

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

Consolidated Financial Statements

September 30, 2021

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

Consolidated Balance Sheets

Amounts in Thousands of Dominican pesos (RD\$)

	<u>At September 30,</u> <u>2021</u>	<u>At December 31,</u> <u>2020</u>
<b>ASSETS</b>		
<b>Available funds (notes 3, 4, 35, 36 and 37)</b>	<u>114,725,276</u>	<u>116,904,223</u>
<b>Investments (notes 3, 6, 14, 35, 36, 37 and 39)</b>		
Available for sale	51,065,534	37,639,311
Other investments in debt instruments	304,980,610	225,142,438
Interests receivable	4,578,421	5,747,260
Allowance for investments	<u>(208,048)</u>	<u>(183,889)</u>
	<u>360,416,517</u>	<u>268,345,120</u>
<b>Loans portfolio (notes 3, 7, 14, 35, 36, 37 and 39)</b>		
Current	326,348,564	309,154,378
Restructured	24,372,446	2,312,319
Past due	2,876,265	3,713,860
In legal collection	1,885,406	2,055,283
Interests receivable	4,392,983	5,082,769
Allowance for loans	<u>(24,099,479)</u>	<u>(18,075,900)</u>
	<u>335,776,185</u>	<u>304,242,709</u>
<b>Debtors by acceptances (notes 3, 8 and 35)</b>	<u>86,998</u>	<u>144,864</u>
<b>Accounts receivable (notes 3, 9, 35 and 37)</b>		
Commissions receivable	150,515	199,977
Accounts receivable	2,245,606	1,437,802
Insurance premiums receivable	2,699,534	3,397,630
Receivables from insurance and guarantees	3,897	5,514
Interests receivable	<u>297</u>	<u>191</u>
	<u>5,099,849</u>	<u>5,041,114</u>
<b>Assets received in lieu of foreclosure of loans (notes 10, 14 and 39)</b>		
Assets received in lieu of foreclosure of loans	8,968,756	10,328,170
Allowance for assets received in lieu of foreclosure of loans	<u>(8,700,049)</u>	<u>(9,448,077)</u>
	<u>268,707</u>	<u>880,093</u>
<b>Investments in shares (notes 3, 11, 14, 35, 36 and 39)</b>		
Investments in shares	1,586,017	1,568,735
Allowance for investments in shares	<u>(53,023)</u>	<u>(51,113)</u>
	<u>1,532,994</u>	<u>1,517,622</u>
<b>Property, furniture and equipment (note 12, 26 and 39)</b>		
Property, furniture and equipment	19,293,866	18,984,440
Accumulated depreciation	<u>(6,137,160)</u>	<u>(6,081,559)</u>
	<u>13,156,706</u>	<u>12,902,881</u>
<b>Properties under development intended for sale and lease</b>	<u>769,502</u>	<u>820,212</u>
<b>Other assets (notes 3, 13, 23 and 35)</b>		
Deferred charges	10,108,564	3,357,030
Intangibles	3,113,867	3,038,949
Other assets	406,070	875,099
Accumulated amortization	<u>(1,551,967)</u>	<u>(1,056,799)</u>
	<u>12,076,534</u>	<u>6,214,279</u>
<b>TOTAL ASSETS</b>	<u><b>843,909,268</b></u>	<u><b>717,013,117</b></u>
Contingent accounts (notes 24 and 28)	<u><b>1,028,718,801</b></u>	<u><b>1,139,213,343</b></u>
Memorandum accounts (note 29)	<u><b>3,688,927,583</b></u>	<u><b>3,377,033,921</b></u>

(Continues)

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

Consolidated Balance Sheets

Amounts in Thousands of Dominican pesos (RD\$)

	<u>At September 30, 2021</u>	<u>At December 31, 2020</u>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Customers' deposits (notes 3, 15, 35, 36 and 37)</b>		
Checking	161,247,068	123,728,829
Savings	270,236,010	235,903,959
Time	48,548,890	48,978,028
Interests payable	<u>151,533</u>	<u>24,197</u>
	<u>480,183,501</u>	<u>408,635,013</u>
<b>Deposits from domestic and foreign financial institutions (notes 3, 16, 35 and 36)</b>		
From domestic financial institutions	25,423,536	23,529,181
Interests payable	<u>947</u>	<u>126</u>
	<u>25,424,483</u>	<u>23,529,307</u>
<b>Securities on repurchase agreements (notes 17, 35 and 36)</b>	<u>10,282,597</u>	<u>11,760,363</u>
<b>Borrowed funds (notes 3, 18, 35 and 36)</b>		
From Central Bank	26,080,575	20,313,370
From domestic financial institutions	1,380,840	1,249,877
From foreign financial institutions	10,088,804	22,782,815
Others	2,789,023	632,227
Interests payable	<u>407,302</u>	<u>495,888</u>
	<u>40,746,544</u>	<u>45,474,177</u>
<b>Outstanding acceptances (notes 3, 8 and 35)</b>	<u>86,998</u>	<u>144,864</u>
<b>Outstanding securities (notes 18, 35, 36 and 37)</b>		
Securities	168,197,986	125,456,783
Interests payable	<u>213,050</u>	<u>250,460</u>
	<u>168,411,036</u>	<u>125,707,243</u>
<b>Creditors for insurance and bank guarantees (notes 3 and 25)</b>	<u>1,188,057</u>	<u>2,417,492</u>
<b>Insurance premium deposits</b>	<u>341,494</u>	<u>379,231</u>
<b>Other liabilities (notes 3, 14, 20, 23, 28 and 35)</b>	<u>24,126,104</u>	<u>17,900,057</u>
<b>Technical reserves (note 3 and 22)</b>		
Mathematical and technical life insurance reserves	278,876	260,600
Reserves for unearned insurance premiums	<u>6,276,295</u>	<u>5,424,034</u>
	<u>6,555,171</u>	<u>5,684,634</u>
<b>Subordinated debts (notes 3, 21, 35 and 36)</b>		
Subordinate debts	26,805,330	27,322,445
Interests payable	<u>333,972</u>	<u>513,438</u>
	<u>27,139,302</u>	<u>27,835,883</u>
<b>TOTAL LIABILITIES</b>	<u>784,485,287</u>	<u>669,468,264</u>
<b>NET EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (notes 26 and 39)</b>		
Paid-in capital	10,000,000	10,000,000
Other equity reserves	29,119,495	29,119,495
Revaluation surplus	677,685	677,685
Unrealized gains (losses) on investments available for sale	2,496,296	2,969,604
Retained earnings from previous periods	4,378,142	217,987
Net income for the year	12,468,843	4,160,155
	<u>59,140,461</u>	<u>47,144,926</u>
<b>Non-controlling interests</b>	<u>283,520</u>	<u>399,927</u>
<b>TOTAL EQUITY</b>	<u>59,423,981</u>	<u>47,544,853</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>843,909,268</u>	<u>717,013,117</u>
Contingent accounts (notes 24 and 28)	<u>1,028,718,801</u>	<u>1,139,213,343</u>
Memorandum accounts (note 29)	<u>3,688,927,583</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

Amounts in Thousands of Dominican pesos (RD\$)

	<u>Nine month periods ended</u>	
	<u>At September 30,</u>	
	<u>2021</u>	<u>2020</u>
<b>Financial income (notes 6, 7, 30 and 37)</b>		
Interest and commissions on loans	28,491,893	29,947,783
Interest on investments	17,719,058	9,094,941
Gains on sale of investments and securities	12,155,906	5,819,511
Insurance premiums net of returns and cancellations	7,394,759	6,189,653
Income related to technical adjustment to reserves	-	3,341
	<u>65,761,616</u>	<u>51,055,229</u>
<b>Financial expenses (notes 15, 16, 18, 19, 21, 30 and 37)</b>		
Interest on deposits	(7,259,045)	(8,887,039)
Loss on sale of investments and securities	(1,780,174)	(470,240)
Interest and commissions on borrowed funds	(1,127,710)	(724,513)
Insurance claims and contractual obligations	(5,020,774)	(3,987,926)
Expenses related to technical adjustment to reserves	(171,402)	-
Expenses related to acquisition, conservation and collection of insurance premiums	(813,048)	(633,180)
	<u>(16,172,153)</u>	<u>(14,702,898)</u>
<b>Gross financial margin</b>	<u>49,589,463</u>	<u>36,352,331</u>
Allowance for loan losses (note 14)	(7,626,961)	(6,289,708)
Allowance for investments	-	(100)
	<u>(7,626,961)</u>	<u>(6,289,808)</u>
<b>Net financial margin</b>	<u>41,962,502</u>	<u>30,062,523</u>
<b>Foreign exchange gain (loss) (note 31)</b>	<u>(270,355)</u>	<u>(840,415)</u>
<b>Other operating income (notes 32 and 37)</b>		
Credit card fees	2,369,508	1,815,492
Service fees	5,618,660	5,249,613
Foreign exchange commissions	2,195,415	2,487,664
Miscellaneous income	2,265,017	2,466,583
	<u>12,448,600</u>	<u>12,019,352</u>
<b>Other operating expenses (notes 32 and 37)</b>		
Commissions for services	(1,394,314)	(860,964)
Miscellaneous expenses	(2,596,896)	(2,645,014)
	<u>(3,991,210)</u>	<u>(3,505,978)</u>
<b>Gross operating profit</b>	<u>50,149,537</u>	<u>37,735,482</u>
<b>Operating expenses (notes 14, 28, 34 and 38)</b>		
Salaries and personnel compensation	(17,589,713)	(17,355,813)
Professional fees	(3,859,840)	(2,456,413)
Depreciation and amortization	(1,615,525)	(1,485,136)
Other provisions	(2,083,857)	(1,475,691)
Other expenses	(7,220,584)	(5,300,465)
	<u>(32,369,519)</u>	<u>(28,073,518)</u>
<b>Net operating profit</b>	<u>17,780,018</u>	<u>9,661,964</u>

(Continues)

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

Consolidated Statements of Profit or Loss

Amounts in Thousands of Dominican pesos (RD\$)

	<b>Nine month periods ended</b>	
	<b><u>At September 30,</u></b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>Other income (expenses) (note 33)</b>		
Other income	2,167,703	1,170,669
Other expenses	<u>(6,092,493)</u>	<u>(1,950,004)</u>
	<u>(3,924,790)</u>	<u>(779,335)</u>
<b>Profit before income tax</b>	13,855,228	8,882,629
Income tax (note 23)	<u>(1,347,223)</u>	<u>(868,815)</u>
<b>Net income for the period</b>	<b><u>12,508,005</u></b>	<b><u>8,013,814</u></b>
<b>ATTRIBUTABLE TO:</b>		
Owners of the Bank (Parent Company)	12,468,843	7,952,733
Non-controlling interests	<u>39,162</u>	<u>61,081</u>
	<b><u>12,508,005</u></b>	<b><u>8,013,814</u></b>

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

\_\_\_\_\_  
**Samuel Pereyra Rojas**  
General Administrator

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**Henry V. Polanco Portes**  
Comptroller

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

Consolidated Statements of Cash Flows

Amounts in Thousands of Dominican pesos (RD\$)

	<b>Nine month periods ended</b>	
	<b><u>At September 30,</u></b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Interest and commissions collected from loans	28,718,823	25,242,718
Other financial income collected	29,263,523	14,095,562
Other operating income collected	12,448,600	12,019,352
Insurance premium collected	8,055,118	6,354,624
Increase in insurance and guarantees	(1,341,731)	(2,414,888)
Interest paid on deposits	(7,404,346)	(8,923,786)
Interest and commissions paid on borrowed funds	(1,216,296)	(769,340)
General and administrative expenses paid	(28,656,631)	(25,107,180)
Other operating expenses paid	(3,991,210)	(3,505,978)
Income taxes paid	(5,800,259)	(868,815)
Insurance claims and contractual obligation	(5,020,774)	(1,939,963)
Miscellaneous collections (paid) by operating activities	<u>(1,022,307)</u>	<u>2,556,272</u>
<b>Net cash provided by operating activities</b>	<u>24,032,510</u>	<u>16,738,578</u>
<b>CASH FROM INVESTMENT ACTIVITIES</b>		
Increase in investments	(93,486,044)	(34,596,674)
Loans granted	(185,278,472)	(195,709,991)
Loans collected	142,599,857	207,624,377
Interbank funds granted	(100,000)	(8,410,000)
Interbank funds collected	100,000	8,410,000
Properties under development intended for sale and lease	40,819	13,884
Acquisition of property, furniture and equipment	(1,384,932)	(803,981)
Proceeds from sale of property, furniture and equipment	7,360	28,716
Proceeds from sale of assets received in lieu of foreclosure of loans	<u>1,414,880</u>	<u>-</u>
<b>Net cash used in investment activities</b>	<u>(136,086,532)</u>	<u>(23,443,669)</u>
<b>CASH FROM FINANCING ACTIVITIES</b>		
Deposits received	5,501,686,193	5,032,479,388
Returned deposits	(5,385,538,736)	(4,971,884,753)
Borrowed funds received	65,656,066	47,169,673
Borrowed funds paid	(70,295,113)	(64,154,782)
Securities lending on repurchase agreements, net	(1,477,766)	(4,624,672)
Dividends paid and other payments to equityholders	<u>(155,569)</u>	<u>-</u>
<b>Net cash provided by financing activities</b>	<u>109,875,075</u>	<u>38,984,854</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,178,947)	32,279,763
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>116,904,223</u>	<u>79,186,931</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>114,725,276</u></u>	<u><u>111,466,694</u></u>

(Continues)

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

Consolidated Statements of Cash Flows

Amounts in Thousands of Dominican pesos (RD\$)

	<b>Nine month periods ended</b>	
	<b><u>At September 30,</u></b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>Reconciliation between the net profit for the period and net cash provided by operating activities</b>		
Net income for the period	12,508,005	8,013,814
Adjustments to reconcile net profit for the period to net cash provided by operating activities:		
Allowance for risky assets and contingencies	9,710,818	7,765,499
Increase (decrease) in mathematical and technical reserves	171,402	(3,341)
Depreciation and amortization	1,629,031	1,490,647
Gain on sale of property, furniture and equipment	(225)	(127,385)
Equity on earnings in other companies	(270,000)	(143,660)
Loss on sale of assets received in lieu of foreclosure of loans	741,703	248,856
Currency exchange rate fluctuations, net	(696,979)	1,816,483
Amortization of debt issuance cost and discount on subordinated debts	34,165	26,901
Net change in assets and liabilities:		
Interests receivable	1,395,663	(5,053,715)
Debtors by acceptances	57,866	459,754
Commissions receivable	49,462	(62,990)
Accounts receivable	(807,804)	(599,112)
Insurance premiums receivable	698,096	110,666
Receivables from reinsurance and guarantees	1,617	(994)
Deferred charges	(6,751,534)	(1,986,727)
Intangibles	(74,918)	(22,272)
Other assets	469,029	(237,072)
Interests payable	(268,052)	(108,475)
Outstanding acceptances	(57,866)	(459,754)
Creditors of insurance and bank guarantees	(1,229,435)	(391,025)
Insurance premium deposits	(37,737)	54,305
Other liabilities	6,061,068	5,289,901
Technical reserves	699,135	658,274
<b>Total adjustments</b>	<b><u>11,524,505</u></b>	<b><u>8,724,764</u></b>
<b>Net cash provided by operating activities</b>	<b><u>24,032,510</u></b>	<b><u>16,738,578</u></b>

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

\_\_\_\_\_  
**Samuel Pereyra Rojas**  
General Administrator

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**Henry V. Polanco Portes**  
Comptroller

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

Consolidated Statements of Changes in Equity

Nine Month Periods Ended at September 30, 2021 and 2020

Amounts in Thousands of Dominican pesos (RD\$)

	Paid-in capital	Other equity reserves	Revaluation surplus	Unrealized gain (loss) on investments available for sale	Retained earning from previous periods	Net income for the period	Total	Non-controlling Interests	Total equity
<b>Balances at January 1st, 2020</b>	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 to the Dominican Republic Government (note 26):									
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 26)	-	-	-	64,262	-	-	64,262	-	64,262
Net income for the year	-	-	-	-	-	7,952,733	7,952,733	61,081	8,013,814
<b>Balances at September 30, 2020</b>	<b>10,000,000</b>	<b>22,879,264</b>	<b>688,825</b>	<b>64,262</b>	<b>206,847</b>	<b>7,952,733</b>	<b>41,791,931</b>	<b>391,871</b>	<b>42,183,802</b>
<b>Balances at December 31, 2020</b>	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	-	-	-	-	-	-	-	(19,396)	(19,396)
Decrease in minority ownership	-	-	-	-	-	-	-	(136,173)	(136,173)
Net unrealized gain on investments in securities available for sale (note 26)	-	-	-	(473,308)	-	-	(473,308)	-	(473,308)
Net income for the year	-	-	-	-	-	12,468,843	12,468,843	39,162	12,508,005
<b>Balances at September 30, 2021</b>	<b>10,000,000</b>	<b>29,119,495</b>	<b>677,685</b>	<b>2,496,296</b>	<b>4,378,142</b>	<b>12,468,843</b>	<b>59,140,461</b>	<b>283,520</b>	<b>59,423,981</b>

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

\_\_\_\_\_  
**Samuel Pereyra Rojas**  
General Administrator

\_\_\_\_\_  
**Henry V. Polanco Portes**  
Comptroller



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

Notes to the Consolidated Financial Statements

As of September 30, 2021 and December 31, 2020 and for the Nine Months Periods  
Ended September 30, 2021 and 2020

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 1<sup>st</sup>, 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
Daniel Otero	Senior General Director of Integral Risk Management
José Obregón	Senior General Director of Institutional Business and Corporate Governance
Henry Vladimir Polanco Portes	Comptroller
Ramón Pimentel	General Director of Treasury
Nancy Ferreras	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 September 30, 2021 and December 31, 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	354	8	112	353	8
Provinces	<u>188</u>	<u>399</u>	<u>-</u>	<u>186</u>	<u>384</u>	<u>-</u>
	<u><b>301</b></u>	<u><b>753</b></u>	<u><b>8</b></u>	<u><b>298</b></u>	<u><b>737</b></u>	<u><b>8</b></u>

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

The Bank signed service agreements with multiple merchants located in different parts of the country called banking subagents, through which general public has access to financial services. As of September 30, 2021 and December 31, 2020, the network of subagents was 1,255 (460 in the metropolitan area and 795 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 November 23, 2021.

## 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.

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 (note 6) and some lands and buildings (note 12) that are at market value.

**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)**

These consolidated financial statements have been prepared following the conceptual framework of the Superintendence of Banks of the Dominican Republic. 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.

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 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.

**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)*

- 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.
- vi) According to banking practices, other operating income, such as credit card renewal fees, letters of credit and acceptances outstanding are recognized immediately. In accordance with IFRS, income must be recognized when an entity transfers control of a good or service over time and, therefore, satisfies a performance obligation. The income is recognized by the price of the transaction that is assigned to that performance obligation.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of 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)*

- 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.
- xi) The investment portfolio is quantified according to the risk categories determined by the Superintendence of Banks that requires specific provisions, following the instructions in the Assets Evaluation Regulations (REA). 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.

**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)*

- xii) The Superintendence of Banks requires that cash flows from loans portfolio and customers' deposits, be classified as investing and financing activities, respectively. IFRS require that cash flows from these transactions be recognized as part of operating activities.
- xiii) The Superintendence of Banks allowed to multiple service banks the revaluation of its properties as of December 31, 2004 and has not required updating these values after that date. IFRS state that these updates must be performed whenever such assets have significant value changes.
- xiv) The Superintendence of Banks requires banks to recognize a provision for contingent operations, which includes, among others, granted collateral, non-negotiable letters of credit issued, and unused amounts of lines of credit of automatic use, based on a classification of risk category following the REA. IFRS require the recognition of estimated expected losses on loan commitments in a consistent manner, with their expectations of provisions of that loan commitment.
- xv) The Superintendence of Banks granted a no objection to the Bank to recognize the actuarial liability related to the Pension and Retirement Funds and those paid directly by the Bank over a nine-year period beginning in 2011. IFRS establish that pension plan obligations must be recognized initially in full and periodically updated in subsequent periods and the effects to be recognized either in profit or loss or other comprehensive income.
- xvi) 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.
- xvii) 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)*

- xviii) 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.
- xix) 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.
- xx) 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 1<sup>st</sup>, 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.
- xxi) 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.
- 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.

**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*

- 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.

- ii) 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.
- iii) 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.



**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)*

- iv) 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.
- v) 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.
- vi) 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.
- vii) 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.
- viii) According to accounting practices established and permitted by the Superintendence of Insurance, the service components that form part of the insurance contract are not separated and are recorded as revenue in conjunction with the premium income subscribed. Under IFRS, the components of services over which the insurance company subsidiary does not withhold insurance risks, should be separated from the insurance contract. Such components must be recognized as a liability, and defer any commission earned by the insurance company subsidiary in the service intermediation as income during the term of the policy that originated such commission.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of 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)**

- ix) 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.
- x) 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.
- xi) 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.
- xii) 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.
- xiii) IFRS require that, if an entity maintains derivate financial instruments, to separate embedded derivative from the host contract and accounted for as a derivative if economic characteristic and risks of the embedded derivative are not closely related to the economic characteristic and risks of the host contract. Accounting practices established by the Superintendence of Insurance and the SISALRIL do not provide for guidance on accounting of derivatives financial instruments.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of 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)*

- xiv) 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.
- xv) 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.
- xvi) 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.
- xvii) 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.
- xviii) 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.

**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)**

- xix) 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.
- xx) 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.

**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.

**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)

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>

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

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

**2.3 Consolidation (continued)**

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

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

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

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

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

*Tenedora Reservas, S. A. and Subsidiaries*

Is the Parent Company of the following subsidiaries:

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

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

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

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

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.

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

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

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

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

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

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

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

*(f) Seguridad y Protección Institucional, S. A. (SEPROI)*

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

*(g) 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.

**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)**

### **2.3 Consolidation (continued)**

(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 objective is invoice discounting 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.

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 Regulations of Asset Evaluation.

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.



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## **2 Summary of significant accounting policies (continued)**

### **2.4 Loan portfolio (continued)**

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).

In order to lighten the financial burden of the debtors, and due to COVID-19 pandemic, the Bank implemented a flexibilization program that granted a three months 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 flexibilization 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 Asset Evaluation Regulation issued by the Monetary Board of the Central Bank of the Dominican Republic.

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.

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**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)**

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.

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

Medium-sized commercial debtors are those whose total credit operations owed to the financial system are equal to or greater than 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.

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Notes to the Consolidated Financial Statements (continued)

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**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)**

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.

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 the COVID-19 pandemic in the economy of the Dominican Republic and provide resources to financial 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 entities can maintain frozen the allowance for loans determined with the reported risk classification of the loan as of February 29, 2020, according to numeral 1, literal b, of the Second Resolution of the Monetary Board of March 17, 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 will remain in effect until March 31, 2021.

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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)**

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.

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 allowance were established in compliance with regulations of the Superintendence of Banks through its Circulars No. 030/20 and 001/21 dated December 28, 2020 and January 29, 2021, respectively, which establish transitory guidelines for the recognition of anti-cyclical allowance.

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Notes to the Consolidated Financial Statements (continued)

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**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)**

The flexibilization 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 flexibility 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.

***Collateral***

The collaterals that support credit operations are classified according to the Asset Evaluation Regulations, 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.

Through Circular No. 004/20 dated March 25, 2020, issued by the Superintendence of Banks, an additional term of 90 days was established to the term established in article 68 of the REA, for updating the appraisals of loan guarantees. This provision will remain in effect until March 31, 2021.

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.

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**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)*****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 Asset Evaluation Regulation 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 Asset Evaluation Regulation.

***Other considerations***

As of September 30, 2021 and December 31, 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.

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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)**

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

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

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

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

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

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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)****2.5.4 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 28 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.

**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. In December 31, 2010, the Superintendence of Banks allowed that the liability for the defined benefit pension plan be recognized prospectively over a nine-year period beginning in December 2011.

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.



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Notes to the Consolidated Financial Statements (continued)

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

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 the current and previous periods, discounting that amount and deducting the fair value of the plan's assets.

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.

**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 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.

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Notes to the Consolidated Financial Statements (continued)

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

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.

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.

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.

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Notes to the Consolidated Financial Statements (continued)

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**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)**

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 Assets Evaluation Regulation. 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 Assets Evaluation Regulation.

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 September 30, 2021 and December 31, 2020, the bank has 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 Assets Evaluation Regulation, 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.

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## **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**

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.

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**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).

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**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)*

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.

The Bank has maintained its revenue recognition policy and, as part of the flexibilization measures granted to debtors, revenue not received is not significant, considering historical position of the Bank to maintain the most convenient rates for its customers. In the same order, Management has been constantly monitoring intermediation margin, to ensure the necessary balance due to conditions caused by COVID-19.

*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.

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**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. Until that date, a complementary commission revenue corresponding to 25 % of the yield obtained in the management of the investments of T-1 Fund (Contributory), 15 % for T-4 Fund (Distribution) and 5 % of T-5 Fund (Social Solidarity), above the average rate of commercial banks, published daily by the Central Bank of the Dominican Republic.

As of March 2020, in accordance with Law No. 13-20 that modifies article 86 of Law No. 87-01 and Resolution 419-20 and its amendments, issued by the Superintendence of Pensions on February 7 and 18, 2020, respectively, the base and percentage were modified to determine revenue from commissions that pension funds administrator could recognized, establishing a single commission that will be determined based on the net equity balance of the fund in the previous business day, and whose percentages range from 1.2 % in 2020 to 0.75 % in the next 10 years. This commission will be charged monthly.

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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, prepaid medicine, voluntary and independent plans on a straight-line basis, i.e., the uniform distribution of the amount of income during the validity period of the coverage of the policy.

**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. and Inversiones & Reservas, S. A., have applied IFRS 16 *Leases* using the modified retrospective approach and, therefore, comparative information has not been restated.

#### ***Policy applicable from January 1<sup>st</sup>, 2019***

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.

This policy is applied to contracts entered into, on or after January 1<sup>st</sup>, 2019.

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. and Inversiones & 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. and Inversiones & 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.

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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)**

*Policy applicable from January 1<sup>st</sup>, 2019 (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. and Inversiones & 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. and Inversiones & 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. and Inversiones & 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.

The subsidiaries Seguros Reservas, S. A., Fiduciaria Reservas, S. A., Administradora de Riesgos de Salud Reservas, Inc. and Inversiones & 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.

**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)***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. and Inversiones & 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. and Inversiones & 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 Republic Government. Furthermore, the Bank considers the tax effects in transactions during the year they are included in profit or loss for tax purposes.

In accordance with Law No. 8-90 and Resolution No. 19-02 A 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.

**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 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.

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 values of investments in debt and equity securities are estimated based on the adjusted book 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.

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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)*****Investment in securities and shares (continued)***

Investments classified as available for sale are measured at fair value, interest income is calculated using the effective interest method, foreign currency translation gains and losses and impairment is recognized in profit or loss. Other net gains and losses are recognized in equity. 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.

***Borrowed funds***

Borrowed funds are initially recognized for the loan amount. These are measured at amortized cost, using the effective interest rate method. The financial expense resulting in the period is recognized using the effective interest method.

***Interest on financial assets and liabilities***

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

**2.18 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.

**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)****2.19 Impairment of assets (continued)**

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, which considers the uncertainty arising from COVID-19 pandemic. The allowance for doubtful accounts is recognized through a charge to expense account for losses resulting from doubtful accounts. These receivables are charged to earnings when management determines that collectability is doubtful based on installments made, client's payment history and evaluation of collaterals, if they exist.

**2.22 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 26).

**2.23 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.

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

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## **2 Summary of significant accounting policies (continued)**

### **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.

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>

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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)****2.26 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 1<sup>st</sup> 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.

**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:



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

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

	2021		2020	
	Amount in foreign currency \$	Total in RD\$	Amount in foreign currency \$	Total in RD\$
<b>Assets</b>				
Available funds	1,175,223	66,136,249	1,320,637	76,746,301
Investments	1,472,763	82,880,448	1,409,417	81,905,627
Loan portfolio, net	956,845	53,846,956	863,970	50,207,971
Debtors by acceptances	1,546	86,998	2,493	144,864
Accounts receivable	21,288	1,197,996	45,847	2,664,319
Investments in shares, net	803	45,188	812	47,199
Other assets	369	20,767	637	37,022
Total assets	<u>3,628,837</u>	<u>204,214,602</u>	<u>3,643,813</u>	<u>211,753,303</u>
<b>Liabilities</b>				
Customers' deposits	2,845,350	160,123,482	2,494,581	144,967,855
Deposits from domestic and foreign financial institutions	278,853	15,692,572	212,103	12,325,952
Borrowed funds	193,102	10,866,904	398,705	23,169,984
Outstanding acceptances	1,546	86,998	2,493	144,864
Creditors for insurance and bonds	2,024	113,910	562	32,639
Other liabilities	38,070	2,142,418	22,029	1,280,204
Subordinated debts	303,031	17,053,210	308,038	17,901,112
Technical reserves	3,813	214,572	8,725	507,034
Total liabilities	<u>3,665,789</u>	<u>206,294,066</u>	<u>3,447,236</u>	<u>200,329,644</u>
Long (short) position in foreign currency	<u>(36,952)</u>	<u>(2,079,464)</u>	<u>196,577</u>	<u>11,423,659</u>

As of September 30, 2021 and December 31, 2020, the exchange rates used by the Bank was RD\$56.2755 and RD\$58.1131, respectively.

### 4 Available funds

Available funds are summarized as follows:

	<u>2021</u>	<u>2020</u>
Cash on hand (a)	9,737,516	13,344,734
Central Bank of the Dominican Republic (b)	81,469,305	88,208,660
Local banks (c)	370,047	416,175
Foreign banks (d)	23,072,492	14,874,268
Other funds - in transit (e)	75,793	60,103
Interests receivable (f)	123	283
	<u>114,725,276</u>	<u>116,904,223</u>

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

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**4 Available funds (continued)**

- (a) Includes \$ 37,300 in 2021 and \$102,021 in 2020.
- (b) Includes \$ 724,906 in 2021 and \$960,458 in 2020.
- (c) Includes \$ 1,748 in 2021 and \$1,936 in 2020.
- (d) Includes \$ 409,992 in 2021 and \$255,954 in 2020
- (e) Represents effects received from other banks pending collection in the Clearing House. As of September 30, 2021 includes \$ 1,275 and \$263 in December 31, 2020.
- (f) Corresponds to \$2 in 2021 and \$5 in 2020 pending to be collected.

The required legal reserve amounts to RD\$53,144,445 and \$626,684 for September 30, 2021 and RD\$42,780,362 and \$543,916 for December 31, 2020. For hedging purposes, the Bank maintains cash in the BCRD for RD\$53,821,932 and \$777,356 for September 30, 2021 and RD\$47,146,349 and \$994,813 for December 31, 2020. The Bank also maintains a loan portfolio in productive sectors as of September 30, 2021 and December 31, 2020 for RD\$16,137,576 and RD\$15,156,248, respectively.

**5 Interbank funds**

The movements of interbank funds received and granted during the years ended September 30, 2021 and December 31, 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>	
<b>September 30, 2021</b>				
Banco Lafise	<u>1</u>	<u>100,000</u>	7	3.60
<b>December 31, 2020</b>				
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	5.75
	<u>16</u>	<u>8,410,000</u>		

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

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## 5 Interbank funds (continued)

As of September 30, 2021 and December 31, 2020, the Bank negotiated interbank funds with different financial institutions; however, as of September 30, 2021 and December 31, 2020, there are no pending balances in interbank funds.

## 6 Investments

As of September 30, 2021 and December 31, 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>
<b>September 30, 2021</b>				
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) (d)	Ministry of Finance of the Dominican Republic (includes \$761,080)	51,065,534	8.81 %	2021 until 2060
Other investments in debt instruments: Certificates of deposits (c)	Central Bank of the Dominican Republic (includes \$480,000)	187,335,017	6.10 %	2021 until 2025
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 \$202,164)	109,854,461	9.15%	2021 until 2040
Trust values (a)	Fideicomiso para la Operación, Mantenimiento y Expansión de La Red Vial principal de la República Dominicana	1,018,740	10.50 %	2026
Trust fund	Fideicomiso Rica	237,178	33.70 %	
Corporate bonds	Empresa Generadora de Electricidad Haina, S. A. (includes to \$544)	38,433	10.61 %	2025 until 2027
Bonds	Consorcio Energetico CEPM (corresponds to \$690)	38,842	5.34 %	2025 until 2027
Corporate bonds	Dominican Power Partners, (corresponds to \$358)	20,125	6.07 %	2023 until 2027
Corporate bonds	Asociación Popular de Ahorros y Préstamos	252,102	10.00 %	2026
Corporate bonds	Asociación La Nacional de Ahorros y Préstamos	13,666	7.62 %	2024
Corporate bonds	Acero Estrella, S. R. L.	190,477	11.32 %	2030
Time deposits	Consorcio Minero Dominicano, S. A.	1,171	11.00 %	2029
Time deposits	Asociación Popular de Ahorros y Préstamos	44,608	4.79 %	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>
<b>September 30, 2021</b>				
Time deposits	Asociación Peravia de Ahorros y Préstamos	68,620	4.61 %	2022
Time deposits	Asociación La Vega Real de Ahorros y Préstamos	60,000	3.88 %	2021
Time deposits	Asociación La Nacional de Ahorros y Préstamos	10,068	5.00 %	2022
Time deposits	Asociación Maguana de Ahorros y Préstamos	28,036	3.68 %	2021
Time deposits	Asociación Romana de Ahorros y Préstamos	15,479	3.80 %	2021
Time deposits	Asociación Bonaio de Ahorros y Préstamos	27,500	6.00 %	2022
Time deposits	Banco Múltiple Caribe, S. A.	43,600	4.37 %	2021
Time deposits	Banco Múltiple Promérica de la República Dominicana, S. A.	39,093	4.85 %	2022
Time deposits	Motor Crédito, S. A. Banco de Ahorro y Crédito	13,801	5.25 %	2021
Time deposits	Banco Múltiple BHD Leon, S. A.	162,872	2.80 %	2021
Time deposits	Banco Santa Cruz	25,814	1.07 %	2021
Time deposits	Banco Nacional de las Exportaciones	12,666	5.00 %	2021
Time deposits	Banco Múltiple Vimenca, S. A.	84,059	4.48 %	2021
Overnight	Scotiabank	13,808	1.88 %	2021
Overnight	Banco Múltiple BHD Leon, S. A.	14,959	2.00 %	2021
Quote of participation	Fondo de Inversión Abierto Universal Liquidez	13,259	3.35 %	undefined
Quote of participation	Fondo Abierto de Inversión Flexible Financiamiento Deposit	76,073	2.97 %	undefined
Quote of participation	Fondo de Inversión Abierto Liquidez Excel	230,105	3.37 %	undefined
Quote of participation	Fondo de Inversión Abierto Liquidez Excel Dollars (corresponds to \$24)	1,371	1.09 %	undefined
Quote of participation	Fondo Inmobiliario Excel (corresponds to \$525)	29,530	5.73 %	undefined
Quote of participation	Fondo Mutuo Renta Fija-BHD Funds Term 30 Days Dollars (corresponds to \$5,800)	326,399	1.84 %	undefined
Quote of participation	Fondo de Inversión Cerrado Inmobiliario Excel II (corresponds to \$1,003)	56,448	Variable	undefined
Quote of participation	Fondo Mutuo Renta Fija-BHD Term 30 Days	203,842	2.38 %	undefined
Quote of participation	Fondo Mutuo Largo Plazo Reservas Caoba (corresponds to \$4,737)	266,553	1.35 %	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>
<b>September 30, 2021</b>				
Quote of participation	Fondo Mutuo Matrimonial Medim-term Reservas El Bohío	82,281	7.95 %	undefined
Quote of participation	Fondo Mutuo Corto Plazo Reservas Quisqueya	531,312	4.06 %	undefined
Quote of participation	Fondo Cerrado de Desarrollo de Sociedades Advanced	69,641	12.09 %	undefined
Quote of participation	Fondo Mutuo Mercado de Dinero	14,639	3.82 %	undefined
Quote of participation	Fondo Mutuo Plazo 90 Días	102,099	5.76 %	undefined
Quote of participation	Fondo Inmobiliario Pionner	65,525	5.45 %	undefined
Quote of participation	Fondo de Energía Sostenible JMMB (corresponds to \$1,010)	56,825		undefined
Quote of participation	Fondo Inmobiliario Cerrado JMMB (corresponds to \$1,057)	59,464		undefined
Quote of participation	Fondo de Inversión Abierto Plazo Mensual Dólar (corresponds to \$301)	16,936		undefined
<b>Restricted securities</b>				
Bonds Law	Ministry of Finance of the Dominican Republic	10,000	7.49 %	
Reports	Tivalsa Puesto de Bolsa	251,618	3.62 %	
Reports	CCI Puesto de Bolsa (corresponds to \$2,222)	125,063	8.00 %	
Reports	Alpha Sociedad de Valores, S. A.	220,231	5.20 %	
Reports	Parallax Valores	452,491	5.39 %	
Reports	BHD Puesto de Bolsa	100,475	5.00 %	
	Profitability guarantee of La Administradora de Fondos de Pensiones, Invested in different Institutions	1,953,034		
Mortgage notes (b)	Banco Múltiple BHD León, S. A.	<u>201</u>	2.40 %	2021
		304,980,610		
	Interests receivable, (includes \$11,291)	4,578,421		
	Allowance for investment, (includes \$43)	<u>(208,048)</u>		
		<b><u>360,416,517</u></b>		

**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>
<b>December 31, 2020</b>				
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) (d)	Ministry of Finance of the Dominican Republic (includes \$427,891)	37,639,311	6.86 %	2021 until 2060
Other investments in debt instruments:				
Certificates of deposits (c)	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
Trust values (a)	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 (a)	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

**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>
<b>December 31, 2020</b>				
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 Bona de Ahorros y Préstamos	27,500	7.75 %	2021
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. Scotiabank	36,856 10,626	4.25 %	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
Quote of participation	Fondo Mutuo Corto Plazo Reservas Quisqueya	754,856	4.91 %	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>
<b>December 31, 2020</b>				
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
<b>Restricted securities</b>				
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 (b)	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>		
		<b><u>268,345,120</u></b>		

- (a) For purposes of calculating the solvency ratio, the Bank received the no objection from the Superintendence of Banks 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. Includes an amount withheld of RD \$7,002,864 as collateral in repurchase agreements and Rapid Liquidity Facilities (FLR).
- (b) Investments affected by lawsuits against the Bank.
- (c) As of September 30, 2021 and December 31, 2020, includes an amount withheld of RD\$35,247,711 and RD\$33,094,886, respectively, as collateral in repurchase agreements.
- (d) The fair value of these investments is disclosed in note 36.



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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

## 7 Loans portfolios

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

	2021			2020		
	Public sector	Private sector	Total	Public sector	Private sector	Total
<u>Commercial loans</u>						
Advances on checking accounts Loans (includes \$1,052,241 in 2021 And \$869,637 in 2020)	-	46,168	46,168	-	10,494	10,494
Invoice discounting (include \$3,581 in 2021 and \$2,466 in 2020)	39,434,038	170,045,411	209,479,449	38,927,875	142,986,592	181,914,467
Financial leases	-	201,640	201,640	-	143,552	143,552
Advance on export notes (corresponds to \$10 in 2021 and \$13 in 2020)	1,411,764	-	1,411,764	1,443,316	-	1,443,316
Other loans	-	547	547	-	731	731
	-	-	-	-	317	317
	<u>40,845,802</u>	<u>170,293,766</u>	<u>211,139,568</u>	<u>40,371,191</u>	<u>143,141,686</u>	<u>183,512,877</u>
<u>Consumer loans</u>						
Credit cards (includes \$23,603 in 2021 and \$19,685 in 2020)	-	10,028,020	10,028,020	-	9,267,918	9,267,918
Consumer loans (includes \$2,776 and \$2,936 in 2021 and 2020)	-	83,254,653	83,254,653	-	76,925,715	76,925,715
	-	93,282,673	93,282,673	-	86,193,633	86,193,633
<u>Mortgage loans</u>						
Residential purchases (includes \$1,634 and \$1,609 in 2021 and 2020)	-	50,462,645	50,462,645	-	46,835,492	46,835,492
Construction, improvements, repairs, expansion and others	-	597,795	597,795	-	693,838	693,838
	-	51,060,440	51,060,440	-	47,529,330	47,529,330
	<u>40,845,802</u>	<u>314,636,879</u>	<u>355,482,681</u>	<u>40,371,191</u>	<u>276,864,649</u>	<u>317,235,840</u>
Interests receivable (includes \$9,554 and \$19,454 in 2021 and 2020)	294,773	4,098,210	4,392,983	32,645	5,050,124	5,082,769
Allowance for loan losses and interests receivable (includes \$136,554 and \$51,830 in 2021 and 2020)	-	(24,099,479)	(24,099,479)	-	(18,075,900)	(18,075,900)
	<u>41,140,575</u>	<u>294,635,610</u>	<u>335,776,185</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		
	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>
<u>Commercial loans</u>						
Current (i) (includes \$681,996 and \$860,915 in 2021 and 2020)	40,845,802	130,945,399	171,791,201	40,371,191	126,876,721	167,247,912
Restructured (ii) (includes \$365,174 and \$7,444 in 2021 and 2020)	-	23,197,616	23,197,616	-	2,264,266	2,264,266
Past due:						
31 to 90 days (iii) (includes \$22 and \$179 in 2021 and 2020)	-	65,578	65,578	-	116,238	116,238
More than 90 days (iv) (includes \$7,883 and \$1,808 in 2021 and 2020)	-	1,198,744	1,198,744	-	1,716,110	1,716,110
Legal collections (v), (includes (\$821 in 2020))	-	780,319	780,319	-	1,008,467	1,008,467
	<u>40,845,802</u>	<u>156,187,656</u>	<u>197,033,458</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
<u>Microenterprises loans</u>						
Current (i) (includes \$653 and \$856 in 2021 and 2020)	-	13,353,187	13,353,187	-	11,004,976	11,004,976
Restructured (ii)	-	631,184	631,184	-	1,903	1,903
Past due:						
31 to 90 days (iii) (includes \$8 and \$22 in 2021 and 2020)	-	9,751	9,751	-	15,147	15,147
More than 90 days (iv) (includes \$96 and \$20 in 2021 and 2020)	-	52,368	52,368	-	85,908	85,908
Legal collections (v) (include \$51 in 2020)	-	59,620	59,620	-	51,942	51,942
	<u>-</u>	<u>14,106,110</u>	<u>14,106,110</u>	<u>-</u>	<u>11,159,876</u>	<u>11,159,876</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)**

	2021			2020		
	Public sector	Private sector	Total	Public sector	Private sector	Total
<u>Consumer loans</u>						
Current (i) (includes \$25,908 and \$21,600 in 2021 and 2020)	-	90,921,590	90,921,590	-	83,933,524	83,933,524
Restructured (ii)	-	336,183	336,183	-	24,017	24,017
Past due:						
31 to 90 days (iii) includes \$16 in 2020	-	129,194	129,194	-	75,561	75,561
More than 90 days (iv) (includes \$471 and \$1,005 in 2021 and 2020)	-	1,254,987	1,254,987	-	1,545,496	1,545,496
Legal collections (v)	-	640,719	640,719	-	615,035	615,035
	-	<u>93,282,673</u>	<u>93,282,673</u>	-	<u>86,193,633</u>	<u>86,193,633</u>
<u>Mortgage loans</u>						
Current (i) (includes \$1,630 and \$1,609 in 2021 and 2020)	-	50,282,586	50,282,586	-	46,967,966	46,967,966
Restructured (ii)	-	207,463	207,463	-	22,133	22,133
Past due:						
31 to 90 days (iii) (includes \$4 in 2021)	-	7,063	7,063	-	2,814	2,814
More than 90 days (iv)	-	158,580	158,580	-	156,578	156,578
Legal collections (v)	-	404,748	404,748	-	379,839	379,839
	-	<u>51,060,440</u>	<u>51,060,440</u>	-	<u>47,529,330</u>	<u>47,529,330</u>
<u>Interests receivable</u>						
Current (i) (includes \$4,545 and \$18,985 in 2021 and 2020)	294,773	2,658,047	2,952,820	32,613	3,890,178	3,922,791
Restructured (ii) (includes \$4,915 and \$7 in 2021 and 2020)	-	1,011,060	1,011,060	32	572,613	572,645
Past due:						
From 31 to 90 days (iii) (includes \$21 and \$182 in 2021 and 2020)	-	136,398	136,398	-	180,929	180,929
More than 90 days (iv) (includes \$73 and \$259 in 2021 and 2020)	-	132,568	132,568	-	258,667	258,667
Legal collections (v) (includes \$21 in 2020)	-	160,137	160,137	-	147,737	147,737
	<u>294,773</u>	<u>4,098,210</u>	<u>4,392,983</u>	<u>32,645</u>	<u>5,050,124</u>	<u>5,082,769</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)**

	2021			2020		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Allowance for loans and interests receivable (includes \$136,554 and \$51,830 in 2021 and 2020)	-	(24,099,479)	(24,099,479)	-	(18,075,900)	(18,075,900)
	<u>41,140,575</u>	<u>294,635,610</u>	<u>335,776,185</u>	<u>40,403,836</u>	<u>263,838,873</u>	<u>304,242,709</u>

- (i) Corresponds to loans that are up to date in fulfilling the payment plan agreed or that do not show arrears over 30 days from the date on which they have become due and payable, except consumer loans relating to credit card, which will remain current until 60 days after the date on which payments have become due and payable.
- (ii) Corresponds to principal and interests 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 interests 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 interests 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)	1,430,010	91,168,891	92,598,901	1,464,958	91,783,002	93,247,960
Specific use collateral (ii)	-	35,932,180	35,932,180	-	22,133,219	22,133,219
Without collateral (iii)	<u>39,415,792</u>	<u>187,535,808</u>	<u>226,951,600</u>	<u>38,906,233</u>	<u>162,948,428</u>	<u>201,854,661</u>
	<u>40,845,802</u>	<u>314,636,879</u>	<u>355,482,681</u>	<u>40,371,191</u>	<u>276,864,649</u>	<u>317,235,840</u>
Interests receivable	294,773	4,098,210	4,392,983	32,645	5,050,124	5,082,769
Allowance for loan losses and interests receivable	-	(24,099,479)	(24,099,479)	-	(18,075,900)	(18,075,900)
	<u>41,140,575</u>	<u>294,635,610</u>	<u>335,776,185</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) 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. As of September 30, 2021 and December 31, 2020, these collaterals are considered as follows:

<u>Type of collateral</u>	<u>Percentage of admittance (%)</u>
Debt securities issued or guaranteed by the Dominican State (Central Bank, Ministry of Finance) (a)	100
Debt securities issued by the financial intermediary entities (a)	95
Time deposits in domestic or foreign currency owned by the financial intermediary (a)	100
Time deposits in domestic or foreign currency of other financial intermediaries (a)	95
Sureties or guarantees, irrevocable letters of credit and letters of credit stand-by	95
Mutual guarantee certificates	80
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 (c)	80
Hotel projects under construction (c)	70
Industrial warehouses (c)	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
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:

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

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

*d) By source of funds:*

	2021			2020		
	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>
Own funds	38,204,324	280,548,838	318,753,162	37,681,191	244,731,138	282,412,329
Other international institutions	-	398,437	398,437	-	398,437	398,437
Other domestic institutions	-	-	-	-	2,389,746	2,389,746
Resources Rapid liquidity facility (RLF) window Central Bank of the Dominican Republic	<u>2,641,478</u>	<u>33,689,604</u>	<u>36,331,082</u>	<u>2,690,000</u>	<u>29,345,328</u>	<u>32,035,328</u>
	<u>40,845,802</u>	<u>314,636,879</u>	<u>355,482,681</u>	<u>40,371,191</u>	<u>276,864,649</u>	<u>317,235,840</u>
Interests receivable	294,773	4,098,210	4,392,983	32,645	5,050,124	5,082,769
Allowance for loan losses and interests receivable	<u>-</u>	<u>(24,099,479)</u>	<u>(24,099,479)</u>	<u>-</u>	<u>(18,075,900)</u>	<u>(18,075,900)</u>
	<u><b>41,140,575</b></u>	<u><b>294,635,610</b></u>	<u><b>335,776,185</b></u>	<u><b>40,403,836</b></u>	<u><b>263,838,873</b></u>	<u><b>304,242,709</b></u>

*e) By term:*

Short-term (up to one year)	22,852,774	114,470,784	137,323,558	22,185,458	92,626,133	114,811,591
Medium-term (more than one year and up to three years)	9,333,265	151,275,293	160,608,558	9,414,817	138,698,581	148,113,398
Long-term (more than three years)	<u>8,659,763</u>	<u>48,890,802</u>	<u>57,550,565</u>	<u>8,770,916</u>	<u>45,539,935</u>	<u>54,310,851</u>
	<u>40,845,802</u>	<u>314,636,879</u>	<u>355,482,681</u>	<u>40,371,191</u>	<u>276,864,649</u>	<u>317,235,840</u>
Interests receivable	294,773	4,098,210	4,392,983	32,645	5,050,124	5,082,769
Allowance for loan losses and interests receivable	<u>-</u>	<u>(24,099,479)</u>	<u>(24,099,479)</u>	<u>-</u>	<u>(18,075,900)</u>	<u>(18,075,900)</u>
	<u><b>41,140,575</b></u>	<u><b>294,635,610</b></u>	<u><b>335,776,185</b></u>	<u><b>40,403,836</b></u>	<u><b>263,838,873</b></u>	<u><b>304,242,709</b></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)

*f) By economic sector:*

	2021			2020		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Government	38,204,324	-	38,204,324	37,680,323	-	37,680,323
Financial sector	2,641,478	5,582,777	8,224,255	2,690,868	2,567,253	5,258,121
Agriculture, livestock and forestry	-	5,846,430	5,846,430	-	5,283,941	5,283,941
Fishing	-	5,920	5,920	-	5,920	5,920
Mining and quarries	-	414,497	414,497	-	416,018	416,018
Manufacturing industry	-	27,836,947	27,836,947	-	26,214,154	26,214,154
Electricity, gas and water	-	12,868,885	12,868,885	-	8,401,043	8,401,043
Construction	-	18,254,756	18,254,756	-	14,075,649	14,075,649
Wholesale and retail business	-	37,704,486	37,704,486	-	35,100,576	35,100,576
Hotels and restaurants	-	21,890,331	21,890,331	-	17,504,294	17,504,294
Transportation, warehousing and communication	-	4,949,161	4,949,161	-	4,067,872	4,067,872
Real estate, and leasing activities	-	12,872,694	12,872,694	-	10,607,974	10,607,974
Education	-	3,033,017	3,033,017	-	2,651,390	2,651,390
Health and social services	-	249,798	249,798	-	231,180	231,180
Other social and personal services activities	-	151,133,972	151,133,972	-	137,921,179	137,921,179
Private household with local services	-	11,993,208	11,993,208	-	11,816,206	11,816,206
	<u>40,845,802</u>	<u>314,636,879</u>	<u>355,482,681</u>	<u>40,371,191</u>	<u>276,864,649</u>	<u>317,235,840</u>
Interests receivable	294,773	4,098,210	4,392,983	32,645	5,050,124	5,082,769
Allowance for loan losses and interests receivable	-	(24,099,479)	(24,099,479)	-	(18,075,900)	(18,075,900)
	<u><b>41,140,575</b></u>	<u><b>294,635,610</b></u>	<u><b>335,776,185</b></u>	<u><b>40,403,836</b></u>	<u><b>263,838,873</b></u>	<u><b>304,242,709</b></u>

As of September 30, 2021 and December 31, 2020, loans to the private sector include RD\$2,905,027 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.

**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)

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 counteract 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.
- ◆ 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.

The loan portfolio includes debtors covered by the flexibilization 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>	Credits with frozen <u>allowance</u>	New credits debtors with frozen <u>classification</u>	<u>Restructured</u>	New credits with resources of reserve and liquidity window
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	<u>37,577,034</u>	<u>452,838</u>	<u>722,135</u>	<u>4,870,533</u>
	<b><u>195,507,048</u></b>	<b><u>36,441,834</u></b>	<b><u>3,014,499</u></b>	<b><u>61,942,568</u></b>

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

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.



**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\$)

## 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 \$448 and \$2,437 in 2021 and 2020)	25,236	2021	141,617	2021
Mizuho Bank, LTD (corresponds to and \$340 in 2021)	19,107	2021	-	-
Sumitomo Mitsui Banking Corporation (corresponds to \$758 in 2021)	42,655	2021	-	-
JP Morgan Chase (corresponds to \$23 in 2020)	-	-	1,347	2021
The Bank of Tokyo-Mitsubishi (corresponds to \$33 in 2020)	-	-	<u>1,900</u>	2021
	<u><b>86,998</b></u>		<u><b>144,864</b></u>	

## 9 Accounts receivable

A summary of accounts receivable is as follows:

	<u>2021</u>	<u>2020</u>
Commissions receivable (includes \$355 in 2021 and \$309 in 2020)	<u>150,515</u>	<u>199,977</u>
Other receivables:		
Accounts receivable from employees	60,014	17,496
Security deposits	82,256	74,933
Credit card charges	36,914	70,401
Credit card operations (includes \$89 in 2021 and \$418 in 2020)	289,038	169,272
Accounts receivable from remitters (includes \$238 in 2021 and \$257 and 2020)	13,500	99,733
ATM operations	192,211	161,028
Accounts receivable for real estate and leasing operations (includes \$3 in 2021 and \$6 in 2020)	4,954	3,252
Management funds	139,067	134,402

## 9 Accounts receivable (continued)

**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\$)

	<u>2021</u>	<u>2020</u>
Discounted notes receivable	368,198	66,405
Accounts receivable - other (includes \$637 in 2021 and \$812 in 2020)	<u>1,059,454</u>	<u>640,880</u>
	<u>2,245,606</u>	<u>1,437,802</u>
Insurance premiums receivable:		
General insurances (includes \$19,444 and \$43,594 in 2021 and 2020)	2,490,122	3,274,185
Life insurance (includes \$522 and \$451 in 2021 and 2020)	<u>209,412</u>	<u>123,445</u>
	<u>2,699,534</u>	<u>3,397,630</u>
Receivables from insurance and guarantees	<u>3,897</u>	<u>5,514</u>
Interests receivable	<u>297</u>	<u>191</u>
	<u><b>5,099,849</b></u>	<u><b>5,041,114</b></u>

**10 Assets received in lieu of foreclosure of loans**

A summary of assets received in lieu of foreclosure of loans as of September 30, 2021 and December 31, 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	439,679	824,714
Real estate	<u>8,529,077</u>	<u>9,503,456</u>
	8,968,756	10,328,170
Allowance for losses on assets received in lieu of foreclosure of loans	<u>(8,700,049)</u>	<u>(9,448,077)</u>
	<u><b>268,707</b></u>	<u><b>880,093</b></u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

Following is a description of assets received in lieu of foreclosure of loans (by aging) as of September 30, 2021 and December 31, 2020:

	<u>Amount</u>	<u>Provision</u>
<b>September 30, 2021</b>		
Up to 40 months:		
Furniture and equipment	167,805	(167,050)
Real estate	1,967,334	(1,095,684)
More than 40 months:		
Furniture and equipment	271,875	(271,874)
Real estate	<u>6,561,742</u>	<u>(7,165,440)</u>
Total	<u><b>8,968,756</b></u>	<u><b>(8,700,048)</b></u>
<b>December 31, 2020</b>		
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><b>10,328,170</b></u>	<u><b>(9,448,077)</b></u>

## 11 Investments in shares

A summary of investments in shares as of September 30, 2021 and December 31, 2020, is as follows:

<u>Issuer</u>	<u>Amount of investment</u>	Percentage of <u>shares</u>	<u>Type of shares</u>	<u>Face value</u>	<u>Market value</u>	Number of <u>outstanding shares</u>
<b>September 30, 2021</b>						
<u>Investments in associates:</u>						
Consortio Tarjetas Dominicanas, S. A.	871,903	24.53 %	Common	100	(a)	2,097,100
CEVALDOM Depósito Centralizado de Valores, S. A.	424,165	30.00 %	Common	1,000	(a)	196,041

**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\$)

## 11 Investments in shares (continued)

<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>
<b>September 30, 2021</b>						
<u>Investments in associates:</u>						
Red Nuevo Servicios Financieros, S. A.	118,399	49.00 %	Common	100	(a)	339,618
	<u>1,414,467</u>					
<u>Investments in other entities:</u>						
Banco Latinoamericano de Comercio Exterior, S. A.	48,313	-	Common	379	987	128,776
UNIPAGO, S. A.	25,387	10 %	Common	100	(a)	253,872
Others	<u>97,850 (b)</u>					
	<u>171,550</u>					
	1,586,017					
	<u>(53,023) (c)</u>					
Total	<u><b>1,532,994</b></u>					
<b>December 31, 2020</b>						
<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.	127,045	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 (b)</u>					
	<u>181,111</u>					
	1,568,735					
	<u>(51,113) (c)</u>					
Total	<u><b>1,517,622</b></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\$)

## 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 September 30, 2021 and December 31, 2020 amounted to RD\$48,313 and RD\$49,890, respectively, the market value was RD\$127,102 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, 2020, the Bank received cash dividends amounting to RD\$5,627.

As of September 30, 2021 and December 31, 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 September 30, 2021 and December 31, 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Investment balances at January 1 <sup>st</sup>	1,387,624	1,210,643
Equity on earnings recognized	270,000	256,109
Dividends received in cash	<u>(243,157)</u>	<u>(79,128)</u>
Investment balances at September 30, 2021 and December 31, 2020	<u><u>1,414,467</u></u>	<u><u>1,387,624</u></u>

## 12 Property, furniture and equipment

As of September 30, 2021 and December 31, 2020, a summary of property, furniture and equipment is as follows:

	Land and improvements	Buildings	Furniture and equipment	Leasehold improvements	Construction and acquisitions in process (a)	Total
<b>September 30, 2021</b>						
Balance at January 1 <sup>st</sup> , 2021	2,013,784	8,709,703	7,061,271	874,295	325,387	18,984,440
Acquisitions	-	67,569	61,000	-	1,256,363	1,384,932
Disposals	-	(99,675)	(826,864)	(148,967)	-	(1,075,506)
Transfers	-	22,107	795,798	73,934	(891,839)	-
Others (note 39)	<u>-</u>	<u>-</u>	<u>(114,467)</u>	<u>-</u>	<u>114,467</u>	<u>-</u>
Balance at September 30, 2021	<u><u>2,013,784</u></u>	<u><u>8,699,704</u></u>	<u><u>6,976,738</u></u>	<u><u>799,262</u></u>	<u><u>804,378</u></u>	<u><u>19,293,866</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\$)

**12 Property, furniture and equipment (continued)**

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Furniture and equipment</u>	<u>Leasehold improvements</u>	<u>Construction and acquisitions in process (a)</u>	<u>Total</u>
<b>September 30, 2021</b>						
Accumulated depreciation at January 1 <sup>st</sup> ,2021	-	(2,242,853)	(3,473,641)	(365,065)	-	(6,081,559)
Depreciation expenses (b)	-	(205,518)	(786,388)	(132,066)	-	(1,123,972)
Disposals	-	97,263	825,771	145,337	-	1,068,371
Balance at September 30,2021	-	(2,351,108)	(3,434,258)	(351,794)	-	(6,137,160)
Property, furniture and equipment at September 30, 2021	<u>2,013,784</u>	<u>6,348,596</u>	<u>3,542,480</u>	<u>447,468</u>	<u>804,378</u>	<u>13,156,706</u>
<b>December 31, 2020</b>						
Balance at January 1 <sup>st</sup> , 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 39)	-	-	-	-	(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 <sup>st</sup> ,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	-	(2,242,853)	(3,473,641)	(365,065)	-	(6,081,559)
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>

(a) As of September 30, 2021 and December 31, 2020, it basically corresponds to remodeling and construction of offices.

(b) Expenses for this concept for the nine month periods ended September 30, 2021 and 2020, includes RD\$ 13,508 and RD\$5,511, 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.

**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\$)

## 12 Property, furniture and equipment (continued)

(c) As of December 31, 2020, corresponds to the application of IFRS 16 by the subsidiary Inversiones & Reservas S. A

Land and buildings held by the Bank (Parent Company) as of December 31, 2004, are recognized at fair value as determined by independent external appraisers at that date. The difference between the historical cost of land and buildings and their fair values at the valuation date, amounted to RD\$915,737. As of September 30, 2021 and December 31, 2020, the revaluation surplus, net of accumulated depreciation, amounts to RD\$677,685, to both years, and is included as a revaluation surplus in the accompanying consolidated balance sheets.

## 13 Other assets

A summary of other assets is as follows:

	<u>2021</u>	<u>2020</u>
Deferred charges:		
Returns and commissions paid in advance	5,514	3,795
Commissions to insurance agents on unearned premiums	399,489	318,805
Prepaid insurances	329,932	312,909
Non-deferred proportional ceded reinsurance premium (a)	212,462	195,158
Prepaid income tax	6,839,551	1,373,655
Other prepaid payments (includes \$28 and \$41 in 2021 and 2020)	2,167,259	1,038,827
Other deferred charges	<u>154,357</u>	<u>113,881</u>
	<u>10,108,564</u>	<u>3,357,030</u>
Intangibles:		
Software	3,080,589	3,020,049
Others	<u>33,278</u>	<u>18,900</u>
	3,113,867	3,038,949
Accumulated amortization	<u>(1,551,967)</u>	<u>(1,056,799)</u>
	<u>1,560,900</u>	<u>1,982,150</u>
Other assets:		
Stationery and office supply	179,891	208,845
Libraries and artwork	32,872	30,462
Other miscellaneous assets	-	385,507

**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\$)

### 13 Other assets (continued)

	<u>2021</u>	<u>2020</u>
Items pending for allocation (b), (includes \$238 in 2021 and \$581 in 2020)	29,267	131,999
Others (includes \$103 in 2021 and \$15 in 2020)	<u>164,040</u>	<u>118,286</u>
	<u>406,070</u>	<u>875,099</u>
	<b><u>12,076,534</u></b>	<b><u>6,214,279</u></b>

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

A movement of accumulated amortization of computer software during the years ended September 30, 2021 and December 31, 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Balances at the beginning	1,056,799	572,216
Cost of the year	724,541	484,583
Derecognition	<u>(229,373)</u>	<u>-</u>
Balances at the end	<b><u>1,551,967</u></b>	<b><u>1,056,799</u></b>

### 14 Summary of allowances for risky assets

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

	<u>Loan portfolio</u>	<u>Investments</u>	<u>Interests receivable</u>	<u>Other assets (a)</u>	<u>Contingent operations (b)</u>	<u>Total RD\$</u>
<b>September 30, 2021</b>						
Balance at January 1 <sup>st</sup> , 2021	16,477,821	234,346	1,598,735	9,448,077	518,377	28,277,356
Constitution of allowances	7,626,961	28,033	1,182,826	699,331	173,667	9,710,818
Write-offs against allowances	(3,634,605)	-	(462,856)	-	-	(4,097,461)
Transfers of allowances	2,255,537	10,018	(818,196)	(1,447,359)	-	-
Effect of change in exchange rates and others	<u>(120,534)</u>	<u>(11,964)</u>	<u>(5,572)</u>	<u>-</u>	<u>(8,688)</u>	<u>(146,758)</u>
Balance at September 30, 2021	22,605,180	260,433	1,494,937	8,700,049	683,356	37,743,955



**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 Summary of allowances for risky assets (continued)**

	Loan portfolio	Investments	Interests receivable	Other assets (a)	Contingent operations (b)	Total RD\$
<b>September 30, 2021</b>						
Minimum allowances required at September 30, 2021 (c)	<u>17,290,066</u>	<u>239,723</u>	<u>783,767</u>	<u>8,096,351</u>	<u>285,828</u>	<u>26,695,735</u>
Excess (deficit) in the minimum allowance required at September 30, 2021	<u><b>5,315,114</b></u>	<u><b>20,710</b></u>	<u><b>711,170</b></u>	<u><b>603,698</b></u>	<u><b>397,528</b></u>	<u><b>7,048,220</b></u>
<b>December 31, 2020</b>						
Balance at January 1 <sup>st</sup> , 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
Minimum allowances required at December 31, 2020 (d)	<u>16,477,821</u>	<u>223,122</u>	<u>1,598,735</u>	<u>9,134,180</u>	<u>518,377</u>	<u>27,952,235</u>
Excess (deficit) in the minimum allowance required at December 31, 2020	<u>-</u>	<u><b>11,224</b></u>	<u>-</u>	<u><b>313,897</b></u>	<u>-</u>	<u><b>325,121</b></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 20) and the constitution expense is included as part of operating expenses in the consolidated statement of profit or loss.
- (c) As of September 30, 2021, it corresponds to the amount of the allowance required following the guidelines of the REA.
- (d) Corresponds to the allowance determined in the self-assessment of the loan portfolio, interest receivable and contingent operations on this portfolio as of December 31, 2020, based on the guidelines of the REA for an amount of RD\$15,668,581. In addition, it includes anti-cyclical allowance established based on an internal methodology that considers management of the credit risk of the debtors for an amount of RD\$2,926,355, for a total of RD\$18,594,936 required under REA. Likewise, the allowance considering the flexibilization measures for the constitution of required allowance established by the Monetary Board, through the Second Resolution dated March 17, 2020, would have been RD\$10,195,082, which are covered with the allowance established.

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

**14 Summary of allowances for risky assets (continued)**

The criteria used by the Bank to determine the anti-cyclical allowance consisted of an evaluation of the history of the payment capacity of debtors by economic sector, the historical behavior of past-due loan portfolio and its projected future flows as of September 30, 2020, and December 31, 2020.

In order to manage the risk of non-payment, the Bank established a credit risk mitigation plan for COVID-19, in order to mitigate the effects that may occur on the risk profile as a result of the pandemic. For the execution of this strategy, internal risk classifications are used, in combination with the payment behavior of debtors, carrying out the following types of actions:

- ◆ For debtors with high risk of default, the strategies are designed based on the products that the debtors have, their level of risk and ability to face the pandemic, such as: renegotiation of terms and conditions of their loans, consideration of additional guarantees, as well as rate reductions and / or partial forgiveness of penalties and interests and consolidation of other products; monitoring payment behavior of debtors with renegotiations; formalization of a payment agreement for credit cards (unifying credit debt when applicable), and lowering credit limits or withdrawing the product until financial situation improves for debtors.
- ◆ For older debtors, and medium-sized commercial debtors, the performance of the different sectors, and clients in particular, is monitored, periodically evaluating financial performance, and proposing renegotiations adjusted to the reality of each client and aligned to what has been established.
- ◆ For debtors that present new situations of possible deterioration, it is necessary to negotiate conditions that guarantee timely recovery of loans, and its viability in the future. Similarly, identify those debtors with zero probability to exit due to the crisis, and negotiate the most favorable conditions, both for the debtors and the bank, in order to facilitate the recovery of the amounts granted.
- ◆ The normative debtors' profiles will be incorporated into the monitoring boards in order to standardize pertinent actions, and maintain better control in order to achieve specific objectives, which is to avoid the occurrence of the risk. These profiles will be updated on a monthly basis as conditions presented by debtors change according to previously described methodology.

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\$)

## 14 Summary of allowances for risky assets (continued)

As of September 30, 2021 and December 31, 2020, the credits granted to road development and low-cost housing construction sectors of the Dominican Republic, for approximately RD\$29,200,000 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, 2020 and 2019, 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\$2,905,027 and RD\$3,063,000, respectively, until December 31, 2022.

As of September 30, 2021 and December 31, 2020, some loans granted to the Dominican agricultural sector for an approximate amount of RD\$2,640,000 and RD\$2,690,000 respectively, 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.

## 15 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>
<b>September 30, 2021</b>					
Checking	161,247,068	0.41	-	-	161,247,068
Savings	158,698,655	0.46	111,537,355	0.26	270,236,010
Time	2,337	2.47	48,546,553	0.75	48,548,890
Interests payable	<u>111,959</u>	<u>-</u>	<u>39,574</u>	<u>-</u>	<u>151,533</u>
	<b><u>320,060,019</u></b>	<b><u>0.43</u></b>	<b><u>160,123,482</u></b>	<b><u>0.41</u></b>	<b><u>480,183,501</u></b>

**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 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>
<b>December 31, 2020</b>					
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>
	<b><u>263,667,158</u></b>	<b><u>0.56</u></b>	<b><u>144,967,855</u></b>	<b><u>0.55</u></b>	<b><u>408,635,013</u></b>

**b) By sector**

**September 30, 2021**

Non-financial					
public sector	106,918,435	0.41	19,880,018	0.39	126,798,453
private sector	212,639,617	0.45	139,484,149	0.41	352,123,766
Non-resident	390,008	0.41	719,741	0.26	1,109,749
Interests payable	<u>111,959</u>	<u>-</u>	<u>39,574</u>	<u>-</u>	<u>151,533</u>
	<b><u>320,060,019</u></b>	<b><u>0.43</u></b>	<b><u>160,123,482</u></b>	<b><u>0.41</u></b>	<b><u>480,183,501</u></b>

**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>
	<b><u>263,667,158</u></b>	<b><u>0.56</u></b>	<b><u>144,967,855</u></b>	<b><u>0.55</u></b>	<b><u>408,635,013</u></b>

**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 Customers' deposits (continued)

### c) By maturity date

	<u>Local currency</u>	<u>Annual weighted average rate (%)</u>	<u>Foreign currency</u>	<u>Annual weighted average rate (%)</u>	<u>Total RD\$</u>
<b>September 30, 2021</b>					
0 to 15 days	319,946,634	0.43	111,636,109	0.26	431,582,743
16 to 30 days	10	0.04	368,959	2.44	368,969
31 to 60 days	177	0.04	6,112,001	0.23	6,112,178
61 to 90 days	210	0.05	3,507,700	0.44	3,507,910
91 to 180 days	844	0.04	9,628,533	0.49	9,629,377
181 to 360 days	185	0.11	14,277,351	1.05	14,277,536
More than 1 year	-	-	14,553,255	0.89	14,553,255
Interests payable	<u>111,959</u>	<u>-</u>	<u>39,574</u>	<u>-</u>	<u>151,533</u>
	<b><u>320,060,019</u></b>	<b><u>0.43</u></b>	<b><u>160,123,482</u></b>	<b><u>0.41</u></b>	<b><u>480,183,501</u></b>
<b>December 31, 2020</b>					
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
Interests payable	<u>1,895</u>	<u>-</u>	<u>22,302</u>	<u>-</u>	<u>24,197</u>
	<b><u>263,667,158</u></b>	<b><u>0.56</u></b>	<b><u>144,967,855</u></b>	<b><u>0.55</u></b>	<b><u>408,635,013</u></b>

As of September 30, 2021 and December 31, 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>
<b>September 30, 2021</b>					
Customers' deposits:					
Checking	92,111	3,643,613	82,633	-	3,818,357
Savings	2,159,251	1,101,274	2,405,711	-	5,666,236
Time	<u>-</u>	<u>428,068</u>	<u>314,105</u>	<u>4,078,120</u>	<u>4,820,293</u>
	<b><u>2,251,362</u></b>	<b><u>5,172,955</u></b>	<b><u>2,802,449</u></b>	<b><u>4,078,120</u></b>	<b><u>14,304,886</u></b>

**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 Customers' deposits (continued)**

	<u>Inactive accounts</u>	<u>Foreclosed funds</u>	<u>Deceased customers</u>	<u>Security deposits</u>	<u>Total RD\$</u>
<b>December 31, 2020</b>					
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	<u>-</u>	<u>534,329</u>	<u>310,732</u>	<u>3,071,818</u>	<u>3,916,879</u>
	<b><u>2,245,583</u></b>	<b><u>2,674,986</u></b>	<b><u>2,483,059</u></b>	<b><u>3,071,818</u></b>	<b><u>10,475,446</u></b>

As of September 30, 2021 and December 31, 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>
<b>September 30, 2021</b>			
Customer deposits:			
Checking	87,566	4,545	92,111
Savings	<u>2,102,086</u>	<u>57,165</u>	<u>2,159,251</u>
	<b><u>2,189,652</u></b>	<b><u>61,710</u></b>	<b><u>2,251,362</u></b>
<b>December 31, 2020</b>			
Customer deposits:			
Checking	108,713	5,004	113,717
Savings	<u>2,104,519</u>	<u>27,347</u>	<u>2,131,866</u>
	<b><u>2,213,232</u></b>	<b><u>32,351</u></b>	<b><u>2,245,583</u></b>

**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 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>
<b>September 30, 2021</b>					
Checking	9,253,781	0.41	-	-	9,253,781
Savings	477,452	0.46	1,067,860	0.26	1,545,312
Time	109	1.05	14,624,334	0.22	14,624,443
Interests payable	<u>569</u>	<u>-</u>	<u>378</u>	<u>-</u>	<u>947</u>
	<b><u>9,731,911</u></b>	<b><u>0.41</u></b>	<b><u>15,692,572</u></b>	<b><u>0.22</u></b>	<b><u>25,424,483</u></b>
<b>December 31, 2020</b>					
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
Interests payable	<u>126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126</u>
	<b><u>11,203,355</u></b>	<b><u>0.60</u></b>	<b><u>12,325,952</u></b>	<b><u>0.54</u></b>	<b><u>23,529,307</u></b>

### b) By maturity date

<b>September 30, 2021</b>					
0 to 15 days	9,731,235	0.41	1,067,860	0.22	10,799,095
31 to 60 days	75	1.33	9,684,923	0.07	9,684,998
61 to 90 days	32	0.05	2,751,047	0.16	2,751,079
91 to 180 days	-	-	642,177	0.56	642,177
181 to 360 days	-	-	1,269,727	1.05	1,269,727
More than a year	-	-	276,460	1.38	276,460
Interests payable	<u>569</u>	<u>-</u>	<u>378</u>	<u>-</u>	<u>947</u>
	<b><u>9,731,911</u></b>	<b><u>0.41</u></b>	<b><u>15,692,572</u></b>	<b><u>0.22</u></b>	<b><u>25,424,483</u></b>

**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 Deposits from domestic and foreign financial institutions (continued)**

**b) By maturity date (continued)**

	<u>Local currency</u>	Annual weighted average rate (%)	<u>Foreign currency</u>	Annual weighted average rate (%)	<u>Total RD\$</u>
<b>December 31, 2020</b>					
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
Interests payable	<u>126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126</u>
	<b><u>11,203,355</u></b>	<b><u>0.60</u></b>	<b><u>12,325,952</u></b>	<b><u>0.54</u></b>	<b><u>23,529,307</u></b>

As of September 30, 2021 and December 31, 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\$ 761,573 and RD\$419,833, respectively.

As of September 30, 2021 and December 31, 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\$ 1,331 y and RD\$1,022, respectively.

**17 Securities on repurchase agreements**

As of September 30, 2021 and December 31, 2020, securities on repurchase agreements are detailed as follows:

<u>Creditor</u>	<u>Modality</u>	<u>Warranty</u>	Weighted average rate	<u>Maturity</u>	<u>Balances</u>
<b>September 30, 2021</b>					
Central Bank of the Dominican Republic	Repurchase pacts	Pledged titles	3.50 %	2021 to 2023	<b><u>10,282,597</u></b>



**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\$)

**17 Securities on repurchase agreements (continued)**

<u>Creditor</u>	<u>Modality</u>	<u>Warranty</u>	<u>Weighted average rate</u>	<u>Maturity</u>	<u>Balances</u>
<b>December 31, 2020</b>					
Central Bank of the Dominican Republic	Repurchase pacts	Pledged titles	3.50 %	2021 to 2023	<u><b>11,760,363</b></u>

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.

The interests generated for this concept for the nine month period ended September 30, 2021, by securities on repurchase agreement amount to RD\$609,049 are recognized as part of financial expenses in the accompanying consolidated statement of profit or loss.

**18 Borrowed funds**

A summary of borrowed funds is as follows:

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Rate</u>	<u>Maturity</u>	<u>Balance</u>
<b>September 30, 2021</b>					
Central Bank of the Dominican Republic (i)	Loan	Secured	3.00 %	2021 until 2025	<u>26,080,575</u>
Domestic financial institutions: Banco Popular Dominicano, S. A. Banco Múltiple	Line of credit	Unsecured	4.58 %	2021	800,000
Banco Múltiple BHD León, S. A.	Line of credit	Unsecured	5.35 %	2021	480,840
Banco Lafise	Line of credit	Unsecured	6.20 %	2021	<u>100,000</u>
					<u>1,380,840</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

**18 Borrowed funds (continued)**

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Rate</u>	<u>Maturity</u>	<u>Balance</u>
<b>September 30, 2021</b>					
Foreign financial institutions:					
Bac Florida Bank (corresponds to \$10,000)	Loan	Unsecured	1.49 %	2021	562,755
Co Bank (corresponds to \$4,275)	Loan	Unsecured	1.29 %	2021	240,591
Banco Latinoamericano de Comercio Exterior, S. A. (corresponds to \$130,000) (iii)	Loan	Unsecured	1.31 %	2021	7,315,815
Agencia Francesa de Desarrollo (corresponds to \$25,000)	Loan	Unsecured	2.14 %	2032	1,406,888
Deutsche Bank (corresponds to \$10,000)	Loan	Unsecured	1.46 %	2021	<u>562,755</u>
					<u>10,088,804</u>
Other:					
Various (includes \$12,545)	Sale of investments with re-purchase agreement	Secured	4.82 %	2021	<u>2,789,023</u>
Interests payable (include \$1,282)					<u>407,302</u>
					<u><b>40,746,544</b></u>
<b>December 31, 2020</b>					
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>

**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\$)

**18 Borrowed funds (continued)**

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Rate</u>	<u>Maturity</u>	<u>Balance</u>
<b>December 31, 2020</b>					
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) (ii) (iii)	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 (corresponde a (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)	Loan	Unsecured	2.43%	2020	5,811,310
Eximbank, Republic of China - Taiwán (corresponds to \$43)	Loan	Unsecured	1.02 %	2021	2,479
Agencia Francesa de Desarrollo (corresponds to \$25,000)	Loan	Unsecured	3.74 %	2032	<u>1,452,828</u>
					<u>22,782,815</u>
Other:					
Various (includes \$773)	Sale of investments with re-purchase agreement	Secured	4.82 %	2021	<u>632,227</u>
Interests payable (include \$3,964)					<u>495,888</u>
					<u><b>45,474,177</b></u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

## 18 Borrowed funds (continued)

- (i) As of September 30, 2021 and December 31, 2020, includes financing obtained through the Rapid Liquidity Facility (FLR) window set up by the Central Bank of the Dominican Republic amounting to RD\$10,282,597 and RD\$20,275,351, respectively, with the objective to grant loans to MYPYMES sector, productive sectors and households with a fixed interest rate of no more than 8% and three years term.
- (ii) During the term of these loans, the Bank must comply with certain financial conditions established in the loan contract. A summary of them, is as follows:
- ◆ Maintain a capital adequacy ratio (CAR) greater than 11 %.
  - ◆ Maintain a loan portfolio delinquency rate of less than 3 %.
  - ◆ Maintain an allowance for past due loan portfolio greater than 100 %.
  - ◆ Maintain a liquidity indicator expressed as a percentage ratio of current assets and liabilities greater than 20 %.
- As of September 30, 2021 and December 31, 2020, the Bank is in compliance with these clauses.
- (iii) As of September 30, 2021 and December 31, 2020, includes financing taken to guarantee the oil bill of Refinería Dominicana de Petróleo PDV, S. A., for approximately RD\$7,000,000 and RD\$19,000,000, respectively.

## 19 Outstanding securities

A summary of outstanding securities, is as follows:

### a) By type

	<b>Annual</b> Local currency RD\$	weighted average rate (%)
<b>September 30, 2021</b>		
Time certificates	168,197,986	3.27
Interests payable	213,050	-
	<b>168,411,036</b>	<b>3.27</b>
<b>December 31, 2020</b>		
Time certificates	125,456,783	4.00
Interests payable	250,460	-
	<b>125,707,243</b>	<b>4.00</b>

**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 Outstanding securities (continued)**

**b) By sector**

	Local currency <u>RD\$</u>	Annual weighted average rate (%)
<b>September 30, 2021</b>		
Non-financial public sector	56,969,726	2.73
Non-financial private sector	96,364,035	3.47
Financial sector	14,864,225	4.03
Interests payable	<u>213,050</u>	<u>-</u>
	<b><u><u>168,411,036</u></u></b>	<b><u><u>3.27</u></u></b>
<b>December 31, 2020</b>		
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>
	<b><u><u>125,707,243</u></u></b>	<b><u><u>4.75</u></u></b>

**c) By maturity date**

<b>September 30, 2021</b>		
0 to 15 days	690,504	4.80
16 to 30 days	1,439,222	4.43
31 to 60 days	16,983,606	2.74
61 to 90 days	9,694,914	2.64
91 to 180 days	62,576,893	2.92
181 to 360 days	40,195,767	3.58
More than a year	36,617,080	3.87
Interests payable	<u>213,050</u>	<u>-</u>
	<b><u><u>168,411,036</u></u></b>	<b><u><u>3.27</u></u></b>

**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 Outstanding securities (continued)**

**c) By maturity date (continued)**

<b>December 31, 2020</b>	Local currency <u>RD\$</u>	Annual weighted average rate (%)
0 to 15 days	2,061,134	4.36
16 to 30 days	946,794	5.21
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>
	<b><u><u>125,707,243</u></u></b>	<b><u><u>4.75</u></u></b>

As of September 30, 2021 and December 31, 2020, outstanding securities include restricted amounts, as follows:

	<u>Deceased clients</u>	<u>Received in collateral</u>	<u>Total</u>
<b>September 30, 2021</b>			
Outstanding securities - time certificates	<u><u>952,643</u></u>	<u><u>11,506,590</u></u>	<u><u>12,459,233</u></u>
<b>December 31, 2020</b>			
Outstanding securities - time certificates	<u><u>935,674</u></u>	<u><u>11,004,630</u></u>	<u><u>11,940,304</u></u>

**20 Other liabilities**

A summary of other liabilities is as follows:

	<u>2021</u>	<u>2020</u>
Demand obligations (includes \$6,504 in 2021 and \$5,862 in 2020) (a)	2,705,375	3,537,732
Term obligations (includes \$6,338 in 2021 and \$695 in 2020) (b)	729,984	48,844
Unclaimed third party balances (includes \$6,092 in 2021 and \$6,863 in 2020)	815,841	520,665

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BANCO DE SERVICIOS MÚLTIPLES AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

**20 Other liabilities (continued)**

	<u>2021</u>	<u>2020</u>
Sundry creditors:		
Commissions payable	229,079	193,493
Accounts payable to suppliers (includes (\$124 in 2021 and \$206 in 2020))	263,309	189,760
Withheld tax payable	193,127	277,043
Retained payable insurance premium (includes \$13 and \$8 in 2021 and 2020)	36,044	147,014
Other sundry creditors (includes \$533 in 2021 and \$332 in 2020) (c)	1,891,463	2,581,557
Reserves for contingent operations (includes \$5,012 in 2021 and \$4,587 in 2020) (d)	683,356	518,377
Other provisions:		
Income tax	1,275,945	131,693
Deferred income tax	295,813	210,560
Provision for litigation (note 28)	63,800	60,029
Bonus and other employee's benefits	4,916,314	4,319,866
Systemic risk prevention program	-	238,298
Contingency fund	-	186,427
Credit card and electronic transactions	572,076	389,847
Actuarial reserve for pensioned personnel of the Bank (note 38, b)	957,442	613,000
Other reserves (includes \$11,335 in 2021 and \$97 in 2020)	5,363,819	617,363
Items pending for allocation (includes \$161 in 2021 and \$737 in 2020) (e)	135,068	394,024
Administration fund of the public sector (note 29)	9,520	323,455
Commissions to agents on premiums pending collection (includes \$1,325 in 2021 and \$1,946 in 2020)	229,923	213,480
Tax on outstanding premium	307,625	409,057
Withholding tax to reinsurers	19,228	9,924
Payments received in advance (includes \$109 and \$95 in 2021 and 2020)	177,456	136,362
Others (incluye \$524 and \$601 in 2021 and 2020)	2,254,497	1,632,187
	<u>24,126,104</u>	<u>17,900,057</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 Other liabilities (continued)**

- (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 United States dollars received from the Dominican Republic Government.
- (c) As of September 30, 2021 and December 31, 2020, includes RD\$ 427,997 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. As of September 30, 2021 and December 31, 2020, includes RD\$82,700 and RD\$1,253,000, respectively, corresponding to loan disbursements from the “Expo Hogar” fair whose contracts have not been delivered to the Bank.
- (d) Corresponds to reserves to cover contingent operations as required by the Superintendence of Banks (see note 28).
- (e) Corresponds to creditors’ balances that, due to internal operating reasons or characteristics of the operation, it was not possible to immediately allocate the balances in the final accounts.

**21 Subordinated debts**

A summary of the subordinated debts, is as follows:

<u>Type</u>	<u>Amount in RD\$</u>	<u>Effective interest rate</u>	<u>Type of currency</u>	<u>Term</u>
<b>September 30, 2021</b>				
Subordinated debts (corresponds to \$300,000 nominal value (a))	16,882,650	7.00 %	US dollar	10 years
Subordinated debts nominal value (b)	9,999,000	7.89 %	Dominican pesos	10 years
Debt issuance costs (c)	(49,916)	-	-	-
Discount on the issuance of debt (corresponds to \$469) (d)	(26,404)	-	-	-
	26,805,330			
Interests payable (corresponds to \$3,500)	333,972			
	<u><u>27,139,302</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\$)

**21 Subordinated debts (continued)**

<u>Type</u>	<u>Amount in RD\$</u>	<u>Effective interest rate</u>	<u>Type of currency</u>	<u>Term</u>
<b>December 31, 2020</b>				
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	9.66 %	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><b>27,835,883</b></u>			

- a) Corresponds to bonds issued by the Bank on February 1<sup>st</sup>, 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 1<sup>st</sup>, 2023. This debt issuance was carried out in the United States of America to qualified institutional buyers as defined in Rule 144A under the *U.S. Securities Act of 1933* and other countries outside the United States of America according to *Regulation S*.

Additionally, the bonds have the following characteristics:

- ◆ Interests are payable semi-annually in February and August 1<sup>st</sup>, 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.

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

## 21 Subordinated debts (continued)

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.

- 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.

## 22 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\$6,555,171 and RD\$5,684,634 as of September 30, 2021 and December 31, 2020, respectively.

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

	<u>Mathematical reserves</u>	<u>Specific reserves and ongoing risk</u>	<u>Total</u>
<b>September 30, 2021</b>			
Balance at January 1 <sup>st</sup> , 2021	260,600	5,424,034	5,684,634
Plus: reserve increase	260,559	6,709,131	6,969,690
Less: reserve decrease	<u>(242,283)</u>	<u>(5,856,870)</u>	<u>(6,099,153)</u>
Balance at September 30, 2021	<u><b>278,876</b></u>	<u><b>6,276,295</b></u>	<u><b>6,555,171</b></u>
<b>December 31, 2020</b>			
Balance at January 1 <sup>st</sup> , 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><b>260,600</b></u>	<u><b>5,424,034</b></u>	<u><b>5,684,634</b></u>

As of September 30, 2021 and December 31, 2020, technical reserves include \$3,813 and \$8,725, 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\$)

## 23 Income tax

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

Income tax expense for the nine month periods ended as of September 30, 2021 and 2020, is composed of the following:

	<u>2021</u>	<u>2020</u>
Current income tax	1,248,795	748,847
Deferred income tax	74,215	65,745
Previous year income tax	(103)	46,310
Tax withheld on payment of dividends	<u>24,316</u>	<u>7,913</u>
	<u><b>1,347,223</b></u>	<u><b>868,815</b></u>

As of September 30, 2021 and December 31, 2020, prepaid income tax includes RD\$372,000, 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.

On December 21, 2020, financial intermediation entities, represented by Association of Commercial 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 % for the years from 2024 to 2031.

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## 24 Responsibilities

In addition to the obligation balances of insured risks retained, as of September 30, 2021 and December 31, 2020 for RD\$985,056,397 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\$28,072 and RD\$23,019 in September 30, 2021 and December 31, 2020.

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	985,056,397	1,098,934,686
Surrendered and retracted insurance responsibilities	<u>(616,602,106)</u>	<u>(546,895,659)</u>
	<u><b>368,454,291</b></u>	<u><b>552,039,027</b></u>

## 25 Reinsurance

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

The reinsurers that support the insurance business as of September 30, 2021 and December 31, 2020, are the following:

<u>September 30, 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 XL	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
	Quota share	7.50		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

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Notes to the Consolidated Financial Statements (continued)

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## 26 Equity

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

	Common shares			
	Authorized		Issued	
	Quantity	Amount in RD\$	Quantity	Amount in RD\$
Balance at September 30, 2021 and December 31, 2020	<u>10,000</u>	<u>10,000,000</u>	<u>10,000</u>	<u>10,000,000</u>

As of September 30, 2021 and December 31, 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 1998.
- c) RD\$1,750,000 by issuing certified bonds on behalf of the Bank in accordance with Law No. 99-01 of April 5, 2001, which amended article 4 of Organic Law of the Bank, the Dominican Republic Government.
- d) RD\$1,500,000 by issuing bonds on behalf of the Bank in accordance with Law No. 121-05 of April 7, 2005, the Dominican Republic Government.
- e) RD\$2,000,000 by reinvesting dividends charged to earnings of 2013 in accordance with Law No. 543-14 of December 5, 2014.
- f) RD\$2,800,000, by reinvesting dividends charged to earnings of 2014, in accordance with the Law No. 543-14 of December 5, 2014.
- g) RD\$1,700,000 through the reinvestment of dividends charged to earnings of 2014, pursuant to Law No. 543-14 of December 5, 2014.

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

- 25 % - For amortization of not less than 5 % of certified vouchers of the National Treasurer on behalf of the Dominican Republic Government, plus interest. This amortization ended in 2019. The resulting surplus will cover the debts of the Dominican Republic Government and its agencies, as well as other needs, as approved by the Board of Directors, upon previous notice to the Executive Power.

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Notes to the Consolidated Financial Statements (continued)

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**26 Equity (continued)**

- 60 % - To be transferred to the account of other equity reserves of the Bank.
- 15 % - To cover debts of the Dominican Republic Government and its agencies 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:

- 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 35 % and 60 % of its annual net profit to equity reserves. As of December 31, 2020, the Bank segregated equity reserves for the amount of RD\$6,240,231.

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.

***Revaluation surplus***

The Bank revalued its land and buildings required for the development of its operations to its estimated fair market value determined by independent appraisers, as allowed by the Prudential Rules of Capital Adequacy. The effect of the revaluation was 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, 2020, the amortized amount corresponding to these revalued assets, amounted to RD\$11,140.

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## 26 Equity (continued)

### *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 September 30, 2021 and December 31, 2020, the Bank determined the market value of these investments and recognized an unrealized gain, which amounts to RD\$2,496,296 and RD\$2,969,604.

## 27 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>	Percentage of voting rights direct and <u>indirect</u>
<b>September 30, 2021</b>					
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		RD\$	<u>1,551,434</u>	97.74 %
				11,551,434	
	Elimination adjustments in consolidation			<u>(1,551,434)</u>	
				<b><u>10,000,000</u></b>	
<b>December 31, 2020</b>					
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		RD\$	<u>1,551,434</u>	97.74 %
				11,551,434	
	Elimination adjustments in consolidation			<u>(1,551,434)</u>	
				<b><u>10,000,000</u></b>	

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

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**27 Information segments (continued)**

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

	<u>At September 30, 2021</u>		<u>Nine month period ended at September 30, 2021</u>		
<u>Company</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Income</u>	<u>Expenses</u>	<u>Net income</u>
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	829,010,980	769,870,519	70,315,765	57,846,922	12,468,843
Tenedora Reservas, S. A. and Subsidiaries	33,880,213	16,713,045	12,839,990	10,582,143	2,257,847
Administradora de Riesgos de Salud Reservas, Inc.	<u>1,014,570</u>	<u>357,336</u>	<u>1,133,056</u>	<u>1,050,233</u>	<u>82,823</u>
	863,905,763	786,940,900	84,288,811	69,479,298	14,809,513
Elimination adjustments in consolidation	<u>(19,996,495)</u>	<u>(2,455,613)</u>	<u>(4,221,507)</u>	<u>(1,919,999)</u>	<u>(2,301,508)</u>
	<b><u>843,909,268</u></b>	<b><u>784,485,287</u></b>	<b><u>80,067,304</u></b>	<b><u>67,559,299</u></b>	<b><u>12,508,005</u></b>
	<u>At December 31, 2020</u>		<u>Nine month period ended at September 30, 2020</u>		
<u>Company</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Income</u>	<u>Expenses</u>	<u>Net income</u>
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	704,633,271	657,488,346	56,301,086	48,348,353	7,952,733
Tenedora Reservas, S. A. and Subsidiaries	29,398,608	14,335,790	10,655,598	8,669,582	1,986,016
Administradora de Riesgos de Salud Reservas, Inc.	<u>907,505</u>	<u>236,587</u>	<u>799,278</u>	<u>600,130</u>	<u>199,148</u>
	734,939,384	672,060,723	67,755,962	57,618,065	10,137,897
Elimination adjustments in consolidation	<u>(17,926,267)</u>	<u>(2,592,459)</u>	<u>(3,449,922)</u>	<u>(1,325,839)</u>	<u>(2,124,083)</u>
	<b><u>717,013,117</u></b>	<b><u>669,468,264</u></b>	<b><u>64,306,040</u></b>	<b><u>56,292,226</u></b>	<b><u>8,013,814</u></b>



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Notes to the Consolidated Financial Statements (continued)

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## 28 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>2021</u>	<u>2020</u>
Collaterals granted:		
Endorsements	3,685,425	2,466,931
Other collaterals granted	313,888	36,628
Non-negotiable letters of credit issued	1,524,126	554,931
Credit lines of automatic use	<u>38,138,965</u>	<u>37,220,167</u>
	<u><b>43,662,404</b></u>	<u><b>40,278,657</b></u>

As of September 30, 2021 and December 31, 2020, the Bank has reserves to cover possible losses from these operations for the amounts of RD\$683,356 and RD\$518,377, respectively, which are included in other liabilities in the consolidated balance sheets at those dates.

As of September 30, 2021 and December 31, 2020, the Insurance subsidiary and the Administradora de Riesgos de Salud Reservas, Inc. had contingent liabilities for retained risk, estimated as follows:

	<u>2021</u>	<u>2020</u>
General risks	794,085,623	941,713,875
Individual life insurance	13,457,696	12,895,851
Collective life insurance	<u>177,513,078</u>	<u>144,324,960</u>
	<u><b>985,056,397</b></u>	<u><b>1,098,934,686</b></u>

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

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

The Bank has leasing contracts for the premises where some of its administrative offices, branches, business centers and ATM are located. For the nine month periods ended September 30, 2021 and 2020, expenses for this concept amounted to RD\$826,879 and RD\$673,615, respectively, which are recognized in other operating expenses in the accompanying consolidated statements of profit or loss.

**(c) Superintendence of Bank fees**

The Monetary Board of the Dominican Republic requires that financial entities make contributions in order to cover inspection services provided by the Superintendence of Banks. The expense for this concept for the nine month periods ended September 30, 2021 and 2020 was approximately RD\$1,227,028 and RD\$770,817, 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.

Expenses for this concept for the nine month period ended September 30, 2020, were RD\$367,274, 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.

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

**28 Commitments and contingencies (continued)****(e) Banking Consolidation Fund (continued)**

Expenses for this concept for the nine month period ended September 30, 2020, were RD\$632,823, 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.

**(g) Lawsuits**

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

As of September 30, 2021 and December 31, 2020, the amount reserved to meet these claims increased to RD\$63,800 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. As of December 31, 2020, the subsidiary does not maintain liens a result of these claims and lawsuits.

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.

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Notes to the Consolidated Financial Statements (continued)

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## 28 Commitments and contingencies (continued)

### (h) Guaranteed minimum return

As of September 30, 2021 and December 31, 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 395-17 of SIPEN, dated November 13, 2017. If the return is below the weighted average calculated by the SIPEN, the *Administradora* would have a payment commitment with the fund.

## 29 Memorandum accounts

As of September 30, 2021 and December 31, 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:

	<u>2021</u>	<u>2020</u>
Funds under management by the Bank:		
PROMIPYME Resources	3,413,467	3,484,337
PROMIPYME - PROCREA	855,258	11
PROMICENTRAL	77,424	81,603
PROMIPYME - Fonper funds	24,532	27,637
PROMIPYME - PRESAAC loans	374	410
MI PRIMER PROGRESO loans	9,159	9,486
MI PRODEMICRO loans	68,476	98,333
Solidarity Bank	<u>3,094,573</u>	<u>1,408,605</u>
	<u>7,543,263</u>	<u>5,110,422</u>
Funds managed by the subsidiary -		
Pension Fund Management:		
Mandatory individual capitalization pension plan (Pension Fund T-1)	125,396,208	112,049,616
Pension fund of officers and employees of Banco de Reservas of the Dominican Republic (Pension Fund T-4)	18,401,796	17,065,077
Social solidary fund (Pension Fund T-5)	<u>52,364,847</u>	<u>45,652,583</u>
	<u>196,162,851</u>	<u>174,767,276</u>
	<u><b>203,706,114</b></u>	<u><b>179,877,698</b></u>

As of September 30, 2021 and December 31, 2020, balance pending to be paid amounts to RD\$9,520 and RD\$323,455, respectively, and is presented as part of other liabilities in the accompanying consolidated balance sheets.

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

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### 30 Financial income and expenses

A summary of financial income and expenses is as follows:

	Nine month periods ended at September 30,	
	<u>2021</u>	<u>2020</u>
Financial income:		
Loans portfolio:		
Commercial	12,385,105	15,610,053
Consumers	12,374,796	10,940,474
Mortgage	<u>3,731,992</u>	<u>3,397,256</u>
	<u>28,491,893</u>	<u>29,947,783</u>
Investments:		
Available for sale	2,529,085	219,380
Other debt securities	<u>15,189,973</u>	<u>8,875,561</u>
	<u>17,719,058</u>	<u>9,094,941</u>
Gain on sale of investments	<u>12,155,906</u>	<u>5,819,511</u>
Insurance premiums net of returns and cancelations	<u>7,394,759</u>	<u>6,189,653</u>
Income for technical adjustment to reserves	<u>-</u>	<u>3,341</u>
<b>Total</b>	<b><u>65,761,616</u></b>	<b><u>51,055,229</u></b>
Financial expenses-on deposits:		
Customer deposits	(1,535,413)	(1,711,195)
Securities	(4,268,467)	(5,527,955)
Subordinated debts	<u>(1,455,165)</u>	<u>(1,647,889)</u>
	<u>(7,259,045)</u>	<u>(8,887,039)</u>
Investments:		
Amortization of premiums from investments in debt securities	(1,780,114)	(470,217)
Loss on sale of investments	<u>(60)</u>	<u>(23)</u>
	<u>(1,780,174)</u>	<u>(470,240)</u>
Financing-borrowed funds	<u>(1,127,710)</u>	<u>(724,513)</u>

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

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**30 Financial income and expenses (continued)**

	Nine month periods ended at September 30,	
	<u>2021</u>	<u>2020</u>
Contractual losses and obligations	<u>(5,020,774)</u>	<u>(3,987,926)</u>
Expenses for technical adjustment to reserves	<u>(171,402)</u>	<u>-</u>
Acquisition expense, conservation and premium collection commission and other acquisition costs of the insurance company	<u>(813,048)</u>	<u>(633,180)</u>
Total	<u><b>(16,172,153)</b></u>	<u><b>(14,702,898)</b></u>

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

A summary of the main income and expenses due to exchange differences were recognized during the years ended as of September 30, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Income due to foreign exchange:		
Loan portfolio	3,524,864	7,682,866
Investments	3,829,908	5,725,263
Available funds	4,959,857	29,844,461
Accounts receivable	11,150	7,921
Non-financial investments	3,175	5,437
Other assets	117,932	186,205
Adjustments for exchange rate differences	<u>19,764,429</u>	<u>4,836,532</u>
Subtotal	<u>32,211,315</u>	<u>48,288,685</u>
Expenses due to foreign exchange:		
Customer deposits	(8,996,015)	(16,371,404)
Borrowed funds	(2,757,122)	(3,850,635)
Financial obligations	(115,509)	(168,919)
Subordinated debts	(1,143,424)	(1,922,620)
Creditors and various provisions	(76,144)	(72,784)
Other liabilities	(56,000)	(20,294)
Adjustments for exchange rate differences	<u>(19,337,456)</u>	<u>(26,722,444)</u>
Subtotal	<u>(32,481,670)</u>	<u>(49,129,100)</u>
	<u><b>(270,355)</b></u>	<u><b>(840,415)</b></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\$)

**32 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>2,369,508</u>	<u>1,815,492</u>
Service fees:		
Drafts and wire transfers	249,895	201,469
Certification and sales of bank's checks	44,845	22,782
Collections	77,397	60,237
Other commissions collected	5,139,866	4,892,944
Letters of credit	29,993	23,138
Collaterals granted	<u>76,664</u>	<u>49,043</u>
	<u>5,618,660</u>	<u>5,249,613</u>
Exchange commissions:		
Gains on foreign exchange	2,195,415	1,405,898
Premium for future foreign exchange contracts	<u>-</u>	<u>1,081,766</u>
	<u>2,195,415</u>	<u>2,487,664</u>
Income on available funds	14,005	84,426
Other miscellaneous operating expenses:		
Claims for medical services	381,020	381,035
Other services and contingencies	<u>1,869,992</u>	<u>2,001,122</u>
	<u>2,265,017</u>	<u>2,466,583</u>
Total of other operating income	<u><b>12,448,600</b></u>	<u><b>12,019,352</b></u>
Other operating expenses:		
Services fees:		
Correspondents	(160,100)	(83,609)
Brokerage services	(54,984)	(12,396)
Other services	<u>(1,179,230)</u>	<u>(764,959)</u>
	<u>(1,394,314)</u>	<u>(860,964)</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\$)

**32 Other operating income (expense) (continued)**

	<u>2021</u>	<u>2020</u>
Miscellaneous expenses:		
Exchange commission	(10,476)	(795,310)
Other operating expenses	(1,741,380)	(1,288,744)
Commissions and sales of property	(12,698)	(10,689)
Claims for medical services	<u>(832,342)</u>	<u>(550,271)</u>
	<u>(2,596,896)</u>	<u>(2,645,014)</u>
Total of other operating expenses	<u><b>(3,991,210)</b></u>	<u><b>(3,505,978)</b></u>

**33 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	984,968	778,133
Non-financial investments (note 11)	270,000	143,660
Gain on sale of property, furniture and equipment	236	30,202
Gain on sales of assets received in lieu of foreclosure of loans	117,480	3,925
Leases of property	12,772	13,776
Others	<u>782,247</u>	<u>200,973</u>
	<u>2,167,703</u>	<u>1,170,669</u>
Other expenses:		
Assets received in lieu of foreclosure of loans	(588,888)	(59,957)
Loss on sale of property, furniture and equipment	(11)	(1,486)
Loss on sales of assets received in lieu of foreclosure of loans	(859,183)	(252,781)
Other expenses:		
Uncollectibility accounts receivable (i)	(326,377)	(212,008)
Penalty for breach	(85)	(335)
Donations	(652,748)	(83,376)
Losses from thefts, assaults and frauds	(106,127)	(65,632)
Others	<u>(3,559,074)</u>	<u>(1,274,429)</u>
	<u>(6,092,493)</u>	<u>(1,950,004)</u>
Other income (expenses), net	<u><b>(3,924,790)</b></u>	<u><b>(779,335)</b></u>

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



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Notes to the Consolidated Financial Statements (continued)

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### **34 Salaries and compensations to personnel**

A summary of the main income and expenses due to exchange differences were recognized during the years ended as of September 30, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Wages, salaries and benefits to employees	10,507,755	10,005,044
Social security	912,805	819,386
Contributions to the pension plan	1,774,813	1,885,654
Other personnel expenses	<u>4,394,340</u>	<u>4,645,729</u>
	<b><u>17,589,713</u></b>	<b><u>17,355,813</u></b>

For the nine month periods ended September 30, 2021 and 2020, compensations to personnel include approximately RD\$2,060,740 and RD\$1,893,531, respectively, that corresponds to the executive management of the Bank which are defined as directors and above.

As of September 30, 2021 and 2020, the Bank has 13,399 and 12,887 employees, respectively.

### **35 Risk assessment**

The Bank's credit risk management included the design of strategies and flexibility measures that, as of March 2020, were executed with the objective to reduce the impact of deterioration in the loan portfolio as a consequence 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. Through this segmentation, the Bank segregated the loan portfolio in accordance with risk levels established in Annex I of Circular No. 026/20 of the Superintendence of Banks, dated October 9, 2020: COVID-A (low risk), COVID-B (medium risk), COVID-C (high risk) and COVID-D (non-payment).

Considering the concentration of risks by economic activity, 42 % 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).

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

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### 35 Risk assessment (continued)

A summary of assets and liabilities subject to the interest rate risks as of September 30, 2021 and December 31, 2020, is as follows:

#### *Interest rate risk*

	2021		2020	
	<u>Local currency</u>	<u>Foreign currency</u>	<u>Local currency</u>	<u>Foreign currency</u>
Assets sensitive to interest rate	450,375,032	109,738,544	446,823,787	133,193,803
Liabilities sensitive to interest rate	<u>(539,983,269)</u>	<u>(198,386,119)</u>	<u>(320,717,354)</u>	<u>(197,529,772)</u>
Net position	<u><b>(89,608,237)</b></u>	<u><b>(88,647,575)</b></u>	<u><b>126,106,433</b></u>	<u><b>(64,335,969)</b></u>
Interest rate exposure	<u><b>566,434</b></u>	<u><b>78,952</b></u>	<u><b>484,476</b></u>	<u><b>155,978</b></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 September 30, 2021 and December 31, 2020, is as follows:

	<u>Up to 30 days</u>	<u>31 to 90 days</u>	<u>91 days to one year</u>	<u>One year to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
<b>September 30, 2021</b>						
Assets:						
Available funds	114,725,276	-	-	-	-	114,725,276
Investments	50,090,426	36,249,107	85,755,980	97,232,836	91,296,216	360,624,565
Loans portfolio	30,918,974	27,603,246	68,317,176	137,503,938	95,532,330	359,875,664
Debtors by acceptances	40,110	5,210	41,678	-	-	86,998
Accounts receivable (i)	4,867,078	-	-	-	232,771	5,099,849
Investments in shares	-	-	-	-	1,586,017	1,586,017
Other assets	<u>29,267</u>	<u>172,467</u>	<u>-</u>	<u>-</u>	<u>204,336</u>	<u>406,070</u>
Total assets	<u><b>200,671,131</b></u>	<u><b>64,030,030</b></u>	<u><b>154,114,834</b></u>	<u><b>234,736,774</b></u>	<u><b>188,851,670</b></u>	<u><b>842,404,439</b></u>

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Notes to the Consolidated Financial Statements (continued)

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### 35 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
<b>September 30, 2021</b>						
Liabilities:						
Customers' deposits	434,270,635	10,163,920	23,336,164	3,550,660	8,862,122	480,183,501
Deposits from domestic and foreign financial institutions	21,617,984	1,418,593	1,602,172	163,262	622,472	25,424,483
Securities on repurchase agreements	-	-	-	10,282,597	-	10,282,597
Borrowed funds	8,943,080	769,639	13,667,047	15,947,591	1,419,187	40,746,544
Outstanding acceptances	40,110	5,210	41,678	-	-	86,998
Outstanding securities	58,130,151	32,597,142	68,970,889	8,712,854	-	168,411,036
Other liabilities (ii)	5,276,481	-	5,363,584	838,648	12,647,391	24,126,104
Subordinated debt	-	137,008	196,964	26,805,330	-	27,139,302
Total liabilities	<u>528,278,441</u>	<u>45,091,512</u>	<u>113,178,498</u>	<u>66,300,942</u>	<u>23,551,172</u>	<u>776,400,565</u>
<b>December 31, 2020</b>						
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>

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### 35 Risk assessment (continued)

#### *Liquidity risk (continued)*

- (i) Consists of transactions that represent a right of collection for the Bank.
- (ii) Consists of transactions that represent an obligation to the Bank.

The liquidity ratios of the Bank as of September 30, 2021 and December 31, 2020, is as follows:

	<u>As of September 30, 2021</u>		<u>As of December 31, 2020</u>	
	<u>In local currency</u>	<u>In foreign currency</u>	<u>In local currency</u>	<u>In foreign currency</u>
Liquidity ratio:				
15 days adjusted	206.55 %	433.06 %	149.74 %	557.73 %
30 days adjusted	237.92 %	370.77 %	172.04 %	282.92 %
60 days adjusted	221.29 %	292.91 %	188.20 %	253.09 %
90 days adjusted	<u>247.64 %</u>	<u>264.52 %</u>	<u>196.40 %</u>	<u>235.85 %</u>
Position:				
15 days adjusted	33,642,714	1,163,711	14,006,141	1,363,464
30 days adjusted	41,830,561	1,121,096	20,929,201	1,098,547
60 days adjusted	49,657,180	1,033,123	31,872,904	1,107,138
90 days adjusted	68,309,394	1,014,776	37,198,403	1,081,446
Global (months)	<u>(12.89)</u>	<u>(58.00)</u>	<u>(78.88)</u>	<u>(33.83)</u>

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

### 36 Fair value of financial instruments

A summary of the fair value of financial instruments as of September 30, 2021 and December 31, 2020, is as follows:

	<u>September 30, 2021</u>		<u>December 31, 2020</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Financial assets				
Available funds	114,725,276	114,725,276	116,904,223	116,904,223
Investments, net (a) (b)	360,416,517	N/D	268,345,120	N/D
Loans portfolio, net (b)	335,776,185	N/D	304,242,709	N/D
Investments in shares, net (c)	<u>1,532,994</u>	<u>N/D</u>	<u>1,517,622</u>	<u>N/D</u>
	<u><b>812,450,972</b></u>	<u><b>114,725,276</b></u>	<u><b>691,009,674</b></u>	<u><b>116,904,223</b></u>

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**36 Fair value of financial instruments (continued)**

	<u>September 30, 2021</u>		<u>December 31, 2020</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Liabilities				
Customer deposits	480,183,501	N/D	408,635,013	N/D
Deposits from domestic and foreign financial institutions	25,424,483	N/D	23,529,307	N/D
Securities on repurchase agreements (b)	10,282,597	N/D	11,760,363	N/D
Borrowed funds (b)	40,746,544	N/D	45,474,177	N/D
Outstanding securities (b)	168,411,036	N/D	125,707,243	N/D
Subordinated debt	<u>27,139,302</u>	<u>29,511,181</u>	<u>27,835,883</u>	<u>29,511,181</u>
	<b><u>752,187,463</u></b>	<b><u>29,511,181</u></b>	<b><u>642,941,986</u></b>	<b><u>29,511,181</u></b>

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, 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\$37,639,311.

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 September 30, 2021 and 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.

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**36 Fair value of financial instruments (continued)**

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.

**37 Operations with related parties**

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

The most important operations and balances with related parties in accordance with the criteria established by the Regulation on Credit Limits to Related Parties as of September 30, 2021 and December 31, 2020, are as follows:

	<u>Current loans</u>	<u>Past due loans</u>	<u>Total</u>	<u>Collaterals</u>
<b>September 30, 2021</b>				
Related to ownership	40,845,802	-	40,845,802	1,430,010
Related to management	<u>17,377,767</u>	<u>174,064</u>	<u>17,551,831</u>	<u>9,945,106</u>
<b>December 31, 2020</b>				
Related to ownership	40,371,191	-	40,371,191	1,390,322
Related to management	<u>16,914,585</u>	<u>74,839</u>	<u>16,989,424</u>	<u>9,303,645</u>

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

As of September 30, 2021 and December 31, 2020, there are credits granted to contractors and suppliers of the Dominican State for approximately RD\$2,905,027 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.

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**37 Operations with related parties (continued)**

As of September 30, 2021 and December 31, 2020, loans related to the management of the Bank includes RD\$17,552,000 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 September 30, 2021 and December 31, 2020, include:

	<u>Balance</u>		<u>Effects on Revenues (Expenses)</u>	
	September 30, <u>2021</u>	December 31, <u>2020</u>	Nine month periods ended at September 30,	
			<u>2021</u>	<u>2020</u>
Available funds	81,469,305	88,208,660	-	-
Other investments in				
debt securities	147,319,771	144,807,355	4,082,560	5,475,319
Loans portfolio	40,845,802	40,371,191	2,852,197	3,888,878
Interests receivable	3,103,507	4,013,185	-	-
Customers' deposits -				
checking	106,460,428	76,000,755	229,153	79,164
Customers' deposits -				
saving	14,131,504	12,897,381	-	-
Outstanding securities	64,656,833	24,737,665	(908,193)	(1,363,343)
Accounts receivable	354,760	1,678,497	-	-
Other liabilities	<u>816,730</u>	<u>508,387</u>	<u>-</u>	<u>-</u>

Other transactions with identifiable related parties performed during the periods ended September 30, 2021 and December 31, 2020 include:

	<u>Balance</u>		<u>Effects on Revenues (Expenses)</u>	
	September 30, <u>2021</u>	December 31, <u>2020</u>	Nine month periods ended at September 30,	
			<u>2021</u>	<u>2020</u>
Loans portfolio	17,551,831	15,799,237	438,988	481,153
Accounts receivable to				
officers and employees	58,853	7,177	-	-
Other assets	174,387	293,264	(212,494)	(183,143)
Officers and employees				
deposits	<u>7,516,218</u>	<u>7,154,215</u>	<u>(163,835)</u>	<u>(159,063)</u>

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### 38 Pension fund

The Bank makes contributions to the following pension plans:

- a) A pension plan with defined benefits and other pension 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 1<sup>st</sup>, 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>2020</u>
Present value of obligations	
for past services	(16,687,872)
Net assets of the plan	<u>17,082,263</u>
Net position of the plan	<u><u>394,391</u></u>

The expense recognized during the periods of nine month ended at September 30, 2021 and 2020 RD\$925,561 and RD\$1,316,112, respectively, including extraordinary contributions of RD\$344,442 and RD\$542,969 at September 30, 2021 and 2020, respectively, 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 those years.

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



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**38 Pension fund (continued)**

*Actuarial assumptions*

As of September 30, 2021 and December 31, 2020, the principal actuarial assumptions and other basic information of the plan used in determining the actuarial liabilities, are as follows:

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

A summary of the number and amount of current pensions as of September 30, 2021 and December 31, 2020, is as follows:

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

- b) As of September 30, 2021 and December 31, 2020, the Bank maintains a provision for approximately RD\$957,442 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. 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, 2020, is as follows:

	<u>2020</u>
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	4.50 %

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**38 Pension fund (continued)**

*Actuarial assumptions (continued)*

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

**39 Non-monetary transactions**

Non-monetary transactions are as follows:

	<u>2021</u>	<u>2020</u>
Write-off of loan portfolio and interests receivable	4,097,461	1,608,547
Assets received in lieu of foreclosure of loans	797,169	1,445,257
Transfer between allowance for risky assets:		
Loan portfolio	2,255,537	(384,435)
Investments	10,018	(19,515)
Interests receivable	(818,196)	(99,600)
Assets received in lieu of foreclosure of loans	(1,447,359)	388,403
Contingencies	-	115,147
Sales of assets received in lieu of foreclosure of loans by new credit facilities	1,231,649	10,512
Property, furniture and equipment recognized as Expenses	-	101,801
Property, furniture and equipment recognized as accounts receivable	-	12,639
Property, furniture and equipment recognized as miscellaneous assets	-	118,953
Equity on earnings in associated companies	270,000	256,109
Transfers of net profit of the period to other equity reserves	-	6,240,231
Dividends paid by offsetting the debt of the Dominican Republic State's institutions:		
Equity-retained earnings from previous periods	-	1,686,609

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**40 Other disclosures****40.1 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, 2020. 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.

Due to the magnitude of this situation, which still remains in the national economy and whose impact presents high degrees of uncertainty due to changes in the global economy, the Bank has not been able to quantify the total amount of the effects that such subsequent events could produce in the future.

The most important measures adopted by the Bank and its subsidiaries to prevent the spread of COVID-19 pandemic among its employees include the following:

- ◆ Preventive dispatch of vulnerable personnel to their homes, as well as implementation of the remote work modality for approximately 50 % of employees.
- ◆ Adjustments to the hours of operation and gradual closure of branches and contact centers, according to requirements of the regulatory bodies and in accordance with the provisions of the Dominican State.
- ◆ Suspension of face-to-face, local and international training, as well as business trips.
- ◆ Hygienic and sanitary adaptation in the corporate building, branches and ATMs; which includes the placement of signs referring to the prevention of COVID-19 and the adjustment of social distancing measures in common spaces.

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

Through Circulars Nos. 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 1<sup>st</sup>, 2022 for the entry into force of these instructions.

*Graduality in the constitution of provisions*

The Monetary Board, through its Fourth Resolution, dated December 15, 2020, authorized the implementation of a regulatory treatment so that financial intermediation entities can gradually establish monthly, over a maximum period of 24 months that expires March 31, 2023, the allowances not recognized according to regulatory measures and corresponding to installments and interest receivable of loans determined as of March 31, 2021. An extension was granted from three to five years for the constitution of allowances for real estate recognized prior to December 31, 2020. This provision is transitory until December 31, 2022.

**41 Notes required from the Superintendence of Banks of the Dominican Republic**

Resolution No. 13-94 of the Superintendence of Banks of the Dominican Republic and its amendments sets the minimum disclosure requirements that the consolidated financial statements of financial institutions should include. As of September 30, 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.