
Security deposits	23,715	19,032
Legal and operational deposits	2,014	2,014
Credit card claims	6,347	-
Discount of invoices (include US\$152,091 in 2012) (a)	-	6,123,355
Accounts receivable from real estate and leasing operations (include US\$257 in 2013)	3,581	7,093
Management funds	128,918	237,405
Accounts receivable - other, (include US\$83 and US\$15 in 2013 and 2012, respectively) (b)	<u>600,788</u>	<u>103,456</u>
	<u>931,202</u>	<u>6,590,584</u>
	<b>RD\$ <u>942,778</u></b>	<b><u>6,598,955</u></b>

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- (a) Corresponds to factoring operations with Constructora Norberto Odebretch, the Ministry of Public Works and Communications and Dominican Hydroelectric Generation Company, authorized by the Superintendence of Banks through Circulars SB: ADM/0303/12 dated June 28, 2012. According to Law 160-13 dated December 6, 2013, the Ministry of Finance of the Dominican Republic assumed these receivables as a long-term credit, which led them to be reclassified to the loans portfolio public sector at December 31, 2013.
- (b) At December 31, 2013, includes RD\$247 million paid on behalf of several entities of the Central Government, amount which will be recovered with the payment of 15% of the net profits of the Bank, that under Law 99-01 of April 5, 2001, which according to the amendments of the Organic Law of the Bank, will be used to cover debts of the Dominican Republic State and of its agencies with the Bank..

## 10 Insurance premiums deposits

A summary of insurance premiums deposits is as follow:

	<u>2013</u>	<u>2012</u>
General insurances (includes US\$16,893 in 2013)	RD\$ 1,041,498	1,130,412
Life insurance	<u>62,598</u>	<u>72,993</u>
	<b>RD\$ <u>1,104,096</u></b>	<b><u>1,203,405</u></b>

## 11 Assets received in loans settlements

A summary of assets received in loans settlements as of December 31, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Furniture and equipment	RD\$ 17,677	18,662
Real estate	<u>7,130,402</u>	<u>5,670,464</u>
	7,148,079	5,689,126
Allowance for losses on assets received in loans settlements	<u>(4,354,023)</u>	<u>(3,624,695)</u>
	<b>RD\$ <u>2,794,056</u></b>	<b><u>2,064,431</u></b>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

Following is a description of assets received in loans settlements (by aging) as of December 31, 2013 and 2012:

		2013	
		<u>Amount</u>	<u>Allowance</u>
Up to 40 months:			
Furniture and equipment	RD\$	10,504	(6,894)
Real estate		5,184,939	(2,380,678)
More than 40 months:			
Generic		-	(13,815)
Furniture and equipment		7,173	(7,173)
Real estate		<u>1,945,463</u>	<u>(1,945,463)</u>
<b>Total</b>	<b>RD\$</b>	<b><u>7,148,079</u></b>	<b><u>(4,354,023)</u></b>
		2012	
		<u>Amount</u>	<u>Allowance</u>
Up to 40 months:			
Furniture and equipment	RD\$	6,218	(4,514)
Real estate		4,049,763	(1,982,409)
More than 40 months:			
Generic		-	(4,627)
Furniture and equipment		12,444	(12,444)
Real estate		<u>1,620,701</u>	<u>(1,620,701)</u>
<b>Total</b>	<b>RD\$</b>	<b><u>5,689,126</u></b>	<b><u>(3,624,695)</u></b>

## 12 Investments in shares

A summary of investments in shares is as follows:

December 31, 2013					
Investment Amount in <u>RD\$</u>	Percentage of <u>Shares</u>	Types of <u>Shares</u>	Face <u>Value</u>	Market <u>Value</u>	Number of Outstanding <u>Shares</u>
269,644	10%	Common	100	(a)	523,054
36,635	0.23%	Common	249	691	128,776
21,001	24%	Common	1,000	(a)	17,500
8,037	11%	Common	100	(a)	80,372

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

6,923	10%	Common	100	(a)	69,221
618	3%	Common	5	(a)	123,689
2,134	50%	Class A	250	(a)	200
3,200	50%	Class B	50	(a)	1,500
<u>3,861</u>	(b)				
352,053					
<u>(22,424)</u>		Allowance for investments in shares			
<b><u>329,629</u></b>					

December 31, 2012

Investment Amount in RD\$	Percentage of Shares	Types of Shares	Face Value	Market Value	Number of Outstanding Shares
269,644	10%	Common	100	(a)	523,054
34,565	0.23%	Common	249	857	128,776
21,001	24%	Common	1,000	(a)	17,500
8,037	11%	Common	100	(a)	80,372
6,922	10%	Common	100	(a)	69,221
618	3%	Common	5	(a)	123,689
<u>2,510</u>	(b)				
343,297					
<u>(151,115)</u>		Allowance for investments in shares			
<b><u>192,182</u></b>					

(a) There is no active security market in the Dominican Republic where the Bank may obtain the market value of the investments in domestic companies; nevertheless, for investment in shares of companies that trade in active markets and whose book value at December 31, 2013 and 2012 amounted to RD\$36.6 and RD\$34.6 million, respectively, the market value was RD\$154.0 and RD\$110.4 million, respectively.

(b) Correspond to minor investments in several entities.

Investments in shares include US\$956 and US\$831, net of US\$28 of reserve as of December 31, 2013 and 2012 respectively.

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

### 13 Properties, furniture and equipment

A summary of properties, furniture and equipment are as follows:

	2013					
	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Furniture and Equipment</u>	<u>Leasehold Improvements</u>	<u>Constructions and Acquisitions in Process</u>	<u>Total</u>
Balance at January 1, 2013	RD\$ 1,196,684	3,472,372	4,823,304	51,677	509,906	10,053,943
Acquisitions	-	48,751	23,870	-	676,568	749,189
Retirements	-	-	(290,333)	-	-	(290,333)
Write-offs	-	-	(470,769)	(45,025)	-	(515,794)
Transfers	<u>3,337</u>	<u>137,981</u>	<u>625,281</u>	<u>4,842</u>	<u>(771,441)</u>	<u>-</u>
Balance at December 31, 2013	<u>1,200,021</u>	<u>3,659,104</u>	<u>4,711,353</u>	<u>11,494</u>	<u>415,033</u>	<u>9,997,005</u>
Accumulated Depreciation at January 1, 2013	-	(1,014,040)	(3,124,575)	(36,652)	-	(4,175,267)
Depreciation expenses	-	(175,628)	(409,084)	(16,079)	-	(600,791)
Retirements	-	-	242,712	-	-	242,712
Write offs	<u>-</u>	<u>-</u>	<u>409,772</u>	<u>45,025</u>	<u>-</u>	<u>454,797</u>
Balance at December 31, 2013	<u>-</u>	<u>(1,189,668)</u>	<u>(2,881,175)</u>	<u>(7,706)</u>	<u>-</u>	<u>(4,078,549)</u>
Property, furniture and equipment at December 31, 2013	<b>RD\$ <u>1,200,021</u></b>	<b><u>2,469,436</u></b>	<b><u>1,830,178</u></b>	<b><u>3,788</u></b>	<b><u>415,033</u></b>	<b><u>5,918,456</u></b>
	2012					
	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Furniture and Equipment</u>	<u>Leasehold Improvements</u>	<u>Constructions and Acquisitions in Process</u>	<u>Total</u>
Balance at January 1st, 2012	RD\$ 1,126,957	3,408,126	4,541,190	86,989	533,631	9,696,893
Acquisitions	48,139	1,652	35,844	-	572,439	658,074
Retirements	-	-	(55,886)	(46,958)	(223,727)	(326,571)
Reclassifications	21,588	3,959	-	-	-	25,547
Transfers	<u>-</u>	<u>58,635</u>	<u>302,156</u>	<u>11,646</u>	<u>(372,437)</u>	<u>-</u>
Balance at December 31, 2012	<u>1,196,684</u>	<u>3,472,372</u>	<u>4,823,304</u>	<u>51,677</u>	<u>509,906</u>	<u>10,053,943</u>

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**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Accumulated depreciation at January 1st, 2012	-	(842,958)	(2,752,489)	(44,691)	-	(3,640,138)	
Depreciation expenses	-	(171,082)	(404,963)	(38,919)	-	(614,964)	
Reclassifications	-	-	-	-	-	-	
Retirements	-	-	32,877	46,958	-	79,835	
Balance at December 31, 2012	-	(1,014,040)	(3,124,575)	(36,652)	-	(4,175,267)	
Property, furniture and equipment at December 31, 2012	<b>RD\$</b>	<b><u>1,196,684</u></b>	<b><u>2,458,332</u></b>	<b><u>1,698,729</u></b>	<b><u>15,025</u></b>	<b><u>509,906</u></b>	<b><u>5,878,676</u></b>

## 14 Other Assets

A summary of other assets is as follows:

	<u>2013</u>	<u>2012</u>
Deferred charges:		
Commissions to insurance agents on unearned premiums	RD\$ 175,422	192,612
Prepaid insurances	172,310	151,943
Non-deferred proportional reinsurance premium ceded (a)	300,242	269,506
Prepaid income tax	932,226	734,164
Prepaid taxes on financial assets	231,147	485,597
Other prepaid payments	205,732	177,089
Prepaid interest and commissions	23,693	32,395
Reinsurance and co-insurance payables	-	49,154
Other deferred charges	<u>77,462</u>	<u>49,702</u>
	<u>2,118,234</u>	<u>2,142,162</u>
Intangibles assets:		
Other deferred charges (b)	175,718	175,285
Accumulated amortization	<u>(127,863)</u>	<u>(87,694)</u>
	<u>47,855</u>	<u>87,591</u>

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Other assets:		
Stationery and other materials	117,494	113,213
Inventory-credit card	5,496	11,278
Library and artwork	23,099	23,064
Other miscellaneous assets	180,712	-
Items pending for allocation (c), (includes US\$91 and US\$212 in 2013 and 2012)	31,329	56,099
Balances among offices (c), (includes US\$4 in 2013)	3,346	5,876
Others	<u>56,687</u>	<u>34,888</u>
	<u>418,163</u>	<u>244,418</u>
	<b>RD\$ <u>2,584,252</u></b>	<b><u>2,474,171</u></b>

- (a) Corresponds to insurance premiums pending to be amortized related to reinsurance contracts for excess of losses.
- (b) Corresponds to the migration of the technological platform and other programs and software which have been authorized by the Superintendence of Banks of the Dominican Republic, through Circular SB: ADM/0589/10 dated December 8, 2010.
- (c) The Bank recognizes in this line item the debit balances of the items that due to operational reasons cannot be immediately recognized in the final accounts.

## 15 Summary of allowances for risky assets

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

	December 31, 2013					
	Loans Portfolio	Investments	Interest Receivable	Other Assets (a)	Contingent Operations (b)	Total
Balances at January 1st 2013	RD\$ 4,849,779	182,481	399,409	3,624,696	147,165	9,203,530
Constitution of reserves	1,605,000	1,050	251,829	388,969	17,600	2,264,448
Write-offs against reserves	(1,165,706)	-	-	-	-	(1,165,706)
Transfers between reserves	(399,521)	(8,000)	156,866	340,358	(89,703)	-
Release of reserves	-	-	(343,796)	-	-	(343,796)
Effect of change in exchange rates and others	<u>85,543</u>	<u>52</u>	<u>78</u>	<u>-</u>	<u>6,981</u>	<u>92,654</u>
Balance at December 31, 2013	4,975,095	175,583	464,386	4,354,023	82,043	10,051,130

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Minimum allowances required at December 31, 2013 (c)		<u>4,489,970</u>	<u>175,583</u>	<u>464,386</u>	<u>4,354,023</u>	<u>70,738</u>	<u>9,554,700</u>
Excess (deficit) in the minimum allowances required December 31, 2013 (d)	<b>RD\$</b>	<u><b>485,125</b></u>	<u>-</u>	<u>-</u>	<u>-</u>	<u><b>11,305</b></u>	<u><b>496,430</b></u>

	December 31, 2012					
	<u>Loans Portfolio</u>	<u>Investments</u>	<u>Interest Receivable</u>	<u>Other Assets (a)</u>	<u>Contingent Operations (b)</u>	<u>Total</u>
Balance at January 1st, 2012	RD\$ 4,487,392	247,147	245,301	3,277,969	137,139	8,394,948
Constitution of reserves	870,225	-	415,316	331,070	64,000	1,680,611
Write-off against reserves	(427,859)	-	(5,934)	(190,855)	-	(624,648)
Transfers from other reserves	(82,212)	(64,700)	(3,700)	206,512	(55,900)	-
Release of reserves	-	-	(251,576)	-	-	(251,576)
Effect of change in exchange rate and other	<u>2,233</u>	<u>34</u>	<u>2</u>	<u>-</u>	<u>1,926</u>	<u>4,195</u>
Balance at December 31, 2012	4,849,779	182,481	399,409	3,624,696	147,165	9,203,530
Minimum allowances required at December 31, 2012 (c)	<u>4,624,726</u>	<u>168,006</u>	<u>382,107</u>	<u>3,620,069</u>	<u>47,485</u>	<u>8,842,393</u>
Excess (deficit) in the minimum allowances required December 31, 2012 (d)	<b>RD\$</b> <u><b>225,053</b></u>	<u><b>14,475</b></u>	<u><b>17,302</b></u>	<u><b>4,627</b></u>	<u><b>99,680</b></u>	<u><b>361,137</b></u>

- (a) Corresponds to the allowances for assets received in loans settlements.
- (b) This provision is included in the line item of other liabilities in note 20 and the expense for constitution is included in the operating expense item in the accompanying consolidated income statements- statutory basis.
- (c) Represents the amounts of allowance determined by a self-assessment as of December 31, 2013 and 2012 plus other adjustments made.

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(d) In case that the provisions determined are lower than the provisions made, the Superintendence of Banks of the Dominican Republic does not allow the release of provisions without the prior authorization of the regulatory authorities.

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

As of December 31, 2013 and 2012, the Bank evaluated the portfolio of major commercial debtors of the public sector, whether the term public loan is understood as defined and established by Law 6-06 on Public Loans, or for the remaining of the loans portfolio included in the public sector following the guidelines of the Instructive for Loan Evaluation, Investments and Contingent Operations of the Public Sector and related documents. Loans payable to some important entities of the Dominican electricity sector were classified as risk rated “A” and were provisioned at 1%, as established through letter ADM/0089/12 issued by the Superintendence of Banks of the Dominican Republic, dated February 8th 2012. In the same manner, by means of circular ADM/0093/14 dated February 26, 2014, loans to the Dominican road sector, are classified as risk “A” with a provision requirement of 0%.

## 16 Customers’ deposits

Customers’ deposits are detailed as follows:

### a) By type

	December 31, 2013				Total RD\$
	Local Currency RD\$	Weighted Average Annual Rate	Foreign Currency RD\$	Weighted Average Annual Rate	
Checking	48,043,752	0.59%	-	-	48,043,752
Savings	41,731,460	1.30%	26,073,681	1.05%	67,805,141
Time	2,816	6.15%	43,951,892	3.18%	43,954,708
Interests	116	-	14	-	130
	<b><u>89,778,144</u></b>	<b><u>0.92%</u></b>	<b><u>70,025,587</u></b>	<b><u>2.39%</u></b>	<b><u>159,803,731</u></b>

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	December 31, 2012				
	Local Currency RD\$	Weighted Average Annual Rate	Foreign Currency RD\$	Weighted Average Annual Rate	Total RD\$
Checking	33,772,422	0.33%	-	-	33,772,422
Savings	33,856,813	2.70%	20,956,731	1.08%	54,813,544
Time	<u>2,820</u>	<u>6.52%</u>	<u>34,855,840</u>	<u>3.26%</u>	<u>34,858,660</u>
	<b><u>67,632,055</u></b>	<b><u>1.51%</u></b>	<b><u>55,812,571</u></b>	<b><u>2.44%</u></b>	<b><u>123,444,626</u></b>

**b) By sector**

	December 31, 2013				
	Local Currency RD\$	Weighted Average Annual Rate	Foreign Currency RD\$	Weighted Average Annual Rate	Total RD\$
Non-financial public sector	29,405,425	0.59%	3,391,793	1.38%	32,797,218
Non-financial private sector	60,355,075	1.08%	65,332,074	2.44%	125,687,149
Non-resident	17,528	0.61%	1,301,706	1.38%	1,319,234
Interests	<u>116</u>	<u>-</u>	<u>14</u>	<u>-</u>	<u>130</u>
	<b><u>89,778,144</u></b>	<b><u>0.92%</u></b>	<b><u>70,025,587</u></b>	<b><u>2.39%</u></b>	<b><u>159,803,731</u></b>

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

(Continues)

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

Notes to the Consolidated Financial Statements - Statutory Basis

**b) By maturity**

	December 31, 2013				
	Local Currency RD\$	Weighted Average Annual Rate	Foreign Currency RD\$	Weighted Average Annual Rate	Total RD\$
0 to 15 days	89,775,442	0.92%	28,381,081	1.14%	118,156,523
16 to 30 days	146	6.59%	8,922,455	4.38%	8,922,601
31 to 60 days	609	6.82%	4,184,707	2.39%	4,185,316
61 to 90 days	630	5.22%	3,668,801	2.50%	3,669,431
91 to 180 days	295	6.80%	9,614,911	3.11%	9,615,206
181 to 360 days	-	0.00%	9,196,388	2.79%	9,196,388
More than 1 year	1,022	6.01%	6,057,244	3.44%	6,058,266
	<b><u>89,778,144</u></b>	<b><u>0.92%</u></b>	<b><u>70,025,587</u></b>	<b><u>2.39%</u></b>	<b><u>159,803,731</u></b>

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

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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At December 31, 2013 and 2012, customer deposits include restricted amounts for the following concepts:

	December 31, 2013				
	<u>Inactive Accounts</u>	<u>Seized Funds</u>	<u>Deceased Customers</u>	<u>Security Deposits</u>	<u>Total RD\$</u>
Customers' deposits:					
Checking	72,113	492,423	22,339	-	586,875
Savings	809,910	146,455	243,916	172,601	1,372,882
Time	-	1,655	75,744	3,381,328	3,458,727
	<u>882,023</u>	<u>640,533</u>	<u>341,999</u>	<u>3,553,929</u>	<u>5,418,484</u>
	December 31, 2012				
	<u>Inactive Accounts</u>	<u>Seized Funds</u>	<u>Deceased Customers</u>	<u>Security Deposits</u>	<u>Total RD\$</u>
Customers' deposits:					
Checking	32,142	442,616	15,588	-	490,346
Savings	920,348	121,523	188,730	122,007	1,352,608
Time	-	1,665	115,455	3,087,866	3,204,986
	<u>952,490</u>	<u>565,804</u>	<u>319,773</u>	<u>3,209,873</u>	<u>5,047,940</u>

At December 31, 2013 and 2012, customer deposits include amounts from inactive accounts as detailed below:

	December 31, 2013		
	<u>From 3 to 10 Years</u>	<u>More than 10 Years</u>	<u>Total</u>
Customers' deposits:			
Checking	RD\$ 69,505	2,608	72,113
Savings	794,315	15,594	809,909
	<u>RD\$ 863,820</u>	<u>18,202</u>	<u>882,022</u>

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

Notes to the Consolidated Financial Statements - Statutory Basis

	December 31, 2012		
	From 3 to 10 Years	More than 10 Years	Total
Customers' deposits:			
Checking	RD\$ 31,168	974	32,142
Savings	<u>907,047</u>	<u>13,301</u>	<u>920,348</u>
	<b>RD\$ <u>938,215</u></b>	<b><u>14,275</u></b>	<b><u>952,490</u></b>

## 17 Deposits from domestic and foreign financial institutions

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

### a) By type and currency

	December 31, 2013				
	Local Currency RD\$	Weighted Average Annual Rate	Foreign Currency RD\$	Weighted Average Annual Rate	Total RD\$
Checking	3,412,952	0.59%	-	-	3,412,952
Savings	162,006	1.30%	1,985,103	1.08%	2,147,109
Time	<u>82</u>	<u>4.78%</u>	<u>5,051,147</u>	<u>1.83%</u>	<u>5,051,229</u>
	<b><u>3,575,040</u></b>	<b><u>0.62%</u></b>	<b><u>7,036,250</u></b>	<b><u>1.61%</u></b>	<b><u>10,611,290</u></b>

  

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

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

**b) By maturity date**

December 31, 2013					
	Local Currency RD\$	Weighted Average Annual Rate	Foreign Currency RD\$	Weighted Average Annual Rate	Total RD\$
0 to 15 days	3,574,989	0.62%	2,198,574	1.07%	5,773,563
16 to 30 days	-	0.00%	3,560,764	1.70%	3,560,764
31 to 60 days	-	0.00%	37,231	2.12%	37,231
61 to 90 days	50	3.70%	14,469	2.14%	14,519
91 to 180 days	-	0.00%	1,169,447	2.25%	1,169,447
181 to 1 year	-	0.00%	43,378	2.93%	43,378
More than 1 year	<u>2</u>	<u>5.50%</u>	<u>12,386</u>	<u>3.05%</u>	<u>12,388</u>
	<b><u>3,575,041</u></b>	<b><u>0.62%</u></b>	<b><u>7,036,249</u></b>	<b><u>1.61%</u></b>	<b><u>10,611,290</u></b>

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

At December 31, 2013 and 2012, the Bank held funds in escrow in foreign financial institutions for the amounts of RD\$45,473 and RD\$38,151, respectively, which are restricted by seizures of third parties, inactive accounts, dormant accounts and from deceased customers.

The status of the inactive and/or dormant accounts of deposits of financial institutions in the country, is as follow:

	<u>2013</u>	<u>2012</u>
Three (3) to ten (10) year term	<b>RD\$ <u>355</u></b>	<b><u>644</u></b>

(Continues)

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

Notes to the Consolidated Financial Statements - Statutory Basis

## 18 Borrowed funds

A summary of borrowed funds is as follow:

December 31, 2013						
<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Rate</u>	<u>Maturity</u>	<u>Balance</u>	
a) Domestic financial institutions: Banco Nacional de Fomento de la Vivienda y la Producción	Loan	Unsecured	13.50%	2012 (expired)	RD\$	<u>7,982</u>
b) Foreign financial institutions: Bladex Panamá, corresponds to US\$150,000	Line of credit	Unsecured	1.5% up to 1.8%	2014		6,400,845
Citibank, corresponds to US\$109,834	Line of credit	Unsecured	1.2% up to 1.8%	2014		4,686,881
The Export Import Bank of Korea, corresponds to US\$2,156	Loan	Unsecured	2.5%	2015 to 2016		92,007
Eximbank, Republic of China - Taiwán, corresponds to US\$505	Loan	Unsecured	0.50% 1.17%	2014 to 2017		21,549
Agencia Francesa de Desarrollo, corresponds to US\$20,000	Loan	Unsecured	4.3%	2018		853,446
Standard Chartered Bank, corresponds to US\$31,550	Loan	Unsecured	1.34% up to 1.64%	2014		1,346,311
Wells Fargo Bank, corresponds to US\$127,873	Loan	Unsecured	1.24% up to 2.70%	2014		5,456,655
Mercantil Commerce Bank, corresponds to US\$21,000	Loan	Unsecured	1.46%	2014		896,118
Bank of America corresponds to US\$9,000	Loan	Unsecured	1.34%	2014		384,051
U. S. Century corresponds to US\$5,000	Loan	Unsecured	1.84%	2014		213,362
Deutsche Bank corresponds to US\$25,000	Loan	Unsecured	1.46%	2014		1,066,807
Banco del Comercio del Exterior corresponds to US\$10,000	Loan	Unsecured	1.84%	2014		426,723
Nordea Bank Finland, PLC corresponds to US\$5,342	Loan	Unsecured	1.84%	2016		<u>227,974</u>
c) Others						<u>22,072,729</u> 19,715
d) Interest payable, includes US\$1,794						<u>76,542</u>
					<b>RD\$</b>	<b><u>22,176,968</u></b>

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December 31, 2012					
<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Rate</u>	<u>Maturity</u>	<u>Balance</u>
a) Domestic financial institutions: Banco Nacional de Fomento de la Vivienda y la Producción	Loan	Unsecured	13.5%	2012 (Expired)	RD\$ <u>10,577</u>
b) Foreign financial institutions: Bladex Panamá, corresponds to US\$65,000	Line of credit	Unsecured	3.10% & 3.13%	2013	2,616,978
Citibank, corresponds to US\$116,000	Line of credit	Secured (*)	1.50% up to 5.05%	2013 and 2014	4,670,299
US Century Bank, corresponds to US\$5,000	Line of credit	Unsecured	2.02%	2013	201,307
BPD Internacional Bank, corresponds to US\$5,000	Line of credit	Unsecured	2.00%	2013	201,307
Mercantil Commercebank, corresponds to US\$25,000	Line of credit	Unsecured	1.82%	2013	1,006,530
The Export Import Bank of Korea, corresponds to US\$3,064	Loan	Unsecured	3.26% and 2016	2013	123,363
Eximbank, Republic of China - Taiwán, corresponds to US\$498	Loan	Unsecured	0.50% up to 1.28%	2013 and 2016	20,036
Eximbank, Republic of China - Taiwán, corresponds to US\$85	Loan	Unsecured	1.28%	2013	3,400
Wells Fargo Bank, corresponds to US\$114,246	Loan	Unsecured	1.84% up to 2.27%	2013	4,599,700
Bancoldex, corresponds to US\$2,500	Loan	Unsecured	2.28%	2013	100,653
Standard Chartered, corresponds to US\$60,000	Loan	Unsecured	1.8% up to 1.9%	2013	<u>2,415,672</u>
c) Others					15,959,245 19,715
d) Interest payable, includes US\$2,422					<u>97,535</u>
					<b>RD\$ <u>16,087,072</u></b>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

**19 Outstanding securities**

A summary of outstanding securities, is as follow:

**a) By type**

	December 31, 2013	
	Local Currency RD\$	Weighted Average Annual Rate
Financial certificates	<b>73,693,548</b>	<b>6.82%</b>

	December 31, 2012	
	Local Currency RD\$	Weighted Average Annual Rate
Financial certificates	<b>67,334,379</b>	<b>6.66%</b>

**b) By sector**

	December 31, 2013	
	Local Currency RD\$	Weighted Average Annual Rate
Non-financial public sector	10,009,861	6.24%
Non-financial private sector	39,852,934	5.84%
Financial sector	23,830,753	8.71%
	<b>73,693,548</b>	<b>6.82%</b>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

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

**c) By maturity date**

	<u>December 31, 2013</u>	
	Local Currency RD\$	Weighted Average Annual Rate
0 to 15 days	10,023,501	7.27%
16 to 30 days	7,858,265	6.56%
31 to 60 days	11,786,792	7.01%
61 to 90 days	12,215,740	7.24%
91 to 180 days	13,151,315	6.59%
181 to 1 year	10,653,312	5.96%
More than 1 year	<u>8,004,623</u>	<u>7.18%</u>
	<b><u>73,693,548</u></b>	<b><u>6.82%</u></b>

	<u>December 31, 2012</u>	
	Local Currency RD\$	Weighted Average Annual Rate
0 to 15 days	9,025,873	6.91%
16 to 30 days	5,660,907	6.71%
31 to 60 days	9,164,087	6.08%
61 to 90 days	11,725,940	5.96%

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

91 to 180 days	10,785,295	6.63%
181 to 1 year	12,091,334	6.57%
More than 1 year	<u>8,880,943</u>	<u>8.07%</u>
	<u><b>67,334,379</b></u>	<u><b>6.66%</b></u>

At December 31, 2013 and 2012, outstanding securities include restricted amounts, as follows:

	December 31, 2013		
	Deceased Clients	Security Deposits	Total
Outstanding securities:			
Financial certificates	<b>RD\$ <u>113,898</u></b>	<b><u>4,994,377</u></b>	<b><u>5,108,275</u></b>

	December 31, 2012		
	Deceased Clients	Security Deposits	Total
Outstanding securities:			
Financial certificates	<b>RD\$ <u>122,810</u></b>	<b><u>4,937,905</u></b>	<b><u>5,060,715</u></b>

## 20 Other liabilities

A summary of other liabilities is as follow:

	<u>2013</u>	<u>2012</u>
Demand obligations (includes US\$809 in 2013 and US\$863 in 2012) (a)	RD\$ 882,368	3,366,841
Term obligations, (includes US\$6,772 in 2013 and US\$27,883 in 2012) (b)	384,450	1,122,621
Unclaimed third party balances (includes US\$979 in 2013 and US\$655 in 2012)	177,587	150,574
Sundry creditors:		
Commissions payable	48,196	36,291
Accounts payable to suppliers	16,051	63,423
Withholding tax payables	61,982	30,059
Other sundry creditors:	984,480	1,133,257
Reserves for contingent operations, including US\$1,136 (2012:US\$2,403) (c)	82,043	147,165

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**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

Other provisions:

1% tax on productive assets	-	118,694
Income tax	86,841	6,543
Provision for litigation	104,433	105,394
Bonus and other employee's benefits	2,114,750	1,123,055
Systemic Risk Prevention Program	104,608	96,782
Contingency fund	88,620	62,851
Accrued expenses payable	82,227	140,980
Credit card and electronic transactions	82,965	34,024
Extraordinary contributions to Pension Plan	482,691	1,274,093
Others reserves (includes US\$6 en 2012 and 2013)	545,377	158,510
Items pending for allocation, (includes US\$337 in 2013 (and US\$640 in 2012) (d)	274,442	272,970
Administration funds of the Public Sector	186,900	67,024
Commissions payable to insurance premium agents	132,307	135,142
Tax on outstanding premium	165,356	159,845
Withholding taxes to reinsurers	32,597	30,692
Payments received in advance	95,488	83,518
Others (includes US\$1,900 in 2013)	<u>187,058</u>	<u>116,726</u>
	<b>RD\$ <u>7,403,817</u></b>	<b><u>10,037,074</u></b>

- (a) Corresponds to financial obligations assumed by the Bank, which are payable on demand such as certified checks, cashier's checks, among others.
- (b) In this category, the Bank recognizes special cash deposits in US dollars received from the Dominican Republic Government.
- (c) Corresponds to provisions for contingent operations as per requirement of the Superintendence of Banks of the Dominican Republic. (See note 15).
- (d) Corresponds to creditors' balances that due to internal operating reasons or characteristics of the operation was not possible to immediately allocate them on the final accounts.

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**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

## 21 Subordinated debts

A summary of subordinated debts, is as follows:

Type	December 31, 2013			
	Amount in RD\$	Effective Interest Rate	Type of Currency	Term
Subordinated debts (correspond to US\$300,000 nominal value) (a)	12,801,690	7.12%	Dollars	10 years
Debt issuance costs (b)	(157,807)	-	-	-
Discounts on the issuance of the debt (corresponds to US\$2,443) (b)	(104,263)	-	-	-
	12,539,620	-	-	-
Interests payable (correspond to US\$8,750)	373,383	-	-	-
	<b><u>12,913,003</u></b>	-	-	-

- a) Corresponds to bonds issued by the Bank on February 1st, 2013, for an amount of US\$300,000. This debt generates a nominal interest rate of 7% annually and has an original maturity of 10 years until February 1<sup>st</sup>, 2023. This debt issuance was carried out in the United States of America "USA" 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 "USA" according to "*Regulation S*."

Additionally, the bonds have the following characteristics:

- ♦ Interests are payable semi-annually on February and August 1<sup>st</sup>. of each year.
- ♦ Bonds will not be redeemed prior to their maturity date thereof.
- ♦ 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.
- ♦ Subordinated debts may be used to compute as part of Tier II capital for the purpose of determining the regulatory capital of the Bank.

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**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

- b) Relates to costs incurred in issuing bonds, which are deferred and amortized using the straight-line method over the term of the bonds.
- c) Relates to discounts granted in the issuance of bonds, which are amortized using the straight-line method over the term of the bonds.

## 22 Technical reserves

The subsidiaries, Seguros Banreservas, S. A. and ARS Banreservas, S. A., maintain ongoing specific mathematical risk reserves set up to meet commitments that derive from the current insurance policies that amounted to RD\$1,994,335 and RD\$1,683,645 at December 31, 2013 and 2012, respectively.

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

		2013		
		Mathematical Reserves	Specific Reserves and Ongoing Risk	Total
Balance at January 1 <sup>st</sup> , 2013	RD\$	80,828	1,602,817	1,683,645
More: Reserve increase		42,376	1,917,773	1,960,149
Less: Decrease of reserve		<u>(101,661)</u>	<u>(1,547,798)</u>	<u>(1,649,459)</u>
Balance at December 31, 2013	<b>RD\$</b>	<b><u>21,543</u></b>	<b><u>1,972,792</u></b>	<b><u>1,994,335</u></b>
		2012		
		Mathematical Reserves	Specific Reserves and Ongoing Risk	Total
Balance at January 1 <sup>st</sup> , 2012	RD\$	56,183	1,554,985	1,611,168
More: Reserve Increase		74,320	1,571,176	1,645,496
Less: Decrease of reserve		<u>(49,675)</u>	<u>(1,523,344)</u>	<u>(1,573,019)</u>
Balance at December 31, 2012	<b>RD\$</b>	<b><u>80,828</u></b>	<b><u>1,602,817</u></b>	<b><u>1,683,645</u></b>

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**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

## 23 Income tax

The consolidated companies declare and pay income separately and on an individual basis. The consolidated entities calculate income tax based on its accounting practices to comply with current legal requirements.

Income tax expense for the years 2013 and 2012, is composed of:

	<u>2013</u>	<u>2012</u>
Current income tax	RD\$ 855,471	46,005
Deferred income tax	106,597	89
Expenses from dividends withhold (i)	95,774	325,851
Tax on assets	1,745	-
Previous year income tax	<u>-</u>	<u>(82,237)</u>
	<b>RD\$ <u>1,059,587</u></b>	<b><u>289,708</u></b>

- (i) Correspond to withheld on payments of dividends received from other subsidiaries of Tenedora Banreservas, S. A.

On February 8, 2013, the financial entities, represented by the Association of Commercial Banks of the Dominican Republic Inc., signed an agreement with the Ministry of Finance and the Dirección General de Impuestos Internos (DGII), whereby the following was agreed:

- ◆ The Bank promised to make a tax payment for the amount of RD\$619,417,738, which could be deducted from the Bank's future income tax commitments, for a period of 15 years beginning in fiscal year 2014. This deduction shall be in proportion of 6.67% per annum.
- ◆ The Ministry of Finance promised to submit a bill to Congress to invalidate the extension until December 31, 2013 of the 1% tax on financial assets that had been approved by Law 253-12

## 24 Responsibilities

The subsidiaries Seguros Banreservas, S. A. and ARS Banreservas, S. A., in addition to the balances of obligations related to the retained insured risks amounting to RD\$549,480,798 and RD\$705,634,063, respectively at December 31, 2013 and 2012, have memorandum balances for salvages warehouse amounting to RD\$11,690 and RD\$19,689, for 2013 and 2012.

(Continues)



**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

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

	<u>2013</u>	<u>2012</u>
Responsibility assumed on insurance policies	RD\$ 549,480,798	705,634,063
Responsibility assigned on insurance policies	<u>(291,256,442)</u>	<u>(742,534,845)</u>
	<b>RD\$ <u><u>258,224,356</u></u></b>	<b><u><u>(36,900,782)</u></u></b>

## 25 Reinsurance

It is the transfer of part or the 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 are the following:

<u>At December 31, 2013</u>			<u>At December 31, 2012</u>		
<u>Reinsurer</u>	<u>Type of Contract</u>	<u>Shares (%)</u>	<u>Reinsurer</u>	<u>Type of Contract</u>	<u>Shares (%)</u>
Switzerland	Surplus	20.00	Switzerland	Surplus	20.00
	Quota share	65/100		Quota share	65/100
Korean GC	Surplus	6.5/1.50	Korean	Surplus	5.00/1.50
	Quota share	10.00		Quota share	10.00
Trans. RE Mallen	Surplus	5.40	XL RE L.A	Surplus	5.00
	Quota share	15.00		Quota share	10/15
Hannover XL	Quota share	15.00	Hannover XL	Surplus	10.00
			Nacional Borg	Surplus	7.00
				Quota share	10.00
Venezuela	Quota share	10/15			
Thompson Health	Surplus	13.60	Axis	Surplus	7.00
Nacional Borg	Quota share	5.00		Quota share	
Everest-JLT	Surplus	30/60	General Re,	Surplus	40/35/10
				Quota share	0.00
General Re, Axis	Surplus	35/05	Everest-JLT	Surplus	13/34.15
	Quota share	5.00		Quota share	40/45
Navigators	Surplus	12.00	Navigators	Surplus	8.5/9.00
	Quota share	6.00			
Arch Re.	Quota share	80.00	Redbridge	Surplus	100.00
Awac-JLT	Surplus	3.00/1.7	Thompson	Surplus	13.85
Siruis-JLT	Surplus	4.00	Awac-JLT	Surplus	3.00/2.00
			Siruis-JLT	Surplus	15.00

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

## 26 Equity

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

	Common Shares			
	Authorized		Issued	
	Quantity	RD\$	Quantity	RD\$
Balances at December 31, 2013 and 2012	<u>3,500</u>	<u>3,500,000</u>	<u>3,500</u>	<u>3,500,000</u>

The Bank's equity contributions are as follows:

- a) Initial of RD\$50,000 according to Law No. 6133 of December 17, 1962, which amended Article 4 of the Organic Law of the Bank.
- b) RD \$200,000 by delivering state-certified bonds issued by the National Treasury in 1988.
- c) In accordance to Law No. 99-01 of April 5, 2001, which amended Article 4 of the Organic Law of the Bank, the Dominican Republic Government issued RD\$1,750,000 bonds in favor of the Bank
- d) In accordance with Law No. 121-05 of April 7, 2005, the Dominican Republic Government issued RD\$1,500,000 bonds in favor of the Bank.

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

- 50% - For amortization of not less than 5% of Certified bonds issued by the National Treasurer on behalf of the Dominican Republic Government, plus interest. The resulting surplus will cover the debt of the Dominican Republic Government and its agencies, as approved by the Board of Directors, upon previous notice to the Executive Branch.
- 35% - To transfer to the reserve account.
- 15% - To cover debts of the Dominican Republic Government and its agencies with the Bank.

The Board of Directors, by its Twenty-first Resolution of the Ordinary Session of June 13, 2013, approved the release to the Dominican Republic State the amount of RD\$3,178,033, corresponding to retained earnings of the profits obtained by the Bank during fiscal years 2010, 2011 and 2012. In addition, the same resolution approved the payment of dividends to the Dominican Republic State through the transfer of a land lot of 1,400,000 square meters that was part of the assets received in loans settlements which market value was RD\$450,000,000.

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**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

According to the First Resolution of the Ordinary Session of January 13, 2012, the Board of Directors approved the distribution of dividends of 2011, for the amount of RD\$2,481,180, in the following manner:

- i) RD\$868,413 transferred to equity reserves.
- ii) RD\$75,000 for the amortization of National Treasury vouchers.
- iii) RD\$6,000 to offset interests of the National Treasury vouchers.
- iv) RD\$372,177 to offset debts of the Dominican Republic State, which as of December 31, 2011, RD\$184,415 have been used.
- v) RD\$1,159,590 to be paid to the Dominican Republic State.

Additionally, according to the Twenty-second Resolution of the Ordinary Session of December 27<sup>th</sup>, 2012, the Board of Directors approved for distribution of profits, 15% of retained earnings of the year 2010 for the amount of RD\$223,501, of which RD\$220,492 have been paid.

According to the First Ordinary Resolution dated January 10, 2013, the Board of Directors approved the distribution of earnings for the year 2012 in the amount of RD\$2,221,574,254, in the following manner:

- i) RD\$777,551 transferred to equity reserve.
- ii) RD\$75,000 for the amortization of National Treasury vouchers.
- iii) RD\$5,250 to offset interests of the National Treasury vouchers.
- iv) RD\$333,236 to offset debts of the Dominican Republic State.
- v) RD\$1,030,537 to be delivered to the Dominican Republic State.

Other equity reserves

The Bank in accordance with its Organic Law segregates 35% of its annual net profit to equity reserves. As of December 31, 2013 and 2012, the Bank segregated to equity reserve a total of RD\$1,766,341 and RD\$777,551, respectively.

Circular SB/0682 dated December 31, 2010, the Superintendence of Banks issued a no-objection to the application within the fiscal year of the segregation of 35% of net income as other equity reserves, provided they are in compliance to the guidelines for distribution of profits as set forth by the supervisory body.

Revaluation surplus

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

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**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

## 27 Segment Information

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

At December 31, 2013					
<u>Segment</u>	<u>Company</u>	<u>Jurisdiction</u>	<u>Functional Currency</u>	<u>Equity Shares</u>	Percentage of Voting Rights Direct and Indirect
Finance	Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	Dominican Republic	RD\$	3,500,000	100%
Related services	Tenedora Banreservas, S. A. and Subsidiaries	Dominican Republic	RD\$	1,551,434	97.74%
Services	Peaje Dominicano, S. A. S.	Dominican Republic	RD\$	<u>12,000</u>	100%
	Consolidation adjustments			5,063,434 <u>(1,563,434)</u>	
				<u><b>3,500,000</b></u>	
At December 31, 2012					
<u>Segment</u>	<u>Company</u>	<u>Jurisdiction</u>	<u>Functional Currency</u>	<u>Equity Shares</u>	Percentage of Voting Rights Direct and Indirect
Finance	Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	Dominican Republic	RD\$	3,500,000	100%
Related services	Tenedora Banreservas, S. A. and Subsidiaries	Dominican Republic	RD\$	1,501,431	97.67%
Services	Peaje Dominicano, S. A. S.	Dominican Republic	RD\$	<u>405</u>	100%
	Consolidation adjustments			5,001,836 <u>(1,501,836)</u>	
				<u><b>3,500,000</b></u>	

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**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

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

At December 31, 2013						
<u>Entity</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Income</u>	<u>Expenses</u>	<u>Profit or Loss</u>	
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	RD\$ 307,236,345	287,585,939	32,061,341	27,014,652	5,046,689	
Tenedora Banreservas, S. A. and Subsidiaries	7,872,966	4,291,473	9,436,395	8,551,289	885,106	
ARS Reservas, Inc.	212,222	60,198	454,744	428,114	26,630	
Peaje Dominicano, S. A. S.	<u>6,388</u>	<u>3,378</u>	<u>25,079</u>	<u>34,109</u>	<u>(9,030)</u>	
	315,327,921	291,940,988	41,977,559	36,028,164	5,949,395	
Consolidation adjustments	<u>(5,679,438)</u>	<u>(2,066,183)</u>	<u>(1,456,407)</u>	<u>(587,858)</u>	<u>(868,549)</u>	
	<b>RD\$ <u>309,648,483</u></b>	<b><u>289,874,805</u></b>	<b><u>40,521,152</u></b>	<b><u>35,440,306</u></b>	<b><u>5,080,846</u></b>	
At December 31, 2012						
<u>Entity</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Income</u>	<u>Expenses</u>	<u>Profit or Loss</u>	
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	RD\$ 246,347,178	228,035,178	26,251,673	23,877,152	2,374,521	
Tenedora Banreservas, S. A. and Subsidiaries	7,298,228	3,412,432	6,383,714	5,572,275	811,439	
ARS Reservas, Inc.	200,065	76,042	433,839	413,016	20,823	
Peaje Dominicano, S. A.	<u>84,974</u>	<u>3,903</u>	<u>84,034</u>	<u>108,331</u>	<u>(24,297)</u>	
	253,930,445	231,527,555	33,153,260	29,970,774	3,182,486	
Consolidation adjustments	<u>(5,467,457)</u>	<u>(1,496,836)</u>	<u>(1,152,500)</u>	<u>(277,894)</u>	<u>(874,606)</u>	
	<b>RD\$ <u>248,462,988</u></b>	<b><u>230,030,719</u></b>	<b><u>32,000,760</u></b>	<b><u>29,692,880</u></b>	<b><u>2,307,880</u></b>	

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

## 28 Commitments and contingencies

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

	<u>At December 31</u>	
	<u>2013</u>	<u>2012</u>
Collaterals granted:		
Endorsements	RD\$ 1,369,199	1,526,778
Other collaterals granted	196,638	185,881
Non-negotiable letters of credit issued	177,817	395,594
Credit lines of automatic use	<u>4,824,869</u>	<u>5,404,100</u>
	<b>RD\$ <u>6,568,523</u></b>	<b><u>7,512,353</u></b>

At December 31, 2013 and 2012, the Bank has reserves for possible losses from these operations in the amounts of RD\$82,043 y RD\$147,165, respectively.

At December 31, 2013 and 2012, the Insurance subsidiary and the Health Insurance Administrator (ARS) had contingent liabilities for retained risk, estimated as follows:

	<u>2013</u>	<u>2012</u>
General risk	RD\$ 523,228,145	604,475,211
Individual life insurance	2,946,964	33,211,329
Collective life insurance	<u>23,305,689</u>	<u>67,947,523</u>
	<b>RD\$ <u>549,480,798</u></b>	<b><u>705,634,063</u></b>

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

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

The bank has lease contracts for the premises in which some of its administrative offices, branches, business centers and ATM's are located. For the years ended December 31, 2013 and 2012, expenses for this concept amounted to approximately RD\$306,297 and RD\$240,605, respectively, which are recognized in other operating expenses in the accompanying consolidated income statements-statutory basis.

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**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

**(b) Superintendence of Bank fees**

The Monetary Board of the Dominican Republic requires financial entities to make a contribution in order to cover the inspection services that are conducted by the Superintendence of Banks of the Dominican Republic. The expense for this concept for years ended December 31, 2013 and 2012 was of approximately RD\$415,011 and RD\$375,620, respectively, and is recognized in other operating expenses in the accompanying consolidated income statements-statutory basis.

**(c) Contingency fund**

Article 64 of the Monetary and Financial Law No. 183-02 dated November 21, 2002 and the Regulation for the Operation of the Contingency Fund, assumed through the First Resolution issued by the Monetary Board on November 6, 2003, authorizes the Central Bank of the Dominican Republic to collect quarterly contributions from the entities of financial intermediation for this fund.

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

Expenses for this concept for the year ended at December 31, 2013 and 2012, was of approximately RD\$292,037 and RD\$221,352, respectively, and are recognized in other operating expenses in the accompanying consolidated income statements - statutory basis.

**(d) Banking consolidation fund**

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

Expenses for this concept for the year ended at December 31, 2013 and 2012, was of approximately RD\$383,552 and RD\$351,519, respectively and are recognized in the line item other operating expenses in the accompanying consolidated income statements - statutory basis.

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Notes to the Consolidated Financial Statements - Statutory Basis

**(e) Credit card licenses**

MasterCard credit cards

The Bank has a contract with a foreign company for the nonexclusive use of MasterCard brand for charge card 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 US\$5 for each MasterCard Gold card issued. The license is perpetual; subject to the termination provisions set forth-in the contract.

Visa credit cards

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

**(f) Lawsuits**

As of December 31, 2013 and 2012, there are several lawsuits and demands originated in the normal course of the Banks operations. The Bank considers together with its legal advisors that the resolution of these claims will not result in an adverse material effect. As of December 31, 2013 and 2012, the amount reserved to face these demands is of RD\$104,433 and RD\$105,394 respectively, and is recognized in other liabilities in the accompanying consolidated balance sheets - statutory basis.

In the normal course of its operations, the subsidiary entity Seguros Banreserva, S. A. has several commitments and contingent liabilities resulting from claims, lawsuits and other legal proceedings seeking coverage for damages from the insurance policies. The Company has established the reserves that it considers necessary to cover these claims and demands based on its experience in the insurance business.

**(g) Claims for casualties**

The subsidiary Seguros Banreservas, S. A. has received insurance claims for catastrophes that arose in the normal course of business, which have occurred at December 31, 2013. The Bank initiated the operational processing of claims which to date have not been finished. The Bank's management expects that the ultimate effect of this process will not have a material effect in relation to the financial position of the Bank and that the main risk is assumed by the reinsurers.

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Notes to the Consolidated Financial Statements - Statutory Basis

**(h) Taxes on financial assets**

Article 12 of Law No. 139-11 dated June 22, 2011, established for a period of two (2) years after the promulgation of the Law, an annual tax of 1% on the average productive financial assets net of some exempt amounts. Also, it exempts financial institutions from the obligation of liquidating and paying the tax on the total assets as established by Law 557-05. Article 40 of Law 253-12 dated November 9, 2012, extended until July 31, 2013 the period of the Tax on the Net Productive Financial Assets. At December 31, 2013 and 2012, recognized expenses for this concept is approximately RD\$752,042 and RD\$730,200, respectively, which is included in the line item of other operational expenses in the accompanying consolidated income statements - statutory basis.

**29 Memorandum accounts**

Memorandum accounts presented in the Bank's consolidated balance sheet consists of:

	<u>2013</u>	<u>2012</u>
<u>Funds under management:</u>		
PROMIPYME resources	RD\$ 1,032,843	568,278
PROMIDIGNA resources	-	98
PROMIPYME - PROCREA	356	187
SEH - PETROCARIBE resources	209	209
PROMICENTRAL	847,233	809,137
PROMIPYME - Fondos Fonper	347,343	737,859
PROMIPYME - PRESAAC loans	2,437	19,153
PROAPA loans	-	28,232
MI PRIMER PROGRESO loans	17,463	20,366
MI PRODEMICO loans	52,323	12,476
Solidarity Bank	<u>1,006,880</u>	<u>56,842</u>
	<u>3,307,087</u>	<u>2,252,837</u>
<u>Funds managed by the subsidiary</u>		
<u>Administradora de Fondos de Pensiones Reservas:</u>		
Mandatory individual capitalization plan (T-1 Pension Fund)	31,144,213	24,363,010
Pension fund of officers and employees of Banco de Reservas de la República Dominicana (T-4 Pension Fund)	7,177,897	5,463,018
Social solidary fund (T-5 Pension Fund)	<u>12,888,670</u>	<u>10,274,353</u>
	<u>51,210,780</u>	<u>40,100,381</u>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

<u>Other memorandum accounts:</u>		
Loans granted pending to be used	35,343,463	31,663,443
Assets and securities held in custody	5,708,485	5,782,211
Collaterals received	260,425,711	211,759,986
Other memorandum accounts	71,046,874	50,154,491
Deferred interests	441,389	1,070,531
Other pending balances	1,977	1,977
Other values in collection	<u>167,531</u>	<u>163,072</u>
	<u>373,135,430</u>	<u>300,595,711</u>
	<b>RD\$ <u>427,653,297</u></b>	<b><u>342,948,929</u></b>

### 30 Financial income and expenses

A summary of financial income and expenses is as follows:

	Years ended at December 31 <sup>st</sup>	
	<u>2013</u>	<u>2012</u>
Financial income:		
Loans portfolio:		
Commercial	RD\$ 14,066,732	12,566,886
Consumer	3,737,738	2,985,926
Mortgage	<u>1,756,310</u>	<u>1,448,475</u>
	<u>19,560,780</u>	<u>17,001,287</u>
From investments:		
Other debt securities	<u>5,666,270</u>	<u>4,572,341</u>
Gain from investment	1,953,638	291,847
Insurance premiums net of returns and cancellations:		
Insurance premiums written	<u>4,730,635</u>	<u>4,539,424</u>
Earnings for technical adjustment to reserves	<u>-</u>	<u>66,925</u>
Total	<b>RD\$ <u>31,911,323</u></b>	<b><u>26,471,824</u></b>

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**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

Financial expenses:		
Customer deposits	2,252,516	2,326,493
Certificates of deposits	4,607,491	5,557,063
Subordinated debts	<u>913,140</u>	<u>-</u>
	<u>7,773,147</u>	<u>7,883,556</u>
Borrowings:		
Borrowed funds	<u>372,817</u>	<u>343,398</u>
Investments:		
Amortization of premium from investments in debt securities	273,164	95,666
Losses from investments	<u>13,305</u>	<u>408</u>
	286,469	96,074
Reinsurance:		
Reinsurance cost	2,137,478	2,296,792
Contractual losses and obligations	<u>1,289,181</u>	<u>1,276,379</u>
	<u>3,426,659</u>	<u>3,573,171</u>
Expenses for technical adjustment to reserves	<u>139,676</u>	<u>-</u>
Acquisition expense, conservation and premium collection:		
Commission and other acquisition costs of the insurance company	<u>530,494</u>	<u>522,715</u>
<b>Total</b>	<b>RD\$ <u>12,529,262</u></b>	<b><u>12,418,914</u></b>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

**31 Income (expenses) for exchange differences**

A summary of the main income and expenses due to exchange differences recognized during the years ended at December 31, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Income due to foreign exchange:		
Loans portfolio	RD\$ 3,540,425	1,665,790
Investments	81,840	74,130
Available funds	1,310,446	519,010
Accounts receivable	617,178	268,349
Non-financial investments	5,529	1,710
Other assets	1,256	845
Customer deposits	-	20,171
Borrowed funds	-	661
Other exchange differences	<u>904,553</u>	<u>1,953</u>
Sub-total	<u>6,461,227</u>	<u>2,552,619</u>
Expenses due to foreign exchange:		
Customer deposits	(4,058,162)	(1,981,313)
Borrowed funds	(905,224)	(447,703)
Financial obligations	(72,797)	(52,434)
Subordinated debts	(310,378)	-
Loans portfolio	(819,709)	(174,232)
Investments	(12,361)	(1,742)
Available funds	(228,611)	(6,359)
Accounts receivable	(109,502)	(1,599)
Other assets	(120)	(465)
Non-financial investments	(366)	(5)
Other liabilities	<u>(4,621)</u>	<u>(3,497)</u>
Sub-total	<u>(6,521,851)</u>	<u>(2,669,349)</u>
	<b>RD\$ <u>(60,624)</u></b>	<b><u>(116,730)</u></b>

(Continues)

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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Notes to the Consolidated Financial Statements - Statutory Basis

**32 Other operating income (expenses)**

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

	<u>2013</u>	<u>2012</u>
Other operating income:		
Credit card fees	RD\$ <u>598,956</u>	<u>368,726</u>
Commissions on service:		
Draws and transfers	126,231	121,087
Certification and sale of management checks	13,062	12,009
Collections	5,006	5,236
Other commissions collected	1,783,000	1,708,478
Letters of credit	31,670	28,614
Collaterals granted	<u>28,329</u>	<u>31,982</u>
	<u>1,987,298</u>	<u>1,907,406</u>
Commission for exchange:		
Gains on foreign exchange	696,129	746,898
Premium for foreign exchange contracts	<u>56,170</u>	<u>-</u>
	752,299	746,898
Other operational income:		
Available funds	16,455	17,213
Other miscellaneous operational income:		
Claims for medical services	444,491	419,607
Other services and contingencies	<u>1,226,478</u>	<u>1,171,665</u>
	<u>1,687,424</u>	<u>1,608,485</u>
 Total other operational income	 5,025,977	 4,631,515
Other operating expenses:		
Commissions on services:		
Correspondent services	18,705	18,531
Other services	<u>202,426</u>	<u>182,252</u>
	<u>221,131</u>	<u>200,783</u>
Sundry expenses:		
Commission for exchange	13,549	7,467
Other operating expenses	107,562	80,063
Commissions and sale of property	4,105	2,472
Claims for medical services	<u>395,162</u>	<u>373,952</u>
	<u>520,378</u>	<u>463,954</u>
 Total other operating expenses	 RD\$ <u><b>741,509</b></u>	 <u><b>664,737</b></u>

(Continues)

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Notes to the Consolidated Financial Statements - Statutory Basis

### 33 Other income (expenses)

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

	<u>2013</u>	<u>2012</u>
Other income:		
Recovery of written off assets	RD\$ 199,392	114,073
Decrease of reserves for risky assets	343,796	251,576
Gain on sale of assets received in loans settlements	55,470	-
Gain on sale of property, plant and equipment	-	67,834
Non-financial investments	71,116	88,868
Leases of property	27,233	14,531
Other	<u>464,985</u>	<u>345,227</u>
	<u>1,161,992</u>	<u>882,109</u>
Other expenses:		
Losses from shares in other entities	27,494	10,773
Expenses for assets received in loans settlements	34,701	23,990
Other expenses:		
Accounts receivable	-	10,588
Penalties for breach	296	123
Donations	131,512	8,113
Losses from thefts, assaults and frauds	98,461	117,228
Acquisition of parts for ATMs - others	<u>342,127</u>	<u>222,522</u>
	<u>634,591</u>	<u>393,337</u>
Other net income	<b>RD\$ <u>527,401</u></b>	<b><u>488,772</u></b>

(Continues)

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Notes to the Consolidated Financial Statements - Statutory Basis

### 34 Personnel compensation and social benefits

A summary of personnel compensations and social benefits is as follows:

	Years ended at December 31	
	<u>2013</u>	<u>2012</u>
Wages, salaries and benefits to employees	RD\$ 5,438,685	4,457,107
Social security	448,398	415,185
Contributions to the pension plan	897,180	1,641,015
Other expenses related to personnel	<u>2,677,695</u>	<u>1,839,997</u>
	<b>RD\$ <u>9,461,958</u></b>	<b><u>8,353,304</u></b>

At December 31, 2013 and 2012, the Personnel compensation and social benefits include approximately RD\$740,528 and RD\$591,401, respectively, which correspond to executive management, which are defined director and above.

As of December 31, 2013 and 2012, the Bank has 8,415 and 7,983 employees, respectively.

### 35 Risk assessment

A summary of assets and liabilities subject to the interest rates risk as of December 31, 2013 and 2012, are shown below:

#### Interest rate risk

		<u>At December 31st</u>			
		<u>2013</u>		<u>2012</u>	
		<u>Local Currency</u>	<u>Foreign Currency</u>	<u>Local Currency</u>	<u>Foreign Currency</u>
Assets sensitive to interest rate	RD\$	136,722,435	91,434,833	116,861,128	47,139,786
Liabilities sensitive to interest rate		<u>(167,440,558)</u>	<u>(111,415,156)</u>	<u>(139,459,396)</u>	<u>(80,710,500)</u>
Net position	<b>RD\$</b>	<b><u>(30,718,123)</u></b>	<b><u>(19,980,323)</u></b>	<b><u>(22,598,268)</u></b>	<b><u>(33,570,714)</u></b>
Interest exposure	<b>RD\$</b>	<b><u>979,231</u></b>	<b><u>1,099,014</u></b>	<b><u>530,299</u></b>	<b><u>81,226</u></b>

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

*Liquidity risk*

A detail of the maturity of assets and liabilities according to their maturity date as of December 31, 2013 and 2012 is as follows:

		December 31, 2013					
		Up to 30 Days	31 to 90 Days	91 Days to 1 year	1 to 5 Years	More than 5 years	Total
<b>Assets:</b>							
Available funds	RD\$	59,683,710	-	-	-	-	59,683,710
Investments		4,455,838	2,499,429	5,489,397	20,366,034	12,820,847	45,631,545
Loans portfolio		52,621,094	9,911,240	41,456,565	54,272,595	37,641,685	195,903,179
Debtors by acceptances		1,593	-	-	-	-	1,593
Accounts receivable		1,695,051	-	325,649	-	35,291	2,055,991
Investment in shares		-	-	-	-	352,053	352,053
Other assets (i)		34,676	270,375	-	-	46,368	351,419
<b>Total assets</b>	<b>RD\$</b>	<b><u>118,491,962</u></b>	<b><u>12,681,044</u></b>	<b><u>47,271,611</u></b>	<b><u>74,638,629</u></b>	<b><u>50,896,244</u></b>	<b><u>303,979,490</u></b>
<b>Liabilities</b>							
Customer deposits	RD\$	127,106,645	7,858,097	18,780,723	6,058,266	-	159,803,731
Deposits from domestic and foreign financial institutions		9,334,329	51,750	1,212,825	12,386	-	10,611,290
Borrowing funds		1,506,464	11,534,431	7,807,249	1,328,824	-	22,176,968
Outstanding acceptances		1,593	-	-	-	-	1,593
Outstanding securities		18,081,987	24,425,338	23,181,601	8,004,622	-	73,693,548
Other liabilities (ii)		2,486,653	-	1,046,073	380,036	3,491,055	7,403,817
Subordinated debts		-	373,383	-	-	12,539,620	12,913,003
<b>Total liabilities</b>	<b>RD\$</b>	<b><u>158,517,671</u></b>	<b><u>44,242,999</u></b>	<b><u>52,028,471</u></b>	<b><u>15,784,134</u></b>	<b><u>16,030,675</u></b>	<b><u>286,603,950</u></b>

(Continues)



**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,  
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		December 31, 2012					
		Up to 30 Days	31 to 90 Days	91 Days to 1 year	1 to 5 Years	More than 5 years	Total
<b>Assets:</b>							
Available funds	RD\$	42,776,266	-	-	-	-	42,776,266
Investments		3,925,919	940,534	586,734	11,730,920	20,274,001	37,458,108
Loans portfolio		48,968,377	9,810,961	23,926,518	47,769,030	24,060,199	154,535,085
Debtors by acceptances		190,244	3,330	-	-	-	193,574
Investment in shares		-	-	-	-	343,297	343,297
Accounts receivable		117,954	7,172,840	164,919	-	357,024	7,812,737
Other assets (i)		61,975	115,950	-	-	82,892	260,817
<b>Total assets</b>	<b>RD\$</b>	<b><u>96,040,735</u></b>	<b><u>18,043,615</u></b>	<b><u>24,678,171</u></b>	<b><u>59,499,950</u></b>	<b><u>45,117,413</u></b>	<b><u>243,379,884</u></b>
<b>Liabilities:</b>							
Customer deposits	RD\$	95,710,213	7,183,728	16,115,123	2,971,416	1,464,146	123,444,626
Deposits from domestic and foreign financial institutions		7,322,398	1,025,398	1,871,471	3	-	10,219,270
Outstanding securities		14,782,589	21,578,620	23,007,651	7,965,519	-	67,334,379
Borrowing funds		1,292,313	4,290,745	9,470,781	1,033,233	-	16,087,072
Outstanding acceptances		190,244	3,330	-	-	-	193,574
Other liabilities (ii)		7,280,687	-	193,095	240,607	2,322,685	10,037,074
<b>Total liabilities</b>	<b>RD\$</b>	<b><u>126,578,444</u></b>	<b><u>34,081,821</u></b>	<b><u>50,658,121</u></b>	<b><u>12,210,778</u></b>	<b><u>3,786,831</u></b>	<b><u>227,315,995</u></b>

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

(ii) Consist of transactions that represent an obligation of payment for the Bank.

The liquidity ratios of the Bank at December 31, 2013 and 2012, is as follows:

	At December 31, 2013		At December 31, 2012	
	Local Currency	Foreign Currency	Local Currency	Foreign Currency
<b>Liquidity ratio:</b>				
15 days adjusted	121.52%	181.79%	90.03%	186.44%
30 days adjusted	101.98%	377.81%	171.90%	253.08%
60 days adjusted	84.09%	243.85%	157.55%	172.29%
90 days adjusted	<u>81.37%</u>	<u>188.94%</u>	<u>134.69%</u>	<u>166.13%</u>
<b>Position:</b>				
15 days adjusted	4,183,132	233,255	(1,243,412)	199,630
30 days adjusted	546,168	1,008,917	12,028,679	391,003
60 days adjusted	(6,304,776)	823,451	13,816,611	275,524
90 days adjusted	(8,864,917)	696,228	10,813,767	263,768
Global (months)	<u>(1.04)</u>	<u>(56.78)</u>	<u>(9.41)</u>	<u>(21.13)</u>

(Continues)

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The regulations on liquidity risk establish that the maturities of liabilities for the period of 30 days should be covered by assets maturing in at least 80% of that amount for both currencies. At December 31, 2013 and 2012, the Bank had coverage in local currency of 101.98 % and 171.90 % respectively, and in foreign currency 377.81% and 253.08%, respectively. For a period of 90 days it is required 70% of maturity of the adjusted liabilities. At December 31, 2013 and 2012, this ratio showed in local currency 81.37 % and 134.69%, respectively, and 188.94% and 166.13%, respectively, in foreign currency. The consolidated global position of assets and liabilities in local and foreign currency at December 31, 2013 and 2012, mature in 1.04 and 9.41 and 56.78 and 21.13 months, respectively, before the liabilities.

### 36 Fair value of the financial instrument

A summary of the fair value of financial instruments at December 31, 2013 and 2012, is as follows:

	<u>At December 31, 2013</u>		<u>At December 31, 2012</u>	
	Book	Fair	Book	Fair
	<u>Value</u>	<u>Value</u>	<u>Value</u>	<u>Value</u>
<b>Financial assets</b>				
Available funds	RD\$ 59,683,710	N/A	42,776,266	N/A
Investments, net (a)	45,478,305	N/A	37,425,411	N/A
Loans portfolio, net (a)	190,463,779	N/A	149,287,228	
Investments in shares, net (b)	<u>329,629</u>	<u>N/A</u>	<u>192,182</u>	<u>N/A</u>
	<b>RD\$ <u>295,955,423</u></b>		<b><u>229,681,087</u></b>	
<b>Liabilities</b>				
Customer deposits	RD\$ 159,803,731	N/A	123,444,626	N/A
Deposits in domestic and international financial institutions	10,611,290	N/A	10,219,270	N/A
Borrowed funds (a)	22,176,968	N/A	16,087,072	N/A
Outstanding securities (a)	73,693,548	N/A	67,334,379	N/A
Subordinated debts	<u>12,913,003</u>	<u>11,909,833</u>	<u>-</u>	<u>-</u>
	<b>RD\$ <u>279,198,540</u></b>	<b><u>11,909,833</u></b>	<b><u>217,085,347</u></b>	

(N/A): Not available.

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- (a) The Bank has not performed an analysis of fair values of its loans portfolio, customer deposits, outstanding securities and borrowed funds, whose market values might be affected by changes in interest rates.
- (b) There is not an active stock market in the Dominican Republic where fair value of these investments in shares can be obtained. Nevertheless, for investments in shares of entities that are listed in active markets, with a book value of RD\$36,635 and RD\$34,565, respectively, the market value was RD\$154,016 and RD\$110,361, respectively.

### 37 Transactions with related parties

The First Resolution of the Monetary Board dated March 18, 2004 approved the Regulation regarding Credit Limits to Related Parties, which established the criteria to determine who is a related party of financial institutions.

Operations and significant balances with related parties in accordance with the criteria established by the Regulation regarding Credit Limits to Related Parties as of December 31, 2013 and 2012 are as follows:

	At December 31, 2013			
	Current <u>Loans</u>	Past due <u>Loans</u>	<u>Total</u>	<u>Collaterals</u>
Related through ownership	87,203,099	-	87,203,099	Unsecured
Related through management	<u>6,354,358</u>	<u>64,039</u>	<u>6,418,397</u>	<u>2,182,319</u>
	At December 31, 2012			
	Current <u>Loans</u>	Past due <u>Loans</u>	<u>Total</u>	<u>Collaterals</u>
Related through ownership	77,682,882	1	77,682,883	Unsecured
Related through management	<u>5,391,587</u>	<u>19,370</u>	<u>5,410,957</u>	<u>3,710,660</u>

The loans related to the ownership correspond to loans to the Dominican Republic Government and its agencies, which are excluded when determining the technical relations related to credit concentration.

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As of December 31, 2013 and 2012, loans related to the management of the Bank includes RD\$6,418 and RD\$5,410 million, respectively, which were granted to employees at interest rates more favorable than those to unrelated parties in accordance with the policy for personnel incentives. Similarly, deposits with related parties maintain interest rates at different conditions from those of unrelated parties.

The most significant balances and transactions with related parties through ownership for the years ended at December 31, 2013 and 2012 include:

		2013		2012	
		Balance	Effects on Revenues (Expenses)	Balance	Effects on Revenues (Expenses)
Available funds	RD\$	38,652,218	-	38,294,943	-
Loans portfolio		87,203,099	6,325,085	77,682,883	4,671,488
Demand deposits		30,749,625	(262,027)	21,924,272	(317,542)
Savings deposits		2,203,429	-	1,356,992	-
Other investment in debt instruments		41,598,606	2,352,028	18,047,940	2,147,884
Time deposits		11,353,157	(664,232)	11,723,549	(1,245,414)
Interests receivable		828,548	-	338,244	-
Accounts receivable		41,064	-	6,123,355	-
Other liabilities		264,768	-	232,061	-

Other transactions with identifiable related parties conducted during the periods ended at December 31, 2013 and December 31, 2012 include:

		2013		2012	
		Balance	Effects in Net Income Revenues (Expenses)	Balance	Effects in Net Income Revenues (Expenses)
Loans portfolio	RD\$	6,418,397	335,537	5,410,957	707,836
Deposits of officers and employees		2,791,494	(458,857)	2,609,046	(323,852)

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### 38 Pension fund

The Bank makes contributions to the following pension plans:

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

	<u>2013</u>	<u>2012</u>
Present value of obligations		
for past services	RD\$ (7,748,215)	(11,688,221)
Net assets of the plan	<u>7,191,516</u>	<u>5,463,018</u>
Net position of the plan	<b>RD\$ <u><u>(556,699)</u></u></b>	<b><u><u>(6,225,203)</u></u></b>

The expenses recognized during the years 2013 and 2012 amounted to RD\$482,691 and RD\$1,641,015, respectively, including extraordinary contributions in the amounts of RD\$30,000 and RD\$242,327, respectively, in 2013 and 2012, and a liability of RD\$904,614 recognized in 2012 with the purpose of covering the deficit until 2019, according to authorization of the Superintendence of Banks of the Dominican Republic.

The Superintendence of Banks through Circular Letter SB ADM/0681/10 of December 31, 2010, did not object that the Bank recognizes from 2011, an extraordinary annual payment of RD\$242.3 million for a period of nine (9) years, to cover the actuarial deficit determined in accordance to the actuarial study carried out in 2007. For such effect, the Bank was required to submit to the SIB the Minutes of the Board of Directors that approved the transaction, a study with its recommendations concerning the financial position and viability over the next nine (9) years and the balance of the actuarial deficit included in the plan dated December 31, 2010. This information was provided to the Superintendence of Banks through letter ADM-1384-11 of March 14, 2011.

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

### 39 Non-monetary transactions

The non-monetary transactions are as follows:

	<u>2013</u>	<u>2012</u>
Write-off of loans portfolio and interests receivable	RD\$ 1,051,448	480,745
Write-off of assets received in loans settlements	-	190,854
Assets received in loans settlements	2,420,673	346,561
Transfer between allowances for risky assets:		
Loans portfolio	(460,938)	(82,211)
Investments	(8,000)	(64,700)
Interests receivable	104,026	(3,700)
Assets received in loans settlements	454,616	206,511
Contingencies	(89,703)	(55,900)
Sale of assets received in loans settlements with credit facilities	63,792	11,676
Amortization of national treasury bonds	75,000	75,000
Interests on national treasury bonds	5,250	6,000
Transfer of net income to other equity reserves	1,766,341	777,551
Debt amortization of the Dominican Republic Government	-	220,492
Dividends paid with transfer of assets received in loans settlements	450,000	-
Transfer of invoice discounts to loans portfolio	<u>10,744,881</u>	<u>11,939,137</u>

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**40 Other disclosures**

**40.1 Implementation of future standards**

According to the Second Monetary Board Resolution dated March 21, 2013, minor commercial debtors under loans granted prior to May 31, 2013, and its consolidated debts in the domestic financial system to be converted to major debtors, should be evaluated on their payment capacity rather than on arrears or payment history basis. The effect on the required provisions resulting from this situation must be recognized in the first assessment made by the Bank in 2014.

**41 Footnote disclosures required by the Superintendence of Banks**

Resolution No. 13-94 of the Superintendence of Banks of the Dominican Republic and its amendments sets the minimum disclosures that the consolidated financial statements of financial institutions should include. As of December 31, 2013 and 2012 the following notes are not included because they are not applicable:

- ♦ Earnings per share.
- ♦ Significant discontinued operations.
- ♦ Changes in share ownership.
- ♦ Regular Reclassification of liabilities of relative significance.
- ♦ Gains or losses on sales of fixed assets or other assets, in subsidiaries, branches or offices abroad
- ♦ Losses arising from disasters.
- ♦ Effects of change in market value over the book value of investments in securities
- ♦ Events occurring after the reporting period.