

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

Consolidated Financial Statements

December 31, 2021

(With Independent Auditors' Report)

(Free Translation from the Original Spanish-Language Version)



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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples and its Subsidiaries (the Bank), which comprise the consolidated balance sheets as at December 31, 2021, the consolidated statements of profit or loss, cash flow and changes in equity for the year then ended, and notes to the consolidated financial statements comprising significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples and its Subsidiaries as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with accounting practices established by the Superintendence of Banks of the Dominican Republic, as described in note 2 to the accompanying consolidated financial statements.

Basis for opinion

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

Emphasis of matter

We draw attention to notes 1 and 38 to the consolidated financial statements. As at December 31, 2021 and for the year then ended, for its condition of being the Bank of the Dominican Republic State, a significant proportion of assets and liabilities, as well as financial income and expenses, correspond to balances held and transactions performed with entities of the government sector. Our opinion is not modified in respect of this matter.

(Continues)

Key audit matters

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

Estimation and accounting for the allowance of private loan portfolio

See notes 2.5.1, 7 and 15, to the accompanying consolidated financial statements.

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The estimation of allowance for commercial private debtors within the loan portfolio is a key audit matter due to the nature of calculation, judgments and analysis performed by management, the requirements of constitution of allowance that the Bank's management must comply with, in accordance with parameters established by the Monetary and Financial Authority and the importance of the result of this estimate in relation to Bank's loan portfolio.</p> <p>The loan portfolio of commercial private debtors represents 20 % of Bank's total assets. The allowance of the portfolio of private debtors is determined following the criteria established by the Monetary and Financial Authority, mainly in the Asset Evaluation Regulations, as well as resolutions, circulars and other related documents, as well as the methodology established by the Bank for determination of additional and anti-cyclical allowances.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> ◆ Obtaining an understanding and test relevant controls that the Bank maintains regarding the design, implementation and operational efficiency for the approval and disbursement of credits related to private debtors. ◆ Obtaining an understanding and test the relevant controls related to the determination, accounting and disclosure of allowance for loan portfolio for private sector. ◆ Obtaining the reconciliation of the general ledger to the sub-ledger of loan portfolio, including private debtors and observe the mathematical accuracy of the reconciliation. ◆ Using a sampling tool, select a representative sample of the loan portfolio of private debtors to recalculate the required allowance based on parameters established by current regulations. This recalculation includes the evaluation of payment capacity of private debtors and the admissibility of collateral provided.

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- ◆ Comparing the results obtained with the allowance reported in the self-assessment of the loan portfolio carried out by the Bank, sent to the Superintendence of Banks of the Dominican Republic and recognized in the consolidated financial statements.
- ◆ Recalculating the allowance for loan portfolio of private debtors based on their payment behavior, as stipulated in the Asset Evaluation Regulations, as well as resolutions, circulars and other related amendments.
- ◆ Recalculating the aging assigned by the Bank's system and reported to the Superintendence of Banks of the Dominican Republic for private debtors.
- ◆ Analyzing the methodology used by the Bank for the constitution of anti-cyclical and additional loan allowance, as submitted to the Monetary and Financial Authority, in accordance with measures adopted in resolutions, circulars and other related amendments as a result of the economic situation caused by global COVID-19 pandemic.
- ◆ Using sampling techniques, we selected several written-off credits and observed that these write-offs have been carried out following Bank's policy and provisions of the Asset Evaluation Regulations.
- ◆ Verifying, for applicable cases, that the Bank has the approval from the Monetary and Financial Authority to specific measures and provisions for the recognition of allowances and classification of some credits granted for specific sectors of the Dominican Republic economy.

Technical reserves

See notes 2.24, 2.26 and 22 to the accompanying consolidated financial statements.

The key audit matter

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

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

How the matter was addressed in our audit

Our audit procedures in this area included, among others:

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

Other matter

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

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- ◆ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- ◆ We evaluate the adequacy of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management.

(Continues)



- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

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

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

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

SB Registration No. A-006-0101

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

March 27, 2022

Santo Domingo,
Dominican Republic

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

Consolidated Balance Sheets

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RDS)

	<u>At December 31,</u>	
	<u>2021</u>	<u>2020</u>
ASSETS		
Available funds (notes 3, 4, 36, 37 and 38)	<u>124,618,138</u>	<u>116,904,223</u>
Investments (notes 3, 6, 15, 36, 37, 38 and 40)		
Available for sale	65,335,263	37,639,311
Other investments in debt instruments	330,283,336	225,142,438
Interests receivable	6,554,631	5,747,260
Allowance for investments	<u>(209,654)</u>	<u>(183,889)</u>
	<u>401,963,576</u>	<u>268,345,120</u>
Loans portfolio (notes 3, 7, 15, 36, 37, 38 and 40)		
Current	361,320,895	309,154,378
Restructured	3,038,704	2,312,319
Past due	4,126,324	3,713,860
In legal collection	346,600	2,055,283
Interests receivable	4,173,330	5,082,769
Allowance for loans	<u>(26,297,265)</u>	<u>(18,075,900)</u>
	<u>346,708,588</u>	<u>304,242,709</u>
Debtors by acceptances (notes 3, 8 and 36)	<u>54,989</u>	<u>144,864</u>
Accounts receivable (notes 3, 9, 36 and 38)		
Commissions receivable	125,944	199,977
Accounts receivable	2,054,076	1,437,802
Insurance premiums receivable	3,467,290	3,397,630
Receivables from insurance and guarantees	1,730	5,514
Interests receivable	<u>279</u>	<u>191</u>
	<u>5,649,319</u>	<u>5,041,114</u>
Assets received in lieu of foreclosure of loans (notes 10, 15 and 40)		
Assets received in lieu of foreclosure of loans	7,809,913	10,328,170
Allowance for assets received in lieu of foreclosure of loans	<u>(7,499,440)</u>	<u>(9,448,077)</u>
	<u>310,473</u>	<u>880,093</u>
Investments in shares (notes 3, 11, 15, 36, 37 and 40)		
Investments in shares	1,659,249	1,568,735
Allowance for investments in shares	<u>(58,519)</u>	<u>(51,113)</u>
	<u>1,600,730</u>	<u>1,517,622</u>
Property, furniture and equipment (notes 12, 27 and 40)		
Property, furniture and equipment	19,749,792	18,984,440
Accumulated depreciation	<u>(6,322,434)</u>	<u>(6,081,559)</u>
	<u>13,427,358</u>	<u>12,902,881</u>
Properties under development intended for sale and lease (note 13)	<u>5,391,850</u>	<u>820,212</u>
Other assets (notes 3, 14 and 24)		
Deferred charges	12,855,902	3,357,030
Intangibles	3,117,752	3,038,949
Other assets	506,799	875,099
Accumulated amortization	<u>(1,564,525)</u>	<u>(1,056,799)</u>
	<u>14,915,928</u>	<u>6,214,279</u>
TOTAL ASSETS	<u>914,640,949</u>	<u>717,013,117</u>
Contingent accounts (notes 25 and 29)	<u>1,058,687,517</u>	<u>1,139,213,343</u>
Memorandum accounts (note 30)	<u>3,851,431,395</u>	<u>3,377,033,921</u>

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

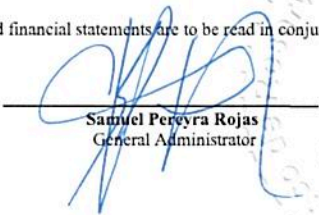
Consolidated Balance Sheets

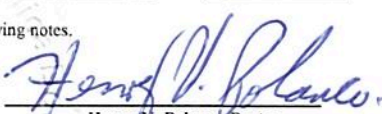
(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RDS)

	<u>At December 31,</u>	
	<u>2021</u>	<u>2020</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Customers' deposits (notes 3, 16, 36, 37 and 38)		
Checking	179,569,718	123,728,829
Savings	298,050,951	235,903,959
Time	47,756,351	48,978,028
Interests payable	15,618	24,197
	<u>525,392,638</u>	<u>408,635,013</u>
Deposits from domestic and foreign financial institutions (notes 3, 17, 36 and 37)		
From domestic financial institutions	25,510,614	23,529,181
Interests payable	2	126
	<u>25,510,616</u>	<u>23,529,307</u>
Securities on repurchase agreements (notes 18, 36 and 37)	<u>10,250,356</u>	<u>11,760,363</u>
Borrowed funds (notes 3, 19, 36 and 37)		
From Central Bank	22,674,238	20,313,370
From domestic financial institutions	916,000	1,249,877
From foreign financial institutions	36,287,516	22,782,815
Others	2,515,455	632,227
Interests payable	450,206	495,888
	<u>62,843,415</u>	<u>45,474,177</u>
Outstanding acceptances (notes 3, 8 and 36)	<u>54,989</u>	<u>144,864</u>
Outstanding securities (notes 20, 36, 37 and 38)		
Securities	174,239,206	125,456,783
Interests payable	189,664	250,460
	<u>174,428,870</u>	<u>125,707,243</u>
Creditors for insurance and bank guarantees (notes 3 and 26)	<u>3,145,525</u>	<u>2,417,492</u>
Insurance premium deposits	<u>449,124</u>	<u>379,231</u>
Other liabilities (notes 3, 15, 21, 24, 29 and 36)	<u>22,552,293</u>	<u>17,900,057</u>
Technical reserves (notes 3 and 23)		
Mathematical and technical life insurance reserves	258,591	260,600
Reserves for unearned insurance premiums	5,778,080	5,424,034
	<u>6,036,671</u>	<u>5,684,634</u>
Subordinated debts (notes 3, 22, 36 and 37)		
Subordinate debts	27,075,853	27,322,445
Interests payable	503,981	513,438
	<u>27,579,834</u>	<u>27,835,883</u>
TOTAL LIABILITIES	<u>858,244,331</u>	<u>669,468,264</u>
NET EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (notes 27 and 40)		
Paid-in capital	10,000,000	10,000,000
Other equity reserves	38,903,588	29,119,495
Revaluation surplus	666,545	677,685
Unrealized gains (losses) on investments available for sale	(226,962)	2,969,604
Retained earnings from previous periods	229,127	217,987
Net income for the year	6,522,728	4,160,155
	<u>56,095,026</u>	<u>47,144,926</u>
Non-controlling interests	<u>301,592</u>	<u>399,927</u>
TOTAL EQUITY	<u>56,396,618</u>	<u>47,544,853</u>
TOTAL LIABILITIES AND EQUITY	<u>914,640,949</u>	<u>717,013,117</u>
Contingent accounts (notes 25 and 29)	<u>1,058,687,517</u>	<u>1,139,213,343</u>
Memorandum accounts (note 30)	<u>3,851,431,395</u>	<u>3,377,033,921</u>

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


Samuel Pereyra Rojas
General Administrator


Henry V. Polanco Portes
Comptroller

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

Consolidated Statements of Profit or Loss

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RDS)

	Years ended December 31,	
	2021	2020
Financial income (notes 6, 7, 31 and 38)		
Interest and commissions on loans	38,463,542	39,951,918
Interest on investments	24,075,139	13,308,416
Gains on sale of investments and securities	13,819,905	6,037,377
Insurance premiums net of returns and cancellations	12,217,915	10,049,150
	<u>88,576,501</u>	<u>69,346,861</u>
Financial expenses (notes 16, 17, 18, 19, 20, 22, 31 and 38)		
Interest on deposits	(9,505,076)	(11,538,686)
Loss on sale of investments and securities	(3,146,439)	(682,913)
Interest and commissions on borrowed funds	(1,496,538)	(1,133,876)
Insurance claims and contractual obligations	(8,284,028)	(6,661,275)
Expenses related to technical adjustment to reserves	(207,306)	(162,609)
Expenses related to acquisition, conservation and collection of insurance premiums	(1,226,789)	(984,961)
	<u>(23,866,176)</u>	<u>(21,164,320)</u>
Gross financial margin	<u>64,710,325</u>	<u>48,182,541</u>
Allowance for loan losses (note 15)	(9,697,807)	(8,632,923)
Allowance for investments (note 15)	-	(100)
	<u>(9,697,807)</u>	<u>(8,633,023)</u>
Net financial margin	<u>55,012,518</u>	<u>39,549,518</u>
Foreign exchange gain (loss) (note 32)	<u>(186,230)</u>	<u>(511,404)</u>
Other operating income (notes 33 and 38)		
Credit card fees	3,328,169	3,266,306
Service fees	7,825,044	6,775,189
Foreign exchange commissions	3,042,000	3,023,510
Miscellaneous income	3,341,241	3,240,056
	<u>17,536,454</u>	<u>16,305,061</u>
Other operating expenses (notes 33 and 38)		
Commissions for services	(2,019,071)	(1,353,033)
Miscellaneous expenses	(3,472,889)	(3,472,871)
	<u>(5,491,960)</u>	<u>(4,825,904)</u>
Gross operating profit	<u>66,870,782</u>	<u>50,517,271</u>
Operating expenses (notes 15, 29, 35 and 39)		
Salaries and personnel compensation	(24,703,220)	(22,400,307)
Professional fees	(5,225,492)	(3,652,339)
Depreciation and amortization	(2,006,467)	(1,981,888)
Other provisions	(2,212,927)	(2,117,156)
Other expenses	(10,094,772)	(8,092,070)
	<u>(44,242,878)</u>	<u>(38,243,760)</u>
Net operating profit	<u>22,627,904</u>	<u>12,273,511</u>

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


Consolidated Statements of Profit or Loss

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RDS)

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Other income (expenses) (note 34)		
Other income	3,313,917	2,062,603
Other expenses	<u>(7,644,814)</u>	<u>(2,634,861)</u>
	<u>(4,330,897)</u>	<u>(572,258)</u>
Profit before income tax	18,297,007	11,701,253
Income tax (note 24)	<u>(1,930,044)</u>	<u>(1,215,922)</u>
Net income for the period	<u>16,366,963</u>	<u>10,485,331</u>
ATTRIBUTABLE TO:		
Owners of the Bank (Parent Company)	16,306,821	10,400,386
Non-controlling interests	<u>60,142</u>	<u>84,945</u>
	<u>16,366,963</u>	<u>10,485,331</u>

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



Samuel Pereyra Rojas
 General Administrator



Henry N. Polanco Portes
 Comptroller



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

Consolidated Statements of Cash Flows

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RDS)

	Years ended December 31,	
	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Interest and commissions collected from loans	38,840,086	37,880,159
Other financial income collected	35,421,967	15,515,964
Other operating income collected	17,002,030	16,305,061
Insurance premium collected	12,218,148	9,237,111
Increase (decrease) in insurance and guarantees	(350,241)	644,272
Interest paid on deposits	(9,539,084)	(11,457,613)
Interest and commissions paid on borrowed funds	(1,542,220)	(1,015,044)
General and administrative expenses paid	(40,005,191)	(34,136,478)
Other operating expenses paid	(5,491,960)	(4,825,904)
Income taxes paid	(7,883,347)	(1,224,298)
Insurance claims and contractual obligation	(8,284,028)	(6,661,275)
Properties under development intended for sale and lease	44,032	40,143
Miscellaneous collections (payments) by operating activities	(1,893,727)	5,801,693
Net cash provided by operating activities	28,536,465	26,103,791
CASH FROM INVESTMENT ACTIVITIES		
Increase in investments	(137,253,702)	(135,304,279)
Loans granted	(257,133,732)	(280,626,965)
Loans collected	199,030,204	302,486,536
Interbank funds granted	(100,000)	(8,410,000)
Interbank funds collected	100,000	8,410,000
Acquisition of minority interest	(39,321)	-
Acquisition of property for sale and lease considered as an investment	(4,628,477)	-
Acquisition of property, furniture and equipment	(2,171,111)	(1,246,738)
Proceeds from sale of property, furniture and equipment	11,071	71,469
Proceeds from sale of assets received in lieu of foreclosure of loans	646,798	342,675
Net cash used in investment activities	(201,538,270)	(114,277,302)
CASH FROM FINANCING ACTIVITIES		
Deposits received	7,855,906,317	6,889,862,328
Returned deposits	(7,688,376,257)	(6,775,343,141)
Borrowed funds received	127,605,955	97,626,183
Borrowed funds paid	(110,191,035)	(93,374,450)
Proceeds from securities lending on repurchase agreements	10,273,857	13,740,542
Payments of securities lending on repurchase agreements	(11,783,864)	(1,980,179)
Dividends paid and other payments to shareholders	(2,719,253)	(4,640,480)
Net cash provided by financing activities	180,715,720	125,890,803
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,713,915	37,717,292
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	116,904,223	79,186,931
CASH AND CASH EQUIVALENTS AT END OF YEAR	124,618,138	116,904,223

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

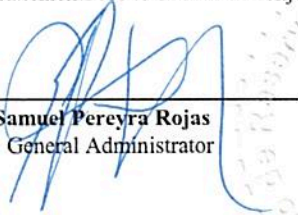
Consolidated Statements of Cash Flows

(Free Translation from the Original Spanish-Language Version)


Amounts in Thousands of Dominican pesos (RDS)

	Years ended December 31,	
	2021	2020
Reconciliation between the net profit for the period and net cash provided by operating activities		
Net income for the period	16,366,963	10,485,331
Adjustments to reconcile net profit for the period to net cash provided by operating activities:		
Allowance for risky assets and contingencies	11,910,734	10,750,179
Increase in mathematical and technical reserves	207,306	162,609
Depreciation and amortization	2,024,760	1,990,126
Assets discharged and recognized in expenses	108,516	101,801
Deferred income tax	83,909	32,633
Gain on sale of property, furniture and equipment	(2,243)	(41,358)
Equity on earnings in other companies	(351,883)	(256,109)
Impairment of assets received in lieu of foreclosure of loans	607,748	-
Loss on sale of assets received in lieu of foreclosure of loans	721,987	458,562
Amortization of investment premiums and discounts, net	1,480,821	495,307
Currency exchange rate fluctuations, net	(348,194)	1,754,900
Amortization of debt issuance cost and discount on subordinated debts	44,948	37,976
Expenses related to loans under COVID-19 flexible measures	2,231,244	-
Net change in assets and liabilities:		
Interests receivable	(430,915)	(5,713,982)
Debtors by acceptances	89,875	1,047,232
Commissions receivable	74,033	(18,584)
Accounts receivable	(605,604)	(600,590)
Insurance premiums receivable	(69,660)	(893,140)
Receivables from reinsurance and guarantees	3,784	1,415
Properties under development intended for sale and lease	44,032	40,143
Deferred charges	(8,521,813)	(293,527)
Intangibles	(78,803)	(27,517)
Other assets	368,300	(230,190)
Interests payable	(124,638)	161,929
Outstanding acceptances	(89,875)	(1,047,232)
Creditors of insurance and bank guarantees	728,033	1,040,808
Insurance premium deposits	69,893	81,101
Other liabilities	1,848,476	5,996,958
Technical reserves	144,731	587,010
Total adjustments	12,169,502	15,618,460
Net cash provided by operating activities	28,536,465	26,103,791

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



Samuel Pereyra Rojas
General Administrator



Henry V. Polanco Portes
Comptroller

CONTRALORIA

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

Consolidated Statements of Changes in Equity

Years ended December 31, 2021 and 2020


(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RD\$)

	Paid-in capital	Other equity reserves	Revaluation surplus	Unrealized gain (loss) on investments available for sale	Retained earnings from previous periods	Net income for the period	Total	Non-controlling Interests	Total equity
Balances at January 1st, 2020	10,000,000	22,879,264	688,825	-	506,055	6,012,073	40,086,217	330,790	40,417,007
Transfer to retained earnings	-	-	-	-	6,012,073	(6,012,073)	-	-	-
Dividends paid in cash to non-controlling interest	-	-	-	-	-	-	-	(15,808)	(15,808)
Dividends paid to the Dominican Republic Government (note 27):									
Cash	-	-	-	-	(4,624,672)	-	(4,624,672)	-	(4,624,672)
Debt amortization of the Dominican Republic State	-	-	-	-	(1,686,609)	-	(1,686,609)	-	(1,686,609)
Net unrealized gain on investments in securities available for sale (note 27)	-	-	-	2,969,604	-	-	2,969,604	-	2,969,604
Effect of depreciation on revaluated assets (note 27)	-	-	(11,140)	-	11,140	-	-	-	-
Net income for the year	-	-	-	-	-	10,400,386	10,400,386	84,945	10,485,331
Transfer to other equity reserves (note 27)	-	6,240,231	-	-	-	(6,240,231)	-	-	-
Balances at December 31, 2020	10,000,000	29,119,495	677,685	2,969,604	217,987	4,160,155	47,144,926	399,927	47,544,853
Transfer to retained earnings	-	-	-	-	4,160,155	(4,160,155)	-	-	-
Dividends paid in cash to non-controlling interest	-	-	-	-	-	-	-	(119,156)	(119,156)
Decrease of minority interest	-	-	-	-	-	-	-	(39,321)	(39,321)
Dividends paid to the Dominican Republic Government (note 27):									
Cash	-	-	-	-	(2,600,097)	-	(2,600,097)	-	(2,600,097)
Debt amortization of the Dominican Republic State	-	-	-	-	(1,560,058)	-	(1,560,058)	-	(1,560,058)
Effect of depreciation on revaluated assets	-	-	(11,140)	-	11,140	-	-	-	-
Net unrealized loss on investments in securities available for sale (note 27)	-	-	-	(3,196,566)	-	-	(3,196,566)	-	(3,196,566)
Net income for the year	-	-	-	-	-	16,306,821	16,306,821	60,142	16,366,963
Transfer to other equity reserves (note 27)	-	9,784,093	-	-	-	(9,784,093)	-	-	-
Balances at December 31, 2021	10,000,000	38,903,588	666,545	(226,962)	229,127	6,522,728	56,095,026	301,592	56,396,618

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


Samuel Pereyra Rojas
General Administrator


Henry V. Polanco Pórtes
Comptroller



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

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RD\$)

1 Entity

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

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

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

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

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

The Bank is regulated by the Monetary and Financial Law and its regulations as well as by resolutions of the Monetary Board and the Superintendence of Banks of the Dominican Republic (Superintendence of Banks).

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

1 Entity (continued)

As of December 31, 2021 and 2020, a detail of the Bank's offices, automatic teller machines (ATMs) and post offices is as follows:

<u>Location</u>	<u>2021</u>			<u>2020</u>		
	<u>Offices (*)</u>	<u>ATMs</u>	<u>Post offices</u>	<u>Offices (*)</u>	<u>ATMs</u>	<u>Post offices</u>
Metropolitan area	113	353	8	112	353	8
Provinces	<u>188</u>	<u>408</u>	<u>-</u>	<u>186</u>	<u>384</u>	<u>-</u>
	<u>301</u>	<u>761</u>	<u>8</u>	<u>298</u>	<u>737</u>	<u>8</u>

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

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

As of December 31, 2021 and 2020, the network of subagents was 1,212 (420 in the metropolitan area and 792 in the interior of the country) and 1,267 (461 in the metropolitan area and 806 in the interior of the country) businesses authorized, respectively.

The consolidated financial statements were approved for issuance by the Board of Directors on March 24, 2022.

2 Summary of significant accounting policies

2.1 Accounting basis of the consolidated financial statements

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

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

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

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

2.1.a *Differences between banking regulations and IFRS*

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

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

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

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

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

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

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

- xvii) IFRS require that, if the Bank maintains other comprehensive income, a statement of other comprehensive income or a separate statement of other comprehensive income must be presented showing the nature and amount of items comprising other comprehensive income during the reporting period. The Superintendence of Banks does not include this requirement in the presentation of financial statements.
- xviii) The Superintendence of Banks authorized the inclusion in the consolidated financial statements, the financial statements of subsidiaries that were prepared following different accounting practices to those set in the Accounting Manual for Financial Institutions, without being adjusted with the accounting practices followed by the Bank. Under IFRS, entities included in the consolidation should follow the same accounting policies.
- xix) Current banking regulations require financial intermediaries to recognize as expenses, payments arising from operating leases, to the extent that they are accrued. As of January 1st, 2019, IFRS require operating leases to be recognized in the accounting books of lessee as follows:
- a) At inception of lease, the lessee must recognize an asset for the right-of-use asset under the lease, and a financial liability for the obligation contracted in the lease.
 - b) Subsequent to initial recognition, the asset is depreciated on a straight-line basis over the term of the lease and the liability changes to reflect lease payments and interest generated.
 - c) In the statement of profit or loss, the expenses originated by the lease contract comprise the amortization expense of the underlying asset and the interest expense generated by the financial liability incurred.
- xx) IFRS requires the Bank to capitalize borrowing costs that are directly attributable to the construction of a qualifying asset, as part of the cost of that asset. Current rules of the Superintendence of Banks do not allow this practice.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

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

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

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

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

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

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

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

In the case of long-term life insurance contracts with a guaranteed minimum term, the premium income is recognized when payment is received from the insured party.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

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

2.2 Use of estimates

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

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.3 Consolidation

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

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

<u>Subsidiaries</u>	<u>Percentage of ownership (%)</u>
<i>Directly subsidiaries:</i>	
Tenedora Reservas, S. A. and Subsidiaries	97.74
Administradora de Riesgo de Salud Reservas, Inc.	-
<i>Indirectly subsidiaries:</i>	
Administradora de Fondos de de Pensiones Reservas, S. A.	98.50
Seguros Reservas, S. A.	98.50
Inmobiliaria Reservas, S. A.	99.99
Operadora de Zonas Francas Villa Esperanza, S.A.	99.99
Inversiones & Reservas, S. A.	100.00
Reservas Asistencia, S.A.S.	100.00
Fiduciaria Reservas, S. A.	100.00
Seguridad y Protección Institucional, S. A. (SEPROI)	100.00
Inversiones Finanprimas SB, S.A.S.	100.00
Sociedad Administradora de Fondos de Inversión Reservas, S. A.	100.00
Advanced Auto Technology, S.A.S.	100.00
Fideicomiso de Administración Factoring Gubernamental Reservas	<u>100.00</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

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

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

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

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

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

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

Tenedora Reservas, S. A. and Subsidiaries

Is the Parent Company of the following subsidiaries:

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

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

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

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

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

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

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

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

(j) Fideicomiso de Administración Factoring Gubernamental Reservas

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

2.4 Loan portfolio

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

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

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

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

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

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

2.5 Determination of provisions to cover credit risks on loan losses in the loan portfolio, other assets and contingent operations**2.5.1 Allowance for loans portfolio**

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

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

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

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

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

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

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

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

2.5.1 Allowance for loans portfolio (continued)

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

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

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

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

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

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

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

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

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

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

These are classified in:

Multi-use collateral (multipurpose collateral)

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

Specific use collateral (non-multipurpose collateral)

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

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

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

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

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

2.5.1 Allowance for loans portfolio (continued)

Other considerations

As of December 31, 2021 and 2020, the Bank has received waivers and no objections from the Central Bank of the Dominican Republic and the Superintendence of Banks to specifically recognize for and report on certain loans granted to specific sectors of the Dominican Republic economy, such as: contractors of priority works of the Dominican State, development of road network, low-cost housing construction sector, loans granted to some power generators and other operations linked to the sector, and some credits to the agricultural sector to be classified as "A" , with 0 % allowance requirement and 0 % weighting in the solvency ratio calculation.

2.5.2 Allowance for interests receivable

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

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

2.5.3 Allowance for other assets

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

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

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

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

2.5.4 Allowance for contingencies

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

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

The nature and amounts of contingencies are described in note 29 to the consolidated financial statements.

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

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

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

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

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

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

2.6.3 Defined contribution plan

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

2.6.4 Severance indemnities

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

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

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

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

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

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

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

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

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

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

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

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

Other considerations

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

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

2.8.2 Investments in shares and allowances

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

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

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

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

2.9.1 Basis of recognition

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

2.9.2 Depreciation

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

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

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

2.10 Valuation of assets received in lieu of foreclosure of loans

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

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

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

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

2.12 Assets and liabilities in foreign currency

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

Transactions during the year and income and expenses are translated at the exchange rate at the date of the transaction. Resulting gains or losses of the translation of assets and liabilities in foreign currency are recognized as “Income (expense) from net foreign exchange rate” in the accompanying consolidated statements of profit or loss.

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

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

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

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

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

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

Income on sale of investments in debt instruments

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

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

Other income and other operating expenses

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

Other income and expenses

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

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.13 Revenue recognition and most significant expenditures (continued)

2.13.2 Revenue recognition of insurance companies

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

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

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

2.13.3 Revenues from the Administrator of Pension Funds

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

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

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

2.13.5 Revenues from real estate

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

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

2.13.6 Revenues from brokerage services

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

2.13.7 Management fees

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

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

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

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

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

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

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

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

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

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

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

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

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

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

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

Short-term leases and leases of low-value assets

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

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

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

2.15 Provisions

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

2.16 Income tax

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

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.16 Income tax (continued)

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

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

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

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

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

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

2.17 Financial instruments

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

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

Short-term financial instruments

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

Investment in securities and shares

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

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

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

Outstanding securities

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

Loan portfolio

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

Interest on financial assets and liabilities

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.17 Financial instruments (continued)

Currency futures contracts

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

2.18 Derecognition of financial assets

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

2.19 Impairment of assets

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

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

2.20 Contingencies

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

2.21 Accounts receivable

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

The Bank pays dividends based on the results of their operations in accordance with the decisions of the Board of Directors' meeting. As established by Resolution No. 12-2001 dated December 5, 2001, issued by the Superintendence of Banks, which provides the allowed maximum amount of dividends to be distributed among the shareholders, should not be greater than the amount of the retained earning calculated on cash basis and considering what is established by the Bank's Organic Law No. 6133 and its amendments (see note 27).

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

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

2.23 Revaluation surplus

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

2.24 Mathematical and technical reserves - life insurance and collective insurance

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

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

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

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

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

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

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

2.26 Specific reserves

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

2.27 Amortization of non-proportional contracts - catastrophic premiums

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

2.28 Incurred but not reported claims (IBNR)

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.29 Segment reporting

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

2.30 Transactions with repurchase or resale agreement (repurchase agreements)

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

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

3 Transactions in foreign currency and exposure to exchange risk

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

	2021		2020	
	Amount in foreign currency \$	Total in RD\$	Amount in foreign currency \$	Total in RD\$
Assets				
Available funds	1,227,116	70,119,005	1,320,637	76,746,301
Investments	1,762,192	100,618,526	1,409,417	81,905,627
Loan portfolio, net	1,015,362	58,019,110	863,970	50,207,971
Debtors by acceptances	962	54,989	2,493	144,864
Accounts receivable	50,242	2,870,907	45,847	2,664,319
Investments in shares, net	803	45,883	812	47,199
Other assets	142	8,093	637	37,022
Contingencies (a)	<u>460,000</u>	<u>26,284,998</u>	-	-
Total assets	<u>4,516,819</u>	<u>258,021,511</u>	<u>3,643,813</u>	<u>211,753,303</u>
Liabilities				
Customers' deposits	2,989,646	170,832,228	2,494,581	144,967,855
Deposits from domestic and foreign financial institutions	184,318	10,532,177	212,103	12,325,952
Borrowed funds	652,479	37,283,519	398,705	23,169,984
Outstanding acceptances	962	54,989	2,493	144,864
Creditors for insurance and bonds	3,475	198,569	562	32,639
Other liabilities	38,547	2,202,627	22,029	1,280,204
Subordinated debts	308,365	17,620,354	308,038	17,901,112
Technical reserves	2,639	150,802	8,725	507,034
Contingencies (b)	<u>260,000</u>	<u>14,856,738</u>	-	-
Total liabilities	<u>4,440,431</u>	<u>253,732,003</u>	<u>3,447,236</u>	<u>200,329,644</u>
Long position in foreign currency	<u>76,388</u>	<u>4,289,508</u>	<u>196,577</u>	<u>11,423,659</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

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

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

As of December 31, 2021 and 2020, the exchange rates used by the Bank was RD\$57.1413 and RD\$58.1131, respectively.

4 Available funds

Available funds are summarized as follows:

	<u>2021</u>	<u>2020</u>
Cash on hand (a)	11,316,074	13,344,734
Central Bank of the Dominican Republic (b)	89,029,748	88,208,660
Local banks (c)	607,900	416,175
Foreign banks (d)	23,470,945	14,874,268
Other funds - in transit (e)	193,330	60,103
Interests receivable (f)	<u>141</u>	<u>283</u>
	<u>124,618,138</u>	<u>116,904,223</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

4 Available funds (continued)

- (a) Includes \$73,281 in 2021 and \$102,021 in 2020.
- (b) Includes \$740,841 in 2021 and \$960,458 in 2020.
- (c) Includes \$1,718 in 2021 and \$1,936 in 2020.
- (d) Includes \$410,753 in 2021 and \$255,954 in 2020.
- (e) Represents effects received from other banks pending collection in the Clearing House. As of December 31, 2021 includes \$521 and \$263 in 2020.
- (f) Corresponds to \$2 in 2021 and \$5 in 2020 pending to be collected.

The required legal reserve amounts to RD\$57,783,398 and \$637,561 for 2021 and RD\$42,780,362 and \$543,916 for 2020. For hedging purposes, the Bank maintains cash in the BCRD for RD\$58,244,624 and \$753,068 for 2021 and RD\$47,146,349 and \$994,813 for 2020. The Bank also maintains a loan portfolio in productive sectors as of December 31, 2021 and 2020 for RD\$15,951,581 and RD\$15,156,248, respectively.

5 Interbank funds

The movements of interbank funds received and granted during the years ended December 31, 2021 and 2020, is as follows:

<u>Entity</u>	<u>Interbank assets</u>			<u>Percentage of weighted average rate (%)</u>
	<u>Quantity</u>	<u>Amount in RD\$</u>	<u>No. of days</u>	
2021				
Banco Múltiple Lafise, S. A.	<u>1</u>	<u>100,000</u>	7	<u>3.60</u>
	<u>1</u>	<u>100,000</u>		
2020				
Banco Múltiple BHD León, S. A.	1	1,600,000	5	4.50
Banco Múltiple Caribe Internacional, S. A.	13	5,410,000	4	4.66
Citibank, N. A.	<u>2</u>	<u>1,400,000</u>	2	<u>5.75</u>
	<u>16</u>	<u>8,410,000</u>		

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

5 Interbank funds (continued)

During 2021 and 2020, the Bank negotiated interbank funds with different financial institutions; however, as of December 31, 2021 and 2020, there are no pending balances in interbank funds.

6 Investments

As of December 31, 2021 and 2020, the Bank's investments classified as other investments in debt instruments, are as follows:

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
2021				
Available for sale:				
Bonds Law No. 05-06, 143-13, 151-14, 248-17, 243-2, 331-15, 494-06, 512-19, 548-14, 57-13, 64-18, 693-16) (a)	Ministry of Finance of the Dominican Republic (includes \$645,525)	<u>65,335,263</u>	7.85 %	2023 until 2060
Other investments in debt instruments:				
Certificates of deposits (b)	Central Bank of the Dominican Republic (includes \$540,000)	156,734,285	5.50 %	2022 until 2026
Investment certificates with zero coupons	Central Bank of the Dominican Republic	57,764,577	4.34 %	2022
Bonds Law No. 248-17, 331-15, 512-19, 548-14, 58-13, 64-18, 693-16 361-11, 152-14, 175-12, 493-19, 687-16	Ministry of Finance of the Dominican Republic (includes \$538,317)	108,222,442	8.70 %	2022 until 2049
Trust values	Fideicomiso para la Operación, Mantenimiento y Expansión de La Red Vial principal de la República Dominicana	988,695	10.30 %	2026
Trust values	Fideicomiso de oferta pública Larimar (corresponds to \$1,320)	75,401	5.15 %	2036
Trust values	Fideicomiso de valores Rica	261,960	variable	2049
Corporate bonds	Consorcio Energético Punta Cana-Macao, S. A. (corresponds to \$644)	36,779	5.30 %	2025 until 2027
Corporate bonds	Ingeniería Estrella, S.R.L.	9,513	8.00 %	2031

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
2021				
Corporate bonds	Dominican Power Partners, (corresponds to \$249)	14,223	5.94 %	2027
Corporate bonds	Asociación Popular de Ahorros y Préstamos	255,007	10.01 %	2026
Corporate bonds	Asociación La Nacional de Ahorros y Préstamos	13,666	10.75 %	2024
Corporate bonds	Acero Estrella, S.R.L.	130,279	11.35 %	2030
Corporate bonds	Consorcio Minero Dominicano, S. A.	5,300	11.40 %	2029
Time deposits	Asociación Popular de Ahorros y Préstamos	55,089	4.30 %	2022
Time deposits	Asociación Peravia de Ahorros y Préstamos	68,620	4.28 %	2022
Time deposits	Asociación La Vega Real de Ahorros y Préstamos	60,000	3.88 %	2022
Time deposits	Asociación La Nacional de Ahorros y Préstamos	10,628	5.00 %	2022
Time deposits	Asociación Maguana de Ahorros y Préstamos	28,036	3.68 %	2022
Time deposits	Asociación Romana de Ahorros y Préstamos	15,479	3.80 %	2022
Time deposits	Asociación Bonao de Ahorros y Préstamos	27,500	6.00 %	2022
Time deposits	Banco Múltiple Caribe, S. A.	43,600	3.80 %	2022
Time deposits	Banco Múltiple Promérica de la República Dominicana, S. A.	39,531	4.33 %	2022
Time deposits	Motor Crédito, S. A. Banco de Ahorro y Crédito	13,973	5.00 %	2022
Time deposits	Banco Múltiple Santa Cruz, S.A.	11,304	1.15 %	2022
Time deposits	Banco Nacional de las Exportaciones	12,776	3.50 %	2022
Time deposits	Banco Múltiple Vimenca, S. A.	6,504	1.20 %	2022
Time deposits	Banco Múltiple Ademi, S. A.	68,688	5.00 %	2022
Overnight	The Bank of Nova Scotia	1,943	1.37 %	2022
Overnight	Banco Múltiple BHD León, S. A.	14,986	0.75 %	2022
Quote of participation	Fondo de Inversión Abierto Universal Liquidez	13,319	2.63 %	undefined

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
2021				
Quote of participation	Fondo Abierto de Inversión Flexible Financial Deposit	76,663	3.92 %	undefined
Quote of participation	Fondo de Inversión Abierto Liquidez Excel	149,547	3.99 %	undefined
Quote of participation	Fondo de Inversión Abierto Liquidez Excel Dollars (corresponds to \$232)	13,250	1.57 %	undefined
Quote of participation	Fondo Inmobiliario Excel (corresponds to \$529)	30,248	2.73 %	undefined
Quote of participation	Fondo de Inversión Cerrado Inmobiliario Excel II (corresponds to \$1,011)	57,792	Variable	undefined
Quote of participation	Fondo Mutuo Renta Fija-BHD Funds Term 30 Days Dollars (corresponds to \$1,092)	62,405	0.45 %	undefined
Quote of participation	Fondo Mutuo Renta Fija-BHD Term 30 Days	204,988	4.58 %	undefined
Quote of participation	Fondo Mutuo Largo Plazo Reservas Caoba (corresponds to \$4, 932)	281,824	1.66 %	undefined
Quote of participation	Fondo Mutuo Matrimonial Medim-term Reservas El Bohío	58,065	6.21 %	undefined
Quote of participation	Fondo Mutuo Corto Plazo Reservas Quisqueya	449,465	4.13 %	undefined
Quote of participation	Fondo Cerrado de Desarrollo de Sociedades Advanced	69,758	9.86 %	undefined
Quote of participation	Fondo Mutuo Mercado de Dinero	229,131	4.84 %	undefined
Quote of participation	Fondo Mutuo Plazo 90 Días	103,690	7.05 %	undefined
Quote of participation	Fondo Inmobiliario Pionner	66,542	4.92 %	undefined
Quote of participation	Fondo de Energía Sostenible JMMB (corresponds to \$510)	29,157	variable	undefined
Quote of participation	Fondo Inmobiliario Cerrado JMMB (corresponds to \$1,083)	61,890	variable	undefined

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
2021				
Restricted securities				
Reports	JMMB Puesto de Bolsa (corresponds to \$1,007)	57,554	2.85 %	2022
Reports	Tivalsa Puesto de Bolsa	438,235	5.57 %	2022
Reports	Alpha Sociedad de Valores, S. A. (includes \$4,030)	502,445	5.46 %	2022
Reports	Parallax Valores	233,640	5.07 %	2022
Reports	Excel Puesto de Bolsa	65,599	5.20 %	2022
Profitability guarantee	Profitability guarantee of La Administradora de Fondos de Pensiones, Invested in different Institutions	2,037,144		
Mortgage notes (c)	Banco Múltiple BHD León, S. A.	<u>201</u>	2.85 %	2022
		330,283,336		
	Interests receivable, (includes \$21,754)	6,554,631		
	Allowance for investment, (includes \$43)	<u>(209,654)</u>		
		<u>401,963,576</u>		
2020				
Available for sale:				
Bonds Law No. 05-06, 143-13, 151-14, 248-17, 294-11, 331-15, 494-06, 512-19, 548-14, 57-13, 64-18, 693-16) (a)	Ministry of Finance of the Dominican Republic (includes \$427,891)	<u>37,639,311</u>	6.86 %	2021 until 2060
Other investments in debt instruments: Certificates of deposits (b)	Central Bank of the Dominican Republic (includes \$400,000)	78,501,024	6.11 %	2021 until 2025
Investment certificates with zero coupons	Central Bank of the Dominican Republic	23,816,813	6.67 %	2021
Bonds Law No. 248-17, 331-15, 512-19, 548-14, 58-13, 64-18, 693-16 361-11, 131-11, 152-14, 175-12, 493-19	Ministry of Finance of the Dominican Republic (includes \$185,825)	91,995,599	10.55 %	2021 until 2040

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
2020				
Trust values (d)	Fideicomiso para la Operación, Mantenimiento y Expansión de La Red Vial principal de la República Dominicana	3,468,937	10.50 %	2028
Trust fund	Fideicomiso Rica	195,016	15.46 %	
Agreement with the Dominican Republic Electric Sector debt (d)	Edesur Dominicana, S. A. (corresponds to \$94,237)	5,476,398	7.00 %	2021 until 2024
	Empresa Distribuidora de Electricidad del Este, S. A. (corresponds to \$164,786)	9,576,254	7.00 %	2021 until 2024
	Edenorte Dominicana, S. A. (corresponds to \$108,184)	6,286,867	7.00 %	2021 until 2024
Corporate bonds	Empresa Generadora de Electricidad Haina, S. A. (corresponds to \$447)	33,426	7.93 %	2021 until 2028
Bonds	Consorcio Energetico CEPM (corresponds to \$688)	39,997	5.40 %	2025 until 2027
Corporate bonds	Dominican Power Partners, (corresponds to \$356)	20,681	6.06 %	2023 until 2027
Corporate bonds	Asociación Popular de Ahorros y Préstamos	251,893	10.01 %	2026
Corporate bonds	Asociación La Nacional de Ahorros y Préstamos	14,184	10.75 %	2024
Corporate bonds	Acero Estrella, S.R.L.	232,663	11.67 %	2030
Time deposits	Asociación Popular de Ahorros y Préstamos	43,043	5.07 %	2021
Time deposits	Asociación Peravia de Ahorros y Préstamos	68,620	5.34 %	2021
Time deposits	Asociación La Vega Real de Ahorros y Préstamos	60,000	4.42 %	2021
Time deposits	Asociación La Nacional de Ahorros y Préstamos	8,003	8.00 %	2021
Time deposits	Asociación Maguana de Ahorros y Préstamos	28,036	5.27 %	2021
Time deposits	Asociación Romana de Ahorros y Préstamos	15,479	6.03 %	2021
Time deposits	Asociación Bonao de Ahorros y Préstamos	27,500	7.75 %	2021

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
2020				
Time deposits	Banco Múltiple Caribe, S. A.	43,600	7.00 %	2021
Time deposits	Banco Múltiple Promérica de la República Dominicana, S. A.	37,393	7.21 %	2021
Time deposits	Motor Crédito, S. A. Banco de Ahorro y Crédito	13,197	7.65 %	2021
Time deposits	Banco Múltiple BHD Leon, S. A.	162,524	3.01 %	2021
Time deposits	Citibank, N. A.	32,178	4.00 %	2021
Time deposits	Banco Nacional de las Exportaciones	12,146	7.00 %	2021
Time deposits	Banco Múltiple Vimenca, S. A.	36,856	4.25 %	2021
Time deposits	The Bank of Nova Scotia	10,626	1.37 %	2021
Quote of participation	Fondo de Inversión Abierto Universal Liquidez	12,975	4.84 %	undefined
Quote of participation	Fondo Abierto de Inversión Flexible Financial Deposit	73,757	6.53 %	undefined
Quote of participation	Fondo de Inversión Abierto Liquidez Excel	39,135	5.83 %	undefined
Quote of participation	Fondo de Inversión Abierto Liquidez Excel Dollars (corresponds to \$9)	542	1.86 %	undefined
Quote of participation	Fondo Inmobiliario Excel (corresponds to \$519)	30,168	5.63 %	undefined
Quote of participation	Fondo de Inversión Cerrado Inmobiliario Excel I y II	3,679	Variable	undefined
Quote of participation	Fondo Mutuo Renta Fija-BHD Funds Term 30 Days Dollars (corresponds to \$7,278)	422,964	2.30 %	undefined
Quote of participation	Fondo Mutuo Renta Fija-BHD Term 30 Days	1,185	7.17 %	undefined
Quote of participation	Fondo Mutuo Largo Plazo Reservas Caoba (corresponds to \$4,907)	285,168	2.62 %	undefined
Quote of participation	Fondo Mutuo Matrimonial Medim-term Reservas El Bohío	43,050	6.77 %	undefined

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
2020				
Quote of participation	Fondo Mutuo Corto Plazo Reservas Quisqueya	754,856	4.91 %	undefined
Quote of participation	Fondo Cerrado de Desarrollo de Sociedades Advanced	65,517	16.26 %	undefined
Quote of participation	Fondo Mutuo Mercado de Dinero	883	5.00 %	undefined
Quote of participation	Fondo Mutuo Plazo 90 Días	551	6.55 %	undefined
Quote of participation	Fondo Inmobiliario Pionner	67,988	13.17 %	undefined
Restricted securities				
Bonds Law	Ministry of Finance of the Dominican Republic	1,064,209	8.91 %	
Reports	Parallax Valores (corresponds to \$502)	29,182	2.05 %	2021
Profitability guarantee	Profitability guarantee of La Administradora de Fondos de Pensiones, Invested in different Institutions	1,737,475		
Mortgage notes (c)	Banco Múltiple BHD León, S. A.	<u>201</u>	4.40 %	2021
		225,142,438		
	Interests receivable, (includes \$13,827)	5,747,260		
	Allowance for investment, (includes \$39)	<u>(183,889)</u>		
		<u>268,345,120</u>		

- (a) The fair value of these investments is disclosed in note 37.
- (b) As of December 31, 2021 and 2020, includes an amount withheld of RD\$43,373,437 and RD\$33,094,886 as collateral in repurchase agreements.
- (c) Investments affected by lawsuits against the Bank.
- (d) The Bank received approval from the Monetary Board to grant regulatory treatment to these investments, similar to the current facilities awarded to the Central Government, i.e., classify as risk category "A", 0 % provision requirement and 0 % weighted. As of December 31, 2021, includes an amount withheld of RD\$7,002,864 as collateral in repurchase agreements and Rapid Liquidity Facilities (FLR).

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios

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

	2021			2020		
	Public sector	Private sector	Total	Public sector	Private sector	Total
<u>Commercial loans</u>						
Advances on checking accounts Loans (includes \$1,112,520 in 2021 And \$869,637 in 2020)	-	17,553	17,553	-	10,494	10,494
Invoice discounting (include \$3,252 in 2021 and \$2,466 in 2020)	39,084,045	177,501,593	216,585,638	38,927,875	142,986,592	181,914,467
Financial leases (corresponds to \$87 in 2021)	-	185,930	185,930	-	143,552	143,552
Advance on export notes (corresponds to \$9 in 2021 and \$13 in 2020)	1,402,746	4,980	1,407,726	1,443,316	-	1,443,316
Other loans	-	499	499	-	731	731
	-	-	-	-	317	317
	<u>40,486,791</u>	<u>177,710,555</u>	<u>218,197,346</u>	<u>40,371,191</u>	<u>143,141,686</u>	<u>183,512,877</u>
<u>Consumer loans</u>						
Credit cards (includes \$23,341 in 2021 and \$19,685 in 2020)	-	10,226,325	10,226,32	-	9,267,918	9,267,918
Consumer loans (includes \$2,971 and \$2,936 in 2021 and 2020)	-	85,064,689	85,064,689	-	76,925,715	76,925,715
	-	95,291,014	95,291,014	-	86,193,633	86,193,633
<u>Mortgage loans</u>						
Residential purchases (includes \$2,275 and \$1,609 in 2021 and 2020)	-	54,790,112	54,790,112	-	46,835,492	46,835,492
Construction, improvements, repairs, expansion and others	-	554,051	554,051	-	693,838	693,838
	-	55,344,163	55,344,163	-	47,529,330	47,529,330
	<u>40,486,791</u>	<u>328,345,732</u>	<u>368,832,523</u>	<u>40,371,191</u>	<u>276,864,649</u>	<u>317,235,840</u>
Interests receivable (includes \$7,936 and \$19,454 in 2021 and 2020)	397,326	3,776,004	4,173,330	32,645	5,050,124	5,082,769
Allowance for loan losses and interests receivable (includes \$137,029 and \$51,830 in 2021 and 2020)	-	(26,297,265)	(26,297,265)	-	(18,075,900)	(18,075,900)
	<u>40,884,117</u>	<u>305,824,471</u>	<u>346,708,588</u>	<u>40,403,836</u>	<u>263,838,873</u>	<u>304,242,709</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios (continued)

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

	2021			2020		
	Public sector	Private sector	Total	Public sector	Private sector	Total
<u>Commercial loans</u>						
Current (i) (includes \$1,106,469 and \$860,915 in 2021 and 2020)	40,486,791	160,756,905	201,243,696	40,371,191	126,876,721	167,247,912
Restructured (ii) (includes \$540 and \$7,444 in 2021 and 2020)	-	2,361,814	2,361,814	-	2,264,266	2,264,266
Past due:						
31 to 90 days (iii) (includes \$21 and \$179 in 2021 and 2020)	-	70,388	70,388	-	116,238	116,238
More than 90 days (iv) (includes \$8,101 and \$1,808 in 2021 and 2020)	-	1,742,090	1,742,090	-	1,716,110	1,716,110
Legal collections (v), (includes (\$821 in 2020))	-	173,158	173,158	-	1,008,467	1,008,467
	<u>40,486,791</u>	<u>165,104,355</u>	<u>205,591,146</u>	<u>40,371,191</u>	<u>131,981,802</u>	<u>172,352,993</u>
<u>Microcredit</u>						
Past due:						
More than 90 days (iv)	-	-	-	-	8	8
	-	-	-	-	8	8
<u>Microenterprises loans</u>						
Current (i) (includes \$347 in 2021 and \$856 in 2020)	-	12,410,220	12,410,220	-	11,004,976	11,004,976
Restructured (ii) (includes \$289 in 2021)	-	60,867	60,867	-	1,903	1,903
Past due:						
31 to 90 days (iii) (includes \$4 in 2021 \$22 in 2020)	-	13,891	13,891	-	15,147	15,147
More than 90 days (iv) (includes \$97 in 2021 \$20 in 2020)	-	114,685	114,685	-	85,908	85,908
Legal collections (v) (include \$51 in 2020)	-	6,537	6,537	-	51,942	51,942
	-	<u>12,606,200</u>	<u>12,606,200</u>	-	<u>11,159,876</u>	<u>11,159,876</u>
<u>Consumer loans</u>						
Current (i) (includes \$25,795 and \$21,600 in 2021 and 2020)	-	92,982,434	92,982,434	-	83,933,524	83,933,524
Restructured (ii)	-	417,343	417,343	-	24,017	24,017

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios (continued)

	2021			2020		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Past due:						
31 to 90 days (iii) (includes \$16 in 2020)	-	93,564	93,564	-	75,561	75,561
More than 90 days (iv) (includes \$516 and \$1,005 in 2021 and 2020)	-	1,742,232	1,742,232	-	1,545,496	1,545,496
Legal collections (v)	-	55,441	55,441	-	615,035	615,035
	-	95,291,014	95,291,014	-	86,193,633	86,193,633
<u>Mortgage loans</u>						
Current (i) (includes \$2,271 and \$1,609 in 2021 and 2020)	-	54,684,545	54,684,545	-	46,967,966	46,967,966
Restructured (ii)	-	198,680	198,680	-	22,133	22,133
Past due:						
31 to 90 days (iii) (includes \$4 in 2021)	-	8,009	8,009	-	2,814	2,814
More than 90 days (iv)	-	341,465	341,465	-	156,578	156,578
Legal collections (v)	-	111,464	111,464	-	379,839	379,839
	-	55,344,163	55,344,163	-	47,529,330	47,529,330
<u>Interests receivable</u>						
Current (i) (includes \$7,824 and \$18,985 in 2021 and 2020)	397,326	2,717,118	3,114,444	32,613	3,890,178	3,922,791
Restructured (ii) (includes \$18 and \$7 in 2021 and 2020)	-	695,940	695,940	32	572,613	572,645
Past due:						
From 31 to 90 days (iii) (includes \$13 and \$182 in 2021 and 2020)	-	109,636	109,636	-	180,929	180,929
More than 90 days (iv) (includes \$82 and \$259 in 2021 and 2020)	-	219,478	219,478	-	258,667	258,667
Legal collections (v) (includes \$21 in 2020)	-	33,832	33,832	-	147,737	147,737
	397,326	3,776,004	4,173,330	32,645	5,050,124	5,082,769
Allowance for loans and interests receivable (includes \$137,029 and \$51,830 in 2021 and 2020)	-	(26,297,265)	(26,297,265)	-	(18,075,900)	(18,075,900)
	<u>40,884,117</u>	<u>305,824,471</u>	<u>346,708,588</u>	<u>40,403,836</u>	<u>263,838,873</u>	<u>304,242,709</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios (continued)

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

c) *By type of collateral:*

	2021			2020		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Multi-use collateral (i)	1,411,671	102,222,786	103,634,457	1,464,958	91,783,002	93,247,960
Specific use collateral (ii)	-	37,740,106	37,740,106	-	22,133,219	22,133,219
Without collateral (iii)	<u>39,075,120</u>	<u>188,382,840</u>	<u>227,457,960</u>	<u>38,906,233</u>	<u>162,948,428</u>	<u>201,854,661</u>
	<u>40,486,791</u>	<u>328,345,732</u>	<u>368,832,523</u>	<u>40,371,191</u>	<u>276,864,649</u>	<u>317,235,840</u>
Interests receivable	397,326	3,776,004	4,173,330	32,645	5,050,124	5,082,769
Allowance for loan losses and interests receivable	<u>-</u>	<u>(26,297,265)</u>	<u>(26,297,265)</u>	<u>-</u>	<u>(18,075,900)</u>	<u>(18,075,900)</u>
	<u><u>40,884,117</u></u>	<u><u>305,824,471</u></u>	<u><u>346,708,588</u></u>	<u><u>40,403,836</u></u>	<u><u>263,838,873</u></u>	<u><u>304,242,709</u></u>

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

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios (continued)

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

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

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

(c) The percentage of admissibility of fiduciary guarantees, as well as its classification on multi-use or specific use collateral are set according to the trust property.

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios (continued)

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

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

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

d) By source of funds:

	2021			2020		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Own funds	38,996,791	323,151,135	362,147,926	37,381,191	247,781,267	285,162,458
Other international institutions	-	44,755	44,755	-	38,054	38,054
FLR window and BCRD repos	1,490,000	5,149,842	6,639,842	2,990,000	29,045,328	32,035,328
	40,486,791	328,345,732	368,832,523	40,371,191	276,864,649	317,235,840
Interests receivable	397,326	3,776,004	4,173,330	32,645	5,050,124	5,082,769
Allowance for loan losses and interests receivable	-	(26,297,265)	(26,297,265)	-	(18,075,900)	(18,075,900)
	40,884,117	305,824,471	346,708,588	40,403,836	263,838,873	304,242,709

e) By term:

	2021			2020		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Short-term (up to one year)	21,992,810	126,275,022	148,267,832	22,185,458	92,626,133	114,811,591
Medium-term (more than one year and up to three years)	9,874,247	148,831,223	158,705,470	9,414,817	138,698,581	148,113,398
Long-term (more than three years)	8,619,734	53,239,487	61,859,221	8,770,916	45,539,935	54,310,851
	40,486,791	328,345,732	368,832,523	40,371,191	276,864,649	317,235,840
Interests receivable	397,326	3,776,004	4,173,330	32,645	5,050,124	5,082,769
Allowance for loan losses and interests receivable	-	(26,297,265)	(26,297,265)	-	(18,075,900)	(18,075,900)
	40,884,117	305,824,471	346,708,588	40,403,836	263,838,873	304,242,709

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios (continued)

f) By economic sector:

	2021			2020		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Government	37,295,112	-	37,295,112	37,680,323	-	37,680,323
Financial sector	3,191,679	3,860,050	7,051,729	2,690,868	2,567,253	5,258,121
Agriculture, livestock and forestry	-	5,924,885	5,924,885	-	5,283,941	5,283,941
Fishing	-	6,392	6,392	-	5,920	5,920
Mining and quarries	-	414,497	414,497	-	416,018	416,018
Manufacturing industry	-	32,224,941	32,224,941	-	26,214,154	26,214,154
Electricity, gas and water	-	11,163,076	11,163,076	-	8,401,043	8,401,043
Construction	-	18,850,149	18,850,149	-	14,075,649	14,075,649
Wholesale and retail business	-	38,973,502	38,973,502	-	35,100,576	35,100,576
Hotels and restaurants	-	22,114,501	22,114,501	-	17,504,294	17,504,294
Transportation, warehousing and communication	-	5,112,089	5,112,089	-	4,067,872	4,067,872
Real estate, and leasing activities	-	16,028,350	16,028,350	-	10,607,974	10,607,974
Education	-	3,074,271	3,074,271	-	2,651,390	2,651,390
Health and social services	-	238,443	238,443	-	231,180	231,180
Other social and personal services activities	-	158,317,636	158,317,636	-	137,921,179	137,921,179
Private household with local services	-	12,042,950	12,042,950	-	11,816,206	11,816,206
	<u>40,486,791</u>	<u>328,345,732</u>	<u>368,832,523</u>	<u>40,371,191</u>	<u>276,864,649</u>	<u>317,235,840</u>
Interests receivable	397,326	3,776,004	4,173,330	32,645	5,050,124	5,082,769
Allowance for loan losses and interests receivable	-	(26,297,265)	(26,297,265)	-	(18,075,900)	(18,075,900)
	<u><u>40,884,117</u></u>	<u><u>305,824,471</u></u>	<u><u>346,708,588</u></u>	<u><u>40,403,836</u></u>	<u><u>263,838,873</u></u>	<u><u>304,242,709</u></u>

As of December 31, 2021 and 2020, loans to the private sector include RD\$2,435,000 and RD\$3,063,000, respectively, which correspond to credit line operations with contractors and suppliers who are carrying or have carried out works to the Dominican Republic State with the guarantee of the government. According to the Second and Seventh Resolutions of the Monetary Board dated December 20, 2018 and December 19, 2019, respectively, the last one modified according to the Fourth Resolution of the Monetary Board dated January 16, 2020, which in turn was retroactively modified through the Third Resolution of the Monetary Board dated August 13, 2020, this organism granted a no objection so that the loans to contractors and suppliers of the Dominican State be classified as risk category "A", with allowance of 0 %, as well as its recognition as current loans from private sector until December 31, 2022.

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Notes to the Consolidated Financial Statements (continued)

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7 Loans portfolios (continued)

The Bank, by instructions of the Superintendence of Banks through Circular No. 004/20, dated March 25, 2020, established several measures on flexible allowances, as well as taking advantage of numeral 1, literal b, of the Second Resolution of the Monetary Board dated March 17, 2020, established the following measures to mitigate the impact on the economy of the Dominican Republic and mitigate the effects of COVID-19 pandemic as a measure of support to Bank's clients:

- ◆ Postpone for three months the payment of installments of loans in current status, extending the term to three months. The interest generated from the deferred period will be paid as of the expiration date of the extended period. These relaxation measures were maintained until May 31, 2021.
- ◆ Renegotiations and debt restructurings consisting of interest rate flexibilities, term extensions and installment deferrals, which at the time of restructuring must maintain their risk classification and provisions. These relaxation measures were maintained until May 31, 2021.

As of December 31, 2020, the loan portfolio includes debtors covered by the relaxation program for the impact of COVID-19 pandemic established by the regulatory bodies, as well as those contracts that were restructured and released with legal reserve and quick liquidity window resources by type of portfolio, as detailed below:

<u>Type of credit</u>	<u>Credits with frozen allowance</u>	<u>New credits debtors with frozen classification</u>	<u>Restructured</u>	<u>New credits with resources of reserve and liquidity window</u>
Commercial	103,333,216	22,126,819	1,391,403	49,318,211
Consumption	43,647,008	11,044,197	900,961	7,753,824
Credit cards	10,949,790	2,817,980	-	-
Mortgage	37,577,034	452,838	722,135	4,870,533
	<u>195,507,048</u>	<u>36,441,834</u>	<u>3,014,499</u>	<u>61,942,568</u>

As of December 31, 2020, loans granted with resources released from legal reserve requirements and with a quick liquidity window with an "A" rating and 0 % provision requirement and 0 % weighting in the solvency ratio. The credits granted under the quick settlement facility program will have said treatment until May 31, 2021 and for the resources released with legal reserve until April 30, 2021.

As of December 31, 2020, the Bank granted loans with its own resources without considering the relaxation measures established by the regulators for an amount of RD\$21,515,376.

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

8 Debtors by acceptances

A summary of debtors by acceptances, is as follows:

<u>Correspondent Bank</u>	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>Maturity date</u>	<u>Amount</u>	<u>Maturity date</u>
Commerzbank (corresponds to \$2,437 in 2020)	-	-	141,617	2021
Sumitomo Mitsui Banking Corporation (corresponds to \$530 in 2021)	30,281	2022	-	-
JP Morgan Chase (corresponds to \$23 in 2020)	-	-	1,347	2021
The Bank of Tokyo-Mitsubishi (corresponds to 432 in 2021 and \$33 in 2020)	<u>24,708</u>	2022	<u>1,900</u>	2021
	<u>54,989</u>		<u>144,864</u>	

9 Accounts receivable

A summary of accounts receivable is as follows:

	<u>2021</u>	<u>2020</u>
Commissions receivable (includes \$263 in 2021 and \$309 in 2020)	<u>125,944</u>	<u>199,977</u>
Right for future contract with foreign currency (includes \$1,417 in 2021)	80,958	-
Other receivables:		
Accounts receivable from employees	46,140	17,496
Security deposits	92,180	74,933
Advance in current account	47,443	-
Credit card claims	49,430	70,401
Credit card operations (includes \$41 in 2021 and \$418 in 2020)	171,085	169,272
Accounts receivable from remitters (includes \$187 in 2021 and \$257 in 2020)	10,753	99,733
ATM operations	-	161,028
Accounts receivable for real estate and leasing operations (includes \$4 in 2021 and \$6 in 2020)	5,876	3,252
Management funds	146,099	134,402

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Notes to the Consolidated Financial Statements (continued)

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9 Accounts receivable (continued)

	<u>2020</u>	<u>2019</u>
Documents receivable (a) (includes \$5,000 in 2021)	506,785	66,405
Accounts receivable - other (includes \$615 in 2021 and \$812 in 2020)	<u>897,327</u>	<u>640,880</u>
	<u>2,054,076</u>	<u>1,437,802</u>
Insurance premiums receivable:		
General insurances (includes \$42,052 and \$43,594 in 2021 and 2020)	3,347,049	3,274,185
Life insurance (includes \$663 and \$451 in 2021 and 2020)	<u>120,241</u>	<u>123,445</u>
	<u>3,467,290</u>	<u>3,397,630</u>
Receivables from insurance and guarantees	<u>1,730</u>	<u>5,514</u>
Interests receivable	<u>279</u>	<u>191</u>
	<u>5,649,319</u>	<u>5,041,114</u>

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

10 Assets received in lieu of foreclosure of loans

A summary of assets received in lieu of foreclosure of loans as of December 31, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	319,341	824,714
Real estate	<u>7,490,572</u>	<u>9,503,456</u>
	7,809,913	10,328,170
Allowance for losses on assets received in lieu of foreclosure of loans	<u>(7,499,440)</u>	<u>(9,448,077)</u>
	<u>310,473</u>	<u>880,093</u>

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

A description of assets received in lieu of foreclosure of loans (by aging) as of December 31, 2021 and 2020, is as follows:

	<u>Amount</u>	<u>Provision</u>
2021		
Up to 40 months:		
Furniture and equipment	9,635	(9,294)
Real estate	1,847,899	(1,537,766)
More than 40 months:		
Furniture and equipment	309,707	(309,707)
Real estate	<u>5,642,672</u>	<u>(5,642,673)</u>
Total	<u>7,809,913</u>	<u>(7,499,440)</u>
2020		
Up to 40 months:		
Furniture and equipment	588,858	(585,364)
Real estate	1,875,725	(999,279)
More than 40 months:		
Furniture and equipment	235,226	(235,226)
Real estate	<u>7,628,361</u>	<u>(7,628,208)</u>
Total	<u>10,328,170</u>	<u>(9,448,077)</u>

11 Investments in shares

A summary of investments in shares as of December 31, 2021 and 2020, is as follows:

<u>Issuer</u>	<u>Amount of investment</u>	<u>Percentage of shares</u>	<u>Type of shares</u>	<u>Face value</u>	<u>Market value</u>	<u>Number of outstanding shares</u>
2021						
<u>Investments in associates:</u>						
Consortio Tarjetas Dominicanas, S. A.	903,580	24.53 %	Common	100	(a)	2,097,100
CEVALDOM Depósito Centralizado de Valores, S. A.	469,154	30.00 %	Common	1,000	(a)	209,996
Red Nuevo Servicios Financieros, S. A.	<u>123,616</u>	49.00 %	Common	100	(a)	339,618
	<u>1,496,350</u>					

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

11 Investments in shares (continued)

<u>Issuer</u>	<u>Amount of investment</u>	Percentage of <u>shares</u>	<u>Type of shares</u>	<u>Face value</u>	<u>Market value</u>	Number of outstanding <u>shares</u>
2021						
<u>Investments in other entities:</u>						
Banco Latinoamericano de Comercio Exterior, S. A. (d)	49,057	-	Common	381	949	128,776
UNIPAGO, S. A.	25,387	10 %	Common	100	(a)	253,872
Others	<u>88,455</u> (b)					
	<u>162,899</u>					
	1,659,249					
	<u>(58,519)</u> (c)					
Total	<u><u>1,600,730</u></u>					
2020						
<u>Investments in associates:</u>						
Consorcio Tarjetas Dominicanas, S. A.	860,566	24.53 %	Common	100	(a)	2,097,100
CEVALDOM Depósito Centralizado de Valores, S. A.	400,013	30.00 %	Common	1,000	(a)	196,041
<u>Investments in associates:</u>						
Red Nuevo Servicios Financieros, S. A.	<u>127,045</u>	49.00 %	Common	100	(a)	339,618
	<u>1,387,624</u>					
<u>Investments in other entities:</u>						
Banco Latinoamericano de Comercio Exterior, S. A. (d)	49,890	-	Common	388	920	128,776
UNIPAGO, S. A.	25,088	10 %	Common	100	(a)	250,878
Others	<u>106,133</u> (b)					
	<u>181,111</u>					
	1,568,735					
	<u>(51,113)</u> (c)					
Total	<u><u>1,517,622</u></u>					

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

11 Investments in shares (continued)

- (a) In the Dominican Republic, there is no active market where the Bank can obtain the market value of these local investments; however, for investments in shares of companies that are listed in an active market, which book value as of December 31, 2021 and 2020 amounted to RD\$49,057 and RD\$49,890, respectively, the market value was RD\$122,208 and RD\$118,474, respectively.
- (b) Corresponds to minor investments in several entities.
- (c) Represents an allowance for investments in shares.
- (d) As of December 31, 2021 and 2020, the Bank received cash dividends amounting to RD\$7,307 and RD\$5,627, respectively.

As of December 31, 2021 and 2020, investments in shares include \$803 and \$812 net of allowance, respectively.

A movement of the investment, dividends received and equity shares in net profit of the associates as of December 31, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Investment balances at January 1 st	1,387,624	1,210,643
Equity on earnings recognized	351,883	256,109
Dividends received in cash	<u>(243,157)</u>	<u>(79,128)</u>
Investment balances at December 31	<u>1,496,350</u>	<u>1,387,624</u>

12 Property, furniture and equipment

As of December 31, 2021 and 2020, a summary of property, furniture and equipment is as follows:

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Furniture and equipment</u>	<u>Leasehold improvements</u>	<u>Construction and acquisitions in process (a)</u>	<u>Total</u>
2021						
Balance at January 1 st , 2021	2,013,784	8,709,703	7,061,271	874,295	325,387	18,984,440
Acquisitions	-	310,420	98,666	-	1,762,025	2,171,111
Disposals	-	(105,739)	(971,502)	(194,939)	-	(1,272,180)

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

12 Property, furniture and equipment (continued)

	Land and improvements	Buildings	Furniture and equipment	Leasehold improvements	Construction and acquisitions in process (a)	Total
2021						
Transfers	33,732	335,498	857,181	69,842	(1,296,253)	-
Others (note 40)	-	-	-	-	(133,579)	(133,579)
Balance at December 31, 2021	<u>2,047,516</u>	<u>9,249,882</u>	<u>7,045,616</u>	<u>749,198</u>	<u>657,580</u>	<u>19,749,792</u>
Accumulated depreciation at January 1 st , 2021	-	(2,242,853)	(3,473,641)	(365,065)	-	(6,081,559)
Depreciation expenses (b)	-	(273,694)	(1,060,234)	(170,299)	-	(1,504,227)
Disposals	-	97,759	970,192	195,401	-	1,263,352
Balance at December 31, 2021	<u>-</u>	<u>(2,418,788)</u>	<u>(3,563,683)</u>	<u>(339,963)</u>	<u>-</u>	<u>(6,322,434)</u>
Property, furniture and equipment at December 31, 2021	<u>2,047,516</u>	<u>6,831,094</u>	<u>3,481,933</u>	<u>409,235</u>	<u>657,580</u>	<u>13,427,358</u>
2020						
Balance at January 1 st , 2020	2,013,836	7,823,302	6,821,995	779,332	1,332,196	18,770,661
Acquisitions	-	24,775	68,958	-	1,153,005	1,246,738
IFRS 16 implementation adjustment (c)	-	36,693	-	-	-	36,693
Disposals	(52)	(29,241)	(680,650)	(126,316)	-	(836,259)
Transfers	-	854,174	850,968	221,279	(1,926,421)	-
Others (note 40)	-	-	-	-	(233,393)	(233,393)
Balance at December 31, 2020	<u>2,013,784</u>	<u>8,709,703</u>	<u>7,061,271</u>	<u>874,295</u>	<u>325,387</u>	<u>18,984,440</u>
Accumulated depreciation at January 1 st , 2020	-	(2,014,709)	(3,048,189)	(333,341)	-	(5,396,239)
Depreciation expenses (b)	-	(234,623)	(1,098,805)	(158,040)	-	(1,491,468)
Disposals	-	6,479	673,353	126,316	-	806,148
Balance at December 31, 2020	<u>-</u>	<u>(2,242,853)</u>	<u>(3,473,641)</u>	<u>(365,065)</u>	<u>-</u>	<u>(6,081,559)</u>
Property, furniture and equipment at December 31, 2020	<u>2,013,784</u>	<u>6,466,850</u>	<u>3,587,630</u>	<u>509,230</u>	<u>325,387</u>	<u>12,902,881</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

12 Property, furniture and equipment (continued)

- (a) As of December 31, 2021 and 2020, it basically corresponds to remodeling and construction of offices.
- (b) During the years ended December 31, 2021 and 2020, includes RD\$18,293 and RD\$8,238, respectively, correspond to depreciation of assets in use by officers and employees which are presented as part of salaries and compensation to personnel in the accompanying consolidated statements of profit or loss.
- (c) Corresponds to the application of IFRS 16 by the subsidiary Inversiones & Reservas, S. A., during 2020.

Land and buildings held by the Bank (Parent Company) as of December 31, 2004, are recognized at fair value as determined by independent external appraisers at that date. The difference between the historical cost of land and buildings and their fair values at the valuation date, amounted to RD\$915,737. As of December 31, 2021 and 2020, the revaluation surplus, net of accumulated depreciation, amounts to RD\$ 666,545 and RD\$677,685, respectively, and is included as a revaluation surplus in the accompanying consolidated balance sheets.

13 Properties under development for sale and rent

As of December 31, 2021 and 2020, properties under development amounts to RD\$5,391,850 and RD\$820,212, respectively, and corresponds to the development of properties projects for sale and rent. In December 2021, one of the subsidiaries acquired a portion of land with a tourist vocation for RD\$4,628,477, consisting of 9,649,782 square meters.

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

14 Other assets

A summary of other assets is as follows:

	<u>2021</u>	<u>2020</u>
Deferred charges:		
Returns and commissions paid in advance	3,890	3,795
Commissions to insurance agents on unearned premiums	413,291	318,805
Prepaid insurances	316,126	312,909

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

14 Other assets (continued)

	<u>2021</u>	<u>2020</u>
Non-deferred proportional ceded reinsurance premium (a)	314,456	195,158
Prepaid income tax (note 24)	7,208,409	1,373,655
Other prepaid payments (includes \$28 and \$41 in 2021 and 2020) (b)	4,418,968	1,038,827
Other deferred charges	<u>180,762</u>	<u>113,881</u>
	<u>12,855,902</u>	<u>3,357,030</u>
Intangibles:		
Software	3,083,121	3,020,049
Others	<u>34,631</u>	<u>18,900</u>
	3,117,752	3,038,949
Accumulated amortization of computers programs (d)	<u>(1,564,525)</u>	<u>(1,056,799)</u>
	<u>1,553,227</u>	<u>1,982,150</u>
Other assets:		
Stationery and office supply	286,439	208,845
Libraries and artwork	32,872	30,462
Other miscellaneous assets	-	385,507
Items pending for allocation (c), (includes \$11 in 2021 and \$581 in 2020)	33,343	131,999
Others (includes \$103 in 2021 and \$15 in 2020)	<u>154,145</u>	<u>118,286</u>
	<u>506,799</u>	<u>875,099</u>
	<u>14,915,928</u>	<u>6,214,279</u>

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

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

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

14 Other assets (continued)

(d) A movement of accumulated amortization of computer software during the years ended December 31, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Balances at the beginning	1,056,799	572,216
Cost of the year	<u>507,726</u>	<u>484,583</u>
Balances at the end	<u><u>1,564,525</u></u>	<u><u>1,056,799</u></u>

15 Summary of allowances for risky assets

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

	Loan portfolio	Investments	Interests receivable	Other assets (a)	Contingent operations (b)	Total RD\$
December 31, 2021						
Balance at January 1 st , 2021	16,477,821	234,346	1,598,735	9,448,077	518,377	28,277,356
Constitution of allowances	9,697,807	35,033	1,270,897	719,997	187,000	11,910,734
Write-offs against allowances	(4,261,763)	-	(441,235)	(86,722)	-	(4,789,720)
Transfers of allowances	2,895,596	10,000	(898,577)	(2,007,019)	-	-
Withdrawal of allowance for sales of foreclosed assets	-	-	-	(574,893)	-	(574,893)
Effect of change in exchange rates and others	<u>(38,544)</u>	<u>(11,849)</u>	<u>(2,829)</u>	<u>-</u>	<u>(4,266)</u>	<u>(57,488)</u>
Balance at December 31, 2021	24,770,917	267,530	1,526,991	7,499,440	701,111	34,765,989
Minimum allowances required at December 31, 2021 (c)	<u>16,763,940</u>	<u>249,086</u>	<u>978,526</u>	<u>7,055,389</u>	<u>286,877</u>	<u>25,333,818</u>
Excess (deficit) in the minimum allowance required at December 31, 2021 (d)	<u><u>8,006,977</u></u>	<u><u>18,444</u></u>	<u><u>548,465</u></u>	<u><u>444,051</u></u>	<u><u>414,234</u></u>	<u><u>9,432,171</u></u>
December 31, 2020						
Balance at January 1 st , 2020	9,125,155	213,488	690,637	8,601,099	311,864	18,942,243
Constitution of allowances	8,632,923	39,999	1,546,681	458,575	72,001	10,750,179
Write-offs against allowances	(1,062,445)	-	(546,102)	-	-	(1,608,547)
Transfers of allowances	(384,435)	(19,515)	(99,600)	388,403	115,147	-
Effect of change in exchange rates and others	<u>166,623</u>	<u>374</u>	<u>7,119</u>	<u>-</u>	<u>19,365</u>	<u>193,481</u>
Balance at December 31, 2020	16,477,821	234,346	1,598,735	9,448,077	518,377	28,277,356

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

15 Summary of allowances for risky assets (continued)

December 31, 2020	<u>Loan portfolio</u>	<u>Investments</u>	<u>Interests receivable</u>	<u>Other assets (a)</u>	<u>Contingent operations (b)</u>	<u>Total RD\$</u>
Minimum allowances required at December 31, 2020 (c)	<u>14,029,883</u>	<u>223,122</u>	<u>1,057,713</u>	<u>9,134,180</u>	<u>363,911</u>	<u>24,808,809</u>
Excess (deficit) in the minimum allowance required at December 31, 2020 (d)	<u><u>2,447,938</u></u>	<u><u>11,224</u></u>	<u><u>541,022</u></u>	<u><u>313,897</u></u>	<u><u>154,466</u></u>	<u><u>3,468,547</u></u>

- (a) Corresponds to the allowance for assets received in lieu of foreclosure of loans.
- (b) This allowance is included as part of other liabilities (see note 21) and the constitution expense is included as part of operating expenses in the consolidated statement of profit or loss.
- (c) Represents the amounts of allowances determined in the self-assessment as of December 31, 2021 and 2020 and other adjustments made.
- (d) As of December 31, 2021 and 2020, excess allowances on the loan portfolio, accounts receivable and contingent operations correspond to anti-cyclical and additional allowances recognized by the Bank, in accordance with the rules of the Superintendence of Banks, through its Circulars No. 030/20, 001/21 and 007/21, and other related documents. These anti-cyclical and additional allowances were constituted based on an internal methodology that considers the credit risk management of debtors. This evaluation includes an analysis of credit history, risk of non-payment and risk levels by type of portfolio; as well as considering the effects of COVID-19 on the economic situation of debtors.

As of December 31, 2020, the loans granted to some important companies in the Dominican electricity industry, as well as the debt recognition agreements signed with these companies for approximately RD\$21,339,000 (the latter recorded as investments in debt instruments), were classified with risk “A” and with an allowance requirement of 0 %, as established in Communication ADM/1028/15, issued by the Superintendence of Banks of the Dominican Republic on September 10, 2015, and the Second Resolution of the Monetary Board, dated March 14, 2019, respectively.

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

15 Summary of allowances for risky assets (continued)

As of December 31, 2021 and 2020, the credits granted to road development and low-cost housing construction sectors of the Dominican Republic, for approximately RD\$29,600,000 and RD\$26,700,000, respectively, were granted with a no objection to a risk classification of “A” and an allowance requirement of 0 %, by means of the Second Resolution of the Monetary Board dated December 20, 2018, extended the Seventh Resolution of the Monetary Board dated December 19, 2019, retroactively modified by the Fourth Resolution of the Monetary Board dated January 16, 2020, and, in turn modified by the Third Resolution of the Monetary Board dated August 13, 2020.

Likewise, as of December 31, 2021 and 2020, respectively, through in the previous resolutions, a no objection was granted so that the facilities granted through the program of contractors and suppliers of the Dominican State, be classified with a risk category as “A”, with a 0 % allowance requirement and reported as current loans from the private sector for RD\$2,435,000 and RD\$3,063,000, respectively, until December 31, 2022.

As of December 31, 2021 and 2020, some loans granted to the Dominican agricultural sector for an approximate amount of RD\$3,193,000 and RD\$2,690,000, were classified with risk category of "A" and an allowance requirement of 0 %, as established in the Third Resolution of the Monetary Board dated December 8, 2016.

As of December 31, 2020, the debt securities issued to the road development sector of the Dominican Republic for approximately RD\$2,400,000 are classified with as risk category "A" and an allowance requirement of 0 %, according to was is established in the Third Resolution of the Monetary Board dated August 13, 2020.

16 Customers' deposits

Customers' deposits are summarized as follows:

a) By type

	<u>Local currency</u>	<u>Annual weighted average rate (%)</u>	<u>Foreign currency</u>	<u>Annual weighted average rate (%)</u>	<u>Total RD\$</u>
December 31, 2021					
Checking	179,569,718	0.42	-	-	179,569,718
Savings	174,986,758	0.44	123,064,193	0.22	298,050,951
Time	2,337	2.38	47,754,014	0.68	47,756,351
Interests payable	1,597	-	14,021	-	15,618
	<u>354,560,410</u>	<u>0.43</u>	<u>170,832,228</u>	<u>0.35</u>	<u>525,392,638</u>

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

16 Customers' deposits (continued)

a) By type (continued)

	<u>Local currency</u>	<u>Annual weighted average rate (%)</u>	<u>Foreign currency</u>	<u>Annual weighted average rate (%)</u>	<u>Total RD\$</u>
December 31, 2020					
Checking	123,728,829	0.60	-	-	123,728,829
Savings	139,934,100	0.52	95,969,859	0.32	235,903,959
Time	2,334	2.59	48,975,694	0.98	48,978,028
Interests payable	<u>1,895</u>	<u>-</u>	<u>22,302</u>	<u>-</u>	<u>24,197</u>
	<u>263,667,158</u>	<u>0.56</u>	<u>144,967,855</u>	<u>0.55</u>	<u>408,635,013</u>

b) By sector

December 31, 2021					
Non-financial public sector	116,908,947	0.42	24,718,134	0.32	141,627,081
Non-financial private sector	237,495,442	0.43	145,409,840	0.36	382,905,282
Non-resident	154,424	0.42	690,233	0.22	844,657
Interests payable	<u>1,597</u>	<u>-</u>	<u>14,021</u>	<u>-</u>	<u>15,618</u>
	<u>354,560,410</u>	<u>0.43</u>	<u>170,832,228</u>	<u>0.35</u>	<u>525,392,638</u>

December 31, 2020					
Non-financial public sector	76,532,819	0.60	15,437,026	0.31	91,969,845
Non-financial private sector	187,069,481	0.54	129,363,964	0.57	316,433,445
Non-resident	62,963	0.59	144,563	0.32	207,526
Interests payable	<u>1,895</u>	<u>-</u>	<u>22,302</u>	<u>-</u>	<u>24,197</u>
	<u>263,667,158</u>	<u>0.56</u>	<u>144,967,855</u>	<u>0.55</u>	<u>408,635,013</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

16 Customers' deposits (continued)

c) By maturity date

	<u>Local currency</u>	Annual weighted average rate (%)	<u>Foreign currency</u>	Annual weighted average rate (%)	<u>Total RD\$</u>
December 31, 2021					
0 to 15 days	354,557,386	0.43	123,102,076	0.22	477,659,462
16 to 30 days	-	-	169,577	0.41	169,577
31 to 60 days	281	0.05	7,286,598	0.19	7,286,879
61 to 90 days	160	0.06	2,343,287	0.62	2,343,447
91 to 180 days	872	0.06	8,648,293	0.43	8,649,165
181 to 360 days	114	0.15	14,339,939	0.94	14,340,053
More than 1 year	-	-	14,928,437	0.84	14,928,437
Interest payable	<u>1,597</u>	-	<u>14,021</u>	-	<u>15,618</u>
	<u>354,560,410</u>	<u>0.43</u>	<u>170,832,228</u>	<u>0.35</u>	<u>525,392,638</u>
December 31, 2020					
0 to 15 days	263,662,983	0.56	96,348,375	0.34	360,011,358
16 to 30 days	-	-	119,661	0.90	119,661
31 to 60 days	226	0.36	6,967,452	0.46	6,967,678
61 to 90 days	182	0.38	4,588,944	0.55	4,589,126
91 to 180 days	724	0.38	7,498,583	0.92	7,499,307
181 to 360 days	239	0.52	14,664,355	1.12	14,664,594
More than 1 year	909	6.01	14,758,183	1.25	14,759,092
Interest payable	<u>1,895</u>	-	<u>22,302</u>	-	<u>24,197</u>
	<u>263,667,158</u>	<u>0.56</u>	<u>144,967,855</u>	<u>0.55</u>	<u>408,635,013</u>

As of December 31, 2021 and 2020, customers' deposits include restricted amounts for the following concepts:

	<u>Inactive accounts</u>	<u>Foreclosed funds</u>	<u>Deceased customers</u>	<u>Security deposits</u>	<u>Total RD\$</u>
December 31, 2021					
Customers' deposits:					
Checking	83,794	3,705,673	87,686	-	3,877,153
Savings	2,073,592	1,354,718	2,544,416	-	5,972,726
Time	<u>-</u>	<u>510,905</u>	<u>305,103</u>	<u>3,875,085</u>	<u>4,691,093</u>
	<u>2,157,386</u>	<u>5,571,296</u>	<u>2,937,205</u>	<u>3,875,085</u>	<u>14,540,972</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

16 Customers' deposits (continued)

	<u>Inactive accounts</u>	<u>Foreclosed funds</u>	<u>Deceased customers</u>	<u>Security deposits</u>	<u>Total RD\$</u>
December 31, 2020					
Customers' deposits:					
Checking	113,717	1,213,466	73,747	-	1,400,930
Savings	2,131,866	927,191	2,098,580	-	5,157,637
Time	-	534,329	310,732	3,071,818	3,916,879
	<u>2,245,583</u>	<u>2,674,986</u>	<u>2,483,059</u>	<u>3,071,818</u>	<u>10,475,446</u>

As of December 31, 2021 and 2020 customer' deposits include amounts of inactive accounts, as follows:

	<u>From 3 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
December 31, 2021			
Customers' deposits:			
Checking	75,609	8,185	83,794
Savings	2,002,036	71,556	2,073,592
	<u>2,077,645</u>	<u>79,741</u>	<u>2,157,386</u>
December 31, 2020			
Customers' deposits:			
Checking	108,713	5,004	113,717
Savings	2,104,519	27,347	2,131,866
	<u>2,213,232</u>	<u>32,351</u>	<u>2,245,583</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

17 Deposits from domestic and foreign financial institutions

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

a) By type and currency

	<u>Local currency</u>	<u>Annual weighted average rate (%)</u>	<u>Foreign currency</u>	<u>Annual weighted average rate (%)</u>	<u>Total RD\$</u>
December 31, 2021					
Checking	14,500,561	0.42	-	-	14,500,561
Savings	477,766	0.44	1,325,796	0.22	1,803,562
Time	110	1.06	9,206,381	0.22	9,206,491
Interest payable	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
	<u>14,978,439</u>	<u>0.42</u>	<u>10,532,177</u>	<u>0.22</u>	<u>25,510,616</u>
December 31, 2020					
Checking	10,741,458	0.60	-	-	10,741,458
Savings	461,662	0.52	2,331,100	0.32	2,792,762
Time	109	1.28	9,994,852	0.60	9,994,961
Interest payable	<u>126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126</u>
	<u>11,203,355</u>	<u>0.60</u>	<u>12,325,952</u>	<u>0.54</u>	<u>23,529,307</u>

b) By maturity date

December 31, 2021					
0 to 15 days	14,978,329	0.42	1,325,796	0.22	16,304,125
31 to 60 days	75	1.33	6,918,456	0.02	6,918,531
61 to 90 days	33	0.08	651,551	0.49	651,584
91 to 180 days	-	-	1,012,063	0.87	1,012,063
181 to 360 days	-	-	357,470	1.20	357,470
More than a year	-	-	266,841	1.08	266,841
Interest payable	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
	<u>14,978,439</u>	<u>0.42</u>	<u>10,532,177</u>	<u>0.22</u>	<u>25,510,616</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

17 Deposits from domestic and foreign financial institutions (continued)

b) By maturity date (continued)

	<u>Local currency</u>	<u>Annual weighted average rate (%)</u>	<u>Foreign currency</u>	<u>Annual weighted average rate (%)</u>	<u>Total RD\$</u>
December 31, 2020					
0 to 15 days	11,203,120	0.60	2,431,813	0.36	13,634,933
31 to 60 days	75	1.52	4,889,557	0.14	4,889,632
61 to 90 days	-	-	503,066	1.47	503,066
91 to 180 days	32	0.40	1,713,044	1.44	1,713,076
181 to 360 days	-	-	2,648,765	0.59	2,648,765
More than a year	2	5.63	139,707	2.86	139,709
Interest payable	<u>126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126</u>
	<u>11,203,355</u>	<u>0.60</u>	<u>12,325,952</u>	<u>0.54</u>	<u>23,529,307</u>

As of December 31, 2021 and 2020, the Bank held funds in escrow due to third parties' foreclosures, inactive accounts, inoperative accounts and accounts from deceased customers in domestic financial institutions for RD\$961,458 and RD\$419,833, respectively.

As of December 31, 2021 and 2020, the estatus of the inactive and/or dormant accounts of the deposits in domestic financial institutions with three to ten year term is RD\$359 y RD\$1,022, respectively.

18 Securities on repurchase agreements

As of December 31, 2021, securities on repurchase agreements are detailed as follows:

December 31, 2021

<u>Creditor</u>	<u>Modality</u>	<u>Warranty</u>	<u>Weighted average rate</u>	<u>Maturity</u>	<u>Balances</u>
Central Bank of the Dominican Republic	Repurchase pacts	Pledged titles	3.50 %	2022 to 2023	<u>10,250,356</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

18 Securities on repurchase agreements (continued)

December 31, 2020

<u>Creditor</u>	<u>Modality</u>	<u>Warranty</u>	<u>Weighted average rate</u>	<u>Maturity</u>	<u>Balances</u>
Central Bank of the Dominican Republic	Repurchase pacts	Pledged titles	3.50 %	2021 to 2023	<u>11,760,363</u>

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

These obligations are guaranteed with investments in certificates from the Central Bank of the Dominican Republic. During 2021 and 2020, the interests generated by securities on repurchase agreement amount to RD\$ RD\$792,166 and RD\$165,075 are recognized as part of financial expenses in the accompanying consolidated statement of profit or loss.

19 Borrowed funds

A summary of borrowed funds is as follows:

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Annual Weighted average rate (%)</u>	<u>Maturity</u>	<u>Balance</u>
December 31, 2021					
Central Bank of the Dominican Republic (i)	Loan	Secured	3.50 %	2021 until 2025	<u>22,674,238</u>
Domestic financial institutions: Banco Popular Dominicano, S. A. Banco Múltiple	Line of credit	Unsecured	5.20 %	2022	300,000
Banco Múltiple BHD León, S. A.	Line of credit	Unsecured	5.10 %	2022	480,000
Banco Lafise	Line of credit	Unsecured	6.20 %	2022	<u>136,000</u>
					<u>916,000</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

19 Borrowed funds (continued)

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Annual Weighted average rate (%)</u>	<u>Maturity</u>	<u>Balance</u>
December 31, 2021					
Foreign financial institutions:					
Bank of America (corresponds to \$40,000) (iii)	Loan	Unsecured	1.15 %	2022	2,285,652
Banco Interamericano de Desarrollo, BID (corresponds to 100,000) (iii)	Loan	Unsecured	0.94%	2022	5,714,130
Banco Latinoamericano de Comercio Exterior, S. A. (corresponds to \$200,000) (iii)	Loan	Unsecured	1.16 %	2022	11,428,260
Wells Fargo Bank (corresponds to \$90,000) (iii)	Loan	Unsecured	1.16 %	2022	5,142,717
China Development Bank, (corresponds to \$180,000) (ii)	Loan	Unsecured	2.17 %	2025	10,285,434
Eximbank, Republic of China - Taiwán (corresponds to \$49)	Loan	Unsecured	0.91 %	2022	2,791
Agencia Francesa de Desarrollo (corresponds to \$25,000)	Loan	Unsecured	2.23 %	2032	<u>1,428,532</u>
					<u>36,287,516</u>
Other:					
Various (includes \$16,201)	Sale of investments with re-purchase agreement	Secured	7.50 %	2022	<u>2,515,455</u>
Interests payable (includes \$1,229)					<u>450,206</u>
					<u>62,843,415</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

19 Borrowed funds (continued)

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Annual Weighted average rate (%)</u>	<u>Maturity</u>	<u>Balance</u>
December 31, 2020					
Central Bank of the Dominican Republic (i)	Loan	Secured	3.00 %	2021 until 2025	<u>20,313,370</u>
Domestic financial institutions:					
Banco Popular Dominicano, S. A. Banco Múltiple (includes \$125)	Line of credit	Secured	3.00 %	2021	797,291
Banco Múltiple BHD León, S. A.	Line of credit	Unsecured	7.00 %	2021	347,600
Banco Lafise (corresponds to \$1,800)	Line of credit	Secured	3.00 %	2021	<u>104,986</u>
					<u>1,249,877</u>
Foreign financial institutions:					
Citibank, N.A. (corresponds to \$120,000) (iii)	Line of credit	Unsecured	2.88 %	2021	6,973,572
Bac Florida Bank (corresponds to \$10,000)	Loan	Unsecured	2.24 %	2021	581,131
Banco de Crédito e Inversiones, S. A. (corresponds to \$20,000) (iii) (iv)	Loan	Unsecured	1.92 %	2021	1,162,262
Bank of America (corresponds to \$10,000)	Loan	Unsecured	3.84 %	2021	581,131
Itau Bank (corresponds to \$50,000) (iii)	Loan	Unsecured	0.67 %	2021	2,905,655
Caixa Bank (corresponds to \$50,000) (iii)	Loan	Unsecured	0.72 %	2021	2,905,655
Wells Fargo Bank (corresponds to \$7,000)	Loan	Unsecured	2.14 %	2021	406,792
Banco Latinoamericano de Comercio Exterior, S. A. (corresponds to \$100,000) (iii)	Line of credit	Unsecured	2.43%	2020	5,811,310
Eximbank, Republic of China - Taiwán (corresponds to \$43)	Loan	Unsecured	1.02 %	2021	2,479

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

19 Borrowed funds (continued)

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Annual Weighted average rate (%)</u>	<u>Maturity</u>	<u>Balance</u>
December 31, 2020					
Agencia Francesa de Desarrollo (corresponds to \$25,000)	Loan	Unsecured	3.74 %	2032	<u>1,452,828</u>
Other: Various (includes \$773)	Sale of investments with re-purchase agreement	Secured	4.82 %	2021	<u>632,227</u>
Interests payable (includes \$3,964)					<u>495,888</u>
					<u><u>45,474,177</u></u>

- (i) As of December 31, 2021 and 2020, includes financing obtained through the Rapid Liquidity Facility (FLR) window set up by the Central Bank of the Dominican Republic amounting to RD\$20,275,351 with the objective to grant loans to MYPYMES sector, productive sectors and households with a fixed interest rate of no more than 8 % and three years term.
- (ii) During the term of these loans, the Bank must comply with certain financial conditions established in the loan contract. A summary of them, is as follows:
- ◆ Maintain a capital adequacy ratio (CAR) greater than 11 %.
 - ◆ Maintain an allowance for past due loan portfolio greater than 100 %.
 - ◆ Maintain a loan portfolio delinquency rate of less than 3 %.
 - ◆ Maintain an adjusted liquidity ratio (ALR) of not less than 80 % for maturity periods of fifteen (15) and thirty (30) days and no less than 70 % for maturity periods of sixty (60) and ninety (90) days.
- As of December 31, 2021, the Bank is in compliance with these clauses.
- (iii) As of December 31, 2021 and 2020, includes financing taken to guarantee the oil bill of Refinería Dominicana de Petróleo PDV, S. A., for approximately RD\$23,999,000 and RD\$19,000,000, respectively.
- (iv) During the term of these borrower funds, the Bank must comply with certain financial conditions established in the debt contract. A summary of them is as follows:

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

19 Borrowed funds (continued)

- ◆ Maintain a capital adequacy ratio (CAR) greater than 11 %.
- ◆ Maintain a loan portfolio delinquency rate of less than 3 %.
- ◆ Maintain a allowance for your overdue credit portfolio greater than 100 %.
- ◆ Maintain a liquidity indicator expressed as a percentage ratio of current assets and current liabilities greater than 20 %.

As of December 31, 2021 and 2020, the Bank is in compliance with these clauses.

20 Outstanding securities

A summary of outstanding securities, is as follows:

a) By type

	Local currency RD\$	Annual weighted average rate (%)
December 31, 2021		
Time certificates	174,239,206	3.01
Interests payable	<u>189,664</u>	<u>-</u>
	<u>174,428,870</u>	<u>3.01</u>
December 31, 2020		
Time certificates	125,456,783	4.75
Interests payable	<u>250,460</u>	<u>-</u>
	<u>125,707,243</u>	<u>4.75</u>

b) By sector

December 31, 2021		
Non-financial public sector	60,778,323	2.65
Non-financial private sector	96,414,286	3.23
Financial sector	17,046,597	3.08
Interests payable	<u>189,664</u>	<u>-</u>
	<u>174,428,870</u>	<u>3.01</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

20 Outstanding securities (continued)

b) By sector (continued)

	Local currency <u>RD\$</u>	Annual weighted average rate (%)
December 31, 2020		
Non-financial public sector	20,314,169	3.94
Non-financial private sector	90,793,640	4.87
Financial sector	14,348,974	5.14
Interests payable	<u>250,460</u>	<u>-</u>
	<u><u>125,707,243</u></u>	<u><u>4.75</u></u>

c) By maturity date

December 31, 2021		
0 to 15 days	682,817	3.92
16 to 30 days	199,829	4.14
31 to 60 days	30,214,112	2.37
61 to 90 days	8,879,895	3.50
91 to 180 days	59,777,233	2.68
181 to 360 days	36,399,004	3.12
More than a year	38,086,316	3.75
Interests payable	<u>189,664</u>	<u>-</u>
	<u><u>174,428,870</u></u>	<u><u>3.01</u></u>
December 31, 2020		
0 to 15 days	2,061,134	4.36
16 to 30 days	946,794	4.76
31 to 60 days	14,683,728	2.98
61 to 90 days	12,917,501	4.94
91 to 180 days	19,362,147	4.16
181 to 360 days	38,337,788	5.00
More than a year	37,147,691	5.46
Interests payable	<u>250,460</u>	<u>-</u>
	<u><u>125,707,243</u></u>	<u><u>4.75</u></u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

20 Outstanding securities (continued)

As of December 31, 2021 and 2020, outstanding securities include restricted amounts, as follows:

	<u>Deceased clients</u>	<u>Received in collateral</u>	<u>Total</u>
December 31, 2021			
Outstanding securities - time certificates	<u>952,432</u>	<u>11,471,338</u>	<u>12,423,770</u>
December 31, 2020			
Outstanding securities - time certificates	<u>935,674</u>	<u>11,004,630</u>	<u>11,940,304</u>

21 Other liabilities

A summary of other liabilities is as follows:

	<u>2021</u>	<u>2020</u>
Demand obligations (includes \$4,680 in 2021 and \$5,862 in 2020) (a)	4,141,698	3,537,732
Term obligations (includes \$10,916 in 2021 and \$695 in 2020) (b)	941,472	48,844
Unclaimed third party balances (includes \$6,366 in 2021 and \$6,863 in 2020)	819,658	520,665
Sundry creditors:		
Commissions payable	101,548	193,493
Accounts payable to suppliers (includes (\$23 in 2021 and \$206 in 2020))	182,659	189,760
Withheld tax payable	306,878	277,043
Retained payable insurance premium (includes \$14 and \$8 in 2021 and 2020)	44,663	147,014
Dividends payable (note 24 iii)	1,560,058	-
Other sundry creditors (includes \$1,060 in 2021 and \$332 in 2020) (c)	1,357,165	2,581,557
Reserves for contingent operations (includes \$5,119 in 2021 and \$4,587 in 2020) (d)	701,111	518,377
Other provisions:		
Income tax (note 24)	51,571	131,693
Deferred income tax (note 24)	294,469	210,560

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

21 Other liabilities (continued)

	<u>2021</u>	<u>2020</u>
Provision for litigation (note 29)	63,445	60,029
Bonus and other employee's benefits	4,806,972	4,319,866
Systemic risk prevention program	-	238,298
Contingency fund	-	186,427
Credit card and electronic transactions	418,105	389,847
Actuarial reserve for pensioned personnel of the Bank (note 39, b)	709,530	613,000
Other reserves (includes \$6,973 in 2021 and \$97 in 2020)	2,353,424	617,363
Items pending for allocation (includes \$170 in 2021 and \$737 in 2020) (e)	27,758	394,024
Administration fund of the public sector (note 30)	18,425	323,455
Commissions to agents on premiums pending collection (includes \$2,506 in 2021 and \$1,946 in 2020)	278,360	213,480
Tax on outstanding premium	357,053	409,057
Withholding tax to reinsurers	23,401	9,924
Payments received in advance (includes 109 And \$95 in 2021 and 2020)	193,188	136,362
Others (incluye \$611 in 2021 and \$601 in 2020)	<u>2,799,682</u>	<u>1,632,187</u>
	<u>22,552,293</u>	<u>17,900,057</u>

- (a) Corresponds to financial obligations assumed by the Bank, which are payable on demand and certified checks, among others.
- (b) In this category, the Bank recognizes special cash deposits in US dollars (\$) received from the Dominican Government.
- (c) As of December 31, 2021 and 2020, includes RD\$454,338 and RD\$358,996, respectively, which relates to liabilities for the financing of vehicles granted by the Bank whose original license plates have not been delivered to the Bank by the concessionary entities. Likewise, includes approximately RD\$39,700 corresponding to loan disbursements from the "Expo Hogar" fair whose contracts have not been delivered to the Bank.
- (d) Corresponds to reserves to cover contingent operations as required by the Superintendence of Banks (see note 29).
- (e) Corresponds to creditors' balances that, due to internal operating reasons or characteristics of the operation, it was not possible to immediately allocate the balances in the final accounts.

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

22 Subordinated debts

A summary of the subordinated debts, is as follows:

<u>Type</u>	<u>Amount in RD\$</u>	<u>weighted average interest rate</u>	<u>Type of currency</u>	<u>Term</u>
December 31, 2021				
Subordinated debts (corresponds to \$300,000 nominal value (a))	17,142,390	7.00 %	US dollar	10 years
Subordinated debts nominal value (b)	9,999,000	4.68 %	Dominican pesos	10 years
Debt issuance costs (c)	(43,515)	-	-	-
Discount on the issuance of debt (corresponds to \$385) (d)	<u>(22,022)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	27,075,853			
Interests payable (corresponds to \$8,750)	<u>503,981</u>			
	<u>27,579,834</u>			
December 31, 2020				
Subordinated debts (corresponds to \$300,000 nominal value (a))	17,433,930	7.00 %	US dollar	10 years
Subordinated debts nominal value (b)	9,999,000	6.02 %	Dominican pesos	10 years
Debt issuance costs (c)	(69,120)	-	-	-
Discount on the issuance of debt (corresponds to \$712) (d)	<u>(41,365)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	27,322,445			
Interests payable (corresponds to \$8,750)	<u>513,438</u>			
	<u>27,835,883</u>			

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

22 Subordinated debts (continued)

Additionally, the bonds have the following characteristics:

- ◆ Interests are payable semi-annually in February and August 1st, of each year.
 - ◆ The bonds will not be redeemed prior to their maturity date.
 - ◆ The bonds are unsecured.
 - ◆ In the event of bankruptcy, liquidation or dissolution of the Bank under Dominican laws, the payment of the bonds shall be subject to all existing and future obligations denominated as "Senior Obligations," which include all other liabilities of the Bank.
- b) Corresponds to bonds issued in the market of the Dominican Republic by the Bank on December 29, 2014, for a nominal value of RD\$10,000,000. The amount placed corresponds to two issuances offered simultaneously for RD\$5,000,000 each, with a maturity of 10 years until December 29, 2024, and a floating interest rate equivalent to the weighted interest average rate (TIPPP, for its Spanish acronyms) of multiple banks, published by the Central Bank of the Dominican Republic plus a fixed margin of 2.75 %. The effective rate at the time of placement was 9.66 %, reviewable every six months. These bonds have no collateral and in the case of dissolution or liquidation of the Bank, the payment of the bonds is subject to all the Bank's obligations.
- c) Relates to costs incurred when issuing bonds, which are deferred and amortized over the straight-line method during the term of the bonds.
- d) Relates to discounts awarded for the issuance of bonds, which are amortized over the straight-line method during the term of the bonds.

As of December 31, 2021 and 2020, subordinated debts were authorized by the Superintendence of Banks through Circulars ADM-0013-13 and ADM-2386-20 to be used to compute part of the secondary capital (tier 2 capital) for the purposes of determining Bank's technical equity and index solvency for a value of RD\$7,428,478 and RD\$12,973,572, respectively.

23 Technical reserves

The subsidiaries Seguros Reservas, S. A. and Administradora de Riesgos de Salud Reservas, Inc. maintain ongoing specific mathematical risk reserves to meet commitments arising from the current insurance policies, which amounted to RD\$6,036,671 and RD\$5,684,634 as of December 31, 2021 and 2020, respectively.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

23 Technical reserves (continued)

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

	<u>Mathematical reserves</u>	<u>Specific reserves and ongoing risk</u>	<u>Total</u>
2021			
Balance at January 1 st , 2021	260,600	5,424,034	5,684,634
Plus: reserve increase	332,963	5,073,544	5,406,507
Less: reserve decrease	<u>(334,972)</u>	<u>(4,719,498)</u>	<u>(5,054,470)</u>
Balance at December 31, 2021	<u>258,591</u>	<u>5,778,080</u>	<u>6,036,671</u>
2020			
Balance at January 1 st , 2020	270,142	4,664,873	4,935,015
Plus: reserve increase	288,066	4,680,252	4,968,318
Less: reserve decrease	<u>(297,608)</u>	<u>(3,921,091)</u>	<u>(4,218,699)</u>
Balance at December 31, 2020	<u>260,600</u>	<u>5,424,034</u>	<u>5,684,634</u>

As of December 31, 2021 and 2020, technical reserves include \$2,639 and \$8,725, respectively.

24 Income tax

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

A reconciliation between the results reported in the consolidated financial statements and the results for tax purposes for the years ended December 31, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Profit before income tax	18,297,007	11,701,253
Plus (less) tax adjustments:		
Adjustments of exempted income and other items considered by the Bank	(17,977,456)	(11,296,608)
Exempt income from investments in associates	(351,883)	(256,110)

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

24 Income tax (continued)

	<u>2021</u>	<u>2020</u>
Dividends received from investments in shares	(12,558)	(46,822)
Fringe benefits taxes	202,253	208,250
Non-deductable taxes	6,319,139	3,415,758
Effect of depreciation of fixed assets	(200,326)	(133,404)
Gain on sale of fixed assets	(2,363)	(43,293)
Net profit of companies that pay taxes on another basis	(13,355)	(127,842)
Other non-deductible items	<u>486,678</u>	<u>425,803</u>
Net taxable income	<u>6,747,136</u>	<u>3,846,985</u>

A detail of the determined income tax as of December 31, 2021 and 2020, it is as follows:

	<u>2021</u>	<u>2020</u>
Net taxable income (i)	6,747,136	3,846,985
Tax rate	<u>27 %</u>	<u>27 %</u>
	<u>1,821,727</u>	<u>1,038,686</u>
Total net taxable assets (ii)	-	1,147,504
Tax rate	<u>-</u>	<u>1 %</u>
	<u>-</u>	<u>11,475</u>
Total income tax determined	<u>1,821,727</u>	<u>1,050,161</u>

- (i) As of December 31, 2021, the consolidated entities settled their taxes based on 27 % of net taxable income. As of December 31, 2020, the Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples (Parent Company) and its subsidiaries Administradora de Fondo de Pensiones Reservas, S. A. Seguros Reservas, S. A., Fiduciaria Reservas, S. A., Seguridad y Protección Institucional, S. A., Reservas Asistencia, S.A.S., Inversiones Finanzprimas B, S.A.S., determined its current income taxes based on 27 % of net income tax.
- (ii) As of December 31, 2020, the subsidiaries Tenedora Reservas, S. A., Inversiones & Reservas, S. A., Inmobiliaria Reservas, S. A., Sociedad Administradora de Fondos de Inversión Reservas, S. A. and Advanced Auto Technology, S.A.S., determined its current income taxes based on 1% of net taxable assets.

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

24 Income tax (continued)

Income tax expense determined for the years ended December 31, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Current income tax	1,821,727	1,050,161
Deferred income tax	83,909	32,633
Tax withheld on payment of dividends	24,316	81,953
Previous year income tax	<u>92</u>	<u>51,175</u>
	<u>1,930,044</u>	<u>1,215,922</u>

A reconciliation between the current tax, prepaid income tax and the income tax payable for the years ended December 31, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Determined tax	1,821,727	1,050,161
Prepaid taxes during the year	(1,346,711)	(895,493)
Prepaid income tax from previous years	(1,241,962)	(1,243,259)
Advances paid on assets productive financial, net (i)	(6,283,561)	-
Tax credit deduction for payments to government entities	(142,863)	(188,930)
Adjustment to the prepaid income tax	66,622	52,932
Lease tax credit for State institutions	(10,272)	(13,609)
Tax credit for Renewal Energy Law	(991)	-
Other movements, net	<u>(18,827)</u>	<u>(3,764)</u>
Prepaid income tax, net at the end of the period	<u>(7,156,838)</u>	<u>(1,241,962)</u>
Prepaid income tax (see note 14) (i)	(7,208,409)	(1,373,655)
Income tax payable	<u>51,571</u>	<u>131,693</u>
	<u>(7,156,838)</u>	<u>(1,241,962)</u>

As of December 31, 2021 and 2020, prepaid income tax is recognized as part of other assets, and income tax payable as part of other liabilities in the accompanying consolidated balance sheets.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

24 Income tax (continued)

- (i) On December 21, 2020, financial intermediation entities, represented by Association of Multiple Banks of the Dominican Republic, Inc., signed an agreement with the Ministry of Finance and the General Direction of Internal Taxes, according to which, the Bank agreed to make an income tax advance payment of RD\$6,283,561, payable in four equal quarterly installments starting in 2021. This advance payment could be deducted from Bank's future income tax commitments, for a period of 10 years from the year 2022. This deduction will be in proportion of 5 % for 2022 and 2023 and 11.25 % from 2024 to 2031.
- (ii) As of December 31, 2021 and 2020, prepaid income tax includes RD\$330,356 and RD\$372,000, respectively, corresponding to agreements made between financial intermediation entities on February 8, 2014, represented by Association of Commercial Banks of the Dominican Republic Inc.; which signed an agreement with the Ministry of Finance and the General Direction of Internal Tax, according to which, the Bank prepaid income tax for RD\$620,000, which will be deducted from future income tax commitments of the Bank, for a period of 15 years as of the fiscal year ended December 31, 2014. This reduction is a proportion of 6.67 % per year.

The movement of deferred income tax during the years ended December 31, 2021 and 2020, is as follows:

	<u>Beginning balances</u>	<u>Recognized in profit</u>	<u>Ending balances</u>
December 31, 2021			
Property, plant and equipment	35,722	13,071	48,793
Other assets	(6,344)	1,320	(5,024)
Net profit of the consolidated subsidiaries	(251,641)	(109,799)	(361,440)
Other non-deductible provisions	11,275	11,309	22,584
Other deferred charges	3,615	(34)	3,581
Exchange rate difference	<u>(3,187)</u>	<u>224</u>	<u>(2,963)</u>
Total deferred income tax liabilities	<u>(210,560)</u>	<u>(83,909)</u>	<u>(294,469)</u>
December 31, 2020			
Property, plant and equipment	24,101	11,621	35,722
Other assets	(7,792)	1,448	(6,344)
Net profit of the consolidated subsidiaries	(205,275)	(46,366)	(251,641)
Other non-deductible provisions	5,693	5,582	11,275
Other deferred charges	3,771	(156)	3,615
Exchange rate difference	<u>1,575</u>	<u>(4,762)</u>	<u>(3,187)</u>
Total deferred income tax liabilities	<u>(177,927)</u>	<u>(32,633)</u>	<u>(210,560)</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

24 Income tax (continued)

As of December 31, 2021 and 2020, the deferred income tax liabilities, net is presented as part of other liabilities in the accompanying consolidated balance sheets.

25 Responsibilities

In addition to the obligation balances of insured risks retained, as of December 31, 2021 and 2020 for RD\$1,013,879,029 and RD\$1,098,934,686, respectively, the subsidiaries Seguros Reservas, S. A. and Administradora de Riesgo de Salud Reservas, Inc. recognize memorandum accounts for salvages warehouse amounting to RD\$23,300 and RD\$23,019 in 2021 and 2020, respectively.

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

	<u>2021</u>	<u>2020</u>
Responsibilities for insurance businesses and bonds taken directly	1,013,879,029	1,098,934,686
Surrendered and retracted insurance responsibilities	<u>664,826,001</u>	<u>546,895,659</u>
	<u>1,678,705,030</u>	<u>1,645,830,345</u>

26 Reinsurance

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

The reinsurers that support the insurance business as of December 31, 2021 and 2020, are the following:

<u>December 31, 2021</u>			<u>December 31, 2020</u>		
<u>Reinsurer</u>	<u>Class of contract</u>	<u>Participation (%)</u>	<u>Reinsurer</u>	<u>Class of contract</u>	<u>Participation (%)</u>
Suiza	Surplus	12.5	Suiza	Surplus	12.5
	Quota share	20 until 100		Quota share	65 until 100
Trans. RE Mallen	Surplus	4.5	Trans. RE Mallen	Surplus	25
Hannover RE	Surplus	10	Hannover RE	Surplus	3
	Quota share	10 until 100		Quota share	5 until 70
Thompson Health	Surplus	37.81 until 100	Thompson Health	Surplus	2 until 60

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

26 Reinsurance (continued)

December 31, 2021			December 31, 2020		
<u>Reinsurer</u>	<u>Class of contract</u>	<u>Participation (%)</u>	<u>Reinsurer</u>	<u>Class of contract</u>	<u>Participation (%)</u>
	Quota share	7.5		Quota share	5.00
Everest-BMS	Surplus	16.5	Everest-BMS	Surplus	15
	Quota share	20 until 10		Quota share	25 until 40
General Re,	Surplus	35 until 100	General Re,	Surplus	10 until 25
Axis	Quota share	0.05	Axis	Quota share	3.00
Navigators-BMS	Surplus	3	Navigators-BMS	Surplus	1.5
	Quota share	13.25 until 100		Quota share	8.00
-	-	-	Arch Re.	Surplus	15
Siruis-BMS	Surplus	5	Siruis-BMS	Surplus	2 until 5

27 Equity

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

	Common shares			
	Authorized		Issued	
	<u>Quantity</u>	<u>Amount in RD\$</u>	<u>Quantity</u>	<u>Amount in RD\$</u>
Balance at December 31, 2021 and 2020	<u>10,000</u>	<u>10,000,000</u>	<u>10,000</u>	<u>10,000,000</u>

As of December 31, 2021 and 2020, the capital contributions of the Bank have been originated as follow:

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

27 Equity (continued)

- e) RD\$2,000,000 by reinvesting dividends charged to earnings of 2013 in accordance with Law No. 543-14 of December 5, 2014.
- f) RD\$2,800,000, by reinvesting dividends charged to earnings of 2014, in accordance with the Law No. 543-14 of December 5, 2014.
- g) RD\$1,700,000 through the reinvestment of dividends charged to earnings of 2014, pursuant to Law No. 543-14 of December 5, 2014.

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

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

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

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

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

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

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

By the Twenty-Eighth Resolution of the Ordinary Session dated June 22, 2020, the Board of Directors approved the distribution of dividends, taking into account the guidelines for the distribution of dividends to shareholders set forth in Resolution No.7-2002, issued by the Superintendence of Banks on March 8, 2002, and in accordance with the provisions of Law No. 99-01 on the distribution of dividends from the Bank. The total amount of dividends to be distributed was RD\$9,249,345, as detailed below:

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

27 Equity (continued)

- i) RD\$3,237,271, transferred to equity reserve. This transfer was done effectively as of December 31, 2019.
- ii) RD\$4,624,672 dividends in cash to be paid to the Dominican Republic State.
- iii) RD\$1,387,402 to offset debts of the Dominican Republic State with the Bank.

According to the application instructions of Resolution No. 12-2001 dated December 5, 2001, issued by the Superintendence of Banks, the dividend limit to be paid in cash by the Bank amounts to RD\$10,791,719. During 2020, RD\$4,624,672 were paid in cash, while RD\$1,686,609 were used to compensate the State's debts and its dependencies with the Bank.

Other equity reserves

In accordance with the Bank's organic law and its modifications in Law No. 99-01, the Bank must segregate the 60 % of its annual net profit to equity reserves. As of December 31, 2021 and 2020, the Bank segregated equity reserves for the amount of RD\$9,784,093 and RD\$6,240,231, respectively.

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

Revaluation surplus

On December 2004, the Bank revalued its land and buildings required for the development of its operations to its estimated fair market value determined by independent appraisers, as allowed by the Prudential Rules of Capital Adequacy. The effect of the revaluation was RD\$915,737. The Bank, in accordance with the rules established, considered this amount as tier 2 capital, prior authorization of the Superintendence of Banks. As of December 31, 2021 and 2020, the amortized amount corresponding to these revalued assets, amounted to RD\$11,140 for both years.

Unrealized gains on investments available for sale

The Bank maintains investments classified as available for sale and which are listed on an active market. As of December 31, 2021 and 2020, the Bank determined the market value of these investments and recognized an unrealized gain (loss), which amounts to RD\$226,962 and RD\$2,969,604, respectively.

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

28 Information segments

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

<u>Segment</u>	<u>Company</u>	<u>Jurisdiction</u>	<u>Functional currency</u>	<u>Equity shares</u>	<u>Percentage of voting rights direct and indirect</u>
December 31, 2021					
Financial	Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	Dominican Republic	RD\$	10,000,000	100 %
Related services	Tenedora Reservas, S. A. and Subsidiaries	Dominican Republic	RD\$	<u>1,551,434</u>	97.74 %
	Elimination adjustments in consolidation			<u>11,551,434</u> <u>(1,551,434)</u>	
				<u>10,000,000</u>	
December 31, 2020					
Financial	Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	Dominican Republic	RD\$	10,000,000	100 %
Related services	Tenedora Reservas, S. A. and Subsidiaries	Dominican Republic	RD\$	<u>1,551,434</u>	97.74 %
	Elimination adjustments in consolidation			<u>11,551,434</u> <u>(1,551,434)</u>	
				<u>10,000,000</u>	

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

<u>Company</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net profit</u>
December 31, 2021					
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	898,792,988	842,697,962	94,101,098	77,794,277	16,306,821
Tenedora Reservas, S. A. and Subsidiaries	40,525,541	22,124,656	19,958,807	16,471,761	3,487,046
Administradora de Riesgos de Salud Reservas, Inc.	<u>1,019,050</u>	<u>512,770</u>	<u>1,552,095</u>	<u>1,539,525</u>	<u>12,570</u>
	940,337,579	865,335,388	115,612,000	95,805,563	19,806,437
Elimination adjustments in consolidation	<u>(25,696,630)</u>	<u>(7,091,057)</u>	<u>(6,326,842)</u>	<u>(2,887,368)</u>	<u>(3,439,474)</u>
	<u>914,640,949</u>	<u>858,244,331</u>	<u>109,285,158</u>	<u>92,918,195</u>	<u>16,366,963</u>

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

28 Information segments (continued)

<u>Company</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net profit</u>
December 31, 2020					
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples Tenedora Reservas, S. A. and Subsidiaries	704,633,271	657,488,346	75,426,126	65,025,740	10,400,386
Administradora de Riesgos de Salud Reservas, Inc.	29,398,608	14,335,790	16,192,056	13,413,066	2,778,990
	<u>907,505</u>	<u>236,587</u>	<u>1,073,198</u>	<u>945,356</u>	<u>127,842</u>
	734,939,384	672,060,723	92,691,380	79,384,162	13,307,218
Elimination adjustments in consolidation	<u>(17,926,267)</u>	<u>(2,592,459)</u>	<u>(4,931,911)</u>	<u>(2,110,024)</u>	<u>(2,821,887)</u>
	<u>717,013,117</u>	<u>669,468,264</u>	<u>87,759,469</u>	<u>77,274,138</u>	<u>10,485,331</u>

29 Commitments and contingencies

(a) Contingent operations

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Collaterals granted:		
Endorsements	4,088,846	2,466,931
Other collaterals granted	116,672	36,628
Non-negotiable letters of credit issued	1,112,520	554,931
Credit lines of automatic use	<u>39,490,450</u>	<u>37,220,167</u>
	<u>44,808,488</u>	<u>40,278,657</u>

As of December 31, 2021 and 2020, the Bank has reserves to cover possible losses from these operations for the amounts of RD\$701,113 and RD\$518,377, respectively, which are included in other liabilities in the consolidated balance sheets at those dates.

As of December 31, 2021 and 2020, the Insurance subsidiary and the Administradora de Riesgos de Salud Reservas, Inc. had contingent liabilities for retained risk, estimated as follows:

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

29 Commitments and contingencies (continued)

(a) Contingent operations (continued)

	<u>2021</u>	<u>2020</u>
General risks	823,888,974	941,713,875
Individual life insurance	14,857,275	12,895,851
Collective life insurance	<u>175,132,780</u>	<u>144,324,960</u>
	<u>1,013,879,029</u>	<u>1,098,934,686</u>

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

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

The Bank has leasing contracts for the premises where some of its administrative offices, branches, business centers and ATM are located. For the years ended December 31, 2021 and 2020, expenses for this concept amounted to approximately RD\$1,108,564 and RD\$989,948, respectively, which are recognized in other operating expenses in the accompanying consolidated statements of profit or loss. The commitments to pay for these leasing contracts of the administrative offices and branches for 2022 will be approximately RD\$1,188,330.

(c) Superintendence of Bank fees

The Monetary Board of the Dominican Republic requires that financial entities make contributions in order to cover inspection services provided by the Superintendence of Banks. The expense for this concept for the years ended December 31, 2021 and 2020 was approximately RD\$1,227,000 and RD\$1,028,000, respectively, and has been recognized in other operating expenses in the accompanying consolidated statements of profit or loss.

(d) Contingent Fund

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

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

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Notes to the Consolidated Financial Statements (continued)

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29 Commitments and contingencies (continued)**(d) Contingent Fund (continued)**

Expenses for this concept for the year ended December 31, 2020, was approximately RD\$552,500, and are recognized in other operating expenses in the accompanying consolidated statements of profit or loss.

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

(e) Banking Consolidation Fund

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

Expenses for this concept for the year ended December 31, 2020, was approximately RD\$871,000, and are recognized as part of other operating expenses in the accompanying consolidated statements of profit or loss.

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

(f) Credit card licenses***MasterCard credit cards***

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

Visa credit cards

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

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Notes to the Consolidated Financial Statements (continued)

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29 Commitments and contingencies (continued)**(g) Lawsuits**

As of December 31, 2021 and 2020, there are several lawsuits and claims originated in the normal course of the Bank's operations for approximately RD\$28,267,000 and RD\$30,101,000, respectively. The Bank believes together with its legal advisors that the resolution of these claims will not result in an adverse material effect.

As of December 31, 2021 and 2020, the amount reserved to meet these claims increased to RD\$63,445 and RD\$60,029, respectively, and is recognized in other liabilities in the accompanying consolidated balance sheet.

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

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

(h) Guaranteed minimum return

As of December 31, 2021 and 2020, the subsidiary Administradora de Fondos de Pensiones Reservas, S. A., has a minimum annual return commitment, guaranteed by law, which shall be equal to the weighted average return of the pension funds of individually capitalization less two percentage points, as required by article 103 of Law 87-01. In accordance with Resolution 71/03 of SIPEN, dated April 25, 2003. If the return is below the weighted average calculated by the SIPEN, the *Administradora* would have a payment commitment with the fund.

30 Memorandum accounts (administration funds)

As of December 31, 2021 and 2020, the Bank maintains managed loan funds of the Government through funds from PROMIPYME and Solidarity Bank. The Bank receives for the administration of these funds, a percentage that goes from 2 % to 4.50 % on the value charged. Memorandum accounts presented in the Bank's consolidated balance sheet consist of:

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30 Memorandum accounts (administration funds) (continued)

	<u>2021</u>	<u>2020</u>
Funds under management by the Bank:		
PROMIPYME Resources	3,951,841	3,484,337
PROMIPYME - PROCREA	11	11
PROMICENTRAL	77,311	81,603
PROMIPYME - Fonper funds	24,271	27,637
PROMIPYME - PRESAAC loans	374	410
MI PRIMER PROGRESO loans	9,065	9,486
MI PRODEMICRO loans	59,541	98,333
Solidarity Bank	<u>3,750,035</u>	<u>1,408,605</u>
	<u>7,872,449</u>	<u>5,110,422</u>
Funds managed by the subsidiary -		
Pension Fund Management:		
Mandatory individual capitalization		
pension plan (Pension Fund T-1)	130,688,669	112,049,616
Pension fund of officers and employees		
of Banco de Reservas of the Dominican		
Republic (Pension Fund T-4)	19,080,985	17,065,077
Social solidary fund (Pension Fund T-5)	<u>55,024,618</u>	<u>45,652,583</u>
	<u>204,794,272</u>	<u>174,767,276</u>
	<u>212,666,721</u>	<u>179,877,698</u>

31 Financial income and expenses

A summary of financial income and expenses is as follows:

	<u>2021</u>	<u>2020</u>
Financial income:		
Loans portfolio:		
Commercial	16,626,861	20,410,687
Consumers	16,800,518	14,978,731
Mortgage	<u>5,036,163</u>	<u>4,562,500</u>
	<u>38,463,542</u>	<u>39,951,918</u>
Investments:		
Available for sale	3,592,708	732,640
Other debt securities	<u>20,482,431</u>	<u>12,575,776</u>
	<u>24,075,139</u>	<u>13,308,416</u>

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Notes to the Consolidated Financial Statements (continued)

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31 Financial income and expenses (continued)

	<u>2021</u>	<u>2020</u>
Gain on sale of investments	13,819,905	6,037,377
Insurance premiums net of returns and cancelations	<u>12,217,915</u>	<u>10,049,150</u>
Total	<u>88,576,501</u>	<u>69,346,861</u>
Financial expenses-on deposits:		
Customer deposits	(2,020,865)	(2,258,820)
Securities	(5,557,822)	(7,087,649)
Subordinated debts	<u>(1,926,389)</u>	<u>(2,192,217)</u>
	<u>(9,505,076)</u>	<u>(11,538,686)</u>
Investments:		
Amortization of premiums from investments in debt securities	(3,146,362)	(677,878)
Loss on sale of investments	<u>(77)</u>	<u>(5,035)</u>
	<u>(3,146,439)</u>	<u>(682,913)</u>
Financing-borrowed funds	<u>(1,496,538)</u>	<u>(1,133,876)</u>
Contractual losses and obligations	<u>(8,284,028)</u>	<u>(6,661,275)</u>
Expenses for technical adjustment to reserves	<u>(207,306)</u>	<u>(162,609)</u>
Acquisition expense, conservation and premium collection - commission and other acquisition costs of the insurance company	<u>(1,226,789)</u>	<u>(984,961)</u>
Total	<u>(23,866,176)</u>	<u>(21,164,320)</u>

32 Income (expense) for exchange differences

A summary of the main income and expenses due to exchange differences were recognized during the years ended December 31, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Income due to foreign exchange:		
Loan portfolio	6,498,314	8,520,600
Investments	7,526,944	6,461,618
Available funds	8,753,012	31,380,767
Accounts receivable	23,331	10,937

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Notes to the Consolidated Financial Statements (continued)

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32 Income (expense) for exchange differences (continued)

	<u>2021</u>	<u>2020</u>
Non-financial investments	5,400	6,206
Other assets	172,899	207,307
Adjustments for exchange rate differences	<u>27,253,008</u>	<u>8,893,106</u>
Subtotal	<u>50,232,908</u>	<u>55,480,541</u>
Expenses due to foreign exchange:		
Customer deposits	(17,197,967)	(18,654,007)
Borrowed funds	(4,226,616)	(4,369,992)
Financial obligations	(177,148)	(224,814)
Subordinated debts	(1,895,584)	(2,192,763)
Creditors and various provisions	(156,800)	(85,009)
Other liabilities	(69,618)	(28,058)
Adjustments for exchange rate differences	<u>(26,695,405)</u>	<u>(30,437,302)</u>
Subtotal	<u>(50,419,138)</u>	<u>(55,991,945)</u>
	<u>(186,230)</u>	<u>(511,404)</u>

33 Other operating income (expense)

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

	<u>2021</u>	<u>2020</u>
Other operating income:		
Credit cards	<u>3,328,169</u>	<u>3,266,306</u>
Service fees:		
Drafts and wire transfers	342,845	281,428
Certification and sales of bank's checks	60,464	26,733
Commissions for custody of securities	-	5,052
Collections	103,128	83,481
Other commissions collected	7,178,254	6,287,419
Letters of credit	37,500	27,734
Collaterals granted	<u>102,853</u>	<u>63,342</u>
	<u>7,825,044</u>	<u>6,775,189</u>

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

33 Other operating income (expense) (continued)

	<u>2021</u>	<u>2020</u>
Exchange commissions:		
Gains on foreign exchange	2,952,693	1,901,413
Premium for future foreign exchange contracts	<u>89,307</u>	<u>1,122,097</u>
	<u>3,042,000</u>	<u>3,023,510</u>
Income on available funds	19,517	90,443
Other miscellaneous operating expenses:		
Claims for medical services	555,741	511,800
Other services and contingencies	<u>2,765,983</u>	<u>2,637,813</u>
	<u>3,341,241</u>	<u>3,240,056</u>
Total of other operating income	<u>17,536,454</u>	<u>16,305,061</u>
Other operating expenses:		
Services fees:		
Correspondents	(229,342)	(115,891)
brokerage services	(68,018)	(22,614)
Other services	<u>(1,721,711)</u>	<u>(1,214,528)</u>
	<u>(2,019,071)</u>	<u>(1,353,033)</u>
Miscellaneous expenses:		
Exchange commission	(15,423)	(848,925)
Other operating expenses	(2,366,121)	(1,796,763)
Commissions and sales of property	(13,568)	(19,078)
Claims for medical services	<u>(1,077,777)</u>	<u>(808,105)</u>
	<u>(3,472,889)</u>	<u>(3,472,871)</u>
Total of other operating expenses	<u>(5,491,960)</u>	<u>(4,825,904)</u>

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34 Other income (expenses)

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

	<u>2021</u>	<u>2020</u>
Other income:		
Recovery of written off assets	1,411,258	1,027,116
Non-financial investments (note 11)	351,883	256,109
Gain on sale of property, furniture and equipment	2,254	42,891
Gain on sales of assets received in lieu of foreclosure of loans	137,196	11,042
Leases of property	20,036	18,012
Others	<u>1,391,290</u>	<u>707,433</u>
	<u>3,313,917</u>	<u>2,062,603</u>
Other expenses:		
Assets received in lieu of foreclosure of loans	(82,925)	(90,930)
Impairment loss on goods received in credit recovery	(607,748)	-
Loss on sale of property, furniture and equipment	(11)	(1,533)
Loss on sales of assets received in lieu of foreclosure of loans	(859,183)	(469,604)
Other expenses:		
Uncollectibility accounts receivable (i)	(457,497)	(321,156)
Penalty for breach	(391)	(338)
Donations	(1,196,507)	(110,215)
Losses from thefts, assaults and frauds	(141,294)	(100,613)
Others	<u>(4,299,258)</u>	<u>(1,540,472)</u>
	<u>(7,644,814)</u>	<u>(2,634,861)</u>
Other income (expenses), net	<u>(4,330,897)</u>	<u>(572,258)</u>

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

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Notes to the Consolidated Financial Statements (continued)

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35 Salaries and compensations to personnel

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

	<u>2021</u>	<u>2020</u>
Wages, salaries and benefits to employees	14,747,694	12,305,228
Social security	1,233,995	1,099,927
Contributions to the pension plan (i)	2,211,047	2,248,104
Other personnel expenses	<u>6,510,484</u>	<u>6,747,048</u>
	<u>24,703,220</u>	<u>22,400,307</u>

(i) As of December 31, 2021 and 2020, includes an amount of RD\$96,530 and RD\$613,000, respectively, corresponding to a provision to cover the actuarial obligation of retired personnel of the Bank.

As of December 31, 2021 and 2020, compensations to personnel include approximately RD\$2,636,123 and RD\$2,211,428, respectively, that corresponds to the executive management of the Bank which are defined as directors and above.

As of December 31, 2021 and 2020, the Bank has approximately 13,552 and 12,861 employees, respectively.

36 Risk assessment

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

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

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36 Risk assessment (continued)

A summary of assets and liabilities subject to the interest rate risks as of December 31, 2021 and 2020, is as follows:

Interest rate risk

	2021		2020	
	Local currency	Foreign currency	Local currency	Foreign currency
Assets sensitive to interest rate	599,677,539	164,773,583	446,823,787	133,193,803
Liabilities sensitive to interest rate	<u>(409,592,496)</u>	<u>(235,684,044)</u>	<u>(320,717,354)</u>	<u>(197,529,772)</u>
Net position	<u>190,085,043</u>	<u>(70,910,461)</u>	<u>126,106,433</u>	<u>(64,335,969)</u>
Interest rate exposure	<u>1,088,494</u>	<u>136,608</u>	<u>484,476</u>	<u>155,978</u>

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

Liquidity risk

A summary of the most significant assets and liabilities according to their maturity date as of December 31, 2021 and 2020, is as follows:

	Up to 30 days	31 to 90 days	91 days to one year	One year to 5 years	More than 5 years	Total
December 31, 2021						
Assets:						
Available funds	124,618,138	-	-	-	-	124,618,138
Investments	79,340,785	21,805,426	76,443,329	132,435,375	92,148,315	402,173,230
Loans portfolio	25,948,601	32,914,343	64,073,233	143,859,677	106,209,999	373,005,853
Debtors by acceptances	-	24,708	30,281	-	-	54,989
Accounts receivable (i)	5,431,195	-	-	-	218,124	5,649,319
Investments in shares	-	-	-	-	1,659,249	1,659,249
Total assets	<u>235,338,719</u>	<u>54,744,477</u>	<u>140,546,843</u>	<u>276,295,052</u>	<u>200,235,687</u>	<u>907,160,778</u>
Liabilities:						
Customers' deposits	477,731,191	11,234,692	23,884,102	3,250,350	9,292,303	525,392,638
Deposits from domestic and foreign financial institutions	22,621,985	835,068	1,318,623	177,364	557,576	25,510,616
Securities on repurchase agreements	-	-	-	10,250,356	-	10,250,356
Borrowed funds	2	1,206,206	37,312,675	22,891,272	1,433,260	62,843,415
Outstanding acceptances	-	24,708	30,281	-	-	54,989
Outstanding securities	72,546,414	35,274,925	55,970,977	10,636,554	-	174,428,870
Other liabilities (ii)	6,234,485	-	5,901,325	851,575	5,161,771	18,149,156
Subordinated debt	-	499,986	3,995	27,075,853	-	27,579,834
Total liabilities	<u>579,134,077</u>	<u>49,075,585</u>	<u>124,421,978</u>	<u>75,133,324</u>	<u>16,444,910</u>	<u>844,209,874</u>

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36 Risk assessment (continued)

Liquidity risk (continued)

	Up to 30 days	31 to 90 days	91 days to one year	One year to 5 years	More than 5 years	Total
December 31, 2020						
Assets:						
Available funds	116,904,223	-	-	-	-	116,904,223
Investments	38,194,184	8,757,813	50,482,230	59,074,638	112,020,144	268,529,009
Loans portfolio	30,584,962	30,122,382	53,666,592	120,105,006	87,839,667	322,318,609
Debtors by acceptances	26,112	366	118,386	-	-	144,864
Accounts receivable (i)	4,766,204	-	-	-	274,910	5,041,114
Investments in shares	-	-	-	-	1,568,735	1,568,735
Total assets	<u>190,475,685</u>	<u>38,880,561</u>	<u>104,267,208</u>	<u>179,179,644</u>	<u>201,703,456</u>	<u>714,506,554</u>
Liabilities:						
Customers' deposits	367,722,306	9,778,812	20,628,489	4,287,872	6,217,534	408,635,013
Deposits from domestic and foreign financial institutions	19,353,187	1,108,031	2,605,589	121,468	341,032	23,529,307
Securities on repurchase agreements	-	-	-	11,760,363	-	11,760,363
Borrowed funds	16,479,888	1,902,117	20,047,502	2,656,216	4,388,454	45,474,177
Outstanding acceptances	26,112	366	118,386	-	-	144,864
Outstanding securities	28,095,476	34,304,050	54,255,771	8,801,486	250,460	125,707,243
Other liabilities (ii)	6,503,228	-	3,874,467	857,841	5,504,938	16,740,474
Subordinated debt	-	508,490	4,948	27,322,445	-	27,835,883
Total liabilities	<u>438,180,197</u>	<u>47,601,866</u>	<u>101,535,152</u>	<u>55,807,691</u>	<u>16,702,418</u>	<u>659,827,324</u>

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

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

The liquidity ratios of the Bank as of December 31, 2021 and 2020, is as follows:

	As of December 31, 2021		As of December 31, 2020	
	In local currency	In foreign currency	In local currency	In foreign currency
Liquidity ratio:				
15 days adjusted	294.27 %	785.42 %	149.74 %	557.73 %
30 days adjusted	324.24 %	676.69 %	172.04 %	282.92 %
60 days adjusted	272.81 %	545.58 %	188.20 %	253.09 %
90 days adjusted	<u>285.17 %</u>	<u>481.91 %</u>	<u>196.40 %</u>	<u>235.85 %</u>
Position:				
15 days adjusted	62,167,631	1,599,822	14,006,141	1,363,464
30 days adjusted	71,907,205	1,594,103	20,929,201	1,098,547
60 days adjusted	76,480,762	1,594,898	31,872,904	1,107,138
90 days adjusted	91,054,675	1,599,583	37,198,403	1,081,446
Global (months)	<u>(12.85)</u>	<u>(50.34)</u>	<u>(78.88)</u>	<u>(33.83)</u>

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36 Risk assessment (continued)

Liquidity risk (continued)

Liquidity Risk Regulations requires that financial institutions must provide adjusted liquidity ratios in local and foreign currencies at 15 and 30 days no lower than 80 %, and at 60 and 90 days no lower than 70 %. As of December 31, 2021 and 2020, the liquidity ratios maintained by the Bank are higher than required.

37 Fair value of financial instruments

A summary of the fair value of financial instruments as of December 31, 2021 and 2020, is as follows:

	December 31, 2021		December 31, 2020	
	Book value	Fair value	Book value	Fair value
Financial assets				
Available funds	124,618,138	124,618,138	116,904,223	116,904,223
Investments, net (a) (b)	401,963,576	N/D	268,345,120	N/D
Loans portfolio, net (b)	346,708,588	N/D	304,242,709	N/D
Investments in shares, net (c)	1,600,730	N/D	1,517,622	N/D
	874,891,032	124,618,138	691,009,674	116,904,223
Liabilities				
Customer deposits	525,392,638	N/D	408,635,013	N/D
Deposits from domestic and foreign financial institutions	25,510,616	N/D	23,529,307	N/D
Securities on repurchase agreements (b)	10,250,356	N/D	11,760,363	N/D
Borrowed funds (b)	62,843,415	N/D	45,474,177	N/D
Outstanding securities (b)	174,428,870	N/D	125,707,243	N/D
Subordinated debt	27,579,834	28,615,203	27,835,883	29,511,181
	826,005,729	28,615,203	642,941,986	29,511,181

N/D: Not available.

(a) According to Circular No. 014/18 dated August 15, 2018, the Bank determined fair values of investments classified as other investments in debt instruments; however, their recognition and detailed disclosure was deferred by Circular No. 017-20 dated July 17, 2020 until January 2022. As of December 31, 2021 and 2020, the Bank maintains investments classified as available for sale in accordance with Circular No. 007/08 dated August 28, 2008, whose market value amounted RD\$65,335,263 RD\$37,639,311, respectively.

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37 Fair value of financial instruments

For investments held as available for sale, the Bank determines the fair value of these investments based on the market comparison, whereby the fair value is estimated considering current or recent quoted prices for similar instruments in the active market, corresponding to level 2 of the fair value hierarchy.

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

As of December 31, 2020, there were no significant changes in fair values as a result of COVID-19 pandemic. The Bank has experienced favorable changes in the fair value of financial instruments where an appreciation has been observed in the valuation of investment portfolio at year-end.

This result is influenced by the downward behavior experienced in the yield curves of the securities in the portfolio due to the measures adopted to face current situation.

The valuation of Bank's financial liabilities, specifically subordinated debt instruments tradable on the local and international stock markets, did not show significant changes in their prices.

38 Operations with related parties

The first resolution of the Monetary Board dated March 18, 2004 approved the Regulation regarding Credit Limits to Related Parties, which established the criteria to determine the related parties of the financial institutions.

The most important operations and balances with related parties in accordance with the criteria established by the Regulation on Credit Limits to Related Parties as of December 31, 2021 and 2020, are as follows:

	<u>Current loans</u>	<u>Past due loans</u>	<u>Total</u>	<u>Collaterals</u>
December 31, 2021				
Related to ownership	40,486,791	-	40,486,791	-
Related to management	<u>17,334,409</u>	<u>136,063</u>	<u>17,470,472</u>	<u>10,452,350</u>
December 31, 2020				
Related to ownership	40,371,191	-	40,371,191	1,390,322
Related to management	<u>15,727,960</u>	<u>74,839</u>	<u>15,802,799</u>	<u>9,303,645</u>

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

38 Operations with related parties (continued)

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

As of December 31, 2021 and 2020, there are credits granted to contractors and suppliers of the Dominican State for approximately RD\$2,435,000 and RD\$3,063,000, respectively, which are guaranteed by the Dominican State and are classified as loans provided to the private sector, in accordance with resolutions of the Monetary Board as disclosed in note 7.

As of December 31, 2021 and 2020, loans related to the management of the Bank includes RD\$17,186,000 and RD\$15,831,000, respectively, which were provided to employees and relatives by consanguinity at an interest rate on more favorable terms than with non-related parties in accordance with the policy for personnel incentives. Similarly, deposits with related parties maintain interest rates at different conditions from those with unrelated parties.

The main balances and transactions with related parties through ownership for the years ended December 31, 2021 and 2020, include:

	<u>2021</u>		<u>2020</u>	
	<u>Balance</u>	Effect on profit income (expenses)	<u>Balance</u>	Effect on profit income (expenses)
Available funds	89,029,748	-	88,208,660	-
Other investments in debt securities	159,361,650	5,569,762	144,807,355	7,618,746
Loans portfolio	40,499,866	3,807,768	40,371,191	5,294,294
Interests receivable	3,851,489	-	4,013,185	-
Customers' deposits - checking	119,608,984	(289,413)	76,000,755	(133,146)
Customers' deposits - saving	20,665,536	-	12,897,381	-
Outstanding securities	67,151,663	(1,286,010)	24,737,665	(1,607,643)
Accounts receivable	69	-	1,678,497	-
Other liabilities	<u>968,338</u>	<u>-</u>	<u>508,387</u>	<u>-</u>

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

38 Operations with related parties (continued)

Other transactions with identifiable related parties performed during the periods ended December 31, 2021 and 2020 include:

	<u>2021</u>		<u>2020</u>	
	<u>Balance</u>	Effect on profit income (expenses)	<u>Balance</u>	Effect on profit income (expenses)
Loans portfolio	13,525,891	839,041	15,799,237	725,875
Accounts receivable to officers and employees	44,891	-	7,177	-
Other assets	302,943	(430,194)	293,264	(276,972)
Officers and employees deposits	<u>7,506,601</u>	<u>(79,229)</u>	<u>7,154,215</u>	<u>(161,958)</u>

39 Pension fund

The Bank makes contributions to the following pension plans:

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

	<u>2021</u>	<u>2020</u>
Present value of obligations for past services	(18,811,495)	(16,687,872)
Net assets of the plan	<u>19,120,082</u>	<u>17,082,263</u>
Net position of the plan	<u>308,587</u>	<u>394,391</u>

As of December 31, 2021, the expense for contributions to the plan amounts to RD\$538,261 and includes extraordinary contributions of RD\$280,000, approved by the Board of Directors through its twenty-seventh resolution of April 13, 2021. These contributions were approved for a period of five years through 2025 and is presented as part of other operating expenses in the accompanying consolidated statements of profit or loss for those years.

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

39 Pension fund (continued)

The expense recognized during the year 2020 amounted to RD\$911,546, including extraordinary contributions of RD\$141,357, with the purpose to cover the deficit until 2019, as authorized by the Superintendence of Banks and is recognized under other operating expenses in the accompanying consolidated statements of profit or loss for this year.

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

Actuarial assumptions

As of December 31, 2021 and 2020, the principal actuarial assumptions and other basic information of the plan used in determining the actuarial liabilities, are as follows:

	<u>2021</u>	<u>2020</u>
Mortality table	SIPEN 2011 (M-F)	SIPEN 2011 (M-F)
Rate of return on assets	9.00 %	9.00 %
Long- term annual discount rate	9.00 %	9.00 %
Annual salary increase scale	6.00 %	6.00 %
Long-term annual inflation rate	<u>4.50 %</u>	<u>4.50 %</u>

A summary of the number and amount of current pensions as of December 31, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Number of members	1,303	1,402
Average retirement age	50	49
Average monthly salary	<u>114</u>	<u>109</u>

- b) As of December 31, 2021 and 2020, the Bank maintains a provision for approximately RD\$709,000 and RD\$613,000, respectively to cover actuarial obligations of employees and pensioned officers directly instructed by the Bank and approved by the Board of Directors. The number of employees maintained in this pension plan amounts to 28. This obligation is calculated by estimating the amount of the future benefit that employees have earned in the current period and in previous periods.

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

39 Pension fund (continued)

Actuarial assumptions (continued)

This provision is based on an actuarial evaluation that determines the present value of this obligation. A detail of the actuarial assumptions used by the Bank as of December 31, 2021 and 2020, is as follows:

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

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

40 Non-monetary transactions

Non-monetary transactions are as follows:

	<u>2021</u>	<u>2020</u>
Write-off of loan portfolio and interests receivable	4,702,998	1,608,547
Write-offs of goods received in recovery of credit	86,722	-
Assets received in lieu of foreclosure of loans	954,001	1,445,257
Transfer between allowance for risky assets:		
Loan portfolio	2,895,596	(384,435)
Investments	10,000	(19,515)
Interests receivable	(898,577)	(99,600)
Assets received in lieu of foreclosure of loans	(2,007,019)	388,403
Contingencies	-	115,147
Sales of assets received in lieu of foreclosure of loans by new credit facilities	848,503	10,512
Withdrawal of allowances for sales of goods awarded	574,893	-
Transfers from property, furniture and equipment:		
Operating expenses	108,516	101,801
Accounts receivable	10,670	12,639

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

40 Non-monetary transactions (continued)

	<u>2021</u>	<u>2020</u>
Miscellaneous assets	-	118,953
Assets received in lieu of foreclosure of loans	14,393	-
Equity on earnings in associated companies	351,883	256,109
Amortization of premium and discount on investments, net	1,480,821	495,307
Dividends paid by offsetting the debt of the Dominican Republic State's institutions:		
Equity-retained earnings from previous periods	<u>1,560,058</u>	<u>1,686,609</u>

41 Other disclosures

41.1 COVID-19 impact

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

Even with the reduction in economic activity, the Bank presented net income for the year ended December 31, 2021. Financial ratios, specifically those related to solvency, return on assets and equity, have remained stable, and within the limits established by regulation and in line with the financial system.

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

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

41 Other disclosures (continued)**41.2 Subsequent events***Increase in paid-in capital*

On January 5, 2022, Law no. 1-22 that provides for the increase of the Bank's paid-in capital from RD\$10,000,0000 to RD\$39,000,000 through the reinvestment of dividends for RD\$29,000,000 charged to other equity reserves, approved by the Board of Directors through the Second Resolution of June 22, 2021.

Acquisition of assets and liabilities

On March 3, 2022, the Bank was awarded for the acquisition of assets and transfer of liabilities for approximately RD\$2,400,000 and RD\$2,900,000, respectively, from a local financial entity which is in the process of dissolution. This purchase was approved by the Board of Directors in its sole resolution dated March 2, 2022.

41.3 Further application of standards*Financial instruments and derivative operations*

Through Circulars No. 014/18 and 015/18, dated August 15, 2018, issued by the Superintendence of Banks, was approved, and put in force the instructions for the use of fair value of financial instruments and the recognition and accounting of derivative operations in the financial intermediation entities, respectively. The Superintendence of Banks, through Circular No. 017/20 of July 17, 2020, granted an extension until January 1st, 2022 for the entry into force of these instructions.

Accounting Manual for Supervised Entities

Through Circular No. 001/19 dated May 16, 2019, the integral modification of the Accounting Manual for Financial Institutions was approved. Subsequently, the Superintendence of Banks, through Circular No. 017/20 of July 17, 2020, granted an extension until January 1st, 2022 for the entry into force of said manual; and on date September 1st, 2021, this regulatory body issued Circular No. 013/21, which establishes the following term extensions:

- ◆ Six (6) additional months for the entry into force of the modifications made to the items of investments, restricted public deposits and restricted securities held by the public.
- ◆ Twelve (12) additional months to comply with the accounting treatment provided in the items corresponding to deferred commissions for credit and credit card operations.

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

41 Other disclosures (continued)**41.3 Further application of standards (continued)**

Additionally, through Circular 017/21 of December 28, 2021, the Superintendence of Banks issued the guidelines for the recognition of the effect of the change in accounting policy regarding the valuation of investments and additional clarifications for the implementation of the aforementioned manual as of January 1st, 2022.

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

Resolution No. 13-94 of the Superintendence of Banks of the Dominican Republic and its amendments sets the minimum disclosure requirements that the consolidated financial statements of financial institutions should include. As of December 31, 2021, the following notes are not included because they are not applicable:

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